

IndusInd Bank

**Empowering Innovation,
Unleashing Digitization**

Annual Report 2022-23



Empowering Innovation, Unleashing Digitization


Sustainability and innovation serve as catalysts for progress on the back of a digital-driven world. IndusInd Bank aims to re-imagine the banking experience by delivering tailored solutions, expanding the branch network, diversifying into new domains and establishing its relevance nationally and globally.

At the dawn of its 6th planning cycle, IndusInd Bank remains resolute in its mission to drive profitability through targeted strategies. The Bank sets its sights on the 3 Gs: Growth, Granularity, and Governance. Grounded in the belief in human ingenuity and the spirit of India, IndusInd Bank takes a bold and responsible approach to banking, embracing an ESG-focused perspective across the board and setting new benchmarks.

Growth is the great separator between those who succeed and those who do not. With consistency, responsibility and a spirit of innovation, IndusInd Bank challenges conventional norms to redefine the way the banking experience is perceived. Unleashing the potential of its Digital 2.0 strategy is the key to unlocking fresh dimensions of efficiency, accessibility and personalization - where diverse customer needs are catered to as they evolve with time.

IndusInd Bank has stood the test of time by embracing granularity in its business operations and unlocking profound insights that resonate with individual customer segments such as NRIs, affluent client and SMEs - with an aim to foster enduring relationships with all its stakeholders and expand its circle of influence to reach more people.

At the heart of organizational integrity lies sound corporate governance practices, placing greater emphasis and thrust on transparency & ethical conduct that safeguards trust and long-term success. With board-level involvement in environmental, social, and governance policies, IndusInd Bank embodies a sense of responsibility and accountability by leveraging its experience and domain knowledge to adapt to an ever-changing industry. As the digital era unfolds, IndusInd Bank is committed to empowering innovation and embracing digitization to drive transformative change for the larger ecosystem.



Contents

		02 About IndusInd Bank Limited	06 Message from the Managing Director
		04 Message from the Chairman	08 Key Highlights
	09 Visionary Leadership	14 At the Forefront of Digital Banking	22 Embedding ESG
	12 Key Performance Indicators	18 Social Initiatives	24 Business Overview
		32 Prioritizing People	38 Awards and Recognitions
		36 Branding and Marketing	40 Corporate Information
42 Management Discussion and Analysis	110 Report on Corporate Governance	174 Independent Auditors' Report	183 Profit and Loss Account
86 Directors' Report	144 Business Responsibility and Sustainability Report	182 Balance Sheet	184 Cash Flow Statement
186 Schedules	200 Notes on Accounts	288 Balance Sheet in US Dollars	290 Notice of Annual General Meeting
192 Significant Accounting Policies	287 Disclosure under Basel III Capital Regulations	289 Branch Network	



About IndusInd Bank Limited



Established in 1994 by a platform conceived and promoted by Late Mr. Srichand P Hinduja along with members of the Indian diaspora, the name 'IndusInd Bank' was inspired by the Indus Valley Civilization - one of the greatest cultural examples of a combination of innovation with sound business and trade practices. Over the years, IndusInd Bank has grown ceaselessly and dynamically driven by a zeal to offer its customers banking services at par with the highest quality standards in the industry.

Over an enriching journey of 28 years, IndusInd Bank has established itself as the favored provider and partner for over 34 million customers throughout the nation, with clientele including individuals, large corporations, various government entities, and PSUs. With an extensive network, the Bank's coverage encompasses 1,37,000 villages, ensuring accessibility to even the remotest areas. In addition, IndusInd Bank maintains representative offices in London, Dubai, and Abu Dhabi.

The Bank's array of products and services cater to both individuals and corporates. IndusInd Bank specializes in microfinance, personal loans, personal and commercial vehicle loans, credit cards, and SME loans. The Bank takes pride in its diverse offerings, ensuring that its customers' financial needs are met with precision, while exceeding their expectations and earning their trust.

Vision IndusInd Bank will be:

A relevant business and banking partner to its clients.

Engaged with all our stakeholders and will deliver sustainable and compliant growth and returns.

Customer-responsive, striving at all times to collaborate with clients in providing solutions for their banking needs.

