



J&K Bank

Motilal Oswal Road Show

June 20-22, 2011 - UK

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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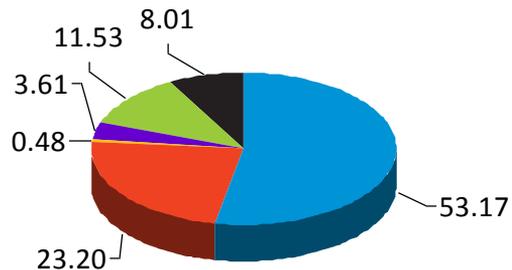
Regional Goliath

- Dominates a Region
 - 441 branches in the state
 - 307 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 (10.06.2011)



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



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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
FY Mar, 2011



Financial Results - March, 2011

Financial Results Analysis (Quarter to Quarter and Year Ended Mar, 2011) in Rupees Million									
Particulars	Q 4 2010-11	Q 4 2010-11	% Change	Q 1 2010-11	Q 2 2010-11	Q 3 2010-11	Year end Mar, 11	Year end Mar, 10	% Change
Interest Earned	10138.6	7734.5	31.1%	8656.9	8989.2	9346.6	37131.3	30568.8	21.5%
Interest Expended	5981.2	4647.5	28.7%	4999.2	5262.9	5451.3	21694.7	19375.4	12.0%
Net Interest Income	4157.4	3087.0	34.7%	3657.7	3726.3	3895.3	15436.6	11193.4	37.9%
Other Income	1190.2	1016.9	17.0%	936.9	744.8	775.6	3647.6	4162.3	-12.4%
Operating Income	5347.6	4103.9	30.3%	4594.6	4471.1	4670.9	19084.2	15355.7	24.3%
Operating Expenses	2388.3	1756.6	36.0%	1711.7	1626.8	1862.6	7589.3	5773.7	31.4%
Operating Profit	2959.3	2347.3	26.1%	2882.9	2844.3	2808.3	11494.9	9582.0	20.0%
Provisions & Contingencies	756.0	390.1	93.8%	700.3	388.4	306.3	2151.0	1665.9	29.1%
PBT	2203.3	1957.2	12.6%	2182.6	2455.9	2502.0	9343.9	7916.1	18.0%
Tax Provision	817.7	756.8	8.0%	727.7	823.2	823.2	3191.9	2792.3	14.3%
Net Profit	1385.6	1200.4	15.4%	1454.9	1632.7	1678.8	6152.0	5123.8	20.1%
Share Capital	484.9	484.9	0.0%	484.9	484.9	484.9	484.9	484.9	0.0%
EPS in Rs.	28.58	24.76	15.4%	30.01	33.68	34.63	126.90	105.69	20.1%
Net Interest Margins	0.93%	0.82%	-	0.92%	0.92%	0.93%	-	-	-
Net Interest Margins (Ann)	3.72%	3.27%	-	3.70%	3.66%	3.70%	3.62%	3.04%	-

