



Inclusive Growth

A STORY FROM J&K BANK

Annual Report
2015-16



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THIS IS THE STORY OF AN ECONOMY
THAT AIMS TO BRIDGE THE GAP
BETWEEN THE HAVES AND
HAVE-NOTS. A STORY OF PURSUING
ECONOMIC GROWTH WHEREIN EVERY
SECTION OF THE SOCIETY GETS NOT
ONLY INCLUDED, BUT ALSO
EMPOWERED AND CONNECTED. THIS
IS ALSO AN EVOLVING STORY OF A
MAJOR GLOBAL ECONOMY MAKING
SERIOUS EFFORTS TO LEVERAGE ITS
GDP GROWTH TO TAKE MILLIONS OF
FAMILIES OUT OF POVERTY. THE
CHALLENGE IS GIGANTIC AND TO
OVERCOME IT IN TIME IS INDEED A
MAMMOTH TASK.





Inclusive Growth

A story from J&K Bank

Financial Inclusion - the concept and the implementation - has been getting the required attention in recent years in India.

Of late all the stakeholders i.e. banking regulator, central government, state governments, financial institutions and technology providers have come together with a unique positive synergy of approaches and processes to start producing results that are quite encouraging. This has eventually resulted in the fruition of things even beyond the purview of actual plans.

As a key stakeholder of Financial Inclusion in Jammu and Kashmir, we, at Jammu and Kashmir Bank have been assiduously furthering the agenda of inclusive growth. The challenges have been many and each seemed to be insurmountable when we started our financial inclusion journey 6 years ago. From expanding our coverage, putting up a robust operational framework, spreading awareness and achieving commercial viability, each task has posed its own daunting challenges.

Then, our conviction in the structural strengthening that financial inclusion would have lent to the millions of deprived families was very deep. Our resolve to scale the insurmountable peaks was equally firm. When confronted with roadblocks, we took inspiration from the adage "Seek and thou shalt find". And our journey crossed many milestones. At the closure of financial year 2015-16, we feel humbled by the progress made in our financial inclusion campaign.

Over 33 lac no-frill accounts stand opened, ₹ 1,078 Cr. worth of cumulative deposits, ₹ 2.09 Cr. total amount paid to beneficiaries under Financial Inclusion insurance.

While these numbers do tell a lot, they cannot tell everything. What leaves a telling impact is the sense of confidence that we perceive in some of the beneficiaries, the smiles that we are greeted with and the sense of hope that they exert towards making their own contribution to the GDP growth of the country. These intangibles are fueling our march forward on the path of financial inclusion.

While we take pride in what stands accomplished, we are aware that a lot more needs to be done. At J&K Bank, we continue to move from one family to another, one village to another, one region to another. We have taken a vow of not resting till the last mile is reached, the last man empowered and the last mind opened to the power of financial liberation.



Besides being the world's largest democracy, the second most populous country, the fastest growing major economy, India is also a nation of paradox. The number of billionaires is inching closer to a hundred and their cumulative wealth towards \$300 billion. In sharp contrast, the BPL (below poverty line) population stands at a mind-boggling 170 million.

Housing the world's largest English speaking human force, the country's literacy rate of 74% leaves much more to be accomplished. Amidst rapid urbanization, the country's rural populace still account for 68% of the overall population. With structural strengthening of manufacturing and services economy over recent decades, the GDP contribution of agricultural activities has steadily contracted to 16%. Yet, nearly half of the country's population depends on agriculture for their living.

The country's economic growth needs to be well distributed. Only then can the divide between the 'haves' and the 'have-nots' be narrowed. Disadvantaged regions and populace harbor tremendous productivity as well as consumption potential. In order to get mainstreamed into the productivity cycle, they need infrastructure, opportunities, skills and capital to be made available to the

clusters they inhabit.

Financial Inclusion is a key enabler to reducing poverty and enhancing prosperity. The government is leveraging it as a vehicle to bridge the existing inequalities. While the concept is not new in the country, it has gained the requisite attention and momentum in recent years and is being implemented as a mission. Finance is a proven intervention for economic development and access to it is empowering, particularly for the underprivileged. Replacing agricultural input subsidy with income support was a key socio-economic measure among others. The Pradhan Mantri Jan Dhan Yojana (PMJDY) became the melting pot for several governance benefits that were meant for underprivileged class. Several other measures like relaxation of KYC norms, appointing a local individual as Business Correspondent (BC), opening of bank business units in rural areas, use of technology for banking, financial literacy, etc., fueled financial inclusion. Making available basic insurance and pension at a nominal cost under the Pradhan Mantri Suraksha Bima Yojana (PMSBY), the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Atal Pension Yojana (APY) schemes anchored the beneficiary's families with financial security.

Implementation hurdles on the ground

Like the paradoxical parallels in the country's diverse constitution, implementation hurdles to Financial Inclusion too remain equally diverse. The physical access to remote areas, the literacy levels of the beneficiary clusters and classes, the coverage and network quality of telecommunication services, the awareness and willingness quotient of the target groups; each one of these impacting parameters vary from region to region, state to state, and district to district.

In case of Jammu and Kashmir, the challenge becomes even bigger. The hilly terrain, extreme weather, inadequate

road connectivity, low internet penetration, sparse and dispersed population, low literacy; each of these factors make the implementation of financial inclusion more arduous. At J&K Bank, our resolve to bridge the socio-economic divide of Jammu and Kashmir with rest of India helped us take on the task of achieving financial inclusion as a critical mission. Our approach to take the benefits to the last man and the last mile was much beyond the prescribed limits of the regulators and the government of India. For, we aimed to achieve financial inclusion also in spirit and not just in letter.

Empowering every family to stand on its feet,

NO TASK TOO BIG!

THIS IS THE STORY OF INCLUSIVE GROWTH THAT HAS BEEN GAINING ROOTS IN THE HIMALAYAN STATE OF JAMMU AND KASHMIR OVER THE LAST FEW YEARS. THIS IS THE STORY OF A VALLEY WITH GAPS THAT TESTED HUMAN GRIT TO CHALLENGE AND WIN OVER THE NATURE'S RUGGEDNESS AND CLIMATE'S SEVERITY. THIS IS THE STORY OF THE PEOPLE'S OWN BANK THAT ROSE TO THIS HERCULEAN TASK OF BRIDGING MAMMOTH GAPS. IT IS THE STORY OF J&K BANK TAKING ON THE GIGANTIC GAPS OF MANY KINDS - THE ACCESS GAP, THE KNOWLEDGE GAP, THE INCLUSION GAP, AND THE HAPPINESS GAP. IN OUR ANNUAL REPORT 2015-16, WE ARE HAPPY TO SHOWCASE OUR EARNEST STORY OF FURTHERING INCLUSIVE GROWTH IN THE STATE OF JAMMU AND KASHMIR. THE MORAL OF THIS STORY IS THAT NO GAP IS TOO WIDE TO BE BRIDGED, PROVIDED WE MIND THE GAP!

Our own tryst with Financial Inclusion started with the uniqueness and enormity of challenges that Jammu and Kashmir is beset with vis-à-vis. the rest of the country. With its hilly terrain, poor road connectivity and snow laden paths difficult to tread on, the unpredictable changes in weather at the higher Himalayan altitudes, especially during winter month; The economic activities remain usually low in most part of the state during the year.

A vast portion of the population lives miles away from economic centers and up in the hilly areas where road connectivity and other amenities are almost missing. The population in areas like Ladakh is too sparsely located. The Bank's business unit network appeared inadequate for the manifold coverage that Financial Inclusion mission warranted. Basic literacy, leaving aside financial literacy, was dismal among the target clusters.

Access Gap in Jammu and Kashmir

- Vast swathes of rugged terrain, many parts only partly connected
- Many of these areas are sparsely populated
- The internet coverage, speed and connectivity remain uneven across the hinterland
- Internet connectivity blackout of about 20 days over the last four years
- 30 households out of 100 had no bank account (2011 census)



The determination was strong and the resolve deep. We had to do it anyhow. The Reserve Bank prescription was to begin with mapping the rural clusters having a population in excess of 2,000 which yielded 536 villages. We took a higher target by adding 325 additional villages below the prescribed population to take the fruits of financial inclusion to a total of 861 villages.

With the villages mapped, the next task was to achieve a commercial as well as operational viability of such a huge exercise. Multiplying our network with brick and mortar business units would have needed significant CAPEX and time. Moreover, the cost of servicing would have made it almost impossible and hence the option was a non-starter. We took an innovative alternate route. Why not explore a human kiosk to replace the heavy-structured bank business unit? What if the bank knocks

at the doors of target beneficiaries? What if the kiosk-carrying-human happens to be one of those very villagers? Now we were talking... and it was making sense! This surely was the answer. Indeed, it opened a window of opportunity!

Thus began the next task. There were many individuals running common service centers in those very villages. We roped them in as our business correspondents (BCs). We had now placed a foot in the door.

The next challenge was on arriving at a viable, sustainable and scalable modus operandi. Technology was the great enabler. The problem, though, remained the unreliable availability of internet in these target villages. We stood so close and yet so far!

"Seek and thou shalt find" inspired us once again. How about a platform that allows the data to be captured offline for long hours

and distance before it gets rendered online at a fixed place and time? Like electric vehicles, we charge at night and drive carefree for a limited time and distance during the course of the day.

There certainly was a possibility and it appeared to be worth exploring. The search for a technology partner that could make this proposition a reality commenced. And it yielded results! FINO, a technology company, partnered us in our quest for a hybrid offline-online device. We brainstormed, experimented, tested, reviewed, improvised and so on and so forth. The process lasted for few months until the efforts reached a happy fruition. We found a unique hybrid offline-online device that met our unique needs. We had found the man and now the machine too was at our disposal. Adding money should have completed the cycle, or so we thought!



THE KNOWLEDGE INTERFACE

Between the man, machine, money and beneficiaries



WITH URBAN POPULATION ACCOUNTING FOR JUST 27.37%, THE STATE HAS A SIZEABLE RURAL POPULATION. THE URBAN POPULATION IS AS THIN AS 4.16% AND 6.15% IN RAMBAN AND SHOPIAN DISTRICTS RESPECTIVELY. ANOTHER MARKED CHARACTERISTIC OF THE STATE IS THE VERY LOW POPULATION DENSITY OF 124 PERSONS PER SQ. KM, AGAINST 382 PERSONS PER SQ. KM FOR INDIA. THE LITERACY RATE OF THE STATE IS 68.74% AS AGAINST THE NATIONAL AVERAGE OF 74.04%. THE STATE HAS 78.26% MALE LITERATES AND 58.01% FEMALE LITERATES. FINANCIAL LITERACY, A PERSON'S AWARENESS AND UNDERSTANDING OF BASIC FINANCIAL PRODUCTS AND SERVICES SUCH AS A BANK ACCOUNT AND LOANS, INSURANCE PRODUCTS, AND NON-GOVERNMENT PENSION ARE ABYSMALLY LOW. THE INSISTENCE ON KYC NORMS HINDERS THE OPENING OF NEW ACCOUNTS EVEN IN URBAN AREAS. ALSO, LACK OF PERENNIAL EMPLOYMENT OPPORTUNITIES AND POOR INFRASTRUCTURAL CONNECTIVITY HAMPERS FINANCIAL INCLUSION PROGRESS.

We were so near or at least, it appeared so. Structurally, it was true too, to some extent. Now was the time to put the guidelines and standard operating procedures in place. The vast network of our one-man 'banks' was required to be oriented, trained and integrated with the structural operations of our banking business. The next few months were invested in setting the guidelines, inducting business correspondents, training them about the products and processes. Field-testing of the hybrid Point of Transaction (PoT) devices was also completed in the due course.

The Bank was now ready to hit the turf running; but for the fact that the turf was not as much physical as psychological. The next challenge was nothing less than igniting a transformation. We were faced with a large group of people who had been deprived of the mainstream financial products for generations. Many were even alien to the concept of basic banking; never had got a bank account nor to speak of signing a cheque. Poverty may have been their misfortune but illiteracy was their deadliest foe.

Bridging the knowledge gap

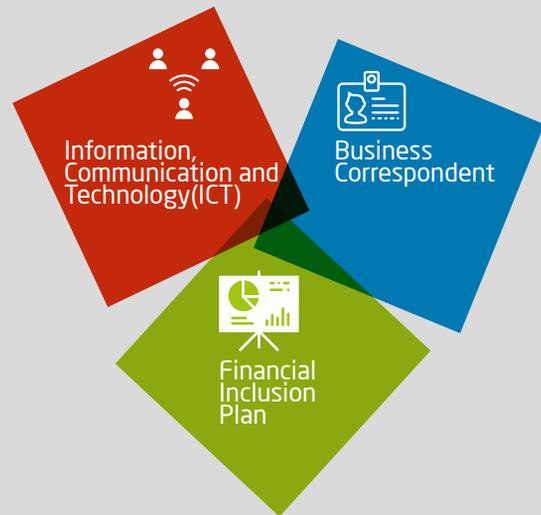
- Well-informed and trained Business Correspondents
- Technologically equipped field force
- 12 Financial Literacy cum Credit Counseling Centers (FLCC) established
- FLCCs spreading knowledge on financial products, money management, debt counseling, savings and affordable credit
- 86,000+ people benefitted from 1,053 outdoor financial literacy camps in FY 2015-16

J&K Bank's e-Financial Inclusion

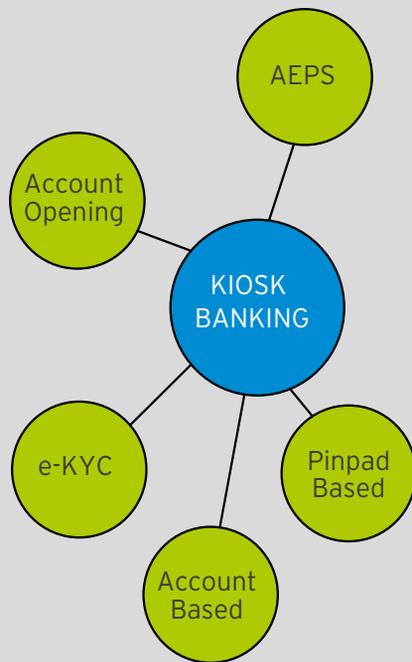
The key to open the closed minds was biometric. Smartcards were to be rolled out to the 'have-nots' while their counterparts, 'haves', were mulling over which smartphone to buy next. We were happy in adding, at least, a semblance of smartness to the hinterland.

One of the last few hurdles was to spread financial literacy among the target beneficiaries. It was critical to open them up to the benefits of financial planning, saving and spending according to the plan before they could avail many governance-related financial benefits.

Thankfully our business correspondent module acted as a bridge with the beneficiary villagers and the benefits of our financial inclusion programs.



Point of Transaction (PoT): Application



We replaced FINO Technology (PoT) with Online FI Solution (Kiosk Banking) which is the provision of a broad range of financial services such as deposits, payment services, money transfers to low-income households and their micro enterprises. BC's can provide services like balance enquiry, cash withdrawal, cash deposit, Fund transfer and mini-statement via various modules like Aadhar Enabled Payment System (AEPS), RuPay Card pin based transactions, Account based transactions and e-KYC through Kiosk Banking. The new technology facilitated us to reach to the unbanked areas along with the benefits of financial inclusion.

In AEPS, the Aadhaar number of customer is linked to his/her Account number, making banking easier for poor people by involving BCs to make transactions happen in rural and remote areas.

The pin-pad facility at the BC locations has enabled customers to do RuPay/Debit card pin based transaction. Interoperability

implementation of pin-pad devices enabled beneficiaries to use RuPay/Debit Cards of any bank for transactions at BC locations through Banks online FI (Kiosk) Solution.

Further, implementation of e-KYC assisted us to reduce the risk of identity fraud, document forgery and facilitated paperless KYC verification.

We organized financial literacy camps on a massive scale and ensured higher participation of fellow beneficiaries, often roping in some educated opinion leaders from their own communities. The turf was now turning conducive for an impressive innings. We are glad to share success stories of our two BCs. They are enabling villagers to avail the benefits of PMJDY and encouraging people towards various social security schemes like PMJJBY, PMSBY and APY. We support the BC's with fixed monthly remuneration of ₹ 1,200 in addition to various commissions.

Business Correspondents Success Story: Snapshot

 <p>Name: Mr. Fayaz Ahmad Malik Appointed since the year: 2012 Area: Arizal, Budgam Near: Kashmir Household Surveyed: 2,410 Account opened under PMJDY: 2309 Remuneration earned under PMJDY ₹ 129,520</p>	 <p>Name: Ms. Sugra Bano Appointed since the year: 2013 Area: Sankoo Near: Kargil Household Surveyed: 2,214 Account opened under PMJDY: 969 Remuneration earned under PMJDY ₹ 84,450</p>	 <p>Name: Mr. Balwinder Singh Appointed since the year: 2013 Area: Reasi Near: Jammu Household Surveyed: 7,522 Account opened under PMJDY: 617 Remuneration earned under PMJDY ₹ 1,84,600</p>
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We have 939 Business Correspondents like Mr. Malik, Ms Bano and Mr. Singh who are persistently empowering villagers under the flagship program of Financial Inclusion.



STARTING A JOURNEY IN CONTINUUM

Till the last mile and man is reached...



THE MOMENT THE FIRST NO-FRILLS ACCOUNT WAS OPENED IN 2010, THE CAMPAIGN NEVER LOOKED BACK. THERE ON, IT STEADILY GAINED MOMENTUM. AS WE CLOSED THE FISCAL YEAR 2015-16, IT HAD GAINED THE DECISIVE TRACTION.

Basic Bank Account and RuPay Debit Card

Accounts opened



Rural
11,86,446



Urban
1,22,835

Accounts with Zero balance



5,72,293

RuPay Cards Issued



11,00,000

Over Draft Facility of ₹ 5,000/-



Made Available

Service Outreach

- Mapping through Sub Service Area (SSA) approach
- Handpicking fully enabled BC outlets
- 1,367 SSAs (194 urban, 1173 rural) covered under PMJDY
- Outreach expanded to cover 5,078 villages with area coverage of 5 kms
- Over 13 lacs beneficiaries covered under PMJDY
- Villages attached with the nearest units (Business unit or BC)
- Aadhar Enabled Payment System implemented
- 11 lac RuPay cards issued

Overall Impact

- 33.38 lac accounts opened under Financial Inclusion
- ₹ 1,078 Cr. credit balance as under financial inclusion
- 13.10 lac beneficiaries under the ambit of PMJDY bank accounts
- 1,18,212 insurance policies enrolled under PMJJY
- 1,73,835 insurance policies enrolled under PMSBY
- 14,275 pension enrolments under APY
- 141 insurance claims settled till date

33,38,351

FINANCIAL INCLUSION
ACCOUNTS OPENED

1,078

CUMULATIVE DEPOSITS IN
FI ACCOUNTS (₹ Cr.)

2.09

TOTAL AMOUNT PAID TO
BENEFICIARIES
UNDER FI INSURANCE (₹ Cr.)

2,92,047

ENROLLED
INSURANCE POLICIES

5,840.94

CUMULATIVE SUM
ASSURED (₹ Cr.)

14,275

PENSION
ENROLMENTS



2016

BEST PERFORMING PVT. SECTOR
BANK IN APY (PFRDA)

2016

FINANCING OF
SELF HELP GROUPS AND
JOINT LIABILITY GROUPS IN
JAMMU AND KASHMIR

2015

OUTSTANDING PERFORMER
UNDER PMJDY (FITS)

2015

ACCESS TO BFSI UNDER
FINANCIAL INCLUSION (SKOCH)

2013

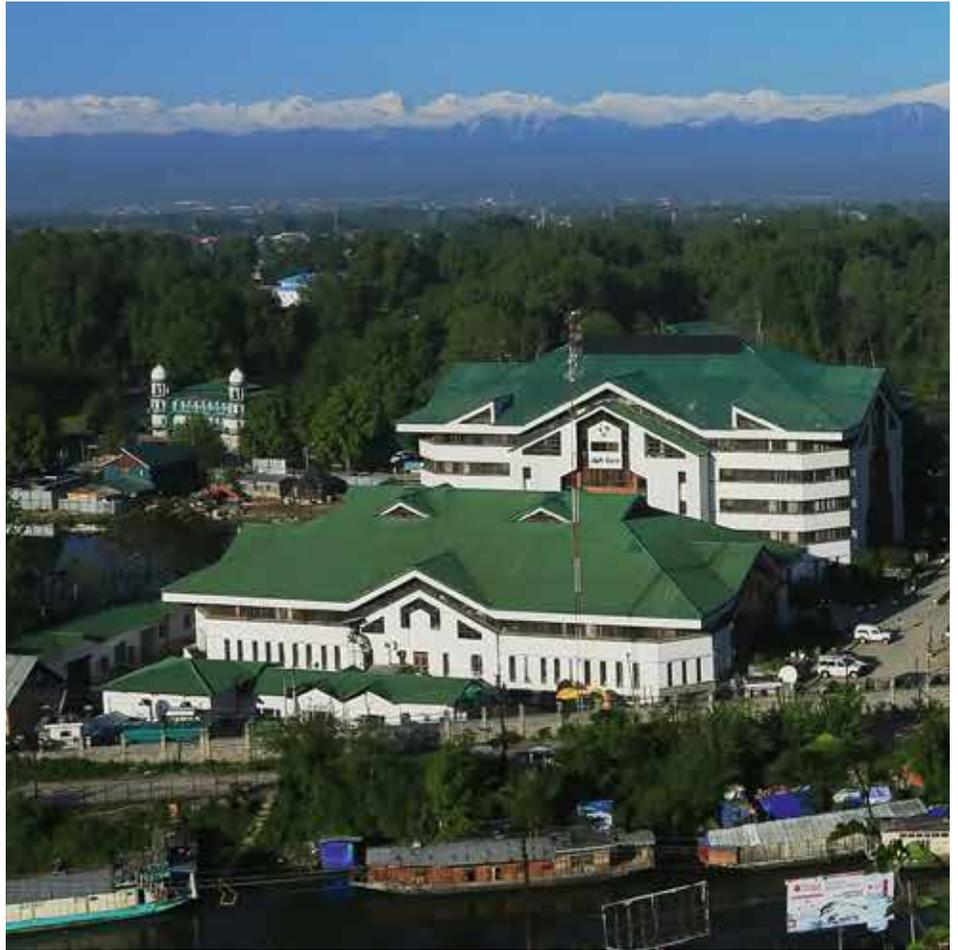
BEST BANKER IN FINANCIAL
INCLUSION AND CUSTOMER
FRIENDLINESS (MID-SIZE)

2013

BEST PVT. SECTOR BANK IN
RURAL REACH
(DUN AND BRADSTREET)

Mohamad Shaban Lone was a hard-working laborer from Ushkara - a village in district Baramulla of Jammu and Kashmir- was the only bread earner for the family. He met with a fatal accident in April 2015 leaving behind his wife along with three children without an income source. Fortunately, the deceased had opened an account under PMJDY at J&K Bank, Ushkara business unit on 16th of January, 2015 with a RuPay Card with an insurance cover of ₹ 1 lac, which was handed over to Mohamad Shaban's family after claim settlement. Thus, opening of a PMJDY account became a blessing for his family. The family remains highly thankful to the Government and the bank as the scheme met their immediate financial needs.

PMJDY scheme has been designed to improve the conditions of poor people who need financial security not only to make their lives easier but also to support their families after their death.

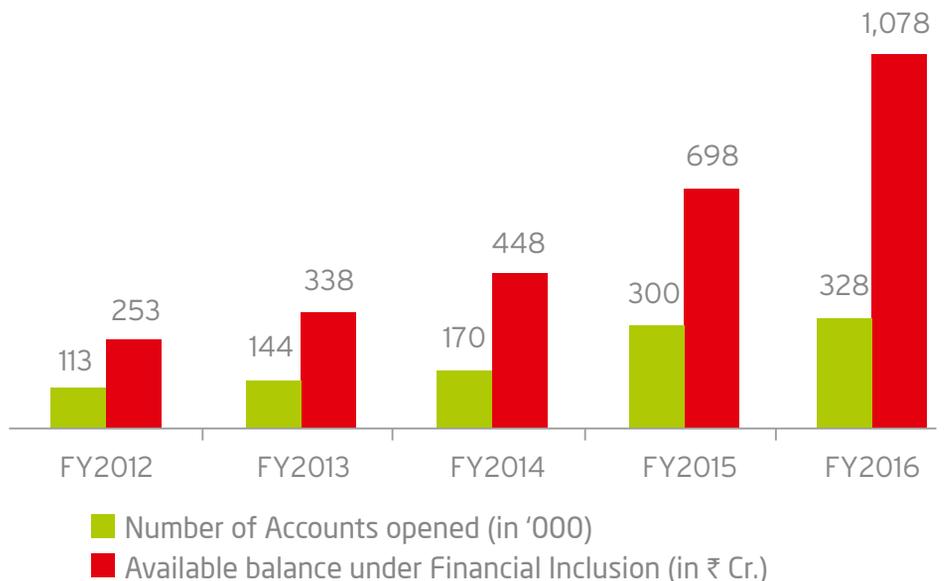


Also, the implementation of financial inclusion has enabled us with rich experience which was harnessed by us to launch our own innovative micro credit products such as:

- Differential Rate of Interest
- Micro Credit Card
- Micro Overdraft to Ujala accounts
- Micro Recurring Deposit Scheme
- Micro Remittance

We have completed the customization of the Micro Credit products and disbursed

the credit to eligible smart card holders under financial inclusion. We have established 125 brick and mortar business units to tap the potential of the identified un-banked villages. We are conducting regular training and development programmes for our staff to improve our productivity under financial inclusion. We are determined to reach out to the last mile ensuring lasting 'financial inclusive' smiles. We are resolute to stay on course and bridge all the gaps in the 'land of paradise'.





WORLD OF J&K BANK

Incorporated in the year 1938, J&K Bank is promoted by the Government of Jammu and Kashmir (J&K) state, which holds 53.17 % stake in the Bank. J&K Bank is head quartered at Srinagar and has a National Business Centre at Mumbai and North Zone headquarters at Gurgaon, Haryana.

J&K Bank is listed on the NSE and the BSE. Having track record of uninterrupted profits and dividends for four decades, J&K Bank functions as a universal bank in Jammu and Kashmir and as a specialized bank in the rest of the country. It has 857 business units and

1,006 ATMs across the country. It also conducts banking business of the Central Government like Direct Tax collection, Indirect Tax collection and Utility bills collection.

J&K Bank operates on the principle of 'socially empowering banking' and seeks to deliver innovative financial solutions for households besides small and medium enterprises.

India Ratings and Research (FITCH) has assigned a rating IND AA with stable outlook to the bank's long term debt.

VISION

"To catalyse economic transformation and capitalise on growth."

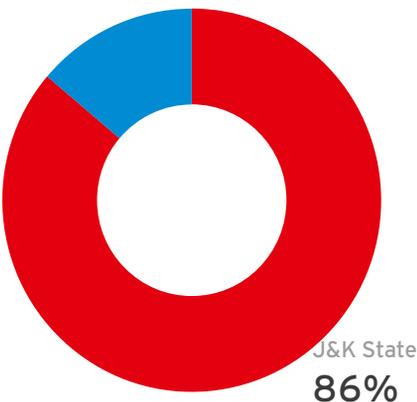
Our vision is to engender and catalyze economic transformation of Jammu and Kashmir and capitalize from the growth induced financial prosperity thus engineered. The Bank aspires to make Jammu and Kashmir the most prosperous state in the country, by helping create a new financial architecture for the J&K economy, at the center of which will be the J&K Bank.

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.

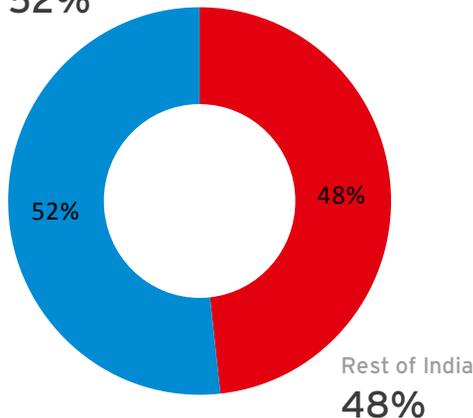
Branch Network

Rest of India
14%

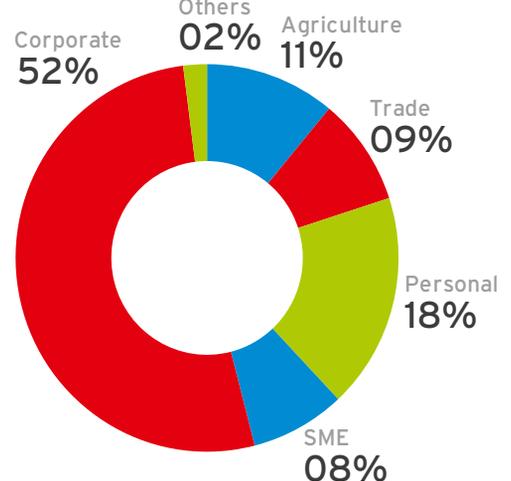


Total Advances: ₹ 50,193 Cr.

Region-wise
Within J&K State
52%



Sector-wise



Particulars	FY16	FY15	FY14	FY13	FY12
Profit & Loss Statement					
Net Interest Income (NII)	2,710	2,651	2,684	2,316	1,838
Other Income (OI)	504	594	390	484	334
NII+OI	3,214	3,245	3,075	2,800	2,172
Operating Expenses	1,546	1,409	1,175	989	802
Profit Before Provisions & Contingencies	1,668	1,836	1,900	1,811	1,370
Provisions & Contingencies	1,252	1,327	717	756	567
Net Profit	416	509	1,182	1,055	803
Balance Sheet					
Total Advances	50,193	44,586	46,385	39,200	33,077
Priority Sector Advances	16,097	14,817	12,793	11,448	9,961
Total Deposits	69,390	65,756	69,336	64,221	53,347
Demand Deposits	7,212	6,547	6,840	6,401	5,734
Saving Bank Deposits	23,408	20,930	20,243	18,789	15,981
Term Deposits	38,770	38,280	42,253	39,030	31,632
Total Investments	20,354	22,760	26,195	25,741	21,624
Shareholders' Funds	6,424	6,110	5,724	4,865	4,093
Key Ratios					
Return on Equity (%)	6.64	8.60	22.34	23.56	21.22
Return on Assets (%)	0.57	0.70	1.74	1.70	1.56
Net Interest Margin (%)	3.85	3.81	4.16	3.97	3.84
Cost/Income (%)	48.11	43.42	38.21	35.32	36.92
Advances/Deposit (%)	72.33	67.80	66.90	61.04	62.00
CASA Ratio (%)	44.13	41.79	39.06	39.23	40.71
Business per Employee (₹ Crores)	11.79	11.89	12.35	11.00	9.34
Net Profit per Employee (₹ In Lacs)	4.10	5.48	12.62	11.22	8.68
Gross NPA Ratio (%)	8.32	5.97	1.66	1.62	1.54
Net NPA Ratio (%)	4.31	2.77	0.22	0.14	0.15
NPA Coverage Ratio (%)	56.15	59.02	90.30	94.01	93.76
Book Value Per Share(BVPS) (₹)	132.51	126.04	118.07	100.35	84.43
P/BV(x)	0.45	0.83	1.60	1.33	1.00
EPS (₹)	8.58	10.49	24.39	21.76	16.57
P/E (X)	6.99	9.93	7.74	6.13	5.11
Dividend (₹)	1.75	2.10	5.00	5.00	3.35
Dividend Payout Ratio (%)	20.39	20.02	20.50	22.97	20.22

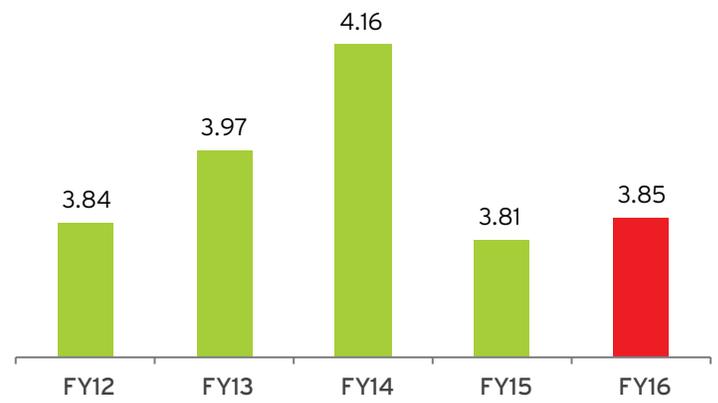
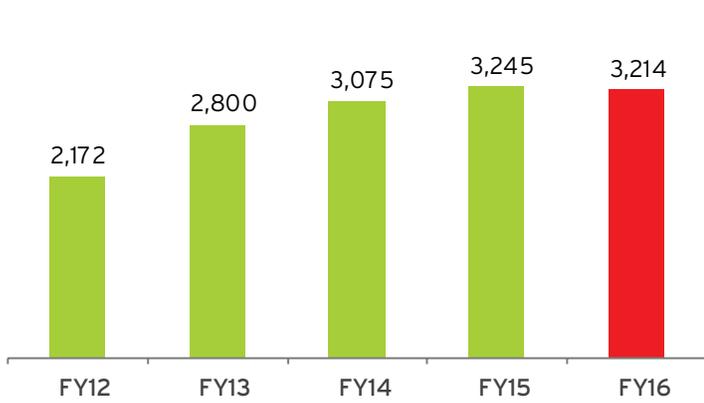


NII+OI

(₹ in Crores)

Net Interest Margin

(in %)

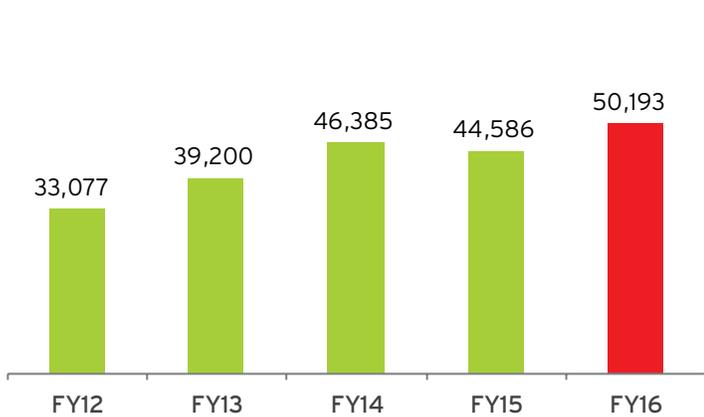


Total Advances

(₹ in Crores)

Book Value Per Share (BVPS)

(in ₹)

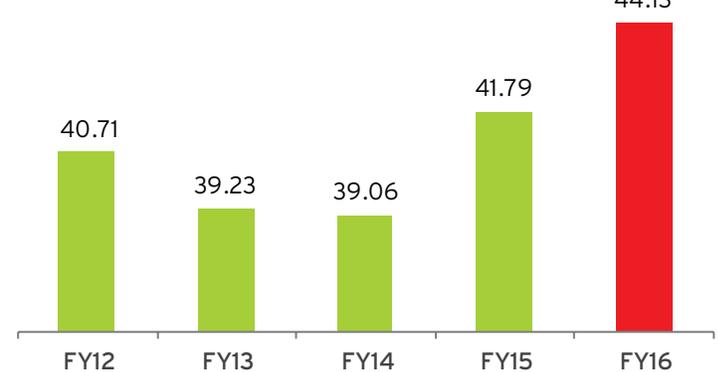
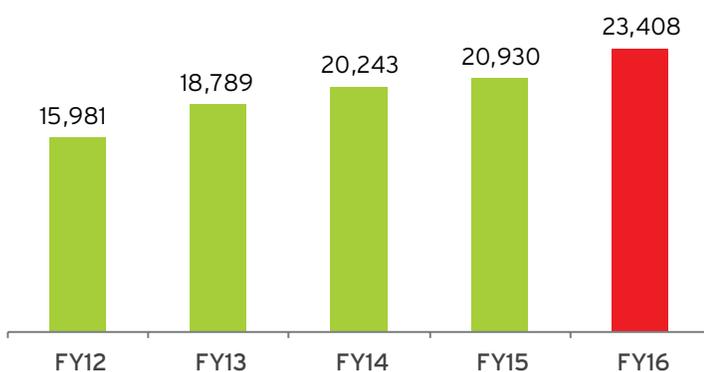


Saving Bank Deposits

(₹ in Crores)

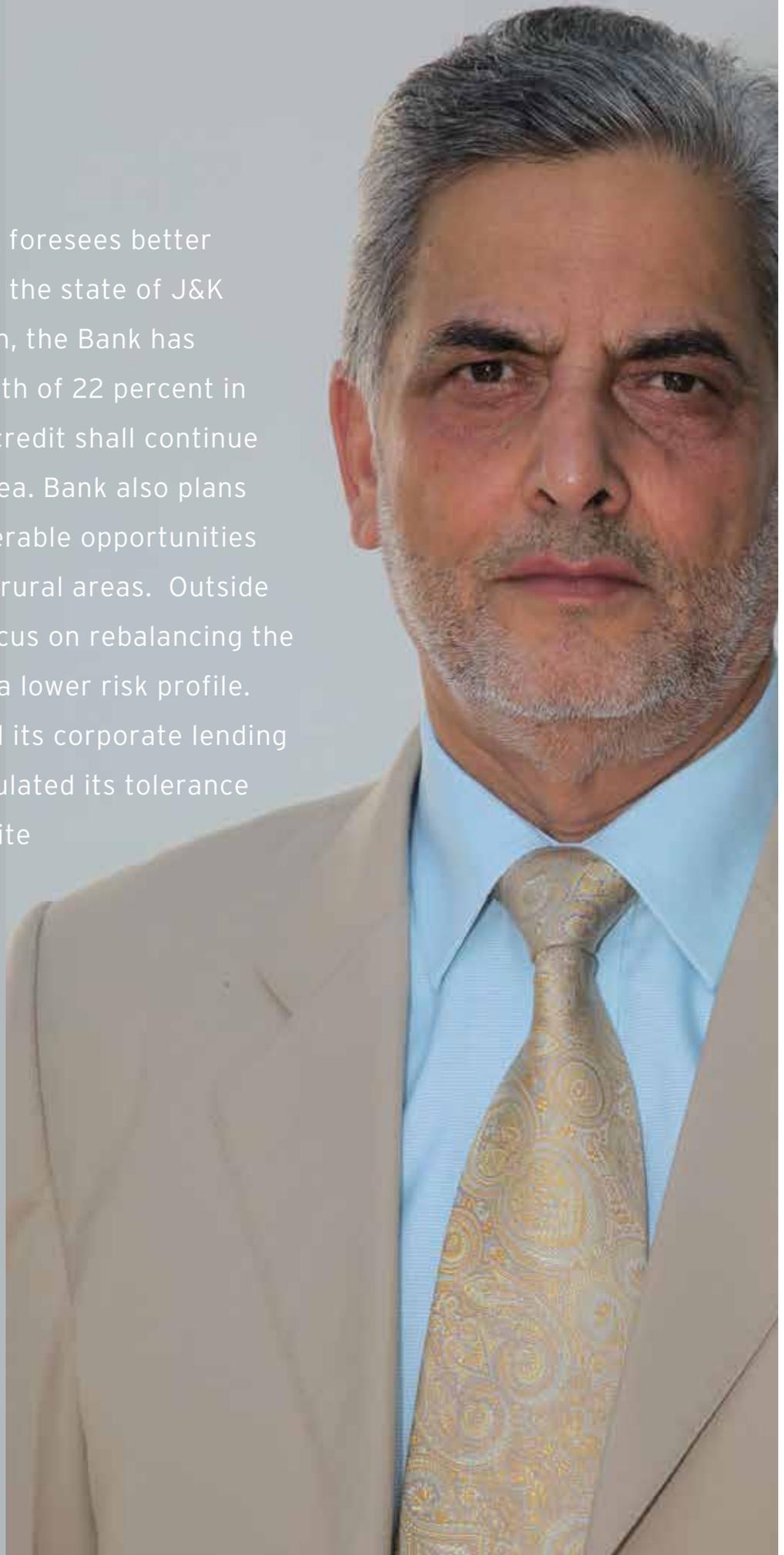
CASA Ratio

(in %)



Chairman's Statement

Going ahead, the Bank foresees better economic prospects in the state of J&K for FY 2016-17. As such, the Bank has targeted a credit growth of 22 percent in the J&K State. Retail credit shall continue to be a major focus area. Bank also plans to harness the considerable opportunities being provided by the rural areas. Outside J&K, the Bank shall focus on rebalancing the portfolio mix towards a lower risk profile. The Bank has revisited its corporate lending policy and has reformulated its tolerance limits, exposure appetite and risk management framework.



Dear Shareholders,

It gives me immense pleasure to present the Annual Report of your Bank for the Financial Year 2015-16. At the outset, I would like to express my gratitude for your continuous trust, loyalty and unwavering support to the Bank.

The Indian banking sector is passing through a difficult phase. The asset quality of most of the banks has been under increasing pressure for past few years; a direct corollary of dampened national economy and, in particular, the resultant severe weakness in corporate earnings. The problem manifested itself at its zenith during FY 2015-16 as most of the banks faced unprecedented deterioration in asset quality. Profitability of the sector also witnessed a steep decline on account of increased provisioning for impaired assets.

FY 2015-16 was also a very challenging one for J&K Bank. Throughout the year, the Bank was confronted with a surge in non-performing assets. NPA's, however, were predominantly limited to some corporate accounts and the Bank's considerable retail loan portfolio was mostly left unscathed. J&K State, the main contributor of retail credit for the Bank, had much lower NPA level than any other geographic constituent of the Bank.

For FY 2015-16, the focus of the Bank remained on consolidation of the balance sheet to make it stronger and healthier for future. The Bank apportioned substantial percentage of operating profits towards floating provisions, so as to have a strong cushion against future uncertainties.

In spite of subdued economic environment at the national level and a stifled economy at J&K State level, still recovering in the aftermath of floods, the Bank's credit growth for the financial year stood at 12.58 percent which is much higher than the industry average of 9.3 percent. During the year, the Bank consciously avoided contracting high cost deposits and instead focused on low cost CASA deposits. This resulted in reduction in Cost of Deposits as well as improvement in Net Interest Margins. For FY 2015-16, the cost of deposits of the Bank stood at 6.34 percent compared to 6.74 percent for the previous financial year. Similarly, NIM stood at 3.85 percent compared to 3.81 percent in FY 2014-15. CASA deposits, as a percentage of total deposits, increased from 41.79 percent in FY 2014-15 to 44.13 percent in FY 2015-16.

The Bank remained well capitalized with an overall Capital Adequacy Ratio (CAR) of 11.81 percent as on March 2016, computed under Basel III norms, which is well above RBI stipulated norm of 9.625 percent. Of this, the Common Equity Tier I stood at 10.60 percent against the minimum regulatory requirement of 7.00 percent.

Going ahead, the Bank foresees better economic prospects in the state of J&K for FY 2016-17. As such, the Bank has targeted a credit growth of 22 percent in the J&K State. Retail credit shall continue to be a major focus area. Bank also plans to harness the considerable opportunities being provided by the rural areas. Outside J&K, the Bank shall focus on rebalancing the portfolio mix towards a lower risk profile. The Bank has revisited its corporate lending policy and has reformulated its tolerance limits, exposure appetite and risk management framework.

The policy of branch expansion in J&K State particularly in unbanked and under banked areas, shall continue as priority. These branches have proven to be substantial contributors of low cost CASA deposits for the Bank. Against the CASA deposit ratio of 44 percent for the Bank as a whole and 53 percent for J&K State, the CASA deposit ratio of these branches has remained at a very healthy 70 percent and even above. Accordingly, the Bank plans to establish 228 new branches in J&K State, out of the total 248 branches planned for the current financial year.

Indian banking sector is experiencing a phenomenal and metamorphic rise of the digital banking. Major opportunities and challenges are being presented by the disruptions brought in by the technology. Understanding this, the Bank initiated steps for internal adoption of technology as an organizational culture and reinforced the technological solutions being offered to the customers. During the year, the Bank improved its ATM footprint and increased the card count. The Bank also upgraded its e-banking platform and initiated process for revamping its mobile platform for banking services. Bank's Internet Payment Gateway has been aggressively pitched to various customer segments. Recent technological interventions in banking are being continuously explored to provide our customers maximum ease and comfort. At the same time, efforts are being made to encourage clients to adopt modern digital banking channels.

As a developmental institution of J&K State, the Bank continues to lay high emphasis on inclusive growth of all sections of the society. The objective of providing banking services in unbanked areas is being achieved through a mix of Brick & Mortar branches and Business Correspondents. Under Pradhan Mantri Jan Dhan Yojna, 12.86 lac accounts have been opened so far, with deposit of ₹ 349.84 Cr. in these accounts. RuPay Debit Cards have been delivered to majority of these account holders. The Social Security Schemes- Atal Pension Yojna (APY), Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) and Pradhan Mantri Suraksha Bima Yojna (PMSBY) are being implemented with full vigor and intensity.

Dear Shareholders, 2015-16 was a difficult year for the banking industry as also to our Bank. However, with your support, we not only succeeded in overcoming the complexities but also build reasonable fortifications to face future uncertainties. I take this opportunity to express gratitude to our main promoter, the J&K State Government for their continued patronage and support. I also acknowledge and express gratitude to RBI for their guidance. I am also thankful to the Union Government for their support. I also thank NABARD and other members of our stakeholder fraternity who have always been extending a helping hand in our various initiatives. Finally, I acknowledge the commitment and dedication of all the staff members of J&K Bank family.

Esteemed Shareholders, the banking industry has been operating in an unfavorable environment for quite some time now. Stress in Corporate sector was inevitably transmitted to banking industry, resulting in deterioration in asset quality as well as profitability of most of the banks. However, there are vivid signs that corporate performance is improving. National economy is already progressing on a high growth trajectory. The future appears to be full of opportunities for growth and profitability. With your continued support, we remain poised to harness the opportunities and address the challenges to take this institution to new heights of excellence.

With best wishes,

Mushtaq Ahmad
Chairman & CEO.

CORPORATE SOCIAL RESPONSIBILITY

A Philosophy of Caring & Sharing



Chairman & CEO, Mushtaq Ahmad J&K Bank handing over key of the bus to Chotay Tarey Foundation



Chairman & CEO, Mushtaq Ahmad J&K Bank handing over key of the bus to Child Nurture & relief Kashmir



Executive President J&K Bank handing over key of ambulance to Vice Chancellor Sher-i-Kashmir-University of Agricultural Science & Technology (SKUAST)



Medical camp on Women's Day



Plantation Drive on World Arbor Day



J&K Bank adopts Hepatitis C Patients

INAUGURATION OF MODEL CLASSES

Developed by J&K Bank



KEY EVENTS

FY 2016



J&K Bank awarded ISO 27001:2013 Certification



Special Meeting of SLBC organised by J&K Bank



100th meeting of J&K SLBC



Executive President Addressing Regional Seminar on Economic Empowerment through Financial Education



Mushtaq Ahmad, Chairman & CEO addressing 77th AGM



Conclave of RSETI Directors sponsored by J&K Bank



Celebrating recent achievements of J&K Bank's Football Team

AWARDS & ACCOLADES



J&K Bank was awarded for its performance in the enrollment subscription of the Central Government's flagship insurance scheme Atal Pension Yojna (APY). In terms of targets achieved under APY, the bank was adjudged second among the country's private sector banks.

J&K Bank was declared winner of 'Best Corporate Social Responsibility Practices' Award in Asia Pacific HRM Congress Awards 2015 in recognition of its growing contribution towards larger social good in the state.



J&K Bank was honored with four State Level Micro Financing Awards during 2015-16 for its performances under promotion and financing of Self Help Groups (SHGs) and Joint Liability Groups (JLGs) in the Jammu and Kashmir State.

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 43 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. Navin Kumar Choudhary, IAS,

Mr. Navin K. Choudhary is serving the Govt. of J&K as Principal Secretary to Hon'ble Chief Minister, Prior to this; he was Joint Secretary (Planning and International Cooperation) in the Ministry of Defence.

Mr. Navin K. Choudhary belongs to the Indian Administrative Service. As a civil servant he has, in the last 22 years or so, undertaken a variety of assignments in the Government of India and in the Jammu & Kashmir (State Government). His postings include in the Ministry of Finance (as Director in the Department of Economic Affairs) and in the International Monetary Fund (IMF) as Advisor to the Executive Director, where he has served for more than 3 years.

Mr. Navin K Choudhary also holds a Post Graduate degree in Economics.



Mr. J P Sharma

Mr. J. P. Sharma, General Manager, Human Resources Management Department, Reserve Bank of India, Jaipur holds a Master's Degree in Chemistry and CAIIB. Mr. J. P. Sharma is a career Banker with 24 years of Central Banking experience, in the fields of Supervision of Commercial Banks, Co-operative Banks, NBFCs, and Currency Management etc.



