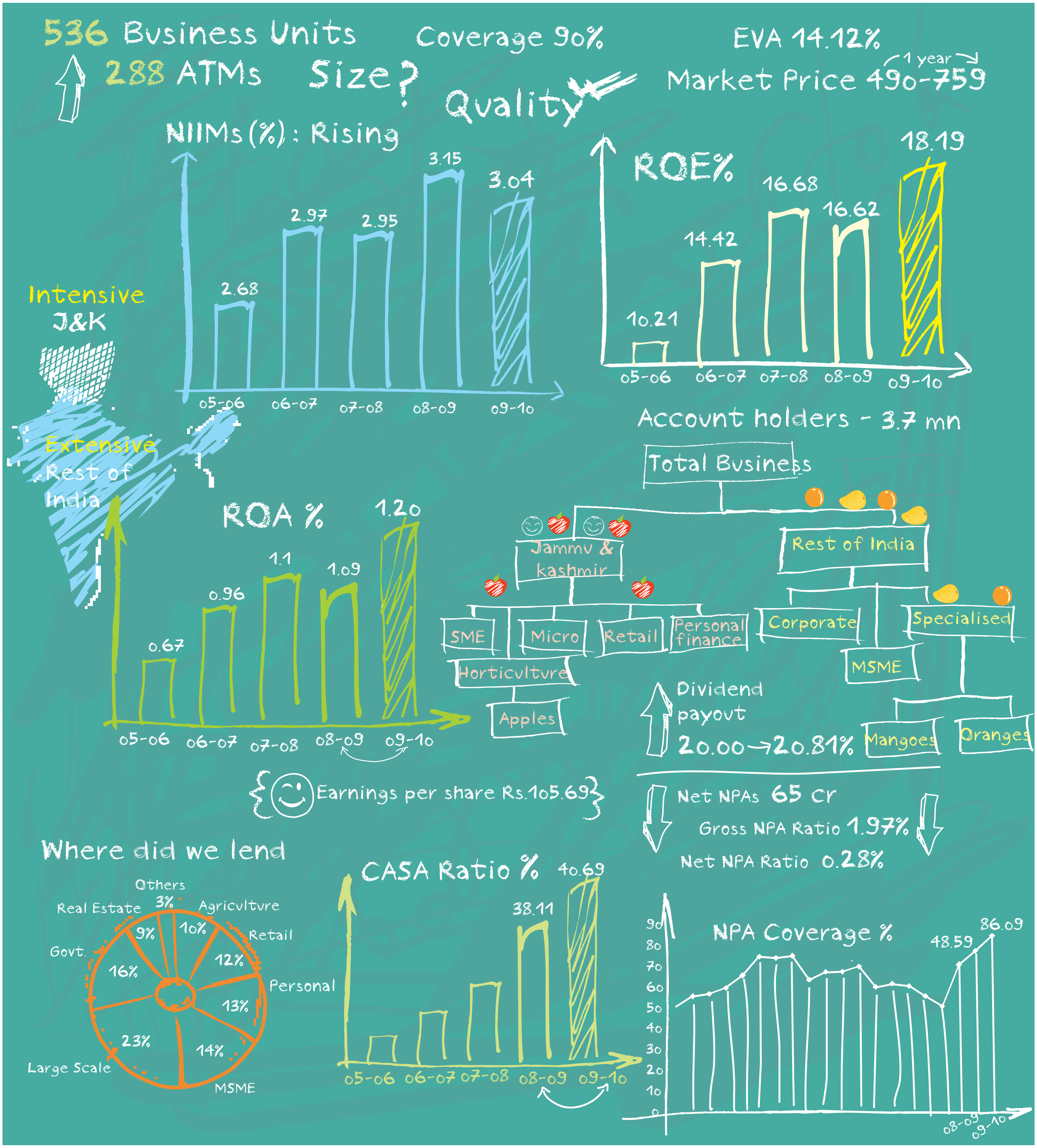

Shaping the size

Annual Report 2009-10

J&K Bank
Serving To Empower

Contents

J&K Bank

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

Notice

Notice is hereby given that the 72nd Annual General Meeting of the Shareholders of **The Jammu & Kashmir Bank Limited** will be held as under:

Day : Saturday

Date : 31st July, 2010

Time : 1100 hours

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

to transact the following business:

Ordinary Business

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2010 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 2009-10.
3. To appoint Director in place of Mr. B. L. Dogra, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Mr. A. M. Matto, 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 2010-2011

By order of the Board of Directors

Place: Srinagar
Dated: 15th June, 2010

Parvez Ahmed
President & Secretary

Notes

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

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

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

(c) The Register of Members and Share Transfer Books of the Company will remain closed from 26.07.2010 to 31.07.2010 (both days inclusive).

(d) The payment of Dividend for the financial year ended 31st March, 2010, 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 31st July, 2010 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 24th July, 2010, 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, on their Registered Address, to the Share Transfer Agent. If the shares are held in Demat form, intimation regarding change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining Demat Account.

(f) Requests for transfer of physical shares received during the period of book closure shall be considered only after the reopening of Books and accordingly, requests for share transfers received during book closure period shall not be considered for dividend declared, if any.

(g) Dividend for the year 2009-10, if declared, will not be taxable in the hands of the Shareholders.

(h) National Electronic Clearing Service (NECS)

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 ten or more digit bank account numbers to their customers.

Accordingly, shareholders having holding in physical form and wishing to avail the NECS facility for credit of dividend amounts to their Bank Accounts directly, should send relevant details to our Share Transfer Agents - 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 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 accounts where it is found that such wrongful credit was due to non-intimation/ error in recording of the correct Bank Account details.

ii) In case of members holding shares in electronic form and who have furnished Bank Account Details pertaining to branches where NECS facility is not available, the Bank details as furnished by respective Depositories to the Company will be printed on their Dividend Warrants. Bank will not entertain any direct request from such members for deletion of / change in such Bank Account Details.

iii) For shareholders holding shares in physical form who have opted for NECS and furnished all the 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.

(i) 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.

(j) 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.

(k) Members are requested to avoid being accompanied by non-members and/or children.

(l) 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 2010-2011 including remuneration for Limited Review of Quarterly Reviewed Financial Results for the periods ending 30th June, 2010, 30th September, 2010 and 31st December, 2010. 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

By order of the Board of Directors

Place: Srinagar
Dated: 15th June, 2010

Parvez Ahmed
President & Secretary

Chairman's Statement

Haseeb A. Drabu
Chairman & CEO

Amid the challenging circumstances only a handful of companies outperformed the market and delivered their best ever. The J&K Bank belongs to this category.

In the year after the meltdown, the tremors haven't ceased. A nervous global economy and an increasingly resolute national economy provide the context for performance at the enterprise level. Even as the national policy makers have been engaged with finding means and methods to prevent trans-border collateral damage, enterprises within these economies have been struggling to insulate their performance from the overall situation of instability and volatility. While a few failed to survive the vortex of economic troubles, others managed to pull through the difficult times.

Amid such challenging circumstances only a handful of companies outperformed the market and delivered their best ever. J&K Bank belongs to this category. What you hold in your hand, valued shareholder, is by far the best annual report in the Bank's 70-year-old history. Not just in terms of the financials, but also in terms of meeting all the regulatory requirements; or be it the preparedness for systemic changes like the new Basel regime. Also, this report is way above all the earlier ones in the level, nature and quality of disclosures. I am very happy to be presenting the March 31st, 2010 balance sheet that is of an international standard and quality.

The J&K Bank's "looking-inward" business strategy was started in 2005 and, as envisaged, completed in 2010. The basic contours of the strategy were to deliver more credit in the J&K economy and create a footprint and touch points in the state, which cannot be replicated by any other bank or financial institution in J&K. Despite trying macroeconomic circumstances and a fragile business environment in J&K, this strategy, has paid rich dividends, literally and metaphorically. This small bank, originating in the back of beyond, today stands among the top three banks in the country. Numbers speak for themselves: a return on assets of 1.4 per cent, a return on equity of more than 20 per cent, a cost to income of 36 per cent, impaired asset level of just 0.28 per cent and a coverage ratio of almost 90 per cent.

What you hold in your hand, is by far the best annual report in the Bank's 70-year-old history. Not just in terms of the financials, but also in terms of meeting all the regulatory requirements; or be it the preparedness for systemic changes like the new Basel regime.

Now, the second part of our strategy, "Carving a niche nationally", will catalyse the Bank's growth to next level. To be sure, we have set ourselves an ambitious target. By March 2012, we aspire to achieve a business volume of Rs 1 lakh crore and a profit of Rs 1 thousand crore. Considering the overall environment, the challenge is to maintain the existing cost level, financial efficiency and deliver a greater shareholder value in the phase of high growth and expansion.

The spectre of double-dip notwithstanding, we think by the third quarter of the current year, we shall see recovery take a definite shape. Undeniably, the Indian economy has recovered from the lows of last year.

1.4%	20+ %	36 %	0.28 %	90 %
Return on assets	Return on equity	Cost to income	Impaired asset level	Coverage ratio

Chairman's Statement

The recovery is likely to be driven by a combination of a progressive public expenditure policy and a high dose of autonomous investments, undertaken by the union government in the infrastructural space. These will generate the supply side impulses. The demand side will be driven by RBI's extensive financial inclusion program and the social welfare spending of the Government.

We aspire to achieve a business volume of Rs 1 lakh crore and a profit of Rs 1 thousand crore by March 2012.

However, what is not so clear is the shape, size and strength of the recovery. Multiple extraneous events (pay commission award and agricultural debt waiver) have distorted the pattern of recovery. Now that these events have been absorbed, we should see some shape emerge. The process of economic recovery will be stable though weak. However, the critical part is that the emerging pace and pattern of growth is likely conducive for high debt absorption.

The recovery is likely to be driven by a combination of a progressive public expenditure policy and a high dose of autonomous investments, undertaken by the union government in the infrastructural space. These will generate the supply side impulses. The demand side will be driven by RBI's extensive program of financial inclusion and the social welfare spending of the Government of India.

These fiscal catalysts should engender a broad-based recovery, spanning capital goods, basic goods, intermediate goods, as well as consumer durables and non durables.

For the moment, credit growth continues to be an issue, even as capacities are beginning to get fully utilized and constrained. Here there is a bit of an anomaly in so far as commercial credit growth from banks is not in line with either macroeconomic growth or capacity expansion needs of firms. Reasons are not far to seek: one, bank credit is being substituted by quasi credit; companies are raising resources through commercial paper or other lenders with lower costs are increasing their share. This holds true for tenured loans. On the working capital limits, it has to do with the commodity prices, which have not only been high but highly volatile. Nevertheless, one should see a more robust credit demand in the next few quarters.

Normally, this should result in a well balanced growth in the lending portfolio of banks ranging from retail to corporate credit. But in the existing policy regime there will be some challenges and imponderables. The imponderables relate largely to the second generation reforms in the financial sector, on which the government has been dithering and the second relates to monetary reform in the sector; notably the new regime of base rate and the intensive program of financial inclusion. With the fiscal side being reined in, worries on the interest rate have subsided substantially. Not much is expected on the financial side from the government, but the real sector action should more than compensate for it.

On the monetary front, the financial inclusion will add an allocative dimension to the policy, which has so far been only directional. This will have a positive impact on credit growth and distribution. The big change at the operational level is the introduction of the base rate. Contrary to popular perception, base rate is not just a change in the rate structure, it is a systemic change.

There are three aspects to the base rate regime. First, structurally, the base rate regime is to make the interest rate transmission mechanism effective across the financial system; be it to policy changes or to deposit rates or for classes of borrowers. The macroeconomics of base rate ensures that monetary policy signals are conveyed to the real side of the economy, without much lag and distortion. This is more important, now, than ever before, simply because the economy is far more open now and that, monetary tools are the only policy instrument left with the government to guide the economy. Second, systemically, the base rate is meant to improve the delivery and flow of credit at a reasonable price to the small borrowers and prevent the cross subsidization of the corporate and organized sector borrowers by the small borrowers. Third, operationally, the base rate is a means to make the pricing of bank loans more transparent, to improve the nature of asset planning and alter the method of asset-liability management.

The biggest problem with the base rate regime, apart from the obvious one of reducing operational flexibility of banks, is the possibility of banks going overweight on investment side of their asset book relative to credit. They may start behaving and eventually looking like non-bank finance companies. This will have serious systemic implications in so far as treasury incomes will contribute more to the bank's earnings. This would mean that the interest rate

The base rate regime will revive the practice of multiple banking and will see the decline of consortium banking. This will, of course, create its own complication for banks. Not only will it reduce the semblance of homogeneity in the banking sector, it will add to transactional cost of banks.

signals will get amplified and could add a lot of volatility to bank's bottom line, making the entire system more vulnerable.

At another level, the base rate regime will revive the practice of multiple banking and will see the decline of consortium banking. This will, of course, create its own complication for banks. Not only will it reduce the semblance of homogeneity in the banking sector, it will add to transactional cost of banks. However, our strategy has been to anticipate and understand systemic changes in the operating environment and calibrate our business accordingly.

Join us in our journey to the Rs. one-lakh-crore landmark! It will be an exciting journey to undertake. You will be a part of history.

Bon Voyage!

Directors' Report

Snap Shot of Key Financial Indicators 2006 - 2010

(Rs. in Crores)

FINANCIAL HIGHLIGHTS	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	CAGR
Total Deposits	23,484.64	25,194.29	28,593.26	33,004.10	**37,237.16**	12.2%
– Savings Bank Deposits	5,013.51	5,848.83	6,902.54	7,953.49	**10,260.81**	19.6%
– Current Account Deposits	3,011.40	3,479.18	4,294.96	4,625.18	**4,892.39**	12.9%
Total Advances	14,483.11	17,079.94	18,882.61	20,930.41	**23,057.23**	12.3%
- Priority Advances	2,827.86	3,286.98	4,874.33	7,345.95	**8,632.29**	32.2%
Total Investments	8,993.84	7,392.19	8,757.66	10,736.33	**13,956.25**	11.6%
Shareholders' Funds	1,799.47	2,008.73	2,280.83	2,622.86	**3,010.46**	13.7%
Total Assets / Liabilities	26,448.98	28,646.53	32,755.99	37,693.26	**42,546.79**	12.6%
Net Interest Income	663.72	767.85	810.44	983.84	**1,119.34**	14.0%
Other Income	110.85	160.21	245.01	261.48	**416.24**	39.2%
Operating Revenue	774.57	928.06	1,055.45	1,245.32	**1,535.58**	18.7%
Operating Expenses	345.25	372.44	403.61	470.86	**577.37**	13.7%
Operating Profit	429.32	555.62	651.84	774.46	**958.21**	22.2%
Provisions and Contingencies	252.48	281.13	291.83	364.62	**445.83**	15.3%
Net Profit	176.84	274.49	360.01	409.84	**512.38**	30.5%

FINANCIAL RATIOS	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010
Earnings Per Share (Basic) (in Rs.)	36.48	56.62	74.26	84.54	**105.69**
Book Value (in Rs.)	371.19	414.36	470.49	541.04	**621.00**
Return on Equity	10.21%	14.42%	16.79%	16.62%	**18.19%**
Return on Assets	0.67%	0.96%	1.09%	1.09%	**1.20%**
Capital Adequacy Ratio (CRAR)	13.52%	13.24%	12.80%	13.46%	**14.81%**
Tier I Capital (CRAR)	13.09%	12.60%	12.14%	12.77%	**11.91%**
Dividend Per Share (in Rs.)	8.00	11.50	15.50	17.00	**22.00**
Dividend Payout Ratio	25.01%	23.76%	24.42%	23.40%	**24.35%**

Recorded higher credit growth in Jammu & Kashmir than that in rest of India.

Improvement of CD ratio to 48 per cent from sub-30 per cent.

1. Your Board of Directors have pleasure in presenting the Seventy-second 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, 2010.

1.1. The Bank has delivered a strong performance in 2009-10 in the backdrop of widespread turbulence in the global financial markets, as well as a slowdown of India's economic growth. The Bank's strategy of consolidation, reengineering, re-pricing and reorganization have resulted in fructuous and efficient growth, robust balance sheet, top-notch asset book and substantial provisions. Financial highlights for the year under review are presented below:

2. Performance at a glance

2.1 The Bank's aggregate business crossed yet another psychological mark and stood at Rs. 60,294.39 Crores at the end of 2009-10. The total business of the Bank increased by Rs. 6,359.88 Crores from the previous year's figure of Rs. 53,934.51 Crores, registering 11.79 per cent growth.

2.2 The total deposits of the Bank grew by Rs. 4,233.06 Crores from Rs. 33,004.10 Crores as on 31st March, 2009 to Rs. 37,237.16 Crores as on 31st March, 2010, registering growth of 12.83 per cent. During the same period, CASA deposits of the Bank grew at an impressive rate of over 20 per cent contributing to substantial improvement in CASA and reduction in cost of deposits.

2.3 The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The Bank's net advances increased by Rs. 2,126.82 Crores from Rs. 20, 930.41 Crores as on 31st March, 2009 to Rs. 23, 057.23 Crores as on 31st March, 2010, registering a 10.16 per cent growth.

Priority sector advances recorded a growth of 17.51 per cent during 2009-10.

2.4 The Bank, in line with its policy stance, has recorded higher credit growth in Jammu & Kashmir than that in rest of India. This has resulted in the improvement of CD ratio for the Bank in the state to 48 per cent (excluding an advance to the State Govternment) from sub-30 per cent levels and rationalization of CD ratio for the bank in rest of India to below 100 per cent from peak levels of over 150 per cent.

2.5 The Bank's performance in recovery of NPAs during the year continued to be good. During the year, the Bank effected cash recovery, up-gradation of NPAs and technical write-off of Rs. 285.74 Crores compared to. Rs. 327.85 Crores in the previous year. However, the exemplary feature has been prompt asset monitoring, which ensured that the slippage during the year was only 0.80 per cent, against 1.90 per cent for the previous year.

2.6 The Bank's investment portfolio increased by 29.99 per cent from Rs. 10,736.33 Crores as on 31st March, 2009 to Rs. 13,956.25 Crores as on 31st March, 2010. The investment book comprises 61 per cent SLR and 39per cent per cent Non-SLR investments.

Directors' Report

3. Insurance Business

3.1 The Bank earned an income of Rs. 30.60 Crores from the insurance business, registering a 14.2 per cent growth over the last year's income of Rs. 26.80 Crores.

3.2 In life insurance, the Bank mobilized a business of Rs. 102.10 Crores, recording a growth of 4 per cent over the last year's business of Rs. 98.16 Crores. In non-life business, the Bank mobilized a business of Rs. 50.05 Crores as against Rs. 40.52 Crores mobilized during the preceding year, thereby registering growth of 24 per cent.

4. Income Analysis

4.1 Interest income of the Bank recorded a growth of Rs. 85.18 Crores from Rs. 2,971.70 Crores in 2008-09 to Rs. 3,056.88 Crores [+2.87 per cent] in 2009-10, as against the interest expenses which declined by 2.53 per cent from Rs. 1,987.86 Crores during 2008-09 to Rs. 1,937.54 Crores during the year 2009-10. The Net Interest Income recorded a growth of Rs. 135.50 Crores [+13.77 per cent] during the same period.

4.2 The net income from operations [Interest Spread plus Non-interest Income] increased to Rs. 1,535.58 Crores in 2009-10 from Rs. 1,245.31 Crores in 2008-09, recording 23.31 per cent growth.

4.3 The operating expenses witnessed a 22.62 per cent increase during 2009-10 and stood at Rs. 577.37 crore as compared to Rs. 470.86 crore in 2008-09.

4.4 The Cost to Income ratio (operating expenses to Net Operating Income) marginally improved from 37.81 per cent in 2008-09 to 37.60 per cent in 2009-10, even after substantial increase in operating expenses.

5. Gross Profit

5.1 The Gross Profit for 2009-10 stood at Rs. 958.21 Crores as compared to Rs. 774.45 Crores in 2008-09, registering an increase of Rs. 183.75 Crores [a 23.73 per cent growth].

5.2 The Asset Utilization Ratio [percentage of Gross Profit to Average Working Funds] improved to 2.54 per cent in 2009-10 [previous year 2.27 per cent].

6. Provisions

6.1 The Provision for Loan Losses, Provision on Standard Assets, Taxation and others aggregated to Rs. 445.83 Crores in 2009-10 as compared to Rs. 364.62 Crores in 2008-09.

7. Net Profit and Dividend

7.1 The Bank registered highest ever Net Profit of Rs. 512.38 Crores for 2009-10 compared to Rs. 409.84 Crores in 2008-09, recording a growth of over 25 per cent.

7.2 The Board of Directors has recommended a record dividend of 220 per cent for 2009-10.

7.3 In terms of extant guidelines, the Bank will pay the dividend distribution tax for 2009-10. Accordingly, the total outflow on account of dividend for 2008-09 will be Rs. 124.78 Crores including the dividend distribution tax.

8. Net Worth and CRAR

8.1 The net worth of the Bank improved to Rs. 3,010.46 Crores as on 31st March, 2010 from Rs. 2,622.86 Crores as on 31st March, 2009.

8.2 The Capital to Risk Adjusted Assets Ratio [CRAR] stood at 14.81 per cent as on 31st March, 2010 as against 13.46 per cent as on 31st March, 2009, which is much above the norm of 9 per cent stipulated by the Reserve Bank of India. The Tier I component of CRAR is 11.91 per cent as on 31st March, 2010 compared to 12.77 per cent as on 31st March, 2009.

8.3 The Bank has implemented new capital adequacy framework w.e.f. 31st March, 2009. Under new norms, Bank's CRAR works out to 15.89 per cent, which is higher than the CRAR as computed under BASEL I norms. The advantage has stemmed mainly from higher rated Investment / Credit portfolios. The Tier I component of CRAR under new norms is 12.79 per cent as against 11.91 per cent under BASELI.

8.4 The Bank raised lower Tier II capital of Rs. 600.00 Crores through subordinated debt (Unsecured Redeemable Debentures maturing on 30th December, 2019) during 2009-10.

8.5 The Tier I leverage ratio of the Bank stands at 7.08 per cent as on 31 March, 2010 against 6.96 per cent as on 31 March, 2009.

8.6 The Return on Net Worth, Earnings Per Share and Book Value per Share for 2009-10 stood at 18.19 per cent, Rs. 105.69 and Rs. 621.00 respectively, against 16.62 per cent, Rs. 84.54 and Rs. 541.04 respectively for the previous year.

9. Branch Network

9.1 During the financial year 2009-10, 3 branches were added, thereby taking the number of branches to 536 as on 31-03-2010, spread over 20 states and 1 union territory. The area-wise breakup of the branch network (excluding Extension counters) is as under:

Area	Branches
Metro	41
Urban	168
Semi-Urban	121
Rural	206

10. IT Initiatives During FY 2010

10.1 Conscious efforts have been made to leverage the Bank's existing IT infrastructure as also to develop new technological solutions to increase customer convenience and providing multiple delivery channels for easy access to banking services. Some of the major initiatives are highlighted below:

- 32 branches have been computerized during the year taking the total count of computerized branches as on 31st March, 2010 to 542, out of a total branch count of 580 (including Extension Counters / Service Branches).
- 87 branches have been migrated to Core Banking Platform during 2009-10 taking the total count of branches on CBS as on 31st March, 2010 to 407.
- 44 new ATMs have been installed during the year taking the aggregate number of ATMs to 288 as at end of FY2010.
- e-Banking facility has been made available at all the 407 CBS branches of the Bank, with the number of e-Banking users crossing 22,323, an increase of around 11,000 users.
- Your Bank has integrated with more than 300 billers / online merchants like BSNL, AirTel, LIC, Metlife, Tata Sky, Make My Trip etc. for the purpose of providing online bill payment / shopping facility to its customers.
- All the CBS branches of the Bank have been enabled for RTGS and NEFT facility.

Directors' Report

- Anywhere banking facility has now been made available at 511 branches as against 456 branches as at the end of previous year.
- A web based software application (E-NOC) has been developed by our Bank for digitized delivery, receipt and tracking of 'No Objection Certificate' at all networked business units.
- Creation / operationalisation of 'Centralized Pension Payment' application
- Online payment of TDS provided at all Business Units.

11. Advertising and Publicity

11.1 During the year, concerted efforts were made for brand building and the Bank continued to communicate messages on its products, services, interest rates and performance to the customers, shareholders and the general public through advertisements and outdoor publicity units.

12. Corporate Social Responsibility-CSR

12.1 To organize and expand various acts of social philanthropy besides heritage and eco-preservation initiatives, the bank this year constituted a trust under the title 'Jammu & Kashmir Bank Social Conscience Trust' (JKBSCT).

12.2 As in the previous years, the Bank took several measures during 2009-10, including but not limited to the following, to fulfill its social commitment.

- Providing of computer systems for orphanages, Sports Association for deaf and dumb
- Meaningful contributions for education of downtrodden besides aiding agencies active in empowerment of women and children through education
- Providing financial assistance for treatment of destitute patients directly and through organizations like Cancer Society of Kashmir, Voluntary Medicare Society and Artificial Limb Center.
- Organizing plantation drives – plantation of rare species of trees like Ginkgoaceae - a family of gymnosperms planted in the state after a gap of nearly 100 years.
- Sponsoring Talent hunt "Milay Sur" an immensely popular mega musical reality show telecast on DD Kashmir.

13. Lead Bank Responsibility

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 Jammu & Kashmir satisfactorily.

13.1 The Bank constituted the J&K Bank Rural Self Employment Training Institutes (JKBRSETI) Society, registered with Registrar of Societies, Directorate of Industries & Commerce (Kashmir), Srinagar for setting up JKBRSETIs in all the 12 lead districts of the Bank.

13.2 During the FY 2008-09 the following meetings were conducted by the Bank:

- Four quarterly State Level Bankers' Committee (SLBC) meetings,
- Five Special monthly SLBC meetings to review progress in implementation of the IBA package on MSMEs,
- One Special SLBC on the theme of Government Sponsored Schemes in Jammu & Kashmir
- One meeting of the Sub-Committee of J&K SLBC for Relaxation to Trade & Industry in Jammu & Kashmir State;

- Two meeting of the Sub-group of J&K SLBC to look into the issues of Small Artisans and Weavers
- The district level and block level meetings such as DCC/ DLRC/ BLBC and Standing Committee meetings were held as per schedule in all the lead districts of the State.

14. Regional Rural Banks

14.1 Two Regional Rural Banks sponsored by J&K Bank in Jammu & Kashmir namely Kamraz Rural Bank and Jammu Rural Bank have been amalgamated and now operate under a single new Regional Rural Bank - "J&K Grameen Bank" from 1st July, 2009. The area of operation of J&K Grameen Bank is the combined area of operation of amalgamated RRBs. The head office of the bank is located at Jammu.

The performance of the sponsored RRB has improved considerably during 2009-10.

14.2 Business of the RRB increased from Rs. 1,577 Crores as on 31.03.2009 to Rs. 1,834 Crores recording growth of 16.30 per cent. Deposits, during the year under review, increased from Rs. 1,189 Crores to Rs. 1,397 Crores (a 17.52 per cent growth) while advances increased to Rs. 437 Crores from Rs. 388 Crores (a 12.51 per cent growth). The share of CASA deposits to total deposits stands at 52.41 per cent. Gross NPA of the RRB is 8.56 per cent while net NPA is 1.77 per cent.

14.3 The RRB has recorded operating profit of Rs. 23.97 Crores for 2009-10 against Rs. 17.65 Crores for 2008-09 (a 36 per cent growth).

15. Corporate Governance

15.1 J&K Bank has established a tradition of best practices in corporate governance. The corporate governance philosophy encompasses not only regulatory and legal requirements ,such as terms of listing agreement with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value to all stakeholders.

15.2 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.

16. Board of Directors of the Bank

16.1 Mr. G. P. Gupta ceased to be Director, w.e.f. 10-06-2009 pursuant to Section 10A (2A) (i) of the Banking Regulation Act, 1949. Mr. G. M. Dug, appointed as Director in casual vacancy, ceased to be Director at the last Annual General Meeting.

16.2 Directors place on record their appreciation for the valuable services rendered by Mr. G. P. Gupta and Mr. G. M. Dug during their tenure as Directors of the Bank.

16.3 Mr. M. I. Shahdad, Mr. Vikrant Kuthiala, Prof. Nisar Ali, Mr. A. M. Matto and Mr. R. K. Gupta were appointed as Directors at the last Annual General Meeting of the shareholders of the Bank held on 26-09-2009.

16.4 With a view to broad-base the Board, eminent personalities - Mr. Maya Shanker Verma and Mr. Nihal C. Garware, were re-appointed/appointed as additional Directors of the Bank w.e.f. 01-10-2009

Directors' Report

16.5 In exercise of the powers conferred by Sub Section (1) of Section 36AB of Banking Regulation Act., 1949 (10 of 1949), the Reserve Bank of India appointed Mr. Arnab Roy, Regional Director, RBI, Jammu as additional director on the Board of Directors of the Bank w.e.f. 05-11-2009.

16.6 The Bank has gained immensely from their incisive observations, guidance, wide-ranging expertise and practical acumen.

16.7 Mr. B. L. Dogra and Mr. A. M. Matto retire by rotation at the ensuing Annual General Meeting in accordance with Article 76 of the Articles of Association of the Bank and Provisions of Companies Act, 1956 and being eligible, offer themselves for reappointment.

16.8

Name of the Board of Directors	
Haseeb A. Drabu	Chairman & CEO
M. S. Verma	Director
Sudhanshu Pandey, IAS	Director
Arnab Roy	Director
Ashok Kumar Mehta	Executive Director
Abdul Majid Mir	Executive Director
B. L. Dogra	Director
M. I. Shahdad	Director
Vikrant Kuthiala	Director
Prof. Nisar Ali	Director
A. M. Matto	Director
R. K. Gupta	Director
Nihal C. Garware	Director

17. Directors' Responsibility Statements

The Board of Directors' hereby confirms that:

17.1 In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

17.2 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;

17.3 We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

17.4 We have prepared the annual accounts on a going concern basis.

18. 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, 2010, ARE AS UNDER:

18.1 EMPLOYED THROUGHOUT THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING RS. 24,00,000/- OR MORE PER ANNUM

Name and Age (Years)	Haseeb A. Drabu (48)
Designation Nature of duties	Chairman & CEO
Remuneration	Rs. 39,66,000
Qualification	M & D.Phil Economics
Experience (years)	18 years
Date of employment	09.06.2005
Last employment	Economic Advisor Govt. of Jammu & Kashmir

(Remuneration includes Basic salary, DA and contribution to provident fund.)

18.2 EMPLOYED FOR PART OF THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING RS. 2,00,000/- OR MORE PER MONTH – NIL –

19. Acknowledgements

19.1 The Directors thank the valued customers, shareholders, well-wishers and correspondents of the Bank in India and abroad for their goodwill, patronage and support.

19.2 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, Department 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.

19.3 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

Haseeb A. Drabu
Chairman & CEO

Place : Srinagar (J&K)

Date : 15-06-2010

Management Discussion and Analysis

1. Cautious optimism as the economy prepares to lift

We are surrounded by ample good news as we step into the fiscal year 2010-11. Industry has rebounded sharply and exports have turned positive. Private consumption is picking up and more importantly investment is showing signs of resurgence. The global environment has improved beyond initial expectations, with Asia leading the rebound. The optimism is evident in budgetary expectation of 8.5 per cent GDP growth in 2010-11. Is it time to fasten our seatbelts?

There have been few fiscal years in India's history in which the outlook at the beginning and the end have been as different as in the present one. In April 2009, India seemed to be mired in an economic slowdown that had begun over a year ago in the industrialized nations and had engulfed the entire world. During the first quarter of 2009-10, India registered 6 per cent growth, which was much below the near 9 per cent growth that the nation had continuously achieved for the past five years. However, riding high on the back of stimuli, the growth rate of 8.6 per cent, achieved in the fourth quarter ending March 2010, was much above expectations.

The most worrying aspect of this otherwise fast-improving economic outlook is the faster than expected increase in inflation, which is now a serious concern. The consumer price inflation has been in double digits since the beginning of 2009 and the Wholesale Price Index (WPI) based inflation is fast approaching double digits. Till recently, inflationary pressure has been largely limited to food items. This was initially due to an agricultural supply shock. Not any more. Recent evidence shows inflationary pressures are spreading beyond food items. Raw material and commodity prices have also posted a significant rally recently. This has the potential to further pressurize inflation, if demand accelerates and monetary conditions stay easy.

In the current context, inflation is perceived as a potential threat to recovery. So far, the exit from an accommodative monetary policy has been calibrated to ensure that it does not jeopardize the recovery. Further, any surprises in terms of an increment in inflation can force the Reserve Bank of India (RBI) to press the interest rate pedal a little harder, creating a speed-bump for the economy.

In the coming year, the borrowing requirements of the private sector are also expected to pick up. As RBI withdraws liquidity and raises interest rates, the high borrowing needs of the government will pressurize yields and can also crowd out private borrowers. A gradual impact is already being felt with a drop in liquidity and a spike in money market rates. The market, which all through the year, was in absorption mode through huge placements by banks via reverse repo, is gradually turning to injection with the year's first deals under repo. The overnight call rates, too, have quietly traversed the LAF corridor from the lower bound to the upper.

