



years of trust

Investor Presentation

November 2011

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Agenda

1

Industry Overview

2

Renewed Dhanlaxmi - Balanced Franchise

3

Financial Highlights

4

Business Strategy

DhanlaxmiBank
established 1927

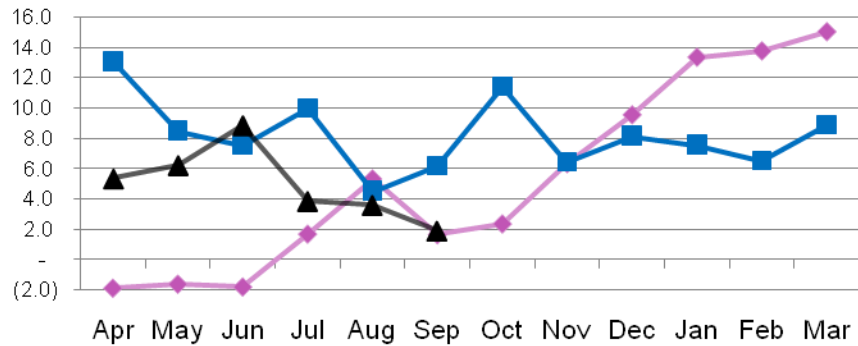


Industry Overview



Moderating Economy – Inflation remains sticky

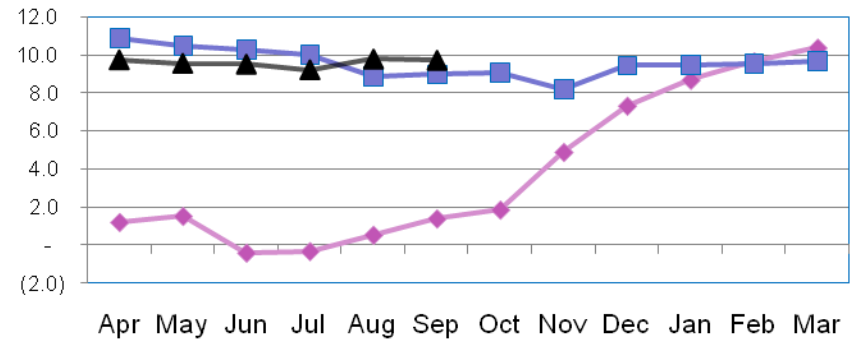
Movement in IIP (%)



Source: RBI

◆ FY10 ■ FY11 ▲ FY12

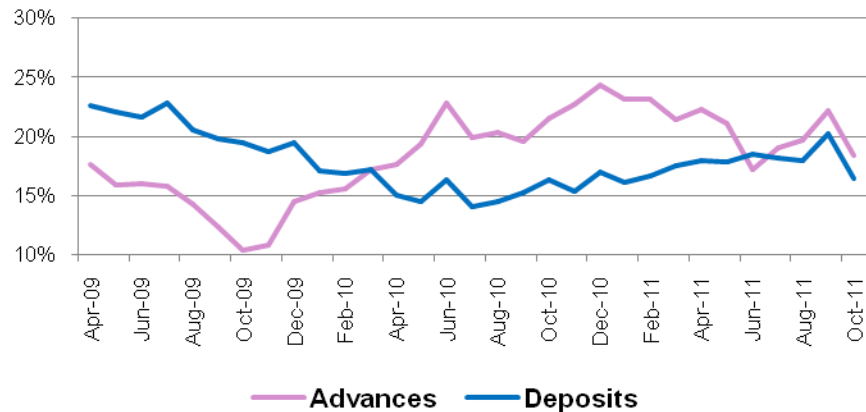
Movement in WPI (%)



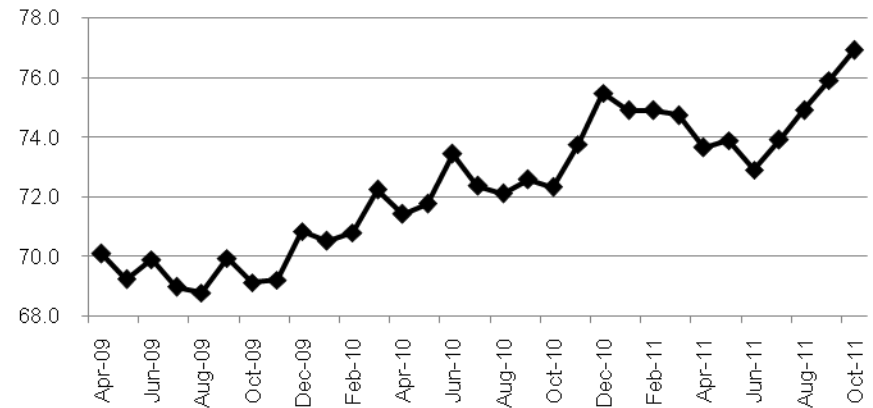
Source: RBI

◆ FY10 ■ FY11 ▲ FY12

Growth in Advances & Deposits (y-o-y%)

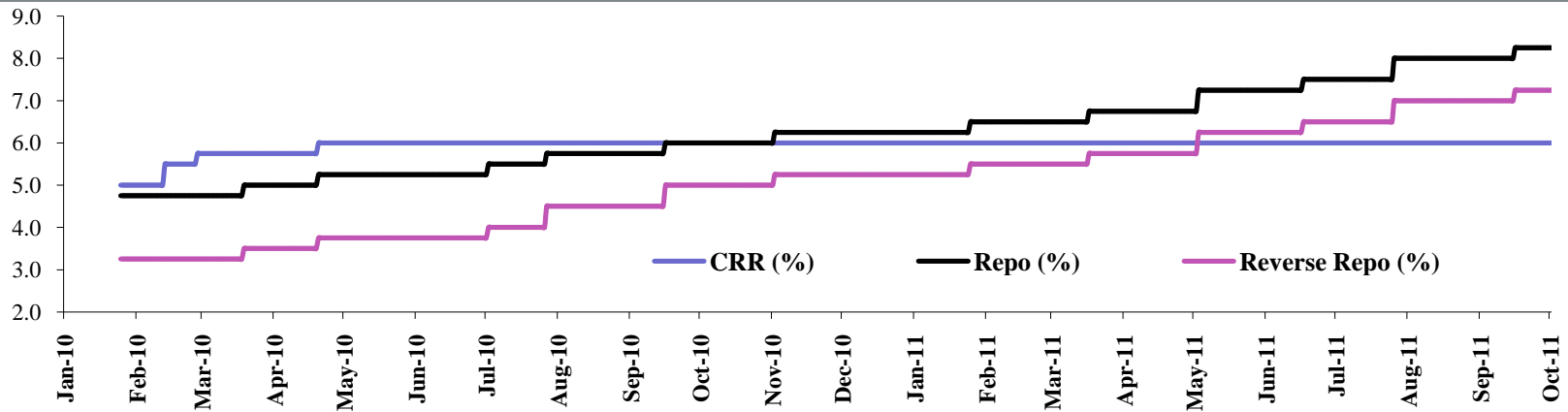


Movement in Credit-Deposit Ratio (%)



