



THE JAMMU & KASHMIR BANK LTD.

Board of Directors

: M.Y. Khan — Chairman
 : Dr. Haseeb A. Drabu
 : M.S. Pandit, IAS
 : Ajit Kumar, IAS
 : Sudhakar Kaza
 : G.P. Gupta
 : Vipin Malik
 : A.M. Matto
 : Dr. G.Q. Allaqaband
 : Mohammad Yaseen Mir
 : B.L. Dogra

Company Secretary : Parvez Ahmed

Auditors : K.B. Sharma & Co.
 Chartered Accountants
 : Baweja & Kaul
 Chartered Accountants
 : Verma Associates
 Chartered Accountants

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

Registrar & Share Transfer Agent : Karvy Computershare Pvt. Ltd.
 46, Avenue 4, Street No. 1,
 Banjara Hills,
 Hyderabad - 500 034
 Phone : (040) 55666690
 Fax : (040) 23311968

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THE JAMMU & KASHMIR BANK LIMITED
Corporate Headquarters, M.A. Road, Srinagar - 190001

Redg. Office : Corporate Headquarters, M.A. Road, Srinagar - 190001 (J&K)
 Tele No. (0194) 2481930-35, Fax : (0194) 2481928 E-mail: parvezahmad@jkbmail.com

66TH ANNUAL REPORT 2003-2004

NOTICE

Notice is hereby given that the **66th Annual General Meeting** of the shareholders of **The Jammu and Kashmir Bank Limited** will be held as under:

Day : Saturday
Date : 12th June 2004
Time : 11.00 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, 2004 and the Profit and Loss Account for the Financial Year ended on that date together with the Reports of the Board of Directors and the Auditors and comments of the Comptroller and Auditor General of India thereon.
2. To declare Final Dividend on equity shares for the year ended 31st March 2004 and seek confirmation of Interim Dividend declared by the Board of Directors during the Financial Year under review.
3. To appoint a Director in place of Mr. A.M. Matto, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. G.Q. Allaqaband 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.

SPECIAL BUSINESS:

6. ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE BANK

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

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 (including any Statutory modification or re-enactment thereof) and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities, the object clause of the Memorandum of Association of the Bank be and is hereby altered by the incorporation of the following new Sub-clause (wv) and Sub-clause (wvi) after Sub-Clause (wiv) of 'III' thereof:

(wv) to sponsor, promote, solicit, establish, procure and carry

on the insurance business and to do all such things as may be advised, permitted or required for this purpose.

(wvi) to provide stock broking facility in shares, bonds, debentures, units of mutual funds and any other tradable security or stocks to the clients.

"RESOLVED FURTHER THAT the Directors be and are hereby authorised to take necessary steps to obtain confirmation of Reserve Bank of India in terms of Section 49C of the Banking Regulation Act, 1949, in respect of aforesaid alterations in the Memorandum of Association of the Bank and agree to such modifications, terms and conditions in the proposed new Clauses as may be directed by the Reserve Bank of India and to modify the same accordingly."

"RESOLVED FURTHER THAT pursuant to the provisions of Section 149 (2A) and other applicable provisions if any, of the Companies Act, 1956, the approval be and is hereby accorded to the Company for commencing and undertaking all or any of the business and activities covered under newly introduced Sub-Clause (wv) and Sub-Clause (wvi) of 'III' of the Memorandum of Association of the Bank as and when deemed fit by the Board of Directors."

7. AMENDMENT OF ARTICLES OF ASSOCIATION

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities Article 70(1) of the Articles of Association of the Bank be and is hereby recasted as under: -

"No person other than a permanent resident of Jammu and Kashmir State shall be qualified to act as a Director of the Company except when such person has been appointed as a Director by the Jammu and Kashmir Government or when such person has been co-opted as an Additional Director by the Board.