By targeting a lower deficit, the government has certainly begun the process of fiscal consolidation. 3G auctions alone brought in a revenue of Rs. 67,000 Crores in 2010-11. Besides, there are savings on bank loan write-off and pay commission arrears expenditures, which no longer need to be provisioned in 2010-11. These have helped the government to bring down the fiscal deficit to 5.5 per cent of GDP without much effort. But going ahead, this windfall will be absent. The target reduction of fiscal deficit to 4.1 per cent of GDP by 2013 is riding on high growth expectations. However, without the successful implementation of the Goods and Services Tax (GST) and expanding the net of taxation and expenditure reforms, meeting the targets will be

By targeting a lower deficit, the government has certainly begun the process of fiscal consolidation. 3G auctions alone brought in a revenue of Rs. 67,000 Crores in 2010-11.

challenging. Further, downside risks on the global front still prevail.

Despite an abundance of good news, the economy still faces some headwinds, which will test the economic resilience and skills of policy makers, as we enter 2010-11.

2. Ensuring Financial Stability

The global financial crisis has changed the way policy-makers view and approach financial stability. The crisis has shown that even with price and macroeconomic stability, financial instability is a distinct possibility. Financial stability, therefore, needs to be pursued as an explicit policy variable. The emerging paradigm, post-crisis, is aimed at a more holistic approach to financial sector regulation with focus on systemic interconnectedness among various financial sector entities, apart from micro-prudential surveillance of individual institutions and the use of macro-prudential instruments to address the systemic risks. Many countries are in the process of redefining the regulatory objectives and mandates of various regulators.

3. Challenges ahead

The immediate challenge for the Indian economy and the financial sector is to reclaim the pre-crisis configuration with minimal efficiency loss. The process of exiting from an accommodative fiscal and monetary stance will be a test of the resilience of the system. Managing the complex and uncertain impact of global developments on the domestic economy will be an additional challenge.

4. Global Context

Although the situation is more reassuring than it was a quarter or two ago, uncertainty about the shape and pace of global recovery persists. Private spending in advanced economies continues to be constrained and inflation remains generally subdued, making it likely that the fiscal and monetary stimuli in these economies will continue for an extended period. Emerging market economies (EMEs) are significantly ahead on the recovery curve, but some of them are

The immediate challenge for the Indian economy and the financial sector is to reclaim the pre-crisis configuration with minimal efficiency loss.

also facing inflationary pressures. This has prompted central banks in some EMEs to begin phasing out their accommodative monetary policies.

Uncertainties about growth prospects and financial stability, however, persist. The unevenness of the global recovery worsens this uncertainty. Concerns about sovereign credit risk have also intensified in the light of the fiscal woes of some Euro zone nations, i.e. Portugal, Italy, Greece and Spain. Advanced economies are facing challenges in tackling high public debt, which may not be addressed with just the unwinding of existing stimulus measures. Spill-over effects of these concerns have already manifested themselves in increased sovereign credit spreads with knock-on effects on other asset classes.

While global imbalances declined to some extent due to demand contraction in advanced economies during the financial crisis, the structural problem associated with the imbalances remains. There are some incipient signs of the recurrence of these imbalances with the economic recovery, which are reminiscent of the pre-crisis days and could emerge as a cause for concern. Although the exposure of the Indian financial system to the international markets remains relatively low, the contagion impact from the global macroeconomic shocks on the Indian financial sector cannot be ruled out.

Manufacturing growth slowed globally in May 2010 as the pace of new orders eased, amid growing

Management Discussion and Analysis

With the intensification of inflationary pressures, repo and reverse repo rates have been raised by 50 basis points each from 4.75 per cent and 3.25 per cent rate ruling throughout 2009-10.

uncertainty over the impact of Europe's debt crisis to the fragile economic recovery. The 16-nation bloc and its common currency have been hit by waves of insecurity, churned up by the region's debt crisis and fears that troubles in Greece may spread to other peripheral economies. The Euro has been on a downward spiral and has clocked five-year lows on signs of the Euro zone's debt crisis, spreading to its banking system.

The European Central Bank warned that Euro zone banks may face up to € 195 billion in a "second wave" of potential loan losses over the next 18 months due to the financial crisis.

The fallout of the EU crises is being experienced in the volatility of global stock markets and exchange rates, which are the bellwethers of business sentiment.

5. The Tiger Slowing Down

Chinese manufacturing continued to expand in May 2010, but at a slower pace. A lower growth rate is due to two factors: Europe's sovereign debt crisis, which slowed down Chinese export growth, and the government's measures against real estate speculation, which cut new sales and constructions. The European Union is Beijing's main trade partner.

Since China has been such an engine of global growth and resurgence as the world emerged from its deepest recession in decades, a sharp slowdown in China could deal a blow. Even the news of marginal slowdown of manufacturing in China sends chills down the spines of bourses the world over.

6. The Resurgence of the Indian Economy

GROWTH

There are evident signs of recovery in the growth increasingly taking hold. Data on industrial production show that an uptrend is being maintained. The manufacturing sector, in particular, has recorded robust growth. The acceleration in the growth of the capital goods sector points to the revival of investment activity. After contracting for 13 straight months, exports have expanded since November 2009. Sustained increase in bank credit and the resources raised by the commercial sector from non-bank sources also indicate a revival.

The process of monetary policy exit has already begun. Sector-specific liquidity facilities were discontinued and the Statutory Liquidity Ratio (SLR) of scheduled commercial banks was restored to the pre-crisis level. The cash reserve ratio, which had been maintained at 5.00 per cent almost all through FY 2010 (up to 13.02.2010), has since been raised by 100 basis points. With the intensification of inflationary pressures, repo and reverse repo rates too have been raised by 50 basis points each from 4.75 per cent and 3.25 per cent rate ruling throughout 2009-10 (21.04.2009 to 19.03.2010).

Early steps to exit from the fiscal stimulus measures have also been initiated with the Union Budget for 2010-11, committing a return to the process of fiscal consolidation which should facilitate better monetary management. Recognising the Government's intent to bring down deficit and debt levels, along with the positive outlook on domestic economic growth, the S&P has recently upgraded its outlook on India from "Negative" to "Stable".

The flow of resources to the commercial sector from both bank and non-bank sources has picked up. Surveys by the RBI and others suggest that business optimism has improved. On balance, under the assumption of a normal monsoon and sustained good performance of the industry and services sectors, for policy purposes, the RBI projects real GDP growth for 2010-11 at 8.0 per cent with an upside bias.

INFLATION

The developments on the inflation front are, however, worrisome. Headline wholesale price index (WPI) inflation accelerated from 1.5 per cent in October 2009 to 9.9 per cent by March 2010. There has been a significant change in the drivers of inflation in recent months. What was initially a process driven by food prices has now become more generalised. This is reflected in non-food manufactured products with inflation rising from (-) 0.4 per cent in November 2009 to 4.7 per cent in March 2010.

Going forward, three major uncertainties cloud the outlook for inflation. First, the prospects of the monsoon in 2010-11 are not yet clear. Second, crude prices continue to be volatile. Third, there is evidence of demand side pressures building up. On balance, keeping in view domestic demand-supply balance and the global trend in commodity prices, the RBI's baseline projection for WPI inflation for March 2011 at 5.5 per cent seems overly optimistic.

MONETARY AGGREGATES

Bearing in mind, the need to balance the resource demand to meet credit off-take by the private sector and government borrowings, monetary projections have been made consistent with the growth and inflation outlook. For policy purposes, the money supply (M3) growth for 2010-11 is pegged at 17.0 per cent. Consistent with this, aggregate deposits of scheduled commercial banks (SCBs) are projected to grow by 18.0 per cent while non-food credit of SCBs is projected to grow at 20.0 per cent.

FINANCIAL MARKETS

Overall liquidity remained in surplus, though it declined towards the end of the year, consistent with the monetary policy. Overnight interest rates generally stayed close to the lower bound of the LAF rate corridor. Large market borrowings by the government put upward pressure on the yields on government securities, which was contained by active liquidity management by the RBI.

MARKET BORROWINGS

The Union Budget for 2010-11 has begun the process of fiscal consolidation and the net market borrowing requirement of the Central Government in 2010-11 is budgeted lower than that of the previous year. However, fresh issuance of securities in 2010-11 will be 36 per cent higher than last year's. Managing the borrowing requirement is going to be more challenging than it was last year for three main reasons:

- First, the option for liquidity management through OMO and MSS, which were used extensively last year, will be limited this year.
- Second, private credit demand will pick up, making crowding out a potential possibility.
- Finally, inflation pressures are stronger this year.

RISK FACTORS

While the indicative projections of growth and inflation for 2010-11 may appear reassuring, there is need to recognise the major downside risks to growth and upside risks to inflation:

Management Discussion and Analysis

- The prospects of sustaining the global recovery hinge strongly on the revival of private demand, which continues to be weak in major advanced economies. While India's recovery is expected to be driven predominantly by domestic demand, a sluggish and uncertain global environment can have an adverse impact.
- If the global recovery gains momentum, commodity and energy prices may harden further, which could add to inflationary pressures.
- Any unfavourable monsoon rainfall pattern could exacerbate food inflation, and could also impose a fiscal burden and dampen rural consumer and investment demand.
- The continued accommodative monetary policy in advanced economies is expected to trigger large capital flows into the EMEs, including India. This will pose a challenge for exchange rate and monetary management.

EXCHANGE RATE

The Central bank retains the flexibility to intervene in the market to manage excessive volatility and disruptions to the macroeconomic situation. Recent experience has underscored the issue of large and often volatile capital flows, influencing exchange rate movements against the grain of economic fundamentals and current account balances. There exists, therefore, a need to be vigilant against the build-up of sharp and volatile exchange rate movements, and its potentially harmful impact on the real economy.

MONETARY POLICY STANCE

The monetary policy for 2010-11 is set against a rather complex economic backdrop. The monetary policy response in India since October 2009 has been calibrated to India's specific macroeconomic conditions. In the wake of the global economic crisis, the Reserve Bank pursued an accommodative monetary policy beginning mid-September 2008. This policy instilled confidence in market participants, mitigated the adverse impact of the global financial crisis and ensured that the economy started recovering ahead of most other economies. However, in view of the rising food inflation and the risk of it impinging on inflationary expectations, the Reserve Bank began the process of an exit from the expansionary monetary policy, beginning October 2009.

Given the growth-inflation dynamics, the monetary policy stance for 2010-11 has been guided by three considerations.

First, even at the current levels, real policy rates are still negative. With the recovery now firmly in place, the Central bank needs to move in a calibrated manner in the direction of normalizing policy instruments.

Second, the current episode of inflation, which was triggered by supply side factors, is developing into a wider inflationary process. Demand side pressures are now clearly discernible. There is, therefore, need to ensure that demand side inflation does not become entrenched.

The third consideration is the need to balance the monetary policy imperative of absorbing liquidity and ensuring that credit is available to both the government and the private sector.

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

- Anchor inflationary expectations, while being prepared to respond appropriately, swiftly and effectively to the enhanced build-up of inflationary pressures.
- Actively manage liquidity to ensure that demand growth for credit by both the private and public sectors is catered to in a non-disruptive way.
- Maintain an interest rate regime consistent with price, output and financial stability.

7. Developmental and Regulatory Policies

Over the last several years, the Reserve Bank has undertaken wide-ranging financial sector reforms to improve financial intermediation and maintain financial stability. This process has now become more intensive with a focus on drawing appropriate lessons from the global financial crisis and putting in place a regulatory regime that is alert to possible build-up of financial imbalances. The actions are wide ranging – from mandating a switchover to Base Rate, the introduction of plain vanilla currency options for residents, permitting banks to engage any individual as BC, the bank specific Financial Inclusion Plans, raising limit for collateral free loans to MSEs to Rs. 10 lacs, to the relaxation of licencing norms. The Apex bank does not believe in the doctrine of 'laissez faire' and therefore, even with significant deregulation, continues to exercise adequate control.

8. Jammu & Kashmir – Development Emerging

The revised estimate of GSDP of J&K for 2009-10 is placed at Rs. 26,153 Crores – a growth of 6.87 per cent over 2008-09. The state holds 3.2 per cent of the total area and 1 per cent of the total population of India. Yet, its contribution to the national income is only 0.70 per cent. The worrying aspect is that the share of state income to national income has declined from 0.85 per cent to 0.70 per cent during the decade. The per capita income in the state of Jammu & Kashmir is Rs. 21,561 (2008-09) against the national average of Rs. 28,937.

However, a number of flagship programmes are operating in the state with huge outlays earmarked for reconstruction and multidimensional development. The programs include PMGSY, RGGVKY, NHRM, PMRP, BADP and more; and the developmental works span connectivity, electrification, water supply and irrigation. Over Rs. 30,800 Crores have been earmarked for the state under the Prime Minister's Reconstruction Program for 11th Five Year Plan.

A number of hydel projects are being constructed / commissioned under the PMRP and four of these HEPs, namely Sewa II, Nimoo Bazgo, Chutak and Uri II, with an aggregate capacity of 450 MW, are slated for completion during 2010.

Five districts, namely Baramulla, Pulwama, Rajouri, Poonch and Doda are being covered for 100 per cent electrification under the Rajiv Gandhi Grameen Vidhyutikaran Yojna (RGGVY). Under this program, all rural households of these districts shall be electrified and free electric connections shall be provided to BPL households.

Under road and rail connectivity, the Jammu-Srinagar National highway is being widened, the alternate route – Mughal Road – is nearing completion, 5 pairs of short-distance service DMUs (Qazigund – Budgam – Baramulla) are already operational and a network of roads is being laid or upgraded across the length and breadth of the state.

The state has a huge untapped potential which needs to be sustainably exploited. Some of the major avenues comprise the following:

The per capita income in the state of Jammu & Kashmir is Rs. 21,561 (2008-09) against the national average of Rs. 28,937.

Management Discussion and Analysis

- Hydroelectric Projects – Identified potential 16,480 MW, exploited 2,319 MW
- Rail / Road Connectivity
- Horticulture & Allied activities
  - Food Processing
  - Post Harvest Infrastructure - Cold / CA Stores
- Herbal Medicine / Cosmetics / Aromatics
- Handicrafts / Handlooms
- Irrigation / Water Resource Management
- Livestock / Poultry
- Tourism
  - Pilgrim
  - Leisure
  - Sport
- Industry
  - Computers
  - Electronics
  - Precision Goods

9. J&K Bank Policy Overview

Owing to the geographic incongruity of expanse of the loan book vis-à-vis its distribution network, the Bank adopted a long-term bipodal business model in 2005. The mainstay of the model was to focus on increased exhaustive lending in Jammu & Kashmir, which was credit-starved and to target specialized lending in the rest of the country to carve out a niche for itself. A consolidation phase began with a slew of reengineering processes being initiated for attainment of a healthy balance sheet, better asset liability management, optimal asset utilization and redefining systems and procedures to achieve higher efficiency, TQM, better compliance and risk management and real time monitoring for decision support, among others. To facilitate the BPR, sustained organizational restructuring was undertaken for smooth flow of information – both vertically and laterally, de-duplication of processes, efficient decision-making, speedy delivery of products and services, prompt redressal of customer grievances, among others. On the HR front, core competency development and mapping, specialization and succession planning initiatives corroborated the reengineering process.

The mainstay of the bipodal business model was to focus on increased exhaustive lending in Jammu & Kashmir and to target specialized lending in the rest of the country.

The Bank, after having successfully completed the consolidation phase, had planned and was geared to leapfrog on the high growth trajectory in FY 2009-10. However, the not-so-conducive market conditions demanded a temporary deferment of the ambitious growth plans and the total focus shifted to bringing in higher level of efficiency in operations and improvement in quality to further augment the building blocks to accomplish a planned rapid growth.

The notable outcome of the consolidation process can be summarized as:

- Improvement of Credit Deposit Ratio in Jammu & Kashmir from sub 30 per cent levels in 2005 to over 50 per cent by 2010.
- Up-pricing of low yielding long-term corporate loans
- Wiping out deficit in Priority Lending and narrowing deficit in mandated Agriculture lending.

- Improving CASA from sub 35 per cent levels (2005-06) to over 40 per cent by 2010.
- Improving NIM from 2.58 per cent (2005-06) to over 3.00 per cent (2010)
- Improving RoA from 0.67 per cent (2005-06) to 1.20 per cent (2010)
- Improving RoE from 10.21 per cent (2005-06) to 18.19 per cent (2010)
- Reduction in GNPA from 2.72 per cent (2005) to 1.97 per cent (2010)
- Reduction of NNPA from 1.41 per cent (2005) to 0.27 per cent (2010)

BUSINESS BANKING

The Business Banking initiatives have consistently focused on procuring low -cost funds by offering a range of current account products and cash management solutions across all business segments covering corporates, institutions, central and state government ministries and undertakings, as well as small and retail business customers. Cross-selling of transactional banking products to develop account relationships, aided by product innovation and a customer-centric approach, have borne fruit in the form of growing CASA balances and increasing realisation of transaction banking fees, apart from enlarging the customer base.

J&K Bank acts as an agency bank for transacting government business offering banking services to the Jammu & Kashmir government and some Central government ministries and departments. Currently, the Bank accepts income and other direct taxes through authorised branches. The Bank also handles the disbursement of civil pension for the Jammu & Kashmir government through 400 plus branches. During the year, the Bank was associated with the 'e-Governance Project' for the Jammu & Kashmir and acted as Service Centre Agency (SCA) for establishment of over 1,100 Common Service Centres (CSCs)

The Bank is in the process of 100 per cent implementation of the Electronic Benefit Transfer (EBT) Project, which constitutes a new line of business contributing to fee as well as float income, towards handling disbursements relating to various government benefit schemes through smart cards under an IT-enabled financial inclusion model.

10. Performance Overview of JKB in 2009-10

LIABILITY MANAGEMENT – CUT FLAB, IMBIBE QUALITY

During 2009-10, the Bank put renewed focus on liability management. The overall deposit growth of just 13 per cent may not look impressive, but a deeper look at the components and one is bound to acclaim the over 20 per cent YoY growth of CASA component. CASA deposits constitute 40.69 per cent of total deposits as on 31st March, 2010 against 38.11 per cent on the corresponding date last year. Here the bank scores over the industry, which is witnessing a trend of declining CASA component.

Owing to ample liquidity and benign interest rates all through the year, the high cost corporate deposits were paid out and only core deposits were contracted under the Term Deposits. The growth in Term Deposits, as such, was just 8 per cent. This had a profound favourable impact on cost of deposits, which declined from 6.22 per cent (2008-09) to just 5.24 per cent (2009-10). Interest expended on deposits during 2009-10 actually declined by almost 4 per cent compared to the previous year.

Impact analysis of the transition to calculation of interest on daily balances in Savings Bank Deposits in our Bank shall result in increase of interest outgo on SB component by 35 basis points only (excluding incremental deposits) which is reflective of the high stability of our Savings deposit portfolio. The overall impact of this transition on cost of deposits shall be 14 basis points only.

Management Discussion and Analysis

CREDIT MANAGEMENT

The low growth in credit was supplemented in good measure through investment in credit substitutes through private placements – good quality and high coupon corporate bonds. Among the credit segments, emphasis was put on lending to priority sector which received over 60 per cent of the total incremental credit resulting in YoY growth of 17.51 per cent in priority sector advances against growth of 10.16 per cent in the overall loan book. The result is propitious – overall priority lending target is surpassed and incremental agricultural lending (18 per cent of total incremental advances) achieved.

The loan book characteristics include:

- Secured loans 84%
- Rated Loans
  - External 40.31% of Corporate Advances
  - Internal 84% of Total Adv (Excl. Exempt Category)
- Priority Sector 45.17%
- Yield on Advances 10.65%

CREDIT QUALITY – MONITORING & PROMPT CORRECTIVE ACTION

The fallout of mass restructuring of advances, as allowed by the RBI in the 4th quarter of 2008-09, is surfacing as huge slippages elsewhere in the industry but the Bank, owing to the judicious monitoring and management of the loan book especially of the restructured portfolio, has been able to apprehend the slippages to a phenomenally low level – just 0.80 per cent. The result is a quality loan book with a sub-2 per cent GNPA and a sub-0.30 per cent NNPA.

At over 90 per cent, the Bank has pre-empted the maintenance of a coverage ratio much above the mandated level of 70 per cent to be achieved by the Scheduled Commercial Banks by September 2010.

INVESTMENT BOOK

The growth in investment book is, to some extent, attributed to investment in high-yielding, good quality non-SLR bonds through private placements. However, the increase is mainly on account of liquid investments – CDs / CPs / MMMFs. SLR securities increased by 11 per cent and constituted 61 per cent of the total investment book as on 31st March, 2010. The trading book constitutes 31 per cent of the investment book of which the liquids, at 16 per cent, are the major component.

The trading book is actively managed by modulating the duration of the portfolio. With the improvement of the yield of the bond portfolio through induction of high-yielding non-SLR securities, the trading book of the Bank has been immunized for interest shocks of up to 75 basis points.

During the year, the Bank, on the instructions of RBI, shifted the investment in Metlife from banking book to trading book and carried out the valuation of this investment through two independent valuers. However, the substantial gain on valuation of this investment was ignored and not netted off against the minor depreciation in investment in shares.

11. Earnings & Efficiency

INCOME ANALYSIS

Owing to benign interest rate regime and consequential substantial reduction in lending rates in 2009-10, interest expense recorded a decline of 2.5 per cent in 2009-10 while interest income registered a modest increase of 2.9 per cent. The major incremental contributions to the bottomline accrued from other income and write back of MTM provisions.

The Bank's operating income improved by 23.30 per cent from Rs. 1,245 crore in 2008-

The harder sweating of assets has resulted in the improvement of RoA to 1.20 per cent on year-end assets and to 1.36 per cent if computed with regard to average assets.

09 to Rs. 1,536 crore in 2009-10 - the main contributor of the growth being other income, which improved by 59 per cent during the year. However, the component of treasury gains in the other income rose to 42 per cent from 30 per cent a year ago.

The Bank's core non-interest Income / Average Working Fund which stands at below 1.0 per cent leaves further scope for improvement and diversification, particularly due to the limited opportunities to extend Fee Income services, due to the typical profile of the Bank's customer base. Further, due to RBI regulations of a ceiling on cheque collection charges, coupled with a replacement of the draft business by RTGS/ NEFT, the fee income from remittances has dried up, emphasizing the need and effort to diversify these income streams through third-party distribution, Cash Management Services and so on. The CMS foray is not only emerging as an important source of fee income but is also contributing significantly towards mobilizing zero cost funds and forging large relationships.

OPERATING EFFICIENCY: AMONG THE BEST IN THE SECTOR

Although the Bank enjoys customer loyalty spanning over many years, it has ensured that it remains sufficiently in step with product, technology and service level developments in the industry. The Bank was one of the first among its peers to move on to the Core Banking platform and currently offers its clients standard products and channel options. As a result, the Bank has one of the lowest cost-to-income ratios (of sub 38 per cent) in the entire sector. This was achieved despite making full provision for the arrears payable to the employees post the 9th bipartite wage settlement and the variable pay component paid to the employees over and above the IBA scales.

The bank has a very low operating expense to average assets ratio of 1.53 per cent (compared to an average of 2.0 per cent for peer banks).

RETURNS – ROE & ROA

The harder sweating of assets has resulted in the improvement of RoA to 1.20 per cent on year-end assets and to 1.36 per cent if computed with regard to average assets. Improvement in RoE stemmed purely from the operating efficiency and not through increase in equity multiplier. In the face of the reasonable growth in bank assets, a declining equity multiplier is a source of regulatory comfort as it implies that a larger portion of banks' earnings are retained and transferred to loss absorbing common equity.

12. Capitalization - Well-capitalized to support a High-Growth Phase

Our focus has increasingly been on substance over form and on Tier I rather than Tier II capital, especially on common equity. The Bank has a very high capital adequacy ratio of 14.81 per cent, with Tier-1 capital adequacy of 11.91 per cent and a Tier-I leverage of 7.08 per cent (on-balance sheet including statutory requirement -- CRR and SLR). With such a high CAR in place, the bank is well-equipped to leverage its balance sheet as the economy continues to recover, going forward.

Management Discussion and Analysis

DEEPENING FINANCIAL INTERMEDIATION IN J&K

Financial exclusion in Jammu & Kashmir -is more pronounced with a measly 46 bank accounts per 100 adult population. The Bank, owing its roots to the state, has taken upon itself the role of a developmental financial institution and a universal bank in Jammu & Kashmir. With a share of 44 per cent of bank branch network in the state, the Bank accounts for 72 per cent of total credit outstanding. The credit deposit ratio of the Bank within the state is 54 per cent against 40 per cent maintained by other banks (all figures for September 2009).

The Bank has opened over 3.50 lac no frills accounts in Jammu & Kashmir and is in the process of covering all the Social Security (ISSS and NOAPS) and NREGA beneficiaries under the Electronic Benefit Transfer (EBT) scheme. This will be achieved through Information & Communication Technology (ICT) models by using biometric smart cards. The process has already started and over 25,000 smart cards have been issued to the beneficiaries, so far.

A colossal financial inclusion drive has been initiated by the bank where under more than 450 unbanked villages (each with population of over 2,000) of the state shall be covered. Under this drive over 2.25 lac households, mostly rural, shall be brought under the banking net and over six lac accounts opened with a micro credit outlay of over Rs. 280 Crores.

To ensure the much-needed credit delivery to promote agricultural production and other productive and employment generating micro enterprises in the state, a revolutionary initiative by the Bank facilitated the state's maiden banking sector merger by the establishment of 'J&K Grameen Bank' out of the two sponsored RRBs, namely Kamraz Rural Bank and Jammu Rural Bank. The consolidated RRB shall deliver improved performance on economies of scale and shall eventually be converted into a robust MFI.

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13. IFRS – Assimilation & Introduction

The Institute of Chartered Accountants of India (ICAI) has announced the mandatory convergence of Indian Accounting Standards with IFRS from 1st April, 2011. Subsequently the Ministry of Corporate Affairs has announced a roadmap regarding mandatory convergence of corporates in a phased manner, commencing from 1st April, 2011. Going forward, the convergence programme is considered to be a major challenge for the Indian banking system in view of the rigorous requirements of skill upgradation, changes in IT systems, maintenance of parallel accounts during the transition period and implementation issues. Our Bank has already started a comprehensive convergence exercise to be ready for adoption of IFRS standards well before the mandated date.

14. Indian Banking – High Performing Sector

The Indian Banking sector now compares favourably with banking sectors in the region on metrics like growth, profitability and non-performing assets (NPAs). A few banks have established an outstanding track record of innovation, growth and value creation. This is reflected in their market valuation. However, improved regulations, innovation, growth and value creation in the sector remain limited to a small part of it. The cost of banking intermediation in India is higher and bank penetration is far lower than in other markets. India's banking industry must strengthen itself significantly if it has to support the modern and vibrant economy which India aspires to be. While the onus for this change lies mainly with bank managements, an enabling policy and regulatory framework will also be critical to their success.

15. Opportunities and Challenges for Players

The bar for what it means to be a successful player in the sector has been raised. Four challenges must be addressed before success can be achieved.

- First, the market is seeing discontinuous growth driven by new products and services that include opportunities in credit cards, consumer finance and wealth management on the retail side, and in fee-based income and investment banking on the wholesale banking side. These require new skills in sales and marketing, credit and operations.
- Second, banks will no longer enjoy windfall treasury gains that the decade-long secular decline in interest rates provided. This will expose the weaker banks.
- Third, with increased interest in India, competition from foreign banks will only intensify.
- Fourth, given the demographic shifts resulting from changes in age profile and household income, consumers will increasingly demand enhanced institutional capabilities and service levels from banks.

Although growth in retail credit has moderated in the last year, the low penetration levels of retail credit (estimated at less than 12 per cent of GDP), the shift in demographics towards a higher proportion of younger working population and retiring baby-boomers, the changing attitudes towards borrowings, higher income levels amongst the growing middle class, and the large pent-up demand for housing, cars and such, all augur well for the long-term, sustainable growth of retail lending in the Indian market.

16. Shaping the Industry

The interplay between policy and regulatory interventions and management strategies will determine the performance of Indian banking over the next few years. Legislative actions will shape the regulatory stance through some key elements: industry structure and sector consolidation; freedom to deploy capital; regulatory coverage; corporate governance; and labour reforms and human capital development.

The management's success will be determined on three fronts: fundamentally upgrading organizational capability to stay in tune with the changing market; adopting value-creating M&A as an avenue for growth; and continually innovating to develop new business models to access untapped opportunities.

We believe a coordinated effort between the various regulatory entities – government and RBI – is required to enable positive action. This will spur on the performance of the sector. The policy makers need to make coordinated efforts on six fronts:

Management Discussion and Analysis

The increasing penetration of telecommunications and greater reach, mobile-based business models (M-Banking) will prove to be instrumental in realizing branchless banking.

- Help shape a superior industry structure in a phased manner through "managed consolidation" and by enabling capital availability. This would create 3-4 global sized banks controlling 35-45 per cent of the market in India; 6-8 national banks controlling 20-25 per cent of the market; 4-6 foreign banks with 15-20 per cent share in the market, and the rest being specialist players (geographical or product/ segment focused).
- Focus strongly on "social development" by moving away from universal directed norms to an explicit incentive-driven framework by introducing credit guarantees and market subsidies to encourage leading public sector, private and foreign players to leverage technology to innovate and profitably provide banking services to lower income and rural markets.
- Create a unified regulator, distinct from the central bank of the country, in a phased manner to overcome supervisory difficulties and reduce compliance costs.
- Improve corporate governance primarily by increasing board independence and accountability.
- Accelerate the creation of world class supporting infrastructure (e.g., payments, asset reconstruction companies (ARCs), credit bureaus, back-office utilities) to help the banking sector focus on core activities.
- Enable labour reforms, focusing on enriching human capital, to help public sector and old private banks become competitive.

17. Financial Inclusion

Developing and under-developed economies all over the globe are looking for new modes and means to contain poverty and include their citizens in the financial system. One of the important factors that would help achieve this vision is to ensure total financial inclusion.

The country's regulatory bodies have laid down their priorities and financial inclusion tops their agenda. To set the momentum right, there have been regulatory relaxations and initiatives such as mobile payments and third party business correspondents to realize this distant dream. The concept of branchless banking will be instrumental in achieving the mammoth task of gaining 100 per cent financial inclusion in India. Still at inception stage, the idea will require trials to realize the best frameworks and models suited for this mission. The main focus of the banks in the country has been towards using business correspondents for reaching out to the unbanked population. However, with the increasing penetration of telecommunications in the country and greater reach, mobile based business models (M-Banking) will prove to be instrumental in realizing branchless banking and taking it to higher grounds by enabling low cost and real-time transactions over secure networks.

18. Major Issues on our Watch list

GROWTH – SIZE & OPERATIONS

Spurred by the resultant strengths of consolidation phase, the Bank is looking at a CAGR of 30 per cent over the next two years to achieve business of over 'One Hundred Thousand Crores' by the end of 2012. The bank will put in place enablers for the ambitious growth. To further augment and reinforce the delivery channel architecture and to achieve a judicious blend of captive and outsourced functions, organic as well as inorganic growth has been planned. This includes:

- **Organic Expansion:** Addition of over 50 brick and mortar branches
- **Technical Expansion:** Addition of over 100 ATMs, rolling over all branches to CBS
- **Inorganic Expansion:** Using over 1,100 CSCs as Business Correspondents, Conversion of J&K Grameen Bank into a MFI, acquisitions
- **Structural Reorganization:** Aspiring to create a financial conglomerate / BHC.

RECONNECTION WITH THE CUSTOMER

We consider convenience, value and service, rather than product innovation, as the keys to improving the customer experience as financial products are rarely differentiated and quickly copied. We understand strengthening and cultivating customer relationships requires ongoing effort at each point of interaction. We are inculcating such efforts to become habitual — part of business as usual — and not a random, last-resort strategy in response to customer complaints. To supplement the human effort in ensuring high level of convenience and service quality to customers, the bank is in the process of implementation of Customer Relationship Management – systems and resources.

PROMOTING COMPLIANCE

In an increasingly strict regulatory environment, we have adopted a principles-driven approach to policies, standards and systems to ensure compliance. We perceive recent changes in the regulatory environment, especially the Basel II regime, as an enabler to improve management practices. We have almost eliminated the risk of non-compliance by weaving accountability into the business through a clear definition of the compliance role and the adoption of a standard methodology for documenting risks.

BETTER RISK MANAGEMENT

We are putting more emphasis on managing operational and Basel pillar II risks. In our view, operational and reputational risks are emerging as greater concerns than market, credit and liquidity risk, which are generally effectively manageable. A credit loss – even if substantial – is a cost of doing business easily absorbed by a bank's reserves or capital. Reputation risk has the ability to destroy market capitalization, and in the extreme, bring down even a well capitalized institution, almost overnight.

ADAPTATION TO DEMOGRAPHIC SHIFTS

Half of the country's population is under 25. This productive, income-earning, high-spending and high-saving segment of the population will also have very few dependents (parents and children) to take care of. The forthcoming years will, therefore, be a golden era of consumption—driven by young consumers with high disposable incomes.

