



CONSOLIDATING CAPABILITIES.



SUSTAINING GROWTH.





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STATUTORY INFORMATION 01

NOTICE



NOTICE is hereby given that the 74th Annual General Meeting of the Shareholders of The Jammu & Kashmir Bank Limited will be held as under:

Day: Saturday

Date: 14th July, 2012

Time: 1100 hours

Place: Sher-i-Kashmir International Conference

Centre (SKICC), Srinagar, J&K

to transact the following business:

ORDINARY BUSINESS

- To consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Profit & Loss Account for the Financial Year ended on that date, together with the Reports of the Board of Directors and Auditors and comments of the Comptroller and Auditor General of India thereon.
- 2. To declare Dividend on equity shares for the Financial Year 2011-12.
- To appoint Director in place of Mr. M. I. Shahdad who retires by rotation and being eligible, offers himself for reappointment.
- To appoint Director in place of Mr. Vikrant Kuthiala, who retires by rotation and being eligible, offers himself for reappointment.
- 5. To fix the remuneration of Auditors in terms of provisions of Section 224(8) (aa) of the Companies Act, 1956, for the Financial Year 2012-13

By order of the Board of Directors

Abdul Majid Bhat Company Secretary

Place: Srinagar Dated: 12th May, 2012

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK.
 - PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE RECEIVED BY THE BANK AT IT'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
- b) Shareholders who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unclaimed Amount, in respect of Unpaid/ Unclaimed Dividend Warrants, which is more than seven years old shall be transferred by the Bank to "Investor Education and Protection Fund" established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the shareholders against the Company or the Fund.
- The Register of Members and Share Transfer Books of the Company will remain closed from 9th July, 2012 to 14th July, 2012 (both days inclusive).
- d) The payment of Dividend for the FY 2011-2012, if declared at the Annual General Meeting, will be paid in case of physical shareholding to those Members whose names appear on the Register of Members of the Company on 14th July, 2012 and in case of dematerialised Shareholding, to those beneficiaries appearing in the records of National Securities Depository Limited and Central Depository Services (India) Limited, as at the close of working hours on 7th July, 2012, subject to the provisions of Section 206A of the Companies Act, 1956.
- e) Members holding shares in physical form are requested to intimate change, if any, in their



NOTICE

Registered Address, to the Share Transfer Agent. If the shares are held in Demat form, intimation regarding change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining Demat Account.

- f) Requests for transfer of physical shares received during the period of book closure shall be considered only after the reopening of Books and accordingly, requests for share transfers received during book closure period shall not be considered for dividend declared, if any.
- g) Dividend for the year 2011-12, if declared, will not be taxable in the hands of the Shareholders.
- h) National Electronic Clearing Service
 - i. The Reserve Bank of India has introduced the National Electronic Clearing Services i.e. NECS to bring further efficiency and uniformity in electronic credit and has accordingly instructed all banks to move to the NECS platform.

The Advantages of NECS over ECS (Electronic Clearing Services) include faster credit of remittance to beneficiary's account wider coverage with no limitations of location in India besides ease in operations for remitting agencies.

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

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

Disclaimer

The Credit of Dividend through NECS is bona-fide and in compliance with the mandate of Securities & Exchange Board of India (SEBI) in this regard. For effecting this requirement, the Bank relies on the Bank Account data of Shareholders, as provided by the Depositories and on the Clearing System adopted by the Reserve Bank of India. The Bank will not be responsible for credit of dividend to wrong/in-operative Bank Account where it is found that such wrongful credit was due to non-intimation/error in recording the correct Bank Account details.

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

The Bank has implemented the "Green Initiative" of the Ministry of Corporate Affairs (MCA) circulated vide its Circular No. 17/2011 dated 21.04.2011 read with Circular No. 18/2011 dated 29.04.2011, to deliver various documents including Notices, Balance Sheet, Profit & Loss Account, Auditors Report, Directors Report and Explanatory Statement to shareholders through their e-mail addresses available in the records of our Registrar and Share Transfer Agent.

Accordingly, to enable us to send various documents, under the `Green Initiative' of MCA, through electronic mode, to all the Shareholders, Shareholders who have not registered their email

Ids and are holding shares in Physical Form are requested to register their e-mail Ids quoting their Folio number with our Share Transfer Agent-Karvy Computershare Pvt. Ltd., and those Shareholders having holding in Demat Form are requested to register their e-mail Ids with their Depository Participant quoting their DP ID and Client ID.

- j) Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank at least seven days before the Meeting.
- k) 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.
- l) Members are requested to avoid being accompanied by non-members and/or children.
- m) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ITEM NO. 05

FIXATION OF REMUNERATION OF AUDITORS

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice, with the view to set-out material facts concerning such business. Prior to Companies Amendment Act, 2000, remuneration payable to Auditors in case of Government Companies was decided by the Central Government on the advice of Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors, appointed by C&AG under Section 619 of the Companies Act, 1956, has to be fixed by the Company in General Meeting or in such manner as the Company in the General Meeting may determine. Members may accordingly fix the remuneration of Auditors for the Financial Year 2012-13 including remuneration for the Limited Review of Quarterly Reviewed Financial Results for the period ending 30th June, 2012, 30th September, 2012 and 31st December, 2012. Directors recommend the adoption of Resolution to be moved at the Meeting in this regard.

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

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

Dated: 12th May, 2012

By order of the Board of Directors

Abdul Majid Bhat

Company Secretary



MESSAGE FROM THE CHAIRMAN

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Notwithstanding economic uncertainties and concerns, J&K Bank delivered yet another year of consistent growth in business volumes, revenues and profits, surpassing previous achievements. The Bank demonstrated sheer resilience and soundness of fundamentals to record unprecedented growth in all spheres. This sterling performance is way above industry averages.



Mushtaq Ahmad Chairman & CEO

In a world buffeted by economic fatigue and deepening Eurozone crisis, optimism is a precious emotion. Even though a widespread catastrophe may not be in the offing, apprehensions persist about the sustenance and pace of global recovery.

The US economy is showing early signs of revival, but the tempo remains sluggish. Large scale liquidity infusions by the European Central Bank (ECB) have significantly reduced stress in the global financial markets. However, a sustainable solution to the Euro-zone crisis is yet to emerge, and as recent developments in Spain indicate, the world's biggest economic area may plunge into a debt spiral.

The deep uncertainty over Greece continues to unnerve the global financial markets. The country's economy is in severe recession, debt level is unsustainable and unemployment, particularly among the youth, is alarming.

The recent EU-backed bailout package had raised hopes about a workable solution to avoid the crisis. However, rejection of the austerity measures by the people in the recent election and little hopes for any turnaround in the re- elections scheduled for June, have cast serious doubts over the continuance of the bailout package and consequently on Greece's future and Eurozone's stability as a whole. After Greece and Spain, Italy could be the next victim of Europe's financial contagion.

Growth risks have also surfaced in emerging and developing economies (EDEs), reflecting the combined impact of monetary tightening and slowdown in global growth. Any worsening of geo-political situations, particularly in the Middle-East and Africa, and re-emergence of recession in Eurozone can adversely impact the economies of these countries.

The Indian economy also witnessed slowdown in FY 2011-12, managing a hard-earned 6.5% growth, the lowest in nine years. The growth is even lower than the GDP of 6.7%, achieved during the global financial calamity that unleashed after the fall of Lehman Brothers in 2008. It was believed that the insulation from global headwinds that worked in 2008-09, will also work in 2011-12. However, a combination of global and domestic factors dented all aspirations.

The European crisis, signs of sluggish Chinese demand, spiraling crude prices in particular and that of other commodities in general have been the major dampening global factors. Unabated inflation, hardened interest environment and absence of special incentives for investment comprised the major domestic factors, responsible for low overall growth across sectors.

The growth prospects for FY 2012-13 however, appear to be relatively better and signs from all vital high-frequency indicators signify that the economic inertia has bottomed out and a gradual upswing may be imminent. However, any failure in containing fiscal deficit, re-emergence of demand led inflation, continued geopolitical uncertainties and the worsening of European calamity can derail the prospects.

Notwithstanding economic uncertainties and concerns, J&K Bank delivered yet another year of consistent growth in business volumes, revenues



MESSAGE FROM THE CHAIRMAN

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55 NEW BUSINESS UNITS
WERE ADDED DURING THE
YEAR, WHICH INCREASED
THE BUSINESS UNIT
NETWORK TO 603 AT
THE END OF MARCH, 2012.

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THE BANK IS WELL PLACED
TO ACHIEVE ITS OBJECTIVE
OF ACHIEVING A BUSINESS
OF ₹ 100,000 CRORES BY
MARCH, 2013 WITH A NET
PROFIT FIGURE OF ₹1,000
CRORES

and profits, surpassing previous achievements. The Bank demonstrated sheer resilience and soundness of fundamentals to record unprecedented growth in all spheres. This sterling performance is way above industry averages.

I am delighted, yet again, in presenting an Annual Report, which embodies the robustness of the Bank's strategies and resoluteness of its professional excellence in delivering the exceptional achievements. The Annual Report reflects our strong commitment towards reinforcing the faith reposed by you and the millions of our customers and our resolve to continue on the trajectory of excellence.

J&K Bank's vision and endeavour for being a developmental institution, central to the socio-economic development of J&K State, has reaped rich dividends for the Bank. The policy enabled the mobilization of low-cost deposits and their deployment in highly productive, but credit-starved sectors of the J&K economy. These sectors, apart from being high-yielding, accelerate the desired diversification of the Bank's credit portfolio and also help fulfill the Bank's priority sector obligations.

The policy has been suitably complemented by the Bank's strategy of pursuing quality lending across the rest of the country. In combination with its re-engineering processes, the holistic strategies have resulted in better asset- liability management, optimal asset utilization, higher efficiency and

advanced regulatory conformance to reaffirm the Bank's status as an iconic institution of the state and the country.

The Bank has set an ambitious target for garnering ₹ 100,000 Crore business by March, 2013, with a net profit figure of ₹ 1,000 Crore. The achievement of this milestone is planned to coincide with the Platinum Jubilee celebrations in 2013. To achieve the cherished target, the Bank shall pursue a pan-India aggressive growth strategy, in consonance with its strategic business plan.

At J&K Bank, we have implemented a much delayed expansion during the year. Fifty five new business units were added, which increased the business unit network to 603 at the end of March, 2012. The policy shall be pursued more vigorously and plans have been formulated to open more than 100 new business units during FY 2012-13, with emphasis on unbanked/under-banked rural areas of the state.

We are committed to provide basic banking services in 535 SLBC allotted villages and 725 other unbanked villages of the State of Jammu & Kashmir by the end of March, 2013. The plan is implemented through a mix of business unit network and Business Correspondent Model. The coverage has reached 836 unbanked villages, comprising 467 SLBC and 369 Non-SLBC villages as on 31st March, 2012.

The concerns exhibited last year by some quarters on the implementation of Ways and Means Finance have been fully allayed. As assured during the last Annual General Meeting, the agreement is being satisfactorily implemented to the mutual advantage of the Bank and the state government. Apart from allowing regulatory compliance, the arrangement has facilitated our multi-dimensional expansion, as the amount realized from the government on account of overdraft has been deployed into more productive and high-yielding economic sectors. This has enabled us to register a business volume and profit of unprecedented proportions.

Esteemed Shareholders, your Bank is well positioned to achieve a ₹ 100,000 Crore business volume by March, 2013, with ₹ 1,000 Crore net profit. We treasure your trust and bank on your support. Your continued encouragement and patronage can only make this achievement possible.

We started our journey in 1938, and in 2013 we will be celebrating our Platinum Jubilee. In all these years, we have progressed from strength to strength, despite challenges and hardships. With your best wishes, 2013 will mark the crowning moment of our achievement.

Looking forward to joining you in celebrating our cherished objectives at the celebrations.

Mushtaq Ahmad Chairman & CEO We started our journey in 1938, and in 2013 we will be celebrating our Platinum Jubilee. In all these years, we have progressed from strength to strength, despite challenges and hardships. With your best wishes, 2013 will mark the crowning moment of our achievement.



DIRECTORS' REPORT



- 1.1. Your Board of Directors have pleasure in presenting the 74th 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, 2012.
 - 1.2. The Bank has delivered a strong performance in 2011-12. The Bank's strategy of consolidation, re- engineering, re-pricing and re-organisation has resulted in productive and efficient growth, robust balance sheet, topnotch asset book and substantial provisions. Financial highlights for the year under review are presented below:

2. PERFORMANCE AT A GLANCE

- 2.1 The aggregate business of the Bank crossed yet another psychological mark and stood at ₹ 86,424.32 Crores at the end of the FY 2011-12. The total business of the Bank increased by ₹ 15,554.75 Crores from the previous year's figure of ₹ 70,869.57 Crores, registering a growth of 22%.
- 2.2 The total deposits of the Bank have grown by ₹ 8,670.97 Crores from ₹ 44,675.93 Crores as on 31st March, 2011 to ₹ 53,346.90 Crores as on 31st March, 2012, registering growth of 19.41%. CASA deposits of the Bank at ₹ 21,715 Crores constituted 40.71% of total deposits of the bank.
- 2.3 Cost of deposits for current FY stood at 5.92% compared to 5.05% for FY 2010-11.
- 2.4 The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The net advances of the Bank increased by ₹ 6,883.78 Crores from ₹ 26,193.64 Crores as on 31st March, 2011 to ₹ 33,077.42 Crores as on 31st March, 2012, a growth of 26.28%.

- 2.5 Yield on advances for the current FY improved to 11.45% compared to 10.68% for FY 2010-11.
- 2.6 Priority sector advances stood at ₹ 10,294.38 Crores as on 31st March, 2012.
- 3. The Bank's performance in the recovery of NPA's during the year continued to be good. The Bank effected cumulative cash recovery; up-gradation of NPA's and technical write-off of ₹ 316.91 Crores compared to ₹ 232.63 Crores in the previous year.
- **4.** Investment portfolio of the bank increased by ₹ 1,928.55 Crores from ₹ 19,695.77 Crores as on 31st March, 2011 to ₹ 21,624.32 Crores as on 31st March, 2012.

5. INSURANCE BUSINESS

5.1. The Bank earned an income of ₹ 29.56 Crores from the Insurance Business. In life insurance, the Bank mobilised business of ₹ 100.39 Crores and in non-life segment, business of ₹ 77.53 Crores was mobilised during the year.

6. INCOME ANALYSIS

- 6.1. Interest income of the Bank recorded a growth of ₹ 1,122.45 Crores and increased from ₹ 3,713.13 Crores in the year 2010-11 to ₹ 4,835.58 Crores in the year 2011-12. Interest expenses increased from ₹ 2,169.47 Crores to ₹ 2,997.22 Crores during the year. The Net Interest Income increased from ₹ 1,543.66 Crores to ₹ 1,838.36 Crores on YoY basis.
- 6.2. The Net Income from operations [Interest Spread plus Non-interest Income] has increased to ₹ 2,172.48 Crores in the FY 2011-12 from ₹ 1,908.42 Cr in the FY 2010-11, growing by 13.84%.
- 6.3. The Operating Expenses have shown an increase of ₹ 43.22 Crores during the

- FY 2011-12 and stood at ₹ 802.15 Crores as compared to ₹ 758.93 Crores in 2010-11
- 6.4. The Cost to Income ratio (Operating Expenses to Net Operating Income) has come down from 39.77 % in the FY 2010-11 to 36.92% in the FY 2011-12.

7. GROSS PROFIT

7.1. The Gross Profit for the FY 2011-12 stood at ₹ 1,370.33 Crores as compared to ₹ 1,149.49 Crores in the FY 2010-11 registering a growth of 19.21%.

8. PROVISIONS

8.1. The Provision for Loan Losses, Provision on Standard Assets, Taxation and others aggregated to ₹ 567.08 Crores in the FY 2011-12 as compared to ₹ 534.29 Crores in the FY 2010-11.

9. NET PROFIT AND DIVIDEND

- 9.1. The Bank registered highest ever Net Profit of ₹803.25 Crores for the FY 2011-12 compared to ₹615.20 Crores for the FY 2010-11, registering an impressive growth of 30.57%.
- The Board of Directors has recommended record dividend of 335 per cent for the FY 2011-12.
- 9.3. In terms of extant guidelines, the Bank will pay the dividend distribution tax for the FY 2011-12. Accordingly the total outflow on account of dividend for the year 2011-12 will be ₹ 188.76 Crores including the dividend distribution tax.

10. NET WORTH AND CRAR

- 10.1. The Net Worth of the Bank increased to ₹ 4,093.18 Crores on 31st March, 2012 from ₹ 3,478.68 Crores on 31st March, 2011.
- 10.2. The Capital to Risk Adjusted Assets Ratio [CRAR] under BASEL-I stood at 12.53% as on 31st March, 2012 as against 13.30% as on 31st March, 2011 which is much above the norm of 9% stipulated by the Reserve Bank of India. The Tier I component of CRAR is 10.43% as on 31st March, 2012 compared to 10.99% as on 31st March, 2011.
- 10.3. The Bank has implemented new capital adequacy framework w.e.f. 31st March, 2009. Under new norms, bank's CRAR (BASEL-II) works out to 13.36% which is higher than the CRAR as computed under BASEL- I norms. The advantage has stemmed mainly from

- higher rated Investment / Credit portfolio. The Tier I component of CRAR under new norms is 11.12% as against 10.43% under BASEL -I.
- 10.4. The Return on Average Net Worth, Earnings per Share and Book Value per Share for the FY 2011-12 stood at 21.22%, ₹ 165.69 and ₹ 844.34, against 18.96%, ₹ 126.90 and ₹ 717.58 respectively for the previous year.

11. BRANCH NETWORK

11.1. During the FY 2011-12, 55 new branches were established, thereby taking the number of branches to 603 as on 31-03-2012, spread over 20 states and one union territory. The area-wise breakup of the branch network (excluding extension counters/ mobile branches and service branches) is as under:

Area	Business Units
Metro	039
Urban	168
Semi-Urban	123
Rural	273
TOTAL	603

12. IT INITIATIVES DURING FY 2011-12

- 12.1. Technology has played a pivotal role in the growth of the Bank. T&ISD department has always been in the forefront in delivering solutions in line with the changing business needs of the organisation. As a matter of policy the department has always provided industry best solutions so as to align the technology with business goals. The details of various technology initiatives taken during the FY 2011-12 are enumerated below:
 - * 10 branches were computerised during the year taking the total count of computerised business units as on 31st March, 2012 to 634 out of a total business unit count of 640 which includes 603 business units & 37 Extension Counters.
 - 90 new SOLs were opened on Core Banking Platform during 2011-12 taking the total count of SOLS on CBS as on 31st March, 2012 to 671.
 - \$ 177 ATMs were procured, out of which 147 were commissioned during FY 2011-12 taking the aggregate number of commissioned ATMs to 508 as on 31st March, 2012.

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THE BANK REGISTERED HIGHEST EVER NET PROFIT OF ₹ 803.25 CRORES FOR THE FY 2011-12 COMPARED TO ₹ 615.20 CRORES FOR THE FY 2010-11, REGISTERING AN IMPRESSIVE GROWTH OF 30.57%.



DIRECTORS' REPORT

- E-Banking facility has been made available at all the CBS branches of the Bank and the number of e-Banking customer accounts stood at 164,580 as on 31.03.2012.
- The project covering Domestic, Forex and derivative modules stands implemented. The VaR engine also stands implemented and various combinations of VaR modules are being tested by the users.
- All the CBS branches of the Bank are enabled for RTGS and NEFT facility.
- In far flung and unbanked areas, the bank is providing basic banking services through three mobile vans.
- Corporate Module of CTS (Cheque Truncation) was deployed and made functional at Chennai grid in addition to already functioning grid at NCR (Delhi) region. The new software will support country wide CTS and in future the system will pave way for setting up a country-wide centralised Inward Clearing Centre for better and speedy customer service.
- The CCTVs were installed at 23 more branches taking the total count to 219. In addition, CCTVs were installed at 300 ATM locations.
- Out of 13 Currency Chests, 12 Currency Chests have been equipped with all the Security gadgets required under regulatory guidelines.
- System Level Asset Classification for bringing transparency and efficiency in asset classification was implemented and in the first phase asset classification of accounts with sanctioned limit of ₹ 50 lakh and above was implemented through the system.

13. ADVERTISING AND PUBLICITY

During the year, the Bank continued to position its brand favourably in public memory and psyche. The products, services, achievements and future plans were effectively communicated to the customers, shareholders and the general public through creatively conceived, developed and packaged advertisements.

14. CORPORATE SOCIAL RESPONSIBILITY-CSR

The Corporate Social Responsibility (CSR) of the J&K Bank seeks to recognise obligations towards society and aims to integrate the CSR ideals into its mission for optimising both business and

social performance. The contribution to CSR is considered as an asset rather than expenditure.

Our CSR revolves round peoples' empowerment through generous and innovative economic support and financial intervention. From matters of health to heritage, education to entrepreneurship, poverty to pathetic disabilities, our CSR policy covers it all. The aim is to instill a sense of relief and protection among the most vulnerable sections of society, provide avenues for peoples' entertainment, sustenance and empowerment. The approaches adopted in conceiving, handling and implementing CSR initiatives are simple yet professional and at times massive yet methodical.

We believe in employing innovative and interventionary means to ensure maximisation of returns; both social and economical, though from a long-term perspective. Capitalising on the expertise of the professionals and organisations pursuing various causes of societal concern continue to be our guiding force in the implementation and execution of our CSR initiatives.

15. MAJOR CSR INITIATIVES TAKEN BY THE BANK

- Education Sector continued to receive priority in the Bank's CSR expenditure. Besides providing free stationery to large number of children coming from poor economic backgrounds, Bank donated dozens of computers, laptops and other learning aids to the individuals as well as institutes. Apart from providing educational sponsorship by way of bearing tuition fee, cost of stationery and uniform of scores of poor students, Bank donated a hefty sum for purchase of books for library of a remote educational institute in South Kashmir. Moreover, a school bus was donated to a local welfare Trust for ferrying poor students receiving free quality education in the Trust schools.
- More than one hundred trolleys and wheel chairs were distributed to the leading hospitals of the state to contribute for better patient care. The initiative followed the growing public concern regarding incapacities of health institutes in providing quality healthcare.
- The Bank adopted Tulwari, a remote village along the LoC in district Baramulla, for treatment and rehabilitation of village children suffering from 'Hemophilia A', a life consuming inherited disorder in which patient's blood doesn't clot to stop the bleeding. A mechanism, to provide quality treatment, worked out with the Society for Hemophilia care, New Delhi authorities has proved a life saver for the children of the village affected with this deadly disorder.

- Apart from continuing generous support to various activities and initiatives of the differently abled persons, J&K Bank undertook the responsibility of sponsoring education and rehabilitation of 25 special children belonging to poor families. The students were identified following a survey and later their education/ rehabilitation was arranged through a local not-for-profit foundation espousing the cause of and running a school for such children. Sponsorship includes all expenses including tuition fee, stationery, uniform, physiotherapy and other related things.
- Massive plantation drive on World Plantation Day, financing and encouraging of cycling events, road shows and other events organised for promoting the cause of environment also remained among the priorities. Pertinently, subsequent to its development, the Bank dedicated Shaheed Park to people in South Kashmir.
- After formation of a full-fledged Sports Board during FY10-11, Bank took the initiative forward in FY 2011-12 by formally launching its own Football Academy. Committed to the development of sports especially football, which happens to be the state game of J&K, the idea behind launching J&K Bank Football Academy is to nurture and groom the budding footballers of the state to prepare them to find a berth in senior side at national and international level.

16. LEAD BANK RESPONSIBILITY

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

- 16.1. In terms of guidelines issued by Ministry of Rural Development, Government of India, J&K Bank was assigned the responsibility of setting up Rural Self Employment & Training Institutes (RSETIs) in the assigned 12 lead districts. In this regard, the Bank has already accomplished the target by setting up RSETIs in all allocated Lead Districts.
- 16.2. During the FY 2011-12, the following meetings were conducted by the Bank:
 - Four Quarterly State Level Bankers Committee (SLBC) meetings, viz. 81st, 82nd, 83rd and 84th to review performance under ACP.

- One Special SLBC meeting addressed by Dr. D. Subbarao, Hon'ble Governor, Reserve Bank of India.
- Meeting of Sub-Committee of J&K SLBC on Relaxation/ Concessions to trade and industry in J&K state.
- Workshop on Credit Guarantee Trust Fund Scheme and enhancing flow of credit to Agriculture Sector in J&K.
- Meeting of the Steering Sub-Committee of J&K SLBC to monitor flow of credit to Agriculture Sector.
- Meeting of the Steering Sub-Committee of J&K SLBC to monitor IT enabled Financial Inclusion in J&K State.
- Meeting of the Sub-group of J&K SLBC constituted to prepare a Workable Action Plan for enhancing C.D. Ratio of J&K State.
- Meeting of the Sub-Committee of J&K SLBC for Export Promotion.
- * The district level and block level meetings, such as DCC/ DLRC/ BLBC, and other relative meetings under Lead Bank Scheme were held during the FY 2011-12 as per schedule in all the 12 lead districts.

17. REGIONAL RURAL BANK

The J&K Grameen Bank is the regional rural bank sponsored by the Bank. The area of operation of the J&K Grameen Bank spans over 11 districts (Baramulla, Bandipora, Kupwara, Jammu, Kathua, Rajouri, Poonch, Leh, Kargil, Samba and Kishtwar) of J&K State. The Grameen Bank has a branch network of 184 branches with 944 employees. The performance of the Grameen Bank has improved considerably during FY 2011-12. The financial highlights (unaudited) of the Bank for the year under review are highlighted below:

17.1. Business

The business of the Bank increased from ₹ 2,116.50 Crores to ₹ 2,549.51 Crores during the year 2011-12 registering a growth rate of 20.46%.

17.2. Deposits

The deposits of the Bank have increased from ₹ 1,594.99 Crores to ₹ 1,870.86 Crores during the year 2011-12 thereby registering a growth rate of 17.30%.

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THE J&K GRAMEEN BANK IS THE REGIONAL RURAL BANK SPONSORED BY THE BANK.

THE DEPOSITS OF THE
BANK HAVE INCREASED
FROM ₹ 1,594.99 CRORES TO
₹ 1,870.86 CRORES DURING
THE YEAR 2011-12 THEREBY
REGISTERING A GROWTH
RATE OF 17.30%.



SSSS DIRECTORS' REPORT

17.3. Advances

The gross advances of the Bank as on 31st March, 2012 stood at ₹ 678.65 Crores as against ₹ 521.39 Crores as on the corresponding date of the previous year recording a growth of 30.16%.

17.4. Priority Sector Advances

The priority sector advances of the Bank as on 31st March, 2012 stood at ₹ 479.02 Crores as against ₹ 359.85 Crores as on the corresponding date of the previous year recording a growth of 33.12%. Advances to priority sector constitute 70.58% of total advances.

17.5. NPA Position

The gross NPA of the Grameen Bank as on 31.03.2012 stood at ₹ 43.86 Crores constituting 6.46% of gross advances, while as Net NPA as on 31.3.2012 stood at 6.97 Crores constituting 1% of net advances.

17.6. Profitability

The bank has shown operating profit of ₹ 25.00 Crores and net profit of ₹ 11.00 Crores as on 31st March, 2012.

18. FINANCIAL INCLUSION

In order to cover the unbanked population in rural areas and special segments of population in urban areas, the Bank has formulated a comprehensive Financial Inclusion Plan. The FIP envisages providing basic banking services in 535 SLBC allotted villages and 725 other unbanked villages of the State of Jammu & Kashmir in a phased manner upto March, 2013. FIP is being implemented through a mix of branch network and Business Correspondent Model by engaging Common Service Centres (CSC) for delivery of services through Smart cards. The coverage has reached 836 unbanked villages comprising of 467 SLBC and 369 Non-SLBC villages as on 31.03.2012. The total number of 4.34 lac accounts have been opened in these identified villages, covering 1.92 lacs households.

18.1. The Bank has undertaken setting up of
Common Service Centers known as Khidmat
Centres under the e- governance initiative of
Government of India. Out of 1109 Common
Service Centers to be set up, seven hundred
Common Service Centers have been
established across the State upto March, 2012.

19. CORPORATE GOVERNANCE

19.1 J&K Bank has established a tradition of exemplary practice in Corporate

- Governance. It encompasses not only regulatory and legal requirements, but also several voluntary practices, aimed at a high level of business ethics, effective supervision and enhancement of stakeholder value.
- 19.2 Several matters have been voluntarily included in the statement on Corporate Governance annexed to this report, besides certificate from the Central Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

20. BOARD OF DIRECTORS

- a. Mr. Sudanshu Pandey, IAS, Commissioner/ Secretary, Finance Department, J&K Govt. was recalled by the State Government of J&K with effect from 02.03.2012.
- Mr. Arnab Roy, Regional Director, Reserve Bank of India, ceased to be a Director w.e.f
 6th October, 2011 pursuant to RBI directives.
- c. Mr. Ashok Kumar Mehta and Mr. Abdul Majid Mir, Executive Directors retired from the services of the Bank w.e.f 31st May, 2011 and 30th June, 2011 on attaining the age of superannuation.
- d. Mr. B. L. Dogra, after completing eight years of continuous services on the Board of the Bank ceased to hold the office of Director after 1st June, 2011 in view of the provision of Section 10A (2A) (i) of the Banking Regulation Act. 1949.
 - Directors place on record their deep appreciation for the valuable service rendered by Mr. Sudhanshu Pandey, IAS, Mr. Arnab Roy, Mr. A. K. Mehta, Mr. Abdul Majid Mir and Mr. B. L. Dogra during their tenure as Directors of the Bank.
- e. Mr. Hari Narayan Iyer, General Manager, Reserve Bank of India, Rural Planning & Credit Department, Jaipur was appointed as Additional Director on the Board of the Bank by the Reserve Bank of India with effect from 7th October, 2011 for a period of 2 years.
- f. Mr. R. K. Gupta and Prof. Nisar Ali were reappointed as Directors at the last Annual General Meeting of the Shareholders of the Bank held on 09.07.2011
- g. With a view to broad-basing the Board, Mr. Nihal C. Garware, an eminent personality, was re-appointed as Additional Director of the Bank w.e.f 09.07.2011. The Bank has gained immensely from his guidance and wide ranging experience and expertise.

h. Mr. M. I. Shahdad and Mr. Vikrant Kuthiala, retiring by rotation at the ensuing Annual General Meeting in accordance with Article 76 of the Articles of Association of the Bank and provisions of Companies Act, 1956 and are eligible for reappointment.

21. NAME OF THE BOARD OF DIRECTORS OF THE BANK

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

22 DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors hereby confirms that:-

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) We have 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 the profit /loss for the period under report.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- iv) We have prepared the annual accounts on a going concern basis.

23. PARTICULARS OF EMPLOYEES

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, FOR THE YEAR ENDED 31st MARCH, 2012, ARE AS UNDER:

- a. EMPLOYED THROUGH OUT THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING ₹ 6,000,000/- OR MORE PER ANNUM: -NIL-
- EMPLOYED FOR PART OF THE
 FINANCIAL YEAR AND IN RECEIPT OF
 REMUNERATION AGGREGATING
 ₹ 500,000/- OR MORE PER MONTH: NIL -

24 ACKNOWLEDGEMENTS

- The Directors thank the valued customers, shareholders, well-wishers and correspondents of the Bank in India and abroad for their goodwill, patronage and support.
- b. 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, Deptt. of Company Affairs, Registrar of Companies, Comptroller & Auditor General, Financial Institutions and the Statutory Central Auditors of the Bank in the functioning of the Bank.
- c. 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 co-operation in realisation of the corporate goals in the years ahead.

For and on behalf of the Board of Directors

Mushtaq Ahmad Chairman & CEO

Place: Srinagar (J&K) Dated: 12th May, 2012



MANAGEMENT DISCUSSION & ANALYSIS



1. GLOBAL ECONOMY

The global macro-economic environment is reeling under multiple challenges. Even though concerns about an economic crisis have somewhat abated since the beginning of the year, apprehensions persist about the pace and stability of global economic recovery.

The US economic revival continues to be sluggish and fragile, despite the extensive application of both fiscal and monetary policy tools. Large scale liquidity infusions by the European Central Bank (ECB) have significantly reduced stress in the global financial markets. However, a sustainable solution to the euro-zone debt problem is yet to emerge.

Recent developments in Spain are a case in point: the country's fourth-largest lender requested a $\in 19$ billion (\$24 billion) bail-out from the government, raising doubts about how much help other lenders might need. The verdict is clear: euro-zone's sovereign debt problem will continue to cast looming shadows on the economies of the rest of the world.

Growth risks are also visible in emerging and developing economies (EDEs), reflecting the combined impact of monetary tightening and global slowdown. As regards BRICS, the year-on-year GDP growth in China declined from an average of 9.6 per cent in the first half of 2011 to 8.1 per cent in the first quarter of 2012. The slow down in growth was also sharp in Brazil in last Quarter of 2011. However, Russia and South Africa witnessed modest downturn.

Headline measures of inflation in major advanced economies continued to soften in March, 2012. While headline inflation moderated in Brazil and Russia in March, it edged up in China. International crude oil prices have, however, risen by about 10 per cent since January and appear to be persisting at current levels. The worsening of geopolitical conditions, particularly in the Middle-East and North Africa, could trigger a sharp escalation in oil prices and reduce global output significantly.

2. DOMESTIC ECONOMY

The domestic economy performed below expectations in FY 2011-12. Growth moderated and fiscal balance deteriorated due to tight monetary policies. The monetary and fiscal policies during most part of the year were primarily aimed at taming domestic inflation. Although inflation has moderated recently, it has remained above the tolerance level, even as economic growth is showing sure signs of fatigue. Significantly, these trends are occurring in a situation in which concerns over the fiscal deficit, the current account deficit and deteriorating asset quality loom large.

The GDP growth for 2011-12 now stands at 6.5%, as opposed to earlier projections of 6.9 per cent. It is lower than 6.8% growth in 2008-09, the year of the Lehman crisis. This is utterly disappointing when compared to two successive previous years, which had witnessed a fairly robust growth of 8.4%.

Although initial expectations were positive about domestic economic performance, it became increasingly clear during the course of the year that it would fall far short of the desired growth rate. A part of the reasons were the global factors, particularly the euro zone crisis and near-recessionary conditions prevailing in Europe; sluggish growth in the US and many other industrialized countries; stagnation in Japan

stagnation and hardening of international crude prices, impacting India's oil bill.

