



J&K Bank

Mumbai

September, 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

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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

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Facets and Roles

- Commercial Bank
- Development Financing Institution
- Financial Services Provider

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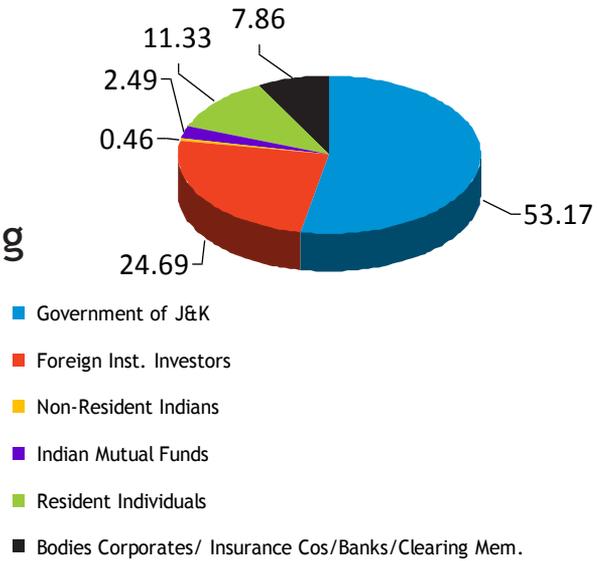
Regional Goliath

- Dominates a Region
 - 442 branches in the state
 - 354 ATMs
- Controls a Geography
 - Branches in every block of J&K
- Possesses a Community
 - Adult population of 8.6 million
 - 4.7 million account holders of J&K Bank
- Monopolises Business in J&K

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Shareholding Pattern (09.09.2011)



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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

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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 million 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	9370.8	12420.0	15937.4	16654.0	17994.7	20087.3	22808.2	26228.6	30104.6	34786.8
Deposits	129111	146749	186614	216450	234846	251943	285933	330041	372372	446759
Advances	64239	80110	92849	115171	144831	170799	188826	209304	230572	261936
Investments	57525	67378	84511	90892	89938	73922	87577	107363	139563	196958
Total Income	16108.6	17145.6	18229.5	16312.6	18171.0	20595.4	26792.4	32331.7	34731.1	40778.9
Net Profit	2598.0	3377.5	4063.3	1150.7	1768.4	2744.9	3600.0	4098.3	5123.8	6152.0
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

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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%
Net Profit to AWF	1.90%	2.14%	2.14%	0.50%	0.70%	1.00%	1.17%	1.16%	1.28%	1.32%

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Financial
Results
Qtr Jun, 2011



Financial Results - June, 2011

Financial Results Analysis (Quarter to Quarter as on June, 2011) in Rupees Million							
Particulars	Q 1 2011-12	Q 1 2010-11	% Change	Q 1 2011-12	Q 4 2010-11	% Change	Year end Mar, 11
Interest Earned	10559.1	8656.9	21.97%	10559.1	10138.6	4.15%	37131.3
Interest Expended	6187.1	4999.2	23.76%	6187.1	5981.2	3.44%	21694.7
Net Interest Income	4372.0	3657.7	19.53%	4372.0	4157.4	5.16%	15436.6
Other Income	670.0	936.9	-28.49%	670.0	1190.2	-43.71%	3647.6
Operating Income	5042.0	4594.6	9.74%	5042.0	5347.6	-5.71%	19084.2
Operating Expenses	1878.2	1711.7	9.73%	1878.2	2388.3	-21.36%	7589.3
Operating Profit	3163.8	2882.9	9.74%	3163.8	2959.3	6.91%	11494.9
Provisions & Contingencies	444.8	700.3	-36.48%	444.8	756.0	-41.16%	2151.0
PBT	2719.0	2182.6	24.58%	2719.0	2203.3	23.41%	9343.9
Tax Provision	896.1	727.7	23.14%	896.1	817.7	9.59%	3191.9
Net Profit	1822.9	1454.9	25.30%	1822.9	1385.6	31.56%	6152.0
Share Capital	484.9	484.9	0.00%	484.9	484.9	0.00%	484.9
EPS in Rs.	37.60	30.01	25.29%	37.60	28.58	31.56%	126.90
Net Interest Margins	0.95%	0.92%	-	0.95%	0.93%	-	-
Net Interest Margins (Ann)	3.82%	3.70%	-	3.82%	3.72%	-	3.62%

