INDUSIND BANK LIMITED

Earnings Update

Q4 & Full year 2007-08

Audited Quarterly & Full-Year Results

March 31, 2008

Quarterly Results

The Board of Directors of IndusInd Bank Ltd., at their meeting held on June 24, 2008, took on record the audited quarterly financial results for the fourth quarter ended March 31, 2008.

Financial Data & Highlights for the Fourth Quarter ended March 31, 2008:

Profit & Loss Account

Rs. Crores

	Q4 FY 2007-08	Q4 FY 2006-07	Growth (%)	Q3 FY2007-08	Sequential Growth (%)
Gross Interest Income	525.53	426.52	23.21%	501.60	4.77%
Net Interest Income	96.90	85.81	12.92%	99.56	-2.67%
Profit on sale of investments	1.64	(1.94)	184.54%	12.24	-86.60%
Others	63.87	58.76	8.70%	52.29	22.15%
Total Income	**162.41**	**142.63**	**13.87%**	**164.09**	**-1.02%**
Operating Costs	111.14	96.54	15.12%	99.13	12.12%
Of which:					
Staff Cost	34.94	26.00	34.38%	26.54	31.65%
Rent, Taxes and Lighting	9.74	7.93	22.82%	9.32	4.51%
Depreciation	11.87	8.69	36.59%	10.23	16.03%
Other Costs	-	-	-	-	-
Total Expenditure	111.14	96.54	15.12%	99.13	12.12%
Operating Profit	**51.27**	**46.09**	**11.24%**	**64.96**	**-21.07%**
Other Provisions & Contingencies	27.82	11.82	135.36%	28.33	-1.80%
Provision for Tax	9.00	12.87	-30.07%	11.59	-22.35%
Net Profit	**14.45**	**21.40**	**32.48%**	**25.04**	**-42.29%**
Paid up Equity Capital	320.00	320.00		320.00	
EPS (Rs.) (not annualised)	0.45	0.70		0.78	

- Core Banking operations (Advances + Deposits) of the Bank have shown a growth of 10.80% in Q4 on a YoY basis, while it was down 2.06% on a QoQ basis.
- Operating Profit for Q4, at Rs 51.27 crores, as against Rs 46.09 crores of Q4 of last year, records a growth of 11.24%.
- Other Provision and contingencies has shown an increase of 135.36% from Rs.11.82 crs for Q4 of last year to Rs. 27.82 crs for Q4 of current year.

Balance Sheet

Rs. Crores

	Q4 FY 2007-08	Q4 FY 2006-07	Growth (%)	Q3 FY2007-08	Sequential Growth (%)
Capital & Liabilities					
Capital	320.00	320.00	0.00%	320.00	0.00%
Employee Stock Options Outstanding	0.51	-	-	-	-
Reserves & Surplus	1,029.21	736.79	39.69%	1,038.17	-0.86%
Deposits	19,037.42	17,644.80	7.89%	19,569.57	-2.72%
Borrowings	1,095.43	592.51	84.88%	640.42	71.05%
Other Liabilities & Provisions	1,779.31	1,633.04	8.96%	1,791.20	-0.66%
Total	**23,261.88**	**20,927.14**	**11.16%**	**23,359.36**	**-0.42%**
Assets					
Cash & Bank Balance	1,526.26	1,021.17	49.46%	1,341.98	13.73%
Balance with Bank and Money at Call & Short Notice	651.77	1,574.23	-58.60%	881.86	-26.09%
Investments	6,629.70	5,891.66	12.53%	6,441.27	2.93%
SLR Investments	5,362.39	4,777.78	12.24%	5,263.24	1.88%
Non SLR Investments	1,267.31	1,113.88	13.77%	1,178.03	7.58%
Advances	12,795.31	11,084.20	15.44%	12,933.51	-1.07%
Fixed Assets	625.15	369.57	69.16%	619.56	0.90%
Other Assets	1,033.69	986.31	4.80%	1,141.18	-9.42%
Total	**23,261.88**	**20,927.14**	**11.16%**	**23,359.36**	**-0.42%**
Core Banking (Advances+Deposits)	31,832.73	28,729.00	10.80%	32,503.08	-2.06%

Performance Highlights for the Fourth Quarter ended March 31, 2008:

General

- Capital Adequacy Ratio (CAR) as on March 31, 2008 was 11.91% of which Tier I accounts for 6.70%. The CAR of December 2007 was 12.04% of which Tier I accounts for 6.80%.
- Networth of the Bank stands at Rs 1,109.40crores at the end of the Q4 FY08 as against Rs 1056.79 crores at the end of Q4 FY07
- Net Interest Margin (NIM) for Q4 FY08 was 1.64% as against 1.41% in Q4 FY07
- Other Income for Q4 FY08 was at Rs 65.51 crores as against Rs 56.82 crores in Q4 FY07 and Rs 64.53 crores in Q3 FY08.

