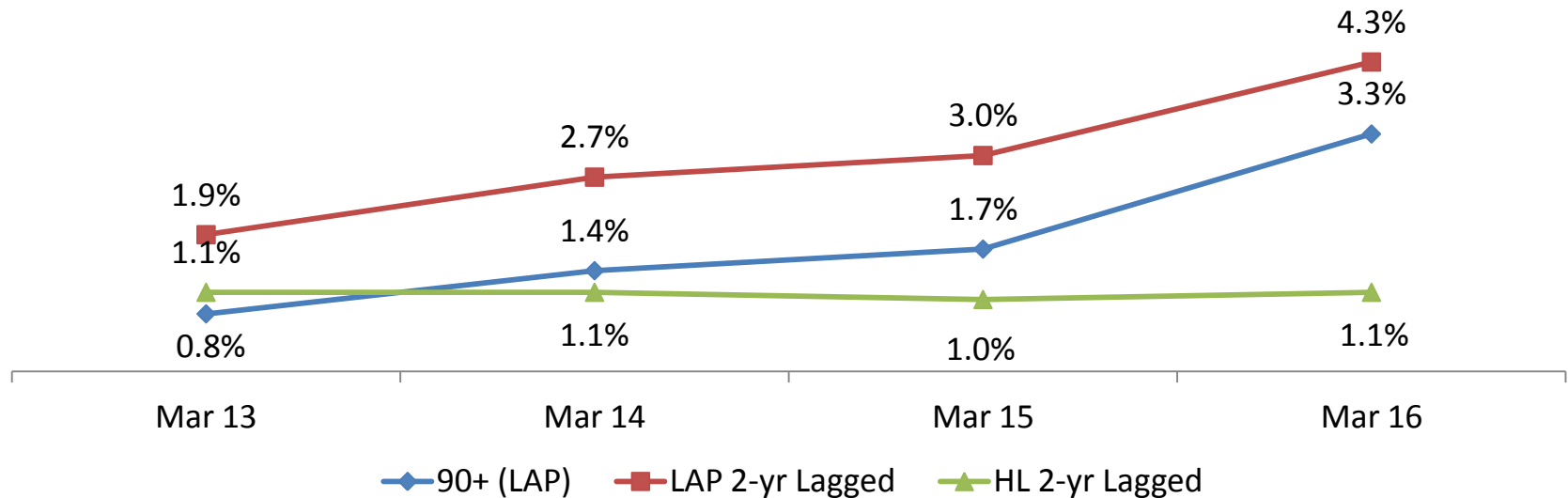


Loan Against Property Portfolio

Concern in LAP Portfolio at Industry Level



Source: Leading Rating Agency Data

- Ticket sizes are increasing
- LTVs (Loan to value) are rising
- Funding against non-residential property is increasing
- Large volume of balance transfers masks true delinquency

	Outstanding LAP Portfolio [^] (₹ Bn)	90+ days past due %
Total	2,364	2.4%
Indiabulls Housing Finance	175	0.3%
Private Banks	586	1.0%
Public Sector Banks	272	4.2%
NBFC	701	3.0%
HFC (includes IBHFL)	649	1.9%
Others	156	4.1%

Source: Credit Bureau of India Limited (CIBIL) data, June 2016

[^] Data is for individual non-housing loan mortgage loans

IBHFL data is company information

Portfolio Performance that is Externally Validated

Quality and performance of 74% of the entire LAP portfolio and 100% of all incremental loans FY16 onwards is externally validated at an account level

	Portfolio Size (₹ Bn)	Average MoB (months)	90+DPD % of POS	% of Portfolio
Total LAP Portfolio	182.3	25.1	0.32%	100.0%
Sourced since Apr 15	83.5	7.6	0.01%	45.8%
Pre-Apr 15 Portfolio	98.8	39.8	0.58%	54.2%
Total Sold Down Pool	41.9	32.2	0.04%	23.0%
<i>covered in pool performance publications</i>	6.0	51.0	0.10%	3.3%
<i>'Direct Assignment(DA)' pools published by CARE</i>	10.3	42.5	0.08%	5.6%
<i>DA pools sold down in last 18 months</i>	25.6	23.6	0.02%	14.0%
Pools in Process of Being Sold	10.0	13.2	-	5.5%
Remainder Portfolio	46.9	52.3	1.18%	25.7%

