

INDEPENDENT AUDITORS REPORT

To
The Members of
The Jammu and Kashmir Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **The Jammu and Kashmir Bank Limited** ('the Bank'), which comprise the Balance Sheet as at 31st March 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and notes forming part of the accounts. Also incorporated in these financial statements are the returns of 55 Branches/Offices audited by us and 837 Branches/Offices audited by Statutory Branch Auditors. The Branches/Offices audited by us and those audited by the other auditors have been selected by the Comptroller & Auditor General of India in accordance with the guidelines issued to the Bank by the Reserve Bank of India.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank as at 31st March, 2016, and its profit/loss and its cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. The Comptroller and Auditor-General of India has issued directions indicating the areas to be examined in terms of sub-section (5) of section 143 of the Companies Act, 2013, the compliance of which is set out in "Annexure-A" to this Report.
11. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c) the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our audit.
12. Further, as required by section 143(3) of the Act, we further report that:
 - i) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - iii) the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Companies Act 2013 have been sent to us and have been properly dealt with by us in preparing this report;
 - iv) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - v) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

- vi) on the basis of written representations received from the directors as on 31st March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2016 from being appointed as a director in terms of Section 164(2) of the Act; and
- vii) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in “Annexure- B” to this Report.
- viii) with respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a) the Bank has disclosed the impact of pending litigations on its financial position in its financial statements;
 - b) the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Gupta Sharma & Associates
Chartered Accountants
FRN:001466N


CA Gurneet Singh Bhan
Partner
M.No.532675





For Dhar Tiku & Co
Chartered Accountants
FRN:003423N


CA Madhusudan Meher
Partner
M.No.097409



For Arora Vohra & Co
Chartered Accountants
FRN:009487N


CA Prem C. Bansal
Partner
M.no.083597



For Darshan Nagpal & Associates
Chartered Accountants
FRN:011022N


CA Vishal Rometra
Partner
M.No.501333



For Dharam Raj & Co
Chartered Accountants
FRN:014461N


CA Dharam Raj
Partner
M.No.094108



Place: Srinagar
Dated: 24th May 2016

**Annexure-A to para 10 of Independent Auditors Report of even date on the Standalone Financial Statements of the Jammu and Kashmir Bank Limited.
Directions/sub-directions of Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013**

Sl. No.	Directions/Sub directions	Auditor's comments including action taken wherever required	Impact on accounts and financial statements
1	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	As per information and explanations given to us, the company has clear title/lease deeds for freehold and leasehold lands except the following Land Vashi, Mumbai (1st Floor) 5400 Sq.ft Area 4 Kanals 17787 Sq.Ft. Ansal Plaza, Khelgaon, Delhi (2 nd and 3 rd floor) It is advised to complete the documentation for clear title at the earliest.	The acquisition value of the said lands/properties has been capitalized and the value as on 31-03-2016 is Rs.16.78 crores.
2	Please report whether there are any cases of waiver/write off of debts/ loans/interest etc., if yes, the reasons there for and the amount involved	There are cases of waiver/write off of debts/ loans/interest etc. amounting to Rs.2.11 crores in addition to the waiver of unapplied interest of Rs.18.03crores on account of negotiated settlement with the borrowers defaulting in payment due to the circumstances beyond their control such as death/disappearance of the borrower, recession in economy, no enforceable security, natural calamities such as earthquake, flood, drought, change in govt. policy, genuine business failure in spite of sincere efforts made by borrower etc. and where the recovery chances through normal business operations are bleak.	Profit for the current year is reduced by Rs.2.11 crores and unrealized income of Rs.18.03 crores has been forgone.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Govt. or other authorities.	As per explanations given to us, the company has not received any assets as gift/grant(s) from government or other authorities. The company has no inventories.	NIL

