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**PRESS RELEASE**

**AXIS BANK ANNOUNCES Q1 FY09 NET PROFIT OF Rs. 330.14 CRORES , UP BY 88.67% YOY**

Axis Bank has announced its unaudited results for the first quarter of FY 2008-09, following the approval of its Board of Directors at a meeting held in Mumbai on 14<sup>th</sup> July 2008. The Net Profit of the Bank for the first quarter was Rs. 330.14 crores, a growth of 88.67% over the Net Profit of Rs. 174.98 crores during the first quarter of the previous year. The Net Profit was recorded after making a provision of Rs. 225.20 crores on the depreciation of the Bank's investment portfolio, on account of weakening financial markets. The Bank has ended the first quarter of the current financial year with Net NPAs at 0.47% of Net Customer Assets and with a capital adequacy ratio of 13.25%. The quarterly EPS (diluted) at Rs. 9.03 was 51% higher than the EPS of Rs. 6.00 in the first quarter of the previous year.

**RESULTS AT A GLANCE:**

		Q1 FY 2008-09	
Net Profit	:	Rs. 330.14 crores	↑ 88.67 % YOY
Net Interest Income	:	Rs. 810.46 crores	↑ 92.55% YOY
Fee Income	:	Rs. 483.54 crores	↑ 79.77% YOY
Net Interest Margin	:	3.35%	↑ from 2.56%
Cost of Funds	:	6.11%	↓ from 6.43 %
Demand Deposits	:	Rs. 35,449 crores	↑ 53.71% YOY
Capital Adequacy Ratio	:	13.25%	↑ from 11.50%

## RESULTS FOR Q1 FY 08-09:

The core businesses of the Bank have grown strongly in Q1, leading to an Operating Profit of Rs. 802.32 crores, a growth of 118% over the Operating Profit of Rs. 367.94 crores in the first quarter of the financial year 2007-08. The Net Interest Income (NII) for Q1 was Rs. 810.46 crores, a growth of 93% yoy over the NII of Rs. 420.91 crores during Q1 of the preceding year. Similarly, Fee Income during Q1 was Rs. 483.54 crores, a growth of 80% over the Fee Income of Rs. 268.97 crores during Q1 of the preceding year. This growth in earnings has been possible because of the rapid expansion in Advances. Net Advances have grown by 48% yoy. Further, the Bank's balance sheet size has grown by 44% yoy to Rs. 1,13,660.04 crores as at end June'08 from Rs. 79,109.04 crores as at end June'07.

### Financial Indicators

Rs. in crores

Financial Performance	Q1 FY 08-09	Q1 FY 07-08	% Growth
Net Profit	330.14	174.98	89%
Quarterly EPS (Diluted) Rs.	9.03	6.00	51%
<b>Income &amp; Expenses</b>			
Net Interest Income	810.46	420.91	93%
Other Income	624.80	368.24	70%
Fee Income	483.54	268.97	80%
Trading Income#	111.04	96.71	15%
Miscellaneous Income	30.22	2.56	1080%
Operating Revenue	1,435.26	789.15	82%
Core Operating Revenue*	1,324.22	692.44	91%
Operating Expenses (incl. depreciation)	632.94	421.21	50%
Operating Profit	802.32	367.94	118%
Core Operating Profit@	691.28	271.23	155%

