INDUSIND BANK LIMITED

Earnings Update – Q3 FY 2008-09

Unaudited Quarterly Results

December 31, 2008

Quarterly Results

The Board of Directors of IndusInd Bank Ltd., one of the fastest growing private sector banks in the country, at their meeting held on January 15, 2009, took on record the unaudited quarterly financial results for the third quarter ended December 31, 2008.

Financial Data & Highlights for the Third Quarter ended December 31, 2008:

Profit & Loss Account

Rs. Crore

	Q3 FY2008-09	Q3 FY2007-08	Growth (%)	Q2 FY2008-09	Sequential Growth (%)
Gross Interest Income	627.48	491.82	27.58%	549.87	14.11%
Net Interest Income	116.58	89.78	29.85%	105.24	10.78%
Other Income					
Commission, Exchange and Brokerage	42.23	15.57	171.23%	31.95	32.18%
Profit on Exchange Transaction	24.79	6.02	311.79%	14.89	66.49%
Recovery from Bad Debts	1.78	8.70	-79.54%	3.31	-46.22%
Others	64.27	44.02	46.00%	38.80	65.64%
Total Income	249.65	164.09	52.14%	194.19	28.56%
Operating Costs	145.65	99.13	46.93%	127.10	14.59%
Of which:					
Staff Cost	53.56	26.54	101.81%	44.72	19.77%
Rent, Taxes and Lighting	13.00	9.32	39.48%	11.41	13.94%
Depreciation	11.26	10.23	10.07%	11.00	2.36%
Other Costs	67.83	53.04	27.88%	59.97	13.11%
Total Expenditure	145.65	99.13	46.93%	127.10	14.59%
Operating Profit	104.00	64.96	60.10%	67.09	55.02%
Other Provisions & Contingencies	29.89	28.33	5.51%	16.68	79.20%
Provision for Tax	29.05	11.59	150.65%	16.75	73.43%
Net Profit	45.06	25.04	79.95%	33.66	33.87%
Paid up Equity Capital	355.19	320.00		355.19	
EPS (Rs.) (not annualised)	1.27	0.78	62.82%	0.95	33.68%

The operating profit for the quarter ended December 31, 2008 stood at Rs 104.00 crore as compared to Rs 64.96 crore recorded in the corresponding quarter of the last year, a growth of 60.10%.

The net profit for Q3 FY09 at Rs 45.06 crore recorded an increase of 79.95% Y-o-Y, and 33.87% sequentially as compared to Rs 25.04 crore recorded in Q3 FY08 and Rs 33.66 crore recorded in Q2 FY09.

Balance Sheet

Rs. crores

	Q3 FY2008-09	Q3 FY2007-08	Growth (%)	Q2 FY2008-09	Sequential Growth (%)
Capital & Liabilities					
Capital	355.19	320.00	11.00%	355.19	-
Employee Stock Option Scheme	0.74	-	-	0.34	-
Reserves & Surplus	1,308.49	1,038.17	26.04%	1,255.77	4.20%
Deposits	20,634.36	19,569.57	5.44%	19,487.91	5.88%
Borrowings	1,814.27	640.42	183.29%	2,016.59	-10.03%
Other Liabilities & Provisions	1,972.03	1,791.20	10.10%	1,867.40	5.60%
Total	26,085.08	23,359.36	11.67%	24,983.20	4.41%
Assets					
Cash & Bank Balance	1,251.65	1,341.98	-6.73%	1,721.30	-27.28%
Balance with Bank and Money at Call & Short Notice	706.08	881.86	-19.93%	660.35	6.93%
Investments	7,815.34	6,441.27	21.33%	6,742.60	15.91%
SLR Investments	6,098.71	5,213.94	16.97%	5,308.62	14.88%
Non SLR Investments	1,716.63	1,227.33	39.87%	1,433.98	19.71%
Advances	14,383.40	12,933.51	11.21%	14,049.50	2.38%
Fixed Assets	623.26	619.56	0.60%	625.80	-0.41%
Other Assets	1,305.35	1,141.18	14.39%	1,183.65	10.28%
Total	26,085.08	23,359.36	11.67%	24,983.20	4.41%
Core Banking (Advances+Deposit)	35,017.76	32,503.08	7.74%	33,537.41	4.41%

Performance Highlights for the third quarter ended December 31, 2008:

General

- Networth of the Bank stands at Rs 1,427.68 crore at the end of the Q3 FY09.
- Core Banking operations (Advances + Deposits) of the Bank have shown a growth of 7.74% in Q3 FY09 on a Y-o-Y basis.
- Capital Adequacy Ratio (CAR) as on December 31, 2008 was 12.40% as against 12.04% as on December 31, 2007
- Book value per share (face value Rs. 10 each) of the Bank as on December 31, 2008 works out to Rs 40.22 as against Rs 34.92 as on December 31, 2007. The adjusted book value works out to Rs 34.94 as against Rs 25.13 earlier.
- Net Interest Margin (NIM) for Q3 FY09 was 1.95% as against 1.74% in Q3 FY08. Post amortization, the same works out to 1.81 % as against 1.57%
- Other Income for Q3 FY09 stood at Rs 133.07 crore as against Rs 74.31 crore in Q3 FY08 and Rs 88.95 crore in Q2 FY09

Advances

- Consumer Finance Division (erstwhile VFD) Advances at Rs 7,610 crore was up 4.52% Y-o-Y from Rs 7,281 crore.
- Corporate and commercial Banking Advances were at Rs 6,798 crore in Q3 FY09 as against Rs 5,653 crore in Q3 FY08 and Rs 6,245 crore in Q2 FY09 registering a growth 20.25% Y-o-Y and 8.86% Q-o-Q.
- Net Advances at Rs 14,383 crore grew 11.20% Y-o-Y in Q3 FY09.
- Consumer Finance Division (erstwhile VFD) Advances constitute 52.91% of the Total Loan Book as of Q3 FY09; they constituted 56.29% of the total Loan Book at the end of Q3 FY08

Consumer Finance Division (erstwhile VFD) Advances

Rs. crore

	Amount Lent in Q3 FY08- 09	Amount Lent in Q3 FY07-08	YoY Growth (%)	Amount Lent in Q2 FY08-09	QoQ Growth (%)
Commercial Vehicles	421.46	617.52	-31.75%	725.36	-41.90%
Personal Products - (TW)	225.7	184.08	22.61%	191.26	18.01%
Cars	38.96	61.07	-36.20%	68.13	-42.82%
Utility Vehicles	60.21	71.71	-16.04%	101.41	-40.63%
Equipments	107.91	181.54	-40.56%	162.08	-33.42%

Recoveries, NPAs and Securitisation

- The Bank recovered Rs 1.78 crore of bad debts in Q3 FY09 as against Rs 8.70crore in Q3 FY08 and Rs 3.31 crore in Q2 FY09.
- Gross NPAs stand at Rs 263.59 crore (1.82%) in Q3 FY09 while Net NPAs stand at Rs 187.44 crore (1.30%). This compares with Rs 411.41 crore (3.16%) of Gross NPAs and Rs 313.27 crore (2.42%) of Net NPAs at the end of Q3 FY08; Gross NPAs stood at Rs 424.54 crore (3.00%) and Net NPAs at Rs 310.64 crores (2.21%) at the end of Q2 FY09

Deposits

- Total Deposits at the end of Q3 FY09 was Rs. 20,634.36 crore, as against Rs. 19,569.57 crore at the end of Q3 FY08, up 5.44% Y-o-Y; Q-o-Q up 5.88% from Rs 19,487.91 crores in Q2 FY09
- Current Deposits, at Rs. 2,571.14 crore, grew 42.47% Y-o-Y from Rs. 1,804.72 crore in Q3 FY08 and grew 18.01% Q-o-Q from Rs 2,178.78 crore in Q2 FY09
- Savings Deposits stood at Rs. 1,223.07 crore, up 3.86% Y-o-Y from Rs. 1,177.60 crore in Q3 FY08.
- Average Cost of Deposits stood at 8.79% in Q3 FY09 as against 7.79% in Q3 FY08 and 7.88% in Q2 FY09.
- CASA (Current Accounts-Savings Accounts) Ratio has improved to 18.39% against 15.24% in Q3 FY08 and 17.94% in Q2 FY09
- Credit-Deposit (CD) Ratio stood at 69.71% in Q3 FY09 as against 66.09% in Q3 FY08 and 72.09% in Q2 FY09

Nine-months Results

The Board of Directors of IndusInd Bank Ltd. at their meeting held on January 15, 2009, took on record the unaudited financial results for nine months ended December 31, 2008.

