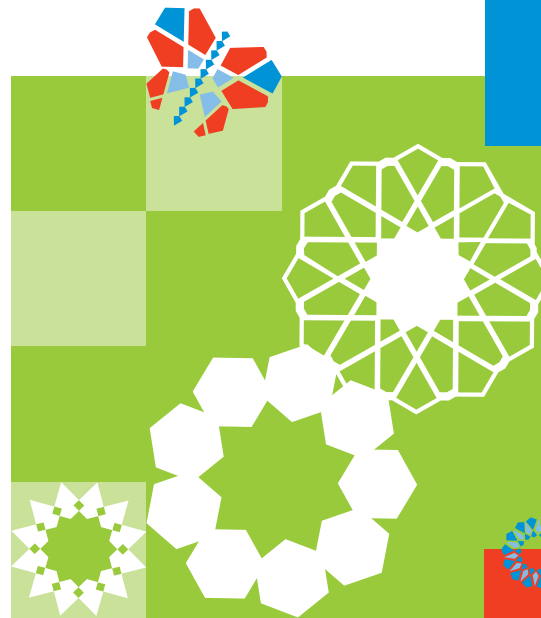
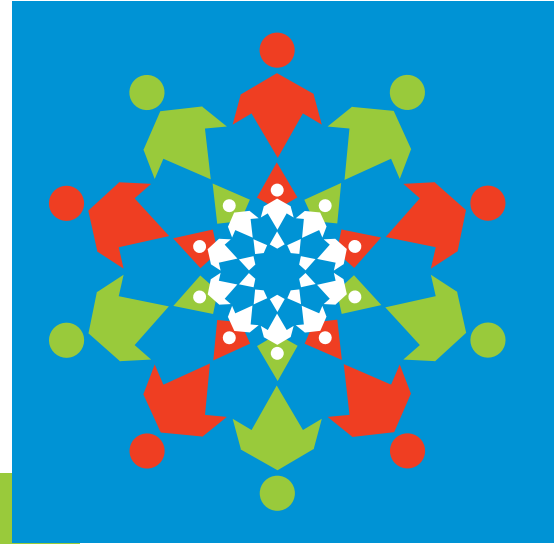


## ENDURING PARTNERSHIPS



## BUSINESS SUSTAINABILITY



## INCLUSIVE GROWTH

# REALISING DREAMS

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# Notice



NOTICE is hereby given that the 75th Annual General Meeting of the Shareholders of The Jammu & Kashmir Bank Limited will be held as under:

Day : Saturday

Date : 22nd June, 2013

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, 2013 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 2012-2013
3. To appoint Director in place of Mr. A. M. Matto who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Prof. Nisar Ali 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 2013-2014

By order of the Board of Directors

**Abdul Majid Bhat**  
Company Secretary

Place: Srinagar

Dated: 15th May, 2013

## NOTES

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

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

- b) Shareholders who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unclaimed Amount, in respect of Unpaid/ Unclaimed Dividend Warrants, which is more than seven years old shall be transferred by the Bank to "Investor Education and Protection Fund" established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter, no claim can be preferred by the shareholders against the Company or the Fund.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from 17th June, 2013 to 22nd June, 2013 (both days inclusive).
- d) The payment of Dividend for the financial year 2012-2013, 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 22nd June, 2013 and in case of dematerialized Shareholding, to those beneficiaries appearing in the records of National Securities Depository Limited and Central Depository Services (India) Limited, as at the close of working

hours on 14th June, 2013, 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 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 FY 2012-13, if declared, will not be taxable in the hands of the Shareholders.
- h) Brief Profile of Directors retiring by rotation at the Annual General Meeting and being eligible for reappointment is included in the attached Corporate Governance Report.
- i) 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.
- j. 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-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

- k. 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.
- l. 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.
- m. Members are requested to avoid being accompanied by non-members and/or children.
- n. 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 2013-2014 including remuneration for the Limited Review of Quarterly Reviewed Financial Results for the period ending 30th June, 2013, 30th September, 2013 and 31st December, 2013. 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.

