

J&K BANK

PRESENTATION

FEBRUARY
2018



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All financial information of the Bank included in this presentation is on a Standalone basis.



J&K Bank - Brief Overview

1

Incorporated in 1938 as a limited liability company

2

Listed on National Stock Exchange of India Limited and BSE Limited; only listed company of J&K State

3

Promoter (J&K State Government) holding approx 59%; imparting safety and stability

4

Private sector bank despite J&K Government's majority holding

5

Only private sector bank designated as RBI's agent for carrying out banking business for the Government of J&K

6

Conducts major portion of banking business of Central Government in J&K; Collection Agent for utility services in J&K

7

Identified by Central Government for implementation of various flagship programmes in J&K State

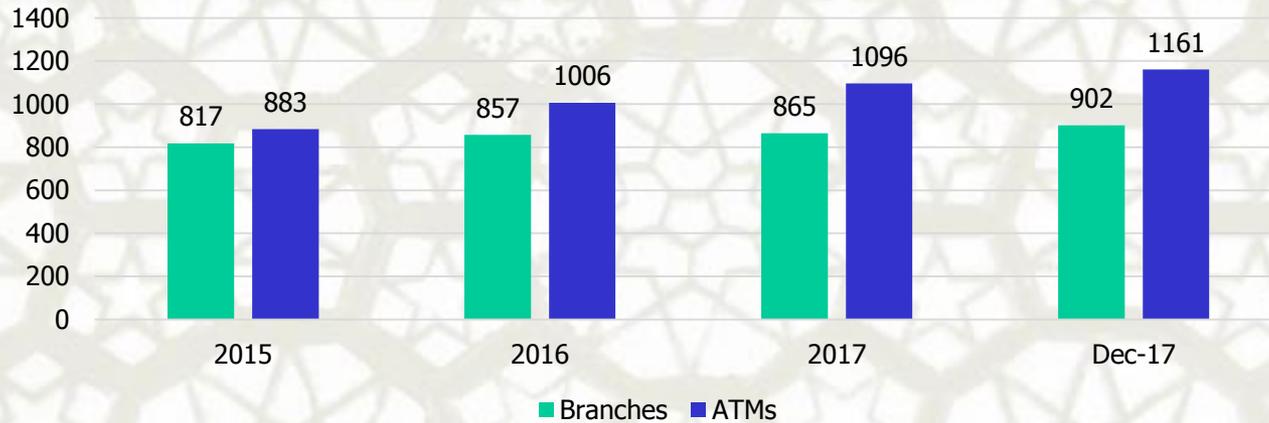
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Business share of 65% in J&K State¹

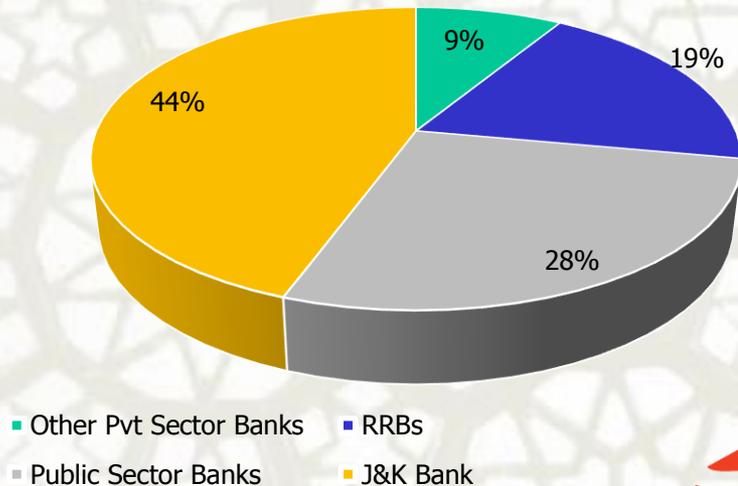
1. Source: State Level Banker's Committee Minutes, Sep 2017

Branch and ATM Network

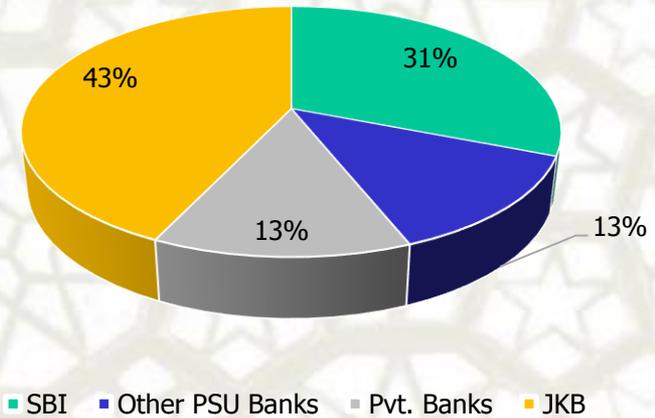
Expanding the branch & ATM network



Leading player in J&K State Branch Network - 30 Sep 2017



ATM Network - 30 Sep 2017



Source: Source: State Level Banker's Committee Minutes, Sep 2017



Infrastructure Overview

- Pan India presence with 902 branches under CBS platform & 29 E/Cs, 5 IARBs and 52 offices. Branches in every block of J&K State
- Globally connected ATM network of 1,170 ATMs
- 1203 Khidmat Centres/Business correspondents/VLE across J&K State

Subsidiaries / Corporate Agency

- JKB FSL – Wholly Owned Subsidiary (PUC Rs. 200 Million)
- Corporate Agency
 - PNB-Metlife – for Life Insurance
 - Bajaj Allianz – for Non-Life Insurance

Key Financial Highlights - 9M FY'18

Rs. Millions, Growth YoY %

NET INTEREST INCOME

22,150.2



NIMs



NET PROFIT

1,743.0



CASA Ratio



ADVANCES

579,286.9



YOY

COD



DEPOSITS

731,550.6



YOY

GROSS NPA



NET NPA

4.29%

TOTAL ASSETS

850,645.3



YOY

TIER I



TIER II

2.33%

- Basic EPS of Rs. 4.17 (Annualized)
- Book Value of Rs. 109.93

Financial performance steadily improving - Positive in almost every basic parameter

Income Statement & Key Ratios

Rs. Millions

Income Statement	FY ended March 15	FY ended March 16	FY ended March 17	9 M FY 17-18
Net Interest Income	26,509.1	27,100.9	25,119.4	22,150.2
Non Interest Income	5,939.7	5,040.3	4,928.6	3,230.4
Total Net Income	32,448.8	32,141.2	30,048.0	25,380.6
Operating Expense	14,090.5	15,462.0	17,104.6	14,226.5
Operating Profit	18,358.3	16,679.2	12,943.4	11,154.1
Provisions & Contingencies	10,155.2	9,762.3	28,003.1	7,716.3
Provision for Tax	3,117.1	2,756.5	1,263.2	1,694.8
Profit After Tax	5,086.0	4,160.4	(16,322.9)	1,743.0

Key Ratios (%)	FY ended March 15	FY ended March 16	FY ended March 17	9 M Dec 31 2017
Return on Assets (Annualized)	0.7	0.57	-2.04	0.29
Credit/Deposit CD Ratio	67.8	72.33	68.75	79.19
NIM (Annualized)	3.81	3.85	3.38	3.83
Cost to Income Ratio	43.42	48.11	56.92	56.05
Cost of Deposits (Annualized)	6.72	6.34	5.87	5.13
EPS (Annualized) In Rupees	10.49	8.58	-33.59	4.17

Good growth across income streams resulting in PAT growth



Balance Sheet & Key Ratios

Rs. Millions

Balance Sheet	FY ended March 15	FY ended March 16	FY ended March 17	Dec 31 2017
Assets	759,307.5	802,680.7	820,186.7	850,645.3
Advances	445,858.2	501,932.9	498,161.1	579,286.9
Investments	227,595.9	203,536.2	212,908.9	184,959.1
Reserves and Surplus	60,615.6	63,754.8	56,243.5	60,660.8
Paid Up Capital	484.9	484.9	521.5	557.0
Borrowings	23,396.7	22,400.0	12,760.5	40,045.2
Deposits	657,562.1	693,901.8	724,630.9	731,550.6
CASA	274,764.0	306,203.3	374,601.6	364,840.4