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Ratio Analysis - I

S.No.	Profitability Ratios	Quarter ended Jun, 11	Quarter ended Jun, 10	Quarter ended Mar, 11	Year ended Mar, 11
1	Net Interest Margins (%)	0.95%	0.92%	0.93%	
	Annualized	3.82%	3.70%	3.72%	3.62%
2	Interest Spread (%)	0.88%	0.85%	0.86%	
	Annualized	3.51%	3.40%	3.43%	3.32%
3	Yield on Advances (Av) (%)	2.85%	2.72%	2.79%	
	Annualized	11.42%	10.86%	11.15%	10.68%
4	Yield on Investments (Av) (%)	1.58%	1.53%	1.57%	
	Annualized	6.32%	6.14%	6.29%	6.34%
5	Cost of Deposits (Av) (%)	1.34%	1.28%	1.34%	
	Annualized	5.38%	5.10%	5.36%	5.05%
6	Return on Assets (%)	0.37%	0.33%	0.27%	
	Annualized	1.49%	1.34%	1.10%	1.22%
7	Return on period end Net Worth	4.98%	4.61%	3.98%	
	Annualized	19.92%	18.44%	15.93%	17.68%
8	Return on Average Net Worth (%)	5.11%	4.72%	3.98%	
	Annualized	20.43%	18.88%	15.91%	18.96%
9	Gross Profit to AWF (%)	0.64%	0.67%	0.61%	
	Annualized	2.54%	2.68%	2.44%	2.47%
10	Net Profit to AWF (%)	0.37%	0.34%	0.29%	
	Annualized	1.47%	1.35%	1.14%	1.32%

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Ratio Analysis - II

S.No.	Efficiency Ratios	Quarter ended Jun, 11	Quarter ended Jun, 10	Quarter ended Mar, 11	Year ended Mar, 11
11	Cost to Income Ratio (%)	37.25%	37.25%	44.66%	39.77%
12	CD Ratio (%)	61.29%	61.22%	58.63%	58.63%
13	CASA Ratio (%)	40.40%	37.84%	40.48%	40.48%
14	Business per Employee (in Rs Mill)	87.72	77.82	89.28	89.28
15	Net Profit per Employee (in Rs Mill)	0.23	0.19	0.17	
	Annualized	0.92	0.75	0.70	0.78
16	Business Per Branch (in Rs Million)	1265.60	1131.80	1293.24	1293.24
17	Net Profit per Branch (Rs. Mil) Ann	13.28	10.86	10.11	11.23
	Asset Quality Ratios				
18	Gross NPAs (in Rupees Million)	5283.30	4507.40	5188.30	5188.30
19	Net NPAs (in Rupees Million)	583.50	87.20	532.40	532.40
20	Gross NPA Ratio (%)	1.97%	1.92%	1.95%	1.95%
21	Net NPA Ratio (%)	0.22%	0.04%	0.20%	0.20%
22	NPA Coverage Ratio (%)	92.46%	98.62%	92.71%	92.71%
23	Gross NPA to Net Worth Ratio (%)	14.43%	14.28%	14.91%	14.91%
24	Net NPA to Net Worth Ratio (%)	1.59%	0.28%	1.53%	1.53%

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Ratio Analysis - III

S.No.	Operating Ratios	Quarter ended Jun, 11	Quarter ended Jun, 10	Quarter ended Mar, 11	Year ended Mar, 11
25	Operating Expenses to AWF (%) (Ann.)	1.51%	1.59%	1.97%	1.63%
26	Operating Expenses to Total Income (%)	16.73%	17.84%	21.08%	18.61%
27	Operating Expenses to Other Income (%)	280.33%	182.70%	200.66%	208.06%
28	Staff Cost to Total Income (%)	11.38%	12.64%	14.77%	12.84%
29	Interest Earned to AWF (%) (Annualized)	8.49%	8.05%	8.37%	7.98%
30	Non Interest Income to AWF (%) (Annualized)	0.54%	0.87%	0.98%	0.78%
31	Capital Adequacy Ratio (%) Basel I	13.72%	14.83%	13.30%	13.30%
	Tier I	11.30%	12.03%	10.99%	10.99%
	Tier II	2.42%	2.80%	2.31%	2.31%
32	Capital Adequacy Ratio (%) Basel II	14.37%	16.14%	13.72%	13.72%
	Tier I	11.83%	13.11%	11.33%	11.33%
	Tier II	2.54%	3.03%	2.39%	2.39%