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Ratio Analysis - I

S.No.	Profitability Ratios	Quarter ended Mar, 11	Quarter ended Mar, 10	Quarter ended Jun, 10	Quarter ended Sep, 10	Quarter ended Dec, 10	Year ended Mar, 11	Year ended Mar, 10
1	Net Interest Margins (%)	0.93%	0.82%	0.92%	0.92%	0.93%		
	Annualized	3.72%	3.27%	3.70%	3.66%	3.70%	3.62%	3.04%
2	Interest Spread (%)	0.86%	0.76%	0.85%	0.84%	0.85%		
	Annualized	3.43%	3.02%	3.40%	3.36%	3.40%	3.32%	2.79%
3	Yield on Advances (Av) (%)	2.79%	2.63%	2.72%	2.75%	2.68%		
	Annualized	11.15%	10.52%	10.86%	11.00%	10.71%	10.68%	10.65%
4	Yield on Investments (Av) (%)	1.57%	1.35%	1.53%	1.53%	1.63%		
	Annualized	6.29%	5.39%	6.14%	6.10%	6.53%	6.34%	5.71%
5	Cost of Deposits (Av) (%)	1.34%	1.23%	1.28%	1.30%	1.28%		
	Annualized	5.36%	4.91%	5.10%	5.21%	5.12%	5.05%	5.24%
6	Return on Assets (%)	0.27%	0.28%	0.33%	0.36%	0.36%		
	Annualized	1.10%	1.13%	1.34%	1.45%	1.45%	1.22%	1.20%
7	Return on period end Net Worth	3.98%	3.99%	4.61%	4.92%	4.81%		
	Annualized	15.93%	15.95%	18.44%	19.68%	19.26%	17.68%	17.02%
8	Return on Average Net Worth (%)	3.98%	3.98%	4.72%	5.04%	4.93%		
	Annualized	15.91%	15.94%	18.88%	20.17%	19.73%	18.96%	18.19%
9	Gross Profit to AWF (%)	0.61%	0.57%	0.67%	0.64%	0.61%		
	Annualized	2.44%	2.30%	2.68%	2.57%	2.45%	2.47%	2.39%
10	Net Profit to AWF (%)	0.29%	0.29%	0.34%	0.37%	0.37%		
	Annualized	1.14%	1.17%	1.35%	1.47%	1.47%	1.32%	1.28%

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Ratio Analysis - II

S.No.	Efficiency Ratios	Quarter ended Mar, 11	Quarter ended Mar, 10	Quarter ended Jun, 10	Quarter ended Sep, 10	Quarter ended Dec, 10	Year ended Mar, 11	Year ended Mar, 10
11	Cost to Income Ratio (%)	44.66%	42.80%	37.25%	36.38%	39.88%	39.77%	37.60%
12	CD Ratio (%)	58.63%	61.92%	61.22%	58.41%	62.05%	58.63%	61.92%
13	CASA Ratio (%)	40.48%	40.69%	37.84%	41.14%	39.57%	40.48%	40.69%
14	Business per Employee (in Rupees Million)	89.28	77.41	77.82	79.38	83.42	89.28	77.41
15	Net Profit per Employee (in Rupees Million)	0.17	0.15	0.19	0.21	0.21		
	Annualized	0.70	0.62	0.75	0.82	0.85	0.78	0.66
16	Business Per Branch (in Rupees Million)	1293.24	1124.90	1131.80	1172.97	1231.23	1293.24	1124.90
17	Net Profit per Branch (in Rs. Million) (Ann.)	10.11	8.96	10.86	12.18	12.48	11.23	9.56
	Asset Quality Ratios							
18	Gross NPAs (in Rupees Million)	5188.30	4623.10	4507.40	5127.10	5038.30	5188.30	4623.10
19	Net NPAs (in Rupees Million)	532.40	643.30	87.20	309.10	106.10	532.40	643.30
20	Gross NPA Ratio (%)	1.95%	1.97%	1.92%	2.17%	1.95%	1.95%	1.97%
21	Net NPA Ratio (%)	0.20%	0.28%	0.04%	0.13%	0.04%	0.20%	0.28%
22	NPA Coverage Ratio (%)	92.71%	90.13%	98.62%	95.47%	98.42%	92.71%	90.13%
23	Gross NPA to Net Worth Ratio (%)	14.91%	15.36%	14.28%	15.45%	14.45%	14.91%	15.36%
24	Net NPA to Net Worth Ratio (%)	1.53%	2.14%	0.28%	0.93%	0.30%	1.53%	2.14%