Financial Data & Highlights for Nine months ended December 31, 2008:

Profit & Loss Account

Rs. Crore

	9M FY2008-09	9M FY2007-08	Growth (%)
Gross Interest Income	1695.67	1365.07	24.22%
Net Interest Income	314.76	213.84	47.19%
Other Income			
Commission, Exchange and Brokerage	99.90	59.05	69.18%
Profit on exchange transaction	51.63	18.39	180.74%
Recovery from Bad Debts	11.38	28.78	-60.46%
Others	124.02	115.91	7.00%
Total Income	601.69	435.97	38.01%
Operating Costs	384.73	291.06	32.18%
Of which:			
Staff Cost	135.58	86.96	55.91%
Rent, Taxes and Lighting	34.07	26.85	26.89%
Depreciation	32.89	28.29	16.26%
Other Costs	182.19	148.96	22.31%
Total Expenditure	384.73	291.06	32.18%
Operating Profit	216.96	144.91	49.72%
Other Provisions & Contingencies	61.96	54.09	14.55%
Provision for Tax	57.18	30.22	89.21%
Net Profit	97.82	60.60	61.42%
Paid up Equity Capital	355.19	320.00	
EPS (Rs.) (not annualised)	2.84	1.89	50.26%

Balance Sheet

Rs. crore

	9M FY2008-09	9M FY2007-08	Growth (%)
Capital & Liabilities			
Capital	355.19	320.00	11.00%
Employee Stock Option Scheme	0.74	-	-
Reserves & Surplus	1,308.49	1,038.17	26.04%
Deposits	20,634.36	19,569.57	5.44%
Borrowings	1,814.27	640.42	183.29%
Other Liabilities & Provisions	1,972.03	1,791.20	10.10%
Total	26,085.08	23,359.36	11.67%
Assets			
Cash & Bank Balance	1,251.65	1,341.98	-6.73%
Balance with Bank and Money at Call & Short Notice	706.08	881.86	-19.93%
Investments	7,815.34	6,441.27	21.33%
SLR Investments	6,098.71	5,213.94	16.97%
Non SLR Investments	1,716.63	1,227.33	39.87%
Advances	14,383.40	12,933.51	11.21%
Fixed Assets	623.26	619.56	0.60%
Other Assets	1,305.35	1,141.18	14.39%
Total	26,085.08	23,359.36	11.67%
Core Banking (Advances+Deposit)	35,017.76	32,503.08	7.74%

Performance Highlights for nine months ended December 31, 2008:

General

- Networth of the Bank stands at Rs 1,427.68 crore at the end of the Q3 FY09.
- Capital Adequacy Ratio (CAR) as on December 31, 2008 was 12.40% as against 12.04% as on December 31, 2007
- Book value per share (face value Rs. 10 each) of the Bank as on December 31, 2008 works out to Rs 40.22 as against Rs 34.92 as on December 31, 2007. The adjusted book value works out to Rs 34.94 as against Rs 25.13 earlier.
- Net Interest Margin (NIM) for the period ending December 31, 2008 was 1.82% as against 1.49% in the corresponding period previous year. Post amortization, the same works out to 1.67 % as against 1.31%.
- Other Income for 9M FY09 stood at Rs 286.93 crore as against Rs 222.13 crore in 9M FY08.

Advances

- Consumer Finance Division (erstwhile VFD) Advances at Rs 7,610 crore was up 4.52% Y-o-Y from Rs 7,281 crore in 9M FY 08.
- Corporate and commercial Banking Advances were at Rs 6,798 crore in 9M FY09 was up 20.25% Y-o-Y as against Rs 5,653 crore in 9M FY08.
- Net Advances at Rs 14,383 crore grew 11.20% Y-o-Y in 9M FY09.
- Consumer Finance Division (erstwhile VFD) Advances constitute 52.91% of the Total Loan Book as of 9M FY09; they constituted 56.29% of the total Loan Book at the end of 9M FY08

Recoveries, NPAs and Securitisation

- The Bank recovered Rs 11.38 crore of bad debts in 9M FY09 as against Rs 28.78 crore in 9M FY08.
- Gross NPAs stand at Rs 263.59 crore (1.82%) in 9M FY09 while Net NPAs stand at Rs 187.44 crore (1.30%). This compares with Rs 411.41 crore (3.16%) of Gross NPAs and Rs 313.27 crore (2.42%) of Net NPAs at the end of 9M FY08.

Deposits

- Total Deposits at the end of 9M FY09 was Rs.20,634.36 crore, as against Rs. 19,569.57 crore at the end of 9M FY08 up 5.44% Y-o-Y.
- Current Deposits, at Rs. 2,571.14 crore, grew 42.47% Y-o-Y from Rs. 1,804.72 crore in 9M FY08.
- Savings Deposits stood at Rs.1,223.07 crore, up 3.86% Y-o-Y from Rs. 1,177.60 crore in 9M FY08.
- Average Cost of Deposits stood at 8.16% in 9M FY09 as against 7.83% in 9M FY08.
- CASA (Current Accounts-Savings Accounts) Ratio has improved to 18.39% against 15.24% in 9M FY08.
- Credit-Deposit (CD) Ratio stood at 69.71% in 9M FY09 as against 66.09% in 9M FY08.