Case level LAP grading by rating agencies: CRISIL and ICRA

Pool performance publication of respective Rating Agencies

Direct Assignment pool performance monitoring by CARE

Recently sold down pools

Pools that will be sold down in Q3FY17 being vetted by investors and rating agencies

MoB: Months on book, indicates vintage LAP: Loan Against Property

DPD: Days past due

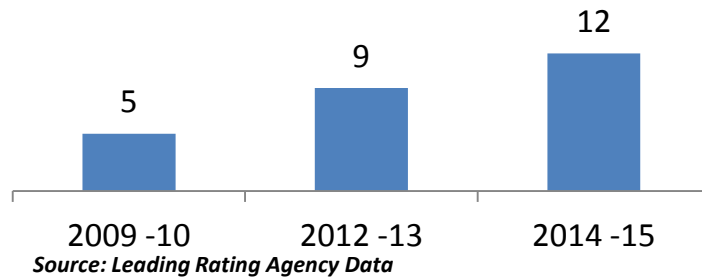
POS: Principal outstanding

Data as of 30-Sep-16

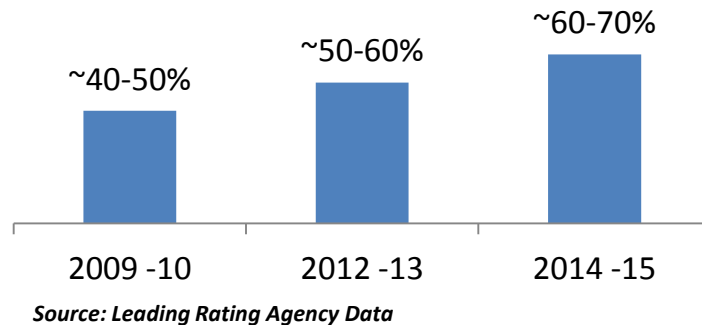
How is Indiabulls' LAP Different?

Industry

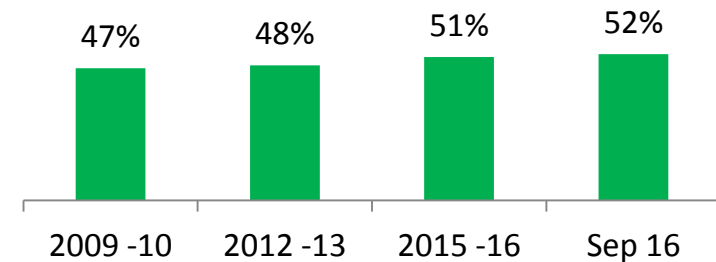
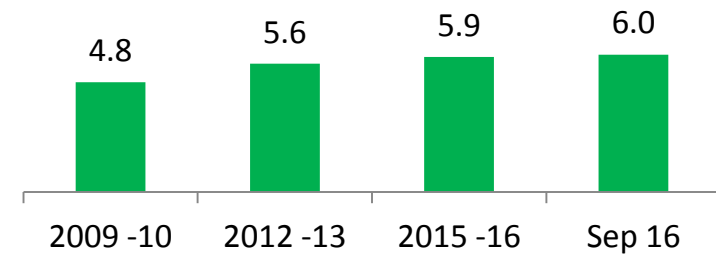
Median Ticket Size (₹ Mn)



Loan to Value (LTV)



Indiabulls Housing Finance



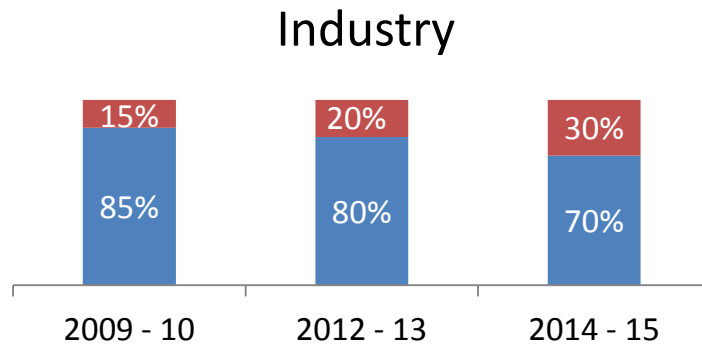
Industry-level concern: one-third of incremental lending is either high-ticket (> ₹20 Mn) or high LTV (>65%)