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Ratio Analysis - III

S.No.	Operating Ratios	Quarter ended Mar, 11	Quarter ended Mar, 10	Quarter ended Jun, 10	Quarter ended Sep, 10	Quarter ended Dec, 10	Year ended Mar, 11	Year ended Mar, 10
25	Operating Expenses to AWF (%) (Ann.)	1.97%	1.72%	1.59%	1.47%	1.63%	1.63%	1.44%
26	Operating Expenses to Total Income (%)	21.08%	20.07%	17.84%	16.71%	18.40%	18.61%	16.62%
27	Operating Expenses to Other Income (%)	200.66%	172.74%	182.70%	218.42%	240.15%	208.06%	138.71%
28	Staff Cost to Total Income (%)	14.77%	13.11%	12.64%	11.03%	12.61%	12.84%	10.55%
29	Interest Earned to AWF (%) (Annualized)	8.37%	7.57%	8.05%	8.11%	8.16%	7.98%	7.62%
30	Non Interest Income to AWF (%) (Annualized)	0.98%	1.00%	0.87%	0.67%	0.68%	0.78%	1.04%
31	Capital Adequacy Ratio (%) Basel I	13.30%	14.81%	14.83%	14.55%	14.14%	13.30%	14.81%
	Tier I	10.99%	11.91%	12.03%	11.92%	11.69%	10.99%	11.91%
	Tier II	2.31%	2.90%	2.80%	2.63%	2.45%	2.31%	2.90%
32	Capital Adequacy Ratio (%) Basel II	13.72%	15.89%	16.14%	15.56%	15.49%	13.72%	15.89%
	Tier I	11.33%	12.79%	13.11%	12.75%	12.80%	11.33%	12.79%
	Tier II	2.39%	3.10%	3.03%	2.81%	2.69%	2.39%	3.10%

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Ratio Analysis - IV

S.No.	Valuation Ratios	Quarter ended Mar, 11	Quarter ended Mar, 10	Quarter ended Jun, 10	Quarter ended Sep, 10	Quarter ended Dec, 10	Year ended Mar, 11	Year ended Mar, 10
33	Earnings per Share (in Rupees)	28.58	24.76	30.01	33.68	34.63		
	Annualized	114.33	99.05	120.05	134.72	138.52	126.90	105.69
34	Net Asset Value (in Rupees)	717.58	621.00	651.01	684.69	719.32	717.58	621.00
35	Adjusted Book Value	706.60	607.73	649.21	678.31	717.13	706.60	607.73
36	Price to book value ratio	1.13	1.22	1.19	1.26	1.01	1.13	1.22
37	Price to adjusted book value ratio	1.15	1.25	1.19	1.27	1.01	1.15	1.25
38	Price Earning Ratio (On Annualized EPS)	7.08	7.66	6.43	6.40	5.22	6.38	7.18
39	Market Capital To Deposits (%)	8.79%	9.88%	9.94%	10.53%	8.58%	8.79%	9.88%
40	Dividend Payout Ratio (%)						20.49%	20.81%
41	Dividend Yield (%)						3.21%	2.90%
42	Economic Value Addition						14.47%	14.12%
43	Market price (in Rupees) on NSE	809.90	759.00	771.85	862.20	723.15	809.90	759.00
	Market price as on...	13.05.11	14.05.10	30.07.10	22.10.10	27.01.10	13.05.11	14.05.10
44	Number of Shares	48477802	48477802	48477802	48477802	48477802	48477802	48477802

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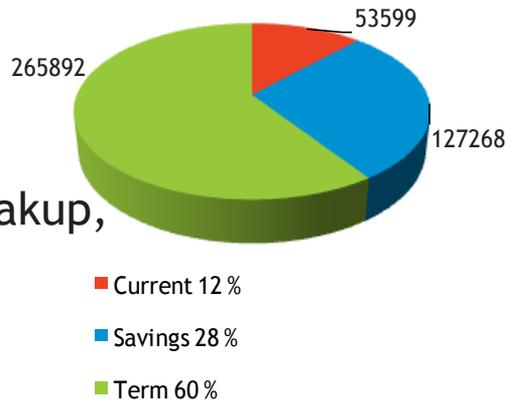
Geographical Break-up

Amounts in Rupees million		As on Mar 31, 2011			
S No.	Particulars	From J&K State		From Rest of India	
		Amount	% age	Amount	% age
1	Deposits	288401	65 %	158352	35 %
2	Gross Advances	109519	41 %	159643	59 %
3	Gross Profit (Excluding Controlling Offices)	9371	76 %	2954	24 %
4	Net Interest Margin	-	7.52%	-	2.07%
5	Number of Branches	441	80%	107	20%

