



Inclusive Growth

A STORY FROM J&K BANK

Annual Report
2015-16





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Notice

NOTICE is hereby given that the 78th Annual General Meeting of the Shareholders of The Jammu & Kashmir Bank Limited will be held as under:

Day : Wednesday
Date : 20th July, 2016
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, 2016 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.
- To declare Dividend on equity shares for the financial year 2015-16.
- To fix the remuneration of Auditors in terms of provisions of Section 142 of the Companies Act, 2013, for the financial year 2016-17.

Special Business:

- To consider and pass with or without modification(s), the following resolution as ordinary Resolution:**

"Resolved that Mst. Masooda Jabeen, (DIN 07324834) in respect of whom the Bank has received a notice under Section 160 of the Companies Act, 2013, signifying her candidature to the position of Director under Section 152(6)(a) of the Companies Act, 2013, be and is hereby appointed, as Director on the Board of Directors of the Bank, whose period of office will be liable to retire by rotation".

- To consider and pass with or without modification(s), the following resolution as Special Resolution:**

"Resolved that pursuant to section 14 and other applicable provisions, if any, of the Companies Act, 2013 read with Article 3 of the Articles of Association of the Bank and such approvals, consents, permissions and sanctions, as may be necessary from the Reserve Bank of India and other appropriate authorities, approval of the Members of the Bank be and is

hereby accorded to the alterations in the Articles of Association of the Bank as Under:

In Article 70 (ii) of the Articles of Association,

- Sub clause (b) shall be deleted
- the figure of "15,000" appearing in the 9th line shall be substituted by the figure "25,000/-"

For the purpose of clarity the Article 70(ii) after the amendment as proposed above will be read as under:

70 (ii) *Sitting fee payable to a Director other than:*

- Chairman and Chief Executive Officer,*
- Additional Director appointed by Reserve Bank of India and who is in the employment of RBI; and*
- Executive Director/s.*
for attending a meeting of Board or Committee irrespective of the number of days for which the meeting may continue, shall be ₹ 25000/-.

- To consider and pass with or without modification(s), the following resolution as ordinary Resolution:**

"Resolved that pursuant to the Reserve Bank of India circular DBR.No. BC.97/29.67.001/2014-15 dated 1st June, 2015 relating to "Guidelines on Compensation of Non-executive Directors of Private Sector Banks" and subject to such clarifications, approvals, consents, permissions and sanctions, as may be necessary from the appropriate authorities, approval of the Members of the Bank be and is hereby accorded to the payment of compensation to the Non Executive Directors of the Bank to the extent of one percent of the net profits of the Bank for the relevant financial year subject to a maximum of ₹ 10 (Ten) lakhs per annum to each non- Executive Director, with effect from 1st June, 2015".

- To consider and pass with or without modification(s), the following resolution as Special Resolution:**

"Resolved that pursuant to section 14 and other applicable provisions, if any, of the Companies Act, 2013 read with Article 3 of the Articles of Association of the Bank and such approvals, consents, permissions

and sanctions, as may be necessary from the Reserve Bank of India and other appropriate authorities, approval of the Members of the Bank be and is hereby accorded to the alterations in the Articles of Association of the Bank as Under:

In Article 69(i) of the Articles of Association, the word "four" appearing in the first line shall be substituted by the word "Three"

For the purpose of clarity the Article 69(i) after the amendment as proposed above will be read as under:

69 (i) The number of Director shall not be more than twelve or less than seven. Not more than three of these shall be appointed by the Jammu and Kashmir Government, who will be called Government Directors; provided that no Director other than a Government Director shall be elected as Chairman of the Board of Directors.

By order of the Board of Directors

Place: Srinagar

Abdul Majid Bhat

Dated: 24th May, 2016

Company 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.

A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS.