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Ratio Analysis - IV

S.No.	Valuation Ratios	Quarter ended Jun, 11	Quarter ended Jun, 10	Quarter ended Mar, 11	Year ended Mar, 11
33	Earnings per Share (in Rupees)	37.60	30.01	28.58	
	Annualized	150.41	120.05	114.33	126.90
34	Net Asset Value (in Rupees)	755.19	651.01	717.58	717.58
35	Adjusted Book Value	743.15	649.21	706.60	706.60
36	Price to book value ratio	1.15	1.19	1.13	1.13
37	Price to adjusted book value ratio	1.17	1.19	1.15	1.15
38	Price Earning Ratio (On Annualized EPS)	5.76	6.43	7.08	6.38
39	Market Capital To Deposits (%)	9.76%	9.94%	8.79%	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	867.00	771.85	809.90	809.90
	Market price as on...	29.07.11	30.07.10	13.05.11	13.05.11
44	Number of Shares	48477802	48477802	48477802	48477802

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Geographical Break-up

Amounts in Rupees million		As on June 30, 2011			
S No.	Particulars	From J&K State		From Rest of India	
		Amount	% age	Amount	% age
1	Deposits	286694	69 %	130357	31 %
2	Gross Advances	106585	40 %	159033	60 %
3	Gross Profit (Excluding Controlling Offices)	1857.0	70 %	802.3	30 %
4	Net Interest Margin	-	6.00%	-	2.50%
5	Number of Branches	442	81%	107	19%

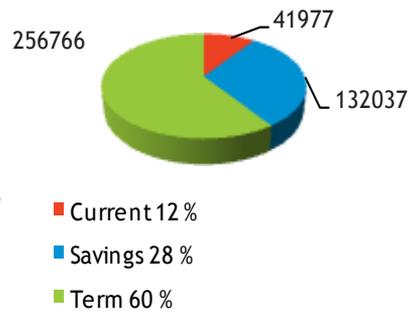
"J&K State" includes 7 zones in J&K State and Moving Sectt. Branch

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

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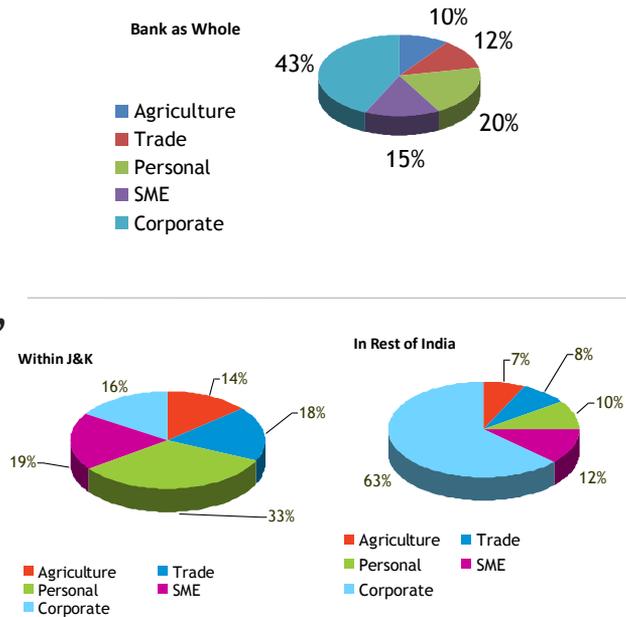
Deposits, Jun 11 Compositional Breakup, in Rs million



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Advances - Sector-wise, (Jun, 11)



21

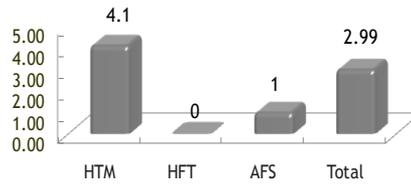


Investments, Jun, 11 - I in Rs million



■ Held to Maturity 67 % ■ Held for Trading 0.04 % ■ Available for Sale 33 %

Duration



22

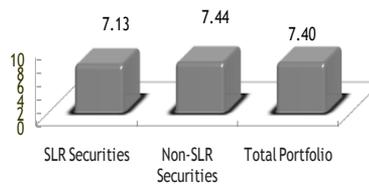


Investments, Jun, 11 - II in Rs million



■ SLR Securities 56 % ■ Non-SLR Securities 44 %

Yield (on daily average balances)