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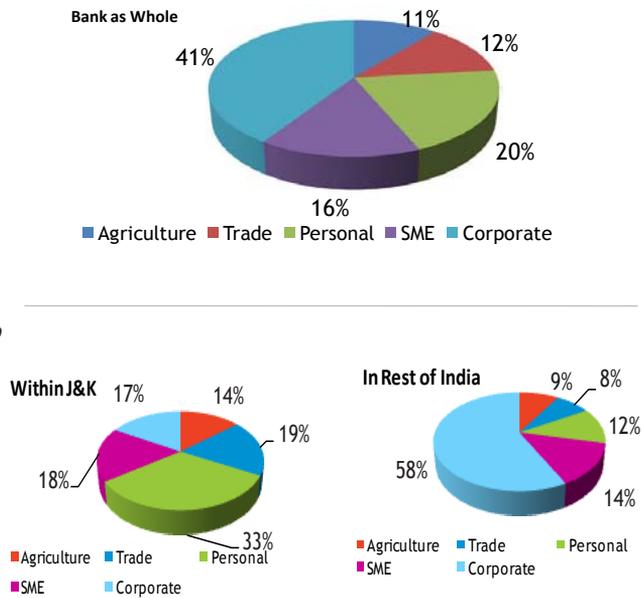
Deposits, Mar 11 Compositional Breakup, in Rs million



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Advances - Sector-wise, (Mar, 11)



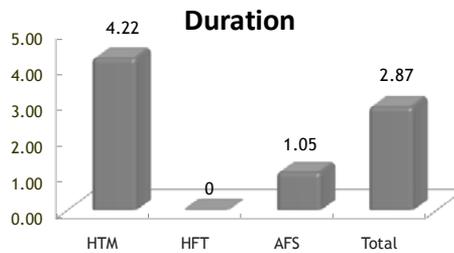
21



Investments, Mar, 11 - I in Rs million

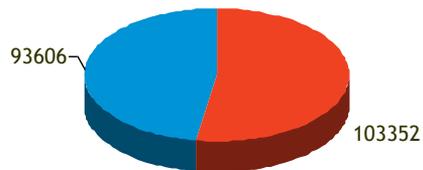


■ Held to Maturity 62 % ■ Held for Trading 0.01 % ■ Available for Sale 38 %

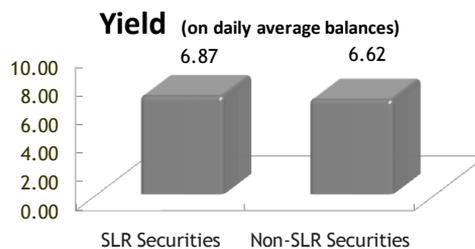


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Investments, Mar, 11 - II in Rs million