Domestic factors like tightening of the monetary policy, in particular raising the repo rate to control inflation and anchor inflationary expectations, also resulted in sluggish investment and growth, particularly in the industrial sector. Overall, the multi-sector performance during the past year was not very encouraging. However, there are vital signs from high-frequency indicators that the weakness in economic activity has bottomed out and a gradual upswing may be imminent.

3. ECONOMY OUTLOOK FOR 2012-13

The baseline GDP growth for 2012-13 is projected at 7.3%, which is little better than the GDP growth of 6.5 per cent for 2011-12. Assuming a normal monsoon, agricultural growth could stay close to the trend level. Industry is expected to perform better than in last year, as leading indicators of industry suggest a turnaround in IIP growth. Services sector is likely to remain largely resilient, though some spill-over may occur from the slow pace of industrial growth.

The inflation scenario is expected to remain challenging in FY 2012-13. Food inflation, after a seasonal decline, has risen again. Crude oil prices are expected to remain firm and the pass-through of past price increases in the international market to domestic petroleum product prices remains significantly incomplete. There also remains an element of suppressed inflation in respect of coal and electricity. However, non-food manufactured products inflation is expected to remain contained, reflecting the lagged effect of past monetary policy tightening on the aggregate demand. Corporate performance numbers also indicate that the pricing power has reduced. Consequently, the risk of adjustments in administered prices, translating into generalized inflationary pressures remains limited, though there is no room for complacency.

Consistent with growth and inflation projections, M3 growth for 2012-13, for policy purposes, is projected at 15 percent. Consequently, aggregate deposits of SCBs are projected to grow by 16 percent. In view of the need to balance the resource requirements of the private sector and the public sector, growth in non-food credit of SCBs is projected at 17 percent.

Going ahead, the economy is expected to perform slightly better with reasonably higher growth rate,

increased industrial production, improvement in investment activity and comparatively contained inflation. However, these expectations could be belied by any failure in containing fiscal deficit, reemergence of demand-led inflation and continued geopolitical uncertainties that may adversely affect the global commodity prices, especially the crude oil prices.

4. THE MONETARY POLICY STANCE

After raising the policy rate by 375 basis points during March, 2010-October, 2011 to contain inflation and anchor inflation expectations, the Reserve Bank paused in its mid-quarter review (MQR) of December, 2011. Subsequent growth inflation dynamics prompted the Reserve Bank to indicate that no further tightening was required, and that future actions would be focused on lowering the rates.

Against the backdrop of global and domestic macroeconomic conditions, outlook and risks, the policy stance for 2012-13 has been guided by two major considerations.

First, economic growth decelerated to 5.3% (a historic low) in the fourth quarter of 2011-12, clearly indicating that the economy is operating below its post-crisis trend.

Second, as earlier projected, headline WPI inflation as well as non-food manufactured products inflation moderated significantly by March, 2012. During December-January, inflation softened owing to a decline in food prices. However, in the following two months, inflation softening was driven largely by moderation in the core components, reflecting a demand slowdown.

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

- Adjust policy rates to levels consistent with the current growth moderation
- Guard against risks of demand-led inflationary pressures re-emerging
- Provide a greater liquidity cushion to the financial system

5. REGULATORY AND MONETARY MEASURES

2011-12 witnessed a series of monetary measures initiated by the Reserve Bank of India to contain the rising inflation. The increase in the repo

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THE BASELINE GDP GROWTH FOR 2012-13 IS PROJECTED AT 7.3% WHICH IS LITTLE BETTER THAN THE GDP GROWTH OF 6.5 PER CENT FOR 2011-12. ASSUMING A NORMAL MONSOON, AGRICULTURAL GROWTH COULD STAY CLOSE TO THE TREND LEVEL. INDUSTRY IS EXPECTED TO PERFORM BETTER THAN IN LAST YEAR AS LEADING INDICATORS OF INDUSTRY SUGGEST A TURNAROUND IN IIP GROWTH. SERVICES SECTOR IS LIKELY TO REMAIN LARGELY RESILIENT, THOUGH SOME SPILLOVER MAY OCCUR FROM THE SLOW PACE OF INDUSTRIAL GROWTH.



MANAGEMENT DISCUSSION & ANALYSIS

rates in the monetary policy for FY 10-11 and the calibrated increase thereafter were primarily aimed at bringing down the inflationary pressures. RBI also decided to limit repo rate as the only independently varying policy rate with reverse repo to auto-modify at 100 basis points below the repo rate, clearly signaling the stance of monetary policy to achieve macroeconomic objectives of growth with price stability. RBI also introduced a Marginal Standing Facility (MSF), through which, banks can borrow overnight up to 1% of net demand and time liabilities at 100 basis points above the repo rate.

In the second quarter review of the monetary policy on 25th October, 2011, RBI deregulated the Savings Bank interest rate. Subsequently, in December, 2011, RBI also deregulated the interest rates on NRE and NRO accounts to encourage capital flows of more stable nature and to provide greater flexibility to banks in mobilizing non-resident deposits. RBI also raised the Bank Rate by 350 basis points from 6% per annum to 9.50 percent per annum with effect from close of business on 13th February, 2012 as a one-time technical adjustment to align the Bank Rate with the MSF rate rather than a change in the monetary policy stance.

The repo rate was raised from 6.75% to 8.50% in the monetary policy reviews during the year. RBI also reduced the CRR of scheduled banks from 6.0% to 4.75% of their net demand and time liabilities during the financial year. Allowing scheduled commercial banks (other than RRBs) to open Branches, Administrative Offices and Central Processing Centres / Service Branches in Tier II to Tier VI centres without the need to take permission from RBI in each case, subject to reporting, enhancement of rates of provisioning by banks for their non-performing assets and capping of investment in liquid schemes of debt-oriented mutual funds (MFs) by banks at 10% of their net worth as on 31st March of the previous year were among the various other measures taken by RBI during the last year.

The major policy measures announced by the Reserve Bank under the Monetary policy for 2012-13 included reduction in the repo rate under the liquidity adjustment facility (LAF) by 50 basis points from 8.5% to 8.0%. Consequently, the Reverse Repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, adjusted to 7.0 per cent. The borrowing limit of scheduled commercial banks under the marginal standing facility (MSF) was increased from 1% to 2% of their net demand and time liabilities (NDTL)

outstanding at the end of second preceding fortnight. On account of an increase in repo rate, the MSF rate, determined with a spread of 100 basis points above the repo rate, adjusted to 9.0% and the Bank Rate also adjusted to 9.0% with immediate effect. The cash reserve ratio (CRR) of scheduled banks was, however, retained at 4.75% of their NDTL. The policy actions initiated are expected to:

- Stabilize growth around its current post-crisis trend;
- Contain risks of inflation and inflation expectations re-surging; and
- Enhance the in-system liquidity cushion.

6. J&K ON THE ROAD TO DEVELOPMENT

The economic scenario of Jammu & Kashmir (J&K) during the FY 2011-12 was reasonably satisfactory, considering the mounting challenges at the national level. The growth in GSDP of J&K state is estimated to touch 6.8% in FY 2011-12, on the back of significant reduction in fiscal deficit and record tax collections. However, on the income front, the state is lagging behind national figures.

As a part of its endeavour to develop J&K into a model state, the state government launched many socio-economic developmental programmes. These programmes include the Pradhan Mantri Gram Sadak Yojana (PMGSY), Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), National Rural Health Mission (NRHM), Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the Prime Minister's Reconstruction Programme (PMRP), among others. These initiatives span connectivity, electrification, water supply and irrigation. The government's priority attention to issues relating to development and good governance is driving positive outcomes with the year 2011-12 being the most peaceful year in the last two decades.

During 2011-12, J&K successfully reduced its fiscal deficit to a record low of 4.3% of GSDP. Moreover, the much desired financial discipline induced through WMA has also begun to show positive impacts with the 'Government Treasury in credit with Zero Overdraft'. The state's tax revenue collection in 2011-12 also touched ₹ 4800 Crore; a 38% growth over the previous year. Similarly, collections under the commercial taxes alone increased by ₹ 1057 Crore, indicating a 42% surge.

For the 2011-12 Annual Plan, the government secured ₹ 7,300 crore (largest ever plan outlay) and a provision of ₹ 700 crore under the Prime Minister's Reconstruction Plan. The state government, in line with its minimum common programme, has announced multiple path-breaking initiatives in the 2012-13 budget. The government has launched result-oriented Child & Women Development Programmes like Beti Anmol Scheme (Budget Provision of ₹ 5 Crore), Empowering Skilled Young Women (Budget Provision of ₹ 10 Crore), Training of Women in Handicrafts and Handlooms Trade (Budget Provision of ₹ 16 Crore). The state is also expected to modernize its agriculture and allied sectors. This objective has entailed the highest-ever focus towards agri-development. A ₹ 721 Crore budgetary provision has been earmarked for expanding the state's irrigation network, while a ₹ 343-Crore provision will be channelized into the agriculture sector for improving seed replacement rate, farm mechanization and so on.

The state witnessed a peaceful year and the dividends of peace are visible in the tourism sector. J&K witnessed unprecedented tourism flow during the year. Recognizing the importance of tourism in the state's economic development, due emphasis is being given towards the optimization of tourism resources. The government announced multiple initiatives to boost the tourism sector: 30% capital outright investment subsidy on fixed assets created by new investments, subject to a maximum of ₹ 30 lacs; capital investment subsidy limit raised to ₹ 1 Crore in the case of prestigious units, investing ₹ 25 Crore or more; 40% capital subsidy on paying guest houses; 50% subsidy on equipment for adventure tourism, kitchen and related appliances; 50% subsidy on tourist coaches, air conditioning and office automation; reimbursement of 50% cost on managerial training; and more importantly, liberalizing and expanding the list of areas and locations qualifying for incentives under 'Tourism Package'. The package to encourage tourism is not limited to these initiatives only.

To tackle the problem of unemployment and to provide a platform to emerging entrepreneurs, the state government took a path breaking initiative in 2010 by launching the Sher-e-Kashmir Employment & Welfare Programme for Youth (SKEWPY) to encourage and assist first-generation entrepreneurs. A whopping ₹ 90 Crores stand earmarked under the initiative to provide adequate funding to the trained and registered first-generation entrepreneurs to commence environment-friendly ventures, relating to core areas of the state's economy.

The state government is committed to securing inclusive development of J&K. To achieve this objective, the government has identified some core sectors as the thrust areas for next fiscal. These sectors include Power, Connectivity, Education, Agriculture, Social Welfare and Health. The government has adopted a result-oriented return and rehabilitation plan for Kashmiri migrants to bring back lasting peace and serenity to the valley. Moreover, extensive welfare programmes for the disadvantaged sections of society have been initiated.

The completion of projects --- some of them are mentioned below --- reflect the state government's endeavour during 2012-13:

- To bridge the supply-demand gap in the energy sector, a budgetary provision of ₹ 455 crore has been earmarked.
- Development of roads infrastructure (₹ 682 Crore)
- Construction of new/model degree colleges
 (₹ 191 Crore).
- Completion of Mughal Road (₹ 105 Crore under PMRP).
- Development of Leh and Kargil districts
 (₹ 148 Crore provision)

7. J&K BANK POLICY OVERVIEW

The Bank continues to make significant strides in all important areas of operation. The business strategy is focused on the socio-economic development of the home state through an exhaustive need-based credit dispensation and selective pan-India quality lending. The process was initiated with a slew of re-engineering processes. The objective is to attain a healthy balance sheet, better asset liability management, optimal asset utilization and redefined systems and procedures to achieve higher efficiency, TQM, better compliance and risk management and real-time monitoring to accelerate decision-making.

The Bank's aggregate business breached another psychological mark and stood at ₹ 86424.32 Crores at FY 2011-12 end. The cumulative business increased by ₹ 15554.75 Crores from the previous year's figure of ₹ 70869.57 Crores, registering 22% growth. At J&K Bank, we are accelerating our momentum to achieve the target of ₹ 1 lakh crores and net profit of ₹ 1,000 crores by the end of FY 2012-13 to coincide with our platinum jubilee celebrations.

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THE BANK CONTINUES
TO MAKE SIGNIFICANT
STRIDES IN ALL IMPORTANT
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MANAGEMENT DISCUSSION & ANALYSIS

8. PERFORMANCE OVERVIEW OF JK BANK IN 2011-12

Liability management

At J&K Bank, we are sharpening our focus towards improving the qualitative parameters of liability management. Our total deposits grew by ₹ 8670.97 Crores from ₹ 44,675.93 Crores as on 31st March, 2011 to ₹ 53346.90 Crores as on 31st March, 2012, registering a 19.41% growth. This is comfortably above the 17.4% industry growth. CASA deposits constitute 40.71% of total deposits as on 31st March, 2012. The cost of deposits stood at 5.92% for the financial year 2011-12.

Credit management

The overall 26% credit growth exceeds the industry growth levels of 19.3%. The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The net advances increased by ₹ 6883.78 Crores and stood at ₹ 33077.42 Crores as on 31st March, 2012. The priority sector advances stood at ₹ 10294.38 Crores, whereas agriculture advances stood at ₹ 2925.50 Crores as on 31st March, 2012. The yield on advances improved to11.45% during FY'2011-12.

Credit quality

The Bank's performance in the recovery of NPAs during the year continued to be robust. It managed a cumulative cash recovery, up-gradation of NPAs and technical write-off of ₹ 316.91 Crores for FY 2011-12.

A combination of relentless efforts, coupled with efficient monitoring and management enabled the Bank to maintain a healthy credit quality. The result is a quality loan book with 1.54 % GNPA and 0.15 % net NPA.

Investment book

The Bank's investment portfolio increased by ₹ 1928.55 Crores from ₹ 19,695.77 Crores as on 31st March, 2011 to ₹ 21624.32 Crores as on 31st March, 2012 through gradual investment in the Central Government securities and SDLs as per

SLR requirements. SLR securities increased by 12% and constituted 53% of the total investment book as on 31st March, 2012. Non-SLR investment portfolio increased by 8% and constituted 47% of the total investment book as on March, 2012. The Bank maintained minimum levels in T-bills and simultaneously reduced exposure to equity and equity linked MFs.

9. FINANCIAL INCLUSION

To cater to the rural unbanked population and special segments, the Bank has formulated a comprehensive Financial Inclusion Plan (FIP). The FIP envisages providing basic banking services in 535 SLBC allotted villages and in 725 other unbanked villages of Jammu & Kashmir in a phased manner up to March, 2013. FIP is being implemented through a mix of branch network and Business Correspondent Model by engaging Common Service Centres (CSC) for delivery of services through smart cards. The coverage has reached 836 unbanked villages comprising 467 SLBC and 369 Non-SLBC villages as on 31.03.2012. The total number of 4.34 lac accounts has been opened in the identified villages, covering 1.92 lacs households.

The Bank has undertaken the setting up of Common Service Centres under the e-governance initiative of the Government of India. Of 1109 Common Service Centres to be set up, 700 Common Service Centres were established across the state up to March, 2012.

The Bank laid a great emphasis on product development and promotion under financial inclusion. For this purpose, a number of customized micro-products like Micro Credit Card, Micro Overdraft to Ujala accounts, Micro Recurring Deposit Scheme and Micro-Remittance were introduced during the year.

CORPORATE FUNCTIONS' REPORT



CORPORATE SOCIAL RESPONSIBILITY

J&K Bank lives up to its commitment of putting people before profits. The Corporate Social Responsibility (CSR) of the bank is aligned with the Bank's vision statement of peoples' empowerment through servant leadership. It seeks to recognize obligations towards society and aims at optimizing both business and social performance.

J&K Bank considers contributions to CSR as an asset rather than an expenditure. Our CSR revolves round peoples' empowerment through generous and innovative economic support and financial intervention. From matters of health to heritage, education to entrepreneurship, poverty to pathetic disabilities, our CSR policy covers it all. The aim is to instill a sense of relief and protection among the most vulnerable sections of society, provide avenues for peoples' entertainment, sustenance and empowerment. The approaches adopted in conceiving, handling and implementing CSR initiatives are simple yet professional and at times massive yet methodical.

J&K Bank believes in employing innovative and interventionary means to ensure maximization of returns; both social and economical, though from a long term perspective. Capitalizing on the expertise of the professionals and organizations pursuing various causes of societal concern continue to be a guiding force in the implementation and execution of our CSR initiatives.

The scale of finance varies from the nature of projects. In individual cases dealt in the education sector, financial empowerment or healthcare, the assistance can go from few thousand to several lac rupees. However, CSR activities which are done at big scale like development and maintenance of parks to revival of regional sub

economies to carve means of quality livelihoods for the craftsmen, involve grants in crores of rupees. Activities involving heritage preservation, sports, tourism especially adventure tourism too account for hefty spendings.

Like in business activities, innovation is the hallmark of the J&K Bank in conceiving and managing its Corporate Social responsibility. It is not simply about giving but garnering long term socio-economic dividends. Be it seeking assistance or guidance from persons or organizations which have the relevant experience and expertise or at times directly doing creative and productive interventions, our approaches to CSR initiatives are usually aimed at serving multiple purposes and chain empowerment.

The major initiatives taken by the bank during the last fiscal are summarized as under:

Education

Education Sector continues to receive priority in the Bank's CSR expenditure. Besides providing free stationery to hundreds of children coming from poor economic backgrounds, Bank donated dozens of computers, laptops and other learning aids to the individuals as well as institutes. Apart from providing educational sponsorship by way of bearing tuition fee, cost of stationery and uniform of scores of poor students, Bank donated a hefty sum for establishment of a library at a remote educational institute in South Kashmir. Moreover, a school bus was donated to a local welfare Trust for ferrying poor students receiving free quality education in the Trust schools.

Special emphasis continued to be laid on supporting and sponsoring education of the orphans who had



‰ CORPORATE FUNCTIONS' REPORT

dropped out of school because they had lost their dads to conflict or some deadly disease, who would otherwise take care of their education and development. The idea is to assimilate these children into the educational mainstream.

The Bank also took further the concept of partnering with schools that offer facilities of education and rehabilitation to special children. Twenty Five special children belonging to poor families were identified following a survey and later their education/ rehabilitation was assigned to a local not-for-profit Foundation espousing the cause of and running a school for such children. Bank shall be bearing all expenses including tuition fee, stationery, uniform, physiotherapy, speech therapy and other related expenditures on education of these children. Partnership with another such school too continued uninterrupted. Bank has innovatively lined up with these special schools to utilize their experience and expertise in handling, educating and rehabilitating such children.

Health

Health is another special focus area of the Bank. The Bank during the year continued to contribute generously for treatment of poor and underprivileged patients suffering from serious ailments especially cancer. Hefty donations to organizations helping people fight cancer continued unabated.

More than one hundred trolleys and wheel chairs were distributed to the leading hospitals of the state to contribute for better patient care. The initiative followed the growing public concern regarding incapacities of health institutes to provide quality healthcare.

The Bank adopted Tulwari, a remote village along the LoC in district Baramulla, for treatment and rehabilitation of village children suffering from "Hemophilia A", a life consuming inherited disorder in which patient's blood doesn't clot to stop the bleeding. A mechanism, to provide quality treatment, worked out with the Society for Hemophilia care, New Delhi authorities has proved a life saver for the children of the village affected with this deadly disorder. Notably it is the only major area in J&K that registers such disorder.

With a clear understanding of the need to expose and prepare doctors and health workers for latest concepts, technologies and techniques available in the fields of medicine especially surgeries, significant financial contributions were made to encourage the culture of conferences and workshops on health related issues. Besides, dozens of health camps organized by various organizations across state were supported with finance across state.

Environment

Conscious of the importance and relevance of a healthy environment, bank reinforced its commitment to promote and propagate the cause of environment. Logistic and financial support was rendered to encourage organizing marathons, cycling events and other related activities.

The concern of rising carbon emissions is also being addressed by supporting initiatives aimed at energy conservation and oxygen outflow. Massive plantation drive on World Plantation Day and organizing and supporting events for promoting cause of environment too were laid emphasis upon. Pertinently, subsequent to its development, the Bank dedicated Shaheed Park to people in South Kashmir with a twin purpose of serving environment and providing recreational and entertainment means to the people.

The Bank continued to actively participate in the awareness campaigns about Dal conservation, ban on polythene, environmental pollution etc.

Sports

After formation of a fullfledged Sports Board during FY10-11, Bank took the initiative forward in FY 2011-12 by formally launching its own Football Academy. Committed to the development of sports especially football, which happens to the state game of J&K, the idea behind launching J&K Bank Football Academy is to nurture and groom the budding footballers of the state to prepare them to find a berth in senior side at national and international level.

The Bank also helped sportsmen with exceptional talent to realize their potential and make a mark in the field of their interest besides popularizing the sport. This year also, the Bank facilitated the participation of various sports associations of deaf and dumb in national level championships.

Financial Inclusion

Bank continued to work on initiatives for financial inclusion across identified sections of under-banked and un-banked population. The Bank's Financial Inclusion

Plan is being pursued as a mission for extending benefits of economic prosperity to the excluded segments and realizing the objective of inclusive growth. The 800+ network of Khidmat Centres (Common Service Centres) has been upgraded to Business Correspondent model to ensure extension of banking services and benefits of financial system to the remotest areas and hitherto unbanked masses. The role of financial intermediaries is being curbed to pave way for formal channels of finance to ensure speedy growth and development of these areas and economic empowerment of the people living there.

Nurturing Entrepreneurship

As a concrete initiative to institutionalise the culture of entrepreneurship, J&K Bank opened and operationalized 12 Rural Self Employment Training Institutes in 12 districts spread across J&K state. The project, involving expenditure of around Rupees One Crore, is aimed at imparting skills and training, developing capacities and providing consultative services to encourage the youth to undertake enterpreneurial ventures. Bank believes that with this initiative growing menace of unemployment will not only be checked but responded to with better and viable economic solutions. These institutes offer short term courses and trainings in varied economic activities like sheep rearing and farming, poultry rearing, crewel embroidery, willow work, wood carving, knitting etc. From manufacturing to marketing, the Institutes offer comprehensive packages for nurturing entrepreneurship.

Other initiatives

The Bank, as a goodwill gesture provides hand bags to aspiring Hajis every year. The best thing is that order for manufacturing of these bags is placed with local non-governmental organisations running tailoring and stitiching centres for poor and destitute women. The bank, as such, innovatively encrypts a CSR initiative aimed at indirectly engaging the impoverished women to help them earn their livelihood.

The Bank as part of its revisited brand strategy designs the new business units and controlling offices with a local touch engaging local craftsmen. Jaalis, Khatmband work, inlays in stone and the likes are incorporated in the contemporary idiom to bring the aesthetically rich traditional architecture of the state back to life. It is being done as a CSR project to preserve the heritage and handicrafts and ensure the craftsmen's economic empowerment.

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

The activity that is done under Bank's CSR reflects a huge sense of commitment of the Bank and its human resource for peoples' comfort and convenience. Bank's employees, who volunteer themselves to bring ease and expediency to the pilgrims coming from across India to this high altitude pilgrimage, live in extremely uncomfortable accommodations and count and sort cash under candle light.

As part of its commitment to promote the local culture, handicrafts and other arts and crafts, J&K Bank has been using its advertisements, greeting cards, calendars and diaries as a medium to preserve, propagate and promote them. Besides, Kashmir's beauty was also showcased in the Bank's Seven Lakh plus calendars to promote tourism industry in the state.

HR INITIATIVES

Quality of human resource is the key to the competitive strength and performance of an organization. At J&K Bank we recognize Human Resource as an area of core competence and seek to pursue, nurture and retain the best talent. The Bank continually strives to attract outstanding new talent to the Company with the aim to build and manage a highly skilful and motivated pool of professionals. Initiatives are taken to ensure optimal development & management of human resources by imparting updated & need- based training to the employees across all categories.

During the year, 492 Relationship Executives/ Financial Services Executives were confirmed in the services of the Bank. The Bank appointed 1577 Banking Associates (Cash Management) during the year. 3850 officials were imparted training in different fields Viz: Information Technology, General Banking, Marketing, Risk, Finance, Human Resource and Insurance etc. During the FY 2011-12, the Bank took many staff elevation

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‰ CORPORATE FUNCTIONS' REPORT

initiatives. In this context, 1187 promotions were effected in various cadres, which include promotion of three Presidents to the position of Executive Presidents, 17 Vice Presidents as Presidents and 11 Assistant Vice Presidents as Vice Presidents. Further 632 Executives and 770 Associate Executives were promoted to the cadre of Senior Executive and Executives respectively.

Consumption loan facility to retired staff members has been enhanced to 18 months net pension subject to maximum loan amount of $\ref{2.50}$ lacs.

During the FY 2011-12, 3662 consumption loans, 640 car loans, 529 cash credit loan facilities were extended to the staff members through In-House Module developed for speedy disposal of loan cases.

In order to ensure optimal human resource development, the Bank endeavours to bring non connected business units on People's System. A focused attention will be given towards succession planning for various Scales, regularization of Banking Associates (Cash Management) and RE- ITs in the services of the Bank. Prime focus shall be given towards E-learning modules, specialization of skills and unambiguous job description (JDs) for all levels.

RISK MANAGEMENT

The very nature of the banking business involves managing complex and variable risks in a disciplined and effective manner, more so in today's rapidly changing business environment. The Bank has developed required skills to manage key areas of banking risks viz. credit risk, market risk and operational risk. The Bank's risk management architecture has been created and functions in tune with the RBI guidelines, which ensures that policies, procedures and processes are strictly followed for measuring and managing all types of risks on an enterprise-wide basis so as to achieve the organizational goals. The risk management system is overseen by Board of Directors of the Bank, with Integrated Risk Management Committee (IRMC), a board level sub-committee entrusted with the overall responsibility of ensuring that adequate structures,

policies and procedures are in place and implemented for risk management in the Bank. The IRMC of Board is supported by three separate Executive level Committees viz, Credit Risk Management Committee (CRMC), Asset-Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC) to ensure effective management of credit, market and operational risks respectively. These Executive Level Committees are in turn assisted / supported by respective risk management support groups for credit, operational, market and liquidity risks.

Credit Risk

The credit risk management in the Bank aims at ensuring sustained growth of healthy loan portfolio while identifying and managing the credit risks, both at the transaction and portfolio levels. This entails striking a balance in the risk / return calculus, thereby ensuring optimization of values for all stakeholders and at the same time striving towards maintaining / increasing the bank's market share. The Bank has a well defined credit risk management structure to identify, measure, monitor and control / mitigate credit risk right from the loan origination to its disbursement. The Credit Risk Management Committee meets at regular intervals to assess and evaluate the bank's credit portfolio and also to evolve strategies for refining/ enhancing its quality. In order to assess and measure the credit risk in Bank's credit portfolio and also to streamline the systems / strategies for future migration to advanced approaches for credit risk capital computation, the Bank has put in place a comprehensive risk scoring / credit rating system. The rating system serves as a single point indicator of diverse risk factors of counterparty and also for taking credit decisions in a consistent manner. The risk rating system implemented in the Bank facilitates creation of a useful borrower data base and has become a critical input for loan pricing on scientific basis. It also provides meaningful information to various loan monitoring levels for review and management of credit portfolio. The Bank also effectively manages credit risks arising from off - balance sheet exposures, mostly consisting of simple and less complex off balance sheet products. Credit audit system and loan review mechanism function

independently of the credit processing and credit approval system and ensure effective loan monitoring, management / mitigation of credit and operational risks in the loan portfolio.

Market Risk

A well defined organizational structure for management of market risk is in place in the Bank. The Bank adopts a comprehensive approach to manage market risk for its trading and banking book. The market risk framework identifies the types of the market risk, to which the bank is exposed and the methodologies to be used to mitigate such risks. Various prudential limits, based on regulatory/ internal limits are prescribed for taking exposures across all segments of market based on relevant market analysis, business strategy and risk appetite of the Bank. Regular stress testing is carried out to monitor the Bank's vulnerability to shocks and the impact of extreme market movements. The liquidity of the Bank is being managed effectively by closely monitoring the cash flow mismatches and funding requirements of incremental assets.

Operational Risk

The Bank has put in place an Operational Risk Management (ORM) policy to manage operational risk in an effective, efficient and proactive manner. Operational Risk Management Committee (ORMC) at the Executive level oversees bank wide implementation of ORM policy. The primary objective is to identify the operational risks which may result from inadequate and /or missing controls or from internal processes, people, systems and external events. The system is used to assess or measure the magnitude of operational risk losses, monitor them and control or mitigate them by devising necessary control measures. The Bank has also implemented a comprehensive Business Continuity Plan (BCP) and established required Disaster Recovery setup to ensure continuity of critical operations of the Bank in the event of any business disruption.

Implementation of Basel-II (New Capital Adequacy Framework)

The Bank has migrated to the "New Capital Adequacy Norms" from 31.03.2009. Therefore, in tune with the

regulatory guidelines, the Bank follows the Standardized Approach for computation of capital for credit risk, Standardized Duration method for market risk and Basic Indicator Approach for operational risk. The Bank intends to move towards Advanced Approaches for capital charge computation for all the three risks and is in the process of complying with the necessary eligibility conditions/ criteria laid down by the Regulator for such migration. The existing MIS in the Bank is continuously being strengthened / upgraded by leveraging technology to comply with the stringent MIS requirements for these advanced approaches for capital charge computation.

ICAAP Framework and Disclosure requirements

The Bank has developed and put in place Internal Capital Adequacy Assessment Process (ICAAP) to identify, measure and mitigate all material risks affecting the Bank's business. It also provides for an effective Capital Management Plan in sync with the desired Capital level, current and future Capital requirements and Capital sources etc. The Pillar 3 of Basel-II (NCAF) emphasizes the need for market discipline and also for adequate disclosures. Accordingly, a separate link titled" Basel-II Disclosures" has been created on the Bank's website / home page. Qualitative / quantitative capital adequacy information about the Bank is placed under the above link on quarterly / half yearly and yearly basis so as to facilitate the market participants to access the Bank's critical information.

Marketing & Product Development

The Bank has adopted an effective, efficient and dynamic strategic marketing plan to ensure critical competitive differentiation, high brand equity and creation & continuation of long term customer relationships. Focus is laid on continuous scanning of external as well as internal environment to identify customer needs & potential opportunities and accordingly marketing strategies and offerings are worked out to match opportunities with the organization's resources and objectives.

As a critical part of marketing strategy, the Bank lays emphasis on development of new products and



CORPORATE FUNCTIONS' REPORT

renovation of existing ones to offer a highly diversified product portfolio customized to the market demands and customer requirements. In line with this strategy, a number of products were introduced/ renovated last year which include JK Bank Solar Lighting & Photo Voltaic Finance, Kissan Dost Finance, Construction Equipment Finance, Loan against mortgage of immovable property, Entrepreneurship Development Finance, JK Bank Giri Finance, Poultry Venture Capital Finance, etc. The Bank also introduced a highly specialized "Apple Project" to provide comprehensive solution to all stakeholders of the apple fruit, which happens to be the main component of vital fruit industry of J&K State.

The Bank shall continue with its endeavor of offering innovative and highly customized products to satisfy specific needs of cross sections of society and introduce many more products in the FY 2012-13.

As envisaged under the strategic marketing plan, tactical tie-ups were made or re-enforced with almost all the key market players across various industries which include Reliance Money, HPCL, BPCL, IOCL, Maruti, Ashok Leyland, JCB India Ltd, TVS motor Company, Mahindra & Mahindra, , Bajaj Auto, Telco, VOLVO, Atul Auto, etc.

As a major marketing strategy, emphasis was laid on increasing the physical presence of the Bank. Accordingly, 55 new business units were established during the financial year 2011-12, thereby taking the number of branches to 603 as on 31-03-2012, spread over 20 states and one union territory. The area-wise breakup of the business unit network (excluding extension counters/ mobile business units and Service business units) is as under:

Area	Business Units
Metro	039
Urban	168
Semi-Urban	123
Rural	273
TOTAL	603

The expansion was even more aggressively undertaken on the ATMs front as 147 were commissioned during FY 2011-12 taking the aggregate number of commissioned ATMs to 508 as on 31st March, 2012.

IT INITIATIVES

Technology has played a pivotal role in the growth of the Bank. The details of various technology initiatives taken during the financial year 2011-12 are:

Core Banking Solution

Supporting the business unit expansion plan of the organization, 90 new Sols were opened on CBS taking the total Sol count to 671 which include 635 business units and extension counters and 36 offices and service business units.

CTS (Cheque Truncation System)

CTS is functional at National Capital Region since 2008. During the financial year ending 31st. 2012, the system was introduced at Chennai which shall be extended to entire South India in a phased manner. On the same lines the Northern part of the country as per RBI plans shall be connected to Delhi Grid. In view of this massive plan for rollout of CTS, Bank procured Corporate Module of CTS (Cheque Truncation) which has been deployed centrally at Banks' Data center. In the first month of the current financial year Bangalore and Coimbatore shall be made functional on Southern grid, while as Chandigarh is planned to be connected to Northern grid in June, 2012.

ITMS (Integrated Treasury Management Software)

The project covering Domestic, Forex and derivative modules stands implemented. The VaR engine also stands implemented and various combinations of VaR modules are being tested by the users.

CCTV/Biometric system

To further enhance the security at Business units/ATMS, CCTV cameras have been installed at 300 ATM locations. Further, CCTV was installed at 23 business units taking the total count to 219. Out of 13 Currency Chests, 12 Currency Chests have been equipped with all the Security gadgets required under RBI directions.

SLAC (System Level asset Classification)

In order to bring transparency and efficiency in NPA classification, steps were initiated for implementation of System Level Asset Classification in line with the

regulatory requirements. In the first phase Asset Classification of all Term Loans/ CC/SOD/TOD accounts with sanctioned limit of ₹ 50.00 lacs and above was implemented.

Disaster Recovery & Business Continuity

The existing DR set-up migrated on new Enterprise Storage for Finacle, ATM Switch & BC with the implementation of new replication methodology. The DR set-up for e-Banking & HRMS has been implemented at DR Mumbai and a drill for e-Banking application has also been conducted.

The Live Shift over to Disaster Recovery Site & Shift back to DC, Gurgaon for Finacle, ATM and e-Banking was performed successfully from 17th –19th Dec, 2011 for 48 hours.