Advances

- Vehicle Financing at Rs 7,133 crores was up 11.42% YoY from Rs 6,402 crores; QoQ up 1.32% from Q3 FY08
- Retail Advances on the banking side were at Rs 1816 crores in Q4 FY08 as against Rs 1688 crores in Q4 FY07 and Rs 1933 crores in Q3 FY08
- Corporate Advances stood at Rs 4071 crores in Q4 FY08 as against Rs 3745 crores in Q4 FY07 and Rs 3961 crores in Q3 FY08
- Total Advances before IBPC/BRDS at Rs 13,020 crores grew 10.02% YoY in Q4 FY08; QoQ up 0.66%
- Vehicle Advances constitute 54.78% of the Total Loan Book as of Q4 FY08; they constituted 54.10% of the total Loan Book at the end of Q4 FY07

Vehicle and Construction Equipment Advances

Rs. Crores

	Amount Lent in Q4 FY08	Amount Lent in Q4 FY07	YoY Growth (%)	Amount Lent in Q3 FY07	QoQ Growth (%)
Commercial Vehicles	608.45	716.14	-15.04%	617.52	-1.47%
Personal Products - (TW)	231.36	189.96	21.79%	184.08	25.68%
Cars	71.01	81.13	-12.47%	61.07	16.28%
Utility Vehicles	64.48	49.50	30.26%	71.71	-10.08%
Equipments	212.79	204.79	3.91%	181.54	17.21%

Recoveries, NPAs and Securitisation

- The Bank recovered Rs 13.52 crores of bad debts in Q4 FY08 as against Rs 23.29 crores in Q4 FY07 and Rs 8.70 crores in Q3 FY08.
- Gross NPAs stand at Rs392.31 crores (3.04%) in Q4 FY08 while Net NPAs stand at Rs 291.02 crores (2.27%). This compares with Rs 342.74 crores (3.07%) of Gross NPAs and Rs 273.75 crores (2.47%). of Net NPAs at the end of FY07; Gross NPAs stood at Rs 411.41 crores (3.16%) and Net NPAs at Rs 313.27 crores (2.42%) at the end of Q3 FY08.

Deposits

- Total Deposits at the end of Q4 FY08 was Rs 19,037 crores, as against Rs 17,645 crores at the end of Q4 FY07, up 7.89% YoY; QoQ down 2.72% from Q3 FY08.
- Current Deposits, at Rs 1801.90 crores, grew 5.29% YoY from Rs 1711.30 crores and down marginally 0.16% QoQ.
- Savings Deposits stood at Rs 1186.42 crores, up 28.76% YoY from Rs 921.41 crores; they were up 0.75% QoQ.
- Average Cost of Deposits stood at 7.84% as against 6.73% in Q4 FY07 and 7.83% in Q3 FY08
- CASA (Current Account-Savings Account) Ratio has improved to 15.70% against 14.92% in Q4 FY07 and 15.24% in Q3 FY08.
- Credit-Deposit (CD) Ratio stood at 67.21% as against 62.82% in Q4 FY07 and 66.09% in Q3 FY08.

Annual Results

The Board of Directors of IndusInd Bank Ltd., at their meeting held on June 24, 2008, took on record the audited financial results for the year ended March 31, 2008.

Financial Data & Highlights for the Year ended March 31, 2008:

Profit & Loss Account

Rs. Crores

	Year ending 31/03/2008	**Year ending 31/03/2007**	**Growth (%)**
Gross Interest Income	1920.23	1500.26	28%
Net Interest Income	340.37	271.41	25%
Profit on sale of investments	19.44	18.66	4%
Others	238.57	225.47	6%
Total Income	**598.38**	**515.54**	16%
Operating Costs	402.19	343.96	17%
Of which:			
Staff Cost	121.90	96.29	27%
Rent, Taxes and Lighting	36.59	30.32	21%
Depreciation	40.16	34.09	18%
Other Costs	-	-	
Total Expenditure	402.19	343.96	17%
Operating Profit	**196.19**	**171.58**	14%
Other Provisions & Contingencies	81.91	64.20	28%
Provision for Tax	39.23	39.16	0%
Net Profit	**75.05**	**68.22**	10%
Paid up Equity Capital	320.00	320.00	
EPS (Rs.) (not annualised)	2.35	2.31	2%

- Core Banking operations (Advances + Deposits) of the Bank have shown a growth of 10.80% in the current financial year.
- Operating Profit before Provisions and Contingencies works out to Rs 196.19 crores for the year as against Rs 171.58 crores in the previous year.
- Other Provisions and Contingencies for the year stood at Rs 81.91 crores as against Rs 64.20 crores for the previous year.

