



DIGITAL DRIVE

a way forward...

ANNUAL REPORT

2016-17



UPI



USSD



RuPay



AEPS



e-Wallet



Cards, POS

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DIGITAL DRIVE

Technology in Banking

INTRODUCTION

It won't be an overstatement to describe technology as the bedrock of today's fast evolving world, where the single most ubiquitous thing that comes across in our everyday life is technology in its varied range of ever-fascinating products.

With its dizzying speed, technology has transformed the world in unprecedented ways blurring the lines between virtual and real, bringing societies closer to each other than ever and providing governments with an ever-observing eye to monitor, manage and govern people. Simultaneously, technology empowers people to think big, realize higher values of transparency and accountability and expect more from the service providers.

All this has changed the entire functioning of economy besides scope, significance and substance of banking and finance as we knew it just some years ago. Instant is new minimum in the world of generation Y, who are both fast and futuristic in their attitude.

In this digital world, a click in China, facilitated by some payment processing company in Europe, can effect transfer of huge funds into the account of some Brazilian sitting in Rio de Janeiro. Or a wife in some far off village in Orissa can receive money on her mobile set from her husband working in Middle East through few clicks on his smart phone.

Such a dramatic and disruptive nature of technological innovations during last few years has led to a series of spectacular changes in the Bank-Customer interface. While making the systems impersonal in their functioning, technology has only helped to bring banks closer to their clients.

In a way technology has triggered a revolution in customer experiences across universal business domains, for the digital tools transform customer-facing journeys in powerful ways, often by creating the potential for self-service. Inter-personal nature of the banker-customer interface has completely given way to virtual yet highly personalized form of transactions. The conversations between the companies and customers continue albeit in a way that has enhanced the customer experience besides cutting costs for the companies.

However, all this digital transformation in the world of economy and finance works upon the idea of making payment systems across domains and countries easier, safer and instant; for it's the payment system that remains at the heart of this unfolding digital revolution sweeping the world.

Digitisation

Digitisation, in simpler terms, is converting a physical object into its digital twin, or turning a manual process into an automated workflow. It is like a photo scanned into a computer or a recorded sound saved in digital format. In Banking Digitization process began with the adoption of automation in rendering services and products to the customers.

In its function, Digitisation as a word is transformative. It turns the ordinary into the extraordinary by leveraging digital technologies and experiences to affect how we live, work, and play. Generally we're talking about transformation through digital technology in all areas of a business, resulting in new changes that are fundamentally altering the way companies operate and deliver value to customers.

Digitization in banking is not a recent phenomenon, as it gained popularity with the introduction of ATM (Automated Teller Machines) quite some time ago. The invention of ATMs and subsequently credit cards paved way for the digitization of

the banking services. With the help of ATM technology banks were able to lower their initial transaction costs while offering hassle free services to the customers.

Innovations in ATM technology have come a long way and customer receptiveness has also increased manifold. Banks entered into the race for expansion of ATM networks. Since inception of ATM's, banks have gradually started to offer digitized products thereby enhancing customer experience.

The commercial evolution of the internet in the early 1990s completely overhauled the banking sector introducing the world to the online banking services. This process has facilitated customers to check their account details, pay online bills and transfer funds in a much faster and secure manner. The new customer friendly products designed since, include the most popular ones like e-banking, POS machines, mobile banking and e-wallets.

This steady evolution of digitization has changed the contours and the content of traditional banking. Today banks don't remain confined to certain geography or marketplace, but are accessible to customers from anywhere on different digital platforms.

Digitization has laid foundation for the banks to become more inclusive in their service delivery yet unique in their productization and value proposition. As of now, traditional banking has been taken over by virtual banking, owing to the role played by digitization. With demanding customers, the banks are rolling out new digital products every day.

Changing Global Scenario

The global banking system witnessed dramatic changes and disruptions especially in the succeeding years of 2015 and 2016 in the payments system. As the digital technology is fast becoming central to the functioning of payment system, it no longer remained confined to banks only. Evolving customer behavior, needs and preferences have led new players foray into this domain at regional and global level. Fast growing digital revolution is enabling non-banking institutions to come up with new customer centric, easier ways of carrying out payment transactions.

With the help of technology, the global economy has embarked on meeting challenging goals owing to evolution of more sophisticated customer demands and behaviors. The globalized economy has opened doors for innovations in handling of banking business in a more efficient and sophisticated manner.

The ever increasing number of mobile users has fueled the prospects of digital transactions taking over the conventional banking to a large extent. Globally the number of mobile users using internet is expected to reach 3 billion by the year 2020 which is 65 percent of the adult world population as compared to 1.9 billion in 2015.

The current expanse of banking at global level has been very largely because of the advancements made in technology. The financial institutions too have evolved with advancements in technology and have been adopting the same to meet the challenges of digital economy.

For instance, the evolution of smartphones is enabling new payment capabilities which have revolutionized the payments system. The ongoing disruptive digital

Risk Perception

Since financial depression of 2008, risk has acquired a serious significance in the overall banking and financial architecture of the world. During the last decade, the risk frameworks applied in the banks have been developed to meet the requirements of fast-changing businesses and markets. Few of the major risks need to be evaluated in the context of digital banking as well.

Strategic Risk: The risks that are associated with digital banking should be evaluated in the context of risk management costs against potential returns. Poor planning can increase strategic risks. Articulation of a well-defined plan is of much significance beside execution.

Business Risks: Whether customer characteristics that are peculiar to digital banking as against traditional banking have been evaluated.

Operational Risk: Operational risk arises from processing errors, frauds, system disruptions, or any unanticipated event, which can hamper the institutions ability to deliver the promised services. The digital platform and product has to be backed by robust processing environment and supporting technology. The key to control these is to have policies,

payment systems, entry of non-bank players, more demanding customer expectations and regulations have been catalytic in driving the digital revolution at global level.

The total value of global payments transactions was estimated at USD 16 trillion in the year 2015 which is expected to increase to USD 21 trillion by 2020. In 2015 digital payments contributed 8 percent of overall global retail payments and the same is projected to increase 18 to 24 percent by 2020.

The unprecedented growth in technology and continuous innovations in tapping the customer demands, the financial institutions are looking at new opportunities accompanied by new challenges. However, the existing threat of vulnerability of user data remains one of the major challenges.

Evolving Indian Landscape

Since payments are usually the first and most used of financial services, required by almost the entire population, the payments systems in India has been keeping pace with the developments in digitization of financial economy. With population of 1.25 billion, India is well poised to make most of the digital developments transforming the payments system.

Digitization of payments is a new phenomenon here, however the trend shows an exponential growth.

Rising Smartphone penetration and internet access has ensured consumers remain constantly connected. India currently stands second with one billion mobile subscribers. Of this, more than 240 million use smartphones which is expected to increase to 520 million by 2020.

With increasing 3G and 4G penetration even in the remotest part of country, the internet connectivity is also rapidly expanding. The number of rural internet users via mobile phones is expected to grow to 650 million by 2020 which was 300 million in 2015.

There have been many reasons for India witnessing the growing adoption of digital payments system by people irrespective of geography. The main factors include India climbing on trajectory of going digital, conducive regulatory environment, emergence of next-gen payment service providers and enhanced customer experience.

Over the last few years, digital transactions have shown steady growth of 50 percent YOY (Year Over Year), followed by ATM transactions growing at 15 percent. Not surprisingly, branch based transactions have reduced by 7 percent in the year 2015.

Know Your Customer (KYC) relaxation for small transactions, introduction of Aadhaar as all-inclusive KYC document have complemented the steps enabling digital payments in India. One of examples in this regard is Jan Dhan Scheme of Government of India (GoI) which has witnessed opening of over 270 million accounts.

According to a survey, in 2015 out of total population of 1250 million, 1000 million were mobile phone users. Among those, 300 million were using internet services, while 240 million used internet service on smartphones.

procedures and controls that mitigate the risks of the digital products introduced. Information security controls, in particular, become more significant requiring additional processes, tools, expertise, and testing. Thus, taking a strategic and proactive approach to information security and making use of system security management and monitoring acquires unprecedented significance.

Reputational Risk: Digital banking lays more emphasis on reputational risk as the bank needs to safeguard the customer information needs and rights.

Liquidity, interest rate, price risks: Digital banking initiatives may also lead to funding and investment risks depending on pricing and ease of switchover of customer deposits. There is a possibility that digital banking issues may impact customer confidence or market perception of the bank.

Besides taking care of all the above mentioned risks, Business Continuity Planning is of vital importance and must be in place as and when the need arises.

Going forward, the population of India is predicted to increase to 1350 million by 2020 which will witness an increase of more 200 million of mobile users. The number of internet users is expected to grow to 650 million and smartphone users will be 520 million.

Increasing smartphone penetration, greater access to internet, rise in consumption and rapid development of payments infrastructure is set to increase digital payments in India in a major way.

Digitisation - Major Triggers and Figures Thereafter

The Government of India's (GoI) recent decision of demonetization and its focus on less-cash economy have proved to be major triggers resulting in unprecedented rise in digital transactions across the country.

Since demonetization, there has been a phenomenal 584 percent increase (from 0.3 to 4.5 million) in transactions made through the Unified Payment Interface (UPI). In this same period, payments using Aadhaar have also seen an unprecedented jump of 1352 percent (from 0.7 to 2.7 million).

Providing a glimpse into the massive transformation underway is also the fact that the BHIM App, the UPI payment App launched by the Prime Minister on 30th December 2016, has been downloaded a record 18 million times since its launch. Besides there has been an increase of nearly 13 percent in the number of PoS machines sold since October 2016 indicating that more number of merchants across the country are accepting digital payments.

As of now more than 8 billion transactions take place annually through digital payment methods. The Government is planning to increase this to 25 billion transactions in the current year.

Keeping current trends in mind, digitization of cash will accelerate in next five years with non-cash transactions overtaking cash much before the earlier estimated 2023. An estimated USD 500 billion will flow through digital payments in India by 2020.

Challenges and Opportunities at J&K Bank

Post Demonetization drive, it was Government's thrust on less-cash economy that proved a real catalyst for a massive digital transformation in the country. Transformation from a completely cash-dependent economy to a digitally empowered and less-cash economy was an uphill task both in technical and procedural sense.

This primarily demanded technological upgradations, scaling up the systems for handling of huge data besides Business Process Re-engineering in some cases. And the advent of Payment banks who were waiting for such an opportunity for grabbing their share of the business, capped all the complications that digitization process entailed.

The Banks' were faced with grave challenges, for the threat of not rising to the occasion due to obsolete systems and processes would have certainly matured into losing the business and the reputation to the competition.

This however, did not come with challenges only, but the transformation presented a host of opportunities as well, which if properly tapped would result in huge costs saving, besides increased earnings.

Digital Channels

Banking Cards (Debit / Credit / Cash / Travel / Others)

Banking cards offer consumers more security, convenience and control than other payment methods. Banking cards give consumers the power to purchase items in stores, on the internet, through mail-order catalogues and over the telephone. They save both time and money, and thus provide users the ease of transaction.

Unstructured Supplementary Service Data (USSD)

The innovative payment service works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions from a simple mobile phone even without internet data facility. Envisioned for inclusion of under-banked society in the mainstream banking services, the key services offered under this service include, interbank account to account fund transfer, balance enquiry, mini statement besides host of other services.

Aadhaar Enabled Payment System (AEPS)

AEPS is a bank led model which allows online inter-operable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC) of any bank using the Aadhaar authentication.

Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for different operating systems.

J&K Bank being no exception also had its share of challenges, the major ones being:

- i) Lack of Digital literacy among the rural population.
- ii) Timely rollout of new products mandated by DFS like BHIM etc.
- iii) Modifications and multiple realignments of its existing systems.
- iv) Increasing the number of services and products offered through digital channels.
- v) Mass onboarding of customers to digital channels.
- vi) Keeping the systems safe and secure.
- vii) Frequent internet outage in the state of J&K particularly in Kashmir region.

Given the state of readiness and the resources pumped into the project by the competition, all these challenges had to be dealt with, within the shortest possible time. The new initiatives like BHIM were taken up and parallel to this concentrated efforts were put in for creating the digital eco-system within the state which involved mass onboarding of our customers to digital channels and simultaneously spreading the digital literacy.

Every challenge is an opportunity in disguise if faced with right spirit. That is exactly how it turned up for us as an organization.

Our efforts did yield positive results which are reflected by a 13 percent growth in transactions through digital channels, from 17 percent of total transactions before demonetization to 30 percent at the end of FY 2016-17. New products like FD opening, UPI, Pre-paid cards, BBPS and PDD bill payments were offered through digital channels which helped in improving the number of transactions through these channels.

The cost-saving due to this runs into crores of rupees annually, besides increase in revenues by way of Interchange and MDRs (Merchant discount rate).

This increased revenue coupled with cost savings and customer satisfaction are the key benefits of this digital revolution, which going forward has to be sustained and increased further by continuous educative and promotional campaigns besides innovative products and offering through alternate delivery channels.

Our Vision

Generally, the main objective of every financial enterprise is to maximize profits, increase its capital base while remaining engaged with its customer base delivering delight and enhancing the value for all its stake holders. In such a context, Digitisation as a process is the best opportunity in the guise of a challenge for every financial organisation. It not only helps to scale down costs of operations but integrates the different company-customer interfaces into a singularly efficient and delightful customer experience.

Mobile Wallets

A mobile wallet is a way to carry cash in digital format. A customer can link credit or debit card details in mobile wallet application or transfer money online to mobile wallet. Instead of using card to make purchases, one can pay with smartphone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets besides some private companies like Paytm.

Point Of Sale

A point of sale (PoS) is a device through which payments are made by swiping a card. It is a point where customer makes payment to the merchant in exchange for goods or after availing a service. After receiving payment, the merchant may issue a receipt for the transaction, which is usually printed, but is mostly dispensed with or sent electronically. On a macro level, a PoS may be a mall, a market or a city.

Internet Banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers to conduct a range of financial transactions through institution's website. Different types of online financial transactions are:

National Electronic Fund Transfer (NEFT)

National Electronic Fund Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme.

Real Time Gross Settlement (RTGS)

RTGS is defined as the continuous (real-time) settlement of fund transfers individually on an order by order basis (without netting).

Electronic Clearing System (ECS)

ECS is an alternative method for effecting

However, being at the center of financial architecture of the state of Jammu and Kashmir, J&K Bank is bestowed with responsibilities that consistently challenge its organizational mettle. Ours is an institution that has been building upon the successful blend of commerce with the socio-economic concerns of the people of this state.

In practical terms, J&K Bank not only derives its leverage from the economy of state but drives the economy itself. Therefore, we foresee our role as enablers of a robust digital eco-system across the J&K's financial landscape in a smooth and successful way.

Leveraging optimally our state-of-the-art infrastructure, which has mostly been put in place across the state during the last few months, we shall be leading this transformative project of digitization in the state.

Driven by the right mix of energy and experience across all verticals, our digitization project envisages the complete shift from manual/automated transactions to entirely digital mode of interaction while delivering upon the bank's promise of serving to empower people of this state and beyond.

Filled with the historic spirit of its servant leadership, we foresee J&K Bank as the completely digital bank by 2020. Preferred across generations, the bank shall further build upon its remarkable legacy of uninterrupted profits, sustainable business growth and efficient human resource.

Conclusions

As the grand digital leap sweeps the entire financial and banking landscape of the country, J&K Bank shall be at the forefront of this sweeping transformation in the state of Jammu and Kashmir.

However, in this fast evolving context, wherein banks with huge customer base and massive infra-structure are already setting the agenda and direction of digital banking in the country besides new big players like telecom and fin-tech companies fast moving towards the center of financial business, J&K Bank must take a decisive leap with a deliberate and comprehensive digital strategy, at least in the state, to sustain and further strengthen its business leadership.

Based on the evaluations of futuristic risk-frameworks, the strategy must integrate all its operational and technology verticals under business strategy so as to harness new technologies for improving the customer experience, streamlining business processes further and using advanced data analytics to drive revenues.

Capturing the digital opportunity, the bank must acquire and nurture digital talent and organize it efficiently ensuring both flexibility and speed in its overall professional conduct; for, it must have capacities in digital marketing that can compete effectively with those of big e-commerce players.

Moreover, to deal with the ever-growing concerns about cyber-security, our digital eco-system must be robust enough to meet the present and upcoming security challenges. Finally, we must forge effective partnerships and increasingly learn to operate within the ever-growing ecosystem of partnerships across the country and beyond.

While we engage in implementing the bank's digital vision, we need to remind ourselves that speed is the key. And in order to lead and succeed, we must remain ahead of the pace of change happening across the banking universe.

payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premium, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service by banks/companies/corporations/government departments, etc., collecting / receiving the payments.

Immediate Payment Service (IMPS)

IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical.

Mobile Banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses an app, provided by the banks or financial institution for the purpose.

Micro ATMS

Micro ATM is a device used by a Business Correspondents (BC) to deliver basic banking services. The platform enables Business Correspondents (who could be a local shop owner acting as a 'micro ATM') to conduct instant transactions. The basic transaction types supported by micro ATM are Deposit, Withdrawal, Fund transfer and Balance enquiry.

Banks Pre-Paid Cards

It is a card issued by a financial institution that is preloaded with funds and is used like ATM card. A prepaid credit card works in the opposite way of a normal credit card, because instead of buying something with borrowed funds (through credit), you buy things with funds that have already been paid.

NOTICE

NOTICE is hereby given that the 79th Annual General Meeting (AGM) of the Shareholders of The Jammu & Kashmir Bank Limited (the "Bank") will be held as under:

Day : Saturday
Date : 17th June, 2017
Time : 1600 hours
Place : Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K
to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements (standalone and consolidated) of the Bank for the financial year ended March 31, 2017 including Balance Sheet as at 31st March, 2017 and the Profit & Loss Account for the Financial Year ended on that date, together with the Reports of the Board of Directors and Auditors and comments of the Comptroller and Auditor General of India thereon.
2. To appoint a Director in place of Mr. Azhar-ul-Amin (DIN 07265913), who retires by rotation and being eligible, has offered himself for reappointment.
3. To fix the remuneration of Auditors in terms of provisions of section 142 of the Companies Act, 2013, for the financial year 2017-18.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such approvals, consents, permissions and other sanctions, as may be necessary from the Reserve Bank of India and other appropriate authorities, if any, approval of the Members of the Bank, be and is hereby accorded, to the alteration in the Articles of Association of the Bank as under:

- A. Article 69 (i) of the Articles of Association of the Bank be amended to read as under:

69 (i) The number of Directors shall not be more than fifteen or less than seven. Not more than three of these shall be appointed by the Jammu and Kashmir Government, who will be called Government Directors; provided that no Director other than a Government Director shall be elected as Chairman of the Board of Directors.

- B. Article 70 of the Articles of Association of the Bank be amended to read as under:

70 (i) No person other than a permanent resident of the Jammu and Kashmir State shall be

qualified to act as a Director of the Company except when such person has been appointed as a Director by the Jammu and Kashmir Government or when such person has been co-opted as additional Director by the Board or when appointed as independent director in compliance with the requirements of applicable laws by the shareholders of the Company.

Provided that independent director shall hold office for a term upto 2 consecutive years on the Board of the company from the date of appointment, but shall be eligible for re-appointment in accordance with the provisions of the Companies Act, 2013.

Provided further that the total number of persons not being the permanent resident of Jammu and Kashmir State, excluding persons appointed by the Government of Jammu and Kashmir as Directors on the Board, shall not at any point of time be more than one third of the total strength of the Board.

- 70(ii) Sitting fee payable to a Director other than:
- (a) Chairman and Chief Executive Officer,
 - (b) Additional Director appointed by Reserve Bank of India and who is in the employment of RBI;
 - (c) Executive Director/s. for attending a meeting of Board or Committee irrespective of the number of days for which the meeting may continue, shall be Rs.40000/-. Besides a fee admissible to a Director for attending the meeting, any Director who comes to attend a Board Meeting or a meeting of a Committee of the Board held at a place other than the place of his usual residence, shall, besides the travelling allowance admissible, be entitled to halage as shown in the Article 70 (A) for the day/s the Director has to stay at such place, in connection with a meeting, and also for any extra day or days or onward or return journey connected with the meeting and involving air and/or rail travel.

RESOLVED FURTHER THAT the Company Secretary of the Bank be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 160 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any

statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to Section 10A(2A) (i) of the Banking Regulation Act, 1949, Mr. Rahul Bansal (DIN 01216833) in respect of whom the Bank has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director on the Board of Directors of the Bank, liable to retire by rotation.

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 160 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to Section 10A(2A)(i) of the Banking Regulation Act, 1949, Mr. Daman Kumar Pandoh (DIN 01332068) in respect of whom the Bank has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director on the Board of Directors of the Bank, liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to Section 10A(2A) (i) of the Banking Regulation Act, 1949, Mr. Mohammad Maqbool Rather (DIN No.07586779), in respect of whom the Bank has received a notice in writing from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank to hold the office for a period of 2 years i.e. up to June 16, 2019 and that he shall not be liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to Section 10A(2A)(i) of the Banking Regulation Act, 1949, Mr. Mohammad

Ashraf Mir (DIN No.07586792), in respect of whom the Bank has received a notice in writing from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank to hold the office for a period of 2 years i.e. up to June 16, 2019 and that he shall not be liable to retire by rotation."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and any other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to Section 10A(2A) (i) of the Banking Regulation Act, 1949, Mr. Pronab Sen in respect of whom the Bank has received a notice in writing from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank to hold the office for a period of 2 years i.e. up to June 16, 2019 and that he shall not be liable to retire by rotation."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and any other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to Section 10A(2A)(i) of the Banking Regulation Act, 1949, Mr. Sanjiv Agarwal (DIN No. 00110392), in respect of whom the Bank has received a notice in writing from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank to hold the office for a period of 2 years i.e. up to June 16, 2019 and that he shall not be liable to retire by rotation."

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 23, 41, 42, 62 and 179 and any other applicable provisions of the Companies Act, 2013, rules issued thereunder and any other regulation, circular or notification issued by the Ministry of Corporate Affairs (MCA), Government of India issued

in this regard, including any statutory modification(s) or re-enactment(s) thereof for the time being in force (the "Companies Act"), the Banking Regulations Act, 1949, as amended, any other applicable laws, regulations, policies or guidelines, the provisions of the Memorandum and Articles of Association of the Bank and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "SEBI ICDR Regulations"), Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ("SEBI Takeover Regulations"), the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as amended (the "SEBI Debt Regulations"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations"), the provisions of the Foreign Exchange Management Act, 1999, as amended ("FEMA") and the rules, regulations or guidelines, if any, prescribed by the Reserve Bank of India ("RBI"), the Foreign Investment Promotion Board ("FIPB"), the Securities and Exchange Board of India ("SEBI"), the Government of India ("GOI") and all other relevant statutory or governmental authorities or departments, institutions or bodies in this regard (collectively, the "Appropriate Authorities" and individually, the "Appropriate Authority") and the listing agreements entered into by the Bank with the BSE Limited and the National Stock Exchange of India Limited (collectively, the "Stock Exchanges") and subject to such terms and conditions or modifications thereto as may be prescribed or imposed by any of them while granting such approvals, consents, sanctions and permissions as may be necessary or which may be agreed to by the Board of Directors of the Bank (the "Board", which term shall be deemed to include any committee thereof duly constituted and exercising, or hereinafter constituted to exercise, the powers conferred on the Board by this resolution), the consent of the shareholders be and is hereby accorded to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons as may be permitted), from time to time, in one or more tranches, through a public issue, follow on public issue, private placement, qualified institutions placement in accordance with Chapter VIII of the SEBI ICDR Regulations ("QIP") and / or any other nature of domestic or international offerings as may be permitted under applicable laws, equity shares of the Bank and/or any instrument convertible into equity shares (whether optionally or otherwise), securities with warrants including any instruments or securities representing either

equity shares and/or convertible securities or securities linked to equity shares or equity shares/ fully convertible debentures/partly convertible debentures or non-convertible debentures including Innovative Perpetual Debt Instruments (IPDI) eligible for inclusion as Tier I capital along with warrants or any securities other than warrants, whether issued with or without voting or special rights, which are convertible or exchangeable with equity shares at a later date, or a combination of the foregoing, whether rupee denominated or denominated in one or more foreign currency, in registered or bearer form, secured or unsecured, listed on a recognized stock exchange in India or abroad (all of which are hereinafter collectively referred to as "Securities"), including but not limited to Qualified Institutional Buyers ("QIBs") as defined under the SEBI ICDR Regulations, resident and / or permitted non-resident investors, whether institutions and/or incorporated bodies, foreign institutional investors, foreign portfolio investors, individuals or otherwise and whether or not such investors are shareholders of the Bank, , for an amount not exceeding Rs. 1500 Crores only (Rupees One thousand Five Hundred Crores only) or the equivalent thereof in foreign currency (the "Issue") through a placement document / offer document/ prospectus /offer letter/ offering circular or such other document, from time to time, in one or more combinations, as may be deemed appropriate by the Board in its sole discretion, such issue and allotment to be made at such time or times, at such price or prices or at a discount or premium to market price or prices permitted under applicable laws in such manner and on such terms and conditions including security, record dates, tenure, rate of interest, as may be decided by and deemed appropriate by the Board as per applicable laws including the discretion to determine the categories and combination of investors to whom the offer, issue and allotment shall be made considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s), financial advisor(s), underwriter(s), legal advisor(s) and / or any other agency, as the Board may in its absolute discretion deem fit and appropriate.

RESOLVED FURTHER THAT in case of issue of Securities by way of QIP as per Chapter VIII of SEBI ICDR Regulations, as amended from time to time, it shall fulfill the following requirements:

1. The "relevant date" for pricing of the Securities in accordance with SEBI ICDR Regulations will be the date of Board meeting in which the Board decides to open the proposed Issue or as such other date as permitted under applicable laws;

2. The issue of Securities shall be at such price which is not less than the price determined in accordance with the pricing formula provided under Chapter VIII of the SEBI ICDR Regulations (the "QIP Floor Price"). The Board may, however, in accordance with applicable law, also offer a discount of not more than 5% on the QIP Floor Price or such other percentage as may be permitted under applicable law from time to time
3. The allotment of the Securities shall be completed within twelve months from the date of this resolution or such other time as may be allowed under the SEBI ICDR Regulations from time to time;
4. No allotment shall be made, either directly or indirectly to any QIB who is a promoter or any person related to promoters in terms of the SEBI ICDR Regulations;
5. A minimum of 10% of the Securities to be issued and allotted pursuant to Chapter VIII of SEBI ICDR Regulations shall be allotted to Mutual Fund(s) and if the Mutual Fund(s) do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other QIBs;
6. The prices determined for QIP shall be subject to appropriate adjustments, if the Bank, pending allotment under this resolution:
 - a. makes an issue of equity shares by way of capitalization of profits or reserves, other than by way of dividend on shares;
 - b. makes a rights issue of equity shares;
 - c. consolidates its outstanding equity shares into a smaller number of shares;
 - d. divides its outstanding equity shares including by way of stock split;
 - e. re-classifies any of its equity shares into other securities of the issuer; or
 - f. is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.
7. The pricing of the equity shares to be issued upon exchange of the warrants (issued simultaneously with non-convertible debentures), shall be in accordance with the provisions of Chapter VIII of the SEBI ICDR Regulations and as may be decided by the Board in its sole and absolute discretion.

RESOLVED FURTHER THAT the Issue to the holders of the Securities, which are convertible into or exchangeable with equity shares at a later date shall be, inter alia, subject to the following terms and conditions:

- (a) in the event the Bank is making a bonus issue by way of capitalization of its profits or reserves prior to the allotment of the equity shares, the

- number of equity shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro tanto;
- (b) in the event of the Bank making a rights offer by issue of equity shares prior to the allotment of the equity shares, the entitlement to the equity shares will stand increased in the same proportion as that of the rights offer and such additional equity shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders;
- (c) in the event of merger, amalgamation, takeover or any other re-organization or restructuring or any such corporate action, the number of equity shares, the price and the time period as aforesaid shall be suitably adjusted; and
- (d) in the event of consolidation and/or division of outstanding equity shares into smaller number of equity shares (including by way of stock split) or re-classification of the Securities into other securities and/or involvement in such other event or circumstances which in the opinion of concerned stock exchange requires such adjustments, necessary adjustments will be made.

RESOLVED FURTHER THAT in addition to all applicable Indian laws, the issue of Securities in pursuance of this Resolution shall also be governed by all applicable laws and regulations of any jurisdiction outside India where they are listed or proposed to be listed or that may in any other manner apply to such Securities or provided in the terms of their issue and the Board be and is hereby authorised on behalf of the Bank to seek listing of any or all of such Securities on one or more stock exchanges in India or outside India.

RESOLVED FURTHER THAT in pursuance of the aforesaid resolutions:

- (a) the Securities to be so created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Bank; and
- (b) the equity shares that may be issued by the Bank shall rank pari passu with the existing equity shares of the Bank in all respects.

RESOLVED FURTHER THAT the Board be and is hereby authorised to engage, appoint and to enter into and execute all such agreement(s)/ arrangement(s)/ MoUs/ placement agreement(s)/ subscription agreement(s)/ any other agreements or

documents with any consultant(s), lead manager(s), co-lead manager(s), manager(s), advisor(s), registrar(s), authorised representative(s), legal advisor(s) / counsel(s), merchant banker(s), underwriter(s), custodian(s), stabilizing agent(s) and all such advisor(s), professional(s), intermediaries and agencies as may be required or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees and such other expenses as it deems fit and permissible, and to authorise any Director(s) or any Officer(s) of the Bank, severally, to sign for and on behalf of the Bank, offer document(s), arrangement(s), application(s), authority letter(s), or any other related paper(s)/ document(s), give any undertaking(s), affidavit(s), certification(s), declaration(s) including without limitation the authority to amend or modify such document(s) in relation to the aforesaid Issue.

RESOLVED FURTHER THAT the Board shall have all powers and authority to modify, reapply, redo, make necessary changes, approach and to do all requisite filings/resubmission of any document(s) and other compliances and to do all such acts and deeds that are necessary to comply with the terms and conditions subject to which approval, sanction, permission etc. would be provided by the Stock Exchange(s), SEBI, FIPB, RBI and any other Appropriate Authority, without being required to seek any further approval of the shareholders and that the shareholders shall be deemed to have given their approval thereto for all such acts, deeds, matters and/or things, expressly by the authority of this resolution.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue and allotment of Securities, as aforesaid, the Board be and is hereby authorized on behalf of the Bank to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, desirable or expedient including fixing of record dates or book closure, deciding on the face value, Issue price, conversion price, premium amount on issue/conversion of the Securities, rate of interest, creation of mortgage/charge, Issue opening and closing dates, as applicable and to settle any questions, difficulties or doubts that may arise in regard to any such offer, issue, allotment and listing of Securities as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be authorized to delegate (to the extent permitted by law) all or any of the powers conferred by this resolution on it, to any committee or sub-committee of Directors or any other Director(s) or Officer(s) of the Bank to give

effect to the aforesaid resolution, with the power to such committee/sub-committee of the Board to further delegate all or any of its powers/ duties to any of its shareholders.

By order of the Board of Directors

Mohammad Shafi Mir
Company Secretary
Place: Srinagar
Dated: 13th May, 2017

NOTES

- a) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the bank. Proxies, in order to be valid and effective, must be received by the bank at its registered office not less than 48 hours before the time fixed for the meeting. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the bank carrying voting rights. A member holding more than ten percent of the total share capital of the bank, carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the board resolution to the Bank, authorising their representatives to attend and vote on their behalf at the meeting.
- b) Shareholders who have not encashed their past dividend warrants are requested to do so without any further delay. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the Financial Year ended 31 March, 1996 were transferred to the General Revenue Account of the Central Government. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amounts of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Bank have been transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India. Under the provisions of the Companies Act, 1956, no amounts could have been claimed by the Members from the IEPF or the Bank in respect of such amounts transferred to the IEPF. As per the provisions of Section 124 and Section 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") which

have become effective on September 7, 2016, unclaimed amount, in respect of unpaid/unclaimed dividend warrants, which remains unpaid for seven years shall be transferred by the Bank to "Investor Education and Protection Fund" established pursuant to the aforesaid provisions ("New IEPF"). Further, as per Section 125 of Companies Act, 2013, in respect of amounts transferred to IEPF pursuant to Section 205C of Companies Act, 1956 from the unpaid dividend account of the Bank, after the expiry of the period of seven years as per provisions of the Companies Act, 1956, members shall be entitled to get refund out of the new IEPF in accordance with IEPF Rules. Accordingly, members seeking to claim refund, in respect of amounts transferred to the IEPF or new IEPF, may do so from the new IEPF by making an application to the Investor Education and Protection Fund Authority ("IEPF Authority") in the prescribed form as per the provisions of Section 125 of the Companies Act, 2013 read with the IEPF Rules.

- c) Members are also requested to note that amongst other things, IEPF Rules also provides for the manner of transfer of shares in case any dividend has not been encashed by the shareholders on such shares during the last seven years to the designated DEMAT Account of the IEPF Authority. [As per the requirement of Rule 6 of the IEPF Rules, the Bank had sent information to all the shareholders who had not claimed/encashed dividends in the last seven years intimating, amongst other things, the requirements of the IEPF Rules with regard to transfer of shares and that in the event those shareholders do not claim any unclaimed/unpaid dividends for the past seven years, the Bank will be required to transfer the respective shares to the designated DEMAT Account of the IEPF Authority by the due date prescribed as per the IEPF Rules or such other extended date as may be notified. The Bank also simultaneously published notice in the leading newspaper in English and regional language having wide circulation on 10th November, 2016 to such shareholders. Further, the MCA had notified the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 on 28th February, 2017 ('IEPF Rules 2017'), substituting, amongst other things, Rule 6 of IEPF Rules, and providing that where the period of seven years provided under the sub section (5) of Section 124 of the Companies Act, 2013 has been completed during the period from 7th September, 2016 to 31st May, 2017, the due date of transfer of such shares shall be 31st May, 2017. Accordingly, the Bank hereby provides time till 31st May, 2017 to all the shareholders who have not claimed any unclaimed/unpaid dividends for the last seven years and to whom the Bank had given intimation in the manner prescribed under Rule 6 of the IEPF Rules; and to all other shareholders who have not encashed any unpaid/unclaimed dividends and where the period of seven years has been completed or being

completed during the period from 7th September, 2016 to 31st May, 2017. In case valid claim is not received by 31st May, 2017, the respective shares will be credited to the designated DEMAT Account of the IEPF Authority.

- d) In terms of Section 72 of the Companies Act, 2013, nomination facility is available to individual shareholders holding shares in the physical form. The shareholders who are desirous of availing this facility, may kindly write to Karvy Computershare Private Limited, the Bank's Registrar & Transfer Agent (R&T).
- e) Members holding shares in physical form are requested to intimate change, if any, in their Registered Address, to the Share Transfer Agent. If the shares are held in Demat form, intimation regarding change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining Demat Account.
- f) Brief Profile of persons seeking appointment/re-appointment as Director/Independent Director on the Board of the Bank is included in Corporate Governance Report/ annexed to this Notice.
- g) Important communication to members:
As per the provisions of Companies Act, 2013 and Regulation 36 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements), 2015, electronic copy of the Annual Report and this Notice, inter alia indicating the process and manner of remote e-voting along with attendance slip and proxy form are being sent by e-mail to those Members whose e-mail addresses have been registered/made available to the Bank /Depository Participants for this purpose unless the Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of this Notice inter alia indicating the process and manner of remote e-voting along with attendance slip and proxy form and other documents annexed to the Notice, will be sent to them in the permitted mode.
The Bank hereby requests Members who have not updated their email IDs to update the same with their respective Depository Participant(s) or R&T of the Bank. Further, Members holding shares in electronic mode are also requested to ensure to keep their email addresses updated with the Depository Participants / R&T of the Bank. Members holding shares in physical mode are also requested to update their email addresses by writing to the R & T of the Bank quoting their folio number(s).
- h) Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank atleast seven days before the AGM to enable the Bank to gather information.
- i) Only registered members/ beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank will be permitted to attend the meeting. Also Members/Proxy holders are requested to:

- i. Please carry photo ID card for identification/verification purposes.
 - ii. Note that briefcases, mobile phones, bags, helmets, eatables and other belongings will not be allowed to be taken inside the venue of the meeting for security purposes and members/proxy holders will be required to take care of their belongings.
 - iii. Note that no gifts will be distributed at the AGM.
 - iv. Note that members present in person or through registered proxy shall only be entertained.
 - v. Note that the attendance slip/proxy form should be signed as per the specimen signature registered with the R&T / Depository Participant.
 - vi. Quote their Folio / DP & Client Id No. in all correspondences with the R&T / Bank.
 - vii. Avoid being accompanied by non-members and/or children.
- j) The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 stating all material facts, is annexed hereto.
- k) The route map for the AGM Venue is provided at the end.
- l) E-Voting:
The Bank is pleased to provide E-voting facility through Karvy Computershare Pvt. Ltd., in compliance with Section 108 of the Companies Act, 2013 read with rules framed thereunder and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for all shareholders of the Bank to enable them to cast their votes electronically on the items mentioned in this notice of the 79th AGM of the Bank. Based on the consent received from Mr. Harish Kumar Villadath, Advocate, the Bank has appointed him as the Scrutinizer for conducting the voting process in a fair and transparent manner. E-voting is optional and Members can opt for only one mode for voting i.e. either by remote e-voting or vote at the AGM. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Bank as on the cut-off date i.e. June 9, 2017.
- I) The instructions for E-Voting are as under:**
- (i) To use the following URL for e-voting:
From Karvy website: <http://evoting.karvy.com>
 - (ii) Shareholders of the Bank holding shares either in physical form or in dematerialized form, as on the cut-off date, may cast their vote electronically.
 - (iii) Enter the login credentials i.e., user id and password mentioned in the attendance slip of the AGM. Your Folio No/DP ID Client ID will be your user ID.
 - (iv) After entering the details appropriately, click on LOGIN.
 - (v) You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) You need to login again with the new credentials.
 - (vii) On successful login, the system will prompt you to select the EVENT i.e., J&K Bank.
 - (viii) On the voting page, enter the number of shares as on the cut-off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
 - (ix) Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
 - (x) Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
 - (xi) Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to mail@harishkumar.com with a copy marked to e.voting@karvy.com.
 - (xiii) The facility for remote e-voting shall remain available from June 14, 2017 (9:00 A.M.) to June 16, 2017 (5:00 P.M.). During this period shareholders' of the Bank, holding shares either in physical form or in dematerialized form, as on the cut-off date of June 9, 2017 may cast their vote electronically. The e-voting module shall be disabled by Karvy for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently. Further, the shareholders who have cast their vote electronically through remote e-voting may participate in the AGM but shall not be allowed to vote at the AGM.
 - (xiv) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt. Ltd at Tel No.1800 345 4001 (toll free).

(xv) Any person, who acquires shares of the Bank and becomes Member of the Bank after dispatch of the Notice and holding shares as on the cut-off date may follow the same instructions as mentioned above for e-Voting.

II. The Scrutinizer shall immediately after the conclusion of voting at the AGM, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Bank and make not later than forty-eight hours of conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any to the Chairman of the Bank who shall countersign the same.

III. The Chairman or a person authorised by him in writing shall declare the results of voting forthwith.

IV. The Results declared alongwith the Scrutinizer's Report shall be placed on the Bank's website www.jkbank.net and on the website of Karvy within forty-eight hours of passing of the resolutions at the AGM of the Bank and communicated to the BSE Limited and the National Stock Exchange, where the shares of the Bank are listed.

V. Poll will also be conducted at the AGM and any Shareholder who has not cast his vote through remote e-voting facility, may attend the AGM and cast his vote.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 03

Though not strictly necessary, Explanatory Statement is being given for Item No. 03 of the Notice, with the view to set-out material facts concerning such business. Pursuant to the provisions of Section 142 of the Companies Act, 2013, the remuneration of Auditors, appointed by C&AG under Section 139(5) of the Companies Act, 2013, has to be fixed by the Bank in General Meeting or in such manner as the Bank in the General Meeting may determine. Members may accordingly authorize the Board of Directors to pay the remuneration of Auditors as per the RBI circular applicable to Public Sector Banks for the financial year 2017-18 including remuneration for the Limited Review of Quarterly Financial Results for the period ending 30th June, 2017, 30th September, 2017 and 31st December, 2017

No Director, Key Managerial Personnel of the Bank or their relatives is in anyway concerned or interested in the Resolution.

Directors recommend the adoption of Resolution to be moved at the Meeting in this regard.

ITEM NO. 04

As per the requirements of section 149 (4) of the Companies Act, 2013 a listed public company shall have at least one-third of the total number of directors as Independent Directors. Further, as per Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), in case a listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall

comprise of Independent Directors. Since the Bank has an Executive Chairman, it is required to have atleast half of the Board comprising of Independent Directors pursuant to the provisions of Regulation 17 of the SEBI (Listing Regulations).

The Articles of Association of the Bank restrict the maximum number of directors on the Board to twelve. Further, there are certain other conditions in the Articles of Association regarding the number of persons who are not permanent residents of the State of Jammu and Kashmir that can be appointed on the Board. In view of the provisions of the Companies Act read with the Listing Regulations, the interests of the Bank and to enable the Bank to achieve an ideal composition of the Board of Directors, it is proposed to make the amendments as proposed in the notice to the Articles of Association of the Bank, subject to the approval of Reserve Bank of India.

Further, the sitting fee paid to Directors of the Bank other than Chairman and Chief Executive Officer, Executive Director(s) and Additional Director appointed by Reserve Bank of India and who is in the employment of RBI for attending each meeting of the Board of Directors and Committee thereof was fixed by the Shareholders in their meeting held on 20th July, 2016 at Rs. 25,000/-.

As per Section 197(5) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, amount of remuneration by way of sitting fee for attending each meeting of the Board of Directors and Committee thereof shall not exceed one lakh rupees per meeting of the Board or Committee thereof.

In order to align the sitting fee payable to the eligible Directors for attending each meeting of the Board of Directors and

Committee thereof with prevailing industry practice/norms, the Board of Directors of the Bank propose to enhance the sitting fee for attending each meeting of the Board of Directors and Committee thereof from Rs.25000/- to Rs. 40,000/-.

Except to the extent of interest of the Directors in relation to the revision in the sitting fee that may be payable to them, no Director, Key Managerial Personnel of the Bank or their relatives are in anyway concerned or interested in the Resolution.

Directors recommend the adoption of Resolution to be moved at the Meeting in this regard.

ITEM NO. 05 & 06

The Bank has received notices pursuant to the provisions of Section 160 of the Companies Act, 2013 proposing the candidature of Mr. Rahul Bansal (DIN : 01216833) and Mr. Daman Kumar Pandoh (DIN: 01332068) for directorship of the Bank.

The Bank has also received from Mr. Rahul Bansal (DIN: 01216833) and Mr. Daman Kumar Pandoh (DIN: 01332068):

- (i) Consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, and
- (ii) Intimation in Form DIR 8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that they are not disqualified under Section 164 (2) of Companies Act, 2013.

The brief profile of Mr. Rahul Bansal (DIN: 01216833) and Mr. Daman Kumar Pandoh (DIN: 01332068) is provided in annexure to this notice.

No Director or Key Managerial Personnel of the Bank or their relatives are in anyway concerned or interested in the Resolution.

Directors recommend the adoption of Resolution to be moved at the Meeting in this regard.

ITEM NO. 07, 08, 09 & 10

As per the requirements of section 149 (4) of the Companies Act, 2013, a listed public company shall have at least one-third of the total number of directors as independent directors. Further, as per Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), in case a listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors. Since the Bank has an Executive Chairman, it is required to have at least half of the Board comprising of Independent Directors pursuant to the provisions of Regulation 17 of the SEBI (Listing Regulations).

In terms of aforesaid provisions of Companies Act, 2013 read with SEBI Listing Regulations and pursuant to the recommendations of the Board of Directors of the Bank at their meeting held on 13th May, 2017, appointment of Mr. Mohammad Maqbool Rather (DIN: 07586779), Mr. Mohammad Ashraf Mir (DIN: 07586792), Dr. Pronab Sen and Dr. Sanjiv Agarwal (DIN: 00110392) as Independent Director's on the Board of the Bank for a term of two consecutive years with effect from 17th June, 2017 to 16th June, 2019 not liable to retire by rotation are recommended for approval of the shareholders.

The Company has received separate notices in writing from the shareholders proposing the candidature of Mr. Mohammad Maqbool Rather (DIN: 07586779), Mr. Mohammad Ashraf Mir (DIN: 07586792), Dr. Pronab Sen and Dr. Sanjiv Agarwal (DIN: 00110392) for the office of Independent Directors, to be appointed under the provisions of Section 149 of the Companies Act, 2013.

The above proposed Independent Directors are not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and have given their consent to act as Directors of the Bank. The Bank has also received declaration from the above Directors that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013.

In the opinion of the Board, they fulfill the conditions specified in the Companies Act, 2013 and rules made there under for their appointment as Independent Directors and that all Independent Directors are Independent of the management.

The above proposed Independent Directors are eminent personalities in their respective fields.

Considering their vast experience and knowledge, the Board considers that their association would be of immense benefit to the Bank. The Board, therefore, recommends the resolutions as set out in Item No. 07, 08, 09 and 10 of the Notice for approval of members as ordinary resolution.

The brief profile of the above proposed Independent Directors are provided in annexure to this notice.

No Director, Key Managerial Personnel of the Bank or their relatives is in anyway concerned or interested in the Resolutions.

ITEM NO. 11

The shareholders are aware that the businesses of Jammu & Kashmir Bank Limited (the "Bank") continue to demand capital for its growth and expansion and considering the buoyancy in capital markets and global investors' appetite for an Indian banking company, it is necessary that the Bank should be ready for window of opportunity for capital raising going forward as and when the opportunity arises. The Board shall utilize the proceeds to meet the needs of its growing business,

including long term capital requirements for pursuing its growth plans and to maintain the capital adequacy ratio as per the regulatory guidelines/norms laid down by the Reserve Bank of India, and general corporate purposes.

Considering the above, the Board of Directors of the Bank on May 13, 2017 approved the raising of funds by issue of equity shares of the Bank, and/or any instrument convertible into equity shares, whether optionally or otherwise in the course of domestic and / or international offerings, securities with warrants including any instruments or securities representing either equity shares and/or convertible securities or securities linked to equity shares or equity shares/fully convertible debentures/partly convertible debentures or non-convertible debentures including Innovative Perpetual Debt Instruments (IPDI) eligible for inclusion as Tier I capital along with warrants or any securities other than warrants, whether issued with or without voting or special rights, which are convertible or exchangeable with equity shares at a later date, or a combination of the foregoing, whether rupee denominated or denominated in one or more foreign currency, in registered or bearer form, secured or unsecured, listed on a recognized stock exchange in India or abroad (all of which are hereinafter collectively referred to as "Securities"), including but not limited to Qualified Institutional Buyers ("QIBs") as defined under the SEBI ICDR Regulations, whether domestic investors/foreign investors through Qualified Institutions Placement in terms of Chapter VIII of the SEBI ICDR Regulations ("QIP"), for an amount not exceeding in the aggregate Rs. 1500 Crores only (Rupees One Thousand and Five Hundred Crores only) or the equivalent thereof in foreign currency in one or more tranches through various offerings as contemplated in the resolution, in domestic and/ or international markets.

Pursuant to the above, the Board of Directors (the "Board", which term shall be deemed to include any committee thereof duly constituted and exercising, or hereinafter constituted to exercise, the powers conferred on the Board) may, in one or more tranches, issue and allot Securities on such date as may be determined by the Board but not later than 12 months from the date of passing of the resolution.

The aforesaid Issue will be subject to receipt of requisite approvals from Appropriate Authorities, as applicable.

The said Resolution is for seeking approval of shareholders of the Bank for the proposed Issue and proposing to confer authority on the Board to do all such acts and deeds which may be required to offer, issue and allot Securities at opportune time, including the size, structure, price, timing and other terms and conditions of the Issue.

Since the pricing and other terms of the offerings cannot be decided except at a later stage, an enabling resolution is being passed to give adequate flexibility and discretion to the Board to finalize the price and terms of the issue of Securities. However, the same would be in accordance with the SEBI

ICDR Regulations as amended from time to time or any other guidelines/ regulations / laws as may be applicable.

The other terms and conditions of the Issue will be determined in consultation with the merchant bankers, lead managers, consultants, advisors and / or such other intermediaries as may be appointed for the Issue.

The consent of the shareholders is being sought under Sections 23, 41, 42, 62 and 179 of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013, if any, and in terms of the SEBI ICDR Regulations, the SEBI Listing Regulations and provisions of the listing agreements executed by the Bank with the Stock Exchanges where the Bank's shares are listed.

The Board of Directors of the Bank believes that the proposed issue is in the interest of the Bank and hence, recommends the resolution for the approval of the Shareholders by way of Special Resolution.

None of the Directors/Key Managerial Personnel/their relatives, of the Bank is in any way concerned or interested in the above referred resolution except as holders of shares in general or that of the companies, firms, and/or institutions of which they are directors, partners or members and who may hold shares in the Bank.

Regd. Office:
Corporate Headquarters,
M. A. Road,
Srinagar - 190 001
Dated: 13th May, 2017

By order of the Board of Directors
Mohammad Shafi Mir
Company Secretary

Brief Profile of Proposed Directors

Mr. Mohammad Ashraf Mir

Mohammad Ashraf Mir, aged 58 years, is a first generation entrepreneur with 34 years of experience as a successful industrialist, contractor and businessman. He started his career with M/s Indian Steel & Metal Industries in the year 1982 and is its proprietor. Mr. Mir is also an "A" class contractor and is known for doing many prestigious projects across the state.

Mr. Mir has remained in Executive Council of Federation Chamber of Industries Kashmir (FCIK) for last 20 years and currently serves as the President. He has also served the FCIK as its Senior Vice President, President Industrial Association Sanat Nagar and President SICOP Unit Holders' Association.

Currently Serving FCIK as its President he is also a board member of J&K Small Scale Industrial Development Corporation Ltd (SICOP), J&K State Industrial Development Corporation (SIDCO) and J&K State Pollution control Board. Mr. Mir is a member of the governing body of Islamia College of Science and Commerce, Srinagar. He is also a member of many State Level Apex committees constituted by government from time to time.

Mr. Mohammad Maqbool Rather

Mr. Mohammad Maqbool Rather is a Post graduate in Economics (1964). He has served on various prominent positions. He joined the Government Service as Assistant Registrar Co-operative Societies (1968-1978) and also worked in Agriculture Production, Rural Development, Education and planning Deptts. at District level and State level.

