



## DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS

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

#### MACROECONOMIC OVERVIEW:

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

#### BANKING SCENARIO:

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

#### PERFORMANCE OF THE BANK:

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

#### CAPITAL AND RESERVES:

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

#### FINANCIAL PERFORMANCE:

##### i) PROFIT:

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

##### ii) INCOME:

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

##### iii) DIVIDEND:

Keeping in view overall performance of the Bank, Directors are pleased to recommend payment of 80% dividend (free of tax in the hands of shareholders) for the year ended 31<sup>st</sup> March 2005 subject to approval of shareholders. The dividend payout ratio on the basis of the recommended dividend works out to 33.70% of the net profit.

#### DEPOSITS:

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

**ASSETS:****i) CREDIT PORTFOLIO:**

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

**ii) INVESTMENT PORTFOLIO**

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

**iii) NON-PERFORMING ASSETS:**

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

**FOREIGN EXCHANGE:**

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

**CAPITAL ADEQUACY RATIO:**

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

**Productivity:**

- The average deposits per branch have increased to Rs. 43.29 crore from Rs. 39.29 crore of the previous year.

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

**Business Diversification:**

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

**a) DEPOSITORY PARTICIPANT:**

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

**b) INSURANCE BUSINESS:**

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

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

**PREMISES:**

Considering the importance of office ambience for enhancing



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

#### NEW INITIATIVES:

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

#### Credit Card:

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

#### Internet Banking:

- ii. The Bank launched Internet Banking service, which is available to the customers of the CBS branches of the Bank. To begin with, the Internet Banking facility is available for non-financial transactions only and would be thrown open for financial transactions after RBI approval, for which all formalities have been completed.
- iii. The Bank added one more feather to its cap by introducing Mobile ATM service at Srinagar. The service one of its first kind in the northern part of the country acts as another delivery channel of service to our customers. The mobile ATM van moves in and around the city at pre-announced locations and as per published time schedule. The facility offers the convenience of world-class Banking to the customers at their footsteps. The ATM Van is equipped with Public Address system with one CTV and two small amplifiers, so as to provide information about various products/services offered by the Bank.
- iv. During the year the Bank introduced 'Western Union Inward Money Transfer' facility at number of branches across the country. The Bank entered into a strategic tie-up with Western Union Financial Services Inc., an international leader in money transfer services through its primary agent SITA, a division of Kuoni Travels to

provide inbound money transfer services to customers across the country. As a consequence of this association, people in general and J&K Bank customers in particular are able to receive money from their friends and relatives abroad using the Western Union money transfer service.

- v. The Bank went live with Real Time Gross Settlement (RTGS) system put in place by Reserve Bank of India. The transactions are being put through from its Payment System Gateway located at Mumbai. The RTGS system offers facility of fund transfer on real time basis for both high value and retail payment.
- vi. The Bank has also enrolled as member of NFS (National Financial Services) set by IDRBT by virtue of which our ATM switch is connected with NFS switch. The testing has been completed and is ready to go live any time. The connectivity will offer facility to our debit cardholders to access other Bank's ATMs, which are members of NFS in India at lower transaction costs.
- vi. Tie-up with Airtel for providing cash management services at designated branches of the Bank and is in the process of finalizing such tie-up with Dishnet (AIRCELL).
- vii. The Bank continued to enter into strategic Tie-ups with reputed companies to further foster business growth through mutual rewarding relationships. Tie-ups with Bajaj Tempo, Bajaj Auto Ltd., Eicher Tractors, Escorts Finance, Escorts Limited, Mahindra & Mahindra, Birla Power Solutions Limited, INTEL, HP Compac, Honda Siel, PCS, Godrej India Ltd., Philips, Kirloskar Oil Engines Ltd have helped in boosting the consumer finance business volumes of the Bank.

#### INFORMATION TECHNOLOGY STRATEGY:

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



now available at 32 business locations of Jammu and Kashmir Zones. Currently 97.4% business of the Bank is computerized. The number of branches/offices brought under computerization programme has increased to 423 at the end of March 2005 against 360 branches of the previous year. Bank has an ambitious plan of total automation of operations by the year 2006.

