

QUARTERLY RESULTS - JUNE' 09

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WORKING RESULTS – QUARTER ENDED JUNE 2009**Major Highlights**

- ✓ Operating profit for the quarter Q1-10 grew by 27.76 % to Rs.787 crs as against Rs 616 crs in the corresponding quarter of the previous year.
- ✓ The Bank registered a Net Profit of Rs.442 crs for Q1-10 as against Rs 228 crs in the previous year, a growth of 93.86%.
- ✓ The Bank's non-interest income grew by 117.70% to Rs 529 crs for the quarter ended June'09 as against Rs 243 crs in the previous year. Fee income from core operations went up from Rs 192 crs to Rs 274 crs at a growth rate of 42.70%.
- ✓ The Capital adequacy of the Bank was at 13.73% as of June'09 as against 11.28% in the previous year.
- ✓ Business mix of the Bank has registered growth of 31.06 % (y-o-y) to Rs.239915 Crore as on 30.06.2009 from Rs 183058 Crore as on 30.06.2008.

Financial Highlights

Key Financials

- The Bank recorded a quarterly Operating profit of Rs.787 crs for June,'09 as against Rs 616 crs for the quarter ended June,2008 registering growth of 27.76%.
- Net Profit has increased by 93.86% to Rs. 442 crs from Rs. 228 crs due to increase in non interest income by 117.70% to Rs. 529 Crs.
- Spread of the Bank was at 2.03% for Q1-10 as against 2.56% in the corresponding period of the previous year. NIM (from interest earning assets) was at 2.29% for Q1-10 as against 2.92% in the previous year.
- Capital Adequacy at 13.73% is much above the minimum required level of 9%.
- Net Worth of the Bank rose to Rs. 7409 crs as of June 2009 from Rs. 5844 crs in the previous year, mainly due to plough back of profits.
- Cost to Income ratio is maintained at 40.81% as compared to 40.31% in June, 2008.

Asset Quality:

- During the current quarter, as per RBI guidelines, the Bank had reckoned the floating provisions as part of Tier-II Capital as against being netted out against Gross NPAs in the previous quarter.
- Consequently, Net NPAs of the Bank was at 0.72% as of June,2009 as against 0.15% as of June,2008. Gross NPAs reduced from 2.08% to 1.95%.
- Loan loss coverage of NPA decreased to 63.88% as of June'09 as against 93.05% in the previous year.

Working Results Overview - Quarter ended June, 2009

		Q1 to Q1 change		
		June'08	June'09	% change
1.0	Total Income	2755	3704	34.45
1.1	Interest Income	2512	3175	26.39
1.1.1	-on advances	1841	2353	27.81
1.1.2	-on investments	661	799	20.88
1.1.3	-on others	10	23	130.00
1.2	Non-Interest Income	243	529	117.70
2.0	Total Expenses	2139	2917	36.37
2.1	Interest Expenses	1723	2374	37.78
2.1.1.	-Deposits	1560	2216	42.05
2.1.2	-Others	163	158	-3.07
2.2	Other Expenses	416	543	30.53
2.2.1	-Establishment	225	301	33.78
2.2.2	-Others	191	242	26.70
3.0	Interest Spread	789	801	1.52
4.0	Operating Profit	616	787	27.76
5.0	Provisions	388	345	-11.08
6.0	Net Profit	228	442	93.86

Performance in Brief

Business :

- The total business–mix of the Bank improved by 31.06% from Rs.1,83,058 crore as on 30th June 2008 to Rs.2,39,915 crore as on 30th June,2009.
- The Bank's total deposits as on 30th June 2009 reached a level of Rs.143889 crore from Rs. 107248 crore as on 30th June 2008, an increase of 34.16%. Demand deposits grew by Rs.6462 crore to Rs.43742 crore as on 30th June 2009 from Rs. 37,280 crore as on 30th June 2008. The Bank has shed high cost deposits by 20.86% to Rs 13032 crs as of June'09 from Rs 16468 crs in the previous year.
- Gross advances of the Bank reached a level of Rs.96026 crore as on 30th June, 2009, registering an increase of 26.67 % over the previous year.

Capital & Net Worth :

- The Bank's Capital Adequacy Ratio (CRAR) stood at 13.73% as on 30th June 2009 which was at 11.28% as on 30th June 2008.
- The Bank's Net Worth increased by 26.78% and stood at Rs.7409 crore as on 30th June 2009 in comparison to Rs. 5844 crore as on 30th June 2008.

Financial Performance:

- The Spread of the Bank stood at 2.03% for the quarter ended 30th June 2009 as against 2.56% in the previous year. NIM (from interest earning assets) was at 2.29% for Q1-10 as against 2.92% in the previous year.

The main reasons for the lower NIM are as under:-

- ✓ The Bank's transformation process "Nav Nirman" enabled higher level of client acquisition and resultant growth.
- ✓ Deposit growth during the past 3 years have progressively increased in line with the transformation process. Substantial deposits were mobilised at the then prevailing deposit rates of 9.5% to 10.5%. Interest outflow remained high.

