INDUSIND BANK LIMITED

Earnings Update – Q2 & H1 FY 2008-09

Unaudited Quarterly Results

September 30, 2008

Quarterly Results

The Board of Directors of IndusInd Bank Ltd at their meeting held on October 16, 2008, took on record the unaudited quarterly financial results for the second quarter ended September 30, 2008.

Financial Data & Highlights for the Second Quarter ended September 30, 2008:
Profit & Loss Account

Rs. Crore

	Q2 FY 2008-09	Q2 FY 2007-08	Growth (%)	Q1 FY 2008-09	Sequential Growth (%)
Gross Interest Income	549.87	451.37	21.82%	518.32	6.09%
Net Interest Income	105.24	76.62	37.35%	92.94	13.23%
Other Income					
Commission, Exchange and Brokerage	31.95	21.21	50.64%	25.72	24.22%
Profit on exchange transaction	14.89	5.92	151.52%	11.95	24.60%
Recovery from Bad Debts	3.31	6.50	-49.08%	6.29	-47.38%
Others	38.80	40.47	-4.13%	20.95	85.20%
Total Income	**194.19**	**150.72**	**28.84%**	**157.85**	**23.02%**
Operating Costs	127.10	102.82	23.61%	111.98	13.50%
Of which:					
Staff Cost	44.72	33.98	31.61%	37.30	19.89%
Rent, Taxes and Lighting	11.41	9.73	17.27%	9.66	18.12%
Depreciation	11.00	9.50	15.79%	10.63	3.48%
Other Costs					
Total Expenditure	127.10	102.82	23.61%	111.98	13.50%
Operating Profit	**67.09**	**47.90**	**40.06%**	**45.87**	**46.26%**
Other Provisions & Contingencies	16.68	13.98	19.31%	15.39	8.38%
Provision for Tax	16.75	11.58	44.65%	11.38	47.19%
Net Profit	**33.66**	**22.34**	**50.67%**	**19.10**	**76.23%**
Paid up Equity Capital	355.19	320.00	11.00%	355.19	-
EPS (Rs.) (not annualised)	0.95	0.70	35.71%	0.59	61.02%

- Operating Profit for Q2 FY09 at Rs 67.09 crores, was up 40.06% as against Rs 47.90 crores of Q2 last year
- Net Profit for Q2 FY09 at Rs 33.66 crores, was up 50.67% as against Rs. 22.34 crores of Q2 last year

Balance Sheet

Rs. crores

	Q2 FY2008-09	Q2 FY2007-08	Growth (%)	Q1 FY 2008-09	Sequential Growth(%)
Capital & Liabilities					
Capital	355.19	320.00	11.00%	355.19	0.00%
Employee Stock Option Scheme	0.34	-	-	3.68	-
Reserves & Surplus	1,255.77	772.35	62.59%	1,225.71	2.45%
Deposits	19,487.91	17,640.15	10.47%	18,116.00	7.57%
Borrowings	2,016.59	1,421.89	41.82%	2,913.35	-30.78%
Other Liabilities & Provisions	1,867.40	1,767.29	5.66%	1,750.13	6.70%
Total	**24,983.20**	**21,921.68**	**13.97%**	**24,364.06**	**2.54%**
Assets					
Cash & Bank Balance	1,721.30	1,406.60	22.37%	1,629.54	5.63%
Balance with Bank and Money at Call & Short Notice	660.35	689.96	-4.29%	516.03	27.97%
Investments	6,742.60	6,285.66	7.27%	7,270.44	-7.26%
SLR Investments	5,308.63	5,116.72	3.75%	6,020.43	-11.82%
Non SLR Investments	1,433.97	1,168.94	22.67%	1,250.01	14.72%
Advances	14,049.50	12,073.34	16.37%	13,268.24	5.89%
Fixed Assets	625.80	377.50	65.77%	628.00	-0.35%
Other Assets	1,183.65	1,088.62	8.73%	1,051.81	12.53%
Total	**24,983.20**	**21,921.68**	**13.97%**	**24,364.06**	**2.54%**
Core Banking (Advances+Deposit)	33,537.41	29,713.49	12.87%	31,384.24	6.86%

Performance Highlights for the second quarter ended September 30, 2008:

General

- Networth of the Bank stands at Rs 1,373.58 crore at the end of the Q2 FY09.

- Core Banking operations (Advances + Deposits) of the Bank have shown a growth of 12.87% in Q2 FY09 on a YoY basis.
- Capital Adequacy Ratio (CAR) as on September 30, 2008 was 12.45%, as against 11.77% as on September 30, 2007.
- Book value per share (face value Rs. 10 each) of the Bank as on September 30, 2008 works out to Rs 40.54 as against Rs. 34.13 as on September 30, 2007. The adjusted book value works out to Rs 31.37 as against Rs. 24.96 earlier.
- Net Interest Margin (NIM) for Q2 FY09 was 1.84% and 1.68% for Q1 FY09 as against post amortisation effect of 1.68% and 1.52% respectively.
- Other Income for Q2 FY09 was at Rs 88.95 crore as against Rs 74.10 crore in Q2 FY08 and Rs 64.91 crore in Q1 FY09.

