

+ve to go on...

Being a bank is not an end in itself. It is the beginning. Of hope. Of revival. Of dreams.
Of trust. Of catalysing development. Of progressive targets. Of perpetual pursuit.
Of setting benchmarks that become standards.

Not for it is easy.

Thriving in the face of challenge. Finding opportunities where they are rare.
Balancing responsibility with ambition. Going the distance with our strategy.

But, for it is tough.

Annual Report
2010
2011



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Notice

NOTICE is hereby given that the 73rd Annual General Meeting of the Shareholders of **The Jammu & Kashmir Bank Limited** will be held as under:

Day : Saturday
Date : 9th July, 2011
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, 2011 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 2010-11
3. To appoint Director in place of Prof. Nisar Ali, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Mr. Rakesh Kumar Gupta, 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 2011-12

SPECIAL BUSINESS:

6. Amendment of Articles of Association

To consider and if thought fit, to pass with or without modification(s), the following resolution as special resolution;

“RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and such approvals, consents, permissions and sanctions, as may be necessary from appropriate authority, approval of the members of the Bank, be and is hereby accorded for amending the Articles of Association as under:-

In Article 70(ii) of the Articles of Association,

- i) After the sub-clause (c) new sub-clause be inserted as (d) Executive Director(s)
- ii) At the end of sub-clause (b) the word “and” be deleted and the same be inserted at the end of sub-clause (c)
- iii) Figure “10,000/-” be substituted by the figure “15,000/-”

For the purpose of clarity the Article 70(ii) after the amendment as proposed above will be read as under:

70 (ii) Sitting fee payable to a Director other than:

- a) Chairman and Chief Executive Officer,
- b) Director nominated by State Government and who is in the employment of Government,
- c) Additional Director appointed by Reserve Bank of India and who is in the employment of RBI, and
- d) Executive Director(s);

For attending a meeting of Board or Committee irrespective of the number of days for which the meeting may continue, shall be Rs. 15,000/-

Besides a fee admissible to a Director for attending the meeting, any Director who comes to attend a Board Meeting or a meeting of a Committee of the Board held at a place other than the place of his usual residence, shall, besides the traveling allowances admissible, be entitled to halage as shown in the Article 70(A) for the day/s the Director has to stay at such place, in connection with a meeting and also for any extra day or days or onward or return journey connected with the meeting and involving air and/or rail travel.

By order of the Board of Directors

Place: Srinagar
Dated: 14th May, 2011

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 and Protection Fund"** established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the shareholders against the Company or the Fund.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from 4th July, 2011 to 9th July, 2011 (both days inclusive).
- d) The payment of Dividend for the financial year 2010-11, 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 9th July, 2011 and in case of dematerialized 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 2nd July, 2011, 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 2010-11, if declared, will not be taxable in the hands of the Shareholders.
- h) National Electronic Clearing Service
 - i. The Reserve Bank of India has introduced the National Electronic Clearing Services i.e. NECS to bring further efficiency and uniformity in electronic credit and has accordingly instructed all banks to move to the NECS platform.

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

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

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

Disclaimer

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

- ii. In case of members holding shares in electronic form and who have furnished Bank Account details pertaining to the branches where NECS facility is not available, the Bank details are furnished by respective Depositories to the Company will be printed on their Dividend Warrants. The Bank will not entertain any direct request from such members for deletion/change in such Bank Account details.
 - iii. For Shareholders holding Shares in physical form who have opted for NECS and furnished all relevant/valid information arrangements have been made to remit dividend through such mode of payment. Such shareholders are requested to intimate change, if any, in the details furnished in this regard to the Bank, immediately.
- i) Green Initiatives in the Corporate Governance –Electronic Mode of Service of Documents:
- The Bank proposes to implement the “Green Initiative” of the Ministry of Corporate Affairs (MCA) circulated vide its Circular No. 17/2011 dated 21.04.2011 read with Circular No. 18/2011 dated 29.04.2011, to deliver various documents including Notices, Balance Sheet, Profit & Loss Account, Auditors Report, Directors Report and Explanatory Statement for the financial year ending 31st March, 2012 to the members through their e-mail addresses available in the records of our Registrar and Share Transfer Agent.
- Accordingly, to enable us to send various documents, under the ‘Green Initiative’ of MCA, through electronic mode, Shareholders having holding in Physical Form are requested to register their e-mail Ids quoting their Folio number with our Share Transfer Agent-Karvy Computershare Pvt. Ltd., and those Shareholders having holding in Demat Form are requested to register their e-mail Ids with their Depository Participant quoting their DP ID and Client ID.
- j) Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank at least seven days before the Meeting.
 - k) Only registered members/ beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank will be permitted to attend the meeting.
 - l) Members are requested to avoid being accompanied by non-members and/or children.
 - m) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 05

Fixation of Remuneration of Auditors

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice, with the view to set-out material facts concerning such business. Prior to Companies Amendment Act, 2000, remuneration payable to Auditors in case of Government Companies was decided by the Central Government on the advice of Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors, appointed by C&AG under Section 619 of the Companies Act, 1956, has to be fixed by the Company in General Meeting or in such manner as the Company in the General Meeting may determine. Members may accordingly fix the remuneration of Auditors for the financial year 2011-12 including remuneration for the Limited Review of Quarterly Reviewed Financial Results for the periods ending 30th June, 2011, 30th September, 2011 and 31st December, 2011. Board recommends 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.

ITEM NO. 6

Amendment of Articles of Association

- i) Pursuant to the approval accorded by the Shareholders of the Bank in their meeting held on 26th August, 2006, amendments in relation to appointment, delegation of powers and remuneration of Executive Director(s) were made in the Articles of Association of the Bank. Since remuneration by way of sitting fee is payable to Non-Executive and Independent Directors of the Bank for attending each meeting of the Board of Directors and Committee thereof, hence the Board of Directors proposes to insert the new sub-clause (d) after sub-clause(c) in Article 70(ii) of the Articles of Association.
- ii) The sitting fee paid to Non-Executive and Independent Directors of the Bank for attending each meeting of the Board of Directors and Committee thereof was fixed by the Shareholders in their meeting held on 26th August, 2006 at Rs. 10,000/-. However as per the Rule 10B - Section 310- of Companies (Central Governments) General Rules and Forms, 1956, amount of remuneration by way of sitting fee for attending each meeting of the Board of Directors and Committee thereof is allowed as under.

a) Companies with paid-up share capital and free reserves of Rs. 10 Crores and above or turnover of Rs. 50 Crores and above	Sitting fee not to exceed the sum of twenty thousand rupees
b) Other Companies	Sitting fee not to exceed the sum of ten thousand rupees.

Since there was no revision in the sitting fee payable to the Non-Executive and Independent Directors for attending each meeting of the Board of Directors and Committee thereof, from the aforesaid date, hence the Board of Directors proposes enhancement in the sitting fee for attending each meeting of the Board of Directors and Committee thereof to Rs. 15,000/-.

Except to the extent of interest of the Directors in relation to the revision in the sitting fee that may be payable to them, none of the Directors may be deemed to be interested or concerned in the resolution at item No. 6 of the Notice.

Your Board recommends the adoption of the resolution as set out at item No. 6 of the notice.

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

By order of the Board of Directors

Dated: 14th May, 2011

Parvez Ahmed
President & Secretary

Chairman's Statement



Mushtaq Ahmad
Chairman & CEO

The world is slowly emerging from the headwinds of the global financial crisis of 2007-09, the worst ever since the Great Depression of 1929-33. Set against the backdrop of a jittery global economy, India stood tall countering unpredictable challenges, although the impact was conspicuous on some critical economic indicators.

I am delighted to declare that J&K Bank has not only successfully countered the vortex of adverse socio-economic conditions, but also propelled itself into a growth trajectory, catalysing pervasive socio-economic development in Jammu and Kashmir.

The world is slowly emerging from the headwinds of the global financial crisis of 2007-09, the worst ever since the Great Depression of 1929-33. Set against the backdrop of a jittery global economy, India stood tall countering unpredictable challenges, although the impact was conspicuous on some critical economic indicators. In the preceding three years, the Indian economy also withstood the dismal performance of agriculture and allied sectors in 2008-09, erratic monsoons resulting in severe drought in 2009-10 and unseasonal late rains, affecting the Rabi crop cycle in 2010-11.

The crisis severely tested the wisdom and foresight of India's policy makers. Thanks to their continued efforts, the Indian economy has demonstrated considerable maturity and resilience, although some clouds still linger, such as persistent high food inflation and a temporary slowdown in industrial growth.

I am delighted to declare that J&K Bank has not only successfully countered the vortex of adverse socio-economic conditions, but also propelled itself into a growth trajectory, catalysing pervasive socio-economic development in Jammu and Kashmir.

What you are glancing through, esteemed shareholder, is one of the most comprehensive, insightful and well documented Annual Reports in the Bank's 73-year-old history of resolute performance. It is a matter of

utmost satisfaction on my part to present to you the 2010-11 Annual Report, demonstrating superior quality standards and superlative professional expertise.

In pursuance of its consistent policy to drive socio-economic development in Jammu and Kashmir, the Bank envisions and executes all possible measures in its domain. It has successfully established a national identity, and is one of India's leading private sector banks. In terms of quality of assets and capital adequacy, J&K Bank is widely considered to have a clean, strong and transparent balance sheet.

The Bank had set an ambitious target for garnering a business of ₹ 100,000 Crores by March 2012 with a net profit figure of ₹ 1000 Crores. However, owing to uncongenial socio-economic conditions in the home state and a diffident national economy, the growth target was moderately deferred and concentration was diverted towards improvement of asset quality and balance sheet transparency.

On the strength of a clear visibility of domestic growth emanating mostly from the services sector, banking services- especially retail banking, mortgages and investments are expected to be robust. The Bank, in line with the national economic outlook, aspires to cross the psychological mark of ₹ 100000 Crores business volume and a net profit of ₹ 1000 Crores by March 2013.

Acknowledging the critical role banks can play in the socio-economic development of the people, the J&K Bank will drive vertical and horizontal expansions in 2011-12. The Bank's branch network will cross the 600 mark by March 2012, nearing state-wide omnipresence.

The penetration level of banks in J&K state, in particular, and India, in general, is woefully inadequate. People at the lower middle and bottom of the social pyramid still remain largely unbanked or recipients of archaic banking activities. Branch penetration and other basic banking activities are far below the desired benchmarks.

Acknowledging the critical role banks can play in the socio-economic development of the people, the J&K Bank will drive vertical and horizontal expansions in 2011-12. The Bank's branch network will cross the 600 mark by March 2012, nearing state-wide omnipresence. We will focus our attention to the under/unbanked areas in J&K state as identified by RBI, and to further expand the network in India's important cities. The deepening penetration will be instrumental in creating an economically resurgent J&K state, in particular, and India, in general. A combination of financial inclusion and financial literacy will drive our future strategy.

Looking further, into the medium to long term, the planned initiatives are expected to gather momentum and more than make up for eventually weakening power of the savings rate as a driver of economic growth. Consequentially, the next two decades should witness the Indian economy growing faster than ever before. For

2011-12, the economy is expected to grow by 8% and with more emphasis on inclusive growth the beneficiary should be the common man. More funds would be allocated for flagship programmes to realize the desired outcome.

Notwithstanding the tightening money markets and expected moderate growth in deposits, a vibrant credit growth is expected during FY 2011-12. The Bank, in line with its policy stance, will continue its prudent approach in expanding qualitative as well as quantitative credit assets in accordance with its well-tested policy on credit risk management.

Some concerns are being raised from some quarters about the recent agreement between the State Government and the Reserve Bank of India on Ways and Means Advances (WMA). Let me assure that the agreement has further strengthened our resolve to convert the state's economic challenges into opportunities of growth and synergy. The arrangement under which the State Government adjusted the overdraft facility of J&K Bank and switched over to WMA of RBI has, in fact, not only enabled J&K Bank to ensure the regulatory compliance but would also facilitate the Bank's multi-dimensional expansion.

The amount realized from the government on account of overdraft deployed into more productive and high-yielding economic sectors, in turn, will be instrumental in narrowing the gap between growth sources and credit supply in the state. Moreover, the agreement has not resulted in any dilution of the Bank's autonomy. It has enabled the Bank to depend only on its own strengths and potential and ensure compliance with RBI's exposure norms.

The Bank understands the importance of employment generation for socio-economic development and I wish to affirm that it is the biggest, next to Government, employment generating institution in the state. The Bank will make every possible effort for consistent creation of livelihoods (directly and indirectly) in Jammu and Kashmir. As part of its relentless efforts to achieve multi-dimensional excellence, the Bank will revive multiple

banking and expand its physical and operational reach to new spheres of the economy. Such a strategy will help anticipate the systematic and economic challenges in the operating environment and calibrate the business mix accordingly.

Esteemed shareholder, we are looking forward to your enthusiastic support for achieving the growth trajectory from where achievement of ₹ 100,000 Crores business volume and net profit of ₹ 1000 Crores by March 2013 will be a reality rather than an uphill task.

Mushtaq Ahmad
Chairman & CEO

The Bank understands the importance of employment generation for socio-economic development and I wish to affirm that it is the biggest, next to Government, employment generating institution in the state. The Bank will make every possible effort for consistent creation of livelihoods (directly and indirectly) in Jammu and Kashmir.

Directors' Report

1. 1.1 Your Board of Directors have the pleasure in presenting the 73rd 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, 2011.

1.2 The Bank has delivered a strong performance in 2010-11. The Bank's strategy of consolidation, re-engineering, re-pricing and re-organization has resulted in productive 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 ₹ 70,869.57 Crores at the end of the financial year 2010-11. The Bank's total business increased by ₹ 10,575.18 Crores from the previous year's figure of ₹ 60,294.39 Crores, registering a growth of 17.54%.

2.2 The total deposits of the Bank grew by ₹ 7,438.77 Crores from ₹ 37,237.16 Crores as on 31st March, 2010 to ₹ 44,675.93 Crores as on 31st March, 2011, registering 19.98% growth. CASA deposits of the Bank at ₹ 18,084.82 Crores constituted 40.48% of total deposits.

2.3 The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. Its net advances increased by ₹ 3,136.41 Crores from ₹ 23,057.23 Crores as on 31st March, 2010 to ₹ 26,193.64 Crores as on 31st March, 2011, growing by 13.60%. The growth was recorded even after repayment of ₹ 2,300 Crores by the State Govt. of J&K as an arrangement with RBI/J&K Bank.

2.4 Priority sector advances increased from ₹ 8,632.29 Crores to ₹ 10,274.46 Crores during the year.

3. The Bank's performance in the recovery of NPAs during the year continued to be good. During the year, the Bank effected a cumulative cash recovery, up-gradation of NPAs and technical write-off of ₹ 232.63 Crores compared to ₹ 285.74 Crores in the previous year.

4. Investment portfolio increased by ₹ 5,739.52 Crores from ₹ 13,956.25 Crores as on 31st March, 2010 to ₹ 19,695.77 Crores as on 31st March, 2011.

5. INSURANCE BUSINESS

5.1 The Bank earned an income of ₹ 26.14 Crores from the Insurance Business. In life insurance, mobilized a business of ₹ 103.02 Crores and in non-life segment, business of ₹ 59.36 Crores was mobilized during the year.

6. INCOME ANALYSIS

6.1 The Bank's interest income grew by ₹ 656.25 Crores from ₹ 3,056.88 Crores in the year 2009-10 to ₹ 3,713.13 Crores in 2010-11. Interest expenses marginally increased from ₹ 1,937.54 Crores to ₹ 2,169.47 Crores during the year. The Net Interest Income increased from ₹ 1,119.33 Crores to ₹ 1,543.66 Crores.

6.2 The Net Income from operations [Interest Spread plus Non-interest Income] increased to ₹ 1,908.42 Crores in the financial year 2010-11 from ₹ 1,535.57 Crores in the financial year 2009-10, growing by 24.28%.

6.3 The Operating Expenses witnessed an increase of ₹ 181.57 Crores during the financial year 2010-11 and stood at ₹ 758.93 Crores, compared to ₹ 577.37 Crores in 2009-10.

6.4 The Cost to Income ratio (Operating Expenses to Net Operating Income) marginally increased from 37.60% in the financial year 2009-10 to 39.77% in the financial year 2010-11 even after substantial increase in operating expenses.

7. GROSS PROFIT

7.1 The Gross Profit for the financial year 2010-11 stood at ₹ 1,149.49 Crores, compared to ₹ 958.21 Crores in the financial year 2009-10, an increase of ₹ 191.28 Crores.

8. PROVISIONS

8.1 The Provision for Loan Losses, Provision on Standard Assets, Taxation and others aggregated to ₹ 534.29 Crores in the financial year 2010-11 compared to ₹ 445.83 Crores in the financial year 2009-10.

The Bank's aggregate business crossed yet another psychological mark and stood at ₹ 70,869.57 Crores at the end of the financial year 2010-11.

9. NET PROFIT AND DIVIDEND

- 9.1 The Bank registered highest ever Net Profit of ₹ 615.20 Crores for the financial year 2010-11 compared to ₹ 512.38 Crores for the financial year 2009-10, registering 20.07% surge.
- 9.2 The Board of Directors has recommended record dividend of 260 per cent for the financial year 2010-11.
- 9.3 In terms of extant guidelines, the Bank will pay the dividend distribution tax for the financial year 2010-11. Accordingly the total outflow on account of dividend for the year 2010-11 will be ₹ 146.98 Crores including the dividend distribution tax.

10. NET WORTH AND CRAR

- 10.1 The Bank's Net Worth increased to ₹ 3,478.68 Crores on 31st March, 2011 from ₹ 3,010.46 Crores on 31st March, 2010.
- 10.2 The Capital to Risk Adjusted Assets Ratio [CRAR] stood at 13.30% as on 31st March, 2011 as against 14.81% as on 31st March, 2010, which comfortably exceeds the norm of 9% stipulated by the Reserve Bank of India. The Tier I component of CRAR is 10.99% as on 31st March, 2011, compared to 11.91% as on 31st March, 2010.
- 10.3 The Bank has implemented new capital adequacy framework w.e.f. 31st March, 2009. Under new norms, the bank's CRAR works out to 13.72%, which is higher than the CRAR as computed under BASEL- I norms. The advantage has stemmed mainly from higher rated Investment / Credit portfolio. The Tier I component of CRAR under new norms is 11.33% as against 10.99% under BASEL -I.
- 10.4 The Return on Average Net Worth, Earnings per Share and Book Value per Share for the financial year 2010-11 stood at 18.96%, ₹ 126.9/- and ₹ 717.58/- , against 18.19%, ₹ 105.69 and ₹ 621/- respectively for the previous year.

11. BRANCH NETWORK

- 11.1 During the financial year 2010-11, 16 branches were added, taking the number of branches to 548 as on 31-03-2011, spread across 20 states and one union territory. The area-wise breakup of the branch network (excluding extension counters/ mobile branches and service branches) is as under:

Area	Branches
Metro	039
Urban	168
Semi-Urban	118
Rural	223
Total	548

12. IT INITIATIVES DURING FY 2010-11

We have made sustained and focused efforts to leverage the Bank's existing IT infrastructure and 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:-

- ▶ 25 branches were computerized during the year taking the total count of computerized branches as on 31st March, 2011 to 567 out of a total branch count of 583 (including Extension Counters).
- ▶ 143 branches were migrated to Core Banking Platform during 2010-11 taking the total count of branches on CBS as on 31st March, 2011 to 550. (Including Extension Counters).
- ▶ 73 new ATMs were installed during the year taking the aggregate number of commissioned ATMs to 361 as on 31st March, 2011.
- ▶ e-Banking facility has been made available at all the 550 CBS branches of the Bank and the number of e-Banking customers at 1,08,828 has registered a 387% increase during the year.
- ▶ The Bank has integrated with more than 900 online merchants like BSNL, Air Tel, LIC, Metlife, Tata Sky, Make My Trip, among others to provide online bill payment / shopping facility to its customers.

The Bank's Net Worth increased to ₹ 3,478.68 Crores on 31st March, 2011. The Return on Average Net Worth, for the financial year 2010-11 stood at 18.96%

- ▶ The Bank's CBS branches have been enabled for RTGS and NEFT facility.
- ▶ In far-flung and unbanked areas, the bank is providing basic banking services through three mobile vans.
- ▶ A new innovative customer convenient facility 'SMS Alert' has been introduced.

13. ADVERTISING AND PUBLICITY //

During the year, the Bank reinforced its brand positioning to enhance mind share. The products, services, achievements and future plans were effectively communicated to the customers, shareholders and the general public through creatively conceived, developed and packaged advertisements.

14. CORPORATE SOCIAL RESPONSIBILITY //

At J&K Bank, sustainability entails acting responsibly on behalf of future generations to achieve economic, environmental and social progress. The Bank has maintained its reputation of being a remarkably responsible premier

institution. We have formulated an all-embracing Corporate Social Responsibility (CSR) policy, which extends beyond the framework of familiar philanthropy with a broader perspective of socio-economic empowerment.

The Bank's key initiatives in this regard focus primarily on providing education facilities to the disadvantaged sections of society, extending financial assistance for medical treatment and taking meaningful initiatives for preserving and promoting

the endemic culture, heritage and handicraft of Jammu and Kashmir.

15. MAJOR CSR INITIATIVES //

- ▶ Increased the number of sponsored special students (mentally challenged) of Voluntary Medicare Society's Shafakat School from 10 to 25.
- ▶ Enhanced the Cancer Society of Kashmir's Annual Revolving Fund from ₹ 1.50 lacs to ₹ 5.00 lacs in view of the alarming increase in cancer diagnosis in the

state. Besides, an amount of ₹ 10 lacs was donated to the society for the purchase of Hospital Furniture and other related items.

- ▶ Gifted several computers, sewing machines, knitting machines, musical instruments, interlock machine, electric irons and a gas connection to differently abled persons, helping the vulnerable sections of society.
- ▶ Sponsored the education of 16 most deserving students of HELP Foundation, a non-governmental organization pursuing the welfare of poor, orphans and underprivileged children to widen educational opportunities for the underprivileged.
- ▶ Sponsored various state-level sports tournaments including tournaments organized for physically challenged persons; paid entry fee of three local athletes for participation in sports activities at Estonia, Europe.
- ▶ Financed a project to revive the legacy of Kashmir Dalgate Pottery; the first phase has successfully culminated while the work on the second phase of the project is being continued with commitment.

16. LEAD BANK RESPONSIBILITY //

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

- 16.1 J&K Bank has been assigned the responsibility of setting up Rural Self Employment and Training Institutes (RSETIs) in the assigned 12 lead districts. In this regard, one RSETI in district Baramulla has commenced the functioning with effect from 11th March, 2011. Two more RSETIs in District Anantnag and District Pulwama are expected to be operationalized soon.
- 16.2 During the FY 2010-11, the Bank conducted the following meetings:
- ▶ Two State Level Bankers Committee (SLBC) meetings.
 - ▶ Two special State Level Bankers Committee (SLBC) on MSMEs.

Sponsored the education of 16 most deserving students of HELP Foundation, to widen educational opportunities for the underprivileged.

- ▶ Meeting of the Coordination Task Force constituted to look out for solutions to problems faced in implementation of Government Sponsored Schemes in J&K State.
- ▶ Meeting of Sub-Committee of J&K SLBC on Relaxation/Concessions to trade and industry in J&K state.
- ▶ Two workshops on Credit Guarantee Trust Fund Scheme.
- ▶ The district level and block level meetings, such as DCC/ DLRC/ BLBC, and other relative meetings under Lead Bank Scheme were held as per schedule in all of the state lead districts.

17. REGIONAL RURAL BANK

The J&K Grameen Bank is the regional rural bank sponsored by your Bank. Its area of operation spans over 11 districts (Baramulla, Bandipora, Kupwara, Jammu, Kathua, Rajouri, Poonch, Leh, Kargil, Samba and Kishtwar) of J&K state. It has a branch network of 176 branches with 759 employees. The performance of the Grameen Bank has improved considerably during FY 2010-11. The financial highlights (un-audited) of the Bank for the year under review are presented below:

17.1 Business

The business of the Bank increased from ₹ 1,834.29 Crores to ₹ 2,116.50 Crores during the year 2010-11 registering a growth rate of 15.43%.

17.2 Deposits

The Bank's deposits increased from ₹ 1,397.43 Crores to ₹ 1,595.01 Crores during 2010-11, growing 14.17%. The percentage of CASA to total deposits works out to 53.41%, against 52.41% on March, 2010.

17.3 Advances

The gross advances of the Bank as on 31st March, 2011 stood at ₹ 521.49 Crores as against ₹ 436.86 Crores as on the corresponding date of the previous year, recording a growth of 19.22%.

17.4 Priority Sector Advances

The priority sector advances of the Bank as on 31st March, 2011 stood at ₹ 357.29 Crores as against ₹ 292.84 Crores as on the corresponding date of the previous year recording a growth of 21.84%. Advances to priority sector constitute 68.51% of total advances.

17.5 NPA Position

The gross NPA of the Grameen Bank as on 31.03.2011 is 7.73% while Net NPA is 1.33%.

17.6 Profitability

The Bank registered a net profit of ₹ 6.51 Crores as on 31st March, 2011.

18. FINANCIAL INCLUSION

To serve the unbanked population in rural areas and special segments in urban areas, the Bank has formulated a comprehensive Financial Inclusion Plan. The FIP envisages providing basic banking services in 535 SLBC allotted villages and in 725 other unbanked villages of the State of Jammu & Kashmir in a phased manner upto March, 2013. FIP is being implemented through a mix of branch network and Business Correspondent Model in identified unbanked areas, with added focus on under banked & unbanked villages.

18.1 The Bank has undertaken the setting up of Common Service Centres under the e-governance initiative of Government of India.

In the first phase, 1106 Common Service Centers are planned to be set up. Five hundred five Common Service Centers were established across the state upto March, 2011.

The business of J&K Grameen Bank increased from ₹ 1,834.29 Crores to ₹ 2,116.50 Crores during the year 2010-11 registering a growth rate of 15.43%.

19. CORPORATE GOVERNANCE

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

20. BOARD OF DIRECTORS

- a. Mr. M. S. Verma, ceased to be the Additional Director at the last Annual General Meeting of the Shareholders held on 31-07-2010 and Dr. Haseeb A. Drabu, tendered his resignation and ceased to be the Chairman & CEO from 27-08-2010.
- Directors place on record their deep appreciation for the valuable service rendered by Mr. M. S. Verma and Dr. Haseeb A. Drabu during their tenure as Director and Chairman and CEO, respectively of the Bank.
- b. Mr. B. L. Dogra and Mr. A. M. Matto were reappointed as Directors at the last Annual General Meeting of the Shareholders of the Bank held on 31-07-2010.
- c. With a view to broad-basing the Board, Mr. Nihal C. Garware, an eminent personality, was re-appointed as Additional Director of the Bank w.e.f 31-07-2010. The Bank has gained immensely from his guidance and wide ranging experience and expertise.
- d. Prof. Nisar Ali and Mr. R. K. Gupta 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 are eligible for reappointment.

21. NAME OF THE BANK'S BOARD OF DIRECTORS

1	Mr. Mushtaq Ahmad	Chairman & CEO
2	Mr. Sudhanshu Pandey, IAS	Director
3	Mr. Arnab Roy	Director
4	Mr. Ashok Kumar Mehta	Executive Director
5	Mr. Abdul Majid Mir	Executive Director
6	Mr. B. L. Dogra	Director
7	Mr. M. I. Shahdad	Director
8	Mr. Vikrant Kuthiala	Director
9	Prof. Nisar Ali	Director
10	Mr. A. M. Matto	Director
11	Mr. R. K. Gupta	Director
12	Mr. Nihal C. Garware	Director

22. DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors hereby confirms that:-

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the profit /loss for the period under report.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- iv) We have prepared the annual accounts on a going concern basis.

