

Basel-III --- Pillar-3 disclosures as on 31st December - 2023

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.	
<p>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 11.50% with minimum Common Equity Tier 1 (CET1) of 8.00% as on December 31, 2023. Stress analysis is conducted on half yearly basis or as required to see the impact on capital adequacy ratio (CAR) in near to medium time horizon.</p> <p>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.</p>	
2. Quantitative Disclosures	Amount in ₹ million
2.1 Capital requirements for credit risk	91642.88
<ul style="list-style-type: none"> • Portfolio subjected to standardized approach 	91642.88
<ul style="list-style-type: none"> • Portfolios subjected to the IRB approaches 	Nil
<ul style="list-style-type: none"> • Securitization exposures 	Nil
2.2 Capital requirement for market risk (under Standardized duration approach)	932.13
<ul style="list-style-type: none"> • Interest rate risk 	542.45
<ul style="list-style-type: none"> • Foreign exchange risk (including gold) 	23.40
<ul style="list-style-type: none"> • Equity risk 	366.28
2.3 Capital requirement for operational risk	7117.17

• Basic indicator approach:		7117.17	
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- Standalone	10.63%	11.74%	14.18%
J&K Bank Ltd- Consolidated	10.68%	11.79%	14.25%

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 separate Executive level Committees viz, Credit Risk Management Committee (CRMC), Asset-Liability Management Committee (ALCO), Market Risk Management Committee 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.

Credit Monitoring Division (CMD) has been set up for ongoing monitoring of credit quality of borrowers. Department besides real time monitoring of special mention accounts and limit monitoring circulates caution list of borrowers at regular intervals based on the Early Warning Signal framework of the RBI.

In terms of enhanced operational risk management framework Bank has formed Zonal Risk Management Committees (ZRMC) which meet at least once in a quarter to discuss all the issues related to Operational/Credit risk and implementation of enhanced risk management framework at the gross root level. Zonal Head, designated Zonal Risk managers and identified business unit heads participate in the meeting.

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 policy on Credit Risk Management 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 function independently of the credit processing / credit approval system and ensure effective loan monitoring, management / mitigation of credit and operational risks in the loan portfolio.
- 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 and classification of non-performing assets (NPAs)

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:

A CC/OD account shall be treated as 'out of order' if

- The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period

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---	1090805.19
	b) Off Balance sheet---	48655.04
	Total -----	1139460.23

2.2 Geographic distribution of exposures:	
• Overseas	Nil
• Domestic	1139460.23
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) (₹ million)	• 45264.79
• Substandard	• 4974.21
• Doubtful	• 31564.97
• Loss	• 8725.60
2.6 Net NPAs	• 7408.33
2.7 NPA Ratios	
• Gross NPAs to gross advances	• 4.84
• Net NPAs to net advances	• 0.83
2.8 Movement of NPAs (Gross) (₹ million)	
• Opening balance (01.04.2023)	• 52044.33
• Additions during the period	• 7866.70
• Reductions during the period	• 14646.24
• Closing balance (31.12.2023)	• 45264.79
2.9 Movement of specific provisions (NPAs) (₹ million)	
• Opening balance (01.04.2023)	• 37579.93
• Provisions made during the period	• (253.20)
• Write-off	•
• Write back of excessive provisions	• 116.05
• Any other adjustment, including transfers between provisions	•
• Closing balance (31.12.2023)	• 37210.68

2.10 Movement of General Provisions	Provisions for Standard asset	Provisions for Contingencies	Provisions for Investment Reserve
• Opening balance (01.04.2023)	5460.83	2.50	2095.80
• Provisions made during the period	4.36		
• Write-off			
• Write back of excessive provisions			
• Any other adjustment, including transfers between provisions			
• Closing balance (31.12.2023)	5465.19	2.50	2095.80
3.0 Write-offs and recoveries that have been booked directly to the income statement (01-04-2023 to 31-12-2023)		306.80	
			(₹ million)
4.0 Amount of non-performing investment		9110.67	
4.1 Amount of provisions held for non-performing investment		8639.56	
4.2 Movement of provision for depreciation on investments.			
• Opening balance as on 01.04.2023		7807.02	
• Provisions made during the period		945.31	
• Write-off		-	
• Write back of excessive provision		112.77	
• Closing balance 31.12.2023		8639.56	
5.0 Major industry wise break up of NPAs & Specific Provisions			(₹ million)
Industry	NPAs	Specific Provisions	
• Basic Metal & Metal Products	2896.72	2185.94	
• Infrastructure	2782.78	2493.07	
• Food Processing	1549.37	1342.58	
• Textiles	1586.33	1187.86	