■ SLR Securities 52 % ■ Non-SLR Securities 48 %

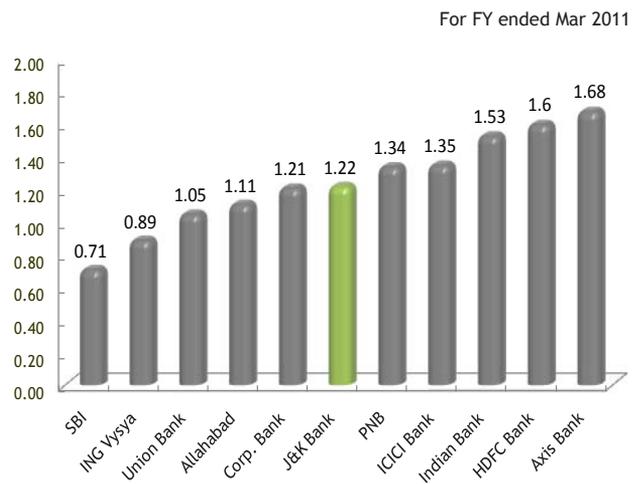


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Industry Review



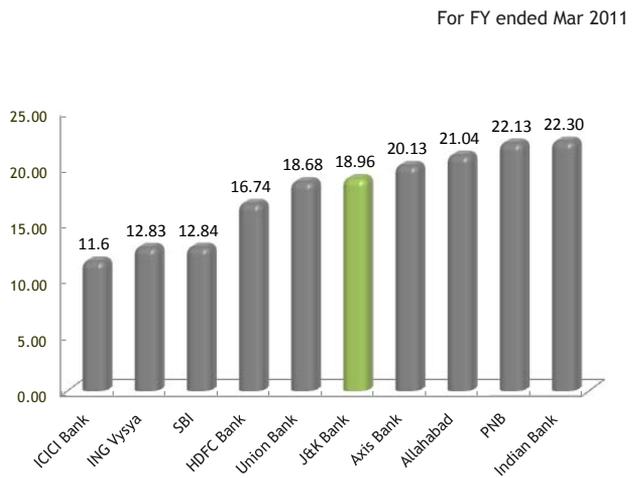
Return on Assets (%)



25



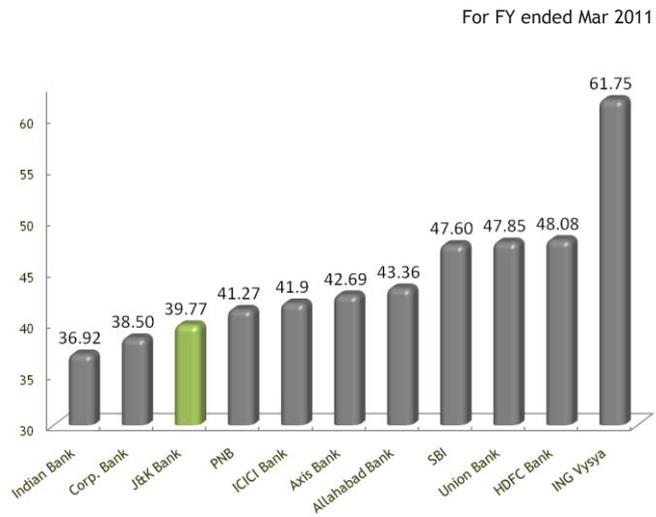
Return on Equity (%)



26



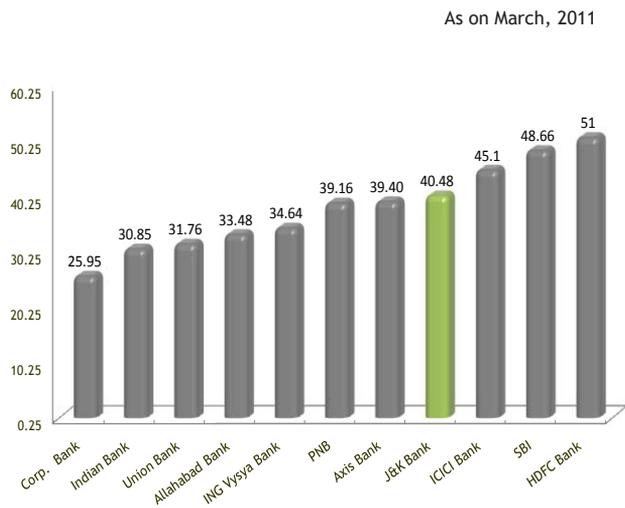
Cost to Income (%)



27



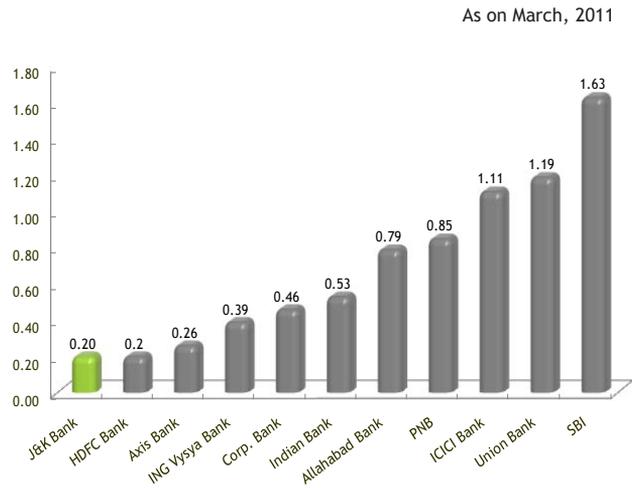
CASA Ratio (%)



