

Earnings Update

Reviewed Third Quarter & Nine Month Results

December 31, 2009



The Board of Directors of The Jammu & Kashmir Bank Ltd. at their meeting held on January 28, 2010 took on record the reviewed financial results for the Third Quarter ended December 31, 2009.

Performance Highlights for the quarter ended December 31, 2009:

- Net Profit up 16 % at Rs 1399.9 million during the current quarter as compared to Rs 1206.7 million during the corresponding quarter of previous financial year.
- Other Income increased considerably by 143 % to Rs 958.1 million during the current quarter as compared to Rs 393.9 million for the corresponding quarter of previous financial year, mostly driven by earnings on Commission/Exchange and profit on trading in Investments.
- Cost of Deposits on a quarter to quarter basis has come down by 126 basis points resulting in Interest Spread of the Bank going up to 3.06 % (Annualized) from 2.97 % for the corresponding quarter of the last fiscal year.
- NIMs (Net Interest Margins) Ratio for the quarter at 3.32 % (annualized) vis-à-vis 3.25 % for the corresponding quarter of previous financial year and 3.00 % for the previous quarter ended Sep, 2009.
- The Gross NPA's have decreased to Rs 4602.7 million from 5456.9 million a year ago. The Gross and Net NPA Ratios as at quarter ended Dec, 2009 have come further down to 2.17 % and 0.38 % respectively compared to 2.60 % and 1.22 % as at quarter ended Dec, 2008.
- The NPA Coverage Ratio at the end of quarter ended Dec, 2009 improved to 82.87 % compared to 53.60 % a year ago.
- Capital Adequacy Ratio (CAR) (Basel I and Basel II) as on Dec, 2009 improved further to 16.04 % and 18.08 % respectively, from 13.24 % and 13.98 % as on Dec, 2008.

The Board of Directors of The Jammu & Kashmir Bank Ltd. at their meeting held on January 28, 2010 took on record the reviewed financial results for the Nine Months ended December 31, 2009.

Performance Highlights for the nine months ended December 31, 2009:

- Net Profit up at Rs 3923.3 million during the nine months ended Dec 09 as compared to Rs 3311.6 million in the corresponding nine months of the previous financial year registering an increase of 18.5 %.
- Post tax Return on Assets improved to 1.33 % (annualized) for the nine months ended Dec, 2009 up from 1.25 % for the corresponding period of the previous financial year.
- Post Tax Return on Average Net-Worth (Annualized) improved to 18.56 % for the nine months ended Dec, 2009 as compared to 17.84 % for the corresponding period of the last financial year.
- Cost to Income ratio for the nine months ended Dec, 2009 has improved to 35.70 % from 37.87 % for the corresponding period of the previous financial year.
- Net profit per Employee (Annualized) improved further to Rs 0.68 million for the nine months ended Dec, 2009 from Rs 0.57 million earned during the corresponding period of the last financial year.
- EPS and Net Asset Value improved further to Rs 80.93 and Rs 621.97 for the nine months ended Dec, 2009 from Rs 68.31 and Rs 544.60 for the corresponding period of the previous financial year.
- Investments Portfolio of the Bank as on Dec, 2009 at Rs 149751.9 million increasing by 31 % over last year's Rs 114202.5 million.
- Low cost Demand and Savings Deposits of the Bank as on Dec, 2009 increased to Rs 138428.0 million up by 21 % YoY from Rs 114766.9 million as on Dec, 2008 taking the CASA ratio up to 41.12 % from 36.73 % a year ago.