A new Back-up Solution with much faster back-up and restoration time was implemented.

During the year, the Bank for the first time triggered the DR for Treasury Applications and conducted full load testing for Treasury applications. RTGS, PDO NDS, SFMS & NEFT, CCIL based applications were put in production from Data Center Gurgaon location and by the end of business day (3rd Oct, 2011 for RTGS and 4th Oct for NEFT), the applications were switched over back to Treasury Operations Mumbai.

In House Applications

The following in-house applications have been developed during FY 2011-12:

- Government Business Software- Software for automating the Government Business Process in view of the revised role of the Bank as an agent of RBI w.e.f 01-04-2011 has been developed.
- Centralized Pension The centralized pension application used for disbursal and management of 1.4 lac state government pensioners.
- E-Audit A web based software for automating the concurrent Audit process of our Bank has been developed and put in production.

Technology support to J&K Grameen Bank

Grameen Bank Phase II Project was kick started and the process of Hardware Tendering, Software Licensing, Network Design for Branch Expansion, Aggregations, Core and DC-DR project was completed on fast track. The same is under deployment as on date.

Customer Service

The Bank has always accorded highest priority to delivery of quality customer services and persistent efforts are continued with in maintaining and improving upon the high standards set by the Bank. It remains the major driver of the Bank's multiple initiatives in introducing new products & services and improving upon the existing ones to meet and surpass the customer expectations. Emphasis has always been laid on the quality of the delivery systems and towards this end, adoption of latest customer friendly technologies, inculcation of philosophy of preeminence of customers within all levels of staff, persistence of systematic monitoring procedure for continuous assessment of customer satisfaction levels and perseverance of an effective grievance redressal mechanism is ensured for delivery of highest quality services.

Promoting Compliance

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



AUDITORS' REPORT on the financial statements

To The Shareholders of The Jammu & Kashmir Bank Limited

- 1. We have audited the accompanying financial statements of The Jammu & Kashmir Bank Limited, which comprise the Balance Sheet as at 31st March, 2012 and the Statement of Profit & Loss and the Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these financial statements are the returns of 65 Branches/offices audited by us and 572 Branches/Offices audited by Statutory Branch Auditors.
- 2. The Management is responsible for the preparation of these financial statements in accordance with the requirement of the Reserve Bank of India, the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and recognised accounting policies and practices including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error.
- 3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design the 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 management, as well as evaluating the overall presentation of the financial statements.
- 5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
- 6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the State of Affairs of the Bank as at 31st March, 2012;
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
- 7. 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 211 of the Companies Act, 1956.
- 8. We report that:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c. The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.

AUDITORS' REPORT on the financial statements

9. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.

10. We further report that:

- (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.
- (ii) in our opinion, proper books of account as required by law have been kept by the bank so far as appears from our examination of those books.
- (iii) the reports on the accounts of the branches audited by the branch Auditors have been dealt with in preparing our report in the manner considered necessary by us.
- (iv) as per information and explanation given to us, the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956.
- (v) on the basis of written representation received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.

For Verma Associates

Chartered Accountant

FRN: 02717N

For OP Garg & Co. Chartered Accountants FRN: 01194N

Partner

(M. No. 097191)

Place: Srinagar Dated : 12th May, 2012

CA. Manish Kumar Gupta

FRN: 02318N CA. Abhay Kumar

For K B Sharma & Co.

Chartered Accountants

CA. Abhay Kumar
Partner
(M. No. 500681)

CA. Madan Verma
Partner
(M. No. 081631)

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

CA. P. C. Bindal Partner (M. No. 082683) For K K Goel & Associates Chartered Accountants FRN: 05299N

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



BALANCE SHEET as at 31st March, 2012

	Schedule	As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
CAPITAL AND LIABILITIES			
Capital	1	484,922	484,922
Reserves and Surplus	2	40,446,869	34,301,946
Deposits	3	533,469,016	446,759,350
Borrowings	4	12,409,572	11,046,502
Other Liabilities and Provisions	5	15,881,824	12,488,814
TOTAL		602,692,203	505,081,534
ASSETS			
Cash and Balance with Reserve Bank of India	6	27,836,539	29,749,638
Balance with Banks & Money at Call & Short Notice	7	16,702,140	5,738,477
Investments	8	216,243,188	196,957,679
Advances	9	330,774,215	261,936,350
Fixed Assets	10	4,202,704	3,937,702
Other Assets	11	6,933,417	6,761,688
TOTAL		602,692,203	505,081,534
Contingent Liabilities	12	150,660,768	255,176,641
Bills for Collection		9,203,354	14,616,755
Principal Accounting Policies	17		
Notes on Accounts	18		
The Schedules Referred to above and the attached Cash Flow Statement form	n an integral part c	of the Balance Sheet	

Mushtaq AhmadHari Narayan IyerM. I. ShahdadVikrant KuthialaChairman & CEODirectorDirectorDirector

Prof. Nisar AliAbdul Majid MattoR. K. GuptaNihal GarwareDirectorDirectorDirectorDirector

G. M. Sahibzada S. K. Bhat Abdul Majid Bhat
Executive President President Company Secretary

Place: Srinagar Dated: 12th May, 2012

In terms of our report of even date annexed

For K B Sharma & Co. For KK Goel & Associates For OP Garg & Co. For Verma Associates For P C Bindal & Co. Chartered Accountants Chartered Accountants Chartered Accountant Chartered Accountants Chartered Accountants FRN: 01194N FRN: 02318N FRN: 02717N FRN: 03824N FRN: 05299N CA. Manish Kumar Gupta CA. Madan Verma CA. P. C. Bindal CA. K. K. Goel CA. Abhay Kumar Partner Partner Partner Partner Partner (M. No. 097191) (M. No. 500681) (M. No. 081631) (M. No. 082683) (M. No. 015002)

Place: Srinagar Dated : 12th May, 2012



PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2012

		Schedule	Year Ended 31.03.2012 ₹ '000' Omitted	Year Ended 31.03.2011 ₹ '000' Omitted
I	INCOME		(ooo omittee	v ooo omittee
	Interest Earned	13	48,355,773	37,131,322
	Other Income	14	3,341,232	3,647,562
	TOTAL		51,697,005	40,778,884
II	EXPENDITURE			
	Interest Expended	15	29,972,224	21,694,685
	Operating Expenses	16	8,021,519	7,589,318
	Provisions and Contingencies		5,670,757	5,342,862
	TOTAL		43,664,500	34,626,865
III	NET PROFIT		8,032,505	6,152,019
	TOTAL		51,697,005	40,778,884
IV	APPROPRIATIONS			
	Transfered To			
	i) Statutory Reserve		2,008,126	1,538,005
	ii) Capital Reserve		-	-
	iii) Revenue and Other Reserve		4,136,797	3,144,235
	iv) Proposed Dividend		1,624,006	1,260,423
	v) Tax on Dividend		263,576	209,356
	TOTAL		8,032,505	6,152,019
	Principal Accounting Policies	17		
	Notes on Accounts	18		
	Earnings per Share (Basic/Diluted)		165.69	126.90
The	Schedules Referred to above form an integral part of the Profit & Loss Acco	unt		

Mushtaq Ahmad Hari Narayan Iyer M. I. Shahdad Vikrant Kuthiala

Chairman & CEO Director Director Director

Prof. Nisar AliAbdul Majid MattoR. K. GuptaNihal GarwareDirectorDirectorDirectorDirector

G. M. Sahibzada S. K. Bhat Abdul Majid Bhat
Executive President President Company Secretary

Place: Srinagar Dated : 12th May, 2012

Dated: 12th May, 2012

In terms of our report of even date annexed

For O P Garg & Co. For K B Sharma & Co. For Verma Associates Chartered Accountants Chartered Accountants FRN: 01194N FRN: 02318N FRN: 02717N FRN: 03824N FRN: 05299N

CA. Manish Kumar Gupta CA. Abhay Kumar CA. Madan Verma CA. P. C. Bindal CA. K. K. Goel Partner Partner Partner Partner

(M. No. 097191) (M. No. 500681) (M. No. 081631) (M. No. 082683) (M. No. 015002) Place: Srinagar



		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SCH	EDULE 1 - CAPITAL		
Auth	norised Capital		
100,0	000,000		
Equi	ty Shares of ₹ 10/- each	1,000,000	1,000,000
Issue	ed		
48,49	99,602 Equity Shares of ₹ 10/- each	484,996	484,996
Subs	scribed And Paid-Up Capital		
48,47	77,802		
Equi	ty Shares of ₹ 10/- each	484,778	484,778
Add	Forfeited Shares (21800 shares)	144	144
TOT	'AL	484,922	484,922
SCF	HEDULE 2 - RESERVES & SURPLUS		
I.	Statutory Reserves		
	Opening Balance	10,120,603	8,582,598
	Additions during the year	2,008,126	1,538,005
	TOTAL	12,128,729	10,120,603
II.	Capital Reserves		
	Opening Balance	631,254	631,254
	Additions during the year	-	-
	TOTAL	631,254	631,254
III.	Share Premium		
	Opening Balance	867,791	867,791
	Additions during the year	-	-
	TOTAL	867,791	867,791
IV.	Revenue and Other Reserves		
	Opening Balance	22,682,298	19,538,063
	Additions during the year	4,136,797	3,144,235
	TOTAL	26,819,095	22,682,298
	TOTAL (I,II,III & IV)	40,446,869	34,301,946

		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SCI	HEDULE 3 - DEPOSITS		
A	I. Demand Deposits		
	i) From Banks	1,099,403	889,789
	ii) From Others	56,244,972	52,708,940
	TOTAL	57,344,375	53,598,729
	II. Saving Bank Deposits	159,807,137	127,268,251
	III. Term Deposits		
	i) From Banks	47,929,152	33,273,716
	ii) From Others	268,388,352	232,618,654
	TOTAL	316,317,504	265,892,370
	TOTAL A (I+II+III)	533,469,016	446,759,350
B.	I. Deposits of branches in India	533,469,016	446,759,350
	II. Deposits of branches outside India	Nil	Nil
	TOTAL B (I+II)	533,469,016	446,759,350
SC I.	HEDULE 4 - BORROWINGS Borrowings in India i) Reserve Bank of India	5,000,000	
	ii) Other Banks	5,000,000	217
	iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capita	6,000,000	6,000,000
	iv) Other Institutions & Agencies	480,580	5,001,285
	TOTAL	11,480,580	11,001,502
II.	Borrowings outside India	928,992	45,000
	GRAND TOTAL (I & II)	12,409,572	11,046,502
	Secured borrowings included in I & II above	Nil	Nil
	· ·		
SCI	HEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i)	Bills Payable	3,411,609	3,330,534
ii)	Inter Office Adjustments (Net)	382,694	634,770
iii)	Interest Accrued on Non-cumulative deposits	1,092,229	1,204,770
iv)	Provision Against Standard Assets	1,687,390	1,387,390
v)	Other (Including Provisions)	9,307,902	5,931,350
TO	TAL (I to V)	15,881,824	12,488,814



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	As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (Including Foreign Currency Notes)	1,935,386	1,710,341
II. Balance with Reserve Bank of India		
i) In Current Account	25,901,153	28,039,297
ii) In Other Accounts	-	
TOTAL (I+II)	27,836,539	29,749,638
SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOT	TICE	
I. In India		
i) Balance with Banks		
a) In Current Accounts	307,310	327,471
b) In Other Deposit Accounts	5,053,198	3,822,501
TOTAL (i)	5,360,508	4,149,972
ii) Money At Call and Short Notice	-	
a) With Banks	3,250,000	1,318,000
b) With Other Institutions	7,990,273	-
TOTAL (ii)	11,240,273	1,318,000
TOTAL (i & ii)	16,600,781	5,467,972
II. Outside India		
i) In Current Accounts	101,359	270,505
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
TOTAL II of (i, ii & iii)	101,359	270,505

16,702,140

5,738,477

GRAND TOTAL (I&II)

SCHEDULES to the balance sheet as at 31st March, 2012

	As at 31.03.2012 ₹ (000' O	As at 31.03.2011
CCHENIII F O INIVECTMENTS	₹ '000' Omitted	₹ '000' Omitted
SCHEDULE 8 - INVESTMENTS I. Investments in India		
Gross	216,510,298	197,270,228
Less: Provision for Depreciation	267,110	312,549
Net Investments	216,243,188	196,957,679
i) Government Securities	115,461,379	103,249,067
ii) Other Approved Securities	87,775	102,778
iii) Shares (Pref. + Equity)	3,080,426	2,919,489
iv) Debentures and Bonds (Including Suitfile)	20,014,856	19,279,370
v) Sponsored Institutions	221,071	221,071
vi) Others:		
a) Certificate of Deposit	49,199,523	41,327,741
b) Mutual Funds	-	132,497
c) SIDBI	1,995,225	4,021,525
d) NABARD	2,802,500	2,817,750
e) Inv. In Subsidiary	50,000	50,000
f) Venture Capital	137,500	100,000
g) Rural Housing Development	1,762,625	1,469,425
h) Commercial Paper	3,483,356	4,747,104
i) Securiy Receipts	99,239	32,480
j) Rural Infrastructure Development Fund	17,847,713	16,487,382
TOTAL (I)	216,243,188	196,957,679
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)	216,243,188	196,957,679
III. Investments Category-Wise		
a) Held to Maturity	139,167,648	122,271,780
b) Held for Trading	3,000	4,888
c) Available for Sale	77,072,540	74,681,011
TOTAL (a+b+c)	216,243,188	196,957,679



		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SC	HEDULE 9 - ADVANCES		
A	i) Bills Purchased and Discounted	10,903,418	5,705,636
	ii) Cash Credits, Overdrafts and Loans Repayable on Demand	74,045,380	59,501,713
	iii) Term Loans	245,825,417	196,729,001
	TOTAL	330,774,215	261,936,350
В	i) Secured by Tangible Assets	272,023,502	211,902,452
	ii) Covered by Bank/Govt. Guarantees	4,362,440	3,601,150
	iii) Unsecured	54,388,273	46,432,748
	TOTAL	330,774,215	261,936,350
C	I. Advances in India		
	i) Priority Sector	99,610,220	102,744,661
	ii) Public Sector	9,746,700	5,389,933
	iii) Banks	3,747,600	6,479,532
	iv) Others	217,669,695	147,322,224
	TOTAL	330,774,215	261,936,350
	II. Advances Outside India		
	i) Due from Banks	Nil	Nil
	ii) Due from Others	Nil	Nil
	GRAND TOTAL (I & II)	330,774,215	261,936,350
SC	HEDULE 10 - FIXED ASSETS		
I.	Premises		
	a) Gross Block at the beginning of the year	3,682,166	1,857,387
	Additions during the year	59,021	1,825,225
		3,741,187	3,682,612
	Deductions during the year	6,260	446
	TOTAL (A)	3,734,927	3,682,166
	Depreciation to date	1,049,000	978,115
		2,685,927	2,704,051
	b) Advance against flats	-	-
	c) Constructions work in progress	51,759	21,338

2,737,686

2,725,389

TOTAL (I) [a+b+c]

SCHEDULES to the balance sheet as at 31st March, 2012

		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SCF	HEDULE 10 - FIXED ASSETS		
II.	Other Fixed Assets		
	(Including Furniture & Fixtures)		
	Gross Block at the beginning of the year	4,198,883	3,756,121
	Additions during the year	717,072	501,598
		4,915,955	4,257,719
	Deductions during the year	95,703	58,836
		4,820,252	4,198,883
	Depreciation to date	3,355,234	2,986,570
	TOTAL (II)	1,465,018	1,212,313
	GRAND TOTAL (I & II)	4,202,704	3,937,702
SC	HEDULE 11 - OTHER ASSETS		
I.	Interest Accrued but not Due	3,896,117	3,092,661
II.	Interest Accrued and Due	2,687	3,325
III.	Inter Office Adjustment (Net)	-	-
IV.	* Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	616,346	596,113
V.	Stationery and Paper in Hand	21,172	24,831
VI.	Deferred Tax Asset	236,095	212,611
VII.	Others	2,161,000	2,832,147
	TOTAL	6,933,417	6,761,688
	* In also due houth In account Tourism and Illian Tourism and Days of the Tourism and Tour		

^{*} Includes both Income Tax as well as Fringe Benefit Tax

SCH	SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims against the Bank not acknowledged as debts	1,332,637	785,501	
II.	Liability for partly paid investments	-	-	
III.	Liability on account of outstanding Forward Exchange Contracts	94,910,147	166,885,640	
IV.	Guarantees given on behalf of constituents:-			
	a) In India	14,298,758	13,391,122	
	b) Outside India	273,274	830,378	
V.	Acceptances, Endorsements & Other Obligations	39,845,952	73,284,000	
VI.	Other items for which the Bank is Contingently liable	-	-	
	TOTAL	150,660,768	255,176,641	



SCHEDULES to the profit and loss account for the year ended 31st March, 2012

		Year Ended 31.03.2012 ₹ '000' Omitted	Year Ended 31.03.2011 ₹ '000' Omitted
SCH	EDULE 13 - INTEREST EARNED		
I.	Interest/Discount on Advances/Bills	33,936,641	26,296,049
II.	Income on Investments (Net of Amortization)	14,032,580	10,661,455
III.	Interest on Balances with R.B.I and other Inter Bank Funds	386,552	173,818
	TOTAL	48,355,773	37,131,322
SCH	EDULE 14 - OTHER INCOME		
I.	Commission, Exchange & Brokerage	1,291,283	1,271,796
II.	Profit on Sale of Investments (Less loss on sale of investments)	358,720	923,802
III.	Profit on revaluation of Investments (Less loss on revaluation of investments)	-	-
IV.	Profit on Sale of Land, Buildings & Other Assets	-	-
V.	Profit on Exchange Transactions (Less Loss on E/Transactions)	220,345	188,295
VI.	Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	295,591	261,363
VII.	Miscellaneous Income	1,175,293	1,002,306
	TOTAL	3,341,232	3,647,562
	EDULE 15 - INTEREST EXPENDED		
I.	Interest on Deposits	29,017,530	20,691,694
II.	Interest on RBI/Inter-Bank Borrowings	414,694	462,991
III.	Others/Subordinate Debt	540,000	540,000
	TOTAL	29,972,224	21,694,685
SCH	EDULE 16 - OPERATING EXPENSES		
I.	Payments to and provisions for Employees	5,214,142	5,236,100
II.	Rent, Taxes and Lighting	412,473	378,566
III.	Printing and Stationery	66,331	51,297
IV.	Advertisement and Publicity	69,599	59,942
V.	Depreciation on Bank's Property	439,547	379,261
VI.	Directors Fees, Allowances and Expenses	5,201	5,831
VII.	Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	85,155	67,590
VIII.	Law Charges	9,045	8,035
IX.	Postage, Telegrams, Telephones etc.	58,860	58,087
X.	Repairs and Maintenance	92,777	50,019
XI.	Insurance	349,379	295,721
XII.	Other Expenditure	1,219,010	998,869
	TOTAL	8,021,519	7,589,318

SCHEDULE 17 - PRINCIPAL ACCOUNTING POLICIES

1. Accounting Conventions

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

2. Transactions involving Foreign Exchange

- 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 recognised 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 amortised as expense or income over the period of contract.

3. Investments

- (i) Investments are classified into "Held-to-Maturity", "Available-for-Sale" and "Held-for-Trading" categories, in accordance with the guidelines issued by Reserve Bank of India.
- (ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.
- (iii) "Held-to- Maturity" category comprises securities acquired by the Bank with the intention to hold them up to maturity. "Held-for-Trading" category comprises securities acquired by the Bank with the intention of trading. "Available-for-Sale" securities are those, which do not qualify for being classified in either of the above categories.
- (iv) Investments classified as "Held-to-Maturity" (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortised over the period remaining to the maturity.
- (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 and in case the latest balance sheet is not available the same are valued at ₹ 1/- per Company, as per RBI guidelines.
 - Investment in quoted Mutual Fund Units is valued as per Stock Exchange quotations. An investment in un-quoted Mutual Fund Units is valued on the basis of the latest re-purchase price declared by the Mutual Fund in respect of each particular Scheme. In case of Funds with a lock-in period, where repurchase price/market quote is not available, Units are valued at NAV. If NAV is not available, then these are valued at cost, till the end of the lock-in period. Wherever the re-purchase price is not available the Units are valued at the NAV of the respective scheme.
- (vi) The individual scrips 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 recognised.
- (viii) a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security.
 - b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in "Held-to-Maturity" category, an equivalent amount of profit net of taxes is appropriated to the "Capital Reserve Account".
- (ix) Interest accrued up to the date of acquisition of securities i.e. broken period interest is excluded from the acquisition cost and recognised as interest expense. Broken period interest received on Sale of securities is recognised as interest income.





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

4. Advances

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

5. Fixed Assets

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

S. No.	Heads	Rates
A	Furniture & Fixtures (including electric fittings)	10%
В	Temporary Wooden Partition	100%
С	Vehicles	15%
D	Plant & Machinery	15%
Е	Premises	
	i) Office Premises	10%
	ii) Residential & STC buildings	5%

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

Hitherto acquisition cost of computer software, not forming integral part of computers, was being charged fully in the year of purchase. In compliance to Accounting Standard(AS)-26, the Bank has changed its accounting policy w.e.f. 1st April, 2011. Accordingly, acquisition cost of such software where it is probable that the future economic benefits that are contributable to this software will flow to bank is being capitalised and depreciation is charged at the rate of 33.33% in terms of RBI guidelines on straight line method.

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

e) The expenditure incurred towards furniture & fixture in building (M-6G) being used as Chairman's residence has been treated as asset of the Bank under this head. The expenditure on repairs and renovation of this building has been charged to revenue, as the building is not owned by the Bank, hence not capitalised.

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SCHEDULES significant accounting policies and notes on accounts

- f) Depreciation on additions to Assets made up to 30th September of the year is provided for at full rates and on additions thereafter at 50% of the rates. No depreciation is provided on assets sold/ discarded during the year.
- g) Premium paid for Leasehold properties is amortised over the period of the lease.

6. Employees Benefits

- Short-term employee benefits are charged to revenue in the year in which the related service is rendered.
- ii) In respect of employees who have opted for provident fund scheme, matching contribution is made.
- iii) Contribution to Defined Benefit Plans (Gratuity, Pension and Leave Encashment) has been made as per AS 15 (Revised 2005) issued by the Institute of Chartered Accountants of India. However, in respect of transition liability the Bank has opted an irrevocable choice to recognise the increase in its defined benefit liability determined as per Actuarial valuation as an expense on a straight-line basis over a period of five years beginning from 01.04.2007.

7. Income Recognition and Expenditure booking

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

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

8. Credit Card reward Points

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

9. Profi

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

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

10. Taxation

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

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

11. Contingency Funds

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



SCHEDULE - 18 NOTES ON ACCOUNTS

- 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 favourable appellate orders and interpretation of law, no further provision has been considered by the management in respect of the disputed demands.

3. Fixed Assets:

- a) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at ₹ 0.49 Crores (previous year ₹ 0.53 Crores). In respect of immovable properties valued at ₹ 6.15 Crores (previous year ₹ 6.84 Crores) bank holds agreement to sell along with the possession of the properties.
- b) The Bank has certain fixed assets with Book Value at ₹ 287.74 lacs (Previous year ₹ 319.72 lacs) generating cash, parked under respective heads, for the promotion and development of its business.
- c) The Bank has been consistently following the method of charging depreciation on fixed assets on diminishing balance as per the rates prescribed in Income Tax Rules which is higher in totality as compared to rates prescribed in Schedule XIV of the Companies Act, 1956. However, the depreciation on computers (including ATMs) along with software forming integral part of computers has been computed at the rate of 33.33% on straight-line method.
- d) Hitherto acquisition cost of computer software, not forming integral part of computers, was being charged fully in the year of purchase. In compliance to Accounting Standard(AS)-26, the Bank has changed its accounting policy w.e.f. 1st April, 2011. Accordingly, acquisition cost of such software is being capitalised and depreciation is charged at the rate of 33.33% on straight line method in terms of RBI guidelines. However the impact on accounts is not material.
- e) Further the mobile phones are depreciated @50% on straight line method.
- f) Depreciation on Banks property includes amortisation in respect of leased properties amounting to ₹13.19 lacs (previous year ₹ 13.12 lacs). The book value of these properties as on 31.03.2012 was ₹ 12.57 Crores (previous year ₹ 11.36 Crores).

4. Capital

Particulars	31.03.2012	31.03.2011
CRAR (%)		
Basel –I	12.53%	13.30%
Basel-II	13.36%	13.72%
CRAR – Tier I capital (%)		
Basel – I	10.43%	10.99%
Basel –II	11.12%	11.33%
CRAR – Tier II capital (%)		
Basel –I	2.10%	2.31%
Basel –II	2.24%	2.39%
Percentage of the share holding of the Government of India in nationalised Banks	Not Applicable	Not Applicable
Amount of subordinated debt raised during the year as Tier II capital	NIL	NIL

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

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SCHEDULES significant accounting policies and notes on accounts

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

5. Investments

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

- The Bank has ₹70,00,000 as share capital and ₹21,40,70,800 in share capital deposit account in its sponsored Regional Rural Bank (J& K Grameen Bank).
- 7. The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 220.27 Crores as on 31.03.2012 (Previous year ₹ 220.27 Crores). In compliance with RBI Letter No. DBOD.BP.07099/21.4.141/2008-09 dated 9th April, 2009, the investment stands transferred to AFS Category on 1st October, 2009. The valuation has been carried out at an average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines & the consequent appreciation has been ignored in view of the Accounting Policy in respect of such investments

8. Details of Investments

S. No.	Parti	culars	31.03.2012	31.03.2011
1.	Valu	e of Investments		
	Gross	s value of investments		
	a)	In India	21,651.03	19,727.02
	b)	Out side India	NIL	NIL
	Provi	sion for depreciation		
	a)	In India	26.71	31.26
	b)	Outside India	NIL	NIL
	Net v	ralue of investments		
	a)	In India	21,624.32	19,695.76
	b)	Outside India	NIL	NIL
2.	Mov	ement of provision held towards the depreciation on investments		
	(i)	Opening balance	31.26	36.26
	(ii)	Add: Provisions made during the year	12.30	45.80
		Less: Write-off/ write back of excess provisions during the year	16.85	50.80
	(iii)	Closing balance	26.71	31.26



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

(₹ In Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.12
Securities sold under repos	100.00	610.00	74.17	500.00
Securities purchased under reverse repos	30.00	1170.00	26.53	NIL

10. Non-SLR Investment portfolio

(₹ In Crores)

S. No	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
			(i)	(ii)	(iii)	(iv)
1	PSUs	115.78	5.00	0.00	0.00	0.00
2	FIs (incl NBFC's AIFI'S)	569.42	418.81	0.00	0.00	0.00
3	Banks (inc CD's)	5,084.28	20.00	0.00	0.00	0.00
4	Private Corporates (inc CP's)	1,491.66	1,060.05	360.00	20.00	20.00
5	Subsidiaries/Joint Ventures	5.00	0.00	0.00	0.00	0.00
6	Others	2,827.95	0.00	0.00	0.00	0.00
	TOTAL	10,094.09	1,503.86	360.00	20.00	20.00
7	Provision held towards depreciation	24.69	0.00	0.00	0.00	0.00
8	TOTAL	10,069.40	1,503.86	360.00	20.00	20.00

The Bank's investment in unlisted securities as on 31-03-2012 is 0.27% (previous year 0.40%) which is well within the RBI stipulated limit of 10%.

10.1 Non-SLR Non-performing investments

Particulars	Amount as on	Amount as on
	31.03.2012	31.03.2011
Opening Balance	20.00	20.00
Additions during the year	0.00	0.00
Reductions during the year	0.00	0.00
Closing Balance	20.00	20.00
Total Provision held including floating provisions of ₹ 2.76 crores	22.76	22.76

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SCHEDULES significant accounting policies and notes on accounts

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

(₹ In Crores)

Particulars		As on 31	.03.2012		As on 31.03.2011			
	HFT	AFS	HTM	TOTAL	HFT	AFS	HTM	TOTAL
Govt. Securities	0.00	349.81	11,196.33	11,546.14	0.00	860.87	9,464.04	10,324.91
Other approved securities	0.00	0.00	8.78	8.78	0.00	0.00	10.28	10.28
Shares (Equity & Pref.)	0.30	307.74	0.00	308.04	0.49	291.46	0.00	291.95
Debentures & Bond	0.00	1,,771.50	229.99	2,001.49	0.00	1,691.78	236.15	1,927.93
Subsidiaries	0.00	0.00	5.00	5.00	0.00	0.00	27.11	27.11
Others (incl. Sponsored, CDs,CPs,	0.00	5,278.21	2,476.66	7,754.87	0.00	4,623.98	2,489.60	7,113.58
RIDF and others)								
Sub Total	0.30	7,707.26	13,916.76	21,624.32	0.49	7,468.09	12,227.18	19,695.76
Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL	0.30	7,707.26	13,916.76	21,624.32	0.49	7,468.09	12,227.18	19,695.76

11. Derivatives

- 11.1 No forward rate agreements / interest rate swaps were undertaken by the bank during the year.
- 11.2 The bank has not entered into exchange traded interest rate derivatives transactions during the year
- 11.3 Disclosures on Risk exposures in derivatives
 - a) Qualitative Disclosures

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

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

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

b) Quantitative Disclosures

S. No.	Particulars	Currency derivatives 31.03.2012	Interest rate derivatives 31.03.2012	Currency derivatives 31.03.2011	Interest rate derivatives 31.03.2011
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	NIL	NIL	NIL	NIL
	b) For trading	NIL	NIL	NIL	NIL
(ii)	Marked to market positions [1]				
	a) Asset (+)	NIL	NIL	NIL	NIL
	b) Liability (-)	NIL	NIL	NIL	NIL
(iii)	Credit exposure [2]	NIL	NIL	NIL	NIL



b) Quantitative Disclosures (Contd.)

S. No.	Particulars	Currency derivatives 31.03.2012	Interest rate derivatives 31.03.2012	Currency derivatives 31.03.2011	Interest rate derivatives 31.03.2011
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	NIL	NIL	NIL	NIL
	b) on trading derivatives	NIL	NIL	NIL	NIL
(v)	Maximum & Minimum of 100*PV01 observed during the year				
	a) on hedging	NIL	NIL	NIL	NIL
	b) on trading	NIL	NIL	NIL	NIL

Forward Exchange contracts as on 31.3.2012

(₹ In Lacs)

Up to 14 days	53,793.60
Beyond 14 day	895,307.87
TOTAL	949,101.47

12 Non Performing Assets.

A. Movement in Gross NPA's

S. No.	Particulars	31.03.2012	31.03.2011
1.	Gross NPAs as on 1st April, 2011 (Opening Balance)	518.83	462.31
2.	Additions (Fresh NPAs) during the Year	314.68	289.14
3.	Sub Total (1& 2)	833.51	751.46
	Less		
4.	Up gradation	57.57	44.61
5.	Recoveries (excluding recoveries made from upgraded accounts	145.07	113.57
6.	Write-offs	114.27	74.45
7.	Sub Total (4,5&6)	316.91	232.63
8.	Gross NPAs as on 31.3.2012 (3-7)	516.60	518.83

B. Movement in Net NPA's

(₹ In Crores)

S. No.	Particulars	31.03.2012	31.03.2011
1.	Net NPAs as on 1st April, 2011 (Opening Balance)	53.24	64.33
2.	Additions during the Year	325.26	222.79
3.	Sub Total (1& 2)	378.50	287.12
	(Less)		
4.	Up gradation	57.57	44.61
5.	Recoveries (excluding recoveries made from upgraded accounts) including ECGC claims pending adjustment	156.71	113.57
6.	Write-offs	114.27	74.45
7.	Sub Total (4,5&6)	328.55	232.63
8.	Net NPAs as on 31.3.2012 (3-7)	49.34*	53.24*

^{*}Net NPA has been arrived after reducing net interest suspense of ₹ 0.61 Crores.(previous year ₹ 1.25 Crores)

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

S. No.	Particulars	31.03.2012	31.03.2011
(a)	Opening Balance *	460.68	394.32
(b)	Add/Transfer Provision made during the year	90.00	130.00
(c)	Less write-off	100.57	63.64
(d)	Closing Balance *	450.11	460.68
(e)	NPA Coverage Ratio	93.76%	92.71%

^{*}Including floating provision of $\stackrel{\blacktriangleleft}{}$ 52.90 Crores. The Provision Coverage Ratio for the Bank as on 31.03.2012 is 93.76% which is calculated after taking into account technical write off.



13. Particulars of Accounts Restructured

(₹ In Crores)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	8	12	157
	Amount outstanding	267.54	241.98	60.85
	Sacrifice (diminution in the fair value)	33.17	0.95	0.98
Sub standard advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers			1
	Amount outstanding			0.03
	Sacrifice (diminution in the fair value)			0
	No. of Borrowers	8	12	158
TOTAL	Amount outstanding	267.54	241.98	60.88
	Sacrifice * (diminution in the fair value)	33.17	0.95	0.98

^{*} For loan accounts with restructured amount up to ₹ 1 Crores, Diminishing Fair Value has been worked out at the rate of 5% of the amount restructured

For loan accounts with restructured amount exceeding $\ref{1}$ 1Crores, Diminishing Fair Value has been worked out as a difference in NPV of cash flows against pre-restructured terms and restructured terms at discount factor linked to PLR + Risk Premium + Term Premium.

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

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	NIL	1
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	NIL	NIL
3.	Aggregate Consideration	NIL	25.51
4.	Additional consideration realised in respect of accounts transferred in earlier years	NIL	NIL
5.	Aggregate gain/loss over net book value	NIL	25.51

15. Details of non performing financial assets purchased.

(₹ In Crores)

S. No.	Par	ticulars	Current Year	Previous Year
1.	a)	No. of accounts purchased during the year	NIL	NIL
	b)	Aggregate outstanding	NIL	NIL
2.	a)	of these, number of accounts restructured during the year	NIL	NIL
	b)	Aggregate outstanding	NIL	NIL

16. Provisions on standard Assets

(₹ In Crores)

Particulars	31.03.2012	31.03.2011
Provision towards Standard Assets	168.74	138.74

Bank holds a provision of $\ref{168.74}$ Crores on standard assets (previous year $\ref{138.74}$ Crores) which has been arrived at in accordance with RBI guidelines.