Indiabulls Housing:

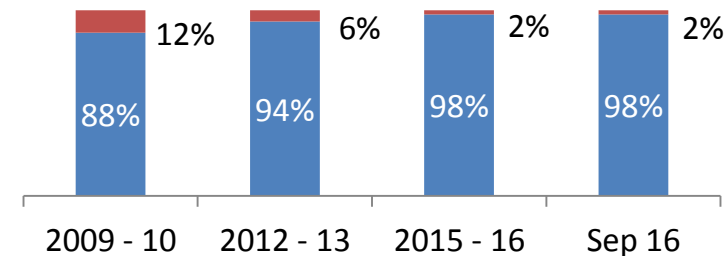
- Median ticket sizes have only moderately increased, roughly in line with inflation
- LTVs have remained stable
- Incremental sourcing where ticket size is > 20 Mn and/or LTV is greater than 65% is only 17% compared to 30%+ for the industry

How is Indiabulls' LAP Different?

Share of Commercial Property



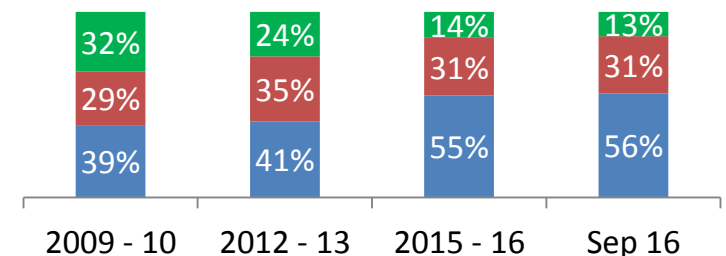
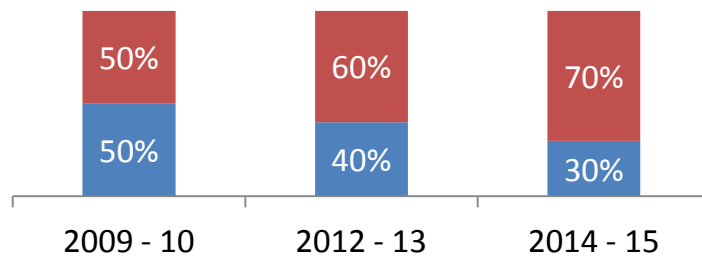
Indiabulls Housing Finance



■ Residential ■ Commercial
Source: Leading Rating Agency Data

■ Residential ■ Commercial

Share of Intermediaries



■ In-house ■ Third Party
Source: Leading Rating Agency Data

■ In-house ■ Connectors ■ DSA's
DSA: Direct Selling Agents

Industry-level concern

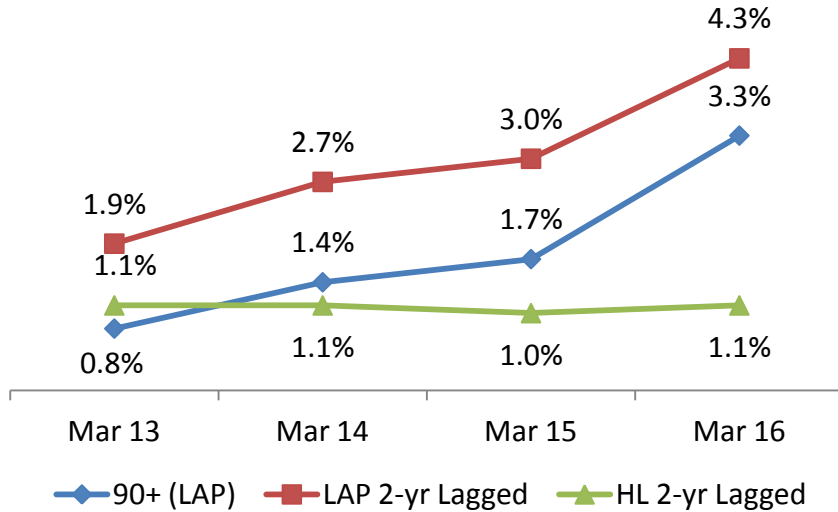
- Share of residential collateral decreasing
- Share of intermediaries increasing reducing control on credit and pushing up balance transfers