Profit & Loss Account

Amount in Rupees million

| Particulars | Q 3 '09-10 | Q 3 '08-09 | % Change | 9 Mth '09-10 | 9 Mth '08-09 | % Change | Year Ended Mar, '09 |
|------------------------------------|---------------|---------------|-------------|-----------------|-----------------|-------------|------------------------|
| Interest Earned | 7615.5 | 8000.4 | -4.81% | 22834.3 | 21992.2 | 3.83% | 29881.2 |
| Interest Expended | 4680.8 | 5379.2 | -12.98% | 14728.0 | 14495.4 | 1.60% | 19878.6 |
| Net Interest Income | 2934.7 | 2621.2 | 11.96% | 8106.3 | 7496.8 | 8.13% | 10002.6 |
| Other Income | 958.1 | 393.9 | 143.23% | 3145.3 | 1453.2 | 116.44% | 2450.5 |
| Operating Income | 3892.8 | 3015.1 | 29.11% | 11251.6 | 8950.0 | 25.72% | 12453.1 |
| Operating Expenses | 1447.1 | 1144.8 | 26.41% | 4017.0 | 3389.0 | 18.53% | 4708.6 |
| Operating Profit | 2445.7 | 1870.3 | 30.77% | 7234.6 | 5561.0 | 30.10% | 7744.5 |
| Provisions & Contingencies | 307.3 | 120.4 | 155.23% | 1275.8 | 777.5 | 64.09% | 1423.5 |
| PBT | 2138.4 | 1749.9 | 22.20% | 5958.8 | 4783.5 | 24.57% | 6321.0 |
| Tax Provision | 738.5 | 543.2 | 35.95% | 2035.5 | 1471.9 | 38.29% | 2222.6 |
| Net Profit | 1399.9 | 1206.7 | 16.01% | 3923.3 | 3311.6 | 18.47% | 4098.4 |
| Share Capital | 484.9 | 484.9 | 0.00% | 484.9 | 484.9 | 0.00% | 484.9 |
| EPS in Rs. | 28.88 | 24.89 | 16.03% | 80.93 | 68.31 | 18.47% | 84.54 |
| Net Interest Margins | 0.83% | 0.81% | - | 2.28% | 2.43% | - | - |
| Net Interest Margins (Ann.) | 3.32% | 3.25% | - | 3.04% | 3.24% | - | 3.15% |

Balance Sheet

Amount in Rupees million

| Particulars | As on Dec 31, '09 | As on Dec 31, '08 | % Change | As on March 31, '09 |
|--|-------------------|-------------------|---------------|---------------------|
| Capital & Liabilities | | | | |
| Capital | 484.9 | 484.9 | 0.00% | 484.9 |
| Equity Share Warrants | | 281.0 | | - |
| Reserves & Surplus * | 29667.0 | 25634.9 | 15.73% | 25743.7 |
| Deposits | 336637.2 | 312489.7 | 7.73% | 330041.0 |
| Borrowings | 9953.5 | 5114.8 | 94.60% | 9966.3 |
| Other Liabilities & Provisions | 15293.9 | 8813.6 | 73.53% | 10696.7 |
| Total | 392036.5 | 352818.9 | 11.12% | 376932.6 |
| Assets | | | | |
| Cash & Bank Balance | 16427.1 | 17092.3 | -3.89% | 23029.5 |
| Balance with Bank and Money at Call & Short Notice | 8241.9 | 6680.0 | 23.38% | 29718.1 |
| Investments | 149751.9 | 114202.5 | 31.13% | 107363.3 |
| Advances | 207843.7 | 206860.6 | 0.48% | 209304.1 |
| Fixed Assets | 2020.4 | 1951.5 | 3.53% | 1994.2 |
| Other Assets | 7751.5 | 6032.0 | 28.51% | 5523.4 |
| Total | 392036.5 | 352818.9 | 11.12% | 376932.6 |

* Includes Retained Earnings

Segmental Revenues & Profits:

Revenues

Amount in Rupees million

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | % Change | 9 Mth FY 09-10 | 9 Mth FY 08-09 | % Change | Year Ended 31-03-09 |
|-----------------------------------|---------------|---------------|--------------|----------------|----------------|---------------|---------------------|
| Treasury Operations | 2229.8 | 2169.5 | 2.78% | 6998.6 | 5358.8 | 30.60% | 7734.2 |
| Corporate / Wholesale Banking | 2723.0 | 2134.3 | 27.58% | 8186.1 | 6721.9 | 21.78% | 9807.1 |
| Retail Banking | 3495.8 | 4024.5 | -13.14% | 10556.0 | 11205.0 | -5.79% | 14508.7 |
| Other Banking Business | 125.0 | 66.0 | 89.39% | 238.9 | 159.7 | 49.59% | 281.7 |
| Net Income from Operations | 8573.6 | 8394.3 | 2.14% | 25979.6 | 23445.4 | 10.81% | 32331.7 |

Profits

Amount in Rupees million

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | % Change | 9 Mth FY 09-10 | 9 Mth FY 08-09 | % Change | Year Ended 31-03-09 |
|--------------------------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------------|
| Treasury Operations | 83.5 | 23.4 | 256.84% | 733.6 | -353.7 | 307.41% | -343.1 |
| Corporate / Wholesale Banking | 565.7 | 478.8 | 18.15% | 2776.1 | 2049.5 | 35.45% | 2660.9 |
| Retail Banking | 1398.8 | 1186.4 | 17.90% | 2255.9 | 2943.2 | -23.35% | 3741.7 |
| Other Banking Business | 90.4 | 61.3 | 47.47% | 193.2 | 144.5 | 33.70% | 261.5 |
| Total Profit before Tax | 2138.4 | 1749.9 | 22.20% | 5958.8 | 4783.5 | 24.57% | 6321.0 |

