

DhanlaxmiBank

established 1927








Kotak Annual Global Investor Conference 2011

“Chasing Growth”

Mr. Bipin Kabra

February 11, 2011

Agenda

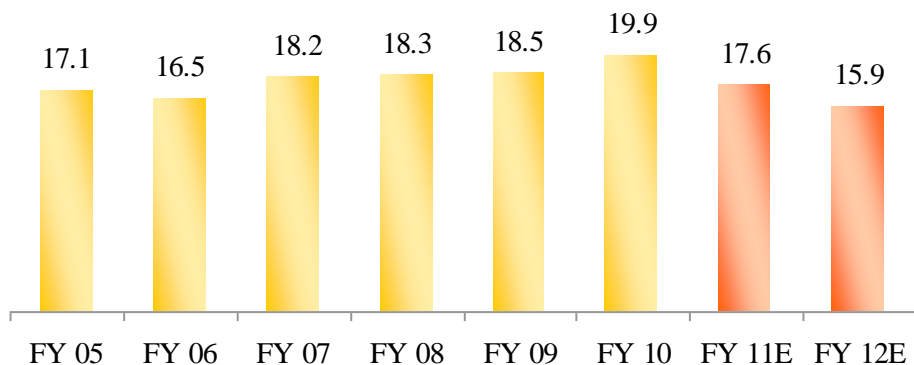
-  Macro update
-  Dhanlaxmi Bank - An overview
-  A Bank in Transformation
-  Financials - How the Numbers Stack up?
-  Way Forward



Macro update

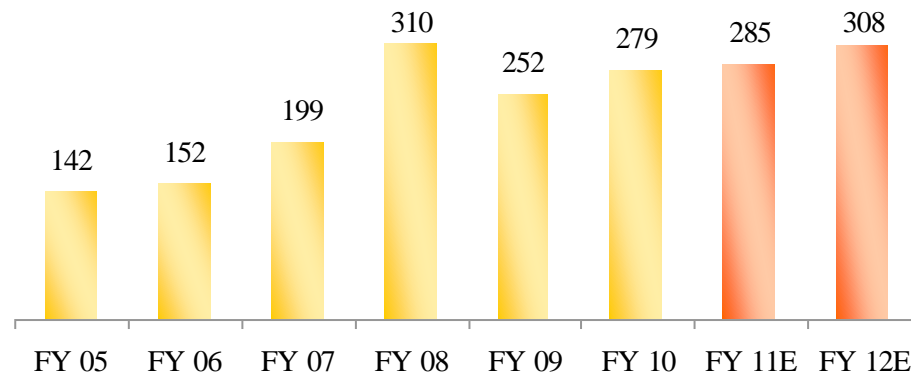
India: Positive Investment Environment

Declining External Debt as a % of GDP (%)



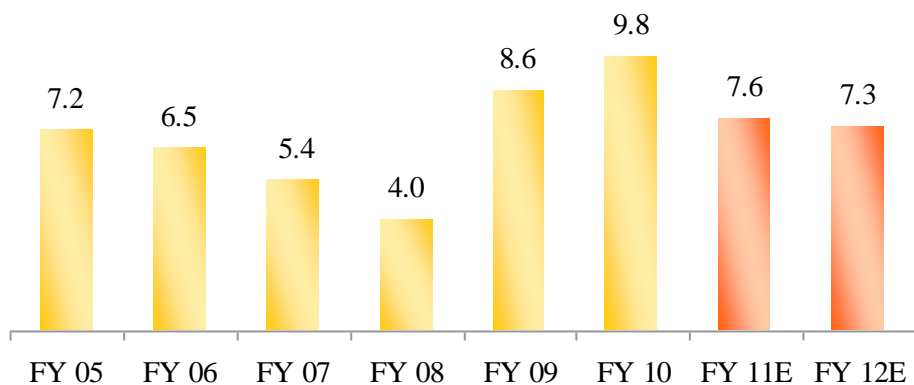
Source RBI, CSO, Morgan Stanley Research

Return to Peak Foreign Currency Reserves (US\$ Bn)



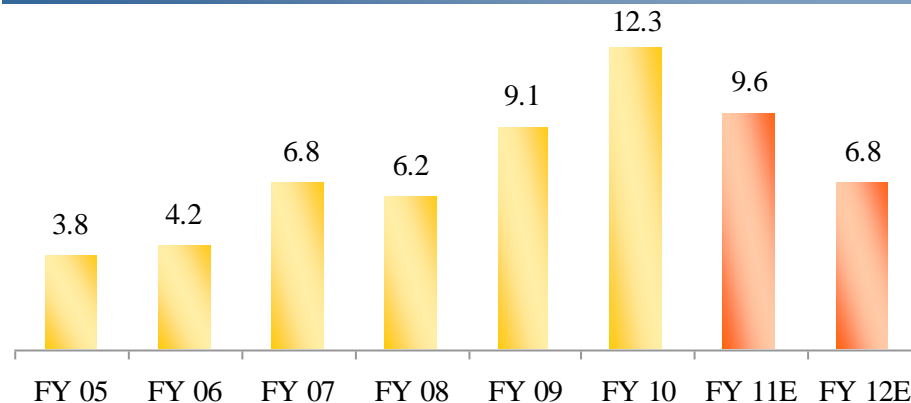
Source RBI, CSO, Morgan Stanley Research

Regaining Control After Financial Crisis
Fiscal Deficit as a % of GDP (%)



Source RBI, CSO, Morgan Stanley Research

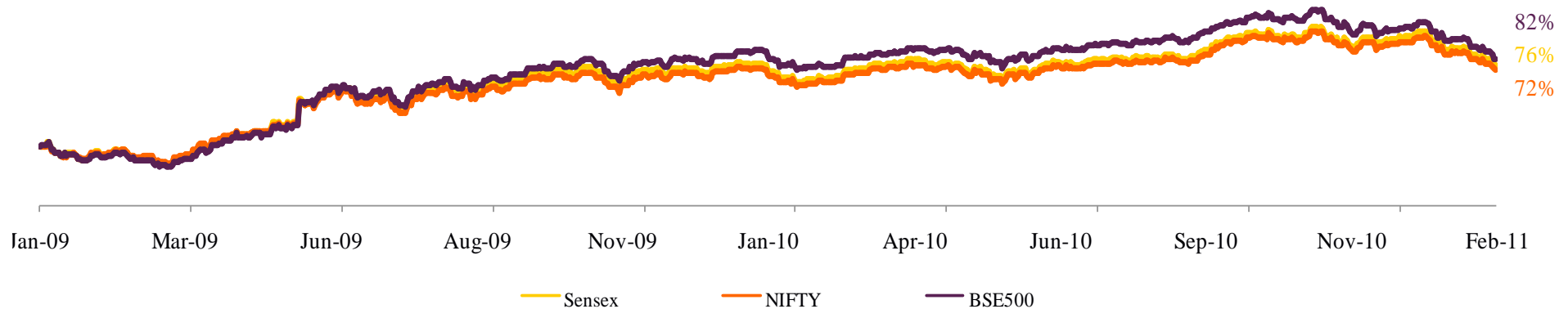
Consumer Price Index – Outlook Stable
(Avg y-o-y Increase %)



Source RBI, CSO, Morgan Stanley Research

Indian Markets have seen significant uptick in last 24 months

Indian Markets – rebased to 100



Source Bloomberg as on February 9, 2011

- **Liquidity has been the primary driver of Indian equity markets in 2010**
 - **FII's have pumped in more than \$29 bn**
 - **Domestic insurance companies have invested more than \$6 bn**
 - **Primary market volumes have been robust with more than \$25 bn raised**
 - **Correction in 2011 has been a function of rising inflation and consequent negative fallout from tightening monetary policy on growth**