17. Business Ratios

Particulars	31.03.2012	31.03.2011
Interest income as a percentage to working fund.*	9.38%	8.31%
Non-Interest income as a percentage to working funds. *	0.65%	0.82%
Operating profit as a percentage to working funds. *	2.66%	2.57%
Return on Assets. **	1.56%	1.22%
Business (deposits plus advances) per employee***	₹ 8.86 Crores	₹ 8.56 Crores
Profit per employee	₹ 0.09 Crores	₹ 0.08 Crores
	Interest income as a percentage to working fund.* Non-Interest income as a percentage to working funds.* Operating profit as a percentage to working funds.* Return on Assets. ** Business (deposits plus advances) per employee***	Interest income as a percentage to working fund.* Non-Interest income as a percentage to working funds. * Operating profit as a percentage to working funds. * Coperating profit as a percentage to working funds. * Return on Assets. ** 1.56% Business (deposits plus advances) per employee*** ₹ 8.86 Crores

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

^{**} Assets are the average of monthly total assets 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 31.03.2012

(₹ In Crores)

	Next Day	2 to 7 Days	8 to 14 Days	15 Days to 28 Days	•	Over 3 mnths & upto 6 mnths	Over 6 mnths & upto 1 year	Over 1 Yr & upto 3 years	Over 3 Yrs & upto 5 years	Over 5 years	TOTAL
Deposits	106.71	1,308.33	1,016.08	787.55	4,033.47	4,243.50	4,179.90	30,424.41	6,807.80	439.15	53,346.90
Borrowings	548.06	0	0	75	10	7.9	0	0	0	600	1,240.96
Investments	0	175	211.87	104.01	3,604.24	622.67	2,004.91	3,193.49	3,904.05	7,804.08	21,624.32
Advances	135.79	376.58	558.18	435.38	2,773.78	3,323.60	3,503.50	14,510.54	4,248.05	3,212.22	33,077.42

(ii) Details of Foreign currency Assets/ Liabilities (Maturity Pattern) as on 31.03.2012

(₹ In Crores)

Liabilitiaes

Liubilitiucs									
	1 to14 days	15 to 28 days	29 days to 3 months	over 3 months to 6 months	over 6 months to 1 year	•	over 3 years up to 5 years	over 5 years	TOTAL
USD	310.38	79.51	1,526.42	2,385.93	627.77	1.51	1.08	0	4932.6
EURO	16.22	0	100.27	50.9	14.76	1.01	0.07	0	183.23
GBP	12.06	0	4.97	9.25	9.46	1.38	0	0	37.11
J.YEN	0	0	0	0	0	0	0	0	0
AUD	0	0	0	0	0.11	0.43	0	0	0.54
CAD	0	0	0.52	0	0	0	0	0	0.52
CHF	0.68	0	0	0	0	0	0	0	0.68
TOTAL	339.34	79.51	1,632.19	2,446.07	652.09	4.32	1.15	0	5,154.67

Assets

	1 to14 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
USD	273.4	21.81	1,615.54	2,406.69	606.88	0	0	0	4,924.32
EURO	11.81	2.94	99.44	52.86	16.13	0	0	0	183.18
GBP	12.86	1.97	10.45	10.93	0	0	0	0	36.21
J.YEN	0.45	0	0	0	0	0	0	0	0.45
AUD	1	0.16	0.16	0	0	0	0	0	1.32
CAD	0.56	0	0	0	0	0	0	0	0.56
CHF	0.85	0	0	0	0	0	0	0	0.85
SAR	0.01	0	0	0	0	0	0	0	0
TOTAL	300.94	26.87	1725.59	2,470.48	623.01	0	0	0	5146.90

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

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19. Exposures

19.1 Exposure to Real Estate Sector

(₹ In Crores)

Par	ticulaı	's	31.03.2012	31.03.2011
1.	Dire	ct 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;	*1,090.18	1,077.69
		(*Includes Individual housing loans eligible for inclusion in priority sector amounting to ₹ 722.77)		
	(ii)	Commercial real estate	2,686.36	1,322.77
		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 securitised		
		(a) Residential	NIL	NIL
		(b) Commercial real estate	NIL	NIL
2.	Indi	rect exposure		
	,	d based & non fund based exposure on National Housing Bank and ing finance companies)	675.10	542.43

The above data has been compiled by the Management and relied upon by the Auditors.

19.2 Exposure to Capital Market

Parti	culars	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.	255.63	305.52
(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	1.09	0.23
(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	79.41	81.79



(₹ In Crores)

Partio	culars	Current Year	Previous Year
(iv)	Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e where the primary security other than shares /convertible bonds /convertible debentures /units of equity oriented mutual funds does not fully cover the advances	0.00	200.07
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers.	NIL	NIL
(vi)	Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources	NIL	NIL
(vii)	Bridge loans to companies against expected equity flows /issues	NIL	NIL
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	NIL	NIL
(ix)	Financing \to stock brokers for margin trading	NIL	NIL
(x)	All exposures to venture Capital Funds (both registered and unregistered)	25.00	25.00
TOTA	AL	361.13	612.61

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

19.3 Risk category wise country exposure

(₹ In Crores)

Category	Risk Category	Exposure (net) as at March, 2012	Provisions held as at March, 2012	Exposure (net) as at March, 2011	Provisions held as at March, 2011
A1	Insignificant	29.28	0	64.3	0
A2	Low	0.77	0	0.71	0
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	30.05	0	65.01	0

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

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

The Bank has exceeded single borrower exposure limit in case of NBFCs by 2% over and above the regulatory limit of 10%.

(₹ In Crores)

Name of the Borrower	Exposure ceiling for NBFC (10% of capital funds)	Maximum Outstanding	BOS as on 31.03.2012
HDFC Limited	416.09	504.46	504.46

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

The advances of the Bank as on 31st March, 2012 against intangible security of Rights, Licenses and Authorisations are Nil.

22. Details of provisions:

(₹ In Crores)

Particulars	31.03.2012	31.03.2011
Tax expense		
a) Income Tax	400.11	329.45
b) Deferred Tax Liability/ (asset)	(2.35)	(10.35)
c) Wealth Tax	0.09	0.09
Provision against NPA's	90.00	130.00
Provision for depreciation on investments	12.30	41.03
Provision for funded interest term loan (FITL)	-	5.00
Provision for frauds and embezzlements	1.49	1.95
Provision for diminution in the fair value of restructured /rescheduled advances	20.01	16.08
Other provisions & contingencies	14.24	21.03
Provision for contingent liabilities	1.19	0.00
Provision for Standard assets	30.00	0.00
TOTAL	567.08	534.28

23. Penalty imposed by Reserve Bank of India during the year Nil (Previous year Nil).

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

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

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

Prior to this fiscal the bank used to receive the commission directly from State Government of Jammu & Kashmir on government business on receipt basis. However, due to change in system owing to agency arrangement with Reserve Bank of India, the commission on government business is now being booked on accrual basis. The change in accounting policy has resulted in increase of profits by ₹ 18.23 Crores.



24.2 Accounting Standard 9- Revenue Recognition

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

24.3 Accounting Standard 15 - Retirement Benefit

- a) In view of Accounting Standard-15(Revised 2005) issued by The Institute of Chartered Accountants of India, the Bank in respect of its Defined Benefit Plans (Pension, Gratuity, and Leave Encashment) on first adopting this statement as on 01-04-2007, had a transitional Liability of ₹ 149.70 Crores as per Actuarial Valuation. The liability was recognised as an expense on straight line basis over a period of five years beginning from 1.4.2007 which stands fully provided for as on 31.03.2012. Further an additional amount of ₹ 65.89 Crores has been charged to Profit & Loss account towards provision on account of Gratuity, Pension and Leave encashment as per actuarial valuation
- b) The disclosure required under Accounting Standard 15 "Employee Benefits- issued by the Institute of Chartered Accountants of India are as under":

Defined Contribution Plan

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

Defined Benefit Plans

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

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

(Amount in ₹)

Present value of Obligation	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value Of obligation 01-04-2011	1,305,412,128	4,312,347,312	645,119,867
Interest Cost	105,677,281	356,090,272	52,599,689
Current Service Cost	65,843,521	421,404,735	51,141,135
Past Service Cost	0	0	0
Benefits Paid	-124,300,000	-246,100,000	-52,600,000
Actuarial (gain) loss on Obligation	218,319,580	260,807,498	58,421,893
Present Value Of obligation 31-03-2012 (Projection)	1,570,952,510	5,104,549,817	754,682,584
Fair value of plan Assets 01-04-2011	949,000,081	3,784,655,597	0
Expected Return On plan assets	92,972,003	341,610,224	0
Contributions	485,300,000	760,000,000	52,600,000
Benefits Paid	-124,300,000	-246,100,000	-52,600,000
Actuarial gain (Loss) Plan Assets	-27,672,084	115,434,179	0
Fair value of plan Assets 31-03-2012	1,375,300,000	4,755,600,000	0
Total Actuarial gain (loss) to be recognised	-245,991,664	-145,373,319	-58,421,893

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Balance Sheet Recognition			(Amount in ₹)
Present value of Obligation	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value Of Obligation	1,570,952,510	5,104,549,817	754,682,584
Fair Value Of Plan Assets	-1,375,300,000	-4,755,600,000	0
Liability (assets)	195,652,510	348,949,817	754,682,584
Unrecognised Past Service Cost	0	0	0
Liability (asset) recognised in the Balance Sheet**	195,652,510	348,949,817	754,682,584
Less: Liability already recognised	0	0	640,411,168
Plus : 1/5th Amortised Transitional Liability Total of three plans : ₹ 299402918	89,095,141	152,255,772	58,052,005
Less: Transition Remaining	0	0	0
Total of three plans : ₹ nil			
Current Year Liability/(Asset) Total of three plans: ₹958276661	284,747,651	501,205,589	172,323,421
Profit & Loss – Expenses			
Current Service Cost	65,843,521	421,404,735	51,141,135
Interest Cost	105,677,281	356,090,272	52,599,689
Expected Return On plan assets	-92,972,003	-341,610,224	0
Net Actuarial gain (loss) recognised in the year	245,991,664	145,373,319	58,421,893
Past Service Cost	0	0	0
Expenses Recognised in the statement of Profit & Loss	324,540,463	581,258,102	162,162,717
Actual Return on Plan Assets			
Expected Return on plan assets	92,972,003	341,610,224	0
Actuarial gain (Loss) plan assets	-27,672,084	115,434,179	0
Actual Return on plan assets	65,299,919	457,044,403	0
Movement in the net Liability recognised in the Ba	lance Sheet		
Opening net Liability	356,412,047	527,691,715	645,119,867
Expenses	324,540,463	581,258,102	162,162,717
Contribution	-485,300,000	-760,000,000	-52,600,000
Closing Net Liability	195,652,510	348,949,817	754,682,584



Actuarial Assumption (Amount in ₹)

£			(
Present value of Obligation	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Mortality Table (L.I.C.)	1994-96 Ultimate	1994-96 Ultimate	1994-96 Ultimate
Discount Rate (Per Annum)	8.5%P.A	8.5%P.A	8.5%P.A
Expected rate of return on plan assets (p.a.)	8%P.A	8%P.A	NA
Rate of escalation in salary	3.5%	3.5%	4%p.a
Disability	NIL	NIL	NIL
Attrition	1% P.A	1%P.A	1% P.A
Retirement age	60 Years	60 Years	60 Years

The above information is certified by the actuary

24.4. Accounting Standard 17 - Segment Reporting

i) The Bank has recognised 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:-

Des	criptio	on	31.03.2012	31.03.2011
A.	Segn	nent Revenue (Income)		
	(i)	Treasury Operations	1,500.61	1197.66
	(ii)	Corporate/Whole sale Banking	1,745.50	1397.06
	(iii)	Retail Banking	2,245.31	1911.74
	(iv)	Other Banking Business	38.23	34.59
		TOTAL	5,529.65	4541.15
		(Less): Inter segment revenue	359.95	463.26
		TOTAL INCOME FROM OPERATIONS	5,169.70	4077.89
B.	Segn	nent Results (Profit before tax)		
	(i)	Treasury Operations	30.25	(4.87)
	(ii)	Corporate /Wholesale Banking	906.59	596.66
	(iii)	Retail Banking	233.89	314.36
	(iv)	Other Banking Business	30.37	28.24
		TOTAL	1,201.10	934.39
C.	(Seg	ment Assets)		
	(i)	Treasury Operations	23,880.17	20,606.42
	(ii)	Corporate /Wholesale Banking	19,957.60	14,690.78
	(iii)	Retail Banking	16,417.86	15,196.39
	(iv)	Other Banking Business	13.59	14.56
		TOTAL	60,269.22	50,508.15

(₹ In Crores)

Descri	iptic	on.	31.03.2012	31.03.2011
D.	(Seg	ment Liabilities)		
((i)	Treasury Operations	5,012.73	851.19
((ii)	Corporate/Wholesale Banking	13,388.94	15,786.80
((iii)	Retail Banking	37,766.11	30,382.50
(:	(iv)	Other Banking Business	8.26	8.97
		TOTAL	56,176.04	4,7029.47
E. (Capi	tal Employed (Segment Assets-Segment Liabilities)		
((i)	Treasury Operations	18,867.44	19,755.23
(:	(ii)	Corporate/Wholesale Banking	6,568.66	(1,096.03)
((iii)	Retail Banking	(21,348.25)	(15,186.11)
((iv)	Other Banking Business	5.33	5.59
		TOTAL	4,093.18	3,478.68

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

24.5. Accounting Standard 18 – Related party disclosures as on 31.03.2012

(₹ In Crores)

Items/Related Party	J&K Grameen Bank	JKB Financial Services Ltd.
Deposits	887.08	5.10
Advances	13.25	0.00
Investments	22.11	5.00
Interest Paid	76.18	0.48
Interest/Commission Received	5.96	0.00
Salary	NIL	NIL

(₹ In lacs)

Items/Related Party	K.M.P* Mr. Mushtaq Ahmad(Chairman)	K.M.P* Mr. A K Mehta (Ex-ED)	K.M.P* Mr. Abdul Majid Mir (Ex-ED)
Deposits	-	-	-
Advances	-	-	-
Investments	-	-	-
Interest paid	-	-	-
Interest/Commission Received	r.	-	-
Salary	51.10	1.87	2.78

^{*} Key Managerial Personnel





24.6. Accounting standard 19 - Leases

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

24.7. Accounting standard 20 - Earning per share

(₹ In Crores)

		((111 010100)
Particulars	Amount as on	Amount as on
	31.03.2012	31.03.2011
Net Profit available to Equity Share Holders	803.25	615.20
No. of Equity Shares	48,477,802	48,477,802
Basic/Diluted Earning per share (in Rupees)	165.69	126.90
Face value per share	₹ 10/-	₹ 10/-

24.8. Accounting Standard -21 (Consolidated Financial Statements)

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

24.9. Accounting standard 22 – Accounting for taxes on income

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

(₹ In lacs)

Timing Difference	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	NIL	75.91
Leave encashment	2,436.81	NIL

Net Deferred Tax Asset as on 31.03.2012 : ₹ 2,360.95 lacs Tax Impact for the year : ₹ 234.84 lacs

24.10. Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of $\ref{0.74}$ Crores on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to $\ref{0.34}$ Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to $\ref{0.40}$ Crores has been charged to Profit & Loss account treating it as a Revenue expenditure for the reason that the Bank cannot declare dividend to shareholders without writing it off completely in view of the provisions of the Banking Regulation Act, 1949. Accordingly, the Bank has not evaluated useful life of this Brand strategy project over which the expenses could be amortised.

Further, the Bank has incurred an amount of $\overline{\mathbf{x}}$ 2.80 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalised the cost of the same.

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SCHEDULES significant accounting policies and notes on accounts

24.11. Accounting Standard 28 - Impairment of Assets

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

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

In respect of Contingent Liabilities under each class shown as per Schedule 12, in the opinion of the Management, the possibility of any out flow in settlement is remote. However, a provision of $\stackrel{?}{}$ 1.45 Crores is outstanding as on 31.03.2012 to meet certain claims decreed against the Bank but still not acknowledged as debts owing to the appeal filed by the bank before the court of competent jurisdiction, pending adjudication.

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

The Bank has not issued any letter of comfort (LOC) on its behalf. However, Letter of Comfort issued on behalf of customers have been reported under respective heads of contingent liabilities in the financial statements of bank as on 31.03.2012.

25. Other Disclosures

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.

 Claims pending with ECGC amounts to ₹ 05.08 Crores (Previous year ₹ 37.93 Crores)
- b) Concentration of Deposits, Advances, Exposures & NPA's

25.1 Concentration of Deposits

Total Deposits of 20 largest depositors (₹ In Crores)	7,910.90
Percentage of 20 largest deposits to total Deposits of the Bank	14.83%

25.2 Concentration of Advances

Total Advances to twenty largest borrowers (₹ In Crores)	7,842.22
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	23.71%

25.3 Concentration of Exposures

Total Exposure to twenty largest borrowers / customers (₹ In Crores)	8,549.12
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on borrowers/	
customers	15.63%



25.4 Concentration of NPA'S

(₹ In Crores)

Total Exposure to top four NPA accounts

52.51

25.5 Sector wise NPA'S

S.	Sector	Percentage of NPA to Total
No.		advances in that sector
1	Agriculture & Allied activities	1.79%
2	Industry (Micro & Small Medium and Large)	2.37%
3	Services	4.40%
4	Personal Loans	1.85%

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

25.6 Overseas Assets, NPA's and Revenues

(₹ In Crores)

S.	Sector	
No.		
1	Total Assets	NIL
2	Total NPAs	NIL
3	Total Revenue	NIL

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

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

26. Details of floating provisions

26.1 Advances

		(VIII CIOICS)
Particulars	31.03.2012	31.03.2011
Opening balance	52.90	52.90
Additions made during the year	0.00	0.00
Utilisation made during the year	0.00	0.00
Closing balance	52.90	52.90

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SCHEDULES significant accounting policies and notes on accounts

26.2 Investments

(₹ In Crores)

Particulars	31.03.2012	31.03.2011
Opening balance	2.76	2.76
Additions made during the year	0.00	0.00
Utilisation made during the year	0.00	0.00
Closing balance	2.76	2.76

27. Customer Complaints

A	No of complaints pending at the beginning of the year	57
В	No of complaints received during the year	202
С	No of complaints redressed during the year	221
D	No of complaints pending at the end of the year	38

28. Awards passed by the banking ombudsman

A	No of unimplemented Awards at the beginning of the Year	NIL
В	No .of Awards passed by the banking ombudsman during the year	1
С	No of Awards implemented during the year	1
D	No of unimplemented Awards pending at the end of the year	NIL

29. 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.

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

Particulars	
Opening Provision Balance as on 01.04.2011	0.57
Provisions made during the year 2011-12	0.70
Redemption made during the year	0.52
Closing Balance at the end of year	0.75



31. BancAssurance Business

The Bank has tie ups with M/S Met-Life (P) Ltd and M/S Bajaj Alliance (P) Ltd for mobilising insurance business both life and non-life. The details of the commission earned by the Bank during 2011-12 on account of mobilising said business is given hereunder:-

(₹ In Crores)

S. No.	Nature of Income	
1	For selling life insurance policies	16.81
2	For selling non-life insurance polices	5.84
3	For selling mutual fund products	NIL
4	Others – (Logo Charges)	6.91
	TOTAL	29.56

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

Mushtaq Ahmad	Hari Narayan Iyer	M. I. Shahda	d	Vikrant Kuthiala
Chairman & CEO	Director	Director		Director
Prof. Nisar Ali	Abdul Majid Matto	R. K. Gupta		Nihal Garware
Director	Director	Director		Director
G. M. Sahibzada Executive President	S. K. Bhat President	Abdul Majid Company Se		
Place: Srinagar Dated : 12th May, 2012				
For OP Garg & Co.	For K B Sharma & Co.	For Verma Associates	For PC Bindal & Co.	
Chartered Accountants	Chartered Accountants	Chartered Accountant	Chartered Accountar	

itants FRN: 01194N FRN: 02318N FRN: 02717N FRN: 03824N FRN: 05299N CA. Manish Kumar Gupta CA. Abhay Kumar CA. Madan Verma CA. P. C. Bindal CA. K. K. Goel Partner Partner Partner Partner Partner (M. No. 097191) (M. No. 500681) (M. No. 081631) (M. No. 082683) (M. No. 015002)

Place: Srinagar Dated : 12th May, 2012

CASH FLOW STATEMENT for the year ended 31st March, 2012

			₹ '000' Omitted
		2011-12	2010-11
Α	CASH FLOW FROM OPERATING ACTIVITIES	11,764,894	(6,590,862)
В	CASH FLOW FROM INVESTING ACTIV ITIES	(704,551)	(2,275,629)
С	CASH FLOW FROM FINANCING ACTIVITIES	(2,009,779)	(1,787,765)
	NET CHANGE IN CASH AND CASH EQUIVALENTS	9,050,564	(10,654,257)
D	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	35,488,115	46,142,372
Е	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44,538,679	35,488,115
Α.	CASH FLOW FROM OPERATING ACTIVITIES:		
	Net Profit after Taxes	8,032,505	6,152,019
	Add : Provision for Taxes	3,978,546	3,191,905
	Net profit before taxes (i)	12,011,051	9,343,924
	Adjustment for:		
	Depreciation charges	439,547	379,261
	Provision for NPA's	900,000	1,300,000
	Provision for Standard Assets	300,000	-
	Depriciation on investment	122,946	410,311
	Other provisions	369,266	440,646
	Intrest paid on subordinate Bonds (Financing Activities)	540,000	540,000
	Total Adjustment (ii)	2,671,759	3,070,218
	Operating profit before change in Operating assets & liabilities (i) + (ii)	14,682,810	12,414,142
	Adjustment for changes in Operating Assets & Liabilities		
	Increase / (Decrease) in Deposits	86,709,666	74,387,746
	Increase / (Decrease) in Borrowings	1,363,070	44,438
	Increase / (Decrease) in Other liabilities & provisions	2,506,039	(2,669)
	(Increase) / Decrease in investments	(19,408,454)	(57,805,517)
	(Increase) / Decrease in Advances	(69,937,962)	(32,824,930)
	(Increase) / Decrease in Other Assets	(128,012)	382,427
	Net Cash flow from Operating activities (iii)	1,104,347	(15,818,505)
	Cash generated from operation (i + ii + iii)	15,787,157	(3,404,364)
	Less : Tax paid	4,022,263	3,186,498
	TOTAL: (A)	11,764,894	(6,590,862)
В.	CASH FLOW FROM INVESTING ACTIVITIES:		
	a) Fixed Assets	(704,551)	(2,275,629)
	TOTAL: (B)	(704,551)	(2,275,629)
C.	CASH FLOW FROM FINANCING ACTIVITIES:		
	a) Share Capital	-	-
	b) Equity Share Warrants	-	-
	c) Share Premium	-	-
	d) Tier II Bonds	-	-
	e) Dividend & Divident Tax Paid	(1,469,779)	(1,247,765)
	f) Interest Paid on Subordinate Debt	(540,000)	(540,000)
	TOTAL:(C)	(2,009,779)	(1,787,765)



CASH FLOW STATEMENT for the year ended 31st March, 2012

		₹ '000' Omitted
	2011-12	2010-11
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
a) Cash in hand & Balance with R.B.I	29,749,638	27,447,263
b) Balance with Banks & Money at Call & Short Notice	5,738,477	18,695,109
TOTAL:(D)	35,488,115	46,142,372
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
a) Cash in hand & Balance with R.B.I	27,836,539	29,749,638
b) Balance with Banks & Money at Call & Short Notice	16,702,140	5,738,477
TOTAL:(E)	44,538,679	35,488,115
 a) Cash in hand & Balance with R.B.I b) Balance with Banks & Money at Call & Short Notice TOTAL:(D) E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR a) Cash in hand & Balance with R.B.I b) Balance with Banks & Money at Call & Short Notice 	5,738,477 35,488,115 27,836,539 16,702,140	18,695, 46,142, : 29,749, 5,738,

Mushtaq Ahmad M. I. Shahdad Vikrant Kuthiala Hari Narayan Iyer Chairman & CEO Director Director Director Prof. Nisar Ali Abdul Majid Matto R. K. Gupta Nihal Garware Director Director Director Director

G. M. Sahibzada S. K. Bhat Abdul Majid Bhat
Executive President President Company Secretary

Place: Srinagar Dated : 12th May, 2012

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 12th May, 2012 at Srinagar.

Company Secretary

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AUDITORS CERTIFICATE

We have verified the attached Cash Flow Statement of THE JAMMU & KASHMIR BANK LIMITED which has been compiled from and is based on the Audited Financial Statements for the year ended 31st March, 2012 and 31st March, 2011. 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

In terms of our report of even date annexed

<u> </u>				
For OP Garg & Co.	For K B Sharma & Co.	For Verma Associates	For P C Bindal & Co.	For K K Goel & Associates
Chartered Accountants	Chartered Accountants	Chartered Accountant	Chartered Accountants	Chartered Accountants
FRN: 01194N	FRN: 02318N	FRN: 02717N	FRN: 03824N	FRN: 05299N
CA. Manish Kumar Gupta	CA. Abhay Kumar	CA. Madan Verma	CA. P. C. Bindal	CA. K. K. Goel
Partner	Partner	Partner	Partner	Partner
(M. No. 097191)	(M. No. 500681)	(M. No. 081631)	(M. No. 082683)	(M. No. 015002)
Place: Srinagar				

Dated: 12th May, 2012

Comments of C & AG

Comments under section 619(4) of the companies act, 1956 on the accounts of the Jammu & Kashmir Bank Limited, for the year ended 31st March, 2012 were not received upto the date and could not be circulated. These will be placed before the Shareholders in the Meeting.



AUDITORS' REPORT on the consolidated financial statements

То

The Board of Directors

The Jammu & Kashmir Bank Limited

- 1. We have examined the accompanying consolidated financial statements of The Jammu & Kashmir Bank Limited and its subsidiary JKB Financial Services Limited, which comprise the Consolidated Balance Sheet as at 31st March, 2012, and the Statement of consolidated Profit & Loss and the consolidated Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these consolidated financial statements are the:
 - i. Audited Accounts of the Bank in which are incorporated the returns of 65 Branches/offices audited by us and 572 Branches/Offices audited by Statutory Branch Auditors.
 - ii. Audited Accounts of one subsidiary JKB Financial Services Ltd audited by other Auditor.
- 2. These consolidated financial statements are responsibility of the Bank's management and have been prepared by Bank's management on the basis of separate financial statements and other financial information of different entities in the group.
- 3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the Auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design the 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 management, as well as evaluating the overall presentation of the financial statements.
- 5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
- 6. We have jointly audited the financial statements of the bank whose financial statements reflect total assets of ₹ 60,264 Crores as at 31st March, 2012 and the net cash flow amounted to ₹ 905 Crores for the year then ended.
- 7. We did not audit the financial statements of its subsidiary JKB financial Services Limited whose financial Statements reflects total Assets of ₹ 6.04 Crores as at 31st March, 2012 and total revenue of ₹ 1.39 Crores for the year then ended. These financial statements have been audited by other Auditors, whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of other entity, based solely on the report of the other Auditor.

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AUDITORS' REPORT on the consolidated financial statements

- We report that the consolidated financial statements have been prepared by the banks management in accordance with requirements of the Accounting Standards 21 "Consolidated Financial Statements", Accounting Standard 23 "Accounting For Investments In Associates in Consolidated Financial Statements" and Accounting Standard 27 "Financial Reporting of Interest In Joint Ventures" issued by the Institute if the Chartered Accountants Of India And the Requirements Of Reserve Bank of India.
- Based on our audit and consideration of report of other Auditor on separate financial statements and other information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India.
 - In the case of the Consolidated Balance Sheet, of the State of Affairs of the group as at 31st March, 2012;
 - In the case of the Consolidated Profit and Loss Account, of the consolidated Profits of the group for the year ended on that date; and
 - (iii) In the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For OP Garg & Co. Chartered Accountants FRN: 01194N

CA. Manish Kumar Gupta

Partner

(M. No. 097191)

Place: Srinagar Dated: 12th May, 2012 For K B Sharma & Co. Chartered Accountants FRN: 02318N

CA. Abhay Kumar

Partner (M. No. 500681) For Verma Associates Chartered Accountant

FRN: 02717N

CA. Madan Verma

Partner (M. No. 081631) For PC Bindal & Co. Chartered Accountants

FRN: 03824N

CA. P. C. Bindal

Partner

(M. No. 082683)

For KK Goel & Associates

Chartered Accountants FRN: 05299N

CA. K. K. Goel

Partner

(M. No. 015002)



CONSOLIDATED BALANCE SHEET as at 31st March, 2012

	Schedule	As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
CAPITAL AND LIABILITIES			
Capital	1	484,922	484,922
Reserves and Surplus	2	40,447,983	34,304,812
Deposits	3	533,417,586	446,704,081
Borrowings	4	12,409,572	11,046,502
Other Liabilities and Provisions	5	15,877,719	12,489,467
TOTAL		602,637,782	505,029,784
ASSETS			
Cash and Balance with Reserve Bank of India	6	27,836,539	29,749,638
Balance with Banks & Money at Call & Short Notice	7	16,702,190	5,738,477
Investments	8	216,193,188	196,907,679
Advances	9	330,774,215	261,936,350
Fixed Assets	10	4,202,708	3,937,702
Other Assets	11	6,928,942	6,759,938
TOTAL		602,637,782	505,029,784
Contingent Liabilities	12	150,660,768	255,176,641
Bills for Collection		9,203,354	14,616,755
Principal Accounting Policies	17		
Notes on Accounts	18		
The Schedules Referred to above and the attached Cash Flow Statement form a	n integral part of	f the Balance Sheet	

Mushtaq Ahmad Hari Narayan Iyer M. I. Shahdad Vikrant Kuthiala Chairman & CEO Director Director Director

Prof. Nisar AliAbdul Majid MattoR. K. GuptaNihal GarwareDirectorDirectorDirectorDirector

G. M. Sahibzada S. K. Bhat Abdul Majid Bhat Executive President President Company Secretary

(M. No. 500681)

Place: Srinagar Dated : 12th May, 2012

In terms of our report of even date annexed

For K B Sharma & Co. For KK Goel & Associates For OP Garg & Co. For Verma Associates For PC Bindal & Co. Chartered Accountants Chartered Accountant Chartered Accountants Chartered Accountants Chartered Accountants FRN: 01194N FRN: 02318N FRN: 02717N FRN: 03824N FRN: 05299N CA. Manish Kumar Gupta CA. Abhay Kumar CA. Madan Verma CA. P. C. Bindal CA. K. K. Goel Partner Partner Partner Partner Partner

(M. No. 081631)

(M. No. 082683)

(M. No. 015002)

Place: Srinagar Dated : 12th May, 2012

(M. No. 097191)



CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2012

		Schedule	Year Ended 31.03.2012 ₹ '000' Omitted	Year Ended 31.03.2011 ₹ '000' Omitted
I	INCOME		(000 Omitted	(ooo Omitted
	Interest Earned	13	48,355,773	37,131,322
	Other Income	14	3,350,314	3,647,562
	TOTAL		51,706,087	40,778,884
II	EXPENDITURE			
	Interest Expended	15	29,967,437	21,692,111
	Operating Expenses	16	8,037,787	7,590,064
	Provisions and Contingencies		5,670,109	5,343,431
	TOTAL		43,675,333	34,625,606
III	NET PROFIT		8,030,754	6,153,278
	TOTAL		51,706,087	40,778,884
IV	APPROPRIATIONS			
	Transfered To			
	i) Statutory Reserve		2,008,126	1,538,005
	ii) Capital Reserve		-	-
	iii) Revenue and Other Reserve		4,135,046	3,145,494
	iv) Proposed Dividend		1,624,006	1,260,423
	v) Tax on Dividend		263,576	209,356
	TOTAL		8,030,754	6,153,278
	Principal Accounting Policies	17.		
	Notes on Accounts	18.		
	Earnings per Share (Basic/Diluted)		165.66	126.93
The	Schedules Referred to above form an integral part of the Profit & Loss Acco	ount		

M. I. Shahdad Vikrant Kuthiala Mushtaq Ahmad Hari Narayan Iyer Chairman & CEO Director Director Director

Prof. Nisar Ali Abdul Majid Matto R. K. Gupta Nihal Garware Director Director Director Director

G. M. Sahibzada S. K. Bhat Abdul Majid Bhat **Executive President** President Company Secretary

Place: Srinagar Dated: 12th May, 2012

In terms of our report of even date annexed

For OP Garg & Co. For K B Sharma & Co. For Verma Associates For PC Bindal & Co. For KK Goel & Associates Chartered Accountants Chartered Accountants Chartered Accountant Chartered Accountants Chartered Accountants FRN: 01194N FRN: 02318N FRN: 02717N FRN: 03824N FRN: 05299N

CA. P. C. Bindal CA. Madan Verma CA. K. K. Goel CA. Manish Kumar Gupta CA. Abhay Kumar Partner Partner Partner Partner Partner (M. No. 097191) (M. No. 500681) (M. No. 081631) (M. No. 082683) (M. No. 015002)

Place: Srinagar Dated: 12th May, 2012



SCHEDULES to the consolidated balance sheet as at 31st March, 2012

		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SCH	HEDULE 1 - CAPITAL		
Autl	horised Capital		
100,0	000,000		
Equ	ity Shares of ₹ 10/- each	1,000,000	1,000,000
Issu	ned		
48,4	199,602 Equity Shares of ₹ 10/= each	484,996	484,996
Sub	scribed and Paid-Up Capital		
48,47	77,802		
Equ	ity Shares of ₹ 10/- each	484,778	484,778
Add	f Forfeited Shares (21800 shares)	144	144
TO	TAL	484,922	484,922
SCI	HEDULE 2 - RESERVES & SURPLUS		
I.	Statutory Reserves		
	Opening Balance	10,120,603	8,582,598
	Additions during the year	2,008,126	1,538,005
	TOTAL	12,128,729	10,120,603
II.	Capital Reserves		
	Opening Balance	631,254	631,254
	Additions during the year	-	-
	TOTAL	631,254	631,254
III.	Share Premium		
	Opening Balance	867,791	867,791
	Additions during the year	-	-
	TOTAL	867,791	867,791
IV.	Revenue And Other Reserves		
	Opening Balance	22,685,164	19,539,670
	Additions during the year	4,135,045	3,145,494
	TOTAL	26,820,209	22,685,164
	TOTAL (I,II,III & IV)	40,447,983	34,304,812