23. PARTICULARS OF EMPLOYEES //

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, FOR THE YEAR ENDED 31st MARCH, 2011, ARE AS UNDER:

- a. EMPLOYED THROUGHOUT THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING ₹ 60,00,000/- OR MORE PER ANNUM - NIL.
- b. EMPLOYED FOR PART OF THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING ₹ 5,00,000/- OR MORE PER MONTH - NIL.

24. ACKNOWLEDGEMENTS //

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

- b. The Directors acknowledge with gratitude the valuable and timely advice, guidance and support received from Government of India, Government of Jammu & Kashmir, Reserve Bank of India, Securities and Exchange Board of India (SEBI), Insurance Regulatory Developmental Authority (IRDA), NABARD, SIDBI, IBA, FIMMDA, FEDAI, Stock Exchanges, Deptt. of Company Affairs, Registrar of Companies, Comptroller & Auditor General, Financial Institutions and the Statutory Central Auditors of the Bank in the functioning of the Bank.
- c. The Directors place on record their deep appreciation of the valuable contribution of the members of the staff at all levels for the progress of the Bank during the year and look forward to their continued co-operation in realisation of the corporate goals in the years ahead.

For and on behalf of the Board of Directors

Mushtaq Ahmad
Chairman & CEO

Place: Srinagar (J&K)
Dated: 14th May, 2011

Management Discussion & Analysis

ECONOMIC SURVEY 2010-11

OVERVIEW

The Indian economy has successfully countered the slowdown triggered by the global financial crisis of 2007-09. Riding on the crest of 8% GDP growth rate in 2009-10, the revival was quicker than most people expected. The trend has sustained even in 2010-11 with encouraging rebound in agriculture and robust momentum in the manufacturing sector. However, the services sector witnessed a decline in growth, caused primarily by a deceleration in community, social and personal services, reflecting a base effect of fiscal stimulus in the previous two years. Overall, the medium to long-term prospect of the economy continues to be positive.

The fiscal situation remained disciplined with a surge in credit growth, vivacious equity market and unwavering foreign exchange market. The moderation in the current account of Balance of Payments position is likely with deceleration in imports and acceleration in exports as per the latest monthly merchandise trade data. Despite downside risks of global events, particularly price movements of commodities like crude oil (marked by the current political turmoil in North African and the Middle Eastern economies) the Indian economy is poised to emerge stronger in the foreseeable future.

PRICES & MONETARY MANAGEMENT

The challenge to sustain an economic growth momentum with price stability is going to remain a key focus area for monetary policy and macro-economic management in the country.

India's Wholesale Price Index (WPI) based inflation was at 8.23% in December 2010, which further escalated to touch 8.98% in March 2011, reflecting price shocks in essential commodities. In addition, food inflation stood at 11.49% in the second week of February 2011, although the same eased down to 9.50% in March 2011. On the basis of sensitive analysis of inflationary forces, the Reserve Bank of India raised policy rates quite frequently during the FY 2010-11. The banks, in accordance with the Apex Bank's monetary policy, raised their lending and deposit rates from time to time.

FISCAL DEFICIT

The fiscal deficit surging to 6.3% of the GDP in 2009-10, owing to government's stimulus measures to combat the temporary slowdown (induced by global financial meltdown), reduced to 5.1% for 2010-11. Following the global and domestic economic rebound, the fiscal deficit is expected to diminish further by 50 basis points to 4.6% of the GDP by March 2012.

ECONOMIC OUTLOOK FOR 2011-12

Based on the domestic economic performance over the preceding five years and budgetary estimates of 2011-12, India's real GDP growth was projected at 9% for 2011-12. However, owing to spiralling crude prices and other market forces, the growth projection had to be moderated to 8% for the FY 2011-12. This will, however, be possible only if the persistent inflationary trend can be tamed.

India's pace of economic development is expected to gather further momentum across the medium- to long-term. The reasons for this optimism are not hard to seek: a) rising momentum in the savings and investment momentum; b) India's demographic dividend is yet to peak. Once an economy operates close to its capacity, the savings and investment rates are no longer effective drivers of GDP growth. Growth is then accelerated by the rate of innovation and skill development. The extensive youth skill development initiatives are expected to gather momentum and more than make up for the eventually weakening power of the savings rate as a driver of economic growth. The consequence: the next two decades should witness the Indian economy growing faster than ever before.

The Indian economy is expected to surpass 8% growth in 2011-12. There would be much more focus on common man and higher funds for flagship programmes to realize the desired outcome.

Notwithstanding the tightening money markets and moderate deposit growth, there has been a significant credit growth, higher equity market volumes and stable foreign exchange market. A moderation in BoP position is likely with deceleration in imports and acceleration in exports.

Although crude prices are expected to drive overall inflationary trends, India's economy is poised to accelerate and consolidate in terms of key macroeconomic indicators.

MONETARY POLICY STANCE

The Reserve Bank began withdrawing the crisis-driven accommodative policy in October 2009. Since then, the cash reserve ratio (CRR) has been raised by 100 basis points. The policy rates have been raised many times - the repo rate under the LAF

The Indian economy is expected to surpass 8% growth in 2011-12 with more focus on common man and higher funds for flagship programmes to realize the desired outcome.

by 200 basis points and the reverse repo rate by 250 basis points. The effective tightening in policy rates has been of 350 basis points as the in-system liquidity transited from a surplus to a deficit mode.

The monetary policy stance in 2010-11 was calibrated on the basis of the domestic growth-inflation dynamics amidst persistent global uncertainties. Against the backdrop of global and domestic macroeconomic conditions, outlook and risks, the policy stance for 2011-12 has been guided by the following major considerations:

First, inflation has persistently remained much above the comfort level of the Reserve Bank. The sharp increase in non-food manufactured product inflation towards the latter part of the year suggests strong underlying demand pressures, which are helping producers to pass through input price increases. There is a clear need to persist with anti-inflationary stance as the effect of the sharp increase in global commodity prices will further fuel domestic prices. Besides, the impact of monetary tightening already undertaken by the Reserve Bank is still unfolding.

Second, while the growth momentum remained relatively firm during 2010-11, signs of moderation emerged in the latter half of the year, particularly in capital goods and investment activity. Growth is expected to decelerate in 2011-12, which can contribute to the easing of demand-side inflationary pressures, particularly in the second half, as the full impact of monetary tightening is realized. Even as this trend unfolds, persistently high rates of inflation raise the risks of inflationary expectations becoming unhinged.

Against this backdrop, the focus of Reserve Bank's monetary policy is expected to be on following lines:

- ▶ Maintain an interest rate environment to moderate inflation.
- ▶ Foster an environment of price stability to help sustain growth in the medium-term, coupled with financial stability.
- ▶ Manage liquidity to ensure that it remains broadly in balance, with neither a large surplus diluting monetary transmission nor a large deficit choking off fund flows.

DEVELOPMENTAL & REGULATORY POLICIES

The global financial crisis has exposed the vulnerabilities in the financial sector and policy initiatives are underway to strengthen financial stability. Some of the key issues that have arisen in the banking sector are inadequate loss-absorbing capital; insufficient liquidity buffers; excessive build-up of leverage; focus on firm-specific supervision and neglect of macro-prudential supervision of system-wide risks; weak governance practices; poor understanding of complex products; and shortcomings in risk management. To address these issues, various international

bodies, national supervisors and policymakers are engaged in instituting various reform measures nationally and globally.

The Reserve Bank plays an active role in various international fora, including G-20, Basel Committee on Banking Supervision (BCBS) and Financial Stability Board (FSB), which are responsible for setting standards and formulating policies to safeguard the financial system.

The Reserve Bank has already indicated that it would implement the reform measures under Basel III framework, which are applicable to banks in India. Apart from banking sector reforms, the Reserve Bank has been actively pursuing the development of various segments of the financial market. In the recent period, financial inclusion has also been recognized as a key policy objective. In addition, greater emphasis is being placed on the quality of customer services rendered by banks. Information technology and payment & settlement services ensure not only efficient banking services but also financial stability, financial inclusion and customer service. The Reserve Bank is therefore instrumental in promoting the use of information technology in banks and provides secure and efficient payment & settlement services in the country.

The GSDP of J&K state is expected to grow about 7% in FY 2011-12 against the previous year's figure of 6.61%

J&K, AN EMERGING STATE

The GSDP of J&K state is expected to grow about 7% in FY 2011-12 against the previous year's figure of 6.61% (estimated figure at constant prices). Home to around 1% of the total population and occupying 3.2% of India's total territorial area, the state's contribution to the national income is only 0.5%. It is a matter of considerable concern that the state's contribution to India's overall wealth at 0.85% in 1999-2000 has now declined to 0.69%. Moreover, national income has grown at around 8.2% during the last five years, while J&K state's income has grown at much lower rate of about 6%. However, a number of flagship programmes are being conducted in the state with considerable outlays earmarked for reconstruction and all-round development of the state. The programmes include Pradhan Mantri Gram Sadak Yojana (PMGSY), Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), National Rural Health Mission (NRHM), Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Prime Minister's Reconstruction Programme (PMRP), among others. These projects span connectivity, electrification, water supply and irrigation. The state government is focusing on issues related to economic development and good governance. The growth level accomplished during this period would have been

significant, if the preceding two summers had not remained uncongenial to healthy socio-economic activity.

For the 2010-11 Annual Plan, the Government secured the largest ever plan outlay of ₹ 6,000 Crore and, besides, a provision of ₹ 1,200 Crore under the Prime Minister's Reconstruction Plan. During the FY 2010-11, the state delivered developmental programmes worth up to ₹ 10,000 Crore. It is also notable that for the period of 2010-15, the 13th Finance Commission has granted a financial award of ₹ 40,557 Crore to the state. This award is 94% higher than the award granted under the 12th Finance Commission.

To enhance employability and support upcoming entrepreneurs the government is adopting sound measures in the form of programmes like Sher-e-Kashmir Employment Welfare Programme for Youth (SKEWPY). Seed Capital Fund Scheme is one such major initiative launched in 2010 under SKEWPY, which aims at providing adequate funding to trained and registered first generation entrepreneurs to start environment-friendly ventures, relating to core areas of the state's economy. The J&K Bank is exclusively implementing the programme with enhanced focus and commitment.

The Government remains committed to securing the equitable development of all the three regions and sub-regions of the state. It has identified bijli (energy), sadak (roads), pani (water supply), sehat (health), taleem (education) and rozgar (employment) as the thrust areas to achieve this objective. A number of such initiatives like setting up of J&K e-Governance Agency, Khidmat Centres, implementation of National e-Governance Plan, Core Infrastructure Projects like the State Wide Area Network, State Data Centre and State Delivery Gateway are being adopted to improve the delivery of services transparently and efficiently. These initiatives are expected to contribute towards the state's socio-economic development.

The government has launched an initiative to increase the seed replacement rate and bring it at par with the national average of 25%. A scheme, 'Support to State Extension Work Programme for Extension Reforms' has been launched this year and 28 Kissan Melas and three Mega Kissan Melas were organized with large-scale community participation. Progressive farmers were extended cash awards. To encourage financial discipline in the state, the Government of J&K has entered into an agreement with the Reserve Bank of India for availing WMA facility from the latter as a substitute for the Overdraft availed by the government from J&K Bank. By dint of this arrangement, the state government, besides securing ₹ 1,000 Crore as one-time package from the Central Government, also raised additional funds through bonds from RBI at lower rates.

The state possesses huge untapped potential, which needs to be sustainably exploited. Some of the major avenues comprise:

- ▶ Hydroelectric Projects-Identified potential 20000 MW, Exploited 2460.20 MW
- ▶ Rail/ Road Connectivity
- ▶ Horticulture & Allied Activities
- ▶ Herbal medicines/ Cosmetics/ Aromatics
- ▶ Handicrafts/ Handlooms
- ▶ Irrigation/ Water Resource Management
- ▶ Pilgrim Tourism/ Adventure Tourism

J&K BANK POLICY OVERVIEW //

The Bank has adopted a business strategy focused at socio-economic development of the home state, which was credit-starved, through exhaustive need based credit dispensation. The process was initiated with a slew of re-engineering processes to attain 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 to accelerate decision-making. On human resources front, competency mapping, specialization and succession planning initiatives represent an integral part of reengineering strategy.

The Bank had planned to leap into a higher growth trajectory in FY 2010-11. However, the not-so-conducive socio-economic conditions warranted a temporary deferment of the ambitious growth plans and a shifting of focus to strengthen fundamentals to drive planned growth.

PERFORMANCE OVERVIEW OF JKB IN 2010-11 //

Liability Management

The Bank focused its attention towards improving the qualitative parameters of liability management. The 20% deposit growth is at par with the industry. However, a deeper analysis reveals that the overall consistency has improved considerably.

CASA deposits constitute 40.48% of total deposits as on 31st March, 2011. The cost of deposits declined from 5.24% (2009-10) to 5.05% (2010-11).

In a significant move, the Reserve Bank of India increased the interest rate on saving bank deposits by 50 basis points with effect from 1st April 2011. An impact analysis of this increased interest rate on Saving Bank Deposits by 50 bps shall result in an additional interest outgo only by ₹ 80 Crores, owing to the

Bank's strategy to focus on increasing the proportion of Demand Deposits in CASA deposits by 2% during the FY 2011-12.

Credit Management

The overall 14% credit growth may not look impressive, but in view of the state government's arrangement with the Reserve Bank of India under WMA and the adjustment of overdraft facility of ₹ 2300 Crores by the state government, the actual credit growth is at par with the industry. Moreover, qualitative improvement of the credit portfolio received more emphasis. Besides, focused attention on priority sector lending resulted in an impressive 19% growth, compared to 17.51% in 2009-10. The result is encouraging with overall priority sector surpassed and increased share of lending to agriculture, which has remained below the mandatory benchmark.

The loan book characteristics include:

- ▶ Priority Sector: ₹ 10274.46 Crores
- ▶ Agriculture Lending: ₹ 2922.00 Crores
- ▶ Yield on Advances: 10.68%

Credit Quality

A combination of relentless efforts, coupled with efficient monitoring and management enabled the Bank to maintain a healthy credit quality, especially of the restructured portfolio. The non-conformances were minimal. The result is a quality loan book with below 2% GNPA and below 0.2% net NPA.

Investment Book

The Bank continued with its robust growth in investment book through gradual investment in central government securities and SDLs as per SLR requirements. SLR securities increased by 22% and constituted 52% of the total investment book as on 31st

March, 2011. Non- SLR investment portfolio increased by 70% and constituted 48% of the total investment book as on March, 2011. The Bank successfully maintained minimum levels in T-bills and simultaneously reduced exposure to Equity and Equity linked MFs.

FINANCIAL INCLUSION

Developing and under-developed economies globally are formulating new ways and means to contain poverty and accelerate equitable socio-economic growth through comprehensive financial inclusion. To reach the unbanked sections of our population in rural areas and special segments of our population in urban areas the Bank has formulated a comprehensive Financial Inclusion Plan.

The FIP envisages providing basic banking services in 535 SLBC allotted villages and in 725 other unbanked villages of the State of Jammu & Kashmir in a phased manner up to March, 2013. FIP is being implemented through a mix of branch network and Business Correspondent Model.

The Bank has undertaken the setting up of Common Service Centres under the e- governance initiative of the Government of India. In the first phase 1106 Common Service Centers (CSCs) are planned to be set up. Five hundred five Common Service Centres have been established across 505 locations in the state up to March, 2011.

In addition to financially excluded rural areas, certain segments of urban society including fishermen, washer men, potters, craftsmen and artisans, among so many others are victims of poor financial inclusion. To bring these segments to the mainstream financial system, the Bank shall devise specialized products and packages to cater to their financial requirements, only after an in-depth assessment of their financial needs.

Corporate Functions' Report

CONSCIOUS CORPORATE CITIZEN

As an institution that is defined by people, J&K Bank is committed to Corporate Social Responsibility (CSR). With a clear understanding of the social, economic and cultural geography of the region, the Bank has a well-conceived CSR policy in place. We continued with our socio-economic empowerment initiatives in an endeavour to go beyond armchair philanthropy, through socio-economic empowerment.

The key initiatives undertaken by the Bank in this regard focus on grassroot issues like health, education and preservation of ecology and culture.

Target Groups

J&K Bank's CSR initiatives take into account the most vulnerable sections of society – whether it is fellow humans or the environment. The target groups of the Bank's CSR activities are the underprivileged, women, children, the physically challenged, etc.

The Hope of Health

The alarming increase in Cancer diagnosis in the state of Jammu & Kashmir has been as much an area of the Bank's focus as the Government and NGOs. During the year, the Bank continued to contribute to the treatment of cancer patients. To enhance efforts of the Cancer Society of Kashmir (CSK), an NGO that arranges medical and financial aid for dispossessed cancer patients, the Bank contributed to raise their Annual Revolving Fund from ₹ 1.50 lacs to ₹ 5.00 lacs during the last fiscal. Apart from donating ₹ 10 lacs to CSK for Hospital furniture and other related items, the Bank also installed close to 50 donation boxes for CSK at its branches.

The Bank continues to assist patients with meagre resources to meet medical expenses for emergency treatments like chemotherapy, heart-valve replacement, cardiac surgery, renal failure, etc.

The Bank donated specially designed tricycles for the physically challenged poor. Besides, the Bank bore the expenses of medication and other treatment of hundreds of poor and needy, under this programme.

Empowerment through Education

The Bank contributes meaningfully to the education of downtrodden besides helping the agencies and other NGOs active in the field of women and children empowerment through education. Education of girl child is given top priority in our CSR activities related to education.

Bank, committed to facilitate educational avenues for the poor and underprivileged students, sponsored the education of 16 most deserving students of HELP Foundation, a non-governmental organisation pursuing the welfare of poor, orphans and underprivileged children.

The Bank continued to provide educational expenses, which includes fee and cost of books, of scores of students, helping financially scores of other orphans and children from extremely poor families across the state. The Bank also increased the number of sponsored special students (mentally challenged) of Voluntary Medicare Society's Shafakat School from 10 to 25 by bearing all their educational expenses.

Further, 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.

Strengthening the weak

As an effective philanthropic gesture with lasting impact towards the vulnerable sections of society, Bank established a fullfledged computer lab and tailoring centre in the offices of J&K Handicapped Welfare Society. Musical instruments were also gifted to those Association members who want to pursue music as their career.

Amarnath Yatra – convenience to pilgrims

The Bank has received appreciation across the nation for its mix of banking and non-banking services to the pilgrims of Shri Amarnathji cave, situated in the Himalayan high altitudes in Kashmir. The Bank not only registers the intending pilgrims across the country through its branch network, but also provides all banking facilities at the remotest locations despite the harsh weather conditions and difficult terrain. Two exclusive cash/service counters and a Mobile ATM Van serve pilgrims for the entire yatra period at 9577 ft above sea level – not to mention the lack of complete technological resources and sometimes, even the basics, such as comfortable accommodation and electricity, that employee volunteers must suffer to expedite the services.

Preserving Culture

The Bank has revived and restored many places of socio-cultural significance, like Badamvaer, which has a profound impact on the environment of the area. Presently, the Bank maintains a number of public parks across the state including the magnificent Subhash Park in Jammu.

J&K Bank's continuous initiatives have set the trend and tone for a positive and practical change through its active support to awareness campaigns about Dal conservation, ban on polythene, environmental pollution, etc.

As part of our commitment to preserve the cultural heritage of this region, the Bank donated to the Basgo Welfare Committee, Leh (Ladakh) for the second phase of its project "Restoration of historical monastery at village Basgo".

The Bank also helps preserve the ancient craft of Kashmir, "Dalgate Pottery". Battling extinction, the Bank has taken upon itself to bring back its lost sheen.

Sports Spirit

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 also, the Bank facilitated the participation of all J&K Sports Association of Deaf members in national level championships. Apart from sponsoring a number of sports events, the Bank covered the entry fee of three local athletes for participation in sports activities at Estonia, Europe.

J&K Bank encourages and promotes Football. With a spirited, competitive, highly talented and professional football team of its own, the Bank won laurels at various intra state and national level championships - All India G.V Raja Football Tournament, Thiruvanthapuram (Winners), State Championship, Jammu (Winners), Durand Cup, New Delhi (second round), All India Kamptee Gold Cup, Nagpur (winners), Rajiv Gandhi Memorial Football Tournament, Jammu (runners up), Sher-i-Kashmir Gold Cup Football Tournament, Jammu (winners) etc.

The Bank also recently reconstituted its sports board which will lay special emphasis on Football by identifying, nurturing and professionally training the talent available in the state.

Other CSR activities

The Bank, as a goodwill gesture provided hand bags to aspiring Hajis made by the Madre Meharbaan Welfare Trust, a non-governmental organisation running tailoring and stitching centres for poor and destitute women.

To promote and encourage music and fine arts, the Bank sponsored various painting and music initiatives including SAMAPA's Sangeet Sammelan at New Delhi and K.K Gandhi's painting exhibition at the Jammu and Kashmir Art Quest in Srinagar.

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

Besides these initiatives, under its CSR policy, the Bank is eager to identify youth endowed with creativity and talent. The Bank helps such talent to realize their potential.

HR INITIATIVES

As a people centric organization, the Bank understands the importance of human resource development and essence of human resource management. Initiatives are taken to ensure optimal development and management of human resources. To impart updated and need-based training to human resources of the Bank, administer training and e-development Module (Learning and Development) has been uploaded through People's system portraying future training programme schedules and self/supervisor enrollment of employees as per need and requirement. During the year, 90 additional Business Units have been rolled out onto the people system, taking the count to 553, covering 7620

employees. Besides, imparting training to 3371 officials in IT, General Banking, Marketing, Risk, Finance, Human Resources, Insurance and other fields, 101 Engineers in various fields were appointed as contractual Relationship Executives-IT (RE-IT) to cater the IT requirement of the Bank. During the FY 2010-11, the Bank took many staff elevation initiatives. In this context, 307 promotions have been effected in various cadres, which include special promotion drive of Scale- III and Scale- IV for the position of Scale-IV and Scale-V respectively. The figure also includes 94 Banking Attendants elevated to the position of Assistant Banking Associates. The Bank has further effected promotions of 354 officers in Scale II (Executives) to Scale III (Senior Executives) recently. The Bank regularized the services of 44 contractual Relationship Executives/Financial Services Executives (RE/FSE) and 14 Staff REs as Associate Executive (RE/FSE) in Junior Management Scale-I.

Moreover, to cater to the human resource needs of operational levels, Banking Associates for Cash Management Services will be recruited during FY 2011-12 for which process has already been initiated.

To boost staff morale, various perks and allowances have been reviewed and revised which include enhancement in housing loan limits, enhancement in one time school fee for non-locals posted outside the state Business Units/ Offices, Lease rent to officers in the cities of Srinagar and Jammu and extension of Hard Area Allowance to Coimbatore, Kochi, Ranchi and Badohi Business Units. Moreover, IBA revision 2010 was implemented through People's System. After a thorough analysis, testing and impact study, arrears on account of pay revision were disbursed to all regular, retired and deceased employees.

To ensure optimal human resource development, the Bank will strive to link performance with variable pay through performance management system and to bring non-connected far-flung/remote business units on people's system by March 2012. A focused attention will be given towards succession planning for various Scales, e-learning modules, specialization development and unambiguous job description (JDs) for all levels.

RISK MANAGEMENT

The Bank has a risk management structure in place to control, manage and mitigate the risks. Within the overall structure, various responsibility centers from top to bottom have been defined to devise and implement Risk Management policies and processes. The structure is designed in tune with the RBI guidelines and ensures coordinated process for measuring and managing all types of risks on an enterprise-wide basis to achieve the organizational goals.

In order to have a concerted focus on the Risk Management functions, the Bank has an Integrated Risk Management Committee (IRMC) of the Board at the apex level. It is a board

subcommittee, entrusted with the overall responsibility of ensuring that adequate structures, policies and procedures are in place for risk management in the Bank. Three separate Executive level Committees viz, Credit Risk Management Committee (CRMC), Asset-Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC) ensure effective management of credit, market and operational risks respectively.

Credit Risk

The Bank has a well defined credit risk management structure to identify, measure, monitor and control / mitigate credit risk right from the loan origination to its disbursement. The Credit Risk Management Committee meets at regular intervals to review and evolve strategies for refining/ enhancing the quality of its credit portfolio. On the back of a well diversified credit portfolio across the regions, sectors/ industries and strict implementation of prudential exposure norms, the Bank effectively monitors and manages the credit concentration risk.

With an endeavor to identify, measure and quantify credit risk and standardize the appraisal mechanism, the Bank has put in place risk rating framework and deployed risk rating models on an enterprise -wide basis. The internal rating system scores a borrower on significant quantitative (Financial data) and qualitative (Non-Financial data) parameters to assess likelihood of loss (Probability of Default). The Risk-Rating Models have been devised and implemented for different lending segments and new rating models are being introduced to widen the coverage and application of the rating processes. The Bank also effectively manages credit risks arising from off- balance sheet exposures and from the holdings of debt securities in the trading or banking book. Credit audit system, which functions independently of the credit processing and approval system, ensures effective management/ mitigation of credit and operational risk in the loan portfolio.

Market Risk

A well defined organizational structure for management of market risk is in place in the Bank. The structure oversees the process of overall management of market risk viz, interest rate risk and liquidity risk and also implements methodologies for measuring / monitoring the same. Various prudential limits, based on regulatory/ internal limits are prescribed for taking exposures across all segments of market. The Bank undertakes traditional gap analysis and duration gap analysis for measuring and managing the market risk and supplements it with stress testing exercises, carried out under different market scenarios. The liquidity of the Bank is being managed effectively by closely monitoring the mismatches and funding requirements of incremental assets.

Operational Risk

Bank has put in place detailed framework for Operational Risk Management under a well-defined Operational Risk Management (ORM) Policy. Operational Risk Management Committee (ORMC) at the Executive level oversees bankwide implementation of Board approved policies and processes. In this regard, various tools, controls and mitigation measures are being implemented for management of operational risk and are being reviewed and updated on a regular basis, to suit the changes in risk profile. For effective management of operational risk, the internal controls and audit mechanism has received the focused attention of the Bank. The Bank has also implemented a comprehensive Business Continuity Plan (BCP) to ensure continuity of critical operations of the Bank covering the potential events of disruption.

Implementation of Basel-II (New capital Adequacy framework)

The Bank has migrated to the "New Capital Adequacy Norms" from 31.03.2009. In tune with the regulatory guidelines, the Bank follows the Standardized Approach for computation of capital for credit risk, Standardized Duration method for market risk and Basic Indicator Approach for operational risk. An appropriate MIS has been established for calculation of capital requirements and simultaneously, the Bank is in the process of introducing a centralized MIS application for remote capital charge computation.

The Bank intends to move towards Advanced Approaches for capital charge computations for all the three risks and is in the process of complying with the necessary eligibility conditions/ criteria laid down by the Regulator for such migration.

ICAAP Framework and Disclosure requirements

The Bank has developed and put in place Internal Capital Adequacy Assessment Process (ICAAP) to identify, measure and mitigate all material risks affecting the Bank's business. It also provides for an effective Capital Management Plan in sync with the desired Capital level, current and future Capital requirements and Capital sources etc.

The Pillar 3 of Basel-II (NCAF) emphasizes the need for market discipline and also for adequate disclosures. Accordingly, a Disclosure policy duly approved by the Board is in place and as envisaged in the guidelines, a separate link titled "Basel-II Disclosures" has been created on the Bank's website / home page. Qualitative / quantitative capital adequacy information about the Bank is placed under the above link on quarterly / half yearly and yearly basis so as to facilitate the market participants to access the Bank's critical information.