4	Whether the restructuring of loan was done as per the provisions of the Reserve Bank of India and Bank's own Restructuring of loan Policy.	As per information and explanations given to us, the restructuring of loans done during the year was as per the provisions of the Reserve Bank of India and Bank's own Restructuring of loan Policy.	Profit of the current year is reduced by Rs.12.60 crores on account of provision made on the restructured accounts.
5	Whether the Bank is maintaining/developing various assets of the State Govt. The treatment of the assets and expenditure incurred and revenue earned may be examined and comment may be offered.	As per information and explanations given to us, the bank is maintaining/developing various assets of the State Govt. which are not on the charge of the company. The expenditure amounting to Rs.13.86 crores has been incurred & revenue of Rs.1.16 crores has been earned for maintaining/developing of those assets and amounts have been debited/credited to the Profit & Loss Account.	Profit of the current year is reduced by net Rs.12.70 crores.
6	Whether the branches were doing window dressing and its impact/materiality on the overall deposit portfolio.	As per information and explanations given to us and as per the reports of the Branch Auditors, some branches were involved in doing window dressing by which there is an impact of Rs.2.48 crores increase on the overall deposit portfolio.	There is an impact of Rs.2.48 crores increase in the deposits by similar increase in the advances which has now been reversed.
7	Whether the Bank has been able to achieve the targets under Priority sector lending, if not, impact on the financial health of the Bank by lending the shortfall amount in Rural Infrastructure Development Fund, Small Industrial Development Bank of India, etc. may please be brought out.	As per information and explanations given to us, the bank has not been able to achieve the targets under priority sector lending. As a result of shortfall, the bank has deposits of low yield interest with the following as on 31-03-16 : PARICULARS (Rs. In Crores) NABARD 823.44 RIDF (NABARD) 1065.30 SIDBI 165.27 NHB (RHDF) 297.07 TOTAL 2348.08	The impact on the financial health of the bank is lower rate of return of interest ranging from 3.75% p.a. to 6.50% p.a. received from the agencies with which deposits were made for shortfall.
8	Whether there were cases of greening of advances, up gradation of loan account at the fag end of the Financial Year or delay/non-declaration of Non-performing Assets as per RBI guidelines. Its impact on the profitability and Asset Classification.	One account amounting to Rs.142.50 crores identified by RBI in AQR (BOS as on 31-03-2016- Rs.113.65 crores) has not been downgraded as NPAs in view of dispensation given by RBI on the basis of representation made by the banks. Further, advances amounting to Rs.246.89 crores were not declared by the bank as NPAs as per RBI guidelines which were downgraded after those were identified by the statutory auditors.	NIL Interest amounting to Rs.33.76 crores has been reversed on said NPAs and Provision of Rs.60.10 crores has been provided resulting in decrease in profit of Rs.93.86 crores.

For Gupta Sharma & Associates

Chartered Accountants
FRN:001466N

CA Gurmeet Singh Bhan

CA Gurmeet Singh Bhan
Partner
M.No.532675

For Dhar Tiku & Co

Chartered Accountants
FRN:003423N

CA Madhusudan Meher

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For Arora Vohra & Co

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CA Prem C. Bansal

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M.no.086597

For Darshan Nagpal & Associates

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FRN:011022N

CA Vishal Rometra

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Partner
FRN:011022N
M.No.501333

For Dharam Raj & Co

Chartered Accountants
FRN:014461N

CA Dharam Raj

CA Dharam Raj
Partner
M.No.094108

Place: Srinagar
Dated: 24th May 2016

“Annexure-B” to the Independent Auditors Report of even date on the Standalone Financial Statements of The Jammu and Kashmir Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of **The Jammu and Kashmir Bank Limited** (‘the Bank’) as at 31st March 2016 in conjunction with our audit of the Standalone Financial Statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

2. The Bank’s Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in “Assessment of Adequacy of Internal Financial Controls over Financial Reporting” in line with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) issued by the Institute of Chartered Accountants of India (‘the ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (‘the Act’).

Auditor’s Responsibility

3. Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) and the Standards on Auditing (‘the Standards’), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A bank’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
- b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

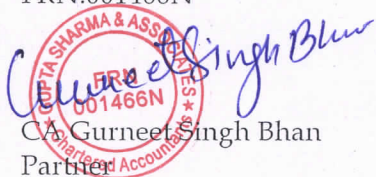
7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI".

For Gupta Sharma &
Associates

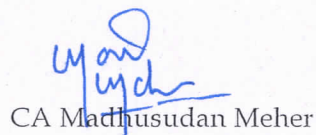
Chartered Accountants
FRN:001466N



CA Gurneer Singh Bhan
Partner
M.No.532675

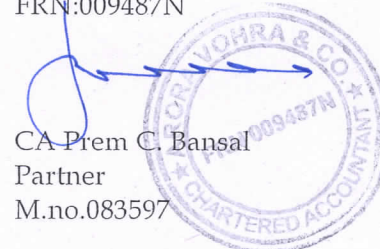
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Partner
M.No.094108

Place: Srinagar

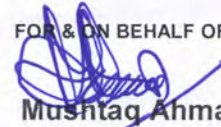
Dated: 24th May 2016

BALANCE SHEET AS AT 31ST MARCH, 2016

(₹ IN LACS)