Indiabulls Housing Finance

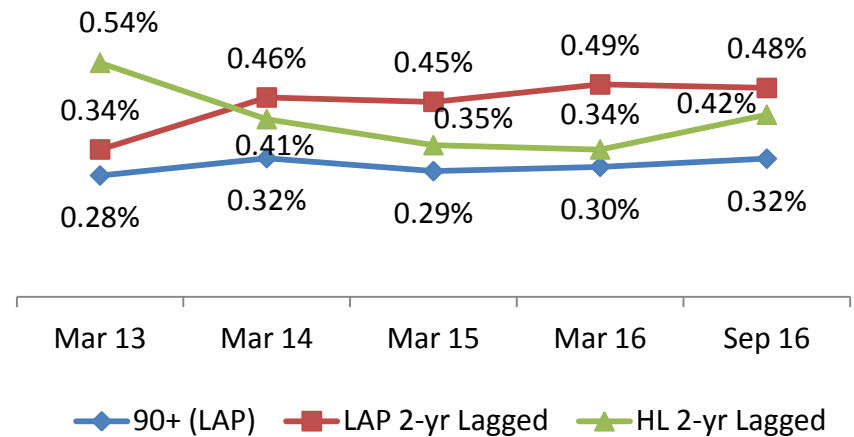
- Credit standards have not been diluted
- Strength of portfolio relies on funding against residential property for productive deployment in business
- Large direct sales team (DST) originally built up for housing loans is increasingly also sourcing LAP

Evident in Portfolio Performance

Industry



Indiabulls Housing Finance



Source: Leading Rating Agency Data

Industry-level concern: LAP 2-year lagged delinquencies steeply increasing and is almost 4x that of housing loans

Indiabulls Housing:

- 2-year lagged delinquency for LAP is stable and only marginally higher than that of housing loans

Conservative Loan Against Property Profile

Average Loan Size	₹ 7.3 Mn
Maximum Loan to Value	65%
Average Loan to Value	49% (at origination)
Average Loan Term	7 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing
Basis of Credit Appraisal	Business Cash flow analysis based

Loan Against Property Myths

LAP Myth 1: LAP loans' credit appraisal is mainly asset value based

- IBHFL LAP loans are underwritten on a cash flow based appraisal model
- **First of its kind initiative in India: IBHFL enters into a LAP grading engagement with CRISIL (a Standard and Poor's Company) and ICRA (a Moody's Investors Service Company)**
 - CRISIL grades the loans on aspects such as past payment track record; nature of business and financial parameters; nature of property; and loan attributes like ticket size, sourcing channel, lending scheme, loan tenure, etc.
 - ICRA grades the loans on aspects such as financial strength; business and management; collateral strength quality and enforceability; and attributes of the loan itself
 - Engagement with CRISIL was initiated in Q1FY16 and ICRA in Q2FY16
- **Concurrent grading by multiple rating agencies**
 - Offers IBHFL a broader and deeper perspective and a means to further improve loan portfolio
 - Rating agencies are important stakeholders: exercise will increase comfort and transparency on the asset class
- **Grading exercise will build into a comprehensive risk model**
 - Portfolio performance and delinquency will be tracked against loan grades
 - Proactive customer management: retention, upsell/ cross-sell, delinquency management
 - Learnings will feed back to improve loan underwriting and continuously upgrade lending policy

CRISIL LAP Grading Methodology

Detailed assessment of key factors determining credit worthiness

Financial Strength	Business Management
<ul style="list-style-type: none"> • Interest and debt service cover • Revenues, margin and profitability • Networth and leverage • Growth track of key financial parameters 	<ul style="list-style-type: none"> • Business sector and sectoral prospects • Business duration and track record • Debt service track record • Experience and qualification of promoters and proprietors • Management strength and experience
Collateral Quality	Underwriting Process Adherence
<ul style="list-style-type: none"> • Property type and location • Valuation of property • Ownership and title chain of property • Adherence to local zoning and planning permissions 	<ul style="list-style-type: none"> • Independent verification and valuation • Third party database checks <ul style="list-style-type: none"> – CERSAI – Registrar of companies – Credit bureau checks – CIBIL mortgage checks – RBI willful defaulter list – Experian Hunter fraud check