Provided that the total number of persons not being the permanent resident of Jammu and Kashmir State and Co-opted as Additional Director/s by the Board shall not at any point of time exceed one third of the total strength of the Board (any fraction contained in that one third being rounded to nearest one) or four whichever is less.

Provided that every Director, other than a Government



Director including the Chairman, shall, unless he holds shares in the Company registered in his name of the value not below that of Rs. 5000/-, acquire such aforesaid share qualification within two months of his appointment or election, failing which he shall cease to be qualified to act as Director thereafter."

8. EXEMPTION FROM BRANCH AUDIT

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

"RESOLVED THAT pursuant to **Section 228** of the Companies Act, 1956, the Board of Directors be and are hereby authorised to apply to the Central Government under the **Companies (Branch Audit Exemption) Rules, 1961** for exemption from the audit of accounts for the year ending 31st March 2005 for those branches/offices as the Board may consider necessary."

Regd. Office: By order of the Board of Directors
Corporate Headquarters,
M. A. Road, Srinagar - 190 001 (Parvez Ahmed)
Dated: 5th May, 2004 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 COMPANY.**

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

- b) Shareholders who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unpaid/Unclaimed Dividends which are more than seven years old shall be transferred by Bank to the "**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 03.06.2004 to 12.06 2004 (both days inclusive).
- d) The payment of Final Dividend for the Financial Year ended 31st March, 2004, 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 12th June, 2004 and in case of dematerialized share-holding, to those beneficiaries appearing in the records of National Securities Depository Limited and Central Depository Services (India) Limited as at the closing of the working hours on 2nd June, 2004 subject to the provisions of Section 206A of the Companies Act, 1956.
- e) Members holding shares in physical form are requested to intimate the change, if any, in their Registered Address to the Share Transfer Agents. If the shares are held in Demat form, intimation regarding the change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining the Demat Account.
- f) Members desiring any information on the Accounts are requested to write to the Secretary of the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.
- g) 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. 5

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice with the view to set-out the 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 the Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors appointed under Section 619 of the Companies Act, 1956 by C&AG 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 and also ratify the payment of remuneration paid to Auditors for the Limited Review of Quarterly Un-audited Financial Results for the periods ended 30th June 2003, 30th September 2003 and 31st December 2003.

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

ITEM NO. 6

In view of the strong economic growth accelerated by the Indian economy and availability of financial resources & managerial expertise with the Company, it is in the interest of the Bank and shareholders as also in harmony with greater public interest that the activities of the Company be enlarged to other businesses which may be conveniently and advantageously combined with the existing business of the company. To enable the Company to take/carry on these new lines of activities, alteration in the object clause of the Memorandum of Association is necessary subject to the approval of the Reserve Bank of India.

Under Section 149(2A) of the Companies Act, 1956, sanction of the members is necessary before commencement of any new business. The proposed resolution is an enabling one to give authority to the Board to commence such of the business activities as and when, it may, in its absolute discretion deem fit.

The Board recommends the adoption of the resolutions. None of the Directors of the Company are concerned or interested in the resolution.

A printed copy of the Memorandum & Articles of Association of the Company is available for inspection at the Registered Office

of the Company between 12.00 Noon to 2.00 P.M. on any working day prior to the date of meeting and will also be available at the meeting.

ITEM NO. 7

With a view to broad base the Board, eminent personalities are being Co-opted as Additional Directors of the Bank from time to time. The Bank has been immensely benefited due to their rich and varied experience. However, with a view to retain the character of the Composition of the Board of Directors in tune with the spirit enunciated by Article 70 of the Articles of Association of the Bank it will be appropriate to put a cap on the number of persons not being the permanent resident of Jammu and Kashmir State to be Co-opted as Additional Directors by the Board.