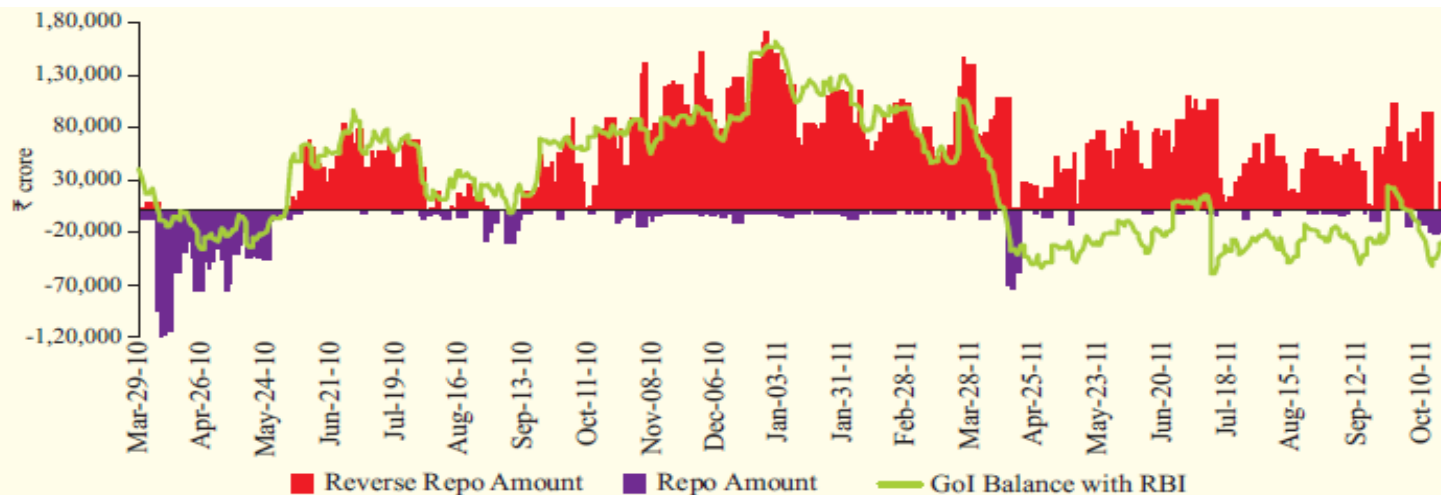
Monetary Policy Tightening Continues

RBI's Policy Rate Movement - 13 rate hikes since January 2010



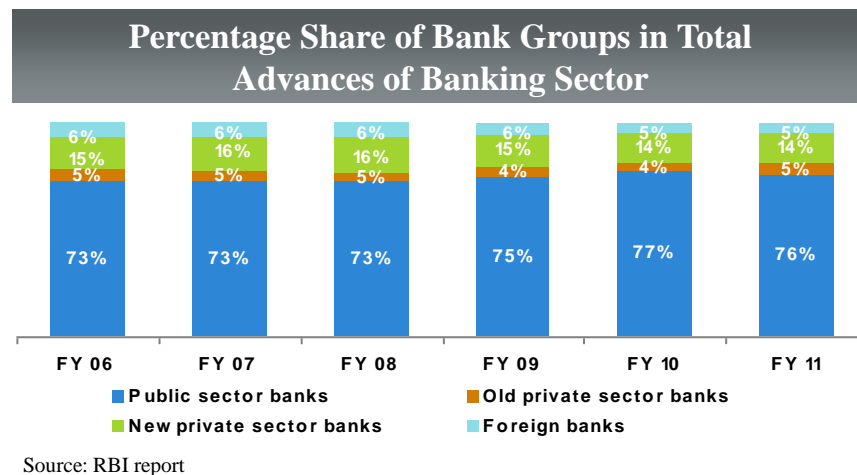
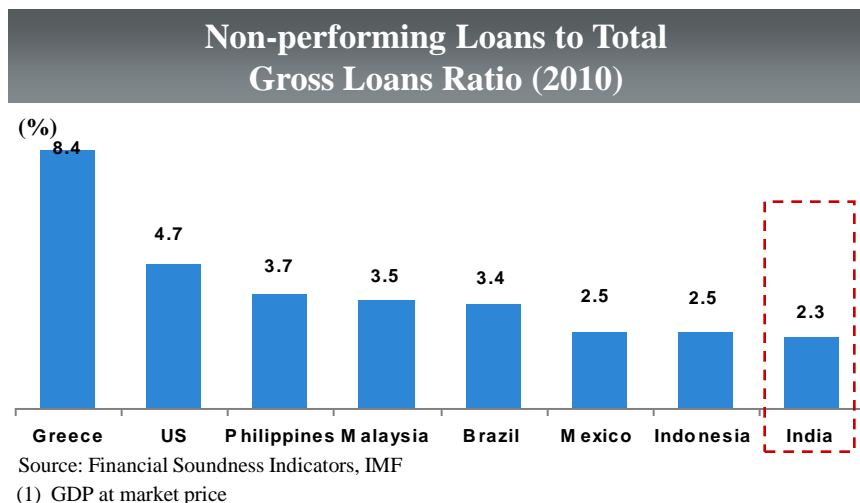
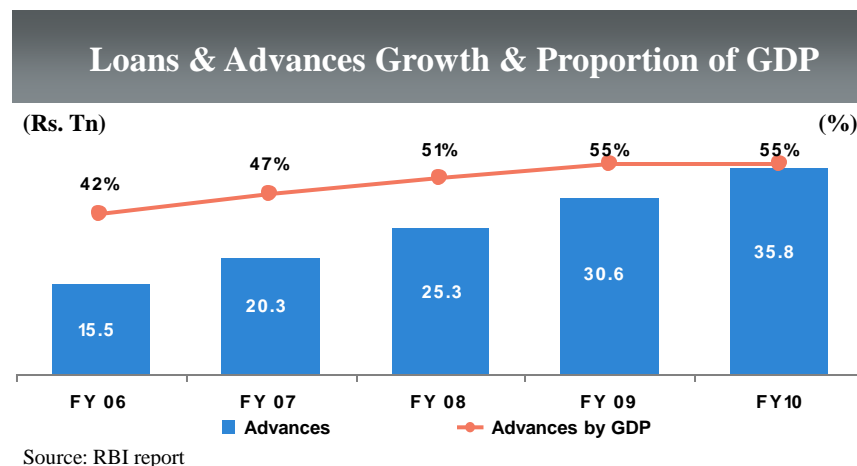
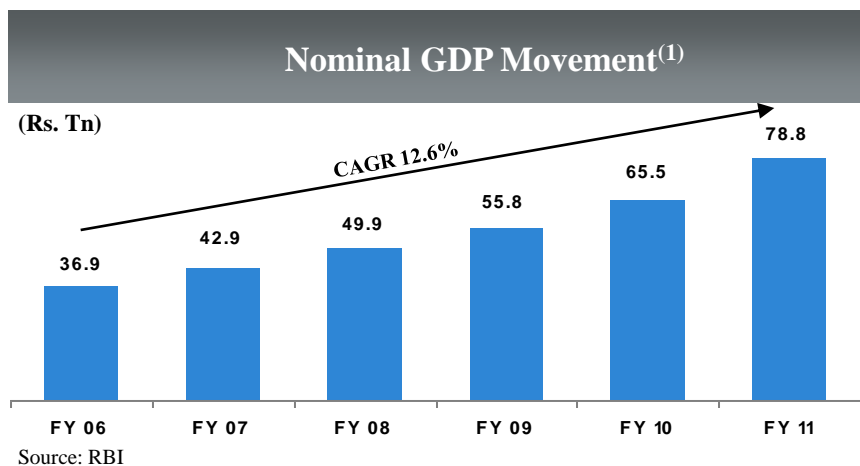
Source: RBI

Liquidity remains in deficit mode mirroring the increase in the Centre's cash deficit



Strong Macro Growth Potential still remains

- Advances as proportion of GDP have shown an increasing trend
- India has one of the lowest NPA ratio's compared to its international peers
- Proportion of old private sector banks in total advances has remained constant over the years



DhanlaxmiBank
established 1927



Renewed Dhanlaxmi



Brief Overview

History

- 85 years history, incorporated at Thrissur, Kerala in 1927

Growth

- Total asset base rose to Rs. 165 billion as at September 30, 2011 (+44%) on a y-o-y basis

Breadth

- A broad customer base of 2 million+ as at September 30, 2011

Reach

- 140 locations in 14 states

Strength

- Robust Asset Quality
- New Management with contemporary outlook

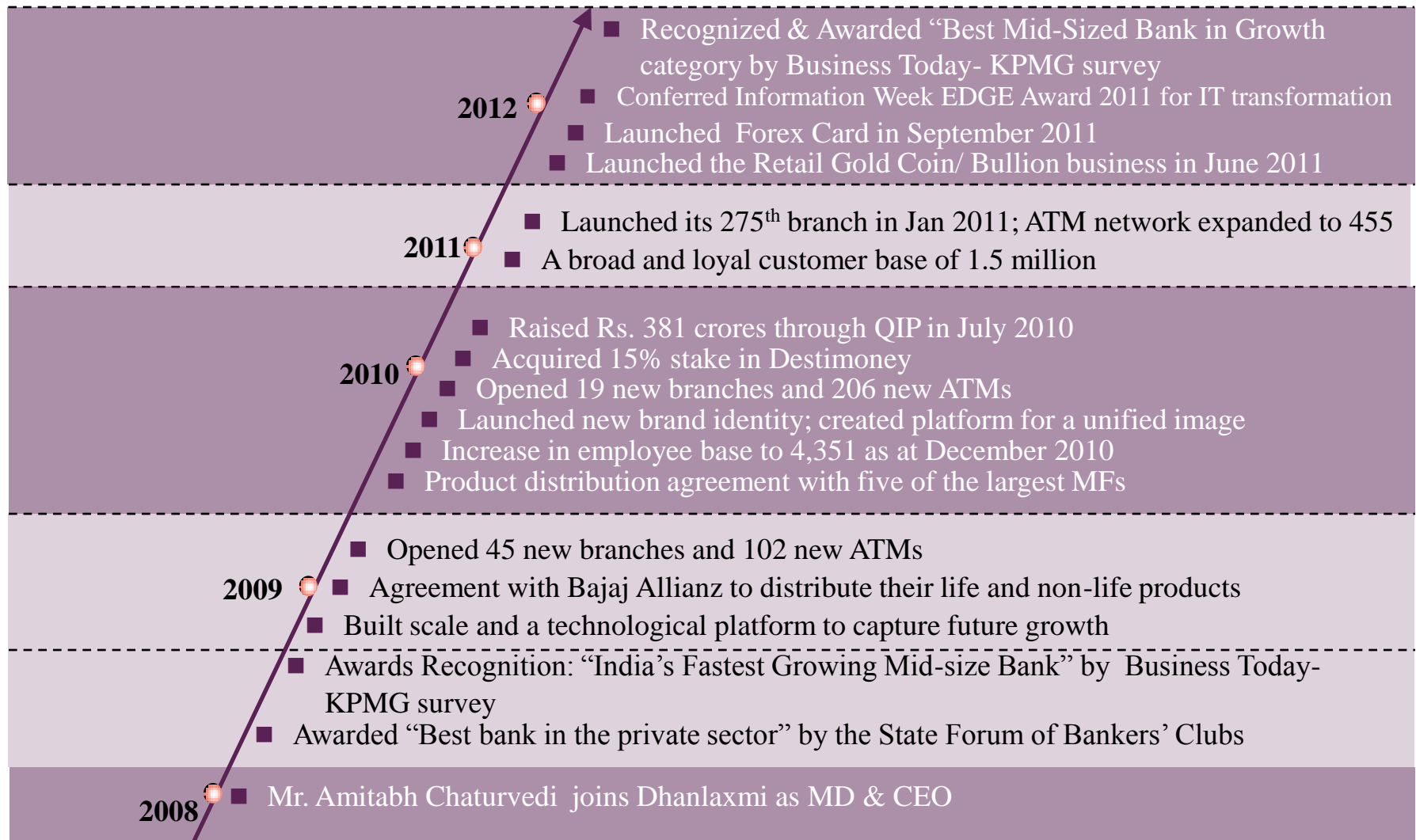
Capacity

- Vibrant workforce of 4,779 employees
- A network of 275 branches & 425 ATMs

Market Position

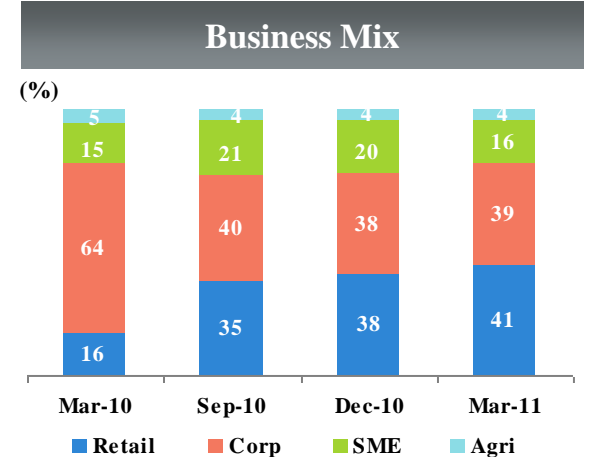
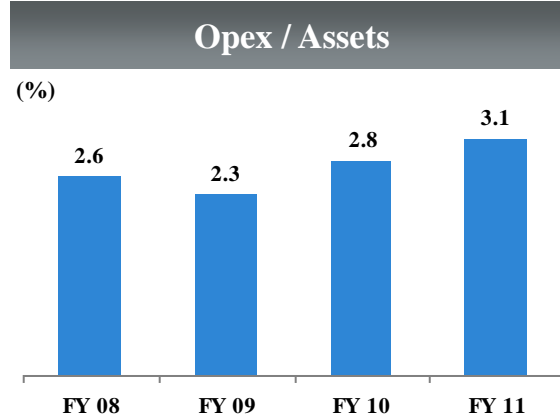
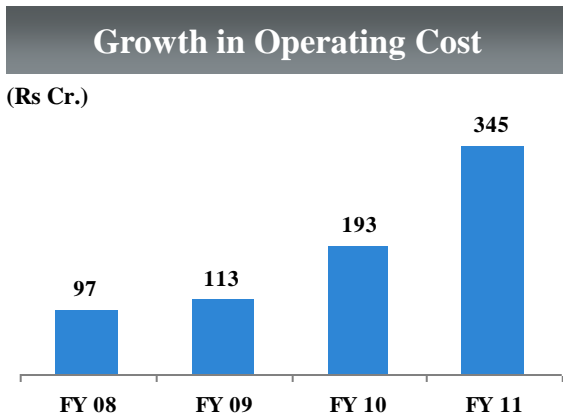
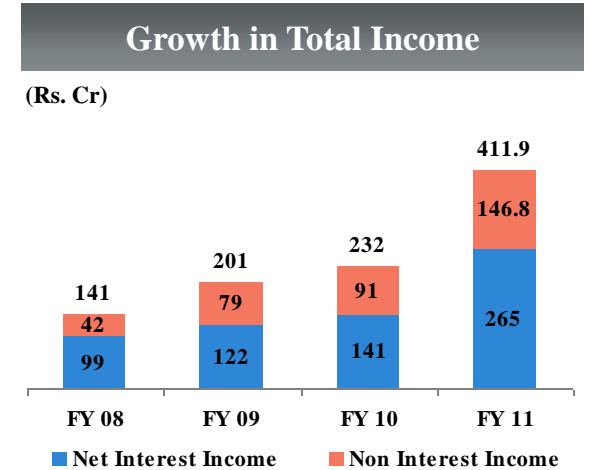
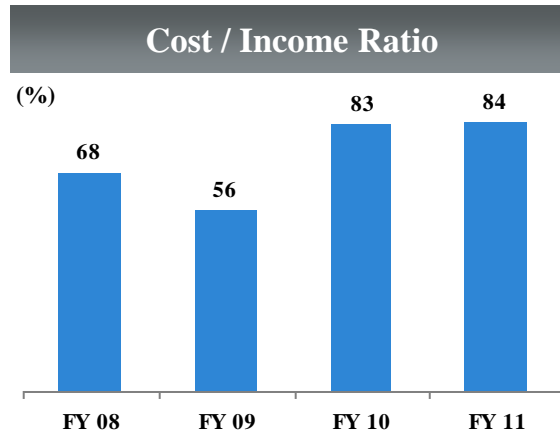
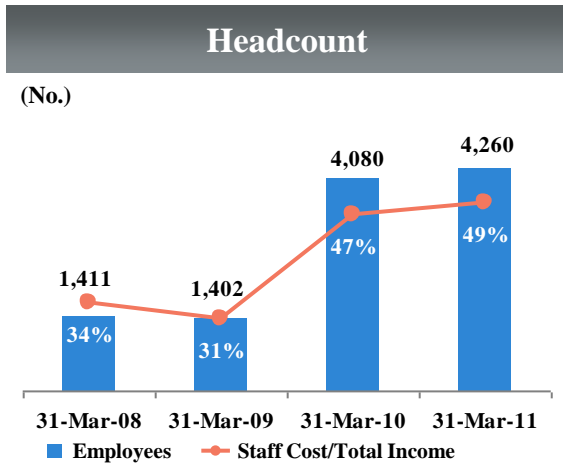
- Emerging nationwide banking franchise

