

DhanlaxmiBank 
established 1927

IDFC Securities - London Roadshows

Mr. Bipin Kabra

December 9 - 10, 2010

Agenda



Overview



A Bank in Transformation



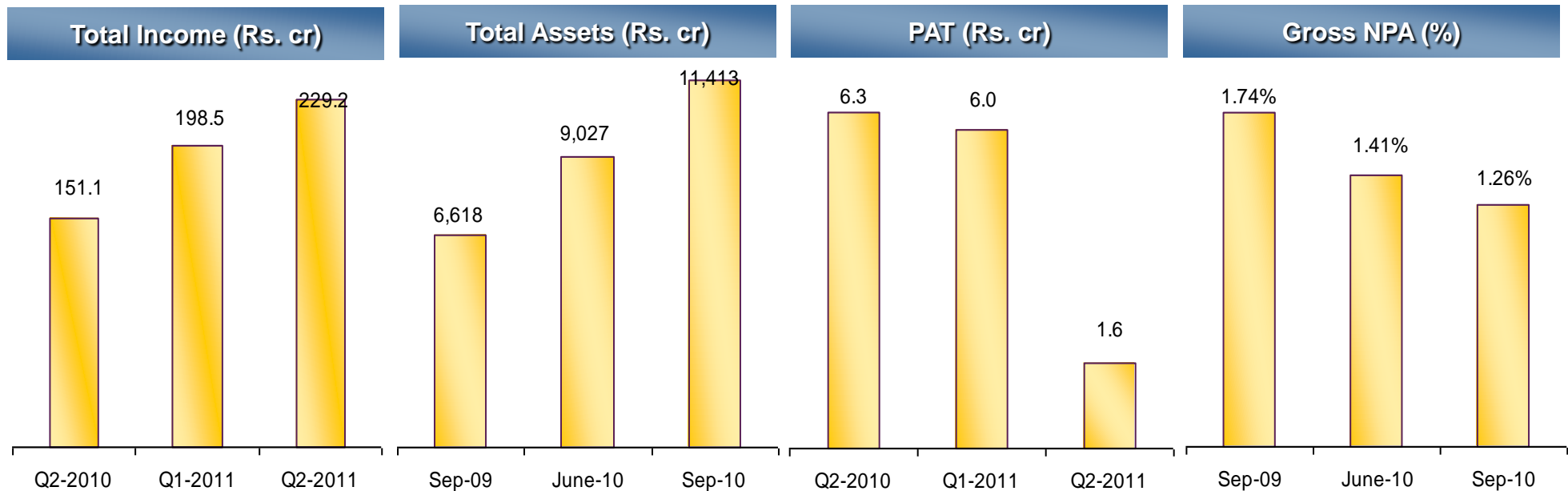
Financials - How the Numbers Stack up?



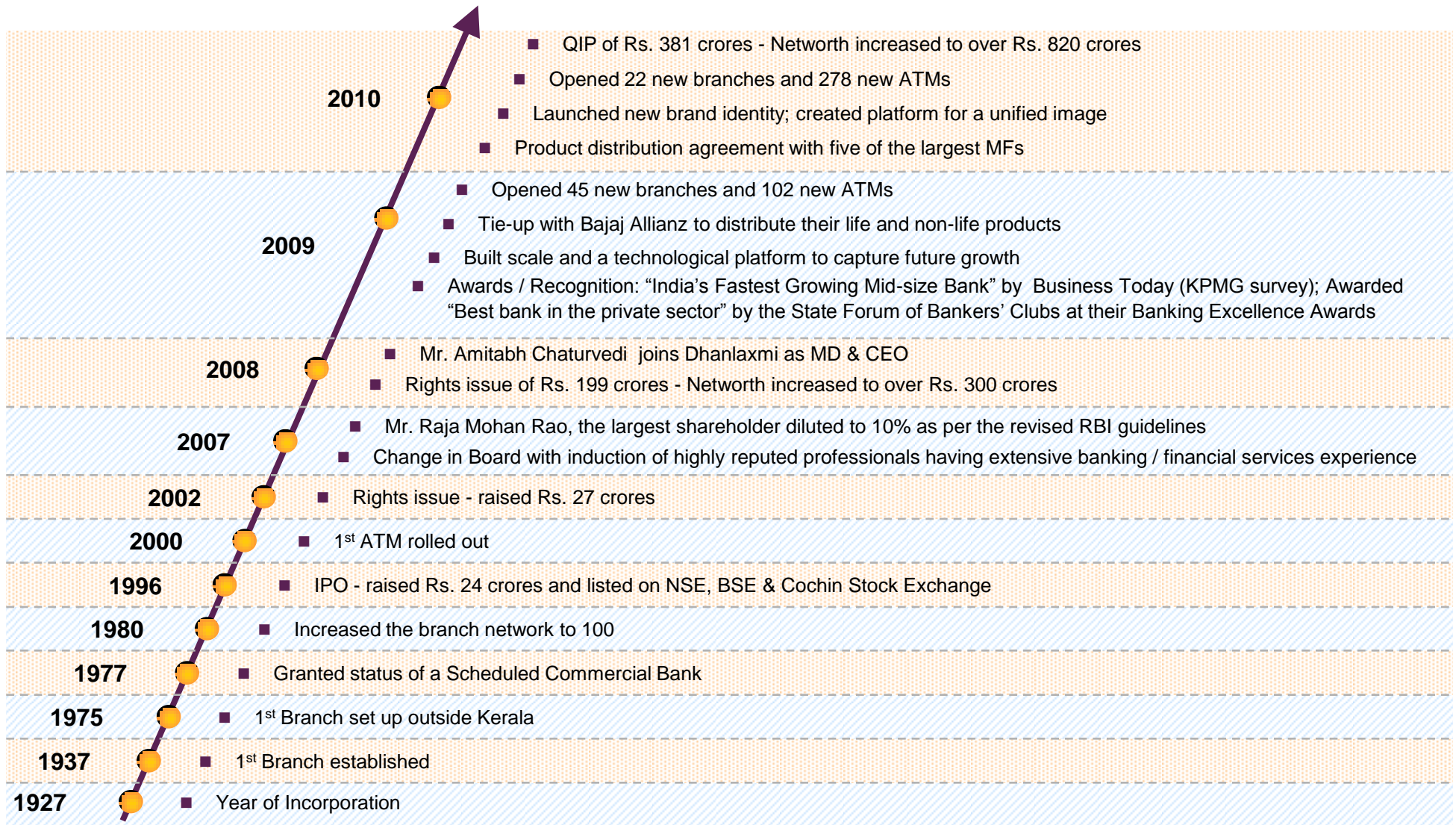
Overview

An Emerging Private Sector Bank

- Incorporated at Thrissur, Kerala in 1927
- Pan - India presence through a network of 274 branches and 452 ATMs covering 14 states
- A broad and loyal customer base of 1.5 million as at Sept 30, 2010
- Total asset base of Rs. 114 billion as at Sept 30, 2010, increasing at a rapid pace of 73% (y-o-y)
- Capital adequacy of 14.6%, with a Tier-I ratio of 11.7% as at Sept 2010
- Employee strength increased to 4,508 as on Sept 30, 2010 from 4,490 as at June 30, 2010



A Rich History





A Bank in Transformation

Where Do We Want to be ?



Asset Quality: to be the best in class



Profitability: to be in top quartile



Branch Network: setting up a pan - India network



Balance Sheet: gaining size

Reincarnation

1

Experienced Board and a New management team

2

Introduced a new brand identity

3

Ramped up customer touch points

4

Change in employee profile towards a younger work force

5

Revitalised product portfolio

6

Business segments reorganized

7

Creation of capacity

8

Revamp of technology platform and operational processes



Strategic Initiative - 15% stake in Destimoney Securities

- **DSPL is a 100% subsidiary of Destimoney Enterprises**
 - **Destimoney enterprises is owned by New Silk Route**
- **Nation-wide network of 14 branches and 108+ franchisees with a client base of over 27,000**
- **Member of NSE and BSE; DP with NSDL and CDSL**
- **Back-end systems are capable to handle over Rs. 750 crores worth of ADTO;**
 - **strong on-line platform (48% business generated online)**
- **Broking tie-up with Dhanlaxmi Bank since Jan 2010**
- **Total investment: Rs. 13 crores**

Key benefits for Dhanlaxmi Bank

- **Sole and exclusive banking partners**
- **Key contributions to the overall CASA deposits**
- **Improved visibility for the Bank driven by:**
 - **a complementary product portfolio**
 - **more customer touch points**
 - **additional marketing opportunities**