An ageing population and retiring baby-boomers will continue to drive the development of banking products and services targeted to older customers.

Corporate Functions' Report

1. Green Banking Initiatives

SUSTAINABLE DEVELOPMENT – THE AWAKENING

The world has seen much focus on economic progress and mankind has made giant steps in its journey through time. The side effects of the development process have, however, also been equally enormous – loss of biodiversity, climatic change and environmental damage, among others. We have realized, although a bit late, that development needs to be sustainable and equitable.

Sustainable development denotes development that does not reduce the possibilities and choices for the future generations, at the same time ensuring continuity of economic progress for the present generation. It requires that decisions taken today do not compromise options for the future -- this issue is central to any serious commitment to sustainability. It also involves balancing economic interests with the communities' social aspirations and minimizing environmental impacts.

Sustainable development transcends matters of ethics, corporate social responsibility and the environment, although they are all related.

BANKING & SUSTAINABILITY

The process of sustainable development involves all sectors in the economy – Government, NGOs, corporates, citizens and, of course, the financial sector. Banking is often associated with formal and rigid approaches and the sector generally perceives itself as environmentally neutral. The context in which banking operates is, however, continuously changing. Although banks themselves are generally environment-friendly and do not impact the environment much through their own 'internal' operations, yet in view of the relationship between the banking sector and the firms who are users of banks' products, the 'external' impact on the environment through these entities is substantial.

J&K Bank being serious about sustainable development has put principles at the heart of decision-making. The Bank has adopted a three-dimensional approach to address the issue of sustainable development. The approaches encompass the following:

- Inducement initiatives – for sensitizing customers through products and services
- Internal initiatives - for reducing the Bank's own carbon footprint
- External initiatives – through Corporate Social Responsibility programs

CUSTOMER SENSITIZATION

The Bank has been extending hassle free and economical finance for nature and environment-friendly projects. The 'Green Finance' products and initiatives of the Bank include:

- Renewable energy (Wind, HEP) finance
- Soft Loans for LPG Connections
- Soft Loans for Solar Water Heaters / Solar Lighting systems
- Liberalized lending for technology up-gradation for SMEs
- Interest incentive finance for green homes and conservatories, green cars (Electric/Hybrid/ LPG/CNG), organic farming and fertilizers

IN-HOUSE INITIATIVES

- Solar-powered ATMs and branches (23 as on date)
- Low / Zero emission heating systems for branches / offices
- Use of e-mail / intranet for all internal correspondence
- Energy-efficient operations & systems – use of TFT monitors, CFLs, zero emission gensets, etc.
- Judicious use of energy – switching off lights, computers, lifts, etc. when not in use.
- Sewage treatment plants at CHQ and other controlling offices
- Car pool / chartered bus services for employees posted at CHQ / controlling offices

CORPORATE SOCIAL RESPONSIBILITY

On the ecological front, the Bank has been pioneering initiatives long before the concept caught the imagination of the corporate world. The Bank has been actively engaged in restoration of gardens and parks, plantation drives, eco-awareness campaigns and sponsorship of programs for green cause, among others.

The Bank has approved a number of eco-social programs to be carried out over the coming period. These include:

- **Solar Street Lights Installations**

  Under the Green Banking initiatives, J&K Bank will adopt some streets in cities/towns in Jammu & Kashmir for the installation of solar lights

- **Adoption of few small villages/ hamlets for providing CFL lamps to each home.**

  The Bank shall adopt two small villages/hamlets, one each in Jammu & Kashmir for providing CFL lamps to all residential houses

- **Afforestation of wastelands and other programmes**

  The Bank shall adopt wastelands for afforestation purposes. Similarly, the Bank shall also undertake few community watershed programmes

GREEN FINANCE - VALUE PROPOSITION

With global financial markets languishing in the doldrums, 'green financing' is emerging as a key lever to stimulate a sustainable global economy and the ecological concerns are sparking big investments in innovative projects. Developers of wind, solar, biofuel, biomass and waste, energy-efficient technologies and other emerging energy options are securing funding, where it was once hard to find. This opens new avenues for a healthy credit off-take. Further, with protracted cost savings, the 'green projects' are better equipped to service their loan commitments, resulting in lower NPLs.

2. CSR Policy and Initiatives

As a responsible premiere institution, the J&K Bank has a well conceived Corporate Social Responsibility (CSR) policy. Understanding the region's social, cultural and geographic nuances well, the Bank goes beyond the narrative of philanthropic symbolism and articulates its CSR philosophy from the broader perspective of socio-economic empowerment.

The Corporate Social Responsibility (CSR) of the J&K Bank seeks to recognize social obligations towards society and aims to integrate the CSR ideals into its mission for optimizing both business and social performance. The Bank is successfully working to integrate its immediate and short-term societal and eco-cultural obligations with its long-term paradigm of people's empowerment.

The Bank's key initiatives in this regard have focused primarily on urgent issues like health, education and the preservation of ecology, culture and heritage.

TARGET GROUPS

The basic aim is to instill a sense of relief and protection among the most vulnerable sections of society. The target groups of the entire Bank's philanthropic programme comprise the disadvantaged sections of the society: poor people, women, children, differently-abled, handicapped, among others.

HEALTH IS WEALTH

J&K Bank believes in the philosophy of health is wealth. Sensitive to the seriousness of individual as well as collective health, the Bank unfailingly implements its robust donation programme.

Besides working with and providing generous donations to the various local organizations like the Cancer Society of Kashmir, Voluntary Medicare Society, the Bank continues with its tradition of generous financial assistance to the patients with severe ailments having no means to meet the expenses, for emergency treatments like chemotherapy, heart-valve replacement, cardiac surgery, and so on.

The Bank facilitates artificial limbs and the related assistance to many amputees by paying the costs of such things to the local Artificial Limb Centre. The Bank bears the expenses of medication and other treatment of hundreds of poor and needy who belong to different vulnerable sections of society under this programme.

EMPOWERMENT THROUGH EDUCATION

Education, as a means to socio-economic empowerment, receives a substantial part of the Bank's CSR funds.

The Bank contributes meaningfully to the education of the downtrodden, besides helping the agencies and other NGOs active in the field of women and children empowerment through education. Education of a girl

Corporate Functions' Report

child is given top priority in our educational CSR activities.

The Bank provides educational expenses, which includes fee and cost of books, for hundreds of students from orphanages like Shehjar, besides helping financially scores of other orphans and children from extremely poor families across the state. The Bank also adopts at least fifteen students of Voluntary Medicare Society every year and bears all their educational expenses.

This year the Bank provided a 29-seater school bus to a local welfare body namely Madri-Meharbaan Women & Child Welfare Institute. This enabled the institute to focus its resources on the basic capacity building of these most deserving sections of our society.

With a view to empower the students with Information Technology and e-learning, the Bank provides computers and all other accessories to local educational institutes which cannot afford such systems.

ECO-CULTURAL PRESERVATION

Preservation of environment and cultural heritage of this region remains a crucial component in the Bank's vision of social responsibility. We have successfully been able to combine the preservation of environment and heritage in most of our efforts in this direction.

The Bank has already revived and restored many a places of socio-cultural significance like Badamvaer which also has a profound impact on the environment of the area, under its CSR policy. Presently, the Bank maintains and takes care of many public parks across the state.

The Bank recently launched a plantation drive wherein the rarest specie of Ginkgoaceae was planted in the state after a gap of nearly 100 years.

Besides, we lead the awareness campaigns about Dal conservation, ban on polythene, environmental pollution and more. These campaigns are gradually creating a social mood that remains prerequisite to any meaningful change in the peoples thinking about these issues having immense consequences for our future.

Recently, as part of our renewed commitment to preserve the cultural heritage of this region, we donated a hefty amount to Basgo Welfare Committee, Leh (Ladakh) for restoration of a historical monastery at village Basgo.

OTHER CSR ACTIVITIES

The Bank occasionally provides technical-aids like sewing machines to deserving women, which enables them to live their lives with dignity and boosts their sense of self-reliance.

Besides, under its CSR policy, the Bank is keen to participate in any process that seeks to identify the youth imbued with creativity and talent. The Bank helps such talented youth to realise their potential in their respective fields.

This year, the Bank collaborated generously with the DD Kashir channel in its mega musical talent hunt show 'Milay Sur'. The show became immensely popular across the state.

The Bank also helps sportsmen with exceptional talent to realize their potential and make a mark in the field of their interest besides popularizing the sport. This year, the Bank facilitated the participation of All J&K Sports Association of Deaf in fifth national basketball championship.

RATIONALE BEHIND SUCH ACTIVITIES

Although, the rationale behind choosing these activities is simply to be socially and culturally relevant institution in the region but the Bank views it beyond that.

However, the Bank situates this CSR policy within its business mantra of servant leadership.

BRAND VALUE ENHANCEMENT

CSR plays a very vital role in enhancing the brand value of the Bank. Such activities bring the social relevance of an organization into sharper relief and help people of the place to identify with it.

And all these acts of social and cultural benevolence, which have an appeal for the collective mind, help position one's brand deep and favourably into the public consciousness, which certainly enhances the Bank's brand value.

ANNUAL SPENDING ON CSR

As per the Reserve Bank of India guidelines, the Bank has earmarked one percent of its net profit for CSR activities. This year we have more than Rs. 5 Crores at our disposal for these activities.

The annual spending is witnessing a sharp increase from the last few years owing to the growing emphasis on CSR globally.

Besides, the Bank has been able to organize and expand its CSR activities better during the last few years.

FUTURE CSR COURSE

To organize and expand various acts of social philanthropy besides heritage and eco-preservation initiatives, the Bank this year constituted a trust entitled Jammu & Kashmir Bank Social Conscience Trust (JKBSCT).

The Trust will embark upon the Bank's CSR in a more comprehensive manner to contribute effectively in people's personal and social welfare.

Through the Trust, J&K Bank projects its vision of leadership by re-working the societal liabilities into future assets, besides helping safeguard the cultural and historical legacies of this region.

UPCOMING CSR PROJECTS

There are several CSR projects that the Bank plans to undertake this year.

However, the organization of these diverse philanthropic activities under the newly formed Trust shall certainly reflect in the conduct of such altruistic programmes in the near future.

As per the guidelines laid down, the newly formed Trust would function broadly on three major themes of social concern i.e. education, medical assistance and heritage preservation.

In education, the Trust plans to organize better its financial support to the poor and underprivileged in acquiring primary education and technical learning (from ITI's). The Trust would also institute distinguishing scholarships for the meritorious and the bright students, among them.

Under the Medical category, the Trust would continue with its programme of financial assistance to the deprived persons having any serious disease or relief for such people suffering from different disabilities. The Bank plans to work closely with the voluntary and other NGOs active in this domain to leverage their presence and expertise for comprehensive and better results for individuals and the society.

Regarding heritage preservation, the Trust would undertake projects to preserve intellectual heritage in the form of music, literature and arts, besides the physical heritage in the shape of crafts and architecture.

3. Risk Management

The focus on risk management continued for proactive management of various risks in the wake of the worst ever global economic downturn and consequent financial turmoil witnessed in last two years. The Bank is constantly reviewing and strengthening the risk management practices in line with our business strategies. J&K Bank is committed to establish sound risk management framework and systems at par with industry best practices for efficient and integrated management of various risks, which the Bank is exposed to.

Corporate Functions' Report

The Bank has in place a well-defined risk management organizational structure to manage, control and mitigate these risks. Within the overall structure, various Board / Executive committees and other responsibility centers from top to bottom have been defined to devise and implement risk management policies and processes on an enterprise wide basis.

CREDIT RISK

A well-defined organizational and functional structure is in place for credit risk management in the Bank and for protecting and enhancing the quality of advances portfolio. Credit risk management committee regularly reviews the strategies for strengthening the loan portfolio of the Bank which, inter alia includes issues related to thrust areas for credit expansion, diversity of the portfolio, mitigating concentration risk, sectoral and industrial exposures, credit deposit ratio, net interest margin and better management of NPAs. The Bank has put in place various prudential limits on credit exposures to mitigate concentration risk and also ensure diversification of its loan portfolio across various segments, sectors, industries and geographic regions. Credit audit system, under loan review mechanism, functions independently of the credit processing and credit approving system. The same has been strengthened for effective management / mitigation of credit and operational risks in the loan portfolio. The Bank has also established an elaborate risk rating framework which includes internal risk rating models for different lending segments. The rating framework is designed to create a centralized data base of the borrowers which will act as ready DSS and MIS for managing the credit portfolio both at the micro and macro levels. The Bank has taken measures in ensuring that its entire short term / long term claims on corporates are externally rated by approved credit rating agencies. For effective credit risk mitigation and management of financial collaterals, a policy on 'Collateral Management' has been put in place.

MARKET RISK

An appropriate system has been implemented to capture all material sources of market risk. Prudential limits are in place for taking exposures across all segments of market and the Bank has been able to contain market risk in Investment portfolio, effectively. 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. Liquidity of the Bank has been managed satisfactorily by keeping a close watch on the mismatches and funding requirements for new assets. To supplement the market risk management, a stress testing policy and process has been initiated to undertake sensitivity / scenario tests with respect to interest rate scenarios, economic downturn, liquidity constraints and potential slippages, among others.

OPERATIONAL RISK

The Bank has put in place a robust operational risk management framework, structure and policies to identify, assess, monitor and mitigate these risks. It has a robust internal control, audit mechanism and reporting system for managing the operational risks. Disaster Recovery (DR) and Business Continuity (BCP) plans have been formulated to ensure the continuity of core Business Operations in the event of any abnormal internal or external event that has the potential of disrupting normal business activity of the Bank. As part of BCP implementation, the Bank has introduced a reporting mechanism to address the deficiencies reported by the business units / offices regarding the implementation of BCP measures at their places. Mock drills and disaster recovery drills are periodically conducted to check efficacy of the core and support systems.

IMPLEMENTATION OF NEW CAPITAL ADEQUACY (BASEL-II) NORMS

Like other banks with no operational presence overseas, the Bank has migrated to the "New Capital Adequacy frame work" from 31-03-2009.

In tune with regulatory guidelines, the Bank is computing the capital charge for credit risk as per the Standardized Approach, for market risk as per the Standardized Duration Method and for operational risk as per the Basic Indicator Approach. Under Basel-2 norms, the capital requirements are lower than the capital requirements under Basel-1 due to better quality of our asset book. The Bank has established an appropriate MIS for calculation of capital requirements. The Bank intends to move towards advanced approaches for capital charge computations and for this purpose, various initiatives like collection of historical recovery rates, operational loss data and mapping of the Bank's earnings / expenditures into identified business lines have been undertaken.

As part of the risk evaluation process under Pillar-II of Basel-2 norms, the Bank has initiated an Internal Capital Adequacy Assessment Process (ICAAP) commensurate with its size, level of complexity, risk profile and scope of operations. The ICAAP document focuses on identification, measurement and mitigation of all material risks, affecting the banking business. In conformity with the regulatory guidelines, the Bank has also institutionalized a "Disclosure Policy" and also placed on the its website disclosure statements as required under Pillar 3 of Basel-II (NCAF), so as to facilitate market participants to access the Bank's critical information.

4. Human Resources

At J&K Bank, we recognize human resources as an area of core competence, and seek to pursue, nurture and retain the best talent. The ultimate aim of the Human Resources function is to build and manage a motivated pool of professionals by grooming internal resources and recruiting the right skills from the market, develop a high performance work-ethic and create a culture of continuous learning and skill development. One of the major platforms on which the success of the Bank's corporate strategy rests is bringing on board the requisite skills within the overall ceiling of the manpower budget.

Besides recruitment, attrition management learning and skill development and management of performance represent the other key areas of the Human Resources function. Employee engagement measures like a competitive compensation structure, performance linked rewards and incentives, a merit-based promotion process, ongoing interactions with staff at all levels and providing staff with opportunities to seek aspirational roles through internal job postings, contribute to staff retention at all levels. The Bank's Performance Management system, where recognition is performance-linked, encourages meritocracy.

We realize that skill development is extremely important for staff retention as well as the quality of manpower, and we have in place a system of continuous professional learning. We have revamped our training processes and emphasis is being laid on hard as well as soft skills. The aim of the training process is to create a knowledgeable pool of talent, delivering optimum value to customers, which we believe our training initiative has been able to achieve. A combination of classroom sessions, external programs and e-learning initiatives are part of the training module.

The Bank will continue to pursue the objective of accomplishing its corporate mission and core values through the fulfillment of its Human Resources agenda for the eventual purpose of delivering a high level of customer satisfaction.

Corporate Functions' Report

HIGHLIGHTS OF OUR HR MANAGEMENT DURING 2009-10

i) **Reorganization:** Creation of 22 business clusters to enhance growth, improve functional efficiency and ensure better monitoring

ii) **Automation:** Switching over of HRD operations to "People's System" to bring parity in staff matters and privileges, resource saving and develop in-system transparency.

iii) **Grievance redressal:** The introduction of IT (Peoples System) based 'Raahat' - an Employee Grievance Redressal Mechanism as part of corporate governance and commitment to act as a model employer.

iv) **Performance management:** The e-performance Module (Performance Management System) of People's System is made operational.

v) **Regularization:** The services of 446 contractual employees have been regularized in the services of Bank as Associate Executive (Relationship Executive / Financial Services Executive).

vi) **Promotions:** 660 promotions were effected in various cadres.

vii) **Trainings:** 3,606 officials have been trained/ retrained in various fields, viz, IT, general banking, marketing, risk, finance, human resources and insurance, among others.

viii) **Employee Benefit Schemes:**

a) Dearness Allowance and Pension benefits made applicable to Variable Pay Component

b) 30 per cent increase in yearly Medical Aid, Overtime & Refreshment Allowances

c) Introduction of Currency Chest Allowance for all staff posted in chests

d) Reimbursement of telephone bills and Newspaper Allowance for all officers

e) Enhancement in Car Loan limit

f) Consumer loan made available as Cash Credit (Running Facility)

5. Information Technology

Information Technology has provided the banking industry with the wherewithal to deal with the challenges the new economy poses. It has been the cornerstone of recent financial sector reforms, aimed at increasing the speed and reliability of financial operations and of initiatives to strengthen the banking sector.

It is information technology which enables banks in meeting high expectations of the customers who are more demanding and are also more techno-savvy compared to their counterparts of the yester years. They demand instant, anytime and anywhere banking facilities.

The Bank continued its endeavor of bringing in / developing new technologies as per requirement and at the same time upgrading the existing IT infrastructure to keep pace with the IT revolution. The achievements and initiatives taken by the Bank on IT front during 2009-10 comprise the following:

- **Computerization:** 32 branches (including new branches) were automated during the year taking the number of total automated branches to 542 out of total 582 branches.
- **Core Banking:** 87 branches rolled over to core banking during 2009-10, taking total branches on CBS to 407.
- **ATM installation:** 42 additional ATMs installed taking total number of Bank's ATMs to 288.
- **Anywhere banking:** Anywhere banking facility is currently available at 511 business units (last year 456).
- **e-Banking:** Application developed in-house for registration and

parameterization of e-Banking users – made available at all CBS branches significantly bringing down the turnaround time. Services extended to e-Banking users include Inter-bank remittances (RTGS / NEFT), Demat enquiry, bill payment, Cheque Stop / status, etc.

- **SMS Alert Service:** Launched. Over 19,000 users registered.
- **In-house Applications:** A number of applications have been developed by the Bank's IT team to facilitate and speed up processes. The applications include;
  - **MIS:** Entire computerized credit portfolio covered.
  - **Centralized Pension for Civil Pensioners:** Pension payment managed centrally for 97000+ civil pensioners through 211 branches.
  - **Electricity (PDD, J&K) Bill Collection:** Operational at 32 designated business units.
  - **Litigation Software:** Managing & Tracking of all legal cases / proceedings
  - **Archival Database:** for maintenance of historical records of branches rolled over to CBS
  - **e-NOC (electronic No Objection Certificate):** for enhancing the customer convenience and for improving speed and efficiency of our credit approval mechanism.
- **Future Projects:**
  - **Disaster Recovery Setup:** Implementation of a Zero Data Loss DR System by TCS
  - **Customer Relationship Management:** Implementation being finalized
  - **Automation of other functions:** Stationery Management, Internal Audit Reporting
- **Targets:** completion of rollover of all branches to CBS and installation of additional 100 ATMs during 2010-11.

AWARDS

The Bank received the Banking Technology 2009 Award presented by IBA & TFCI on 28th Jan 2010.

6. Customer Service

BEST OF PRODUCTS, SERVICES AND COMMITMENTS

The Bank has always kept customer service upper-most in all its operations and continued relentless attempts to improve customer services. To meet customer expectations in the dynamic environment, multiple initiatives have been taken to introduce customer-friendly products and services. Our service credo "I am listening" keeps us reminding to keep customer care as the epicenter of our professional relationship with the customers.

The Bank has been complying with the various commitments under Banking Codes and Standards Board of India (BCSBI), of which the Bank is a voluntary member. To bring about standardization of services, the bank has adopted various policies and displayed on its website for information of the public. Such policies are i) Cheque collection policy; ii) Compensation policy, iii) Collection of dues and repossession of Security policy, iv) Grievance redressal policy, v) Policy for settlement of claims in respect of missing persons.

As a front-runner to the public cause, J & K Bank launched 'Operation Clean-Up', a drive to provide good quality and fresh cash to the general public through its various business outlets and ATMs throughout the country. The ultimate objective of the operation was to phase out the bad quality cash from the market and ensure the circulation of genuine and fresh quality notes in the market.

Corporate Functions' Report

The initiative of the Bank was highly appreciated by RBI for having taken the lead in proper implementation of RBI's Clean Note Policy.

7. Operations, Audit and Compliance

Operational procedures for delivery of products and services were constantly refined during the year under review from the perspective of implementation of best practices, risk identification and containment. An operational framework has been established in order that all transactions are handled with precision. Operational parameters and control functions were refined to ensure efficient functioning of branches.

The Bank continued to vigorously pursue its commitment in adhering to the highest standards of compliance and management of compliance risks. The existing products and processes were subjected to vetting from the compliance standards during the year in accordance with the Bank's compliance policy, which is based upon the rules, laws and standards of regulatory as well as non-regulatory bodies, both domestic and overseas. During the year, the mechanism for monitoring and identification of suspicious transactions in accordance with the regulatory requirements was further reinforced. The technological initiatives undertaken for the dissemination of regulatory/ internal guidelines and inculcation of compliance culture at the grass roots level were well received. The skill sets of staff on the implementation of regulatory guidelines on 'Know Your Customer' norms and fraud prevention were strengthened during the year.

Focused efforts were made at all levels to ensure the prompt redressal of customer grievances. Suitable steps are being undertaken to meet the emerging challenges in the identification of unusual transactions through customer profiling and the inculcation of a compliance culture at the grass-root level. No instance of compliance failure was registered, during the year, against the Bank by any of the regulators.

INTERNAL AUDIT

The Bank's Internal Audit function performs an independent and objective evaluation of the adequacy and effectiveness of internal controls. This ensures that the operating and business units adhere to systems and procedures as also regulatory and legal requirements. The effort is to continuously benchmark against international best practices and procedures in the area of internal control systems. It is also proactive in recommending quality enhancement measures in operational processes, based on audit findings.

The Bank's Internal Audit function undertakes a comprehensive risk based audit of all branches, retail asset centres and service branches.

An annual audit plan is drawn up on the basis of a risk profiling of auditee units. The scope of risk-based internal audit encompasses the examination of adequacy and effectiveness of internal control systems, as well as external compliance and evaluating the risk residing at the auditee units. Central Office departments of the Bank are also subjected to inspection and audit.

Over 80 per cent of the Bank's total business is subjected to concurrent audit. Information System audits are also conducted at all the branches, the Banks' Data Centre, Business Continuity Centre as also all the relevant departments at Central Office.

To ensure independence, the Internal Audit Function has a reporting line to the Board's Audit Committee o, which oversees its performance and reviews the effectiveness of controls, laid down by the Bank and compliance with regulatory guidelines.

Auditors' Report on the Financial Statements

To
The Shareholders of
The Jammu & Kashmir Bank Limited

1. We have audited the attached Balance Sheet of The Jammu & Kashmir Bank Limited as at 31.03.2010 and also the profit and Loss Account of the bank and the cash flow statement annexed thereto for the year ended on that date in which are incorporated the returns of 37 branches/offices audited by us and 526 Branches/Offices audited by other auditors. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements, based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. 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.

4. We report that:
   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and have found them to be satisfactory.
   b. The transactions of the Bank which have come to our notice have been within the powers of the Bank.
   c. The returns received from the offices and branches of the bank have been found adequate for the purpose of our audit.

5. 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.

6. We further report that:
   (i) 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, 2010 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.

7. In our opinion and to the best of our information and according to the explanation given to us, the said accounts together with the notes thereon give the 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 a 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, 2010.
   (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.

For **K B Sharma & Co.**	For **Verma Associates**	For **O P Garg & Co.**	For **K K Goel & Associates**
Chartered Accountants	Chartered Accountants	Chartered Accountants	Chartered Accountants
CA. Munish Jain	**CA. Madan Verma**	**CA. Vikram Garg**	**CA. A. K. Kakkar**
Partner	Partner	Partner	Partner
M.No. 094750	M.No. 081631	M.No. 097038	M. No. 14493
FRN: 002318N	FRN: 002717N	FRN: 001194N	FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Balance Sheet as at 31st March, 2010

	Schedule	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Capital and Liabilities			
Capital	1	484,922	484,922
Reserves and Surplus	2	29,619,706	25,743,684
Deposits	3	372,371,604	330,041,036
Borrowings	4	11,002,064	9,966,265
Other Liabilities and Provisions	5	11,989,652	10,696,711
Total		**425,467,948**	**376,932,618**
Assets			
Cash and Balance with Reserve Bank of India	6	27,447,263	23,029,505
Balance with Banks & Money at Call & Short Notice	7	18,695,109	29,718,115
Investments	8	139,562,473	107,363,347
Advances	9	230,572,250	209,304,113
Fixed Assets	10	2,041,332	1,994,143
Other Assets	11	7,149,521	5,523,395
Total		**425,467,948**	**376,932,618**
Contingent Liabilities	12	114,992,485	91,409,177
Bills for Collection		5,922,643	9,490,429
Principal Accounting Policies	17		
Notes on Accounts	18		

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

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

Mohammad Ibrahim Shahdad
Director

Vikrant Kuthiala
Director

Prof. Nisar Ali
Director

Abdul Majid Matto
Director

R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

In terms of our report of even date annexed

For **K B Sharma & Co.**
Chartered Accountants
CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

For **Verma Associates**
Chartered Accountants
CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants
CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants
CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Profit & Loss Account for the year ended 31st March, 2010

		Schedule	Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
I	**Income**			
	Interest Earned	13	30,568,791	29,716,971
	Other Income	14	4,162,357	2,614,765
Total			**34,731,148**	**32,331,736**
II	**Expenditure**			
	Interest Expended	15	19,375,430	19,878,612
	Operating Expenses	16	5,773,672	4,708,607
	Provisions and Contingencies		4,458,258	3,646,162
Total			**29,607,360**	**28,233,381**
III	**Net Profit**		5,123,788	4,098,355
Total			**34,731,148**	**32,331,736**
IV	**Appropriations**			
	Transfered To			
	i) Statutory Reserve		1,288,947	1,023,389
	ii) Capital Reserve		–	–
	iii) Revenue and Other Reserve		2,587,075	2,115,992
	iv) Proposed Dividend		1,066,512	819,671
	v) Tax on Dividend		181,254	139,303
Total			**5,123,788**	**4,098,355**
	Principal Accounting Policies	17		
	Notes on Accounts	18		
	Earnings per Share (Basic/Diluted)		105.69	84.54

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

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

Mohammad Ibrahim Shahdad
Director

Vikrant Kuthiala
Director

Prof. Nisar Ali
Director

Abdul Majid Matto
Director

R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

In terms of our report of even date annexed

For **K B Sharma & Co.**
Chartered Accountants

CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

For **Verma Associates**
Chartered Accountants

CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants

CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants

CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Schedules to the Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 1 – Capital		
Authorised Capital		
100,000,000 Equity Shares of Rs. 10/- each	1,000,000	1,000,000
Issued		
48,499,602 Equity Shares of Rs. 10/= each	484,996	484,996
Subscribed and Paid-Up Capital		
48,477,802 Equity Shares of Rs. 10/- each	484,778	484,778
Add Forfeited Shares (21800 shares)	144	144
Total	**484,922**	**484,922**
Schedule 2 – Reserves & Surplus		
I. Statutory Reserves		
Opening Balance	7,293,651	6,270,262
Additions during the year	1,288,947	1,023,389
Total	**8,582,598**	**7,293,651**
II. Capital Reserves		
Opening Balance	631,254	350,304
Additions during the year	–	280,950
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	16,950,988	14,834,994
Additions during the year	2,587,075	2,115,994
Total	**19,538,063**	**16,950,988**
Total (I+II+III+IV)	**29,619,706**	**25,743,684**
Schedule 3 – Deposits		
A. I. Demand Deposits		
i) From Banks	989,448	658,332
ii) From Others	47,934,473	45,593,458
Total	**48,923,921**	**46,251,790**
II. Saving Bank Deposits	**102,608,073**	**79,534,851**
III. Term Deposits		
i) From Banks	36,406,938	39,541,942
ii) From Others	184,432,672	164,712,453
Total	**220,839,610**	**204,254,395**
Total A (I+II+III)	**372,371,604**	**330,041,036**
B. I. Deposits of branches in India	372,371,604	330,041,036
II. Deposits of branches outside India	Nil	Nil
Total B (I+II)	**372,371,604**	**330,041,036**

Schedules to the Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 4 – Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	–	–
ii) Other Banks	–	3,507
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	–
iv) Other Institutions & Agencies	5,002,064	9,962,758
Total	**11,002,064**	**9,966,265**
II. Borrowings outside India		
Secured borrowings included in I & II above	Nil	Nil
Grand Total (I & II)	**11,002,064**	**9,966,265**
Schedule 5 – Other Liabilities and Provisions		
i) Bills Payable	3,611,239	3,135,491
ii) Inter Office Adjustments (Net)	744,671	512,634
iii) Interest Accrued on Non-cumulative deposits	1,102,235	972,674
iv) Provision Against Standard Assets	1,387,390	1,387,390
v) Other (Including Provisions)	5,144,117	4,688,522
Total (i to v)	**11,989,652**	**10,696,711**
Schedule 6 – Cash & Balances with Reserve Bank of India		
I. Cash in Hand (Including Foreign Currency Notes)	1,304,937	1,520,490
II. Balance with Reserve Bank of India		
i) In Current Account	26,142,326	21,509,015
ii) In Other Accounts	–	–
Total (I + II)	**27,447,263**	**23,029,505**
Schedule 7 – Balance with Banks and Money at Call and Short Notice		
I. In India		
i) Balance with Banks		
a) In Current Accounts	455,483	431,962
b) In Other Deposit Accounts	68,464	4,064,034
Total (i)	**523,947**	**4,495,996**
ii) Money At Call and Short Notice		
a) With Banks	17,849,815	25,133,125
b) With Other Institutions	–	–
Total (ii)	**17,849,815**	**25,133,125**
Total (i & ii)	**18,373,762**	**29,629,121**
II. Outside India		
i) In Current Accounts	49,347	88,994
ii) In Other Deposit Accounts	272,000	–
iii) Money at Call & Short Notice	–	–
Total II of (i, ii & iii)	**321,347**	**88,994**
Grand Total (I&II)	**18,695,109**	**29,718,115**

Schedules to the Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 8 – Investments		
I. Investments in India		
Gross	139,925,031	108,141,335
Less: Provision for Depreciation	362,558	777,988
Net Investments	**139,562,473**	**107,363,347**
i) Government Securities	84,421,443	76,051,941
ii) Other Approved Securities	114,225	208,608
iii) Shares (Pref. + Equity)	632,773	493,678
iv) Debentures and Bonds (incl Suitfile)	14,238,404	11,009,595
v) Sponsored Institutions and Joint Venture	2,423,774	2,423,774
vi) Others :		
a) Certificate of Deposit	16,229,858	5,005,117
b) Mutual Funds	1,808,648	483,517
c) SIDBI	3,430,725	2,579,975
d) NABARD	2,066,450	992,450
e) Inv. In Subsidiary	50,000	50,000
f) Venture Capital	50,000	–
g) Rural Housing Development	1,168,925	739,325
h) Commercial Paper	4,142,838	391,563
i) Rural Infrastructure Development Fund (NABARD)	8,784,410	6,933,804
Total (I)	**139,562,473**	**107,363,347**
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)	**139,562,473**	**107,363,347**
III. Investments Category-Wise		
a) Held to Maturity	95,899,385	79,511,496
b) Held for Trading	45,090	774,081
c) Available for Sale	43,617,998	27,077,770
Total (a+b+c)	**139,562,473**	**107,363,347**
Schedule 9 – Advances		
A. i) Bills Purchased and Discounted	3,647,428	6,378,546
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	75,087,994	65,382,376
iii) Term Loans	151,836,828	137,543,191
Total	**230,572,250**	**209,304,113**
B. i) Secured by Tangible Assets	190,764,239	182,772,746
ii) Covered by Bank/Govt. Guarantees	3,205,248	6,967,848
iii) Unsecured	36,602,763	19,563,519
Total	**230,572,250**	**209,304,113**
C I. Advances in India		
i) Priority Sector	86,322,853	73,459,471
ii) Public Sector	6,454,752	11,325,520
iii) Banks	19,930	59,032
iv) Others	137,774,715	124,460,090
Total	**230,572,250**	**209,304,113**
II. Advances Outside India		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
Grand Total (I & II)	**230,572,250**	**209,304,113**

Schedules to the Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 10 – Fixed Assets		
I. Premises		
a) Gross Block at the beginning of the year	1,837,871	1,734,002
Additions during the year	20,701	103,869
	1,858,572	**1,837,871**
Deductions during the year	1,185	–
Total (a)	**1,857,387**	**1,837,871**
Depreciation to date	904,550	824,862
	952,837	**1,013,009**
b) Advance against flats	–	–
c) Constructions work in progress	13,249	31,261
Total (I) [a+b+c]	**966,086**	**1,044,270**
II. Other Fixed Assets		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	3,341,106	2,979,147
Additions during the year	442,618	371,733
	3,783,724	**3,350,880**
Deductions during the year	27,603	9,774
	3,756,121	**3,341,106**
Depreciation to date	2,680,875	2,391,233
Total (II)	**1,075,246**	**949,873**
Grand Total (I & II)	**2,041,332**	**1,994,143**
Schedule 11 – Other Assets		
I. Interest Accrued but not Due	2,169,150	2,104,547
II. Interest Accrued and Due	9,158	1,624
III. Inter Office Adjustment (Net)	–	–
IV. * Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	705,031	717,738
V. Stationery and Paper in Hand	25,310	22,923
VI. Deferred Tax Asset	109,100	96,915
VII. Others	4,131,772	2,579,648
Total	**7,149,521**	**5,523,395**

* Includes both IncomeTax as well as Fringe Benefit Tax

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 12 – Contingent Liabilities		
I. Claims against the Bank not acknowledged as debts	751,612	197,588
II. Liability for partly paid investments	–	90,000
III. Liability on account of outstanding Forward Exchange Contracts	71,037,873	54,434,589
IV. Guarantees given on behalf of constituents:-		
a) In India	11,077,063	9,527,030
b) Outside India	51,137	33,670
V. Acceptances, Endorsements & Other Obligations	32,074,800	25,537,000
VI. Other items for which the Bank is Contingently liable	–	1,589,300
Total	**114,992,485**	**91,409,177**

Schedules to the Profit & Loss Account for the year ended 31st March, 2010

	Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
Schedule 13 – Interest Earned		
I. Interest/Discount on Advances/Bills	23,417,106	22,949,060
II. Income on Investments (Net of Amortization)	7,045,867	6,455,764
III. Interest on Balances with R.B.I and other Inter Bank Funds	105,818	312,147
Total	**30,568,791**	**29,716,971**
Schedule 14 – Other Income		
I. Commission, Exchange & Brokerage	1,038,992	834,216
II. Profit on Sale of Investments (Less loss on sale of investments)	1,734,474	791,380
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)	143,943	146,704
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	305,956	267,966
VII. Miscellaneous Income	938,992	574,499
Total	**4,162,357**	**2,614,765**
Schedule 15 – Interest Expended		
I. Interest on Deposits	18,406,053	19,147,916
II. Interest on RBI/Inter-Bank Borrowings	831,418	730,685
III. Others/Subordinate Debt	137,959	11
Total	**19,375,430**	**19,878,612**
Schedule 16 – Operating Expenses		
I. Payments to and provisions for Employees	3,663,609	2,787,748
II. Rent, Taxes and Lighting	346,183	307,565
II. Printing and Stationery	50,283	45,376
IV. Advertisement and Publicity	62,309	73,622
V. Depreciation on Bank's Property	369,330	325,109
VI. Directors Fees, Allowances and Expenses	4,798	2,591
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	62,929	56,448
VIII. Law Charges	8,727	10,718
IX. Postage, Telegrams, Telephones etc.	69,598	49,864
X. Repairs and Maintenance	66,526	64,532
XI. Insurance	236,953	221,467
XII. Other Expenditure	832,427	763,567
Total	**5,773,672**	**4,708,607**

Schedules Principal Accounting Policies

Schedule 17 – Principal Accounting Policies

1. Accounting Conventions

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

2. Transactions involving Foreign Exchange

i) Monetary Assets and Liabilities as on balance sheet date have been translated using closing rate as at year-end announced by Foreign Exchange Dealers Association of India.

ii) Exchange differences arising on settlement of monetary items have been recognized as income or as expense in the period in which they arise.

iii) The premium or discount arising at the inception of a forward exchange contract, which is not intended for trading purpose, has been amortized as expense or income as on the balance sheet date.