As Assistant Registrar Co-operative Societies, his main job was to organize and supervise co-operative societies in his jurisdiction. He also had to assist district co-operative Bank Baramulla in the advancement and recovery of loans at the Distt. Level. He was associated with Development Commissioners and has assisted lead bank officers in the formulation and monitoring of district action credit plan.

He retired as Joint Director Planning Department. As Joint Director, Planning Department, he has facilitated state level officers in referring cases to NABARD for seeking loan assistance for implementation of various development schemes which required adequate financial support from NABARD.

In recognition of his meritorious services he was inducted by the Government in KAS Time scale.

Mr. Rahul Bansal

Mr. Rahul Bansal is a B.Com from Punjab University, Chandigarh. He has also done his MBA from London (UK). With 17 years of experience as an Industrialist, he is responsible for management of several business enterprises that are running successfully.

He has held directorship in following Companies:

- Narbad Steels Limited, (Executive Director).
- Jai Maa Mansa Devi Builders Private Limited.
- Narbada Gases Private Limited.
- Grand Plaza Hotel Private Limited (Lords inn Hotel).
- Narbada Energy Private Limited.
- Four A Hotels and Resorts Private Limited.
- Jammu Paper Private Limited.
- Bansal Printers.
- The News Now LLP.
- Shanker Industries.
- Kashmir Ispat.
- Kashmir Gases.
- Om Prakash Bansal Chairtable Trust (Reg)
- G. D Goneka Public School, Jammu

He is serving as Sr. Vice President of Bari Brahmana Industries Association and is also associated as Designated Partner and Editor with Jammu based daily English Newspaper- The News Now.

Mr. Daman Kumar Pandoh

Mr. Daman Kumar Pandoh is a Law graduate and fellow member of the Institute of Company Secretaries of India. He is having more than 20 years of experience in the field and his specializations are in the area of Secretarial matters, Taxation, Company law and Foreign exchange. He is the founding member of the Jammu Chapter of Institute of Company Secretaries of India and is presently serving the chapter as Vice Chairman.

He is Director on the Board of several companies. In addition to being a participant and guest speaker at various professional and other bodies on Corporate Laws he has also been consultant to various companies, particularly to J & K State Government Corporations. He is also a member of various social, educational and sports associations. Adventure Sports is his passion and he is a member of Jammu Adventure Sports Association.

Dr. Sanjiv Agarwal

Dr. Sanjiv Agarwal is a Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institute of Company Secretaries of India and Associate Member of the Institute of Chartered Secretaries and Administration, London (UK). He has done his PhD from R. A. Poddar Institute of Management, University of Rajasthan, Jaipur in the area of Corporate Governance. His areas of specialization are in Accounting, Taxation and Financial Services. He is considered to be an expert on Indirect Taxes, Corporate Governance and Company Law.

Besides having over three decades of professional experience as a Practicing Chartered Accountant, he is keenly interested in academics and is regular contributor to professional Journals, Websites & Economic dailies. He has shared his knowledge by authoring and editing 28 books. His popular books include "Service Tax Case Digest", "Guide to Goods & Service Tax", "Accounting Standards & Corporate Practices" and "Commentary on Companies Act, Corporate Governance, Audit Committee etc." He is also the founder chief editor of Service Tax Counselor, a weekly e-newsletter on Service Tax; GST Counsellor a fortnightly e-newsletter on Goods and Service Tax and has also been founder editor of Service Tax Journal, India's first exclusive journal on Service Tax.

In addition to being an active participant and speaker at national seminars and conferences, he has also been a visiting faculty at various Management Institutes and Banks. He has been a SEBI Nominated Director on the Board of Jaipur Stock Exchange Ltd, JSEL Securities Ltd and an Independent Director on the Board of State Bank of Bikaner & Jaipur and other companies. Presently, he is an Independent Director on the Board of few Public sector / Government / Private sector companies and a member of Expert Advisory Board and Core Group on GST constituted by Institute of Company Secretaries of India.

Dr. Pronab Sen

Dr. Pronab Sen is currently the Country Director for the International Growth Centre's India Central Programme. He is also a member of the High-level Expert Group on Measurement of Economic Performance and Social Progress (OECD) and the Technical Advisory Group of the International Comparison Project (World Bank).

Most recently, he was Chairman of the National Statistical Commission. Prior to superannuation from the Government in 2012, he was the first Principal Economic Adviser at the Government of India's Planning Commission. He has also held positions as the first Chief Statistician of India, acting as the functional and technical Head of the national statistical system in India, as well as Secretary, Ministry of Statistics

& Programme Implementation, Government of India (2007-2010).

Born 1952 in New Delhi, India, Dr. Sen received his B.A. (Hons) in Economics from St. Stephen's College, University of Delhi (1972); M.B.A. (1974) and M.A. in Economics (1975) from the George Washington University, Washington D.C.; and Ph.D. in Economics (1982) from the Johns Hopkins University, Baltimore. He specialized in Open-economy Macroeconomic Systems, International Economics and Public Finance.

Dr. Sen worked as management consultant in Washington D.C. (1974-1977). He taught at Johns Hopkins University, Baltimore and Delhi School of Economics, Delhi between 1977 and 1983.

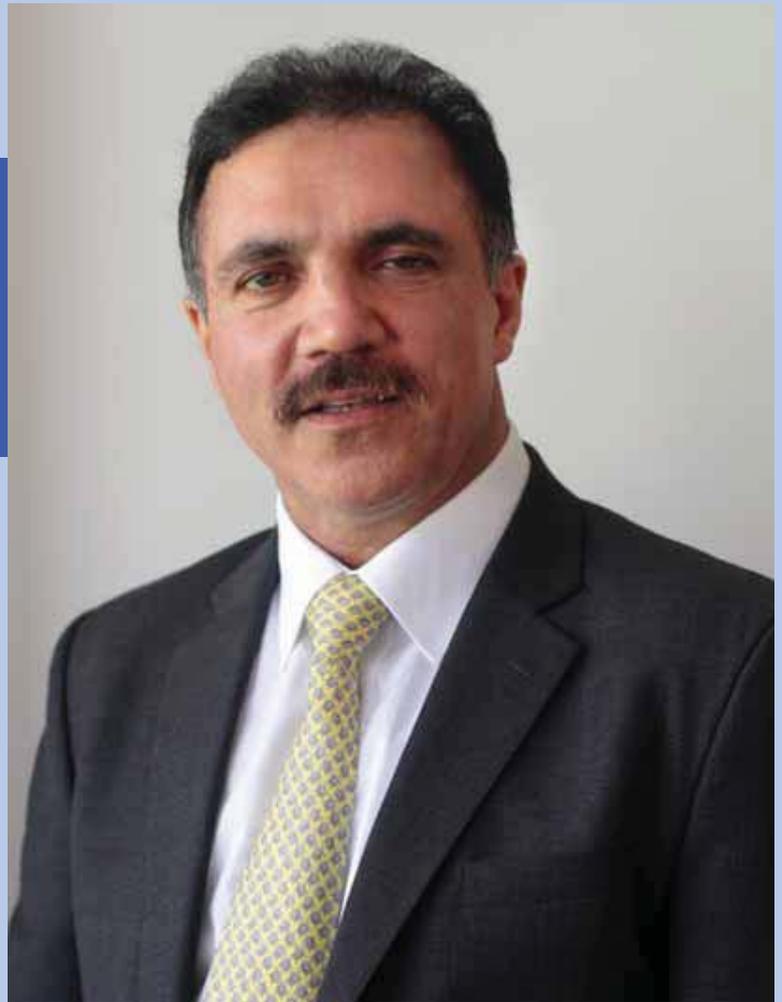
Dr. Sen turned to pure research in economics at the Indian Council for Research in International Economic Relations, New Delhi (1983-1987) and the Economic Research Unit, New Delhi (1987-1990). Worked at the World Institute for Development Economics Research, Helsinki in 1986 and again in 1989.

He joined the Government of India as Economic Adviser, Department of Electronics (1990-1994), where he was one of the architects of the National Software Policy 1990 and the Software Technology Park Policy 1991. Moved to the Planning Commission, Government of India in 1994. As Principal Adviser, Perspective Planning Division of the Planning Commission, he was the author of the Approach Paper to four Five Year Plans and the principal author and coordinator of three Five Year Plans and Mid-term Appraisals.

He has chaired a number of government Committees, most notably on Ecological Fragility, Control of Prices of Essential Drugs, and Slums.

Chairman Speaks

The institutions which succeed in braving tough times do so only by applying that acumen through the requisite skills, adapting to the changing frameworks of functioning while drawing upon their institutional memory in the process.



Esteemed Shareholders,

It is a moment of honour for me as Chairman and CEO to present my first Annual Report for the Financial Year 2016-17.

The organizational acumen for running any business is put to test in times of crisis. The institutions which succeed in braving tough times do so only by applying that acumen through the requisite skills, adapting to the changing frameworks of functioning while drawing upon their institutional memory in the process. And that is precisely what we have been doing the entire past year.

As we all know, the year 2016-17 has been very tough. The Business horizon remained clouded with hostilities. The political and economic developments across the globe continued to cast their shadows of uncertainty on the business environment. Brexit, US

Presidential elections, war in Syria and deepening conflicts in other significant geographies impacted the global economic environment thereby extending slowdown with subdued growth numbers.

The Banking Industry which has been grappling with grim circumstances for last some years again went through a very difficult year with uncertainties still looming large for few more quarters in future. The pressure of deteriorating asset quality derailed the consolidation initiatives of many of our peers. The revised Prompt Corrective Action (PCA) protocol from the regulator has found in its ambit majority of the PSU Banks. The credit off-take reached its historical low of last sixty years. The liquidity created in the system due to demonetization further squeezed the margins. Amid fears of complete capital erosion

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due to mounting asset quality issues, strong body of opinions emerged in favor of Mergers and Acquisitions (M&A), which became the buzz-word in the country's changing banking landscape. Besides, the reversing interest rate cycle put huge pressure on the margins leading to decline of Net Interest Margin (NIM) to its historical low in some segments.

Having said it all, our Bank which was just coming out of the after-effects of September 2014 deluge witnessed a dreadful summer in Kashmir Valley which further shook and choked the sustaining pulse of the state economy. In such a context, we had to shift our focus towards making conditions of our borrowers better to meet the fall-out of summer turmoil rather than betting on their capability. At this crucial juncture, the Special Restructuring Package fully backed by the Government of Jammu and Kashmir and approved by the Reserve Bank of India (RBI) came as a perfectly timed enabler to ensure streaming of cash-flows.

Upgrade of our Recovery and Resolution Methodology assumed the highest significance post recognition of asset quality woes. And creation of Impaired Assets Portfolio Management (IAPM) vertical complimented our resolve of effecting recoveries at enhanced pace which also helped to release the squeezing pressure on our capital base.

Furthermore, the Demonetization of Specified Bank Notes during third quarter fundamentally transformed the way people perceived Banking. The digital platforms across various banking channels phenomenally transformed mode and medium of financial transactions. It offered us the opportune time and platform to push for complete digitization of our service delivery models through our specialist technology vertical. It is the dividend of this technology driven transformation which shall remain our cherished memory of this most difficult year in the history of our Bank.

Loss is always the hardest, and at times the best of task-masters to make us learn. That is why, the "year of Losses" as we remember it now has taught us very valuable lessons. As an organisation, the pain of loss has pushed some of our hidden capacities to the fore and in the process is bringing the best out of us. We have learned our lessons well and remain poised for a new and promising beginning. Our strategy is repositioned to come out of this slump soon.

For, in the midst of such situation, we partially augmented our capital and are futuristic in capital planning programme with an open window for more tranche infusions during the current year. Also our onboarding programme to develop our Human Resource for future growth and expansion plans too remained uninterrupted.

In this regard, we have already engaged the services of globally reputed consultants M/S Delloitte Touche Tohmatsu India LLP to advise us on the swiftly changing dynamics in the already complex banking landscape besides various aspects of organizational transformation, technology intervention and business process re-engineering. We are working on changing of our Business Model to explore opportunities in geographies matching our appetite. Our spirits are not dampened. We have covered around two third of our NPAs by sufficient provisioning.

In terms of business, we are on the path of recovery. Our consolidation and subsequent clean-up process has prepared us for the rejuvenated growth path. We are confident of the turn-around in business ahead of our earlier understanding. We are very optimistic of resuming the dividend distribution soon.

As an organisation, the pain of loss has pushed some of our hidden capacities to the fore and in the process is bringing the best out of us. We have learned our lessons well and remain poised for a new and promising beginning.

Dear Shareholders,

I derive all my strength from the unrelenting support and complete trust that you have vested in us for conducting the business of this Bank. I am confident that with our perseverance and dedication, we shall meet all the challenges and emerge stronger and more resilient. So, be there besides us to see our numbers going up.

Parvez Ahmed
Chairman and CEO

Directors' Report

To the Members,

Your Board of Directors has pleasure in presenting the 79th 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, 2017.

Performance at a Glance

- The aggregate business of the bank stood at ₹112279.20 Crore at the end of the financial year 2016-17.
- The total deposits of the Bank grew by ₹ 3072.84 Crore from ₹ 69390.25 Crore as on 31st March, 2016 to ₹72463.09 Crore as on 31st March, 2017, a growth of 4.43 percent. CASA deposits of the bank at ₹ 37460.16 Crore constituted 51.70 percent of total deposits of the bank.
- Cost of deposits for current FY stood at 5.87 percent.
- The net advances of the Bank stood at ₹ 49816.11 Crore as on 31st March, 2017.
- Yield on advances for the current FY stood at 10.02 percent.
- Priority sector advances (Gross) stood at ₹ 15317.24 Crore as on 31st March, 2017.
- The bank effected cumulative cash recovery, up-gradation of NPA's and technical write-off of ₹ 1647.02 Crore during FY 2016-17.
- Investment portfolio of the bank stood at ₹ 21290.89 Crore as on 31st March, 2017.

Insurance Business

The bank earned an income of ₹ 32.82 Crore from the Insurance Business. The bank mobilized business of ₹ 210.46 Crore and ₹ 145.89 Crore during the year in life and non-life insurance segments respectively.

Income Analysis

- The Interest income of the bank stood at ₹ 6685.80 Crore in the year 2016-17. Interest expenses stood at ₹ 4173.86 Crore for FY 2016-17. The Net Interest Income stood at ₹2511.94 Crore for FY 2016-17
- The Net Income from operations [Interest Spread plus Non-interest Income] stood at ₹ 3004.80 Crore in the financial year 2016-17.
- The Operating Expenses registered an increase of ₹164.26 Crore during the financial year 2016-17 and stood at ₹ 1710.46 Crore as compared to ₹1546.20 Crore in 2015-16.
- The Cost to Income ratio (Operating Expenses to Net Operating Income) stood at 56.92 percent in the financial year 2016-17.

Gross Profit

The Gross Profit for the financial year 2016-17 stood at ₹1294.34 Crore.

Provisions

The Provision for Loan Losses, Standard Assets, Taxation and others aggregated to ₹ 2926.63 Crore in the financial year 2016-17.

Net Profit/Loss

The bank registered a Net loss of ₹ 1632.29 Crore for the financial year 2016-17.

Branch/ATM Network

During the financial year 2016-17, 8 new branches were established, thereby taking the number of branches to 865 as on 31-03-2017, spread over 20 states and one union territory. The area-wise breakup of the branch network (excluding

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extension counters/ mobile branches and Service branches) on the basis of census 2011 as at the end of FY 2016-17 is as under:

| Area | Branches |
|--------------|------------|
| Metro | 167 |
| Urban | 101 |
| Semi-Urban | 146 |
| Rural | 451 |
| Total | 865 |

During the financial year 2016-17, 90 ATMs were commissioned thereby taking the number of ATMs to 1096 as on 31.03.2017.

Net Worth and Capital Adequacy Ratio (CRAR)

- The Net Worth of the bank stood at ₹ 5676.50 Crore on 31st March 2017.
- Capital Adequacy Ratio under Basel III stood at 10.80 percent as on March, 2017. The tier I component of CRAR is 8.70 percent as on 31st March 2017. Book Value per Share for the financial year 2016-17 stood at ₹ 116.80.

Advertising and Publicity

Promoting our brand image proactively, we successfully positioned our brand image deep within the evolving public consciousness thereby enhancing our brand value during the financial year 2016-17. The bond of trust between stakeholders and the bank was further cemented through effective and needful messaging at relevant junctures throughout the financial year.

The bank's products, services and facilities were successfully advertised across the operational geographies. Besides it's 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. Leveraging its presence in the social-media universe, the bank firmed up its online presence further to enhance its brand image using highly popular mediums of social connectivity platforms like Facebook and Twitter.

Subsidiary Company

As on March 31, 2017, your Bank has one unlisted Subsidiary, JKB Financial Services Limited (JKBFSL). Salient features of the financial statement of JKBFSL are attached herewith as Annexure 5.

Performance and Financial Position of JKBFSL

The operating income of the Company for the year ended 31st March, 2017 stands at Rs. 438.62 lacs. Other incomes of the company stood at Rs. 88.12 lacs. The Total income of the Company for the year ended 31st March, 2017 stood at Rs. 526.75 lacs. The net loss of the company for the financial year ended 31st March, 2017 stood at Rs. 48.37 Lacs, increased its accumulated net loss to Rs. 360.34 lacs as on 31st March, 2017.

Regional Rural Bank sponsored by J&K Bank:

J&K Grameen Bank

The J & K Grameen Bank has come into existence on 30th June 2009 with the issuance of statutory notification by Gol, MoF, Department of Financial Services under sub-section (1) of section 23 (A) of the Regional Rural Banks Act, 1976 vide F. No. 1/4/2006-RRB providing for amalgamation of Kamraz Rural Bank and Jammu Rural Bank into a single new Regional Rural Bank under the name of J & K Grameen Bank with its Head Office at Jammu and has commenced business 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 31-03-2017): 217

No. of Employees (as on 31-03-2017): 925

Capital Structure:

In terms of the RRBs Act 1976, the authorized capital of Regional Rural Banks was fixed at Rs.5.00 Crore (which stands amended to Rs. 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 Rs.97.16 Crore fully subscribed by the

Central Government, State Government and Sponsor Bank in the ratio of 50:15:35 respectively. The details are tabulated hereunder:

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

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

Date of issue: 04-12-2014

Performance of the Bank as on 31.03.2017 (Un-audited)

Business:

The total business of the bank as on 31st March 2017 stood at Rs. 4633.97 crore against Rs.4171.37 crore as on 31st March 2016, thereby showing an increase of Rs. 462.60 crore registering a growth of 11.09% during the year 2016-17.

Deposits:

The deposits of the bank have increased from Rs. 2833.84 crore to Rs.3230.42 crore (unaudited) during the year 2016-17 thereby registering a growth rate of 13.99%.

Advances:

The gross advances of the Bank as on 31st March 2017 stood at Rs.1403.55 crore (unaudited) as against Rs.1337.53 Crore as on the corresponding date of the previous year recording a growth of 4.94%

CD Ratio:

The C.D. Ratio of the bank has decreased by 3.75% from 47.20% as on 31st March 2016 to 43.45% as on March 31, 2017

Priority Sector Advances:

The priority sector advances outstanding as on 31st March 2017 stood at Rs. 1054.48 crore against 986.06 crore outstanding as on 31st March 2016, registering a growth of 6.94% (Rs. 68.42 crore) on YoY basis.

The priority sector advances at Rs. 1054.48 crore as at the end of the FY 2015-16 constitute 75% of total advances, which is as per the prescribed benchmark of 75% for RRBs.

NPA Position:

The gross NPAs of the Bank as on 31.03.2017 stood at Rs.175.92 crore i.e. 12.53% (un-audited) of gross advances. The Net NPAs as on 31.03.2017 stood at Rs.110.54 crore which accounts for 8.26% (un-audited) of net advances.

Business per Employee:

The business per employee as on 31st March 2017 stood at Rs.5.01 crore against Rs.4.24 crore as on corresponding date of the previous year recording a growth of 18.16%.

Business per Branch:

The business per branch as on 31st March 2017 stood as Rs. 21.35 crore against Rs.19.22 crore as on corresponding date of the previous year recording a growth of 11.08%.

Profitability:

Against Net profit of Rs.2.80 crore recorded as at the end of the previous FY 2015-16, there is a net Loss of Rs. 8.28 crore as on 31st March 2017.

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 2016-17 was launched in time and its implementation was monitored on quarterly intervals in State Level Bankers' Committee meetings. During the FY 2016-17 Banks have extended a total credit of Rs.16,802.34 Crore in favour of 5,53,975 beneficiaries (both under Priority as well as Non-priority Sector) against annual target of Rs.27,649.47 Crore for 12,42,750 beneficiaries under Annual Credit Plan 2016-17, thereby registering achievement of 61% in financial terms and 45% in physical terms.

This includes Priority Sector credit of Rs.9,331.49 Crore disbursed in favour of 3,55,838 beneficiaries against the annual target of Rs.18,267.84 Crore for 9,39,363 beneficiaries (constituting 51% achievement in financial terms and 38% in physical terms) and Non-Priority Sector credit of Rs.7,470.85 Crore disbursed in favour of 1,98,137 beneficiaries against annual target of Rs.9,381.64 Crore for 3,03,387 beneficiaries (constituting achievement of 80% in financial and 65% in physical terms).

Out of the total Priority Sector credit of Rs.9,331.49 Crore disbursed by all banks in the State during FY 2016-17 upto 31st March 2017, J&K Bank alone has disbursed Rs.6,260.38 Crore against the target of Rs.10,151.38 Crore, thereby achieving 62% of its annual ACP target which accounts for a share of 67% of the total flow of credit to priority sector by all banks together in the State during FY 2016-17

During FY 2016-17, following meetings were conducted:

- Three J&K State Level Bankers Committee (SLBC) meetings, viz. 101th, 102nd and 103rd were held on 30th May, 2016, 24th November, 2016 and 2nd March, 2017 respectively.
- Two Special meetings of J&K SLBC to discuss implementation of the Relief Measures in the areas affected by Riots/ Disturbances in J&K State, were held on 8th September, 2016 and 13th December, 2016.
- A Special Meeting of J&K SLBC for Digital Banking was held on 21st December 2016.
- A meeting of Sub-Committee of Empowered Committee on MSMEs was held on 4th May, 2016.
- A meeting of the Sub-Group on Area Development Schemes in J&K State was held on 31st August, 2016.
- A meeting of Chairman & CEO, J&K Bank with all Lead District Managers in J&K State was held on 25th November, 2016.
- A meeting of Steering Sub-Committee of J&K SLBC to monitor IT-enabled Financial Inclusion, FLCCs, & Credit Plus Activities was held on 25th January, 2017.
- A meeting of the Sub-Committee of SLBC to approve Annual Credit Plan for FY 2017-18 was held on 29th March, 2017

b. Implementation of Financial Inclusion Plan (FIP)

- 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 providing banking services through Branches/ BCs/ Other Modes in the villages with population less than 2000 was initiated as per the regulatory requirements of RBI. Accordingly 5582 villages (having population below 2000) were identified and 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) for providing banking service coverage within the scheduled timeline of August 14, 2015. All the villages were covered through various modes of banking as per the prescribed timeline.
- Roadmap for opening “Brick & Mortar” branches in the villages with population more than 5000 where there is no branch of any Scheduled Commercial Bank was formulated. J&K SLBC, in coordination with concerned Lead District Managers, identified 104 villages out of the total 235 villages with population of more than 5000 (as per Census 2011) in J&K, without any branch of branch of 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 - 48; SBI - 15; PNB - 11; HDFC Bank - 11; ICICI Bank - 5; Canara Bank - 5; UCO Bank - 5; Central Bank of India - 4 for opening the “Brick & Mortar” branches in the allocated villages by 31.03.2017. However, as on 31.03.2017 only three branches have been opened in the identified villages with 2 branches by J&K Bank and 1 branch by SBI. Reserve Bank of India recently has extended the timeline by three months i.e. the branches are now to be opened by 30.06.2017.

c. Responsibility of 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 programmes and the number of persons benefited through credit linkage is being reviewed regularly in quarterly SLBC meetings.

d. Responsibility of setting up of FLCs in J&K State:

In terms of RBI guidelines, target of setting of Financial Literacy Centres (FLCs) in all the districts of the state has been fully accomplished with J&K Bank having made 12 FLCs operational in its 12 allocated lead districts and SBI having made 10 FLCs operational in its 10 allocated lead districts. In addition, PNB, JKGB and EDB have also established 4, 2 & 2 FLCs respectively in various districts of the state which takes the total number of FLCs in J&K State to 30. The performance of FLCs in conducting the Financial Literacy Camps as per the guidelines from RBI is being reviewed at various forums including quarterly SLBC Meetings.

e. 100% coverage of farmers under KCC Scheme

The initiative of 100% coverage of farmers under KCC Scheme was launched in J&K State in terms of directives of GoI, MoF. Its implementation is being vigorously pursued with all the stakeholders including banks, Agriculture Department, Lead District Managers etc. Against the total 9.81 lakh interested farm operating families under KCC Scheme in J&K State various banks upto the end of March 2017 have sanctioned 10,66,275 KCCs in J&K State against which 9,45,073 KCCs have been disbursed with credit amounting to Rs.8992.15 Crore.

Board of Directors

Your Bank has Seven (07) Directors consisting of two (2) promoter Directors including Chairman & CEO, Five Non Executive Directors, including One RBI Nominee Director, as on 31st March, 2017.

Independent and Non-Independent

Non Independent Executive Director

Mr. Parvez Ahmed, Non-Independent Executive Director has been serving as the Chairman & CEO of the Bank since October 6, 2016, with the approval of Reserve Bank of India (RBI).

Non Independent Non Executive Directors

Mr. Navin Kumar Choudhary, IAS, Commissioner/Secretary to Govt. of J&K, Finance Department, Mr. Abdul Majid Mir and Mr. Azhar-ul-Amin 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. Mohammad Maqbool Rather
2. Mr. Mohammad Ashraf Mir

Both the Independent Directors of the Bank have given their respective declarations stating that they meet the criteria of Independence as laid down under the applicable laws and in the opinion of the Board, the independent directors meet the said criteria.

Reserve Bank Nominee Director

Mr. Yogesh Kumar Dayal, 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. Vikrant Kuthiala, Mr. Dalip Kumar Kaul, Mr. Khaver Alam Jeelani, Directors, resigned from the Board of the Bank with effect from 29th June, 2016 owing to personal reasons.
- b. Mr. J.P Sharma, Director was recalled by RBI and Mr. Yogesh Kumar Dayal was appointed in his place w.e.f 01.07.2016.
- c. Mr. R.K. Gupta, Director, resigned from the Board of the Bank with effect from 31st January, 2017 owing to personal reasons.

Directors place on record their deep appreciation for the valuable services rendered by Mr. J.P Sharma, Mr. R.K. Gupta, Mr. Vikrant Kuthiala, Mr. Dalip Kumar Kaul and Mr. Khaver Alam Jeelani during their tenure as Directors of the Bank.

- d. Mr. Mohammad Maqbool Rather and Mr. Mohammad Ashraf Mir were appointed as Directors by the Board of Directors to fill the casual vacancies, in the office of directors with effect from 10.08.2016

Appointments/Resignations of the Key Managerial Personnel

Mr. Parvez Ahmed Chairman & CEO, Mr. S. K. Bhat, Chief Financial Officer and Mr. Mohammad Shafi Mir, Company Secretary of the Bank are the Key Managerial Personnel. Mr. Mushtaq Ahmad on completion of his term ceased to be the Chairman & CEO of the Bank with effect from 05.10.2016 and Mr. Parvez Ahmed was appointed as Chairman & CEO of the Bank with effect from 06.10.2016. Mr. S. K. Bhat and Mr. Mohammad Shafi Mir, were appointed as Chief Financial officer and Company Secretary by the Board of the Bank on 12th November, 2016 and 22nd November, 2016 respectively, consequent upon change in the assignments of Mr. Vagish Chander and Mr. Abdul Majid Bhat.

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

Number of Meetings of the Board

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

21.04.2016, 24.05.2016, 29-6-2016, 10.08.2016, 20-09-2016, 06.10.2016, 12.11.2016, 15.12.2016, 04.02.2017, 03.03.2017, 04.03.2017, 20.03.2017

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/Frauds Review/Willful Defaulters Classification Review 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
- Human Resource Development 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 30th June, 2016 and 29th June, 2016 respectively.

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.

Whistle Blower Policy and 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 (www.jkbank.net)

Risk Management

Bank has a comprehensive and a well-defined Risk management framework in place. The key components of the Bank's Risk Management architecture rely on the risk governance structure, comprehensive processes and internal control mechanism based on approved policies and guidelines. The Bank's Risk Management framework focuses on the key areas of Risk such as Credit, Market, Operational Risk and Liquidity Risk; quantification of these risks, wherever possible, for effective and continuous monitoring and control.

The Bank's Risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board. The Board sets the overall risk appetite and philosophy for the Bank. The Committee of Directors, the Integrated Risk Management Committee of the Board, which is a sub-committee of the Board, reviews various aspects of Risk arising from the businesses of the Bank. Three Executive/ Senior management committees; Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Market Risk Management Committee (MRMC) operate within the broad Risk Management framework of the Bank.

The Bank has put in place policies relating to management of Pillar I and Pillar II risks. Risk management is administered by Executive/ Senior management committees through Integrated Risk Management Department (IRMD). IRMD has three dedicated divisions for Credit risk, Operational risk and Market risk management. Business Continuity plan and Information Security plan also forms part of Risk Management functions in the Bank. Treasury activities are separately monitored by mid office, which reports to IRMD. The Bank has formulated a comprehensive Stress Testing Policy to measure the impact of adverse stress scenarios on the

adequacy of capital. The stress scenarios are idiosyncratic, market wide and a combination of both.

Business Responsibility Report

In terms of Regulation 34(2)(f) of the Listing Regulations, top 500 Listed Entities based on their market capitalization as on 31st March every year are required to submit their Business Responsibility Report(BRR) as a part of the Annual Report. The Bank's Business Responsibility Report describing the initiatives taken by the Bank from an environmental, Social and governance perspective has been hosted on the website of the Bank, www.jkbank.net. Any member interested in obtaining a copy of the BRR may write to the Company Secretary of the Bank at its Registered Office: Corporate Headquarters, M. A. Road Srinagar.

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. 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://jkbank.net/others/common/policy.php>)

Statement of related party transactions under sub section (1) of section 188 of the Companies Act, 2013 is attached herewith as **Annexure 6**.

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 79th 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, 2017 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 three (3) Central Statutory auditors appointed by the C&AG of India for the year under review as under:

1. Dhar Tiku & Co, Chartered Accountants, Srinagar
2. Arora Vohra & Co, Chartered Accountants, Jammu
3. Dhram Raj & Co., Chartered Accountants, Jammu

Secretarial Auditors

Pursuant to Section 204 of the Companies Act 2013, your Bank has appointed M/s DSMR & Associates, Practicing Company Secretaries, Hyderabad as its Secretarial Auditors to conduct the secretarial Audit of the Bank for the FY 2016-17. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit.

Secretarial Audit Report

The report of Secretarial Auditor for the FY 2016-17 is annexed to this report as Annexure 2. The Bank's reply to the comments of secretarial Auditor are furnished as under.

- a. Delayed submission of Form No. MGT 14, MGT 10 & AOC 4

Bank's Response

The delay in submission of the forms was due to technical problems arising in transmission of data to the Ministry of Corporate Affairs and time involved in mandatory procedural aspects before the submission of Forms.

- b. Non submission of Form AOC I relating to financial details of subsidiary company and Form AOC 2 relating to Related Party Disclosure.
- Bank's Response: Though the information has been provided in the Directors Report, the same has not been provided as required in the prescribed format. However, information in the prescribed Forms has been included in the Annual Report of the Bank for the year 2016-17.
- c. Improper balance of independent Directors.
- d. Not appointed Woman Director.
- e. Non independent Directors acting as Chairman of Audit Committee and Nomination & Remuneration Committee.
- f. Specific policies for listed companies relating to preservation of Documents, Determination of Materiality & Material subsidiary, not framed by the Bank.

Bank's Response: The Bank is governed by the provisions of Banking Regulation Act, 1949 and the provisions applicable to a Government Company apart from the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements), 2015. The Bank could not appoint requisite Independent Directors as the provisions relating to appointment of Independent Directors was not provided in the Articles of Association of the Bank. The Bank had to obtain the approvals of the Reserve Bank of India and the State Government for change in the composition of the Board to comply with the provisions of the Companies Act, 2013 and Listing Regulations, 2015.

The Bank is seeking necessary approvals from the Reserve Bank of India in this regard and the modifications in the Articles of Association providing enabling provisions relating to appointment of requisite number of Independent Directors have been proposed at the ensuing Annual General Meeting. After approval of the members at the ensuing Annual General Meeting the Composition of our Board of Directors and various Committees of the Board shall be aligned with the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015

The required policies as specified under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 would be placed on the website of the Bank shortly after obtaining the approval of Board of Directors.

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, 2017, ARE AS UNDER:

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

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

| Sr.No. | Name of the Employee | Designation/ Nature of Duties | Remuneration received per month (Rs. 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. Parvez Ahmed | Chairman & Chief Executive Officer | 5.50 | In Whole time employment of the Bank | Associate Company Secretary (ACS) | 18 years | 06-10-2016 | 53 | J&K Bank Ltd. |
| 2. | Mr. Mushtaq Ahmad | Chairman & Chief Executive Officer | 5.50 | In Whole time employment of the Bank | B. A: CAIIB -I | 43 years | 06-10-2010 to 05-10-2016 | 67 | J&K Bank Ltd. |

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**.

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 conservation of energy:

- ❖ The operation of the bank are not energy intensive, however adequate measures have been taken for reducing carbon footprint as mentioned below:
- ❖ Bank's Data centre is hosted at a high energy efficient and environment friendly Data Centre at Noida.
- ❖ Bank has discontinued paper circulars/newsletters for internal communication for which a dedicated intranet site is maintained.
- ❖ To discontinue paper based regulatory and internal reporting, Bank has placed an automated MIS system.
- ❖ Bank uses energy star compliant computing and communication hardware.
- ❖ Web Page for Green Banking.

(ii) The steps taken by the company for utilizing alternate sources of energy.

Though the operations of the Bank are not energy intensive, however, Bank shall explore alternative sources of energy, as and when necessity arises.

(i) The capital investment on energy conservation equipments.

INR 11.61 Crores. (On procuring energy star compliant servers and desktops).

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. Trainings are being conducted on regular basis to train the bank's staff at grass 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.

a. Mobile banking Application Upgrade

To provide user friendly and robust Mobile banking application, mobile banking upgrade was initiated. The new mobile banking application was designed with enhanced features vis-à-vis IMPS and PDD bill payment and has been made live for public. As of now following functionalities are live:-

- i. a) Balance Inquiry b) Statement c) Stop Cheque d) All Intra Bank Transactions e) NEFT f) IMPS g) PDD Bill payment

b. Digital Transformation

Apart from several initiatives taken by the bank in its continued efforts to provide better, prompt and efficient services to the customers, digital transformation was pushed at the highest level to enable customers use digital channels of the bank. These efforts resulted in a substantial growth in digital ecosystem of the bank with an overall 13% increase in digital transactions.

c. IT Security

The Bank has Information Security Policy which is approved by Board and reviewed each year to keep it updated as per latest trend and best practices. Bank has got ISO 27001:2013 Certification for Data centre, Operations Centre and DR Site.

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

None.

(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, 2017 the Bank earned Rs. 76.93 Lacs and spent Rs. 60.50 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. No such case was reported during the period under report.

(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, 2017 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.

Adequacy of Internal Financial Controls related to Financial Statements

The Bank has adequate internal controls and processes in place with respect to its financial statements which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. These controls and processes

are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically. The Bank has a mechanism of testing the controls at regular intervals for their design and operating effectiveness to ascertain the reliability and authenticity of financial information.

CEO & CFO Certification

Certificate issued by Mr. Parvez Ahmed, Chairman & CEO and Mr. Surender Kishen Bhat, CFO of the Bank, for the financial year under review, was placed before the Board of Directors at its meeting held on 13th May, 2017, in terms of Regulation 17(8) of the Listing Regulations.

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

Parvez Ahmed
Chairman & CEO

Place: Srinagar (J&K)
Date: 22nd May, 2017

Annexure 1 The Annual Report on Corporate Social Responsibility (CSR) Activities

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

J&K Bank CSR Policy

J&K Bank strongly believes that for an organization to succeed on long term basis, 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 merely an obligation but is a vital pillar of its continual success for present and future. The CSR policy of the bank is driven by the social responsiveness. Bank, not only observe the suffering of the downtrodden section of the society, but try to understand their day to day concerns from their perspective.

Bank has adopted Corporate Social Responsibility (CSR) as a considered means for sustainable growth. For the Bank in the present context, CSR means not only venturing of financial resources for social activity but also integration of Business processes with Social processes.

It is in this framework that the J&K Bank CSR Policy is outlined, encompassing the Bank's Philosophy for delineating its responsibility as a Corporate Citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large. This Policy applies to all CSR initiatives and activities taken up for the benefit of different segments of the society and all other causes which are socially, economically and environmentally relevant for one and all.

Key areas of J&K Bank's CSR Projects/Programmes

- a) **Improving Public Healthcare delivery system**
- b) **Promotion of Education**
- c) **Environmental & Ecological Concerns**
- d) **Swachh initiatives**
- e) **Promotion of sports**
- f) **Sanitation**
- g) **Upgradation of charitable homes**

OVERVIEW OF ACTIVITIES

Key initiatives undertaken during the reporting year were:

Promotion of Education

Bank realizes that Education is one of the key building blocks of a nation and as such, it needs to be given top priority through CSR programmes. Valuing its importance, Bank took some initiatives for its excellence so that children of marginalized sections of society are benefitted through direct & indirect intervention of the Bank. Continuing its innovative CSR initiative of Remote Child Sponsorship Programme (RCSP), Bank brought socially and financially weak children (mostly orphans) and under-privileged children under its ambit for the sake of seeking primary education through leading concerned NGO CHINAR KASHMIR. For the year, 2016-17, Bank adopted 50 children for the programme.

Supplementing the State Government's scheme for "Empowering Girl Child", J&K Bank made a substantial contribution in distributing Scooties to meritorious girl students (belonging to poor families & fulfilling certain criteria) so that they are able to chase their dreams.

In line with the mission to infuse a new life to the ailing education system at Government level, under the new concept of "Model Schools" J&K Bank developed two Government Girls Secondary 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 rationale behind such support is that the students at such schools should receive quality education for better personality development with an additional niche to compete at higher levels. Correspondingly upgradation of Balgran, a charitable home in Jammu, housing more than 150 children, also testify the efforts of the Bank towards enhancing quality education with special focus on orphans.

Healthcare

Improving public health system is one of the key clauses of CSR and the Bank is quite proactive in reaching out to the wellbeing of general public. Extending its support to Government Hospitals to augment the help to the visiting poor patients, Bank donated two critical Gen-II coagulation machines to Leh & Kargil District Hospitals. Also, St. Joseph hospital Baramulla was supported with critical USG machine for the benefit of patients belonging to under-privileged sections of society. Besides, patients suffering from Hemophilia were given substantial financial assistance for their better living.

Project Muskaan for differently abled

Bank believes in empowering the marginalized sections of society, hence its concern for such neglected segments comprises of differently abled, orphans and under-privileged children. Since the inception of the mandated law, Bank has been working for the cause of such children through the length and breadth of the state. Under Project "MUSKAAN" Bank has adopted around 200 differently abled children through registered NGOs like Voluntary Medicare Society, Chotey Taray foundation, Sahyog India. The adopted children are provided with special education like toilet training, meal time, behavior modification etc. The bank by adopting these children proves that its concern for such children is a step towards elimination of discrimination and also empowerment of such sections of society.

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 undertaking number of measures like planting trees, developing parks and gardens at barren lands and also undertaking cleanliness drives etc. All these programmes/initiatives by the bank have been aimed at making our surroundings and environment not only hygienic but also envisions the commitment of the Bank for GREEN surrounding for the larger welfare of the community.

Under the same premise i.e. "Environmental Excellence Programme" 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.

Web link to the CSR Policy : www.jkbank.net

Composition of CSR Committee

The CSR Committee of the Board composition is as following:

| | |
|---|-----------------------|
| Mr. Parvez Ahmed (Chairman & CEO) | Chairman of Committee |
| Mr. Azhar Ul Amin (Director) | Member |
| Mr. Mohammad Maqbool Rather (Director) | Member |
| Mr. Mohammad Ashraf Mir (Director) | Member |

Average net profit before tax of the Company for last three financial years INR 1087.95 (Approx.)

Prescribed CSR expenditure (2% of the amount as above) INR 21.76 (Approx.)

Amount spent: INR 21.87 Crore (Approx.)

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

| S. No | CSR Project or activity identified | Project or Programmes Local Area or other Specify the state and District where projects or programmes were undertaken | Amount outlay (Budget) Project or programme wise | Amount spent on the projects or programmes Sub heads: • Direct Expenditure • Overhead expenditure | Cumulative expenditure upto the reporting period | Amount spent Directly or through implementing agency |
|-------|------------------------------------|--|--|--|--|--|
| 1 | Promotion of Education | Jammu & Kashmir | INR 4,19,41,016.00 | INR 4,19,41,016.00 | INR 4,19,41,016.00 | Directly spent INR 3,75,08,926 & through implementing agencies INR 44,32,090 |
| 2 | Healthcare | Jammu & Kashmir | INR 89,18,366.00 | INR 89,18,366.00 | INR 5,08,59,382.00 | Direct spending |
| 3 | Ecology/ Environment | Jammu & Kashmir | INR 16,61,95,726.00 | INR 16,61,95,726.00 | INR 21,70,55,108.00 | Directly spent |
| 4 | Sanitation | Kashmir | INR 1,00,000.00 | INR 1,00,000.00 | INR 21,71,55,108.00 | Directly spent |
| 5 | Skill development | Kashmir | INR 97,000.00 | INR 97,000.00 | INR 21,72,52,108.00 | Directly spent |
| 6 | Sports | Kashmir | INR 1,65,562.00 | INR 1,65,562.00 | INR 21,74,17,670.00 | Directly spent |
| 7 | Upgradation of charitable Home | Jammu | INR 10,39,560.00 | INR 10,39,560.00 | INR 21,84,57,230.00 | Directly spent |
| 8 | Donation | Jammu & Kashmir | INR 1,93,860.00 | INR 1,93,860.00 | INR 21,86,51,090.00 | Directly spent |

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 weaker 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 2016-17 revolved around health, education, ecology & community welfare at large:

Taking holistic approach towards the collective health of people across the state, the Bank unfailingly 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 through a mix of means. 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. The major contribution was supply of Gen-II Coagulation machines to Leh & Kargil District Hospitals. Besides, Bank also provided one USG machine to missionary hospital St. Joseph Baramulla for all such poor patients who visit the hospital. Besides, patients suffering from Hemophilia were given substantial financial assistance to make them Hemo-Free.

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.

Supplementing the State Government’s scheme for “Empowering Girl Child”, J&K Bank made a substantial contribution in distributing Scooties to meritorious girl students (belonging to poor families & fulfilling certain criteria) so that they are able to chase their dreams.

Infusing life in the ailing education system through new concept of ‘Model Schools’, J&K bank developed two secondary 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 remained to help the students receive quality education for better personality development and prepare them to compete at higher levels. At the same time, bank played a significant part in face-lifting of one of the adopted Charitable Home Balgran (Jammu) which is housing more than 150 children, mostly orphan. The face-lifting was done in the form of establishment of gym, recreation room and electrical/civil work.

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, 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.

At the same time, during the last FY, the Bank supported NGOs like Samaj Kalyan Kendra and Madre Meharbaan to carry out social welfare part on behalf of the bank.

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. Besides, Bank as a conscious Corporate citizen, under reactionary CSR measure took the step in redevelopment of the Kashmir Golf Course (KGC) so that Multi-Purposes could be achieved i.e. Environmental, Health, Heritage protection and Sports promotion. As such, Bank took the step to redevelop and restore lost and damaged heritage Golf Course, besides making an effort to improve the health of the visiting people and the local inhabitants, promote sports and tourism.

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

| | | | |
|---|---------------------------------|---|---------------------------------------|
| (Mr. Parvez Ahmed) Chairman & CEO (Chairman of CSR Committee) | (Mr. Azhar Ul Amin) Director | (Mr. Mohammad Maqbool Rather) Director | (Mr. Mohammad Ashraf Mir) Director |
|---|---------------------------------|---|---------------------------------------|

Annexure 2
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

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

To,
The Members,
THE JAMMU AND KASHMIR BANK LIMITED
Corporate Head Quarters, M. A. Road,
Srinagar - 190001, Kashmir
India

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 [CIN: L65110JK1938SGC000048] (hereinafter referred to as the Bank).

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 Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Bank has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Bank 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 Bank for the financial year ended on 31st March, 2017 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under except for the following:
 - a. Form No. MGT 14s as required under the provisions of Section 117 of the Companies Act, 2013 for various instances happened under the provisions of Section 179 were filed with additional fee.
 - b. Form No. MGT 10s relating to change in shareholding of the promoters and top ten shareholders as required under the provisions of Section 93 and the rules made there under were filed with additional fee.
 - c. Form AOC 4 for the financial year 2015 - 2016 was filed with additional fee. We observed that the printed copy of annual report has been attached to the said form, which is not in compliance with sub-rule of 6 and 7 of Rule 8 of the Companies (Registration Offices and Fees) Rules, 2014.
 - d. The information relating to the Wholly Owned Subsidiary though has been made in the Directors Report, the same has not been made in Form AOC - 1 (Statement of Subsidiary) as required under the provisions of sub-section (3) of Section 129 of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 for the financial year 2015 - 2016.
 - e. The information relating to the related party transactions entered during the financial year has been made in the Directors Report, the same has not been made in Form AOC - 2 (Related Party Transaction) as required under the provisions of Section 188 of the Companies Act, 2013 for the financial year 2015 - 2016.
 - f. Form MGT 7 filed for the financial year 2015 - 2016 was not properly representing the facts of events happened during the said financial year and the list of shareholders was not attached to the form.
- 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 there under;

- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment;

During the period of our audit the Bank has not made any transactions. Hence the reporting of compliance under these regulations does not arise.

- 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; Complied with the provisions with regard to disclosure made under Regulation 29 of the Regulations in relation to the Preferential Allotment made to the Government of Jammu & Kashmir

- (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

The Bank is yet to implement and adopt the said Regulations. However the Bank is presently implementing and following 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;

The Bank has complied with Chapter VII of the regulations in respect of the Preferential Allotment made to the Government of Jammu & Kashmir during March, 2017 after obtaining the necessary statutory and regulatory approvals.

There were no activities done by the Bank other than the mentioned above, which require the Bank to comply with the other Chapters of the said regulations.

- (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 except as mentioned below:

- i. The Bank is not having proper balance of Independent Directors, since the Chairman is an Executive Director and has been nominated by the Government of Jammu & Kashmir, who is the main promoter.

- ii. The Bank has not appointed a Woman Director.

- iii. The Chairman of the Bank's Audit Committee and Nomination and Remuneration Committee is not an Independent Director.

- iv. The following policies are still to be adopted and implemented by the Bank:

- a. Policy on Preservation of Documents as required under Regulation 9

- b. Policy for Determination of Materiality as required under (4)(ii) of Regulation 30

- c. Policy on payment of Dividend as required under Regulation 43A

- d. Policy for determining Material Subsidiaries as required under (1)(c) of Regulation 16. The Bank has also not provided the link of such policy in the Annual Report for the year 2015 - 2016.

- e. Code of Conduct for the Directors and Senior Management Personnel needs to be modified in line with the provisions of the Companies Act, 2013.

- v. Regulations relating to the Non-Convertible Debentures already listed with the BSE Limited are not being complied properly except for making yearly disclosure at the time of submitting the financial results.

- (e) The Securities and Exchange Board of India (Share Based Employee Benefit Schemes) Regulations, 2014;

During the period of our audit the Bank has not issued any securities under these regulations and also does not have an ESOP plan. Hence the reporting of compliance under these regulations does not arise.

- (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

Complied with the requirements of the regulations for the issue and allotment of Non-Convertible Debentures aggregating to Rs.500 crores

- (g) 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;

- (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

During the period of our audit the Bank has not delisted its Equity Shares from any of the exchanges, where the shares are listed. Hence the reporting of compliance under these regulations does not arise; and

- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

During the period of our audit the Bank has not done any buy back of its securities. Hence the reporting of compliance under these regulations does not arise;

vi. List of other laws specifically applicable to the Bank:

- a. SEBI (Debenture Trustee) Regulations, 1993

The Bank is registered as a Debenture Trustee with SEBI. The Bank has complied with the applicable regulations in this regard. There was no activity taken up by the Bank during the period under report

- b. SEBI (Bankers to an Issue) Regulations, 1994

The Bank is registered as Bankers to an Issue with SEBI. The Bank has complied with the applicable regulations in this regard. There was no activity taken up by the Bank during the period under report

- c. The Banking Regulation Act, 1949

- d. The Deposit Insurance and Credit Guarantee Corporation Act, 1961

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India relating to Secretarial Standards on Board Meetings (SS - 1) and Secretarial Standards on General Meetings (SS - 2).
- (ii) The Bank has complied with all the provisions of the listing agreement and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 except as reported in point (d) of the report.

I further report that the Board of Directors of the Bank is not duly constituted since there is no proper balance of Executive Directors, Non-Executive Directors and Independent Directors as required under the provisions of Companies Act, 2013 and the rules made there under. The Bank is yet to appoint a Woman Director.

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 except for:

Form DIR 12:

- a. relating to the cessation of Mr. Vikrant Kuthialia as the Director of the Bank was filed with additional fee
- b. relating to the appointment of Mr. Yogesh Kumar Dayal as the Director of the Bank was filed with additional fee. The DIN of Mr. Yogesh Kumar Dayal was obtained subsequent to his nomination on the Board by the Reserve Bank of India.

Adequate notice is given to all directors to schedule the Board Meetings were sent in accordance with the statutory requirement. Agenda and detailed notes on agenda were being sent atleast seven days in advance. 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 Bank has complied with the provisions of Companies Act, 2013 and the rules made there under except as specifically mentioned in Point No. (i)

I further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. However the same needs to be strengthened further to make it as a more effective.