New Management - Milestones



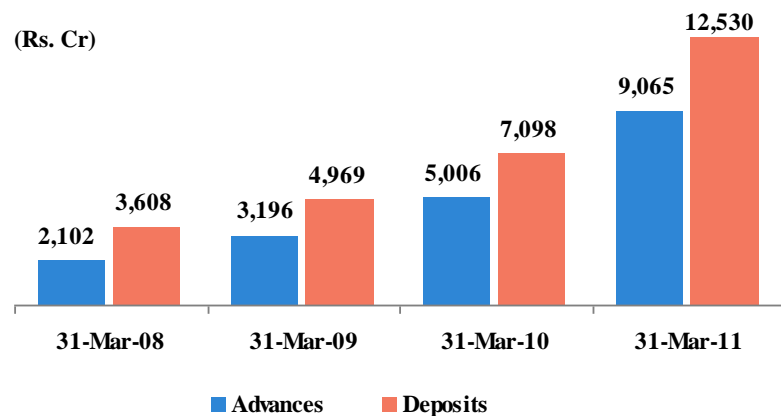
Changing Gears

- Organization restructuring, branch expansion, technology upgradation and specialized staffing - ***Completed***
- Initiated & strengthened alternate channels since Mar'09 - ATMs, Internet Banking, Mobile Banking and IVR
- Investment in modern and aspirational branding exercise - ***Completed***

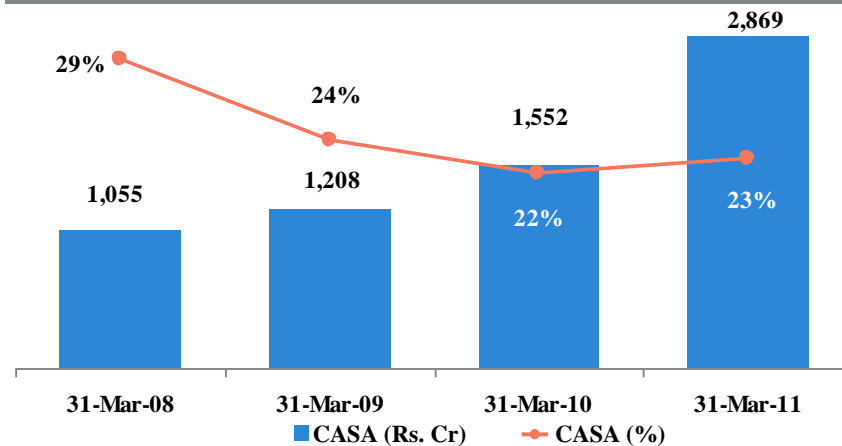


Re-Booting the Franchise

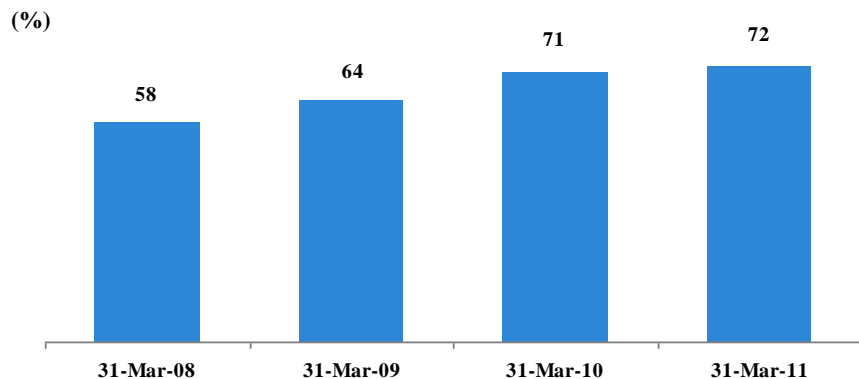
Advances and Deposits



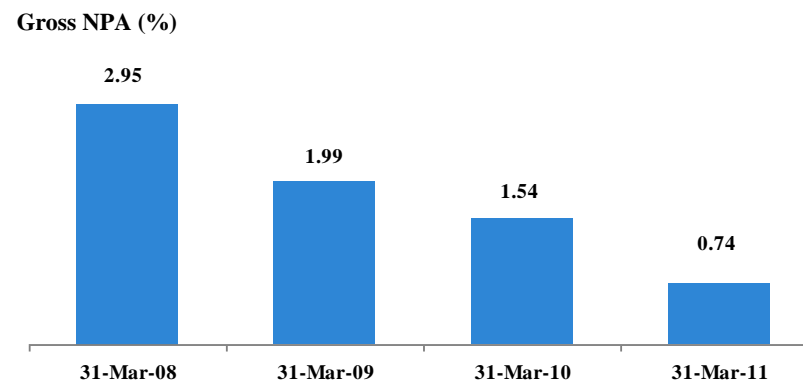
CASA



Credit Deposit Ratio



Asset Quality



Front-ended Investments to provide Long Term Structurally Strong Franchise

Product Suite - Created an Extensive Bouquet of Services

← Across Product Spectrum →

Retail Loans - Mortgages, Commercial Property, Loan against Property, CE Financing, Dealer Financing, Auto Loan, Loan against Gold / Securities

Wholesale Banking - Working Capital Finance, BGs, LCs, Bills Discounting, Term Loans, Project Finance

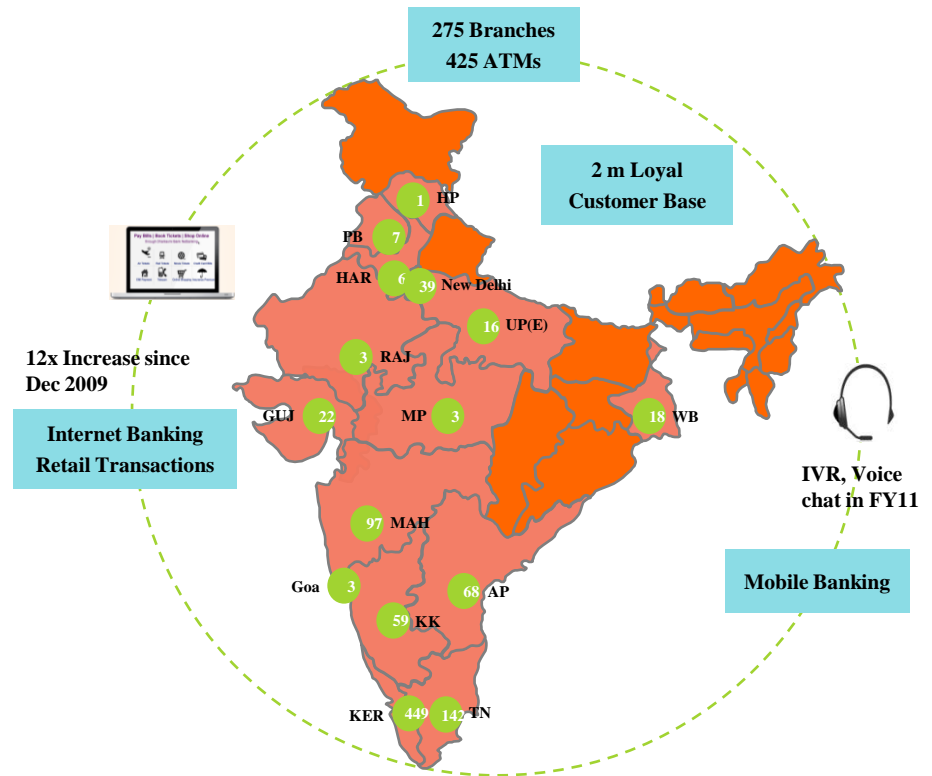
SME Group / Microfinance & Agriculture, Credit Card, Debit Card

Third-Party Products - MF, Insurance, Forex, Depository, Online Brokerage, Retail Gold Coins, Forex card etc.

Liabilities - Current, Saving, Term, Recurring, NRI, Roaming Account etc.

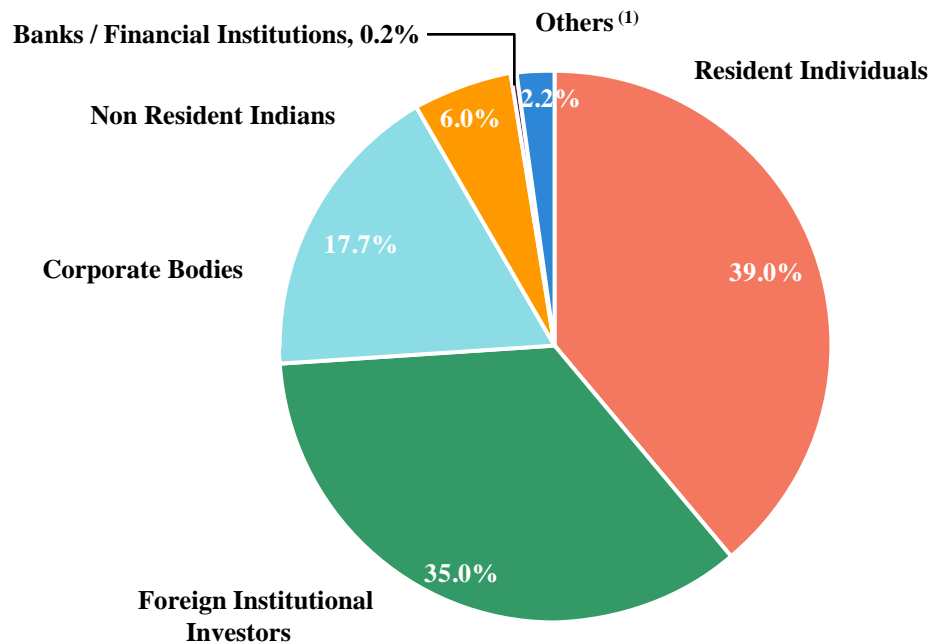
Payment Services - Bill Pay, Money Transfer, Charity, Religious Offerings, Mobile Banking etc.