3. Investments

i) Investments are classified into "Held-to-Maturity", "Available-for-Sale" and "Held-for-Trading" categories, in accordance with the guidelines issued by Reserve Bank of India.

ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.

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

iv) Investments classified as "Held-to-Maturity" (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortized over the period remaining to the maturity.

v) (a) The individual scrips in the "Available-for-Sale" category are marked to market at quarterly intervals. The net depreciation under each of six classifications under which investments are presented in the balance sheet is fully provided for, whereas the net appreciation under any of the aforesaid classifications above 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.

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 Re1/- 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 in the Profit and loss account and appreciation is ignored.

vii) The depreciation in value of investments where interest/principal is in arrears is not set-off against the appreciation in respect of other performing securities. Such investments including Non-performing Non-SLR investments are treated applying RBI prudential norms on NPA Classification and appropriate provisions are made as per RBI norms and no income on such investments is recognized.

viii) (a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security.

Schedules Principal Accounting Policies

(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 equi-valued amount of profit net of taxes is appropriated to the "Capital Reserve Account".

ix) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.

x) Transfer of securities from one category to another is done at the least of the acquisition cost/book value/market value on the date of transfer.

Revenue Recognition

Income

The dividend on Investment in shares and units of Mutual Funds are recognized on realization basis.

4. Advances

i) Classification of Advances and Provisions thereof have been made as per the Income Recognition and Asset Classification norms formulated by the RBI viz., Standard, Sub-Standard, Doubtful and Loss Assets and accordingly requisite provisions have been made thereof.

ii) Advances are shown net of provisions required for NPA's. Provisions for advances classified as Standard Assets is shown under Other Liabilities & Provisions.

5. Fixed Assets

a) Premises and other fixed assets are accounted for at historical cost.

b) Premises include free hold as well as lease hold properties.

c) Premises include capital work in progress.

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

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

e) 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. In respect of Computer software, not forming integral part of computers, acquisition cost has been charged fully in the year of purchase.

f) The Bank has changed the policy of charging depreciation on Mobile Phones from @33.33% to 50% from this year on the Straight Line Method.

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

h) 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.

i) Premium paid for leasehold properties is amortized over the period of the lease.

6. Employees Benefits

i) Short-term employee benefits are charged to revenue in the year in which the related service is rendered.

ii) In respect of employees who have opted for provident fund scheme, matching contribution is made.

Schedules Principal Accounting Policies

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. The Bank has opted an irrevocable choice to recognize 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 recognized to the extent realized in accordance with 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 insurance commission), exchange, locker rent and insurance claims are recognized on realization basis.

e) Income from interest on income tax/ other tax refunds is accounted for on the basis of orders passed by the Competent Authorities.

f) Unforeseen income/ expenses are accounted for in the year of receipt/ payment.

g) Stationery issued to branches has been considered as consumed.

8. Credit Card Reward Points

The Bank has estimated the probable redemption of reward points by not using actuarial method but has made 100% provision for redemption against the loyalty points as on close of balance on 31.03.2010.

9. Profit

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

i) Income Tax, wealth tax and Deferred Tax

ii) Standard Assets, Non Performing Advances/ Investments as per RBI guidelines

iii) Depreciation/ amortization on Investments

iv) Transfer to contingency reserves

v) Other usual and necessary provisions

10. Taxation

Tax expense includes income tax, wealth tax and Deferred Tax determined in accordance with the provisions of Income/ Wealth Tax Act, and the accounting standards issued by The Institute of Chartered Accountants of India.

The deferred tax charge or credit is recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. In terms of accounting standard 22 issued by ICAI, provision for deferred tax liability is made on the basis of review at each balance sheet date and deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred Tax Assets/ Liabilities are reviewed at each balance sheet date based on developments during the year.

11. Contingency Funds

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

Schedules Notes on Accounts

Schedule 18 – Notes on Accounts

1. Reconciliation/adjustment of inter bank/ inter branch transactions, branch suspense, Government Transactions [State], 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

i) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at Rs. 0.62 Crores (Previous Year Rs. 4.38 Crores). In respect of immovable properties valued at Rs. 7.60 Crores (Previous Year Rs. 12.82 Crores) bank hold agreement to sell along with possession of the properties.

ii) The Bank has also acquired certain fixed assets generating cash, parked under respective heads, for the promotion and development of its business.

iii) 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.

iv) The Bank has changed the policy of charging depreciation on Mobile Phones from @33.33% to 50% from this year on the Straight Line Method and there is no material effect on the profitability of the Bank.

v) Depreciation on Banks property includes amortization in respect of leased properties amounting to Rs. 22.98 Lacs (Previous Year Rs 34.54 Lacs). The book value of these properties as on 31.03.2010 was Rs. 11.69 Crores (Previous Year Rs 11.92 Crores).

4. Capital

Particulars	31-03-2010	31-03-2009
CRAR (%)		
Basel –I	14.81%	13.46%
Basel-II	15.89%	14.48%
CRAR – Tier I capital (%)		
Basel – I	11.91%	12.77%
Basel –II	12.79%	13.80%
CRAR – Tier II capital (%)		
Basel –I	2.90%	0.69%
Basel –II	3.10%	0.68%
Amount of subordinated debt raised as Tier II capital	Rs. 600.00 (Crores)	Nil

Government of Jammu and Kashmir holds 53.17% of equity shares of the Bank (Previous Year 53.17%)

The banks has raised an amount of Rs. 600 Crores by way of Unsecured Redeemable Lower tier- II Bonds maturing on 30.12.2019. The amount 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, Rs. Nil) to capital Reserve Account.

6. Consequent upon the amalgamation of two sponsored Regional Rural Banks viz., Kamraz Rural Bank and Jammu Rural Bank into a single RRB called as J & K Grameen Bank (as notified by the GOI the Ministry of Finance vide no. S O 1580(E) dated 30th June, 2009), the Bank has Rs. 70 Lacs as share capital in the new entity and Rs 214,070,800/- as share capital Deposit account. (Totaling to Rs. 221,070,800).

7. The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at Rs. 220.27 Crores as on 31.03.2010 (Previous Year, Rs. 220.27 Crores). In compliance with RBI Letter 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 average of two independent valuation reports obtained from Category I merchant Bankers as per RBI guidelines and the consequent appreciation has been ignored in view of the accounting policy in respect of such investments.

8. Details of investments

(Rs. in Crores)

S. No.	Items	31-03-2010	31-03-2009
1.	**Value of investments Gross value of investments**		
	a) In India	13,992.50	10,814.13
	b) Out side India	Nil	Nil
	Provision for depreciation		
	a) In India	36.26	77.80
	b) Out side India	Nil	Nil
	Net value of investments		
	a) In India	13,956.24	10,736.33
	b) Out side India	Nil	Nil
2.	**Movement of provision held towards the depreciation on investments**		
	i) Opening balance	77.80	37.94
	ii) Add: Provisions made during the year	4.21	42.08
	Less: Write-off/ write back of excess provisions during the year	45.75	2.22
	iii) Closing balance	36.26	77.80

9. The participation of Repo Transactions is as under

(Rs. in Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.10
Securities sold under repos	5.00	75.00	0.53	0.00
Securities purchased under reverse repos	10.00	1900.00	115.27	0.00

Schedules Notes on Accounts

10. Non-SLR Investment portfolio

(Rs. in Crores)

S. No.	Issuer	Amount	Extent of Private Placement (i)	Extent of below Investment grade (ii)	Extent of unrated Securities (iii)	Extent of unlisted Securities (iv)
1	PSUs	192.85	0.00	0.00	0.00	0.00
2	FIs (Inc. NBFCs AIFIs)	373.66	1.25	0.00	0.00	0.00
3	Banks(Inc. CDs)	1,790.64	0.00	0.00	0.00	1.34
4	Private Corporates (Inc. CPs)	1,169.84	38.95	20.00	20.00	21.25
5	Subsidiaries	27.11	0.00	0.00	0.00	0.00
6	Others	1,966.62	0.00	0.00	0.00	18.00
	Total	**5,520.72**	**40.20**	**20.00**	**20.00**	**40.59**
7	Provision held towards depreciation	18.04	0.00	0.00	0.00	0.00
	Total	**5,502.68**	**40.20**	**20.00**	**20.00**	**40.59**

The Bank's investment in unlisted securities as on 31-03-2010 is 1.31% (Previous Year 6.05 %) which is well within the RBI stipulated limit of 10%.

10.1 Non-SLR Non-performing investments

(Rs. in Crores)

Particulars	Amount as on 31.03.2010
Opening Balance	74.73
Additions during the year	0.00
Reductions during the year	54.73
Closing Balance	20.00
Total Provision held including floating provisions of Rs. 2.76 Crores	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:

(Rs. in Crores)

Particulars	As on 31.03.2010				As on 31.03.2009			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	0.00	777.29	7,664.85	8,442.14	75.94	1,386.60	6,142.65	7,605.19
Other approved securities	0.00	0.00	11.42	11.42	0.00	0.00	20.86	20.86
Shares (Equity & Pref.)	4.51	58.77	0.00	63.28	1.47	32.89	15.00	49.36
Debentures & Bonds	0.00	1,087.33	336.51	1,423.84	0.00	700.26	400.70	1,100.96
Subsidiaries	0.00	0.00	27.11	27.11	0.00	0.00	27.11	27.11
Others (incl. Met-life, Vencap and others)	0.00	2,438.40	1,550.05	3,988.45	0.00	588.02	1,344.83	1,932.85
Sub Total	**4.51**	**4,361.79**	**9,589.94**	**13,956.24**	**77.41**	**2,707.77**	**7,951.15**	**10,736.33**
Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total	**4.51**	**4,361.79**	**9,589.94**	**13,956.24**	**77.41**	**2,707.77**	**7,951.15**	**10,736.33**

Schedules Notes on Accounts

11. Derivatives

11.1 No Forward Rate Agreements / Interest Rate Swaps were undertaken by the bank during 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

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 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.

Quantitative Disclosures

S. No.	Particulars	Currency derivatives	Interest rate derivatives
i)	**Derivatives (Notional Principal Amount)**		
	a) For hedging	Nil	Nil
	b) For trading	Nil	Nil
ii)	**Marked to market positions [1]**		
	a) Asset (+)	Nil	Nil
	b) Liability (-)	Nil	Nil
iii)	**Credit exposure [2]**	Nil	Nil
iv)	**Likely impact of one percentage change in interest rate (100*PV01)**		
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	Nil	Nil
v)	**Maximum & Minimum of 100*PV01 observed during the year**		
	a) on hedging	Nil	Nil
	b) on trading	Nil	Nil

(Rs. in lacs)

vi)	**Forward Exchange Contracts**	
	Up to 14 days	11,491
	Beyond 14 days	698,888
Total		**710,379**

Schedules Notes on Accounts

12. Concentration of Deposits, Advances, Exposures & NPAs

12.1 Concentration of Deposits

(Rs. in Crores)

Total Deposits of 20 largest depositors	7,190
Percentage of 20 largest deposits to total Deposits of the Bank	19.31%

12.2 Concentration of Advances

(Rs. in Crores)

Total Advances to twenty largest borrowers	7,277
Percentage of advances of twenty largest borrowers to total advances of the Bank	30.97%

12.3 Concentration of Exposures

(Rs. in Crores)

Total Exposure to twenty largest borrowers customers	9,084.94
Percentage of exposures to twenty largest borrowers /customers to total exposure of the bank on borrowers/customers	24.23%

12.4 Concentration of NPAs

(Rs. in Crores)

Total Exposure to top four NPA accounts	73.93

12.5 Sector wise of NPAs*

S. No.	Sector	Percentage of NPA to Total advances in that sector
1	Agriculture & Allied activities	1.53%
2	Industry (Micro & Small, Medium and Large)	2.56%
3	Services	4.43%
4	Personal Loans	2.38%

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

12.6 Non Performing Assets

A) Movement in Gross NPAs

(Rs. in Crores)

S. No.	Particulars	31-03-2010	31-03-2009
1.	Gross NPAs as on 1st April, 2009 (Opening Balance)	559.27	485.23
2.	Additions (Fresh NPAs) during the Year	188.78	401.89
3.	Sub Total (1& 2)	748.05	887.11
	Less		
4.	Up gradation	127.78	103.67
5.	Recoveries (excluding recoveries made from upgraded accounts)	126.58	151.94
6.	Write-offs	31.38	72.24
7.	**Sub Total (4,5&6)**	**285.74**	**327.85**
8.	**Gross NPAs as on 31.3.2010 (3-7)**	**462.31**	**559.27**

B) Movement in Net NPAs

(Rs. in Crores)

S. No.	Particulars	31-03-2010	31-03-2009
1.	Net NPAs as on 1st April, 2009 (Opening Balance)	287.51	203.55
2.	Additions during the Year	64.93	346.09
3.	Sub Total (1& 2)	352.44	549.64
	Less		
4.	Up gradation	127.78	103.67
5.	Recoveries (excluding recoveries made from upgraded accounts)	126.58	151.94
6.	Write-offs	31.38	6.21
7.	**Sub Total (4,5&6)**	**285.74**	**261.82**
8.	**Net NPAs as on 31.3.2010 (3-7)***	**64.33***	**287.51**

* Net NPA has been arrived after reducing interest suspense of Rs. 3.66 Crores, Previous Year Rs. 1.29 Crores.

12.7 Overseas Assets, NPAs and Revenues

(Rs. in Crores)

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

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

Name of the SPV sponsored	
Domestic	Overseas
Nil	Nil

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Movement of Provision for NPAs (excluding provision on standard assets)		
a) Opening balance *	270.48	280.70
b) Add/Transfer Provision made during the year	150.00	55.80
c) Less write-off	26.16	66.03
d) Closing balance *	394.32	270.48
e) NPA Coverage Ratio	90.13	60.61

* Including floating provision of Rs. 52.90 Crores.

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

(Rs. in Crores)

Name of the Borrower	Exposure Ceilings	Max Outstanding	Balance as on 31.03.2010
State Government of J& K	1,486.48	2,974.61	2,974.61

13.1 Statement of Loans & Advances secured by Intangible Assets viz. Rights, Licenses, Authorizations etc.

The advances of the bank as on 31st March, 2010 against intangible security of Rights, Licenses and Authorization are Nil.

Schedules Notes on Accounts

14. Particulars of Accounts Restructured

(Rs. in Crores)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	6	15	98
	Amount outstanding	166.55	17.67	431.37
	Sacrifice (diminution in the fair value)	14.83	0.26	10.32
Sub standard advances restructured	No. of Borrowers	0	0	6
	Amount outstanding	0	0	0.25
	Sacrifice (diminution in the fair value)	0	0	0.01
Doubtful advances restructured	No. of Borrowers	0	0	2
	Amount outstanding	0	0	0.06
	Sacrifice (diminution in the fair value)	0	0	0.001
Total	No. of Borrowers	**6**	**15**	**106**
	Amount outstanding	**166.55**	**17.67**	**431.68**
	Sacrifice* (diminution in the fair value)	**14.83**	**0.26**	**10.33**

* For loan accounts with restructured amount up to Rs. 1.00 Crores, DFV has been worked out at the rate of 5% of the amount restructured.

For loan accounts with restructured amount exceeding Rs. 1.00 Crores, DFV 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.

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

(Rs. in Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	1	0
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	Re.1	Nil
3.	Aggregate Consideration	3.00	Nil
4.	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
5.	Aggregate gain/loss over net book value	3.00	Nil

16. Details of floating provisions

Advances

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Opening balance	52.90	52.90
Additions made during the year	0.00	0.00
Utilization made during the year	0.00	0.00
Closing balance	52.90	52.90

Schedules Notes on Accounts

16.1. Investments

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Opening balance	2.76	2.76
Additions made during the year	0.00	0.00
Utilization made during the year	0.00	0.00
Closing balance	2.76	2.76

17. Provisions on Standard Assets

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Provision towards Standard Assets	138.74	138.74

Bank holds a provision of Rs. 138.74 Crores on Standard Assets (Previous Year, Rs. 138.74 Crores) which has been arrived at in accordance with RBI guidelines. No further provision was required during the current year.

18. Customer Complaints

A	No of complaints pending at the beginning of the year	95
B	No of complaints received during the year	173
C	No of complaints redressed during the year	237
D	No of complaints pending at the end of the year	31

19. Awards passed by the banking ombudsman

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

20. Business Ratios

	Particulars	Current Year	Previous Year
i)	Interest Income as a percentage to Working Fund.*	8.11%	8.77 %
ii)	Non-Interest Income as a percentage to Working Funds. *	1.10%	0.72%
iii)	Operating Profit as a percentage to Working Funds. *	2.54%	2.27%
iv)	Return on Assets. **	1.20%	1.09%
v)	Business (deposits plus advances) per employee***	7.31 Crores	Rs. 5.00 Crores
vi)	Profit per employee	Rs. 0.07 Crores	Rs. 0.05 Crores

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

** Assets are the total assets as at the close of the year.

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

Schedules Notes on Accounts

21. Asset Liability Management

i) Maturity pattern of certain items of Assets and Liabilities

(Rs. in Crores)

Particulars	Next Day	2 to 7 days	8 to 14 days	15 Days to 28 days	29 days & upto 3 mths	Over 3 mths & upto 6 mths	Over 6 mths & upto 1 Yr	Over I Yr & upto 3Yrs	Over 3 Yrs & upto 5 Yrs	Over 5 Yrs.	Total
Deposits	136.51	610.50	837.42	1,191.13	2,118.13	2,703.67	2,929.22	20,525.88	6,003.02	181.68	37,237.16
Borrowings	0.00	0.00	0.00	0.00	0.00	500.00	0.21	0.00	0.00	600.00	1,100.21
Investments	0.00	503.51	473.22	740.27	1,108.70	176.01	361.84	950.58	2,681.72	6,960.40	13,956.25
Advances	130.45	528.22	324.33	502.93	1,085.58	1,175.89	2,315.11	11,625.51	2,979.32	2,389.88	23,057.22

ii) Maturity pattern of Foreign Currency Assets and Liabilities

Liabilities

(Rs. in Crores)

Particulars	1 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 mth To 6 mths	Over 6 mth To 1 year	Above 1 year upto 3 years	Above 3 yrs upto 5 yrs	Total
USD	64.47	35.72	647.23	974.34	1,656.86	57.02	2.17	3,437.81
EURO	25.16	1.15	55.62	3.87	9.84	14.69	0.07	110.40
GBP	7.03	0.00	4.11	0.00	0.00	12.42	0.00	23.56
J.YEN	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01
AUD	0.00	0.00	0.00	0.00	0.00	0.41	0.00	0.41
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHF	1.02	0.00	0.00	0.00	0.00	0.00	0.00	1.02
Total	**97.69**	**36.87**	**706.96**	**978.21**	**1,666.70**	**84.54**	**2.24**	**3,573.21**

Assets

(Rs. in Crores)

Particulars	1 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 mth To 6 mths	Over 6 mth To 1 year	Above 1 year upto 3 years	Total
USD	69.38	47.96	610.32	1,052.63	1,654.41	0.00	3,437.70
EURO	26.72	5.15	63.36	4.54	10.65	0.00	110.42
GBP	8.70	0.07	15.33	0.41	0.00	0.00	24.51
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.49	0.29	0.00	0.00	0.00	0.00	0.78
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHF	1.14	0.00	0.00	0.00	0.00	0.00	1.14
SAR	0.32	0.00	0.00	0.00	0.00	0.00	0.32
Total	**106.75**	**53.47**	**689.01**	**1,057.58**	**1,665.06**	**0.00**	**3,571.87**

The data on ALM has been compiled on the basis of information furnished by the branches/offices. In cases where the authenticity could not be verified, the computation has been done on the basis of assumption and estimates made by the management and relied upon by the auditors.

Schedules Notes on Accounts

22. Lending to Sensitive Sector

22.1 Exposure to Real Estate Sector

(Rs. in Crores)

	Particulars	31-03-2010	31-03-2009
1.	**Direct exposure**		
	i) Residential mortgages		
	Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	810.49	752.89
	ii) Commercial real estate		
	Lendings 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.	1,415.63	1,541.68
	iii) Investment in mortgage backed securities and other securitized exposures		
	a) Residential		
	b) Commercial real estate	Nil	Nil
2.	**Indirect exposure**	Nil	Nil
	(Fund based & Non Fund Based exposure on National Housing Bank and housing finance companies)	55.96	270.20

22.2 Exposure to Capital Market

(Rs. in Crores)

	Particulars	31-03-2010	31-03-2009
1.	Investments made in equity shares	282.20	274.42
2.	Investments in bonds/ convertible debentures	0.00	0.00
3.	Investments in units of equity-oriented mutual funds	85.00	92.00
4.	Advances against shares to individuals for investments in equity shares (including IPO's/ ESOPS), bonds and debentures, units of equity oriented mutual funds	80.35	0.00
5.	Secured and Unsecured advances to stock brokers and guarantees issued on behalf of stockbrokers and market makers	0.06	37.11
6.	Direct & Indirect Investments in Venture Capital Funds	5.00	–
	Total (1+2+3+4+5+6)	**452.61**	**403.53**
7.	Of 5 above, the total finance extended to stock brokers for margin trading	Nil	Nil

22.3 Advances to Commodities Sector

(Rs. in Crores)

	Particulars	31-03-2010	31-03-2009
1.	Cash crop	107.92	106.73
2.	Edible oils	44.64	338.75
3.	Agriculture produce	629.69	423.62
4.	Other sensitive commodities	128.36	28.39
	Total	**910.61**	**897.49**

The data on lending to Sensitive Sector has been compiled on the basis of information furnished by the branches/ offices. In cases where the authenticity could not be verified, the computation has been done on the basis of assumption and estimates made by the management and relied upon by the auditors.

Schedules Notes on Accounts

23. The Government of India has notified Relief Scheme viz., "Agricultural Debt Waiver & Debt Relief Scheme-2008," for giving debt waivers to marginal & small farmers and to other farmers who have availed direct agricultural loans. Advances include Rs. 6.87 Crores claim due from Government under "Agriculture Debt Waiter and Debt Relief Scheme-2008".

24 Risk category wise country exposure

(Rs. in Crores)

Category	Risk Category	Exposure (Net) as at March 2010	Provisions held as at March 2010	Exposure (Net) as at March 2009	Provisions held as at March 2009
A1	Insignificant	18.22	0.00	24.62	0.00
A2	Low	0.97	0.00	0.73	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	**19.19**	**0.00**	**25.35**	**0.00**

25 Miscellaneous

Details of provisions

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Tax expense		
i) Income Tax	280.37	220.31
ii) Deferred Tax Liability/ (asset)	(1.22)	–
iii) Fringe Benefit Tax	0.00	1.95
vi) Wealth Tax	0.08	–
Provision against NPAs	150.00	55.80
Provision for standard assets	0.00	13.29
Provision for depreciation on investments	(38.81)	42.08
Provision for funded interest term loan	6.45	Nil
Provision for Debts Restructured (investments only)	0.00	Nil
Provision for Non performing Investment	0.00	12.87
Provision for frauds and embezzlements	1.59	0.80
Provision for diminution in the fair value of restructured /rescheduled advances	22.07	17.52
Other provisions & contingencies	24.89	0.00
Provision for contingent liabilities	0.42	0.00
Total	**445.83**	**364.62**

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

26.1. 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.

26.2. 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 RBI guidelines.

Schedules Notes on Accounts

26.3. Accounting Standard 15 – Retirement benefits

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 1-04-2007, has a transitional Liability of Rs. 149.70 Crores as per Actuarial Valuation. The 1/5th of this liability on a straight-line basis amounting to Rs. 29.94 Crores has been recognized as an expense during the year 2009-10 (3rd year) and the remaining unrecognized amount of Rs. 59.88 Crores is spread over to next two years.

b) The disclosures required under Accounting Standard 15 "Employee Benefits-issued by the Institute of Chartered Accountants of India are as under:

Defined Contribution Plan

Contribution to Defined Contribution Plan recognized and charged off is as under:

(Amount in Rs.)

Employer's Contribution to Provident Fund	67,855,637.66

Defined Benefit Plans

The Employees' Gratuity Fund Scheme, Pension Fund and Leave Encashment are Defined Benefit Plans.

The present value of obligation is determined based on Actuarial Valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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

(Amount in Rs.)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment un funded
Present Value of Obligation 01-04-2009	887,062,388	3,446,269,583	362,541,837
Interest Cost	70,376,991	270,205,567	28,720,107
Current Service Cost	50,436,466	285,993,671	36,694,463
Past Service Cost	0	0	0
Benefits Paid	(14,700,000)	137,400,000	(7,081,000)
Actuarial (Gain) Loss on Obligation	(25,624,663)	(268,874,756)	55,589,911
Present Value of Obligation 31-03-2010(Projection)	967,551,182	3,596,194,065	476,465,318
Fair Value of Plan Assets 01-04-2009	643,254,340	3,100,746,584	0
Expected Return on Plan Assets	54,742,174	260,029,863	0
Contributions	65,600,000	135,700,000	7,081,000
Benefits Paid	(14,700,000)	0	(7,081,000)
Actuarial Gain (Loss) Plan Assets	(23,596,514)	(96,476,447)	0
Fair Value of Plan Assets 31-03-2010	725,300,000	3,400,000,000	0
Total Actuarial Gain (Loss) to be recognized	**2,028,149**	**172,398,308**	**(55,589,911)**
Balance Sheet Recognition			
Present Value of Obligation	967,551,182	3,596,194,065	476,465,318
Fair Value of Plan Assets	(725,300,000)	(3,400,000,000)	0
Liability (Assets)	242,251,182	196,194,065	476,465,318
Unrecognized Past Service Cost	0	0	0
Liability (Asset) recognized in the Balance Sheet**	242,251,182	196,194,065	476,465,318
Less: Liability already recognized	0	0	322,439,881
Plus: 1/5th Amortized Transitional Liability			
Total of three plans : Rs 299402918	89,095,141	152,255,772	58,052,005
Less: Transition Remaining			
Total of three plans : Rs. 598805836	178,190,282	304,511,543	116,104,011
Current Year Liability/(Asset)			
Total of three plans: Rs. 293067766	153,156,041	43,938,294	95,973,431

Schedules Notes on Accounts

(Amount in Rs.)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment un funded
Profit & Loss – Expenses			
Current Service Cost	50,436,466	285,993,671	36,694,463
Interest Cost	70,376,991	270,205,567	28,720,107
Expected Return on Plan Assets	(54,742,174)	(260,029,863)	0
Net Actuarial Gain (Loss) recognized in the year	(2,028,149)	(172,398,308)	5,558,991
Past Service Cost	0	0	0
Expenses Recognized in the statement of Profit & Loss	64,043,134	123,771,066	121,004,481
Actual Return on Plan Assets			
Expected Return on Plan Assets	54,742,174	260,029,863	–
Actuarial Gain (Loss) Plan Assets	(23,596,514)	(96,476,447)	–
Actual Return on Plan Assets	31,145,660	163,553,416	–
Movement in the Net Liability recognized in the Balance Sheet			
Opening Net Liability	243,808,048	344,907,472	362,541,837
Expenses	64,043,134	123,771,066	121,004,481
Contribution	(65,600,000)	(273,100,000)	(7,081,000)
Closing Net Liability	242,251,182	195,578,538	476,465,318
Actuarial Assumption			
Mortality Table (L.I.C.)	1994-96 Ultimate	1994-96 Ultimate	1994-96 Ultimate
Discount Rate (Per Annum)	8%P.A	8%P.A	8%P.A
Expected rate of return on Plan Assets (p.a.)	8%P.A	8%P.A	N A
Rate of escalation in salary	5%	5%	Nil
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

26.4. Accounting Standard 17 – Segment Reporting

i) The Bank has recognized business segments 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:-

(Rs. in Crores)

	Description	Year Ended 31-03-2010	Year Ended 31-03-2009
A.	**Segment Revenue (Income)**		
	i) Treasury Operations	914.46	773.42
	ii) Corporate/Whole sale Banking	989.23	980.71
	iii) Retail Banking	1,530.99	1,450.86
	vi) Other Banking Business	38.43	28.17
	Total Income from Operations	**3,473.11**	**3,233.16**
B.	**Segment Results (Profit before tax)**		
	i) Treasury Operations	86.13	(34.31)
	ii) Corporate /Wholesale Banking	388.21	266.10
	iii) Retail Banking	285.27	374.17
	vi) Other Banking Business	32.00	26.14
	Total Profit before tax	**791.61**	**632.10**
C.	**Segment Assets**		
	i) Treasury Operations	16,307.22	14,067.16
	ii) Corporate/Wholesale Banking	13,492.24	11,824.62
	iii) Retail Banking	12,728.10	11,797.46
	vi) Other Banking Business	19.23	4.02
	Total	**42,546.79**	**37,693.26**

contd.