	As at 31.03.2016	As at 31.03.2015
CAPITAL AND LIABILITIES		
Capital	4849	4849
Reserves and Surplus	637548	606156
Deposits	6939025	6575619
Borrowings	224000	233967
Other Liabilities and Provisions	221385	172484
TOTAL :-	8026807	7593075
ASSETS		
Cash and Balance with Reserve Bank of India	312674	237306
Balance with Banks & Money at Call & Short Notice ...	7627	136071
Investments	2035362	2275959
Advances	5019329	4458582
Fixed Assets	76372	68891
Other Assets	575443	416266
TOTAL :-	8026807	7593075

FOR & ON BEHALF OF THE BOARD



Mushtaq Ahmad
 Chairman & CEO
 DIN: 01226134

Place : Srinagar
 Dated : 24th May, 2016

In terms of our report of even date annexed

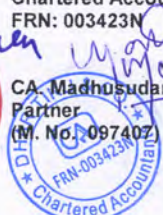
For Gupta Sharma & Associates
 Chartered Accountants
 FRN: 001466N

CA. Gurmeet Singh Bhan
 Partner
 (M. No. 532675)



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

CA. Madhusudan Meher
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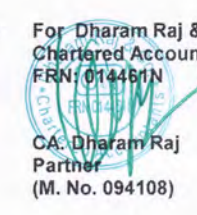
For Darshan Nagpal & Associates
 Chartered Accountants
 FRN: 011022N

CA. Vishal Rometra
 Partner
 (M. No. 501333)



For Dharam Raj & Co
 Chartered Accountants
 FRN: 014461N

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



SEGMENT RESULTS

S.No.	PARTICULARS	Year Ended				Description	Year Ended				
		31.03.2016	31.12.2015	31.03.2015	31.03.2016		31.03.2015	31.03.2016	31.03.2015	31.03.2016	
1	Interest Earned (a-b+c+d)	166616	170336	174497	684357	705113	516103	516103	516103	197886	204264
	a) Interest/Discount on Advances/Bills	122465	127874	127874	502766	516103	516103	516103	516103	197886	204264
	b) Income on Investments	38216	39825	43015	164665	174125	174125	174125	174125	265350	314526
	c) Interest on Balance with R.B.I. & Other Inter Bank Funds	3547	3648	3608	14538	15885	15885	15885	15885	93968	314656
	d) Others	2388	-	-	2388	-	-	-	-	1403	3876
2	Other Income	13917	10272	27853	50403	59397	59397	59397	59397	218477	824322
3	Total Income (1+2)	180533	180608	202350	734760	765510	765510	765510	765510	202350	734760
4	Interest Expended	101905	102969	106240	413348	441022	441022	441022	441022	180608	734760
5	Operating Expenses (H+I)	40539	38538	38564	154620	149905	149905	149905	149905	1634	12928
	I. Employee Cost	25850	25355	22983	101959	89403	89403	89403	89403	2792	21283
	II. Other Operating Expenses	14689	13183	15581	52661	51502	51502	51502	51502	13088	33080
6	Total Expenditure (4+5) [Excluding Provisions & Contingencies] Items exceeding 10% of the total expenditure excluding Int. Expenditure	142444	141507	144804	567968	581927	581927	581927	581927	613	2478
7	Operating Profit before Provisions and Contingencies (3-6)	38089	39101	57546	166792	183583	183583	183583	183583	15134	19470
8	Provisions (other than Tax) and Contingencies	39711	2967	38076	97623	105552	105552	105552	105552	(1622)	89169
9	Exceptional Items	-	-	-	-	-	-	-	-	-	-
10	Profit (+)Loss (-) from ordinary activities before tax (7-8-9)	(1622)	15134	19470	69169	82031	82031	82031	82031	2159242	2311289
11	Tax Expenses	3980	3366	9309	27565	31171	31171	31171	31171	115506	(111201)
12	Net Profit (+)/Loss (-) from ordinary activities after tax (10-11)	(5602)	11768	10151	41604	50860	50860	50860	50860	(1631224)	(1587849)
13	Extraordinary Items (net of tax expenses)	-	-	-	-	-	-	-	-	667	(1235)
14	Net Profit (+)/Loss (-) for the period (12-13)	(5602)	11768	10151	41604	50860	50860	50860	50860	611005	642398
15	Paid-up Equity Share Capital (Face Value Rs. 1/- per share)	4849	4849	4849	4849	4849	4849	4849	4849	-	-
16	Reserves excluding revaluation reserves	637548	606156	606156	637548	606156	606156	606156	606156	-	-
17	As per Balance Sheet of Previous Accounting year	-	-	-	-	-	-	-	-	-	-
	Analytical Ratios										
	(i) Percentage of Shares held by Govt. of J&K	53.17%	53.17%	53.17%	53.17%	53.17%	53.17%	53.17%	53.17%	53.17%	53.17%
	(ii) Capital Adequacy Ratio % (Basel-II)	11.78%	12.62%	12.67%	11.78%	12.67%	12.67%	12.67%	12.67%	12.67%	12.67%
	(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)	-4.62	2.43*	8.38	8.58	10.49	10.49	10.49	10.49	10.49	10.49
	b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year (* not annualized)	-4.62	2.43*	8.38	8.58	10.49	10.49	10.49	10.49	10.49	10.49
	(iv) NPA Ratios										
	a) Amount of Gross NPAs	436882	333946	276408	436882	276408	276408	276408	276408	276408	276408
	b) Amount of Net NPAs	216395	121499	123632	216395	123632	123632	123632	123632	123632	123632
	c) % of Gross NPAs	8.32%	6.81%	5.97%	8.32%	5.97%	5.97%	5.97%	5.97%	5.97%	5.97%
	d) % of Net NPAs	4.31%	2.60%	2.77%	4.31%	2.77%	2.77%	2.77%	2.77%	2.77%	2.77%
	(v) Return on Assets (Annualized)	-0.30%	0.65%	0.56%	0.57%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
18	Aggregate of Public Share Holding	227025360	227025360	227025360	227025360	227025360	227025360	227025360	227025360	227025360	227025360
	(i) No. of Shares	46.83%	46.83%	46.83%	46.83%	46.83%	46.83%	46.83%	46.83%	46.83%	46.83%
	(ii) Percentage of Share Holding	-	-	-	-	-	-	-	-	-	-
19	Promoters and promoter group Shareholding	-	-	-	-	-	-	-	-	-	-
	a) Pledged/Encumbered	-	-	-	-	-	-	-	-	-	-
	- Number of Shares	-	-	-	-	-	-	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-	-	-	-	-
	b) Non-encumbered	-	-	-	-	-	-	-	-	-	-
	- Number of Shares	-	-	-	-	-	-	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the total share capital of the company)	-	-	-	-	-	-	-	-	-	-

