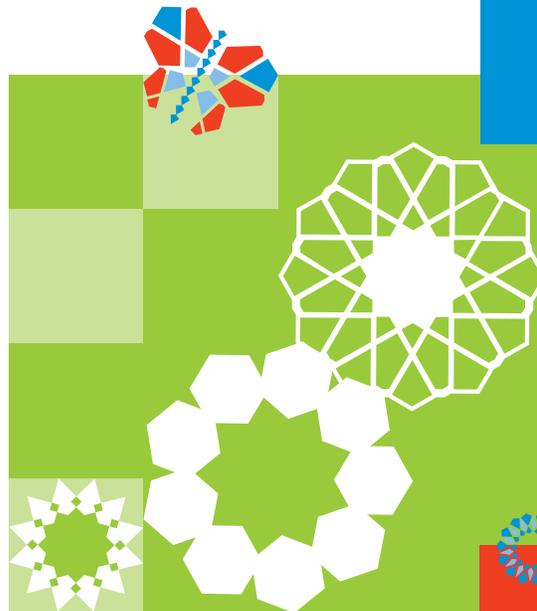
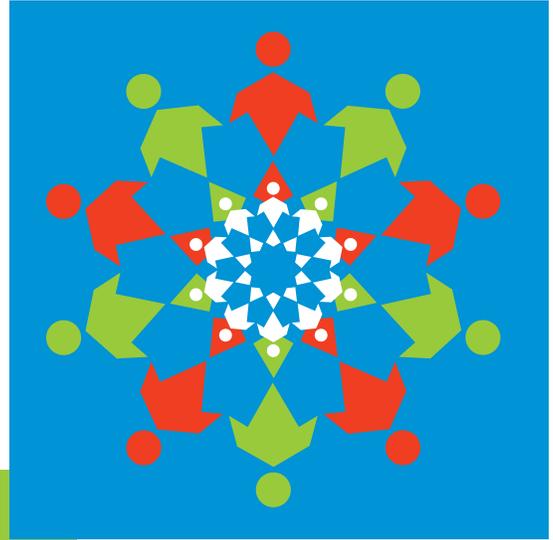


ENDURING PARTNERSHIPS



BUSINESS SUSTAINABILITY



INCLUSIVE GROWTH

# REALISING DREAMS

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# Notice



NOTICE is hereby given that the 75th Annual General Meeting of the Shareholders of The Jammu & Kashmir Bank Limited will be held as under:

Day : Saturday

Date : 22nd June, 2013

Time : 1100 hours

Place : Sher-i-Kashmir International Conference Centre(SKICC), Srinagar, J&K

to transact the following business:

## Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Account for the Financial Year ended on that date, together with the Reports of the Board of Directors and Auditors and comments of the Comptroller and Auditor General of India thereon.
2. To declare Dividend on equity shares for the financial year 2012-2013
3. To appoint Director in place of Mr. A. M. Matto who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Prof. Nisar Ali who retires by rotation and being eligible, offers himself for reappointment.
5. To fix the remuneration of Auditors in terms of provisions of Section 224(8) (aa) of the Companies Act, 1956, for the financial year 2013-2014

By order of the Board of Directors

Abdul Majid Bhat  
Company Secretary

Place: Srinagar

Dated: 15th May, 2013

## NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK.

PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE RECEIVED BY THE BANK AT IT'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

- b) Shareholders who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unclaimed Amount, in respect of Unpaid/ Unclaimed Dividend Warrants, which is more than seven years old shall be transferred by the Bank to "Investor Education and Protection Fund" established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the shareholders against the Company or the Fund.

- c) The Register of Members and Share Transfer Books of the Company will remain closed from 17th June, 2013 to 22nd June, 2013 (both days inclusive).

- d) The payment of Dividend for the financial year 2012-2013, if declared at the Annual General Meeting, will be paid in case of physical shareholding to those Members whose names appear on the Register of Members of the Company on 22nd June, 2013 and in case of dematerialized Shareholding, to those beneficiaries appearing in the records of National Securities Depository Limited and Central Depository Services (India) Limited, as at the close of working

hours on 14th June, 2013, subject to the provisions of Section 206A of the Companies Act, 1956.

- e) Members holding shares in physical form are requested to intimate change, if any, in their Registered Address, to the Share Transfer Agent. If the shares are held in Demat form, intimation regarding change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining Demat Account.
- f) Requests for transfer of physical shares received during the period of book closure shall be considered only after the reopening of Books and accordingly, requests for share transfers received during book closure period shall not be considered for dividend declared, if any
- g) Dividend for the FY 2012-13, if declared, will not be taxable in the hands of the Shareholders.
- h) Brief Profile of Directors retiring by rotation at the Annual General Meeting and being eligible for reappointment is included in the attached Corporate Governance Report.
- i) National Electronic Clearing Service
- i. The Reserve Bank of India has introduced the National Electronic Clearing Services i.e. NECS to bring further efficiency and uniformity in electronic credit and has accordingly instructed all banks to move to the NECS platform.

The Advantages of NECS over ECS (Electronic Clearing Services) include faster credit

of remittance to beneficiary's account wider coverage with no limitations of location in India besides ease in operations for remitting agencies.

NECS, for the purpose of centralised processing of instructions and efficiency in handling bulk transactions, is operational only for banks / bank branches leveraging on Core Banking Solution (CBS), which provide 10 or more digit bank account number to their customers.

Accordingly, Shareholders having holding in Physical form and wishing to avail the NECS facility for credit of dividend amount to their Bank Account directly should send relevant details to our Share Transfer Agent-Karvy Computershare Pvt. Ltd., by filling up the NECS-I Mandate Form, appended to this notice. Further, Shareholders having holding in Demat form and desirous of availing such credit through NECS, may send the requisite details directly to their Depository Participant, by filling up NECS-II Mandate Form appended to this notice.

### Disclaimer

The credit of Dividend through NECS is bona-fide and in compliance with the mandate of Securities & Exchange Board of India (SEBI) in this regard. For effecting this requirement, the Bank relies on the Bank Account data of Shareholders, as provided by the Depositories and on the Clearing System adopted by

the Reserve Bank of India. The Bank will not be responsible for credit of dividend to wrong/in-operative Bank Account where it is found that such wrongful credit was due to non-intimation/error in recording the correct Bank Account details.

- ii. In case of members holding shares in electronic form and who have furnished Bank account details pertaining to the Branches where NECS facility is not available, the Bank details are furnished by respective Depositories to the Company will be printed on their Dividend Warrants. The Bank will not entertain any direct request from such members for deletion/change in such Bank account details.
- iii. For Shareholders holding shares in physical form who have opted for NECS and furnished all relevant/valid information, arrangements have been made to remit Dividend through such mode of payment. Such shareholders are requested to intimate change, if any, in the details furnished in this regard to the Bank, immediately.
- j. Green Initiatives in the Corporate Governance

Electronic Mode of Service of Documents:

The Bank has implemented the "Green Initiative" of the Ministry of Corporate Affairs (MCA) circulated vide its Circular No. 17/2011 dated 21.04.2011 read with Circular No. 18/2011 dated 29.04.2011, to deliver various documents including Notices,

Balance Sheet, Profit & Loss Account, Auditors Report, Directors Report and Explanatory Statement to shareholders through their e-mail addresses available in the records of our Registrar and Share Transfer Agent.

Accordingly, to enable us to send various documents, under the 'Green Initiative' of MCA, through electronic mode, to all the Shareholders, Shareholders who have not registered their email-Ids and are holding shares in Physical form are requested to register their e-mail Ids quoting their Folio number with our Share Transfer Agent-Karvy Computershare Pvt. Ltd., and those Shareholders having holding in Demat Form are requested to register their e-mail Ids with their Depository Participant quoting their DP ID and Client ID

- k. Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank at least seven days before the Meeting.
- l. Only registered members/beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank, will be permitted to attend the meeting.
- m. Members are requested to avoid being accompanied by non-members and/or children.
- n. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

# Annexure to Notice



## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

### ITEM NO. 05

#### FIXATION OF REMUNERATION OF AUDITORS

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice, with the view to set-out material facts concerning such business. Prior to Companies Amendment Act, 2000, remuneration payable to Auditors in case of Government Companies was decided by the Central Government on the advice of Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors, appointed by C&AG under Section 619 of the Companies Act, 1956, has to be fixed by the Company in General Meeting or in such manner as the Company in the General Meeting may determine. Members may accordingly fix the remuneration of Auditors for the financial year 2013-2014 including remuneration for the Limited Review of Quarterly Reviewed Financial Results for the period ending 30th June, 2013, 30th September, 2013 and 31st December, 2013. Directors recommend the adoption of resolution to be moved at the Meeting in this regard.

No Director of the Bank is in anyway concerned or interested in the Resolution.

Regd. Office:  
Corporate Headquarters,  
M. A. Road,  
Srinagar - 190 001

Dated: 15th May, 2013

By order of the Board of Directors

**Abdul Majid Bhat**  
Company Secretary

# From the Chairman's Desk

I am delighted to be writing this communication because it is very special for a number of reasons – ranging from what we have achieved *during* the year, to what we have achieved *over* the years.



**Mushtaq Ahmad**  
Chairman & CEO

We are at the cusp of a momentous event in our journey – the completion of 75 years of our Bank's incorporation on 1st October, 1938. We see reflection of the years bygone with pride. We derive strength and inspiration from them. This occasion also reminds us of the distance we have traversed as an institution and the challenges we encountered along the way. It is such moments that enable us to understand our contribution to the socio-economic landscape of Jammu & Kashmir and the nation as a whole. The foresight of our decision makers and the fortitude of our team have been the cornerstone of our achievements in all these years. The J&K Bank remains committed to creating economic opportunities across the country (J&K of course, remaining the focus) and to help elevate the quality of life for all sections of society, as we chart the next leg of our journey.

**Today, The J&K Bank is considered as one of the best in the country and consistently ranks among the top performers on all vital indicators.**

The Bank was established with a capital of ₹ 7,72,725 and a base of 61,818 shares with a simple yet noble idea of liberating the people of J&K State from the grasp of moneylenders. From a very modest beginning, the Bank has grown into a premier institution with a pan-India presence. However, our core philosophy of helping people realise their dreams, and bringing more and more people into the ambit of financial inclusion has not changed. Today, The J&K Bank is considered as one of the best in the country and consistently ranks among the top performers on all vital indicators. While these achievements enhance our confidence in our abilities, the core guiding philosophy remains the same: creating opportunities and touching lives in more ways than one. A Platinum Jubilee, I think, provides the relevant opportunity to reaffirm our commitment to our enduring credo.

The Bank's Platinum Jubilee celebrations coincide with early signs of revival across major economies globally. In the US, last year's early indications of economic recovery paved the way for more stabilisation with improvements in manufacturing, housing and employment conditions. However, larger-than-

expected fiscal adjustments from spending cuts may exert strong downward pressure on growth and can dampen the pace of recovery. In Japan, the new quantitative and qualitative easing framework of monetary policy, fiscal stimulus and structural reforms are yielding positive results and the economy is projected to grow at around 1.5 percent in FY 2013-14 after years of deflation and little or no growth.

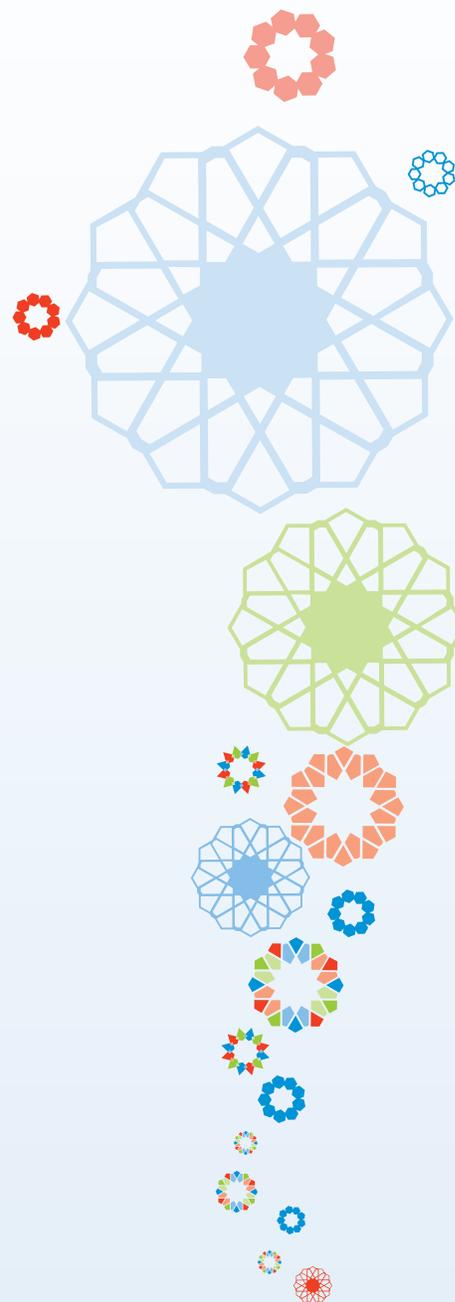
Europe's financial system largely stabilised during the past fiscal after the European Central Bank announced that it would buy the government bonds of deeply indebted countries to lower their borrowing costs. But the 17 countries using the euro currency remain in recession. Many are cutting spending sharply and raising taxes to slash colossal debt, but the austerity measures are stifling growth and further aggravating the already high unemployment levels. The Eurozone's economy, which in January was expected to contract by 0.2 percent, is now expected to shrink by 0.3 percent. There is an urgent need for policies to be recalibrated in line with changing circumstances and strengthen resilience against financial vulnerabilities in these economies.

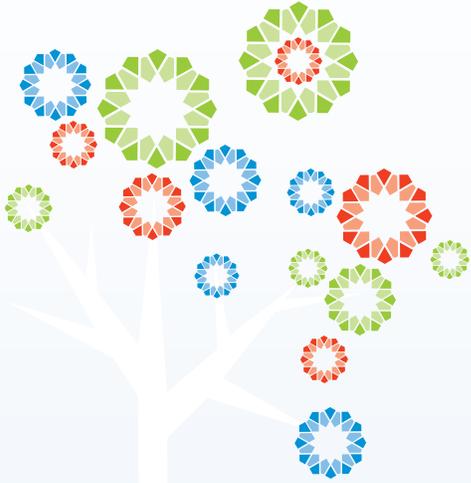
Growth in emerging and developing economies (EDEs) has already picked up after a slowdown in FY 2011-12, thanks to resilient consumer demand, supportive macroeconomic policies and revival of exports. However, some of these countries like Brazil, Russia and Turkey confront a surge in inflation, which may warrant tighter monetary responses. Inflation, otherwise, remained remarkably stable in most of the world economies including the advanced ones and inflation expectations remained well anchored.

Overall, the prospects for global economy in FY 2013-14 appear to be moderately brighter in comparison to the previous year with growth projected at 3.3%. However, the trajectory of recovery remains inconsistent and laden with impediments, which makes the road ahead susceptible to uncertainty.

The Indian economy continued to remain sluggish in FY 2012-13. The advance estimates of 5 percent GDP growth by Central Statistics Office (CSO) for the FY 2012-13 is a decadal low. On quarter to quarter basis, the GDP declined persistently over the year with the third quarter recording an output expansion of 4.5% only, which is the lowest in the past 15 quarters. The fourth quarter also does not seem to have fared much better with an estimated expansion of 4.7% only.

The moderation in headline inflation, which began in later part of the last financial year continued throughout the year to average out at 7.3 percent in 2012-13 from 9 percent recorded in the preceding year. The easing was particularly significant in the fourth quarter of 2012-13, with the year-end inflation pegged at 6 percent. Consumer price inflation, however, stayed in double digits, reflecting substantial food inflation pressures and the pass through of high international crude prices to freely priced items. Non-food manufactured products inflation ruled above the comfort level in the first half of FY 2012-13, but declined in the second half to touch 3.5 percent by March, reflecting easing of input price pressures and erosion of pricing power.





**Despite the economic hardship nationally and internationally, The J&K Bank continued its superlative performance in FY 2012-13, achieving unprecedented business volumes, revenues and profit.**

Economic activity is expected to improve moderately in FY 2013-14, with a momentum likely in the later part of the year. The baseline GDP growth for FY 2013-14 is projected at 6 percent, RBI, however, on conservative estimates pegs it at 5.7 percent, which is comparatively better than the advance estimate of 5 percent for FY 2012-13. The Government's policy measures in the later part of FY 2012-13 and the expectations of further such measures may be reflected in the real economy after some time. However, economic momentum can be derailed unless supplemented by containment in fiscal deficit, revival of investment, sustenance and acceleration of capital inflows and unlocking of supply side bottlenecks.

Despite the economic hardship nationally and internationally, The J&K Bank continued its superlative performance in FY 2012-13, achieving unprecedented business volumes, revenues and profit. The sterling performance is visible on all key indicators. The major constituents of our business model, including optimum asset utilisation, prudent liability management, judicious monitoring of credit assets, efficient risk management, persistent improvement of systems and procedures and above all customer convenience were pursued in an integrated and coordinated approach to extract maximum returns from available resources.

It gives me immense pleasure to present this Annual Report in the 75th year of the Bank's foundation. This Annual Report, yet again, is a testimony of the effectiveness of the Bank's business model and robustness of its strategies. It demonstrates our resolve to build further on our accomplishments and strengthens the conviction entrusted by you and millions of other stakeholders.

The Bank's vision and endeavour to accelerate socio-economic development of Jammu & Kashmir through exhaustive credit dispensation and selective pan-India quality lending, continued to drive its progress. The result is that we have not only achieved, but even surpassed our ₹ 1,00,000 Crores business target and ₹ 1,000 Crore profit in the Platinum Jubilee year.

At The J&K Bank, we focused on expansion through a rapid increase in multi-delivery channels. The extensive expansion of business units initiated last year was pursued more vigorously during FY 2012-13 and a total of 82 business units were added to widen the Bank's network to 685 as at the end of March, 2013. Similarly, 105 new ATMs were added during the last fiscal to take the total ATM network to 613 on 31st March, 2013. Mobile banking services were also introduced during FY 2012-13 to provide customers more accessibility and convenience.

Our core value system has always been a guiding factor in our decision making. In line with these values, we firmly believe in inclusive banking, which encompasses all sections of society, particularly the economically



The Bank's vision and endeavour to accelerate socio-economic development of Jammu & Kashmir through exhaustive credit dispensation and selective pan-India quality lending, continued to drive its progress. The result is that we have not only achieved, but even surpassed our ₹ 1,00,000 Crores business target and ₹ 1,000 Crore profit in the Platinum Jubilee year.

underprivileged. The objective of inclusive banking is being achieved through a multi-faceted strategy, involving the deployment of Business Correspondents, Common Service Centres and Brick & Mortar business units. The Bank's outreach programme is underway to provide basic banking services across 1,260 identified unbanked villages (comprising 535 SLBC allocated above 2,000 population villages and 725 other unbanked villages). The Bank is also committed to deploy delivery channels in SLBC allocated 1,093 villages in the population range of above 1,000 and less than 2,000.

Already, Business Correspondents (BCs) have been rolled out in 1,928 villages, comprising 420 self-set target villages, 527 above-2,000 population villages and 981 below-2,000 population villages for extending ICT enabled financial services through the operation of smart cards. The household coverage in these villages has reached 54.60% and efforts for full coverage are going on with full vigour. Fifteen model villages were selected by the RBI for 100% financial inclusion in Jammu & Kashmir and allocated to The J&K Bank. The target has been achieved and already 4,819 smart cards have been issued in these villages. The Bank has also submitted a Board approved financial inclusion plan to the RBI for 3,271 villages (below-2,000 population villages). It is envisaged to be covered by the end of March, 2016 through a mix of varied channels.

Esteemed Shareholders, your Bank has travelled a long and eventful journey to carve out its distinctive identity in India's banking industry. I am fortunate to be part of this journey and personally witnessed the Bank's transformation from an unknown entity to an institution of repute. All the members of The J&K Bank family and the stakeholder fraternity have helped shape this wonderful legacy. I am confident you will provide the support and trust to strengthen it further. On this historic occasion, we express our gratitude to the main promoter, the State Govt. for continued patronage and support. We acknowledge and express gratitude to RBI for their guidance and assistance at every occasion. We are also thankful to the Union Govt. for their support. We also thank NABARD who have been extending helping hand in our various initiatives.

On the occasion of our Platinum Jubilee, let us all rededicate ourselves to the task of elevating our institution to new heights of achievement on the strength of our commitment and enduring value system.

**Mushtaq Ahmad**  
Chairman & CEO

# Directors' Report

1. 1.1. Your Board of Directors have pleasure in presenting the 75th Annual Report of your Bank, together with the audited Balance Sheet, Profit and Loss Account and the report on business and operations for the year ended 31st March, 2013.
- 1.2. The Bank has delivered a strong performance in FY 2012-13. The Bank's strategy of consolidation, re-engineering, re-pricing and re-organisation has resulted in productive and efficient growth, robust balance sheet, reality asset book and substantial provisions. Financial highlights for the year under review are presented below:

## 2. Performance at a Glance

- 2.1 The aggregate business of the Bank crossed yet another milestone mark and stood at ₹ 1,03,421.03 Crores at the end of FY 2012-13. The total business of the Bank increased by ₹ 16,996.71 Crores from the previous year's figure of ₹ 86,424.32 Crores, registering a growth of 19.67%.
- 2.2 The total deposits of the Bank have grown by ₹ 10,873.72 Crores from ₹ 53,346.90 Crores, as on

31st March, 2012, to ₹ 46,220.62 Crores, as on 31st March, 2013, registering a growth of 20.38%. CASA deposits of the Bank at ₹ 25,191 Crores constituted 39.23% of total deposits of the Bank.

- 2.3 Cost of deposits for current FY stood at 6.87%.
- 2.4 The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The net advances of the Bank increased by ₹ 6,122.99 Crores from ₹ 33,077.42 Crores, as on 31st March, 2012, to ₹ 39,200.41 Crores, as on 31st March, 2013, a growth of 18.51%.
- 2.5 Yield on advances for the current FY improved to 12.59%, compared to 12.12% for FY 2011-12.
- 2.6 Priority sector advances (Gross) stood at ₹ 11,591.58 Crores, as on 31st March, 2013.

3. The Bank's performance in the recovery of NPAs during the year continued to be good. The Bank effected cumulative cash recovery; upgradation of NPAs and technical write-off of ₹ 327.83 Crores, compared to ₹ 316.91 Crores in the previous year.

4. Investment portfolio of the bank increased by ₹ 4,116.74 Crores

from ₹ 21,624.32 Crores, as on 31st March, 2012, to ₹ 25,741.06 Crores, as on 31st March, 2013.

## 5. Insurance Business

5.1. The Bank's income reached ₹ 37.41 Crores from the Insurance Business. In life insurance, the Bank mobilised business of ₹ 63.44 Crores and in non-life segment, business of ₹ 92.88 Crores was mobilised during the year.

## 6. Income Analysis

- 6.1. Interest income of the Bank recorded a growth of ₹ 1,301.22 Crores and increased from ₹ 4,835.58 Crores in FY 2011-12 to ₹ 6,136.80 Crores in FY 2012-13. Interest expenses increased from ₹ 2,997.22 Crores to ₹ 3,820.76 Crores during the year. The Net Interest Income increased from ₹ 1,838.36 Crores to ₹ 2,316.04 Crores on YoY basis.
- 6.2. The Net Income from operations [Interest Spread plus Non-interest Income] has increased to ₹ 2,799.77 Crores in FY 2012-13 from ₹ 2,172.48 Cr in FY 2011-12, growing by 28.87%.
- 6.3. The Operating Expenses exhibited an increase of ₹ 186.86 Crores during FY 2012-13 and stood at ₹ 989.01 Crores, as compared to ₹ 802.15 Crores in FY 2011-12.
- 6.4. The Cost to Income ratio (Operating Expenses to Net Operating Income) has come down from 36.92% in FY 2011-12 to 35.33% in FY 2012-13.

## 7. Gross Profit

7.1. The Gross Profit for FY 2012-13 stood at ₹ 1,810.76 Crores, as compared to ₹ 1,370.33 Crores in FY 2011-12, registering a growth of 32.14%.

The aggregate business of the Bank crossed yet another milestone mark and stood at ₹ 1,03,421.03 Crores at the end of FY 2012-13. The total business of the Bank increased by ₹ 16,996.71 Crores from the previous year's figure of ₹ 86,424.32 Crores, registering a growth of 19.67%.



## 8. Provisions

8.1. The Provision for Loan Losses, Provision on Standard Assets, Taxation and others aggregated to ₹ 755.66 Crores in FY 2012-13, as compared to ₹ 567.08 Crores in FY 2011-12.

## 9. Net Profit and Dividend

- 9.1. The Bank registered highest ever Net Profit of ₹ 1055.10 Crores for FY 2012-13, as compared to ₹ 803.25 Crores for FY 2011-12, up by an impressive 31.35%.
- 9.2. The Board of Directors has recommended a record dividend of 500% for FY 2012-13.
- 9.3. In terms of extant guidelines, the Bank will pay the dividend distribution tax for FY 2012-13. Accordingly, the total outflow on account of dividend for FY 2012-13 will be ₹ 283.58 Crores, including the dividend distribution tax.

## 10. Net Worth and CRAR

- 10.1. The Net Worth of the Bank increased to ₹ 4,846.69 Crores, as on 31st March, 2013, from ₹ 4093.18 Crores on 31st March, 2012.
- 10.2. The Capital to Risk Adjusted Assets Ratio (CRAR) under BASEL-I stood at 12.34%, as on 31st March, 2013, which is much above the norm of 9% stipulated by the Reserve Bank of India. The Tier-I component of CRAR stood at 10.44%, as on 31st March, 2013.
- 10.3. The Bank has implemented new capital adequacy framework w.e.f. 31st March, 2009. Under new norms, the Bank's CRAR (BASEL-II) works out to 12.83%, which is higher than the CRAR as computed under BASEL-I norms. The advantage has stemmed

mainly from higher rated Investment/Credit portfolio. The Tier-I component of CRAR under new norms is 10.86% under BASEL-I.

10.4. The Return on Average Net Worth, Earnings per Share and Book Value per Share for the FY 2012-13 stood at 23.56%, ₹ 217.64 and ₹ 1,003.49, as against 21.22%, ₹ 165.69 and ₹ 844.34, respectively, for the previous year.

## 11. Branch Network

During FY 2012-13, 70 new branches were established and 12 Extension Counters were upgraded into full-fledged Branches, thereby taking the number of branches to 685, as on 31st March, 2013, spread over 20 states and one union territory. The area-wise breakup of the branch network (excluding extension counters/mobile branches and Service branches), as at the end of FY 2012-13 is as under:

Area	Branches
Metro	39
Urban	178
Semi-Urban	136
Rural	332
<b>TOTAL</b>	<b>685</b>

## 12. IT initiatives during FY 2012-13

Technology has played a pivotal role in the growth of the Bank. T&ISD department has always been at the forefront in delivering solutions in line with the changing business needs of the organisation. As a matter of policy, the Bank has always provided industry best solutions, so as to align the technology with business goals. The details of various technology initiatives taken during FY 2012-13 are enumerated below:

- Mobile Banking introduced with the following features:
  - i) Intra Bank Fund Transfer
  - ii) Inter Bank Fund Transfer (IMPS)
  - iii) Balance Inquiry
  - iv) Statement Request
  - v) Cheque Stop Request
  - vi) Cheque Book Inquiry
- Cheque Truncation System (CTS) was deployed at Hyderabad, Thiruvanthapuram, Kochi, Mysore, Kolkata, Chandigarh and Coimbatore.
- 105 new ATMS were commissioned during the year, taking the total number of ATMS to 613.

**The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The net advances of the Bank increased by ₹ 6,122.99 Crores from ₹ 33,077.42 Crores, as on 31st March, 2012, to ₹ 39,200.41 Crores, as on 31st March, 2013, a growth of 18.51%.**

- The network of all the outside state branches was migrated to MPLS with higher bandwidth and inbuilt redundancy.
- System Level Asset Classification was upgraded to include all the accounts, as against the ceiling of sanction limit of ₹ 50 lacs in the first phase.
- Supporting the Organisations branch expansion plans, 77 new Sols were opened on CBS, taking the total Sol count to 748, which includes Branches, Offices and Extension counters. All the network-related infrastructures have been provided at all the branches opened during the financial year.
- The three-way Disaster Recovery (DR) project has been completed and two successful DR drills conducted on the new set up. During the financial year, DR for SWIFT and ITMS has been put in place. The DR setup for CTS is under implementation.
- MIS/ADF solution was implemented and parallel runs were conducted for Financial Consolidator.
- Clearing House at Kargil made functional.
- In order to facilitate issuance of eBRC in our Bank, which has replaced the system of uploading eBRC, an in-house Web-Application has been developed. This has ensured compliance to RBI directives in this regard.
- As a part of compliance to the mandate on LTS/TVS from NPCI, necessary customisation stands implemented on ATM Switch. This feature will reduce customer complaints on account of failed transactions.
- Implemented the IT Governance framework, as prescribed by RBI. Independent functions for

assurance and security were put in place.

### 13. Advertising and Publicity

Continuing with its proactive approval of brand positioning within the wider public consciousness and memory, the Bank maintained its brand primacy during the year.

The Bank's products, services, functioning and achievements were effectively advertised and communicated to the respective target audience, which includes customers, stakeholders and general public through properly packaged messages, using wider and relevant media.

The Bank also entered into the virtual space of social media networking to further supplement its online processes of image building and publicity.

### 14. Corporate Social Responsibility-CSR

J&K Bank believes in putting people before profits.

The Corporate Social Responsibility (CSR) of the Bank is aligned with its vision statement of empowering people through servant leadership. It recognises obligations towards society and aims at maximising both business and social performance. J&K Bank treats contributions to CSR as an earning, rather than expenditure.

From matters of health to heritage, education to entrepreneurship, poverty alleviation to paucity augmentation - our CSR policy covers it all.

The aim is to instil a sense of relief and protection among the vulnerable sections of society, besides providing opportunities for the survival,

sustenance and empowerment of people. The approach adopted in conceiving, handling and implementing CSR initiatives is simple, yet professional. At times, it is massive yet methodical.

Taking a long-term view of its CSR initiatives, J&K Bank employs organised and innovative interventions to ensure maximisation of both social and economic returns. Thus, capitalising on the expertise of the professionals and organisations pursuing various causes of societal concern continue to be our guiding force in the implementation and execution of our CSR initiatives.

### 15. Major CSR Initiatives taken by the Bank

Education continued to receive top priority. To a school of remote Kaprin village in Shopian district, the Bank provided 23 computers for establishing a computer lab that caters to the students from the nearby areas, in addition to the students of that school. Likewise computers and other learning aids were donated to dozens of schools. The Bank further expanded its programme of sponsoring education of children by partnering with a local NGO for professionally managing education of 20 children coming from socially and economically disadvantaged backgrounds, under the organisation's scientifically oriented Remote Child Sponsorship Programme. This is in addition to the collaboration that the Bank already has with two more such organisations pursuing the cause of education/ rehabilitation of specially abled children. In the health segment, the Bank made reasonable monetary contributions for various health projects undertaken by reputed not-for-profit organisations, like Indian Red Cross Society, Cancer Society of Kashmir and so on.



The Bank also participated in the programmes (of Aditya-Jyoti and CENQUIN, two reputed NGOs) meant for rehabilitation of various slum dwellers and other initiatives outside J&K to empower the poor people. The Bank provided financial assistance to the Hemophilia Society, Delhi, for the treatment of hemophilia patients from Tullwari, a remote village along LoC, which was adopted by the Bank in 2011.

The bank kick-started its Platinum Jubilee celebrations on 21st March, 2013, the day observed as the World Arbor Day. It started the celebrations by a massive, week-long plantation drive, in which 75,000 saplings of various species were planted throughout the state of Jammu and Kashmir. The highly acclaimed CSR programme of the Bank to develop and maintain parks for providing means of entertainment to the people of the state, was taken further by dedicating one more such park, Rani Bagh, to the people of South Kashmir. Notably, with Ranibagh, the number of parks developed and maintained by J&K Bank has moved up to nine. The Bank played a lead role in providing relief and rehabilitation in Frislan, a village near the world famous tourist resort of Pahalgam. More than thirty houses were destroyed in a devastating fire in Frislan, leaving victims homeless and in a state of despair.

## 16. Lead Bank Responsibility

The J&K Bank is the only private sector bank in the country assigned with the responsibility of convening State Level Bankers' Committee meetings. The Bank continued to discharge its lead bank responsibility in 12 out of 22 districts of J&K State satisfactorily.

The State Annual Credit Plan for the FY 2012-13 was launched in time and its implementation was monitored on quarterly intervals in State Level Bankers' Committee meetings. During FY 2012-13, out of the total ACP target of ₹ 6,094.50 Crores for the state, banks operating in the state disbursed credit of ₹ 4,918.14 Crores, registering an achievement of 81%.

Out of the total priority sector credit of ₹ 4,918.14 Crores disbursed by all banks in the State upto 31st March, 2013, J&K Bank alone has disbursed ₹ 3,225.67 Crores against the target of ₹ 3,123.22 Crores, thereby achieving 103% of its annual ACP target, which accounts for a lion's share of 66% of the total flow of credit to priority sector by all banks in the state.

### During FY 2012-13, following meetings were conducted:

- Four quarterly State Level Bankers Committee (SLBC) meetings, viz. 85th, 86th, 87th and 88th to review performance under ACP.
- Two meetings conducted, one on 25th August, 2012, and the other on 28th March, 2013 of the Steering Sub-Committee of J&K SLBC to monitor flow of credit to the Agriculture Sector
- A meeting of the sub-committee of State Level Inter-Institutional Committee (SLIIC) to discuss

rehabilitation of sick MSME units in J&K State held on 3rd August, 2012.

- A Meeting of the Sub-group of J&K SLBC constituted to prepare a Workable Action Plan for enhancing C.D.Ratio of J&K State held on 12th April, 2012 (to comply with the directive of Governor, RBI, given in the Special SLBC meeting).
- The bi-annual meeting of Chairman, J&K Bank, with all the Lead District Managers of J&K state at Srinagar, as per GoI, MoF Directive.
- The State Level Steering Committee (SLSC) on RSETIs held on 15th July, 2012, at Srinagar.
- The district level and block level meetings, such as DCC/ DLRC/ BLBC and other relative meetings under Lead Bank Scheme held during FY 2011-12, as per schedule in all districts.

### Implementation of Financial Inclusion Plan (FIP)

- The target of providing Information and Technology Communication (ICT)-based banking services in 795 identified unbanked villages (having population over 2,000) was almost accomplished, leaving only nine villages uncovered due to lack of connectivity and other infrastructural deficiencies at these places.

**Out of the total priority sector credit of ₹ 4,918.14 Crores disbursed by all banks in the State upto 31st March, 2013, J&K Bank alone has disbursed ₹ 3,225.67 Crores against the target of ₹ 3,123.22 Crores, thereby achieving 103% of its annual ACP target, which accounts for a lion's share of 66% of the total flow of credit to priority sector by all banks in the state.**

- The Roadmap for coverage of 5,582 villages (having population below 2,000) during FY 2012-13, 2013-14, 2014-15 and beyond 2015, was formulated as per regulatory requirements of RBI, which were allocated to five participating banks, viz. J&K Bank (3,271 villages), SBI (753 villages), Punjab National Bank (294 villages), J&K Grameen Bank (1,026 villages) and EDB (238 villages). Its implementation is being vigorously monitored by Lead Bank Department and over 90% of the target (1,314 villages) set for FY 2012-13 has been already accomplished up to 31st March, 2013.

### Responsibility of setting up of RSETIs in J&K State:

In terms of Ministry of Rural Development guidelines, Government of India, setting up the Rural Self Employment Training Institutes (RSETIs) in all the districts of J&K state was assigned by Lead Bank Department/J&K SLBC to two Banks, viz. J&K Bank and SBI. Accordingly, J&K Bank has already set up 12 RSETIs in its allocated 12 lead districts of Srinagar, Ganderbal, Budgam, Baramulla, Bandipora, Kupwara, Anantnag, Kulgam, Pulwama, Shopian, Poonch and Rajouri. State Bank of India has set up nine RSETIs up to the end of March, 2013 in districts of Jammu, Samba, Kathua, Udhampur, Reasi, Doda, Ramban, Kishtwar and Leh.

### Responsibility of setting up of FLCs in J&K State:

In terms of RBI guidelines, target of setting of Financial Literacy Centres (FLCs) in all the districts of the state has been fully

accomplished with J&K Bank operationalising 12 FLCs in its 12 allocated lead districts and SBI operationalising 10 FLCs in its 10 allocated lead districts.

### 100% coverage of farmers under KCC Scheme:

The initiative of 100% coverage of farmers under KCC Scheme was launched in J&K state in terms of GoI, MoF directives. Its implementation is being vigorously pursued with all the stakeholders including banks, Agriculture Department, Lead District Managers and so on. The timelines for covering total 12.84 lacs farming families in J&K State has been extended by GoI to 30th June, 2013. Up to the end of March, 2013, 50% of the target has already been achieved.

### 17. Regional Rural Bank sponsored by J&K Bank:

The J&K Grameen Bank has come into existence on 30th June, 2009, with the issuance of statutory notification by GoI, MoF, Department of Financial Services under sub-section (1) of section 23 (A) of the Regional Rural Banks Act, 1976 vide F. No. 1/4/2006-RRB providing for amalgamation of Kamraz Rural Bank and Jammu Rural Bank into a single new Regional Rural Bank under the name of J&K Grameen Bank with its Head Office at Jammu and has commenced business from 01.07.2009.

### Business

The business of the bank increased from ₹ 2,553.09 Crores to ₹ 3,024.16 Crores during FY 2012-13, registering a growth rate of 18.45%.

### Deposits

The deposits of the Bank have increased from ₹ 1,875.21 Crores to ₹ 2,165.22 Crores during FY 2012-13, thereby registering a growth rate of 15.46%.

### Advances

The gross advances of the Bank, as on 31st March, 2013, stood at ₹ 858.94 Crores, as against ₹ 677.88 Crores on the corresponding date of the previous year, recording a growth of 26.70%.

### CD Ratio

The CD Ratio of the Bank has increased by 3.52% from 36.14%, as on 31st March, 2012, to 39.66% as on 31st March, 2013.

### Priority Sector Advances

The priority sector advances of the Bank, as on 31st March, 2013, stood at ₹ 600.50 Crores, as against ₹ 460.56 Crores on the corresponding date of the previous year, recording a growth of 30.38%. Portion of advances to the priority sector accounts for 69.91% of total advances, much above the benchmark of 60%.

### NPA Position

The gross NPAs of the Bank, as on 31st March, 2013, stood at ₹ 58.50 Crores, accounting for 6.81% of gross advances. The Net NPA, as on 31st March, 2013, stood at ₹ 15.61 Crores, which accounts for 1.91% of net advances.

### Profitability

The bank has shown operating profit of ₹ 21.50 Crores, as on 31st March, 2013. (Pre-audit figures)

### CBS/ Computerisation

The Bank has achieved 100% CBS rollover of its branch network.



## Capital to Risk-weighted Asset Ratio

The CRAR position of J&K Grameen Bank, as on 31st March, 2013, is 11.64%, much above the mandatory requirement of 9%.

## Business per Employee

Business per employee, as on 31st March, 2013, stood as ₹ 3.36 Crores.

## Profit per Employee

Profit per employee, as on 31st March, 2013, stood as ₹ 2.39 lacs.

## Business per Branch

Business per branch, as on 31st March, 2013, stood at ₹ 15.04 Crores.

## Profit per Branch

Profit per branch, as on 31st March, 2013, stood at ₹10.69 lacs.

## 18. Financial Inclusion

The objective of financial inclusion is to reach out to the large hitherto unbanked population and extend financial services to unlock its growth potential. The Bank formulated FIP envisaging reaching out to and providing banking outlets for delivery of basic banking services in 1,260 identified unbanked villages, comprising 535 SLBC-allocated above-2,000 population villages and 725 other unbanked villages, under a self-set target to be completed by the end of March, 2012 and 2013, respectively. Apart from above, SLBC has also allocated 1,093 villages in the population range of above 1,000 and less than 2,000 to be provided with BC coverage by the end of March, 2013. Out of 2,353 (1,260+1,093) identified and allocated villages, Financial Inclusion Department has rolled out 1,928 villages to BCs for extending ICT-enabled financial services through the operation of

smart cards. SLBC has also allocated 2,178 villages in the population range of below 1,000 to be provided with BC coverage by the end of March, 2016. The FIP rollout is based on a mix of branch network and BC model on engagement of CSCs by delivery of services through smart cards.

The Bank has already submitted Board-approved FIP to RBI for 3,271 below-2,000 population villages to be covered from April, 2013 to March, 2016.

## FIP Achievements/ Progress as on 31st March, 2013

- 1,928 identified unbanked villages have been provided with Business Correspondents (BCs), with coverage comprising 420 self-set target villages, 527 above-2,000 population villages and 981 below-2,000 population villages.
- 629 Village Level Entrepreneurs (VLEs) of CSCs have been engaged as BCs and are linked to 351 base branches/business units for providing ICT-enabled financial services.
- 9.09 lac accounts have been opened in 1,928 villages, comprising 4.61 lac no-frills/saving bank deposits accounts and 4.48 lac other accounts.
- Household coverage has reached 54.60% in 1,928 rolled out villages.
- 1.53 lac Smart Cards have been delivered to concerned business units for being enabled for operations
- Point of Transaction (PoT) devices have been deployed at BCs and business units as terminals to facilitate smart card transactions.

## RBI adopted model Villages (Progress/ Achievements)

- 15 model villages selected by RBI for 100% financial inclusion in the state have been allocated to J&K Bank, which are operational and transactions are taking place through the operation of smart cards.
- 4,819 smart cards have been issued in 15 RBI-selected villages.