Dhanlaxmi Bank - An overview

Dhanlaxmi: An Emerging Private Sector Bank

History

- Incorporated at Thrissur, Kerala in 1927

Growth

- Total asset base rose to Rs. 124 billion as at Dec 31, 2010 (+73% on a y-o-y basis)

Breadth

- A broad and loyal customer base of 1.5 million as at Dec 31, 2010

Reach

- Bank launched its 275th branch in Jan 2011; ATM network expanded to 454

Security

- Capital adequacy of 13.4% with a Tier-I ratio of 10.7% as at Dec 31, 2010

Efficiency

- Employee strength increased from 1,402 as of Mar 31, 2009 to 4,351 as on Dec 31, 2010

Today

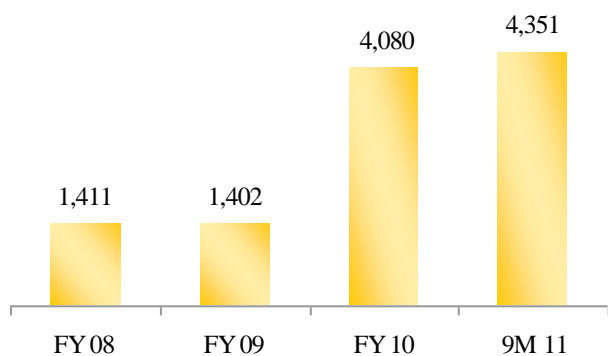
- Emerging nationwide banking franchise with retail, SME and corporate banking focus



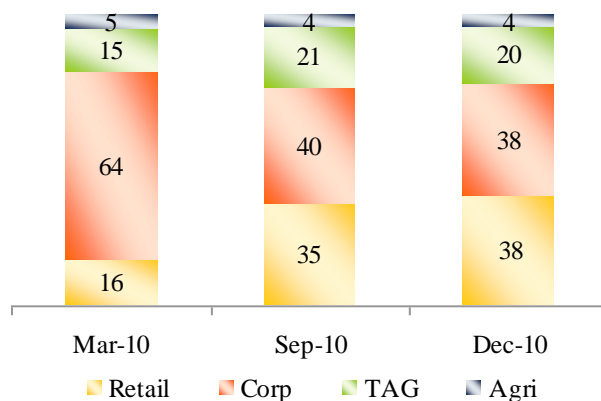
Investment Phase

- Organisation restructuring, branch addition, technology update, staffing of relevant functions - **Completed**
- Initiated & strengthened alternate channels since Mar '09 - ATMs, Internet Banking, Mobile Banking, IVR

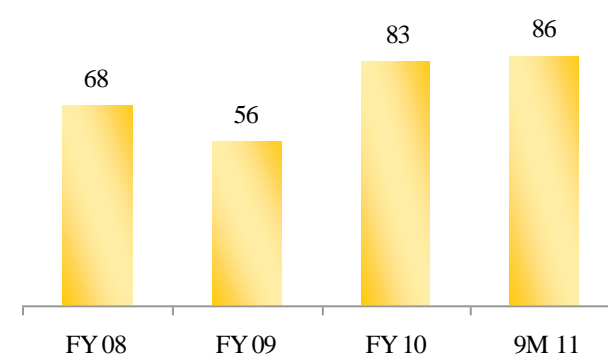
Head Count (No. of employees)



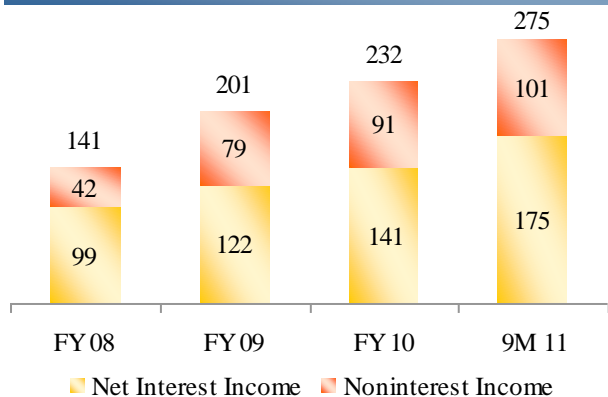
Business Mix (%)



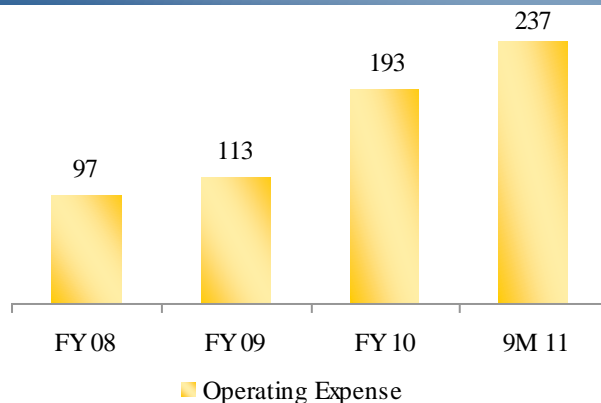
Cost / Income Ratio (%)



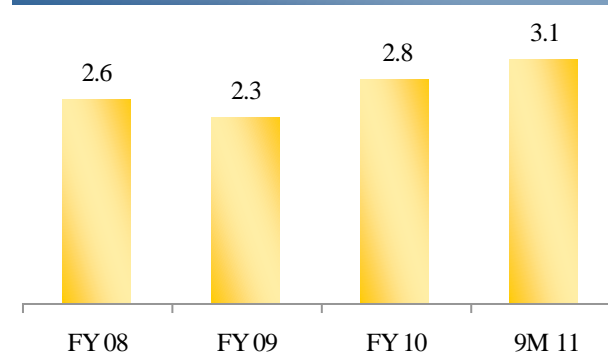
Growth in Total Income



Growth in Operating Cost

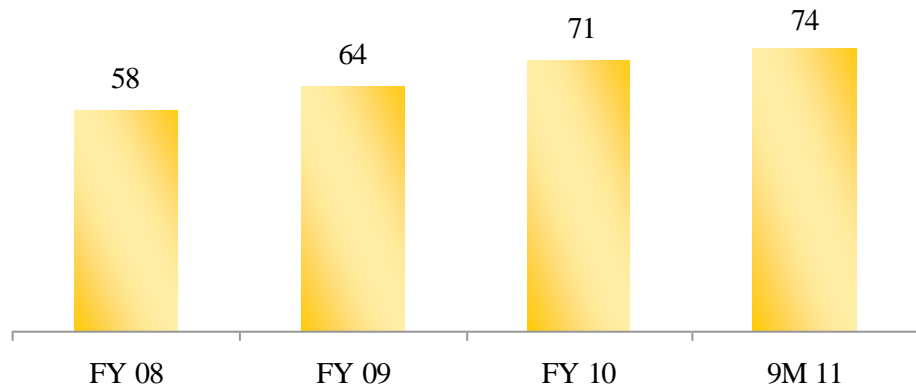


Opex / Assets (%)

