

# Quarterly Results Sept. 2010

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## **WORKING RESULTS – QUARTER / HALF YEAR ENDED SEPTEMBER 2010**

### **Major Highlights**

- ✓ Bank crossed the landmark Business mix of ` 3 lac crore and reached a level of ` 304203 Crs. registering a YoY growth of 22.42%.
- ✓ Operating profit for the quarter Q2-11 grew by 39.63% to ` 1131 crs as against ` 810 crs in the corresponding quarter of the previous year. The Operating profit for Q2-11 has factored in an amount of Rs 62 crs, which pertains to interest on Income Tax Refunds (Rs 124 crs) net of reversal of interest income on account of Agriculture Debt Relief Waiver Scheme (Rs 62 crs). Operating profit for H1-11 has increased from ` 1597 crs. to ` 2174 crs. Operating Profit has grown at CAGR of 27.29% in the last 3 years.
- ✓ The Bank registered Net Profit of Rs.304 crs for Q2-11 as against Rs 505 crs in the previous year. Net Profit has been impacted by substantial increase in NPA provision of ` 629 crs as against ` 102 crs in the corresponding period of the previous year. However, Net Profit for H1-11 was at ` 905 crs as against ` 947 crs in the previous year.
- ✓ Gross NPAs of the Bank reached ` 3524 crs as of 30th Sept'10 as against ` 2736 crs as of June'10 and Net NPAs reached ` 1462 crs as against ` 1150 crs as of June'10. Accordingly, the Gross NPAs reached 2.79% of gross advances and Net NPAs 1.18% of net advances. The Bank has been indicating that it will embrace system based NPAs in a phased manner and has taken decisive concrete steps in the above direction as of Sept'10. Out of Rs.1130 crore slippages, Rs.417 crore

is due to slippages from Agriculture Debt Relief Waiver Scheme(ADRWS) and Rs. 310 crore is due to impact of global meltdown, which are both exceptional in nature. Going forward, although there would be slippages in Q3 and Q4 of 2011, the pace of slippages is expected to reduce. The bank expects substantial recovery and upgradation in recovery of NPAs which is expected to boost its profitability and NIMs in 2011-12.

- ✓ Net Interest Income for Q2 -11 has increased from ` 890 crs. to ` 1537 crs. a growth of 72.70%. NII includes extraordinary one time interest on Income Tax refunds of Rs 62 crs (net of reversal of interest income due to ADRWS). Without this extraordinary interest income, the NII would have grown by 65.73%. For H1-11, NII has increased from ` 1707 crs. to ` 2884 Crs., a growth of 68.95%.
- ✓ NIM of the Bank increased to 3.35% for Q1-11 from 2.42% in the previous year. The higher NIM factors in extraordinary one time interest on Income Tax refunds of Rs 62 crs (net of reversal of interest income due to ADRS). Without these exceptional transactions the NIM of Bank would have been 3.21% as compared to 3.35 %. For H1-11, NIM has increased from 2.37% to 3.19%.
- ✓ Operating expenses were at ` 915 crs for the quarter ended Sept'10 as against ` 609 crs in the corresponding period of the previous year. Operating expenses has increased mainly due to provisions for pension for 2<sup>nd</sup> option given to staff and Gratuity on account of changes in laws amounting to ` 247 crs for the quarter.
- ✓ Savings deposits grew by 29.13% to ` 42038 crs as of 30<sup>th</sup> Sept.'10 as against ` 32554 crs in the previous year.

