



J&K Bank

Singapore - Roadshow

December 6-7, 2010

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

- Sole banker and lender of last resort to the Government of J&K

- 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

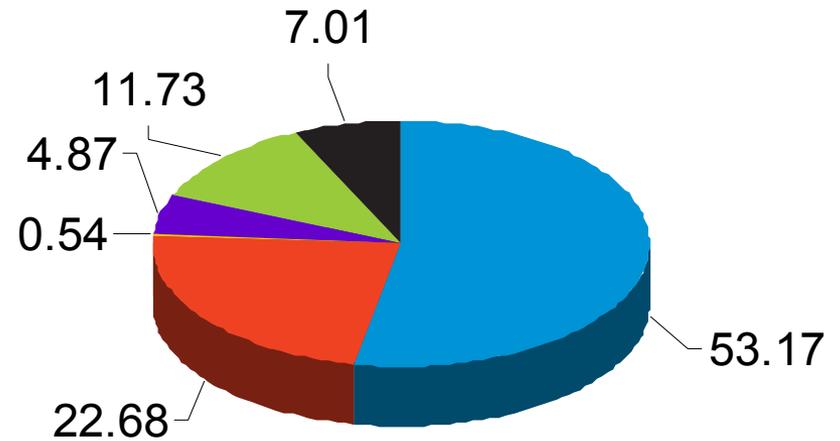
- Dominates a Region
 - 426 branches in the state
 - 254 ATMs

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

- Possess a Community
 - Adult population of 10.14 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 (26.11.2010)



- 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 |

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 Sep, 2010



Financial Results

| Particulars (in Rupees million) | Q 2 2010-11 | Q 2 2009-10 | % Change | Q 2 2010-11 | Q 1 2010-11 | % Change | H 1 2010-11 | H 1 2009-10 | % Change | Year end Mar, 10 |
|--|----------------|----------------|-------------|----------------|----------------|-------------|----------------|----------------|-------------|------------------------|
| Interest Earned | 8989.2 | 7380.9 | 21.79% | 8989.2 | 8656.9 | 3.84% | 17646.1 | 15137.1 | 16.58% | 30568.8 |
| Interest Expended | 5262.9 | 4943.6 | 6.46% | 5262.9 | 4999.2 | 5.27% | 10262.1 | 10047.2 | 2.14% | 19375.4 |
| Net Interest Income | 3726.3 | 2437.3 | 52.89% | 3726.3 | 3657.7 | 1.88% | 7384.0 | 5089.9 | 45.07% | 11193.4 |
| Other Income | 744.8 | 1093.6 | -31.89% | 744.8 | 936.9 | -20.50% | 1681.7 | 2268.9 | -25.88% | 4162.3 |
| Operating Income | 4471.1 | 3530.9 | 26.63% | 4471.1 | 4594.6 | -2.69% | 9065.7 | 7358.8 | 23.20% | 15355.7 |
| Operating Expenses | 1626.8 | 1317.6 | 23.47% | 1626.8 | 1711.7 | -4.96% | 3338.4 | 2570.0 | 29.90% | 5773.7 |
| Operating Profit | 2844.3 | 2213.3 | 28.51% | 2844.3 | 2882.9 | -1.34% | 5727.3 | 4788.8 | 19.60% | 9582.0 |
| Provisions & Contingencies | 388.4 | 165.6 | 134.54% | 388.4 | 700.3 | -44.54% | 1088.7 | 968.5 | 12.41% | 1665.9 |
| PBT | 2455.9 | 2047.7 | 19.93% | 2455.9 | 2182.6 | 12.52% | 4638.6 | 3820.3 | 21.42% | 7916.1 |
| Tax Provision | 823.2 | 705.0 | 16.77% | 823.2 | 727.7 | 13.12% | 1551.0 | 1297.0 | 19.58% | 2792.3 |
| Net Profit | 1632.7 | 1342.7 | 21.60% | 1632.7 | 1454.9 | 12.22% | 3087.6 | 2523.3 | 22.36% | 5123.8 |
| Share Capital | 484.9 | 484.9 | 0.00% | 484.9 | 484.9 | 0.00% | 484.9 | 484.9 | 0.00% | 484.9 |
| EPS in Rs. | 33.68 | 27.70 | 21.60% | 33.68 | 30.01 | 12.22% | 63.69 | 52.05 | 22.36% | 105.69 |
| Net Interest Margins | 0.92% | 0.75% | - | 0.92% | 0.92% | - | 1.84% | 1.48% | - | - |
| Net Interest Margins (Annualized) | 3.66% | 3.00% | - | 3.66% | 3.70% | - | 3.69% | 2.96% | - | 3.04% |

