

DhanlaxmiBank 
established 1927

Sandstone Capital Advisors

2nd Bi-annual India Investor Conference

October 19, 2010

Agenda



Overview



A Bank in Transformation



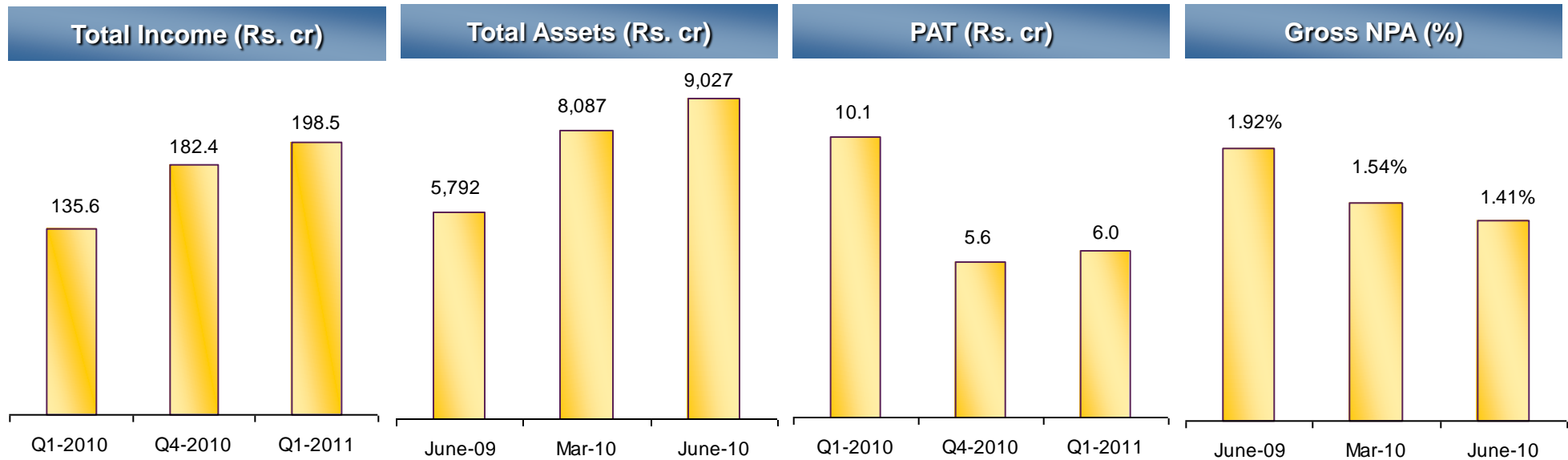
Financials - How the Numbers Stack up?