ITEM NO. 8

The Resolution proposed under this Item is sought to be passed in order to meet the requirements of Section 228 of the Companies Act, 1956 and the Rules framed thereunder. The proposed Resolution would empower the Board to consider and select the branches in respect of which it can apply to the Central Government for exemption from Branch Audit under the Companies (Branch Audit Exemption) Rules, 1961. Loans and Advances at some of our Branches are small. These advances are within the guidelines prescribed by Company Law Board while granting exemption. Other branches are located in areas which are inaccessible during audit period with the result that the audit of such branches cannot be taken up and in case exemption for such branches is not obtained, the Accounts of the Company cannot be finalised within the statutory period. However, the Management ensures that all branches for which exemption is obtained are compulsorily got inspected by the Bank's Inspection Department.

None of the Directors of the Company are concerned or interested in the Resolution.

Your Directors recommend Resolution as set out at Item No. 8 for approval.

Regd. Office:

Corporate Headquarters,
M. A. Road,
Srinagar - 190 001
Dated: 5th May, 2004

By order of the Board of Directors

(Parvez Ahmed)
Secretary



DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC OVERVIEW:

India is set to be one of the Asia's fastest growing economies. The government continued its programme of achieving an accelerated, all-round growth with a wider distributive national wealth and greater spending power in the hands of all citizens. The severe drought suffered by the country last year, with a backdrop of sluggish global economy, the unsettled geopolitical situation, had an impact on economic growth in the year 2002-03. Since then, the macroeconomic indicators have shown an improvement. The Indian economy showed a higher growth rate during 2003-04 to match the pace that was seen in the early nineties. The economy expanded at remarkable 8.1%, attributable to the rebound in the farm sector after the best monsoon rains and continuance of reformative measures. The non-agricultural sector of the Indian economy also showed a decent growth. Industrial sector showed a growth of 6.5% during the year 2003-04. The average inflation rate based on Wholesale Price Index (WPI) was reported at 4.5%. Money supply (M3) increased by 16.40% during 2003-04 as compared with 12.8% in previous year. Reserve accretion accelerated further during the year, with foreign exchange reserves reaching a record high of \$ 113 billion up from \$76 billion of previous year. The rapid growth in reserves was partly owing to strong current account balance position.

BANKING SCENARIO:

The Banking industry showed a decent growth during the year despite pressures of the external and internal environment. The margins have been under stress due to high level of competition and rising NPAs. In view of the financial reforms, banks are confronted with the tighter Capital Adequacy and Prudential Norms, transparency and disclosure practices, Asset-Liability Management, Risk Management and Monitoring, Information Technology and cyber crimes. With relatively lower inflation, interest rates continued to soften during the year. FDI limit in banking companies was raised from 49 per cent to 74 per cent. Rates of interest on public provident fund and small saving schemes were reduced by hundred basis points with effect from March 1.

PERFORMANCE OF THE BANK:

Despite the fluid and volatile environment, the business operations of the bank have shown healthy growth in all the important areas of operation. The Bank achieved an all time high business turnover of Rs.27946.32 crore during the year under report up from Rs. 22686 crore of the last year recording a steady growth of 23.19%. The core segments of Bank's business viz. Deposits, Advances, Foreign Exchange and Treasury Operations recorded an

impressive growth. The outstanding performance recorded by the Bank in its operations boosted the Bank's equity price in the stock market to all time high of Rs.599.90 recently.

CAPITAL AND RESERVES:

The Capital & Reserves of the Bank increased by Rs.351.74 crore to Rs.1593.74 crore during the year from Rs. 1242 crore of the previous year registering an impressive growth of 28.32%. The Statutory and other Reserves increased by 29.46% to Rs.1545.49 crore from Rs.1193.79 crore of the previous year.