Schedules Notes on Accounts

(Rs. in Crores)

	Description	Year Ended 31-03-2010	Year Ended 31-03-2009
D.	**Segment Liabilities**		
	i) Treasury Operations	1,704.12	2,360.77
	ii) Corporate/wholesale Banking	12,640.33	10,883.34
	iii) Retail Banking	28,194.14	24,449.11
	vi) Other Banking Business	8.20	0.04
	Total	**42,546.79**	**37,693.26**
E.	**Net Segment Assets/Liabilities**		
	i) Treasury Operations	14,603.10	11,706.39
	ii) Corporate /Wholesale Banking	851.91	941.28
	iii) Retail Banking	(15,466.04)	(12,651.65)
	vi) Other Banking Business	11.03	3.98
	Total	**0.00**	**0.00**

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

26.5. Accounting Standard 18 – Related Party disclosures as on 31.03.2010

(Rs. in Crores)

Items/Related Party	J & K GRAMEEN BANK (Associates)	JKB Financial Services Ltd.
Deposits	644.00	5.29
Advances	Nil	0.00
Investments	22.10	5.00
Interest Paid	0.37	0.29
Interest/Commission Received	66.90	0.00
Salary	Nil	Nil

(Rs. in lacs)

Items/Related Party	K.M.P Dr. Haseeb A. Drabu (Chairman)	K.M.P Mr. A. K. Mehta (ED)	K.M.P Mr. Abdul Majid Mir (ED)
Deposits	0.00	0.00	0.00
Advances	27.96	2.85	2.07
Investments	Nil	0.00	0.00
Interest paid	1.77	0.26	0.18
Interest/Commission Received	0.39	0.00	0.00
Salary	36.09	10.33	10.34

26.6. 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.

26.7. Accounting Standard 20 – Earning Per Share

(Rs. in lacs)

Particulars	31.03.2010	31.03.2009
Net Profit available to Equity Share Holders	512.38	409.84
No. of Equity Shares	48,477,802	48,477,802
Basic/Diluted Earning Per Share (in Rupees)	105.69	84.54

26.8. 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 Rs. 5.00 Crores. The consolidated financial statements are placed accordingly in terms of AS 21 issued by the Institute of Chartered Accountants of India.

Schedules Notes on Accounts

26.9. Accounting Standard 22 – Accounting for taxes on income

The Bank has accounted for Income Tax in compliance with Accounting Standard 22 accordingly Deferred Tax Assets and Liabilities are recognized.

(Rs. in thousands)

Timing Difference	DTA	DTL
Depreciation on Assets	Nil	603
Leave encashment	109,703	Nil

Net DTA 109,099

Tax Impact 12,184

26.10. Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of Rs. 0.37 Crores on Branding bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to Rs. 0.33 Crores has been debited under the head Furniture & Fixture, whereas, Brand Strategy project expenses amounting to Rs. 0.04 Crores has been charged to Profit & Loss account treating it as a Revenue Expenditure for the reason that the Bank cannot declare dividend to shareholders without writing it off completely in view of the provisions of the Banking Regulation Act, 1949. Accordingly, the Bank has not evaluated useful life of this Brand Strategy project over which the expenses could be amortized.

26.11. 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.

26.12. 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 Rs. 41.57 lacs has been made during the year 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. Further as the Bank does not have any overseas subsidiary, no letter of comfort has been issued.

27. Other Disclosures

27.1. Foreign Exchange

a) The net funded exposure of the Bank in respect of Foreign Exchange transactions with each country is within 1% of the Total Assets of the Bank and hence no Provision and Disclosure is required to be made as per the RBI Circular No. 96/21.04.103/2003 dated: 17.06.2004.

b) Claims pending with ECGCI amounts to Rs. 22.53 Crores (Previous year Rs. 21.52 Crores)

c) The bank in terms of RBI circular no.DBOD.BP.BC.No.133/21.04.018 /2008-09 dated 11.05.2009 appropriated an amount of Rs. 5,699,616.00 to Profit & Loss account on account of un-reconciled credit outstanding entries of value less than $2500 in Nostro /mirror accounts from 1.04.1996 to31.03.2002 and transferred it to the General Reserve Account. The action has resulted in increase of the profits of the bank to the extent of such amount.

27.2. 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. In CBS Business units of the Bank the system itself takes care of providing interest on overdue time deposits at the gross root/individual constituent level. However for other than CBS Business units and the consolidated balances lying in overdue time deposits in Finacle business units, the bank has made a provision of RS 7.50 Crores on adhoc basis, which is sufficient enough to meet the requirements.

27.3. Payments to and Provisions for employees include Rs. 75.92 Crores towards liability for wage arrears calculated on estimated basis.

Schedules Notes on Accounts

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

27.5. Movement in provision for Credit Card Reward Point is set out below

(Rs. in Crores)

Particulars	31.03.2010
Opening Provision (Balance as on 01.04.2009)	0.27
Provisions made during the year 2009-10	0.17
Redemption made during the year	0.19
Closing balance at the end of year	0.25

27.6. Bancassurance Business :-

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

(Rs. in lacs)

Sr. No.	Nature of Income	March 2010
1.	For selling life insurance policies	2,159
2.	For selling non-life insurance polices	901
3.	For selling mutual fund products	11
4.	Others -	Nil

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

29. Previous year figures have been regrouped / rearranged wherever necessary and possible to conform to current year figures. In cases where disclosures have been made for the first time in terms of RBI guidelines, Previous Year's figures have not been given.

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

Mohammad Ibrahim Shahdad
Director

Vikrant Kuthiala
Director

Prof. Nisar Ali
Director

Abdul Majid Matto
Director

R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

In terms of our report of even date annexed

For **K B Sharma & Co.**
Chartered Accountants

CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

For **Verma Associates**
Chartered Accountants

CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants

CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants

CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Part Part IV of Schedule VI to the Companies Act, 1956

I. REGISTRATION DETAILS

Registration No.	46	State Code	07
Balalnce Sheet Date	31032010		

II. CAPITAL RAISED DURING THE YEAR (AMT IN 000"S)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL		

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMT IN 000"S)

Total Liabilities	425467948	Total Assets	425467948

SOURCES OF FUNDS

Paid Up Capital	484922	Reserves and Surplus	29619706
Secured Loans	NIL	Unsecured Loans	11002064
Deposit	372371604		

APPLICATION OF FUNDS

Net Fixed Assets	2041332	Investments	139562473
Advance	230572250	Misc.Expenditure	NIL
Net Current Asssets	41302241	Accumulated Losses	NIL

IV. PERFORMANCE OF BANK (AMT IN 000"S)

Total Income	34731148	Total Expenditure	26815024
Profit Before Tax	7916124	Profit After Tax	5123788
Earning per Share in Rs.	105.69	Dividends Rate (%)	220.00

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/ SERVICES (AS PER MONETARY TERMS)

Item Code No (ITC Code)	NIL
Product Description	BANKING SERVICES

Cash Flow Statement for the year ended 31st March, 2010

		Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
Cash Flow from Operating Activities		(11,091,795)	9,653,551
Cash Flow from Investing Activities		(416,520)	(399,231)
Cash Flow from Financing Activities		4,903,067	(879,108)
Net change in Cash and Cash Equivalents		(6,605,248)	8,375,210
Cash and Cash Equivalents at the beginning of the year		52,747,620	44,372,410
Cash and Cash Equivalents at the end of the year		46,142,372	52,747,620
A	**Cash Flow From Operating Activities:**		
	a) Interest received during the year from Advances/Investments	30,496,654	29,532,221
	b) Other Income	4,162,357	2,450,539
	c) Interest paid on deposits etc.	(19,107,910)	(19,689,782)
	d) Operating expenses including Provisioning & Contingencies	(7,439,594)	(6,132,129)
	e) Adjustment for depreciation	369,330	325,109
	Total : (a to e)	**8,480,837**	**6,485,960**
	f) Deposits	42,330,569	44,108,406
	g) Borrowings	(4,964,201)	2,448,404
	h) Investments	(32,199,126)	(19,786,716)
	i) Advances	(21,268,137)	(20,477,995)
	j) Other liabilities & provisions	874,590	(592,141)
	k) Other Assets	(1,554,513)	(99,127)
	Total : (a to k)	**(8,299,981)**	**12,086,791**
	i) Less: Tax Paid	2,791,814	2,433,240
TOTAL : (A)		**(11,091,795)**	**9,653,551**
B	**Cash Flow From Investing Activities:**		
	a) Fixed Assets	(416,520)	(399,231)
	b) Investment in Sponsored Institutions.	–	–
TOTAL : (B)		**(416,520)**	**(399,231)**
C	**Cash Flow From Financing Activities:**		
	a) Share Capital	–	–
	b) Equity Share Warrants	–	–
	c) Share Premium	–	–
	d) Tier II Bonds	6,000,000	–
	e) Dividend & Divident Tax Paid	(958,974)	(879,108)
	f) Interest Paid on Subordinate Debt	(137,959)	–
TOTAL : (C)		**4,903,067**	**(879,108)**

contd..

Cash Flow Statement for the year ended 31st March, 2009

		Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
D	**Cash and Cash Equivalents at the beginning of the year**		
	a) Cash in hand & Balance with R.B.I	23,029,505	32,199,667
	b) Balance with Banks & Money at Call & Short Notice	29,718,115	12,172,743
TOTAL : (D)		**52,747,620**	**44,372,410**
E	**Cash and Cash Equivalents at the end of the year**		
	a) Cash in hand & Balance with R.B.I	27,447,263	23,029,505
	b) Balance with Banks & Money at Call & Short Notice	18,695,109	29,718,115
TOTAL : (E)		**46,142,372**	**52,747,620**

Note: This statement has been prepared in accordance with direct method

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

Mohammad Ibrahim Shahdad
Director

Vikrant Kuthiala
Director

Prof. Nisar Ali
Director

Abdul Majid Matto
Director

R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

The above cash flow statement has been taken on record by the Board of Directors in its meeting held on 15th May, 2010 at Srinagar.

President & Company Secretary

Auditors' Certificate

We have verified the attached Cash Flow Statement of THE JAMMU & KASHMIR BANK LIMITED which has been compiled from and is based on the Audited Financial Statements for the year ended 31st March, 2010 and 31st March, 2009. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to clause 32 of the Listing Agreement with the Stock Exchanges.

For **K B Sharma & Co.**
Chartered Accountants

CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

For **Verma Associates**
Chartered Accountants

CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants

CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants

CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Auditors' Report on the Consolidated Financial Statements

To
The Board of Directors
The Jammu & Kashmir Bank Limited

1. We have examined the attached Consolidated Balance Sheet of The Jammu & Kashmir Bank Ltd and its subsidiary JKB Financial Services Ltd as at 31st March, 2010 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended in which are incorporated the:

   i) Audited accounts of the Bank in which are incorporated the returns of 37 branches/Offices audited by us and 526 Branches/ Offices audited by other auditors.

   ii) Audited accounts of one subsidiary JKB Financial Services Ltd audited by other auditor.

   These consolidated financial statements are the statements are the responsibility of the Bank's management and have been prepared by the Bank's management on the basis of separate financial statements and other financial information of different entities in the group. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We have jointly audited the financial statements of the bank whose financial statements reflects total assets of Rs. 42, 547 Crores as at 31st March and total revenue of Rs. 3473 Crores and net cash flows amounting to Rs. (661) Crores for the year then ended.

4. We did not audit the financial statements of its subsidiary JKB Financial Services Ltd whose financial statements reflect total assets of Rs. 5.27 Crores as at 31st March, 2010, and total revenue of Rs. 0.27 Crores and net cash flows amounting to Rs. 0.27 Crores for the year then ended. These financial statements have been audited by other auditor, whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of other entity, based solely on the report of the other auditor.

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

6. Based on our audit and consideration of report of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and explanations given to us we are of the opinion that the attached Consolidated Financial Statements, give a true and fair view in conformity with the accounting principles generally accepted in India.

   a) in the case of the Consolidated Balance Sheet on the state of affairs of the Group as at 31st March, 2010.

   b) 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

   c) In the case of Consolidated Cash Flow Statement of the Cash Flow of the Group for the year ended on that date.

For **K B Sharma & Co.**
Chartered Accountants
CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N
Place : Srinagar
Dated : 15th May, 2010

For **Verma Associates**
Chartered Accountants
CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants
CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants
CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Consolidated Balance Sheet as at 31st March, 2010

	Schedule	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Capital and Liabilities			
Capital	1	484,922	484,922
Reserves and Surplus	2	29,621,313	25,743,575
Deposits	3	372,318,907	329,991,036
Borrowings	4	11,002,064	9,966,265
Other Liabilities and Provisions	5	11,990,580	10,696,762
Total		**425,417,786**	**376,882,560**
Assets			
Cash and Balance with Reserve Bank of India	6	27,447,263	23,029,505
Balance with Banks & Money at Call & Short Notice	7	18,695,109	29,718,115
Investments	8	139,512,473	107,313,347
Advances	9	230,572,250	209,304,113
Fixed Assets	10	2,041,332	1,994,143
Other Assets	11	7,149,359	5,523,337
Total		**425,417,786**	**376,882,560**
Contingent Liabilities	12	114,992,485	91,409,177
Bills for Collection		5,922,643	9,490,429
Principal Accounting Policies	17		
Notes on Accounts	18		

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

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

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Director

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R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

In terms of our report of even date annexed

For **K B Sharma & Co.**
Chartered Accountants

CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

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Chartered Accountants

CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Consolidated Profit & Loss Account for the year ended 31st March, 2010

		Schedule	Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
I	**Income**			
	Interest Earned	13	30,568,792	29,716,970
	Other Income	14	4,162,357	2,614,765
Total			**34,731,149**	**32,331,735**
II	**Expenditure**			
	Interest Expended	15	19,372,734	19,878,612
	Operating Expenses	16	5,773,805	4,708,715
	Provisions and Contingencies		4,459,106	3,646,162
Total			**29,605,645**	**28,233,489**
III	**Net Profit**		5,125,504	4,098,246
Total			**34,731,149**	**32,331,735**
IV	**Appropriations**			
	Transfered To			
	i) Statutory Reserve		1,288,947	1,023,389
	ii) Capital Reserve		–	–
	iii) Revenue and Other Reserve		2,588,791	2,115,883
	iv) Proposed Dividend		1,066,512	819,671
	v) Tax on Dividend		181,254	139,303
Total			**5,125,504**	**4,098,246**
	Principal Accounting Policies	17		
	Notes on Accounts	18		
	Earnings per Share (Basic/Diluted)		105.69	84.54

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

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

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President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

In terms of our report of even date annexed

For **K B Sharma & Co.**
Chartered Accountants
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CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 1 – Capital		
Authorised Capital		
100,000,000 Equity Shares of Rs. 10/- each	1,000,000	1,000,000
Issued		
48,499,602 Equity Shares of Rs. 10/= each	484,996	484,996
Subscribed and Paid-Up Capital		
48,477,802 Equity Shares of Rs. 10/- each	484,778	484,778
Add Forfeited Shares (21800 shares)	144	144
Total	**484,922**	**484,922**
Schedule 2 – Reserves & Surplus		
A. I. Statutory Reserves		
Opening Balance	7,293,651	6,270,262
Additions during the year	1,288,947	1,023,389
Total	**8,582,598**	**7,293,651**
II. Capital Reserves		
Opening Balance	631,254	350,304
Additions during the year	–	280,950
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	16,950,879	14,834,994
Additions during the year	2,588,791	2,115,885
Total	**19,539,670**	**16,950,879**
Total (I+II+III+IV)	**29,621,313**	**25,743,575**
Schedule 3 – Deposits		
A. I. Demand Deposits		
i) From Banks	989,448	658,332
ii) From Others	47,881,776	45,543,458
Total	**48,871,224**	**46,201,790**
II. Saving Bank Deposits	**102,608,073**	**79,534,851**
III. Term Deposits		
i) From Banks	36,406,938	39,541,942
ii) From Others	184,432,672	164,712,453
Total	**220,839,610**	**204,254,395**
Total A (I+II+III)	**372,318,907**	**329,991,036**
B. I. Deposits of branches in India	372,318,907	329,991,036
II. Deposits of branches outside India	Nil	Nil
Total B (I+II)	**372,318,907**	**329,991,036**

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 4 – Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	–	–
ii) Other Banks	–	3,507
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	–
iv) Other Institutions & Agencies	5,002,064	9,962,758
Total	**11,002,064**	**9,966,265**
II. Borrowings outside India		
Secured borrowings included in I & II above	Nil	Nil
Grand Total (I & II)	**11,002,064**	**9,966,265**
Schedule 5 – Other Liabilities and Provisions		
i) Bills Payable	3,611,239	3,135,491
ii) Inter Office Adjustments (Net)	744,671	512,634
iii) Interest Accrued on Non-cumulative deposits	1,102,235	972,674
iv) Provision Against Standard Assets	1,387,391	1,387,390
v) Other (Including Provisions)	5,145,044	4,688,573
Total (i to v)	**11,990,580**	**10,696,762**
Schedule 6 – Cash & Balances with Reserve Bank of India		
I. Cash in Hand (Including Foreign Currency Notes)	1,304,937	1,520,490
II. Balance with Reserve Bank of India		
i) In Current Account	26,142,326	21,509,015
ii) In Other Accounts	–	–
Total (I to II)	**27,447,263**	**23,029,505**
Schedule 7 – Balance with Banks and Money at Call and Short Notice		
I. In India		
i) Balance with Banks		
a) In Current Accounts	455,483	431,962
b) In Other Deposit Accounts	68,464	4,064,034
Total (i)	**523,947**	**4,495,996**
ii) Money At Call and Short Notice		
a) With Banks	17,849,815	25,133,125
b) With Other Institutions	–	–
Total (ii)	**17,849,815**	**25,133,125**
Total (i & ii)	**18,373,762**	**29,629,121**
II. Outside India		
i) In Current Accounts	49,347	88,994
ii) In Other Deposit Accounts	272,000	–
iii) Money at Call & Short Notice	–	–
Total II of (i, ii & iii)	**321,347**	**88,994**
Grand Total (I&II)	**18,695,109**	**29,718,115**

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 8 – Investments		
I. Investments in India		
Gross	139,875,031	108,091,335
Less: Provision for Depreciation	362,558	777,988
Net Investments	**139,512,473**	**107,313,347**
i) Government Securities	84,421,442	76,051,941
ii) Other Approved Securities	114,225	208,608
iii) Shares (Pref. + Equity)	632,773	493,678
iv) Debentures and Bonds (incl Suitfile)	14,238,404	11,009,595
v) Sponsored Institutions and Joint Venture	2,423,774	2,423,774
vi) Others :		
a) Certificate of Deposit	16,229,858	5,005,117
b) Mutual Funds	1,808,648	483,517
c) SIDBI	3,430,725	2,579,975
d) NABARD	2,066,450	992,450
e) Investment in Subsidiary	–	–
f) Venture Capital	50,000	–
g) Rural Housing Development	1,168,925	739,325
h) Commercial Paper	4,142,839	391,563
i) Rural Infrastructure Development Fund (NABARD)	8,784,410	6,933,804
Total (I)	**139,512,473**	**107,313,347**
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)	**139,512,473**	**107,313,347**
III. Investments Category-Wise		
a) Held to Maturity	95,849,385	79,461,496
b) Held for Trading	45,090	774,081
c) Available for Sale	43,617,998	27,077,770
Total (a+b+c)	**139,512,473**	**107,313,347**
Schedule 9 – Advances		
A. i) Bills Purchased and Discounted	3,647,428	6,378,546
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	75,087,994	65,382,376
iii) Term Loans	151,836,828	137,543,191
Total	**230,572,250**	**209,304,113**
B. i) Secured by Tangible Assets	190,764,239	182,772,746
ii) Covered by Bank/Govt. Guarantees	3,205,248	6,967,848
iii) Unsecured	36,602,763	19,563,519
Total	**230,572,250**	**209,304,113**
C I. Advances in India		
i) Priority Sector	86,322,853	73,459,471
ii) Public Sector	6,454,752	11,325,520
iii) Banks	19,930	59,032
iv) Others	137,774,715	124,460,090
Total	**230,572,250**	**209,304,113**
II. Advances Outside India		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
Grand Total (I & II)	**230,572,250**	**209,304,113**

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 10 – Fixed Assets		
I. Premises		
a) Gross Block at the beginning of the year	1,837,871	1,734,002
Additions during the year	20,701	103,869
	1,858,572	**1,837,871**
Deductions during the year	1,185	–
Total (a)	**1,857,387**	**1,837,871**
Depreciation to date	904,550	824,862
	952,837	**1,013,009**
b) Advance against flats	–	–
c) Construction work in progress	13,249	31,261
Total (I) [a+b+c]	**966,086**	**1,044,270**
II. Other Fixed Assets		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	3,341,106	2,979,147
Additions during the year	442,618	371,733
	3,783,724	**3,350,880**
Deductions during the year	27,603	9,774
	3,756,121	**3,341,106**
Depreciation to date	2,680,875	2,391,233
Total (II)	**1,075,246**	**949,873**
Grand Total (I & II)	**2,041,332**	**1,994,143**
Schedule 11 – Other Assets		
I. Interest Accrued but not Due	2,169,150	2,104,547
II. Interest Accrued and Due	9,158	1,624
III. Inter Office Adjustment (Net)	–	–
IV. * Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	705,031	717,738
V. Stationery and Paper in hand	25,310	22,923
VI. Deferred Tax Asset	109,100	96,915
VII. Others	4,131,610	2,579,590
Total	**7,149,359**	**5,523,337**

* Includes both IncomeTax as well as Fringe Benefit Tax

	As At 31-03-2010 (Rs. '000' Omitted)	As At 31-03-2009 (Rs. '000' Omitted)
Schedule 12 – Contingent Liabilities		
I. Claims against the bank not acknowledged as debts	751,612	197,588
II. Liability for partly paid investments	–	90,000
III. Liability on account of outstanding Forward Exchange Contracts	71,037,873	54,434,589
IV. Guarantees given on behalf of constituents:-		
a) In India	11,077,063	9,527,030
b) Outside India	51,137	33,670
V. Acceptances, Endorsements & Other Obligations	32,074,800	25,537,000
VI. Other items for which the Bank is contingently liable	–	1,589,300
Total	**114,992,485**	**91,409,177**

Schedules to the Consolidated Profit & Loss Account for the year ended 31st March, 2010

	Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
Schedule 13 – Interest Earned		
I. Interest/Discount on Advances/Bills	23,417,107	22,949,060
II. Income on Investments (Net of Amortization)	7,045,867	6,455,764
III. Interest on Balances with R.B.I and other Inter Bank Funds	105,818	312,146
Total	**30,568,792**	**29,716,970**
Schedule 14 – Other Income		
I. Commission, Exchange & Brokerage	1,038,992	834,216
II. Profit on Sale of Investments (Less loss on sale of investments)	1,734,474	791,380
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)	143,943	146,704
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	305,956	267,966
VII. Miscellaneous Income	938,992	574,499
Total	**4,162,357**	**2,614,765**
Schedule 15 – Interest Expended		
I. Interest on Deposits	18,403,357	19,147,916
II. Interest on RBI/Inter-Bank Borrowings	831,418	730,685
III. Others/Subordinate Debt	137,959	11
Total	**19,372,734**	**19,878,612**
Schedule 16 – Operating Expenses		
I. Payments to and provisions for employees	3,663,609	2,787,748
II. Rent, Taxes and Lighting	346,183	307,565
II. Printing and Stationery	50,283	45,376
IV. Advertisement and Publicity	62,309	73,622
V. Depreciation on Bank's Property	369,330	325,109
VI. Directors Fees, Allowances and Expenses	4,798	2,591
VII. Auditors' Fees & Expenses (Including Branch Auditors' fees & Expenses)	62,979	56,448
VIII. Law Charges	8,727	10,718
IX. Postage, Telegrams, Telephones etc.	69,598	49,864
X. Repairs and Maintenance	66,526	64,532
XI. Insurance	236,953	221,467
XII. Other Expenditure	832,510	763,675
Total	**5,773,805**	**4,708,715**

Schedules Principal Accounting Policies

Schedule 17 – Significant Accounting Policies and Notes on Accounts

1. Basis of Preparation

The financial statements have been prepared on historical cost basis and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which encompasses applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), Accounting Standards and pronouncements issued by Institute of Chartered Accountants 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 Accountants of India.
- Line by line aggregation/ combination of like items of assets and liabilities, income and expenses after eliminating material intra group balances/ transactions, unrealized profits /losses and making necessary adjustments wherever required to conform to the uniform accounting policies. The financial statements of the subsidiary have been drawn up to the same reporting date as that of parent.
- Minority Interest in the net results of the operations and net assets represents the part of profit/loss and net assets not owned by the parent and consists of
  - a) The amount of equity attributable to the minority at the date on which the investment in subsidiary is made and
  - b) The minority share of movements in equity since date of parent – subsidiary relationship came into existence.

A. Significant Accounting Policies Followed by the Parent Company.

1. Accounting Conventions

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

2. Transactions involving Foreign Exchange

i) Monetary Assets and Liabilities as on Balance Sheet date have been translated using closing rate as at year-end announced by Foreign Exchange Dealers Association of India.

ii) Exchange differences arising on settlement of monetary items have been recognized as income or as expense in the period in which they arise.

iii) The premium or discount arising at the inception of a forward exchange contract, which is not intended for trading purpose, has been amortized as expense or income as on the balance sheet date.

3. Investments

i) Investments are classified into "Held-to-Maturity", "Available-for-Sale" and "Held-for-Trading" categories, in accordance with the guidelines issued by Reserve Bank of India.

ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.

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

iv) Investments classified as "Held-to-Maturity" (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortized over the period remaining to the maturity.

Schedules Principal Accounting Policies

v) a) The individual scrips in the "Available-for-Sale" category are marked to market at quarterly intervals. The net depreciation under each of six classifications under which investments are presented in the balance sheet is fully provided for, whereas the net appreciation under any of the aforesaid classifications above 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.

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 Re1/- 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 in the Profit and Loss account and appreciation is ignored.

(vii) The depreciation in value of investments where interest/principal is in arrears is not set-off against the appreciation in respect of other performing securities. Such investments including Non-performing Non-SLR investments are treated applying RBI prudential norms on NPA Classification and appropriate provisions are made as per RBI norms and no income on such investments is recognized.

viii) a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security.

b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in "Held-to-Maturity" category, an equi-valued amount of profit net of taxes is appropriated to the "Capital Reserve Account".

(ix) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.

(x) Transfer of securities from one category to another is done at the least of the acquisition cost/book value/market value on the date of transfer.

Revenue Recognition

Income

The dividend on Investment in shares and units of Mutual Funds are recognized on realization basis.

4. Advances

i) Classification of Advances and Provisions thereof has 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 NPAs. Provisions for advances classified as Standard Assets is shown under Other Liabilities & Provisions.

5. Fixed Assets

a) Premises and other fixed assets are accounted for at historical cost.

b) Premises include Free Hold as well as Lease Hold properties.

c) Premises include Capital Work in Progress.

Schedules Principal Accounting Policies

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

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

e) 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. In respect of computer software, not forming integral part of computers, acquisition cost has been charged fully in the year of purchase.

f) The Bank has changed the policy of charging depreciation on Mobile Phones from @33.33% to 50% from this year on the Straight Line Method.

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

h) 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.

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

6. Employees Benefits

i) Short-term employee benefits are charged to revenue in the year in which the related service is rendered.

ii) In respect of employees who have opted for provident fund scheme matching contribution is made.

iii) Contribution to Defined Benefit Plans (Gratuity, Pension and Leave Encashment) has been made as per AS 15 (Revised 2005) issued by the Institute of Chartered Accountants of India. The Bank has opted an irrevocable choice to recognize 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 recognized to the extent realized in accordance with 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 Insurance Commission), Exchange, Locker rent and Insurance claims are recognized on realization basis.

e) Income from interest on income tax/ other tax refunds is accounted for on the basis of orders passed by the Competent Authorities.

f) Unforeseen income/ expenses are accounted for in the year of receipt/ payment.

g) Stationery issued to branches has been considered as consumed.

Schedules Principal Accounting Policies and Notes on Accounts

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 close of balance on 31.03.2010.

9. Profit

The net profit is disclosed in the Profit and Loss Account after providing for:

i) Income Tax, wealth tax and Deferred Tax.

ii) Standard Assets, Non Performing Advances/ Investments as per RBI guidelines

iii) Depreciation/ amortization on Investments

iv) Transfer to / from contingency fund.

v) Other usual and necessary provisions.

10. Taxation

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

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

11. Contingency Funds

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

Schedule 18 – Notes on Accounts

1. The subsidiary considered in the preparation of the consolidated financial statements

Name of the Subsidiary Company	:	JKB Financial Services Ltd
Country of incorporation	:	India
Voting Power held	:	99.97%

i) The Subsidiary Company has not started commercial operations pending clearance from stock exchange, though certificate of commencement of business has been obtained w.e.f 07.11.2008 from Registrar of Companies J&K. Since the company has not started commercial operation as yet, there is no operating income for the current financial year as well. However the Company has earned interest income on deposits with the Jammu & Kashmir Bank (Parent Company).

ii) Preliminary expenditure includes expenses incurred prior to incorporation period and has been paid by its parent entity in the last fiscal amounting to Rs. 515,885.00, 1/10th of the same has been written off through profit and loss account in the current year as well. Balance in the Preliminary Expenditure has reduced to Rs. 412,707.00.

Schedules Notes on Accounts

Disclosures made by the Parent Company

1. Reconciliation / Adjustment of inter bank / Inter Branch transactions, Branch suspense, Government transactions [State], 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:

i) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at Rs. 0.62 Crores (Previous Year Rs. 4.38 Crores). In respect of immovable properties valued at Rs. 7.60 Crores (Previous Year Rs. 12.82 Crores) bank hold agreement to sell along with possession of the properties.

ii) The Bank has also acquired certain fixed assets generating cash, parked under respective heads, for the promotion and development of its business.

iii) 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) alongwith software forming integral part of computers has been computed at the rate of 33.33% on straight-line method.

iv) The Bank has changed the policy of charging depreciation on Mobile Phones from @33.33% to 50% from this year on the Straight Line Method and there is no material effect on the profitability of the Bank.

v) Depreciation on Banks property includes amortization in respect of leased properties amounting to Rs. 22.98 Lacs (Previous Year Rs 34.54 Lacs). The book value of these properties as on 31.03.2010 was Rs. 11.69 Crores (Previous Year Rs 11.92 Crores).

4. Capital

Particulars	31-03-2010	31-03-2009
CRAR (%)		
Basel –I	14.81%	13.46%
Basel-II	15.89%	14.48%
CRAR – Tier I capital (%)		
Basel – I	11.91%	12.77%
Basel –II	12.79%	13.80%
CRAR – Tier II capital (%)		
Basel –I	2.90%	0.69%
Basel –II	3.10%	0.68%
Amount of subordinated debt raised as Tier II capital	Rs. 600.00 (Crores)	Nil

Government of Jammu and Kashmir holds 53.17% of equity shares of the Bank (Previous Year 53.17%)

The bank has raised an amount of Rs. 600 Crores by way of Unsecured Redeemable Lower tier- II Bonds maturing on 30.12.2019. The amount 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 Rs. Nil) to Capital Reserve Account.

6. Consequent upon the amalgamation of two sponsored Regional Rural Banks viz., Kamraz Rural Bank and Jammu Rural Bank into a single RRB called as J & K Grameen Bank (as notified by the GOI, the Ministry of Finance vide no. S O 1580(E) dated 30 June, 2009), the Bank has Rs. 70 Lacs as share capital in the new entity and Rs 214,070,800/- as share capital deposit account. (Totaling Rs. 221,070,800).

Schedules Notes on Accounts

7. The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at Rs. 220.27 Crores as on 31.03.2010 (Previous year Rs. 220.27 Crores). In compliance with RBI Letter 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 average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines and the consequent appreciation has been ignored in view of the accounting policy in respect of such investments.