Grading			Segment Characteristics			
Grading Scale	Quality of LAP Loans [#]	Disbursals Apr 15 – Sep 16	Interest Service Coverage Ratio (ISCR)	Total Outstanding Liabilities/ Total Networth	Loan to Value (LTV)	EBITDA Margins
LAP1	Highest	8.90%	11.3 – 13.8	1.4 – 1.6	48%	14% – 17%
LAP2	High	80.96%	11.0 – 13.6	2.2 – 2.4	48%	12% – 15%
LAP3	Average	9.48%	12.6 – 15.7	2.9 – 3.1	52%	9% – 12%
LAP4	Below Average	0.27%	13.4 – 15.3	1.1 – 1.2	47%	14% – 17%
LAP5	Poor	0.39%	8.4 – 9.7	1.7 – 1.9	45%	14% - 16%

99% of incremental LAP loans are within the top three grades

- Incremental LAP loans from FY16 onwards are graded by CRISIL Ratings
- Grading is based on customized scale developed by CRISIL Ratings for IBHFL's LAP loans to small business owners
- CRISIL grades the loans on aspects such as financial strength; business and management; collateral; and underwriting process

**CRISIL LAP grading engagement began in Q1FY16 and up till the publication of this earnings update, CRISIL had graded 74% of the disbursals from Apr15 to Sep16*

Adjudged by CRISIL in relation to other LAP loans extended to other borrowers

ICRA LAP Grading Methodology

(2nd rating agency to grade LAP loans)

- In Q2 FY 2015-16, IBHFL tied up with rating agency ICRA to grade its incremental LAP loans
- ICRA LAP Grading reflects ICRA's assessment of the credit quality of the loan on a ICRA developed customised scale

Grading Assessment Parameters

Business and Business Owner

- Fixed obligation to income ratio (FOIR)
- Past payment track record
- Credit bureau check
- Nature of business and financial parameters
- Due diligence checks
 - Field credit investigation
 - Personal discussion
 - Reference checks

Collateral Quality and Enforceability

- Loan to value ratio (LTV)
- Nature of property
 - Residential
 - Commercial
- Usage of property
 - Self occupied
 - Rented
 - Vacant
- Property location
- Quality of construction
- Adherence to sanction plans

Loan Attributes

- Ticket Size
- Sourcing channel
- Lending scheme
- Loan tenure

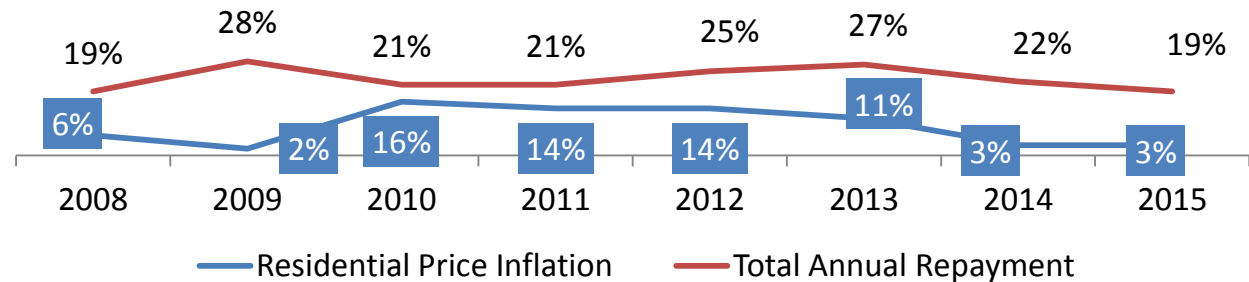
Grading			Characteristics	
Grading Scale	Level of credit worthiness	Grading Distribution	Median LTV	Median FOIR
LAP1	Excellent	14.8%	25%	33%
LAP2	Good	67.3%	49%	48%
LAP3	Average	17.7%	62%	59%
LAP4	Below Average	0.2%	61%	66%
LAP5	Inadequate	-	-	-

Over 99% of incremental LAP loans are within the top three grades

- Incremental LAP loans from FY16 onwards are graded by ICRA
- Grading is based on customized scale developed by ICRA for IBHFL's LAP loans to small business owners
- ICRA grades the loans on aspects such as business and business owner quality; collateral quality enforceability; and loan strengths