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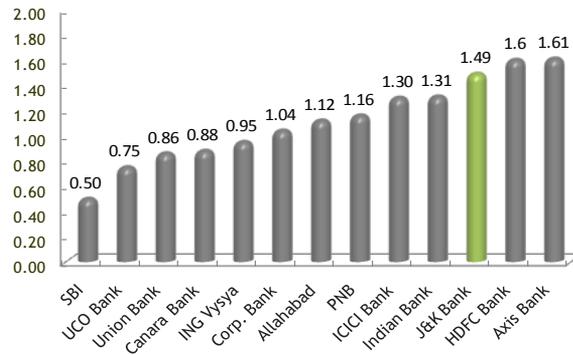


Industry Review



Return on Assets (%)

For Quarter ended Jun, 2011

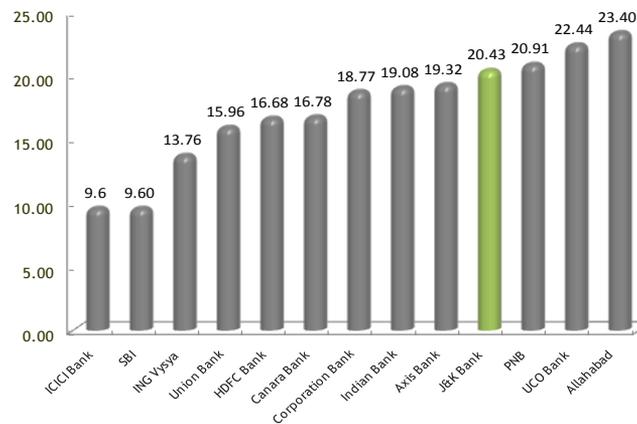


25



Return on Equity (%)

For Quarter ended Jun, 2011

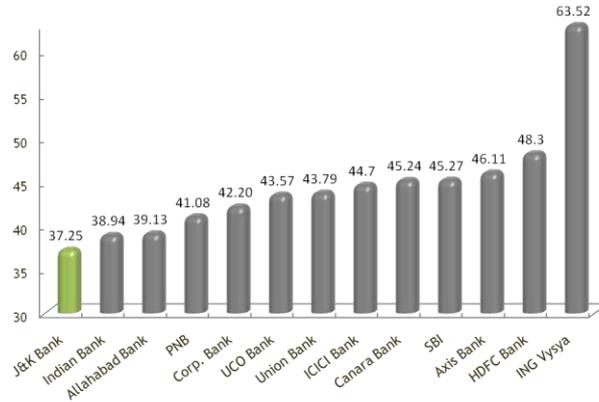


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Cost to Income (%)

For Quarter ended Jun, 2011

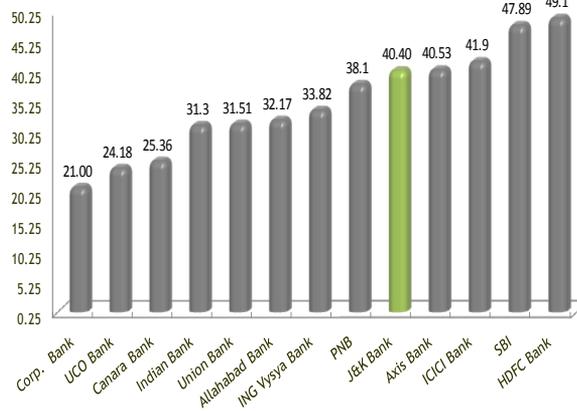


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CASA Ratio (%)

