

Press Release

## IndusInd Bank records robust YoY growth in Deposits and Advances in H1

### *Strong growth recorded in the Vehicle Finance segment*

Merger benefits start flowing in as Retail Deposits show 42% YoY growth

**Mumbai, 26 October, 2005:** The Board of Directors of **IndusInd Bank Ltd.**, one of the fastest growing new-generation private sector banks in India, today approved and adopted its Unaudited Financial Results for the second quarter and first half-year ended September 30, 2005.

**Business levels for IndusInd Bank have grown substantially with a 32% YoY increase in deposits for H1.** The deposit base stood at Rs 13,913 crore as of September 2005 as against Rs 10,569 crore as of September 2004. **Advances also recorded a sharp increase of 35% YoY** – from Rs 6,736 crore in September 2004 to Rs 9,082 crore in September 2005, despite the securitisation of loans.

However, profits at the operating and the net levels have dipped to Rs 140 crore (Rs 202.12 crore) and Rs 71.85 crore (Rs 104.39 crore) respectively. “The drop in profits are due to three factors – temporarily reduced net interest margin, lower trading profit on sale of investments, and higher operating expenses, the bulk of which has been due to the rapid branch expansion undertaken by us,” said **Bhaskar Ghose, Managing Director & CEO, IndusInd Bank.**

For the second quarter ended September 30, 2005, IndusInd Bank has recorded Total Income of Rs 352.03 crore, while Operating Profit and Net Profit have dipped to Rs 62.51 crore and Rs 31.49 crore respectively. “Similar reasons can be attributed to the lower profits for the second quarter too. But the future bodes well for us as the Ashok Leyland Finance merger benefits have started to flow in,” said Bhaskar Ghose.

### **Performance Highlights for the Half-Year**

In the Vehicle Finance segment, IndusInd Bank has achieved a disbursement of Rs 2,255 crore in the six-month period April-September 2005, compared to a disbursement of Rs 1,762 crore during the corresponding period last year – a growth of 28%. Loan Assets of this segment have shown a 42% YoY growth from Rs 4,700 crore as of September 2004 to Rs 6,695 crore as of September 2005. “We have been able to disburse a total of 1,57,000 new loans during April-September 2005, as compared to 1,35,910 such loans disbursed during April-September 2004. **The Bank has added 70,000 new customers during this six-month period** – up from 5,50,000 to 6,20,000,” said Bhaskar Ghose.

He added that in a highly competitive environment, where a few large players were grabbing market share and driving down yields, this was indeed a highly commendable achievement. Stated Bhaskar Ghose: “IndusInd Bank will increase its emphasis on higher-yielding assets such as two-wheelers and three-wheelers, used vehicles, and construction equipment. We expect to increase our interest spread with this business mix.”

On the retail banking aspect, Bhaskar Ghose stated: “**Merger benefits have started to flow in with Retail Deposits growing significantly in the first six months of the current year.** Considering that we are late starters in Retail Banking, it is a matter of pride for us that Retail Deposits have grown by Rs 1,275 crore in the first half – a 42% rise – as compared to the corresponding first half of the previous year – from Rs 3,003 crore to Rs 4,278 crore. This is due to the rapid retail expansion that we have undertaken, of which we are starting to see the benefits now. Our 131 branch network gives us a pan-Indian presence, and we hope to grow this network substantially.”

As on September 30, 2005, IndusInd Bank **has 248 outlets (spread over 110 geographical locations), including 131 branches, 9 extension counters, 26 Vehicle Finance Division offices, and 82 offsite ATMs, apart from representative offices in Dubai and London.** IndusInd Bank also has a tie-up with UTI Bank and Corporation Bank for the sharing of their 2,200+ ATM network at no additional cost to customers. Another component of Retail Banking, CASA (Current Account, Savings Account) deposits or low-cost deposits have also shown a sharp increase. These have grown 55% to Rs 1,644 crore in the first half over the level of the corresponding first half of the previous year. **More than one lakh customers have been acquired in the half-year period.**

IndusInd Bank has been intensifying its thrust on retail banking, and in this regard it has been launching new schemes to keep pace with the demands of its customers. “We continue with our new thrust on Retail Banking. In line with our endeavour to provide differentiated products and services to our customers, we introduced two new services in the last quarter – ‘Group Insurance Scheme’ in association with LIC for our Current and Savings Account holders, and ‘Suvarna Mudra’ – gold coins, biscuits and ingots of 999.9 purity. We shall continue to introduce many more such products and services in the future,” said Bhaskar Ghose.