CASA increase in March 2017 - demonetization impact

Key Ratios (%)	FY ended March 15	FY ended March 16	FY ended March 17	Dec 31 2017
Capital Adequacy (Basel III)	12.57	11.81	10.80	10.87
Tier I Capital Adequacy Ratio	11.26	10.6	8.7	8.54
Book Value In Rupees	126.04	132.1	116.8	109.93
Gross NPA	5.97	8.32	11.2	10.08
Net NPA	2.77	4.31	4.87	4.29

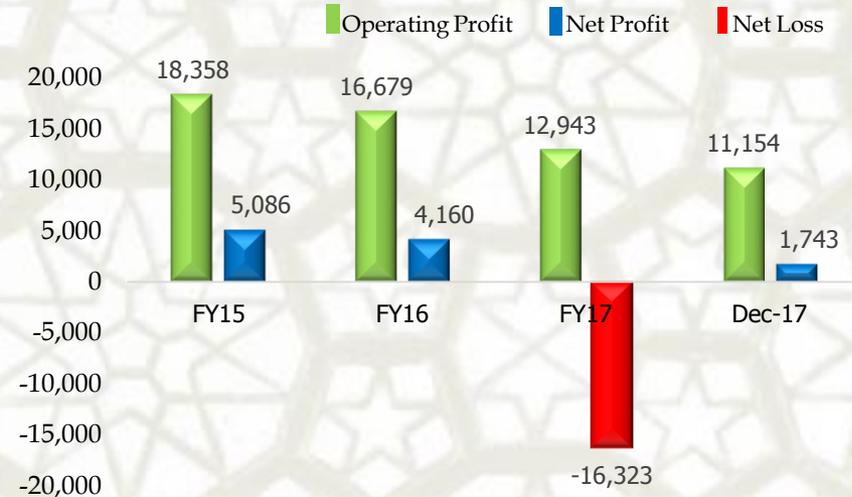
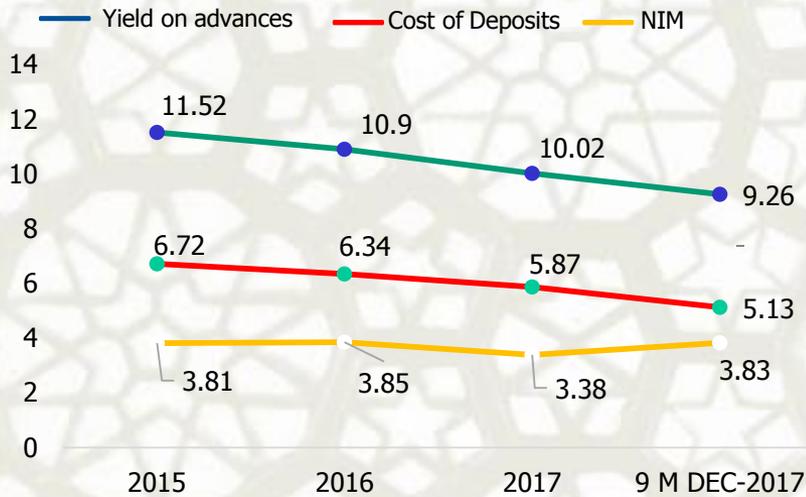
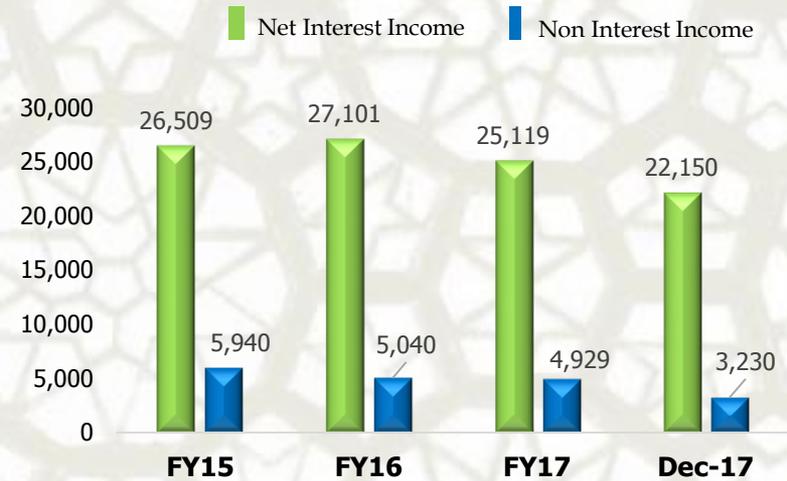
Bank managed to retain a good proportion of deposits mobilized during demonetization



Income Growth Trends

Rs. Millions,

- Net Interest Income (NII) steadily back on track
- NII increased by 19% YoY compared to 9M FY17
- NIMs healthy- A result of robust liability management



Net Loss in FY 2017 due to huge provisions (Rs 24,750 million) for stressed assets (Loans/Investments)

Interest And Non-Interest Income Highlights

Rs. Millions

Non Interest Income Break-up

Particulars	FY ended March 15	FY ended March 16	FY ended March 17	9 M Dec 31 2017
Commission/Exchange	1,696.4	1,837.4	1,648.8	1,224.1
Insurance Commission	334.2	431.6	328.2	237.2
Treasury/Trading Income	1,160.2	1,470.9	1,432.6	268.0
Miscellaneous Income	2,748.9	1,300.4	1,519.0	1,501.1
Total	5,939.7	5,040.3	4,928.6	3,230.4

Trading income down during 9 M FY 2018- Hardening of interest rates

Interest Income Break-up

Particulars	FY ended March 15	FY ended March 16	FY ended March 17	9 M Dec 31 2017
Loans And Advances	51,610.3	50,276.6	47,843.5	37,577.2
Investments	17,412.5	16,466.5	17,826.1	10,928.1
Balance With RBI and Other Banks	1,588.5	1,692.6	1,172.1	1,789.1
Others	-	-	16.3	2.8
Total	70,611.3	68,435.7	66,858.0	50,297.2

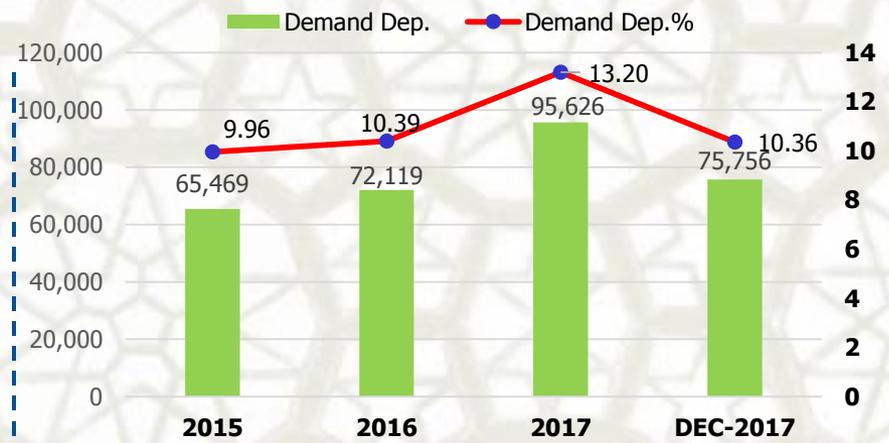
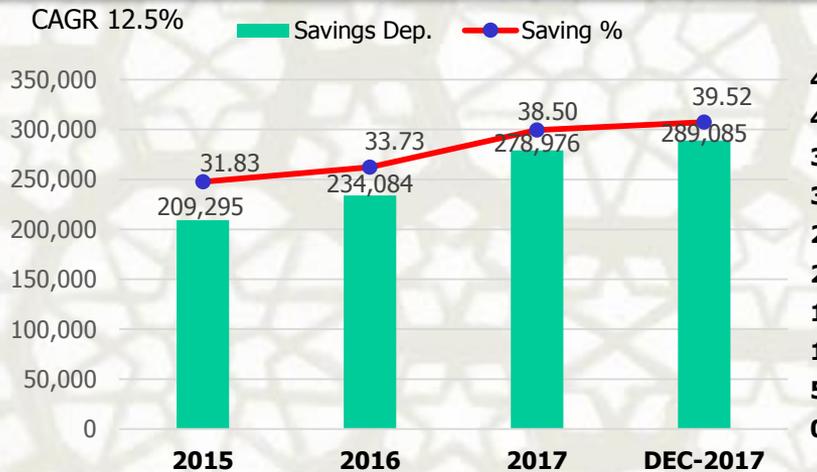
Interest Income: Impacted due to huge impairment in Loan Assets recognized during 2016-2017

