



SCALE WITH SUSTAINABILITY

Underpinned by **Digitalisation**

for our customers, employees and stakeholders

ANNUAL REPORT **2020-21**



Board of Directors (as at March 31, 2021)

Mr. Arun Tiwari, Chairman
 Mr. Shanker Annaswamy
 Dr. T. T. Ram Mohan
 Mrs. Akila Krishnakumar
 Mr. Rajiv Agarwal
 Mr. Sanjay Asher
 Mrs. Bhavna Doshi
 Mr. Sumant Kathpalia, Managing Director & CEO

Company Secretary

Mr. Haresh K. Gajwani

Auditors

M/s. Haribhakti & Co. LLP
 Chartered Accountants
 705, Leela Business Park
 Andheri Kurla Road, Andheri (East)
 Mumbai 400 059.
 Tel: (022) 66729999
 Fax: (022) 66729777

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
 C 101, 247 Park
 L. B. S. Marg, Vikhroli (West)
 Mumbai – 400 083.
 Tel: (022) 49186280, 49186000
 Fax: (022) 49186060

Contents**Page No.**

Management Discussion and Analysis	028
Directors' Report	094
Corporate Governance	111
Annexures to the Reports	146
Independent Auditors' Report	164
Balance Sheet	172
Profit and Loss Account	173
Cash Flow Statement	174
Schedules	175
Significant Accounting Policies	181
Notes on Accounts	189
Disclosures under Basel III Capital Regulations	288
Balance Sheet in US Dollars	291
Branch Network	292
Notice of Annual General Meeting	i

Company CIN: L65191PN1994PLC076333

Registered Office

2401, Gen. Thimmayya Road
 (Cantonment)
 Pune – 411001.
 Tel: (020) 26234000 - 10

Corporate Office

8th Floor, Tower 1
 One World Centre
 841, Senapati Bapat Marg
 Elphinstone Road (West) Mumbai – 400013.
 Tel: (022) 30493999

Secretarial & Investor Services cell

Solitaire Corporate Park
 Building No. 7, Ground Floor
 167, Guru Hargovindji Marg
 Andheri (East), Mumbai – 400093.
 Tel: (022) 66412487 / 66412359

MESSAGE FROM THE MANAGING DIRECTOR

A digital future, built on sustainability



We will be committed to generating sustainable value for our stakeholders by following the triple bottom line approach



Dear Shareholders,

I want to start by wishing all of you and your loved ones good health. FY21 was an extraordinary year by any measure and it was a year of unprecedented challenges both at personal and professional levels. The year had a considerable amount of uncertainty with the virulent outbreak of COVID-19, followed by stricter lockdowns, bringing economic activities to a standstill. The Indian economy has shown great resilience towards the COVID-19 challenges and after reporting two-quarters of negative GDP, we saw a strong economic recovery in the 2nd half of FY 21. However, the economic recovery got interrupted by the 2nd wave of COVID-19. The economic impact of 2nd wave of COVID-19 has been severe but short term compared to last year. As the pandemic gets under control and the vaccination drive is lifting consumer and business confidence, economic recovery is expected to gain momentum as the year progresses. Measures announced by the Government of India and accommodative policies by RBI, will continue to boost the overall economic growth.

We, being part of the essential services, have to balance between customer convenience and the safety of our employees. We have accorded the highest priority to continuity of the services to our customers and the safety of our employees during the pandemic. IndusInd Bank has taken several significant steps in improving client experience including an "All-in-One store" in the IndusMobile App, Video Branch, Video KYC, Banking on WhatsApp and Alexa-based servicing, supported by Natural Language Processing. We have deployed a large scale Work From Home setup for over 15,000 staff. We have also conducted a large scale vaccination drive and over 40,000 i.e 70% of the employees in the Bank and our MFI subsidiary have received a minimum of one dose of vaccine.

It was my first financial year as the Managing Director and CEO of IndusInd Bank. We faced some internal and external challenges during the year. I can proudly say that the Bank has come out stronger from these challenges. If we look at some parameters indicating the health of the Bank, they are at their best levels in the last several years, if not in the decade. We closed the year with a capital adequacy ratio of 17.38%, surplus liquidity of Rs. 40,000 crores, Credit Deposit Ratio below 85%

with strong traction on retail deposits, PCR at 75% with significant buffer provisions outside PCR, operating profit margin at 6% of loans – all at their best levels in the last few years. We have used this year to strengthen our balance sheet and the Bank is well positioned to participate in the growth to follow in coming years.