Advances

- Consumer Finance Division (erstwhile VFD) Advances at Rs 7,844 crore were up 10.95% YoY from Rs 7,071 crore.
- Corporate and Commercial Banking Advances were at Rs 6,245 crore in Q2 FY09 as against Rs 5,228 crore in Q2 FY08 and Rs 5,619 crore in Q1 FY09 registering a growth of 19.45 % Y-o-Y and 11.15% Q-o-Q.
- Net Advances at Rs 14,050 crore grew 16.38% YoY in Q2 FY09.
- Consumer Finance Division (erstwhile VFD) Advances constitute 55.83% of the Total Loan Book as of Q2 FY09; they constituted 58.57 % of the total Loan Book at the end of Q2 FY08.

Consumer Finance Division (erstwhile VFD) Advances

Rs. crore

	Amount Lent in Q2 FY08-09	Amount Lent in Q2 FY07-08	YoY Growth (%)	Amount Lent in Q1 FY08-09	QoQ Growth (%)
Commercial Vehicles	725.36	527.75	37.44%	654.28	10.86%
Personal Products - (TW)	191.26	176.08	8.62%	186.69	2.45%
Cars	68.13	68.44	-0.45%	81.35	-16.25%
Utility Vehicles	101.41	43.03	135.67%	85.13	19.12%
Equipments	162.08	198.34	-18.28%	189.82	-14.61%

Recoveries and NPAs

- The Bank recovered Rs 3.31 crore of bad debts in Q2 FY09 as against Rs 6.50 crore in Q2 FY08 and Rs 6.29 crore in Q1 FY08.
- Gross NPAs stand at Rs. 424.54crores (3.00%) in Q2 FY09 while Net NPAs stand at Rs. 310.64 crores (2.21%). This compares with Rs. 370.10 crores (3.05%) of Gross NPAs and Rs. 293.33 crores (2.43%) of Net NPAs at the end of Q2 FY08; Gross NPAs stood at Rs. 431.24 crores (3.22%) and Net NPAs at Rs. 320.08 crores (2.41%) at the end of Q1 FY09.

Deposits

- Total Deposits at the end of Q2 FY09 was Rs 19,488 crore, as against Rs 17,640 crore at the end of Q2 FY08, up 10.47% YoY; QoQ up 7.57% from Q1 FY09.
- Current Account Balances at Rs 2,179 crore, grew 9.20% YoY from Rs 1,995 crore and grew 12.02% QoQ.
- Savings Account Balances stood at Rs 1,318 crore, up 30.57% YoY from Rs 1009 crore; they were up 5.86 % QoQ.
- Average Cost of Deposits stood at 7.88% in Q2 FY09 as against 7.77% in Q2 FY08 and 7.79% in Q1 FY09.
- CASA (Current Account-Savings bank deposit accounts) Ratio improved to 18% in Q2 FY09 against 17% in Q2 FY08 and 17.61% in Q1 FY09.
- Credit-Deposit (CD) Ratio stood at 72.09% in Q2 FY09 as against 68.44% in Q2 FY08 and 73.24% in Q1 FY09.

Half-Yearly Results

The Board of Directors of IndusInd Bank Ltd at their meeting held on October 16, 2008, took on record the unaudited quarterly financial results for the half-year ended September 30, 2008.

Financial Data & Highlights for the Half Year ended September 30, 2008:

Profit & Loss Account

Rs. Crore

	Half year ending FY2008-09	Half year ending FY2007-08	Growth (%)
Gross Interest Income	1068.19	873.25	22.32%
Net Interest Income	198.18	124.06	59.75%
Other Income			
Commission, Exchange and Brokerage	57.67	43.48	32.64%
Profit on exchange transaction	26.84	12.37	116.98%
Recovery from Bad Debts	9.60	20.08	-52.19%
Others	59.75	71.89	-16.89%
Total Income	**352.04**	**271.88**	**29.48%**
Operating Costs	239.08	191.93	24.57%
Of which:			
Staff Cost	82.02	60.42	35.75%
Rent, Taxes and Lighting	21.07	17.53	20.19%
Depreciation	21.63	18.06	19.77%
Other Costs			
Total Expenditure	239.08	191.93	24.57%
Operating Profit	**112.96**	**79.95**	**41.29%**
Other Provisions & Contingencies	32.07	25.76	24.50%
Provision for Tax	28.13	18.63	50.99%
Net Profit	**52.76**	**35.56**	**48.37%**
Paid up Equity Capital	355.19	320.00	11.00%
EPS (Rs.) (not annualised)	1.56	1.11	40.54%