Balance Sheet

Rs. Crores

	As at 31/03/2008	As at 31/03/2007	Growth (%)	As at 31/12/2007	Sequential Growth (%)
Capital & Liabilities					
Capital	320.00	320.00	0.00%	320.00	0.00%
Employee Stock Options Outstanding	0.51	0.00		0.00	
Reserves & Surplus	1,029.21	736.79	39.69%	1,038.17	-0.86%
Deposits	19,037.42	17,644.80	7.89%	19,569.57	-2.72%
Borrowings	1,095.43	592.51	84.88%	640.42	71.05%
Other Liabilities & Provisions	1,779.31	1,633.04	8.96%	1,791.20	-0.66%
Total	**23,261.88**	**20,927.14**	**11.16%**	**23,359.36**	**-0.42%**
Assets					
Cash & Bank Balance	1,526.26	1,021.17	49.46%	1,341.98	13.73%
Balance with Bank and Money at Call & Short Notice	651.77	1,574.23	-58.60%	881.86	-26.09%
Investments	6,629.70	5,891.66	12.53%	6,441.27	2.93%
SLR Investments	5,362.39	4,777.78	12.24%	5,263.24	1.88%
Non SLR Investments	1,267.31	1,113.88	13.77%	1,178.03	7.58%
Advances	12,795.31	11,084.20	15.44%	12,933.51	-1.07%
Fixed Assets	625.15	369.57	69.16%	619.56	0.90%
Other Assets	1,033.69	986.31	4.80%	1,141.18	-9.42%
Total	**23,261.88**	**20,927.14**	**11.16%**	**23,359.36**	**-0.42%**
Core Banking (Advances+Deposits)	31,832.73	28,729.00	10.80%	32,503.08	-2.06%

Performance Highlights for the Year ended March 31, 2008:

General

- Capital Adequacy Ratio (CAR) as on March 31, 2008 was 11.91% of which Tier I accounts for 6.70%. The CAR of March 31,2007 was 12.54% of which Tier I accounts for 7.34%.
- Book Value per equity share (Face Value Rs. 10 each) of the Bank as on March 31, 2008 works out to Rs 34.69 as against Rs 33.00 as on March 31, 2007.
- Adjusted Book Value per share works out to Rs 25.59 as against Rs 24.46 in the previous year.
- Net worth of the Bank stands at Rs 1109.40 crores at the end of the Q4 FY08 as against Rs 1056.79 crores at the end of Q4 FY07.
- Other Income for FY 2007-08 was at Rs 258.01 crores as against Rs 244.13 crores in FY 2006-07.
- Net Interest Margin (NIM) for FY08 was at 1.53% as against 1.37% in FY07.

Advances

- Vehicle Financing, at Rs 7133 crores in FY 2007-08, was up 11.42% YoY from Rs. 6,402 crores in FY2006-07.
- Overall Retail Credit, at Rs 8949 crores, showed a growth of 10.62% YoY in FY2007-08.
- Retail Advances on the banking side were at Rs 1816 crores as against Rs 1688crores at the end of FY2006-07.
- Corporate Advances stood at Rs 4071 crores in FY2007-08 as against Rs 3745 crores in FY2006-07.
- Net Advances, at Rs 13020 crores, grew 10.02% YoY in FY2007-08.
- Vehicle Advances constituted 54.78% of the Total Loan Book in FY2007-08; they constituted 54.10% of the total Loan Book at the end of FY2006-07.

Recoveries, NPAs and Securitisation

- The Bank recovered Rs 42.30 crores of bad debts during the year as against Rs 94.08 crores in the last year.
- Gross NPAs stand at Rs 392.31 crores (3.04%) at the end of FY2007-08 while Net NPAs stand at Rs 291.02 crores (2.27%). This compares with Rs 342.74 crores (3.07%) of Gross NPAs and Rs 273.75 crores (2.47%) of Net NPAs at the end of FY2006-07

Deposits

- Total Deposits at the end of FY2007-08 stands at Rs 19037 crores as against 17645 crores up 7.89% YoY
- CASA (Current accounts-Savings accounts) Ratio has improved to 15.70% against 14.92% at the end of FY2006-07
- Current Deposits have gone up by 5.29% YoY, to Rs 1801 crores
- Savings Deposits grew by 28.76% YoY, to Rs 1186 crores
- Average Cost of Deposits stands at 7.84% as against 6.73% at the end of FY2006-07
- Credit-Deposit (CD) Ratio stood at 67.21% as against 62.82% at the end of FY2006-07

Segmental Revenues & Profits:

Revenues **Rs crores**

Sr. No.	Particulars	Year ended 31.03.2008 (Audited)	Year ended 31.3.2007 (Audited)
1.	**Segment Revenue**		
	a) Treasury Operations	491.09	453.17
	b) Corporate / Wholesale Banking	1040.68	
	c) Retail Banking	1244.11	
	d) Other Banking Operations	24.40	1612.40
	e) Unallocated	-	-
	Total	**2800.28**	**2065.57**
	Less: *Intersegment Revenue*	622.04	321.18
	Income from Operations	**2178.24**	**1744.39**
2.	**Segment Results**		
	a) Treasury Operations	(86.67)	(14.19)
	b) Corporate / Wholesale Banking	60.15	
	c) Retail Banking	271.66	
	d) Other Banking Operations	2.17	234.84
	e) Unallocated	-	-
	Less: *Unallocated Expenses*	51.12	49.07
	Operating Profit	**196.19**	**171.58**
	Less: *Tax Provisions and other provisions*	121.14	103.36
	Net Profit	**75.05**	**68.22**
3.	**Other Information**		
	Segment Assets		
	a) Treasury Operations	8242.34	7756.20
	b) Corporate / Wholesale Banking	3619.44	
	c) Retail Banking	10082.15	
	d) Other Banking Operations	-	12386.56
	e) Unallocated	1317.95	784.38
	Total	**23261.88**	**20927.14**
	Segment Liabilities		

	a) Treasury Operations	1045.66	616.57
	b) Corporate / Wholesale Banking	11084.34	
	c) Retail Banking	8435.72	
	d) Other Banking Operations	-	18937.93
	e) Unallocated	2696.16	1372.64
	Total	**23261.88**	**20927.14**

Break-up of Assets and Liabilities:

Assets **Rs crores**

	Year ending 31/03/2008	Year ending 31/03/2007	Growth (%)	Year ending 31/12/2007	Sequential Growth (%)
Advances					
Corporate Lending	**4,071**	**3,745**	**8.70%**	**3,961**	**2.78%**
Vehicle Finance Division Lending					
Commercial Vehicle Loans	4,351	4,021	8.21%	4,349	0.05%
· Utility Vehicle Loans	329	267	23.22%	316	4.11%
· Car Loans	605	659	-8.19%	623	-2.89%
· 2/3-Wheeler Loans	788	648	21.60%	735	7.21%
· Equipment Financing	1,060	807	31.35%	1,017	4.23%
Total (VFD)	**7,133**	**6,402**	**11.42%**	**7,040**	**1.32%**
Retail Division Lending					
· Personal Loans	53	77	-31.17%	60	-11.67%
· Home Loans	163	161	1.24%	181	-9.94%
· Other Retail Loans to traders	1600	1,450	10.34%	1691	-5.44%
Total (Retail)	**1816**	**1688**	**7.58%**	**1,933**	**-6.05%**
Total Advances before IBPC	**13,020**	**11,834**	**10.02%**	**12,934**	**0.66%**
Less: IBPC/ BRDS	**225**	**750**		**-**	**-**
Total Advances after IBPC/BRDS	**12,795**	**11,084**		**12,934**	
Investments / Treasury Assets	**6,630**	**5,892**	**12.53%**	**6,441**	**2.93%**
Total Advances & Assets	**19,650**	**17,726**	**10.85%**	**19,375**	**1.42%**

Liabilities

Rs. Crores

	Year ending 31/03/2008	Year ending 31/03/2007	Growth (%)	Year ending 31/12/2007	Sequential Growth (%)
Deposits	19037	17,645	7.89%	19,570	-2.72%
Of which:					
Demand Deposit	2988	2,633	13.48%	2,983	0.17%
Time Deposit	16,049	15,012	6.91%	16,587	-3.24%
Borrowings	1095	593	84.65%	640	71.09%

Lending to Sensitive Sectors

Rs. Crores

	Year ending 31/03/2008	Year ending 31/03/2007	Growth (%)	Year ending 31/12/2007	Sequential Growth (%)
Capital Markets	350.87	330.69	6.10%	343.88	2.03%
Real Estate	468.02	433.51	7.96%	480.25	-2.55%

Break-up of Deposits & Investments:

Categorisation of Deposits

Rs. crores

	Year ending 31/03/2008	Year ending 31/03/2007	Growth (%)	Year ending 31/12/2007	Sequential Growth (%)
Up to - 14 Days	1,081.97	1,566.82	-30.94%	1,365.63	-20.77%
14 Days - 28 Days	366.29	498.09	-26.46%	368.39	-0.57%
28 Days - 3 Months	2,699.21	2,075.41	30.06%	2,681.15	0.67%
3 Months - 6 Months	1,369.21	1,460.04	-6.22%	1,481.07	-7.55%
6 Months - 12 Months	1,995.82	1,731.68	15.25%	1,897.07	5.21%
12 Months - 3 Years	6,685.37	5,316.28	25.75%	6,438.84	3.83%
3 Years - 5 Years	2,468.72	2,537.20	-2.70%	2,735.02	-9.74%
Over - 5 Years	2,370.83	2,459.28	-3.60%	2,602.40	-8.90%
TOTAL	**19,037.42**	**17,644.80**		**19,569.57**	