FINANCIAL PERFORMANCE:

i) PROFIT:

The Bank posted a net profit of Rs.406.33 crore for the financial year 2003-04 recording an impressive increase of 20.30% over the last year's net profit of Rs. 337.75 crore.

ii) INCOME:

The total income of the Bank at Rs.1822.95 crore for the year under report recorded a growth of 6.32% over the previous year figures of Rs. 1714.56 crore. The per branch and per employee business has increased to Rs. 6800 lakhs and Rs.394 lakhs respectively.

iii) DIVIDEND:

Keeping in mind the overall performance of the Bank and positive outlook for your Banks' future, your Directors are pleased to recommend Dividend @ 100% (free of tax in the hands of Share holders) for the year ended 31st March 2004 inclusive of Interim Dividend @ 50% declared by the Bank in February, 2004.

DEPOSITS:

Despite low interest rate regime, Bank's aggregate deposits recorded an appreciable accretion of 27.17% to Rs.18661.38 crore at the end of financial year 2003-04 from the previous year figure of Rs. 14674.90 crore. The rate of growth is commendable when compared to 17.3% at national level. The average deposits per branch have increased to Rs. 45.40 crore from Rs.37.43 crore of the previous year and the average deposit per employee stood at Rs.263.39 lakhs as against the previous year figure of Rs.206 lakhs.

ASSETS:

i) CREDIT PORTFOLIO:

The credit portfolio of the Bank recorded a convincing growth of 15.90%. The total advances of the Bank stood at



Rs.9284.94 crores against Rs. 8010.95 crores of the corresponding period of the previous year. The Bank continued its commitment towards priority sector lending. The outstandings to priority sector increased by Rs.460 crore to Rs.1966 crores at the end of March 2004 from Rs.1506 crores of the previous year. Besides, the special programmes for poverty alleviation and eradication of unemployment sponsored by the State and Central Governments continued to receive active support of the Bank during the year under report.

ii) INVESTMENT PORTFOLIO

The investment policy of the Bank continued to focus on increasing returns on investments in safe and liquid securities. During the year 2003-04, the investment portfolio has recorded a growth of 25.43% to Rs.8451.10 crores from Rs. 6737.82 crore of the previous year. The yield on investment worked at 8.64% YOY basis, which is quite appreciable considering the falling interest rate regime. With an aggressive secondary market operations, the Bank recorded an annual turnover of about Rs.2,34,837 crore, enabling it to book a trading profit of Rs.226.46 crore, thereby improving the overall yield to 11.83%.

The securities portfolio of the Bank is bifurcated into three categories i.e., *Held till maturity*, *Available for sale* and *Held for trading* as per the Reserve Bank of India guidelines. The valuation of the portfolio and income recognition thereof has been carried out in accordance with Fixed Income Money Market Derivatives Association of India (FIMMDA) rates and prudential norms as prescribed by Reserve Bank of India

iii) NON-PERFORMING ASSETS:

Keeping the level of non-performing assets at minimal possible level and maintaining best possible asset quality continued to remain focus of the Bank's credit policy. This coupled with enhanced recovery drive and prevention of fresh slippages the Bank was able to further reduce its NPA level. The net NPAs stood at 1.48%, against 1.58% of the previous year, which is one of the lowest in the industry.

FOREIGN EXCHANGE:

The Foreign Exchange business of the Bank continued its splendid growth. During the year under report the Bank achieved Foreign Exchange business turnover of Rs.4637 crores against Rs. 3666.37 crores of the previous year showing a remarkable growth of 26.47%. The contribution of this segment to the Bank's gross income has been to the tune of Rs.34.80 crore against Rs. 27.54 crores of the previous year. The export turnover of the Bank increased from Rs.1782.45 crores to Rs.1928.86 crores registering a growth of 8.21%. The Dealing Room and Treasury Operations recorded a turnover of Rs.44836.05 crores and generated a net

earning of Rs.6.50 crores against Rs. 5.46 crores of the previous year, thus registering an emphatic increase of 19%.

CAPITAL ADEQUACY RATIO:

The Capital Adequacy Ratio stood at 16.88% which is comfortably much above the minimum stipulated by Reserve Bank of India.