Liability Franchise - Mostly Retail

Rs. Millions



Steady improvement in Retail Deposits with CASA among best in the industry



CASA+Retail FDs as % of Total Deposits stands at 78% as at Dec-2017, up from 65% as on March 2015

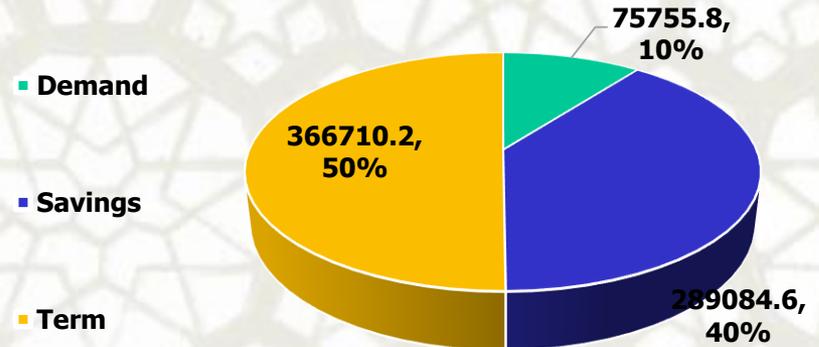


Liability - Main source is J&K

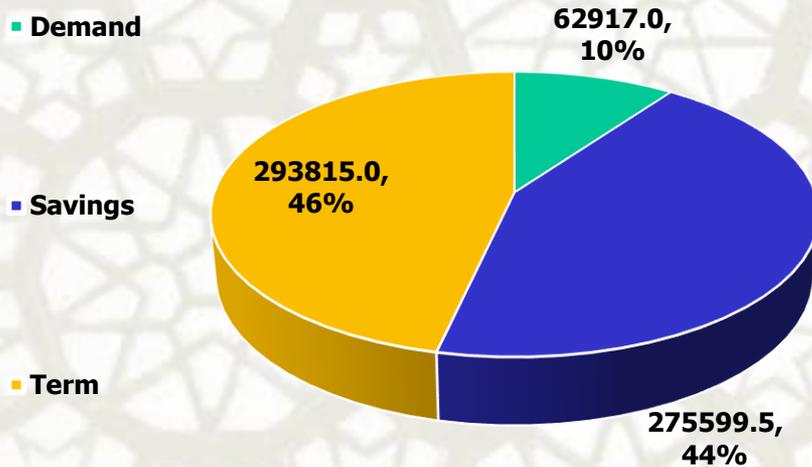
Rs. Millions

- 86% of deposits contributed by J&K state
- J&K contributes 95% of savings and 93% of overall CASA deposits of the Bank
- Savings deposits from J&K State have recorded CAGR of 13% since Mar'15
- Bank has a CASA ratio 54% in J&K

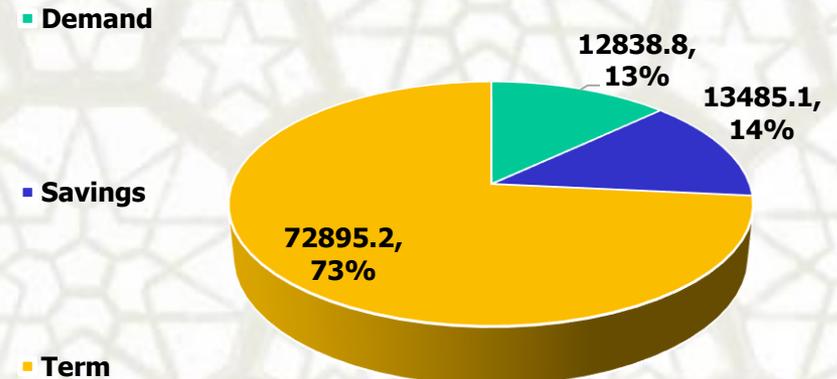
Bank - Deposit Breakup DEC-2017



J&K - Deposit Breakup DEC-2017



Rest of India - Deposit Breakup DEC-2017



Liability Mix

Rs. Millions

Deposits

Particulars	FY ended March 15	FY ended March 16	FY ended March 17	Dec 31 2017
Demand Deposits	65,468.7	72,119.4	95,625.9	75,755.8
Saving Deposits	209,295.2	234,084.3	278,975.7	289,084.6
Term Deposits	382,798.0	387,698.8	350,029.3	366,710.2
Total	657,561.9	693,902.5	724,630.9	731,550.6

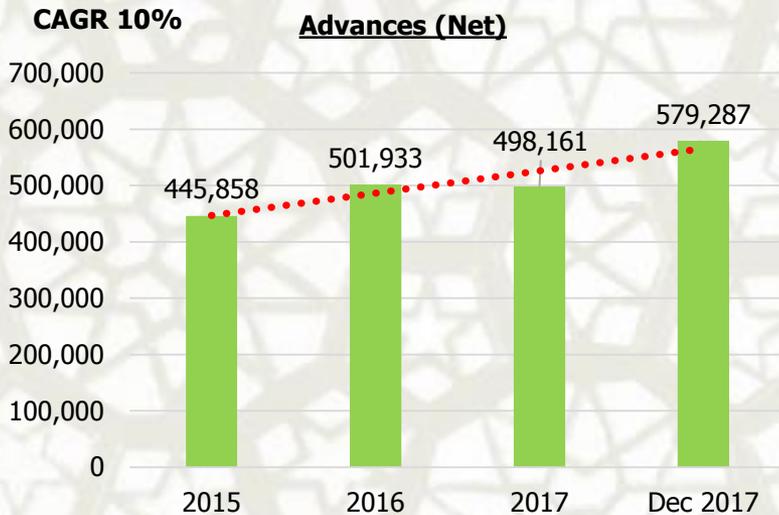
Geographical Break-up

Particulars (31.12.2017)	From J&K State		From Rest of India		Bank as a Whole	
	Amount	% age	Amount	% age	Amount	% age
Deposits (In Millions)	632,331.5	86.4	99,219.1	13.6	731,550.6	100.0
CASA Ratio (In Percentage)	-	53.5	-	26.5	-	49.9
Gross Advances (In Millions)	307,051.2	48.1	330,763.4	51.9	637,814.6	100.0
Number Of Branches	778.0	85.9	128.0	14.1	906.0	100.0
Number Of ATM's	1,066.0	91.8	95.0	8.2	1,161.0	100.0

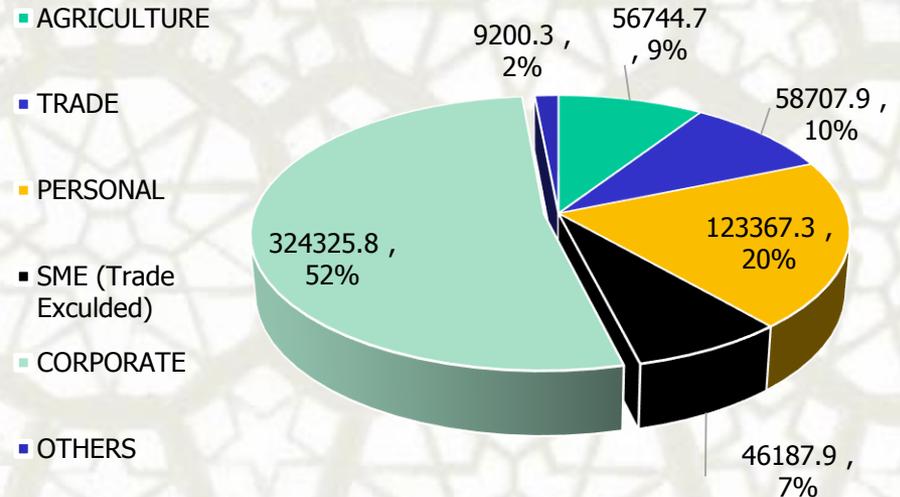
Conscious decision of reducing reliance on Wholesale (Interbank & Corporate deposits) in ROI