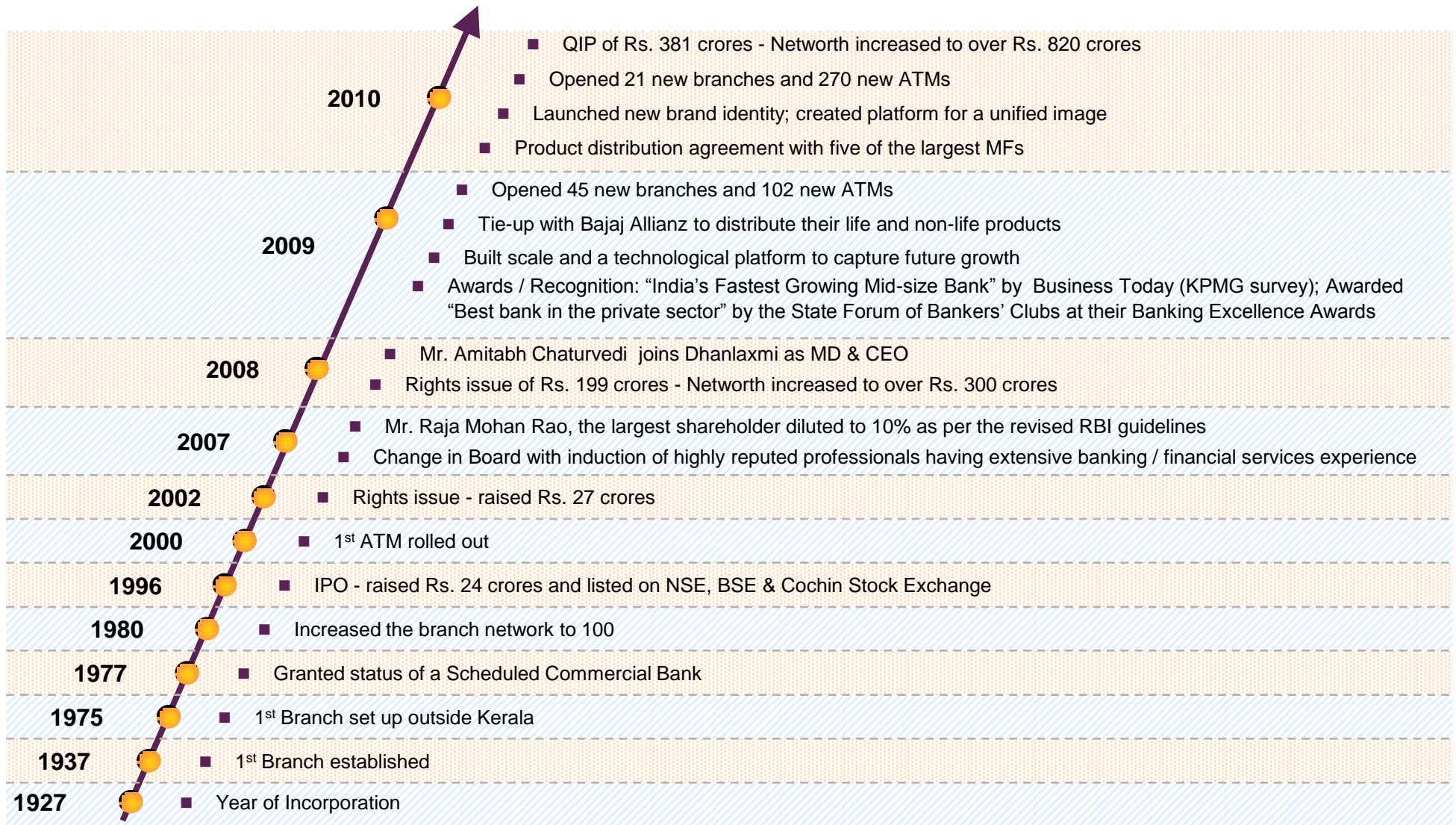
Overview

An Emerging Private Sector Bank

- Incorporated at Thrissur, Kerala in 1927
- Pan - India presence through a network of 273 branches and 444 ATMs covering 14 states
- Strong enterprise risk management framework and a robust technology platform
- A broad and loyal customer base of 1.4 million as at June 30, 2010
- Total asset base of Rs. 90 billion as at June 30, 2010, increasing at a rapid pace of 56% (y-o-y)
- Capital adequacy of 11%, with a Tier-I ratio of 7.9% as at June 2010
- Employee strength increased to 4,490 as on June 30, 2010 from 4,080 as at March 31, 2010



A Rich History





A Bank in Transformation

Where Do We Want to be ?



Asset Quality: to be the best in class



Balance Sheet: gaining size



Branch Network: setting up a pan - India network



Profitability: to be in top quartile

In the Top 5 Private Sector Banks

Reincarnation

- 1** Experienced Board & a new management team with proven industry credentials
- 2** Introduced a new brand identity
- 3** Ramped up customer touch points
- 4** Change in employee profile towards a younger work force
- 5** Revitalised corporate and SME businesses - established back-end support for roll-out of retail products
- 6** Business segments reorganized - de-risked loan book, liability side improvements & fee income
- 7** Revamp of technology platform and operational processes

