

Dhar Tiku & Co.  
Chartered Accountants

Arora Vohra & Co.  
Chartered Accountants

Dharam Raj & Co.  
Chartered Accountants

**Limited Review Report for the Quarter/ Nine Months ended 31<sup>st</sup> December, 2016**

To  
The Board of Directors,  
The Jammu & Kashmir Bank Ltd.

**Introduction**

We have reviewed the accompanying statement of Standalone unaudited financial results of The Jammu & Kashmir Bank Limited for the quarter/nine months ended 31<sup>st</sup> December, 2016. These financial results are the responsibility of the Bank's management and have been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

**Scope of Review:**

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review of financial results consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The Financial Results incorporate the relevant returns of 40 Branches and Treasury operations reviewed by us, out of which 20 were reviewed through Core banking system of the bank and management inputs, 383 branches reviewed by other Chartered Accountants and Banks own officials(retired) acting as Concurrent auditors of the Bank and un-reviewed in respect of 447 branches. In the conduct of our Review, in addition to 40 Branches and Treasury operations reviewed by us, we have relied on the review reports in respect of non-performing assets, received from Banks Concurrent Auditors aggregating 383 branches. Apart from these review reports, in the conduct of our review, we have also relied upon various returns received from the branches of the bank. The 40 branches reviewed by us cover 51.30% of advances portfolio of the Bank and 79.41% of NPA of the bank and moreover, the review reports of 423 branches including 40 branches reviewed by us cover 87.16% of advances portfolio of the bank and 99.35 % of NPA of the bank as on 31<sup>st</sup> December, 2016.

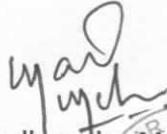
### Conclusion

Based on our review conducted as aforesaid, subject to limitations in scope as mentioned in para 2 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with RBI circular (2016-17/29 dt. 28.07.2016 wrt half year/quarterly review) including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

### Emphasis of matter

We draw attention to note 10 to the financial results regarding relaxation in asset classification given by RBI that all borrowal accounts of J & K state except those which are overdue as on July 7, 2016 be considered eligible for restructuring. Accordingly management had estimated advances likely to be restructured up to February 2017 in the previous quarter and made higher provisions as referred in the note. The management has estimated that no additional provision is required during this quarter. Our opinion is not qualified in respect of this matter.

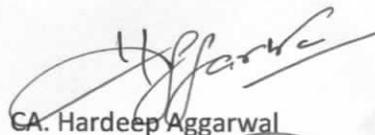
For Dhar Tiku & Co.  
Chartered Accountants  
FRN : 003423N

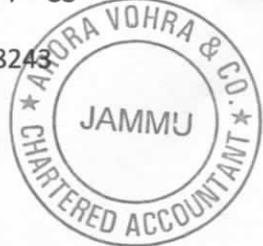
  
CA. Madhusudan Meher  
Partner  
M. No. 097409



Place : Jammu  
Dated : 04/02/2017

For Arora Vohra & Co.  
Chartered Accountants  
FRN : 09487N

  
CA. Hardeep Aggarwal  
Partner  
M. No. 088243



For Dharam Raj & Co.  
Chartered Accountants  
FRN : 014461N

  
CA. Dharam Raj  
Partner  
M. No. 094108



**BALANCE SHEET AS AT 31st DECEMBER, 2016**

( ₹ IN LACS )

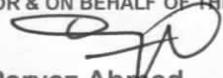
	As at 31.12.2016	As at 31.12.2015
<b>CAPITAL AND LIABILITIES</b>		
Capital .....	4849	4849
Reserves and Surplus* .....	529749	653362
Deposits .....	7418651	6436357
Borrowings .....	92157	206329
Other Liabilities and Provisions .....	174490	134724
<b>TOTAL :-</b>	<b>8219896</b>	<b>7435621</b>