As at

As at

SCHEDULES to the consolidated balance sheet as at 31st March, 2012

SCHEDULE 3 - DEPOSITS A I. Demand Deposits i) From Banks ii) From Others TOTAL II. Saving Bank Deposits III. Term Deposits i) From Banks ii) From Others TOTAL TOTAL TOTAL TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India TOTAL B (I+II)	1,099,403	
i) From Banks ii) From Others TOTAL II. Saving Bank Deposits III. Term Deposits i) From Banks ii) From Others TOTAL TOTAL TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	1,099,403	
ii) From Others TOTAL II. Saving Bank Deposits III. Term Deposits i) From Banks ii) From Others TOTAL TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	1,099,403	
TOTAL II. Saving Bank Deposits III. Term Deposits i) From Banks ii) From Others TOTAL TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India		889,789
II. Saving Bank Deposits III. Term Deposits i) From Banks ii) From Others TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	56,244,542	52,653,671
III. Term Deposits i) From Banks ii) From Others TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	57,343,945	53,543,460
i) From Banks ii) From Others TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	159,807,137	127,268,251
ii) From Others TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India		
TOTAL TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	47,929,152	33,273,716
TOTAL A (I+II+III) B. I. Deposits of branches in India II. Deposits of branches outside India	268,337,352	232,618,654
B. I. Deposits of branches in India II. Deposits of branches outside India	316,266,504	265,892,370
II. Deposits of branches outside India	533,417,586	446,704,081
	533,417,586	446,704,081
TOTAL B (I+II)	Nil	Nil
	533,417,586	446,704,081
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	5,000,000	-
ii) Other Banks	-	217
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	480,580	5,001,285
TOTAL	11,480,580	11,001,502
II. Borrowings outside India	928,992	45,000
GRAND TOTAL (I & II)	12,409,572	11,046,502
Secured borrowings included in I & II above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i) Bills Payable	3,411,609	3,330,534
ii) Inter Office Adjustments (Net)	382,694	634,770
iii) Interest Accrued on Non-cumulative deposits	1,087,932	1,204,770
iv) Provision Against Standard Assets	1,687,390	1,387,390
v) Other (Including Provisions)	, , , , , ,	
TOTAL (I to V)	9,308,094	5,932,003



SCHEDULES to the consolidated balance sheet as at 31st March, 2012

		As at	As at
		31.03.2012 ₹ '000' Omitted	31.03.2011 ₹ '000' Omitted
SC	HEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA	t ood omittee	, ooo ommood
I.	Cash in Hand (Including Foreign Currency Notes)	1,935,386	1,710,341
II.	Balance with Reserve Bank of India		
	i) In Current Account	25,901,153	28,039,297
	ii) In Other Accounts	-	-
	TOTAL (I+II)	27,836,539	29,749,638
SC	HEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOT	ICE	
I.	In India		
	i) Balance with Banks		
	a) In Current Accounts	307,360	327,471
	b) In Other Deposit Accounts	5,053,198	3,822,501
	TOTAL (i)	5,360,558	4,149,972
	ii) Money At Call and Short Notice		
	a) With Banks	3,250,000	1,318,000
	b) With Other Institutions	7,990,273	-
	TOTAL (ii)	11,240,273	1,318,000
	TOTAL (i & ii)	16,600,831	5,467,972
II.	Outside India		
	i) In Current Accounts	101,359	270,505
	ii) In Other Deposit Accounts	-	-
	iii) Money at Call & Short Notice	-	-
	TOTAL II of (i, ii & iii)	101,359	270,505

16,702,190

5,738,477

GRAND TOTAL (I&II)

SCHEDULES to the consolidated balance sheet as at 31st March, 2012

		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
SCH	IEDULE 8 - INVESTMENTS		
I.	Investments in India		
	Gross	216,460,298	197,220,228
	Less: Provision for Depreciation	267,110	312,549
	Net Investments	216,193,188	196,907,679
	i) Government Securities	115,461,379	103,249,067
	ii) Other Approved Securities	87,775	102,778
	iii) Shares (Pref. + Equity)	3,080,426	2,919,490
	iv) Debentures and Bonds (Including Suitfile)	20,014,856	19,279,369
	v) Sponsored Institutions	221,071	221,071
	vi) Others:		
	a) Certificate of Deposit	49,199,523	41,327,741
	b) Mutual Funds	-	132,497
	c) SIDBI	1,995,225	4,021,525
	d) NABARD	2,802,500	2,817,750
	e) Inv. In Subsidiary	-	-
	f) Venture Capital	137,500	100,000
	g) Rural Housing Development	1,762,625	1,469,425
	h) Commercial Paper	3,483,356	4,747,104
	i) Securiy Receipts	99,239	32,480
	j) Rural Infrastructure Development Fund	17,847,713	16,487,382
	TOTAL (I)	216,193,188	196,907,679
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)	216,193,188	196,907,679
III.	Investments Category-Wise		
	a) Held to Maturity	139,117,648	122,221,780
	b) Held for Trading	3,000	4,888
	c) Available for Sale	77,072,540	74,681,011
	TOTAL (a+b+c)	216,193,188	196,907,679



SCHEDULES to the consolidated balance sheet as at 31st March, 2012

ii) Cash Credits, Overdrafts and Loans Repayable on Demand 74,045,380 55 iii) Term Loans 245,825,417 196 TOTAL 330,774,215 261 B i) Secured by Tangible Assets 272,023,502 211 ii) Covered by Bank/Govt. Guarantees 4,362,440 330,774,215 261 C I. Advances in India i) Priority Sector 99,610,220 100 ii) Public Sector 99,746,700 iii) Banks 33,747,600 iv) Others 217,669,695 145 TOTAL 101 11. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil	,705,636 ,501,713 ,729,001 936,350 ,902,452 ,601,150 ,432,748 936,350 ,744,661 ,389,933
ii) Cash Credits, Overdrafts and Loans Repayable on Demand 74,045,380 55 iii) Term Loans 245,825,417 199 TOTAL 330,774,215 261 B i) Secured by Tangible Assets 272,023,502 21: ii) Covered by Bank/Govt. Guarantees 4,362,440 330,774,215 261 C I. Advances in India i) Priority Sector 99,610,220 100 ii) Public Sector 99,746,700 iii) Banks 3,747,600 iv) Others 217,669,695 147 TOTAL 11. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (1 & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	,501,713 ,729,001 936,350 ,902,452 ,601,150 ,432,748 936,350
Repayable on Demand	729,001 936,350 902,452 ,601,150 ,432,748 936,350
iii) Term Loans 245,825,417 190 TOTAL 330,774,215 261 B i) Secured by Tangible Assets 272,023,502 211 iii) Covered by Bank/Govt. Guarantees 4,362,440 311 iiii) Unsecured 54,388,273 440 TOTAL 330,774,215 261 C I. Advances in India	729,001 936,350 902,452 ,601,150 ,432,748 936,350
TOTAL 330,774,215 261 B i) Secured by Tangible Assets 272,023,502 211 ii) Covered by Bank/Govt. Guarantees 4,362,440 3 iii) Unsecured 54,388,273 44 TOTAL 330,774,215 261 C I. Advances in India	936,350 ,902,452 ,601,150 ,432,748 936,350
B i) Secured by Tangible Assets 272,023,502 213 iii) Covered by Bank/Govt. Guarantees 4,362,440 33 iiii) Unsecured 54,388,273 44 TOTAL 330,774,215 261 C I. Advances in India	,902,452 ,601,150 ,432,748 936,350 ,744,661
ii) Covered by Bank/Govt. Guarantees 4,362,440 3 iii) Unsecured 54,388,273 40 TOTAL 330,774,215 261 C I. Advances in India	,601,150 ,432,748 936,350 ,744,661
iii) Unsecured 54,388,273 44 TOTAL 330,774,215 261 C I. Advances in India i) Priority Sector 99,610,220 102 ii) Public Sector 9,746,700 21 iii) Banks 3,747,600 0 iv) Others 217,669,695 14 TOTAL 330,774,215 261 II. Advances Outside India Nil ii) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	,432,748 936,350 ,744,661
TOTAL C I. Advances in India i) Priority Sector 99,610,220 102 ii) Public Sector 9,746,700 99 iii) Banks 3,747,600 69 iv) Others 217,669,695 142 TOTAL 330,774,215 261 II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261	936,350
C I. Advances in India i) Priority Sector 99,610,220 103 ii) Public Sector 9,746,700 59 iii) Banks 3,747,600 60 iv) Others 217,669,695 143 TOTAL 330,774,215 261 II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261	,744,661
i) Priority Sector 99,610,220 100 ii) Public Sector 9,746,700 5 iii) Banks 3,747,600 6 iv) Others 217,669,695 140 TOTAL 330,774,215 261 II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261	-
ii) Public Sector 9,746,700 9 iii) Banks 3,747,600 6 iv) Others 217,669,695 147 TOTAL 330,774,215 261 II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261	-
iii) Banks 3,747,600 0 iv) Others 217,669,695 147 TOTAL 330,774,215 261 II. Advances Outside India Nil i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	,,,,,,,
iv) Others 217,669,695 147 TOTAL 330,774,215 261 II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261	,479,532
TOTAL II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) SCHEDULE 10 - FIXED ASSETS	,322,224
II. Advances Outside India i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	936,350
i) Due from Banks Nil ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	730,330
ii) Due from Others Nil GRAND TOTAL (I & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	Nil
GRAND TOTAL (I & II) 330,774,215 261 SCHEDULE 10 - FIXED ASSETS	Nil
SCHEDULE 10 - FIXED ASSETS	936,350
	200,000
I. Premises	
a) Gross Block at the beginning of the year 3,682,166	,857,387
Additions during the year 59,021	,825,225
3,741,187	,682,612
Deductions during the year 6,260	446
TOTAL (A) 3,734,927	682,166
Depreciation to date 1,049,000	978,115
2,685,927	,704,051
b) Advance against flats	
c) Constructions work in progress 51,759	21,338
TOTAL (I) [a+b+c] 2,737,686 2	

SCHEDULES to the consolidated balance sheet as at 31st March, 2012

		As at 31.03.2012 ₹ '000' Omitted	As at 31.03.2011 ₹ '000' Omitted
	EDULE 10 - FIXED ASSETS (Contd.)		
II.	Other Fixed Assets		
	(Including Furniture & Fixtures)		
	Gross Block at the beginning of the year	4,198,883	3,756,121
	Additions during the year	717,080	501,598
		4,915,963	4,257,719
	Deductions during the year	95,704	58,836
		4,820,259	4,198,883
	Depreciation to date	3,355,237	2,986,570
	TOTAL (II)	1,465,022	1,212,313
	GRAND TOTAL (I & II)	4,202,708	3,937,702
SCF	HEDULE 11 - OTHER ASSETS		
I.	Interest Accrued but not Due	3,896,117	3,092,661
II.	Interest Accrued and Due	2,687	3,325
III.	Inter Office Adjustment (Net)	-	
IV.	* Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	617,569	596,113
V.	Stationery and Paper in Hand	21,172	24,831
VI.	Deferred Tax Asset	236,743	212,611
VII.	Others	2,154,654	2,830,397
	TOTAL	6,928,942	6,759,938
	* Includes both Income Tax as well as Fringe Benefit Tax		
SCH	EDULE 12 - CONTINGENT LIABILITIES		
I.	Claims against the Bank not acknowledged as debts	1,332,637	785,501
II.	Liability for partly paid investments	-	-
III.	Liability on account of outstanding Forward Exchange Contracts	94,910,147	166,885,640
IV.	Guarantees given on behalf of constituents:-		
	a) In India	14,298,758	13,391,122
	b) Outside India	273,274	830,378
V.	Acceptances, Endorsements & Other Obligations	39,845,952	73,284,000
VI.	Other items for which the Bank is Contingently liable	-	-
	TOTAL	150,660,768	255,176,641



SCHEDULES to the consolidated Profit and loss account for the year ended 31st March, 2012

		Year Ended 31.03.2012 ₹ '000' Omitted	Year Ended 31.03.2011 ₹ '000' Omitted
SCH	EDULE 13 - INTEREST EARNED		
I.	Interest/Discount on Advances/Bills	33,936,641	26,296,049
II.	Income on Investments (Net of Amortization)	14,032,580	10,661,455
III.	Interest on Balances with R.B.I and other Inter Bank Funds	386,552	173,818
	TOTAL	48,355,773	37,131,322
SCH	EDULE 14 - OTHER INCOME		
I.	Commission, Exchange & Brokerage	1,300,365	1,271,796
II.	Profit on Sale of Investments (Less loss on sale of investments)	358,720	923,802
III.	Profit on revaluation of Investments (Less loss on revaluation of investments)	-	-
IV.	Profit on Sale of Land, Buildings & Other Assets	-	-
V.	Profit on Exchange Transactions (Less Loss on E/Transactions)	220,345	188,295
VI.	Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	295,591	261,363
VII.	Miscellaneous Income	1,175,293	1,002,306
	TOTAL	3,350,314	3,647,562
SCH	EDULE 15 - INTEREST EXPENDED		
I.	Interest on Deposits	29,012,742	20,689,121
II.	Interest on RBI/Inter-Bank Borrowings	414,695	462,990
III.	Others/Subordinate Debt	540,000	540,000
	TOTAL	29,967,437	21,692,111
CCII	FDUILE 17 ORED ATING EVERNICES		
	EDULE 16 - OPERATING EXPENSES	F 226 7F0	F 226 100
I.	Payments to and provisions for Employees	5,226,750	5,236,100
II.	Rent, Taxes and Lighting	413,159	378,566
III.	Printing and Stationery	66,452	51,297
IV.	Advertisement and Publicity	69,987	59,942
V.	Depreciation on Bank's Property	439,551	379,261
VI.	Directors Fees, Allowances and Expenses	5,201	5,831
VII.	Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	85,220	67,640
VIII.	Law Charges	9,045	8,035
IX.	Postage, Telegrams, Telephones etc.	59,097	58,087
X.	Repairs and Maintenance	92,777	50,019
XI.	Insurance	349,380	295,721
XII.	Other Expenditure	1,221,168	999,565
	TOTAL	8,037,787	7,590,064

SCHEDULES significant accounting policies and notes on accounts

SCHEDULE - 17

1. Basis of Preparation

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

2. Consolidation Procedure

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

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

A) SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE PARENT COMPANY

1. Accounting Conventions

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

2. Transactions involving Foreign Exchange

- 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 recognised 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 amortised as expense or income over the period of contract.

3. Investments

- (i) Investments are classified into "Held-to-Maturity", "Available-for-Sale" and "Held-for-Trading" categories, in accordance with the guidelines issued by Reserve Bank of India.
- (ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.
- "Held-to- Maturity" category comprises securities acquired by the Bank with the intention to hold them up to maturity. "Held-for-Trading" category comprises securities acquired by the Bank with the intention of trading. "Available-for-Sale" securities are those, which do not qualify for being classified in either of the above categories.



- (iv) Investments classified as "Held-to-Maturity" (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortised over the period remaining to the maturity.
- (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 and in case the latest balance sheet is not available the same are valued at ₹ 1/- per Company, as per RBI guidelines.
 - Investment in quoted Mutual Fund Units is valued as per Stock Exchange quotations. An investment in un-quoted Mutual Fund Units is valued on the basis of the latest re-purchase price declared by the Mutual Fund in respect of each particular Scheme. In case of Funds with a lock-in period, where repurchase price/market quote is not available, Units are valued at NAV. If NAV is not available, then these are valued at cost, till the end of the lock-in period. Wherever the re-purchase price is not available the Units are valued at the NAV of the respective scheme.
- (vi) The individual scrips 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 recognised.
- (viii) a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security
 - b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in "Held-to-Maturity" category, an equivalent amount of profit net of taxes is appropriated to the "Capital Reserve Account"
- (ix) Interest accrued up to the date of acquisition of securities i.e. broken period interest is excluded from the acquisition cost and recognised as interest expense. Broken period interest received on Sale of securities is recognised as interest income.
- (x) Brokerage paid on securities purchased is charged to revenue account.
- (xi) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.
- (xii) Transfer of securities from one category to another is done as per RBI guidelines.
- (xiii) Repurchase & Reverse repurchase transactions are accounted for in accordance with the extant RBI guidelines.
- (xiv) Bank is following settlement date accounting policy as per RBI guidelines.
- (xv) In accordance with RBI circular No. IDMD 4135/11.08.43/2009-10 dated 23-03-2010, the Bank has made changes in accounting for Repo/Reverse Repo transactions (Other than transactions under the liquidity adjustment facility (LAF) with the RBI). Accordingly the securities sold and purchased under Repo/Reverse Repo are accounted for as collateralised lending and borrowing transactions. However, securities are transferred as in case of normal outright sale/purchase transactions and such movement of security is reflected using Repo/Reverse Repo accounts and contra entries. The above entries are reversed on the date of maturity. Cost and revenue are accounted as interest expenditure/Income as the case may be. Balance in Repo account is classified under schedule 4 (Borrowing) and balance in Reverse Repo account is classified under schedule 7 (Balance with Banks & money at call & short notice).

SCHEDULES significant accounting policies and notes on accounts

4. Advances

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

5. Fixed Assets

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

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

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

Hitherto acquisition cost of computer software, not forming integral part of computers, was being charged fully in the year of purchase. In compliance to Accounting Standard(AS)-26, the Bank has changed its accounting policy w.e.f. 1st April 2011. Accordingly, acquisition cost of such software where it is probable that the future economic benefits that are contributable to this software will flow to bank is being capitalised and depreciation is charged at the rate of 33.33% in terms of RBI guidelines on straight line method.

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

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



6. Employees Benefits

- i) Short-term employee benefits are charged to revenue in the year in which the related service is rendered.
- ii) In respect of employees who have opted for provident fund scheme, matching contribution is made.
- iii) Contribution to Defined Benefit Plans (Gratuity, Pension and Leave Encashment) has been made as per AS 15 (Revised 2005) issued by the Institute of Chartered Accountants of India. However, in respect of transition liability the Bank has opted an irrevocable choice to recognise the increase in its defined benefit liability determined as per Actuarial valuation as an expense on a straight-line basis over a period of five years beginning from 01.04.2007.

7. Income Recognition and Expenditure booking

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

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

8. Credit Card reward Points

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

9. Profit

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

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

10. Taxation

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

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

11. Contingency Funds

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

SCHEDULES significant accounting policies and notes on accounts

SCHEDULE - 18

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 : 99.97%

The Subsidiary Company has increased its Authorised Capital from ₹ Five Crores to ₹ Ten Crores in its annual general meeting held on 28.09.2011.

The Operating income of the Company amounting to $\ref{eq:thm.9}$ 9,081,835, comprises of the broking commission only earned by the Company as the Authorised person of the HSBC Ltd w.e.f 01.08.2011.

The Company has utilised the infrastructure and manpower of its holding Company viz J & K Bank Ltd and has reimbursed various expenses amounting to \mathfrak{T} 9,081,835/= claimed by the Bank on reasonable estimation basis and after mutual discussion with J & K Bank, limiting the same to income earned on broking services till JKBFSL gets fully operational.

Preliminary expenditure includes expenses incurred prior to incorporation period amounting to $\overline{\xi}$ 515,885/= 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 $\overline{\xi}$ 309529/=

The deferred tax asset (Net) of ₹ 648,211/= as shown in the Balance Sheet and Profit & Loss Account represents the Net Deferred Tax (Asset-Liability) as required under AS-22 (Accounting for taxes on income).

Disclosures made by the 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 ₹ 0.49 Crores (previous year ₹ 0.53 Crores). In respect of immovable properties valued at ₹ 6.15 Crores (previous year ₹ 6.84 Crores) bank holds agreement to sell along with the possession of the properties.
- b) The Bank has certain fixed assets with Book Value at ₹ 287.74 lacs (Previous year ₹ 319.72 Lacs) generating cash, parked under respective heads, for the promotion and development of its business.
- c) The Bank has been consistently following the method of charging depreciation on fixed assets on diminishing balance as per the rates prescribed in Income Tax Rules which is higher in totality as compared to rates prescribed in Schedule XIV of the Companies Act, 1956. However, the depreciation on computers (including ATMs) along with software forming integral part of computers has been computed at the rate of 33.33% on straight-line method.
- d) Hitherto acquisition cost of computer software, not forming integral part of computers, was being charged fully in the year of purchase. In compliance to Accounting Standard(AS)-26, the Bank has changed its accounting policy w.e.f. 1st April 2011. Accordingly, acquisition cost of such software is being capitalised and depreciation is charged at the rate of 33.33% on straight line method in terms of RBI guidelines. However the impact on accounts is not material.
- e) Further the mobile phones are depreciated @50% on straight line method.
- f) Depreciation on Banks property includes amortisation in respect of leased properties amounting to ₹ 13.19 Lacs (previous year ₹ 13.12 Lacs). The book value of these properties as on 31.03.2012 was ₹ 12.57 Crores (previous year ₹ 11.36 Crores).



4. Capital

Particulars	31.03.2012	31.3.2011
CRAR (%)		
Basel –I	12.53%	13.30%
Basel-II	13.36%	13.72%
CRAR – Tier I capital (%)		
Basel – I	10.43%	10.99%
Basel –II	11.12%	11.33%
CRAR – Tier I I capital (%)		
Basel – I	2.10%	2.31%
Basel –II	2.24%	2.39%
Percentage of the share holding of the Government of India in nationalised Banks	Not Applicable	Not Applicable
Amount of subordinated debt raised during the year as Tier II capital	NIL	NIL

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

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

5. Investments

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

- The Bank has ₹7,000,000 as share capital and ₹21,40,70,800 in share capital deposit account in its sponsored Regional Rural Bank (J& K Grameen Bank).
- 7. The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 220.27 Crores as on 31.03.2012 (Previous year ₹ 220.27 Crores). In compliance with RBI Letter No. DBOD.BP.07099/21.4.141/2008-09 dated 9th April 2009, the investment stands transferred to AFS Category on 1st October, 2009. The valuation has been carried out at an average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines & the consequent appreciation has been ignored in view of the Accounting Policy in respect of such investments

8. Details of Investments (₹ In Crores)

S. No.	Items	31.03.2012	31.03.2011
01	Value of Investments		
	Gross value of investments		
	a) In India	21,651.03	19,727.02
	b) Outside India	NIL	NIL
	Provision for depreciation		
	a) In India	26.71	31.26
	b) Outside India	NIL	NIL
	Net value of investments		
	a) In India	21,624.32	19,695.76
	b) Outside India	NIL	NIL

8. Details of Investments (Contd.)

(₹ In Crores)

S. No.	Item	S	31.03.2012	31.03.2011
02	Mov	ement of provision held towards the depreciation on investments		
	(i)	Opening balance	31.26	36.26
	(ii)	Add: Provisions made during the year	12.30	45.80
		Less: Write-off/ write back of excess provisions during the year	16.85	50.80
	(iii)	Closing balance	26.71	31.26

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

(₹ In Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.12
Securities sold under repos	100.00	610.00	74.17	500.00
Securities purchased under reverse repos	30.00	1,170.00	26.53	NIL

10 Non-SLR Investment portfolio

(₹ In Crores)

S. No	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
				(ii)	(iii)	(iv)
1	PSUs	115.78	5.00	0.00	0.00	0.00
2	FIs (incl NBFC's AIFI'S)	569.42	418.81	0.00	0.00	0.00
3	Banks(inc CD's)	5,084.28	20.00	0.00	0.00	0.00
4	Private Corporates (inc CP's)	1,491.66	1,060.05	360.00	20.00	20.00
5	Subsidiaries/Joint Ventures	5.00	0.00	0.00	0.00	0.00
6	Others	2,827.95	0.00	0.00	0.00	0.00
	TOTAL	10,094.09	1,503.86	360.00	20.00	20.00
7	Provision held towards depreciation	24.69	0.00	0.00	0.00	0.00
8	TOTAL	10,069.40	1,503.86	360.00	20.00	20.00

The Bank's investment in unlisted securities as on 31-03-2012 is 0.27% (previous year 0.40%) which is well within the RBI stipulated limit of 10%.



10.1 Non-SLR Non-performing investments

(₹ In Crores)

Particulars	Amount as on 31.03.2012	Amount as on 31.03.2011
Opening Balance	20.00	20.00
Additions during the year	0.00	0.00
Reductions during the year	0.00	0.00
Closing Balance	20.00	20.00
Total Provision held including floating provisions of ₹ 2.76 crores	22.76	22.76

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

(₹ In Crores)

Particulars		As on 31	1.03.2012			As on 31	1.03.2011		
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total	
Govt. Securities	0.00	349.81	11,196.33	11,546.14	0.00	860.87	9,464.04	10,324.91	
Other approved securities	0.00	0.00	8.78	8.78	0.00	0.00	10.28	10.28	
Shares (Equity & Pref.)	0.30	307.74	0.00	308.04	0.49	291.46	0.00	291.95	
Debentures & Bond	0.00	1,771.50	229.99	2,001.49	0.00	1,691.78	236.15	1,927.93	
Subsidiaries	0.00	0.00	5.00	5.00	0.00	0.00	27.11	27.11	
Others (incl. Sponsored, CDs,CPs,	0.00	5,278.21	2,476.66	7,754.87	0.00	4,623.98	2,489.60	7,113.58	
RIDF and others)									
Sub Total	0.30	7,707.26	13,916.76	21,624.32	0.49	7,468.09	12,227.18	19,695.76	
Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GRAND TOTAL	0.30	7,707.26	13,916.76	21,624.32	0.49	7,468.09	12,227.18	19,695.76	

11. Derivatives

- $11.1\,$ No forward rate agreements / interest rate swaps were undertaken by the bank during the year.
- 11.2 The bank has not entered into exchange traded interest rate derivatives transactions during the year

11.3 Disclosures on Risk exposures in derivatives

a) Qualitative Disclosures

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

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

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

b) Quantitative Disclosures

S. No.	Particulars	Currency derivatives 31.03.2012	Interest rate derivatives 31.03.2012	Currency derivatives 31.03.2011	Interest rate derivatives 31.03.2011
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	NIL	NIL	NIL	NIL
	b) For trading	NIL	NIL	NIL	NIL
(ii)	Marked to market positions [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 one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	NIL	NIL	NIL	NIL
	b) on trading derivatives	NIL	NIL	NIL	NIL
(v)	Maximum & Minimum of 100*PV01 observed during the year				
	a) on hedging	NIL	NIL	NIL	NIL
	b) on trading	NIL	NIL	NIL	NIL

Forward Exchange contracts as on 31.3.2012

(₹ In Lacs)

Up to 14 days	53,793.60
Beyond 14 day	895,307.87
TOTAL	949,101.47

12 Non Performing Assets.

A. Movement in Gross NPA's

			(/
		31.03.2012	31.03.2011
1	Gross NPAs as on April Ist 2011 (Opening Balance)	518.83	462.31
2	Additions (Fresh NPAs) during the Year	314.68	289.14
3	Sub Total (1& 2)	833.51	751.46
	LESS		
4	Up gradation	57.57	44.61
5	Recoveries (excluding recoveries made from upgraded accounts	145.07	113.57
6	Write-offs	114.27	74.45
7	Sub Total (4,5&6)	316.91	232.63
8	Gross NPAs as on 31.3.2012	516.60	518.83



B. Movement in Net NPA's

(₹ In Crores)

S No.	Particulars	31.03.2012	31.03.2011
1	Net NPAs as on April 1st, 2011 (Opening Balance)	53.24	64.33
2	Additions during the Year	325.26	222.79
3	Sub Total (1& 2)	378.50	287.12
	(Less)		
4	Up gradation	57.57	44.61
5	Recoveries (excluding recoveries made from upgraded accounts) including ECGC claims pending adjustment	156.71	113.57
6	Write-offs	114.27	74.45
7	Sub Total (4,5&6)	328.55	232.63
8	Net NPAs as on 31.3.2012 (3-7)	49.34*	53.24*

^{*}Net NPA has been arrived after reducing net interest suspense of ₹ 0.61 Crores.(previous year ₹ 1.25 Crores)

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

S No.	Particulars	31.03.2012	31.03.2011
(a)	Opening Balance *	460.68	394.32
(b)	Add/Transfer Provision made during the year	90.00	130.00
(c)	Less write-off	100.57	63.64
(d)	Closing Balance *	450.11	460.68
(e)	NPA Coverage Ratio	93.76%	92.71%

^{*}Including floating provision of $\ref{5}$ 52.90 Crores. The Provision Coverage Ratio for the Bank as on 31.03.2012 is 93.76% which is calculated after taking into account technical write off.

13 Particulars of Accounts Restructured

(₹ In Crores)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances	No. of Borrowers	8	12	157
restructured	Amount outstanding	267.54	241.98	60.85
	Sacrifice (diminution in the fair value)	33.17	0.95	0.98
Sub standard advances	No. of Borrowers			
restructured	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Doubtful advances	No. of Borrowers			1
restructured	Amount outstanding			0.03
	Sacrifice (diminution in the fair value)			0.00
TOTAL	No. of Borrowers	8	12	158
	Amount outstanding	267.54	241.98	60.88
	Sacrifice * (diminution in the fair value)	33.17	0.95	0.98

^{*} For loan accounts with restructured amount up to ₹ 1 Crores, Diminishing Fair Value has been worked out at the rate of 5% of the amount restructured.

For loan accounts with restructured amount exceeding ₹ 1Crores, Diminishing Fair Value has been worked out as a difference in NPV of cash flows against pre-restructured terms and restructured terms at discount factor linked to PLR + Risk Premium + Term Premium.

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

(₹ In Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	NIL	1
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	NIL	NIL
3.	Aggregate Consideration	NIL	25.51
4.	Additional consideration realised in respect of accounts transferred in earlier years	NIL	NIL
5.	Aggregate gain/loss over net book value	NIL	25.51

15. Details of non performing financial assets purchased.

S. No.	Par	ticulars	Current Year	Previous Year
1.	a)	No. of accounts purchased during the year	NIL	NIL
	b)	Aggregate outstanding	NIL	NIL
2.	a)	Of these, number of accounts restructured during the year	NIL	NIL
	b)	Aggregate outstanding	NIL	NIL



16. Provision on Standard Assets

(₹ In Crores)

Particulars	31.03.2012	31.03.2011
Provision towards Standard Assets	168.74	138.74

Bank holds a provision of 168.74 Crores on standard assets (previous year $\ref{138.74}$ Crores) which has been arrived at in accordance with RBI guidelines.

17. Business Ratios

Parti	culars	31.03.2012	31.03.2011
(i)	Interest income as a percentage to working fund.*	9.38%	8.31%
(ii)	Non-Interest income as a percentage to working funds. *	0.65%	0.82%
(iii)	Operating profit as a percentage to working funds.*	2.66%	2.57%
(iv)	Return on Assets. **	1.56%	1.22%
(v)	Business (deposits plus advances) per employee***	₹ 8.86 Crores	₹ 8.56 Crores
(vi)	Profit per employee	₹ 0.09 Crores	₹ 0.08 Crores

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

18. Asset Liability Management

(i) Maturity pattern of certain items of assets and liabilities as on 31.03.2012

										(-	,
	Next	2 to 7	8 to 14	15 Days	29 Days	Over 3	Over 6	Over 1 Yr	Over 3 Yrs	Over 5	Total
	Day	Days	Days	to 28	upto 3	Mnths	Mnths	& upto 3	& upto 5	years	
				Days	mnths	& upto 6	& upto	years	years		
						mnths	1 year				
Deposits	106.71	1308.33	1016.08	787.55	4033.47	4243.50	4179.90	30424.41	6807.80	439.15	53346.90
Borrowings	548.06	0.00	0.00	75.00	10.00	7.90	0.00	0.00	0.00	600.00	1240.96
Investments	0.00	175.00	211.87	104.01	3604.24	622.67	2004.91	3193.49	3904.05	7804.08	21624.32
Advances	135.79	376.58	558.18	435.38	2773.78	3323.6	3503.50	14510.54	4248.05	3212.22	33077.42

^{**} Assets are the average of monthly total assets reported to RBI in Form X.

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

$\hbox{(ii)} \quad Details \ of \ Foreign \ currency \ Assets/ \ Liabilities \ (Maturity \ Pattern) \ as \ on \ 31.03.2012$

Liabilities

(₹ In Crores)

	1 to14 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
USD	310.38	79.51	1,526.42	2,385.93	627.77	1.51	1.08	0.00	4,932.60
EURO	16.22	0.00	100.27	50.90	14.76	1.01	0.07	0.00	183.23
GBP	12.06	0.00	4.97	9.25	9.46	1.38	0.00	0.00	37.11
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.00	0.00	0.00	0.00	0.11	0.43	0.00	0.00	0.54
CAD	0.00	0.00	0.52	0.00	0.00	0.00	0.00	0.00	0.52
CHF	0.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.68
TOTAL	339.34	79.51	1,632.19	2,446.07	652.09	4.32	1.15	0.00	5,154.67

Assets

(₹ In Crores)

								`	
	1 to14 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
USD	273.40	21.81	1,615.54	2,406.69	606.88	0.00	0.00	0.00	4,924.32
EURO	11.81	2.94	99.44	52.86	16.13	0.00	0.00	0.00	183.18
GBP	12.86	1.97	10.45	10.93	0.00	0.00	0.00	0.00	36.21
J.YEN	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45
AUD	1.00	0.16	0.16	0.00	0.00	0.00	0.00	0.00	1.32
CAD	0.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.56
CHF	0.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.85
SAR	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000
TOTAL	300.94	26.87	1,725.59	2,470.48	623.01	0.00	0.00	0.00	5,146.90

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



19. Exposures

19.1 Exposure to Real Estate Sector

(₹ In Crores)

Par	ticulars	5	31.03.2012	31.03.2011
1.	Direc	t 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;	*1,090.18	1,077.69
		(*Includes Individual housing loans eligible for inclusion in priority sector amounting to ₹ 722.77)		
	(ii)	Commercial real estate	2,686.36	1,322.77
		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 securitised exposures		
		(a) Residential	NIL	NIL
		(b) Commercial real estate	NIL	NIL
2.	Indire	ect exposure		
		based & non fund based exposure on National Housing Bank and ng finance companies)	675.10	542.43

The above data has been complied by the management and relied upon by the Auditors

19.2 Exposure to Capital Market

Parti	culars	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.	255.63	305.52
(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	1.09	0.23
(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	79.41	81.79

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19.2 Exposure to Capital Market (Contd.)