### 1. EBT/ISSS/ NOAP/ MGNREGA

- The Bank has initiated the process of bringing ISSS/ MGNREGA account holders in the ambit of EBT under e-governance programme and provided them facility of availing ICT-enabled financial services.
- Enrolment process for delivery of banking services to ISSS/ NOAP/ MGNREGA beneficiaries through the micro products under financial inclusion is underway.

### 2. Financial Literacy cum Credit counselling centres

- In compliance to RBI Directive, J&K SLBC has assigned setting up of FLCs in 12 lead districts of the state. The Bank has appointed financial literacy facilitators and all the FLCs have been made operational in the allocated lead districts of the bank in the state.
- 357 outdoor financial literacy camps have been conducted in the lead districts and 41,779 persons have attended the camps.

## 19. Corporate Governance

J&K Bank has established a tradition of exemplary practices in corporate governance. It encompasses not only regulatory and legal requirements, but also several voluntary practices, aimed at a high level of business ethics, effective supervision and enhancement of stakeholder value.

Several matters have been voluntarily included in the statement on corporate governance annexed to this report, besides certificate from the Central Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

## 20. Board of Directors

- Mr. Mohammad Iqbal Khanday, Principal Secretary to Govt. Finance Department, was nominated by the Government of J&K as Director on the Board of the Bank with effect from 8th July, 2012 and was recalled by the State Government of J&K with effect from 23rd April, 2013.
- Mr. M. I. Shahdad and Mr. Vikrant Kuthiala, were reappointed as Directors at the last Annual General Meeting of the Shareholders of the Bank held on 14.07.2012.

- With a view to broad-basing the Board, Mr. Nihal C. Garware, an eminent personality, was re-appointed as Additional Director of the Bank w.e.f 16.07.2012. The Bank has gained immensely from his guidance and wide ranging experience and expertise.
- Mr. A. M. Matto and Prof. Nisar Ali retire by rotation at the ensuing Annual General Meeting, in accordance with Article 76 of the Articles of Association of the Bank and provisions of Companies Act, 1956, and are eligible for reappointment.

## 21. Name of the Board of Directors of the Bank

1. Mr. Mushtaq Ahmad  
Chairman & CEO
2. Mr. Hari Narayan Iyer  
Director
3. Mr. M. I. Shahdad  
Director
4. Mr. Vikrant Kuthiala  
Director
5. Prof. Nisar Ali  
Director
6. Mr. A. M. Matto  
Director
7. Mr. R. K. Gupta  
Director
8. Mr. Nihal C. Garware  
Director

## 22. Directors Responsibility Statement

The Board of Directors hereby confirms that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures.
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit/loss for the period under report.
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. We have prepared the annual accounts on a going concern basis.



## 23. Particulars of Employees

Particulars of employees as per section 217(2a) of the companies act, 1956, read with the companies (particulars of employees) rules, 1975, for the year ended 31st March, 2013, are as under:

- Employed throughout the financial year and in receipt of remuneration aggregating ₹ 60,00,000/- or more per annum

S.No	Name of Employee	Designation/ Nature of Duties	Remuneration received (₹ In lacs)	Nature of employment	Qualification	Experience in year	Date of commencement the of employment	Age of employee (years)	Last employment held before joining the Company
1.	<b>Mr. Mushtaq Ahmad</b>	Chairman & Chief Executive Officer	60	In whole time employment of the Bank	B.A: CAIIB-I	40 years	06-10-2010	63	J&K Bank Ltd.

- Employed for part of the financial year and in receipt of remuneration aggregating ₹ 5,00,000/- or more per month - nil.

## 24. Acknowledgements

- The Directors thank the valued customers, shareholders, well-wishers and correspondents of the Bank in India and abroad for their goodwill, patronage and support.
- The Directors acknowledge with gratitude the valuable and timely advice, guidance and support received from Government of India, Government of Jammu & Kashmir, Reserve Bank of India, Securities and Exchange Board of

India (SEBI), Insurance Regulatory Developmental Authority (IRDA), NABARD, SIDBI, IBA, FIMMDA, FEDAI, Stock Exchanges, Dept. of Company Affairs, Registrar of Companies, Comptroller & Auditor General, Financial Institutions and the Central Statutory Auditors of the Bank in the functioning of the Bank.

- The Directors place on record their deep appreciation of the valuable contribution of the members of the staff at all levels

for the progress of the Bank during the year and look forward to their continued cooperation in realisation of the corporate goals in the years ahead.

For and on behalf of  
the Board of Directors

**Mushtaq Ahmad**  
Chairman & CEO

Place: Srinagar (J&K)

Date: 15th May, 2013

# Management Discussion and Analysis

## 1. Global Economy

Global prospects have improved appreciably over the past six months amidst signs of recovery being exhibited by major economies. However, the trajectory of recovery remains inconsistent and laden with impediments which impart susceptibility to the extent of recovery across the various economies.

Among the developed economies, the US witnessed stabilisation of mild recovery exhibited last year, with improvements in the housing sector and employment conditions. However, larger-than-expected fiscal adjustments from automatic spending cuts are exerting strong downward pressure on the growth and could dampen the pace of recovery. Japan, on the other hand, is experiencing positive results of the government's policy reforms. After years of deflation and negligible growth, the country's economy is expected to experience growth rate of around 1.5 percent in FY 2013-14.

Europe's financial system largely stabilised during the past fiscal after the European Central Bank announced that it would buy the government bonds of deeply indebted countries to lower their borrowing costs. But the 17 countries using the euro currency remain in recession. Many are cutting spending sharply and raising taxes to slash mountainous debt, but the austerity strategies are stifling growth and further aggravating the already high

levels of employment. Eurozone's economy, which in January was expected to contract 0.2%, is now forecasted to shrink at 0.3%.

After a slowdown in FY 2012, the emerging and developing economies (EDEs) have again started exhibiting growth trends, driven by resilient consumer demand, supportive macroeconomic policies and export revival. However, some of these countries like Brazil, Russia and Turkey confront surge in inflation which may compel tighter monetary responses. Inflation, otherwise, remained remarkably stable in most of the world economies including the advanced ones and inflation expectations remained well-anchored.

Overall the prospects for global economy in FY 2013-14 appear to be moderately brighter in comparison to the previous year with growth projected at 3.3%. However, the optimism can only be sustained through further policy actions that address underlying stability risks and promote continued economic recovery. Sustained improvement will also require further balance sheet repair in the financial sector and a smooth unwinding of public and private debt overhangs. However, if progress in addressing these medium-term challenges falter, risks could reappear and as threatened by recent events in Cyprus, it won't take long for the economy to reverse the gains painstakingly made over the past few years.

**Overall the prospects for global economy in FY 2013-14 appear to be moderately brighter in comparison to the previous year with growth projected at 3.3%.**

## 2. Domestic Economy

India's GDP growth in FY 2012-13 was dismal, coming at an estimated decadal low of 5.0 percent. On a quarter to quarter basis as well, GDP decreased persistently with Q3 experiencing the lowest expansion in the past 15 quarters at 4.5%. Q4 also does not seem to have fared much better with an estimated expansion of 4.7 % only.

The dismal growth was mainly due to the protracted weakness in industrial activity aggravated by domestic supply bottlenecks and slowdown in the services sector, reflecting weak external demand. Deficient rainfall dented kharif crop and the overall agricultural output, adding on to the country's economic woes. India's growth was also adversely impacted by domestic policy uncertainties, governance concerns and continuation of tight monetary policies into the year's first half. Large current account deficit, depleting foreign investments, depreciating currency and slackened external demand also dragged down growth rates.

Headline inflation moderation, starting in the later part of last financial year, continued year-long to average 7.3% in FY 2012-13 from 9% the previous year. The easing was particularly significant in Q4 of FY 2012-13, with the year-end inflation pegged at 6.0 per cent. However, consumer price inflation continued in double digits, reflecting substantial food inflation pressures and the pass-through of high international crude prices to freely priced items.

Non-food manufactured products inflation ruled above the comfort level in the first half of FY 2012-13 but declined in the second half to come down to 3.5 per cent by March, reflecting easing of input



price pressures and erosion of pricing power. Retail inflation, as measured by the new combined (rural and urban) consumer price index, averaged 10.2% during FY 2012-13. Even after excluding food and fuel groups, CPI inflation averaged 8.7 per cent.

### 3. Economy Outlook for 2013-14

Indian economy is expected to show modest improvement in FY 2013-14, with a pick-up likely only in the later part of the year. Agricultural growth could stay close to trend lines if supported by normal monsoon.

For most part of FY 2012-13, the industry was hit by disruptions to mining output, investment cycle downturn, supply-side bottlenecks, governance problems and weak external demand. Although improved private consumption and rise in exports are expected in FY 2013-14, the industrial growth will largely remain subdued, with the pipeline of new investment drying up and existing projects stalled by bottlenecks and implementation gaps. Services sector is also likely to remain suppressed due to sluggish external demand.

The substantial easing of non-food manufactured products inflation over the last two quarters of FY 2012-13 exerted downward pressure on the headline inflation. Consequently, WPI inflation at 6.0 per cent turned out to be lower than the Reserve Bank of India's indicative projection of 6.8 per cent for the year. On the global economic front, inflation for majority of the economies, including the advanced ones, is expected to remain stable for the current year. This is also likely to impact imported

inflation, which is expected to subdue, provided it is not offset by adverse currency movements.

The expected moderation in non-food manufactured products inflation and global trends in commodity prices are likely to exert further downward pressure on inflation.

However, food inflation, driven by persisting supply imbalances, is likely to provide upside pressure. Moreover, inflation is also expected to be impacted by the timing and magnitude of price revisions of coal and electricity. On the whole, inflation is likely to decrease, albeit marginally.

Consequently, the WPI has been projected at around 5.5 per cent during 2013-14. This is expected to be accompanied by some edging down in the first half, on account of past policy actions. However, there could also be some increase in the second half, largely reflecting base effects.

Consistent with the growth and inflation projections, M3 growth for 2013-14 is projected at 13.0%. Consequently, aggregate deposits of SCBs are projected to grow by 14.0 per cent. In view of the need to balance the resource requirements of the private sector, the growth in non-food credit of SCBs is projected at 15.0 per cent.

Expected growth and reduced inflation are likely to help the domestic economy perform better than the previous year. This will be further driven by several government-initiated policy measures, which will help the economy recover. However, all these expectations can turn to be a mirage unless supplemented by containment in fiscal deficit, revival of investment, sustenance and acceleration of capital inflows and unlocking of supply side bottlenecks.

### 4. The Monetary Policy Stance

For most part of 2010-11, the RBI's monetary policy aimed to contain inflation and anchor inflation expectations. Between January, 2010 and October, 2011, the Reserve Bank cumulatively raised the CRR by 100 bps and the policy repo rate 13 times by a total of 375 bps, to address the inflation concerns. However, the persistent slowdown in growth, especially investment activity, and gradual inflation moderation, prompted RBI to ease monetary tightening in a calibrated manner. Accordingly, CRR was reduced cumulatively by 125 bps between January and March, 2012, followed by 50 bps reduction in the policy repo rate in April.

RBI persisted with its efforts to ease credit and liquidity conditions through the FY 2012-13. In aggregate, the policy repo rate was reduced by 100 bps, SLR by 100 bps and the CRR by 75 bps, supported by liquidity injections through OMOs of the order of ₹ 1.5 trillion.

After reducing the policy repo rate by 25 bps in its Mid-Quarter Review (MQR) of March, 2013, the Reserve Bank noted that in view of the policy easing already effected, the sluggish reduction of inflation and widening CAD, the headroom for further monetary easing was quite limited.

Against the backdrop of global and domestic macroeconomic conditions, outlook and risks, the policy stance for 2013-14 has been guided by the following considerations:

First, growth has decelerated continuously to reach almost half of 9.2% in Q4 of 2010-11 to 4.5% in Q3 of FY 2012-13. The Reserve Bank's

current assessment is that activity will remain subdued during the first half of this year with a modest pick-up, subject to appropriate conditions ensuing, in the second half of 2013-14.

Second, although headline WPI inflation has eased by March, 2013 to come close to the Reserve Bank's tolerance threshold, it is important to note that food price pressures persist and supply constraints are endemic, which could lead to a generalisation of inflation and strains on the balance of payments.

Against this backdrop, the stance of monetary policy is intended to:

- Continue to address the accentuated growth risks
- Guard against the risk of inflation pressures re-emerging and adversely impacting inflation expectations, even as corrections in administered prices release suppressed inflation; and
- Appropriately manage liquidity to ensure adequate credit flow to the economy's productive sectors

## 5. Monetary Measures

Consistent with its policy stance, the Reserve Bank announced various policy measures under the Monetary policy for 2013-14 which, inter alia, include reduction in repo rate under the liquidity adjustment facility (LAF) by 25 bps from 7.5 per cent to 7.25 per cent. Consequently, the reverse repo rate under the LAF was adjusted

to 6.25 per cent, Marginal Standing Facility (MSF) rate reached 8.25 per cent and Bank Rate touched 8.25 per cent. The Cash Reserve Ratio (CRR) of the scheduled banks was, however, retained at 4.0 per cent of their net demand and time liabilities (NDTL).

## 6. J&K - on the Road to Development

Despite the strenuous scenario at the national level, the state of J&K continued to experience an upward growth projectile at an estimated growth rate of 7.01% - much above the mere 5% growth rate at the national level - up 6.22% over FY 2011-12. This growth is in consonance with the projections of the 12th Five Year Plan, which expects the rate to cross 7% in the first year and reach 8% in the final year of the Plan. The average growth rate for the entire Plan is estimated to be 7.5%.

Outstanding performance from various sectors helped increase the GDP. The services sector experienced a YOY rise to reach 10.10%, as against 9.38% the previous year. Its share in GDP increased YOY to reach 54.89% from 53.35% the previous year. The agriculture and allied sector experienced 3.84% growth rate in FY 2012-13, as compared to 3.69% in FY 2011-12. Its contribution in GDP also rose to 20.56%. The industrial sector grew at an estimated 3.17%, as against 2.17% in FY 2011-12, and contributed 24.55% to GDP.

J&K's per capita income at current prices increased at 14.09% from ₹ 44,533 last year to ₹ 50,806 this year. At constant prices, the per capita income experienced an estimated increase from ₹ 29,215 recorded last year to ₹ 30,889.

The state's tax revenue collection in FY 2012-13 touched ₹ 5,975 Crores, growing at about 26% over last year's collection of ₹ 4,745 Crores. The VAT collected by the Commercial Taxes Department is estimated at ₹ 4,219 Crores, in comparison to the budgetary target of ₹ 3,940 Crores.

During FY 2012-13, the state persisted with its focus on developing hydro electric energy sector. Work on various hydro electric projects under construction including the 450 Megawatt Baglihar HEP, Stage II was accelerated during the period to ensure their completion by or before target dates. Many new projects, such as the 48 Megawatt Lower Kalnai, 37.5 Megawatt Parnai, 9 Megawatt Dah, 9 Megawatt Hanu HEPs and 1000 Megawatt Pakal Dul HEP are under various stages of implementation. As many as 37 mini-Hydel projects with a combined capacity of 373 Megawatt, involving an estimated investment of nearly ₹ 2,200 Crores are at various stages of production, execution or tendering.

Communication sector also continued to be one of the main thrust areas of the State. During FY 2011-12, the sector experienced new project initiations and many of the earlier projects were completed or taken forward. Some of the activities performed in this sector include: completion of Toll Plaza at over ₹ 42 Crores, progress on Mughal Road to ensure completion of the project in FY 2013-14, completion of high-altitude railway line between Banihal and Qazigund, near completion of Udhampur-Katra railway link,

**The state will continue its efforts to emerge as a high-growth economy. Due emphasis is being placed on agriculture and allied sector, with an estimated ₹ 1,095 Crores allocated for the agriculture and animal husbandry departments under non-plan route.**



admirable progress on four out of the total six segments of the national highway and so on.

Going ahead, the state will continue its efforts to emerge as a high-growth economy. Due emphasis is being placed on agriculture and allied sector, with an estimated ₹ 1,095 Crores allocated for the agriculture and animal husbandry departments under non-plan route. The corresponding plan provision is ₹ 328 Crores. The funds available under the Centrally Sponsored Schemes, like RKVY, Technology Mission, Saffron Mission, and those covering Animal Husbandry sector and others, shall be over and above this provision.

Education, Industry and Health sectors shall also receive due emphasis in the FY 2013-14. Besides, various activities introduced under the flagship programme of SKEWPY, to tackle unemployment and encourage entrepreneurship, are anticipated to be continued with increased vigour.

The handicrafts sector continued on the path of revival in FY 2012-13, after being hit by the global economic crisis, with exports reaching ₹ 1,643 Crores. Mega cluster scheme and Artisan Credit Cards are expected to provide further impetus in FY 2013-14, helping the sector's growth.

J&K's tourism industry also performed well in FY 2012-13, with numerous domestic as well as foreign tourists visiting the valley. The Government plans to develop this sector further in FY 2013-14 by undertaking a number of initiatives, such as adding more tourist attractions, strengthening infrastructure and dispersal of tourism activities to many other beautiful spots of the State for development of sustainable and eco-friendly tourism.

The state government, to continue its endeavour of inclusive development, plans to undertake various measures in the next fiscal, such as providing safe drinking water to all, road connectivity to habitations of over 250 persons, unemployment control and creating job opportunities, welfare of scheduled castes, scheduled tribes, and local people. The plans aim to include Pahari Speaking People, other weaker sections of the society, Kashmiri migrants, women, children and the elderly, with special focus on border blocks, backward areas and bad pockets.

## 7. J&K Bank Policy Overview

The Bank's vision and endeavour for socio-economic development of the home state through exhaustive credit dispensation and selective pan-India quality lending continued to reap rich dividends. This strategy helped the Bank not only to achieve, but even surpass, the self-set target of achieving ₹ 1,00,000 Crore Business & ₹ 1,000 Crore Profit in its Platinum Jubilee year 2013.

The major elements of the policy including optimum asset utilisation, prudent liability management, judicious monitoring of credit assets, efficient risk management and persistent improvement of systems & procedures were pursued in an integrated and coordinated approach

to extract maximum returns from the available resources.

## 8. Performance overview of J&K Bank in FY 2012-13

### Liability Management

Rigorous liability management lie at the core of the J&K Bank's key strategy implementations. The results: growth of 20.38%, above the average 17.4% industry growth rate, from ₹ 53,346.90 Crores to ₹ 64,220.62 Crores. The cost of deposits for the financial year stood at 6.87%.

### Credit management

In consonance with its policy on expanding qualitative credit asset base, the Bank increased its net advances from ₹ 33,077.42 Crores as on 31st March, 2012 to ₹ 39,200.41 Crores, as on 31st March, 2013. The overall 18.51% credit growth exceeds the industry levels of 17%. The priority sector advances stood at ₹ 11,591.58 Crores, whereas agriculture advances reached ₹ 3,736.39 Crores, as on 31st March, 2013. The yield on advances improved to 12.59% during FY 2012-13 compared to 12.12% during FY 2011-12.

### Credit quality

A stress on judicious monitoring

**Rigorous liability management lie at the core of the J&K Bank's key strategy implementations. The results: Growth of 20.38%, above the average 17.4% industry growth rate, from ₹ 53,346.90 Crores to ₹ 64,220.62 Crores. The cost of deposits for the financial year stood at 6.87%.**

and management of the loan book lies at the core of the Bank's credit management policy. The industry-best figures of 1.62% GNPA and 0.14% NNPA bears testimony to the organisation's outstanding performance. The coverage ratio, at over 94%, which is much above the required 70% level, reinforces the Bank's commitment to ensure highest quality credit assets.

### Investment book

The Bank's investment portfolio increased by ₹ 4,116.75 Crores from ₹ 21,624.32 Crores as on 31st March, 2012 to ₹ 25,741.06 Crores as on 31st March, 2013. SLR securities increased by 21.74% YOY and constituted 54.65% of the total investment book, as on 31st March, 2013, compared to 53.43% a year ago. Non-SLR investment portfolio increased by 15.94% and constituted 45.35% of the total investment book, as on 31st March, 2013.

## 9. Financial Inclusion

Financial inclusion of the economically deprived and excluded sections of the society lies at the core of J&K Bank's activities. The Company aims to bring these people within its banking fold through deployment of business correspondents, common services centres and brick & mortar business units.

The Bank's financial inclusion programme is underway to provide basic banking services in 1,260 (535 SLBC-allocated villages with population above 2,000 and 725 others) unbanked villages. The Bank also aims to deploy delivery channels in 1,093 SLBC-allocated villages with population above 1,000, but less than 2,000.

The Bank has already rolled out BC's in 1,928 villages comprising of 420 self-set target villages, 527 above and 981 below 2,000 population villages for extending ICT-enabled financial

services through the operation of smart cards. Household coverage in these villages has already reached 54.60% and efforts to cover them fully are on with full vigour. 15 model villages selected by RBI for 100% financial inclusion in the State, allocated to J&K Bank, have been made operational and already 4,819 smart cards have been issued in these villages.

The Bank has initiated the process of bringing ISSS/ MGNREGA account holders under the ambit of EBT under e-governance programme. Enrolment process for banking services delivery to ISSS/ NOAP/ MGNREGA beneficiaries through the micro products under financial inclusion is underway.

J&K Bank has also submitted a Board approved financial inclusion plan to RBI for 3,271 below 2,000 population villages and the same is envisaged to be covered by the end of March, 2016, through a mix of varied conduits.



## Corporate Social Responsibility: Sharing Profits with People

At J&K Bank, we collaborate with communities to drive inclusive growth. We consider contributions to Corporate Social Responsibility (CSR) as an asset rather than expenditure. The emotional equity of our people forms the cornerstone of our uninterrupted growth and performance.

From health to heritage, education to entrepreneurship, poverty to painful disabilities + J&K Bank's CSR initiatives aim to encompass everything. Our aim: to empower people through generous economic support and innovative financial intervention and instil a sense of relief and protection among society's most vulnerable sections. We also endeavour to provide people with entertainment, sustenance and avenues for career progression.

J&K Bank believes that CSR is not simply about giving, but garnering long-term socio-economic dividends. Be it seeking assistance or guidance from persons or organisations, which have the relevant experience and expertise, or at times directly doing creative and productive interventions, we aim to serve multiple purposes through our CSR initiatives.

### Education

To empower people with education, J&K Bank provided 23 computers to establish a computer lab and donated books to set up a library at a school at the remote Kaprin village in Shopian district. These facilities cater to local students. Besides, the organisation has also helped launch minicomputer labs at various far-off schools, including one on the Line of Control (LoC) in North Kashmir.

J&K Bank partnered with a local NGO to launch its scientifically oriented Remote Child Sponsorship Programme. Through this initiative, the Bank sponsors the education of 20 children coming from socially and economically disadvantaged backgrounds. Besides, the Bank also works together with a few other organisations to help educate/rehabilitate differently abled children. The Bank bears tuition fees, stationery costs and prices of uniforms of students coming from economically challenged backgrounds. Besides, it also donates learning aids to the students.

### Health

The health segment lies at the core of J&K Bank's CSR activities. The Bank contributed significant amounts to various health projects undertaken by reputed not-for-profit organisations, like Indian Red Cross Society, Cancer Society of Kashmir and so on.

The Bank also participated in the programmes of Aditya-Jyoti and CENQUIN (two reputed NGOs) to rehabilitate slum dwellers and help people of the lower stratum of the society outside J&K.

The Bank organized various health camps to take health services to the doorsteps of the people living in remote locations. Besides, the Bank took a major CSR initiative when it organized a two day free medical camp in association with MEDANTA, The Medicity at Jammu. Around 5000 patients from across Jammu, especially rural areas benefited from the camp. The idea was to bring super-specialist doctors at the doorsteps of those who could not afford the luxury of visiting metro cities for specialized treatment.

The Bank continued to sponsor treatments of hemophilia patients

from Tullwari, a remote and backward village along LoC adopted by the organisation in 2011. Besides, the Company also paid for the treatment expenses of several poor patients by forming direct liaisons with pan-India hospitals.

For academic excellence in the field of medicine, the Bank has also been participating in various research projects, academic activities and technical workshops, in collaboration with reputed health institutions.

### Green initiatives

J&K Bank kick-started its Platinum Jubilee Celebrations by observing World Arbor Day on 8th March, 2013. The Company initiated a week-long plantation drive, in which 75,000 saplings of various species were planted throughout Jammu and Kashmir.

J&K Bank, under its CSR initiatives, develops and maintains parks to enhance eco-preservation and help people socialise. The latest among the organisation's initiatives, its ninth one in this department, is Rani Bagh, a park dedicated to the people of South Kashmir.

### Relief and rehabilitation

J&K Bank provides relief and rehabilitation to accident victims. It extended timely assistance - in both cash and kind - to the people of Frislan (a village near the famous tourist resort of Pahalgam) - when a devastating fire engulfed more than thirty houses to leave the homeless villagers in a state of despair. Besides, the Company also extended a helping hand to victims of natural calamities across the state.

### Financial inclusion

The Bank purchases handbags from HELP Foundation and Madre

Meharbaan Welfare Trust - two NGOs running tailoring and stitching centres for poor and destitute women - to provide them to aspiring Hajjis as a goodwill gesture. Besides, with a view to preserve and promote the rich handicrafts of Kashmir, traditional embroidery is also done on these bags.

The bank also innovatively engages in the financial betterment of impoverished women to help them earn a dignified livelihood.

### Promoting handicraft – Kashmir's pride

J&K Bank preserves the heritage and handicrafts of Kashmir to economically empower local artisans. As a part of its revisited brand strategy, the Bank blends the aesthetically rich traditional Kashmiri architecture with contemporary trends to insert a touch of Kashmir in its business units. The organisation engages local craftsmen to incorporate Jaalis, Khatmband work, stone inlays and similar other local architectural styles in its business units.

### Sports

J&K Bank has a full-fledged Sports Board in place to help engage in promoting sports as a part of its CSR initiatives. The Company has established its own Football Academy, which helps it identify, train and groom the budding football talents to help them compete at higher levels.

Besides, it also encourages various sports activities in the state by making hefty financial contributions and professional interventions in organising the games and upgrading their standards. The Bank also continued to focus on encouraging specially-abled sportsmen.

### Serving pilgrims

The Bank continues to render a wonderful mix of banking and non-banking services to the pilgrims of Shri Amarnathji cave, situated at a very high altitude in Kashmir. The Bank not only registers the intending pilgrims across the country through its network of business units but provides all banking facilities at remotest places enroute the holy cave under harsh weather conditions and difficult terrain. Apart from keeping two cash/ service counters exclusively at the disposal of pilgrims, a Mobile ATM Van is also kept available for the convenience of pilgrims for the entire yatra period at an altitude of 9577 feet.

Providing refreshment and other support services to pilgrims and devotees visiting various religious places especially on annual gatherings and other special occasions too continued unhindered. Lot of effort is put in extending such gesture on big annual gatherings in highly revered places like Hazratbal shrine, Shri Mata Vaishno Devi temple, Kheerbawani temple, Gurudwara Shri Chatti Patshahi Sahib.

### HR Initiatives

J&K Bank has in place a comprehensive human resource development policy to identify the best talents and provide them with significant opportunities for growth and development. The Company focuses on recruitment based on transparency, professionalism and merit. It nurtures talents, builds competencies and fosters a culture of learning and development. J&K Bank offers a congenial workplace to its employees and aims to optimally utilise its human resources to meet organisational objectives.

The Company is the second largest employer in the state of J&K. Over

30,000 candidates across the state competed for more than 500 posts of J&K Bank's Relationship Executives. J&K Bank, in line with its new business model and expansion plan, initiated an employment drive in FY 2012-13. Apart from enhancing organisational competence and efficiency, this initiative will also help reduce the state's unemployment rates.

J&K Bank undertook several initiatives throughout FY 2012-13 to enhance pan-organisational empowerment. The Bank confirmed over 100 Relationship Executives (IT) to help them achieve organisational goals. To strengthen the leadership pipeline, it also promoted 24 Assistant Vice Presidents (AVPs) to the posts of Vice Presidents and 96 Executive Managers to AVPs. The process of career progression was percolated down the line whereby 419 Banking Associates were inducted in the officer's cadre at various levels till the end of FY 2013. All these initiatives were aimed to empower the employees to optimise their contributory capacity.

### Trainings

In line with the banking sector's demands, the Human Resource Development Division conducted various refresher courses and training programmes at NIBSCOM, NIBM, IIMS, NABARD, IIBF and other reputed Indian institutes, within and outside the state. These courses help to sharpen the efficiencies of employees and help them prepare to face new challenges at the workplace.

The Bank has also been organising various in-house training programmes at STC and TTC, both at Jammu and Srinagar. These programmes help to familiarise employees with latest banking industry trends and outlooks, particularly at the operational level.



During FY 2012-13, these programmes helped to train 3,200 officers across all ranks and 1,388 banking associates on various subjects, like risk management, know your customer (KYC) and money laundering, HRD, general banking, IT, insurance, IS Audit, credit management and so on.

## Risk Management

Risk is inherent and an integral part of banking business. At J&K Bank, we aim to deliver superior stakeholder value by achieving an appropriate trade-off between risks and returns. Our risk management strategy is based on identification, understanding assessment and mitigation of associated risks.

The key principles underlying our risk management framework are mentioned below:

The Board of Directors has oversight of all the associated risks and specific committees have been formed to facilitate the oversight of various risks. The Integrated Risk Management Committee (IRMC) of the Board reviews the management policies and practices, in relation to different types of risks within regulatory requirements. It also evaluates credit risk, market risk, operational risk, interest rate risk and liquidity risk. Various limits and caps are stipulated to monitor these risks with stress testing and back testing. IRMC also carries out assessment of the capital adequacy, based on the risk profile of the balance sheet, besides reviewing the status of Basel norms implementation. Our Audit Committee provides direction to and also monitors the quality of the internal audit function. The Board's IRMC is supported by four separate Executive level Committees, viz Credit Risk Management Committee (CRMC), Asset-Liability Management Committee (ALCO), Market Risk

Management Committee (MRMC) and Operational Risk Management Committee (ORMC). The Credit Committee analyses developments in key industrial sectors and our exposure to these sectors. It also reviews major portfolios on a periodic basis. Our Asset Liability Management Committee is responsible for managing the balance sheet within the risk parameters laid down by the Board/Risk Committee and reviewing our asset-liability position.

The policies approved by the Board of Directors/Committees from time to time govern the framework of each risk type. The Bank has formed independent groups and sub-groups to work within the policy framework and facilitate independent evaluation, monitoring and reporting of various risks. These groups function independent of the business operations.

### Credit risk

All credit risk-related aspects are governed by credit and recovery policy, which outlines the product types, customer categories, industrial and other sectors and the credit approval process and limits. The credit and recovery policy is approved by our Board of Directors. Our credit risk management framework aims to maintain a sustained growth of healthy loans, both at unit and portfolio levels. The Bank has a structured and standardised credit approval process that includes a well established procedure of comprehensive credit appraisal and credit rating. The rating serves as a key input in the pre-approval as well as post-approval credit processes. The asset review framework has also been put in place that reviews assets of higher exposure with high frequency. The rating of loans and advances also serves as an effective tool for pricing of loan products.

The credit approval authorisation framework is laid down by our Board of Directors. There are several levels of credit approval authorities for corporate banking activities, like the Credit Committees of senior management. The credit policy also covers risks emanating from off-balance sheet exposures.

### Market risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as result of changes in market variables, such as interest rates, exchange rates and other asset prices. The prime source of market risk for the Bank is interest rate risk we are exposed to as a financial intermediary. In addition to the interest rate risk, other elements of market risks, like liquidity or funding risk, price risk on trading portfolios, exchange rate risk on foreign currency positions and others, are also taken into account. These risks are monitored through limits, such as duration, value-at-risk, stop loss, net open position, gap limits and so on. The limits and control measures are stipulated in Investment and Trading Policy, ALM Policy and Market Risk Policy, which are reviewed and approved by our Board of Directors.

The Asset Liability Management Committee meets on a regular basis to review trading positions, monitor interest rate and liquidity gap positions, formulate views on interest rates, set benchmark lending and base rates, and determine the asset liability management strategy, in light of the current and expected business environment. The Market Risk Management Committee recommends changes in risk policies and methodologies for quantifying and assessing market risks. The Bank uses various tools to measure liquidity risk, including the structural

liquidity statement, dynamic liquidity gap statements, liquidity ratios and stress testing.

## Operational risk

The Bank's operational risk is managed through a comprehensive internal control system and proper procedures to monitor transactions, supervise key back-up procedures and undertake regular contingency planning. J&K Bank's operational risk management governance and framework are defined in the Operational Risk Management Policy, approved by the Board of Directors. The policy provides a broad framework and detailed standard operating procedures for operational risk management. It also aims to ensure clear accountability, responsibility and mitigation of operational risks. The Bank has constituted an Operational Risk Management Committee (ORMC) to oversee this form of risk management in the Bank. The policy also specifies the composition, roles and responsibilities of the ORMC. The framework comprises identification and assessment of risks and controls, approval framework of new products and processes, measurement through incidents and exposure reporting, monitoring through key risk indicators and mitigation through process control enhancement and insurance. The Bank has Business Continuity Plan (BCP) in place to take care of the continuity of critical operations in case of any disruptions.

## Marketing and product development

J&K Bank is expanding into new market segments, thereby increasing its banking customer base. Professionals from marketing and product development teams are working in coordination to understand market needs by analysing the

environment, connect with our customers and then devise tailor-made products to cater to their needs. The overall objective is to capitalise the momentum involving unique culture of innovations.

Marketing drives are often launched to mobilise business in J&K State and to promote our products and innovative banking services. In line with the Bank's vision, customised products are being developed for each and every customer segment.

**This year, the Bank entered into strategic tie-ups with several companies, like Tata Motors Ltd, VE Commercials, Mahindra and Mahindra Ltd. and JCB India Ltd. for expanding its services in their line of business.**

## IT Initiatives

Technology has played a pivotal role in the Bank's growth. T&ISD department of the Bank has always delivered solutions in line with the changing business needs of the organisation. As a matter of policy, the Bank has always provided industry best solutions to align the technology with business goals. The details of various technology initiatives taken during FY 2012-13 are enumerated below:

- Mobile Banking introduced with following features:
  - i) Intra Bank Fund Transfer
  - ii) Inter Bank Fund Transfer (IMPS)
  - iii) Balance Inquiry
  - iv) Statement Request
  - v) Cheque Stop Request
  - vi) Cheque Book Inquiry
- Cheque Truncation System (CTS) was deployed at Hyderabad, Thiruvanthapuram, Kochi, Mysore, Kolkata, Chandigarh and Coimbatore
- 105 new ATMs were commissioned during the year, taking the total number of ATMs to 613.
- The network of all the outside-state branches was migrated to MPLS with higher bandwidth and inbuilt redundancy.
- System Level Asset Classification was upgraded to include all the accounts, as against the ceiling of sanction limit of ₹ 50 lacs in the first phase.
- Supporting the Organisation's branch expansion plan, 77 new SOLs were opened on CBS, taking the total SOL count to 748, which includes Branches, Offices and Extension counters. All network-related infrastructures have been provided at all the branches opened during the financial year.
- The three-way disaster recovery (DR) project has been completed and two successful DR drills were conducted on the new setup. During the financial year, DR for SWIFT and ITMS has been put in place. The DR set up for CTS is under implementation.
- MIS/ADF solution implemented. Parallel runs conducted for Financial Consolidator.
- Clearing House at Kargil made functional.
- To facilitate eBRC issuance in our Bank, which has replaced the system of uploading eBRC, an in-house Web-Application has been developed to comply with RBI directives.
- As part of compliance to the mandate on LTS/TVS from NPCI, necessary customisation stands implemented on ATM Switch. This feature will reduce Customer complaints on account of failed transactions.
- Implemented the IT Governance framework, as prescribed by RBI; independent functions for assurance and security were put in place.



## Customer service

Customers form the centre of our business universe at J&K Bank. Customer service is one of the most important components of the marketing mix for products and services. High-quality customer service helps create customer loyalty by including additional services, such as complaint redressal, along with regular banking products.



Customer relationship is of premium importance to us at J&K Bank. We have incredible relationship with each of our customers. We strive to delight customers with our wide range of products and services.

J&K Bank believes that focused customer services can help the organisation remain competitive. The Company organises customer satisfaction surveys and customer advisory forum meets at operative levels to help improve service quality.



## Prompting Compliance

The policy standards and systems adopted by the Bank are in conformity with the regulatory guidelines and strict adherence is ensured through a well-defined structure of roles and responsibilities for enterprise-wide compliance.



To,  
The Shareholders of  
**Jammu & Kashmir Bank Limited**

## Report on the Financial Statements

1. We have audited the accompanying Financial Statements of the “**Jammu & Kashmir Bank Limited**” which comprise the Balance Sheet as at 31st March, 2013, and Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 65 Branches/offices audited by us and 654 Branches/Offices audited by Statutory Branch auditors. The branches audited by us and those audited by the other auditors have been selected by the Comptroller & Auditor General of India in accordance with the guidelines issued to the Bank by the Reserve Bank of India.

## Management's Responsibility for the Financial Statements

2. Management of the Bank is responsible for the preparation of these Financial Statements in accordance with the requirements of the Reserve Bank of India, the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and recognized accounting policies and practices including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

6. In our opinion, as shown by books of Bank, and to the best of our information and according to the explanation given to us :
  - (i) the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Bank as at 31st March, 2013 in conformity with the accounting principles generally accepted in India;
  - (ii) the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and
  - (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.



### Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956;
8. Subject to the limitations of the audit as indicated in Paragraphs 1 to 5 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and have found them to be satisfactory.
  - b) The transactions of the Bank which have come to our notice have been within the powers of the Bank.
  - c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable Accounting Standards.

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For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
FRN: 011022N

For **P C Bindal & Co.**  
Chartered Accountants  
FRN: 03824N

For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

**CA. Rajan Sachdeva**  
Partner  
(M. No. 525115)

**CA. D.L. Nagpal**  
Partner  
(M. No.011378)

**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Balance Sheet

as at 31st March, 2013



	Schedule	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	484,922	484,922
Reserves and Surplus	2	48,162,020	40,446,869
Deposits	3	642,206,195	533,469,016
Borrowings	4	10,750,000	12,409,572
Other Liabilities and Provisions	5	15,830,014	15,881,824
<b>TOTAL</b>		<b>717,433,151</b>	<b>602,692,203</b>
<b>ASSETS</b>			
Cash and Balance with Reserve Bank of India	6	26,951,472	27,836,539
Balance with Banks & Money at Call & Short Notice	7	27,091,812	16,702,140
Investments	8	257,410,654	216,243,188
Advances	9	392,004,104	330,774,215
Fixed Assets	10	4,561,791	4,202,704
Other Assets	11	9,413,318	6,933,417
<b>TOTAL</b>		<b>717,433,151</b>	<b>602,692,203</b>
Contingent Liabilities	12	322,827,985	150,660,768
Bills for Collection		8,959,964	9,203,354
Principal Accounting Policies	17		
Notes on Accounts	18		

The Schedules Referred to above and the attached Cash Flow Statement form an integral part of the Balance Sheet

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

In terms of our report of even date annexed

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
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For **P C Bindal & Co.**  
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For **K K Goel & Associates**  
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**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Profit and Loss Account

for the year ended 31st March, 2013



	Schedule	Year Ended 31.03.2013 ₹ '000' Omitted	Year Ended 31.03.2012 ₹ '000' Omitted
<b>I INCOME</b>			
Interest Earned	13	61,368,010	48,355,773
Other Income	14	4,837,264	3,341,232
<b>TOTAL</b>		<b>66,205,274</b>	<b>51,697,005</b>
<b>II EXPENDITURE</b>			
Interest Expended	15	38,207,570	29,972,224
Operating Expenses	16	9,890,151	8,021,519
Provisions and Contingencies		7,556,571	5,670,757
<b>TOTAL</b>		<b>55,654,292</b>	<b>43,664,500</b>
<b>III NET PROFIT</b>			
<b>TOTAL</b>		<b>10,550,982</b>	<b>8,032,505</b>
<b>IV APPROPRIATIONS</b>			
<b>Transferred to</b>			
i) Statutory Reserve		2,637,746	2,008,126
ii) Capital Reserve		-	-
iii) Trf. From Revenue and other Reserves (for Special Reserve FY 2011-12)		(487,500)	-
iv) Revenue and Other Reserve		4,283,677	4,136,797
v) Investment Reserve		49,629	-
vi) Special Reserve		1,231,600	-
vii) Proposed Dividend		2,423,890	1,624,006
viii) Tax on Dividend		411,940	263,576
<b>TOTAL</b>		<b>10,550,982</b>	<b>8,032,505</b>
Principal Accounting Policies	17		
Notes on Accounts	18		
Earnings per Share (Basic/Diluted)		217.65	165.69

The Schedules Referred to above form an integral part of the Profit and Loss Account.