Customer Touch Points (Almost 3x in 18 Months)



Nearly 68,000 Shareholders Form Part of the Dhanlaxmi Family

Shareholding Pattern as at September 30, 2011



Top FII Shareholders	% stake
<i>Tiaa-CREF</i>	4.3
<i>India Max Investment Fund Ltd</i>	3.6
<i>Lotus Global Investment Ltd</i>	3.5
<i>Rhodes Diversified</i>	3.3
<i>Elara India Opportunities Fund</i>	3.1
<i>HSBC Indian Equity Mother Fund</i>	2.5
<i>Bessemer India Capital Partners</i>	2.1
<i>BNP Paribas Arbitrage</i>	2.1
<i>Swiss Finance Corporation</i>	1.6
<i>Jupiter India Fund</i>	1.2

Investment limits for FIIs / NRIs at 49% and 24% respectively
 FIPB approval received – FDI limit at 74%

(1) Includes insurance companies, Mutual funds, Trusts and Clearing members



Reincarnation

1

Perception change: From SME focused regional Bank to a well diversified pan India bank

2

Sharpening Focus: Well Defined Business Segments

3

New brand identity with increase in customer touch points

4

Change in management profile: A younger work force

5

Revamped Risk organization

6

Robust technology platform

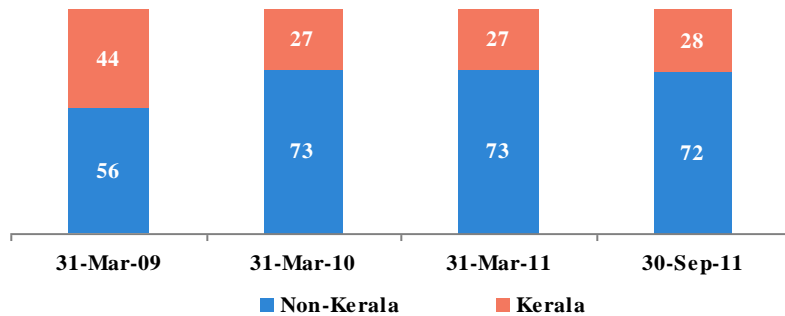
7

Ability to leverage multi-channel distribution network & strengthen fee income

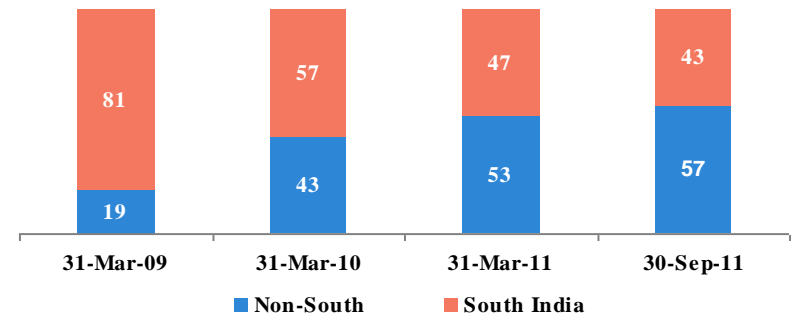


Loan Book

By State (%)

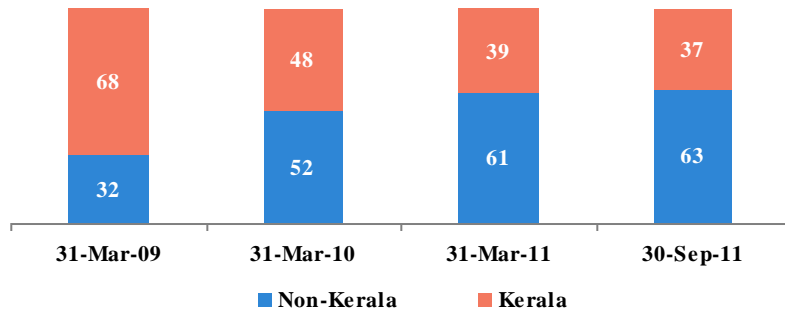


By Geographic Region (%)

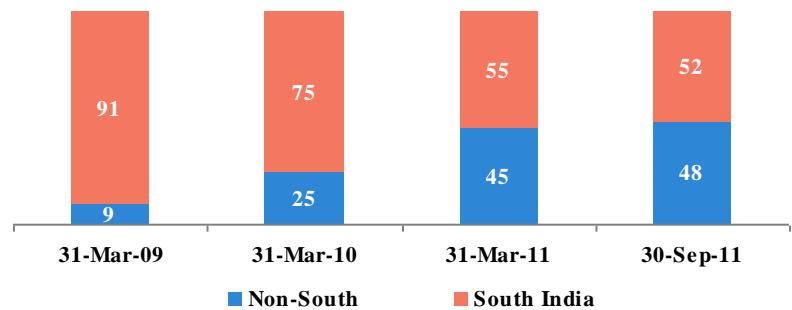


Deposits

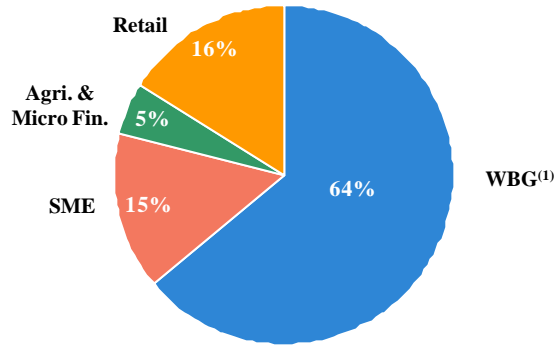
By State (%)



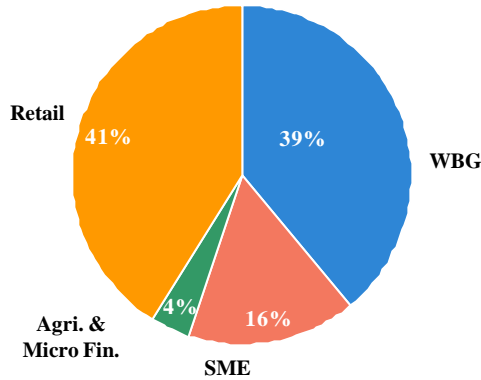
By Geographic Region (%)



