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67th ANNUAL REPORT 2004-2005

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"J&K"

THE JAMMU & KASHMIR BANK LTD.

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Board of Directors

: M.Y. Khan — Chairman
: Dr. Haseeb A. Drabu
: B.R. Kundal, IAS
: Murli Radhakrishnan
: M.L. Mahajan
: G.P. Gupta
: Vipin Malik
: Mohd. Yaseen Mir
: B.L. Dogra
: Munir-Uddin Shawal
: Umar Khurshid Tramboo
: Nasser Munjee

Company Secretary : Parvez Ahmad

Auditors : K.B. Sharma & Co.
Chartered Accountants
: Gupta Sharma & Associates
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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Regd. Office : Corporate Headquarters, M.A. Road, Srinagar - 190001 (J&K)
Tele No. (0194) 2481930-35, Fax : (0194) 2481928 E-mail: parvezahmad@jkbmail.com

NOTICE

NOTICE is hereby given that the **67th Annual General Meeting** of the shareholders of **The Jammu & Kashmir Bank Limited** will be held as under:

Day : Wednesday
Date : 8th June 2005
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, 2005 and the Profit & 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 Dividend on equity shares for the year ended 31st March 2005.

3. To appoint a Director in place of Mr. Mohd. Yaseen Mir, who retires by rotation and, being eligible, offers himself for reappointment.

4. To appoint a Director in place of Mr. B.L. Dogra, 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 ARTICLES OF ASSOCIATION FOR APPOINTMENT OF EXECUTIVE DIRECTOR**

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 the approval of Reserve Bank of India, approval of the Members of the Bank be and is hereby accorded for Amending the Articles of Association of the Bank as under:

I "In Article 4 –relating to the interpretation clauses, the following new Clauses be added/ modified:

Executive Director. *"Executive Director" means a Whole-time Director who is in whole time employment of the Bank, entrusted with the duty of Whole-time Director by whatever name called, other than the Chairman of the Bank.*

General Manager. *"General Manager" means a person appointed as such to do such acts and things for carrying on the business of the Bank as he may be authorized and to exercise such powers as may be delegated to him, by the Board or the Chairman or the Executive Director but subject always to the supervision, control and direction of the Chairman and / or Executive Director, as the case may be.*

II. In Article 118 relating to the Management of Business, the following new Clauses to be numbered 118(e), 118(f) and 118(g) be inserted after the existing Clause 118(d).

118 (e) Subject to the provisions of the Companies Act, 1956 and the Banking Regulation Act, 1949 Directors may, from time to time, appoint one of themselves, to be the Executive Director of the Bank on such terms and conditions as may be fixed by the Board of Directors.

118(f) The Executive Director shall be entrusted with the Management of the Affairs of the Bank and shall exercise such powers as may be delegated to him by the Board or the Chairman or both subject to the superintendence, control and direction of the Chairman.

118(g) The remuneration of the Executive Director or any modification thereof shall be decided by the Board of Directors subject to the concurrence of the Reserve Bank of India.

7. **ALTERATION OF ARTICLES OF ASSOCIATION RELATING TO PAYMENT OF DIVIDEND**

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, approval of the Members of the Bank be and is hereby accorded for deleting Article 21(b) of the Articles of Association of the Bank."

8. **DELISTING OF SHARES**

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

"RESOLVED THAT pursuant to the provisions of the

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Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable provisions if any, Board of Directors be and are hereby authorized to seek delisting of the equity shares of the Bank from the Delhi Stock Exchange Association Ltd., New Delhi and Ludhiana Stock Exchange Association Limited, Ludhiana subject to compliance with such conditions as may be prescribed by each of these Stock Exchanges in this regard.

RESOLVED FURTHER THAT the Board of Directors of the Bank (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the power conferred by the Board) be and is hereby authorized to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in regard to delisting of the Equity Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit and for this purpose, to delegate the authority duly vested in it by virtue hereof to the Secretary of the Board or any other person whom the Board may consider suitable to do the various acts, deeds and things as required to be done in this behalf."

9. RE-ISSUE OF FORFEITED SHARES

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

"RESOLVED THAT the Board of Directors of the Bank be and is hereby authorized to re-issue 21,900 Forfeited Equity Shares of Rs.10/- each to such Registered Charitable and/ or Bank's Employees Welfare Society/ Fund and/ or otherwise as may be decided and deemed appropriate by the Board on such terms and conditions including the pricing as they may deem fit and proper in the best interest of the Bank.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorized to take all necessary steps and do all such acts, deeds and things for implementation of the above resolution."

