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PRESS RELEASE

AXIS BANK ANNOUNCES Q3 NET PROFIT AT Rs. 500.86 CRORES; UP BY 63.24% YOY

NINE MONTHS NET PROFIT AT Rs. 1,233.91 CRORES ; UP BY 73.88% YOY

Axis Bank has announced its unaudited results for Q3 2008-09 and for the nine months ended December 2008, following the approval of its Board of Directors in a meeting held in Mumbai on 9th January, 2009. The Net Profit for the third quarter was Rs. 500.86 crores, up by 63.24% yoy over the Net Profit of Rs. 306.83 crores for the third quarter of last year. The Net Profit of the Bank for the nine months ended December 2008 was Rs.1,233.91 crores, up by 73.88% over the Net Profit of Rs. 709.63 crores during the first nine months of the previous year. The Bank has ended Q3 of the current financial year with Net NPAs at 0.39% of Net Customer Assets and with a capital adequacy ratio of 13.84%. The quarterly EPS (diluted) at Rs. 13.78 was 51.60% higher than the EPS of Rs. 9.09 in Q3 of the previous year.

RESULTS AT A GLANCE:

	Q3 FY 2008-09	9M FY 2008-09
Net Profit	:Rs. 500.86 crores ↑ 63.24% YOY	Rs. 1,233.91 crores ↑ 73.88% YOY
Net Interest Income	:Rs. 929.68 crores ↑ 24.40 % YOY	Rs. 2,653.61 crores ↑ 51.04% YOY
Fee Income	: Rs. 618.91 crores ↑ 56.67% YOY	Rs. 1,782.95 crores ↑ 73.67% YOY
Net Interest Margin	: 3.12% ↓ from 3.91%	3.32% ↑ from 3.28%
Cost of Funds	: 6.91% ↑ from 5.72%	6.44% ↑ from 6.10%
Demand Deposits	:Rs. 40,146 crores ↑ 29.37 % YOY	
Capital Adequacy Ratio	: 13.84% ↓ from 16.88%	
Of which Tier-I Ratio	: 9.46%	

RESULTS FOR Q3 FY 08-09:

The Net Interest Income for Q3 was Rs. 929.68 crores, as compared to Rs. 747.34 crores during Q3 of the preceding year, a growth of 24% yoy. The Net Interest Margin (NIM) declined in Q3 to 3.12% as compared to 3.51% in Q2 and 3.91% in Q3 of the preceding year. The decline in NIM was due to rising cost of funds on account of rising interest rates on deposits during October and November, as also greater pressure felt in the growth in demand deposits. Despite the drop in NIMs, the growth in Net Advances of 54.89% yoy have contributed to the rise in Net Interest Income. Fee Income showed a robust growth in the quarter, and was Rs. 618.91 crores for Q3, up by 57% yoy over the Fee Income for Q3 of the preceding year. The Bank recorded a trading income of Rs. 114.23 crores in Q3 as against a trading income of Rs. 84.37 crores in Q3 of the preceding year, a growth of 35% yoy. The total deposits of the Bank have grown 54% yoy from Rs. 68,551 crores as at end December'07 to Rs. 105,716 crores as at end December'08. Demand deposits have grown 29% yoy, and constitute 38% of the total deposits, with Savings Bank deposits having grown 39% yoy and Current Account deposits having grown 20% yoy. The Net NPAs have fallen to 0.39% from 0.42% at the end of Q3 of the preceding year and from 0.43% at the end of Q2 this year. The Capital Adequacy Ratio of the Bank as at end of Q3, has increased to 13.84% from 12.20% at the end of Q2 of the current financial year, and decreased from the Capital Adequacy Ratio of 16.88% at the end of Q3 of the preceding year. The Bank raised Rs. 1,500 crores by way of subordinated debt in November'08.