A forerunner in the marketplace in terms of productivity, technology, efficiency and profitability.

A change agent for financial inclusion in India.

An equal opportunity and preferred employer.

Mission

We will consistently add value to all our stakeholders by enhancing the sustainability of the organization and emerge as India's most convenient Bank with financial metrics amongst the best in the industry.



IN LOVING MEMORY OF

Srichand Parmanand Hinduja

Nov 28, 1935 – May 17, 2023

There are a few champions of industry, who occasionally grace us with their presence and in their wake leave behind unparalleled benchmarks that can hardly ever be replicated. A straight-talking, forward-thinking, industry titan with spine & an institution by himself.

We at IndusInd Bank, owe our existence to SP – as Srichand Parmanand Hinduja was very fondly called globally. He conceptualized and laid the roots of IndusInd Bank in a day and age when the private sector was looked at with skepticism. It was his anchor role, way back in 1992-93, that marshalled financial support from NRIs and pooled those contributions into a broadbased institution which dreamt of IndusInd Bank Limited and that in its present avatar nourishes the dreams of millions of customers and entrepreneurs.

The patriarch of the Hinduja family and Chairman of the Hinduja group built one of the world's most successful business empires. Truly he was a global citizen, his business empire spread in 38 countries across multiple sectors.

As we come to terms with the irreparable loss of our seminal mentor, our abiding homage will be to take forward the legacy & values which SP stood for – and tread the path propelled by integrity, exceptional commitment and ethics. We must remain steadfast in our goal of creating an institution that Srichand Parmanand Hinduja would be proud of to have conceptualized and created.



Message from the Chairman

“Your Bank is deeply committed to delivering sustainable value to all its stakeholders, including customers, employees, and society at large.”



Dear Shareholders,

I am delighted to address you as we reflect upon the remarkable performance of IndusInd Bank Limited and navigate through the ever-evolving economic landscape. It is my privilege to present the annual report for FY2023.

A Dynamic Landscape

The global economic outlook remains both challenging and promising, as we emerge from a tumultuous year. We have witnessed stronger-than-expected growth in advanced economies despite multiple global shocks. Re-opening of the Chinese economy is also expected to aid global recovery. However, we anticipate muted global economic activity due to the lagged effects of last year's coordinated monetary tightening by major global central banks led by the US Federal Reserve. Recent stress in the banking sector of advanced economies is also likely to further tighten bank lending standards, adversely impacting credit supply and overall growth.

There are growing concerns in global financial markets over governance, sustainable growth, stability of markets and rapid technological evolution. Global regulators are closely monitoring the developments in Generative Artificial Intelligence and Machine Learning and its use or misuse. This mandates urgent reskilling of market players, regulators and policy makers. The extant climate crises require significant investment in sustainable finance for mitigation, adaptation and building resilience.

The extreme volatility of interest rates has a direct impact on domestic markets and also leaves repercussions on international markets. Emergent risks from crypto need global consensus on issues around property rights, custody, transfer, and valuation. Apart from this, concerns also stand tall around the lack of regulatory supervision and crypto insolvency, exponentially compounding risks for financial regulators. These risks and fast emerging technological developments, including Artificial Intelligence, defy sovereign boundaries and sectoral silos. Managing the growing milieu of “Known Risks” in addition to potential cyber threats and more importantly the new universal “Unknown Risks” requires an urgent need to forge a global consensus and institutional cooperation that transcends geographical boundaries.

India's increasing global credibility and stature make it a potential leader in establishing an international regulatory alliance to create a more modern global regulatory framework that considers the interests of Emerging Economies and the Global South. The opportunity presented by India's presidency of the G20 in 2023 allows for the building of consensus in a world currently marked by polarized divisions. If successful, this initiative could have significant positive consequences on a global scale.

Amidst the challenges, central banks and authorities have taken decisive action to mitigate the impact on the broader financial system and emerging economies. While global inflation is easing from its peak last year, core inflation persists in several developed economies, nudging central banks to remain watchful. In fact, inflation is projected to remain above targets in many countries throughout 2023 and 2024. Moreover, subdued demand and the shift from goods to services are dampening global trade. Compounding these issues are protracted geopolitical tensions and divergent global positions on multilateral matters, which increase the risks of geo-economic fragmentation and impact international capital flows.

