



J&K Bank

14th CLSA India Forum, Gurgaon

November 14, 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
- Adjudged Best Bank in the Old Private Sector Banks category by Financial Express for FY ended Mar, 2011

3



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
- Interest Subvention Scheme applicable to Public Sector Banks also extended to the Bank recently

4



Facets and Roles

- Commercial Bank
- Development Financing Institution
- Financial Services Provider

5



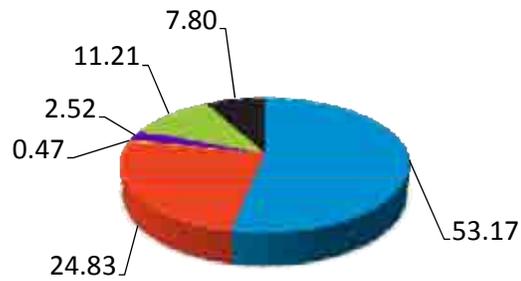
Regional Goliath

- Dominates a Region
 - 451 branches in the state
 - 377 ATMs
- Controls a Geography
 - Branches in every block of J&K
- Possesses a Community
 - Adult population of 0.86 crore
 - 0.47 crore account holders of J&K Bank
- Monopolises Business in J&K

6



Shareholding Pattern (03.11.2011)



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



7

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



8

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

Amounts in Rs crore Particulars	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	Year ended Mar, 11
Net Worth	937.08	1242.00	1593.74	1665.40	1799.47	2008.73	2280.82	2622.86	3010.46	3478.68
Deposits	12911.1	14674.9	18661.4	21645.0	23484.6	25194.3	28593.3	33004.1	37237.2	44675.9
Advances	6423.9	8011.0	9284.9	11517.1	14483.1	17079.9	18882.6	20930.4	23057.2	26193.6
Investments	5752.5	6737.8	8451.1	9089.2	8993.8	7392.2	8757.7	10736.3	13956.3	19695.8
Total Income	1610.86	1714.56	1822.95	1631.26	1817.10	2059.54	2679.24	3233.17	3473.11	4077.89
Net Profit	259.80	337.75	406.33	115.07	176.84	274.49	360.00	409.83	512.38	615.20
EPS	53.6	69.6	83.8	23.7	36.5	56.6	74.3	84.5	105.7	126.9
Book Value	193.2	256.1	328.6	343.5	371.2	414.4	476.3	541.0	621.0	717.6
Dividend (%)	50	60	100	80	80	115	155	169	220	260
No. of Branches/Offices	441	454	475	500	517	520	556	575	580	594
Personnel	6495	7112	7085	6873	6833	6847	7558	7627	7789	7938

Decade of Development - II

Ratios	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	Year ended Mar, 11
Net Interest Margins	3.61%	3.67%	3.58%	2.89%	2.83%	2.97%	2.95%	3.15%	3.04%	3.62%
Interest Spread	3.20%	3.34%	3.26%	2.61%	2.61%	2.79%	2.64%	2.84%	2.79%	3.32%
Yield on Advances	11.43%	10.53%	9.50%	8.42%	8.48%	8.58%	10.44%	11.53%	10.65%	10.68%
Yield on Investments	11.66%	10.01%	8.75%	7.36%	6.20%	6.20%	6.70%	6.79%	5.71%	6.34%
Cost of Deposits	7.30%	6.27%	5.26%	4.61%	4.55%	4.50%	5.85%	6.22%	5.24%	5.05%
Return on Assets	1.77%	2.01%	1.92%	0.47%	0.67%	0.96%	1.10%	1.09%	1.20%	1.22%
Return on period end Net Worth	27.72%	27.19%	25.50%	6.91%	9.83%	13.66%	15.59%	15.63%	17.02%	17.68%
Return on Average Net Worth	31.75%	31.00%	28.66%	7.06%	10.21%	14.42%	16.68%	16.62%	18.19%	18.96%
Gross Profit to AWF	3.36%	3.52%	3.31%	1.62%	1.78%	2.02%	2.12%	2.20%	2.39%	2.47%