• Chemicals & Chemical Products	73.47	30.81
• Vehicles, Vehicle parts & Transport equipment	11.83	11.40
5.1 Geography wise distribution of NPAs		(₹ million)
• Kashmir Region		20642.14
• Jammu Region		6890.38
• North zone (includes states of Delhi, UP, Uttarakhand, West Bengal, Rajasthan, Bihar)		9987.85
• Mumbai Zone (includes states of Maharashtra, Gujarat, Madhya Pradesh, Goa & Chhattisgarh)		7723.33
• UT of Ladakh		21.09
5.2 Geography wise distribution of :	Specific Provisions	General Provisions
		(₹ million)
• Kashmir Region	8744.91	1671.77
• Jammu Region	5705.53	986.97
• North zone (includes states of Delhi, UP, Uttarakhand, West Bengal, Rajasthan, Bihar)	9483.81	386.64
• Mumbai Zone	7143.57	641.09
• UT of Ladakh	13.92	85.85
• IARB	6118.94	0

<ul style="list-style-type: none"> • Provision for Unhedged Foreign Currency Exposure (UFCE) 		68.22
<ul style="list-style-type: none"> • Additional Provision for Stressed Portfolio regularly classified as SMA 		73.80
<ul style="list-style-type: none"> • Additional Provision for Stressed sectors Tourism, Transport, telecom 		152.60
<ul style="list-style-type: none"> • Provision Requirements for non-fund exposures to NPA borrowers where guarantees are still alive but not involved/ devolved 		265.90
<ul style="list-style-type: none"> • Additional Provision on Standard Accounts 		1132.34

Table DF – 4 : Disclosure for portfolio subject to Standardised Approach

1. Qualitative Disclosures:	
1.1 For portfolio under the standardized approach:	
<ul style="list-style-type: none"> • Names of credit rating agencies used, plus reasons for any changes. 	<ul style="list-style-type: none"> • The Bank's exposure being mainly domestic, rating agencies like CARE, CRISIL, ICRA, India Ratings, Acuite and Infomerics have been identified for rating of exposure as per RBI guidelines. Designated rating agencies are used irrespective of types of corporate exposures.
<ul style="list-style-type: none"> • Type of exposure for which each agency is used. 	<ul style="list-style-type: none"> • 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.

<ul style="list-style-type: none"> • A description of the process used to transfer public issues rating onto comparable assets in the banking book 	<ul style="list-style-type: none"> • Public issue ratings are used for comparable assets of borrower in the banking book as follows: - <p>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.</p> <p>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.</p>
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2. <u>Quantitative Disclosures</u>	Amount ₹ 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	1000019.50
• 100% risk weight	259991.54
• More than 100% risk weight	199637.54

LEVERAGE RATIO

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 leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

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 31.12.2023

Amount in ₹ million

Tier 1 Capital	105821.69
Exposure Measure	1533877.05
Leverage Ratio	6.90

Annexure-A
Amount in ₹ million

Industry Name	Total Funded Credit Exposure	Total Non-funded Credit Exposure	Total Investment Exposure
A. Mining and Quarrying	566.44	76.24	0.00
B. Food Processing	9262.68	317.43	200.00
C. Beverages (excluding Tea & Coffee) and Tobacco	1924.40	11.99	2.28
D. Textiles	28237.39	558.45	0.00
E. Leather and Leather products	1924.08	24.98	0.00
F. Wood and Wood Products	1722.27	0.89	0.00
G. Paper and Paper Products	1673.48	2.20	0.00
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	4003.09	0.00	698.21
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	5180.17	736.24	158.93
J. Rubber, Plastic and their Products	4805.83	765.68	1.58
K. Glass & Glassware	89.09	0.00	0.00
L. Cement and Cement Products	7212.96	311.30	0.00
M. Basic Metal and Metal Products	21825.48	1158.66	248.30
N. All Engineering	2560.66	190.23	103.92
O. Vehicles, Vehicle Parts and Transport Equipments	501.70	0.10	3.64
P. Gems and Jewellery	792.88	0.00	0.00
Q. Construction	0.00	0.00	499.60
R. Infrastructure	74308.22	7162.81	3609.47
S. Other Industries.	3604.58	100.65	2116.50
All Industries (A to S)	170195.40	11417.83	7642.43