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

In terms of our report of even date annexed

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**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Schedules

to the Balance Sheet as at 31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b>		
100000000 (P.Y. 100000000)		
Equity Shares of ₹ 10/- each	1,000,000	1,000,000
<b>Issued</b>		
48,499,602 (P.Y.48,499,602) Equity Shares of ₹ 10/= each	484,996	484,996
<b>Subscribed and Paid-Up Capital</b>		
48477802 (P.Y. 48477802)		
Equity Shares of ₹ 10/- each	484,778	484,778
Add Forfeited Equity Shares (21800) (P.Y. 21800)	144	144
<b>TOTAL</b>	<b>484,922</b>	<b>484,922</b>

<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>I. Statutory Reserves</b>		
Opening Balance	12,128,729	10,120,603
Additions during the year	2,637,745	2,008,126
<b>TOTAL</b>	<b>14,766,474</b>	<b>12,128,729</b>
<b>II. Capital Reserves</b>		
Opening Balance	631,254	631,254
Additions during the year	-	-
<b>TOTAL</b>	<b>631,254</b>	<b>631,254</b>
<b>III. Share Premium</b>		
Opening Balance	867,791	867,791
Additions during the year	-	-
<b>TOTAL</b>	<b>867,791</b>	<b>867,791</b>
<b>IV. Investment Reserves</b>		
Opening Balance	-	-
Additions during the year	49,629	-
<b>TOTAL</b>	<b>49,629</b>	<b>-</b>
<b>V. Special Reserves</b>		
Opening Balance	-	-
Draw Down from Revenue Reserves	487,500	-
Additions during the year	744,100	-
<b>TOTAL</b>	<b>1,231,600</b>	<b>-</b>
<b>VI. Revenue and Other Reserves</b>		
Opening Balance	26,819,095	22,682,298
Additions during the year	4,283,677	4,136,797
Draw Down	(487,500)	-
<b>TOTAL</b>	<b>30,615,272</b>	<b>26,819,095</b>
<b>TOTAL ( I,II,III,IV,V &amp; VI)</b>	<b>48,162,020</b>	<b>40,446,869</b>

# Schedules

to the Balance Sheet as at 31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 3 - DEPOSITS</b>		
<b>A I. Demand Deposits</b>		
i) From Banks	1,074,563	1,099,403
ii) From Others	62,940,407	56,244,972
<b>TOTAL</b>	<b>64,014,970</b>	<b>57,344,375</b>
<b>II. Saving Bank Deposits</b>	<b>187,894,953</b>	<b>159,807,137</b>
<b>III. Term Deposits</b>		
i) From Banks	53,406,061	47,929,152
ii) From Others	336,890,211	268,388,352
<b>TOTAL</b>	<b>390,296,272</b>	<b>316,317,504</b>
<b>TOTAL A (I+II+III)</b>	<b>642,206,195</b>	<b>533,469,016</b>
<b>B. I. Deposits of branches in India</b>	<b>642,206,195</b>	<b>533,469,016</b>
<b>II. Deposits of branches outside India</b>	Nil	Nil
<b>TOTAL B (I+II)</b>	<b>642,206,195</b>	<b>533,469,016</b>

<b>SCHEDULE 4 - BORROWINGS</b>		
<b>I. Borrowings in India</b>		
i) Reserve Bank of India	3,000,000	5,000,000
ii) Other Banks	1,750,000	-
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	-	480,580
<b>TOTAL</b>	<b>10,750,000</b>	<b>11,480,580</b>
<b>II. Borrowings outside India</b>	-	928,992
<b>GRAND TOTAL ( I &amp; II )</b>	<b>10,750,000</b>	<b>12,409,572</b>
Secured borrowings included in I & II above	Nil	Nil

<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
i) Bills Payable	3,271,948	3,411,609
ii) Inter Office Adjustments (Net)	-	382,694
iii) Interest Accrued on Non-cumulative deposits	1,074,095	1,092,229
iv) Provision Against Standard Assets	1,987,390	1,687,390
v) Other (Including Provisions)	9,496,581	9,307,902
<b>TOTAL (i TO v)</b>	<b>15,830,014</b>	<b>15,881,824</b>

# Schedules

to the Balance Sheet as at 31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 6 - CASH &amp; BALANCES WITH RESERVE BANK OF INDIA</b>		
<b>I. Cash in Hand (Including Foreign Currency Notes)</b>	2,011,810	1,935,386
<b>II. Balance with Reserve Bank of India</b>		
i) In Current Account	24,939,662	25,901,153
ii) In Other Accounts	-	-
<b>TOTAL (I+II)</b>	<b>26,951,472</b>	<b>27,836,539</b>

<b>SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
<b>I. In India</b>		
i) Balance with Banks		
a) In Current Accounts	361,302	307,310
b) In Other Deposit Accounts	13,574,543	5,053,198
<b>TOTAL (I)</b>	<b>13,935,845</b>	<b>5,360,508</b>
ii) Money At Call and Short Notice		
a) With Banks	13,000,000	3,250,000
b) With Other Institutions	-	7,990,273
<b>TOTAL (II)</b>	<b>13,000,000</b>	<b>11,240,273</b>
<b>TOTAL (I &amp; II)</b>	<b>26,935,845</b>	<b>16,600,781</b>
<b>II. Outside India</b>		
i) In Current Accounts	155,967	101,359
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
<b>TOTAL II OF (i, ii &amp; iii)</b>	<b>155,967</b>	<b>101,359</b>
<b>GRAND TOTAL (I&amp;II)</b>	<b>27,091,812</b>	<b>16,702,140</b>

# Schedules

## to the Balance Sheet as at 31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 8 - INVESTMENTS</b>		
<b>I. Investments in India</b>		
Gross	257,708,322	216,510,298
Less: Provision for Depreciation	297,668	267,110
<b>NET INVESTMENTS</b>	<b>257,410,654</b>	<b>216,243,188</b>
i) Government Securities	140,600,967	115,461,379
ii) Other Approved Securities	69,651	87,775
iii) Shares (Pref. + Equity)	2,063,263	3,080,426
iv) Debentures and Bonds (Including Suitfile)	24,319,162	20,014,856
v) Sponsored Institutions	221,071	221,071
vi) Others :		
a) Certificate of Deposit	61,212,715	49,199,523
b) Mutual Funds	4,917	-
c) SIDBI	1,692,975	1,995,225
d) NABARD	3,189,500	2,802,500
e) Inv. In Subsidiary / or Joint Ventures	100,000	50,000
f) Venture Capital	175,000	137,500
g) Rural Housing Development	2,054,825	1,762,625
h) Commercial Paper	5,997,597	3,483,356
i) Security Receipts	93,535	99,239
j) Rural Infrastructure Development Fund	15,615,476	17,847,713
<b>TOTAL (I)</b>	<b>257,410,654</b>	<b>216,243,188</b>
<b>II. Investments Outside India</b>		
i) Government Securities	Nil	Nil
ii) Subsidiaries and/or Joint Ventures abroad	Nil	Nil
iii) Others (Swap)	Nil	Nil
<b>TOTAL (II)</b>	<b>-</b>	<b>-</b>
<b>TOTAL (I &amp; II)</b>	<b>257,410,654</b>	<b>216,243,188</b>
<b>III. Investments Category-Wise</b>		
a) Held to Maturity	156,559,953	139,167,648
b) Held for Trading	992,765	3,000
c) Available for Sale	99,857,936	77,072,540
<b>TOTAL (a+b+c)</b>	<b>257,410,654</b>	<b>216,243,188</b>

# Schedules

to the Balance Sheet as at 31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 9 - ADVANCES</b>		
<b>A</b> i) Bills Purchased and Discounted	7,793,293	10,903,418
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	99,471,016	74,045,380
iii) Term Loans	284,739,795	245,825,417
<b>TOTAL</b>	<b>392,004,104</b>	<b>330,774,215</b>
<b>B</b> i) Secured by Tangible Assets	322,804,541	272,023,502
ii) Covered by Bank/Govt. Guarantees	1,027,128	4,362,440
iii) Unsecured	68,172,435	54,388,273
<b>TOTAL</b>	<b>392,004,104</b>	<b>330,774,215</b>
<b>C I. Advances in India</b>		
i) Priority Sector	114,483,778	99,610,220
ii) Public Sector	3,414,959	9,746,700
iii) Banks	1,298,900	3,747,600
iv) Others	272,806,467	217,669,695
<b>TOTAL</b>	<b>392,004,104</b>	<b>330,774,215</b>
<b>II. Advances Outside India</b>		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
<b>GRAND TOTAL (I &amp; II)</b>	<b>392,004,104</b>	<b>330,774,215</b>

<b>SCHEDULE 10 - FIXED ASSETS</b>		
<b>I. Premises</b>		
a) Gross Block at the beginning of the year	3,734,927	3,682,166
Additions during the year	910,863	59,021
	<b>4,645,790</b>	<b>3,741,187</b>
Deductions during the year	832,444	6,260
<b>TOTAL (a)</b>	<b>3,813,346</b>	<b>3,734,927</b>
Depreciation to date	1,114,916	1,049,000
	<b>2,698,430</b>	<b>2,685,927</b>
b) Advance against flats	-	-
c) Constructions work in progress	126,779	51,759
<b>TOTAL (I) [a+b+c]</b>	<b>2,825,209</b>	<b>2,737,686</b>

# Schedules

## to the Balance Sheet as at 31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 10 - FIXED ASSETS</b>		
<b>II. Other Fixed Assets</b>		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	4,820,252	4,198,883
Additions during the year	746,282	717,072
	<b>5,566,534</b>	<b>4,915,955</b>
Deductions during the year	43,300	95,703
	<b>5,523,234</b>	<b>4,820,252</b>
Depreciation to date	3,786,652	3,355,234
<b>TOTAL (II)</b>	<b>1,736,582</b>	<b>1,465,018</b>
<b>GRAND TOTAL (I &amp; II)</b>	<b>4,561,791</b>	<b>4,202,704</b>

<b>SCHEDULE 11 - OTHER ASSETS</b>		
I. Interest Accrued but not Due	4,274,232	3,896,117
II. Interest Accrued and Due	-	2,687
III. Inter Office Adjustment (Net)	253,415	-
IV. Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	1,201,742	616,346
V. Stationery and Paper in Hand	38,196	21,172
VI. Deferred Tax Asset	273,488	236,095
VII. Others	3,372,245	2,161,000
<b>TOTAL</b>	<b>9,413,318</b>	<b>6,933,417</b>

<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
I. Claims against the Bank not acknowledged as debts	1,805,747	1,332,637
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts	199,623,366	94,910,147
IV. Guarantees given on behalf of constituents:-		
a) In India	15,699,281	14,298,758
b) Outside India	261,061	273,274
V. Acceptances, Endorsements & Other Obligations	105,438,530	39,845,952
VI. Other items for which the Bank is Contingently liable	-	-
<b>TOTAL</b>	<b>322,827,985</b>	<b>150,660,768</b>

# Schedules

to the Profit & Loss Account for the year ended  
31st March, 2013



	Year Ended 31.03.2013 ₹ '000' Omitted	Year Ended 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 13 - INTEREST EARNED</b>		
I. Interest/Discount on Advances/Bills	43,175,794	33,936,641
II. Income on Investments (Net of Amortization)	17,225,789	14,032,580
III. Interest on Balances with R.B.I and other Inter Bank Funds	966,427	386,552
<b>TOTAL</b>	<b>61,368,010</b>	<b>48,355,773</b>

<b>SCHEDULE 14 - OTHER INCOME</b>		
I. Commission, Exchange & Brokerage	1,774,699	1,586,874
II. Profit on Sale of Investments (Less loss on sale of investments)	1,378,972	358,720
III. Profit on revaluation of Investments (Less loss on revaluation of investments)	114,174	-
IV. Profit on Sale of Land, Buildings & Other Assets	-	-
V. Profit on Exchange Transactions (Less Loss on E/Transactions)	294,896	220,345
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	-	-
VII. Miscellaneous Income	1,274,523	1,175,293
<b>TOTAL</b>	<b>4,837,264</b>	<b>3,341,232</b>

<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
I. Interest on Deposits	37,410,340	29,017,530
II. Interest on RBI/Inter-Bank Borrowings	257,230	414,694
III. Others/Subordinate Debt	540,000	540,000
<b>TOTAL</b>	<b>38,207,570</b>	<b>29,972,224</b>

<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I. Payments to and provisions for Employees	6,522,588	5,214,142
II. Rent, Taxes and Lighting	503,113	412,473
III. Printing and Stationery	86,170	66,331
IV. Advertisement and Publicity	102,571	69,599
V. Depreciation on Bank's Property	497,334	439,547
VI. Directors Fees, Allowances and Expenses	6,512	5,201
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	93,508	85,155
VIII. Law Charges	20,397	9,045
IX. Postage, Telegrams, Telephones etc.	66,757	58,860
X. Repairs and Maintenance	116,577	92,777
XI. Insurance	408,603	349,379
XII. Other Expenditure	1,466,021	1,219,010
<b>TOTAL</b>	<b>9,890,151</b>	<b>8,021,519</b>



### SCHEDULE 17 –“PRINCIPAL ACCOUNTING POLICIES”

#### 1. Accounting Conventions

The accompanying financial statements are prepared by following the going concern concept and on the historical cost basis unless otherwise stated and conform to the statutory provisions and practices prevailing within the Banking Industry in the country.

#### 2. Transactions involving Foreign Exchange

- i. Monetary Assets and Liabilities as on balance sheet date have been translated using closing rate as at year-end announced by Foreign Exchange Dealers Association of India.
- ii. Exchange differences arising on settlement of monetary items have been recognized as income or as expense in the period in which they arise.
- iii. The premium or discount arising at the inception of a forward exchange contract, which is not intended for trading purpose, has been amortized as expense or income over the period of contract.

#### 3. Investments

- (i) Investments are classified into “Held-to-Maturity”, “Available-for-Sale” and “Held-for-Trading” categories in accordance with the guidelines issued by Reserve Bank of India.
- (ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.
- (iii) “Held-to- Maturity” category comprises securities acquired by the Bank with the intention to hold them up to maturity. “Held-for-Trading” category comprises securities acquired by the Bank with the intention of trading. “Available-for-Sale” securities are those which do not qualify for being classified in either of the above categories.
- (iv) Investments classified as “Held-to-Maturity” (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortized over the period remaining to the maturity.
- (v)
  - (a) The individual scrips in the “Available-for-Sale” category are marked to market at quarterly intervals. The net depreciation under each of six classifications under which investments are presented in the balance sheet is fully provided for, whereas the net appreciation under any of the aforesaid classifications is ignored.
  - (b) The market value for the purpose of periodical valuation of investments, included in “Available for Sale” and “Held for trading” categories is based on the market price available from the trades/quotes on stock exchanges. Central/State Government securities, other approved securities, debentures and Bonds are valued as per the prices/YTM rates declared by FIMMDA.
  - (c) Unquoted shares are valued at break-up value ascertained from the latest balance sheet and in case the latest balance sheet is not available the same are valued at ₹ 1/- per Company, as per RBI guidelines.  
  
Investment in quoted Mutual Fund Units is valued as per Stock Exchange quotations. An investment in un-quoted Mutual Fund Units is valued on the basis of the latest re-purchase price declared by the Mutual Fund in respect of each particular scheme. In case of Funds with a lock-in period, where repurchase price/ market quote is not available, Units are valued at NAV. If NAV is not available, then these are valued at cost, till the end of the lock-in period. Wherever the re-purchase price is not available the Units are valued at the NAV of the respective scheme.
- (vi) The individual scrip in the “Held-for-Trading” category are marked to market at monthly intervals and the net depreciation under each of the six classifications under which investments are presented in the Balance Sheet is accounted for in the Profit and Loss account and appreciation is ignored.

# Schedules

## significant accounting policies and notes on accounts



- (vii) The depreciation in value of investments where interest/principal is in arrears is not set-off against the appreciation in respect of other performing securities. Such investments including Non-performing Non-SLR investments are treated applying RBI prudential norms on NPA Classification and appropriate provisions are made as per RBI norms and no income on such investments is recognized.
- (viii) a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security.  
b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in "Held-to-Maturity" category, an equivalent amount of profit net of taxes is appropriated to the "Capital Reserve Account".
- (ix) Interest accrued up to the date of acquisition of securities i.e. broken period interest is excluded from the acquisition cost and recognized as interest expense. Broken period interest received on Sale of securities is recognized as interest income.
- (x) Brokerage paid on securities purchased is charged to revenue account.
- (xi) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.
- (xii) Transfer of securities from one category to another is done at the least of the acquisition cost/book value/market value on the date of transfer.
- (xiii) Repurchase & Reverse repurchase transactions are accounted for in accordance with the extant RBI guidelines.
- (xiv) Bank is following settlement date accounting policy as per RBI guidelines.
- (xv) In accordance with RBI circular No. IDMD 4135/11.08.43/2009-10 dated 23-03-2010, the Bank has made changes in accounting for Repo/ Reverse Repo transactions (Other than transactions under the liquidity adjustment facility (LAF) with the RBI). Accordingly the securities sold and purchased under Repo/Reverse Repo are accounted for as collateralized lending and borrowing transactions. However, securities are transferred as in case of normal outright sale/purchase transactions and such movement of security is reflected using Repo/ Reverse Repo accounts and contra entries. The above entries are reversed on the date of maturity. Cost and revenue are accounted as interest expenditure/Income as the case may be. Balance in Repo account is classified under schedule 4 (Borrowing) and balance in Reverse Repo account is classified under schedule 7 (Balance with Banks & money at call & short notice).

#### 4. Advances

- i) Classification of Advances and Provisions thereof have been made as per the Income Recognition and Asset Classification norms formulated by the RBI viz., Standard, Sub-Standard, Doubtful and Loss Assets and accordingly requisite provisions have been made thereof.
- ii) Advances are shown net of provisions required for NPA's. Provisions for advances classified as Standard Assets is shown under Other Liabilities & Provisions.

#### 5. Fixed Assets

- a) Premises and other fixed assets are accounted for at historical cost.
- b) Premises include free hold as well as lease hold properties.
- c) Premises include capital work in progress.

# Schedules

## significant accounting policies and notes on accounts



- d) Depreciation is provided on diminishing balance method in accordance with the provisions of Income Tax Act 1961, as per the rates prescribed in Income Tax Rules given below: -

S.No.	Heads	Rates
A	Furniture & Fixtures (including electric fittings)	10%
B	Wooden partitions	100%
C	Vehicles	15%
D	Plant & Machinery	15%
E	Premises	
	i) Office Premises	10%
	ii) Residential & STC buildings	5%

However, in terms of RBI guidelines depreciation on computers (including ATMs) along with software forming integral part of computers is charged at the rate of 33.33% on straight-line method for the full year even if the computers (including ATMs) have been purchased during the second half.

The depreciation on computer software where it is probable that the future benefits that are contributable to such software will flow to Bank is being capitalized and depreciation is charged @33.33% in terms of RBI guidelines on straight line method.

The depreciation on mobile phones is being charged @50% on straight line method.

- e) The expenditure incurred towards furniture & fixture in building (M-6G) being used as Chairman's residence has been treated as asset of the Bank under this head. The expenditure on repairs and renovation of this building has been charged to revenue, as the building is not owned by the Bank, hence not capitalized.
- f) Depreciation on additions to Assets made up to 30th September of the year is provided for at full rates and on additions thereafter at 50% of the rates. No depreciation is provided on assets sold/ discarded during the year.
- g) Premium paid for Leasehold properties is amortized over the period of the lease.

### 6. Employees Benefits

- i) Short-term employee benefits are charged to revenue in the year in which the related service is rendered.
- ii) In respect of employees who have opted for provident fund scheme, matching contribution is made.
- iii) Contribution to Defined Benefit Plans (Gratuity, Pension and Leave Encashment) has been made as per AS 15 (Revised 2005) issued by the Institute of Chartered Accountants of India.

### 7. Income Recognition and Expenditure booking

Income and expenditure is accounted for on accrual basis unless otherwise stated.

- a) Interest and other income on advances/ investments classified as Non Performing Advances/ investments are recognized to the extent realized in accordance with the guidelines issued by the Reserve Bank of India.
- b) Recovery in Non-Performing Assets is appropriated first towards the interest and there after towards principal/ arrears of asset.
- c) Interest on overdue term deposits is provided at Savings Bank Rate of Interest.
- d) Fee, commission (other than commission on insurance & Government business), exchange, locker rent, insurance claims and dividend on shares and units in Mutual Fund are recognized on realization basis.
- e) Income from interest on income tax/ other tax refunds is accounted for on the basis of orders passed by the Competent Authorities.

# Schedules

## significant accounting policies and notes on accounts



- f) Unforeseen income/ expenses are accounted for in the year of receipt/ payment.
- g) Stationery issued to branches has been considered as consumed.

### 8. Credit Card reward Points

The Bank has estimated the probable redemption of reward points by not using actuarial method but has made 100% provision for redemption against the loyalty points as on the reporting date.

### 9. Profit

The net profit is disclosed in the profit and loss account after providing for:

- i) Income Tax, wealth tax and Deferred Tax.
- ii) Standard Assets, Non Performing Advances/ Investments as per RBI guidelines.
- iii) Depreciation/ amortization on Investments.
- iv) Transfer to contingency reserves.
- v) Other usual and necessary provisions.

### 10. Taxation

Tax expense includes Income Tax, Wealth Tax and Deferred Tax determined in accordance with the provisions of Income/Wealth Tax Act, and the Accounting Standards issued by The Institute of Chartered Accountants of India.

The deferred tax charge or credit is recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. In terms of Accounting Standard 22 issued by ICAI, provision for deferred tax liability is made on the basis of review at each Balance Sheet date and deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future.

### 11. Contingency Funds

Contingency Funds have been grouped in the Balance Sheet under the head "Other Liabilities and Provisions".

# Schedules

## significant accounting policies and notes on accounts



### SCHEDULE 18 - "NOTES ON ACCOUNTS"

1. Reconciliation/adjustment of inter-bank/inter-branch transactions, branch suspense, Government Transactions, NOSTRO, System Suspense, Clearing, and Sundry Deposits is in progress on an ongoing basis. The impact, in the opinion of the management of the un-reconciled entries, if any, on the financial statements would not be material.
2. Tax paid in Advance/ Tax deducted at source includes amount adjusted by Income Tax Department in respect of various disputed demands. Based on the favorable appellate orders and interpretation of law, no further provision has been considered by the management in respect of the disputed demands.
3. **Fixed Assets:**
  - a) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at ₹ 0.45 Crores (previous year ₹ 0.49 Crores). In respect of immovable properties valued at ₹ 5.54 Crores (previous year ₹ 6.15 Crores) bank holds agreement to sell along with the possession of the properties.
  - b) The Bank has certain fixed assets with Book Value at ₹ 258.96 lacs (Previous year ₹ 287.74 Lacs) generating cash, parked under respective heads, for the promotion and development of its business.
  - c) The Bank has been consistently following the method of charging depreciation on fixed assets on diminishing balance as per the rates prescribed in Income Tax Rules which is higher in totality as compared to rates prescribed in Schedule XIV of the Companies Act, 1956. However, the depreciation on computers (including ATMs) along with software forming integral part of computers has been computed at the rate of 33.33% on straight-line method.
  - d) In compliance to Accounting Standard (AS)-26 the acquisition cost of computer software, not forming integral part of the computers and where it is probable that the future economic benefits that are contributable to this software will flow to bank, is being capitalized and depreciation is charged at the rate of 33.33% on straight line method in terms of RBI guidelines.
  - e) Further the mobile phones are depreciated @50% on straight line method.
  - f) Depreciation on Banks property includes amortization in respect of leased properties amounting to ₹ 13.19 Lacs (previous year ₹ 13.19 Lacs). The book value of these properties as on 31.03.2013 was ₹ 7.88 Crores (previous year ₹ 8.02 Crores).
4. **Capital**

Particulars	As on 31.03.2013	As on 31.03.2012
CRAR (%)		
Basel-I	12.34%	12.53%
Basel-II	12.83%	13.36%
CRAR-Tier I Capital(%)		
Basel-I	10.44%	10.43%
Basel-II	10.86%	11.12%
CRAR-Tier II Capital(%)		
Basel-I	1.90%	2.10%
Basel-II	1.97%	2.24%
Percentage of the shareholding of the Government of India in Nationalised Banks	Not Applicable	Not Applicable
Amount of subordinate debt raised during the year as Tier-II Capital	NIL	NIL

Government of Jammu & Kashmir holds 53.17% of equity shares of the Bank (previous year 53.17%)

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## significant accounting policies and notes on accounts



The subordinate debt of ₹ 600 Crores raised by way of Unsecured Redeemable Lower tier-II Bonds on 30.12.2009, maturing on 30.12.2019 has been shown under Borrowings as per RBI guidelines.

### 5. Investments

The Bank has made no profit on sale of HTM category securities during the year, as such no appropriation was made (Previous Year, ₹ Nil) to Capital Reserve Account.

6. The Bank has ₹ 70,00,000 as share capital and ₹ 21,40,70,800 in share capital deposit account in its sponsored Regional Rural Bank (J&K Grameen Bank).

7. (a) The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 102.19 Crores as on 31.03.2013 (Previous year ₹ 220.27 Crores). In compliance with RBI Letter No. DBOD.BP.07099/21.4.141/2008-09 dated 9th April, 2009, the investment stands transferred to AFS Category on 1st October, 2009. The valuation has been carried out at an average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines & the consequent appreciation has been ignored in view of the Accounting Policy in respect of such investments.

(b) Other income (Schedule 14) includes a profit of ₹ 71.91 Crores on account of sale of equity shares of Met-life India Insurance Co. Pvt. Ltd to Punjab National Bank & Met-life International Holdings Inc. Post-sale the holding of the Bank in Met-life India Insurance Co. Pvt. Ltd has reduced from 11.18% to 5.08%.

### 8. Details of Investments

S. No.	Particulars	(₹ in Crores)	
		As on 31.03.2013	As on 31.03.2012
<b>1.</b>	<b>Value of Investments</b>		
	<b>Gross Value of Investments</b>		
a)	In India	25770.83	21651.03
b)	Outside India	NIL	NIL
	<b>Provision for depreciation</b>		
a)	In India	29.77	26.71
b)	Outside India	NIL	NIL
	<b>Net Value of Investments</b>		
a)	In India	25741.06	21624.32
b)	Outside India	NIL	NIL
<b>2.</b>	<b>Movement of provisions held towards the depreciation on Investments</b>		
(i)	Opening Balance	26.71	31.26
(ii)	Add: Provisions made during the year	14.91	12.30
	Less: Write-off/write back of excess provisions during the year	11.85	16.85
(iii)	Closing Balance	29.77	26.71

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## significant accounting policies and notes on accounts



### 9. The Repo Transactions (in face value terms) are as under:

Particulars	(₹ in Crores)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2013
Securities sold under repos	15.00	500.00	10.26	300.00
Securities purchased under reverse repos	5.00	1100.00	14.82	1100.00

### 10. Non-SLR Investment portfolio

S. No.	Issuer	Amount	(₹ in Crores)			
			Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
			(i)	(ii)	(iii)	(iv)
1.	PSUs	120.28	30.00	0.00	0.00	0.00
2.	FIs (incl. NBFC's AIFI'S)	1286.61	751.84	0.00	0.00	0.00
3.	Banks (incl. CD's)	6429.72	164.13	0.00	0.00	0.00
4.	Private Corporates (incl. CP's)	1260.56	1072.00	540.00	68.37	30.00
5.	Subsidiaries/Joint Ventures	10.00	0.00	0.00	0.00	0.00
6.	Others	2596.23	0.00	0.00	0.00	0.00
<b>TOTAL</b>		<b>11703.40</b>	<b>2017.97</b>	<b>540.00</b>	<b>68.37</b>	<b>30.00</b>
7.	Provision held towards depreciation	29.39	0.00	0.00	0.00	0.00
<b>TOTAL</b>		<b>11674.01</b>	<b>2017.97</b>	<b>540.00</b>	<b>68.37</b>	<b>30.00</b>

The Bank's investment in unlisted securities as on 31.03.2013 is 0.30% (previous year 0.27 %) which is well within the RBI stipulated limit of 10%.

#### 10.1 Non-SLR Non-performing investments

Particulars	(₹ in Crores)	
	Amount as on 31.03.2013	Amount as on 31.03.2012
Opening Balance	20.00	20.00
Additions during the year	69.00	NIL
Reductions during the year	NIL	NIL
Closing Balance	89.00	20.00
Total Provision held including floating provisions of ₹ 2.76 Crores	55.48	22.76

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## significant accounting policies and notes on accounts



### 10.2 The value of investments under three categories viz., Held for Trading, Available for sale and Held to maturity are as under:

(₹ in Crores)

Particulars	As on 31.03.2013				As on 31.03.2012			
	HFT	AFS	HTM	TOTAL	HFT	AFS	HTM	TOTAL
Govt. Securities	34.15	868.59	13157.36	14060.10	0.00	349.81	11196.33	11546.14
Other approved securities	0.00	0.00	6.96	6.96	0.00	0.00	8.78	8.78
Shares (Equity & Pref.)	0.48	205.84	0.00	206.32	0.30	307.74	0.00	308.04
Debentures & Bond	64.64	2132.11	166.79	2363.54	0.00	1771.50	229.99	2001.49
Subsidiaries	0.00	0.00	10.00	10.00	0.00	0.00	5.00	5.00
Others (incl. Sponsored, CDs, CPs, RIDF and others)	0.00	6779.25	2314.89	9094.14	0.00	5278.21	2476.66	7754.87
<b>TOTAL</b>	<b>99.27</b>	<b>9985.79</b>	<b>15656.00</b>	<b>25741.06</b>	<b>0.30</b>	<b>7707.26</b>	<b>13916.76</b>	<b>21624.3</b>

### 11. Derivatives

11.1 No forward rate agreements / interest rate swaps were undertaken by the bank during the year.

11.2 The bank has not entered into exchange traded interest rate derivatives transactions during the year

#### 11.3 Disclosures on Risk exposures in derivatives

##### a) Qualitative Disclosures

The only derivatives traded by the Bank in the foreign exchange market are forward contracts. Forward contracts are being used to hedge /cover the exposure in foreign exchange arising out of Merchant transactions and trading positions.

To cover the risks arising out of above derivatives, various limits like AGL, IGL and stop loss have been prescribed in the trading policy of the bank which are monitored through VaR.

Outstanding forward exchange contracts held for trading are revalued at the exchange rates for appropriate maturity rates as announced by FEDAI at the year-end exchange rates and the resultant gain/ loss is taken to revenue.

##### b) Quantitative Disclosures

(₹ in Crores)

S. Particulars No.	31.03.2013		31.03.2012	
	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i) Derivatives (Notional Principal Amount)				
a) For Hedging	NIL	NIL	NIL	NIL
b) For Trading	NIL	NIL	NIL	NIL
(ii) Marked to Market Position (1)				
a) Asset (+)	NIL	NIL	NIL	NIL
b) Liability (-)	NIL	NIL	NIL	NIL
(iii) Credit Exposure(2)	NIL	NIL	NIL	NIL

# Schedules

## significant accounting policies and notes on accounts



(₹ in Crores)

S. No.	Particulars	31.03.2013		31.03.2012	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(iv)	Likely Impact on 1% change in interest rate (100*PV01)				
a)	On hedging derivatives	NIL	NIL	NIL	NIL
b)	On Trading derivatives	NIL	NIL	NIL	NIL
(v)	Maximum & minimum of 100*PV01 observed during the year				
a)	On hedging	NIL	NIL	NIL	NIL
b)	On Trading	NIL	NIL	NIL	NIL

### Forward Exchange contracts as on 31.3.2013

(₹ in Lacs)

Up to 14 days	76640.77
Beyond 14 days	1919592.89
<b>TOTAL</b>	<b>1996233.66</b>

## 12. Non Performing Assets

### A. Movement in Gross NPA's

(₹ in Crores)

S. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1.	Gross NPAs (Opening Balance)	516.60	518.83
2.	Additions (Fresh NPAs) during the Year	455.00	314.68
<b>3.</b>	<b>SUB TOTAL (1 &amp; 2)</b>	<b>971.60</b>	<b>833.51</b>
	Less		
4.	Up gradation	104.70	57.57
5.	Recoveries (excluding recoveries made from upgraded A/c's)	136.10	145.07
6.	Write-offs	87.03	114.27
<b>7.</b>	<b>SUB TOTAL (4, 5 &amp; 6)</b>	<b>327.83</b>	<b>316.91</b>
<b>8.</b>	<b>GROSS NPAs CLOSING BALANCE (3-7)</b>	<b>643.77</b>	<b>516.60</b>

# Schedules

## significant accounting policies and notes on accounts



### B. Movement in Net NPA's\*

S. Particulars No.	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
1. Net NPAs (Opening Balance)	49.34	53.24
2. Additions during the Year	342.48	325.26
<b>3. SUB TOTAL (1 &amp; 2)</b>	<b>391.82</b>	<b>378.50</b>
LESS		
4. Up gradation	104.70	57.57
5. Recoveries (excluding recoveries made from upgraded A/cs)	136.10	156.71
6. Write-offs	87.03	114.27
<b>7. SUB TOTAL (4, 5 &amp; 6)</b>	<b>327.83</b>	<b>328.55</b>
<b>8. NET NPAs (CLOSING BALANCE) (3-7)</b>	<b>55.27**</b>	<b>49.34**</b>

\*\*Net NPA has been arrived at after adding net interest suspense of ₹ 0.61 Crores.(Previous year ₹ 0.61 Crores) and net ECGC claims of ₹ 2.37 Crores (Previous year ₹ 11.64 Crores) and reducing Interest Capitalization of ₹ 11.70 Crores (previous year NIL).

\*Information regarding movement of Net NPA's has been compiled at Corporate Office and relied upon by the Auditors.

### C. Movement of Provision for NPAs (excluding provision on standard assets):

S. Particulars No.	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
(a) Opening Balance*	450.11	460.68
(b) Add/Transfer Provision made during the year	193.39	90.00
(c) Less write-off	80.87	100.57
(d) Closing Balance*	562.63	450.11
(e) NPA Coverage Ratio	94.01%	93.76%

\*Including floating provision of ₹ 52.90 Crores. The Provision Coverage Ratio for the Bank as on 31.03.2013 is 94.01% which is calculated after taking into account technical write off.

# Schedules

## significant accounting policies and notes on accounts



### 13. Particulars of Accounts Restructured

Disclosure of Restructured Accounts

(₹ in Crores)

S. No.	Type of Restructuring	Asset Classification	UNDER CDR MECHANISM					UNDER SME DEBT RESTRUCTURING MECHANISM				
			Standard	Sub-Standard	Doubtful	Loss	TOTAL	Standard	Sub-Standard	Doubtful	Loss	TOTAL
1.	Restructured Accounts as on 1st April of the FY (opening figures)*	No. of borrowers	39	3	0	0	42	1013	76	41	0	1130
		Amount outstanding	1.03	0.05	0.00	0.00	1.08	805.60	11.16	11.81	0.00	828.57
		Provison thereon	0.02	0.01	0.00	0.00	0.03	16.11	1.79	6.29	0.00	24.19
2.	Fresh restructuring during the year	No. of borrowers	12	0	0	0	12	17	0	0	0	17
		Amount outstanding	209.49	0.00	0.00	0.00	209.49	127.31	0.00	0.00	0.00	127.31
		Provison thereon	5.76	0.00	0.00	0.00	5.76	3.50	0.00	0.00	0.00	3.50
3.	Upgradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Provison thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY.	No. of borrowers	6	0	0	0	6	539	0	0	0	539
		Amount outstanding	15.46	0.00	0.00	0.00	15.46	17.43	0.00	0.00	0.00	17.43
		Provison thereon	0.43	0.00	0.00	0.00	0.43	0.47	0.00	0.00	0.00	0.47
5.	Downgradations of restructured accounts during the FY	No. of borrowers	0	19	2	0	21	32	12	8	0	52
		Amount outstanding	0.00	24.12	1.17	0.00	25.29	1.03	20.18	2.63	0.00	23.84
		Provison thereon	0.00	3.75	0.4	0.00	4.15	0.42	19.92	2.23	0.00	22.57
6.	Write-offs of restructured accounts during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Provison thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.	Restructured Accounts as on 31st March of the FY (closing figures)*	No. of borrowers	22	19	8	0	49	64	36	31	0	131
		Amount outstanding	348.68	24.12	39.97	0.00	412.77	139.60	6.08	16.33	0.00	162.01
		Provison thereon	9.58	3.75	24.96	0.00	38.29	3.84	1.48	16.19	0.00	21.51

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## significant accounting policies and notes on accounts



Disclosure of Restructured Accounts

(₹ in Crores)

S. No.	Type of Restructuring	Asset Classification	OTHERS					TOTAL				
			Standard	Sub-Standard	Doubtful	Loss	TOTAL	Standard	Sub-Standard	Doubtful	Loss	TOTAL
1.	Restructured Accounts as on April, 1 of the FY (opening figures)*	No. of borrowers	1704	87	95	5	1891	2756	166	136	5	3063
		Amount outstanding	394.25	36.14	105.23	0.47	536.09	1200.88	47.36	117.04	0.47	1365.75
		Provison thereon	7.88	6.89	42.79	0.47	58.03	24.01	8.69	49.08	0.47	82.25
2.	Fresh restructuring during the year	No. of borrowers	46	2	2	0	50	75	2	2	0	79
		Amount outstanding	573.86	0.05	0.21	0.00	574.12	910.66	0.05	0.21	0.00	910.92
		Provison thereon	15.78	0.01	0.05	0.00	15.84	25.04	0.01	0.05	0.00	25.10
3.	Upgradations to restructured standard categoryt during the FY	No. of borrowers	0	9	0	0	9	0	9	0	0	9
		Amount outstanding	0.00	0.11	0.00	0.00	0.11	0.00	0.11	0.00	0.00	0.11
		Provison thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY.	No. of borrowers	1055	0	0	0	1055	1600	0	0	0	1600
		Amount outstanding	391.27	0.00	0.00	0.00	391.27	424.16	0.00	0.00	0.00	424.16
		Provison thereon	10.75	0.00	0.00	0.00	10.75	11.65	0.00	0.00	0.00	11.65
5.	Downdradations of restructured accounts during the FY	No. of borrowers	57	85	6	0	148	89	116	16	0	221
		Amount outstanding	0.56	1.94	19.20	0.00	21.70	1.59	46.24	23.00	0.00	70.83
		Provison thereon	0.01	0.30	12.55	0.00	12.86	0.43	23.97	15.18	0.00	39.58
6.	Write-offs of restructured accounts during the FY	No. of borrowers	0	0	0	1	1	0	0	0	1	1
		Amount outstanding	0.00	0.00	0.00	0.15	0.15	0.00	0.00	0.00	0.15	0.15
		Provison thereon	0.00	0.00	0.00	0.15	0.15	0.00	0.00	0.00	0.15	0.15
7.	Restructured Accounts as on 31st March of the FY (closing figures)*	No. of borrowers	368	134	281	4	787	454	189	320	4	967
		Amount outstanding	826.93	5.04	83.46	0.28	915.71	1315.21	35.24	139.76	0.28	1490.49
		Provison thereon	22.74	0.81	67.31	0.28	91.14	36.16	6.04	108.46	0.28	150.94

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## significant accounting policies and notes on accounts



### 14. Details of Financial Assets Sold to Securitization/ Reconstruction Company for Asset Reconstruction.

S. No.	Particulars	(₹ in Crores)	
		Current Year	Previous Year
1.	No of accounts	NIL	NIL
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	NIL	NIL
3.	Aggregate Consideration	NIL	NIL
4.	Additional consideration realized in respect of accounts transferred in earlier years	NIL	NIL
5.	Aggregate gain/loss over net book value	NIL	NIL

### 15. Details of non performing financial assets purchased.

S. No.	Particulars	(₹ in Crores)	
		Current Year	Previous Year
1. (a)	No. of accounts purchased during the year	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL
2. (a)	Of these, number of accounts restructured during the year	NIL	NIL
	(b) Aggregate outstanding	NIL	NIL

### 16. Provisions on standard Assets

Particulars	(₹ in Crores)	
	31.03.2013	31.03.2012
Provision towards Standard Assets	198.74	168.74

Bank holds a provision of ₹ 198.74 Crores on standard assets (previous year ₹ 168.74 Crores) which has been arrived at in accordance with RBI guidelines.

### 17. Business Ratios

S. No.	Particulars	(₹ in Crores)	
		As on 31.03.2013	As on 31.03.2012
(i)	Interest income as a percentage to working funds*	9.89%	9.38%
(ii)	Non-Interest income as a percentage to working funds*	0.78%	0.65%
(iii)	Operating Profit as a percentage to working funds*	2.92%	2.66%
(iv)	Return on Assets.**	1.70%	1.56%
(v)	Business (deposits plus advances) per employee***	₹ 10.49 Crores	₹ 8.86 Crores
(vi)	Profit per employee	₹ 0.11 Crores	₹ 0.09 Crores

\* Working funds are the average of total of assets as reported to RBI in Form X.

\*\* Assets are the average of the monthly total assets as reported to RBI in Form X.

\*\*\* Deposits (other than inter-bank deposits) & Gross Advances are as at the close of the year.

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## significant accounting policies and notes on accounts



### 18. Asset Liability Management

#### (i) Maturity pattern of certain items of assets and liabilities as on 31.03.2013

(₹ in Crores)

	Next Day	2 to 7 Days	8 to 14 Days	15 Days to 28 Days	29 Days Upto 3 months	Over 3 Months & Upto 6 months	Over 6 Months & Upto 1 year	Over 1 Year & Upto 3 years	Over 3 Years & Upto 5 years	Over 5 years	TOTAL
Deposits	127.32	1635.53	2129.43	2324.63	6478.76	2605.21	5511.43	34600.06	8382.72	425.53	64220.62
Borrowings	475.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	600.00	1075.00
Investments	0.00	197.90	279.25	429.04	3630.20	1949.37	2402.42	4752.14	3364.97	8735.78	25741.07
Advances	195.66	731.79	642.28	551.95	2080.43	3605.49	3910.20	18366.23	5553.93	3562.46	39200.42

#### Details of Foreign currency Assets/ Liabilities (Maturity Pattern) as on 31.03.2013

(₹ In Crore)

Currency	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
<b>Liabilities</b>									
USD	402.90	1113.23	4952.90	2362.87	841.10	0.68	0.49	0.00	9674.18
EURO	11.47	1.54	40.78	40.93	30.12	0.60	0.51	0.00	125.95
GBP	6.25	1.23	6.69	6.81	1.23	0.00	0.00	0.00	22.21
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CAD	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
CHF	2.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.17
<b>TOTAL</b>	<b>422.84</b>	<b>1116.00</b>	<b>5000.37</b>	<b>2410.61</b>	<b>872.45</b>	<b>1.29</b>	<b>1.00</b>	<b>0.00</b>	<b>9824.56</b>

Currency	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
<b>Assets</b>									
USD	444.91	1061.69	5020.87	2323.14	820.45	0.00	0.00	0.00	9671.06
EURO	21.82	2.94	32.14	40.64	27.44	0.00	0.00	0.00	124.98
GBP	5.26	2.81	6.11	7.49	0.00	0.00	0.00	0.00	21.67
J.YEN	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06
AUD	0.34	0.17	0.29	0.00	0.00	0.00	0.00	0.00	0.80
CAD	0.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27
CHF	2.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.51
SAR	0.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.54
<b>TOTAL</b>	<b>475.71</b>	<b>1067.61</b>	<b>5059.41</b>	<b>2371.27</b>	<b>847.89</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9821.89</b>

The data on ALM has been compiled on the basis of information furnished by the business units/offices.