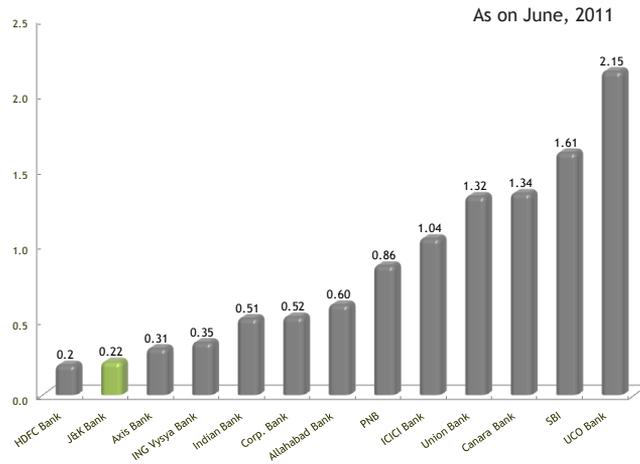
As on June, 2011



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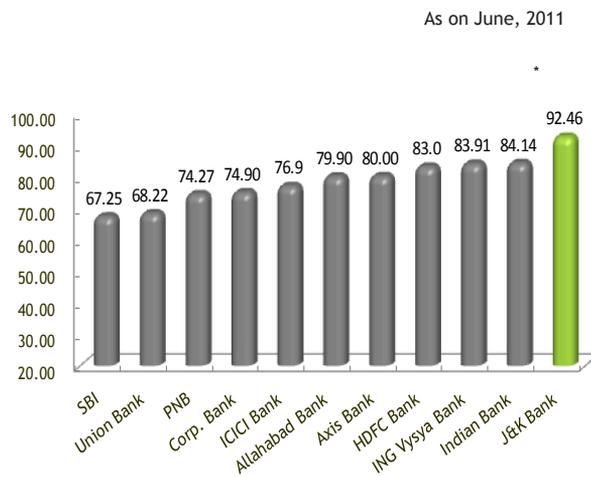
Net Impaired Loans (%)



29



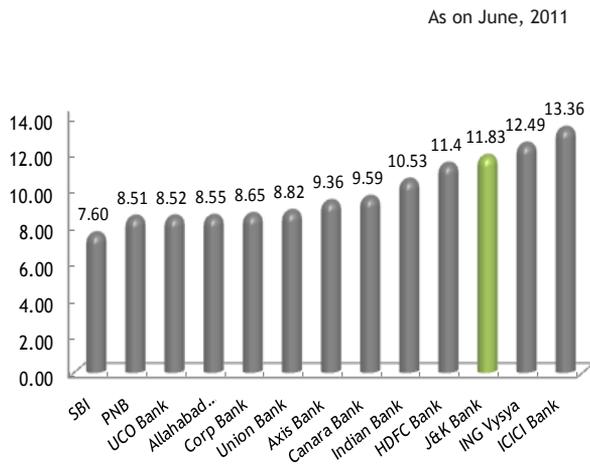
Coverage Ratio (%): Highest in India



30



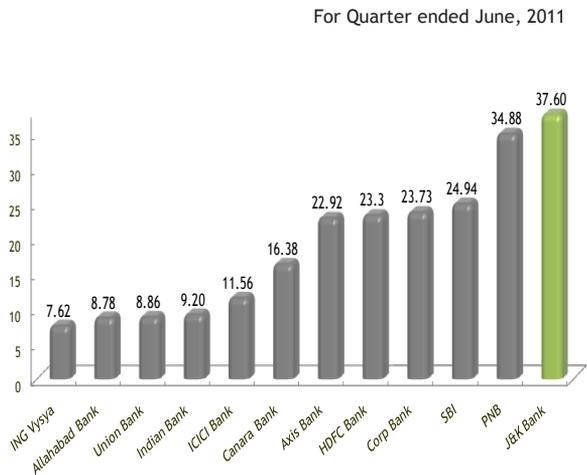
Tier I Capital (%) (Basel II)



31



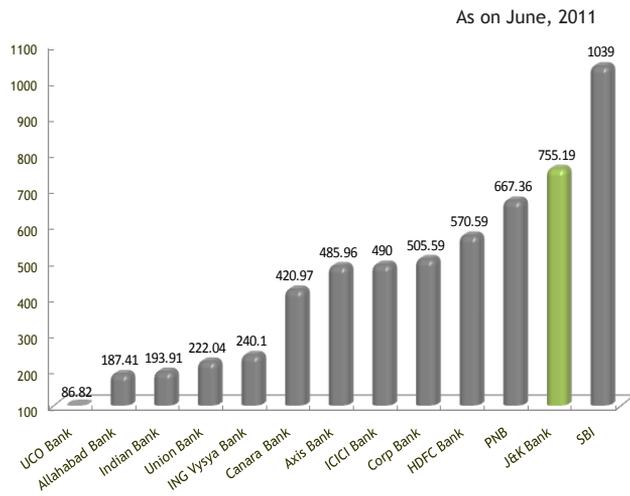
Earnings per Share (Rs.)