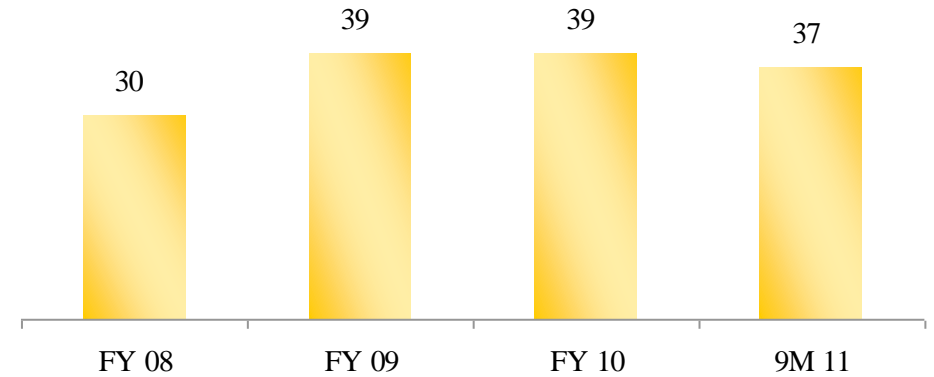


Re-Bootng the Franchise

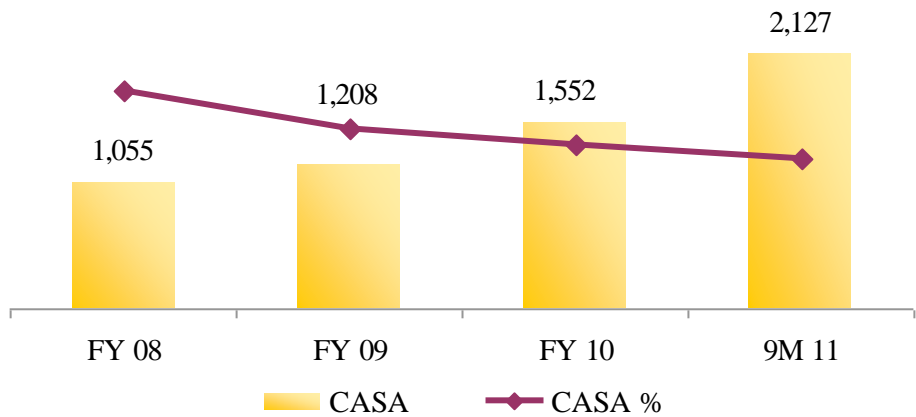
Credit - Deposit Ratio (%)



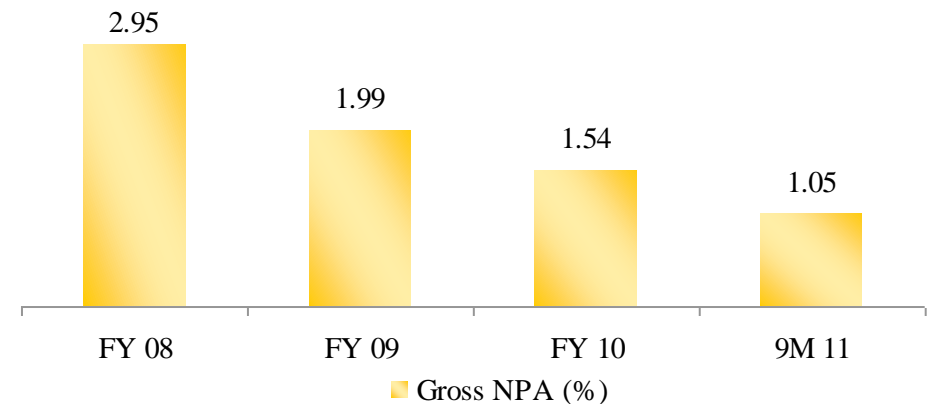
Non - Interest Income (%)



CASA



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

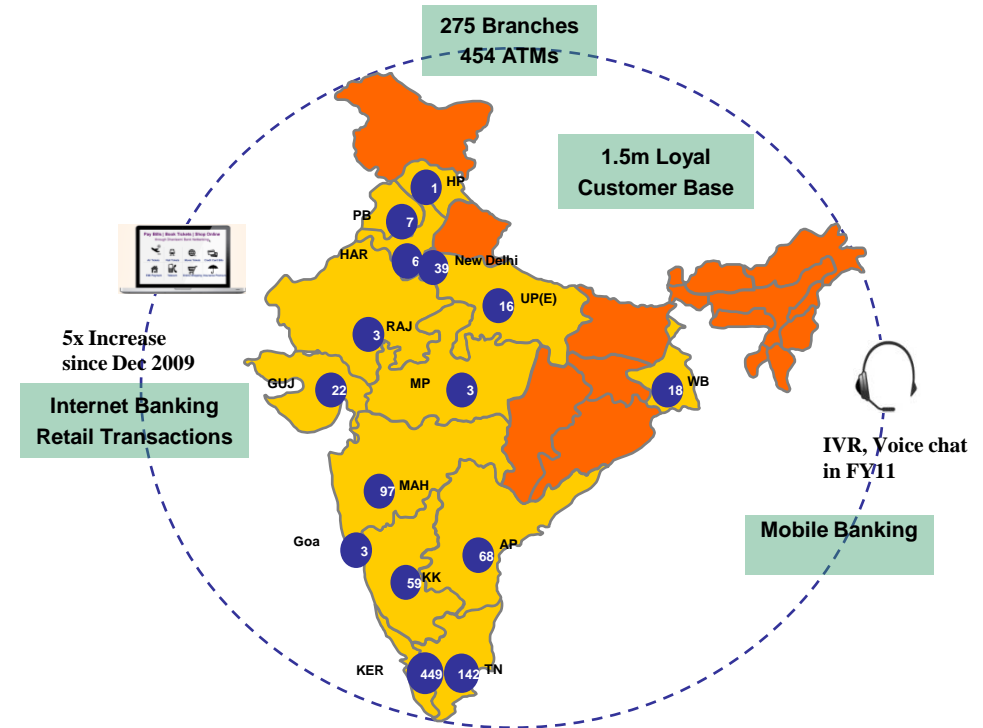
Trade & Advance Group / Microfinance & Agriculture, Credit Card, Debit Card

Third-Party Products - MF, Insurance, Forex, Depository, Online Brokerage etc.

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

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

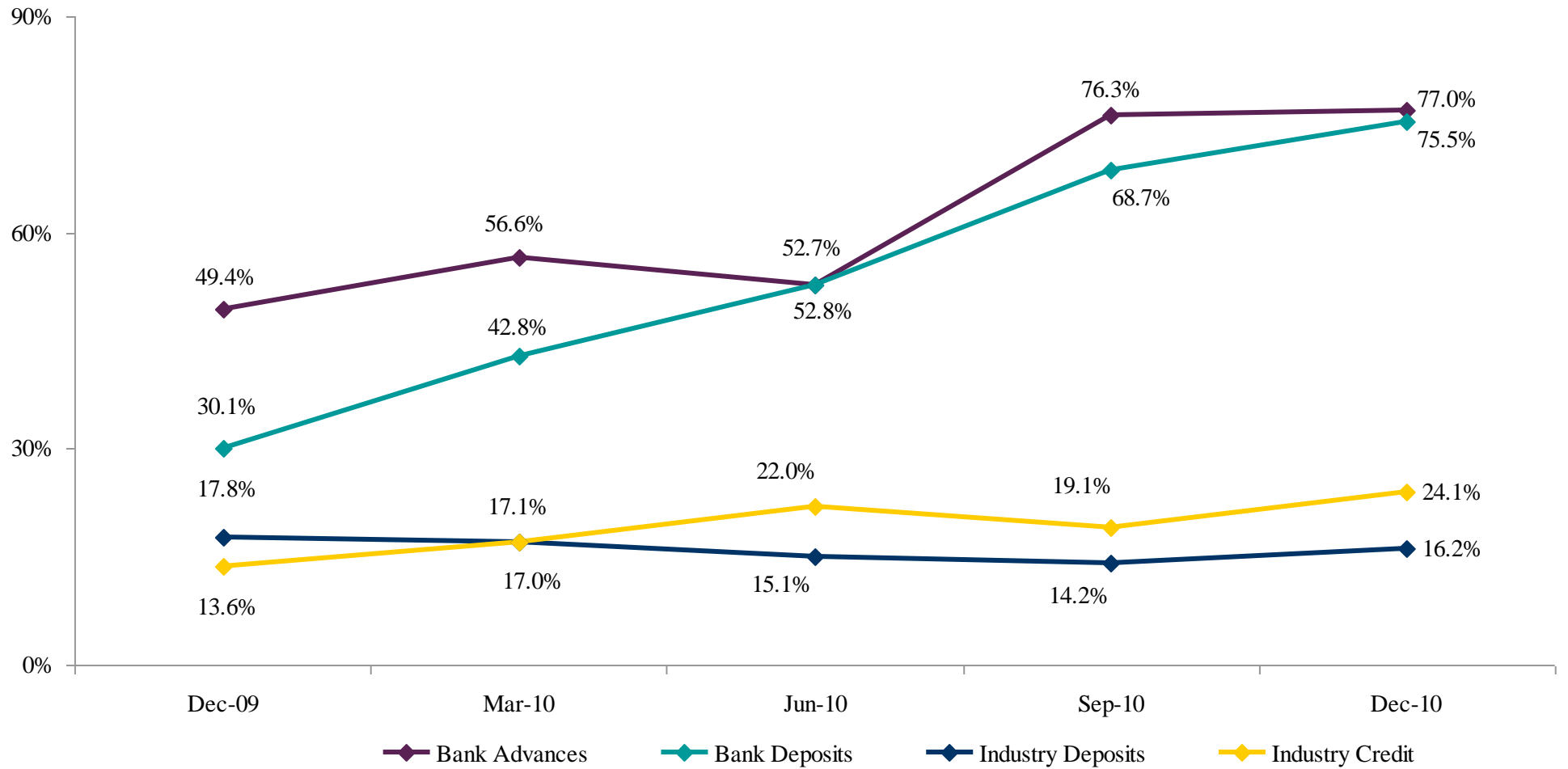
Customer Touch Points (Almost 3x in 18 Months)