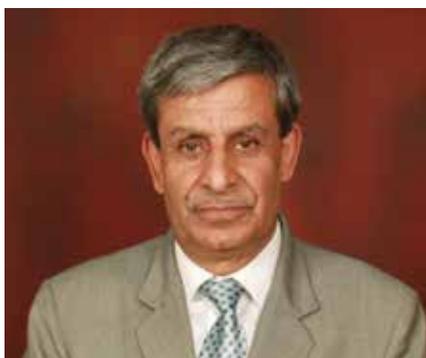
Mr. R.K. Gupta

R.K. Gupta, aged 54 years, is a professional Chartered Accountant with 30 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 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 from 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 the ICAI. Mr. Gupta was also special invitee in the Professional Development Committee of ICAI in the year 2015-16. Presently, he is a member of Committee on Insurance, Banking and Pension of ICAI.

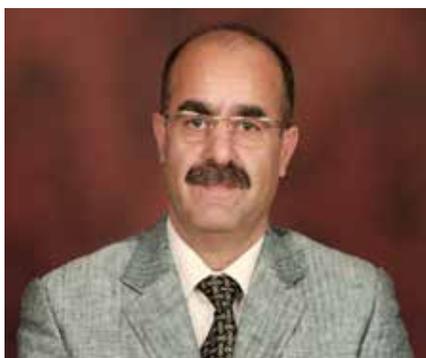
Having authored various articles, Mr. Gupta has to his credit published Articles in The Chartered Accountant Journal and also in Current Tax.com on the issues of Taxation and Accounting Standards. Mr. Gupta has been Guest Speaker on many occasions for various Seminars and Study Circle meets of Chartered Accountants & others.

Mr. Gupta is Member of Taxation Advisory Committee and other Committees of Chamber of Commerce & Industry, Jammu. He is also a member of Direct Taxes Committee of PHD Chamber of Commerce and Industry. 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 worked on faculty of Business Studies by Vice-Chancellor of Jammu University for the triennial period of 2009-2012. Presently Mr. Gupta is also a member of Board of Studies at Parade College for Women an Autonomous College of State and member Finance & Audit committee of Shri Mata Vaishno Devi Narayana Super Specialty Hospital Katra, Jammu.



Mr. Abdul Majid Mir

Mr. Abdul Majid Mir, has 38 years of experience in Banking. Mr. Abdul Majid Mir has held various important and senior positions in the J&K Bank Ltd., as part of its Corporate Management Team including being Executive Director of the Bank from 01-05-2008 to 30-06-2011. He has special knowledge and practical experience in the fields of Finance, Credit, Trade Finance, Foreign exchange, Treasury, Corporate and Retail Banking, Deposits & Liability Management & Risk Management.



Mr. Azhar-UI-Amin

Mr. Azhar-UI-Amin, aged 55 years, B.Sc. LLB (Hons) is an Advocate by profession with 30 years of practice at the High Court of Delhi, High Court of J&K and Supreme Court of India, having expertise in Civil, Criminal, Constitutional, Labour, Company and Service Laws.

Mr. Azhar-UI-Amin was appointed as Additional Advocate General for state of J&K in 2008/2009 and has represented prestigious constitutional and statutory institutions like National Human Rights Commission, J&K Public Service Commission, J&K Subordinate Service Selection Board, J&K Pollution Control Board, as Advocate. He has remained Counsel for Department of Home, J&K, Department of Forest, J&K, Craft Development Institute, Srinagar and Union of India. He has conducted high stake civil and constitutional matters. He has remained main Counsel in high stake arbitration matters for and on behalf of the State of J&K and other clients.



Mst. Masooda Jabeen

Mst. Masooda Jabeen, aged 62, is Post Graduate in clinical physiology from Aligarh Muslim University, retired from Government service and presently working with various NGOs. She has held several distinguished Positions such as Registrar/Controller Examination, Post Graduate & Research Institute, Sheri Kashmir Institute of Medical Sciences (SKIMS), Soura, Srinagar, (Deemed University). She has conducted courses and held examination of various Professional Courses in Medicine, Nursing, Technology, Nutrition and other Short term Professional courses. She was Member of different committees related to policy making, legal affairs, financial affairs (SKIMS) and co-ordinated with Central Government Institutions - Medical Counsel of India, National Board of Examinations and All India Institute of Medical Sciences. Having worked with different administrative heads, Director SKIMS, Dean SKIMS, FA/CAO, Director AIIMS, President Medical Counsel of India and Vice President National Board of Examination, she has vast experience of handling complicated issues related to administration which include policy related matters, legal matters and financial matters.

EXECUTIVE PRESIDENTS



Mr. Parvez Ahmad



Mr. Vagish Chander



Mr. S S Seghal



Mr. Abdul Rauf

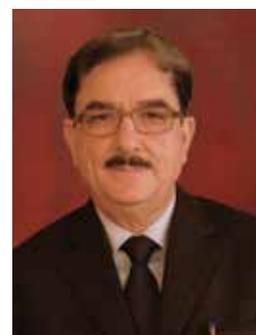
SENIOR PRESIDENTS



Mr. Abdul Rashid



Mr. Mohammad Syed Wani



Mr. Surender Krishan Bhat

PRESIDENTS



**Mr. Pushap Kumar
Tickoo**



**Mr. Rajesh Kumar
Chibber**

VICE PRESIDENTS

Nishi Baru

Mohammad Ibrahim Wani

Abdul Rashid Sheigan

Gulam Mohammad Sadiq

Arvind Gupta

Rakesh Gandotra

Arun Gandotra

Ghulam Nabi Teli

Sunil Gupta

Rajni Saraf

Mohammad Maqbool Lone

Chetan Paljor

Mohammad Younis Patoo

Vinay Kumar Sawhane

Raman Kumar Koushal

Khurshid Ahmad Fazili

Fayaz Ahmad Zargar

Karanjit Singh

Sudhir Gupta

Ashutosh Sarin

Shareesh Sharma

Narjay Gupta

Rakesh Koul

Sushil Kumar

Janak Raj

Peer Masood Ahmad

Manzoor Hussain Bhat

Tasaduq Ahmad Dar

Sunit Kumar

Sajad Hussain

Mohammad Ayub Wanchoo

Tabassum Nazir

Manzoor Ahmad Attar

Romesh Vaid

Manzoor Ahmad Rather

Rakesh Kumar

Nissar Ahmad Zargar

Fayaz Ahmad Siddiqi

Imtiyaz Ahmad Hussaini

Anil Deep Mehta

Syed Rais Maqbool

Syed Shujaat Hussain Andrabi

Arshad Hussain Dar

Ashraf Ali Malik (Law)

Mohammad Farooq Rather (Law)

Vinod Kumar Sharma (Law)

Khan Roshan Khayal (Law)

Corporate Functions Report

Corporate Social Responsibility-CSR

As a responsible institution, J&K Bank is committed to Corporate Social Responsibility (CSR). With an aim to instill a sense of relief and protection among the most vulnerable sections of society, the Corporate Social Responsibility (CSR) policy of the bank identifies key responsibility areas and seeks to assimilate the CSR ideals into its empowerment mission for optimizing its social performance.

The Bank retained its comprehensive focus on activities for the larger community welfare through CSR initiatives concentrating on people's health, education, environment and society at large.

Major CSR activities in the year 2015-16

Healthcare under Project RAAHAT

Responsive towards individual as well as collective health of people across the state, the Bank unflinchingly implements its robust endowment programme.

During the year, Preventive Healthcare & Improving Public Health delivery system, remained the focus of Bank's proactive support especially towards the deprived sections of society.

As a responsible institution towards the wellbeing of general public, the Bank provided all sort of support to Government's health care system including hospitals. Ambulances, Critical care equipment like ultrasound machines, IABP, Coagulation machines, portable x-ray systems were donated to hospitals like SKIMS Srinagar, GMC Jammu & associated hospitals and District Hospital in Leh.

Enhancing the efficiency of Cancer Society of Kashmir to combat the fatal disease in a better way, the bank provided them with Mammogram, which is critical for early detection of certain malignancy in women, and with many Anti-Cancer drugs. Also, for the first time, Bank kept impressed money available with GMC Jammu/Kashmir for poor patients failing to buy medicines or to undergo diagnostic tests.

During the year, the Bank adopted 50 youth suffering from the dreaded disease of Hepatitis C for complete treatment, wherein the Bank partnered with leading Pharma Company CIPLA. After diagnostic tests and the subsequent treatments all the 50 patients were cured of Hepatitis C. Besides, for poor and destitute of the society suffering different chronic ailments like hemophilia, the Bank kept a substantial amount at its disposal for their treatment.

The Bank also contributed handsomely towards the betterment of upcoming generations through a leading NGO MAYA Foundation which works for the children having facial deformity.

Promoting Education

Education, as means to socio-economic empowerment, receives a substantial part of the Bank's CSR funds and a number of initiatives were taken in this direction. Continuing its novel CSR initiative of Remote Child Sponsorship Programme, the Bank continued to sponsor all the educational needs of 50 under-privileged children (mostly orphans) registered with an NGO named CHINAR KASHMIR.

Also, the Bank along its partner Child Rights & you (CRY) continued its project 'KOSHISH' for the third consecutive year to reach out to thousands of children who feel isolated due to the extreme poverty and absence of infrastructure in the remote areas of the valley. Catering to the health, educational and nutritional requirements of such children, the Project is being run in Budgam, Ganderbal and parts of Srinagar. Under the initiative, hundreds of children have been brought into the educational mainstream.

Infusing life in the ailing education system through new concept of 'Model Schools', J&K bank developed three (03) Government schools in South & North Kashmir to equip them with the state-of-the-art technology and infrastructural facilities in the form of Smart classes, computer labs etc. The idea is to help the students receive quality education for better personality development and prepare them to compete at higher levels. Correspondingly up-gradation of the oldest higher secondary school of the state i.e. Ranbir Higher Secondary School Jammu- established in 1872, and Karanwar Middle School at Basoli Kathua, also forms part of the Bank's plan to enhance quality of education in these schools.

At the university level, J&K Bank also launched a CSR initiative for meritorious students from poor background titled "J&K Bank Merit Cum Means Scholarships". Under the Project, 36 PG courses have been covered by the Bank wherein it will be supporting one 'eligible' student in each course till the completion of the degree. Moreover, substantial funds have been kept at the disposal of Kashmir/Jammu Universities for the students failing to deposit fee and other miscellaneous expenses at the time of admission. The Bank also made substantial contribution in providing scores of computers, water purifiers and other furniture to the Government schools.

Project Muskaan for weak/differently-abled

Even before the inception of the mandated law, the Bank has been working for the cause of differently abled, Orphans and under-privileged children across the state. Under Project "MUSKAAN", Bank has adopted around 200 differently-abled children through registered NGOs like Voluntary Medicare Society, Chotey Taarey Foundation, Bijbehara Helpline, Sahyog India, etc. The adopted children

are provided with special education like toilet training, meal time, behavior modification, etc. This is a step towards elimination of discrimination and also empowerment of such sections of society.

During the year, the bank supported and upgraded NGOs working for girl children (orphan) and abandoned old age people. These NGOs included prominent organizations in the Jammu region like Vridh Asharm, Samaj Kalyan Kendra and Ved Mandir Committee.

Proactively, the bank established dormitory for orphan girls at Balgran, Jammu, developed smart classes, provided computers and other important daily use items to weak and differently abled through these organisation.

Preserving Ecology

Over the last few years, the Bank, as a conscious Corporate, has been proactive and very sensitive to preserve and promote pollution free environment in the state for the larger welfare of the society. So far under the "Environmental Excellence Programme" the Bank has been maintaining thirteen (13) Parks/walkways at various locations of the state, indirectly helping the cause of environmental protection, besides wellbeing of the people.

All these programmes/initiatives are aimed at making our surroundings and environment not only hygienic but also reflect the bank's commitment for GREEN surroundings for the larger welfare of the community.

Reaching out to the Trusts and NGOs working for the cause of protection of natural resources and sustainable agriculture, the bank partnered with a society called "Kristu Jyoti" for construction of small dams at Kumi village in Samba. The basic premise of the project is to irrigate the surrounding land for organic farming, vegetation production and subsequently generating employment.

Swach Initiatives of the Bank

Taking a lead from Prime Minister's Swach Bharat mission that calls for clean India, the bank took a major CSR initiative by donating four Super Sucker Machines to Jammu and Srinagar Municipal Corporations. The first of its kind swach initiative by the Bank aims to encourage the two corporations through quality cleaning systems to ensure that municipal areas remain hygienic for general public.

E-Learning Initiative at far flung schools

Under a CSR initiative, J&K Bank identified a distinct project of E-learning in remote schools of Rajouri District. As many as 25 Government schools were identified where e-learning modules were installed and operated. Things like laptops, Projectors & Interactive screens were installed at the identified schools to start the programme.

Revival of Art

Due to conflict situation in the state over the last two decades, performing arts were badly hit. From among the all performing arts, culturally rich music of the state has been in bad condition, leaving many artistes to live a miserable life, besides the society losing its centuries old rich art and music. The Bank in one of its initiative titled "Art for All" aims to revive the rich musical and cultural legacy of the state and rehabilitate the concerned artists.

Vocational Skills: Rural Self Employment Training Institutes (RSETI's)

Reaching out to the unemployed but skilled youth of the state, the bank conducted 240 programmes for as many as 6795 candidates for various vocational skill training programmes through its Twelve (12) Rural Self Employment training Institutes (RSETI). The reach and success of these vocational programmes has empowered more than 700 youth to start their own business units/ventures. At the same time, Bank had an MOU with Entrepreneurship development Cell, University of Kashmir for traditional skill developments programmes, particularly for women.

HR Initiatives

The Bank aims to utilize its human resources to the best of their capabilities so as to meet the organizational goals. To develop the human resources, the bank has a very comprehensive human resource policy to identify the best talent and provide them significant opportunities for growth and development. The bank endeavors to attract competent and well motivated professionals in order to maintain a quality work life. Initiatives are taken for creating a healthy climate where a value system based on sincerity, passion, trust and collaboration, all other essential traits for developing better human resources, is inculcated.

In order to empower employees across all levels, many initiatives were taken till the end of financial year 2015-16. These include promotion of 03 Senior Presidents as Executive Presidents, 03 Presidents as Senior Presidents and 32 Assistant Vice Presidents as Vice Presidents. The process of career progression was percolated down the line whereby 229 Banking Associates were inducted in Officer's cadre. Besides, 694 contractual Relationship Executives and 265 contractual Banking Associates were regularized in the system. Process has also been initiated for promotions of Executive Manager (Scale IV) to Assistant Vice Presidents (Scale V), Scale II to Scale III, Scale I to Scale II, Banking Associates to Associate Executives (Scale I) and Banking Attendants to Assistant Banking Associates. All these initiatives were aimed at empowering the employees to bring out the best from them.

J&K Bank is the second largest employer in the State of J&K

The recruitment process of the bank is aligned with the Bank's Business Plan and expansion strategy. The selection process envisages transparency, merit, professionalism etc. During current fiscal, process for fresh recruitment of "Relationship Executives" has been initiated and presently lies in the final stage.

The Human Resources function in the Bank remains focused on creating and developing human capital with focus on building learning infrastructure by imparting trainings to its employees on regular basis within and outside the State. To achieve the organizational goals, the Department has conducted a number of training programmes, workshops and other courses at STC and TTC based at Srinagar and Jammu. Further good number of employees of the Bank have been deputed to other institutes at National level like NIBSCOM, NIBM, NABARD and other reputed institutes within and outside State. During the year 2015-2016, 4898 Officers and 1183 workmen have been deputed for these courses in order to acquaint them with the latest banking industry trends and outlooks at various levels.

Risk Management

The Bank's risk management framework encompasses disciplined risk assessment, procedures for measuring risk and continuous monitoring. The policies and procedures established are updated on continuous basis and benchmarked to best practices. The Board of Directors has oversight on all the risks assumed by the Bank and approves the risk policies and strategies to establish an integrated risk management framework and control system in the Bank. The Integrated Risk Management Committee (IRMC) of the Board reviews risk management policies of the Bank pertaining to credit, market, liquidity, operational, Internal Capital Adequacy Assessment Process (ICAAP) and stress testing. The Committee reviews migration to the advanced approaches under Basel II and implementation of Basel III, risk return profile of the Bank, compliance with RBI guidelines pertaining to credit, market and operational risk management systems and the activities of the Asset Liability Management Committee.

Credit Risk Management

The bank's credit risk management structure with Integrated Risk Management Committee (IRMC) of Board at the apex level and Credit Risk Management Committee (CRMC) at the executive level is responsible for overall credit risk management in the bank. The committees periodically review the risk profile, evaluate the overall risk faced by the Bank and develop policies and strategies for identifying and managing credit risk at individual exposure level as well as portfolio level in sync with the bank's credit risk policy designed in accordance with regulatory guidelines. The credit risk management policy provides framework for credit risk management system in the bank and embodies in itself the areas of risk identification, risk measurement, risk grading techniques adopted by the

bank, documentation practice and the system adopted for management of problem loans. The credit policy deals with short term implementation as well as long term approach to credit risk management to achieve desired business goals. To measure credit risk in bank's credit portfolio, bank has put in place a credit rating system that serves as an indicator of diverse risk factors of counterparty and also for taking credit decisions in a consistent manner. The credit policy provides clear and well defined delegation of loan sanctioning which links risk and exposure amount to level of approval. Segment-wise and borrower category-wise exposure limits are fixed and monitored by the bank to address the risk of concentration. Credit audit system and loan review mechanism function independently of the credit processing and credit approval system and ensure effective loan monitoring and management of credit risk and operational risk in the loan portfolio.

Operational Risk Management

The Operational Risk Management process of J&K Bank is driven by a strong organizational culture and sound operating procedures that involves corporate values, competencies, comprehensive system of internal controls and contingency planning. Policies have been put in place for effective management of Operational Risk in the Bank, which aim to ensure clear accountability, responsibility and mitigation of operational risks. The Bank follows self-assessment programs for risk analysis and risk reducing measures, besides three lines of defense program for strengthening controls. Business continuity measures are in place that ensures uninterrupted operations in case of disruptions.

Market Risk Management

Market risks are controlled through various risk limits like Net Overnight Open Position, Modified Duration, Stop Loss, VaR Limits, PVo1 Limit, Concentration and Exposure Limits that have been detailed out in respective policies. The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity, dynamic liquidity gap statements, liquidity ratios and stress testing. The Bank maintains diverse sources of liquidity to facilitate flexibility in meeting funding requirements. The Asset Liability Management structure reviews the positions of interest rate and liquidity gap positions in the banking book, sets deposit and benchmark lending rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, as deemed fit, in light of the current and expected business environment.

The objective of ICAAP is to ensure that a bank is aware of its risk profile and has systems in place to assess, quantify and monitor risks. One of the objectives is to determine the economic capital required to cover all risks faced. While Regulatory Capital is the capital that the regulator requires a bank to maintain, Economic Capital is the capital that a bank needs to maintain and is, in general, estimated using internal assessment of all the risks including residual risks. The ICAAP document addresses the following issues:

- Identification and assessment of all types of material risks, capital requirement thereof and capital position under stress scenarios.
- Capital Planning and Management considering the various risks faced by the Bank and capital requirement on growth strategies.

Marketing & Product Development

The Marketing strategy of the bank is driven by the philosophy of being proactive in understanding ever-changing customer requirements and in delivering customized solutions to satisfy them. In accordance with this strategy, the bank is regularly introducing new products and services and upgrading the existing ones. More and more technology based offerings are introduced to benefit our customers with the comforts assured by technology. The overall objective is to capitalize the momentum involving unique culture of innovations

The quality banking service is not the only assurance for a continued business flow for a Bank, but the communication of these services coupled with quick response is what assures a leadership position in the market. J&K Bank has understood the importance of Marketing & Communication very early and has established a wide network of marketing teams and a creative promotional mix team. Multi layer marketing structure of the Bank also provides valuable inputs to enrich the marketing intelligence of the Bank. The feedback received from the market is used as an input by the product development teams to create competitive products for the customers.

Advertising and Publicity

Promoting our brand image proactively, we kept on positioning our brand deeper within the growing public consciousness and thereby enhanced our brand equity during the financial year.

The bank's products, services and facilities were successfully advertised across the operational geographies while as its functioning and achievements were effectively communicated to the respective target audiences including customers, share-owners, stakeholders and general public through customized and efficiently packaged messages using relevant multi-media outlets across the country. Present in the virtual space of social media networking, the bank firmed up its online presence and processes of image-building through highly popular mediums of Face Book and Twitter.

IT Initiatives during FY 2015-16

Achievements during the financial year 2015-16

- **ISO 27001 Certification**
ISO 27001:2013 Certification project was initiated to provide a model for establishing, implementing, operating, monitoring, reviewing, maintaining and improving an information security management system in the bank. M/s Delloitte was selected for ISO27001 Consultancy & Certification services for

bank's Data Centre (facility and Operations), DR Site and Near Line Site. Bank was awarded with the prestigious certification (ISO 27001:2013), by Intertek - a reputed agency, for its 'Information Security Management System being compliant with the best and latest industry standards in terms of practices, controls and effectiveness.

- **Contact Center**
During FY 2015-16, the Bank setup its own contact centre to enhance customer's service and establish an additional channel for supporting business operations. Contact center of the Bank is driven by the state of art technology to instantly provide most of the banking support services for convenience of the customers
- **Implementation of AEPS (Aadhar Enabled Payment System), e-KYC and Rupay Card Interoperability and Atal Pension Yojna applications**
AEPS (Aadhaar Enabled Payment System) has been implemented by the Bank in the month of July 2015. The functionality empowers customers to use Aadhaar as his/her identity to access his/ her respective Aadhaar enabled bank account and perform basic banking transactions like balance enquiry, Cash deposit, cash withdrawal, remittances that are intrabank or interbank in nature, through a Business Correspondent.
- **e-KYC**
e-KYC has been implemented by the Bank in the month of Nov 2015. The system is available for use at all the branches of the bank and BC locations. Under the electronic know-your-customer (e-KYC) process, customers can open a bank account online based on just their Aadhaar card.
- **RuPay Card Interoperability**
RuPay Card interoperability at BC locations has been implemented by the bank in the month of Jan 2016 which enables use of RuPay as well as debit cards for transactions.
 - i. Near about 12 lac RuPay cards have been distributed under PMJDY scheme.
 - ii. BC are able to make the payments to the account holders having issued Rupay Cards through pin pad devices provided by the Bank.
- **Atal Pension Yojna**
Bank has deployed an industry standard Software application for Atal Pension Yojna Scheme.
- **Privilege Identity Management (PIM)**
As a measure of putting in enhanced security controls and in order to monitor activities of privileged system users, Privilege Identity management (PIM) solution has been implemented. This PIM solution has enabled the bank to put in place a unified policy based solution that secures, manages and logs all the privilege users and activities associated with critical resources. This solution takes care of the special needs of the privileged users, including their provisioning and life

cycle management, authentication, authorization, password management and monitoring.

- **SOC (Security Operations Centre)**

Bank has implemented SOC with an objective of Risk Management, 24x7 Monitoring of Logs for applications, OS, databases, Middleware, Incident management and Regulatory Information Security Compliance.

- **ATM**

During the financial year 2015-16, 121 ATMs, both onsite & offsite, were commissioned thereby taking the number of ATMs to 1006 as on 31.03.2016. No of ATM cards issued to customers increased from 19,00,588 to 24,62,728 during the financial year 2015-16.

- **Cash Deposit Machines/Bunch Note Acceptors (BNA)**

In order to facilitate customers with instant cash deposit services, bank started deployment of specialized ATM machines known as Bunch Note Acceptors which are capable of accepting deposits from customers anytime. In the first phase, 25 locations have been identified for deployment of Bunch Note Acceptor machines.

- **e-Banking**

In an endeavor to serve our customers better a new e-Banking application was launched with enhanced features. With the new e-banking application, customer can now use following features:-

- Register for e-banking facility online.
- The passwords can as well be re-generated online.
- Open Term Deposits under various schemes like Cash Certificate, Fixed Deposit and Monthly Yield online.
- Schedule transactions for future dates. This scheduling can be either for a single transaction or a recurring set of transactions spread over a defined period as per your need and requirement.
- View FORM 26 AS online.
- View Demat Holdings online.
- Credit EMI to loan accounts online.
- Corporate Customers can request for LC issuance online and view issued LCs & BGS
- Excel Upload for Corporate Customers
- BULK NEFT /RTGS for Corporate customers

- **Web Application Firewall (WAF) Implementation**

Web Application Firewall has been implemented as an additional security control to protect Bank's web application against zero-day exploits, impersonation and known vulnerabilities and attackers besides monitoring, filtering or blocking the HTTP traffic to and from a Web application. The system is helping the bank to monitor traffic before it reaches the web applications in real time or near-real time, analyze all requests using a rule base to filter out potentially harmful traffic or traffic patterns.

- **Automation of Legal Data of the Bank.**

Bank, in its endeavor to bring accuracy/efficiency in the litigation data management and its availability concerning the suit file cases, SARFAESI Matters, Suits filed by/against Bank, complaints under section 138 of the Negotiable Instruments Act (N. I. Act), criminal complaints filed by/against bank and other allied matters, has implemented a Centralized legal software - CRISMAC LEGAL SOFTWARE

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 financial inclusion plan (FIP) envisaging reaching out to and providing banking out lets for delivery of basic banking services in allotted identified unbanked villages. The details of village allocation and other FIP related information is mentioned hereunder:

- SLBC allocated 536 villages having population of above 2000 and 3271 villages having population of below 2000 to the bank for providing ICT based financial services by the end of March 2016. Bank has already brought all the 536 villages (>2000 Population) under the ambit of financial inclusion by opening of branches and providing BC (Business Correspondent) coverage in all the villages.
- 3271 villages having below 2000 population, scheduled to be covered by the end of March 2016; RBI has proposed the coverage of target by August 2015. Bank has provided the BC coverage to all the 3271 villages before the dead line for extending ICT based financial services in the identified unbanked villages.
- Bank has also identified 325 unbanked villages under self set target and rolled out to BCs under financial inclusion. The total number of villages rolled out under financial inclusion has reached to 4132 as on March 2016.
- Bank has opened 161 Business units in identified allocated villages under financial inclusion comprising of 37 business units in villages having above 2000 population and 124 business Units in villages having below 2000 population at the end of March 2016
- 927 VLE's of CSC's have been engaged as BCs which are linked to 585 Base branches/ Business units for providing ICT enabled financial services in the State. 2 BCs have been engaged outside the State and the total BCs has reached to 929 and 587 Business Units involved in the implementation of FIP.
- The erstwhile Smart Card Solution was Offline based, transactions were happening on POT Terminals through smart cards on (T + 1) Basis. Bank has put in place the ONLINE FI SOLUTION, replacement technology to the Smart Card Based Solution. Under Smart Card based solution, 1.83 Lakh Smart Cards were delivered to Business Units. Bank has engaged M/S TCS as technology service provider for the implementation of

web based online FI solution, enabling the transactions generated through the operation of Bio-Metric and PIN PAD Devices installed at BC Locations/Business Units to hit the CBS server instantly.

- Micro Credit products have been devised for credit delivery through ICT based smart card mechanism especially for financial inclusion programme. The credit products are as under:
 - Differential Rate of Interest (F I)
 - Micro Credit Card (F I)
 - Micro-Overdraft to Ujala accounts (F I)

RBI selected Villages (Progress/ Achievements)

- 15 model villages selected by RBI for 100 percent financial inclusion in the State allocated to bank have been made functional through Smart Cards.
- All the 15 RBI sites have been made functional for Kiosk (online FI solution). BCs and Business Units catering these 15 RBI adopted villages have been provided with Biometric Devices and PIN PADs.
- Against the 4039 households in all 15 RBI selected villages, 12244 accounts have been opened.
- 5252 smart cards have been issued in these RBI selected model villages. Also 3913 RuPay Cards have been issued in RBI selected villages.

Implementation of EBT & DBT

State Government has entrusted the responsibility of implementation of EBT/DBT to J&K Bank in all the districts of the State. SLBC has identified six (6) districts (Srinagar, Ganderbal, Rajouri, Jammu, Kargil and Leh) on pilot basis for implementation of EBT/DBT. Four (4) more districts (Doda, Ramban, Samba and Shopian) have been covered in the 2nd phase. The monthly benefits under NOAP scheme have been released electronically to beneficiary accounts directly from the month of February 2015 in the identified districts and validation Process for rest of the districts is in progress.

Status as on 31.03.2016

Bank has received **115591** accounts from **22** Districts comprising of **109581** accounts from J&K Bank and **6010** accounts from other banks. J&K bank has validated **100960** accounts and validation of remaining accounts is in progress.

Engagement of CSCs as BCs

As per Bank’s Board approved policy, Bank has engaged the VLEs of CSCs as BCs and number of BCs has reached to 929 as on 31st March 2016.

Financial Literacy cum Credit counseling centres (FLCCs)

In compliance with RBI directives, SLBC advised J&K Bank to set up FLCCs in its 12 lead districts. Bank has made all the 12 FLCs functional in its lead districts.

Financial Literacy Camps through Rural Branches

In compliance with RBI directives, the rural branches of the bank conducted 2598 financial literacy camps in villages in close vicinity of the J&K Bank branches. 70914 persons attended these camps during the current financial year.

Pradhan Mantri Jan Dhan Yojna (PMJDY)

PMJDY Status as on 31.03.2016

Pradhan Mantri Jan Dhan Yojana (PMJDY) has been launched on 28th of August 2014 under comprehensive financial inclusion plan, with an objective to bring the entire unbanked population particularly below poverty line within the ambit of banking fold, by extending the facility of financial services at their door step at an affordable cost.

SLBC allocated 1367 SSAs(Sub Services Areas) to J&K Bank comprising of 4763 (Left Out villages added in 2nd phase) villages and 754 (Left Out wards added in 2nd phase) wards altogether and approximately 11.75 lakh (Left Out households added in 2nd phase) households for conducting household survey and opening of accounts under PMJDY for 100% household coverage. Villages and wards under these SSA’s were allocated to the concerned business units and BC’s for arranging the household survey and opening of accounts within time frame prescribed by Mission Office DFS Ministry of Finance, Gol.

Status of house hold survey, account opening and RuPay cards

- 11.23 lakh households in the identified allocated villages have been surveyed
- 12.86 lakh accounts have been opened under the scheme since August 2014 with deposit of ₹349.84 crore in these accounts.
- Bank has procured 11,22,922 RuPay Debit Cards. All the RuPay Debit Cards have been delivered to Business Units for onward delivery to customers. Out of 11,22,922 cards, 6,47,274 cards have been activated and are used by customers. The RuPay Cards are being swiped on PIN PADs at BC Locations and at ATMs for withdrawal of cash.

Progress under PMJDY as on 31.03.2016

PMJDY Rural A/Cs	PMJDY Urban A/Cs	Total no. of A/Cs	Total Balance In PMJDY A/Cs (04015) In Lacs
1163148	122781	1285929	34984.00

Position of Aadhaar Numbers seeded with NPCI Mapper

Bank has mapped 4,80,422 accounts with NPCI mapper as on 31st March 2016. The Govt. has entrusted the job to National Population Register (NPR). NPR Booklets of the districts and the NPR updation process is almost complete except in the snow bound areas. Enumerator Block Tracker has been provided to the Deputy Commissioners to find out

the left over population which was yet to be enrolled. Bank has recently launched a platform for Aadhaar seeding via ATMs and the publicity of the same would be done in near future. Bank is also looking for other viable options/ways for completion of Aadhaar seeding since as per the directions of DFS, Bank has to complete Aadhaar seeding before 30th June 2016.

Status of e-KYC & AEPS

For AEPS (Aadhaar enabled Payment System) and E-KYC, bank has entered into the agreement with UIDIA. AEPS & E KYC functionality is a part of the exiting ONLINE FI SOLUTION from M/s TCS. Development of this module has already been completed and tested by TCS and implemented in the bank and is used by the Business Correspondents as on date.

Status of Inbuilt RuPay Card Insurance

RuPay Card scheme is a domestic network set up to provide secured, robust, scalable, simple, transparent, inclusive, user friendly and affordable solutions to entries eligible to issued cards in India. As a value added service, the card has an inbuilt insurance cover of ₹ 1 Lac (accidental death or permanent disability only) to eligible Card holders and ₹ 30, 000/- (Life Insurance) to eligible customers. The Insurance program came in to effect from 1st April 2015 with New India Assurance Co.

Implementation of Social Security Schemes (APY, PMJJBY & PMSBY)

The Social Security Schemes, Atal Pension Yojna (APY), Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) and Pradhan Mantri Suraksha Bima Yojna (PMSBY) were launched by the Honorable Prime Minister on 9th May 2015 to move towards creating a universal social security system, targeted especially at the poor and the underprivileged.

PMJJBY: The scheme is a one year cover, renewable from year to year, Insurance Scheme offering life insurance cover of ₹ 2 lakhs for death due to any reason. All savings bank account holders in the age 18 to 50 years in participating banks are entitled to join. The premium of ₹ 330/- per annum per member will be deducted from the account holder's savings bank account through 'auto debit' facility in one installment, on or before 31st May of each annual coverage period under the scheme.

PMSBY: The scheme is a one year cover, renewable from year to year, Accidental Insurance Scheme offering accidental death and disability cover of ₹ 2 lakhs for death or disability on account of an accident. All savings bank account holders in the age 18 to 70 years in participating banks are entitled to join. The premium of ₹ 12/- per annum per member will be deducted from the account holder's savings bank account through 'auto debit' facility in one installment, on or before 31st May of each annual coverage period under the scheme. Sum insured in case of accidental death is ₹ 2 Lakh, sum insured in case of both hands or feet

or loss of sight of one eye and loss of use of hand or foot is ₹ 2 Lakh and sum insured in case of total and irrecoverable loss of sight of one eye or loss of use of one hand or foot is ₹ 1 Lakh.

APY: Atal Pension Yojana (APY) is a government-backed pension scheme targeted at the unorganized sector. APY has been launched with a noble cause of providing Old Age income security for target age group of 18-40 years. Our Bank introduced the APY for implementation from September 2015 and procured the requisite software/module for the successful execution of the scheme. Under the APY, guaranteed pension of ₹ 1000/-, 2000/-, 3000/-, 4000/- and 5000/- per month will be given at the age of 60 years depending on the contributions by the subscribers. Bank has also been awarded by PFRDA for its performance under the scheme during the second phase i.e. February & March 2016.

Micro Overdraft facility under Financial Inclusion/PMJDY

Bank had already introduced Micro Overdraft facility up to ₹ 3000/- to small accounts under financial inclusion. During FY2015-16, the limit of Micro Overdraft facility has been increased from ₹ 3000/- to ₹ 5000/- to small accounts under financial inclusion including PMJDY account holders.

Status of displaying names/locations of all the Bank Correspondents/Bank Mitrs on the website of the banks

Bank has engaged 587 Business Units and 929 BCs for the implementation of FI and PMJDY in 4763 villages and 754 wards as on 31st March 2016. Name and Location of the CSC's engaged as BCs for the implementation of FI & PMJDY has already been put on Bank's website under FI program.

Technology readiness for PMJDY Implementation

Online FI Solution (Kiosk Solution)

Bank decided to implement Online FI Solution prior to launching of PMJDY by Prime Minister in Aug. 2014. Basic requirement for implementing technology platform for PMJDY is to have an online FI system in place which is integrated with Banks Core Banking Solution. Bank has engaged M/S TCS as technology service provider for the implementation of web based online FI solution. Bank has procured 1350 Biometric authentication devices which are being installed at Branches and BC locations for the implementation of the project. Out of 1350 Biometric authentication devices, Bank has issued 828 devices to BCs and Business Units as on 31st March 2016. The process for the implantation of PIN based RuPay card transaction and interoperability at BC locations under PMJDY has been initiated, for which Bank has already Procured 400 PIN PADs. Out of 400 PIN PADs, Bank has issued 334 PIN PADs to Business Correspondents as on 31st March 2016 and has further placed an order of 550 more PIN PADs for complete roll out of the ONLINE FI SOLUTION.

Transactions through Online FI Solution (Kiosk Solution)

6422 transactions have been generated through Biometric Devices and PIN PADS involving an amount of ₹ 2.94 Crore as on 31st March 2016.

Customer Service

Customer service is one of the most important components of the marketing mix for products and services. High quality customer service helps to create customer loyalty. Customers today are not only interested in the product they are being offered but all the additional elements of service that they receive, from the greeting they receive when they enter a retail outlet, to the redressal of the complaint about a faulty product or service that they have paid for. The relationship we have with each and every customer is incredibly important to us and we at the bank

are working tirelessly every day to provide quality services to the customers to their delight with wider choice of products and services.

The bank is working continuously to improve the quality of our service through customer satisfaction surveys and customer advisory forum meets, regularly conducted at operative levels. Bank believes in strong customer service that will make the difference between standing out from the pack and staying competitive.

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.

Directors' Report

To the Members,

Your Board of Directors has pleasure in presenting the 78th 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, 2016.

Performance at a Glance

- The aggregate business of the Bank stood at ₹ 119583.54 Crore at the end of the financial year 2015-16. The total business of the Bank increased by ₹ 9241.53 Crore from the previous year's figure of ₹ 110342.01 Crore, registering a growth of 8.37 percent.
- The total deposits of the Bank grew by ₹ 3634.06 Crore from ₹ 65756.19 Crore as on 31st March, 2015 to ₹ 69390.25 Crore as on 31st March, 2016, a growth of 5.53 percent. CASA deposits of the Bank at ₹ 30620.37 Crore constituted 44.12 percent of total deposits of the Bank.
- Cost of deposits for current FY stood at 6.34 percent.
- The net advances of the Bank increased by ₹ 5607.47 Crore from ₹ 44585.82 Crore as on 31st March, 2015 to ₹ 50193.29 Crore as on 31st March, 2016, a growth of 12.58 percent.
- Yield on advances for the current FY stood at 10.90 percent.
- Priority sector advances (Gross) stood at ₹ 19227 Crore as on 31st March, 2016.
- The Bank effected cumulative cash recovery, up-gradation of NPA's and technical write-off of ₹ 778.69 Crore during FY 2015-16.
- Investment portfolio of the Bank stood at ₹ 20353.62 Crore as on 31st March, 2016.

Insurance Business

The Bank earned an income of ₹ 43.16 Crore from the Insurance Business. In life insurance, the Bank mobilized business of ₹ 257.32 Crore and in non-life segment, business of ₹ 140.01 Crore was mobilized during the year.

Income Analysis

- The Interest income of the Bank stood at ₹ 6843.57 Crore in the year 2015-16. Interest expenses decreased from ₹ 4410.22 Crore to ₹ 4133.48 Crore during the year. The Net Interest Income stood at ₹ 2710.09 Crore for FY 2015-16 compared to ₹ 2650.91 for FY 2014-15.
- The Net Income from operations [Interest Spread plus Non-interest Income] stood at ₹ 3214.12 Crore in the financial year 2015-16.
- The Operating Expenses registered an increase of ₹ 137.15 Crore during the financial year 2015-16 and stood at ₹ 1546.20 Crore as compared to ₹ 1409.05 Crore in 2014-15.

- The Cost to Income ratio (Operating Expenses to Net Operating Income) stood at 48.11 percent in the financial year 2015-16.

Gross Profit

The Gross Profit for the financial year 2015-16 stood at ₹ 1667.92 Crore.

Provisions

The Provision for Loan Losses, Provision on Standard Assets, Taxation and others aggregated to ₹ 1251.88 Crore in the financial year 2015-16.

Net Profit

The Bank registered a Net Profit of ₹ 416.04 Crore for the financial year 2015-16.

Branch/ATM Network

During the financial year 2015-16, 40 new branches were established, thereby taking the number of branches to 857 as on 31-03-2016, 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 2015-16 is as under:

Area	Branches
Metro	45
Urban	193
Semi-Urban	157
Rural	462
Total	857

During the financial year 2015-16, 121 ATMs were commissioned thereby taking the number of ATMs to 1006 as on 31.03.2016.

Dividend

The Board of Directors has recommended a dividend of 175 per cent for the financial year 2015-16 for approval by the shareholders at the 78th Annual General Meeting. If approved, the total outflow on account of dividend for the year 2015-16 will be ₹ 102.11 Crore including the dividend distribution tax.

Net Worth and Capital Adequacy Ratio (CRAR)

- The Net Worth of the bank increased to ₹ 6423.97 Crore on 31st March 2016 from ₹ 6110.05 Crore on 31st March, 2015. The Bank has implemented the Basel-III guidelines on capital regulations w.e.f. June 2013.
- Capital Adequacy Ratio under Basel III stood at 11.81 percent as on March, 2016 well above RBI stipulated norm of 9.625 percent. The tier I component of CRAR is 10.60 percent as on 31st March 2016. The Return on Average Net Worth stood at 6.65 percent for FY 2015-16. Earnings per Share and Book Value per Share for the financial year 2015-16 stood at ₹ 8.58 and ₹ 87.46.

Advertising and Publicity

Promoting our brand image proactively, we kept on positioning our brand deeper within the growing public consciousness and thereby enhanced our brand equity during the financial year.

The Bank's products, services and facilities were successfully advertised across the operational geographies while as its functioning and achievements were effectively communicated to the respective target audiences including customers, share-owners, stakeholders and general public through customized and efficiently packaged messages using relevant multi-media outlets across the country. Present in the virtual space of social media networking, the Bank firmed up its online presence and processes of image-building through highly popular mediums of Facebook and Twitter.

Subsidiary Company

As on March 31, 2016, your Bank has one Subsidiary, JKB Financial Services Limited (JKBFSL)

Performance and Financial Position of JKBFSL

The operating income of the Company for the year ended 31st March, 2016 stands at ₹ 466.45 lacs. Other incomes of the company stood at ₹ 130.25 lacs. The Total income of the Company for the year ended March 31, 2015 stood at ₹ 596.71 lacs. The net loss of the company for the financial year ended 31st March, 2016 stood at ₹ 151.39 Lacs, increasing its accumulated net loss to ₹ 311.97 lacs as on 31st March, 2016

Progress of Regional Rural Bank Sponsored by J&K Bank: J&K Grameen Bank

The J & K Grameen Bank came 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. The J & K Grameen Bank commenced business effective from 01.07.2009.

Area of Operation:

The area of operation of the J&K Grameen Bank comprises of 13 districts of the State viz. Baramulla, Bandipora, Kupwara, Jammu, Kathua, Rajouri, Poonch, Leh, Kargil, Samba, Kishtwar, Ganderbal and Srinagar.

No. of Branches (as on 31-03-2016): 217

No. of Employees (as on 31-03-2016): 984

Capital Structure:

In terms of the RRBs Act 1976, the authorized capital of Regional Rural Banks was fixed at ₹ 5.00 Crore (which stands amended to ₹ two thousand crore in terms of the Regional Rural Banks (Amendment) Act, 2015 notified in the Gazette of India on 12-05-2015). The issued and paid up capital of the J&K

Grameen Bank is ₹ 97.16 Crore fully subscribed by the Central Government, State Government and Sponsor Bank in the ratio of 50:15:35 respectively as per details below:

1.	Authorized Share Capital	₹ 2000 Crore
2.	Subscribed / Paid up Share Capital	₹ 97.16 Crore
	Central Government (50%)	₹ 48.58 Crore
	State Government (15%)	₹ 14.57 Crore
	Sponsor Bank (35%)	₹ 34.01 Crore

NOTE: Pursuant to NABARD letter No. NB.IDD. RRCBD/1637/316 (Gen)/2015-16 dated March 30, 2016, Additional Share Capital Deposit of ₹ 95.16 has been converted to Share Capital on 31-03-2016.

Tier II perpetual bonds Out of total cost outlay of ₹ 23.34 Crores for implementation of 100% CBS by JKGB, 50% i.e., ₹ 11.67 crore has been shared by J&K Bank (Sponsor Bank).

Date of issue: 04-12-2014

Performance of J&K Grameen Bank as on 31.03.2016 (Un-audited):

Business:

The total business of the Bank as on 31st March 2016 stood at ₹ 4172.78 crore against ₹ 3760.61 crore as on 31st March 2015, thereby showing an increase of ₹ 412.17 crore registering a growth of 10.96 percent during the year 2015-16.

Deposits:

The deposits of the bank have increased from ₹ 2586.69 crore to ₹ 2833.84 crore during the year 2015-16 thereby registering a growth rate of 9.55 percent.

Advances:

The gross advances of the Bank as on 31st March 2016 stood at ₹ 1338.94 crore as against ₹ 1173.92 Crore as on the corresponding date of the previous year recording a growth of 14.06 percent.

CD Ratio:

The C.D. Ratio of the bank has increased by 1.87 percent from 45.38 percent as on 31st March 2015 to 47.25 percent as on March 31, 2016.

Priority Sector Advances:

The priority sector advances outstanding as on 31st March 2016 stood at ₹ 996.04 crore against ₹ 857.19 crore outstanding as on 31st March 2015, thereby showing increase of ₹ 138.85 crore recording a growth of 16.20 percent during the year 2015-16. Priority sector constituted 74 percent of total advances against benchmark of 75 percent (RRB Specific).

NPA Position:

The gross NPAs of the Bank as on 31.03.2016 stood at ₹ 147.23 Crore which accounts for 11 percent of gross advances. The Net NPAs as on 31.03.2016 stood at ₹ 91.73 Crore which accounts for 7.15 percent of net advances.

Business per Employee:

The business per employee as on 31st March 2016 stood as ₹ 4.24 Crore against ₹ 3.92 Crore as on corresponding date of the previous year recording a growth of 8.16 percent.

Business per Branch:

The business per branch as on 31st March 2016 stood as ₹ 19.22 Crore against ₹ 17.41 crore as on corresponding date of the previous year recording a growth of 10.45 percent.

Profitability:

The bank has shown net profit of ₹ 2.88 Crore as on March 31, 2016 against previous years' net profit of ₹ 1.79 Crore.

Lead Bank Responsibility**a. Convener JKSLBC**

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 districts i. e Srinagar, Ganderbal, Budgam, Baramulla, Bandipora, Kupwara, Anantnag, Kulgam, Pulwama, Shopian, Poonch and Rajouri out of 22 districts of J&K State satisfactorily. The other 10 districts i. e Jammu, Samba, Kathua, Udhampur, Reasi, Doda, Ramban, Kishtwar, Leh and Kargil are managed by State Bank of India.

The State Annual Credit Plan (ACP) for the FY 2015-16 was launched in time and its implementation was monitored on quarterly intervals in State Level Bankers' Committee meetings. During the FY 2015-16, Banks extended a total credit of ₹ 15,753.29 Crore in favour of 4,87,736 beneficiaries (both under Priority as well as Non-priority Sector) against annual target of ₹ 23,605.23 Crore for 10,57,906 beneficiaries under Annual Credit Plan 2015-16, thereby registering achievement of 67 percent in financial terms and 46 percent in physical terms.

This includes Priority Sector credit of ₹ 8,754.40 Crore disbursed in favour of 3,05,308 beneficiaries against the annual target of ₹ 14,804.83 Crore for 8,16,524 beneficiaries (constituting 59 percent achievement in financial terms and 37 percent in physical terms) and Non-priority sector credit of ₹ 6,998.89 Crore disbursed in favour of 1,82,428 beneficiaries against annual target of ₹ 8,800.40 Crore for 2,41,382 beneficiaries (constituting achievement of 80 percent in financial and 76 percent in physical terms).

Out of the total Priority Sector credit of ₹ 8,754.40 Crore disbursed by all banks in the State upto 31st March 2016, J&K Bank alone disbursed ₹ 5,498.18 Crore against the target of ₹ 8,290.71 Crore, thereby achieving 66 percent of its annual ACP target, which accounts for the lion's share of 63 percent of the total flow of credit to priority sector by all banks in the State during FY 2015-16.