- ✓ On the flip side, due to the prevailing global economic downturn and resultant sluggish credit offtake, with a view to giving relief to borrowers, the bank fast forwarded reduction in BPLR, though cost of deposit remained at elevated levels.
- ✓ Certain portion of surplus liquidity was deployed in MF schemes. As per the accounting procedure, the yield is accounted in other income.

However, NIM is likely to increase as -

- ✓ Bank has reduced interest rates on deposits since 4th quarter of 2008-09. A substantial portion of deposits raised in last 2 years will mature during 2nd and 3rd quarter of 09-10. It is expected that these deposits will be repriced at lower deposit rates. This together with increase in credit off-take is expected to improve the NII / NIM during 2nd quarter onwards.
 - The Bank's Net Interest Income increased from Rs.789 crore to Rs. 801 crore, a growth of 1.52%.
 - Non-interest income improved from Rs 243 crores in June 2008 to Rs.529 crores in June 2009, a growth of 117.70%.
 - Operating expenses has increased to Rs.543 crore in June 09 against Rs.416 crore in June 08.

Asset Quality:

- Gross NPAs increased to Rs.1874 crore as on 30th June, 2009 from Rs.1575 crore as on 30th June, 2008.
- The ratio of the Bank's gross NPAs to Gross Advances has improved to 1.95% as on 30th June 2009 in comparison to 2.08% as on 30th June 2008.
- Net NPAs increased to Rs.677 crore as on June'09 from Rs.109 crore as on June'08.
- The ratio of Net NPAs to Net Advances was at 0.72% as on 30th June 2009 as against 0.15% as on 30th June 2008.
- The provision cover for NPAs as on 30th June 2009 reduced to 63.88% as compared to 93.05% as on 30th June 2008.

Ratio Analysis

- The Cost of Funds increased to 6.02% from 5.60% in the previous year. Cost of deposits also increased to 6.47% from 6.06% in the previous year. While the yield on advances increased to 10.30% from 10.13% in the previous year, yield on funds decreased to 8.05 % from 8.16%.
- The EPS increased to Rs.35.02 in comparison to Rs.18.08 in the previous year. The Book value increased to Rs.146.68 from Rs. 115.70 In June 08.
- Cost to Income Ratio is at 40.81% in June 09 as compared to 40.31% in June 08.

Major Highlights – Q1 - 10

- ✓ The Bank launched on 28th May, 2009 at Mumbai, its Merchant Acquiring Business through Point of Sale (POS) Terminals, powered by Financial Technologies Ltd., a leading enterprise providing transaction automation solution for equity, forex, commodity, derivative markets and financial services. The Bank plans to acquire 25000 merchants in 1st year and around 1 lakh by the end of 3rd year of the operation for its Merchant Acquiring Business.
- ✓ The Bank unveiled its ramped up enhanced mobile banking service – UMOBILE on 18th June, 2009. It will be recalled that the Bank introduced its Mobile Banking Services on 14th Nov'08 and had the distinction of being the first bank to go –live in full compliance with the RBI guidelines. Customers can now execute a host of transactions, get information about their account and make a range of payments through their mobile.
- ✓ The Bank has successfully installed RAFTS(Real-time AML Filter for TurboSwift) solution making it first Bank to go live with the Real-time OFAC filter at the transaction gateway level. RAFTS is a real-time AML filter that works as an add-on TurboSwift gateway for all SWIFT transactions. It scans both – Outgoing and Incoming – messages for patterns based on the Bridgers List, which comprises over 20 international AML lists including the list released by Reserve Bank of India. It filters out transactions before they are transmitted or acted upon.
- ✓ Due to adoption of technology, transactions through electronic mode moved up from 21% to 24.08% of the total transactions of the bank in the last 3 months and is expected to touch 35% by March 2010. This will significantly bring down the transaction costs.
- ✓ Bank has opened its Representative office in Sydney, Australia in June'09. The Bank already has two representative offices at Shanghai in the People's Republic of China (PRC) and at Abu Dhabi in United Arab Emirates (UAE) and a full fledged overseas branch at Hong Kong.

Future Plans

- ✓ The Bank aims to reach a business mix of Rs 293000 crore by the end of March 2010, a growth of approx. 23%. Of this, Rs 170000 crore will be Deposits (growth of 23%YoY) and Rs 123000 crore will be Advances (growth of 25%YoY).
- ✓ Bank will strive to reach CASA of 35% by March 2012.

- ✓ Gross NPA level is targeted less than 1.75%.

- ✓ Transaction through electronic mode to reach 35% of total transactions by March 2010.

- ✓ The Bank is in the process of appointing an HR consultant for critical areas such as talent management, placement, competency mapping, incentive schemes, succession planning.

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