(₹ In Crores)

Partic	culars	Current Year	Previous Year
(iv)	Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e where the primary security other than shares /convertible bonds /convertible debentures /units of equity oriented mutual funds does not fully cover the advances	0.00	200.07
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers .	NIL	NIL
(vi)	Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources	NIL	NIL
(vii)	Bridge loans to companies against expected equity flows /issues	NIL	NIL
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	NIL	NIL
(ix)	Financing \to stock brokers for margin trading	NIL	NIL
(x)	All exposures to venture Capital Funds (both registered and unregistered)	25.00	25.00
TOTA	AL .	361.13	612.61

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

19.3 Risk category wise country exposure

(₹ In Crores)

Category	Risk Category	Exposure (net) as at March, 2012	Provisions held as at March, 2012	Exposure (net) as at March, 2011	Provisions held as at March, 2011
A1	Insignificant	29.28	0.00	64.30	0.00
A2	Low	0.77	0.00	0.71	0.00
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	30.05	0.00	65.01	0.00

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



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

The Bank has exceeded single borrower exposure limit in case of NBFCs by 2% over and above the regulatory limit of 10%.

(₹ In Crores)

Name of the Borrower	Exposure ceiling for NBFC (10% of capital funds)	Maximum Outstanding	BOS as on 31.03.2012
HDFC Limited	416.09	504.46	504.46

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

The advances of the Bank as on 31st March, 2012 against intangible security of Rights, Licenses and Authorisations are Nil.

22. Details of provisions

(₹ In Crores)

Particulars	31.03.2012	31.03.2011
i) Tax expense	400.11	329.45
ii) Deferred Tax Liability/ (asset)	(2.35)	(10.35)
iii) Wealth Tax	0.09	0.09
Provision against NPA's	90.00	130.00
Provision for depreciation on investments	12.30	41.03
Provision for funded interest term loan (FITL)	-	5.00
Provision for frauds and embezzlements	1.49	1.95
Provision for diminution in the fair value of restructured /rescheduled advances	20.01	16.08
Other provisions & contingencies	14.24	21.03
Provision for contingent liabilities	1.19	0.00
Provision for Standard assets	30.00	0.00
TOTAL	567.08	534.28

23. Penalty imposed by Reserve Bank of India during the year Nil (Previous year Nil).

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

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

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

Prior to this fiscal the bank used to receive the commission directly from State Government of Jammu & Kashmir on government business on receipt basis. However, due to change in system owing to agency arrangement with Reserve Bank of India, the commission on government business is now being booked on accrual basis. The change in accounting policy has resulted in increase of profits by ₹ 18.23 Crores.

24.2 Accounting Standard 9- Revenue Recognition

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

SCHEDULES significant accounting policies and notes on accounts

24.3 Accounting Standard 15 – Retirement Benefit

- a) In view of Accounting Standard-15(Revised 2005) issued by The Institute of Chartered Accountants of India, the Bank in respect of its Defined Benefit Plans (Pension, Gratuity, and Leave Encashment) on first adopting this statement as on 01-04-2007, had a transitional Liability of ₹ 149.70 Crores as per Actuarial Valuation. The liability was recognised as an expense on straight line basis over a period of five years beginning from 1.4.2007 which stands fully provided for as on 31.03.2012. Further an additional amount of ₹ 65.89 Crores has been charged to Profit & Loss account towards provision on account of Gratuity, Pension and Leave encashment as per actuarial valuation
- b) The disclosure required under Accounting Standard 15 "Employee Benefits- issued by the Institute of Chartered Accountants of India are as under":

Defined Contribution Plan

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

Defined Benefit Plans

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

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

(Amount in ₹)

Present value of Obligation	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value Of obligation 01-04-2011	1,305,412,128	4,312,347,312	645119867
Interest Cost	105,677,281	356,090,272	52,599,689
Current Service Cost	65,843,521	421,404,735	51,141,135
Past Service Cost	0	0	0
Benefits Paid	-124,300,000	-246,100,000	-52,600,000
Actuarial (gain) loss on Obligation	218,319,580	260,807,498	58,421,893
Present Value Of obligation 31-03-2012(Projection)	1,570,952,510	5,104,549,817	754,682,584
Fair value of plan Assets 01-04-2011	949,000,081	3,784,655,597	0
Expected Return On plan assets	92,972,003	341,610,224	0
Contributions	485,300,000	760,000,000	52,600,000
Benefits Paid	-124,300,000	-246,100,000	-52,600,000
Actuarial gain (Loss) Plan Assets	-27,672,084	115,434,179	0
Fair value of plan Assets 31-03-2012	1,375,300,000	4,755,600,000	0
Total Actuarial gain (loss) to be recognised	-245,991,664	-145,373,319	-58,421,893



			(Amount in ₹)
Present value of Obligation	Gratuity Funded	Pension Funded	Leave Encashment
Balance Sheet Recognition			unfunded
Present Value Of Obligation	1,570,952,510	5,104,549,817	754,682,584
Fair Value Of Plan Assets	-1,375,300,000	-4,755,600,000	7 54,062,364
Liability (assets)	195,652,510	348,949,817	754,682,584
Unrecognised Past Service Cost	193,032,310	0	7 54,062,364
Liability (asset) recognised in the Balance Sheet**	195,652,510	348,949,817	754,682,584
Less: Liability already recognised	193,032,310	0	640,411,168
Plus : 1/5th Amortised Transitional Liability	89,095,141	152,255,772	58,052,005
Total of three plans : ₹ 299402918			
Less: Transition Remaining Total of three plans: ₹ Nil	0	0	0
Current Year Liability/(Asset)			
Total of three plans: ₹ 958276661	284,747,651	501,205,589	172,323,421
Profit & Loss – Expenses			
Current Service Cost	65,843,521	421,404,735	51,141,135
Interest Cost	105,677,281	356,090,272	52,599,689
Expected Return On plan assets	-92,972,003	-341,610,224	0
Net Actuarial gain (loss) recognised in the year	245,991,664	145,373,319	58,421,893
Past Service Cost	0	0	0
Expenses Recognised in the statement of Profit & Loss	324,540,463	581,258,102	162,162,717
Actual Return on Plan Assets			
Expected Return on plan assets	92,972,003	341,610,224	0
Actuarial gain (Loss) plan assets	-27,672,084	115,434,179	0
Actual Return on plan assets	65,299,919	457,044,403	0
Movement in the net Liability recognised in the Balance Sheet			
Opening net Liability	356,412,047	527,691,715	645,119,867
Expenses	324,540,463	581,258,102	162,162,717
Contribution	-485,300,000	-760,000,000	-52,600,000
Closing Net Liability	195,652,510	348,949,817	754,682,584
Actuarial Assumption			
Mortality Table (L.I.C.)	1994-96 Ultimate	1994-96 Ultimate	1994-96 Ultimate
Discount Rate (Per Annum)	8.5%P.A	8.5%P.A	8.5%P.A
Expected rate of return on plan assets (p.a.)	8%P.A	8%P.A	NA
Rate of escalation in salary	3.5%	3.5%	4%p.a
Disability	NIL	NIL	NIL
Attrition	1% P.A	1%P.A	1% P.A
Retirement age	60 Years	60 Years	60 Years

The above information is certified by the actuary

24.4. Accounting Standard 17 – Segment Reporting

i) The Bank has recognised 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)
Des	script	ion	Year Ended 31.03.2012	Year Ended 31.03.2011
A	Seg	ment Revenue (Income)		
	i.	Treasury Operations	1,500.61	1,197.66
	ii.	Corporate/Whole sale Banking	1,745.50	1,397.06
	iii.	Retail Banking	2,245.31	1,911.74
	iv.	Other Banking Business	38.23	34.59
	TO	TAL	5,529.65	4,541.15
		(Less): Inter segment revenue	359.95	463.26
	Tota	al Income from Operations	5,169.70	4,077.89
B	Seg	ment Results (Profit before tax)		
	i.	Treasury Operations	30.25	(4.87)
	ii.	Corporate /Wholesale Banking	906.59	596.66
	iii.	Retail Banking	233.89	314.36
	iv	Other Banking Business	30.37	28.24
	TO	TAL	1,201.10	934.39
C	(Se	gment Assets)		
	i	Treasury Operations	23,880.17	20,606.42
	ii	Corporate /Wholesale Banking	19,957.60	14,690.78
	iii	Retail Banking	16,417.86	15,196.39
	iv	Other Banking Business	13.59	14.56
	TO	TAL	60,269.22	50,508.15
D	(Se	gment Liabilities)		
	i.	Treasury Operations	5,012.73	851.19
	ii.	Corporate/Wholesale Banking	13,388.94	15,786.80
	iii.	Retail Banking	37,766.11	30,382.50
	iv.	Other Banking Business	8.26	8.97
	TO	TAL	56,176.04	47,029.47
E	Cap	oital Employed (Segment Assets-Segment Liabilities)		
	i.	Treasury Operations	18,867.44	19,755.23
	ii.	Corporate/Wholesale Banking	6,568.66	(1,096.03)
	iii.	Retail Banking	(21,348.25)	(15,186.11)
	iv.	Other Banking Business	5.33	5.59
	TO	TAL	4,093.18	3,478.68

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



24.5. Accounting Standard 18 - Related party disclosures as on 31.03.2012

(₹ In Crores)

Items/Related Party	J&K Grameen Bank	JKB Financial Services Ltd.
Deposits	887.08	5.10
Advances	13.25	0.00
Investments	22.11	5.00
Interest Paid	76.18	0.48
Interest/Commission Received	5.96	0.00
Salary	NIL	NIL

(₹ In lacs)

Items/Related Party	K.M.P* Mr.Mushtaq Ahmad(Chairman)	K.M.P* Mr. A K Mehta (Ex-ED)	K.M.P* Mr. Abdul Majid Mir (Ex-ED)
Deposits	-	-	-
Advances	-	-	-
Investments	-	-	-
Interest paid	-	-	-
Interest/Commission Received	-	-	-
Salary	51.10	1.87	2.78

^{*} Key Managerial Personnel

24.6. Accounting standard 19 - Leases

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

24.7. Accounting standard 20 - Earning per share

(₹ In Crores)

Particulars	31.03.2012	31.03.2011
Net Profit available to Equity Share Holders	803.25	615.20
No. of Equity Shares	48,477,802	48,477,802
Basic/Diluted Earning per share (in Rupees)	165.69	126.90
Face value per share	₹ 10/-	₹ 10/-

24.8. Accounting Standard -21 (Consolidated Financial Statements)

SCHEDULES significant accounting policies and notes on accounts

24.9 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 recognised.

(₹ in lacs)

Timing Difference	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	NIL	75.91
Leave encashment	2,436.81	NIL

Net Deferred Tax Asset as on 31.03.2012 : ₹ 2,360.95 lacs Tax Impact for the year : ₹ 234.84 lacs

24.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of $\ref{0.74}$ Crores on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to $\ref{0.34}$ Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to $\ref{0.40}$ Crores has been charged to Profit & Loss account treating it as a Revenue expenditure for the reason that the Bank cannot declare dividend to shareholders without writing it off completely in view of the provisions of the Banking Regulation Act, 1949. Accordingly, the Bank has not evaluated useful life of this Brand strategy project over which the expenses could be amortised.

Further, the Bank has incurred an amount of $\mathbf{\xi}$ 2.80 Crores on account of purchase of computer software, not forming integral part of computers, and has capitalised the cost of the same.

24.11 Accounting Standard 28 - Impairment of Assets

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

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

In respect of Contingent Liabilities under each class shown as per Schedule 12, in the opinion of the Management, the possibility of any out flow in settlement is remote. However, a provision of $\ref{1.45}$ Crores is outstanding as on 31.03.2012 to meet certain claims decreed against the Bank but still not acknowledged as debts owing to the appeal filed by the bank before the court of competent jurisdiction, pending adjudication.

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

The Bank has not issued any letter of comfort (LOC) on its behalf. However, Letter of Comfort issued on behalf of customers have been reported under respective heads of contingent liabilities in the financial statements of bank as on 31.03.2012.



25. OTHER DISCLOSURES

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. Claims pending with ECGC amounts to ₹ 05.08 Crores (Previous year ₹ 37.93 Crores)
- b) Concentration of Deposits, Advances, Exposures & NPA's

25.1 Concentration of Deposits

Total Deposits of 20 largest depositors (₹ In Crores)	7,910.90
Percentage of 20 largest deposits to total Deposits of the Bank	14.83%

25.2 Concentration of Advances

Total Advances to twenty largest borrowers (₹ In Crores)	7,842.22
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	23.71%

25.3 Concentration of Exposures

Total Exposure to twenty largest borrowers / customers (₹ In Crores)	8,549.12
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on	15.63%
borrowers/customers	

25.4 Concentration of NPA'S

Total Exposure to top four NPA accounts (₹ In Crores) 52.51

25.5 Sector wise NPA'S

S No.	Sector	Percentage of NPA to Total advances in that sector
1	Agriculture & Allied activities	1.79%
2	Industry (Micro & Small Medium and Large)	2.37%
3	Services	4.40%
4	Personal Loans	1.85%

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

SCHEDULES significant accounting policies and notes on accounts

25.6 Overseas Assets, NPA's and Revenues

(₹ In Crores)

S No.	Particulars	
1	Total Assets	NIL
2	Total NPAs	NIL
3	Total Revenue	NIL

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

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

26. DETAILS OF FLOATING PROVISIONS

26.1 Advances (₹ In Crores)

		()
Particulars		
Opening balance	52.90	52.90
Additions made during the year	0.00	0.00
Utilisation made during the year	0.00	0.00
Closing balance	52.90	52.90

26.2 Investments (₹ In Crores)

Particulars		
Opening balance	2.76	2.76
Additions made during the year	0.00	0.00
Utilisation made during the year	0.00	0.00
Closing balance	2.76	2.76



27. CUSTOMER COMPLAINTS

Α	No of complaints pending at the beginning of the year	57
В	No of complaints received during the year	202
С	No of complaints redressed during the year	221
D	No of complaints pending at the end of the year	38

28. AWARDS PASSED BY THE BANKING OMBUDSMAN

A	No of unimplemented Awards at the beginning of the Year	NIL
В	No .of Awards passed by the banking ombudsman during the year	1
С	No of Awards implemented during the year	1
D	No of unimplemented Awards pending at the end of the year	NIL

29. 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.

30. MOVEMENT IN PROVISION FOR CREDIT CARD REWARD POINT IS SET OUT BELOW

	(₹ In Crores)
Opening Provision Balance as on 01.04.2011	0.57
Provisions made during the year 2011-12	0.70
Redemption made during the year	0.52
Closing Balance at the end of year	0.75

31. BANCASSURANCE BUSINESS

The Bank has tie ups with M/S Met-Life (P) Ltd and M/S Bajaj Alliance (P) Ltd for mobilising insurance business both life and non-life. The details of the commission earned by the Bank during 2011-12 on account of mobilising said business is given hereunder:-

(₹ In Crores)

S. No	Nature of Income	
1	For selling life insurance policies	16.81
2	For selling non-life insurance polices	5.84
3	For selling mutual fund products	NIL
4	Others – (Logo Charges)	6.91
TO	ΓAL	29.56

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

Mushtaq Ahmad Hari Narayan Iyer M. I. Shahdad Vikrant Kuthiala Chairman & CEO Director Director Director Prof. Nisar Ali Nihal Garware Abdul Majid Matto R. K. Gupta Director Director Director Director G. M. Sahibzada S. K. Bhat Abdul Majid Bhat **Executive President** President Company Secretary

Place: Srinagar

Dated: 12th May, 2012

For OP Garg & Co. Chartered Accountants FRN: 01194N

CA. Manish Kumar Gupta Partner (M. No. 097191)

Place: Srinagar Dated: 12th May, 2012 For Verma Associates Chartered Accountant FRN: 02717N

For K B Sharma & Co.

FRN: 02318N

Partner

CA. Abhay Kumar

(M. No. 500681)

Chartered Accountants

CA. Madan Verma Partner (M. No. 081631)

For PC Bindal & Co. Chartered Accountants FRN: 03824N

CA. P. C. Bindal Partner (M. No. 082683) For KK Goel & Associates Chartered Accountants

FRN: 05299N

CA. K. K. Goel Partner

(M. No. 015002)



CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2012

			₹ '000' Omitted
		2011-12	2010-11
Α	Cash Flow from Operating Activities	11,764,951	(6,590,862)
В	Cash Flow from Investing Activities	(704,558)	(2,275,629)
С	Cash Flow from Financing Activities	(2,009,779)	(1,787,765)
	Net Change in Cash and Cash Equivalents	9,050,614	(10,654,257)
D	Cash and Cash Equivalents at the beginning of the year	35,488,115	46,142,372
Е	Cash and Cash Equivalents at the End of the Year	44,538,729	35,488,115
A.	CASH FLOW FROM OPERATING ACTIVITIES:		
	Net Profit after Taxes	8,030,754	6,153,278
	Add: Provision for Taxes	3,977,898	3,192,473
	Net profit before taxes (i)	12,008,652	9,345,751
	Adjustment for:		
	Depreciation charges	439,551	379,261
	Provision for NPA's	900,000	1,300,000
	Provision for Standard Assets	300,000	-
	Depriciation on investment	122,946	410,311
	Other provisions	369,265	440,646
	Deffered revenue Expenditure written off during the year	52	52
	Intrest paid on subordinate Bonds (Financing Activities)	540,000	540,000
	Total Adjustment (ii)	2,671,814	3,070,270
	Operating profit before change in Operating assets & liabilities (i) + (ii)	14,680,466	12,416,021
	Adjustment for changes in Operating Assets & Liabilities		
	Increase / (Decrease) in Deposits	86,713,505	74,385,174
	Increase / (Decrease) in Borrowings	1,363,070	44,438
	Increase / (Decrease) in Other liabilities & provisions	2,501,281	(2,944)
	(Increase) / Decrease in investments	(19,408,455)	(57,805,517)
	(Increase) / Decrease in Advances	(69,937,962)	(32,824,930)
	(Increase) / Decrease in Other Assets	(123,468)	383,963
	Net Cash flow from Operating activities (iii)	1,107,971	(15,819,816)
	Cash generated from operation (i + ii + iii)	15,788,437	(3,403,795)
	Less: Tax paid	4,023,486	3,187,067
	TOTAL: (A)	11,764,951	(6,590,862)
В.	CASH FLOW FROM INVESTING ACTIVITIES:		
	a) Fixed Assets	(704,558)	(2,275,629)
	TOTAL: (B)	(704,558)	(2,275,629)
C.	CASH FLOW FROM FINANCING ACTIVITIES:		
	a) Share Capital	-	-
	b) Equity Share Warrants	-	-
	c) Share Premium	-	-
	d) Tier II Bonds	-	-
	e) Dividend & Divident Tax Paid	(1,469,779)	(1,247,765)
	f) Interest Paid on Subordinate Debt	(540,000)	(540,000)
	TOTAL: (C)	(2,009,779)	(1,787,765)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2012

₹ '000' Omitted

		2011-12	2010-11
D.	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	a) Cash in hand & Balance with R.B.I	29,749,638	27,447,263
	b) Balance with Banks & Money at Call & Short Notice	5,738,477	18,695,109
	TOTAL: (D)	35,488,115	46,142,372
E.	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	a) Cash in hand & Balance with R.B.I	27,836,539	29,749,638
	b) Balance with Banks & Money at Call & Short Notice	16,702,190	5,738,477
	TOTAL: (E)	44,538,729	35,488,115

Mushtaq Ahmad Hari Narayan Iyer M. I. Shahdad Vikrant Kuthiala Chairman & CEO Director Director Director Prof. Nisar Ali Nihal Garware Abdul Majid Matto R. K. Gupta Director Director Director Director

G. M. Sahibzada S. K. Bhat Abdul Majid Bhat

Executive President President Company Secretary

Place: Srinagar

Dated: 12th May, 2012

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 12th May, 2012 at Srinagar

Company Secretary

Auditors Certificate

We have verified the attached Consolidated Cash Flow Statement of THE JAMMU & KASHMIR BANK LIMITED which has been compiled from and is based on the Audited Financial Statements for the year ended March, 31st 2012 and March, 31st 2011. 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.

In terms of our report of even date annexed

For OP Garg & Co. For K B Sharma & Co. For Verma Associates For P C Bindal & Co. For KK Goel & Associates Chartered Accountants Chartered Accountants Chartered Accountant Chartered Accountants Chartered Accountants FRN: 02318N FRN: 03824N FRN: 05299N FRN: 01194N FRN: 02717N CA. P. C. Bindal CA. Manish Kumar Gupta CA. Abhay Kumar CA. Madan Verma CA. K. K. Goel Partner Partner Partner Partner Partner (M. No. 500681) (M. No. 097191) (M. No. 081631) (M. No. 082683) (M. No. 015002)

Place: Srinagar

Dated: 12th May, 2012



BASEL-II- PILLAR-3 DISCLOSURES AS ON 31.03.2012



TABLE DF-1: SCOPE OF APPLICATION

1. Qualitative disclosure

1.1	Name of the bank in the group to	The Jammu and Kashmir Bank Ltd.
	which the Framework applies.	

- .2 An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group.
 - The revised capital adequacy norms (in conformity with Basel-II Pillar 3 requirements) apply to I&K Bank at Solo level.
 - The bank has one fully owned subsidiary i.e. JKB Financial Services Ltd.
 - * The bank has also sponsored one regional rural bank namely, J&K Grameen Bank.
 - Consolidated financial statements of the group (parent and fully owned subsidiary) have been prepared on the basis of audited financial statements of J&K Bank and its fully owned subsidiary, combined on line by line basis by adding together like items of assets, liabilities, income and expenses after eliminating intra group transactions.

		Name	Activity	Holding (%)
1.3	That are fully consolidated	JKB Financial	Marketing of Bank's	100%
		Services Ltd	Financial Products	
1.4	That are pro-rata consolidated	Nil	NA	NA
1.5	That are given a deduction	J&K Grameen Bank	Rural Banking	35%
	treatment			
1.6	That are neither consolidated nor deducted (e.g. where the	MetLife India	Insurance	11.18%
	investment is risk weighted).			

2. Quantitative Disclosures

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

Entire investment of ₹ 5.00 Crores in JKB Financial Services and ₹ 22.10 Crores in J&K Grameen Bank is deducted from Capital of the bank for capital adequacy calculation.

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

a)	Name	MetLife India Co. ltd Brigade Seshamahal 5,Vani Vilas Road, Basavangudi, Bangalore-560004
b)	Amount of Investment	₹ 220.27 Crores
c)	Country of Incorporation/ Residence	India
d)	Proportion of ownership interest	11.18%
e)	Proportion of Voting Power	11.18%
f)	Quantitative impact on regulatory capital of using this method versus using deduction.	CRAR under risk weighted method is 13.36% as against 12.83% under deduction method.

TABLE DF - 2: CAPITAL STRUCTURE

1. Qualitative disclosure

1.1 Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instrument eligible for inclusion of tier 1 or in the upper tier 2.

The Bank has raised a subordinate debt of ₹ 600 Crores which forms part of lower Tier 2 Capital of the Bank.

2. Quantitative Disclosures

2.1	The amount of tire-I capital with separate disclosure of:	Amount in ₹ Crores
	Paid up capital	48.49
	Statutory and other disclosed free reserves	3,981.56
	Capital Reserves	63.13
	Other capital instruments	
	Amount deducted from tier 1 capital, including goodwill and investment.	37.16
	Total Tier I Eligible Capital (net of deductions)	4,056.02
2.2	The total amount of tier 2 capital (net of deductions from tier 2 capital) :	816.65
2.3	Debt capital instruments eligible for inclusion in upper tier 2 capital	
	Total Amount outstanding	Nil
	Of which amount raised during the current year	Nil
	Amount eligible to be reckoned as capital funds	Nil
2.4	Subordinated debt eligible for inclusion in lower tier 2 capital	
	Total amount outstanding	600.00
	Of which the amount raised during the current year	Nil
	Amount eligible to be reckoned as capital funds	600.00
2.5	Other deductions from capital if any is	Nil
2.6	Total eligible capital	4,872.67

TABLE DF - 3: CAPITAL ADEQUACY

Qualitative disclosure

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

Quantitative Disclosures

Amount in ₹ Crores

2.1	Capital requirements for credit risk	2,798.72	
	Portfolio subjected to standardised approach (@9%CRAR)	2,798.72	
	Portfolios subjected to the IRB approaches	Nil	
	Securitisation exposures	Nil	
2.2	Capital requirement for market risk (under Standardised duration approach)	208.11	
	Interest rate risk	161.43	
	Foreign exchange risk (including gold)	2.43	
	Equity risk	44.25	
2.3	Capital requirement for operational risk	276.51	
	Basic indicator approach:	276.51	
2.4	Capital Adequacy ratio (CRAR) for consolidated group and significant subsidiaries (as per Basel-II norms)		
	Name of the Entity Total CRA	R Tier I CRAR	
	Consolidated bank (Group as a whole) 13.36	% 11.11%	
	J&K bank (on solo basis) 13.36	% 11.12%	

RISK EXPOSURE AND ASSESSMENT

Objectives and Policies

Organisational Structure---- Risk Management

The very nature of the banking business involves managing complex and variable risks in a disciplined and effective manner, more so in today's rapidly changing business environment for banks. The Bank has developed required skills to manage key areas of banking risks viz. credit risk, market risk and operational risk. The Bank's risk management architecture has been created and functions in tune with the RBI guidelines, which ensures that policies, procedures and processes are strictly followed for measuring and managing all types of risks on an enterprise-wide basis so as to achieve the organisational goals. The risk management system is overseen by Board of Directors of the bank, with Integrated Risk Management Committee (IRMC), a board level sub-committee entrusted with the overall responsibility of ensuring that adequate structures, policies and procedures are in

place and implemented for risk management in the Bank. The IRMC of Board is supported by three separate Executive level Committees viz, Credit Risk Management Committee (CRMC), Asset-Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC) to ensure effective management of credit, market and operational risks respectively. Above executive level committees are in turn assisted / supported by respective risk management support groups for credit, operational, market and liquidity risks These support groups provide support functions to the above committees through analysis of risks and reporting of risk positions and making recommendations as to the level and degree of risks to be undertaken.

TABLE DF - 4: CREDIT RISK

1. General disclosures --- Credit risk

Credit Risk is the possibility of loss that a bank may be subjected to, on account of changes or deterioration in the credit profile / credit quality of the borrowers and counterparties. The counterparties may include an individual, corporate, bank, financial institution or a sovereign. In a bank's portfolio, losses stem from outright default due to inability or un-willingness of a borrower or counterparty to honor commitments in relation to lending, trading, settlement and other financial transactions. The credit risk management in the bank aims at ensuring sustained growth of healthy loan portfolio while identifying and managing the credit risks, both at the transaction and portfolio levels. This entails striking a balance between risk and return, thereby ensuring optimisation of values for all stakeholders and at the same time striving towards maintaining / increasing the bank's market share.

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

- a) Well defined credit risk management structure to identify measure, monitor and control / mitigate credit risk right from the loan origination to its disbursement.
- b) Bank has put in place board approved comprehensive credit risk policy for credit risk management in the bank. Bank has also operationalised Credit Risk Mitigation and Collateral Management Policy detailing various tools for credit risk mitigation.
- Board approved Investment Policy of the Bank addresses credit risks related to investment activities of the Bank and it prescribes prudential limits, methods of

- risk measurement, and hedges required in mitigation of risks arising in investment portfolio.
- Defined segment exposures classified into retail, small / medium enterprises and Corporates.
- e) Industry wise segment ceilings on aggregate lending by the Bank.
- f) Individual borrower wise ceilings on lending as well as borrower group wise lending ceilings linked to the Bank's capital funds.
- g) A comprehensive risk scoring / credit rating system. The rating system serves as a single point indicator of diverse risk factors of counterparty and also for taking credit decisions in a consistent manner.
- h) Allowing credit exposures as per the credit rating of borrowers' upto defined thresholds of risk levels. The approach also includes diversification of credit portfolio rating category wise but within the acceptable risk parameters.
- 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.
- 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.
- Regular review of all credit sanctioning powers delegated to various sanctioning levels so as to continuously strengthen the credit processes, and monitoring oversight.
- Approval processes with respect to credit proposals are preceded by study of risks and preliminary due diligence particularly while sourcing fresh credit accounts.
- m) Credit audit system and loan review mechanism function independently of the credit processing / credit approval system and ensure effective loan monitoring, management / mitigation of credit and operational risks in the loan portfolio.

J&K Bank

BASEL-II- PILLAR-3 DISCLOSURES AS ON 31.03.2012

2. Qualitative Disclosures

- 2.1 The general qualitative disclosure requirement with respect to credit risk including:
- 2.1.1 Definition of NPA and impaired account (for accounting purposes)

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

- Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan
- b. The account remains 'out of order' as indicated in paragraph 2.1.2 below, in respect of an Overdraft / Cash Credit (OD/CC)
- The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted
- d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops
- e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- f. In respect of securities, where interest/principal is in arrears, for a period of more than 90 days, the bank does not reckon income on the securities and also makes appropriate provisions for the depreciation in the value of the investment. A non-performing investment is similar to a NPA in classification as defined above.

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

2.1.2 'Out of Order' status

An account is treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously

for 90 days as on the date of Balance Sheet or credits are not sufficient to cover the interest debited during the same period, these accounts are treated as "out of order.

2.1.3 Overdue

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

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

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

- 2.3 For banks that have partly, but not fully adopted either the foundation IRB or the advanced IRB approach, a description of the nature of exposures within each portfolio that are subject to the
 - 1) Standardised
 - 2) Foundation IRB
 - Advanced IRB approaches and of managements plans and timing for migrating exposures to full implementation of the applicable approach.

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

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3. Quantitative Disclosures

		Amount	in ₹ Crores
3.1	Total gross credit risk exposures – Fund based and	a) On Balance Sheet	60,269.22
	Non-fund based separately, broken down by major	b) Off Balance sheet	15,066.07
	types of credit exposures.	Total	75,335.29
3.2	Geographic distribution of exposures:		
	Overseas		
	Domestic		75,335.29
3.3	Industrial type distribution of exposure, Fund based and Non-fund based separately.	Major industry type exposure is given as per Annexure- A.	separately
3.4	Residual contractual maturity breakdown of assets,	Residual contractual maturity is given as per Annexure- B.	separately
3.5	Amount of NPAs (Gross)		516.60
	Substandard		176.25
	Doubtful		247.08
	Loss		93.27
3.6	Net NPAs		49.34
3.7	NPA Ratios		
	Gross NPAs to gross advances		1.54%
	Net NPAs to net advances		0.15%
3.8	Movement of NPAs (Gross)		
0.0	Opening balance		518.83
	Additions		314.68
	Reductions		316.91
	Closing balance		516.60
3.9	Movement of provisions for NPAs		
	Opening balance		460.69
	Provisions made during the period		90.00
	Write-off		100.58
	Write back of excessive provisions		
	Closing balance		450.11
4.0	Amount of non-performing investment		20.00
4.1	Amount of provisions held for non-performing investment		20.00
4.2	Movement of provision for depreciation on investments.		
	Opening balance		31.26
	Provisions made during the period		12.30
	Write-off		16.34
	Write back of excessive provision		0.51
	Closing balance		26.71

TABLE DF - 5: (A) CREDIT RISK:

Disclosure for portfolio subject to the standardised approach

1. Qualitative disclosure

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

2. Quantitative Disclosures

2.1 For exposure amount after risk mitigation subjected to the standardised approach, amount of bank's outstanding (rated and un-rated) in the following three major risk buckets as well as those that are deducted:

	Amount in ₹ Crores
Below 100% risk weight	38,840.17
100% risk weight	16,354.10
More than 100% risk weight	4,839.41

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TABLE DF - 6: CREDIT RISK MITIGATION: DISCLOSURE FOR STANDARDISED APPROACH

1. Qualitative disclosure

1.1 The general qualitative disclosure requirements with respect to credit risk mitigation

A Credit Mitigation and Collateral Management Policy, addressing the Bank's approach towards the credit risk mitigants used for capital calculation, is in place.

1.2 Policies and processes for, and an indication of the extent to which the bank makes use of on and off balance sheet netting.

Bank has put in place Board approved policy on Credit Risk Mitigation and Collateral Management, covering credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes. The Bank has a separate collaterals valuation policy that forms the basis for valuation of collaterals.

1.3 Policies and processes for collateral valuation and management

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

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

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

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

1.5 The main type of guarantor counterparties and their creditworthiness.

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

Main types of guarantor counter party are

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

Majority of financial collaterals held by the Bank are by way of bank's own deposits, government securities, Life Insurance Policies and other approved securities like NSCs, KVPs etc. Bank does not envisage market liquidity risk in respect of financial collaterals. Overall, financial collaterals do not have any issue in realisation. Concentration on account of collateral is also relevant in the 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 recognised as eligible collateral under Basel II Standardised 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.



BASEL-II- PILLAR-3 DISCLOSURES AS ON 31.03.2012

2. Quantitative Disclosures

Amount in $\overline{\mathbf{T}}$ Crores

2.1	For disclosure of credit risk portfolio under the standardised	Exposure covered by Deposits/Cash
	approach, the total exposure that is covered by:	4,265.12
2.2	Eligible financial collaterals; after the application of haircuts.	Exposure covered by Other Eligible Collaterals
	Total	4,265.12

DF—7 ASSET SECURITISATION

SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH

1. Qualitative disclosure

a	The general qualitative disclosur to securitisation, including a disc The bank's objectives in relation including the extent to which the risk of the underlying securitised bank to other entities. The role played by the bank in the an indication to the extent of the of them; and The regulatory capital approach securitisation activities.	closure of: to securitisation activity, ese activities transfer credit d exposures away from the ne securitisation process and b bank's involvement in each	Bank is not undertaking any securitisation activity at present
b	activities, including:		
	Recognition of gain on sales and		
	Key assumption for valuing reta- significant changes since the last impact of such changes;		
C	Names of ECAIs used for Securitisation exposure for which		

2. Q

Quan	titative Disclosures	
d)	The total outstanding exposure securitised by the bank and subject to the Securitisation framework by exposure type.	Bank is not undertaking any securitisation activity at present
e)	For exposure securitised by the bank and subjected to the Securitisation framework.	
	Losses recognised by the bank during the current period broken down by the exposure type.	
f)	Aggregate amount of Securitisation exposure retained or purchased broken down by exposure type.	
	Aggregate amount of Securitisation exposure retained or purchased broken down into a meaningful number of risk weight bands. Exposures that have been deducted entirely from tier1 capital, credit enhancing I/Os deducted from total capital, and other exposure deducted from total capital should be disclosed separately by type of underlying exposure type. Summary of securitisation activity presenting a comparative	
	position for two years, as a part of the notes on account to the balance sheet:	
	Total number of book value of loan asset securitisation – by the type of underlying assets;	
	Sale consideration received for the securitised assets and gain/loss on the sale on account of securitisation; and Form and quantum (outstanding value) of services provided by way of credit enhancement, liquidity support, post securitisation asset servicing, etc.	