During FY 2015-16, following meetings were conducted:

- Four Quarterly J&K State Level Bankers Committee (SLBC) meetings, viz. 97th, 98th, 99th and 100th were held on 10th June 2015, 26th August 2015, 16th November 2015 and 19th March 2016 respectively.
- A Special meeting of J&K SLBC held on the occasion of visit of Governor, Reserve Bank of India to Srinagar on 14th September 2015.
- Meeting of the Sub-group to devise modalities to bring sericulture sector within the purview of KCC Scheme on 18th May 2015.
- One day workshop on Self Help Groups (SHGs)/Joint Liability Groups (JLGs) financing organized by J&K SLBC in collaboration with NABARD on 5th August 2015.
- Two meetings of Steering Sub-Committee of J&K SLBC to monitor IT enabled Financial Inclusion, FLCCs & Credit Plus Activities held on 6th August 2015 and 12th January 2016.
- A meeting of Sub-Committee of Empowered Committee on MSMEs to monitor individual cases of Sick MSME units for rehabilitation held on 8th August 2015.
- Meeting of the senior officers of Social Welfare Deptt., J&K Govt., T&ISD Deptt., J&K Bank and SLBC Secretariat J&K Bank was held on 27th October 2015 to discuss the impediments in the smooth implementation of EBT Scheme in the State.
- Meeting of the Sub-Committee constituted in the 97th SLBC meeting to devise strategy for enhancing flow of credit to housing and Education sectors in J&K State held on 28th October 2015.
- Meeting of the steering Sub-Committee of J&K SLBC to SHG-Bank Linkage programme.

b. Implementation of Financial Inclusion Plan (FIP) under SLBC

The target for providing Information & Communication Technology (ICT)-based banking services in the 795 and 5582 identified unbanked villages (having population over 2000) in Phase-I and (villages with population below 2000) in phase II of Financial Inclusion Plan was accomplished successfully by providing coverage to all the identified villages.

The roadmap for coverage of 5582 villages (having population below 2000) during the years 2012-13, 2013-14 and completion upto August 14, 2015, was formulated as per regulatory requirements of RBI, which were allocated to five Financial Inclusion participating banks, viz. J&K Bank (3271 villages), SBI (753 villages), Punjab National Bank (294 villages), J&K Grameen Bank (1026 villages) and EDB (238 villages). All the villages under the plan have been covered as per the prescribed timeline.

J&K SLBC, in coordination with concerned Lead District Managers, has identified 235 villages with population of more than 5000 (as per Census 2011), out of which 104 villages do not have a branch of any Scheduled Commercial Bank. In terms of the directives from RBI, the identified 104 villages were allocated among the 8 major Scheduled Commercial Banks operating in J&K State (JK Bank - 40; SBI - 20; PNB - 12; HDFC Bank - 11; ICICI Bank - 6; Canara Bank - 5; UCO Bank - 5; Central Bank of India - 5) for opening the "Brick & Mortar" branches in the allocated villages in two phases i.e. Upto March 31, 2016 and from 01.04.2016 to 31.03.2017. Against the target of 18 branches to be opened till March 31, 2016 for all the 8 banks, only J&K bank has opened one branch in the allocated villages.

c. Setting up of RSETIs in J&K State:

In terms of guidelines issued by Ministry of Rural Development, 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 as per their Lead Bank responsibility. Accordingly, J&K Bank has 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 also set up 9 RSETIs in its allocated 10 lead districts of Jammu, Samba, Kathua, Udhampur, Reasi, Doda, Ramban, Kishtwar, and Leh. RSETI at Kargil has not been operationalized by SBI as yet. The Performance of RSETIs in conducting training camps and the number of persons benefited is being regularly reviewed in quarterly SLBC meetings.

d. 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 having made 12 FLCs operational in its 12 allocated lead districts and SBI having made 10 FLCs operational in its 10 allocated lead districts. The performance of FLCs in conducting the Financial Literacy Camps in their respective districts is being reviewed at various forums including SLBC meetings.

e. 100 percent coverage of farmers under KCC Scheme:

The initiative of 100 percent 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, etc. Upto the end of March 2016, banks sanctioned a total number of 10,00,581 KCCs in J&K State against which 8,83,892 KCCs have been disbursed with credit amounting to ₹ 7969.41 Crore.

Board of Directors

Your Bank has ten (10) Directors consisting of two (2) promoter Directors including Chairman & CEO, Eight Non Executive Directors, including One RBI Nominee Director, as on March 31, 2016.

Independent and Non-Independent

Non Independent Executive Director

Mr. Mushtaq Ahmad, Non Independent Executive Director has been serving as the Chairman & CEO of the Bank since October 6, 2010, with the approval of Reserve Bank of India (RBI).

Non Independent Non Executive Directors

Mr. Navin Kumar Choudhary, IAS, Principal Secretary to Hon'ble Chief Minister, and Mr. Abdul Majid Mir are the Non Independent Non Executive Directors of the Bank.

Independent Non Executive Directors

In terms of the definition of 'Independent Director' as prescribed under Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149(6) of the Companies Act, 2013 and based on the declarations/disclosures received from the Directors, the following Non-Executive Directors are Independent Directors:-

1. Mr. Vikrant Kuthiala
2. Mr. Dalip Kumar Kaul
3. Mr. Khaver Alam Jeelani
4. Mr. R. K. Gupta
5. Mr. Azhar Ul Amin
6. Mst. Masooda Jabeen

Reserve Bank Nominee Director

Mr. J. P. Sharma, General Manager, Reserve Bank of India is the Nominee Director of the Reserve Bank of India on the Board of the Bank.

Appointments/Resignations from the Board of Directors

- a) Mr. B. B. Vyas, IAS, Principal Secretary to Govt. Finance Deptt. Govt. of J&K was recalled by the Government of J&K and Mr. Navin Kumar Choudhary, IAS Commissioner/ Secretary to Govt. Finance Deptt. Govt. of J&K was appointed in his place with effect from 12-06-2015.
- b) Mr. M. I. Shahdad, Director, retired by rotation at the last Annual General Meeting of the Bank held on 22-08-2015. Mr. A. M. Matto and Prof. Nisar Ali, Directors resigned from the Board of the Bank with effect from 22nd August, 2015 owing to personal reasons.
- c) Directors place on record their deep appreciation for the valuable services rendered by Mr. B. B. Vyas, IAS ; Mr. M. I. Shahdad, Mr. A. M. Matto and Prof. Nisar Ali during their tenure as Directors of the Bank.
- d) Mr. Abdul Majid Mir and Mr. Azhar ul Amin were appointed as Directors in the last Annual General Meeting of the Shareholders of the Bank held on 22nd August, 2015.
- e) Mst. Masooda Jabeen, Director was appointed to the casual vacancy in the office of the director with effect from 26-10-2015

Appointments/Resignations of the Key Managerial Personnel

Mr. Mushtaq Ahmad Chairman & CEO, Mr. Vagish Chander, Chief Financial Officer and Mr. Abdul Majid Bhat, Company Secretary of the Bank are the Key Managerial Personnel. Mr. Mushtaq Ahmad and Mr. Abdul Majid Bhat were already in office before the commencement of the Companies Act, 2013, while as Mr. Vagish Chander was appointed as Chief Financial Officer by the Board of the Bank on 10th August, 2015, subsequent to the superannuation of Mr. R. K. Shah from the services of the Bank.

None of the Key Managerial Personnel has resigned during the year under review.

Number of Meetings of the Board

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

16.05.2015; 22.06.2015; 10.08.2015; 24.08.2015; 29.09.2015; 26.10.2015; 13.11.2015; 21.12.2015; 11.02.2016; 16.03.2016

Participation of Directors in Board Meetings is provided in the Statement on Corporate Governance annexed to this report

Committees of the Board

The Bank has following Committees of the Board:

- Management Committee
- Audit Committee
- Monitoring of Large Value Frauds Committee
- Stakeholders Relationship Committee
- Information Technology Strategy Committee
- Corporate Social Responsibility Committee
- Integrated Risk Management Committee
- Customer Service Committee
- Nomination Committee
- Nomination and Remuneration Committee
- Legal Committee

The compositions, powers, roles, terms of reference, etc. of relevant committees are given in detail in the statement on Corporate Governance annexed to this report.

Corporate Social Responsibility Policy

As a responsible institution, J&K Bank is committed to Corporate Social Responsibility (CSR). The Bank has in place Board approved Policy on Corporate Social Responsibility. With an aim to instill a sense of relief and protection among the most vulnerable sections of society, the Corporate Social Responsibility (CSR) policy of the Bank identifies key responsibility areas and seeks to assimilate the CSR ideals into its empowerment mission for optimizing its social performance. The CSR policy is available on the website of the Bank. (<http://www.jkbank.net>).

The Bank retained its comprehensive focus on activities for the larger community welfare through CSR initiatives concentrating on people's health, education, environment and

society at large. The statutory disclosures with respect to the CSR Committee and an Annual Report on CSR Activities forms part of this Report as Annexure 1.

Performance Evaluation of the Board

The Nomination & Remuneration Committee and the Board of Directors at their meetings held on 16th May, 2015 had laid down the criteria for performance evaluation of Directors, Chairman & CEO, Board level Committees and Board as a whole and also the evaluation process for the same.

The performance of the members of the Board, the Board level Committees and the Board were evaluated at the meetings of the Committee of Independent Directors and the Board of Directors held on 22nd June, 2015.

Process of Performance Evaluation

The Companies Act, 2013 and Regulation 17(10) of the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulates the performance evaluation of the Directors including Chairperson, Board and its Committees. Considering the said provisions, the Bank has devised the process and the criteria for the performance evaluation which has been recommended by the Nomination & Remuneration Committee and approved by the Board at their meetings held on May 16, 2015

The process for performance evaluation is as under:

- Committee of Independent Directors evaluates the performance of Non-Independent Directors including Chairman of the Bank and the Board as a whole
- The Board evaluates the performance of the Independent Directors and Board level Committees of the Board.
- Based on the recommendation of Independent Directors in their report, Board takes the appropriate action, wherever required.

The criteria for performance evaluation are as under:

Performance Evaluation of Non-Executive Directors, MD & CEO and Chairman

Attendance at the meetings; Participation and contribution; Responsibility towards stakeholders; Contribution in Strategic Planning; Compliance and Governance; Participation and Updation of Knowledge.

Performance Evaluation of Board

Composition and Diversity; Committees of the Board; Board & Committee meetings; Cohesiveness of Board decisions; Board Procedure; Performance Culture; Discussions at Board Meetings; Understanding of the business of the Bank; Understanding the role and effectiveness; Foresight to avoid crisis and effectiveness in crisis management; Understanding of the regulatory environment; Strategy and Growth; Risk Management and Financial Controls; Quality of Decision making and Board's Communication systems.

Performance of the Board Level Committees

Composition and Balance of skill sets; Frequency and duration; Interaction with the Board.

Corporate Governance

The 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 high level business ethics, effective supervision and enhancement of stakeholder volume. 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 by the SEBI (Listing Obligations & Disclosure Requirement) Regulations, 2015.

Management Discussion and Analysis

The Management Discussion and Analysis Report for the year under review is presented in a separate section forming part of this Report.

Vigil Mechanism

The Bank has implemented a Whistle Blower Policy pursuant to which Whistle Blowers can raise concerns relating to reportable matters (as defined in the policy) such as breach of J&K Bank Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage/misappropriation of banks funds/assets, etc. Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of Whistle Blower who avail of such mechanism and also provides for direct access to Chairman of the Audit Committee, in exceptional cases. The details of the Whistle Blower Policy are available on the website of the Bank (<http://www.jkbank.net>)

Risk Management

The Board of Directors oversees the enterprise wide risk management functions of the Bank. A separate Integrated Risk Management Committee of the Board is in place for bringing in a top to down focus on risk management function. Risk management is coordinated and administered by the Integrated Risk Management Department. The Department has three dedicated divisions for credit risk, market risk and operational risk management. Treasury activities are separately monitored by the Mid Office, which reports to Integrated Risk Management Department. Business Continuity plans and Information Security plans also form part of risk management functions in the Bank. Bank has Board approved Risk Management Policies to identify measure and manage all types of risk inherent in the banking operations. Risk Management Policies are approved by the Board of Directors, and reviewed from time to time. Executive level risk management committees, such as Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee, Market Risk Management committee, Information Security Committee, regularly assess the functional efficiency of the Bank in risk management and refine the policies and processes. Responsibility for identification, measurement and controlling of risk in various spheres of activities of the Bank is vested with a senior executive who reports to Chairman & CEO. All material risks of the Bank, emerging in the course of its business are identified, assessed and monitored and in our opinion presently there is no material risk which threatens the current functioning of the Bank.

Loans, Guarantees or Investment in Securities

Pursuant to section 186(11) of the Companies Act, 2013 loans made, guarantees given or securities provided or acquisition of shares by a Banking company in the ordinary course of its business are exempted from disclosure in the Annual Report.

Contracts or Arrangements with related parties

Considering the nature of the Industry in which the Bank operates, transactions with related parties of the Bank are in the ordinary course of business and are also at arm's length basis. There was no materially significant related party transaction entered by the Bank with promoters, Directors, Key managerial personnel or other persons which may have a potential conflict with the interests of the Bank. However, M/s Gupta Gupta & Associates, Chartered Accountants, a firm in which Mr. R. K. Gupta, Director of the Bank, is a partner acts as Tax Consultants of the Bank at an annual consultation fee of ₹ 5 lakhs. Keeping in view third proviso to Section 188(1) of the Companies Act, 2013 read with Ministry of Corporate Affairs, Govt. of India Notification No. 1/22/2013-CL-V dated 9th June, 2014 the said transaction has been entered into in the ordinary course of business of the Bank and is at Arm's length. Hence, no disclosure relating to the same needs to be made by the Bank. The policy on Related party transactions and dealing with related parties as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Bank and the link for the same is (<http://www.jkbank.net/disclosure&policy/relatedpartytransactionspolicy.html>)

Consolidated Financial Statements

Pursuant to Section 129 of the Companies Act, 2013, the Bank has prepared Consolidated Financial Statements of the Bank and also of its Subsidiary, JKBFSL, in the same form and manner as that of the Bank which shall be laid before the ensuing 78th Annual General Meeting of the Bank along with laying of the Banks Financial Statements under sub-section (20) of Section 129 i.e. Standalone Financial Statements of the Bank. Further, pursuant to the provisions of Accounting Standard (AS) 21, Consolidated Financial Statements notified under section 133 of the Companies Act 2013, read together with Rule 7 of the Companies (Accounts) Rules 2014 issued by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Bank along with its subsidiary for the year ended March 31, 2016 form part of this Annual Report.

Auditors

Statutory Auditors

The Central Statutory and Branch auditors of the Bank are appointed by the Comptroller & Auditor General of India (C&AG) pursuant to Section 139(5) of the Companies Act, 2013. The Bank had five (5) Central Statutory auditors appointed by the C&AG of India for the year under review as under:

1. Gupta Sharma & Associates, Chartered Accountants, Jammu
2. Dhar Tikoo & Co, Chartered Accountants, Srinagar
3. Arora Vohra & Co, Chartered Accountants, Jammu
4. Darshan Nagpal & Associates, Chartered Accountants, Srinagar
5. Dhram Raj & Co., Chartered Accountants, Jammu

Secretarial Auditors

Pursuant to Section 204 of the Companies Act 2013, your Bank has appointed M/s Ghulam Geelani Reshi & Associates, Practicing Company Secretaries, Srinagar as its Secretarial Auditors to conduct the secretarial Audit of the Bank for the FY 2015-16. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The report of Secretarial Auditor for the FY 2015-16 is annexed to this report as Annexure 2.

Employee Remuneration

A. PARTICULARS OF EMPLOYEES AS PER RULE 2 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 FOR THE YEAR ENDED 31st MARCH, 2016, ARE AS UNDER:

I. EMPLOYED THROUGHOUT THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING ₹ 60,00,000/- OR MORE PER ANNUM

Sr.No.	Name of the Employee	Designation/ Nature of Duties	Remuneration received per month (₹ In lakhs)	Nature of Employment	Qualification	Experience In Years	Date of Commencement of Employment	Age of the Employee (Years)	Last Employment held before joining the Company
1.	Mr. Mushtaq Ahmad	Chairman & Chief Executive Officer	6.05	In Whole time employment of the Bank	B. A; CAIIB -I	43 years	06-10-2010	64	J&K Bank Ltd.

II. EMPLOYED FOR A PART OF THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING ₹ 5, 00,000/- OR MORE PER MONTH NIL

B. The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are forming part of this report as Annexure 3.

- Endeavour to use Energy efficient Devices: Bank of late has started using the equipments which consume less power and are more Energy efficient as per the BEE Indian Standards.

- a) Switching over from CFL/ Fluorescent Lamp To LED Lights
- b) Shifting to new technology for Air conditioning i.e. VRV/VRF
- c) Shall explore the possibility of using sensor based Electrical devices in future.

- Bank has installed Solar UPS in some of the ATMs of the Bank. We shall further explore the use of renewable energy for street lights etc.

Statutory Disclosures

(1) The disclosures to be made under sub-section (3)(m) of Section 134 of the Companies Act 2013 read with Rule (8)(3) of the Companies (Accounts) Rules, 2014 by your Bank are explained as under:

(A) Conservation of Energy

(i) The steps taken or impact on conversation of energy:

Technology initiatives aimed at reducing the carbon footprint of the Bank are mentioned below:-

- Banks Data centre is hosted at a high energy efficient and environment friendly Data Centre at Noida from Sify Technologies.
- Discontinuation of paper circulars for internal communication.
- Automation of MIS reports to discontinue paper based regulatory and internal reports.
- Dedicated intranet site for E-newsletter in place of a paper newsletter.
- Use of energy star compliant computing and communication hardware.
- Web Page for Green Banking

(ii) The steps taken by the Bank for utilizing alternate source of energy:

(B) Technology Absorption

(i) The efforts made towards technology absorption;

Technology absorption needs stable and conducive policy and governance framework. As such, J&K Bank has adopted IT governance model for restructuring the IT organizational structure as per the recommendations of RBI. Bank has all major business processes automated from transactional systems to MIS/DSS reporting, management of assets, HR management through state of the art technology available in the industry.

Trainings are being conducted on regular basis to train the Banks staff at gross root level to make full use of the technology in order to reduce the operating costs and bring in efficiencies to business processes.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution

Following technology initiatives taken by the bank have brought efficacy in the processes besides reduction in the effort and cost involved in handling such operations.

i. ISO 27001 Certification

ISO 27001:2013 Certification project was initiated to provide a model for establishing, implementing, operating, monitoring, reviewing, maintaining and improving an information security management system in the Bank. M/s Delloitte was selected for ISO27001 Consultancy & Certification services for Bank's Data Centre (facility and Operations), DR Site and Near Line Site. Bank has been awarded with the prestigious certification (ISO 27001:2013), by Intertek - a reputed agency, for its 'Information Security Management System being compliant with the best and latest industry standards in terms of practices, controls and effectiveness.

ii. Contact Center

Bank has setup its own contact centre to enhance customer's service and establish an additional channel for supporting business operations. Contact center of the Bank is driven by the state of art technology to instantly provide most of the banking support services for convenience of the customers.

iii. Implementation of AEPS (Aadhaar Enabled Payment System), e-KYC and Rupay Card Interoperability and Atal Pension Yojna applications

AEPS (Aadhaar Enabled Payment System) has been implemented by the Bank in the month of July 2015. The functionality empowers customers to use Aadhaar as his/her identity to access his/her respective Aadhaar enabled bank account and perform basic banking transactions like balance enquiry, Cash deposit, cash withdrawal, remittances that are intrabank or interbank in nature, through a Business Correspondent.

iv. e-KYC

e-KYC has been implemented by the Bank in the month of Nov 2015. The system is available for use at all the branches of the Bank and BC locations. Under the electronic know-your-customer (e-KYC) process, customers can open a bank account online based on just their Aadhaar card.

v. RuPay Card Interoperability

RuPay Card interoperability at BC locations has been implemented by the Bank in the month of Jan. 2016 which enables use of RuPay as well as debit cards for transactions.

- i) Near about 12 lac RuPay cards have been distributed under PMJDY scheme.
- ii) BC are able to make the payments to the account holders having issued Rupay Cards through pin pad devices provided by the Bank.

vi. Atal Pension Yojna

Bank has deployed an industry standard Software application for Atal Pension Yojna Scheme.

vii. Priviledge Identity Mangement (PIM)

As a measure of putting in enhanced security controls and in order to monitor activities of privileged system users, Privilege Identity management (PIM) solution has been implemented. This PIM solution has enabled the Bank to put in place a unified policy based solution that secures, manages

and logs all the privilege users and activities associated with critical resources. This solution takes care of the special needs of the privileged users, including their provisioning and life cycle management, authentication, authorization, password management and monitoring.

viii. SOC (Security Operations Centre)

Bank has implemented SOC with an objective of Risk Management, 24x7 Monitoring of Logs for applications, OS, databases, Middleware, Incident Management and Regulatory Information Security Compliance.

ix. ATM

During the financial year 2015-16, 121 ATMs, both onsite & offsite, were commissioned thereby taking the number of ATMs to 1006 as on 31.03.2016. No. of ATM cards issued to customers increased from 19,00,588 to 24,62,728 during the financial year 2015-16.

x. Cash Deposit Machines/Bunch Note Acceptors (BNA)

In order to facilitate customers with instant cash deposit services Bank started deployment of specialized ATM machines known as Bunch Note Acceptors which are capable of accepting deposits from customers anytime. In the first phase 25 locations have been identified for deployment of Bunch Note Acceptor machines.

xi. e-Banking

In an endeavor to serve our customers better a new e-Banking application was launched with enhanced features. With the new e-banking application customer can now use following features:-

1. Register for e-banking facility online.
2. The passwords can as well be re-generated online.
3. Open Term Deposits under various scheme like Cash Certificate, Fixed Deposit and Monthly Yield online.
4. Schedule transactions for future dates. This scheduling can be either for a single transaction or a recurring set of transactions spread over a defined period as per your need and requirement.
5. View FORM 26 AS online.
6. View Demat Holdings online.
7. Credit EMI to loan accounts online.
8. Corporate Customers can request for LC issuance online and view issued LCs & BGs
9. Excel Upload for Corporate Customers
10. BULK NEFT /RTGS for Corporate customers

xii. Web Application Firewall (WAF) Implementation

Web Application Firewall has been implemented as an additional security control to protect Bank's web application against zero-day exploits, impersonation and known vulnerabilities and attackers besides monitoring, filtering or blocking the HTTP traffic to and from a Web application. The system is helping the Bank to monitor traffic before it reaches the web applications in real time or near-real time, analyze

all requests using a rule base to filter out potentially harmful traffic or traffic patterns.

xiii. Automation of Legal Data of the Bank.

Bank, in its endeavor to bring accuracy/efficiency in the litigation data management and its availability concerning the suit file cases, SARFAESI Matters, Suits filed by/against Bank, complaints under section 138 of the Negotiable Instruments Act (N. I. Act), criminal complaints filed by/against bank and other allied matters, has implemented a Centralized legal software - CRISMAL LEGAL SOFTWARE

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year).

Nil

(iv) Your Bank has not incurred any expenditure on Research and Development during the year under review.

(C) Foreign Exchange Earnings and Outgo

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflow.

During the year ended March 31st, 2016 the Bank earned ₹ 31.99 Lacs and spent ₹ 1.03 Lacs in Foreign currency. This does not include Foreign currency cash flows in derivatives and Foreign currency exchange transactions.

(2) No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status of the Bank's operations in future.

(3) Number of cases filed, if any, and their disposal under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and redressal) Act, 2013.

Your Bank has Zero tolerance towards any action on the part of any executive/employee which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every women executive/ employee working in the Bank.

(4) No Stock options were issued to the Director's of your Bank

Extracts of Annual Return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return as at March 31, 2016 forms part of this report as **Annexure 4**.

Directors Responsibility Statement

The Board of Directors hereby confirms that:-

i. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv. the directors had prepared the annual accounts on a going concern basis; and

v. the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—“internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

vi. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgement

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, Ministry of Corporate Affairs, Registrar of Companies, Comptroller & Auditor General of India, 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 realization of the corporate goals in the years ahead.

For and on behalf of the Board of Directors

Place : Srinagar (J&K)
Date: 24th May, 2016

Mushtaq Ahmad
Chairman & CEO

Annexure 1

The Annual Report on Corporate Social Responsibility (CSR) Activities.

A brief outline of the Bank's CSR policy, including overview of projects or programs proposed to be undertaken

Policy Perspective

AS an institution that is defined by people, J&K Bank has been, since decades, voluntarily - and not out of any compulsion committed to Corporate Social Responsibility. We have adopted CSR as a considered means for sustainable growth. J&K Bank believes that for an organization to succeed in long term it is imperative to keep the inclusive welfare of the society at the core of its values and purpose. At J&K Bank, Corporate Social Responsibility is not mere obligations but is a vital pillar of its continual success for present and future. The CSR policy of the bank is driven by the social empathy.

Our approach to CSR seeks to recognize obligations towards society and aims to integrate its ideals into Bank's mission for optimizing both business and social performance. Rather than using it as a ploy for publicity, our CSR is aligned with the bank's strategic vision of 'catalyzing empowerment through economic transformation' by making innovative and strategic interventions in almost all spheres of life ranging from health to heritage, education to entrepreneurship, culture & community welfare to ecology & environment, and everything that can be conceived as a social cause demanding our attention. It is precisely in this context that J&K Bank considers contributions to CSR as an asset rather than an expenditure.

The approaches adopted in covering, handling and implementing CSR initiatives are plain yet professional, massive yet methodical and simple but scientific. However, there is a constant urge to further streamline our CSR by adopting out-of-box, creative, innovative and scientifically advanced procedures.

Major focus areas of J&K Bank CSR programmes/activities

- a) Promotion of education
- b) Preventive Healthcare & Improving Public Health Delivery system under Project RAAHAT
- c) Environmental & Ecological Concerns
- d) Swach initiatives
- e) Vocational Skills
- f) Revival of art

Overview of activities

- Under Project "MUSKAAN" Bank adopted around 200 differently abled children through registered professional NGOs to provide them with special education like toilet training, meal time, behavior modification etc. At the same time, in the year under report, Bank took first of its kind CSR initiative in upgrading NGOs working for girl children (orphan) and abandoned old age people. These NGOs included prominent organizations in the Jammu region like Vridh Asharm, Samaj Kalyan Kendra and Ved Mandir Committee.
- Continuing its novel CSR initiative of Remote Child Sponsorship Programme (RCSP), Bank brought Fifty (50)

under-privileged children under its ambit for the sake of seeking primary education through leading concerned NGO CHINAR KASHMIR. At the same time, for the third consecutive year, Bank in alliance with Child Rights & you (CRY) continued its project 'Koshish' which is in operation in three (03) Districts like Budgam, Ganderbal and parts of Srinagar catering to the health, educational and nutritional requirement of as many as 9000 children having poor financial background. At the same time, to infuse a new life to the ailing education system at Government level, under the new concept of "Model Schools" J&K Bank as a first pilot Project developed three (03) Government schools in South & North Kashmir to equip them with the state-of-the-art technology and infrastructural facilities. Correspondingly up gradation of Ranbir Higher Secondary School Jammu- established in 1872 & also Karanwara middle school at basoli Kathua were also upgraded to enhance quality education. J&K Bank also, as a pilot project took a mega CSR initiative for the poor students at the university level under the Project "J&K Bank Merit Cum Means Scholarships". Under the Project 36 PG courses have been covered by the Bank supporting one "eligible" student till the completion of the degree.

- Preventive healthcare & improving public health delivery system remained core healthcare activity of the Bank under Project RAAHAT. Reacting to the fatal disease of Hepatitis C catching young & old in large numbers in the valley, Bank adopted 50 youth for complete treatment to make them Help free. Improving public health system is one of the key clauses of CSR and, considering the wellbeing of general public, Bank provided all sort of support to Government hospitals. Ambulances, Critical care machinery like ultrasound machines, IABP, Coagulation machines, portable x-ray machines were donated to hospitals like SKIMS, Government Medical Jammu & its associated hospitals and District Hospital Leh. Besides, Anti-Cancer drugs and mammogram was provided to Cancer Society of Kashmir to help the NGO in combating the dreaded disease. Also, for the first time, Bank kept impressed money available with GMC Jammu/ Kashmir for poor patients failing to buy medicines and to undergo diagnostic tests. Bank also proved the only organization in reaching out to the little children having facial deformity through a leading NGO MAYA FOUNDATION.
- Taking a lead from Prime Ministers Swach Bharat mission that calls for clean India, Bank took a major CSR initiative by donating four super sucker machine to Jammu & Srinagar Municipal corporations. This first of its kind swach initiative by the Bank aims to help the twin corporations to set the quality for technology driven cleaning system in municipal areas.
- J&K Bank identified a distinctive project of E-learning in remote schools of Rajouri District. As many as 25

Government schools were identified where e-learning technology could be made possible. Things like laptops, Projectors & Interactive screens were installed at the identified schools to start the programme.

- Due to conflict situation in the state over the last two decades, performing arts have been badly hit. From among the all performing arts, culturally rich music of the state, particularly valley has been in desolate situation, leaving many artistes to live a miserable life, besides the society losing centuries old rich art. Bank in one of its initiative started a Project in the name "Art for All" so that, rich musical and cultural legacy of the State is revived and also the artists related with various arts are benefitted for their survival.
- Reaching out to the unemployed but skilled youth of the state, bank through Twelve (12) Rural Self Employment training Institutes, Bank conducted 240 programmes for as many as 6795 candidates for various vocational skill training programmes. The reach and success of these vocational programmes has empowered more than 700 youth to start their own business units/ventures. At the same time, Bank had an MOU with Entrepreneurship development Cell, University of Kashmir for traditional skill developments programmes, particularly for women.

Web link to the CSR Policy www.jkbank.net

Composition of CSR Committee

The CSR Committee of the Board composition is as following:

Mr. Mushtaq Ahmad (Chairman & CEO)	Chairman of Committee
Mr. Vikrant Kuthiala (Director)	Member
Mr. Khavar Alam Jeelani (Director)	Member
Mst. Masooda Jabeen (Director)	Member

Average net profit before tax of the Company

for last three financial years	₹ 1366.26 Crores (Approx)
Prescribed CSR expenditure (2% of the amount as above)	₹ 27.33 Crores (Approx)
Amount spent	₹ 28.48 Crores (Approx)

Manner in which the amount spent during the financial year is detailed below:

S.No	CSR Project or activity identified	Projects (1) Local area or other (2) Specify the state and District where Project was undertaken	Amount outlay (Budget) Project or Programme wise	Amount spent on the Projects Sub Heads: *Direct Expenditure *Overhead expenditure	Cumulative expenditure up to the reporting period	Amount spent Directly or through implementing agency
1	Promotion of Education	Jammu & Kashmir	₹ 3,81,21,143.00	₹ 3,81,21,143.00	₹ 3,81,21,143.00	Directly spent ₹ 2,60,03,383/= & through implementation agencies ₹ 1,21,17,760
2	Healthcare	Jammu & Kashmir	₹ 2,94,37,517.00	₹ 2,94,37,517.00	₹ 6,75,58,660.00	₹ 2,60,12,517/= & ₹ 3,42,5000/= through implementing agencies
3	Ecology/ environment	Jammu & Kashmir	₹ 14,05,21,001.00	₹ 14,05,21,001.00	₹ 20,80,79,661.00	Directly spent ₹ 13,87,27,168/= and ₹ 17,93,833/= through implementing agencies
4	swatch initiatives	Jammu & Kashmir	₹ 3,06,00,000.00	₹ 3,06,00,000.00	₹ 23,86,79,661.00	Directly spent ₹ 60,00,000/= & through implementing agencies ₹ 30,00,000.00
5	Financial literacy	Jammu & Kashmir	₹ 1,51,11,231.00	₹ 1,51,11,231.00	₹ 25,37,90,892.00	Directly spent
6	RSETI/Skill Development	Jammu & Kashmir	₹ 2,28,42,623.00	₹ 2,28,42,623.00	₹ 27,66,33,515.00	Directly spent ₹ 2,24,01,623/= and ₹ 4,41,000/= through implementing agency
7	Up gradation of orphanages/old age homes	Jammu	₹ 50,40,999.00	₹ 50,40,999.00	₹ 28,16,74,514.00	Directly
8	Revival of art	Jammu & Kashmir	₹ 4,50,600.00	₹ 4,50,600.00	₹ 28,21,25,114.00	Through JKAACL
9	eradication of poverty	Kashmir	₹ 5,00,000.00	₹ 5,00,000.00	₹ 28,26,25,114.00	Through Trust
10	Disaster relief	Kashmir	₹ 1,27,700.00	₹ 1,27,700.00	₹ 28,27,52,814.00	Directly
11	Donation (General)	J&K	₹ 20,85,740.00	₹ 20,85,740.00	₹ 28,48,38,554.00	Directly
12	Expenditure on administrative overhead	NIL	NIL	NIL	NIL	NIL

*Details of implementing agency

- Promotion of Education
- Child Rights & You (CRY) registered as a Trust under Bombay Public Trust since 1979 for the cause of Children rights.
- CHINAR- an NGO registered under the Societies Registration Act, VI of 1998 (1941) since 2004.
- Voluntary Medicare Society , Registered Under the Societies Registration Act , VI of 1998 since 1970 ,
- Chotey Taaray Foundation, a Registered NGO since 16.11.2006,
- Humanity welfare Organization "Help Line" Bijbehara, a registered NGO under the Societies Registration Act, VI of 1998 since 21st October 2003.
- SAHYOG INDIA , registered under J&K, Societies Registration Act-VI of 1988

Healthcare

- Greater Kashmir welfare Trust (GKWT): The TRUST was incorporated on February 24, 2005 as a Public Charitable Trust with multipurpose Objectives like Disaster Relief, Preventive Healthcare etc.
- Maya Foundation: Registered NGO, Bangalore (Karnataka) Since 2006.
- Ahmad & Haris Khan Trust - Registered Trust Since 02.06.2011
- Cancer Society of Kashmir registered vide Registration No. 3289-G of 1999 dated 28.05.1999 as per Registrars No.421-Rs/ 188 dated 28.05.1999.

Ecology & Environment

- Kristu Jyoti Social Welfare Society, Chak Manga, registered under Societies Registration Act VI of 1998 from 2nd April, 1996

Skill Development

- The Entrepreneurship Development Cell (EDC), University of Kashmir, established by an Act of the State Legislature in 1969

Revival of Art

- J&K Academy of Art, Culture & Languages set up pursuant to provision of section 146 of the Constitution of J&K in 1958

Responsibility Statement of the CSR Committee

J&K Bank is committed to the mandated corporate social responsibility (CSR) and takes it as a mission. Understanding Jammu and Kashmir's society, culture and geography well, the Bank goes beyond philanthropic symbolism and envisions its CSR Policy from the broader perspective of socio-economic empowerment and of late in the light of new legislation on CSR since 1st April 2014.

The target groups of the Bank's entire CSR Programme comprise of the disadvantaged sections of the society like, women, children, differently abled and others. All these CSR programmes were implemented by the Bank in the foregone year either directly or through implementing agencies like NGOs etc.

Major CSR initiatives during the year 2015-16 revolved around health, education, vocational skills and community welfare at large;

During the year, Preventive Healthcare & Improving Public Health delivery system remained the focus of Bank's proactive support especially towards the deprived sections of society through a mix of means. Bank provided all sort of support to Government's health care system including hospitals. Ambulances, Critical care equipment like ultrasound machines, IABP, Coagulation machines, portable x-ray systems were donated to hospitals like SKIMS Srinagar, GMC Jammu & associated hospitals and District Hospital in Leh. Enhancing the efficiency of Cancer Society of Kashmir to combat the fatal disease in a better way, the Bank provided them with Mammogram, which is critical for early detection of certain malignancy in women. Also, for the first time, Bank kept impressed money available with GMC Jammu/Kashmir for poor patients failing to buy medicines or to undergo diagnostic tests.

During the year, the Bank adopted 50 youth suffering from the dreaded disease of Hepatitis C for complete treatment, wherein the Bank partnered with leading Pharma Company CIPLA. After diagnostic tests and the subsequent treatments all the 50 patients were cured of Hepatitis C. The Bank also contributed handsomely towards the betterment of upcoming generations through a leading NGO MAYA Foundation which works for the children having facial deformity.

Education, as means to socio-economic empowerment, receives a substantial part of the Bank's CSR funds and a number of initiatives were taken in this direction. Continuing its novel CSR initiative of Remote Child Sponsorship Programme, the Bank continued to sponsor all the educational needs of 50 under-privileged children (mostly orphans) registered with an NGO named CHINAR KASHMIR. Also, the Bank along with its partner Child Rights & you (CRY) continued its project 'KOSHISH' for the third consecutive year to reach out to thousands of children who feel isolated due to the extreme poverty and absence of infrastructure in the remote areas of valley. Catering to the health, educational and nutritional requirements of such children, the Project is being run in Budgam, Ganderbal and parts of Srinagar. Under the initiative, hundreds of children have been brought into the educational mainstream.

Infusing life in the ailing education system through new concept of 'Model Schools', J&K Bank developed three (03) Government schools in South & North Kashmir to equip them with the state-of-the-art technology and infrastructural facilities in the form of Smart classes, computer labs etc. The idea is to help the students receive quality education for better personality development and prepare them to compete at higher levels.

J&K Bank also launched a mega CSR initiative for the poor students at the university level under the Project "J&K Bank Merit Cum Means Scholarships". Under the Project, 36 PG courses have been covered by the Bank wherein it will be supporting one 'eligible' student till the completion of the degree. Moreover, substantial funds have been kept at the disposal of Kashmir/Jammu Universities for the students failing to deposit fee and other miscellaneous expenses at the time of admission.

Even before the inception of the mandated law, the Bank has been working for the cause of differently abled, Orphans and under-privileged children across the state. Under Project "MUSKAAN" Bank has adopted around 200 differently-abled children through registered NGOs like Voluntary Medicare Society, Chotey Taarey Foundation, Bijbehara helpline, Sahyog India etc. The adopted children are provided with special education like toilet training, meal time, behavior modification etc. This is a step towards elimination of discrimination and also empowerment of such sections of society.

During the year, the Bank supported and upgraded NGOs working for girl children (orphan) and abandoned old age people. These NGOs included prominent organizations in the Jammu region like Vriddh Asharm, Samaj Kalyan Kendra and Ved Mandir Committee.

Proactively, the Bank established dormitory for orphan girls at Balgran Jammu, developed smart classes, provided computers etc. and other important daily use items to weak and differently abled through these organization.

Over the last few years, the Bank, as a conscious Corporate, has been proactive and very sensitive to preserve and promote pollution free environment in the state for the larger welfare of the society. So far under the "Environmental Excellence Programme" the Bank has been maintaining thirteen (13) Parks/walkways at various locations of the state, indirectly helping the cause of environmental protection, besides wellbeing of the people. All these programmes/initiatives are aimed at making our surroundings and environment not only hygienic but also reflect the Bank's commitment for GREEN surroundings for the larger welfare of the community.

Reaching out to the Trusts and NGOs working for the cause of protection of natural resources and sustainable agriculture,

the Bank partnered with a society called "Kristu Jyoti" for construction of small dams at Kumi village in Samba. The basic premise of the project is to irrigate the surrounding land for organic farming, vegetation production and subsequently generating employment.

Swatch Initiatives of the Bank

Taking a lead from Prime Minister's Swachh Bharat mission that calls for clean India, the Bank took a major CSR initiative by donating four Super Sucker Machines to Jammu and Srinagar Municipal Corporations. The first of its kind swachh initiative by the Bank aims to encourage the two corporations through quality cleaning systems to ensure that municipal areas remain hygienic for general public.

Under a CSR initiative, J&K Bank identified a distinct project of E-learning in remote schools of Rajouri District. As many as 25 Government schools were identified where e-learning modules were installed and operated. Things like laptops, Projectors & Interactive screens were installed at the identified schools to start the programme.

Due to conflict situation in the state over the last two decades, performing arts were badly hit. From among the all performing arts, culturally rich music of the state has been in bad condition, leaving many artistes to live a miserable life, besides the society losing its century's old rich art and music. The Bank in one of its initiative titled "Art for All" aims to revive the rich musical and cultural legacy of the state and rehabilitate the concerned artists.

Reaching out to the unemployed but skilled youth of the state, the Bank conducted 240 programmes for as many as 6795 candidates for various vocational skill training programmes through its Twelve (12) Rural Self Employment training Institutes (RSETI). The reach and success of these vocational programmes has empowered more than 700 youth to start their own business units/ventures. At the same time, Bank had an MOU with Entrepreneurship development Cell, University of Kashmir for traditional skill developments programmes, particularly for women.

CSR Committee confirms that the implementation and monitoring of CSR Policy, is in Compliance with CSR objectives and policy of the company.

(Mr. Mushtaq Ahmad)
Chairman & CEO
(Chairman of CSR Committee)

(Mr. Vikrant Kuthialia)
Director

(Mr. Khavar Alam Jeelani)
Director

(Mst. Masooda Jabeen)
Director

Annexure 2

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2016

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31.03.2016

To,
The Members,
The Jammu and Kashmir Bank Limited
Corporate Head Quarters, M A Road
Srinagar, J&K

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by The Jammu and Kashmir Bank Limited (name of the company)(hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of The Jammu and Kashmir Bank Limited (name of the company's) books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit,

I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31.03.2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by The Jammu and Kashmir Bank Limited ("the Company") for the financial year ended on 31.03.2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) The Banking Regulation Act, 1949.

I have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with the Stock Exchange(s).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

During the period under review, provisions of the following regulations were not applicable to the Bank:

- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
 - (ii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998
 - (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (v) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Seven days notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent adequately in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

The Company has complied with all the provisions of the Companies Act, 2013 and the Rules made there under as along with the Secretarial Standards (SS-1(related to Board Meetings and SS-2(related to General Meetings) issued by The Institute of Company Secretaries of India.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For **Ghulam Jeelani Reshi & Associates**
Company Secretaries

Place: Srinagar
Date: April 16, 2016

Ghulam Jeelani Reshi
(Proprietor)
ACS 27595 / CPNo. 10020

Annexure 3

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sl. No	Requirements	Disclosure	
I	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year	Chairman & CEO	9.6X
II	The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year	Chairman & CEO CFO CS	14.14% 38.42% 21.14%
III	The percentage increase in the median remuneration of employees in the financial year	The median remuneration of the employees in the financial year was increased by 15.14%.	
IV	The number of permanent employees on the rolls of the Bank	There were 10141 employees as on March 31, 2016.	
V	The explanation on the relationship between average increase in remuneration and Bank performance	The performance of the Bank as a whole is linked to the performance of its management and employees	
VI	Comparison of remuneration of the Key Managerial Personnel against the performance of the Bank	As mentioned above performance of the Bank as a whole is linked to the performance of its management	
VII	Variations in the market capitalization of the Bank, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Bank in comparison to the rate at which the Bank came out with the last public offer	The market capitalization of shares of the Bank as on 31-03-2015 and 31-03-2016 is ₹ 4607.82 Crore and ₹ 2942.60 Crore due to Market fluctuation in share price of the Bank. The Price earning ratio of the Bank as on 31-03-2015 and 31-03-2016 is 9X & 7X respectively.	
VIII	Average percentile increase already made in the salaries of the employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentile increase already made in the salaries of the employees other than the Managerial personnel is 25.03%. There is no exceptional increase in the salary of employees or management.	
IX	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Bank	The comparison of remuneration of each of the key managerial personnel against the performance of the Bank is as under	
		Particulars	%age oOf Net profit for 2015-16
		Chairman & CEO	0.18%
		CFO	0.08%
		CS	0.03 %
X	The key parameters for any variable component of remuneration availed by the directors	Not Applicable	
XI	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration	Not Applicable	
XII	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed	

ANNEXURE 4

EXTRACTS OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2016

{Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014}

I. REGISTRATION AND OTHER DETAILS

i. CIN:-	L65110JK1938SGC000048
ii. Registration Date	1 st October, 1938
iii. Name of the Company	Jammu & Kashmir Bank Limited
iv. Category/sub category of the Company	Government Company under the Companies Act, 2013 Old Private Sector Bank under RBI Guidelines
v. Address of the Registered office and Contact details	Corporate Headquarters, M. A. Road, Srinagar 190001 J&K (India)
vi. Whether listed Company	Yes on Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd.
vii. Name, Address and contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited (Unit:- J&K Bank) Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 Andhra Pradesh - India Email jkbank@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of Main products/services	NIC code of the product/service	% to total turnover of the company
1	Banking Business	65191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S.No.	Name of Address of the Company	CIN/GLM	Holding/ subsidiary / associate	% of shares held	Applicable section
1.	JKB Financial Services Ltd.	U65990JK2008SGC002931	Subsidiary	100%	2(87) (i) & (ii)
2.	J&K Grameen Bank Ltd.	Not Applicable	Associate	35%	2(6)

IV. SHAREHOLDING PATTERN (Equity share Capital breakup as percentage of total equity)

i) Category-wise shareholding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
Promoter and Promoter Group (Indian)										
Individuals/Hindu Undivided Family	0	0	0	0	0	0	0	0	0	0
Central Government/ State Government of Jammu & Kashmir	257752660	0	257752660	53.17	257752660	0	257752660	53.17		Nil

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Bodies Corporate	0	0	0	0	0	0	0	0	0
Financial Institutions/Banks	0	0	0	0	0	0	0	0	0
Any Other (Total)	0	0	0	0	0	0	0	0	0
Sub-Total (A)(1)	257752660	0	257752660	53.17	257752660	0	257752660	53.17	Nil
Foreign									
NRIs - Individuals	0	0	0	0	0	0	0	0	0
Other Individuals	0	0	0	0	0	0	0	0	0
Bodies Corporate	0	0	0	0	0	0	0	0	0
Banks / Financial Institutions	0	0	0	0	0	0	0	0	0
Any Other (Total) (FIIS)	0	0	0	0	0	0	0	0	0
Sub-Total (A)(2)	0	0	0	0	0	0	0	0	0
Public shareholding³									
Institutions									
Mutual Funds/UTI	2078467	0	2078467	4.29	23674525	0	23674525	4.88	+ 0.59
Financial Institutions/Banks	20713	0	20713	0.04	88801	0	88801	0.02	- 0.02
Central Government/State Government(s)	0	0	0	0	0	0	0	0	0
Venture Capital Funds	0	0	0	0	0	0	0	0	0
Insurance Companies	215608	0	215608	0.44	13516632	0	13516632	2.79	+2.35
Foreign Institutional Investors	13585848	0	13585848	28.02	118854248	0	118854248	24.52	- 3.50
Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0
Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
Any Other (Total)	0	0	0	0	0	0	0	0	0
Sub-Total (B)(1)	15900636	0	15900636	32.80	156134206	0	156134206	32.21	+ 0.59
Non-institutions									
Bodies Corporate	1507283	17294	1524577	3.14	10947326	172940	11120266	2.29	- 0.85
Individuals :	2714539	1679830	4394369	9.06	36495644	15878430	52374074	10.80	+ 1.75
i. Individual shareholders Holding Nominal Share Capital up to ₹ 1 lakh.									
Individuals :	530251	22666	552917	1.14	3000736	226660	3227396	0.67	- 0.77
ii. Individual shareholders Holding Nominal Share Capital In Excess of ₹ 1 lakh									

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
Any Other (Total)	328537	1500	330037	0.68	4154418	15000	4169418	0.86	+ 0.18
Clearing Members	60894	0	60894	0.13	922983	0	922983	0.19	+ 0.06
Non Resident Indians	255049	1500	256549	0.53	3074282	15000	3089282	0.64	+ 0.11
TRUSTS	12594	0	12594	0.03	157153	0	157153	0.03	0
Sub-Total (B)(2)	5080610	1721290	6801900	14.03	54598124	16293030	70891154	14.62	+ 0.59
Total Public Shareholding (B)= (B)(1)+(B)(2)	20981246	1721290	22702536	46.83	210732330	16293030	227025360	46.83	0
TOTAL (A)+(B)	46756512	1721290	48477802	100	468484990	16293030	184778020	100	0
Shares held by Custodians and against which Depository Receipts have been issued (C)	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	46756512	1721290	48477802	100	468484990	16293030	84778020	100	0

ii) Shareholding of Promoters

Name of the shareholder (II)	Shareholding at the beginning of the year			Shareholding at the end of the year			
	No. of Shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	% change in shareholding during the year
Chief Secretary Jammu & Kashmir Govt.	243225980	50.17	0	243225980	50.17	0	Nil
Secretary Finance Deptt. Jammu & Kashmir Govt.	14526680	3.00	0	14526680	3.00	0	Nil

iii) Changes in Promoters Shareholding

No Change

iv) Shareholding patterns of top ten Shareholders (other than directors, promoters and Holders of GDRs and ADRs)

Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the end of the year		Reasons for increase/decrease
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
Aberdeen Global Indian Equity (Mauritius) Limited	17180000	3.54	-7889968	-1.63	9290032	1.92	Disposal of Shares
Reliance Capital Trustee co. Ltd a/c Reliance bank	2816750	0.58	-2816750	0.58	0	0.00	Disposal of Shares
Merrill Lynch Capital Markets Espanas.a.S.v.	4100760	0.85	-4100760	0.85	0	0.00	Disposal of Shares
Life Insurance Corporation of India	13516632	2.79	1858062	0.38	15374694	3.17	Acquisition of Shares
ICICI Prudential Value Discovery fund	10000000	2.06	0	2.06	10000000	2.06	
The Pabrai Investment Fund IV LP	7580450	1.56	-7580450	1.56	0	0.00	Disposal of Shares
Morgan Stanley Asia (Singapore) PTE.	7521758	1.55	243768	0.05	7765526	1.60	Acquisition of Shares

Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the end of the year		Reasons for increase/decrease
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
Fidelity Investment Trust Fidelity International	7127060	1.47	-7127060	1.47	0	0.00	Disposal of Shares
Government Pension Fund Global	5846760	1.21	750009	0.15	6596760	1.36	Acquisition of Shares
Pabrai Investment fund 3, Ltd	4872410	1.01	-517278	-0.11	4355132	0.90	Disposal of Shares
ICICI Prudential Midcap Fund	4250481	0.88	1550000	0.32	5800481	1.20	Acquisition of Shares
ICICI Prudential Life Insurance Company	0	0.00	12422828	2.56	12422828	2.56	Acquisition of Shares
The Willington Trust Company, National Association	0	0.00	4824460	1.00	4824460	1.00	Acquisition of Shares
Morgan Stanley Investment Management, IN A/C Morg	0	0.00	4199166	0.87	4199166	0.87	Acquisition of Shares

v) **Shareholding of Directors and Key Managerial Personnel:**

A. Directors

Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the end of the year		Date wise increase/decrease with reasons
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
Mr. Mushtaq Ahmad	2300	0.0004%	0	0	2300	0.0004%	

B. Key Managerial Personnel

Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the end of the year		Date wise increase/decrease with reasons
	No. of Shares (Pre- Split @ ₹ 10/- per share)	% of total shares of the company	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
Mr. Mushtaq Ahmad	2300	0.0004%	0	0	2300	0.0004%	

V. INDEBTEDNESS

Indebtedness of the company including interest outstanding/accrued but not due for payment.