I further report that during the audit period the Bank has:

- i. Obtained the approval of members of the Bank for issue of Unsecured, Redeemable, Subordinated, Non-Convertible, Basel III Compliant Tier 2 Bonds in the nature of Debentures of face value of Rs.10 lakhs each aggregating to Rs.1000 crores. The approval of the members for the said issue was sought by way of Postal Ballot commenced on 22nd August, 2016 and concluded on 20th September, 2016. The committee of the Board of Directors had on 24th March, 2017 allotted 5,000 Non-Convertible Debentures with a face value of Rs.10.00 lakhs each aggregating to Rs.500 crores.
- ii. Obtained the approval of members for issue and allotment of 3,65,55,051 Equity Shares of Re.1/- each fully paid up to the Government of Jammu & Kashmir at an issue price of Rs.67.39 per equity share aggregating to Rs.249,99,99,938/- . The approval of members for the said issue was sought by way of Postal Ballot, which commenced on 14th February, 2017 and concluded on 15th March, 2017. The allotment of the Equity Shares was done on 20th March, 2017.

For DSMR & Associates
Company Secretaries

Place: Srinagar
Date: 21.05.2017

D S M Ram
C. P. No. 4239
Proprietor

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

NOTICE

CHAIRMAN'S
STATEMENT

BOARD AND
MANAGEMENT
REPORTS

FINANCIAL
STATEMENTS

GOVERNANCE

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Annexure 'A'

To,

The Members,
THE JAMMU AND KASHMIR BANK LIMITED
Corporate Head Quarters, M. A. Road,
Srinagar - 190001, Kashmir
India

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurances about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
5. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For DSMR & Associates
Company Secretaries

Place: Srinagar
Date: 21.05.2017

D S M Ram
C. P. No. 4239
Proprietor

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 9.4X |
| II | The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year | Chairman & CEO - |
| | | CFO 27.54% |
| | | CS 12.17% |
| 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 11.5% . |
| IV | The number of permanent employees on the rolls of the Bank | There were 10022 employees as on March 31, 2017. |
| 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 31-03-2016 and 31-03-2017 is Rs. 2942.60 crores and Rs. 3910.00 Crores respectively due to issue of preferential issue of shares to the Govt. of J&K, and market fluctuations. |
| | | The price earnings ratio of the Bank as on 31-03-2016 and 31-03-2017 is 7X and Nil 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 11.78% . 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 | Not applicable as the Bank has incurred a Loss of Rs. 1632 crore during the FY 2016-17. |
| 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, 2017

{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 | 64191 | 100% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S.No | Name of Address of the Company | CIN/GLM | Holding/subsidiary/ associate | % of sharesheld | 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 |
| Central Government/ State Government of Jammu & Kashmir | 257752660 | 0 | 257752660 | 53.17 | 294307711 | 0 | 294307711 | 56.45 | + 3.28 |
| 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 | 294307711 | 0 | 294307711 | 56.45 | + 3.28 |

| 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 shareholding ³ | | | | | | | | | |
| Institutions | | | | | | | | | |
| Mutual Funds/ UTI | 23674525 | 0 | 23674525 | 4.88 | 27441214 | 0 | 27441214 | 5.26 | +0.38 |
| Financial Institutions/ Banks | 88801 | 0 | 88801 | 0.02 | 365770 | 0 | 365770 | 0.07 | +0.05 |
| 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 | 13516632 | 0 | 13516632 | 2.79 | 15374694 | 0 | 15374694 | 2.95 | +0.16 |
| Foreign Institutional Investors | 118854248 | 0 | 118854248 | 24.52 | 85773982 | 0 | 85773982 | 16.45 | -8.06 |
| 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) | 156134206 | 0 | 156134206 | 32.21 | 128955660 | 0 | 128955660 | 24.74 | -7.47 |

| Non-institutions | | | | | | | | | |
|--|------------------|-----------------|------------------|--------------|------------------|-----------------|------------------|--------------|--------------|
| Bodies Corporate | 10947326 | 172940 | 11120266 | 2.29 | 20481603 | 169940 | 20651543 | 3.96 | +1.67 |
| Individuals - i. Individual Shareholders Holding Nominal Share Capital Up To >Rs. 2 Lakh. | 36495644 | 15878430 | 52374074 | 10.80 | 55249243 | 15054362 | 70303615 | 13.49 | +2.68 |
| Individuals - ii. Individual Shareholders Holding Nominal Share Capital In Excess Of Rs. 2 Lakh | 3000736 | 226660 | 3227396 | 0.67 | 1642550 | 6000 | 1648550 | 0.32 | -0.35 |
| NBFC registered with RBI | 0 | 0 | 0 | 0 | 606003 | 0 | 606003 | 0.12 | 0.12 |
| Qualified Foreign Investor | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Any Other (Total) | 0 | 0 | 0 | 0 | 553538 | 1000 | 554538 | 0.11 | 0.11 |
| Clearing Members | 922983 | 0 | 922983 | 0.19 | 523774 | 0 | 523774 | 0.10 | -0.09 |
| Non Resident Indians | 3074282 | 15000 | 3089282 | 0.64 | 3669795 | 15000 | 3684795 | 0.71 | 0.07 |
| TRUSTS | 157153 | 0 | 157153 | 0.03 | 96882 | 0 | 96882 | 0.02 | -0.01 |
| Sub-Total (B) (2) | 54598124 | 16293030 | 70891154 | 14.62 | 82823388 | 15246302 | 98069700 | 18.81 | +4.19 |
| Total Public Shareholding (B)= (B)(1)+(B) (2) | 210732330 | 16293030 | 227025360 | 46.83 | 211779048 | 15246302 | 227025360 | 43.55 | -3.28 |
| TOTAL (A)+(B) | 468484990 | 16293030 | 484778020 | 100 | 506086759 | 15246302 | 521333071 | 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) | 468484990 | 16293030 | 484778020 | 100 | 506086759 | 15246302 | 521333071 | 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 | | | % change in shareholding during 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 | |
| Chief Secretary Jammu & Kashmir Govt | 243225980 | 50.17 | 0 | 277720825 | 53.27 | 0 | 3.10 |
| Secretary Finance Deptt Jammu & Kashmir Govt | 14526680 | 3.00 | 0 | 16586886 | 3.18 | 0 | 0.18 |

(iii) Changes in Promoters Shareholding

| Name of the Share holders | Shareholding at the beginning of the year | | Cumulative shareholding during the year | | Shareholding at the end of the year | | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease |
|---|---|----------------------------|---|----------------------------------|-------------------------------------|----------------------------|---|
| | No. of shares | % of shares of the company | No. of shares | % of total shares of the company | No. of shares | % of shares of the company | |
| Chief Secretary Jammu & Kashmir Govt | 24322598 | 50.17 | 253398227 | 3.1 | 277720825 | 53.27 | Preferential allotment to the govt On 20-03-2017 |
| Secretary Finance Deptt Jammu & Kashmir Govt | 14526680 | 3.00 | 2060206 | 0.18 | 16586886 | 3.18 | Preferential allotment to the govt. on 20-03-2017 |

(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 | 9290032 | 1.92 | -9290032 | -1.92 | 0 | 0 | Disposal of Shares |
| Reliance Capital Trustee co. Ltd a/c Reliance bank | 0 | 0 | +2820750 | +0.58 | 2820750 | 0.58 | Acquisition of Shares |
| Life Insurance Corporation of India | 15374694 | 3.17 | 0 | 0 | 15374694 | 2.95 | |
| ICICI Prudential Value Discovery fund | 10000000 | 2.06 | 0 | 0 | 10000000 | 1.92 | |
| Morgan Stanley Asia (Singapore) PTE. | 7765526 | 1.60 | -7765526 | -1.60 | 0 | 0 | Disposal of Shares |
| Government Pension Fund Global | 6596760 | 1.36 | 500000 | +0.96 | 11596760 | 2.22 | Acquisition of Shares |
| Pabrai Investment fund 3, Ltd | 4355132 | 0.90 | -4355132 | -0.90 | 0 | 0 | Disposal of Shares |
| ICICI Prudential Midcap Fund | 5800481 | 1.20 | -28379 | -0.01 | 5772102 | 1.11 | Disposal of Shares |
| ICICI Prudential Life Insurance Company | 12422828 | 2.56 | 0 | 0 | 12422828 | 2.38 | |
| The Wellington Trust Company, National Association | 4824460 | 1.00 | -4824460 | -1.00 | 0 | 0 | Disposal of Shares |
| Morgan Stanley Investment Management, IN A/C Morg | 4199166 | 0.87 | -4199166 | -0.87 | 0 | 0 | Disposal of Shares |
| East Bridge Capital Master Fund Limited | 0 | 0 | +10878576 | +2.09 | 10878576 | 2.09 | Acquisition of Shares |
| Hosking Global Fund PLC-Hosking Global Sub Fund NO.1 | 0 | 0 | +3797787 | +0.73 | 3797787 | 0.73 | Acquisition of Shares |
| The Wellington Trust Company, National Association Multiple Collective Investment Funds Trust, opportunistic Equity Portfolio | 4824460 | 0.99 | -1190378 | -0.25 | 3634082 | 0.70 | Disposal of shares |

Shareholding of Directors:

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. NAVIN CHOUDHARY | 0 | 0 | 0 | 0 | 150 | 0.00002% | | |
| MR MOHAMAD ASHRAF MIR | 0 | 0 | 0 | 0 | 1000 | 0.00019% | | |

V. INDEBTEDNESS

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

| | Secured loans excluding deposits | Unsecured loans | Deposits | Total indebtedness |
|--|----------------------------------|-----------------|---------------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| 1. Principal Amount | 0.00 | 1030.00 | 0.00 | 1030.00 |
| 2. Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Interest accrued but not due | 0.00 | 20.69 | 0.00 | 20.69 |
| Total (1 + 2 + 3) | 0.00 | 1050.69 | 0.00 | 1050.69 |
| Changes in indebtedness during the year | | | | |
| -Addition | 0.00 | 536.00 | 0.00 | 536.00 |
| Reduction | 0.00 | 289.95 | 0.00 | 289.95 |
| Net Change | 0.00 | 246.05 | 0.0000 | 246.05 |
| Indebtedness at the end of the financial year | | | | |
| 1. Principal Amount | 600.00 | 1276.05 | 0.00 | 1276.05 |
| 2. Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Interest accrued but not due | 0.00 | 18.29 | 0.00 | 18.29 |
| Total (1 + 2 + 3) | 0.00 | 1294.34 | 0.00 | 1294.34 |

(Amount in crores)

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. Parvez Ahmed | | | | Total Amount |
|--|-----------------------------------|----------|----------|----------|------------------|
| | From 06-10-2016 to 31-03-2017 | | | | |
| | Basic | DA | other | Others | |
| Gross Salary | | | | | |
| a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 32,11,290 | 0 | - | - | 32,11,290 |
| 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, - (Performance Bonus) | - | - | - | - | - |
| Others | - | - | - | - | - |
| Total (A) | 32,11,290 | 0 | - | - | 32,11,290 |

| Particulars of Remuneration | Name of the MD : Mr. Mushtaq Ahmad | | | | Total Amount |
|--|------------------------------------|----|-------|--------|--------------|
| | From 01-04-2016 to 05-10-2016 | | | | |
| | Basic | DA | other | Others | |
| Gross Salary | | | | | |
| a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 33,88,710 | 0 | - | - | 33,88,710 |
| 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, - (Performance Bonus) | - | - | - | - | - |
| Others | - | - | - | - | - |
| Total (B) | 33,88,710 | 0 | - | - | 33,88,710 |

B. Remuneration to other Directors:

| Particulars of Remuneration | Mr. Vikrant Kuthiala | Mr. Dalip Kumar Kaul | Mr. Khaver Alam Jeelani | Mr. Mohammad Maqbool Rather | Mr. Mohammad Ashraf Mir |
|--|----------------------|----------------------|-------------------------|-----------------------------|-------------------------|
| Independent Directors | | | | | |
| • Fee for attending Board Committee Meetings | 90,000 | 1,20,000 | 1,20,000 | 6,50,000 | 7,00,000 |
| | 8,35,616 | 8,35,616 | 8,35,616 | | |
| • Commission (FY 2016-17) | | | | | |
| • Others (please specify) | | | | | |
| Total (1) | 9,25,616 | 9,55,616 | 9,55,616 | 6,50,000 | 7,00,000 |

| Particulars of Remuneration | Ms. Masooda Jabeen | Mr. R. K. Gupta | Mr. Abdul Majid Mir | Mr. Azhar-ul-AMIN | Mr. Navin Kumar Choudhary |
|--|--------------------|------------------|---------------------|-------------------|---------------------------|
| Other Non - Executive Directors | | | | | |
| • Fee for attending Board Committee Meetings | 1,05,000 | 9,05,000 | 12,05,000 | 8,90,000 | 8,25,000 |
| | 4,32,877 | 8,35,616 | 6,10,959 | 6,10,959 | 8,05,479 |
| • Commission (FY 2016-17) | | | | | |
| • Others (please specify) | | | | | |
| Total (2) | 5,3,7877 | 17,40,616 | 18,15,959 | 15,00,959 | 16,30,479 |
| Total (B) =(1+2) | | | 1,14,12,738 | | |

REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Particulars of Remuneration | Key Managerial Personnel | | | | Total Amount |
|--|--|---|--|--|---------------------|
| | Company Secretary Mr. Abdul Majid Bhat From 01-04-2016 to 22-11-2016 | Company Secretary Mr. Mohd.Shafi Mir From 22-11-16 2016 to 31-03-2017 | Chief Financial Officer Mr. Vagish Chander From 01-04-2016 to 11-11-2016 | Chief Financial Officer Mr. S K BHAT From 12-11-2016 to 31-03-2017 | |
| Gross Salary | | | | | |
| a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | Rs.7,01,845 | Rs.4,46,861 | Rs.21,58,786 | Rs.13,00,992 | Rs.46,08,484 |
| 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, Specify | - | - | - | - | - |
| Others | - | - | - | - | - |
| Total | Rs.7,01,845 | Rs.4,46,861 | Rs. 21,58,786 | Rs.13,00,992 | Rs.46,08,484 |

PENALTIES / PUNISHMENT/COMPOUNDING OF OFFENCES:

NIL

Annexure 5

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries/ associate companies/ joint ventures
Part "A": Subsidiaries

(Amounts in Rs in Lakhs)

| S. No | Particulars | Remarks |
|-------|--|--|
| | Name of the subsidiary | JKB Financial Services Ltd. |
| | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | Same as that of Holding Company (01-04-2016 to 31-03-2017) |
| | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | Not Applicable |
| | Share capital | Rs. 2000.00 |
| | Reserves & surplus | Rs. (360.35) |
| | Total assets | Rs. 1930.82 |
| | Total Liabilities | Rs. 1930.82 |
| | Investments | - |
| | Turnover | Rs. 526.75 |
| | Profit before taxation | Rs. (70.01) |
| | Provision for taxation | Rs. 21.63 |
| | Profit after taxation | Rs. (48.37) |
| | Proposed Dividend | Nil |
| | % of shareholding | 100% |

Notes: The following information shall be furnished at the end of the statement:

| | |
|---|-----|
| Names of subsidiaries which are yet to commence operations | Nil |
| Names of subsidiaries which have been liquidated or sold during the year. | Nil |

Part "B": Associates and Joint Ventures

| | |
|---|----------------------------------|
| Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures Name of Associates | The J&K Grameen Bank |
| 1. Latest audited Balance Sheet Date | 30 th September, 2016 |
| 2. Shares of Associate/ Joint Ventures held by the Bank on the year end : | |
| Number | 3,40,10,000 |
| Amount | Rs. 34,01,00,000 |
| Extend of Holding % | 35% |

| | |
|--|---|
| 3. Description of how there is significant influence | The J&K Bank is the sponsor Bank of the J&K Grameen Bank, holding 35% of its Share Capital |
| 4. Reason why the associate is not consolidated | The audited financials of the J&K Grameen Bank were not available at the time of consolidation of the audited financials of the Bank, |
| 5. Networth attributable to Shareholding as per latest audited Balance Sheet | Rs. 5329.54 lacs (being 35% of Total Networth of Rs. 15227.25 lacs of J&K Grameen Bank) as on 30-09-2016 |
| 6. Profit / Loss for the year | Rs. (12.78) Crores (Loss) as on 30-09-2016 |
| 7. Considered in Consolidation | No |
| 8. Not Considered in Consolidation | Yes |

Parvez Ahmed
Chairman & CEO

Azhar-ul-Amin
Director

S K Bhat
Senior President (CFO)

Navin Kumar Choudhary, I.A.S
Director

Mohammad Maqbool Rather
Director

Tabassum Nazir
Vice president

Yogesh Kumar Dayal
Director

Mohammad Ashraf Mir
Director

Mohammad Shafi Mir
Company Secretary

Abdul Majid Mir
Director

Place: Srinagar
Dated: 13th May, 2017

In terms of our report of even date annexed

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

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

For Dharam Raj & Co
Chartered Accountants
FRN: 014461N

CA. Madhusudhan Meher
Partner (M.No. 097409)

CA. Hardeep Aggarwal
Partner (M.No. 088243)

CA. Dharam Raj
Partner (M.No. 094108)

Place: Srinagar
Dated: 13th May, 2017

Annexure 6
FORM NO. AOC 2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis:

-----Not Applicable-----

2. Details of material contracts or arrangement or transactions at arm's length basis

| | | |
|-----|---|------------------------|
| (a) | Name(s) of the related party and nature of relationship | As per table "A" below |
| (b) | Nature of contracts/ arrangements/ transactions | |
| (c) | Duration of the contracts/arrangements/transactions | ----- |
| (d) | Salient terms of the contracts or arrangements or transactions including the value, if any: | ----- |
| (e) | Date(s) of approval by the Board, if any: | NA |
| (f) | Amount paid as advances, if any: | NA |

TABLE "A"

| Items/Related Party | | J&K Grameen Bank (Associate) | JKB Financial Services Limited (Subsidiary) |
|--|---------------------------------|------------------------------|---|
| Deposits | Balance as on date | 1408.65 | 4.12 |
| | Maximum Balance during the year | 1463.81 | 13.14 |
| Advances | Balance as on date | *11.67 | NIL |
| | Maximum Balance during the year | 265.67 | NIL |
| Investments | Balance as on date | 34.01 | 20.00 |
| | Maximum Balance during the year | 34.01 | 20.00 |
| Interest paid | | 102.54 | 0.85 |
| Interest/Commission Received | | 3.26 | 0.03 |
| Sale of Fixed Assets | | NIL | NIL |
| Transfer of Current Assets/Liabilities (Net) | | NIL | NIL |
| Reimbursement of Expenses | | NIL | 3.87 |

Advances is shown as borrowings from the sponsor bank in shape of SOD, LAD and Perpetual Bonds.

*Rs. 11.67 crore is 50% share of Sponsor Bank for implementation of CBS by JKGB in the form of Investment in Tier II perpetual bonds.

Parvez Ahmed
Chairman & CEO

Place: Srinagar
Dated: 13th May, 2017

Management Discussion and Analysis

At the onset of FY 2017-18, the global macroeconomic environment is characterized by dynamic political realities. There is a new president in the United States of America with new ideas and goals. Growth and inflation have begun to accelerate in Europe, albeit with stubbornly high unemployment. Asia is witnessing stabilization in growth, but risks of piling up of debt and rising trade tensions are getting deep.

Coupled with resilient financial markets and a long-awaited cyclical recovery in manufacturing and trade, it is expected that world growth rate will rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. However, unavoidable structural barriers continue to hold back a stronger recovery, and the balance of risks remains tilted to the downside, especially over the medium term. In advanced economies, given the persistent structural problems—such as low productivity growth and high income inequality—the pressures for inward-looking policies are increasing. These are posing a direct threat to global economic integration and the cooperative global economic order that has served the world economy, especially emerging market and developing economies, well. In this backdrop, economic policies have an important role to play in staving off downside risks and securing the recovery. A renewed multilateral effort is also needed to tackle common challenges in an integrated global economy.

In recent years the significance of emerging market and developing economies is becoming a crucial factor in global economy. Just two decades ago these economies were only half of what their current share in world economy is, which as of now account for more than 75 percent of global growth in output and consumption. The external enabling environment has been important for this transformation. With increased integration with the global economy in terms of trade, external demand, and, in particular, external financial conditions, there is an increase in influencing determinants of medium-term growth in these economies. There is however still a substantial income gap in these economies vis-à-vis those in advanced economies, suggesting further room for catch-up. This favours the prospect of maintaining relatively strong potential growth over the medium term.

China, one of the major players of global supply and demand has been witnessing unhealthy volatility affecting the world economies considerably. In December, China's exports, measured in US dollars, declined 6.1 percent from a year earlier. For all of 2016, exports were down 7.7 percent, the second consecutive year of decline and the steepest decline since the global financial crisis of 2009. Exports to the United

States and South Korea were strong, up 5.5 and 8.3 percent respectively, but exports to other locations fared poorly. Exports to the European Union were down 4.7 percent, and those to Japan were down 5.5 percent. The overall weakness in exports reflected several factors: the negative impact of an overvalued currency, the negative impact of rising Chinese labour costs relative to other countries, and relatively weak global demand.

The outlook about the prospects for Chinese exports looks pessimistic because of the concerns that the new US administration will implement protectionist policies that could hurt Chinese exports. However, Chinese exports to the United States continue to grow, yet possible policy shifts in the United States might put such growth at risk.

The disruption created by the Brexit has been subdued so far, as expected. However, Euroscepticism is getting more and more advocates, which is evident from the fallout of Italy's referendum and the increasing criticism of strict austerity policies imposed by the European Union throughout large parts of the continent. There is a rising influence of nationalist and far-right parties as well as anti-globalization sentiments in most of the European nations. Moreover, the Italian government's bailout of the country's banks and the financial trouble within China have intimidated global investors. Subsequently, emerging market economies are experiencing strong capital outflows, while the US dollar has appreciated substantially in the past few months.

India, too, has witnessed a strong portfolio investment outflow since October, while foreign direct investment inflows have softened. Indian stock exchange indices have witnessed a sustained bull run with markets touching all-time highs in first quarter of FY 2017-18. Having said that, India's good relations with President Trump in the past, a stronger dollar, and strong demand for software developers and professional services in the United States will likely help India's IT and ITES industries grow at a sustainable pace. However, Donald Trump's decisions aimed at stopping the "abuse" of the H-1B visa programme and "giving jobs back to Americans" are hurting many Indian IT companies.

India's resolve to reform its economy has seen some very disruptive decisions like demonetization in the third quarter of FY 2016-17. Demonetization has impacted consumer demand, as demonstrated by falling sales in the auto industry post demonetization. Both passenger car as well as two-wheeler segment sales reported the highest year-over-year decline since the Society of Indian Automobile Manufacturers (SIAM) started recording the data in 1997. Moreover, sales in housing

sector and new home launches took a substantial hit in the October-December quarter in eight major cities.

Beyond demonetization, a few global events are likely to have a significant impact on India's economy in the coming quarters: the outcome of the US election, rising global oil prices, and the heightened global uncertainty resulting from China's slowdown and geopolitical and financial tensions in Europe.

The landslide win of BJP in UP elections has instilled investor confidence remarkably. Strong fundamentals and reform implementation, together with easing inflation and monetary policy, will likely keep inflows of direct investment and business sentiments steady. However, global uncertainties may accelerate capital outflows. The likelihood of continued appreciation of the US dollar against the Indian rupee will help increase revenues and the competitiveness of India's export-oriented businesses.

India has enjoyed the privilege of being among the most favoured investment destinations of the world during the past couple of years. Favourable oil and commodity prices have helped India to improve its public finances and reduced some of its external vulnerabilities. Most of these favorable economic variables are turning into headwinds now, posing a challenge to the health of the Indian economy. There also are the legacy issues relating to the excessive corporate leverage of the past boom which is haunting the entire financial system today. The accumulation of bad debt has made both borrowers and lenders more vigilant, delaying a much needed recovery in capital expenditure. However, policy reforms initiated to unclog the pipeline of stalled projects can change the situation considerably. Although, the shock of demonetization has further weakened sentiment by lowering aggregate demand, the long term benefits in terms of moving towards a more formal economy with digital penetration are unfolding with positive dividends.

India is estimated to grow at 7.2% in 2017-18 according to the latest IMF estimates, a full percentage point lower than earlier forecast. The challenge of reviving the growth engines of the economy, without raising public borrowing too far and risking the wrath of credit agencies, is a daunting one.

After being projected among the Fragile Five economies of the world some years back, Indian economy has made a spirited comeback. Aided by a sharp decline in oil and commodity prices, the recovery began during the fag end of the UPA regime and continued during the NDA period. The decline in oil and commodity prices has allowed India to contain her fiscal and current account deficit, and made it a relatively more attractive investment destination compared to commodity-exporting emerging markets. The inflows of foreign investments and a falling import bill has helped India

raise its import cover ratio, even though this is still lower than that of its peers.

The over-leveraged balance sheets of firms and banks remain the biggest impediments to a broader and deeper recovery. This is a chronic issue, and one that demands a holistic response from all the stake holders. The recent guideline by the regulator for balance sheet cleansing is one important and timely response in this direction. Most of the Banking players have recognized the bad assets and have sufficiently provided for them. Capital infusion by the Govt under its Indradhanush program has addressed capital adequacy issues on the other hand. The debt hangover will be out weighed by credit off-take which shall advance the revival of the capital expenditure cycle.

Closer home, the economy of J&K has been faced with tremendous downside risks post 2014 floods. Year 2015 witnessed a slow and gradual recovery in economic activities in the state which was supplemented by substantial help to traders and business community by way of loan restructuring and rehabilitation. Among three regions of the state, Kashmir valley witnessed a colossal loss during 2014 floods and then in 2016 summer unrest. Kashmir Valley faced continued turmoil/ disturbances since 9th July, 2016, which adversely affected economic pursuits of all the business establishments in the State. Business activities of all shops, commercial vehicle operators, hotel industry, industrial units and other business establishments came to halt resulting in huge losses to the economy of the state. The trade, tourism, industry and transport got severely hit. The impact resulted in the borrowers' inability to conduct their business in normal way, operate their business accounts in smooth manner and repay interest and installments of Term Loans in time from July, 2016 onwards. Consequently, huge credit portfolio of the banks operating in the State was under stress and with timely relaxation from the regulator many accounts were saved from slipping into NPA. The impact of continued turmoil/ disturbances on the credit dispensation by banking sector in the State is quite visible

The sectoral composition of the state income has undergone considerable changes over a period of time. Over the last five decades, the share of primary sector has declined steadily from 17.58% in 2011-12 to 15.89% in 2015-16 (advance estimates) and the share of secondary sector has declined from 27.62% in 2011-12 to 27.11% in 2015-16 (advance estimates), while as the share of services sector has increased from 54.80% in 2011-12 to 57.00% (advance estimates) in 2015-16.

J&K Outlook 2017-18

Gross State Domestic Product (GSDP) at constant prices for the year 2011-12 (base year) is estimated at Rs. 77945 crore.

The GSDP for the financial year 2015-16 (advance estimates) is of the order of Rs. 91806 crore registering a growth rate of 7.79% over the GSDP of 2014-15 which was Rs 85168 crore. During 2013-14 and 2014-15 the growth rates were registered at 7.33% and (-0.96) % respectively. The state economy was expected to register growth of 7.65% (projected) during the financial year 2016-17 at constant prices of 2011-12 as compared to growth rate of 7.79% achieved during 2015-16. The projected growth for the year 2017-18 is estimated at 7.79%.

Past two quarters have been really tough for Banking Industry as a whole. J&K's banking industry is already grappling with the huge NPA problem which resulted into heavy loss- booking during September and December Quarters of previous financial year. Demonetization of Specific Bank Notes and push for digitization to achieve less- cash economy status as desired by the Central and State Governments made situation more challenging. Compared to other Indian states, the Banks in J&K handled the demonetization smoothly and completed it within the stipulated time frame. Moreover, Special Restructuring Package further tightened the time and work schedule of banking Staff who were forced to spend even holidays completing the tough task arising out of these simultaneous projects.

J&K Bank - Performance and Prospects

The Jammu and Kashmir Bank posted an operating profit of Rs. 1294.34 Cr for FY 2016-17. The bank however, ended the year with a net loss of Rs. 1632.28 Cr primarily due to provisions made against bad debts to the tune of Rs. 2115.93 Cr. However, the net NPA of the bank improved by 112 basis points during the period to end at 4.87 pc and the Net Interest Margin improved to 3.50 pc from 2.99 pc reported in last quarter. The total business of the bank crossed Rs 1.22 lakh Cr registering an increase of Rs. 2700 Cr over the last year. In line with the Bank's focus about consolidation and strengthening of the Bank's Balance Sheet, the emphasis during the last three quarters has been on reinforcing fundamental strengths which formed the core of the Bank during its yesteryears. Recognition of the stress in the asset book and making adequate provisions thereof was preferred over posting of profit.

The strategy of instilling transparency and faith in the system adopted by the new regime by focusing on increased provision coverage of bad debts despite stress on the bottom-line of the Bank in the short-run was fully adhered to. Revised policy asserted that the system is fairly cleansed now and with the levels of provisions made during the year, balance sheet expansion in a sustainable manner with decent return on the equity will be assured from FY 2018 and onwards. Given the deployment of funds towards provisions in FY 2016-17, the requirement of provisions for incremental NPAs recognized

during the year would be substantially less than what the Bank actually provided for during the year. The Provision Coverage Ratio of the Bank as a result of this accelerated provisioning, has improved to 67 pc after touching a low of 50 pc in June 2016. The Standard Loan Book and Investment Book of the Bank now is mostly high rated and the woes of asset quality issues in this portfolio are assumed to be passé. Notwithstanding all these odds, the Bank recorded deposit growth of 4% and gross advances growth of 2% during the year. Silver linings emerging due to proper liability management and management's decision of non-rollover of high-cost bulk deposits are reflected in CASA ratio of the Bank improving to 51.7 pc as on March 2017 from 44.1 pc a year ago though this was partly aided by demonetization. The Bank is operating with a better than industry-average NIM of 3.4 pc which is bound to improve further going forward. Credit growth of 11 pc during the fourth quarter is an encouraging sign of growth momentum setting in. Reorganization and creation of a dedicated Impaired Assets Portfolio Management vertical too has started yielding encouraging results with substantial improvement in reduction/recovery of bad loans to the tune of Rs. 355 Cr during the fourth quarter of FY'17 taking the overall reduction/recovery during the year to an unprecedented Rs 800 Cr almost double the recovery affected during the previous FY. Bank's superior franchise in its home state as evidenced by its dominant market share of over 60 pc in loans and deposits continues and is expected to be reinforced further with adoption of a plan based strategy of outgrowing the market. The state contributes about half of the loan portfolio, 85 pc of overall deposits and 92 pc of CASA deposits of the Bank.

The State government being the promoter and major stake holder is committed to support the envisaged growth plans of the Bank by augmenting its capital base. Preferential allotment of equity shares for second tranche of infusion of Rs. 282 Cr by the State Government has already been approved. Proportionate amount of capital raising from public/institutions has also been approved by the Board of Directors of the Bank in addition to raising of Basel III compliant T2 bonds worth Rs. 1000 Cr. The capital augmentation through such infusion and envisaged retained earnings over the ensuing periods shall help in complying with the regulatory capital adequacy requirement and support envisioned credit growth.

The Bank has also roped in professional consultants for drawing a medium-term business plan with strategy for achieving the targeted goals, suggesting re-engineering of business processes focusing on improving efficiency and cutting wastages, ensuring high level of regulatory compliances and realigning HR policies to support the business plan achievement. All these initiatives are expected to yield rich dividends and fructify into financial performance worth showcasing.

Corporate Functions Report

Corporate Social Responsibility-CSR

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

During the FY 2016-17, the Bank retained its focus on activities aimed at larger community welfare through its CSR initiatives concentrating on people's health, education, environment and society at large.

Major CSR activities in the year 2016-17

PROVIDING HEALTHCARE

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 through a mix of means.

As a responsible institution towards the wellbeing of general public, the Bank provided some diagnostic equipment to government hospitals that includes Ultrasonic Cutting and Coagulation Gen-II Harmonic Machine to District Hospital Kargil, Sonum Norbu Memorial (SNM) Hospital, Leh and St. Joseph Hospital Baramulla.

One ambulance was also donated to District Hospital Rajouri. During the year, the Bank provided substantial financial help to hemophilia patients for purchase of the lifesaving plasma.

Promoting Education

Education, as means of 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.

Introducing vibrancy in the current education system through new concept of 'Model Schools', J&K Bank developed three Government Schools in South Kashmir which were equipped with state-of-the-art technology and infrastructure facilities in the form of Smart classes, computer labs and furniture. The idea guiding the initiative is to help the students receive quality education for better personality development and prepare them to compete at higher levels.

Project Muskaan for 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, Chhotey Taarey Foundation, Sahyog India. These children are provided with special education as per their needs

and requirements, so that they feel empowered to deal with their reality and resist discrimination.

The bank also established a gymnasium with latest equipment for girls at Balgran Jammu.

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 environment 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.

Special Initiative

During the financial year, the Bank sponsored the state government's initiative of providing Scootys to financially marginalized girl students with outstanding track record in studies. In order to boost their morale and appreciate the merit, this endeavor was in line with the bank's mission of people's empowerment including those of girl students of the state.

Besides, various other activities were also undertaken for the benefit and wellbeing of the society.

HR Initiatives

Investing in our employees remains of paramount importance. We strive to institutionalize globally competitive Human Resources (HR) practices in the Bank and make it an employer of preferred choice.

In the Financial Year 2016-17, our HR activities were in line with these priorities to translate our intentional plan into action.

The bank has focused on mooring the values and principles in all people processes - from recruitment to promotions, talent development, technological intervention and remuneration.

HR in J&K Bank is system driven utilizing state of the art HRMS tool, the Peoples' Soft. All the major HR functions are run on Peoples' Soft which has brought parity among the members of staff w.r.t. their entitlements.

During the current financial year, besides the normal HR activities, bank introduced initiative commensurate with the expectations of employees; the major among these is a compassionate contribution for employees who die in harness. The Bank has also constituted a committee which shall monitor the economic and social welfare of families of deceased employees through a properly devised support and monitoring mechanism till their attainment of independently sustainable prosperity through an empowerment and aspired livelihood which they dreamt of and pursued while their loved ones were alive.

In 2016-17, the recruitment process of Relationship Executives and Banking Associates were completed and a total of 1558 employees were recruited.

Bank-On, a beginner's guide was published first time in the history of Bank for the new recruits.

In order to empower employees across all levels, career progression was given due consideration and 1753 promotions were effected across all cadres during FY 2016-17. These include promotion of 69 Banking Attendants as Assistant Banking Associate, 58 Assistant Banking Associates as Banking Associates, 8 Banking Associates as Associate Executive, 869 Associate Executives as Executive, 686 Executives as Senior Executive, 29 Executive Managers as Assistant Vice President, 02 Vice Presidents as President.

Facilitating system driven processes, Bank installed Bio-metric attendance system at 61 Business Units and all Controlling offices involving around 2200 employees.

HR interacts with employees and share their happiness and grief through PeopleSoft. A dedicated team is on the job to take care of health issues of employees by handling the subject and ensuring that they get the best treatment available in the country.

Investment in skills and accelerating employees' professional and personal development are essential components of the Bank's people agenda. During the year, a total 3324 employees across all cadres were imparted training as per the requirement. Among the total trained, 2139 had their courses done in J&K and 476 were sent outside J&K for specified courses.

The Man-Power Planning is resorted to in a professional manner to ensure that right people are placed at right positions.

The SMS Inspection system and Disciplinary Track of employees is completely ready to be rolled over to make the systems more accountable and responsible.

Performance Management Processes are calibrated in sync with the targets and are aligned with the vision of the organisation.

Risk Management

Bank's risk management framework is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risk management 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, operational, residuary risks faced by the Bank and Asset Liability Management Committee actions.

Credit Risk Management

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. 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.

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.

To measure credit risk in Bank's credit portfolio, Bank has put in place an internal credit rating system that serves as an indicator of diverse risk factors of counterparty and also for taking credit decisions in a consistent manner.

Credit audit system and loan review mechanism function independently of the credit processing and credit approval system thereby ensuring effective loan monitoring and management of credit risk & operational risk in the loan portfolio.

Capital requirement for Credit risk is derived using Standardized approach.

Operational Risk Management

The Operational Risk Management process of J&K Bank is driven by a strong organizational culture and sound operating procedures which 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 risk. 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 ensure uninterrupted operations in case of disruptions.

Capital requirements for Operational risk are derived using Basic Indicator approach.

Market Risk Management

The market risk management is governed by Market risk policy of the Bank. A well-defined Market risk management framework is in place to assess and minimize risks inherent in treasury operations through various risk management tools. In addition to various regulatory limits, Bank has defined various internal limits like Net Overnight Open Position, Modified Duration, Stop Loss, VaR Limits, PVo1 Limit, and Concentration & Exposure Limits and ensures adherence thereof on continuous basis for managing market risk in trading book of the Bank. These limits are stipulated in Market Risk Policy, Investment & Trading Policy, and Asset Liability

Management Policy. All these policies are reviewed and approved by Board of Directors of the bank. For the Market Risk Management of the Bank, there is a functional separation between Front, Mid and Back Office of the Treasury.

The Bank currently follows the standardised approach for computation of market risk capital on interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk for its trading portfolio.

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 Bank has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). Under ICAAP bank assess capital position vis-a-vis identified risks and also the future capital requirement of the Bank. ICAAP is to ensure that a bank is aware of its risk profile and has systems in place to assess, quantify and monitor risk. 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 risk. 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 as per the growth strategies formulated by the Bank.

Marketing & Product Development

Marketing in banking sector involves a wide array of functions which includes devising relevant financial products and services, pricing it correctly, making it available through branches and digital platforms, communicating effectively to the target audience and essentially deploying human resource across channels for smooth delivery of the services in a timely, secure and efficient manner.

With tremendous growth in technological platforms like the mobile internet, smart phones, artificial intelligence and e-commerce, the nature and domain of banking services has changed drastically. The bank is regularly introducing new products and services and upgrading the existing ones in order to address the changing dynamics of the market. 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.

Besides leveraging technology, J&K Bank understands the value of human contact. Building long lasting customer relationships through a wide network of business units and marketing structure helping in strengthening the emotional equity of the Bank. In addition to this Bank's focus on relying on valuable customer feedback for improving systems,

procedures and products has been the base for continuous improvement and new business development.

Advertising and Publicity

Promoting our brand image proactively, we successfully positioned our brand image deep within the evolving public consciousness thereby enhancing our brand value during the financial year 2016-17. The bond of trust between stakeholders and the bank was further cemented through effective and needful messaging at relevant junctures throughout the financial year.

The bank's products, services and facilities were successfully advertised across the operational geographies. Besides its functioning and achievements were effectively communicated to the respective target audiences including customers, shareholders, stakeholders and general public through customized and efficiently packaged messages using relevant multi-media outlets across the country. Leveraging its presence in the social-media universe, the bank firmed up its online presence further to enhance its brand image using highly popular medium of social connectivity platforms like Facebook and Twitter.

IT Initiatives during FY 2016-17

Adoption of latest banking technology and innovation continues to remain a thrust area of the bank with the affirmed objective of offering latest digital banking facilities to its customers. The details of various technology initiatives taken during the financial year 2016-17 are enumerated below:

Achievements during the financial year 2016-17- T&ISD

Mobile Banking Upgrade

To provide user friendly and robust Mobile banking application, mobile banking upgrade was initiated. The new mobile banking application was designed with enhanced features vis-à-vis IMPS and PDD bill payment and has been made live for public.

AEPS OFF-US service at BC (Business Correspondent)

locations through Online FI Solution

AEPS-OFFUS service has been made live, where customers of our bank and other banks having their accounts seeded with Aadhaar number can avail the services at Business correspondents in J&K using Online FI solution.

Micro ATMs:

To provide card based transaction services to customers, concept of Micro ATMs has been introduced at Business Correspondent locations. Micro ATMs are basically PoS/ Handheld Terminal with Encrypted pin-pad. Customers have the facility of cash withdrawal and balance inquiry transaction through Micro ATMs. Transaction happens in online real-time mode. The facility has been made available at 850 BC Locations

Unified Payment Interface (UPI)

UPI (Unified Payments Interface) from National Payments Corporation of India (NPCI) has been implemented. UPI is a system that powers multiple bank accounts into a single mobile application of a participating bank, merging several banking features like seamless fund transfers & merchant

payments into one platform. It also caters to the payment collect request which can be scheduled and paid as per the requirement and convenience of the customers.

Goods and Services Tax (GST)

Goods and Services Tax (GST) is an indirect tax reform which aims to remove tax barriers between states and create a single market. GST is a single indirect tax that combines several indirect taxes like Service tax, Central Excise tax, customs tax, VAT tax etc.

Bank is ready with GST application Version 4.05 for online collection of GST challans through ebanking and Over the Counter at branches.

Easy-collect

Easy Collect, a centralized multi-modal payment portal that can converge institutions with similar requirements of acceptance of fee online and offline to single point of reference over Internet. Primary requirement for having such a system in place is the fact that many institutions show their inability to develop an e-commerce ready website of their own which can host a fee collection module integrated with IPG.

From the merchant perspective this multi-modal payment system will offer multiple payment options to its customers and from the perspective of payer, multi-modal payment portal will offer aggregation of different merchants of different nature at a single point. The application has been made live on 22nd Feb 2017 for merchants/ institutions and Govt. departments the service has also been recently made available to Excise Department of J&K Govt.

Digital transformation

Digital transformation Project was initiated by the bank in the month of Dec 2016 with a focused approach to increase the customer enablement on digital channels and subsequent increase in digital transactions. Bank has made substantial progress on digital transformation efforts with multifold increase in customer enablement across all digital channels.

- As per Ministry of Human Resource Development (MHRD) directions VISAKA (Vittiya Saksharta Abhiyan) Training/ awareness programme was conducted for all colleges/ universities of J&K State. The purpose of the VISAKA is to actively engage the youth/ students of Higher Education Institutions to encourage and motivate all payers and payees to use a digitally enabled cashless economic system for transfer of funds.
- Easy collect/IPG/corporate e-banking products were rolled out in a number of institutions. These products have facilitated cashless payments in these institutions.
- Electricity bill payment (PDD) has been enabled on Mobile Banking Application of the bank. RTO Jammu and Excise Department of J&K Govt have been facilitated for cashless transactions.
- Targeted SMS campaigns/ advertising campaigns in print media are being run to promote digital channels.
- The platform for PFMS (Public Financial Management System) is already live and same has been offered to all participant departments during the workshop for PFMS organized by State Govt.

- DigiDhan Melas were organized in three districts of the J&K State; Jammu, Udhampur and Baramulla
- Besides facilitating State Govt. in organizing DigiDhan Melas in three Districts of the State, Digital banking awareness programmes were organized in Govt. departments, Hospitals, Schools, Universities, Panchayats etc. So far such camps have been organized at SKIMS, DC Office Srinagar, J&K Armed police Camp (Zevan), Kashmir University, Govt. Hr. Sec. School (Muthi and Miran Sahib), Nardni Raipur Panchayat, Block Development Office (Satwari).
- Zonal level workshops for BCs on Kiosk Banking and other digital products were conducted across the State.
- **ATM:** During the financial year 2016-17, 91 ATMs, both onsite & offsite, were commissioned thereby taking the number of ATMs to 1097 as on 31.03.2017. No of ATM cards issued increased from 24,62,728 to 44,83,977 during the financial year 2016-17.

Financial Inclusion:

The objective of financial inclusion is to reach out to the 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 outlets 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. 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.
- Bank has provided the BC coverage to all the 3271 allotted villages for extending ICT based financial services in the identified unbanked villages.
- Bank has also identified 334 unbanked villages under self set target and rolled BCs in these villages under financial inclusion. The total number of villages covered under financial inclusion has reached to 4132 as on March 2017.
- In addition to 4132 villages, J&K SLBC allocated 1332 new villages/wards to our Bank under PMJDY in two phases which were covered during the three-year period of 2013-16. Also 4 villages outside the state of J&K were allocated by the RBI. Therefore, a net total of 5468 unbanked villages/wards were covered in the three-year period of 2013-16 under the Financial Inclusion Plan of the Bank including 4 villages outside the State of J&K allocated by RBI.
- Bank has opened 161 Business units in identified allocated villages under financial inclusion plan comprising of 37 business units in villages having above 2000 population and 124 business Units in villages having below 2000 population as on March 2017.
- Bank has covered all the allotted 1173 Sub Service Areas (SSAs) and 754 Urban Wards, covering 5468 villages (4132 under FIP 2013-16 and 1332 exclusively added

under PMJDY). Almost 11.30 Lakh Households have been surveyed and potential beneficiaries were brought under the ambit of PMJDY. This was achieved by engaging 927 VLEs (Khidmat Centres) as Banking Correspondents (BCs) and 585 Business Units across J&K State, to provide banking services to the targeted segments of population.

- Bank has engaged 13 more BCs and 20 more Business Units were opened thereby taking the number of BCs to 940 and Business units to 605 for providing ICT enabled financial services in the State, while as 2 BCs and 2 business units have been engaged outside the State of J&K. Overall, there are 942 VLEs (Khidmat Centres) as Banking Correspondents (BCs) which are linked to 585 Base branches for providing ICT enabled financial services to the targeted population.
- The target for providing ICT based banking services in 4132 identified unbanked villages of Financial Inclusion Plan 2013-16, has been successfully accomplished. Bank has engaged M/S Tata Consultancy Services (TCS) as technology service provider for the implementation of web based online FI solution, enabling the transactions generated through the operation of Biometric and PIN PAD Devices installed at BC Locations/Business Units to hit the CBS server instantly. Through this new solution Bank has put in place a robust, secure, transparent and real time based ICT transaction platform at BC locations. The new solution has reduced the cost per transaction for the Bank and count of the transactions at BC location is estimated to increase manifold in future.
- Micro Credit products have been devised for credit delivery through ICT based smart card mechanism under financial inclusion. The credit products are Differential Rate of Interest, Micro Credit Card and Micro-Overdraft to small accounts.

RBI selected Villages (Progress/ Achievements)

- RBI has selected 15 model villages allocated to J&K Bank for 100% financial inclusion under Platinum jubilee celebration. All the 15 villages have been made functional for Kiosk Banking (online FI solution). BCs and Business Units catering to these 15 RBI adopted villages have been provided with Biometric Devices and PIN PADs.
- Against the 5604 households in all 15 RBI selected villages, 5602 households are covered and 14766 No-Frills accounts have been opened as on 31.03.2017.

Financial Literacy cum Credit counseling centres (FLCCs)

- In compliance to RBI directives, SLBC advised J&K Bank for setting up of FLCCs in its 12 lead districts. Bank has made all the 12 FLCCs functional in its lead districts. The need for financial literacy and its importance for financial inclusion have become widely recognized. To promote financial education and literacy and to create awareness among the people living in the identified unbanked & under-banked areas for successful implementation of Financial Inclusion Plan 2013-16 and to achieve targets set under PMJDY, our Bank organized more than 2000 Financial Literacy Camps (FLCs) during last two financial years. Various financial literacy programmes were customized to suit the requirements of school/college students,

microfinance clients, SHGs, rural women, bank clients etc. The Bank would continue with its efforts to enhance financial literacy during the implementation of Financial Inclusion Plan 2016-19 by providing guidance and support to the targeted groups. Further, special counters shall be set up at targeted locations in rural and urban areas for creating awareness about the benefits of three Social Security Schemes i.e., PMJJBY, PMSBY & APY.

Financial Literacy Camps through Rural Branches

- In compliance to revised RBI guidelines, SLBC has advised the Banks to conduct one special camp per month for newly included people in the financial system including PMJDY A/C holders during a period of one year and also one camp per month for target specific groups of farmers, SHGs, MSEs, senior citizens and school children through their rural branches. In this regard, 2182 financial literacy camps were conducted through the rural branches of the bank during the financial year 2016-17.

Pradhan Mantri Jan Dhan Yojna (PMJDY)

- Pradhan Mantri Jan Dhan Yojna (PMJDY) has been launched on 28th of August 2014 under comprehensive financial inclusion plan, with an objective to bring the entire unbanked population particularly living below poverty line within the ambit of banking fold, by extending the facility of financial services at their door step at an affordable cost.
- 14.43 Lakh PMJDY accounts have been opened under the scheme since August 2014 with a deposit of Rs.533.97 crore in these accounts. 1.57 Lakh PMJDY accounts have been opened during the FY 2016-17 i.e., an increase of 10.88%.
- Bank has procured 1133720 RuPay Debit Cards. All the RuPay Debit Cards have been delivered to Business Units for onward delivery to customers. Out of 1133720 cards, 751389 cards have been activated as on 31.03.2017. The RuPay Cards are being swiped on PIN PADs at BC Locations and at ATMs for withdrawal of cash.

Progress under PMJDY as on 31.03.2017

| PMJDY Rural A/Cs | PMJDY Urban A/Cs | Total no. of A/Cs | Total Balance in PMJDY A/Cs (amt. in Lakh Rupees) |
|------------------|------------------|-------------------|---|
| 1309225 | 133504 | 1442729 | 53397.00 |

Status of Inbuilt RuPay Card Insurance

RuPay Card scheme is a domestic network set up to provide secure, robust, scalable, simple, transparent, inclusive, user friendly and affordable solution to entities eligible to issue cards in India. As a value added service, the insurance cover of Rs.1 Lakh (accidental death or permanent disability only) to eligible Card holders and Rs.30, 000/- (Life Insurance) to eligible customers was introduced. The Insurance program came in to effect from 1st April 2015 .

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 provides one year cover, renewable every year, Insurance Scheme offering life insurance cover of Rs.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 Rs.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 offers a one year cover, renewable every year, Accidental Insurance Scheme for accidental death and disability cover of Rs.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 Rs.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.

APY: Atal Pension Yojna (APY) is a government-backed pension scheme in India 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 Rs.1000/-,2000/-,3000/-,4000/- and 5000/- per month will be given at the age of 60 years depending on the contributions by the subscribers.

Status of e-KYC & AEPS

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

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

Bank has engaged 607 Business Units and 942 BCs for the implementation of FI and PMJDY in 5468 villages and 754 wards as on 31st March 2017. Name and Location of the CSC's engaged as BCs for the implementation of FI & PMJDY has already been hosted over 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 August 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 Tata Consultancy Services as technology service provider for the implementation of web based online FI solution. Financial Inclusion Solution (KIOSK BANKING Model) integrates Biometric and ICT technologies to deliver mainstream banking services like account opening, deposits, withdrawal, remittance, Balance Inquiry etc., to the marginalized sections of unbanked and under-banked population in rural areas in a cost effective and secure manner. These services are being provided to the customer at his/her door step.

Transactions through Online FI Solution (Kiosk Solution)

The aggregate transactions count at BC locations is estimated to increase to around 1 Lakh per month (12 Lakhs/annum). 71919 transactions have been generated through Biometric Devices and PIN PADs involving an amount of Rs.24.26 Crore as on 31st March 2017.

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 its service through customer satisfaction surveys and customer advisory forum meets, regularly conducted at operative levels. Bank believes in strong customer service that makes the difference between standing out from the pack and staying competitive.

