



CONSOLIDATING CAPABILITIES.



SUSTAINING GROWTH.





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NOTICE



NOTICE is hereby given that the 74th Annual General Meeting of the Shareholders of The Jammu & Kashmir Bank Limited will be held as under:

Day: Saturday

Date: 14th July, 2012

Time: 1100 hours

Place: Sher-i-Kashmir International Conference

Centre (SKICC), Srinagar, J&K

to transact the following business:

ORDINARY BUSINESS

- To consider and adopt the Audited Balance Sheet as at 31st March, 2012 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 2011-12.
- To appoint Director in place of Mr. M. I. Shahdad who retires by rotation and being eligible, offers himself for reappointment.
- To appoint Director in place of Mr. Vikrant Kuthiala, 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 2012-13

By order of the Board of Directors

Abdul Majid Bhat Company Secretary

Place: Srinagar Dated: 12th May, 2012

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK.
 - PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE RECEIVED BY THE BANK AT IT'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
- b) Shareholders who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unclaimed Amount, in respect of Unpaid/ Unclaimed Dividend Warrants, which is more than seven years old shall be transferred by the Bank to "Investor Education and Protection Fund" established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the shareholders against the Company or the Fund.
- The Register of Members and Share Transfer Books of the Company will remain closed from 9th July, 2012 to 14th July, 2012 (both days inclusive).
- d) The payment of Dividend for the FY 2011-2012, 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 14th July, 2012 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 7th July, 2012, 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, in their



NOTICE

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 2011-12, if declared, will not be taxable in the hands of the Shareholders.
- h) National Electronic Clearing Service
 - i. The Reserve Bank of India has introduced the National Electronic Clearing Services i.e. NECS to bring further efficiency and uniformity in electronic credit and has accordingly instructed all banks to move to the NECS platform.

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

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

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

Disclaimer

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

- ii. In case of Members holding shares in electronic form and who have furnished Bank Account details pertaining to the Branches where NECS facility is not available, the Bank details are furnished by respective Depositories to the Company will be printed on their Dividend Warrants. The Bank will not entertain any direct request from such members for deletion/change in such Bank Account details.
- iii. For Shareholders holding Shares in physical form who have opted for NECS and furnished all relevant/valid information, arrangements have been made to remit Dividend through such mode of payment. Such Shareholders are requested to intimate change, if any, in the details furnished in this regard to the Bank, immediately.
- Green Initiatives in the Corporate Governance
 -Electronic Mode of Service of Documents:

The Bank has implemented the "Green Initiative" of the Ministry of Corporate Affairs (MCA) circulated vide its Circular No. 17/2011 dated 21.04.2011 read with Circular No. 18/2011 dated 29.04.2011, to deliver various documents including Notices, Balance Sheet, Profit & Loss Account, Auditors Report, Directors Report and Explanatory Statement to shareholders through their e-mail addresses available in the records of our Registrar and Share Transfer Agent.

Accordingly, to enable us to send various documents, under the `Green Initiative' of MCA, through electronic mode, to all the Shareholders, Shareholders who have not registered their email

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Ids and are holding shares in Physical Form are requested to register their e-mail Ids quoting their Folio number with our Share Transfer Agent-Karvy Computershare Pvt. Ltd., and those Shareholders having holding in Demat Form are requested to register their e-mail Ids with their Depository Participant quoting their DP ID and Client ID.

- j) Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank at least seven days before the Meeting.
- k) Only registered members/ beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank will be permitted to attend the meeting.
- l) Members are requested to avoid being accompanied by non-members and/or children.
- m) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ITEM NO. 05

FIXATION OF REMUNERATION OF AUDITORS

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice, with the view to set-out material facts concerning such business. Prior to Companies Amendment Act, 2000, remuneration payable to Auditors in case of Government Companies was decided by the Central Government on the advice of Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors, appointed by C&AG under Section 619 of the Companies Act, 1956, has to be fixed by the Company in General Meeting or in such manner as the Company in the General Meeting may determine. Members may accordingly fix the remuneration of Auditors for the Financial Year 2012-13 including remuneration for the Limited Review of Quarterly Reviewed Financial Results for the period ending 30th June, 2012, 30th September, 2012 and 31st December, 2012. 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

Dated: 12th May, 2012

By order of the Board of Directors

Abdul Majid Bhat Company Secretary



MESSAGE FROM THE CHAIRMAN

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Notwithstanding economic uncertainties and concerns, J&K Bank delivered yet another year of consistent growth in business volumes, revenues and profits, surpassing previous achievements. The Bank demonstrated sheer resilience and soundness of fundamentals to record unprecedented growth in all spheres. This sterling performance is way above industry averages.



Mushtaq Ahmad Chairman & CEO

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In a world buffeted by economic fatigue and deepening Eurozone crisis, optimism is a precious emotion. Even though a widespread catastrophe may not be in the offing, apprehensions persist about the sustenance and pace of global recovery.