Segmental Revenues & Profits:

Rs crores

Particulars	Quarter ended 31.12.08	Quarter ended 31.12.07	Period ended 31.12.08	Period ended 31.12.07	Year ended 31.03.08 (Audited)
(a) Segment Revenue					
I) Treasury Operations	199.44	111.72	470.14	344.82	491.09
ii) Corporate / Wholesale Banking	337.80		856.71		1040.68
iii) Retail Banking	413.59		1127.81		1244.11
iv) Other banking Business	8.18	579.79	24.79	1566.45	24.40
Total	959.01	691.51	2479.45	1911.27	2800.28
Less : Inter-segment Revenue	(198.46)	(125.38)	(496.85)	(324.07)	(622.04)
Total Income	760.55	566.13	1982.60	1587.20	2178.24
(b) Segment Results					
I) Treasury Operations	36.64	(57.50)	18.96	(84.33)	(86.67)
ii) Corporate / Wholesale Banking	19.63		54.93		60.15
iii) Retail Banking	57.86		172.17		271.66
iv) Other banking business	1.13	130.53	3.79	266.93	2.17
Total	115.26	73.03	249.85	182.60	247.31
Unallocated Revenue	0.00	0.00	0.00	0.00	0.00
Unallocated expenses	11.26	8.07	32.89	37.69	51.12
Operating Profit	104.00	64.96	216.96	144.91	196.19
Less: Provisions & Contingencies	29.89	28.33	61.96	54.09	81.91
Net Profit before tax	74.11	36.63	155.00	90.82	114.28
Taxes including deferred Taxes	29.05	11.59	57.18	30.22	39.23
Extraordinary Profit / loss	0.00	0.00	0.00	0.00	0.00
Net Profit	45.06	25.04	97.82	60.60	75.05
d) OTHER INFORMATION:					
Segment Assets					
I) Treasury Operations	8081.07	6776.43	8081.07	6776.43	6919.62
ii) Corporate / Wholesale Banking	4057.90		4057.90		3570.37
iii) Retail Banking	10325.50		10325.50		9224.94
iv) Other banking business	2456.09	15382.87	2456.09	15382.87	2362.13

Unallocated assets	1164.52	1200.06	1164.52	1200.06	1184.82
Total assets	26085.08	23359.36	26085.08	23359.36	23261.88
Segment liabilities					
I) Treasury Operations	7873.79	6616.25	7873.79	6616.25	6725.18
ii) Corporate / Wholesale Banking	3599.76		3599.76		3435.11
iii) Retail Banking	9160.81		9160.81		8877.13
iv) Other banking business	2803.21	14763.59	2803.21	14763.59	2245.84
Unallocated liabilities	983.09	621.35	983.09	621.35	628.91
Capital & Other Reserves	1664.42	1358.17	1664.42	1358.17	1349.71
Total liabilities	26085.08	23359.36	26085.08	23359.36	23261.88

Break-up of Assets and Liabilities:

Assets

Rs crores

	As on December 31,2008	As on December 31,2007	Growth (%)	As on September 30,2008	Sequential Growth (%)
Advances					
Consumer Finance Division (erstwhile VFD) Lending					
· Commercial Vehicle Loan	4,520	4,349	3.93%	4,710	-4.03%
· Utility Vehicle Loans	415	316	31.33%	412	0.73%
· Car Loans	531	623	-14.77%	579	-8.29%
· 2/3-Wheeler Loans	890	735	21.09%	832	6.97%
· Equipment Financing	1,039	1,017	2.16%	1,094	-5.03%
· Personal Loans	40	60	-33.33%	43	-6.98%
· Home Loans	175	181	-3.31%	175	-
Total (VFD)	7,610	7,281	4.52%	7,845	-3.00%
Corporate & Commercial Banking					
· Corporate Banking	5,190	3,961	31.03%	4,586	13.17%
· Loan to Small Businesses	1,608	1,692	-4.96%	1,659	-3.07%
Total	6,798	5,653	20.25%	6,245	8.86%
Total Advances before BRDS	14,408	12,934	11.40%	14,090	2.26%
Less: BRDS	25	-		40	-37.50%
Total Advances after BRDS	14,383	12,934	11.20%	14,050	2.37%
Investments/Treasury Assets	7,815	6,441	21.33%	6,743	15.90%
Total Advances & Investments	22,198	19,375	14.57%	20,793	6.76%