1. The above financial results have been reviewed by the Audit Committee of the Board in their meeting held on 23rd May, 2016 and approved by the Board of Directors at its meeting held on 24th May, 2016 and the same have been subjected to audit by the Statutory Central Auditors of the Bank. Further, the audited financial statements for the year ended 31st March, 2016 have been prepared following the same accounting policy as those followed in the annual financial statements for the year ended 31st March, 2015.

2. The above results for the year ended 31st March, 2016 have been prepared following the same accounting policy as those followed in the annual financial statements for the year ended 31st March, 2015.

3. The results have been arrived at after considering provision for Standard Assets, Non-Performing Assets, Restructured Assets, 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. Depreciation on Fixed Assets has been calculated on a 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.

5. Provisions (Provision, Credit and Leave Salary Encashment) has been made as per actuarial valuation.

6. Non Performing loan provisioning coverage ratio as at 31st March, 2016 is 56.15% (Previous year 59.07%).

7. As part of Pan India Asset Quality Review (AQR) conducted by RBI in Banks, RBI vide letter no. DBS.CO.PRD/AQR/637/11.01.07/2015-16 dated December 02, 2015 advised our bank to revise asset classification/provisions in respect of certain advances accounts over the two quarters ending 31.12.2015 and 31.03.2016. The bank has accordingly implemented directions of RBI in this regard.

8. In terms of RBI circular DBR.BP.BC.No.31/21.04.018/2015-16 dated 16th July 2015, the bank has, effective from quarter ended 30th June 2015, included its deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets" hitherto these were included under investments. Interest income on these deposits has been included under "Interest earned others". Hitherto such interest income was included under "Interest earned - income on investments". Figures for the previous periods have been regrouped/reclassified to conform to current period's classification. The above reclassification has no impact on the profitability of the bank for the quarter and year ended 31st March, 2016 or on the profit/loss for the previous periods.

9. The bank vide letter no. P58D/8357/16.063/2015-16 dated December 30, 2015 has received approval from Reserve Bank of India for reduction in the authorized capital of the bank from ₹100.00 crore divided into 100 crore equity shares of ₹1/- each to ₹95.00 crore divided into 95 crore equity shares of ₹1/- each to comply with the provisions of section 12 and 49C of the Banking Regulation Act, 1949.