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## significant accounting policies and notes on accounts



### 19. Exposures

#### 19.1 Exposure to Real Estate Sector\*

S. No. Particulars	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
1. Direct Exposure		
(i) Residential Mortgages Lending's fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (**includes Individual housing loans eligible for inclusion in priority sector amounting to ₹ 740.48 Crores) (Previous Year ₹ 722.77 Crores)	1105.60**	1090.18**
(ii) Commercial real estate Lending's secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	2815.36	2686.36
(iii) Investment in mortgage backed securities and other securitized exposures		
(a) Residential	NIL	NIL
(b) Commercial real estate	NIL	NIL
2. Indirect Exposure (Fund based & non fund based exposure on National Housing Bank and housing finance companies)	755.71	675.10

\*The above data has been compiled by the management and relied upon by the Auditors.

#### 19.2 Exposure to Capital Market\*

S. No. Particulars	(₹ in Crores)	
	Current Year	Previous Year
(i) Direct investment in Equity shares, Convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	151.53	255.63
(ii) Advances against shares/bonds /debentures or other securities or on clean basis to individuals for investments in shares (including IPOS/ESPOs) convertible bonds convertible debentures and units of equity-oriented mutual funds	0.87	1.09
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	0.08	79.41

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## significant accounting policies and notes on accounts



S.No.	Particulars	₹ in Crores	
		Current Year	Previous Year
(iv)	Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e where the primary security other than shares /convertible bonds / convertible debentures /units of equity oriented mutual funds does not fully cover the advances	NIL	NIL
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers.	0.13	NIL
(vi)	Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources	NIL	NIL
(vii)	Bridge loans to companies against expected equity flows /issues	NIL	NIL
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	NIL	NIL
(ix)	Financing to stock brokers for margin trading	NIL	NIL
(x)	All exposures to venture Capital Funds (both registered and unregistered )	25.00	25.00
	<b>TOTAL</b>	<b>177.61</b>	<b>361.13</b>

\*The above data has been compiled by the management and relied upon by the Auditors.

### 19.3 Risk category wise country exposure\*

Category	Risk Category	₹ in Crores			
		Exposure (net) as at 31st March, 2013	Provisions held as at 31st March, 2013	Exposure (net) as at 31st March, 2012	Provisions held as at 31st March, 2012
A1	Insignificant	104.82	Nil	29.28	Nil
A2	Low	1.22	Nil	0.77	Nil
B1	Moderate	Nil	Nil	Nil	Nil
B2	High	Nil	Nil	Nil	Nil
C1	Very high	Nil	Nil	Nil	Nil
C2	Restricted	Nil	Nil	Nil	Nil
D	Off-Credit	Nil	Nil	Nil	Nil
	<b>TOTAL</b>	<b>106.04</b>	<b>Nil</b>	<b>30.05</b>	<b>Nil</b>

\*The above data has been compiled by the management and relied upon by the Auditors.

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### 20. Details of single borrower limit/ group borrower limit exceeded by the Bank:

The Bank has exceeded single borrower exposure limit (SGL)/Group Borrower Exposure Limit (GBL) in below mentioned Borrowers/Group Borrowers by the percentage shown against each:

Name of Borrower	Sector	Exposure as on 31.03.2013		TOTAL EXPOSURE AS ON 31.03.2013	% age to Bank's Capital	Prudential Exposure Limit
		Fund	Non Fund			
J&K State Power Development Corporation Ltd	Infrastructure	461.01	720.32	1181.33	24.24%	20% of Capital Funds
ONGC Petro Addition Ltd(OPAL)	Non-Infrastructure	950.00	NIL	950.00	19.50%	15% of Capital Funds
Prestige Estates Project Ltd	Non-Infrastructure	903.74	13.88	917.62	18.83%	15% of Capital Funds

### 21. Statement of loans & Advances secured by Intangible Assets viz. Rights, Licenses, Authorizations etc.

The advances of the Bank as on 31st March, 2013 against intangible security of Rights, Licenses and Authorizations are ₹ 41.51 Crores.

### 22. Details of provisions:

Particulars	For the year ended 31.03.2013		For the year ended 31.03.2012
Tax expense			
i) Income Tax		475.12	400.11
ii) Deferred Tax Liability/ (asset)		(3.74)	(2.35)
iii) Wealth Tax		0.11	0.09
Provision against NPA's		158.30	90.00
Provision for depreciation on investments		14.91	12.30
Provision for frauds and embezzlements		0.24	1.49
Provision for diminution in the fair value of restructured /rescheduled advances		12.84	20.01
Provision for Non Performing Investments		31.04	0
Other provisions & contingencies		35.66	14.24
Provision for contingent liabilities		1.18	1.19
Provision for Standard Assets		30.00	30.00
<b>TOTAL</b>		<b>755.66</b>	<b>567.08</b>

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23. Penalty imposed by Reserve Bank of India during the year: One amounting to ₹ 10,000/- (Previous year Nil).

24. Information in respect of Accounting Standards issued by the Institute of Chartered Accountants of India:

### 24.1 Accounting Standard 5-Net profit or loss for the period, prior period items and changes in accounting policies:

There is no material Prior Period item included in Profit & Loss Account required to be disclosed as per Accounting Standard-5 read with RBI Guidelines.

### 24.2 Accounting Standard 9- Revenue Recognition

There are no material items of income, which are required to be disclosed as per Accounting Standard-9, read with the RBI guidelines.

### 24.3 Accounting Standard 15 - Retirement Benefit

The disclosure required under Accounting Standard 15 "Employee Benefits- issued by the Institute of Chartered Accountants of India is as under":

#### Defined Contribution Plan

In respect of employees, who hold the option of provident fund, matching contribution has been made.

#### Defined Benefit Plans

The Employee's Gratuity Fund Scheme, Pension Fund and Leave Encashment are defined benefit plans. The present value of obligation is determined based on Actuarial Valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

Particulars	(Amount in ₹)		
	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value of obligation 01-04-2012	157,09,52,510	510,45,49,817	75,09,58,663
Interest Cost	12,75,05,251	40,26,43,985	6,06,55,876
Current Service Cost	14,28,42,985	45,69,18,429	7,83,71,720
Past Service Cost	NIL	NIL	NIL
Benefits Paid	-14,17,81,458	-14,30,00,000	-6,79,25,393
Actuarial (gain) loss on obligation	12,55,04,784	-1,04,21,980	3,83,62,072
Present Value of obligation 31-03-2013 (Projection)	182,50,24,072	581,06,90,251	86,04,19,934
Fair value of Plan Assets 01-04-2012	148,70,31,068	377,23,00,000	NIL
Expected Return on Plan Assets	12,71,70,485	20,32,16,000	NIL
Contributions	9,35,00,000	34,00,00,000	6,79,25,393
Benefits Paid	-14,17,81,458	-14,30,00,000	-6,79,25,393
Actuarial Gain (Loss) Plan Assets	12,63,10,973	58,57,84,000	-3,83,62,072
Fair value of Plan Assets 31-03-2013	169,22,31,068	475,83,00,000	NIL
<b>TOTAL ACTUARIAL GAIN (LOSS) TO BE RECOGNIZED</b>	<b>8,06,189</b>	<b>59,62,05,980</b>	<b>NIL</b>

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## significant accounting policies and notes on accounts



### Balance Sheet Recognition

(Amount in ₹)

Present Value of obligation	182,50,24,072	581,06,90,251	86,04,19,934
Fair Value of Plan Assets	-169,22,31,068	-475,83,00,000	NIL
Liability (Asset)	13,27,93,004	105,23,90,251	86,04,19,934
Unrecognized Past Service Cost	NIL	NIL	NIL
Liability (asset) recognized in the Balance Sheet**	13,27,93,004	105,23,90,251	86,04,19,934
Less: Liability already recognized	NIL	NIL	75,09,58,663
Less: Transition Remaining			
Total of three plans : ₹ NIL	NIL	NIL	NIL
Current Year Liability/(Asset)			
<b>TOTAL OF THREE PLANS: ₹ 129,46,44,526</b>	<b>13,27,93,004</b>	<b>105,23,90,251</b>	<b>10,94,61,271</b>

### Profit & Loss - Expenses

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Current Service Cost	14,28,42,985	45,69,18,429	7,83,71,720
Interest Cost	12,75,05,251	40,26,43,985	6,06,55,876
Expected Return on Plan Assets	-12,71,70,485	-20,32,16,000	NIL
Net Actuarial gain (loss) recognized in the year	-8,06,189	-59,62,05,980	3,83,62,072
Past Service Cost	NIL	98,33,00,000	NIL
Expenses Recognized in the statement of Profit & Loss	14,23,71,562	104,34,40,434	17,73,86,664
Actual Return on Plan Assets			
Expected Return on Plan Assets	12,71,70,485	20,32,16,000	NIL
Actuarial gain (Loss) Plan Assets	12,63,10,973	58,57,84,000	NIL
Actual Return on Plan Assets	25,34,81,458	78,90,00,000	NIL

### Movement in the Net Liability recognized in the Balance Sheet

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Opening net Liability	8,39,21,442	34,89,49,817	75,09,58,663
Expenses	14,23,71,562	104,34,40,434	17,73,86,664
Contribution	-9,35,00,000	-34,00,00,000	-6,79,25,393
Closing Net Liability	13,27,93,004	105,23,90,251	86,04,19,934

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### Actuarial Assumption

(Amount in ₹)

Mortality Table (L.I.C.)	1994-96 Ultimate	2006-08 Ultimate	2006-08 Ultimate
Discount Rate (Per Annum)	8%	8%	8%
Expected rate of return on Plan Assets (Per Annum)	8%	8%	NA
Rate of escalation in salary(Per Annum)	3.5%	3.5%	3.5%
Disability	NIL	NIL	NIL
Attrition (Per Annum)	1%	1%	1%
Retirement Age (Years)	60	60	60

The above information is based on the information certified by the actuary

### 24.4. Accounting Standard 17 - Segment Reporting

- i) The Bank has recognized business segment as its primary reportable segment under AS-17 classified into treasury, Corporate/ Wholesale banking, Retail banking and other banking Business. The necessary disclosure is given below:-

(₹ in Crores)

Description	31.03.2013	31.03.2012
<b>A Segment Revenue (Income)</b>		
i. Treasury Operations	1996.46	1500.61
ii. Corporate/Whole sale Banking	2395.31	1745.50
iii. Retail Banking	2682.13	2245.31
iv. Other Banking Business	44.97	38.23
<b>TOTAL</b>	<b>7118.87</b>	<b>5529.65</b>
(Less): Inter segment revenue	498.34	359.95
Total Income from Operations	6620.53	5169.70
<b>B Segment Results (Profit before tax)</b>		
i. Treasury Operations	115.92	30.25
ii. Corporate /Wholesale Banking	1150.41	906.59
iii. Retail Banking	223.89	233.89
iv. Other Banking Business	36.37	30.37
<b>TOTAL</b>	<b>1526.59</b>	<b>1201.10</b>
<b>C (Segment Assets)</b>		
i. Treasury Operations	29065.81	23880.17
ii. Corporate/Wholesale Banking	23638.02	19957.60
iii. Retail Banking	19025.42	16417.86
iv. Other Banking Business	14.07	13.59
<b>TOTAL</b>	<b>71743.32</b>	<b>60269.00</b>

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(₹ in Crores)

Description	31.03.2013	31.03.2012
<b>D. (Segment Liabilities)</b>		
i. Treasury Operations	4945.70	5012.73
ii. Corporate /Wholesale Banking	21001.08	13388.94
iii. Retail Banking	40918.62	37766.11
iv. Other Banking Business	13.23	8.26
<b>TOTAL</b>	<b>66878.63</b>	<b>56176.04</b>
<b>E. Capital Employed (Segment Assets-Segment Liabilities)</b>		
i. Treasury Operations	24120.11	18867.44
ii. Corporate/Wholesale Banking	2636.94	6568.66
iii. Retail Banking	(21893.20)	(21348.25)
iv. Other Banking Business	0.84	5.33
<b>TOTAL</b>	<b>4864.69</b>	<b>4093.18</b>

- ii). As the Bank does not have any overseas branch there is no requirement as to reporting of Geographical Segment.

### 24.5. Accounting Standard 18 - Related party disclosures as on 31.03.2013

(₹ in Crores)

Items/Related Party	J&K Grameen Bank	JKB Financial Services Ltd.
Deposits	1005.72	8.62
Advances	2.20	0.60
Investments	22.11	10.00
Interest Paid	86.83	0.69
Interest/Commission Received	1.04	0.00
Sale of Fixed Assets	NIL	0.52
Transfer of Current Assets/ Liabilities(Net)	NIL	0.58
Reimbursement of Expenses	NIL	2.01

(₹ in lacs)

Items/Related Party	K.M.P* Mr.Mushtaq Ahmad (Chairman)
Deposits	-
Advances	-
Investments	-
Interest/Commission Received	-
Salary	51.10

\* Key Managerial Personnel

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### 24.6. Accounting standard 19 - Leases

The Bank has taken premises only on rental basis and has no long-term operating leases taken/given and hence reporting under AS-19 is not considered necessary.

### 24.7. Accounting standard 20 - Earning per share

Particulars	(₹ in Crores)	
	31.03.2013	31.03.2012
Net Profit available to Equity Share Holders	1055.10	803.25
No. of Equity Shares	4,84,77,802	4,84,77,802
Basic/Diluted Earnings per share ( in ₹ )	217.65	165.69
Face value per share	₹ 10/-	₹ 10/-

### 24.8. Accounting Standard -21 (Consolidated Financial Statements)

The Bank has a fully owned subsidiary company "JKB Financial Services Ltd." in terms of the approval of Reserve Bank of India vide its letter No DBOD.FSD.No./1124/24.01.001/2007-08 dated 31st July, 2007. The investment towards the capital of subsidiary company is ₹ 10.00 Crores (Previous Year ₹ 5.00 Crores). The consolidated financial statements are placed accordingly in terms of AS 21 issued by the Institute of Chartered Accountants of India.

### 24.9. Accounting standard 22 - Accounting for taxes on income

- a. The Bank has accounted for Income Tax in compliance with Accounting Standard-22 accordingly deferred Tax assets and liabilities are recognized.

Timing Difference	(₹ in lacs)	
	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	NIL	57.18
Leave encashment	2792.06	NIL

Net Deferred Tax Asset as on 31.03.2013 : ₹ 2734.88 Lacs

Tax Impact for the year : ₹ 373.93 Lacs

- b. The Bank has created Special Reserve of ₹ 74.41 Crores under section 36(1)(viii) of the Income Tax Act, 1961. After the approval of the Board of Directors that it has no intention to withdraw from special Reserve, no DTL on the amount of Special Reserve of ₹ 74.41 Crores has been considered.

### 24.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹ 0.31 Crores on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 0.20 Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 0.11 Crores has been charged to Profit & Loss account treating it as a Revenue expenditure for the reason that the Bank cannot declare dividend to shareholders without writing it off completely in view of the provisions of the Banking Regulation Act, 1949. Accordingly, the Bank has not evaluated useful life of this Brand strategy project over which the expenses could be amortized.

Further, the Bank has incurred an amount of ₹ 2.84 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalized the cost of the same.

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### 24.11 Accounting Standard 28 - Impairment of Assets

Majority of Fixed Assets of the Bank are considered as Corporate Assets and not cash generating assets and in the opinion of Management there is no material impairment in these Fixed Assets. Regarding other Fixed Assets generating cash there is no material impairment. As such no provision is required as per AS-28 issued by ICAI.

### 24.12 Accounting Standard 29- Provisions, Contingent Liabilities and Contingent Assets

In respect of Contingent Liabilities under each class shown as per Schedule 12, in the opinion of the Management, the possibility of any out flow in settlement is remote. However, a provision of ₹ 2.62 Crores is outstanding as on 31.03.2013 to meet certain claims decreed against the Bank but still not acknowledged as debts owing to the appeal filed by the bank before the court of competent jurisdiction, pending adjudication.

### 24.13 Letter of comfort (LOC's) issued by the Bank.

The Bank has not issued any letter of comfort (LOC) on its behalf. However, Letters of Comfort issued on behalf of customers has been reported under respective heads of contingent liabilities in the financial statements of Bank as on 31st March, 2013.

## 25. OTHER DISCLOSURES

### Foreign Exchange

- The net funded exposure of the Bank in respect of Foreign Exchange transactions with each country is within 1% of the Total Assets of the Bank and hence no Provision and Disclosure is required to be made as per the RBI Circular No. 96/21.04.103/2003 dated: 17.06.2004.
- Claims pending with ECGC amounts to ₹ NIL (Previous year ₹ 5.08 Crores)

## 26. Concentration of Deposits, Advances, Exposures & NPA's

### 26.1 Concentration of Deposits

Total Deposits of 20 largest depositors (₹ in Crores)	10829
Percentage of 20 largest deposits to total Deposits of the Bank	16.86%

### 26.2 Concentration of Advances

Total Advances to twenty largest borrowers (₹ in Crores)	8697
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	22.18%

### 26.3 Concentration of Exposures

Total Exposure to twenty largest borrowers customers (₹ in Crores)	10617
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on borrowers/customers	16.35%

### 26.4 Concentration of NPA's

Total Exposure to top four NPA accounts (₹ in Crores)	123.13
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## significant accounting policies and notes on accounts



### 26.5 Sector wise NPA's\*

S. No.	Sector	Percentage of NPA to Total advances in that sector
1.	Agriculture & Allied activities	1.32%
2.	Industry (Micro & Small Medium and Large)	1.91%
3.	Services	2.79%
4.	Personal Loans	1.41%

\*Information regarding sector wise classification of NPA's has been compiled at Corporate Office and relied upon by the Auditors.

### 26.6 Overseas Assets, NPA's and Revenues

S. No.	Particulars	(₹ in Crores)
1.	Total Assets	NIL
2.	Total NPAs	NIL
3.	Total Revenue	NIL

### 26.7 Off- balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored		
	Domestic	Overseas
	NIL	NIL

## 27. DETAILS OF FLOATING PROVISIONS

### 27.1 Advances

Particulars	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
Opening balance	52.90	52.90
Additions made during the year	Nil	Nil
Utilization made during the year	Nil	Nil
Closing balance	52.90	52.90

### 27.2 Investments

Particulars	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
Opening balance	2.76	2.76
Additions made during the year	Nil	Nil
Utilization made during the year	Nil	Nil
Closing balance	2.76	2.76

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## significant accounting policies and notes on accounts



### 28. CUSTOMER COMPLAINTS

A	No of complaints pending at the beginning of the year	38
B	No of complaints received during the year	154
C	No of complaints redressed during the year	169
D	No of complaints pending at the end of the year	23

### 29. AWARDS PASSED BY THE BANKING OMBUDSMAN

A	No of unimplemented Awards at the beginning of the Year	NIL
B	No .of Awards passed by the banking ombudsman during the year	NIL
C	No of Awards implemented during the year	NIL
D	No of unimplemented Awards pending at the end of the year	NIL

### 30. The Bank follows policy of providing interest on overdue time deposits at Saving Bank interest rates in conformity with guidelines of Reserve Bank of India.

### 31. MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT

With regard to disclosure relating to MSME under the Micro Small & Medium Enterprises Development Act 2006, no Purchases have been made from Micro Small Medium Enterprises hence the disclosure be treated as NIL.

### 32. Movement in provision for credit card reward point is set out below:

Particulars	(₹ in Crores)
Opening Provision Balance as on 01.04.2012	0.75
Provisions made during the year	0.74
Redemption made during the year	0.89
Closing Provision Balance as on 31.03.2013	0.60

### 33. BANCASSURANCE BUSINESS:

The Bank has tie ups with M/S Met-Life Insurance ( P ) Ltd and Bajaj Alliance ( P ) Ltd for mobilizing insurance business both life and non-life. The details of the commission earned by the Bank during FY 2012-13 on account of mobilizing said business is given hereunder:-

S. No.	Nature of Income	(₹ in Crores)
1.	For selling life insurance policies	22.33
2.	For selling non-life insurance polices	6.86
3.	For selling mutual fund products	NIL
4.	Others - (Logo Charges)	8.22
<b>TOTAL</b>		<b>37.41</b>

# Schedules

## significant accounting policies and notes on accounts



### 34. DISCLOSURES ON REMUNERATION

#### Qualitative Disclosure

<p>Information relating to the composition and mandate of the Remuneration Committee.</p>	<p>Bank has already constituted a Compensation Committee of the Board in line with the requirements of Reserve Bank of India .All the members of the committee are independent non executive Directors. The mandate of the Remuneration committee, to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the Board, has also been delegated to the Remuneration Committee of the Board.</p>
<p>Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.</p>	<p>Remuneration for the purpose of Remuneration policy shall refer to any form of monetary or non monetary benefits provided to employees in exchange of their contribution and service to the organization. It shall in particular refer to Fixed Salary, Variable Pay, Other benefits and pension contributions. The major objectives of the policy are</p> <ul style="list-style-type: none"> <li>● To ensure effective governance of compensation</li> <li>● To Ensure effective alignment of compensation with prudent risk taking</li> <li>● To ensure effective supervisory oversight and engagement by stakeholders</li> <li>● To comply with regulatory directives</li> <li>● To attract, develop and retain high performing and motivated employees.</li> </ul>
<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.</p>	<p>Remuneration committee of the Board undertakes risk evaluations based on industry standards and risk profile of the bank.</p>
<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.</p>	<p>The performance of the Bank as a whole is linked to the performance of its management and employees. However in individual cases variable pay is withheld in case of low performance of individual staff member.</p>
<p>A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.</p>	<p>NIL</p>
<p>Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.</p>	

# Schedules

## significant accounting policies and notes on accounts



### Quantitative Disclosure

Particulars	31.03.2013
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	NIL
(i) Number of employees having received a variable remuneration award during the financial year. (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer/ Other Risk Takers	No Variable remuneration award has been paid during the year.
(ii) Number and total amount of sign-on awards made during the financial year.	NIL
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	NIL
(iv) Details of severance pay, in addition to accrued benefits, if any.	NIL
a. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	NIL
b. Total amount of deferred remuneration paid out in the financial year.	NIL
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	<ul style="list-style-type: none"> <li>● Fixed Pay during the year in case of Chief Executive Officer.</li> <li>● Basic 4800000.00</li> <li>● Refreshment 4200.00</li> <li>● Performance Bonus 1200000.00</li> <li>● Total 6004200.00</li> <li>● Whole Time Directors Not applicable</li> </ul> There was no deferred variable pay
a. (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	NIL
b. (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.	NIL
c. (iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	NIL

# Schedules

## significant accounting policies and notes on accounts



35. The Bank has transferred its entire business of depository services to JKB Financial Services Ltd (Fully owned Subsidiary Company of the Bank) as on 31.12.2012 at Book Value and hence w.e.f., 1st January, 2013 no business of the depository has been incorporated in the financials of the Bank.

### 36. Draw Down From Reserve:

S. No.	Reserves	Amount Drawn (₹ Crores)	Purpose
1.	Revenue Reserves	48.75	Appropriation to Special Reserve u/s.36(1)(viii) of the Income Tax Act, 1961 out of the Profit of FY 2011-12

The Special Reserve has been created after approval of the Board of Directors that it has no intention to withdraw any amount from the Special Reserve.

37. The Principal Accounting Policies (Schedule 17) and Notes on Accounts (Schedule 18) form an integral part of these Accounts.
38. Previous year figures have been regrouped / rearranged, where ever necessary and possible, to conform to current year figures. In cases where disclosures have been made for the first time in terms of RBI guidelines, previous year's figures have not been given.

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
FRN: 011022N

For **P C Bindal & Co.**  
Chartered Accountants  
FRN: 03824N

For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

**CA. Rajan Sachdeva**  
Partner  
(M. No. 525115)

**CA. D.L. Nagpal**  
Partner  
(M. No.011378)

**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Cash Flow Statement

for the year ended 31st March, 2013



	2012-13 ₹ '000' Omitted	2011-12 ₹ '000' Omitted
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>12,838,608</b>	11,764,894
B CASH FLOW FROM INVESTING ACTIVITIES	(906,421)	(704,551)
C CASH FLOW FROM FINANCING ACTIVITIES	(2,427,582)	(2,009,779)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,504,605	9,050,564
D CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	44,538,679	35,488,115
E CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	54,043,284	44,538,679
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit after Taxes	10,550,982	8,032,505
Add : Provision for Taxes	4,714,917	3,978,546
Net profit before taxes (i)	15,265,899	12,011,051
<b>Adjustment for :</b>		
Depreciation charges	497,336	439,547
Provision for NPA's	1,583,000	900,000
Provision on Standard Assets	300,000	300,000
Depreciation on investment	149,162	122,946
Provision for Non-Performing investment	310,460	-
Other provisions	499,030	369,266
Interest paid on subordinate Bonds (Financing Activities)	540,000	540,000
<b>TOTAL ADJUSTMENT (ii)</b>	<b>3,878,988</b>	<b>2,671,759</b>
<b>Operating profit before change in Operating assets &amp; liabilities (i) + (ii)</b>	<b>19,144,887</b>	<b>14,682,810</b>
Adjustment for changes in Operating Assets & Liabilities		
Increase / (Decrease) in Deposits	108,737,179	86,709,666
Increase / (Decrease) in Borrowings	(1,659,572)	1,363,070
Increase / (Decrease) in Other liabilities & provisions	(1,981,160)	2,506,039
(Increase) / Decrease in investments	(41,266,628)	(19,408,454)
(Increase) / Decrease in Advances	(62,941,279)	(69,937,962)
(Increase) / Decrease in Other Assets	(1,857,113)	(128,012)
Net Cash flow from Operating activities ( iii )	(968,573)	1,104,347
Cash generated from operation ( i + ii + iii )	18,176,314	15,787,157
Less : Tax paid	5,337,706	4,022,263
<b>TOTAL: (A)</b>	<b>12,838,608</b>	<b>11,764,894</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
a) Fixed Assets	(856,421)	(704,551)
b) Investment in Subsidiary	(50,000)	-
<b>TOTAL: (B)</b>	<b>(906,421)</b>	<b>(704,551)</b>

# Cash Flow Statement

for the year ended 31st March, 2013



	2012-13 ₹ '000' Omitted	2011-12 ₹ '000' Omitted
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
a) Share Capital	-	-
b) Equity Share Warrants	-	-
c) Share Premium	-	-
d) Tier II Bonds	-	-
e) Dividend & Divident Tax Paid	(1,887,582)	(1,469,779)
f) Interest Paid on Subordinate Debt	(540,000)	(540,000)
<b>TOTAL: (C)</b>	<b>(2,427,582)</b>	<b>(2,009,779)</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
a) Cash in hand & Balance with R.B.I	27,836,539	29,749,638
b) Balance with Banks & Money at Call & Short Notice	16,702,140	5,738,477
<b>TOTAL: (D)</b>	<b>44,538,679</b>	<b>35,488,115</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
a) Cash in hand & Balance with R.B.I	26,951,472	27,836,539
b) Balance with Banks & Money at Call & Short Notice	27,091,812	16,702,140
<b>TOTAL: (E)</b>	<b>54,043,284</b>	<b>44,538,679</b>

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 15th May, 2013 at Srinagar.

Company Secretary

# Auditors' Certificate



We have verified the attached Cash Flow Statement of THE JAMMU & KASHMIR BANK LIMITED which has been compiled from and is based on the Audited Financial Statements for the year ended 31st March, 2013 and 31st March, 2012. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to clause 32 of the Listing Agreement with the Stock Exchanges.

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In terms of our report of even date annexed

---

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
FRN: 011022N

For **P C Bindal & Co.**  
Chartered Accountants  
FRN: 03824N

For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

**CA. Rajan Sachdeva**  
Partner  
(M. No. 525115)

**CA. D.L. Nagpal**  
Partner  
(M. No.011378)

**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

## Comments of C & AG

Comments under Section 619(4) of the Companies Act, 1956 on the accounts of the Jammu & Kashmir Bank Limited, for the year ended 31st March, 2013 were not received upto the date and could not be circulated. These will be placed before the Shareholders in the meeting.



To,  
The Board of Directors  
Jammu & Kashmir Bank Limited

## Report on Other Legal and Regulatory Matters

1. We have examined the accompanying consolidated financial statements of The Jammu & Kashmir Bank Limited and its subsidiary JKB Financial Services Limited which comprise the consolidated Balance Sheet as at 31st March, 2013, and the consolidated Profit & Loss and the consolidated Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these consolidated financial statements are the:

- (i) audited accounts of the Bank in which are incorporated the returns of 65 Branches/offices audited by us and 654 Branches/Offices audited by Branch auditors;
- (ii) audited accounts of one subsidiary JKB Financial Services Limited audited by other auditor.

## Management's Responsibility for the Financial Statements

2. Management of the Bank is responsible for the preparation of these Consolidated Financial Statements in accordance with the requirements of the Reserve Bank of India, the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and recognized accounting policies and practices including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
6. We have jointly audited the financial statements of the Bank whose financial statements reflect total assets of ₹ 71743 Crores as at 31st March, 2013 and net cash flow amounting to ₹ 950 Crores for the year then ended.
7. We did not audit the financial statements of its subsidiary JKB Financial Services Limited whose financial statements reflect total assets of ₹ 12.49 Crores as at 31st March, 2013, and total revenue of ₹ 2.26 Crores for the year ended 31st March, 2013. These financial statements have been audited by other auditor, whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of other entity, based solely on the report of the other auditor.



8. We report that the consolidated financial statements have been prepared by the Bank's management in accordance with the requirement of the Accounting Standard 21-"Consolidated Financial Statements", Accounting Standard 23-"Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting Standard 27-"Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and the requirements of Reserve Bank of India.

#### Opinion

9. Based on our audit and consideration of report of other Auditor on separate financial statements and other information of the components, and to the best of our information and according to the explanation given to us, we are of the opinion that :
- (i) the Consolidated Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Bank as at 31st March, 2013 in conformity with the accounting principles generally accepted in India;
  - (ii) the Consolidated Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and
  - (iii) the Consolidated Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Matters

10. In our opinion, the consolidated Balance Sheet, consolidated Profit and Loss Account and consolidated Cash Flow Statement comply with the applicable Accounting Standards.

---

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
FRN: 011022N

For **P C Bindal & Co.**  
Chartered Accountants  
FRN: 03824N

For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

**CA. Rajan Sachdeva**  
Partner  
(M. No. 525115)

**CA. D.L. .Nagpal**  
Partner  
(M. No.011378)

**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Consolidated Balance Sheet

as at 31st March, 2013



	Schedule	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	484,922	484,922
Reserves and Surplus	2	48,161,016	40,447,983
Deposits	3	642,121,820	533,417,586
Borrowings	4	10,750,000	12,409,572
Other Liabilities and Provisions	5	15,825,697	15,877,719
<b>TOTAL</b>		<b>717,343,455</b>	<b>602,637,782</b>
<b>ASSETS</b>			
Cash and Balance with Reserve Bank of India	6	26,951,472	27,836,539
Balance with Banks & Money at Call & Short Notice	7	27,092,770	16,702,190
Investments	8	257,310,654	216,193,188
Advances	9	391,998,104	330,774,215
Fixed Assets	10	4,566,781	4,202,708
Other Assets	11	9,423,674	6,928,942
<b>TOTAL</b>		<b>717,343,455</b>	<b>602,637,782</b>
Contingent Liabilities	12	322,827,985	150,660,768
Bills for Collection		8,959,964	9,203,354
Principal Accounting Policies	17		
Notes on Accounts	18		

The Schedules Referred to above and the attached Cash Flow Statement form an integral part of the Balance Sheet

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

In terms of our report of even date annexed

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

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**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Consolidated Profit and Loss Account

for the year ended 31st March, 2013



	Schedule	Year Ended 31.03.2013 ₹ '000' Omitted	Year Ended 31.03.2012 ₹ '000' Omitted
<b>I INCOME</b>			
Interest Earned	13	61,368,006	48,355,773
Other Income	14	4,852,864	3,350,314
<b>TOTAL</b>		<b>66,220,870</b>	<b>51,706,087</b>
<b>II EXPENDITURE</b>			
Interest Expended	15	38,200,666	29,967,437
Operating Expenses	16	9,915,525	8,037,787
Provisions and Contingencies		7,555,815	5,670,109
<b>TOTAL</b>		<b>55,672,006</b>	<b>43,675,333</b>
<b>III NET PROFIT</b>			
<b>TOTAL</b>		<b>10,548,864</b>	<b>8,030,754</b>
<b>IV APPROPRIATIONS</b>			
<b>Transferred to</b>			
i) Statutory Reserve		2,637,746	2,008,126
ii) Capital Reserve		-	-
iii) Trf. From Revenue and other Reserves (for Special Reserve FY 2011-12)		(487,500)	-
iv) Revenue and Other Reserve		4,281,559	4,135,046
v) Investment Reserve		49,629	-
vi) Special Reserve		1,231,600	-
vii) Proposed Dividend		2,423,890	1,624,006
viii) Tax on Dividend		411,940	263,576
<b>TOTAL</b>		<b>10,548,864</b>	<b>8,030,754</b>
Principal Accounting Policies	17		
Notes on Accounts	18		
Earnings per Share (Basic/Diluted)		217.59	165.66

The Schedules Referred to above form an integral part of the Profit & Loss Account

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
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Executive President

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Vice President

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Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

In terms of our report of even date annexed

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**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Schedules

to the Consolidated Balance Sheet as at  
31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b>		
100000000 (P.Y. 100000000)		
Equity Shares of ₹ 10/- each	1,000,000	1,000,000
<b>Issued</b>		
48,499,602 (P.Y.48,499,602) Equity Shares of ₹ 10/= each	484,996	484,996
<b>Subscribed and Paid-Up Capital</b>		
48477802 (P.Y. 48477802)		
Equity Shares of ₹ 10/- each	484,778	484,778
Add Forfeited Equity Shares (21800) (P.Y. 21800)	144	144
<b>TOTAL</b>	<b>484,922</b>	<b>484,922</b>

<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>I. Statutory Reserves</b>		
Opening Balance	12,128,729	10,120,603
Additions during the year	2,637,746	2,008,126
<b>TOTAL</b>	<b>14,766,475</b>	<b>12,128,729</b>
<b>II. Capital Reserves</b>		
Opening Balance	631,254	631,254
Additions during the year	-	-
<b>TOTAL</b>	<b>631,254</b>	<b>631,254</b>
<b>III. Share Premium</b>		
Opening Balance	867,791	867,791
Additions during the year	-	-
<b>TOTAL</b>	<b>867,791</b>	<b>867,791</b>
<b>IV. Investment Reserves</b>		
Opening Balance	-	-
Additions during the year	49,629	-
<b>TOTAL</b>	<b>49,629</b>	<b>-</b>
<b>V. Special Reserves</b>		
Opening Balance	-	-
Draw Down from Revenue Reserves	487,500	-
Additions during the year	744,100	-
<b>TOTAL</b>	<b>1,231,600</b>	<b>-</b>
<b>VI. Revenue and Other Reserves</b>		
Opening Balance	26,820,209	22,685,164
Additions during the year	4,281,558	4,135,045
Draw Down	(487,500)	-
<b>TOTAL</b>	<b>30,614,267</b>	<b>26,820,209</b>
<b>TOTAL ( I,II,III,IV,V &amp; VI)</b>	<b>48,161,016</b>	<b>40,447,983</b>

# Schedules

to the Consolidated Balance Sheet as at  
31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 3 - DEPOSITS</b>		
<b>A. I. Demand Deposits</b>		
i) From Banks	1,074,563	1,099,403
ii) From Others	62,936,033	56,244,542
<b>TOTAL</b>	<b>64,010,596</b>	<b>57,343,945</b>
<b>II. Saving Bank Deposits</b>	<b>187,894,953</b>	<b>159,807,137</b>
<b>III. Term Deposits</b>		
i) From Banks	53,326,061	47,929,152
ii) From Others	336,890,210	268,337,352
<b>TOTAL</b>	<b>390,216,271</b>	<b>316,266,504</b>
<b>TOTAL A (I+II+III)</b>	<b>642,121,820</b>	<b>533,417,586</b>
<b>B. I. Deposits of branches in India</b>	<b>642,121,820</b>	<b>533,417,586</b>
<b>II. Deposits of branches outside India</b>	Nil	Nil
<b>TOTAL B (I+II)</b>	<b>642,121,820</b>	<b>533,417,586</b>

<b>SCHEDULE 4 - BORROWINGS</b>		
<b>I. Borrowings in India</b>		
i) Reserve Bank of India	3,000,000	5,000,000
ii) Other Banks	1,750,000	-
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	-	480,580
<b>TOTAL</b>	<b>10,750,000</b>	<b>11,480,580</b>
<b>II. Borrowings outside India</b>	-	928,992
<b>GRAND TOTAL (I &amp; II)</b>	<b>10,750,000</b>	<b>12,409,572</b>
Secured borrowings included in I & II above	Nil	Nil

<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
i) Bills Payable	3,271,948	3,411,609
ii) Inter Office Adjustments (Net)	-	382,694
iii) Interest Accrued on Non-cumulative deposits	1,067,847	1,087,932
iv) Provision Against Standard Assets	1,987,390	1,687,390
v) Other (Including Provisions)	9,498,512	9,308,094
<b>TOTAL (i TO v)</b>	<b>15,825,697</b>	<b>15,877,719</b>

# Schedules

to the Consolidated Balance Sheet as at  
31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 6 - CASH &amp; BALANCES WITH RESERVE BANK OF INDIA</b>		
<b>I. Cash in Hand (Including Foreign Currency Notes)</b>	2,011,810	1,935,386
<b>II. Balance with Reserve Bank of India</b>		
i) In Current Account	24,939,662	25,901,153
ii) In Other Accounts	-	-
<b>TOTAL (I+II)</b>	<b>26,951,472</b>	<b>27,836,539</b>

<b>SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
<b>I. In India</b>		
i) Balance with Banks		
a) In Current Accounts	362,259	307,360
b) In Other Deposit Accounts	13,574,544	5,053,198
<b>TOTAL (I)</b>	<b>13,936,803</b>	<b>5,360,558</b>
ii) Money At Call and Short Notice		
a) With Banks	13,000,000	3,250,000
b) With Other Institutions	-	7,990,273
<b>TOTAL (II)</b>	<b>13,000,000</b>	<b>11,240,273</b>
<b>TOTAL (I &amp; II)</b>	<b>26,936,803</b>	<b>16,600,831</b>
<b>II. Outside India</b>		
i) In Current Accounts	155,967	101,359
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
<b>TOTAL II OF (I, II &amp; III)</b>	<b>155,967</b>	<b>101,359</b>
<b>GRAND TOTAL (I&amp;II)</b>	<b>27,092,770</b>	<b>16,702,190</b>

# Schedules

to the Consolidated Balance Sheet as at  
31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 8 - INVESTMENTS</b>		
<b>I. Investments in India</b>		
Gross	257,608,322	216,460,298
Less: Provision for Depreciation	297,668	267,110
<b>NET INVESTMENTS</b>	<b>257,310,654</b>	<b>216,193,188</b>
i) Government Securities	140,600,967	115,461,379
ii) Other Approved Securities	69,651	87,775
iii) Shares (Pref. + Equity)	2,063,263	3,080,426
iv) Debentures and Bonds (Including Suitfile)	24,319,162	20,014,856
v) Sponsored Institutions	221,071	221,071
vi) Others :		
a) Certificate of Deposit	61,212,715	49,199,523
b) Mutual Funds	4,917	-
c) SIDBI	1,692,975	1,995,225
d) NABARD	3,189,500	2,802,500
e) Inv. In Subsidiary / or Joint Ventures	-	-
f) Venture Capital	175,000	137,500
g) Rural Housing Development	2,054,825	1,762,625
h) Commercial Paper	5,997,597	3,483,356
i) Security Receipts	93,535	99,239
j) Rural Infrastructure Development Fund	15,615,476	17,847,713
<b>TOTAL (I)</b>	<b>257,310,654</b>	<b>216,193,188</b>
<b>II. Investments Outside India</b>		
i) Government Securities	Nil	Nil
ii) Subsidiaries and/or Joint Ventures abroad	Nil	Nil
iii) Others (Swap)	Nil	Nil
<b>TOTAL (II)</b>	<b>-</b>	<b>-</b>
<b>TOTAL (I &amp; II)</b>	<b>257,310,654</b>	<b>216,193,188</b>
<b>III. Investments Category-Wise</b>		
a) Held to Maturity	156,459,953	139,117,648
b) Held for Trading	992,765	3,000
c) Available for Sale	99,857,936	77,072,540
<b>TOTAL (a+b+c)</b>	<b>257,310,654</b>	<b>216,193,188</b>

# Schedules

to the Consolidated Balance Sheet as at  
31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 9 - ADVANCES</b>		
<b>A</b>		
i) Bills Purchased and Discounted	7,793,293	10,903,418
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	99,465,016	74,045,380
iii) Term Loans	284,739,795	245,825,417
<b>TOTAL</b>	<b>391,998,104</b>	<b>330,774,215</b>
<b>B</b>		
i) Secured by Tangible Assets	322,798,541	272,023,502
ii) Covered by Bank/Govt. Guarantees	1,027,128	4,362,440
iii) Unsecured	68,172,435	54,388,273
<b>TOTAL</b>	<b>391,998,104</b>	<b>330,774,215</b>
<b>C I. Advances in India</b>		
i) Priority Sector	114,483,778	99,610,220
ii) Public Sector	3,414,959	9,746,700
iii) Banks	1,298,900	3,747,600
iv) Others	272,800,467	217,669,695
<b>TOTAL</b>	<b>391,998,104</b>	<b>330,774,215</b>
<b>II. Advances Outside India</b>		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
<b>GRAND TOTAL (I &amp; II)</b>	<b>391,998,104</b>	<b>330,774,215</b>

<b>SCHEDULE 10 - FIXED ASSETS</b>		
<b>I. Premises</b>		
a) Gross Block at the beginning of the year	3,734,927	3,682,166
Additions during the year	910,863	59,021
	<b>4,645,790</b>	<b>3,741,187</b>
Deductions during the year	832,444	6,260
<b>TOTAL (a)</b>	<b>3,813,346</b>	<b>3,734,927</b>
Depreciation to date	1,114,916	1,049,000
	<b>2,698,430</b>	<b>2,685,927</b>
b) Advance against flats	-	-
c) Constructions work in progress	126,779	51,759
<b>TOTAL (I) [a+b+c]</b>	<b>2,825,209</b>	<b>2,737,686</b>

# Schedules

to the Consolidated Balance Sheet as at  
31st March, 2013



	As at 31.03.2013 ₹ '000' Omitted	As at 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 10 - FIXED ASSETS</b>		
<b>II. Other Fixed Assets</b>		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	4,820,259	4,198,883
Additions during the year	751,834	717,080
	<b>5,572,093</b>	<b>4,915,963</b>
Deductions during the year	43,302	95,704
	<b>5,528,791</b>	<b>4,820,259</b>
Depreciation to date	3,787,219	3,355,237
<b>TOTAL (II)</b>	<b>1,741,572</b>	<b>1,465,022</b>
<b>GRAND TOTAL (I &amp; II)</b>	<b>4,566,781</b>	<b>4,202,708</b>

<b>SCHEDULE 11 - OTHER ASSETS</b>		
I. Interest Accrued but not Due	4,274,232	3,896,117
II. Interest Accrued and Due	-	2,687
III. Inter Office Adjustment (Net)	253,415	-
IV. Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	1,204,363	617,569
V. Stationery and Paper in Hand	38,195	21,172
VI. Deferred Tax Asset	274,891	236,743
VII. Others	3,378,578	2,154,654
<b>TOTAL</b>	<b>9,423,674</b>	<b>6,928,942</b>

<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
I. Claims against the Bank not acknowledged as debts	1,805,747	1,332,637
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts	199,623,366	94,910,147
IV. Guarantees given on behalf of constituents:-		
a) In India	15,699,281	14,298,758
b) Outside India	261,061	273,274
V. Acceptances, Endorsements & Other Obligations	105,438,530	39,845,952
VI. Other items for which the Bank is Contingently liable	-	-
<b>TOTAL</b>	<b>322,827,985</b>	<b>150,660,768</b>

# Schedules

to the Consolidated Profit & Loss Account for the year ended 31st March, 2013



	Year Ended 31.03.2013 ₹ '000' Omitted	Year Ended 31.03.2012 ₹ '000' Omitted
<b>SCHEDULE 13 - INTEREST EARNED</b>		
I. Interest/Discount on Advances/Bills	43,175,791	33,936,641
II. Income on Investments (Net of Amortization)	17,225,789	14,032,580
III. Interest on Balances with R.B.I and other Inter Bank Funds	966,426	386,552
<b>TOTAL</b>	<b>61,368,006</b>	<b>48,355,773</b>

<b>SCHEDULE 14 - OTHER INCOME</b>		
I. Commission, Exchange & Brokerage	1,786,893	1,595,956
II. Profit on Sale of Investments (Less loss on sale of investments)	1,378,972	358,720
III. Profit on revaluation of Investments (Less loss on revaluation of investments)	114,174	-
IV. Profit on Sale of Land, Buildings & Other Assets	-	-
V. Profit on Exchange Transactions (Less Loss on E/Transactions)	294,896	220,345
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	-	-
VII. Miscellaneous Income	1,277,929	1,175,293
<b>TOTAL</b>	<b>4,852,864</b>	<b>3,350,314</b>

<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
I. Interest on Deposits	37,403,436	29,012,742
II. Interest on RBI/Inter-Bank Borrowings	257,230	414,695
III. Others/Subordinate Debt	540,000	540,000
<b>TOTAL</b>	<b>38,200,666</b>	<b>29,967,437</b>

<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I. Payments to and provisions for Employees	6,541,574	5,226,750
II. Rent, Taxes and Lighting	503,452	413,159
III. Printing and Stationery	87,023	66,452
IV. Advertisement and Publicity	102,905	69,987
V. Depreciation on Bank's Property	497,901	439,551
VI. Directors Fees, Allowances and Expenses	6,512	5,201
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	93,573	85,220
VIII. Law Charges	20,548	9,045
IX. Postage, Telegrams, Telephones etc.	67,771	59,097
X. Repairs and Maintenance	116,697	92,777
XI. Insurance	408,603	349,380
XII. Other Expenditure	1,468,966	1,221,168
<b>TOTAL</b>	<b>9,915,525</b>	<b>8,037,787</b>



### SCHEDULE 17 –“PRINCIPAL ACCOUNTING POLICIES”

#### 1. Basis of Preparation

The financial statements have been prepared on historical cost basis and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which encompasses applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), Accounting Standards and pronouncements issued by Institute of Chartered Accounts of India (ICAI) and prevailing practices in Banking Industry of India.