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 4,490**

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

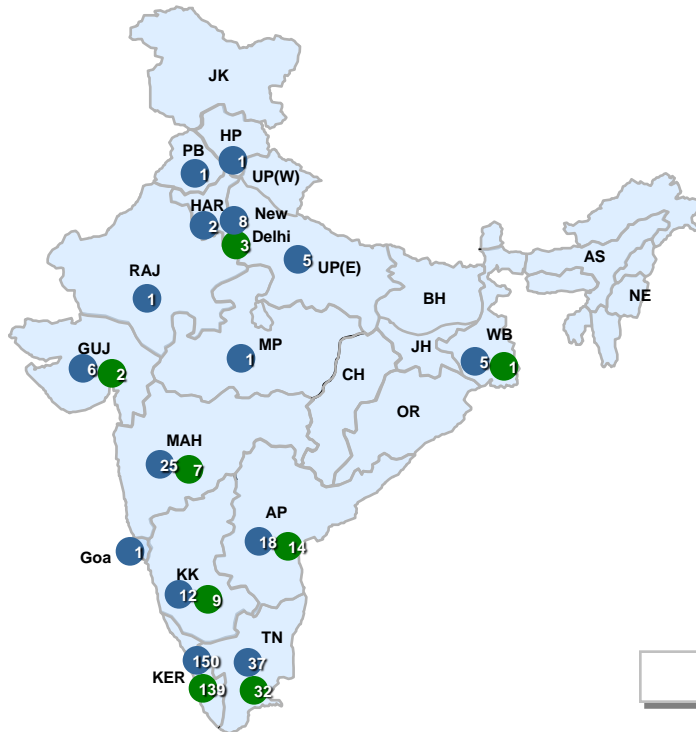


New Look

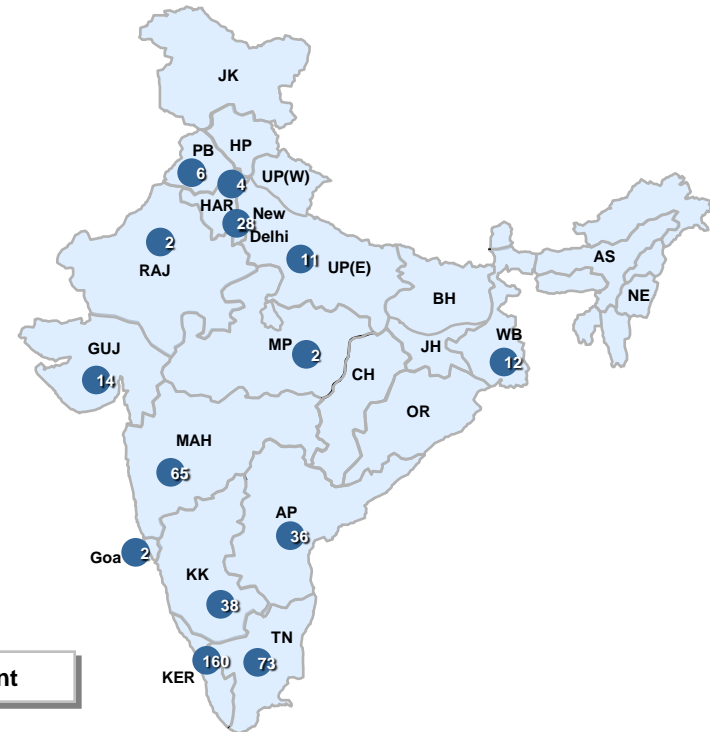


Augmentation of Customer Touch Points

Branch Network



ATM Touch Points



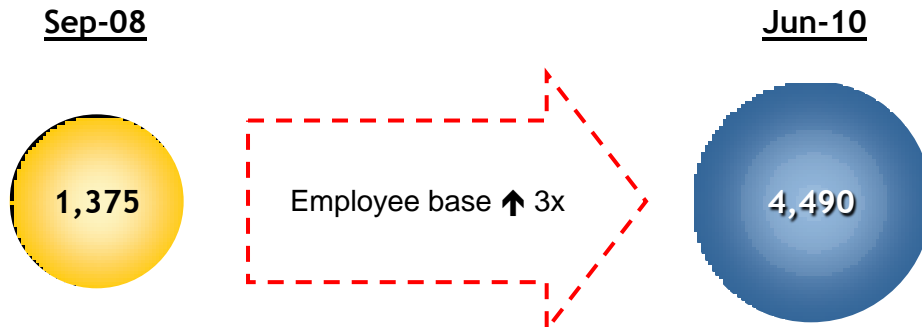
● Past ● Present

Branch	Branch network will expand to 275 (currently 273) by October 2010, covering 140 locations
ATM	Increase from 72 (March 2009) to 444 (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 August 2010 vis-à-vis December 2009.
Mobile Banking	Launch in December 2010
Customer Contact Centre	To launch IVR, Voice, Email, Chat in FY11

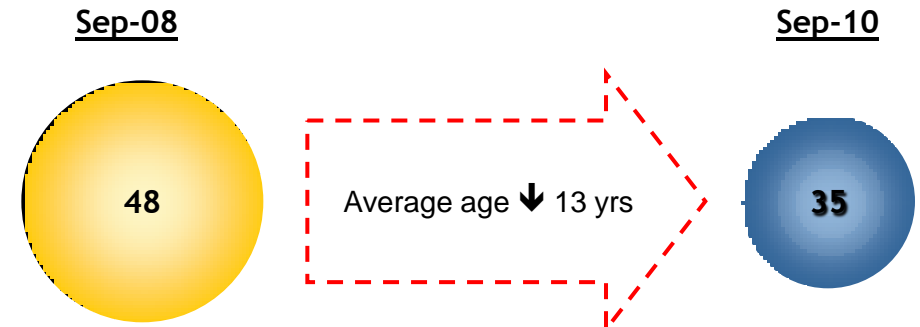
Total touch points more than doubled to 651 as at June 2010 from 280 as at June 2009

