



J&K Bank

Analyst Meet - Mumbai

January 31, 2011

An Overview





Basic Facts

- Incorporated in 1938

- Listed on NSE & BSE

- Rated “P1+” by S&P: highest degree of safety

- Four decades of uninterrupted profitability and dividends



One of a Kind

- Private sector bank despite government's majority holding

- Only private sector bank designated as RBI's agent for banking business

- Carries out banking business of the Central Government:
 - Direct Tax collection
 - Indirect Tax collection
 - Utility payment collection

Facets and Roles

- Commercial Bank

- Development Financing Institution

- Financial Services Provider

- Central bank of J&K

Regional Goliath

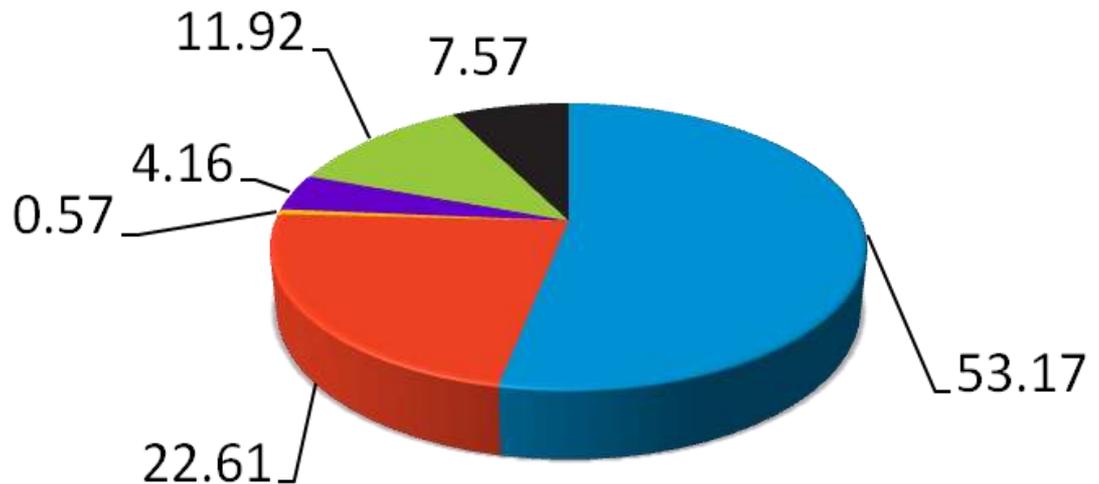
- Dominates a Region
 - 428 branches in the state
 - 254 ATMs

- Controls a Geography
 - Branches in every block of J&K

- Possess a Community
 - Adult population of 8.6 million
 - 3.7 million account holders of J&K Bank

- Monopolises Business in J&K
 - 87% share in advances
 - 70% share in deposits

Shareholding Pattern (24.01.2011)



- Government of J&K
- Foreign Inst. Investors
- Non-Resident Indians
- Indian Mutual Funds
- Resident Individuals
- Bodies Corporate/ Insurance Cos/Banks

Best of both worlds

- Private Bank in terms of its earnings, and

- PSU Bank in terms of its cost structure

- Public ownership
 - Stability
 - Safety

- Private functioning
 - Efficiency
 - Growth

Subsidiaries and Investments

- J&K Bank Financial Services Ltd
 - Providing Depository Services
 - Offering Stock Broking Services

- Insurance JV with MetLife International

- Distributor of
 - Life Insurance products; partner: MetLife
 - General Insurance; partner: Bajaj Allianz

- Shareholder in J&K Gramin Bank

Consistent
Growth &
Stability



Decade of Development - I

Amount in Rs million	FY 2000-2001	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010
Net Worth	6995.2	9370.8	12420.0	15937.4	16654.0	17994.7	20087.3	22808.2	26228.6	30104.6
Deposits	111681	129111	146749	186614	216450	234846	251943	285933	330041	372372
Advances	47629	64239	80109	92849	115171	144831	170799	188826	209304	230572
Investments	54249	57525	67378	84511	90892	89938	73922	87576	107363	139563
Total Income	11572.8	16108.6	17145.6	18229.5	16312.6	18171.0	20595.4	26792.4	32331.7	34731.1
Net Profit	1675.6	2598.0	3377.5	4063.3	1150.7	1768.4	2744.9	3600.0	4098.3	5123.8
Dividend (%)	40	50	60	100	80	80	115	155	169	220
No. of Branches	426	441	454	475	500	517	520	556	575	580
Personnel	6470	6495	7112	7085	6873	6833	6847	7558	7627	7789
Earnings per Share	34.55	53.57	69.64	83.78	23.74	36.48	56.62	74.26	84.54	105.69
Book Value	144.23	193.21	256.08	328.61	343.54	371.20	414.36	476.28	541.04	621.00

Decade of Development - II

Ratios	Year ended Mar, 01	Year ended Mar, 02	Year ended Mar, 03	Year ended Mar, 04	Year ended Mar, 05	Year ended Mar, 06	Year ended Mar, 07	Year ended Mar, 08	Year ended Mar, 09	Year ended Mar, 10
Net Interest Margins (%)	3.60%	3.61%	3.67%	3.58%	2.89%	2.83%	2.97%	2.95%	3.15%	3.04%
Interest Spread (%)	3.07%	3.20%	3.34%	3.26%	2.61%	2.61%	2.79%	2.64%	2.84%	2.79%
Yield on Advances (Av) (%)	10.52%	11.43%	10.53%	9.50%	8.42%	8.48%	8.58%	10.44%	11.53%	10.65%
Yield on Investments (Av)(%)	11.74%	11.66%	10.01%	8.75%	7.36%	6.20%	6.20%	6.70%	6.79%	5.71%
Cost of Deposits (Av) (%)	6.93%	7.30%	6.27%	5.26%	4.61%	4.55%	4.50%	5.85%	6.22%	5.24%
Return on Assets (%)	1.32%	1.77%	2.01%	1.92%	0.47%	0.67%	0.96%	1.10%	1.09%	1.20%
Return on period end Net Worth (%)	23.95%	27.72%	27.19%	25.50%	6.91%	9.83%	13.66%	15.59%	15.63%	17.02%
Return on Average Net Worth (%)	27.30%	31.75%	31.00%	28.66%	7.06%	10.21%	14.42%	16.68%	16.62%	18.19%
Gross Profit to AWF (%)	2.34%	3.36%	3.52%	3.31%	1.62%	1.78%	2.02%	2.12%	2.20%	2.39%
Net Profit to AWF (%)	1.44%	1.90%	2.14%	2.14%	0.50%	0.70%	1.00%	1.17%	1.16%	1.28%