## Working Results Overview - Quarter / Half Year ended September 2010

Sr. No.		Q2 to Q2			H1 to H1		
		Sep.09	Sep.10	Growth %	Sep.09	Sep.10	Growth %
<b>1.0</b>	<b>Total Income</b>	<b>3761</b>	<b>4462</b>	<b>18.64</b>	<b>7465</b>	<b>8582</b>	<b>14.96</b>
<b>1.1</b>	<b>Interest Income</b>	<b>3232</b>	<b>3953</b>	<b>22.31</b>	<b>6423</b>	<b>7638</b>	<b>18.92</b>
1.1.1	-on advances	2341	2776	18.58	4694	5509	17.36
1.1.2	-on investments	864	986	14.12	1679	1896	12.92
1.1.3	-on others	27	191	607.41	50	233	366
<b>1.2</b>	<b>Non-Interest Income</b>	<b>529</b>	<b>509</b>	<b>-3.78</b>	<b>1042</b>	<b>944</b>	<b>-9.40</b>
<b>2.0</b>	<b>Total Expenses</b>	<b>2951</b>	<b>3331</b>	<b>12.88</b>	<b>5868</b>	<b>6408</b>	<b>9.20</b>
<b>2.1</b>	<b>Interest Expenses</b>	<b>2342</b>	<b>2416</b>	<b>3.16</b>	<b>4716</b>	<b>4754</b>	<b>0.81</b>
2.1.1.	-Deposits	2193	2249	2.55	4409	4443	0.77
2.1.2	-Others	149	167	12.08	307	311	1.30
<b>2.2</b>	<b>Other Expenses</b>	<b>609</b>	<b>915</b>	<b>50.25</b>	<b>1152</b>	<b>1654</b>	<b>43.58</b>
2.2.1	-Establishment	305	592	94.10	606	1027	69.47
2.2.2	-Others	304	323	6.25	546	627	14.84
<b>3.0</b>	<b>Interest Spread</b>	<b>890</b>	<b>1537</b>	<b>72.70</b>	<b>1707</b>	<b>2884</b>	<b>68.95</b>
<b>4.0</b>	<b>Operating Profit</b>	<b>810</b>	<b>1131</b>	<b>39.63</b>	<b>1597</b>	<b>2174</b>	<b>36.13</b>
<b>5.0</b>	<b>Provisions</b>	<b>305</b>	<b>827</b>	<b>171.15</b>	<b>650</b>	<b>1269</b>	<b>95.23</b>
<b>6.0</b>	<b>Net Profit</b>	<b>505</b>	<b>304</b>	<b>-39.80</b>	<b>947</b>	<b>905</b>	<b>-4.44</b>

## Performance in Brief

### **Business:**

- o Global business-mix reached a level of ` 304203 cr. as on 30<sup>th</sup> Sept'10.
- o The Bank achieved a domestic business-mix of ` 299006 cr. as on 30<sup>th</sup> Sept'10, a growth of 21.64%, as against ` 245816 crs in the previous year.
- o The Bank's domestic deposits as on 30<sup>th</sup> Sept'10 reached a level of ` 177322 crs from ` 148686 crs as on 30<sup>th</sup> Sept'09, an increase of 19.26%. The Bank's CASA deposits grew by 18.25% to ` 58111 crs as on 30<sup>th</sup> Sept'10 from ` 49142 crs in the previous year.
- o Gross domestic advances of the Bank reached a level of ` 121684 crs as on 30<sup>th</sup> Sept'10, registering an increase of 25.28% over the previous year.
- o MSME advances grew by 15.43% to ` 22770 crs as on 30<sup>th</sup> Sept'10 from ` 19726 crs in the previous year. Bank's Retail advances grew by 33.72% YoY to ` 14563 crs from ` 10891 crs in the previous year.

### **Capital & Net Worth:**

- o The Bank's Capital Adequacy Ratio (CRAR) is at 12.53% as on 30<sup>th</sup> Sept 2010 as per Basel II.
- o The Bank's Net Worth increased by 23.47% and stood at ` 9774 crore as on 30<sup>th</sup> Sept'10 as compared to ` 7916 crore in the previous year.

### **Financial Performance (Quarterly):**

- o The Net Interest Margin of the Bank stood at 3.35% for the quarter ended 30<sup>th</sup> Sept'10 as against 2.42% in the corresponding period of the previous year.
- o The Bank's Net Interest Income increased from ` 890 crs for the quarter ended Sept'09 to ` 1537 crs, a growth of 72.70% YoY.
- o Operating expenses were at ` 915 crs for the quarter ended Sept'10 as against ` 609 crs in the corresponding period of the previous year.