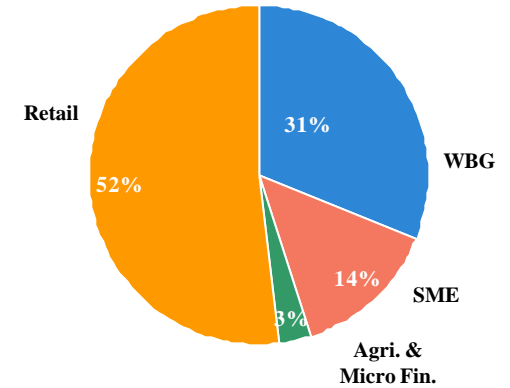
As at March 31, 2010



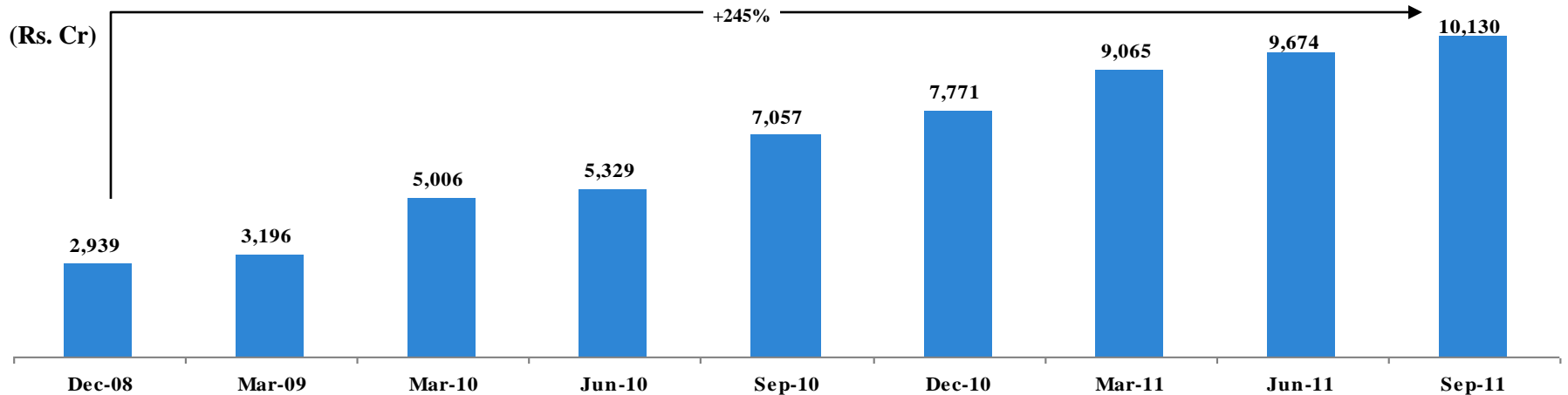
As at March 31, 2011



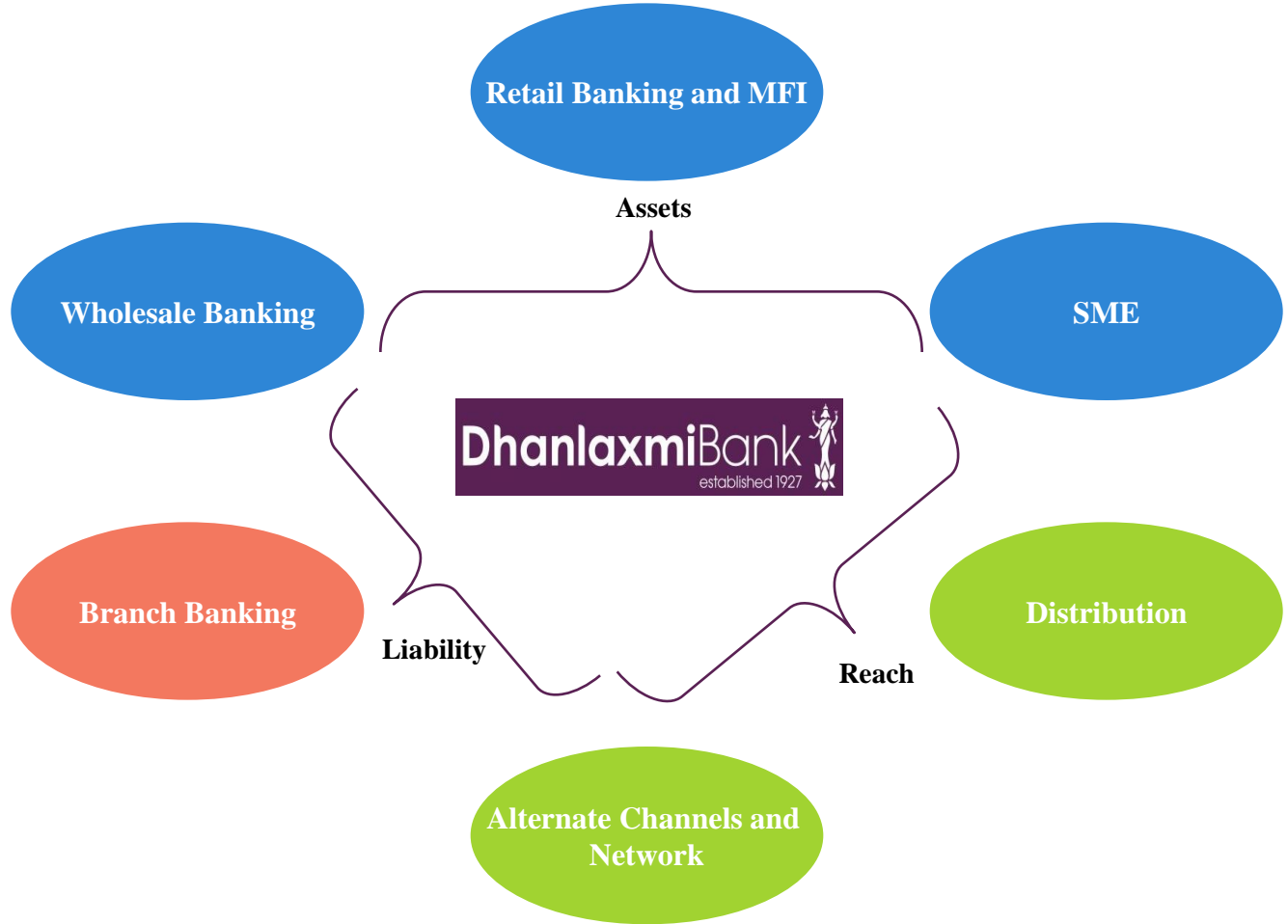
As at September 30, 2011



Total Advances



(1) Wholesale Banking Group;



Phase I: Establishing the Franchise

- Strategy based on targeting low risk, high volume business
- Customers with high credit worthiness
- Focus on geographical diversification

Phase II: Deep Mining of Existing Relationships

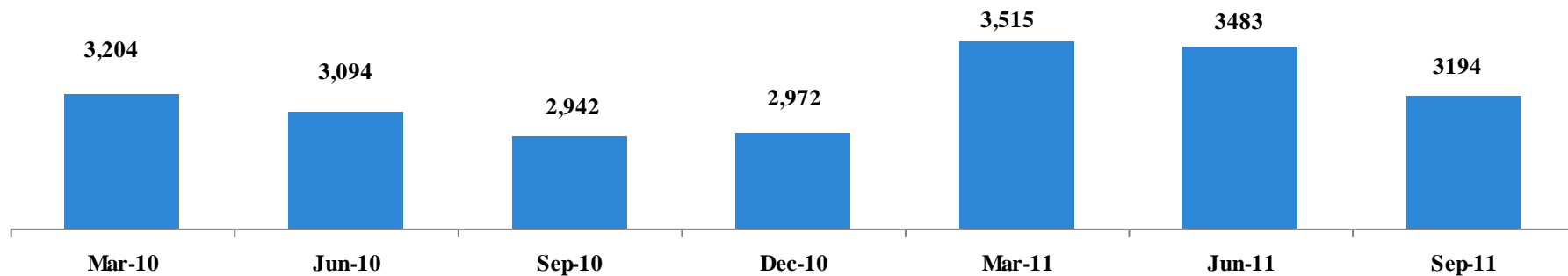
- Aim to Replace Low income portfolio with High income products
- Increased focus on cross-sell-trade, forex and CMS products
- To grow fee income by increasing Non-fund based business
- Focus on Tier II companies

Phase III: Way Forward

- Repricing of low yielding portfolio;
- Move from fixed to variable and risk-based pricing
- Increased focus on Non-fund based business
- Selective use of structured loans to improve fee based income
- Measured risk with higher income

Wholesale Book Size⁽¹⁾

Rs. Cr



(1) Net book, adjusted for provisioning



Overview

Capability

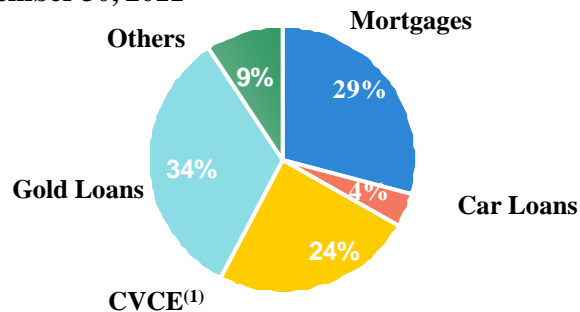
- Launched the complete suite of products under retail assets
- Infrastructure built across various cities covering 239 locations pan India
- Strong distribution network with 700+ channel partners
- Acquired quality manpower across all locations

Achievement

- Built a brand image among customers and channel partners as a rapidly emerging player
- Augmenting tie-up with builders for property loans & consumer finance
- Among the Top 3 private sector banks in terms of monthly disbursal of gold loans

Split of Loan Book

As on September 30, 2011



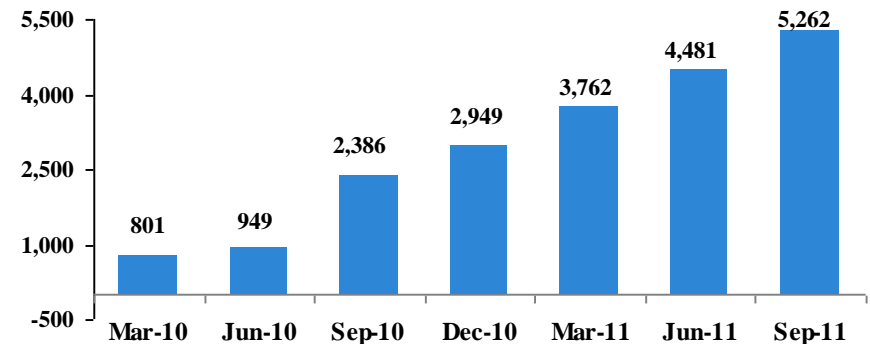
(1) CVCE: Commercial Vehicle & Construction Equipment

Strategy going forward

- Strengthen tie-ups with reputed manufacturers & dealers for vehicle equipment finance and dealer funding
- Unlock potential of nation wide branch presence by reach a wider customer base and building a low cost portfolio
- Focus on specific product mix tilted towards creating a secured portfolio under the self employed customer segment
- Higher penetration in high yielding product for better rate & Fee income
- Niche in self-employed segment
 - Higher ticket size
 - Lower loan-to-value
 - Higher cross sell potential
 - Not rate sensitive
 - Sticky loyal segment

Retail Book Size

(Rs. Cr)

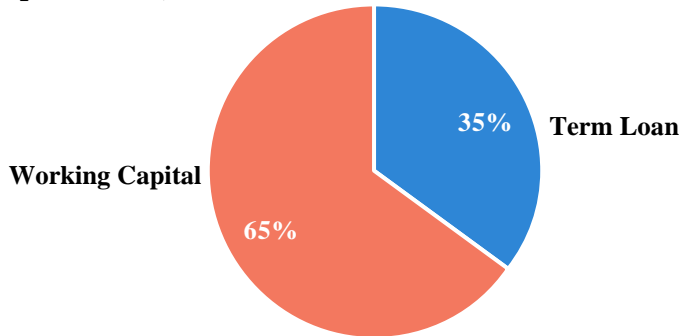


Overview

- Dedicated new team of ~100 members in place
- Continuous re-pricing of portfolio in line with risk-reward analysis
- Proposal turnaround time reduced by ~50% following the establishment of a dedicated SME credit team of ~50 members
- Deepened existing relationships through customer-wise segmentation leading to increase in the use of classic SME products
- Improved pan-India penetration with increased traction from non-Kerala geographies

Product Segmentation

As on September 30, 2011

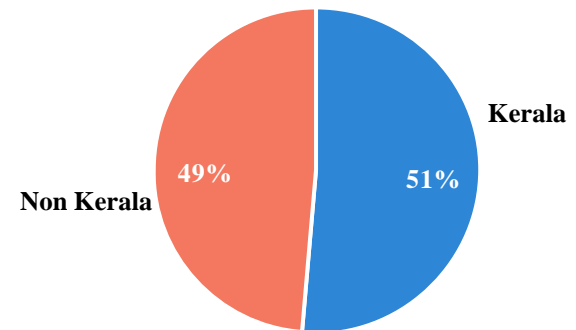


Strategy going forward

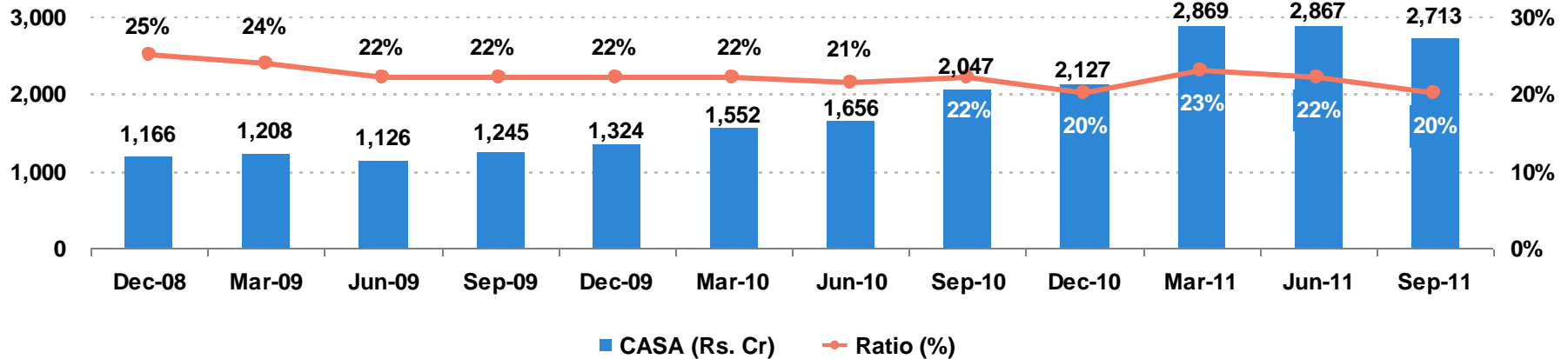
- Expanding nationwide presence
- Improving the number of new-to-bank customers and deepening existing relationships
- Focus on cross-selling, upselling, trade and transaction banking opportunities to improve fee-based income
- Expanding the Transaction Banking footprint beyond the existing 8 pan-India locations
- Repricing of portfolio in line with industry trends
- Sharper credit due-diligence and use of early warning signals to maintain/improve asset quality

Portfolio : Region-Wise

As on September 30, 2011



Revamp Towards a Favorable Business Mix on Track - Liabilities



- 27% of the incremental liabilities have been contributed by the new branches (25% of the total branches)
- Share of premium accounts in overall CASA acquisition rose from 15% in FY 2010 to 68% in H1FY 12
- Rate of New Customer Acquisition (NCA) rose to around 650 per day
- 42% of total deposit base are retail deposits (<Rs. 1 crore)
- Entered into an alliance with HSBC Global Pay to provide an EDC terminal & a Current A/c to merchant establishments
- Gold & Platinum debit cards for the premium variants were launched
- *Ranked #7th among all banks in terms of subscription amount collected across issues (equity & debt) by Prime Database for the half year ended September 30, 2011 in Non-ASBA*