8. Details of investments

(Rs. in Crores)

S. No.	Items	31-03-2010	31-03-2009
1.	**Gross value of investments**		
	a) In India	13,992.50	10,814.13
	b) Outside India	Nil	Nil
	Provision for depreciation		
	a) In India	36.26	77.80
	b) Outside India	Nil	Nil
	Net value of investments		
	a) In India	13,956.24	10,736.33
	b) Outside India	Nil	Nil
2.	**Movement of provision held towards the depreciation on investments**		
	i) Opening balance	77.80	37.94
	ii) Add: Provisions made during the year	4.21	42.08
	Less: Write-off/ write back of excess provisions during the year	45.75	2.22
	iii) Closing balance	36.26	77.80

9. The participation of Repo Transactions is as under

(Rs. in Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.10
Securities sold under Repos	5.00	75.00	0.53	0.00
Securities purchased under Reverse Repos	10.00	1,900.00	115.27	0.00

10. Non-SLR Investment portfolio

S. No.	Issuer	Amount	Extent of Private Placement (i)	Extent of below Investment grade (ii)	Extent of unrated Securities (iii)	Extent of unlisted Securities (iv)
1	PSUs	192.85	0.00	0.00	0.00	0.00
2	FIs (Inc. NBFCs AIFIs)	373.66	1.25	0.00	0.00	0.00
3	Banks (Inc. CDs)	1,790.64	0.00	0.00	0.00	1.34
4	Private Corporates (Inc. CPs)	1,169.84	38.95	20.00	20.00	21.25
5	Subsidiaries	27.11	0.00	0.00	0.00	0.00
6	Others	1,966.62	0.00	0.00	0.00	18.00
	Total	**5,520.72**	**40.20**	**20.00**	**20.00**	**40.59**
7	Provision held towards depreciation	18.04	0.00	0.00	0.00	0.00
	Total	**5,502.68**	**40.20**	**20.00**	**20.00**	**40.59**

The Bank's investment in unlisted securities as on 31-03-2010 is 1.31% (Previous Year, 6.05 %) which is well within the RBI stipulated limit of 10%.

Schedules Notes on Accounts

10.1 Non-SLR Non-performing investments

(Rs. in Crores)

Particulars	Amount as on 31.03.2010
Opening Balance	74.73
Additions during the year	0.00
Reductions during the year	54.73
Closing Balance	20.00
Total Provision held including floating provisions of Rs. 2.76 Crores	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:

Particulars	As on 31.03.2010				As on 31.03.2009			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	0.00	777.29	7,664.85	8,442.14	75.94	1,386.60	6,142.65	7,605.19
Other approved securities	0.00	0.00	11.42	11.42	0.00	0.00	20.86	20.86
Shares (Equity & Pref.)	4.51	58.77	0.00	63.28	1.47	32.89	15.00	49.36
Debentures & Bonds	0.00	1,087.33	336.51	1,423.84	0.00	700.26	400.70	1,100.96
Subsidiaries	0.00	0.00	27.11	27.11	0.00	0.00	27.11	27.11
Others (incl. Met-life, Vencap and others)	0.00	2,438.40	1,550.05	3,988.45	0.00	588.02	1,344.83	1,932.85
Sub Total	**4.51**	**4,361.79**	**9,589.94**	**13,956.24**	**77.41**	**2,707.77**	**7,951.15**	**10,736.33**
Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total	**4.51**	**4,361.79**	**9,589.94**	**13,956.24**	**77.41**	**2,707.77**	**7,951.15**	**10,736.33**

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

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 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.

Schedules Notes on Accounts

Quantitative Disclosures

S. No.	Particulars	Currency derivatives	Interest rate derivatives
i)	**Derivatives (Notional Principal Amount)**		
	a) For hedging	Nil	Nil
	b) For trading	Nil	Nil
ii)	**Marked to market positions [1]**		
	a) Asset (+)	Nil	Nil
	b) Liability (-)	Nil	Nil
iii)	**Credit exposure [2]**	Nil	Nil
iv)	**Likely impact of one percentage change in interest rate (100*PV01)**		
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	Nil	Nil
v)	**Maximum & Minimum of 100*PV01 observed during the year**		
	a) on hedging	Nil	Nil
	b) on trading	Nil	Nil

(Rs. in lacs)

vi)	**Forward Exchange Contracts**	
	Up to 14 days	11,491
	Beyond 14 days	698,888
Total		**710,379**

12. Concentration of Deposits, Advances, Exposures & NPAs

12.1 Concentration of Deposits

(Rs. in Crores)

Total Deposits of 20 largest depositors	7,190
Percentage of 20 largest deposits to total Deposits of the Bank	19.31%

12.2 Concentration of Advances

(Rs. in Crores)

Total Advances to twenty largest borrowers	7,277
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	30.97%

12.3 Concentration of Exposures

(Rs. in Crores)

Total Exposure to twenty largest borrowers customers	9,084.94
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on borrowers/customers	24.23%

12.4 Concentration of NPAs

(Rs. in Crores)

Total Exposure to top four NPA accounts	73.93

Schedules Notes on Accounts

12.5 Sector wise of NPAs*

S. No.	Sector	Percentage of NPA to Total advances in that sector
1	Agriculture & Allied activities	1.53%
2	Industry (Micro & Small Medium and Large)	2.56%
3	Services	4.43%
4	Personal Loans	2.38%

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

12.6 Non Performing Assets

A) Movement in Gross NPAs

(Rs. in Crores)

S. No.	Particulars	31-03-2010	31-03-2009
1.	Gross NPAs as on 1st April, 2009 (Opening Balance)	559.27	485.23
2.	Additions (Fresh NPAs) during the Year	188.78	401.89
3.	Sub Total (1& 2)	748.05	887.11
	Less		
4.	Upgradation	127.78	103.67
5.	Recoveries (excluding recoveries made from upgraded accounts)	126.58	151.94
6.	Write-offs	31.38	72.24
7.	**Sub Total (4,5&6)**	**285.74**	**327.85**
8.	**Gross NPAs as on 31.3.2010 (3-7)**	**462.31**	**559.27**

B) Movement in Net NPAs

(Rs. in Crores)

S. No.	Particulars	31-03-2010	31-03-2009
1.	Net NPAs as on 1st April, 2009 (Opening Balance)	287.51	203.55
2.	Additions during the Year	64.93	346.09
3.	Sub Total (1& 2)	352.44	549.64
	Less		
4.	Up gradation	127.78	103.67
5.	Recoveries (excluding recoveries made from upgraded accounts	126.58	151.94
6.	Write-offs	31.38	6.21
7.	**Sub Total (4,5&6)**	**285.74**	**261.82**
8.	**Net NPAs as on 31.3.2010 (3-7)***	**64.33**	**287.51**

* Net NPA has been arrived after reducing interest suspense of Rs. 3.66 Crores, Previous Year, Rs. 1.29 Crores.

Schedules Notes on Accounts

12.7 Overseas Assets, NPAs and Revenues

(Rs. in Crores)

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

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

Name of the SPV sponsored	
Domestic	Overseas
Nil	Nil

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Movement of Provision for NPAs (excluding provision on standard assets)		
a) Opening Balance *	270.48	280.70
b) Add/Transfer Provision made during the year	150.00	55.80
c) Less write-off	26.16	66.03
d) Closing Balance *	394.32	270.48
e) NPA Coverage Ratio	90.13	60.61

* Including floating provision of Rs. 52.90 Crores.

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

(Rs. in Crores)

Name of the Borrower	Exposure Ceilings	Max Outstanding	Balance as on 31.03.2010
State Government of J& K	1,486.48	2,974.61	2,974.61

13.1 Statement of Loans & Advances secured by Intangible Assets viz. Rights, Licenses, Authorizations etc.

The advances of the bank as on 31st March, 2010 against intangible security of Rights, Licenses and Authorization are Nil.

14. Particulars of Accounts Restructured

(Rs. in Crores)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	6	15	98
	Amount outstanding	166.55	17.67	431.37
	Sacrifice (diminution in the fair value)	14.83	0.26	10.32
Sub standard advances restructured	No. of Borrowers	0	0	6
	Amount outstanding	0	0	0.25
	Sacrifice (diminution in the fair value)	0	0	0.01
Doubtful advances restructured	No. of Borrowers	0	0	2
	Amount outstanding	0	0	0.06
	Sacrifice (diminution in the fair value)	0	0	0.001
Total	No. of Borrowers	**6**	**15**	**106**
	Amount outstanding	**166.55**	**17.67**	**431.68**
	Sacrifice (diminution in the fair value)*	**14.83**	**0.26**	**10.33**

Schedules Notes on Accounts

* For loan accounts with restructured amount up to Rs. 1.00 Crores, DFV has been worked out at the rate of 5% of the amount restructured.

For loan accounts with restructured amount exceeding Rs. 1.00 Crores, DFV 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.

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

(Rs. in Crores)

S. No.	Particulars	Current Year	Previous Year
1.	Number of Accounts	1	0
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	Re.1	Nil
3.	Aggregate Consideration	3.00	Nil
4.	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
5.	Aggregate gain/loss over net book value	3.00	Nil

16. Details of floating provisions

Advances

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Opening balance	52.90	52.90
Additions made during the year	0.00	0.00
Utilization made during the year	0.00	0.00
Closing balance	52.90	52.90

16.1. Investments

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Opening balance	2.76	2.76
Additions made during the year	0.00	0.00
Utilization made during the year	0.00	0.00
Closing balance	2.76	2.76

17. Provisions on Standard Assets

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Provision towards Standard Assets	138.74	138.74

Bank holds a provision of Rs. 138.74 Crores on Standard Assets (Previous Year, Rs. 138.74 Crores) which has been arrived at in accordance with RBI guidelines. No further provision was required during the current year.

Schedules Notes on Accounts

18. Customer Complaints

A	No of complaints pending at the beginning of the year	95
B	No of complaints received during the year	173
C	No of complaints redressed during the year	237
D	No of complaints pending at the end of the year	31

19. Awards passed by the banking ombudsman

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

20. Business Ratios

	Particulars	31.03.2010	31.03.2009
i)	Interest income as a percentage to Working Fund.*	8.11%	8.77 %
ii)	Non-Interest income as a percentage to Working Funds. *	1.10%	0.72%
iii)	Operating profit as a percentage to Working Funds. *	2.54%	2.27%
iv)	Return on Assets. **	1.20%	1.09%
v)	Business (deposits plus advances) per employee***	7.31 Crores	Rs. 5.00 Crores
vi)	Profit per employee	Rs. 0.07 Crores	Rs. 0.05 Crores

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

** Assets are the total assets as at the close of the year.

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

21. Asset Liability Management

i) Maturity pattern of certain items of assets and liabilities as on 31.03.2010

Particulars	Next Day	2 to 7 days	8 to 14 days	15 Days to 28 days	29 days & upto 3 mths	Over 3 mths & upto 6 mths	Over 6 mths & upto 1 Yr	Over I Yr & upto 3Yrs	Over 3 Yrs & upto 5 Yrs	Over 5 Yrs.	Total
Deposits	136.51	610.50	837.42	1,191.13	2,118.13	2,703.67	2,929.22	20,525.88	6,003.02	181.68	37,237.16
Borrowings	0.00	0.00	0.00	0.00	0.00	500.00	0.21	0.00	0.00	600.00	1,100.21
Investments	0.00	503.51	473.22	740.27	1,108.70	176.01	361.84	950.58	2,681.72	6,960.40	13,956.25
Advances	130.45	528.22	324.33	502.93	1,085.58	1,175.89	2,315.11	11,625.51	2,979.32	2,389.88	23,057.22

Schedules Notes on Accounts

ii) Maturity Pattern of Foreign Currency Assets and Liabilities

Liabilities

(Rs. in Crores)

Particulars	1 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 mth To 6 mths	Over 6 mth To 1 year	Above 1 year upto 3 years	Above 3 yrs upto 5 yrs	Total
USD	64.47	35.72	647.23	974.34	1,656.86	57.02	2.17	3,437.81
EURO	25.16	1.15	55.62	3.87	9.84	14.69	0.07	110.40
GBP	7.03	0.00	4.11	0.00	0.00	12.42	0.00	23.56
J.YEN	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01
AUD	0.00	0.00	0.00	0.00	0.00	0.41	0.00	0.41
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHF	1.02	0.00	0.00	0.00	0.00	0.00	0.00	1.02
Total	**97.69**	**36.87**	**706.96**	**978.21**	**1,666.70**	**84.54**	**2.24**	**3,573.21**

Assets

(Rs. in Crores)

Particulars	1 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 mth To 6 mths	Over 6 mth To 1 year	Above 1 year upto 3 years	Total
USD	69.38	47.96	610.32	1,052.63	1,654.41	0.00	3,437.70
EURO	26.72	5.15	63.36	4.54	10.65	0.00	110.42
GBP	8.70	0.07	15.33	0.41	0.00	0.00	24.51
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.49	0.29	0.00	0.00	0.00	0.00	0.78
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHF	1.14	0.00	0.00	0.00	0.00	0.00	1.14
SAR	0.32	0.00	0.00	0.00	0.00	0.00	0.32
Total	**106.75**	**53.47**	**689.01**	**1,057.58**	**1,665.06**	**0.00**	**3,571.87**

The data on ALM has been compiled on the basis of information furnished by the branches/offices. In cases where the authenticity could not be verified, the computation has been done on the basis of assumption and estimates made by the management and relied upon by the auditors.

Schedules Notes on Accounts

22. Lending to Sensitive Sector

22.1 Exposure to Real Estate Sector

(Rs. in Crores)

	Particulars	31-03-2010	31-03-2009
1.	**Direct exposure**		
	i) Residential mortgages		
	Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	810.49	752.89
	ii) Commercial real estate		
	Lendings 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.	1,415.63	1,541.68
	iii) Investment in mortgage backed securities and other securitized exposures		
	a) Residential		
	b) Commercial real estate	Nil	Nil
2.	**Indirect exposure**	Nil	Nil
	(Fund based & non fund based exposure on National Housing Bank and housing finance companies)	55.96	270.20

22.2 Exposure to Capital Market

(Rs. in Crores)

	Particulars	31-03-2010	31-03-2009
1.	Investments made in equity shares	282.20	274.42
2.	Investments in bonds/ convertible debentures	0.00	0.00
3.	Investments in units of equity-oriented mutual funds	85.00	92.00
4.	Advances against shares to individuals for investments in equity shares (including IPOs / ESOPs), bonds and debentures, units of equity oriented mutual funds	80.35	0.00
5.	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stockbrokers and market makers	0.06	37.11
6.	Direct & Indirect Investments in Venture Capital Funds	5.00	–
	Total (1+2+3+4+5+6)	**452.61**	**403.53**
7.	Of 5 above, the total finance extended to stock brokers for Margin trading	Nil	Nil

22.3 Advances to Commodities Sector

(Rs. in Crores)

	Particulars	31-03-2010	31-03-2009
1.	Cash crop	107.92	106.73
2.	Edible oils	44.64	338.75
3.	Agriculture produce	629.69	423.62
4.	Other sensitive commodities	128.36	28.39
	Total	**910.61**	**897.49**

The data on lending to Sensitive Sector has been compiled on the basis of information furnished by the branches/ offices. In cases where the authenticity could not be verified, the computation has been done on the basis of assumption and estimates made by the management and relied upon by the auditors.

Schedules Notes on Accounts

23. The Government of India has notified Relief Scheme viz., "Agricultural Debt Waiver & Debt Relief Scheme-2008," for giving debt waivers to marginal & small farmers and to other farmers who have availed direct agricultural loans. Advances include Rs. 6.87 Crores claim due from Government under "Agriculture Debt Waiter and Debt Relief Scheme-2008".

24 Risk category wise country exposure

(Rs. in Crores)

Category	Risk Category	Exposure (Net) as at March 2010	Provisions held as at March 2010	Exposure (Net) as at March 2009	Provisions held as at March 2009
A1	Insignificant	18.22	0.00	24.62	0.00
A2	Low	0.97	0.00	0.73	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	**19.19**	**0.00**	**25.35**	**0.00**

25 Miscellaneous

Details of provisions

(Rs. in Crores)

Particulars	31-03-2010	31-03-2009
Tax expense		
i) Income Tax	280.37	220.31
ii) Deferred Tax Liability/ (asset)	(1.22)	–
iii) Fringe Benefit Tax	0.00	1.95
vi) Wealth Tax	0.08	–
Provision against NPAs	150.00	55.80
Provision for standard assets	0.00	13.29
Provision for depreciation on investments	(38.81)	42.08
Provision for funded interest term loan	6.45	Nil
Provision for Debts Restructured (investments only)	0.00	Nil
Provision for Non performing Investment	0.00	12.87
Provision for frauds and embezzlements	1.59	0.80
Provision for diminution in the fair value of restructured /rescheduled advances	22.07	17.52
Contingency Fund	24.89	0.00
Provision for contingent liabilities	0.42	0.00
Total	**445.83**	**364.62**

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

26.1. 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.

26.2. 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 RBI guidelines.

Schedules Notes on Accounts

26.3. Accounting Standard 15 – Retirement benefits

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 1-04-2007, has a transitional Liability of Rs. 149.70 Crores as per Actuarial Valuation. The 1/5th of this liability on a straight-line basis amounting to Rs. 29.94 Crores has been recognized as an expense during the year 2009-10 (3rd year) and the remaining unrecognized amount of Rs. 59.88 Crores is spread over to next two years.

b) The disclosures required under Accounting Standard 15 “Employee Benefits- issued by The Institute of chartered Accountants of India are as under:

Defined Contribution Plan

Contribution to Defined Contribution Plan recognized and charged off are as under:

(Amount in Rs.)

Employer’s Contribution to Provident Fund	67,855,637.66

Defined Benefit Plans

The Employees’ Gratuity Fund Scheme, Pension Fund and Leave Encashment are Defined Benefit plans.

The present value of obligation is determined based on Actuarial Valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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

(Amount in Rs.)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment un funded
Present Value of Obligation 01-04-2009	887,062,388	3,446,269,583	362,541,837
Interest Cost	70,376,991	270,205,567	28,720,107
Current Service Cost	50,436,466	285,993,671	36,694,463
Past Service Cost	0	0	0
Benefits Paid	(14,700,000)	137,400,000	(7,081,000)
Actuarial (Gain) Loss on Obligation	(25,624,663)	(268,874,756)	55,589,911
Present Value of Obligation 31-03-2010(Projection)	967,551,182	3,596,194,065	476,465,318
Fair Value of Plan Assets 01-04-2009	643,254,340	3,100,746,584	0
Expected Return on Plan Assets	54,742,174	260,029,863	0
Contributions	65,600,000	135,700,000	7,081,000
Benefits Paid	(14,700,000)	0	(7,081,000)
Actuarial Gain (Loss) Plan Assets	(23,596,514)	(96,476,447)	0
Fair Value of Plan Assets 31-03-2010	725,300,000	3,400,000,000	0
Total Actuarial Gain (Loss) to be recognized	**2,028,149**	**172,398,308**	**(55,589,911)**
Balance Sheet Recognition			
Present Value of Obligation	967,551,182	3,596,194,065	476,465,318
Fair Value of Plan Assets	(725,300,000)	(3,400,000,000)	0
Liability (Assets)	242,251,182	196,194,065	476,465,318
Unrecognized Past Service Cost	0	0	0
Liability (Asset) recognized in the Balance Sheet**	242,251,182	196,194,065	476,465,318
Less: Liability already recognized	0	0	322,439,881
Plus: 1/5th Amortized Transitional Liability			
Total of three plans : Rs 299402918	89,095,141	152,255,772	58,052,005
Less: Transition Remaining			
Total of three plans : Rs. 598805836	178,190,282	304,511,543	116,104,011
Current Year Liability/(Asset)			
Total of three plans: Rs. 293067766	153,156,041	43,938,294	95,973,431

(Amount in Rs.)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment un funded
Profit & Loss – Expenses			
Current Service Cost	50,436,466	285,993,671	36,694,463
Interest Cost	70,376,991	270,205,567	28,720,107
Expected Return on Plan Assets	(54,742,174)	(260,029,863)	0
Net Actuarial Gain (Loss) recognized in the year	(2,028,149)	(172,398,308)	5,558,991
Past Service Cost	0	0	0
Expenses Recognized in the statement of Profit & Loss	64,043,134	123,771,066	121,004,481
Actual Return on Plan Assets			
Expected Return on Plan Assets	54,742,174	260,029,863	–
Actuarial Gain (Loss) Plan Assets	(23,596,514)	(96,476,447)	–
Actual Return on Plan Assets	31,145,660	163,553,416	–
Movement in the Net Liability recognized in the Balance Sheet			
Opening Net Liability	243,808,048	344,907,472	362,541,837
Expenses	64,043,134	123,771,066	121,004,481
Contribution	(65,600,000)	(273,100,000)	(7,081,000)
Closing Net Liability	242,251,182	195,578,538	476,465,318
Actuarial Assumption			
Mortality Table (L.I.C.)	1994-96 Ultimate	1994-96 Ultimate	1994-96 Ultimate
Discount Rate (Per Annum)	8%P.A	8%P.A	8%P.A
Expected rate of return on plan assets (p.a.)	8%P.A	8%P.A	N A
Rate of escalation in salary	5%	5%	Nil
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

26.4. Accounting Standard 17 – Segment Reporting

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

(Rs. in Crores)

	Description	Year Ended 31-03-2010	Year Ended 31-03-2009
A.	**Segment Revenue (Income)**		
	i) Treasury Operations	914.46	773.42
	ii) Corporate/Whole sale Banking	989.23	980.71
	iii) Retail Banking	1,530.99	1,450.86
	vi) Other Banking Business	38.43	28.17
	Total Income from Operations	**3,473.11**	**3,233.16**
B.	**Segment Results (Profit before tax)**		
	i) Treasury Operations	86.13	(34.31)
	ii) Corporate /Wholesale Banking	388.21	266.10
	iii) Retail Banking	285.27	374.17
	vi) Other Banking Business	32.00	26.14
	Total Profit before tax	**791.61**	**632.10**
C.	**Segment Assets**		
	i) Treasury Operations	16,307.22	14,067.16
	ii) Corporate/Wholesale Banking	13,492.24	11,824.62
	iii) Retail Banking	12,728.10	11,797.46
	vi) Other Banking Business	19.23	4.02
	Total	**42,546.79**	**37,693.26**

contd.

Schedules Notes on Accounts

(Rs. in Crores)

	Description	Year Ended 31-03-2010	Year Ended 31-03-2009
D.	**Segment Liabilities**		
	i) Treasury Operations	1,704.12	2,360.77
	ii) Corporate/wholesale Banking	12,640.33	10,883.34
	iii) Retail Banking	28,194.14	24,449.11
	vi) Other Banking Business	8.20	0.04
	Total	**42,546.79**	**37,693.26**
E.	**Net Segment Assets/Liabilities**		
	i) Treasury Operations	14,603.10	11,706.39
	ii) Corporate /Wholesale Banking	851.91	941.28
	iii) Retail Banking	(15,466.04)	(12,651.65)
	vi) Other Banking Business	11.03	3.98
	Total	**0.00**	**0.00**

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

26.5. Accounting Standard 18 – Related Party disclosures as on 31.03.2010

(Rs. in Crores)

Items/Related Party	J & K GRAMEEN BANK (Associate)	JKB Financial Services Ltd.
Deposits	644.00	5.29
Advances	Nil	0
Investments	22.10	5.00
Interest Paid	0.37	0.29
Interest/Commission Received	66.90	0.0
Salary	Nil	Nil

(Rs. in lakhs)

Items/Related Party	K.M.P Dr. Haseeb A. Drabu (Chairman)	K.M.P Mr. A. K. Mehta (ED)	K.M.P Mr. Abdul Majid Mir (ED)
Deposits	0.00	0.00	0.00
Advances	27.96	2.85	2.07
Investments	Nil	0.00	0.00
Interest paid	1.77	0.26	0.18
Interest/Commission Received	0.39	0.00	0.00
Salary	36.09	10.33	10.34

26.6. 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.

26.7. Accounting standard 20 – Earning Per Share

(Rs. in Crores)

Particulars	31.03.2010	31.03.2009
Net Profit available to Equity Share Holders	512.38	409.84
No. of Equity Shares	48,477,802	48,477,802
Basic/Diluted Earning per share (in Rupees)	105.69	84.54

26.8. 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 Rs. 5.00 Crores. The consolidated financial statements are placed accordingly in terms of AS 21 issued by the Institute of Chartered Accountants of India.

Schedules Notes on Accounts

26.9. Accounting standard 22 – Accounting for taxes on income

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

(Rs. '000' Omitted)

Timing Difference	DTA	DTL
Depreciation on Assets	Nil	603
Leave encashment	109,703	Nil

Net DTA 109,099
Tax Impact 12,184

26.10.Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of Rs. 0.37 Crores on Branding bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to Rs. 0.33 Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to Rs. 0. 04 Crores has been charged to Profit & Loss account treating it as a Revenue expenditure for the reason that the Bank cannot declare dividend to shareholders without writing it off completely in view of the provisions of the Banking Regulation Act, 1949. Accordingly, the Bank has not evaluated useful life of this Brand strategy project over which the expenses could be amortized.

26.11.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.

26.12.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 Rs. 41.57 lacs has been made during the year 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. Further as the Bank does not have any overseas subsidiary no letter of comfort has been issued.

27. Other Disclosures

27.1. Foreign Exchange

a) The net funded exposure of the Bank in respect of Foreign Exchange transactions with each country is within 1% of the Total Assets of the Bank and hence no Provision and Disclosure is required to be made as per the RBI Circular No. 96/21.04.103/2003 dated: 17.06.2004.

b) Claims pending with ECGCI amount to Rs. 22.53 Crores (Previous Year, Rs. 21.52 Crores)

c) The bank in terms of RBI circular no.DBOD.BP.BC.No.133/21.04.018 /2008-09 dated 11.05.2009 appropriated an amount of Rs. 5,699,616.00 to Profit & Loss account on account of un-reconciled credit outstanding entries of value less than $2500 in Nostro /mirror accounts from 1.04.1996 to31.03.2002 and transferred it to the General Reserve Account. The action has resulted in increase of the profits of the bank to the extent of such amount.

27.2. 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. In CBS Business units of the Bank, the system itself takes care of providing interest on overdue time deposits at the individual constituent level. However for other than CBS Business units and the consolidated balances lying in overdue time deposits in Finacle business units, the bank has made a provision of RS 7.50 Crores on adhoc basis, which is sufficient enough to meet the requirements.

27.3. Payments to and Provisions for employees include Rs. 75.92 Crores for wage arrears on estimated basis in view of wage settlement dated 27.04.2010.

Schedules Notes on Accounts

27.4. Penalty imposed by Reserve Bank of India during the year: Nil (Previous Year: Nil).

27.5. Movement in provision for Credit Card Reward Point is set out below:

(Rs. in Crores)

Particulars	31.03.2010
Opening Provision balance as on 01.04.2009	0.27
Provisions made during the year 2009-10	0.17
Redemption made during the year	0.19
Closing balance at the end of year	0.25

27.6. Bancassurance Business

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

(Rs. in lacs)

Sr. No.	Nature of Income	March 2010
1.	For selling life insurance policies	2,159
2.	For selling non-life insurance polices	901
3.	For selling mutual fund products	11
4.	Others -	Nil

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

29. 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.

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

Mohammad Ibrahim Shahdad
Director

Vikrant Kuthiala
Director

Prof. Nisar Ali
Director

Abdul Majid Matto
Director

R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

In terms of our report of even date annexed

For **K B Sharma & Co.**
Chartered Accountants

CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

For **Verma Associates**
Chartered Accountants

CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants

CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants

CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Part IV of Schedule VI to the Companies Act, 1956 (Consolidated)

I. REGISTRATION DETAILS

Registration No.	46	State Code	07
Balalnce Sheet Date	31032010		

II. CAPITAL RAISED DURING THE YEAR (AMT IN 000"S)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL		

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMT IN 000"S)

Total Liabilities	425417786	Total Assets	425417786

SOURCES OF FUNDS

Paid Up Capital	484922	Reserves and Surplus	29621313
Secured Loans	NIL	Unsecured Loans	11002064
Deposit	372318907		

APPLICATION OF FUNDS

Net Fixed Assets	2041332	Investments	139512473
Advance	230572250	Misc.Expenditure	NIL
Net Current Asssets	41301511	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL		

IV. PERFORMANCE OF BANK (AMT IN 000"S)

Total Income	34731149	Total Expenditure	26812461
Profit Before Tax	7918688	Profit After Tax	5125504
Earning per Share in Rs.	105.69	Dividends Rate (%)	220.00

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/ SERVICES (AS PER MONETARY TERMS)

Item Code No (ITC Code)	NIL
Product Description	BANKING SERVICES

Consolidated Cash Flow Statement for the year ended 31st March, 2010

	Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
Cash Flow from Operating Activities	(11,091,795)	9,653,551
Cash Flow from Investing Activities	(416,520)	(399,231)
Cash Flow from Financing Activities	4,903,067	(879,108)
Net change in Cash and Cash Equivalents	(6,605,248)	8,375,210
Cash and Cash Equivalents at the beginning of the year	52,747,620	44,372,410
Cash and Cash Equivalents at the end of the year	46,142,372	52,747,620
A Cash Flow From Operating Activities:		
a) Interest received during the year from Advances/Investments	30,496,655	29,532,221
b) Other Income	4,162,357	2,450,539
c) Interest paid on deposits etc.	(19,105,214)	(19,689,782)
d) Operating expenses including Provisioning & Contingencies	(7,439,727)	(6,132,237)
e) Adjustment for depreciation	369,330	325,109
Total : (a to e)	**8,483,401**	**6,485,852**
f) Deposits	42,327,871	44,058,406
g) Borrowings	(4,964,201)	2,448,404
h) Investments	(32,199,126)	(19,736,716)
i) Advances	(21,268,137)	(20,477,995)
j) Other liabilities & provisions	875,467	(592,090)
k) Other Assets	(1,554,408)	(99,069)
Total : (a to k)	**(8,299,133)**	**12,086,792**
l) Less: Tax Paid	2,792,662	2,433,241
TOTAL : (A)	**(11,091,795)**	**9,653,551**
B Cash Flow From Investing Activities:		
a) Fixed Assets	(416,520)	(399,231)
b) Investment in Sponsored Institutions.	–	–
TOTAL : (B)	**(416,520)**	**(399,231)**
C Cash Flow From Financing Activities:		
a) Share Capital	–	–
b) Equity Share Warrants	–	–
c) Share Premium	–	–
d) Tier II Bonds	6,000,000	–
e) Dividend & Divident Tax Paid	(958,974)	(879,108)
f) Interest Paid on Subordinate Debt	(137,959)	–
TOTAL : (C)	**4,903,067**	**(879,108)**

contd..

Consolidated Cash Flow Statement for the year ended 31st March, 2010

		Year Ended 31-03-2010 (Rs. '000' Omitted)	Year Ended 31-03-2009 (Rs. '000' Omitted)
D	**Cash and Cash Equivalents at the beginning of the year**		
	a) Cash in hand & Balance with R.B.I	23,029,505	32,199,667
	b) Balance with Banks & Money at Call & Short Notice	29,718,115	12,172,743
TOTAL : (D)		**52,747,620**	**44,372,410**
E	**Cash and Cash Equivalents at the end of the year**		
	a) Cash in hand & Balance with R.B.I	27,447,263	23,029,505
	b) Balance with Banks & Money at Call & Short Notice	18,695,109	29,718,115
TOTAL : (E)		**46,142,372**	**52,747,620**

Note: This statement has been prepared in accordance with Direct Method

Haseeb A. Drabu
Chairman & CEO

M. S. Verma
Director

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

Mohammad Ibrahim Shahdad
Director

Vikrant Kuthiala
Director

Prof. Nisar Ali
Director

Abdul Majid Matto
Director

R. K. Gupta
Director

Nihal C. Garware
Director

Parvez Ahmed
President & Company Secretary

G. A. Regoo
President

Place : Srinagar
Dated : 15th May, 2010

The above cash flow statement has been taken on record by the Board of Directors in its meeting held on 15th May, 2010 at Srinagar.

President & Company Secretary

Auditors Certificate

We have verified the attached Cash Flow Statement of THE JAMMU & KASHMIR BANK LIMITED which has been compiled from and is based on the Audited Financial Statements for the year ended 31st March, 2010 and 31st March, 2009. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to clause 32 of the Listing Agreement with the Stock Exchanges.

For **K B Sharma & Co.**
Chartered Accountants
CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

For **Verma Associates**
Chartered Accountants
CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants
CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants
CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

Place : Srinagar
Dated : 15th May, 2010

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

Basel-II Pillar-3 Disclosures

Table DF-1: Scope of application

1. Qualitative Disclosure

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

1.2 An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group.

i) The revised capital adequacy norms (in conformity with Basel-II--- Pillar 3 requirements) apply to J&K Bank Ltd at Solo level.

ii) The bank has one fully owned subsidiary i.e. JKB Financial Services Ltd.

iii) The bank has also sponsored one regional rural bank namely, J&K Grameen Bank (erstwhile Jammu Rural Bank & Kamraz Rural bank).

iv) 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 Ltd and its fully owned subsidiary , combined on line by line basis 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 Services Ltd	Financial Services	100%
1.4	That are pro-rata consolidated	Nil	NA	NA
1.5	That are given a deduction treatment	J&K Grameen Bank	Rural Banking	35%
1.6	That are neither consolidated nor deducted (e.g. where the investment is risk weighted).	MetLife India	Insurance	12.41%

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 Rs 5.00 Crores in JKB Financial Services and Rs 22.10 Crores in J&K Grameen Bank [erstwhile Jammu Rural bank (JRB) & Kamraz Rural Bank (KRB)] 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	Rs 220.27 Crores
c)	Country of Incorporation/ Residence	India
d)	Proportion of ownership interest	12.41%
e)	Proportion of Voting Power	12.41%
f)	Quantitative impact on regulatory capital of using this method versus using deduction.	CRAR under risk weighted method is 15.91% as against 15.14% under deduction method.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

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 Rs. 600 Crores during the year which forms part of lower Tier 2 Capital of the Bank.