Financial
Results
HY Sep, 2011



Financial Results - September, 2011

Financial Results Analysis (Quarter to Quarter and Half Year ended Sep, 2011) in Rs crore							
Particulars	Q 2 2011-12	Q 2 2010-11	% Change	H 1 2011-12	H 1 2010-11	% Change	Year end Mar, 11
Interest Earned	1155.60	898.92	28.55%	2211.51	1764.61	25.33%	3713.13
Interest Expended	721.33	526.29	37.06%	1340.04	1026.21	30.58%	2169.47
Net Interest Income	434.27	372.63	16.54%	871.47	738.40	18.02%	1543.66
Other Income	71.22	74.48	-4.38%	138.22	168.17	-17.81%	364.76
Operating Income	505.49	447.11	13.06%	1009.69	906.57	11.37%	1908.42
Operating Expenses	192.72	162.68	18.47%	380.54	333.84	13.99%	758.93
Operating Profit	312.77	284.43	9.96%	629.15	572.73	9.85%	1149.49
Provisions & Contingencies	22.33	38.84	-42.51%	66.81	108.87	-38.63%	215.10
PBT	290.44	245.59	18.26%	562.34	463.86	21.23%	934.39
Tax Provision	90.79	82.32	10.29%	180.40	155.10	16.31%	319.19
Net Profit	199.65	163.27	22.28%	381.94	308.76	23.70%	615.20
Share Capital	48.49	48.49	0.00%	48.49	48.49	0.00%	48.49
EPS in Rs.	41.18	33.68	22.28%	78.79	63.69	23.70%	126.90
Net Interest Margins	0.92%	0.92%	-	1.83%	1.84%	-	-
Net Interest Margins (Annualized)	3.69%	3.66%	-	3.65%	3.69%	-	3.62%

14



Ratio Analysis - I

S. No.	Profitability Ratios	Quarter ended Sep, 11	Quarter ended Sep, 10	Half Year ended Sep, 11	Half Year ended Sep, 10	Year ended Mar, 11
1	Net Interest Margins (%)	0.92%	0.92%	1.83%	1.84%	1.84%
	Annualized	3.69%	3.66%	3.65%	3.69%	3.62%
2	Interest Spread (%)	0.85%	0.84%	1.68%	1.68%	1.68%
	Annualized	3.40%	3.36%	3.36%	3.37%	3.32%
3	Yield on Advances (Av) (%)	2.95%	2.75%	5.72%	5.46%	5.46%
	Annualized	11.80%	11.00%	11.44%	10.91%	10.68%
4	Yield on Investments (Av) (%)	1.81%	1.53%	3.25%	3.19%	3.19%
	Annualized	7.22%	6.10%	6.50%	6.38%	6.34%
5	Cost of Deposits (Av) (%)	1.54%	1.30%	2.80%	2.55%	2.55%
	Annualized	6.17%	5.21%	5.60%	5.10%	5.05%
6	Return on Assets (%)	0.38%	0.36%	0.72%	0.68%	0.68%
	Annualized	1.50%	1.45%	1.44%	1.37%	1.22%
7	Return on period end Net Worth (%)	5.17%	4.92%	9.89%	9.30%	9.30%
	Annualized	20.69%	19.68%	19.79%	18.60%	17.68%
8	Return on Average Net Worth (%)	5.31%	5.04%	10.41%	9.76%	9.76%
	Annualized	21.23%	20.17%	20.82%	19.51%	18.96%
9	Gross Profit to AWF (%)	0.61%	0.64%	1.21%	1.31%	1.31%
	Annualized	2.45%	2.57%	2.43%	2.61%	2.47%
10	Net Profit to AWF (%)	0.39%	0.37%	0.74%	0.70%	0.70%
	Annualized	1.56%	1.47%	1.47%	1.41%	1.32%