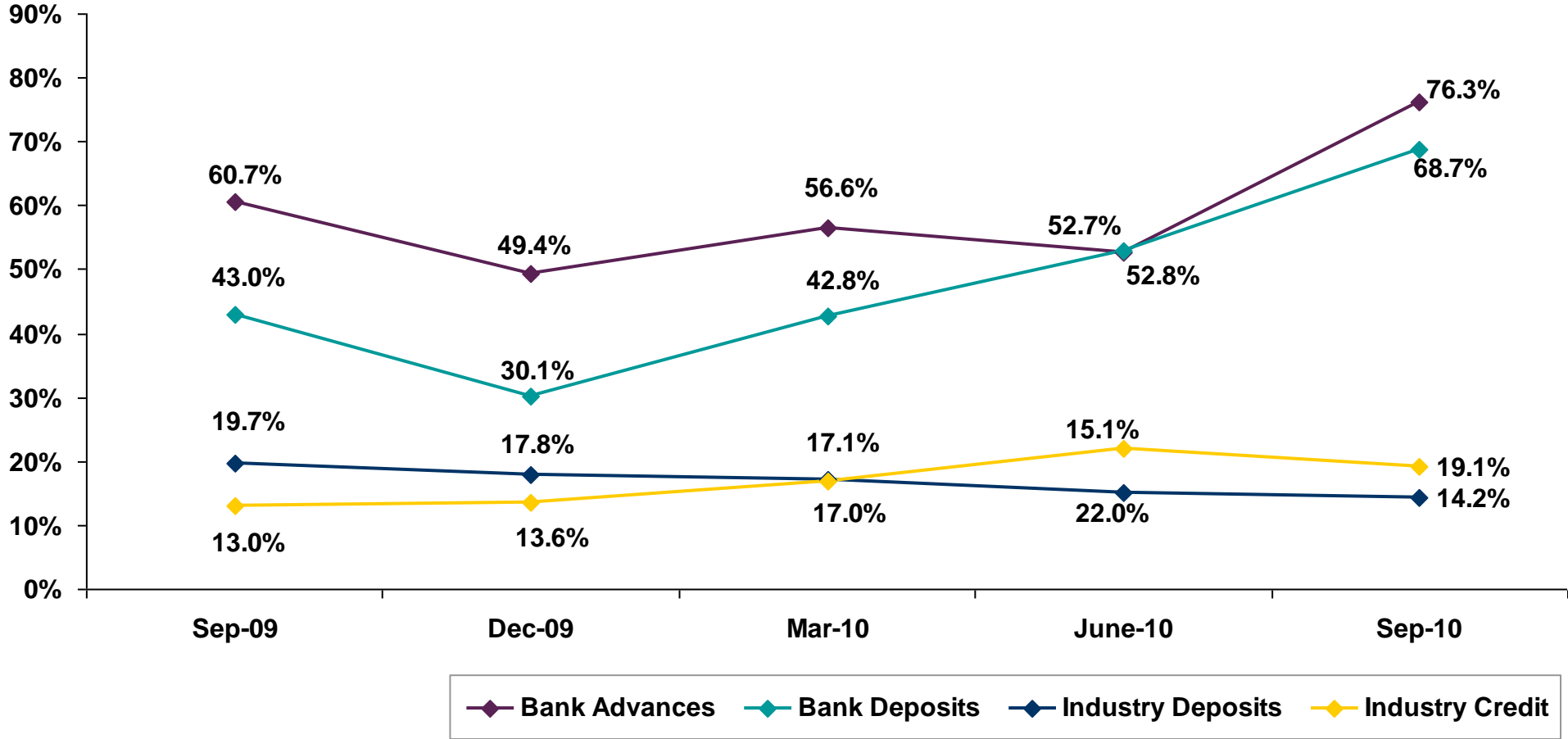


Financials - How the Numbers Stack up?

Balance Sheet

| (Rs. in Crores) | Sept 30, 2010 | June 30, 2010 | Mar 31, 2010 | Sept 30, 2009 | Y-o-Y growth |
|---------------------|---------------|---------------|--------------|---------------|--------------|
| Capital | 85 | 64 | 64 | 64 | 32.8% |
| Reserves | 743 | 382 | 376 | 377 | 97.1% |
| Deposits | 9,497 | 7,747 | 7,098 | 5,629 | 68.7% |
| Borrowings | 378 | 398 | 121 | 140 | 170.0% |
| Other Liabilities | 710 | 436 | 428 | 407 | 74.4% |
| Total | 11,413 | 9,027 | 8,087 | 6,618 | 72.5% |
| Cash / bank balance | 1,230 | 920 | 750 | 678 | 81.4% |
| Investments | 2,711 | 2,474 | 2,028 | 1,698 | 59.7% |
| Advances | 7,057 | 5,329 | 5,006 | 4,002 | 76.3% |
| Fixed assets | 111 | 86 | 79 | 48 | 131.3% |
| Other Assets | 304 | 218 | 223 | 192 | 58.3% |
| Total | 11,413 | 9,027 | 8,087 | 6618 | 72.5% |

Deposits - Advances growth consistently better than the Industry



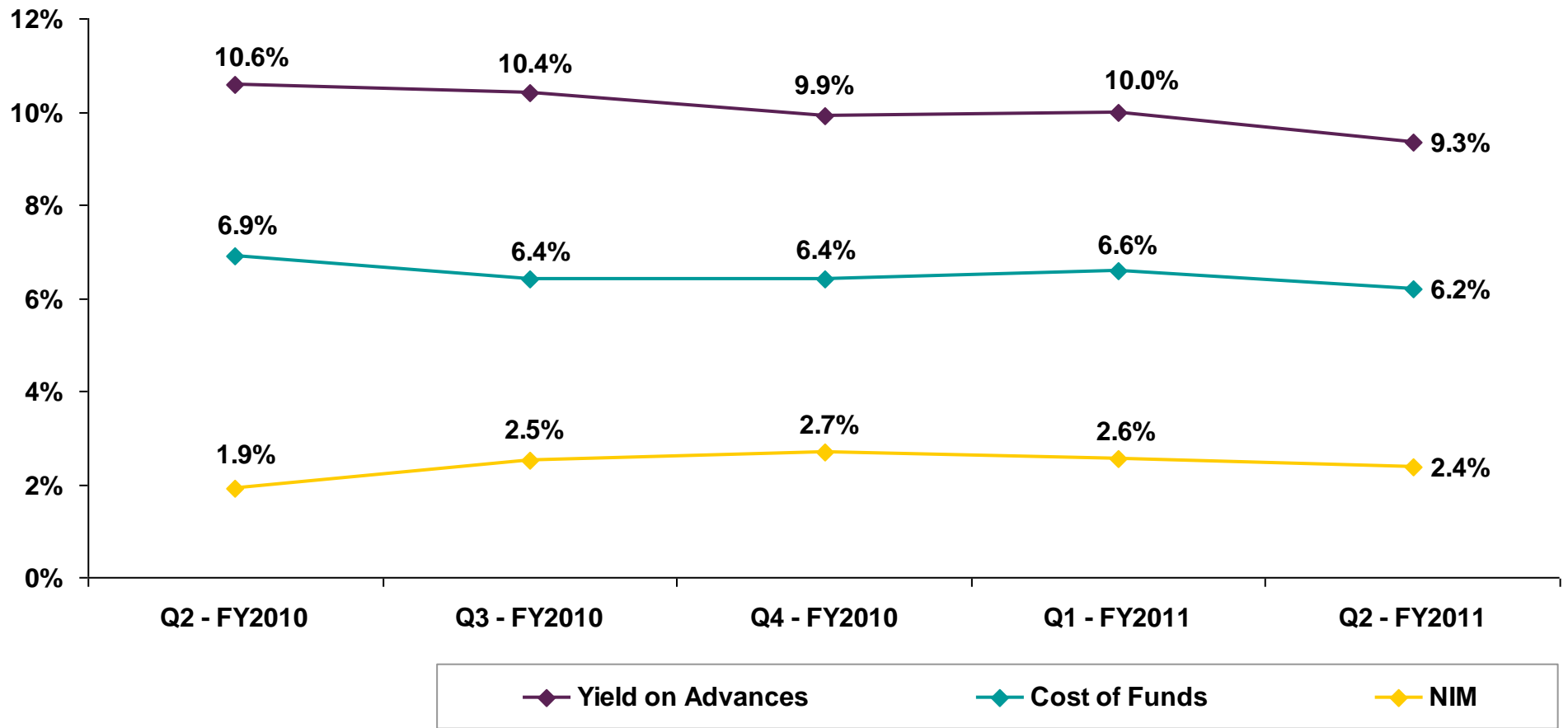
Composition of the Investment Book

| Particulars | September 30, 2010 | |
|---------------------------|--------------------|--------------|
| | (Rs. in Crores) | (%) |
| Held-to-maturity | 1,937.4 | 71.5 |
| <i>SLR</i> | 1,809.4 | 66.7 |
| <i>Non - SLR</i> | 128.0 | 4.7 |
| Available for Sale | 773.1 | 28.5 |
| <i>SLR</i> | 589.4 | 21.7 |
| <i>Non - SLR</i> | 183.7 | 6.8 |
| Held-for-trading | 0.5 | - |
| Total | 2,711.1 | 100.0 |

