

Addendum to Annual Report 2024-25

Date: 21-08-2025

Comments from the office of the C&AG through office of the Principal Accountant General (Audit), Jammu & Kashmir vide letter dated 04-08-2025 (Ref No: TSC/BS/JKBL-2025/2025-26/31), under section 143(6) (b) of the Companies Act, 2013 (Supplementary Audit) for the Financial year 2024-2025 on both Audited Standalone & Consolidated Financial statements:

As on the date of publishing the Annual Report for the F.Y 2024-25, the Bank had not received the comments under Section 143 (6) of the Companies Act, 2013 from the Comptroller and Auditor General of India on the accounts of the Bank for the year ended 31st March, 2025.

The Bank received the final comments from the office of the C&AG through office of the Principal Accountant General (Audit), Jammu & Kashmir vide letter dated 04-08-2025 with Ref No: TSC/BS/JKBL-2025/2025-26/31, for the F.Y 2024-2025 on both audited Standalone & Consolidated Financial statements. Copy of the comments of C&AG is enclosed as **Annexure-A**.

The response of the Bank to the comments of the C&AG on the audited Standalone & Consolidated Financial statements was approved by the Board of Directors of the Bank on 20.08.2025. The response to the comments is provided below.

The comments of the C&AG, along with Bank's reply to the comments shall be read out at the 87th Annual General Meeting scheduled to be held on 26.08.2025.

(STANDALONE FINANCIAL STATEMENTS)

A.	Refer- ence	CAG Comments	Bank Response
		Standalone	
1.	OBS- 1957666	<p>Capital and Liabilities Reserve & Surplus (Schedule-2) Statutory Reserves-₹3693.46 crore</p> <p>As per Accounting Standard 5- Net Profit or loss for the period, Prior Period Items and Changes in Accounting policies - 'Prior Period items' refers to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.</p> <p>The bank has been transferring depreciation on revalued portion of fixed assets from 'Revaluation Reserve Account' to 'Revenue Reserve Account' since the financial year 2017-18. The Bank has given the accounting treatment as per AS-10 and has not routed the same through Profit & Loss Account. However it did not appropriate 25 percent of above transferred amount to the statutory reserve as per the requirement of the Banking Regulation Act, 1949.</p> <p>During 2024-25, the bank has appropriated ₹ 15.13 crore (₹7.56 crore for 2024-25 and ₹7.57 crore for 2023-24). This treatment is compliant with both AS-10 and the Banking Regulation Act. However, prior period adjustments amounting to ₹23.94 crores on account of appropriations to Statutory Reserve as 25 per cent of ₹95.75 crores transferred from Revaluation Reserve to General reserves during financial years 2017-18 to 2022-23 were not made in books of account as per requirement of AS-5.</p> <p>This has resulted in understatement of Statutory Reserves by ₹ 23.94 Crore and overstatement of Revenue and Other Reserves to that extent.</p>	<p>Observation related to this issue was made in CAG audit report of FY2023-24, pertaining to depreciation on revalued portion of fixed assets for the same year. Bank duly responded but the observation was not dropped. Accordingly the required amount of ₹7.56 crore pertaining to current year (2024-25) and ₹7.57 crore pertaining to Prior period appropriations for the previous year 2023-24 was transferred from Revaluation Reserve to Statutory Reserve.</p> <p>It is pertinent to mention that there was no mention of such transfer for the prior period from FY2017-18 to FY 2022-23 in the CAG report of FY2023-24. Therefore no such transfer was made for this period.</p> <p>Now the observation has been made for the prior period, i.e. FY 2017-18 to FY 2022-23 in the preliminary CAG Audit report for FY 2024-25, the same has been recorded and has already been effected in the books of account in Current Financial Year 2025-2026.</p>