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

Dated: 15th May, 2013

By order of the Board of Directors

[Abdul Majid Bhat](#)  
Company Secretary

# From the Chairman's Desk

I am delighted to be writing this communication because it is very special for a number of reasons – ranging from what we have achieved *during* the year, to what we have achieved *over* the years.



**Mushtaq Ahmad**  
Chairman & CEO

We are at the cusp of a momentous event in our journey – the completion of 75 years of our Bank's incorporation on 1st October, 1938. We see reflection of the years bygone with pride. We derive strength and inspiration from them. This occasion also reminds us of the distance we have traversed as an institution and the challenges we encountered along the way. It is such moments that enable us to understand our contribution to the socio-economic landscape of Jammu & Kashmir and the nation as a whole. The foresight of our decision makers and the fortitude of our team have been the cornerstone of our achievements in all these years. The J&K Bank remains committed to creating economic opportunities across the country (J&K of course, remaining the focus) and to help elevate the quality of life for all sections of society, as we chart the next leg of our journey.

Today, The J&K Bank is considered as one of the best in the country and consistently ranks among the top performers on all vital indicators.

The Bank was established with a capital of ₹ 7,72,725 and a base of 61,818 shares with a simple yet noble idea of liberating the people of J&K State from the grasp of moneylenders. From a very modest beginning, the Bank has grown into a premier institution with a pan-India presence. However, our core philosophy of helping people realise their dreams, and bringing more and more people into the ambit of financial inclusion has not changed. Today, The J&K Bank is considered as one of the best in the country and consistently ranks among the top performers on all vital indicators. While these achievements enhance our confidence in our abilities, the core guiding philosophy remains the same: creating opportunities and touching lives in more ways than one. A Platinum Jubilee, I think, provides the relevant opportunity to reaffirm our commitment to our enduring credo.

The Bank's Platinum Jubilee celebrations coincide with early signs of revival across major economies globally. In the US, last year's early indications of economic recovery paved the way for more stabilisation with improvements in manufacturing, housing and employment conditions. However, larger-than-

expected fiscal adjustments from spending cuts may exert strong downward pressure on growth and can dampen the pace of recovery. In Japan, the new quantitative and qualitative easing framework of monetary policy, fiscal stimulus and structural reforms are yielding positive results and the economy is projected to grow at around 1.5 percent in FY 2013-14 after years of deflation and little or no growth.

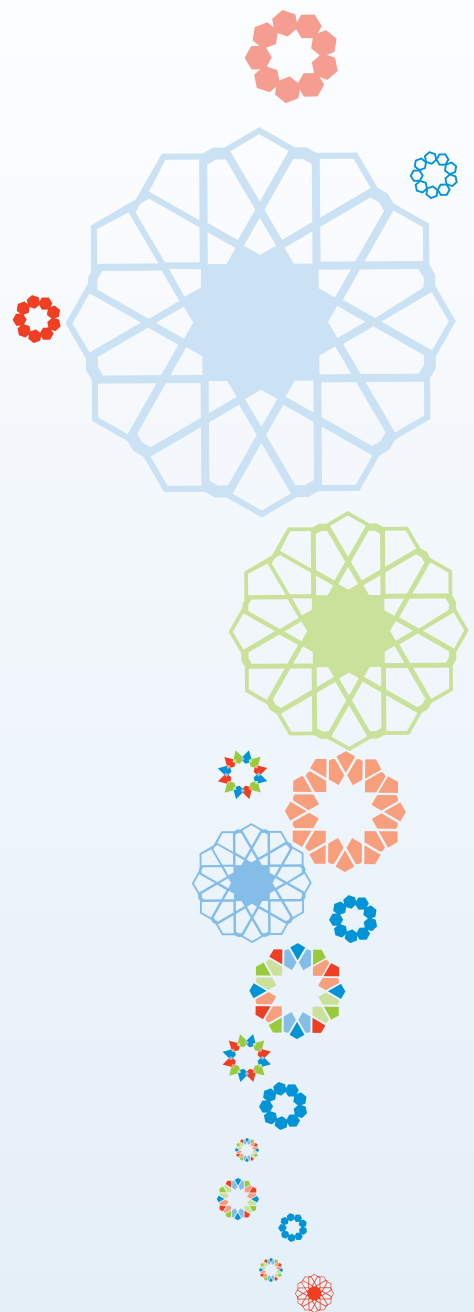
Europe's financial system largely stabilised during the past fiscal after the European Central Bank announced that it would buy the government bonds of deeply indebted countries to lower their borrowing costs. But the 17 countries using the euro currency remain in recession. Many are cutting spending sharply and raising taxes to slash colossal debt, but the austerity measures are stifling growth and further aggravating the already high unemployment levels. The Eurozone's economy, which in January was expected to contract by 0.2 percent, is now expected to shrink by 0.3 percent. There is an urgent need for policies to be recalibrated in line with changing circumstances and strengthen resilience against financial vulnerabilities in these economies.