Ratio Analysis - I

| S. No | Ratios | Quarter ended Sep, 10 | Quarter ended Sep, 09 | Quarter ended Jun, 10 | Half Year ended Sep, 10 | Half Year ended Sep, 09 | Year ended Mar, 10 |
|-------|--|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|--------------------|
| | Profitability Ratios | | | | | | |
| 1 | Net Interest Margins (%) Annualized | 0.92% 3.66% | 0.75% 3.00% | 0.92% 3.70% | 1.84% 3.69% | 1.48% 2.96% | 3.04% |
| 2 | Interest Spread (%) Annualized | 0.84% 3.36% | 0.66% 2.65% | 0.85% 3.40% | 1.68% 3.37% | 1.36% 2.71% | 2.79% |
| 3 | Yield on Advances (Av) (%) Annualized | 2.75% 11.00% | 2.79% 11.16% | 2.72% 10.86% | 5.46% 10.91% | 5.62% 11.25% | 10.65% |
| 4 | Yield on Investments (Av) (%) Annualized | 1.53% 6.10% | 1.27% 5.08% | 1.53% 6.14% | 3.19% 6.38% | 2.81% 5.62% | 5.71% |
| 5 | Cost of Deposits (Av) (%) Annualized | 1.30% 5.21% | 1.47% 5.90% | 1.28% 5.10% | 2.55% 5.10% | 2.91% 5.83% | 5.24% |
| 6 | Return on Assets (%) Annualized | 0.36% 1.45% | 0.36% 1.44% | 0.33% 1.34% | 0.68% 1.37% | 0.67% 1.35% | 1.20% |
| 7 | Return on period end Net Worth (%) Annualized | 4.92% 19.68% | 4.67% 18.68% | 4.61% 18.44% | 9.30% 18.60% | 8.78% 17.55% | 17.02% |
| 8 | Return on Average Net Worth (%) Annualized | 5.04% 20.17% | 4.78% 19.13% | 4.72% 18.88% | 9.76% 19.51% | 9.18% 18.36% | 18.19% |
| 9 | Gross Profit to AWF (%) Annualized | 0.64% 2.57% | 0.60% 2.40% | 0.67% 2.68% | 1.31% 2.61% | 1.28% 2.55% | 2.39% |
| 10 | Net Profit to AWF (%) Annualized | 0.37% 1.47% | 0.36% 1.46% | 0.34% 1.35% | 0.70% 1.41% | 0.67% 1.34% | 1.28% |

Ratio Analysis - II

| S. No | Ratios | Quarter ended Sep, 10 | Quarter ended Sep, 09 | Quarter ended Jun, 10 | Half Year ended Sep, 10 | Half Year ended Sep, 09 | Year ended Mar, 10 |
|-------|---|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|--------------------|
| | Efficiency Ratios | | | | | | |
| 11 | Cost to Income Ratio (%) | 36.38% | 37.32% | 37.25% | 36.82% | 34.92% | 37.60% |
| 12 | CD Ratio (%) | 58.41% | 64.82% | 61.22% | 58.41% | 64.82% | 61.92% |
| 13 | CASA Ratio (%) | 41.14% | 36.98% | 37.84% | 41.14% | 36.98% | 40.69% |
| 14 | Business per Employee (in Rupees Million) | 79.38 | 69.14 | 77.82 | 79.38 | 69.14 | 77.41 |
| 15 | Net Profit per Employee (in Rupees Million) | 0.21 | 0.17 | 0.19 | 0.39 | 0.33 | |
| | Annualized | 0.82 | 0.69 | 0.75 | 0.78 | 0.65 | 0.66 |
| 16 | Business Per Branch (in Rupees Million) | 1172.97 | 1006.97 | 1131.80 | 1172.97 | 1006.97 | 1124.90 |
| 17 | Net Profit per Branch (in Rs. Million) (Ann.) | 12.18 | 10.08 | 10.86 | 11.52 | 9.47 | 9.56 |
| | Asset Quality Ratios | | | | | | |
| 18 | Gross NPAs (in Rupees Million) | 5127.10 | 4783.60 | 4507.40 | 5127.10 | 4783.60 | 4623.10 |
| 19 | Net NPAs (in Rupees Million) | 309.10 | 1169.50 | 87.20 | 309.10 | 1169.50 | 643.30 |
| 20 | Gross NPA Ratio (%) | 2.17% | 2.23% | 1.92% | 2.17% | 2.23% | 1.97% |
| 21 | Net NPA Ratio (%) | 0.13% | 0.55% | 0.04% | 0.13% | 0.55% | 0.28% |
| 22 | NPA Coverage Ratio (%) | 95.47% | 82.07% | 98.62% | 95.47% | 82.07% | 90.13% |
| 23 | Gross NPA to Net Worth Ratio (%) | 15.45% | 16.64% | 14.28% | 15.45% | 16.64% | 15.36% |
| 24 | Net NPA to Net Worth Ratio (%) | 0.93% | 4.07% | 0.28% | 0.93% | 4.07% | 2.14% |

Ratio Analysis - III

| S.N o. | Ratios | Quarter ended Sep, 10 | Quarter ended Sep, 09 | Quarter ended Jun, 10 | Half Year ended Sep, 10 | Half Year ended Sep, 09 | Year ended Mar, 10 |
|--------|---|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|--------------------|
| | Operating Ratios | | | | | | |
| 25 | Operating Expenses to AWF (%) (Ann.) | 1.47% | 1.43% | 1.59% | 1.52% | 1.37% | 1.44% |
| 26 | Operating Expenses to Total Income (%) | 16.71% | 15.55% | 17.84% | 17.27% | 14.77% | 16.62% |
| 27 | Operating Expenses to Other Income (%) | 218.42% | 120.48% | 182.70% | 198.51% | 113.27% | 138.71% |
| 28 | Staff Cost to Total Income (%) | 11.03% | 9.20% | 12.64% | 11.83% | 9.11% | 10.55% |
| 29 | Interest Earned to AWF (%) (Annualized) | 8.11% | 8.01% | 8.05% | 8.05% | 8.06% | 7.62% |
| 30 | Non Interest Income to AWF (%) (Annualized) | 0.67% | 1.19% | 0.87% | 0.77% | 1.21% | 1.04% |
| 31 | Capital Adequacy Ratio (%) | 15.56% | 15.23% | 16.14% | 15.56% | 15.23% | 15.89% |
| | Tier I | 12.75% | 14.59% | 13.11% | 12.75% | 14.59% | 12.79% |
| | Tier II | 2.81% | 0.64% | 3.03% | 2.81% | 0.64% | 3.10% |