Financial Results 9 M Dec, 2010



Financial Results

Financial Results Analysis (Quarter to Quarter and Nine Months ended Dec, 2010)									in Rupees Crore
Particulars	Q 3 2010-11	Q 3 2009-10	% Change	Q 1 2010-11	Q 2 2010-11	9 M Dec, 10	9 M Dec, 09	% Change	Year end Mar, 10
Interest Earned	934.66	758.14	23.28%	865.69	898.92	2699.27	2271.85	18.81%	3056.88
Interest Expended	545.13	468.08	16.46%	499.92	526.29	1571.34	1472.80	6.69%	1937.54
Net Interest Income	389.53	290.06	34.29%	365.77	372.63	1127.93	799.05	41.16%	1119.34
Other Income	77.56	99.22	-21.83%	93.69	74.48	245.73	326.11	-24.65%	416.23
Operating Income	467.09	389.28	19.99%	459.46	447.11	1373.66	1125.16	22.09%	1535.57
Operating Expenses	186.26	144.71	28.71%	171.17	162.68	520.10	401.70	29.47%	577.37
Operating Profit	280.83	244.57	14.83%	288.29	284.43	853.56	723.46	17.98%	958.20
Provisions & Contingencies	30.63	30.73	-0.33%	70.03	38.84	139.50	127.58	9.34%	166.59
PBT	250.20	213.84	17.00%	218.26	245.59	714.06	595.88	19.83%	791.61
Tax Provision	82.32	73.85	11.47%	72.77	82.32	237.42	203.55	16.64%	279.23
Net Profit	167.88	139.99	19.92%	145.49	163.27	476.64	392.33	21.49%	512.38
Share Capital	48.49	48.49	0.00%	48.49	48.49	48.49	48.49	0.00%	48.49
EPS in Rs.	34.63	28.88	19.92%	30.01	33.68	98.32	80.93	21.49%	105.69
Net Interest Margins	0.93%	0.82%	-	0.92%	0.92%	2.75%	2.24%	-	-
Net Interest Margins (Annualized)	3.70%	3.28%	-	3.70%	3.66%	3.67%	2.99%	-	3.04%

Ratio Analysis - I

The Jammu & Kashmir Bank Limited								
Key Financial Ratios								
S.No.	Ratios	Quarter ended Dec, 10	Quarter ended Dec, 09	Quarter ended Jun, 10	Quarter ended Sep, 10	9 Mth ended Dec, 10	9 Mth ended Dec, 09	Year ended Mar, 10
	Profitability Ratios							
1	Net Interest Margins (%) Annualized	0.93% 3.70%	0.82% 3.28%	0.92% 3.70%	0.92% 3.66%	2.75% 3.67%	2.24% 2.99%	3.04%
2	Interest Spread (%) Annualized	0.85% 3.40%	0.76% 3.03%	0.85% 3.40%	0.84% 3.36%	2.53% 3.38%	2.08% 2.77%	2.79%
3	Yield on Advances (Av) (%) Annualized	2.68% 10.71%	2.78% 11.14%	2.72% 10.86%	2.75% 11.00%	7.89% 10.53%	8.46% 11.28%	10.65%
4	Yield on Investments (Av) (%) Annualized	1.63% 6.53%	1.27% 5.07%	1.53% 6.14%	1.53% 6.10%	4.98% 6.64%	3.87% 5.17%	5.71%
5	Cost of Deposits (Av) (%) Annualized	1.28% 5.12%	1.36% 5.43%	1.28% 5.10%	1.30% 5.21%	3.83% 5.11%	4.22% 5.62%	5.24%
6	Return on Assets (%) Annualized	0.36% 1.45%	0.36% 1.43%	0.33% 1.34%	0.36% 1.45%	1.03% 1.37%	1.00% 1.33%	1.20%
7	Return on period end Net Worth (%) Annualized	4.81% 19.26%	4.64% 18.57%	4.61% 18.44%	4.92% 19.68%	13.67% 18.22%	13.01% 17.35%	17.02%
8	Return on Average Net Worth (%) Annualized	4.93% 19.73%	4.75% 19.01%	4.72% 18.88%	5.04% 20.17%	14.67% 19.56%	13.92% 18.56%	18.19%
9	Gross Profit to AWF (%) Annualized	0.61% 2.45%	0.64% 2.55%	0.67% 2.68%	0.64% 2.57%	1.92% 2.56%	1.88% 2.51%	2.39%
10	Net Profit to AWF (%) Annualized	0.37% 1.47%	0.37% 1.46%	0.34% 1.35%	0.37% 1.47%	1.07% 1.43%	1.02% 1.36%	1.28%

Ratio Analysis - II

S.No.	Ratios	Quarter ended Dec, 10	Quarter ended Dec, 09	Quarter ended Jun, 10	Quarter ended Sep, 10	9 Mth ended Dec, 10	9 Mth ended Dec, 09	Year ended Mar, 10
	Efficiency Ratios							
11	Cost to Income Ratio (%)	39.88%	37.17%	37.25%	36.38%	37.86%	35.70%	37.60%
12	CD Ratio (%)	62.05%	61.74%	61.22%	58.41%	62.05%	61.74%	61.92%
13	CASA Ratio (%)	39.57%	41.12%	37.84%	41.14%	39.57%	41.12%	40.69%
14	Business per Employee (in Rupees Lakh)	834.15	705.38	778.15	793.83	834.15	705.38	774.10
15	Net Profit per Employee (in Rupees Lakh)	2.11	1.81	1.87	2.06	6.00	5.08	
	Annualized	8.46	7.25	7.46	8.25	8.00	6.78	6.58
16	Business Per Branch (in Rupees Crore)	123.12	102.15	113.18	117.30	123.12	102.15	112.49
17	Net Profit per Branch (in Rs Lakh) (Ann.)	124.82	105.06	108.57	121.84	118.13	98.14	95.59