2. Quantitative Disclosures

2.1	The amount of tier 1 capital, with separate disclosure of:		Rs. in Crores
	a)	Paid up capital	48. 49
	c)	Statutory and other disclosed free reserves	2,898.84
	d)	Capital Reserves	63.13
	e)	Other capital instruments	–
	f)	Amount deducted from tier 1 capital, including goodwill and investment.	24.46
Total Tier I Eligible Capital (net of deductions)			**2,986.00**
2.2	The total amount of tier 2 capital (net of deductions from tier 2 capital)		725.19
2.3	Debt capital instruments eligible for inclusion in upper tier 2 capital		
	a)	Total Amount outstanding	Nil
	b)	Of which amount raised during the current year	Nil
	c)	Amount eligible to be reckoned as capital funds	Nil
2.4	Subordinated debt eligible for inclusion in lower tier 2 capital		
	a)	Total amount outstanding	600.00
	b)	Of which the amount raised during the current year	600.00
	c)	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		3,711.19

Table DF-3: Capital adequacy

1. Qualitative Disclosure

1.1 A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.

i) The bank is computing capital charge in accordance with methodology prescribed under RBI guidelines on capital adequacy. Sensitivity analysis is conducted annually or more frequently as required, on the movement of Capital Adequacy Ratio (CAR) in the medium horizon of 3 years, considering the projected growth in business and the impact of Basel II framework etc.

ii) 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%.

iii) Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of the capital commensurate to the risk profile is reviewed periodically.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

2. Quantitative Disclosures

(Rs. in Crores)

2.1	Capital requirements for credit risk		1,765.11
	a) Portfolio subjected to Standardized Approach (@9%CRAR)		1,765.11
	b) Portfolio subjected to the IRB approaches		Nil
	c) Securitization exposures		Nil
2.2	Capital requirement for market risk (under Standardized Duration approach)		149.05
	a) Interest rate risk		83.22
	b) Foreign exchange risk (including gold)		2.25
	c) Equity risk		63.58
2.3	Capital requirement for operational risk		
	a) Basic Indicator Approach:		187.87
2.4	Capital Adequacy ratio (CRAR) for consolidated group and significant subsidiaries (as per Basel-II norms)		
	Name of the Entity	Total CRAR	Tier I CRAR
	Consolidated bank (Group as a whole)	15.91%	12.79%
	J&K bank Ltd (on solo basis)	15.89%	12.79%

Risk Exposure and Assessment

Objectives and Policies

Organisational Structure – Risk Management

Bank has a risk management structure in place to control and mitigate the risks. Within the overall structure, various responsibility centres from top to bottom have been defined to devise and implement Risk Management policies and processes. The structure ensures coordinated process for measuring and managing all types of risks on an enterprise basis to achieve organizational goals. The structure assures adherence to global best practices in line with regulatory stipulations. The structure is designed in tune with the general guidelines of the Regulator.

In order to have a concerted focus on the Risk Management functions of the bank, the bank has an Integrated Risk Management Committee of Board at the apex level with the overall responsibility of ensuring that adequate structures, policies and procedures are in place for risk management and that they are properly implemented. The IRMC effectively coordinates the operations of various Risk Management committees at the Executive level and adopts an integrated approach in managing the risks.

There are three Executive level committees,viz, Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO) also known as Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) which are responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committees are headed by CEO and Top Executives from respective functional areas who are also members of the respective Committees. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Board level Integrated Risk Management Committee (IRMC). For effective risk management, a separate Integrated Risk Management Department is functioning at CHQ under three separate management groups of Credit risk, Market risk and Operational risk. The department provides support to the risk management committees through analysis of risks and reporting of risk positions and making recommendations as to the level and degree of risks to be assumed, to the above mentioned committees and to the Board.

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.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

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

a) Defined segment exposures classified into retail, small / medium enterprises and Corporates.

b) Industry wise segment ceilings on aggregate lending by the Bank.

c) Individual borrower wise ceilings on lending as well as borrower group wise lending ceilings linked to the Bank's capital funds.

d) Allowing credit exposures as per the credit rating of borrowers upto defined thresholds of risk levels. The approach also includes diversification of credit rating wise borrowers but within acceptable risk parameters.

e) The Bank's entire current business is within India and there is no geographic ceiling on lending in India; there is also no ceiling on lending within a State in India.

f) A clear and well defined delegation of authority within the Bank in regard to decision making, linking risk and exposure amount to level of approval.

g) Regular review of all credit sanctioning powers delegated to various sanctioning levels so as to continuously strengthen the credit processes, and monitoring oversight.

h) Approval processes with respect to credit proposals are preceded by study of risks and preliminary due diligence particularly while sourcing fresh credit accounts.

The Bank has put in place a credit risk management structure to identify measure, monitor, control and mitigate credit risk right from the loan origination to its disbursement. With an endeavor to standardize our appraisal mechanism, the bank has put in place risk rating framework and deployed a risk scorer application on bank wide basis. The application has rating models which score a borrower on significant quantitative (Financial data) and qualitative (Non-Financial data) parameters to assess its likelihood of loss (Probability of Default). Bank has devised Risk-Rating Models for different lending segments.

Presently all borrowers with an aggregate commercial exposure of Rs. 15.00 lacs and above (fund or non- fund) are rated through the Risk Scorer Application. In addition to commercial exposure of Rs. 15.00 lacs minimum threshold, all exposures in the form of Personal and Housing loans are also rated. Rating process and rating output are used by the Bank in sanction, pricing and monitoring of its exposures. Credit Audit is being invariably conducted by Credit Audit Department for credit exposures of Rs1 crore and above.

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. 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. Credit Risk Management Committee at senior Executive level and Integrated Risk Management Committee at the Board level monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures. Risk rating process by itself is an integral part of processes of selection of clients and sanction of credit facilities and investment exposures. Exercise of delegation for sanction of fresh loans and taking investment exposures and renewal /review of existing exposure is permitted only for borrowers above a pre-specified rating grade.

2. Qualitative Disclosures

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

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

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

a) Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan

b) The account remains 'out of order' as indicated in paragraph 1.1.2 below, in respect of an Overdraft / Cash Credit (OD/CC)

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

c) The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted

d) The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops

e) The instalment 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, the bank does not reckon income on the securities and 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 enough 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 bank has a Credit and Risk Management policy in place, which is aimed at supporting the business strategies, achieving target earnings with satisfaction of its customer needs and maintaining a sound credit portfolio. It also seeks to achieve prudent credit growth –both qualitative and quantitative- and adhere to the prudential norms with balanced sectoral and diversified growth of credit. The bank has put in place prudential limits for controlling credit concentration across Industries, sectors and segments. The bank has a well-defined credit appraisal & approval authority, legal support, reporting cum monitoring and follow-up system. Loan review mechanism/ credit audit system for loan exposures of Rs 1 crore and above is in place.

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

1) standardized

2) foundation IRB,

3) Advanced IRB approaches and of managements plans and timing for migrating exposures to full implementation of the applicable approach.

The bank is following standardized approach as prescribed by RBI for computing capital for credit risk.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

3. Quantitative Disclosures

(Rs. in Crores)

3.1	Total gross credit risk exposures – Fund based and Non-fund based separately, broken down by major types of credit exposures.	a) On Balance Sheet – b) Off Balance sheet – **Total**	38,549.70 11,499.25 **50,048.95**
3.2	Geographic distribution of exposures		
	a) Overseas		
	b) Domestic		50,048.95
3.3	Industrial type distribution of exposure, Fund based 3and Non-fund based separately.	Major industry type exposure is given separately as per Annexure- A.	
3.4	Residual contractual maturity breakdown of assets,	Residual contractual maturity is given separately as per Annexure- B.	
3.5	Amount of NPAs (Gross)		462.30
	a) Substandard		96.84
	b) Doubtful		309.53
	c) Loss		55.93
3.6	Net NPAs		64.33
3.7	NPA Ratios		
	a) Gross NPAs to gross advances		1.97%
	b) Net NPAs to net advances		0.28%
3.8	Movement of NPAs (Gross)		
	a) Opening balance		559.27
	b) Additions		188.78
	c) Reductions		285.75
	d) Closing balance		462.30
3.9	Movement of provisions for NPAs		
	a) Opening balance		270.48
	b) Provisions made during the period		150.00
	b) Write-off		26.16
	c) Write back of excessive provisions		–
	d) Closing balance		394.32
4	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.		
	a) Opening balance		77.80
	b) Provisions made during the period		4.21
	c) Write-off		–
	d) Write back of excessive provision		45.75
	e) Closing balance		36.26

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

Table DF-5: (A) Credit Risk

Disclosure for portfolio subject to the standardized approach

1. Qualitative Disclosure

1.1	For portfolio under the standardized approach:	
	a) 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.
	b) 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, overdraft and other revolving credits (irrespective of the period) and for term loan exposures of over one year, long term Ratings are used.
	c) 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 pari-pasu 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

(Rs. in Crores)

2.1	For exposure amount after risk mitigation subjected to the standardized approach, amount of bank's outstanding (rated and un-rated) in the following three major risk buckets as well as those that are deducted:	
	a) Below 100% risk weight	36,405
	b) 100% risk weight	10,335
	c) More than 100% risk weight	2,714

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

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

1. Qualitative Disclosure

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

A Credit Mitigation and Collateral Management Policy, addressing the Bank's approach towards the credit risk mitigant 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 valuation policy that forms the basis for valuation of collaterals.

1.3 Policies and processes for collateral valuation and management

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

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

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

Cash or cash equivalent, Bank deposits, NSCs, KVIPs, 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 rate 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 own deposits, government securities, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals. Overall, financial collaterals do not have any issue in realization. Concentration on account of collateral is also relevant in 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 recognized as eligible collateral under Basel II Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge, and is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

2. Quantitative Disclosures

(Rs. in Crores)

2.1	For disclosure credit risk portfolio under the standardized approach, the total exposure that is covered by:	Exposure covered by Deposits/Cash	1,811.27
2.2	Eligible financial collaterals; after the application of haircuts.	Exposure covered by Other Eligible Collaterals	
Total		**1,811.27**	

Table DF-7: Asset Securitization

Securitization: disclosure for standardized approach

1. Qualitative Disclosure

a)	The general qualitative disclosure requirement with respect to securitization, including a disclosure of: i) The bank's objectives in relation to securitization activity, including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the bank to other entities. ii) The role played by the bank in the securitization process and an indication to the extent of the bank's involvement in each of them; and iii) The regulatory capital approach that the bank follows for its securitization activities.	Bank is not undertaking any securitization activity at present
b)	Summary of the bank's accounting policies for Securitization activities, including: i) Recognition of gain on sales and ii) Key assumption for valuing retained interests, including any significant changes since the last reporting period and the impact of such changes;	
c)	Names of ECAIs used for Securitization and the type of Securitization exposure for which each agenc is used.	

2. Quantitative Disclosures

d)	The total outstanding exposure securitized by the bank and subject to the Securitization framework by exposure type.	NA
e)	For exposure securitized by the bank and subjected to the Securitization framework. i) Amount of impaired/past due asset securitized; and ii) Losses recognized by the bank during the current period broken down by the exposure type.	

contd.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

f) Aggregate amount of Securitization exposure retained or purchased broken down by exposure type. i) Aggregate amount of Securitization exposure retained or purchased broken down into a meaningful number of risk weight bands. Exposures that have been deducted entirely from tier1 capital, credit enhancing I/Os deducted from total capital, and other exposure deducted from total capital should be disclosed separately by type of underlying exposure type. ii) Summary of securitization activity presenting a comparative position for two years, as a part of the notes on account to the balance sheet iii) Total number of book value of loan asset securitization – by the type of underlying assets; iv) Sale consideration received for the securitized assets and gain/loss on the sale on account of securitization; and v) Form and quantum (outstanding value) of services provided by way of credit enhancement, liquidity support, post securitization asset servicing, etc.	

Table DF-8: Market risk in trading book

1. General Disclosures – Market Risk

An appropriate system has been implemented to capture all material sources of market risk. Various prudential limits have been put in place for taking exposures across all segments of market and the bank has been able to contain market risk in Investment portfolio effectively. 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. The bank also undertakes stress testing exercise on a regular basis to supplement the market risk management policies and strategies.

Bank has also put in place regulatory/internal limits for various products and business activities relating to trading book. 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 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 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.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

2. Qualitative Disclosure

2.1 The general qualitative disclosure requirement for market risk including the portfolio covered by securitized approach.	a) The HFT and AFS portfolios are covered by the 'Standardized Duration' approach for calculation of Market Risk. b) Market Risk Management group set under the overall supervision of Market Risk Management Committee 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. c) 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.	a) Market risk is calculated on trading portfolio under standardized duration method, as per directives of RBI, which is complemented by stress testing periodically.

3. Quantitative Disclosures

3.1 The capital requirement for market risk as per Standardised Duration Approach.	**149.05**
i) Interest rate risk.	83.22
ii) Equity position risk.	63.58
iii) Foreign exchange risk.	2.25
iv) Commodity risk.	Nil
3.2 For portfolios under the IMA, i) The high, mean, and low VaR values over the reporting period and period-end. ii) A comparison of VaR estimates with actual gains/ losses experienced by the bank, with analysis of important "outliers" in back-test results.	Bank is following the standardized duration method as per RBI directives.

Table DF-9: Operational Risk

1. General Disclosures

Bank has put in place detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. Various tools, controls and mitigation measures implemented for management of operational risk are being reviewed and updated on a regular basis, to suit the changes in risk profile. Bank has also put in place a comprehensive bank wide Business Continuity Plan to ensure continuity of critical operations of the Bank covering all identified disasters.

Bank has started collection of internal operational loss data. Well-designed formats for reporting identified loss events and loss data in the most granular form have been put in place. Bank is using insurance for mitigating operational risk. The bank has a robust internal control and audit mechanism and reporting system for managing and mitigating operational risk.

Disclosures Under The New Capital Adequacy Framework

for the year ended 31st March, 2010

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.	The purpose of operational risk management is to identify, measure, asses and mitigate the probable losses owing to failure in internal systems and control or due to external unforeseen factors. The Bank has a separate operational risk management desk, which continuously evaluates on possible loopholes of systems and processes and accordingly appraises risk management committee about any adverse future impacts. An operational risk policy is in place which contains guidelines on identification, assessment and mitigation of various operational risks besides guidelines on internal functioning. The business continuity plan 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 MIS for mitigation and control of operational risks.

3. Quantitative Disclosures

(Rs. in Crores)

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 is: **187.87**

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.

a) 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 Banks lending and deposit rates and directing the investment activities of the Bank. Risk Management Committee of Board reviews various decisions of ALCO for managing Market Risk.

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

b) Earnings Perspective – The bank utilizes traditional gap analysis for calculating the impact on its earnings (Net Interest Income) due to adverse movements in interest rates with the assumed change in yield on 200 basis points over one year.

c) Economic Value Perspective – The bank utilizes Duration Gap Analysis for calculating the long term impact on market value of equity due to adverse movements in interest rates with the assumed change in yield on 200 basis points. Measurement and computation of interest rate risk in Banking Book by 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 percent turnover).	Changes on account of interest rate volatility: a) Changes in net interest income (with 2% change in interest rates for both assets and liabilities) b) (9.21) Crores c) Change in market value of equity (with 1% change in interest rates for both assets and liabilities). d) 13.44%

Report on Corporate Governance

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

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

Operating in an environment that is emerging from a situation of civil strife, the issue of Corporate Governance assumes a different and greater relevance. We, as the prime corporation of Jammu and Kashmir, have a vested 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.

We want to be partners in the economic and social transformation of the nation. In our context there is a need to redefine the role of our directors to make J&K Bank an engine of social transformation. As an eminent corporate jurist (Chancellor William T. Allen) from US says, "A corporate director has civic responsibility. The people who accept this responsibility, do it conscientiously and well deserve our respect as they are serving a nation. But those who as directors are passive and view their role as mere advisers, are pliable and pleasant but do not insist on a real monitor's role, do small service to anyone and deserve little respect". Our directors belong to the former category.

1. 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.

2. Mission

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

3. 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 stake holder's interests are kept at utmost high level.

4. Composition

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

5. Functions of The Board

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

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

6. 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.

7. Frequency of Board Meetings

During the year under review,14 Board meetings were held, in due compliance with statutory provisions, on the following dates:

31-05-2009; 10-06-2009; 09-07-2009; 14-07-2009; 17-08-2009; 24-08-2009; 25-09-2009; 01-10-2009; 30-10-2009; 19-11-2009; 18-12-2009; 11-01-2010; 28-01-2010 and 25-02-2010

8. 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 2009-10. Attendance at Board Meetings

Name of Director	Category of Director	Meetings during the tenure	Meet-ings atten-ded	Perce-ntage	Whether attended AGM held on 26-09-09
Dr. Haseeb A. Drabu	Chairman & CEO	14	14	100%	Yes
Mr. M. S. Verma (Reappointed on 01-10-2009)	Independent Non-Exe. Director	13	6	46.15%	Yes
Mr. Sudhanshu Pandey, IAS	Non-Executive Director	14	7	50%	Yes
Mr. A. K. Mehta	Executive Director	14	13	92.85%	Yes
Mr. Abdul Majid Mir	Executive Director	14	14	100%	Yes
Mr. B. L. Dogra	Independent Non-Exe. Director	14	14	100%	Yes
Mr. G. M. Dug (upto 26-09-2009)	Independent Non-Exe. Director	7	7	100%	Yes
Mr. G. P. Gupta (upto 09-06-2009)	Independent Non-Exe. Director	1	1	100%	–
Mr. Mohammad Ibrahim Shahdad (from 26-09-2009)	Independent Non-Exe. Director	7	7	100%	Yes
Mr. Vikrant Kuthiala (from 26-09-2009)	Independent Non-Exe. Director	7	6	85.71%	–
Prof. Nisar Ali (from 26-09-2009)	Independent Non-Exe. Director	7	7	100%	Yes.
Mr. Abdul Majid Matto (from 26-09-2009)	Independent Non-Exe. Director	7	7	100%	Yes.
Mr. R. K. Gupta (from 26-09-2009)	Independent Non-Exe. Director	7	6	85.71%	Yes.
Mr. Nihal C. Garware (from 01-10-2009)	Independent Non-Exe. Director	6	5	83.33%	–
Mr. Arnab Roy (from 05-11-2009)	Independent Non-Exe. Director	5	4	80%	–

Report on Corporate Governance

9. 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:

HASEEB A. DRABU

Dr. Haseeb A. Drabu, Chairman & Chief Executive of the Bank, is a professional economist who has been on the Board of Directors of the Bank since 11th July, 2003.

Possessing a diverse skill set and wide ranging experience, he started his professional career with the Perspective Planning Division of the Planning Commission. Later, he was appointed Consultant to the Economic Advisory Council of the Prime Minister. His final stint with policy making was with the Tenth Finance Commission.

Moving from Government to the field of business journalism, he joined India's premier financial daily, Business Standard, and rose to become the National Editor of the paper. Even as a regular commentator on economic issues, he was associated with various governmental policy making bodies. Notably, in 1997, he was appointed member of the High Powered Committee on Economic Reforms for Jammu and Kashmir.

He was Economic Advisor to the Government of Jammu & Kashmir, a position he has held since January 2003 till January 2009. He is also credited with having conceptualized wide-ranging economic and fiscal reforms of the State Government.

He was inducted by the Planning Commission to its Working Group on Resources for the Eleventh Five-Year Plan. He has also worked as a consultant for the Asian Development Bank.

He was a member of the Prime Minister's task force on the long-term development of J&K, chaired by C. Rangarajan, the former Governor of the Reserve Bank of India.

He is a member of the CII's banking panel and member of the Advisory Committee of National Disaster Management Authority, GOI.

He was a member of the Expert Group to recommend an appropriate "Diversity Index" for the minorities formed under the aegis of Ministry of Minority Affairs.

He was also appointed by the Government of Jammu and Kashmir as the Chairman of the Committee to review Powered Tariff Structure extended to the Industry.

M. S. VERMA

Mr. M. S. Verma, a career banker has over 47 years of experience in the Indian financial sector. In a career spanning over more than four decades with the State Bank of India, India's largest commercial bank, Mr. Verma's experience has been multi-level and wide ranging on different facets of banking, at national and international levels, encompassing commercial, developmental and investment banking. He was the Managing Director of State Bank of India from December 1996 to April 1997 and then rose to be its Chairman. He ended his career with the Bank as its Chairman in November 1998. After retirement from State Bank of India, Mr. Verma was appointed as honorary adviser to the Reserve Bank of India and also as non-executice Chairman of IDBI Bank. In March 2000, Mr. Verma was appointed by the Government of India as Chairman of Telecom Regulatory Authority of India, a position he held till March, 2003.

Presently, Mr. Verma serves on the Board of a number of public & private sector companies and is associated with several educational and research institutions in advisory capacity. He is Vice-President of the governing body of the National Council of Applied Economic Research and a member of the Board of Governors of the Institute of Economic Growth, University of Delhi.

SUDHANSHU PANDEY, IAS

Mr. Sudhanshu Pandey, IAS, is Commissioner/ Secretary to Government, Finance Department, J&K, Govt. A post graduate in Life Science (Botany) with specialization in Environmental Management and Ecology (Gold Medal), University of Allahabad, MBA in Financial Management; Business Management and Financial Management, Institute of Management, Ahmedabad, Reforms in Government, Indian Institute of Management, Bangalore and Decentralised Industrial Development, Japan. Mr. Sudhanshu Pandey began his career with Indian Forest Services in 1985 and thereafter, joined the Indian Administrative Services in 1987. Mr. Sudhanshu Pandey has served the IAS in various distinguished capacities, which include Sub-Divisional Magistrate, Bhaderwah (J&K), Additional Secretary Education(GOJK), Addl. Chief Executive, Shri Mata Vaishno Devi Shrine Board, Katra (Udhampur), District Development Commissioner and District Magistrate, Doda, J&K, Special Secretary to Governor, J&K, Managing Director, SIDCO, Director Information, Director Employment and Special Secretary, Labour and Employment, J&K, Director & PS to MoS, Ministry of Commerce and Industry, GOI, Director & PS to Mos, Ministry of External Affairs, GoI, Counsellor and Director, Tagore Centre for Information, Education, Commerce and Culture, Embassy of India, Berlin and Divisional Commissioner, Jammu.

Mr. Sudhanshu Pandey has additionally also held the position of Chairman of the Confederation of Indian Industries (J&K Chapter) for two years, besides serving on the Board of Directors of several reputed Public and Private Sector Companies including RPGF group and Modi group, as Managing Director of SIDCO.

Mr. Sudhanshu Pandey is the recipient of Governor's Medal (1997), a highest recognition awarded in the state and also the State Government Medal (2008), in honour of his exemplary services for the state of J&K.

ARNAB ROY

Mr. Arnab Roy, Regional Director, Reserve Bank of India, is a holder of Masters Degrees in Arts and also Business Administration (MBA). He has more than 27 years of valuable experience serving the Reserve Bank in various capacities, prominent being General Manager, Issue Department and DBS. He has also been associated for a short while with Banking Ombudsman and is presently the Regional Director, of J&K State.

ASHOK KUMAR MEHTA

Mr. Ashok Kumar Mehta, is the Executive Director of our Bank. Mr. Mehta has a longstanding association with the Bank, dating back to 1972 and has served Bank's hierarchy in various executive capacities as a part of Bank's Corporate Management Team. During the course of his career with the Bank, Mr. Mehta has also been the Chairman of Jammu Rural Bank - a rural bank sponsored by the J&K Bank. Mr. Mehta has been instrumental in setting up of the joint insurance venture with MetLife International, USA and has played a key role in forging ties with Bajaj Allianz General Insurance Co. and MetLife India Insurance Co. Ltd. for distribution of Non-Life and Life Insurance Products. He has performed pioneering work in initiating and implementing the new HR Package under "Naye subah" which incorporates new generation organizational setup and procedures. His other areas of speclisation include Finance & Financial Services, Planning & Development, Accounts and Estates.

ABDUL MAJID MIR

Mr. Abdul Majid Mir, Executive Director of our Bank, has more than 37 years of experience in banking. Mr. Abdul Majid Mir has held various important and senior positions in the Bank, as part of its Corporate Management Team. He has special knowledge and practical experience in the fields of Finance, Credit, Trade Finance, Foreign Exchange, Treasury, Corporate and Retail Banking, Deposits & Liability Management & Risk Management.

Report on Corporate Governance

B. L. DOGRA

Mr. B. L. Dogra, is a Fellow Member of the Institute of Chartered Accountants of India and is also Founder of M/s Dogra Associates, a practicing Firm of Chartered Accountants. Presently linked as Director with our Bank, Mr. Dogra has also served on the Board of Directors of Punjab National Bank and been the Chairman of J&K Chapter of Northern India Regional Council of the Institute of Chartered Accountants of India. Mr. Dogra has also been associated with Social and Sports Associations of the State. He has a rich and varied experience in the field of Banking and Insurance, which has facilitated healthy rejuvenation of the Bank's business working.

MOHAMMAD IBRAHIM SHAHDAD

Mr. M. I. Shahdad is a holder of Master's Degree in Economics and LLB from Aligarh Muslim University. 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. M. I. Shahdad has had a long association with the Bank as Director, during which he has made valuable contribution and provided tremendous value addition to the organization.

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 and hydel projects. He is also representing on the committees of various academic and professional organizations, prominent being the Regional Advisory Committee of Central Excise & Customs, J&K, Chamber of Commerce & Industry, Jammu and J&K State Committee of Federation of Industries of India, New Delhi. He is also a Member of India Islamic Cultural Centre, New Delhi and INTACH, J&K Chapter, Jammu.

PROF. NISAR ALI

Prof. Nisar Ali is a Ph.D in Economics from Osmania University, Hyderabad. He is a Professor from Post-Graduate Department of Economics, University of Kashmir. Prof. Nisar Ali is also Dean, Faculty of Social Sciences University of Kashmir and Member, J&K State Finance Commission. He has served in various prominent positions with the University and has many research papers and publications to his credit.

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 it 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.

R. K. GUPTA

R.K. Gupta, aged 47 years, is a professional Chartered Accountant with 25 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 from 1991-1994; 1994-1998 and 2006-2009. During these three terms he represented the Branch as its Treasurer, Secretary, Vice-Chairman and Chairman.

Mr. Gupta has been member of Tax Payers Committee of this Region. He has also been member of Research Committee & Direct Tax Committee of The Institute of Chartered Accountants of India. He is also empanelled as Peer Reviewer with Peer Review Board of the ICAI.

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

Mr. Gupta is Member of Taxation Advisory Committee and other Committees of Chamber of Commerce & Industry, Jammu. He is also a Trustee in Charitable Institutions providing education to the under privileged 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 of Prestigious Social Club.

NIHAL C GARWARE

Mr. Nihal Chandrakant Garware is a holder of Bachelor of Arts Degree (U.S.A.) 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, Liaison to Finance. He is Advisor to outside Companies like Ama Pvt. Ltd., D. Y. Patil Group and Sharad Pawar International School. He is also the founder member of The Youth Wing of Indian Merchants Chamber Of Commerce.

Disclosures

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

1. The Executive Management of Bank regularly places various reviews before the Board on the performance of the Bank so as to enable it to exercise effective control and check over the working of the Bank.
2. Bank has not entered into any materially significant transaction with its Directors, Management or with their relatives, other than in the normal course of business of the Bank.
3. All Directors of your Bank except State Govt. nominees are Non-Executive and Independent Directors within the meaning of clause 49 of the 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.
7. The Bank has complied with Corporate Governance norms as stipulated by SEBI.
8. The Bank has complied with all applicable accounting standards and related RBI guidelines

10. Directorship in Other Companies

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

Dr. HASEEB A. DRABU

Director: JKB Financial Services Ltd.

M. S. VERMA

Director: International Asset Reconstruction Company Pvt Ltd., Asian Heart Institute & Research Centre., The Bellwether Microfinance Ltd., PTC India Ltd., Visa steel Ltd., Visa Power Ltd., Shri Ram Transport Finance Company Ltd., T K international Ltd

Report on Corporate Governance

A K MEHTA
Director: JKB Financial Services Ltd., MetLife India Insurance Co. Ltd.

ABDUL MAJID MIR
Director: JKB Financial Services Ltd.

SUDHANSHU PANDEY
Director: Jammu and Kashmir Industries., JK Handloom Dev. Corporation, JKTDC., JKPCC., JK Cements., J&K SIDCO., J&K SICOP.,J&K Handicrafts., J&K State Cable Car Corporation Ltd.

VIKRANT KUTHIALA
Director: R.B.Jodhamal & Co Pvt ltd., R.B.Jodhamal Vidyut Ltd., R.B.Jodhamal Steel Pvt Ltd., Bishan Alloys Pvt Ltd.

NIHAL C GARWARE
Director: Garware Finance Corporation Ltd., CBG Trading Pvt Ltd., Chandrakant Holding Private Ltd., Shashikant B Garware Investment.,

11. Membership of Committees of Other Companies

Mr. M. S. VERMA	
P.T.C India Ltd:	Chairman, Audit Committee Chairman, Remuneration Committee
Visa Steel Ltd:	Chairman, Banking & Finance Committee Member, Audit Committee Member, Share Transfer &Investor Grieviance Committee
Visa Power Ltd:	Chairman, Audit Committee
Sriram Transport Finance Co. Ltd:	Chairman, Audit Committee
T. K. International Ltd:	Member, Audit Committee

12. Committees of the Board
The Board of Directors of your Company has constituted several Committees of 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 and 2 Executive Directors. The main functions of the Audit Committee are to assess and review the financial reporting system of the Bank, to ensure that the Financial Statements of the Bank are correct, sufficient and credible. It addresses itself to matters pertaining to adequacy of Internal controls, reliability of financial statements / other management information, adequacy of provisions, whether the audit tests are appropriate and scientifically carried out. It follows up on all issues raised in the Long Form Audit Report and interacts with External Auditors before finalisation of Annual Financial Accounts and Reports focusing primarily on accounting policies and practices,

major accounting entries and compliance with 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 there on. 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. M. S. Verma	(Chairman)
Mr. A. K. Mehta	(Member)
Mr. Abdul Majid Mir	(Member)
Prof. Nisar Ali	(Member)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)

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

04-05-2009; 31-05-2009; 09-06-2009; 14-07-2009; 30-10-2009; 08-11-2009; 20-11-2009; 27-01-2010; 28-01-2010.

These meetings were attended by members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meet-ings Attended	% of attendance
Mr. M. S. Verma	9	6	66.66%
Mr. A. K. Mehta	9	9	100%
Mr. Abdul Majid Mir	9	9	100%
Mr. G. M. Dug (from 09-07-2009 upto26-09-2009)	1	1	100%
Mr. G. P. Gupta (upto 09-06-2009)	3	3	100%
Mr. B. L. Dogra (upto 01-10-2009)	4	4	100%
Prof. Nisar Ali (from 01-10-2009)	5	5	100%
Mr. A. M. Matto (from 01-10-2009)	5	5	100%
Mr. R. K. Gupta (from 01-10-2009)	5	5	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:	
Dr. Haseeb A. Drabu	(Chairman)
Mr. Abdul Majid Mir	(Member)
Mr. B. L. Dogra	(Member)
Prof. Nisar Ali	(Member)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)
Mr. Nihal C. Garware	(Member)

Report on Corporate Governance

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

01-06-2009; 09-07-2009; 24-08-2009; 31-10-2009; 19-11-2009; 19-12-2009; 11-01-2010; 28-01-2010; and 26-02-2010.

These meetings were attended by members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of attendance
Dr. Haseeb A. Drabu	9	9	100%
Mr. G. P. Gupta (upto 09-06-2009)	1	1	100%
Mr. A. K. Mehta (upto 01-10-2009)	3	3	100%
Mr. Abdul Majid Mir	9	9	100%
Mr. B. L. Dogra	9	9	100%
Mr. G. M. Dug (upto 26-09-2009)	3	3	100%
Prof. Nisar Ali (from 01-10-2009)	6	6	100%
Mr. A. M. Matto (from 01-10-2009)	6	6	100%
Mr. R. K. Gupta (from 01-10-2009)	6	6	100%
Mr. Nihal C. Garware (from 01-10-2009)	6	5	83.33%

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:

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

Composition, Meeting and Attendance

The Committee consists of:	
Dr. Haseeb A. Drabu	(Chairman)
Mr. M. S. Verma	(Member)
Mr. Abdul Majid Mir	(Member)
Prof. Nisar Ali	(Member)
Mr. R. K. Gupta	(Member)

The Integrated Risk Management Committee met three times during the year on the following dates: 25-08-2009; 19-11-2009; and 25-02-2010

These meetings were attended by members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of attendance
Dr. Haseeb A. Drabu	3	3	100%
Mr. M. S. Verma	3	1	33.33%
Mr. Abdul Majid Mir	3	3	100%
Prof. Nisar Ali (from 01-10-2009)	2	2	100%
Mr. R. K. Gupta (from 01-10-2009)	2	2	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.

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Role and Function

1) The Bank has constituted a Committee designated as Shareholders Investors Grievance Committee which looks into redressal of Shareholders and Investors complaints.