Ratio Analysis - IV

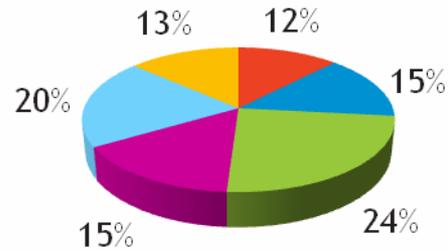
| S.N o. | Ratios | Quarter ended Sep, 10 | Quarter ended Sep, 09 | Quarter ended Jun, 10 | Half Year ended Sep, 10 | Half Year ended Sep, 09 | Year ended Mar, 10 |
|--------|---|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|--------------------|
| | Valuation Ratios | | | | | | |
| 32 | Earnings per Share (in Rupees) | 33.68 | 27.70 | 30.01 | 63.69 | 52.05 | |
| | Annualized | 134.72 | 110.79 | 120.05 | 127.38 | 104.10 | 105.69 |
| 33 | Net Asset Value (in Rupees) | 684.69 | 593.09 | 651.01 | 684.69 | 593.09 | 621.00 |
| 34 | Adjusted Book Value | 678.31 | 568.97 | 649.21 | 678.31 | 568.97 | 607.73 |
| 35 | Price to book value ratio | 1.26 | 0.97 | 1.19 | 1.26 | 0.97 | 1.22 |
| 36 | Price to adjusted book value ratio | 1.27 | 1.01 | 1.19 | 1.27 | 1.01 | 1.25 |
| 37 | Price Earning Ratio (On Annualized EPS) | 6.40 | 5.19 | 6.43 | 6.77 | 5.52 | 7.18 |
| 38 | Market Capital To Deposits (%) | 10.53% | 8.56% | 9.94% | 10.53% | 8.56% | 9.88% |
| 39 | Dividend Payout Ratio (%) | | | | | | 20.81% |
| 40 | Dividend Yield (%) | | | | | | 2.90% |
| 41 | Economic Value Addition | | | | | | 14.12% |
| 42 | Market price (in Rupees) on NSE | 862.20 | 574.70 | 771.85 | 862.20 | 574.70 | 759.00 |
| | Market price as on... | 22.10.10 | 29.10.09 | 30.07.10 | 22.10.10 | 29.10.09 | 14.05.10 |
| 43 | Number of Shares | 48477802 | 48477802 | 48477802 | 48477802 | 48477802 | 48477802 |

Geographical Distribution

| Amount in Rupees million | | As on Sep 30, 2010 | | | |
|--------------------------|--|--------------------|--------|--------------------|--------|
| S No. | Particulars | From J&K State | | From Rest of India | |
| | | Amount | % age | Amount | % age |
| 1 | Deposits | 262807.4 | 66.22% | 134066.6 | 33.78% |
| 2 | Advances | 120115.1 | 50.33% | 118522.0 | 49.67% |
| 3 | Profit | 4621.9 | 75.81% | 1475.0 | 24.19% |
| 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% |

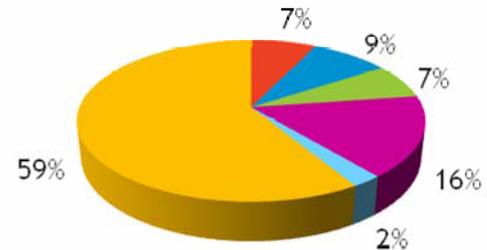
Sector-wise advances (Sep, 10)

Within J&K



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

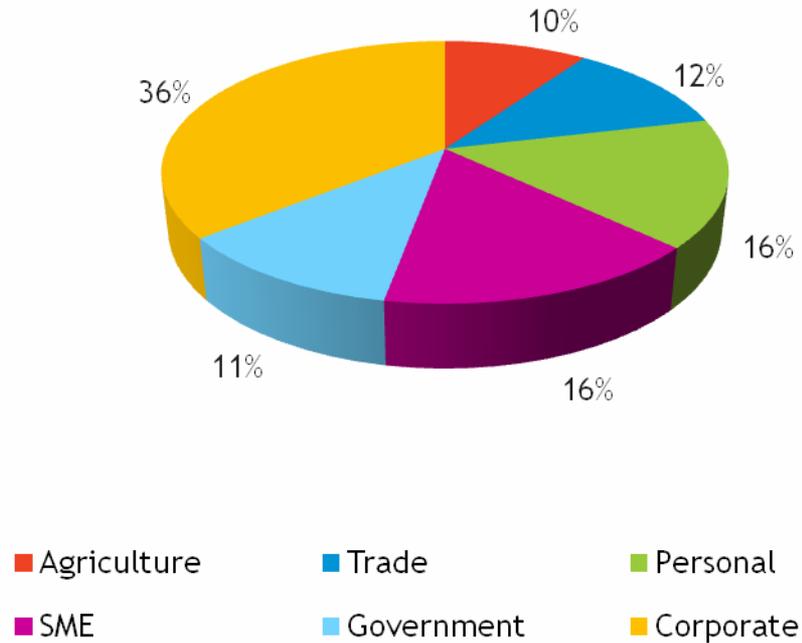
Rest of India



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

Sector-wise advances (Sep 10)

