

536 Business Units

Coverage 90%

EVA 14.12%



288 ATMs

Size?

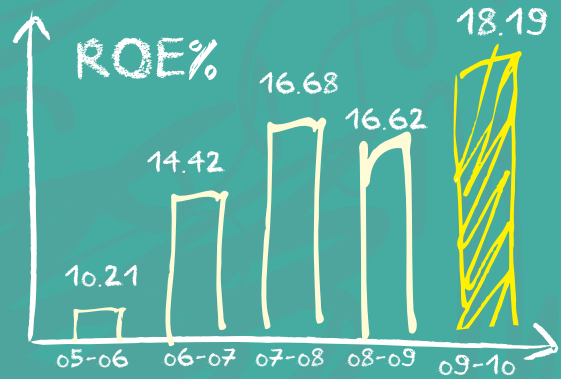
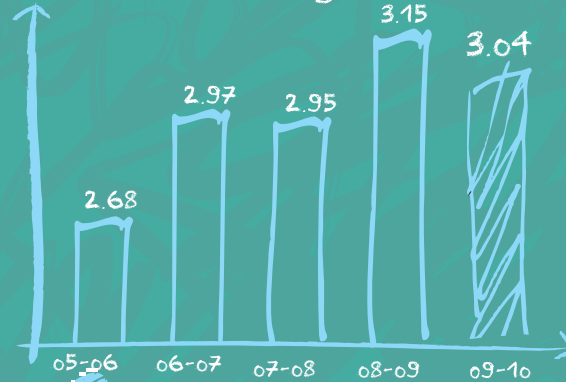
Quality

Market Price 490-759 <sup>(1 year)</sup>

Intensive  
J&K

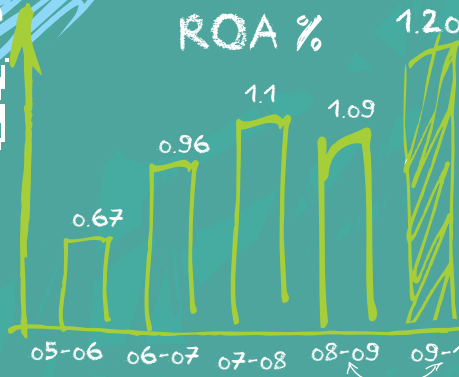
Extensive  
Rest of India

NIIMs (%): Rising



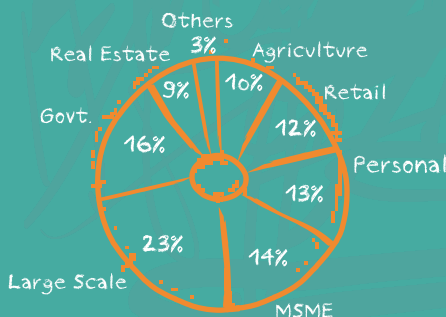
Account holders - 3.7 mn

Total Business

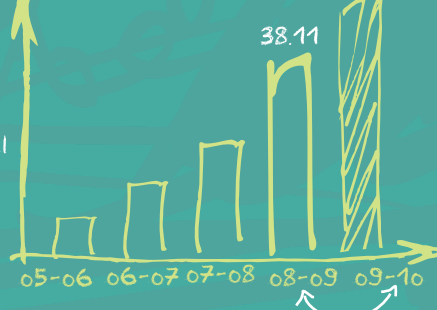


{😊 Earnings per share Rs.105.69}

Where did we lend



CASA Ratio %



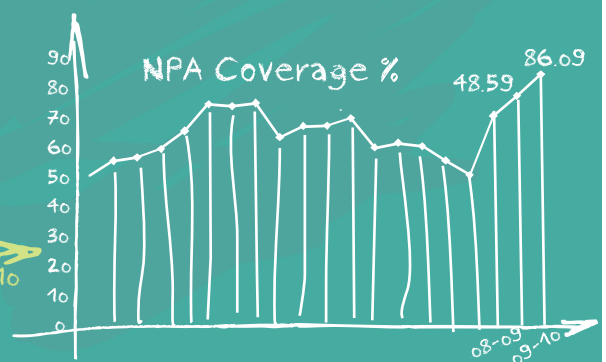
Dividend payout  
20.00 → 20.81%

Net NPAs 65 CR

Gross NPA Ratio 1.97%

Net NPA Ratio 0.28%

NPA Coverage %



# Shaping the size

Annual Report 2009-10

# Contents



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Notice	01
Chairman's Statement	04
Directors' Report	08
Management Discussion & Analysis	16
Corporate Functions' Report	30

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Standalone Financial Statements	39
Consolidated Financial Statements	69
Disclosure Under NCAF	100
Report on Corporate Governance	112

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Information to Shareholders	136
Feedback Form	141
Bank Account Particulars	143
Form 2 B	145
NECS-I	147
NECS-II	149
Attendance Slip & Proxy Form	151

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

## Notice

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

Day : Saturday

Date : 31st July, 2010

Time : 1100 hours

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

to transact the following business:

### Ordinary Business

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the Financial Year ended on that date, together with the Reports of the Board of Directors and Auditors and comments of the Comptroller and Auditor General of India thereon.
2. To declare Dividend on equity shares for the financial year 2009-10.
3. To appoint Director in place of Mr. B. L. Dogra, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Mr. A. M. Matto, who retires by rotation and being eligible, offers himself for reappointment.
5. To fix the remuneration of Auditors in terms of provisions of Section 224(8) (aa) of the Companies Act, 1956, for the financial year 2010-2011