Asset Quality Ratios								
18	Gross NPAs (in Rupees Lakh)	50383.00	46027.00	45074.00	51271.00	50383.00	46027.00	46231.00
19	Net NPAs (in Rupees Lakh)	1061.00	7883.00	872.00	3091.00	1061.00	7883.00	6433.00
20	Gross NPA Ratio (%)	1.95%	2.17%	1.92%	2.17%	1.95%	2.17%	1.97%
21	Net NPA Ratio (%)	0.04%	0.38%	0.04%	0.13%	0.04%	0.38%	0.28%
22	NPA Coverage Ratio (%)	98.42%	87.57%	98.62%	95.47%	98.42%	87.57%	90.13%
23	Gross NPA to Net Worth Ratio (%)	14.45%	15.27%	14.28%	15.45%	14.45%	15.27%	15.36%
24	Net NPA to Net Worth Ratio (%)	0.30%	2.61%	0.28%	0.93%	0.30%	2.61%	2.14%

Ratio Analysis - III

S.No.	Ratios	Quarter ended Dec, 10	Quarter ended Dec, 09	Quarter ended Jun, 10	Quarter ended Sep, 10	9 Mth ended Dec, 10	9 Mth ended Dec, 09	Year ended Mar, 10
	Operating Ratios							
25	Operating Expenses to AWF (%) (Ann.)	1.63%	1.51%	1.59%	1.47%	1.56%	1.39%	1.44%
26	Operating Expenses to Total Income (%)	18.40%	16.88%	17.84%	16.71%	17.66%	15.46%	16.62%
27	Operating Expenses to Other Income (%)	240.15%	145.85%	182.70%	218.42%	211.66%	123.18%	138.71%
28	Staff Cost to Total Income (%)	12.61%	10.85%	12.64%	11.03%	12.10%	9.69%	10.55%
29	Interest Earned to AWF (%) (Annualized)	8.16%	7.92%	8.05%	8.11%	8.09%	7.88%	7.62%
30	Non Interest Income to AWF (%) (Annualized)	0.68%	1.04%	0.87%	0.67%	0.74%	1.13%	1.04%

31	Capital Adequacy Ratio (%) Basel I	14.14%	16.04%	14.83%	14.55%	14.14%	16.04%	14.81%
	Tier I	11.69%	12.91%	12.03%	11.92%	11.69%	12.91%	11.91%
	Tier II	2.45%	3.13%	2.80%	2.63%	2.45%	3.13%	2.90%
32	Capital Adequacy Ratio (%) Basel II	15.49%	18.08%	16.14%	15.56%	15.49%	18.08%	15.89%
	Tier I	12.80%	14.54%	13.11%	12.75%	12.80%	14.54%	12.79%
	Tier II	2.69%	3.54%	3.03%	2.81%	2.69%	3.54%	3.10%

Ratio Analysis - IV

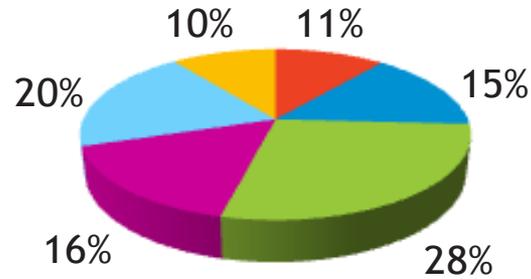
S.No.	Ratios	Quarter ended Dec, 10	Quarter ended Dec, 09	Quarter ended Jun, 10	Quarter ended Sep, 10	9 Mth ended Dec, 10	9 Mth ended Dec, 09	Year ended Mar, 10
	Valuation Ratios							
33	Earnings per Share (in Rupees)	34.63	28.88	30.01	33.68	98.32	80.93	
	Annualized	138.52	115.51	120.05	134.72	131.10	107.91	105.69
34	Net Asset Value / Book Value (in Rupees)	719.32	621.97	651.01	684.69	719.32	621.97	621.00
35	Adjusted Book Value (face value of Rs 10)	717.13	605.71	649.21	678.31	717.13	605.71	607.73
36	Price to book value ratio	1.01	0.91	1.19	1.26	1.01	0.91	1.22
37	Price to adjusted book value ratio	1.01	0.94	1.19	1.27	1.01	0.94	1.25
38	Price Earning Ratio (On Annualized EPS)	5.22	4.92	6.43	6.40	5.52	5.26	7.18
39	Market Capital To Deposits (%)	8.58%	8.18%	9.94%	10.53%	8.58%	8.18%	9.88%
40	Dividend Payout Ratio (%)							20.81%
41	Dividend Yield (%)							2.90%
42	Economic Value Addition							14.12%
43	Market price (in Rupees) on NSE	723.15	568.00	771.85	862.20	723.15	568.00	759.00
	Market price as on...	27.01.10	22.01.10	30.07.10	22.10.10	27.01.10	22.01.10	14.05.10
44	Number of Shares	48477802	48477802	48477802	48477802	48477802	48477802	48477802

Geographical Distribution

Amount in Rupees million		As on Dec 31, 2010			
S No.	Particulars	From J&K State		From Rest of India	
		Amount	% age	Amount	% age
1	Deposits	263565	64%	145193	36%
2	Advances	125674	48%	134970	52%
3	Gross Profit	6794	74%	2328	26%
Amount in Rupees million		As on Sep 30, 2010			
4	Net Interest Margin (Excluding Investments Annualized)	-	7.45%	-	2.25%
5	Retail Advances	75270	77.07%	22400	22.93%
6	Priority Sector Advances	59290	70.07%	25320	29.93%
7	Number of Branches	426	79.48%	110	20.52%