The Bank as Whole

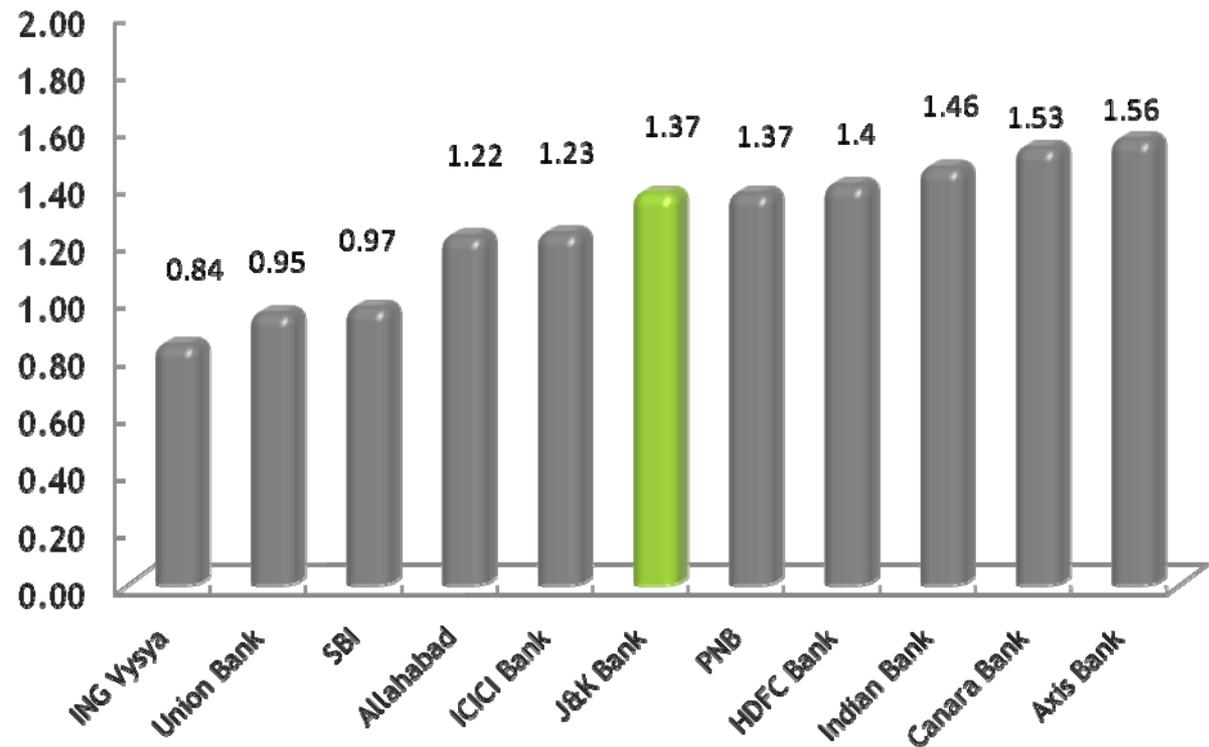


Industry Review



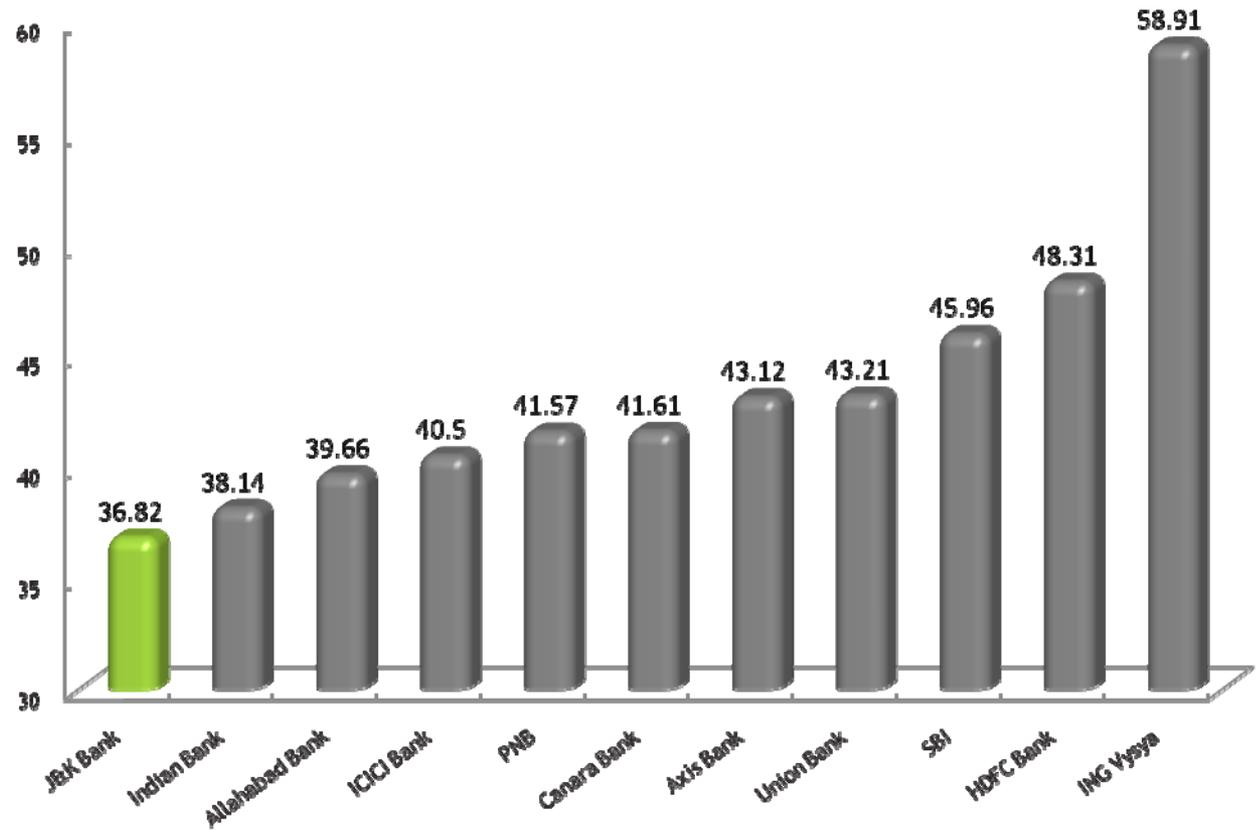
Return on Assets (%) (Annualised)