Marketing and Product Development

Solid marketing strategy is the foundation of growth and synergy in present cut-throat era of competition. We as a corporate player understand the importance of result oriented marketing for

strengthening the position in the market. We are inculcating such efforts to become habitual and not a random last resort strategy in response to market needs. As a first step in this direction, marketing teams shall be reactivated at all operational levels aimed at improving market share of our Bank. The marketing efforts shall be focused on massive mobilization of NRI's hailing from J&K state, aggressive selling of third party products and other modern innovative banking services and products.

The marketing initiatives will be further boosted by JKB Financial Services Limited (JKBFSL). JKBFSL has already started its operations and is expected to cover depository, broking and portfolio management services, sale of third party products and insurance business.

The Bank is committed to provide world class services and products to all its customers. In line with its vision, the Bank has highly diversified product line including, but not limited to, JK Bank Housing Loan Scheme, JK Bank Car Finance, JK Bank All Purpose Agri term Loan, Saral/ Saholiat Finance Scheme. The latest additions to our product basket include, but are not limited to, Technology Upgradation Scheme for MSEs, JK Bank Commercial Floriculture Finance, Seed Capital Fund scheme under Sher-e-Kashmir Employment Welfare Program for Youth (SKEWPY), JK Bank Scooty Finance, J&K Contributory Social Service Scheme, JK Bank Apple Advance Scheme etc. Continuing with its endeavor, the Bank will continue to introduce innovative and tailor-made products for catering to the specific needs of all the cross sections of the society.

IT INITIATIVES //

The Bank will continue its efforts to make every single process technology driven. Towards this end, the Bank strives aggressively as summarized under:

Computerization and Finacle Rollover

The Bank followed an aggressive policy towards the computerization of various operational levels. Out of total network of 602 branches/ offices/ extension counters/ RCCs, 581 stand computerized and rest will be covered soon. The Bank has migrated all of 581 computerized service outlets to Core Banking Solution platform, which will be instrumental for improved operational efficiency of the Bank.

Automated Teller Machines- Ever Expanding Network

Automated Teller Machine (ATM) expansion has remained a vital business strategy to extend the reach of the Bank and its customer base. ATMs have been installed at most of the business units as well as strategic locations to offer convenience to our customers. On 31st March 2011, the number of commissioned ATMs stood at 361 with 292 in J&K state and 69 in rest of the country. The Bank will strive to expand its ATM network beyond psychological mark of 600 by March 2012.

Payment and Settlement Systems

RTGS and NEFT facility is available at all the Finacle branches. The efficacy of NEFT system has been enhanced by introduction of a middleware application to connect Core Banking Solution (Finacle) and Payment Gateways such as SFMS, SWIFT, PI etc., for 'Straight through Processing' (STP) of standard messages.

WAN Expansion Project Status

Network being the base and Central Nervous System for Centralization and Service Delivery, we have kept pace with the demand and connected all the ready branches / offices / ATM locations with the enterprise. The varied technologies are being used as medium of connectivity and all the possible locations are effectively being backed up with multiple connectivity technologies.

In House Applications

The Bank continues with its endeavor to make systems and operations better and better at technology front unabated. In this direction various in-house applications have been developed which include, but not limited to, MIS, Centralized Pension Application, Electricity Bill Collection software and E-Audit software.

Future Plans

The Bank will continue its efforts to make every single process technology driven. All business units will be migrated to CBS platform and more importantly, 0-Data Loss system (3 Way DC/ DR) will be setup by March 2012. Other future IT initiatives include introduction of mobile banking, back-up solution upgrade tape library for DC/ DR, setting up of call centre, enhanced IT security through oracle audit vault and video surveillance for 50 new business units.

Customer Services

The Bank understands the philosophy of improving customer delight through continuous and ceaseless efforts. We seek to meet the highest standards of customer delight and providing time efficient, responsible and helpful services. We continuously strive for strengthening and cultivating customer relationships at each point of interaction. Besides, providing latest tech-savvy and customer friendly services and products to our customers, human resources of the Bank are being consistently motivated to ensure customer convenience of optimal standards.

Promoting Compliance

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

Auditors' Report on the Financial Statements

To
The Shareholders of
The Jammu & Kashmir Bank Limited

1. We have audited the accompanying financial statements of The Jammu & Kashmir Bank Limited, which comprise the Balance Sheet as at 31st March 2011, and the Statement of Profit & Loss and the Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these financial statements are the returns of 65 Branches/offices audited by us and 517 Branches/Offices audited by Branch auditors.
2. Management is responsible for the preparation of these financial statements in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error.
3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the State of Affairs of the Bank as at 31st March, 2011;
 - ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
8. We report that:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c. The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.

Auditors' Report on the Financial Statements

9. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
10. We further report that:
- the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.
 - 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.
 - 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.
 - 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.
 - 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, 2011 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

CA. Salil Gupta
Partner
M.No. 097922

Place : Srinagar
Dated : 14th May, 2011

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

CA. Hemant Sharma
Partner
M.No. 503080

For **Verma Associates**
Chartered Accountants
FRN: 002717N

CA. Madan Verma
Partner
M.No. 081631

For **P C Bindal & Co.**
Chartered Accountants
FRN: 003824N

CA. Virender K. Maini
Partner
M. No. 088730

For **K K Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. A. K. Kakkar
Partner
M. No. 014493

Balance Sheet as at 31st March, 2011

	Schedule	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
CAPITAL AND LIABILITIES			
Capital	1	484,922	484,922
Reserves and Surplus	2	34,301,946	29,619,706
Deposits	3	446,759,350	372,371,604
Borrowings	4	11,046,502	11,002,064
Other Liabilities and Provisions	5	12,488,814	11,989,652
Total		505,081,534	425,467,948
ASSETS			
Cash and Balance with Reserve Bank of India	6	29,749,638	27,447,263
Balance with Banks, Money at Call & Short Notice	7	5,738,477	18,695,109
Investments	8	196,957,679	139,562,473
Advances	9	261,936,350	230,572,250
Fixed Assets	10	3,937,702	2,041,332
Other Assets	11	6,761,688	7,149,521
Total		505,081,534	425,467,948
Contingent Liabilities	12	255,176,641	114,992,485
Bills for Collection		14,616,755	5,922,643
Principal Accounting Policies	17		
Notes on Accounts	18		

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

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I 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 : 14th May, 2011

In terms of our report of even date annexed

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

For **Verma Associates**
Chartered Accountants
FRN: 002717N

For **P C Bindal & Co.**
Chartered Accountants
FRN: 003824N

For **K K Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. Salil Gupta
Partner
M.No. 097922

CA. Hemant Sharma
Partner
M.No. 503080

CA. Madan Verma
Partner
M.No. 081631

CA. Virender K. Maini
Partner
M. No. 088730

CA. A. K. Kakkar
Partner
M. No. 014493

Place : Srinagar

Dated : 14th May, 2011

Profit and Loss Account for the year ended 31st March, 2011

	Schedule	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
I INCOME			
Interest Earned	13	37,131,322	30,568,791
Other Income	14	3,647,562	4,162,357
Total		40,778,884	34,731,148
II EXPENDITURE			
Interest Expended	15	21,694,685	19,375,430
Operating Expenses	16	7,589,318	5,773,672
Provisions and Contingencies		5,342,862	4,458,258
Total		34,626,865	29,607,360
III NET PROFIT			
Total		6,152,019	5,123,788
IV APPROPRIATIONS			
Transferred to			
i) Statutory Reserve		1,538,005	1,288,947
ii) Capital Reserve		-	-
iii) Revenue and Other Reserve		3,144,235	2,587,075
iv) Proposed Dividend		1,260,423	1,066,512
v) Tax on Dividend		209,356	181,254
Total		6,152,019	5,123,788
Principal Accounting Policies	17		
Notes on Accounts	18		
Earnings per Share (Basic/Diluted)		126.90	105.69

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

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I 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 : 14th May, 2011

In terms of our report of even date annexed

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

For **Verma Associates**
Chartered Accountants
FRN: 002717N

For **P C Bindal & Co.**
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For **K K Goel & Associates**
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CA. Virender K. Maini
Partner
M. No. 088730

CA. A. K. Kakkar
Partner
M. No. 014493

Place : Srinagar

Dated : 14th May, 2011

Schedules to the Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 1 - CAPITAL		
Authorised Capital		
100,000,000		
Equity Shares of ₹ 10/- each	1,000,000	1,000,000
Issued		
48,499,602 Equity Shares of ₹ 10/= each	484,996	484,996
Subscribed and Paid-Up Capital		
48,477,802		
Equity Shares of ₹ 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	8,582,598	7,293,651
Additions during the year	1,538,005	1,288,947
Total	10,120,603	8,582,598
II. Capital Reserves		
Opening Balance	631,254	631,254
Additions during the year	-	-
Total	631,254	631,254
III. Share Premium		
Opening Balance	867,791	867,791
Additions during the year	-	-
Total	867,791	867,791
IV. Revenue and Other Reserves		
Opening Balance	19,538,063	16,950,988
Additions during the year	3,144,235	2,587,075
Total	22,682,298	19,538,063
Total (I,II,III & IV)	34,301,946	29,619,706

Schedules to the Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
i) From Banks	889,789	989,448
ii) From Others	52,708,940	47,934,473
Total	53,598,729	48,923,921
II. Saving Bank Deposits	127,268,251	102,608,073
III. Term Deposits		
i) From Banks	33,273,716	36,406,938
ii) From Others	232,618,654	184,432,672
Total	265,892,370	220,839,610
Total A (I+II+III)	446,759,350	372,371,604
B. I. Deposits of branches in India	446,759,350	372,371,604
II. Deposits of branches outside India	Nil	Nil
Total B (I+II)	446,759,350	372,371,604
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	217	-
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	5,001,285	5,002,064
Total	11,001,502	11,002,064
II. Borrowings outside India	45,000	-
Grand Total (I & II)	11,046,502	11,002,064
Secured borrowings included in I & II above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i) Bills Payable	3,330,534	3,611,239
ii) Inter Office Adjustments (Net)	634,770	744,671
iii) Interest Accrued on Non-cumulative deposits	1,204,770	1,102,235
iv) Provision Against Standard Assets	1,387,390	1,387,390
v) Other (Including Provisions)	5,931,350	5,144,117
Total (I to V)	12,488,814	11,989,652

Schedules to the Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA //		
I. Cash in Hand (Including Foreign Currency Notes)	1,710,341	1,304,937
II. Balance with Reserve Bank of India		
i) In Current Account	28,039,297	26,142,326
ii) In Other Accounts	-	-
Total (I+II)	29,749,638	27,447,263
SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE //		
I. In India		
i) Balance with Banks		
a) In Current Accounts	327,471	455,483
b) In Other Deposit Accounts	3,822,501	68,464
Total (i)	4,149,972	523,947
ii) Money At Call and Short Notice		
a) With Banks	1,318,000	17,849,815
b) With Other Institutions	-	-
Total (ii)	1,318,000	17,849,815
Total (i & ii)	5,467,972	18,373,762
II. Outside India		
i) In Current Accounts	270,505	49,347
ii) In Other Deposit Accounts	-	272,000
iii) Money at Call & Short Notice	-	-
Total II of (i, ii & iii)	270,505	321,347
Grand Total (I&II)	5,738,477	18,695,109

Schedules to the Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 8 - INVESTMENTS		
I. Investments in India		
Gross	197,270,228	139,925,031
Less: Provision for Depreciation	312,549	362,558
Net Investments	196,957,679	139,562,473
i) Government Securities	103,249,067	84,421,443
ii) Other Approved Securities	102,778	114,225
iii) Shares (Pref. + Equity)	2,919,489	632,773
iv) Debentures and Bonds (Including Suitfile)	19,279,370	14,238,404
v) Sponsored Institutions	221,071	2,423,774
vi) Others		
a) Certificate of Deposit	41,327,741	16,229,858
b) Mutual Funds	132,497	1,808,648
c) SIDBI	4,021,525	3,430,725
d) NABARD	2,817,750	2,066,450
e) Inv. In Subsidiary	50,000	50,000
f) Venture Capital	100,000	50,000
g) Rural Housing Development	1,469,425	1,168,925
h) Commercial Paper	4,747,104	4,142,838
i) Security Receipts	32,480	-
j) Rural Infrastructure Development Fund	16,487,382	8,784,410
Total (I)	196,957,679	139,562,473
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)	196,957,679	139,562,473
III. Investments Category-Wise		
a) Held to Maturity	122,271,780	95,899,385
b) Held for Trading	4,888	45,090
c) Available for Sale	74,681,011	43,617,998
Total (a+b+c)	196,957,679	139,562,473

Schedules to the Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 9 - ADVANCES		
A		
i) Bills Purchased and Discounted	5,705,636	3,647,428
ii) Cash Credits, Overdrafts and Loans		
Repayable on Demand	59,501,713	75,087,994
iii) Term Loans	196,729,001	151,836,828
Total	261,936,350	230,572,250
B		
i) Secured by Tangible Assets	211,902,452	190,764,239
ii) Covered by Bank/Govt. Guarantees	3,601,150	3,205,248
iii) Unsecured	46,432,748	36,602,763
Total	261,936,350	230,572,250
C		
I. Advances in India		
i) Priority Sector	102,744,661	86,322,853
ii) Public Sector	5,389,933	6,454,752
iii) Banks	6,479,532	19,930
iv) Others	147,322,224	137,774,715
Total	261,936,350	230,572,250
II. Advances Outside India		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
Grand Total (I & II)	261,936,350	230,572,250
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
a) Gross Block at the beginning of the year	1,857,387	1,837,871
Additions during the year	1,825,225	20,701
	3,682,612	1,858,572
Deductions during the year	446	1,185
Total (a)	3,682,166	1,857,387
Depreciation to date	978,115	904,550
	2,704,051	952,837
b) Advance against flats	-	-
c) Constructions work in progress	21,338	13,249
Total (I) [a+b+c]	2,725,389	966,086

Schedules to the Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 10 - FIXED ASSETS contd. //		
II. Other Fixed Assets		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	3,756,121	3,341,106
Additions during the year	501,598	442,618
	4,257,719	3,783,724
Deductions during the year	58,836	27,603
	4,198,883	3,756,121
Depreciation to date	2,986,570	2,680,875
Total (II)	1,212,313	1,075,246
Grand Total (I & II)		
	3,937,702	2,041,332
SCHEDULE 11 - OTHER ASSETS //		
I. Interest Accrued but not Due	3,092,661	2,169,150
II. Interest Accrued and Due	3,325	9,158
III. Inter Office Adjustment (Net)	-	-
IV. * Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	596,113	705,031
V. Stationery and Paper in Hand	24,831	25,310
VI. Deferred Tax Asset	212,611	109,100
VII. Others	2,832,147	4,131,772
Total	6,761,688	7,149,521
* Includes both IncomeTax as well as Fringe Benefit Tax		
SCHEDULE 12 - CONTINGENT LIABILITIES //		
I. Claims against the Bank not acknowledged as debts	785,501	751,612
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts	166,885,640	71,037,873
IV. Guarantees given on behalf of constituents:-		
a) In India	13,391,122	11,077,063
b) Outside India	830,378	51,137
V. Acceptances, Endorsements & Other Obligations	73,284,000	32,074,800
VI. Other items for which the Bank is Contingently liable	-	-
Total	255,176,641	114,992,485

Schedules to the Profit & Loss Account for the year ended 31st March, 2011

	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	26,296,049	23,417,106
II. Income on Investments (Net of Amortization)	10,661,455	7,045,867
III. Interest on Balances with R.B.I and other Inter Bank Funds	173,818	105,818
Total	37,131,322	30,568,791
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange & Brokerage	1,271,796	1,038,992
II. Profit on Sale of Investments (Less loss on sale of investments)	923,802	1,734,474
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)	188,295	143,943
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	261,363	305,956
VII. Miscellaneous Income	1,002,306	938,992
Total	3,647,562	4,162,357
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	20,691,694	18,406,053
II. Interest on RBI/Inter-Bank Borrowings	462,991	831,418
III. Others/Subordinate Debt	540,000	137,959
Total	21,694,685	19,375,430
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for Employees	5,236,100	3,663,609
II. Rent, Taxes and Lighting	378,566	346,183
III. Printing and Stationery	51,297	50,283
IV. Advertisement and Publicity	59,942	62,309
V. Depreciation on Bank's Property	379,261	369,330
VI. Directors Fees, Allowances and Expenses	5,831	4,798
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	67,590	62,929
VIII. Law Charges	8,035	8,727
IX. Postage, Telegrams, Telephones etc.	58,087	69,598
X. Repairs and Maintenance	50,019	66,526
XI. Insurance	295,721	236,953
XII. Other Expenditure	998,869	832,427
Total	7,589,318	5,773,672

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 over the period of contract.

3. Investments

- i) Investments are classified into “Held-to-Maturity”, “Available-for-Sale” and “Held-for-Trading” categories, in accordance with the guidelines issued by Reserve Bank of India.
- ii) Bank decides the category of each investment at the time of acquisition and classifies the same accordingly.
- iii) “Held-to- Maturity” category comprises securities acquired by the Bank with the intention to hold them up to maturity. “Held-for-Trading” category comprises securities acquired by the Bank with the intention of trading. “Available-for-Sale” securities are those, which do not qualify for being classified in either of the above categories.
- iv) Investments classified as “Held-to-Maturity” (HTM) category are carried at acquisition cost unless it is more than the face/ redemption value, in which case the premium is amortized over the period remaining to the maturity.
- v)
 - a) The individual scrip’s in the “Available-for-Sale” category are marked to market at quarterly intervals. The net depreciation under each of six classifications under which investments are presented in the balance sheet is fully provided for, whereas the net appreciation under any of the aforesaid classifications is ignored.
 - b) The market value for the purpose of periodical valuation of investments, included in “Available for Sale” and “Held for trading” categories is based on the market price available from the trades/quotes on stock exchanges. Central/ State Government securities, other approved securities, debentures and Bonds are valued as per the prices/YTM rates declared by FIMMDA.

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

Schedules Principal Accounting Policies

- viii) a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security
- b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in “Held-to-Maturity” category, an equivalent amount of profit net of taxes is appropriated to the “Capital Reserve Account”.
- ix) Interest accrued up to the date of acquisition of securities i.e. broken period interest is excluded from the acquisition cost and recognized as interest expense. Broken period interest received on Sale of securities is recognized as interest income.
- x) Brokerage paid on securities purchased is charged to revenue account.
- xi) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.
- xii) Transfer of securities from one category to another is done at the least of the acquisition cost/book value/market value on the date of transfer.
- xiii) Repurchase & Reverse repurchase transactions are accounted for in accordance with the extant RBI guidelines.
- xiv) Bank is following settlement date accounting policy as per RBI guidelines.
- xv) In accordance with RBI circular No. IDMD 4135/11.08.43/2009-10 dated 23.03.2010, the Bank has made changes in accounting for Repo/ Reverse Repo transactions (Other than transactions under the liquidity adjustment facility (LAF) with the RBI). Accordingly the securities sold and purchased under Repo/Reverse Repo are accounted for as collateralized lending and borrowing transactions. However, securities are transferred as in case of normal outright sale/purchase transactions and such movement of security is reflected using Repo/Reverse Repo accounts and contra entries. The above entries are reversed on the date of maturity. Cost and revenue are accounted as interest expenditure/Income as the case may be. Balance in Repo account is classified under schedule 4 (Borrowing) and balance in Reverse Repo account is classified under schedule 7 (Balance with Banks & money at call & short notice).

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%

Schedules Principal Accounting Policies

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

- e) The expenditure incurred towards furniture & fixture in building (M-6G) being used as Chairman's residence has been treated as asset of the Bank under this head. The expenditure on repairs and renovation of this building has been charged to revenue, as the building is not owned by the Bank, hence not capitalized.
- f) Depreciation on additions to Assets made up to 30th September of the year is provided for at full rates and on additions thereafter at 50% of the rates. No depreciation is provided on assets sold/ discarded during the year.
- g) Premium paid for Leasehold properties is 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. However, in respect of transition liability 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 the guidelines issued by the Reserve Bank of India.
- b) Recovery in Non Performing Assets is appropriated first towards the interest and there after towards principal/ arrears of asset.
- c) Interest on overdue term deposits is provided at Savings Bank Rate of Interest.
- d) Fee, commission (other than insurance commission), exchange, locker rent, insurance claims and dividend on shares and units in Mutual Fund are recognized on realization basis.
- e) Income from interest on income tax/ other tax refunds is accounted for on the basis of orders passed by the Competent Authorities.
- f) Unforeseen income/ expenses are accounted for in the year of receipt/ payment.
- g) Stationery issued to branches has been considered as consumed.

8. Credit Card reward Points

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

9. Profit

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

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

Schedules Principal Accounting Policies

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.

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. Reconciliation/adjustment of inter bank/ inter branch transactions, branch suspense, Government Transactions, Nostro, System Suspense, Clearing, and Sundry Deposits is in progress on an ongoing basis. The impact, in the opinion of the management of the un-reconciled entries, if any, on the financial statements would not be material.

2. Tax paid in Advance/ Tax deducted at source includes amount adjusted by Income Tax Department in respect of various disputed demands. Based on the favorable appellate orders and interpretation of law, no further provision has been considered by the management in respect of the disputed demands.

3. Fixed Assets

- i) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at ₹ 0.53 Crores (previous year ₹ 0.62 Crores). In respect of immovable properties valued at ₹ 6.84 Crores (previous year ₹ 7.60 Crores) bank holds agreement to sell along with the possession of the properties.
- ii) The Bank has also acquired certain fixed assets valued at ₹ 319.72 lacs 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. Further the mobile phones are depreciated @50% on straight line method.
- iv) Depreciation on Banks property includes amortization in respect of leased properties amounting to ₹ 13.12 Lacs (previous year ₹ 13.12 Lacs). The book value of these properties as on 31.03.2011 was ₹ 11.36 Crores (previous year ₹ 11.50 Crores).

4. Capital

Particulars	31.03.2011	31.03.2010
CRAR (%)		
Basel –I	13.30%	14.81%
Basel-II	13.72%	15.89%
CRAR – Tier I capital (%)		
Basel – I	10.99%	11.91%
Basel –II	11.33%	12.79%
CRAR – Tier II capital (%)		
Basel –I	2.31%	2.90%
Basel –II	2.39%	3.10%
Percentage of the share holding of the Government of India in nationalized Banks	Not Applicable	Not Applicable
Amount of subordinated debt raised during the year as Tier II capital	Nil	600 (Crores)

Schedules Notes on Accounts

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

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

5. Investments

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

6. The Bank has ₹ 70,00,000 as share capital and ₹ 21,40,70,800 in share capital deposit account in its sponsored Regional Rural Bank (J& K Grameen Bank).
7. The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 220.27 Crores as on 31.03.2011 (Previous year ₹ 220.27 Crores). In compliance with RBI Letter No. DBOD.BP.07099/21.4.141/2008-09 dated 9th April, 2009, the investment stands transferred to AFS Category on 1st October, 2009. The valuation has been carried out at an average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines & the consequent appreciation has been ignored in view of the Accounting Policy in respect of such investments

8. Details of Investments

(₹ In Crores)

S. No.	Items	31.03.2011	31.03.2010
1.	Value of Investments		
	Gross value of investments		
a)	In India	19727.02	13992.50
b)	Outside India	Nil	Nil
	Provision for depreciation		
a)	In India	31.26	36.26
b)	Outside India	Nil	Nil
	Net value of investments		
a)	In India	19695.76	13956.24
b)	Outside India	Nil	Nil
2.	Movement of provision held towards the depreciation on investments		
(i)	Opening balance	36.26	77.80
(ii)	Add: Provisions made during the year	45.80	4.21
	Less: Write-off/ write back of excess provisions during the year	50.80	45.75
(iii)	Closing balance	31.26	36.26

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

(₹ In Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.11
Securities sold under repos	0.00	950.00	104.55	Nil
Securities purchased under reverse repos	0.00	900.00	57.45	Nil

Schedules Notes on Accounts

10. Non-SLR Investment portfolio

(₹ In Crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
			(i)	(ii)	(iii)	(iv)
1	PSUs	118.34	0.00	0.00	0.00	0.00
2	FIs (incl NBFC's AIF'S)	434.32	40.60	0.00	0.00	0.63
3	Banks (inc CD's)	4286.45	0.00	0.00	0.00	1.34
4	Private Corporates (inc CP's)	1757.57	869.78	20.00	20.00	20.00
5	Subsidiaries	27.11	0.00	0.00	0.00	0.00
6	Others	2766.23	0.00	0.00	0.00	0.00
	Total	9390.02	910.38	20.00	20.00	21.97
7	Provision held towards depreciation	29.45	0.00	0.00	0.00	0.00
	Total	9360.57	910.38	20.00	20.00	21.97

The Bank's investment in unlisted securities as on 31.03.2011 is 0.40% (previous year 1.31%) which is well within the RBI stipulated limit of 10%.

10.1 Non-SLR Non-performing investments

(₹ In Crores)

Particulars	Amount as on 31.03.2011	Amount as on 31.03.2010
Opening Balance	20.00	74.73
Additions during the year	0.00	0.00
Reductions during the year	0.00	54.73
Closing Balance	20.00	20.00
Total Provision held including floating provisions of ₹ 2.76 Crores	22.76	22.76

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

(₹ In Crores)

Particulars	As on 31.03.2011				As on 31.03.2010			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	0.00	860.87	9464.04	10324.91	0.00	777.29	7664.85	8442.14
Other approved securities	0.00	0.00	10.28	10.28	0.00	0.00	11.42	11.42
Shares (Equity & Pref.)	0.49	291.46	0.00	291.95	4.51	58.77	0.00	63.28
Debentures & Bond	0.00	1691.78	236.15	1927.93	0.00	1087.33	336.51	1423.84
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	4623.98	2489.60	7113.58	0.00	2438.40	1550.05	3988.45
Sub Total	0.49	7468.09	12227.18	19695.76	4.51	4361.79	9589.94	13956.24
Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total	0.49	7468.09	12227.18	19695.76	4.51	4361.79	9589.94	13956.24

Schedules Notes on Accounts

11. Derivatives

11.1 No forward rate agreements / interest rate swaps were undertaken by the bank during the year.

11.2 The bank has not entered into exchange traded interest rate derivatives transactions during the year

11.3 Disclosures on Risk exposures in derivatives

a) Qualitative Disclosures

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

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

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

b) Quantitative Disclosures

(₹ In Crores)

S. No.	Particulars	Currency derivatives 31.03.2011	Interest rate derivatives 31.03.2011	Currency derivatives 31.03.2010	Interest rate derivatives 31.03.2010
i)	Derivatives (Notional Principal Amount)				
	a) For hedging	Nil	Nil	Nil	Nil
	b) For trading	Nil	Nil	Nil	Nil
ii)	Marked to market positions [1]				
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	Nil	Nil
iii)	Credit exposure [2]	Nil	Nil	Nil	Nil
iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	Nil	Nil	Nil	Nil
	b) on trading derivatives	Nil	Nil	Nil	Nil
v)	Maximum & Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil

Forward Exchange contracts as on 31.03.2011

	₹ in Lacs of Rupees
Forward Exchange Contracts	
Up to 14 days	53499.10
Beyond 14 day	1615357.30
Total	1668856.40

Schedules Notes on Accounts

12. Non Performing Assets

A. Movement in Gross NPA's

(₹ In Crores)

S. No.	Particulars	31.03.2011	31.03.2010
1	Gross NPAs as on 1st April, 2010 (Opening Balance)	462.31	559.27
2	Additions (Fresh NPAs) during the Year	289.14	188.78
3	Sub Total (1 & 2)	751.46	748.05
	(Less)		
4	Up gradation	44.61	127.78
5	Recoveries (excluding recoveries made from upgraded accounts)	113.57	126.58
6	Write-offs	74.45	31.38
7	Sub Total (4, 5 & 6)	232.63	285.74
8	Gross NPAs as on 31.03.2011 (3-7)	518.83	462.31

B) Movement in Net NPA's

(₹ In Crores)

S. No.	Particulars	31.03.2011	31.03.2010
1	Net NPAs as on 1st April, 2010 (Opening Balance)	64.33	287.51
2	Additions during the Year	222.79	64.93
3	Sub Total (1 & 2)	287.12	352.44
	(Less)		
4	Up gradation	44.61	127.78
5	Recoveries (excluding recoveries made from upgraded accounts)	113.57	126.58
6	Write-offs	74.45	31.38
7	Sub Total (4, 5 & 6)	232.63	285.74
8	Net NPAs as on 31.03.2011 (3-7)	53.24*	64.33*

*Net NPA has been arrived after reducing net interest suspense of ₹ 1.25 Crores.(previous year ₹ 3.66 Crores & current year ₹ 4.90 Crores)

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

(₹ In Crores)

S. No.	Particulars	31.03.2011	31.03.2010
(a)	Opening Balance *	394.32	270.48
(b)	Add/Transfer Provision made during the year	130.00	150.00
(c)	Less write-off	63.64	26.16
(d)	Closing Balance *	460.68	394.32
(e)	NPA Coverage Ratio	92.71%	90.13%

*Including floating provision of ₹ 52.90 Crores. The Provision Coverage Ratio for the Bank as on 31.03.2011 is 92.71% which is calculated after taking into account technical write off.