Prompting Compliance

The Bank has put in place compliance processes based on RBI guidelines and Bank's own internal standards of governance. There has been a committed effort to follow best industry practices and standards in the areas of accountability, transparency and business ethics.

The bank has in place a well defined compliance policy for identifying and mitigating the level of Compliance Risk in each and every business line, product and process. The bank adheres to all statutory provisions contained in various legislations such as Banking Regulation Act, RBI Act, FEMA, other regulatory guidelines and internal policies of the bank issued from time to time. The adherence is ensured through a well defined framework of roles and responsibilities for enterprise-wide compliance.

Independent Auditors Report

To
The Members of
The Jammu & 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 2017, 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 incorporated in these financial statements are the returns of 52 Branches/offices audited by us, 848 branches/offices audited by statutory branch Auditors. The branches/offices audited by us and those audited by other Auditors have been selected by the Comptroller and 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 there under.

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 judgement, 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, 2017, and its loss and its cash flows for the year then ended.

Emphasis of Matter

9. We draw the attention to the following matters in the notes to the financial statements:
- i. Note No.43 (b) on account of relaxation in asset classification, allowed by RBI for all borrowal accounts of J & K State except those which are 'overdue' as on July 07, 2016, in term of RBI master directions issued for Relief measures by banks in areas affected by natural calamities. Accordingly the bank has rehabilitated/restructured borrowal accounts including the accounts overdue as on July 07, 2016 after recovering the overdue amount as of July 07, 2016. A total amount of ₹3265.83 crore represents the rehabilitated amount for

which a provision of ₹ 163.29 crore and ₹ 134.98 crore on account of DIFV has been kept as on 31.03.2017.

Our opinion is not qualified on the matter

Report on Other Legal and Regulatory Requirements

10. 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.
 11. 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.
 12. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - i. 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;
 - ii. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - iii. the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our audit.
 13. 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 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;
 - 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 - Refer Schedule 12 - Note 23.12 to the financial statements;
 - b) the Bank did not have any, on long term contracts including derivative contracts for which there were any material foreseeable losses;
 - c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

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

CA. Madhusudan Meher
Partner
(M. No. 097409)

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

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

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

CA. Dharam Raj
Partner
(M. No. 094108)

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 for F.Y. 2016-17

| 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 free-hold 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 does not have clear title/lease deeds for freehold and leasehold lands for the following properties:- <table border="1"> <thead> <tr> <th>S.No</th> <th>Land</th> <th>Area</th> </tr> </thead> <tbody> <tr> <td>1)</td> <td>Vashi, Mumbai (1st Floor)</td> <td>5400 Sq.ft</td> </tr> <tr> <td>2)</td> <td>Budgam</td> <td>4 Kanals</td> </tr> <tr> <td>3)</td> <td>Ansal Plaza, Khelgaon, Delhi</td> <td>17787 Sq.Ft.</td> </tr> <tr> <td>4)</td> <td>Ram Kishore Road, Delhi</td> <td>3411.28 sq.mt</td> </tr> <tr> <td>5)</td> <td>Kargil</td> <td>1 Kanal 4 Marla</td> </tr> <tr> <td>6)</td> <td>Currency Chest Kulgam</td> <td>2 Kanals</td> </tr> </tbody> </table> <p>It is advised to complete the documentation for clear title at the earliest.</p> | S.No | Land | Area | 1) | Vashi, Mumbai (1st Floor) | 5400 Sq.ft | 2) | Budgam | 4 Kanals | 3) | Ansal Plaza, Khelgaon, Delhi | 17787 Sq.Ft. | 4) | Ram Kishore Road, Delhi | 3411.28 sq.mt | 5) | Kargil | 1 Kanal 4 Marla | 6) | Currency Chest Kulgam | 2 Kanals | The acquisition value of the said lands/properties has been capitalized and the value as on 31-03-2017 is ₹ 137.33 crores. |
| S.No | Land | Area | | | | | | | | | | | | | | | | | | | | | | |
| 1) | Vashi, Mumbai (1st Floor) | 5400 Sq.ft | | | | | | | | | | | | | | | | | | | | | | |
| 2) | Budgam | 4 Kanals | | | | | | | | | | | | | | | | | | | | | | |
| 3) | Ansal Plaza, Khelgaon, Delhi | 17787 Sq.Ft. | | | | | | | | | | | | | | | | | | | | | | |
| 4) | Ram Kishore Road, Delhi | 3411.28 sq.mt | | | | | | | | | | | | | | | | | | | | | | |
| 5) | Kargil | 1 Kanal 4 Marla | | | | | | | | | | | | | | | | | | | | | | |
| 6) | Currency Chest Kulgam | 2 Kanals | | | | | | | | | | | | | | | | | | | | | | |
| 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 ₹ 30.54 crores in addition to the waiver of unapplied interest of ₹ 96.11 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 inspite 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 ₹ 30.54 crores and unrealized income of ₹ 96.11 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 lying with third parties. | 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 ₹ 188.06 crores on account of provision made on the fresh 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 ₹ 16.62 crores has been incurred & revenue of ₹ 0.69 crore 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 ₹ 15.93 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 the reports of the Branch Auditors, some branches were involved in doing window dressing by which there is an impact of ₹ 0.17 crore increase on the overall deposit portfolio. | There is an impact of ₹ 0.17 crore 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 made deposits of low yield interest with the following designated agencies as on 31-03-17 : <table border="0"> <tr> <td>PARTICULARS</td> <td>(₹ In Crores)</td> </tr> <tr> <td>NABARD</td> <td>446.53</td> </tr> <tr> <td>RIDF (NABARD)</td> <td>923.52</td> </tr> <tr> <td>SIDBI</td> <td>134.90</td> </tr> <tr> <td>NHB (RHDF)</td> <td>260.29</td> </tr> <tr> <td>TOTAL</td> <td>1765.24</td> </tr> </table> | PARTICULARS | (₹ In Crores) | NABARD | 446.53 | RIDF (NABARD) | 923.52 | SIDBI | 134.90 | NHB (RHDF) | 260.29 | TOTAL | 1765.24 | 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. |
| PARTICULARS | (₹ In Crores) | | | | | | | | | | | | | | |
| NABARD | 446.53 | | | | | | | | | | | | | | |
| RIDF (NABARD) | 923.52 | | | | | | | | | | | | | | |
| SIDBI | 134.90 | | | | | | | | | | | | | | |
| NHB (RHDF) | 260.29 | | | | | | | | | | | | | | |
| TOTAL | 1765.24 | | | | | | | | | | | | | | |
| 8 | Whether there were cases of greening of advances, upgradation 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. | Advances amounting to ₹936.56 crores were not declared by the bank as NPAs as per RBI guidelines which were downgraded after those were identified by the statutory auditors. | Had the Auditors not identified the said NPAs, the advances of ₹ 936.56 crores would have been shown as standard assets. The impact thereof on increase of loss is as follows: 1. Interest Reversal : ₹ 72.34 Crores 2. Increase in NPA Provision : ₹ 145.78 Crores | | | | | | | | | | | | |

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

CA. Madhusudan Meher
Partner
(M. No. 097409)

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

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

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

CA. Dharam Raj
Partner
(M. No. 094108)

"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 Subsection 3 of Section 143 of the Companies Act, 2013.

1. We have audited the internal financial controls over financial reporting of The Jammu & Kashmir Bank Limited ('the Bank') as at 31 March 2017 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 judgment, 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 31 March 2017, 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 **Dhar Tiku & Co.**
Chartered Accountants
FRN 003423N

CA. Madhusudan Meher
Partner
(M. No. 097409)

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

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

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

CA. Dharam Raj
Partner
(M. No. 094108)

Balance Sheet

as at 31st March, 2017

| | Schedule | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|---|----------|--|--|
| CAPITAL AND LIABILITIES | | | |
| Capital | 1 | 521,477 | 484,922 |
| Reserves and Surplus | 2 | 56,243,472 | 63,754,833 |
| Deposits | 3 | 724,630,929 | 693,902,529 |
| Borrowings | 4 | 12,760,488 | 22,400,001 |
| Other Liabilities and Provisions | 5 | 26,030,354 | 22,138,417 |
| TOTAL :- | | 820,186,720 | 802,680,702 |
| ASSETS | | | |
| Cash and Balance with Reserve Bank of India | 6 | 35,909,731 | 31,267,367 |
| Balance with Banks & Money at Call & Short Notice | 7 | 17,949,631 | 762,679 |
| Investments | 8 | 212,908,892 | 203,536,185 |
| Advances | 9 | 498,161,129 | 501,932,893 |
| Fixed Assets | 10 | 15,433,146 | 7,637,156 |
| Other Assets | 11 | 39,824,191 | 57,544,422 |
| TOTAL :- | | 820,186,720 | 802,680,702 |
| Contingent Liabilities | 12 | 61,089,905 | 168,641,116 |
| Bills for Collection | | 11,908,598 | 12,088,238 |
| 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

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

In terms of our report of even date annexed

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

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

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

CA. Madhusudan Meher
Partner
(M. No. 097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

Profit and Loss Account

for the year ended 31st March, 2017

| I | Schedule | YEAR ENDED 31.03.2017 ₹ '000' Omitted | YEAR ENDED 31.03.2016 ₹ '000' Omitted |
|------------------------------------|----------|---|---|
| INCOME | | | |
| Interest Earned | 13 | 66,858,002 | 68,435,719 |
| Other Income | 14 | 4,928,560 | 5,040,273 |
| TOTAL | | 71,786,562 | 73,475,992 |
| II EXPENDITURE | | | |
| Interest Expended | 15 | 41,738,622 | 41,334,838 |
| Operating Expenses | 16 | 17,104,628 | 15,462,022 |
| Provisions and Contingencies | | 29,266,242 | 12,518,817 |
| TOTAL | | 88,109,492 | 69,315,677 |
| III NET PROFIT / (LOSS) | | | |
| TOTAL | | (16,322,930) | 4,160,315 |
| IV APPROPRIATIONS | | | |
| TRANSFERRED TO | | | |
| i) Statutory Reserve | | - | 1,040,079 |
| ii) Capital Reserve | | 77,203 | - |
| iii) Revenue and Other Reserve | | (16,400,133) | 2,074,565 |
| iv) Investment Reserve | | - | 24,583 |
| v) Special Reserve | | - | - |
| vi) Proposed Dividend | | - | 848,362 |
| vii) Tax on Dividend | | - | 172,726 |
| TOTAL | | (16,322,930) | 4,160,315 |
| Principal Accounting Policies | 17 | | |
| Notes on Accounts | 18 | | |
| Earnings per Share (Basic/Diluted) | | (33.59) | 8.58 |

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

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

In terms of our report of even date annexed

For Dhar Tiku & Co.
Chartered Accountants
FRN 003423N

For Arora Vohra & Co.
Chartered Accountants
FRN 009487N

For Dharam Raj & Co.
Chartered Accountants
FRN 014461N

CA. Madhusudan Meher
Partner
(M. No. 097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

NOTICE

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STATEMENT

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Schedules

as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|--|--|--|
| SCHEDULE 1 - CAPITAL | | |
| AUTHORISED CAPITAL | | |
| 950,000,000 (P.Y. 950,000,000) Equity Shares of ₹ 1/- each | 950,000 | 950,000 |
| ISSUED :- | | |
| 521,551,071 (P.Y.484,996,020) Equity Shares of ₹ 1/= each | 521,551 | 484,996 |
| SUBSCRIBED AND PAID-UP CAPITAL | | |
| 521,333,071 (P.Y. 484,778,020) Equity Shares of ₹ 1/- each | 521,333 | 484,778 |
| Add Forfeited Equity Shares (218000) (P.Y. 218000) | 144 | 144 |
| TOTAL | 521,477 | 484,922 |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| I. STATUTORY RESERVES | | |
| Opening Balance | 20,034,217 | 18,994,138 |
| Additions during the year | - | 1,040,079 |
| TOTAL | 20,034,217 | 20,034,217 |
| II. CAPITAL RESERVES | | |
| Opening Balance | 631,254 | 631,254 |
| Additions during the year | 77,203 | - |
| TOTAL | 708,457 | 631,254 |
| III. SHARE PREMIUM | | |
| Opening Balance | 867,791 | 867,791 |
| Additions during the year | 2,463,445 | - |
| TOTAL | 3,331,236 | 867,791 |
| IV. INVESTMENT RESERVE | | |
| Opening Balance | 267,899 | 243,315 |
| Additions during the year | - | 24,584 |
| Drawn Down to Revenue and other Reserves | (267,899) | - |
| TOTAL | - | 267,899 |
| V. REVALUATION RESERVE FIXED ASSETS | | |
| Opening Balance | - | - |
| Additions during the year (Refer Note No 3 (i & ii)) | 6,348,124 | - |
| TOTAL | 6,348,124 | - |
| VI. SPECIAL RESERVE (U/S 36 (I) (Viii) of I.Tax Act, 1961 | | |
| Opening Balance | 1,231,600 | 1,231,600 |
| Additions during the year | - | - |
| TOTAL | 1,231,600 | 1,231,600 |
| VII. REVENUE AND OTHER RESERVES | | |
| Opening Balance | 40,722,072 | 38,647,508 |
| Additions during the year | (16,400,133) | 2,074,564 |
| Drawn down from Investment Reserve | 267,899 | - |
| TOTAL | 24,589,838 | 40,722,072 |
| TOTAL (I,II,III,IV,V ,VI & VII) | 56,243,472 | 63,754,833 |

Schedules

as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|--|--|--|
| SCHEDULE 3 - DEPOSITS | | |
| A I. Demand Deposits | | |
| i) From Banks | 1,103,951 | 1,240,740 |
| ii) From Others | 94,521,928 | 70,878,683 |
| TOTAL (I & ii) | 95,625,879 | 72,119,423 |
| II. Saving Bank Deposits | 278,975,702 | 234,084,345 |
| III. Term Deposits | | |
| i) From Banks | 42,010,094 | 65,070,447 |
| ii) From Others | 308,019,254 | 322,628,314 |
| TOTAL (I & ii) | 350,029,348 | 387,698,761 |
| TOTAL A (I+II+III) | 724,630,929 | 693,902,529 |
| B. I. Deposits of branches in India | 724,630,929 | 693,902,529 |
| II. Deposits of branches outside India | Nil | Nil |
| TOTAL B (I+II) | 724,630,929 | 693,902,529 |
| SCHEDULE 4 - BORROWINGS | | |
| I. Borrowings in India | | |
| i) Reserve Bank of India | - | 1,450,000 |
| ii) Other Banks | - | 4,300,001 |
| iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debt & BASEL III for Tier II Capital) | 11,000,000 | 6,000,000 |
| iv) Other Institutions & Agencies | 1,760,488 | 10,650,000 |
| TOTAL (i to iv) | 12,760,488 | 22,400,001 |
| II. Borrowings outside India | - | - |
| GRAND TOTAL (I & II) | 12,760,488 | 22,400,001 |
| Secured borrowings included in I & II above | Nil | Nil |
| SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS | | |
| i) Bills Payable | 2,523,268 | 2,861,091 |
| ii) Inter Office Adjustments (Net) | - | 90,628 |
| iii) Interest Accrued on Non-cumulative deposits | 299,531 | 359,086 |
| iv) Deferred Tax Liability | 183,217 | 378,739 |
| v) Provision Against Standard Assets | 6,160,102 | 3,526,411 |
| vi) Other (Including Provisions) | 16,864,236 | 14,922,462 |
| TOTAL (i to vi) | 26,030,354 | 22,138,417 |
| SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA | | |
| I. Cash in Hand (Including Foreign Currency Notes) | 2,654,474 | 2,779,234 |
| II. Balance with Reserve Bank of India | | |
| i) In Current Account | 33,255,257 | 28,488,133 |
| ii) In Other Accounts | - | - |
| TOTAL (I & II) | 35,909,731 | 31,267,367 |

Schedules

as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '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 | 319,047 | 420,508 |
| b) In Other Deposit Accounts | 40,099 | 40,074 |
| TOTAL (i) | 359,146 | 460,582 |
| ii) Money At Call and Short Notice | | |
| a) With Banks | 17,250,000 | - |
| b) With Other Institutions | - | - |
| TOTAL (ii) | 17,250,000 | - |
| TOTAL (i & ii) | 17,609,146 | 460,582 |
| II. Outside India | | |
| i) In Current Accounts | 340,485 | 302,097 |
| ii) In Other Deposit Accounts | - | - |
| iii) Money at Call & Short Notice | - | - |
| TOTAL II of (i, ii & iii) | 340,485 | 302,097 |
| GRAND TOTAL (I&II) | 17,949,631 | 762,679 |
| SCHEDULE 8 - INVESTMENTS | | |
| I. Investments in India | | |
| Gross | 217,886,389 | 205,347,220 |
| Less: Provision for Depreciation | 522,847 | 10,296 |
| Less: Provision for Investment (NPI) | 4,454,650 | 1,800,739 |
| Net Investments | 212,908,892 | 203,536,185 |
| i) Government Securities | 163,252,132 | 139,480,416 |
| ii) Other Approved Securities | - | - |
| iii) Shares (Pref. + Equity) | 2,729,742 | 1,753,227 |
| iv) Debentures and Bonds (Including Suitfile) | 15,031,765 | 18,115,807 |
| v) Sponsored Institutions | 456,748 | 456,748 |
| vi) Others : | | |
| a) Certificate of Deposit | 30,108,844 | 42,784,485 |
| b) Suitfile | - | - |
| c) Inv. In Subsidiary/or Joint Ventures | 200,000 | 200,000 |
| d) Venture Capital | 107,264 | 180,604 |
| e) Commercial Paper | - | 465,766 |
| f) Security Receipts | 1,022,397 | 99,132 |
| TOTAL (I) | 212,908,892 | 203,536,185 |
| 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) | 212,908,892 | 203,536,185 |
| III. Investments Category-Wise | | |
| i) Held to Maturity | 139,783,284 | 128,130,768 |
| ii) Held for Trading | 116,999 | 1,456 |
| iii) Available for Sale | 73,008,609 | 75,403,961 |
| TOTAL (III) | 212,908,892 | 203,536,185 |

Schedules

as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|---|--|--|
| SCHEDULE 9 - ADVANCES | | |
| A | | |
| i) Bills Purchased and Discounted | 6,169,675 | 5,646,156 |
| ii) Cash Credits, Overdrafts and Loans Repayable on Demand | 163,689,087 | 157,506,195 |
| iii) Term Loans | 328,302,367 | 338,780,542 |
| TOTAL (i to iii) | 498,161,129 | 501,932,893 |
| B | | |
| i) Secured by Tangible Assets | 365,835,838 | 379,216,804 |
| ii) Covered by Bank/Govt. Guarantees | 5,968,571 | 5,830,484 |
| iii) Unsecured | 126,356,720 | 116,885,605 |
| TOTAL (i to iii) | 498,161,129 | 501,932,893 |
| C | | |
| I. Advances in India | | |
| i) Priority Sector | 148,200,973 | 160,965,448 |
| ii) Public Sector | 30,339,814 | 21,141,199 |
| iii) Banks | 706,505 | 1,798,066 |
| iv) Others | 318,913,837 | 318,028,180 |
| TOTAL (i to iv) | 498,161,129 | 501,932,893 |
| II. Advances Outside India | | |
| i) Due from Banks | Nil | Nil |
| ii) Due from Others | Nil | Nil |
| GRAND TOTAL (I & II) | 498,161,129 | 501,932,893 |
| SCHEDULE 10 - FIXED ASSETS | | |
| I. Premises | | |
| a) Gross Block at the beginning of the year | 4,996,850 | 4,975,413 |
| Additions during the year (Refer Note No 3 (i & ii)) | 7,573,805 | 28,682 |
| Deductions during the year | 12,570,655 | 5,004,095 |
| Deductions during the year | 57,452 | 7,245 |
| Total (a) | 12,513,203 | 4,996,850 |
| Depreciation to date | 1,534,987 | 1,389,558 |
| | 10,978,216 | 3,607,292 |
| b) Constructions work in progress | 643,409 | 585,965 |
| TOTAL (I) | 11,621,625 | 4,193,257 |
| II. Other Fixed Assets (Including Furniture & Fixtures) | | |
| Gross Block at the beginning of the year | 9,288,075 | 8,197,245 |
| Additions during the year | 1,088,640 | 1,157,409 |
| | 10,376,715 | 9,354,654 |
| Deductions during the year | 49,219 | 66,579 |
| | 10,327,496 | 9,288,075 |
| Depreciation to date | 6,515,975 | 5,844,176 |
| TOTAL (II) | 3,811,521 | 3,443,899 |
| GRAND TOTAL (I & II) | 15,433,146 | 7,637,156 |

Schedules

as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|--|--|--|
| SCHEDULE 11 - OTHER ASSETS | | |
| I. Interest Accrued but not Due | 5,061,399 | 4,424,948 |
| II. Interest Accrued and Due | 6 | 132,247 |
| III. Inter Office Adjustment (Net) | 550,456 | - |
| IV. Tax paid in Advance/Tax Deducted at Source (Net of Provisions) | 3,183,026 | 3,555,297 |
| V. Stationery and Paper in Hand | 39,752 | 48,385 |
| VI. Deferred Tax Asset | - | - |
| VII. Others | 30,989,552 | 49,383,545 |
| TOTAL (I to VII) | 39,824,191 | 57,544,422 |
| SCHEDULE 12 - CONTINGENT LIABILITIES | | |
| I. Claims against the Bank not acknowledged as debts | 3,136,498 | 2,609,297 |
| II. Liability for partly paid investments | - | - |
| III. Liability on account of outstanding Forward Exchange Contracts | 26,514,458 | 103,609,800 |
| IV. Guarantees given on behalf of constituents:- | | |
| a) In India | 18,252,302 | 15,978,436 |
| b) Outside India | 390,804 | 2,143,779 |
| V. Acceptances, Endorsements & Other Obligations | 12,183,448 | 43,988,181 |
| VI. Other items for which the Bank is Contingently liable | - | 1,000 |
| VII. Liability on account of Depositors Education Awareness Fund(DEAF) | 612,395 | 310,623 |
| TOTAL (I to VII) | 61,089,905 | 168,641,116 |

Schedules to the Profit and Loss Account

as at 31st March, 2017

| | YEAR ENDED 31.03.2017 ₹ '000' Omitted | YEAR ENDED 31.03.2016 ₹ '000' Omitted |
|--|---|---|
| SCHEDULE 13 - INTEREST EARNED | | |
| I. Interest/Discount on Advances/Bills | 47,843,532 | 50,276,637 |
| II. Income on Investments (Net of Amortization) | 17,826,097 | 16,466,476 |
| III. Interest on Balances with R.B.I and other Inter Bank Funds | 1,172,113 | 1,453,791 |
| IV. Others | 16,260 | 238,815 |
| TOTAL (I to IV) | 66,858,002 | 68,435,719 |
| SCHEDULE 14 - OTHER INCOME | | |
| I. Commission, Exchange & Brokerage | 1,790,717 | 2,044,382 |
| II. Profit on Sale of Investments (Less loss on sale of investments) | 1,353,524 | 1,460,867 |
| III. Profit on revaluation of Investments (Less loss on revaluation of investments) | 13,559 | 10,033 |
| IV. Profit on Sale of Land, Buildings & Other Assets | (132) | - |
| V. Profit on Exchange Transactions (Less Loss on E/Transactions) | 186,321 | 224,663 |
| VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India | - | - |
| VII. Miscellaneous Income | 1,584,571 | 1,300,328 |
| TOTAL (I to VII) | 4,928,560 | 5,040,273 |
| SCHEDULE 15 - INTEREST EXPENDED | | |
| I. Interest on Deposits | 40,791,825 | 39,867,613 |
| II. Interest on RBI/Inter-Bank Borrowings | 396,386 | 927,225 |
| III. Others/Subordinate Debt | 550,411 | 540,000 |
| TOTAL (I to III) | 41,738,622 | 41,334,838 |
| SCHEDULE 16 - OPERATING EXPENSES | | |
| I. Payments to and provisions for Employees | 11,225,410 | 10,573,972 |
| II. Rent, Taxes and Lighting | 754,574 | 720,468 |
| III. Printing and Stationery | 93,461 | 88,659 |
| IV. Advertisement and Publicity | 150,935 | 132,553 |
| V. Depreciation on Bank's Property | 850,803 | 639,902 |
| VI. Directors Fees, Allowances and Expenses | 9,816 | 9,125 |
| VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses) | 155,125 | 148,500 |
| VIII. Law Charges | 99,330 | 64,452 |
| IX. Postage, Telegrams, Telephones etc. | 64,609 | 59,488 |
| X. Repairs and Maintenance | 153,073 | 133,174 |
| XI. Insurance | 674,823 | 574,591 |
| XII. Other Expenditure | 2,872,669 | 2,317,138 |
| TOTAL (I to XII) | 17,104,628 | 15,462,022 |

Schedule 17

“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” (HTM) category comprises securities acquired by the Bank with the intention to hold them up to maturity. “Held-for-Trading” (HFT) category comprises securities acquired by the Bank with the intention of trading. “Available-for-Sale” (AFS) 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 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.

Schedule 17

“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 and the amount required to be transferred to Statutory reserve 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/Depreciation

- 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 |

Schedule 17

“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 expenditure on computer software where it is probable that future benefits attributable to such software will flow to Bank is 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.
- f) In compliance to the directions of RBI, Board of Directors vide resolution no. 47 dated 21-04-2016 approved the policy on Revaluation of Bank's own properties which covered all the immovable properties owned by the bank including land & office buildings except those fixed assets whose useful life has expired.

In respect of revaluation of the Bank's own properties/assets, the bank obtained Valuation Reports from two independent valuers, irrespective of the value of the property. As per the policy, the valuation of the property was taken as the average of the two valuations.

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
 - a) Defined Contribution Plan

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.
 - b) Defined Benefit Plan

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.

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.

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. Revenue 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.

Schedule 17

“Principal Accounting Policies”

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 accumulated reward points in respect of standard card holders.

10. Net Profit/Loss

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

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

11. Taxes on Income

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”.

Schedule 18

"Notes on Accounts"

1. Reconciliation/adjustment of inter-bank/inter-branch transactions, branch suspense, Government Transactions, NOSTRO, System Suspense, Clearing, and Sundry Deposits is in progress on an ongoing basis. The impact, in the opinion of the management of the un-reconciled entries, if any, on the financial statements would not be material.
2. Tax paid in Advance/ Tax deducted at source includes amount adjusted by Income Tax Department in respect of various disputed demands. Based on the favorable appellate orders and interpretation of law, no further provision has been considered by the management in respect of the disputed demands.
3. **Fixed Assets:**
 - a) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at ₹ 115.83 crores (Values of properties appreciated on account of revised valuation) (previous year ₹ 1.10 crores). In respect of immovable properties valued at ₹ 21.50 crores (Values of properties appreciated on account of revised valuation) (previous year ₹ 15.68crores) bank holds agreement to sell along with the possession of the properties.
 - b) In compliance to the directions of RBI and as per the approved policy of Revaluation of Bank's own properties, Bank has completed the process of valuation. In this connection, the revaluation results have been vouched as under:-
 - i) **For Assets that show appreciation in value:-**
An amount of ₹ 638,42,00,610.71(Six hundred thirty eight crores forty two lakhs six hundred ten and seventyone paisa only) has been vouched as Appreciation amount Of Fixed Assets by Crediting the amount to Revaluation Reserve Fixed Asset Account.
Depreciation on appreciated value of Premises assets amounting to ₹ 3,04,11,241.35/-has been applied and charged to Revaluation Reserve Fixed Asset Account.
Depreciation/Amortization on appreciated value of Land Assets amounting to ₹ 56,64,870.95 has been charged to Revaluation Reserve Fixed Asset Account.
 - ii) **For Assets that show decrease in value:-**
An amount of ₹ 9,01,42,737.86 (Nine Crore one lakh forty two thousand seven hundred thirty seven and eighty six paisa only) has been debited to depreciation being amount of decrease in value of assets on account of revaluation of the assets.
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 the 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 1660/21.04.2018 /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 ₹ 0.147 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 (%) | 8.70 | 10.60 |
| ii) | Tier I Capital Ratio % | 8.70 | 10.60 |
| iii) | Tier II Capital Ratio % | 2.10 | 1.21 |
| iv) | Total Capital ratio (CRAR) (%) | 10.80 | 11.81 |
| v) | Percentage of shareholding of the Government of India in Public Sector Banks | Nil | Nil |
| vi) | Amount of Equity Capital raised during the year | 250 | Nil |

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"Notes on Accounts"

| S.No. | Particulars | (₹ in Crores) | |
|-------|---|---------------------------|----------------------------|
| | | BASEL-III Current Year | BASEL-III Previous Year |
| vii) | Amount of additional Tier I capital raised during the year of which: PNCPS : PDI | Nil | Nil |
| viii) | Amount of Tier II capital raised during the year of which Debt capital instrument: Preference share capital instrument: [Perpetual Cumulative Preference shares (PCPS) /Redeemable Non-cumulative preference shares (RNCPS) / Redeemable cumulative preference shares (RCPS)] | 500 | Nil Nil |

Government of Jammu & Kashmir holds 56.45% 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.

₹ 500 crores raised by way of BASEL III compliant Tier II bonds on 24.03.2017, maturing on 24.06.2022 has been shown under Borrowings as per RBI guidelines.

During the Financial year 2016-17, Bank has allotted 36555051 shares to Govt. of J&K at face value of ₹ 1/- each at a premium of ₹ 67.39/- per equity share for a total consideration of ₹ 250.00 crores

Investments

- The Bank has made a profit of ₹ 7.72 Crores on sale of HTM category securities during the year, as such an appropriation of ₹ 7.72 crores 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 PNB Met-life India Insurance Co Pvt. Ltd stood at ₹ 102.19 Crores as on 31.03.2017 (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

| S.No. | Particulars | (₹ in Crores) | |
|-----------|--|---------------------|------------|
| | | As on 31.03.2017 | 31.03.2016 |
| 1. | Value of Investments | | |
| | Gross Value of Investments | | |
| a) | In India | 21788.64 | 20534.72 |
| b) | Outside India | NIL | NIL |
| | Provision for depreciation | | |
| a) | In India | 52.28 | 1.03 |
| b) | Outside India | NIL | NIL |
| | Provision for NPI | | |
| a) | In India | 445.47 | 180.07 |
| b) | Outside India | NIL | NIL |
| | Net Value of Investments | | |
| a) | In India | 21290.89 | 20353.62 |
| b) | Outside India | NIL | NIL |
| 2. | Movement of provisions held towards the depreciation on Investments | | |
| (i) | Opening Balance | 1.03 | 1.84 |
| (ii) | Add: Provisions made during the year | 55.95 | 4.20 |
| | Less: Write-off/write back of excess provisions during the year | 4.70 | 5.01 |
| (iii) | Closing Balance | 52.28 | 1.03 |

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"Notes on Accounts"

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 31.03.2017 |
|---|-------------------------------------|-------------------------------------|---|------------------------------|
| Securities sold under Repo Government Securities | 75.00 | 2100.00 | 18.57 | 0.00 |
| (Previous Year) | 23.00 | 290.00 | 18.00 | 145.00 |
| i) Corporate Debt Securities | 0 | 0 | 0 | 0 |
| (Previous Year) | 0 | 0 | 0 | 0 |
| Securities purchased under Reverse Repo Government Securities | 10.00 | 4250.00 | 1111.85 | 1725.00 |
| (Previous Year) | 0 | 0 | 0 | 0 |
| i) Corporate Debt Securities | 0 | 0 | 0 | 0 |
| (Previous Year) | 0 | 0 | 0 | 0 |

10. Non-SLR Investment portfolio

10.1 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 | 68.11 | 55.40 | 0.00 | 0.00 | 0.00 |
| 2 | FIs (incl. NBFC's AIFI'S) | 1154.90 | 1154.32 | 0.00 | 0.00 | 0.00 |
| 3 | Banks(incl. CD's) | 3101.70 | 83.50 | 5.00 | 0.00 | 0.00 |
| 4 | Private Corporates (incl. CP's) | 943.08 | 510.78 | 288.69 | 125.00 | 25.00 |
| 5 | Subsidiaries/Joint Ventures | 20.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | Others | 159.91 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 5447.70 | 1804.00 | 293.69 | 125.00 | 25.00 |
| 7 | Provision towards depreciation/NPI | 482.23 | | | | |
| 8 | Total | 4965.57 | 1804.00 | 293.69 | 125.00 | 25.00 |

The Bank's investment in unlisted securities as on 31.03.2017 is 0.38% (previous year 0.27%) which is well within the RBI stipulated limit of 10%.

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

(₹ in Crores)

| Particulars | 2016-17 | 2015-16 |
|--------------|----------------|----------------|
| NABARD | 446.53 | 823.43 |
| RIDF | 923.52 | 1065.30 |
| SIDBI | 134.90 | 165.27 |
| RHDF | 260.29 | 294.07 |
| TOTAL | 1765.24 | 2348.08 |

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"Notes on Accounts"

10.2 Non-performing Non-SLR investments

(₹ in Crores)

| Particulars | Amount as on 31.03.2017 | Amount as on 31.03.2016 |
|---|----------------------------|----------------------------|
| Opening Balance | 369.53 | 251.24 |
| Additions during the year | 227.95 | 209.11 |
| Reductions during the year | 27.81 | 90.82 |
| Closing Balance | 569.67 | 369.53 |
| Total Provision held (including floating provisions of ₹ 2.76 Crores) | 448.22 | 182.83 |

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

- Bank has made a profit of ₹ 7.72 Crores on sale of HTM category securities during the year (previous year nil) as such an appropriation was made to Capital Reserve Account.
- With the approval of the Board of Directors, the Bank has shifted securities amounting to ₹ 634.81 Cr (FV) on 26/04/2016 (Previous year ₹ 753.75 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.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 ₹ 475 Cr, 300 Cr & ₹ 410 Cr on 05/07/2016, 01/10/2016 & 05/01/2017 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.

10.4 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 31.03.2017 | | | | As on 31.03.2016 | | | |
|--|------------------|----------------|-----------------|-----------------|------------------|----------------|-----------------|-----------------|
| | HFT | AFS | HTM | Total | HFT | AFS | HTM | Total |
| Govt. Securities | 10.45 | 2429.78 | 13884.98 | 16325.21 | 0.00 | 1231.97 | 12716.07 | 13948.04 |
| Other approved securities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Shares (Equity & Pref.) | 1.25 | 271.72 | 0.00 | 272.97 | 0.15 | 175.18 | 0.00 | 175.33 |
| Debentures & Bond | 0.00 | 1481.94 | 21.23 | 1503.17 | 0.00 | 1791.50 | 20.08 | 1811.58 |
| 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 | 3117.42 | 52.12 | 3169.54 | 0.00 | 4341.75 | 56.92 | 4398.67 |
| Total | 11.70 | 7300.86 | 13978.33 | 21290.89 | 0.15 | 7540.40 | 12813.07 | 20353.62 |

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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"Notes on Accounts"

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 | 31.03.2017 | | 31.03.2016 | |
|-------|--|----------------------|---------------------------|----------------------|---------------------------|
| | | Currency Derivatives | Interest Rate Derivatives | Currency Derivatives | Interest Rate Derivatives |
| (i) | Derivatives (Notional Principal Amount) | | | | |
| | a) For Hedging | NIL | NIL | NIL | NIL |
| | b) For Trading | NIL | NIL | NIL | NIL |
| (ii) | Marked to Market Position (1) | | | | |
| | a) Asset (+) | NIL | NIL | NIL | NIL |
| | b) Liability (-) | NIL | NIL | NIL | NIL |
| (iii) | Credit Exposure(2) | NIL | NIL | NIL | NIL |
| (iv) | Likely Impact 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 |

Schedule 18

"Notes on Accounts"

11.4 Forward Exchange contracts as on 31.03.2017

(₹ in Crores)

| | |
|---------------|----------------|
| Up to 14 days | 576.05 |
| Beyond 14 day | 2075.40 |
| Total | 2651.45 |

12. Asset Quality

12.1 Non Performing Assets.

(₹ in Crores)

| S. No. | Particulars | Current Year | Previous Year |
|--------|--|--------------|---------------|
| (i) | Net NPAs to Net Advances (%) | 4.87% | 4.31% |
| (ii) | Movement of NPAs (Gross) | | |
| | a) Opening balance | 4368.61 | 2764.08 |
| | b) Additions during the year | 3278.42 | 2383.22 |
| | c) Reductions during the year | 1647.02 | 778.69 |
| | d) Closing balance | 6000.01 | 4368.61 |
| (iii) | Movement of Net NPAs | | |
| | a) Opening balance | 2163.95 | 1236.32 |
| | b) Additions during the year | 1964.92 | 1738.30 |
| | c) Reductions during the year | 1647.02 | 778.69 |
| | d) Closing balance* | 2425.37 | 2163.95 |
| (iv) | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| | a) Opening balance ** | 2111.80 | 1466.88 |
| | b) Provisions made during the year | 2115.92 | 960.67 |
| | c) Write-off/write-back of excess provisions | 802.43 | 315.75 |
| | d) Closing balance | 3425.29 | 2111.80 |

*Net NPA has been arrived at after adding net interest suspense of ₹ 0.00 Crores. (Previous year ₹ 0.00 Crores) and reducing net ECGC claims of ₹ 6.07 Crores (Previous year ₹ 3.63 Crores), DIFV ₹ 27.58 Crores and Interest Capitalization of ₹ 22.83 Crores (previous year ₹ 28.21 Crores).

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

| SI No | Type of Restructuring | Under CDR Mechanism | | | | Under SME Debt Restructuring Mechanism | | | | Others | | | | Total | | | | | | | |
|-------|---|---------------------|----------|----------|------|--|----------|----------|-------|--------|----------|----------|-------|--------------|----------|---------|---------|--------|--------|-------|---------|
| | | Standard | Sub-Std. | Doubtful | Loss | Standard | Sub-Std. | Doubtful | Loss | Std. | Sub-Std. | Doubtful | Loss | Sub-Standard | Doubtful | Loss | Total | | | | |
| 1 | Restructured Accounts as on April 1 of the FY (opening figures)* | 6 | 0 | 2 | 0 | 8 | 6 | 6 | 98 | 2 | 112 | 4389 | 638 | 171 | 9 | 52.07 | 4401 | 644 | 271 | 11 | 5327 |
| | Amount outstanding | 579 | 0.00 | 80.85 | 0 | 660.22 | 0.82 | 39.44 | 11.32 | 25.58 | 77.16 | 2044.55 | 16.08 | 292.09 | 0.25 | 2497.97 | 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 | 92.90 | 0.25 | 221.31 | 131.23 | 32.83 | 148.29 | 25.83 | 338.18 |
| 2 | Fresh restructuring during the year | 0 | 0 | 1 | 0 | 1 | 19742 | 16 | 1 | 0 | 19759 | 7869 | 5 | 0 | 0 | 7874 | 27611 | 21 | 2 | 0 | 27634 |
| | Amount outstanding | 0 | 0 | 711 | 0 | 711 | 19747 | 198 | .02 | 0 | 1976.7 | 1455.44 | 39.97 | 0 | 0 | 1495.41 | 343014 | 41.95 | 713 | 0 | 3479.22 |
| | Provision thereon | 0 | 0 | 711 | 0 | 711 | 9873 | 0.26 | 0 | 0 | 99 | 7596 | 6 | 0 | 0 | 8196 | 174.69 | 6.26 | 711 | 0 | 188.06 |
| 3 | Up-gradations to restructured standard category during the FY | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 2 | 2 | 1 | 0 | 0 | 3 | 3 | 1 | 1 | 0 | 5 |
| | Amount outstanding | 0 | 0 | 0 | 0 | 0 | 0.36 | 0 | 0.29 | 0 | 0.65 | 0.79 | 0.03 | 0 | 0 | 0.82 | 1.15 | 0.03 | 0.29 | 0 | 1.47 |
| | Provision thereon | 0 | 0 | 0 | 0 | 0 | 0.02 | 0 | 0.29 | 0 | 0.31 | 0.04 | 0 | 0 | 0 | 0.04 | 0.06 | 0 | 0.29 | 0 | 0.35 |
| 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. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 13 | 13 | 0 | 0 | 0 | 13 |
| | Amount outstanding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.92 | 0 | 0 | 0 | 0.92 | 0.92 | 0 | 0 | 0 | 0.92 |
| | Provision thereon | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.05 | 0 | 0 | 0 | 0.05 | 0.05 | 0 | 0 | 0 | 0.05 |
| 5 | Down gradations of restructured accounts during the FY | 0 | 0 | 2 | 0 | 2 | 0 | 3 | 0 | 0 | 3 | 3 | 290 | 74 | 1 | 368 | 3 | 293 | 76 | 1 | 373 |
| | Amount outstanding | 0 | 0 | 279.5 | 0 | 279.5 | 0 | 26.13 | 0 | 0 | 26.13 | 0.11 | 19.68 | 36.06 | 9.9 | 65.75 | 0.11 | 45.81 | 315.56 | 9.9 | 371.38 |
| | Provision thereon | 0 | 0 | 111.8 | 0 | 111.8 | 0 | 0 | 0 | 0 | 0 | 0.02 | 1.4 | 14.45 | 9.9 | 25.77 | 0.02 | 1.4 | 126.25 | 9.9 | 137.57 |
| 6 | Write-offs of restructured accounts during the FY | 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 |
| 7 | Restructured Accounts as on March 31 of the FY (closing figures)* | 3 | 0 | 5 | 0 | 8 | 20289 | 32 | 105 | 25 | 20451 | 10527 | 296 | 656 | 6 | 11485 | 30819 | 328 | 766 | 31 | 31944 |
| | Amount outstanding | 274.40 | 0 | 367.45 | 0 | 641.85 | 259.69 | 217 | 47.65 | 1.24 | 2647.75 | 2668.67 | 54.47 | 359.23 | 10 | 3092.37 | 5539.76 | 56.64 | 774.33 | 11.24 | 6381.97 |
| | Provision thereon | 13.72 | 0 | 167.30 | 0 | 181.02 | 129.83 | 0.29 | 21.30 | 1.24 | 152.65 | 133.46 | 7.17 | 200.18 | 10 | 350.81 | 277.01 | 7.46 | 388.78 | 11.24 | 684.48 |

Note:- In addition to above Exposure, the borrowers are also availing additional facilities (Fund based) to the tune of ₹ 1168.54 crores as on 31.03.2017 (₹ 1099.07 crores as on 31.03.2016).

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

Schedule 18

"Notes on Accounts"

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 | 02 | 01 |
| 2. | Aggregate Value (net of provisions) of accounts sold to SC/RC | 106.83 | 40.14 |
| 3. | Aggregate Consideration | 106.83 | 40.14 |
| 4. | Additional consideration realized in respect of accounts transferred in earlier years | 0.03 | 0.00 |
| 5. | Aggregate gain/loss over net book value | 0.00 | 0.00 |

14.1 Details of Book Value of Investments in Security Receipts

(₹ 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 | 94.29 | 9.99 | 9.21 | 9.99 | 103.50 |

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 | 03 | 01 |
| 2) | Aggregate outstanding | 174.63 | 40.14 |
| 3) | Aggregate consideration received | 125.83 | 40.14 |

16. Provisions on standard Assets

(₹ in Crores)

| Particulars | 31.03.2017 | 31.03.2016 |
|-----------------------------------|------------|------------|
| Provision towards Standard Assets | 616.01 | 352.64 |

17. Business Ratios

| S.No. | Particulars | As on | |
|-------|---|---------------|--------------|
| | | 31.03.2017 | 31.03.2016 |
| (i) | Interest income as a percentage to working funds* | 8.35% | 9.42% |
| (ii) | Non-Interest income as a percentage to working funds* | 0.62% | 0.69% |
| (iii) | Operating Profit as a percentage to working funds* | 1.62% | 2.29% |
| (iv) | Return on Assets ** | (2.04%) | 0.57% |
| (v) | Business (deposits plus advances) per employee*** | 12.20 Crores | 11.37 Crores |
| (vi) | Profit per employee | (0.16 crores) | 0.04 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.

Schedule 18

"Notes on Accounts"

18. Asset Liability Management

(i) Maturity pattern of certain items of assets and liabilities as on 31.03.2017

(₹ in Crores)

| Particulars | Next Day | 2 to 7 Days | 8 to 14 Days | 15 Days to 30 Days | 31 Days Upto 2 months | Over 2 Months & Upto 3 months | Over 3 Months & Upto 6 months | Over 6 months & Upto 1 year | Over 1 Years & Upto 3 years | Over 3 years Upto 5 years | Over 5 years | TOTAL |
|-------------|----------|-------------|--------------|--------------------|-----------------------|-------------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|--------------|----------|
| Deposits | 308.68 | 1070.63 | 1010.83 | 608.78 | 944.37 | 1104.71 | 3957.23 | 4654.68 | 35110.04 | 23160.39 | 532.75 | 72463.09 |
| Borrowings | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 143.33 | 0.00 | 600.00 | 0.00 | 532.72 | 1276.05 |
| Investments | 2181.88 | 23.67 | 0.00 | 585.00 | 48.64 | 619.96 | 1887.92 | 1280.42 | 2921.92 | 2431.58 | 9309.90 | 21290.89 |
| Advances | 1881.12 | 1560.83 | 1821.96 | 2501.44 | 1034.90 | 1024.41 | 2009.22 | 4411.49 | 25391.59 | 4618.62 | 3560.54 | 49816.11 |

Details of Foreign currency Assets/Liabilities (Maturity Pattern) as on 31.03.2017

(₹ 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 | 367.31 | 236.17 | 442.74 | 109.73 | 166.52 | 0.00 | 0.00 | 0.00 | 1322.47 |
| EURO | 6.58 | 20.60 | 18.17 | 19.76 | 43.28 | 0.00 | 0.00 | 0.00 | 108.39 |
| GBP | 2.51 | 15.51 | 6.23 | 8.07 | 14.81 | 0.00 | 0.00 | 0.00 | 47.13 |
| J.YEN | 0.29 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.29 |
| AUD | 1.64 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.64 |
| CAD | 2.04 | 0.59 | 0.44 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3.07 |
| CHF | 0.39 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.39 |
| SAR | 0.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.33 |
| Total | 381.09 | 272.87 | 467.58 | 137.56 | 224.61 | 0.00 | 0.00 | 0.00 | 1483.71 |
| (Previous Year) | 465.80 | 94.44 | 1149.39 | 394.58 | 2980.78 | 0.00 | 0.00 | 0.00 | 5084.99 |
| Liabilities | | | | | | | | | |
| USD | 324.19 | 298.95 | 435.26 | 112.66 | 168.56 | 0.00 | 0.00 | 0.00 | 1339.62 |
| EURO | 19.82 | 7.73 | 16.34 | 21.26 | 42.61 | 0.00 | 0.00 | 0.00 | 107.76 |
| GBP | 2.51 | 15.51 | 6.23 | 8.07 | 14.81 | 0.00 | 0.00 | 0.00 | 47.13 |
| J.YEN | 0.00 | 0.32 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.32 |
| AUD | 0.00 | 1.24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.24 |
| CAD | 0.00 | 3.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3.22 |
| CHF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 346.52 | 326.97 | 457.83 | 141.99 | 225.98 | 0.00 | 0.00 | 0.00 | 1499.29 |
| (Previous year) | 401.43 | 109.16 | 1243.17 | 382.20 | 2983.14 | 0.00 | 0.00 | 0.00 | 5119.10 |

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

Schedule 18

"Notes on Accounts"

19. Exposures

19.1 Exposure to Real Estate Sector*

(₹ in Crores)

| S.No. | Particulars | As on | |
|-------|--|----------------|----------------|
| | | 31.03.2017 | 31.03.2016 |
| 1. | Direct Exposure | | |
| (i) | Residential Mortgages Lending's fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (**includes Individual housing loans eligible for inclusion in priority sector amounting to ₹ Crores)(Previous Year ₹ 954.06 Crores) | 2146.42 | 1556.85 |
| (ii) | Commercial real estate Lending's secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits. | 2752.19 | 2654.75 |
| (iii) | Investment in mortgage backed securities and other securitized exposures | | |
| (a) | Residential | 0.00 | 195.44 |
| (b) | Commercial real estate | 0.00 | 2549.31 |
| 2. | Indirect Exposure (Fund based & non fund based exposure on National Housing Bank and housing finance companies) | 1277.20 | 775.42 |
| | Total Exposure to Real Estate | 6175.81 | 4987.02 |

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

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. | 127.92 | 153.91 |
| (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 | 0.00 |
| (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 | 0.00 | 0.05 |
| (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 | 0.04 | 0.00 |
| (v) | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers. | 0.00 | 0.00 |
| (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) | 10.73 | 18.78 |
| | Total | 138.69 | 172.74 |

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

Schedule 18

"Notes on Accounts"

19.3 Risk category wise country exposure

(₹ in Crores)

| Category | Risk Category | Exposure (net) as at March 2017 | Provisions held as at March 2017 | Exposure (net) as at March 2016 | Provisions held as at March 2016 |
|----------|---------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| A1 | Insignificant | 97.09 | Nil | 53.14 | Nil |
| A2 | Low | 2.33 | Nil | 1.67 | 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 | 99.42 | Nil | 54.81 | Nil |

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

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

The Bank has exceeded only single borrower exposure limit (SGL) in respect of Food Corporation of India (FCI) by 5.00% over prudential exposure ceiling during the year.

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

(₹ in Crores)

| Particulars | 2016-17 | 2015-16 |
|---|---------|---------|
| 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 ₹ 4.15 lacs (Previous year ₹ 2.25 lacs).