Growth in emerging and developing economies (EDEs) has already picked up after a slowdown in FY 2011-12, thanks to resilient consumer demand, supportive macroeconomic policies and revival of exports. However, some of these countries like Brazil, Russia and Turkey confront a surge in inflation, which may warrant tighter monetary responses. Inflation, otherwise, remained remarkably stable in most of the world economies including the advanced ones and inflation expectations remained well anchored.

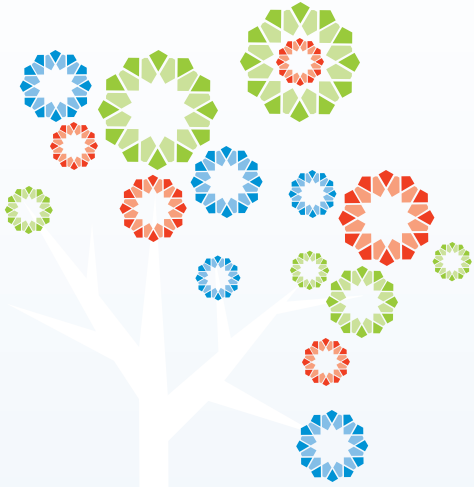
Overall, the prospects for global economy in FY 2013-14 appear to be moderately brighter in comparison to the previous year with growth projected at 3.3%. However, the trajectory of recovery remains inconsistent and laden with impediments, which makes the road ahead susceptible to uncertainty.

The Indian economy continued to remain sluggish in FY 2012-13. The advance estimates of 5 percent GDP growth by Central Statistics Office (CSO) for the FY 2012-13 is a decadal low. On quarter to quarter basis, the GDP declined persistently over the year with the third quarter recording an output expansion of 4.5% only, which is the lowest in the past 15 quarters. The fourth quarter also does not seem to have fared much better with an estimated expansion of 4.7% only.


The moderation in headline inflation, which began in later part of the last financial year continued throughout the year to average out at 7.3 percent in 2012-13 from 9 percent recorded in the preceding year. The easing was particularly significant in the fourth quarter of 2012-13, with the year-end inflation pegged at 6 percent. Consumer price inflation, however, stayed in double digits, reflecting substantial food inflation pressures and the pass through of high international crude prices to freely priced items. Non-food manufactured products inflation ruled above the comfort level in the first half of FY 2012-13, but declined in the second half to touch 3.5 percent by March, reflecting easing of input price pressures and erosion of pricing power.







Despite the economic hardship nationally and internationally, The J&K Bank continued its superlative performance in FY 2012-13, achieving unprecedented business volumes, revenues and profit.



Economic activity is expected to improve moderately in FY 2013-14, with a momentum likely in the later part of the year. The baseline GDP growth for FY 2013-14 is projected at 6 percent, RBI, however, on conservative estimates pegs it at 5.7 percent, which is comparatively better than the advance estimate of 5 percent for FY 2012-13. The Government's policy measures in the later part of FY 2012-13 and the expectations of further such measures may be reflected in the real economy after some time. However, economic momentum can be derailed unless supplemented by containment in fiscal deficit, revival of investment, sustenance and acceleration of capital inflows and unlocking of supply side bottlenecks.