The Bank has already networked over 200 important branches at various centres to offer AnyWhere Banking besides networking of ATMs across the country. During the year AnyWhere Banking facility was extended to many new locations/branches, thereby increasing the number of branches offering AnyWhere Banking facility to 200 at the end of 31<sup>st</sup> March 2005. The number of ATMs (both off-site and on-site) already installed or under process of installation by the Bank has increased to 170 during the year under report. Moreover to further improve the customer service and have total connectivity, the Bank has set-up a Central DATA Centre and 78 branches/offices of Delhi and Mumbai Zones have already been migrated to CBS and roll over of rest of the branches of these Zones is in progress. The Bank has customized software solution in place to handle Asset Liability Management (ALM) system of the Bank. At present almost all the ALM sensitive data is captured in automated form ensuring the compilation of ALM picture at short notice. Besides CIBIL reporting system and MIS architecture has been improved to match set standards. The Bank has launched its INTRANET SITE for surfing by the staff. The site shall keep them updated about policies and directions of the organization at their workplace besides helping them in resolving their customer grievances / complaints instantly.

#### **CUSTOMER CONVENIENCE PROGRAMMES:**

Customer remains at the centre-stage of all our operations. Bank's marketing strategy aims to create customer delight profitably by building value-laden relationships with all the customers. The Bank continued to make efforts to transform itself into 'Customer Centric Bank'.

The Bank formulated 'Policy document on Deposits' with an aim to outline guiding principles with respect to formulation of various deposit products offered by the Bank and terms & conditions governing the conduct of such accounts. The policy shall help in dissemination of information with regard to acceptance of deposits and recognition of depositors' rights in the spirit of Bankers' Fair Practice Code. The Policy document shall ensure that customers are able to get services they are rightfully entitled to receive without demand. The Policy document is available to customers at all branches and also available on Bank's website.

The Bank continues to organize "Customers Meets" regularly to receive suggestions and feed back from customers. Customers Advisory Fora established for the purpose of fruitful interaction between customers and Bank continue to provide valuable inputs for innovation. The suggestions received from

customers in such fora provide a source of great input for bringing in further improvement in customer service and shaping of new and value added products and services offered by the Bank. The Bank has put in place very efficient Complaint Redressal Mechanism. The customer complaints and queries are handled on priority. "Customer Suggestion Card" has been kept available at all branches of the Bank and also on web-site. The customers also have the option to send their queries through e-mail. The success of the Single Point Commit System in selected branches has encouraged the Bank to extend it to other branches and make them as "All Officers' Branches". During the year, the Bank further designated 102 branches as "All Officers Branches" taking the total figures to 228.

#### **BRANCH EXPANSION:**

In order to further its foothold to potential markets and extend Banking facilities to un-banked areas coupled with catching on new business opportunities, Bank has been opening new branches selectively at centres offering highest business potential. The Bank opened 25 new branches/extension counters during the period under report raising the total number of branches to 500 at the end of March 2005.

#### **HUMAN RESOURCES DEVELOPMENT:**

Quality of Human Resources is the key to competitive strength and performance of an organization. This has assumed much more significance and pivotal position in the current high-tech environment in the Banking industry. The Bank accords high priority to development of its vital resource 'HRD' - at all levels. During the year 3935 employees were imparted training at Bank's Staff Training Colleges Srinagar/Jammu, Bank's Technology Training Centre, Srinagar and other Institutes of repute within and outside the country in various banking, management, economic and I.T. related fields.

With the implementation of Single Point Commit System and phenomenal increase in the business of the Bank, need to strengthen the officers' cadre at various levels was felt. The Bank has as per its HR policy been focusing on merit and performance. In tune with this policy 735 promotions in various cadres were made during the year.

During the year the Bank also came up with its Voluntary Retirement Scheme (VRS). The Bank accepted the applications of 241 officials under the Scheme. The Scheme was launched with the objective of achieving optimum utilization of manpower, improve operational efficiency and conduct the Bank's business profitably in highly charged competitive environment.

#### **LEAD BANK RESPONSIBILITY:**

Your Bank is the only Private Sector Bank entrusted with the responsibility of convening State Level Bankers' Committee. The Bank continued to discharge its Lead Bank responsibility



in 8 out of 14 districts of J&K State satisfactorily. State Level Bankers' Committee Meetings (SLBC) and Sub-committee meetings of State Level Bankers' Committee were convened during the year 2004-05. The block and district level meetings such as BLBC, DCC and DLRC were held as per schedule in all the lead districts. The district credit plans were prepared in time and their implementation monitored closely at the State and district Levels.

#### REGIONAL RURAL BANKS:

The performance of two Regional Rural Banks sponsored by the Bank as per un-audited figures has been quite satisfactory. The deposits of Jammu Rural Bank have increased by Rs. 34.83 crore from Rs. 533.48 crore as on 31-3-2004 to Rs. 568.31 crore as on 31-03-2005. Advances have increased from Rs. 125.09 crore as on 31-3-2004 to Rs.136.35 crore as on 31-3-2005. The Bank has registered an operating profit of Rs. 9.38 crore during the period under review.