Schedules Notes on Accounts

13. Particulars of Accounts Restructured

(₹ In Crores)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	Nil	3	2354
	Amount outstanding	Nil	147.85	500.61
	Sacrifice (diminution in the fair value)	Nil	3.30	13.95
Sub standard advances restructured	No. of Borrowers	Nil	Nil	Nil
	Amount outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Doubtful advances restructured	No. of Borrowers	Nil	Nil	Nil
	Amount outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Total	No. of Borrowers	Nil	3	2354
	Amount outstanding	Nil	147.85	500.61
	Sacrifice * (diminution in the fair value)	Nil	3.30	13.95

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

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

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

(₹ In Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	1	1
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	Nil	Re.1
3.	Aggregate Consideration	25.51	3.00
4.	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
5.	Aggregate gain/loss over net book value	25.51	3.00

15. Details of non performing financial assets purchased.

(₹ In Crores)

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

Schedules Notes on Accounts

16. Provisions on standard Assets

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
Provision towards Standard Assets	138.74	138.74

Bank holds a provision of ₹ 138.74 Crores on standard assets (previous year ₹ 138.74 Crores) which has been arrived at in accordance with RBI guidelines. No further provision was required during the current year.

17. Business Ratios

S. No.	Particulars	31.03.2011	31.03.2010
i)	Interest income as a percentage to working fund.*	8.31%	8.11%
ii)	Non-Interest income as a percentage to working funds.*	0.82%	1.10%
iii)	Operating profit as a percentage to working funds.*	2.57%	2.54%
iv)	Return on Assets.**	1.22%	1.20%
v)	Business (deposits plus advances) per employee***	₹ 8.56 Crores	₹ 7.31 Crores
vi)	Profit per employee	₹ 0.08 Crores	₹ 0.07 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.

18. Asset Liability Management

i) Maturity pattern of certain items of assets and liabilities as on 31.03.2011

(₹ In Crores)

Particulars	Next Day	2 to 7 Days	8 to 14 Days	15 Days to 28 Days	29 Days upto 3 mnths	Over 3 Mnths & upto 6 mnths	Over 6 Mnths & upto 1 year	Over 1 Yr & upto 3 years	Over 3 Yrs & upto 5 years	Over 5 years	TOTAL
Deposits	180.07	1051.68	1504.42	1142.78	2423.58	1321.88	4073.85	26956.98	5776.99	243.71	44675.94
Borrowings	0.00	0.00	0.00	0.00	0.00	504.65	0.00	0.00	0.00	600.00	1104.65
Investments	0.00	197.52	384.13	951.26	2647.07	1110.42	920.49	2312	4062.22	7110.66	19695.77
Advances	126.54	481.54	362.62	426.29	2231.07	1927.59	3505.9	11675.47	3218.72	2237.9	26193.64

Schedules Notes on Accounts

ii) Details of Foreign currency Assets/ Liabilities (Maturity Pattern) as on 31.03.2011

Liabilities

(₹ In Crores)

Particulars	1 to 14 days	15 to 28 days	29 days to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1 year	Over 1 year upto 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
USD	324.79	241.76	2399.65	1125.35	3982.35	16.09	6.95	0.00	8096.94
EURO	7.29	0.00	93.87	45.63	21.68	1.91	0.82	0.00	171.20
GBP	4.88	0.00	1.46	0.74	1.74	6.90	3.33	0.00	19.05
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.00	0.46	0.46	0.00	0.05	0.42	0.00	0.00	1.39
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHF	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
Total	337.06	242.22	2495.44	1171.72	4005.82	25.32	11.10	0.00	8288.68

Assets

(₹ In Crores)

Particulars	1 to 14 days	15 to 28 days	29 days to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1 year	Over 1 year upto 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
USD	382.00	218.74	2429.24	1157.04	3945.33	0.00	0.00	0.00	8132.35
EURO	13.18	4.33	83.84	47.71	21.81	0.00	0.00	0.00	170.87
GBP	12.42	2.31	2.19	2.07	0.00	0.00	0.00	0.00	18.99
J.YEN	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22
AUD	0.51	0.00	0.46	0.00	0.00	0.00	0.00	0.00	0.97
CAD	0.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.51
CHF	0.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.49
SAR	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.23
Total	409.56	225.38	2515.73	1206.82	3967.14	0.00	0.00	0.00	8324.63

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

Schedules Notes on Accounts

19. Lending to Sensitive Sector

19.1 Exposure to Real Estate Sector

(₹ In Crores)		
Particulars	31.03.2011	31.03.2010
1 Direct exposure		
i) Residential mortgages		
Lending's fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	1077.69	810.49
ii) Commercial real estate	1322.77	1415.63
Lending's secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc). Exposure would also include non-fund based (NFB) limits.		
iii) Investment in mortgage backed securities and other securitized exposures		
a) Residential	Nil	Nil
b) Commercial real estate	Nil	Nil
2 Indirect exposure		
(Fund based & non fund based exposure on National Housing Bank and housing finance companies)	542.43	55.96

19.2 Exposure to Capital Market

(₹ In Crores)		
Particulars	Current Year	Previous Year
i) Direct investment in Equity shares, Convertible bonds, convertible debentures and units of equity –oriented mutual funds the corpus of which is not exclusively invested in corporate debt	305.52	367.20
ii) Advances against shares/bonds /debentures or other securities or on clean basis to individuals for investments in shares (including IPOs/ESPOs) convertible bonds convertible debentures and units of equity –oriented mutual funds	0.23	80.35
iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	81.79	
iv) Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e where the primary security other than shares /convertible bonds /convertible debentures /units of equity oriented mutual funds does not fully cover the advances	200.07	
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers	Nil	0.06
vi) Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources	Nil	
vii) Bridge loans to companies against expected equity flows /issues		
viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds		
ix) Financing \to stock brokers for margin trading		
x) All exposures to venture Capital Funds (both registered and unregistered)	25.0	5.00
Total	612.61	452.61

The data on lending to Sensitive Sector has been compiled on the basis of information furnished by the branches/offices

Schedules Notes on Accounts

20. Risk category wise country exposure

(₹ In Crores)

Category	Risk Category	Exposure (Net) as at March 2011	Provisions held as at March 2011	Exposure (Net) as at March 2010	Provisions held as at March 2010
A1	Insignificant	64.30	0.00	18.22	0.00
A2	Low	0.71	0.00	0.97	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	65.01	0.00	19.19	0.00

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

The Bank has not exceeded single borrower/Group borrower limit as on 31.03.2011. However the highest balance in the State Government account during the financial year 2010-11 has been recorded at ₹ 2782.41 Crores.

(₹ In Crores)

Name of the Borrower	Exposure Ceiling	Maximum Outstanding	Balance as on 31.03.2011
State Government of J&K	1667.62	2782.41	Nil

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

The advances of the Bank as on 31st March, 2011 against intangible security of Rights, Licenses and Authorizations are Nil.

23. Details of provisions:

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
Tax expense		
i) Income Tax	329.45	280.37
ii) Deferred Tax Liability/ (asset)	(10.35)	(1.22)
iii) Wealth Tax	0.09	0.08
Provision against NPA's	130.00	150.00
Provision for depreciation on investments	41.03	(38.81)
Provision for funded interest term loan	5.00	6.45
Provision for frauds and embezzlements	1.95	1.59
Provision for diminution in the fair value of restructured /rescheduled advances	16.08	22.07
Other provisions & contingencies	21.03	24.89
Provision for contingent liabilities	0.00	0.42
Total	534.28	445.83

Schedules Notes on Accounts

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

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

25.1 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.

25.2 Accounting Standard 9- Revenue Recognition

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

25.3 Accounting Standard 15 – Retirement Benefit

- a) In view of Accounting Standard-15 (Revised 2005) issued by The Institute of Chartered Accountants of India, the Bank in respect of its Defined Benefit Plans (Pension, Gratuity, and Leave Encashment) on first adopting this statement as on 01-04-2007, has a transitional Liability of ₹ 149.70 Crores as per Actuarial Valuation. The 1/5th of this liability on a straight-line basis amounting to ₹ 29.94 Crores has been recognized as an expense during the year 2010-11(4th year) and the remaining unrecognized amount of ₹ 29.94 Crores is carried forward to next year.
- b) The disclosure required under Accounting Standard 15 “Employee Benefits- issued by the Institute of Chartered Accountants of India are as under”:

Defined Contribution Plan

Consequent upon the change of the option by the employees from Defined Provident Fund Contribution plan to Defined Pension Benefit Plan, the balance of the employer’s contribution to Provident Fund to the tune of ₹ 6,13,00,890/- has been transferred to the Pension Fund for the employees. In respect of employees who still hold the option of provident fund matching contribution has been made.

Defined Benefit Plans

The Employee’s Gratuity Fund Scheme, Pension Fund and Leave Encashment are defined benefit plans. The present value of obligation is determined based on Actuarial Valuation using the Projected Unit Credit Method, which 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.

Schedules Notes on Accounts

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

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value Of obligation 01.04.2010	967551182	3596194065	411582490
Interest Cost	76393170	287695525	32861001
Current Service Cost	65564984	328995302	39543122
Past Service Cost	603675273	0	0
Benefits Paid	-25273115	0	-1639963
Actuarial (gain) loss on Obligation	(382499366)	99462420	162773217
Present Value Of obligation 31.03.2011(Projection)	1305412128	4312347312	645119867
Fair value of plan Assets 01.04.2010	725300000	3400000000	0
Expected Return On plan assets	66972003	287386224	0
Contributions	153156041	0	1639963
Benefits Paid	-25273115	0	(1639963)
Actuarial gain (Loss) Plan Assets	28845152	97269373	0
Fair value of plan Assets 31.03.2011	949000081	3784655597	0
Total Actuarial gain (loss) to be recognized	411344518	(2193047)	(162773217)
Balance Sheet Recognition			
Present Value Of Obligation	1305412128	4312347312	645119867
Fair Value Of Plan Assets	(949000081)	(3784655597)	0
Liability (assets)	356412047	527691715	645119867
Unrecognized Past Service Cost	0	0	0
Liability (asset) recognized in the Balance Sheet**	356412047	527691715	645119867
Less: Liability already recognized	0	0	322749748
Plus : 1/5th Amortized Transitional Liability			
Total of three plans : ₹ 299402918	89095141	152255772	58052005
Less: Transition Remaining			
Total of three plans : ₹ 598805836	89095141	152255772	58052005
Current Year Liability/(Asset)			
Total of three plans: ₹ 293067766	356412047	527691715	322370119
Profit & Loss – Expenses			
Current Service Cost	65564984	328995302	39543112
Interest Cost	76393170	287695525	32861001
Expected Return On plan assets	(66972003)	(287386224)	0
Net Actuarial gain (loss) recognized in the year	(411344518)	2193047	162773217
Past Service Cost	603675273	0	0
Expenses Recognized in the statement of Profit & Loss	267316906	331497650	235177340
Actual Return on Plan Assets			
Expected Return on plan assets	66972003	287386224	-
Actuarial gain (Loss) plan assets	28845152	0	-
Actual Return on plan assets	95817155	287386224	-

Schedules Notes on Accounts

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Movement in the net Liability recognized in the Balance Sheet			
Opening net Liability	242251182	196194065	411582490
Expenses	267316906	331497650	235177340
Contribution	(153156041)	0	(1639963)
Closing Net Liability	356412047	527691715	645119867
Actuarial Assumption			
Mortality Table (L.I.C.)	1994-96 Ultimate	1994-96 Ultimate	1994-96 Ultimate
Discount Rate (Per Annum)	8% P.A	8.34% 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	3%	3%	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

25.4 Accounting Standard 17 – Segment Reporting

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

(₹ In Crores)

Description	Year Ended 31.03.2011	Year Ended 31.03.2010
A Segment Revenue (Income)		
i. Treasury Operations	1197.66	914.46
ii. Corporate/Whole sale Banking	1383.82	1129.18
iii. Retail Banking	1925.08	1755.56
iv. Other Banking Business	34.59	38.43
Total	4541.15	3837.63
(Less): Inter segment revenue	463.26	364.52
Total Income from Operations	4077.89	3473.11
B Segment Results (Profit before tax)		
i. Treasury Operations	(4.87)	86.13
ii. Corporate /Wholesale Banking	583.31	457.67
iii. Retail Banking	327.71	215.81
iv. Other Banking Business	28.24	32.00
Total Profit before tax	934.39	791.61
C Capital Employed (Segment Assets-Segment Liabilities)		
i. Treasury Operations	19755.23	14603.10
ii. Corporate/Wholesale Banking	(2448.99)	851.91
iii. Retail Banking	(17311.83)	(15466.04)
iv. Other Banking Business	5.59	11.03
Total	0	0

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

Schedules Notes on Accounts

25.5 Accounting Standard 18 – Related party disclosures as on 31.03.2011

(₹ In Crores)

Items/Related Party	J&K GRAMEEN BANK (Associates)	JKB Financial Services Ltd.
Deposits	783.87	5.52
Advances	4.58	0
Investments	22.10	5.00
Interest Paid	53.76	0.26
Interest/Commission Received	0.46	0.0
Salary	Nil	Nil

(₹ in Lakhs)

Items/Related Party	K.M.P*	K.M.P*	K.M.P*	K.M.P*
	Mr. Mushtaq Ahmad (Chairman)	Mr. A. K. Mehta (ED)	Mr. Abdul Majid Mir (ED)	Dr. H. A. Drabu (Ex. Chairman)
Deposits	0.00	0.00	0.00	0.00
Advances	5.83	0.00	6.93	24.76
Investments	0.00	0.00	0.00	0.00
Interest paid	0.60	0.00	0.12	2.03
Interest/Commission Received	0.00	0.00	0.00	0.00
Salary	17.55	12.33	12.33	14.64

* Key Managerial Personnel

25.6 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.

25.7 Accounting standard 20 – Earning per share

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
Net Profit available to Equity Share Holders	615.20	512.38
No. of Equity Shares	48477802	48477802
Basic/Diluted Earning per share (in Rupees)	126.90	105.69
Face value per share	₹ 10/-	₹ 10/-

25.8 Accounting Standard –21 (Consolidated Financial Statements)

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

Schedules Notes on Accounts

25.9 Accounting standard 22 – Accounting for taxes on income

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

	(₹ In Lacs)	
	Deferred Tax Asset	Deferred Tax Liabilities
Timing Difference		
Depreciation on Assets	Nil	1.33
Leave encashment	2127.45	Nil

Net Deferred Tax Asset : ₹ 2126.11lacs

Tax Impact : ₹ 1035.12 lacs

25.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹ 0.55 Crores on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 0.32 Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 0.23 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.

25.11 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.

25.12 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 ₹ 49.24 lacs is outstanding as on 31.03.2011 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. .

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

26. Other Disclosures

Foreign Exchange

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

Claims pending with ECGCI amounts to ₹ 37.93 Crores (Previous year ₹ 22.53 Crores)

- b) Concentration of Deposits, Advances, Exposures & NPA's

26.1 Concentration of Deposits

	(₹ In Crores)
Total Deposits of 20 largest depositors	5911
Percentage of 20 largest deposits to total Deposits of the Bank	13.23

Schedules Notes on Accounts

26.2 Concentration of Advances

	(₹ In Crores)
Total Advances to twenty largest borrowers	6342
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	24.21

26.3 Concentration of Exposures

	(₹ In Crores)
Total Exposure to twenty largest borrowers customers	8834
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on borrowers/customers	19.25

26.4 Concentration of NPA'S

	(₹ In Crores)
Total Exposure to top four NPA accounts	77.33

26.5 Sector wise NPA'S*

S No.	Sector	(₹ In Crores)
		Percentage of NPA to Total advances in that sector
1	Agriculture & Allied activities	1.09%
2	Industry (Micro & Small Medium and Large)	2.52%
3	Services	3.77%
4	Personal Loans	1.93%

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

26.7 Overseas Assets, NPA's and Revenues

S No.	Particulars	(₹ In Crores)
1	Total Assets	Nil
2	Total NPAs	Nil
3	Total Revenue	Nil

Schedules Notes on Accounts

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

Name of the SPV sponsored	
Domestic	Overseas
Nil	Nil

27. Details of floating provisions

27.1 Advances

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
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

27.2 Investments

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
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

28. Customer Complaints

A	No. of complaints pending at the beginning of the year	31
B	No. of complaints received during the year	166
C	No. of complaints redressed during the year	140
D	No. of complaints pending at the end of the year	57

29. 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

Schedules Notes on Accounts

- 30.** 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.

30.1 Payments to and Provisions for employees include arrears of wage revision of ₹ 49 Crores Previous year (₹ 75.92 Crores)

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

	(₹ In Crores)
Opening Provision Balance as on 01.04.2010	0.25
Provisions made during the year 2010-11	0.65
Redemption made during the year	0.33
Closing Balance at the end of year	0.57

- 30.3** 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:-

		(₹ In Crores)
S. No.	Nature of Income	March 2011
1	For selling life insurance policies	15.13
2	For selling non-life insurance policies	4.91
3	For selling mutual fund products	0.04
4	Others – (Logo Charges)	5.74

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

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I 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 : 14th May, 2011

In terms of our report of even date annexed

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

For **Verma Associates**
Chartered Accountants
FRN: 002717N

For **P C Bindal & Co.**
Chartered Accountants
FRN: 003824N

For **K K Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. Salil Gupta
Partner
M.No. 097922

CA. Hemant Sharma
Partner
M.No. 503080

CA. Madan Verma
Partner
M.No. 081631

CA. Virender K. Maini
Partner
M. No. 088730

CA. A. K. Kakkar
Partner
M. No. 014493

Place : Srinagar

Dated : 14th May, 2011

Part IV of Schedule VI to the Companies Act, 1956

I. REGISTRATION DETAILS

Registration No. 4 6 State Code 0 7

Balance Sheet Date 3 1 0 3 2 0 1 1

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

Public Issue N I L Rights Issue N I L

Bonus Issue N I L

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

Total Liabilities 5 8 5 0 8 1 5 3 4 Total Assets 5 0 5 0 8 1 5 3 4

SOURCES OF FUNDS

Paid Up Capital 4 8 4 9 2 2 Reserves and Surplus 3 4 3 0 1 9 4 6

Secured Loans N I L Unsecured Loans 1 1 0 4 6 5 0 2

Deposit 4 4 6 7 5 9 3 5 0

APPLICATION OF FUNDS

Net Fixed Assets 3 9 3 7 7 0 2 Investments 1 9 6 9 5 7 6 7 9

Advance 2 6 1 9 3 6 3 5 0 Misc. Expenditure N I L

Net Current Assets 2 9 7 6 0 9 8 9 Miscellaneous Expenditure N I L

Accumulated Losses N I L

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

Total Income 4 0 7 7 8 8 8 4 Total Expenditure 3 4 6 2 6 8 6 5

Profit Before Tax 9 3 4 3 9 2 3 Profit After Tax 6 1 5 2 0 1 9

Earning per Share in ₹ 1 2 6 . 9 0 Dividends Rate (%) 2 6 0 . 0 0

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

Item Code No (ITC Code) N I L

Product Description B A N K I N G S E R V I C E S

Cash Flow Statement for the year ended 31st March, 2011

	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
A Cash Flow from Operating Activities	(6,590,862)	(11,091,795)
B Cash Flow from Investing Activities	(2,275,629)	(416,520)
C Cash Flow from Financing Activities	(1,787,765)	4,903,067
Net Change in Cash and Cash Equivalents	(10,654,257)	(6,605,248)
D Cash and Cash Equivalents at the beginning of the year	46,142,372	52,747,620
E Cash And Cash Equivalents at the end of the year	35,488,115	46,142,372
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Taxes	6,152,019	5,123,787
Add: Provision for Taxes	3,191,905	2,792,335
Net profit before taxes (i)	9,343,924	7,916,122
Adjustment for :		
Depreciation charges	379,261	369,329
Provision for NPA's	1,300,000	1,500,000
Depriciation on investment	410,311	(388,133)
Other provisions	440,646	554,055
Interest paid on subordinate Bonds (Financing Activities)	540,000	137,959
Total adjustment	3,070,218	2,173,210
Operating profit before change in Operating assets & liabilities (i) + (ii)	12,414,142	10,089,332
Adjustment for changes in Operating Assets & Liabilities		
Increase / (Decrease) in Deposits	74,387,746	42,330,568
Increase / (Decrease) in Borrowings	44,438	(4,964,201)
Increase / (Decrease) in Other liabilities & provisions	(2,669)	670,759
increase / (Decrease) in Investments	(57,805,517)	(31,810,992)
Increase / (Decrease) in Advances	(32,824,930)	(22,988,800)
Increase / (Decrease) in Other Assets	382,426	(1,626,647)
Net Cash flow from Operating activities (iii)	(15,818,505)	(18,389,313)
Cash generated from operation (i + ii + iii)	(3,404,364)	(8,299,981)
Less : Tax paid	3,186,498	2,791,814
Total : (A)	(6,590,862)	(11,091,795)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
a) Fixed Assets	(2,275,629)	(416,520)
Total : (B)	(2,275,629)	(416,520)
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 & Dividend Tax Paid	(1,247,765)	(958,974)
f) Interest Paid on Subordinate Debt	(540,000)	(137,959)
Total : (C)	(1,787,765)	4,903,067

Cash Flow Statement for the year ended 31st March, 2011

	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING 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 : (D)	46,142,372	52,747,620
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
a) Cash in hand & Balance with R.B.I	29,749,638	27,447,263
b) Balance with Banks & Money at Call & Short Notice	5,738,477	18,695,109
Total : (E)	35,488,115	46,142,372

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I 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 : 14th May, 2011

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 14th May, 2011 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, 2011 and 31st March, 2010. 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 **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

CA. Salil Gupta
Partner
M.No. 097922

Place : Srinagar
Dated : 14th May, 2011

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

CA. Hemant Sharma
Partner
M.No. 503080

For **Verma Associates**
Chartered Accountants
FRN: 002717N

CA. Madan Verma
Partner
M.No. 081631

For **P C Bindal & Co.**
Chartered Accountants
FRN: 003824N

CA. Virender K. Maini
Partner
M. No. 088730

For **K K Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. A. K. Kakkar
Partner
M. No. 014493

Comments of C & AG

Comments under section 619(4) of the companies act, 1956 on the accounts of the Jammu & Kashmir Bank Limited, for the year ended 31st March, 2011 were not received upto the date and could not be circulated. These will be placed before the Shareholders in the Meeting.

Auditors' Report on the Consolidated Financial Statements

To

The Board of Directors

The Jammu & Kashmir Bank Limited

1. We have examined the accompanying consolidated financial statements of The Jammu & Kashmir Bank Limited and its subsidiary JKB Financial Services Limited which comprise the consolidated Balance Sheet as at 31st March 2011, and the consolidated Statement of Profit & Loss and the consolidated Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these consolidated financial statements are the:
 - i) audited accounts of the Bank in which are incorporated the returns of 65 Branches/offices audited by us and 517 Branches/Offices audited by Branch auditors;
 - ii) audited accounts of one subsidiary JKB Financial Services Limited audited by other auditor.
2. These consolidated financial 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.
3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
6. We have jointly audited the financial statements of the Bank whose financial statements reflects total assets of ₹ 50503 Crores as at 31st March 2011 and net cash flow amounting to ₹ (1065 Crores) for the year then ended.
7. We did not audit the financial statements of its subsidiary JKB Financial Services Limited whose financial statements reflect total assets of ₹ 5.54 Cores as at 31st March 2011, and total revenue of ₹ 0.26 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.
8. We report that the consolidated financial statements have been prepared by the Bank's management in accordance with the requirement of the 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.