Despite the economic hardship nationally and internationally, The J&K Bank continued its superlative performance in FY 2012-13, achieving unprecedented business volumes, revenues and profit. The sterling performance is visible on all key indicators. The major constituents of our business model, including optimum asset utilisation, prudent liability management, judicious monitoring of credit assets, efficient risk management, persistent improvement of systems and procedures and above all customer convenience were pursued in an integrated and coordinated approach to extract maximum returns from available resources.

It gives me immense pleasure to present this Annual Report in the 75th year of the Bank's foundation. This Annual Report, yet again, is a testimony of the effectiveness of the Bank's business model and robustness of its strategies. It demonstrates our resolve to build further on our accomplishments and strengthens the conviction entrusted by you and millions of other stakeholders.

The Bank's vision and endeavour to accelerate socio-economic development of Jammu & Kashmir through exhaustive credit dispensation and selective pan-India quality lending, continued to drive its progress. The result is that we have not only achieved, but even surpassed our ₹ 1,00,000 Crores business target and ₹ 1,000 Crore profit in the Platinum Jubilee year.

At The J&K Bank, we focused on expansion through a rapid increase in multi-delivery channels. The extensive expansion of business units initiated last year was pursued more vigorously during FY 2012-13 and a total of 82 business units were added to widen the Bank's network to 685 as at the end of March, 2013. Similarly, 105 new ATMs were added during the last fiscal to take the total ATM network to 613 on 31st March, 2013. Mobile banking services were also introduced during FY 2012-13 to provide customers more accessibility and convenience.

Our core value system has always been a guiding factor in our decision making. In line with these values, we firmly believe in inclusive banking, which encompasses all sections of society, particularly the economically



The Bank's vision and endeavour to accelerate socio-economic development of Jammu & Kashmir through exhaustive credit dispensation and selective pan-India quality lending, continued to drive its progress. The result is that we have not only achieved, but even surpassed our ₹ 1,00,000 Crores business target and ₹ 1,000 Crore profit in the Platinum Jubilee year.

underprivileged. The objective of inclusive banking is being achieved through a multi-faceted strategy, involving the deployment of Business Correspondents, Common Service Centres and Brick & Mortar business units. The Bank's outreach programme is underway to provide basic banking services across 1,260 identified unbanked villages (comprising 535 SLBC allocated above 2,000 population villages and 725 other unbanked villages). The Bank is also committed to deploy delivery channels in SLBC allocated 1,093 villages in the population range of above 1,000 and less than 2,000.

Already, Business Correspondents (BCs) have been rolled out in 1,928 villages, comprising 420 self-set target villages, 527 above-2,000 population villages and 981 below-2,000 population villages for extending ICT enabled financial services through the operation of smart cards. The household coverage in these villages has reached 54.60% and efforts for full coverage are going on with full vigour. Fifteen model villages were selected by the RBI for 100% financial inclusion in Jammu & Kashmir and allocated to The J&K Bank. The target has been achieved and already 4,819 smart cards have been issued in these villages. The Bank has also submitted a Board approved financial inclusion plan to the RBI for 3,271 villages (below-2,000 population villages). It is envisaged to be covered by the end of March, 2016 through a mix of varied channels.

Esteemed Shareholders, your Bank has travelled a long and eventful journey to carve out its distinctive identity in India's banking industry. I am fortunate to be part of this journey and personally witnessed the Bank's transformation from an unknown entity to an institution of repute. All the members of The J&K Bank family and the stakeholder fraternity have helped shape this wonderful legacy. I am confident you will provide the support and trust to strengthen it further. On this historic occasion, we express our gratitude to the main promoter, the State Govt. for continued patronage and support. We acknowledge and express gratitude to RBI for their guidance and assistance at every occasion. We are also thankful to the Union Govt. for their support. We also thank NABARD who have been extending helping hand in our various initiatives.