For HY ended Sep, 2010



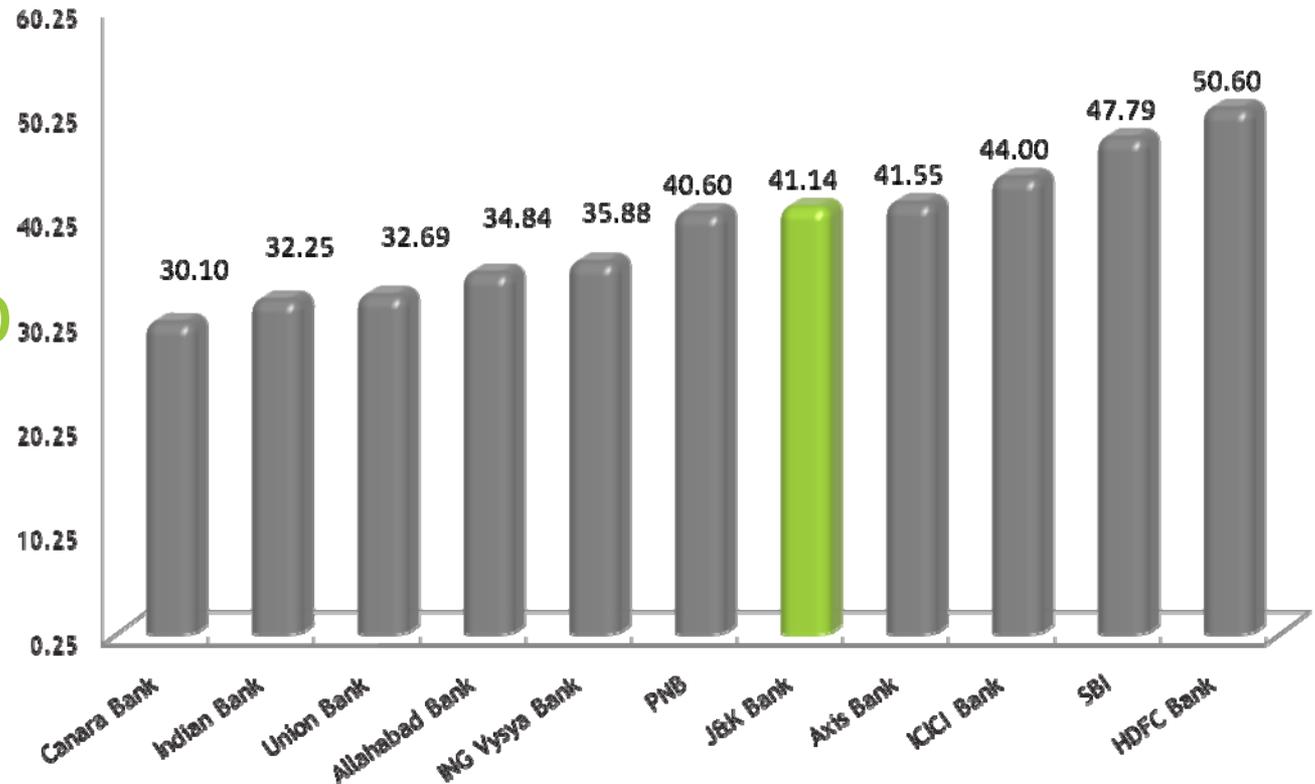
For HY ended Sep, 2010

Cost to Income (%)