Other highlights during IndusInd Bank’s performance for the first half include **a sharp jump in foreign exchange turnover by 106%, a pick-up in remittance business, the growing popularity of its newly-introduced Cash Management Service, and the impressive increase in the sale of third party products.** During the six-month period to September 2005, securitisation of receivables to the extent of Rs 1,600 crore was effected vis-à-vis the amount of Rs 1,310 crore securitised during the first six months of 2004-05.

Capital Adequacy Ratio (CAR) as on September 30, 2005 was 10.88% as against 11.62% on March 31, 2005. As of September 30, 2005, Net NPAs stood at 2.71% while Gross NPAs were at 3.61%. This compares with 2.71% of Net NPAs and 3.53% of Gross NPAs at the end of FY05.

### **Credit Policy**

The Reserve Bank of India (RBI) announced the Mid-Term Review of its Credit Policy on Tuesday. Commenting on it, Bhaskar Ghose said, “In several ways, RBI has been more aggressive this time, although it contains fewer surprises than Monetary Policy reviews in the recent past. While the widely anticipated hike in the Reverse Repo rate, and the Repo rate, now delinked from the Bank Rate and acting as its proxy, by 25 bps will cushion short-term volatility, the Bank Rate itself has been maintained at its existing level in order not to decrease the pace of GDP growth from its aggressive Government-set target. Also, RBI’s undertone has shifted from benign to hawkish in the concerns that it has highlighted with



respect to inflation and the domestic impact on crude oil price increases. These statements signal a higher interest-rate regime ahead. RBI's hard-nosed prescription to banks for SME finance recognises the greater stress faced by the SME sector from increasing globalisation. Similarly, there is emphasis on agricultural lending, partially by restructuring Regional Rural Banks. For capital market exposure, RBI has mooted the more aggressive linking of such exposure to the lending banks' net worth, rather than to their level of advances. This change not only ties in capital market exposure to a more suitable parameter, but also overcomes the tendency of many banks to inflate their March 31 level of advances."

### **In Conclusion**

IndusInd Bank has been making efforts to become more visible by gearing up its marketing and advertising activities. There has been a strong concentration on outdoor marketing, which has been successful in reaching out to a wider audience. The campaign will start bearing fruit in the coming quarters. As of March 31, 2005, IndusInd Bank had a networth of Rs 830 crore and total capital funds (including subordinated debt) of Rs 1,200 crore. The thrust for the future is on the mobilisation of low-cost deposits, concentration on the SME sector, increased attention to high networth NRIs, and more focus on fee-based income through forex transactions, cash management, remittance, sale of third-party products, etc.

"IndusInd Bank is in transition to an exciting phase of robust growth. **Our sound financial position will strengthen further with accretion to our Tier-I capital soon.** We have a unique retail franchise of high-yielding assets related to vehicle financing, which is set to grow along with the growth of the economy. Temporary dip in yields notwithstanding, we are confident that this segment will continue to generate a substantial chunk of our business revenue going forward. Our distribution strength of an all-India branch network, spreading to Tier-II and Tier-III locations, is a source of strength," Bhaskar Ghose said in conclusion.

### **About IndusInd Bank Ltd.**

IndusInd Bank Ltd., one of the fastest growing new generation private sector banks in India, started operations in 1994 and has a networth of Rs 829 crore as at March 31<sup>st</sup> 2005. Driven by technology, IndusInd Bank has taken steps to establish and upgrade its support systems for the introduction of retail banking products and alternative delivery channels, while continuing to expand its network of branches. In its decade-long existence, the Bank has displayed its commitment to global benchmarks in retail banking by proactively adopting the requirements of ISO 9001:2000 quality certification for its entire network of branches. IndusInd Bank was one of the first banks to go live on the RTGS platform. Since merger of Ashok Leyland Finance (ALF) in June 2004, the Bank has expanded its retail portfolio. IndusInd Bank is one of the largest players in the securitisation market, and also a large player in the financing of commercial vehicles, utility vehicles, 2/3-wheelers and construction equipment financing. IndusInd Bank has been given the highest P1+ rating for its FDs by CRISIL, who have also assigned the highest safety ratings to the Bank's Pass Through Certificates. IndusInd Bank's Tier-II Bonds have been rated as LA+ by ICRA and A+ (ind) by Fitch. IndusInd Bank is a clearing bank for BSE, NSE, MCX and NCDEX. Visit us at [www.indusind.com](http://www.indusind.com)

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