On the occasion of our Platinum Jubilee, let us all rededicate ourselves to the task of elevating our institution to new heights of achievement on the strength of our commitment and enduring value system.

**Mushtaq Ahmad**  
Chairman & CEO

# Directors' Report

1. 1.1. Your Board of Directors have pleasure in presenting the 75th 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, 2013.

1.2. The Bank has delivered a strong performance in FY 2012-13. The Bank's strategy of consolidation, re-engineering, re-pricing and re-organisation has resulted in productive and efficient growth, robust balance sheet, healthy 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 milestone mark and stood at ₹ 1,03,421.03 Crores at the end of FY 2012-13. The total business of the Bank increased by ₹ 16,996.71 Crores from the previous year's figure of ₹ 86,424.32 Crores, registering a growth of 19.67%.
- 2.2 The total deposits of the Bank have grown by ₹ 10,873.72 Crores from ₹ 53,346.90 Crores, as on

31st March, 2012, to ₹ 46,220.62 Crores, as on 31st March, 2013, registering a growth of 20.38%. CASA deposits of the Bank at ₹ 25,191 Crores constituted 39.23% of total deposits of the Bank.

- 2.3 Cost of deposits for current FY stood at 6.87%.
- 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 ₹ 6,122.99 Crores from ₹ 33,077.42 Crores, as on 31st March, 2012, to ₹ 39,200.41 Crores, as on 31st March, 2013, a growth of 18.51%.
- 2.5 Yield on advances for the current FY improved to 12.59%, compared to 12.12% for FY 2011-12.
- 2.6 Priority sector advances (Gross) stood at ₹ 11,591.58 Crores, as on 31st March, 2013.

3. The Bank's performance in the recovery of NPAs during the year continued to be good. The Bank effected cumulative cash recovery; upgradation of NPAs and technical write-off of ₹ 327.83 Crores, compared to ₹ 316.91 Crores in the previous year.

4. Investment portfolio of the bank increased by ₹ 4,116.74 Crores

from ₹ 21,624.32 Crores, as on 31st March, 2012, to ₹ 25,741.06 Crores, as on 31st March, 2013.

## 5. Insurance Business

5.1. The Bank's income reached ₹ 37.41 Crores from the Insurance Business. In life insurance, the Bank mobilised business of ₹ 63.44 Crores and in non-life segment, business of ₹ 92.88 Crores was mobilised during the year.

## 6. Income Analysis

- 6.1. Interest income of the Bank recorded a growth of ₹ 1,301.22 Crores and increased from ₹ 4,835.58 Crores in FY 2011-12 to ₹ 6,136.80 Crores in FY 2012-13. Interest expenses increased from ₹ 2,997.22 Crores to ₹ 3,820.76 Crores during the year. The Net Interest Income increased from ₹ 1,838.36 Crores to ₹ 2,316.04 Crores on YoY basis.
- 6.2. The Net Income from operations [Interest Spread plus Non-interest Income] has increased to ₹ 2,799.77 Crores in FY 2012-13 from ₹ 2,172.48 Cr in FY 2011-12, growing by 28.87%.
- 6.3. The Operating Expenses exhibited an increase of ₹ 186.86 Crores during FY 2012-13 and stood at ₹ 989.01 Crores, as compared to ₹ 802.15 Crores in FY 2011-12.
- 6.4. The Cost to Income ratio (Operating Expenses to Net Operating Income) has come down from 36.92% in FY 2011-12 to 35.33% in FY 2012-13.

## 7. Gross Profit

7.1. The Gross Profit for FY 2012-13 stood at ₹ 1,810.76 Crores, as compared to ₹ 1,370.33 Crores in FY 2011-12, registering a growth of 32.14%.

The aggregate business of the Bank crossed yet another milestone mark and stood at ₹ 1,03,421.03 Crores at the end of FY 2012-13. The total business of the Bank increased by ₹ 16,996.71 Crores from the previous year's figure of ₹ 86,424.32 Crores, registering a growth of 19.67%.