28



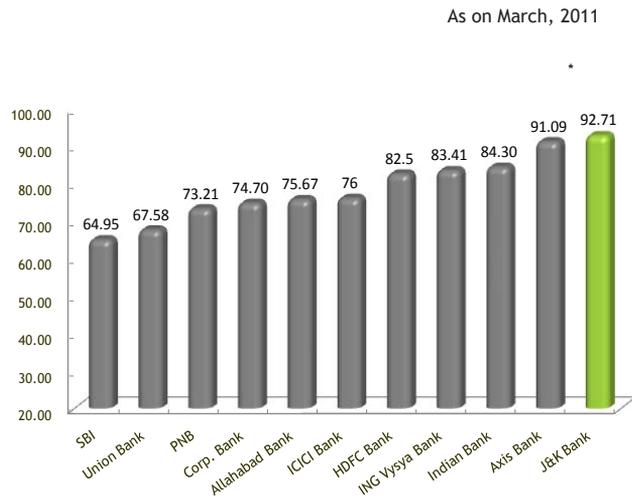
Net Impaired Loans (%)



29



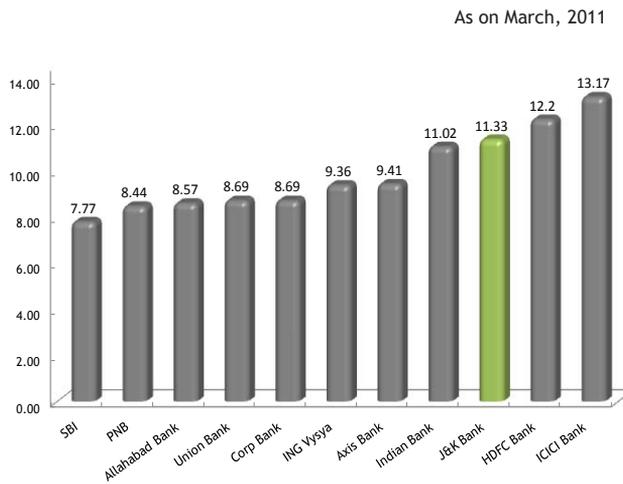
Coverage Ratio (%): Highest in India



30



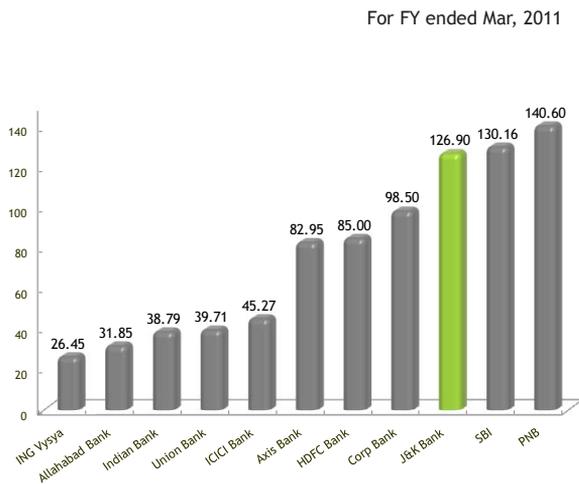
Tier I Capital (%) (Basel II)