Balance Sheet

Rs. crores

	H1 FY2008-09	H1 FY2007-08	Growth (%)	Q1 FY2008-09	Sequential Growth(%)
Capital & Liabilities					
Capital	355.19	320.00	11.00%	355.19	-
Employee Stock Option Scheme	0.34	-	-	3.68	-
Reserves & Surplus	1,255.77	772.35	62.59%	1,225.71	2.45%
Deposits	19,487.91	17,640.15	10.47%	18,116.00	7.57%
Borrowings	2,016.59	1,421.89	41.82%	2,913.35	-30.78%
Other Liabilities & Provisions	1,867.40	1,767.29	5.66%	1,750.13	6.70%
Total	**24,983.20**	**21,921.68**	**13.97%**	**24,364.06**	**2.54%**
Assets					
Cash & Bank Balance	1,721.30	1,406.60	22.37%	1,629.54	5.63%
Balance with Bank and Money at Call & Short Notice	660.35	689.96	-4.29%	516.03	27.97%
Investments	6,742.60	6,285.66	7.27%	7,270.44	-7.26%
SLR Investments	5,308.63	5,116.72	3.75%	6,020.43	-11.82%
Non SLR Investments	1,433.97	1,168.94	22.67%	1,250.01	14.72%
Advances	14,049.50	12,073.34	16.37%	13,268.24	5.89%
Fixed Assets	625.80	377.50	65.77%	628.00	-0.35%
Other Assets	1,183.65	1,088.62	8.73%	1,051.81	12.53%
Total	**24,983.20**	**21,921.68**	**13.97%**	**24,364.06**	**2.54%**
Core Banking (Advances+Deposit)	33,537.41	29,713.49	12.87%	31,384.24	6.86%

Performance Highlights for the half-year ended September 30, 2008:

General

- Networth of the Bank stands at Rs 1,373.58 crore at the end of H1 FY09.
- Capital Adequacy Ratio (CAR) as on September 30, 2008 was 12.45%, as against 11.77% as on September 30, 2007.
- Book value per share (face value Rs. 10 each) of the Bank as on September 30, 2008 works out to Rs 40.54 as against Rs. 34.13 as on September 30, 2007.
- Net Interest Margin (NIM) for H1 FY09 was 1.76% and 1.54% for H1 FY08 as against post amortisation effect of 1.60% and 1.35% respectively.
- Other Income for H1 FY09 was at Rs 153.86 crore as against Rs 147.82 crore in H1 FY08.

Advances

- Consumer Finance Division (erstwhile VFD) Advances at Rs 7,844 crore were up 10.95% YoY from Rs 7,071 crore in H1 FY08.
- Corporate and Commercial Banking Advances were at Rs 6,245 crore in H1 FY09 as against Rs 5,228 crore in H1 FY08.
- Net Advances at Rs 14,050 crore grew 16.38% YoY in H1 FY09.
- Consumer Finance Division (erstwhile VFD) Advances constitute 55.83% of the Total Loan Book at the end of H1 FY09 as compared to 58.57% at the end of H1 FY08.

Recoveries and NPAs

- The Bank recovered Rs 9.60 crore of bad debts in H1 FY09 as against Rs 20.08 crore in H1 FY08.
- Gross NPAs stand at Rs. 424.54 crores (3.00 %) at the end of H1 FY09 while Net NPAs stand at Rs. 310.64 crores (2.21%). This compares with Rs. 370.10 crores (3.05%) of Gross NPAs and Rs. 293.33 crores (2.43%) of Net NPAs at the end of H1 FY08.

Deposits

- Total Deposits at the end of H1 FY09 was Rs 19,488 crore, as against Rs 17,640 crore at the end of H1 FY08, up 10.47% YoY.
- Current Account Balances were at Rs 2,179 crore at the end of H1 FY09 as against Rs 1,995 crore at the end of H1 FY08.
- Savings Account Balances stood at Rs 1,318 crore, up 30.57% YoY from Rs 1009 crore at the end of H1 FY08.
- Average Cost of Deposits stood at 7.84% in H1 FY09 as against 7.79% in H1 FY08.
- CASA (Current Account-Savings bank deposit accounts) Ratio improved to 18% as against 17% at the end of H1 FY08
- Credit-Deposit (CD) Ratio stood at 72.09% as against 68.44% at the end of H1 FY08.

