

Morgan Stanley

October 13, 2017

Board of Directors
IndusInd Bank Limited,
8th Floor, Tower 1, One Indiabulls Center,
841, Senapati Bapat Marg,
Elphinstone Road (W),
Mumbai

Members of the Board:

We understand that Bharat Financial Inclusion Ltd. ("BFIL" or the "Company") and IndusInd Bank Ltd. ("IIB") propose to enter into a Scheme of Composite Arrangement (the "Merger Agreement"), which provides, among other things, for the merger (the "Merger") of BFIL into IIB. As a part of the Merger, the following activities are proposed to occur:

- The amalgamation of BFIL into IIB in accordance with the Reserve Bank of India amalgamation directions
- The issuance and allotment of the Warrants to the promoters of IIB
- The subsequent transfer of the Transferred Undertaking (as defined in the Merger Agreement) into IIB, and vesting thereof in a wholly owned subsidiary of IIB, as a 'going concern' on a slump exchange basis

Pursuant to the Merger, for every 1,000 shares of common stock of Company, 639 shares of IIB will be issued (the "Exchange Ratio"). The terms and conditions of the Merger are more fully set forth in the Merger Agreement.

You have asked for our opinion as to whether the Exchange Ratio pursuant to the Merger Agreement is fair from a financial point of view to IIB.

For purposes of the opinion set forth herein, we have:

- 1) Reviewed certain publicly available financial statements and other business and financial information of the Company and IIB, respectively;
- 2) Reviewed certain internal financial statements and other financial and operating data concerning the Company and IIB, respectively;
- 3) Reviewed certain financial projections in relation to IIB and the Company, as confirmed by the management of IIB;
- 4) Reviewed information relating to certain strategic, financial and operational benefits anticipated from the Merger, prepared by the management of IIB;
- 5) Discussed the past and current operations and financial condition and the prospects of the Company, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, with senior executives of IIB; Discussed the past and current operations and financial condition and the prospects of



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IIB, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, with senior executives of IIB; Reviewed the pro forma impact of the Merger on IIB's earnings per share, cash flow, consolidated capitalization and financial ratios;

- 6) Reviewed the reported prices and trading activity for the Company Common Stock and the IIB Common Stock;
- 7) Compared the financial performance of the Company and IIB and the prices and trading activity of the Company Common Stock and IIB Common Stock with that of certain other publicly-traded companies comparable with the Company and IIB, respectively, and their securities;
- 8) Reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- 9) Participated in certain discussions and negotiations among representatives of the Company and IIB and certain parties and their financial and legal advisors;
- 10) Reviewed the valuation reports by independent valuers in relation to the transaction;
- 11) Reviewed the Merger Agreement and certain related documents; and
- 12) Performed such other analyses and reviewed such other information and considered such other factors as we have deemed appropriate.

We have assumed and relied upon, without independent verification, the accuracy and completeness of the information of IIB and Company that was publicly available or supplied or otherwise made available to us by IIB, and formed a substantial basis for this opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Buyer of the future financial performance of the Company and the Buyer. In addition, we have assumed that the Merger will be consummated in accordance with the terms set forth in the Merger Agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley has assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed Merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed Merger. We are not legal, tax, regulatory advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of the Buyer and the Company and their legal, tax, regulatory advisors with respect to legal, tax, regulatory matters. We have relied upon, without independent verification, the assessment by the managements of IIB on: (i) the strategic, financial and other benefits expected to result from the Merger; (ii) the timing and risks associated with the integration of the Company and the Buyer; (iii) their ability to retain key employees of the Company and (iv) the validity of, and risks associated with, the Company and the Buyer's existing and future technologies, intellectual property, products, services and business models. We express no opinion with respect to the fairness of the amount or nature of the compensation to any of the Company's officers, directors or employees, or any class of such persons to be paid as part of the transaction. We are not experts in the evaluation of allowance for loan losses, and we have neither made an independent evaluation of the adequacy of the allowance for loan losses at the Company, nor have we examined any individual loan credit files of the Company or been requested to conduct such a review, and, as a result, we have assumed that the aggregate allowance for loan losses of the Company is adequate. We have not made any independent valuation or appraisal of the assets or liabilities of the Company or Buyer, nor have we been furnished with any such valuations or appraisals. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us

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as of, the date hereof. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion.

We have acted as financial advisor to the Board of Directors of IIB in connection with this transaction and will receive a fee for our services which is contingent upon the closing of the Merger. Morgan Stanley may also seek to provide such services to IIB and the Company in the future and expects to receive fees for the rendering of these services.

Please note that Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Our securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of IIB, the Company, or any other company, or any currency or commodity, that may be involved in this transaction, or any related derivative instrument.

This opinion has been approved by a committee of Morgan Stanley investment banking and other professionals in accordance with our customary practice. This opinion is for the information of the Board of Directors of IIB only and may not be used for any other purpose without our prior written consent, except that a copy of this opinion may be included in its entirety in any filing IIB is required to make with the Securities and Exchange Board of India, in connection with this transaction if such inclusion is required by applicable law. In addition, this opinion does not in any manner address the prices at which the IIB Common Stock will trade following consummation of the Merger or at any time and Morgan Stanley expresses no opinion or recommendation as to how the shareholders of IIB should vote at the shareholders' meeting to be held in connection with the Merger.

Based on and subject to the foregoing, we are of the opinion on the date hereof that the Exchange Ratio pursuant to the Merger Agreement is fair from a financial point of view to IIB.

Very truly yours,

MORGAN STANLEY INDIA COMPANY PRIVATE
LIMITED

By:



Sachin Wagle

Managing Director