31



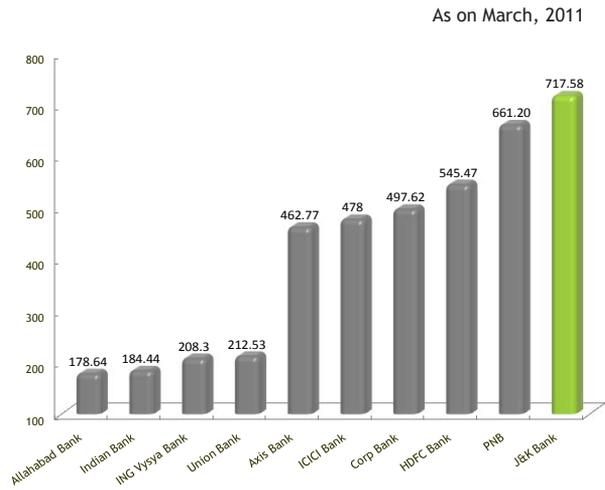
Earnings per Share (Rs.)



32



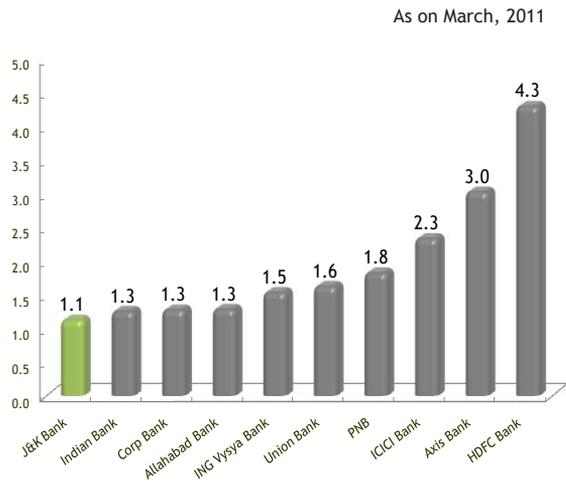
Book value (Rs.)



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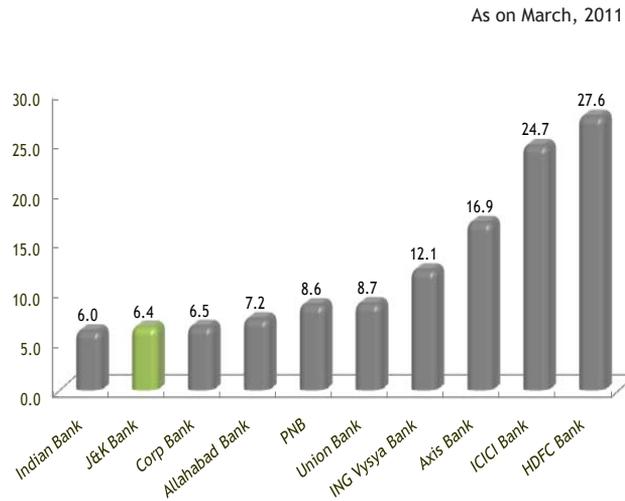
Price to Book value



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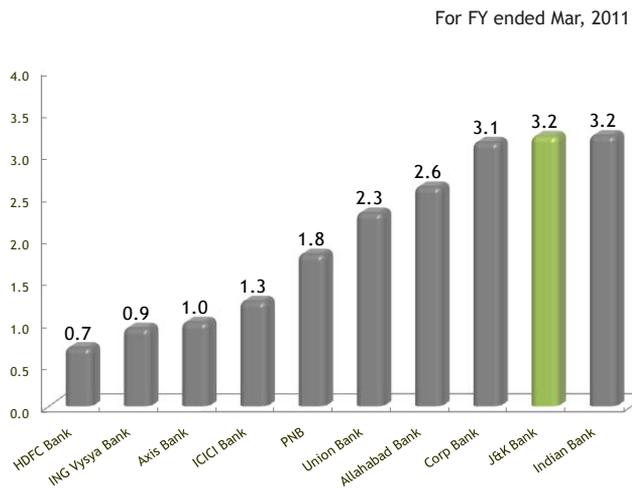
PE Ratio



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Dividend Yield (%)



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Road ahead



J&K Bank - Ground work done for Growth

- Capital Adequacy at 13.72%, Tier I 11.33% & Tier II 2.39%. 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%