Liabilities

Rs. Crore

	As on December 31,2008	As on December 31,2007	Growth (%)	As on September 30,2008	Sequential Growth (%)
Deposits	20,634.36	19,569.57	5.44%	19,487.91	5.88%
Of which:					
Demand Deposit	3,794.21	2,982.32	27.22%	3,496.42	8.52%
Time Deposit	16,840.15	16,587.25	1.52%	15,991.49	5.31%
Borrowings	1,814.27	640.42	183.29%	2,016.59	-10.03%

Lending to Sensitive Sectors

Rs. Crore

	As on December 31, 2008	As on December 31, 2007	Growth (%)	As on September 30,2008	Sequential Growth (%)
Capital Markets	387.62	343.88	12.72%	384.83	0.72%
Real Estate	460.24	480.25	-4.17%	486.22	-5.34%

Break-up of Deposits & Investments:

Categorisation of Deposits:

Rs. Crore

	As on December 31, 2008	As on December 31, 2007	Growth (%)	As on September 30, 2008	Sequential Growth (%)
Up to - 14 Days	1,412.68	1,365.63	3.45%	1,246.31	13.35%
14 Days - 28 Days	630.84	368.39	71.24%	446.97	41.14%
28 Days - 3 Months	2,395.69	2,681.15	-10.66%	2,228.49	7.50%
3 Months - 6 Months	1,337.74	1,481.07	-9.68%	1,699.17	-21.27%
6 Months - 12 Months	1,920.80	1,897.07	1.25%	1,759.39	9.17%
12 Months - 3 Years	7,664.50	6,438.84	19.04%	6,974.42	9.89%
3 Years - 5 Years	2,638.62	2,735.02	-3.52%	2,599.75	1.50%
Over - 5 Years	2,633.49	2,602.40	1.19%	2,533.41	3.95%
TOTAL	20,634.36	19,569.57	5.44%	19,487.91	5.88%

Categorisation of Investments:

Rs. Crore

	As on December 31, 2008	As on December 31, 2007	Growth (%)	As on September 30, 2008	Sequential Growth (%)
Held to Maturity (HTM)					
· G-Secs	5,577.56	4,493.29	24.13%	4,725.23	18.04%
· T-Bills	-	-		-	-
· Other Approved	-	1.55	-	-	-
· Debt Instruments	-	-	-	-	-
· Equity Shares	5.85	5.85	-	5.85	-
· Mutual Fund Units	-	-	-	-	-
· Other Investments (RIDF)	1,480.41	1,003.81	47.48%	1,299.89	13.89%
	7,063.82	5,504.50	28.33%	6,030.97	17.13%
Held for Trading (HFT)					
· G-Secs	-	-	-	-	-
Available for Sale (AFS)					
· G-Secs	50.04	-	-	301.85	-83.42%
· T-Bills	575.42	792.26	-27.37%	354.86	62.15%
· Other Approved	3.81	3.79	0.53%	3.64	4.67%
· Debt Instruments	14.01	107.72	-86.99%	13.10	6.95%
· Other Investments PTC	77.80	-	-	7.61	-
· Equity Shares	30.44	33.00	-7.76%	30.57	-0.43%
	751.52	936.77	-19.78%	711.63	5.61%
SLR Investments	6,098.71	5,213.94	16.97%	5,308.62	14.88%
Non SLR Investments	1,716.63	1,227.33	39.87%	1,433.98	19.71%
Total Investments	7,815.34	6,441.27	21.33%	6,742.60	15.91%
Modified Duration(AFS)	0.65	0.58		0.37	
Modified Duration(HTM)	5.99	4.24		4.82	

Analytical Ratios:

	Quarter Ended December 31, 2008	Quarter Ended December 31, 2007	Growth (%)	Quarter Ended September 30, 2008	Sequential Growth (%)
Networth after minority interest (Rs crore)	1,427.68	1,117.39	27.77%	1,373.58	3.94%
Book Value per Share (Rs)	40.22	34.92	15.18%	38.69	3.95%
Adjusted Book Value per Share (Rs.) Net of NPAs	34.94	25.13	39.04%	29.94	16.70%
EPS (Rs)	1.27	0.78	62.82%	0.95	33.68%
Gross NPAs (Rs crore)	263.59	411.41	-35.93%	424.54	-37.91%
Gross NPAs (%)	1.82	3.16	-42.41%	3.00	-39.33%
Net NPAs (Rs crore)	187.44	313.27	-40.17%	310.64	-39.66%
Net NPAs (%)	1.30	2.42	-46.28%	2.21	-41.18%
Provision Cover (%)	28.89	23.85	21.13%	26.83	7.68%
Annualised Return on Assets (%)	0.70	0.44	59.09%	0.54	29.63%
Annualised Return on Networth (%)	12.62	8.96	40.85%	9.80	28.78%
Net Interest Margins (NIM) before amortisation (%)	1.95	1.74	12.07%	1.84	5.98%
Capital Adequacy Ratio (CAR) (%)	12.40	12.04	2.99%	12.45	-0.40%
Interest Cost/ Total Income (%)	67.17	71.02	-5.42%	69.60	-3.49%
Credit / Deposit (%)	69.71	66.09	5.48%	72.09	-3.30%
Average Cost of Deposits (%)	8.79	7.79	12.84%	7.88	11.55%
Current Accounts (Rs crore)	2,571.14	1,804.72	42.47%	2,178.78	18.01%
Savings Accounts (Rs crore)	1,223.07	1,177.60	3.86%	1,317.64	-7.18%
CASA Ratio (%)	18.39	15.24	20.67%	17.94	2.51%
Network					
Branches	180	179	0.56%	180	-
Extension Counters	-	-	-	-	-
ATMs	356	330	7.88%	356	-
Consumer Finance Division Offices	26	26	-	26	-
Total Network	562	535	5.05%	562	-
Geographical Locations	147	147	-	147	-
State/ Union Territories covered	28	28	-	28	-
State Capitals covered	25	25	-	25	-
Foreign Locations (Representative offices)	2	2	-	2	-
Customers	2094367	1895226	10.51%	2032944	3.02%
Total Employees	4120	2787	47.83%	3936	4.67%

Business Update

People & Infrastructure:

- IndusInd Bank's employee strength stands at 4,120 at the end of Q3 FY09 as compared to 2,787 at the end of Q3 FY08 and 3,936 at the end of Q2 FY09.
- The Bank has 180 branches and 356 ATMs as of December 31, 2008.
- The branches are spread across 147 geographical locations in India at the end of December 31, 2008.
- The number of customers has moved from 18,95,226 at the end of December 31, 2007, to 20,94,367 at the end of December 31, 2008.

Key Initiatives taken during the Quarter:

Consumer Banking Division

1.New Product launches – Savings account

Indus Money
A recently launched Savings Account product that rewards IndusInd Bank customers through an unique cash-back program on the Savings Account. Customers can access and do transactions on their savings account and get rewarded by way of cash back program. What's more, the cash back is credited to the account a month after transactions.

Indus YoungSaver
A Savings Account product that has been specially designed to build and secure your child's future. A combination of Savings Account with flexi Recurring Deposits, this product helps your child learn to handle & value money. Customers can avail various benefits like free ASSETonline Test (a skill-based online diagnostic test) and a special discount on Mindspark (a computer based, self-learning programme for Maths) for their children by opening the account.

2. New Product launches – Current account

Indus Escrow
Looking at the rapidly changing environment of business where there are high risks involved in all the transaction, we have introduced Indus Escrow to safeguard funds or products / service thereby ensuring peace of mind to our esteemed customer. Our team of experts and advisors with years of experience in handling these transactions provide world class benefits and value additions exclusively to our customers.

Indus Collect
A service that offers quick collection of cheques from IndusInd Bank Customers. Indus Collect offers collection of cheques at over 1000 locations through IndusInd Bank and Partner banks. The offer is backed up with strong service, technology and centralized query handling desk. It is divided in 4 categories Indus Direct, Indus Express, Indus Prompt and Indus Anywhere.

3. Commencement of branch refurbishment program to alter the ambience and give superior

customer experience at our branches.

Management Outlook for the Banking Sector:

IndusInd Bank's outlook for the Banking Sector has shifted to 'stable' from earlier bearish phase (which we had expected to be there till end December 2008). This outlook is based on improved sentiments in the global financial markets supported by delivery of financial stimulus packages by the governments of G7 countries to prevent systemic collapse and to restore consumer demand and confidence. We have also seen support from the Central Bank and the Government (although in a very less magnitude) to ensure that Indian markets stay insulated from external shocks to a great extent. It is expected that the next couple of quarters (up to Q2 of FY10) the outlook for banking sector will continue to remain stable, waiting for further clues for the next direction. It would need a lot of effort (and time) to bring in turn around to a bullish phase! We base our outlook in the back drop of the following factors:

Global cues:

- The severity of the financial crisis in US and other developed economies has resulted in G7 countries moving into zero interest regime. The US Federal Reserve and Central Banks of Europe, England, Japan and Canada were swift in cutting key official policy rates with US Fed Fund rate at 0-0.25% (from previous years' close of 4.25%). Similarly Euro rate is at 2.50% (previous 4.0%); UK at 1.50% (previous 5.50%); Japan at 0.10% (previous 0.50%) and China at 1.50% (previous 4.25%). We would expect that there would be follow-through rate cuts by ECB, BOE and BOC to move rates further towards zero percent.