#### 2. Consolidation Procedure

Consolidated Financial Statements of the J & K Bank and its Subsidiary viz JKB Financial Services Ltd have been prepared on the basis of

- Their audited financial statements in accordance with the AS-21 “ Consolidated Financial Statements issued by the Institute of Chartered Accounts of India.
- Line by line aggregation/ combination of like items of assets and liabilities, income and expenses after eliminating material intra group balances/ transactions, unrealized profits /losses and making necessary adjustments wherever required to conform to the uniform accounting policies. The financial statements of the subsidiary have been drawn up to the same reporting date as that of parent.
- Minority Interest in the net results of the operations and net assets represents the part of profit/loss and net assets not owned by the parent and consists of :
  - a. The amount of equity attributable to the minority at the date on which the investment in subsidiary is made and
  - b. The minority share of movements in equity since date of parent - subsidiary relationship came into existence.

#### A Significant Accounting Policies Followed by the Parent Company

##### 1. Accounting Conventions

The accompanying financial statements are prepared by following the going concern concept and on the historical cost basis unless otherwise stated and conform to the statutory provisions and practices prevailing within the Banking Industry in the country.

##### 2. Transactions involving Foreign Exchange

- i. Monetary Assets and Liabilities as on balance sheet date have been translated using closing rate as at year-end announced by Foreign Exchange Dealers Association of India.
- ii. Exchange differences arising on settlement of monetary items have been recognized as income or as expense in the period in which they arise.
- iii. The premium or discount arising at the inception of a forward exchange contract, which is not intended for trading purpose, has been amortized as expense or income over the period of contract.

##### 3. Investments

- (i) Investments are classified into “Held-to-Maturity”, “Available-for-Sale” and “Held-for-Trading” categories in accordance with the guidelines issued by Reserve Bank of India.
- (ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.

# Schedules

## significant accounting policies and notes on accounts



- (iii) "Held-to-Maturity" category comprises securities acquired by the Bank with the intention to hold them up to maturity. "Held-for-Trading" category comprises securities acquired by the Bank with the intention of trading. "Available-for-Sale" securities are those which do not qualify for being classified in either of the above categories.
- (iv) Investments classified as "Held-to-Maturity" (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortized over the period remaining to the maturity.
- (v)
  - (a) The individual scrips in the "Available-for-Sale" category are marked to market at quarterly intervals. The net depreciation under each of six classifications under which investments are presented in the balance sheet is fully provided for, whereas the net appreciation under any of the aforesaid classifications is ignored.
  - (b) The market value for the purpose of periodical valuation of investments, included in "Available for Sale" and "Held for trading" categories is based on the market price available from the trades/quotes on stock exchanges. Central/State Government securities, other approved securities, debentures and Bonds are valued as per the prices/YTM rates declared by FIMMDA.
  - (c) Unquoted shares are valued at break-up value ascertained from the latest balance sheet and in case the latest balance sheet is not available the same are valued at ₹ 1/- per Company, as per RBI guidelines.  
  
Investment in quoted Mutual Fund Units is valued as per Stock Exchange quotations. An investment in un-quoted Mutual Fund Units is valued on the basis of the latest re-purchase price declared by the Mutual Fund in respect of each particular scheme. In case of Funds with a lock-in period, where repurchase price/market quote is not available, Units are valued at NAV. If NAV is not available, then these are valued at cost, till the end of the lock-in period. Wherever the re-purchase price is not available the Units are valued at the NAV of the respective scheme.
- (vi) The individual scrip in the "Held-for-Trading" category are marked to market at monthly intervals and the net depreciation under each of the six classifications under which investments are presented in the Balance Sheet is accounted for in the Profit and Loss account and appreciation is ignored.
- (vii) The depreciation in value of investments where interest/principal is in arrears is not set-off against the appreciation in respect of other performing securities. Such investments including Non-performing Non-SLR investments are treated applying RBI prudential norms on NPA Classification and appropriate provisions are made as per RBI norms and no income on such investments is recognized.
- (viii)
  - a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security.
  - b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in "Held-to-Maturity" category, an equivalent amount of profit net of taxes is appropriated to the "Capital Reserve Account".
- (ix) Interest accrued up to the date of acquisition of securities i.e. broken period interest is excluded from the acquisition cost and recognized as interest expense. Broken period interest received on Sale of securities is recognized as interest income.
- (x) Brokerage paid on securities purchased is charged to revenue account.
- (xi) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.

# Schedules

## significant accounting policies and notes on accounts



- (xii) Transfer of securities from one category to another is done at the least of the acquisition cost/book value/market value on the date of transfer.
- (xiii) Repurchase & Reverse repurchase transactions are accounted for in accordance with the extant RBI guidelines.
- (xiv) Bank is following settlement date accounting policy as per RBI guidelines.
- (xv) In accordance with RBI circular No. IDMD 4135/11.08.43/2009-10 dated 23-03-2010, the Bank has made changes in accounting for Repo/ Reverse Repo transactions (Other than transactions under the liquidity adjustment facility (LAF) with the RBI). Accordingly the securities sold and purchased under Repo/Reverse Repo are accounted for as collateralized lending and borrowing transactions. However, securities are transferred as in case of normal outright sale/purchase transactions and such movement of security is reflected using Repo/Reverse Repo accounts and contra entries. The above entries are reversed on the date of maturity. Cost and revenue are accounted as interest expenditure/Income as the case may be. Balance in Repo account is classified under schedule 4 (Borrowing) and balance in Reverse Repo account is classified under schedule 7 (Balance with Banks & money at call & short notice).

#### 4. Advances

- i) Classification of Advances and Provisions thereof have been made as per the Income Recognition and Asset Classification norms formulated by the RBI viz., Standard, Sub-Standard, Doubtful and Loss Assets and accordingly requisite provisions have been made thereof.
- ii) Advances are shown net of provisions required for NPA's. Provisions for advances classified as Standard Assets is shown under Other Liabilities & Provisions.

#### 5. Fixed Assets

- a) Premises and other fixed assets are accounted for at historical cost.
- b) Premises include free hold as well as lease hold properties.
- c) Premises include capital work in progress.
- d) Depreciation is provided on diminishing balance method in accordance with the provisions of Income Tax Act 1961, as per the rates prescribed in Income Tax Rules given below: -

S.No.	Heads	Rates
A	Furniture & Fixtures (including electric fittings)	10%
B	Wooden partitions	100%
C	Vehicles	15%
D	Plant & Machinery	15%
E	Premises	
	i) Office Premises	10%
	ii) Residential & STC buildings	5%

However, in terms of RBI guidelines depreciation on computers (including ATMs) along with software forming integral part of computers is charged at the rate of 33.33% on straight-line method for the full year even if the computers (including ATMs) have been purchased during the second half.

# Schedules

## significant accounting policies and notes on accounts



The depreciation on computer software where it is probable that the future benefits that are contributable to such software will flow to Bank is being capitalized and depreciation is charged @33.33% in terms of RBI guidelines on straight line method.

The depreciation on mobile phones is being charged @50% on straight line method.

- e) The expenditure incurred towards furniture & fixture in building (M-6G) being used as Chairman's residence has been treated as asset of the Bank under this head. The expenditure on repairs and renovation of this building has been charged to revenue, as the building is not owned by the Bank, hence not capitalized.
- f) Depreciation on additions to Assets made up to 30th September of the year is provided for at full rates and on additions thereafter at 50% of the rates. No depreciation is provided on assets sold/ discarded during the year.
- g) Premium paid for Leasehold properties is amortized over the period of the lease.

### 6. Employees Benefits

- i) Short-term employee benefits are charged to revenue in the year in which the related service is rendered.
- ii) In respect of employees who have opted for provident fund scheme, matching contribution is made.
- iii) Contribution to Defined Benefit Plans (Gratuity, Pension and Leave Encashment) has been made as per AS 15 (Revised 2005) issued by the Institute of Chartered Accountants of India.

### 7. Income Recognition and Expenditure booking

Income and expenditure is accounted for on accrual basis unless otherwise stated.

- a) Interest and other income on advances/ investments classified as Non Performing Advances/ investments are recognized to the extent realized in accordance with the guidelines issued by the Reserve Bank of India.
- b) Recovery in Non-Performing Assets is appropriated first towards the interest and there after towards principal/ arrears of asset.
- c) Interest on overdue term deposits is provided at Savings Bank Rate of Interest.
- d) Fee, commission (other than commission on insurance & Government business), exchange, locker rent, insurance claims and dividend on shares and units in Mutual Fund are recognized on realization basis.
- e) Income from interest on income tax/ other tax refunds is accounted for on the basis of orders passed by the Competent Authorities.
- f) Unforeseen income/ expenses are accounted for in the year of receipt/ payment.
- g) Stationery issued to branches has been considered as consumed.

### 8. Credit Card reward Points

The Bank has estimated the probable redemption of reward points by not using actuarial method but has made 100% provision for redemption against the loyalty points as on the reporting date.

### 9. Profit

The net profit is disclosed in the profit and loss account after providing for:

- i) Income Tax, wealth tax and Deferred Tax.
- ii) Standard Assets, Non Performing Advances/ Investments as per RBI guidelines.

# Schedules

## significant accounting policies and notes on accounts



- iii) Depreciation/ amortization on Investments.
- iv) Transfer to contingency reserves.
- v) Other usual and necessary provisions.

### 10. Taxation

Tax expense includes Income Tax, Wealth Tax and Deferred Tax determined in accordance with the provisions of Income/Wealth Tax Act, and the Accounting Standards issued by The Institute of Chartered Accountants of India.

The deferred tax charge or credit is recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. In terms of Accounting Standard 22 issued by ICAI, provision for deferred tax liability is made on the basis of review at each Balance Sheet date and deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future.

### 11. Contingency Funds

Contingency Funds have been grouped in the Balance Sheet under the head "Other Liabilities and Provisions".

# Schedules

## significant accounting policies and notes on accounts



### SCHEDULE 18 - "NOTES ON ACCOUNTS"

- The subsidiary considered in the preparation of the consolidated financial statements -  
Name of the Subsidiary Company : JKB Financial Services Ltd  
Country of incorporation : India  
Voting Power held : 100%  
Ownership Interest : 100%
- The Subsidiary Company has increased its Paid-Up Capital by allotting 50,00,000 (Fifty Lacs) Equity Shares of ₹ 10/- each to its holding Company The J&K Bank Limited.
- The operating income of the Company amounting to ₹ 1,53,67,926.54/- comprises of the broking commission and Depository Income of ₹ 1,23,12,443.02 and ₹ 30,55,483.52. The Company was operating as the Authorized Person of the HSBC Limited till 28th February, 2013 and started its full-fledged broking operations w.e.f. 1st March, 2013. The Company started its DP operations of CDSL and NSDL w.e.f. January 2013 respectively.
- Trade Receivables include Bills Receivable Demat A/c. of ₹ 21,25,308.87 taken from Holding Company against cash consideration. The receivables are considered good by the management because the receivables were taken from the Holding Company with the condition that if any amount in this account remains unrecovered till 31.03.2016, the same shall be taken back by the holding company.
- Preliminary expenditure includes expenses incurred prior to incorporation period amounting to ₹ 5,15,885/-. As a matter of Accounting Policy 1/10th of the same has been written off through Profit and Loss Account in the Current Year as well, thus reducing the balance in this account to ₹ 2,57,940/-.
- The deferred tax asset (net) of ₹ 14,03,038/- as shown in the Balance Sheet and ₹ 7,54,827/- shown in the Profit and Loss Account represents the Net Deferred Tax (Assets-Liability) as required under AS-22 (Accounting for Taxes on Income).
- In line with the Accounting Policy of the Parent Company with respect to Depreciation on Fixed Assets, the depreciation of the subsidiary company has been recalculated and appropriate adjustment to the tune of ₹ 0.03 Crore has been made in the consolidated financial statements.

#### Disclosures made by Parent Company

- Reconciliation/adjustment of inter-bank/inter-branch transactions, branch suspense, Government Transactions, NOSTRO, System Suspense, Clearing, and Sundry Deposits is in progress on an ongoing basis. The impact, in the opinion of the management of the un-reconciled entries, if any, on the financial statements would not be material.
- Tax paid in Advance/ Tax deducted at source includes amount adjusted by Income Tax Department in respect of various disputed demands. Based on the favorable appellate orders and interpretation of law, no further provision has been considered by the management in respect of the disputed demands.
- Fixed Assets**
  - Documentation formalities are pending in respect of certain immovable properties held by the bank valued at ₹ 0.45 Crores (previous year ₹ 0.49 Crores). In respect of immovable properties valued at ₹ 5.54 Crores (previous year ₹ 6.15 Crores) bank holds agreement to sell along with the possession of the properties.
  - The Bank has certain fixed assets with Book Value at ₹ 258.96 lacs (Previous year ₹ 287.74 Lacs) generating cash, parked under respective heads, for the promotion and development of its business.

# Schedules

## significant accounting policies and notes on accounts



- c) The Bank has been consistently following the method of charging depreciation on fixed assets on diminishing balance as per the rates prescribed in Income Tax Rules which is higher in totality as compared to rates prescribed in Schedule XIV of the Companies Act, 1956. However, the depreciation on computers (including ATMs) along with software forming integral part of computers has been computed at the rate of 33.33% on straight-line method.
- d) In compliance to Accounting Standard (AS)-26 the acquisition cost of computer software, not forming integral part of the computers and where it is probable that the future economic benefits that are contributable to this software will flow to bank, is being capitalized and depreciation is charged at the rate of 33.33% on straight line method in terms of RBI guidelines.
- e) Further the mobile phones are depreciated @50% on straight line method.
- f) Depreciation on Banks property includes amortization in respect of leased properties amounting to ₹ 13.19 Lacs (previous year ₹ 13.19 Lacs). The book value of these properties as on 31.03.2013 was ₹ 7.88 Crores (previous year ₹ 8.02 Crores).

#### 4. Capital

Particulars	As on 31.03.2013	As on 31.03.2012
CRAR (%)		
Basel-I	12.34%	12.53%
Basel-II	12.83%	13.36%
CRAR-Tier I Capital(%)		
Basel-I	10.44%	10.43%
Basel-II	10.86%	11.12%
CRAR-Tier II Capital(%)		
Basel-I	1.90%	2.10%
Basel-II	1.97%	2.24%
Percentage of the shareholding of the Government of India in Nationalised Banks	Not Applicable	Not Applicable
Amount of subordinate debt raised during the year as Tier-II Capital	NIL	NIL

Government of Jammu & Kashmir holds 53.17% of equity shares of the Bank (previous year 53.17%)

The subordinate debt of ₹ 600 Crores raised by way of Unsecured Redeemable Lower tier-II Bonds on 30.12.2009, maturing on 30.12.2019 has been shown under Borrowings as per RBI guidelines.

#### 5. Investments

The Bank has made no profit on sale of HTM category securities during the year, as such no appropriation was made (Previous Year, ₹ Nil) to Capital Reserve Account.

#### 6. The Bank has ₹ 70,00,000 as share capital and ₹ 21,40,70,800 in share capital deposit account in its sponsored Regional Rural Bank (J&K Grameen Bank).

7. (a) The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 102.19 Crores as on 31.03.2013 (Previous year ₹ 220.27 Crores). In compliance with RBI Letter No. DBOD.BP.07099/21.4.141/2008-09 dated 9th April, 2009, the investment stands transferred to AFS Category on 1st October, 2009. The valuation has been carried out at an average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines & the consequent appreciation has been ignored in view of the Accounting Policy in respect of such investments.

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- (b) Other income (Schedule 14) includes a profit of ₹ 71.91 Crores on account of sale of equity shares of Met-life India Insurance Co. Pvt. Ltd to Punjab National Bank & Met-life International Holdings Inc. Post-sale the holding of the Bank in Met-life India Insurance Co. Pvt. Ltd has reduced from 11.18% to 5.08%.

### 8. Details of Investments

S. No.	Particulars	₹ in Crores)	
		As on 31.03.2013	As on 31.03.2012
<b>1.</b>	<b>Value of Investments</b>		
	<b>Gross Value of Investments</b>		
a)	In India	25770.83	21651.03
b)	Outside India	NIL	NIL
	<b>Provision for depreciation</b>		
a)	In India	29.77	26.71
b)	Outside India	NIL	NIL
	<b>Net Value of Investments</b>		
a)	In India	25741.06	21624.32
b)	Outside India	NIL	NIL
<b>2.</b>	<b>Movement of provisions held towards the depreciation on Investments</b>		
(i)	Opening Balance	26.71	31.26
(ii)	Add: Provisions made during the year	14.91	12.30
	Less: Write-off/write back of excess provisions during the year	11.85	16.85
(iii)	Closing Balance	29.77	26.71

### 9. The Repo Transactions (in face value terms) are as under:

Particulars	₹ in Crores)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2013
Securities sold under repos	15.00	500.00	10.26	300.00
Securities purchased under reverse repos	5.00	1100.00	14.82	1100.00

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### 10. Non-SLR Investment portfolio

(₹ in Crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
			(I)	(II)	(III)	(IV)
1.	PSUs	120.28	30.00	0.00	0.00	0.00
2.	FIs (incl. NBFC's AIFI'S)	1286.61	751.84	0.00	0.00	0.00
3.	Banks(incl. CD's)	6429.72	164.13	0.00	0.00	0.00
4.	Private Corporates (incl. CP's)	1260.56	1072.00	540.00	68.37	30.00
5.	Subsidiaries/Joint Ventures	10.00	0.00	0.00	0.00	0.00
6.	Others	2596.23	0.00	0.00	0.00	0.00
	<b>TOTAL</b>	<b>11703.40</b>	<b>2017.97</b>	<b>540.00</b>	<b>68.37</b>	<b>30.00</b>
7.	Provision held towards depreciation	29.39	0.00	0.00	0.00	0.00
	<b>TOTAL</b>	<b>11674.01</b>	<b>2017.97</b>	<b>540.00</b>	<b>68.37</b>	<b>30.00</b>

The Bank's investment in unlisted securities as on 31.03.2013 is 0.30% (previous year 0.27 %) which is well within the RBI stipulated limit of 10%.

### 10.1 Non-SLR Non-performing investments

(₹ in Crores)

Particulars	Amount as on 31.03.2013	Amount as on 31.03.2012
Opening Balance	20.00	20.00
Additions during the year	69.00	NIL
Reductions during the year	NIL	NIL
Closing Balance	89.00	20.00
Total Provision held including floating provisions of ₹ 2.76 Crores	55.48	22.76

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### 10.2 The value of investments under three categories viz., Held for Trading, Available for sale and Held to maturity are as under:

(₹ in Crores)

Particulars	As on 31.03.2013				As on 31.03.2012			
	HFT	AFS	HTM	TOTAL	HFT	AFS	HTM	TOTAL
Govt. Securities	34.15	868.59	13157.36	14060.10	0.00	349.81	11196.33	11546.14
Other approved securities	0.00	0.00	6.96	6.96	0.00	0.00	8.78	8.78
Shares (Equity & Pref.)	0.48	205.84	0.00	206.32	0.30	307.74	0.00	308.04
Debentures & Bond	64.64	2132.11	166.79	2363.54	0.00	1771.50	229.99	2001.49
Subsidiaries	0.00	0.00	10.00	10.00	0.00	0.00	5.00	5.00
Others (incl. Sponsored, CDs, CPs, RIDF and others)	0.00	6779.25	2314.89	9094.14	0.00	5278.21	2476.66	7754.87
<b>TOTAL</b>	<b>99.27</b>	<b>9985.79</b>	<b>15656.00</b>	<b>25741.06</b>	<b>0.30</b>	<b>7707.26</b>	<b>13916.76</b>	<b>21624.32</b>

### 11. Derivatives

11.1 No forward rate agreements / interest rate swaps were undertaken by the bank during the year.

11.2 The bank has not entered into exchange traded interest rate derivatives transactions during the year

#### 11.3 Disclosures on Risk exposures in derivatives

##### a) Qualitative Disclosures

The only derivatives traded by the Bank in the foreign exchange market are forward contracts. Forward contracts are being used to hedge /cover the exposure in foreign exchange arising out of Merchant transactions and trading positions.

To cover the risks arising out of above derivatives, various limits like AGL, IGL and stop loss have been prescribed in the trading policy of the bank which are monitored through VaR.

Outstanding forward exchange contracts held for trading are revalued at the exchange rates for appropriate maturity rates as announced by FEDAI at the year-end exchange rates and the resultant gain/ loss is taken to revenue.

##### b) Quantitative Disclosures

(₹ in Crores)

S. No.	Particulars	31.03.2013		31.03.2012	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
i)	Derivatives (Notional Principal Amount)				
a)	For Hedging	NIL	NIL	NIL	NIL
b)	For Trading	NIL	NIL	NIL	NIL
(ii)	Marked to Market Position (1)				
a)	Asset (+)	NIL	NIL	NIL	NIL
b)	Liability (-)	NIL	NIL	NIL	NIL
(iii)	Credit Exposure(2)	NIL	NIL	NIL	NIL
(iv)	Likely Impact on 1% change in interest rate (100*PV01)				

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S. No.	Particulars	(₹ in Crores)			
		31.03.2013		31.03.2012	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
	a) On hedging derivatives	NIL	NIL	NIL	NIL
	b) On Trading derivatives	NIL	NIL	NIL	NIL
(v)	Maximum & minimum of 100*PVO1 observed during the year				
	a) On hedging	NIL	NIL	NIL	NIL
	b) On Trading	NIL	NIL	NIL	NIL

### Forward Exchange contracts as on 31.3.2013

(₹ in Lacs)	
Up to 14 days	76640.77
Beyond 14 day	1919592.89
<b>TOTAL</b>	<b>1996233.66</b>

## 12. Non Performing Assets

### A. Movement in Gross NPA's

S. No.	Particulars	(₹ in Crores)	
		As on 31.03.2013	As on 31.03.2012
1.	Gross NPAs (Opening Balance)	516.60	518.83
2.	Additions (Fresh NPAs) during the Year	455.00	314.68
<b>3.</b>	<b>SUB TOTAL (1 &amp; 2)</b>	<b>971.60</b>	<b>833.51</b>
	Less		
4.	Up gradation	104.70	57.57
5.	Recoveries (excluding recoveries made from upgraded A/c's)	136.10	145.07
6.	Write-offs	87.03	114.27
<b>7.</b>	<b>SUB TOTAL (4, 5 &amp; 6)</b>	<b>327.83</b>	<b>316.91</b>
<b>8.</b>	<b>GROSS NPAs - CLOSING BALANCE (3-7)</b>	<b>643.77</b>	<b>516.60</b>

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### B. Movement in Net NPA's\*

S. No.	Particulars	₹ in Crores)	
		As on 31.03.2013	As on 31.03.2012
1.	Net NPAs (Opening Balance)	49.34	53.24
2.	Additions during the Year	342.48	325.26
<b>3.</b>	<b>SUB TOTAL (1 &amp; 2)</b>	<b>391.82</b>	<b>378.50</b>
	LESS		
4.	Up gradation	104.70	57.57
5.	Recoveries (excluding recoveries made from upgraded A/cs)	136.10	156.71
6.	Write-offs	87.03	114.27
<b>7.</b>	<b>SUB TOTAL (4, 5 &amp; 6)</b>	<b>327.83</b>	<b>328.55</b>
<b>8.</b>	<b>NET NPAS (CLOSING BALANCE) (3-7)</b>	<b>55.27**</b>	<b>49.34**</b>

\*\*Net NPA has been arrived at after adding net interest suspense of ₹ 0.61 Crores.(Previous year ₹ 0.61 Crores) and net ECGC claims of ₹ 2.37 Crores (Previous year ₹ 11.64 Crores) and reducing Interest Capitalization of ₹ 11.70 Crores (previous year NIL).

\*Information regarding movement of Net NPA's has been compiled at Corporate Office and relied upon by the Auditors.

### C. Movement of Provision for NPAs (excluding provision on standard assets):

S. No.	Particulars	₹ in Crores)	
		As on 31.03.2013	As on 31.03.2012
(a)	Opening Balance*	450.11	460.68
(b)	Add/Transfer Provision made during the year	193.39	90.00
(c)	Less write-off	80.87	100.57
(d)	Closing Balance*	562.63	450.11
(e)	NPA Coverage Ratio	94.01%	93.76%

\*Including floating provision of ₹ 52.90 Crores. The Provision Coverage Ratio for the Bank as on 31.03.2013 is 94.01% which is calculated after taking into account technical write off.

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## significant accounting policies and notes on accounts



### 13. Particulars of Accounts Restructured

Disclosure of Restructured Accounts

(₹ in Crores)

S. No.	Type of Restructuring	Asset Classification	Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on 1st April of the FY (opening figures)*	No. of borrowers	39	3	0	0	42	1013	76	41	0	1130
		Amount outstanding	1.03	0.05	0.00	0.00	1.08	805.60	11.16	11.81	0.00	828.57
		Provision thereon	0.02	0.01	0.00	0.00	0.03	16.11	1.79	6.29	0.00	24.19
2.	Fresh restructuring during the year	No. of borrowers	12	0	0	0	12	17	0	0	0	17
		Amount outstanding	209.49	0.00	0.00	0.00	209.49	127.31	0.00	0.00	0.00	127.31
		Provision thereon	5.76	0.00	0.00	0.00	5.76	3.50	0.00	0.00	0.00	3.50
3.	Upgradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY.	No. of borrowers	6	0	0	0	6	539	0	0	0	539
		Amount outstanding	15.46	0.00	0.00	0.00	15.46	17.43	0.00	0.00	0.00	17.43
		Provision thereon	0.43	0.00	0.00	0.00	0.43	0.47	0.00	0.00	0.00	0.47
5.	Downgradations of restructured accounts during the FY	No. of borrowers	0	19	2	0	21	32	12	8	0	52
		Amount outstanding	0.00	24.12	1.17	0.00	25.29	1.03	20.18	2.63	0.00	23.84
		Provision thereon	0.00	3.75	0.40	0.00	4.15	0.42	19.92	2.23	0.00	22.57
6.	Write-offs of restructured accounts during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.	Restructured Accounts as on 31st March, of the FY (closing figures)*	No. of borrowers	22	19	8	0	49	64	36	31	0	131
		Amount outstanding	348.68	24.12	39.97	0.00	412.77	139.60	6.08	16.33	0.00	162.01
		Provision thereon	9.58	3.75	24.96	0.00	38.29	3.84	1.48	16.19	0.00	21.51

Contd. on next page....

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## significant accounting policies and notes on accounts



Disclosure of Restructured Accounts

(₹ in Crores)

S. No.	Type of Restructuring	Asset Classification	Others				Total					
			Standard	Sub-Standard	Doubtful Loss	Total	Standard	Sub-Standard	Doubtful Loss	Total		
1.	Restructured Accounts as on 1st April of the FY (opening figures)*	No. of borrowers	1704	87	95	5	1891	2756	166	136	5	3063
		Amount outstanding	394.25	36.14	105.23	0.47	536.09	1200.88	47.36	117.04	0.47	1365.75
		Provison thereon	7.88	6.89	42.79	0.47	58.03	24.01	8.69	49.08	0.47	82.25
2.	Fresh restructuring during the year	No. of borrowers	46	2	2	0	50	75	2	2	0	79
		Amount outstanding	573.86	0.05	0.21	0.00	574.12	910.66	0.05	0.21	0.00	910.92
		Provison thereon	15.78	0.01	0.05	0.00	15.84	25.04	0.01	0.05	0.00	25.10
3.	Upgradations to restructured standard category during the FY	No. of borrowers	0	9	0	0	9	0	9	0	0	9
		Amount outstanding	0.00	0.11	0.00	0.00	0.11	0.00	0.11	0.00	0.00	0.11
		Provison thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY.	No. of borrowers	1055	0	0	0	1055	1600	0	0	0	1600
		Amount outstanding	391.27	0.00	0.00	0.00	391.27	424.16	0.00	0.00	0.00	424.16
		Provison thereon	10.75	0.00	0.00	0.00	10.75	11.65	0.00	0.00	0.00	11.65
5.	Downgradations of restructured accounts during the FY	No. of borrowers	57	85	6	0	148	89	116	16	0	221
		Amount outstanding	0.56	1.94	19.20	0.00	21.70	1.59	46.24	23.00	0.00	70.83
		Provison thereon	0.01	0.30	12.55	0.00	12.86	0.43	23.97	15.18	0.00	39.58
6.	Write-offs of restructured accounts during the FY	No. of borrowers	0	0	0	1	1	0	0	0	1	1
		Amount outstanding	0.00	0.00	0.00	0.15	0.15	0.00	0.00	0.00	0.15	0.15
		Provison thereon	0.00	0.00	0.00	0.15	0.15	0.00	0.00	0.00	0.15	0.15
7.	Restructured Accounts as on 31st March, of the FY (closing figures)*	No. of borrowers	368	134	281	4	787	454	189	320	4	967
		Amount outstanding	826.93	5.04	83.46	0.28	915.71	1315.21	35.24	139.76	0.28	1490.49
		Provison thereon	22.74	0.81	67.31	0.28	91.14	36.16	6.04	108.46	0.28	150.94

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## significant accounting policies and notes on accounts



### 14. Details of Financial Assets Sold to Securitization/ Reconstruction Company for Asset Reconstruction.

S.No.	Particulars	(₹ in Crores)	
		Current Year	Previous Year
1.	No of accounts	NIL	NIL
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	NIL	NIL
3.	Aggregate Consideration	NIL	NIL
4.	Additional consideration realized in respect of accounts transferred in earlier years	NIL	NIL
5.	Aggregate gain/loss over net book value	NIL	NIL

### 15. Details of non performing financial assets purchased.

S.No.	Particulars	(₹ in Crores)	
		Current Year	Previous Year
1. (a)	No. of accounts purchased during the year	NIL	NIL
(b)	Aggregate outstanding	NIL	NIL
2. (a)	Of these, number of accounts restructured during the year	NIL	NIL
(b)	Aggregate outstanding	NIL	NIL

### 16. Provisions on standard Assets

Particulars	(₹ in Crores)	
	31.03.2013	31.03.2012
Provision towards Standard Assets	198.74	168.74

Bank holds a provision of ₹ 198.74 Crores on standard assets (previous year ₹ 168.74 Crores) which has been arrived at in accordance with RBI guidelines.

### 17. Business Ratios

S.No.	Particulars	As on 31.03.2013	As on 31.03.2012
(i)	Interest income as a percentage to working funds*	9.89%	9.38%
(ii)	Non-Interest income as a percentage to working funds*	0.78%	0.65%
(iii)	Operating Profit as a percentage to working funds*	2.92%	2.66%
(iv)	Return on Assets.**	1.70%	1.56%
(v)	Business (deposits plus advances) per employee***	₹ 10.49 Crores	₹ 8.86 Crores
(vi)	Profit per employee	₹ 0.11 Crores	₹ 0.09 Crores

\* Working funds are the average of total of assets as reported to RBI in Form X.

\*\* Assets are the average of the monthly total assets as reported to RBI in Form X.

\*\*\* Deposits (other than inter-bank deposits) & Gross Advances are as at the close of the year.

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### 18. Asset Liability Management

#### (i) Maturity pattern of certain items of assets and liabilities as on 31.03.2013

(₹ in Crores)

	Next Day	2 to 7 Days	8 to 14 Days	15 Days to 28 Days	29 Days Upto 3 months	Over 3 Months & Upto 6 months	Over 6 Months & Upto 1 year	Over 1 Year & Upto 3 years	Over 3 Years & Upto 5 years	Over 5 years	TOTAL
Deposits	127.32	1635.53	2129.43	2324.63	6478.76	2605.21	5511.43	34600.06	8382.72	425.53	64220.62
Borrowings	475.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	600.00	1075.00
Investments	0.00	197.90	279.25	429.04	3630.20	1949.37	2402.42	4752.14	3364.97	8735.78	25741.07
Advances	195.66	731.79	642.28	551.95	2080.43	3605.49	3910.20	18366.23	5553.93	3562.46	39200.42

#### Details of Foreign currency Assets/Liabilities (Maturity Pattern) as on 31.03.2013

(₹ in Crores)

Currency	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
<b>Liabilities</b>									
USD	402.90	1113.23	4952.90	2362.87	841.10	0.68	0.49	0.00	9674.18
EURO	11.47	1.54	40.78	40.93	30.12	0.60	0.51	0.00	125.95
GBP	6.25	1.23	6.69	6.81	1.23	0.00	0.00	0.00	22.21
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CAD	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
CHF	2.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.17
<b>TOTAL</b>	<b>422.84</b>	<b>1116.00</b>	<b>5000.37</b>	<b>2410.61</b>	<b>872.45</b>	<b>1.29</b>	<b>1.00</b>	<b>0.00</b>	<b>9824.56</b>

Currency	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
<b>Assets</b>									
USD	444.91	1061.69	5020.87	2323.14	820.45	0.00	0.00	0.00	9671.06
EURO	21.82	2.94	32.14	40.64	27.44	0.00	0.00	0.00	124.98
GBP	5.26	2.81	6.11	7.49	0.00	0.00	0.00	0.00	21.67
J.YEN	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06
AUD	0.34	0.17	0.29	0.00	0.00	0.00	0.00	0.00	0.80
CAD	0.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27
CHF	2.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.51
SAR	0.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.54
<b>TOTAL</b>	<b>475.71</b>	<b>1067.61</b>	<b>5059.41</b>	<b>2371.27</b>	<b>847.89</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9821.89</b>

The data on ALM has been compiled on the basis of information furnished by the business units/offices.

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## significant accounting policies and notes on accounts



### 19. Exposures

#### 19.1 Exposure to Real Estate Sector\*

S. No. Particulars	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
1. Direct Exposure		
(i) Residential Mortgages lending's fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (**includes Individual housing loans eligible for inclusion in priority sector amounting to ₹ 740.48 Crores)(Previous Year ₹ 722.77 Crores)	1105.60**	1090.18**
(ii) Commercial real estate Lending's secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	2815.36	2686.36
(iii) Investment in mortgage backed securities and other securitized exposures		
(a) Residential	NIL	NIL
(b) Commercial real estate	NIL	NIL
2. Indirect Exposure (Fund based & non fund based exposure on National Housing Bank and housing finance companies)	755.71	675.10

\*The above data has been compiled by the management and relied upon by the Auditors.

#### 19.2 Exposure to Capital Market\*

S. No. Particulars	(₹ in Crores)	
	Current Year	Previous Year
(i) Direct investment in Equity shares, Convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	151.53	255.63
(ii) Advances against shares/bonds /debentures or other securities or on clean basis to individuals for investments in shares (including IPOS/ESPOs) convertible bonds convertible debentures and units of equity-oriented mutual funds	0.87	1.09
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	0.08	79.41

# Schedules

## significant accounting policies and notes on accounts



S. No. Particulars	(₹ in Crores)	
	Current Year	Previous Year
(iv) Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e where the primary security other than shares /convertible bonds / convertible debentures /units of equity oriented mutual funds does not fully cover the advances	NIL	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers.	0.13	NIL
(vi) Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources	NIL	NIL
(vii) Bridge loans to companies against expected equity flows /issues	NIL	NIL
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	NIL	NIL
(ix) Financing to stock brokers for margin trading	NIL	NIL
(x) All exposures to venture Capital Funds (both registered and unregistered)	25.00	25.00
<b>TOTAL</b>	<b>177.61</b>	<b>361.13</b>

\*The above data has been compiled by the management and relied upon by the Auditors.

### 19.3 Risk category wise country exposure\*

Category	Risk Category	(₹ in Crores)			
		Exposure (net) as at 31st March, 2013	Provisions held as at 31st March, 2013	Exposure (net) as at 31st March, 2012	Provisions held as at 31st March, 2012
A1	Insignificant	104.82	Nil	29.28	Nil
A2	Low	1.22	Nil	0.77	Nil
B1	Moderate	Nil	Nil	Nil	Nil
B2	High	Nil	Nil	Nil	Nil
C1	Very high	Nil	Nil	Nil	Nil
C2	Restricted	Nil	Nil	Nil	Nil
D	Off-Credit	Nil	Nil	Nil	Nil
<b>TOTAL</b>		<b>106.04</b>	<b>Nil</b>	<b>30.05</b>	<b>Nil</b>

\*The above data has been compiled by the management and relied upon by the Auditors.