15



Ratio Analysis - II

S.No.	Efficiency Ratios	Quarter ended	Quarter ended	Half Year ended	Half Year ended	Year ended
		Sep. 11	Sep. 10	Sep. 11	Sep. 10	Mar. 11
11	Cost to Income Ratio (%)	38.13%	36.38%	37.69%	36.82%	39.77%
12	CD Ratio (%)	59.54%	58.41%	59.54%	58.41%	58.63%
13	CASA Ratio (%)	38.18%	41.14%	38.18%	41.14%	40.48%
14	Business per Employee (in Rupees Lakh)	953.74	793.83	953.74	793.83	892.79
15	Net Profit per Employee (in Rs. Lakh)	2.52	2.06	4.81	3.90	
	Annualized	10.07	8.25	9.63	7.80	7.75
16	Business Per Branch (in Rupees Crore)	135.59	117.30	135.59	117.30	129.32
17	Net Profit per Branch (in Rs Lakh)	143.12	121.84	136.90	115.21	112.26
	Asset Quality Ratios					
18	Gross NPAs (in Rupees Lakh)	54190.00	51271.00	54190.00	51271.00	51883.00
19	Net NPAs (in Rupees Lakh)	6303.00	3091.00	6303.00	3091.00	5324.00
20	Gross NPA Ratio (%)	1.89%	2.17%	1.89%	2.17%	1.95%
21	Net NPA Ratio (%)	0.22%	0.13%	0.22%	0.13%	0.20%
22	NPA Coverage Ratio (%)	92.00%	95.47%	92.00%	95.47%	92.71%
23	Gross NPA to Net Worth Ratio (%)	14.04%	15.45%	14.04%	15.45%	14.91%
24	Net NPA to Net Worth Ratio (%)	1.63%	0.93%	1.63%	0.93%	1.53%

16



Ratio Analysis - III

S.No.	Operating Ratios	Quarter ended Sep,	Quarter ended Sep,	Half Year ended Sep,	Half Year ended Sep,	Year ended
		11	10	11	10	Mar, 11
25	Operating Expenses to AWF (%) (Ann.)	1.51%	1.47%	1.47%	1.52%	1.63%
26	Operating Expenses to Total Income (%)	15.71%	16.71%	16.20%	17.27%	18.61%
27	Operating Expenses to Other Income (%)	270.60%	218.42%	275.31%	198.51%	208.06%
28	Staff Cost to Total Income (%)	10.23%	11.03%	10.78%	11.83%	12.84%
29	Interest Earned to AWF (%) (Annualized)	9.05%	8.11%	8.53%	8.05%	7.98%
30	Non Interest Income to AWF (%) (Ann)	0.56%	0.67%	0.53%	0.77%	0.78%
31	Capital Adequacy Ratio (%) Basel I	13.53%	14.55%	13.53%	14.55%	13.30%
	Tier I	11.26%	11.92%	11.26%	11.92%	10.99%
	Tier II	2.27%	2.63%	2.27%	2.63%	2.31%
32	Capital Adequacy Ratio (%) Basel II	13.61%	15.56%	13.61%	15.56%	13.72%
	Tier I	11.32%	12.75%	11.32%	12.75%	11.33%
	Tier II	2.29%	2.81%	2.29%	2.81%	2.39%

17



Ratio Analysis - IV

S. No.	Valuation Ratios	Quarter ended	Quarter ended	Half Year ended	Half Year ended	Year ended
		Sep, 11	Sep, 10	Sep, 11	Sep, 10	Mar, 11
33	Earnings per Share (in Rupees)	41.18	33.68	78.79	63.69	
	Annualized	164.74	134.72	157.57	127.38	126.90
34	Net Asset Value / Book Value (in Rupees)	796.37	684.69	796.37	684.69	717.58
35	Adjusted Book Value (face value of Rs 10)	783.37	678.31	783.37	678.31	706.60
36	Price to book value ratio	1.06	1.26	1.06	1.26	1.13
37	Price to adjusted book value ratio	1.08	1.27	1.08	1.27	1.15
38	Price Earning Ratio (On Annualized EPS)	5.11	6.40	5.35	6.77	6.38
39	Market Capital To Deposits (%)	8.61%	10.53%	8.61%	10.53%	8.79%
40	Dividend Payout Ratio (%)					20.49%
41	Dividend Yield (%)					3.21%
42	Economic Value Addition					14.47%
43	Market price (in Rupees) on NSE	842.50	862.20	842.50	862.20	809.90
	Market price as on...	31.10.11	22.10.10	31.10.11	22.10.10	13.05.11
44	Number of Shares	48477802	48477802	48477802	48477802	48477802