Categorisation of Investments

Rs. crores

	Year ending 31/03/2008	Year ending 31/03/2007	Growth (%)	Year ending 31/12/2007	Sequential Growth (%)
Held to Maturity (HTM)					
· G-Secs	4,677.88	3,719.09	25.78%	4,493.29	4.11%
· T-Bills	-		-	-	-
· Other Approved	-	1.55	-	1.55	-
· Debt Instruments	-	-	-	-	-
· Equity Shares	5.85	5.85	-	5.85	-
· Mutual Fund Units	-	-	-	-	-
· Other Investments (RIDF)	1,102.52	897.07	22.90%	1,003.81	9.83%
	5,786.25	**4,623.56**	**25.15%**	**5,504.50**	**5.12%**
Held for Trading (HFT)					
· G-Secs	**178.44**	**49.51**	**260.41%**	**-**	**-**
Available for Sale (AFS)					
· G-Secs	137.74	68.81	100.17%	49.30	179.39%
· T-Bills	441.66	1,011.91	-56.35%	792.25	-44.25%
· Other Approved	3.76	3.68	2.17%	3.79	-0.79%
· Debt Instruments	40.21	50.34	-20.12%	49.92	-19.45%
· Other Investments (PTC)	7.94	67.80	-88.29%	8.51	-6.70%
· Equity Shares	33.70	16.05	109.97%	33.00	2.12%
	665.01	**1,218.59**	**-45.43%**	**936.77**	**-29.01%**
SLR Investments	5,362.39	4,777.78	12.24%	5,263.24	1.88%
Non SLR Investments	1,267.31	1,113.87	13.78%	1,178.03	7.58%
Total Investments	**6,629.70**	**5,891.65**	**12.53%**	**6,441.27**	**2.93%**
Modified Duration(AFS)	1.58	0.83		0.58	
Modified Duration(HTM)	5.02	4.81		4.24	

Notes

1. LAF has been included in AFS Catg
2. SLR Investments excludes securities pledged with CCIL and same has been included in Non SLR but for categorisation they have been included under dated Govt Securities – HTM
3. AFS category amounts are net of provision

Analytical Ratios:

	Year ending 31/03/2008	Year ending 31/03/2007	Growth (%)	Year ending 31/12/2007	Sequential Growth (%)
Networth after minority interest (Rs crore)	1,109.40	1,056.79	4.98%	1,117.39	-0.72%
Book Value per Share (Rs)	34.69	33.00	5.12%	34.94	-0.72%
Adjusted Book Value per Share (Rs.) Net of NPAs	25.59	24.46	4.62%	25.14	1.79%
EPS (Rs)	2.35	2.31	1.73%	0.78	201.28%
Retail Assets / Customer Assets					
Gross NPAs (Rs crore)	392.31	342.74	14.46%	411.41	-4.64%
Gross NPAs (%)	3.04%	3.07%	-0.98%	3.16%	-3.80%
Net NPAs (Rs crore)	291.02	273.75	6.31%	313.27	-7.10%
Net NPAs (%)	2.27%	2.47%	-8.10%	2.42%	-6.20%
Provision Cover (%)	25.82%	20.13%	28.27%	23.85%	8.26%
Annualised Return on Assets (%)	0.34	0.34	-	0.37	-8.11%
Annualised Return on Networth (%)	5.56	6.46	-13.93%	5.95	-6.55%
Net Interest Margins (NIM) (%)	1.53%	1.37%	11.68%	1.49%	2.68%
Capital Adequacy Ratio (CAR) (%)	11.91%	12.54%	-5.02%	12.04%	-1.08%
Interest Cost/ Total Income (%)	72.53%	70.45%	2.95%	72.53%	-
Credit / Deposit (%)	67.21%	62.82%	6.99%	66.09%	1.69%
Average Cost of Deposits	7.84%	6.73%	16.49%	7.83%	0.13%
Current Accounts (Rs crore)	1,801.90	1,711.30	5.29%	1,804.72	-0.16%
Savings Accounts (Rs crore)	1,186.42	921.41	28.76%	1,177.60	0.75%
CASA Ratio (%)	15.70%	14.92%	5.23%	15.24%	3.02%
Network					
Branches	180	170	5.88%	179	0.56%
Extension Counters	-	-	-	-	-
Offsite ATMs	183	99	84.85%	169	8.28%
Vehicle Finance Division Offices	26	26	0.00%	26	-

