

Dhar Tiku & Co. Chartered Accountants	Arora Vohra & Co. Chartered Accountants	Dharam Raj & Co. Chartered Accountants
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### **Limited Review Report for the Quarter / Period ended June 30, 2017**

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 (the "Bank " ) for the quarter/period ended June 30, 2017. 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 Interim 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 31 Branches and Treasury operations reviewed by us , out of which 11 were reviewed through Core banking system of the bank and management inputs, 421 branches reviewed by other Chartered Accountants and Banks own officials(retired) acting as Concurrent auditors of the Bank and un-reviewed in respect of 514 branches. In the conduct of our Review, in addition to 31 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 421 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 32 branches reviewed by us cover 50.11% of advances portfolio of the Bank and 93.32% of NPA of the bank.

#### **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 prevailing 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 the attention to note 5, 13 and 14 to the financial results



1. Regarding relaxation in asset classification allowed by RBI in the previous year that all borrowal accounts of J & K state except those which are overdue as on July 7, 2016, in terms of RBI master directions for Relief measures by banks in areas affected by natural calamities. Accordingly the bank has rehabilitated / restructured borrowal accounts including the accounts overdue as on July 7, 2016 after recovering the overdue amount as of July 7, 2016. A total amount of ₹3265.83 crores represent the rehabilitated amount for which provision of ₹163.29 crores and ₹134.98 crores on account of DIFV has been kept as on 31.03.2017. The rehabilitated amount as on 30<sup>th</sup> June, 2017 has increased to Rs. 3885.23 crores for which the management has provided additional provision Of ₹30.07 Crores as required during this quarter.
2. The bank has recognized by way of Deferred Tax Asset (DTA) as per AS-22 on the difference in the provision for Non-Performing Assets as per the books and income tax and DTA of Rs 23818 lacs which has been recognized during this quarter included in tax expense, based on the estimates of likely recovery in NPA accounts in future.
3. An extraordinary item has been reflected in the profit and loss account by the bank which has been made for the purpose of creating an additional provision of Rs.23818 lacs over and above the required provision. This has resulted in increase in NPA provision by same amount and the Provision Coverage Ratio (PCR) has also increased from 67.17% to 70.26%.

Our opinion is not qualified in respect of these matters.

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

  
CA. Madhusudan Meher  
Partner  
M. No. 097409  


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  


Place : Srinagar  
Dated : July 22, 2017



**BALANCE SHEET AS AT 30TH JUNE, 2017**

( ₹ IN LACS )

	As at 30.06.2017	As at 30.06.2016
<b>CAPITAL AND LIABILITIES</b>		
Capital .....	5570	4849
Reserves and Surplus* .....	592934	639837
Deposits .....	7174448	6899980
Borrowings .....	127605	106600
Other Liabilities and Provisions .....	188896	161082
<b>TOTAL :-</b>	<b>8089453</b>	<b>7812348</b>
<b>ASSETS</b>		
Cash and Balance with Reserve Bank of India .....	325421	285422
Balance with Banks & Money at Call & Short Notice ...	302252	22052
Investments .....	2070395	2138431
Advances .....	4873319	4885442
Fixed Assets .....	155052	77399
Other Assets .....	363014	403602
<b>TOTAL :-</b>	<b>8089453</b>	<b>7812348</b>

\* Includes Profit for the quarter 1st. Rs.3019 Lacs Previous corresponding quarter Rs.2288 Lacs

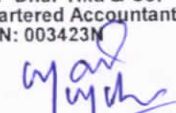
FOR & ON BEHALF OF THE BOARD

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

Place : Srinagar  
 Dated : 22nd July, 2017


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

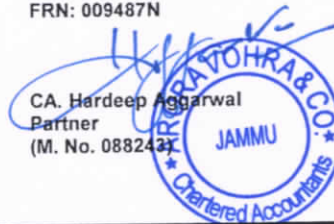
For Dhar Tikku & Co.  
 Chartered Accountants  
 FRN: 003423N

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




For Arora Vohra & Co  
 Chartered Accountants  
 FRN: 009487N

  
 CA. Hardeep Aggarwal  
 Partner  
 (M. No. 0882433)



For Dharam Raj & Co  
 Chartered Accountants  
 FRN: 014461N

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





THE JAMMU & KASHMIR BANK LTD.  
CORPORATE HEADQUARTERS M. A. ROAD, SRINAGAR-190001  
CIN:L65110JK1938SGC000048

(₹ in Lacs)

SEGMENT RESULTS

(₹ in Lacs)

FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE, 2017					Description				
S.No	PARTICULARS	3 Months Ended 30.06.2017		3 Months Ended 31.03.2017		3 Months Ended 30.06.2016		YEAR ENDED 31.03.2017	
		(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
1	Interest Earned (a+b+c+d)	168032	167819	167235	668580				
	a) Interest/Discount on Advances/Bills	120721	115487	124086	478435				
	b) Income on Investments	38595	49838	39906	178261				
	c) Interest on Balance with R.B.I. & Other Inter Bank Funds	8706	2494	3179	11721				
	d) Others	10	0	64	163				
2	Other Income	11021	12455	11670	49286				
3	Total Income (1+2)	179053	180274	178905	717866				
4	Interest Expended	96811	102323	103975	417386				
5	Operating Expenses (H+II)	45393	50315	39999	171046				
	I. Employees Cost	30317	29966	27764	112254				
	II. Other Operating Expenses	15076	20349	12235	58792				
6	Total Expenditure (4+5) (Excluding Provisions & Contingencies)	142204	152638	143974	58432				
7	Operating Profit before Provisions and Contingencies (3-6)	36849	27636	34931	129434				
8	Provisions (other than tax) and Contingencies	27865	76825	31370	280031				
9	Exceptional Items	-	-	-	-				
10	Profit (+)/Loss (-) from ordinary activities before tax (7-8-9)	8984	(49189)	3561	(150597)				
11	Tax Expenses	(17853)	6241	1273	12632				
12	Net Profit (+)/Loss (-) from ordinary activities after tax (10-11)	26837	(55430)	2288	(163229)				
13	Extraordinary Items (net of tax expenses)	23818	-	-	(756)				
14	Net Profit (+)/Loss (-) for the period (12-13)	3019	(55430)	2288	(163229)				
15	Paid-up Equity Share Capital (Face Value Rs. 1/- per share)	570	5215	4849	5215				
16	Reserves excluding revaluation reserves				562435				
17	Analytical Ratios								
	(i) Percentage of Shares held by Govt. of J&K	59.23%	56.45%	53.17%	56.45%				
	(ii) Capital Adequacy Ratio % (BASEL III)	11.10%	10.80%	11.89%	10.80%				
	(CET1 Ratio)	9.16%	8.70%	10.64%	8.70%				
	(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)	4.82*	(11.41)	0.47*	(33.59)				
	b) Basic and diluted EPS after Extraordinary Items for the period, for the year to date and for the previous year (* not annualized)	0.54*	(11.41)	0.47*	(33.59)				
	(iv) NPA Ratios								
	a) Amount of Gross NPAs	564062	600001	471492	600001				
	b) Amount of Net NPAs	226719	242537	302347	242537				
	c) % of Gross NPAs to Gross Advances	10.79%	11.20%	9.31%	11.20%				
	d) % of Net NPAs to Net Advances	4.65%	4.87%	6.19%	4.87%				
	(v) Return on Assets (Annualized)	0.15%	(2.04%)	0.12%	(2.04%)				
18	Aggregate of Public Share Holding								
	(i) No. of Shares	227025360	227025360	227025360	227025360				
	(ii) Percentage of Share Holding	40.77%	43.55%	46.83%	43.55%				
19	Promoters and promoter group Shareholding								
	a) Pledged/Encumbered								
	- Number of Shares	Nil	Nil	Nil	Nil				
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil				
	- Percentage of shares (as a % of the total share capital of the company)	Nil	Nil	Nil	Nil				
	b) Non-encumbered								
	- Number of Shares	329833032	294307711	257752660	294307711				
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100%	100%	100%	100%				
	- Percentage of shares (as a % of the total share capital of the total share capital of the company)	59.23%	56.45%	53.17%	56.45%				

Notes:

1. The above standalone financial results have been reviewed by the Audit Committee of the Board in their meeting held on 21st July, 2017 and approved by the Board of Directors at its meeting held on 22nd July, 2017 and 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.

2. The above results for the quarter/period ended 30th June, 2017 have been prepared following the same accounting policies that were followed in the preparation of annual financial statements for the year ended 31st March, 2017.

3. The results have been arrived at after considering provision for Standard Assets, Non-Performing Advances, Restructured Advances, SDR/54 Accounts / 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 actual basis.

4. The bank has made technical write off of advances amounting to ₹665.67 crores and accordingly the gross NPAs has reduced by same amount.

5. The bank has recognized by way of Deferred Tax Asset (DTA) as per AS-22 on the difference in the provision for Non-Performing Assets as per the books and income tax and DTA of ₹23818 lacs which has been recognized during this quarter included in tax expense, based on the estimates of likely recovery in NPA accounts in future.