10. CANCELLATION OF SHARES

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 94(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 read with Article 10(A)(iii) of the Articles of Association of the Bank approval of the Members of the Bank be and is hereby accorded for cancellation of 132 equity shares of Rs.10/- each of the Bank lying unsubscribed and Issued Share Capital of the Bank be diminished from Rs.48,49,97,340/- comprising of 4,84,99,734 equity shares of Rs.10/- each to Rs. 48,49,96,020/- comprising of 4,84,99,602 of Rs.10/- each."

By order of the Board of Directors

Place : Srinagar
Dated: 11th May, 2005

(Parvez Ahmad)
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/Refund Orders are requested to do so without any further delay. Unclaimed Amount, in respect of Unpaid/ Unclaimed Dividend Warrants/Refund Orders, 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 30.05.2005 to 08.06.2005 (both days inclusive).

d) The payment of Dividend for the Financial Year ended 31st March, 2005, 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 8th June, 2005 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 closing of the working hours on 28th May, 2005 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 Agent. 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) Requests for transfer of physical shares received during the period of book closure shall be considered only after reopening of the books and accordingly requests for share transfers received during book closure period shall not be considered for dividend declared, if any.

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g) Dividend for the year 2004-05, if declared, will not be taxable in the hands of the Shareholders.

h) Electronic Clearing Service

(i) Members holding shares in electronic form may please note that, in terms of the mandate of Securities and Exchange Board of India (SEBI), dividend will be credited through Electronic Clearing Service to the Bank Account of the shareholder mentioned in the details furnished by the respective Depositories to the Company on the date of book closure, provided that MICR Code has also been furnished and the Bank account pertains to a city where ECS facility is available. The Bank will not entertain any direct request from such members for change in their Bank account details. The changes must be intimated by the shareholder to the respective Depository Participant.

Disclaimer

The credit of dividend through ECS for shareholders satisfying the above criteria is given 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 of the correct Bank Account details.

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

(iii) For shareholders holding shares in physical form who have opted for ECS and furnished all the relevant / valid information, arrangements have been made to remit the Dividend through such mode of payment. Such shareholders are requested to intimate the change, if any, in the details furnished in this regard to the Bank immediately.

i) Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank at least seven days before the Meeting.

j) Only registered members/ beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank will be permitted to attend the meeting.

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

l) Pursuant to the requirement of Listing Agreement with Stock Exchanges on Corporate Governance, the information about the Directors seeking reappointment is furnished in the Corporate Governance Report forming part of the Annual Report.

(m) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

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ANNEXURE TO NOTICE

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

ITEM NO. 5

Though not mandatory required, 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 2004, 30th September 2004 and 31st December 2004.

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

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

ITEM NO. 6

ALTERATION OF ARTICLES OF ASSOCIATION FOR APPOINTMENT OF EXECUTIVE DIRECTOR

The Bank is presently managed by Board of Directors headed by a Chairman & Chief Executive Officer who functions subject to superintendence, control & direction of the Board. The Bank has received direction from Reserve Bank of India vide its letter No. DBOD.No.1156/08.39.001/2004-2005 dated 27th April 2005 to amend the Articles of Association of the Bank to provide for appointment of a Whole-time Director to be designated as Executive Director in the interest of management of the Bank. Pursuant to the directions of Reserve Bank of India so received, necessary modifications are proposed in the Articles of Association for the adoption of the Members. Copy of the aforementioned RBI letter is available for inspection at the Registered Office of the Bank between 12 noon to 2 p.m on all working days.

Directors recommend the adoption of the Resolution as set out at Item No. 6 of the Notice.

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

ITEM NO. 7

ALTERATION OF ARTICLES OF ASSOCIATION RELATING TO PAYMENT OF DIVIDEND

Article 21 (b) of the Articles of Association of the Bank provides that a shareholder who being a female, marries, shall not be entitled to recover any dividend or to vote until the notice of the marriage has been given to the Company for registration. It has been observed that it is impracticable to monitor the compliance of this Article and accordingly, it is proposed that said Article should be deleted from the Articles of Association of the Bank.