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 deviations in the recognition of 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 the Balance Sheet date:

| Actuarial Assumptions | PENSION | | GRATUITY | | LEAVE ENCASHMENT | |
|--------------------------------|-----------|-----------|-----------|-----------|------------------|-----------|
| | 31.3.2016 | 31.3.2017 | 31.3.2016 | 31.3.2017 | 31.3.2016 | 31.3.2017 |
| Discount Rate | 8% | 7.5% | 8% | 7.75% | 8% | 7.75% |
| Expected Return on Plan Assets | 8% | 7.5% | 8% | 7.5% | N/A | N/A |
| Rate of Escalation in salary | 5% | 5% | 5% | 5% | 5% | 5% |
| Attrition Rate | 1% | 1% | 1% | 1% | 1% | 1% |

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"Notes on Accounts"

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

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|--|----------|----------|------------------|
| Present value of Obligation 01.04.2016 | 755.87 | 247.57 | 158.60 |
| Interest Cost | 50.10 | 18.22 | 11.76 |
| Current Service Cost | 33.53 | 21.54 | 18.63 |
| Benefits paid | (175.87) | (24.94) | (13.74) |
| Actuarial (loss)/ gain on obligations (Balancing figure) | 162.38 | 10.68 | (2.11) |
| Present Value of Obligations, 31.03.2017 | 826.01 | 273.07 | 173.14 |

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

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|--|----------|----------|------------------|
| Fair Value of Plan Assets 01.04.2016 | 724.63 | 245.07 | 0.00 |
| Expected return on Plan assets | 57.63 | 19.19 | 0.00 |
| Contributions by Bank/Employees | 236.56 | 23.56 | 13.74 |
| Benefits paid | (175.87) | (24.94) | (13.74) |
| Actuarial (loss)/ gain on Plan Assets (Balancing figure) | (30.90) | 3.76 | 0.00 |
| Fair Value of Plan Assets, 31.03.2017 | 812.05 | 266.64 | 0.00 |

IV Actual return on Plan Assets

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---------------------------------------|---------|----------|------------------|
| Expected return on Plan Assets | 57.63 | 19.19 | 0.00 |
| Actuarial (loss)/ gain on Plan Assets | (30.90) | 3.76 | 0.00 |
| Actual Return on Plan Assets | 26.73 | 22.95 | 0.00 |

V Net Actuarial Gain/(loss) recognized

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|--|---------|----------|------------------|
| Actuarial gain/ (loss) for the period - Obligation | 162.38 | 10.68 | (2.11) |
| Actuarial gain/ (loss) for the period - Plan Assets | (30.90) | 3.76 | 0.00 |
| Total Gain/ (Loss) for the period | 193.28 | 6.92 | (2.11) |
| Actuarial gain or (loss) recognized in the period | 193.28 | 6.92 | (2.11) |
| Unrecognized Actuarial gain/ (loss) at the end of the year | 0.00 | 0.00 | 0.00 |

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"Notes on Accounts"

VI Amount recognized in Balance Sheet & Related Analysis

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|---------|----------|------------------|
| Present value obligation, 31.03.2017 | 826.01 | 273.07 | 173.14 |
| Fair Value of Plan Assets, 31.03.2017 | 812.05 | 266.64 | 0 |
| Difference | 13.96 | 6.43 | 173.14 |
| Unrecognized Transitional Liability | 0 | 0 | 0 |
| Unrecognized Past Service cost - vested benefits - Carried Forward | 0 | 0 | 0 |
| Liability Recognized in the Balance Sheet | 13.96 | 6.43 | 173.14 |
| Negative amount determined under Paragraph 55 of AS-15 (R) | - | - | - |
| Present value of available refunds and reductions in future contributions | - | - | - |
| Resulting asset as per Paragraph 59 (b) of AS - 15 (R) | - | - | - |

VII Expense recognized in Profit and Loss Statement

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|---------|----------|------------------|
| Current Service Cost | 33.53 | 21.54 | 18.63 |
| Interest Cost | 50.10 | 18.22 | 11.76 |
| Expected return on Plan assets | (57.63) | (19.19) | 0.00 |
| Net Actuarial gain/ (loss) recognized in the year | 193.28 | 6.92 | (2.11) |
| Past Service Cost-Recognized | 0.00 | 0.00 | 0.00 |
| Expenses recognized in the statement of profit and loss | 219.28 | 27.49 | 28.28 |

VIII Movement in Net liability to be recognized in Balance Sheet

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|----------|----------|------------------|
| Opening Net Liability | 31.24 | 2.50 | 158.60 |
| Expenses | 219.28 | 27.49 | 28.28 |
| Contributions paid | (236.56) | (23.56) | (13.74) |
| Closing Net Liability (Liability recognized in B/S in current period) | 13.96 | 6.43 | 173.14 |

IX Amount for the Current Period

(₹ in Crores)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|---------|----------|------------------|
| Present value of Obligations, 31.03.2017 | 826.01 | 273.07 | 173.14 |
| Fair Value of Plan Assets, 31.03.2017 | 812.05 | 266.64 | 0 |
| Surplus/(Deficit) before unrecognized past service cost | 13.96 | 6.43 | 173.14 |
| Experience Adjustments in Plan Liabilities - (loss)/ gain | 128.97 | 5.13 | (5.20) |
| Experience Adjustments in Plan Assets (loss) / gain | (34.74) | 2.48 | N/A |

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"Notes on Accounts"

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

(in % age)

| Particulars | PENSION (%) | GRATUITY (%) |
|-----------------------------------|---------------|---------------|
| Government of India Securities | 5.49 | 8.41 |
| State Government Securities | 1.78 | 39.09 |
| High Quality Corporate Bonds | 5.66 | 26.63 |
| Equity Shares of listed companies | 0.00 | 3.44 |
| Funds managed by Insurer | 87.07 | 1.95 |
| Other- Bank Deposits and CD's | 0.00 | 20.48 |
| Total | 100.00 | 100.00 |

XI Best Estimate of contribution during next year

(₹ in Crores)

| Particulars | PENSION (Funded) | GRATUITY (Funded) |
|---|------------------|-------------------|
| Bank's best estimate of Contribution during next year | 187.85 | 54.56 |

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 except para XI above.

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"Notes on Accounts"

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 | | 31.03.2017 | 31.03.2016 |
|-------------|---|------------------|-----------------|
| A | Segment Revenue (Income) | | |
| i. | Treasury Operations | 2091.55 | 1978.86 |
| ii. | Corporate/Whole sale Banking | 2271.40 | 2653.88 |
| iii. | Retail Banking | 3154.78 | 3204.13 |
| iv. | Other Banking Business | 45.29 | 57.61 |
| | Total | 7563.02 | 7894.10 |
| | (Less): Inter segment revenue | 384.36 | 546.51 |
| | Total Income from Operations | 7178.66 | 7347.59 |
| B | Segment Results (Profit before tax) | | |
| i. | Treasury Operations | (135.61) | 123.28 |
| ii. | Corporate /Wholesale Banking | (733.04) | 212.83 |
| iii. | Retail Banking | (641.69) | 330.80 |
| iv. | Other Banking Business | 4.37 | 24.77 |
| | Total | (1505.97) | 691.70 |
| C | (Segment Assets) | | |
| i. | Treasury Operations | 25410.29 | 23246.46 |
| ii. | Corporate/Wholesale Banking | 27180.28 | 28544.22 |
| iii. | Retail Banking | 29388.48 | 28427.98 |
| iv. | Other Banking Business | 39.62 | 49.41 |
| | Total | 82018.67 | 80268.07 |
| D. | (Segment Liabilities) | | |
| i. | Treasury Operations | 291.66 | 1654.04 |
| ii. | Corporate /Wholesale Banking | 23786.04 | 27398.10 |
| iii. | Retail Banking | 52210.96 | 44751.34 |
| iv. | Other Banking Business | 53.51 | 60.66 |
| | Total | 76342.17 | 73864.14 |
| E. | Capital Employed (Segment Assets-Segment Liabilities) | | |
| i. | Treasury Operations | 25118.63 | 21592.42 |
| ii. | Corporate/Wholesale Banking | 3394.24 | 1155.06 |
| iii. | Retail Banking | (22822.48) | (16312.24) |
| iv. | Other Banking Business | (13.89) | (11.26) |
| | Total | 5676.50 | 6423.98 |

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

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"Notes on Accounts"

23.5 Accounting Standard 18 - Related party disclosures as on 31.03.2017

(₹ in Crores)

| Items/Related Party | | J&K Grameen Bank (Associate) | JKB Financial Services Ltd. (Subsidiary) |
|--|---------------------------------|---------------------------------|---|
| Deposits | Balance as on date | 1408.65 | 4.12 |
| | Maximum Balance during the year | 1463.81 | 13.14 |
| Advances | Balance as on date | *11.67 | NIL |
| | Maximum Balance during the year | 265.67 | NIL |
| Investments | Balance as on date | 34.01 | 20.00 |
| | Maximum Balance during the year | 34.01 | 20.00 |
| Interest Paid | | 102.54 | 0.85 |
| Interest/Commission Received | | 3.26 | 0.03 |
| Sale of Fixed Assets | | NIL | NIL |
| Transfer of Current Assets/ Liabilities(Net) | | NIL | NIL |
| Reimbursement of Expenses | | NIL | 3.87 |

Advances is shown as borrowings from the Sponsor bank in shape of SOD, LAD and Perpetual Bonds

* ₹ 11.67 crore is 50% share of Sponsor Bank for implementation of CBS by JKGB in the form of Investment in Tier II perpetual bonds.

(₹ in Lakhs)

| Items/Related Party | K.M.P* | | | | | |
|--|---------------------------------|--------------------------------|--------------------------|---------------------|---|---|
| | Mr. Mushtaq Ahmad (Chairman) | Mr. Parvez Ahmed (Chairman) | Mr. Vagish Chander (CFO) | Mr. S K Bhat (CFO) | Mr. Abdul Majid Bhat (Company Secretary) | Mr. Mohammad Shafi Mir (Company Secretary) |
| Period for which post held during FY 2016-17 | 6 Months 5 days | 5 Months 26 Days | 7 Months 11 Days | 4 Months 19 Days | 7 months 22 days | 4 months 8 days |
| Investments | -- | -- | -- | -- | -- | -- |
| Interest/Commission Received | -- | -- | -- | -- | -- | -- |
| Salary | 43.38 | 32.33 | 21.59 | 13.01 | 6.35 | 5.23 |

* Key Managerial Personnel.

**During the period, the bank has provided the residential accommodation to the worthy Chairman in lieu of which no House Rent has been paid. Moreover, during the period no expenditure has been incurred on the maintenance of same.

23.6 Accounting Standard 19 - Leases

The properties taken on lease/rental basis are renewable/cancellable at the option of the Bank.

The lease entered into by the Bank are for agreed period with an option to terminate the leases even during the currency of lease period by giving agreed calendar months' notice in writing.

Lease rent paid for operating leases are recognized as an expense in the Profit & Loss account in the year to which it relates. The lease rent recognized during the year is ₹ 47.58 crores (previous year ₹ 45.65 crores)

23.7 Accounting Standard 20 - Earning per share

(₹ in Crores)

| Description | 31.03.2017 | 31.03.2016 |
|--|------------|------------|
| Net Profit available to Equity Share Holders | (1632.29) | 416.03 |
| No. of Equity Shares | 485979830* | 484778020 |
| Basic/Diluted Earnings per share (in ₹) | (33.59) | 8.58 |
| Face value per share | ₹ 1/- | ₹ 1/- |

*Weighted average number of Equity shares outstanding during the period. (Amount of allotment of 36555051 equity shares received on 20.03.2017).

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"Notes on Accounts"

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.

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 | - | 3638.94 |
| Leave Encashment | 6068.11 | - |
| Special Reserve | - | 4261.34 |
| Wage Revision | - | - |

Net Deferred Tax Liability as on 31.03.2017 : ₹ 1832.16 Lacs

Tax Impact for the year : ₹ 1955.22Lacs

23.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹ 58.92 Lacs on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 24.17 Lacs has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 34.75 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 ₹ 3.49 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 ₹ 5.89 crores (Previous year ₹ 2.23 Crores) has been made during the year totaling to ₹ 11.45 crores (Previous year ₹ 7.81 Crores) upto 31.03.2017 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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"Notes on Accounts"

ADDITIONAL DISCLOSURES

24. Provisions and Contingencies

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

(₹ in Crores)

| Particulars | For the year ended | |
|--|--------------------|----------------|
| | 31.03.2017 | 31.03.2016 |
| Tax Expense | | |
| i) Income Tax | 145.87 | 255.75 |
| ii) Deferred Tax Liability/(Asset) | (19.55) | 19.90 |
| iii) Wealth Tax | 0.00 | 0.00 |
| Provision against NPA's | 2115.93 | 869.62 |
| Provision for depreciation on investments | 55.19 | 0.19 |
| Provision for frauds and embezzlements | 1.39 | 0.72 |
| Provision for diminution in the fair value of restructured /rescheduled advances | 114.49 | 0.00 |
| Provision for Non Performing Investments | 244.04 | 27.11 |
| Other provisions & contingencies | - | - |
| Provision for contingent liabilities | 5.89 | 2.23 |
| Provision for Standard Assets | 263.37 | 76.36 |
| Total | 2926.62 | 1251.88 |

25. Details / Utilization of Floating Provisions

(₹ in Crores)

| Particulars | As on | |
|--------------------------------|------------|------------|
| | 31.03.2017 | 31.03.2016 |
| Opening balance | 348.72 | 17.73 |
| Additions made during the year | 0.00 | 330.99 |
| Draw Down made during the year | 0.00 | 0.00 |
| Closing balance | 348.72 | 348.72 |

26. Investments (Floating Provision)

(₹ in Crores)

| Particulars | As on | |
|----------------------------------|------------|------------|
| | 31.03.2017 | 31.03.2016 |
| 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 | 10 |
| B | No. of complaints received during the year | 147 |
| C | No. of complaints redressed during the year | 146 |
| D | No. of complaints pending at the end of the year | 11 |

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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 | NIL |
| C | No. of Awards implemented during the year | NIL |
| D | No. of unimplemented Awards pending at the end of the year | NIL |

29. Foreign Exchange

- a) 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.
- b) Claims pending with ECGC stands NIL (Previous year ₹ 14.20 Crores)

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 2017.

31. Provision Coverage Ratio (PCR)

The provision coverage ratio (PCR) for the Bank as on 31st March 2017 is 66.88% (Previous Year 56.15%) 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 PNB 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 2016-17 on account of mobilizing said business is given hereunder:-

(₹ in Crores)

| S. No | Nature of Income | |
|--------------|--|--------------|
| 1 | For selling life insurance policies | 16.73 |
| 2 | For selling non-life insurance polices | 10.68 |
| 3 | For selling mutual fund products | - |
| 4 | Others - (Logo & other Charges) | 5.41 |
| Total | | 32.82 |

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

33.1 Concentration of Deposits

(₹ in Crores)

| | |
|---|---------|
| Total Deposits of 20 largest depositors | 8960.22 |
| Percentage of 20 largest deposits to total Deposits of the Bank | 12.36% |

33.2 Concentration of Advances

(₹ in Crores)

| | |
|--|----------|
| Total Advances to 20 largest borrowers | 11858.68 |
| Percentage of advances of 20 largest borrowers to Total Advances of the Bank | 23.80% |

33.3 Concentration of Exposures

(₹ in Crores)

| | |
|--|----------|
| Total Exposure to 20 largest borrowers customers | 12298.89 |
| Percentage of exposures to 20 largest borrowers /customers to Total exposure of the bank on borrowers/ customers | 17.30% |

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"Notes on Accounts"

33.4 Concentration of NPA's

(₹ in Crores)

| | |
|--------------------------------------|---------|
| Total Exposure to top 4 NPA accounts | 1904.60 |
|--------------------------------------|---------|

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 | 5252.18 | 232.96 | 4.44 | 5982.67 | 595.03 | 9.95 |
| 2 | Advances to Industries sector eligible as priority sector lending | 2102.97 | 295.14 | 14.03 | 2674.56 | 226.91 | 8.48 |
| 3. | Services | 6366.19 | 301.04 | 4.73 | 6173.27 | 404.07 | 6.55 |
| 4. | Personal Loans | 1595.90 | 48.48 | 3.04 | 1702.75 | 18.48 | 1.09 |
| 5. | Others | | | | 345.69 | 18.29 | 5.29 |
| | Sub Total A | 15317.24 | 877.62 | 5.73 | 16878.94 | 1262.78 | 7.48 |
| B. | Non Priority Sector | | | | | | |
| 1 | Agriculture and Allied Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Industry | 13023.90 | 4001.56 | 30.72 | 12979.92 | 2005.62 | 15.45 |
| 3. | Services | 13305.90 | 998.81 | 7.51 | 11864.44 | 998.17 | 8.41 |
| 4. | Personnel Loans | 11926.41 | 122.02 | 1.02 | 10770.44 | 102.04 | 0.95 |
| 5. | Others | | | | | | |
| | Sub Total B | 38256.21 | 5122.39 | 13.39 | 35614.80 | 3105.83 | 8.72 |
| | TOTAL (A+B) | 53573.45 | 6000.01 | 11.20 | 52493.74 | 4368.61 | 8.32 |

35. Movement of NPA's

(₹ in Crores)

| Particulars | Current Year | Previous Year |
|---|----------------|----------------|
| Gross NPA's as on April 01, (Opening Balance) | 4368.61 | 2764.08 |
| Additions (Fresh NPA's) during the year | 3278.42 | 2383.22 |
| Sub Total : (A) | 7647.03 | 5147.30 |
| Less | | |
| i) Up-gradation | 154.76 | 188.92 |
| ii) Recoveries (Excluding Recoveries made from upgraded Accounts) | 635.27 | 261.74 |
| iii) Technical/ Prudential/ write offs | 827.92 | 317.70 |
| iv) Due to Compromise/settlement | 29.07 | 10.33 |
| Sub Total (B) | 1647.02 | 778.69 |
| Gross NPA as on 31st March | 6000.01 | 4368.61 |

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"Notes on Accounts"

36. Sector wise NPA's*

| S No. | Sector | Percentage of NPA to Total advances in that sector |
|-------|---|--|
| 1 | Agriculture & Allied activities | 4.44 |
| 2 | Industry (Micro & Small Medium and Large) | 28.40 |
| 3 | Services | 6.61 |
| 4 | Personal Loans | 1.26 |
| 5. | Others | 11.20 |

*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 at April 01, | 566.04 | 252.79 |
| Add: Technical/Prudential write-offs during the year | 781.08 | 315.66 |
| Sub Total: | 1347.12 | 568.45 |
| Less: Recoveries made during the year | 23.81 | 2.41 |
| Closing balance as at March 31 | 1323.30 | 566.04 |

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. Divergence in the asset classification and provisioning:

(₹ in Thousands)

| S. No. | Particulars | Amount |
|--------|---|-----------|
| 1 | Gross NPAs as on March 31, 2016 as reported by the bank | 43686163 |
| 2 | Gross NPAs as on March 31, 2016 as assessed by RBI | 62523163 |
| 3 | Divergence in Gross NPAs (2-1) | 18837000 |
| 4 | Net NPAs as on March 31,2016 as reported by the bank | 21639527 |
| 5 | Net NPAs as on March 31, 2016 as assessed by RBI | 35302527 |
| 6 | Divergence in Net NPAs (5-4) | 13663000 |
| 7 | Provisions for NPAs as on March 31, 2016 as reported by the bank | 21117975 |
| 8 | Provisions for NPAs as on March 31, 2016 as assessed by the RBI | 26291975 |
| 9 | Divergence in Provisioning (8-7) | 5174000 |
| 10 | Reported Net Profit after Tax (PAT) for the Year ended March 31, 2016 | 4160400 |
| 11 | Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning | (1013600) |

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"Notes on Accounts"

41. 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.

42. 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 ₹ 21.76 Crores (Previous year ₹ 27.33 Crores) for twelve months period ended 31st March 2017 against which bank has spent ₹ 21.87 Crores (Previous year ₹ 28.48 Crores).

43. a) In Compliance to RBI Letter No. DBR.NO.BP.13018/21.04.048/2015-16 dated April 12, 2016, bank is required to make a provision of ₹ 28.27 crores being 15% of the existing outstanding balance of ₹ 188.27 crores as on 31.03.2017 under Food credit availed by State Government of Punjab. The bank has made provision to the extent of ₹ 28.67 crores till 31.12.2016. Accordingly excess provision of ₹ 0.40 crores has been taken into account during the quarter.
- b) In view of recent disturbances in the state of J&K, RBI has allowed relaxation in asset classification for all borrowal accounts of J&K state except those which are overdue as on July 07, 2016 in terms of RBI Master Directions issued for Relief Measures by Banks in areas affected by Natural Calamities. Accordingly Bank has rehabilitated/restructured borrowal accounts after recovering the overdue amount as of July 07, 2016. In total advances to the tune of ₹ 3265.83 crores have been rehabilitated/restructured for which an amount of ₹ 163.29 crores and ₹ 134.98 crores has been kept as provision and DIFV respectively as on 31.03.2017

44. 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**

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

(₹ in Crores)

| Particulars | |
|--|------|
| Opening Provision Balance as on 01.04.2016 | 0.15 |
| Provisions made during the year | 1.40 |
| Redemption made during the year | 0.95 |
| Closing Provision Balance as on 31.03.2017 | 0.60 |

46. Intra-Group Exposure

(₹ in Crores)

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

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

(₹ in Crores)

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Opening balance of amounts transferred to DEAF | 31.06 | 16.14 |
| Add:- Amounts transferred to DEAF (During the Year) | 32.19 | 15.34 |
| Less : Amounts reimbursed by DEAF towards claims | 2.01 | 0.42 |
| Closing balance of amounts transferred to DEAF | 61.24 | 31.06 |

48. 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 2016-17 towards this exposure.

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"Notes on Accounts"

48.1 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.

Details of Incremental provisioning made by Bank towards this risk.

(₹ in Crores)

| Particulars | Provision Held |
|------------------------------------|----------------|
| Opening balance as on (01.04.2016) | 3.77 |
| Additions during the year | 0.00 |
| Deductions during the year | 2.68 |
| Closing balance 31.03.2017 | 1.09 |

The capital held by the Bank towards the foreign currency exposure amounts to ₹ 3.24 Crores (Previous Year ₹ 8.22 Crores)

49. 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) | 10124.86 | 10087.63 | 5454.10 | 5414.60 |
| Cash Outflows | | | | |
| 2 Retail deposits and deposits from small business customers, of which | 22113.73 | 1607.21 | 20589.31 | 1575.78 |
| (i) Stable deposits | 12083.31 | 604.16 | 10487.02 | 565.55 |
| (ii) Less stable deposits | 10030.42 | 1003.04 | 10102.28 | 1010.23 |
| 3 Unsecured wholesale funding ,of which | 17307.56 | 5489.99 | 13820.89 | 3454.88 |
| (i) Operational Deposits (all counterparties) | 17306.78 | 5489.92 | 13820.44 | 3454.84 |
| (ii) Non Operational deposits (all counterparties) | 0.78 | 0.07 | 0.45 | 0.04 |
| (iii) Unsecured debt | 0 | 0 | 0 | 0 |
| 4 Secured Wholesale funding | 1166.73 | 0 | 140.35 | 0 |
| 5 Additional requirements of which | | | | |
| (i) Outflows related to derivative exposure and other collateral requirements | 0 | 0 | 0 | 0 |
| (ii) Outflows related to loss of funding on debt products | 0 | 0 | 0 | 0 |
| (iii) Credit and liquidity facilities | 0 | 0 | 0 | 0 |
| 6 Other contractual funding Obligations | 7624.65 | 645.43 | 6051.80 | 512.33 |
| 7 Other contingent funding Obligations | 5075.01 | 152.25 | 4960.92 | 239.70 |
| 8 Total cash outflows | 53287.67 | 7894.88 | 45563.30 | 5782.71 |
| Cash Inflows | | | | |
| 9 Secured Lending (e.g. reverse repo) | 279.82 | 0 | 137.49 | 0.00 |
| 10 Inflows from fully performing exposure | 1644.51 | 1080.45 | 1481.02 | 912.76 |
| 11 Other cash inflows | 0 | 0 | 102.79 | 102.79 |
| 12 Total cash inflows | 1924.33 | 1080.45 | 1721.31 | 1015.56 |

Schedules 18

"Notes on Accounts"

| | Current Year | | Previous Year | |
|------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | Total Unweighted value (Average) | Total Weighted value (Average) | Total Unweighted value (Average) | Total Weighted value (Average) |
| | | | | Total adjusted value |
| TOTAL HQLA | | 10087.63 | | 5414.60 |
| Total Net Cash Outflows | | 6814.43 | | 4767.15 |
| Liquidity Coverage ratio (%) | | 148.03 | | 113.58 |

49.1 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.

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 18

"Notes on Accounts"

50. Disclosure on Remuneration

| | | |
|----|--|--|
| a) | 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. Azhar-ul-Amin (Chairman- N&RC) Mr. Mohammad Maqbool Rather (Member) Mr. Mohammad Ashraf Mir (Member) |
| b) | 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. • Formulate the policy which inter alia shall ensure that: <ul 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. |
| c) | 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. |

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"Notes on Accounts"

| | | |
|----|---|--|
| d) | 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. |
| e) | 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 |
| f) | 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 |

Quantitative Disclosure

| Particulars | | 31.03.2017 | 31.03.2016 |
|-------------|---|--|--|
| g) | Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members. | The Committee met once during the year and total sitting fee of ₹ 75000/- @ ₹ 25000 for each meeting attended by its members was paid.(Total amount of ₹ 75000/- paid to all 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) |
| h) | 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 | NIL |
| | ii) Number and total amount of sign-on awards made during the financial year. | NIL | NIL |
| | iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus | NIL | NIL |
| | iv) Details of severance pay, in addition to accrued benefits, if any. | NIL | NIL |
| i) | i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. | NIL | NIL |
| | ii) Total amount of deferred remuneration paid out in the financial year. | NIL | NIL |
| j) | Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred. | | |
| k) | i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. | NIL | NIL |
| | ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. | NIL | NIL |
| | iii) Total amount of reductions during the financial year due to ex-post implicit adjustments. | NIL | NIL |

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

Schedules 18

"Notes on Accounts"

52. 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.

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

In terms of our report of even date annexed

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

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

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

CA. Madhusudan Meher
Partner
(M. No. 097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

Cash Flow Statement

For the year ended as at 31st March, 2017

| | | 2016-17 | 2015-16 |
|-----------|--|---------------------|---------------------|
| | | ₹ '000' Omitted | |
| A | CASH FLOW FROM OPERATING ACTIVITIES | 24,514,033 | (2,189,385) |
| B | CASH FLOW FROM INVESTING ACTIVITIES | (8,613,218) | (1,356,670) |
| C | CASH FLOW FROM FINANCING ACTIVITIES | 5,928,501 | (1,761,539) |
| | NET CHANGE IN CASH AND CASH EQUIVALENTS | 21,829,316 | (5,307,594) |
| D | CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 32,030,046 | 37,337,640 |
| E | CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 53,859,362 | 32,030,046 |
| A. | CASH FLOW FROM OPERATING ACTIVITIES: | | |
| | Net Profit after Taxes | (16,322,930) | 4,160,315 |
| | Add : Provision for Taxes | 1,263,177 | 2,756,490 |
| | Net profit before taxes (i) | (15,059,753) | 6,916,805 |
| | Adjustment for : | | |
| | Depreciation charges | 817,268 | 608,583 |
| | Provision for NPA's | 21,159,289 | 8,696,235 |
| | Provision on Standard Assets | 2,633,691 | 763,635 |
| | Depreciation on investment | 551,875 | 1,902 |
| | Provision for Non-Performing Investment | 2,440,386 | 271,125 |
| | Other provisions | 1,217,824 | 29,430 |
| | Interest paid on subordinate Bonds (Financing Activities) | 550,411 | 540,000 |
| | Total Adjustment (ii) | 29,370,744 | 10,910,910 |
| | Operating profit before change in Operating assets & liabilities (i) + (ii) | 14,310,991 | 17,827,715 |
| | Adjustment for changes in Operating Assets & Liabilities | | |
| | Increase / (Decrease) in Deposits | 30,728,400 | 36,340,652 |
| | Increase / (Decrease) in Borrowings | (14,639,513) | (996,666) |
| | Increase / (Decrease) in Other liabilities & provisions | 5,930,949 | 3,647,515 |
| | (Increase) / Decrease in investments | (9,924,582) | 24,057,843 |
| | (Increase) / Decrease in Advances | (18,532,483) | (64,770,968) |
| | (Increase) / Decrease in Other Assets | 17,347,960 | (14,363,690) |
| | Net Cash flow from Operating activities (iii) | 10,910,731 | (16,085,314) |
| | Cash generated from operation (i + ii + iii) | 25,221,722 | 1,742,401 |
| | Less : Tax paid | 707,689 | 3,931,786 |
| | TOTAL : (A) | 24,514,033 | (2,189,385) |
| B. | CASH FLOW FROM INVESTING ACTIVITIES : | | |
| | a) Fixed Assets | (8,613,218) | (1,356,670) |
| | b) Investment in Subsidiary | - | - |
| | TOTAL : (B) | (8,613,218) | (1,356,670) |

| | 2016-17 | 2015-16 |
|--|-------------------|--------------------|
| | ₹ '000' Omitted | |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| a) Share Capital | 36,555 | - |
| b) Equity Share Warrants | - | - |
| c) Share Premium | 2,463,445 | - |
| d) Tier II Bonds | 5,000,000 | - |
| e) Dividend & Dividend Tax Paid | (1,021,088) | (1,221,539) |
| f) Interest Paid on Subordinate Debt | (550,411) | (540,000) |
| TOTAL :(C) | 5,928,501 | (1,761,539) |
| D. CASH AND CASH EQUIVALENTS AT THE BEGINNING 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 :(D) | 32,030,046 | 37,337,640 |
| E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | |
| a) Cash in hand & Balance with R.B.I | 35,909,731 | 31,267,367 |
| b) Balance with Banks & Money at Call & Short Notice | 17,949,631 | 762,679 |
| TOTAL :(E) | 53,859,362 | 32,030,046 |

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 13th May, 2017 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, 2017 and March 31st, 2016. 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 Dhar Tiku & Co.
Chartered Accountants
FRN 003423N

For Arora Vohra & Co.
Chartered Accountants
FRN 009487N

For Dharam Raj & Co.
Chartered Accountants
FRN 014461N

CA. Madhusudan Meher
Partner
(M. No. 097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

Comments of C&AG

Comments under section 143(6) of the Companies Act, 2013 on the accounts of the Jammu & Kashmir Bank Ltd., for the year ended 31st March, 2017 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 & 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 ('the Bank') and its subsidiary (together, the Group) comprising of the consolidated Balance Sheet as at 31 March 2017, the consolidated Profit and Loss Account, and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the consolidated financial statements (herein after referred to as 'the consolidated financial statements'). Also incorporated in these financial statements are the returns of 52 Branches/offices audited by us and 848 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 other the Auditors have been selected by the Comptroller and 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 requirements 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 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. 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 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 which has 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 there under.

We conducted our audit 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.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 other auditors in terms of their reports referred to in paragraph "8" of the Others 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 aforesaid consolidated financial statements give the information required by the Act in the manner so required give a true and fair view in conformity with accounting principles generally accepted in India of the consolidated state of affairs of the group, as at 31st March, 2017, and their consolidated loss and their consolidated cash flows for the year then ended.

Emphasis of Matter

6. We draw the attention to the following matters in the notes to the financial statements:
 - a. Note No.43 (b) on account of relaxation in asset classification, allowed by RBI for all borrowal accounts of J & K State except those which are 'overdue' as

on July 07, 2016, in term of RBI master directions issued for Relief measures by banks in areas affected by natural calamities. Accordingly the bank has rehabilitated/restructured borrowal accounts including the accounts overdue as on July 07, 2016 after recovering the overdue amount as of July 07, 2016. A total amount of ₹ 3265.83 crore represents the rehabilitated amount for which a provision of ₹ 163.29 crore and ₹ 134.98 crore on account of DIFV has been kept as on 31.03.2017.

Our opinion is not qualified on the matter

Report on Other Legal and Regulatory Requirements

7. 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.
8. Further, as required by section 143(3) of the Act, we further 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 the preparation of the aforesaid consolidation of the financial statements have been kept by the Bank so far as it appears from our examination of those books and reports of other Auditors.
 - c. the consolidated Balance Sheet, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement dealt with by this report are in agreement with the books of account maintain for the purpose of the 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 written representations received from the directors of the bank as on 31 March 2017 taken on record by the Board of Directors of the bank and the reports of the auditors who are appointed u/s
9. The accompanying consolidated financial statements include total assets of ₹ 193083 thousands as at 31st March 2017, and total revenues of ₹ 52675 thousands, net cash out flows of ₹ 16608 thousands and loss of ₹ 4835 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 Auditors 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 **Dhar Tiku & Co.**
Chartered Accountants
FRN 003423N

CA. Madhusudan Meher
Partner
(M. No. 097409)

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

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

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

CA. Dharam Raj
Partner
(M. No. 094108)

Annexure-A to para 10 of Independent Auditors Report of even date on the Consolidated 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 for F.Y. 2016-17

| 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. | As per information and explanations given to us, the company does not have clear title/lease deeds for freehold and leasehold lands for the following properties:- <table border="1"> <thead> <tr> <th>S. No.</th> <th>Land</th> <th>Area</th> </tr> </thead> <tbody> <tr> <td>1)</td> <td>Vashi, Mumbai (1st Floor)</td> <td>5400 Sq.ft</td> </tr> <tr> <td>2)</td> <td>Budgam</td> <td>4 Kanals</td> </tr> <tr> <td>3)</td> <td>Ansal Plaza, Khelgaon, Delhi</td> <td>17787 Sq.Ft.</td> </tr> <tr> <td>4)</td> <td>Ram Kishore Road, Delhi</td> <td>3411.28 sq.mt</td> </tr> <tr> <td>5)</td> <td>Kargil</td> <td>1 Kanal 4 Marla</td> </tr> <tr> <td>6)</td> <td>Currency Chest Kulgam</td> <td>2 Kanals</td> </tr> </tbody> </table> <p>It is advised to complete the documentation for clear title at the earliest.</p> | S. No. | Land | Area | 1) | Vashi, Mumbai (1st Floor) | 5400 Sq.ft | 2) | Budgam | 4 Kanals | 3) | Ansal Plaza, Khelgaon, Delhi | 17787 Sq.Ft. | 4) | Ram Kishore Road, Delhi | 3411.28 sq.mt | 5) | Kargil | 1 Kanal 4 Marla | 6) | Currency Chest Kulgam | 2 Kanals | The acquisition value of the said lands/properties has been capitalized and the value as on 31-03-2017 is ₹ 137.33 crores. |
| S. No. | Land | Area | | | | | | | | | | | | | | | | | | | | | | |
| 1) | Vashi, Mumbai (1st Floor) | 5400 Sq.ft | | | | | | | | | | | | | | | | | | | | | | |
| 2) | Budgam | 4 Kanals | | | | | | | | | | | | | | | | | | | | | | |
| 3) | Ansal Plaza, Khelgaon, Delhi | 17787 Sq.Ft. | | | | | | | | | | | | | | | | | | | | | | |
| 4) | Ram Kishore Road, Delhi | 3411.28 sq.mt | | | | | | | | | | | | | | | | | | | | | | |
| 5) | Kargil | 1 Kanal 4 Marla | | | | | | | | | | | | | | | | | | | | | | |
| 6) | Currency Chest Kulgam | 2 Kanals | | | | | | | | | | | | | | | | | | | | | | |
| 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 ₹ 30.54 crores in addition to the waiver of unapplied interest of ₹ 96.11 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 inspite 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 ₹ 30.54 crores and unrealized income of ₹ 96.11 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 lying with third parties. | 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 ₹ 188.06 crores on account of provision made on the fresh 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 ₹ 16.62 crores has been incurred & revenue of ₹ 0.69 crore 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 ₹ 15.93 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 the reports of the Branch Auditors, some branches were involved in doing window dressing by which there is an impact of ₹ 0.17 crore increase on the overall deposit portfolio. | There is an impact of ₹ 0.17 crore 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 made deposits of low yield interest with the following designated agencies as on 31-03-17 : <table border="1"> <thead> <tr> <th>PARTICULARS</th> <th>(₹ In Crores)</th> </tr> </thead> <tbody> <tr> <td>NABARD</td> <td>446.53</td> </tr> <tr> <td>RIDF (NABARD)</td> <td>923.52</td> </tr> <tr> <td>SIDBI</td> <td>134.90</td> </tr> <tr> <td>NHB (RHDF)</td> <td>260.29</td> </tr> <tr> <td>TOTAL</td> <td>1765.24</td> </tr> </tbody> </table> | PARTICULARS | (₹ In Crores) | NABARD | 446.53 | RIDF (NABARD) | 923.52 | SIDBI | 134.90 | NHB (RHDF) | 260.29 | TOTAL | 1765.24 | 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. |
| PARTICULARS | (₹ In Crores) | | | | | | | | | | | | | | |
| NABARD | 446.53 | | | | | | | | | | | | | | |
| RIDF (NABARD) | 923.52 | | | | | | | | | | | | | | |
| SIDBI | 134.90 | | | | | | | | | | | | | | |
| NHB (RHDF) | 260.29 | | | | | | | | | | | | | | |
| TOTAL | 1765.24 | | | | | | | | | | | | | | |
| 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. | Advances amounting to ₹936.56 crores were not declared by the bank as NPAs as per RBI guidelines which were downgraded after those were identified by the statutory auditors. | Had the Auditors not identified the said NPA's, the advances of ₹936.56 crores would have been shown as standard assets. The impact there of on increase of loss is as follows: <ol style="list-style-type: none"> 1. Interest Reversal : ₹72.34 crores 2. Increase in NPA provision ₹7145.78 crores | | | | | | | | | | | | |

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

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013. (“the Act”)

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31st 2017, we have audited the Internal Financial controls over financial reporting of the Jammu and Kashmir Bank Limited (herein after referred to as the “the Holding Company”) and its subsidiary company, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

2. 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 (‘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 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 (‘the Act’).

Auditor’s Responsibility

3. 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’) 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 judgment, 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 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 control system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

5. 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:
 - a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
 - 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 company are being made only in accordance with authorizations of management and directors of the company; and
 - c. provide reasonable assurance regarding prevention or timely detection of unauthorized 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

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 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 31 March 2017, 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 issued by the ICAI".

Other Matters

9. 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.

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

CA. Madhusudan Meher
Partner
(M. No. 097409)

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

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

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

CA. Dharam Raj
Partner
(M. No. 094108)

Consolidated Balance Sheet

as at 31st March, 2017

| | Schedule | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|---|----------|--|--|
| CAPITAL AND LIABILITIES | | | |
| Capital | 1 | 521,477 | 484,922 |
| Reserves and Surplus | 2 | 56,207,437 | 63,723,636 |
| Deposits | 3 | 724,589,734 | 693,788,086 |
| Borrowings | 4 | 12,760,488 | 22,400,001 |
| Other Liabilities and Provisions | 5 | 26,042,163 | 22,138,688 |
| TOTAL | | 820,121,299 | 802,535,333 |
| ASSETS | | | |
| Cash and Balance with Reserve Bank of India | 6 | 35,909,731 | 31,267,367 |
| Balance with Banks & Money at Call & Short Notice | 7 | 18,018,273 | 774,680 |
| Investments | 8 | 212,708,892 | 203,336,185 |
| Advances | 9 | 498,161,130 | 501,932,893 |
| Fixed Assets | 10 | 15,436,915 | 7,642,573 |
| Other Assets | 11 | 39,886,358 | 57,581,635 |
| TOTAL | | 820,121,299 | 802,535,333 |
| Contingent Liabilities | 12 | 61,089,905 | 168,641,116 |
| Bills for Collection | | 11,908,598 | 12,088,238 |
| 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

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

In terms of our report of even date annexed

For Dhar Tiku & Co.
Chartered Accountants
FRN 003423N

For Arora Vohra & Co.
Chartered Accountants
FRN 009487N

For Dharam Raj & Co.
Chartered Accountants
FRN 014461N

CA. Madhusudan Meher
Partner
(M. No. 097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

NOTICE

CHAIRMAN'S
STATEMENT

BOARD AND
MANAGEMENT
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GOVERNANCE

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Consolidated Profit and Loss Account

for the year ended 31st March, 2017

| | Schedule | YEAR ENDED 31.03.2017 ₹ '000' Omitted | YEAR ENDED 31.03.2016 ₹ '000' Omitted |
|---------------------------------------|----------|---|---|
| I INCOME | | | |
| Interest Earned | 13 | 66,858,002 | 68,435,719 |
| Other Income | 14 | 4,972,709 | 5,087,067 |
| TOTAL | | 71,830,711 | 73,522,786 |
| II EXPENDITURE | | | |
| Interest Expended | 15 | 41,730,096 | 41,321,961 |
| Operating Expenses | 16 | 17,164,304 | 15,543,602 |
| Provisions and Contingencies | | 29,266,242 | 12,518,818 |
| TOTAL | | 88,160,642 | 69,384,381 |
| III NET PROFIT / (LOSS) | | (16,329,931) | 4,138,405 |
| TOTAL | | 71,830,711 | 73,522,786 |
| IV APPROPRIATIONS | | | |
| TRANSFERED TO | | | |
| i) Statutory Reserve | | - | 1,040,079 |
| ii) Capital Reserve | | 77,202 | - |
| iii) Revenue and Other Reserve | | (16,407,133) | 2,052,655 |
| iv) Investment Reserve | | - | 24,583 |
| v) Special Reserve | | - | - |
| vi) Proposed Dividend | | - | 848,362 |
| vii) Tax on Dividend | | - | 172,726 |
| TOTAL | | (16,329,931) | 4,138,405 |
| Principal Accounting Policies | 17. | | |
| Notes on Accounts | 18. | | |
| Earnings per Share (Basic/Diluted) | | (33.59) | 8.58 |

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

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

In terms of our report of even date annexed

For Dhar Tiku & Co.
Chartered Accountants
FRN 003423N

For Arora Vohra & Co.
Chartered Accountants
FRN 009487N

For Dharam Raj & Co.
Chartered Accountants
FRN 014461N

CA. Madhusudan Meher
Partner
(M. No. 097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

Schedules

To the Consolidated Balance Sheet as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|--|--|--|
| SCHEDULE 1 - CAPITAL | | |
| AUTHORISED CAPITAL | | |
| 950,000,000 (P.Y. 950,000,000) | | |
| Equity Shares of ₹ 1/- each | 950,000 | 950,000 |
| ISSUED :- | | |
| 521,551,071 (P.Y. 484,996,020) Equity Shares of ₹ 1/= each | 484,996 | 484,996 |
| SUBSCRIBED AND PAID-UP CAPITAL | | |
| 521,333,071 (P.Y. 484,778,020) | | |
| Equity Shares of ₹ 1/- each | 521,333 | 484,778 |
| Add Forfeited Equity Shares (218000) (P.Y. 218000) | 144 | 144 |
| TOTAL | 521,477 | 484,922 |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| I. STATUTORY RESERVES | | |
| Opening Balance | 20,034,217 | 18,994,138 |
| Additions during the year | - | 1,040,079 |
| TOTAL | 20,034,217 | 20,034,217 |
| II. CAPITAL RESERVES | | |
| Opening Balance | 631,254 | 631,254 |
| Additions during the year | 77,203 | - |
| TOTAL | 708,457 | 631,254 |
| III. SHARE PREMIUM | | |
| Opening Balance | 867,791 | 867,791 |
| Additions during the year | 2,463,445 | - |
| TOTAL | 3,331,236 | 867,791 |
| IV. INVESTMENT RESERVE | | |
| Opening Balance | 267,899 | 243,316 |
| Additions during the year | - | 24,584 |
| Drawn down to Revenue and other Reserves | (267,899) | - |
| TOTAL | - | 267,900 |
| V. REVALUATION RESERVE FIXED ASSETS | | |
| Opening Balance | - | - |
| Additions during the year [Refer Note No 3 (i&ii)] | 6,348,124 | - |
| TOTAL | 6,348,124 | - |
| VI. SPECIAL RESERVE (U/S 36 (I) (Viii) of I.Tax Act, 1961 | | |
| Opening Balance | 1,231,600 | 1,231,600 |
| Additions during the year | - | - |
| TOTAL | 1,231,600 | 1,231,600 |
| VII. REVENUE AND OTHER RESERVES | | |
| Opening Balance | 40,690,874 | 38,631,450 |
| Additions during the year | (16,404,970) | 2,059,424 |
| Drawn down from Investment Reserve | 267,899 | - |
| TOTAL | 24,553,803 | 40,690,874 |
| TOTAL (I,II,III,IV,V,VI & VII) | 56,207,437 | 63,723,636 |

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| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|---|--|--|
| SCHEDULE 3 - DEPOSITS | | |
| A I. Demand Deposits | | |
| i) From Banks | 1,103,951 | 1,240,740 |
| ii) From Others | 94,510,733 | 70,870,240 |
| TOTAL (I & ii) | 95,614,684 | 72,110,980 |
| II. Saving Bank Deposits | 278,975,702 | 234,084,345 |
| III. Term Deposits | | |
| i) From Banks | 42,010,094 | 65,070,447 |
| ii) From Others | 307,989,254 | 322,522,314 |
| TOTAL (I & ii) | 349,999,348 | 387,592,761 |
| TOTAL A (I+II+III) | 724,589,734 | 693,788,086 |
| B. I. Deposits of branches in India | 724,589,734 | 693,788,086 |
| II. Deposits of branches outside India | Nil | Nil |
| TOTAL B (I+II) | 724,589,734 | 693,788,086 |
| SCHEDULE 4 - BORROWINGS | | |
| I. Borrowings in India | | |
| i) Reserve Bank of India | - | 1,450,000 |
| ii) Other Banks | - | 4,300,001 |
| iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debt & BASEL III for Tier II Capital) | 11,000,000 | 6,000,000 |
| iv) Other Institutions & Agencies | 1,760,488 | 10,650,000 |
| TOTAL (i to iv) | 12,760,488 | 22,400,001 |
| II. Borrowings outside India | - | - |
| GRAND TOTAL (I & II) | 12,760,488 | 22,400,001 |
| Secured borrowings included in I & II above | Nil | Nil |
| SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS | | |
| i) Bills Payable | 2,523,268 | 2,861,091 |
| ii) Inter Office Adjustments (Net) | - | 90,628 |
| iii) Interest Accrued on Non-cumulative deposits | 299,531 | 359,086 |
| iv) Deferred Tax Liability | 165,963 | 363,649 |
| v) Provision Against Standard Assets | 6,160,102 | 3,526,411 |
| vi) Other (Including Provisions) | 16,893,299 | 14,937,823 |
| TOTAL (i to vi) | 26,042,163 | 22,138,688 |

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| | | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|---|---|--|--|
| SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA | | | |
| I. | Cash in Hand (Including Foreign Currency Notes) | 2,654,474 | 2,779,234 |
| II. | Balance with Reserve Bank of India | | |
| | i) In Current Account | 33,255,257 | 28,488,133 |
| | ii) In Other Accounts | - | - |
| | TOTAL (I & II) | 35,909,731 | 31,267,367 |
| SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE | | | |
| I. | In India | | |
| | i) Balance with Banks | | |
| | a) In Current Accounts | 343,314 | 432,509 |
| | b) In Other Deposit Accounts | 84,474 | 40,074 |
| | TOTAL (i) | 427,788 | 472,583 |
| | ii) Money At Call and Short Notice | | |
| | a) With Banks | 17,250,000 | - |
| | b) With Other Institutions | - | - |
| | TOTAL (ii) | 17,250,000 | - |
| | TOTAL (i & ii) | 17,677,788 | 472,583 |
| II. | Outside India | | |
| | i) In Current Accounts | 340,485 | 302,097 |
| | ii) In Other Deposit Accounts | - | - |
| | iii) Money at Call & Short Notice | - | - |
| | TOTAL II of (i, ii & iii) | 340,485 | 302,097 |
| | GRAND TOTAL (I&II) | 18,018,273 | 774,680 |
| SCHEDULE 8 - INVESTMENTS | | | |
| I. | Investments in India | | |
| | Gross | 217,686,389 | 205,147,220 |
| | Less: Provision for Depreciation | 522,847 | 10,296 |
| | Less: Provision for Investment (NPI) | 4,454,650 | 1,800,739 |
| | Net Investments | 212,708,892 | 203,336,185 |
| | i) Government Securities | 163,252,132 | 139,480,416 |
| | ii) Other Approved Securities | - | - |
| | iii) Shares (Pref. + Equity) | 2,729,742 | 1,753,227 |
| | iv) Debentures and Bonds (Including Suitfile) | 15,031,765 | 18,115,807 |
| | v) Sponsored Institutions | 456,748 | 456,748 |

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| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|---|--|--|
| vi) Others : | | |
| a) Certificate of Deposit | 30,108,844 | 42,784,485 |
| b) Suitfile | - | - |
| c) Inv. In Subsidiary / or Joint Ventures | - | - |
| d) Venture Capital | 107,264 | 180,604 |
| e) Commercial Paper | - | 465,766 |
| f) Security Receipts | 1,022,397 | 99,132 |
| TOTAL (I) | 212,708,892 | 203,336,185 |
| 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) | 212,708,892 | 203,336,185 |
| III. Investments Category-Wise | | |
| i) Held to Maturity | 139,583,284 | 127,930,768 |
| ii) Held for Trading | 116,999 | 1,456 |
| iii) Available for Sale | 73,008,609 | 75,403,961 |
| TOTAL (III) | 212,708,892 | 203,336,185 |
| SCHEDULE 9 - ADVANCES | | |
| A | | |
| i) Bills Purchased and Discounted | 6,169,675 | 5,646,156 |
| ii) Cash Credits, Overdrafts and Loans Repayable on Demand | 163,689,088 | 157,506,195 |
| iii) Term Loans | 328,302,367 | 338,780,542 |
| TOTAL (I to iii) | 498,161,130 | 501,932,893 |
| B | | |
| i) Secured by Tangible Assets | 365,835,838 | 379,216,804 |
| ii) Covered by Bank/Govt. Guarantees | 5,968,571 | 5,830,484 |
| iii) Unsecured | 126,356,721 | 116,885,605 |
| TOTAL (I to iii) | 498,161,130 | 501,932,893 |
| C | | |
| I. Advances in India | | |
| i) Priority Sector | 148,200,973 | 160,965,448 |
| ii) Public Sector | 30,339,814 | 21,141,199 |
| iii) Banks | 706,505 | 1,798,066 |
| iv) Others | 318,913,838 | 318,028,180 |
| TOTAL (I to iv) | 498,161,130 | 501,932,893 |
| II. Advances Outside India | | |
| i) Due from Banks | Nil | Nil |
| ii) Due from Others | Nil | Nil |
| GRAND TOTAL (I & II) | 498,161,130 | 501,932,893 |

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To the Consolidated Balance Sheet as at 31st March, 2017

| | As at 31.03.2017 ₹ '000' Omitted | As at 31.03.2016 ₹ '000' Omitted |
|--|--|--|
| SCHEDULE 10 - FIXED ASSETS | | |
| I. Premises | | |
| a) Gross Block at the beginning of the year | 4,996,850 | 4,975,413 |
| Additions during the year (Refer Note No 3 (i&ii)) | 7,573,805 | 28,682 |
| | 12,570,655 | 5,004,095 |
| Deductions during the year | 57,452 | 7,245 |
| Total (a) | 12,513,203 | 4,996,850 |
| Depreciation to date | 1,534,987 | 1,389,558 |
| | 10,978,216 | 3,607,292 |
| b) Constructions work in progress | 643,409 | 585,965 |
| TOTAL (I) | 11,621,625 | 4,193,257 |
| II. Other Fixed Assets | | |
| (Including Furniture & Fixtures) | | |
| Gross Block at the beginning of the year | 9,303,231 | 8,210,661 |
| Additions during the year | 1,088,970 | 1,159,149 |
| | 10,392,201 | 9,369,810 |
| Deductions during the year | 49,219 | 66,579 |
| | 10,342,982 | 9,303,231 |
| Depreciation to date | 6,527,692 | 5,853,915 |
| TOTAL (II) | 3,815,290 | 3,449,316 |
| GRAND TOTAL (I & II) | 15,436,915 | 7,642,573 |
| SCHEDULE 11 - OTHER ASSETS | | |
| I. Interest Accrued but not Due | 5,061,399 | 4,424,948 |
| II. Interest Accrued and Due | 6 | 132,247 |
| III. Inter Office Adjustment (Net) | 550,456 | - |
| IV. Tax paid in Advance/Tax Deducted at Source (Net of Provisions) | 3,185,151 | 3,559,529 |
| V. Stationery and Paper in Hand | 39,752 | 48,385 |
| VI. Deferred Tax Asset | - | - |
| VII. Others | 31,049,594 | 49,416,526 |
| TOTAL (I to VII) | 39,886,358 | 57,581,635 |
| SCHEDULE 12 - CONTINGENT LIABILITIES | | |
| I. Claims against the Bank not acknowledged as debts | 3,136,498 | 2,609,297 |
| II. Liability for partly paid investments | - | - |
| III. Liability on account of outstanding Forward Exchange Contracts | 26,514,458 | 103,609,800 |
| IV. Guarantees given on behalf of constituents:- | | |
| a) In India | 18,252,302 | 15,978,436 |
| b) Outside India | 390,804 | 2,143,779 |
| V. Acceptances, Endorsements & Other Obligations | 12,183,448 | 43,988,181 |
| VI. Other items for which the Bank is Contingently liable | - | 1,000 |
| VII. Liability on account of Depositors Education Awareness Fund(DEAF) | 612,395 | 310,623 |
| TOTAL (I to VII) | 61,089,905 | 168,641,116 |

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To the Consolidated Profit & Loss Account as at 31st March, 2017

| | | Year Ended 31.03.2017 ₹ '000' Omitted | Year Ended 31.03.2016 ₹ '000' Omitted |
|---|--|---|---|
| SCHEDULE 13 - INTEREST EARNED | | | |
| I. | Interest/Discount on Advances/Bills | 47,843,532 | 50,276,637 |
| II. | Income on Investments (Net of Amortization) | 17,826,097 | 16,466,476 |
| III. | Interest on Balances with R.B.I and other Inter Bank Funds | 1,172,113 | 1,453,791 |
| IV. | Others | 16,260 | 238,815 |
| | TOTAL (I to IV) | 66,858,002 | 68,435,719 |
| SCHEDULE 14 - OTHER INCOME | | | |
| I. | Commission, Exchange & Brokerage | 1,824,755 | 2,079,109 |
| II. | Profit on Sale of Investments (Less loss on sale of investments) | 1,353,524 | 1,460,867 |
| III. | Profit on revaluation of Investments (Less loss on revaluation of investments) | 13,559 | 10,033 |
| IV. | Profit on Sale of Land, Buildings & Other Assets | (132) | - |
| V. | Profit on Exchange Transactions (Less Loss on E/Transactions) | 186,321 | 224,663 |
| VI. | Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India | - | - |
| VII. | Miscellaneous Income | 1,594,682 | 1,312,395 |
| | TOTAL (I to VII) | 4,972,709 | 5,087,067 |
| SCHEDULE 15 - INTEREST EXPENDED | | | |
| I. | Interest on Deposits | 40,783,299 | 39,854,736 |
| II. | Interest on RBI/Inter-Bank Borrowings | 396,386 | 927,225 |
| III. | Others/Subordinate Debt | 550,411 | 540,000 |
| | TOTAL (I to III) | 41,730,096 | 41,321,961 |
| SCHEDULE 16 - OPERATING EXPENSES | | | |
| I. | Payments to and provisions for Employees | 11,263,477 | 10,251,945 |
| II. | Rent, Taxes and Lighting | 756,443 | 722,804 |
| III. | Printing and Stationery | 93,662 | 88,928 |
| IV. | Advertisement and Publicity | 150,935 | 132,553 |
| V. | Depreciation on Bank's Property | 852,781 | 642,754 |
| VI. | Directors Fees, Allowances and Expenses | 9,816 | 9,125 |
| VII. | Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses) | 155,475 | 148,866 |
| VIII. | Law Charges | 99,442 | 64,590 |
| IX. | Postage, Telegrams, Telephones etc. | 65,072 | 60,015 |
| X. | Repairs and Maintenance | 153,178 | 133,431 |
| XI. | Insurance | 675,578 | 575,348 |
| XII. | Other Expenditure | 2,888,445 | 2,713,243 |
| | TOTAL (I to XII) | 17,164,304 | 15,543,602 |

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“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” (HTM) category comprises securities acquired by the Bank with the intention to hold them up to maturity. “Held-for-Trading” (HFT) category comprises securities acquired by the Bank with the intention of trading. “Available-for-Sale” (AFS) securities are those, which do not qualify for being classified in either of the above categories.