In this global backdrop, the Indian economy shines as a beacon of hope. The real GDP growth is projected to be in the range of 6 to 6.5% this fiscal year, contributing over 15% to global growth,



according to the International Monetary Fund (IMF) projections. Although growth in India is expected to be moderate compared to the previous fiscal year's 7.2%, the impact of tighter financial conditions is expected to be felt in the second half. Nevertheless, the ongoing recovery in the services sector, resurgence in rural demand robust consumption outlook and improved conditions for capital formation and investments from public and private sources, will support strong growth.

Looking Ahead with Confidence

While private consumption growth may witness a temporary weakness in some sectors, we anticipate an overall sustained improvement in consumer sentiment due to a steady pickup in employment and other macroeconomic factors. The strength of rural consumption recovery hinges on the outcome of monsoons, which are predicted to be normal, although some uncertainty remains due to El Nino. The easing of CPI inflation over the year, to around 5% in FY2024 from 6.7% in FY2023, will provide support to consumption as well. Government capital expenditure (CapEx) will play a critical role in driving capital formation, with a substantial increase in budgeted capital spending during FY2024. The moderation in commodity prices, the government's focus on CapEx, healthy balance sheets of banks and corporates, and robust credit growth will foster private investment activity. Encouragingly, RBI's enterprise surveys indicate higher investment intentions of manufacturing companies during the year. The economic outlook for India is promising, relative to most other leading economies.

Robust Performance

IndusInd Bank continues to deliver robust performance and this was seen in outcomes of the recently concluded 3-year Planning Cycle 5 (PC-5 over FY2020-23). The key balance sheet metrics in terms of capital adequacy, liquidity, retail deposit mobilisation, provision coverages etc. are at their healthiest levels in the past several years. Having achieved the balance sheet strengthening, the Bank cautiously moved on to accelerating growth.

This is reflected in the Balance Sheet footage of ₹4,57,837 crores (14% Y-o-Y growth), deposits of ₹3,36,120 crores (15% Y-o-Y increase) and loans of ₹2,89,924 crores (21% Y-o-Y increase) as of March 2023. As a consequence, the Bank's Total Income stood at ₹44,541 crores, compared to ₹38,167 crores in the previous year. Operating expenses were ₹11,346 crores, and Pre-Provision Operating Profit rose to ₹14,419 crores. Net Profit soared to ₹7,443 crores (55% Y-o-Y increase).

The Bank has now also announced a strategy for the next Planning Cycle 6 (PC-6) spanning FY2023-26. The PC-6 strategy is **"Market Share with Diversification"** with a focus on **Growth, Granularity and Governance**. The strategy will be executed through continuing Retailization of deposits, diversifying areas of domain expertise, scaling sub-scale businesses, accelerating Digital initiatives and delivering value to our esteemed customers, while continuously imbibing ESG principles in the businesses. Bank believes the current operating environment is conducive to sturdy growth and thus confident of achieving the ambitions laid out in the PC-6 strategy.

Resilience in the Face of Challenges

While we embrace the healthy growth outlook, we remain cognizant of the persistent risks. Weak external demand, geo-economic fragmentation impacting trade and capital flows, and protracted geopolitical tensions pose challenges. However, we believe that the risks to growth are balanced, with strong domestic drivers sustaining growth while a challenging global economic environment acts as a headwind.

Our macroeconomic stability, characterized by easing inflation, manageable external financing requirements, strong external buffers, including adequate foreign exchange reserves, and a stable policy environment, provides a solid foundation to complement our domestic growth impulses. In this dynamic environment, I take pride in highlighting the resilience of IndusInd Bank.

A Better Future in Mind

IndusInd Bank is actively expanding its ESG impact throughout its operations. We are proud to announce that IndusInd Bank has been recognized as the 'Best Bank in India for ESG-FY2023' by Asiamoney for the second consecutive year, affirming our commitment to sustainability and responsible banking practices. We have embedded ESG principles throughout our business, launching products that promote sustainability across sectors such as Retail Banking, Corporate Banking, CFD, Digital Banking and Microfinance. With integrated ESG risk assessments and a board-approved policy and governance system, we prioritize ethical practices and responsible lending while monitoring exposure to high ESG risk industries.