Loan Against Property Myths

LAP Myth 2: Asset inflation is mainly responsible for LAP portfolio quality



Residential price inflation is from NHB Residex weighed with population of constituent cities

3-Year Amortization Experience for IBHFL	
Contracted Amortization	23%
Actual Amortization	51%

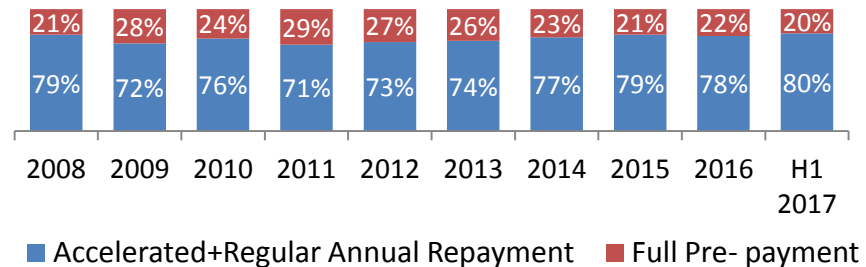
Fluctuation in property price inflation has no direct correlation with the repayment capability of LAP borrowers

LAP Myth 3: Real Estate Price Deflation will Inflate LTVs

	At Disbursal	2 Years Later	
Property Value	100	70	Price deflation by 30% over 2 years
Loan Amount	50	32	Repayment of 20% per annum
LTV ²	50%	46%	Real LTV

- Assuming an extreme case 30% price deflation over a two year period, repayment rate of 20% per annum will mean that actual LTV will not rise

LAP Myth 4: Refinance drives LAP repayment rates



- Full pre-payment, a proxy for refinance, has been low
- An average of 76% of repayments are from clients' business cash flows, not from loans being refinanced

NHB: National Housing Bank, sector regulator for housing finance institutions
LTV: Loan to value

Static Performance of LAP Portfolio

- Two cycles are through for the LAP product where average repayment period is about 4 years
- Pre-FY11 LAP portfolio has amortised 88%, is of 6 years' vintage with 90+DPD^{4%} (incl. write-off) of only 0.49%

Evident in Portfolio Performance

	Disbursal (₹ Mn)	POS (₹ Mn)	Amortization	Average LTV	Avg MoB	90+DPD (incl. write off) (₹ Mn)	90+DPD% (of disbursal)
FY 2006-07	7,528	-	100.0%	46.8%	119	13	0.18%
FY 2007-08	21,411	1,096	94.9%	50.5%	106	154	0.72%
FY 2008-09	10,550	1,041	90.1%	52.2%	99	95	0.90%
FY 2009-10	25,487	3,623	85.8%	42.7%	81	121	0.47%
FY 2010-11	41,863	7,282	82.6%	46.6%	70	138	0.33%
LAP Pre-FY11	106,838	13,042	87.8%	47.2%	78	521	0.49%
FY 2011-12	36,986	10,618	71.3%	45.2%	59	76	0.21%
FY 2012-13	36,666	15,225	58.5%	43.8%	47	45	0.12%
FY 2013-14	37,786	20,084	46.8%	46.8%	34	13	0.03%
FY 2014-15	56,902	39,858	30.0%	46.8%	23	10	0.02%
FY 2015-16	64,367	55,748	13.4%	47.0%	10	8	0.01%
H1 FY17	28,598	27,712	3.1%	48.9 %	2	-	0.00%
LAP Post-FY11	261,306	169,244	35.2%	47.1%	21	152	0.06%
Total	368,144	182,286	50.5%	47.1%	25	673	0.18%