Total Network	**389**	**295**	**31.86%**	**374**	**4.01%**
Geographical Locations	147	141	4.26%	147	-
State/ Union Territories covered	28	27	3.70%	28	-
State Capitals covered	25	23	8.70%	25	-
Foreign Locations (Representative offices)	2	2	0.00%	2	-
Customers					
- Retail	1934534	1535129	26.02%	1895226	2.07%
Total Employees	2869	2613	9.80%	2787	2.94%

Business Update

People & Infrastructure:

- The Bank added 82 people during Q4 and a total of 256 people during the year, taking total employee strength to 2869 at the end of the year; This compares with 2613 as at the end of FY2006-07
- During the year, the Bank opened 10 new branches and 84 off-site ATMs.
- The Bank opened 1 branch and 14 off-site ATMs in Q4
- The Bank has 180 branches and 183 offsite ATMs as of March 31, 2008
- The number of branches are spread across 147 geographical locations in India at the end of FY 2007-08
- The Bank added 39,308 new customers during Q4 up 26.02% YoY and 2.07% QoQ; The number of customers has moved from 15,35,129 last year to 19,34,534 at the end of this year

Key Initiatives taken during the Quarter:

Accolades:

- Bestowed with the prestigious "Corporate Excellence" award by Amity International Business School during its 10th International Business Summit (INBUSH) 2008. The award was presented by H.E. Mr. Salohoddin Nasriddinov**,** Ambassador, Embassy of Tajikistan
- Received recognition in the form of a Certificate of Nomination for the Avaya GlobalConnect Customer Responsiveness Awards. The participants for the award were evaluated on various parameters such as Responsiveness, Intelligence Generation, Intelligence Dissemination, Customer Education, Top management Emphasis, Innovation and learning
- Received recognition by BSE and NASSCOM Foundation for the Best Corporate Social Responsibility Practice Category
- Bank was featured in The Standard & Poor ESG India index which provided the investors with exposure to liquid and tradable index of 50 of the best performing stocks in the Indian market as measured by environmental, social, and governance(ESG) parameters

Ratings:

The Bank has been given the highest A1+ rating for its Certificates of Deposits by ICRA. The Bank has been awarded the highest P1+ rating for its FDs by CRISIL, who have also assigned the highest safety ratings to the Bank's Pass through Certificates for securitized assets.

Schemes & products launched in the Year:

- PMS services in association with Religare Securities
- Received USD 50 million credit line from Wachovia Bank
- Strategic partnership With Cholamandalam MS for bancassurance

Management Outlook for the Banking Sector:

IndusInd Bank's outlook for the Banking Sector remains "mixed" given the global and domestic uncertainties on various macro and micro economic factors. The short-term outlook remains weak and bearish with the expectations of reversal from Q3 onwards.

We base our outlook in the backdrop of the following factors:

Global cues:

- US economy is showing signs of recovery, although not clearly out of its problems. US currency has recovered from its recent lows with improved sentiments on its economic performance. FED has already given clear signals of reversal in the rate cycle with expectations of FED Fund rate moving to 3.0-3.5% by the calendar year – a clear percentage point from the current level. This would strengthen the US currency and also attract investment flows into US assets.
- The current concerns remain on tight credit and liquidity conditions but there exists clear signals of easing going forward. However, in its move to control inflationary pressure, there may not be abundant liquidity for flow into emerging economies and markets.
- Elsewhere, The Pound Sterling continued to tumble across the board on slowing economy and expectations of lower interest rates. However, in order to balance inflationary pressures and growth expectations, Bank of England is expected to be in a "pause phase", leaving the interest rate steady till the inflation is brought under control.
- European Central Bank (ECB) on the other hand continued to hold on to inflation concerns and refrained from cutting the rates. This benefited the Euro, which held on to its gains against most of the major currencies, although loosing its recent gains marginally against US Dollar. ECB is expected to follow FED and we might see rate hikes tracking USD interest rate.
- Japanese economy seems to be faltering again as most of the economic data point towards a slowdown. Hence, Bank of Japan is expected to keep rates steady at 0.5%. The earlier talk of further rate hikes now seem to be in cold storage for some time now.
- Only China, because of its strong growth is now showing signs of inflation and Bank of China resorted to further hikes in CRR this month to absorb excess liquidity in the system. Further, China has started allowing the Yuan to appreciate at a gentle pace and this would hopefully help USA to reduce the trade gap with China going forward. China being considered as the major force to cause the present global inflationary pressure through higher demand has also started focusing on curtailing the demand to ease inflationary pressure on global commodity prices.
- Crude prices have pierced the USD100 pbl level and trading higher in the range of $130-140. The expectations continue to remain mixed given the widening demand-supply gap and high level of speculative intent. G7 countries are expected to address these two critical issues in its meeting in the first week of July 2008. Gold prices however remained high on safe haven status and are trading around USD 900, although sharply down from its recent high. The prices of other essential commodities

linked to food, base metals etc are cooling its heels off recent highs, which is a comforting signal.