The deposits of Kamraz Rural Bank have increased by Rs. 17.20 crore during the year from Rs. 253.89 crore of last year to Rs.271.09 crore as on 31-03-2005. The Gross Advances have increased from Rs. 45.16 crore as on 31-3-2004 to Rs. 51.82 crore as on 31-3-2005.

#### COMMUNITY SERVICE:

Our Corporate Social Responsibility (CSR) stresses to promote the work/life balance, give attention to social and environmental concerns in addition to economic goals, and balance flexibility and responsibility. The Bank as a responsible corporate citizen has CSR as the continuing commitment to behave ethically and contribute to economic development while improving the quality of life of the work force, their families as well as the local community and society at large. The Bank's initiative of maintaining Parks continued and during the year the Bank developed and maintained Rajinder Park at Jammu, Gulnar Park Baramulla, Bagh-i-Wazir, Anantnag and Amusement Park Pahalgam.

The Bank has now in a straight row for the third year offered the registration to 150637 intending pilgrims for Shree Amarnathji Yatra-2004 through network of branches all-over the country. These services were also offered online through Bank's website 'www.jkbank.net' for the first time on which 8500 intending pilgrims registered.

The J&K Bank has always as a responsible corporate member actively participated in the social service activities including upliftment of down trodden and weaker sections of the society. The Bank also provided donations to patients for the treatment and surgery of deserving people afflicted with heart ailments, kidney transplantation, artificial limbs and tri-motorcycles for physically challenged persons. The Bank continued with its social endeavour by providing financial support to orphanages and orphans to pursue education. The Bank came to the rescue of the survivors of the devastating snow storm, which engulfed the J&K state during the last week of February 2005,

by timely support and distribution of relief in the form of essential commodities as also supporting the Govt. in its plans to rehabilitate the victims.

#### RATING OF BANK'S DEBT INSTRUMENT:

The Credit Rating Information Services of India Ltd. (CRISIL) one of the leading credit rating agency of the country re-affirmed "P1+" rating to the Bank's Certificate of Deposit Programme, indicating the highest degree of safety for timely payment of principal and interest.

#### RISK MANAGEMENT & ASSET QUALITY:

The Risk Management Philosophy of the Bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The credit portfolio is managed through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Portfolio diversification is a key risk mitigation tool particularly in the light of volatility in business environment. The treasury functions are managed through a well-laid organisational set-up and well-defined policies in consonance with RBI guidelines. The ALM functions are executed on the basis of fully computerised real-time data of Bank's Assets and Liabilities structure.

The Bank has recently appointed M/S ICRA limited as consultants for Implementation of Integrated Risk Management systems in the Bank. The mandate given to the consultants includes, inter alia, setting up of integrated systems for all the three Risks viz Credit Risk, Market risk and Operational Risk. The project also covers providing software solutions for assisting the Bank in estimating Probability of Default (PD), Loss Given Default (LGD), Credit Risk Capital and Risk Adjusted Return on Capital (RAROC).The project is scheduled to be completed at the end of Financial year 2006. The Bank will be able to commence a parallel run of the revised framework with effect from April 2006 as required by the RBI. The Bank will be fully equipped to implement the revised capital adequacy framework as per the March 31, 2007 deadline prescribed by the RBI.

#### AWARDS FOR EXCELLENCE:

Our efforts and hardwork have been earning us accolades and rewards both at national and international level. The Bank continued to receive acknowledgements of recognition in the form of awards and citations. During the year the Bank received Special Jury Award for the year 2004 for implementing Banking Technology and Asian CSR Award 2004 (Runner up Trophy) at Kaulalumpur for Corporate Social Responsibilities. The Chairman of the Bank, Mr. M. Y. Khan was awarded 'Star Achievers Award 2004' by NRI Institute at New Delhi. The Bank has also received applauses in sports and won Best Private Sector Bank Rolling Trophy 4th time in a row.

**MISSION & BUSINESS STRATEGY:**

**The Mission of the Bank is "to strive to be a financially strong, sound, growth oriented and profitable Bank with main focus towards providing convenient, reliable, cost effective and personalized services to all its customers".**

We have been comparing ourselves against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to be a preferred provider of Banking services for target retail and wholesale customer segments and to achieve a healthy growth in profitability, consistent with Bank's risk appetite. We are committed to do this while ensuring the highest levels of ethical standards, professional integrity and regulatory compliance.