Directors recommend the adoption of the Resolution as set out at Item No. 7 of the Notice.

None of the Directors of the Bank are concerned or interested in the resolution.

The proposed amendment does not violate any provision of any other law.

ITEM NO. 8

DELISTING OF SHARES

At present equity shares of the Bank are listed on the following Stock Exchanges:

a. National Stock Exchange of India Limited,
b. The Stock Exchange, Mumbai,
c. Delhi Stock Exchange Association Limited, and
d. Ludhiana Stock Exchange Association Limited.

The Bank's shares are regularly traded only on NSE and BSE. For the past few years, it has been observed that there has been nil trading on the other two stock exchanges viz – DSE and LSE. SEBI has mandated the Company's Shares for compulsory trading and settlement only in electronic form. The entire trading in the Company's Shares take place on BSE and NSE which offer investors access to online dealings in the Company's Shares across the Country. Therefore, the proposed delisting of the Company's Shares from these two Stock Exchanges will not adversely affect any investor including the Shareholders residing

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in the respective regions from where the Shares are proposed to be delisted as the shareholders residing in and around these cities may continue to trade in the shares of the Bank at the local terminals of National Stock Exchange of India Limited and The Stock Exchange, Mumbai. Further the proposed delisting will not result in any change in the capital structure or the shareholding pattern of the Company. Under SEBI (Delisting of Securities) Guidelines, 2003, Bank is not required to offer an exit route to the investors for delisting its Shares from any Stock Exchange, provided that the Shares continue to remain listed on the Stock Exchanges with National Trading Terminals i.e. BSE and NSE.

The proposed delisting of Shares is in the interest of the Bank and the Board recommends the adoption of the Resolution as set out at Item No. 8 of the Notice.

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

ITEM NO. 9

RE-ISSUE OF FORFEITED SHARES

Bank floated its maiden Public Issue of 1,85,00,000 Shares in May 1998 and allotment was made to 46,275 shareholders on 18th June, 1998, Bank called for the balance allotment money from the shareholders on 18th June 1998 prescribing the last date for making the Balance Amount Payable on or before 20th August 1998. However, some shareholders failed to pay the allotment money within the prescribed period. In order to recover the unpaid allotment money due from the said shareholders, Bank made several reminders individually to the respective shareholders besides publishing Notices in the Newspapers in this regard. After repeated reminders Bank issued Notice of Forfeiture in accordance with the relevant provisions of the Articles of Association of the Bank to the concerned Shareholders who have failed to pay the Balance Allotment Money and also Notice in this regard was published in the newspapers. Even after the final Notice of Forfeiture, 139 shareholders holding 21,900 Shares, did not made payment of the balance allotment money in respect of their partly paid shares. Accordingly, the Board of Directors at their meeting held on 29.03.2005 forfeited the 21900 partly paid equity shares.

Article 44 of the Articles of Association of the Bank empowers Board of Directors to re-issue the forfeited shares subject to the provisions of Listing Agreement. As per the provisions of the Clause 23 (a) of the Listing Agreement, the offer for re-issue of the Forfeited Shares is to be made on pro rata basis to the shareholders, unless the shareholders in the general meeting decide otherwise or unless the stock exchanges approves otherwise. The forfeited shares constitute 0.05% of the total subscribed shares of the Bank and as such it is not possible to re-issue forfeited shares to the existing shareholders of the Bank in the ratio of 1 Equity Share for every 2,000 shares held by them. Consent of the Members of the Bank is being sought to authorize the Board of Directors to re-issue the Forfeited Shares to such Charitable and/ or Bank's Employees Welfare Society/ Fund and / or otherwise as may be decided appropriate by the Board on such terms and conditions as the Board may deem fit in the best interest of the Bank.

The Directors recommend the adoption of the Resolution as set out at Item No. 9 of the Notice.

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

ITEM NO. 10

CANCELLATION OF SHARES

The Bank had issued 132 shares of Rs.10/- each *(53 shares of Rs.25/- each before splitting)* prior to the financial year 1994-95, which have remained un-subscribed. Article 10(A)(iii) of the Articles of Association of the Bank empowers the shareholders to cancel the shares of the company which have not been taken or agreed to be taken by any person.

Directors recommend the adoption of the Resolution as set out at Item No. 10 of the Notice.