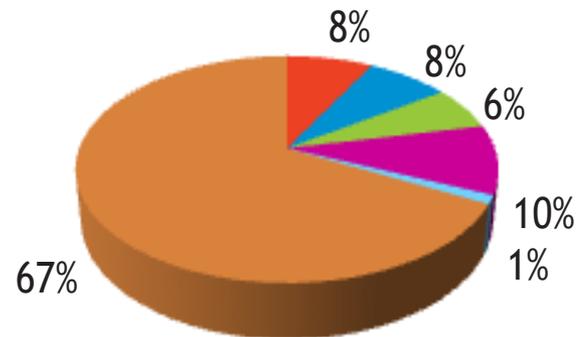
Sector-wise advances (Dec, 10)

Within J&K



- Agriculture
 ■ Trade
 ■ Personal
- SME
 ■ Government
 ■ Corporate

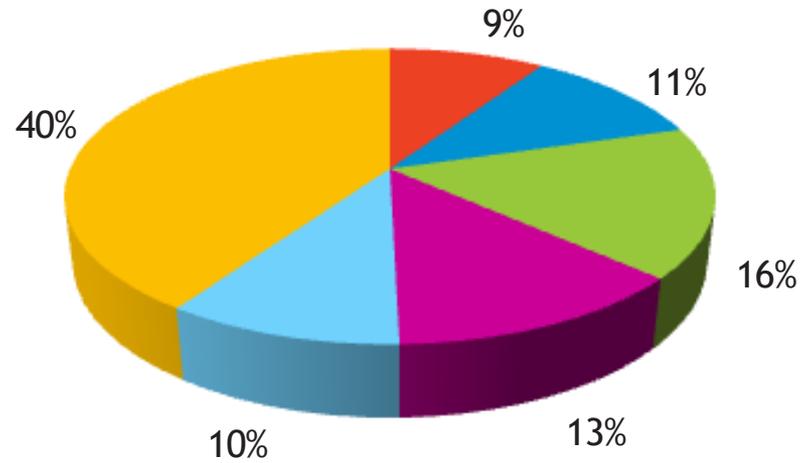
Rest of India



- Agriculture
 ■ Trade
 ■ Personal
 ■ SME
 ■ Govt
 ■ Corporate

Sector-wise advances (Dec, 10)