IndusInd Bank is the sole Indian bank chosen for the TNFD (Task Force on Nature-related Financial Disclosures) Pilot program, showcasing our dedication to managing biodiversity-related risks. Our goal is to become a carbon-neutral Bank by 2032, with all PIONEER branches now LEED certified. Inclusive practices extend beyond our internal operations, as evidenced by the launch of all-women branches, the employment of neurologically diverse individuals, and a board composition that promotes gender equality. We ensure credibility and reliability in our sustainability reporting by aligning our policies with the latest ESG trends and obtaining third-party assurance.

As we move forward, your Bank remains steadfastly dedicated to its core values of trust, transparency and excellence. We are focused on continuously strengthening our corporate governance practices, effectively managing risks, building the highest levels of compliance, fair and ethical practices within the Bank. Given fast-evolving market opportunities, risks and global technological changes, the Bank is fully prepared to respond with alacrity and dexterity. We recognize the need to constantly reskill our 38,179 highly talented and enthusiastic employees who adroitly adapt to market changes. I am delighted to say that your Bank was certified as a "Great Place to Work" by the Great Place to Work Institute® a reputed global body involved in the assessment of company culture and people practices across sectors and countries. We stay fully committed to building an ethos that cherishes diversity, strong core values and integrity of purpose.

Your Bank is deeply committed to delivering sustainable value to all its stakeholders, including customers, employees, and society at large.

I extend my heartfelt gratitude to our esteemed shareholders, loyal customers, dedicated employees, regulators and all supportive stakeholders for their unwavering trust and support. Together, we shall navigate the fast-evolving landscape, overcome challenges, and expeditiously seize new opportunities to drive the growth and success of IndusInd Bank.

With warm regards,

Sunil Mehta

Chairman



Message from the Managing Director

Dear Shareholders,

India's vast and relatively underserved markets exemplify the untapped growth opportunity and, to no one's surprise, are attracting investors from foreign and domestic shores alike, in an otherwise challenging global economic outlook. It is a testament to India's and Indians' resiliency and optimism that the likes of the International Monetary Fund, the World Bank and the Asian Development Bank have all pegged India's economic growth rate in the range of 5.9% to 6.4%, well ahead of other developing as well as developed economies. There is much to cherish within the Indian business ecosystem considering the thriving appetite for capital, and healthy bank credit offtake rate. In the fiscal year that ended March 2023, bank credit grew at a rate of 15% as opposed to 9.6% in FY2021.

Without any doubt, India's robust position in the global economy is well-earned. This is supported by the government's increased focus on capital spending, especially in infrastructure projects, along with higher domestic consumption and rising wages in rural areas. India is expected to continue to deliver in the backdrop of the persistent volatility in the external world. The external challenges include a global financial ecosystem geared towards tightening, elevated inflation levels across economies, and protracted geopolitical uncertainties. Last but not the least, recent instances of banking instabilities stemming in the developed economies of the USA and Switzerland reinforce the importance of governance and conservative balance sheet management. One must appreciate the banking regulator, RBI, for effectively ring-fencing the banking ecosystem, and preventing build-up of financial vulnerabilities.

One of the biggest goals a CEO envisages for running a multi-dimensional, multi-faceted bank like ours is innovation and synergy encompassing all operations, which are neatly manifested in diversified portfolios and the spread of digital banking. Furthermore, we are deeply committed to integrating Environmental, Social, and Governance (ESG) principles into our operations, aligning our business strategy with sustainable development.

The FY2023 proved to be another successful year, with the Bank delivering stronger NII's, healthy NIMs, and net profit levels that - given the overwhelmingly positive outlook for the banking ecosystem - are expected to trend upwards. As the FY ended on a high note, it certainly set the stage for an ambitious FY2024.

Performance Highlights:

Key Financial Metrics:

Over the last year, our loan book has leapfrogged by 21% to ₹2.89 lakh crores, supported by deposit growth of 15% to ₹3.36 lakh crores. Working in our favour is the fact that our loan mix is tilted towards the granular retail borrower comprising 54% of loans, whereas 46% of the loan portfolio is accounted for by the wholesale segment.