(Amount in Crore)

	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
1. Principal Amount	0.00	600.00	0.00	600.00
2. Interest due but not paid	0.00	13.80	0.00	13.80
3. Interest accrued but not due	0.00			
Total (1 + 2 + 3)	0.00	613.80	0.00	613.80
Changes in indebtedness during the year				
• Addition	0.00	0.00	0.00	0.00
• Reduction	0.00	0.00	0.00	0.00
Net Change	0.00	0.00	0.0000	0.00
Indebtedness at the end of the financial year				
1. Principal Amount	600.00	600.00	0.00	600.00
2. Interest due but not paid	0.00	0.00	0.00	0.00
3. Interest accrued but not due	0.00	13.80	0.00	13.80
Total (1 + 2 + 3)	0.00	613.80	0.00	613.80

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration of Managing Director, Whole-time Directors and / or Manager

Particulars of Remuneration	Name of the MD : Mr. Mushtaq Ahmad				Total Amount
	Basic	DA	other	Others	
Gross Salary					
a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	66,00,000	0	6,60,000	-	72,60,000
b. Value of perquisites u/s 17(2) Income tax Act, 1961	-	-	-	-	-
c. Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-	-
Stock Option	-	-	-	-	-
Sweat Equity	-	-	-	-	-
Commission					
- As % of Profit	-	-	-	-	-
- Others (please specify)	-	-	-	-	-
Others	-	-	-	-	-
Total	66,00,000	0	6,60,000	-	72,60,000

B. Remuneration to other Directors - Non Executive Independent Directors

Particulars of Remuneration	Mr. Vikrant Kuthiala	Mr. Dalip Kumar Kaul	Mr. Khaver Alam Jeelani	Mr. R. K. Gupta	Mr. Abdul Majid Mir	Mr. Azhar Ul Amin
• Fee for attending Board Committee Meetings	6,30,000	6,45,000	7,65,000	7,05,000	5,55,000	3,75,000
• Commission						
• Others (please specify)						
Total	6,30,000	6,45,000	7,65,000	7,05,000	5,55,000	3,75,000

Particulars of Remuneration	Mst. Masooda Jabeen	Mr. M. I. Shahdad	Prof. Nisar Ali	Mr. A. M. Matto	Total
• Fee for attending Board Committee Meetings	1,05,000	1,35,000	1,20,000	1,95,000	42,30,000
• Commission					
• Others (please specify)					
Total	1,05,000	1,35,000	1,20,000	1,95,000	42,30,000

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Particulars of Remuneration	Key Managerial Personnel		Total Amount
	Company Secretary	Chief Financial Officer	
	Mr. Abdul Majid Bhat	Mr. Vagish Chander	
Gross Salary			
a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	₹ 12,59,438	₹ 41,41,372	₹ 54,00,810
b. Value of perquisites u/s 17(2) Income tax Act, 1961	-	-	-
c. Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-
d. Stock Option	-	-	-
e. Sweat Equity	-	-	-
f. Commission			
- As % of Profit	-	-	-
- Others, Specify	-	-	-
g. Others	-	-	-
Total	₹ 12,59,438	₹ 41,41,372	₹ 54,00,810

PENALTIES / PUNISHMENT/COMPOUNDING OF OFFENCES:

Penalty of Rs.6.16 lakhs was imposed by the Stock Exchanges for delay in the appointment of Woman Director on the Board of the Bank. Other than the said penalty, 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 except to the extent disclosed in the Notes to the Accounts. The Bank has complied with the provisions of relevant Acts, Rules & Regulations framed there under during the year 2015-2016.

Management Discussion and Analysis

The Global Economy

The global economy continued to remain in melancholies during the year 2015. The weakness was more pronounced during the second half of the year in which growth fell to an unexpected 2.8 percent. Overall, the global economy registered a disappointing growth of just 3 percent, which is 0.4 percent lower than in the previous year.

The slowdown in the economy was mainly on account of the weak growth in Advanced Economies, moderate slowdown and rebalancing in China, weakness in oil exporting countries, severe macro-economic conditions in Brazil and other non-oil commodities exporting countries, recession in Russia and its spillover to other Commonwealth of Independent States, declining capital flows to Emerging Market Economies (EMEs) and the overall slowdown in investment and trade. The geo-political tensions in some countries in Middle-East, Sub-Saharan Africa and CIS also adversely impacted the global growth.

Global economy is expected to remain on a subdued trajectory in FY 2016-17. The Emerging Market Economies (EMEs) are likely to continue driving most of the world's growth, but this growth is projected to remain lower than the average growth in the past decade. China is expected to exhibit further slowdown of around 0.4 percent as its economy continues to shift from manufacturing and investment. Oil and other commodity exporting economies are estimated to face a further downturn, as the prices of commodities decrease further. Among the Advanced Economies, the United States is projected to grow at a moderate pace of 2.4 percent. The Euro region is also expected to continue its modest recovery, with the favorable effects of lower energy prices, a modest fiscal expansion and supportive financial conditions. Japan, however, may face further pressure as the scheduled increase in consumption tax takes effect. Overall, the global economy is forecast to grow at a modest 3.2 percent, with substantial downward risks to the projections.

The Domestic Economy

The domestic economy improved significantly during FY 2015-16 as the GDP grew at a very impressive 7.6 percent. This growth was achieved despite a subdued global demand and two consecutive below-normal monsoons that impacted farm output negatively.

The agriculture sector grew at 1.2 percent compared to the advance estimate of 1.1 percent. The sector had contracted by 0.2 percent in the previous year. Manufacturing grew at 9.3 percent, slower than the advance estimates of 9.5 percent but much higher than the previous year's figure of 5.5 percent. The consolidated services sector, however, grew at 8.8 percent only, as compared to 9.4 percent in FY 2014-15. Private final consumption - a proxy for private

demand - grew at 7.4 percent compared to 6.4 percent in the previous year.

Inflation, during FY 2015-16, remained modest and within the RBI's range. Retail inflation as measured by Consumer Price Index (CPI) eased from 5.3 percent in March 2015 to a low of 3.7 percent in July -August 2015, and increased subsequently, to 4.8 percent in March 2016. Retail inflation, based on CPI, averaged 4.91 percent lower than the 5.97 percent seen during FY 2014-15. Inflation based on Wholesale Price Index stood at -0.85 percent in March 2016 as compared to -2.33 percent during the corresponding month of the previous year.

Maintaining its fiscal stance, the Government was able to contain its fiscal deficit to the budgeted level of 3.9 percent of GDP for the financial year. The Current Account Deficit (CAD) narrowed in the third quarter of the fiscal, mainly on account of a lower trade deficit. The CAD declined to \$7.1 billion (1.3 percent of GDP) in Q3 of 2015-16 as against \$7.7 billion (1.5 percent of GDP) in Q3 of 2014-15 and \$8.7 billion (1.7 percent of GDP) in Q2 of 2015-16. The strong foreign direct investment inflow into the Indian economy sufficiently covered the CAD, resulting in accretion in foreign exchange reserves to US \$355.55 billion as on 25th Mar '16.

Going forward, the Indian economy is projected to grow at 7.6 percent, the fastest amongst all the major economies. Buoyed by a normal monsoon, the agricultural sector is expected to bolster growth to 2.6 percent compared to 1.2 percent in FY 2016-17. The headline CPI inflation is projected to be moderate, at around 5 percent, the target set by RBI under the Monetary Policy Framework Agreement (MPFA). The increased consumption demand from implementation of the 7th Pay Commission recommendations, and the continuing monetary policy accommodations, are also likely to add to the projected growth. The strong commitment of the Government to achieve fiscal targets, its thrust on boosting infrastructure and the measures announced in the Union Budget 2016-17 to transform rural sector, are amongst the various other factors that are expected to bolster growth. On the other hand, the persisting corporate sector stress, under-utilization of organized industrial sector, fading impact of lower input costs in manufacturing, the risk aversion in the banking system, and the weaker global growth and trade outlook, present formidable downward risks to the projected growth.

Monetary and Liquidity Measures

On the basis of an assessment of the current and evolving macro economic situation, the RBI in its second bi-monthly monetary policy for 2016-17 decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.5 per cent;

- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 percent of net demand and time liabilities (NDTL); and
- continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system, from one per cent of NDTL to a position closer to neutrality.

Consequently, the reverse repo rate under the LAF remained unchanged at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate stayed at 7.0 per cent.

J&K's Economy

The J&K State's economy during FY 2015-16 witnessed a reasonable increase in economic activity as people resorted to savings, insurance claims and debt to re-establish businesses and livelihood. Construction both by government and individual households took the center stage and demand for skilled labor, coupled with a demand for steel, construction material and equipment remained buoyant throughout the year. In the previous financial year, the State, due to the colossal damage by floods, had registered a negative growth of -1.57 percent in the GSDP. However, in FY 2015-16, the State registered an impressive growth of 7.9 percent, at constant prices, with the service sector leading the contribution among sectors. Agriculture remained slightly sluggish due to market fluctuations in apple and walnut. The industry sector showed improvements with substantial contribution from the construction and real estate segments.

In the State's latest budget for FY 2016-17, the total receipts were estimated to be ₹ 61,1681 crore. Of these, ₹ 51,460 crore were revenues and ₹ 10,221 crore were the borrowings. The total expenditure was estimated to be ₹ 64,669 crore during 2016-17. Of this, the capital expenditure would be ₹ 19,694 crore and revenue expenditure ₹ 44, 975 crore. Under the Prime Minister's Development Plan (PMDP), an amount of ₹ 1197 crore was received by the State for providing assistance in respect of completely/severely and partially damaged houses. The release of funds was provided to individual beneficiaries under the Direct Benefit Transfer mode through the concerned District Development Commissioners. Certain categories of uninsured and small traders affected by the floods, who had not received any assistance either from banks or other financial institutions, were also provided assistance through the Chief Minister's Flood Relief Fund. A total amount of ₹ 101.89 crore was distributed by the State Government in the last year among around 40,000 small traders whose turnover was up to ₹ 5.00 lakh.

The long term objective of the Government is the development of the State's considerable hydro potential, through the PPP model. The Government announced its desire to remove the impediments to the investments in small hydel projects by bringing in a more investor-friendly policy. In its budget announcements, the Government

declared that all industrial estates in the State shall be reorganized to function as a corporate entity. The State Government also announced plans for Joint Venture opportunities to the Top Ten IT companies of the State through the J&K E-Governance Agency (JAKEGA) or a SPV. The State Government also earmarked ₹ 800 crore under the PMDP, for extending interest subvention support to the trading and manufacturing units, whose borrowal accounts have been restructured by banks after the September, 2014 floods. The J&K Government also proposes to set up Business Incubators for sunrise industries in the cities of Srinagar and Jammu and provide financing, branding and marketing support to the entrepreneurs.

The J&K Government has planned a number of measures for the development of the handicrafts industry. These include, providing funds for 6,000 looms to help the carpet industry improve its weaving efficiency, creating a pashmina testing, certification and labeling laboratory which can certify handmade products on a larger scale and a sustained promotional campaign to create mass awareness about certification and labeling of handmade crafts of Kashmir.

In its last budget, the J&K Government announced a number of measures for the welfare of woman and the girl child. Continuing with this endeavor, the Government, in its budget for FY2016-17 announced plans for the creation of two Entrepreneur Development Centres, at Srinagar and Jammu, to help, guide and train, aspiring women entrepreneurs. The J&K Government also declared that 10 per cent of land in industrial estates will be reserved for women entrepreneurs.

The Banking Sector

The banking sector recorded a slowdown in balance sheet growth for the fourth year in a row in FY 2015-16. The slowdown was on account of a sluggish credit off take that slipped to single-digits during the year. Profitability also remained low, mainly on account of the deterioration in the asset quality.

The credit off take slowed down to 9.3 percent in FY 2015-16 from 9.8 percent recorded in FY 2014-15. The poor earnings growth by companies, slow pace of investments and risk aversion of banks due to rising bad loans pulled down credit growth during the year. Similarly, the growth in deposits of scheduled commercial banks (SCBs) at 8.6 percent in FY 2015-16 was much lower than the growth at 10.7 percent in the previous financial year.

NPA's recorded a big surge in FY 2015-16 and increased up to ₹ 4.76 lakh Crores at the end of the financial year. Twelve state-run banks posted combined losses of ₹ 20,643 crore in the March quarter, due to a surge in provisions for bad debt. The cumulative loss of 20 state-run lenders stood at ₹ 14,000 Crore during Q4 of FY 2015-16.

Since the decline in asset quality has been a key area of concern for the banking sector, the Government

introduced a number of debt recovery measures such as Joint Lender's Forum, Structured Debt Restructuring (SDR), 5/25 refinancing scheme for extension of tenure in case of infra loans, and the Ujwal Discom Assurance Yojana (UDAY) scheme for salvaging loans taken by debt-ridden and loss-making SEBs. These measures have given banks more arsenal in their fight to bring down the quantum of bad loans. However, these measures come with their own share of challenges. In the case of SDRs, the banks have been empowered to convert debt into majority equity holding, change the management if required, or sell assets to recover their dues. Now, finding appropriate buyers at the right price for assets within 18 months can be a daunting task, especially in a depressed environment. In the power sector, where PSBs have a huge exposure, the effectiveness of the UDAY scheme will be dependent on the states taking over the loans of SEBs. This can limit the availability of state resources for other development programs. And with states such as Uttar Pradesh and Tamil Nadu going to the polls soon, there is a likelihood of tariff hikes not being implemented, thereby putting a spanner in the works and raising doubts on the success of the scheme. Furthermore, with a large amount of bonds flooding the market (SEBs have an accumulated debt of ₹ 4.3 trillion), the appetite of the markets for these bonds is bound to be impacted. Therefore, the PSB's bad loan problem cannot be immediately wished away as the recovery measures will take time to yield results

A fresh plan for recapitalization was also introduced as part of the seven-point plan with the proposed capital infusion in PSBs, following a performance and need-based approach to the tune of ₹ 70,000 crore during the period 2016-2019. This capital support would be vital for PSBs in the light of their weakening capital positions and would enable them to adopt the Basel III framework. However, this is less than the total capital requirement of ₹ 1.8 trillion estimated by the government over the next four years. The government hopes to raise the balance amount of ₹ 1.1 trillion by divesting its stake in PSBs. However, this seems difficult in the current depressed market, particularly with disproportionate increase in the bad loans in PSBs.

J&K Bank - Performance and Prospects

FY 2015-16 was a very challenging one for the Bank. Throughout the year, the Bank was confronted by a surge in non-performing assets which increased from ₹ 2764.08 crore at the beginning of the year to ₹ 4368.62 crore on March 31st, 2016. Consequently, the gross NPA's at the end of the year stood at 8.32 percent of advances. NPAs, however, were predominantly limited to some big corporate accounts; an industry-wide phenomenon on account of persistent weakness in the corporate earnings. The J&K State, the major contributor of retail credit, however fared much better with GNPA at 3.5 percent.

For FY 2015-16, the impetus of the Bank remained on cleaning the balance sheet to make it stronger and

healthier for the future. As such, the Bank decided to settle for lesser profits at ₹ 416.04 crore and instead, apportioned a substantial percentage of operating profits towards floating provisions, so as to have a strong cushion against future uncertainties.

In spite of the subdued economic environment at the national level and a stifled economy at J&K State level which is still recovering from the aftermath of the floods, the Bank's credit growth for the financial year stood at 12.58 percent which is much higher than the industry average credit growth of 9.3 percent. During the year, the Bank consciously avoided high cost deposits and instead focused on low cost CASA deposits. This resulted in improvement in Cost of Deposits as well as improvement in Net Interest Margins. For FY 2015-16, the cost of deposits of the Bank stood at 6.34 percent compared to 6.74 for the past financial year. Similarly, NIM stood at 3.85 percent compared to 3.81 percent in FY 2014-15. CASA deposits, as a percentage of total deposits, increased from 41.79 percent in 2014-15 to 44.13 percent in FY 2015-16.

The Bank remained well capitalized with an overall Capital Adequacy Ratio (CAR) of 11.81 percent as on March 2016, computed under Basel III norms, which is well above RBI stipulated norm of 9.625 percent. Of this, the Common Equity Tier I stood at 10.60 percent against the minimum regulatory requirement of 7.00 percent.

Going ahead, the Bank foresees better economic prospects in the home State of J&K for FY 2016-17. As such, the Bank has targeted a credit growth of 22 percent in the J&K State. Focus shall be on Medium, Small and Micro Enterprises, Trade, Agriculture, Tourism and various other services. The J&K State Government, in its budget for FY2016-17, has earmarked high density apple orchard plantations as one of its focus areas. Accordingly, J&K Bank has designed a customized product for financing such orchards. The Bank expects a substantial credit flow into this sector in the current financial year as well as in the subsequent ones. For the rest of the country, the Bank shall focus on rebalancing the portfolio mix towards a lower risk profile.

The policy of branch expansion in J&K State particularly in un-banked and under-banked areas, will be continued. These branches have proven to be substantial contributors of low cost CASA deposits for the bank. Against the CASA deposit ratio of 44 percent for the bank and 53 percent in overall J&K State, the CASA deposit ratio of these branches has remained at a very healthy 70 percent. Accordingly, the bank plans to establish 228 new branches in J&K State, out of the total 248 branches planned for the current financial year.



Financial Statements

Independent Auditors Report

To
The Members of
The Jammu and Kashmir Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **The Jammu and Kashmir Bank Limited** ('the Bank'), which comprise the Balance Sheet as at 31st March 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and notes forming part of the accounts. Also incorporated in these financial statements are the returns of 55 Branches/Offices audited by us and 837 Branches/Offices audited by Statutory Branch Auditors. The Branches/Offices 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 Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report

under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act. 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 of material misstatements.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view 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 the Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank as at 31st March, 2016, and its profit/loss and its cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. The Comptroller and Auditor-General of India has issued directions indicating the areas to be examined in terms of sub-section (5) of section 143 of the Companies Act, 2013, the compliance of which is set out in "**Annexure-A**" to this Report.

11. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, 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 our 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.
12. Further, as required by section 143(3) of the Act, we further report that:
- i) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - iii) the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Companies Act 2013 have been sent to us and have been properly dealt with by us in preparing this report;
 - iv) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - v) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - vi) on the basis of written representations received from the directors as on 31st March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2016 from being appointed as a director in terms of Section 164(2) of the Act; and
 - vii) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in **"Annexure- B"** to this Report.
 - viii) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a) the Bank has disclosed the impact of pending litigations on its financial position in its financial statements;
 - b) the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

CA Madhusudan Meher
Partner
(M No.097409)

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

CA Prem C. Bansal
Partner
(M. No. 083597)

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

CA Vishal Rometra
Partner
(M. No. 501333)

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated: 24th May 2016

Annexure-A to para 10 of Independent Auditors Report of even date on the Standalone Financial Statements of the Jammu and Kashmir Bank Limited.

Directions/sub-directions of Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013

Sl. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements						
1	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	<p>As per information and explanations given to us, the company has clear title/lease deeds for freehold and leasehold lands except the following</p> <table border="0"> <thead> <tr> <th>Land</th> <th>Area</th> </tr> </thead> <tbody> <tr> <td>Vashi, Mumbai (1st Floor)</td> <td>5400 Sq.ft</td> </tr> <tr> <td>Budgam Ansal Plaza, Khelgaon, Delhi (2nd and 3rd floor)</td> <td>4 Kanals 17787 Sq.Ft.</td> </tr> </tbody> </table> <p>It is advised to complete the documentation for clear title at the earliest.</p>	Land	Area	Vashi, Mumbai (1st Floor)	5400 Sq.ft	Budgam Ansal Plaza, Khelgaon, Delhi (2 nd and 3 rd floor)	4 Kanals 17787 Sq.Ft.	The acquisition value of the said lands/properties has been capitalized and the value as on 31-03-2016 is ₹ 16.78 crores.
Land	Area								
Vashi, Mumbai (1st Floor)	5400 Sq.ft								
Budgam Ansal Plaza, Khelgaon, Delhi (2 nd and 3 rd floor)	4 Kanals 17787 Sq.Ft.								
2	Please report whether there are any cases of waiver/write off of debts/ loans/interest etc., if yes, the reasons there for and the amount involved	There are cases of waiver/write off of debts/ loans/interest etc. amounting to ₹ 2.11 crores in addition to the waiver of unapplied interest of ₹ 18.03 crores on account of negotiated settlement with the borrowers defaulting in payment due to the circumstances beyond their control such as death/ disappearance of the borrower, recession in economy, no enforceable security, natural calamities such as earthquake, flood, drought, change in govt. policy, genuine business failure in spite of sincere efforts made by borrower etc. and where the recovery chances through normal business operations are bleak.	Profit for the current year is reduced by ₹ 2.11 crores and unrealized income of ₹ 18.03 crores has been forgone.						
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Govt. or other authorities.	As per explanations given to us, the company has not received any assets as gift/grant(s) from government or other authorities. The company has no inventories.	NIL						
4	Whether the restructuring of loan was done as per the provisions of the Reserve Bank of India and Bank's own Restructuring of loan Policy.	As per information and explanations given to us, the restructuring of loans done during the year was as per the provisions of the Reserve Bank of India and Bank's own Restructuring of loan Policy.	Profit of the current year is reduced by ₹ 12.60 crores on account of provision made on the restructured accounts.						

Sl. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements
5	Whether the Bank is maintaining/developing various assets of the State Govt. The treatment of the assets and expenditure incurred and revenue earned may be examined and comment may be offered.	As per information and explanations given to us, the bank is maintaining/developing various assets of the State Govt. which are not on the charge of the company. The expenditure amounting to ₹ 13.86 crores has been incurred & revenue of ₹ 1.16 crores has been earned for maintaining/developing of those assets and amounts have been debited/credited to the Profit & Loss Account.	Profit of the current year is reduced by net ₹ 12.70 crores.
6	Whether the branches were doing window dressing and its impact/materiality on the overall deposit portfolio.	As per information and explanations given to us and as per the reports of the Branch Auditors, some branches were involved in doing window dressing by which there is an impact of ₹ 2.48 crores increase on the overall deposit portfolio.	There is an impact of ₹ 2.48 crores increase in the deposits by similar increase in the advances which has now been reversed.
7	Whether the Bank has been able to achieve the targets under Priority sector lending, if not, impact on the financial health of the Bank by lending the shortfall amount in Rural infrastructure Development Fund, Small industrial Development Bank of India, etc. may please be brought out.	As per information and explanations given to us, the bank has not been able to achieve the targets under priority sector lending. As a result of shortfall, the bank has deposits of low yield interest with the following as on 31-03-16 : PARICULARS (₹ In Crores) NABARD 823.44 RIDF (NABARD) 1065.30 SIDBI 165.27 NHB (RHDF) 297.07 TOTAL 2348.08	The impact on the financial health of the bank is lower rate of return of interest ranging from 3.75% p.a. to 6.50% p.a. received from the agencies with which deposits were made for shortfall.
8	Whether there were cases of greening of advances, up gradation of loan account at the fag end of the Financial Year or delay/non-declaration of Non-performing Assets as per RBI guidelines. Its impact on the profitability and Asset Classification.	One account amounting to ₹ 142.50 crores identified by RBI in AQR (BOS as on 31.03.2016- ₹ 113.65 crores) has not been downgraded as NPAs in view of dispensation given by RBI on the basis of representation made by the banks. Further, advances amounting to ₹ 246.89 crores were not declared by the bank as NPAs as per RBI guidelines which were downgraded after those were identified by the statutory auditors.	NIL Interest amounting to ₹ 33.76 crores has been reversed on said NPAs and Provision of ₹ 60.10 crores has been provided resulting in decrease in profit of ₹ 93.86 crores.

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

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

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

CA Madhusudan Meher
Partner
(M No.097409)

CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated: 24th May 2016

“Annexure-B” to the Independent Auditors Report of even date on the Standalone Financial Statements of The Jammu and Kashmir Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of **The Jammu and Kashmir Bank Limited** (‘the Bank’) as at 31st March 2016 in conjunction with our audit of the Standalone Financial Statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

2. The Bank’s Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in “Assessment of Adequacy of Internal Financial Controls over Financial Reporting” in line with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) issued by the Institute of Chartered Accountants of India (‘the ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (‘the Act’).

Auditor’s Responsibility

3. Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) and the Standards on Auditing (‘the Standards’), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and

their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A bank’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank’s internal financial control over financial reporting includes those policies and procedures that:
 - a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
 - b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and
 - c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control

over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls

system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI".

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

For **Dhar Tikku & Co.**
Chartered Accountants
FRN:003423N

CA Madhusudan Meher
Partner
(M No.097409)

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

CA Prem C. Bansal
Partner
(M. No. 083597)

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

CA Vishal Rometra
Partner
(M. No. 501333)

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated: 24th May 2016

Balance Sheet

as at 31st March, 2016

	Schedule	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
CAPITAL AND LIABILITIES			
Capital	1	484,922	484,922
Reserves and Surplus	2	63,754,833	60,615,606
Deposits	3	693,902,529	657,561,877
Borrowings	4	22,400,001	23,396,667
Other Liabilities and Provisions	5	22,138,417	17,248,424
TOTAL :-		802,680,702	759,307,496
ASSETS			
Cash and Balance with Reserve Bank of India	6	31,267,367	23,730,550
Balance with Banks & Money at Call & Short Notice	7	762,679	13,607,090
Investments	8	203,536,185	227,595,930
Advances	9	501,932,893	445,858,160
Fixed Assets	10	7,637,156	6,889,070
Other Assets	11	57,544,422	41,626,696
TOTAL :-		802,680,702	759,307,496
Contingent Liabilities	12	168,641,116	216,972,385
Bills for Collection		12,088,238	11,730,914
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

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated : 24th May 2016

In terms of our report of even date annexed

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

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Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Profit and Loss Account

for the year ended 31st March, 2016

	Schedule	YEAR ENDED 31.03.2016 ₹ '000' Omitted	YEAR ENDED 31.03.2015 ₹ '000' Omitted
I INCOME			
Interest Earned	13	68,435,719	70,611,306
Other Income	14	5,040,273	5,939,684
TOTAL		73,475,992	76,550,990
II EXPENDITURE			
Interest Expended	15	41,334,838	44,102,242
Operating Expenses	16	15,462,022	14,090,490
Provisions and Contingencies		12,518,817	13,272,295
TOTAL		69,315,677	71,465,027
III NET PROFIT		4,160,315	5,085,963
TOTAL		73,475,992	76,550,990
IV APPROPRIATIONS			
TRANSFERRED TO			
i) Statutory Reserve		1,040,079	1,271,491
ii) Capital Reserve		-	-
iii) Revenue and Other Reserve		2,074,565	2,469,952
iv) Investment Reserve		24,583	122,981
v) Special Reserve		-	-
vi) Proposed Dividend		848,362	1,018,034
vii) Tax on Dividend		172,726	203,505
TOTAL		4,160,315	5,085,963
Principal Accounting Policies	17		
Notes on Accounts	18		
Earnings per Share (Basic/Diluted)		8.58	10.49

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

Mushtaq Ahmad
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
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Director

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Executive President & CFO

Khurshid Ahmad Fazili
Vice President

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Company secretary

Place : Srinagar
Dated : 24th May 2016

In terms of our report of even date annexed

For **Gupta Sharma & Associates**
Chartered Accountants
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Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Schedules

as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
950,000,000 (P.Y. 1,000,000,000)		
Equity Shares of ₹ 1/- each	950,000	1,000,000
ISSUED :-		
484,996,020 (P.Y.484,996,020) Equity Shares of ₹ 1/= each	484,996	484,996
SUBSCRIBED AND PAID-UP CAPITAL		
484778020 (P.Y. 484778020)		
Equity Shares of ₹ 1/- each	484,778	484,778
Add Forfeited Equity Shares (218000) (P.Y. 218000)	144	144
TOTAL	484,922	484,922
SCHEDULE 2 - RESERVES & SURPLUS		
I. STATUTORY RESERVES		
Opening Balance	18,994,138	17,722,647
Additions during the year	1,040,079	1,271,491
TOTAL	20,034,217	18,994,138
II. CAPITAL RESERVES		
Opening Balance	631,254	631,254
Additions during the year	-	-
TOTAL	631,254	631,254
III. SHARE PREMIUM		
Opening Balance	867,791	867,791
Additions during the year	-	-
TOTAL	867,791	867,791
IV. INVESTMENT RESERVE		
Opening Balance	243,315	120,334
Additions during the year	24,584	122,981
TOTAL	267,899	243,315
V. SPECIAL RESERVE		
Opening Balance	1,231,600	1,231,600
Additions during the year	-	-
TOTAL	1,231,600	1,231,600
VI. REVENUE AND OTHER RESERVES		
Opening Balance	38,647,508	36,177,556
Additions during the year	2,074,564	2,469,952
TOTAL	40,722,072	38,647,508
TOTAL (I,II,III,IV,V & VI)	63,754,833	60,615,606

Schedules

as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
i) From Banks	1,240,740	1,094,968
ii) From Others	70,878,683	64,373,702
TOTAL (I & ii)	72,119,423	65,468,670
II. Saving Bank Deposits	234,084,345	209,295,162
III. Term Deposits		
i) From Banks	65,070,447	58,856,169
ii) From Others	322,628,314	323,941,876
TOTAL (I & ii)	387,698,761	382,798,045
TOTAL A (I+II+III)	693,902,529	657,561,877
B. I. Deposits of branches in India	693,902,529	657,561,877
II. Deposits of branches outside India	Nil	Nil
TOTAL B (I+II)	693,902,529	657,561,877
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	1,450,000	-
ii) Other Banks	4,300,001	17,166,667
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	10,650,000	230,000
TOTAL (i to iv)	22,400,001	23,396,667
II. Borrowings outside India	-	-
GRAND TOTAL (I & II)	22,400,001	23,396,667
Secured borrowings included in I & II above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i) Bills Payable	2,861,091	2,393,481
ii) Inter Office Adjustments (Net)	90,628	-
iii) Interest Accrued on Non-cumulative deposits	359,086	1,161,229
iv) Deferred Tax Liability	378,739	179,749
v) Provision Against Standard Assets	3,526,411	2,762,776
vi) Other (Including Provisions)	14,922,462	10,751,189
TOTAL (I to VI)	22,138,417	17,248,424
SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (Including Foreign Currency Notes)	2,779,234	2,693,787
II. Balance with Reserve Bank of India		
i) In Current Account	28,488,133	21,036,763
ii) In Other Accounts	-	-
TOTAL (I & II)	31,267,367	23,730,550

Schedules

as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balance with Banks		
a) In Current Accounts	420,508	189,874
b) In Other Deposit Accounts	40,074	10,290,043
TOTAL (i)	460,582	10,479,917
ii) Money At Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	2,945,405
TOTAL (ii)	-	2,945,405
TOTAL (i & ii)	460,582	13,425,322
II. Outside India		
i) In Current Accounts	302,097	181,768
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
TOTAL II of (i, ii & iii)	302,097	181,768
GRAND TOTAL (I&II)	762,679	13,607,090
SCHEDULE 8 - INVESTMENTS		
I. Investments in India		
Gross	205,347,220	229,161,376
Less: Provision for Depreciation	10,296	18,426
Less: Provision for Investment (NPI)	1,800,739	1,547,020
Net Investments	203,536,185	227,595,930
i) Government Securities	139,480,416	134,546,757
ii) Other Approved Securities	-	-
iii) Shares (Pref. + Equity)	1,753,227	1,721,914
iv) Debentures and Bonds (Including Suitfile)	18,115,807	17,352,218
v) Sponsored Institutions	456,748	456,748
vi) Others :		
a) Certificate of Deposit	42,784,485	70,356,649
b) Suitfile	-	-
c) Inv. In Subsidiary / or Joint Ventures	200,000	200,000
d) Venture Capital	180,604	210,382
e) Commercial Paper	465,766	2,608,951
f) Security Receipts	99,132	142,311
TOTAL (I)	203,536,185	227,595,930
II. Investments Outside India		
i) Government Securities	Nil	Nil
ii) Subsidiaries and/or Joint Ventures abroad	Nil	Nil

Schedules

as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
iii) Others (Swap)	Nil	Nil
TOTAL (II)	-	-
TOTAL (I & II)	203,536,185	227,595,930
III. Investments Category-Wise		
i) Held to Maturity	128,130,768	130,172,368
ii) Held for Trading	1,456	15,157
iii) Available for Sale	75,403,961	97,408,405
TOTAL (III)	203,536,185	227,595,930
SCHEDULE 9 - ADVANCES		
A		
i) Bills Purchased and Discounted	5,646,156	7,313,571
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	157,506,195	138,201,906
iii) Term Loans	338,780,542	300,342,683
TOTAL (I to iii)	501,932,893	445,858,160
B		
i) Secured by Tangible Assets	379,216,804	341,297,887
ii) Covered by Bank/Govt. Guarantees	5,830,484	3,416,709
iii) Unsecured	116,885,605	101,143,564
TOTAL (I to iii)	501,932,893	445,858,160
C		
I. Advances in India		
i) Priority Sector	160,965,448	148,168,657
ii) Public Sector	21,141,199	5,606,625
iii) Banks	1,798,066	492,079
iv) Others	318,028,180	291,590,799
TOTAL (I to iv)	501,932,893	445,858,160
II. Advances Outside India		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
GRAND TOTAL (I & II)	501,932,893	445,858,160
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
a) Gross Block at the beginning of the year	4,975,413	3,914,658
Additions during the year	28,682	1,060,884
	5,004,095	4,975,542
Deductions during the year	7,245	129
Total (a)	4,996,850	4,975,413
Depreciation to date	1,389,558	1,330,692
	3,607,292	3,644,721
b) Constructions work in progress	585,965	341,562
TOTAL (I) [a+b]	4,193,257	3,986,283

Schedules

as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
II. Other Fixed Assets		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	8,197,245	6,830,673
Additions during the year	1,157,409	1,546,631
	9,354,654	8,377,304
Deductions during the year	66,579	180,059
	9,288,075	8,197,245
Depreciation to date	5,844,176	5,294,458
TOTAL (II)	3,443,899	2,902,787
GRAND TOTAL (I & II)	7,637,156	6,889,070
SCHEDULE 11 - OTHER ASSETS		
I. Interest Accrued but not Due	4,424,948	4,901,847
II. Interest Accrued and Due	132,247	108,192
III. Inter Office Adjustment (Net)	-	458,057
IV. Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	3,555,297	2,001,262
V. Stationery and Paper in Hand	48,385	61,261
VI. Deferred Tax Asset	-	-
VII. Others	49,383,545	34,096,077
TOTAL (I to VII)	57,544,422	41,626,696
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	2,609,297	2,163,878
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts	103,609,800	146,781,871
IV. Guarantees given on behalf of constituents:-		
a) In India	15,978,436	15,844,900
b) Outside India	2,143,779	3,271,400
V. Acceptances, Endorsements & Other Obligations	43,988,181	48,748,900
VI. Other items for which the Bank is Contingently liable	1,000	-
VII. Liability on account of Depositors Education Awareness Fund (DEAF)	310,623	161,436
TOTAL (I to VI)	168,641,116	216,972,385

Schedules

as at 31st March, 2016

	Year ended 31.03.2016 ₹ '000' Omitted	Year ended 31.03.2015 ₹ '000' Omitted
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	50,276,637	51,610,319
II. Income on Investments (Net of Amortization)	16,466,476	17,412,516
III. Interest on Balances with R.B.I and other Inter Bank Funds	1,692,606	1,588,471
TOTAL (I to III)	68,435,719	70,611,306
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange & Brokerage	2,044,382	1,755,901
II. Profit on Sale of Investments (Less loss on sale of investments)	1,460,867	1,123,691
III. Profit on revaluation of Investments (Less loss on revaluation of investments)	10,033	36,546
IV. Profit on Sale of Land, Buildings & Other Assets	-	-
V. Profit on Exchange Transactions (Less Loss on E/Transactions)	224,663	274,688
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	-	-
VII. Miscellaneous Income	1,300,328	2,748,858
TOTAL (I to VII)	5,040,273	5,939,684
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	39,867,613	42,051,716
II. Interest on RBI/Inter-Bank Borrowings	927,225	1,510,526
III. Others/Subordinate Debt	540,000	540,000
TOTAL (I to III)	41,334,838	44,102,242
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for Employees	10,195,879	8,940,270
II. Rent, Taxes and Lighting	720,468	666,200
III. Printing and Stationery	88,659	96,698
IV. Advertisement and Publicity	132,553	93,102
V. Depreciation on Bank's Property	639,902	945,026
VI. Directors Fees, Allowances and Expenses	9,125	7,124
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	148,500	136,710
VIII. Law Charges	64,452	28,239
IX. Postage, Telegrams, Telephones etc.	59,488	57,107
X. Repairs and Maintenance	133,174	113,725
XI. Insurance	574,591	555,187
XII. Other Expenditure	2,695,231	2,451,102
TOTAL (I to XII)	15,462,022	14,090,490

Schedules

“Principal Accounting Policies”

1. Basis of preparation of Financial Statements

The accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the “Going Concern” concept and conform to the Generally Accepted Accounting Principles (GAAP) in India, applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI), applicable mandatory Accounting Standards (AS)/Guidance Notes/pronouncements issued by the Institute of Chartered Accountants of India (ICAI) and practices prevailing in the banking industry in India.

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions for considering the reported assets and liabilities (including contingent liabilities) as on the date of financial statements and the income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

3. 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.

4. 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 using straight line method.
- v.
 - (a) The individual scrip’s 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 (which should not be more than one year prior to the date of valuation) and in case the latest balance sheet is not available the same are valued at ₹ 1/- per Company, as per RBI guidelines.
 - (d) Security receipts (SRs) issued by Asset Reconstruction Companies (ARCs) are valued at cost or NAV, whichever is lower, declared periodically by the ARCs. Depreciation, if any, in individual SRs is fully provided for. Appreciation, if any, is ignored.
 - (e) Investment in quoted Mutual Fund Units is valued as per Stock Exchange quotations. An investment in unquoted 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

“Principal Accounting Policies”

- 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 except for equity investment operations the same is added to the cost of purchase of investment.
- 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.

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).

5. 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.
- iii) Restructuring of Advances and provisioning thereof have been made as per RBI guidelines.

6. 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 charged on straight line method as per provisions of Companies Act 2013 based on the useful life of the assets prescribed in Part C of the schedule II of the Companies Act 2013 as given hereunder.

S.No.	Block	Useful Life
a	Building (with RCC Frame Structure)	
	Commercial	60 yrs
	Residential	60 yrs
b	Building (with Other than RCC Frame Structure)	
	Commercial	30 yrs
	Residential	30 yrs
c	Plant & Machinery	15 yrs

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“Principal Accounting Policies”

d	Furniture Fixture	10 yrs
e	Vehicles	8 yrs
f	Fences	5 years
g	Others (including temporary structures etc)	3 yrs

Depreciation on computers (including ATMs) along with software forming integral part of the computers is computed at 33.33% on straight line method in terms of RBI guidelines issued vide letter no BP.1660/21.04.018/2001 dated 01.02.2001

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

Useful life of the mobile phones is continued to be 2 years and the depreciation is charged on straight line method as per provisions of Companies Act 2013 with no residual value.

- e) Premium paid for Leasehold properties is amortized over the period of the lease.

7. Employees Benefits

- i) Short-term employee benefits are charged to revenue in the year in which the related service is rendered.
- ii) Long Term Employee Benefit
- iii) Defined Contribution Plan
 - (a) **Provident Fund:** Provident Fund is a defined contribution scheme as the bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contributions are charged to profit & loss A/C. The bank is paying matching contribution towards those employees who have not opted for the pension.
- iv) Defined Benefit Plan
 - (a) **Gratuity:** Gratuity liability is a defined obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.
 - (b) **Pension:** Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.
 - (c) **Leave Salary:** Leave salary is a defined benefit obligation and is provided for on the basis of an actuarial valuation determined on the basis of un-availed privilege leave of an employee at the time of leaving services of the company.

8. 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) The recovery in Non-Performing Assets has been first appropriated towards amount of principal and thereafter towards amount of interest.
- c) Interest on overdue term deposits is provided at Savings Bank Rate of Interest.
- d) Fee, commission (other than insurance commission & 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.

9. 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.

Schedules

“Principal Accounting Policies”

10. 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 fund.
- v) Other usual and necessary provisions.

11. Taxation

Provision for tax is made for both current and deferred taxes in accordance with As-22 on “Accounting for Taxes on Income.

12. Contingency Funds

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

Schedules

“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:

- Documentation formalities are pending in respect of two immovable properties held by the bank valued at ₹ 1.10 crores (previous year ₹ 1.12 crores). Depreciation in respect of immovable properties valued at ₹ 15.68 crores (previous year ₹ 16.02 crores) bank holds agreement to sell along with the possession of the properties.
- Depreciation is provided on straight line method in accordance with the provisions of Companies Act 2013 based on the useful life of the assets prescribed in Part C of the Schedule II of the Companies Act 2013. However the depreciation on computers (including ATMs) along with software forming integral part of the computers is computed at 33.33% on straight line method in terms of RBI guidelines issued vide letter no BP.1660/21.04.018/2001 dated 01.02.2001.
- 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.
- Further useful life of mobile phones is continued to be 2 years and the depreciation is charged on straight line method as per provisions of Companies Act 2013 with no residual value.
- Depreciation on Banks property includes amortization in respect of leased properties amounting to ₹ 0.14 Crores (previous year ₹ 0.14 Crores)

4. Capital

S.No.	Particulars	(₹ in Crores)	
		BASEL-III Current Year	BASEL-III Previous Year
i)	Common Equity Tier I Capital ratio (%)	10.60	11.26
ii)	Tier I Capital Ratio %	10.60	11.26
iii)	Tier II Capital Ratio %	1.21	1.31
iv)	Total Capital ratio (CRAR) (%)	11.81	12.57
v)	Percentage of share holding of the Government of India in Public Sector Banks	Nil	Nil
vi)	Amount of Equity Capital raised during the year	Nil	Nil
vii)	Amount of additional Tier I capital raised during the year of which: PNCPS : PDI	Nil	Nil
vii)	Amount of Tier II capital raised during the year of which Debt capital instrument:	Nil	Nil
	Preference share capital instrument: [Perpetual Cumulative Preference shares PCPS) / Redeemable Non-cumulative preference shares (RNCPS) / Redeemable cumulative preference shares (RCPS)]	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.

Investments

5. 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.

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“Notes on Accounts”

6. The Bank has ₹ 70,00,000 as share capital (previous year ₹ 70,00,000) and ₹ 44,97,47,715 in share capital deposit account (previous year ₹ 44,97,47,715) in its sponsored Regional Rural Bank (J&K Grameen Bank).
7. The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 102.19 Crores as on 31.03.2016 (Previous year ₹ 102.19 Crores). In compliance with RBI Letter No. DBOD.BP/-17099/21.4.141/ 2008-09 dated 9th April 2009, the investment stands transferred to AFS Category on October 1st, 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.

8. Details of Investments

(₹ in Crores)

S.No.	Particulars	As on	
		31.03.2016	31.03.2015
1.	Value of Investments		
	Gross Value of Investments		
	a) In India	20534.72	22916.14
	b) Outside India	NIL	NIL
	Provision for depreciation		
	a) In India	1.03	1.84
	b) Outside India	NIL	NIL
	Provision for NPI		
	a) In India	180.07	154.70
	b) Outside India	NIL	NIL
	Net Value of Investments		
	a) In India	20353.62	22759.60
	b) Outside India	NIL	NIL
2.	Movement of provisions held towards the depreciation on Investments		
	(i) Opening Balance	1.84	20.78
	(ii) Add: Provisions made during the year	4.20	7.74
	Less: Write-off/write back of excess provisions during the year	5.01	26.68
	(iii) Closing Balance	1.03	1.84

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

(₹ in Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on
				31.03.2016
Securities sold under Repo Government Securities	23.00	290.00	18.00	145.00
(Previous Year)	20.00	414.00	37.90	0.00
i) Corporate Debt Securities	0.00	0.00	0.00	0.00
(Previous Year)	0.00	0.00	0.00	0.00
Securities purchased under Reverse Repo Government Securities	0.00	0.00	0.00	0.00
(Previous Year)	5.00	450.00	25.17	0.00
i) Corporate Debt Securities	0.00	0.00	0.00	0.00
(Previous Year)	0.00	0.00	0.00	0.00

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“Notes on Accounts”

10. Non-SLR Investment portfolio Issuer composition of Non SLR Investments

(₹ in Crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
(i)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	61.82	45.76	0.00	0.00	0.00
2	FIs (incl. NBFC's AIFI'S)	1186.47	1138.54	5.00	0.00	0.00
3	Banks(incl. CD's)	4366.95	88.50	5.00	0.00	0.00
4	Private Corporates (incl. CP's)	870.03	576.47	289.99	125.00	25.00
5	Subsidiaries/Joint Ventures	20.00	0.00	0.00	0.00	0.00
6	Others	74.44	0.00	0.00	0.00	0.00
	Total	6579.71	1849.27	299.99	125.00	25.00
7	Provision towards depreciation/NPI	181.10				
8	Total	6398.61				

The Bank's investment in unlisted securities as on 31.03.2016 is 0.27% (previous year 0.25%) which is well within the RBI stipulated limit of 10%.

In terms of RBI circular DBR.BP.BC No.31/21.04.018/2015-16 dated 16th July 2015, the bank has, effective from quarter ended 30th June 2015, included its deposits amounting to ₹ 2210 Crores placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets" hitherto these were included under investments. Interest income on these deposits has been included under "Interest earned others". Hitherto such interest income was included under "Interest earned - income on investments". Figures for the previous periods have been regrouped / reclassified to conform to current period classification. The above reclassification has no impact on the profit/loss of the bank for the year ended 31st March 2016 or on the profit/ loss for the previous periods presented

Breakup of investments with NABARD/SIDBI/RHDF/RIDF classified with other assets

(₹ in Crores)

Particulars	2015-16	2014-15
NABARD	823.43	754.01
RIDF	1065.30	1031.74
SIDBI	165.27	127.65
RHDF	294.07	296.60
TOTAL	2348.08	2210.00

10.1 Non-performing Non-SLR investments

(₹ in Crores)

Particulars	Amount as on 31.03.2016	Amount as on 31.03.2015
Opening Balance	251.24	137.65
Additions during the year	209.11	115.29
Reductions during the year	90.82	1.70
Closing Balance	369.53	251.24
Total Provision held (including floating provisions of ₹ 2.76 Crores)	182.83	157.45

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“Notes on Accounts”

10.2 Sale and Transfers to/from Held to Maturity (HTM) Category

- Bank has not sold any HTM category securities during the year (previous year nil) as such no appropriation was made to Capital Reserve Account.
- With the approval of the Board of Directors, the Bank has shifted securities amounting to ₹ 753.75 Cr (FV) on 08/06/2015 (Previous year ₹ 370.00 Cr) at lower of book value or market value, scrip wise, from Held to Maturity (HTM) to Available for Sale (AFS) category in accordance with RBI guidelines.
- On the basis of special dispensation being allowed by the Reserve Bank of India vide its Circular No. DBOD.No.BP. BC.42/21.04.141/2014-15, dated 07/10/2014 & Circular No.DBR.No.BP.BC.65/21.04.141/2015-16, Dated 10/12/2015, the Bank undertook shifting of Govt. Securities having face value of ₹ 650 Cr & 825 Cr on 02/09/2015 & 01/01/2016 respectively from HTM to AFS Category.
- The value of sales and transfer of securities to/from HTM category (excluding the exempted transfer) did not exceed 5% of book value of the investment in HTM category at the beginning of the year.