The Bank as Whole



■ Agriculture

■ Trade

■ Personal

■ SME

■ Government

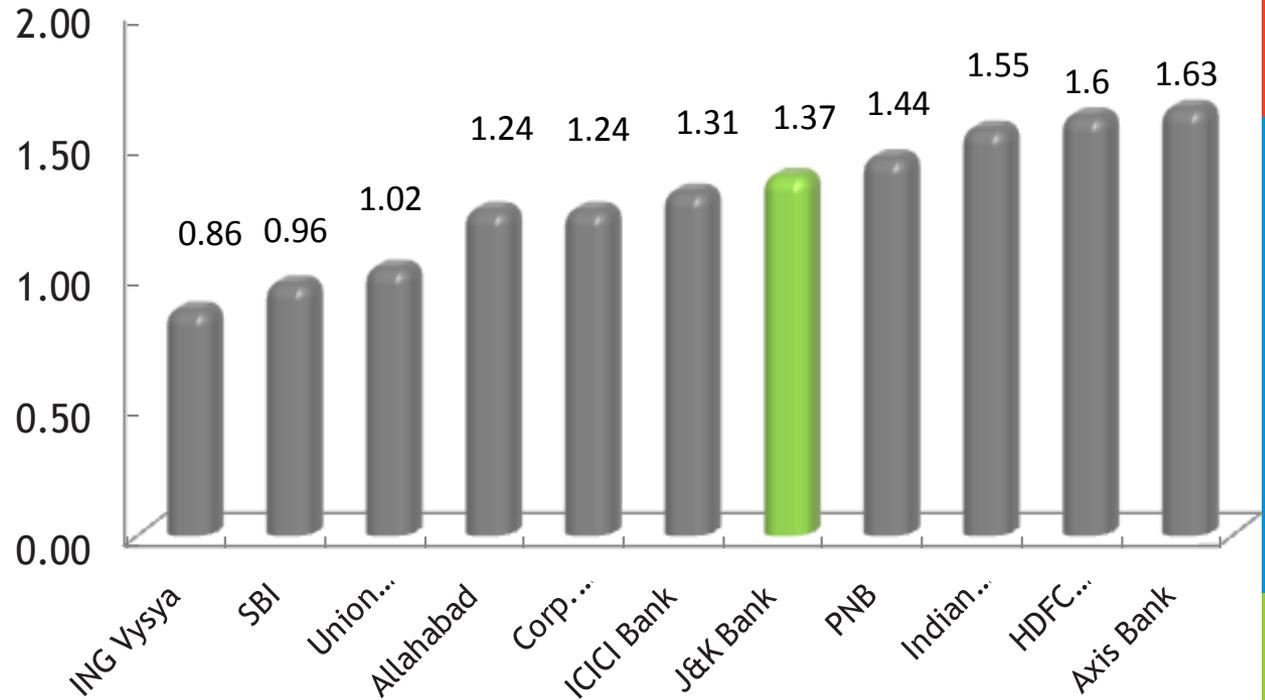
■ Corporate

Industry Review



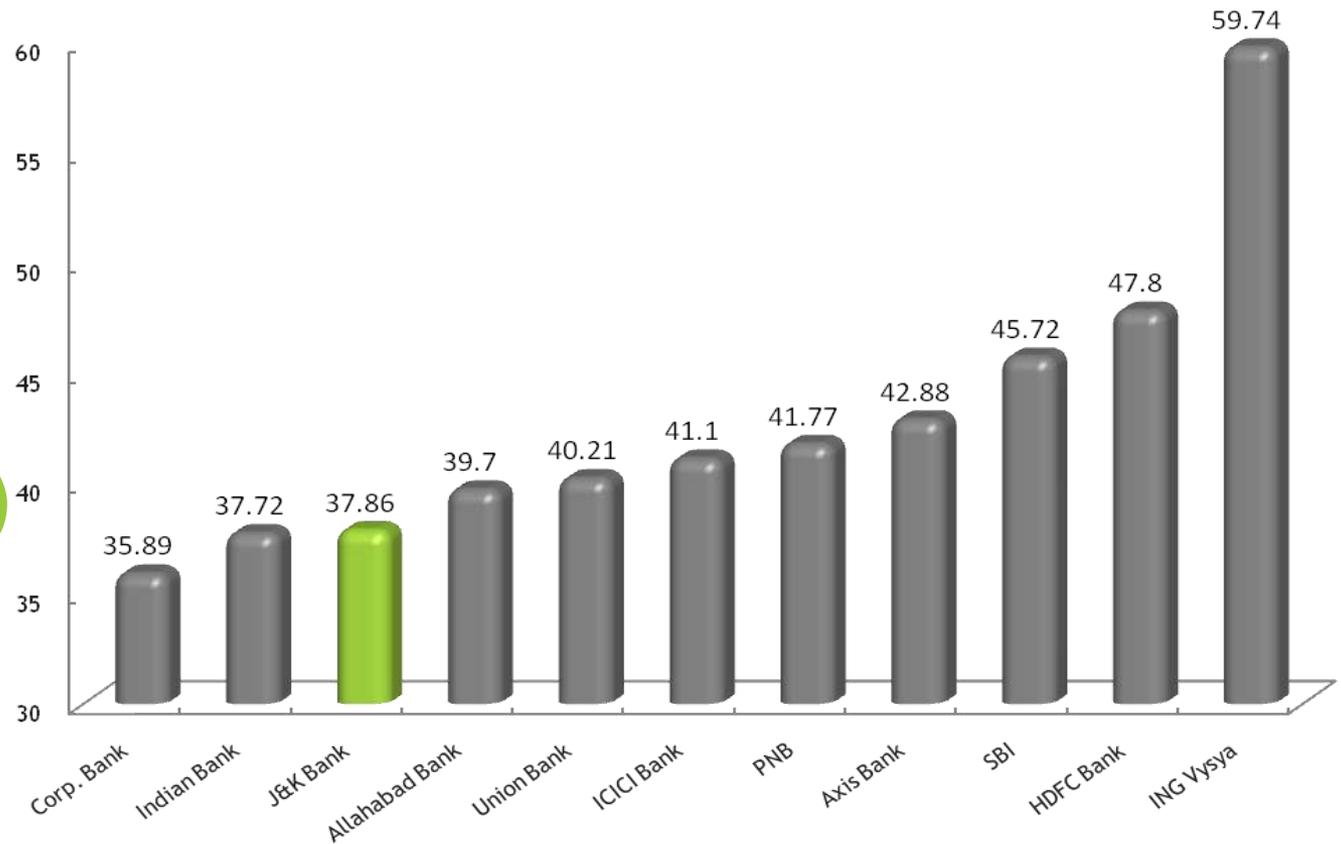
Return on Assets (%) (Annualised)

As on 9-M Dec 2010



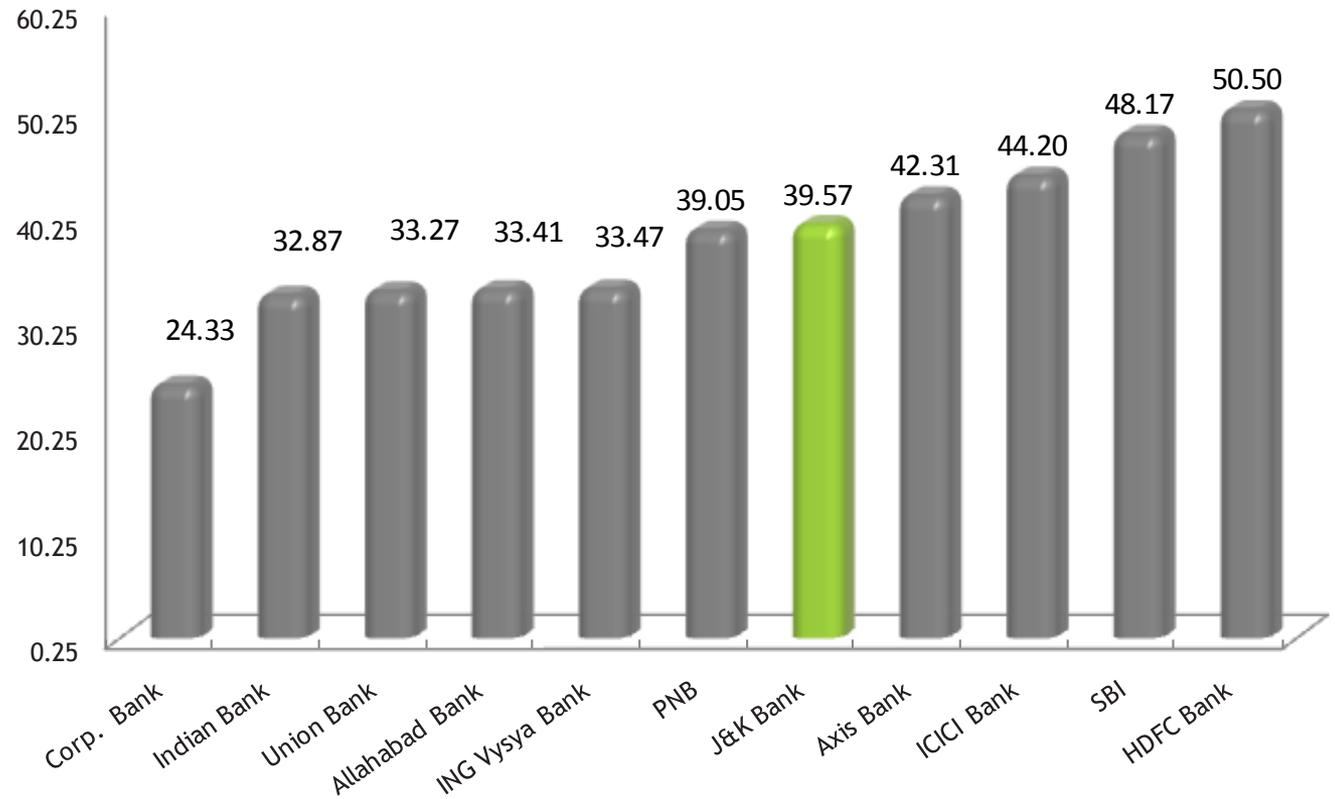
Cost to Income (%)