Our balance sheet is stronger than ever before, with adequate capital adequacy and contingency buffers. The Bank had comfortable liquidity with LCR of 123% and strong CRAR of 17.86%. Our net NPA has reduced by 5 bps with PCR of 71%, whereas the NIM improved to 4.25% on a year-on-year basis. The Bank's core fee income has also grown by 27% on a Y-o-Y basis, indicating that momentum is being maintained and will likely maintain a healthy pace moving ahead. The Bank continues to scale up new initiatives with affluent deposits at ₹42,900 crores, growing by 23% Y-o-Y and NRI deposits at ₹34,300 crores, growing by 28% Y-o-Y.

“We anticipate that a meaningful part of our business will come from digital channels across retail individuals and micro and small enterprises in the next three years.”





In FY2023, we also reported consistent improvement in return ratios, with Q4 exit ROA at 1.90% and ROE at 15.26%. Our net profit at ₹7,443 crores scaled up by 55% on a year-on-year basis.

Customer Base:

The Bank has over 34 million customers, with close to 2,606 Branches/Banking Outlets and 2,878 ATMs spread across geographical locations of the country and covering 1,37,000 villages. In FY2023, we prioritized deposit growth by incentivizing granular retail deposits to create a stable and cost-efficient deposit book. Currently, our CASA ratio stands at 40%, while retail deposits, according to LCR, grew by 19% Y-o-Y, making up 43% of our total deposits.

Digital Innovation:

We are marching ahead on the technology front, conscious of the competition posed by our banking sector peers but also egged on by the responsive innovation agenda we demand from ourselves. With our sight set high on digital innovation, we have adopted and executed the 5th Planning Cycle for the bank and are re-imagining our existing technology firmament to create the next-generation bank. Our customized solutions – Indus Easy Credit, UPI Pre-Paid voucher, and applications designed specifically for merchants, SMEs and corporates, are all being widely used by the targeted customer base, signalling that the Bank's digital foundation is firmly secured.

New Growth Areas:

In the realm of digital banking, we foresee a fundamental transformation over the next few years. We anticipate that a meaningful part of our business will come from digital channels across retail individuals and micro and small enterprises in the next three years. In the coming months, the Bank will also be launching INDIE, a revolutionary new way to bank, marking the first of many digital initiatives.

Our NRI business segment has seen a significant surge. With our market share in NRI liabilities rising from 1.58% in March 2019 to 3.1% as of March 2023, we aim to reach a 5% market share by the end of the current planning cycle. To cater to our NRI customers, we have enhanced our digital offerings. This includes a multi-partner remittance platform, Indus Fast Remit, and cross-border product offerings through our IFSC GIFT City branch.

Our PIONEER Banking segment is on a high growth trajectory. We are poised to double the business in three years. As part of our expansion plan, we aim to grow to over 40 PIONEER branches by 2026 and launch PIONEER Private to cater to the top end of this segment.

In the microfinance sector, our commitment is to create self-employment opportunities and provide access to financial services for the underserved. We are transitioning from "Micro lender to Micro Banker", driving the financial inclusion agenda of the government, and taking up various customer awareness programs for Financial Literacy and Fraud Prevention.

Our mortgage business, which includes Loan Against Property and Prime Home Loans, gathered momentum in FY2023. We saw a 39% increase in annual disbursements and a 10% increase in the book for Loan Against Property. We also commenced our Prime Home Loan business during the year, with a closing book for FY2023 at ₹383 crores. We plan to embark on a scale up trajectory in the next financial year.

Sustainability:

At the heart of IndusInd Bank is our unwavering commitment to weave sustainability into every facet of our operations. To promote greater thrust on ESG (Environmental, Social, and Governance) linked products, we are launching a series of ESG-linked products and initiatives. We are committed to strong ESG practices and have fully integrated ESG Risk assessment into our Credit Risk assessment. Our efforts are well acknowledged and I am happy to share that

we have once again scored amongst the highest ranks for private sector banks from 2 marquee international rating agencies – Carbon Disclosure Projects (CDP) and S&P Global Rankings. We won another prestigious global recognition and got ranked as the 'Market leader' for ESG in India by Euromoney for FY2022.