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

Regd. Office:
Corporate Headquarters,
M. A. Road,
Srinagar - 190 001
Dated: 11th May, 2005

By order of the Board of Directors

(Parvez Ahmad)
Secretary

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DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have immense pleasure in presenting the 67th Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2005.

MACROECONOMIC OVERVIEW:

The performance of the Indian economy in 2004-05 so far exceeded expectations formed at the beginning of the year. The economy has managed to maintain the growth momentum in spite of hardening international prices of oil and steel and the experience of tsunami, which caused extensive damage to life and property. With real GDP growth at 6.9 per cent in 2004-05, India's macroeconomic performance turned out to be stronger than anticipated with services sector remaining the main engine of growth expanding at an impressive rate of 8.6 per cent. Money supply (M3) increased by 12.8 per cent, net of conversion, as compared with 16.9 per cent in the previous year. India's foreign exchange reserves rose by US $ 28.5 billion to US $ 141.5 billion as on March 31, 2005, the fifth largest in the world.

BANKING SCENARIO:

The liberlisation and growing integration of the Indian financial sector with the international market, has posed new challenges to the Indian Banking sector. The migration to new capital adequacy framework (Basel II) based on three-pillar approach, namely, minimum capital requirements, supervisory review and market discipline, involves implementation challenges. The assessment of the existing risk management practices and their upgrading need to be looked into for benchmarking international standards. The interest rate movement was orderly notwithstanding the sharp upward movement noticed during the third quarter of the financial year. The introduction of Below Prime Lending Rates (BPLRs) has put more pressure on lending rates. There has been expansion, greater competition and diversification of ownership of Banks leading to both enhanced efficiency and systemic resilience in the Banking sector.

PERFORMANCE OF THE BANK:

The Bank continued to make strides in all the important areas of its business operations. During the year under report, the Bank achieved an all time high business turnover of Rs. 33162.11 crore up from Rs. 27946.32 crore of the previous year recording a steady growth of 18.66%. The Bank's core segments of business viz. Deposits, Advances and Foreign Exchange recorded an impressive growth.

CAPITAL AND RESERVES:

The Capital & Reserves of the Bank increased to Rs. 1665.40 crore during the year from Rs. 1593.74 crore of the previous year. The Statutory and other Reserves increased to Rs. 1616.91 crore from Rs. 1545.49 crore of the previous year which includes investment fluctuation reserve of Rs. 252.06 crore constituting 8.5% of eligible portfolio as against RBI stipulated level of 5%.

FINANCIAL PERFORMANCE:

i) PROFIT:

The Bank posted a net profit of Rs. 115.07 crore for the financial year 2004-05 as against the previous year figure of Rs. 406.33 crore. The Bank could not remain insulated to the affects of inflation and hardening of interest rates which besides impacting the yields has also depreciated its investment portfolio. In order to insulate the securities portfolio from future market risk and to reduce the duration of its investment portfolio, Bank transfered securities of Rs. 2602.03 crore from AFS to HTM category and also disposed off long duration securities, thereby booking depreciation / loss on investment portfolio aggregating Rs. 222.47 crore.

ii) INCOME:

The total income of the Bank stood at Rs. 1631.26 crore for the year under report against the previous year figure of Rs. 1822.95 crore. The decline in income has been owing to falling yields due to hardening of interest rates. Other income (other than the trading income) showed perceptible increase during the year under review.

iii) DIVIDEND:

Keeping in view overall performance of the Bank, Directors are pleased to recommend payment of 80% dividend (free of tax in the hands of shareholders) for the year ended 31st March 2005 subject to approval of shareholders. The dividend payout ratio on the basis of the recommended dividend works out to 33. 70% of the net profit.

DEPOSITS:

Bank's aggregate deposits recorded an appreciable accretion of 16% to Rs. 21644.97 crore at the end of financial year 2004-05 from the previous year figure of Rs.18661.38 crore, which is higher than the National Average growth of 14.1%. The deposit mix has also shown favourable improvement thereby reducing the average cost of deposits.