Segmental Revenues & Profits:

Revenues

Rs crore

Particulars	Quarter ended 30.09.2008	Quarter ended 30.09.2007	Half year ended 30.09.2008	Half year ended 30.09.2007
(a) Segment Revenue				
I) Treasury Operations	150.38	117.68	270.70	233.10
ii) Corporate / Wholesale Banking	239.98		518.91	
iii) Retail Banking	380.15		714.22	
iv) Other banking Business	9.95	496.34	16.61	986.66
Total	**780.46**	**614.02**	**1520.44**	**1219.76**
Less : Inter-segment Revenue	**(141.64)**	**(88.55)**	**(298.39)**	**(198.69)**
Total Income	**638.82**	**525.47**	**1222.05**	**1021.07**
(b) Segment Results				
I) Treasury Operations	2.87	(5.56)	(17.68)	(26.83)
ii) Corporate / Wholesale Banking	14.97		35.30	
iii) Retail Banking	58.70		114.31	
iv) Other banking business	1.55	69.69	2.66	136.40
Total	**78.09**	**64.13**	**134.59**	**109.57**
Unallocated Revenue	0.00	0.00	0.00	0.00
Unallocated expenses	11.00	16.23	21.63	29.62
Operating Profit	**67.09**	**47.90**	**112.96**	**79.95**
Less: Provisions & Contingencies	**16.68**	**13.98**	**32.07**	**25.76**
Net Profit before tax	**50.41**	**33.92**	**80.89**	**54.19**
Taxes including deferred Taxes	16.75	11.58	28.13	18.63
Extraordinary Profit / loss	0.00	0.00	0.00	0.00
Net Profit	**33.66**	**22.34**	**52.76**	**35.56**
d) OTHER INFORMATION:				
Segment Assets				
I) Treasury Operations	7072.02	6486.02	7072.02	6486.02
ii) Corporate / Wholesale Banking	4619.27		4619.27	
iii) Retail Banking	9430.23		9430.23	
iv) Other banking business	2699.84	14524.10	2699.84	14524.10
Unallocated assets	1161.84	911.56	1161.84	911.56
Total assets	**24983.20**	**21921.68**	**24983.20**	**21921.68**

Segment liabilities				
I) Treasury Operations	6850.62	6285.66	6850.62	6285.66
ii) Corporate / Wholesale Banking	4155.14		4155.14	
iii) Retail Banking	8482.15		8482.15	
iv) Other banking business	3204.31	13891.81	3204.31	13891.81
Unallocated liabilities	679.68	651.86	679.68	651.86
Capital & Other Reserves	**1611.30**	**1092.35**	**1611.30**	**1092.35**
Total liabilities	**24983.20**	**21921.68**	**24983.20**	**21921.68**

Break-up of Assets and Liabilities:
Assets

Rs crores

	As on September 30,2008	**As on September 30,2007**	**Growth (%)**	**As on June 30,2008**	**Sequential Growth (%)**
Advances					
Consumer Finance Division (erstwhile VFD)Lending					
Commercial Vehicle Loans	4,710	4,187	12.49%	4,609	2.19%
· Utility Vehicle Loans	412	703	-41.39%	359	14.76%
· Car Loans	579	643	-9.95%	593	-2.36%
· 2/3-Wheeler Loans	832	288	188.89%	796	4.52%
· Equipment Financing	1,094	1,005	8.86%	1,062	3.01%
· Personal Loans	43	65	-33.85%	50	-14.00%
· Home Loans	175	180	-2.78%	180	-2.78%
Total	**7,845**	**7,071**	**10.95%**	**7,649**	**2.56%**
Corporate & Commercial Banking					
· Corporate Banking	4,586	3,720	23.28%	3,899	17.62%
· Loan to Small Businesses	1,659	1,508	10.01%	1,720	-3.55%
Total	**6,245**	**5,228**	**19.45%**	**5,619**	**11.14%**
Total Advances before IBPC/BRDS	**14,090**	**12,298**	**14.57%**	**13,268**	**6.20%**
Less: IBPC/BRDS	40	225	-82.22%	-	
Total Advances after IBPC/BRDS	**14,050**	**12,073**	**16.38%**	**13,268**	**5.89%**
Investments / Treasury Assets	6,743	6,286	7.27%	7,270	-7.25%
Total Advances & Assets	**20,793**	**18,359**	**13.26%**	**20,538**	**1.24%**

Liabilities

Rs. Crore

	As on September 30,2008	As on September 30,2007	Growth (%)	As on June 30,2008	Sequential Growth (%)
Deposits	19487.91	17,640.15	10.47%	18116.00	7.57%
Of which:					
Demand Deposit	3,496.42	3,004.37	16.38%	3189.66	9.62%
Time Deposit	15,991.49	14,635.78	9.26%	14926.34	7.14%
Borrowings	2,016.59	1,421.89	41.82%	2913.35	-30.78%

Lending to Sensitive Sectors

Rs. Crore

	As on September 30,2008	As on September 30,2007	Growth (%)	As on June 30,2008	Sequential Growth (%)
Capital Markets	384.83	379.93	1.29%	351.83	9.38%
Real Estate	486.22	457.40	6.30%	426.32	14.05%