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### 20. Details of single borrower limit/ group borrower limit exceeded by the Bank:

The Bank has exceeded single borrower exposure limit (SGL)/Group Borrower Exposure Limit (GBL) in below mentioned Borrowers/Group Borrowers by the percentage shown against each:

(₹ in Crores)

Name of Borrower	Sector	Exposure as on 31.03.2013		Total Exposure as on 31.03.2013	% age to Bank's Capital	Prudential Exposure Limit
		Fund	Non Fund			
J&K State Power Development Corporation Ltd	Infrastructure	461.01	720.32	1181.33	24.24%	20% of Capital Funds
ONGC Petro Addition Ltd(OPAL)	Non-Infrastructure	950.00	NIL	950.00	19.50%	15% of Capital Funds
Prestige Estates Project Ltd	Non-Infrastructure	903.74	13.88	917.62	18.83%	15% of Capital Funds

### 21. Statement of loans & Advances secured by Intangible Assets viz. Rights, Licenses, Authorizations etc.

The advances of the Bank as on 31st March, 2013 against intangible security of Rights, Licenses and Authorizations are ₹ 41.51 Crores.

### 22. Details of provisions

(₹ in Crores)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
Tax expense		
i) Income Tax	475.12	400.11
ii) Deferred Tax Liability/ (asset)	(3.74)	(2.35)
iii) Wealth Tax	0.11	0.09
Provision against NPA's	158.30	90.00
Provision for depreciation on investments	14.91	12.30
Provision for frauds and embezzlements	0.24	1.49
Provision for diminution in the fair value of restructured /rescheduled advances	12.84	20.01
Provision for Non Performing Investments	31.04	0
Other provisions & contingencies	35.66	14.24
Provision for contingent liabilities	1.18	1.19
Provision for Standard Assets	30.00	30.00
<b>TOTAL</b>	<b>755.66</b>	<b>567.08</b>

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23. Penalty imposed by Reserve Bank of India during the year: One amounting to ₹ 10,000/- (Previous year Nil).

24. Information in respect of Accounting Standards issued by the Institute of Chartered Accountants of India:

### 24.1 Accounting Standard 5-Net profit or loss for the period, prior period items and changes in accounting policies:

There is no material Prior Period item included in Profit & Loss Account required to be disclosed as per Accounting Standard-5 read with RBI Guidelines.

### 24.2 Accounting Standard 9- Revenue Recognition

There are no material items of income, which are required to be disclosed as per Accounting Standard-9, read with the RBI guidelines.

### 24.3 Accounting Standard 15 - Retirement Benefit

The disclosure required under Accounting Standard 15 "Employee Benefits- issued by the Institute of Chartered Accountants of India is as under":

#### Defined Contribution Plan

In respect of employees, who hold the option of provident fund, matching contribution has been made.

#### Defined Benefit Plans

The Employee's Gratuity Fund Scheme, Pension Fund and Leave Encashment are defined benefit plans. The present value of obligation is determined based on Actuarial Valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

Particulars	(Amount in ₹)		
	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value of obligation 01-04-2012	157,09,52,510	510,45,49,817	75,09,58,663
Interest Cost	12,75,05,251	40,26,43,985	6,06,55,876
Current Service Cost	14,28,42,985	45,69,18,429	7,83,71,720
Past Service Cost	NIL	NIL	NIL
Benefits Paid	-14,17,81,458	-14,30,00,000	-6,79,25,393
Actuarial (gain) loss on obligation	12,55,04,784	-1,04,21,980	3,83,62,072
Present Value of obligation 31-03-2013 (Projection)	182,50,24,072	581,06,90,251	86,04,19,934
Fair value of Plan Assets 01-04-2012	148,70,31,068	377,23,00,000	NIL
Expected Return on Plan Assets	12,71,70,485	20,32,16,000	NIL
Contributions	9,35,00,000	34,00,00,000	6,79,25,393
Benefits Paid	-14,17,81,458	-14,30,00,000	-6,79,25,393
Actuarial Gain (Loss) Plan Assets	12,63,10,973	58,57,84,000	-3,83,62,072
Fair value of Plan Assets 31-03-2013	169,22,31,068	475,83,00,000	NIL
<b>TOTAL ACTUARIAL GAIN (LOSS) TO BE RECOGNIZED</b>	<b>8,06,189</b>	<b>59,62,05,980</b>	<b>NIL</b>

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## significant accounting policies and notes on accounts



### Balance Sheet Recognition

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value of obligation	182,50,24,072	581,06,90,251	86,04,19,934
Fair Value of Plan Assets	-169,22,31,068	-475,83,00,000	NIL
Liability (Asset)	13,27,93,004	105,23,90,251	86,04,19,934
Unrecognized Past Service Cost	NIL	NIL	NIL
Liability (asset) recognized in the Balance Sheet**	13,27,93,004	105,23,90,251	86,04,19,934
Less: Liability already recognized	NIL	NIL	75,09,58,663
Less: Transition Remaining	NIL	NIL	NIL
Total of three plans : ₹ NIL	NIL	NIL	NIL
<b>CURRENT YEAR LIABILITY/(ASSET) TOTAL OF THREE PLANS: ₹ 129,46,44,526</b>	<b>13,27,93,004</b>	<b>105,23,90,251</b>	<b>10,94,61,271</b>

### Profit & Loss - Expenses

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Current Service Cost	14,28,42,985	45,69,18,429	7,83,71,720
Interest Cost	12,75,05,251	40,26,43,985	6,06,55,876
Expected Return on Plan Assets	-12,71,70,485	-20,32,16,000	NIL
Net Actuarial gain (loss) recognized in the year	-8,06,189	-59,62,05,980	3,83,62,072
Past Service Cost	NIL	98,33,00,000	NIL
Expenses Recognized in the statement of Profit & Loss	14,23,71,562	104,34,40,434	17,73,86,664
Actual Return on Plan Assets			
Expected Return on Plan Assets	12,71,70,485	20,32,16,000	NIL
Actuarial gain (Loss) Plan Assets	12,63,10,973	58,57,84,000	NIL
Actual Return on Plan Assets	25,34,81,458	78,90,00,000	NIL

### Movement in the Net Liability recognized in the Balance Sheet

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Opening net Liability	8,39,21,442	34,89,49,817	75,09,58,663
Expenses	14,23,71,562	104,34,40,434	17,73,86,664
Contribution	-9,35,00,000	-34,00,00,000	-6,79,25,393
Closing Net Liability	13,27,93,004	105,23,90,251	86,04,19,934

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### Actuarial Assumption

	(Amount in ₹)		
Mortality Table (L.I.C.)	1994-96 Ultimate	2006-08 Ultimate	2006-08 Ultimate
Discount Rate (Per Annum)	8%	8%	8%
Expected rate of return on Plan Assets (Per Annum)	8%	8%	NA
Rate of escalation in salary(Per Annum)	3.5%	3.5%	3.5%
Disability	NIL	NIL	NIL
Attrition (Per Annum)	1%	1%	1%
Retirement Age (Years)	60	60	60

The above information is based on the information certified by the actuary

### 24.4. Accounting Standard 17 - Segment Reporting

- i) The Bank has recognized business segment as its primary reportable segment under AS-17 classified into treasury, Corporate/ Wholesale banking, Retail banking and other banking Business. The necessary disclosure is given below:-

Description	(₹ in Crores)	
	31.03.2013	31.03.2012
<b>A Segment Revenue (Income)</b>		
i. Treasury Operations	1996.46	1500.61
ii. Corporate/Whole sale Banking	2395.31	1745.50
iii. Retail Banking	2682.13	2245.31
iv. Other Banking Business	44.97	38.23
<b>TOTAL</b>	<b>7118.87</b>	<b>5529.65</b>
(Less): Inter segment revenue	498.34	359.95
Total Income from Operations	6620.53	5169.70
<b>B Segment Results (Profit before tax)</b>		
i. Treasury Operations	115.92	30.25
ii. Corporate /Wholesale Banking	1150.41	906.59
iii. Retail Banking	223.89	233.89
iv. Other Banking Business	36.37	30.37
<b>TOTAL</b>	<b>1526.59</b>	<b>1201.10</b>
<b>C (Segment Assets)</b>		
i. Treasury Operations	29065.81	23880.17
ii. Corporate/Wholesale Banking	23638.02	19957.60
iii. Retail Banking	19025.42	16417.86
iv. Other Banking Business	14.07	13.59
<b>TOTAL</b>	<b>71743.32</b>	<b>60269.00</b>

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Description	(₹ in Crores)	
	31.03.2013	31.03.2012
<b>D. (Segment Liabilities)</b>		
i. Treasury Operations	4945.70	5012.73
ii. Corporate /Wholesale Banking	21001.08	13388.94
iii. Retail Banking	40918.62	37766.11
iv. Other Banking Business	13.23	8.26
<b>TOTAL</b>	<b>66878.63</b>	<b>56176.04</b>
<b>E. Capital Employed (Segment Assets-Segment Liabilities)</b>		
i. Treasury Operations	24120.11	18867.44
ii. Corporate/Wholesale Banking	2636.94	6568.66
iii. Retail Banking	(21893.20)	(21348.25)
iv. Other Banking Business	0.84	5.33
<b>TOTAL</b>	<b>4864.69</b>	<b>4093.18</b>

- ii) As the Bank does not have any overseas branch there is no requirement as to reporting of Geographical Segment.

### 24.5. Accounting Standard 18 - Related party disclosures as on 31.03.2013

Items/Related Party	(₹ in Crores)	
	J&K Grameen Bank	JKB Financial Services Ltd.
Deposits	1005.72	8.62
Advances	2.20	0.60
Investments	22.11	10.00
Interest Paid	86.83	0.69
Interest/Commission Received	1.04	0.00
Sale of Fixed Assets	NIL	0.52
Transfer of Current Assets/ Liabilities(Net)	NIL	0.58
Reimbursement of Expenses	NIL	2.01

Items/Related Party	(₹ in lacs)	
	K.M.P* Mr.Mushtaq Ahmad (Chairman)	
Deposits	-	-
Advances	-	-
Investments	-	-
Interest/Commission Received	-	-
Salary	-	51.10

\* Key Managerial Personnel

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### 24.6. Accounting standard 19 - Leases

The Bank has taken premises only on rental basis and has no long-term operating leases taken/given and hence reporting under AS-19 is not considered necessary.

### 24.7. Accounting standard 20 - Earning per share

Particulars	(₹ in Crores)	
	31.03.2013	31.03.2012
Net Profit available to Equity Share Holders	1055.10	803.25
No. of Equity Shares	4,84,77,802	4,84,77,802
Basic/Diluted Earnings per share ( in ₹)	217.65	165.69
Face value per share	₹ 10/-	₹ 10/-

### 24.8. Accounting Standard -21 (Consolidated Financial Statements)

The Bank has a fully owned subsidiary company "JKB Financial Services Ltd." in terms of the approval of Reserve Bank of India vide its letter No DBOD.FSD.No./1124/24.01.001/2007-08 dated 31st July, 2007. The investment towards the capital of subsidiary company is ₹ 10.00 Crores (Previous Year ₹ 5.00 Crores). The consolidated financial statements are placed accordingly in terms of AS 21 issued by the Institute of Chartered Accountants of India.

### 24.9. Accounting standard 22 - Accounting for taxes on income

- a. The Bank has accounted for Income Tax in compliance with Accounting Standard-22 accordingly deferred Tax assets and liabilities are recognized.

Timing Difference	(₹ in lacs)	
	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	NIL	57.18
Leave encashment	2792.06	NIL

Net Deferred Tax Asset as on 31.03.2013 : ₹ 2734.88 Lacs

Tax Impact for the year : ₹ 373.93 Lacs

- b. The Bank has created Special Reserve of ₹ 74.41 Crore under section 36(1)(viii) of the Income Tax Act, 1961. After the approval of the Board of Directors that it has no intention to withdraw from special Reserve, no DTL on the amount of Special Reserve of ₹ 74.41 Crores has been considered.

### 24.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹ 0.31 Crores on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 0.20 Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 0.11 Crores has been charged to Profit & Loss account treating it as a Revenue expenditure for the reason that the Bank cannot declare dividend to shareholders without writing it off completely in view of the provisions of the Banking Regulation Act, 1949. Accordingly, the Bank has not evaluated useful life of this Brand strategy project over which the expenses could be amortized.

Further, the Bank has incurred an amount of ₹ 2.84 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalized the cost of the same.

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### 24.11 Accounting Standard 28 - Impairment of Assets

Majority of Fixed Assets of the Bank are considered as Corporate Assets and not cash generating assets and in the opinion of Management there is no material impairment in these Fixed Assets. Regarding other Fixed Assets generating cash there is no material impairment. As such no provision is required as per AS-28 issued by ICAI.

### 24.12 Accounting Standard 29- Provisions, Contingent Liabilities and Contingent Assets

In respect of Contingent Liabilities under each class shown as per Schedule 12, in the opinion of the Management, the possibility of any out flow in settlement is remote. However, a provision of ₹ 2.62 Crores is outstanding as on 31.03.2013 to meet certain claims decreed against the Bank but still not acknowledged as debts owing to the appeal filed by the bank before the court of competent jurisdiction, pending adjudication.

### 24.13 Letter of comfort (LOC's) issued by the Bank.

The Bank has not issued any letter of comfort (LOC) on its behalf. However, Letters of Comfort issued on behalf of customers has been reported under respective heads of contingent liabilities in the financial statements of Bank as on 31st March, 2013.

## 25. OTHER DISCLOSURES

### Foreign Exchange

- The net funded exposure of the Bank in respect of Foreign Exchange transactions with each country is within 1% of the Total Assets of the Bank and hence no Provision and Disclosure is required to be made as per the RBI Circular No. 96/21.04.103/2003 dated: 17.06.2004.
- Claims pending with ECGC amounts to ₹ NIL (Previous year ₹ 5.08 Crores)

## 26. Concentration of Deposits, Advances, Exposures & NPA's

### 26.1 Concentration of Deposits

Total Deposits of 20 largest depositors (₹ in Crores)	10829
Percentage of 20 largest deposits to total Deposits of the Bank	16.86%

### 26.2 Concentration of Advances

Total Advances to twenty largest borrowers (₹ in Crores)	8697
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	22.18%

### 26.3 Concentration of Exposures

Total Exposure to twenty largest borrowers customers (₹ in Crores)	10617
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on borrowers/customers	16.35%

### 26.4 Concentration of NPA's

Total Exposure to top four NPA accounts (₹ in Crores)	123.13
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## significant accounting policies and notes on accounts



### 26.5 Sector wise NPA's\*

S. No.	Sector	Percentage of NPA to Total advances in that sector
1.	Agriculture & Allied activities	1.32%
2.	Industry (Micro & Small Medium and Large)	1.91%
3.	Services	2.79%
4.	Personal Loans	1.41%

\*Information regarding sector wise classification of NPA's has been compiled at Corporate Office and relied upon by the Auditors.

### 26.6 Overseas Assets, NPA's and Revenues

S. No.	Particulars	(₹ in Crores)
1.	Total Assets	NIL
2.	Total NPAs	NIL
3.	Total Revenue	NIL

### 26.7 Off- balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored		
	Domestic	Overseas
	NIL	NIL

## 27. DETAILS OF FLOATING PROVISIONS

### 27.1 Advances

Particulars	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
Opening balance	52.90	52.90
Additions made during the year	Nil	Nil
Utilization made during the year	Nil	Nil
Closing balance	52.90	52.90

### 27.2 Investments

Particulars	(₹ in Crores)	
	As on 31.03.2013	As on 31.03.2012
Opening balance	2.76	2.76
Additions made during the year	Nil	Nil
Utilization made during the year	Nil	Nil
Closing balance	2.76	2.76

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### 28. CUSTOMER COMPLAINTS

A	No of complaints pending at the beginning of the year	38
B	No of complaints received during the year	154
C	No of complaints redressed during the year	169
D	No of complaints pending at the end of the year	23

### 29. AWARDS PASSED BY THE BANKING OMBUDSMAN

A	No of unimplemented Awards at the beginning of the Year	NIL
B	No .of Awards passed by the banking ombudsman during the year	NIL
C	No of Awards implemented during the year	NIL
D	No of unimplemented Awards pending at the end of the year	NIL

### 30. The Bank follows policy of providing interest on overdue time deposits at Saving Bank interest rates in conformity with guidelines of Reserve Bank of India.

### 31. MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT

With regard to disclosure relating to MSME under the Micro Small & Medium Enterprises Development Act 2006, no Purchases have been made from Micro Small Medium Enterprises hence the disclosure be treated as NIL.

### 32. MOVEMENT IN PROVISION FOR CREDIT CARD REWARD POINT IS SET OUT BELOW:

Particulars	(₹ in Crores)
Opening Provision Balance as on 01.04.2012	0.75
Provisions made during the year	0.74
Redemption made during the year	0.89
Closing Provision Balance as on 31.03.2013	0.60

### 33. BANCASSURANCE BUSINESS:

The Bank has tie ups with M/S Met-Life Insurance (P) Ltd and Bajaj Alliance (P) Ltd for mobilizing insurance business both life and non-life. The details of the commission earned by the Bank during FY 2012-13 on account of mobilizing said business is given hereunder:-

S. No.	Nature of Income	(₹ in Crores)
1.	For selling life insurance policies	22.33
2.	For selling non-life insurance polices	6.86
3.	For selling mutual fund products	NIL
4.	Others - (Logo Charges)	8.22
<b>TOTAL</b>		<b>37.41</b>

# Schedules

## significant accounting policies and notes on accounts



### 34. DISCLOSURES ON REMUNERATION

#### Qualitative Disclosure

<p>Information relating to the composition and mandate of the Remuneration Committee.</p>	<p>Bank has already constituted a Compensation Committee of the Board in line with the requirements of Reserve Bank of India. All the members of the committee are independent non-executive Directors.</p> <p>The mandate of the Remuneration, to oversee the framing, review and implementation of compensation policy of the bank on behalf of the Board, has also been delegated to the Remuneration committee of the Board.</p>
<p>Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.</p>	<p>Remuneration for the purpose of Remuneration policy shall refer to any form of monetary or non monetary benefits provided to employees in exchange of their contribution and service to the organization. It shall in particular refer to Fixed Salary, Variable Pay, Other benefits and pension contributions. The major objectives of the policy are</p> <ul style="list-style-type: none"> <li>● To ensure effective governance of compensation</li> <li>● To Ensure effective alignment of compensation with prudent risk taking</li> <li>● To ensure effective supervisory oversight and engagement by stakeholders</li> <li>● To comply with regulatory directives</li> <li>● To attract, develop and retain high performing and motivated employees.</li> </ul>
<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.</p>	<p>Remuneration committee of the Board undertakes risk evaluations based on industry standards and risk profile of the bank</p>
<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.</p>	<p>The performance of the Bank as a whole is linked to the performance of its management and employees. However in individual cases variable pay is withheld in case of low performance of individual staff member.</p>
<p>A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.</p>	<p>NIL</p>
<p>Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.</p>	

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## significant accounting policies and notes on accounts



### Quantitative Disclosure

Particulars	31.03.2013
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	NIL
(i) Number of employees having received a variable remuneration award during the financial year. (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer/ Other Risk Takers	No Variable remuneration award has been paid during the year.
(ii) Number and total amount of sign-on awards made during the financial year.	NIL
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	NIL
(iv) Details of severance pay, in addition to accrued benefits, if any.	NIL
a. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	NIL
b. Total amount of deferred remuneration paid out in the financial year.	NIL
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	<ul style="list-style-type: none"> <li>● Fixed Pay during the year in case of Chief Executive Officer.</li> <li>● Basic 4800000.00</li> <li>● Refreshment 4200.00</li> <li>● Performance Bonus 1200000.00</li> <li>● Total 6004200.00</li> <li>● Whole Time Directors Not applicable.</li> </ul> There was no deferred variable pay
a. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	NIL
b. Total amount of reductions during the financial year due to ex- post explicit adjustments.	NIL
c. Total amount of reductions during the financial year due to ex- post implicit adjustments.	NIL

**35.** The Bank has transferred its entire business of depository services to JKB Financial Services Ltd (Fully owned

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## significant accounting policies and notes on accounts



Subsidiary Company of the Bank) as on 31.12.2012 at Book Value and hence w.e.f., 1st January 2013 no business of the depository has been incorporated in the financials of the Bank.

### 36. Draw Down From Reserve:

S. No.	Reserves	Amount Drawn (₹ Crores)	Purpose
1.	Revenue Reserves	48.75	Appropriation to Special Reserve u/s.36(1)(viii) of the Income Tax Act, 1961 out of the Profit of FY 2011-12

The Special Reserve has been created after approval of the Board of Directors that it has no intention to withdraw any amount from the Special Reserve.

37. The Principal Accounting Policies (Schedule 17) and Notes on Accounts (Schedule 18) form an integral part of these Accounts.
38. Previous year figures have been regrouped / rearranged, where ever necessary and possible, to conform to current year figures. In cases where disclosures have been made for the first time in terms of RBI guidelines, previous year's figures have not been given.

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
FRN: 011022N

For **P C Bindal & Co.**  
Chartered Accountants  
FRN: 03824N

For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

**CA. Rajan Sachdeva**  
Partner  
(M. No. 525115)

**CA. D.L. Nagpal**  
Partner  
(M. No.011378)

**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Cash Flow Statement

for the year ended 31st March, 2013



	2012-13 ₹ '000' Omitted	2011-12 ₹ '000' Omitted
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>12,795,067</b>	<b>11,764,951</b>
B CASH FLOW FROM INVESTING ACTIVITIES	(861,972)	(704,558)
C CASH FLOW FROM FINANCING ACTIVITIES	(2,427,582)	(2,009,779)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,505,513	9,050,614
D CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	44,538,729	35,488,115
E CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	54,044,242	44,538,729
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit after Taxes	10,548,864	8,030,754
Add : Provision for Taxes	4,714,162	3,977,898
Net profit before taxes (i)	15,263,026	12,008,652
<b>Adjustment for :</b>		
Depreciation charges	497,900	439,551
Provision for NPA's	1,583,000	900,000
Provision on Standard Assets	300,000	300,000
Depreciation on investment	149,162	122,946
Provision for Non-Performing investment	310,460	-
Other provisions	499,031	369,265
Deffered revenue Expenditure written off during the year	52	52
Intrest paid on subordinate Bonds (Financing Activities)	540,000	540,000
<b>TOTAL ADJUSTMENT (II)</b>	<b>3,879,605</b>	<b>2,671,814</b>
<b>Operating profit before change in Operating assets &amp; liabilities (i) + (ii)</b>	<b>19,142,631</b>	<b>14,680,466</b>
Adjustment for changes in Operating Assets & Liabilities		
Increase / (Decrease) in Deposits	108,704,233	86,713,505
Increase / (Decrease) in Borrowings	(1,659,572)	1,363,070
Increase / (Decrease) in Other liabilities & provisions	(1,981,372)	2,501,281
(Increase) / Decrease in investments	(41,266,627)	(19,408,455)
(Increase) / Decrease in Advances	(62,935,279)	(69,937,962)
(Increase) / Decrease in Other Assets	(1,869,843)	(123,468)
Net Cash flow from Operating activities (iii)	(1,008,460)	1,107,971
Cash generated from operation (i + ii + iii)	18,134,171	15,788,437
Less : Tax paid	5,339,104	4,023,486
<b>TOTAL: (A)</b>	<b>12,795,067</b>	<b>11,764,951</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
a) Fixed Assets	(861,972)	(704,558)
<b>TOTAL: (B)</b>	<b>(861,972)</b>	<b>(704,558)</b>

# Cash Flow Statement

for the year ended 31st March, 2013



	2012-13 ₹ '000' Omitted	2011-12 ₹ '000' Omitted
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
a) Share Capital	-	-
b) Equity Share Warrants	-	-
c) Share Premium	-	-
d) Tier II Bonds	-	-
e) Dividend & Divident Tax Paid	(1,887,582)	(1,469,779)
f) Interest Paid on Subordinate Debt	(540,000)	(540,000)
<b>TOTAL: (C)</b>	<b>(2,427,582)</b>	<b>(2,009,779)</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
a) Cash in hand & Balance with R.B.I	27,836,539	29,749,638
b) Balance with Banks & Money at Call & Short Notice	16,702,190	5,738,477
<b>TOTAL: (D)</b>	<b>44,538,729</b>	<b>35,488,115</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
a) Cash in hand & Balance with R.B.I	26,951,472	27,836,539
b) Balance with Banks & Money at Call & Short Notice	27,092,770	16,702,190
<b>TOTAL: (E)</b>	<b>54,044,242</b>	<b>44,538,729</b>

**Mushtaq Ahmad**  
Chairman & CEO

**Hari Narayan Iyer**  
Director

**M. I. Shahdad**  
Director

**Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Abdul Majid Matto**  
Director

**R. K. Gupta**  
Director

**Nihal Garware**  
Director

**O. P. Sharma**  
Executive President

**S. K. Bhat**  
President

**Mohammad Ashraf Zargar**  
Vice President

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar  
Dated : 15th May, 2013

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 15th May, 2013 at Srinagar.

Company Secretary

# Auditors' Certificate



We have verified the attached Consolidated Cash Flow Statement of THE JAMMU & KASHMIR BANK LIMITED which has been compiled from and is based on the Audited Financial Statements for the year ended 31st March, 2013 and 31st March, 2012. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to clause 32 of the Listing Agreement with the Stock Exchanges.

For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

Place: Srinagar  
Dated : 15th May, 2013

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

**CA. Rajan Sachdeva**  
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For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

# Basel-II Pillar-3 disclosures

as on 31st March, 2013



**Table DF - 1: Scope of application**

## 1. Qualitative disclosure

<b>1.1 Name of the bank in the group to which the Framework applies.</b>	The Jammu and Kashmir Bank Ltd.
<b>1.2 An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group.</b>	<ul style="list-style-type: none"> <li>The revised capital adequacy norms (in conformity with Basel-II--- Pillar 3 requirements) apply to J&amp;K Bank Ltd at Solo level.</li> <li>The bank has one fully owned subsidiary i.e. JKB Financial Services Ltd.</li> <li>The bank has also sponsored one regional rural bank namely, J&amp;K Grameen Bank.</li> <li>Consolidated financial statements of the group ( parent and fully owned subsidiary) have been prepared on the basis of audited financial statements of J&amp;K Bank Ltd and its fully owned subsidiary , combined on line by line basis by adding together like items of assets, liabilities, income and expenses after eliminating intra group transactions.</li> </ul>

	Name	Activity	Holding ( % )
<b>1.3 That are fully consolidated</b>	JKB Financial Services Ltd	Marketing of Bank's Financial Products	100%
<b>1.4 That are pro-rata consolidated</b>	Nil	NA	NA
<b>1.5 That are given a deduction treatment</b>	J&K Grameen Bank	Rural Banking	35%
<b>1.6 That are neither consolidated nor deducted (e.g. where the investment is risk weighted).</b>	MetLife India	Insurance	5.18%

## 2. Quantitative Disclosures

### 2.1 The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.

Entire investment of ₹ 10.00 Crores in JKB Financial Services and ₹ 22.10 Crores in J&K Grameen Bank is deducted from Capital of the bank for capital adequacy calculation.

### 2.2 The aggregate amount (e.g. current book value) of the bank's total interests in the insurance entities, which are risk weighted as well as their name, their country of incorporation or Residence, the proportion of ownership interest and if different, the proportion or voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using deduction.

a) Name	MetLife India Co. Itd Brigade Seshamahal 5,Vani Vilas Road, Basavangudi, Bangalore-560004
b) Amount of Investment	₹ 102.18 Crores
c) Country of Incorporation/ Residence	India
d) Proportion of ownership interest	5.18%
e) Proportion of Voting Power	5.18%
f) Quantitative impact on regulatory capital of using this method versus using deduction.	CRAR under risk weighted method is 12.83% as against 12.63% under deduction method.



## Table DF - 2: Capital Structure

### 1. Qualitative disclosure

<b>1.1 Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instrument eligible for inclusion of tier 1 or in the upper tier 2.</b>	The Bank has raised a subordinate debt of ₹ 600 Crores which forms part of lower Tier 2 Capital of the Bank.
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### 2. Quantitative Disclosures

Amount in ₹ Crores

<b>2.1 The amount of tier 1 capital, with separate disclosure of:</b>	
Paid up capital	48.49
Statutory and other disclosed free reserves	4748.12
Capital Reserves	63.12
Other capital instruments	Nil
Amount deducted from tier 1 capital, including goodwill and investment.	43.40
<b>Total Tier I Eligible Capital (net of deductions)</b>	<b>4816.33</b>
<b>2.2 The total amount of tier 2 capital (net of deductions from tier 2 capital) :</b>	<b>875.27</b>
<b>2.3 Debt capital instruments eligible for inclusion in upper tier 2 capital</b>	
Total Amount outstanding	Nil
Of which amount raised during the current year	Nil
Amount eligible to be reckoned as capital funds	Nil
<b>2.4 Subordinated debt eligible for inclusion in lower tier 2 capital</b>	
Total amount outstanding	600.00
Of which the amount raised during the current year	Nil
Amount eligible to be reckoned as capital funds	600.00
<b>2.5 Other deductions from capital if any is</b>	<b>Nil</b>
<b>2.6 TOTAL ELIGIBLE CAPITAL</b>	<b>5691.60</b>

## Table DF - 3: Capital adequacy

### 1. Qualitative disclosure

- 1.1 A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.**
- i) Presently the bank, in accordance with RBI guidelines is computing capital charge for credit risk as per the standardized approach, market risk as per the standardized duration approach and operational risk as per the basic indicator approach. CRAR of the bank has been worked out, based on BASEL-I and BASEL-II guidelines and it is well above the regulatory minimum level of 9%.
  - ii) The future capital planning of the bank is worked out under various scenarios and business projections as per the Bank's business plan. The movement of capital adequacy ratio (CRAR) is monitored in the medium horizon of 3 years considering the projected growth in business.
  - iii) Policy on Internal Capital Adequacy Assessment Process (ICAAP) has been put in place and is reviewed on a regular basis. The ICAAP takes into account other residual risks as well and the assessment of the capital commensurate to the risk profile is reviewed periodically.



## 2. Quantitative Disclosures

Amount in ₹ Crores

<b>2.1 Capital requirements for credit risk</b>	3382.84	
Portfolio subjected to standardized approach (@9%CRAR)	3382.84	
Portfolios subjected to the IRB approaches	Nil	
Securitization exposures	Nil	
<b>2.2 Capital requirement for market risk (under Standardized duration approach)</b>	269.95	
Interest rate risk	243.35	
Foreign exchange risk (including gold)	2.59	
Equity risk	24.01	
<b>2.3 Capital requirement for operational risk</b>	339.38	
Basic indicator approach:	339.38	
<b>2.4 Capital Adequacy ratio (CRAR) for consolidated group and significant subsidiaries ( as per Basel-II norms)</b>		
<b>Name of the Entity</b>	<b>Total CRAR</b>	<b>Tier I CRAR</b>
Consolidated bank ( Group as a whole)	12.85%	10.88%
J&K bank Ltd ( on solo basis)	12.83%	10.86%

## Risk Exposure and Assessment

### Objectives and Policies

#### Organisational Structure---- Risk Management

The very nature of the banking business involves managing complex and variable risks in a disciplined and effective manner, more so in today's rapidly changing business environment for banks. The Bank has developed required skills to manage key areas of banking risks viz. credit risk, market risk and operational risk. The Bank's risk management architecture has been created and functions in tune with the RBI guidelines, which ensures that policies, procedures and processes are strictly followed for measuring and managing all types of risks on an enterprise-wide basis so as to achieve the organizational goals. The risk management system is overseen by Board of Directors of the bank, with Integrated Risk Management Committee (IRMC), a board level sub-committee entrusted with the overall responsibility of ensuring that adequate structures, policies and procedures are in place and implemented for risk management in the Bank. The IRMC of Board is supported by three separate Executive level Committees viz, Credit Risk Management Committee (CRMC), Asset-Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC) to ensure effective management of credit, market and operational risks respectively. Above executive level committees are in turn assisted / supported by respective risk management support groups for credit, operational, market and liquidity risks. These support groups provide support functions to the above committees through analysis of risks and reporting of risk positions and making recommendations as to the level and degree of risks to be undertaken.

### Table DF - 4: Credit Risk

#### 1) General disclosures---Credit risk

Credit Risk is the possibility of loss that a bank may be subjected to, on account of changes or deterioration in the credit profile / credit quality of the borrowers and counterparties. The counterparties may include an individual, corporate, bank, financial institution or a sovereign. In a bank's portfolio, losses stem from outright default due to inability or un-willingness of a borrower or counterparty to honor commitments in relation to lending, trading, settlement and other financial transactions. The credit risk management in the bank aims at ensuring sustained



growth of healthy loan portfolio while identifying and managing the credit risks, both at the transaction and portfolio levels. This entails striking a balance between risk and return, thereby ensuring optimization of values for all stakeholders and at the same time striving towards maintaining / increasing the bank's market share.

The Bank's strategies to manage the credit risks are as under:

- a) Well defined credit risk management structure to identify measure, monitor and control / mitigate credit risk right from the loan origination to its disbursement and post disbursement monitoring.
- b) Bank has put in place board approved comprehensive credit risk policy for credit risk management in the bank. Bank has also operationalised Credit Risk Mitigation and Collateral Management Policy detailing various tools for credit risk mitigation.
- c) Board approved Investment Policy of the Bank addresses credit risks related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risks arising in investment portfolio.
- d) Defined segment exposures classified into corporates, retail and small / medium enterprises.
- e) Industry wise segment ceilings on aggregate lending by the Bank.
- f) Individual borrower wise ceilings on lending as well as borrower group wise lending ceilings linked to the Bank's capital funds.
- g) A comprehensive risk scoring / credit rating system. The rating system serves as a single point indicator of diverse risk factors of counterparty and also for taking credit decisions in a consistent manner.
- h) Allowing credit exposures as per the credit rating of borrowers upto defined thresholds of risk levels. The approach also includes diversification of credit portfolio rating category wise but within the acceptable risk parameters.
- i) The Bank's entire current business is within India and hence there is no geographic ceiling on lending in India or outside India. Further, there is also no ceiling on lending within a State in India.
- j) A mechanism of clear and well defined delegation of authority operates within the Bank in regard to decision making which links risk and exposure amount to level of approval.
- k) Regular review of all credit sanctioning powers delegated to various sanctioning levels so as to continuously strengthen the credit processes, and monitoring oversight.
- l) Approval processes with respect to credit proposals are preceded by study of risks and preliminary due diligence particularly while sourcing fresh credit accounts.
- m) Credit audit system and loan review mechanism function independently of the credit processing / credit approval system and ensure effective loan monitoring, management / mitigation of credit and operational risks in the loan portfolio.

## 2. Qualitative Disclosures

### 2.1 The general qualitative disclosure requirement with respect to credit risk including:

#### 2.1.1 Definition of NPA and impaired account (for accounting purposes)

An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non performing asset (NPA) is a loan or an advance where:

- a) Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- b) The account remains 'out of order' as indicated in paragraph 2.1.2 below, in respect of an Overdraft / Cash Credit (OD/CC).



- c) The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted.
- d) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- e) The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- f) In respect of securities, where interest/principal is in arrears for a period of more than 90 days, the bank does not reckon income on the securities and also makes appropriate provisions for the depreciation in the value of the investment. A non-performing investment is similar to a NPA in classification as defined above.

An account is also classified as NPA if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

#### 2.1.2 'Out of Order' status

An account is treated as 'Out of Order', if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not sufficient to cover the interest debited during the same period, these accounts are treated as 'Out of Order'.

#### 2.1.3 Overdue

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

#### 2.2 Discussion of the bank's credit risk management policy.

The credit risk management policy of the bank aims at ensuring sustained growth of healthy loan portfolio while evolving a well- defined system to identify measure, monitor and control various risks attached to credit portfolio of the Bank. This entails reducing exposures in high risk areas, concentrating more on the promising industries / sectors / segments, striking balance between risk and return on assets and ensuring thereby optimization of value of stakeholders and striving towards maintaining and increasing its market share. The policy also seeks to achieve prudent credit growth -both qualitative and quantitative- while adhering to the prudential norms with balanced sectoral deployment of credit to control credit concentration across Industries, sectors and segments. The policy also aims at ensuring consistency in and standardization of credit practices and has a well-defined credit appraisal & credit approval authority, reporting cum monitoring / follow-up system and loan review mechanism/ credit audit system.

#### 2.3 For banks that have partly, but not fully adopted either the foundation IRB or the advanced IRB approach, a description of the nature of exposures within each portfolio that are subject to the

- 1) Standardized Approach
- 2) Foundation IRB Approach
- 3) Advanced IRB approaches and of managements plans and timing for migrating exposures to full implementation of the applicable approach.

The bank is following standardized approach as prescribed by RBI for computing capital for credit risk. The bank is also preparing itself for migration to Internal Rating Based (IRB) approach for calculation of capital for credit risk.



### 3. Quantitative Disclosures

Amount in ₹ Crores

<b>3.1</b>	Total gross credit risk exposures - Fund based and Non-fund based separately, broken down by major types of credit exposures.	a) On Balance Sheet b) Off Balance sheet Total	71743.31 32282.79 104026.10
<b>3.2</b>	Geographic distribution of exposures:		
	Overseas		-
	Domestic		104026.10
<b>3.3</b>	Industrial type distribution of exposure, Fund based and Non-fund based separately.	Major industry type exposure is given separately as per Annexure- A.	
<b>3.4</b>	Residual contractual maturity breakdown of assets,	Residual contractual maturity is given separately as per Annexure- B.	
<b>3.5</b>	Amount of NPAs (Gross)		
	Substandard		209.45
	Doubtful		377.74
	Loss		56.58
<b>3.6</b>	Net NPAs		55.27
<b>3.7</b>	NPA Ratios		
	Gross NPAs to gross advances		1.62%
	Net NPAs to net advances		0.14%
<b>3.8</b>	Movement of NPAs (Gross)		
	Opening balance		516.60
	Additions		455.00
	Reductions		327.83
	Closing balance		643.77
<b>3.9</b>	Movement of provisions for NPAs		
	Opening balance		450.11
	Provisions made during the period		193.39
	Write-off		80.87
	Write back of excessive provisions		-----
	Closing balance		562.63
<b>4.0</b>	Amount of non-performing investment		95.96
<b>4.1</b>	Amount of provisions held for non-performing investment		54.46
<b>4.2</b>	Movement of provision for depreciation on investments.		
	Opening balance		26.71
	Provisions made during the period		14.91
	Write-off		2.05
	Write back of excessive provision		9.80
	Closing balance		29.77



**Table DF - 5: Credit risk:  
Disclosure for portfolio subject to the standardized approach**

**1. Qualitative disclosure**

<b>1.1 For portfolio under the standardized approach:</b>	
Names of credit rating agencies used, plus reasons for any changes.	The banks exposure being mainly domestic, the rating agencies like CARE, CRISIL, ICRA, FITCH India, Brickwork Ratings and SMERA have been identified for rating of exposure as per guidelines of RBI. Designated rating agencies may be used irrespective of types of corporate exposures.
Type of exposure for which each agency is used.	For exposures with a contractual maturity of less than or equal to one year (except cash credit, overdraft and other revolving credits), short-term ratings given by approved rating agencies are used. For cash credit, sanctioned overdrafts and other revolving credits (irrespective of the period) and for term loan exposures of over one year, long term Ratings are used.
A description of the process used to transfer public issues rating onto comparable assets in the banking book	Public issues ratings is used for comparable assets of borrower in the banking book as follows: - i) In case where the borrower has a specific assessment for an issued debt (which is not a borrowing from the Bank), the rating given to that debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) is applied to the Bank's unrated exposures, if the Bank's exposures ranks pari-passu or senior to the specific rated debt in all respects and the maturity of unrated Banks exposure is not later than the maturity of rated debt. ii) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counterparty, which is not rated by any chosen credit rating agency, will be assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari passu or junior to the rated exposure in all respects.

**2. Quantitative Disclosures**

Amount in ₹ Crores

<b>2.1 For exposure amount after risk mitigation subjected to the standardized approach, amount of bank's outstanding (rated and un-rated) in the following three major risk buckets as well as those that are deducted:</b>	
Below 100% risk weight	48082.93
100% risk weight	18983.91
More than 100% risk weight	6240.97

**Table DF - 6: Credit risk mitigation: disclosure for standardized approach**

**1. Qualitative disclosure**

- 1.1** The general qualitative disclosure requirements with respect to credit risk mitigation  
 A Credit Mitigation and Collateral Management Policy, addressing the Bank's approach towards the credit risk mitigants used for capital calculation, is in place.
- 1.2** Policies and processes for, and an indication of the extent to which the bank makes use of on and off balance sheet netting.  
 Bank has put in place Board approved policy on Credit Risk Mitigation and Collateral Management, covering credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes. The Bank has a separate collaterals valuation policy that forms the basis for valuation of collaterals.



**1.3 Policies and processes for collateral valuation and management**

The policy adopts the Comprehensive Approach, which allows full offset of collateral (after appropriate haircuts) against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. The following issues are addressed in the policy:

- a) Classification of credit risk mitigants
- b) Acceptable credit risk mitigants
- c) Documentation and legal process requirements for credit risk mitigants.
- d) Valuation of collateral
- e) Custody of collateral
- f) Insurance
- g) Monitoring of credit risk mitigants

**1.4 The description of the main type of collaterals taken by the bank**

The main type of collaterals taken by the bank are Cash or cash equivalent, Bank deposits, NSCs, KVIP's, LIC policy, Gold, Central / State government Securities etc.

**1.5 The main type of guarantor counterparties and their creditworthiness.**

Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject.

Types of guarantor counter party are:

- a. Sovereigns (Central / State Governments)
- b. Sovereign entities like ECGC, CGTSI
- c. Banks and Primary Dealers with a lower risk weight than the counter party
- d. Other entities rated AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.