Auditors' Report on the Consolidated Financial Statements

9. 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 according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India:
- i) In the case of the Consolidated Balance Sheet, of the State of Affairs of the Group as at 31st March, 2011;
 - ii) In the case of the Consolidated Profit and Loss Account, of the Consolidated Profits of the group for the year ended on that date; and
 - iii) In the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

CA. Salil Gupta
Partner
M.No. 097922

Place : Srinagar
Dated : 14th May, 2011

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

CA. Hemant Sharma
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M.No. 503080

For **Verma Associates**
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Chartered Accountants
FRN: 003824N

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Partner
M. No. 088730

For **K K Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. A. K. Kakkar
Partner
M. No. 014493

Consolidated Balance Sheet as at 31st March, 2011

	Schedule	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
CAPITAL AND LIABILITIES			
Capital	1	484,922	484,922
Reserves and Surplus	2	34,304,812	29,621,313
Deposits	3	446,704,081	372,318,907
Borrowings	4	11,046,502	11,002,064
Other Liabilities and Provisions	5	12,489,467	11,990,580
Total		505,029,784	425,417,786
ASSETS			
Cash and Balance with Reserve Bank of India	6	29,749,638	27,447,263
Balance with Banks, Money at Call & Short Notice	7	5,738,477	18,695,109
Investments	8	196,907,679	139,512,473
Advances	9	261,936,350	230,572,250
Fixed Assets	10	3,937,702	2,041,332
Other Assets	11	6,759,938	7,149,359
Total		505,029,784	425,417,786
Contingent Liabilities	12	255,176,641	114,992,485
Bills for Collection		14,616,755	5,922,643
Principal Accounting Policies	17		
Notes on Accounts	18		

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

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I Shahdad
Director

Vikrant Kuthiala
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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 : 14th May, 2011

In terms of our report of even date annexed

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **K B Sharma & Co.**
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FRN: 002318N

For **Verma Associates**
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Partner
M. No. 088730

CA. A. K. Kakkar
Partner
M. No. 014493

Place : Srinagar

Dated : 14th May, 2011

Consolidated Profit and Loss Account for the year ended 31st March, 2011

	Schedule	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
I INCOME			
Interest Earned	13	37,131,322	30,568,792
Other Income	14	3,647,562	4,162,357
Total		40,778,884	34,731,149
II EXPENDITURE			
Interest Expended	15	21,692,111	19,372,734
Operating Expenses	16	7,590,064	5,773,805
Provisions and Contingencies		5,343,431	4,459,106
Total		34,625,606	29,605,645
III NET PROFIT			
Total		6,153,278	5,125,504
IV APPROPRIATIONS			
Transferred to			
i) Statutory Reserve		1,538,005	1,288,947
ii) Capital Reserve		-	-
iii) Revenue and Other Reserve		3,145,494	2,588,791
iv) Proposed Dividend		1,260,423	1,066,512
v) Tax on Dividend		209,356	181,254
Total		6,153,278	5,125,504
Principal Accounting Policies	17		
Notes on Accounts	18		
Earnings per Share (Basic/Diluted)		126.93	105.69

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

Mushtaq Ahmad
Chairman & CEO

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Director

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Executive Director

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Executive 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 : 14th May, 2011

In terms of our report of even date annexed

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **K B Sharma & Co.**
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M. No. 088730

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Partner
M. No. 014493

Place : Srinagar

Dated : 14th May, 2011

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 1 - CAPITAL //		
Authorised Capital		
100,000,000		
Equity Shares of ₹ 10/- each	1,000,000	1,000,000
Issued		
48,499,602 Equity Shares of ₹ 10/= each	484,996	484,996
Subscribed and Paid-Up Capital		
48,477,802		
Equity Shares of ₹ 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	8,582,598	7,293,651
Additions during the year	1,538,005	1,288,947
Total	10,120,603	8,582,598
II. Capital Reserves		
Opening Balance	631,254	631,254
Additions during the year	-	-
Total	631,254	631,254
III. Share Premium		
Opening Balance	867,791	867,791
Additions during the year	-	-
Total	867,791	867,791
IV. Revenue and Other Reserves		
Opening Balance	19,539,670	16,950,879
Additions during the year	3,145,494	2,588,791
Total	22,685,164	19,539,670
Total (I,II,III & IV)	34,304,812	29,621,313

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
i) From Banks	889,789	989,448
ii) From Others	52,653,671	47,881,776
Total	53,543,460	48,871,224
II. Saving Bank Deposits	127,268,251	102,608,073
III. Term Deposits		
i) From Banks	33,273,716	36,406,938
ii) From Others	232,618,654	184,432,672
Total	265,892,370	220,839,609
Total A (I+II+III)	446,704,081	372,318,907
B. I. Deposits of branches in India	446,704,081	372,318,907
II. Deposits of branches outside India	Nil	Nil
Total B (I+II)	446,704,081	372,318,907
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	217	-
iii) Unsecured Redeemable Debentures/Bonds (Subordinate Debts for Tier II Capital)	6,000,000	6,000,000
iv) Other Institutions & Agencies	5,001,285	5,002,064
Total	11,001,502	11,002,064
II. Borrowings outside India	45,000	-
Secured borrowings included in I & II above	Nil	Nil
Grand Total (I & II)	11,046,502	11,002,064
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i) Bills Payable	3,330,534	3,611,239
ii) Inter Office Adjustments (Net)	634,770	744,671
iii) Interest Accrued on Non-cumulative deposits	1,204,770	1,102,235
iv) Provision Against Standard Assets	1,387,390	1,387,390
v) Other (Including Provisions)	5,932,003	5,145,045
Total (I to V)	12,489,467	11,990,580

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA //		
I. Cash in Hand (Including Foreign Currency Notes)	1,710,341	1,304,937
II. Balance with Reserve Bank of India		
i) In Current Account	28,039,297	26,142,326
ii) In Other Accounts	-	-
Total (I+II)	29,749,638	27,447,263
SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE //		
I. In India		
i) Balance with Banks		
a) In Current Accounts	327,471	455,483
b) In Other Deposit Accounts	3,822,501	68,464
Total (i)	4,149,972	523,947
ii) Money At Call and Short Notice		
a) With Banks	1,318,000	17,849,815
b) With Other Institutions	-	-
Total (ii)	1,318,000	17,849,815
Total (i & ii)	5,467,972	18,373,762
II. Outside India		
i) In Current Accounts	270,505	49,347
ii) In Other Deposit Accounts	-	272,000
iii) Money at Call & Short Notice	-	-
Total II of (i, ii & iii)	270,505	321,347
Grand Total (I&II)	5,738,477	18,695,109

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 8 - INVESTMENTS		
I. Investments in India		
Gross	197,220,228	139,875,031
Less: Provision for Depreciation	312,549	362,558
Net Investments	196,907,679	139,512,473
i) Government Securities	103,249,067	84,421,442
ii) Other Approved Securities	102,778	114,225
iii) Shares (Pref. + Equity)	2,919,490	632,773
iv) Debentures and Bonds	19,279,369	14,238,404
v) Sponsored Institutions	221,071	2,423,774
vi) Others		
a) Certificate of Deposit	41,327,741	16,229,858
b) Mutual Funds	132,497	1,808,648
c) SIDBI	4,021,525	3,430,725
d) NABARD	2,817,750	2,066,450
e) Inv. In Subsidiary	-	-
f) Venture Capital	100,000	50,000
g) Rural Housing Development	1,469,425	1,168,925
h) Commercial Paper	4,747,104	4,142,839
i) Security Receipts	32,480	-
j) Rural Infrastructure Development Fund	16,487,382	8,784,410
Total (I)	196,907,679	139,512,473
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)	196,907,679	139,512,473
III. Investments Category-Wise		
a) Held to Maturity	122,221,780	95,849,385
b) Held for Trading	4,888	45,090
c) Available for Sale	74,681,011	43,617,998
Total (a+b+c)	196,907,679	139,512,473

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 9 - ADVANCES		
A		
i) Bills Purchased and Discounted	5,705,636	3,647,428
ii) Cash Credits, Overdrafts and Loans		
Repayable on Demand	59,501,713	75,087,994
iii) Term Loans	196,729,001	151,836,828
Total	261,936,350	230,572,250
B		
i) Secured by Tangible Assets	211,902,452	190,764,239
ii) Covered by Bank/Govt. Guarantees	3,601,150	3,205,248
iii) Unsecured	46,432,748	36,602,763
Total	261,936,350	230,572,250
C		
I. Advances in India		
i) Priority Sector	102,744,661	86,322,853
ii) Public Sector	5,389,933	6,454,752
iii) Banks	6,479,532	19,930
iv) Others	147,322,224	137,774,715
Total	261,936,350	230,572,250
II. Advances Outside India		
i) Due from Banks	Nil	Nil
ii) Due from Others	Nil	Nil
Grand Total (I & II)	261,936,350	230,572,250
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
a) Gross Block at the beginning of the year	1,857,387	1,837,871
Additions during the year	1,825,225	20,701
Deductions during the year	3,682,612	1,858,572
Deductions during the year	446	1,185
Total (a)	3,682,166	1,857,387
Depreciation to date	978,115	904,550
	2,704,051	952,837
b) Advance against flats	-	-
c) Constructions work in progress	21,338	13,249
Total (I) [a+b+c]	2,725,389	966,086

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

	As at 31.03.2011 ₹ '000' Omitted	As at 31.03.2010 ₹ '000' Omitted
SCHEDULE 10 - FIXED ASSETS contd.		
II. Other Fixed Assets		
(Including Furniture & Fixtures)		
Gross Block at the beginning of the year	3,756,121	3,341,106
Additions during the year	501,598	442,618
	4,257,719	3,783,724
Deductions during the year	58,836	27,603
	4,198,883	3,756,121
Depreciation to date	2,986,570	2,680,875
Total (II)	1,212,313	1,075,246
Grand Total (I & II)	3,937,702	2,041,332
SCHEDULE 11 - OTHER ASSETS		
I. Interest Accrued but not Due	3,092,661	2,169,150
II. Interest Accrued and Due	3,325	9,158
III. Inter Office Adjustment (Net)	-	-
IV. * Tax paid in Advance/Tax Deducted at Source (Net of Provisions)	596,113	705,031
V. Stationery and Paper in Hand	24,831	25,310
VI. Deferred Tax Asset	212,611	109,100
VII. Others	2,830,397	4,131,610
Total	6,759,938	7,149,359
* Includes both IncomeTax as well as Fringe Benefit Tax		
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	785,501	751,612
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts	166,885,640	71,037,873
IV. Guarantees given on behalf of constituents:-		
a) In India	13,391,122	11,077,063
b) Outside India	830,378	51,137
V. Acceptances, Endorsements & Other Obligations	73,284,000	32,074,800
VI. Other items for which the Bank is Contingently liable	-	-
Total	255,176,641	114,992,485

Schedules to the Consolidated Profit & Loss Account for the year ended 31st March, 2011

	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	26,296,049	23,417,107
II. Income on Investments (Net of Amortization)	10,661,455	7,045,867
III. Interest on Balances with R.B.I and other Inter Bank Funds	173,818	105,818
Total	37,131,322	30,568,792
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange & Brokerage	1,271,796	1,038,992
II. Profit on Sale of Investments (Less loss on sale of investments)	923,802	1,734,474
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)	188,295	143,943
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Venture abroad/in India	261,363	305,956
VII. Miscellaneous Income	1,002,306	938,992
Total	3,647,562	4,162,357
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	20,689,121	18,403,357
II. Interest on RBI/Inter-Bank Borrowings	462,990	831,418
III. Others/Subordinate Debt	540,000	137,959
Total	21,692,111	19,372,734
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for Employees	5,236,100	3,663,609
II. Rent, Taxes and Lighting	378,566	346,183
III. Printing and Stationery	51,297	50,283
IV. Advertisement and Publicity	59,942	62,309
V. Depreciation on Bank's Property	379,261	369,330
VI. Directors Fees, Allowances and Expenses	5,831	4,798
VII. Auditors Fees & Expenses (Including Branch Auditor's fees & Expenses)	67,640	62,979
VIII. Law Charges	8,035	8,727
IX. Postage, Telegrams, Telephones etc.	58,087	69,598
X. Repairs and Maintenance	50,019	66,526
XI. Insurance	295,721	236,953
XII. Other Expenditure	999,565	832,510
Total	7,590,064	5,773,805

Schedules Principal Accounting Policies

SCHEDULE 17-PRINCIPAL ACCOUNTING POLICIES

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 Accounts of India (ICAI) and prevailing practices in Banking Industry of India.

2. Consolidation Procedure

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

- ▶ their audited financial statements in accordance with the AS-21 “ Consolidated Financial Statements issued by the Institute of Chartered Accounts of India
- ▶ Line by line aggregation/ combination of like items of assets and liabilities, income and expenses after eliminating material intra group balances/ transactions, 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.
- ▶ The parent’s portion of the equity in the subsidiary with reference to the date of acquisition is recognized in the financial statements as Goodwill/Capital Reserve. The parent’s share of the post acquisition profits/losses of the subsidiary is adjusted in revenue reserve.
- ▶ 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 over the period of contract.

3. Investments

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

Schedules Principal Accounting Policies

- iv) Investments classified as “Held-to-Maturity” (HTM) category are carried at acquisition cost unless it is more than the face/redemption value, in which case the premium is amortized over the period remaining to the maturity.
- v)
 - a) The individual scrip’s in the “Available-for-Sale” category are marked to market at quarterly intervals. The net depreciation under each of six classifications under which investments are presented in the balance sheet is fully provided for, whereas the net appreciation under any of the aforesaid classifications is ignored.
 - b) The market value for the purpose of periodical valuation of investments, included in “Available for Sale” and “Held for trading” categories is based on the market price available from the trades/quotes on stock exchanges. Central/ State Government securities, other approved securities, debentures and Bonds are valued as per the prices/YTM rates declared by FIMMDA.

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 for in the Profit and loss account and appreciation is ignored.
- vii) The depreciation in value of investments where interest/principal is in arrears is not set-off against the appreciation in respect of other performing securities. Such investments including Non-performing Non-SLR investments are treated applying RBI prudential norms on NPA Classification and appropriate provisions are made as per RBI norms and no income on such investments is recognized.
- viii)
 - a) Profit or Loss on sale of Government Securities is computed on the basis of weighted average cost of the respective security
 - b) Profit or loss on sale of investments in any category is taken to the Profit and Loss account. In case of profit on sale of investments in “Held-to-Maturity” category, an equivalent amount of profit net of taxes is appropriated to the “Capital Reserve Account”.
- ix) Interest accrued up to the date of acquisition of securities i.e. broken period interest is excluded from the acquisition cost and recognized as interest expense. Broken period interest received on Sale of securities is recognized as interest income.
- x) Brokerage paid on securities purchased is charged to revenue account.
- xi) Investments in J&K Grameen Bank/Sponsored Institutions have been accounted for on carrying cost basis.
- xii) Transfer of securities from one category to another is done at the least of the acquisition cost/book value/market value on the date of transfer.
- xiii) Repurchase & Reverse repurchase transactions are accounted for in accordance with the extant RBI guidelines.
- xiv) Bank is following settlement date accounting policy as per RBI guidelines.
- xv) In accordance with RBI circular No. IDMD 4135/11.08.43/2009-10 dated 23.03.2010, the Bank has made changes in accounting for Repo/ Reverse Repo transactions (Other than transactions under the liquidity adjustment facility (LAF) with the RBI). Accordingly the securities sold and purchased under Repo/Reverse Repo are accounted for as collateralized lending and borrowing transactions. However, securities are transferred as in case of normal outright sale/purchase transactions and such movement of security is reflected using Repo/Reverse Repo accounts and contra entries. The above entries are reversed on the date of maturity. Cost and revenue are accounted as interest expenditure/Income as the case may be. Balance in

Schedules Principal Accounting Policies

Repo account is classified under schedule 4 (Borrowing) and balance in Reverse Repo account is classified under schedule 7 (Balance with Banks & money at call & short notice).

4. Advances

- 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%

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

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

Schedules Principal Accounting Policies

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

8. Credit Card reward Points

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

9. Profit

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

- i) Income Tax, wealth tax and Deferred Tax.
- ii) Standard Assets, Non Performing Advances/ Investments as per RBI guidelines.
- iii) Depreciation/ 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.

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

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%

- ▶ 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).
- ▶ Preliminary expenditure includes expenses incurred prior to incorporation period and has been paid by its parent entity in the last fiscal amounting to ₹ 515885/=, 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 ₹ 361118/=.

Disclosures made by Parent Company

1. Reconciliation/adjustment of inter bank/ inter branch transactions, branch suspense, Government Transactions, Nostro, System Suspense, Clearing, and Sundry Deposits is in progress on an ongoing basis. The impact, in the opinion of the management of the un-reconciled entries, if any, on the financial statements would not be material.
2. Tax paid in Advance/ Tax deducted at source includes amount adjusted by Income Tax Department in respect of various disputed demands. Based on the favorable appellate orders and interpretation of law, no further provision has been considered by the management in respect of the disputed demands.
3. **Fixed Assets:**
 - i) Documentation formalities are pending in respect of certain immovable properties held by the bank valued at ₹ 0.53 Crores (previous year ₹ 0.62 Crores). In respect of immovable properties valued at ₹ 6.84 Crores (previous year ₹ 7.60 Crores) bank holds agreement to sell along with the possession of the properties.
 - ii) The Bank has also acquired certain fixed assets valued at ₹ 319.72 lacs 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. Further the mobile phones are depreciated @ 50% on straight line method.
 - iv) Depreciation on Banks property includes amortization in respect of leased properties amounting to ₹ 13.12 Lacs (previous year ₹ 13.12 Lacs). The book value of these properties as on 31.03.2011 was ₹ 11.36 Crores (previous year ₹ 11.50 Crores).

Schedules Notes on Accounts

4. Capital

Particulars	31.03.2011	31.03.2010
CRAR (%)		
Basel –I	13.30%	14.81%
Basel-II	13.72%	15.89%
CRAR – Tier I capital (%)		
Basel – I	10.99%	11.91%
Basel –II	11.33%	12.79%
CRAR – Tier II capital (%)		
Basel –I	2.31%	2.90%
Basel –II	2.39%	3.10%
Percentage of the share holding of the Government of India in nationalized Banks	Not Applicable	Not Applicable
Amount of subordinated debt raised during the year as Tier II capital	Nil	600(Crores)

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

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

5. Investments

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

- The Bank has ₹ 70,00,000 as share capital and ₹ 21,40,70,800 in share capital deposit account in its sponsored Regional Rural Bank (J&K Grameen Bank).
- The total investment of the Bank in the Met-life India Insurance Co Pvt. Ltd stood at ₹ 220.27 Crores as on 31.03.2011 (Previous year ₹ 220.27 Crores). In compliance with RBI Letter No. DBOD.BP.07099/21.4.141/2008-09 dated 9th April, 2009, the investment stands transferred to AFS Category on 1st October, 2009. The valuation has been carried out at an average of two independent valuation reports obtained from Category I Merchant Bankers as per RBI guidelines & the consequent appreciation has been ignored in view of the Accounting Policy in respect of such investments

8. Details of Investments

		(₹ In Crores)	
S. No.	Items	31.03.2011	31.03.2010
1.	Value of Investments		
	Gross value of investments		
a)	In India	19727.02	13992.50
b)	Outside India	Nil	Nil
	Provision for depreciation		
a)	In India	31.26	36.26
b)	Outside India	Nil	Nil
	Net value of investments		
a)	In India	19695.76	13956.24
b)	Outside India	Nil	Nil

Schedules Notes on Accounts

(₹ In Crores)

S. No.	Items	31.03.2011	31.03.2010
2.	Movement of provision held towards the depreciation on investments		
(i)	Opening balance	36.26	77.80
(ii)	Add: Provisions made during the year	45.80	4.21
	Less: Write-off/ write back of excess provisions during the year	50.80	45.75
(iii)	Closing balance	31.26	36.26

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

(₹ In Crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.11
Securities sold under repos	0.00	950.00	104.55	Nil
Securities purchased under reverse repos	0.00	900.00	57.45	Nil

10. Non-SLR Investment portfolio

(₹ In Crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade	Extent of unrated Securities	Extent of unlisted Securities
			(i)	(ii)	(iii)	(iv)
1	PSUs	118.34	0.00	0.00	0.00	0.00
2	FIs (incl NBFC's AIFI'S)	434.32	40.60	0.00	0.00	0.63
3	Banks (inc CD's)	4286.45	0.00	0.00	0.00	1.34
4	Private Corporates (inc CP's)	1757.57	869.78	20.00	20.00	20.00
5	Subsidiaries	27.11	0.00	0.00	0.00	0.00
6	Others	2766.23	0.00	0.00	0.00	0.00
	Total	9390.02	910.38	20.00	20.00	21.97
7	Provision held towards depreciation	29.45	0.00	0.00	0.00	0.00
	Total	9360.57	910.38	20.00	20.00	21.97

The Bank's investment in unlisted securities as on 31-03-2011 is 0.40% (previous year 1.31 %) which is well within the RBI stipulated limit of 10%.

Schedules Notes on Accounts

10.1 Non-SLR Non-performing investments

(₹ In Crores)

Particulars	Amount as on 31.03.2011	Amount as on 31.03.2010
Opening Balance	20.00	74.73
Additions during the year	0.00	0.00
Reductions during the year	0.00	54.73
Closing Balance	20.00	20.00
Total Provision held including floating provisions of ₹ 2.76 Crores	22.76	22.76

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

(₹ In Crores)

Particulars	As on 31.03.2011				As on 31.03.2010			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	0.00	860.87	9464.04	10324.91	0.00	777.29	7664.85	8442.14
Other approved securities	0.00	0.00	10.28	10.28	0.00	0.00	11.42	11.42
Shares (Equity & Pref.)	0.49	291.46	0.00	291.95	4.51	58.77	0.00	63.28
Debentures & Bond	0.00	1691.78	236.15	1927.93	0.00	1087.33	336.51	1423.84
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	4623.98	2489.60	7113.58	0.00	2438.40	1550.05	3988.45
Sub Total	0.49	7468.09	12227.18	19695.76	4.51	4361.79	9589.94	13956.24
Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total	0.49	7468.09	12227.18	19695.76	4.51	4361.79	9589.94	13956.24

11. Derivatives

11.1 No forward rate agreements / interest rate swaps were undertaken by the bank during the year.

11.2 The bank has not entered into exchange traded interest rate derivatives transactions during the year

11.3 Disclosures on Risk exposures in derivatives

a) Qualitative Disclosures

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

To cover the risks arising out of above derivatives, various limits like AGL, IGL and stop loss have been prescribed 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

b) Quantitative Disclosures

S. No.	Particulars	Currency derivatives 31.03.2011	Interest rate derivatives 31.03.2011	Currency derivatives 31.03.2010	Interest rate derivatives 31.03.2010
i)	Derivatives (Notional Principal Amount)				
	a) For hedging	Nil	Nil	Nil	Nil
	b) For trading	Nil	Nil	Nil	Nil
ii)	Marked to market positions [1]				
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	Nil	Nil
iii)	Credit exposure [2]	Nil	Nil	Nil	Nil
iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	Nil	Nil	Nil	Nil
	b) on trading derivatives	Nil	Nil	Nil	Nil
v)	Maximum & Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil

Forward Exchange contracts as on 31.03.2011

Forward Exchange Contracts	(₹ in Lacs)
Up to 14 days	53499.10
Beyond 14 day	1615357.30
Total	1668856.40

12. Non Performing Assets

A. Movement in Gross NPA's

		(₹ In Crores)	
S. No.	Particulars	31.03.2011	31.03.2010
1.	Gross NPAs as on 1st April, 2010 (Opening Balance)	462.31	559.27
2.	Additions (Fresh NPAs) during the Year	289.14	188.78
3.	Sub Total (1 & 2)	751.46	748.05
	(Less)		
4.	Up gradation	44.61	127.78
5.	Recoveries (excluding recoveries made from upgraded accounts)	113.57	126.58
6.	Write-offs	74.45	31.38
7.	Sub Total (4, 5 & 6)	232.63	285.74
8.	Gross NPAs as on 31.03.2011 (3-7)	518.83	462.31

Schedules Notes on Accounts

B. Movement in Net NPA's

		(₹ In Crores)	
S. No.	Particulars	31.03.2011	31.03.2010
1.	Net NPAs as on 1st April, 2010 (Opening Balance)	64.33	287.51
2.	Additions during the Year	222.79	64.93
3.	Sub Total (1& 2)	287.12	352.44
	(Less)		
4.	Up gradation	44.61	127.78
5.	Recoveries (excluding recoveries made from upgraded accounts)	113.57	126.58
6.	Write-offs	74.45	31.38
7.	Sub Total (4, 5 & 6)	232.63	285.74
8.	Net NPAs as on 31.03.2011 (3-7)	53.24*	64.33*

*Net NPA has been arrived after reducing net interest suspense of ₹ 1.25 Crores.(previous year ₹ 3.66 Crores & current year ₹ 4.90 Crores)

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

		(₹ In Crores)	
S. No.	Particulars	31.03.2011	31.03.2010
(a)	Opening Balance *	394.32	270.48
(b)	Add/Transfer Provision made during the year	130.00	150.00
(c)	Less write-off	63.64	26.16
(d)	Closing Balance *	460.68	394.32
(e)	NPA Coverage Ratio	92.71%	90.13%

*Including floating provision of ₹ 52.90 Crores. The Provision Coverage Ratio for the Bank as on 31.03.2011 is 92.71% which is calculated after taking into account technical write off.

13. Particulars of Accounts Restructured

		(₹ In Crores)		
		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	Nil	3	2354
	Amount outstanding	Nil	147.85	500.61
	Sacrifice (diminution in the fair value)	Nil	3.30	13.95
Sub standard advances restructured	No. of Borrowers	Nil	Nil	Nil
	Amount outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Doubtful advances restructured	No. of Borrowers	Nil	Nil	Nil
	Amount outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Total	No. of Borrowers	Nil	3	2354
	Amount outstanding	Nil	147.85	500.61
	Sacrifice * (diminution in the fair value)	Nil	3.30	13.95

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

Schedules Notes on Accounts

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

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

(₹ In Crores)

S. No.	Particulars	Current Year	Previous Year
1.	No of accounts	1	1
2.	Aggregate Value (net of provisions) of accounts sold to SC/RC	Nil	Re.1
3.	Aggregate Consideration	25.51	3.00
4.	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
5.	Aggregate gain/loss over net book value	25.51	3.00

15. Details of non performing financial assets purchased.

(₹ In Crores)

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

16. Provisions on standard Assets

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
Provision towards Standard Assets	138.74	138.74

Bank holds a provision of ₹ 138.74 Crores on standard assets (previous year ₹ 138.74 Crores) which has been arrived at in accordance with RBI guidelines. No further provision was required during the current year.

17. Business Ratios

S. No.	Particulars	31.03.2011	31.03.2010
i)	Interest income as a percentage to working fund.*	8.31%	8.11%
ii)	Non-Interest income as a percentage to working funds.*	0.82%	1.10%
iii)	Operating profit as a percentage to working funds.*	2.57%	2.54%
iv)	Return on Assets.**	1.22%	1.20%
v)	Business (deposits plus advances) per employee***	₹ 8.56 Crores	₹ 7.31 Crores
vi)	Profit per employee	₹ 0.08 Crores	₹ 0.07 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.

Schedules Notes on Accounts

18. Asset Liability Management

i) Maturity pattern of certain items of assets and liabilities as on 31.03.2011

(₹ In Crores)

Particulars	Next Day	2 to 7 Days	8 to 14 Days	15 Days to 28 Days	29 Days upto 3 mnths	Over 3 Mnths & upto 6 mnths	Over 6 Mnths & upto 1 year	Over 1 Yr & upto 3 years	Over 3 Yrs & upto 5 years	Over 5 years	TOTAL
Deposits	180.07	1051.68	1504.42	1142.78	2423.58	1321.88	4073.85	26956.98	5776.99	243.71	44675.94
Borrowings	0.00	0.00	0.00	0.00	0.00	504.65	0.00	0.00	0.00	600.00	1104.65
Investments	0.00	197.52	384.13	951.26	2647.07	1110.42	920.49	2312.00	4062.22	7110.66	19695.77
Advances	126.54	481.54	362.62	426.29	2231.07	1927.59	3505.9	11675.47	3218.72	2237.90	26193.64

ii) Details of Foreign currency Assets/ Liabilities (Maturity Pattern) as on 31.03.2011

Liabilities

(₹ In Crores)

Particulars	1 to14 days	15 to28 days	29 days to 3mnths	Over 3 mnths to 6 mnths	Over 6 mnths to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
USD	324.79	241.76	2399.65	1125.35	3982.35	16.09	6.95	0.00	8096.94
EURO	7.29	0.00	93.87	45.63	21.68	1.91	0.82	0.00	171.20
GBP	4.88	0.00	1.46	0.74	1.74	6.90	3.33	0.00	19.05
J.YEN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUD	0.00	0.46	0.46	0.00	0.05	0.42	0.00	0.00	1.39
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHF	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
Total	337.06	242.22	2495.44	1171.72	4005.82	25.32	11.10	0.00	8288.68

Assets

(₹ In Crores)

Particulars	1 to14 days	15 to28 days	29 days to 3mnths	Over 3 mnths to 6 mnths	Over 6 mnths to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	TOTAL
USD	382.00	218.74	2429.24	1157.04	3945.33	0.00	0.00	0.00	8132.35
EURO	13.18	4.33	83.84	47.71	21.81	0.00	0.00	0.00	170.87
GBP	12.42	2.31	2.19	2.07	0.00	0.00	0.00	0.00	18.99
J.YEN	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22
AUD	0.51	0.00	0.46	0.00	0.00	0.00	0.00	0.00	0.97
CAD	0.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.51
CHF	0.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.49
SAR	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.23
Total	409.56	225.38	2515.73	1206.82	3967.14	0.00	0.00	0.00	8324.63

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

Schedules Notes on Accounts

19. Lending to Sensitive Sector

19.1 Exposure to Real Estate Sector

(₹ In Crores)		
Particulars	31.03.2011	31.03.2010
1 Direct exposure		
i) Residential mortgages		
Lending's fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	1077.69	810.49
ii) Commercial real estate	1322.77	1415.63
Lending's secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc). Exposure would also include non-fund based (NFB) limits.		
iii) Investment in mortgage backed securities and other securitized exposures		
a) Residential	Nil	Nil
b) Commercial real estate	Nil	Nil
2 Indirect exposure		
(Fund based & non fund based exposure on National Housing Bank and housing finance companies)	542.43	55.96

19.2 Exposure to Capital Market

(₹ In Crores)		
Particulars	Current Year	Previous Year
i) Direct investment in Equity shares, Convertible bonds, convertible debentures and units of equity – oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	305.52	367.20
ii) Advances against shares/bonds /debentures or other securities or on clean basis to individuals for investments in shares (including IPOs/ESPOs) convertible bonds convertible debentures and units of equity –oriented mutual funds	0.23	80.35
iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	81.79	
iv) Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e where the primary security other than shares /convertible bonds /convertible debentures /units of equity oriented mutual funds does not fully cover the advances	200.07	
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers	Nil	0.06
vi) Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources	Nil	
vii) Bridge loans to companies against expected equity flows /issues		
viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds		
ix) Financing \to stock brokers for margin trading		
x) All exposures to venture Capital Funds (both registered and unregistered)	25.00	5.00
Total	612.61	452.61

The data on lending to Sensitive Sector has been compiled on the basis of information furnished by the branches/offices

Schedules Notes on Accounts

20. Risk category wise country exposure

(₹ In Crores)

Category	Risk Category	Exposure (Net) as at March 2011	Provisions held as at March 2011	Exposure (Net) as at March 2010	Provisions held as at March 2010
A1	Insignificant	64.30	0.00	18.22	0.00
A2	Low	0.71	0.00	0.97	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	65.01	0.00	19.19	0.00

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

The Bank has not exceeded single borrower/Group borrower limit as on 31.03.2011. However the highest balance in the State Government account during the financial year 2010-11 has been recorded at ₹ 2782.41 Crores.