Steady Growth in Credit

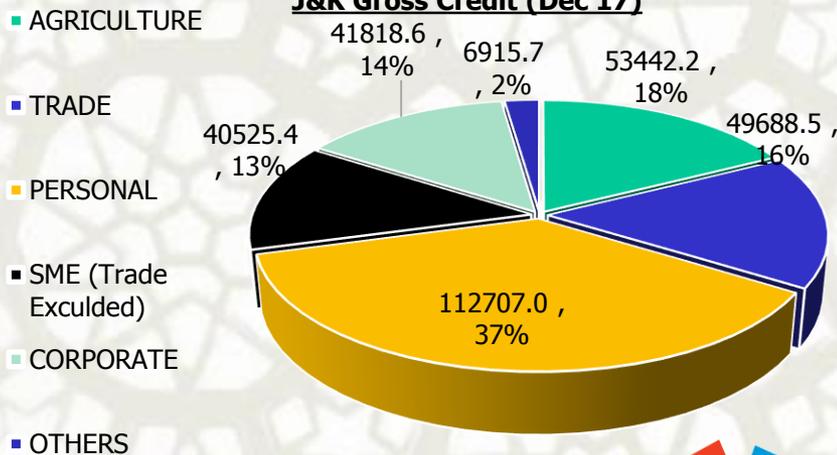
Rs. Millions



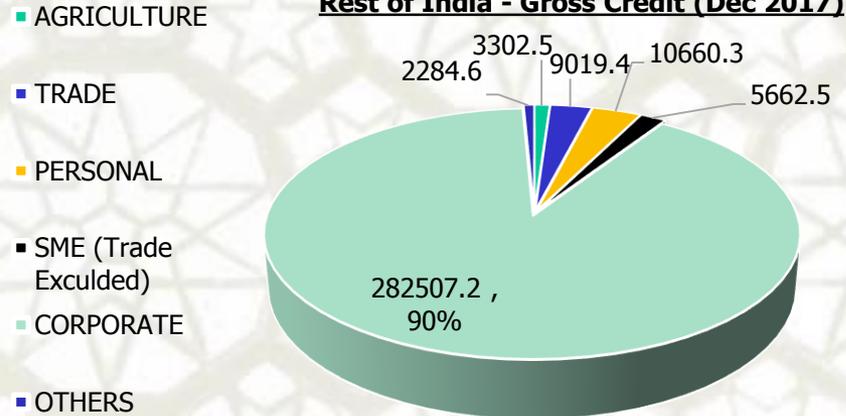
Bank - Gross Credit (Dec 17)



J&K Gross Credit (Dec'17)



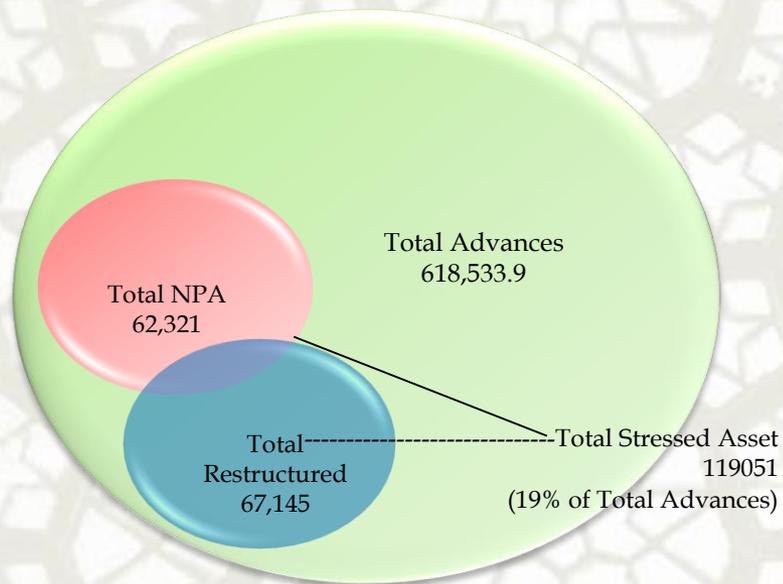
Rest of India - Gross Credit (Dec 2017)



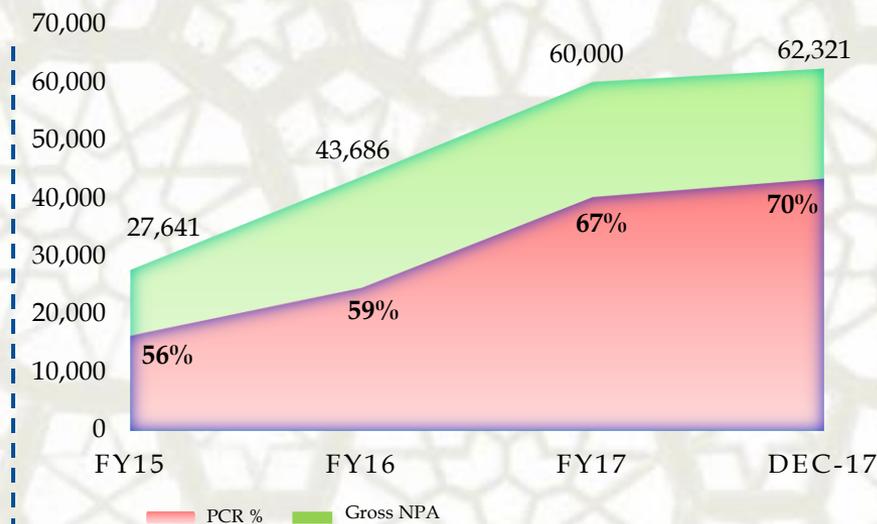
Improving Asset Quality

Rs. Millions

Stressed Assets



NPA and PCR Ratio



Steadily improving PCR- Preferring provisions over Profits

Trend of key Asset Quality Parameters

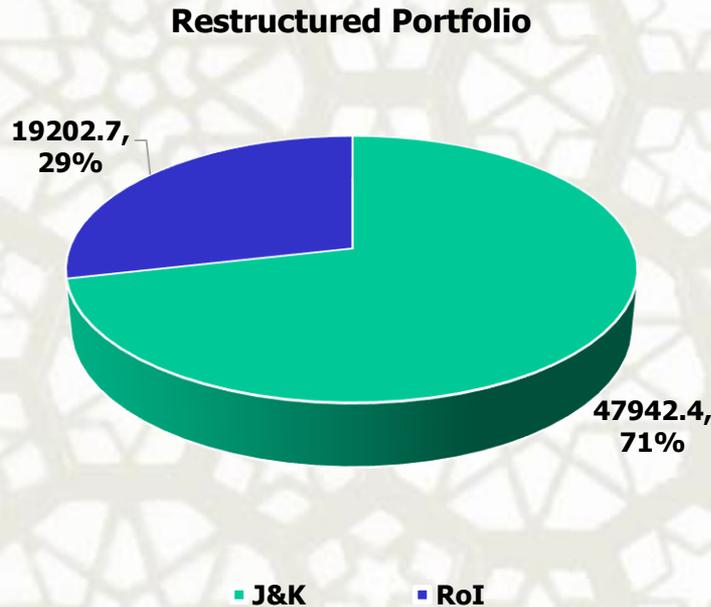
		FY ended March 15	FY ended March 16	FY ended March 17	Dec 31, 2017
A	1. Gross NPA	27,640.8	43,686.2	60,000.1	62,320.8
	2. Net NPA	12,363.2	21,639.5	24,253.7	24,876.5
B	1. Gross NPA %	5.97	8.32	11.2	10.08
	2. Net NPA %	2.77	4.31	4.87	4.29