Annexure-B
Amount in ₹ Million

Inflows	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years and upto 7 years	Over 7 years and up to 10 years	Over 10 year and up to 15 years	Over 15 years	Over 5 years	Total
1 Cash	6,593.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,593.27
2 Balances with RBI	3,107.88	0.00	0.00	3,489.05	1,049.07	1,190.52	1,797.57	3,477.26	22,843.83	17,345.04	6,995.78	0.00	0.00	748.49	7,744.27	62,044.49
3 Balances with other Banks	342.04	0.00	0.00	0.00	883.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,225.65
(i) Current Account	342.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	342.04
(ii)	0.00	0.00	0.00	0.00	883.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	883.61
4 Investments (including those under	39,898.05	959.74	5,701.28	1,920.13	12,505.20	6,717.66	18,094.24	8,223.07	64,217.83	34,962.72	75,971.26	44,300.08	0.00	1,311.53	1,21,582.87	3,14,782.80
5 Advances Performing	4,865.84	10,953.07	12,457.77	669.64	23,279.24	15,637.86	36,128.17	58,873.57	4,31,519.59	1,59,496.80	72,409.44	42,960.77	18,070.79	2,742.68	1,36,183.68	8,90,065.24
(i) Bills Purchased and Discounted (including bills under DUPN)	53.38	272.44	373.28	575.97	494.88	127.90	70.61	78.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,047.27
(ii) Cash Credits, Overdrafts and Loans repayable on demand	1,875.10	7,814.95	9,117.44	0.00	0.00	0.00	0.00	0.00	2,42,213.32	0.00	0.00	0.00	0.00	0.00	0.00	2,61,020.80
(iii)	2,937.36	2,865.69	2,967.05	93.67	22,784.36	15,509.96	36,057.56	58,794.76	1,89,306.28	1,59,496.80	72,409.44	42,960.77	18,070.79	2,742.68	1,36,183.68	6,26,997.17
6 NPAs (Advances and Investments)*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,625.46	3,958.27	0.00	0.00	0.00	3,958.27	7,583.73
7 Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,627.62	22,627.62	22,627.62
8 Other Assets	50.10	300.59	350.69	2,895.70	364.30	3,734.80	551.70	24,060.50	27,908.80	7,022.40	27,409.60	0.00	0.00	0.00	27,409.60	94,649.18
(i) Leased Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Others(RIDF/NABAR D/SIDBI/RHDF)	0.00	0.00	0.00	2,895.70	364.30	3,734.80	551.70	24,060.50	27,908.80	7,022.40	27,409.60	0.00	0.00	0.00	27,409.60	93,947.80
..	50.10	300.59	350.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	701.38
9 Reverse Repos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10 Swaps (Sell / Buy) /maturing forwards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11 Bills Rediscounted (DUPN)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12 Interest receivable	15.87	0.31	0.30	0.60	146.54	99.75	231.90	378.14	1,175.24	1,025.79	465.70	276.30	116.22	17.64	875.86	3,950.29
13 Committed Lines of Credit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14 Export Refinance from RBI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15 Others (specify)	1.24	7.45	8.69	19.86	698.06	37.23	114.17	3,071.50	4,076.74	0.00	0.00	0.00	0.00	81,524.08	81,524.08	89,559.02
	1.24	7.45	8.69	19.86	698.06	37.23	114.17	3,071.50	4,076.74	0.00	0.00	0.00	0.00	81,524.08	81,524.08	89,559.02
16 C. Total Inflows	54,874.30	12,221.16	18,518.72	8,994.97	38,926.01	27,417.82	56,917.76	98,084.04	5,51,742.04	2,23,478.21	1,87,210.04	87,537.14	18,187.01	1,08,972.05	4,01,906.24	14,93,081.28