- The G7 governments have also extended aggressive financial support to provide liquidity (and capital) to companies and financial institutions to stay afloat and to run their business as usual, although at lower capacity. Despite liquidity/capital injection, the financial system in developed economies continues to shy away from extending credit due to the fear of credit default. The liquidity flow into safe-haven assets has resulted in significant rally in Government Bonds. These efforts have resulted in restoring confidence and removing the negative sentiment. However, markets and financial system continue to remain in a bearish mode, looking for more signals to move into stability and prepare for a bullish turnaround.

- The US dollar recovered its losses against G7 currencies (mainly driven by moving the interest rates to near zero with a widened interest rate differential against major economies, when Euro rallied from 1.25 to 1.47) on expectations of accelerated follow-through rate cuts by ECB/BOE to recover back to 1.32 against Euro and 1.45 against British Pound. The dollar is likely to continue its gains towards 1.25 against Euro in the short term.

- The recessionary fears across developed economies (and dollar strength against currencies) guided commodity prices crashing down to unsustainable levels with crude trading below $40 a barrel while Gold is trading steady around $ 850 an ounce. The Reuters-Jeffrey's Commodity index also dropped from a high of 343 to a low of 209 during Q3, fall by 40% in 3 months time. The fear of reduced demand on recessionary conditions guided such a steep fall.

- The sustained fall of commodity prices (quarter-after-quarter) reduced the inflationary pressures bothering all economies which are major importers of crude oil and other essential commodities. This has helped to shift focus on pursuing easy interest rate regime to arrest recessionary trend and to guide a swift reversal into stability.

- 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. Dow Jones fell from a high of 10882 to 7450 during Q3 but recovered to trade currently around 8450 – nevertheless, down by 22%.

- We may need to watch closely the developments in the major financial markets for more clues and immediate direction. It is expected that Governments will continue to provide aggressive support to the economy to ensure that the worst is behind and good times ahead. The top of the agenda for them is to restore consumer confidence and demand in order to restore growth momentum.

- 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 in the near term. If stability is achieved in the next 6-12 months, it would be a move in right direction!

Domestic cues:

- The woes of global financial system did strike Indian markets to impact companies (who are in sub-optimal capacity operation, thus affecting their bottom-line); reduced consumer demand and crash in all asset classes (except sovereign bonds). The Government and RBI have already delivered two rounds of stimulus packages through a combination of fiscal and monetary measures. While this has arrested the down-ward momentum, it would take time to restore normalcy and to a bullish mode.

- RBI, with an objective to ensure availability of liquidity at affordable cost, has already delivered rate cuts in policy rates with LAF corridor down to 4.0-4.5%; CRR down to 5%; SLR down to 24% and additional liquidity support through LAF up to 1.5% of NDTL (for flow of credit to NBFC/MF/MFI/Weaker Sections etc). In order to support export finance, RBI has also extended the quantum and tenor. These steps are indeed aggressive and good enough to arrest the downside, but recovery thereof is not certain.

- The current bearish mode is also reflected in stock market with Sensex falling from 13200 to below 7700 in Q3. RBI's liquidity actions did give a reprieve to help Sensex trade 9000-10500 range. However, in short term it continues to remain steady (to mildly bearish) with any upside correction acts as an invition for sellers - given the absence of clear signals for revival. 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 50.35 before recovering on RBI actions to trade a range of 47.30-49.80. However, some positives did emerge to "bridge" the demand-supply gap - Crude oil trading in the range of $35-50 is a big relief to reduce the oil import bill; sharp fall in other commodity prices would also help; NRIs looking at India as a safe haven destination (diverting their major surplus to India shifting from off-shore investments) and RBI raising the FII investment limit in Corporate Bonds. These factors should adequately compensate the supply side issues – reduced export realization and capital flows in the near term. Hence, rupee is expected to trade in the range of 47.80-49.30 in the short term within the medium term range of 47.30-49.80.