Bank continues to show resilience on all Asset Quality parameters

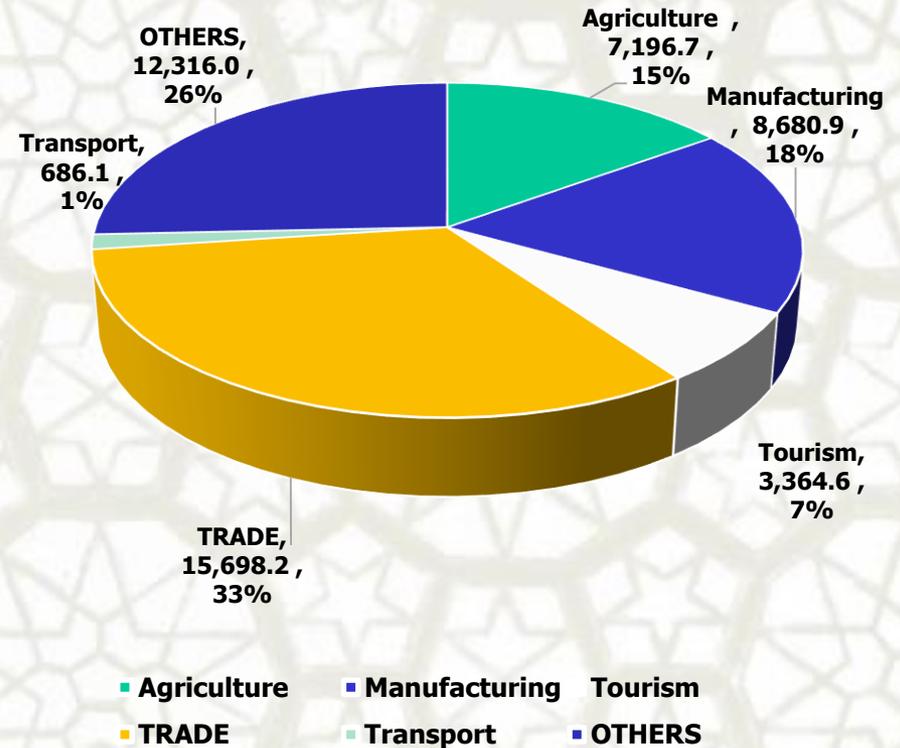
Restructured Advances Portfolio

Rs. Millions

Restructured Geographical Breakup



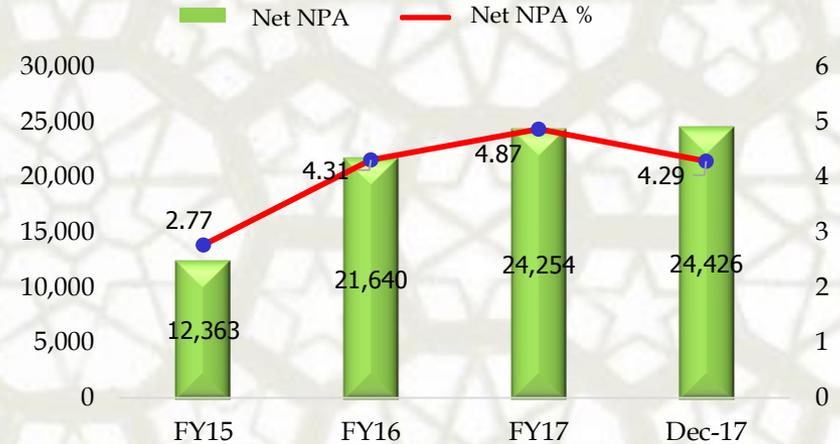
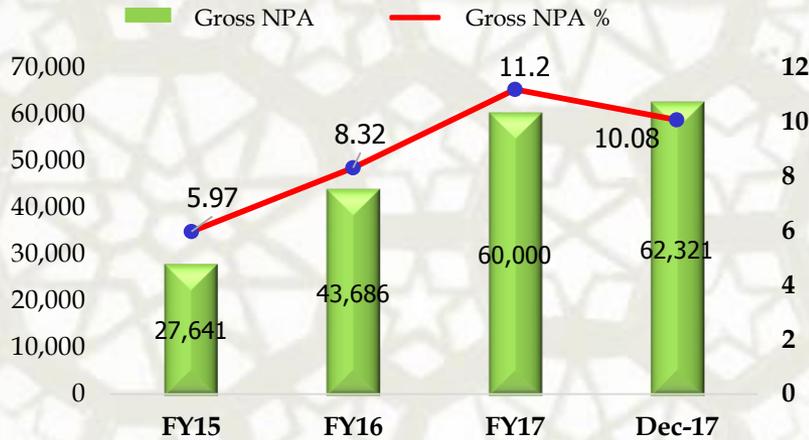
J&K Restructured Portfolio



71% of total restructured portfolio of the Bank is in J&K which is well diversified

Trend in Gross and Net NPAs

Rs. Millions



NPA – Sector-wise (Dec 2017)

Arresting the increase in Gross/Net NPA- lesser incremental slippages & higher recoveries

- Rest of India (RoI) accounts for 85% of total NPAs of the Bank
- Corporate Book accounts for 88% of total NPAs
- Gross NPA in J&K is 3.1% as against 16.8% in Rest of India (Bank 10.08%)

Movements in NPAs

Rs. Millions

Movement in NPA	FY ended March 15	FY ended March 16	FY ended March 17	9 M Dec 31 2017
Balance at the start of period	7,834.2	27,640.8	43,686.1	60,000.1
Additions during the period	25,258.0	23,832.3	32,784.2	13,570.3
Reductions/Upgradations	3,437.7	1,889.2	1,547.6	1,490.5
Write Off	249.4	3,280.3	8,279.2	6,771.0
Recoveries during the period	1,764.3	2,617.4	6,643.4	2,988.0
Balance at the close of Period	27,640.8	43,686.1	60,000.1	62,320.8

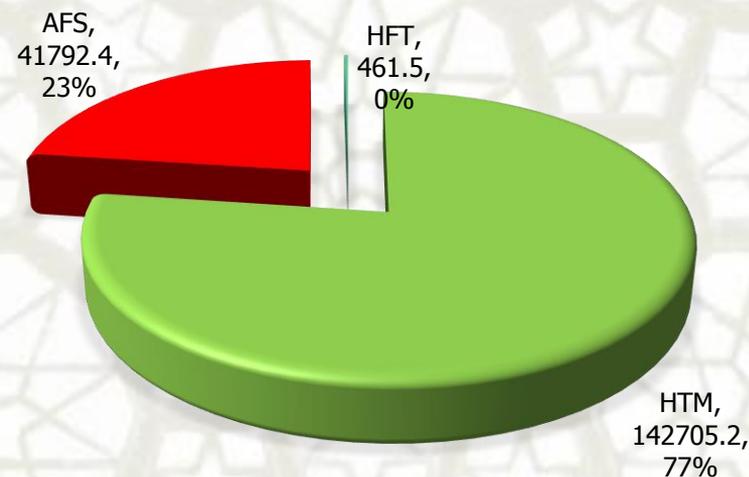
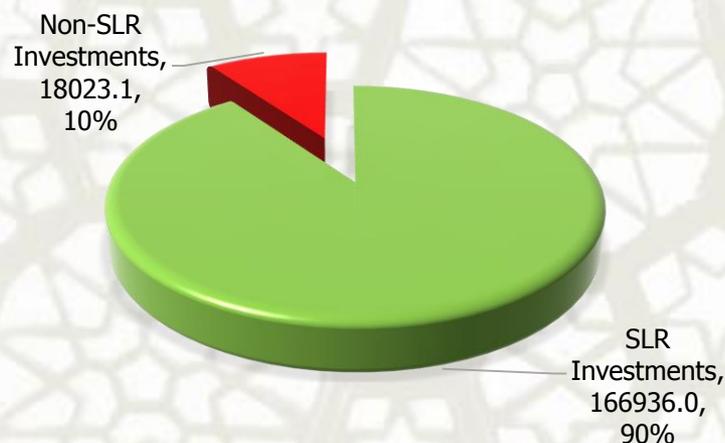
Treasury Portfolio

Rs. Millions

Bifurcation	FY ended March 15	FY ended March 16	FY ended March 17	Dec 17
SLR	134,546.8	139,480.4	163,252.1	166,936.0
Non SLR	93,049.1	64,055.8	49,656.8	18,023.1
Total	227,595.9	203,536.2	212,908.9	184,959.1

Category	FY ended March 15	FY ended March 16	FY ended March 17	Dec-17
HTM	130,172.3	128,130.7	139,783.3	142,705.2
AFS	97,408.5	75,404.0	73,008.6	41,792.4
HFT	15.1	1.5	117.0	461.5