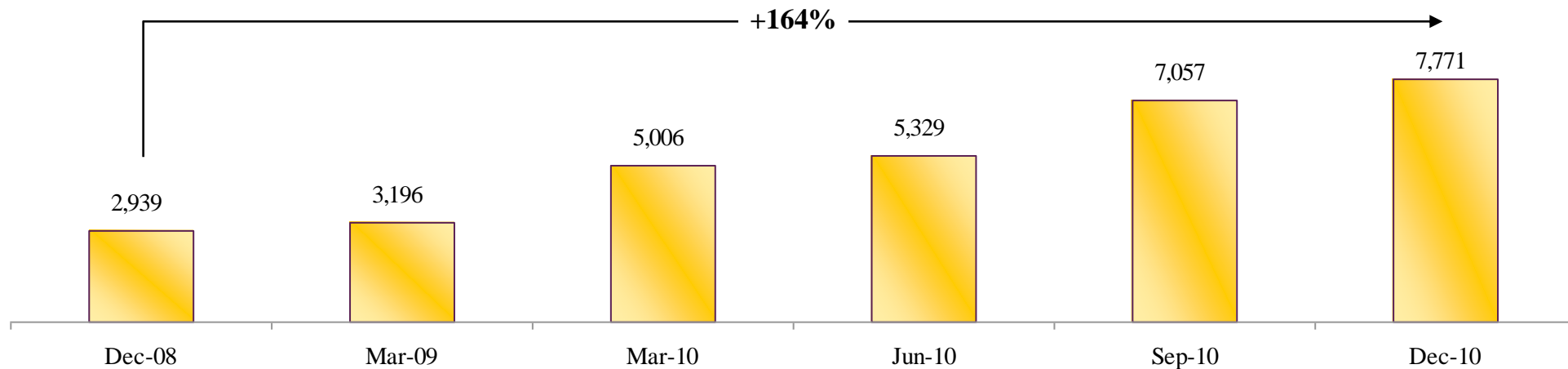


A Bank in Transformation

Deposits - Advances Growth Continuously Better than the Industry



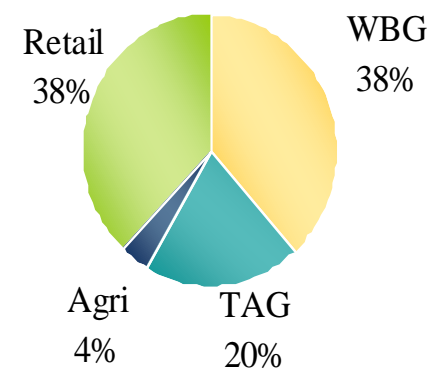
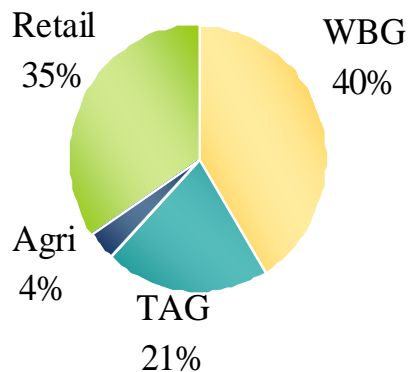
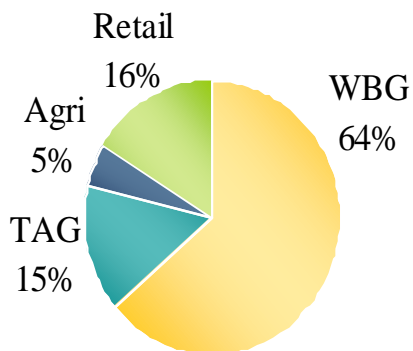
Revamp Towards a Favourable Business Mix on Track - Growth in Loan Book