DEPOSITORY PARTICIPANT:

The DP business of our Bank has recorded appreciable growth during the year and the Bank is fast emerging as the most preferred DP in the chosen market providing quality Depository Services of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CSDL) to more than 20,000 customers with a custody of securities worth Rs.5450 Crores. Bank continued to add to the bevy of value added products including the Stock Broking Services at its DP Centres in association with M/S IL&FS Investsmart Ltd. The bank has a vision of transforming the DP centres into Capital Market Bank which will provide wide range of financial products to its existing and prospective customers. Plans are afoot to aggressively expand business in this segment.

INSURANCE BUSINESS:

During the year under report the Bank as a corporate agent further diversified the reach of the products of M/S MetLife Insurance India (P) Ltd. and Bajaj Allianz General Insurance Co. Limited into new areas which were hitherto neglected by the traditional competitors in the business. Bank has been able to sell 7799 life policies of MetLife and collected annualized premium amount of Rs.813.38 lakhs during the year. In the case of non-life business, the Bank has been able to perform even better and collected aggregate premium amount of Rs.1226.84 lakhs thereby surpassed the target of Rs.1050 lakhs fixed for the year under report. This has yielded non-interest income of Rs.442 lakhs as against Rs.207.54 lakhs of the previous year.

PREMISES:

Office ambience plays an important role in enhancing the brand image; keeping customers loyal to the organisation and also for providing better working environment to the employees. Keeping this in view the Bank continued to improve branch ambience; and facilities in the branch /office premises whether on lease or owned by the Bank. During the year under report the Bank shifted its Zonal office, Kashmir to its owned premises at M.A. Road, Srinagar and the efforts of the bank continue to acquire owned premises for its branches/offices.

CORPORATE GOVERNANCE

Being a value driven Organization, our Bank is always working towards building trust with Shareholders, Employees, Customers,



Borrowers, Regulators and other diverse Stakeholders, for which it has adopted a strategy directed to developing a sound foundation of relationship and trust aimed at achieving excellence, which of course, comes from the womb of good Corporate Governance. Good Governance is a source of competitive advantage and a critical input for achieving excellence in all pursuits. Our Bank considers good Corporate Governance as the *sine qua non* of a good banking system and has adopted a policy based on all the four pillars of good governance – transparency, disclosures, accountability and value, enabling it to practice trusteeship, transparency, fairness and control, leading to stakeholders delight, enhanced shareholder value and ethical corporate citizenship. It also ensures that bank is managed by an independent and highly qualified Board following best globally accepted practices, transparent disclosures and empowerment of shareholders, besides also ensuring that Shareholders aspirations and societal expectations are met, following the principles of management's executive freedom to drive the bank forward without undue restraints but within the framework of effective accountability. Bank's Corporate Governance practices have not only complied with all the Statutory and Regulatory requirements, but several matters have been voluntarily included in the statement on Corporate Governance annexed to this Report, duly certified by the Statutory Auditors.

NEW INITIATIVES:

- i) An essential adjunct of our business strategy is aimed at maximising value to its customers, understand and anticipate their needs and offer products and services to them at competitive prices. The bank during the year launched a unique and innovative deposit product in the name and style of “**Mehendi Deposit Scheme**”. The scheme provides for an in-built mechanism of “**Personal Accidental Insurance Cover**”. During the year bank also launched another scheme titled “**Recurring Plus Account**”. The scheme has been designed keeping in view customer convenience and requirements. Under the scheme, the depositor is at liberty to deposit variable monthly installments.
- ii) The Bank launched ATM-cum-debit card - “J&K Bank Global Access Card” in collaboration with the Master Card International- a market leader in the debit card arena. The cardholders of the Bank are now able to purchase goods and services at all Maestro acceptance locations in India and overseas besides withdrawing cash globally through the MasterCard Cirrus network of over 4700 ATMs in the country and 8 lakh ATMs worldwide.
- iii) The Bank continued to widen the scope of multiple delivery channels such as ATM installations, AnyWhere Banking and Tele-Banking at more & more centres to facilitate the existing as well as new customers. With the expansion of ATM net work and interconnectivity of more and more branches to offer AnyWhere Banking services, the Bank has as a policy

decided to issue free ATM-cum-Debit cards in all the eligible SB and CD accounts. Over 50,000 ATM-cum-Debit cards have been issued up to 31-03-2004. The scope of Tele Banking Facility has been extended to further branches and is now available at more than 100 branches.