Our business strategy emphasizes the following:

- to focus on high earnings growth with low volatility.
- to increase our visibility in the market and enhance our market share by exploiting new markets in India's expanding Banking and Financial Services Industry by following a disciplined growth strategy and delivering high quality of customer service;
- to integrate technology and business so as to deliver more products to more customers at competitive prices and control operating costs;
- to maintain high standards for asset quality through disciplined credit risk management;
- to develop innovative products and services that meet the needs and wants of targeted customers and address inefficiencies in the Indian financial sector;
- to continue to develop technology and systems to reduce our cost of funds.

**CORPORATE GOVERNANCE:**

Your Bank considers good Corporate Governance as a source of competitive advantage and critical input for achieving excellence in all its pursuits. The Bank has adopted a comprehensive policy based on all the four pillars of good governance – transparency, disclosures, accountability and value, enabling it to practice trusteeship, transparency, fairness and control, leading to stakeholders delight, enhanced shareholder value and ethical corporate citizenship. It also ensures that Bank is managed by an independent and highly qualified Board following best globally accepted practices that could meet Shareholders aspirations and societal expectations. Your Board follows the principles of management's executive freedom to drive the Bank forward without undue restraints, within the framework of effective accountability. Bank's Corporate Governance practices have not only complied with all the Statutory and Regulatory requirements, but several matters have been voluntarily included in the statement on Corporate Governance annexed to this Report, duly certified by the Statutory Auditors.

**PARTICULARS OF EMPLOYEES:**

There were no employees who were in receipt of remuneration within the limits prescribed under Section 217 (2A) of Companies (Particulars of employees) Rules, 1975, as amended.

**BOARD OF DIRECTORS:**

Mr. M. S. Pandit (IAS), Mr. Ajit Kumar (IAS) and Mr. Basharat Ahmad Dhar (IAS), Govt. Nominee Directors were recalled by the Sate Govt. and Mr. B.R. Kundal (IAS) and Dr. Haseeb A. Drabu were nominated by the State Govt. on the Board on 13<sup>th</sup> October, 2004 and 9<sup>th</sup> May, 2005 respectively.

Mr. Sudhakar Kaza, General Manager, RBI, nominated as Director by RBI was recalled by RBI on 6<sup>th</sup> September 2004 and in his place Mr. M. L. Mahajan, Dy. General Manager, Rural Planning & Credit Deptt, RBI, Jammu was appointed. Mr. Murli Radhakrishnan, General Manager, Issue Deptt, RBI, Jaipur was nominated on Board by RBI on 8<sup>th</sup> November 2004. Mr. A.M. Matto and Dr. G.Q. Allaqaband after completion of their tenure retired by rotation at the last Annual General Meeting held on 12<sup>th</sup> June 2004 and Dr. Haseeb A. Drabu, Mr. Munir-uddin Shawl and Mr. Umar Khurshid Trambo were appointed as Directors in the same meeting.

Directors placed on record their deep sense of appreciation for the valuable services rendered by Mr. M.S. Pandit, IAS, Mr. Ajit Kumar, IAS, Mr. Basharat Ahmad Dhar, IAS, Mr. Sudhakar Kaza, Mr. A.M. Matto and Dr. G.Q. Allaqaband during their tenure as Directors of the Bank.

With a view to broadbase the Board, Mr. Vipin Malik, Mr. G.P. Gupta and Mr. Nasser Munjee were re-appointed / appointed as additional Directors of the Bank. The Bank has been immensely benefited due to their rich and varied experiences. Mr. Mohd Yasin Mir and Mr. B.L. Dogra, Directors retire by rotation at the ensuing Annual General Meeting in accordance with Article 78 of the Articles of Association of the Bank and the Provision of the Companies Act, 1956 and being eligible, offer themselves for reappointment.

**DIRECTORS RESPONSIBILITY STATEMENT:**

The Board of Directors hereby state that :-

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;*
- we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;*
- we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;*



iv) *we have prepared the annual accounts on a going concern basis.*

**ACKNOWLEDGEMENTS:**

The Directors express their sincere thanks to the Reserve Bank of India for its valuable guidance and support. The Directors acknowledge with appreciation the assistance and co-operation extended by IDBI, NABARD, SIDBI, SEBI, IBA, Stock Exchanges, NSDL, CDSL, Department of Company Affairs, Registrar of Companies, Comptroller and Auditor General, Central Government and Government of Jammu & Kashmir. The Directors also thank the customers and

shareholders of the Bank for their valuable support. The Directors place on record deep appreciation for the work done by the members of the staff at different levels, which enabled the Bank to record enviable growth and consolidate its position as one of the leading Banks in the country.

**FOR AND ON BEHALF OF THE BOARD**

**Place : Srinagar  
Dated: 11<sup>th</sup> May, 2005**

**(M.Y. KHAN)  
Chairman**