Break-up of Deposits & Investments:

Categorisation of Deposits:

Rs. Crores

	As on Sept. 30, 2008	As on Sept. 30, 2007	Growth (%)	As on June 30, 2008	Sequential Growth (%)
Up to - 14 Days	1,246.31	1,605.49	-22.37%	958.95	29.97%
14 Days - 28 Days	446.97	533.01	-16.14%	478.03	-6.50%
28 Days - 3 Months	2,228.49	2,306.50	-3.38%	2,092.28	6.51%
3 Months - 6 Months	1,699.17	1,468.50	15.71%	1,136.43	49.52%
6 Months - 12 Months	1,759.39	1,975.70	-10.95%	2,323.22	-24.27%
12 Months - 3 Years	6,974.42	5,428.75	28.47%	6,424.09	8.57%
3 Years - 5 Years	2,599.75	2,224.80	16.85%	2,396.91	8.46%
Over - 5 Years	2,533.41	2,097.40	20.79%	2,306.09	9.86%
TOTAL	**19,487.91**	**17,640.15**	**10.47%**	**18,116.00**	**7.57%**

Categorisation of Investments:

Rs. crores

	As on Sept. 30, 2008	As on Sept. 30, 2007	Growth (%)	As on June 30,2008	Sequential Growth (%)
Held to Maturity (HTM)					
· G-Secs	4,725.23	4,503.21	4.93%	5,359.48	-11.83%
· T-Bills	-	-			
· Other Approved	-	1.55	-	-	-
· Debt Instruments	-	-	-	-	-
· Equity Shares	5.85	5.85	-	5.85	-
· Mutual Fund Units	-	-	-	-	-
· Other Investments (RIDF)	1,299.89	975.62	33.24%	1,111.14	16.99%
	6,030.97	**5,486.23**	**9.93%**	**6,476.47**	**-6.88%**
Held for Trading (HFT)					
· G-Secs	-	24.30	-	-	
· T-Bills	-	-		-	
· Debt Instruments	-	-		-	
· Equity Shares	-	-		-	
· Mutual Fund Units	-	-		-	
	-	**24.30**	-	**-**	-
Available for Sale (AFS)					
· G-Secs	301.85	99.44	203.55 %	299.47	0.79%
· T-Bills	354.86	561.42	-36.79%	434.51	-18.33%
· Other Approved	3.64	3.68	-1.09%	3.63	0.28%
· Debt Instruments	13.10	49.80	-73.69%	18.11	-27.66%
· Other Investments PTC	7.60	26.79	-71.63%	7.60	-
· Equity Shares	30.57	34.00	-10.09%	30.65	-0.26%
	711.62	**775.13**	**-8.19%**	**793.97**	**-10.37%**
SLR Investments	5,308.63	5,116.72	3.75%	6,020.43	-11.82%

Non SLR Investments	1,433.97	1,168.94	22.67%	1,250.01	14.72%
Total Investments	**6,742.60**	**6,285.66**	**7.27%**	**7,270.44**	**-7.26%**
Modified Duration (AFS)	0.37	1.38		0.58	
Modified Duration (HTM)	4.82	5.03		4.83	

Analytical Ratios:

	Half year ended Sept 30, 2008	Half year ended Sept 30, 2007	Growth (%)	Quarter Ended June 30, 2008	Sequential Growth (%)
Networth after minority interest (Rs crore)	1,373.58	1,092.35	25.75%	1,345.73	2.07%
Book Value per Share (Rs)	40.54	34.13	18.78%	37.91	6.94%
Adjusted Book Value per Share (Rs.) Net of NPAs	31.37	24.96	25.68%	28.89	8.58%
EPS (Rs)	0.95	0.70	35.71%	0.59	61.02%
Gross NPAs (Rs crore)	424.54	370.10	14.71%	431.24	-1.55%
Gross NPAs (%)	3.00%	3.05%	-1.64%	3.22%	-6.83%
Net NPAs (Rs crore)	310.64	293.33	5.90%	320.08	-2.95%
Net NPAs (%)	2.21%	2.43%	-9.05%	2.41%	-8.30%
Provision Cover (%)	26.83%	20.74%	-29.36%	25.78%	4.07%
Annualised Return on Assets (%)	0.43	0.33	30.30%	0.31	38.71%
Annualised Return on Networth (%)	7.68	6.51	17.97%	5.68	35.21%
Net Interest Margins (NIM) (%)	1.60%	1.35%	18.52%	1.52%	5.13%
Capital Adequacy Ratio (CAR) (%)	12.45%	11.77%	5.77%	13.16%	-5.40%
Interest Cost/ Total Income (%)	71.19%	73.37%	-2.97%	72.93%	-2.39%
Credit / Deposit (%)	72.09%	68.44%	5.33%	73.24%	-1.57%
Average Cost of Deposits	7.84%	7.75%	1.16%	7.79%	0.64%
Current Accounts (Rs crore)	2,178.78	1,995.21	9.20%	1,945.02	12.02%
Savings Accounts (Rs crore)	1,317.64	1009.17	30.57%	1,244.64	5.86%
CASA Ratio (%)	17.94%	17.03%	5.34%	17.61%	1.88%
Network					
Branches	180	172	4.65%	180	-
Extension Counters	-	-	-	-	-
Offsite ATMs	184	159	15.72%	184	-
Vehicle Finance Division Offices	26	26	-	26	-
Total Network	**390**	**357**	9.24%	**390**	-
Geographical Locations	147	141	4.26%	147	-
State/ Union Territories covered	28	27	3.70%	28	-