(₹ In Crores)

Name of the Borrower	Exposure Ceiling	Maximum Outstanding	Balance as on 31.03.2011
State Government of J&K	1667.62	2782.41	Nil

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

The advances of the Bank as on 31st March, 2011 against intangible security of Rights, Licenses and Authorizations are Nil.

23. Details of provisions:

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
Tax expense		
i) Income Tax	329.45	280.37
ii) Deferred Tax Liability/ (asset)	(10.35)	(1.22)
iii) Wealth Tax	0.09	0.08
Provision against NPA's	130.00	150.00
Provision for depreciation on investments	41.03	(38.81)
Provision for funded interest term loan	5.00	6.45
Provision for frauds and embezzlements	1.95	1.59
Provision for diminution in the fair value of restructured /rescheduled advances	16.08	22.07
Other provisions & contingencies	21.03	24.89
Provision for contingent liabilities	0.00	0.42
Total	534.28	445.83

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

Schedules Notes on Accounts

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

25.1 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.

25.2 Accounting Standard 9- Revenue Recognition

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

25.3 Accounting Standard 15 – Retirement Benefit

- In view of Accounting Standard-15(Revised 2005) issued by The Institute of Chartered Accountants of India, the Bank in respect of its Defined Benefit Plans (Pension, Gratuity, and Leave Encashment) on first adopting this statement as on 01-04-2007, has a transitional Liability of ₹ 149.70 Crores as per Actuarial Valuation. The 1/5th of this liability on a straight-line basis amounting to ₹ 29.94 Crores has been recognized as an expense during the year 2010-11(4th year) and the remaining unrecognized amount of ₹ 29.94 Crores is carried forward to next year.
- The disclosure required under Accounting Standard 15 “Employee Benefits- issued by the Institute of Chartered Accountants of India are as under”:

Defined Contribution Plan

Consequent upon the change of the option by the employees from Defined Provident Fund Contribution plan to Defined Pension Benefit Plan, the balance of the employer’s contribution to Provident Fund to the tune of ₹ 6,13,00,890/- has been transferred to the Pension Fund for the employees. In respect of employees who still hold the option of provident fund matching contribution has been made.

Defined Benefit Plans

The Employee’s Gratuity Fund Scheme, Pension Fund and Leave Encashment are defined benefit plans. The present value of obligation is determined based on Actuarial Valuation using the Projected Unit Credit Method, which 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 ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Present Value Of obligation 01.04.2010	967551182	3596194065	411582490
Interest Cost	76393170	287695525	32861001
Current Service Cost	65564984	328995302	39543122
Past Service Cost	603675273	0	0
Benefits Paid	-25273115	0	-1639963
Actuarial (gain) loss on Obligation	(382499366)	99462420	162773217
Present Value Of obligation 31.03.2011(Projection)	1305412128	4312347312	645119867
Fair value of plan Assets 01.04.2010	725300000	3400000000	0
Expected Return On plan assets	66972003	287386224	0
Contributions	153156041	0	1639963
Benefits Paid	-25273115	0	(1639963)
Actuarial gain (Loss) Plan Assets	28845152	97269373	0
Fair value of plan Assets 31.03.2011	949000081	3784655597	0
Total Actuarial gain (loss) to be recognized	411344518	(2193047)	(162773217)

Schedules Notes on Accounts

(Amount in ₹)

Particulars	Gratuity Funded	Pension Funded	Leave Encashment unfunded
Balance Sheet Recognition			
Present Value Of Obligation	1305412128	4312347312	645119867
Fair Value Of Plan Assets	(949000081)	(3784655597)	0
Liability (assets)	356412047	527691715	645119867
Unrecognized Past Service Cost	0	0	0
Liability (asset) recognized in the Balance Sheet**	356412047	527691715	645119867
Less: Liability already recognized	0	0	322749748
Plus : 1/5th Amortized Transitional Liability			
Total of three plans : ₹ 299402918	89095141	152255772	58052005
Less: Transition Remaining			
Total of three plans : ₹ 598805836	89095141	152255772	58052005
Current Year Liability/(Asset)			
Total of three plans : ₹ 293067766	356412047	527691715	322370119
Profit & Loss – Expenses			
Current Service Cost	65564984	328995302	39543112
Interest Cost	76393170	287695525	32861001
Expected Return On plan assets	(66972003)	(287386224)	0
Net Actuarial gain (loss) recognized in the year	(411344518)	2193047	162773217
Past Service Cost	603675273	0	0
Expenses Recognized in the statement of Profit & Loss	267316906	331497650	235177340
Actual Return on Plan Assets			
Expected Return on plan assets	66972003	287386224	-
Actuarial gain (Loss) plan assets	28845152	0	-
Actual Return on plan assets	95817155	287386224	-
Movement in the net Liability recognized in the Balance Sheet			
Opening net Liability	242251182	196194065	411582490
Expenses	267316906	331497650	235177340
Contribution	(153156041)	0	(1639963)
Closing Net Liability	356412047	527691715	645119867
Actuarial Assumption			
Mortality Table (L.I.C.)	1994-96 Ultimate	1994-96 Ultimate	1994-96 Ultimate
Discount Rate (Per Annum)	8%P.A	8.34%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	3%	3%	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

Schedules Notes on Accounts

25.4 Accounting Standard 17 – Segment Reporting

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

(₹ In Crores)

Description	Year Ended 31.03.2011	Year Ended 31.03.2010
A Segment Revenue (Income)		
i. Treasury Operations	1197.66	914.46
ii. Corporate/Whole sale Banking	1383.82	1129.18
iii. Retail Banking	1925.08	1755.56
iv. Other Banking Business	34.59	38.43
Total	4541.15	3837.63
(Less): Inter segment revenue	463.26	364.52
Total Income from Operations	4077.89	3473.11
B Segment Results (Profit before tax)		
i. Treasury Operations	(4.87)	86.13
ii. Corporate /Wholesale Banking	583.31	457.67
iii. Retail Banking	327.71	215.81
Iv Other Banking Business	28.24	32.00
Total Profit before tax	934.39	791.61
C Capital Employed (Segment Assets-Segment Liabilities)		
i. Treasury Operations	19755.23	14603.10
ii. Corporate/Wholesale Banking	(2448.99)	851.91
iii. Retail Banking	(17311.83)	(15466.04)
iv. Other Banking Business	5.59	11.03
Total	0	0

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

25.5 Accounting Standard 18 – Related party disclosures as on 31.03.2011

(₹ In Crores)

Items/Related Party	J&K GRAMEEN BANK (Associates)	JKB Financial Services Ltd.
Deposits	783.87	5.52
Advances	4.58	0.00
Investments	22.10	5.00
Interest Paid	53.76	0.26
Interest/Commission Received	0.46	0.00
Salary	Nil	Nil

Schedules Notes on Accounts

(₹ in Lakhs)

Items/Related Party	K.M.P* Mr. Mushtaq Ahmad (Chairman)	K.M.P* Mr. A. K. Mehta (ED)	K.M.P* Mr. Abdul Majid Mir (ED)	K.M.P* Dr. H. A. Drabu (Ex. Chairman)
Deposits	0.00	0.00	0.00	0.00
Advances	5.83	0.00	6.93	24.76
Investments	0.00	0.00	0.00	0.00
Interest paid	0.60	0.00	0.12	2.03
Interest/Commission Received	0.00	0.00	0.00	0.00
Salary	17.55	12.33	12.33	14.64

* Key Managerial Personnel

25.6 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.

25.7 Accounting standard 20 – Earning per share

Particulars	(₹ In Crores)	
	31.03.2011	31.03.2010
Net Profit available to Equity Share Holders	615.20	512.38
No. of Equity Shares	48477802	48477802
Basic/Diluted Earning per share (in Rupees)	126.93	105.69
Face value per share	₹ 10/-	₹ 10/-

25.8 Accounting Standard –21 (Consolidated Financial Statements)

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

25.9 Accounting standard 22 – Accounting for taxes on income

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

Timing Difference	(₹ In Lacs)	
	Deferred Tax Asset	Deferred Tax Liabilities
Depreciation on Assets	Nil	1.33
Leave encashment	2127.45	Nil

Net Deferred Tax Asset : ₹ 2126.11 Lacs

Tax Impact : ₹ 1035.12 Lacs

Schedules Notes on Accounts

25.10 Accounting Standard 26-Intangible Assets

The Bank has incurred an amount of ₹ 0.55 Crores on Brand names bifurcated into two heads namely Business Unit Signage and Brand Strategy Project. Expenditure on Business Unit Signage amounting to ₹ 0.32 Crores has been debited under the head Furniture & Fixture, whereas, Brand strategy project expenses amounting to ₹ 0.23 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.

25.11 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.

25.12 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 ₹ 49.24 lacs is outstanding as on 31.03.2011 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.

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

26. Other Disclosures

Foreign Exchange

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

Claims pending with ECGCI amounts to ₹ 37.93 Crores (Previous year ₹ 22.53 Crores)

- b) Concentration of Deposits, Advances, Exposures & NPA's

26.1 Concentration of Deposits

	(₹ In Crores)
Total Deposits of 20 largest depositors	5911
Percentage of 20 largest deposits to total Deposits of the Bank	13.23

26.2 Concentration of Advances

	(₹ In Crores)
Total Advances to twenty largest borrowers	6342
Percentage of advances of twenty largest borrowers to Total Advances of the Bank	24.21

26.3 Concentration of Exposures

	(₹ In Crores)
Total Exposure to twenty largest borrowers customers	8834
Percentage of exposures to twenty largest borrowers /customers to Total exposure of the bank on borrowers/customers	19.25

Schedules Notes on Accounts

26.4 Concentration of NPA'S

(₹ In Crores)

Total Exposure to top four NPA accounts	77.33
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26.5 Sector wise NPA'S *

(₹ In Crores)

S No.	Sector	Percentage of NPA to Total advances in that sector
1.	Agriculture & Allied activities	1.09%
2.	Industry (Micro & Small Medium and Large)	2.52%
3.	Services	3.77%
4.	Personal Loans	1.93%

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

26.6 Overseas Assets, NPA's and Revenues

(₹ In Crores)

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

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

Name of the SPV sponsored	
Domestic	Nil
Overseas	Nil

27. Details of floating provisions

27.1 Advances

(₹ In Crores)

Particulars	31.03.2011	31.03.2010
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

27.2 Investments

Particulars	(₹ In Crores)	
	31.03.2011	31.03.2010
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

28. Customer Complaints

A	No. of complaints pending at the beginning of the year	31
B	No. of complaints received during the year	166
C	No. of complaints redressed during the year	140
D	No. of complaints pending at the end of the year	57

29. Awards passed by the banking ombudsman

		(₹ In Crores)
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

- 30.** 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.

30.1 Payments to and Provisions for employees include arrears of wage revision of ₹ 49 Crores (Previous Year ₹ 75.92Crores)

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

		(₹ In Crores)
	Opening Provision Balance as on 01.04.2010	0.25
	Provisions made during the year 2010-11	0.65
	Redemption made during the year	0.33
	Closing Balance at the end of year	0.57

Schedules Notes on Accounts

- 30.3** 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:-

		(₹ In Crores)
S. No.	Nature of Income	March 2011
1.	For selling life insurance policies	15.13
2.	For selling non-life insurance policies	4.91
3.	For selling mutual fund products	0.04
4.	Others – (Logo Charges)	5.74

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

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I 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 : 14th May, 2011

For **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **KB Sharma & Co.**
Chartered Accountants
FRN: 002318N

For **Verma Associates**
Chartered Accountants
FRN: 002717N

For **P C Bindal & Co.**
Chartered Accountants
FRN: 003824N

For **KK Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. Salil Gupta
Partner
M.No. 097922

CA. Hemant Sharma
Partner
M.No. 503080

CA. Madan Verma
Partner
M.No. 081631

CA. Virender K. Maini
Partner
M. No. 088730

CA. A. K. Kakkar
Partner
M. No. 014493

Place : Srinagar
Dated : 14th May, 2011

Part IV of Schedule VI to the Companies Act, 1956**I. REGISTRATION DETAILS**Registration No. 4 6 State Code 0 7Balance Sheet Date 3 1 0 3 2 0 1 1**II. CAPITAL RAISED DURING THE YEAR (AMT IN 000'S)**Public Issue N I L Rights Issue N I LBonus Issue N I L**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMT IN 000'S)**Total Liabilities 5 0 5 0 2 9 7 8 4 Total Assets 5 0 5 0 2 9 7 8 4**SOURCES OF FUNDS**Paid Up Capital 4 8 4 9 2 2 Reserves and Surplus 4 4 6 7 0 4 0 8 1Secured Loans N I L Unsecured Loans 1 1 0 4 6 5 0 2Deposit 4 4 6 7 0 4 0 8 1**APPLICATION OF FUNDS**Net Fixed Assets 3 9 3 7 7 0 2 Investments 1 9 6 9 0 7 6 7 9Advance 2 6 1 9 3 6 3 5 0Net Current Assets 2 9 7 5 8 5 8 6 Miscellaneous Expenditure N I LAccumulated Losses N I L**IV. PERFORMANCE OF BANK (AMT IN 000'S)**Total Income 4 0 7 7 8 8 8 4 Total Expenditure 3 4 6 2 2 5 6 0 6Profit Before Tax 9 3 4 5 7 5 1 Profit After Tax 6 1 5 3 2 7 8Earning per Share in ₹ 1 2 6 . 9 3 Dividends Rate (%) 2 6 0 . 0 0**V. GENERIC NAMES OF PRINCIPAL PRODUCTS/ SERVICES (AS PER MONETARY TERMS)**Item Code No (ITC Code) N I LProduct Description B A N K I N G S E R V I C E S

Cash Flow Statement for the year ended 31st March, 2011

	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
A Cash Flow from Operating Activities	(6,590,862)	(11,091,795)
B Cash Flow from Investing Activities	(2,275,629)	(416,520)
C Cash Flow from Financing Activities	(1,787,765)	4,903,067
Net Change in Cash and Cash Equivalents	(10,654,257)	(6,605,248)
D Cash and Cash Equivalents at the beginning of the year	46,142,372	52,747,620
E Cash And Cash Equivalents at the end of the year	35,488,115	46,142,372
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Taxes	6,153,278	5,125,503
Add: Provision for Taxes	3,192,473	2,793,183
Net profit before taxes (i)	9,345,751	7,918,686
Adjustment for :		
Depreciation charges	379,261	369,329
Provision for NPA's	1,300,000	1,500,000
Depriciation on investment	410,311	(388,133)
Other provisions	440,646	554,055
Deffered revenue Expenditure written off during the year	52	52
Interest paid on subordinate Bonds (Financing Activities)	540,000	137,959
Total Adjustment (ii)	3,070,270	2,173,262
Operating profit before change in Operating assets & liabilities (i) + (ii)	12,416,021	10,091,948
Adjustment for changes in Operating Assets & Liabilities		
Increase / (Decrease) in Deposits	74,385,174	42,327,872
Increase / (Decrease) in Borrowings	44,438	(4,964,201)
Increase / (Decrease) in Other liabilities & provisions	(2,944)	671,636
increase / (Decrease) in Investments	(57,805,517)	(31,810,992)
Increase / (Decrease) in Advances	(32,824,930)	(22,988,800)
Increase / (Decrease) in Other Assets	383,963	(1,626,597)
Net Cash flow from Operating activities (iii)	(15,819,816)	(18,391,082)
Cash generated from operation (i + ii + iii)	(3,403,795)	(8,299,134)
Less : Tax paid	3,187,067	2,792,662
Total : (A)	(6,590,862)	(11,091,795)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
a) Fixed Assets	(2,275,629)	(416,520)
Total : (B)	(2,275,629)	(416,520)
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 & Dividend Tax Paid	(1,247,765)	(958,974)
f) Interest Paid on Subordinate Debt	(540,000)	(137,959)
Total : (C)	(1,787,765)	4,903,067

	Year Ended 31.03.2011 ₹ '000' Omitted	Year Ended 31.03.2010 ₹ '000' Omitted
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING 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 : (D)	46,142,372	52,747,620
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
a) Cash in hand & Balance with R.B.I	29,749,638	27,447,263
b) Balance with Banks & Money at Call & Short Notice	5,738,477	18,695,109
Total : (E)	35,488,115	46,142,372

Mushtaq Ahmad
Chairman & CEO

Sudhanshu Pandey, IAS
Director

Arnab Roy
Director

A. K. Mehta
Executive Director

Abdul Majid Mir
Executive Director

B. L. Dogra
Director

M I 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 : 14th May, 2011

The above Cash Flow Statement has been taken on record by the Board of Directors in its meeting held on 14th May, 2011 at Srinagar

President and 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 March 31st, 2011 and March 31st, 2010. 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 **O P Garg & Co.**
Chartered Accountants
FRN: 001194N

For **K B Sharma & Co.**
Chartered Accountants
FRN: 002318N

For **Verma Associates**
Chartered Accountants
FRN: 002717N

For **P C Bindal & Co.**
Chartered Accountants
FRN: 003824N

For **K K Goel & Associates**
Chartered Accountants
FRN: 005299N

CA. Salil Gupta
Partner
M.No. 097922

CA. Hemant Sharma
Partner
M.No. 503080

CA. Madan Verma
Partner
M.No. 081631

CA. Virender K. Maini
Partner
M. No. 088730

CA. A. K. Kakkar
Partner
M. No. 014493

Place : Srinagar
Dated : 14th May, 2011

TABLE DF - 2: CAPITAL STRUCTURE
1. Qualitative disclosure

1.1 Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instrument eligible for inclusion of tier 1 or in the upper tier 2.	The Bank has raised a subordinate debt of ₹ 600 Crores which forms part of lower Tier 2 Capital of the Bank.
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2. Quantitative Disclosures

	₹ in Crores
2.1 The amount of tier 1 capital, with separate disclosure of:	
Paid up capital	48.49
Statutory and other disclosed free reserves	3367.06
Capital Reserves	63.13
Other capital instruments	-
Amount deducted from tier 1 capital, including goodwill and investment.	34.81
Total Tier I Eligible Capital (net of deductions)	3443.87
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	
Total Amount outstanding	Nil
Of which amount raised during the current year	Nil
Amount eligible to be reckoned as capital funds	Nil
2.4 Subordinated debt eligible for inclusion in lower tier 2 capital	
Total amount outstanding	600.00
Of which the amount raised during the current year	Nil
Amount eligible to be reckoned as capital funds	600.00
2.5 Other deductions from capital if any is	Nil
2.6 Total eligible capital	4169.06

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.
- 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 (ICAAP) has been put in place and the assessment of the capital commensurate to the risk profile is reviewed periodically.

2. Qualitative disclosure		₹ in Crores
2.1 Capital requirements for credit risk		
Portfolio subjected to standardized approach (@9%CRAR)		2360.20
Portfolios subjected to the IRB approaches		Nil
Securitization exposures		Nil
2.2 Capital requirement for market risk (under Standardized duration approach)		
Interest rate risk		145.12
Foreign exchange risk (including gold)		2.25
Equity risk		51.02
2.3 Capital requirement for operational risk		
Basic indicator approach:		176.90
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)	13.73%	11.33%
J&K bank Ltd (on solo basis)	13.72%	11.33%

Risk Exposure and Assessment

Objectives and Policies

Organisational Structure-Risk Management

Bank has a risk management structure in place to control, manage 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-wide basis to achieve the 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 (RBI)

In order to have a concerted focus on the Risk Management functions of the bank, the bank has an Integrated Risk Management Committee (IRMC) 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 risk levels in their respective domains. The Committees are headed by CEO/Chairman of the bank and Top executives from respective functional areas are 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 CHQs and having three separate support groups of Credit risk, Market risk and Operational risk. The department provides support functions to the above committees through analysis of risks and reporting of risk positions and making recommendations as to the level and degree of risks to be undertaken, to the above mentioned Risk Management 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.

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 the acceptable risk parameters.
- e) The Bank's entire current business is within India and hence there is no geographic ceiling on lending in India or outside India. Further, there is also no ceiling on lending within a State in India.
- g) A mechanism of clear and well defined delegation of authority operates within the Bank in regard to decision making which links risk and exposure amount to level of approval.
- h) Regular review of all credit sanctioning powers delegated to various sanctioning levels so as to continuously strengthen the credit processes, and monitoring oversight.
- i) 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 risk rating models for various lending segments on bank wide basis. The rating models score a borrower on significant quantitative (Financial data) and qualitative (Non-Financial data) parameters to assess its likelihood of loss (Probability of Default).

All borrowers with an aggregate commercial exposure of ₹ 15.00 lacs and above (fund or non- fund) are rated through the Risk Rating Application. In addition to commercial exposure of ₹ 15.00 lacs minimum threshold, exposures in the form of Personal and Housing loans are also rated, irrespective of size of the limits. Rating process and rating output are used by the Bank in sanctioning, pricing and monitoring of its exposures. Credit Audit is being invariably conducted by Credit Audit Department for credit exposures of ₹ 1 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. Board approved Investment Policy of the Bank addresses credit risks related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risks arising in investment portfolio. 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 risk 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 delegated powers for sanction of fresh loans and taking investment exposures and renewal /review of existing exposures 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 2.1.2 below, in respect of an Overdraft / Cash Credit (OD/CC)
- c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted
- d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops
- e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- f. In respect of securities, where interest/principal is in arrears, 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 sufficient to cover the interest debited during the same period, these accounts are treated as "out of order.

2.1.3 Overdue

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

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

The 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 & credit approval authority, legal support, reporting cum monitoring / follow-up system. Loan review mechanism/ credit audit system for loan exposures of ₹ 1 Crore and above is in place in the Bank.

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.

3. Quantitative Disclosures

		(₹ 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	50508.15
	b) Off Balance sheet	25517.66
	Total	76025.81
3.2	Geographic distribution of exposures:	
	Overseas	-
	Domestic	76025.81
3.3	Industrial type distribution of exposure, Fund based and 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)	518.83
	Substandard	104.72
	Doubtful	320.61
	Loss	93.50
3.6	Net NPAs	53.24
3.7	NPA Ratios	
	Gross NPAs to gross advances	1.95
	Net NPAs to net advances	0.20
3.8	Movement of NPAs (Gross)	
	Opening balance	462.31
	Additions	289.15
	Reductions	232.63
	Closing balance	518.83
3.9	Movement of provisions for NPAs	
	Opening balance	394.32
	Provisions made during the period	130.00
	Write-off	63.64
	Write back of excessive provisions	-
	Closing balance	460.68
4.0	Amount of non-performing investment	20.00
4.1	Amount of provisions held for non-performing investment	20.00
4.2	Movement of provision for depreciation on investments.	
	Opening balance	36.26
	Provisions made during the period	45.80
	Write-off	46.03
	Write back of excessive provision	4.77
	Closing balance	31.26

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 mitigants used for capital calculation, is in place.

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

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

1.3 Policies and processes for collateral valuation and management

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

- a) Classification of credit risk mitigants
- b) Acceptable credit risk mitigants
- 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, KVIP's, LIC policy, gold, Central / State government Securities etc.

1.5 The main type of guarantor counterparties and their creditworthiness.

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

Main types of guarantor counter party are

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

1.6 Information about (market or credit) risk concentration within the mitigation taken

Majority of financial collaterals held by the Bank are by way of bank's own deposits, government securities, Life Insurance Policies and other approved securities like NSCs, KVPs etc. Bank does not envisage market liquidity risk in respect of financial collaterals. Overall, financial collaterals do not have any issue in 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.

2. Quantitative Disclosures

(₹ In Crores)

2.1	For disclosure of credit risk portfolio under the standardized approach, the total exposure that is covered by:	Exposure covered by Deposits/Cash	6841.07
2.2	Eligible financial collaterals; after the application of haircuts.	Exposure covered by Other Eligible Collaterals	
Total			6841.07

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:	Bank is not undertaking any securitization activity at present
	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.	
	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	
	The regulatory capital approach that the bank follows for its securitization activities.	
b)	Summary of the bank's accounting policies for Securitization activities, including:	
	Recognition of gain on sales and	
	Key assumption for valuing retained interests, including any significant changes since the last reporting period and the impact of such changes;	
c)	Names of ECAs used for Securitization and the type of Securitization exposure for which each agency is used.	

2. Quantitative Disclosures

d)	The total outstanding exposure securitized by the bank and subject to the Securitization framework by exposure type.	Bank is not undertaking any securitization activity at present
e)	For exposure securitized by the bank and subjected to the Securitization framework.	
	Amount of impaired/past due asset securitized; and	NA
	Losses recognized by the bank during the current period broken down by the exposure type.	
f)	Aggregate amount of Securitization exposure retained or purchased broken down by exposure type.	NA
	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.	
	Summary of securitization activity presenting a comparative position for two years, as a part of the notes on account to the balance sheet:	
	Total number of book value of loan asset securitization – by the type of underlying assets;	
	Sale consideration received for the securitized assets and gain/loss on the sale on account of securitization; and	
	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 effective market risk management and asset liability management in the Bank, procedures thereof, implementing risk management guidelines issued by the regulator, best risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices/policies and risk management prudential limits.

2. Qualitative disclosure

2.1 In addition to general qualitative disclosure requirement, the approach (es) for operational risk capital assessment for which the bank qualifies.	As per the RBI guidelines, bank has followed the Basic indicator approach (BIA) for computing capital charge for operational risk for the year March-2011. The bank has also initiated the required measures for migration to The Standardized approach (TSA) and for this purpose, a MIS module has been developed, which maps income streams of the bank into eight business lines. Presently, bank is in the process of complying with other eligibility criteria laid down by RBI for migration to The Standardized Approach (TSA)
	A board approved operational risk management policy is in place which contains guidelines on identification, assessment and mitigation of various operational risks besides guidelines on internal functioning. The business continuity plan (BCP) has also been put in place to ensure continuity of business in the event of any disruption. Bank has in place a robust control mechanism and MIS for mitigation and control of operational risks.