18



Geographical Break-up

Amounts in Rupees crore		As on Sep 30, 2011			
S No.	Particulars	From J&K State		From Rest of India	
		Amount	% age	Amount	% age
1	Deposits	29871	68 %	14157	32 %
2	CASA Ratio	-	54 %	-	13 %
3	Gross Advances	11229	39 %	17255	61 %
4	Gross Profit (Excluding Controlling Offices)	406	71 %	165	29 %
5	Net Interest Margin	-	6.00%	-	2.50%
6	Number of Branches	451	81%	107	19%

"J&K State" includes 7 zones in J&K State and Moving Secretariat Branch

"Rest of India" includes 4 zones from outside J&K State

19



Deposits, Sep 11 Compositional Breakup, in Rs crore



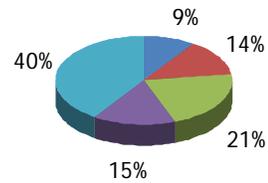
20



Advances - Sector-wise, (Sep, 11)

Bank as Whole

- Agriculture
- Trade
- Personal
- SME
- Corporate



Within J&K



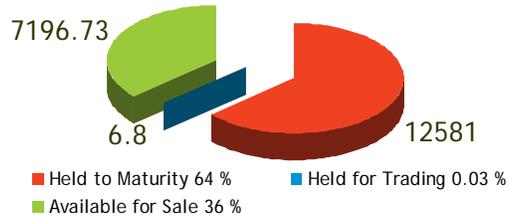
In Rest of India



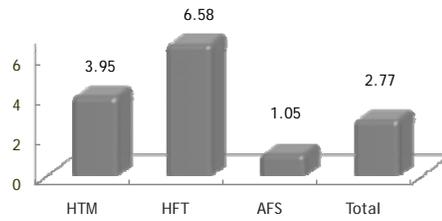
21



Investments, Sep, 11 - I in Rs crore

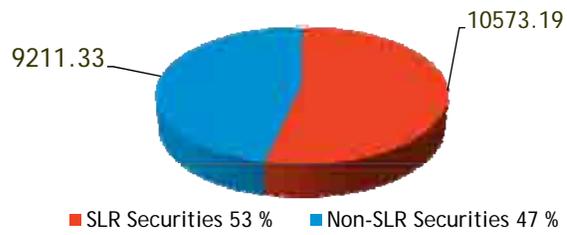


Duration

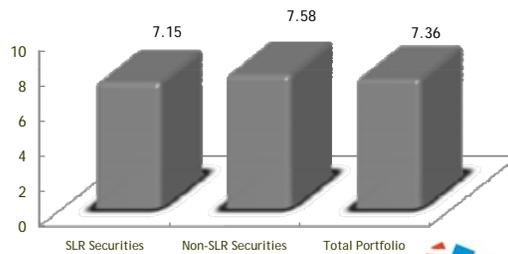


22

Investments, Sep, 11 - II in Rs crore



Yield (on daily average balances for H 1)