A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY, CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

- 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 Wednesday, 13th July, 2016 to Wednesday, 20th July, 2016 (both days inclusive).
- d) The payment of Dividend for the financial year 2015-2016, 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 20th July, 2016 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 12th July, 2016 subject to the provisions of Section 126 of the Companies Act, 2013.
- 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 2015-16, if declared, will not be taxable in the hands of the Shareholders.
- h) Brief Profile of person seeking appointment as Director on the Board of the Bank is included in Corporate Governance Report, attached.
- 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 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

In support of the "Green Initiative" announced by the Government of India and as well as Regulation 36 of the SEBI (Listing Obligations & Disclosure Requirements), 2015 electronic copy of the Annual Report and this Notice, inter alia indicating the process and manner of remote e-voting along with attendance slip and proxy form are being sent by e-mail to those Members whose e-mail addresses have been made available to the Bank /Depository Participants unless the Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of this Notice inter alia indicating the process and manner of remote e-voting along with attendance slip and proxy form, will be sent to them in the permitted mode.

The Bank hereby request Members who have not updated their email IDs to update the same with their respective Depository Participant(s) or the Karvy Computershare Private Limited, Registrar and Transfer Agent (R&T) of the Bank. Further, Members holding shares in electronic mode are also requested to ensure to keep their email addresses updated with the Depository Participants / R&T of the Bank. Members holding shares in physical mode are also requested to update their email addresses by writing to the R &T of the Bank quoting their folio number(s).

- k. Members desirous of getting any information about the accounts and operations of the Bank are requested to write their queries to the Bank atleast 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 Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.

o. **E-Voting:**

The Bank is pleased to provide E-voting facility through Karvy Computershare Pvt Ltd., for all shareholders of the Bank to enable them to cast their votes electronically on the items mentioned in this notice of the 78th Annual General Meeting of the Bank. The Bank has appointed CA. Majaz Ahmad, Chartered Accountant, SDM & Co. Chartered Accountants, Srinagar as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Bank, subject to the provisions of the Banking Regulation Act, 1949, as on the cut-off date of 12th July, 2016

i. The instructions for E-Voting are as under:

- (i) To use the following URL for e-voting:
From Karvy website: <http://evoting.karvy.com>
- (ii) Shareholders of the Bank holding shares either in physical form or in dematerialized form, as on the cut-off date, may cast their vote electronically.
- (iii) Enter the login credentials [i.e., user id and password mentioned in the attendance slip of the AGM].
Your Folio No/DP ID Client ID will be your user ID.
- (iv) After entering the details appropriately, click on LOGIN.
- (v) You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) You need to login again with the new credentials.
- (vii) On successful login, the system will prompt you to select the EVENT i.e., J&K Bank.

- (viii) On the voting page, enter the number of shares as on the cut-off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
- (ix) Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
- (x) Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
- (xi) Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to camajaz@gmail.com with a copy marked to e.voting@karvy.com.
- (xiii) The e-voting period commences on 17th July, 2016 (9:00 A.M) and ends on 19th July, 2016 (6:00 P.M). During this period shareholders' of the Bank, holding shares either in physical form or in dematerialized form, as on the cut-off date of 12th July, 2016 may cast their vote electronically. The e-voting module shall be disabled by Karvy for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently. Further, the shareholders who have cast their vote electronically shall not be able to vote by way of poll at the AGM.
- (xiv) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt. Ltd at Tel No. 1800 345 4001 (toll free).



- II. The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Bank and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Bank.
- III. The Results on resolutions shall be declared on or after the AGM of the Bank and shall be deemed to be passed on the date of the AGM. The Results declared alongwith the Scrutinizer's Report shall be placed on the Bank's website www.JKBank.net and on the website of Karvy within three days of passing of the resolutions at the AGM of the Bank and communicated to the Stock Exchanges.
- IV. Poll will also be conducted at the AGM and any Shareholder who has not cast his vote through e-voting facility, may attend the AGM and cast his vote.

Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 03

Fixation of Remuneration of Auditors

Though not strictly necessary, Explanatory Statement is being given for Item No. 03 of the Notice, with the view to set-out material facts concerning such business. Pursuant to the provisions of Section 142 of the Companies Act, 2013, the remuneration of Auditors, appointed by C&AG under Section 139(5) of the Companies Act, 2013, 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 2016-17 including remuneration for the Limited Review of Quarterly Financial Results for the period ending 30th June, 2016, 30th September, 2016 and 31st December, 2016.

No Director, Key Managerial Personnel of the Bank or their relatives is in anyway concerned or interested in the Resolution.