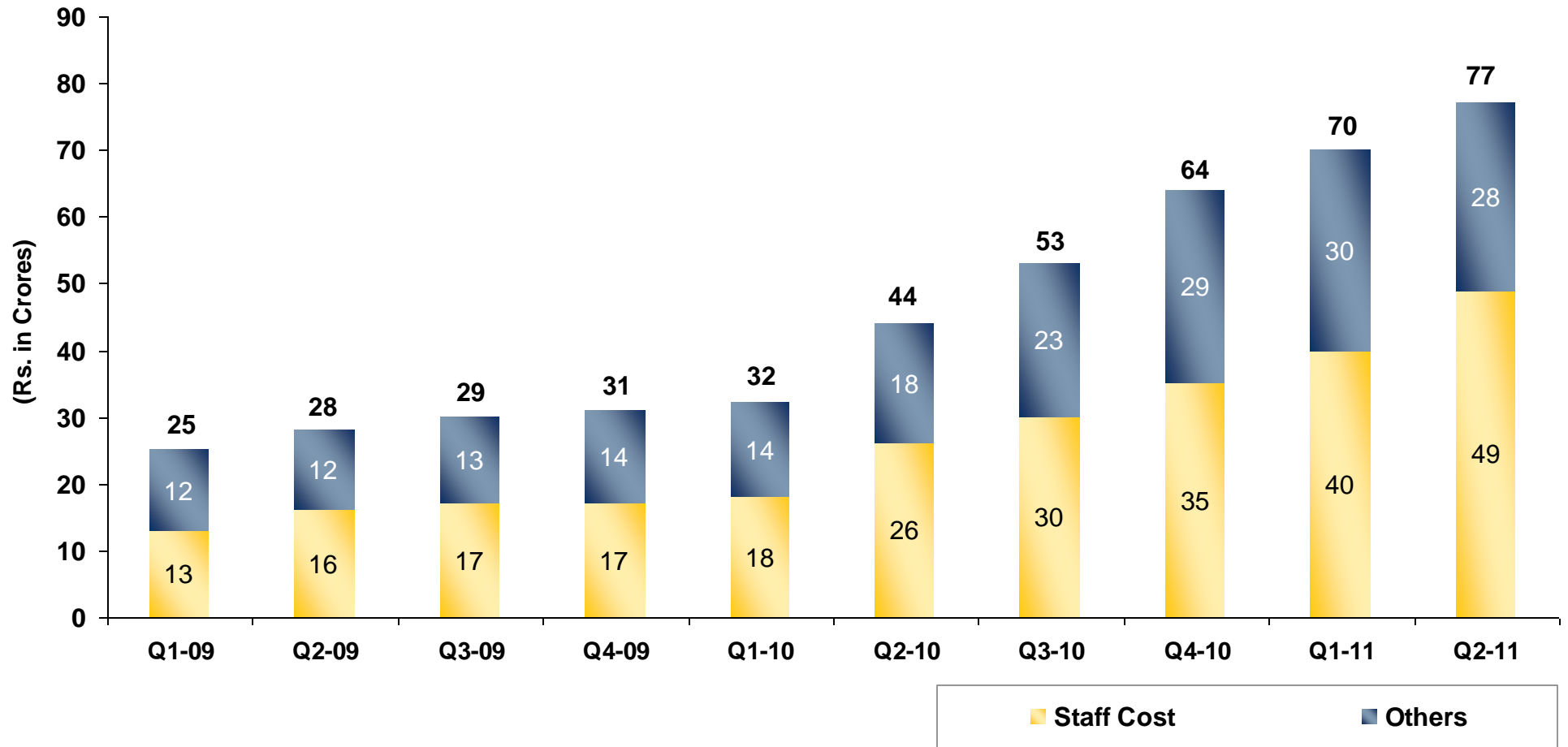
Profit and Loss Statement

| (Rs. in Crores) | H1 - FY2011 | H1 - FY2010 | Y-o-Y growth | Q2 - FY2011 | Q2 - FY2010 | Y-o-Y growth |
|----------------------------|--------------|-------------|----------------|-------------|-------------|----------------|
| Interest income | 360.4 | 244.3 | 47.5% | 192.4 | 123.7 | 55.5% |
| Interest expenses | 259.3 | 186.8 | 38.8% | 139.7 | 96.5 | 44.8% |
| Net interest income | 101.1 | 57.5 | 75.8% | 52.7 | 27.2 | 93.8% |
| Non Interest income | 67.3 | 42.4 | 58.7% | 36.8 | 27.4 | 34.3% |
| Operating expenses | 147.2 | 75.8 | 94.2% | 77.4 | 43.5 | 77.9% |
| <i>Staff cost</i> | 89.2 | 44.2 | 101.8% | 49.1 | 26.0 | 88.8% |
| Provisions | 10.3 | 4.2 | 145.2% | 8.3 | 2.8 | 196.4% |
| Profit before tax | 10.9 | 19.9 | (45.2)% | 3.8 | 8.3 | (54.2)% |
| Profit after tax | 7.7 | 16.4 | (53.0)% | 1.6 | 6.3 | (74.6)% |

Trend in Net Interest Margin



Trend in Operating Expenses

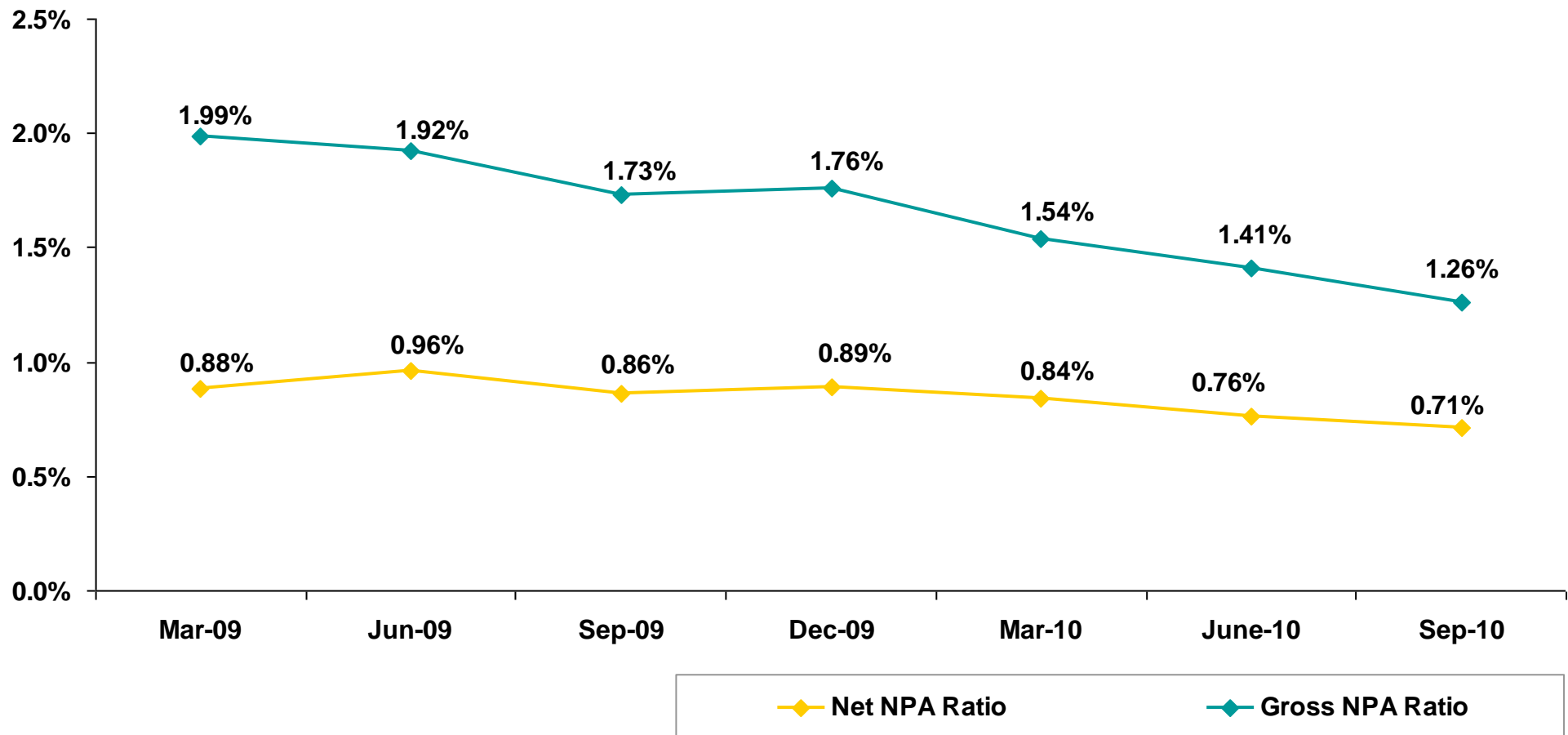


Key Ratios (%)

| | H1 - FY2011 | H1 - FY2010 | Q2 - FY2011 | Q2 - FY2010 | FY2010 |
|------------------------|-------------|-------------|-------------|-------------|--------|
| Cost / Income ratio | 87.41 | 75.82 | 86.52 | 79.71 | 83.29 |
| Credit - Deposit ratio | 74.31 | 71.09 | 74.31 | 71.09 | 70.53 |
| Return on Equity | 1.84 | 7.41 | 0.78 | 5.70 | 5.30 |
| Return on Assets | 0.26 | 0.54 | 0.20 | 0.50 | 0.35 |