During the financial year, the Bank also adopted its fifth 3-year (triennial) planning cycle for the period FY 2020-23. Planning Cycle-5 (PC-5) has "Scale with Sustainability" as a key theme and along with growth areas, the Bank has also defined boundaries relating to capital adequacy, provision coverage, stable funding sources etc. which will help achieve sustainable growth with stable profitability across the business cycles.

Our strategy revolves around improving the sustainability of the organisation. While traction on financial metrics is well covered, we have also progressed on non-financial aspects. With our commitment to sustainable finance, ~42% of our lending book constitutes Sustainable Finance – this includes Climate / Green Finance and Social Finance supporting livelihood, healthcare, education etc. We are committed to increasing capital allocation here and reaching this to 45% by 2023.

Regarding Sustainable Operations, IndusInd Bank has committed to reducing its carbon footprint by 50% by FY25 over the baseline of FY 20. The Bank has already, during FY21, reduced its intensity carbon emissions by 23% over baseline emissions of FY20.

As a result of these efforts,

- We are the only Indian Bank to be included in the S&P DJSI Sustainability Yearbook for 2021. The yearbook showcases select organisations that have progressed well on the sustainability aspects. It includes 21 Indian companies and we are the only Indian Bank amongst them
- For the 6th consecutive year, the Bank retained its top position in Carbon Disclosure Project by securing the highest Band A and being the only Bank in India in Band A Rankings
- IndusInd Bank was also ranked 57th out of 914 Global Banking Services companies assessed by Refinitiv ESG Rankings. The Bank was rated 78/100 by Refinitiv ESG Rankings for excellent ESG performance, commitment, effectiveness and a high degree of transparency in reporting material ESG data publicly

Next, I would like to come to the financial highlights for the year:

- We maintained healthy profit margins in a tough operating environment with PPOP/Loan ratio of 5.7%
- Our deposits saw handsome growth of 27% driven by granular retail deposits. Our retail deposits as defined by LCR grew by 53%
- We have moderated our loan growth in line with evolving macro environment. While we had 3% YoY loan book growth, the loan growth picked up in the 2nd half of FY 21 with 6% growth.
- We continued to have a healthy loan mix with 57% retail and 43% corporate advances
- Net interest income grew by 10% and our NIM remained range-bound between 4.1%-4.3%
- We have lowered our cost of deposit by 108bps during the year. We have further reduced our deposit rates in 1st half of FY 22 indicating our increased ability to attract retail deposits.
- With muted activity level during most part of the financial year, our fee income was marginally lower by 6%
- Following a conservative approach, we have taken higher provisions during the year as we have increased our PCR to 75% from 63% and created surplus contingent provisions of Rs. 1,600 crores (0.8% of advances)
- As a result, our profit after tax lowered by 34% at Rs. 2,930 crores and our ROA was 0.93%
- With capital raise of Rs. 5,309 crores, our CRAR increased to 17.38% from 15.04% and now our Bank is well capitalised to achieve the growth plans.

The Bank is deeply embedded in the community and plays an important role through its various Corporate Social Responsibility centric initiatives. We are proud of the ecosystem that we support, and the following few initiatives are a testament to this thought:

- The Bank, through its CSR initiatives has reached out to 64,000 villages and towns, thereby impacting the lives of over 19 lakh beneficiaries
- Provided accessible and affordable healthcare services to over 6.6 lakh people
- Groomed nearly 640 sportspersons to compete at national and international platforms across several disciplines
- Created water storage capacity of over 6,680 crore litres
- Planted about 2.2 lakh trees
- Implemented educational programmes that have benefited 92,770 students
- Imparted employable & entrepreneurial skill training to 1,209 young adults and entrepreneurs to generate income
- Mitigated 16 lakh kilograms of Carbon Dioxide emission through clean energy solutions

It is gratifying to see our work being acknowledged and rewarded at various reputed forums and platforms. In the last one year, the Bank was bestowed the following honours:

- “Most Innovative Company” for Multi-cloud platform in Business Impact Awards 2020 – Economic Times and VMware
- Silver Category in “Best Mobile Search Campaign” at the 11th India Digital Awards – Internet and Mobile Association of India
- 2020 APAC Innovation Award – RED HAT
- “Outstanding Response to COVID-19, Branchless Banking” at the Global Retail Banking Innovation Awards 2020 – The Digital Banker

Digitisation has always been the core theme in IndusInd Bank's strategy. While Digital 1.0 was about seamless, digital onboarding, servicing journeys and employee enablements, as we look into the

future, there are two clear shifts that we see happening:

- Banking is becoming more and more frictionless and invisible and it is critical for the Bank to be where the client is and embed itself in customer's lifestyle
- Customer experience and customer obsession will define competitive advantage in the long run and we need to move away from being product-centric to client-centric

With a focus on customer-centricity and human-centred design, the Bank is set to start its Digital 2.0 journey. The Bank has created a Digital Centre of Excellence and is taking a comprehensive view to deploy new-age digital platforms and build end-to-end digital client value propositions.

This includes:

- Re-inventing the experience layer by building end-to-end digital stacks with omni-channel capabilities across deposits, lending, payments and wealth
- API Orchestration and Management through Microservices-based stacks which enable a high degree of agility and ease and flexibility of integration with various partners making the Bank ready for API Banking or Open Banking or Platform Banking. A recent example of this is the launch of 'Indus EasyCredit' by the Bank
- Modernising the core stacks by moving to cloud-native, microservices-based API-enabled core stacks which enable a high degree of scalability and reliability
- Robust Data Engineering and Data Science Framework as we move to cloud-based data management and working on advanced analytics and machine learning led capabilities across use cases to drive client persona specific engagement, risk management, pricing and wallet share increase
- Overall, this year should see our vision on Digital 2.0 being implemented

We have created a Digital Centre of Excellence taking a comprehensive view to deploy new-age digital platforms and build an end-to-end digital value proposition. We are focused on 5 areas namely 1) Indus Easy Credit for unsecured retail loans, 2) Digital ecosystem for used vehicles, 3) Merchant solutions app, 4) Differentiated payments and finance solution for individuals, and 5) SME trade and credit stack. We will keep you updated on the progress of these five initiatives.

I think the Bank has shown strong resilience in facing heavy headwinds during last year. We have braved these and used this period to strengthen the Bank's strategic position. Now the only way hereon is up and there is a long growth runway for us and I am committed to improving the quantity and quality of our earnings. As a part of the overarching strategy of the Bank, the management team and I will focus on sustainability as a theme to drive long-term stakeholder value.

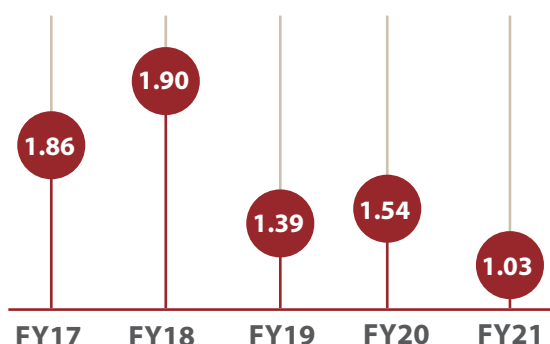
I would like to thank the regulatory authorities and agencies for their constant support. My sincere appreciation to my colleagues and members of the Board for guiding and supporting the management team in its endeavours. The Bank has an extremely strong franchise of **29 million customers** served by over **30,000 employees** today and I would like to acknowledge the support of our customers and our highly committed and capable workforce.

Sumant Kathpalia

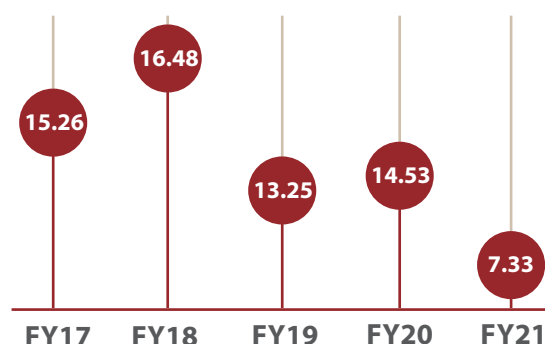
Managing Director & CEO

Stronger Fundamentals

RETURN ON ASSETS (%)