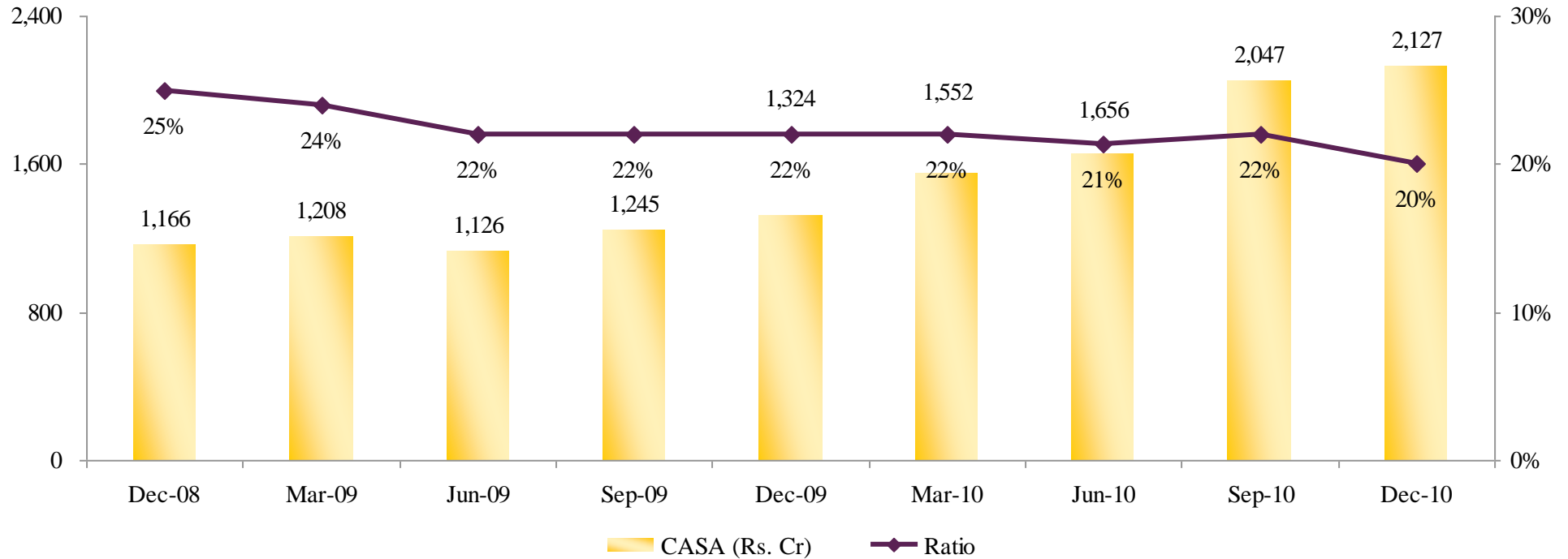
As at Mar 31, 2010

As at Sept 30, 2010

As at December 31, 2010



Revamp Towards a Favourable Business Mix on Track - Liabilities



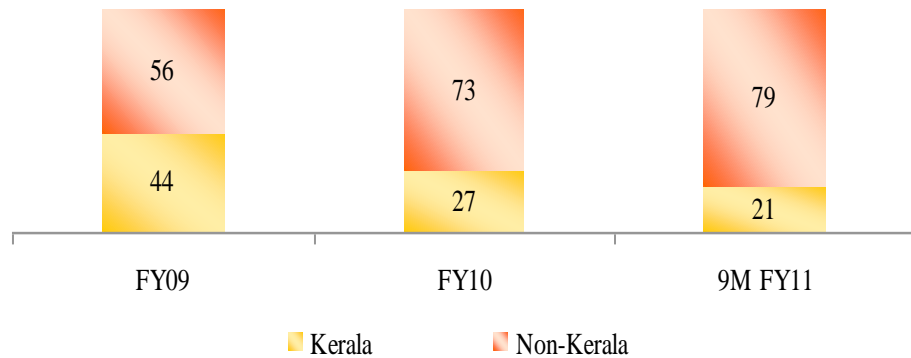
- **Change of culture at Branches from Lending to Liabilities**

- **Approx. 36% of the incremental liabilities from new branches**

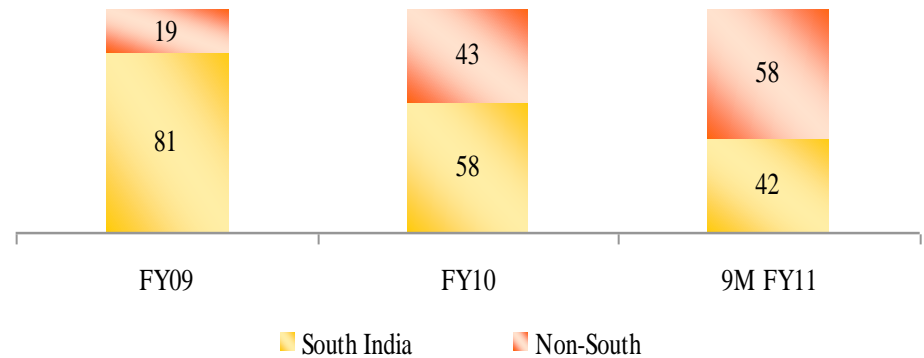
Revamp Towards a Favourable Business Mix on Track - Region - wise

Loan book

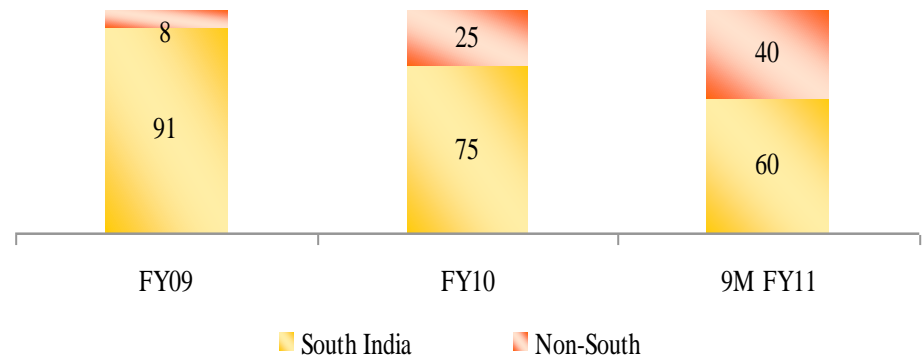
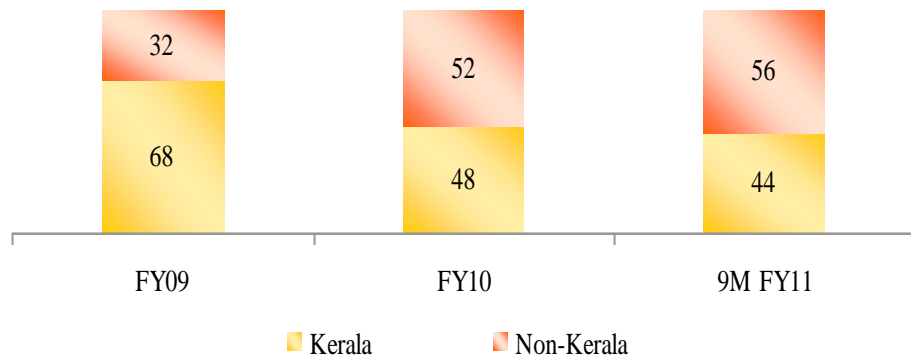
By State (%)



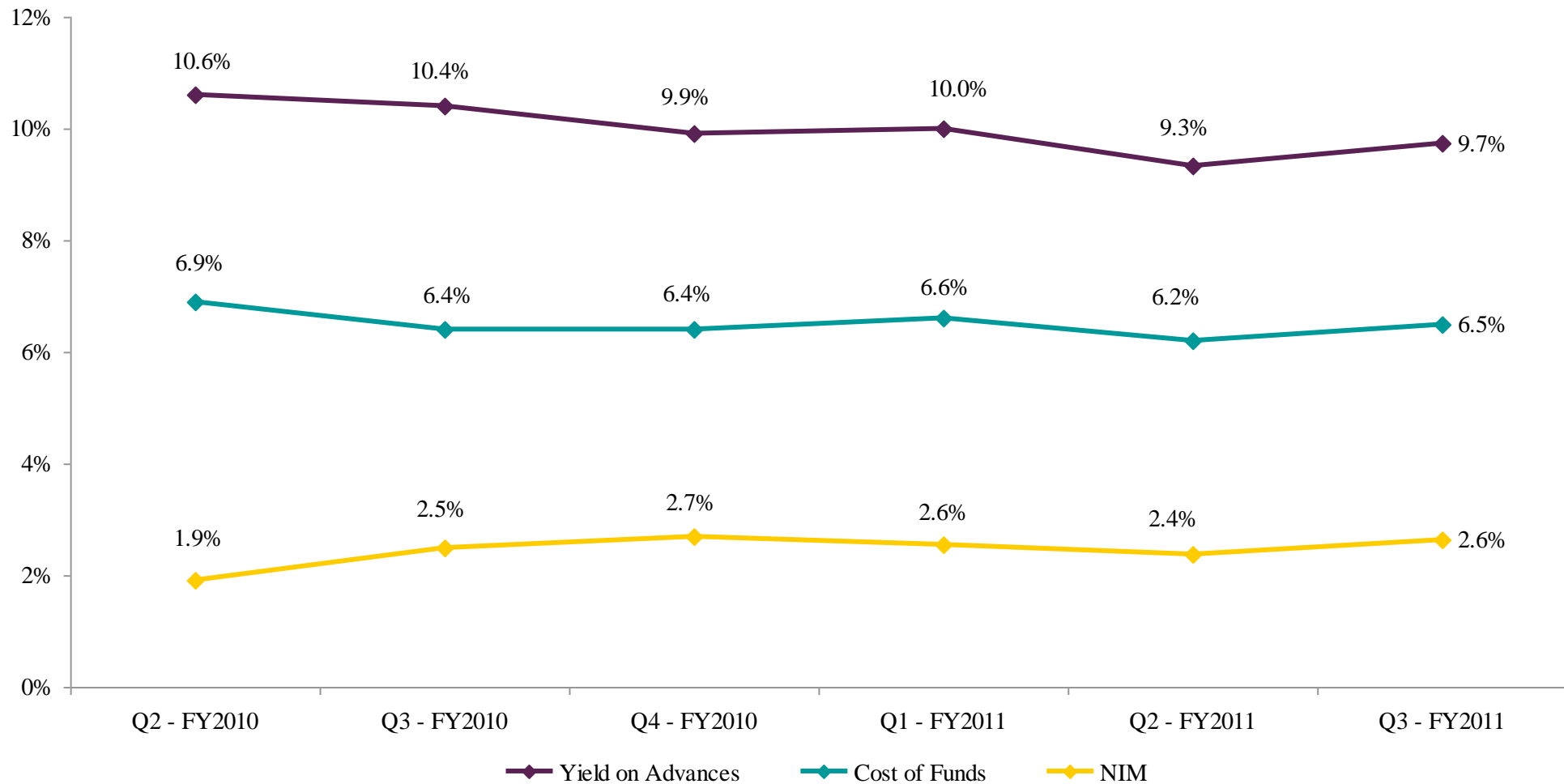
By Geographic Region (%)