- Overall, bearish sentiments in the global markets will induce a negative sentiment in the Indian economy and the financial markets. The critical factor is to address the inflationary pressure – mainly caused by price-push of crude oil and other essential commodities and to address the "supply side". The slow down in the global economy, tight liquidity and higher interest should help to address the "demand-push" factor.
- All eyes will be on G7 to help a soft-landing by taking all-out measures to fight causes of inflationary pressures in the global economy by addressing two critical issues of – strengthening the USD as a currency and guiding a sharp reversal in the commodity prices. If this is achieved, then we might see return of bullish phase during late 2008 onwards.

Domestic cues:

- The Indian economy continues to reel under inflationary pressure mainly driven by external price-push factors and growing demand over stagnant supplies. The price push factors are mainly from imported items of crude oil, base metals and essential food items.
- Despite Government's fiscal and administrative measures coupled with RBI's monetary policies through series of CRR hikes and recent Repo hike, inflationary pressures continue to prevail with headline WPI crossing 11%
- To add to further pressure on inflation, the Rupee also lost its prolonged gains, sharply down by 7.5% in Q1 (over 30% on an annualized basis). This is mainly on increased demand due to higher crude oil price (up from $70 a barrel in August 2007 to current level of $130-140, over 100% on an annualized basis) and reduced off-shore supplies into domestic stock and debt market. This widened the day-to-day "demand-supply gap" causing such a sharp fall in rupee despite RBI's intervention.
- The pressure on inflation and the measures to control it did not affect the growth to a great extent, with growth rate pegged at over 8%. But given the need to address the "demand-push" inflation, there is a risk of compromising growth to guide soft-landing of inflation. The recent measures to "ration out" liquidity in the system and related moves to make funds costly in the hands of borrowers, would definitely slow down the growth momentum going forward.
- The domestic stock market is also in a bearish phase – mainly on liquidity squeeze both from the domestic and off-shore market and the higher interest rate regime likely to impact the corporate performance. Companies are expected to pursue "business as usual" rather than working towards capacity expansion and new projects. The Sensex fell from the high of 17500 to below 14200 with a near term target at 13500-13000.
- With the inflationary pressure and FED moving into pause phase with possibility of going into series of rate hike mode in the near term, there is no signal of steady interest rate regime to prevail at least till end of Q2 or till mid Q3.
- The crucial factors to watch going forward for return to normalcy are the crude oil price (to move below $100 a barrel), return of off-shore funds into domestic stock/debt market, adequate domestic liquidity to help credit growth and to halt the bearish sentiments in the Money Market - all guiding the reversal in the domestic stock market.

- Overall, in domestic market, we anticipate tough times ahead in the short term with one more round of repo, CRR hike and related monetary measures to guide inflation sub 9% ahead of 6-7%. However, any bullishness in global commodity prices will prolong the current bearish phase till the year end and beyond.

Impact on banking sector:

- The higher inflation and resultant higher interest rate regime and liquidity squeeze will impact the performance of banking sector. However, Banks having higher component of CASA in their liability book will stand to benefit to post better margins going forward.
- The expectation is that the loan yield curve will shift upwards by 1-2% points while deposit yield curve is likely to shift upwards by 0.50-0.75% to help retain the margin on financial intermediation. Higher yield on incremental SLR investments would be icing on the cake.
- The demand for "credit" might see a slow down with companies resorting to "business as usual" without any credit demand for capacity expansion or new projects. But, it is likely that the reduction in supplies will be more than the reduced demand to push the lending rates higher. On the other hand, given the bearish sentiments in Bond, Stock and real estate markets, it is expected that there will be greater demand for Banks' term deposits which will "cushion" a sharp rise in deposit rates, thereby enabling the Banks' to maintain its margin.
- It is also expected that if things will be back to normalcy by September/October 2008, on soft landing of inflation to guide steady interest rate regime with reversal from current higher level. This is based on expectations that inflationary pressures driven by domestic factors are likely to ease and the only concern will be the imported content from the crude oil. If by then, crude oil is back below $100 (or in the worst scenario do not go past $150), it is likely that interest rates are close to the peak and move lower in Q3. The risk is of crude oil moving past $150, in which case tight liquidity and higher interest regime will continue till Q4 and beyond.
- Most banks have already exhibited the ability to move away from traditional 'financial intermediation' model to 'provider of financial supermarket service' thereby considerably de-risking their balance sheet from rate market cycles and gearing to ramp up non-interest income through distribution, transaction banking and off-balance sheet products/services
- Overall, banking sector should move into higher gear to maintain its "margin" on intermediation through control of cost of funds and focus towards other income.