Financial Indicators

Rs. in crores

Financial Performance	Q3 FY 08-09	Q3 FY 07-08	% Growth	9M FY 08-09	9M FY 07-08	% Growth
Net Profit	500.86	306.83	63%	1,233.91	709.63	74%
EPS (Diluted) Rs.	13.78	9.09	52%	33.97	21.03	62%
Income & Expenses						
Net Interest Income	929.68	747.34	24%	2,653.61	1,756.92	51%
Other Income	732.17	487.90	50%	2,051.37	1,239.02	66%
Fee Income	618.91	395.05	57%	1,782.95	1,026.64	74%
Trading Income	114.23	84.37	35%	207.70	208.95	(1%)
Miscellaneous Income	(0.97)	8.48		60.72	3.43	1,670%
Operating Revenue	1,661.85	1,235.24	35%	4,704.98	2,995.94	57%
Core Operating Revenue*	1,547.62	1,150.87	34%	4,497.28	2,786.99	61%
Operating Expenses (excl. depreciation)	703.55	526.61	34%	1,981.59	1,389.82	43%
Operating Profit	909.63	672.28	35%	2,586.38	1,503.08	72%
Core Operating Profit@	795.40	587.91	35%	2,378.68	1,294.13	84%

* Core Operating Revenue = Operating Revenue less Trading Income

@ Core Operating Profit = Operating Profit less Trading Income

Rs. in crores

	As on 31st Dec'08	As on 31st Dec'07	Growth
Deposits	105,716	68,551	54%
Demand Deposits	40,146	31,032	29%
Savings Bank	21,888	15,768	39%
Current Accounts	18,258	15,264	20%
Term Deposits	65,570	37,519	75%
Net Advances	75,328	48,632	55%
Large and Mid Corporate Advances	39,968	23,936	67%
SME Advances	14,145	9,008	57%
Agriculture Advances	5,599	3,679	52%
Retail Advances	15,616	12,009	30%
Investments	42,111	28,965	45%
Balance Sheet Size	137,471	90,581	52%
Net NPAs (as % of net customer assets)	0.39%	0.42%	
Gross NPAs (as % of gross customer assets)	0.90%	0.80%	
Capital	As on 31st December '08	As on 31st December '07	
Equity Capital	358.98	357.37	
Net Worth	9,587.99	8,374.50	14%
Capital Adequacy Ratio	13.84%	16.88%	
Tier – I	9.46%	12.58%	
Tier – II	4.38%	4.30%	

Q3 Performance Highlights

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

The Bank registered a growth of 24% yoy growth in Q3 in its Net Interest Income of Rs. 929.68 crores as against Rs. 747.34 crores in Q3 of the preceding year. A strong growth in the levels of advances and investments contributed to the rise in Net Interest Income, despite a very substantially higher cost of funds. As interest rates have begun falling in recent weeks, we expect cost of funds to fall rapidly in Q4 with a beneficial impact in the growth of NII. The Net Advances of the Bank grew to Rs. 75,328 crores as at end December '08 from Rs. 48,632 crores as at end December '07, a growth of 55% yoy.

- **Net Interest Margin (NIM) and Cost of Funds**

The global (viz, whole-Bank) Net Interest Margin for Q3 decreased to 3.12%, from 3.51% in the previous quarter and from 3.91% in Q3 of the previous year. The domestic (India-business) Net Interest Margin for Q3 decreased to 3.20%, from 3.67% in the previous quarter and from 4.09% in Q3 of the previous year. The fall in interest rates in recent weeks should help in re-equilibrating NIM.

The daily average cost of funds increased substantially to 6.91% in Q3 as compared to 6.23% in Q2 of the current year and has increased significantly from 5.72% in Q3 of the preceding year. The sharp rise in cost of funds has been on account of slower demand deposit growth and liquidity concerns in the system which had pushed up the term deposits rates, for much of the quarter.

The share of low cost deposits - Savings Bank and Current Account - was 38% as at end December '08, lower than the 40% as at end of the previous quarter, and 45% as at end December '07. Savings Bank deposits registered a growth of 39% yoy, from Rs. 15,768 crores as at end December '07 to Rs. 21,888 crores as at end December '08. Current Account deposits grew at 20% yoy, from Rs. 15,264 crores as at end December '07 to Rs. 18,258 crores as at end December '08.