A New and Young Employee Base

Strengthening Customer Interface

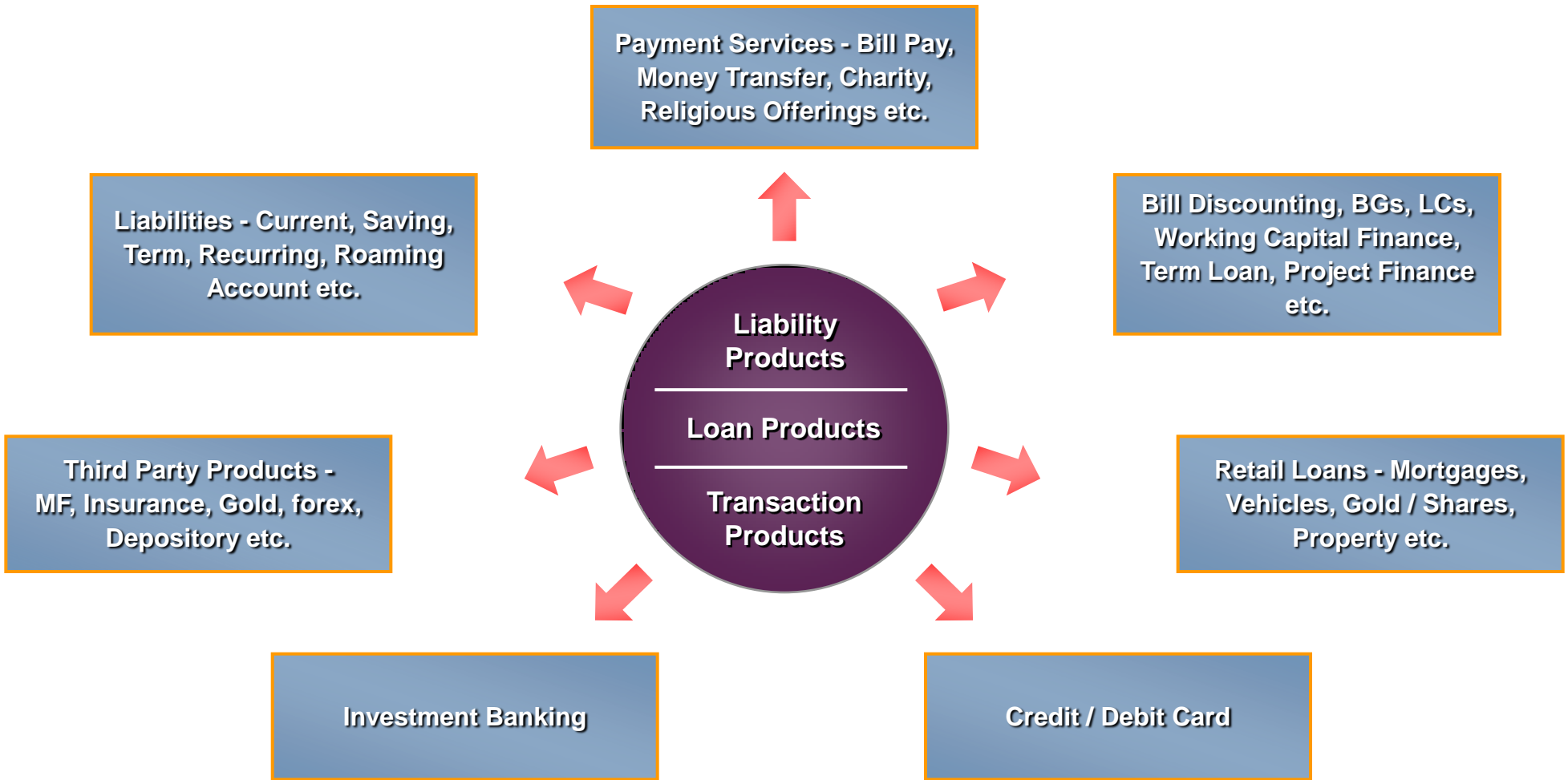


Average Age of Employee



- *Average age of new recruits - ~29 years*
- *Unionized workforce reduced to less than 30%*
- *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

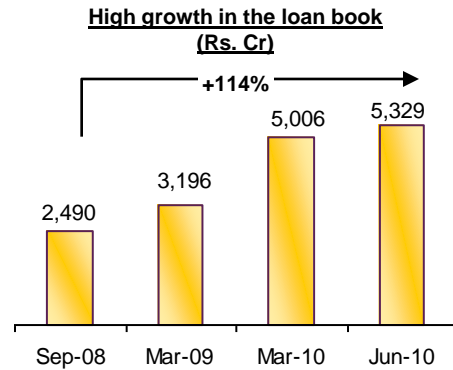
Retail Asset Products launched in July 2010

- **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

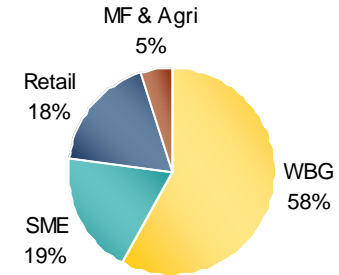
Business Segments Reorganized

1 De-risking the Loan Book



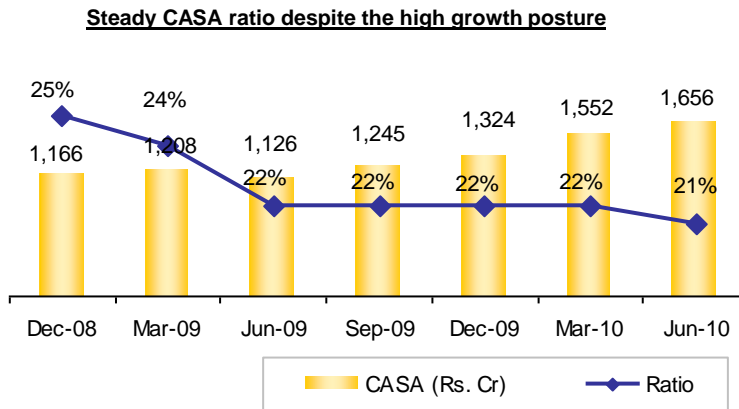
- De-risked the loan book through thrust on corporate segment in FY10
- ⇒ Proportion of 'A and above' clientele increased to 48% as at March 2010 from 36% as at March 2009

Led by low risk corporate loans (Break up of the Asset Book (Jun-10))



- Going forward, share of corporate book will reduce with greater impetus coming from SME and Retail segments

2 Liabilities



- Change of culture at Branches from Lending to Liabilities
- Dedicated sales team of approx. 1,000 members
- Focus on CASA - 30 to 1,000 new accounts per day
- Tapped deposits from new geographies / new clients
- More than 30% incremental liabilities from new branches
- Cross selling started

Business Segments Reorganized (*Cont'd.*)

3

Thrust on
Enhancing
the
Contribution
of Fee
Income

- Leverage our Multichannel distribution network
 - ⇒ Insurance distribution tie up with Bajaj Allianz
 - ◆ Business rose to Rs. 93 crores in FY10 (21 crores in FY09)
 - ⇒ Mutual fund product distribution tie-ups with ICICI Prudential, Kotak, UTI, SBI and HDFC
 - ⇒ Bullion, IPO's, Demat, G-sec, E-broking, etc.
- Online trading platform with Destimoney

4

Active
Treasury

- Gilts trading business rose from nil to ~50-60 crores per day
- Fx volumes (interbank side) touched \$300 million per month
- Trading profits rose to Rs. 18 crores (142% growth in FY10)
- As at June 2010, 81% investments in SLR with 77% part of the HTM portfolio

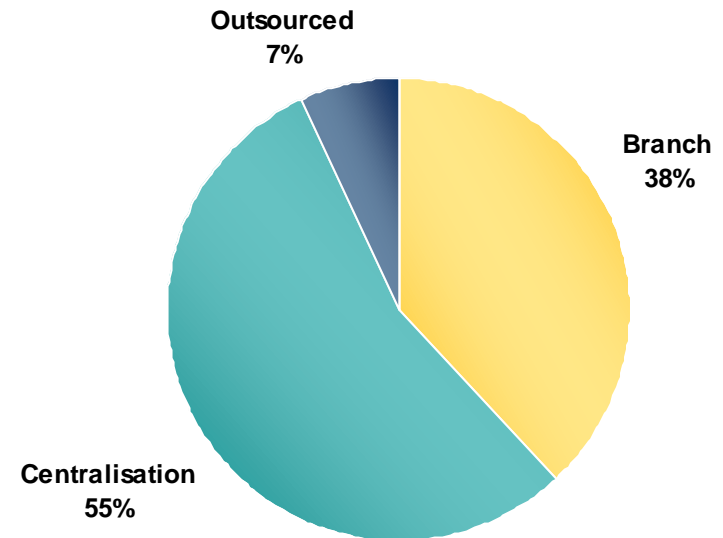
35% of the revenue targeted from Other income sources