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

Item No. 04

Appointment of Director

With a view to broad base the Board and to seek compliance with the provisions of Section 149 (1) of the Companies Act, 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, rendering appointment of a woman Director on the Board of the Bank mandatory in the Listed companies, Mst. Masooda Jabeen, was appointed as Director on the Board of the Bank with effect from 26-10-2015. Prof. Nisar Ali, who was due to retire by rotation at this Annual General Meeting, had tendered his resignation from the Board of the Bank with effect from 22nd Aug. 2015. Mst. Masooda Jabeen was appointed as director of the Bank in casual vacancy in place of Prof. Nisar Ali, pursuant to the provisions of section 161(4) of the companies Act, 2013. However, a director appointed to casual vacancy can hold office up to the date to which the director in whose place he/she is appointed would have held office if it had not been vacated. Consequently Mst. Masooda Jabeen ceases to be a Director of the Bank at the commencement of this Annual General Meeting of the Bank.

Bank has been benefitted due to her experience and has received notice under Section 160 of the Companies Act, 2013 from Mst. Masooda Jabeen signifying her candidature for the office of the Director, under Section 152(6)(a) of the

Companies Act, 2013. Brief profile of Mst. Masooda Jabeen is forming part of the Corporate Governance Report.

Except Mst. Masooda Jabeen, no Director, Key Managerial Personnel of the Bank or their relatives are in anyway concerned or interested in the Resolution.

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

Item No. 05

Amendment of Articles of Association

The sitting fee paid to Directors of the Bank other than Chairman and Chief Executive Officer, Director nominated by the State Government and who is in the employment of Government, Additional Director appointed by Reserve Bank of India and who is in the employment of RBI and Executive Director/s for attending each meeting of the Board of Directors and Committee thereof was fixed by the Shareholders in their meeting held on 9th July, 2011 at ₹15,000/-. The maximum sitting fee payable to each director at that time was ₹ 20,000/- pursuant to section 309(2) of the Companies Act, 1956. However as per Section 197(5) of the new Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, amount of remuneration by way of sitting fee for attending each meeting of the Board of Directors and Committee thereof shall not exceed one lakh rupees per meeting of the Board or Committee thereof.

Since there was no revision in the sitting fee payable to the eligible Directors for attending each meeting of the Board of Directors and Committee thereof from the aforesaid date and in view of increase in the sitting fee under the new Companies Act, 2013, the Board of Directors propose enhancement in the sitting fee for attending each meeting of the Board of Directors and Committee thereof to ₹ 25,000/- with effect from 1st April, 2016.

Further, as per the provisions of the Companies Act, 2013, non executive directors are eligible to receive sitting fee for attending the meetings of the Board or any Committee thereof subject to the maximum of one lakh rupees per meeting of the Board or Committee thereof. In order to align the Articles of Association of our Bank with the Provisions of the companies Act, 2013, the Board of Directors of the Bank propose to amend provisions of Article 70(ii) of the Articles of Association of the Bank by deleting Sub Clause (b) of the existing article 70(ii) of the Articles of Association.



Except to the extent of interest of the Directors in relation to the revision in the sitting fee that may be payable to them, no Director, Key Managerial Personnel of the Bank or their relatives are in anyway concerned or interested in the Resolution.

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

Item No. 06

Compensation to Non Executive Directors

The Reserve Bank of India vide circular DBR. No.BC.97/29.67.001/2014-15 dated June 1, 2015, has issued guidelines on compensation for Non-Executive Directors, for implementation by private sector banks. These guidelines provide for payment of compensation not exceeding ₹ 10 Lakhs per annum to each director, in the form of profit related commission to the non-executive directors (other than the Part-time Chairman), subject to the bank making profits. However while formulating the policy, the Board shall ensure compliance with the provisions of the Companies Act, 2013.

Section 197 of the companies Act, 2013 provides that, the remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed, one percent of the net profits of the company, if there is a managing or whole-time director or manager. However the Central Government vide its circular F No /2014-cL.y dated 5th June, 2015, has exempted government companies from the provisions of Section 197 of the Companies Act, 2013.