New brand identity with increase in customer touch points

Evolution into a Contemporary and Modern Brand Identity

Past



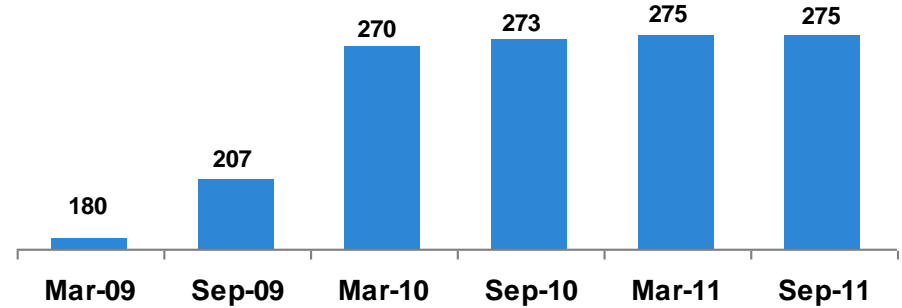
Re-Branded



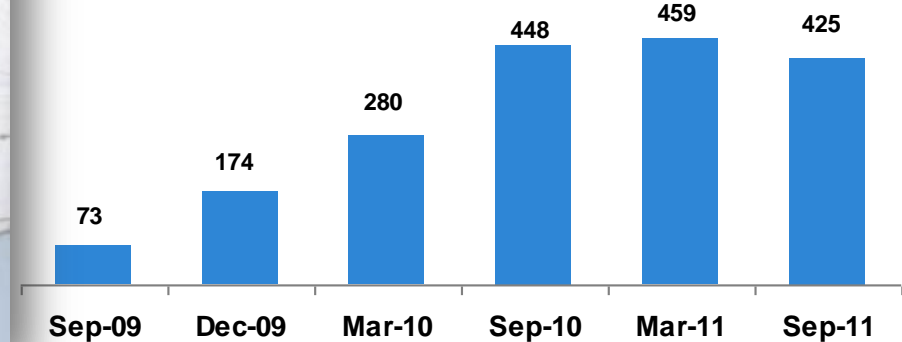
New Look of Branches











Branches



ATMs



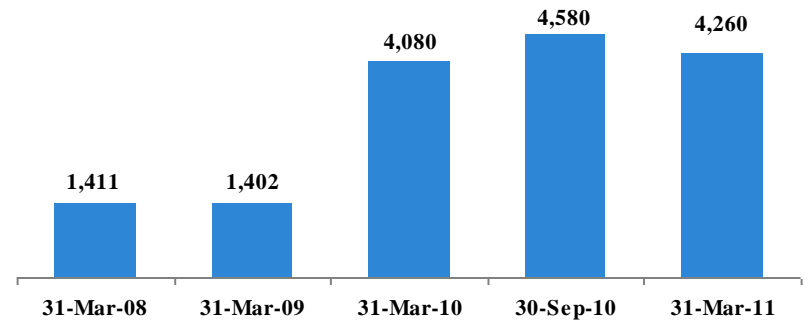
Professional Board - Focused on Transparency and Governance

	Name	Age	Total Work Experience
	Mr. G.N. Bajpai <i>Chairman</i>	69	<ul style="list-style-type: none"> He has served as chairman of Life Insurance Corporation of India (LIC) and Securities Exchange Board of India (SEBI)
	Mr. Amitabh Chaturvedi <i>MD & CEO</i>	43	<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	43	<ul style="list-style-type: none"> He is on the board of start-up s 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	59	<ul style="list-style-type: none"> He was the Managing Director of NASDAQQMX 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	55	<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 a warded "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	58	<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	67	<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

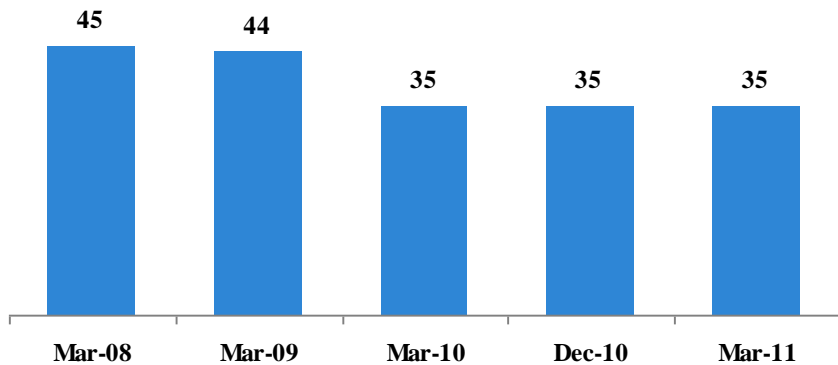
Re-Energized Workforce

- Increased work force to match growth in business
 - Adding product and functional experts, feet on street
- Average age brought down - re-energizing Dhanlaxmi
- Key functional heads brought in from leading Indian private sector bank / foreign banks
- No major recruitments expected in medium term
- Focus on improving the productivity of existing workforce

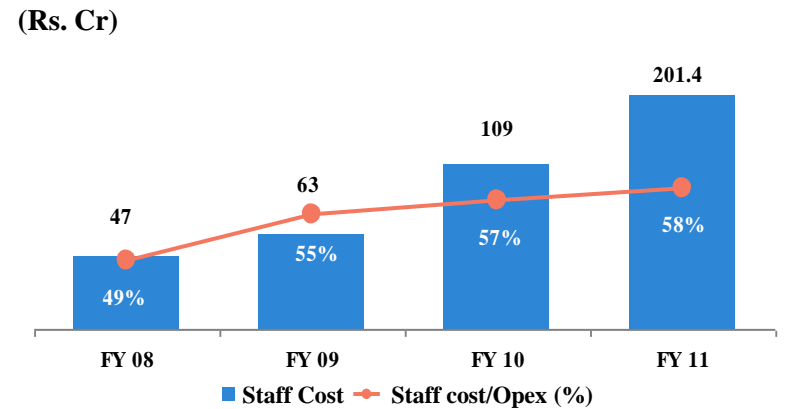
Increase in Employee Base



Age Profile



Staff cost / Opex



Risk Philosophy of Dhanlaxmi Bank

- Development of policies, processes and procedures based on risk tolerance, revenue and profitability expectations
- All policies, processes and procedures to be approved by PPAC / ORMC⁽¹⁾
- Establish clear Authority, Responsibility, Rules, Procedures for effective operation and administration of credit portfolio through usage of technology
- Effective technology enabled review, control and reporting mechanism
- Risk measurement and risk mitigation of individual assets
- Central v/s Decentralization keeping in consideration risk monitoring, control and business turnaround time
- Maker - checker concept introduced and implemented

Portfolio Monitoring

MIS Reporting	Internal Audit	External Audit	Portfolio Triggers
<ul style="list-style-type: none"> ■ Compliance Reporting ■ Trend Analysis ■ Exception Reporting ■ Senior Management Reporting ■ Process Quality Reporting 	<ul style="list-style-type: none"> ■ Policy Adherence ■ Process Audit ■ Data Accuracy ■ Documentation / KYC ■ Hindsight Activities 	<ul style="list-style-type: none"> ■ Annual Financial Inspection by RBI ■ Statutory Audit 	<ul style="list-style-type: none"> ■ Product Exposure ■ Scheme Exposure ■ Collateral Exposure ■ Segment Exposure ■ Customer Exposure ■ Delinquency ■ Bounce ■ NPA

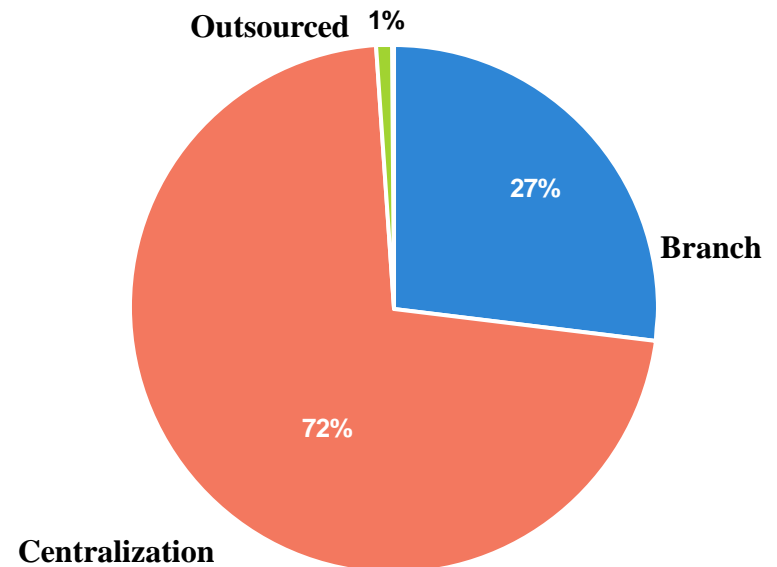
(1) PPAC: Product and Process Assessment Committee ; ORMC: Operational Risk Management Committee



Revamp of Technology and Operational Processes

- **Moving to a Managed Data centre**
- **Centralization of non customer facing transaction model to free branch time**
 - 72% 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**
- **Robust DR/BCP including live testing**
- **Centralization of CASA opening produced improvement in KYC compliance**
- **Bank carried out successful rollout of**
 - Loanflo software, Treasury and Risk Management software
 - Oracle Financial, Payroll System etc.
- **Disaster Recovery**
- **Data Warehouse rolled out in September 2011**
- **Recently won “Information week”- EDGE award for technology transformation**

Branch Activities Vs DCS / RPCs Centralized Activities



Mutual Fund

- Emerged as a leading private sector bank (distribution) in terms of fresh SIPs mobilized
- Products activated through all 275 branches
- Average balance in the account sourced from an SIP customer is 4x the overall CASA average balance

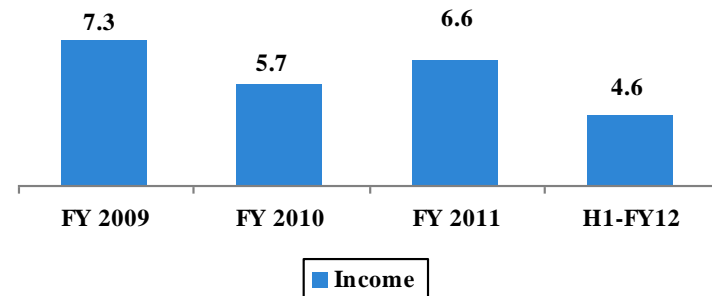
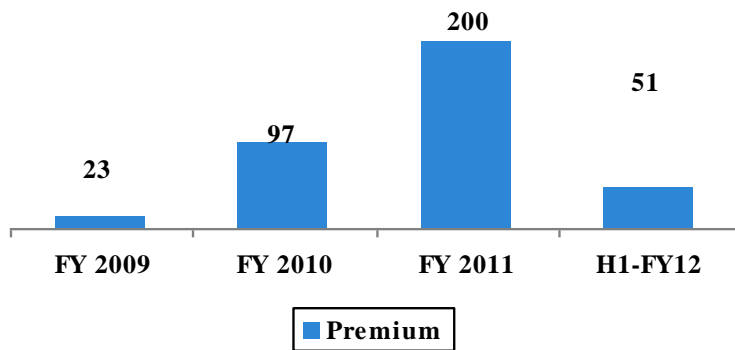
Insurance