State Capitals covereed	25	23	8.70%	25	-
Foreign Locations (Representative offices)	2	2	-	2	-
- Retail	1033695	711622	45.26%	1025812	0.77%
- Retail (CFD)	999249	885657	12.83%	972422	2.76%
Customers	2032944	1597279	27.28%	1998234	1.74%
Total Employees	3936	2780	41.58%	3069	28.25%

Business Update

People & Infrastructure:

- IndusInd Bank's employee strength stands at 3,936 as at the end of Q2 & H1 FY09 as compared to 2,780 at the end of Q2 & H1 FY08.
- The Bank has 180 branches and 184 offsite ATMs as of September 30, 2008.
- The branches are spread across 147 geographical locations at the end of September 30, 2008.
- The total number of customers has moved from 15,97,279 in Q2 & H1 FY08 to 20,32,944 in Q2 & H1 FY09.

Key Initiatives taken during the Quarter:

- IndusInd Bank partnered with Grameen Capital and SKS microfinance to execute a Rs 100 crore Microfinance Transaction
- IndusInd Bank hiked its PLR by 75 bps and revised its FCNR & NRE deposit rates

Management Outlook for Banking Sector:

IndusInd Bank's outlook for the Banking Sector continues to remain weak in the short term (up to end December 2008) and beyond would depend on significant improvement in the global financial markets. The possibility of extension of the present crisis to other product segments like Credit Default Swaps, Auto loans and unsecured exposures like Credit cards and personal loans will extend the current weakness to medium term. It would take a long time to bring in a reversal of confidence to reinstate stability ahead of bullish phase.

We base our outlook in the back drop of the following factors:

Global cues:

- The financial crisis in US market has extended to other developed countries with most financial entities struggling for liquidity to stay afloat. Central Banks of G7 countries responded with concerted intervention pumping in liquidity and 0.5% cut in key interest rates.
- The enormity of the situation is so severe that capital base of even large and reputed financial entities are eroded and the respective governments have to step in to provide equity in addition to engineering moves of merger or take over to avoid systemic collapse of the financial system. The financial system of large economies is getting into the ownership of the tax-payers/Government.
- The dollar liquidity crisis helped USD currency recovery across all majors with a deep reversal of Euro from 1.60 to 1.35 and Pound Sterling from 1.95 to 1.70. However, USD lost heavily against JPY, steep fall from 115 to below 100. The USD index rose from a low of 71.329 on 22nd April 2008 to a high of 83.0 on 10th October 2008 backed by the said dollar strength. .
- The recessionary fears across developed economies guided a smart reversal of commodity prices with crude trading below $80 a barrel and Gold loosing its shine to fall below 850. The Reuters-Jeffrey's Commodity index also dropped from a high of 473.52 on 2nd July 2008 to a low of 289.89 on 10th October 2008, fall by 40% in 3 months time. The fear of reduced demand on recessionary conditions guided such a steep fall.
- This fall of commodity prices reduced the inflationary pressures which was a bother to all economies which are major importer of crude oil and other essential commodities.
- The sentiment in stock market is also bearish on expectations of poor corporate performance in the medium term, with major indices of all Stock markets in a deep declining trend led by US markets with the bearish sentiment spreading across to Euro Zone and other emerging markets.
- As said in the previous earning update (of Q1 2008-09), reversal in commodity prices with USD gaining as a currency helped in removing the inflationary pressures to shift focus on growth momentum to avoid recessionary moves. The market witnessed reversal of rate moves with G7 central banks cutting rates by 0.5% and with clear signals of more cuts in pipe-line to lift the growth momentum. The key for this is to ensure availability of adequate liquidity at affordable prices. The risk factor here is that despite the G7 signals and comfort, short term LIBOR is trading well above 4% highlighting the magnitude of the underlying problem.