10.3 The value of investments under three categories viz., Held for Trading, Available for sale and Held to maturity (Net of provisions held) are as under:

(₹ in Crores)

Particulars	As on 31.03.2016				As on 31.03.2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	0.00	1231.97	12716.07	13948.04	0.00	541.98	12912.71	13454.69
Other approved securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares (Equity & Pref.)	0.15	175.18	0.00	175.33	1.51	170.68	0.00	172.19
Debentures & Bond	0.00	1791.50	20.08	1811.58	0.00	1711.36	23.86	1735.22
Subsidiaries	0.00	0.00	20.00	20.00	0.00	0.00	20.00	20.00
Others (incl. Sponsored, CDs, CPs, CDs, Venture Capital & Security receipts)	0.00	4341.75	56.92	4398.67	0.00	7316.83	60.67	7377.50
Total	0.15	7540.40	12813.07	20353.62	1.51	9740.85	13017.24	22759.60

11. Derivatives

11.1 Forward Rate Agreement/Interest Rate Swap

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
i)	The notional principal of swap agreements	Nil	Nil
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	Nil	Nil
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the swaps	Nil	Nil
v)	The fair value of the swap book	Nil	Nil

11.2 Exchange Traded Interest Rate Derivatives

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the Year (instrument-wise)	Nil	Nil
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	Nil	Nil
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	Nil	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	Nil	Nil

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“Notes on Accounts”

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

S.No.	Particulars	31.03.2016		31.03.2015	
		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
(iv)	Likely Impact of 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

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“Notes on Accounts”

Forward Exchange contracts as on 31.03.2016

(₹ in Crores)

Up to 14 days	685.13
Beyond 14 day	9675.85
Total	10360.98

12 Asset Quality

12.1 Non Performing Assets

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)	4.31%	2.77%
(ii)	Movement of NPAs (Gross)		
	a) Opening balance	2764.08	783.42
	b) Additions during the year	2383.22	2525.80
	c) Reductions during the year	778.69	545.14
	d) Closing balance	4368.61	2764.08
(iii)	Movement of Net NPAs		
	a) Opening balance	1236.32	101.99
	b) Additions during the year	1738.30	1712.62
	c) Reductions during the year	778.69	545.14
	d) Closing balance*	2163.95	1236.32
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance **	1466.88	653.70
	b) Provisions made during the year	960.67	813.18
	c) Write-off/write-back of excess provisions	315.75	0.00
	d) Closing balance	2111.80	1466.88

* Net NPA has been arrived at after adding net interest suspense of ₹ 0.00 Crores. (Previous year ₹ 0.91 Crores) and net ECGC claims of ₹ 3.63 Crores (Previous year ₹ 0.75 Crores), DIFV ₹ 0.14 Crores and reducing Interest Capitalization of ₹ 28.21 Crores (previous year ₹ 18.57).

** Including floating provision of ₹ 348.72 Crores (Previous year ₹ 17.73 Crores)

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

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"Notes on Accounts"

13. Particulars of Accounts Restructured

(₹ in Crores)

Sl No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total							
		Standard	Sub-Doubtful Std.	Loss	Total	Standard	Sub-Doubtful Std.	Loss	Total	Standard	Sub-Doubtful Std.	Loss	Total	Standard	Sub-Doubtful Std.	Loss	Total				
1	Restructured Accounts as on April 1 of the FY (opening figures)*	11	3	0	0	14	21	4	117	3	145	5184	28	172	9	5393	5216	35	289	12	5552
	Amount	791.13	57.25	0	0	848.38	47.47	3.67	10.96	25.79	87.89	1313.56	190.05	27.26	0.19	1531.06	2152.16	250.97	38.22	25.98	2467.33
	Provision thereon	38.36	8.58	0	0	46.94	2.08	0.55	8.76	25.79	37.19	63.90	30.04	19.32	0.19	113.45	104.34	39.17	28.08	25.98	197.58
2	Fresh restructuring during the year	0	0	0	0	0	1	4	3	0	8	1	0	0	0	1	2	4	3	0	9
	Amount	0	0	0	0	0	0.03	0.14	18.14	0	18.31	251.95	0	0	0	251.95	251.98	0.14	18.14	0	270.26
	Provision thereon	0	0	0	0	0	0	0.02	4.54	0	4.56	12.60	0	0	0	12.60	12.60	0.02	4.54	0	17.16
3	Up-gradations to restructured standard category during the FY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Amount	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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.	2	0	0	0	2	6	0	0	0	6	25	0	0	0	25	33	0	0	0	33
	Amount	41.48	0	0	0	41.48	11.19	0	0	0	11.19	13.41	0	0	0	13.41	66.08	0	0	0	66.08
	Provision thereon	2.23	0	0	0	2.23	0.48	0	0	0	0.48	0.54	0	0	0	0.54	3.25	0	0	0	3.25
5	Down gradations of restructured accounts during the FY	0	1	1	0	2	0	5	0	0	5	0	577	5	0	582	0	583	6	0	589
	Amount	0	59.49	53.62	0	113.11	0	39.23	0	0	39.23	0	156.47	57.41	0	213.88	0	255.19	111.03	0	366.22
	Provision thereon	0	8.92	21.45	0	30.37	0	1.97	0	0	1.97	0	23.43	14.36	0	38.00	0	34.32	35.81	0	70.13

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

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	01	NIL
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	40.14	NIL
3.	Aggregate Consideration	40.14	NIL
4.	Additional consideration realized in respect of accounts transferred in earlier years	0.00	NIL
5.	Aggregate gain/loss over net book value	0.00	NIL

(₹ in Crores)

Particulars	Backed by NPA'S sold by the bank Underlying		Backed by NPA'S sold by other banks/financial institutions /non banking financial companies as underlying.		Total	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Book value of investments in security receipt	0.00	0.00	14.23	9.99	14.23	9.99

15. Details of non performing financial assets purchased.

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
1.(a)	No. of accounts purchased	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

15.1 Details of non performing financial assets sold.

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
1)	No. of accounts sold	NIL	NIL
2)	Aggregate outstanding	NIL	NIL
3)	Aggregate consideration received	NIL	NIL

16. Provisions on standard Assets

(₹ in Crores)

Particulars	31.03.2016	31.03.2015
Provision towards Standard Assets	352.64	276.28

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17. Business Ratios

S.No.	Particulars	As on	
		31.03.2016	31.03.2015
(i)	Interest income as a percentage to working funds*	9.42%	9.73%
(ii)	Non-Interest income as a percentage to working funds*	0.69%	0.82%
(iii)	Operating Profit as a percentage to working funds*	2.29%	2.53%
(iv)	Return on Assets **	0.57%	0.70%
(v)	Business (deposits plus advances) per employee***	11.37 Crores	11.43 Crores
(vi)	Profit per employee	0.04 Crores	0.05 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.

18. Asset Liability Management

(i) Maturity pattern of certain items of assets and liabilities as on 31.03.2016

(₹ in Crores)

Particulars	Day 1	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	149.56	1507.69	1398.91	1286.35	1772.83	3943.27	8324.05	30875.93	19599.71	531.94	69390.25
ADVANCES	1970.66	498.53	246.14	178.80	4616.19	3867.00	6032.27	24864.39	5394.47	2524.84	50193.29
INVESTMENTS	1871.37	49.17	328.41	107.36	1571.87	1309.42	1841.69	4007.44	2664.98	6601.91	20353.62
BORROWINGS	1210.00	0.00	0.00	0.00	0.00	0.00	255.00	175.00	600.00	0.00	2240.00

Details of Foreign currency Assets/Liabilities (Maturity Pattern) as on 31.03.2016

(₹ 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
ASSETS									
USD	431.06	77.58	1106.59	355.59	2947.88	0.00	0.00	0.00	4918.70
EURO	11.46	8.07	29.03	29.25	29.55	0.00	0.00	0.00	107.36
GBP	3.06	8.78	13.46	9.74	3.34	0.00	0.00	0.00	38.38
J.YEN	15.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.34
AUD	1.63	0.00	0.31	0.00	0.00	0.00	0.00	0.00	1.94
CAD	0.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.87
CHF	1.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.72
SAR	0.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.67
Total	465.80	94.44	1149.39	394.58	2980.78	0.00	0.00	0.00	5084.99
(Previous Year)	866.03	82.54	1635.93	627.22	4309.47	0.00	0.00	0.00	7521.18

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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
LIABILITIES									
USD	386.40	63.14	1190.20	343.33	2951.53	0.00	0.00	0.00	4934.61
EURO	5.50	8.60	36.64	28.27	28.65	0.00	0.00	0.00	107.66
GBP	8.50	3.91	13.08	10.60	2.96	0.00	0.00	0.00	39.05
J.YEN	0.00	33.50	0.00	0.00	0.00	0.00	0.00	0.00	33.50
AUD	0.00	0.00	1.53	0.00	0.00	0.00	0.00	0.00	1.53
CAD	0.00	0.00	1.02	0.00	0.00	0.00	0.00	0.00	1.02
CHF	1.03	0.00	0.69	0.00	0.00	0.00	0.00	0.00	1.72
Total	401.43	109.16	1243.17	382.20	2983.14	0.00	0.00	0.00	5119.10
(Previous year)	801.62	5.35	1753.79	624.00	4334.10	2.18	5.52	0.00	7526.56

The above disclosure is as compiled and certified by the Bank's management.

19. Exposures

19.1 Exposure to Real Estate Sector*

(₹ in Crores)

S.No.	Particulars	As on	
		31.03.2016	31.03.2015
1.	Direct Exposure		
(i)	Residential Mortgages	1556.85	1445.32
	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 ₹ 954.06 Crores)(Previous Year ₹ 904.73 Crores)		
(ii)	Commercial real estate	2654.75	2921.53
	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.		
(iii)	Investment in mortgage backed securities and other securitized exposures		
(a)	Residential	195.44	NIL
(b)	Commercial real estate	2549.31	NIL
2.	Indirect Exposure (Fund based & non fund based exposure on National Housing Bank and housing finance companies)	775.42	892.12
	Total Exposure to Real Estate	4987.02	5258.97

The above disclosures are as compiled and certified by the Bank's management.

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19.2. Exposure to Capital Market

(₹ in Crores)

S.No.	Particulars	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.	153.91	152.41
(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	0.00	1.05
(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	0.05	0.13
(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	0.00	0.00
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	0.00	2.13
(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	0.00	0.00
(vii)	Bridge loans to companies against expected equity flows /issues	0.00	0.00
(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	0.00	0.00
(ix)	Financing to stock brokers for margin trading	0.00	0.00
(x)	All exposures to venture Capital Funds (both registered and unregistered)	18.78	22.54
	Total	172.74	178.26

The above disclosures are as compiled and certified by the Bank's management.

19.3 Risk category wise country exposure

(₹ in Crores)

Category	Risk Category	Exposure (net) as at March 2016	Provisions held as at March 2016	Exposure (net) as at March 2015	Provisions held as at March 2015
A1	Insignificant	53.14	Nil	205.76	Nil
A2	Low	1.67	Nil	1.64	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
	Total	54.81	Nil	207.40	Nil

The above disclosure is as compiled and certified by the Bank's management

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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 respect of ONGC Petro additions Limited by 4.83% over prudential exposure ceiling during the year.

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

(₹ in Crores)

Particulars	2015-16	2014-15
Total amount of advances outstanding against charge over intangible securities such as the rights, licenses, authority etc.	0.00	0.00

22. Penalty imposed by Reserve Bank of India

Penalty imposed by Reserve Bank of India during the year: ₹ 2.25 lacs (Previous year ₹ NIL).

23. Disclosures as per Accounting Standards (AS) in terms of RBI guidelines.

23.1 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.

23.2 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.

23.3 Accounting Standard 15 - Employees Benefit

Adoption of AS-15 (R) The bank has adopted accounting standard 15 (R) – Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognizes in its books of accounts the liability arising out of employee benefits as the sum of the present value of obligation as reduced by fair value of plan assets on the balance sheet date.

The disclosure required under Accounting Standard 15 “Employee Benefits- in line with the accounting policy as per the Accounting Standard- issued by the Institute of Chartered Accountants of India are as under”:

I Principal Actuarial Assumptions as on Balance Sheet date:

Actuarial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016
Discount Rate	8%	8%	8%	8%	8%	8%
Expected Return on Plan Assets	8%	8%	8%	8%	N/A	N/A
Rate of Escalation in salary	5%	5%	5%	5%	5%	5%
Attrition Rate	1%	1%	1%	1%	1%	1%

II Changes in Present value of the obligation (PVO)-Reconciliation of Opening & Closing Balance

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation 01.04.2015	676.52	216.88	109.11
Interest Cost	46.20	16.20	8.09
Current Service Cost	49.07	19.98	17.06
Benefits paid	(197.93)	(28.71)	(15.97)
Actuarial loss/ (gain) on obligations (Balancing figure)	182.01	23.22	40.31
Present Value of Obligations, 31.03.2016	755.87	247.57	158.60

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III Changes in the Fair Value of the Plan Assets-Reconciliation of Opening & Closing Balances:

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Fair Value of Plan Assets 01.04.2015	640.00	209.07	0.00
Expected return on Plan assets	54.59	18.17	0.00
Contributions by Bank/Employees	220.45	44.40	15.97
Benefits paid	(197.93)	(28.71)	(15.97)
Actuarial (loss)/ gain on Plan Assets (Balancing figure)	7.52	2.14	0.00
Fair Value of Plan Assets, 31.03.2016	724.63	245.07	0.00

IV Actual return on Plan Assets

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Expected return on Plan Assets	54.59	18.17	0.00
Actuarial (loss)/ gain on Plan Assets	7.52	2.14	0.00
Actual Return on Plan Assets	62.11	20.31	0.00

V Net Actuarial (Gain)/ loss recognized

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Actuarial gain/ (loss) for the period - Obligation	(182.01)	(23.22)	(40.31)
Actuarial gain/ (loss) for the period - Plan Assets	7.52	2.14	0.00
Total (Gain)/ Loss for the period	174.48	21.07	40.31
Actuarial (gain) or loss recognized in the period	174.48	21.07	40.31
Unrecognized Actuarial (gain)/ loss at the end of the year	0.00	0.00	0.00

VI Amount recognized in Balance Sheet & Related Analysis

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value obligation, 31.03.2016	755.87	247.57	158.60
Fair Value of Plan Assets, 31.03.2016	724.63	245.07	0.00
Difference	31.24	2.50	158.60
Unrecognized Transitional Liability	0.00	0.00	0.00
Unrecognized Past Service cost - vested benefits - Carried Forward	0.00	0.00	0.00
Liability Recognized in the Balance Sheet	31.24	2.50	158.60
Negative amount determined under Paragraph 55 of AS-15 (R)	0.00	0.00	0.00
Present value of available refunds and reductions in future contributions	0.00	0.00	0.00
Resulting asset as per Paragraph 59 (b) of AS - 15 (R)	0.00	0.00	0.00

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VII Expense recognized in Profit and Loss Statement

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Current Service Cost	49.07	19.98	17.06
Interest Cost	46.20	16.20	8.09
Expected return on Plan assets	(54.59)	(18.17)	0.0
Net Actuarial (gain)/ loss recognized in the year	174.48	21.07	40.31
Past Service Cost-Recognized	0.00	0.00	0.00
Expenses recognized in the statement of profit and loss	215.17	39.09	65.46

VIII Movement in Net liability to be recognized in Balance Sheet

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Opening Net Liability	36.52	7.81	109.11
Expenses	215.17	39.09	65.46
Contributions paid	(220.45)	(44.40)	(15.97)
Closing Net Liability (Liability recognized in B/S in current period)	31.24	2.50	158.60

IX Amount for the Current Period

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligations, 31.03.2016	755.87	247.57	158.60
Fair Value of Plan Assets, 31.03.2016	724.63	245.07	0.00
Surplus/(Deficit) before unrecognized past service cost	(31.24)	(2.50)	(158.60)
Experience Adjustments in Plan Liabilities - (loss)/ gain	(182.01)	(23.22)	(40.31)
Experience Adjustments in Plan Assets (loss) / gain	7.52	2.14	0.00

X Major Categories of Plan Assets (as percentage of Total Plan Assets)

(in % age)

Particulars	PENSION (%)	GRATUITY (%)
Government of India Securities	14.60	11.96
State Government Securities	2.70	31.91
High Quality Corporate Bonds	8.15	25.20
Equity Shares of listed companies	-	1.81
Funds managed by Insurer	74.55	-
Other- Bank Deposits and CD's	-	29.12
Total	100.00	100.00

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XI Best Estimate of contribution during next year

Particulars	(₹ in Crore)	
	PENSION (Funded)	GRATUITY (Funded)
Bank's best estimate of Contribution during next year	242.76	25.47

Particular Basis of assumption:

Discount rate : Discount rate has been determined by reference to market yields on the balance sheet date on Government Bonds of term consistent with estimated term of the obligations as per para 78 of AS-15R.

Expected rate of return on plan assets: The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.

Rate of escalation in salary: The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS-15R.

Attrition rate: Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

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

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23.4 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	31.03.2016	31.03.2015
A Segment Revenue (Income)		
i. Treasury Operations	1978.86	2042.64
ii. Corporate/Whole sale Banking	2653.88	3015.26
iii. Retail Banking	3204.13	3146.56
iv. Other Banking Business	57.61	38.76
Total	7894.10	8243.22
(Less): Inter segment revenue	546.51	588.12
Total Income from Operations	7347.59	7655.10
B Segment Results (Profit before tax)		
i. Treasury Operations	123.28	100.41
ii. Corporate /Wholesale Banking	212.83	362.55
iii. Retail Banking	330.80	335.80
iv. Other Banking Business	24.77	21.55
Total	691.70	820.31
C (Segment Assets)		
i. Treasury Operations	23246.46	26929.39
ii. Corporate/Wholesale Banking	28544.22	24889.25
iii. Retail Banking	28427.98	24089.58
iv. Other Banking Business	49.41	22.53
Total	80268.07	75930.75
D. (Segment Liabilities)		
i. Treasury Operations	1654.04	3816.49
ii. Corporate /Wholesale Banking	27398.10	26001.26
iii. Retail Banking	44751.34	39968.08
iv. Other Banking Business	60.66	34.88
Total	73864.14	69820.70
E. Capital Employed (Segment Assets-Segment Liabilities)		
i. Treasury Operations	21592.42	23112.89
ii. Corporate/Wholesale Banking	1146.13	(1112.01)
iii. Retail Banking	(16323.36)	(15878.49)
iv. Other Banking Business	(11.25)	(12.35)
Total	6403.93	6110.05

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

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23.5 Accounting Standard 18 - Related party disclosures as on 31.03.2016

(₹ in Crores)

Items/Related Party	J&K Grameen Bank*	JKB Financial Services Ltd. #
Deposits	Balance as on date	1179.49
	Maximum Balance during the year	1215.29
Advances	Balance as on date	11.67
	Maximum Balance during the year	23.07
Investments	Balance as on date	34.01
	Maximum Balance during the year	34.01
Interest Paid	107.01	0.05
Interest/Commission Received	1.26	1.28
Sale of Fixed Assets	Nil	Nil
Transfer of Current Assets/ Liabilities(Net)	Nil	Nil
Reimbursement of Expenses	Nil	5.71

* J&K Grameen Bank is a Sponsored Company of J&K Bank

JKB Financial Services Ltd. is a subsidiary of J&K Bank

(₹ in Lakhs)

Items/Related Party	K.M.P* Mr. Mushtaq Ahmad (Chairman)
Investments	-
Interest/Commission Received	-
Salary	74.91

* Key Managerial Personnel

23.6 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.

23.7 Accounting standard 20 - Earning per share

(₹ in Crores)

Description	31.03.2016	31.03.2015
Net Profit available to Equity Share Holders	416.03	508.60
No. of Equity Shares	484778020	484778020
Basic/Diluted Earnings per share (in ₹)	8.58	10.49
Face value per share	₹ 1/-	₹ 1/-

23.8 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 July 31, 2007. The investment towards the capital of subsidiary company is ₹ 20.00 Crores (Previous Year ₹ 20.00 Crores). The consolidated financial statements are placed accordingly in terms of AS 21 issued by the Institute of Chartered Accountants of India.

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23.9 Accounting standard 22 - Accounting for taxes on income

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

(₹ In Lacs)

Timing Difference	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	-	5013.48
Leave encashment	5487.42	-
Special Reserve	-	4261.34
Wage Revision	-	-

Net Deferred Tax Liability as on 31.03.2016 : ₹ 3787.39 Lacs

Tax Impact for the year : ₹ 1989.90 Lacs

23.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹ 97.85 Lacs on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 34.23 Lacs has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 63.62 Lacs 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 ₹ 11.04 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalized the cost of the same.

23.11 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.

23.12 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. A provision of ₹ 2.23 crores (Previous year ₹ 1.90 Crores) has been made during the year totaling to ₹ 7.81 crores (Previous year ₹ 5.59 Crores) upto 31.03.2016 against claims decreed against the Bank. Claims have not been acknowledged as debts owing to the appeal filed by the bank before the court of competent jurisdiction, pending adjudication.

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24 ADDITIONAL DISCLOSURES

24.1 Provisions and Contingencies

The break-up of “Provisions and Contingencies” shown under the head “Expenditure in Profit and Loss Account is as under:

Particulars	(₹ in Crores)	
	For the year ended	
	31.03.2016	31.03.2015
Tax expense		
i) Income Tax	255.75	301.06
ii) Deferred Tax Liability/ (asset)	19.90	10.56
iii) Wealth Tax	0.00	0.09
Provision against NPA's	869.62	813.18
Provision for depreciation on investments	0.19	-
Provision for frauds and embezzlements	0.72	0.43
Provision for diminution in the fair value of restructured /rescheduled advances	0.00	134.40
Provision for Non Performing Investments	27.11	20.97
Other provisions & contingencies	-	-
Provision for contingent liabilities	2.23	1.90
Provision for Standard Assets	76.36	44.64
Total	1251.88	1327.23

25. Details / Utilization of Floating Provisions

Particulars	(₹ in Crores)	
	As on	
	31.03.2016	31.03.2015
Opening balance	17.73	52.90
Additions made during the year	330.99	Nil
Draw Down made during the year	0.00	35.17
Closing balance	348.72	17.73

26. Investments (Floating Provision)

Particulars	(₹ in Crores)	
	As on	
	31.03.2016	31.03.2015
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

27. Customer Complaints

A	No of complaints pending at the beginning of the year	07
B	No of complaints received during the year	73
C	No of complaints redressed during the year	74
D	No of complaints pending at the end of the year	06

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“Notes on Accounts”

28. Awards Passed by 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	01
C	No of Awards implemented during the year	NIL
D	No of unimplemented Awards pending at the end of the year	01

The award passed against the Bank is un-implemented for the reasons that the Bank has preferred appeal against the said award with the appellate authority. However a provision of ₹ 10.00 lakhs has been made against the said award.

29. 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 ₹ 14.20 Crores (Previous year: ₹ Nil)

30. 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 2016.

31. Provision Coverage Ratio (PCR)

The provision coverage ratio (PCR) for the Bank as on 31st March 2016 is 56.15% (Previous Year 59.02%) which is calculated taking into account the total technical write offs made by the Bank.

32. 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 2015-16 on account of mobilizing said business is given hereunder:-

		(₹ in Crores)
S. No.	Nature of Income	
1	For selling life insurance policies	19.46
2	For selling non-life insurance polices	11.55
3	For selling mutual fund products	NIL
4	Others - (Logo & other Charges)	12.15
Total		43.16

33. Concentration of Deposits, Advances, Exposures & NPA's

33.1 Concentration of Deposits

		(₹ in Crores)
Total Deposits of 20 largest depositors		13052
Percentage of 20 largest depositors to total Deposits of the Bank		18.81%

33.2 Concentration of Advances

		(₹ in Crores)
Total Advances to 20 largest borrowers		13857
Percentage of advances of 20 largest borrowers to Total Advances of the Bank		27.61%

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33.3 Concentration of Exposures

	(₹ in Crores)
Total Exposure to 20 largest borrowers customers	14810
Percentage of exposures to 20 largest borrowers /customers to Total exposure of the bank on borrowers/customers	20.99%

33.4 Concentration of NPA's

	(₹ in Crores)
Total Exposure to top four NPA accounts	1753

34. Sector Wise Advances

S. No.	Sector	Current Year			Previous Year		
		Outstanding Total Advances	Gross NPA	Percentage of Gross NPAs to total Advances in that sector	Outstanding Total Advances	Gross NPA	Percentage of Gross NPAs to total Advances in that Sector
A	Priority Sector						
1	Agriculture and Allied Activities	5982.67	595.03	9.95	5667.01	553.93	9.77
2	Advances to Industries sector eligible as priority sector lending	2674.56	226.91	8.48	2128.07	157.14	7.38
3.	Services	6173.27	404.07	6.55	5137.17	185.99	3.62
4.	Personal Loans	1702.75	18.48	1.09	2405.60	38.59	1.60
5.	Others	345.69	18.29	5.29	0	0	0
	Sub Total A	16878.94	1262.78	7.48	15337.85	935.65	6.10
B.	Non Priority Sector						
1	Agriculture and Allied Activities	0	0	0	0	0	0
2	Industry	12979.92	2005.62	15.45	13656.86	815.40	5.97
3.	Services	11864.44	998.17	8.41	10857.26	942.52	8.68
4.	Personnel Loans	8914.15	66.00	0.74	6448.57	70.51	1.09
5.	Others	1856.29	36.04	1.94	0	0	0
	Sub Total B	35614.8	3105.83	8.72	30962.69	1828.43	5.91
	TOTAL (A+B)	52493.74	4368.61	8.32	46300.54	2764.08	5.97

35. Movement of NPA's

Particulars	(₹ in Crores)	
	Current Year	Previous Year
Gross NPA's as on April 01, (Opening Balance)	2764.08	783.42
Additions (Fresh NPA's) during the year	2383.22	2525.80
Sub Total : (A)	5147.30	3309.22
Less		

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Particulars	Current Year	Previous Year
i) Up-gradation	188.92	343.77
ii) Recoveries (Excluding Recoveries made from upgraded Accounts)	261.74	176.43
iii) Technical/ Prudential/ write offs	317.70	24.94
iv) Write offs other than those under (iii)above	10.33	
Sub Total (B)	778.69	545.14
Gross NPA as on 31st March	4368.61	2764.08

36. Sector wise NPA's*

S. No.	Sector	Percentage of NPA to Total advances in that sector
1	Agriculture & Allied activities	9.95
2	Industry (Micro & Small Medium and Large)	14.26
3	Services	7.77
4	Personal Loans	0.80
5	Others	2.47

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

37. Stock of technical write-offs and recoveries made thereon

(₹ in Crores)

Particulars	Current Year	Previous Year
Opening balance of Technical/Prudential write-off accounts as on April 1st	252.79	268.20
Add: Technical/Prudential write-offs during the year	315.66	Nil
Sub Total:	568.45	268.20
Less: Recoveries made during the year	2.41	15.41
Closing balance as on 31st March	566.04	252.79

38. Overseas Assets, NPA's and Revenues

(₹ in Crores)

S No	Particulars	
1	Total Assets	Nil
2	Total NPAs	Nil
3	Total Revenue	Nil

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

Name of the SPV sponsored		
	Domestic	Overseas
	NIL	NIL

40. 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.

41. Corporate Social Responsibility (CSR Activities)

Pursuant to section 135 of the Companies Act 2013, it is required to expend 2% of the average net profits made

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during three immediate preceding financial years for CSR activities. Accordingly, bank is required to spend ₹ 27.33 Crores (Previous year ₹ 29.86 Crores) for twelve months period ended 31st March 2016 against which bank has spent ₹ 28.48 Crores (Previous year ₹ 13.75 Crores). The bank has decided to include expenditure made on maintenance of Parks and Gardens as CSR expenditure from the current year on which an amount of ₹ 13.86 Crores has been incurred.

42. In Compliance to RBI Letter No. DBR.NO.BP.13018/21.04.048/2015-16 dated April 12, 2016, bank has provided a sum of ₹ 22.50 crores being 7.50% of the existing outstanding balance of ₹ 299.95 crores as on 31.03.2016 under the Food Credit availed by the State Government of Punjab.

43. 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

44. Movement in Provision for Credit Card Reward Point is set out below:

(₹ in Crores)

Particulars	
Opening Provision Balance as on 01.04.2015	1.08
Provisions made during the year	1.37
Redemption made during the year	2.29
Closing Provision Balance as on 31.03.2016	0.16

45. Intra-Group Exposure

(₹ in Crores)

	Current Year	Previous Year
Total Amount of intra-group Exposure	1.63	8.44
Total Amount of top-20 intra group exposures	1.63	8.44
Percentage of intra -group exposures to total exposures of the bank on borrowers/customers	0.00	0.01
Details of breach of limit on intra-group exposures and regulatory action thereon, if any	NIL	NIL

46. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in Crores)

Particulars	Current Year	Previous Year
Opening balance of amounts transferred to DEAF	16.14	NIL
Add:- Amounts transferred to DEAF (During the Year 2015-16)	15.34	16.30
Less : Amounts reimbursed by DEAF towards claims	0.42	0.16
Closing balance of amounts transferred to DEAF	31.06	16.14

47. Un-hedged Foreign Currency Exposure

In accordance with RBI circular no DBOD .BP.BC.85/21.06.200/2013-14 dated 15th January, 2014 and circular no DBOD. BP.BC.116/21.06.200/2013-14 dated 3rd June 2014, banks are required to make an additional provision in respect of borrowers with Un-hedged Foreign Currency Exposures (UFCE) from April 1, 2014 onwards. However no provisions were required to be made by the bank for the financial year 2015-16 towards this exposure.

47.1 Policy to manage currency induced Credit Risk:-

Foreign currency exposures are hedged under permitted hedging products in accordance with guidelines of RBI on Risk Management and inter bank dealings, FEDAI norms and guidelines. The objective of the policy is to maximize hedging on the foreign currency exposures of borrowers Monitoring and review of the un-hedged foreign currency exposures to borrowers is undertaken by the bank on monthly basis by obtaining borrower-wise statements .Specific action/ suitable

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remedial measures including stipulation of additional cash margin and /or increase in pricing spread, wherever required are accordingly devised by the bank.

Details of Incremental provisioning made by Bank towards this risk.

		(₹ in Crores)
Particulars		Provision Held
Opening balance as on (01.04.2015)		4.09
Additions during the year		0.00
Deductions during the year		0.32
Closing balance 31.03.2016		3.77

The capital held by the Bank towards the foreign currency exposure amounts to ₹ 8.22 Crores (Previous Year ₹ 3.19 Crores)

48. Liquidity Coverage Ratio (LCR)

		Current Year		Previous Year	
		Total Unweighted value (Average)	Total Weighted value (Average)	Total Unweighted value (Average)	Total Weighted value (Average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)	5454.10	5414.60	5339.60	5290.25
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which	20589.31	1575.78	28763.22	2204.89
(i)	Stable deposits	10487.02	565.55	13428.38	671.41
(ii)	Less stable deposits	10102.28	1010.23	15334.84	1533.48
3	Unsecured wholesale funding of which	6499.98	1624.84	8495.16	2123.50
(i)	Operational Deposits (all counterparties)	13820.44	3454.84	8494.79	2123.47
(ii)	Non Operational deposits (all counterparties)	0.45	0.04	0.37	0.03
(iii)	Unsecured debt	0	0	0	0
4	Secured Wholesale funding	140.35	0	156.47	0
5	Additional requirements of which				
(i)	Outflows related to derivative exposure and other collateral requirements				
(ii)	Outflows related to loss of funding on debt products				
(iii)	Credit and liquidity facilities				
6	Other contractual funding Obligations	6051.80	512.33	6247.26	458.78
7	Other contingent funding Obligations	4960.92	239.70	5989.31	299.46
8	Total cash outflows	45563.30	5782.71	49651.42	5086.63
Cash Inflows					
9	Secured Lending (e.g. reverse repo)	137.49	0.00	82.63	0.00
10	Inflows from fully performing exposure	1481.02	912.76	4847.27	3354.73

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11	Other cash inflows	102.79	102.79	0.00	0.00
12	Total cash inflows	1721.31	1015.56	4929.90	3354.73
			Total adjusted value		Total adjusted value
	TOTAL HQLA		5414.60		5290.25
	Total Net Cash Outflows		4767.15		1731.90
	Liquidity Coverage ratio (%)		113.58		305.46

48.1 Qualitative disclosure for Liquidity Coverage Ratio (LCR):

The Bank has robust liquidity risk management framework in place that ensures sufficient liquidity including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

Liquidity Coverage Ratio (LCR) BLR-1 aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Asset (HQLAs) that can be converted into cash to meet liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

Composition of High quality liquid assets (HQLAs)

High quality liquid assets (HQLAs) comprise of assets that can be readily sold or used as collateral to obtain funds in a range of stress scenario. These are asset categories which can be easily or immediately converted into cash at little or no loss in value.

With zero percent haircut Level 1 (HQLA) asset comprises of:

- Cash
- Excess CRR
- Government securities in excess of SLR
- Marginal Standing Facility (MSF)
- Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR)
- Marketable securities issued by foreign sovereigns

A minimum haircut of 15% is applied on the following assets and is placed in the category of Level 2A (HQLA) assets:

- Marketable securities guaranteed by sovereigns, PSEs or multilateral development banks assigned risk weights of up to 20% but are not issued by banks/financial institutions/NBFCs
- Corporate bonds not issued by banks/financial institutions/NBFCs
- Commercial Papers not issued by PDs/financial institutions/NBFCs

With a haircut of 50% following HQLAs are also placed in category of level 2B assets:

- Marketable securities guaranteed by sovereigns having risk weights of higher than 20% but not more than 50%.
- Common equity shares included in NSE CNX Nifty index or S&P BSE Sensex index but not issued by banks/financial institutions/NBFCs
- From February 2016, In line with the RBI guidelines Corporate debt securities (including commercial paper) not issued by a bank, financial institution, PD, NBFC or any of its affiliated entities have a long-term credit rating from an Eligible Credit Rating Agency between A+ and BBB- or in the absence of a long term rating, a short-term rating equivalent in quality to the long-term rating; traded in large, deep and active repo or cash markets characterized by a low level of concentration; and have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. a maximum decline of price not exceeding 20% or increase in haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress. is also reckoned as Level 2B HQLAs,

All the relevant inflows and outflows as per RBI stipulations are captured in the LCR template.

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LCR statement in the prescribed format is submitted to RBI at the end of every month and put up to the Board and management as part of ICAAP at annual and quarterly rests respectively.

49. Disclosure on Remuneration

Information relating to the composition and mandate of the Remuneration Committee.	Bank has constituted the Nomination and Remuneration committee of the Board pursuant to the requirement of the Reserve bank of India and the Companies Act, 2013, constitutes of following members of the Board. Mr. Vikrant Kuthiala (Chairman) Mr. Dalip Kumar Kaul (Member) Mr. Azhar ul Amin (Member)
Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	<ul style="list-style-type: none"> • Ensure effective governance of compensation, alignment of compensation with prudent risk taking. • Ensure effective supervisory oversight and engagement by stakeholders. • Comply with the regulatory directives whereby all Private Sector Banks are required to formulate and adopt a comprehensive compensation policy covering all their employees and conduct annual review thereof. Identify persons who are qualified and may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal • Recommend to the Board a policy, relating to the remuneration for directors the key managerial personnel and other employees. • Formulae the policy which inter alia shall ensure that: <ol style="list-style-type: none"> a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Key Management Personnel and other employees of the company; b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and c) Remuneration to key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
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.	Remuneration committee of the Board undertakes risk evaluations based on industry standards and risk profile of the bank.
Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	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.
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.	NIL
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.	NIL

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Quantitative Disclosure	
Particulars	31.03.2016
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	The Committee met three times during the year and total sitting fee of ₹ 45000/- @ ₹ 15000 for each meeting attended by its members was paid. (Total amount of ₹ 135000 paid to all members)
(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	NIL
(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.	NIL
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

50. The Principal Accounting Policies (Schedule 17) and Notes on Accounts (Schedule 18) form an integral part of these Accounts.

51. Previous year figures have been regrouped / rearranged, wherever 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

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated : 24th May 2016

In terms of our report of even date annexed

For Gupta Sharma & Associates
Chartered Accountants
FRN:001466N

For Dhar Tiku & Co.
Chartered Accountants
FRN:003423N

For Arora Vohra & Co
Chartered Accountants
FRN:009487N

For Darshan Nagpal & Associates
Chartered Accountants
FRN:011022N

For Dharam Raj & Co
Chartered Accountants
FRN:014461N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

CA Madhusudan Meher
Partner
(M No.097409)

CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Cash Flow Statement

For the Year Ended 31st March, 2016

	2015-16	2014-15
	₹ '000' Omitted	
A CASH FLOW FROM OPERATING ACTIVITIES	(2,189,385)	1,287,171
B CASH FLOW FROM INVESTING ACTIVITIES	(1,356,670)	(2,712,692)
C CASH FLOW FROM FINANCING ACTIVITIES	(1,761,539)	(3,375,830)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,307,594)	(4,801,351)
D CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	37,337,640	42,138,991
E CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32,030,046	37,337,640
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Taxes	4,160,315	5,085,963
Add : Provision for Taxes	2,756,490	3,117,055
Net profit before taxes (i)	6,916,805	8,203,018
Adjustment for :		
Depreciation charges	608,583	945,026
Provision for NPA's	8,696,235	8,131,845
Provision on Standard Assets	763,635	446,429
Depreciation on investment	1,902	-
Provision for Non-Performing investment	271,125	209,725
Other provisions	29,430	1,367,241
Interest paid on subordinate Bonds (Financing Activities)	540,000	540,000
Total Adjustment (ii)	10,910,910	11,640,266
Operating profit before change in Operating assets & liabilities (i) + (ii)	17,827,715	19,843,284
Adjustment for changes in Operating Assets & Liabilities		
Increase / (Decrease) in Deposits	36,340,652	(35,796,757)
Increase / (Decrease) in Borrowings	(996,666)	5,746,667
Increase / (Decrease) in Other liabilities & provisions	3,647,515	50,968
(Increase) / Decrease in investments	24,057,843	34,571,413
(Increase) / Decrease in Advances	(64,770,968)	8,512,093
(Increase) / Decrease in Other Assets	(14,363,690)	(28,241,850)
Net Cash flow from Operating activities (iii)	(16,085,314)	(15,157,466)
Cash generated from operation (i + ii + iii)	1,742,401	4,685,818
Less : Tax paid	3,931,786	3,398,647
TOTAL : (A)	(2,189,385)	1,287,171
B. CASH FLOW FROM INVESTING ACTIVITIES :		
a) Fixed Assets	(1,356,670)	(2,496,015)
b) Investment in Subsidiary	-	(216,677)
TOTAL : (B)	(1,356,670)	(2,712,692)

	2015-16	2014-15
	₹ '000' Omitted	
C. CASH FLOW FROM FINANCING ACTIVITIES:		
a) Share Capital	-	-
b) Equity Share Warrants	-	-
c) Share Premium	-	-
d) Tier II Bonds	-	-
e) Dividend & Dividend Tax Paid	(1,221,539)	(2,835,830)
f) Interest Paid on Subordinate Debt	(540,000)	(540,000)
TOTAL :(C)	(1,761,539)	(3,375,830)
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
a) Cash in hand & Balance with R.B.I	23,730,550	30,455,936
b) Balance with Banks & Money at Call & Short Notice	13,607,090	11,683,055
TOTAL :(D)	37,337,640	42,138,991
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
a) Cash in hand & Balance with R.B.I	31,267,367	23,730,550
b) Balance with Banks & Money at Call & Short Notice	762,679	13,607,090
TOTAL :(E)	32,030,046	37,337,640

Mushtaq Ahmad
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated : 24th May 2016

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 24th May, 2016 at Srinagar.

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 March 31st, 2016 and March 31st, 2015. 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 Gupta Sharma & Associates
Chartered Accountants
FRN:001466N

For Dhar Tiku & Co.
Chartered Accountants
FRN:003423N

For Arora Vohra & Co
Chartered Accountants
FRN:009487N

For Darshan Nagpal & Associates
Chartered Accountants
FRN:011022N

For Dharam Raj & Co
Chartered Accountants
FRN:014461N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

CA Madhusudan Meher
Partner
(M No.097409)

CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Comments of C & AG

Comments under Section 143 (6) of the Companies Act, 2013 on the accounts of the Jammu & Kashmir Bank Limited, for the year ended 31st March 2016 were not received up to the date and could not be circulated. These will be placed before the shareholders in the meeting.

Independent Auditors Report

To
The Members of
The Jammu and Kashmir Bank Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **The Jammu and Kashmir Bank Limited** (here in after referred to as "the Bank") and its subsidiary (together, the "Group"), comprising of the consolidated Balance Sheet as at 31st March 2016, the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the consolidated financial statements (hereinafter referred to as 'the consolidated financial statements'). Also incorporated in these financial statements are the returns of 55 Branches/Offices audited by us and 837 Branches/Offices audited by Statutory Branch Auditors and one subsidiary audited by the subsidiary company auditor. The Branches/Offices 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 Consolidated Financial Statements

2. The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the company included in the Group is responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account

the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view 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 the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (8) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at 31st March 2016, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. The Comptroller and Auditor-General of India has issued directions indicating the areas to be examined in terms of sub-section (5) of section 143 of the Companies Act, 2013, the compliance of which is set out in "Annexure-A".

7. As required by section 143 (3) of the Act, we report, to the extent applicable, that:

- a) We/the other auditor whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- c) The consolidated Balance Sheet, consolidated Profit and Loss Account, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) On the basis of the written representations received from the directors of the Bank as on 31st March, 2016 taken on record by the Board of Directors of the Bank and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary company, none of the directors of the Group's companies, incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Bank and its subsidiary companies, refer to our separate report in **"Annexure-B"** to this Report; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i) The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group;
- ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any; and
- iii) There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank and its subsidiary.

Other Matter

8. The accompanying consolidated financial statements include total assets of ₹ 200494 thousands as at 31st March, 2016, and total revenues of ₹ 59671 thousands, net cash outflows of ₹ 87648 thousands and loss before tax of ₹ 21910 thousands for the year ended on that date, in respect of one subsidiary, which has been audited by other auditor, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the reports of such other auditor. Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditor.

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

Place : Srinagar
Dated : 24th May 2016

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

CA Madhusudan Meher
Partner
(M No.097409)

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

CA Prem C. Bansal
Partner
(M. No. 083597)

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

CA Vishal Rometra
Partner
(M. No. 501333)

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Dharam Raj
Partner
(M No.094108)

Annexure-A to para 6 of Independent Auditors Report of even date on the Consolidated Financial Statements of the Jammu and Kashmir Bank Limited

(herein referred to as Holding Company).

Directions/sub-directions of Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013

SI. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements
1	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	As per information and explanations given to us, the company has clear title/lease deeds for freehold and leasehold lands except the following Land Area Vashi, Mumbai 5400 Sq.ft (1st Floor) Budgam 4 Kanals Ansal Plaza, Khelgaon, Delhi 17787 Sq.Ft. (2nd and 3rd floor) It is advised to complete the documentation for clear title at the earliest.	The acquisition value of the said lands/properties has been capitalized and the value as on 31-03-2016 is ₹ 16.78 crores.
2	Please report whether there are any cases of waiver/write off of debts/ loans/interest etc., if yes, the reasons there for and the amount involved	There are cases of waiver/write off of debts/ loans/interest etc. amounting to ₹ 2.11 crores in addition to the waiver of unapplied interest of ₹ 18.03crores on account of negotiated settlement with the borrowers defaulting in payment due to the circumstances beyond their control such as death/disappearance of the borrower, recession in economy, no enforceable security, natural calamities such as earthquake, flood, drought, change in govt. policy, genuine business failure in spite of sincere efforts made by borrower etc. and where the recovery chances through normal business operations are bleak.	Profit for the current year is reduced by ₹ 2.11 crores and unrealized income of ₹ 18.03 crores has been forgone.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Govt. or other authorities.	As per explanations given to us, the company has not received any assets as gift/grant(s) from government or other authorities. The company has no inventories.	NIL
4	Whether the restructuring of loan was done as per the provisions of the Reserve Bank of India and Bank's own Restructuring of loan Policy.	As per information and explanations given to us, the restructuring of loans done during the year was as per the provisions of the Reserve Bank of India and Bank's own Restructuring of loan Policy.	Profit of the current year is reduced by ₹ 12.60 crores on account of provision made on the restructured accounts.
5	Whether the Bank is maintaining/developing various assets of the State Govt. The treatment of the assets and expenditure incurred and revenue earned may be examined and comment may be offered.	As per information and explanations given to us, the bank is maintaining/developing various assets of the State Govt. which are not on the charge of the company. The expenditure amounting to ₹ 13.86 crores has been incurred & revenue of ₹ 1.16 crores has been earned for maintaining/developing of those assets and amounts have been debited/ credited to the Profit & Loss Account.	Profit of the current year is reduced by net ₹ 12.70 crores.