- Inflation number is providing a big relief to the system. It is already down to below 6% with target at 3% or below by March 2009. Across-the-board fall in commodity prices (resulted in fuel price cuts) and reduced consumer demand has added momentum to the fall in the inflation number. This coupled with poor IIP numbers and GDP growth forecast (and RBI's monetary measures) drove the yield curve down significantly with overnight MIBOR at 4.20%; 1Y T-bill at 4.50% and 10Y G-Sec at 5.60% (after posting a low on 5/1/09 at 4.20% and 4.86% on 1Y and 10Y yield respectively). The expectation for the future is also positive given the 1-5Y OIS range of 4.20-4.80%.

- Over all, 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. More monetary measures are inevitable either way – to halt downside pressure and to add momentum to upward reversal.

- We would expect the Stock Market to trade within 8700-10500 (within 8200-12000) with overshoot either way to be unsustainable. The Money Market indicators to remain soft with Call Money rates likely to trade close to Reverse Repo rate (currently at 4%); 1Y yield to trade at minimum 0.25% over R/R rate (currently between 4.25-4.50%); 10Y yield to trade at a premium 1.0-1.25% over 1Y (currently at 5.25-5.75%) and 1-5Y OIS to trade at 20-70 bp premium (between 4.10-4.80%). We would continue to look for one more round of rate actions by RBI on or before April Monetary Policy to send yields further down. This would push deposit and lending rates significantly to help reversal in the sluggish growth momentum.

Impact on banking sector

- RBI has ensured availability of adequate liquidity in the system with an objective to maintain the call rate within the LAF corridor of 4.0-5.5%. Banks also have access to funds from RBI at Repo rate of 5.5% for on-lending to NBFC/MF/Exporters/MFIs and weaker section. These measures has resultant in liquidity-over hang in the system with daily flows into RBI's Reverse Repo window and most Banks not tapping the 1.5% NDTL LAF and refinance facilities. This has resulted in significant drop in deposit and lending rates, with deposit rates down to 7.0-9.5% (across 3-12 months tenors) and lending rates down to 10-12.5% for the same period. RBI is also looking at additional support to NBFCs and Infrastructure companies for flow of credit for longer tenor through SPVs floated by DFIs. All these highlight the concern and urgency on the part of Government and RBI not to allow slippage in GDP growth rate below 6.5-7.0%. This is positive news for Banks and financial system.

- Banks are expected to post better net interest margins mainly from better spread from financial intermediation. Banks who fund fixed rate/longer tenor asset book with floating rate/shorter tenor liability book will enjoy the most benefit. However, statutory cost on liabilities has gone up with drop in SLR yields, although largely negated from cut in CRR from 7.5% to 5.0%.

- The impact in cross-border business is significant with reduced transaction flows from trade, corporate finance etc. where off-shore appetite for India debt/equity is expected to be very little from developed countries. This is more than adequately compensated through Treasury gains.

- 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. Banks that have aggressive thrust on distribution of Life & General Insurance products have made up for the loss from Mutual Fund distribution.

- 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. The focus will be on the loan portfolio to manage credit risk and to limit default. RBI has also remained supportive allowing Banks to restructure stressed loans to provide time for companies to manage the stress in cash flows.

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 over 180 strong branch network and more than 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 both on the Corporate and Consumer portfolio. Our limited exposure on unsecured lending has come out good, where delinquency rates are very high. We are in a position to maintain the overall credit quality of the CFD portfolio which is 53% of the total loan book even while there is significant reduction in NPAs in the non-CFD part of the loan book due to some major resolutions. Consequently, overall NPAs of the Bank have shown a marked reduction even as the credit climate has undergone a significant change during the past quarter.

- The other critical element, the other (non-interest) income of the Bank has shown significant growth in the current year, and 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.

- 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 amongst the top 3 private sector banks in terms of profitability, productivity and efficiency.

Shareholding Pattern (as on December 31, 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	3048386	0.86
	b Financial Institutions/ Banks	40457	0.01
	c Insurance Companies	3215182	0.91
	d Foreign Institutional Investors	65631481	18.49
	Sub Total	71935506	20.27
4	Others		
	a Bodies Corporate	56380603	15.88
	b Individuals	54864877	15.45
	c Clearing Member	464726	0.13
	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	10515567	2.96
	Sub Total	127382146	35.87
C.	Shares held by Custodians and against which depository receipts have been issued.	64682364	18.23
	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 Deposit by ICRA and the highest P1+ rating for its Fixed Deposits and Certificates of Deposit by CRISIL.

In recent past, the Bank was awarded *The Smart Workplace Award* by Economic Times in association with Acer and Intel for enhancing the productivity of the employees through optimum use of resources as well as technology.

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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