6. The bank has on 07.06.2017 allotted 3,55,231 equity shares of ₹1/- each on preferential basis to the Government of Jammu & Kashmir promoter and majority shareholder of the bank at a premium of ₹78.38 per equity share for a total consideration of ₹281,99,99,99.00.

7. During the current quarter, depreciation on appreciated value of Premises assets amounting to ₹30749114.05 has been applied/charged to Revaluation Reserve Fixed Assets account. Depreciation / Amortization on appreciated value of Land assets amounting to ₹5727813.97 has been charged to Revaluation Reserve Fixed Assets account.

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

9. Provision coverage ratio as at 30th June, 2017 is 70.26% after taking into account the floating provision of ₹348.72 crores held by the bank, the coverage ratio as on 30th June, 2016 was 50.12%.

10. Pursuant to section 135 of Companies Act, 2013, the bank is required to expend 2% of the average net profits (Profit before tax) made during three immediate preceding financial years for CSR activities. Accordingly, bank is required to spend ₹0.04 Crores for the FY 2017-18, however bank has spent ₹8.62 Crores during quarter ended 30th June, 2017.

11. In terms of RBI circular No.DBR.No.BP.BC.1/21.06.2017/2015-16 dated 01.07.2015 on "BASEL-III capital regulations" read together with the RBI Circular No. DBR.No.BP.BC.80/21.06.2017/2014-15 dated 31.03.2015 on Prudential Guidelines on Capital Adequacy and Liquidity standard amendments requires banks to make applicable Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under BASEL-III framework. Accordingly, these disclosures are being made available on bank's website i.e www.jkbank.net. These disclosures have not been subjected to limited review.

12. In compliance to RBI letter no.DBR.No.BP.1301/821.04.04/2015-16 dated April 12, 2016, bank is required to make a provision of ₹27.78 crores being 15% of the existing outstanding balance of ₹185.18 crores as on 30.06.2017 under Food credit availed by State Government of Punjab. The Bank has made necessary provisions.

13. In view of disturbances in the state of J&K in the previous year, RBI allowed relaxation in asset classification for all borrowal accounts of J&K state except those which are overdue as on July 07, 2016 in terms of RBI Master Directions issued for Relief Measures by Banks in areas affected by Natural Calamities. Accordingly Bank has rehabilitated/restructured borrowal accounts after recovering the overdue amount as of July 07, 2016. In total, advances to the tune of ₹3265.83 crores have been rehabilitated / restructured for which an amount of ₹163.29 crores and ₹134.98 crores has been kept as provision and DIFV respectively as on 31.03.2017. The rehabilitated amount as on 30th June, 2017 has increased to ₹3885.23 crores for which the management has provided additional provision of ₹30.07 crores during this quarter.

14. An extraordinary item has been reflected in the profit and loss account by the bank which has been made for the purpose of creating an additional provision of ₹23818 lacs over and above the required provision. This has resulted in increase in NPA provision by same amount and the Provision Coverage Ratio (PCR) has also increased from 67.17% to 70.26%.

15. RBI vide circular No.DBR.No.BP.151/99/21.04.04/2016-17 dated June 23, 2017 has advised banks to make provision at higher rates in respect of advances to stressed sector of the economy by formulating a board approved policy. The bank has accordingly formulated a policy (under process) and decided to provide the said sector @1% (instead of 0.4% as stipulated) by the end of March 2018. For the quarter Q-1 bank has provided an amount of ₹3.49 crores (additional 0.15%) for BOS of ₹2323.92 crores.

16. RBI vide circular No.DBR.No.BP.151/99/21.04.04/2016-17 dated June 23, 2017 has advised bank to make extra provision on accounts where insolvency proceedings has been initiated. Accordingly bank has identified 6 accounts having total exposures of ₹2442.22 Crores and additional provision of ₹116.08 crores has been provided.

17. The number of investors complaints pending at the beginning of the quarter were nil, and the complaints received during the quarter were 18(eighteen) and all have been disposed off.

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

19. 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.

20. The statement of Assets and Liabilities is appended.

IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED

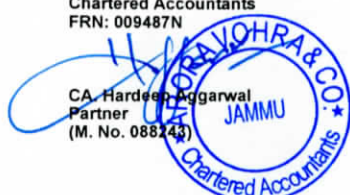
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For Dharam Raj & Co  
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CA. Dharam Raj  
Partner  
(M. No. 094108)



FOR & ON BEHALF OF THE BOARD

Parvez Ahmed  
Chairman & CEO  
DIN: 03467232

Place : Srinagar  
Dated : 22nd July, 2017