10. Pursuant to section 135 of Companies Act, 2013, it is required to spend 2% of the average net profits made during three immediate preceding financial years for CSR activities. Accordingly, bank is required to spend ₹27.33 Crores (previous year ₹29.86 Crores) for twelve months period ended 31st March, 2016 against which bank has spent ₹28.48 Crores (previous year ₹13.75 Crores). The bank has decided to include expenditure made on maintenance of Parks and Gardens as CSR expenditure from the current year on which an amount of ₹1.86 Crores has been incurred.

11. The bank has received approval from Reserve Bank of India for reduction in the authorized capital of the bank from ₹100.00 crore divided into 100 crore equity shares of ₹1/- each to ₹95.00 crore divided into 95 crore equity shares of ₹1/- each. Accordingly, Pillar 3 disclosures under BASEL-III capital regulations. Further RBI has made certain amendments in circular No. DBOD.BP.BC.38/21.06.2012/2014-15 dated 01.09.2014. The bank has accordingly updated its Pillar 3 disclosures under BASEL-III capital regulations are being made available on bank's website i.e. www.jkbank.net. These disclosures have not been subjected to audit.

12. During the year the Bank has made floating provision of ₹330.99 Crores for meeting exigencies. The closing balance in the floating provision account is ₹348.72 Crores as on 31.03.2016 (Previous year 17.73 Crores).

13. Pursuant to RBI circular no.DBR.NO.BP.BC.27/21.04/048/2015-16 dated 02.07.2015, the method of calculating discount rate for computing net present value of future cash flows for determination of diminution in fair value of restructured advances was changed. Accordingly there is a reduction in provision for diminution in fair value for the year ending 31.03.2016.

14. Pursuant to RBI circular no.DBR.NO.BP.BC.27/21.04/048/2015-16 dated 02.07.2015, the method of calculating discount rate for computing net present value of future cash flows for determination of diminution in fair value of restructured advances was changed. Accordingly there is a reduction in provision for diminution in fair value for the year ending 31.03.2016.

15. Interest earned (others) represents interest earned on income tax refund of previous assessment years.

16. The board has recommended a dividend of 175% (₹1.75 per share) for the year ended 31st March, 2016 subject to approval of share holders in the Annual General Meeting.

17. The number of investors/complaints received during the quarter were 61(sixty one) and all have been disposed off.

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

19. The figures of last quarter and the balancing figures between audited figures in respect of full financial year and the published year to date figures upto the end of the quarter are as follows. The above figures have been recast/re-grouped wherever necessary to make them comparable.

20. The statement of Assets and Liabilities is appended.

For Dharshan Jagtap & Co.
Chartered Accountants
FRN: 011022N

For Arora Vohra & Co.
Chartered Accountants
FRN: 009487N

For Gupta Sharma & Associates.
Chartered Accountants
FRN: 001466N

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

For Darshan Jagtap & Co.
Chartered Accountants
FRN: 011022N

For Arora Vohra & Co.
Chartered Accountants
FRN: 009487N

For Gupta Sharma & Associates.
Chartered Accountants
FRN: 001466N

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

FOR AND ON BEHALF OF THE BOARD
Mushfaq Ahmad
Chairman & CEO
PIN: 01226134


Place : Srinagar
Dated : 24th May, 2016


IM TERMS OF OUR REPORT OF EVEN DATE ANNEXED

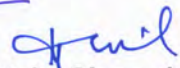
FORM A

Annual Audit Report to be filed with the Stock Exchange

1	Name of the company	The Jammu & Kashmir Bank Limited
2.	Annual Financial Statement of the year ended	31 st March, 2016
3.	Type of Audit Observation	Un-Qualified
4.	Frequency of Observation	Nil


Mushtaq Ahmad
 Chairman & CEO


Dalip K. Kaul
 Chairman (ACB)


Vagish Chander
 Chief Financial Officer

<p>Gupta Sharma & Associates Chartered Accountants FRN:001466N</p> <p> CA Gurneet Singh Bhan Partner (M No.532675)</p> <p></p>	<p>Dhar Tiku & Co. Chartered Accountants FRN:003423N</p> <p> CA Madhusudan Meher Partner (M No.097409)</p> <p></p>	<p>Arora Vohra & Co Chartered Accountants FRN:009487N</p> <p> CA Prem C. Bansal Partner (M No.083597)</p> <p></p>	<p>Darshan Nagpal & Associates Chartered Accountants FRN:011022N</p> <p> CA Vishal Rometra Partner (M No.501333) (J&K)</p> <p></p>	<p>Dharam Raj & Co Chartered Accountants FRN.014461N</p> <p> CA Dharam Raj Partner (M No.094108)</p> <p></p>
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Place : Srinagar
 Date : 24th May, 2016