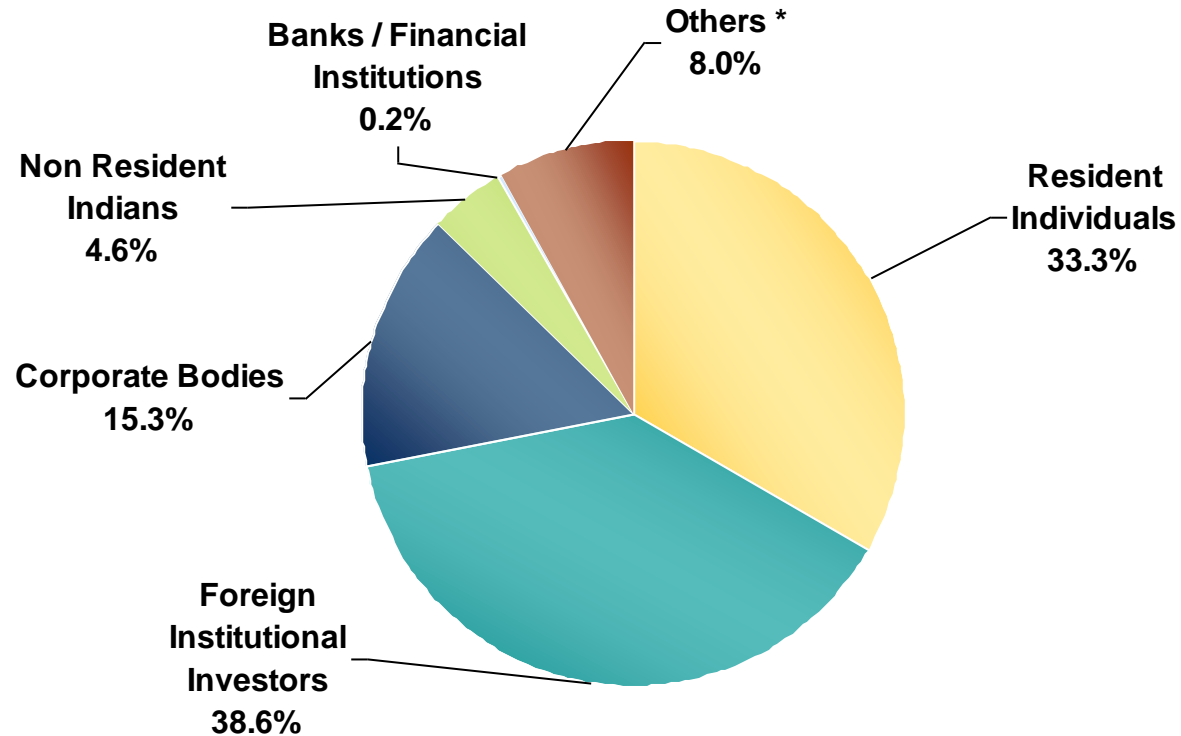
| | Sept 30, 2010 | June 30, 2010 | Mar 31, 2010 | Dec 31, 2009 | Sept 30, 2009 |
|----------------------------|---------------|---------------|--------------|--------------|---------------|
| Gross NPAs (Rs. in crores) | 89.71 | 75.66 | 77.50 | 77.88 | 70.26 |
| Net NPAs (Rs. in crores) | 50.41 | 40.36 | 41.94 | 39.14 | 34.43 |
| Basel I | | | | | |
| Capital adequacy | 13.09% | 10.36% | 12.47% | 13.36% | 14.93% |
| - Tier I | 10.47% | 7.39% | 8.45% | 9.14% | 10.15% |
| Basel II | | | | | |
| Capital adequacy | 14.60% | 11.01% | 12.99% | 14.29% | 15.90% |
| - Tier I | 11.68% | 7.85% | 8.80% | 9.78% | 10.80% |

Asset Quality



Over 44,000 Shareholders form Part of the Dhanlaxmi Family

Shareholding Pattern as at September 30, 2010



* Includes insurance companies, Mutual funds, Trusts and Clearing members

Investment limits for FIIs / NRIs at 49% and 24% respectively



Thank You

Appendix

Experienced Board of Directors

| Name | Age | Total Work Experience |
|---|-----|--|
| Mr. G.N. Bajpai, Chairman | 66 | <ul style="list-style-type: none"> He has served as chairman of LIC and Securities Exchange Board of India (SEBI) |
| Mr. Amitabh Chaturvedi, MD & CEO | 42 | <ul style="list-style-type: none"> He has served as the Group President at Reliance Capital Limited He was also earlier in charge of the Retail Banking group at ICICI |
| Mr. Sateesh Kumar Andra | 41 | <ul style="list-style-type: none"> He is on the board of start-ups like Metromela Internet Services Private Limited, Ginger Soft Media Private Limited, Pressmart India Limited and Metrikus India Private Limited, started by young and first generation entrepreneurs He was the Promoter and CEO of EUCLID software, a leading provider of Business Intelligence for IT He is engaged as venture partner with DFJ (Draper Fisher Jurvetson) India, which lends support to enterprising entrepreneurs |
| Mr. Ghanshyam Dass | 57 | <ul style="list-style-type: none"> He was the Managing Director of NASDAQ QMX for Asia Pacific until February 2009 He was also the CEO of British Bank of Middle East in India & Majan International Bank in the Sultanate of Oman. Currently, he is the Senior Advisor of KPMG and Advisor, Intel Capital |
| Mr. Shailesh Haribhakti | 53 | <ul style="list-style-type: none"> A C.A. by qualification, he is the only Indian Member on the Standards Advisory council of the IASB. He is the Chairman of FPSB, India. He is a Committee member of Futures & Options segment of NSE, SEBI Committee on Disclosure and Accounting Standards, Managing Committees of ASSOCHAM & IMC, and Corporate Governance Committees of ASSOCHAM & CII. He has been awarded "The Best Non Executive Independent Director Award - 2007" by the Asian Centre for Corporate Governance and IMC in Jan 2008 |
| Mr. S. Santhanakrishnan | 64 | <ul style="list-style-type: none"> He retired as Deputy Managing Director of SBI after 36 years of service He was also the executive Chairman of Credit Information Bureau (India) Limited (CIBIL) |
| Mr. K. S. Reddy | 56 | <ul style="list-style-type: none"> He has been in Indian Civil Services for over 16 years and worked in Ministries of Planning and Programme Implementation, Food Processing Industries, Defense, Communications, Welfare and Tourism and Civil Aviation |
| Mr. Vidyadhara Rao Chalasani | 64 | <ul style="list-style-type: none"> An additional / independent director on board He has over three decades experience in financial services. Currently, he is the Director of Advice America (California, USA). During 1987-2000, he was the chief investment strategist of Wachovia Securities |

New Execution Focused Management Team

| Management Team | Designation | Previous Organization | Experience (yrs) |
|---------------------------|--|---|------------------|
| Amitabh Chaturvedi | <i>Managing Director & CEO</i> | Reliance Capital, ICICI Bank | 19 |
| Bipin Kabra | <i>Chief Financial Officer</i> | Reliance Capital, ICICI Bank, SBI | 18 |
| Manish Kumar | <i>Head - HR & CSR</i> | ICICI, Reliance, IDFC | 15 |
| Rajeev Deoras | <i>Head - Wholesale Banking</i> | Kotak Mahindra Bank, ICICI Bank, SBI | 25 |
| P. G. Jayakumar | <i>Head - Credit</i> | Dhanlaxmi Bank | 32 |
| Salil Datar | <i>Head - Branch Banking</i> | ICICI Bank | 19 |
| S. Balasubramanian | <i>Head - Trade & Advances</i> | Kotak Mahindra Bank | 23 |
| Arvind Hali | <i>Head - Retail Assets</i> | Reliance Capital, GE Money, Standard Chartered Bank | 12 |
| Muralidharan R. | <i>Head - Operations & IT</i> | BRICS Online Services, ICICI, SBI | 24 |
| H. Rangarajan | <i>Head - Planning</i> | Syndicate Bank | 35 |
| Asok Hastagiri | <i>Head - Integrated Risk Management</i> | Arthur Andersen & Co. | 24 |
| Sheran Mehra | <i>Head - Marketing</i> | Barclays, HSBC | 11 |
| Deepak Singh | <i>Head - Insurance & Gold</i> | HDFC | 14 |