Sl. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements												
6	Whether the branches were doing window dressing and its impact/materiality on the overall deposit portfolio.	As per information and explanations given to us and as per the reports of the Branch Auditors, some branches were involved in doing window dressing by which there is an impact of ₹ 2.48 crores increase on the overall deposit portfolio.	There is an impact of ₹ 2.48 crores increase in the deposits by similar increase in the advances which has now been reversed.												
7	Whether the Bank has been able to achieve the targets under Priority sector lending, if not, impact on the financial health of the Bank by lending the shortfall amount in Rural infrastructure Development Fund, Small industrial Development Bank of India, etc. may please be brought out.	<p>As per information and explanations given to us, the bank has not been able to achieve the targets under priority sector lending. As a result of shortfall, the bank has deposits of low yield interest with the following as on 31-03-16 :</p> <table border="0"> <tr> <td>PARICULARS</td> <td>(₹ In Crores)</td> </tr> <tr> <td>NABARD</td> <td>823.44</td> </tr> <tr> <td>RIDF (NABARD)</td> <td>1065.30</td> </tr> <tr> <td>SIDBI</td> <td>165.27</td> </tr> <tr> <td>NHB (RHDF)</td> <td>297.07</td> </tr> <tr> <td>TOTAL</td> <td>2348.08</td> </tr> </table>	PARICULARS	(₹ In Crores)	NABARD	823.44	RIDF (NABARD)	1065.30	SIDBI	165.27	NHB (RHDF)	297.07	TOTAL	2348.08	The impact on the financial health of the bank is lower rate of return of interest ranging from 3.75% p.a. to 6.50% p.a. received from the agencies with which deposits were made for shortfall.
PARICULARS	(₹ In Crores)														
NABARD	823.44														
RIDF (NABARD)	1065.30														
SIDBI	165.27														
NHB (RHDF)	297.07														
TOTAL	2348.08														
8	Whether there were cases of greening of advances, up gradation of loan account at the fag end of the Financial Year or delay/non-declaration of Non-performing Assets as per RBI guidelines. Its impact on the profitability and Asset Classification.	<p>One account amounting to ₹ 142.50 crores identified by RBI in AQR (BOS as on 31.03.2016- ₹ 113.65 crores) has not been downgraded as NPAs in view of dispensation given by RBI on the basis of representation made by the banks.</p> <p>Further, advances amounting to ₹ 246.89 crores were not declared by the bank as NPAs as per RBI guidelines which were downgraded after those were identified by the statutory auditors.</p>	<p>NIL</p> <p>Interest amounting to ₹ 33.76 crores has been reversed on said NPAs and Provision of ₹ 60.10 crores has been provided resulting in decrease in profit of ₹ 93.86 crores.</p>												

Directions/sub-directions of Comptroller and Auditor General of India under Section 143(5) of Companies Act, 2013 in the Case of JKB Financial Services Limited (herein referred to as the "Subsidiary Company")

Sl. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements
1	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and liabilities (including Committed & General reserves) may be examined including the mode and present stage of disinvestment process.	NOT APPLICABLE	NOT APPLICABLE
2	Whether the company has clear title/ lease deeds for the freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available?	NOT APPLICABLE	NOT APPLICABLE
3	Please report whether there are any cases of waiver/ write off of debts/ loans/interest etc., if yes, the reasons there for and the amount involved.	To the best of our information and according to the explanations given to us the company has not granted any waiver/ write off of debts/loans/ interest etc.	NOT APPLICABLE
4	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	NOT APPLICABLE	NOT APPLICABLE
5	A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases(foreign and local) may be given	To the best of our information and according to the explanations given to us there are no pending legal/ arbitration cases.	NOT APPLICABLE
6	Examine and comment if required whether disclosure have been made with accounts of Zero Balance	To the best of our information and according to the explanations given to us amount outstanding against the Demat Accounts having Zero Holdings are included in the Demat receivable taken over from holding Company as such are dealt by para 4 to notes to accounts	NIL
7	Examine and comment if required on the applicability of AS-22 related to deferred tax	Proper disclosure has been given in the financial statements as well in the Notes forming part of financial statements.	NA

Sl. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements
8	Examine and comment if required comment on disclosure of suspended draft accounts	To the best of our information and according to the explanations given to us, Demat accounts are classified as suspended by the system for KYC & other compliance reasons. The revenue is recognized in the period when the billing category is changed to active. The revenue recognition in these accounts is in consonance with the accounting policies related to revenue recognition.	NIL
9	Examine and comment if required comment on revenue recognition AS- 9	Proper disclosure is given in Para 'C' of the accounting policies in the Notes forming part of financial statements.	NIL

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

CA Madhusudan Meher
Partner
(M No.097409)

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

CA Prem C. Bansal
Partner
(M. No. 083597)

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

CA Vishal Rometra
Partner
(M. No. 501333)

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JAMMU AND KASHMIR BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31st 2016, we have audited the internal financial controls over financial reporting of Jammu and Kashmir Bank Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit

evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility

of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary company which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively

as at March 31st 2016, based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

CA Madhusudan Meher
Partner
(M No.097409)

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

CA Prem C. Bansal
Partner
(M. No. 083597)

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

CA Vishal Rometra
Partner
(M. No. 501333)

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Consolidated Balance Sheet

as at 31st March, 2016

	Schedule	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
CAPITAL AND LIABILITIES			
Capital	1	484,922	484,922
Reserves and Surplus	2	63,723,636	60,599,549
Deposits	3	693,788,086	657,361,637
Borrowings	4	22,400,001	23,396,667
Other Liabilities and Provisions	5	22,138,688	17,255,146
TOTAL :-		802,535,333	759,097,921
ASSETS			
Cash and Balance with Reserve Bank of India	6	31,267,367	23,730,550
Balance with Banks & Money at Call & Short Notice	7	774,680	13,620,942
Investments	8	203,336,185	227,395,930
Advances	9	501,932,893	445,858,160
Fixed Assets	10	7,642,573	6,895,598
Other Assets	11	57,581,635	41,596,741
TOTAL :-		802,535,333	759,097,921
Contingent Liabilities	12	168,641,116	216,972,385
Bills for Collection		12,088,238	11,730,914
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

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated: 24th May 2016

In terms of our report of even date annexed

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

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

For **Dharam Raj & Co**
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CA Gurneet Singh Bhan
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CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated: 24th May 2016

Consolidated Profit and Loss Account

for the year ended 31st March, 2016

	Schedule	YEAR ENDED 31.03.2016 ₹ '000' Omitted	YEAR ENDED 31.03.2015 ₹ '000' Omitted
I INCOME			
Interest Earned	13	68,435,719	70,611,306
Other Income	14	5,087,067	5,990,399
TOTAL		73,522,786	76,601,705
II EXPENDITURE			
Interest Expended	15	41,321,961	44,085,850
Operating Expenses	16	15,543,602	14,159,277
Provisions and Contingencies		12,518,818	13,271,776
TOTAL		69,384,381	71,516,903
III NET PROFIT			
TOTAL		4,138,405	5,084,802
IV APPROPRIATIONS			
TRANSFERRED TO			
i) Statutory Reserve		1,040,079	1,271,491
ii) Capital Reserve		-	-
iii) Revenue and Other Reserve		2,052,655	2,468,791
iv) Investment Reserve		24,583	122,981
v) Special Reserve		-	-
vi) Proposed Dividend		848,362	1,018,034
vii) Tax on Dividend		172,726	203,505
TOTAL		4,138,405	5,084,802
Principal Accounting Policies	17.		
Notes on Accounts	18.		
Earnings per Share (Basic/Diluted)		8.58	10.49

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

Mushtaq Ahmad
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated : 24th May 2016

In terms of our report of even date annexed

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

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

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

CA Madhusudan Meher
Partner
(M No.097409)

CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Schedules

To the Consolidated Balance Sheet as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
950,000,000 (P.Y. 1,000,000,000)		
Equity Shares of ₹ 1/- each	950,000	1,000,000
ISSUED :-		
484,996,020 (P.Y.484,996,020) Equity Shares of ₹ 1/= each	484,996	484,996
SUBSCRIBED AND PAID-UP CAPITAL		
484778020 (P.Y. 484778020)		
Equity Shares of ₹ 1/- each	484,778	484,778
Add Forfeited Equity Shares (218000) (P.Y. 218000)	144	144
TOTAL	484,922	484,922
SCHEDULE 2 - RESERVES & SURPLUS		
I. STATUTORY RESERVES		
Opening Balance	18,994,138	17,722,647
Additions during the year	1,040,079	1,271,491
TOTAL	20,034,217	18,994,138
II. CAPITAL RESERVES		
Opening Balance	631,254	631,254
Additions during the year	-	-
TOTAL	631,254	631,254
III. SHARE PREMIUM		
Opening Balance	867,791	867,791
Additions during the year	-	-
TOTAL	867,791	867,791
IV. INVESTMENT RESERVE		
Opening Balance	243,316	120,335
Additions during the year	24,584	122,981
TOTAL	267,900	243,316
V. SPECIAL RESERVE		
Opening Balance	1,231,600	1,231,600
Additions during the year	-	-
TOTAL	1,231,600	1,231,600
VI. REVENUE AND OTHER RESERVES		
Opening Balance	38,631,450	36,162,658
Additions during the year	2,059,424	2,468,792
TOTAL	40,690,874	38,631,450
TOTAL (I, II, III, IV, V & VI)	63,723,636	60,599,549

Schedules

To the Consolidated Balance Sheet as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
i) From Banks	1,240,740	1,094,968
ii) From Others	70,870,240	64,367,989
TOTAL (I & II)	72,110,980	65,462,957
II. Saving Bank Deposits	234,084,345	209,295,162
III. Term Deposits		
i) From Banks	65,070,447	58,856,169
ii) From Others	322,522,314	323,747,349
TOTAL (I & ii)	387,592,761	382,603,518
TOTAL A (I+II+III)	693,788,086	657,361,637
B. I. Deposits of branches in India	693,788,086	657,361,637
II. Deposits of branches outside India	Nil	Nil
TOTAL B (I+II)	693,788,086	657,361,637
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	1,450,000	-
ii) Other Banks	4,300,001	17,166,667
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	10,650,000	230,000
TOTAL (i to iv)	22,400,001	23,396,667
II. Borrowings outside India	-	-
GRAND TOTAL (I & II)	22,400,001	23,396,667
Secured borrowings included in I & II above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i) Bills Payable	2,861,091	2,393,481
ii) Inter Office Adjustments (Net)	90,628	-
iii) Interest Accrued on Non-cumulative deposits	359,086	1,161,229
iv) Deferred Tax Liability	363,649	171,429
v) Provision Against Standard Assets	3,526,411	2,762,776
vi) Other (Including Provisions)	14,937,823	10,766,231
TOTAL (I to VI)	22,138,688	17,255,146

Schedules

To the Consolidated Balance Sheet as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (Including Foreign Currency Notes)	2,779,234	2,693,787
II. Balance with Reserve Bank of India		
i) In Current Account	28,488,133	21,036,763
ii) In Other Accounts	-	-
TOTAL (I & II)	31,267,367	23,730,550
SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balance with Banks		
a) In Current Accounts	432,509	203,726
b) In Other Deposit Accounts	40,074	10,290,044
TOTAL (i)	472,583	10,493,770
ii) Money At Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	2,945,404
TOTAL (ii)	-	2,945,404
TOTAL (i & ii)	472,583	13,439,174
II. Outside India		
i) In Current Accounts	302,097	181,768
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
TOTAL II of (i, ii & iii)	302,097	181,768
GRAND TOTAL (I&II)	774,680	13,620,942
SCHEDULE 8 - INVESTMENTS		
I. Investments in India		
Gross	205,147,220	228,961,376
Less: Provision for Depreciation	10,296	18,426
Less: Provision for Investment (NPI)	1,800,739	1,547,020
Net Investments	203,336,185	227,395,930
i) Government Securities	139,480,416	134,546,757
ii) Other Approved Securities	-	-
iii) Shares (Pref. + Equity)	1,753,227	1,721,914
iv) Debentures and Bonds (Including Suitfile)	18,115,807	17,352,218
v) Sponsored Institutions	456,748	456,748
vi) Others :		
a) Certificate of Deposit	42,784,485	70,356,649
b) Suitfile	-	-
c) Inv. In Subsidiary / or Joint Ventures	-	-

Schedules

To the Consolidated Balance Sheet as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
d) Venture Capital	180,604	210,382
e) Commercial Paper	465,766	2,608,951
f) Security Receipts	99,132	142,311
TOTAL (I)	203,336,185	227,395,930
II. Investments Outside India		
i) Government Securities	Nil	Nil
ii) Subsidiaries and/or Joint Ventures abroad	Nil	Nil
iii) Others (Swap)	Nil	Nil
TOTAL (II)	-	-
TOTAL (I & II)	203,336,185	227,395,930
III. Investments Category-Wise		
i) Held to Maturity	127,930,768	129,972,368
ii) Held for Trading	1,456	15,157
iii) Available for Sale	75,403,961	97,408,405
TOTAL (III)	203,336,185	227,395,930
SCHEDULE 9 - ADVANCES		
A i) Bills Purchased and Discounted	5,646,156	7,313,571
ii) Cash Credits, Overdrafts and Loans		
Repayable on Demand	157,506,195	138,201,906
iii) Term Loans	338,780,542	300,342,683
TOTAL (i to iii)	501,932,893	445,858,160
B i) Secured by Tangible Assets	379,216,804	341,297,887
ii) Covered by Bank/Govt. Guarantees	5,830,484	3,416,709
iii) Unsecured	116,885,605	101,143,564
TOTAL (i to iii)	501,932,893	445,858,160
C I. Advances in India		
i) Priority Sector	160,965,448	148,168,657
ii) Public Sector	21,141,199	5,606,625
iii) Banks	1,798,066	492,079
iv) Others	318,028,180	291,590,799
TOTAL (i to iv)	501,932,893	445,858,160
II. Advances Outside India		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
GRAND TOTAL (I & II)	501,932,893	445,858,160

Schedules

To the Consolidated Balance Sheet as at 31st March, 2016

	As at 31.03.2016 ₹ '000' Omitted	As at 31.03.2015 ₹ '000' Omitted
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
a) Gross Block at the beginning of the year	4,975,413	3,914,658
Additions during the year	28,682	1,060,884
	5,004,095	4,975,542
Deductions during the year	7,245	129
Total (a)	4,996,850	4,975,413
Depreciation to date	1,389,558	1,330,692
	3,607,292	3,644,721
b) Constructions work in progress	585,965	341,562
TOTAL (I) [a+b]	4,193,257	3,986,283
II. Other Fixed Assets		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	8,210,661	6,847,454
Additions during the year	1,159,149	1,548,859
	9,369,810	8,396,313
Deductions during the year	66,579	185,652
	9,303,231	8,210,661
Depreciation to date	5,853,915	5,301,345
TOTAL (II)	3,449,316	2,909,316
GRAND TOTAL (I & II)	7,642,573	6,895,598
SCHEDULE 11 - OTHER ASSETS		
I. Interest Accrued but not Due	4,424,948	4,901,847
II. Interest Accrued and Due	132,247	108,192
III. Inter Office Adjustment (Net)	-	458,057
IV. Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	3,559,529	2,005,212
V. Stationery and Paper in Hand	48,385	61,261
VI. Deferred Tax Asset	-	-
VII. Others	49,416,526	34,062,172
TOTAL (I to VII)	57,581,635	41,596,741
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	2,609,297	2,163,878
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts	103,609,800	146,781,871
IV. Guarantees given on behalf of constituents:-		
a) In India	15,978,436	15,844,900
b) Outside India	2,143,779	3,271,400
V. Acceptances, Endorsements & Other Obligations	43,988,181	48,748,900
VI. Other items for which the Bank is Contingently liable	1,000	-
VII. Liability on account of Depositors Education Awareness Fund (DEAF)	310,623	161,436
TOTAL (I to VI)	168,641,116	216,972,385

Schedules

To the Consolidated Profit & Loss Account as at 31st March, 2016

	Year Ended 31.03.2016 ₹ '000' Omitted	Year Ended 31.03.2015 ₹ '000' Omitted
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	50,276,637	51,610,319
II. Income on Investments (Net of Amortization)	16,466,477	17,412,517
III. Interest on Balances with R.B.I and other Inter Bank Funds	1,692,605	1,588,470
TOTAL (I to III)	68,435,719	70,611,306
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange & Brokerage	2,079,109	1,797,682
II. Profit on Sale of Investments (Less loss on sale of investments)	1,460,867	1,123,691
III. Profit on revaluation of Investments (Less loss on revaluation of investments)	10,033	36,546
IV. Profit on Sale of Land, Buildings & Other Assets	-	-
V. Profit on Exchange Transactions (Less Loss on E/Transactions)	224,663	274,688
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	-	-
VII. Miscellaneous Income	1,312,395	2,757,792
TOTAL (I to VII)	5,087,067	5,990,399
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	39,854,736	42,035,324
II. Interest on RBI/Inter-Bank Borrowings	927,225	1,510,526
III. Others/Subordinate Debt	540,000	540,000
TOTAL (I to III)	41,321,961	44,085,850
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for Employees	10,251,945	8,975,628
II. Rent, Taxes and Lighting	722,804	670,658
III. Printing and Stationery	88,928	97,324
IV. Advertisement and Publicity	132,553	93,102
V. Depreciation on Bank's Property	642,754	949,841
VI. Directors Fees, Allowances and Expenses	9,125	7,124
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	148,866	136,984
VIII. Law Charges	64,590	28,532
IX. Postage, Telegrams, Telephones etc.	60,015	61,937
X. Repairs and Maintenance	133,431	114,132
XI. Insurance	575,348	555,949
XII. Other Expenditure	2,713,243	2,468,066
TOTAL (I to XII)	15,543,602	14,159,277

Schedules

“Principal Accounting Policies”

Schedule 17 - PRINCIPAL ACCOUNTING POLICIES

1 ACCOUNTING METHODOLOGY

The financial statements are prepared and presented under historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India (“GAAP”) and in compliance with the Accounting Standards (‘AS’) specified under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014, and guidelines issued by the Securities and Exchange Board of India to the extent applicable.

2. Consolidation Procedure

Consolidated Financial Statements of the Jammu & Kashmir Bank and its subsidiary viz JKB Financial Services 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 Accountants 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 represent the part of profit/loss and net assets not owned by the parent and consist of :
 - a. The amount of equity attributable to the minority at the date on which the investment in the subsidiary is made and
 - b. The minority share of movement in equity since date of parent-subsidiary relationship came into existence.

A. Significant Accounting policies Followed by the Parent Company

1. Basis of preparation of Financial Statements

The accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the “Going Concern” concept and conform to the Generally Accepted Accounting Principles (GAAP) in India, applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI), applicable mandatory Accounting Standards (AS)/Guidance Notes/pronouncements issued by the Institute of Chartered Accountants of India (ICAI) and practices prevailing in the banking industry in India.

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions for considering the reported assets and liabilities (including contingent liabilities) as on the date of financial statements and the income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

3. 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.

4. 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 using straight line method.

Schedules

“Principal Accounting Policies”

- v.
 - (a) The individual scrip's 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 (which should not be more than one year prior to the date of valuation) and in case the latest balance sheet is not available the same are valued at ₹ 1/- per Company, as per RBI guidelines.
 - (d) Security receipts (SRs) issued by Asset Reconstruction Companies (ARCs) are valued at cost or NAV, whichever is lower, declared periodically by the ARCs. Depreciation, if any, in individual SRs is fully provided for. Appreciation, if any, is ignored.
 - (e) 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 except for equity investment operations the same is added to the cost of purchase of investment.
- 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.
- 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).

Schedules

"Principal Accounting Policies"

5. 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.
- iii. Restructuring of Advances and provisioning thereof have been made as per RBI guidelines.

6. 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 charged on straight line method as per provisions of Companies Act 2013 based on the useful life of the assets prescribed in Part C of the schedule II of the Companies Act 2013 as given hereunder.

S.No.	Block	Useful Life
a	Building (with RCC Frame Structure)	
	Commercial	60 yrs
	Residential	60 yrs
b	Building (with Other than RCC Frame Structure)	
	Commercial	30 yrs
	Residential	30 yrs
c	Plant & Machinery	15 yrs
d	Furniture Fixture	10 yrs
e	Vehicles	8 yrs
f	Fences	5 years
g	Others (including temporary structures etc)	3 yrs

Depreciation on computers (including ATMs) along with software forming integral part of the computers is computed at 33.33% on straight line method in terms of RBI guidelines issued vide letter no BP.1660/21.04.018/2001 dated 01.02.2001

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

Useful life of the mobile phones is continued to be 2 years and the depreciation is charged on straight line method as per provisions of Companies Act 2013 with no residual value.

- e. Premium paid for Leasehold properties is amortized over the period of the lease.

7. Employees Benefits

- i. Short-term employee benefits are charged to revenue in the year in which the related service is rendered.
- ii. Long Term Employee Benefit
 - Defined Contribution Plan
 - a. **Provident Fund:** - Provident Fund is a defined contribution scheme as the bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contributions are charged to profit & loss A/C. The bank is paying matching contribution towards those employees who have not opted for the pension.
 - iii. Defined Benefit Plan
 - a. **Gratuity:** - Gratuity liability is a defined obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.
 - b. **Pension:** - Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

Schedules

“Principal Accounting Policies”

- c. **Leave Salary:** - Leave salary is a defined benefit obligation and is provided for on the basis of an actuarial valuation determined on the basis of un-availed privilege leave of an employee at the time of leaving services of the company.

8. 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. The recovery in Non-Performing Assets has been first appropriated towards amount of principal and thereafter towards amount of interest.
- c. Interest on overdue term deposits is provided at Savings Bank Rate of Interest.
- d. Fee, commission (other than insurance commission & 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.

9. 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.

10. 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 fund.
- v. Other usual and necessary provisions.

11. Taxation

Provision for tax is made for both current and deferred taxes in accordance with As-22 on “Accounting for Taxes on Income.

12. 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. The subsidiary considered in the preparation of the consolidated financial statements
 - a. Name of the Subsidiary Company JKB Financial Services Ltd
 - b. Country of incorporation India
 - c. Voting power held 100%
 - d. Ownership interest 100%
2. The operating income of the company amounting to ₹ 46,645,507.02 comprises of broking income and depository income of ₹ 34,724,808.26 and ₹ 7,204,235.00 respectively. The Company is operating as a stock broker of NSE (Cash and NFO) and BSE (Cash) and as Depository participants of CDSL and NSDL Depositories.
3. Preliminary expenses include expenses incurred prior to incorporation period amounting to ₹ 515,885.00. 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 ₹ 103,173.00
4. Trade receivables include. ₹ 1,656,267.08 being outstanding from D P clients taken over from holding company with the condition that if any amount remains unrecovered from such clients as on 31.03.2016, the same shall be recoverable from the holding company, hence considered good by the management. Further, other AMC (Demat Accounts) receivables outstanding for more than six months are considered good by the management, hence no provision for these receivables have been made.
5. Employees Benefit Expenses includes salaries arrears of ₹ 1,17,06,542/- (includes Managerial Remuneration arrears of ₹ 7,70,180/- of previous years) being pay revision arrears effective from November, 2012 disbursed in the current year.

Disclosures made by Parent Company

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 two immovable properties held by the bank valued at ₹ 1.10 crores (previous year ₹ 1.12 crores). Depreciation in respect of immovable properties valued at ₹ 15.68 crores (previous year ₹ 16.02 crores) bank holds agreement to sell along with the possession of the properties.
- b. Depreciation is provided on straight line method in accordance with the provisions of Companies Act 2013 based on the useful life of the assets prescribed in Part C of the Schedule II of the Companies Act 2013. However the depreciation on computers (including ATMs) along with software forming integral part of the computers is computed at 33.33% on straight line method in terms of RBI guidelines issued vide letter no BP.1660/21.04.018/2001 dated 01.02.2001.
- c. 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.
- d. Further useful life of mobile phones is continued to be 2 years and the depreciation is charged on straight line method as per provisions of Companies Act 2013 with no residual value.
- e. Depreciation on Banks property includes amortization in respect of leased properties amounting to ₹ 0.14 Crores (previous year ₹ 0.14 Crores)

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“Significant Accounting Policies and Notes on Accounts”

4. Capital

(₹ in Crores)

S.No.	Particulars	BASEL-III	BASEL-III
		Current Year	Previous Year
i)	Common Equity Tier I Capital ratio (%)	10.60	11.26
ii)	Tier I Capital Ratio %	10.60	11.26
iii)	Tier II Capital Ratio %	1.21	1.31
iv)	Total Capital ratio (CRAR) (%)	11.81	12.57
v)	Percentage of share holding of the Government of India in Public Sector Banks	Nil	Nil
vi)	Amount of Equity Capital raised during the year	Nil	Nil
vii)	Amount of additional Tier I capital raised during the year of which: PNCPS : PDI	Nil	Nil
vii)	Amount of Tier II capital raised during the year of which Debt capital instrument:	Nil	Nil
	Preference share capital instrument: [Perpetual Cumulative Preference shares PCPS) / Redeemable Non-cumulative preference shares (RNCPS) / Redeemable cumulative preference shares (RCPS)]	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.

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.
- The Bank has ₹ 70,00,000 as share capital (previous year ₹ 70,00,000) and ₹ 44,97,47,715 in share capital deposit account (previous year ₹ 44,97,47,715) in its sponsored Regional Rural Bank (J&K Grameen Bank).
- The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 102.19 Crores as on 31.03.2016 (Previous year ₹ 102.19 Crores). In compliance with RBI Letter No. DBOD.BP/-17099/21.4.141/ 2008-09 dated 9th April 2009, the investment stands transferred to AFS Category on October 1st, 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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“Significant Accounting Policies and Notes on Accounts”

8 Details of Investments

(₹ in Crores)

S.No.	Particulars	As on	
		31.03.2016	31.03.2015
1.	Value of Investments		
	Gross Value of Investments		
a)	In India	20534.72	22916.14
b)	Outside India	NIL	NIL
	Provision for depreciation		
a)	In India	1.03	1.84
b)	Outside India	NIL	NIL
	Provision for NPI		
a)	In India	180.07	154.70
b)	Outside India	NIL	NIL
	Net Value of Investments		
a)	In India	20353.62	22759.60
b)	Outside India	NIL	NIL
2.	Movement of provisions held towards the depreciation on Investments		
i)	Opening Balance	1.84	20.78
ii)	Add: Provisions made during the year	4.20	7.74
	Less: Write-off/write back of excess provisions during the year	5.01	26.68
iii)	Closing Balance	1.03	1.84

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

(₹ in Crores)

Particulars	Minimum outstanding during the Year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2016
i) Securities sold under Repo Government Securities	23.00	290.00	18.00	145.00
(Previous Year)	20.00	414.00	37.90	0.00
ii) Corporate Debt Securities	0.00	0.00	0.00	0.00
(Previous Year)	0.00	0.00	0.00	0.00
Securities purchased under Reverse Repo Government Securities	0.00	0.00	0.00	0.00
(Previous Year)	5.00	450.00	25.17	0.00
i) Corporate Debt Securities	0.00	0.00	0.00	0.00
(Previous Year)	0.00	0.00	0.00	0.00

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“Significant Accounting Policies and Notes on Accounts”

10. Non-SLR Investment portfolio Issuer composition of Non SLR Investments

(₹ in Crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	61.82	45.76	0.00	0.00	0.00
2	FIs (incl. NBFC's AIFI'S)	1186.47	1138.54	5.00	0.00	0.00
3	Banks(incl. CD's)	4366.95	88.50	5.00	0.00	0.00
4	Private Corporates (incl. CP's)	870.03	576.47	289.99	125.00	25.00
5	Subsidiaries/Joint Ventures	20.00	0.00	0.00	0.00	0.00
6	Others	74.44	0.00	0.00	0.00	0.00
	Total	6579.71	1849.27	299.99	125.00	25.00
7	Provision towards depreciation/NPI	181.10	0.00	0.00	0.00	0.00
8	Total	6398.61	1849.27	299.99	125.00	25.00

The Bank's investment in unlisted securities as on 31.03.2016 is 0.27% (previous year 0.25%) which is well within the RBI stipulated limit of 10%.

In terms of RBI circular DBR.BP.BC No.31/21.04.018/2015-16 dated 16th July 2015, the bank has, effective from quarter ended 30th June 2015, included its deposits amounting to ₹ 2210 Crores placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets" hitherto these were included under investments. Interest income on these deposits has been included under "Interest earned others". Hitherto such interest income was included under "Interest earned - income on investments". Figures for the previous periods have been regrouped / reclassified to conform to current period classification. The above reclassification has no impact on the profit/loss of the bank for the year ended 31st March 2016 or on the profit/ loss for the previous periods presented

Breakup of investments with NABARD/SIDBI/RHDF/RIDF classified with other assets

(₹ in Crores)

Particulars	2015-16	2014-15
NABARD	823.43	754.01
RIDF	1065.30	1031.74
SIDBI	165.27	127.65
RHDF	294.07	296.60
TOTAL	2348.08	2210.00

10.1 Non-performing Non-SLR investments

(₹ in Crores)

Particulars	Amount as on 31.03.2016	Amount as on 31.03.2015
Opening Balance	251.24	137.65
Additions during the year	209.11	115.29
Reductions during the year	90.82	1.70
Closing Balance	369.53	251.24
Total Provision held (including floating provisions of ₹ 2.76 Crores)	182.83	157.45

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10.2 Sale and Transfers to/from Held to Maturity (HTM) Category

- Bank has not sold any HTM category securities during the year (previous year nil) as such no appropriation was made to Capital Reserve Account.
- With the approval of the Board of Directors, the Bank has shifted securities amounting to ₹ 753.75 Cr (FV) on 08/06/2015 (Previous year ₹ 370.00 Cr) at lower of book value or market value, scrip wise, from Held to Maturity (HTM) to Available for Sale (AFS) category in accordance with RBI guidelines.
- On the basis of special dispensation being allowed by the Reserve Bank of India vide its Circular No. DBOD.No.BP.BC.42/21.04.141/2014-15, dated 07/10/2014 & Circular No.DBR.No.BP.BC.65/21.04.141/2015-16, Dated 10/12/2015, the Bank undertook shifting of Govt. Securities having face value of ₹ 650 Cr & 825 Cr on 02/09/2015 & 01/01/2016 respectively from HTM to AFS Category.
- The value of sales and transfer of securities to/from HTM category (excluding the exempted transfer) did not exceed 5% of book value of the investment in HTM category at the beginning of the year.

10.3 The value of investments under three categories viz., Held for Trading, Available for sale and Held to maturity (Net of provisions held) are as under:

(₹ in Crores)

Particulars	As on 31.03.2016				As on 31.03.2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	0.00	1231.97	12716.07	13948.04	0.00	541.98	12912.71	13454.69
Other approved securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares (Equity & Pref.)	0.15	175.18	0.00	175.33	1.51	170.68	0.00	172.19
Debentures & Bond	0.00	1791.50	20.08	1811.58	0.00	1711.36	23.86	1735.22
Subsidiaries	0.00	0.00	20.00	20.00	0.00	0.00	20.00	20.00
Others (incl. Sponsored, CDs, CPs, CDs, Venture Capital & Security receipts)	0.00	4341.75	56.92	4398.67	0.00	7316.83	60.67	7377.50
Total	0.15	7540.40	12813.07	20353.62	1.51	9740.85	13017.24	22759.60

11. Derivatives

11.1 Forward Rate Agreement/Interest Rate Swap

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
i)	The notional principal of swap agreements	Nil	Nil
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	Nil	Nil
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the swaps	Nil	Nil
v)	The fair value of the swap book	Nil	Nil

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11.2 Exchange Traded Interest Rate Derivatives

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the Year (instrument-wise)	Nil	Nil
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	Nil	Nil
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	Nil	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	Nil	Nil

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

S.No.	Particulars	31.03.2016		31.03.2015	
		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
(iv)	Likely Impact of 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

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“Significant Accounting Policies and Notes on Accounts”

Forward Exchange contracts as on 31.03.2016

(₹ in Crores)

Up to 14 days	685.13
Beyond 14 day	9675.85
Total	10360.98

12 Asset Quality

12.1 Non Performing Assets.

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)	4.31%	2.77%
(ii)	Movement of NPAs (Gross)		
	a. Opening balance	2764.08	783.42
	b. Additions during the year	2383.22	2525.80
	c. Reductions during the year	778.69	545.14
	d. Closing balance	4368.61	2764.08
(iii)	Movement of Net NPAs		
	a. Opening balance	1236.32	101.99
	b. Additions during the year	1738.30	1712.62
	c. Reductions during the year	778.69	545.14
	d. Closing balance*	2163.95	1236.32
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a. Opening balance **	1466.88	653.70
	b. Provisions made during the year	960.67	813.18
	c. Write-off/write-back of excess provisions	315.75	0.00
	d. Closing balance	2111.80	1466.88

*Net NPA has been arrived at after adding net interest suspense of ₹ 0.00 Crores. (Previous year ₹ 0.91 Crores) and net ECGC claims of ₹ 3.63 Crores (Previous year ₹ 0.75 Crores), DIFV ₹ 0.14 Crores and reducing Interest Capitalization of ₹ 28.21 Crores (previous year ₹ 18.57).

**Including floating provision of ₹ 348.72 Crores (Previous year ₹ 17.73 Crores)

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

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13. Particulars of Accounts Restructured

(₹ in Crores)

SI No.	Type of Restructuring →	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total								
		Std.	Sub-Std.	Doubt-ful	Loss	Total	Std.	Sub-Std.	Doubt-ful	Loss	Total	Std.	Sub-Std.	Doubt-ful	Loss	Total						
Details																						
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	11	3	0	0	14	21	4	117	3	145	5184	28	172	9	5393	5216	35	289	12	5552
		Amount outstanding	791.13	57.25	0	0	848.38	47.47	3.67	10.96	25.79	87.89	1313.56	190.05	27.26	0.19	1531.06	2152.16	250.97	38.22	25.98	2467.33
		Provision thereon	38.36	8.58	0	0	46.94	2.08	0.55	8.76	25.79	37.19	63.90	30.04	19.32	0.19	113.45	104.34	39.17	28.08	25.98	197.58
2	Fresh restructuring during the year	No. of borrowers	0	0	0	0	0	1	4	3	0	8	1	0	0	0	1	2	4	3	0	9
		Amount outstanding	0	0	0	0	0	0.03	0.14	18.14	0	18.31	251.95	0	0	0	251.95	251.98	0.14	18.14	0	270.26
		Provision thereon	0	0	0	0	0	0	0.02	4.54	0	4.56	12.60	0	0	0	12.60	12.60	0.02	4.54	0	17.16
3	Up-gradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Amount outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	2	0	0	0	2	6	0	0	0	6	25	0	0	0	25	33	0	0	0	33
		Amount outstanding	41.48	0	0	0	41.48	11.19	0	0	0	11.19	13.41	0	0	0	13.41	66.08	0	0	0	66.08
		Provision thereon	2.23	0	0	0	2.23	0.48	0	0	0	0.48	0.54	0	0	0	0.54	3.25	0	0	0	3.25

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Sl No.	Type of Restructuring →	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total						
		Std.	Sub-Std.	Doubt-ful	Loss	Total	Std.	Sub-Std.	Doubt-ful	Loss	Total	Std.	Sub-Std.	Doubt-ful	Loss	Total				
Details																				
5	No. of borrowers	0	1	1	0	2	0	5	0	5	0	577	5	0	582	0	583	6	0	589
	Amount during the FY	0	59.49	53.62	0	113.11	0	39.23	0	39.23	0	156.47	57.41	0	213.88	0	255.19	111.03	0	366.22
	Provision thereon	0	8.92	21.45	0	30.37	0	1.97	0	1.97	0	23.43	14.36	0	38.00	0	34.32	35.81	0	70.13
6	No. of borrowers	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	1	0	1
	Amount outstanding	0	0	0	0	0	0	0	0	0	0	0	0.03	0	0.03	0	0	0.03	0	0.03
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	No. of borrowers	6	0	2	0	8	6	6	2	112	4389	638	171	0	5207	4401	644	271	11	5327
	Amount outstanding	579.37	0	80.85	0	660.22	0.82	39.44	11.32	25.58	2044.55	161.08	292.09	0.25	2500.52	2624.74	200.52	384.26	25.83	3235.35
	Provision thereon	28.97	0	48.68	0	77.65	0.04	6.89	6.71	25.58	39.22	102.22	25.94	0.25	209.96	131.23	32.83	148.29	25.83	338.18

Note:- In addition to above Exposure, the borrowers are also availing additional facilities (Fund based) to the tune of ₹ 1099.07 crores as on 31.03.2016 (₹ 1399.00 crores as on 31.03.2015).

● Excluding the figures of Standard restructured Advances which do not attract higher provisioning or risk weight (if applicable).

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

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	01	NIL
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	40.14	NIL
3.	Aggregate Consideration	40.14	NIL
4.	Additional consideration realized in respect of accounts transferred in earlier years	0.00	NIL
5.	Aggregate gain/loss over net book value	0.00	NIL

(₹ in Crores)

Particulars	Backed by NPA'S sold by the bank Underlying		Backed by NPA'S sold by other banks/financial institutions /non banking financial companies as underlying.		Total	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Book value of investments in security receipt	0.00	0.00	14.23	9.99	14.23	9.99

15. Details of non performing financial assets purchased.

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
1. (a)	No. of accounts purchased	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

15.1 Details of non performing financial assets sold.

(₹ in Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No. of accounts sold	NIL	NIL
2.	Aggregate outstanding	NIL	NIL
3.	Aggregate consideration received	NIL	NIL

16. Provisions on standard Assets

(₹ in Crores)

Particulars	31.03.2016	31.03.2015
Provision towards Standard Assets	352.64	276.28

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17. Business Ratios

S.No.	Particulars	As on	
		31.03.2016	31.03.2015
(i)	Interest income as a percentage to working funds*	9.42%	9.73%
(ii)	Non-Interest income as a percentage to working funds*	0.69%	0.82%
(iii)	Operating Profit as a percentage to working funds*	2.29%	2.53%
(iv)	Return on Assets **	0.57%	0.70%
(v)	Business (deposits plus advances) per employee***	11.37 Crores	11.43 Crores
(vi)	Profit per employee	0.04 Crores	0.05 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.

18. Asset Liability Management

i. Maturity pattern of certain items of assets and liabilities as on 31.03.2016

(₹ in Crores)

Particulars	Day 1	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	149.56	1507.69	1398.91	1286.35	1772.83	3943.27	8324.05	30875.93	19599.71	531.94	69390.25
ADVANCES	1970.66	498.53	246.14	178.80	4616.19	3867.00	6032.27	24864.39	5394.47	2524.84	50193.29
INVESTMENTS	1871.37	49.17	328.41	107.36	1571.87	1309.42	1841.69	4007.44	2664.98	6601.91	20353.62
BORROWINGS	1210.00	0.00	0.00	0.00	0.00	0.00	255.00	175.00	600.00	0.00	2240.00

ii. Details of Foreign currency Assets/Liabilities (Maturity Pattern) as on 31.03.2016

(₹ 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
ASSETS									
USD	431.06	77.58	1106.59	355.59	2947.88	0.00	0.00	0.00	4918.70
EURO	11.46	8.07	29.03	29.25	29.55	0.00	0.00	0.00	107.36
GBP	3.06	8.78	13.46	9.74	3.34	0.00	0.00	0.00	38.38
J.YEN	15.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.34
AUD	1.63	0.00	0.31	0.00	0.00	0.00	0.00	0.00	1.94
CAD	0.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.87
CHF	1.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.72
SAR	0.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.67
Total	465.80	94.44	1149.39	394.58	2980.78	0.00	0.00	0.00	5084.99
(Previous Year)	866.03	82.54	1635.93	627.22	4309.47	0.00	0.00	0.00	7521.18

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“Significant Accounting Policies and Notes on Accounts”

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
LIABILITIES									
USD	386.40	63.14	1190.20	343.33	2951.53	0.00	0.00	0.00	4934.61
EURO	5.50	8.60	36.64	28.27	28.65	0.00	0.00	0.00	107.66
GBP	8.50	3.91	13.08	10.60	2.96	0.00	0.00	0.00	39.05
J.YEN	0.00	33.50	0.00	0.00	0.00	0.00	0.00	0.00	33.50
AUD	0.00	0.00	1.53	0.00	0.00	0.00	0.00	0.00	1.53
CAD	0.00	0.00	1.02	0.00	0.00	0.00	0.00	0.00	1.02
CHF	1.03	0.00	0.69	0.00	0.00	0.00	0.00	0.00	1.72
Total	401.43	109.16	1243.17	382.20	2983.14	0.00	0.00	0.00	5119.10
(Previous year)	801.62	5.35	1753.79	624.00	4334.10	2.18	5.52	0.00	7526.56

The above disclosure is as compiled and certified by the Bank's management.

19. Exposures

19.1 Exposure to Real Estate Sector*

(₹ in Crores)

S.No.	Particulars	As on	
		31.03.2016	31.03.2015
1.	Direct Exposure		
	(i) Residential Mortgages	1556.85	1445.32
	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 ₹ 954.06 Crores)(Previous Year ₹ 904.73 Crores)		
	(ii) Commercial real estate	2654.75	2921.53
	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.		
	(iii) Investment in mortgage backed securities and other securitized exposures		
	(a) Residential	195.44	NIL
	(b) Commercial real estate	2549.31	NIL
2.	Indirect Exposure (Fund based & non fund based exposure on National Housing Bank and housing finance companies)	775.42	892.12
	Total Exposure to Real Estate	4987.02	5258.97

The above disclosures are as compiled and certified by the Bank's management.

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19.2. Exposure to Capital Market

(₹ in Crores)

S.No.	Particulars	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.	153.91	152.41
(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	0.00	1.05
(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	0.05	0.13
(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	0.00	0.00
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	0.00	2.13
(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	0.00	0.00
(vii)	Bridge loans to companies against expected equity flows /issues	0.00	0.00
(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	0.00	0.00
(ix)	Financing to stock brokers for margin trading	0.00	0.00
(x)	All exposures to venture Capital Funds (both registered and unregistered)	18.78	22.54
Total		172.74	178.26

The above disclosures are as compiled and certified by the Bank's management.

19.3 Risk category wise country exposure

(₹ in Crores)

Category	Risk Category	Exposure (net) as at March 2016	Provisions held as at March 2016	Exposure (net) as at March 2015	Provisions held as at March 2015
A1	Insignificant	53.14	Nil	205.76	Nil
A2	Low	1.67	Nil	1.64	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
Total		54.81	Nil	207.40	Nil

The above disclosure is as compiled and certified by the Bank's management

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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 respect of ONGC Petro additions Limited by 4.83% over prudential exposure ceiling during the year.

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

(₹ in Crores)

Particulars	2015-16	2014-15
Total amount of advances outstanding against charge over intangible securities such as the rights, licenses, authority etc.	0.00	0.00

22. Penalty imposed by Reserve Bank of India

Penalty imposed by Reserve Bank of India during the year: ₹ 2.25 lacs (Previous year ₹ NIL).

23. Disclosures as per Accounting Standards (AS) in terms of RBI guidelines.

23.1 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.

23.2 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.

23.3 Accounting Standard 15 - Employees Benefit

Adoption of AS -15 (R) The bank has adopted accounting standard 15 (R) - Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognizes in its books of accounts the liability arising out of employee benefits as the sum of the present value of obligation as reduced by fair value of plan assets on the balance sheet date.

The disclosure required under Accounting Standard 15 “Employee Benefits- in line with the accounting policy as per the Accounting Standard- issued by the Institute of Chartered Accountants of India are as under”:

I. Principal Actuarial Assumptions as on Balance Sheet date:

Actuarial Assumptions	PENSION		GRATUITY		LEAVE ENCASHMENT	
	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016
Discount Rate	8%	8%	8%	8%	8%	8%
Expected Return on Plan Assets	8%	8%	8%	8%	N/A	N/A
Rate of Escalation in salary	5%	5%	5%	5%	5%	5%
Attrition Rate	1%	1%	1%	1%	1%	1%

II. Changes in Present value of the obligation (PVO)-Reconciliation of Opening & Closing Balance

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligation 01.04.2015	676.52	216.88	109.11
Interest Cost	46.20	16.20	8.09
Current Service Cost	49.07	19.98	17.06
Benefits paid	(197.93)	(28.71)	(15.97)
Actuarial loss/ (gain) on obligations (Balancing figure)	182.01	23.22	40.31
Present Value of Obligations, 31.03.2016	755.87	247.57	158.60

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III. Changes in the Fair Value of the Plan Assets-Reconciliation of Opening & Closing Balances:

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Fair Value of Plan Assets 01.04.2015	640.00	209.07	0.00
Expected return on Plan assets	54.59	18.17	0.00
Contributions by Bank/Employees	220.45	44.40	15.97
Benefits paid	(197.93)	(28.71)	(15.97)
Actuarial (loss)/ gain on Plan Assets (Balancing figure)	7.52	2.14	0.00
Fair Value of Plan Assets, 31.03.2016	724.63	245.07	0.00

IV. Actual return on Plan Assets

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Expected return on Plan Assets	54.59	18.17	0.00
Actuarial (loss)/ gain on Plan Assets	7.52	2.14	0.00
Actual Return on Plan Assets	62.11	20.31	0.00

V. Net Actuarial (Gain)/ loss recognized

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Actuarial gain/ (loss) for the period - Obligation	(182.01)	(23.22)	(40.31)
Actuarial gain/ (loss) for the period - Plan Assets	7.52	2.14	0.00
Total (Gain)/ Loss for the period	174.48	21.07	40.31
Actuarial (gain) or loss recognized in the period	174.48	21.07	40.31
Unrecognized Actuarial (gain)/ loss at the end of the year	0.00	0.00	0.00

VI. Amount recognized in Balance Sheet & Related Analysis

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value obligation, 31.03.2016	755.87	247.57	158.60
Fair Value of Plan Assets, 31.03.2016	724.63	245.07	0.00
Difference	31.24	2.50	158.60
Unrecognized Transitional Liability	0.00	0.00	0.00
Unrecognized Past Service cost - vested benefits - Carried Forward	0.00	0.00	0.00
Liability Recognized in the Balance Sheet	31.24	2.50	158.60
Negative amount determined under Paragraph 55 of AS-15 (R)	0.00	0.00	0.00
Present value of available refunds and reductions in future contributions	0.00	0.00	0.00
Resulting asset as per Paragraph 59 (b) of AS - 15 (R)	0.00	0.00	0.00

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VII. Expense recognized in Profit and Loss Statement

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Current Service Cost	49.07	19.98	17.06
Interest Cost	46.20	16.20	8.09
Expected return on Plan assets	(54.59)	(18.17)	0.0
Net Actuarial (gain)/ loss recognized in the year	174.48	21.07	40.31
Past Service Cost-Recognized	0.00	0.00	0.00
Expenses recognized in the statement of profit and loss	215.17	39.09	65.46

VIII. Movement in Net liability to be recognized in Balance Sheet

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Opening Net Liability	36.52	7.81	109.11
Expenses	215.17	39.09	65.46
Contributions paid	(220.45)	(44.40)	(15.97)
Closing Net Liability (Liability recognized in B/S in current period)	31.24	2.50	158.60

IX. Amount for the Current Period

(₹ in Crore)

Particulars	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of Obligations, 31.03.2016	755.87	247.57	158.60
Fair Value of Plan Assets, 31.03.2016	724.63	245.07	0.00
Surplus/(Deficit) before unrecognized past service cost	(31.24)	(2.50)	(158.60)
Experience Adjustments in Plan Liabilities - (loss)/ gain	(182.01)	(23.22)	(40.31)
Experience Adjustments in Plan Assets (loss) / gain	7.52	2.14	0.00

X. Major Categories of Plan Assets (as percentage of Total Plan Assets)

(in % age)

Particulars	PENSION (%)	GRATUITY (%)
Government of India Securities	14.60	11.96
State Government Securities	2.70	31.91
High Quality Corporate Bonds	8.15	25.20
Equity Shares of listed companies	-	1.81
Funds managed by Insurer	74.55	-
Other- Bank Deposits and CD's	-	29.12
Total	100.00	100.00

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XI. Best Estimate of contribution during next year

Particulars	(₹ in Crore)	
	PENSION (Funded)	GRATUITY (Funded)
Bank's best estimate of Contribution during next year	242.76	25.47

Particular Basis of assumption:

Discount rate : Discount rate has been determined by reference to market yields on the balance sheet date on Government Bonds of term consistent with estimated term of the obligations as per para 78 of AS-15R.

Expected rate of return on plan assets: The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.

Rate of escalation in salary: The estimates of future salary increases considered in actuarial valuations taking into account inflation, seniority, promotion and other relevant factors mentioned in paras 83-91 of AS-15R.

Attrition rate: Attrition rate has been determined by reference to past and expected future experience and includes all types of withdrawals other than death but including those due to disability.

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

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23.4 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			
A	Segment Revenue (Income)	31.03.2016	31.03.2015
i.	Treasury Operations	1978.86	2042.64
ii.	Corporate/Whole sale Banking	2653.88	3015.26
iii.	Retail Banking	3204.13	3146.56
iv.	Other Banking Business	57.61	38.76
	Total	7894.10	8243.22
	(Less): Inter segment revenue	546.51	588.12
	Total Income from Operations	7347.59	7655.10
B	Segment Results (Profit before tax)		
i.	Treasury Operations	123.28	100.41
ii.	Corporate /Wholesale Banking	212.83	362.55
iii.	Retail Banking	330.80	335.80
iv.	Other Banking Business	24.77	21.55
	Total	691.70	820.31
C	(Segment Assets)		
i.	Treasury Operations	23246.46	26929.39
ii.	Corporate/Wholesale Banking	28544.22	24889.25
iii.	Retail Banking	28427.98	24089.58
iv.	Other Banking Business	49.41	22.53
	Total	80268.07	75930.75
D.	(Segment Liabilities)		
i.	Treasury Operations	1654.04	3816.49
ii.	Corporate /Wholesale Banking	27398.10	26001.26
iii.	Retail Banking	44751.34	39968.08
iv.	Other Banking Business	60.66	34.88
	Total	73864.14	69820.70
E.	Capital Employed (Segment Assets-Segment Liabilities)		
i.	Treasury Operations	21592.42	23112.89
ii.	Corporate/Wholesale Banking	1146.13	(1112.01)
iii.	Retail Banking	(16323.36)	(15878.49)
iv.	Other Banking Business	(11.25)	(12.35)
	Total	6403.93	6110.05

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

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23.5 Accounting Standard 18 - Related party disclosures as on 31.03.2016

(₹ in Crores)

Items/Related Party		J&K Grameen Bank*	JKB Financial Services Ltd. #
Deposits	Balance as on date	1179.49	11.48
	Maximum Balance during the year	1215.29	20.45
Advances	Balance as on date	11.67	Nil
	Maximum Balance during the year	23.07	Nil
Investments	Balance as on date	34.01	20.00
	Maximum Balance during the year	34.01	20.00
Interest Paid		107.01	0.05
Interest/Commission Received		1.26	1.28
Sale of Fixed Assets		Nil	Nil
Transfer of Current Assets/ Liabilities(Net)		Nil	Nil
Reimbursement of Expenses		Nil	5.71

*J&K Grameen Bank is a Sponsored Company of J&K Bank

#JKB Financial Services Ltd. is a subsidiary of J&K Bank

(₹ in Lakhs)

Items/Related Party	K.M.P* Mr. Mushtaq Ahmad (Chairman)
Investments	-
Interest/Commission Received	-
Salary	74.91

* Key Managerial Personnel

23.6 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.

23.7 Accounting standard 20 - Earning per share

(₹ in Crores)

	31.03.2016	31.03.2015
Net Profit available to Equity Share Holders	416.03	508.60
No. of Equity Shares	484778020	484778020
Basic/Diluted Earnings per share (in ₹)	8.58	10.49
Face value per share	₹ 1/-	₹ 1/-

23.8 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 July 31, 2007. The investment towards the capital of subsidiary company is ₹ 20.00 Crores (Previous Year ₹20.00 Crores). The consolidated financial statements are placed accordingly in terms of AS 21 issued by the Institute of Chartered Accountants of India.