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ASSETS:

i) CREDIT PORTFOLIO:

The credit portfolio of the Bank recorded an appreciable growth during the year. The total advances of the Bank increased to Rs. 11517.14 crore against Rs. 9284.94 crore of the corresponding period of the previous year registering a growth of 24%. The Bank's performance under priority sector continued to reflect its social commitment and also growing expertise and confidence with the sector as a viable commercial proposition. The outstanding to priority sector increased by Rs. 544 crore to Rs. 2510 crore at the end of March 2005 from Rs.1966 crore of the previous year. Besides, the Bank also actively supported programmes for poverty alleviation, empowerment of women, upliftment of poor & downtrodden and eradication of unemployment, sponsored by the State and Central Governments.

ii) INVESTMENT PORTFOLIO

During the year 2004-05, the investment portfolio has recorded a growth of 7.55% to Rs. 9089.23 crore from Rs. 8451.10 crore of the previous year.

iii) NON-PERFORMING ASSETS:

The credit policy of the Bank continued to focus on keeping the level of non-performing assets at minimal level and maintain best asset quality. Suitable measures were initiated to augment recovery and contain NPAs. The net NPAs stood at 1.41% against 1.48% of the previous year, which is one of the lowest in the industry.

FOREIGN EXCHANGE:

During the year under report, the Foreign Exchange business recorded an impressive growth of 29% to Rs. 5964.67 crore against Rs. 4637 crore of the previous year. The contribution of this segment to the Bank's gross income has been to the tune of Rs. 38.22 crore against Rs. 34.80 crore of the previous year. The export turnover of the Bank increased from Rs. 1928.86 crore to Rs. 2211.51 crore registering an increase of 15%. The Forex Dealing Room at Treasury Operations, Mumbai recorded a turnover of Rs. 33,425.05 crore and generated a net earning of Rs. 11.47 crore against Rs. 6.50 crore of the previous year, thus registering an increase of 76.46%.

CAPITAL ADEQUACY RATIO:

The Capital Adequacy Ratio stood at 15.15%, which is comfortably much above the minimum stipulated by the Reserve Bank of India.

Productivity:

- The average deposits per branch have increased to Rs. 43.29 crore from Rs. 39.29 crore of the previous year.
- The average deposit per employee stood at Rs. 314.93 lakhs as against the previous year figure of Rs. 263.39 lakhs.
- The average advances per branch and per employee stood at Rs. 230.34 lakhs and Rs. 167.57 lakhs respectively.
- The per branch and per employee business has increased to Rs. 663.24 lakhs and Rs. 482.50 lakhs respectively.

Business Diversification:

In pursuit of the Bank's vision to convert its branches into Financial Supermarkets offering all banking and financial services under one roof, the Bank continued to focus on increasing its business volumes through vertical and horizontal diversification by offering depository services, Insurance products and other allied services to its customers.

a) DEPOSITORY PARTICIPANT:

The Bank as a depository participant of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) continued to achieve appreciable growth during the year. The number of Depository accounts as on 31st March 2005 stood at 27,092 against previous year figure of 20,100.The value of securities where Bank is custodian has increased to Rs. 6239 crore from Rs. 5450 crore of the previous year. Bank continued to add to the bevy of value added products including the Stock broking services at its DP centres in association with IL&FS InvestSmart Ltd. The Bank has a vision of transforming its DP centres into vibrant Capital Market Outlets to provide a wide range of the state-of-the-art financial products to its customers. The Bank plans to aggressively expand its business in the DP related segment.

b) INSURANCE BUSINESS:

The Bank's Insurance business continued to record splendid growth. During the year under report the Bank as a corporate agent further extended the marketing of the products of M/S MetLife India Insurance Co. Pvt. Ltd. and Bajaj Allianz General Insurance Co. Limited into new areas, which were hitherto neglected by the traditional competitors in the business. Bank has sold 9019 life policies of MetLife India and collected annualized premium amount of Rs. 1277.84 lakhs during the year. In the case of non-life business, the Bank has shown a better performance and collected aggregate premium amount of Rs. 1759.03 lakhs. This has yielded non-interest income of Rs. 509.21 lakhs to the Bank.

c) Cash Management & Bill Collection Services: The Banks customized cash management and bill collection services continue to make important contributions to its overall growth.

PREMISES:

Considering the importance of office ambience for enhancing

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brand image of the Bank, provide customer convenience and better working environ for the staff, the Bank continued to improve overall facilities in the branch /office premises. During the year under report, Bank added eight properties to its owned premises list, which includes staff flats at Chennai and Bangalore.