32



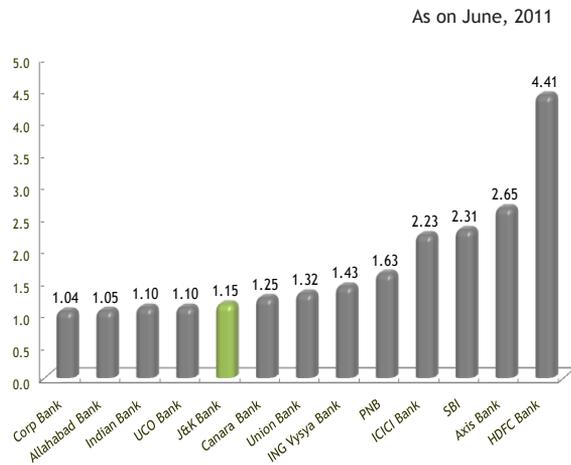
Book value (Rs.)



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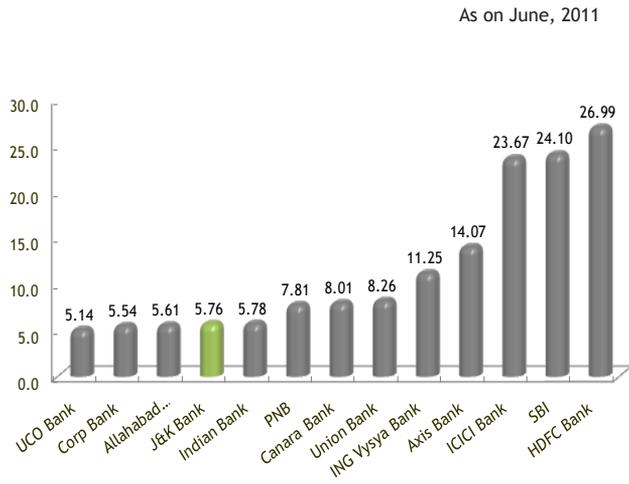
Price to Book value



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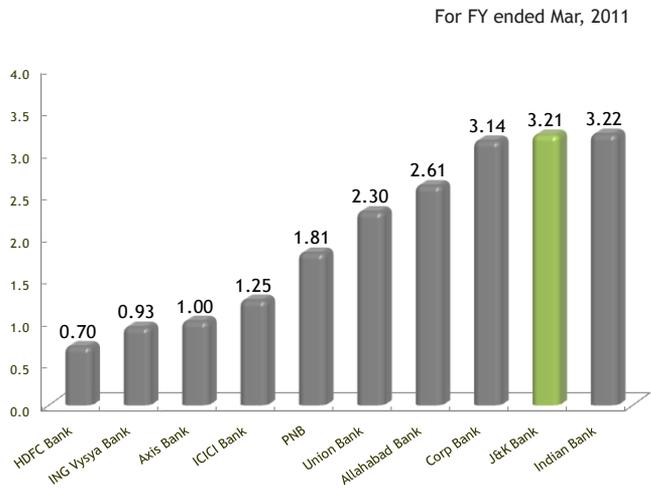
PE Ratio



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Dividend Yield (%)



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Road ahead



J&K Bank - Ground work done for Growth

- Capital Adequacy at 14.37%, Tier I 11.83% & Tier II 2.54%. No constraints for raising additional Tier I capital
- Raised Rs. 6 billion as long term resource in the form of Tier II capital. Headroom of Rs 10 billion more available
- Made liabilities the driver
- Insulated earnings from environment by
 - Linking asset to local needs
 - Linking liabilities to local sources

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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

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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

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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

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Road Ahead - for next 2 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 22%
- Advances : 25 % CAGR
- Deposits : 20 % CAGR
- Cost/Income : 35-40%
- Loan/Deposit : 65% to 70%
- PCR : above 90%

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J&K Bank

THANK YOU