Treasury Portfolio Investment Bifurcation as on 31 Dec 2017



➤ Exposure mostly in Government Securities

Trading book volume & duration thereof reduced to minimise interest rate risk

Investments - Yield & Duration

Rs. Millions

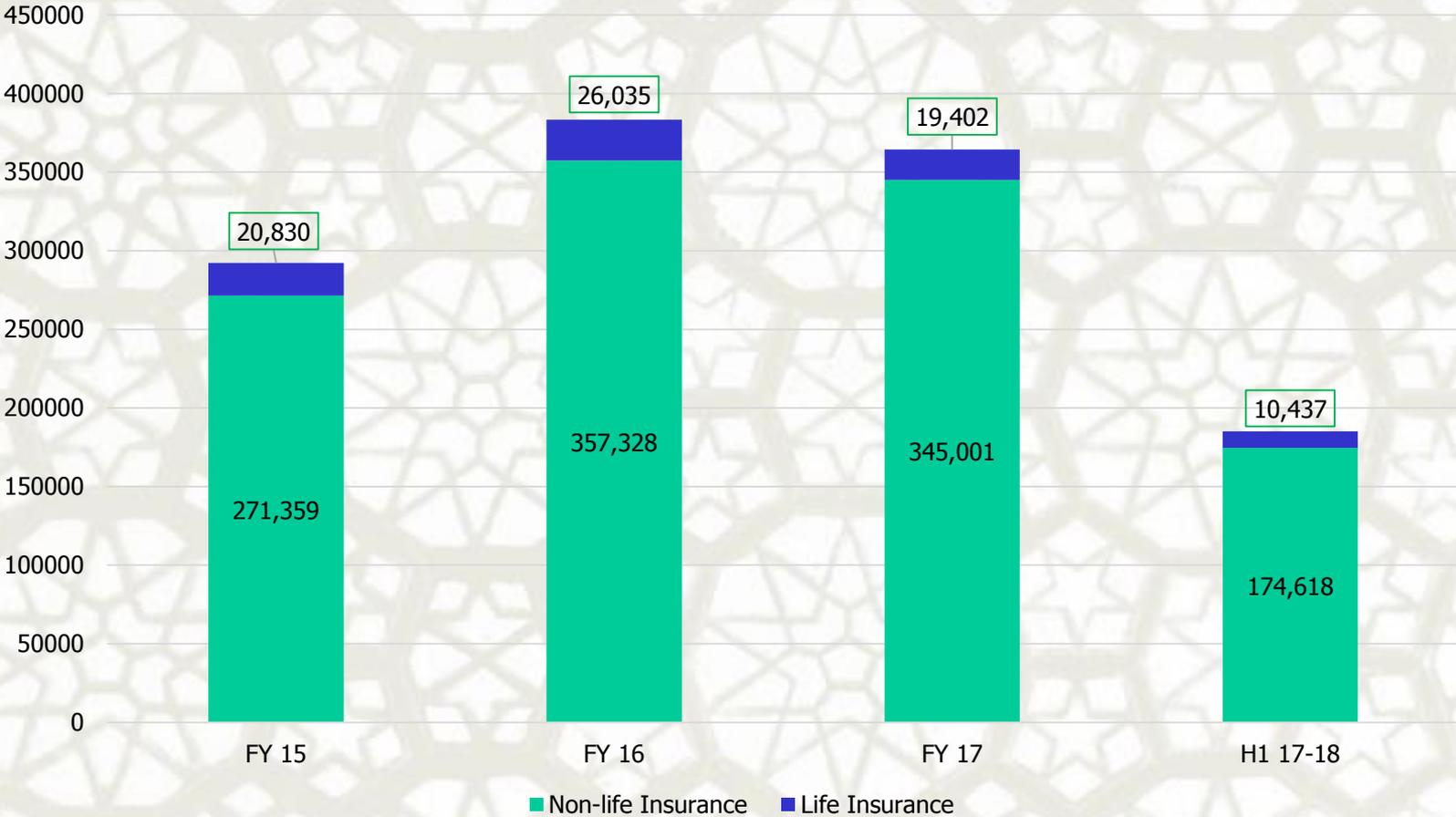
Particulars	FY ended March 15	FY ended March 16	FY ended March 17	9 M Dec 31 2017
Duration (Years)	3.16	2.66	3.75	3.91
Yield (%)	7.91	7.66	7.29	7.15

SLR Book - Break-up

Securities	March 2015		March 2016		March 2017		Dec. 2017	
	(Actual)	%	(Actual)	%	(Actual)	%	(Actual)	%
G-Sec (GOI)	104,940.0	78.0	96,360.0	69.0	107,000.0	65.0	103,262.0	60.0
SDL	25,910.0	19.0	34,710.0	25.0	56,410.0	35.0	56,033.0	31.0
T-Bills	3,700.0	3.0	8,410.0	6.0	-	-	7,913.0	9.0
Total	134,550.0	100.0	139,480.0	100.0	163,410.0	100.0	167,208.0	100.0
SLR Reqd. %	22.0		21.5		20.9		20.0	
SLR (Avg) Maintained %	24.1		22.9		25.5		25.8	