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“Principal Accounting Policies”

- 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 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 and the amount required to be transferred to Statutory Reserve 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

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“Principal Accounting Policies”

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/Depreciation

- 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 expenditure on computer software where it is probable that future benefits attributable to such software will flow to Bank is 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.
- f) In compliance to the directions of RBI, Board of Directors vide resolution no. 47 dated 21-04-2016 approved the policy on Revaluation of Bank's own properties which covered all the immovable properties owned by the bank including land & office buildings except those fixed assets whose useful life has expired.

In respect of revaluation of the Bank's own properties/ assets, the bank obtained Valuation Reports from two independent valuers, irrespective of the value of the property. As per the policy, the valuation of the property was taken as the average of the two valuations.

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

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“Principal Accounting Policies”

a) Defined Contribution Plan

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.

b) Defined Benefit Plan

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.

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.

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. Revenue Recognition and Expenditure booking

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

- 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.
- The recovery in Non-Performing Assets has been first appropriated towards amount of principal and thereafter towards amount of interest.
- Interest on overdue term deposits is provided at Savings Bank Rate of Interest.
- 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.
- Income from interest on income tax/ other tax refunds is accounted for on the basis of orders passed by the Competent Authorities.
- Unforeseen income/ expenses are accounted for in the year of receipt/ payment.
- 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 accumulated reward points in respect of standard card holders.

10. Net Profit/Loss

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

- Income Tax, wealth tax and Deferred Tax.
- Provision for Standard Assets, Non Performing Advances/ Investments as per RBI guidelines.
- Depreciation/ amortization on Investments.
- Transfer to contingency fund, if any.
- Other usual and necessary provisions.

11. Taxes on Income

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”.

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"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 ₹ 4,38,62,536.41 includes brokerage Income of ₹ 3,40,30,607.49 and Depository Income of ₹ 48,08,087.47. The company is operating as a Stock Broker of NSE (Cash & F&O) and BSE (Cash) and as Depository Participants of CDSL and NSDL Depositories.
3. Preliminary Expenses includes expenses incurred prior to incorporation period amounting to ₹ 5,15,885/-. As a matter of accounting policy 1/10th of the same has been written off through Profit and Loss Account in the Current Year as well, thus reducing the balance in this account to ₹ 51,584/-.
4. Trade receivables includes ₹ 13,93,496.16 being outstanding from the DP 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 A/C's) receivables outstanding for more than six months are considered good by the management, hence no provision for these receivables have been made.

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 certain immovable properties held by the bank valued at ₹ 115.83 crores (Values of properties appreciated on account of revised valuation) (previous year ₹ 1.10 crores). In respect of immovable properties valued at ₹ 21.50 crores (Values of properties appreciated on account of revised valuation) (previous year ₹ 15.68 crores) bank holds agreement to sell along with the possession of the properties.
- b) In compliance to the directions of RBI and as per the approved policy of Revaluation of Bank's own properties, Bank has completed the process of valuation. In this connection, the revaluation results have been vouched as under:-
 - i) **For Assets that show appreciation in value:-**

An amount of ₹ 6384200610.71 (Six hundred thirty eight crores forty two lakhs six hundred ten and seventy one paisa only) has been vouched as Appreciation amount of Fixed Assets by Crediting the amount to Revaluation Reserve Fixed Asset Account.

Depreciation on appreciated value of Premises assets amounting to ₹ 30411241.35/-has been applied and charged to Revaluation Reserve Fixed Asset Account.

Depreciation/Amortization on appreciated value of Land Assets amounting to ₹ 5664870.95 has been charged to Revaluation Reserve Fixed Asset Account.
 - ii) **For Assets that show decrease in value:-**

An amount of ₹ 90142737.86 (Nine Crore one lakh forty two thousand seven hundred thirty seven and eighty six paisa only) has been debited to depreciation being amount of decrease in value of assets on account of revaluation of the assets.

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 the 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 1660/21.04.2018 /2001 dated 01.02.2001.

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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 ₹ 0.147 Crores (previous year ₹ 0.14 Crores).

4. Capital

(₹ in Crores)

| S. No. | Particulars | BASEL-III | BASEL-III |
|--------|--|--------------|---------------|
| | | Current Year | Previous Year |
| i) | Common Equity Tier I Capital ratio (%) | 8.70 | 10.60 |
| ii) | Tier I Capital Ratio % | 8.70 | 10.60 |
| iii) | Tier II Capital Ratio % | 2.10 | 1.21 |
| iv) | Total Capital ratio (CRAR) (%) | 10.80 | 11.81 |
| 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 | 250 | Nil |
| vii) | Amount of additional Tier I capital raised during the year of which: PNCPS : PDI | Nil | Nil |
| viii) | Amount of Tier II capital raised during the year of which Debt capital instrument: Preference share capital instrument: [Perpetual Cumulative Preference shares (PCPS) / Redeemable Non-cumulative preference shares (RNCPS) / Redeemable cumulative preference shares (RCPS)] | 500 | Nil |

Government of Jammu & Kashmir holds 56.45% 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.

₹ 500 crores raised by way of BASEL III compliant Tier II bonds on 24.03.2017, maturing on 24.06.2022 has been shown under Borrowings as per RBI guidelines.

During the Financial year 2016-17, Bank has allotted 36555051 shares to Govt. of J&K at face value of ₹ 1/- each at a premium of ₹ 67.39/- per equity share for a total consideration of ₹ 250.00 crores

Investments

- The Bank has made a profit of ₹ 7.72 Crores on sale of HTM category securities during the year, as such an appropriation for ₹ 7.72 Crores 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 PNB Met-life India Insurance Co Pvt. Ltd stood at ₹ 102.19 Crores as on 31.03.2017 (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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8. Details of Investments

(₹ in Crores)

| S. No. | Particulars | As on | |
|-----------|--|------------|------------|
| | | 31.03.2017 | 31.03.2016 |
| 1. | Value of Investments | | |
| | Gross Value of Investments | | |
| | a) In India | 21788.64 | 20534.72 |
| | b) Outside India | NIL | NIL |
| | Provision for depreciation | | |
| | a) In India | 52.28 | 1.03 |
| | b) Outside India | NIL | NIL |
| | Provision for NPI | | |
| | a) In India | 445.47 | 180.07 |
| | b) Outside India | NIL | NIL |
| | Net Value of Investments | | |
| | a) In India | 21290.89 | 20353.62 |
| | b) Outside India | NIL | NIL |
| 2. | Movement of provisions held towards the depreciation on Investments | | |
| | (i) Opening Balance | 1.03 | 1.84 |
| | (ii) Add: Provisions made during the year | 55.95 | 4.20 |
| | Less: Write-off/write back of excess provisions during the year | 4.70 | 5.01 |
| | (iii) Closing Balance | 52.28 | 1.03 |

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 31.03.2017 |
|---|-------------------------------------|-------------------------------------|---|------------------------------|
| Securities sold under Repo Government Securities | 75.00 | 2100.00 | 18.57 | 0.00 |
| (Previous Year) | 23.00 | 290.00 | 18.00 | 145.00 |
| i) Corporate Debt Securities | 0 | 0 | 0 | 0 |
| (Previous Year) | 0 | 0 | 0 | 0 |
| Securities purchased under Reverse Repo Government Securities | 10.00 | 4250.00 | 1111.85 | 1725.00 |
| (Previous Year) | 0 | 0 | 0 | 0 |
| i) Corporate Debt Securities | 0 | 0 | 0 | 0 |
| (Previous Year) | 0 | 0 | 0 | 0 |

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10. Non-SLR Investment portfolio

10.1 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 | 68.11 | 55.40 | 0.00 | 0.00 | 0.00 |
| 2 | FIs (incl. NBFC's AIFI'S) | 1154.90 | 1154.32 | 0.00 | 0.00 | 0.00 |
| 3 | Banks(incl. CD's) | 3101.70 | 83.50 | 5.00 | 0.00 | 0.00 |
| 4 | Private Corporates (incl. CP's) | 943.08 | 510.78 | 288.69 | 125.00 | 25.00 |
| 5 | Subsidiaries/Joint Ventures | 20.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | Others | 159.91 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 5447.70 | 1804.00 | 293.69 | 125.00 | 25.00 |
| 7 | Provision towards depreciation/NPI | 482.23 | | | | |
| 8 | Total | 4965.57 | 1804.00 | 293.69 | 125.00 | 25.00 |

The Bank's investment in unlisted securities as on 31.03.2017 is 0.38% (previous year 0.27%) which is well within the RBI stipulated limit of 10%.

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

(₹ in Crores)

| Particulars | 2016-17 | 2015-16 |
|--------------|----------------|----------------|
| NABARD | 446.53 | 823.43 |
| RIDF | 923.52 | 1065.30 |
| SIDBI | 134.90 | 165.27 |
| RHDF | 260.29 | 294.07 |
| TOTAL | 1765.24 | 2348.08 |

10.2 Non-performing Non-SLR investments

(₹ in Crores)

| Particulars | Amount as on 31.03.2017 | Amount as on 31.03.2016 |
|--|-------------------------|-------------------------|
| Opening Balance | 369.53 | 251.24 |
| Additions during the year | 227.95 | 209.11 |
| Reductions during the year | 27.81 | 90.82 |
| Closing Balance | 569.67 | 369.53 |
| Total Provision held (including floating provisions of ₹ 2.76 Crores) | 448.22 | 182.83 |

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

- Bank has made a profit of ₹ 7.72 Crores on sale of HTM category securities during the year (previous year nil) as such an appropriation was made to Capital Reserve Account.
- With the approval of the Board of Directors, the Bank has shifted securities amounting to ₹ 634.81 Cr (FV) on 26/04/2016 (Previous year ₹ 753.75 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.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 ₹ 475 Cr, 300 Cr & ₹ 410 Cr on 05/07/2016, 01/10/2016 & 05/01/2017 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.

10.4 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 31.03.2017 | | | | As on 31.03.2016 | | | |
|--|------------------|----------------|-----------------|-----------------|------------------|----------------|-----------------|-----------------|
| | HFT | AFS | HTM | Total | HFT | AFS | HTM | Total |
| Govt. Securities | 10.45 | 2429.78 | 13884.98 | 16325.21 | 0.00 | 1231.97 | 12716.07 | 13948.04 |
| Other approved securities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Shares (Equity & Pref.) | 1.25 | 271.72 | 0.00 | 272.97 | 0.15 | 175.18 | 0.00 | 175.33 |
| Debentures & Bond | 0.00 | 1481.94 | 21.23 | 1503.17 | 0.00 | 1791.50 | 20.08 | 1811.58 |
| 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 | 3117.42 | 52.12 | 3169.54 | 0.00 | 4341.75 | 56.92 | 4398.67 |
| Total | 11.70 | 7300.86 | 13978.33 | 21290.89 | 0.15 | 7540.40 | 12813.07 | 20353.62 |

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 counter parties 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 | 31.03.2017 | | 31.03.2016 | |
|--------|--|----------------------|---------------------------|----------------------|---------------------------|
| | | Currency Derivatives | Interest Rate Derivatives | Currency Derivatives | Interest Rate Derivatives |
| (i) | Derivatives (Notional Principal Amount) | | | | |
| | a) For Hedging | NIL | NIL | NIL | NIL |
| | b) For Trading | NIL | NIL | NIL | NIL |
| (ii) | Marked to Market Position (1) | | | | |
| | a) Asset (+) | NIL | NIL | NIL | NIL |
| | b) Liability (-) | NIL | NIL | NIL | NIL |
| (iii) | Credit Exposure(2) | NIL | NIL | NIL | NIL |
| (iv) | Likely Impact 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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11.4 Forward Exchange contracts as on 31.03.2017

| | | (₹ in Crores) |
|---------------|--|----------------|
| Up to 14 days | | 576.05 |
| Beyond 14 day | | 2075.40 |
| Total | | 2651.45 |

12 Asset Quality

12.1 Non Performing Assets

| | | (₹ in Crores) | |
|--------|--|---------------|---------------|
| S. No. | Particulars | Current Year | Previous Year |
| (i) | Net NPAs to Net Advances (%) | 4.87% | 4.31% |
| (ii) | Movement of NPAs (Gross) | | |
| | a) Opening balance | 4368.61 | 2764.08 |
| | b) Additions during the year | 3278.42 | 2383.22 |
| | c) Reductions during the year | 1647.02 | 778.69 |
| | d) Closing balance | 6000.01 | 4368.61 |
| (iii) | Movement of Net NPAs | | |
| | a) Opening balance | 2163.95 | 1236.32 |
| | b) Additions during the year | 1964.92 | 1738.30 |
| | c) Reductions during the year | 1647.02 | 778.69 |
| | d) Closing balance* | 2425.37 | 2163.95 |
| (iv) | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| | a) Opening balance ** | 2111.80 | 1466.88 |
| | b) Provisions made during the year | 2115.92 | 960.67 |
| | c) Write-off/write-back of excess provisions | 802.43 | 315.75 |
| | d) Closing balance | 3425.29 | 2111.80 |

*Net NPA has been arrived at after adding net interest suspense of ₹ 0.00 Crores. (Previous year ₹ 0.00 Crores) and reducing net ECGC claims of ₹ 6.07 Crores (Previous year ₹ 3.63 Crores), DIFV ₹ 27.58Crores and Interest Capitalization of ₹ 22.83 Crores (previous year ₹ 28.21 Crores).

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

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

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| | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------------|--------|---|--------|---|--------|--------|-------|-------|-------|---------|---------|-------|--------|-------|---------|---------|-------|--------|-------|---------|-----|--------|
| 5 | Down gradations of restructured accounts during the FY | No. of borrowers | 0 | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 3 | 0 | 0 | 0 | 3 | 290 | 74 | 1 | 368 | 3 | 293 | 76 | 1 | 373 |
| | | Amount outstanding | 0 | 0 | 279.5 | 0 | 279.5 | 0 | 279.5 | 0 | 26.13 | 0 | 0 | 26.13 | 0.11 | 19.68 | 36.06 | 9.9 | 65.75 | 0.11 | 45.81 | 315.56 | 9.9 | 371.38 |
| | | Provision thereon | 0 | 0 | 111.8 | 0 | 111.8 | 0 | 111.8 | 0 | 0 | 0 | 0 | 0 | 0.02 | 1.4 | 14.45 | 9.9 | 25.77 | 0.02 | 1.4 | 126.25 | 9.9 | 137.57 |
| 6 | Write-offs of restructured accounts 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 | 0 | 0 |
| | | Amount outstanding | 0 | 0 | 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 | 0 | 0 |
| 7 | Restructured Accounts as on March 31 of the FY (closing figures)* | No. of borrowers | 3 | 0 | 5 | 0 | 8 | 20289 | 32 | 105 | 25 | 20451 | 10527 | 296 | 656 | 6 | 11485 | 30819 | 328 | 766 | 31 | 31944 | | |
| | | Amount outstanding | 274.40 | 0 | 367.45 | 0 | 641.85 | 259.69 | 2.17 | 47.65 | 1.24 | 2647.75 | 2668.67 | 54.47 | 359.23 | 10 | 3092.37 | 5539.76 | 56.64 | 774.33 | 11.24 | 6381.97 | | |
| | | Provision thereon | 13.72 | 0 | 167.30 | 0 | 181.02 | 129.83 | 0.29 | 21.30 | 1.24 | 152.65 | 133.46 | 7.17 | 200.18 | 10 | 350.81 | 277.01 | 7.46 | 388.78 | 11.24 | 684.48 | | |

Note:-In addition to above Exposure, the borrowers are also availing additional facilities (Fund based) to the tune of ₹ 1168.54 crores as on 31.03.2017 (₹1099.07 crores as on 31.03.2016).

- 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 | 02 | 01 |
| 2. | Aggregate Value (net of provisions) of accounts sold to SC/RC | 106.83 | 40.14 |
| 3. | Aggregate Consideration | 106.83 | 40.14 |
| 4. | Additional consideration realized in respect of accounts transferred in earlier years | 0.03 | 0.00 |
| 5. | Aggregate gain/loss over net book value | 0.00 | 0.00 |

14.1 Details of Book Value of Investments in Security Receipts

(₹ 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 | 94.29 | 9.99 | 9.21 | 9.99 | 103.50 |

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 | 03 | 01 |
| 2) | Aggregate outstanding | 174.63 | 40.14 |
| 3) | Aggregate consideration received | 125.83 | 40.14 |

16. Provisions on standard Assets

(₹ in Crores)

| Particulars | 31.03.2017 | 31.03.2016 |
|-----------------------------------|------------|------------|
| Provision towards Standard Assets | 616.01 | 352.64 |

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17. Business Ratios

(₹ in Crores)

| S. No. | Particulars | As on | |
|--------|---|---------------|--------------|
| | | 31.03.2017 | 31.03.2016 |
| (i) | Interest income as a percentage to working funds* | 8.35% | 9.42% |
| (ii) | Non-Interest income as a percentage to working funds* | 0.62% | 0.69% |
| (iii) | Operating Profit as a percentage to working funds* | 1.62% | 2.29% |
| (iv) | Return on Assets ** | (2.04%) | 0.57% |
| (v) | Business (deposits plus advances) per employee*** | 12.20 Crores | 11.37 Crores |
| (vi) | Profit per employee | (0.16 crores) | 0.04 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 31.03.2017

(₹ in Crores)

| Particulars | Next Day | 2 to 7 Days | 8 to 14 Days | 15 Days to 30 Days | 31 Days Upto 2 months | Over 2 Months & Upto 3 months | Over 3 Months & Upto 6 months | Over 6 months & Upto 1 year | Over 1 Years & Upto 3 years | Over 3 years Upto 5 years | Over 5 years | TOTAL |
|-------------|----------|-------------|--------------|--------------------|-----------------------|-------------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|--------------|----------|
| DEPOSITS | 308.68 | 1070.63 | 1010.83 | 608.78 | 944.37 | 1104.71 | 3957.23 | 4654.68 | 35110.04 | 23160.39 | 532.75 | 72463.09 |
| BORROWINGS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 143.33 | 0.00 | 600.00 | 0.00 | 532.72 | 1276.05 |
| INVESTMENTS | 2181.88 | 23.67 | 0.00 | 585.00 | 48.64 | 619.96 | 1887.92 | 1280.42 | 2921.92 | 2431.58 | 9309.90 | 21290.89 |
| ADVANCES | 1881.12 | 1560.83 | 1821.96 | 2501.44 | 1034.90 | 1024.41 | 2009.22 | 4411.49 | 25391.59 | 4618.62 | 3560.54 | 49816.11 |

Details of Foreign currency Assets/Liabilities (Maturity Pattern) as on 31.03.2017

(₹ 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 | 367.31 | 236.17 | 442.74 | 109.73 | 166.52 | 0.00 | 0.00 | 0.00 | 1322.47 |
| EURO | 6.58 | 20.60 | 18.17 | 19.76 | 43.28 | 0.00 | 0.00 | 0.00 | 108.39 |
| GBP | 2.51 | 15.51 | 6.23 | 8.07 | 14.81 | 0.00 | 0.00 | 0.00 | 47.13 |
| J.YEN | 0.29 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.29 |
| AUD | 1.64 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.64 |
| CAD | 2.04 | 0.59 | 0.44 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3.07 |
| CHF | 0.39 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.39 |
| SAR | 0.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.33 |
| Total | 381.09 | 272.87 | 467.58 | 137.56 | 224.61 | 0.00 | 0.00 | 0.00 | 1483.71 |
| (Previous Year) | 465.80 | 94.44 | 1149.39 | 394.58 | 2980.78 | 0.00 | 0.00 | 0.00 | 5084.99 |

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(₹ 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 |
|--------------------|---------------|---------------|---------------------|---------------------------|-------------------------|---------------------------|----------------------------|--------------|----------------|
| LIABILITIES | | | | | | | | | |
| USD | 324.19 | 298.95 | 435.26 | 112.66 | 168.56 | 0.00 | 0.00 | 0.00 | 1339.62 |
| EURO | 19.82 | 7.73 | 16.34 | 21.26 | 42.61 | 0.00 | 0.00 | 0.00 | 107.76 |
| GBP | 2.51 | 15.51 | 6.23 | 8.07 | 14.81 | 0.00 | 0.00 | 0.00 | 47.13 |
| J.YEN | 0.00 | 0.32 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.32 |
| AUD | 0.00 | 1.24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.24 |
| CAD | 0.00 | 3.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3.22 |
| CHF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 346.52 | 326.97 | 457.83 | 141.99 | 225.98 | 0.00 | 0.00 | 0.00 | 1499.29 |
| (Previous year) | 401.43 | 109.16 | 1243.17 | 382.20 | 2983.14 | 0.00 | 0.00 | 0.00 | 5119.10 |

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 | |
|--------|--|----------------|----------------|
| | | 31.03.2017 | 31.03.2016 |
| 1. | Direct Exposure | | |
| | (i) Residential Mortgages | 2146.42 | 1556.85 |
| | 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 ` Crores)(Previous Year `954.06 Crores) | | |
| | (ii) Commercial real estate | 2752.19 | 2654.75 |
| | 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 | 0.00 | 195.44 |
| | (b) Commercial real estate | 0.00 | 2549.31 |
| 2. | Indirect Exposure | | |
| | (Fund based & non fund based exposure on National Housing Bank and housing finance companies) | 1277.20 | 775.42 |
| | Total Exposure to Real Estate | 6175.81 | 4987.02 |

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

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"Significant Accounting Policies and Notes on Accounts"

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. | 127.92 | 153.91 |
| (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 | 0.00 |
| (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 | 0.00 | 0.05 |
| (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 | 0.04 | 0.00 |
| (v) | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers. | 0.00 | 0.00 |
| (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) | 10.73 | 18.78 |
| | Total | 138.69 | 172.74 |

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 2017 | Provisions held as at March 2017 | Exposure (net) as at March 2016 | Provisions held as at March 2016 |
|--------------|---------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| A1 | Insignificant | 97.09 | Nil | 53.14 | Nil |
| A2 | Low | 2.33 | Nil | 1.67 | 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 | | 99.42 | Nil | 54.81 | Nil |

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

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"Significant Accounting Policies and Notes on Accounts"

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

The Bank has exceeded single borrower exposure limit (SGL) in respect of Food Corporation of India (FCI) by 5.00% over prudential exposure ceiling during the year.

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

| Particulars | (₹ in Crores) | |
|---|---------------|---------|
| | 2016-17 | 2015-16 |
| 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 ₹ 4.15 lacs (Previous year ₹ 2.25 lacs).

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 deviations in the recognition of 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 the Balance Sheet date:

| Actuarial Assumptions | PENSION | | GRATUITY | | LEAVE ENCASHMENT | |
|--------------------------------|-----------|-----------|-----------|-----------|------------------|-----------|
| | 31.3.2016 | 31.3.2017 | 31.3.2016 | 31.3.2017 | 31.3.2016 | 31.3.2017 |
| Discount Rate | 8% | 7.5% | 8% | 7.75% | 8% | 7.75% |
| Expected Return on Plan Assets | 8% | 7.5% | 8% | 7.5% | 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

| Particulars | (₹ in Crore) | | |
|---|--------------|----------|------------------|
| | PENSION | GRATUITY | LEAVE ENCASHMENT |
| Present value of Obligation 01.04.2016 | 755.87 | 247.57 | 158.60 |
| Interest Cost | 50.10 | 18.22 | 11.76 |
| Current Service Cost | 33.53 | 21.54 | 18.63 |
| Benefits paid | (175.87) | (24.94) | (13.74) |
| Actuarial (loss) / gain on obligations (Balancing figure) | 162.38 | 10.68 | (2.11) |
| Present Value of Obligations, 31.03.2017 | 826.01 | 273.07 | 173.14 |

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"Significant Accounting Policies and Notes on Accounts"

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 01.04.2016 | 724.63 | 245.07 | 0.00 |
| Expected return on Plan assets | 57.63 | 19.19 | 0.00 |
| Contributions by Bank/Employees | 236.56 | 23.56 | 13.74 |
| Benefits paid | (175.87) | (24.94) | (13.74) |
| Actuarial (loss)/ gain on Plan Assets (Balancing figure) | (30.90) | 3.76 | 0.00 |
| Fair Value of Plan Assets, 31.03.2017 | 812.05 | 266.64 | 0.00 |

IV - Actual return on Plan Assets

(₹in Crore)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---------------------------------------|---------|----------|------------------|
| Expected return on Plan Assets | 57.63 | 19.19 | 0.00 |
| Actuarial (loss)/ gain on Plan Assets | (30.90) | 3.76 | 0.00 |
| Actual Return on Plan Assets | 26.73 | 22.95 | 0.00 |

V - Net Actuarial Gain/ (loss) recognized

(₹in Crore)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|--|---------|----------|------------------|
| Actuarial gain/ (loss) for the period - Obligation | 162.38 | 10.68 | (2.11) |
| Actuarial gain/ (loss) for the period - Plan Assets | (30.90) | 3.76 | 0.00 |
| Total gain/ (loss) for the period | 193.28 | 6.92 | (2.11) |
| Actuarial gain or (loss) recognized in the period | 193.28 | 6.92 | (2.11) |
| 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, 31.03.2017 | 826.01 | 273.07 | 173.14 |
| Fair Value of Plan Assets, 31.03.2017 | 812.05 | 266.64 | 0 |
| Difference | 13.96 | 6.43 | 173.14 |
| Unrecognized Transitional Liability | 0 | 0 | 0 |
| Unrecognized Past Service cost - vested benefits - Carried Forward | 0 | 0 | 0 |
| Liability Recognized in the Balance Sheet | 13.96 | 6.43 | 173.14 |
| Negative amount determined under Paragraph 55 of AS-15 (R) | - | - | - |
| Present value of available refunds and reductions in future contributions | - | - | - |
| Resulting asset as per Paragraph 59 (b) of AS - 15 (R) | - | - | - |

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"Significant Accounting Policies and Notes on Accounts"

VII - Expense recognized in Profit and Loss Statement

(₹ in Crore)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|---------|----------|------------------|
| Current Service Cost | 33.53 | 21.54 | 18.63 |
| Interest Cost | 50.10 | 18.22 | 11.76 |
| Expected return on Plan assets | (57.63) | (19.19) | 0.00 |
| Net Actuarial gain/ (loss) recognized in the year | 193.28 | 6.92 | (2.11) |
| Past Service Cost-Recognized | 0.00 | 0.00 | 0.00 |
| Expenses recognized in the statement of profit and loss | 219.28 | 27.49 | 28.28 |

VIII - Movement in Net liability to be recognized in Balance Sheet

(₹ in Crore)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|----------|----------|------------------|
| Opening Net Liability | 31.24 | 2.50 | 158.60 |
| Expenses | 219.28 | 27.49 | 28.28 |
| Contributions paid | (236.56) | (23.56) | (13.74) |
| Closing Net Liability (Liability recognized in B/S in current period) | 13.96 | 6.43 | 173.14 |

IX - Amount for the Current Period

(₹ in Crore)

| Particulars | PENSION | GRATUITY | LEAVE ENCASHMENT |
|---|---------|----------|------------------|
| Present value of Obligations, 31.03.2017 | 826.01 | 273.07 | 173.14 |
| Fair Value of Plan Assets, 31.03.2017 | 812.05 | 266.64 | 0 |
| Surplus/(Deficit) before unrecognized past service cost | 13.96 | 6.43 | 173.14 |
| Experience Adjustments in Plan Liabilities - (loss)/ gain | 128.97 | 5.13 | (5.20) |
| Experience Adjustments in Plan Assets (loss) / gain | (34.74) | 2.48 | N/A |

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

(in % age)

| Particulars | PENSION (%) | GRATUITY (%) |
|-----------------------------------|---------------|---------------|
| Government of India Securities | 5.49 | 8.41 |
| State Government Securities | 1.78 | 39.09 |
| High Quality Corporate Bonds | 5.66 | 26.63 |
| Equity Shares of listed companies | 0.00 | 3.44 |
| Funds managed by Insurer | 87.07 | 1.95 |
| Other- Bank Deposits and CD's | 0.00 | 20.48 |
| Total | 100.00 | 100.00 |

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"Significant Accounting Policies and Notes on Accounts"

XI - Best Estimate of contribution during next year

(₹ in Crore)

| Particulars | PENSION (Funded) | GRATUITY (Funded) |
|---|------------------|-------------------|
| Bank's best estimate of Contribution during next year | 187.85 | 54.56 |

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 except para XI above.

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 | 31.03.2017 | 31.03.2016 |
|--|------------------|-----------------|
| A Segment Revenue (Income) | | |
| i. Treasury Operations | 2091.55 | 1978.86 |
| ii. Corporate/Whole sale Banking | 2271.40 | 2653.88 |
| iii. Retail Banking | 3154.78 | 3204.13 |
| iv. Other Banking Business | 45.29 | 57.61 |
| Total | 7563.02 | 7894.10 |
| (Less): Inter segment revenue | 384.36 | 546.51 |
| Total Income from Operations | 7178.66 | 7347.59 |
| B Segment Results (Profit before tax) | | |
| i. Treasury Operations | (135.61) | 123.28 |
| ii. Corporate /Wholesale Banking | (733.04) | 212.83 |
| iii. Retail Banking | (641.69) | 330.80 |
| iv. Other Banking Business | 4.37 | 24.77 |
| Total | (1505.97) | 691.70 |
| C (Segment Assets) | | |
| i. Treasury Operations | 25410.29 | 23246.46 |
| ii. Corporate/Wholesale Banking | 27180.28 | 28544.22 |
| iii. Retail Banking | 29388.48 | 28427.98 |
| iv. Other Banking Business | 39.62 | 49.41 |
| Total | 82018.67 | 80268.07 |
| D. (Segment Liabilities) | | |
| i. Treasury Operations | 291.66 | 1654.04 |
| ii. Corporate /Wholesale Banking | 23786.04 | 27398.10 |
| iii. Retail Banking | 52210.96 | 44751.34 |

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"Significant Accounting Policies and Notes on Accounts"

| | | (₹ in Crores) | |
|-------------|--|-----------------|-----------------|
| Description | | 31.03.2017 | 31.03.2016 |
| iv. | Other Banking Business | 53.51 | 60.66 |
| | Total | 76342.17 | 73864.14 |
| E. | Capital Employed (Segment Assets-Segment Liabilities) | | |
| i. | Treasury Operations | 25118.63 | 21592.42 |
| ii. | Corporate/Wholesale Banking | 3394.24 | 1155.06 |
| iii. | Retail Banking | (22822.48) | (16312.24) |
| iv. | Other Banking Business | (13.89) | (11.26) |
| | Total | 5676.50 | 6423.98 |

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

23.5 Accounting Standard 18 - Related party disclosures as on 31.03.2017

| | | (₹ in Crores) | |
|--|---------------------------------|---------------------------------|---|
| Items/Related Party | | J&K Grameen Bank (Associate) | JKB Financial Services Ltd. (Subsidiary) |
| Deposits | Balance as on date | 1408.65 | 4.12 |
| | Maximum Balance during the year | 1463.81 | 13.14 |
| Advances | Balance as on date | *11.67 | NIL |
| | Maximum Balance during the year | 265.67 | NIL |
| Investments | Balance as on date | 34.01 | 20.00 |
| | Maximum Balance during the year | 34.01 | 20.00 |
| Interest Paid | | 102.54 | 0.85 |
| Interest/Commission Received | | 3.26 | 0.03 |
| Sale of Fixed Assets | | NIL | NIL |
| Transfer of Current Assets/ Liabilities(Net) | | NIL | NIL |
| Reimbursement of Expenses | | NIL | 3.87 |

Advances is shown as borrowings from the Sponsor bank in shape of SOD, LAD and Perpetual Bonds

*Rs. 11.67 crore is 50% share of Sponsor Bank for implementation of CBS by JKGB in the form of Investment in Tier II perpetual bonds.

| | | (₹ in Lakhs) | | | | | |
|---|---------------------------------|--------------------------------|-----------------------------|--------------------|---|---|--|
| Items/Related Party | K.M.P* | | | | | | |
| | Mr. Mushtaq Ahmad (Chairman) | Mr. Parvez Ahmed (Chairman) | Mr. Vagish Chander (CFO) | Mr. S K Bhat (CFO) | Mr. Abdul Majid Bhat (Company Secretary) | Mr. Mohammad Shafi Mir (Company Secretary) | |
| Period for which post held during FY 2016-17 | 6 Months 5 days | 5 Months 26 Days | 7 Months 11 Days | 4 Months 19 Days | 7 Months 22 Days | 4 Months 8 Days | |
| Investments | -- | -- | -- | -- | -- | -- | |
| Interest/Commission Received | -- | -- | -- | -- | -- | -- | |
| Salary | 43.38 | 32.33 | 21.59 | 13.01 | 6.35 | 5.23 | |

* Key Managerial Personnel.

**During the period, the bank has provided the residential accommodation to the worthy Chairman in lieu of which no House Rent has been paid. Moreover, during the period no expenditure has been incurred on the maintenance of same.

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23.6 Accounting standard 19 - Leases

The properties taken on lease/rental basis are renewable/cancellable at the option of the Bank.

The lease entered into by the Bank are for agreed period with an option to terminate the leases even during the currency of lease period by giving agreed calendar months notice in writing.

Lease rent paid for operating leases are recognized as an expense in the Profit & Loss account in the year to which it relates. The lease rent recognized during the year is ₹47.58 crores (previous year ₹45.65 crores)

23.7 Accounting Standard 20 - Earning per share

| | 31.03.2017 | 31.03.2016 |
|--|------------|------------|
| Net Profit available to Equity Share Holders | (1632.29) | 416.03 |
| No. of Equity Shares | 485979830* | 484778020 |
| Basic/Diluted Earnings per share (in `) | (33.59) | 8.58 |
| Face value per share | ₹ 1/- | ₹ 1/- |

* Weighted average number of Equity shares outstanding during the period. (Amount of allotment of 36555051 equity shares received on 20.03.2017).

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.

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.

| Timing Difference | Deferred Tax Asset | Deferred Tax Liabilities |
|------------------------|--------------------|--------------------------|
| Depreciation on Assets | - | 3638.94 |
| Leave Encashment | 6068.11 | - |
| Special Reserve | - | 4261.34 |
| Wage Revision | - | - |

Net Deferred Tax Liability as on 31.03.2017 : ₹ 1832.16 Lacs

Tax Impact for the year : ₹ 1955.22 Lacs

23.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹58.92 Lacs on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹24.17 Lacs has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹34.75 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 ₹3.49 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalized the cost of the same.

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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 ₹ 5.89 crores (Previous year ₹2.23 Crores) has been made during the year totaling to ₹ 11.45 crores (Previous year ₹7.81 Crores) upto 31.03.2017 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.

ADDITIONAL DISCLOSURES

24. Provisions and Contingencies

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

(₹ in Crores)

| Particulars | For the year ended | |
|--|--------------------|----------------|
| | 31.03.2017 | 31.03.2016 |
| Tax Expense | | |
| i) Income Tax | 145.87 | 255.75 |
| ii) Deferred Tax Liability/ (Asset) | (19.55) | 19.90 |
| iii) Wealth Tax | 0.00 | 0.00 |
| Provision against NPA's | 2115.93 | 869.62 |
| Provision for depreciation on investments | 55.19 | 0.19 |
| Provision for frauds and embezzlements | 1.39 | 0.72 |
| Provision for diminution in the fair value of restructured /rescheduled advances | 114.49 | 0.00 |
| Provision for Non Performing Investments | 244.04 | 27.11 |
| Other provisions & contingencies | - | - |
| Provision for contingent liabilities | 5.89 | 2.23 |
| Provision for Standard Assets | 263.37 | 76.36 |
| Total | 2926.62 | 1251.88 |

25. Details / Utilization of Floating Provisions

(₹ in Crores)

| Particulars | As on | |
|--------------------------------|------------|------------|
| | 31.03.2017 | 31.03.2016 |
| Opening balance | 348.72 | 17.73 |
| Additions made during the year | 0.00 | 330.99 |
| Draw Down made during the year | 0.00 | 0.00 |
| Closing balance | 348.72 | 348.72 |

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"Significant Accounting Policies and Notes on Accounts"

26. Investments (Floating Provision)

(₹ in Crores)

| Particulars | As on | |
|----------------------------------|------------|------------|
| | 31.03.2017 | 31.03.2016 |
| 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 | 10 |
| B | No. of complaints received during the year | 147 |
| C | No. of complaints redressed during the year | 146 |
| D | No. of complaints pending at the end of the year | 11 |

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 | NIL |
| C | No. of Awards implemented during the year | NIL |
| D | No. of unimplemented Awards pending at the end of the year | NIL |

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 stands NIL (Previous year ₹14.20 Crores)

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 2017.

31. Provision Coverage Ratio (PCR)

The provision coverage ratio (PCR) for the Bank as on 31st March 2017 is 66.88% (Previous Year 56.15%) 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 PNB 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 2016-17 on account of mobilizing said business is given hereunder:-

(₹ in Crores)

| S. No. | Nature of Income | |
|--------|--|--------------|
| 1 | For selling life insurance policies | 16.73 |
| 2 | For selling non-life insurance polices | 10.68 |
| 3 | For selling mutual fund products | - |
| 4 | Others - (Logo & other Charges) | 5.41 |
| | Total | 32.82 |

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"Significant Accounting Policies and Notes on Accounts"

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

33.1 Concentration of Deposits

| | | (₹ in Crores) |
|---|--|---------------|
| Total Deposits of 20 largest depositors | | 8960.22 |
| Percentage of 20 largest deposits to total Deposits of the Bank | | 12.36% |

33.2 Concentration of Advances

| | | (₹ in Crores) |
|--|--|---------------|
| Total Advances to 20 largest borrowers | | 11858.68 |
| Percentage of advances of 20 largest borrowers to Total Advances of the Bank | | 23.80% |

33.3 Concentration of Exposures

| | | (₹ in Crores) |
|--|--|---------------|
| Total Exposure to 20 largest borrowers customers | | 12298.89 |
| Percentage of exposures to 20 largest borrowers /customers to Total exposure of the bank on borrowers/ customers | | 17.30% |

33.4 Concentration of NPA's

| | | (₹ in Crores) |
|--------------------------------------|--|---------------|
| Total Exposure to top 4 NPA accounts | | 1904.60 |

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 | 5252.18 | 232.96 | 4.44 | 5982.67 | 595.03 | 9.95 |
| 2 | Advances to Industries sector eligible as priority sector lending | 2102.97 | 295.14 | 14.03 | 2674.56 | 226.91 | 8.48 |
| 3. | Services | 6366.19 | 301.04 | 4.73 | 6173.27 | 404.07 | 6.55 |
| 4. | Personal Loans | 1595.90 | 48.48 | 3.04 | 1702.75 | 18.48 | 1.09 |
| 5. | Others | | | | 345.69 | 18.29 | 5.29 |
| | Sub Total A | 15317.24 | 877.62 | 5.73 | 16878.94 | 1262.78 | 7.48 |
| B. | Non Priority Sector | | | | | | |
| 1 | Agriculture and Allied Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Industry | 13023.90 | 4001.56 | 30.72 | 12979.92 | 2005.62 | 15.45 |
| 3. | Services | 13305.90 | 998.81 | 7.51 | 11864.44 | 998.17 | 8.41 |
| 4. | Personnel Loans | 11926.41 | 122.02 | 1.02 | 10770.44 | 102.04 | 0.95 |
| 5. | Others | | | | | | |
| | Sub Total B | 38256.21 | 5122.39 | 13.39 | 35614.80 | 3105.83 | 8.72 |
| | TOTAL (A+B) | 53573.45 | 6000.01 | 11.20 | 52493.74 | 4368.61 | 8.32 |

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"Significant Accounting Policies and Notes on Accounts"

35. Movement of NPA's

(₹ in Crores)

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Gross NPA's as on April 01, (Opening Balance) | 4368.61 | 2764.08 |
| Additions (Fresh NPA's) during the year | 3278.42 | 2383.22 |
| Sub Total : (A) | 7647.03 | 5147.30 |
| Less | | |
| i).Up-gradation | 154.76 | 188.92 |
| ii) Recoveries (Excluding Recoveries made from upgraded Accounts) | 635.27 | 261.74 |
| iii) Technical/ Prudential/ write offs | 827.92 | 317.70 |
| iv) Due to Compromise/settlement | 29.07 | 10.33 |
| Sub Total (B) | 1647.02 | 778.69 |
| Gross NPA as on 31st March | 6000.01 | 4368.61 |

36. Sector wise NPA's*

| S. No. | Sector | Percentage of NPA to Total advances in that sector |
|--------|---|--|
| 1 | Agriculture & Allied activities | 4.44 |
| 2 | Industry (Micro & Small Medium and Large) | 28.40 |
| 3 | Services | 6.61 |
| 4 | Personal Loans | 1.26 |
| 5. | Others | 11.20 |

*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 at April 01, | 566.04 | 252.79 |
| Add: Technical/Prudential write-offs during the year | 781.08 | 315.66 |
| Sub Total: | 1347.12 | 568.45 |
| Less: Recoveries made during the year | 23.81 | 2.41 |
| Closing balance as at March 31 | 1323.30 | 566.04 |

38. Overseas Assets, NPA's and Revenues

(₹ in Crores)

| S. No. | Particulars | |
|--------|---------------|-----|
| 1 | Total Assets | NIL |
| 2 | Total NPAs | NIL |
| 3 | Total Revenue | NIL |

Schedules

"Significant Accounting Policies and Notes on Accounts"

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. Divergence in the asset classification and provisioning:

(₹ in Thousands)

| S. No. | Particulars | Amount |
|--------|---|-----------|
| 1 | Gross NPAs as on March 31, 2016 as reported by the bank | 43686163 |
| 2 | Gross NPAs as on March 31, 2016 as assessed by RBI | 62523163 |
| 3 | Divergence in Gross NPAs (2-1) | 18837000 |
| 4 | Net NPAs as on March 31, 2016 as reported by the bank | 21639527 |
| 5 | Net NPAs as on March 31, 2016 as assessed by RBI | 35302527 |
| 6 | Divergence in Net NPAs (5-4) | 13663000 |
| 7 | Provisions for NPAs as on March 31, 2016 as reported by the bank | 21117975 |
| 8 | Provisions for NPAs as on March 31, 2016 as assessed by the RBI | 26291975 |
| 9 | Divergence in Provisioning (8-7) | 5174000 |
| 10 | Reported Net Profit after Tax (PAT) for the Year ended March 31, 2016 | 4160400 |
| 11 | Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning | (1013600) |

41. 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.

42. 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 ₹21.76 Crores (Previous year ₹27.33 Crores) for twelve months period ended 31st March 2017 against which bank has spent ₹21.87 Crores (Previous year ₹28.48 Crores).

43. a) In Compliance to RBI Letter No. DBR.NO.BP.13018/21.04.048/2015-16 dated April 12, 2016, bank is required to make a provision of ₹28.27 crores being 15% of the existing outstanding balance of ₹188.27 crores as on 31.03.2017 under Food credit availed by State Government of Punjab. The bank has made provision to the extent of ₹28.67 crores till 31.12.2016. Accordingly excess provision of ₹0.40 crores has been taken into account during the quarter.
- b) In view of recent disturbances in the state of J&K, RBI has allowed relaxation in asset classification for all borrowal accounts of J&K state except those which are overdue as on July 07, 2016 in terms of RBI Master Directions issued for Relief Measures by Banks in areas affected by Natural Calamities. Accordingly Bank has rehabilitated/restructured borrowal accounts after recovering the overdue amount as of July 07, 2016. In total advances to the tune of ₹3265.83 crores have been rehabilitated/restructured for which an amount of ₹163.29 crores and ₹134.98 crores has been kept as provision and DIFV respectively as on 31.03.2017

44. 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"

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

| (₹ in Crores) | |
|--|------|
| Particulars | |
| Opening Provision Balance as on 01.04.2016 | 0.15 |
| Provisions made during the year | 1.40 |
| Redemption made during the year | 0.95 |
| Closing Provision Balance as on 31.03.2017 | 0.60 |

46. Intra-Group Exposure

| (₹ in Crores) | | |
|---|--------------|---------------|
| Particulars | Current Year | Previous Year |
| Total Amount of intra-group Exposure | 0.00 | 1.63 |
| Total Amount of top-20 intra group exposures | 0.00 | 1.63 |
| Percentage of intra -group exposures to total exposures of the bank on borrowers/ customers | 0.00 | 0.00 |
| Details of breach of limit on intra-group exposures and regulatory action thereon, if any | NIL | NIL |

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

| (₹ in Crores) | | |
|--|--------------|---------------|
| Particulars | Current Year | Previous Year |
| Opening balance of amounts transferred to DEAF | 31.06 | 16.14 |
| Add:- Amounts transferred to DEAF (During the Year) | 32.19 | 15.34 |
| Less : Amounts reimbursed by DEAF towards claims | 2.01 | 0.42 |
| Closing balance of amounts transferred to DEAF | 61.24 | 31.06 |

48. 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 2016-17 towards this exposure.

48.1 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.