- **Fee Income**

Fee Income registered a strong growth of 57% yoy, rising to Rs. 618.91 crores in Q3 as compared to Rs. 395.05 crores in Q3 of the preceding year. For the first nine months of 2008-09, the Fee Income grew to Rs. 1,782.95 crores as compared to Rs. 1,026.64 crores during the same period last year, a growth of 74% yoy.

- **Trading Income**

The Bank has reported a Trading Income of Rs. 114.23 crores in Q3 of the current financial year as compared to a Trading Income of Rs. 84.37 crores in Q3 of last year, a growth of 35% yoy. The share of Trading Income in Operating Revenue was at 7% in Q3, the same as that in Q3 of the preceding year.

- **Prudent NPA Management**

The Net NPAs as a proportion of Net Customer Assets were at 0.39% as at end December '08, down from 0.42% at the end of December '07, as also down from 0.43% as at end September '08. The Gross NPAs as a proportion of Gross Customer Assets were at 0.90% as at end December '08, up from 0.80% at the end of December '07, and lower than 0.91% as at end September '08. The provisions held together with accumulated write-offs as a proportion of Gross NPAs and accumulated write-offs amount to 83.39% at end December '08. If the accumulated write-offs are excluded, then the provisions held as a proportion of Gross NPAs amount to 56.60% as at end December '08.

- **Cash Management Services**

Under Cash Management Services (CMS), the Bank handled a cash remittance throughput of Rs. 2,61,012 crores in Q3, significantly higher than the remittance throughput of Rs. 2,30,263 crores in Q3 of the preceding year which represents a growth of 13% yoy. The number of CMS clients has grown to 4,520.

- **Placement / Syndication and Project Advisory**

In the Bloomberg league table for 'India Domestic Bonds', the Bank has been ranked No.1 for the calendar year 2008. The Bank also received the prestigious IFR-India Bond House Award for the year 2008. The Bank also won the Euromoney, AsiaMoney and Finance Asia awards for the calendar year 2008. The Bank was the

arranger for syndication of debt aggregating Rs 18,525 crores during Q3 of the current year as compared to Rs. 9,450 crores during Q3 of the previous year, a growth of 96% yoy. The Bank continues to strengthen its focus on project advisory services.

Retail Banking

- **Growing Retail Business**

The Bank's retail business continued to show strong growth. The number of Savings Bank accounts grew from 57.95 lakhs as at end December '07 to 73.21 lakhs as at end December '08, thereby creating a buoyancy in Savings Bank deposit balances.

- **Retail Assets**

Retail advances grew from Rs. 12,009 crores as at end December '07 to Rs. 15,616 crores as at end December '08, a growth of 30%. Retail Advances now account for 21% of the total Advances of the Bank as at end December '08.

- **Cards products**

The Bank's International Debit and Pre-paid cards issuance has risen to over 100 lakh as at end December'08 as compared to 79.90 lakh cards as at end December'07. The Bank has an installed base of over 100,000 Electronic Data Capture (EDC) machines as at end December'08. The Bank had issued over 529,000 Credit Cards till end December'08.

- **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. Fees earned from Financial Advisory Services during Q3 were at Rs. 53.44 crores as compared to Rs. 49.82 crores during Q3 of the preceding year, a growth of 7% yoy.

- **Network Expansion**

The Bank's ATM network of 3,171 ATMs is the third largest in the country. The Bank has a wide presence through its 749 Branches & Extension Counters across 454 cities and towns across India. The Bank has over the last 12 months added 141 Branches & Extension Counters and 576 ATMs.

- **International Business**

The Bank 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\$ 2.09 billion as at end December'08 as compared to US\$ 1.57 billion as at end December'07, a growth of 33% yoy.

- **Capital & Net Worth:**

The Net Worth of the Bank stood at Rs. 9,587.99 crores at as at end December '08 as compared to Rs.8,374.50 crores a year earlier, a growth of 14% yoy. The book value per share as at end December'08 was Rs. 279.86 as

compared to Rs. 242.00 a year earlier. The Capital Adequacy Ratio for the Bank was at 13.84%, as at end December '08, as compared to 16.88% as at end December '07. The Tier - I capital amounted to 9.46%.

A presentation for investors is being separately placed on the Bank's website: www.axisbank.com

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