B.		Profit and Loss Account	
2.	OBS-1958437	<p>Expenditure Provisions and Contingencies - Rs 84733.04 crore</p> <p>As per the Master Circular issued by RBI (Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances), where there are potential threats for recovery on account of erosion in the value of security, it will not be prudent that such accounts should go through various stages of asset classification and when erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank of accepted by RBI at the time of last inception as the case may be. Such NPAs may be straightway classified under doubtful category.</p> <p>As on 31.03.2025, the NPA balances outstanding under Cash Credit facilities extended to M/s Goverdhan India Pvt. Ltd was ₹4.50 crore. The underlying security was under the purview of the Jammu and Kashmir state Lands (vesting of Ownership to the occupants) Act 2021. Further the Hon'ble High Court of J&K and Ladakh directed (9 October 2020) that immovable property acquired under Jammu and Kashmir state and (vesting of Ownership to the occupants) Act 2001 must be retrieved. Consequently, J&K Government declared all the actions taken under Roshni Act as void ab initio and all the mutations done in furtherance of said Act as annulled. Since the security was not realisable due to adverse legal rulings and State Government orders, Bank should have considered the NPA as unsecured and 100 percent provision should have been made.</p> <p>This resulted into understatement of provisions by ₹ 2.25 crore and overstatement of profits by ₹2.25 crore.</p>	<p>As to the securities title of which has been acquired under the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001, commonly known as Roshini Act, it is stated the Government of J&K and other aggrieved parties have filed review petition against the Judgment dated 09-10-2020 passed by the Hon'ble High Court Of J&K and Ladakh in PIL No 19/2011 titled Professor S K Bhalla Vs State of J&K & Ors. Though no interim order has been passed in the review application, Government has verbally informed the Hon'ble Court that no coercive action is being taken by it pending review petitions. Notwithstanding the fact, that the judgment dated 09-10-2020 is operative, yet the Banks interests are secure given the facts that such mortgagors were holding such lands on perpetual or long term leases under the J&K Land grants Act, 1960 and shall be relegated to position of lessee even when the aforesaid review petitions are dismissed. Further, even if the Government terminates the lease as well, such mortgagors/lessees under the Jammu and Kashmir Land Grants Act, 1960 shall have right of fair compensation on which the Bank shall have first charge/claim. Further given the fact that Government of J&K has itself filed review petition, there is high probability of review being allowed. The matter is still subjudice and listed next on 25-09-2025.</p> <p>Given the above legal connotation, the properties mortgaged under Roshni Act have been taken as secured and the Bank has done provisioning in such accounts as per the IRAC Norms.</p>
3.	C 1&2	<p>C1. The Bank has not disclosed its accounting policy with regard to additional provision towards balance outstanding in respect of advances covered by any existing or future schemes/guarantees launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and National Credit Guarantee Trustee Company (NC-GTC).</p> <p>C2. The Bank had made a disclosure in Notes to Account (Schedule 18) on Investments stating that for classification, measurement and valuation of investments, new guidelines have been followed as per policy mandated by RBI vide its master directions-Classification, valuation and operation of investment portfolio of commercial banks (Directions), 2023 issued on 12 September 2023. On transition to the framework on 1 April 2024, the bank has recognized a net gain of 26.31 crore (net of tax of 8.85 crore) which has been credited/effectuated to General Reserve. However, the disclosure made by the Bank is incorrect as the gain realized on transition to framework was ₹51.27 crore (net of taxes of ₹17.25 crore).</p>	<p>C1. Henceforth a separate disclosure shall be made regarding provisioning of NPA Accounts covered by any existing or future schemes/guarantees launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and National Credit Guarantee Trustee Company (NCGTC). The additional provision held on account of not reckoning the CGTMSE/CRGFTLIH/NCGTC cover available in respect of NPA accounts (other than the cases where the claim has been settled) as on 31.03.2025 was Rs. 23.81crore (previous year Rs.29.12 crore).</p> <p>C2. The RBI Master direction regarding classification, valuation and operation of Investment portfolio of Commercial banks (Direction) 2023, was issued by RBI on September, 2023. Going by the directions, bank had transferred an amount of ₹35.16Cr to General Reserve on Transition (translating to ₹26.31 Cr, net of Tax) on April 1, 2024. The bank disclosed the same in Notes to Accounts of June 2024, September 2024 and December 2024 Quarters. However the said directions were updated on April 1, 2025 by RBI, where upon bank was required to transfer an additional amount of ₹33.36 Cr to such General Reserve (translating to ₹24.96 Cr, net of taxes). The same was done through Memorandum of Change (MOC) issued by Statutory Central Auditors (SCAs). As such Bank has transferred to General reserve an amount of ₹68.52 Cr in accordance with RBI direction, however as on transition date only ₹35.16Cr (₹26.31 Cr net of taxes) was transferred and as such only ₹26.31 Cr was mentioned in Notes to Accounts.</p>