- **Recruited senior management, largely from new private sector and foreign banks**
- **Introduction of ESOPs (6% of the total equity)**
- **Increase in manpower to 4,508**

New Execution Focused Management Team (Cont'd.)

| Management Team | Designation | Previous Organization | Experience (yrs) |
|---------------------------|--|-----------------------------------|------------------|
| Gopikumar V. | <i>Head - IFIG & Trade Finance (Sales)</i> | ICICI Bank | 28 |
| Mini Nair | <i>Head - Finance & Accounts</i> | Raheja QBE GIC | 13 |
| Jaya Janardanan | <i>Head - Banking Operations</i> | BRICS Online Services, ICICI Bank | 14 |
| Ashwini Naik | <i>Head - Retail Asset / Credit Card Ops.</i> | ICICI Bank, IDBI | 13 |
| Sandeep Wirkhare | <i>Head - Retail Credit & Policy</i> | Reliance, ICICI Bank | 16 |
| D. A. Dhanajaya | <i>Head - Broking & MF Distribution</i> | Reliance Money | 11 |
| Sachin Saraf | <i>Head - Infrastructure</i> | HSBC, ICICI Bank | 13 |
| Manish Sarraf | <i>Head - Treasury</i> | Citibank, Siemens | 18 |
| Anand Gupta | <i>Head - Alternate Channels</i> | ICICI Bank | 14 |
| Rajrishi Singhal | <i>Head - Policy & Research</i> | Economic Times | 24 |
| Ramesh Padmanabhan | <i>Head - Credit Mid-Office</i> | ICICI Bank | 20 |
| J. Renganathan | <i>Head - Credit Sanction</i> | SBI | 24 |
| P. S. Ravikumar | <i>Head - Inspection & Vigilance</i> | Dhanlaxmi Bank | 31 |
| Ravindran Warriar | <i>Head - Company Secretary</i> | Keltron | 24 |
| S. Suresh Kumar | <i>Head - Credit Monitoring & Review</i> | UBI | 30 |



Evolution into a Contemporary and Modern Brand Identity

Past



Re-Branded



Unified Brand Presentation



Branches - Old Look



Branches - New Look



ATMs

Old Look



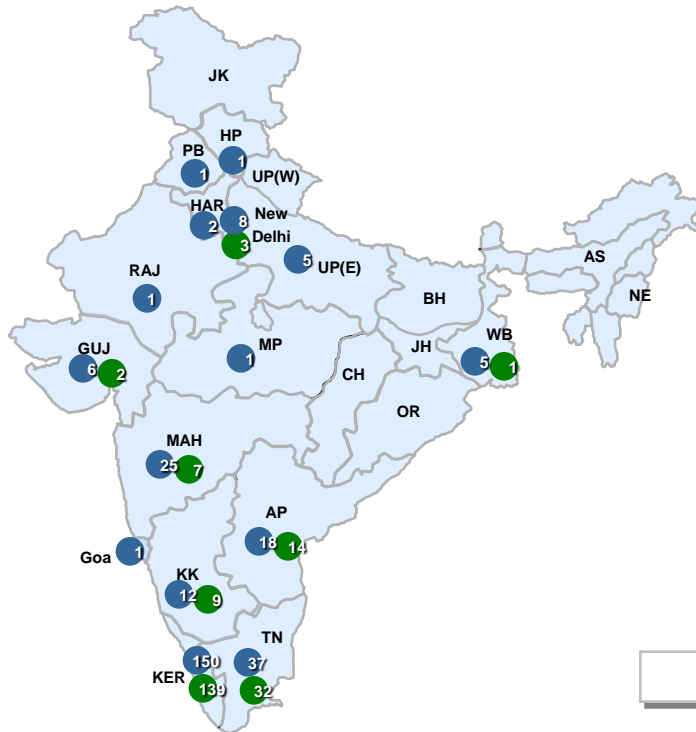
New Look



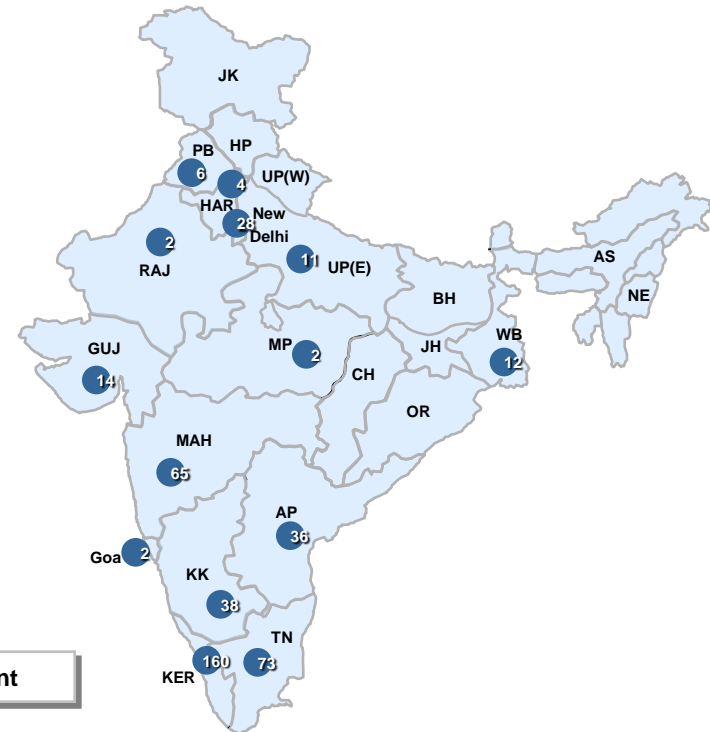
Augmentation of Customer Touch Points



Branch Network



ATM Touch Points



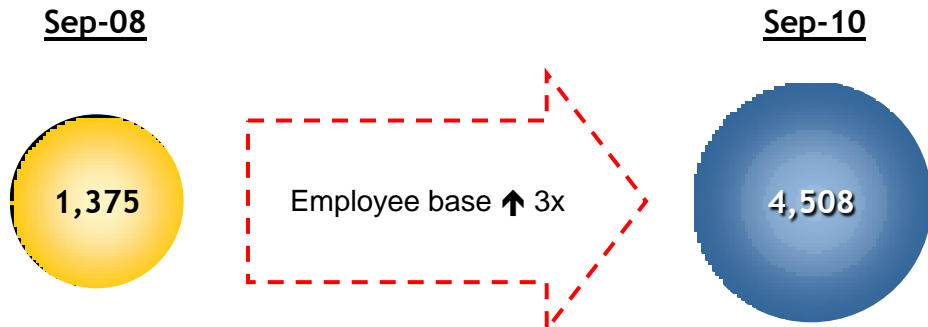
● Past ● Present

| | |
|--------------------------------|--|
| Branch | Branch network will expand to 275 (currently 274) by December 2010, covering 140 locations |
| ATM | Increase from 72 (March 2009) to 452 (currently) - No. of transactions rose from 1.7 lakhs p.m. to over 4 lakhs p.m. |
| Internet Banking | Retail banking transactions have increased by 5x in October 2010 vis-à-vis December 2009. |
| Mobile Banking | Launched on 7 th December 2010 |
| Customer Contact Centre | To launch IVR, Voice, Email, Chat in FY11 |

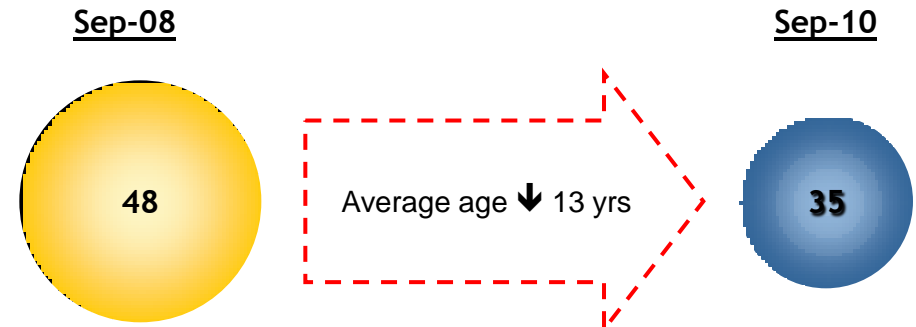
Total touch points more than doubled to 726 from 280 as at June 2009