INFORMATION TECHNOLOGY STRATEGY:

Your Bank continues to leverage information technology as a strategic tool for its business operations, to gain competitive edge in customer service as well as improving productivity and efficiency level of the Bank. J&K Bank's IT strategy emphasizes enhanced level of customer services through 24x7 availability, multi-channel banking and straight through processing, and cost efficiency through optimal use of electronic channels, wider market reach and opportunities for cross-selling. J&K Bank is focusing on harnessing technology for integrating diverse products and services.

The technology application has remained the thrust area of the Bank for last so many years to offer world class banking facilities to its customers. Currently more than 90% business of the Bank is computerized. The number of branches brought under computerization programme has increased to 360 at the end of March 2004 against 300 branches of the previous year. Bank has an ambitious plan of total automation of operations by the year 2005. With a view to widening the scope of multiple delivery channels, the bank has been installing ATMs, AnyWhere Banking and Tele-Banking facilities at more and more centres for facilitating the customers. However in order to have edge over competitors bank provides the technology driven services with a personalized touch which has yielded dividends and bank is being ranked ahead of its competitors on this front.

The Bank has already networked over 100 important branches at various centres to offer AnyWhere Banking besides networking of ATMs across the country. During the year AnyWhere Banking facility was extended to many new locations/branches, thereby increasing the number of branches offering AnyWhere Banking facility to 103 at the end of 31st March 2004. The number of ATMs (both off-site and on-site) already installed or under process of installation by the Bank has increased to 130 during the year under report. Moreover to further improve the customer service and have total connectivity, the bank has set-up a Central DATA Centre at Delhi and roll over of branches on the CBS is in progress. Besides, bank has set up an RTGS Payment Gateway at Mumbai for implementation of Real Time Gross Settlement.

CUSTOMER CONVENIENCE PROGRAMMES:

The innovation is the order of the day in our Bank. Customer has always been at the centre stage of our business strategy. Bank's every strategy is aimed at maximizing the value to its customers. Bank's marketing strategy starts with identification of customer's needs and developing appropriate banking products or services to suit their needs.



The Bank undertook creative promotional campaigns and launched Customer focussed marketing so as to transform itself into a 'Customer-Centric Bank'. In order to receive the suggestions of customers, the bank organizes "Customers Meet" regularly. Customers Advisory Fora have been established at every major branch of the bank. In monthly meetings of these Fora Branch Managers and customers interact to sort out issues relating to customer service or other related problems. During the year under report Bank organized customer meets at important centres, which were attended to by the Chairman and senior executives of the Bank. The suggestions received from customers in such meetings provided a source of great input for bringing in further improvement in customer service and shaping of new and value added products and services offered by the Bank. The bank has put in place very efficient Complaint Redressal Mechanism. The customer complaints and queries are handled on priority. "Customer Suggestion Card" has been kept available at all branches of the bank and also on web-site. The customers also have the option to send their queries through e-mail. Queries thus received are responded quickly. The Bank has carved for itself an image of a customer driven organisation. The bank continued to provide its customers better quality service, wider choice and above all innovative products. The Bank is always on a look out to add value to its customers and has been taking every possible step to improve quality of customer service. Keeping with this fact the bank has implemented "Single Point Commit system" at its selected branches, wherein end to end service is provided to the customers at the same counter which ensures efficiency and high speed of service to the customer. The bank for this purpose has designated 126 branches as "All Officers Branches" which are wholly manned and run by the Officers. The front office counters are manned by the young and energetic Officers that have been specially trained to extend world class banking services to the customers. For the purpose of guiding and handling the queries of customers, one front office officer at each All Officers Branch is designated as a "Customer Relationship Manager". He also attends other miscellaneous matters not necessarily to be attended by the Branch Manager. With the introduction of the single point commit system, the quality of service being provided to customers improved considerably and it also resulted in improvement of productivity and operational efficiency of the Bank. Consequent upon the success of the Single Point Commit System in selected branches, the Bank has decided to extend it to other branches and make them as "All Officers' Branches".