As on 9-M Dec 2010



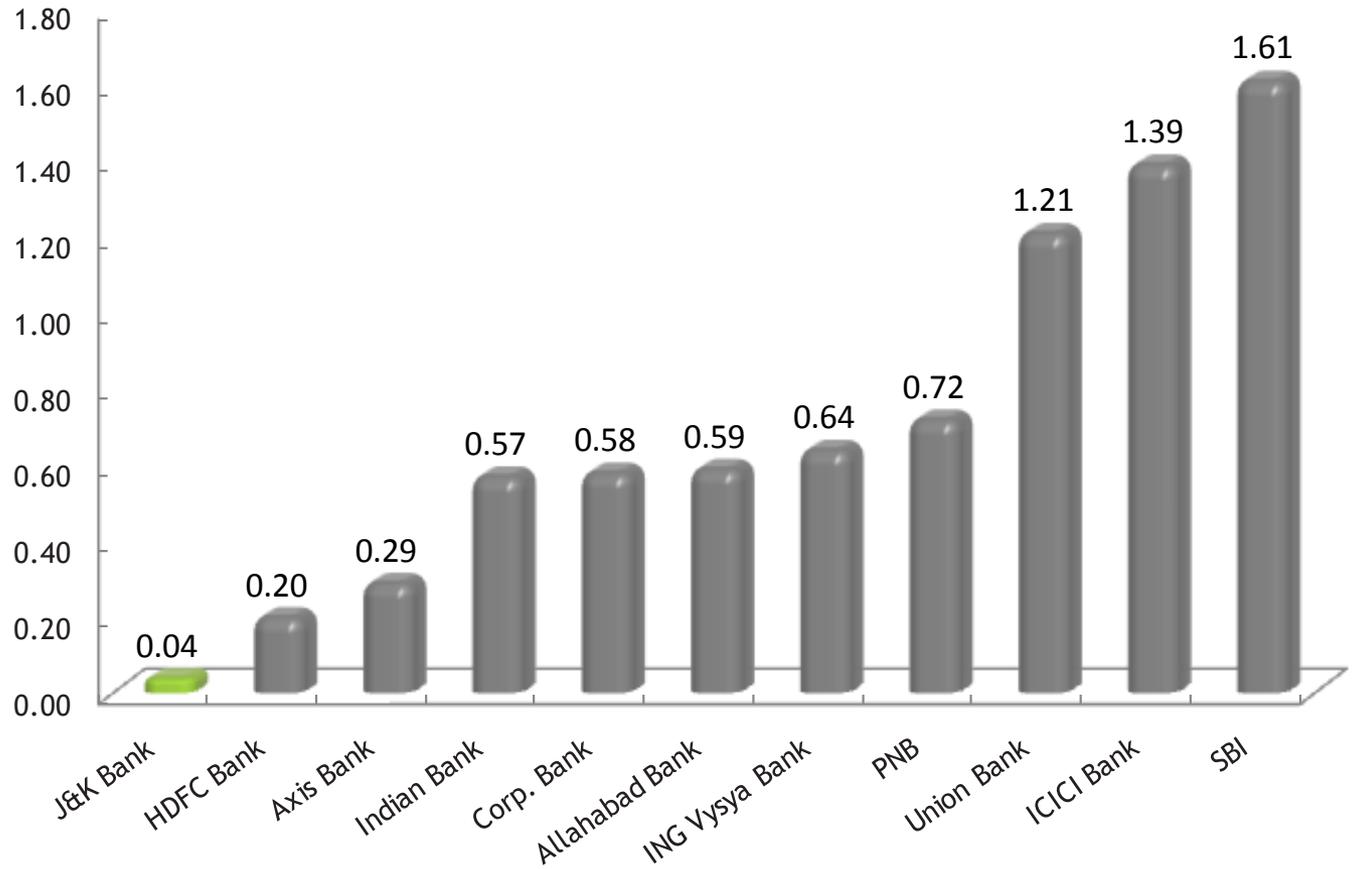
CASA Ratic (%)

As on 9-M Dec 2010



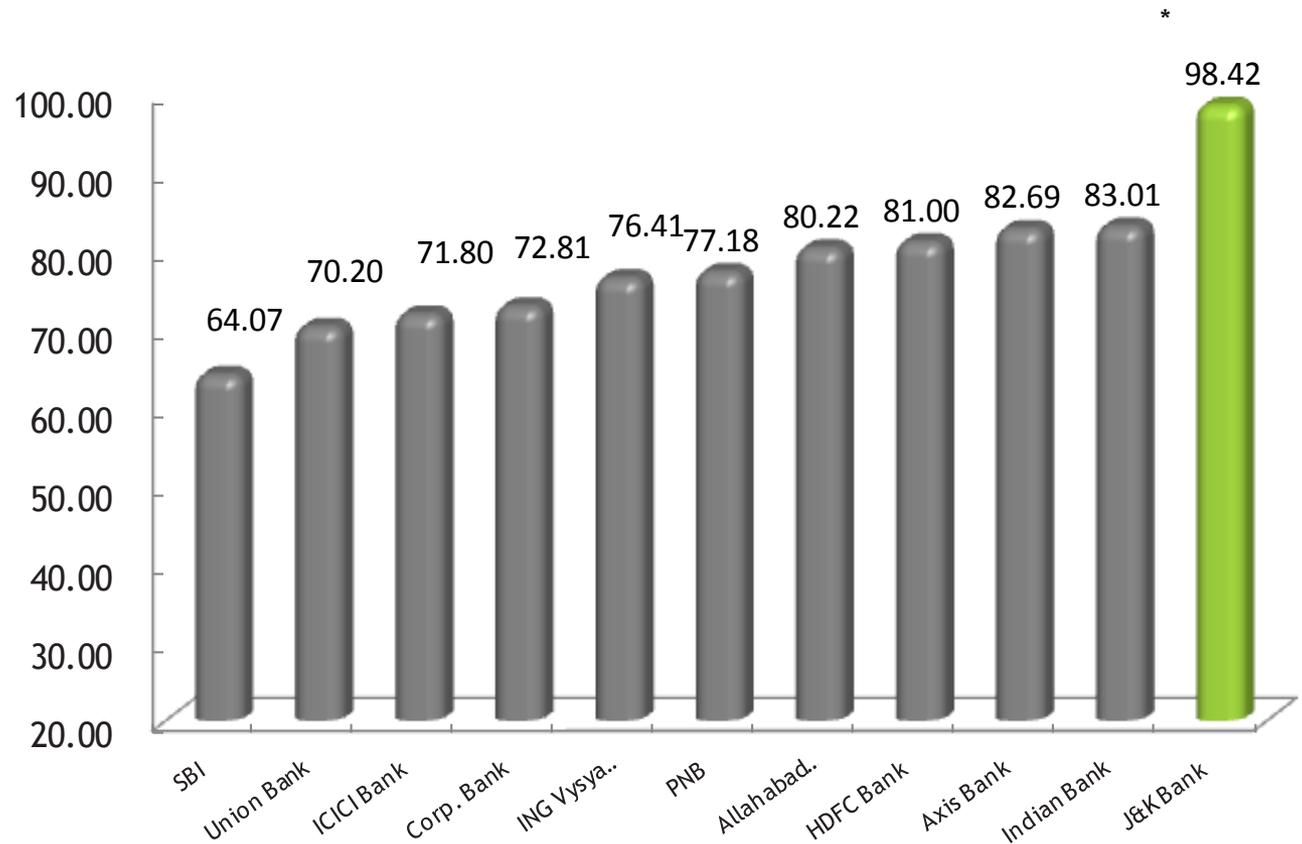
Net Impaired Loans (%)