- o **Cost to Income Ratio** is at 44.74% as of 30<sup>th</sup> Sept'10 from 42.90% in the corresponding period of the previous year. Cost of Income ratio has been marginally impacted mainly due to higher provision towards liability for gratuity and pension consequent to wage revision and amendment made in Gratuity Act. by Govt. of India.
- o **The Cost of Funds** decreased to 5.06% from 5.81% in the previous year. **Cost of deposits** also decreased to 5.37% from 6.29% in the previous year. While the **Yield on advances** decreased to 9.61% from 10.14% in the previous year, **Yield on funds** increased to 8.28% from 8.01%.
- o **EPS and Book value** is at ` 24.03 and ` 193.49 as on 30<sup>th</sup> Sept'10 against ` 40.00 and ` 156.72 respectively in the previous year.

#### **Financial Performance (Half-yearly):**

- ✓ **The Net Interest Margin of the Bank** stood at 3.19% for the half year ended 30<sup>th</sup> Sept'10 as against 2.37% in the corresponding period of the previous year.
- ✓ **The Bank's Net Interest Income** increased from ` 1707 crs for the half year ended Sept'09 to ` 2884 crs, a growth of 68.95% YoY.
- ✓ **Operating expenses** were at ` 1654 crs for the half year ended Sept'10 as against ` 1152 crs in the corresponding period of the previous year.
- ✓ **Cost to Income Ratio** is at 43.21% as of 30<sup>th</sup> Sept'10 from 41.89% in the corresponding period of the previous year. The ratio has been adversely impacted mainly due to provisions for pension for 2<sup>nd</sup> option given to staff as a one time measure and change in Gratuity laws amounting to Rs 367 crs.
- ✓ **The Cost of Funds** decreased to 5.00% from 5.91 % in the previous year. **Cost of deposits** also decreased to 5.34% from 6.38% in the previous year. While the **Yield on advances** decreased to 9.49% from 10.21% in the previous year, **Yield on funds** decreased to 8.04% from 8.05%.
- ✓ **EPS and Book value** are at ` 35.83 and ` 193.49 as on 30<sup>th</sup> Sept'10 against ` 37.51 and ` 156.72 respectively in the previous year.

### Asset Quality:

- **Gross NPAs** increased to ` 3524 crore as on 30<sup>th</sup> Sept, 2010 from ` 1919 crore as on 30<sup>th</sup> Sept, 2009.
- During the Half Year upgradation of NPAs increased from ` 82 cr. to ` 203 cr. as compared to the corresponding period of last year, while during the same period, Cash Recovery improved from ` 172 cr. to ` 283 cr.
- The ratio of the Bank's **gross NPAs** to Gross Advances is at 2.79% as on 30<sup>th</sup> Sept 2010 as compared to 1.93% as on 30<sup>th</sup> Sept 2009.
- **Net NPAs** increased to ` 1462 crore as on Sept'10 from Rs. 223 crore as on Sept'09.
- Provision made for NPAs increased from ` 343 cr to ` 729 cr.
- The ratio of **Net NPAs** to Net Advances is at 1.18% as on 30<sup>th</sup> Sept 2010 as against 0.23% as on 30<sup>th</sup> Sept 2009.
- The provision cover for NPAs as on 30<sup>th</sup> Sept 2010 was at 70.00% as compared to 88.38% as on 30<sup>th</sup> Sept 2009.

### EMPLOYEE PRODUCTIVITY

- **Business per Employee** increased to ` 1064 lacs as of 30<sup>th</sup> Sept'10 from ` 884 lacs in the previous year.
- **Gross Profit per Employee** increased to ` 15.21 lacs as of 30<sup>th</sup> Sept'10 from ` 11.36 lacs in the previous year.

### FUTURE PLANS

- ➔ The Bank aims for a deposits growth of approx. 20% and advances growth of 25% for 2010-11.
- ➔ Bank targets CASA Ratio of 35% by 31st March 2012.
- ➔ Return on Equity to be 22.00% and Return on Average Assets to be 1.17% by 31st March 2011.
- ➔ Transaction through electronic mode to reach 50% of total transactions by 31st March 2011.

→ Bank will endeavour to reign in Gross NPAs below 2.30% by 31st March 2011.

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