**ASSETS**

Cash and Balance with Reserve Bank of India .....	314554	253905
Balance with Banks & Money at Call & Short Notice ...	345552	27471
Investments .....	2606649	2013690
Advances .....	4508560	4671826
Fixed Assets .....	89797	73389
Other Assets .....	354784	395340
<b>TOTAL :-</b>	<b>8219896</b>	<b>7435621</b>

\* Includes profit/(loss) for the Nine Months Rs (107799) Lacs Previous corresponding Nine Months Rs 47206 Lacs

FOR & ON BEHALF OF THE BOARD

  
**Parvez Ahmed**  
Chairman & CEO  
DIN: 03467232

Place : Jammu  
Dated : 4th February, 2017

**In terms of our report of even date annexed**

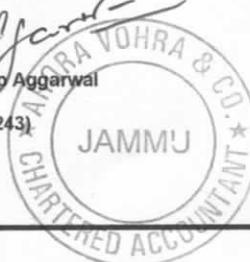
For Dhar Tiku & Co.  
Chartered Accountants  
FRN: 003423N

CA. Madhusudan Meher  
Partner  
(M. No. 097409)



For Arora Vohra & Co  
Chartered Accountants  
FRN: 009487N

CA. Hardeep Aggarwal  
Partner  
(M. No. 088243)



For Dharam Raj & Co  
Chartered Accountants  
FRN: 014461N

CA. Dharam Raj  
Partner  
(M. No. 094108)





(₹ in Lacs)

SEGMENT RESULTS

(₹ in Lacs)

FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED 31st DECEMBER, 2016				Nine-Months Ended		Previous Accounting Year Ended 31.03.2016	SEGMENT RESULTS						
S.No.	PARTICULARS	3 Months Ended 31.12.2016	3 Months Ended 30.09.2016	3 Months Ended 31.12.2016	31.12.2016	31.12.2016	Description	3 Months Ended 31.12.2016	3 Months Ended 30.09.2016	3 Months Ended 31.12.2016	Nine-Months Ended		Previous Accounting Year Ended 31.03.2016
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
1	Interest Earned (Others)	184853	168573	170338	500761	517741	1) Segment Revenue (Income)						
	a) Interest/Discount on Advances/Bills	116253	122909	128683	362048	360301	(i) Treasury Operations	52771	52992	46194	153022	151474	107886
	b) Income on Investments	45633	42984	39625	126423	126440	(ii) Corporate/Wholesale Banking	49510	60634	64390	173172	201946	265350
	c) Interest on Balance with R.B.I. & Other 'near' Bank Funds	2968	3080	3648	9227	10091	(iii) Retail Banking	77092	80470	84060	240118	241723	320413
	d) Others	99	0	-	153	-	(iv) Other Banking Business	837	1005	1490	2967	4278	5762
2	Other Income	12067	13094	10272	38931	36488	Total	180210	195391	196134	589279	599421	789411
3	Total Income (1 + 2)	177020	181667	180608	537592	554227	Less: Inter-Segment Revenue	3190	13634	15529	31687	45194	54691
4	Interest Expended	108655	104433	102989	315083	311443	Net Income from Operations	177020	181667	180608	537592	554227	734780
5	Operating Expenses (H&I)	41061	38671	38538	120731	114081	2) Segment Results (Profit before tax)						
	i) Employees Cost	27606	27807	28285	82288	78934	(i) Treasury Operations	(12942)	(2672)	1634	(15772)	8962	12328
	ii) Other Operating Expenses	13455	11864	12273	38443	35147	(ii) Corporate/Wholesale Banking	(16313)	(30807)	2732	(47106)	25630	21283
6	Total Expenditure (4+5) (Excluding Provisions & Contingencies)	147716	144104	141567	435794	425524	(iii) Retail Banking	(14283)	(28486)	10230	(30614)	34214	33080
7	Operating Profit before Provisions and Contingencies (3-6)	29304	37563	39101	101798	128703	(iv) Other Banking Business	184	422	538	1063	1865	2478
8	Provisions (other than tax) and Contingencies	72628	99298	23967	203206	57912	Total Profit before tax	(43324)	(81645)	15134	(101468)	70781	89189
9	Exceptional Items	-	-	-	-	-	3) Capital Employed						
10	Profit (+)Loss (-) from ordinary activities before tax (7-8-9)	(43324)	(61645)	15134	(101408)	70781	(Segment assets-Segment Liabilities)						
11	Tax Expenses	8523	(1405)	3386	8391	23585	(i) Treasury Operations	3167855	2544019	2171101	3167855	2171101	2156242
12	Net Profit (+)Loss (-) from ordinary activities after tax (10-11)	(48847)	(60240)	11768	(107799)	47206	(ii) Corporate/Wholesale Banking	(168994)	(56309)	94389	(168994)	84399	115506
13	Extraordinary Items (net of tax expenses)	-	-	-	-	-	(iii) Retail Banking	(2484246)	(1902312)	(1597945)	(2484246)	(1597945)	(1631224)
14	Net Profit (+)Loss (-) for the period (12-13)	(48847)	(60240)	11768	(107799)	47206	(iv) Other Banking Business	(119)	(953)	667	(119)	667	(1126)
15	Paid-up Equity Share Capital (Face Value Rs. 1/- per share)	4849	4849	4849	4849	4849	Total :-	534599	584445	658212	534599	658212	642388
16	Reserves excluding revaluation reserves (As per Balance Sheet of Previous Accounting year)					637548							
17	Analytical Ratios												
	(i) Percentage of Shares held by Govt. of J&K	53.17%	53.17%	53.17%	53.17%	53.17%							
	(ii) Capital Adequacy Ratio % (BASEL III) (CET1 Ratio)	10.28%	11.05%	12.49%	10.28%	12.49%							
	(iii) Earning per share (EPS) ₹												
	a) Basic and diluted EPS before Extraordinary items (net of tax expense) for the period, for the year to date and for the date and for the previous year (* not annualized)	(10.28)*	(12.43)*	2.43*	(22.24)*	9.74*							
	b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year (* not annualized)	(10.28)*	(12.43)*	2.43*	(22.24)*	9.74*							
	(iv) NPA Ratios												
	a) Amount of Gross NPAs (See Note 9)	571491	598298	333946	571491	333946							
	b) Amount of Net NPAs	289914	323039	121499	289914	121499							
	c) % of Gross NPAs to Gross Advances	11.84%	11.33%	8.81%	11.84%	8.81%							
	d) % of Net NPAs to Net Advances	5.99%	6.81%	2.60%	5.99%	4.31%							
	(v) Return on Assets (Annualized)	(2.43%)	(1.49%)	0.65%	(1.81%)	0.89%							
18	Aggregate of Public Share Holding												
	(i) No. of Shares	227025360	227025360	227025360	227025360	227025360							
	(ii) Percentage of Shares Holding	46.83%	46.83%	46.83%	46.83%	46.83%							
19	Promoters and promoter group Shareholding												
	a) Pledged/Encumbered												
	- Number of Shares	Nil	Nil	Nil	Nil	Nil							
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil							
	- Percentage of shares (as a % of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil							
	b) Non-encumbered												
	- Number of Shares	257752660	257752660	257752660	257752660	257752660							
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100%	100%	100%	100%	100%							
	- Percentage of shares (as a % of the total share capital of the total share capital of the company)	53.17%	53.17%	53.17%	53.17%	53.17%							

Note: The Bank has only one geographical segment i.e. domestic segment.

The above standalone financial results have been reviewed by the Audit Committee of the Board in their meeting held on 3rd February, 2017 and approved by the Board of Directors at its meeting held on 4th February, 2017. The same have been subjected to Limited Review by the Statutory Central Auditors of the Bank, in line with the guidelines issued by Reserve Bank of India and as per the requirement of listing agreement with Stock Exchange.

The above results for the quarter and nine months ended 31st December, 2016 have been prepared following the same accounting policies that were followed in the preparation of annual financial statements for the year ended 31st March, 2016.