In view of the above, the Board of Directors proposes to pay compensation to the Non Executive Directors of the Bank subject to the ceiling limits fixed by the Reserve Bank of India with effect from 1st June 2015 (effective date of the RBI circular). It may be pertinent to mention here that pursuant to General Circular No 14/2014 dated 9th June, 2014 issued by the Ministry of Corporate Affairs in consultation with Securities and Exchange Board of India "Pecuniary relationship" provided under section 149(6) (c) of the Companies Act, 2013 does not include receipt of

profit related remuneration by an Independent Director.

Except to the extent of interest of the Non Executive Directors in relation to the compensation that may be payable to them, no Director, Key Managerial Personnel of the Bank or their relatives are in anyway concerned or interested in the Resolution.

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

Item No. 07

Amendment of Articles of Association

The Companies Act, 2013 for the first time introduced the concept of Independent Director and rendered compulsory appointment of Independent Directors on the Boards of Listed companies mandatory. As per the requirements of section 149 (5) of the Companies Act, 2013 listed public company shall have at least one-third of the total number of directors as independent directors. The addition of Independent directors on the Board of the Bank necessitated consequent reduction in the proportion of other directors on the Board of the Bank. Accordingly the authority of the Jammu & Kashmir government to appoint directors on the Board of the Bank is proposed to be reduced to three.

No Director, Key Managerial Personnel of the Bank or their relatives is in anyway concerned or interested in the Resolution.

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

By order of the Board of Directors

Place: Srinagar

Abdul Majid Bhat

Dated: 24th May, 2016

Company Secretary

Regd. Office:

Corporate Headquarters,

M. A. Road, Srinagar, Kashmir - 190 001

Chairman's Statement



Dear Shareholders,

It gives me immense pleasure to present the Annual Report of your Bank for the Financial Year 2015-16. At the outset, I would like to express my gratitude for your continuous trust, loyalty and unwavering support to the Bank.

The Indian banking sector is passing through a difficult phase. The asset quality of most of the banks has been under increasing pressure for past few years; a direct corollary of dampened national economy and, in particular, the resultant severe weakness in corporate earnings. The

problem manifested itself at its zenith during FY 2015-16 as most of the banks faced unprecedented deterioration in asset quality. Profitability of the sector also witnessed a steep decline on account of increased provisioning for impaired assets.

FY 2015-16 was also a very challenging one for J&K Bank. Throughout the year, the Bank was confronted with a surge in non-performing assets. NPA's, however, were predominantly limited to some corporate accounts and the Bank's considerable retail loan portfolio was mostly left unscathed. J&K State, the main contributor of retail credit for the Bank, had much lower NPA level than any other geographic constituent of the Bank.

For FY 2015-16, the focus of the Bank remained on consolidation of the balance sheet to make it stronger and healthier for future. The Bank apportioned substantial percentage of operating profits towards floating provisions, so as to have a strong cushion against future uncertainties.

In spite of subdued economic environment at the national level and a stifled economy at J&K State level, still recovering in the aftermath of floods, the Bank's credit growth for the financial year stood at 12.58 percent which is much higher than the industry average of 9.3 percent. During the year, the Bank consciously avoided contracting high cost deposits and instead focused on low cost CASA deposits. This resulted in reduction in Cost of Deposits as well as improvement in Net Interest Margins. For FY 2015-16, the cost of deposits of the Bank stood at 6.34 percent compared to 6.74 percent for the previous financial year. Similarly, NIM stood at 3.85 percent compared to 3.81 percent in FY 2014-15. CASA deposits, as a percentage of total deposits, increased from 41.79 percent in FY 2014-15 to 44.13 percent in FY 2015-16.

The Bank remained well capitalized with an overall Capital Adequacy Ratio (CAR) of 11.81 percent as on March 2016, computed under Basel III norms, which is well above RBI stipulated norm of 9.625 percent. Of this, the Common Equity Tier I stood at 10.60 percent against the minimum regulatory requirement of 7.00 percent.

Going ahead, the Bank foresees better economic prospects in the state of J&K for FY 2016-17. As such, the Bank has targeted a credit growth of 22 percent in the J&K State. Retail credit shall continue to be a major focus area. Bank also plans to harness the considerable opportunities being