

**PRESS RELEASE**

**J&K Bank Q1 Operating Profit up 41 %**

(in Rupees million)

|                               | <b>Q 1 2009-10<br/>(Unaudited)</b> | <b>Q 1 2008-09<br/>(Reviewed)</b> | <b>%age<br/>change</b> | <b>FY<br/>2008-09<br/>(Audited)</b> |
|-------------------------------|------------------------------------|-----------------------------------|------------------------|-------------------------------------|
| Net profit                    | 1170.5                             | 945.6                             | 23.78 %                | 4098.4                              |
| Net Interest Margins          | 0.77 %                             | 0.77 %                            | -                      | 3.15 %                              |
| Operating Income              | 3816.7                             | 2911.3                            | 31.10 %                | 12453.1                             |
| Net interest income           | 2659.9                             | 2262.5                            | 17.56 %                | 10002.6                             |
| Fee based income              | 1156.8                             | 648.8                             | 78.30 %                | 2450.5                              |
| Operating Profit              | 2565.2                             | 1815.0                            | 41.33 %                | 7744.5                              |
| Return on Assets (%)          | 0.32 %                             | 0.29 %                            | -                      | 1.09 %                              |
| Post Tax Return on Equity (%) | 4.37 %                             | 4.01 %                            | -                      | 16.62 %                             |
| Earnings per Share            | 24.15                              | 19.51                             | 23.78 %                | 84.54                               |
| CRAR – Basel – I              | 14.33 %                            | 12.20 %                           |                        | 13.46%                              |
| Tier – I                      | 13.63 %                            | 11.59 %                           | -                      | 12.77%                              |
| Tier – II                     | 0.70 %                             | 0.61 %                            |                        | 0.69%                               |
| CRAR – Basel – II             | 14.89 %                            |                                   |                        | 14.48%                              |
| Tier – I                      | 14.25 %                            |                                   | -                      | 13.80%                              |
| Tier – II                     | 0.64 %                             |                                   |                        | 0.68%                               |

The J&K Bank announced its un-audited financial results for the quarter ended June, 2009, following the approval of its Board of Directors in a meeting held in Srinagar on July 14, 2009. For the said quarter, the Bank recorded a net profit of Rs 1170.5 million, an increase of 24 % over Rs 945.6 million pertaining to the corresponding period of the previous year. The Operating Profit for the quarter increased to Rs 2565.2 million registering an increase of 41 % over the corresponding period of the previous year.

The total business turnover moved to Rs 519755.6 million during the quarter ended June, 2009, increasing by 7 % over the corresponding quarter of the previous fiscal. Due to improvement in yield on advances from 10.37 % in Q1 FY 2008-09 to 11.55 % for the current quarter, the interest income on advances went up by 19 % on a Y on Y basis. Despite increase in Interest expenses by 20 % Y on Y, attributed to rising cost of deposits, bank has been able to maintain its margins at 3.10 % due to a concurrent increase in the lending rates.

Operating Income (Net Interest Income + Other Income) was Rs. 3816.7 million for the quarter ended June 30, 2009 as against Rs. 2911.3 million for the corresponding quarter of last fiscal registering an increase of 31 %. The other income of the Bank has gone up by 78 % to Rs. 1156.8 million from Rs 648.8 million a year ago, largely on account of trading income.

The Bank has restructured loans during the quarter to the extent of around Rs 1000 million mostly by way of realignment of interest rates.

The Gross NPAs and the Net NPAs as proportion of Gross and Net Customer Assets for the quarter ended June, 2009 were at 2.44 % and 0.77 % respectively. The NPA Coverage Ratio has gone up to 68.79 % from 59.53 % a year ago. As a result of efficient leveraging of its assets the Bank has been able to bring down its Cost to Income ratio to 32.79 % from 37.66 % a year ago. The Return on Assets has improved to 1.29 % (annualized) compared to 1.16 % a year ago.

The Capital Adequacy Ratio under the Basel I norms stood at 14.33 % at the end of June 30, 2009 and Tier I capital amounted to 13.63 %. Net Worth of the Bank stood at Rs. 27399.1 million as on June 30, 2009 compared to Rs. 24034.9 million a year earlier, registering a growth of 14 %.

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