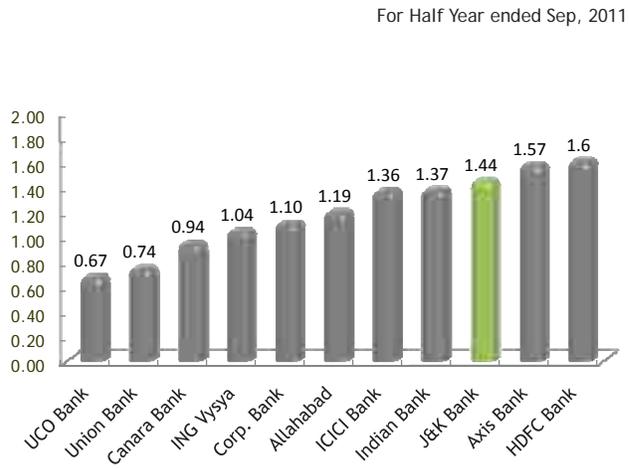


23

Industry Review



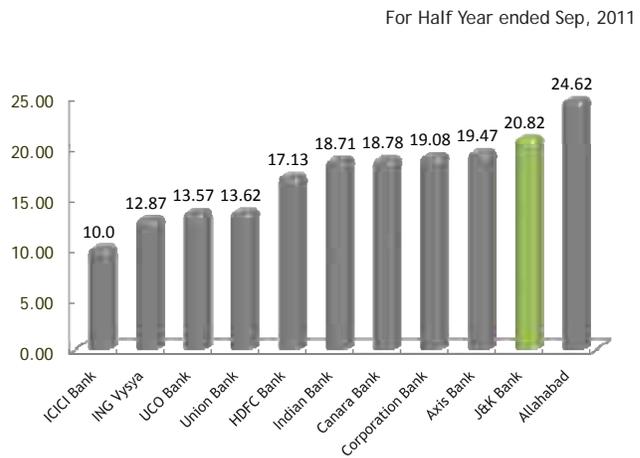
Return on Assets (%)



25



Return on Equity (%)

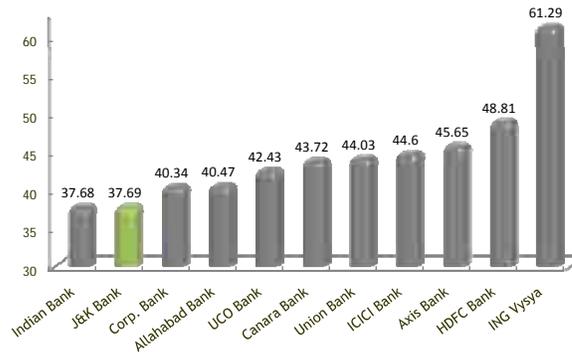


26



Cost to Income (%)

For Half Year ended Sep, 2011

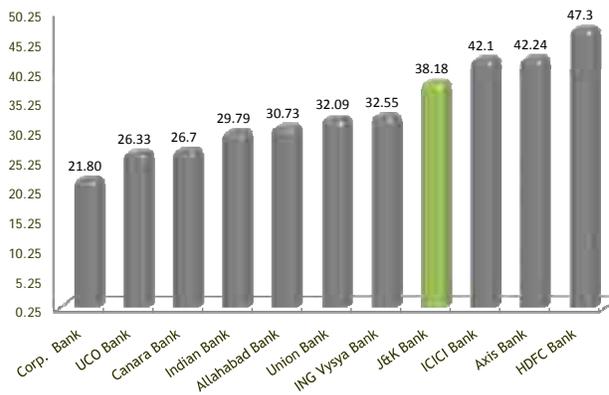


27



CASA Ratio (%)