	<p>OTHER COMMENTS :</p> <p>As per Section 395 read with sub-section (1) of Section 394 of the Companies Act, 2013, where the Central Government is not a member of a Government Company, every State Government which is a member of the Company, or where only one State Government is a member of the Company, that State Government shall cause an Annual Report on the working and affairs of the Company to be:</p> <p>(a) prepared within the time specified in sub-section (1) of Section 394; and</p> <p>(b) as soon as may be after such preparation, laid before the House or both Houses of the State Legislature together with a copy of the Audit Report and comments upon or supplement to the Audit Report, (made by the Comptroller and Auditor General of India) referred to in sub-section (1) of that section.</p> <p>Audit observed that the Comment Certificate, which was issued to the Bank by the office of the Principal Accountant General (Audit), Jammu & Kashmir, Jammu on behalf of the Comptroller and Auditors General of India, was not included in its Annual Report 2023-24.</p> <p>This has resulted in non-compliance of the statutory provisions of Section 395 of the Companies Act 2013.</p>	<p>The Annual General Meeting (AGM) of the Bank was scheduled to be held on August 17, 2024. In terms of the Sections 101 and 136 of the Companies Act, 2013, the Notice of the meeting and Annual Report for the Annual General Meeting is required to be send to the Shareholders at least 21 clear days before the meeting. As such, the Bank was required to send the Notice and Annual Report for the said meeting by or before 24th July 2024 (including 2 days of postal delivery time).</p> <p>As the comments were not received from the C&AG within the aforesaid timeline, the Bank made the following statement in the Annual report, which was circulated to the Shareholders:</p> <p>As on date of this report, the Bank has not received the comments under Section 143 (6) of the Companies Act, 2013 from the Comptroller and Auditor General of India on the accounts of the Bank for the year ended 31st March 2024 and the same along with Banks reply to the comments shall be read out at the 86th Annual General Meeting. (Refer page no.24 of Annual Report 2023-24).</p> <p>Subsequently, the comments of the C&AG on the Financial Statements of the Bank for the year ended March 31, 2024 were received by the Bank on 16.08.2024 i.e. one day before the date of AGM. The comments along with the response of the Bank were circulated to the Shareholders during the meeting and were also read out by the Company Secretary during the meeting.</p> <p>Further, the proceedings of the meeting were disseminated to the Stock Exchanges, which included the statement regarding reading out of the comments of C&AG on the Financial Statements of the Bank and response thereto.</p> <p>Additionally, the comments along with the response of the Bank was also submitted to the Stock Exchanges and disseminated on the website of the Bank. The same can be viewed at https://www.jkbank.com/sites/default/files/2025-04/Financials_March_2024_cag.pdf</p> <p>The copy of the Annual Report alongwith the comments of C&AG and response of the Bank thereto were forwarded to Finance Department Govt. of J&K on August 31, 2024 in accordance with the provisions of Section 395 of the Companies Act 2013.</p>
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(CONSOLIDATED FINANCIAL STATEMENTS)