As on 9-M Dec 2010



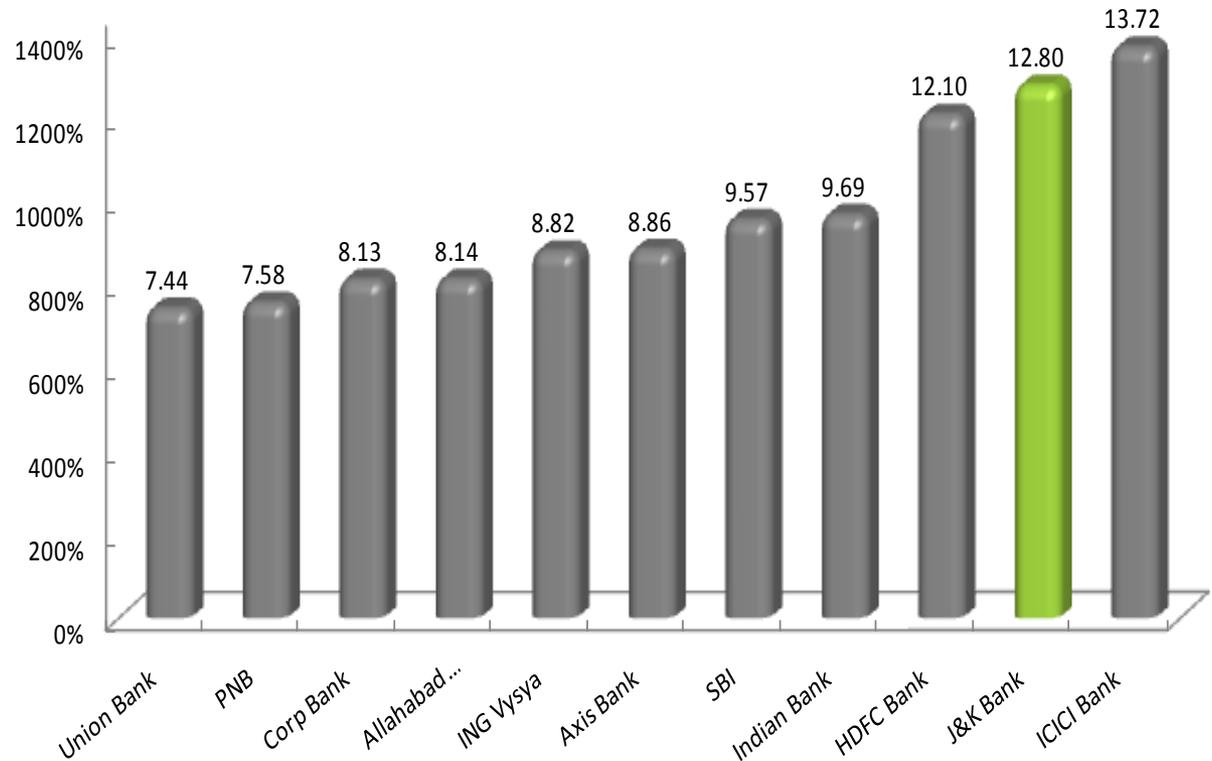
Coverage Ratio (%): Highest in India

As on 9-M Dec 2010



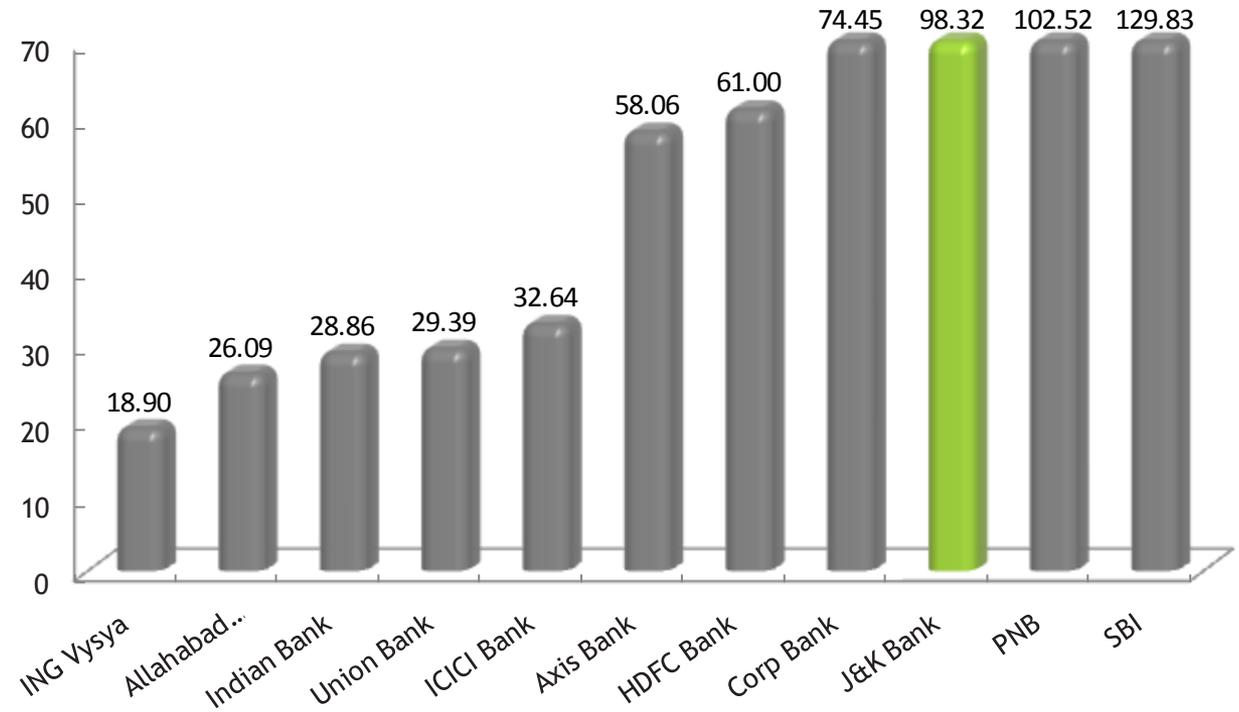
Tier I Capital (%) (Basel II)