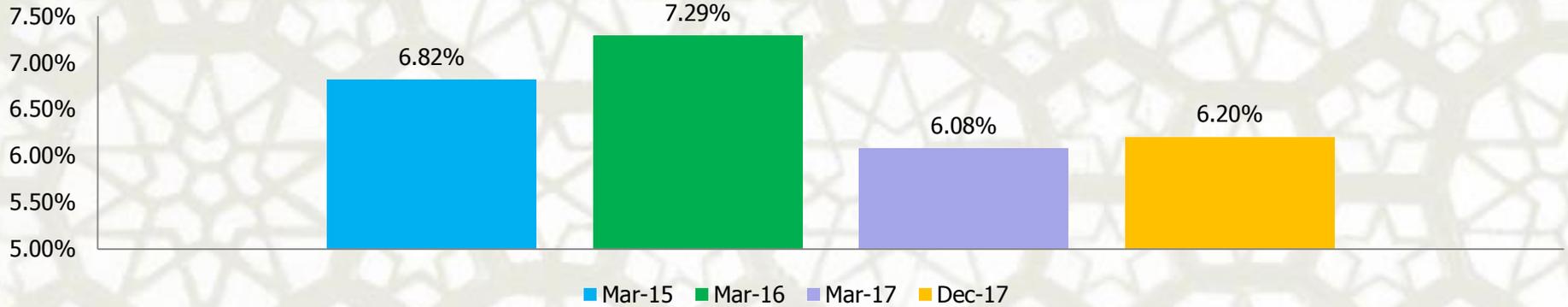
Cross Selling

J&K Bank - New Insurance Policies Sold

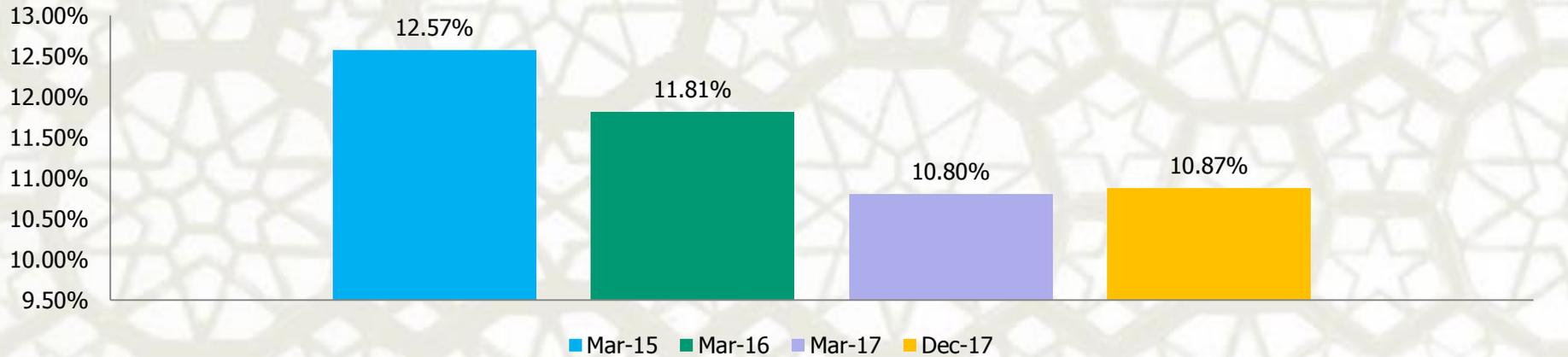


CRAR & Leverage

Leverage Ratio in %



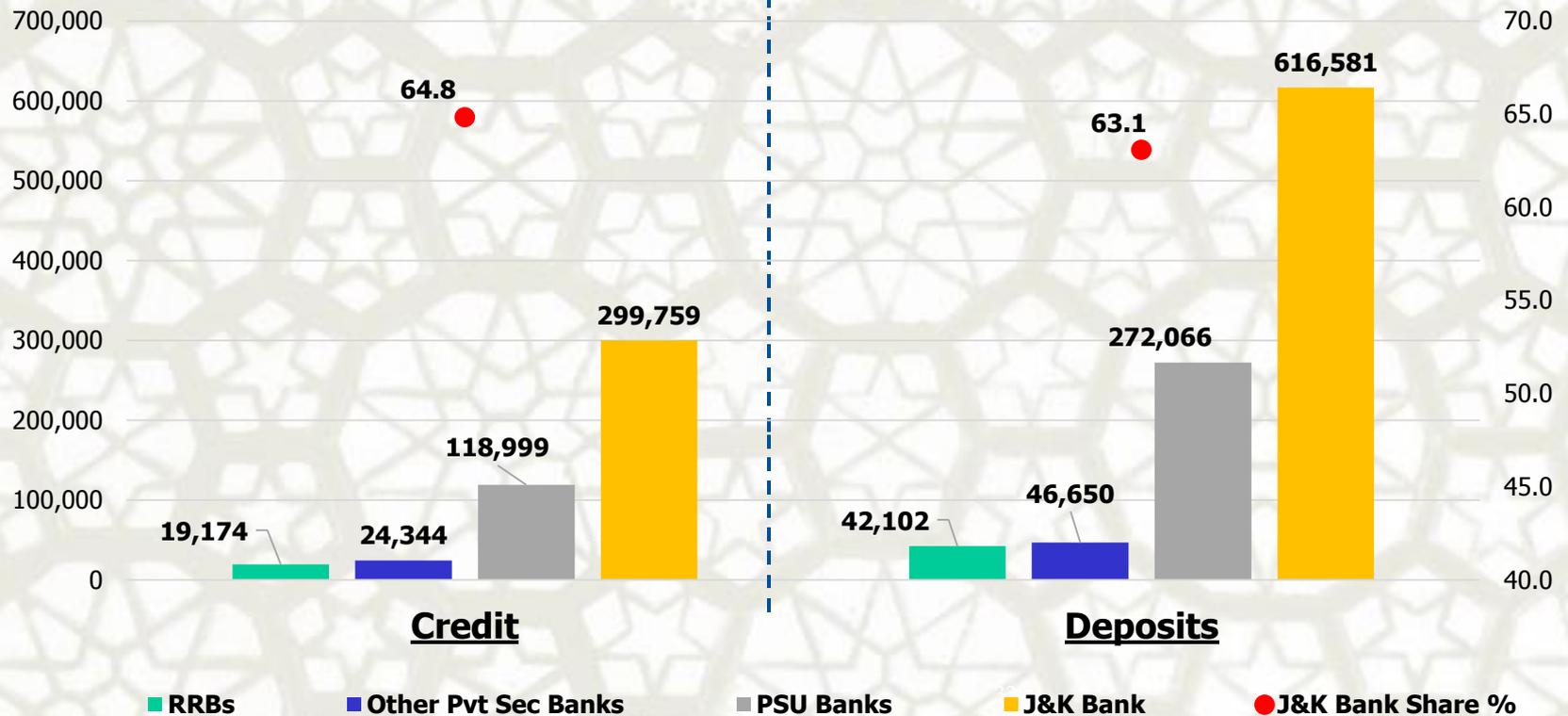
CRAR Ratio in %



Leading Bank in JK State as compared to major market players

Rs. Millions

JK Bank Market Share in JK State - Sep 2017



Source: State Level Banker's Committee Minutes, Sep 2017

Clear dominance in J&K State



J&K Government's support

- J&K Government has infused a cumulative amount of Rs. 5,320 million in the Bank through two preferential issues

1st Tranche - 20th March 2017

36,555,051 Equity Shares of Rs. 1/- at a price of Rs. 68.39 per equity share

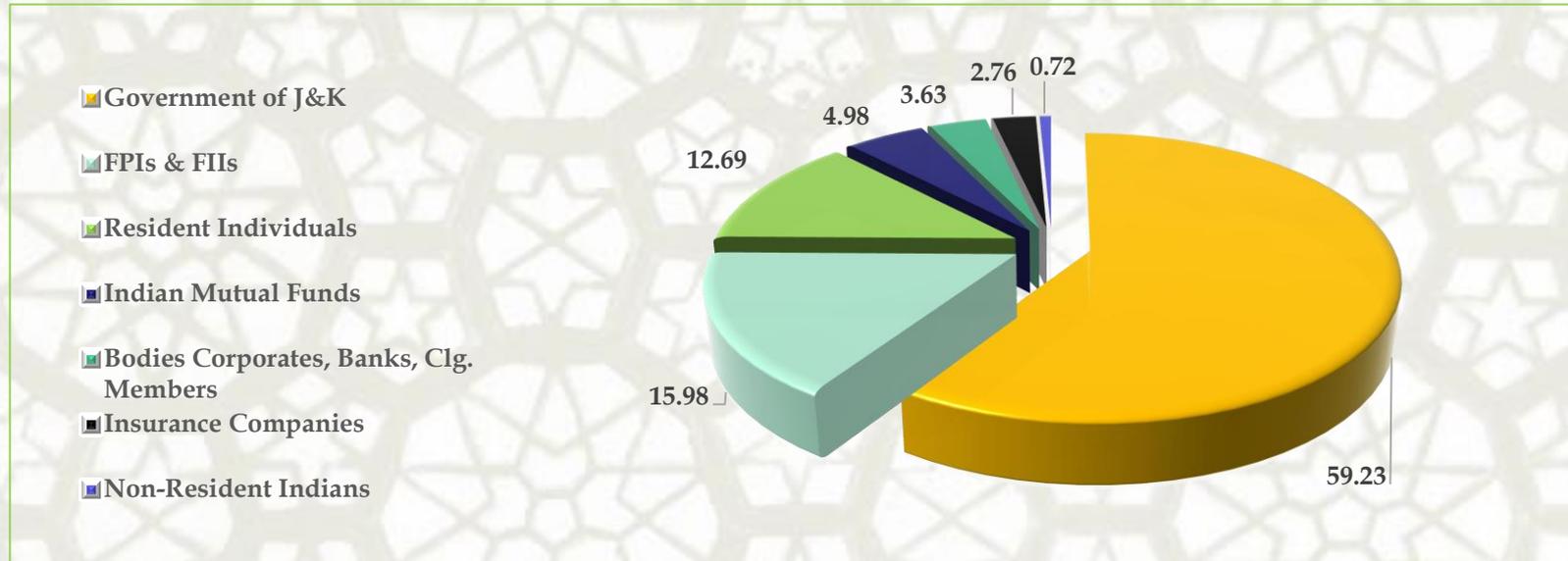
Name of the Shareholder	Date of Issue	Number of Shares issued	Face Value	Issue Price	Share capital
Chief Secretary Govt. of J&K	20-Mar-2017	34,494,845	1	68.39	34,494,845
Secretary Finance Dept. Govt. of J&K	20-Mar-2017	2,060,206	1	68.39	2,060,206
					36,555,051

2nd Tranche - 7th June 2017

35,525,321 Equity Shares of Rs. 1/- at a price of Rs. 79.38 per equity share

Name of the Shareholder	Date of Issue	Number of Shares issued	Face Value	Issue Price	Share capital
Chief Secretary Govt. of J&K	7-Jun-2017	33,523,150	1	79.38	33,523,150
Secretary Finance Dept. Govt. of J&K	7-Jun-2017	2,002,171	1	79.38	2,002,171
					35,525,321

Shareholding Pattern (as on December 31, 2017)