B.	Reference	CAG Comments	Bank Response
		Consolidated	
1.	OBS-1957333	<p>Capital and Liabilities Reserve & Surplus (Schedule-2) Statutory Reserves- ₹ 3693.47 crore</p> <p>As per Accounting Standard 5- Net Profit or loss for the period, Prior Period Items and Changes in Accounting policies - 'Prior Period items' refers to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.</p> <p>The bank has been transferring depreciation on revalued portion of fixed assets from 'Revaluation Reserve Account' to 'Revenue Reserve Account' since the financial year 2017-18. The Bank has given the accounting treatment as per AS-10 and has not routed the same through Profit & Loss Account. However it did not appropriate 25 percent of above transferred amount to the statutory reserve as per the requirement of the Banking Regulation Act, 1949.</p> <p>During 2024-25, the bank has appropriated ₹15.13 crore (₹7.56 crore for 2024-25 and ₹7.57 crore for 2023-24). This treatment is compliant with both AS-10 and the Banking Regulation Act. However, prior period adjustments amounting to ₹23.94 crores on account of appropriations to Statutory Reserve as 25 per cent of ₹95.75 crores transferred from Revaluation Reserve to General reserves during financial years 2017-18 to 2022-23 were not made in books of account as per requirement of AS-5.</p> <p>This has resulted in understatement of Statutory Reserves by ₹23.94 Crore and overstatement of Revenue and Other Reserves to that extent.</p>	<p>Observation related to this issue was made in CAG audit report of FY2023-24, pertaining to depreciation on revalued portion of fixed assets for the same year. Bank duly responded but the observation was not dropped. Accordingly the required amount of ₹7.56 crore pertaining to current year (2024-25) and ₹7.57 crore pertaining to Prior period appropriations for the previous year 2023-24 was transferred from Revaluation Reserve to Statutory Reserve.</p> <p>It is pertinent to mention that there was no mention of such transfer for the prior period from FY2017-18 to FY 2022-23 in the CAG report of FY2023-24. Therefore no such transfer was made for this period.</p> <p>Now the observation has been made for the prior period, i.e. FY 2017-18 to FY 2022-23 in the preliminary CAG Audit report for FY 2024-25, the same has been recorded and has already been effected in the books of account in Current Financial Year 2025-2026.</p>
2		<p>Expenditure Provisions and Contingencies - Rs 84851.27 crore</p> <p>As per the Master Circular issued by RBI (Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances), where there are potential threats for recovery on account of erosion in the value of security, it will not be prudent that such accounts should go through various stages of asset classification and when erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank of accepted by RBI at the time of last inception as the case may be. Such NPAs may be straightway classified under doubtful category.</p> <p>As on 31.03.2025, the NPA balances outstanding under Cash Credit facilities extended to M/s Goverdhan India Pvt. Ltd was ₹ 4.50 crore. The underlying security was under the purview of the Jammu and Kashmir state Lands (vesting of Ownership to the occupants) Act 2001. Further the Hon'ble High Court of J&K and Ladakh directed (9 October 2020) that immovable property acquired under Jammu and Kashmir state and (vesting of Ownership to the occupants) Act 2001 must be retrieved. Consequently, J&K Government declared all the actions taken under Roshni Act as void ab initio and all the mutations done in furtherance of said Act as annulled.</p> <p>Since the security was not realisable due to adverse legal rulings and State Government orders, Bank should have considered the NPA as unsecured and 100 percent provision should have been made.</p> <p>This resulted into understatement of provisions by ₹ 2.25 crore and overstatement of profits by ₹ 2.25 crore.</p>	<p>As to the securities title of which has been acquired under the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001, commonly known as Roshini Act, it is stated the Government of J&K and other aggrieved parties have filed review petition against the Judgment dated 09-10-2020 passed by the Hon'ble High Court Of J&K and Ladakh in PIL No 19/2011 titled Professor S K Bhalla Vs State of J&K & Ors. Though no interim order has been passed in the review application, Government has verbally informed the Hon'ble Court that no coercive action is being taken by it pending review petitions. Notwithstanding the fact, that the judgment dated 09-10-2020 is operative, yet the Banks interests are secure given the facts that such mortgagors were holding such lands on perpetual or long term leases under the J&K Land grants Act, 1960 and shall be relegated to position of lessee even when the aforesaid review petitions are dismissed. Further, even if the Government terminates the lease as well, such mortgagors/lessees under the Jammu and Kashmir Land Grants Act, 1960 shall have right of fair compensation on which the Bank shall have first charge/claim. Further given the fact that Government of J&K has itself filed review petition, there is high probability of review being allowed. The matter is still sub-judice and listed next on 25-09-2025.</p> <p>Given the above legal connotation, the properties mortgaged under Roshni Act have been taken as secured and the Bank has done provisioning in such accounts as per the IRAC Norms.</p>