- Continued focus on revenue along with the premiums
- Additional focus on "Health" variant in General Insurance
- Aggressive disbursements in CVs and CE segments will help in delivering the premium targets at a faster pace

Driving New Products

- Forayed into gold retailing business with the launch of 'Dhan' gold coins in June 2011
 - Sold ~200kg of gold so far
- Launched the prepaid, reloadable Forex card in September 2011 in 3 currencies – USD, GBP, Euro
 - Can be used at 27Mn terminals
 - Withdraw cash across 1mn ATMs
 - Product already rolled out across 28 locations

Insurance business/income



DhanlaxmiBank
established 1927



Financial Highlights



Balance Sheet

(Rs. in Crores)	Mar 31, 2008	Mar 31, 2009	Mar 31, 2010	Mar 31, 2011	Sept 30, 2011
Capital	32	64	64	85	85
Reserves	140	360	376	759	766
Deposits	3,608	4,969	7,098	12,530	13,815
Borrowings	4	-	121	626	1,285
Other Liabilities	249	250	428	268	501
Total	4,033	5,643	8,087	14,268	16,452
Cash / Bank balance	692	686	750	935	1,261
Investments	1,075	1,567	2,028	3,640	4,409
Advances	2,102	3,196	5,006	9,065	10,130
Fixed assets	47	46	79	134	140
Other Assets	116	147	223	494	511
Total	4,033	5,643	8,087	14,268	16,452

Composition of the Investment Book

Particulars	March 31, 2011		September 30, 2011	
	(Rs. in Crores)	(%)	(Rs. in Crores)	(%)
Held-to-Maturity	2,448	67.3%	3,016	68.4%
<i>SLR</i>	2,326	63.9%	2,910	66.0%
<i>Non - SLR</i>	122	3.4%	106	2.4%
Available for Sale	914	25.1%	1,387	31.4%
<i>SLR</i>	861	23.7%	1,293	29.3%
<i>Non - SLR</i>	53	1.5%	94	2.1%
Held-for-Trading	277	7.6%	6	0.1%
Total	3,640	100.0%	4,409	100.0%

Profit and Loss Statement

(Rs. in Crores)	FY 2008	FY 2009	FY 2010	FY 2011	H1FY12
Interest income	313	408	535	906	682
Interest expenses	214	287	394	641	550
Net interest income	99	122	141	265	132
Non Interest income	42	79	91	147	99
Operating expenses	97	113	193	345	216
<i>Staff cost</i>	<i>47</i>	<i>63</i>	<i>109</i>	<i>201</i>	128
Provisions	6	8	11	28	4
Profit before tax	39	80	28	40	11
Provisions for tax	10	22	4	14	3
Profit after tax	28	57	23	26	8

Key Ratios (%)

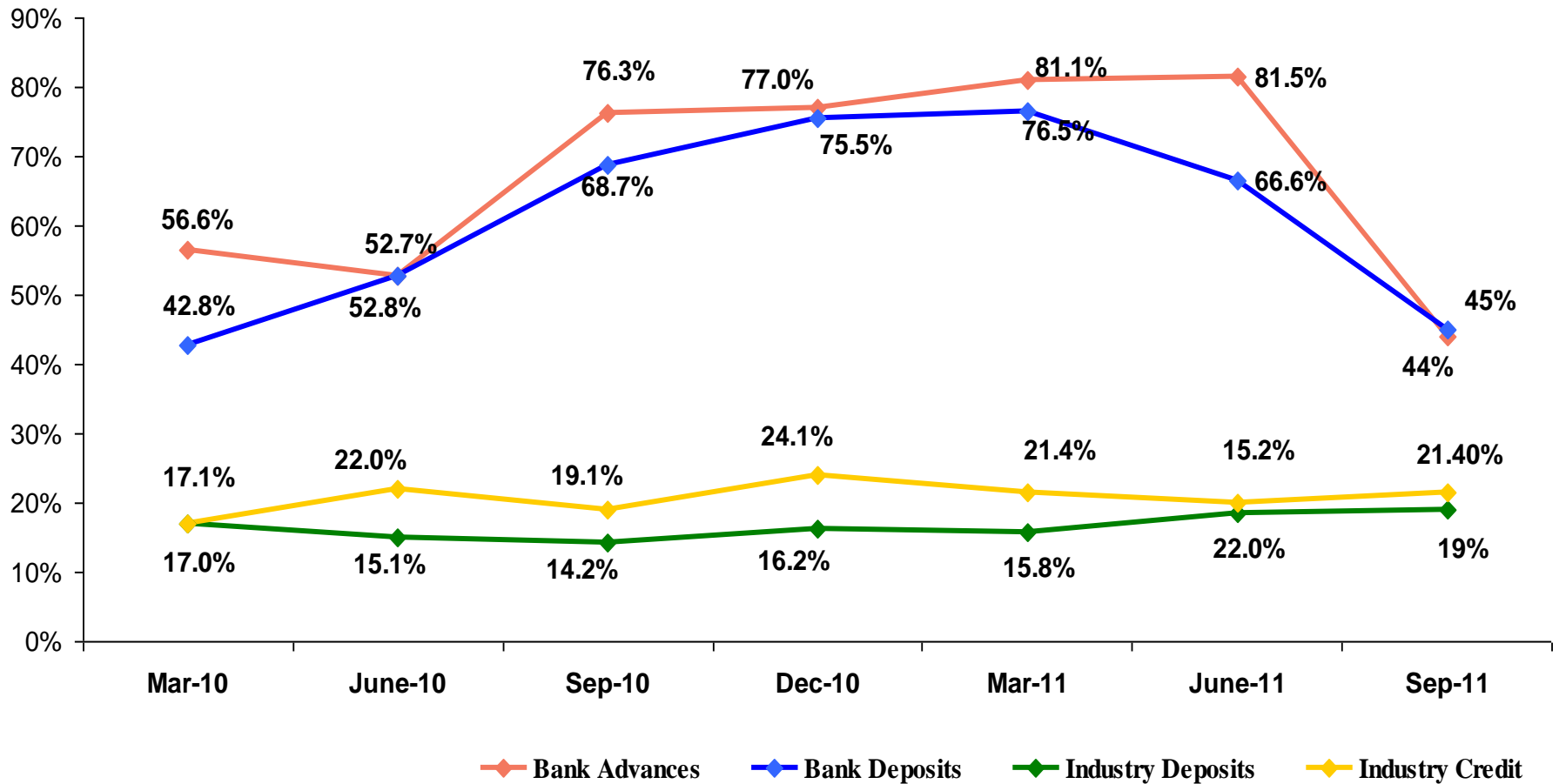
	FY 2008	FY 2009	FY 2010	FY 2011	Q2FY12
Credit - Deposit ratio	58.25	64.32	70.53	72.35	73.34
Return on Equity	17.62	20.44	5.30	3.60	2.03
Return on Assets (annualised)	0.76	1.21	0.35	0.23	0.11

	Mar 31, 2008	Mar 31, 2009	Mar 31, 2010	Mar 31, 2011	Sep 30, 2011
Gross NPAs (Rs. in crores)	63.2	64.4	77.5	67.1	56.0
Net NPAs (Rs. in crores)	18.6	28.2	41.9	27.5	17.5
<i>Gross NPAs</i>	2.95%	1.99%	1.54%	0.74%	0.55%
<i>Net NPAs</i>	1.75%	0.88%	0.84%	0.30%	0.17%

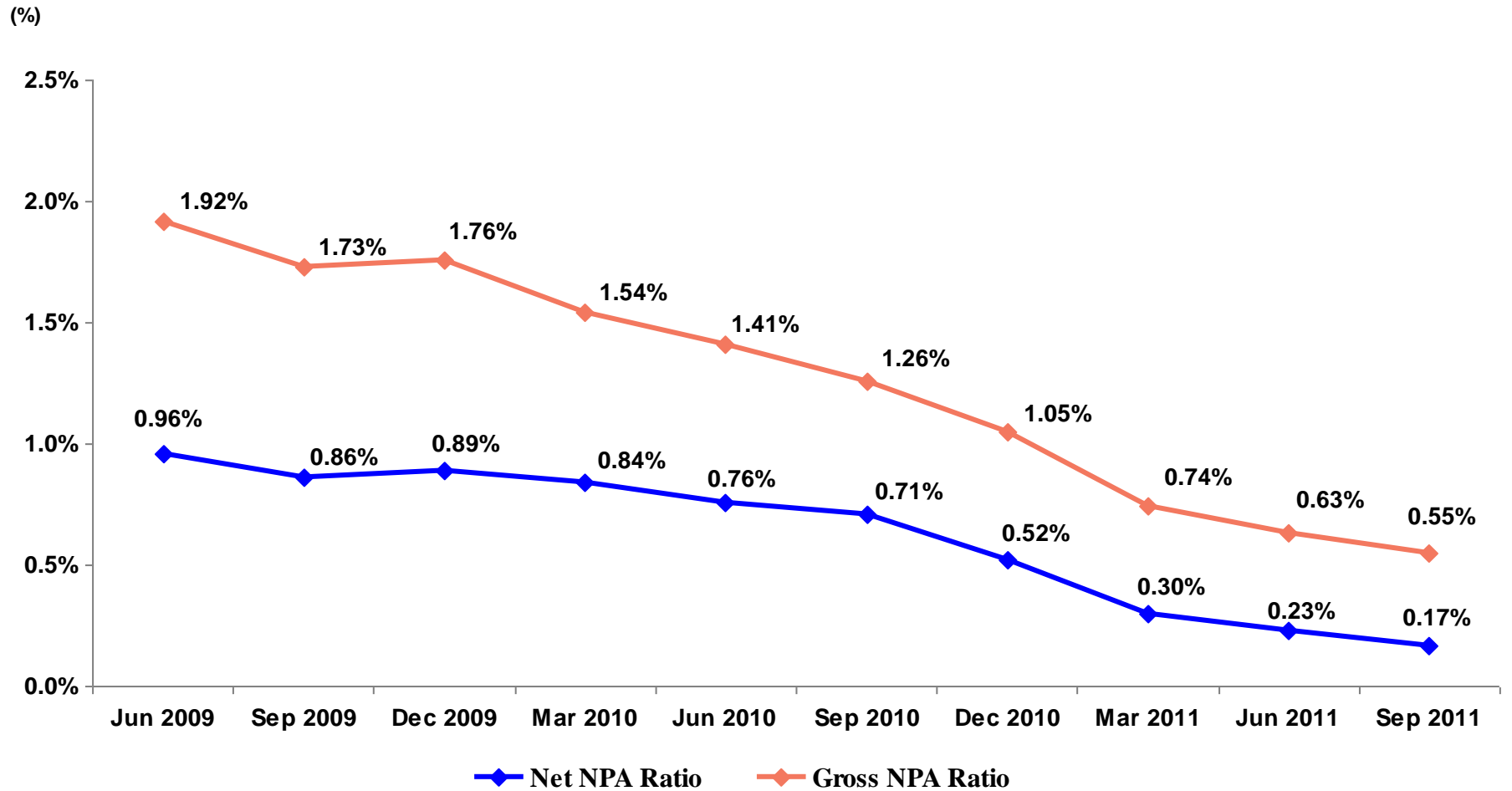
Basel II

Capital adequacy	-	15.38%	12.99%	11.80%	10.70%
- Tier I	-	13.75%	8.80%	9.41%	8.73%