By order of the Board of Directors

Place: Srinagar

Dated: 15th June, 2010

**Parvez Ahmed**

President & Secretary

### Notes

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

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

- (b) Shareholders who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unclaimed amount, in respect of Unpaid/ Unclaimed Dividend Warrants, which is more than seven years old shall be transferred by the Bank to "Investor Education & Protection Fund" established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the shareholders against the Company or the Fund.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from 26.07.2010 to 31.07.2010 (both days inclusive).
- (d) The payment of Dividend for the financial year ended 31st March, 2010, if declared at the Annual General Meeting, will be paid in case of physical shareholding to those Members whose names appear on the Register of Members of the Company on 31st July, 2010 and in case of dematerialised shareholding, to those beneficiaries appearing in the records of National Securities Depository Limited and Central Depository Services (India) Limited, as at the close of working hours on 24th July, 2010, subject to the provisions of Section 206A of the Companies Act, 1956.

- (e) Members holding shares in physical form are requested to intimate change, if any, on their Registered Address, to the Share Transfer Agent. If the shares are held in Demat form, intimation regarding change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining Demat Account.
- (f) Requests for transfer of physical shares received during the period of book closure shall be considered only after the reopening of Books and accordingly, requests for share transfers received during book closure period shall not be considered for dividend declared, if any.
- (g) Dividend for the year 2009-10, if declared, will not be taxable in the hands of the Shareholders.
- (h) National Electronic Clearing Service (NECS)

- i) The Reserve Bank of India has introduced the National Electronic Clearing Services i.e. NECS to bring further efficiency and uniformity in electronic credit and has accordingly instructed all banks to move to the NECS platform.

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

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

Accordingly, shareholders having holding in physical form and wishing to avail the NECS facility for credit of dividend amounts to their Bank Accounts directly, should send relevant details to our Share Transfer Agents - Karvy Computershare Pvt. Ltd., by filling up the NECS-I Mandate Form, appended to this notice. Further shareholders having holding in demat form and desirous of availing such credit through NECS, may send the requisite details directly to their Depository Participant, by filling up NECS-II Mandate Form appended to this notice.

**Disclaimer**

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

- ii) In case of members holding shares in electronic form and who have furnished Bank Account Details pertaining to branches where NECS facility is not available, the Bank details as furnished by respective Depositories to the Company will be printed on their Dividend Warrants. Bank will not entertain any direct request from such members for deletion of / change in such Bank Account Details.
  - iii) For shareholders holding shares in physical form who have opted for NECS and furnished all the relevant/valid information, arrangements have been made to remit Dividend through such mode of payment. Such shareholders are requested to intimate change, if any, in the details furnished in this regard to the Bank, immediately.
- (i) Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank at least seven days before the Meeting.
  - (j) Only registered members/ beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank will be permitted to attend the meeting.
  - (k) Members are requested to avoid being accompanied by non-members and/or children.
  - (l) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

# Annexure to Notice

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

### ITEM NO. 05

#### FIXATION OF REMUNERATION OF AUDITORS

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice, with the view to set-out material facts concerning such business. Prior to Companies Amendment Act, 2000, remuneration payable to Auditors in case of Government Companies was decided by the Central Government on the advice of Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors, appointed by C&AG under Section 619 of the Companies Act, 1956, has to be fixed by the Company in General Meeting or in such manner as the Company in the General Meeting may determine. Members may accordingly fix the remuneration of Auditors for the financial year 2010-2011 including remuneration for Limited Review of Quarterly Reviewed Financial Results for the periods ending 30th June, 2010, 30th September, 2010 and 31st December, 2010. Directors recommend the adoption of Resolution to be moved at the Meeting in this regard.

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

#### Registered Office:

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

Place: Srinagar

Dated: 15th June, 2010

By order of the Board of Directors

**Parvez Ahmed**  
President & Secretary

# Chairman's Statement



Haseeb A. Drabu  
Chairman & CEO



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

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

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

The J&K Bank's "looking-inward" business strategy was started in 2005 and, as envisaged, completed in 2010. The basic contours of the strategy were to deliver more credit in the J&K economy and create a footprint and touch points in the state, which cannot be replicated by any other bank or financial institution in J&K. Despite trying macroeconomic circumstances and a fragile business environment in J&K, this strategy, has paid rich dividends, literally and metaphorically. This small bank, originating in the back of beyond, today stands among the top three banks in the country. Numbers speak for



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



themselves: a return on assets of 1.4 per cent, a return on equity of more than 20 per cent, a cost to income of 36 per cent, impaired asset level of just 0.28 per cent and a coverage ratio of almost 90 per cent.

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

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

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

## Chairman's Statement



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



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

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

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

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

For the moment, credit growth continues to be an issue, even as capacities are beginning to get

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

Normally, this should result in a well balanced growth in the lending portfolio of banks ranging from retail to corporate credit. But in the existing policy regime there will be some challenges and imponderables. The imponderables relate largely to the second generation reforms in the financial sector, on which the government has been dithering and the second relates to monetary reform in the sector; notably the new regime of base rate and the intensive program of financial inclusion. With the fiscal side being reined in, worries on the



interest rate have subsided substantially. Not much is expected on the financial side from the government, but the real sector action should more than compensate for it.

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

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

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



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



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

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

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

Bon Voyage!

# Directors' Report

## Snap Shot of Key Financial Indicators 2006 - 2010

(Rs. in Crores)

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

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