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23.9 Accounting standard 22 - Accounting for taxes on income

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

(₹ In Lacs)

Timing Difference	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	-	5013.48
Leave encashment	5487.42	-
Special Reserve	-	4261.34
Wage Revision	-	-

Net Deferred Tax Liability as on 31.03.2016 : ₹ 3787.39 Lacs

Tax Impact for the year : ₹ 1989.90 Lacs

23.10 Accounting Standard 26 - Intangible Assets

The Bank has incurred an amount of ₹97.85 Lacs on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 34.23 Lacs has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 63.62 Lacs 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 ₹ 11.04 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalized the cost of the same.

23.11 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.

23.12 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. A provision of ₹ 2.23 crores (Previous year ₹ 1.90 Crores) has been made during the year totaling to ₹ 7.81 crores (Previous year ₹ 5.59 Crores) upto 31.03.2016 against claims decreed against the Bank. Claims have not been acknowledged as debts owing to the appeal filed by the bank before the court of competent jurisdiction, pending adjudication.

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24 ADDITIONAL DISCLOSURES

24.1 Provisions and Contingencies

The break-up of “Provisions and Contingencies” shown under the head “Expenditure in Profit and Loss Account is as under:

Particulars	For the year ended	
	31.03.2016	31.03.2015
Tax expense		
i) Income Tax	255.75	301.06
ii) Deferred Tax Liability/ (asset)	19.90	10.56
iii) Wealth Tax	0.00	0.09
Provision against NPA's	869.62	813.18
Provision for depreciation on investments	0.19	-
Provision for frauds and embezzlements	0.72	0.43
Provision for diminution in the fair value of restructured /rescheduled advances	0.00	134.40
Provision for Non Performing Investments	27.11	20.97
Other provisions & contingencies	-	-
Provision for contingent liabilities	2.23	1.90
Provision for Standard Assets	76.36	44.64
Total	1251.88	1327.23

25. Details / Utilization of Floating Provisions

Particulars	As on	
	31.03.2016	31.03.2015
Opening balance	17.73	52.90
Additions made during the year	330.99	Nil
Draw Down made during the year	0.00	35.17
Closing balance	348.72	17.73

26. Investments (Floating Provision)

Particulars	As on	
	31.03.2016	31.03.2015
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

27. Customer Complaints

A	No of complaints pending at the beginning of the year	07
B	No of complaints received during the year	73
C	No of complaints redressed during the year	74
D	No of complaints pending at the end of the year	06

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28. Awards Passed by 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	01
C	No of Awards implemented during the year	NIL
D	No of unimplemented Awards pending at the end of the year	01

The award passed against the Bank is un-implemented for the reasons that the Bank has preferred appeal against the said award with the appellate authority. However a provision of ₹ 10.00 lakhs has been made against the said award.

29. 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 ₹ 14.20 Crores (Previous year: NIL)

30. 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 2016.

31. Provision Coverage Ratio (PCR)

The provision coverage ratio (PCR) for the Bank as on 31st March 2016 is 56.15% (Previous Year 59.02%) which is calculated taking into account the total technical write offs made by the Bank.

32. 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 2015-16 on account of mobilizing said business is given hereunder:-

(₹ in Crores)

S. No.	Nature of Income	
1	For selling life insurance policies	19.46
2	For selling non-life insurance policies	11.55
3	For selling mutual fund products	NIL
4	Others - (Logo & other Charges)	12.15
Total		43.16

33. Concentration of Deposits, Advances, Exposures & NPA's

33.1 Concentration of Deposits

(₹ in Crores)

Total Deposits of 20 largest depositors	13052
Percentage of 20 largest depositors to total Deposits of the Bank	18.81%

33.2 Concentration of Advances

(₹ in Crores)

Total Advances to 20 largest borrowers	13857
Percentage of advances of 20 largest borrowers to Total Advances of the Bank	27.61%

33.3 Concentration of Exposures

(₹ in Crores)

Total Exposure to 20 largest borrowers customers	14810
Percentage of exposures to 20 largest borrowers /customers to Total exposure of the bank on borrowers/customers	20.99%

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33.4 Concentration of NPA's

(₹ in Crores)

Total Exposure to top four NPA accounts	1753
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34. Sector Wise Advances

(₹ in Crores)

S. No.	Sector	Current Year			Previous Year		
		Outstanding Total Advances	Gross NPA	Percentage of Gross NPAs to total Advances in that Sector	Outstanding Total Advances	Gross NPA	Percentage of Gross NPAs to total Advances in that Sector
A. Priority Sector							
1	Agriculture and Allied Activities	5982.67	595.03	9.95	5667.01	553.93	9.77
2	Advances to Industries sector eligible as priority sector lending	2674.56	226.91	8.48	2128.07	157.14	7.38
3.	Services	6173.27	404.07	6.55	5137.17	185.99	3.62
4.	Personal Loans	1702.75	18.48	1.09	2405.60	38.59	1.60
5.	Others	345.69	18.29	5.29	0	0	0
	Sub Total A	16878.94	1262.78	7.48	15337.85	935.65	6.10
B. Non Priority Sector							
1	Agriculture and Allied Activities	0	0	0	0	0	0
2	Industry	12979.92	2005.62	15.45	13656.86	815.40	5.97
3.	Services	11864.44	998.17	8.41	10857.26	942.52	8.68
4.	Personnel Loans	8914.15	66.00	0.74	6448.57	70.51	1.09
5.	Others	1856.29	36.04	1.94	0	0	0
	Sub Total B	35614.8	3105.83	8.72	30962.69	1828.43	5.91
	TOTAL (A+B)	52493.74	4368.61	8.32	46300.54	2764.08	5.97

35. Movement of NPA's

(₹ in Crores)

Particulars	Current Year	Previous Year
	Gross NPA's as on April 01, (Opening Balance)	2764.08
Additions (Fresh NPA's) during the year	2383.22	2525.80
Sub Total : (A)	5147.30	3309.22
Less		
i). Up-gradation	188.92	343.77
ii) Recoveries (Excluding Recoveries made from upgraded Accounts)	261.74	176.43
iii) Technical/ Prudential/ write offs	317.70	24.94
iv) Write offs other than those under (iii)above	10.33	
Sub Total (B)	778.69	545.14
Gross NPA as on 31 st March	4368.61	2764.08

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36. Sector wise NPA's*

S. No.	Sector	Percentage of NPA to Total advances in that sector
1	Agriculture & Allied activities	9.95
2	Industry (Micro & Small Medium and Large)	14.26
3	Services	7.77
4	Personal Loans	0.80
5.	Others	2.47

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

37. Stock of technical write-offs and recoveries made thereon

Particulars	(₹ in Crores)	
	Current Year	Previous Year
Opening balance of Technical/Prudential write-off accounts as on April 1st	252.79	268.20
Add: Technical/Prudential write-offs during the year	315.66	Nil
Sub Total:	568.45	268.20
Less: Recoveries made during the year	2.41	15.41
Closing balance as on 31st March	566.04	252.79

38. Overseas Assets, NPA's and Revenues

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

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

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

40. 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.

41. Corporate Social Responsibility (CSR Activities)

Pursuant to section 135 of the Companies Act 2013, it is required to expend 2% of the average net profits made during three immediate preceding financial years for CSR activities. Accordingly, bank is required to spend ₹ 27.33 Crores (Previous year ₹ 29.86 Crores) for twelve months period ended 31st March 2016 against which bank has spent ₹ 28.48 Crores (Previous year ₹ 13.75 Crores).The bank has decided to include expenditure made on maintenance of Parks and Gardens as CSR expenditure from the current year on which an amount of ₹ 13.86 Crores has been incurred.

42. In Compliance to RBI Letter No. DBR.NO.BP.13018/21.04.048/2015-16 dated April 12, 2016, bank has provided a sum of ₹ 22.50 crores being 7.50% of the existing outstanding balance of ₹ 299.95 crores as on 31.03.2016 under the Food Credit availed by the State Government of Punjab.

43. 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

Schedules

“Significant Accounting Policies and Notes on Accounts”

44. Movement in Provision for Credit Card Reward Point is set out below:

(₹ in Crores)

Particulars	
Opening Provision Balance as on 01.04.2015	1.08
Provisions made during the year	1.37
Redemption made during the year	2.29
Closing Provision Balance as on 31.03.2016	0.16

45. Intra-Group Exposure

(₹ in Crores)

	Current Year	Previous Year
Total Amount of intra-group Exposure	1.63	8.44
Total Amount of top-20 intra group exposures	1.63	8.44
Percentage of intra-group exposures to total exposures of the bank on borrowers/customers	0.00	0.01
Details of breach of limit on intra-group exposures and regulatory action thereon, if any	NIL	NIL

46. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in Crores)

Particulars	Current Year	Previous Year
Opening balance of amounts transferred to DEAF	16.14	NIL
Add:- Amounts transferred to DEAF (During the Year 2015-16)	15.34	16.30
Less : Amounts reimbursed by DEAF towards claims	0.42	0.16
Closing balance of amounts transferred to DEAF	31.06	16.14

47. Un-hedged Foreign Currency Exposure

In accordance with RBI circular no DBOD .BP.BC.85/21.06.200/2013-14 dated 15th January, 2014 and circular no DBOD. BP.BC.116/21.06.200/2013-14 dated 3rd June 2014, banks are required to make an additional provision in respect of borrowers with Un-hedged Foreign Currency Exposures (UFCE) from April 1, 2014 onwards. However no provisions were required to be made by the bank for the financial year 2015-16 towards this exposure.

47.1 Policy to manage currency induced Credit Risk:-

Foreign currency exposures are hedged under permitted hedging products in accordance with guidelines of RBI on Risk Management and inter bank dealings, FEDAI norms and guidelines. The objective of the policy is to maximize hedging on the foreign currency exposures of borrowers Monitoring and review of the un-hedged foreign currency exposures to borrowers is undertaken by the bank on monthly basis by obtaining borrower-wise statements .Specific action/ suitable remedial measures including stipulation of additional cash margin and /or increase in pricing spread, wherever required are accordingly devised by the bank.

47.2 Details of Incremental provisioning made by Bank towards this risk.

(₹ in Crores)

Particulars	Provision Held
Opening balance as on (01.04.2015)	4.09
Additions during the year	0.00
Deductions during the year	0.32
Closing balance 31.03.2016	3.77

The capital held by the Bank towards the foreign currency exposure amounts to ₹ 8.22 Crores (Previous Year ₹ 3.19 Crores)

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“Significant Accounting Policies and Notes on Accounts”

48. Liquidity Coverage Ratio (LCR)

(₹ in Crores)

	Current Year		Previous Year	
	Total Unweighted value (Average)	Total Weighted value (Average)	Total Unweighted value (Average)	Total Weighted value (Average)
High Quality Liquid Assets				
1 Total High Quality Liquid Assets (HQLA)	5454.10	5414.60	5339.60	5290.25
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which	20589.31	1575.78	28763.22	2204.89
(i) Stable deposits	10487.02	565.55	13428.38	671.41
(ii) Less stable deposits	10102.28	1010.23	15334.84	1533.48
3 Unsecured wholesale funding ,of which	6499.98	1624.84	8495.16	2123.50
(i) Operational Deposits (all counterparties)	13820.44	3454.84	8494.79	2123.47
(ii) Non Operational deposits (all counterparties)	0.45	0.04	0.37	0.03
(iii) Unsecured debt	0	0	0	0
4 Secured Wholesale funding	140.35	0	156.47	0
5 Additional requirements of which				
(i) Outflows related to derivative exposure and other collateral requirements				
(ii) Outflows related to loss of funding on debt products				
(iii) Credit and liquidity facilities				
6 Other contractual funding Obligations	6051.80	512.33	6247.26	458.78
7 Other contingent funding Obligations	4960.92	239.70	5989.31	299.46
8 Total cash outflows	45563.30	5782.71	49651.42	5086.63
Cash Inflows				
9 Secured Lending (e.g. reverse repo)	137.49	0.00	82.63	0.00
10 Inflows from fully performing exposure	1481.02	912.76	4847.27	3354.73
11 Other cash inflows	102.79	102.79	0.00	0.00
12 Total cash inflows	1721.31	1015.56	4929.90	3354.73
		Total adjusted value		Total adjusted value
TOTAL HQLA		5414.60		5290.25
Total Net Cash Outflows		4767.15		1731.90
Liquidity Coverage ratio (%)		113.58		305.46

48.1 Qualitative disclosure for Liquidity Coverage Ratio (LCR):

The Bank has robust liquidity risk management framework in place that ensures sufficient liquidity including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

Liquidity Coverage Ratio (LCR) BLR-1 aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquidity Asset (HQLAs) that can be converted into cash to meet liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

Schedules

“Significant Accounting Policies and Notes on Accounts”

Composition of High quality liquid assets (HQLAs)

High quality liquid assets (HQLAs) comprise of assets that can be readily sold or used as collateral to obtain funds in a range of stress scenario. These are asset categories which can be easily or immediately converted into cash at little or no loss in value.

With zero percent haircut Level 1 (HQLA) asset comprises of:

- Cash
- Excess CRR
- Government securities in excess of SLR
- Marginal Standing Facility (MSF)
- Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR)
- Marketable securities issued by foreign sovereigns

A minimum haircut of 15% is applied on the following assets and is placed in the category of Level 2A (HQLA) assets:

- Marketable securities guaranteed by sovereigns, PSEs or multilateral development banks assigned risk weights of up to 20% but are not issued by banks/financial institutions/NBFCs
- Corporate bonds not issued by banks/financial institutions/NBFCs
- Commercial Papers not issued by PDs/financial institutions/NBFCs

With a haircut of 50% following HQLAs are also placed in category of level 2B assets:

- Marketable securities guaranteed by sovereigns having risk weights of higher than 20% but not more than 50%.
- Common equity shares included in NSE CNX Nifty index or S&P BSE Sensex index but not issued by banks/financial institutions/NBFCs

From February 2016, In line with the RBI guidelines Corporate debt securities (including commercial paper) not issued by a bank, financial institution, PD, NBFC or any of its affiliated entities have a long-term credit rating from an Eligible Credit Rating Agency between A+ and BBB- or in the absence of a long term rating, a short-term rating equivalent in quality to the long-term rating; traded in large, deep and active repo or cash markets characterized by a low level of concentration; and have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. a maximum decline of price not exceeding 20% or increase in haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress. is also reckoned as Level 2B HQLAs,

All the relevant inflows and outflows as per RBI stipulations are captured in the LCR template.

LCR statement in the prescribed format is submitted to RBI at the end of every month and put up to the Board and management as part of ICAAP at annual and quarterly rests respectively.

Schedules

“Significant Accounting Policies and Notes on Accounts”

49. Disclosure on Remuneration

Information relating to the composition and mandate of the Remuneration Committee.	<p>Bank has constituted the Nomination and Remuneration committee of the Board pursuant to the requirement of the Reserve bank of India and the Companies Act, 2013, constitutes of following members of the Board.</p> <table border="0"> <tr> <td>Mr. Vikrant Kuthiala</td> <td>(Chairman)</td> </tr> <tr> <td>Mr. Dalip Kumar Kaul</td> <td>(Member)</td> </tr> <tr> <td>Mr. Azhar ul Amin</td> <td>(Member)</td> </tr> </table>	Mr. Vikrant Kuthiala	(Chairman)	Mr. Dalip Kumar Kaul	(Member)	Mr. Azhar ul Amin	(Member)
Mr. Vikrant Kuthiala	(Chairman)						
Mr. Dalip Kumar Kaul	(Member)						
Mr. Azhar ul Amin	(Member)						
Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	<ul style="list-style-type: none"> • Ensure effective governance of compensation, alignment of compensation with prudent risk taking. • Ensure effective supervisory oversight and engagement by stakeholders. • Comply with the regulatory directives whereby all Private Sector Banks are required to formulate and adopt a comprehensive compensation policy covering all their employees and conduct annual review thereof. • Identify persons who are qualified and may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal • Recommend to the Board a policy, relating to the remuneration for directors the key managerial personnel and other employees. • Formulae the policy which inter alia shall ensure that: <ol style="list-style-type: none"> a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Key Management Personnel and other employees of the company; b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and c. Remuneration to key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals. 						
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.	Remuneration committee of the Board undertakes risk evaluations based on industry standards and risk profile of the bank.						
Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	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.						
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.	NIL						
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.	NIL						

Schedules

“Significant Accounting Policies and Notes on Accounts”

Quantitative Disclosure

Particulars	31.03.2016
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	The Committee met three times during the year and total sitting fee of ₹ 45000/- @ ₹ 15000 for each meeting attended by its members was paid. (Total amount of ₹ 135000 paid to all members)
(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	NIL
(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.	NIL
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

50. The Principal Accounting Policies (Schedule 17) and Notes on Accounts (Schedule 18) form an integral part of these Accounts.

51. Previous year figures have been regrouped / rearranged, wherever 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

Navin Kumar Choudhary, I.A.S
Director

J. P. Sharma
Director

Vikrant Kuthiala
Director

R. K. Gupta
Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated : 24th May 2016

In terms of our report of even date annexed

For **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

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

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Gurmeet Singh Bhan
Partner
(M. No. 532675)

CA Madhusudan Meher
Partner
(M No.097409)

CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Consolidated Cash Flow Statement

For the Year Ended 31st March, 2016

	2015-16	2014-15
	₹ '000' Omitted	
A	(2,189,495)	1,180,618
B	(1,358,411)	(2,609,327)
C	(1,761,539)	(3,375,830)
	(5,309,445)	(4,804,539)
D	37,351,492	42,156,031
E	32,042,047	37,351,492
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Taxes	4,138,405	5,084,802
Add : Provision for Taxes	2,756,490	3,116,536
Net profit before taxes (i)	6,894,895	8,201,338
Adjustment for :		
Depreciation charges	611,435	949,841
Provision for NPA's	8,696,235	8,131,845
Provision on Standard Assets	763,635	446,429
Depreciation on investment	1,902	-
Provision for Non-Performing investment	271,125	209,725
Other provisions	29,430	1,367,242
Deferred revenue Expenditure written off during the year		52
Interest paid on subordinate Bonds (Financing Activities)	540,000	540,000
Total Adjustment (ii)	10,913,762	11,645,134
Operating profit before change in Operating assets & liabilities (i) + (ii)	17,808,657	19,846,472
Adjustment for changes in Operating Assets & Liabilities		
Increase / (Decrease) in Deposits	36,426,449	(35,921,830)
Increase / (Decrease) in Borrowings	(996,666)	5,746,667
Increase / (Decrease) in Other liabilities & provisions	3,656,154	45,107
(Increase) / Decrease in investments	24,057,843	34,571,413
(Increase) / Decrease in Advances	(64,770,968)	8,512,093
(Increase) / Decrease in Other Assets	(14,430,576)	(28,211,498)
Net Cash flow from Operating activities (iii)	(16,057,764)	(15,258,048)
Cash generated from operation (i + ii + iii)	1,750,893	4,588,424
Less : Tax paid	3,940,388	3,407,806
TOTAL : (A)	(2,189,495)	1,180,618
B. CASH FLOW FROM INVESTING ACTIVITIES :		
a) Fixed Assets	(1,358,411)	(2,492,650)
b) Investment in Subsidiary	-	(116,677)
TOTAL : (B)	(1,358,411)	(2,609,327)

Consolidated Cash Flow Statement

For the Year Ended 31st March, 2016

	2015-16	2014-15
	₹ '000' Omitted	
C. CASH FLOW FROM FINANCING ACTIVITIES:		
a) Share Capital	-	-
b) Equity Share Warrants	-	-
c) Share Premium	-	-
d) Tier II Bonds	-	-
e) Dividend & Dividend Tax Paid	(1,221,539)	(2,835,830)
f) Interest Paid on Subordinate Debt	(540,000)	(540,000)
TOTAL : (C)	(1,761,539)	(3,375,830)
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
a) Cash in hand & Balance with R.B.I	23,730,550	30,455,936
b) Balance with Banks & Money at Call & Short Notice	13,620,942	11,700,095
TOTAL : (D)	37,351,492	42,156,031
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
a) Cash in hand & Balance with R.B.I	31,267,367	23,730,550
b) Balance with Banks & Money at Call & Short Notice	774,680	13,620,942
TOTAL : (E)	32,042,047	37,351,492

Mushtaq Ahmad
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

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Director

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Director

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Director

Dalip Kumar Kaul
Director

Khaver Alam Jeelani
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Masooda Jabeen
Director

Vagish Chander
Executive President & CFO

Khurshid Ahmad Fazili
Vice President

Abdul Majid Bhat
Company secretary

Place : Srinagar
Dated : 24th May 2016

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 24th May, 2016 at Srinagar.

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 March 31st, 2016 and March 31st, 2015. 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 **Gupta Sharma & Associates**
Chartered Accountants
FRN:001466N

For **Dhar Tiku & Co.**
Chartered Accountants
FRN:003423N

For **Arora Vohra & Co**
Chartered Accountants
FRN:009487N

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

For **Dharam Raj & Co**
Chartered Accountants
FRN:014461N

CA Gurneet Singh Bhan
Partner
(M. No. 532675)

CA Madhusudan Meher
Partner
(M No.097409)

CA Prem C. Bansal
Partner
(M. No. 083597)

CA Vishal Rometra
Partner
(M. No. 501333)

CA Dharam Raj
Partner
(M No.094108)

Place : Srinagar
Dated : 24th May 2016

Basel-III – Pillar-3 disclosures

as on 31st March 2016

Table DF-1: Scope of application : The Basel III capital adequacy norms are applicable to Jammu & Kashmir bank Ltd.

Name of the head of the banking group to which the Framework applies.	Jammu and Kashmir Bank Ltd
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Jammu and Kashmir Bank (J&K Bank) is a commercial Bank incorporated on October 1, 1938 and the only state-government-owned scheduled commercial bank in India.

(i) Qualitative Disclosures:

a. The List of group entities considered for consolidation

Name of the entity / Country of Incorporation	Included under accounting scope of consolidation (yes / no)	Method of consolidation	Included under regulatory scope of consolidation (yes / no)	Method of consolidation	Reason for difference in the method of consolidation	Reasons, if consolidated under only one of the scopes of consolidation
---Nil---	---Nil---	---Nil---	---Nil---	---Nil---	---Nil---	---Nil---

b. The List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation is given below.

Name of the entity / Country of incorporation	Principle activity of the entity	Total balance sheet equity	Percentage of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets
J&K Bank Financial Services Ltd	Marketing of Financial Products	₹ 200 million	100%	The entire amount of ₹ 200 million has been deducted from capital	₹ 200.5 million

(ii) Quantitative Disclosures

c. The List of group entities considered for consolidation as on 31st March 2016:

Name of the entity / country of incorporation	Principal activity of the entity	Total Balance Sheet Equity	Total Balance Sheet Assets
---Nil---	---Nil---	---Nil---	---Nil---

d. The aggregate amount of capital deficiencies in all subsidiaries, which are not included in the regulatory scope of consolidation i.e. that are deducted:

Name of the subsidiaries / country of incorporation	Principal activity of the entity	Total balance sheet equity	Percentage of Bank's Holding in the Total Equity	Capital Deficiencies
---Nil---	---Nil---	---Nil---	---Nil---	---Nil---

e. The aggregate amounts (e.g current book value) of the bank's total interests in insurance entities, which are risk weighted:

Name of the insurance entities / Country of incorporation	Principal activity of the entity	Total balance sheet equity	Percentage of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
PNB Metlife India Insurance Company Ltd / India	Insurance Business	₹ 21700.0 million	5.08 %	CRAR will reduce by 0.14% under the deduction method

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group

Not Applicable

Table DF - 2 : 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) The Bank is subject to Capital Adequacy guidelines of RBI, which are based on the framework of Basel Committee on Banking Supervision. As per Basel III guidelines the minimum capital required to be maintained by the Bank is 9.625 percent with minimum Common Equity Tier 1 (CET1) of 6.125% as on March 2016. Stress analysis is conducted on half yearly basis or as required to see the impact on capital adequacy ratio (CAR) in near to medium horizon.
- ii) The Bank assesses its capital requirement based on business projections and opportunities for growth that are in line with the strategic intent of the Bank. The business projections are mapped to credit, market and operational risks which allows for assignment of regulatory capital besides providing capital headroom to meet growth projections. As part of the Internal Capital Adequacy Assessment Process (ICAAP), Bank also assesses adequacy of capital under stress conditions for gauging the adequacy of capital to support not only three primary risks of credit, market and operational risk but other residual risks like interest rate risk in banking book, liquidity risk, credit concentration risk, strategic risk and reputational risk.

2. Quantitative Disclosures

Amount in ₹ million

2.1 Capital requirements for credit risk	49900.3		
• Portfolio subjected to standardized approach	49900.3		
• Portfolios subjected to the IRB approaches	Nil		
• Securitization exposures	Nil		
2.2 Capital requirement for market risk (under Standardized duration approach)	2146.1		
• Interest rate risk	1774.4		
• Foreign exchange risk (including gold)	30.6		
• Equity risk	341.1		
2.3 Capital requirement for operational risk	4502.8		
• Basic indicator approach:	4502.8		
2.4 Common Equity Tier 1, Tier 1 and Total Capital ratios:			
Name of the Entity	Common Equity Tier 1 ratio	Tier 1 ratio	Total capital ratio
J&K Bank Ltd	10.60%	10.60%	11.81%

Risk Exposure and Assessment**Structure and Organisation of Risk Management Function**

The Bank's risk governance architecture focuses on key risk areas of credit, market (including liquidity) and operational risk. The quantification of these risks, wherever possible, ensures effective and continuous monitoring and control. 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 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. The 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 - 3: Credit Risk**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 borrowers and counterparties. The Bank is exposed to credit risk through lending and capital market activities. Bank has put in place Board approved comprehensive Credit Risk Management Policy which aims at ensuring sustained growth of healthy loan portfolio while identifying and managing credit risks, both at transaction and portfolio levels. It lays down the roles and responsibilities, risk appetite, key processes and reporting framework.

The Bank manages its credit risk through following strategies:

- a) Well defined credit risk management structure to identify measure, monitor and control / mitigate credit risk from loan origination to disbursement and post disbursement monitoring has been laid out.
- b) Board approved Investment Policy of the Bank addresses credit risks related to investment activities undertaken by the Bank, prescribing prudential limits, methods of risk measurement and hedges required in mitigation of risks arising in investment portfolio.
- c) Corporate credit is managed through rating of borrowers and thorough risk vetting of individual exposures at origination and periodic review after sanctioning. Retail credit to individuals and small business is managed through definition of product criteria, appropriate credit filters and subsequent portfolio monitoring.
- d) Industry wise segment ceilings on aggregate lending by the Bank.
- e) Individual borrower wise ceilings on lending as well as borrower group wise lending ceilings linked to the Bank's capital funds.
- f) Bank has comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. The credit rating models use a combination of quantitative and qualitative factors that include borrower specific characteristics, industry score etc to arrive at a 'point in time' view of risk.
- g) 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.
- h) 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.
- i) 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.
- j) Regular review of all credit sanctioning powers delegated to various sanctioning levels so as to continuously strengthen the credit processes, and monitoring oversight are undertaken.
- k) Approval processes with respect to credit proposals are preceded by study of risks and preliminary due diligence particularly while sourcing fresh credit accounts.
- l) Credit audit system and loan review mechanism independently of the credit processing / credit approval system and ensure effective loan monitoring, management / mitigation of credit and operational risks in the loan portfolio.
- m) An appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal and credit management function.

1. Qualitative Disclosures: The general qualitative disclosure requirement with respect to credit risk including:

1.1.1 Definition of NPA and impaired account

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 1.1.2 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.

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

1.1.2 '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".

1.1.3 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.

1.2 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. The policy aims at ensuring consistency and standardization of credit practices. There is a defined credit appraisal & credit approval authority, reporting cum monitoring / follow-up system and loan review mechanism/ credit audit system in place at the Bank.

2. Quantitative Disclosures

Amount in ₹ million

2.1	Total gross credit risk exposures - Fund based and Non-fund based separately, broken down by major types of credit exposures.	a) On Balance Sheet	802680.7
		b) Off Balance sheet	71405.6
		Total	874086.3
2.2	Geographic distribution of exposures:		
	• Overseas		Nil
	• Domestic		874086.3
2.3	Industrial type distribution of exposure, Fund based and Non-fund based separately.	Major industry type exposure is given separately as per Annexure- A.	
2.4	Residual contractual maturity breakdown of assets,	Residual maturity is provided separately as per Annexure- B.	
2.5	Amount of NPAs (Gross)		43686.1
	• Substandard		20520.8
	• Doubtful		14738.3
	• Loss		8427.0
2.6	Net NPAs		21639.5
2.7	NPA Ratios		
	• Gross NPAs to gross advances		8.32
	• Net NPAs to net advances		4.31
2.8	Movement of NPAs (Gross)		
	• Opening balance (01.04.2015)		27640.8
	• Additions during the year		23832.2
	• Reductions during the year		7786.9
	• Closing balance (31.03.2016)		43686.1
2.9	Movement of specific provisions (NPAs)		
	• Opening balance (01.04.2015)		14668.8
	• Provisions made during the year		9606.7
	• Write-off		3157.5
	• Write back of excessive provisions		---
	• Any other adjustment, including transfers between provisions		----
	• Closing balance (31.03.2016)		21118.0
2.10	Movement of General Provisions	Provisions for Standard asset	Provisions for Contingencies
	• Opening balance (01.04.2015)	2762.7	1.2
	• Provisions made during the period	835.7	525.0
	• Write-off	-	-
	• Write back of excessive provisions	-	-
	• Any other adjustment, including transfers between provisions	72.0	525.0
	• Closing balance (31.03.2016)	3526.4	1.20
3.0	Write offs booked directly to the income statement		201.4
3.1	Recoveries booked directly to the income statement		67.1
4.0	Amount of non-performing investment		3695.2
4.1	Amount of provisions held for non-performing investment		1800.7
4.2	Movement of provision for depreciation on investments		
	• Opening balance as on 01.04.2015		18.4
	• Provisions made during the period		41.9
	• Write-off		0.0

• Write back of excessive provision		50.1
• Closing balance 31.03.2016		10.2
5.0 Major industry wise break up of NPAs and Specific Provisions		
Industry	NPAs	Specific Provisions
• Basic Metal & Metal Products	9800.7	1809.4
• Infrastructure	4554.4	940.1
• Food Processing	2628.4	1764.0
• Textiles	1212.5	370.4
• Chemicals & Chemical Products	877.3	393.2
• Vehicles, Vehicle parts & Transport equipment	621.9	94.8
5.1 Geography wise distribution of NPAs		
• Kashmir Region (including ladakh)		6563.3
• Jammu Region		1911.1
• North zone (includes states of Delhi, UP, Uttrakhand, West Bengal, Rajasthan, Bihar)		19154.8
• Upper North zone (includes states of Punjab & Himachal Pradesh)		434.7
• Mumbai Zone (includes states of Maharashtra, Gujarat, Madhya Pradesh, Goa & Chhattisgarh)		13015.7
• South Zone (includes states of Karnataka, Kerala, Tamil Nadu & Andhra Pradesh)		2606.5
5.2 Geography wise distribution of :		
	Specific Provisions	General Provisions
• Kashmir Region (including ladakh)	2448.0	1114.2
• Jammu Region	682.0	279.2
• North zone (includes states of Delhi, UP, Uttrakhand, West Bengal, Rajasthan, Bihar)	6002.4	741.5
• Upper North zone (includes states of Punjab & Himachal Pradesh)	95.7	26.8
• Mumbai Zone (includes states of Maharashtra, Gujarat, Madhya Pradesh, Goa & Chhattisgarh)	7716.5	483.7
• South Zone (includes states of Karnataka, Kerala, Tamil Nadu & Andhra Pradesh)	686.2	492.4
Floating Provisions	3487.2	388.6 (Provisions for FCI / UFCE/KCC)

Table DF - 4 : Disclosure for portfolio subject to Standardised Approach**1. Qualitative Disclosures:****1.1 For portfolio under the standardized approach:**

Names of credit rating agencies used, plus reasons for any changes.

The Bank's exposure being mainly domestic, rating agencies like CARE, CRISIL, ICRA, India Ratings, Brickwork Ratings and SMERA have been identified for rating of exposure as per RBI guidelines. Designated rating agencies are 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 issue ratings are used for comparable assets of borrower in the banking book as follows: <ul style="list-style-type: none"> i) In cases where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) is applied to the bank's unassessed claim if the Bank's exposure ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unrated Bank's claim is not later than the maturity of the rated claim. ii) If either the issuer or single issue has been assigned a low quality assessment which maps into a risk weight equal to or higher than that which applies to unrated claims, an unassessed claim on the same counterparty that ranks pari-passu or is subordinated to the rated exposure is assigned the same risk weight as is applicable to the low quality assessment.
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2. Quantitative Disclosures	Amount in ₹ million
2.1 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:	
Below 100% risk weight	480203.3
100% risk weight	186053.6
More than 100% risk weight	157976.6

Table- DF -5: Credit risk mitigation:

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 is used for capital calculation. The Bank reduces its exposure to counterparty with the value of eligible financial collateral to take account of risk mitigating effect of the collateral.

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 as per RBI guidelines.

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 that are externally rated. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor.

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 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 III 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 ₹ million

2.1	For disclosure of credit risk portfolio under the standardized approach, the total exposure that is covered by:	Exposure covered by Deposits/Cash/LIC Policies/NSCs/KVPs 63290.1
2.2	Eligible financial collaterals; after the application of haircuts	Exposure covered by Other Eligible Collaterals -- Nil

Table DF - 6 : Asset Securitisation:

Bank is not currently undertaking any securitization activity.

Table DF - 7: Market risk in trading book

1. Qualitative Disclosures:

The market risk for the Trading Book of the Bank is managed in accordance to the Board approved Investment Policy, Trading Policy and Market Risk Policy. These policies provide guidelines to the operations, Valuations, and various risk limits and controls pertaining to various securities, foreign exchange. These policies enhance Bank's ability to transact in various instruments in accordance with the extant regulatory guidelines and provide sound foundation for day to day Risk Control, Risk management, and prompt business decision making. The Bank also has a Stress Testing Framework which enables Bank to capture impact of various stress scenarios on Trading Book Portfolio. All these policies are reviewed periodically to incorporate changes in economic, business and regulatory environment.

1.1 The general qualitative disclosure requirement for market risk including the portfolio covered by securitized approach.

Risk management and reporting is based on globally accepted parameters such as Modified Duration, PVO1, Exposure and Gap Limits, VaR, etc. As per the Market Risk Policy/Trading policy, limits have been set for Forex Open Position limits (Daylight / Overnight), stop-loss limit, Sensitivity limit, VaR limit and exposure limits which are monitored on a daily basis. Bank has a Mid Office in place for functions like onsite monitoring of adherence to set limits, independent reporting of activities to Top Management and valuation etc.

Approach for Computation of Capital Charge for Market Risk.

Bank has adopted the Standardised Approach as prescribed by RBI for computation of capital charge for market risk and is already fully compliant with such RBI guidelines. Standardised Approach is applied for calculation of Market Risk for:

- Securities under HFT category
- Securities under AFS category
- Open foreign exchange position
- Equity positions

1.2 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.

Market risk is calculated on trading portfolio under Standardised duration method as per directives of RBI. Stress testing under various scenarios and calculation of Historical VaR forms an integral part of the portfolio risk management.

2. Quantitative Disclosures	Amount in ₹ million
1.1 The capital requirement for market risk as per Standardized Duration Approach:	2146.1
Interest rate risk.	1774.4
Equity position risk.	341.1
Foreign exchange risk.	30.6
Commodity risk.	----

Table DF - 8--- Operational Risk

1. Qualitative Disclosures:

1.1 **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 operational risk management (ORM) policy documents the Bank's approach towards management of operational risk and defines the roles and responsibilities of the various stakeholders to manage operational risk within the Bank. The Integrated Risk Management Committee (IRMC) of the Board at the apex level is the policy making body. IRMC is supported by Operational Risk Management Committee (ORMC) at the Executive level, which is responsible for bank wide implementation of ORM policy. A systematic process for reporting risks, operational losses has been developed. Bank has been collecting internal operational loss data from business units / offices. For this purpose, a system for reporting identified loss events and loss data have been put in place. 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 bank has a robust internal control / audit mechanism and reporting system for managing and mitigating operational risk.

1.2 **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 has initiated steps for migration to The Standardized Approach (TSA) and Advanced Measurement Approach (AMA) for calculating capital for operational risk.

2. 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: ₹ 4502.8
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Table DF - 10 : Interest rate risk in the banking book (IRRBB)

1. Qualitative Disclosures:

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.**

Interest Rate Risk in Banking Book (IRRBB) is the risk which impacts assets and liabilities of Bank's non-trading (core) exposures which are contracted for steady income and statutory obligations and are generally held till maturity. Interest rate risk is measured as the potential volatility in the Bank's core net interest income caused by changes in market interest rates. Difference in pricing parameters of these Assets and Liabilities which may be due to different tenor, asset type, liability type or other parameters exposes the Bank to possible loss.

Bank utilizes the following methods to measure, monitor and control the adverse impact of interest rates on the Bank's financial condition within tolerable limits. This impact is calculated from following perspectives.

Earnings perspective: Indicates the impact on Bank's Net Interest Income (NII) in the short term.

Economic perspective: Indicates the impact on the net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items.

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 turnover).
- Changes on account of Interest rate volatility
- Change in net interest income (with 200 bps change in interest rates for both assets and liabilities)
₹ 23.6 million
 - Change in market value of equity (with 200 bps change in interest rates for both assets and liabilities).
 - ♦ 2.13% (₹ 1368.3 million)

Table DF - 11 : General Disclosure for Exposures Related to Counterparty Credit Risk

1. Qualitative Disclosures

The Bank has a Credit Risk Management Policy and Collateral Management Policy in place which lays down guidelines, processes and measures for counterparty risk management. The counterparty limits are monitored and internal triggers are put in place to guard against breach in limits. Bank takes eligible financial collateral (e.g., cash or securities) on an account-by-account basis to reduce the credit exposure to counterparty while calculating the capital requirements.

2. Quantitative Disclosures

The derivative exposure is calculated using Current Exposure Method (CEM) and the balance outstanding as on March 31, 2016 is given below.

Amount in ₹ million		
Particulars	Notional Amount	Current Exposure
Forward forex contracts	37869.3	762.6

Basel III Common Disclosure Template

Regulatory Capital

		Amount in ₹ million	
Sr No	Items	Amounts subject to pre-Basel III treatment	Ref No:
Common Equity Tier 1 capital (CET1): instruments and reserves			
1	Directly issued qualifying common shares capital plus related stock surplus (Share Premium)	1352.7	a+c
2	Retained Earnings	62619.1	b+d+e+g
3	Accumulated other comprehensive income (and other reserves)	0	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies)	0	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET 1)	0	
6	Common Equity Tier 1 capital before regulatory adjustments (sum of rows 1 to 5)	63971.8	
Common Equity Tier 1 capital : Regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	0	
9	Intangibles other than mortgage servicing rights (net of related tax liability)	0	m
10	Deferred tax assets	0	n
11	Cash-flow hedge reserve	0	
12	Shortfall of provisions to expected losses	0	
13	Securitisation gain on sale	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined-benefit pension fund net assets	0	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in common equity	0	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	200.0	l
20	Mortgage servicing rights (amount above 10% threshold)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	
22	Amount exceeding the 15% threshold	0	
23	of which: significant investments in the common stock of financial entities	0	
24	of which: mortgage servicing rights	0	
25	of which: deferred tax assets arising from temporary differences	0	

Amount in ₹ million

Sr No	Items	Amounts subject to pre-BaseI III treatment	Ref No:
26	National specific regulatory adjustments (26a+26b+26c+26d)	0	
26a	of which: investments in the equity capital of the unconsolidated insurance subsidiaries	0	
26b	of which: investments in the equity capital of unconsolidated non-financial subsidiaries	0	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0	
26d	of which: Unamortised pension fund expenditures	0	
27	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to Pre-BaseI III treatment (<i>please specify the details in remarks column</i>)	0	
	Of which : Investment in equity capital of unconsolidated financial subsidiary		
	Of which: Investment in equity capital of sponsored rural bank		
	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	Total regulatory adjustments to Common equity Tier 1	200.0	
29	Common Equity Tier 1 capital (CET1)	63771.8	
	Additional Tier 1 capital (AT1) : instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	0	
31	Of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares- (PNCPS)	0	
32	Of which: classified as liabilities under applicable accounting standards (Perpetual Debt Instruments - PDIs)	0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0	
34	Additional Tier 1 instruments (and CET 1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0	
35	Of which: instruments issued by subsidiaries subject to phase out	0	
36	Additional Tier 1 capital before regulatory adjustments	0	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation(net of eligible short positions)	0	
41	National specific regulatory adjustments (41a+41b)	0	
41 a	Investments in additional Tier 1 capital of unconsolidated insurance subsidiaries	0	
41 b	Shortfall in Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0	

Amount in ₹ million

Sr No	Items	Amounts subject to pre-Basel III treatment	Ref No:
	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to Pre-Basel III treatment	0	
	Of which: (insert type of adjustment)	0	
	Of which: (insert type of adjustment)	0	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	
43	Total regulatory adjustments to Additional Tier 1 capital	0	
44	Additional Tier 1 capital (AT1) capital	0	
44 a	Additional Tier 1 capital (AT1) reckoned for capital adequacy	0	
45	Tier 1 capital (T1 = CET1 + Admissible AT1)	63771.8	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
47	Directly issued capital instruments subject to phase out from Tier 2	3600.0	i
48	Tier 2 instruments (and CET 1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0	
49	Of which: instruments issued by subsidiaries subject to phase out	0	
50	Provisions	3795.5	f+j+k
51	Tier 2 capital before regulatory adjustments	7395.5	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0	
53	Reciprocal cross-holdings in Tier 2 instruments	0	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0	
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	116.7	
56	National specific regulatory adjustments (56a+56b)	0	
56 a	Of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	0	
56 b	Of which: Shortfall in Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0	
	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to Pre-Basel III treatment	0	
	Of which: Type of Adjustment	0	
	Of which: Type of Adjustment	0	
57	Total regulatory adjustments to Tier 2 capital	116.7	
58	Tier 2 capital (T2)	7278.8	
58 a	Tier 2 capital reckoned for capital adequacy	7278.8	
58 b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0	
58 c	Total Tier 2 capital admissible for for capital adequacy	7278.8	
59	Total capital (TC = T1 + T2)	71050.6	

Amount in ₹ million

Sr No	Items	Amounts subject to pre-Basel III treatment	Ref No:
	Risk Weighted Assets in respect of amounts subject to Pre-Basel III Treatment		
	Of which --- (Insert type of adjustment)		
	Of which --- (Insert type of adjustment)		
60	Total Risk Weighted Assets (60a+60b+60c)	601557.9	
60 a	Of which: total credit risk weighted assets	518445.4	
60 b	Of which: total market risk weighted assets	26826.3	
60 c	Of which: total operational risk weighted assets	56286.2	
	Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.60	
62	Tier 1 (as a percentage of risk weighted assets)	10.60	
63	Total capital (as a percentage of risk weighted assets)	11.81	
64	Institution specific buffer requirement (minimum CET 1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)		
65	Of which : capital conservation buffer requirement	0.625	
66	Of which : bank specific countercyclical buffer requirement	Nil	
67	of which: G-SIB buffer requirement	Nil	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.475	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	6.125	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.625	
71	National total capital minimum ratio (if different from Basel III minimum)	9.625	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	NA	
73	Significant investments in the common stock of financial entities	NA	
74	Mortgage servicing rights (net of related tax liability)	NA	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	NA	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	3795.5	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	6480.5	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)	NA	
80	Current cap on CET1 instruments subject to phase out arrangements	NA	

Amount in ₹ million

Sr No	Items	Amounts subject to pre-Basel III treatment	Ref No:
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	3600.0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	2400.0	

Notes to the Template

Row no: of the template	Particulars	(Amount in ₹ million)	
10	Deferred tax assets associated with accumulated losses	0.00	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	0.00	
	Total as indicated in row 10		
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	NA	
	of which: Increase in Common Equity Tier 1 capital	NA	
	of which: Increase in Additional Tier 1 capital	NA	
	of which: Increase in Tier 2 capital	NA	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	NA	
	(i) Increase in Common Equity Tier 1 capital	NA	
	(ii) Increase in risk weighted assets	NA	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	NA	
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	NA	
50	Eligible Provisions included in Tier 2 capital	3795.5	
	Eligible Revaluation Reserves included in Tier 2 capital	0.00	
	Total of row 50	3795.5	
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	Nil	

Reconciliation of Regulatory Capital

Amount in ₹ million

	Balance sheet as in financial statements As on reporting date	Balance sheet under regulatory scope of consolidation As on reporting date
A Capital & Liabilities		
i Paid-up Capital	484.9	
Reserves & Surplus	63754.8	
Minority Interest		
Total Capital	64239.7	
ii Deposits	693902.6	
of which: Deposits from banks	66311.2	
of which: Customer deposits	627591.4	
of which: Other deposits (pl. specify)	0.0	
iii Borrowings	22400.0	
of which: From RBI	1450.0	
of which: From banks	4300.0	
of which: From other institutions & agencies	16650.0	
of which: Others (pl. specify)	10650.0	
of which: Capital instruments	6000.0	
iv Other Liabilities & Provisions	22138.4	
Total	802680.7	
B Assets		
i Cash and balances with Reserve Bank of India	31267.4	
Balance with banks and money at call and short notice	762.7	
ii Investments:	203536.2	
of which: Government securities	139480.4	
of which: Other approved securities	0.0	
of which: Shares	1753.2	
of which: Debentures & Bonds	18115.8	
of which: Subsidiaries	200.0	
Of which Joint Ventures / Associates/ sponsored banks	456.7	
of which: Others (Commercial Papers, Mutual Funds CDs etc.)	43530.1	
iii Loans and advances	501932.9	
of which: Loans and advances to banks	1798.0	
of which: Loans and advances to customers	500134.9	
iv Fixed assets	7637.1	
v Other assets	57544.4	
of which: Goodwill and intangible assets	0.0	
of which: Deferred tax assets	0.0	
vi Goodwill on consolidation	0.0	
vii Debit balance in Profit & Loss account	0.0	
Total Assets	802680.7	

Amount in ₹ million

	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference no:
	As on reporting date	As on reporting date	
A Capital & Liabilities			
i Paid-up Capital	484.9		
of which: Amount eligible for CET 1	484.9		a
of which: Amount eligible for AT 1			
Reserves & Surplus	63754.8		
of which:			
Statutory reserve	20034.2		b
Share premium	867.8		c
Revenue & Other reserves	41953.7		d
Capital reserves	631.2		e
Investment reserve	267.9		f
Current financial year profit			
Out of which amount eligible for inclusion in Tier 1 capital	0.00		g
Minority Interest			
Total Capital	63754.8		
ii Deposits	693902.6		
of which: deposits of banks	66311.2		
of which: Customer deposits	627591.4		
of which: Other deposits (pl. specify)			
iii Borrowings	22400.0		
of which: From RBI	1450.0		
of which: From banks	4300.0		
of which: From other institutions & agencies	16650.0		
of which: Others (pl. specify)	10650.0		
of which: Capital instruments	6000.0		h
Out of which eligible for inclusion in Tier II capital	3600.0		i
iv Other Liabilities & Provisions	22138.4		
of which: DTLs related to goodwill	0.0		
of which: DTLs related to intangible assets	0.0		
of which: Standard asset provision included under Tier II	3526.4		j
of which: Provisions for contingencies included under Tier II	1.2		k
Total	802680.7		

Amount in ₹ million

	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference no:
B Assets			
i Cash and balances with Reserve Bank of India	31267.4		
ii Balance with banks and money at call and short notice	762.7		
iii Investments:	203536.2		
of which: Government securities	139480.4		
of which: Other approved securities	0.0		
of which: Shares	1753.2		
of which: Debentures & Bonds	18115.8		
of which: Subsidiaries	200.0		l
of which: Joint Ventures / Associates	456.7		
of which: Others (Commercial Papers, Mutual Funds etc.)	43530.1		
iv Loans and advances	501932.9		
of which: Loans and advances to banks	1798.0		
of which: Loans and advances to customers	500134.9		
v Fixed assets	7637.1		
vi Other assets	57544.4		
of which: Goodwill and intangible assets Out of which	0.0		m
Goodwill	0.0		
Other Intangibles (excluding MSRs)	0.0		
Deferred tax assets	0.0		n
vii Goodwill on consolidation	0.0		
viii Debit balance in Profit & Loss account	0.00		
Total Assets	802680.7		

Main features of regulatory capital Instrument (Common Equity Tier I)

1	Issuer	Jammu & Kashmir Bank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE 168A01041
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/ group & solo	Solo & Group
7	Instrument type	Common Shares
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹ 484.9 million
9	Par value of instrument	₹ 1 per share
10	Accounting classification	Shareholders Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating Dividend
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

Main features of regulatory capital Instrument (Lower Tier II bonds of ₹ 6000 million)

1	Issuer	Jammu & Kashmir Bank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE168A08012
3	Governing law(s) of the instrument Regulatory treatment	SEBI Regulations,2008
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/ group & solo	Solo & Group
7	Instrument type	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	3600 million
9	Par value of instrument	₹ 1000000 per NCD
10	Accounting classification	Liability
11	Original date of issuance	30/12/2009
12	Perpetual or dated	Dated
13	Original maturity date	30/12/2019
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9%
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-Cummulative
23	Convertible or non-convertible	Non-Convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Annexure-A

Industry-wise Deployment of Credit and Investment Exposures as on 31.03.2016

		Amount in ₹ million
S.No	Industry	Amount
1	Mining and quarrying (including Coal)	769.0
2	Food Processing	4720.3
	Out of 2	
	Sugar	1.9
	Edible oils & Vanaspati	147.5
	Tea & Coffee	288.5
	Others	4282.4
3	Beverage & tobacco	1473.8
4	Textiles	14644.8
	Out of 4	
	Cotton Textiles	1514.4
	Jute Textiles	84.2
	Man - Made Textiles	3551.2
	Other Textiles	9495.0
5	Leather & Leather Products	1134.1
6	Wood & Wood Products	679.3
7	Paper & Paper Products	965.1
8	Petroleum, Coal Products and Nuclear fuels	1.6
9	Chemicals and Chemical Products	15996.8
	Out of 9	
	Fertiliser	376.4
	Drugs & Pharmaceuticals	1531.0
	Petro Chemicals	12506.3
	Others	1583.1
10	Rubber, Plastic & their Products	3196.7
11	Glass and Glassware	16.2
12	Cement and Cement Products	7310.8
13	Basic Metal and Metal Products	29532.9
	Out of 13	
	Iron & Steel	27946.8
	Other Metal & Metal Products	1586.1
14	All Engineering	4041.3
	Out of 14	
	Electronics	1524.6
	Others	2516.7
15	Vehicles, Vehicle Parts and Transport equipment	734.3
16	Gems and Jewellery	1651.3
17	Construction	1114.8
18	Infrastructure	70171.8
	Out of 18	
	Power	34791.1
	Telecommunication	11756.9
	Roads & Ports	14437.8
	Other Infrastructure	9186.0
19	Other Industries	7321.0
	Total Industry (Micro & Small, Medium and Large)	165475.9

Annexure -B**Residual contractual maturity of assets as on 31.03.2016**

Amount in ₹ million

INFLOWS	Next day	2 to 7 days	8 to 14 days	15 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
1. Cash	2779.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2779.2
2. Balance with RBI	4233.1	0.0	0.0	1603.3	708.2	1642.1	3485.4	10119.2	6456.7	240.1	28488.1
3. Balance with other Banks											
(i) Current Account	762.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	762.7
(ii) Money at call and short notice, term Deposits and other placements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Investments (Standard)	18713.7	491.7	3284.1	1073.6	15718.7	13094.2	18416.9	40074.4	24942.6	65831.8	201641.7
5. Advances (performing)											
(i) Bills purchased & Discounted (including bills under DUPN)	80.0	188.8	208.0	439.8	6102.7	198.2	36.9	0.1	1.5	0.0	7256.0
(ii) Cash credits, overdrafts & Loans repayable on demand	89.1	534.8	623.9	1247.8	5526.1	8021.8	16489.2	130130.7	0.0	0.0	162663.4
(iii) Term Loans	19310.7	2901.1	39.8	100.4	34533.0	30450.0	43796.6	118513.0	39610.3	17941.9	307196.8
(iv) Prepayment of Term Loans	226.8	1360.6	1589.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3177.3
6. NPAs + NPIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16040.2	7493.8	23534.0
7. Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7637.2	7637.2
8. Other Assets											
(i) Inter-office adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(ii) Leased Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(iii) Others (Tangible Assets)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Reverse Repos	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Swaps(Sell/Buy)/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11. Expected Increase in Deposits.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Interest receivable/ Accrued but not due	222.4	33.7	0.8	1.6	400.0	353.2	509.5	1402.4	456.1	206.5	3586.2
13. Unavailed portion of CC/OD/DL component of working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14. L.C./B.G (Inflows)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15. Export Refinance from RBI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16. Others (Specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53958.2	53958.2
C. TOTAL INFLOWS	46417.7	5510.7	5746.5	4466.5	62988.7	53759.5	82734.5	300239.8	87507.4	153309.5	802680.7

LEVERAGE RATIO

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III leverage ratio is defined as the ratio of capital measure (the numerator) to exposure measure (the denominator), expressed as a percentage.

The capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applying at that time under the risk-based framework. Total exposure measure is the sum of the on-balance sheet exposures, derivative exposures, securities financing transaction (SFT) exposures and off- balance sheet (OBS) items.

$$\text{Leverage ratio} = \frac{\text{Capital Measure (Tier 1 Capital)}}{\text{Exposure Measure}}$$

As on 31.03.2016	Amount in ₹ million
Tier 1 Capital	63771.8
Exposure Measure	875200.0
Leverage Ratio	7.29%

Report on Corporate Governance 2015-16

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 Regulation 27(2)(a) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 mandated these. It is our endeavor 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. Given the fact that J&K Bank is and is seen as a great success of “public-private partnership”, our 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 capitalize 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 ten comprising of Chairman, and Nine 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, Ten Board Meetings were held, in due compliance with statutory provisions, on the following dates:

16.05.2015; 22.06.2015; 10.08.2015; 24.08.2015; 29.09.2015; 26.10.2015; 13.11.2015; 21.12.2015; 11.02.2016; 16.03.2016

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 2015-16.		Attendance at Board Meetings			
Name of Director	Category of Director	Meetings during the tenure	Meetings Attended	Percentage	Whether Attended AGM held on 22-08-2015
Mr. Mushtaq Ahmad	Chairman & CEO	10	10	100	Y
Mr. B B Vyas, IAS (cessation from directorship on 12/06/2015)	Non Executive Non Independent Director	1	1	100	N
Mr. Navin Kumar Choudhary, IAS (Appointed on 12-06-2015)	Non Executive Non Independent Director	9	8	89	Y
Mr. M.I. Shahdad (Retired on 22.08.2015)	Non Executive Independent Director	3	3	100	N
Mr. J.P. Sharma	Non Executive Non Independent Director (RBI Nominee)	10	6	60	N
Prof. Nissar Ali (Resigned on 22.08.2015)	Non Executive Independent Director	3	3	100	-
Mr. A.M. Matto (Resigned on 22.08.2015)	Non Executive Independent Director	3	3	100	-
Mr. Vikrant Kuthiala	Non Executive Independent Director	10	10	100	Y
Mr. R. K.Gupta	Non Executive Independent Director	10	10	100	Y
Mr. Dalip Kumar Kaul	Non Executive Independent Director	10	9	90	Y
Mr. Khaver Alam Jelani	Non Executive Independent Director	10	10	100	Y
Mr. Abdul Majid Mir (appointed on 22-08-2015)	Non Executive Non Independent Director	7	7	100	Y

Financial Year 2015-16.

Attendance at Board Meetings

Name of Director	Category of Director	Meetings during the tenure	Meetings Attended	Percentage	Whether Attended AGM held on 22-08-2015
Mr. Azhar Ul Amin (Appointed on 22-08-2015)	Non Executive Independent Director	7	7	100	-
Mst. Masooda Jabeen (Appointed on 26-10-2015)	Non Executive Independent Director	4	4	100	-

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 43 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. Navin Kumar Choudhary, IAS,

Mr. Navin K. Choudhary is serving the Govt. of J&K as Principal Secretary to Hon'ble Chief Minister, Prior to this; he was Joint Secretary (Planning and International Cooperation) in the Ministry of Defence.

Mr. Navin K. Choudhary belongs to the Indian Administrative Service. As a civil servant he has, in the last 22 years or so, undertaken a variety of assignments in the Government of India and in the Jammu & Kashmir (State Government). His postings include in the Ministry of Finance (as Director in the Department of Economic Affairs) and in the International Monetary Fund (IMF) as Advisor to the Executive Director, where he has served for more than 3 years.

Mr. Navin K Choudhary also holds a Post Graduate degree in Economics.

Mr. J P Sharma

Mr. J. P. Sharma, General Manager, Human Resources Management Department, Reserve Bank of India, Jaipur holds a Master's Degree in Chemistry and CAIIB. Mr. J. P. Sharma is a career Banker with 24 years of Central Banking experience, in the fields of Supervision of Commercial Banks, Co-operative Banks, NBFs, and Currency Management etc.

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 Educational, Hospitality and Hydel sector. He is the Chairman J&K State Committee of PHD Chamber of Commerce and Industry, New Delhi; Treasurer of Indian Institute of Public Administration, Regional Branch, J&K, Former Member (Organized Sector) Regional Advisory Committee of Central Excise & Customs; National Executive; President Mayo Alumni, Jammu; Trustee Bodh Raj Sawhny Memorial Trust, New Delhi; Managing Committee Member of Sh.Ramakrishna Mission, Jammu. He is also a Member of India Islamic Cultural Centre, New Delhi and INTACH, J&K Chapter, Jammu.

Mr. Dalip Kumar Kaul

Mr. Dalip Kumar Kaul is a Founder and Senior Partner of Baweja & Kaul, a firm of Chartered Accountants. He is a Fellow Member of the Institute of Chartered Accountants of India (ICAI) and has a Bachelor's Degree in Commerce (Honours) and LLB from University of Delhi. He also has a Master's Degree in Business Administration (Finance) and has specialized in Merchant Banking, Risk Management, Treasury and International Finance. He has also undertaken a Certificate Course on Valuation.

He has an experience of over 33 years across audit, tax, risk, assurance and advisory. He renders services relating to business strategy, merger & acquisition, integrated risk management, regulatory, advisory and assurance services to sectors like Banking and Capital Markets, Insurance, Infrastructure, Pharmaceuticals, Trading, Manufacturing, Healthcare, Education, Media, Information Technology, Construction, Poultry, Agriculture, Power (listed and unlisted corporates including MNC's). He also provides consultancy regarding transforming finance operating model, designing and implementing financial systems and conceiving and implementing enterprise cost management systems. He has been providing tax advisory to clients and representation before Appellate Authorities and a rich experience in Human Resource Management.

He is also Chairman (Non Executive) of the Board of Directors / Board of Supervisors and Member of Audit Committee (ACB) of Bakhtar Bank, Kabul, Afghanistan.

He was Chairman of J&K Branch of NIRC of ICAI for the year 2013-14 and member of Executive Committee of J&K Branch of NIRC of Institute of Chartered Accountants of India (2013-2016). He has also been a Member of Study Group (ICAI) of Committee on Indirect Taxes Impact of GST in the State of J&K (2015). He is a Peer Reviewer on the panel of reviewers maintained by the Peer Review Board of ICAI. He is also a Member of Kashmir Education Cultural and Science Society, New Delhi. He was Member - (Finance Committee) Sports and Cultural Club, Noida and Chairman - Commerce Advisory Board, SGTB Khalsa College, University of Delhi. Mr. Dalip K Kaul was also Special Invitee Member on the Committee on Banking, Insurance & Pension of ICAI. He has also been conferred with the prestigious GauravSamman by the Kashmiri Samiti, New Delhi.

Mr. Khaver Alam Jeelani

Mr. Khaver Alam Jeelani, aged 37, is CEO of Hotel Highlands Park, Gulmarg. Prior to this he was associated with Morgan Stanley Investment Management (London) from the year 2002 to 2007. He has represented Morgan Stanley at the European Fund Categorization Forum (EFCF), a working group of the European Fund and Asset Management Association (EFAMA). Mr. Jeelani is holding degrees of B.A. Hons in Industrial Economics from the University of Nottingham (Business School) and M.Sc in Economics and Finance from the University of Warwick (Warwick Business School). He is also an Associate of Securities Institute (UK). His interests vary from Sports to travel. He has achieved a Grade 3 in fencing (foil) awarded by the British Fencing Association and has travelled extensively to UK, Switzerland, Singapore, Parts of Indonesia, Thailand, France, Spain, Germany, Norway, Canada and the US.

Mr. R.K. Gupta

R.K. Gupta, aged 54 years, is a professional Chartered Accountant with 30 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 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 from 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 the ICAI. Mr. Gupta was also special invitee in the Professional Development Committee of ICAI in the year 2015-16. Presently, he is a member of Committee on Insurance, Banking and Pension of ICAI.

Having authored various articles, Mr. Gupta has to his credit published Articles in The Chartered Accountant Journal and also in Current Tax.com on the issues of Taxation and Accounting Standards. Mr. Gupta has been Guest Speaker on many occasions for various Seminars and Study Circle meets of Chartered Accountants & others.

Mr. Gupta is Member of Taxation Advisory Committee and other Committees of Chamber of Commerce & Industry, Jammu. He is also a member of Direct Taxes Committee of PHD Chamber of Commerce and Industry. 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 worked on faculty of Business Studies by Vice-Chancellor of Jammu University for the triennial period of 2009-2012. Presently Mr. Gupta is also a member of Board of Studies at Parade College for Women an Autonomous College of State and member Finance & Audit committee of Shri Mata Vaishno Devi Narayana Super Specialty Hospital Katra, Jammu.

Mr. Abdul Majid Mir

Mr. Abdul Majid Mir, has 38 years of experience in Banking. Mr. Abdul Majid Mir has held various important and senior positions in the J&K Bank Ltd., as part of its Corporate Management Team including being Executive Director of the Bank from 01-05-2008 to 30-06-2011. He has special knowledge and practical experience in the fields of Finance, Credit, Trade Finance, Foreign exchange, Treasury, Corporate and Retail Banking, Deposits & Liability Management & Risk Management.

Mr. Azhar-UI-Amin

Mr. Azhar-UI-Amin, aged 55 years, B.Sc. LLB (Hons) is an Advocate by profession with 30 years of practice at the High Court of Delhi, High Court of J&K and Supreme Court of India, having expertise in Civil, Criminal, Constitutional, Labour, Company and Service Laws.

Mr. Azhar-UI-Amin was appointed as Additional Advocate General for state of J&K in 2008/2009 and has represented prestigious constitutional and statutory institutions like National Human Rights Commission, J&K Public Service Commission, J&K Subordinate Service Selection Board, J&K Pollution Control Board, as Advocate. He has remained Counsel for Department of Home, J&K, Department of Forest, J&K, Craft Development Institute, Srinagar and Union of India. He has conducted high stake civil and constitutional matters. He has remained main Counsel in high stake arbitration matters for and on behalf of the State of J&K and other clients.

Mst. Masooda Jabeen

Mst. Masooda Jabeen, aged 62, is Post Graduate in clinical physiology from Aligarh Muslim University, retired from Government service and presently working with various NGOs. She has held several distinguished Positions such as Registrar/Controller Examination, Post Graduate & Research Institute, Sheri Kashmir Institute of Medical Sciences (SKIMS), Soura, Srinagar, (Deemed University). She has conducted courses and held examination of various Professional Courses in Medicine, Nursing, Technology, Nutrition and other Short term Professional courses. She was Member of different committees related to policy making, legal affairs, financial affairs (SKIMS) and co-ordinated with Central Government Institutions - Medical Counsel of India, National Board of Examinations and All India Institute of Medical Sciences. Having worked with different administrative heads, Director SKIMS, Dean SKIMS, FA/CAO, Director AIIMS, President Medical Counsel of India and Vice President National Board of Examination, she has vast experience of handling complicated issues related to administration which include policy related matters, legal matters and financial matters.

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 Regulation 27(2)(a) 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 164 of the Companies Act, 2013 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, Remuneration 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. Navin Kumar Choudhary, IAS

J&K Minerals Ltd; J&K Industries Ltd; J&K SIDCO; J&K SICOP; J&K Handicrafts (S&E) Dev. Corporation; J&K Handloom Development Corporation; J&K Khadi & Village Industries Board; J&K Cements Ltd; J&K HPMC Ltd; J&K Agro Industries Dev. Corp; J&K Cable Car corp; J&K Tourism Development Corp; J&K PCC Ltd; J&K SRTC Ltd; J&K SC, ST, & OBC Dev. Corp; J&K State Road Development Corp; J&K Overseas Employment Corp; J&K State Power Development corp Ltd.

Mr. Vikrant Kuthiala

Director: R.B. Jodhamal & Co, Pvt. Ltd; R.B. Jodhamal Industries Pvt. Ltd; R.B. Jodhamal Vidyut Ltd.; R.B. Jodhamal Bishan Lal Hotels & Resorts Pvt. Ltd;

Mr. Dalip Kumar Kaul

Bakhtar Bank, Kabul, Afghanistan

MEMBERSHIP OF COMMITTEES OF OTHER COMPANIES

Mr. Dalip Kumar Kaul

Chairman

Audit Committee of the Board,

Bakhtar Bank, Kabul, Afghanistan

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 three Independent Directors and two Non Executive 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. Dalip Kumar Kaul	(Chairman)
Mr. Khaver Alam Jeelani	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. Abdul Majid Mir	(Member)
Mr. J.P. Sharma	(Member)

The Audit Committee met Twelve times during the year in due compliance with RBI and Listing Agreement requirements, on the following dates:

15.05.2015; 22.06.2015; 09.08.2015; 24.08.2015; 30.09.2015; 13.11.2015; 14.01.2016; 27.01.2016; 28.01.2016; 10.02.2016; 29.02.2016; 21.03.2016

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Dalip Kumar Kaul	12	12	100%
Mr. R. K. Gupta (upto 24-08-2015)	04	04	100%
Mr. Vikrant Kuthiala	12	10	83%
Mr. A. M. Matto (upto 22.08.2015)	03	03	100%
Mr. Khaver Alam Jeelani	12	11	92%
Mr. Abdul Majid Mir (from 30-09-2015)	08	08	100%
Mr. J.P. Sharma (from 27-01-2016)	05	04	80%

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. Navin Kumar Choudhary, IAS	(Member)
Mr. R. K. Gupta	(Member)
Mr. Dalip Kumar Kaul	(Member)
Mr. Khaver Alam Jeelani	(Member)
Mr. Abdul Majid Mir	(Member)

The Management Committee met Eight times during the year on the following dates:

16.05.2015; 26.06.2015; 24.08.2015; 29.09.2015; 26.10.2015; 21.12.2015; 14.01.2016; 16.03.2016

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	8	8	100%
Mr. Navin Kumar Choudhary, IAS (From 26-10-2015)	4	4	100%
Mr. Khaver Alam Jeelani	8	8	100%
Mr. Dalip Kumar Kaul	8	7	88%
Mr. Vikrant Kuthiala (Up to 24-08-2015)	3	3	100%
Mr. M. I. Shahdad (Upto 26-06-2015)	2	2	100%
Mr. R. K. Gupta	8	8	100%
Mr. Abdul Majid Mir (from 29-09-2015)	5	5	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)
Mr. Navin Kumar Choudhary, IAS	(Member)
Mr. Dalip Kumar Kaul	(Member)
Mr. R. K. Gupta	(Member)
Mr. Abdul Majid Mir	(Member)

The Integrated Risk Management Committee met four times during the year on the following dates.

23.06.2015; 29.09.2015; 14.01.2016; 16.03.2016

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%
Mr. Navin Kumar Choudhary, IAS (from 26-06-2015)	3	3	100%
Mr. Dalip Kumar Kaul	4	4	100%
Mr. Khaver Alam Jeelani (Up to 23-06-2015)	1	1	100%
Prof. Nisar Ali (upto 22-08-2015)	1	1	100%
Mr. R. K. Gupta	4	4	100%
Mr. Abdul Majid Mir (from 22-08-2015)	3	3	100%

STAKE HOLDERS RELATIONSHIP COMMITTEE:

The Bank Constituted "Stakeholders' Relationship Committee" pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015

Role and Function

- To look into redressing of complaints of shareholders, investors and other Stakeholders of the Bank.
- 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 the 30 days was pending as on 31st March 2016.
- All requests for dematerialization of shares are likewise processed and confirmation communicated to Investors and Depository participants within Five working days.
- During the year 814 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:

Sr.No.	Particulars	Received	Disposed	Pending
1.	Change / Correction of the Address	121	121	0
2.	Intimation of the Bank Mandate / NECS Mandate	189	189	0
3.	Non receipt of Share Certificates	40	40	
4.	Loss of Share Certificates and request for issue of duplicate share certificate(s)	34	34	0
5.	Deletion / inclusion of Joint name and transmission	15	15	
6.	Non receipt of Share Certificate after transfer (NRSCAT)	3	3	0
7.	Non receipt of dividend warrants (NRDW)	152	152	0
8.	Correction of Bank Mandate / name of Dividend Warrants	12	12	
9.	Receipt of dividend warrants for revalidation	36	36	0
10.	Receipt of indemnity bond for issue of duplicate dividend warrants	82	82	
11.	Intimation of the Nomination form details	126	126	0
12.	Letters from SEBI/Stock Exchanges	2	2	0
13.	Legal Cases / Cases before Consumer Forums	0	0	
14.	Others (fully paid stickers)	2	2	0
	Total	814	814	0

Composition, Meetings and Attendance

Stakeholder's relationship committee consists of:

Mr. Abdul Majid Mir	(Chairman)
Mr. R.K. Gupta	(Member)
Mr. Azhar UI Amin	(Member)

Stakeholders' relationship committee met Four times during the year on the following dates.

22.06.2015; 29.09.2015; 14.01.2016; 15.03.2016

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Abdul Majid Mir (From 22-08-2015)	3	3	100%
Mr. Azhar UI Amin (from 22-08-2015)	3	3	100%
Mr. M.I. Shahdad (upto 22-08-2015)	1	1	100%
Prof. Nisar Ali (up to 22-08-2015)	1	1	100%
Mr. R.K. Gupta	4	4	100%

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. R. K. Gupta	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. Abdul Majid Mir	(Member)
Mr. Azhar Ul Amin	(Member)

The Monitoring of Large Value Frauds Committee met four times during the year on the following dates;

23.06.2015; 29.09.2015; 14.01.2016; 15.03.2016

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%
Prof. Nisar Ali (Up to 22-08-2015)	1	1	100%
Mr. M. I. Shahdad (up to 22-08-2015)	1	1	100%
Mr. R. K. Gupta	4	4	100%
Mr. Khaver Alam Jeelani (upto 22-08-2015)	1	1	100%
Mr. Vikrant Kuthiala (From 22-08-2015)	3	3	100%
Mr. Abdul Majid Mir (From 22-08-2015)	3	3	100%
Mr. Azhar ul Amin (From 22-08-2015)	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. Vikrant Kuthiala	(Member)
Mr. Dalip Kumar Kaul	(Member)
Mr. Khaver Alam Jeelani	(Member)
Mst. Masooda Jabeen	(Member)

The Customer Service Committee met Four times during the year on the following dates:

23.06.2015; 29.09.2015; 14.01.2016; 15.03.2016

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 (Upto 22-08-2015)	1	1	100%
Prof. Nisar Ali (Upto 22-08-2015)	1	1	100%
Mr. Vikrant Kuthiala (from 29-09-2015)	3	3	100%
Mr. Dalip Kumar Kaul (from 29-09-2015)	3	3	100%
Mr. Khaver Alam Jeelani (from 29-09-2015)	3	3	100%
Mst. Masooda Jabeen (from 15-03-2016)	1	1	100%

INFORMATION TECHNOLOGY STRATEGY COMMITTEE

Role and Function

Committee has been constituted pursuant to RBI directions to monitor the progress of effective assimilation and speedy implementation of Information Technology in the Bank.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Vikrant Kuthiala	(Chairman)
Mr. Khaver Alam Jeelani	(Member)
Mr. Dalip Kumar Kaul	(Member)
Mr. Azhar UI Amin	(Member)
Mst. Masooda Jabeen	(Member)

The Information Technology Committee met Four times during the year on the following dates:

22.06.2015; 29.09.2015; 14.01.2016; 15.03.2016

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Vikrant Kuthiala	4	4	100%
Prof. Nisar Ali (up to 22-08-2015)	1	1	100%
Mr. Khaver Alam Jeelani	4	4	100%
Mr Dalip Kumar Kaul (from 29-09-2015)	3	3	100%
Mr. Azhar UI Amin (from 29-09-2015)	3	3	100%
Mst. Masooda Jabeen (from 15-03-2016)	1	1	100%

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. R.K. Gupta	(Chairman)
Mr. Khaver Alam Jeelani	(Member)
Mr. Abdul Majid Mir	(Member)
Mr. Azhar UI Amin	(Member)

The Legal Committee met Eight times during the year on the following dates:

29.09.2015; 19.10.2015; 18.11.2015; 28.11.2015; 06.02.2016; 15.03.2016; 16.03.2016; 22.03.2016

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. R. K. Gupta	8	8	100%
Mr. Khaver Alam Jeelani	8	8	100%
Mr. Abdul Majid Mir	8	8	100%
Mr. Azhar UI Amin	8	8	100%

NOMINATION & REMUNERATION COMMITTEE

Bank has constituted the Nomination & Remuneration Committee of the Board pursuant to the requirements of the Reserve Bank of India and the Companies Act, 2013.

Role and Function

Ensure effective governance of compensation.

Ensure effective alignment of compensation with prudent risk taking.

Ensure effective supervisory oversight and engagement by stakeholders.

Comply with the regulatory directives whereby all Private Sector Banks are required to formulate and adopt a comprehensive compensation policy covering all their employees and conduct annual review thereof.

Identify persons who are qualified and may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.

Recommend to the Board a policy, relating to the remuneration for directors the key managerial personnel and other employees.

Formulate the policy which inter alia shall ensure that :

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Key Management Personnel and other employees of the company;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) Remuneration to key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Vikrant Kuthiala	(Chairman)
Mr. Dalip Kumar Kaul	(Member)
Mr. Azhar-UI Amin	(Member)

The Nomination & Remuneration Committee met Three times during the year on the following dates:

16.05.2015; 23.06.2015; 10.08.2015

These meetings were attended by the Members as detailed below.

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Vikrant Kuthiala	3	3	100%
Mr. A. M. Matto (up to 22-08-2015)	3	3	100%
Mr. Dalip Kumar Kaul	3	3	100%
Mr. Azhar UI Amin (From 22-08-2015)	0	0	-

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. Navin Kumar Choudhary, IAS	(Member)
Mr. R.K. Gupta	(Member)
Mr. Azhar Ul Amin	(Member)

The Nomination Committee met Four times during the year on the following dates:

16.05.2015; 22.06.2015; 21.08.2015; 26.10.2015

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. Navin Kumar Choudhary (from 26-10-2015)	1	1	100%
Mr. A. M. Matto (upto 22-08-2015)	3	2	67%
Mr. R. K. Gupta	4	4	100%
Mr. Azhar Ul Amin (From 22-08-2015)	1	1	100%

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:**Role and Function**

Corporate Social Responsibility Committee has been constituted pursuant to section 135 of Companies Act, 2013:

- Formulate and recommend to the Board, a corporate social Responsibility Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII.
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- Monitor the Corporate social Responsibility Policy of the Bank from time to time.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. Vikrant Kuthiala	(Member)
Mr. Khaver Alam Jeelani	(Member)
Mst. Masooda Jabeen	(Member)

The Corporate social Responsibility Committee met Four times during the year on the following dates:

23.06.2015; 29.09.2015; 14.01.2016; 15.03.2016

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. A.M. Mattoo (up to 22-08-2015)	1	1	100%
Mr. Vikrant Kuthiala	4	4	100%
Mr. Khaver Alam Jeelani (from 22-08-2015)	3	3	100%
Mst. Masooda Jabeen (From 15-03-2016)	1	1	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	₹. 5,50,000.00
DA	-
Provident Fund	-
HRA	₹ 55,000.00
Total	₹ 6,05,000.00

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.

Details of number of Shares / Convertible Debentures held by Non-Executive Directors as on 31-03-2016:

Name of the Director	Number of shares held	Number of Convertible Debentures held
Mr. Navin Kumar Choudhary, IAS	150	0

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) In terms of Regulation 26(3) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 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 Regulation 33(2)(a) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, 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, 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 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

Penalty of Rs.6.16 lakhs was imposed by the Stock Exchanges for delay in the appointment of Woman Director on the Board of the Bank. Other than the said penalty, 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 except to the extent disclosed in the Notes to the Accounts. The Bank has complied with the provisions of relevant Acts, Rules & Regulations framed there under during the year 2015-2016.

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	2013-14	1182.47	5724	3.25%	20.66%	17.41%
2	2014-15	508.6	6109	2.21%	8.33%	6.12%
3	2015-16	416.03	6424	2.88%	6.48%	3.60%

Share Holders 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:

- National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051
- The Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

The annual fees for 2016-17 have been paid to all the Stock Exchanges where the shares are listed.

Stock Code: J&K Bank

Demat ISIN Number : INE 168A01041

Name of Depositories :

- NSDL
- CDSL

Registrar and Transfer Agent (RTA)

Karvy Computershare Private Limited
Unit:- J&K Bank,
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad - 500 032
Phone 040-67161508, 67161509

Email ID for redressal of Investor Grievances

Pursuant to Regulation 85(4) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, 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

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:

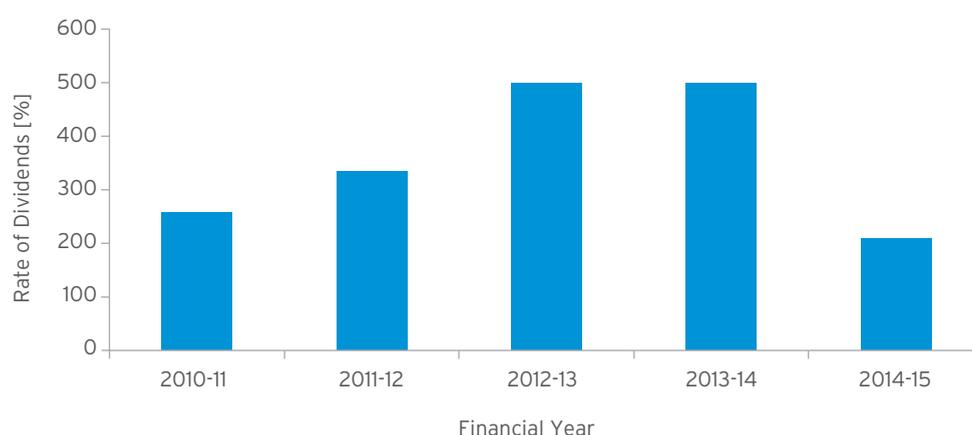
30th June, 2015	10th Aug. 2015
30th September, 2015	13th Nov. 2015
31st December, 2015	11th Feb, 2016
31st March, 2016 (Audited)	24th May, 2016

Information relating to last four General Body Meetings is furnished below:

Name of Meeting	Day, Date and time of meeting	Venue	Special Business Transacted
74th Annual General Meeting	Saturday, 14th July, 2012 at 11: 00 AM	Sher-i-Kashmir International Conference Centre (SKICC),Srinagar	NIL
75th Annual General Meeting	Saturday, 22nd June, 2013 at 11: 00 AM	Sher-i-Kashmir International Conference Centre (SKICC),Srinagar	NIL
76th Annual General Meeting	Saturday, 2nd August, 2014 at 11:00 AM	Sher-i-Kashmir International Conference Centre (SKICC),Srinagar	NIL
77th Annual General Meeting	Saturday, 22nd August, 2015 at 11:00 AM	Sher-i-Kashmir International Conference Centre (SKICC),Srinagar	Alteration of Articles of Association

Dividend History of Last Five Years

Financial year	Rate of Dividends (%)	Date of Declaration	Date of Payment
2010-11	260	09.07.2011	17.08.2011
2011-12	335	14.07.2012	23.07.2012
2012-13	500	22.06.2013	01.07.2013
2013-14	500	02.08.2014	11.08.2014
2014-15	210	22.08.2015	31.08.2015

**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, 2016, the position of dematerialized shares as well as physical shares are as under

(As on 31.03.2016)

Particular	No. of Shares	%age
Physical Shares	15462575	3.19
Dematerialized Shares	469315445	96.81
Total	484778020	100.00

Distribution Of Shareholding as on 31.03.2016

Sr. No	Category	No of Holders	% to Holders	Amount	% of Amount
1	1 Up to 5000	74466	96.65	40106740	8.27
2	5001 - 10000	1736	2.25	11541511	2.38
3	10001 - 20000	392	0.51	5590974	1.15
4	20001 - 30000	143	0.19	3528873	0.73
5	30001 - 40000	61	0.08	2146748	0.44
6	40001 - 50000	31	0.04	1382390	0.29
7	50001 - 100000	74	0.10	5370491	1.11
8	100001 & Above	146	0.19	415110293	85.63
	Total	77049	100.00	484778020	100.00

List of Shareholders Holding More Than 1% as on 31st March, 2016

Sr. No.	Name	Shares	% To EQT	Category
1	CHIEF SECRETARY JAMMU AND KASHMIR GOVT	243225980	50.17	PRO
2	LIFE INSURANCE CORPORATION OF INDIA	15374694	3.17	IFI
3	SECRETARY FINANCE DEPTT JAMMU AND KASHMIR GOVT	14526680	3.00	PRO
4	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD	12422828	2.56	LTD
5	ICICI PRUDENTIAL VALUE DISCOVERY FUND	10000000	2.06	MUT
6	ABERDEEN GLOBAL INDIAN EQUITY LIMITED	9290032	1.92	FII
7	MORGAN STANLEY ASIA (SINGAPORE) PTE.	7765526	1.60	FII
8	GOVERNMENT PENSION FUND GLOBAL	6596760	1.36	FII
9	ICICI PRUDENTIAL MIDCAP FUND	5800481	1.20	MUT
10	THE WELLINGTON TRUST COMPANY, NATIONAL ASSOCIATION	4824460	1.00	FPI
	TOTAL	329827441	68.04	

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 31-03-2016)

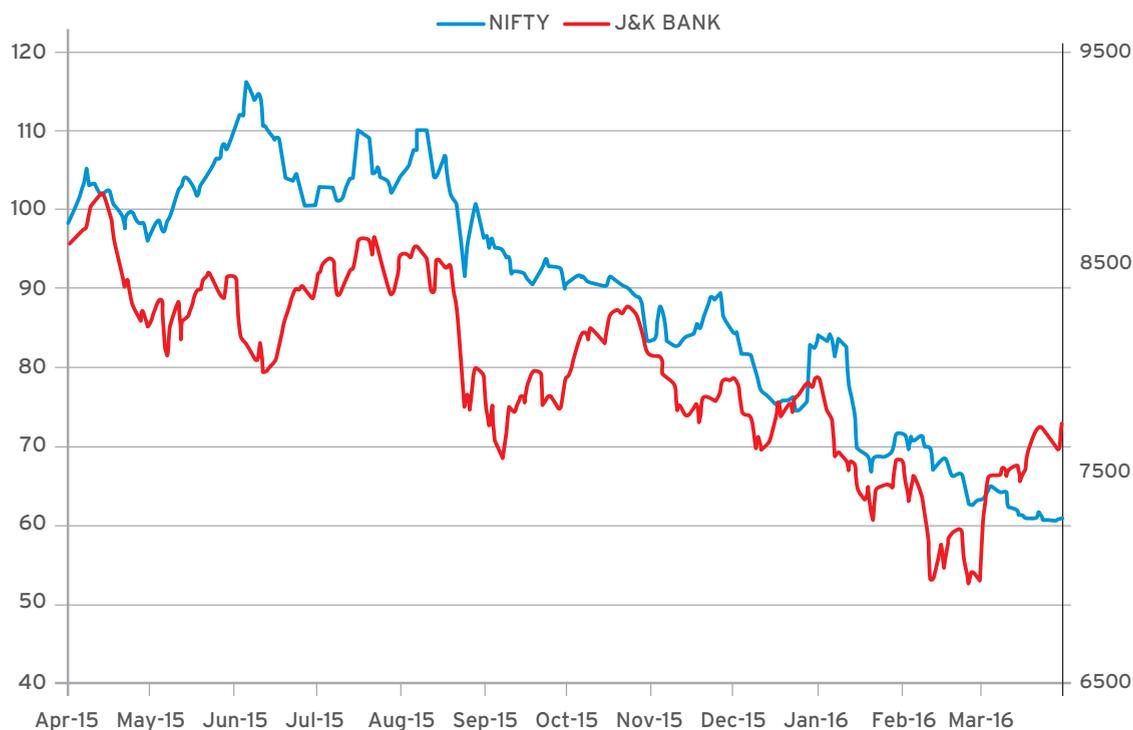
Financial Year	Amount of Unclaimed dividends
2012-13	8,389,100
2013-14	10,404,200
2014-15	5,508,796
Total	24302096.00

Stock Market Data

JK Bank on NSE Nifty April 2015 - March 2016

Month	High Price		Low Price		Close Price		Turnover in lakhs
	Rate	Date	Rate	Date	Rate	Date	
April, 2015	105.90	7-Apr-15	95.00	1-Apr-15	96.05	30-Apr-15	13076.35
May, 2015	109.10	28-May-15	95.00	7-May-15	107.60	29-May-15	17998.24
June, 2015	118.50	5-Jun-15	98.00	29-Jun-15	100.60	30-Jun-15	15676.11
July, 2015	111.90	17-Jul-15	100.00	8-Jul-15	104.20	31-Jul-15	6799.13
August, 2015	114.90	10-Aug-15	88.05	24-Aug-15	96.35	31-Aug-15	11137.00
September, 2015	98.90	2-Sep-15	87.95	18-Sep-15	90.10	30-Sep-15	7429.49
October, 2015	92.45	1-Oct-15	82.20	30-Oct-15	83.20	30-Oct-15	3934.78
November, 2015	90.25	26-Nov-15	80.60	7-Nov-15	84.95	30-Nov-15	4949.59
December, 2015	87.50	29-Dec-15	73.80	23-Dec-15	82.35	31-Dec-15	16947.54
January, 2016	86.95	8-Jan-16	65.05	20-Jan-16	71.45	29-Jan-16	8202.14
February, 2016	74.80	11-Feb-16	62.15	29-Feb-16	63.35	29-Feb-16	3585.63
March, 2016	66.60	4-Mar-16	60.00	28-Mar-16	60.75	30-Mar-16	8432.39

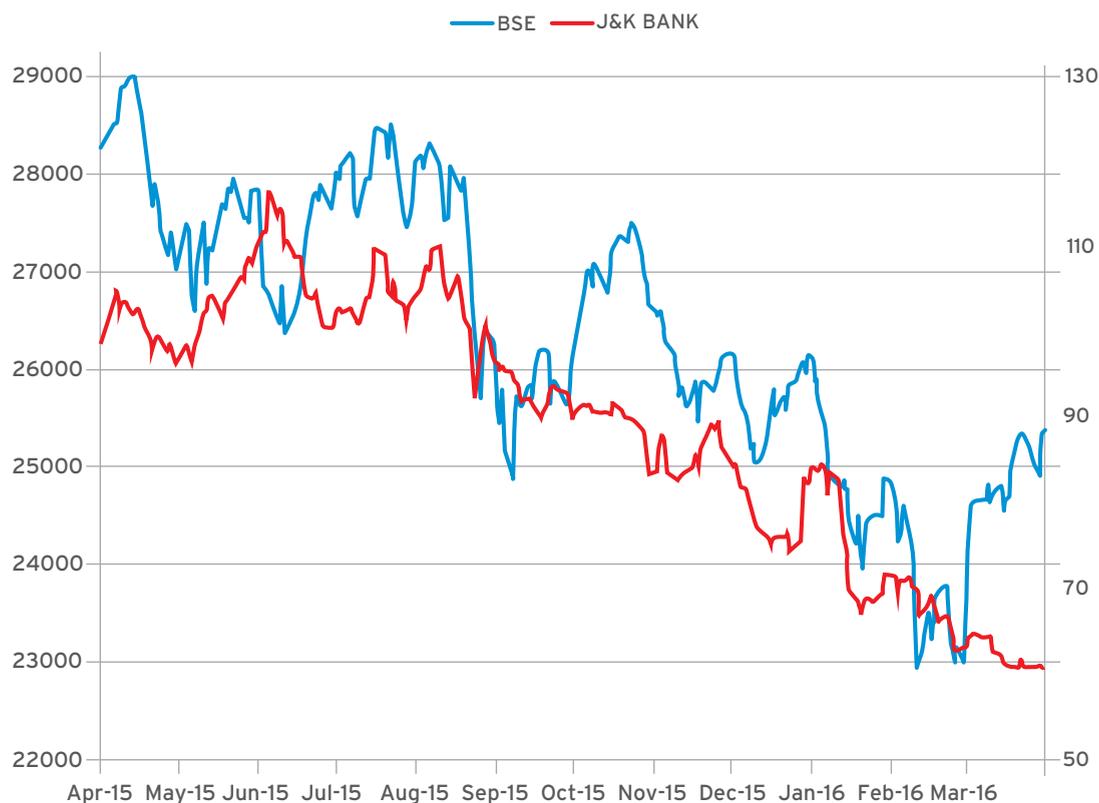
J K Bank NSE Nifty



JK Bank on BSE Sensex April 2015 - March 2016

Month	High Price		Low Price		Close Price		Turnover In lakhs
	Rate	Date	Rate	Date	Rate	Date	
April, 2015	107.00	8-Apr-15	95.00	1-Apr-15	96.35	30-Apr-15	1872.82
May, 2015	109.20	28-May-15	95.10	7-May-15	108.11	29-May-15	1496.47
June, 2015	118.40	5-Jun-15	98.10	29-Jun-15	100.60	30-Jun-15	1485.27
July, 2015	113.00	17-Jul-15	100.00	8-Jul-15	104.10	31-Jul-15	817.01
August, 2015	114.65	10-Aug-15	88.50	24-Aug-15	96.75	31-Aug-15	1846.44
September, 2015	98.70	2-Sep-15	88.30	18-Sep-15	90.05	30-Sep-15	796.38
October, 2015	92.50	16-Oct-15	82.55	30-Oct-15	83.40	30-Oct-15	952.27
November, 2015	90.10	26-Nov-15	80.75	9-Nov-15	84.70	30-Nov-15	885.22
December, 2015	87.30	29-Dec-15	73.80	23-Dec-15	82.55	31-Dec-15	3575.40
January, 2016	87.00	8-Jan-16	65.50	20-Jan-16	71.55	29-Jan-16	1413.60
February, 2016	73.00	8-Feb-16	62.10	29-Feb-16	63.25	29-Feb-16	978.00
March, 2016	66.80	3-Mar-16	60.00	29-Mar-16	60.70	31-Mar-16	2152.15

J K Bank BSE Sensex



Important Events After The Closure of Financial Year Ended 31.03.2016

This report covers the period of financial year of the Bank beginning on 1st April, 2015 to 31st March, 2016. There were no material events from 1st April, 2016 to 24th May, 2016 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. 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, 2013:

- To transfer shares.
- To receive the share certificates upon transfer within the stipulated period prescribed in the Companies Act, 2013 and SEBI Guidelines.
- To receive notice of general meetings, balance sheet, profit and loss account, cash flow statement and auditor's 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 50,000 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 the 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, 2013.
- 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 the 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	24 th May, 2016
Dispatch of Annual Report / Notice of AGM	25 th June, 2016
Book closure Period	13 th July, 2016 to 20 th July, 2016
Last date for lodgment of proxy forms	18 th July, 2016 up to 1100 Hours.
Date of AGM	20 th July, 2016
Dividend payment date	28 th July, 2016
Validity dates of dividend instrument	Three Months

Disclosure on Company Secretary's Responsibility

The Company Secretary confirms that during the year from 1st April, 2015 to 31st March, 2016, the Bank has:

1. Maintained all the Books of Account and Statutory Registers required under the Companies Act, 2013, and the Rules made there under coming under the purview of Company Secretary's responsibility;
 - a. Filed all Forms and Returns and furnished all necessary particulars to the Registrar of Companies and / or authorities as required under the Companies Act, 2013, coming under the purview of Company Secretary's responsibility;
 - b. Issued all Notices required to be given for Board and General Meetings as per the requirement of the Companies Act, 2013;
 - c. Complied with the requirements relating to maintenance of Minutes of the proceedings of the Meetings of Directors, Committees of the Board and Shareholders;
 - d. Complied with the requirements of the SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015
 - e. Effected Share Transfers and dispatched Certificates within the statutory time limit;
 - f. Redressed complaints of Shareholders to the best of efforts of the Company;
 - g. 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, 2013, Banking Regulation Act, 1949 and other applicable statutes in force for the Banking Company, as far as they relate to the Company Secretary.
 - h. 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 ten times during the financial year and in respect of meetings conducted during the period proper notices was given and the proceedings were properly recorded and signed in the minute's 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 minute's book maintained for the purpose.
3. The Bank closed its Register of Members from 17th August, 2015 to 22nd August, 2015 (both days inclusive) in connection with 55th dividend of the Bank and necessary compliance of Section 91 of the Companies Act, 2013 has been made.
4. The Annual General Meeting for the financial year 2014-15 was held on 22nd August, 2015 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 185 of the Companies Act, 2013, during the financial year.
6. The Bank has not entered into any contracts falling within the purview of section 184 of the Companies Act, 2013.
7. A Share Transfer Committee of the Board has approved the transfer 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 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 Bank is duly constituted and the appointment/re-appointment of the Chairman & CEO and other Directors have been duly made.
10. The appointment/re-appointment of the Chairman & CEO and other Directors of the Bank have been made in accordance with the Articles of Association of the Bank read with the relevant provisions of the Companies Act, 2013 and in accordance with Banking Regulation Act, 1949.
11. The Directors disclosed their interest in other firms /companies to the Board of Directors, pursuant to the provisions of section 164(2) of the Companies Act, 2013 and the rules made there under and their disclosures have been noted and recorded by the Board.
12. The Bank has not bought back any shares during the financial year.

Place: Srinagar

Dated : 24th May, 2016

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, 2016 as stipulated in Schedule V to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 applicable to the said Bank.

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 Corporate Governance as stipulated in Schedule V to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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.

In terms of our report of even date annexed

For Gupta Sharma & Associates Chartered Accountants FRN:001466N	For Dhar Tiku & Co. Chartered Accountants FRN:003423N	For Arora Vohra & Co Chartered Accountants FRN:009487N	For Darshan Nagpal & Associates Chartered Accountants FRN:011022N	For Dharam Raj & Co Chartered Accountants FRN.014461N
CA Gurneet Singh Bhan Partner (M No.532675)	CA Madhusudan Meher Partner (M No.097409)	CA Prem C. Bansal Partner (M No.083597)	CA Vishal Rometra Partner (M No.501333)	CA Dharam Raj Partner (M No.094108)

Place : Srinagar

Dated : 24th May, 2015

Notes

Corporate Information

Board of Directors

Mr. Mushtaq Ahmad

Chairman & CEO

Mr. Navin Kumar Choudhary, IAS

Director

Mr. J. P. Sharma

Director

Mr. Vikrant Kuthiala

Director

Mr. R. K. Gupta

Director

Mr. Dalip Kumar Kaul

Director

Mr. Khaver Alam Jeelani

Director

Mr. Abdul Majid Mir

Director

Mr. Azhar-ul-Amin

Director

Mst. Masooda Jabeen

Director

Secretary

Mr. Abdul Majid Bhat

Auditors

GUPTA SHARMA & ASSOCIATES

Chartered Accountants

DHAR TIKU & CO.

Chartered Accountants

ARORA VOHRA & CO.

Chartered Accountants

DARSHAN NAGPAL & ASSOCIATES

Chartered Accountants

DHARAM RAJ & CO.

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:- Jammu and Kashmir Bank Limited

Karvy Selenium Tower B, Plot 31-32

Gachibowli, Financial District,

Nanakramguda, Hyderabad-500 032

Phone. No. 040-67161508, 67161509

Cautionary Statement Regarding Forward-Looking Statement

This Report may contain certain forward-looking statements relating to the future business, development and economic performance. Such Statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressure; (2) legislative and regulatory developments; (3) global, macro-economic and political trends; (4) fluctuations in currency exchange rates and general market conditions; (5) delay or inability in obtaining approving from authorities; (6) technical developments; (7) litigations; (8) adverse publicity and news coverage, which could cause actual developments and results to differ materially from the statements made in this presentation. J&K Bank assumes no obligation to update or alter forward-looking statements whether as a result of new information of new information, future events or otherwise.



The Jammu & Kashmir Bank Limited
Corporate Headquarters
M A Road, Srinagar 190 001
Jammu & Kashmir

www.jkbank.net