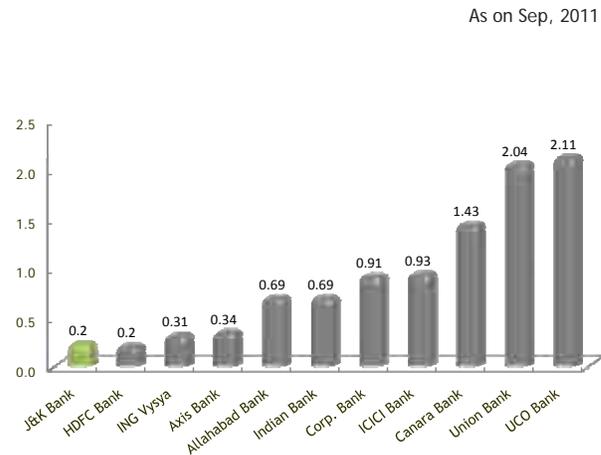
As on Sep, 2011



28



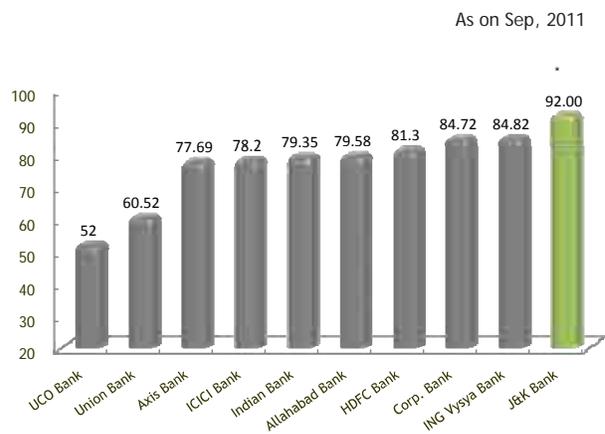
Net Impaired Loans (%)



29



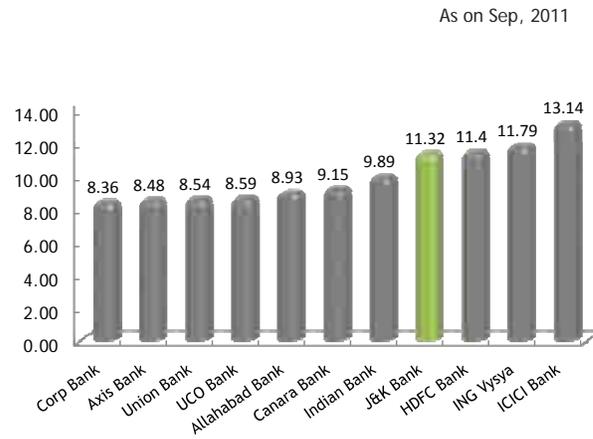
Coverage Ratio (%): Highest in India



30



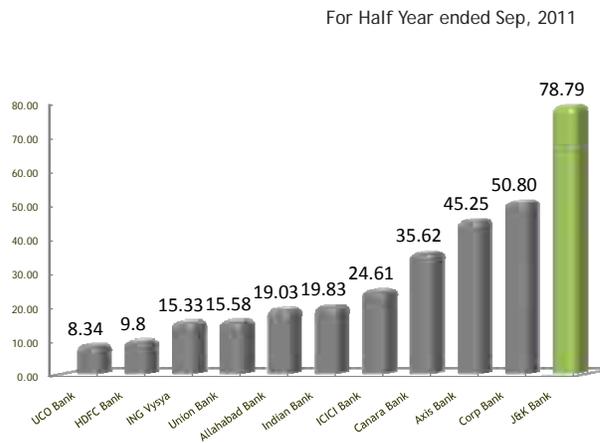
Tier I Capital (%) (Basel II)



31



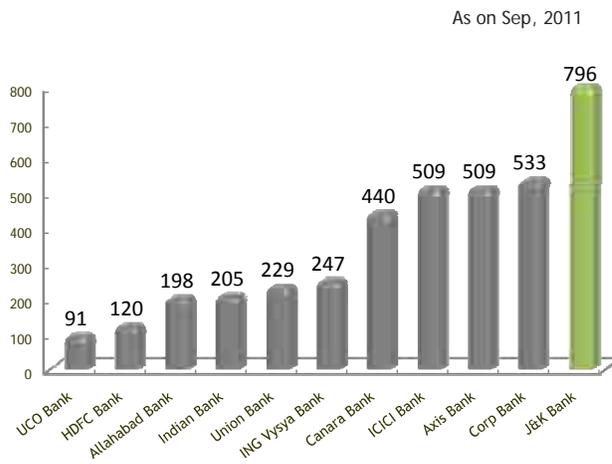
Earnings per Share (Rs.)