BRANCH EXPANSION:

With a view to increasing its reach to potential markets and extending banking facilities to un-banked areas coupled with catching on new business opportunities Bank has been opening new branches selectively at centres offering highest business potential. In keeping with this strategy the Bank opened 24 new branches/extension counters during the period under report

raising the total number of branches to 475 at the end of March 2004.

HUMAN RESOURCES DEVELOPMENT:

The bank gives foremost importance to the development of human resources to enable them to cope up with the rapidly changing banking environments. In order to enhance the knowledge and efficiency of employees, the bank imparts training to the staff from time to time not only to improve their skills and competencies but also bring about behavioural and attitudinal changes essential for friendly customer service. The Bank's in-house journal "TRUST" has completed 7th year of publication. In an environment of fast changing Banking scenario, the Journal has bridged the gap of information needs of employees of the Bank at all levels and provides the information regarding latest developments taking place in the banking industry. Besides updating the knowledge of the staff about the latest trends prevailing in the industry, it has successfully inculcated the writing/reading habits among the staff members.

HR policies are designed with a focus on customer service and operational efficiency. Accordingly, during the year 3901 staff members (2510 officers, 1369 clerks and 22 subordinates) were imparted training at Bank's Staff Training Colleges Srinagar/Jammu, Bank's Technology Training Centre, Srinagar and other Institutes of repute within and outside the country in various banking, management, economic and I.T. related fields besides behavioral aspects during the year under report. Moreover, to further the motivation and morale of the staff, an important ingredient for enhancing the productivity levels and accelerating the growth of business, the Bank during the year introduced an innovative scheme titled 'Employees Performance Recognition Scheme'.

The implementation of Single Point Commit System and phenomenal increase in the business of the Bank, need to strengthen the officers cadre at various levels was felt. The Bank has been as per its HR policy focusing on merit and performance. In tune with this policy the promotion of staff at various levels was considered on merit cum performance. Accordingly 590 clerks were promoted to Jr. Management cadre, 299 officers from Scale 1st to Scale 2nd, 134 from 2nd to third, 47 from 3rd to fourth Scale and 26 Chief Managers were promoted to Assistant General Manager rank. About 139 employees were promoted through the fast track scheme introduced in the previous year.

LEAD BANK RESPONSIBILITY:

The Bank continued to discharge its Lead Bank responsibility in 8 out of 14 districts of J&K State satisfactorily. State Level Bankers' Committee Meetings (SLBC) and Sub-committee meetings of State Level Bankers' Committee were convened during the year 2003-04. The block and district level meetings such as BLBC, DCC and DLRC were held as per schedule in all the lead districts.



The district credit plans were prepared in time and their implementation monitored closely at the State and district Levels.

REGIONAL RURAL BANKS:

The performance of two Regional Rural Banks sponsored by the Bank has been quite satisfactory. The deposits of Jammu Rural Bank have increased by Rs.59.70 crore from Rs. 473.77 crore as on 31-3-2003 to Rs.533.47 crore as on 31-3-2004. Advances have increased from Rs. 102.47 crore as on 31-3-2003 to Rs.125.30 crore as on 31-3-2004. The Bank has registered an operating profit of Rs.13.79 crore during the period under review.