TABLE DF - 8: MARKET RISK IN TRADING BOOK

1. General Disclosures---Market Risk

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

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

2. Qualitative disclosure

2.1 The general qualitative disclosure requirement for market risk including the portfolio covered by securitised approach.

The HFT and AFS portfolios are covered by the 'Standardised Duration' approach for calculation of Market Risk.

Market Risk Management group set under the overall supervision of IRMC of the board is responsible for identification, assessment, monitoring and reporting of Market risk. Board approved Trading Policy and Investment policy with defined Market Risk Management parameters for each asset class is in place. Risk monitoring is an ongoing process with the position reported to the top management and the ALCO at the stipulated intervals.

Risk measurement and reporting is based on parameters such as Modified Duration, maximum permissible exposures, net open position limit, and Gap limits in line with global best practices.

2.2 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, which is periodically supplemented by stress testing / back testing processes.

3. Quantitative Disclosures

Amount in ₹ Crores

3.1	The capital requirement for market risk as per Standardised Duration Approach:	208.11
	Interest rate risk.	161.43
	Equity position risk.	44.25
	Foreign exchange risk.	2.43
	Commodity risk.	nil



BASEL-II- PILLAR-3 DISCLOSURES AS ON 31.03.2012

3.2 For portfolios under the IMA,

The high, mean, and low VaR values over the reporting period and period-end.

A comparison of VaR estimates with actual gains/losses experienced by the bank, with analysis of important "outliers" in back-test results.

As per RBI directives, the Bank is following the standardised duration method for capital charge computation for market risk. The bank is also preparing itself for migration to Internal models approach (IMA) for capital measurement for market risk.

TABLE DF - 9--- OPERATIONAL RISK

1. General Disclosures

The Bank has put in place an operational risk management (ORM) policy to manage operational risk in an effective, efficient and proactive manner. Operational Risk Management Committee (ORMC) at the Executive level oversees bank wide implementation of ORM policy. The primary objective is to identify the operational risks which may result from inadequate and /or missing controls or from internal processes, people, and systems and from external events. The system is used to assess or measure the magnitude of operational risk losses, monitor them and control or mitigate them by devising necessary control measures. The Bank has also implemented a comprehensive Business Continuity Plan (BCP) and established required Disaster Recovery setup to ensure continuity of critical operations of the Bank in the event of any business disruption.

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

2. Qualitative disclosure

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

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

A board approved operational risk management policy is in place which contains guidelines on identification, assessment and mitigation of various operational risks besides guidelines on internal control functioning. The business continuity plan (BCP) has also been put in place to ensure continuity of business in the event of any disruption. Bank has in place a robust control mechanism and a strong MIS for mitigation and control of operational risks.

3. Quantitative Disclosures

Capital charge for operational risk

Capital charge for operational risk is computed as per the Basic Indicator Approach prescribed by RBI. Under this approach, capital allocation for operational risk works out to:

₹ 276.51 Crores

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TABLE DF - 10: INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

1. Qualitative disclosure

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

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

- Earnings Perspective--- The bank utilises traditional gap analysis for calculating the impact on its earnings (Net Interest Income) due to adverse movements in interest rates with the assumed change in yield on 200 basis points over one year.
- Economic Value Perspective---- The bank utilises Duration Gap Analysis for calculating the long term impact on market value of equity due to adverse movements in interest rates with the assumed change in the yield on 100 basis points. Measurement and computation of interest rate risk in Banking Book under the above two methods is done on a quarterly 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 %).

Changes on account of Interest rate volatility

Changes in net interest income (with 200 bps change in interest rates for both assets and liabilities)

₹ 15.73 Crores

Change in market value of equity (with 100 bps change in interest rates for both assets and liabilities).

11.71%



BASEL-II- PILLAR-3 DISCLOSURES AS ON 31.03.2012

ANNEXURE-A

Industry-wise Deployment of Credit and Investment Exposures

S.No	Industry	Amount in ₹ crores Amount
3.No	Mining and quarrying (including Coal)	36.71
2	Food Processing	305.91
2	Out of 2	505.91
		32.74
	Sugar Edible oils & Vanaspati	177.58
	Tea	0.00
	Others	95.59
3	2.3 Beverage & tobacco	136.63
4	Textiles	627.63
Ŧ	Out of 4	027.03
	Cotton Textiles	461.32
	Jute Textiles	1.23
	Man - Made Textiles	15.57
	Other Textiles	149.51
5	Leather & Leather Products	69.49
6	Wood & Wood Products	41.37
7	Paper & Paper Products	89.11
8	Petroleum, Coal Products and Nuclear fuels	0.57
9	Chemicals and Chemical Products	472.91
	Out of 9	1/2./1
	Fertiliser	46.1
	Drugs & Pharmaceuticals	158.69
	Petro Chemicals	226.04
	Others	42.08
10	Rubber, Plastic & their Products	75.31
11	Glass and Glassware	27.58
12	Cement and Cement Products	829.61
13	Basic Metal and Metal Products	2049.57
	Out of 13	
	Iron & Steel	1413.48
	Other Metal & Metal Products	636.09
14	All Engineering	608.73
	Out of 14	
	Electronics	412.78
	Others	195.95
15	Vehicles, Vehicle Parts and Transport equipment	108.93
16	Gems and Jewellery	14.79
17	Construction	480.15
18	Infrastructure	4342.04
	Out of 18	
	Power	1885.41
	Telecommunication	611.55
	Roads & Ports	828.63
	Other Infrastructure	1016.45
19	Other Industries	8850.63
	Total Industry (Micro & Small, Medium and Large)	19167.67

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ANNEXURE- B Residual contractual maturity of Assets as on 31.03.2012

Amount in ₹ crores

											P	mount in	₹ crores
INFI	LOWS	5	Next Day	2 to7 Days	8 to 14 Days	15 to 28 Days	29 Days & Upto 3 Mnths	Over 3 Mnths & upto 6 Mnths	Over 6 Mnths & upto 1 Yr	Over 1 Yr. Upto 3 Yrs.	Over 3 Yrs. Upto 5 Yrs	Over 5 Years	Total
1.	Cash	h	193.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	193.54
2.	Bala	nnce with RBI	0.00	0.00	0.00	184.38	188.52	197.15	193.15	1418.81	314.12	93.99	2590.12
3.	Bala	nnce with other Banks											
	(I)	Current Account	40.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	40.87
	(ii)	Money at call and short notice,											
		term Deposits and other placements	1124.02	0.00	250.00	50.00	200.00	4.32	1.00	0.00	0.00	0.00	1629.34
4.	Inve	estments	0.00	175.00	211.87	104.01	3604.24	622.67	2004.91	3193.49	3904.05	7804.08	21624.32
5.	Adv	vances (performing)											
	(I)	Bills purchased & Discounted (including bills under DUPN)	8.04	48.22	56.25	174.32	522.52	280.57	0.00	0.00	0.00	0.00	1089.92
	(ii)	Cash credits, overdrafts & Loans repayable on demand	100.00	100.00	100.00	150.00	250.00	300.00	477.72	5910.86	0.00	0.00	7388.58
	(iii)	Term Loans	10.21	123.15	279.18	111.06	2001.26	2743.03	3025.58	8599.68	4233.20	3177.73	24304.08
	(iv)	Prepayment of Term Loans	17.54	105.21	122.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	245.50
6.	NP.	As	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.85	34.49	49.34
7.	Fix	ed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	420.27	420.27
8.	Oth	her Assets											
	(I)	Inter -office adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii)	Leased Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii)	Others (Tangible Assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9.	Reve	erse Repos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10.	Swaj	ps(Sell/Buy)/ maturing forwards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11.	Expe	ected Increase in Deposits.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12.	Inte	rest receivable/Accrued	0.16	1.98	4.48	1.78	32.10	44.00	48.53	137.95	67.91	50.98	389.87
13.		(Inflows)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14.	Expo	ort Refinance from RBI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15.	Oth	ers (Specify)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	303.47	303.47
	TO	TAL INFLOWS	1494.38	553.56	1024.53	775.55	6798.64	4191.74	5750.89	19260.79	8534.13	11885.01	60269.22





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

In line with its vision, J&K Bank wants to use Corporate Governance innovatively in a transitional economy like Jammu and Kashmir. The Bank wants to use Corporate Governance as an instrument of economic and social transformation. In due course, we would set our self-targets of social and economic reporting as a part of annual disclosures. This will help us conceptualise and contextualise the form and content of Corporate Governance in a developing state. Given the fact that J&K Bank is and is seen as a great success of "public-private partnership", 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 service and solutions and to be a super-specialist Bank in the rest of the country. The two together will make us the most profitable Bank in the country.

BOARD OF DIRECTORS

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

COMPOSITION

The Bank's Board of Directors comprises a judicious mix of Executive, Non-Executive and Independent Directors as per the Corporate Governance requirements. Appreciating the fact that Board Composition is key to Corporate Governance, the Board of Directors of your Bank consists of eminent persons with considerable professional experience and expertise in Banking, Finance, Economics, Industry, Law etc., combining their wide ranging experiences to impart values and provide direction to Bank's development.

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Your Board is professional and an active Board which meets frequently during the year to chart out policies and practices. The present strength of the Board is Eight comprising of Chairman, and Seven Non- Executive Directors.

FUNCTIONS OF THE BOARD

Your Bank's Board plays a pivotal role in ensuring good governance. Its style of functioning is democratic. The Members of the Board always had complete freedom to express their opinion and decisions are taken on the basis of a consensus arrived at after detailed discussion. The members are also free to bring up any matter for discussion at Board Meetings with the permission of Chairman.

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

BOARD PROCEDURE

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

FREQUENCY OF BOARD MEETINGS

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

25-4-2011:14-05-2011:15-06-2011:10-07-2011:30-07-2011:07-09-2011:26-09-2011:31-10-2011:12-12-2011:28-01-2012:10-03-2012

ATTENDANCE AT BOARD MEETINGS

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

Financial Year 2011-12. Attendance at Board Meetings

Name of Director	Category of Director	Meetings during the tenure	Meetings Attended	% of Attendance	Whether Attended AGM held on 9/7/2011
Mr. Mushtaq Ahmad	Chairman & CEO	11	11	100	Yes
Mr. Sudhanshu Pandey, IAS (upto 02-03-2012)	Non Executive Director	10	6	60	Yes
Mr. Arnab Roy (up to 06-10-2011)	Independent Non Executive Director	7	1	14	-
Mr. Hari Narayan Iyer (from 07-10-2011)	Independent Non Executive Director	4	3	75	-
Mr. A. K. Mehta (up to 31-05-2011)	Executive Director	2	2	100	-
Mr. Abdul Majid Mir (up to 30-06-2011)	Executive Director	3	3	100	-
Mr. B. L. Dogra (up to 02-06-2011)	Independent Non Executive Director	2	1	50	-
Mr. M. I. Shahdad	Independent Non Executive Director	11	11	100	Yes
Prof. Nissar Ali	Independent Non Executive Director	11	10	91	-
Mr. A. M. Matto	Independent Non Executive Director	11	11	100	Yes
Mr. Vikrant Kuthiala	Independent Non Executive Director	11	10	91	Yes
Mr. R. K.Gupta	Independent Non Executive Director	11	11	100	Yes
Mr. Nihal Garware	Independent Non Executive Director	11	8	73	Yes



BRIEF PROFILE OF DIRECTORS

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

Mr. Mushtaq Ahmad

Mr. Mushtaq Ahmad, Chairman & Chief Executive Officer of the Bank, has more than 37 years of experience in banking. Mr. Mushtaq Ahmad joined the Bank in the year 1972 as Probationary Officer and during his banking career he has held various important and senior positions in the Bank as a part of Corporate Management Team. He has practical experience in the field of Finance, Corporate and Retail Banking, Treasury & Investment Management, International Banking, Liability & Risk Management and General Administration/ HRD.

Mr. Hari Narayan Iyer

Mr. Hari Narayan Iyer, General Manager, Rural Planning & Credit Department, Reserve Bank of India, Jaipur is a Master of Business Administration (MBA) in Banking & Finance and a Certified Associate of the Indian Institute of Bankers, (CAIIB). He has 7 years of Commercial Banking experience and over 18 years of central Banking experience, serving in the Reserve Bank of India in various capacities.

Mr. Mohammad Ibrahim Shahdad

Mr. M. I. Shahdad is a holder of Master's Degree in Economics and LLB from Aligarh Muslim University. He started his professional carrier in1963 and practiced Law in J&K High Court for a period of more then 10 years and thereafter started his own manufacturing and export business specializing in Kashmir Handicrafts. Mr. Shahdad has made significant contribution to Commerce & Industry by being associated with Kashmir Chamber of Commerce & Industry in the capacity of President and other prominent positions. He was awarded the lifetime achievement award by Kashmir Chamber of Commerce & Industry in the year 2006-07. Mr. Shahdad has also remained on the Board of IDBI for a period of 3 years as a member from North zone.

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

Mr. Vikrant Kuthiala

Mr. Vikrant Kuthiala is B. Com (Hons) from Hindu College, Delhi University. He is a prominent Businessman from Jammu with interests in Steel manufacturing, Educational and Hydel projects. He is the Chairman, J&K State Committee of PHD Chamber of Commerce and Industry, New Delhi; Joint Secretary (Jammu) of Indian Institute of Public Administration, Regional Branch, New

Delhi; Member (Organized Sector) Regional Advisory Committee of Central Excise & Customs; National Executive Committee Member Mayo College Old Boys' Society, Ajmer; President Mayo Alumni, Jammu; Treasurer Jammu Adventure Sports Club, Jammu. He is also a Member of India Islamic Cultural Centre, New Delhi and INTACH, J&K Chapter, Jammu

Prof. Nisar Ali

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

Prof. Nisar Ali has held various positions in the University of Kashmir during 38 years of uninterrupted career which include Head, Deptt. of Economics, Head, Media Education Research Centre, Director Population Research Centre, Director, Centre for Energy Studies, Dean Faculty of Social Sciences, Dean, College Development Council, Coordinator/Director NAAC and Acting Vice-Chancellor (in the absence of Vice-Chancellor) during 2007-09.He has been associated with development planning of State and budget making process. He was Member of various Working Groups constituted by the Government for 5th five year plan to 10th five year plan. He has been member of various High Power Committees of J&K Government.

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

He has been Member of J&K State Finance Commission

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2007-10, J&K Govt and is presently Director, Board of Directors, State Finance Corporation, J&K Govt. He has assessed more than 120 higher learning education institutions including Universities in the country as Chairperson/Member Secretary of the national team on behalf of NAAC/UGC.

Mr. Abdul Majid Matto

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

Mr. R. K. Gupta

Mr. R. K. Gupta, aged 49 years, is a professional Chartered Accountant with 26 years standing, possessing skill in Finance, Taxation, Auditing and Corporate Legal Affairs. He started his professional career with M/s Gupta Gupta & Associates in January, 1986 and heads this renowned firm of Chartered Accountants since then. Mr. Gupta remained in Executive Committee of the Jammu & Kashmir Branch of the Institute of Chartered Accountants of India for three terms 1991-1994; 1994-1998 and 2006-2009. During these three terms he represented the Branch as it Treasurer, Secretary, Vice Chairman and Chairman. Mr. Gupta has been member of Tax Payers Committee of this region. He has also been member of Research Committee & Direct Tax Committee of the Institute of Chartered Accountants of India. He is also empanelled as Peer Reviewer with Peer Review Board of ICAI. Having authored various articles, Mr. Gupta has to his credit published Articles in the Chartered Accountants Journal and also in Current Tax. Com on the issue of Taxation and Accounting Standards. Mr. Gupta has been Guest Speaker on many occasions for various Seminars and study Circle meets of the Chartered Accountants & others. Mr. Gupta is a member of Taxation Advisory Committee and other Committees of the Chamber of Commerce & Industry, Jammu. He is also a Trustee in Charitable Institution providing education to the under privilege children and relief to the needy. In view of his interest in social activities and sports, Mr. Gupta is also a member of Sports and Health Committee as well as Finance Committee of Prestigious Social Club. Mr. Gupta has been nominated as PATRON of Akhil Bhartiya Mahajan Shiromani Sabha and also nominated to work on faculty of Business Studies by Vice-Chancellor of Jammu University for the triennial period of 2009-2012.

Mr. Nihal C. Garware

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

Disclosures

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

- 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.
- 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.
- All Directors of your Bank except State Govt. nominees are Non-Executive and Independent Directors within the meaning of clause 49 of Listing Agreement.
- 4. The Bank did not enter into any material related party transaction with its Directors or Management or their Relatives that would potentially conflict with and adversely effect interests of the Bank.
- 5. The Directors did not incur any disqualification under Section 274(1)(g)of the Companies Act, 1956 or under any other law applicable to the Bank.
- 6. None of the Directors of the Bank are holding positions as Chairman of more than five and as a Member of more than ten Audit, Remuneration and Shareholders Grievance Committees.
- The Bank has complied with Corporate Governance norms as stipulated by SEBI.
- 8. The Bank has complied with all applicable accounting standards and related RBI guidelines.



DIRECTORSHIP IN OTHER COMPANIES

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

Mr. Mushtaq Ahmad

Director: JKB Financial Services Ltd.

Mr. Vikrant Kuthiala

Director: R.B.Jodhamal & Co Pvt Ltd., R.B. Jodhamal Industries Pvt Ltd., R.B.Jodhamal Vidyut Ltd., R.B.Jodhamal Steel Pvt Ltd., Bishan Alloys Pvt Ltd.

Mr. Nihal C. Garware

Director: Garware Finance Corporation Ltd., CBG Trading Pvt Ltd., Shashikant B Garware Investment Co Pvt. Ltd., Anjan Holding Pvt. Ltd., Aba Garware Research Foundation.

MEMBERSHIP OF COMMITTEES OF OTHER COMPANIES

NIL

COMMITTEES OF THE BOARD

The Board of Directors of your Company has constituted several Committees of the Board to take decisions on matters requiring special focus. The role and functions of the main Committees of the Board is described hereunder:

AUDIT COMMITTEE

Role and Function

Bank has constituted an Audit Committee of the Board (ACB) comprising of 4 Non-Executive Independent Directors. The main functions of the Audit Committee are to assess and review the financial reporting system of the Bank, to ensure that the Financial Statements of the Bank are correct, sufficient and credible. It addresses itself to matters pertaining to adequacy of internal controls, reliability of financial statements / other management information, adequacy of provisions, whether the audit tests are appropriate and scientifically carried out. It follows up on all issues raised in the Long Form Audit Report and interacts with External Auditors before finalisation of Annual Financial Accounts and Reports focusing primarily on accounting policies and practices, major accounting entries and compliance with the Accounting Standards. The Committee also reviews the adequacy of Internal Control System and holds discussions with Internal Auditors / Inspectors on any significant finding and follow up action thereon. It also reviews the financial and risk management policies of the Bank and evaluates the findings of any internal investigation where there is any suspected fraud or irregularity or failure of Internal Control System of material nature and reports to the Board. ACB also focuses on the follow up of inter-branch adjustment accounts and other major areas of Balancing of Books and House Keeping.

Composition, Meetings and Attendance

The Audit Committee of the Board consists of:

Mr. R. K. Gupta	(Chairman)
Prof. Nisar Ali	(Member)
Mr. A. M. Matto	(Member)
Mr. Vikrant Kuthiala	(Member)

The Audit Committee met Fourteen times during the year in due compliance with RBI and Listing Agreement requirements, on the following dates:

25-04-2011;13-05-2011;14-05-2011;26-06-2011;30-07-2011;23-10-2011;24-10-2011;31-10-2011;31-10-2011;15-11-2011;26-12-2011;09-01-2012;27-01-2012;10-03-2012

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. R. K. Gupta	14	14	100%
Mr. Arnab Roy (up to 06-10-2011)	6	0	0%
Mr. A. K. Mehta (up to 31-05-2011)	3	3	100%
Prof. Nissar Ali	14	12	86%
Mr. Vikrant Kuthiala (from 15-10-2011)	9	9	100%
Mr. A. M. Matto	14	14	100%

MANAGEMENT COMMITTEE

Role and Function

The Management Committee of the Board considers various business matters of material significance like sanctioning of loan proposals, compromise / write-off cases, sanction of capital and revenue expenditures, etc.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)
Mr. Nihal C. Garware	(Member)

The Management Committee met Nine times during the year on the following dates:

25-04-2011; 15-06-2011; 10-07-2011; 30-07-2011; 07-09-2011; 31-10-2011; 12-12-2011; 28-01-2012; 10-03-2012; 10-0

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	9	9	100%
Mr. Sudhanshu Pandey, IAS (upto 02-03-2012)	8	4	50%
Mr. M. I. Shahdad	9	9	100%
Mr. Vikrant Kuthiala	9	8	89%
Mr. A. M. Matto	9	9	100%
Mr. R. K. Gupta	9	9	100%
Mr. Nihal Garware	9	8	89%



INTEGRATED RISK MANAGEMENT COMMITTEE

Role and Function

Bank has constituted an Integrated Risk Management Committee to manage market risk, credit risk and operational risk in an integrated and efficient manner and the Committee performs the following essential functions:

- Identify, monitor and measure the risk profile of the Bank.
- Develop policies and procedures, verify the models that are used for pricing complex products and also identify new risks.
- Develop policies that clearly spell out the quantitative prudential limits on various segments of Bank's operations.
- Effectively communicate the risk strategy and policies throughout the organization

Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Prof. Nisar Ali	(Member)
Mr. R. K. Gupta	(Member)
Mr. A. M. Matto	(Member)

The Integrated Risk Management Committee met Three times during the year on the following dates.

26-06-2011; 01-11-2011 and 10-03-2012

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	3	3	100%
Mr. Sudhanshu Pandey, IAS (upto 02-03-2012)	2	1	50%
Mr. Arnab Roy (up to 06-10-2011)	1	0	-
Mr. Abdul Majid Mir (up to 30-06-2011)	1	1	100%
Prof. Nisar Ali	3	3	100%
Mr. A. M. Matto	3	2	66.67%
Mr. R. K. Gupta	3	3	100%

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Role and Function

- The Bank has constituted a Committee designated as Shareholders Investors Grievance Committee which looks into redressing of Shareholders and Investors Complaints.
- * All Shareholders' / Investors' Grievances / Correspondence were expeditiously attended to and the replies sent generally within a period of 7 days of receipt. No share transfer beyond 30 days was pending as on 31st March, 2012. All requests for dematerialization of shares are likewise processed and confirmation communicated to Investors and Depository Participants within five working days.
- Ouring the year 396 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.	Non receipt of Share Certificates	0	0	0
2.	Non receipt of Share Certificates after transfer (NRSCAT)	0	0	0
3.	Non receipt of dividend warrants (NRDW)	25	25	0
4.	Non receipt of fully paid stickers/Annual Reports	4	4	0
5.	Legal Notices	0	0	0
6.	Complaints from Stock Exchanges/SEBI	1	1	0
7.	Change / Correction of address	48	48	0
8.	Change/ Correction of Bank Mandate on instruments	16	16	0
9.	Registration of Nomination	16	16	0
10.	Registration of Bank Mandate	74	74	0
11.	Registration of NECS	84	84	0
12.	Receipt of dividend warrants for revalidation	46	46	0
13.	Loss of Shares and request for duplicate shares	46	46	0
14.	Request for transmission	31	31	0
15.	Request for deletion of name due to death	5	5	0
16.	Correction of name on share certificate	3	3	0
17.	Correspondence/ query relate to NSDL operation	5	5	0
	TOTAL	404	404	0

Composition, Meetings and Attendance

Shareholders / Investors Grievance Committee consists of:

Mr. M. I. Shahdad	(Chairman)
Prof. Nissar Ali	(Member)
Mr. R. K. Gupta	(Member)

Shareholders / Investors Grievance Committee met Three times during the year on the following dates.

27-06-2011; 31-10-2011 and 09-03-2012.

These meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. M. I. Shahdad	3	3	100%
Mr. Abdul Majid Mir (up to 30-06-2011)	1	1	100%
Prof. Nisar Ali (from 15-10-2011)	2	2	100%
Mr. R. K. Gupta (from 15-10-2011)	2	2	100%



OTHER COMMITTEES

MONITORING OF LARGE VALUE FRAUDS COMMITTEE

Role and Function

Committee has been constituted pursuant to RBI directions to monitor the fraud cases involving an amount of $\mathbf{\xi}$ 1 Crore and above.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Prof. Nisar Ali	(Member)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. Nihal Garware	(Member)

The Monitoring of Large Value Frauds Committee met Three times during the year on the following dates;

27-06-2011; 01-11-2011 and 10-03-2012

These meetings were attended by the Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	3	3	100%
Mr. M. I. Shahdad	3	3	100%
Prof. Nisar Ali	3	3	100%
Mr. Vikrant Kuthiala (from 15-10-2011)	2	2	100%
Mr. Nihal Garware (from 15-10-2011)	2	1	50%

NOMINATION COMMITTEE

Role and Function

The Nomination Committee of the Board has been constituted in pursuance to the directions of RBI, for implementation of Ganguly Committee Recommendations with a view to decide the fit and proper person criteria for appointment / continuing to hold office of Director in the Bank.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)

The Nomination Committee met Three times during the year on the following dates:

25-04-2011; 08-07-2011 and 31-10-2011

These meetings were attended by the Members as detailed below.

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	3	3	100%
Mr. Sudhanshu Pandey (Up to 02-03-2012)	3	3	100%
Mr. A. M. Matto	3	3	100%
Mr. R. K. Gupta	3	3	100%

CUSTOMER SERVICE COMMITTEE

Role and Function

The Committee has been constituted with a view to look into matters relating to customer complaints and speedy redressal thereof.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Mushtaq Ahmad	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Prof. Nisar Ali	(Member)

The Customer Service Committee met Three times during the year on the following dates:

27-06-2011; 01-11-2011 and 09-03-2012

These meetings were attended by the Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	3	3	100%
Mr. M. I. Shahdad	3	3	100%
Mr. A. M. Matto (up to 15-10-2011)	1	1	100%
Mr. Vikrant Kuthiala	3	3	100%
Prof. Nisar Ali (From 15-10-2011)	2	2	100%

INFORMATION TECHNOLOGY COMMITTEE

Role and Function

Bank has constituted IT Committee, with a view 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. Mushtaq Ahmad	(Chairman)
Prof. Nisar Ali	(Member)
Mr. Nihal C. Garware	(Member)

The Information Technology Committee met Three times during the year on the following dates:

27-06-2011; 01-11-2011 and 09-03-2012



These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad	3	3	100%
Mr. Sudhanshu Pandey, IAS (up to 03-02-2012)	2	2	100%
Mr. Vikrant Kuthiala (up to 15-10-2011)	1	1	100%
Prof. Nisar Ali	3	3	100%
Mr. Nihal C Garware	3	2	66.67%

LEGAL COMMITTEE

Role and Function

Bank has constituted Legal Committee to take review of legal and suit filed cases.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Nihal C. Garware	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A. M. Matto	(Member)

The Legal Committee met Five times during the year on the following dates:

27-06-2011; 01-11-2011;30-12-2011;23-01-2012 and 09-03-2012

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Nihal C Garware	5	4	80%
Mr. A. M. Mir (Up to 30-06-2011)	1	1	100%
Mr. M. I. Shahdad	5	5	100%
Mr. Vikrant Kuthiala (From 15-10-2011)	4	3	75%
Mr. A. M. Matto (From 15-10-2011)	4	3	75%

ESTATES COMMITTEE

Role and Function

Bank has constituted the Estates Committee to evaluate, negotiate and finalise purchase and lease of premises for Bank's branches/offices and staff quarters, within and outside the state.

Composition, Meetings and Attendance

The Committee consists of:

Mr. Nihal C. Garware	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)

The Estates Committee met Three times during the year on the following dates:

27-06-2011;01-11-2011 and 09-03-2012

These Meetings were attended by Members as detailed below:

Name of Director	Meetings during the tenure	Meetings Attended	% of Attendance
Mr. Nihal C Garware	3	2	68%
Mr. Vikrant Kuthiala	3	3	100%
Mr. M. I. Shahdad	3	3	100%

COMPENSATION COMMITTEE

Role and Function

Bank has constituted the Compensation Committee to consider and approve the amount of performance linked incentives to be paid to Chairman and Senior Executives of the Bank and framing the guidelines for the introduction and management of Employee Stock Option Scheme.

Composition, Meetings and Attendance

The Committee consists of:

Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)
Mr. Nihal C. Garware	(Member)

REMUNERATION

Policy

Remuneration of the Chief Executive Officer / Whole-time Directors is subject to approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949.

Chairman & CEO

Mr. Mushtaq Ahmad is the Chairman & CEO of the Bank effective from 6th October, 2010. In terms of Section 35B of the Banking Regulation Act, 1949, the monthly remuneration being paid to him, details of which are given below, has been duly approved by the Reserve Bank of India.

Basic Pay	₹ 400,000.00
DA	-
Provident Fund	-
TOTAL	₹ 400,000.00

Non – Executive Directors

Non – Executive Directors other than the State Govt. and RBI nominated Directors are paid only sitting fees for the meetings attended.

The details of the same are given below:

₹ 15,000/- for every Board Meeting or Committee Meeting.

Details of number of Shares / Convertible Debentures held by Non-Executive Directors as on 31.03.2012:

Name of the Director	Number of shares held	Number of Convertible Debentures held
Mr. Mushtaq Ahmad	230	NIL
Mr. M. I. Shahdad	9148	NIL
Mr. A. M. Matto	1698	NIL



OTHER DISCLOSURES

Code of Conduct for the Board Members and Senior Management Personnel

The Board of Directors has approved a Code of Conduct for Board Members and Senior Management Personnel of J&K Bank. This Code is also available on the website of the Bank, www.jkbank.net. In terms of revised Clause 49 of the Listing Agreement, a confirmation from the Chairman & CEO regarding compliance with the Code by all the Directors and Senior Management is furnished below.

I confirm that all Directors and Senior Management Personnel have affirmed compliance with the J&K Bank Code of Conduct for Board Members and Senior Management Personnel.

Mushtaq Ahmad

Chairman & CEO

CEO / CFO CERTIFICATION

In terms of revised Clause 49 of the Listing Agreement, the certification by the CEO and CFO on the financial statements and internal controls relating to financial reporting has been obtained.

INSIDER TRADING CODE

The Bank has formulated a Code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2002 to prevent practices of Insider Trading. Mr. Abdul Majid, 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. The Bank has complied with the provisions of relevant Acts, Rules & Regulations framed there under during the year 2011-12.

Economic Value Addition

Economic value added is a fairly reliable measure of an enterprise's efforts in measuring Value Addition. Besides the quantitative earnings, EVA indicates the quality of earnings as it represents the excess an organization is able to generate over its Cost of Capital. A positive EVA indicates that the business has generated wealth in excess of what is expected by the shareholders. EVA calculations of the Bank are given below for the last three years:

EVA Calculations for last three years

(Amount in ₹ crores)

S.No	Financial	Post Tax	Capital	Cost of	Post Tax Return on	EVA
	Year	Profit	Employed	Capital	Capital Employed	
1	2009-10	512.37	3010	2.90%	17.02%	14.12%
2	2010-11	615.20	3479	3.21%	17.68%	14.47%
3	2011-12	803.25	4093	3.95%	19.62%	15.67%

STATUTORY INFORMATION 01 CORPORATE OVERVIEW 04 BOARD AND MANAGEMENT REPORTS 08 FINANCIAL STATEMENTS 26 GOVERNANCE IO2

SHARE HOLDERS INFORMATION

Stock Exchanges where equity shares are listed.

The Addresses of Stock Exchanges where the equity shares of the Bank are listed are furnished hereunder:

 National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai 400 051

b The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001

The annual fees for 2012-13 have been paid to all the Stock Exchanges where the shares are listed.

Stock Code: J&K Bank

Demat ISIN Number : INE 168A01017

Name of Depositories: i. NSDL

ii. CDSL

Registrar and Transfer Agent (RTA)

Karvy Computershare Private Limited Unit:- J&K Bank, Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081 Andhra Pradesh, India Phone: 040-23420838 Fax: 040-23420814

Email ID for redressal of Investor Grievances

Pursuant to Clause 47(c) of the Listing Agreement, Bank has created a separate Email ID for redressal of Investor Complaints and Grievances. The Email ID for redressal of Investor Grievances is sharedeptt_gc@jkbmail.com

Compliance Officer

Email: jkbank@karvy.com

Name: Abdul Majid Bhat, Company Secretary

Role: To ensure compliance to all statutory regulations as far as they relate to Company Secretary and redressal of grievance of Shareholders / Investors

Address: The Jammu & Kashmir Bank Ltd.