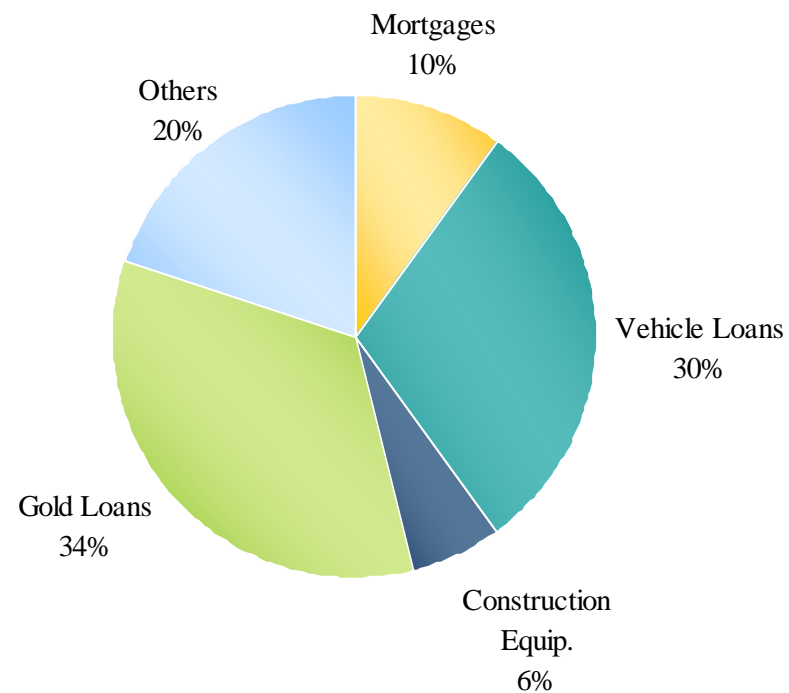
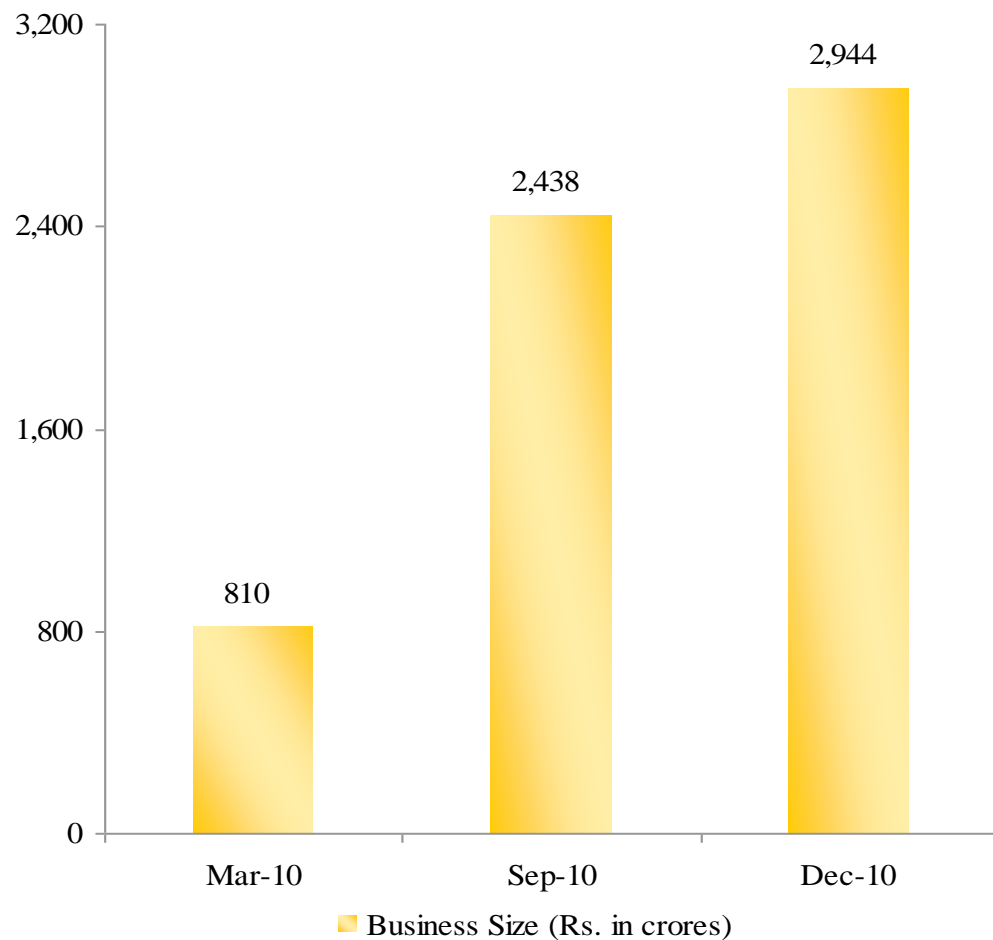
Deposits



Trend in Net Interest Margin

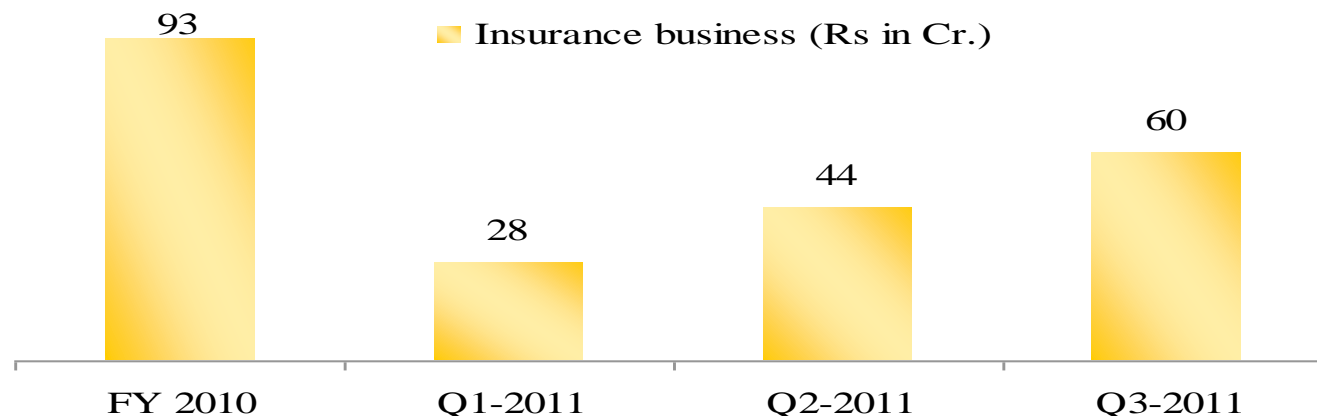


Retail Growth and Share of Various sub-segments (Dec 31, 2010)