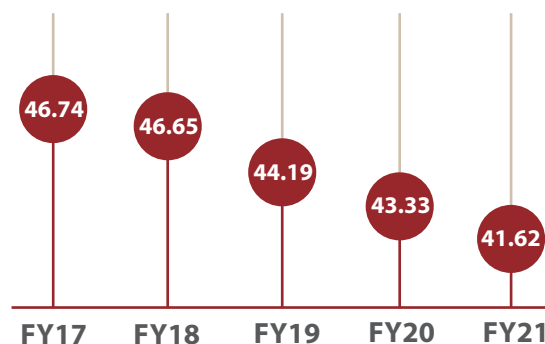
RETURN ON EQUITY (%)



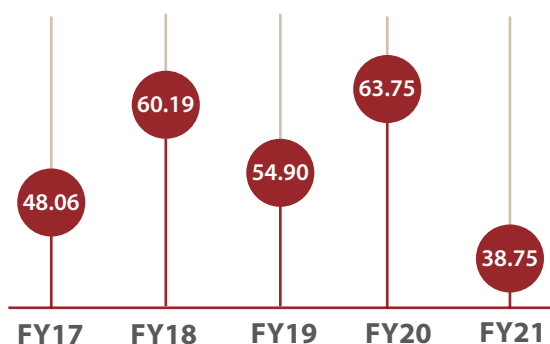
NET INTEREST MARGIN (%)



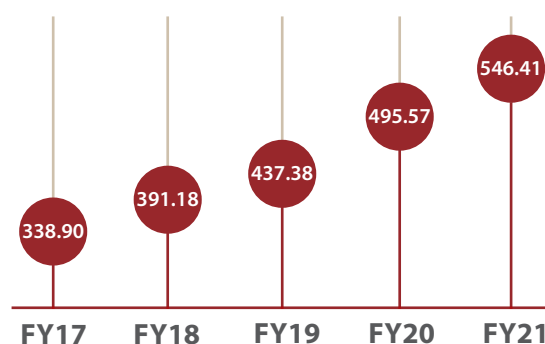
COST / INCOME (%)



EARNINGS PER SHARE (₹)



BOOK VALUE PER SHARE (₹)



Key Business Highlights

Net Profit at

₹2,836 Cr

Net Interest Margin at

4.17%

PPOP up by

8.86% to
₹11,727 Cr

PCR at

74.52%

Deposits up by

27% to
₹2,56,205 Cr

Capital Adequacy
Ratio (CAR) at

17.38%

CASA ratio at

42%

Book Value per share

₹546.41

Increased Network

2,015 Branches
ATMs **2,872**
760 Geographic
Locations

Ratings

Domestic Rating

CRISIL **AA+**

for Infra Bonds
program

CRISIL **AA**

for Additional Tier I
Bonds program

CRISIL **A1+**

for certificate of deposit/
short term FD program

IND **AA+**

for Senior bonds
program by India
Ratings and Research

IND **AA**

for Additional Tier I
Bonds program by
India Ratings and Research

IND **A1+**

for Short Term Debt
Instruments by India
Ratings and Research

International Ratings

Ba1 for Senior Unsecured MTN program by Moody's Investors Service



Board of Directors



Mr. Arun Tiwari
Chairman



Mr. Shanker Annaswamy
Director



Dr. T. T. Ram Mohan
Director



Mrs. Akila Krishnakumar
Director



Mr. Rajiv Agarwal
Director



Mr. Sanjay Asher
Director



Mrs. Bhavna Doshi
Director



Mr. Sumant Kathpalia
Managing Director & CEO

Management Team



Sumant Kathpalia
Managing Director & CEO



Arun Khurana
Deputy CEO & Head -
Global Markets, Transaction
Banking, Financial Institutions
and Public Sector



S.V. Zaregaonkar
Chief Financial Officer &
Head - Corporate Services



S.V. Parthasarathy
Head - Consumer Finance



Sanjeev Anand
Head - Commercial &
Rural Banking



Ramesh Ganesan
Head - Technology,
Corporate & Global Market
Operations



Zubin Mody
Chief Human
Resources Officer



Sanjay Mallik
Head - Investor Relations,
Strategy & Portfolio
Management
(Wholesale Banking)



Ramaswamy Meyyappan
Chief Risk Officer