Details of Incremental provisioning made by Bank towards this risk.

| (₹ in Crores) | |
|------------------------------------|----------------|
| Particulars | Provision Held |
| Opening balance as on (01.04.2016) | 3.77 |
| Additions during the year | 0.00 |
| Deductions during the year | 2.68 |
| Closing balance 31.03.2017 | 1.09 |

The capital held by the Bank towards the foreign currency exposure amounts to ₹ 3.24 Crores (Previous Year ₹8.22 Crores)

Schedules

"Significant Accounting Policies and Notes on Accounts"

49. 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) | 10124.86 | 10087.63 | 5454.10 | 5414.60 |
| Cash Outflows | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which | 22113.73 | 1607.21 | 20589.31 | 1575.78 |
| (i) | Stable deposits | 12083.31 | 604.16 | 10487.02 | 565.55 |
| (ii) | Less stable deposits | 10030.42 | 1003.04 | 10102.28 | 1010.23 |
| 3 | Unsecured wholesale funding ,of which | 17307.56 | 5489.99 | 6499.98 | 1624.84 |
| (i) | Operational Deposits (all counterparties) | 17306.78 | 5489.92 | 13820.44 | 3454.84 |
| (ii) | Non Operational deposits (all counterparties) | 0.78 | 0.07 | 0.45 | 0.04 |
| (iii) | Unsecured debt | 0 | 0 | 0 | 0 |
| 4 | Secured Wholesale funding | 1166.73 | 0 | 140.35 | 0 |
| 5 | Additional requirements of which | 0 | 0 | 0 | 0 |
| (i) | Outflows related to derivative exposure and other collateral requirements | 0 | 0 | 0 | 0 |
| (ii) | Outflows related to loss of funding on debt products | 0 | 0 | 0 | 0 |
| (iii) | Credit and liquidity facilities | 0 | 0 | 0 | 0 |
| 6 | Other contractual funding Obligations | 7624.65 | 645.43 | 6051.80 | 512.33 |
| 7 | Other contingent funding Obligations | 5075.01 | 152.25 | 4960.92 | 239.70 |
| 8 | Total cash outflows | 53287.67 | 7894.88 | 45563.30 | 5782.71 |
| Cash Inflows | | | | | |
| 9 | Secured Lending (e.g. reverse repo) | 279.82 | 0 | 137.49 | 0.00 |
| 10 | Inflows from fully performing exposure | 1644.51 | 1080.45 | 1481.02 | 912.76 |
| 11 | Other cash inflows | 0 | 0 | 102.79 | 102.79 |
| 12 | Total cash inflows | 1924.33 | 1080.45 | 1721.31 | 1015.56 |
| | | | | | Total adjusted value |
| | TOTAL HQLA | | 10087.63 | | 5414.60 |
| | Total Net Cash Outflows | | 6814.43 | | 4767.15 |
| | Liquidity Coverage ratio (%) | | 148.03 | | 113.58 |

Schedules

"Significant Accounting Policies and Notes on Accounts"

49.1 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.

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"

50. Disclosure on Remuneration

| | | |
|----|--|---|
| a) | 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. Azhar-ul-Amin (Chairman- N&RC) Mr. Mohammad Maqbool Rather (Member) Mr. Mohammad Ashraf Mir (Member) |
| b) | 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. · Formulate the policy which inter alia shall ensure that: <ul 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. |
| c) | 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. |
| d) | 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. |
| e) | 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 |
| f) | 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 | 31.03.2017 | 31.03.2016 |
|--|--|--|
| g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members. | The Committee met once during the year and total sitting fee of ₹ 75000/- @ ₹ 25000 for each meeting attended by its members was paid. (Total amount of ₹ 75000/- paid to all 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) |
| h) 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 | NIL |
| ii) Number and total amount of sign-on awards made during the financial year. | NIL | NIL |
| iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus | NIL | NIL |
| iv) Details of severance pay, in addition to accrued benefits, if any. | NIL | NIL |
| i) i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. | NIL | NIL |
| ii) Total amount of deferred remuneration paid out in the financial year. | NIL | NIL |
| j) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred. | NIL | NIL |
| k) i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. | NIL | NIL |
| ii) Total amount of reductions during the financial year due to ex- post explicit adjustments. | NIL | NIL |
| iii) Total amount of reductions during the financial year due to ex- post implicit adjustments. | NIL | NIL |

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

52. 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.

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

In terms of our report of even date annexed

For Dhar Tiku & Co.
Chartered Accountants
FRN 003423N

For Arora Vohra & Co.
Chartered Accountants
FRN 009487N

For Dharam Raj & Co.
Chartered Accountants
FRN 014461N

CA. Madhusudan Meher
Partner
(M. No.097409)

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

CA. Dharam Raj
Partner
(M. No. 094108)

Place : Srinagar
Dated : 13th May, 2017

NOTICE

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Consolidated Cash Flow Statement

for the year ended 31st March, 2017

| | 31.03.2017 | 31.03.2016 | |
|-----------|--|---------------------|---------------------|
| | ₹ '000' Omitted | | |
| A | CASH FLOW FROM OPERATING ACTIVITIES | 24,571,004 | (2,189,495) |
| B | CASH FLOW FROM INVESTING ACTIVITIES | (8,613,548) | (1,358,411) |
| C | CASH FLOW FROM FINANCING ACTIVITIES | 5,928,501 | (1,761,539) |
| | NET CHANGE IN CASH AND CASH EQUIVALENTS | 21,885,957 | (5,309,445) |
| D | CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 32,042,047 | 37,351,492 |
| E | CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 53,928,004 | 32,042,047 |
| A. | CASH FLOW FROM OPERATING ACTIVITIES: | | |
| | Net Profit after Taxes | (16,329,931) | 4,138,405 |
| | Add : Provision for Taxes | 1,263,177 | 2,756,490 |
| | Net profit before taxes (i) | (15,066,754) | 6,894,895 |
| | Adjustment for : | | |
| | Depreciation charges | 819,246 | 611,435 |
| | Provision for NPA's | 21,159,289 | 8,696,235 |
| | Provision on Standard Assets | 2,633,691 | 763,635 |
| | Depreciation on Investment | 551,875 | 1,902 |
| | Provision for Non-Performing Investment | 2,440,386 | 271,125 |
| | Other Provisions | 1,217,824 | 29,430 |
| | Interest paid on subordinate Bonds (Financing Activities) | 550,411 | 540,000 |
| | Total Adjustment (ii) | 29,372,722 | 10,913,762 |
| | Operating profit before change in Operating assets & liabilities (i) + (ii) | 14,305,968 | 17,808,657 |
| | Adjustment for changes in Operating Assets & Liabilities | | |
| | Increase / (Decrease) in Deposits | 30,801,648 | 36,426,449 |
| | Increase / (Decrease) in Borrowings | (14,639,513) | (996,666) |
| | Increase / (Decrease) in Other liabilities & provisions | 5,959,740 | 3,656,154 |
| | (Increase) / Decrease in Investments | (9,924,582) | 24,057,843 |
| | (Increase) / Decrease in Advances | (18,532,484) | (64,770,968) |
| | (Increase) / Decrease in Other Assets | 17,320,899 | (14,430,576) |
| | Net Cash flow from Operating activities (iii) | 10,985,708 | (16,057,764) |
| | Cash generated from operation (i + ii + iii) | 25,291,676 | 1,750,893 |
| | Less : Tax paid | 720,672 | 3,940,388 |
| | TOTAL : (A) | 24,571,004 | (2,189,495) |
| B. | CASH FLOW FROM INVESTING ACTIVITIES : | | |
| | a) Fixed Assets | (8,613,548) | (1,358,411) |
| | b) Investment in Subsidiary | - | - |
| | TOTAL : (B) | (8,613,548) | (1,358,411) |

Consolidated Cash Flow Statement

for the year ended 31st March, 2017

| | 31.03.2017 | 31.03.2016 |
|--|-------------------|--------------------|
| | ₹ '000' Omitted | |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| a) Share Capital | 36,555 | - |
| b) Equity Share Warrants | - | - |
| c) Share Premium | 2,463,445 | - |
| d) Tier II Bonds | 5,000,000 | - |
| e) Dividend & Dividend Tax Paid | (1,021,088) | (1,221,539) |
| f) Interest Paid on Subordinate Debt | (550,411) | (540,000) |
| TOTAL :(C) | 5,928,501 | (1,761,539) |
| D. CASH AND CASH EQUIVALENTS AT THE BEGINNING 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 :(D) | 32,042,047 | 37,351,492 |
| E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | |
| a) Cash in hand & Balance with R.B.I | 35,909,731 | 31,267,367 |
| b) Balance with Banks & Money at Call & Short Notice | 18,018,273 | 774,680 |
| TOTAL :(E) | 53,928,004 | 32,042,047 |

Parvez Ahmed
Chairman & CEO

Navin Kumar Choudhary, I.A.S
Director

Yogesh Kumar Dayal
Director

Abdul Majid Mir
Director

Azhar-ul-Amin
Director

Mohammad Maqbool Rather
Director

Mohammad Ashraf Mir
Director

S.K.Bhat
Senior President (CFO)

Tabassum Nazir
Vice President

Mohammad Shafi Mir
Company Secretary

Place : Srinagar
Dated : 13th May, 2017

The above Consolidated Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 13th May, 2017 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, 2017 and March 31st, 2016. 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 Dhar Tiku & Co.
Chartered Accountants
FRN 003423N

CA. Madhusudan Meher
Partner
(M. No. 097409)

Place : Srinagar
Dated : 13th May, 2017

For Arora Vohra & Co.
Chartered Accountants
FRN 009487N

CA. Hardeep Aggarwal
Partner
(M. No. 088243)

For Dharam Raj & Co.
Chartered Accountants
FRN 014461N

CA. Dharam Raj
Partner
(M. No. 094108)

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Basel-III - Pillar-3 disclosures

as on 31st March, 2017

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 |
|--|----------------------------|
| 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 | ₹ 193.08 million |

(ii) Quantitative Disclosures

c. The List of group entities considered for consolidation as on 31st March 2017:

| 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 | ₹ 20128.84 millions | 5.08 % | CRAR will reduce by 0.15% 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 10.25 percent with minimum Common Equity Tier 1 (CET1) of 6.75% as on March 2017. 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 |
|------------|--|------------------------------------|
| 1.1 | Capital requirements for credit risk | 52894.2 |
| | • Portfolio subjected to standardized approach | 52894.2 |
| | • Portfolios subjected to the IRB approaches | Nil |
| | • Securitization exposures | Nil |
| 2.2 | Capital requirement for market risk (under Standardized duration approach) | 2842.4 |
| | • Interest rate risk | 2272.0 |
| | • Foreign exchange risk (including gold) | 0.0 |
| | • Equity risk | 570.4 |
| 2.3 | Capital requirement for operational risk | 4705.5 |
| | • Basic indicator approach: | 4705.5 |
| 2.4 | Common Equity Tier 1, Tier 1 and Total Capital ratios: | |
| | Name of the Entity | Common Equity Tier 1 ratio: |
| | J&K Bank Ltd | 8.70% |
| | | Tier 1 ratio |
| | | 8.70% |
| | | Total capital ratio |
| | | 10.80% |

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 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 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 | 820186.7 | |
| | | b) Off Balance sheet | 52497.1 | |
| | | Total | 872683.8 | |
| 2.2 | Geographic distribution of exposures: | | | |
| | • Overseas | Nil | | |
| | • Domestic | 872683.8 | | |
| 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. (data pending) | | |
| 2.4 | Residual contractual maturity breakdown of assets, | Residual maturity is provided separately as per Annexure- B. (data pending) | | |
| 2.5 | Amount of NPAs (Gross) | 60000.1 | | |
| | • Substandard | 6142.7 | | |
| | • Doubtful | 50625.7 | | |
| | • Loss | 3231.7 | | |
| 2.6 | Net NPAs | 24253.7 | | |
| 2.7 | NPA Ratios | | | |
| | • Gross NPAs to gross advances | 11.20 | | |
| | • Net NPAs to net advances | 4.87 | | |
| 2.8 | Movement of NPAs (Gross) | | | |
| | • Opening balance (01.04.2016) | 43686.1 | | |
| | • Additions during the year | 32784.2 | | |
| | • Reductions during the year | 16470.2 | | |
| | • Closing balance (31.03.2017) | 60000.1 | | |
| 2.9 | Movement of specific provisions (NPAs) | | | |
| | • Opening balance (01.04.2016) | 21118.0 | | |
| | • Provisions made during the year | 21159.2 | | |
| | • Write-off | 8024.3 | | |
| | • Write back of excessive provisions | --- | | |
| | • Any other adjustment, including transfers between provisions | --- | | |
| | • Closing balance (31.03.2017) | 34252.9 | | |
| 2.10 | Movement of General Provisions | Provisions for Standard asset | Provisions for Contingencies | Provisions for Investment Reserve |
| | • Opening balance (01.04.2016) | 3526.4 | 1.2 | 267.8 |
| | • Provisions made during the period | 2633.7 | 0 | 0 |
| | • Write-off | 0 | 0 | 0 |
| | • Write back of excessive provisions | 0 | 0 | 0 |
| | • Any other adjustment, including transfers between provisions | 0 | 0 | 267.8 |
| | • Closing balance (31.03.2017) | 6160.1 | 1.2 | 0.00 |
| 3.0 | Write offs booked directly to the income statement (1-4-2016 to 31-03-2017) | 305.3 | | |
| 3.1 | Recoveries booked directly to the income statement | 238.1 | | |
| 4.0 | Amount of non-performing investment | 5696.6 | | |
| 4.1 | Amount of provisions held for non-performing investment | 4454.6 | | |

| | | | |
|------------|--|----------------------------|--|
| 4.2 | Movement of provision for depreciation on investments. | | |
| | • Opening balance as on 01.04.2016 | | 10.3 |
| | • Provisions made during the period | | 559.5 |
| | • Write-off | | 0 |
| | • Write back of excessive provision | | 46.9 |
| | • Closing balance 31.03.2017 | | 522.8 |
| 5.0 | Major industry wise break up of NPAs & Specific Provisions | | |
| | Industry | NPAs | Specific Provisions |
| | • Basic Metal & Metal Products | 23091.1 | 12113.2 |
| | • Infrastructure | 6965.3 | 2490.3 |
| | • Food Processing | 1566.9 | 744.5 |
| | • Textiles | 6144.0 | 3660.5 |
| | • Chemicals & Chemical Products | 850.5 | 813.1 |
| | • Vehicles, Vehicle parts & Transport equipment | 15.2 | 6.0 |
| 5.1 | Geography wise distribution of NPAs | | |
| | • Kashmir Region (including ladakh) | | 7070.7 |
| | • Jammu Region | | 1881.8 |
| | • North zone (includes states of Delhi, UP, Uttrakhand, West Bengal, Rajasthan, Bihar) | | 28630.5 |
| | • Upper North zone (includes states of Punjab & Himachal Pradesh) | | 618.9 |
| | • Mumbai Zone (includes states of Maharashtra, Gujarat, Madhya Pradesh, Goa & Chhattisgarh) | | 17245.3 |
| | • South Zone (includes states of Karnataka, Kerala, Tamil Nadu & Andhra Pradesh) | | 4552.4 |
| 5.2 | Geography wise distribution of : | Specific Provisions | General Provisions |
| | • Kashmir Region (including ladakh) | 2928.2 | 2434.5 |
| | • Jammu Region | 1054.7 | 432.4 |
| | • North zone (includes states of Delhi, UP, Uttrakhand, West Bengal, Rajasthan, Bihar) | 15732.2 | 671.2 |
| | • Upper North zone (includes states of Punjab & Himachal Pradesh) | 285.9 | 25.5 |
| | • Mumbai Zone (includes states of Maharashtra, Gujarat, Madhya Pradesh, Goa & Chhattisgarh) | 9348.2 | 1053.8 |
| | • South Zone (includes states of Karnataka, Kerala, Tamil Nadu & Andhra Pradesh) | 2000.9 | 1231.24 |
| | Floating Provisions/Provisions for Teaser loans / UFCE | 2902.6 | 311.37 (Provisions for Teaser Loans/UFCE) |

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, 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. |
| <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: - <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. i) 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. |

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 | 499842.8 |
| | • 100% risk weight | 211334.2 |
| | • More than 100% risk weight | 153863.3 |

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, 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

| | | |
|-----|---|--|
| 1.1 | 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 52327.5 |
| 1.2 | 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.

1 Quantitative Disclosures

Amount in ₹ million

| 1.1 The capital requirement for market risk as per Standardized Duration Approach: | 2842.4 |
|--|--------|
| Interest rate risk. | 2272.0 |
| Equity position risk. | 570.4 |
| Foreign exchange risk. | ---- |
| 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: ₹ 4705.5 (Million) |
|-------------------------------------|---|

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)
₹ 59.9 million
 - Change in market value of equity (with 200 bps change in interest rates for both assets and liabilities).
➤ 8.26% (₹ 4352.0 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 out standing as on March 31, 2017 is given below.

| Particulars | Notional Amount | Amount in ₹ million |
|-------------------------|-----------------|---------------------|
| | | Current Exposure |
| Forward forex contracts | 20744.63 | 563.36 |

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) | 3852.7 | | a+c |
| 2 | Retained Earnings | 49420.7 | | 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) | 53273.4 | | |
| 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-Basel 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-Basel III treatment (please specify the details in remarks column) | 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) | 53073.4 | | |
| | 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) | 53073.4 | | |
| | Tier 2 capital: instruments and provisions | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 5000 | | i |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | 1800 | | 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 | 6161.3 | | f+j+k |
| 51 | Tier 2 capital before regulatory adjustments | 12961.3 | | |
| | 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) | 12844.6 | | |
| 58 a | Tier 2 capital reckoned for capital adequacy | 12844.6 | | |
| 58 b | Excess Additional Tier 1 capital reckoned as Tier 2 capital | 0 | | |
| 58 c | Total Tier 2 capital admissible for for capital adequacy | 12844.6 | | |

Amount in ₹ million

| Sr No | Items | | Amounts subject to pre-Basel III treatment | Ref No: |
|-------|--|--|--|---------|
| 59 | Total capital (TC = T1 + T2) | | 65918.0 | |
| | 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) | | 610390.7 | |
| 60 a | Of which: total credit risk weighted assets | | 516041.0 | |
| 60 b | Of which: total market risk weighted assets | | 35530.8 | |
| 60 c | Of which: total operational risk weighted assets | | 58818.9 | |
| | Capital Ratios | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | | 8.70 | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | | 8.70 | |
| 63 | Total capital (as a percentage of risk weighted assets) | | 10.80 | |
| 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 | | 1.25 | |
| 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) | | | |
| | National minima (if different from Basel III) | | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | | 6.75 | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | | 8.25 | |
| 71 | National total capital minimum ratio (if different from Basel III minimum) | | 10.25 | |
| | 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) | | 6161.3 | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | | 6450.5 | |
| 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 | 1800.0 | | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | 4200.0 | | |

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 | 6161.3 | | |
| | Eligible Revaluation Reserves included in Tier 2 capital | 0.0 | | |
| | Total of row 50 | 6161.3 | | |
| 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 | 521.4 | |
| Reserves & Surplus | 56243.5 | |
| Minority Interest | | |
| Total Capital | 56764.9 | |
| ii Deposits | 724631.0 | |
| of which: Deposits from banks | 43114.0 | |
| of which: Customer deposits | 681517.0 | |
| of which: Other deposits (pl. specify) | 0.0 | |
| iii Borrowings | 12760.5 | |
| of which: From RBI | 0.0 | |
| of which: From banks | 0.0 | |
| of which: From other institutions & agencies | 1760.4 | |
| of which: Others (pl. specify) | 11000.0 | |
| of which: Capital instruments | 11000.0 | |
| iv Other Liabilities & Provisions | 26030.3 | |
| Total | 820186.7 | |
| B Assets | | |
| i Cash and balances with Reserve Bank of India | 35909.8 | |
| Balance with banks and money at call and short notice | 17949.7 | |
| ii Investments: | 212908.9 | |
| of which: Government securities | 163252.1 | |
| of which: Other approved securities | 0.0 | |
| of which: Shares | 2729.8 | |
| of which: Debentures & Bonds | 15031.7 | |
| of which: Subsidiaries | 200.0 | |
| Of which Joint Ventures / Associates/ sponsored banks | 456.7 | |
| of which: Others (Commercial Papers, Mutual Funds CDs etc.) | 31238.6 | |
| iii Loans and advances | 498161.1 | |
| of which: Loans and advances to banks | 706.5 | |
| of which: Loans and advances to customers | 497454.6 | |
| iv Fixed assets | 15433.1 | |
| v Other assets | 39824.1 | |
| 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 | 820186.7 | |

Amount in ₹ million

| | Balance sheet as in financial statements As on reporting date | Balance sheet under regulatory scope of consolidation As on reporting date | Reference no: |
|---|---|---|---------------|
| A Capital & Liabilities | | | |
| i Paid-up Capital | 521.5 | | |
| of which: Amount eligible for CET 1 | 521.5 | | a |
| of which: Amount eligible for AT 1 | | | |
| Reserves & Surplus | 56243.4 | | |
| Of which: | | | |
| Statutory reserve | 20034.2 | | b |
| Share premium | 3331.2 | | c |
| Revenue & Other reserves | 25821.4 | | d |
| Capital reserves | 708.5 | | e |
| Investment reserve | - | | f |
| Revaluation Reserve | 6348.1 | | |
| Out of which amount eligible for inclusion in Tier 1 capital | 2856.6 | | g |
| Minority Interest | | | |
| Total Capital | 56764.9 | | |
| ii Deposits | 724631.0 | | |
| Of which: deposits of banks | 43114.0 | | |
| of which: Customer deposits | 681517.0 | | |
| of which: Other deposits (pl. specify) | | | |
| iii Borrowings | 12760.5 | | |
| of which: From RBI | 0 | | |
| of which: From banks | 0 | | |
| of which: From other institutions & agencies | 1760.5 | | |
| of which: Others (pl. specify) | 0 | | |
| of which: Capital instruments | 0 | | h |
| Out of which eligible for inclusion in Tier II capital | 6800.0 | | i |
| iv Other Liabilities & Provisions | 26030.3 | | |
| 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 | 6160.1 | | j |
| of which: Provisions for contingencies included under Tier II | 1.2 | | k |
| Total | 820186.7 | | |

Amount in ₹ million

| | Balance sheet as in financial statements As on reporting date | Balance sheet under regulatory scope of consolidation As on reporting date | Reference no: |
|---|---|---|---------------|
| B Assets | | | |
| i Cash and balances with Reserve Bank of India | 35909.8 | | |
| ii Balance with banks and money at call and short notice | 17949.7 | | |
| iii Investments: | 212908.9 | | |
| Of which: Government securities | 163252.1 | | |
| of which: Other approved securities | - | | |
| of which: Shares | 2729.8 | | |
| of which: Debentures & Bonds | 15031.7 | | |
| of which: Subsidiaries | 200.0 | | l |
| of which: Joint Ventures / Associates | 456.7 | | |
| of which: Others (Commercial Papers, Mutual Funds etc.) | 31238.6 | | |
| iv Loans and advances | 498161.1 | | |
| of which: Loans and advances to banks | 706.5 | | |
| of which: Loans and advances to customers | 497454.6 | | |
| v Fixed assets | 15433.1 | | |
| vi Other assets | 39824.1 | | |
| 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 | 820186.7 | | |

Main features of regulatory capital Instrument (Common Equity Tier I)

| | | |
|----|---|---------------------------------|
| 1 | Issuer | The Jammu and Kashmir Bank Ltd. |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | ISIN : INE168A01041 |
| 3 | Governing law(s) of the instrument | The Companies Act, 2013 |
| | Regulatory treatment | |
| 4 | Transitional Basel III rules | |
| 5 | Post-transitional Basel III rules | |
| 6 | Eligible at solo/group/ group & solo | SOLO |
| 7 | Instrument type | Equity Shares |
| 8 | Amount recognised in regulatory capital (₹ in million, as of most recent reporting date) | 36,555,501 |
| 9 | Par value of instrument | ₹ /- (One Only) |
| 10 | Accounting classification | Equity Capital |
| 11 | Original date of issuance | 20 th March, 2017 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | Not applicable |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 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 rate |
| 18 | Coupon rate and any related index | Not applicable |
| 19 | Existence of a dividend stopper | Nil |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | Not Applicable |
| 22 | Non-cumulative or cumulative | Not applicable |
| 23 | Convertible or non-convertible | Non Convertible |
| 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 Convertible |
| 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 | SEBI Regulations,2008 |
| | Regulatory treatment | |
| 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) | 1800 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 | N/A |
| | Coupons / dividends | |
| 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 |

Main features of regulatory capital Instrument (Tier II bonds of ₹ 5000 million)

| | | |
|----|--|--|
| 1 | Issuer | THE JAMMU & KASHMIR BANK LTD |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | INE168A08038 |
| 3 | Governing law(s) of the instrument | Companies Act, 2013; SEBI (Issue and Listing of Debt Securities) Regulations, 2008; and RBI's Master Circular on Basel III Capital Regulations |
| 4 | Transitional Basel III rules | Tier 2 |
| 5 | Post-transitional Basel III rules | Tier 2 |
| 6 | Eligible at solo/group/ group & solo | SOLO |
| 7 | Instrument type | Tier 2 Debt Instruments |
| 8 | Amount recognised in regulatory capital (₹ in million, as of most recent reporting date) | Rs.5000 |
| 9 | Par value of instrument | Rs.1000000/- |
| 10 | Accounting classification | Liability |
| 11 | Original date of issuance | 24.03.2017 |
| 12 | Perpetual or dated | Dated |
| 13 | Original maturity date | 24.06.2022 |
| 14 | Issuer call subject to prior supervisory approval | No |
| 15 | Optional call date, contingent call dates and redemption amount | NA |
| 16 | Subsequent call dates, if applicable | NA |
| | Coupons / dividends | |
| 17 | Fixed or floating dividend/coupon | Fixed |
| 18 | Coupon rate and any related index | 9.50% p.a. |
| 19 | Existence of a dividend stopper | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-Convertible |
| 24 | If convertible, conversion trigger(s) | NA |
| 25 | If convertible, fully or partially | NA |
| 26 | If convertible, conversion rate | NA |
| 27 | If convertible, mandatory or optional conversion | NA |
| 28 | If convertible, specify instrument type convertible into | NA |
| 29 | If convertible, specify issuer of instrument it converts into | NA |
| 30 | Write-down feature | Yes |
| 31 | If write-down, write-down trigger(s) | PONV Trigger Event as defined in Transaction Documents |
| 32 | If write-down, full or partial | Fully or Partially |
| 33 | If write-down, permanent or temporary | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | NA |

| | | |
|----|---|--|
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Tier 2 instruments shall be superior to the claims of investors in instruments eligible for inclusion in Tier 1 Capital and subordinate to the claims of all depositors and general creditors of the Bank |
| 36 | Non-compliant transitioned features | Yes |
| 37 | If yes, specify non-compliant features | The Bonds shall be subject to loss absorbency features applicable for non-equity capital instruments as per the Master Circular issued by the Reserve Bank of India on Basel III capital regulations covering terms and conditions for issue of debt capital instruments for inclusion as Tier II Capital (Annex 5 of the Master Circular) and minimum requirement to ensure loss absorbency of non-equity regulatory capital instruments at the Point of Non Viability (PONV) (Annex 16 of the Master Circular) read along with the Master Circular. Accordingly, the Bonds may, at the option of the RBI, be permanently written off upon occurrence of the trigger event called the "Point of Non Viability Trigger". PONV trigger event shall be as defined in the RBI Regulations and shall be determined by the RBI. |

Annexure-A

Industry-wise Deployment of Credit and Investment Exposures as on 31.03.2017

Amount in ₹ million

| S.No | Industry | Amount |
|------|---|------------------|
| 1 | Mining and quarrying (including Coal) | 749.79 |
| 2 | Food Processing | 10592.85 |
| | Out of 2 | |
| | Sugar | 2.49 |
| | Edible oils & Vanaspati | 1362.49 |
| | Tea & Coffee | 294.36 |
| | Others | 8933.52 |
| 3 | Beverage & tobacco | 2.14 |
| 4 | Textiles | 13704.33 |
| | Out of 4 | |
| | Cotton Textiles | 486.08 |
| | Jute Textiles | 77.88 |
| | Man - Made Textiles | 3138.08 |
| | Other Textiles | 10002.29 |
| 5 | Leather & Leather Products | 1255.38 |
| 6 | Wood & Wood Products | 718.62 |
| 7 | Paper & Paper Products | 945.57 |
| 8 | Petroleum, Coal Products and Nuclear fuels | 1.37 |
| 9 | Chemicals and Chemical Products | 5081.09 |
| | Out of 9 | |
| | Fertiliser | 438.14 |
| | Drugs & Pharmaceuticals | 1104.83 |
| | Petro Chemicals | 2153.34 |
| | Others | 1384.79 |
| 10 | Rubber, Plastic & their Products | 2895.36 |
| 11 | Glass and Glassware | 33.02 |
| 12 | Cement and Cement Products | 7647.61 |
| 13 | Basic Metal and Metal Products | 31513.47 |
| | Out of 13 | |
| | Iron & Steel | 29996.70 |
| | Other Metal & Metal Products | 1516.77 |
| 14 | All Engineering | 4142.47 |
| | Out of 14 | |
| | Electronics | 1665.18 |
| | Others | 2477.30 |
| 15 | Vehicles, Vehicle Parts and Transport equipment | 109.46 |
| 16 | Gems and Jewellery | 1655.12 |
| 17 | Construction | 1.11 |
| 18 | Infrastructure | 67527.30 |
| | Out of 18 | |
| | Power | 33879.82 |
| | Telecommunication | 12321.89 |
| | Roads & Ports | 13853.25 |
| | Other Infrastructure | 7472.34 |
| 19 | Other Industries | 2682.16 |
| | Total Industry (Micro & Small, Medium and Large) | 151258.20 |

Residual contractual maturity of assets as on 31.03.2017

| Inflows | Day - 1 | 2-7 Days | 8-14 Days | 15-30 Days and upto 2 months | 31 Days months and upto 2 months | More than months and upto 3 months | Over 3 Months months and upto 6 months | Over 6 Months year and upto 1 year | Over 1 Year and upto 3 years | Over 3 Years and upto 5 years | Over 5 years upto 7 years | Over 7 years up to 10 years | Over 10 year and up to 15 years | Over 15 years | Over 5 years | Total |
|---|----------|----------|-----------|------------------------------|----------------------------------|------------------------------------|--|------------------------------------|------------------------------|-------------------------------|---------------------------|-----------------------------|---------------------------------|---------------|--------------|-----------|
| 1 Cash | 2,654.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,654.5 |
| 2 Balances with RBI | 6,084.8 | 0.0 | 0.0 | 1,154.7 | 353.2 | 415.7 | 1,478.1 | 1,738.9 | 13,188.6 | 8,645.7 | 103.2 | 92.4 | 0.0 | 0.0 | 195.6 | 33,255.3 |
| 3 Balances with other Banks | 699.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 699.6 |
| (i) Current Account | 699.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 699.6 |
| (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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4 Investments (including those under Repos but excluding Reverse Repos) | 21,818.8 | 236.7 | 0.0 | 5,850.0 | 486.4 | 6,199.7 | 18,879.2 | 12,804.2 | 29,219.2 | 23,073.8 | 33,920.7 | 52,545.5 | 5,976.0 | 656.8 | 93,098.9 | 211,666.9 |
| 5 Advances Performing | 18,811.2 | 15,608.3 | 18,219.6 | 25,014.4 | 10,349.0 | 10,244.1 | 20,092.2 | 44,114.9 | 253,915.9 | 42,311.1 | 10,267.1 | 4,199.1 | 637.8 | 122.8 | 15,226.8 | 473,907.4 |
| (i) Bills Purchased and Discounted (including bills under DUPN) | 57.8 | 120.7 | 176.7 | 824.9 | 4,728.4 | 91.9 | 477.8 | 103.0 | 0.3 | 1.7 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 6,583.3 |
| (ii) Cash Credits, Overdrafts and Loans repayable on demand | 2,546.9 | 15,281.5 | 17,828.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 142,627.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 178,284.0 |
| (iii) Term Loans | 16,206.4 | 206.1 | 214.5 | 24,189.5 | 5,620.5 | 10,152.2 | 19,614.3 | 44,011.9 | 111,288.4 | 42,309.4 | 10,267.0 | 4,199.1 | 637.8 | 122.8 | 0.0 | 273,813.3 |
| 6 NPAs (Advances and Investments)* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5,117.2 | 20,378.6 | 0.0 | 0.0 | 0.0 | 20,378.6 | 25,495.7 |
| 7 Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15,433.1 | 15,433.1 | 15,433.1 |
| 8 Other Assets | 39.3 | 235.9 | 275.2 | 0.0 | 0.0 | 0.0 | 1,186.1 | 1,153.0 | 2,022.8 | 2,860.1 | 10,430.2 | 0.0 | 0.0 | 0.0 | 10,430.2 | 18,202.7 |
| (i) Leased Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (ii) Others(RIDF/ NABARD/SIDBI/ R HDF) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,186.1 | 1,153.0 | 2,022.8 | 2,860.1 | 10,430.2 | 0.0 | 0.0 | 0.0 | 10,430.2 | 17,652.3 |
| (iii) Inter-Office Adjustments | 39.3 | 235.9 | 275.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 550.5 |
| 9 Reverse Repos | 0.0 | 17,250.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 17,250.0 |
| 10 Swaps (Sell / Buy) / maturing forwards | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 11 Bills Rediscounted (DUPN) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 207.1 | 2.6 | 2.7 | 309.1 | 71.8 | 129.7 | 250.6 | 562.4 | 1,417.3 | 540.6 | 131.2 | 53.7 | 8.1 | 1.6 | 194.6 | 3,688.6 |
| 13 Committed Lines of Credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 14 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 15 Others (specify) | 112.1 | 672.3 | 784.4 | 0.0 | 0.0 | 0.0 | 0.0 | 428.1 | 6,275.2 | 0.0 | 0.0 | 0.0 | 0.0 | 17,932.9 | 17,932.9 | 26,205.0 |
| 16 Total Inflows | 50,427.3 | 34,005.9 | 19,281.9 | 32,328.2 | 11,260.4 | 16,989.2 | 41,866.1 | 60,801.5 | 306,038.9 | 82,548.4 | 75,231.1 | 56,890.6 | 6,621.9 | 34,147.2 | 172,890.8 | 828,456.8 |

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 31.03.2017 | Amount in ₹ million |
|------------------|---------------------|
| Tier 1 Capital | 53073 |
| Exposure Measure | 873190 |
| Leverage Ratio | 6.08% |

Report on Corporate Governance 2016-17

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

MISSION

Our mission is two-fold: To provide the people of J&K international quality financial services 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 seven comprising of Chairman, and Six 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 opinions 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, Twelve Board Meetings were held, in due compliance with statutory provisions, on the following dates:

21.04.2016, 24.05.2016, 29.6.2016, 10.08.2016, 20.09.2016, 06.10.2016, 12.11.2016, 15.12.2016, 04.02.2017, 03.03.2017, 04.03.2017 and 20.03.2017

ATTENDANCE AT BOARD MEETINGS

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

| Name of Director | Category of Director | Meetings during the tenure | Meetings Attended | %age | Whether Attended AGM held on 20-07-2016 |
|--|------------------------|----------------------------|-------------------|------|---|
| Mr. Parvez Ahmed (Appointed on 06.10.2016) | Chairman & CEO | 7 | 7 | 100 | N |
| Mr. Mushtaq Ahmad (Retired on 05.10.2016) | Chairman & CEO | 5 | 5 | 100 | Y |
| Mr. Navin Kumar Chaudhary, IAS | Govt. Nominee Director | 12 | 12 | 100 | Y |
| Mr. J.P. Sharma (Ceased from directorship w.e.f 29-06-2016) | RBI Nominee | 03 | 01 | 33 | N |
| Mr. Yogesh Kumar Dayal (Appointed on 01-07-2016) | RBI Nominee | 09 | 06 | 67 | N |
| Mr. Vikrant Kuthiala (Resigned on 29-06-2016) | Independent Director | 02 | 02 | 100 | N |
| Mr. R. K. Gupta (Resigned on 31.01.2016) | Non-Executive Director | 08 | 08 | 100 | Y |
| Mr. Dalip Kumar Kaul (Resigned on 29-06-2016) | Independent Director | 02 | 02 | 100 | N |
| Mr. Khaver Alam Jeelani (Resigned on 29-06-2016) | Independent Director | 02 | 02 | 100 | N |
| Mr. Abdul Majid Mir | Non-Executive Director | 12 | 12 | 100 | Y |
| Mr. Azhar ul Amin | Non-Executive Director | 12 | 12 | 100 | Y |
| Ms. Masooda Jabeen (Retired on 20-07-2016) | Non-Executive Director | 03 | 03 | 100 | N |

| | | | | | |
|--|----------------------|----|----|-----|---|
| Mr. Mohammad Maqbool Rather (Appointed on 10-08-2016) | Independent Director | 09 | 09 | 100 | N |
| Mr. Mohammad Ashraf Mir (Appointed on 10-08-2016) | Independent Director | 09 | 09 | 100 | N |

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. Parvez Ahmed

Mr. Parvez Ahmed, a 1964 born career Banker joined the Bank as Company Secretary in 1998. His sheer hardwork and thorough professionalism enabled his swift rise through ranks to become General Manager (President) in 2006. After his elevation in 2011, he served as the Executive President till his assuming office as Chairman and CEO in October 2016.

His areas of expertise include Strategic Planning, Corporate Governance, Audit and Compliance, Credit and Risk Management, Treasury Operations, Bancassurance, Finance and Taxation.

He has the distinction of having closely worked with all the Chairmen since his induction in the Bank. He steered the project of introducing Best Industrial practice in the Bank. He has remained salient contributor as part of top Management Team in all strategic projects of the Bank. His stint as Zonal Head of strategic Kashmir Central Zone of the Bank has earned him deep knowledge of banking operations apart from honing his administrative skills.

He was instrumental in steering the maiden public issue of the Bank at the onset of his career with the Bank. He is credited with roping in prominent Foreign Institutional Investors (FIIs) to shape up around 20% of their shareholding in the Bank. He has guided the roll out and implementation at initial stages of the Apple Finance Project of the Bank which resulted into phenomenal transformation in the horticulture sector of the State. He brought laurels to the Bank by achieving Financial Inclusion Plan under PMJDY.

He is considered as highly disciplined professional in the Bank. His analytical approach and other traits of patient listening, deep learning and perfect execution stand him out from the crowd. His ability to withstand the difficult situations is his major strength. He is rated as thorough professional by his peers in and outside Bank.

He is the founding member and served as the Chairman of the Srinagar Satellite Chapter of NICR of Institute of Company Secretaries of India for eight consecutive years.

He has served as Director on Board of MetLife India Insurance Company Pvt Ltd.

He is also serving as Director on Board of JKB Financial Services Ltd.

Mr. Navin Kumar Choudhary, IAS

Mr. Navin K. Choudhary is serving the Govt. of J&K as Finance Secretary, since May, 2015. Prior to this, he was serving as 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 23 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 holds a Post Graduate degree in Economics.

Mr. Yogesh Kumar Dayal

Shri Yogesh Kumar Dayal is a career central banker who has worked with RBI in various capacities for nearly 20 years. Shri Y. K. Dayal holds a Master's Degree in Business Administration and is a Certified Associate of the Indian Institute of Bankers (CAIIB) besides acquiring certifications like AML & KYC, CeITS, CCFM, CeISB from IIBF. Shri Dayal has held several positions in RBI's various Offices, including Central Office at Mumbai in Monetary Policy Department and Department of Banking Supervision as well as Regional Offices at Bangalore, New Delhi and Lucknow in the departments of Banking Supervision, Information Technology, Currency Management, Payment and Settlement System and Financial Inclusion & Development.

Mr. Abdul Majid Mir

Mr. Abdul Majid Mir, has 39 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-ul-Amin

Mr. Azhar-UI-Amin, aged 57 years, B.Sc. LLB (Hons) is an Advocate by profession with 32 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.

Mr. Mohammad Ashraf Mir

Mohammad Ashraf Mir, aged 58 years, is a first generation entrepreneur with 34 years of experience as a successful industrialist, contractor and businessman. He started his career with M/s Indian Steel & Metal Industries in the year 1982 and is its proprietor. Mr. Mir is also an "A" class contractor and is known for doing many prestigious projects across the state.

Mr. Mir has remained in Executive Council of Federation Chamber of Industries Kashmir (FCIK) for last 20 years and currently serves as the President. He has also served the FCIK as its Senior Vice President, President Industrial Association Sanat Nagar and President SICOP Unit Holders' Association.

Currently serving FCIK as its President he is also a board member of J&K Small Scale Industrial Development Corporation Ltd (SICOP), J&K State Industrial Development Corporation (SIDCO) and J&K State Pollution Control Board. Mr. Mir is a member of the governing body of Islamia College of Science and Commerce, Srinagar. He is also a member of many State Level Apex committees constituted by government from time to time.

Mr. Mohammad Maqbool Rather

Mr. Mohammad Maqbool Rather is a Post graduate in Economics (1964). He has served on various prominent positions. He joined the Government Service as Assistant Registrar Co-operative Societies (1968-1978) and also worked in Agriculture Production, Rural Development, Education and planning Deptts. at District level and State level.

As Assistant Registrar Co-operative Societies, his main job was to organize and supervise co-operative societies in his jurisdiction. He also had to assist district co-operative Bank Baramulla in the advancement and recovery of loans at the Distt. Level. He was associated with Development Commissioners and has assisted lead bank officers in the formulation and monitoring of district action credit plan.

He retired as Joint Director Planning Department. As Joint Director, Planning Department, he has facilitated state level officers in referring cases to NABARD for seeking loan assistance for implementation of various development schemes which required adequate financial support from NABARD.

In recognition of his meritorious services he was inducted by the Government in KAS Time scale.

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. 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.
4. The Directors did not incur any disqualification under Section 164 of the Companies Act, 2013 or under any other law applicable to the Bank.
5. 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.
6. The Bank has complied with Corporate Governance norms as stipulated by SEBI.
7. 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. Parvez Ahmad

Director: JKB Financial Services Ltd.

Mr. Navin Kumar Choudhary, IAS

Director : 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. Mohammad Ashraf Mir

J&K SICOP

J&K SIDCO

Prop. Indian Iron & Steel Co.

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 2 Non-Executive Independent Directors and 2 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. Abdul Majid Mir | (Chairman) |
| Mr. Yogesh Kumar Dayal | (Member) |
| Mr. Mohammad Maqbool Rather | (Member) |
| Mr. Mohammad Ashraf Mir | (Member) |

The Audit Committee met Eight times during the year in due compliance with RBI and Listing Agreement requirements, on the following dates:

23.05.2016, 04.06.2016, 29.06.2016, 09.08.2016, 17.10.2016, 14.12.2016, 03.02.2017, 03.03.2017

These meetings were attended by Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Dalip Kumar Kaul (up to 29-06-2016) | 03 | 03 | 100 |
| Mr. R. K. Gupta (From 09-08-2016 to 31.01.2017) | 03 | 03 | 100 |
| Mr. Vikrant Kuthiala (upto 29-06-2016) | 03 | 03 | 100 |
| Mr. J.P. Sharma (upto 29-06-2016) | 03 | 00 | 00 |
| Mr. Yogesh Kumar Dayal (From 20-09-2016) | 04 | 03 | 75 |

| | | | |
|--|----|----|-----|
| Mr. Khaver Alam Jeelani (Upto 29-06-2016) | 03 | 02 | 67 |
| Mr. Abdul Majid Mir | 08 | 08 | 100 |
| Mr. Mohammad Maqbool Rather (From 10-08-2016) | 04 | 04 | 100 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 04 | 04 | 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. Parvez Ahmed | (Chairman) |
| Mr. Navin Kumar Chaudhary, IAS | (Member) |
| Mr. Abdul Majid Mir | (Member) |
| Mr. Mohammad Maqbool Rather | (Member) |

The Integrated Risk Management Committee met Four times during the year on the following dates.

29.06.2016, 06.10.2016, 12.11.2016, 04.03.2017

These meetings were attended by Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|---|----------------------------|-------------------|-----------------|
| Mr. Parvez Ahmed (From 06.10.2016) | 05 | 05 | 100 |
| Mr. Mushtaq Ahmad (Up to 05.10.2016) | 04 | 04 | 100 |
| Mr. Navin Kumar Chaudhary, IAS | 09 | 07 | 78 |
| Mr. R. K. Gupta (Upto 31.01.2016) | 06 | 06 | 100 |

| | | | |
|--|----|----|-----|
| Mr. Khaver Alam Jeelani (Upto 29-06-2016) | 02 | 02 | 100 |
| Mr. Dalip Kumar Kaul (upto 29-06-2016) | 02 | 02 | 100 |
| Mr. Abdul Majid Mir | 09 | 09 | 100 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 06 | 06 | 100 |

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 Rs. 1 Crore and above.

Composition, Meetings and Attendance

The Committee consists of:

| | |
|--------------------------------|------------|
| Mr. Parvez Ahmed | (Chairman) |
| Mr. Navin Kumar Choudhary, IAS | (Member) |
| Mr. Abdul Majid Mir | (Member) |
| Mr. Azhar-ul-Amin | (Member) |
| Mr. Mohammad Maqbool Rather | (Member) |

The Monitoring of Large Value Frauds Committee met Four times during the year on the following dates;

30.06.2016, 06.10.2016, 04.03.2017, 20.03.2017.

These meetings were attended by the Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Parvez Ahmed (From 06.10.2016) | 03 | 03 | 100 |
| Mr. Mushtaq Ahmad (Upto 05.10.2016) | 01 | 01 | 100 |
| Mr. Navin Kumar Chaudhary, IAS | 04 | 03 | 75 |
| Mr. R. K. Gupta (From 20-09-2017 to 31.01.2017) | 01 | 01 | 100 |
| Mr. Abdul Majid Mir | 04 | 04 | 100 |
| Mr. Azhar-ul-Amin | 04 | 04 | 100 |
| Mr. Mohammad Maqbool Rather (From 10-08-2016) | 03 | 03 | 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. Parvez Ahmed | (Chairman) |
| Mr. Azhar ul Amin | (Member) |
| Mr. Mohammad Maqbool Rather | (Member) |
| Mr. Mohammad Ashraf Mir | (Member) |

The Customer Service Committee met Four times during the year on the following dates:

30.06.2016, 06.10.2016, 04.03.2017, 20.03.2017

These meetings were attended by the Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Parvez Ahmed (From 06.10.2016) | 03 | 03 | 100 |
| Mr. Azhar-ul-Amin | 03 | 03 | 100 |
| Mr. Mushtaq Ahmed (up to 05.10.2016) | 01 | 01 | 100 |
| Mrs. Masooda Jabeen (up to 20.07.2016) | 01 | 01 | 100 |
| Mr. Mohammad Maqbool Rather (From 10-08-2016) | 03 | 03 | 100 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 03 | 03 | 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. Navin Kumar Choudhary, IAS | (Chairman) |
| Mr. Abdul Majid Mir | (Member) |
| Mr. Mohammad Ashraf Mir | (Member) |

The Information Technology Committee met Three times during the year on the following dates:

30.06.2016; 06.10.2016; 04.03.2017

These Meetings were attended by Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Navin Kumar Chaudhary, IAS (From Oct, 2016) | 02 | 02 | 100 |
| Mr. Azhar-ul-Amin (Up to 20-09-2016) | 01 | 01 | 100 |
| Mr. Abdul Majid Mir (From 20-09-2016) | 02 | 02 | 100 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 02 | 02 | 100 |
| Mr. R. K. Gupta (From 20-09-2016 to 31.01.2017) | 01 | 01 | 100 |
| Ms. Masooda Jabeen (Up to 20-07-2016) | 01 | 01 | 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. Navin Kumar Choudhary, IAS (Chairman)

Mr. Abdul Majid Mir (Member)

Mr. Azhar ul Amin (Member)

The Legal Committee met Six times during the year on the following dates:

30.04.2016; 15.06.2016; 18.10.2016; 13.11.2016; 13.11.2016; 23.12.2016

These Meetings were attended by Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|---|----------------------------|-------------------|-----------------|
| Mr. Navin Kumar Chaudhary, IAS (From 20-09-2016) | 04 | 04 | 100 |
| Mr. Abdul Majid Mir | 06 | 06 | 100 |
| Mr. Azhar ul Amin | 06 | 06 | 100 |
| Mr. R. K. Gupta (up to 31.01.2017) | 06 | 06 | 100 |
| Mr. Khaver Alam Jeelani (Up to 29-06-2016) | 02 | 02 | 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, 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. Azhar ul Amin | (Chairman) |
| Mr. Mohammad Maqbool Rather | (Member) |
| Mr. Mohammad Ashraf Mir | (Member) |

The Nomination & Remuneration Committee met once during the year on the following date:

21.04.2016

These meetings were attended by the Members as detailed below.

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Azhar ul Amin | 01 | 01 | 100 |
| Mr. Vikrant Kuthiala (Up to 29-06-2016) | 01 | 01 | 100 |
| Mr. Dalip Kumar Kaul (Up to 29-06-2016) | 01 | 01 | 100 |
| Mr. Mohammad Maqbool Rather (From 10-08-2016) | 00 | 00 | 00 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 00 | 00 | 00 |

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. Parvez Ahmed | (Chairman) |
| Mr. Navin Kumar Chaudhary, IAS | (Member) |
| Mr. Azhar ul Amin | (Member) |

The Nomination Committee met Three times during the year on the following dates:

21.04.2016, 20.07.2016 & 10.08.2016

These meetings were attended by the Members as detailed below.

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|---|----------------------------|-------------------|-----------------|
| Mr. Parvez Ahmed (From 06.10.2016) | 0 | 0 | 0 |
| Mr. Mushtaq Ahmad (up to 05.10.2016) | 03 | 03 | 100 |
| Mr. Navin Kumar Chaudhary, IAS | 03 | 02 | 67 |
| Mr. R. K. Gupta (upto 31-01-2017) | 03 | 03 | 100 |
| Mr. Azhar ul Amin | 03 | 03 | 100 |

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

Role and Function

Corporate Social Responsibility Committee has been constituted pursuant to section 135 of Companies Act, 2013 to :

- (a) 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.
- (b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) Monitor the Corporate Social Responsibility Policy of the Bank from time to time.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Parvez Ahmed (Chairman)

Mr. Azhar ul Amin (Member)

Mr. Mohammad Maqbool Rather (Member)

Mr. Mohammad Ashraf Mir (Member)

The Corporate Social Responsibility Committee met Three times during the year on the following dates:

30.06.2016, 06.10.2016 and 04.03.2017.

These meetings were attended by the Members as detailed below.