Leverage Our Multichannel Distribution Network

■ Insurance distribution tie up with Bajaj Allianz



■ MF product distribution tie-ups with ICICI Prudential, Kotak, UTI, Fidelity & HDFC

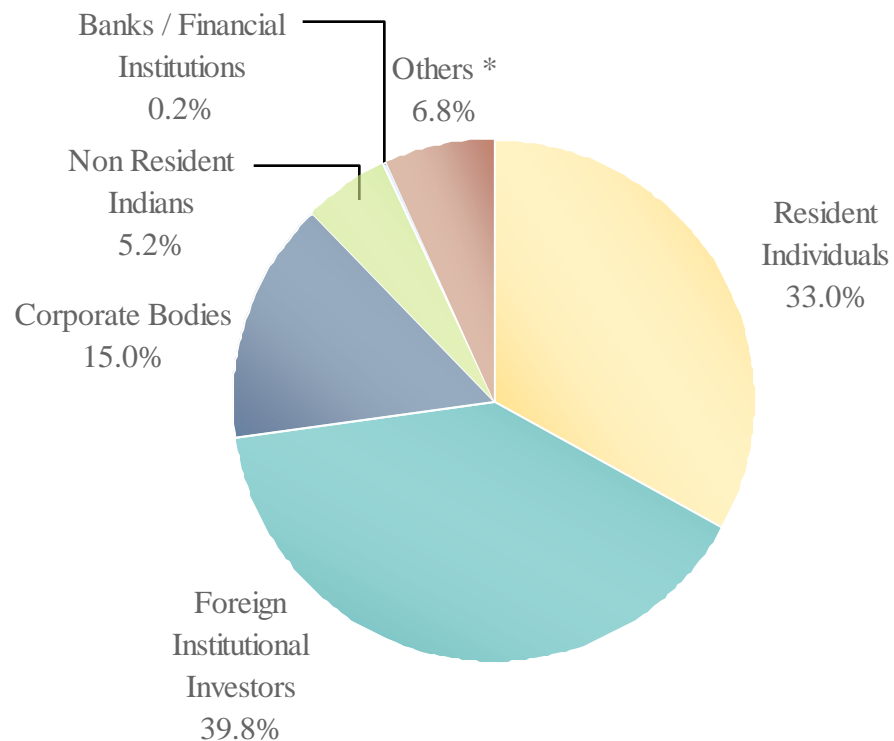
- ~26,000 MF SIP accounts opened in Q3 as compared to 21,000 in Q2 FY2011
- Continues to be the 2nd largest private sector bank in terms of fresh SIPs mobilised (CAMS)

■ Strengthened existing relationship with Destimoney Securities



Nearly 50,000 Shareholders Form Part of the Dhanlaxmi Family

Shareholding Pattern as at December 31, 2010



The Bank plans to raise equity by issue of upto 5.50 crore shares to augment its Tier I capital base

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





Financials - How the Numbers Stack up?

Balance Sheet

(Rs. in Crores)	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009	Y-o-Y growth
Capital	85	85	64	64	64	32.8%
Reserves	751	743	382	376	378	98.6%
Deposits	10,532	9,497	7,747	7,098	6,002	75.5%
Borrowings	479	350	398	121	299	60.3%
Other Liabilities	526	737	436	428	406	29.7%
Total	12,373	11,413	9,027	8,087	7,149	73.1%
Cash / bank balance	847	1,230	920	750	546	55.3%
Investments	3,287	2,711	2,474	2,028	1,940	69.4%
Advances	7,771	7,057	5,329	5,006	4,391	77.0%
Fixed assets	124	111	86	79	55	125.5%
Other Assets	343	304	218	223	217	58.2%
Total	12,373	11,413	9,027	8,087	7,149	73.1%

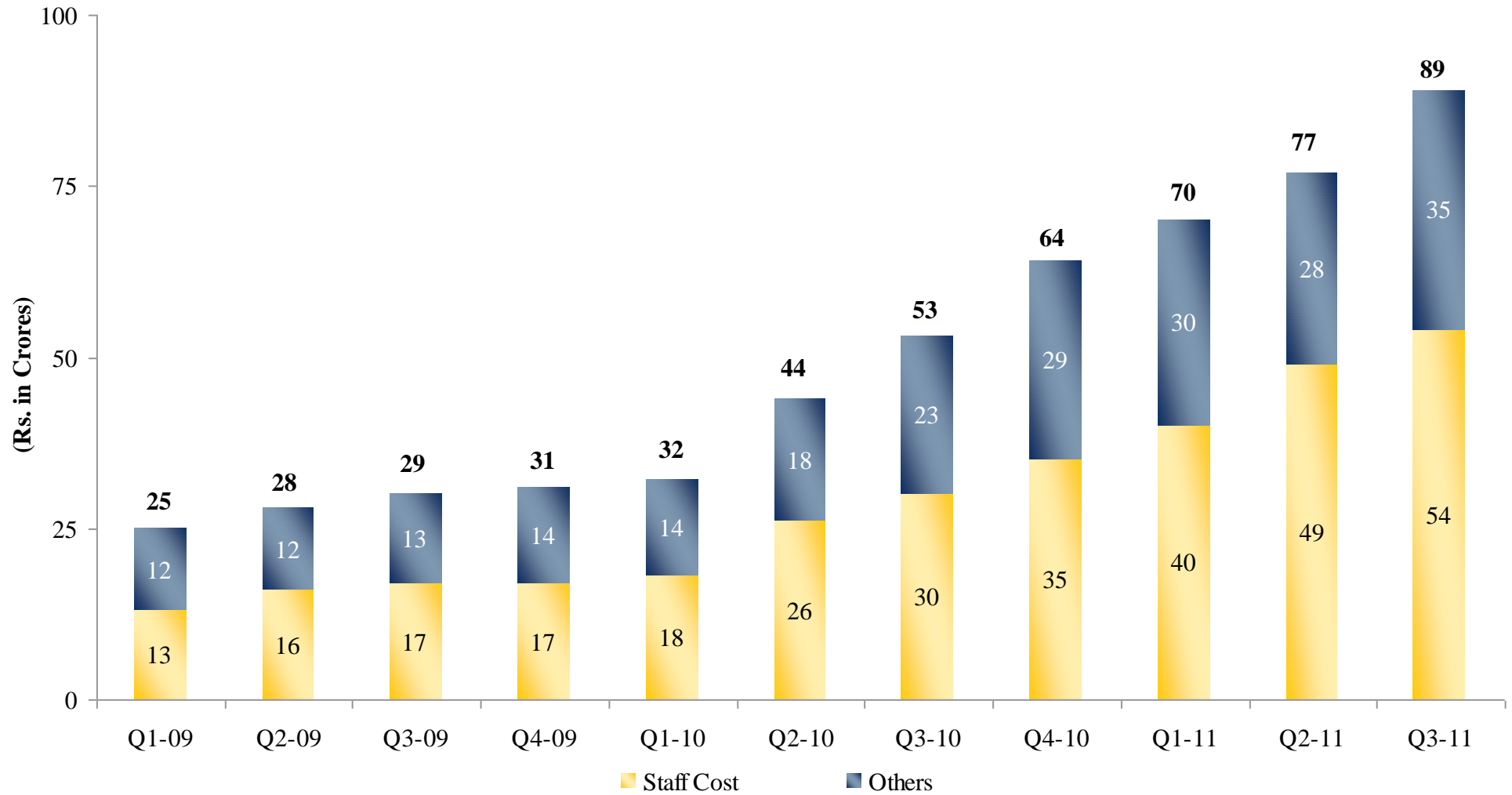
Composition of the Investment Book

Particulars	December 31, 2010	
	(Rs. in Crores)	(%)
Held-to-maturity	1,935.7	58.9
<i>SLR</i>	1,807.8	55.0
<i>Non - SLR</i>	127.9	3.9
Available for Sale	1,305.7	39.7
<i>SLR</i>	804.9	24.5
<i>Non - SLR</i>	500.8	15.2
Held-for-trading	45.4	1.4
Total	3,286.9	100.0