Winning Prestigious Reviews:

Those who have been observing our growth know that we have bagged the pick of technology awards in the last couple of years, be it the Celent Model Bank Award in 2022 or Finacle Innovation Award in 2021 or VMware Customer Excellence Award in 2021.

Further, our work in the banking ecosystem is being recognized at numerous forums, and we have been bagging several awards, such as:

'Governance Now' Award for the 'SME Connect' category

Escorts Kubota Ltd. recently awarded IndusInd Bank – TFE Team for being the Number 1 Financier for 2 consecutive Financial years.

IndusInd Bank won the Best CIO award at the recently concluded Bharat FinTech Summit 2023.

Our Bank has been awarded the 'Great Place to Work' certification, where the Bank was evaluated on parameters of Credibility, Fairness, Respect, Pride & Camaraderie. The Bank received this recognition in its very first attempt.

Looking Ahead:

I am happy to share our Planning Cycle 6 strategy for the next three years' period till FY2026. Our focus is clear towards Growth, building Granularity with relentless focus on Governance i.e., 3G, in short. The strategy for PC-6 is 'Market Share with Diversification' where we will aim to maintain or gain market share in key businesses while building diversification in certain areas to improve risk-adjusted return profile of the Bank. We have outlined the themes driving our strategy: 1) Continuing the Retailization Journey, 2) Diversifying Domains, 3) Scaling Sub-Scale Businesses, 4) Accelerating Digital 2.0 and 5) Imbibing ESG into Business.

Overall, the PC-6 strategy is aligned towards the Bank's long term goal of delivering 'Sustainable Growth' and with multiple initiatives in place the Bank is well-equipped to progress towards strategic goals and drive long-term stakeholder value.

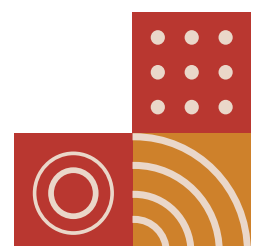
I believe that IndusInd Bank is poised for accelerating growth in Planning Cycle 6. As banking credit offtake continues to remain robust along with cyclical recovery in the Bank's large businesses, IndusInd Bank is well positioned to benefit from the country's robust growth outlook. Our strategic roadmap involves strengthening our core banking capabilities, expanding our digital prowess, and harnessing the potential of strategic partnerships. Prioritizing risk management and maintaining governance standards will remain at the forefront. We see immense potential in our Digital, PIONEER, NRI business, Mortgages and MFI business segments. We aim to leverage our strengths in these areas to drive growth and deliver superior value to our stakeholders.

We stand firm in our commitment to all stakeholders. With a strategic direction and resilient business model, we are confident of achieving our objectives and creating shared value.

Your continued support is deeply appreciated as we navigate this exciting journey together.

Sumant Kathpalia

Managing Director & CEO





Key Highlights



2,606
Branches



2,878
ATMs



Covering
1,37,000
Villages



Across
21
States

Performance (Standalone)



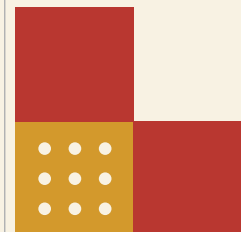
₹7,390
crore
Net profit



4.27%
Net interest
margin



Pre-provision
operating profit
up by **12%** to
₹14,346 crore



17.86%
Capital
adequacy Ratio



Deposit up by
15% to
₹3,36,438
crore



40%
CASA ratio



71%
Provision
coverage
ratio

Ratings

Domestic Rating

CRISIL AA +

for Infrastructure
Bonds Program/
Tier 2 Bonds

CRISIL A1+

for Certificate of Deposits
Program / Short term
FD Program

IND AA

for Additional Tier 1
Bonds Program by India
Ratings and Research

CRISIL AA

for Additional Tier 1
Bonds Program

IND AA+

for Senior Bonds Program/
Tier 2 Bonds by India
Ratings and Research

CARE A1+

for Certificate of Deposits

International Rating

Ba1

for Senior Unsecured MTN
Programme by
Moody's Investors Service