- We may need to watch closely the developments in the major financial markets for more clues for the immediate direction. The fear of sub-prime crisis from mortgages extending to CDS, Auto loans and unsecured Credit Cards/Personal Loans continue to haunt the markets – the appetite and capacity of G7 Central Banks to support one crisis after another remains to be seen
- Overall, the global financial markets would continue to remain fragile and the risk of extended bearish phase can not be ruled out. We will continue to have a close watch on future developments for the next direction – continuation of bearish phase or stability at current levels will need to be watched while ruling out reversal of market confidence to guide an immediate bullish turnaround.

Domestic cues:

- The woes of global financial system did strike Indian markets with a lag time mainly on account of reduced (or reverse) flow of off-shore liquidity into the domestic market; increased demand for rupee funds in the absence of foreign currency funding to corporate entities and rupee depreciation with demand out-stripping the supply.
- RBI which had resorted to tightening of liquidity and increased rates to address inflationary pressures now had to pump in liquidity to address the credit squeeze and resultant near stoppage of funds flow to the corporate entities and business houses. RBI did act decisively and aggressively by reducing CRR by 1.5% and additional LAF facility of 1% of NDTL. Despite all these measures Call Money rates continue to trade above 10% with deposit rates hardening to range 11-13.5% with lending rates shooting over 19%.
- The bearish phase was led by the Stock Market with Sensex falling from close to 14000 to below 10000. RBI's liquidity actions did give a reprieve to help Sensex trade 1000-12000 range. However, short term continue to remain bearish with any upside correction to invite sellers to unwind (and square) long positions given the absence of funding to stock investors. Very low IIP numbers signaling growth pressures in the Indian economy and poor corporate earnings/performance likely to weigh heavily on the stock market in addition to absence of off-shore investment flows. Overall, there are no positive signals to stay invested in stock market – staying in cash and interest bearing investments may be the order of the day till off-shore flows are seen.
- Rupee continues to be in bearish phase to post a historic low of 49.30 before recovering on RBI actions to trade a range of 47.50-48.30. The demand-supply gap arising out of pull-out of India investments by off-shore investors, near zero off-shore supplies to India debt/equity markets, importers running for cover and exporters holding back their receivables further widened the gap with RBI stepping in to cushion the rupee fall. In the absence of RBI's strong will to defend rupee, any intervention by RBI did not yield desired results, it only resulted in sucking out rupees from the system to put further pressure on liquidity.
- The only positive factor is the removal of inflationary pressures mainly on steep reversal of global commodity prices with crude oil falling from $120-150 range to below $80. With expectation of commodity loosing grounds further, the cost-push inflation which guided earlier actions of RBI is out of the way. The demand-push factor is also taking a back seat on fear of sluggish growth momentum, thus there is strong expectation of inflation going below 10% to the target range of 7-8% sooner than anticipated. Now, with growth fears coming into the agenda and inflation fears out of the way, money

market yield fell sharply with 10Y yield dropping below 8% and OIS trading around 7% across 2-5 years tenors.

- Overall, it is expected that the Government and RBI would ensure to address growth pressures by providing liquidity in the Money Market through CRR/SLR reduction and would guide lower interest rate through Repo rate cut. It is also expected that domestic PSU financial entities will provide a supporting hand to Stock market to prevent a steep fall below 10000 which will dampen the investor sentiment and deeply erode investor's wealth.
- We would expect the Stock Market to trade within 10000-12000 with overshoot either-way to be unsustainable. The Money Market indicators to remain soft with Call Money rates likely to move towards Reverse Repo rate of 6%; OIS rates trading 6.5-7.0%; 10Y yield to trade 7.25-7.75% and Rupee to trade 46.50-49.20 range. The risk factor for Indian markets can only be on account of imported factors from developed economies. Given the demand for domestic liquidity, deposit/lending rates will remain high despite easing money market rates, thus giving a premium for depositors.

Impact on banking sector

- The only concern for the Banking sector is availability of adequate liquidity in the system so as to continue the engagement with borrowers and to avoid credit default. The risk will be higher from the Small/medium enterprises that may not have enough internal cash accruals to meet fund needs for business as usual or to absorb higher interest cost putting pressure on the profitability.
- Banks are expected to post better Net Interest margins mainly from better spread from financial intermediation (the market has already witnessed an increased gap between deposit and lending rates); lower SLR/CRR to help reduction in post-stat cost of funds and higher demand for bank deposits from retail customers will lead to less dependence on high cost bulk deposits. All these will lead to better Net Interest Income for Banks.
- The impact will also be felt in cross-border business – trade, corporate finance etc where off-shore appetite for India debt/equity is expected to be very little from developed countries – funding support for Indian banks are expected to come from GCC and South East Asian Banks, where the impact on liquidity is not yet felt. This will lead to reduction in other income from International Trade, Corporate Finance and M&A business that were major contributors in the previous quarters.
- Given the reduced appetite in investments in markets, revenue from third-party distribution of equity-linked Mutual Funds and other Insurance schemes will be at low key. This will have significant impact on revenue earned from distribution of Mutual Fund and Life Insurance products which was hitherto a growth segment for Banks – leveraging network and customer base.
- Overall, banking sector will play a critical role in the economy with the need to handle the liquidity, which would be at premium, and to ensure that companies do not starve for funds to run business as usual. SME, Small Business, LAS and unsecured loan portfolios will need to be closely monitored to avoid credit default. The two critical factors for improved profitability will be the management of Net Interest Margin and effective control over the quality of performing assets. The icing on the cake would be the other income from Markets – to encash the volatility in the Fixed Income and Currency markets, revenues from new products – Currency and Interest rate futures – are expected to grow in the ensuing quarters.