Profit and Loss Statement

(Rs. in Crores)	Q3 - FY2011	Q3 - FY2010	Y-o-Y growth	9M - FY2011	9M - FY2010	Y-o-Y growth
Interest income	249.9	139.8	78.7%	610.3	384.1	58.9%
Interest expenses	176.3	100.7	75.1%	435.5	287.4	51.5%
Net interest income	73.6	39.1	87.9%	174.8	96.7	80.7%
Non Interest income	33.4	16.6	100.7%	100.7	59.1	70.5%
Operating expenses	89.3	53.0	68.6%	236.5	128.8	83.7%
<i>Staff cost</i>	<i>54.1</i>	<i>30.2</i>	<i>79.3%</i>	<i>143.3</i>	<i>74.4</i>	<i>92.6%</i>
Provisions	7.9	2.7	188.7%	18.2	6.9	161.0%
Profit before tax	9.7	0.1	-	20.6	20.0	3.2%
Provisions for tax	2.5	(1.3)	-	5.7	2.3	148.3%
Profit after tax	7.3	1.3	447.0%	14.9	17.7	(15.8%)

Trend in Operating Expenses

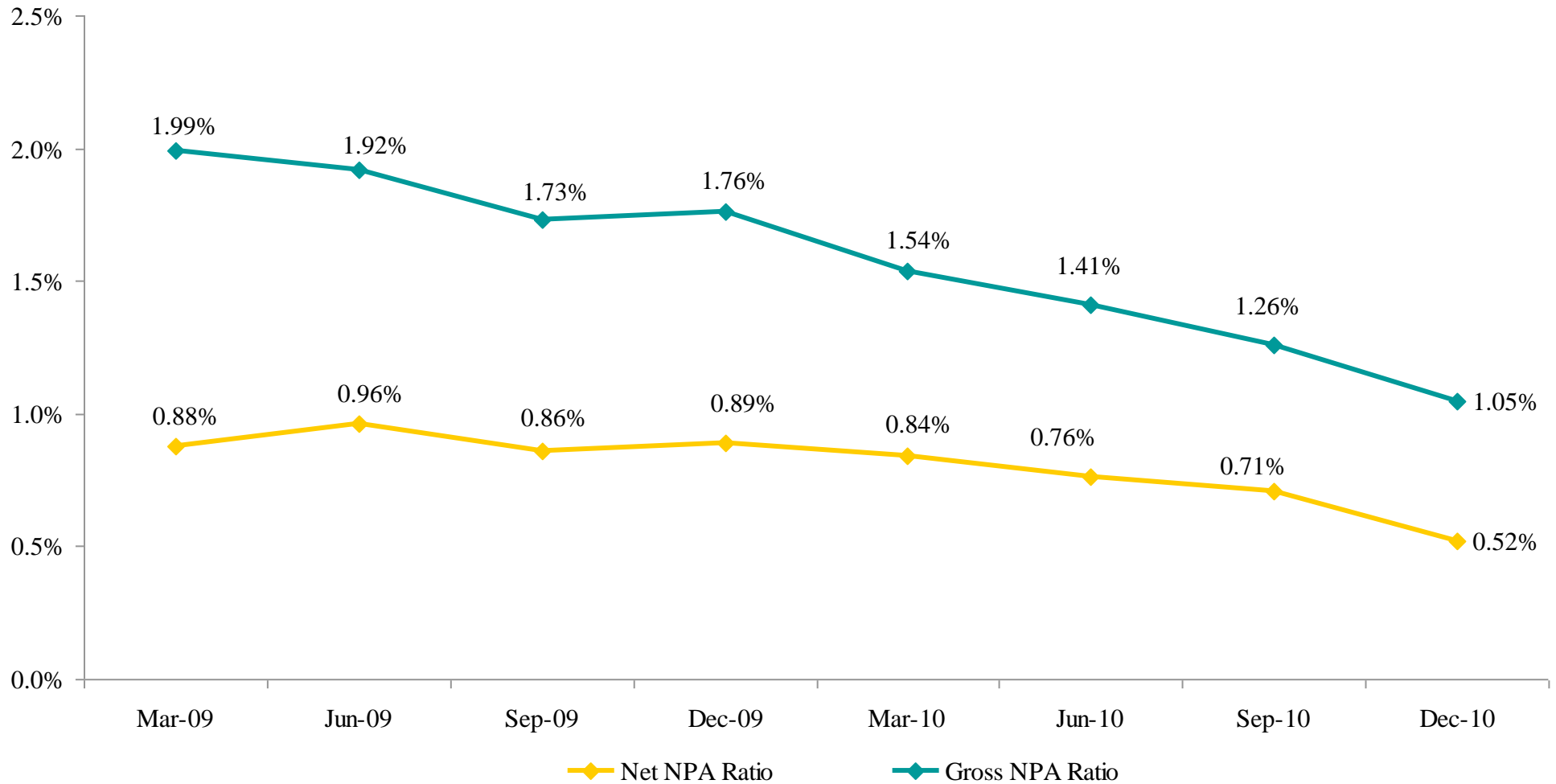


Key Ratios (%)

	Q3 - FY2011	Q3 - FY2010	9M - FY2011	9M - FY2010	FY2010
Cost / Income ratio	83.49	94.94	85.89	82.67	83.29
Credit - Deposit ratio	73.48	75.31	73.79	75.31	70.53
Return on Equity	3.44	1.19	2.37	5.32	5.30
Return on Assets	0.24	0.07	0.19	0.37	0.35

	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009
Gross NPAs (Rs. in crores)	82.02	89.71	75.66	77.50	77.88
Net NPAs (Rs. in crores)	40.42	50.41	40.36	41.94	39.14
Basel I					
Capital adequacy	11.76%	13.09%	10.36%	12.47%	13.36%
- Tier I	9.38%	10.47%	7.39%	8.45%	9.14%
Basel II					
Capital adequacy	13.39%	14.60%	11.01%	12.99%	14.29%
- Tier I	10.68%	11.68%	7.85%	8.80%	9.78%

Asset Quality





Way Forward

Sweating the Asset Build Up and Improving Productivity

Capacity



National Franchise



Workforce



Technology



Balanced Book



- Profit, return dilution reflects on-going capacity creation
- Huge Scope to improve productivity by pushing volume, generating fee and CASA

	Banking Sector in India	Private Sector Banks	Dhanlaxmi Bank
Business per employee (Rs. mn)	87	80	37
Advances per branch (Rs. mn)	486	609	258
Deposits per branch (Rs. mn)	660	792	348
Cost per employee (Rs. mn)	1.06	1.24	0.82

- Well established high volume / low risk corporate banking group
- Focus on high yielding SME / Retail offset higher funding cost and improved fee income from processing & service charges
- Credit risk in retail remains low - as book is mostly secured

- ① **Focus on incremental asset creation in the retail and SME segments**
- ② **Growth in Non fund income (Treasury, LCs, BGs, Forex, etc.)**
- ③ **Enhancing income from distribution of third party products**
- ④ **Ramped up low cost as well as retail liabilities franchise**
- ⑤ **Enhance productivity per branch / per employee**
- ⑥ **Priority banking**

Thank You