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Parvez Ahmed (From 06.10.2016) | 02 | 02 | 100 |
| Mr. Mushtaq Ahmad (up to 05.10.2016) | 01 | 01 | 100 |
| Mr. Azhar ul Amin (From 20.09.2016) | 02 | 02 | 100 |
| Mr. Mohammad Maqbool Rather (From 10-08-2016) | 02 | 02 | 100 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 02 | 02 | 100 |
| Ms. Masooda Jabeen (Up to 20-07-2016) | 01 | 01 | 100 |

STAKE HOLDERS RELATIONSHIP COMMITTEE:

The Bank Constituted "Stakeholders Relationship Committee" pursuant to the provisions of the Companies Act, 2013 and the SEBI (LO&DR) Regulations, 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, 720 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 | 74 | 74 | 0 |
| 2. | Intimation of the Bank Mandate / NECS Mandate | 7 | 7 | 0 |
| 3. | Non receipt of Share CertificateS | 59 | 59 | 0 |
| 4. | Loss of Share Certificates and request for issue of duplicate share certificate(s) | 7 | 7 | 0 |
| 5. | Deletion / inclusion of joint name and transmission | 48 | 48 | 0 |
| 6. | Non receipt of dividend warrants (NRDW) | 97 | 97 | 0 |
| 7. | Registration of NECS | 173 | 173 | 0 |
| 8. | Receipt of dividend warrants for revalidation | 35 | 35 | 0 |
| 9. | Intimation of the Nomination form details | 146 | 146 | 0 |
| 10 | Letters from SEBI/Stock Exchanges | 2 | 2 | 0 |
| 11 | Request for stock split in lieu of old shares | 2 | 2 | 0 |
| 12 | Others (fully paid stickers) | 70 | 70 | 0 |
| 12 | Total | 720 | 720 | 0 |

COMPOSITION, MEETINGS AND ATTENDANCE

Stakeholder's Relationship Committee consists of:

Mr. Mohammad Maqbool Rather (Chairman)

Mr. Azhar ul Amin (Member)

Mr. Mohammad Ashraf Mir (Member)

Stakeholders Relationship Committee met Three times during the year on the following dates.

29.06.2016, 06.10.2016, and 04.03.2017

These meetings were attended by Members as detailed below:

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|--|----------------------------|-------------------|-----------------|
| Mr. Azhar ul Amin | 03 | 03 | 100 |
| Mr. Abdul Majid Mir (up to 20-09-2016) | 01 | 01 | 100 |
| Mr. R. K. Gupta (up to 31.01.2017) | 02 | 02 | 100 |
| Mr. Mohammad Maqbool Rather (From 10-08-2016) | 02 | 02 | 100 |
| Mr. Mohammad Ashraf Mir (From 10-08-2016) | 02 | 02 | 100 |

HUMAN RESOURCE DEVELOPMENT COMMITTEE

Role and Function

- To Review Organizational Structure, Succession Planning, HR Transfer Policy, HR Promotion Policy and make final recommendations to the Board in this regard.
- To meet at regular intervals, as per requirements, however, at least one meeting be conducted quarterly.
- To conduct the interview for promotion to senior levels of the Management i.e Vice Presidents & above.

Composition, Meetings and Attendance

The Committee consists of:

| | |
|--------------------------------|------------|
| Mr. Parvez Ahmed | (Chairman) |
| Mr. Navin Kumar Chaudhary, IAS | (Member) |
| Mr. Abdul Majid Mir | (Member) |

The HRD Committee met Two times during the year on the following dates:

13.11.2016, 23.12.2016

These meetings were attended by the Members as detailed below.

| Name of Director | Meetings during the tenure | Meetings Attended | % of Attendance |
|---------------------------------------|----------------------------|-------------------|-----------------|
| Mr. Parvez Ahmed (From 06.10.2016) | 02 | 02 | 100 |
| Mr. Navin Kumar Chaudhary, IAS | 02 | 02 | 100 |
| Mr. Abdul Majid Mir | 02 | 02 | 100 |
| Mr. R. K. Gupta (up to 31.01.2017) | 02 | 02 | 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. Parvez Ahmad is the Chairman & CEO of the Bank effective from 6th October, 2016. 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 | Rs. 5,50,000.00 |
| DA | - |
| Provident Fund | - |
| Total | Rs. 5,50,000.00 |

Non - Executive Directors

Non - Executive Directors other than the RBI nominated Directors are paid only sitting fees for the meetings attended.

The details of the same are given below:

Rs. 25,000/- for every Board Meeting or Committee Meeting.

Details of number of Shares / Convertible Debentures held by Non-Executive Directors as on 31-03-2017:

| Name of the Director | Number of shares held | Number of Convertible Debentures held |
|--------------------------------|-----------------------|---------------------------------------|
| Mr. Navin Kumar Choudhary, IAS | 150 | 0 |
| Mr. Mohammad Ashraf Mir | 1000 | 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.

Parvez 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. Mohammad Shafi Mir, 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

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 2016-2017.

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:

a) National Stock Exchange of India Limited

Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051

b) The BSE Ltd.

Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

The annual fees for 2017-18 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 :

- i. NSDL
- ii. 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: Mohammad Shafi Mir, 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, 2016 | 10th Aug. 2016 |
| 30th September, 2016 | 15th December, 2016 |
| 31st December, 2016 | 04th Feb, 2017 |
| 31st March, 2017 (Audited) | 13th May, 2017 |

Information relating to last four General Body Meetings is furnished below:

| Name of Meeting | Day, Date and time of meeting | Venue | Special Business Transacted |
|---|--|---|--|
| 75 th Annual General Meeting | Saturday, 22 nd June, 2013 at 11: 00 AM | Sher-i-Kashmir International Conference Centre (SKICC),Srinagar | NIL |
| 76 th Annual General Meeting | Saturday,2 nd August, 2014 at 11:00 AM | Sher-i-Kashmir International Conference Centre (SKICC),Srinagar | NIL |
| 77 th Annual General Meeting | Saturday,22 nd August, 2015 at 11:00 AM | Sher-i-Kashmir International Conference Centre (SKICC),Srinagar | Alteration of Articles of Association |
| 78 th Annual General Meeting | Wednesday 20 th July, 2016 at 11:00 AM | Sher-i-Kashmir International Conference Centre (SKICC),Srinagar | Alteration in Articles of Association Adoption of RBI circular relating to payment of compensation to Non Executive Directors |

POSTAL BALLOTS

During the year the two Special Resolutions were passed through postal Ballot as per the details furnished hereunder:

Postal Ballot No. 1

The Bank sent Postal Ballot notice dated August 10, 2016 to the members seeking their approval through Postal ballot for raising of money through allotment of unsecured, redeemable, subordinated, non convertible Basel III Compliant tier 2 Bonds in the nature of debentures/Bonds aggregating to Rs.1000 crores. The Bank appointed CA Majaz Ahmad, Partner in M/s SDM & Co., firm of Chartered Accountants, as Scrutinizer for conducting the postal ballot/e-voting process in a fair and transparent manner. Accordingly, the postal Ballot was conducted by the scrutinizer and a report submitted to the Chairman. The results of the voting conducted through Postal Ballot are as under:

| | |
|-------------------------------|--------------|
| Total Number of shareholders: | 83105 |
| Total Number of Equity Shares | 48,47,78,020 |

| Particulars | Number of Votes | % of Votes |
|-------------------------------|-----------------|------------|
| Total Number of Equity Shares | 48,47,78,020 | 100.00% |
| Number of Votes Polled | 34,16,33,432 | 70.47% |
| ✓ No. of Votes - in favour | 34,15,87,457 | 99.99% |
| ✓ No of Votes - against | 45,975 | 0.01% |

Postal Ballot No. 2

The Bank sent Postal Ballot notice dated February 10, 2017 to the members seeking their approval through Postal ballot , for authority to the Board of Directors of the Bank to offer, issue and allot equity shares on a preferential basis to the Government of Jammu and Kashmir, Promoter and Majority shareholder of the Bank. The Bank appointed Mr. Harish Kumar Villadath, Advocate, as Scrutinizer for conducting the postal ballot/e-voting process in a fair and transparent manner. Accordingly, the postal Ballot was conducted by the scrutinizer and a report submitted to the Chairman. The results of the voting conducted through Postal Ballot are as under:

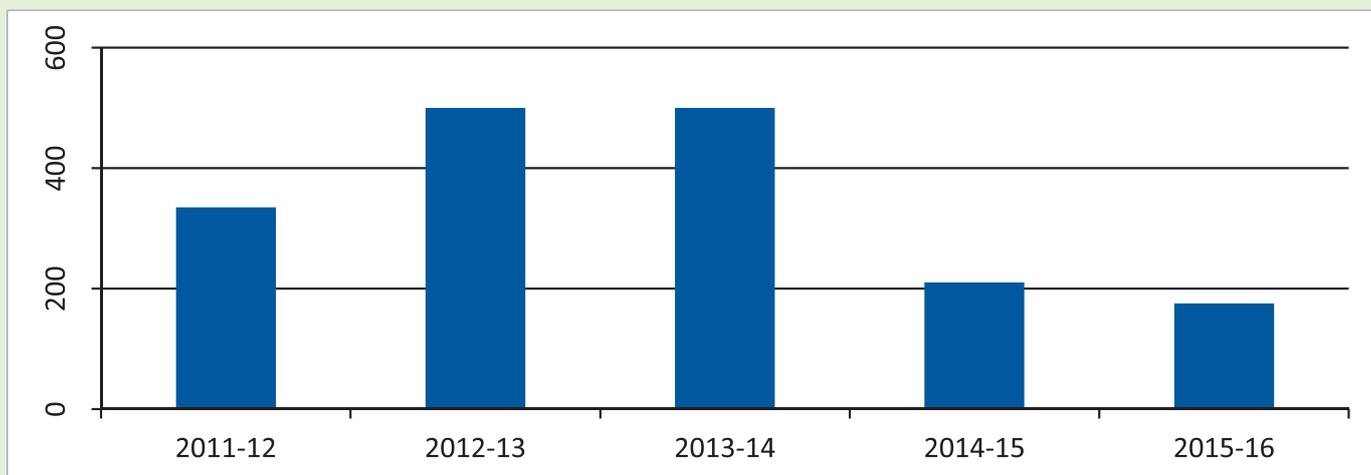
| | |
|-------------------------------|--------------|
| Total Number of shareholders: | 89699 |
| Total Number of Equity Shares | 48,47,78,020 |

| Particulars | Number of Votes | % of Votes |
|-------------------------------|-----------------|------------|
| Total Number of Equity Shares | 48,47,78,020 | 100.00% |
| Number of Votes Polled | 36,68,21,616 | 75.6680% |
| ✓ No. of Votes - in favour | 36,68,15,828 | 99.9984% |
| ✓ No of Votes - against | 5,788 | 0.0016% |

The Bank has complied with the procedures for the postal ballot in terms of Section 108 and Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014.

DIVIDEND HISTORY OF LAST FIVE YEARS

| Financial year | Rate of Dividends (%) | Date of Declaration | Date of Payment |
|----------------|-----------------------|---------------------|-----------------|
| 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 |
| 2015-16 | 175 | 20.07.2016 | 28-07-2015 |



DEMATERIALIZED / 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, 2017, the position of dematerialized shares as well as physical shares are as under

(As on 31.03.2017)

| Particulars | No. of Shares | % age |
|-----------------------|---------------|--------|
| Physical Shares | 15246302 | 2.92 |
| Dematerialized Shares | 506086769 | 97.08 |
| Total | 521333071 | 100.00 |

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2017

| Sr. No | Category | No of Holders | % to Holders | Amount | % of Amount |
|--------|----------------|---------------|--------------|-----------|-------------|
| 1 | upto 1 - 5000 | 82107 | 96.75% | 46347238 | 8.89% |
| 2 | 5001 - 10000 | 1846 | 2.18% | 12407582 | 2.38% |
| 3 | 10001 - 20000 | 437 | 0.51% | 6245356 | 1.20% |
| 4 | 20001 - 30000 | 148 | 0.17% | 3672866 | 0.70% |
| 5 | 30001 - 40000 | 76 | 0.09% | 2666472 | 0.51% |
| 6 | 40001 - 50000 | 34 | 0.04% | 1533044 | 0.29% |
| 7 | 50001 - 100000 | 74 | 0.09% | 5408041 | 1.04% |
| 8 | 100001 & ABOVE | 147 | 0.17% | 443052472 | 84.98% |
| 9 | Total | 84869 | 100.00% | 521333071 | 100.00% |

LIST OF SHAREHOLDERS HOLDING MORE THAN 1% AS ON 31ST MARCH, 2017

| SR NO | NAME | SHARES | % TO EQT | CATEGORY |
|-------|---|------------------|---------------|----------|
| 1 | CHIEF SECRETARY JAMMU AND KASHMIR GOVT | 277720825 | 53.27% | PRO |
| 2 | LIFE INSURANCE CORPORATION OF INDIA | 15374694 | 2.95% | IFI |
| 3 | SECRETARY FINANCE DEPTT JAMMU AND KASHMIR GOVT | 16586886 | 3.18% | PRO |
| 4 | ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED | 12422828 | 2.38% | LTD |
| 5 | GOVERNMENT PENSION FUND GLOBAL | 11596760 | 2.22% | FPI |
| 6 | EAST BRIDGE CAPITAL MASTER FUND LIMITED | 10878576 | 2.09% | FPI |
| 7 | ICICI PRUDENTIAL VALUE DISCOVERY FUND | 10000000 | 1.92% | MUT |
| 8 | ICICI PRUDENTIAL MIDCAP FUND | 5772102 | 1.11% | MUT |
| | TOTAL | 360352671 | 69.12% | |

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 31-03-2017)

| Financial year | Amount of Unclaimed dividends |
|----------------|-------------------------------|
| 2013-14 | 85,50,650 |
| 2014-15 | 49,50,792 |
| 2015-16 | 77,08,476 |
| Total | 2,12,09,918 |

STOCK MARKET DATA

JK Bank on NSE Nifty April 2016 - March 2017

| Month | High Price | | Low Price | | Close Price | | Turnover In lakhs |
|-----------------|------------|-----------|-----------|-----------|-------------|-----------|----------------------|
| | Rate | Date | Rate | Date | Rate | Date | |
| April, 2016 | 73.75 | 28-Apr-16 | 56.2 | 13-Apr-16 | 68.7 | 29-Apr-16 | 29231.86 |
| May, 2016 | 68.5 | 4-May-16 | 56.6 | 24-May-16 | 57.3 | 31-May-16 | 15679.82 |
| June, 2016 | 70.8 | 20-Jun-16 | 56.4 | 3-Jun-16 | 68.9 | 30-Jun-16 | 27814.22 |
| July, 2016 | 72.5 | 11-Jul-16 | 66.35 | 25-Jul-16 | 67.25 | 29-Jul-16 | 18688.76 |
| August, 2016 | 74.95 | 10-Aug-16 | 64 | 3-Aug-16 | 70.35 | 31-Aug-16 | 23663.37 |
| September, 2016 | 85 | 22-Sep-16 | 68.8 | 1-Sep-16 | 77.65 | 30-Sep-16 | 36002.59 |
| October, 2016 | 92.2 | 5-Oct-16 | 65.1 | 17-Oct-16 | 68.1 | 30-Oct-16 | 42580.55 |
| November, 2016 | 68.7 | 1-Nov-16 | 57.2 | 24-Nov-16 | 60.8 | 30-Nov-16 | 13282.38 |
| December, 2016 | 65.6 | 16-Dec-16 | 57.15 | 16-Dec-16 | 59.35 | 30-Dec-16 | 14245.89 |
| January, 2017 | 64.4 | 30-Jan-17 | 59.1 | 9-Jan-17 | 63.35 | 31-Jan-17 | 7037.96 |
| February, 2017 | 79.5 | 23-Feb-17 | 62.35 | 1-Feb-17 | 73.8 | 28-Feb-17 | 17851.58 |
| March, 2017 | 78.4 | 20-Mar-17 | 68.55 | 10-Mar-17 | 75 | 31-Mar-17 | 14651.25 |

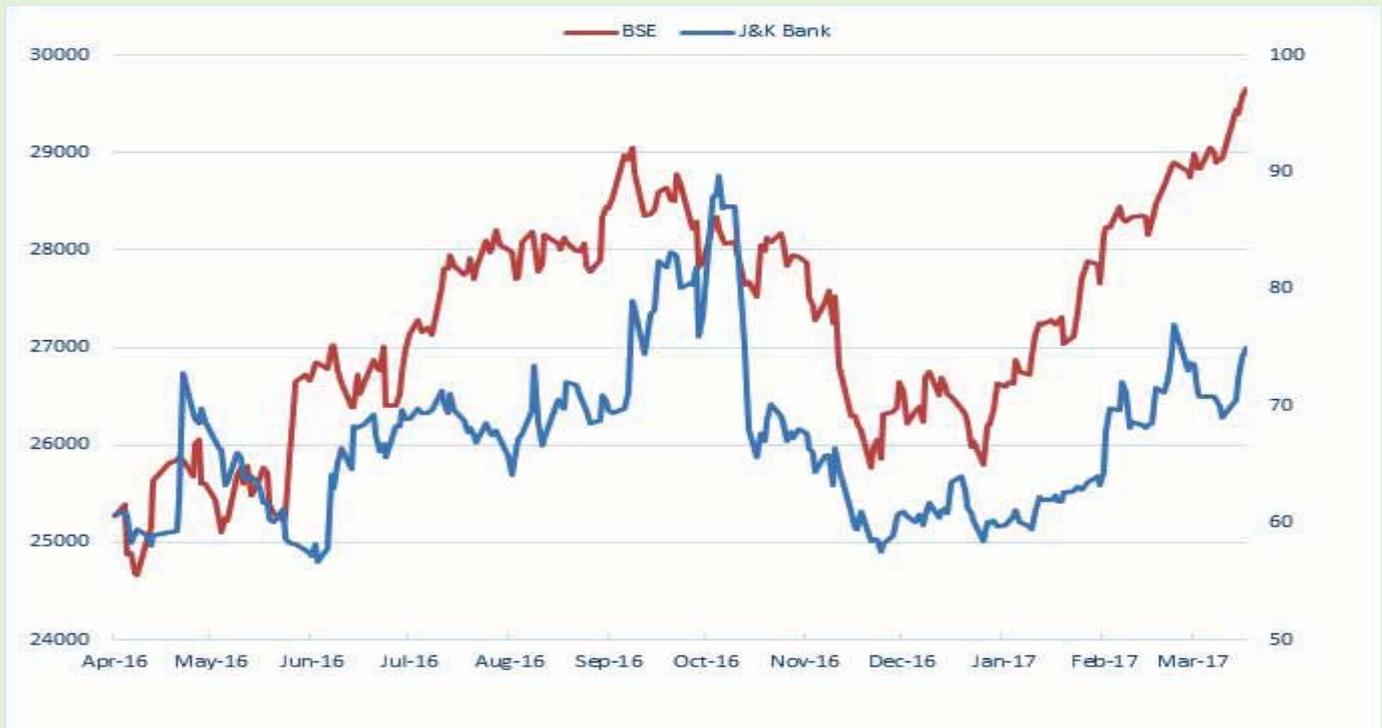
J K BANK NSE NIFTY



JK BANK ON BSE SENSEX APRIL 2016 - MARCH 2017

| Month | High Price | | Low Price | | Close Price | | Turnover Rs. In lakhs |
|-----------------|------------|-----------|-----------|-----------|-------------|-----------|--------------------------|
| | Rate | Date | Rate | Date | Rate | Date | |
| April, 2016 | 73.75 | 28-Apr-16 | 57.00 | 13-Apr-16 | 68.70 | 29-Apr-16 | 7192.96 |
| May, 2016 | 66.85 | 5-May-16 | 56.90 | 25-May-16 | 57.50 | 31-May-16 | 4081.27 |
| June, 2016 | 70.70 | 20-Jun-16 | 56.45 | 3-Jun-16 | 68.85 | 30-Jun-16 | 4325.78 |
| July, 2016 | 72.40 | 11-Jul-16 | 66.25 | 25-Jul-16 | 67.15 | 29-Jul-16 | 3751.44 |
| August, 2016 | 75.00 | 10-Aug-16 | 63.50 | 3-Aug-16 | 70.40 | 31-Aug-16 | 5049.05 |
| September, 2016 | 84.95 | 22-Sep-16 | 69.00 | 1-Sep-16 | 77.55 | 30-Sep-16 | 6384.51 |
| October, 2016 | 91.95 | 5-Oct-16 | 65.15 | 5-Oct-16 | 68.00 | 30-Oct-16 | 11069.04 |
| November, 2016 | 68.50 | 1-Nov-16 | 54.60 | 24-Nov-16 | 60.90 | 30-Nov-16 | 2002.75 |
| December, 2016 | 65.35 | 16-Dec-16 | 57.15 | 16-Dec-16 | 59.70 | 30-Dec-16 | 1745.32 |
| January, 2017 | 64.40 | 30-Jan-17 | 59.35 | 10-Jan-17 | 63.30 | 31-Jan-17 | 1037.15 |
| February, 2017 | 79.35 | 23-Feb-17 | 62.50 | 1-Feb-17 | 73.70 | 28-Feb-17 | 2548.74 |
| March, 2017 | 78.50 | 20-Mar-17 | 68.50 | 10-Mar-17 | 74.95 | 31-Mar-17 | 5668.94 |

J K BANK BSE SENSEX



IMPORTANT EVENTS AFTER THE CLOSURE OF FINANCIAL YEAR ENDED 31.03.2017

This report covers the period of financial year of the Bank beginning on 1st April, 2016 to 31st March, 2017. There were no material events from 1st April, 2017 to 13th May, 2017 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 & www.jkbank.com). 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 auditors' report.
- To appoint proxy to attend and vote at general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at general meetings of the company on its behalf.
- To attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
- To vote at the general meeting on show of hands wherein every shareholder has one vote. In case of poll, the number of votes of a shareholder depends on the proportion of equity shares held by him with the total paid up equity capital of the company.

- To demand poll alongwith other shareholder(s) who collectively hold 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 a Company.

INVESTORS' FEEDBACK

In our endeavour to serve our shareholders more effectively and in order to improve the quality of our communication with our esteemed members, we request you to spare some of your precious moments and provide us your valuable feedback in the enclosed proforma

| Calendar for shareholders' information | Date |
|---|---|
| Board meeting for consideration of Accounts | 13 th May, 2017 |
| Dispatch of Annual Report / Notice of AGM | 24 th May, 2017 |
| Last date for lodgment of proxy forms | 15 th June,2017 up to 1600 Hours (ISD) |
| Date of AGM | 17 th June, 2017 |

DISCLOSURE ON COMPANY SECRETARY'S RESPONSIBILITY

The Company Secretary confirms that during the year from 1st April, 2016 to 31st March, 2017, 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. None of the Directors were disqualified under section 164 of the Companies Act, 2013 during the year under review.
3. The Board of Directors of Bank duly met twelve times during the financial year and in respect of meetings conducted during the period proper notices were given and the proceedings were properly recorded and signed in the 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.
4. The Bank closed its Register of Members from 13th July, 2016 to 20th July 2016 (both days inclusive) in connection with 56th dividend of the Bank and necessary compliance of Section 91 of the Companies Act, 2013 has been made.
5. The Annual General Meeting for the financial year 2015-16 was held on 20th July, 2016 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.
6. 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.
7. The Bank has not entered into any contracts falling within the purview of section 184 of the Companies Act, 2013.
8. A Share Transfer Committee of the Board has approved the transfer, sub-division/consolidation etc of shares of the bank. The proceedings of the above committee have been properly recorded, signed in the Minutes Book maintained for the purpose.
9. 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.
10. 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.

11. 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.
12. 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.
13. The Bank has not bought back any shares during the financial year.

Place: Srinagar
13th May, 2017

Mohammad Shafi Mir
Company Secretary

NOTICE

CHAIRMAN'S
STATEMENT

BOARD AND
MANAGEMENT
REPORTS

FINANCIAL
STATEMENTS

GOVERNANCE

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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, 2017 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.

In terms of our report of even date annexed

For

Dhar Tiku & Co.
Chartered Accountants
FRN:003423N

Arora Vohra & Co
Chartered Accountants
FRN:009487N

Dharam Raj & Co
Chartered Accountants
FRN.014461N

CA Madhusudan Meher
Partner
(M No.097409)

CA Hardeep Aggarwal
Partner
(M No.088243)

CA Dharam Raj
Partner
(M No.094108)

Place: Srinagar
Dated: 13th May, 2017

Information to Shareholders

[This Memorandum of Information also gives information on matters required to be disclosed as a part of the Report on Corporate Governance]

Dear Members,

It is our pleasure to send you the Notice of 79th Annual General Meeting of the Bank which is scheduled to be held at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K on 17th June, 2017 at 1600 hours. Members are hereby invited to attend the Meeting.

Notice Enclosures

Kindly find enclosed with the Notice of the Annual General Meeting the following documents:

- i) Copy of the Annual Report for the year ended 31st March, 2017
- ii) Feedback Form.
- iii) Bank's Mandate Form
- iv) Nomination Form
- v) Cancellation or variation of Nomination
- vi) NECS-I Mandate Form
- vii) NECS-II Mandate Form
- viii) Attendance Slip
- ix) Proxy Form

Rights at the Meeting

You have the right to attend, speak and vote at the Annual General Meeting if you are a Member on the Bank's Register of Members as on 9th June, 2017 or a Beneficiary Holder in the books of the National Securities Depository Limited or the Central Depository Services (India) Limited as at the close of business hours on 9th June 2017.

Requirements

If you intend to attend the Meeting in person, please bring the Attendance Slip, duly completed, along with the copy of your Annual Report.

NOTE: IF YOU HAVE ANY QUESTION ABOUT THE MEETING, OR NEED ANY ASSISTANCE, PLEASE CONTACT THE ANNUAL GENERAL MEETING ENQUIRY LINE ON 0194 - 2481930- 35 - EXTENSION: 1541, 1542, DURING WORKING HOURS.

Appointment of Proxy

Any Member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person to attend and vote on poll instead of himself. The person so appointed is known as Proxy. The person so appointed may be a Member or a Non-Member. The Proxy appointed by you may vote at the Meeting only on a poll. You may note that Proxy is not entitled to speak at the Meeting and cannot vote on the show of hands. If you are not able to come and attend the Meeting personally and intend to appoint Proxy to act and vote on poll on your behalf, you are requested to complete, sign and return the accompanying Proxy Form, together with documents specifying the validity of the appointment of the Proxy, at least forty eight (48) hours before the Annual General Meeting of the Company, so as to reach the Corporate Headquarters of our Bank located at M.A. Road, Srinagar, J&K 190 001, not later than 1600 Hours on 15th June, 2017.

You can appoint only one Proxy and give alternate names in the Proxy Form and only one Proxy need to attend and vote at the Meeting. The Proxy form needs to be dated and signed by you after affixing revenue stamp of Re. 1/- and in the event of any other person signing on your behalf you shall have to give authority to such person by way of power of attorney which shall be sent by you or that person along with the Proxy Form.

In case of appointment of the Proxy by Corporate Bodies, the Proxy Form should be under the common seal of the Corporate Body or under the hand of the duly authorized Officer or Attorney and appropriate Power of Attorney/Board Resolution or other Authority must be lodged along with the Proxy Form.

You can yourself attend the meeting and vote thereat instead of Proxy before he has voted and in such event your Proxy shall stand revoked.

Please note a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total Share capital of the Bank. A member holding more than 10% of the total share capital of the Bank may appoint

a single person as proxy and such person shall not act as proxy for any other person or share holder.

Entry Pass

The Attendance Slip sent herewith should be duly completed and brought with yourself. It will authenticate your right to attend, speak and vote at the meeting and will speed up your admission, where after; entry passes shall be issued to you. You should keep Entry Passes till the conclusion of the Meeting. Separate entry passes will be given to Members and Proxies.

Arrangement for the Meeting

The Meeting will start at 1600 hours sharp and the doors of the Meeting Hall will open at 1400 hours.

No electronic gadgetry will be allowed inside the Meeting Hall and Members are requested not to bring any cameras, video recorders, voice recorders etc.

For any enquiry relating to any matter that concerns you as a customer of the J&K Bank, you are requested to contact the Staff Volunteers available at the venue of Meeting.

There will be an arrangement of the "Shareholders Enquiry Desk" for the shareholders who have any enquiry relating to their shareholding. If you have any such enquiry you are requested to enquire from the staff available at the desk.

Any staff member can be contacted for First Aid facility.

Smoking is strictly prohibited both inside the Hall and as well as within the premises. You are requested to kindly co-operate.

Documents

Copies of all important documents including previous three years Annual Reports, Minutes of last three Annual General Meetings and copies of Memorandum and Articles of Association of the Bank, will be available for inspection of the Members at the Corporate Headquarters, M. A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 15th June, 2017 and also on the date of Meeting at venue from 1400 hours until conclusion of the meeting. Further Annual Accounts of JKB Financial Services Ltd, 100% Subsidiary of Bank, will be made available/available for Inspection to Members at any point of time at the Corporate Headquarters, M.A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 15th June, 2017 and also on the date of Meeting from 1400 hours until conclusion of the meeting.

Proceeding at the Meeting

After conclusion of the Chairman's speech, auditor's report including the comments of C&AG, if any, will be read by the Company Secretary. Afterwards the resolutions which are set out in the Notice of the meeting, will then be put to vote. The members will be given an opportunity to ask questions/speak at the meeting. Members interested to speak at the meeting shall hand over their name slips to the Staff Volunteers and Chairman shall call upon them one by one. As many members may be wishing to speak, you are requested to confine your speech to the agenda items set out in the notice of the Meeting.

Voting Rights

The voting rights of the Members are governed by the provisions of Section (47) of Companies Act, 2013, Section 12 of the Banking Regulation Act, 1949, and Article 110-112 of Articles of Association of the Bank. There are following voting rights attached to a Member/Proxy:

On Show of Hands

On show of hands, one member present in person shall have one vote. Here it is desirable to mention that person appointed as a proxy is not entitled to vote on the show of hands.

On Poll

On poll, every member shall have a right to vote in respect of his share of paid-up equity capital in the total paid-up equity capital of the Bank, whether present in person or through proxy. Your voting right would be in proportion to your share of paid-up equity capital of the Bank.

Manner of Voting

On Show of Hands

Whenever Chairman puts resolution to the vote of meeting, you should raise your hand, so that Chairman could see and take count of your vote, indicating that you are voting either for or against the resolution put before you for voting. Only shareholders present in person and authorized representative of the corporate shareholders are entitled to vote on the show of hands. Proxies are not entitled to vote on the show of hands.

On Poll

On poll being demanded by the requisite number of shareholders, or as and when may be ordered to be taken by the Chairman on any resolution, you will be given ballot papers by the deputed staff and you have to complete the ballot paper in accordance with the instructions contained therein and drop it in the ballot box. Proxy is entitled to vote on the poll.

Demat of Shares and Depository Services

Dematerialisation is a process, which entails the conversion of physical securities into electronic form. Thus securities in physical form are shredded and corresponding entry is done in the Investors Electronic Account. The electronic balances are maintained on highly secure systems at the depository. Depository services are an extension of custodial services. Prior to the introduction of depository system, the custodians used to act as the organisation for safekeeping, register, guarding, care watch, inspection and prevention of securities. But the advent of depository system has brought with itself the advantages of electronics and benefits of the custodial services at the doorsteps of investors. The depository allows the shares to be held in electronic form in the same way as money is held in Bank accounts.

A Depository offers following advantages to the Investor:

- Your shares cannot be lost or stolen or mutilated;
- You never need to doubt the genuineness of your shares i.e. whether they are forged or fake;
- Share transactions like transfer, transmission, etc., can be effected immediately;
- Transaction costs are usually lower than on the physical segment;
- There is no risk of bad delivery;
- Bonus/ rights shares allotted to you will be immediately credited to your account; and
- You will receive the statement of accounts of your transactions/ holdings periodically. According to Depository Act, 1996, investors have the option to hold shares in physical form or in electronic form. However, pursuant to directive issued by the Securities & Exchange Board of India (SEBI) shares of your Bank have been notified in the list of securities, where transactions will take place only in electronic mode for all Investors. Shareholders are thus advised to open a Demat Account with depository participant and dematerialise their securities.

Registrar and Share Transfer Agent

The Bank is having a contract with KARVY COMPUTERSHARE PRIVATE LIMITED to act as Registrar and Share Transfer Agent both for manual and electronic form with the incorporation of following initiatives / standards to ensure quality services to our investors:

1. The Internal Audit / Concurrent Audit to be carried out by independent firm of Company Secretaries / Chartered Accountants which will present a report to our Bank on the performance of KARVY vis-à-vis Jammu and Kashmir Bank Account.
2. Incorporation of query module on the web site www.karisma.karvy.com and the shareholders desirous of using the site need to do the following:
 - a) Log on to the site www.karisma.karvy.com
 - b) Look for options on the left side of the screen
 - c) Click Investors
 - d) This will open welcome to investor service screen
 - e) Sign-up user id and password (self registration)
 - f) Look for options on the left side of the screen
 - g) Select Queries
 - h) This will open query module, which needs to be filled. The information required is: application number, Folio number, name and address, phone number, fax number, email id, nature of query/complaint etc. The information will be recorded by Karvy and replied accordingly.
3. A separate email ID i.e. jkbank@karvy.com has been created exclusively for redressing the queries / complaints of our Shareholders.
4. Maintenance of the following service standards: Transfer within 7-10 days, Issue of duplicate share certificates within 30 days, Change of address/ mandate /name correction within 1-2 days, Revalidation /Credit of dividend warrants within 2 days, Demat and Remat within 3-5 days, Redressal of investor complaints within 48 hours and e-mail response within 24 hours, Registration of power of attorney within 1-2 days, Split /consolidation/ replacement within 5 days.

All members are requested to directly interact with Karvy on the following address:

Karvy Computershare Private Limited,

UNIT J&K BANK LIMITED, Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500 032 TEL:- (040)- 67161508, 67161509

In case any Investor desires to make any suggestion for better and improved services, same may be informed to: Mr. Mohammad Shafi Mir (Company Secretary) The Jammu and Kashmir Bank Limited, Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar, Jammu and Kashmir 190 001, e-mail: sharedeptt_gc@jkbmail.com

Nomination Facility

The shareholders have the facility of making nomination in accordance with the provisions of Section 72 of the Companies Act, 2013 and rule 19(1) of the Companies (Share Capital and debentures) rules 2014 and allied procedures. The shares in the Company shall vest in the nominee, in the event of the death of the shareholder. In case of joint holders, they may together nominate, in the prescribed manner, a person in whom all the rights in the shares of the Company shall vest, in the event of death of the joint shareholders. Investors can make nomination by filling-in and sending form SH-13 (enclosed at the end of the report) to the Company singly, in case of sole holder or jointly, in case of the joint holders.

Shareholders also have the facility to cancel or vary the existing nomination by nominating any other person in place of the present nominee. Shareholders can cancel or vary the nomination by giving the notice of such cancellation or variation, to the Bank in Form No. SH-14 (enclosed at the end of the report).

Bank Mandate Form

In order to avoid the fraudulent encashment of dividend warrants, Shareholders are requested by the Bank to provide their Bank account details to enable the Bank to incorporate the said details in the dividend warrants. A format of the Bank mandate form is enclosed at the end of this report.

NECS Facility

The National Electronic Clearing System (NECS) is intended to avoid the risk of loss/interception of dividend warrants in postal transit and / or fraudulent encashment of dividend warrants. The Shareholders are requested to avail the NECS facility /Direct credit facility, whereby the dividend will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and Company will duly inform the concerned Shareholders when the credit is passed on to their respective bank accounts.



Feedback Form

Dear Member,

J&K Bank requests you to rate the following aspects of this Annual Report on the scale given below.

| | Below Expectations | Average | Fair | Good | Excellent |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Is it Informative ? | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| How do you rate the Clarity of the Contents? | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Is the financial information Comprehensive? | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Is the content of this Report Relevant to you? | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| What is your Overall feedback on the report? | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| What aspects of the Annual Report did not appeal to you? | <hr/> | | | | |
| What aspects of the Annual Report appealed to you the most? | <hr/> | | | | |

Signature _____

Name _____

Address _____

Folio No./Client ID _____

Bank's Mandate Form

| | |
|----------------------------|--|
| Folio/Client ID No.: | |
| No. of Equity Shares Held: | |

I/We

R/o

do hereby authorize The Jammu & Kashmir Bank Limited to print the following details on my/our Dividend Warrant.

Bank Name

Branch Name

Account type (Please Tick) Savings Current Cash Credit

Account Number

Signature of the Member

NOTE:

1. In case you are holding physical shares, the duly filled-in form be sent to Company Secretary, the Jammu & Kashmir Bank Ltd, Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar -190001 or to our Share Transfer Agent : Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Karvy Selenium Tower B, Plot No. 31-32, Gachibowli Financial District, Nanakramguda Hyderabad - 500 032 TEL:- (040) - 67161508, 67161509. In case you are holding shares in dematerialised form, the duly filled-in form be sent to the concerned depository participant where you are having demat account.
2. Please attach photocopy of a cheque leaf or a blank cancelled Cheque issued by your Bank relating to your above account along with self-attested copies of PAN Card and Address Proof.

Form No. SH-13
NOMINATION FORM

[Pursuant to section 72 of the Companies Act, 2013 and rule 19(1) of the Companies (Share Capital and Debentures) Rules 2014]

To
The Jammu & Kashmir Bank Ltd:
Corporate Headquarters, M. A. Road,
Srinagar – 190001

I/We.....
.....the holder(s) of the securities
particulars of which are given hereunder wish to make nomination and do hereby
nominate the following persons in whom shall vest, all the rights in respect of such
securities in the event of my/our death.

(1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being made)

| Nature of securities | Folio No. | No. of securities | Certificate No. | Distinctive No. |
|-----------------------------|------------------|--------------------------|------------------------|------------------------|
| | | | | |

(2) PARTICULARS OF NOMINEE/S –

- (a) Name:
- (b) Signature of Nominee: Date of Birth.....
- (c) Father's/Mother's/Spouse's name:
- (d) Occupation:
- (e) Nationality:
- (f) Address:
- (g) E-mail id:
- (h) Relationship with the security holder:.....

(3) IN CASE NOMINEE IS A MINOR—

- (a) Date of birth:
- (b) Date of attaining majority:
- (c) Name of guardian:
- (d) Signature of guardian:
- (e) Address of guardian:

(4) PARTICULARS OF NOMINEE IN CASE MINOR NOMINEE DIES BEFORE ATTAINING AGE OF MAJORITY—

- (a) Name:
- (b) Signature of Nominee:..... Date of birth:.....
- (c) Father's/Mother's/Spouse's name:.....
- (d) Occupation:
- (e) Nationality:
- (f) Address:
- (g) E-mail id:
- (h) Relationship with the security holder:
- (i) Relationship with the minor nominee:

Security Holder (s):

Witness:

Signature:

Signature:

Name:

Name:

Address:

Address:

.....

.....

.....

.....

INSTRUCTIONS:

01. In case you are holding physical shares, the duly filled-in form be sent to Company Secretary, The Jammu & Kashmir Bank Ltd, Board Secretariat, Corporate Headquarters, M. A. Road, Srinagar - 190001 or to our Share Transfer Agent: Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Karvy Selenium Tower B, Plot No. 31-32, Gachibowli Financial District, Nanakramguda Hyderabad - 500 032 TEL:- (040) - 67161508, 67161509. In case you are holding shares in Dematerialised form, the duly filled-in form be sent to the Depository Participant where you are having Demat Account.
02. Please use separate form for each folio. Nomination is applicable to the folio, irrespective of the number of shares registered under the folio. Only one nomination per folio per instance would be entertained.
03. The nomination can be made by individuals only applying / holding share(s) on their own behalf singly or jointly upto two persons. Non-Individuals including society, trust, body Corporate, partnership firm, karta of Hindu undivided family, holder of power of attorney, cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form.
04. A minor can be nominated by a holder of share(s) and in that event the name and address of the guardian shall be given by the holder.
05. The nominee shall not be a trust, society, body Corporate, karta of Hindu undivided family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis (subject to the Reserve Bank of India's approval as applicable).
06. Nomination stands rescinded upon transfer of share(s) or on receipt of Form No. SH-14 (cancellation or variation of Nomination).
07. Transfer of shares in favour of a nominee shall be a valid discharge by a Company against the legal heirs.
08. The form must be complete in all respects and duly witnessed. Incomplete form is not a valid nomination.
09. Subject to rules and regulations as applicable from time to time.

Form No. SH-14

CANCELLATION OR VARIATION OF NOMINATION

[Pursuant to sub-section (3) of section 72 of the Companies Act, 2013 and rule 19(9) of the Companies (Share Capital and Debentures) Rules 2014]

**The Jammu & Kashmir Bank Ltd:
Corporate Headquarters, M. A. Road,
Srinagar – 190001**

I/We hereby cancel the nomination(s) made by me/us in favour of.....
.....
(name and address of the nominee) in respect of the below mentioned securities.

or

I/We hereby nominate the
following person in place of
as nominee in respect of the below mentioned securities in whom shall vest all rights in
respect of such securities in the event of my/our death.

(1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being cancelled /
varied)

| Nature of securities | Folio No. | No. of securities | Certificate No. | Distinctive No. |
|-----------------------------|------------------|--------------------------|------------------------|------------------------|
| | | | | |

(2) (a) PARTICULARS OF THE NEW NOMINEE:

- i. Name:
- ii. Signature of Nominee:..... Date of Birth:.....
- iii. Father's/Mother's/Spouse's name:.....
- iv. Nationality:
- v. Address:
- vi. E-mail id:
- vii. Relationship with the Security holder:

(b) IN CASE NEW NOMINEE IS A MINOR--

- i. Date of Birth:
- ii. Date of attaining majority:
- iii. Name of guardian:
- iv. Signature of guardian:.....
- iv. Address of guardian:.....

(3) PARTICULARS OF NOMINEE IN CASE MINOR NOMINEE DIES BEFORE ATTAINING AGE OF MAJORITY-

- (a) Name:
- (b) Signature of Nominee:..... Date of birth:.....
- (c) Father's/Mother's/Spouse's name:.....
- (d) Occupation:
- (e) Nationality:
- (f) Address:
- (g) E-mail id:
- (h) Relationship with the security holder:
- (i) Relationship with the minor nominee:

Security Holder (s):

Witness:

Signature:

Signature:

Name:

Name:

Address:

Address:

.....

.....

.....

.....

NECS-I (National Electronic Clearing System) Mandate Form for payment of Dividend on Equity Shares

(For Shareholders holding shares in Physical Form)

To
M/s Karvy Computershare Pvt. Ltd.
Unit: J&K Bank Limited

Dear Sir,

I hereby authorise **J&K Bank Limited** to credit dividend (to be declared in future, if any) amount directly to my bank account through NECS, details of which are as under :

1. First / Sole Shareholder's Name (in Block letters) _____
2. Address _____
3. Regd. Folio No. _____
4. Telephone No. _____ E-mail ID _____
5. Particulars of Bank Account _____
 - a) Bank Name : _____
 - b) Branch Name & Address (with Pin code & Tel. No.): _____

c) Bank Account No.
(as appearing on the Cheque Book):

- d) Account Type (Please tick ✓) Savings 10 Current 11 Cash Credit 12
- e) 9 Digit MICR Code No. of the Bank & Branch appearing on the MICR cheque issued by the bank:
6. Please attach a photocopy of a cheque leaf or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the above mentioned code numbers.

Declaration

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold J&K Bank Limited responsible. In case of NECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument.

Place: _____

Dated: _____

Signature of the first / sole shareholder

Notes :

1. If above mandate has already been submitted, please ignore this communication.
2. Kindly fill all columns. Incomplete forms shall not be entertained.
3. Please note that NECS facility is available only at Core Banking Solution Branches (CBS Branches) of the Banks. Therefore, please ensure that you provide only your new bank account number allotted by your Bank, post Implementation of Core Banking System, to avail NECS.

In case the shareholder is not in a position to give blank "cancelled" cheque or a photocopy thereof, a certificate of the shareholder's Bank may be furnished as under:

Certificate of the Shareholder's Bank

(To be submitted only if blank "cancelled" cheque or a photocopy thereof is not enclosed)

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp: _____

Dated: _____

Signature of the Authorised Official of the Bank



Registered Office:
Corporate Head Quarters,
M. A. Road, Srinagar, Kashmir - 190001
CIN: L65110JK1938SGC000048
Tel: 0194 - 2481930-35 Ext. 1541-1547,
Fax: 0194 - 2481928
Email ID: sharedeptt_gc@jkbmail.com,
Website: www.jkbank.net

ATTENDANCE SLIP

(PLEASE BRING THIS ATTENDANCE SLIP DULY COMPLETED WITHOUT FAIL AND HAND IT OVER AT THE ENTRANCE FOR OBTAINING ENTRY PASS)

I / We hereby record my / our presence at the 79th Annual General Meeting of THE JAMMU AND KASHMIR BANK LIMITED held at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, Kashmir - 190001 on Saturday the 17th June, 2017 at 4.00 P.M.

Name of the Shareholder:

Folio No. / Client ID / DP ID:

Name of the proxy / representative, if any:

I certify that I am a registered Shareholder / Proxy for the Shareholder of the Bank

Signature of the Shareholder / Proxy

Notes:

1. Attendance slip which is not complete in all respects shall not be accepted.
2. The registration counter will remain open between 2.00 P.M to 4.00 P. M.
3. Joint Shareholders may obtain additional attendance slip on request.

Registered Office: Corporate Head Quarters
M. A Road Srinagar, Kashmir - 190001
CIN: L65110JK1938SGC000048
Tel: 0194 - 2481930-35 Ext. 1541-1547, Fax: 0194 - 2481928
Email ID: sharedptt_gc@jkbmail.com, Website: www.jkbank.net

[Pursuant to Section 105 (6) of the Companies Act, 2013 and rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

| | |
|----------------------------|--|
| Name (s) of the Member (s) | |
| Registered Address | |
| Email ID | |
| Folio No. / Client ID | |
| DP ID | |

I / We being the member (s) of _____ shares of the above named Company, hereby appoint

| | | |
|----|-----------|----------------|
| 1. | Name | |
| | Address | |
| | E-mail ID | |
| | Signature | or failing him |
| 2. | Name | |
| | Address | |
| | E-mail ID | |
| | Signature | |

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 79th Annual General Meeting of the Bank to be held on the Saturday 17th June, 2017 at 04.00 p.m., at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, Kashmir – 190001 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Resolution | Type of Resolution | I/ We assent to the resolution (For) | I/ We Dissent to the resolution (Against) |
|----------------|---|--------------------|--------------------------------------|---|
| 1. | Adoption of Financial Statements for the year ended 31 st March, 2017. | Ordinary | | |
| 2. | Re-appointment of Mr. Azhar-ul-Amin, (DIN: 07265913) who retires by rotation. | Ordinary | | |
| 3. | Fixation of Remuneration to Statutory Auditors for the financial year 2017-18. | Ordinary | | |
| 4. | Alteration in the Articles of Association of the Bank. | Special | | |
| 5. | Appointment of Mr. Rahul Bansal, (DIN: 01216833) as a Director, liable to retire by rotation. | Ordinary | | |
| 6. | Appointment of Mr. Daman Kumar Pondoh, (DIN: 01332068) as a Director, liable to retire by rotation. | Ordinary | | |
| 7. | Appointment of Mr. Mohammad Maqbool Rather (DIN: 07586779), as an Independent Director. | Ordinary | | |
| 8. | Appointment of Mr. Mohammad Ashraf Mir (DIN: 07586792), as an Independent Director. | Ordinary | | |
| 9. | Appointment of Dr. Pronab Sen, as an Independent Director. | Ordinary | | |
| 10. | Appointment of Dr. Sanjiv Aggarwal (DIN: 00110392), as an Independent Director. | Ordinary | | |
| 11. | To raise funds, subject to the maximum of Rs.1500 Crore. | Special | | |

Signed this ____ day of ___, 2017

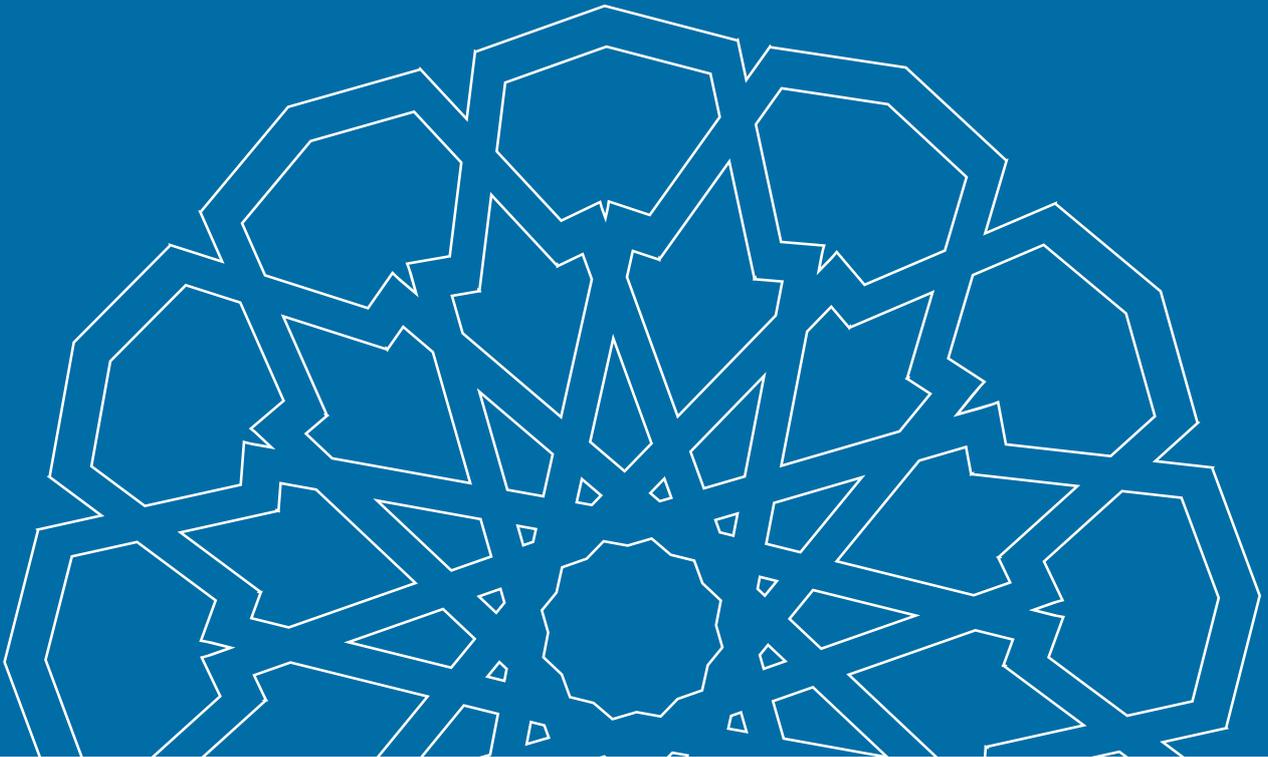
**Affix
Revenue
Stamp**

Signature of the Shareholder:

Signature of the Proxy holder(s):

NOTE: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

BOOK POST



The Jammu & Kashmir Bank Limited
Corporate Headquarters
M.A. Road, Srinagar 190 001, Jammu & Kashmir
www.jkbank.com