A New and Young Employee Base

Strengthening Customer Interface



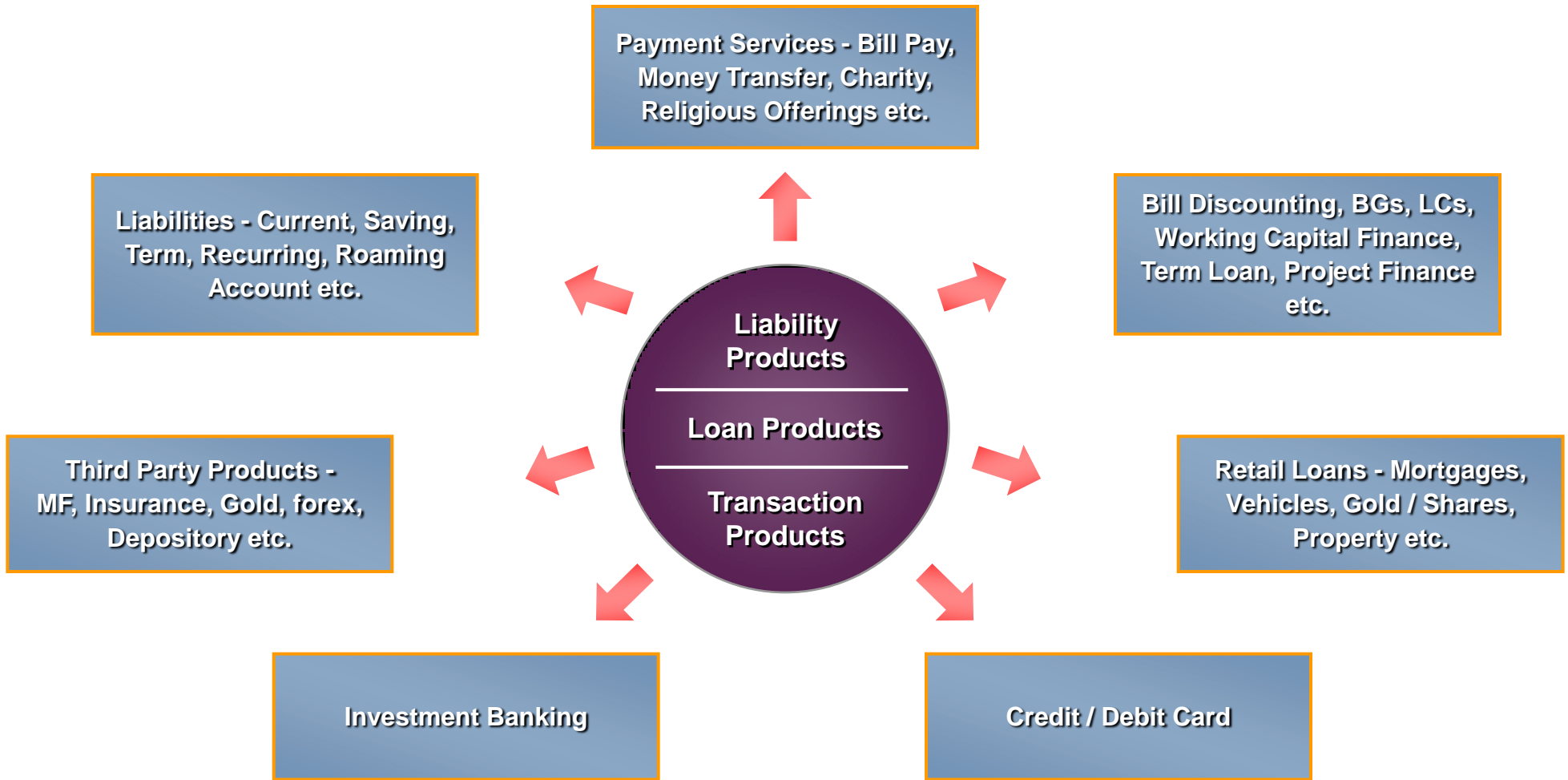
Average Age of Employee



- *Average age of new recruits - ~29 years*
- *Unionized workforce reduced to less than 25%*
- *Redeployment of employees to improve productivity*
- *Invested in workforce training*



Product Suite - Created an Extensive Bouquet of Services



New initiatives for enhanced customer acquisition



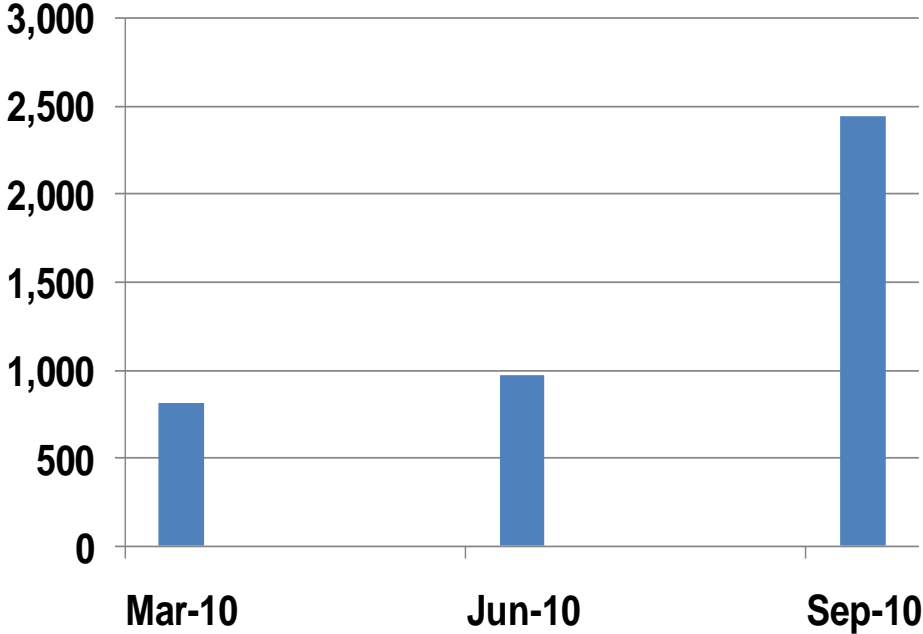
Secured Category of Retail Asset Business

Retail Asset Products launched in July 2010

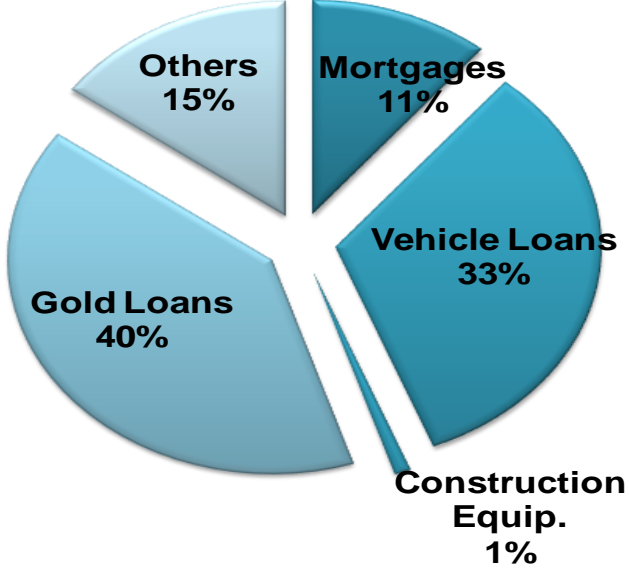
- **Mortgages**
 - Home Loan, Commercial Property
 - LAP, LRD
- **Vehicles**
 - Commercial vehicles
 - Dealer funding
 - Auto loan
- **Construction Equipment**
- **Loan against Gold / Securities**