2) 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, 2010. All requests for dematerialization of shares are likewise processed and confirmation communicated to Investors and Depository Participants within five working days.

3) During the year 270 service requests / complaints were received and all these service requests / complaints stand redressed.

   The status of investors' / shareholders' service requests / grievances received during the year under report is as follows:

S. No.	Particulars	Received	Disposed	Pending
1	Change/Correction of Address	98	98	0
2	Correction of Name on Share Certificate	0	0	0
3	Change/Correction of Bank Mandate	37	37	0
4	Loss of Shares and Request for Duplicate Shares	45	45	0
5	Request for Transmission	28	28	0
6	Correspondence/Query Related to NSDL operation	0	0	0
7	Receipt of Dividend Warrants for Revalidation	12	12	0
8	Registration of Nomination / ECS	8	8	0
9	Request for Deletion of Name due to death	2	2	0
10	Non Receipt of Share Certificates	1	1	0
11	Non Receipt of Share Certificates after transfer (NRSCAT)	0	0	0
12	Non Receipt of Dividend Warrants	30	30	0
13	Non Receipt of Fully Paid Stickers/Annaul Reports	5	5	0
14	Complaints from SEBI / Stock Exchanges	4	4	0
15	Legal Notices	0	0	0
Total		270	270	0

Shareholders / Investors Grievance Committee consists of:

Mr. M. I. Shahdad	(Chairman)
Mr. A. K. Mehta	(Member)
Mr. A. M. Matto	(Member)

Shareholders / Investors Grievance Committee met three times during the year on the following dates: 25-08-2009; 19-12-2009 and 26-02-2010

Report on Corporate Governance

These meetings were attended by members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of attendance
Mr. B. L. Dogra (upto 01-10-2009)	1	1	100%
Mr. A. K. Mehta	3	2	66.67%
Mr. M. I. Shahdad (from 01-10-2009)	2	2	100%
Mr. A. M. Matto (from 01-10-2009)	2	2	100%

13. 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 Rs 1 Crore and above.

Composition, Meetings and Attendance

The Committee consists of:	
Dr. Haseeb A. Drabu	(Chairman)
Mr. A. K. Mehta	(Member)
Mr. B. L. Dogra	(Member)
Mr. M. I. Shahdad	(Member)

The Monitoring of Large Value Frauds Committee met three times durng the year on the following dates:

25-08-2009; 19-12-2009- and 26-02-2010

These meetings were attended by members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of attendance
Dr. Haseeb A. Drabu	3	3	100%
Mr. A. K. Mehta	3	2	66.66%
Mr. B. L. Dogra	3	3	100%
Mr. M. I. Shahdad (from 01-10-2009)	2	2	100%

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:	
Dr. Haseeb A. Drabu	(Chairman)
Mr. M. S. Verma	(Member)
Mr. Sudhanshu Pandey, IAS	(Member)
Mr. A. M. Matto	(Member)

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

09-07-2009; 25-09-2009; 19-11-2009

These meetings were attended by members as detailed below:

Name of The Members	No. of Meetings during the Tenure	No. of Meetings attended	% of attendance
Dr. Haseeb A. Drabu	3	3	100%
Mr. M. S. Verma	3	1	33.33%
Mr. Sudhanshu Pandey,IAS (from 25-09-2009)	2	1	50%
Mr. A. M. Matto (from 01-10-2009)	1	1	100%
Mr. B. L. Dogra (upto 01-10-2009)	2	2	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:	
Dr. Haseeb A. Drabu	(Chairman)
Mr. A. K. Mehta	(Member)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A. M. Matto	(Member)

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

25-08-2009 and 19-11-2009

These meetings were attended by members as detailed below:

Name of The Members	No. of Meetings during the Tenure	No. of Meetings attended	% of attendance
Dr. Haseeb A. Drabu	2	2	100%
Mr. A. K. Mehta	2	2	100%
Mr. B. L. Dogra (upto 01-10-2009)	1	1	100%
Mr. M. I. Shahdad (from 01-10-2009)	1	1	100%
Mr. A. M. Matto (from 01-10-2009)	1	1	100%
Mr. Vikrant Kuthiala (from 01-10-2009)	1	1	100%

INFORMATION TECHNOLOGY COMMITTEE

Role and Function

Bank has constituted the IT Committee, with a view to monitor the progress of effective assimulation and speedy implementation of Information Technology in the Bank.

Report on Corporate Governance

Composition, Meetings and Attendance

The Committee consists of:	
Dr. Haseeb A. Drabu	(Chairman)
Mr. A. K. Mehta	(Member)
Mr. Vikrant Kuthiala	(Member)
Prof. Nisar Ali	(Member)
Mr. Nihal C. Garware	(Member)

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

25-08-2009 and 19-11-2009

These Meetings were attended by members as detailed below:

Name of The Members	No. of Meetings during the Tenure	No. of Meetings attended	% of attendance
Dr. Haseeb A. Drabu	2	2	100%
Mr. A. K. Mehta	2	2	100%
Mr. G. M. Dug (upto 26-09-2009)	1	1	100%
Prof. Nisar Ali (from 01-10-2009)	1	1	100%
Mr. Vikrant Kuthiala (from 01-10-2009)	1	1	100%
Mr. Nihal C. Garware (from 01-10-2009)	1	–	–

LEGAL COMMITTEE

Role and Function

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

Composition, Meetings and Attendance

The Committee consists of:	
Mr. A. K. Mehta	
Mr. B. L. Dogra	
Mr. M. I. Shahdad	
Mr. Nihal. C Garware	

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

26-08-2009; 31-08-2009; 01-09-2009; 20-11-2009; 19-12-2009 and 28-01-2010

These Meetings were attended by members as detailed below:

Name of The Members	No. of Meetings during the Tenure	No. of Meetings attended	% of attendance
Mr. A. K. Mehta	6	6	100%
Mr. B. L. Dogra	6	6	100%
Mr. M. I. Shahdad (from 01-10-2009)	3	3	100%
Mr. Nihal C. Garware (from 01-10-2009)	3	2	66.67%

ESTATES COMMITTEE

Role and Function

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

Composition, Meetings and Attendance

The Committee consists of:	
Mr. A. K. Mehta	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. Nihal C. Garware	(Member)

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

18-12-2009; 12-01-2010; 27-01-2010 and 25-02-2010

These Meetings were attended by members as detailed below:

Name of The Members	No. of Meetings during the Tenure	No. of Meet-ings attended	% of attendance
Mr. A. K. Mehta (from 30-10-2009)	4	3	75%
Mr. M. I. Shahdad (from 01-10-2009)	4	4	100%
Mr. Vikrant Kuthiala (from 01-10-2009)	4	4	100%
Mr. Nihal C. Garware (from 01-10-2009)	4	3	75%

14. 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 / EXECUTIVE DIRECTORS

Dr. Haseeb A. Drabu is the Chairman & CEO of the Bank effective from 9th June, 2005. In terms of Section 35B of the Banking Regulation Act, 1949, the monthly remuneration being paid to him, details of which are given below, has been duly approved by the Reserve Bank of India.

Basic Pay	Rs 300,000.00
DA	–
Provident Fund	Rs 30,000.00
Total	**Rs 330,000.00**

Ashok Kumar Mehta and Abdul Majid Mir, are the Executive Directors of the Bank effective from 1st May 2008. In terms of Section 35B of the Banking Regulation Act, 1949, the monthly remuneration being paid to them, details of which are given below, has been duly approved by the Reserve Bank of India.

Basic Pay	Rs 63,000.00
DA	Rs 12,600.00
HRA	Rs 7,560.00
Total	**Rs 83,160.00**

Report on Corporate Governance

NON – EXECUTIVE DIRECTORS

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

The details of the same are given below:

Rs 10,000/- for every Board meeting or Committee meeting.

Details of number of Shares / Convertible Debentures held by Non-Executive Directors as on 31-03-2010:

Name of the Director	Number of shares held	Number of convertible debentures
Mr. M. S. Verma	500	Nil
Mr. B. L. Dogra	300	Nil
Mr. M. I. Shahdad	11048	Nil
Mr. A. M. Matto	1693	Nil

15. 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.jammuandkashmirbank.com. 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.

Haseeb A. Drabu
Chairman & CEO

16. CEO / CFO Certification

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

17. 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. Parvez Ahmed, President and 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 and 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 thereunder during the year 2009-2010.

ECONOMIC VALUE ADDITION

Economic value added is a fairly reliable measure of an enterprise's effort 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

S.No	Financial year	Post Tax Profits (Rs. in Cr)	Capital Employed (Rs. in Cr)	Cost of Capital	Post Tax return on Capital Employed	EVA
1	2007-08	360.00	2,309	2.41%	15.59%	13.18%
2	2008-09	409.83	2,623	3.45%	15.62%	12.18%
3	2009-10	512.37	3,010	2.90%	17.02%	14.12%

18. Shareholders Information

STOCK EXCHANGES WHERE EQUITY SHARES ARE LISTED.

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

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

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

The annual fees for 2009-10 have been paid to all the Stock Exchanges where the shares are listed.

Stock Code: J&K Bank
Demat ISIN Number : INE 168A01017

Name of Depositories : i) NSDL
ii) CDSL

Registrar and Transfer Agent (RTA)
Karvy Computershare Private Limited
Unit J&K Bank, Plot No. 17-24,
Vittalrao Nagar, Madhapur,
Hyderabad – 500 081
Andhra Pradesh, India
Phone 040-23420838
Fax 040-23420814
Email jkbank@karvy.com

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

Compliance Officer

Name	Parvez Ahmed, President & 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.)1416

Financial Calendar
Approval of quarterly results for the period ending:

30th June, 2009	14th July, 2009
30th September, 2009	30th October, 2009
31st December, 2009	28th January, 2010
31st March, 2010 (Audited)	15th May, 2010

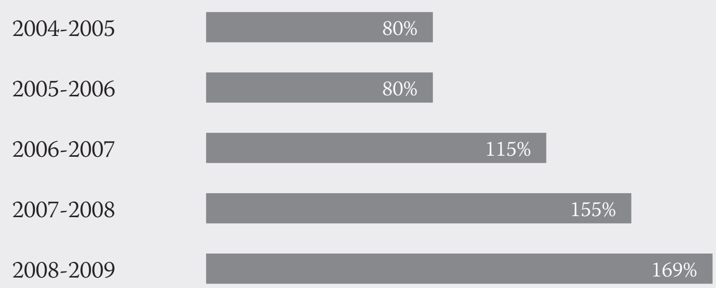
Report on Corporate Governance

Information relating to last four general body meetings is furnished below:

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Business Transacted
68th Annual General Meeting	Saturday, 26th Aug. 2006 at 11:00 AM	Sher-I-Kashmir International Conference Centre (SKICC), Srinagar	Alteration of Articles of Association.
69th Annual General Meeting	Saturday, 9th June 2007 at 10.30 AM	Sher-I-Kashmir International Conference Centre (SKICC), Srinagar	Alteration of Memorandum and Articles of Association.
70th Annual General Meeting	Saturday, 19th July 2008 at 11:00 AM	Sher-I-Kashmir International Conference Centre (SKICC), Srinagar	Nil
71st Annual General Meeting	Saturday, 26th Sept. 2009 at 11:00 AM	Sher-I-Kashmir International Conference Centre (SKICC), Srinagar	Nil

DIVIDEND HISTORY OF LAST FIVE YEARS

Financial Year	Rate of Dividend	Date of Declaration	Date of RBI Approval	Date of Payment
2004-2005	80%	08-06-2005	N.A	08.06.2005
2005-2006	80%	26-08-2006	N.A.	06-09-2006
2006-2007	115%	09-06-2007	N.A	09-06-2007
2007-2008	155%	19-07-2008	N.A.	25-07-2008
2008-2009	169%	26-09-2009	N.A	05-10-2009



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 2010, the position of dematerialized shares as well as physical shares are as under

Particulars	No. of Shares	%age
Physical Shares	2,215,730	4.57
Dematerialised Shares	46,262,072	95.43
Total	**48,477,802**	**100.00**

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2010

Category	No. of Holders	% age Holders.	Amount (Holding)	% Holding
Upto - 5000	20,385	89.11	25,125,380	5.18
5001 - 10000	1,872	8.18	12,138,800	2.50
10001 - 20000	268	1.17	3,915,080	0.81
20001 - 30000	92	0.40	2,252,700	0.46
30001 - 40000	56	0.24	1,974,930	0.41
40001 - 50000	27	0.12	1,223,380	0.25
50001 - 100000	40	0.17	2,978,640	0.61
100001 and above	136	0.59	435,169,110	89.77
TOTAL	**22,876**	**100.00**	**484,778,020**	**100.00**

LIST OF SHAREHOLDERS HOLDING MORE THAN 1% AS ON 31ST MARCH, 2010

Name of Investor	No. of Shares	% Holding
Chief Secretary, Jammu & Kashmir Govt	24,322,598	50.17
Aberdeen Asset Mngrs Ltd A/C Aberdeen International India Opp.Fund.	1,718,000	3.54
FID Funds (Mauritius) Limited	1,613,020	3.33
Smallcap World Fund Inc.	1,572,132	3.24
Secretary, Finance Deptt, Jammu & Kashmir Govt	1,452,668	3.00
Equinox Partners LP	765,841	1.58
CLSA (Mauritius) Limited	707,056	1.46
Acacia Partners L P	706,955	1.46
Vontoble Funds Inc,A/C Vontoble Fund Far East	634,996	1.31
Kuroto Fund Lp	613,491	1.27
American Funds Insurance Series Global Small Capitalisation Fund	565,000	1.17
100001 and above	136	89.77
TOTAL	**34,671,757**	**71.52**

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 & 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.

Report on Corporate Governance

The detail of unclaimed dividend of last three years is as under: (As on 31.03.2010)

Financial Year	Amount of Unclaimed Dividend
2006-2007	2,259,523.00
2007-2008	3,015,494.00
2008-2009	4,215,034.00
Total	**9,490,051.00**

STOCK MARKET DATA

J&K Bank on NSE NIFTY April 2009 - March 2010

Month	Highest		Lowest		Closing		Volume for the month
	Rate (Rs.)	Date	Rate (Rs.)	Date	Rate (Rs.)	Date	
April 2009	370	16-04-2009	296	21-04-2009	318	29-04-2009	248,712,217
May 2009	514	20-05-2009	322	04-05-2009	490	29-05-2009	371,146,423
June 2009	599	12-06-2009	452	26-06-2009	499	30-06-2008	237,937,126
July 2009	538	21-07-2009	423	17-07-2009	456	31-07-2009	513,991,954
August 2009	623	31-08-2009	448	05-08-2009	599	31-08-2009	903,487,280
September 2009	634	15-09-2009	571	04-09-2009	582	30-09-2009	281,010,026
October 2009	706	01-10-2009	552	30-10-2009	567	30-10-2009	561,482,306
November 2009	659	20-11-2009	553	03-11-2009	619	30-11-2009	266,637,120
December 2009	648	02-12-2009	560	21-12-2009	580	31-12-2009	597,510,941
January 2010	609	11-01-2010	542	28-01-2010	589	29-01-2010	371,778,683
February 2010	629	01-02-2010	580	05-02-2010	621	26-02-2010	611,734,894
March 2010	697	31-03-2010	623	02-03-2010	681	31-03-2010	495,533,438

J&K Bank on BSE SENSEX April 2009 – March 2010

Month	Highest		Lowest		Closing		Volume for the month
	Rate(Rs.)	Date	Rate(Rs.)	Date	Rate(Rs.)	Date	
April 2009	370	16-04-2009	299	22-04-2009	317	29-04-2009	38,554,188
May 2009	511	20-05-2009	311	12-05-2009	495	29-05-2009	96,268,728
June 2009	530	04-06-2009	466	25-06-2009	500	30-06-2009	112,544,144
July 2009	505	01-07-2009	401	21-07-2009	453	31-07-2009	140,480,331
August 2009	638	31-08-2009	450	12-08-2009	601	31-08-2009	1,515,632,972
September 2009	631	15-09-2009	575	25-09-2009	584	30-09-2009	32,847,475
October 2009	706	16-10-2009	550	30-10-2009	566	30-10-2009	142,559,814
November 2009	660	20-11-2009	556	03-11-2009	620	30-11-2009	94,905,255
December 2009	643	03-12-2009	556	21-12-2009	578	31-12-2009	331,849,941
January 2010	609	11-01-2010	540	27-01-2010	591	29-01-2010	68,913,446
February 2010	650	02-02-2010	580	05-02-2010	619	26-02-2010	152,628,920
March 2010	693	31-03-2010	619	02-03-2010	679	31-03-2010	129,072,241

19. Important events after the closure of financial year ended 31.03.2010

This report covers the period of financial year of the Bank beginning on 1st of April 2009 to 31st of March 2010. There were no material events from 01.04.2010 to 15-05-2010, the date when the annual accounts were adopted by the Board of Directors of the Bank.

Report on Corporate Governance

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.jammuandkashmirbank.com. It also issues press releases and conducts programmes that disseminate information. The quarterly results of the Bank are published in widely circulated national newspapers and are also placed on our website. The Board takes on record the Un-audited Financial Results in the prescribed form of the Stock Exchanges within one month 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 receive their suggestions on 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 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 along with 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 meetings.
- To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- To take inspection of the various Registers of the Company.
- To inspect the minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.
- To proceed against the Company by way of civil or criminal proceedings.
- To proceed against for the winding up of the Company.
- To receive the residual proceeds upon winding up of a Company.

INVESTORS' FEEDBACK

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

Calendar for shareholders' information	Date
Board meeting for consideration of Accounts and recommendation of Dividend	15th May, 2010
Dispatch of Annual Report / Notice of AGM	6th July, 2010
Book closure Period	26th July to 31st July, 2010
Last date for lodgement of proxy forms	29th July, 2010
Date of AGM	31st July, 2010
Dividend payment date on or after	9th Aug., 2010
Validity dates of dividend instrument	Six Months

DISCLOSURE ON COMPANY SECRETARY'S RESPONSIBILITY

The Company Secretary confirms that during the year from 1st April, 2009 to 31st March, 2010, the Bank has:

1) Maintained all the Books of Accounts and Statutory Registers required under the Companies Act, 1956, and the Rules made there under coming under the purview of Company Secretary's responsibility;

   i) Filed all Forms and Returns and furnished all necessary particulars to the Registrar of Companies and / or authorities as required under the Companies Act, 1956, coming under the purview of Company Secretary's responsibility;

   ii) Issued all Notices required to be given for Board and General Meetings as per the requirement of the Companies Act, 1956;

   iii) Complied with the requirements relating to maintenance of Minutes of the proceedings of the Meetings of Directors, Committees of the Board and Shareholders;

   iv) Complied with the requirements of the Listing Agreement entered into with Stock Exchanges;

   v) Effected Share Transfers and dispatched Certificates within the statutory time limit;

   vi) Redressed complaints of Shareholders to the best of efforts of the Company;

   vii) Complied with the regulations prescribed by the Stock Exchanges, SEBI, and other Statutory and Regulatory Authorities and also the statutory requirements under the Companies Act, 1956, Banking Regulation Act, 1949 and other applicable statutes in force for the Banking Company, as far as they relate to the Company Secretary.

   viii) Made due disclosure required under the applicable Acts; obtained all necessary approvals of Directors, Shareholders, Central and State Governments and other regulatory authorities.

2) The Board of Directors of the Bank duly met fourteen times during the financial year and in respect of meetings conducted during the period, proper notices were given and proceedings properly recorded and signed in the minutes book maintained for the purpose. The meetings of various Committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the minutes book maintained for the purpose.

3) The Bank closed its Register of members from 19th September 2009 to 26th

Report on Corporate Governance

September 2009 (both days inclusive) in connection with 49th 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 2008-09 was held on 26th of September, 2009 after giving due notice to the members of the Bank and the resolutions passed thereat were duly recorded in minutes book maintained for the purpose.

5) The Bank has not advanced any loans to its Directors or persons or firms or Companies referred to under section 295 of the Companies Act, 1956, during the financial year.

6) The Bank has not entered into any contracts falling within the purview of section 297 of the Act.

7) A Share Transfer Committee of the Board has approved the transfer, Sub-division/Consolidation etc of shares of the bank. The proceedings of the above committee have been properly recorded, signed in the Minutes Book maintained for the purpose.

8) Unclaimed amount, in respect of unpaid / unclaimed dividend warrants have been transferred to the Investor Education and Protection Fund of the Central Govt. with Punjab National Bank within the prescribed time limit.

9) The Board of Directors of the Company is duly constituted and the appointment of Directors and Additional Directors 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.

Parvez Ahmed
President & Secretary

Place : Srinagar (J&K)
Date : 15th June, 2010

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, 2010 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.

For **K B Sharma & Co.**
Chartered Accountants

CA. Munish Jain
Partner
M.No. 094750
FRN: 002318N

Place : Srinagar
Dated : 15th June, 2010

For **Verma Associates**
Chartered Accountants

CA. Madan Verma
Partner
M.No. 081631
FRN: 002717N

For **O P Garg & Co.**
Chartered Accountants

CA. Vikram Garg
Partner
M.No. 097038
FRN: 001194N

For **K K Goel & Associates**
Chartered Accountants

CA. A. K. Kakkar
Partner
M. No. 14493
FRN: 005299N

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 the 72nd 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 31st July, 2010 at 1100 hours. Members are hereby invited to attend the Meeting.

1. Notice Enclosures

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

i) Copy of the Annual Report for the year ended 31st March 2010
ii) Bank's Mandate Form
iii) Nomination Form
iv) NECS - I Mandate Form
v) NECS - II Mandate Form
vi) Attendance Slip
vii) Proxy Form
viii) Feedback Form.

2. 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 31st July, 2010 or a Beneficiary Holder in the books of the National Securities Depository Limited or the Central Depository Services (India) Limited as on 24th July, 2010.

3. Requirements

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

NOTE: IF YOU HAVE ANY QUESTION ABOUT THE MEETING, OR NEED ANY ASSISTANCE, PLEASE TELEPHONE THE ANNUAL GENERAL MEETING ENQUIRY LINE ON 0194 - 2481930-35 – EXTENSION: 1421, 1613, DURING WORKING HOURS.

4. 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 a 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 190001, not later than 1100 hours on 29th July, 2010.

You can appoint only one Proxy and give alternate names in the Proxy Form and only one Proxy needs 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.

5. 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.

6. 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, tape 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 "Shareholders Enquiry Desk" for 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 as well as within the Premises. You are requested to kindly co-operate.

7. 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 29th July, 2010 and also on the date of Meeting from 0900 hours until conclusion of the meeting.

8. 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 volunters 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.

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

ON POLL

On poll being demanded by the requisite number of shareholders, or as and when may be ordered to be taken by the Chairman on any resolution, you will be given ballot papers by the deputed staff and you have to complete the ballot paper in accordance with the instructions contained therein and drop it in the ballot boxes. Proxy is entitled to vote on the poll.

10. Book Closure Dates

Book closure date refers to the period during which the register of members and share transfer books

Information to Shareholders

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, 2010. The book closure of the company shall commence from Monday, 26th July, 2010 to Saturday, 31st July, 2010 (both days inclusive). Dividend will be paid only to those members whose name appears on the register of members as on Saturday, 31st July, 2010 or Register of beneficial owners maintained by Depositories as at the close of working hours on Saturday, 24th July, 2010.

11. 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 the benefits of 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 the 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.

12. Registrar and Share Transfer Agent

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

1) The internal Audit / concurrent Audit to be carried out by independent firm of Company Secretaries / Chartered Accountants which will present a report to our Bank on the performance of KARVY vis-à-vis Jammu and Kashmir Bank Account.

2) Incorporation of query module on the web site www.karishma.karvy.com and the shareholders desirous of using the site need to do the following:
   a) Log on to the site www.karishma.karvy.com
   b) Look for options on the left side of the screen
   c) Click Investors

d) This will open welcome to investor service screen
e) Sign-up user id and password (self registration)
f) Look for options on the left side of the screen
g) Select Queries
h) This will open query module, which needs to be filled. The information required is: application number, folio number, name and address, phone number, fax number, email id, nature of query/complaint etc. The information will be recorded by Karvy and replies accordingly.

3) A separate email i.e. jkbank@karvy.com 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 of dividend warrants within 2 days, Issue of duplicate dividend warrant within 3 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, the same may be informed to:

Parvez Ahmed (President & Secretary)
The Jammu and Kashmir Bank Limited,
Corporate Headquarters, M.A. Road,
Srinagar, Jammu and Kashmir 190 001,
e-mail: sharedeptt_gc@jkbmail.com

13. 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.

14. 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.

15. 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 of this NECS facility / Direct credit facility, whereby the dividends 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 credits are passed on to their respective bank accounts.

Notes

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./Client ID

Bank Account Particulars

Folio/Client ID No.	
No. of Equity Shares Held	

I/We____

R/o____

do hereby authorize The Jammu & Kashmir Bank Limited to print the following details on my / our Dividend Warrant.

Bank Name ____

Branch Name ____

Account type (Please Tick) Savings ☐ Current ☐ Cash Credit ☐

Account Number ____

Signature of the Member ____________________

NOTE: In case you are holding physical shares, the duly filled-in form be sent to President and Secretary, The Jammu & Kashmir Bank Ltd, Corporate Headquaters, M.A. Road, Srinagar – 190001 or to our Share Transfer Agent : Karvy Computer Share Pvt. Ltd., Unit; J&K Bank Ltd. Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500081, Andhra Pradesh. In case you are holding shares in dematerialised form, the duly filled-in form be sent to depository participant where you are having demat account.

Form 2 B

NOMINATION FORM
(Nomination under Section 109A of the Companies Act, 1956)

____
____
____
____
____
____

Dear Sir,

I/We____________________________________ and ____________________________________ ____________________________________ the holders of Shares under Ledger Folio No. / Client ID No. __________________ DP ID __________________ of **The Jammu & Kashmir Bank Limited** wish to make a nomination and do hereby nominate the following person in whom all rights of shares and/or amount payable in respect of share(s) registered under the said Folio No. / Client ID No. (DP ID) shall vest in the event of my/our death. This nomination automatically supersedes the nomination, if any, given by me/us prior to the date herein above mentioned.

Name and address of Nominee

Name ____

Address ____
____
____

Date of Birth ____
(*To be furnished in case the nominee is a minor)

The Nominee is a minor. I/We appoint ____
(Name and Address of the guardian), to receive the shares and/or amount payable in respect of share(s) in the event of my/our/ minor's death during the minority of the nominee.
(To be deleted if not applicable)

Name (First Holder) ________________________________
Address ________________________________
____
Date __________Signature________________

Name (Second Holder) ________________________________
Address ________________________________
____
Date __________Signature________________

Specimen Signature of Nominee ____

{To be attested by the shareholder(s)} ____

Signature of Two Witnesses

1) Name and Address ______________________________________ Signature with Date ________________

2) Name and Address ______________________________________ Signature with Date ________________

INSTRUCTIONS

1. In case you are holding physical shares, the duly filled-in form be sent to President & Secretary, The Jammu & Kashmir Bank Ltd, Corporate Headquarters, M. A. Road, Srinagar – 190001 or to our Share Transfer Agent: Karvy Computershare Pvt. Ltd., Unit; J&K Bank Ltd. Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500081, Andhra Pradesh. In case you are holding shares in Dematerialised form, the duly filled-in form be sent to the Depository Participant where you are having Demat Account.
2. 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.
3. 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.
4. 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.
5. 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).
6. Nomination stands rescinded upon transfer of share(s) or on receipt of subsequent nomination form.
7. Transfer of shares in favour of a nominee shall be a valid discharge by a company against the legal heirs.
8. The form must be complete in all respects and duly witnessed. Incomplete form is not a valid nomination.
9. Subject to rules and regulations as applicable from time to time.

NECS-I (National Electronic Clearing System) Mandate Form for payment of Dividend on Equity Shares

(For Shareholders holding shares in Physical Form)

To
M/s Karvy Computershare Pvt. Ltd.
Unit: J&K Bank Limited
Plot No. 17 – 24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081

Dear Sir,

I hereby authorise **J&K Bank Limited** to credit dividend (to be declared in future, if any) amount directly to my bank account through NECS, details of which are as under :

1. First / Sole Shareholder's Name (in Block letters) ____________________
2. Address ____________________
3. Regd. Folio No.____________________
(If shares are in Physical Form)
4. Telephone No. ____________________ E-mail ID ____________________
5. Particulars of Bank Account ____________________
   a) Bank Name : ____________________
   b) Branch Name & Address (with Pin code & Tel. No.): ____________________
   ____
   c) Bank Account No. | | | | | | | | | | | | | | | | |
   (as appearing on the Cheque Book):
   d) Account Type (Please tick √) Savings 10 Current 11 Cash Credit 11
   e) 9 Digit MICR Code No. of the Bank & Branch appearing on the MICR cheque issued by the bank: | | | | | | | | | |
6. Please attach a photocopy of a cheque leaf or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the above mentioned code numbers.

Declaration
I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold J&K Bank Limited responsible. In case of NECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument.

Place: ________________
Dated: ________________

____
Signature of the first / sole shareholder

Notes :
1. If above mandate has already been submitted, please ignore this communication.
2. Kindly fill all columns. Incomplete forms shall not be entertained.
3. Please note that NECS facility is available only at Core Banking Solution Branches (CBS Branches) of the Banks. Therefore, please ensure that you provide only your new bank account number allotted by your Bank, post Implementation of Core Banking System, to avail NECS.

-- Tear Here --

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 Demat Form)

Application No. Date

1. Depository Participant Name / Address ______________________________

____

2. DP / Client ID

a) NSDL

b) CDSL

3. Account Holder's Details

Name of First / Sole Holder	
Name of Second Holder	
Name of Third Holder	

4. I/We request you to make the following modifications to my/our account in your records.

Existing Details	**New Details**
1) Bank Name	1) Bank Name
2) Branch Name & Address	2) Branch Name & Address
3) Account No.	3) 9 Digit MICR Code of Branch
	4) Account No.

(Attach an Annexure (with signature/s) if the space above is found insufficient.)

	First/Sole Holder	**Second Holder**	**Third Holder**
Name			
Signature			

Notes :

1. Please attach a cancelled cheque leaf having 9 Digit MICR Code, Bank A/c Statement and Self attested copy of PAN CARD for all the holders of the Demat Account.
2. Please fill all the details in Block Letters in English.

------------------------------ Tear Here ------------------------------

Acknowledgement Receipt

Received Modification Bank Account Details request as per details given below :

Application No. Date

DP / Client ID

a) NSDL

b) CDSL

Account Holder's Details

Name of First / Sole Holder	
Name of Second Holder	
Name of Third Holder	

Depository Participant Seal and Signature

J&K Bank

Attendance Slip

(Please complete this attendance slip and hand it over at the registration counter for obtaining entry pass)

Regd. Folio No. ______________________ No. of Shares held ______________________

Client ID ______________________ DP – ID ______________________

I hereby record my presence at the 72nd Annual General Meeting of the Bank on Saturday 31st July, 2010 at 11.00 A M at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K

Name of the Shareholder/Proxy:	
	(In Block Letters)

I certify that I am a registered Shareholder/Proxy for the registered Shareholder of the Bank

Signature of the Shareholder/Proxy: ______________________

Note:
1. Attendance slip which is not complete in all respects shall not be accepted.
2. The registration counter will remain open between 9.00 A.M. to 11.00 A. M.
3. Joint Shareholders may obtain additional attendance slip on request.

J&K Bank

Proxy Form

Regd. Folio No. ______________________ No. of Shares held ______________________

Client ID ______________________ DP – ID ______________________

I/We ______________________ of ______________________ being a member / members of the above named Bank, hereby appoint ______________________ of ______________________ as my / our Proxy or failing him ______________________ of ______________________ or failing him ______________________ of ______________________ to vote for me/us on my/our behalf at the 72nd Annual General Meeting of the Bank to be held on Saturday 31st July, 2010 at 11.00 A M at Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K

Affix Re. 1/- Revenue Stamp

Signed this ______________________ day of ______________________ 2010

Signature of Shareholder ______________________

NOTES

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

Haseeb A. Drabu	Chairman & CEO
M. S. Verma	Director
Sudhanshu Pandey,IAS	Director
Arnab Roy	Director
A. K. Mehta	Executive Director
Abdul Majid Mir	Executive Director
B. L. Dogra	Director
Mohammad Ibrahim Shahdad	Director
Vikrant Kuthiala	Director
Prof. Nisar Ali	Director
Abdul Majid Matto	Director
R. K. Gupta	Director
Nihal C. Garware	Director

President & Secretary

Parvez Ahmed

Auditors

K B Sharma & Co.
Chartered Accountants

Verma Associates
Chartered Accountants

O P Garg & Co.
Chartered Accountants

K K Goel & Associates
Chartered Accountants

Registered Office

Corporate Headquarters
M. A. Road, Srinagar – 190 001

Registrar & Share Transfer Agents

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

J&K Bank

Corporate Headquarters
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Jammu & Kashmir

www.jkbank.net

J&K Bank
Serving To Empower

content and design consultants Atherstone [INVESTOR COMMUNICATIONS] (info@aicl.in)