Management Outlook for IndusInd Bank:

In the Q4 of the FY07-08, a team of senior Bankers with successful track record joined the Bank, under the leadership of Mr. Romesh Sobti - MD& CEO, from ABN Amro Bank. The Team includes Mr. Paul Abraham, Chief Operating Officer, Mr. K S Sridhar, Chief Risk Officer, Mr. Sumant Kathpalia, Head - Consumer Banking and Mr. Suhail Chander, Head - Corporate & Commercial Banking.

The focus of the new Management Team at IndusInd Bank will revolve around the following:

- An ambition - To be amongst the top three leaders in the private Bank space in three years, in terms of the performance criteria of productivity, profitability and efficiency.

- Pursuing the above, the stress will be on improving return on assets, return on equities, Non Interest Margin, efficiency ratio, revenue per employee & reducing the gross & net non-performing assets.

- The challenge would be to control cost of deposits through retailisation of term deposits, acceleration of CASA acquisition and build-up of float funds through transaction banking products.

- The improvement in yield on advances due to the higher interest rate regime. The yield is already up by 200 basis points in FY08. The benefit will accrue from higher pricing from the Consumer Finance portfolio (which is already at over 15%) and the ability to attract much better pricing from top end corporate and SME clients.

- The re-pricing of low yielding advances (moving out of the books) being replaced at much higher yields should further add benefit to improvement in yields on loans and advances

- The continued thrust towards build up of retail fixed deposits and CASA through a much larger branch network and the enlarged "reach" that the Bank would get through the proposed Business Correspondent model would help reduction in cost of deposits

- The granulation of time deposits and ramp up of demand deposits should help "contain" the cost of deposits in the short-term and achieve a significant improvement in the medium term

- The significant growth achieved in non-interest income will continue to remain buoyant through the aggressive positioning in Third Party distribution space in the Consumer segment, and thrust in non-credit products/services to Corporate Segment. The Bank is also gearing up its Risk Management Outsourcing services to help management of multi-currency Balance sheet of its customers

- The Bank is also ramping up its infrastructure to offer off-shore investment products to Non Resident Indians and resident Indians to offer attractive returns on off-shore investment products through its foreign representative office and regional alliance partners

- Augmentation of the capital through the second GDR issue of Rs. 222 crores which just completed on June 24, 2008, will enable the Bank to provide the required impetus for the growth of the Balance Sheet of the Bank.

Above actions are expected to gradually result in improved financial numbers – better NIM, improved Return on Assets, higher EPS and optimum utilization of capacity/Capital – to attract investors' interest in the stock.

Shareholding Pattern (as on March 31, 2008):

	Category		No. of shares held	% of shareholding
A.	**Promoters holding**			
1	**Promoters**			
	a	Indian Promoters		
	b	Foreign Promoters	90999984	28.45
2	**Persons acting in Concert**			
		Sub Total	90999984	28.45
B.	**Non-Promoters Holding**			
3	**Institutional Investors**			
	a	Mutual Funds and UTI	4650712	1.45
	b	Financial Institutions/ Banks	58482	0.02
	c	Insurance Companies	3215182	1.01
	d	Foreign Institutional Investors	60826228	19.02
		Sub Total	68750604	21.50
4	**Others**			
	a	Bodies Corporate	57369993	17.94
	b	Individuals	55284070	17.29
	c	Clearing Member	768758	0.24
	d	Non- Executive Directors	680	0.00
	e	Non- Executive Director (Non-resident & Foreign national)	83900	0.03
	f	Overseas Corporate Bodies	6854193	2.14
	g	Non Resident Indians	10205454	3.19
		Sub Total	130567048	40.83
C.	**Shares held by Custodians and against which depository receipts have been issued.**		29490300	9.22
	GRAND TOTAL		319807936	100.00

About IndusInd Bank Ltd.

IndusInd Bank Ltd. is one of the new-generation private-sector banks in India which commenced its operations in 1994. The Bank currently has a network of 180 branches, spread over 147 geographical locations in 28 states and union territories across the country. The Bank also has a Representative Office each in Dubai and London.

The Bank is driven by state-of-the-art technology since its inception. It has multi-lateral tie-ups with other banks providing access to more than 18000 ATMs for its customers. It enjoys clearing bank status for both major stock exchanges - BSE and NSE - and three major commodity exchanges in the country – MCX, NCDEX, and NMCE. It also offers DP facilities for stock and commodity segments.

IndusInd Bank has been awarded the highest A1+ rating for its Certificates of Deposits by ICRA and the highest P1+ rating for its FDs by CRISIL, which has also assigned the highest safety ratings to the Bank's Pass through Certificates for securitized assets.

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Safe Harbour

This document contains certain forward-looking statements based on current expectations of the IndusInd Bank management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of IndusInd Bank as well as its ability to implement the strategy. IndusInd Bank does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of IndusInd Bank or any of its associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by IndusInd Bank.

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