3. Quantitative Disclosures

Capital charge for operational risk	Capital charge for operational risk is computed as per the Basic Indicator Approach prescribed by RBI. Under this approach, capital allocation for operational risk works out to: ₹ 176.90 Crores
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TABLE DF - 10: INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) //////////////////////////////////////

1. Qualitative disclosure

1.1 The general qualitative disclosure requirements, including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.

- ▶ The impact of fluctuation in interest rate on liabilities and assets has a direct impact on earnings and hence on the market value of Equity. Bank's ALCO is assigned the job of periodically monitoring and controlling the risks and returns, funding and deployment, setting 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:

- ▶ 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.
- ▶ 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 the yield on 200 basis points. Measurement and computation of interest rate risk in Banking Book under the above two methods is done on a quarterly basis.

2. Quantitative Disclosures

2.1 The increase (decline) in earning and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method of measuring IRRBB, broken down by currency (where the turnover is more than 5 percent turnover)	Changes on account of Interest rate volatility Changes in net interest income(with 200 bps change in interest rates for both assets and liabilities) ₹ 18.13 Cr Change in market value of equity (with 100 bps change in interest rates for both assets and liabilities). 11.06%
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Basel - II - Pillar-3 disclosures as on 31.03.2011

ANNEXURE-A

Industry-wise deployment of Credit & Investment Exposures

S. No.	Industry	(₹ In Crores)
1	Mining and quarrying (including Coal)	9.98
2	Food Processing	157.62
	Out of 2:	
	Sugar	41.35
	Edible oils & Vanaspati	52.29
	Tea	9.53
	Others	54.45
3	Beverage & tobacco	175.62
4	Textiles	531.39
	Out of 4:	
	Cotton Textiles	349.80
	Jute Textiles	1.23
	Man - Made Textiles	7.81
	Other Textiles	172.55
5	Leather & Leather Products	72.55
6	Wood & Wood Products	33.56
7	Paper & Paper Products	61.11
8	Petroleum, Coal Products and Nuclear fuels	1.68
9	Chemicals and Chemical Products	636.21
	Out of 9:	
	Fertiliser	56.21
	Drugs & Pharmaceuticals	127.25
	Petro Chemicals	421.28
	Others	31.47
10	Rubber, Plastic & their Products	62.18
11	Glass and Glassware	28.85
12	Cement and Cement Products	568.49
13	Basic Metal and Metal Products	1487.13
	Out of 13:	
	Iron & Steel	1192.59
	Other Metal & Metal Products	294.54
14	All Engineering	257.15
	Out of 14:	
	Electronics	167.02
	Others	90.13
15	Vehicles, Vehicle Parts and Transport equipment	78.76
16	Gems and Jewellery	7.84
17	Construction	127.73
18	Infrastructure	4463.28
	Out of 18:	
	Power	1514.36
	Telecommunication	866.83
	Roads & Ports	489.12
	Other Infrastructure	1592.97
19	Other Industries	7983.48
	Industry (Micro & Small, Medium and Large)	16744.61

ANNEXURE-B
Residual Contractual Maturity of Assets as on 31.03.2011

(₹ In Crores)

INFLOWS	Next Day	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 Days & Upto 3 Months	Over 3 Months & upto 6	Over 6 Months & upto 1 Year	Over 1 Year Upto 3 Years	Over 3 Years Upto 5 Years	Over 5 Years	Total
1. Cash	171.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171.03
2. Balance with RBI	389.93	0.00	0.00	205.37	124.61	93.88	209.39	1396.69	296.93	87.13	2803.93
3. Balance with other Banks											
i) Current Account	59.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	59.80
ii) Money at call and short notice, term Deposits and other placements	131.80	0.00	0.00	31.25	351.00	0.00	0.00	0.00	0.00	0.00	514.05
4. Investments	0.00	197.52	384.13	951.26	2647.07	1110.42	920.49	2312.54	4062.22	7110.12	19695.77
5. Advances (performing)											
i) Bills purchased & Discounted (including bills under DUPN)	4.44	26.65	31.09	96.34	288.79	155.07	0.00	0.00	0.00	0.00	602.38
ii) Cash credits, overdrafts & Loans repayable on demand	100.00	150.00	150.00	150.00	150.00	200.00	341.37	4965.49	0.00	0.00	6206.86
iii) Term Loans	8.29	222.04	84.88	179.95	1792.28	1572.52	3164.53	6709.98	3200.38	2203.00	19137.85
iv) Prepayment of Term Loans	13.81	82.85	96.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	193.31
6. NPAs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.34	34.90	53.24
7. Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	393.77	393.77
8. Other Assets											
i) Inter -office adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii) Leased Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
iii) Others (Tangible Assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9. Reverse Repos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10. Swaps(Sell/Buy)/maturing forwards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11. Expected Increase in Deposits.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12. Interest receivable (accrued)	0.13	3.59	1.37	2.91	28.99	25.44	51.19	108.55	51.77	35.65	309.59
13. L.C.(Inflows)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14. Export Refinance from RBI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15. Others (Specify)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	366.57	366.57
C. TOTAL INFLOWS	879.23	682.65	748.12	1617.08	5382.74	3157.33	4686.97	15493.25	7629.64	10231.14	50508.15
D. MISMATCH (C-A)	686.30	-446.20	-846.32	474.30	2957.97	1330.80	613.12	-11680.21	1852.65	5057.59	0.00
E. D as % to A	355.72	-39.53	-53.08	41.50	121.99	72.86	15.05	-42.98	32.07	97.76	
F. CUMULATIVE MISMATCH	686.30	240.10	-606.22	-131.92	2826.05	4156.85	4769.97	-6910.24	-5057.59	0.00	
G. F as % to B	355.72	18.16	-20.79	-3.25	43.59	50.02	38.52	-17.47	-11.16	0.00	

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.

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.

We, as the prime corporation of Jammu and Kashmir, have a focused interest in making the state a safe place for business. J&K Bank has a key role to play in providing public and private services, financial infrastructure and employment. As such, the efficiency and accountability of the corporation is a matter of both private and public interest and governance, therefore, comes at the top of the agenda. The fact that the bank is state owned but professionally managed, having a large size of international investors, governance is critical. For us, Corporate Governance is concerned with the systems of laws, regulations and practices, which will promote enterprise, ensure accountability and trigger performance. The J&K Bank, for one, stands for being more accountable, practice self-policing and make financial transactions transparent and constitutional.

VISION

“To catalyse economic transformation and capitalise on growth”. Our vision is to engender and catalyse economic transformation of Jammu and Kashmir and capitalise from the growth induced financial prosperity thus engineered. The Bank aspires to make Jammu and Kashmir the most prosperous state in the country, by helping create a new financial architecture for the J&K economy, at the center of which will be the J&K Bank. At the same time we want to expand our existing network in other states of the country which offer better potential for the Banking.

MISSION

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

BOARD OF DIRECTORS

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

COMPOSITION

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

FUNCTIONS OF THE BOARD

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

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

BOARD PROCEDURE

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

FREQUENCY OF BOARD MEETINGS

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

15.04.2010; 15.05.2010; 15.06.2010; 31.07.2010; 27.08.2010; 30.08.2010; 22.09.2010; 06.10.2010; 25.10.2010; 29.11.2010; 03.01.2011; 29.01.2011; 28.02.2011 and 18.03.2011

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 2010-11. Attendance at Board Meetings

Name of Director	Category of Director	Meetings during the tenure	Meetings attended	Percentage	Whether attended AGM held on 31-07-2010
Mr. Mushtaq Ahmad (from 06.10.2010)	Chairman & CEO	7	7	100%	-
Mr. Mushtaq Ahmad (from 22.09.2010 to 05.10.2010)	Independent Non-Executive Director	1	1	100%	-
Dr. Haseeb A Drabu (upto 27.08.2010)	Chairman & CEO	4	4	100%	Yes
Mr. M.S. Verma (upto 31.07.2010)	Independent Non-Executive Director	3	1	33.33%	-
Mr. Sudhanshu Pandey, IAS	Chairman (Non Executive)	3	3	100%	Yes
Mr. Sudhanshu Pandey, IAS	Non-Executive Director	11	7	63.63%	Yes
Mr. Arnab Roy	Independent Non-Executive Director	14	6	42.85%	-
Mr. A. K. Mehta	Executive Director	14	14	100%	Yes
Mr. Abdul Majid Mir	Executive Director	14	13	92.85%	Yes
Mr. B. L. Dogra	Independent Non-Executive Director	14	14	100%	Yes
Mr. Mohammad Ibrahim Shahdad	Independent Non-Executive Director	14	12	85.71%	Yes
Mr. Vikrant Kuthiala	Independent Non-Executive Director	14	13	92.85%	yes
Prof. Nisar Ali	Independent Non-Executive Director	14	14	100%	Yes.
Mr. Abdul Majid Matto (Re-appointed on 31.07.2010)	Independent Non-Executive Director	14	12	85.71%	Yes.
Mr. R. K. Gupta	Independent Non-Executive Director	14	13	92.85%	Yes.
Mr. Nihal C. Garware (Re-appointed on 31.07.2010)	Independent Non-Executive Director	14	11	78.57%	Yes

BRIEF PROFILE OF DIRECTORS

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

Mr. Mushtaq Ahmad

Mr. Mushtaq Ahmad, Chairman & Chief Executive Officer of the Bank, has more than 35 years of experience in banking. Mr. Mushtaq Ahmad joined the Bank in the year 1972 as Probationary Officer and during his banking career he has held various important and senior positions in the Bank as a part of Corporate Management Team. He has practical experience in the field of Finance, Corporate and Retail Banking, Treasury & Investment Management, International Banking, Liability & Risk Management and General Administration/ HRD.

Mr. 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, Baderwah, 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.

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.

Mr. 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 28 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, RBI, J&K State.

Mr. Ashok Kumar Mehta

Mr. Ashok Kumar Mehta, is the Executive Director of the 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 part of the 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 specialisation include Finance & Financial Services, Planning & Development, Accounts and Estates.

Mr. Abdul Majid Mir

Mr. Abdul Majid Mir, Executive Director of the 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 & Retail Banking, Deposits & Liability Management and Risk Management.

Mr. 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.

Mr. Mohammad Ibrahim Shahdad

Mr. M. I. Shahdad is a holder of Master's Degree in Economics and LLB from Aligarh Muslim University. Mr. M. I. Shahdad started his professional carrier in 1963 and practiced Law in J&K High Court for a period of more than 10 years and thereafter started his own manufacturing and export business specializing in Kashmiri Handicrafts. He has made significant contribution to Commerce & Industry by being associated with Kashmir Chamber of Commerce & Industry in the capacity of President and other prominent positions. Mr. 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.

Mr. Vikrant Kuthiala

Mr. Vikrant Kuthiala is B.com (Hons) from Hindu College, Delhi University. He is a prominent Businessman from Jammu with interests in steel manufacturing 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.

Mr. Abdul Majid Matto

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

Mr. R.K. Gupta

Mr. R. K. Gupta, aged 48 years, is a professional Chartered Accountant with 26 years standing, possessing skill in Finance, Taxation, Auditing and Corporate Legal Affairs. He started his professional career with M/s Gupta Gupta & Associates in January 1986 and heads this renowned firm of Chartered Accountants since then.

Mr. Gupta remained in Executive Committee of the Jammu & Kashmir Branch of the Institute of Chartered Accountants of India for three terms 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 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 issue of Taxation and Accounting Standards. Mr. Gupta has been Guest Speaker on many occasions for various Seminars and Study Circle meets of the Chartered Accountants & others.

Mr. Gupta is a Member of Taxation Advisory Committee and other Committees of the Chamber of Commerce & Industry, Jammu. He is also a Trustee in Charitable 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.

Mr. Nihal C. Garware

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

Disclosures

The Board of your Company has in all its endeavour ensured that true and fair disclosures are made to its constituents through

various publications regarding plans, strategies and performance. The Board is pleased to disclose that

1. The Executive Management of Bank regularly places various reviews before the Board on the performance of the Bank so as to enable it to exercise effective control and check over the working of the Bank.
2. Bank has not entered into any materially significant transaction with its Directors, Management or with their Relatives, other than the normal course of business of the Bank.
3. All Directors of your Bank except State Govt. nominees are Non-Executive and Independent Directors within the meaning of clause 49 of Listing Agreement.
4. The Bank did not enter into any material related party transaction with its Directors or Management or their Relatives that would potentially conflict with and adversely effect interests of the Bank.
5. The Directors did not incur any disqualification under Section 274(1)(g) of the Companies Act, 1956 or under any other law applicable to the Bank.
6. None of the Directors of the Bank are holding positions as Chairman of more than five and as a Member of more than ten Audit, Remuneration, and Shareholders Grievance Committees.
7. The Bank has complied with Corporate Governance norms as stipulated by SEBI.
8. The Bank has complied with all applicable accounting standards and related RBI guidelines.

DIRECTORSHIP IN OTHER COMPANIES //

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

Mr. Mushtaq Ahmad

Director: JKB Financial Services Ltd.

Mr. A. K. Mehta

Director: JKB Financial Services Ltd. and
MetLife India Insurance Co. Ltd.

Mr. Abdul Majid Mir

Director: JKB Financial Services Ltd.

Mr. Sudhanshu Pandey, IAS

Director: Jammu and Kashmir Industries, JK Handloom Dev. Corporation, JKTDC, JKPC, JK Cements Ltd., J&K SIDCO, J&K SICOP, J&K Handicrafts (S&E) Dev. Corporation, J&K State Cable Car Corporation Ltd., J&K State Financial Corporation Ltd., J&K Finance Development Corporation Ltd., JK Minerals Ltd., J&K Khadi & Village Industries Board Ltd., J&K Police Housing Corporation Ltd., J&K Horticulture Produce, Marketing Processing Corporation Ltd., J&K Agro Ind. Dev. Corporation Ltd., J&K Women Development Corporation Ltd., J&K SC, ST & OBC Dev. Corporation Ltd., J&K Forest Development Corporation, J&K SRTC.

Mr. Vikrant Kuthiala

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

Mr. Nihal C. Garware

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

MEMBERSHIP OF COMMITTEES OF OTHER COMPANIES //

-NIL-

COMMITTEES OF THE BOARD //////////////////////////////////////

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

AUDIT COMMITTEE //////////////////////////////////////

Role and Function

Bank has constituted an Audit Committee of the Board (ACB) comprising of 4 Non-Executive Independent Directors and 1 Executive Director. The main functions of the Audit Committee are to assess and review the financial reporting system of the Bank, to ensure that the Financial Statements of the Bank are correct, sufficient and credible. It addresses itself to matters pertaining to adequacy of internal controls, reliability of financial statements / other management information, adequacy of provisions, whether the audit tests are appropriate and scientifically carried out. It follows up on all issues raised in the Long Form Audit Report and interacts with External Auditors before finalisation of Annual Financial Accounts and Reports

focusing primarily on accounting policies and practices, major accounting entries and compliance with the Accounting Standards. The Committee also reviews the adequacy of Internal Control System and holds discussions with Internal Auditors / Inspectors on any significant finding and follow up action thereon. It also reviews the financial and risk management policies of the Bank and evaluates the findings of any internal investigation where there is any suspected fraud or irregularity or failure of Internal Control System of material nature and reports to the Board. ACB also focuses on the follow up of inter-branch adjustment accounts and other major areas of Balancing of Books and House Keeping.

Composition, Meetings and Attendance

The Audit Committee of the Board consists of:	
Mr. R. K. Gupta	(Chairman)
Mr. Arnab Roy	(Member)
Mr. A. K. Mehta	(Member)
Prof. Nisar Ali	(Member)
Mr. A. M. Matto	(Member)

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

15.04.2010; 15.05.2010; 31.07.2010; 23.09.2010; 25.10.2010; 14.12.2010; 04.01.2011; 06.01.2011; 28.01.2011 and 28.02.2011

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. R. K. Gupta	10	10	100%
Mr. M. S. Verma (upto 31.07.2010)	2	1	50%
Mr. Arnab Roy (from 03.01.2011)	4	3	75%
Mr. A. K. Mehta (upto 30.08.2010) and (from 03.01.2011)	7	7	100%
Mr. Abdul Majid Mir (upto 03.01.2011)	6	5	83.34%
Mr. B. L. Dogra (from 30.08.2010 to 03.01.2011)	3	3	100%
Prof. Nisar Ali	10	10	100%
Mr. A. M. Matto	10	7	70%

MANAGEMENT COMMITTEE

Role and Function

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

Composition, Meetings and Attendance

The Committee consists of:	
Mr. Mushtaq Ahmad	(Chairman)
Mr. Sudhanshu Pandey, IAS	(Member)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)
Mr. Nihal C. Garware	(Member)

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

16.04.2010; 16.05.2010; 16.06.2010; 31.07.2010; 31.08.2010; 22.09.2010; 26.10.2010; 29.11.2010; 30.11.2010; 03.01.2011; 29.01.2011; 28.02.2011 and 18.03.2011

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. Mushtaq Ahmad (from 22.09.2010)	8	8	100%
Dr. Haseeb A Drabu (upto 27.08.2010)	4	4	100%
Mr. Sudhanshu Pandey, IAS (from 30.08.2010)	9	7	77.77%
Mr. Abdul Majid Mir (upto 03.01.2011)	9	7	77.77%
Mr. B. L. Dogra (upto 30.08.2010)	4	4	100%
Mr. M. I. Shahdad (from 30.08.2010)	9	8	88.88%
Mr. Vikrant Kuthiala (from 30.08.2010)	9	9	100%
Prof. Nisar Ali (upto 03.01.2011)	9	9	100%
Mr. A. M. Matto	13	11	84.61%
Mr. R. K. Gupta	13	13	100%
Mr. Nihal C. Garware	13	12	92.30%

INTEGRATED RISK MANAGEMENT COMMITTEE

Role and Function

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

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

Composition, Meetings and Attendance

The Committee consists of:	
Mr. Mushtaq Ahmad	(Chairman)
Mr. Arnab Roy	(Member)
Mr. Abdul Majid Mir	(Member)
Prof. Nisar Ali	(Member)
Mr. R. K. Gupta	(Member)
Mr. B. L. Dogra	(Member)

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

15.06.2010; 26.10.2010; and 17.03.2011

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Role and Function

- ▶ The Bank has constituted a Committee designated as Shareholders Investors Grievance Committee which looks into redressing of Shareholders and Investors Complaints.
- ▶ All Shareholders' / Investors' Grievances / Correspondence were expeditiously attended to and the replies sent generally within a period of 7 days of receipt. No share transfer beyond 30 days was pending as on 31st March, 2011. All requests for dematerialization of shares are likewise processed and confirmation communicated to Investors and Depository Participants within five working days.
- ▶ During the year 1648 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	59	59	0
2.	Correction of Name on Share Certificate	0	0	0
3.	Change/Correction of Bank Mandate on Instruments	7	7	0
4.	Loss of Shares and Request for Duplicate Shares	59	59	0
5.	Request for Transmission	39	39	0
6.	Correspondence/Query Related to NSDL operations	0	0	0
7.	Receipt of Dividend Warrants for Revalidation	19	19	0
8.	Registration of NECS	471	471	0
9.	Registration of Nomination	24	24	0
10.	Registration of Bank Mandate	916	916	0
11.	Request for Deletion of Name Due to Death	14	14	0
12.	Non Receipt of Share Certificates	0	0	0
13.	Non Receipt of Share Certificates after Transfer (NRSCAT)	0	0	0
14.	Non Receipt of Dividend Warrants(NRDW)	31	31	0
15.	Non Receipt of Fully Paid Stickers/Annual Reports	9	9	0
16.	Complaints from SEBI / Stock Exchanges	0	0	0
17.	Legal Notices	0	0	0
	Total	1648	1648	0

Composition, Meetings and Attendance

Shareholders / Investors Grievance Committee consists of:	
Mr. M. I. Shahdad	(Chairman)
Mr. Abdul Majid Mir	(Member)
Mr. B. L. Dogra	(Member)

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

16.06.2010; 25.10.2010 and 17.03.2011

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. M. I. Shahdad	3	3	100%
Mr. A. K. Mehta (upto 03.01.2011)	2	2	100%
Mr. Abdul Majid Mir (from 03.01.2011)	1	1	100%
Mr. B. L. Dogra (from 30.08.2011)	2	2	100%
Mr. A. M. Matto (upto 03.01.2011)	2	2	100%

OTHER COMMITTEES

MONITORING OF LARGE VALUE FRAUDS COMMITTEE

Role and Function

Committee has been constituted pursuant to RBI directions to monitor the fraud cases involving an amount of ₹ 1 Crore and above.

Composition, Meetings and Attendance

The Committee consists of:	
Mr. Mushtaq Ahmad	(Chairman)
Mr. A. K. Mehta	(Member)
Prof. Nisar Ali	(Member)
Mr. B. L. Dogra	(Member)

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

16.06.2010; 25.10.2010 and 17.03.2011

These meetings were attended by the Members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad (from 06.10.2010)	2	2	100%
Dr. Haseeb A. Drabu (upto 27.08.2010)	1	1	100%
Mr. A. K. Mehta	3	3	100%
Mr. B. L. Dogra	3	3	100%
Mr. M. I. Shahdad (upto 03.01.2011)	2	2	100%
Prof. Nisar Ali (from 03.01.2011)	1	1	100%
Mr. R. K. Gupta (from 30.08.2010 to 03.01.2011)	1	1	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:	
Mr. Mushtaq Ahmad	(Chairman)
Mr. Sudhanshu Pandey, IAS	(Member)
Mr. A. M. Matto	(Member)
Mr. R. K. Gupta	(Member)

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

15.04.2010; and 22.09.2010

These meetings were attended by the Members as detailed below.

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad (from 06.10.2010)	-	-	-
Dr. Haseeb A Drabu (upto 27.08.2010)	1	1	100%
Mr. M. S. Verma (upto 31.07.2010)	1	1	100%
Mr. Sudhanshu Pandey, IAS	2	1	50%
Mr. A. M. Matto	2	2	100%
Mr. R. K. Gupta (from 30.08.2010)	1	1	100%

CUSTOMER SERVICE COMMITTEE**Role and Function**

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

Composition, Meetings and Attendance

The Committee consists of:	
Mr. Mushtaq Ahmad	(Chairman)
Mr. A. K. Mehta	(Member)
Mr. B. L. Dogra	(Member)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)
Mr. A. M. Matto	(Member)

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

16.06.2010; 26.10.2010 and 18.03.2011

These meetings were attended by the Members as detailed below:

Name of the Members	No. of Meetings during the Tenure	No. of Meetings Attended	% of Attendance
Mr. Mushtaq Ahmad (from 06.10.2010)	2	2	100%
Dr. Haseeb A Drabu (upto 27.08.2010)	1	1	100%
Mr. A. K. Mehta	3	3	100%
Mr. B. L. Dogra (from 03.01.2011)	1	1	100%
Mr. M. I. Shahdad	3	3	100%
Mr. Vikrant Kuthiala	3	3	100%
Mr. A. M. Matto	3	3	100%

INFORMATION TECHNOLOGY COMMITTEE

Role and Function

Bank has constituted IT Committee, with a view to monitor the progress of effective assimilation and speedy implementation of Information Technology in the Bank.

Composition, Meetings and Attendance

The Committee consists of:	
Mr. Mushtaq Ahmad	(Chairman)
Mr. Sudhanshu Pandey, IAS	(Member)
Mr. Vikrant Kuthiala	(Member)
Prof. Nisar Ali	(Member)
Mr. Nihal C. Garware	(Member)

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

16.06.2010; 26.10.2010 and 18.03.2011

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. Mushtaq Ahmad (from 06.10.2010)	2	2	100%
Dr. Haseeb A. Drabu (upto 27.08.2010)	1	1	100%
Mr. Sudhanshu Pandey, IAS (from 03.01.2011)	1	1	100%
Mr. A. K. Mehta (upto 03.01.2011)	2	2	100%
Mr. Vikrant Kuthiala	3	3	100%
Prof. Nisar Ali	3	3	100%
Mr. Nihal C. Garware	3	3	100%

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. Nihal C. Garware	(Chairman)
Mr. Abdul Majid Mir	(Member)
Mr. B. L. Dogra	(Member)
Mr. M. I. Shahdad	(Member)

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

31.07.2010; 24.10.2010; 29.11.2010; 17.12.2010; 29.01.2011 and 26.03.2011

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. Nihal C. Garware	6	6	100%
Mr. A. K. Mehta (upto 30.08.2010)	1	1	100%
Mr. Abdul Majid Mir (from 03.01.2011)	2	2	100%
Mr. B. L. Dogra	6	6	100%
Mr. M. I. Shahdad	6	5	83.34%

ESTATES COMMITTEE**Role and Function**

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

Composition, Meetings and Attendance

The Committee consists of:	
Mr. Nihal C. Garware	(Chairman)
Mr. M. I. Shahdad	(Member)
Mr. Vikrant Kuthiala	(Member)

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

16.04.2010; 15.06.2010; 23.09.2010; 24.10.2010 and 29.11.2010

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. Nihal C. Garware	5	5	100%
Mr. A. K. Mehta (upto 30.08.2010)	2	2	100%
Mr. M. I. Shahdad	5	5	100%
Mr. Vikrant Kuthiala	5	5	100%

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

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

Basic Pay	₹ 3,00,000.00
DA	-
Provident Fund	-
Total	₹ 3,00,000.00

Mr. Ashok Kumar Mehta and Mr. 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	₹ 63,000.00
DA	₹ 12,600.00
HRA	₹ 7,560.00
Total	₹ 83,160.00

Non – Executive Directors

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

The details of the same are given below:

- ▶ ₹ 10,000/- for every Board Meeting or Committee Meeting.

Details of number of Shares / Convertible Debentures held by Non-Executive Directors as on 31-03-2011:

Name of the Director	Number of Shares held	Number of Convertible Debentures held
Mr. Mushtaq Ahmad	230	Nil
Mr. B. L. Dogra	50	Nil
Mr. M. I. Shahdad	11048	Nil
Mr. A. M. Matto	1693	Nil

OTHER DISCLOSURES**Code of Conduct for the Board Members and Senior Management Personnel**

The Board of Directors has approved a Code of Conduct for Board Members and Senior Management Personnel of J&K Bank.

This Code is also available on the website of the Bank, www.jkbank.net. In terms of revised Clause 49 of the Listing Agreement, a confirmation from the Chairman & CEO regarding compliance with the Code by all the Directors and Senior Management is furnished below.

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

Mushtaq Ahmad

Chairman & CEO

CEO / CFO CERTIFICATION

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

INSIDER TRADING CODE

The Bank has formulated a Code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2002 to prevent practices of Insider Trading. Mr. 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 & performance of their responsibilities.

Ethical Standards Employed by the Bank

The Bank has formulated service manual for its employees. This manual contains comprehensive regulations on ethical standards to be mandatorily observed by all the employees of the Bank.

Legal Compliances

There were no cases of non-compliance by the Bank and no penalties or strictures have been imposed on or proposed against the Bank by the Stock Exchange (s) and / or SEBI and / or any other statutory authorities on matters relating to capital market. The Bank has complied with the provisions of relevant Acts, Rules & Regulations framed there under during the year 2010-2011.

Economic Value Addition

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

EVA Calculations for last three years

S. No.	Financial year	Post Tax Profits (₹ in Crores)	Capital Employed (₹ in Crores)	Cost of Capital	Post Tax return on Capital Employed	EVA
1.	2008-09	409.83	2623	3.45%	15.62%	12.18%
2.	2009-10	512.37	3010	2.90%	17.02%	14.12%
3.	2010-11	615.20	3479	3.21%	17.68%	14.47%

SHARE HOLDERS INFORMATION
Stock Exchanges where equity shares are listed.