**1.6 Information about (market or credit) risk concentration within the mitigation taken**

Majority of financial collaterals held by the Bank are by way of bank's own deposits, government securities, Life Insurance Policies and other approved securities like NSCs, KVPs etc. Bank does not envisage market liquidity risk in respect of financial collaterals. Overall, financial collaterals do not have any issue in realization. Concentration on account of collateral is also relevant in case of land & building. Except in the case of housing loan to individuals, land and building is considered only as additional security. As land and building is not recognized as eligible collateral under Basel II Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge, and is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

**2. Quantitative Disclosures**

Amount in ₹ Crores

<b>2.1</b>	For disclosure of credit risk portfolio under the standardized approach, the total exposure that is covered by:	Deposits/Cash/LIC Policies/NSCs/KVPs	10072.23
<b>2.2</b>	Eligible financial collaterals; after the application of haircuts.	Other Eligible Collaterals:	-
<b>TOTAL</b>			<b>10072.23</b>



## DF - 7: Asset Securitization

Securitization: disclosure for standardized approach

### 1. Qualitative disclosure

<p>a) The general qualitative disclosure requirement with respect to securitization, including a disclosure of:</p> <ul style="list-style-type: none"> <li>● The bank's objectives in relation to securitization activity, including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the bank to other entities.</li> <li>● The role played by the bank in the securitization process and an indication to the extent of the bank's involvement in each of them; and</li> <li>● The regulatory capital approach that the bank follows for its securitization activities.</li> </ul> <p>b) Summary of the bank's accounting policies for Securitization activities, including:</p> <ul style="list-style-type: none"> <li>● Recognition of gain on sales and</li> <li>● Key assumption for valuing retained interests, including any significant changes since the last reporting period and the impact of such changes;</li> </ul> <p>c) Names of ECAIs used for Securitization and the type of Securitization exposure for which each agency is used.</p>	<p>Bank is not undertaking any securitization activity at present</p>
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### 2. Quantitative Disclosures

<p>d) The total outstanding exposure securitized by the bank and subject to the Securitization framework by exposure type.</p>	<p>--- NA---</p>
<p>e) For exposure securitized by the bank and subjected to the Securitization framework.</p> <ul style="list-style-type: none"> <li>● Amount of impaired/past due asset securitized; and</li> <li>● Losses recognized by the bank during the current period broken down by the exposure type.</li> </ul>	<p>--- NA---</p>
<p>f) Aggregate amount of Securitization exposure retained or purchased broken down by exposure type.</p> <ul style="list-style-type: none"> <li>● Aggregate amount of Securitization exposure retained or purchased broken down into a meaningful number of risk weight bands. Exposures that have been deducted entirely from tier1 capital, credit enhancing I/Os deducted from total capital, and other exposure deducted from total capital should be disclosed separately by type of underlying exposure type.</li> <li>● Summary of securitization activity presenting a comparative position for two years, as a part of the notes on account to the balance sheet:</li> <li>● Total number of book value of loan asset securitization - by the type of underlying assets;</li> <li>● Sale consideration received for the securitized assets and gain/loss on the sale on account of securitization; and</li> <li>● Form and quantum (outstanding value) of services provided by way of credit enhancement, liquidity support, post securitization asset servicing, etc.</li> </ul>	



## Table DF - 8: Market risk in trading book

### 1. General Disclosures---Market Risk

A well defined organizational structure for management of market risk is in place in the Bank. The Bank adopts a comprehensive approach to manage market risk for its trading and banking book. The market risk framework identifies the types of the market risk to which the bank is exposed and the methodologies to be used to mitigate such risks. Regular stress testing is carried out to monitor the Bank's vulnerability to shocks and the impact of extreme market movements. The liquidity of the Bank is being managed effectively by closely monitoring the cash flow mismatches and funding requirements of incremental assets. The bank is undertaking Traditional Gap analysis and Duration Gap analysis for measuring potential liquidity risk and interest rate risk. This serves as a decision support tool for improving our asset liability management and thereby earnings.

Bank has a well defined market risk policy which, inter alia, contains regulatory/internal limits for various products and business activities relating to trading book and for taking exposures across all segments of market based on relevant market analysis, business strategy and Bank's risk appetite. Exposure limits are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing limits and Investment limits etc. Bank has a Mid-Office for market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. Asset Liability Management Committee (ALCO) is primarily responsible for establishing effective market risk management and asset liability management in the Bank, procedures thereof, implementing risk management guidelines issued by the regulator, best risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices/policies and risk management prudential limits.

### 2. Qualitative disclosure

<p><b>2.1</b> The general qualitative disclosure requirement for market risk including the portfolio covered by securitized approach.</p>	<ul style="list-style-type: none"> <li>● The HFT and AFS portfolios are covered by the 'Standardized Duration' approach for calculation of Market Risk.</li> <li>● Market Risk Management group set under the overall supervision of IRMC of the board is responsible for identification, assessment, monitoring and reporting of Market risk. Board approved Market Risk Policy and Investment policy with defined Market Risk Management parameters for each asset class is in place. Risk monitoring is an ongoing process with the position reported to the top management and the ALCO at the stipulated intervals.</li> <li>● Risk measurement and reporting is based on parameters such as Modified Duration, maximum permissible exposures, net open position limit and Gap limits in line with industry best practices.</li> </ul>
<p><b>2.2</b> General disclosures for market risk including portfolios covered by the IMA. A description of the soundness of the banks methodologies in assessing the capital adequacy, stress testing, and back-testing/validating the accuracy and consistency of the internal models and modeling processes.</p>	<ul style="list-style-type: none"> <li>● Market risk is calculated on trading portfolio under standardized duration method, as per directives of RBI. Stress testing, back testing under various scenarios and calculation of historical VaR forms an integral part of the portfolio risk management.</li> </ul>



### 3. Quantitative Disclosures

<b>3.1</b>	The capital requirement for market risk as per Standardized Duration Approach:	269.95
	Interest rate risk.	243.35
	Equity position risk.	24.01
	Foreign exchange risk.	2.59
	Commodity risk.	-----
<b>3.2</b>	For portfolios under the IMA, The high, mean, and low VaR values over the reporting period and period-end. A comparison of VaR estimates with actual gains/losses experienced by the bank, with analysis of important "outliers" in back-test results.	As per RBI directives, the Bank is following the standardized duration method for capital charge computation for market risk. The bank is also preparing itself for migration to Internal models approach (IMA) for capital measurement for market risk.

## Table DF - 9: Operational Risk

### 1. General Disclosures

Operational risk is at the core of the bank's operations to integrate best risk management practices into processes, systems and culture of the bank. The Bank has put in place an operational risk management (ORM) policy to manage operational risk in an effective, efficient and proactive manner. Operational Risk Management Committee (ORMC) at the Executive level oversees bank wide implementation of ORM policy. The primary objective is to identify the operational risks which may result from inadequate and /or missing controls or from internal processes, people, systems and from external events. The Bank has also implemented a comprehensive Business Continuity Plan (BCP) and established Disaster Recovery setup to ensure continuity of critical operations of the Bank in the event of any business disruption. The bank has been regularly conducting DR drills for various systems and applications in use.

The compiling of operational loss data along different business lines is a cornerstone for effective operational risk management. Bank has been collecting internal operational loss data from its business units / offices. For this purpose, well-designed formats for reporting identified loss events and loss data in the most granular form have been put in place. The bank has a robust internal control / audit mechanism and also reporting system for managing and mitigating operational risk.

### 2. Qualitative disclosure

2.1 In addition to general qualitative disclosure requirement, the approach (es) for operational risk capital assessment for which the bank qualifies.

As per the RBI guidelines, bank is following the Basic indicator approach (BIA) for computing capital charge for operational risk. The bank is preparing itself for migration to The Standardized Approach (TSA) and Advanced Measurement Approach (AMA) for calculating capital for operational risk.



### 3. Quantitative Disclosures

Capital charge for operational risk	Capital charge for operational risk is computed as per the Basic Indicator Approach prescribed by RBI. Under this approach, capital allocation for operational risk works out to: ₹ 339.38 Crores
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## Table DF - 10: Interest rate risk in the banking book (IRRBB)

### 1. Qualitative disclosure

- 1.1 The general qualitative disclosure requirements, including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.
- The impact of fluctuation in interest rate on liabilities and assets has a direct impact on earnings and hence on the market value of Equity. Bank's ALCO is assigned the job of periodically monitoring and controlling the risks and returns, funding and deployment, setting Bank's lending / deposit rates and also directing the investment activities of the Bank. Integrated Risk Management Committee of Board reviews various decisions of ALCO for managing the Market Risk.

Bank utilizes the following two methods for calculation of Interest rate risk in banking Book:

- Earnings Perspective--- The bank utilizes traditional gap analysis for calculating the impact on its earnings (Net Interest Income) due to adverse movements in interest rates with the assumed change in yield on 200 basis points over one year.
- Economic Value Perspective---- The bank utilizes Duration Gap Analysis for calculating the long term impact on market value of equity due to adverse movements in interest rates with the assumed change in the yield on 200 basis points. Measurement and computation of interest rate risk in Banking Book under the above two methods is done on a monthly basis.

### 2. Quantitative Disclosures

2.1 The increase (decline) in earning and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method of measuring IRRBB, broken down by currency (where the turnover is more than 5 percent).	<b>Changes on account of Interest rate volatility</b>
	<p>Changes in net interest income (with 200 bps change in interest rates for both assets and liabilities)</p> <p>122.18 crore</p> <p>Change in market value of equity (with 100 bps change in interest rates for both assets and liabilities).</p> <p>13.76%</p>



## Annexure-A

### Industry-wise Deployment of Credit and Investment Exposures

		Amount in Crores
S. No.	Industry	Amount
1.	<b>Mining and quarrying (including Coal)</b>	<b>407.66</b>
2.	<b>Food Processing</b>	<b>1464.67</b>
	Out of 2	
	Sugar	55.46
	Edible oils & Vanaspati	517.27
	Tea	0.23
	Others	891.71
3.	<b>Beverage &amp; tobacco</b>	<b>186.59</b>
4.	<b>Textiles</b>	<b>725.41</b>
	Out of 4	
	Cotton Textiles	227.59
	Jute Textiles	1.14
	Man - Made Textiles	6.49
	Other Textiles	490.19
5.	<b>Leather &amp; Leather Products</b>	<b>124.88</b>
6.	<b>Wood &amp; Wood Products</b>	<b>52.50</b>
7.	<b>Paper &amp; Paper Products</b>	<b>129.00</b>
8.	<b>Petroleum, Coal Products and Nuclear fuels</b>	<b>807.16</b>
9.	<b>Chemicals and Chemical Products</b>	<b>693.55</b>
	Out of 9	
	Fertiliser	35.89
	Drugs & Pharmaceuticals	119.27
	Petro Chemicals	378.62
	Others	159.77
10.	<b>Rubber, Plastic &amp; their Products</b>	<b>293.78</b>
11.	<b>Glass and Glassware</b>	<b>27.45</b>
12.	<b>Cement and Cement Products</b>	<b>1153.73</b>
13.	<b>Basic Metal and Metal Products</b>	<b>3030.33</b>
	Out of 13	
	Iron & Steel	2444.84
	Other Metal & Metal Products	585.49
14.	<b>All Engineering</b>	<b>320.82</b>
	Out of 14	
	Electronics	147.17
	Others	173.65
15.	<b>Vehicles, Vehicle Parts and Transport equipment</b>	<b>114.57</b>
16.	<b>Gems and Jewellery</b>	<b>30.62</b>
17.	<b>Construction</b>	<b>426.43</b>
18.	<b>Infrastructure</b>	<b>5139.87</b>
	Out of 18	
	Power	2510.40
	Telecommunication	1022.26
	Roads & Ports	446.97
	Other Infrastructure	1160.24
19.	<b>Other Industries</b>	<b>10455.98</b>
<b>TOTAL INDUSTRY (MICRO &amp; SMALL, MEDIUM AND LARGE)</b>		<b>25585.00</b>



## Annexure-B

### Residual contractual maturity of Assets as on 31.03.2013

INFLOWS	Amount in Crores										TOTAL
	Next Day	2 to7 Days	8 to 14 Days	15 to 28 Days	29 Days & Upto 3 Mnth	Over 3 Mnth & upto 6 Mnth	Over 6 Mnth & upto 1 Yr	Over 1 Yr. & Upto 3 Yrs.	Over 3 Yrs. & Upto 5 Yrs.	Over 5 Years	
<b>1. Cash</b>	201.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>201.18</b>
<b>2. Balance with RBI</b>	178.97	0.00	0.00	236.76	227.29	90.53	191.07	1205.16	290.19	74.00	<b>2493.97</b>
<b>3. Balance with other Banks</b>											
(i) Current Account	51.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>51.73</b>
(ii) Money at call and short notice, term Deposits and other placements	1300.00	0.00	50.00	775.00	500.00	0.00	31.45	1.00	0.00	0.00	<b>2657.45</b>
<b>4. Investments</b>	0.00	197.90	279.25	429.04	3630.20	1949.37	2402.42	4752.14	3364.97	8735.77	<b>25741.06</b>
<b>5. Advances (performing)</b>											
(i) Bills purchased & Discounted (including bills under DUPN)	5.74	34.43	40.17	124.47	373.09	200.33	0.00	0.00	0.00	0.00	<b>778.23</b>
(ii) Cash credits, overdrafts & Loans repayable on demand	150.00	250.00	300.00	300.00	300.00	300.00	386.62	7946.46	0.00	0.00	<b>9933.08</b>
(iii) Term Loans	19.61	325.50	159.94	127.48	1407.34	3105.16	3523.58	10419.77	5535.94	3525.17	<b>28149.49</b>
(iv) Prepayment of Term Loans	20.31	121.86	142.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>284.34</b>
<b>6. NPAs</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.98	37.29	<b>55.27</b>
<b>7. Fixed Assets</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	456.18	<b>456.18</b>
<b>8. Other Assets</b>											
(i) Inter -office adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
(ii) Leased Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
(iii) Others (Tangible Assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>9. Reverse Repos</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>10. Swaps(Sell/Buy)/ maturing forwards</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>11. Expected Increase in Deposits.</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>12. Interest receivable/ Accrued</b>	0.30	4.94	2.43	1.94	21.37	47.13	53.50	158.22	84.06	53.53	<b>427.42</b>
<b>13. L.C.(Inflows)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>14. Export Refinance from RBI</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>15. Others (Specify)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	513.90	<b>513.90</b>
<b>TOTAL INFLOWS</b>	<b>1927.84</b>	<b>934.63</b>	<b>973.96</b>	<b>1994.69</b>	<b>6459.29</b>	<b>5692.52</b>	<b>6588.64</b>	<b>24482.75</b>	<b>9293.14</b>	<b>13395.84</b>	<b>71743.30</b>

# Report on Corporate Governance



J&K Bank has been committed to all the basic tenets of good Corporate Governance well before the Securities and Exchange Board of India and the Stock Exchanges pursuant to Clause 49 of the Listing Agreement mandated these. Now, it is our endeavour to go beyond the letter of Corporate Governance codes and apply it innovatively in a more meaningful manner, thereby making it relevant to the organization that is operating in a specific environment.

In line with its vision, J&K Bank wants to use Corporate Governance innovatively in a transitional economy like Jammu and Kashmir. The Bank wants to use Corporate Governance as an instrument of economic and social transformation. In due course, we would set our self-targets of social and economic reporting as a part of annual disclosures. This will help us conceptualize and contextualise the form and content of Corporate Governance in a developing state. Given the fact that J&K Bank is and is seen as a great success of “public-private partnership”, your Bank as a business is expected to play a role in social transformation of the economy. This lends urgency to implementation of good governance practices which go beyond the Corporate Governance code.

We, as the prime corporation of Jammu and Kashmir, have a focused interest in making the state a safe place for business. J&K Bank has a key role to play in providing public and private services, financial infrastructure and employment. As such, the efficiency and accountability of the corporation is a matter of both private and public interest and governance, therefore, comes at the top of the agenda. The fact that the bank is state owned but professionally managed, having a large size of international investors, governance is critical. For us, Corporate Governance is concerned with the systems of laws, regulations and practices, which will promote enterprise, ensure accountability and trigger performance. The J&K Bank, for one, stands for being more accountable, practice self-policing and make financial transactions transparent and constitutional.

## Vision

“To catalyse economic transformation and capitalise on growth”.

Our vision is to engender and catalyse economic transformation of Jammu and Kashmir and capitalise from the growth induced financial prosperity thus engineered. The Bank aspires to make Jammu and Kashmir the most prosperous state in the country, by helping create a new financial architecture for the J&K economy, at the center of which will be the J&K Bank. At the same time we want to expand our existing network in other states of the country which offer better potential for the Banking.

## Mission

Our mission is two-fold: To provide the people of J&K international quality financial service and solutions and to be a super-specialist Bank in the rest of the country. The two together will make us the most profitable Bank in the country.

## Board of Directors

The responsibility for good governance rests on the Corporate Board which has the primary duty of ensuring that principles of Corporate Governance, both as imbibed in law and regulations and those expected by stakeholders, are religiously and voluntarily complied with and the stakeholder’s interests are kept at utmost high level.

## Composition

The Bank’s Board of Directors comprises a judicious mix of Executive, Non-Executive and Independent Directors as per the Corporate Governance requirements. Appreciating the fact that Board Composition is key to Corporate Governance, the Board of Directors of your Bank consists of eminent persons with considerable professional experience and expertise in Banking, Finance, Economics, Industry, Law etc., combining their wide ranging experiences to impart values and provide direction to Bank’s development. Your Board is professional and an active Board which meets frequently during the year to chart out policies and practices. The present strength of the Board is eight comprising of Chairman, and seven Non-Executive Directors.

## Functions of the Board

Your Bank’s Board plays a pivotal role in ensuring good governance. Its style of functioning is democratic. The Members of the Board have always had complete freedom to express their opinion and decisions are taken on the basis of a



consensus arrived at after detailed discussion. The members are also free to bring up any matter for discussion at Board Meetings with the permission of Chairman.

The day-to-day management of the Bank is conducted by the Chairman & CEO, subject to the supervision and control of the Board of Directors. The functions performed by the Board of the Bank for efficient and effective utilisation of resources at their disposal to achieve the goals visualized, inter-alia, include setting Corporate Missions, laying down Corporate Philosophy, formulation of Strategic and other Business Plans, laying down of Control Measures and compliance with Laws and Regulations.

## Board Procedure

All the major issues included in the agenda for discussion in the Board, are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are generally circulated seven working days prior to the meeting of the Board. Also, the Board agenda contains the Compliance Report of all the decisions taken at the previous Board Meeting. The Members of the Board exercise due diligence in performance of the functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment.

## Frequency of Board Meetings

During the year under review, eleven Board Meetings were held, in due compliance with statutory provisions, on the following dates:

12-05-2012; 05-06-2012; 16-07-2012; 07-08-2012; 15-09-2012; 31-10-2012; 29-11-2012; 07-01-2013; 04-02-2013; 06-03-2013; 30-03-2013

## Attendance at Board Meetings

Following table provides a bird's eye view of participation of Directors in Board Meetings and last Annual General Meeting.

Financial Year 2012-13. Attendance at Board Meetings

Name of Director	Category of Director	Meetings during the tenure	Meetings Attended	Percentage	Whether Attended AGM held on 14-07-2012
Mr. Mushtaq Ahmad	Chairman & CEO	11	11	100%	Yes
Mr. Mohammad Iqbal Khandey, IAS (Appointed on 08-07-2012)	Non Executive Director	9	02	22%	-
Mr. Hari Narayan Iyer	Independent Non Executive Director	11	07	64%	-
Mr. M.I. Shahdad (Re-appointed on 14-07-2012)	Independent Non Executive Director	11	11	100%	Yes
Prof. Nissar Ali	Independent Non Executive Director	11	09	82%	Yes
Mr. A.M. Matto	Independent Non Executive Director	11	10	91%	Yes
Mr. Vikrant Kuthiala (Re-appointed on 14-07-2012)	Independent Non Executive Director	11	11	100%	Yes
Mr. R. K. Gupta	Independent Non Executive Director	11	10	91%	Yes
Mr. Nihal C. Garware (Re-appointed on 16-07-2012)	Independent Non Executive Director	11	10	91%	Yes



## Brief Profile of Directors

J&K Bank's diverse and rich culture is abundantly evident in its Board Members, who provide direction to the Bank in order to achieve its vision. A brief profile of our eminent Board Members is as under:

### Mr. Mushtaq Ahmad

Mr. Mushtaq Ahmad, Chairman & Chief Executive Officer of the Bank, has more than 40 years of experience in banking. Mr. Mushtaq Ahmad joined the Bank in the year 1972 as Probationary Officer and during his banking career he has held various important and senior positions in the Bank as a part of Corporate Management Team. He has practical experience in the field of Finance, Corporate and Retail Banking, Treasury & Investment Management, International Banking, Liability & Risk Management and General Administration/ HRD.

### Mr. Hari Narayan Iyer

Mr. Hari Narayan Iyer, General Manager, Central Office, Reserve Bank of India, Mumbai is a Master of Business Administration (MBA) in Banking & Finance and a Certified Associate of the Indian Institute of Bankers, (CAIIB). He also holds a Certificate in Treasury and Risk Management from the Indian Institute of Banking and Finance (IIBF). He has 7 years of Commercial Banking experience and over 19 years of Central Banking experience, serving in the Reserve Bank of India in various capacities in the areas of Banking Supervision, Deposit Insurance, Urban Banks and Rural Planning and Credit.

### Mr. Mohammad Ibrahim Shahdad

Mr. M.I. Shahdad is a holder of Master's Degree in Economics and LLB from Aligarh Muslim University. He started his professional carrier in 1963 and practiced Law in J&K High Court for a period of more than 10 years and thereafter started his own manufacturing and export business specializing in Kashmir Handicrafts. Mr. Shahdad has made significant contribution to Commerce & Industry by being associated with Kashmir Chamber of Commerce & industry in the capacity of President and other prominent positions. He was awarded the lifetime achievement award by Kashmir Chamber of Commerce & industry in the year 2006-2007. Mr. Shahdad has also remained on the Board of IDBI for the period of 3 years as a member from North zone.

Mr. M.I. Shahdad has had a long association with J&K Bank as Director, during which he has made valuable contribution and provided tremendous value addition to the organization.

### Mr. Vikrant Kuthiala

Mr. Vikrant Kuthiala is B.com (Hons) from Hindu College, Delhi University. He is a prominent Businessman from Jammu with interests in Steel manufacturing, Educational and Hydel projects. He is the Chairman, J&K State Committee of PHD Chamber of Commerce and Industry, New Delhi; Joint Secretary (Jammu) of Indian Institute of Public Administration, Regional Branch, New Delhi; Member (Organized Sector) Regional Advisory Committee of Central Excise & Customs; National Executive Committee Member Mayo College Old Boys' Society, Ajmer; President Mayo Alumni, Jammu; Treasurer Jammu Adventure Sports Club, Jammu. He is also a Member of India Islamic Cultural Centre, New Delhi and INTACH, J&K Chapter, Jammu.

### Prof. Nisar Ali

Professor Nisar Ali did his B.A (Hon's) in Economics from University of Kashmir in 1970, M.A in Economics from Delhi School of Economics, University of Delhi and M.Phil and Ph.D from Osmania University, Hyderabad. He completed successful 6 training courses at National Institute of Rural Development, Hyderabad and Indian Institute of Science, Bangalore. He has over 60 research publications in national and international research Journals which include few books. There are over 100 research papers which he presented at national, international and state level seminars/conferences in the country and abroad.

Prof. Nisar Ali has held various positions in the University of Kashmir during 38 years of uninterrupted career which include Head, Deptt. of Economics, Head, Media Education Research Centre, Director Population Research Centre,



Director, Centre for Energy Studies, Dean Faculty of Social Sciences, Dean, College Development Council, Coordinator/ Director NAAC and Acting Vice-Chancellor (in the absence of Vice-Chancellor) during 2007-09. He has been associated with development planning of State and budget making process. He was Member of various Working Groups constituted by the Government for 5th five year plan to 10th five year plan. He has been member of various High Power Committees of J&K Government.

Prof. Nisar Ali is member of various national level committees and statutory bodies of various Universities in the country. He is Resource Person of various national level institutions including Staff Selection Commission, Govt. of India and UPSC. During 2009-10 and 2010-11 has been assessor for central services and entire Indian Economic Service was conducted under his leadership by UPSC. He has also been at Institute of Economics of Hungarian Academy of Sciences, and University of Economic Sciences, Budapest, International Institute of Economics, Belgrade, Yugoslavia, Central School of Statistics and Planning, Poland, University of Berlin, George Washington University, USA, Duke University, Kansas University, Park University, Chicago University, North Collins University, etc. His visits abroad also include Rome Austria, Sri Lanka, Bangladesh, Pakistan, Maldives for academic pursuits and international policy issues. He has also been engaged in Indo-Pak peace process and made presentations in the country and abroad.

He has been Member of J&K State Finance Commission 2007-10, J&K Govt and is presently Director, J&K Bank and Director, State Finance Corporation, J&K Govt. He has assessed more than 200 higher learning education institutions including Universities in the country as Chairperson/Member Secretary of the national team on behalf of NAAC/UGC. He is currently Advisor Higher Education Department, J&K Government.

### Mr. Abdul Majid Matto

Mr. A. M. Matto is a Graduate in Commerce and World Explorer. He is a high silhouette Businessman having his interests in the manufacture and export of Kashmir Handicrafts. He has made significant contribution to Commerce & Industry by being associated with Kashmir Chamber of Commerce & Industry in the capacity of President and other prominent positions. Mr. A. M. Matto has had a long association with the Bank as Director, during which he has made valuable contribution to the Institution with his rich and varied experiences.

### Mr. R.K. Gupta

Mr. R. K. Gupta, aged 50 years, is a professional Chartered Accountant with 27 years standing, possessing skill in Finance, Taxation, Auditing and Corporate Legal Affairs. He started his professional career with M/s Gupta Gupta & Associates in January 1986 and heads this renowned firm of Chartered Accountants since then. Mr. Gupta remained in Executive Committee of the Jammu & Kashmir Branch of the Institute of Chartered Accountants of India for three terms 1991-1994; 1994-1998 and 2006-2009. During these three terms he represented the Branch as its Treasurer, Secretary, Vice Chairman and Chairman. Mr. Gupta has been member of Tax Payers Committee of this Region. He has also been member of Research Committee & Direct Tax Committee of the Institute of Chartered Accountants of India. He is also empanelled as Peer Reviewer with Peer Review Board of ICAI. Having authored various articles, Mr. Gupta has to his credit published Articles in the Chartered Accountants Journal and also in Current Tax. Com on the issue of Taxation and Accounting Standards. Mr. Gupta has been Guest Speaker on many occasions for various Seminars and study Circle meets of the Chartered Accountants & others. Mr. Gupta is a member of Taxation Advisory Committee of the Chamber of Commerce & Industry, Jammu. In view of his interest in social activities and sports, Mr. Gupta is also a member of Finance Committee of Prestigious Social Club. Mr. Gupta has been nominated as PATRON of Akhil Bhartiya Mahajan Shiromani Sabha and also nominated to work on faculty of Business Studies by Vice-Chancellor of Jammu University for the triennial period of 2009-2012.

### Mr. Nihal C. Garware

Mr. Nihal Chandrakant Garware is a holder of Bachelor of Arts Degree (USA) and the scion of well known Industrialist family of India - the Garwares. Mr. Nihal Chandrakant Garware is at present Head of the Legal Department and Liaison Department in some of the Garware Companies. He has been a Director in various companies in the Garware Group, where his responsibilities have ranged from Production, Sales, Legal, and Liaison to Finance. He is Advisor to outside Companies like Ama Pvt. Ltd., D. Y. Patil Group and Sharad Pawar International School. He is also the founder member of The Youth Wing of Indian Merchants Chamber of Commerce.



## Disclosures

The Board of your Company has in all its endeavour ensured that true and fair disclosures are made to its constituents through various publications regarding plans, strategies and performance. The Board is pleased to disclose that:

1. The Executive Management of Bank regularly places various reviews before the Board on the performance of the Bank so as to enable it to exercise effective control and check over the working of the Bank.
2. Bank has not entered into any materially significant transaction with its Directors, Management or with their Relatives, other than the normal course of business of the Bank.
3. All Directors of your Bank except State Govt. nominees are Non-Executive and Independent Directors within the meaning of clause 49 of Listing Agreement.
4. The Bank did not enter into any material related party transaction with its Directors or Management or their relatives that would potentially conflict with and adversely effect interests of the Bank.
5. The Directors did not incur any disqualification under Section 274(1)(g) of the Companies Act, 1956 or under any other law applicable to the Bank.
6. None of the Directors of the Bank are holding positions as Chairman of more than five and as a Member of more than ten Audit and Shareholders Grievance Committees.
7. The Bank has complied with Corporate Governance norms as stipulated by SEBI.
8. The Bank has complied with all applicable accounting standards and related RBI guidelines.

## Directorship in other Companies

The Directors of the Bank also hold positions as Directors in other Companies as per details furnished hereunder:

### Mr. Mushtaq Ahmad

Director: JKB Financial Services Ltd.

### Mr. Vikrant Kuthiala

Director: R.B. Jodhamal & Co, Pvt. Ltd; R.B. Jodhamal Industries Pvt. Ltd; R.B. Jodhamal Vidyut Ltd.; Trikuta Chemicals Pvt. Ltd.; R.B. Jodhamal Bishan Lal Hotels & Resorts Pvt. Ltd; R.B. Jodhamal Bishan Lal; Modern Construction Corp.; Floor India; Vikrant Kuthiala Tea Estate; Bishan Enterprises

### Mr. Nihal C. Garware

Director: Garware Finance Corporation Ltd., CBG Trading Pvt Ltd., Shashikant B Garware Investment Co Pvt. Ltd., Anjan Holding Pvt. Ltd, Aba Garware Research Foundation.



## Membership of Committees of Other Companies

Name of Director	Membership of Committees of Other Companies
Mr. Mushtaq Ahmad	Nil
Mr. Mohammad Iqbal Khandey, IAS	Nil
Mr. Hari Narayan Iyer	Nil
Mr. M.I. Shahdad	Nil
Prof. Nissar Ali	Nil
Mr. A.M. Matto	Nil
Mr. Vikrant Kuthiala	Nil
Mr. R. K. Gupta	Nil
Mr. Nihal C. Garware	Nil

## Committees of the Board

The Board of Directors of your Company has constituted several Committees of the Board to take decisions on matters requiring special focus. The role and functions of the main Committees of the Board is described hereunder:

### Audit Committee

#### Role and Function

Bank has constituted an Audit Committee of the Board (ACB) comprising of 4 Non-Executive Independent Directors. The main functions of the Audit Committee are to assess and review the financial reporting system of the Bank, to ensure that the Financial Statements of the Bank are correct, sufficient and credible. It addresses itself to matters pertaining to adequacy of internal controls, reliability of financial statements / other management information, adequacy of provisions, whether the audit tests are appropriate and scientifically carried out. It follows up on all issues raised in the Long Form Audit Report and interacts with External Auditors before finalisation of Annual Financial Accounts and Reports focusing primarily on accounting policies and practices, major accounting entries and compliance with the Accounting Standards. The Committee also reviews the adequacy of Internal Control System and holds discussions with Internal Auditors / Inspectors on any significant finding and follow up action thereon. It also reviews the financial and risk management policies of the Bank and evaluates the findings of any internal investigation where there is any suspected fraud or irregularity or failure of Internal Control System of material nature and reports to the Board. ACB also focuses on the follow up of inter-branch adjustment accounts and other major areas of Balancing of Books and House Keeping.

#### Composition, Meetings and Attendance

The Audit Committee of the Board consists of:

Mr. R. K. Gupta	(Chairman - ACB)
Mr. Vikrant Kuthiala	(Member)
Prof. Nisar Ali	(Member)
Mr. A. M. Matto	(Member)

The Audit Committee met twelve times during the year in due compliance with RBI and Listing Agreement requirements, on the following dates:

12-05-2012, 04-06-2012; 06-08-2012; 14-09-2012; 20-10-2012; 21-10-2012; 30-10-2012; 16-11-2012; 17-11-2012; 04-02-2013; 04-02-2013; 19-03-2013



These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. R. K. Gupta	12	11	92%
Mr. Vikrant Kuthiala	12	12	100%
Prof. Nissar Ali	12	10	83%
Mr. A. M. Matto	12	12	100%

## Management Committee

### Role and Function

The Management Committee of the Board considers various business matters of material significance like sanctioning of loan proposals, compromise / write-off cases, sanction of capital and revenue expenditures, etc.

### Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)
Mr. Nihal C. Garware	(Member)

The Management Committee met Nine times during the year on the following dates:

05-06-2012; 06-08-2012; 15-09-2012; 31-10-2012; 29-11-2012; 07-01-2013; 04-02-2013; 06-03-2013; 30-03-2013

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	9	9	100%
Mr. M. I. Shahdad	9	9	100%
Mr. Vikrant Kuthiala	9	9	100%
Mr. A.M. Matto	9	8	89%
Mr. R. K. Gupta	9	8	89%
Mr. Nihal C. Garware	9	9	100%



## Integrated Risk Management Committee

### Role and Function

Bank has constituted an Integrated Risk Management Committee to manage market risk, credit risk and operational risk in an integrated and efficient manner and the Committee performs the following essential functions:

- Identify, monitor and measure the risk profile of the Bank.
- Develop policies and procedures, verify the models that are used for pricing complex products and also identify new risks.
- Develop policies that clearly spell out the quantitative prudential limits on various segments of Bank's operations.
- Effectively communicate the risk strategy and policies throughout the organization.

### Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Prof. Nisar Ali	(Member)
Mr. A.M. Matto	(Member)
Mr. R. K. Gupta	(Member)

The Integrated Risk Management Committee met four times during the year on the following dates:  
04-06-2012; 15-09-2012; 03-12-2012; 29-03-2013

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	4	4	100%
Prof. Nisar Ali	4	4	100%
Mr. A.M. Matto	4	4	100%
Mr. R. K. Gupta	4	3	75%

## Compensation Committee

### Role and Function

Bank has constituted the Compensation Committee to consider and approve the amount of performance linked incentives to be paid to Chairman and Senior Executives of the Bank and framing the guidelines for the introduction and management of Employee Stock Option Scheme.

### Composition

The Committee consists of:

Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)
Mr. Nihal C. Garware	(Member)



## Shareholders / Investors Grievance Committee

### Role and Function

- The Bank has constituted a Committee designated as Shareholders Investors Grievance Committee which looks into redressal of Shareholders and Investors Complaints.
- All Shareholders' / Investors' Grievances / Correspondence were expeditiously attended to and the replies sent generally within a period of 7 days of receipt. No share transfer beyond 30 days was pending as on 31st March, 2013.
- All requests for dematerialization of shares are likewise processed and confirmation communicated to Investors and Depository Participants within five working days.
- During the year 579 service requests / complaints were received and all these service requests / complaints stand redressed.

The status of investors' / shareholders' service requests / grievances received during the year under report is as follows:

S. No.	Particulars	Received	Disposed	Pending
1.	Change / Correction of the Address	97	97	0
2.	Correction of the name on the Share Certificate	2	2	0
3.	Intimation of the Bank Mandate / NECS Mandate	281	281	0
4.	Non receipt of Share Certificates	1	1	0
5.	Loss of Share Certificates and request for issue of duplicate share certificate(s)	56	56	0
6.	Deletion / inclusion of Joint name and transmission	65	65	0
7.	Non receipt of Share Certificate after transfer (NRSCAT)	0	0	0
8.	Correspondence/query relating to NSDL operation	2	2	0
9.	Non receipt of dividend warrants (NRDW)	24	24	0
10.	Correction of Bank Mandate / name of Dividend Warrants	3	3	0
11.	Receipt of dividend warrants for revalidation	25	25	0
12.	Receipt of indemnity bond for issue of duplicate dividend warrants	8	8	0
13.	Intimation of the Nomination form details	10	10	0
14.	Letters from SEBI/Stock Exchanges	3	3	0
15.	Legal Cases / Cases before Consumer Forums	0	0	0
16.	Others ( fully paid stickers )	2	2	0
<b>TOTAL</b>		<b>579</b>	<b>579</b>	<b>0</b>

### Composition, Meetings and Attendance

Shareholders / Investors Grievance Committee consists of:

Mr. M. I. Shahdad	(Chairman - SGCB)
Prof. Nissar Ali	(Member)
Mr. R. K. Gupta	(Member)

Shareholders / Investors Grievance Committee met four times during the year on the following dates:

04-06-2012; 14-09-2012; 03-12-2012; 30-03-2013.



These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. M. I. Shahdad	4	4	100%
Prof. Nisar Ali	4	4	100%
Mr. R. K. Gupta	4	3	75%

## Other Committees

### Monitoring of Large Value Frauds Committee

#### Role and Function

Committee has been constituted pursuant to RBI directions to monitor the fraud cases involving an amount of ₹ 1 Crore and above.

#### Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Prof. Nisar Ali	(Member)
Mr. Nihal C. Garware	(Member)

The Monitoring of Large Value Frauds Committee met Four times during the year on the following dates: 05-06-2012; 15-09-2012; 03-12-2012; 29-03-2013.

These meetings were attended by the Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	4	4	100%
Mr. M. I. Shahdad	4	4	100%
Mr. Vikrant Kuthiala	4	3	75%
Prof. Nisar Ali	4	4	100%
Mr. Nihal C. Garware	4	2	50%

## Nomination Committee

### Role and Function

The Nomination Committee of the Board has been constituted in pursuance to the directions of RBI, for implementation of Ganguly Committee recommendations with a view to decide the fit and proper person criteria for appointment / continuing to hold office of Director in the Bank.



### Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)

The Nomination Committee met Three times during the year on the following dates:

12-05-2012; 03-07-2012; 13-07-2012

These meetings were attended by the Members as detailed below.

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	3	3	100%
Mr. A. M. Matto	3	3	100%
Mr. R. K. Gupta	3	3	100%

### Customer Service Committee

#### Role and Function

The Committee has been constituted with a view to look into matters relating to customer complaints and speedy redressal thereof.

### Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Prof. Nisar Ali	(Member)

The Customer Service Committee met four times during the year on the following dates:

05-06-2012; 15-09-2012; 03-12-2012; 29-03-2013

These meetings were attended by the Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	4	4	100%
Mr. M.I. Shahdad	4	4	100%
Mr. Vikrant Kuthiala	4	3	75%
Prof. Nisar Ali	4	4	100%



## Information Technology Strategy Committee

### Role and Function

Committee has been constituted pursuant to RBI directions for:

- Approving IT strategy and policy documents and subsequent review as and when required.
- Ensuring that the management has put an effective strategic planning process in place.
- Ratifying that the business strategy is indeed aligned with IT strategy.
- Ensuring that the IT organizational structure complements the business model and its direction.
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- Ensuring proper balance of IT investments for sustaining bank's growth.
- Becoming aware about exposure towards IT risks and controls. And evaluating effectiveness of management's monitoring of IT risks.
- Assessing Senior Management's performance in implementing IT strategies.
- Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks).
- Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT.

### Composition, Meetings and Attendance

The Committee consists of:

Mr. Vikrant Khutiala	(Chairman-ITSCB)
Prof. Nisar Ali	(Member)
Mr. Nihal C. Garware	(Member)

The Information Technology Strategy Committee met Four times during the year on the following dates:

05-06-2012; 15-09-2012; 03-12-2012; 30-03-2013

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Vikrant Khutiala	4	4	100%
Prof. Nisar Ali	4	4	100%
Mr. Nihal C Garware	4	3	75%

## Legal Committee

### Role and Function

Bank has constituted Legal Committee to take review of legal and suit filed cases.



### Composition, Meetings and Attendance

The Committee consists of:

Mr. Nihal C. Garware	(Chairman-LCB)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A.M. Matto	(Member)

The Legal Committee met seven times during the year on the following dates:

05-06-2012; 06-08-2012; 15-09-2012; 30-10-2012; 23-12-2012; 05-02-2013; 22-03-2013

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Nihal C Garware	7	7	100%
Mr. M. I. Shahdad	7	7	100%
Mr. Vikrant Kuthiala	7	7	100%
Mr. A. M. Matto	7	7	100%

### Estates Committee

#### Role and Function

Bank has constituted the Estates Committee to evaluate, negotiate and finalise purchase and lease of premises for Bank's business units/offices and staff flats, within and outside the state.

### Composition, Meetings and Attendance

The Committee consists of:

Mr. Nihal C. Garware	(Chairman-ECB)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)

The Estates Committee met six times during the year on the following dates:

30-04-2012; 05-06-2012; 28-08-2012; 14-09-2012; 06-03-2013; 23-03-2013

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Nihal C Garware	6	6	100%
Mr. M. I. Shahdad	6	6	100%
Mr. Vikrant Kuthiala	6	6	100%



## Remuneration

### Policy

Remuneration of the Chief Executive Officer is subject to approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949.

### Chairman & CEO

Mr. Mushtaq Ahmad is the Chairman & CEO of the Bank effective from 6th October, 2010. In terms of Section 35B of the Banking Regulation Act, 1949, the monthly remuneration being paid to him, details of which are given below, has been duly approved by the Reserve Bank of India.

Basic Pay	₹ 4,00,000.00
DA	-
Provident Fund	-
<b>TOTAL</b>	<b>₹ 4,00,000.00</b>

In addition Chairman & CEO of the Bank was paid performance bonus @ 25% of basis pay for the FY 2011-12, which was duly approved by the Reserve Bank of India.

### Non – Executive Directors

Non - Executive Directors other than the State Govt. and RBI nominated Directors are paid only sitting fees for the meetings attended.

The details of the same are given below:

₹ 15,000/- for every Board Meeting or Committee Meeting, thereof.

Details of number of Shares / Convertible Debentures held by Non-Executive Directors as on 31-03-2013:

Name of the Director	Number of shares held	Number of Convertible Debentures held
Mr. M. I. Shahdad	7048	NIL
Mr. A. M. Matto	1693	NIL

## Other Disclosures

### Code of Conduct for the Board Members and Senior Management Personnel

The Board of Directors has approved a Code of Conduct for Board Members and Senior Management Personnel of J&K Bank. This Code is also available on the website of the Bank, [www.jkbank.net](http://www.jkbank.net). In terms of Clause 49 of the Listing Agreement, a confirmation from the Chairman & CEO regarding compliance with the Code by all the Directors and Senior Management is furnished below.