Break-up:

1. Interest Earned

Amount in Rupees million

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | % Change | 9 Mth FY '09-10 | 9 Mth FY '08-09 | % Change | Year Ended Mar 2009 |
|---------------------|---------------|---------------|---------------|-----------------|-----------------|--------------|---------------------|
| On Loans & Advances | 5831.5 | 6131.7 | -4.90% | 17650.6 | 16979.4 | 3.95% | 22949.1 |
| Investments | 1766.2 | 1778.1 | -0.67% | 5096.8 | 4820.7 | 5.73% | 6620.0 |
| Inter Bank Funds | 17.8 | 90.6 | -80.35% | 86.9 | 192.1 | -54.76% | 312.1 |
| Total | 7615.5 | 8000.4 | -4.81% | 22834.3 | 21992.2 | 3.83% | 29881.2 |

2. Interest Expended

Amount in Rupees million

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | % Change | 9 Mth FY '09-10 | 9 Mth FY '08-09 | % Change | Year Ended Mar 2009 |
|----------------------------|---------------|---------------|----------------|-----------------|-----------------|--------------|---------------------|
| Deposits | 4496.7 | 5202.4 | -13.56% | 14050.7 | 13958.7 | 0.66% | 19147.9 |
| Borrowings | 181.2 | 176.8 | 2.49% | 674.3 | 536.7 | 25.64% | 730.7 |
| Others (Subordinated Debt) | 2.9 | | | 3.0 | | | |
| Total | 4680.8 | 5379.2 | -12.98% | 14728.0 | 14495.4 | 1.60% | 19878.6 |

3. Other Income

Amount in Rupees million

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | % Change | 9 Mth FY '09-10 | 9 Mth FY '08-09 | % Change | Year Ended Mar 2009 |
|---------------------------|--------------|--------------|----------------|-----------------|-----------------|----------------|---------------------|
| Commission / Exchange | 331.5 | 236.1 | 40.41% | 868.5 | 718.2 | 20.93% | 980.9 |
| Insurance Commission | 74.4 | 66.8 | 11.38% | 178.4 | 149.9 | 19.01% | 268.0 |
| Treasury / Trading Income | 408.4 | -1.7 | 24123% | 1598.7 | 221.7 | 621.11% | 627.2 |
| Miscellaneous Income | 143.8 | 92.7 | 55.12% | 499.7 | 363.4 | 37.51% | 574.4 |
| Total | 958.1 | 393.9 | 143.23% | 3145.3 | 1453.2 | 116.44% | 2450.5 |

Break-up:

4. Provisions & Contingencies

Amount in Rupees million

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | % Change | 9 Mth FY '09-10 | 9 Mth FY '08-09 | % Change | Year Ended Mar 2009 |
|---|---------------|--------------|----------------|-----------------|-----------------|----------------|---------------------|
| Provision for Tax | 738.5 | 543.2 | 35.95 % | 2035.5 | 1471.9 | 38.29 % | 2222.6 |
| Provision for Bad & Doubtful Debts | 200.0 | 42.8 | 367.29 % | 1096.8 | 104.6 | 948.57 % | 558.1 |
| Provision for Standard Advances | | | | | 132.9 | | 132.9 |
| Provision for Depreciation on Investments | 5.7 | -11.1 | 151.35 % | 5.7 | 398.9 | -98.57 % | 420.9 |
| Provision for Funded Interest on Term Loan | 1.8 | | | 1.8 | | | |
| Provision for Frauds/ Embezzlements | 1.5 | 1.2 | 25.00 % | 20.0 | 9.2 | 117.39 % | 7.7 |
| Contingencies | 24.1 | | | 24.1 | | | |
| Provision for Non-Performing Investments | | 42.5 | | | 86.9 | | 128.7 |
| Provision for diminution in fair value of Restructured / Rescheduled advances | 55.7 | 45.0 | 23.78 % | 108.9 | 45.0 | 142.00 % | 175.3 |
| Provision for Contingent Liabilities | 18.5 | | | 18.5 | | | |
| Total | 1045.8 | 663.6 | 57.59 % | 3311.3 | 2249.4 | 47.21 % | 3646.2 |