Launched Credit Cards' business in March 2010

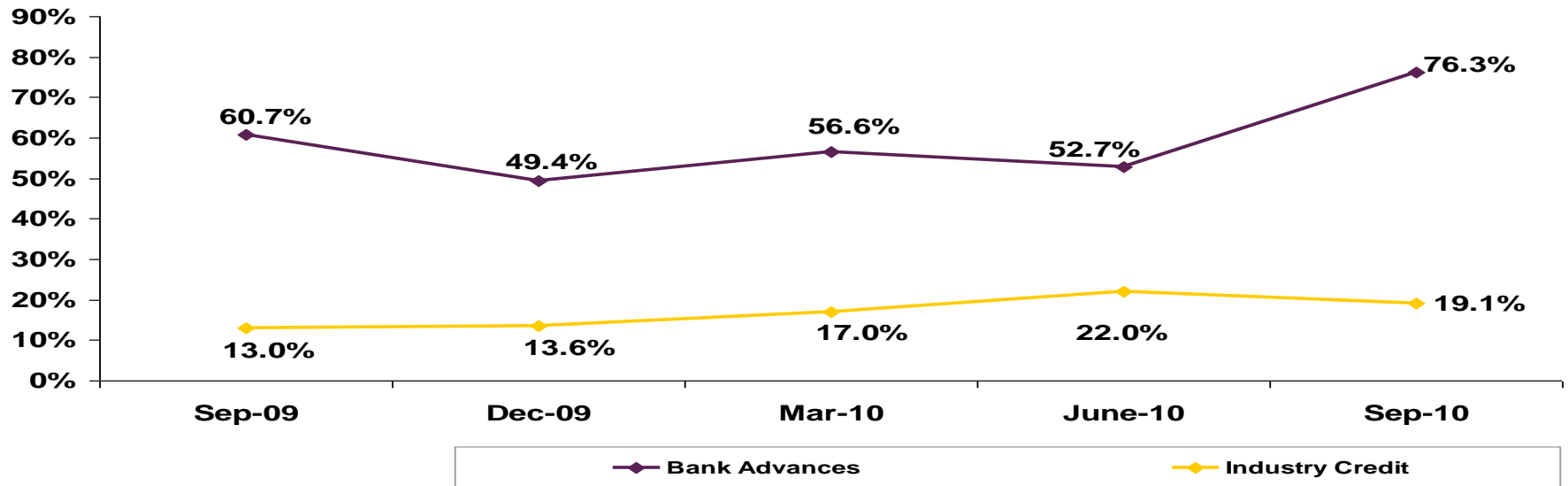
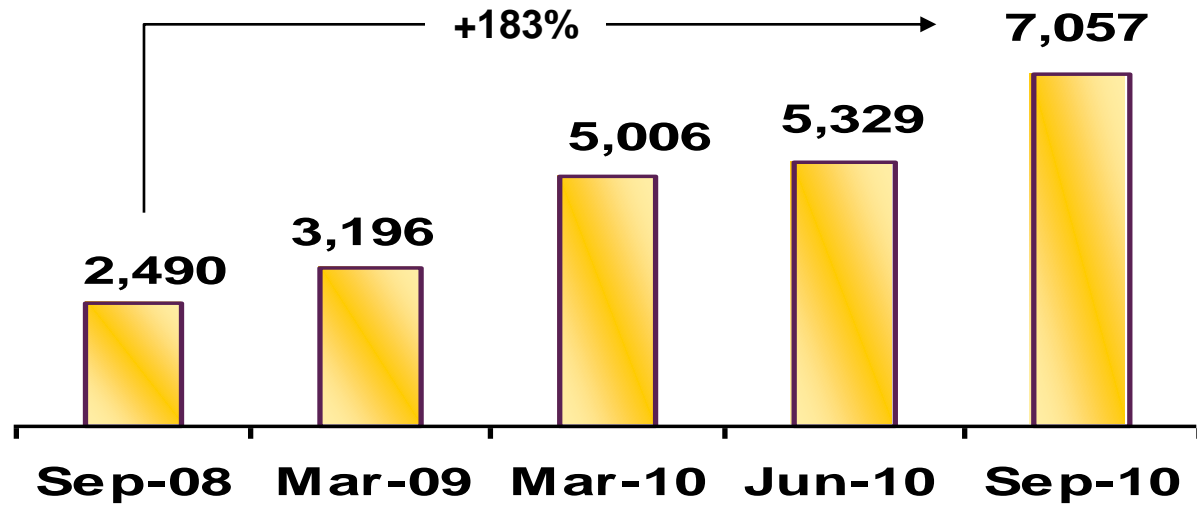
Retail growth and share of various sub-segments (Sept 30, 2010)



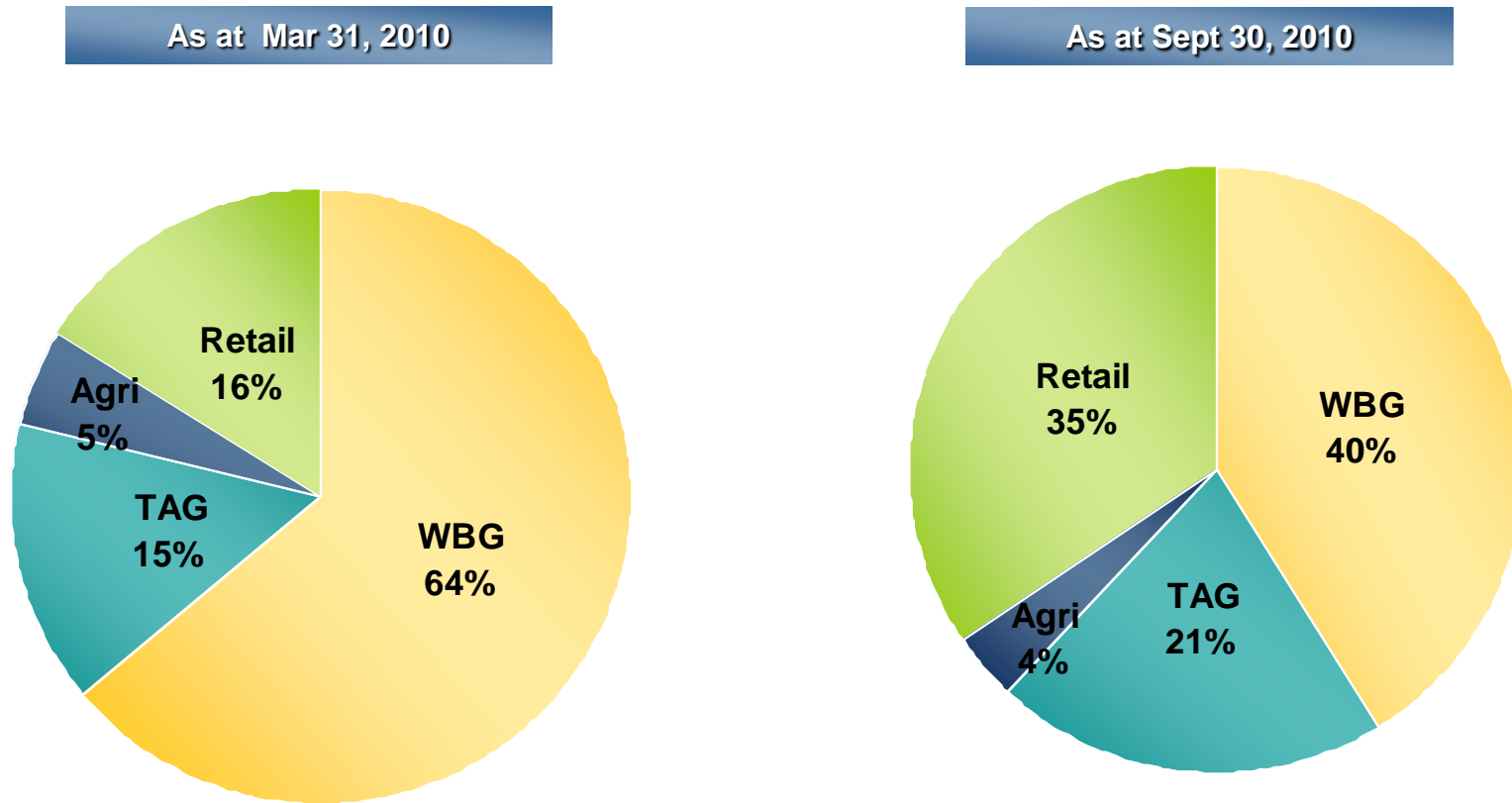
■ Business size (Rs. in crores)