\* Core Operating Revenue = Operating Revenue less Trading Income

@ Core Operating Profit = Operating Profit less Trading Income

# Includes customer forex income of Rs. 52.78 crores for Q1 FY08-09

**Rs. in crores**

	<b>As on 30<sup>th</sup> June '08</b>	<b>As on 30<sup>th</sup> June '07</b>	<b>Growth</b>
Deposits	88,973	61,091	46%
Demand Deposits	35,449	23,062	54%
Savings Bank	19,026	12,312	55%
Current Account	16,423	10,750	53%
Term Deposits	53,524	38,029	41%
Net Advances	61,160	41,285	48%
Large and Mid Corporate Advances	29,455	20,914	41%
SME Advances	11,430	6,615	73%
Agricultural Advances	5,637	4,095	38%
Retail Advances*	14,638	9,661	52%
Investments	35,718	26,656	34%
Balance Sheet Size	1,13,660	79,109	44%
Net NPAs (as % of net customer assets)	0.47%	0.59%	
Gross NPAs (as % of gross customer assets)	0.92%	1.01%	
<b>Capital</b>	<b>As on 30<sup>th</sup> June '08</b>	<b>As on 30<sup>th</sup> June '07</b>	
Equity Capital	358.56	282.65	27%
Net Worth	8,742	3,406	157%
Capital Adequacy Ratio	13.25%	11.50%	
Tier - I	9.93%	6.33%	
Tier - II	3.32%	5.17%	

\*Retail Assets are defined as loans to individuals other than Agricultural Credit.

### **Q1 Performance Highlights**

- **Rising Net Interest Income (NII)**

The Bank registered a buoyant 93% yoy growth in Q1 in its Net Interest Income of Rs. 810.46 crores as against Rs. 420.91 crores in Q1 of the previous year. A strong growth in the levels of advances and investments, together with a higher share of demand deposits, contributed to the rise in Net Interest Income. The Net Advances of the Bank grew to Rs. 61,160 crores as at end June'08 from Rs. 41,285 crores as at end June'07, a growth of 48% yoy, while investments rose to Rs. 35,718 crores as at end June'08 from Rs. 26,656 crores a year earlier, a growth of 34% yoy.

- **Higher Margins YoY. Lower Margins QoQ.**

The Net Interest Margin (NIM) for Q1 increased by 79 basis points to 3.35%, from the NIM of 2.56% in Q1 of the previous year, but was down from 3.93% in Q4 of the previous year. The quarter over quarter decline in the NIM has been partly on account of rising cost of funds as also partly on account of the slightly slower growth in demand deposits (At the end of Q1, demand deposits grew 54% yoy, while at end of Q4 of the previous year, demand deposits grew 71% yoy).

The daily average cost of funds increased to 6.11% in Q1 as compared to 5.82% in the preceding quarter, Q4 of FY 2007-08 and was lower than the 6.43% daily average cost of fund during Q1 of the preceding year. The share of low cost deposits - Savings Bank and Current Account - rose to 40% as at end June'08 as compared to 38% as at end June'07. Savings Bank deposits registered a growth of 55% yoy, from Rs. 12,312 crores as at end June'07 to Rs. 19,026 crores as at end June'08. Current Account deposits grew 53% yoy, from Rs. 10,750 crores as at end June'07 to Rs. 16,423 crores as at end June'08. The share of demand deposits has, however, fallen from the 46% recorded at end March'08.

- **Fee Income**

Fee Income registered a robust growth of 80% yoy, rising to Rs. 483.54 crores in Q1 as compared to Rs. 268.97 crores in Q1 of the preceding year. The Fee Income growth has been strong across both Corporate banking and Retail banking businesses.

- **Trading Income**

The Bank generated Rs. 111.04 crores of Trading Income in Q1, as compared to Rs. 96.71 crores in Q1 of the preceding year, a growth of 15% yoy. The share of Trading Income to operating revenue decreased from 12% in Q1 of the preceding year to 8% in Q1 of FY 08-09. The Bank has therefore become increasingly reliant on its core earnings to generate profitability.

- **Prudent NPA Management**

The Net NPAs as a proportion of Net Customer Assets were at 0.47% as at end June'08, down from 0.59% at end June'07, but up from 0.36% as at end March'08. The Bank has identified 6,042 borrowers eligible under the Agriculture Debt waiver and debt relief scheme announced in the Union Budget 2008-09 and relief amounting to Rs. 43.07 crores was credited to their loan accounts. Pursuant to the implementation of the debt relief scheme, there has been a reduction in Gross NPAs of Rs. 45.20 crores and a write-back of provision of Rs. 8.27 crores during the quarter.