I confirm that all Directors and Senior Management Personnel have affirmed compliance with the J&K Bank Code of Conduct for Board Members and Senior Management Personnel.

**Mushtaq Ahmad**  
Chairman & CEO



## CEO / CFO Certification

In terms of Clause 49 of the Listing Agreement, the certification by the CEO and CFO on the financial statements and internal controls relating to financial reporting has been obtained.

## Insider Trading Code

The Bank has formulated a Code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2002 to prevent practices of Insider Trading. Mr. Abdul Majid Bhat, Company Secretary, has been designated as Compliance Officer for this purpose.

## Ethical Corporate Policy for Acceptance of Gifts

Bank has introduced Corporate Ethical Policy for acceptance of gifts setting forth a code of accountability of J&K Bank's Directors, Officers and Employees in the discharge & performance of their responsibilities.

## Ethical Standards Employed by the Bank

The Bank has formulated service manual for its employees. This manual contains comprehensive regulations on ethical standards to be mandatorily observed by all the employees of the Bank.

## Legal Compliances

There were no cases of non-compliance by the Bank and no penalties or strictures have been imposed on or proposed against the Bank by the Stock Exchange (s) and / or SEBI and / or any other statutory authorities on matters relating to capital market. The Bank has complied with the provisions of relevant Acts, Rules & Regulations framed there under during the year 2012-2013.

## Economic Value Addition

Economic value added is a fairly reliable measure of an enterprise's efforts in measuring Value Addition. Besides the quantitative earnings, EVA indicates the quality of earnings as it represents the excess an organization is able to generate over its Cost of Capital. A positive EVA indicates that the business has generated wealth in excess of what is expected by the shareholders. EVA calculations of the Bank are given below for the last three years:

### EVA Calculations for last three years (Amount in Crore)

S. No.	Financial Year	Post Tax Profit	Capital Employed	Cost of Capital	Post Tax Return on Capital Employed	EVA
1.	2010-11	615.20	3479	3.21%	17.68%	14.47%
2.	2011-12	803.25	4093	3.95%	19.62%	15.67%
3.	2012-13	1055.10	4906	4.20%	21.51%	17.31%

## Shareholders Information

### Stock Exchanges where equity shares are listed.

The Addresses of Stock Exchanges where the equity shares of the Bank are listed are furnished hereunder:

- a) National Stock Exchange of India Limited  
Exchange Plaza,  
Bandra Kurla Complex, Bandra (E)  
Mumbai 400 051



b) The Bombay Stock Exchange Ltd.  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 001

The annual fees for 2013-14 have been paid to all the Stock Exchanges where the shares are listed.

**Stock Code:** J&K Bank

**Demat ISIN Number :** INE 168A01017

**Name of Depositories :** i. NSDL  
ii. CDSL

### Registrar and Transfer Agent (RTA)

Karvy Computershare Private Limited  
Unit:- J&K Bank, Plot No. 17-24,  
Vittalrao Nagar,  
Madhapur, Hyderabad - 500 081  
Andhra Pradesh, India  
Phone 040-23420838  
Fax 040-23420814  
Email jkbank@karvy.com

### Email ID for redressal of Investor Grievances

Pursuant to Clause 47(c) of the Listing Agreement, Bank has created a separate Email ID for redressal of Investor Complaints and Grievances. The Email ID for redressal of Investor Grievances is [sharedeptt\\_gc@jkbmail.com](mailto:sharedeptt_gc@jkbmail.com)

### Compliance Officer

**Name:** Abdul Majid Bhat, Company Secretary

**Role:** To ensure compliance to all statutory regulations as far as they relate to Company Secretary and redressal of grievance of Shareholders / Investors.

**Address:** The Jammu & Kashmir Bank Ltd.  
Board Secretariat, Corporate Headquarters  
M. A. Road, Srinagar 190 001  
Phone 0194-2483775 / 0194-2481930-35 (Extn.)1540

### Financial Calendar

Approval of quarterly results for the period ending:

30th June, 2012	7th August, 2012
30th September, 2012	31st October, 2012
31st December, 2012	4th February, 2013
31st March, 2013 (Audited)	15th May, 2013

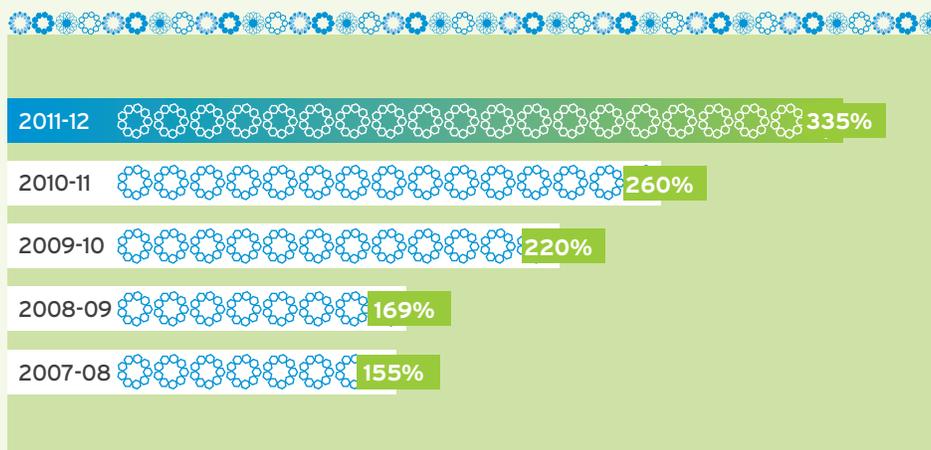


Information relating to last four General Body Meetings is furnished below:

Name of Meeting	Day, Date and time of meeting	Venue	Special Business Transacted
71st Annual General Meeting	Saturday, 26th Sept. 2009 at 11: 00 AM	Sher-i-Kashmir International Conference Centre (SKICC), Srinagar	NIL
72nd Annual General Meeting	Saturday, 31st July, 2010 at 11: 00 AM	Sher-i-Kashmir International Conference Centre (SKICC), Srinagar	NIL
73rd Annual General Meeting	Saturday, 9th July, 2011 at 11: 00 AM	Sher-i-Kashmir International Conference Centre (SKICC), Srinagar	Alteration of Articles of Association
74th Annual General Meeting	Saturday, 14th July, 2012 at 11: 00 AM	Sher-i-Kashmir International Conference Centre (SKICC), Srinagar	NIL

## Dividend History of Last Five Years

Financial year	Rate of Dividends (%)	Date of Declaration	Date of Payment
2007-08	155	19.07.2008	25.07.2008
2008-09	169	26.09.2009	05.10.2009
2009-10	220	31.07.2010	09.08.2010
2010-11	260	09.07.2011	18.07.2011
2011-12	335	14.07.2012	23.07.2012





## Dematerialised / Physical Shares

The shares of the Bank are in compulsory dematerialised segment and are available for trading in depository systems of both National Securities Depository Limited and Central Depository Services (India) Ltd. As on 31st March, 2013, the position of dematerialized shares as well as physical shares are as under

(As on 31.03.2013)

Particulars	No. of Shares	% age
Physical Shares	1819279	3.75
Dematerialized Shares	46658523	96.25
<b>TOTAL</b>	<b>48477802</b>	<b>100.00</b>

## Distribution of shareholding as on 31.03.2013

S. No.	Category	No. of Holders	% to Holders	Amount	% of Amount
1.	Up to 5000	25154	90.84	25398060	5.24
2.	5001 - 10000	1686	6.09	11045530	2.28
3.	10001 - 20000	315	1.14	4635420	0.96
4.	20001 - 30000	132	0.48	3266380	0.67
5.	30001 - 40000	64	0.23	2265660	0.47
6.	40001 - 50000	31	0.11	1415440	0.29
7.	50001 - 100000	93	0.34	6667030	1.38
8.	100001 & Above	215	0.78	430084500	88.72
<b>TOTAL</b>		<b>27690</b>	<b>100.00</b>	<b>484778020</b>	<b>100.00</b>

## List of Shareholders Holding more than 1% as on 31st March, 2013

Name of the Shareholder	No. of Shares	% Holding
Chief Secretary Jammu and Kashmir Govt	24322598	50.17
Aberdeen Global Indian Equity Fund Mauritius Limited	1718000	3.54
Secretary Finance Deptt Jammu and Kashmir Govt	1452668	3.00
Fid Funds (Mauritius) Limited	732245	1.51
Sanlam Asset Management (Ireland) limited a/c Sanlam Universal Funds plc	657524	1.36
Acacia Partners, LP	500655	1.03
Equinox Partners LP	492817	1.02

## Unclaimed Dividends

Shareholders who have not encashed their past dividend warrants have been intimated individually to do so without any further delay. Under the Investor Education and Protection Fund (Awareness & Protection of Investors) Rules, 2001, unclaimed amount in respect of unpaid/unclaimed dividend warrants which is more than seven years old, shall be transferred by the Bank to "Investor Education and Protection Fund" established under Sub-Section (i) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the Shareholders against the Company or the Fund.



Shareholders are accordingly advised to claim their unclaimed dividend, if not already claimed.

The detail of unpaid/unclaimed dividend of last three years is as under (As on 31-03-2013)

Financial Year	Amount of Unclaimed dividends
2009-10	37,53,274
2010-11	40,10,493
2011-12	67,79,151
Total	1,41,42,918

## Stock Market Data

### JK Bank on NSE Nifty April, 2012 - March, 2013

Month	Highest		Lowest		Closing		Volume for the Month(₹)
	Rate	Date	Rate	Date	Rate	Date	
April, 2012	962.70	30-Apr-12	875.15	10-Apr-12	941.10	30-Apr-12	420985000
May, 2012	1033.00	22-May-12	837.85	9-May-12	928.60	31-May-12	710661000
June, 2012	997.30	29-Jun-12	884.20	4-Jun-12	988.30	29-Jun-12	767972000
July, 2012	1013.80	3-Jul-12	892.00	27-Jul-12	914.85	31-Jul-12	524033000
August, 2012	960.00	23-Aug-12	770.00	27-Aug-12	919.80	31-Aug-12	808393000
September, 2012	940.00	28-Sep-12	880.00	4-Sep-12	932.70	28-Sep-12	1053092000
October, 2012	1238.95	31-Oct-12	941.00	1-Oct-12	1224.55	31-Oct-12	2019599000
November, 2012	1432.00	15-Nov-12	1200.00	6-Nov-12	1375.45	30-Nov-12	3202801000
December, 2012	1474.25	7-Dec-12	1285.00	26-Dec-12	1294.70	31-Dec-12	1692326000
January, 2013	1575.00	11-Jan-13	1220.10	25-Jan-13	1370.10	31-Jan-13	2030126000
February, 2013	1429.00	4-Feb-13	1245.00	28-Feb-13	1262.30	28-Feb-13	1567643000
March, 2013	1320.05	12-Mar-13	1160.00	28-Mar-13	1191.70	28-Mar-13	847328000





## JK Bank on BSE Sensex April, 2012 – March, 2013

Month	Highest		Lowest		Closing		Volume for the Month (₹)
	Rate	Date	Rate	Date	Rate	Date	
April, 2012	957.00	30-Apr-12	876.90	10-Apr-12	937.35	30-Apr-12	123035373
May, 2012	950.50	31-May-12	840.00	11-May-12	928.65	31-May-12	144226864
June, 2012	998.80	29-Jun-12	888.05	4-Jun-12	991.60	29-Jun-12	59344430
July, 2012	1010.00	2-Jul-12	894.00	27-Jul-12	911.55	31-Jul-12	275897537
August, 2012	970.00	22-Aug-12	895.50	28-Aug-12	917.70	31-Aug-12	378374717
September, 2012	938.00	28-Sep-12	881.00	4-Sep-12	931.90	28-Sep-12	159324821
October, 2012	1239.00	31-Oct-12	937.00	1-Oct-12	1225.00	31-Oct-12	463349004
November, 2012	1432.75	15-Nov-12	1205.00	5-Nov-12	1377.15	30-Nov-12	801518508
December, 2012	1473.00	7-Dec-12	1281.15	24-Dec-12	1297.20	31-Dec-12	271671183
January, 2013	1375.00	31-Jan-13	1232.10	25-Jan-13	1368.55	31-Jan-13	252212885
February, 2013	1428.85	4-Feb-13	1248.55	28-Feb-13	1264.80	28-Feb-13	292490118
March, 2013	1376.05	18-Mar-13	1162.00	28-Mar-13	1190.85	28-Mar-13	139996076



## Important events after the closure of Financial Year Ended 31.03.2013

This report covers the period of financial year of the Bank beginning on 1st April, 2012 to 31st March, 2013. There were no material events from 1st April, 2013 to 15th May, 2013 the date when the annual accounts were adopted by the Board of Directors of the Bank.



## Means of Communication

J&K Bank disseminates information about its operations through various means to shareholders, analysts and the society at large. All official news releases and presentations made to institutional investors and analysts are posted on the Bank's website [www.jkbank.net](http://www.jkbank.net). It also issues press releases and conducts programmes that disseminate information. The quarterly results of the Bank are published in widely circulated National Newspapers and are also placed on our website. The Board takes on record the Un-Audited/Reviewed Financial Results in the prescribed form of the Stock Exchanges within 45 days of the closure of the quarter and announces forthwith the results to all the Stock Exchanges where the shares of the Company are listed. The highlights of quarterly results are also published in National and Vernacular Newspapers within 48 hours of the conclusion of the Board Meeting in which they are taken on record and information is also placed on the website of the Bank. The Bank regularly organizes Press / Analyst Meets to apprise Fund Managers, Press and Analysts about the financial performance of the Bank and to receive their suggestions for future growth.

## Shareholders Rights

A shareholder can enjoy the following rights mentioned in the Companies Act, 1956:

- To transfer shares.
- To receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- To receive notice of general meetings, balance sheet and profit and loss account and auditors' report.
- To appoint proxy to attend and vote at general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at general meetings of the Company on its behalf.
- To attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
- To vote at the general meeting on show of hands wherein every shareholder has one vote. In case of poll, the number of votes of a shareholder depends on the proportion of equity shares held by him with the total paid up equity capital of the Company.
- To demand poll alongwith other shareholder(s) who collectively hold 5,000 shares or is not less than 1/10th of the total voting power in respect of any resolution.
- To requisition an extraordinary general meeting of any Company by shareholders who collectively hold not less than 1/10th of the total paid up capital of the Company.
- To move amendments to resolutions proposed at general meetings.
- To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- To take inspection of the various Registers of the Company.
- To inspect the minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.
- To proceed against the Company by way of civil or criminal proceedings.
- To proceed against for the winding up of the Company.
- To receive the residual proceeds upon winding up of a Company.



## Investors' Feedback

In our endeavour to serve our shareholders more effectively and in order to improve the quality of our communication with our esteemed members, we request you to spare some of your precious moments and provide us your valuable feedback in the enclosed proforma.

Calendar for shareholders' information	Date
Board meeting for consideration of Accounts and recommendation of Dividend	15th May, 2013
Dispatch of Annual Report / Notice of AGM	28th May, 2013
Book closure Period	17th to 22nd June, 2013
Last date for lodgment of proxy forms	20th June, 2013
Date of AGM	22nd June, 2013
Dividend payment date	1st July, 2013
Validity dates of dividend instrument	Three Months

## Disclosure on Company Secretary's Responsibility

The Company Secretary confirms that during the year from 1st April, 2012 to 31st March, 2013, the Bank has:

1. Maintained all the Books of Account and Statutory Registers required under the Companies Act, 1956, and the Rules made there under coming under the purview of Company Secretary responsibility;
  - i. Filed all Forms and Returns and furnished all necessary particulars to the Registrar of Companies and / or authorities as required under the Companies Act, 1956, coming under the purview of Company Secretary's responsibility;
  - ii. Issued all Notices required to be given for Board and General Meetings as per the requirement of the Companies Act, 1956;
  - iii. Complied with the requirements relating to maintenance of Minutes of the proceedings of the Meetings of Directors, Committees of the Board and Shareholders;
  - iv. Complied with the requirements of the Listing Agreement entered into with Stock Exchanges;
  - v. Effected Share Transfers and dispatched Certificates within the statutory time limit;
  - vi. Redressed complaints of Shareholders to the best of efforts of the Company;
  - vii. Complied with the regulations prescribed by the Stock Exchanges, SEBI, and other Statutory and Regulatory Authorities and also the statutory requirements under the Companies Act, 1956, Banking Regulation Act, 1949 and other applicable statutes in force for the Banking Company, as far as they relate to the Company Secretary.
  - viii. Made due disclosure required under the applicable Acts; Obtained all necessary approvals of Directors, Shareholders, Central and State Governments and other regulatory agencies.
2. The Board of Directors of Bank duly met eleven times during the financial year and in respect of meetings conducted during the period proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose. The meetings of various Committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the minutes book maintained for the purpose.
3. The Bank closed its Register of Members from 9th July, 2012 to 14th July, 2012 (both days inclusive) in connection with 52nd dividend of the Bank and necessary compliance of Section 154 of the Act, has been made.
4. The Annual General Meeting for the FY 2011-12 was held on 14th July, 2012 after giving due notice to the members of the Bank and the resolutions passed thereat were duly recorded in minutes book maintained for the purpose.



5. The Bank has not advanced any loans to its Directors or persons or firms or Companies referred to under section 295 of the Companies Act, 1956, during the financial year.
6. The Bank has not entered into any contracts falling within the purview of section 297 of the Act.
7. A Share Transfer Committee of the Board has approved the transfer, Sub-division/Consolidation etc of shares of the bank. The proceedings of the above committee have been properly recorded, signed in the Minutes Book maintained for the purpose.
8. Unclaimed amount, in respect of unpaid / unclaimed dividend warrants / refund orders, have been transferred to the Investor Education and Protection Fund of the Central Govt. with Punjab National Bank within the prescribed time limit.
9. The Board of Directors of the Company is duly constituted and the appointment of Directors and Additional Directors has been duly made.
10. The appointment of Chairman and other Directors of the Company has been made in accordance with the Articles of Association of the Company read with the relevant provisions of the Companies Act, 1956 and the Banking Regulation Act, 1949.
11. The Directors disclosed their interest in other firms /companies to the Board of Directors, pursuant to the provisions of the Act and the rules made there under and their disclosures have been noted and recorded by the Board.
12. The Company has not bought back any shares during the financial year.

Place: Srinagar

Dated : 15th May, 2013

**Abdul Majid Bhat**

Company Secretary



To

The Members of

**The Jammu & Kashmir Bank Limited**

We have examined the compliance of the conditions of the Corporate Governance by The Jammu & Kashmir Bank Limited for the year ended 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the various Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Bank for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor expression of opinion on the financial statements of the Bank.

We certify that in our opinion and to the best of our information and according to explanations given to us, the Bank has complied with the conditions of the Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Bank as per the records maintained by the Bank.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

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In terms of our report of even date annexed

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For **O P Garg & Co.**  
Chartered Accountants  
FRN: 01194N

For **K B Sharma & Co.**  
Chartered Accountants  
FRN: 02318N

For **Darshan Nagpal & Associates**  
Chartered Accountants  
FRN: 011022N

For **P C Bindal & Co.**  
Chartered Accountants  
FRN: 03824N

For **K K Goel & Associates**  
Chartered Accountants  
FRN: 05299N

**CA. Vikram Garg**  
Partner  
(M. No. 097038)

**CA. Rajan Sachdeva**  
Partner  
(M. No. 525115)

**CA. D.L. Nagpal**  
Partner  
(M. No.011378)

**CA. Samit Gupta**  
Partner  
(M. No. 093783)

**CA. K. K. Goel**  
Partner  
(M. No. 015002)

Place: Srinagar  
Dated : 15th May, 2013

# Information to Shareholders

**[This Memorandum of Information also gives information on matters required to be disclosed as a part of the Report on Corporate Governance]**

Dear Members,

It is our pleasure to send you the Notice of 75th Annual General Meeting of the Bank which is scheduled to be held at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K on Saturday, 22nd June, 2013 at 1100 hours. Members are hereby invited to attend the Meeting.

## Notice Enclosures

Kindly find enclosed with the Notice of the Annual General Meeting the following documents:

- i) Copy of the Annual Report for the year ended 31st March, 2013
- ii) Feedback Form.
- iii) Bank's Mandate Form
- iv) Nomination Form
- v) NECS-I Mandate Form
- vi) NECS-II Mandate Form
- vii) Attendance Slip
- viii) Proxy Form

## Rights at the Meeting

You have the right to attend, speak and vote at the Annual General Meeting if you are a Member on the Bank's Register of Members as on 22nd June, 2013 or a Beneficiary Holder in the books of the National Securities Depository Limited or the Central Depository Services (India) Limited as on 14th June, 2013

## Requirements

If you intend to attend the Meeting in person, please complete and bring the Attendance Slip, duly completed, alongwith the copy of your Annual Report.

NOTE: IF YOU HAVE ANY QUESTION ABOUT THE MEETING, OR NEED ANY ASSISTANCE, PLEASE TELEPHONE THE ANNUAL GENERAL MEETING ENQUIRY LINE ON 0194 - 2481930-35 - EXTENSION: 1541, 1542, DURING WORKING HOURS.

## Appointment of Proxy

Any Member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person to attend and vote on poll instead of himself. The person so appointed is known as Proxy. The person so appointed may be a Member or a Non-Member. The Proxy appointed by you may vote at the Meeting only on poll. You may note that Proxy is not entitled to speak at the Meeting and cannot vote on the show of hands. If you are not able to come and attend the Meeting personally and intend to appoint Proxy to act and vote on poll on your behalf, you are requested to complete, sign and return the accompanying Proxy Form, together with documents specifying the validity of the appointment of the Proxy, at least forty eight (48) hours before the Annual General Meeting of the Company, so as to reach the Corporate Headquarters of our Bank located at M.A. Road, Srinagar, J&K 190 001, not later than 1100 Hours on 20th June, 2013.

You can appoint only one Proxy and give alternate names in the Proxy Form and only one Proxy need to attend and vote at the Meeting. The Proxy form needs to be dated and signed by you after affixing revenue stamp of Re. 1/- and in the event of any other person signing on your behalf you shall have to give authority to such person by way of power of attorney which shall be sent by you or that person along with the Proxy Form.

In case of appointment of the Proxy by Corporate Bodies, the Proxy Form should be under the common seal of the Corporate Body or under the hand of the duly authorized Officer or Attorney and appropriate Power of Attorney or other Authority must be lodged with the Proxy Form.

You can yourself attend the meeting and vote thereat instead of Proxy before he has voted and in such event your Proxy shall stand revoked.

## Entry Pass

The Attendance Slip sent herewith should be duly completed and brought with yourself. It will authenticate your right to attend, speak and vote at the meeting and will speed up your admission, where after; entry passes shall be issued to you. You should keep Entry Passes till the conclusion of the Meeting. Separate entry passes to distinguish Members and Proxies will be given.

## Arrangement for the Meeting

- The Meeting will start at 1100 hours sharp and the doors of the Meeting Hall will open at 0900 hours.
- No electronic gadgetry will be allowed inside the Meeting Hall and Members are requested not to bring any cameras, video recorders, voice recorders etc.
- For any enquiry relating to any matter that concerns you as a customer of the J&K Bank, you are requested to contact the Staff Volunteers available at the venue of Meeting.
- There will be an arrangement of the "Shareholders Enquiry Desk" for the shareholders who have any enquiry relating to their



shareholding. If you have any such enquiry you are requested to enquire from the staff available at the desk.

- Any staff member can be contacted for First Aid facility.
- Smoking is strictly prohibited both inside the Hall and as well as within the premises. You are requested to kindly co-operate.

## Documents

Copies of all important documents including previous three years Annual Reports, Minutes of last three Annual General Meetings and copies of Memorandum and Articles of Association of the Bank, will be available for inspection of the Members at the Corporate Headquarters, M. A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 20th June, 2013 and also on the date of Meeting from 0900 hours until conclusion of the meeting. Further Annual Accounts of JKB Financial Services Ltd, 100% Subsidiary of Bank, will be made available/available for inspection to Members at any point of time at the Corporate Headquarters, M.A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 20th June, 2013 and also on the date of Meeting from 0900 hours until conclusion of the meeting.

## Proceeding at the Meeting

After the Chairman's speech, auditor's report including the comments of C&AG, if any, will be read by the Company Secretary, the resolutions which are set out in the Notice of the meeting, will then be put to the meeting. The members will be given an opportunity to ask questions/speak at the meeting. Members interested to speak at the

meeting shall hand over their name slips to the Staff Volunteers and Chairman shall call upon them one by one. As many members may be wishing to speak, you are requested to confine your speech to the agenda before the Meeting.

## Voting Rights

The voting rights of the Members is governed by the provisions of Section 87(1)(b) of Companies Act, 1956, Section 12 of the Banking Regulation Act, 1949, and Article 110-112 of Articles of Association of the Bank There are following voting rights attached to a Member:

### On Show of Hands

On show of hands, one member present in person shall have one vote. Here it is desirable to mention that person appointed as a proxy is not entitled to vote on the show of hands.

### On Poll

On poll, every member shall have a right to vote in respect of his share of paid-up equity capital in the total paid-up equity capital of the Bank, whether present in person or through proxy. Your voting right would be in proportion to your share of paid-up equity capital of the Bank.

### Manner of Voting on Show of Hands

Whenever Chairman puts resolution to the vote of meeting, you should raise your hand, so that Chairman could see and take count of your vote, indicating that you are voting either for or against the resolution put before you for voting. Only shareholders present in person and authorized representative of the corporate shareholders are entitled to vote on the show of hands. Proxies are not entitled to vote on the show of hands.

## On Poll

On poll being demanded by the requisite number of shareholders, or as and when may be ordered to be taken by the Chairman on any resolution, you will be given ballot papers by the deputed staff and you have to complete the ballot paper in accordance with the instructions contained therein and drop it in the ballot box. Proxy is entitled to vote on the poll.

## Book Closure Dates

Book closure date refers to the period during which the register of members and share transfer books of the Company shall remain closed for the purpose of determining the Members eligible for dividend, if any, to be declared for the financial year ended 31st March, 2013. The book closure of the Company shall commence from Monday 17th June, 2013 to Saturday 22nd June, 2013 -(both days inclusive). Dividend will be paid only to those members, whose name appears on the register of members as on Saturday 22nd June, 2013 or Register of beneficial owners maintained by Depositories as at the close of working hours on 14th June, 2013.

## Demat of Shares and Depository Services

Dematerialisation is a process, which entails the conversion of physical securities into electronic form. Thus securities in physical form are shredded and corresponding entry is done in the Investors Electronic Account. The electronic balances are maintained on highly secure systems at the depository. Depository services are an extension of custodial services. Prior to the introduction of depository system, the custodians used to act as the organisation for safekeeping, register, guarding, care,

watch, inspection and prevention of securities. But the advent of depository system has brought with itself the advantages of electronics and benefits of the custodial services at the doorsteps of investors. The depository allows the shares to be held in electronic form in the same way as money is held in Bank accounts.

A Depository offers following advantages to the Investor:

- Your shares cannot be lost or stolen or mutilated;
- You never need to doubt the genuineness of your shares i.e. whether they are forged or fake;
- Share transactions like transfer, transmission, etc., can be effected immediately;
- Transaction costs are usually lower than on the physical segment;
- There is no risk of bad delivery;
- Bonus/ rights shares allotted to you will be immediately credited to your account; and
- You will receive the statement of accounts of your transactions/ holdings periodically. According to Depository Act, 1996, investors have the option to hold shares in physical form or in electronic form. However, pursuant to directive issued by the Securities & Exchange Board of India (SEBI) shares of your Bank have been notified in the list of securities, where transactions will take place only in electronic mode for all Investors and shareholders are thus advised to open a Demat Account with depository participant and dematerialise their securities.

## Registrar and Share Transfer Agent

The Bank is having a contract with KARVY COMPUTERSHARE PRIVATE LIMITED to act as Registrar and Share Transfer Agent both for manual and electronic form with the incorporation of following initiatives / standards to ensure quality services to our investors:

1. The Internal Audit / Concurrent Audit to be carried out by independent firm of Company Secretaries / Chartered Accountants which will present a report to our Bank on the performance of KARVY vis-à-vis Jammu and Kashmir Bank Account.
2. Incorporation of query module on the web site [www.karisma.karvy.com](http://www.karisma.karvy.com) and the shareholders desirous of using the site need to do the following:
  - a) Log on to the site [www.karisma.karvy.com](http://www.karisma.karvy.com)
  - b) Look for options on the left side of the screen
  - c) Click Investors
  - d) This will open welcome to investor service screen
  - e) Sign-up user id and password (self registration)
  - f) Look for options on the left side of the screen
  - g) Select Queries
  - h) This will open query module, which needs to be filled. The information required is: application number, Folio number, name and address, phone number, fax number, email id, nature of query/complaint etc.

The information will be recorded by Karvy and replies accordingly.

3. A separate email i.e. [jkbank@karvy.com](mailto:jkbank@karvy.com) has been created exclusively for redressing the queries / complaints of our Shareholders.
4. Maintenance of the following service standards: Transfer within 7-10 days, Issue of duplicate share certificates within 30 days, Change of address/ mandate /name correction within 1-2 days, Revalidation /Credit of dividend warrants within 2 days, Demat and Remat within 3-5 days, Redressal of investor complaints within 48 hours and e-mail response within 24 hours, Registration of power of attorney within 1-2 days, Split /consolidation/ replacement within 5 days.

All members are requested to directly interact with Karvy on the following address:

## Karvy Computershare Private Limited,

UNIT J&K BANK LIMITED, Plot No. 17-24 Vittalrao Nagar, Madhapur HYDERABAD-500 081 TEL:- (040)-23420838, FAX:- (040)-23420814

In case any Investor desires to make any suggestion for better and improved services, same may be informed to:

Abdul Majid Bhat (Company Secretary) The Jammu and Kashmir Bank Limited, Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar, Jammu and Kashmir 190 001, e-mail: [sharedeptt\\_gc@jkbmail.com](mailto:sharedeptt_gc@jkbmail.com)



## Nomination Facility

The shareholders have the facility of making nomination in accordance with the provisions of Section 109A of the Companies Act, 1956, and allied procedures. The shares in the Company shall vest in the nominee, in the event of the death of the shareholder. In case of joint holders, they may together nominate, in the prescribed manner, a person in whom all the rights in the shares of the Company shall vest, in the event of death of the joint shareholders. Investors can make nomination by filling-in and sending form 2B (enclosed at the end of the report) to the Company singly, in case of sole holder or jointly, in case of the joint holders.

## Bank Mandate Form

In order to avoid the fraudulent encashment of dividend warrants, Shareholders are requested by the Bank to provide their Bank account details to enable the Bank to incorporate the said details in the dividend warrants. A format of the Bank mandate form is enclosed at the end of this report.

## NECS Form Facility

The National Electronic Clearing System (NECS) is intended to avoid the risk of loss/interception of dividend warrants in postal transit and / or fraudulent encashment of dividend warrants. The Shareholders are requested to avail the NECS facility /Direct credit facility, whereby the dividend will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and Company will duly inform the concerned Shareholders when the credit are passed on their respective bank accounts.







# Feedback Form



Dear Member,

J&K Bank requests you to rate the following aspects of this Annual Report on the scale given below.

	BELOW EXPEC- TATION	AVERAGE	FAIR	GOOD	EXCEL- LENT
Is it <b>Informative</b> ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How do you rate the <b>Clarity</b> of the Contents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the financial information <b>Comprehensive</b> ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the content of this Report <b>Relevant</b> to you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What is your <b>Overall</b> feedback on the report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What aspects of the Annual Report did not appeal to you?	<hr/>				
What aspects of the Annual Report appealed to you the most?	<hr/>				

\_\_\_\_\_  
(Signature)

Name  
Address

Folio No./Client ID





# Bank Account Particulars



Folio/Client ID No.:	
No. of Equity Shares Held:	

I/We \_\_\_\_\_

R/o \_\_\_\_\_

do hereby authorize The Jammu & Kashmir Bank Limited to print the following details on my / our Dividend Warrant.

Bank Name \_\_\_\_\_

Branch Name \_\_\_\_\_

Account type (Please Tick)    Savings                       Current                       Cash Credit

Account Number \_\_\_\_\_

Signature of the Member \_\_\_\_\_

**NOTE:** In case you are holding physical shares, the duly filled-in form be sent to Company Secretary, the Jammu & Kashmir Bank Ltd, Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar -190001 or to our Share Transfer Agent : Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Plot No 17-24, Vittalrao Nagar, Madhapur, Hyderabad-500081, Andhra Pradesh. In case you are holding shares in dematerialised form, the duly filled-in form be sent to depository participant where you are having demat account.





# Form 2B



NOMINATION FORM  
(Nomination under Section 109A of the Companies Act, 1956)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Sir,

I/We \_\_\_\_\_ and \_\_\_\_\_

\_\_\_\_\_ the holders of Shares under Ledger Folio No. / Client ID No.

\_\_\_\_\_ DP ID \_\_\_\_\_ of The Jammu & Kashmir Bank Limited wish to make

a nomination and do hereby nominate the following person in whom all rights of shares and/or amount payable in respect of share(s) registered under the said Folio No. / Client ID No. (DP ID) shall vest in the event of my/our death. This nomination automatically supersedes the nomination, if any, given by me/us prior to the date herein below mentioned.

Name and address of Nominee

Name \_\_\_\_\_

Address \_\_\_\_\_

Date of Birth\* \_\_\_\_\_

(\*To be furnished in case the nominee is a minor)

The Nominee is a minor. I/We appoint \_\_\_\_\_

(Name and Address of the guardian), to receive the shares and/or amount payable in respect of share(s) in the event of my/our/minor's death during the minority of the nominee.

(To be deleted if not applicable)

Name \_\_\_\_\_

(First Holder)

Address \_\_\_\_\_

Name \_\_\_\_\_

(Second Holder)

Address \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_



Specimen Signature of Nominee \_\_\_\_\_

{To be attested by the shareholder(s)} \_\_\_\_\_

Signature of Two Witnesses \_\_\_\_\_

1) Name and Address \_\_\_\_\_ Signature with Date \_\_\_\_\_

2) Name and Address \_\_\_\_\_ Signature with Date \_\_\_\_\_

**INSTRUCTIONS:**

01. In case you are holding physical shares, the duly filled-in form be sent to Company Secretary, The Jammu & Kashmir Bank Ltd, Board Secretariat, Corporate Headquarters, M. A. Road, Srinagar - 190001 or to our Share Transfer Agent: Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Plot No 17-24, Vittalrao Nagar, Madhapur, Hyderabad-500081, Andhra Pradesh. In case you are holding shares in Dematerialised form, the duly filled-in form be sent to the Depository Participant where you are having Demat Account.
02. Please use separate form for each folio. Nomination is applicable to the folio, irrespective of the number of shares registered under the folio. Only one nomination per folio per instance would be entertained.
03. The nomination can be made by individuals only applying / holding share(s) on their own behalf singly or jointly upto two persons. Non-Individuals including society, trust, body Corporate, partnership firm, karta of Hindu undivided family, holder of power of attorney, cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form.
04. A minor can be nominated by a holder of share(s) and in that event the name and address of the guardian shall be given by the holder.
05. The nominee shall not be a trust, society, body Corporate, karta of Hindu undivided family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis (subject to the Reserve Bank of India's approval as applicable).
06. Nomination stands rescinded upon transfer of share(s) or on receipt of subsequent nomination form.
07. Transfer of shares in favour of a nominee shall be a valid discharge by a Company against the legal heirs.
08. The form must be complete in all respects and duly witnessed. Incomplete form is not a valid nomination.
09. Subject to rules and regulations as applicable from time to time.



# NECS-I (National Electronic Clearing System) Mandate Form for payment of Dividend on Equity Shares

(For Shareholders holding shares in Physical Form)



To  
M/s Karvy Computershare Pvt. Ltd.  
**Unit: J&K Bank Limited**  
Plot No.17 - 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081

Dear Sir,

I hereby authorise **J&K Bank Limited** to credit dividend (to be declared in future, if any) amount directly to my bank account through NECS, details of which are as under :

1. First / Sole Shareholder's Name (in Block letters) \_\_\_\_\_
2. Address \_\_\_\_\_
3. Regd. Folio No. \_\_\_\_\_
4. Telephone No. \_\_\_\_\_ E-mail ID \_\_\_\_\_
5. Particulars of Bank Account \_\_\_\_\_
  - a) Bank Name : \_\_\_\_\_
  - b) Branch Name & Address (with Pin code & Tel. No.): \_\_\_\_\_

c) Bank Account No.

(as appearing on the Cheque Book):

d) Account Type (Please tick ✓)  Savings 10  Current 11  Cash Credit 12

e) 9 Digit MICR Code No. of the Bank & Branch appearing on the MICR cheque issued by the bank:

6. Please attach a photocopy of a cheque leaf or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the above mentioned code numbers.

### Declaration

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold J&K Bank Limited responsible. In case of NECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument.

Place: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of the first / sole shareholder

### Notes :

1. If above mandate has already been submitted, please ignore this communication.
2. Kindly fill all columns. Incomplete forms shall not be entertained.
3. Please note that NECS facility is available only at Core Banking Solution Branches (CBS Branches) of the Banks. Therefore, please ensure that you provide only your new bank account number allotted by your Bank, post Implementation of Core Banking System, to avail NECS.

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In case the shareholder is not in a position to give blank "cancelled" cheque or a photocopy thereof, a certificate of the shareholder's Bank may be furnished as under:

### Certificate of the Shareholder's Bank

(To be submitted only if blank "cancelled" cheque or a photocopy thereof is not enclosed)

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of the Authorised Official of the Bank











# Attendance Slip

(Please complete this attendance slip and hand it over at the registration counter for obtaining entry pass)

Regd. Folio No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Client ID \_\_\_\_\_

DP - ID \_\_\_\_\_

I hereby record my presence at the 75th Annual General Meeting of the Bank on Saturday, 22nd June, 2013 at 11.00 A.M. at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K.

Name of the Shareholder/Proxy:	_____
	(IN BLOCK LETTERS)

I certify that I am a registered Shareholder/Proxy for the registered Shareholder of the Bank

Signature of the Shareholder/Proxy: \_\_\_\_\_

Notes:

1. Attendance slip which is not complete in all respects shall not be accepted.
2. The registration counter will remain open between 9.00 A.M to 11.00 A. M.
3. Joint Shareholders may obtain additional attendance slip on request.



# Proxy Form

Regd. Folio No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Client ID \_\_\_\_\_

DP - ID \_\_\_\_\_

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member / members of  
the above named Bank, hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
as my / our Proxy or failing him \_\_\_\_\_ of \_\_\_\_\_ or failing  
him \_\_\_\_\_ of \_\_\_\_\_ to vote for me/us on my/  
our behalf at the 75th Annual General Meeting of the Bank to be held on Saturday, 22nd June, 2013 at 11.00 A.M at  
Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Signature of Shareholder \_\_\_\_\_

Affix Re. 1/- Revenue Stamp
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NOTE

This Proxy form in order to be effective should be duly stamped, complete and signed and must be deposited at the Registered Office of the Bank not less than 48 hours before the time fixed for holding the meeting.



# CORPORATE INFORMATION

## Board Of Directors

**Mr. Mushtaq Ahmad**  
Chairman & CEO

**Mr. Hari Narayan Iyer**  
Director

**Mr. M. I. Shahdad**  
Director

**Mr. Vikrant Kuthiala**  
Director

**Prof. Nisar Ali**  
Director

**Mr. A. M. Matto**  
Director

**Mr. R. K. Gupta**  
Director

**Mr. Nihal Garware**  
Director

## Secretary

Mr. Abdul Majid Bhat

## Auditors

**O P Garg & Co.**  
Chartered Accountants

**K B Sharma & Co.**  
Chartered Accountants

**Darshan Nagpal & Associates**  
Chartered Accountants

**P C Bindal & Co.**  
Chartered Accountants

**K K Goel & Associates**  
Chartered Accountants

## Registered Office

The Jammu & Kashmir Bank Ltd.  
Corporate Headquarters  
M. A. Road, Srinagar - 190 001

## Registrars and Share Transfer Agents

Karvy Computershare Private  
Limited  
Unit:- J&K Bank, Plot No. 17-24,  
Vittalrao Nagar,  
Madhapur, Hyderabad-500 081  
Andhra Pradesh, India  
Phone 040-23420838  
Fax 040-23420814  
Email jkbank@karvy.com

# AWARDS OF EXCELLENCE

J&K Bank received numerous awards during FY 2012-13. Here are some of the important ones:

## The Sunday Standard FINWIZ Best Bankers' Award

J&K Bank's sustained focus on all areas of banking during the past two years enabled it to win four national awards at 'The Sunday Standard FINWIZ Best Bankers Awards'.

- Conferred Best Banker in Financial Inclusion and Customer Friendliness' award.
- Runner-up for the 'Best Banker in Priority Sector Growth and Agricultural Credit'.
- J&K Bank's Chairman & CEO Mushtaq Ahmad was rated as the top ranked CEO for being 'accomplished in all aspects of banking'.

## IPE HRM Congress Awards

J&K Bank was conferred with the prestigious HR Leadership Award at IPE HRM Congress Awards organized under the aegis Asia Pacific HRM Congress (APHC).

## CNBC TV18 India's Best Bank and Financial Institution Awards

J&K Bank emerged as the 'Best Bank' in the 'Old Private Sector Bank' category at the CNBC TV18 India's Best Bank and Financial Institution Awards.

## India Human Capital Awards

For its leadership role in Human Resource Management practices, J&K Bank was conferred with HR Leadership Award in the 2nd India Human Capital Awards.

## FE India's Best Banks Award

In recognition of its strong fundamentals and dynamic growth model, J&K Bank was conferred the prestigious FE India's Best Banks Award

- Stood 1st in Old Private Sector Banks category.
- Emerged 3rd in terms of Profitability.

# BOOK-POST



## J&K Bank

Corporate Headquarters  
M A Road, Srinagar 190 001  
Jammu & Kashmir

[www.jkbank.net](http://www.jkbank.net)