5. Deposits

Amount in Rupees million

| Particulars | As on Dec 31, 2009 | As on Dec 31, 2008 | % Change | As on Mar 31, 2009 |
|-----------------|--------------------|--------------------|--------------|--------------------|
| Demand Deposits | 47428.5 | 41772.4 | 13.54% | 46251.8 |
| Saving Deposits | 90999.5 | 72994.5 | 24.67% | 79534.9 |
| Term Deposits | 198209.2 | 197722.9 | 0.25% | 204254.3 |
| Total | 336637.2 | 312489.7 | 7.73% | 330041.0 |

Categorization of Investments (I)

Amount in Rupees million

| Particulars | As on Dec 31, 2009 | As on Dec 31, 2008 | % Change |
|---|-----------------------|-----------------------|----------------|
| Held to Maturity (HTM) | | | |
| <input type="checkbox"/> Government & other approved Securities | 76015.1 | 60894.4 | 24.83% |
| <input type="checkbox"/> Shares | 100.0 | 150.0 | -33.33% |
| <input type="checkbox"/> Debentures & Bonds | 3814.9 | 4933.7 | -22.68% |
| <input type="checkbox"/> Subsidiaries & Joint ventures | 271.1 | 2473.8 | -89.04% |
| <input type="checkbox"/> Others | 13340.2 | 11447.5 | 16.53% |
| Sub-Total | 93541.3 | 79899.4 | 17.07% |
| <i>Percentage of HTM to Total Investments</i> | <i>62.46%</i> | <i>69.96%</i> | |
| Held for Trading (HFT) | | | |
| <input type="checkbox"/> Government & other approved Securities | 188.8 | | |
| <input type="checkbox"/> Shares | 21.4 | 87.2 | -75.46% |
| <input type="checkbox"/> Debentures & Bonds | | | |
| <input type="checkbox"/> Subsidiaries & Joint ventures | | | |
| <input type="checkbox"/> Others | | | |
| Sub-Total | 210.2 | 87.2 | 141.06% |
| <i>Percentage of HFT to Total Investments</i> | <i>0.14%</i> | <i>0.08%</i> | |
| Available for Sale (AFS) | | | |
| <input type="checkbox"/> Government & other approved Securities | 8873.5 | 12383.3 | -28.34% |
| <input type="checkbox"/> Shares | 2699.0 | 238.6 | 1031.18% |
| <input type="checkbox"/> Debentures & Bonds | 6786.8 | 5851.8 | 15.98% |
| <input type="checkbox"/> Subsidiaries & Joint ventures | | | |
| <input type="checkbox"/> Others | 12770.3 | 1738.4 | 634.60% |
| <input type="checkbox"/> Debt / Money Market related MFs | 8870.8 | 503.8 | 1660.78% |
| <input type="checkbox"/> Reverse Repo | 16000.0 | 13500.0 | 18.52% |
| Sub Total | 56000.4 | 34215.9 | 63.67% |
| <i>Percentage of AFS to Total Investments</i> | <i>37.40%</i> | <i>29.96%</i> | |
| Total Investment | 149751.9 | 114202.5 | 31.13% |

Categorization of Investments (II)

Amount in Rupees million

| Particulars | As on Dec 31, 2009 | As on Dec 31, 2008 | % Change |
|--|-----------------------|-----------------------|---------------|
| SLR Securities | 101077.4 | 86777.7 | 16.48% |
| Non SLR Securities | 48674.5 | 27424.8 | 77.48% |
| Total Investment | 149751.9 | 114202.5 | 31.13% |
| SLR Securities as % age to total Investments | 67.50% | 75.99% | |
| Non SLR Securities as % age to total Investments | 32.50% | 24.01% | |

Analytical Ratios:

| Particulars | Q3 FY '09-10 | Q3 FY '08-09 | 9 Mth '09-10 | 9 Mth '08-09 | Year Ended Mar 2009 |
|---|-----------------|-----------------|-----------------|-----------------|------------------------|
| Net Interest Margins (%) | 0.83 | 0.81 | 2.28 | 2.43 | |
| Annualized | 3.32 | 3.25 | 3.04 | 3.24 | 3.15 |
| Yield on Advances (%) | 2.78 | 2.92 | 8.46 | 8.58 | |
| Annualized | 11.14 | 11.69 | 11.28 | 11.44 | 11.53 |
| Yield on Investments (%) | 1.29 | 1.67 | 3.96 | 4.78 | |
| Annualized | 5.17 | 6.68 | 5.29 | 6.37 | 6.79 |
| Cost of Deposits (%) | 1.36 | 1.67 | 4.22 | 4.67 | |
| Annualized | 5.43 | 6.69 | 5.62 | 6.22 | 6.22 |
| Post Tax Return on Assets (%) | 0.36 | 0.34 | 1.00 | 0.94 | |
| Annualized | 1.43 | 1.37 | 1.33 | 1.25 | 1.09 |
| Post Tax Return on Average Net-worth (%) | 4.75 | 4.68 | 13.92 | 13.38 | |
| Annualized | 19.01 | 18.71 | 18.56 | 17.84 | 16.62 |
| Cost to Income Ratio (%) | 37.17 | 37.97 | 35.70 | 37.87 | 37.81 |
| Credit / Deposit (CD) Ratio (%) | 61.74 | 66.20 | 61.74 | 66.20 | 63.42 |
| CASA Ratio (%) | 41.12 | 36.73 | 41.12 | 36.73 | 38.11 |
| Business per Employee (In Rupees million) | 70.54 | 67.61 | 70.54 | 67.61 | 70.72 |
| Net Profit per Employee (In Rupees million) | 0.18 | 0.16 | 0.51 | 0.43 | |
| Annualized | 0.73 | 0.63 | 0.68 | 0.57 | 0.54 |
| Number of Employees | 7719 | 7681 | 7719 | 7681 | 7627 |
| Business Per Branch (In Rupees million) | 1021.5 | 983.6 | 1021.5 | 983.6 | 1011.9 |
| Net Profit per Branch (In Rs million) Ann. | 10.51 | 9.14 | 9.81 | 8.36 | 7.69 |
| Branches- Excluding Extension Counters / Controlling Offices | 533 | 528 | 533 | 528 | 533 |
| Gross NPAs (In Rupees million) | 4602.7 | 5456.9 | 4602.7 | 5456.9 | 5592.7 |
| Net NPAs (In Rupees million) | 788.3 | 2532.2 | 788.3 | 2532.2 | 2875.1 |
| Gross NPA Ratio (%) | 2.17 | 2.60 | 2.17 | 2.60 | 2.64 |
| Net NPA Ratio (%) | 0.38 | 1.22 | 0.38 | 1.22 | 1.37 |
| NPA Coverage Ratio (%) | 82.87 | 53.60 | 82.87 | 53.60 | 48.59 |
| Capital Adequacy Ratio (%) Basel I | 16.04 | 13.24 | 16.04 | 13.24 | 13.46 |
| i. Tier I | 12.91 | 12.57 | 12.91 | 12.57 | 12.77 |
| ii. Tier II | 3.13 | 0.67 | 3.13 | 0.67 | 0.69 |
| Capital Adequacy Ratio (%) Basel II | 18.08 | 13.98 | 18.08 | 13.98 | 14.48 |
| i. Tier I | 14.54 | 13.27 | 14.54 | 13.27 | 13.80 |
| ii. Tier II | 3.54 | 0.71 | 3.54 | 0.71 | 0.68 |
| Earning per Share (In Rupees) | 28.88 | 24.89 | 80.93 | 68.31 | |
| Annualized | 115.51 | 99.57 | 107.91 | 91.08 | 84.54 |
| Net Asset Value (In Rupees) | 621.97 | 544.60 | 621.97 | 544.60 | 541.04 |
| Adjusted Book Value (In Rupees) | 605.71 | 492.36 | 605.71 | 492.36 | 481.74 |

Shareholding Pattern (as on January 22, 2010):

| S No. | PARTICULARS | NUMBER OF SHARES | | TOTAL SHARES | % TO CAPITAL |
|-------|-------------------------|------------------|-----------------|-----------------|-----------------|
| | | PHYSICAL | ELECTRONIC | | |
| 1. | GOVERNMENT OF J&K | 0 | 25775266 | 25775266 | 53.17 |
| 2. | INDIAN MUTUAL FUNDS | 0 | 1217614 | 1217614 | 2.51 |
| 3. | INSURANCE COMPANIES | 0 | 237473 | 237473 | 0.49 |
| 4. | NON RESIDENT INDIANS | 1600 | 355666 | 357266 | 0.74 |
| 5. | FOREIGN INST. INVESTORS | 0 | 14126918 | 14126918 | 29.14 |
| 6. | BODIES CORPORATES | 24094 | 1058873 | 1082967 | 2.23 |
| 7. | RESIDENT INDIVIDUALS | 2247237 | 3425283 | 5672520 | 11.70 |
| 8. | CLEARING MEMBERS | 0 | 7778 | 7778 | 0.02 |
| | TOTAL | 2272931 | 46204871 | 48477802 | 100.00 |

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