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**
- **In FY2010 the 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



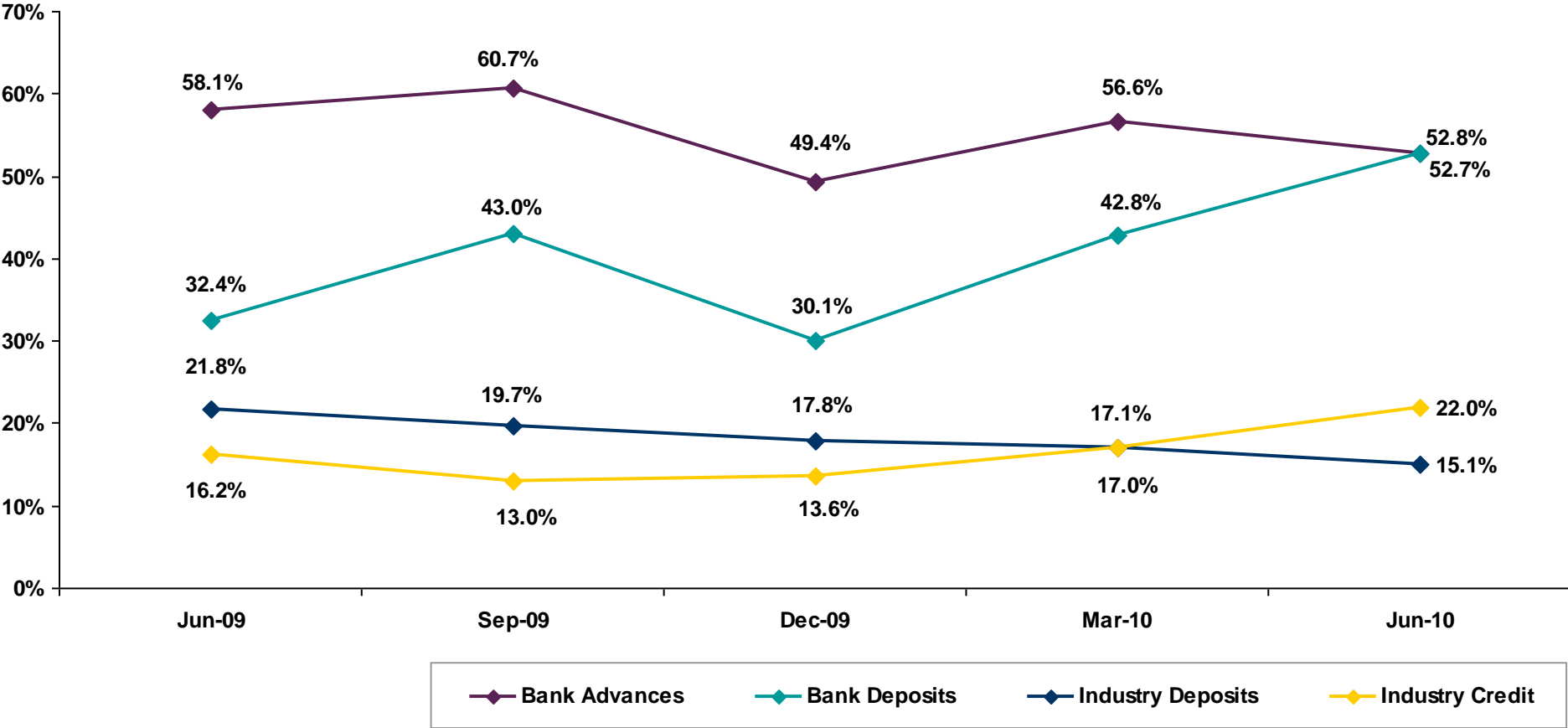


Financials - How the Numbers Stack up?

Balance Sheet

(Rs. in Crores)	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009	June 30, 2009	Y-o-Y growth
Capital	64	64	64	64	64	-
Reserves	382	376	378	377	370	3.2%
Deposits	7,747	7,098	6,002	5,629	5,071	52.8%
Borrowings	398	121	299	140	38	947.4%
Other Liabilities	436	428	406	408	249	75.1%
Total	9,027	8,087	7,149	6,618	5,792	55.9%
Cash / bank balance	920	750	546	678	589	56.2%
Investments	2,474	2,028	1,940	1,698	1,523	62.4%
Advances	5,329	5,006	4,391	4,002	3,489	52.7%
Fixed assets	86	79	55	48	46	87.0%
Other Assets	218	223	217	192	145	50.3%
Total	9,027	8,087	7,149	6,618	5,792	55.9%