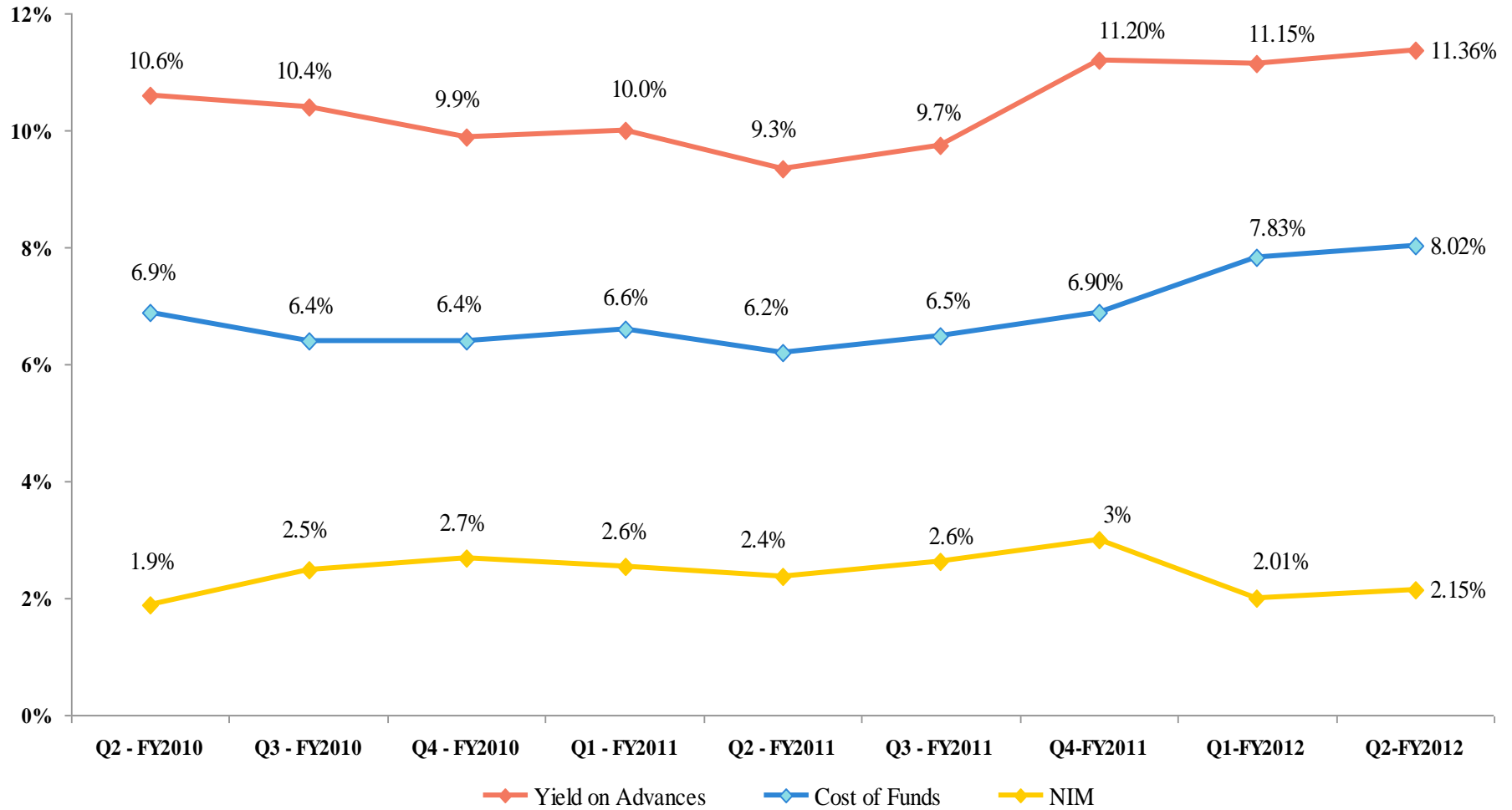
Deposits - Advances Growth Better Than the Industry



Improved Asset Quality

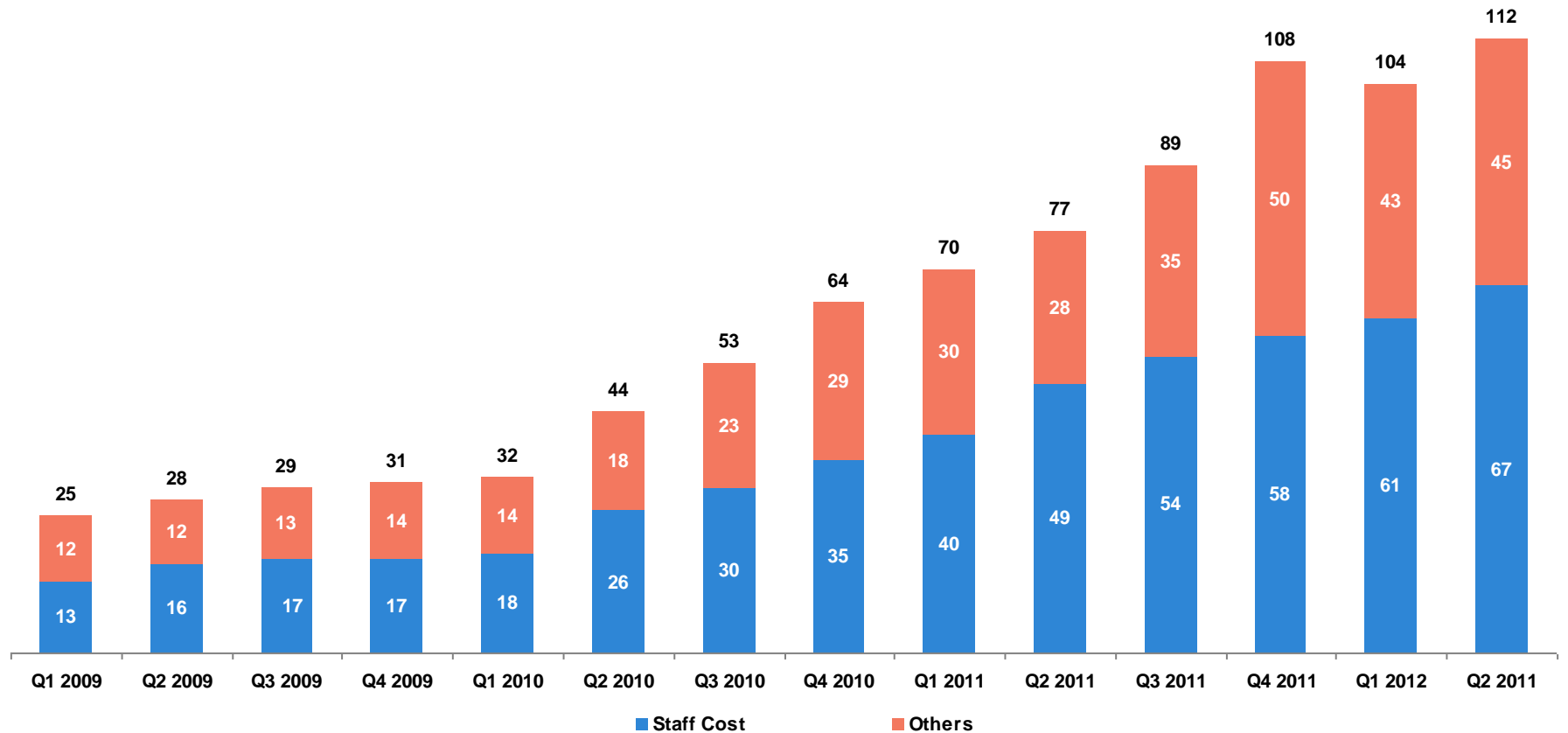


Trend in Net Interest Margin



Trend in Operating Expenses

(Rs. in Crores)



DhanlaxmiBank
established 1927



Business Strategy



Way Forward - Sweating the Asset and Leveraging the Franchise

National Franchise	✓	<ul style="list-style-type: none"> ■ Diversification to achieve a pan-India portfolio ■ Enjoying dominant position in Kerala with pan India presence 																				
Capacity & Technology	✓	<ul style="list-style-type: none"> ■ Profit, return dilution reflects on-going capacity creation ■ Scope to improve productivity by increasing volume, generating fee and CASA 																				
Balanced Book	✓	<ul style="list-style-type: none"> ■ Established high volume / low risk corporate banking group, helping build National assets ■ Developing strong fee (BG / LC) and flow (TF / CMS) businesses ■ Focus on high yielding SME / retail to offset funding cost ■ Margin expansion and improve fee income from processing and service charges ■ Credit risk in retail low - as largely secured book (Mortgages / CE ⁽¹⁾ / CV / Gold / Auto) ■ Focus on Other Income – Retail Gold Coins and Forex Card launched 																				
Scale Leverage in Offering	✓	<ul style="list-style-type: none"> ■ Investment in human, physical and technological infrastructure – <u>Completed</u> ■ Successful implemented strategy to rapidly grow assets indicated by declining Opex / Assets ratio ■ Bank has established foundation and set for growth in income 																				
Focus on Efficiency		<table border="1"> <thead> <tr> <th></th> <th>Private Sector Bank</th> <th>Banking Sector in India</th> <th>Dhanlaxmi Bank</th> </tr> </thead> <tbody> <tr> <td>Business per Employee (Rs. mn)</td> <td>82.3</td> <td>98.7</td> <td>58.9</td> </tr> <tr> <td>Advances per Branch (Rs. mn)</td> <td>560</td> <td>666</td> <td>330</td> </tr> <tr> <td>Deposits per Branch (Rs. mn)</td> <td>732</td> <td>838</td> <td>456</td> </tr> <tr> <td>Cost per Employee (Rs. mn)</td> <td>0.79</td> <td>1.26</td> <td>0.81</td> </tr> </tbody> </table>		Private Sector Bank	Banking Sector in India	Dhanlaxmi Bank	Business per Employee (Rs. mn)	82.3	98.7	58.9	Advances per Branch (Rs. mn)	560	666	330	Deposits per Branch (Rs. mn)	732	838	456	Cost per Employee (Rs. mn)	0.79	1.26	0.81
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(1) Construction Equipment

Business Strategy



Focus on 3Ps:



Profitability



Productivity



Product per customer

- Repricing of corporate and SME portfolio
- Incremental advances in the retail and SME segments

- Focus on profitable products within each segment
- Growing Non-fund based business by deepening existing relationships and sourcing newer customers

- Increase in retail and low cost liabilities franchise
- Focus on improving current a/c franchise by garnering more equity/debt mandates

- Enhancing income from distribution of third party products like insurance , Mutual fund
- Improving fee based income through sale of gold coins and forex cards

- Continued focus on maintaining/improving asset quality
- Reduction in processing turnaround time of loan proposals

- Improving Productivity led by
 - Increase in average CASA per branch
 - Improving average monthly CASA balances
 - Increase in cross-selling
 - Realignment of ATMs



Enhancing Stakeholder value



Thank You