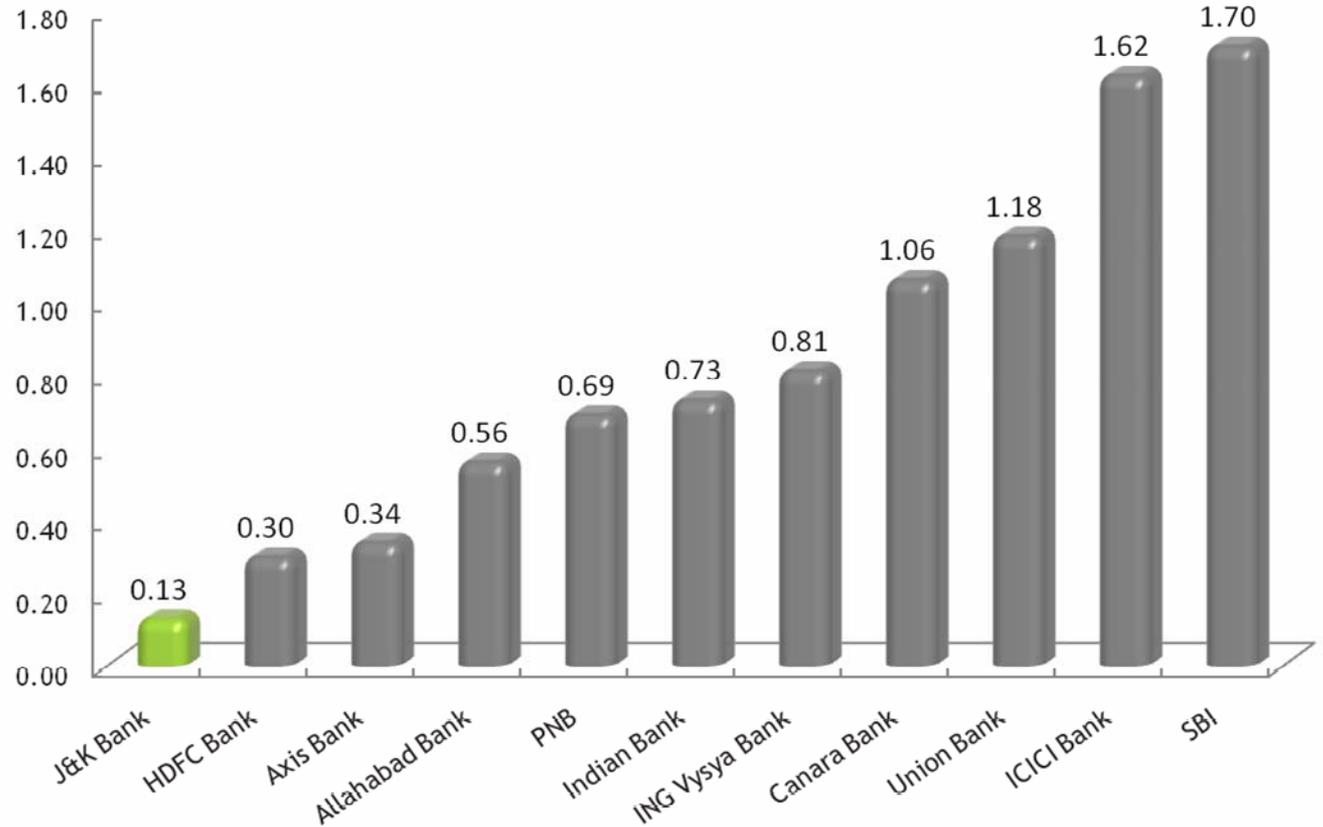
As on Sep, 2010

CASA Ratio (%)



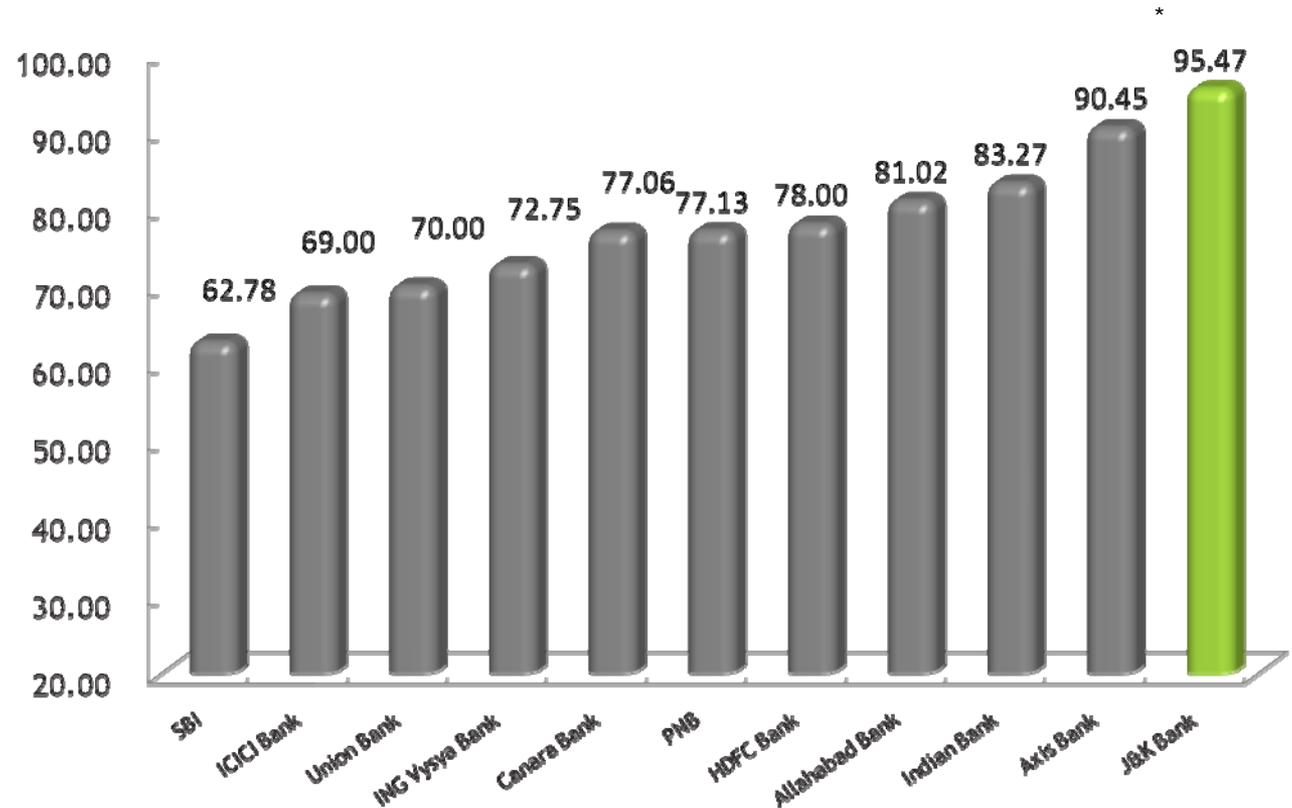
Net Impaired Loans (%)