The US economy is showing early signs of revival, but the tempo remains sluggish. Large scale liquidity infusions by the European Central Bank (ECB) have significantly reduced stress in the global financial markets. However, a sustainable solution to the Euro-zone crisis is yet to emerge, and as recent developments in Spain indicate, the world's biggest economic area may plunge into a debt spiral.

The deep uncertainty over Greece continues to unnerve the global financial markets. The country's economy is in severe recession, debt level is unsustainable and unemployment, particularly among the youth, is alarming.

The recent EU-backed bailout package had raised hopes about a workable solution to avoid the crisis. However, rejection of the austerity measures by the people in the recent election and little hopes for any turnaround in the re- elections scheduled for June, have cast serious doubts over the continuance of the bailout package and consequently on Greece's future and Eurozone's stability as a whole. After Greece and Spain, Italy could be the next victim of Europe's financial contagion.

Growth risks have also surfaced in emerging and developing economies (EDEs), reflecting the combined impact of monetary tightening and slowdown in global growth. Any worsening of geo-political situations, particularly in the Middle-East and Africa, and re-emergence of recession in Eurozone can adversely impact the economies of these countries.

The Indian economy also witnessed slowdown in FY 2011-12, managing a hard-earned 6.5% growth, the lowest in nine years. The growth is even lower than the GDP of 6.7%, achieved during the global financial calamity that unleashed after the fall of Lehman Brothers in 2008. It was believed that the insulation from global headwinds that worked in 2008-09, will also work in 2011-12. However, a combination of global and domestic factors dented all aspirations.

The European crisis, signs of sluggish Chinese demand, spiraling crude prices in particular and that of other commodities in general have been the major dampening global factors. Unabated inflation, hardened interest environment and absence of special incentives for investment comprised the major domestic factors, responsible for low overall growth across sectors.

The growth prospects for FY 2012-13 however, appear to be relatively better and signs from all vital high-frequency indicators signify that the economic inertia has bottomed out and a gradual upswing may be imminent. However, any failure in containing fiscal deficit, re-emergence of demand led inflation, continued geopolitical uncertainties and the worsening of European calamity can derail the prospects.

Notwithstanding economic uncertainties and concerns, J&K Bank delivered yet another year of consistent growth in business volumes, revenues



MESSAGE FROM THE CHAIRMAN

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55 NEW BUSINESS UNITS WERE ADDED DURING THE YEAR, WHICH INCREASED THE BUSINESS UNIT NETWORK TO 603 AT THE END OF MARCH, 2012.

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THE BANK IS WELL PLACED
TO ACHIEVE ITS OBJECTIVE
OF ACHIEVING A BUSINESS
OF ₹ 100,000 CRORES BY
MARCH, 2013 WITH A NET
PROFIT FIGURE OF ₹1,000
CRORES

and profits, surpassing previous achievements. The Bank demonstrated sheer resilience and soundness of fundamentals to record unprecedented growth in all spheres. This sterling performance is way above industry averages.

I am delighted, yet again, in presenting an Annual Report, which embodies the robustness of the Bank's strategies and resoluteness of its professional excellence in delivering the exceptional achievements. The Annual Report reflects our strong commitment towards reinforcing the faith reposed by you and the millions of our customers and our resolve to continue on the trajectory of excellence.

J&K Bank's vision and endeavour for being a developmental institution, central to the socio-economic development of J&K State, has reaped rich dividends for the Bank. The policy enabled the mobilization of low-cost deposits and their deployment in highly productive, but credit-starved sectors of the J&K economy. These sectors, apart from being high-yielding, accelerate the desired diversification of the Bank's credit portfolio and also help fulfill the Bank's priority sector obligations.

The policy has been suitably complemented by the Bank's strategy of pursuing quality lending across the rest of the country. In combination with its re-engineering processes, the holistic strategies have resulted in better asset- liability management, optimal asset utilization, higher efficiency and

advanced regulatory conformance to reaffirm the Bank's status as an iconic institution of the state and the country.

The Bank has set an ambitious target for garnering ₹ 100,000 Crore business by March, 2013, with a net profit figure of ₹ 1,000 Crore. The achievement of this milestone is planned to coincide with the Platinum Jubilee celebrations in 2013. To achieve the cherished target, the Bank shall pursue a pan-India aggressive growth strategy, in consonance with its strategic business plan.

At J&K Bank, we have implemented a much delayed expansion during the year. Fifty five new business units were added, which increased the business unit network to 603 at the end of March, 2012. The policy shall be pursued more vigorously and plans have been formulated to open more than 100 new business units during FY 2012-13, with emphasis on unbanked/under-banked rural areas of the state.