Board Secretariat, Corporate Headquarters

M. A. Road, Srinagar 190 001

Phone 0194-2483775 / 0194-2481930-35 (Extn.)1540

Financial Calendar

Approval of Quarterly Results for the period ending:

30th June, 2011	30th July, 2011
30th September, 2011	31th October, 2011
31st December, 2011	28th January, 2012
31st March, 2012 (Audited)	12th May, 2012



Information relating to last four General Body Meetings is furnished below:

Name of Meeting	Day, Date and time of meeting	Venue	Special Business Transacted
70th Annual General	Saturday, 19th July, 2008	Sher-i-Kashmir International Conference	Nil
Meeting	at 11: 00 AM	Centre (SKICC),Srinagar	
71st Annual General	Saturday, 26th Sept. 2009	Sher-i-Kashmir International Conference	NIL
Meeting	at 11: 00 AM	Centre (SKICC),Srinagar	
72nd Annual General	Saturday, 31st July, 2010	Sher-i-Kashmir International Conference	NIL
Meeting	at 11: 00 AM	Centre (SKICC),Srinagar	
73rd Annual General	Saturday, 9th July, 2011 at	Sher-i-Kashmir International Conference	Alteration of Articles of Association
Meeting	11: 00 AM	Centre (SKICC),Srinagar	

DIVIDEND HISTORY OF LAST FIVE YEARS

Financial year	Rate of Dividends (%)	Date of Declaration	Date of Payment
2006-07	115	09.06.2007	09.06.2007
2007-08	155	19.07.2008	25.07.2008
2008-09	169	26.09.2009	05.10.2009
2009-10	220	31.07.2010	09.08.2010
2010-11	260	09.07.2011	18.07.2011

2010-11	CRCHOROROROROROROROROROROROROROROROROROR	260%
2009-10	\$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	
2008-09	\$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	
2007-08	**************************************	
2006-07	**************************************	

DEMATERIALISED / PHYSICAL SHARES

The shares of the Bank are in compulsory dematerialised segment and are available for trading in depository systems of both National Securities Depository Limited and Central Depository Services (India) Ltd. as on 31st March, 2012, the position of dematerialized shares as well as physical shares are as under

As on 31.03.2012

Particulars	No. of Shares	%age
Physical Shares	1,926,825	3.97
Dematerialized Shares	46,550,977	96.03
Total	48,477,802	100.00

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2012

Sr. No	Category	No of Holders	% to Holders	Amount	% of Amount
1	Up to 5,000	22364	90.13	25,007,570	5.16
2	5,001 - 10,000	1,698	6.84	11,039,300	2.28
3	10,001 - 20,000	299	1.21	4,333,060	0.89
4	20,001 - 30,000	108	0.44	2,665,950	0.55
5	30,001 - 40,000	62	0.25	2,169,900	0.45
6	40,001 - 50,000	29	0.12	1,304,040	0.27
7	50,001 - 100,000	87	0.35	6,207,550	1.28
8	100,001 & Above	165	0.67	432,050,650	89.12
	TOTAL	24,812	100.00	484,778,020	100.00

LIST OF SHAREHOLDERS HOLDING MORE THAN 1% AS ON 31ST MARCH, 2012

Name of the Shareholder	No. of Shares	% Holding
Chief Secretary Jammu and Kashmir Govt	24,322,598	50.17
Aberdeen Global Indian Equity Fund Mauritius limited	1,718,000	3.54
FID Funds (Mauritius) limited	1,520,677	3.14
Secretary Finance Deptt. Jammu and Kashmir Govt.	1,452,668	3.00
ICICI Prudential Life Insurance Company Ltd.	1,253,702	2.59
Equinox Partners LP	765,841	1.58
Acacia Partners LP	706,955	1.46
Fidelity Investment Trust Fidelity International Discovery Fund	545,569	1.13
Kuroto Fund LP	516,013	1.06
Rising India Focus Fund Limited	483,859	1.00

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 unclaimed dividend of last three years is as under

As on 31.03.2012

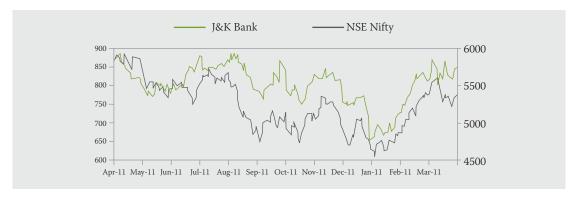
Financial Year	Amount of Unclaimed dividends
2008-09	3,168,984
2009-10	4,052,825
2010-11	4,469,185
TOTAL	11,690,994



STOCK MARKET DATA

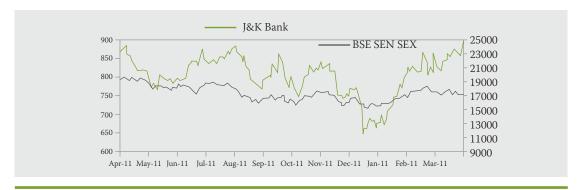
J&K Bank on NSE Nifty April, 2011 - March, 2012

Month	Hi	ighest	Lowest		Closing		Volume for the	
	Rate	Date	Rate	Date	Rate	Date	Month(₹)	
April, 2011	899.00	06.04.2011	804.00	29.04.2011	807.30	29.04.2011	483,661,000	
May, 2011	824.40	16.05.2011	765.00	10.05.2011	804.10	31.05.2011	258,075,000	
June, 2011	888.30	27.06.2011	781.05	03.06.2011	840.15	30.06.2011	760,796,000	
July, 2011	886.95	28.07.2011	823.25	11.07.2011	867.00	29.07.2011	404,717,000	
August, 2011	915.00	02.08.2011	756.40	29.08.2011	786.70	30.08.2011	636,690,000	
September, 2011	888.70	09.09.2011	767.30	26.09.2011	802.30	30.09.2011	598,625,000	
October, 2011	858.90	31.10.2011	740.30	10.10.2011	842.50	31.10.2011	317,939,000	
November, 2011	845.00	01.11.2011	731.70	24.11.2011	751.65	30.11.2011	157,262,000	
December, 2011	780.00	07.12.2011	645.25	15.12.2011	675.60	30.12.2011	322,621,000	
January, 2012	834.00	31.01.2012	668.30	02.01.2012	829.50	31.01.2012	334,004,000	
February, 2012	907.00	17.02.2012	782.45	23.02.2012	864.85	29.02.2012	613,082,000	
March, 2012	927.05	30.03.2012	803.35	05.03.2012	919.00	30.03.2012	611,173,000	



J&K Bank on BSE Sensex April, 2011 – March, 2012

Month	Hi	ighest	Lowest		Closing		Volume for the
	Rate	Date	Rate	Date	Rate	Date	Month(₹)
April, 2011	915.00	06.04.2011	805.10	25.04.2011	809.55	29.04.2011	105,675,534
May, 2011	819.95	04.05.2011	761.25	06.05.2011	797.85	31.05.2011	66,458,293
June, 2011	889.50	24.06.2011	784.00	08.06.2011	840.10	30.06.2011	78,176,834
July, 2011	884.00	29.07.2011	831.00	06.07.2011	871.80	29.07.2011	155,200,335
August, 2011	899.95	01.08.2011	763.00	29.08.2011	787.00	30.08.2011	79,939,653
September, 2011	884.00	09.09.2011	770.00	26.09.2011	800.55	30.09.2011	46,175,932
October, 2011	859.00	31.10.2011	740.30	07.10.2011	841.25	31.10.2011	60,320,292
November, 2011	843.95	01.11.2011	732.15	24.11.2011	750.05	30.11.2011	36,935,411
December, 2011	779.90	07.12.2011	645.00	15.12.2011	676.50	30.12.2011	49,209,897
January, 2012	833.00	31.12.2011	667.65	02.01.2012	830.25	31.01.2012	111,068,027
February, 2012	90500	17.02.2012	782.00	23.02.2012	865.10	29.01.2012	136,901,515
March, 2012	926.75	30.03.2012	806.80	05.03.2012	917.35	30.03.2012	53,029,628



IMPORTANT EVENTS AFTER THE CLOSURE OF FINANCIAL YEAR ENDED 31.03.2012

This report covers the period of financial year of the Bank beginning on 1st April, 2011 to 31st March, 2012. There were no material events from 1st April, 2012 to 12th May, 2012 the date when the annual accounts were adopted by the Board of Directors of the Bank.

MEANS OF COMMUNICATION

J&K Bank disseminates information about its operations through various means to shareholders, analysts and the society at large. All official news releases and presentations made to institutional investors and analysts are posted on the Bank's website www.jkbank.net. It also issues press releases and conducts programmes that disseminate information. The quarterly results of the Bank are published in widely circulated National Newspapers and are also placed on our website. The Board takes on record the Un-Audited/Reviewed Financial Results in the prescribed form of the Stock Exchanges within 45 days of the closure of the quarter and announces forthwith the results to all the Stock Exchanges where the shares of the Company are listed. The highlights of quarterly results are also published in National and Vernacular Newspapers within 48 hours of the conclusion of the Board Meeting in which they are taken on record and information is also placed on the website of the Bank. The Bank regularly organizes Press / Analyst Meets to apprise Fund Managers, Press and Analysts about the financial performance of the Bank and to receive their suggestions for future growth.

SHAREHOLDERS RIGHTS

A shareholder can enjoy the following rights mentioned in the Companies Act, 1956:

- ∜ To transfer shares.
- To receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- To receive notice of general meetings, balance sheet and profit and loss account and auditors' report.
- To appoint proxy to attend and vote at general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at general meetings of the Company on its behalf.
- To attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
- To vote at the general meeting on show of hands wherein every shareholder has one vote. In case of poll, the number of votes of a shareholder depends on the proportion of equity shares held by him with the total paid up equity capital of the Company.
- To demand poll alongwith other shareholder(s) who collectively hold 5,000 shares or is not less than 1/10th of the total voting power in respect of any resolution.
- To requisition an extraordinary general meeting of any Company by shareholders who collectively hold not less than 1/10th of the total paid up capital of the Company.
- ∜ To move amendments to resolutions proposed at general meetings.
- 🕏 To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- To inspect the minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.
- * To proceed against the Company by way of civil or criminal proceedings.
- To proceed against for the winding up of the Company.
- To receive the residual proceeds upon winding up of a Company.



INVESTORS' FEEDBACK

In our endeavour to serve our shareholders more effectively and in order to improve the quality of our communication with our esteemed members, we request you to spare some of your precious moments and provide us your valuable feedback in the enclosed proforma.

Calendar for shareholders' information	Date
Board meeting for consideration of Accounts and Recommendation of Dividend	12th May, 2012
Dispatch of Annual Report / Notice of AGM	18th June, 2012
Book closure Period	9th July to 14th July, 2012
Last date for lodgment of proxy forms	12th July, 2012
Date of AGM	14th July, 2012
Dividend payment date on or after	23th July, 2012
Validity dates of dividend instrument	Three Months

DISCLOSURE ON COMPANY SECRETARY'S RESPONSIBILITY

The Company Secretary confirms that during the year from 1st April, 2011 to 31st March, 2012, the Bank has:

- Maintained all the Books of Account and Statutory Registers required under the Companies Act, 1956, and the Rules made there under coming under the purview of Company Secretary responsibility;
 - Filed all Forms and Returns and furnished all necessary particulars to the Registrar of Companies and / or authorities as required under the Companies Act, 1956, coming under the purview of Company Secretary's responsibility;
 - Issued all Notices required to be given for Board and General Meetings as per the requirement of the Companies Act, 1956;
 - Complied with the requirements relating to maintenance of Minutes of the proceedings of the Meetings of Directors, Committees of the Board and Shareholders;
 - Complied with the requirements of the Listing Agreement entered into with Stock Exchanges;
 - v. Effected Share Transfers and dispatched Certificates within the statutory time limit;
 - vi. Redressed complaints of Shareholders to the best of efforts of the Company;
 - vii. Complied with the regulations prescribed by the Stock Exchanges, SEBI, and other

- Statutory and Regulatory Authorities and also the statutory requirements under the Companies Act, 1956, Banking Regulation Act, 1949 and other applicable statutes in force for the Banking Company, as far as they relate to the Company Secretary.
- viii. Made due disclosure required under the applicable Acts; Obtained all necessary approvals of Directors, Shareholders, Central and State Governments and other regulatory agencies.
- 2 The Board of Directors of Bank duly met eleven times during the financial year and in respect of meetings conducted during the period proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose. The meetings of various Committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the minutes book maintained for the purpose.
- The Bank closed its Register of Members from 4th July, 2011 to 9th July, 2011 (both days inclusive) in connection with 51st dividend of the Bank and necessary compliance of Section 154 of the Act, has been made.
- 4. The Annual General Meeting for the financial year 2010-11 was held on 9th July, 2011 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.
- The Bank has not advanced any loans to its Directors or persons or firms or Companies

- referred to under section 295 of the Companies Act, 1956, during the financial year.
- The Bank has not entered into any contracts falling within the purview of section 297 of the Act.
- 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.
- Unclaimed amount, in respect of unpaid / unclaimed dividend warrants / refund orders, have been transferred to the Investor Education and Protection Fund of the Central Govt. with Punjab National Bank within the prescribed time limit.
- The Board of Directors of the Company is duly constituted and the appointment of Directors and Additional Directors have been duly made.

- 10. The appointments of Chairman and other Directors of the Company have been made in accordance with the Articles of Association of the Company read with the relevant provisions of the Act.
- 11. The Directors disclosed their interest in other firms /companies to the Board of Directors, pursuant to the provisions of the Act and the rules made there under and their disclosures have been noted and recorded by the Board.
- 12. The Company has not bought back any shares during the financial year.

Abdul Majid Bhat **Company Secretary**

Place: Srinagar Date: 12th May, 2012

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, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the various Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Bank for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor expression of opinion on the financial statements of the Bank.

We certify that in our opinion and to the best of our information and according to explanations given to us, the Bank has complied with the conditions of the Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Bank as per the records maintained by the Bank.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

In terms of our report of even date annexed

For OP Garg & Co. Chartered Accountants FRN: 01194N

CA. Manish Kumar Gupta Partner

(M. No. 097191) Place: Srinagar

Dated: 12th May, 2012

For K B Sharma & Co. Chartered Accountants

FRN: 02318N CA. Abhay Kumar

Partner (M. No. 500681) For Verma Associates Chartered Accountant FRN: 02717N CA. Madan Verma

Partner

(M. No. 081631)

For P C Bindal & Co. Chartered Accountants

FRN: 03824N CA. P. C. Bindal

Partner (M. No. 082683) For KK Goel & Associates

Chartered Accountants FRN: 05299N

CA. K. K. Goel Partner

(M. No. 015002)



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 74th Annual General Meeting of the Bank which is scheduled to be held at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K on Saturday, 14th July, 2012 at 1100 hours. Members are hereby invited to attend the Meeting.

NOTICE ENCLOSURES

Kindly find enclosed with the Notice of the Annual General Meeting the following documents:

- Copy of the Annual Report for the year ended 31st March, 2012
- ii) Feedback Form.
- iii) Bank's Mandate Form
- iv) Nomination Form
- v) NECS-I Mandate Form
- vi) NECS-II Mandate Form
- vii) Attendance Slip
- viii) Proxy Form

RIGHTS AT THE MEETING

You have the right to attend, speak and vote at the Annual General Meeting if you are a Member on the Bank's Register of Members as on 14th July, 2011 or a Benieficiary Holder in the books of the National Securities Depository Limited or the Central Depository Services (India) Limited as on 7th July, 2012.

REQUIREMENTS

If you intend to attend the Meeting in person, please complete and bring the Attendance Slip, duly completed, alongwith the copy of your Annual Report.

NOTE: IF YOU HAVE ANY QUESTIONS ABOUT THE MEETING, OR NEED ANY ASSISTANCE, PLEASE TELEPHONE THE ANNUAL GENERAL MEETING ENQUIIRY LINE ON 0194 - 2481930-35 – EXTENSION: 1541, 1542, DURING WORKING HOURS.

APPOINTMENT OF PROXY

Any Member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person to attend and vote on poll instead of himself. The person so appointed is known as Proxy. The person so appointed may be a Member or a Non-Member. The Proxy appointed by you may vote at the Meeting only on poll. You may note that Proxy is not entitled to speak at the Meeting and cannot vote on the show of hands. If you are not able to come and attend the Meeting personally and intend to appoint Proxy to act and vote on poll on your behalf, you are requested to complete, sign and return the accompanying Proxy Form, together with documents specifying the validity of the appointment of the Proxy, at least forty eight (48) hours before the Annual General Meeting of the Company, so as to reach the Corporate Headquarters of our Bank located at M.A. Road, Srinagar, J&K 190 001, not later than 1100 Hours on 12th July, 2012.

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 event of any other person signing on your behalf you shall have to give authority to such person by way of power of attorney which shall be sent by you or that person along with the Proxy Form.

In case of appointment of the Proxy by Corporate Bodies, the Proxy Form should be under the common seal of the Corporate Body or under the hand of the duly authorized Officer or Attorney and appropriate Power of Attorney or other Authority must be lodged with the Proxy Form.

You can yourself attend the meeting and vote thereat instead of Proxy before he has voted and in such event your Proxy shall stand revoked.

all working days until 12th July, 2012 and also on the date of Meeting from 0900 hours until conclusion of the meeting.

ENTRY PASS

The Attendance Slip sent herewith should be duly completed and brought with yourself. It will authenticate your right to attend, speak and vote at the meeting and will speed up your admission, where after; entry passes shall be issued to you. You should keep Entry Passes till the conclusion of the Meeting. Separate entry passes to distinguish Members and Proxies will be given.

ARRANGEMENT FOR THE MEETING

- The Meeting will start at 1100 hours sharp and the doors of the Meeting Hall will open at 0900 hours.
- No electronic gadgetry will be allowed inside the Meeting Hall and Members are requested not to bring any cameras, video recorders, voice recorders etc.
- For any enquiry relating to any matter that concerns you as a customer of the J&K Bank, you are requested to contact the Staff Volunteers available at the venue of Meeting.
- * There will be an arrangement of the "Shareholders Enquiry Desk" for the shareholders who have any enquiry relating to their shareholding. If you have any such enquiry you are requested to enquire from the staff available at the desk.
- Any staff member can be contacted for First Aid facility.
- Smoking is strictly prohibited both inside the Hall and as well as within the premises. You are requested to kindly co-operate.

DOCUMENTS

Copies of all important documents including previous three years Annual Reports, Minutes of last three Annual General Meetings and copies of Memorandum and Articles of Association of the Bank, will be available for inspection of the Members at the Corporate Headquarters, M. A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 12th July, 2012 and also on the date of Meeting from 0900 hours until conclusion of the meeting. Further Annual Accounts of JKB Financial Services Ltd, 100% Subsidiary of Bank, will be made available/available for Inspection to Members at any point of time at the Corporate Headquarters, M.A. Road, Srinagar between 1200 hours and 1400 hours on

PROCEEDING AT THE MEETING

After the Chairman's speech, auditor's report including the comments of C&AG, if any, will be read by the Company Secretary, the resolutions which are set out in the Notice of the meeting, will then be put to the meeting. The members will be given an opportunity to ask questions/speak at the meeting. Members interested to speak at the meeting shall hand over their name slips to the Staff Volunteers and Chairman shall call upon them one by one. As many members may be wishing to speak, you are requested to confine your speech to the agenda before the Meeting.

VOTING RIGHTS

The voting rights of the Members is governed by the provisions of Section 87(1)(b) of Companies Act, 1956, Section 12 of the Banking Regulation Act, 1949, and Article 110–112 of Articles of Association of the Bank. There are following voting rights attached to a Member:

On Show of Hands

On show of hands, one member present in person shall have one vote. Here it is desirable to mention that person appointed as a proxy is not entitled to vote on the show of hands.

On Poll

On poll, every member shall have a right to vote in respect of his share of paid-up equity capital in the total paid-up equity capital of the Bank, whether present in person or through proxy. Your voting right would be in proportion to your share of paid-up equity capital of the Bank.

Manner of Voting on Show of Hands

Whenever Chairman puts resolution to the vote of meeting, you should raise your hand, so that Chairman could see and take count of your vote, indicating that you are voting either for or against the resolution put before you for voting. Only shareholders present in person and authorized representative of the corporate shareholders are entitled to vote on the show of hands. Proxies are not entitled to vote on the show of hands.

On Poll

On poll being demanded by the requisite number of shareholders, or as and when may be ordered to be taken by the Chairman on any resolution, you will be



SSSS INFORMATION TO SHAREHOLDERS

given ballot papers by the deputed staff and you have to complete the ballot paper in accordance with the instructions contained therein and drop it in the ballot box. Proxy is entitled to vote on the poll.

BOOK CLOSURE DATES

Book closure date refers to the period during which the register of members and share transfer books of the Company shall remain closed for the purpose of determining the Members eligible for dividend, if any, to be declared for the financial year ended 31st March, 2012. The book closure of the Company shall commence from Monday 9th July, 2012 to Saturday 14th July, 2012 (both days inclusive). Dividend will be paid only to those members, whose name appears on the register of members as on Saturday 14th July, 2012 or Register of beneficial owners maintained by Depositories as at the close of working hours on Saturday 7th July, 2012.

DEMAT OF SHARES AND DEPOSITORY SERVICES

Dematerialisation is a process, which entails the conversion of physical securities into electronic form. Thus securities in physical form are shredded and corresponding entry is done in the Investors Electronic Account. The electronic balances are maintained on highly secure systems at the depository. Depository services are an extension of custodial services. Prior to the introduction of depository system, the custodians used to act as the organisation for safekeeping, register, guarding, care, watch, inspection and prevention of securities. But the advent of depository system has brought with itself the advantages of electronics and benefits of the custodial services at the doorsteps of investors. The depository allows the shares to be held in electronic form in the same way as money is held in Bank accounts.

A Depository offers following advantages to the Investor:

- Your shares cannot be lost or stolen or mutilated;
- You never need to doubt the genuineness of your shares i.e. whether they are forged or fake;
- Share transactions like transfer, transmission, etc., can be effected immediately;
- Transaction costs are usually lower than on the physical segment;
- There is no risk of bad delivery;

- Bonus/ rights shares allotted to you will be immediately credited to your account; and
- You will receive the statement of accounts of your transactions/holdings periodically. According to Depository Act, 1996, investors have the option to hold shares in physical form or in electronic form. However, pursuant to directive issued by the Securities & Exchange Board of India (SEBI) shares of your Bank have been notified in the list of securities, where transactions will take place only in electronic mode for all Investors and shareholders are thus advised to open a Demat Account with depository participant and dematerialise their securities.

REGISTRAR AND SHARE TRANSFER AGENT

The Bank is having a contract with KARVY COMPUTERSHARE PRIVATE LIMITED to act as Registrar and Share Transfer Agent both for manual and electronic form with the incorporation of following initiatives / standards to ensure quality services to our investors:

- 1 The Internal Audit / Concurrent Audit to be carried out by independent firm of Company Secretaries / Chartered Accountants which will present a report to our Bank on the performance of KARVY vis-àvis 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)
 - $f\,) \qquad Look \ for \ options \ on \ the \ left \ side \ of \ the \ screen$
 - g) Select Queries
 - This will open query module, which needs to be fi lled. The information required is: application number, Folio number, name and address, phone number, fax number,

STATUTORY INFORMATION 01 CORPORATE OVERVIEW 04 BOARD AND MANAGEMENT REPORTS 08 FINANCIAL STATEMENTS 26 GOVERNANCE 102

email id, nature of query/complaint etc. Th e information will be recorded by Karvy and replies accordingly.

- A separate email 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, Plot No. 17–24 Vittalrao Nagar, Madhapur HYDERABAD-500 081 TEL:- (040)-23420838, FAX:- (040)-23420814

In case any Investor desires to make any suggestion for better and improved services, same may be informed to:

Abdul Majid Bhat (Company Secretary) The Jammu and Kashmir Bank Limited, Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar, Jammu and Kashmir 190 001, e-mail: sharedeptt_gc@jkbmail.com

NOMINATION FACILITY

The shareholders have the facility of making nomination in accordance with the provisions of Section 109A of the Companies Act, 1956, and allied procedures. The shares in the Company shall vest in the nominee, in the event of the death of the shareholder. In case of joint holders, they may together nominate, in the prescribed manner, a person in whom all the rights in the shares of the Company shall vest, in the event of death of the joint shareholders. Investors can make nomination by filling-in and sending form 2B (enclosed at the end of the report) to the Company singly, in case of sole holder or jointly, in case of the joint holders.

BANK MANDATE FORM

In order to avoid the fraudulent encashment of dividend warrants, Shareholders are requested by the Bank to provide their Bank account details to enable the Bank to incorporate the said details in the dividend warrants. A format of the Bank mandate form is enclosed at the end of this report.

NECS FORM FACILITY

The National Electronic Clearing System (NECS) is intended to avoid the risk of loss/interception of dividend warrants in postal transit and / or fraudulent encashment of dividend warrants. The Shareholders are requested to avail the NECS facility /Direct credit facility, whereby the dividend will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and Company will duly inform the concerned Shareholders when the credit are passed on their respective bank accounts.



FEEDBACK FORM

Dear Member,

J&K Bank requests you to rate the following aspects of this Annual Report on the scale given below.

	Below Expectation	Average	Fair	Good	Excellent
Is it Informative ?					
How do you rate the Clarity of the Contents?					
Is the financial information Comprehensive ?					
Is the content of this Report Relevant to you?					
What is your Overall feedback on the report?					
What aspects of the Annual Report did not appeal to you?					
What aspects of the Annual Report appealed to you the most?					
				(:	Signature)
			Name		
			Address		
			Folio No./C	lient ID	





BANK ACCOUNT PARTICULARS

Folio/Client ID No.:
No. of Equity Shares Held:

I/We
R/o

do hereby authorize The Jammu & Kashmir Bank Limited to print the following details on my / our Dividend Warrant.

Bank Name
Branch Name
Account type (Please Tick) Savings Current Cash Credit
Account Number

Signature of the Member

NOTE: In case you are holding physical shares, the duly filled-in form be sent to Company Secretary, the Jammu & Kashmir Bank Ltd,

Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar –190001 or to our Share Transfer Agent: Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Plot No 17-24, Vittalrao Nagar, Madhapur, Hydrabad-500081, Andra Pradesh. In case you are holding shares in dematerialised form, the duly filled-in form be sent to depository participant where you are having demat account.





FORM 2B

	NOMINATION FORM (Nomination under Section 109A of the Companies Act, 1956)				
Door Cir.					
Dear Sir, I/We	and				
	of Shares under Ledger Folio No. / Client ID No DP ID				
	mir Bank Limited wish to make a nomination and do hereby nominate the following per-				
son in whom all rights of shares and/or amount pay	able in respect of share(s) registered under the said Folio No. / Client ID No. (DP ID) shall				
vest in the event of my/our death. This nomination	automatically supersedes the nomination, if any, given by me/us prior to the date herein				
below mentioned.					
Name and address of Nominee					
Name					
Address ————					
Date of Birth*					
Date of birth (*To	be furnished in case the nominee is a minor)				
The Nominee is a minor. I/We appoint					
(Name and Address of the guardian), to receive the	shares and/or amount payable in respect of share(s) in the event of my/our/minor's death				
during the minority of the nominee.					
(To be deleted if not applicable)					
Name (First Holder)	Name (Second Holder)				
Address	Address				
DateSignature	Date Signature				
{To be attested by the shareholder(s)}					
Signature of Two Witnesses					
1) Name and Address	Signature with Date				
2) Name and Address	Signature with Date				



INSTRUCTIONS:

- 01. In case you are holding physical shares, the duly filled-in form be sent to Company Secretary, The Jammu & Kashmir Bank Ltd, Board Secretariat, Corporate Headquarters, M. A. Road, Srinagar 190001 or to our Share Transfer Agent: Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Plot No 17-24, Vittalrao Nagar, Madhapur, Hydrabad-500081, Andra Pradesh. In case you are holding shares in Dematerialised form, the duly filled-in form be sent to the Depository Participant where you are having Demat Account.
- 02. Please use separate form for each folio. Nomination is applicable to the folio, irrespective of the number of shares registered under the folio. Only one nomination per folio per instance would be entertained.
- 03. The nomination can be made by individuals only applying / holding share(s) on their own behalf singly or jointly upto two persons. Non-Individuals including society, trust, body Corporate, partnership firm, karta of Hindu undivided family, holder of power of attorney, cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form.
- 04. A minor can be nominated by a holder of share(s) and in that event the name and address of the guardian shall be given by the holder.
- 05. The nominee shall not be a trust, society, body Corporate, karta of Hindu undivided family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis (subject to the Reserve Bank of India's approval as applicable).
- 06. Nomination stands rescinded upon transfer of share(s) or on receipt of subsequent nomination form.
- 07. Transfer of shares in favour of a nominee shall be a valid discharge by a Company against the legal heirs.
- 08. The form must be complete in all respects and duly witnessed. Incomplete form is not a valid nomination.
- 09. Subject to rules and regulations as applicable from time to time.

NECS-I (NATIONAL ELECTRONIC CLEARING SYSTEM) MANDATE FORM FOR PAYMENT OF DIVIDEND ON EQUITY SHARES

(For Shareholders holding shares in Physical Form

 T_{Ω} M/s Karvy Computershare Pvt. Ltd. Unit: J&K Bank Limited Plot No. 17 – 24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081 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._____ _____ E-mail ID _____ 4. Telephone No. _____ 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): Savings 10 Current 11 Cash Credit 12 d) Account Type (Please tick √) 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. 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



NECS-II (NATIONAL ELECTRONIC CLEARING SYSTEM) MANDATE FORM FOR PAYMENT OF DIVIDEND ON EQUITY SHARES

(For Shareholders holding shares in Electronic Form)

Application No.		Dat	e			
1. Depository Pa	articipant Name / Address					
2. DP / Client II a) NSDL b) CDSL	D					
3. Account Hold	er's Details					
Name of Firs	t / Sole Holder					
Name of Seco	ond Holder					
Name of This	rd Holder					
4. I/We request	you to make the following modification	ns to my/our account in your records.				
Existing Deta		New Details				
1) Bank Nar		1) Bank Name				
2) Branch N	ame & Address	2) Branch Name & Ado	2) Branch Name & Address			
3) Account	No.	3) 9 Digit MICR Code	3) 9 Digit MICR Code of Branch			
		4) Account No.				
(Attach an An	nexure (with signature/s) if the space	above is found insufficient.)				
	First/Sole Holder	Second Holder	Third Holder			
Name						
Signature						
Signature Notes: 1. Please attach a holders of the 2. Please fill all the	Demat Account. ne details in Block Letters in English.	MICR Code, Bank A/c Statement and S				
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Signature Notes: 1. Please attach a holders of the 2. Please fill all the second Modification No. DP / Client ID a) NSDL b) CDSL Account Holder's	Demat Account. The details in Block Letters in English. The details in Block Letters in English. The details in Block Letters in English.					
Signature Notes: 1. Please attach a holders of the 2. Please fill all the second Modification No. DP / Client ID a) NSDL b) CDSL Account Holder's	Demat Account. The details in Block Letters in English. The details in Block Letters in English. The details in Block Letters in English. The details request as a second details request as a second details. The details in Block Letters in English. The details request as a second details.					







(Please complete this attendance slip and hand it over at the registration counter for obtaining entry pass)

Regd. Folio No	No. of Shares held			
Client ID	DP – ID			
I hereby record my presence at the 7 Sher-i-Kashmir International Confere	74th Annual General Meeting of the Bank on Saturday, nce Centre (SKICC), Srinagar, J&K.	14th July, 2012 at 11.00 A.M. at		
Name of the Shareholder/Proxy:				
	(IN BLOCK LETTERS)			
I certify that I am a registered Shareho	older/Proxy for the registered Shareholder of the Bank			
Signature of the Shareholder/Proxy: _				
 The registration counter will remains. Joint Shareholders may obtain add 	plete in all respects shall not be accepted. ain open between 9 A.M to11.00 A. M. ditional attendance slip on request.			
J&K Bank Proxy Form				
Regd. Folio No.	No. of Shares held			
Client ID	DP – ID			
I/We				
	t			
, , ,	oint of			
, ,	of to	Č		
	of the Bank to be held on Saturday, 14th July, 2012 at 11.00	-		
tional Conference Centre (SKICC), Sr	• •			
Signed this	day of 2012	Affix Re. 1/- Revenue		
Signature of Shareholder		Stamp		

NOTE

This Proxy form in order to be effective should be duly stamped, complete and signed and must be deposited at the Registered Office of the Bank not less than 48 hours before the time fixed for holding the meeting.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Mr. Mushtaq Ahmad Chairman & CEO

Mr. Hari Narayan Iyer

Mr. M. I. Shahdad

Director

Mr. Vikrant Kuthiala

Prof. Nisar Ali

Mr. A. M. Matto

Mr. R. K. Gupta

Mr. Nihal C. Garware

Director

SECRETARY

Mr. Abdul Majid Bhat

AUDITORS

O P Garg & Co. Chartered Accountants K B Sharma & Co. Chartered Accountants Verma Associates Chartered Accountants P C Bindal & Co. Chartered Accountants K K Goel & Associates Chartered Accountants

REGISTERED OFFICE

The Jammu & Kashmir Bank Ltd.

Corporate Headquarters M. A. Road, Srinagar 190001

REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Private Limited

Unit: - J&K Bank, Plot No. 17-24,

Vittalrao Nagar,

Madhapur, Hyderabad – 500 081

Andhra Pradesh, India Phone: 040-23420838 Fax: 040-23420814 Email: jkbank@karvy.com

AWARDS OF EXCELLENCE

The Bank received the following excellence awards during FY 2011-12:

J&K Bank in the top Best Banks group: BT-KPMG Best Bank study

The Bank was ranked one of the best banks in the Best Bank Study-2011 done by Business Today and global consulting firm KPMG (BT– KPMG) The study ranked the Bank No.1 on the basis of NPA coverage ratio which stood best in the industry as at the end of the March 2011.

The Bank was ranked 15th in large banks category in the country based on the last year's growth, quality of assets, productivity and efficiency parameters, leaving State Bank of India, Federal Bank, HSBC Bank, Standard Chartered Bank and other major banks far behind.

Prestigious FE India's Best Banks Award

The Bank won the prestigious Financial Express Best Banks Award in the Old Private Sector Banks category for scaling up its business and strengthening the balance for the year ended March 2011. The Award is the recognition of the Bank's innovative approach towards business, both within and outside J&K.

Dun & Bradstreet Banking Award-2011

J&K Bank was awarded the Best Bank in the prestigious 'Dun & Bradstreet (D&B) – Polaris Software Banking Awards 2011 in the category for "Rural Reach- Private Sector".

J&K Bank felicitated for 'knowledge development in J&K

The Bank was felicitated by the Institute of Objective Studies, New Delhi for its remarkable contribution towards knowledge development and peace in the J&K state.

The Bank received acclaims and appreciations for its uninterrupted growth, geographically relevant and professionally developed financial solutions.

J&K Bank

Corporate Headquarters M A Road, Srinagar 190 001 Jammu & Kashmir

www.jkbank.net