32



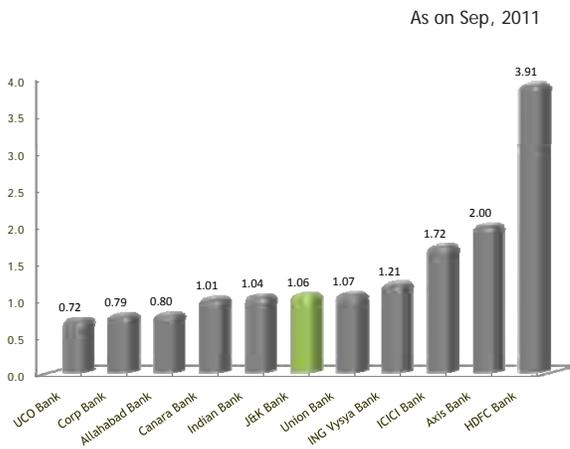
Book value (Rs.)



33



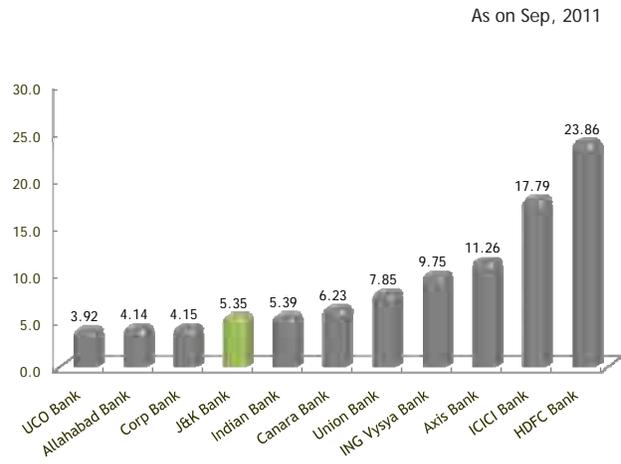
Price to Book value



34



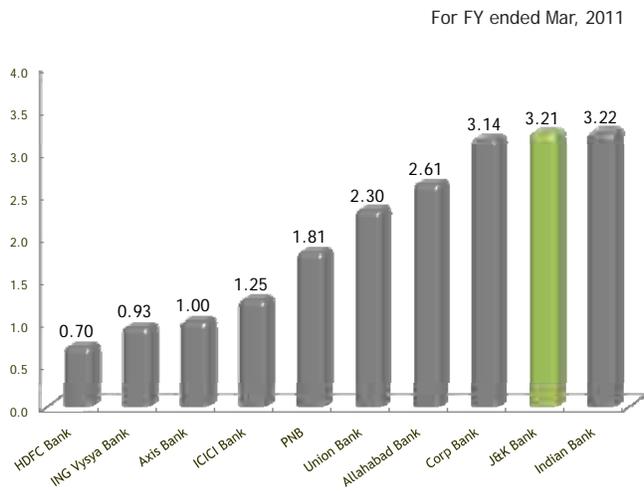
PE Ratio



35



Dividend Yield (%)



36



Road ahead



J&K Bank - Ground work done for Growth

- Capital Adequacy at 13.61%, Tier I 11.32% & Tier II 2.29%. No constraints for raising additional Tier I capital
- Raised Rs. 600 crore as long term resource in the form of Tier II capital. Headroom of about Rs 1150 crore more available
- Made liabilities the driver
- Insulated earnings from environment by
 - Linking asset to local needs
 - Linking liabilities to local sources

38



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

39



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

40



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

41



Road Ahead - for next 2 years

- To achieve Rs 1,000 crore profit and Rs 100,000 crore business by 2013

Targets

- CASA : 40% to 45%
- NIMs : 3.5% to 4%+
- ROA : 1.3% to 1.5%+
- ROE : 19% to 22%
- Advances : 25 % CAGR
- Deposits : 20 % CAGR
- Cost/Income : 35-40%
- Loan/Deposit : 60% to 65%
- PCR : above 90%

42