As on 9-M Dec 2010



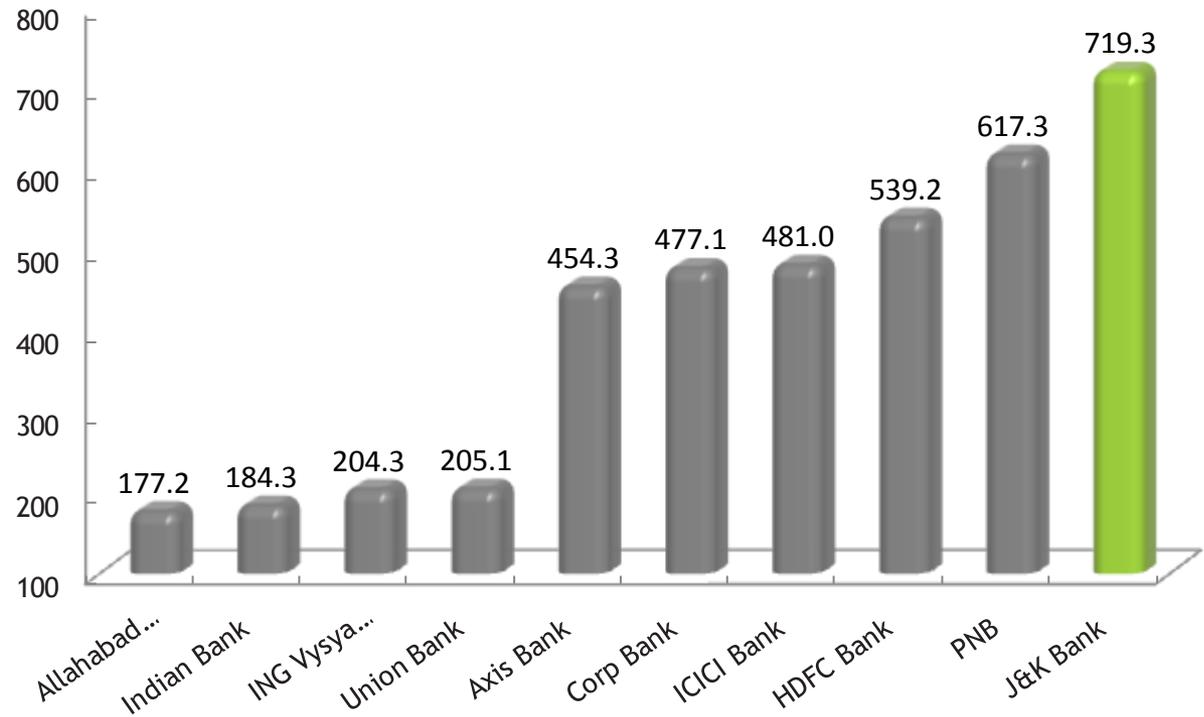
Earnings per Share (Rs.)

As on 9-M Dec 2010



Book value (Rs.)

As on 9-M Dec 2010



Road Ahead



J&K Bank - Ground work done for Growth

- Capital Adequacy at 15.49%, Tier I 12.80% & Tier II 2.69%

- Raised Rs. 6 billion as long term resource in the form of Tier II capital

- Made liabilities the driver

- Changed Geographical Composition of Advances from ROI to J&K

- Insulated earnings from environment by
 - Linking asset to local needs
 - Linking liabilities to local sources

J&K State - Potential

- J&K accounts for 0.6% of India's GDP and yet absorbs only 0.30 % of total national credit.

- J&K accounts for 1% of India's population and yet accounts for only 0.2 % of India's personal credit

- To catch up with National Average, Credit in J&K has to increase five-fold and Personal Credit in J&K has to Triple

J&K State – Business Strategy

- Increase lending in J&K, which is high margin, low volume

- Leveraging our core competence of domain and geographical expertise and 1400 Common Services Centres as banking correspondents

- Bridging Credit Gap in J&K with focus on potential and under-serviced sectors

Outside State - Business Strategy

Nationally, focus has to be on:

- Rebuilding Corporate Loan Book

- Improving WC to TL Ratio

- Targeting Specific Sectors, like plantations and commercial agriculture, still being financed informally, to improve margins by replicating successful lending experiences from J&K State

- Impetus to SME / Retail Sector lending in smaller cities

Road Ahead for next 3 years

- To achieve Rs 10 billion profit and Rs 1000 billion business by 2013

Targets

- CASA : 40% to 50%
- NIMs : 3.7% to ~4%+
- ROA : 1.3% to 1.5%+
- ROE : 19% to 23%
- Advances : 25 % CAGR
- Deposits : 20 % CAGR
- Cost/Income : 35-40%
- Loan/Deposit : 65% to 70%
- PCR : above 90%



J&K Bank

THANK YOU