Sell Down Pool Performance: Loan Against Property

LAP: Data for Oct-2016 Payout

Sr. No.	Investor	Sold Down Date	Disbursement (₹ Mn)	Sold Down Principal (₹ Mn)	Months on Book	Present Principal (₹ Mn)	Total Amortization	Of Initial POS		Cumulative Collection Ratio%
								90+DPD %	180+DPD %	
1	Bank 1	29-Sep-11	3,677	3,355	76	41.4	87.7%	0.00%	0.00%	99.6%
2	Bank 1	28-Dec-11	2,675	2,503	68	34.6	86.2%	0.00%	0.00%	99.7%
3	Bank 2	20-Mar-12	2,360	2,223	72	34.2	84.6%	0.00%	0.00%	99.3%
4	Bank 1	22-Mar-12	2,852	2,596	67	30.1	88.4%	0.00%	0.00%	99.7%
5	Bank 3	28-Mar-13	1,115	1,024	61	17.0	83.4%	0.00%	0.00%	99.5%
6	Bank 3	28-Mar-13	5,687	4,932	67	112.5	77.2%	0.00%	0.00%	99.5%
7	Bank 1	30-Dec-13	1,114	986	54	30.9	68.7%	0.00%	0.00%	98.7%
8	Bank 1	20-Mar-14	4,403	3,850	53	119.5	68.9%	0.00%	0.00%	99.5%
9	Bank 4	30-Jun-15	1,451	1,128	32	68.6	39.2%	0.04%	0.00%	99.3%
10	Bank 5	28-Sep-15	2,345	2,003	27	143.2	28.5%	0.17%	0.00%	99.8%
11	Bank 5	28-Sep-15	2,202	1,807	29	132.3	26.8%	0.00%	0.00%	99.6%
12	Bank 2	28-Sep-15	3,595	2,850	28	191.1	32.9%	0.00%	0.00%	99.3%
13	Bank 6	29-Sep-15	4,303	3,641	29	245.3	32.6%	0.00%	0.00%	99.7%
14	Bank 5	9-Dec-15	333	242	25	19.1	21.1%	0.00%	0.00%	99.8%
15	Bank 5	9-Dec-15	506	435	25	40.1	7.7%	0.00%	0.00%	94.5%
16	Bank 5	23-Dec-15	1,562	1,337	25	113.8	14.9%	0.00%	0.00%	100.0%
17	Bank 2	31-Dec-15	1,204	998	25	78.4	21.4%	0.00%	0.00%	99.8%
18	Bank 2	31-Dec-15	2,785	2,225	26	149.8	32.7%	0.00%	0.00%	99.8%
19	Bank 2	3-Mar-16	957	774	22	59.6	23.0%	0.00%	0.00%	100.0%
20	Bank 5	10-Mar-16	1,754	1,500	24	127.3	15.1%	0.00%	0.00%	99.8%
21	Bank 3	31-Mar-16	2,280	2,091	23	182.7	12.6%	0.00%	0.00%	99.6%
22	Bank 7	30-Jun-16	4,059	3,315	21	303.2	8.5%	0.00%	0.00%	99.9%
23	Bank 8	30-Jun-16	2,503	2,094	21	194.2	7.2%	0.00%	0.00%	99.9%
24	Bank 9	26-Sep-16	1,524	1,248	19	119.3	4.4%	0.00%	0.00%	100.0%
25	Bank 9	26-Sep-16	2,163	1,748	20	165.6	5.3%	0.00%	0.00%	100.0%
26	Bank 10	30-Sep-16	1,437	1,360	17	135.4	0.4%	0.00%	0.00%	100.0%
27	Bank 6	30-Sep-16	3,312	2,733	19	272.6	0.3%	0.00%	0.00%	100.0%
	Total		64,157	54,995	40	31,617	42.5%	0.01%	0.00%	99.6%

LAP: Direct assignment Pools Under Surveillance by CARE

1	Bank 3	31-Dec-13	2,244	1,786	53	551	69.1%	0.00%	0.00%	99.7%
2	Bank 7	7-Feb-14	4,298	3,298	55	973	70.5%	0.16%	0.00%	98.3%
3	Bank 4	28-Mar-14	2,716	2,145	52	726	66.1%	0.00%	0.00%	99.9%
4	Bank 4	20-Jun-14	2,311	1,894	43	601	68.3%	0.03%	0.03%	99.9%
5	Bank 4	27-Jun-14	1,855	1,536	44	693	54.9%	0.12%	0.12%	99.2%
6	Bank 7	29-Dec-14	4,540	3,716	43	1,883	49.3%	0.00%	0.00%	99.7%
7	Bank 1	30-Mar-15	10,672	8,695	37	4,869	44.0%	0.00%	0.00%	99.6%
	Total		28,636	23,070	44	10,297	55.4%	0.03%	0.01%	99.5%
	Grand Total		92,793	78,065	41	41,914	46.3%	0.01%	0.00%	99.6%

Thank you