The Gross NPAs as a proportion of Gross Customer Assets were at 0.92% as at end June'08, down from 1.01% at end June'07, but up from 0.72% as at end March'08. The provisions held together with accumulated write-offs, as a proportion of Gross NPAs and accumulated write-offs, amount to 79.48% at end June'08. If the accumulated write-offs are excluded, then the provisions held as a proportion of Gross NPAs amount to 48.98% as at end June'08.

## **Cash Management Services**

Under Cash Management Services, the Bank handled a cash remittance throughput of Rs. 2,40,102 crores in Q1 as compared to a throughput of Rs. 1,40,105 crores during Q1 of the preceding year, a growth of 71% yoy. The number of CMS clients has grown to 3,459 as at end June'08. The Bank also handles collection and payments business on behalf of the Central and several State Governments. The Bank recently launched the CBDT e-payment facility for payment of Direct Taxes.

## **Placement / Syndication and Project Advisory**

The Bank maintained its No.1 rank as Debt Arranger as assessed by Prime Database for the year ended March'08. Further, in the Bloomberg league table for 'India Domestic Bonds', the Bank has been ranked No.1 for the six months period ended June'08. The Bank placed debt to the tune of Rs. 3,872 crore in Q1 of the current year as compared to Rs. 10,482 crores in Q1 of the preceding year. The Bank also continues to strengthen its focus on project advisory services. The Bank has also recently been awarded the Euromoney 2008 - Best Debt House – India award, The Finance Asia 2008 – Best Bond House in India award, and the Asia Money 2008 - Best Domestic Debt House award.

## **Retail Banking**

- **Growing Retail Business** - The Bank's retail business continued to show strong growth. The number of Savings Bank accounts grew from 50.49 lakhs as at end June'07 to 65.23 lakhs as at end June'08, a growth of 29% yoy, thereby creating a buoyancy in Savings Bank deposit balances.
- **Retail Asset Products** - Retail advances grew from Rs. 9,661 crores as at end June'07 to Rs. 14,638 crores as at end June'08, a growth of 52% yoy. Retail Advances account for 24% of the total Advances of the Bank as at end June'08.
- **Cards products** - The Bank's International Debit Card issuance has risen to 95 lakh debit cards as at end June'08 as compared to 61 lakh cards as at end June'07. The Bank had issued over 4,86,000 Credit Cards till end June'08. The Bank also has an installed base of over 78,000 Electronic Data Capture (EDC) machines as at end June'08, the second largest in the cards acquiring business in India.
- **Wealth Advisory Services and Third Party Products:** The Bank offers Wealth Advisory Services, and Mohur - Gold Coins and bars - through its select branches, and Personal Investment Products including Mutual Funds, Life Insurance products in association with Metlife India, General Insurance products in association with Bajaj Allianz Insurance, and Online trading accounts in association with Geojit Securities. Financial Advisory Services Fees earned grew 108%yoy to Rs. 45.44 crores in Q1.
- **Network Expansion:** The Bank has a wide presence through its 713 Branches & Extension Counters and 2,904 ATMs across 433 cities and towns. During Q1 the Bank added 42 Branches and 140 ATMs.

- **International Business**

The Bank opened its Representative Office in Dubai on 4<sup>th</sup> May, 2008. The Bank now has five international offices – branches at Singapore, Hong Kong and Dubai (at the DIFC) and Representative Offices in Shanghai and Dubai - with a focus on corporate lending, trade finance, syndication, investment banking, risk management and liability businesses. The total assets under overseas operations amounted to US\$ 1.80 billion as at end June'08 as compared to US\$ 0.91 billion as at end June'07, a growth of 98% yoy.

- **Capital & Net Worth:**

The Net Worth of the Bank stood at Rs. 8,742 crores as at end June'08 as compared to Rs. 3,406 crores a year earlier, a growth of 157% yoy. The Capital Adequacy Ratio for the Bank was at 13.25% as at end June'08, as compared to 11.50% as at end June'07. The Tier - I capital amounted to 9.93%.

*A presentation for investors is being separately placed on the Bank's website: [www.axisbank.com](http://www.axisbank.com).*

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