NEW INITIATIVES:

An essential objective of our business strategy is to maximise value to customers, understand and anticipate their needs and offer products and services to them at competitive prices. Keeping this in view, the Bank undertook following major initiatives during the year under report:

Credit Card:

i. The bank launched its Credit Card, a long awaited product in association with MasterCard. The "J&K Bank Credit Card" has three specifications Gold, Silver & Blue. The product would not only facilitate bank's customers but would also be instrumental in giving fillip to the bank's non-interest income. The Bank has already set-up its own NAC at Srinagar networking Bank's POS Terminals installed and or under installation at Merchant Establishments in the state, facilitating credit/debit card transactions both MasterCard and Visa. This would not only boost turnover of the tourism dependent trading community of the state but would also facilitate hassle free shopping by the tourists visiting the state, who in the absence of the said facility hitherto had not been able to do shopping by Credit/Debit Cards in the state.

Internet Banking:

ii. The Bank launched Internet Banking service, which is available to the customers of the CBS branches of the Bank. To begin with, the Internet Banking facility is available for non-financial transactions only and would be thrown open for financial transactions after RBI approval, for which all formalities have been completed.

iii. The Bank added one more feather to its cap by introducing Mobile ATM service at Srinagar. The service one of its first kind in the northern part of the country acts as another delivery channel of service to our customers. The mobile ATM van moves in and around the city at pre-announced locations and as per published time schedule. The facility offers the convenience of world-class Banking to the customers at their footsteps. The ATM Van is equipped with Public Address system with one CTV and two small amplifiers, so as to provide information about various products/services offered by the Bank.

iv. During the year the Bank introduced 'Western Union Inward Money Transfer' facility at number of branches across the country. The Bank entered into a strategic tie-up with Western Union Financial Services Inc., an international leader in money transfer services through its primary agent SITA, a division of Kuoni Travels to provide inbound money transfer services to customers across the country. As a consequence of this association, people in general and J&K Bank customers in particular are able to receive money from their friends and relatives abroad using the Western Union money transfer service.

v. The Bank went live with Real Time Gross Settlement (RTGS) system put in place by Reserve Bank of India. The transactions are being put through from its Payment System Gateway located at Mumbai. The RTGS system offers facility of fund transfer on real time basis for both high value and retail payment.

vi. The Bank has also enrolled as member of NFS (National Financial Services) set by IDRBT by virtue of which our ATM switch is connected with NFS switch. The testing has been completed and is ready to go live any time. The connectivity will offer facility to our debit cardholders to access other Bank's ATMs, which are members of NFS in India at lower transaction costs.

vi. Tie-up with Airtel for providing cash management services at designated branches of the Bank and is in the process of finalizing such tie-up with Dishnet (AIRCELL).

vii. The Bank continued to enter into strategic Tie-ups with reputed companies to further foster business growth through mutual rewarding relationships. Tie-ups with Bajaj Tempo, Bajaj Auto Ltd., Eicher Tractors, Escorts Finance, Escorts Limited, Mahindra & Mahindra, Birla Power Solutions Limited, INTEL, HP Compac, Honda Siel, PCS, Godrej India Ltd., Philips, Kirloskar Oil Engines Ltd have helped in boosting the consumer finance business volumes of the Bank.

INFORMATION TECHNOLOGY STRATEGY:

The Bank is conscious that technology would be key to future supremacy in Indian Banking. Technology application has remained the thrust area of the Bank for last many years with an objective to offer state of the art world class Banking facilities to its customers. The Bank continued 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. The Bank's IT strategy emphasizes enhanced level of customer services through 24x7 availability, multi-channel Banking and cost efficiency through optimal use of electronic channels, wider market reach and opportunities for cross-selling. The Bank's focus is on harnessing technology for integrating diverse products and services. Keeping this in view, the Bank continued to widen the scope of multiple delivery channels such as ATM installations, Anywhere Banking and Tele-Banking at more & more centres. With the expansion of ATM network and interconnectivity of more and more branches to offer AnyWhere Banking services, the Bank as policy has planned to issue 'JK Bank Global Access Cards' to all the eligible SB and CD accounts. The Bank had issued over 1.25 lakh 'JK Bank Global Access Debit Cards' until March 2005. Tele Banking Facility is

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