	No. of Shares	%age
Government of J&K	329833032	59.23
FPIs & FIIs	88987492	15.98
Resident Individuals	70685923	12.69
Indian Mutual Funds	27749442	4.98
Bodies Corporates, Banks, Clg. Members	20197065	3.63
Insurance Companies	15374694	2.76
Non-Resident Indians	4030744	0.72
Total	556858392	100.00

Experienced Board of Directors

Name	Designation	Total experience
Mr. Parvez Ahmed	Chairman & CEO	30 Years
Mr. NavinKumar Choudhary, IAS	Non Independent Non Executive Director	23 years
Mr. Yogesh Kumar Dayal	RBI Nominee Director	20 Years
Mr. Abdul Majid Mir	Non Independent Non Executive Director	39 Years
Mr. AzharUIAmin	Non Independent Non Executive Director	32 Years
Mr. Mohammad Maqbool Rather	Non-Executive Independent Director	35 years
Mr. Mohammad Ashraf Mir	Non-Executive Independent Director	34 Years
Dr. Pronab Sen	Non-Executive Independent Director	44 years
Mrs. Vijayalakshmi R. Iyer	Non-Executive Independent Director	40 years
Dr. Sanjiv Agarwal	Non-Executive Independent Director	30 Years
Mr. Sunil Chandiramani	Non-Executive Independent Director	30 years
Mr. Dhaman Kumar Pandoh	Non Independent Non Executive Director	20 Years
Mr. Rahul Bansal	Non Independent Non Executive Director	17 Years

Liquidity Risk

LCR of the Bank for the nine months of FY 2017-18



Organizational Transformation: Deloitte as Consultants

Business Strategy and Business Plan

- 3-5 Year Business plan
- Product strategy and roadmap on various business offerings
- Capital planning in line with the 5 year business plan

Business Process Re-Engineering

- Identifying high-impact processes for optimization and reengineering
- Maximizing IT intervention in business processes
- Define Sales and Marketing structure and associated processes

HR Strategy and Organizational Transformation

- Revisiting the overall organizational Structure
- HR strategy including manpower planning, career development, trainings
- Performance management and succession planning
- Defining of job roles and responsibilities
- Competence requirements and mapping with job roles and responsibilities

Digital Transformation

- Strategy for digital penetration and increasing usage
- Revisit of IT landscape and suggest transformation level

Compliance

- Review of gaps in Compliance function and processes and suggest improvements therein

J&K Bank – Strategy for growth

Business Strategy

- A comprehensive medium to long term Business strategy has been developed which shall foster Business growth and profitability while addressing the key pillars for growth and underlying enablers

J&K Strategy

- Strategy to further cement Bank's position as the market leader in J&K State by contributing to growth of the state economy and building a profitable franchise.
- To grow the addressable market in J&K state through ecosystem enablement
 - Housing, Agriculture / Horticulture, Project Finance for Infra
 - Focus on growing / deepening specific segments (e.g., Govt. employees, self-employed, Affluent/HNI, SME) besides pushing for micro financing

Rest of India (ROI) strategy

- Grow non-corporate portfolio in Rest of India by focusing on niche segments like Housing, Horticulture, SMEs while having a disciplined execution of Corporate Portfolio

Overseas Foray

- Setting up a representative office at Dubai is proposed as a starter/precursor to establishing full-fledged overseas branch (Approval from RBI awaited)
- Initiative expected to augment NRI business



Business Process Re-Engineering: For Bringing in Efficiency

- Transformation of branches from servicing center to sales center by
 - Centralization
 - Branch role re-definition
 - Drive digital penetration and transactions
- Centralized processes under implementation for key processes across retail loans, SME & corporate loans and liabilities.
- Branch Operating Model and process improvements to free ~20% of the branch staff which would be redeployed for sales activities
- Branch archetypes and re-classification based on customer segments and offerings into Corporate, Commercial, HNI, Rural, Universal etc for providing specialized services to customers
- Identified demand and supply-side constraints leading to low digitization and developed initiatives addressing each constraint (e.g., targeting top 200 customers in each branch, focused digital campaigns, customer experience managers, and functionality / UX enhancement)

IT Transformation: Leveraging Technology

- Technology Architecture and Roadmap for achieving
 - Alignment of IT with business
 - Modernized digital app portfolio
 - Integrated information landscape
 - Enhanced IT infrastructure and new IT capabilities
 - Leverage digital platforms
- Considering the near and long-term objectives of the Bank, the IT transformation shall be achieved in 2 phases:
 - Phase 1 –Priority Initiatives: Timelines: 15-18 months (DMS, Finacle / MIS Upgrade)
 - Phase 2 –Able Competitor: Timelines: 24-36 months (CRM)

HR Transformation: Improving Productivity

- **Organization Structure:** Customer segment focused organization structure with centralized operations and controls as well as role specialization under implementation
- **Performance Management:** PMS redefined with granular level KPIs and measurement matrix. A performance linked variable pay model designed to drive high employee performance
- **Transfer Policy:** The transfer policy has been revised to take into account role specificity, broader inclusive opportunities, employee opinion, linkage to career progression, scalability and alignment with business goals
- **Succession Planning:** A stage by stage evaluation framework has been developed based on minimum criteria, behavioral and functional assessment of all individuals in middle and higher management bands for succession planning

Initiatives undertaken - Reduction in NPAs

Impaired Assets Portfolio Management Vertical created

Two new Impaired Assets Recovery Branches created at Bangalore and Mumbai

Already existing IARB's at Jammu, Kashmir and Delhi activated further

"Own Your NPA" campaign launched for operative levels

Initiatives undertaken - Reduction in NPAs

Recovery of Rs. 7,750 Millions effected during last four quarters (March 2017 to Dec 2017)

Applicability of SARFAESI in J&K from last year improving recovery rate

NCLT / IBC may help in resolution of large corporate accounts in Rest of India

Improving credit appraisal management to mitigate credit risk

Handling Restructured Advances

Dedicated teams at Zonal Offices created for regular monitoring,
Supervision at Corporate Headquarters

Improving socio-political environment in the State helping revival of
business activity

Turnover in Restructured Cash Credit (Running) accounts satisfactory

J&K Government's incentive of shouldering 1/3rd interest payment for the
restructured accounts – to induce prompt payment by borrowers

Technology: Key Highlights

ALL BUSINESS UNITS ON CBS: 900+ BUSINESS UNITS ACROSS COUNTRY

ATM FOOTPRINT OF 1100+ ATMS ACROSS COUNTRY

P14000+ POS MACHINES

4.7 million+ DEBIT CARDS OF VARIOUS VARIANTS ISSUED

0.42 million+ CREDIT CARDS ISSUED

0.35 million+ E-BANKING USERS

0.5 million+ MOBILE BANKING / UPI USERS

850+ ICT BASED BC LOCATIONS

ISO 27001 CERTIFIED TECHNOLOGY OPERATIONS

Digital Transformation Journey

EMBARKED ON DIGITAL TRANSFORMATION JOURNEY TO PROMOTE DIGITAL PRODUCTS OF BANK

CONTINUOUS UPGRADES & UPDATES TO DIGITAL PRODUCTS – STRIVING TO BE THE BEST

CONTINUOUSLY ADDING NEW DIGITAL PRODUCTS TO KEEP UP WITH THE LATEST TECH INNOVATIONS IN BANKING

DIGITAL TRANSFORMATION & STRATEGY MISSION OFFICE HAS BEEN SET UP & VERTICAL HEADS DESIGNATED FOR DIGITAL CHANNELS OF BANK

VERTICAL	MONTH	TOTAL CUSTOMER INDUCED TRANSACTIONS	DEBIT CARDS	E-BANKING	KIOSK BANKING	MOBILE BANKING	CREDIT CARDS	POS ACQUIRING	EASY COLLECT	NEFT / RTGS CREDITS	BULK UPLOAD	UPI
CUSTOMER INDUCED TRANSACTIONS FOR QTR Q2, Q3 2017 (in Mio)	Qtr. ended Sep 2017	60.39	14.04	1.84	0.39	0.71	0.90	1.12	0.005	0.81	3.83	0.10
	Qtr. ended Dec 2017	64.11	15.03	2.18	0.37	1.28	1.40	1.44	0.005	0.96	4.06	0.27

THANK YOU