The deposits of Kamraz Rural Bank have increased by Rs.21.04 crore during the year from Rs. 232.85 crore of last year to Rs.253.89 crore as on 31-03-2004. The Gross Advances have increased from Rs. 33.72 crore as on 31-3-2003 to Rs.45.16 crore as on 31-3-2004.

COMMUNITY SERVICE:

The bank has not only transformed itself into the one stop financial supermarket but also as a social heart of the community. The bank has carved a niche for itself among the poor and the needy by donating generously for various philanthropic activities aimed at ameliorating their sufferings. Be it fire victims, disabled or patients with serious ailments who have no means to fall back upon for their survival, the bank continued its support and help to them. The bank as a responsible corporate citizen provides donations to patients for the treatment of deadly diseases like Heart Surgery, Kidney Transplantation, etc and helps the needy & poor in acquiring hearing aids, artificial limbs, pace makers etc. The bank adopts orphans by providing financial support to orphanage homes and donating computer systems to enable the socially/economically deprived children to acquire IT knowledge. The Bank during the year introduced a new service of receiving donations from the devotees of Shree Mata Vaishno Devi Shrine Board, Katra at all its branches across the country. The service facilitated and provided great convenience to the devotees of the Mata Vaishno Devi all over the country. The Bank continued providing the facility of registration of Shree Amarnathji Yatra pilgrims through network of its branches throughout the country and during the year a record number of 1,11,932 yatris were registered. The Bank opened registration counters at all branches of the Bank outside the state and some selected branches in Jammu and Kashmir state, and also made available accidental insurance cover of Bajaj Allianz General Insurance Co. Ltd. to the pilgrims at a nominal premium. People in general and pilgrims in particular all over the country appreciated this effort and won lot of applause for the Bank and accordingly added to the popularity of the Bank among the common people in every nook and corner of the country.

In order to foster better relations with its customer in particular and masses in general, the bank has recently developed children's

amusement park in the world-renowned hill station of Phalagang in the heart of Kashmir valley. The park not only commensurate fully with the flora & fauna of the place but also complements the natural scenic beauty of the place. The park is spread over an area of 42 kanals, where different kinds of rides have been installed for children over an area of just three Kanals. The majority of area of the park has been developed as Landscape. The arcade and restaurant have been constructed in such a manner that they fully blend with the natural scenic beauty of the place. An octagonal shaped restaurant serves people with fast foods at nominal rates. The park also encompasses an artificial lake of about 15,000 square feet area where the visitors enjoy swan boat rides. The main attraction of the park, however, is a musical fountain which has been established just at the arcade. A baby train having a capacity of 16 kids is something that every child loves to board and enjoy. The entire project was completed in a record time of four months only. The bank also has plans to establish such types of leisure and pleasure destinations in other tourist places of the state as a supplement to Tourism development.

RATING OF BANK'S DEBT INSTRUMENT:

The Credit Rating Information Services of India Ltd. (CRISIL) one of the leading credit rating agency of the country re-affirmed "P1+" rating to the Bank's Certificate of Deposit Programme, indicating the highest degree of safety for timely payment of principal and interest.

RISK MANAGEMENT & ASSET QUALITY:

Risk is an integral part of the banking business. The delivery of superior shareholder value depends on achieving an appropriate trade-off between risk and returns. J&K Bank is exposed to specific risks that are particular to its businesses and environment within which it operates, including credit risk, market risk and operational risk. Bank has a full-fledged Risk Management Department in place. Our risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with international best practices. For credit risk, distinct policies and processes are in place for the wholesale and retail asset businesses. For wholesale credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Portfolio diversification remains key, particularly given the volatility in the business environment. In the retail asset business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programs defining customer segments, underwriting standards, security structures, etc. are specified to ensure consistency of credit buying patterns. Given the granularity of individual exposures, retail credit risk is