Deposits - Advances Growth Better Than the Industry



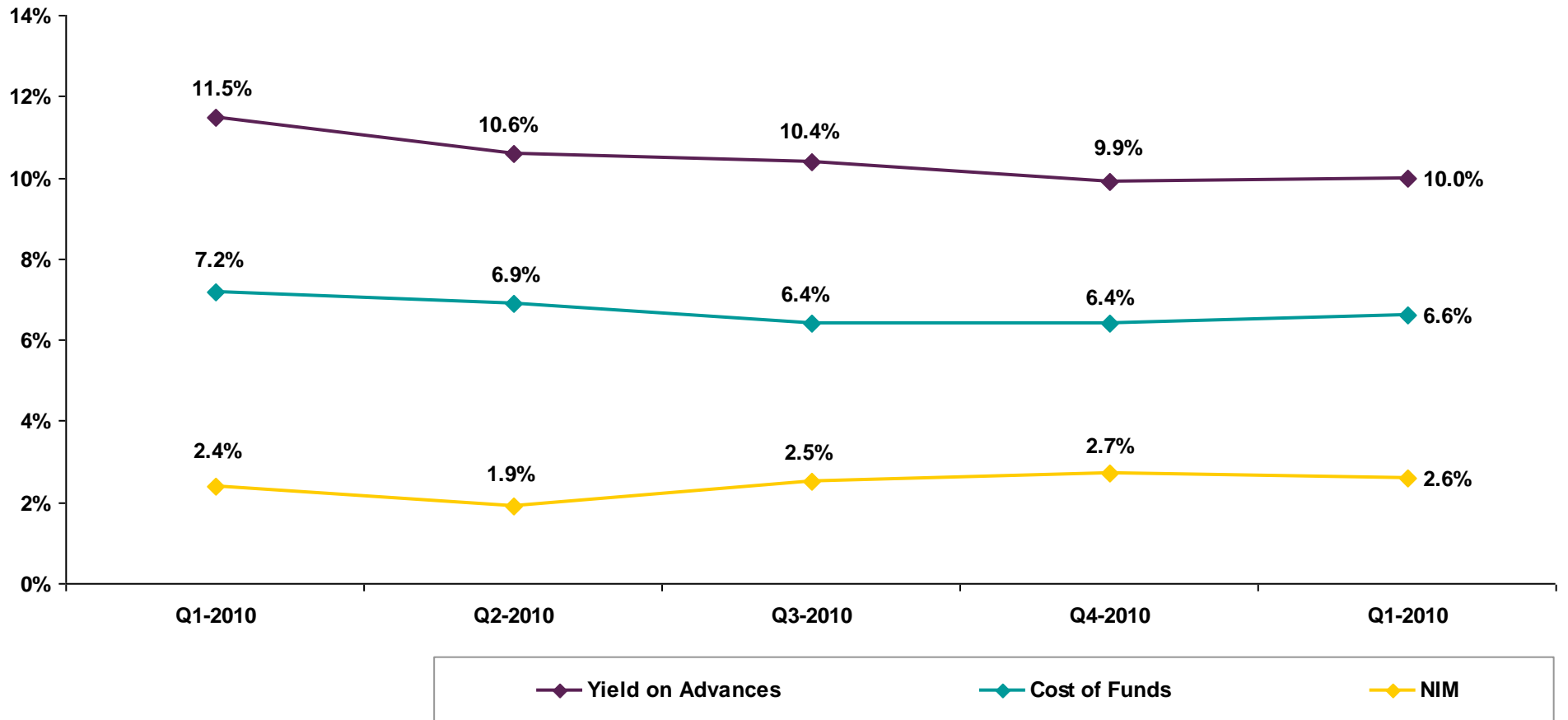
Composition of the Investment Book

Particulars	June 30, 2010	
	(Rs. in Crores)	(%)
Held-to-maturity	1,892.3	76.5
<i>SLR</i>	1,770.7	71.6
<i>Non - SLR</i>	121.6	4.9
Available for Sale	414.6	16.8
<i>SLR</i>	213.6	8.6
<i>Non - SLR</i>	201.0	8.1
Held-for-trading	166.8	6.7
<i>SLR</i>	20.1	0.8
<i>Non - SLR</i>	146.7	5.9
Total	2,473.7	100.0