As on Sep, 2010



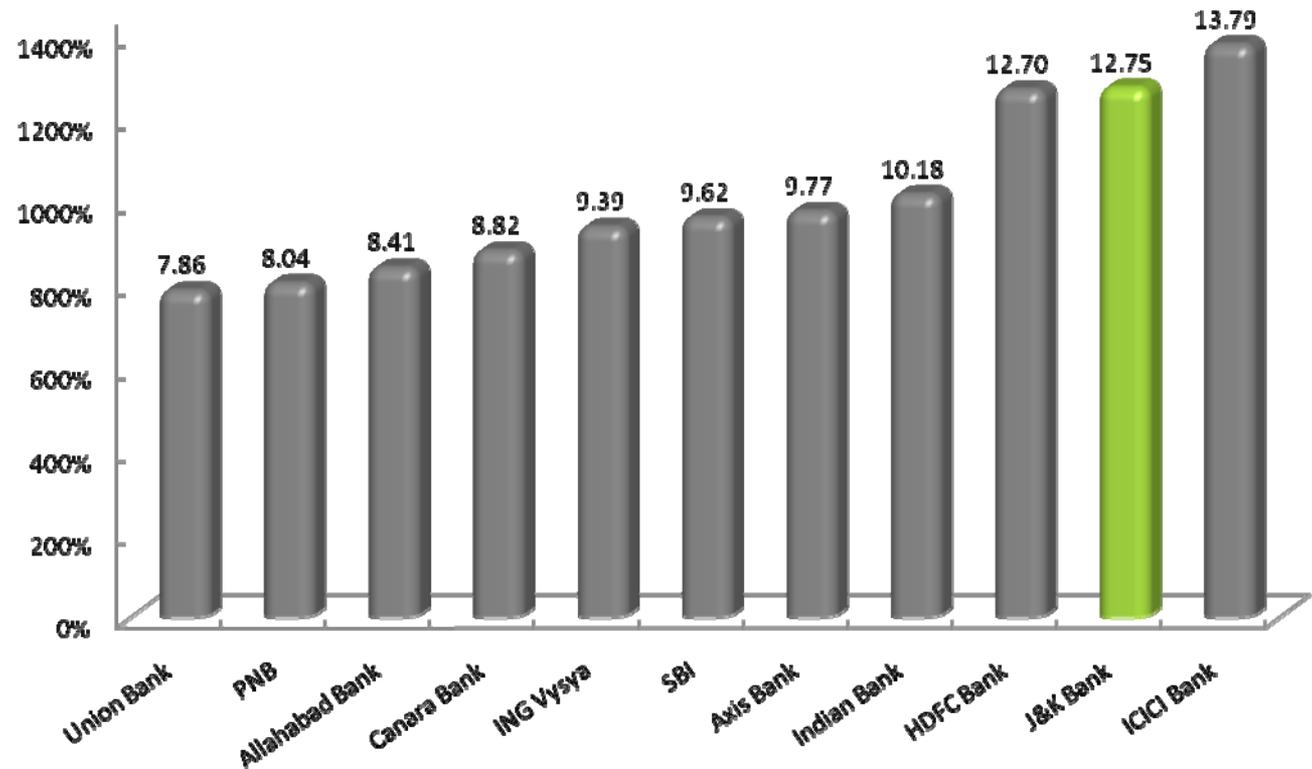
As on Sep, 2010

Coverage Ratio (%): Highest in India



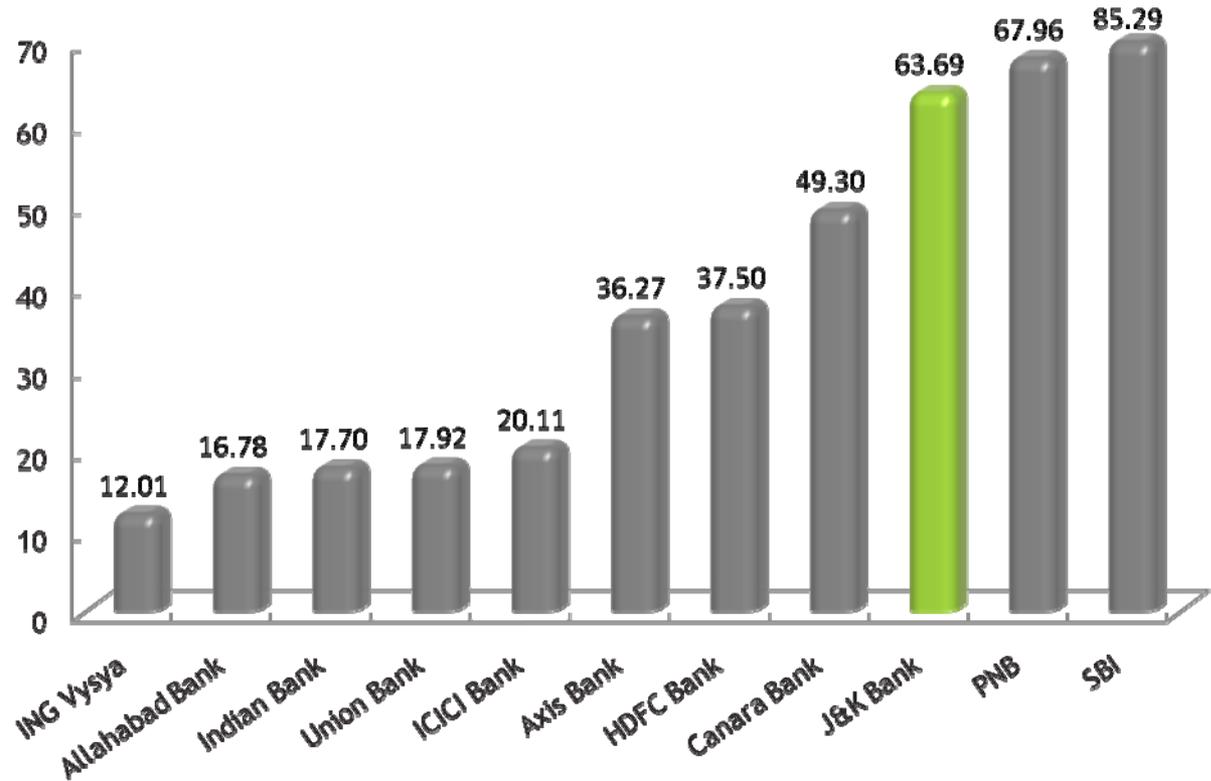
Tier I Capital (%) (Basel II)

As on Sep, 2010



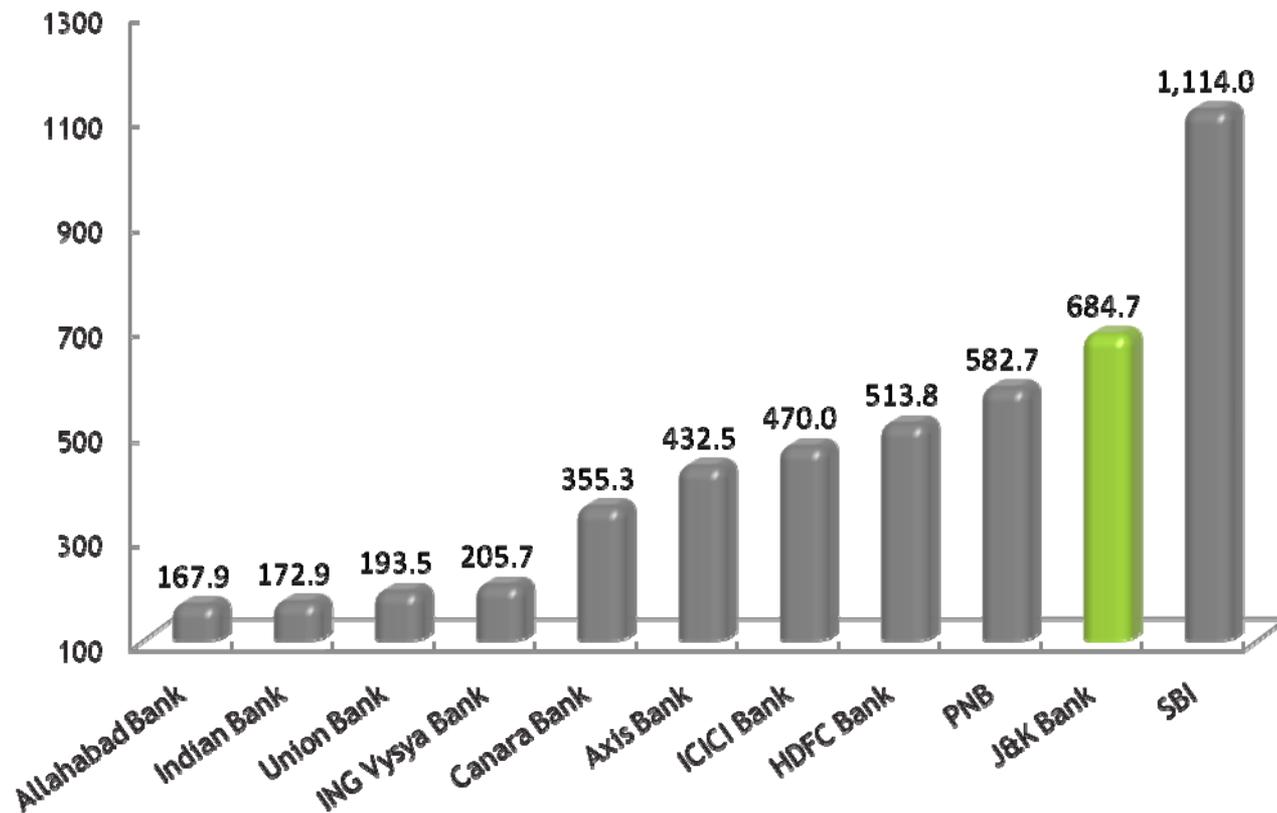
Earnings per Share (Rs.)

For HY ended Sep, 2010



Book value (Rs.)

As on Sep, 2010



Road Ahead



J&K Bank - Ground work done for Growth

- Capital Adequacy at 15.56%, Tier I 12.75% & Tier II 2.81%

- 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

To Sum Up

- Focus on growth and expansion while maintaining the existing cost structure and financial efficiency

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



J&K Bank

THANK YOU