The results have been arrived at after considering provision for Standard Assets, Non-Performing Advances, Restructured Advances, Depreciation / Provision for Investment on the basis of prudential norms and specific guidelines issued by Reserve Bank of India. Further, provision for exposures to entities with Unhedged Foreign Currency Exposures have been made as per RBI guidelines. Provision for Taxation (including Deferred Tax) has been calculated on estimated basis and are subject to adjustments, if any at the year end.

Depreciation on Fixed Assets has been calculated on straight line method based on useful life of assets pursuant to Schedule- II of Companies Act, 2013. However, Depreciation on Computers (including ATMs) along with software forming integral part of computers is charged at the rate of 33.33% on straight line method as per RBI guidelines.

Provision for terminal benefits (Pension, Gratuity and Leave Salary Encashment) has been made as per actuarial valuation.

Non-Performing loan provisioning coverage ratio as at 31st December, 2016 is 61.73% after taking into account the floating provision of ₹348.72 crores held by the bank.

Pursuant to section 135 of Companies Act, 2013, the bank is required to expend 2% of the average net profits made during three immediate preceding financial years for CSR activities. Accordingly, an amount of ₹21.76 Crores is required to be spent for the FY 2016-17. The bank has during the quarter ended 31st December, 2016 expended ₹8.29 crores for the same (previous quarter ₹5.01 crores and quarter June 2016 ₹1.18 Crores) taking the total to ₹14.48 crores for the period of nine months ended on 31st December, 2016.

In terms of RBI circular No. DBR.No.BP.BC.1/21.06.201/2015-16 dated 01.07.2015 banks are required to make Pillar 3 disclosures under BASEL-III capital regulations. Accordingly, Pillar 3 disclosures under BASEL-III capital regulations are being made available on bank's website i.e. www.jkbank.net.

In compliance to RBI letter no.DBR.No.BP.13018/21.04.048/2015-16 dated April 12, 2016, bank is required to make a provision of ₹28.67 crores being 15% of the existing outstanding balance of ₹191.10 crores as on 31.12.2016 under Food credit availed by State Government of Punjab. Out of said provision requirement the bank has already provided for ₹29.88 crores till 30th September, 2016. Accordingly excess provision of ₹1.21 crores has been released and taken to profit and loss account during this quarter.

In view of recent disturbances in the state of J&K, RBI has allowed relaxation in asset classification for borrowal accounts of J&K state as per RBI Master Directions issued for Relief Measures by Banks in areas affected by Natural Calamities. Accordingly the bank had to the best of their estimates kept advances of ₹2467.00 crores as standard assets as on 30th September, 2016 treating them likely to be restructured by February 2017 for which higher provision of ₹123.35 crores and ₹73.00 crores had been made for such estimated restructured standard assets and Diminution in Fair Value respectively in September, 2016. As per the best estimates of the bank there is no increase in the amount likely to be restructured as on 31.12.2016 and hence no additional provision is required /made.

Interest earned (Others) ₹1.63 crores during nine months represents interest earned on Income Tax refund of previous assessment years.

The number of investors complaints pending at the beginning of the quarter were nil, and the complaints received during the quarter were 22 (twenty two) and all have been disposed off.

The above results are standalone and do not include that of subsidiary company.

Figures of previous period/year have been rearranged / reclassified / regrouped wherever considered necessary to make them comparable with the figures of the period under review.

The statement of Assets and Liabilities is appended:

IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED

For Dhar Tiku & Co.  
Chartered Accountants  
FRN: 003423N

CA. Madhusudan Meher  
Partner  
(M.No. 067408)

For Arora Vohra & Co  
Chartered Accountants  
FRN: 008487N

CA. Hardeep Arora  
Partner  
(M.No. 088243)

For Dharam Raj & Co  
Chartered Accountants  
FRN: 014461N

CA. Dharam Raj  
Partner  
(M.No. 094108)

FOR & ON BEHALF OF THE BOARD

Parvez Ahmed  
Chairman & CEO  
DIN: 03467232

Place : Jammu  
Dated : 4th February, 2017