Profit and Loss Statement

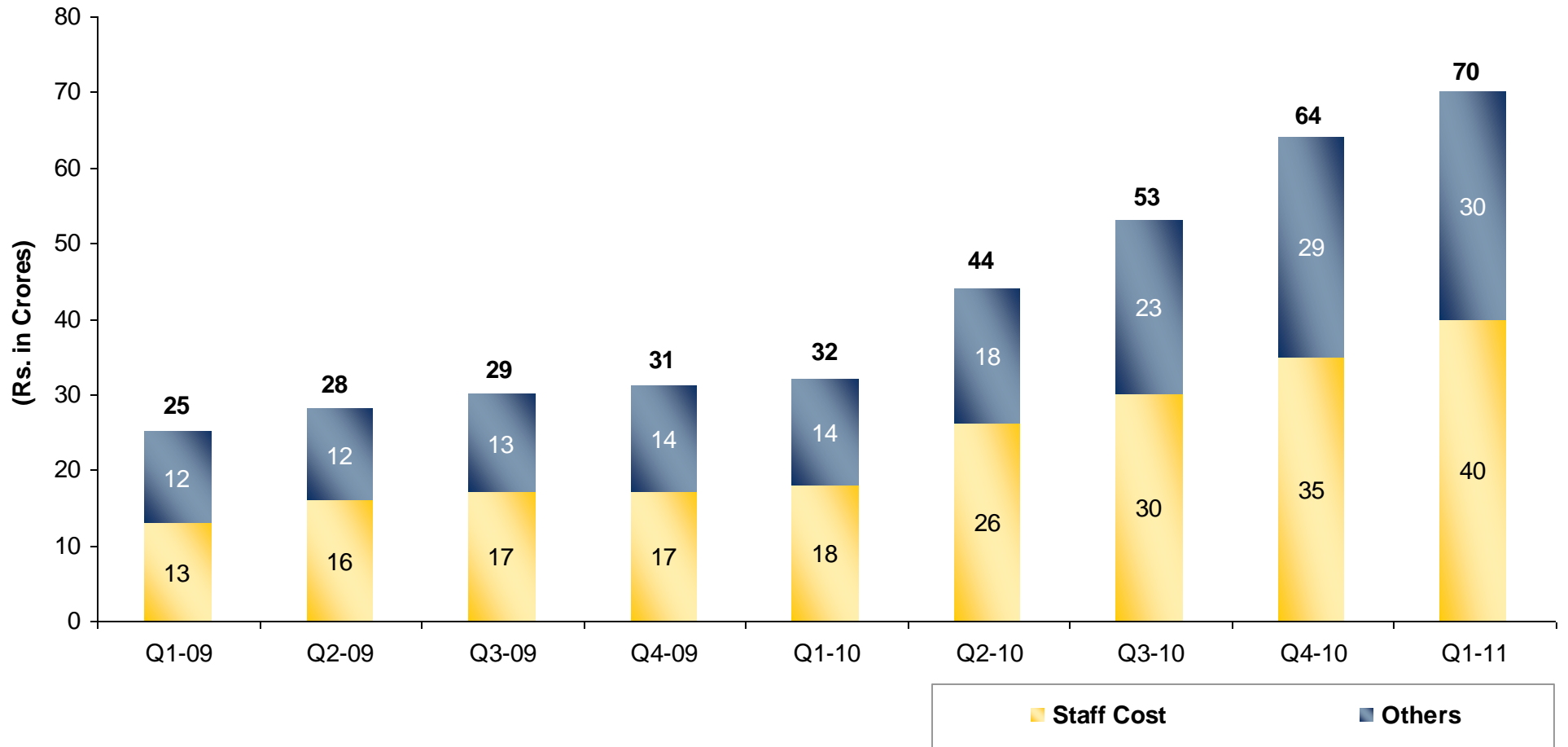
(Rs. in Crores)	Q1 - FY2011	Q1 - FY2010	Y-o-Y growth	FY2010	FY2009	Y-o-Y growth
Interest income	168.0	120.5	39.4%	534.6	408.4	30.9%
Interest expenses	119.5	90.2	32.5%	394.0	286.8	37.4%
Net interest income	48.5	30.3	60.1%	140.6	121.6	15.6%
Non Interest income	30.5	15.1	102.0%	90.9	79.4	14.7%
<i>Trading profits</i>	<i>2.7</i>	<i>9.0</i>	<i>(69.8)%</i>	<i>17.8</i>	<i>7.4</i>	<i>141.6%</i>
Operating expenses	69.8	32.3	116.1%	192.9	113.1	70.6%
<i>Staff cost</i>	<i>40.1</i>	<i>18.2</i>	<i>120.3%</i>	<i>109.1</i>	<i>62.6</i>	<i>74.4%</i>
Provisions	2.0	1.4	42.9%	10.9	8.2	32.7%
Profit after tax	6.0	10.1	(40.6)%	23.3	57.5	(59.4)%

Trend in Net Interest Margin



Y-o-Y increase in margins driven by lower cost of deposits partially offset by shift in lending focus to the corporate segment