Revamp towards a favourable business mix on track - Growth in loan book



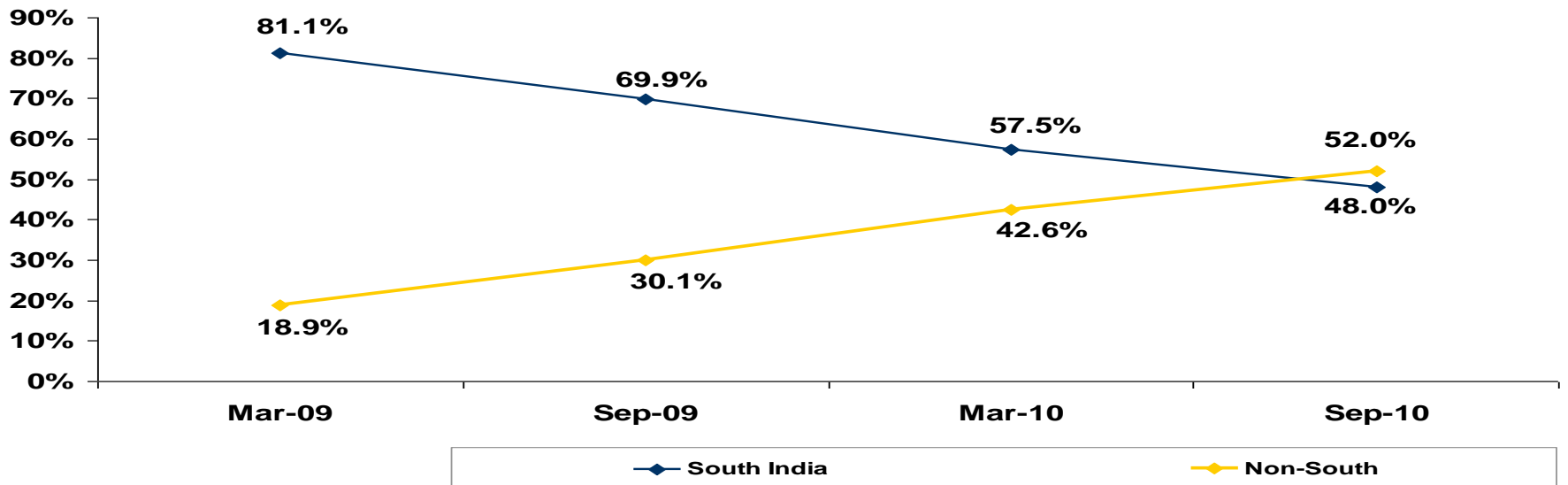
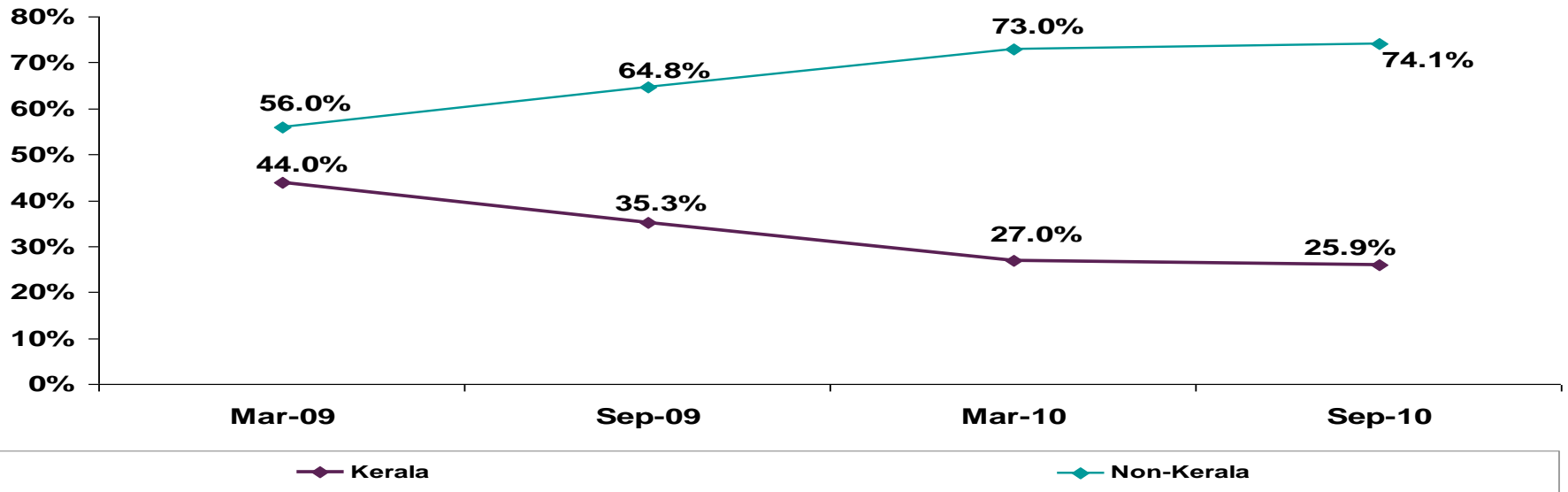
Revamp towards a favourable business mix on track - Loan book de-risked



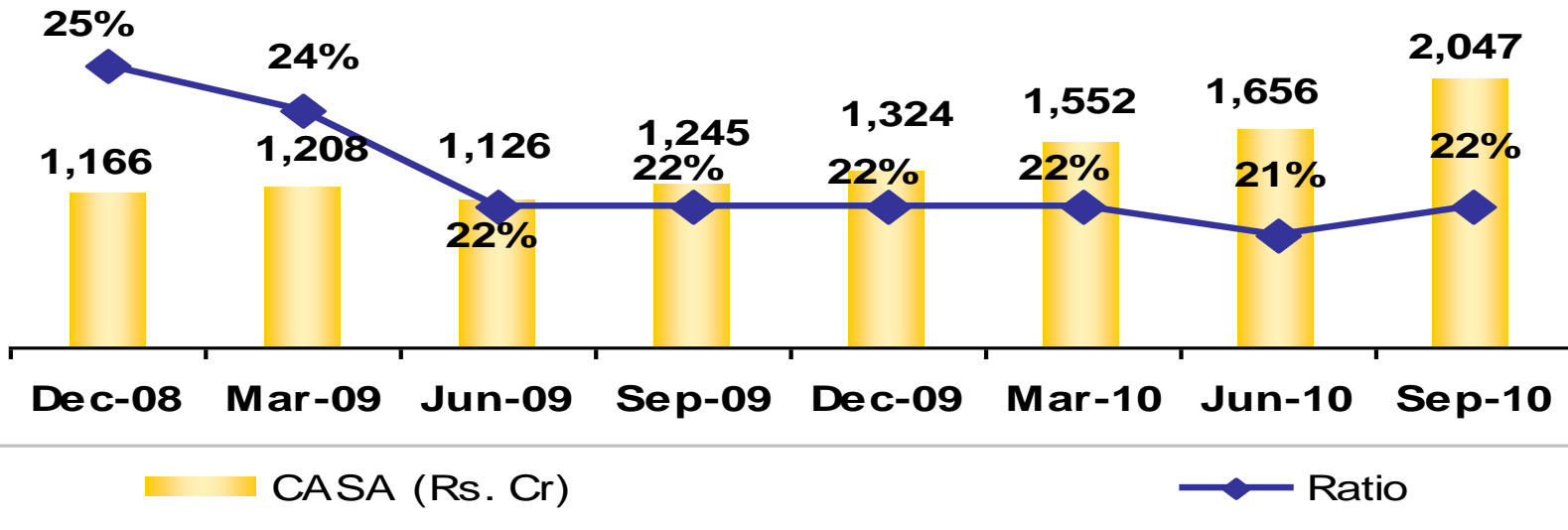
- Share of retail segment has increased in FY 2011
- In the medium term, we target to achieve a “near” equal share of all three segments in the overall loan portfolio



Revamp towards a favourable loan mix on track - Region-wise



Revamp towards a favourable business mix on track - Liabilities



- **Change of culture at Branches from Lending to Liabilities**
- **Approx. 39% of the incremental liabilities from new branches**



Leverage our Multichannel distribution network

- **Insurance distribution tie up with Bajaj Allianz**
 - **Business rose to Rs. 44 crores in Q2 - FY11 (10 crores in Q2 - FY10)**
 - **No. of policies increased to 22,022 in Q2 - 2011 from 5,654 in Q2 - 2010**
- **MF product distribution tie-ups with ICICI Prudential, Kotak, UTI, Fidelity & HDFC**
 - **Over 21,000 mutual fund accounts opened in Q2 vis-à-vis 9,059 in Q1 - 2011**
 - **2nd largest private sector bank in terms of fresh SIPs mobilised in Sept and Oct 2010 (CAMS)**
- **Strengthened existing relationship with Destimoney Securities**



Business volumes vis-à-vis personnel and branch infrastructure

| Particulars | Banking sector in India | Private Sector Banks | Dhanlaxmi Bank |
|-----------------------|-------------------------|----------------------|----------------|
| Business per employee | 8.7 crores | 8.0 crores | 3.7 crores |
| Advances per branch | 48.6 crores | 60.9 crores | 25.8 crores |
| Deposits per branch | 66.0 crores | 79.2 crores | 34.8 crores |
| Cost per employee | 10.6 lakhs | 12.4 lakhs | 8.2 lakhs |

Considering the above banking sector averages, our current employee and branch infrastructure is sufficiently capable to generate the following business volumes:

| Business | Average utilisation of current capacity |
|----------|---|
| Advances | 13,000 crores |
| Deposits | 18,000 crores |
| Business | 31,000 crores |



Revamp of Technology and Operational Processes

- **Moving to a Managed Data centre model to free branch time**
 - 62% of the branch time is now free to focus on customer acquisition and service
- **CBS architecture was already in place**
 - **Upgraded to the latest version of Flex Cube**
- **End-to-end online tracking system of account opening forms**
- **KYC compliance ensured for all past customers**
- **Centralisation of CASA opening produced remarkable improvement in KYC compliance**
- **Bank carried out successful rollout of**
 - Loan Flow software, Treasury and Risk Management software
 - Oracle Financial, Payroll System etc.

Branch Activities Vs DCS / RPCs Centralised Activities