- We would expect this quarter to be a period of liquidity management for Banks to "fix" gaps in ALM so as to be less dependent on market funds. Hence, would see focus on growth in deposits (with emphasis on CASA), consolidation in advances (move away from high risk, unsecured lending with cautious approach on SME and Small Business) and achieving cost efficiency through cost control in low priority product segments
- It would be observed that Banking stock will be considered a better segment (relative to other sectors) for investors given the limited downside and the pivotal role that banking sector would play in these turbulent times. There will be demand for banking stocks (on dips from current levels) and it is expected that every move of RBI in reduction in statutory reserves and key reference rates will be the drivers to push the banking stocks to higher levels – it is hoped that as we give the next update for Q3, stocks would have been up by minimum 25% if not more!

Management Outlook for IndusInd Bank

We had mentioned about the roll-out of the organization structure – Zones, regions and clusters – across Consumer and Corporate Bank with co-mingling of product drivers from Transaction Banking and Global Markets so as to build a holistic customer engagement. This task is completely achieved and the results have already tricking in and likely to be significant in the coming quarters.

The focus for IndusInd will revolve around the following:

- The top priority for the Bank would be to address the liability side of the Balance Sheet. Some of the tasks on hand would be to build momentum on the retailisation of term deposit book, broad-base wholesale depositors and to be less dependent on purchased funds from large corporates/inter bank participants. Aggressive efforts are on to build the 180 strong branch network and 400 business correspondent outlets as deposit mobilization outlets.
- This strategy would not only reduce the volatility in the liability book but also would address the cost side for improvement in the NIM.
- The re-pricing of the asset portfolio (corporate and consumer bank) is generating good improvement in the yield of advances as incremental loans are being disbursed with a kicker of minimum 5-6% on the corporate bank and 3-4% on the consumer bank.
- Hence, addressing the Interest expenses will be very critical for the Bank to improve the NIM. Towards this objective, efforts are on to build CASA through placement of large sales force on the ground to attract both retail and wholesale client segments with across the board product coverage to leverage our technology and transaction banking capabilities
- The other critical element, the other (non-interest) income of the Bank has shown significant growth in the current year, the momentum will continue to be kept up on the Third Party distribution of Mutual Funds/Insurance, sale of gold coins, bullion consignment, sale of transaction banking products, cross-border trade finance and treasury/risk management products. Product specialists are in place at key centers for customer coverage along with Relationship Managers.
- Bank would continue to have a close monitor on its asset quality given the possibility of slippage in the current liquidity conditions. The robust credit risk management of the Bank will ensure that credit quality of the loan portfolio is kept well.

- Overall, the Bank is expected to show better results driven by significant improvement in Net Interest Margin, sustained growth in other income and through achieving cost efficiency. Bank would continue to work towards being the top 3 bank in profitability, productivity and efficiency.

Shareholding Pattern (as on September 30, 2008):

	Category	No. of shares held	% of shareholding
A.	**Promoters holding**		
1	**Promoters**		
	a Indian Promoters		
	b Foreign Promoters	90999984	25.63
2	**Persons acting in Concert**		
	Sub Total	90999984	25.63
B.	**Non-Promoters Holding**		
3	**Institutional Investors**		
	a Mutual Funds and UTI	3925390	1.11
	b Financial Institutions/ Banks	33282	0.01
	c Insurance Companies	3215182	0.91
	d Foreign Institutional Investors	63477094	17.88
	Sub Total	70650948	19.91
4	**Others**		
	a Bodies Corporate	53026954	14.94
	b Individuals	55101604	15.52
	c Clearing Member	4874559	1.37
	d Non- Executive Directors	2980	0.00
	e Non- Executive Director (Non-resident & Foreign national)	83900	0.02
	f Overseas Corporate Bodies	5069493	1.43
	g Non Resident Indians	10507214	2.96
	Sub Total	128666704	36.24
C.	**Shares held by Custodians and against which depository receipts have been issued.**	64682364	18.22
	GRAND TOTAL	355000000	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.

Visit us at www.indusind.com

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.

# # # #