Trend in Operating Expenses

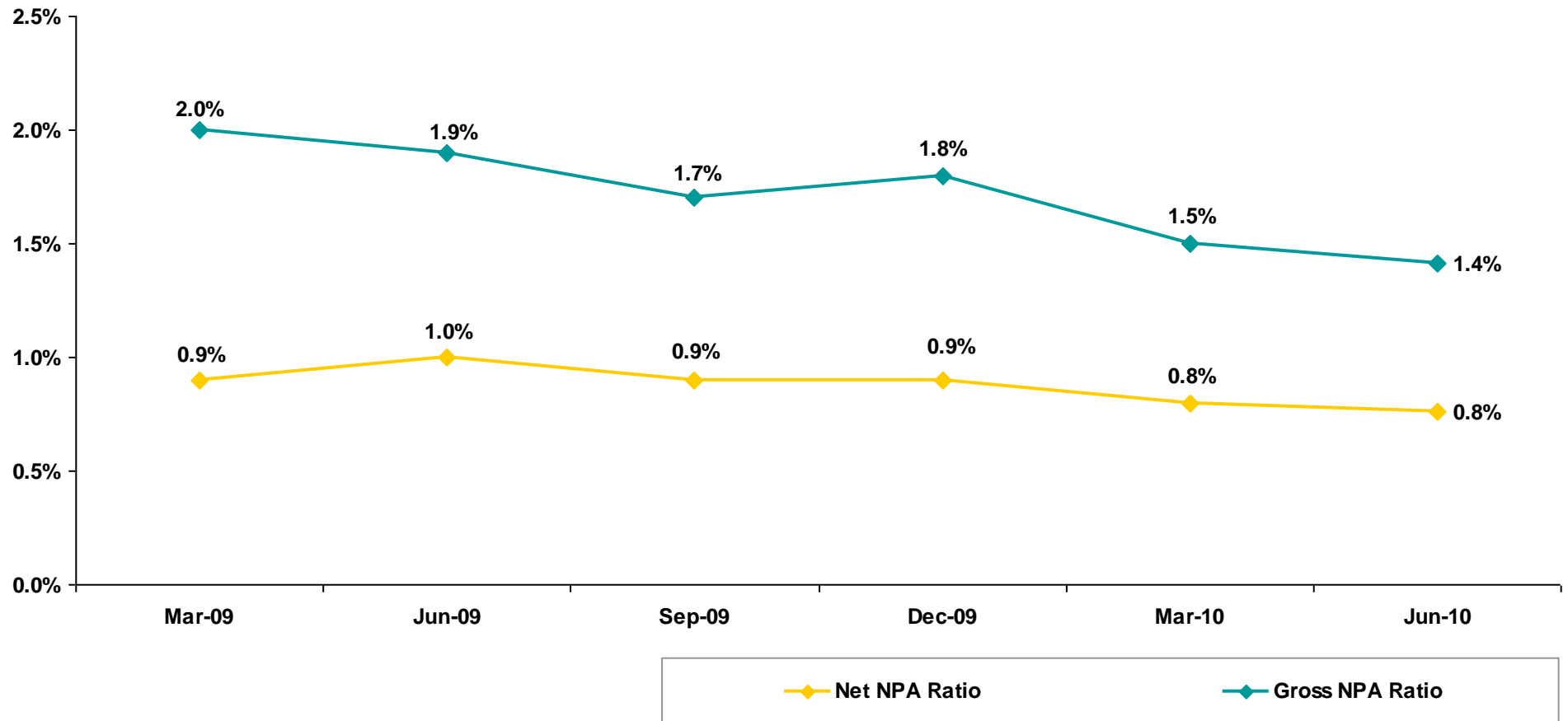


Key Ratios (%)

	Q1 - FY2011	Q4 - FY2010	Q3 - FY2010	Q2 - FY2010	Q1 - FY2010	FY2010
Cost / Income ratio	88.42	84.57	94.94	79.71	71.15	83.29
Credit - Deposit ratio	68.78	70.53	73.15	71.09	68.80	70.53
Return on Equity	5.42	5.16	1.19	5.70	9.31	5.30
Return on Assets	0.28	0.30	0.07	0.50	0.71	0.35

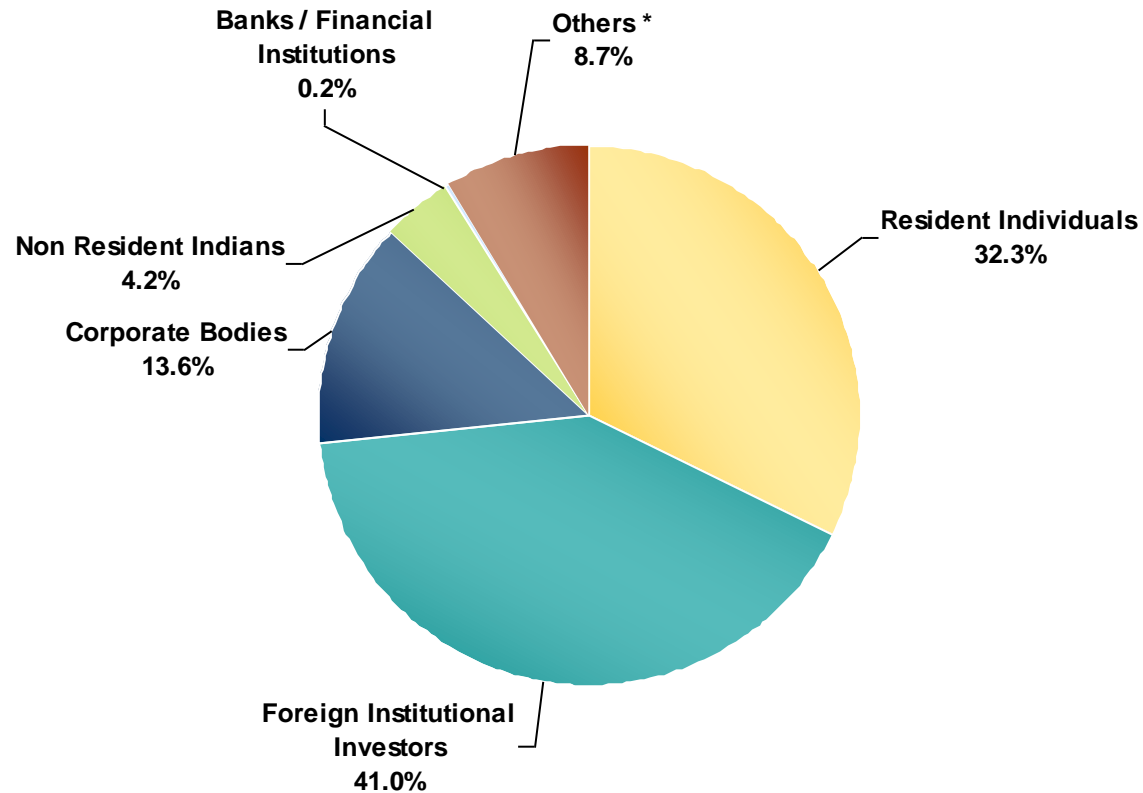
	June 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009	June 30, 2009
Gross NPAs (Rs. in crores)	75.66	77.50	77.88	70.26	67.96
Net NPAs (Rs. in crores)	40.36	41.94	39.14	34.43	33.70
Basel I					
Capital adequacy	10.36%	12.47%	13.36%	14.94%	13.38%
- Tier I	7.39%	8.45%	9.14%	10.16%	11.97%
Basel II					
Capital adequacy	11.01%	12.99%	14.29%	15.90%	14.14%
- Tier I	7.85%	8.80%	9.78%	10.81%	12.65%

Asset Quality



Nearly 44,000 Shareholders form Part of the Dhanlaxmi Family

Shareholding Pattern as at July 21, 2010



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

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



Capital Adequacy

RBI Guidelines

**CRAR
9%**

**Tier I
6%**

**Tier II
3%**

Internal Benchmark

**CRAR
12%**

**Tier I
8%**

**Tier II
4%**



Thank You