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

a. National Stock Exchange of India Limited

Exchange Plaza
 Bandra Kurla Complex, Bandra (E)
 Mumbai 400 051

b. The Bombay Stock Exchange Ltd.

Phiroze Jeejeebhoy Towers
 Dalal Street
 Mumbai 400 001

The annual fees for 2010-11 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, 2010	31st July, 2010
30th September, 2010	25th October, 2010
31st December, 2010	29th January, 2011
31st March, 2011 (Audited)	14th May, 2011

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

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Business Transacted
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 September, 2009 at 11:00 AM	Sher-I-Kashmir International Conference Centre (SKICC), Srinagar	NIL
72nd Annual General Meeting	Saturday 31st July, 2010 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
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
2009-2010	220%	31.07.2010	N.A.	09.08.2010

2005-2006 **80%**

2006-2007 **115%**

2007-2008 **155%**

2008-2009 **169%**

2009-2010 **220%**

DEMATERIALIZED / PHYSICAL SHARES

The shares of the Bank are in compulsory dematerialised segment and are available for trading in depository systems of both National Securities Depository Limited and Central Depository Services (India) Ltd. as on 31st March, 2011, the position of dematerialized shares as well as physical shares are as under

(As on 31.03.2011)

Particulars	No. of Shares	%age
Physical Shares	2027988	4.18
Dematerialised Shares	46449814	95.82
Total	48477802	100.00

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2011

Category	No. of Holders	Percentage Holders	Amount (Holding)	% Holding
Upto - 5000	24274	90.19	26846170	5.54
5001 - 10000	1833	6.81	12002100	2.48
10001 - 20000	337	1.25	4920890	1.02
20001 - 30000	122	0.45	3016700	0.62
30001 - 40000	74	0.27	2579370	0.53
40001 - 50000	36	0.13	1608290	0.33
50001 - 100000	85	0.32	6205530	1.28
100001 and above	152	0.56	427598970	88.21
Total	26913	100.00	484778020	100.00

LIST OF SHAREHOLDERS HOLDING MORE THAN 1% AS ON 31ST MARCH, 2011

Name of Investor	No. of Shares	% Holding
Chief Secretary Jammu and Kashmir Govt.	24322598	50.17
Aberdeen Asset Managers Ltd A/C Aberdeen International India Opp. Fund (Mauritius) Ltd.	1718000	3.54
FID Funds (Mauritius) Limited	1613020	3.33
Secretary Finance Deptt Jammu and Kashmir Govt.	1452668	3.00
ICICI Prudential Life Insurance Company Ltd.	1283399	2.65
Equinox Partners LP	765841	1.58
Acacia Partners LP	706955	1.46
Fidelity Investment Trust Fidelity International Discovery Fund	545569	1.13
Kuroto Fund LP	516013	1.06
Total	32924063	67.92

UNCLAIMED DIVIDENDS

Shareholders who have not encashed their past dividend warrants have been intimated individually to do so without any further delay. Under the Investor Education and Protection Fund (Awareness & Protection of Investors) Rules, 2001, unclaimed amount in respect of unpaid/unclaimed dividend warrants which is more than seven years old, shall be transferred by the Bank to "Investor Education and Protection Fund" established under Sub-Section (i) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the Shareholders against the Company or the Fund. Shareholders are accordingly advised to claim their unclaimed dividend, if not already claimed.

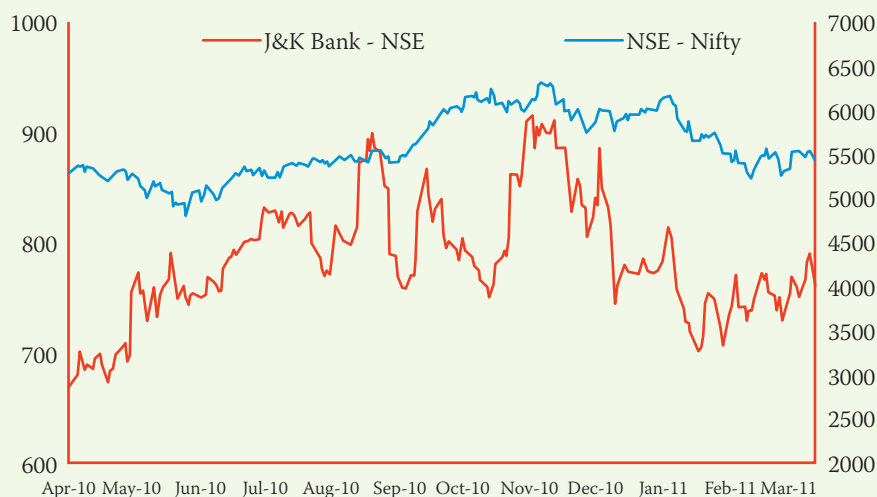
The detail of unclaimed dividend of last three years is as under: (As on 31.03.2011)

Financial Year	Amount of Unclaimed Dividend
2007-2008	27,43,654
2008-2009	34,20,204
2009-2010	49,67,189
Total	1,11,31,047

STOCK MARKET DATA

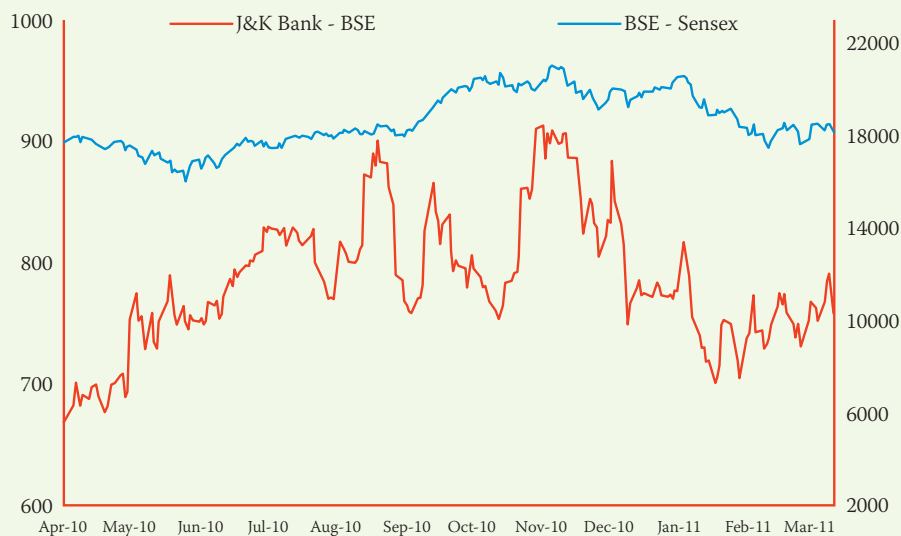
JK Bank on NSE Nifty April 2010 - March 2011

Month	Highest		Lowest		Closing		Volume for the Month (₹)
	RATE	DATE	RATE	DATE	RATE	DATE	
April 2010	798	26.04.2010	619	05.04.2010	756	30.04.2010	453228080
May 2010	804	19.05.2010	727	12.05.2010	752	31.05.2010	347602064
June 2010	864	08.06.2010	731	08.06.2010	832	30.06.2010	346989336
July 2010	859	01.07.2010	766	30.07.2010	771	30.07.2010	575449625
August 2010	915	24.08.2010	765	02.08.2010	769	31.08.2010	2775263540
September 2010	874	13.09.2010	756	02.09.2010	805	30.09.2010	3026846430
October 2010	915	29.10.2010	745	12.10.2010	710	29.10.2010	2966050634
November 2010	930	02.11.2010	777	26.11.2010	840	30.11.2010	1546317075
December 2010	895	02.12.2010	726	10.12.2010	782	31.12.2010	685951019
January 2011	826	04.01.2011	695	31.01.2011	736	31.01.2011	487197319
February 2011	789	03.02.2011	717	25.02.2011	755	28.02.2011	541991765
March 2011	905	30.03.2011	737	15.03.2011	874	31.03.2011	789942541



JK Bank on BSE Sensex April 2010 – March 2011

Month	Highest		Lowest		Closing		Volume for the Month (₹)
	RATE	DATE	RATE	DATE	RATE	DATE	
April 2010	772	30.04.2010	655	01.04.2010	753	30.04.2010	182596180
May 2010	808	19.05.2010	710	21.05.2010	751	31.05.2010	92072378
June 2010	848	29.06.2010	741	02.06.2010	826	30.06.2010	43809168
July 2010	865	07.07.2010	765	30.07.2010	770	30.07.2010	250862721
August 2010	916	24.08.2010	775	02.08.2010	768	31.08.2010	1190259342
September 2010	872	13.09.2010	757	02.09.2010	806	30.09.2010	617808714
October 2010	915	29.10.2010	721	27.10.2010	910	29.10.2010	578512930
November 2010	938	01.11.2010	779	26.11.2010	835	30.11.2010	257305270
December 2010	894	02.12.2010	730	10.12.2010	776	31.12.2010	123004869
January 2011	823	04.01.2011	694	31.01.2011	738	31.01.2011	127178545
February 2011	787	03.02.2011	720	09.02.2011	752	28.02.2011	113557369
March 2011	911	30.03.2011	714	21.03.2011	874	31.03.2011	171160621


IMPORTANT EVENTS AFTER THE CLOSURE OF FINANCIAL YEAR ENDED 31.03.2011

This report covers the period of financial year of the Bank beginning on 1st April, 2010 to 31st March, 2011. There were no material events from 01.04.2011 to 14.05.2011, the date when the annual accounts were adopted by the Board of Directors of the Bank.

MEANS OF COMMUNICATION

J&K Bank disseminates information about its operations through various means to shareholders, analysts and the society at large. All official news releases and presentations made to institutional investors and analysts are posted on the Bank's website www.jkbank.net. It also issues press releases and conducts programmes that disseminate information. The quarterly results of the Bank are published in widely circulated National Newspapers and are also placed on our website. The Board takes on record the Un-Audited/Reviewed Financial Results in the prescribed form of the Stock Exchanges within 45 days of the closure of the quarter and announces forthwith

the results to all the Stock Exchanges where the shares of the company are listed. The highlights of quarterly results are also published in National and Vernacular Newspapers within 48 hours of the conclusion of the Board Meeting in which they are taken on record and information is also placed on the website of the Bank. The Bank regularly organizes Press / Analyst Meets to apprise Fund Managers, Press and Analysts about the financial performance of the Bank and to receive their suggestions for future growth.

SHAREHOLDERS RIGHTS

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

- ▶ To transfer shares.
- ▶ To receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- ▶ To receive notice of general meetings, balance sheet and profit and loss account and auditors' report.
- ▶ To appoint proxy to attend and vote at general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at general meetings of the company on its behalf.
- ▶ To attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
- ▶ To vote at the general meeting on show of hands wherein every shareholder has one vote. In case of poll, the number of votes of a shareholder depends on the proportion of equity shares held by him with the total paid up equity capital of the company.
- ▶ To demand poll alongwith other shareholder(s) who collectively hold 5,000 shares or is not less than 1/10th of the total voting power in respect of any resolution.
- ▶ To requisition an extraordinary general meeting of any Company by shareholders who collectively hold not less than 1/10th of the total paid up capital of the company.
- ▶ To move amendments to resolutions proposed at general meetings.
- ▶ To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- ▶ To 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	14th May, 2011
Dispatch of Annual Report / Notice of AGM	15th June, 2011
Book closure Period	4th July, 2011 to 9th July, 2011
Last date for lodgment of proxy forms	7th July, 2011
Date of AGM	9th July, 2011
Dividend payment date on or after	18th July 2011
Validity dates of dividend instrument	Three Months

DISCLOSURE ON COMPANY SECRETARY'S RESPONSIBILITY

The Company Secretary confirms that during the year from 1st April, 2010 to 31st March, 2011, the Bank has:

1. Maintained all the Books of Account and Statutory Registers required under the Companies Act, 1956, and the Rules made there under coming under the preview of Company Secretary 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 preview 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 agencies.
2. The Board of Directors of Bank duly met fourteen times during the financial year and in respect of meetings conducted during the period proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose. The meetings of various Committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the minutes book maintained for the purpose.
 3. The Bank closed its Register of Members from 26th July, 2010 to 31st July, 2010 (both days inclusive) in connection with 50th 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 2009-10 was held on 31st July, 2010 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 / refund orders, have been transferred to the Investor Education and Protection Fund of the Central Govt. with Punjab National Bank within the prescribed time limit.
 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

Dated : 14th May, 2011

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, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the various Stock Exchanges.

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

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

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

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

In terms of our report of even date annexed

For OP Garg & Co. Chartered Accountants FRN: 001194N	For KB Sharma & Co. Chartered Accountants FRN: 002318N	For Verma Associates Chartered Accountants FRN: 002717N	For PC Bindal & Co. Chartered Accountants FRN: 003824N	For KK Goel & Associates Chartered Accountants FRN: 005299N
CA. Vikram Garg Partner M.No. 097038	CA. Munish Jain Partner M.No. 094750	CA. Madan Verma Partner M.No. 081631	CA. Sumit Gupta Partner M. No. 093783	CA. Amit Goel Partner M. No. 098913

Place : Srinagar

Dated : 14th May, 2011

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 73rd 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, 9th July, 2011 at 1100 hours. Members are hereby invited to attend the Meeting.

NOTICE ENCLOSURES //

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

- i) Copy of the Annual Report for the year ended 31st March, 2011
- ii) Feedback Form.
- iii) Bank's Mandate Form
- iv) Nomination Form
- v) NECS-I Mandate Form
- vi) NECS-II Mandate Form
- vii) Attendance Slip
- viii) Proxy Form

RIGHTS AT THE MEETING //

You have the right to attend, speak and vote at the Annual General Meeting if you are a Member on the Bank's Register of Members as on 9th July, 2011 or a Beneficiary Holder in the books of the National Securities Depository Limited or the Central Depository Services (India) Limited as on 2nd July, 2011.

REQUIREMENTS //

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

NOTE: IF YOU HAVE ANY QUESTIONS ABOUT THE MEETING, OR NEED ANY ASSISTANCE, PLEASE TELEPHONE THE ANNUAL GENERAL MEETING ENQUIRY LINE ON 0194 - 2481930-35 – EXTENSION: 1421, 1613, DURING WORKING HOURS.

APPOINTMENT OF PROXY //

Any Member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person to attend and vote on poll instead of himself. The person so appointed is known as Proxy. The person so appointed may be a Member or a Non-Member. The Proxy appointed by you may vote at the Meeting only on poll. You

may note that Proxy is not entitled to speak at the Meeting and cannot vote on the show of hands. If you are not able to come and attend the Meeting personally and intend to appoint Proxy to act and vote on poll on your behalf, you are requested to complete, sign and return the accompanying Proxy Form, together with documents specifying the validity of the appointment of the Proxy, at least forty eight (48) hours before the Annual General Meeting of the Company, so as to reach the Corporate Headquarters of our Bank located at M.A. Road, Srinagar, J&K 190 001, not later than 1100 Hours on 7th July, 2011.

You can appoint only one Proxy and give alternate names in the Proxy Form and only one Proxy need to attend and vote at the Meeting. The Proxy form needs to be dated and signed by you after affixing revenue stamp of Re. 1/- and in event of any other person signing on your behalf you shall have to give authority to such person by way of power of attorney which shall be sent by you or that person along with the Proxy Form.

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

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

ENTRY PASS //

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

ARRANGEMENT FOR THE MEETING //

- ▶ The Meeting will start at 1100 hours sharp and the doors of the Meeting Hall will open at 0900 hours.
- ▶ No electronic gadgetry will be allowed inside the Meeting Hall and Members are requested not to bring any cameras, video recorders, voice recorders etc.
- ▶ For any enquiry relating to any matter that concerns you as a customer of the J&K Bank, you are requested to contact the Staff Volunteers available at the venue of Meeting.
- ▶ There will be an arrangement of the "Shareholders Enquiry Desk" for the shareholders who have any enquiry relating to their shareholding. If you have any such enquiry you are requested to enquire from the staff available at the desk.

- ▶ Any staff member can be contacted for First Aid facility.
- ▶ Smoking is strictly prohibited both inside the Hall and as well as within the Premises. You are requested to kindly co-operate.

DOCUMENTS //

Copies of all important documents including previous three years Annual Reports, Minutes of last three Annual General Meetings and copies of Memorandum and Articles of Association of the Bank, will be available for inspection of the Members at the Corporate Headquarters, M.A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 7th July, 2011 and also on the date of Meeting from 0900 hours until conclusion of the meeting. Further Annual Accounts of JKB Financial Services Ltd, 100% Subsidiary of Bank, will be made available/available for Inspection to Members at any point of time at the Corporate Headquarters, M.A. Road, Srinagar between 1200 hours and 1400 hours on all working days until 7th July, 2011 and also on the date of Meeting from 0900 hours until conclusion of the meeting.

PROCEEDING AT THE MEETING //

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

VOTING RIGHTS //

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

On Show of Hands

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

On Poll

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

Manner of Voting on Show of Hands

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

On Poll

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

BOOK CLOSURE DATES //

Book closure date refers to the period during which the register of members and share transfer books of the company shall remain closed for the purpose of determining the Members eligible for dividend, if any, to be declared for the financial year ended 31st March, 2011. The book closure of the company shall commence from Monday 4th July, 2011 to Saturday 9th July, 2011 (both days inclusive). Dividend will be paid only to those members, whose name appears on the register of members as on Saturday 9th July, 2011 or Register of beneficial owners maintained by Depositories as at the close of working hours on Saturday 2nd July, 2011.

DEMAT OF SHARES AND DEPOSITORY SERVICES //

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

A Depository offers following advantages to the Investor:

- ▶ Your shares cannot be lost or stolen or mutilated;
- ▶ You never need to doubt the genuineness of your shares i.e. whether they are forged or fake;
- ▶ Share transactions like transfer, transmission, etc., can be effected immediately;
- ▶ Transaction costs are usually lower than on the physical segment;
- ▶ There is no risk of bad delivery;
- ▶ Bonus/ rights shares allotted to you will be immediately credited to your account; and
- ▶ You will receive the statement of accounts of your transactions/holdings periodically. According to Depository Act, 1996, investors have the option to hold shares in physical form or in electronic form. However, pursuant to directive issued by the Securities & Exchange Board of India (SEBI) shares of your Bank have been notified in the list of securities, where transactions will take place only in electronic mode for all Investors and shareholders are thus advised to open a Demat Account with depository participant and dematerialise their securities.

REGISTRAR AND SHARE TRANSFER AGENT //

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

1. The Internal Audit / Concurrent Audit to be carried out by independent firm of Company Secretaries / Chartered Accountants which will present a report to our Bank on the performance of KARVY vis-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, same may be informed to:

Parvez Ahmed (President & Secretary)
 The Jammu and Kashmir Bank Limited,
 Board Secretariat,
 Corporate Headquarters, M.A. Road,
 Srinagar, Jammu and Kashmir 190 001,
 e-mail: sharedeptt_gc@jkbmail.com

NOMINATION FACILITY //

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

BANK MANDATE FORM //

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

NECS FORM FACILITY //

The National Electronic Clearing System (NECS) is intended to avoid the risk of loss/interception of dividend warrants in postal transit and / or fraudulent encashment of dividend warrants. The shareholders are requested to avail the NECS facility /Direct credit facility, whereby the dividend will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and company will duly inform the concerned shareholders when the credit are passed on their respective bank accounts.

Feedback Form

Dear Member,
J&K Bank requests you to rate the following aspects of this Annual Report on the scale given below.

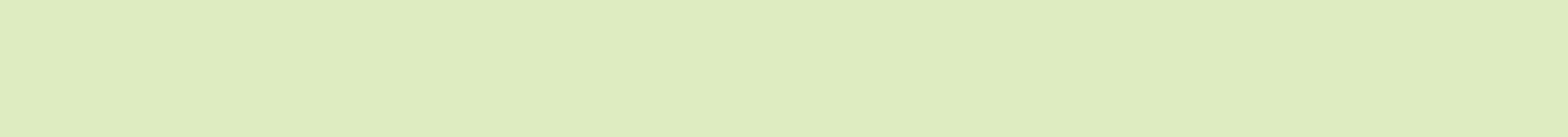
	Below Expectation	Average	Fair	Good	Excellent
Is it Informative ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How do you rate the Clarity of the Contents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the financial information Comprehensive ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the content of this Report Relevant to you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What is your Overall feedback on the report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What aspects of the Annual Report did not appeal to you?	<hr/>				
What aspects of the Annual Report appealed to you the most?	<hr/>				

(Signature)

Name
Address

Folio No./Client ID





Bank 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 _____

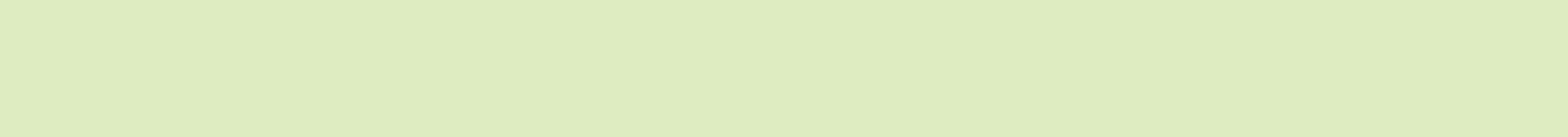
Account type (Please Tick) Savings Current Cash Credit

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, Board Secretariat, Corporate Headquarters, M.A. Road, Srinagar –190001 or to our Share Transfer Agent : Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Plot No 17-24, Vittalrao Nagar, Madhapur, 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 2B

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	_____	Name (Second Holder) Address	_____
	_____		_____
Date	_____ Signature _____	Date	_____ Signature _____

Specimen Signature of Nominee _____

{To be attested by the shareholder(s)} _____

Signature of Two Witnesses _____

1) Name and Address _____ Signature with Date _____

1) Name and Address _____ Signature with Date _____



INSTRUCTIONS:

01. In case you are holding physical shares, the duly filled-in form be sent to President & Secretary, The Jammu & Kashmir Bank Ltd, Board Secretariat, Corporate Headquarters, M. A. Road, Srinagar – 190001 or to our Share Transfer Agent: Karvy Computershare Pvt. Ltd. Unit: J&K Bank Ltd, Plot No 17-24, Vittalrao Nagar, Madhapur, 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.
02. Please use separate form for each folio. Nomination is applicable to the folio, irrespective of the number of shares registered under the folio. Only one nomination per folio per instance would be entertained.
03. The nomination can be made by individuals only applying / holding share(s) on their own behalf singly or jointly upto two persons. Non-Individuals including society, trust, body corporate, partnership firm, karta of Hindu undivided family, holder of power of attorney, cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form.
04. A minor can be nominated by a holder of share(s) and in that event the name and address of the guardian shall be given by the holder.
05. The nominee shall not be a trust, society, body corporate, karta of Hindu undivided family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis (subject to the Reserve Bank of India's approval as applicable).
06. Nomination stands rescinded upon transfer of share(s) or on receipt of subsequent nomination form.
07. Transfer of shares in favour of a nominee shall be a valid discharge by a company against the legal heirs.
08. The form must be complete in all respects and duly witnessed. Incomplete form is not a valid nomination.
09. Subject to rules and regulations as applicable from time to time.

NECS-I (National Electronic Clearing System) Mandate Form for payment of Dividend on Equity Shares

(For Shareholders holding shares in Physical Form)

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	12
-------------	----
- e) 9 Digit MICR Code No. of the Bank & Branch
appearing on the MICR cheque issued by the bank:
6. Please attach a photocopy of a cheque leaf or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the above mentioned code numbers.

Declaration

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold J&K Bank Limited responsible. In case of NECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument.

Place: _____

Dated: _____

Signature of the first / sole shareholder

Notes :

1. If above mandate has already been submitted, please ignore this communication.
2. Kindly fill all columns. Incomplete forms shall not be entertained.
3. Please note that NECS facility is available only at Core Banking Solution Branches (CBS Branches) of the Banks. Therefore, please ensure that you provide only your new bank account number allotted by your Bank, post Implementation of Core Banking System, to avail NECS.

..... 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)

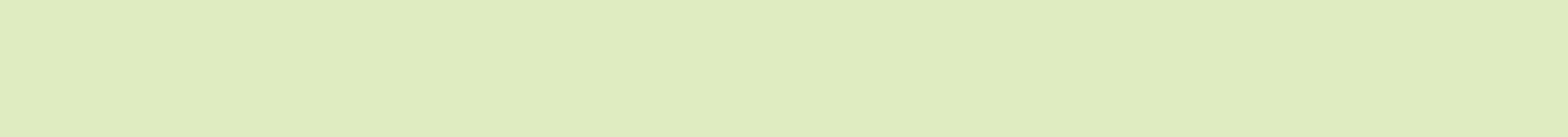
Certified that the particulars furnished above are correct as per our records.

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 Physical 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

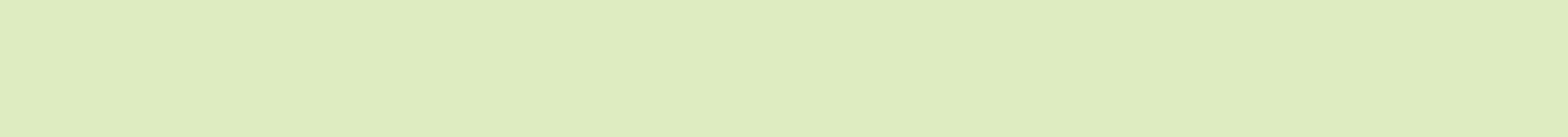
b) CDSL

Account Holder's Details

Name of First / Sole Holder	
Name of Second Holder	
Name of Third Holder	

Depository Participant Seal and Signature







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 73rd Annual General Meeting of the Bank on Saturday, 9th July, 2011 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 A.M to 11.00 A. M.
3. Joint Shareholders may obtain additional attendance slip on request.



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 73rd Annual General Meeting of the Bank to be held on Saturday, 9th July, 2011 at 11.00 A.M at Sher-i-Kashmir
International Conference Centre (SKICC), Srinagar, J&K.

Signed this _____ day of _____ 2011

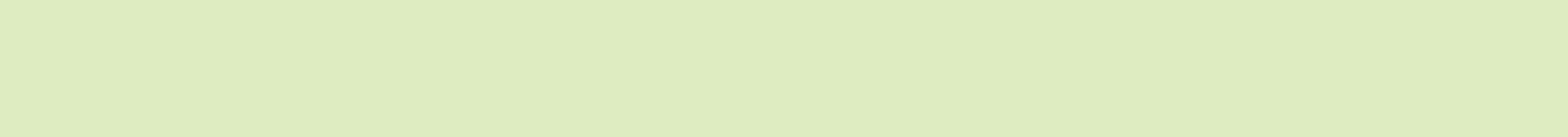
Signature of Shareholder _____

Affix Re. 1/- Revenue Stamp

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

Mushtaq Ahmad	Chairman & CEO
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

President & Secretary

Parvez Ahmed

Auditors

O. P. Garg & Co.

Chartered Accountants

K. B. Sharma & Co.

Chartered Accountants

Verma Associates

Chartered Accountants

P. C. Bindal & Co.

Chartered Accountants

K. K. Goel & Associates

Chartered Accountants

Registered Office

Corporate Headquarters
M.A. Road, Srinagar-190 001

Registrar & Share Transfer Agents

Karvy Computershare Private Ltd.
Unit J&K Bank Limited
Plot No.17-24,Vittalrao Nagar,
Madhapur,
Hyderabad-500 081
Tel.: (040) 23420838
Fax: (040) 23420814

Investors Across the Globe



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J&K Bank

Corporate Headquarters
M A Road, Srinagar 190 001
Jammu & Kashmir

www.jkbank.net