We are committed to provide basic banking services in 535 SLBC allotted villages and 725 other unbanked villages of the State of Jammu & Kashmir by the end of March, 2013. The plan is implemented through a mix of business unit network and Business Correspondent Model. The coverage has reached 836 unbanked villages, comprising 467 SLBC and 369 Non-SLBC villages as on 31st March, 2012.

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The concerns exhibited last year by some quarters on the implementation of Ways and Means Finance have been fully allayed. As assured during the last Annual General Meeting, the agreement is being satisfactorily implemented to the mutual advantage of the Bank and the state government. Apart from allowing regulatory compliance, the arrangement has facilitated our multi-dimensional expansion, as the amount realized from the government on account of overdraft has been deployed into more productive and high-yielding economic sectors. This has enabled us to register a business volume and profit of unprecedented proportions.

Esteemed Shareholders, your Bank is well positioned to achieve a ₹ 100,000 Crore business volume by March, 2013, with ₹ 1,000 Crore net profit. We treasure your trust and bank on your support. Your continued encouragement and patronage can only make this achievement possible.

We started our journey in 1938, and in 2013 we will be celebrating our Platinum Jubilee. In all these years, we have progressed from strength to strength, despite challenges and hardships. With your best wishes, 2013 will mark the crowning moment of our achievement.

Looking forward to joining you in celebrating our cherished objectives at the celebrations.

Mushtaq Ahmad Chairman & CEO We started our journey in 1938, and in 2013 we will be celebrating our Platinum Jubilee. In all these years, we have progressed from strength to strength, despite challenges and hardships. With your best wishes, 2013 will mark the crowning moment of our achievement.



DIRECTORS' REPORT



- 1.1. Your Board of Directors have pleasure in presenting the 74th Annual Report of your Bank, together with the audited Balance Sheet, Profit and Loss Account and the report on business and operations for the year ended 31st March, 2012.
 - 1.2. The Bank has delivered a strong performance in 2011-12. The Bank's strategy of consolidation, re- engineering, re-pricing and re-organisation has resulted in productive and efficient growth, robust balance sheet, topnotch asset book and substantial provisions. Financial highlights for the year under review are presented below:

2. PERFORMANCE AT A GLANCE

- 2.1 The aggregate business of the Bank crossed yet another psychological mark and stood at ₹ 86,424.32 Crores at the end of the FY 2011-12. The total business of the Bank increased by ₹ 15,554.75 Crores from the previous year's figure of ₹ 70,869.57 Crores, registering a growth of 22%.
- 2.2 The total deposits of the Bank have grown by ₹ 8,670.97 Crores from ₹ 44,675.93 Crores as on 31st March, 2011 to ₹ 53,346.90 Crores as on 31st March, 2012, registering growth of 19.41%. CASA deposits of the Bank at ₹ 21,715 Crores constituted 40.71% of total deposits of the bank.
- 2.3 Cost of deposits for current FY stood at 5.92% compared to 5.05% for FY 2010-11.
- 2.4 The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The net advances of the Bank increased by ₹ 6,883.78 Crores from ₹ 26,193.64 Crores as on 31st March, 2011 to ₹ 33,077.42 Crores as on 31st March, 2012, a growth of 26.28%.

- 2.5 Yield on advances for the current FY improved to 11.45% compared to 10.68% for FY 2010-11.
- 2.6 Priority sector advances stood at ₹ 10,294.38 Crores as on 31st March, 2012.
- 3. The Bank's performance in the recovery of NPA's during the year continued to be good. The Bank effected cumulative cash recovery; up-gradation of NPA's and technical write-off of ₹ 316.91 Crores compared to ₹ 232.63 Crores in the previous year.
- **4.** Investment portfolio of the bank increased by ₹ 1,928.55 Crores from ₹ 19,695.77 Crores as on 31st March, 2011 to ₹ 21,624.32 Crores as on 31st March, 2012.

5. INSURANCE BUSINESS

5.1. The Bank earned an income of ₹ 29.56 Crores from the Insurance Business. In life insurance, the Bank mobilised business of ₹ 100.39 Crores and in non-life segment, business of ₹ 77.53 Crores was mobilised during the year.

6. INCOME ANALYSIS

- 6.1. Interest income of the Bank recorded a growth of ₹ 1,122.45 Crores and increased from ₹ 3,713.13 Crores in the year 2010-11 to ₹ 4,835.58 Crores in the year 2011-12. Interest expenses increased from ₹ 2,169.47 Crores to ₹ 2,997.22 Crores during the year. The Net Interest Income increased from ₹ 1,543.66 Crores to ₹ 1,838.36 Crores on YoY basis.
- 6.2. The Net Income from operations [Interest Spread plus Non-interest Income] has increased to ₹ 2,172.48 Crores in the FY 2011-12 from ₹ 1,908.42 Cr in the FY 2010-11, growing by 13.84%.
- 6.3. The Operating Expenses have shown an increase of ₹ 43.22 Crores during the