3.	C 1&2	<p>C1. The Bank has not disclosed its accounting policy with regard to additional provision towards balance outstanding in respect of advances covered by any existing or future schemes/guarantees launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and National Credit Guarantee Trustee Company (NCGTC).</p> <p>C2. The Bank had made a disclosure in Notes to Account (Schedule 18) on Investments stating that for classification, measurement and valuation of investments, new guidelines have been followed as per policy mandated by RBI vide its master directions-Classification, valuation and operation of investment portfolio of commercial banks (Directions), 2023 issued on 12 September 2023, On transition to the framework on 1 April 2024, the bank has recognized a net gain of 26.31 crore (net of tax of 8.85 crore) which has been credited/effectuated to General Reserve. However, the disclosure made by the Bank is incorrect as the gain realized on transition to framework was ₹51.27 crore (net of taxes of ₹17.25 crore).</p>	<p>C1. Henceforth a separate disclosure shall be made regarding provisioning of NPA Accounts covered by any existing or future schemes/guarantees launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and National Credit Guarantee Trustee Company (NCGTC). The additional provision held on account of not reckoning the CGTMSE/CRGFTLIH/NCGTC cover available in respect of NPA accounts (other than the cases where the claim has been settled) as on 31.03.2025 was Rs.23.81 crore (previous year Rs.29.12 crore).</p> <p>C2. The RBI Master direction regarding classification, valuation and operation of Investment portfolio of Commercial banks (Direction) 2023, was issued by RBI on September'2023. Going by the directions, bank had transferred an amount of ₹35.16Cr to General Reserve on Transition (translating to ₹26.31 Cr, net of Tax) on April 1, 2024. The bank disclosed the same in Notes to Accounts of June 2024, September 2024 and December 2024 Quarters. However the said directions were updated on April 1 '2025 by RBI, where upon bank was required to transfer an additional amount of ₹33.36 Cr to such General Reserve (translating to ₹24.96 Cr, net of taxes). The same was done through Memorandum of Change (MOC) issued by Statutory Central Auditors (SCAs).</p> <p>As such Bank has transferred to General reserve an amount of ₹68.52 Cr in accordance with RBI direction, however as on transition date only ₹35.16Cr (₹26.31 Cr net of taxes) was transferred and as such only ₹26.31 Cr was mentioned in Notes to Accounts.</p>
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		OTHER COMMENTS	
		<p>As per Section 395 read with sub-section (1) of Section 394 of the Companies Act, 2013, where the Central Government is not a member of a Government Company, every State Government which is a member of the Company, or where only one State Government is a member of the Company, that State Government shall cause an Annual Report on the working and affairs of the Company to be:</p> <p>(a) prepared within the time specified in sub-section (1) of Section 394; and</p> <p>(b) as soon as may be after such preparation, laid before the House or both Houses of the State Legislature together with a copy of the Audit Report and comments upon or supplement to the Audit Report, (made by the Comptroller and Auditor General of India) referred to in sub-section (1) of that section.</p> <p>Audit observed that the Comment Certificate, which was issued to the Bank by the office of the Principal Accountant General (Audit), Jammu & Kashmir, Jammu on behalf of the Comptroller and Auditors General of India, was not included in its Annual Report 2023-24.</p> <p>This has resulted in non-compliance of the statutory provisions of Section 395 of the Companies Act 2013.</p>	<p>The Annual General Meeting (AGM) of the Bank was scheduled to be held on August 17, 2024. In terms of the Sections 101 and 136 of the Companies Act, 2013, the Notice of the meeting and Annual Report for the Annual General Meeting is required to be send to the Shareholders at least 21 clear days before the meeting. As such, the Bank was required to send the Notice and Annual Report for the said meeting by or before 24th July 2024 (including 2 days of postal delivery time).</p> <p>As the comments were not received from the C&AG within the aforesaid timeline, the Bank made the following statement in the Annual report, which was circulated to the Shareholders:</p> <p>As on date of this report, the Bank has not received the comments under Section 143 (6) of the Companies Act, 2013 from the Comptroller and Auditor General of India on the accounts of the Bank for the year ended 31st March 2024 and the same along with Banks reply to the comments shall be read out at the 86th Annual General Meeting. (Refer page no.24 of Annual Report 2023-24).</p> <p>Subsequently, the comments of the C&AG on the Financial Statements of the Bank for the year ended March 31, 2024 were received by the Bank on 16.08.2024 i.e. one day before the date of AGM. The comments along with the response of the Bank were circulated to the Shareholders during the meeting and were also read out by the Company Secretary during the meeting.</p> <p>Further, the proceedings of the meeting were disseminated to the Stock Exchanges, which included the statement regarding reading out of the comments of C&AG on the Financial Statements of the Bank and response thereto.</p> <p>Additionally, the comments along with the response of the Bank was also submitted to the Stock Exchanges and disseminated on the website of the Bank. The same can be viewed at https://www.jkbank.com/sites/default/files/2025-04/Financials_March_2024_cag.pdf</p> <p>The copy of the Annual Report alongwith the comments of C&AG and response of the Bank thereto were forwarded to Finance Department Govt. of J&K on August 31, 2024 in accordance with the provisions of Section 395 of the Companies Act 2013.</p>

ANNEXURE - A

कार्यालय प्रधान महालेखाकार (लेखापरीक्षा)
जम्मू एवं कश्मीर, शाखा- जम्मू
शक्ति नगर, जम्मू-180001



O/o THE PRINCIPAL ACCOUNTANT GENERAL
(AUDIT)
JAMMU & KASHMIR, BRANCH- JAMMU
SHAKTI NAGAR, JAMMU-180001

No. TSC/BS/JKBL-2025/2025-26/31

Date: 04-08-2025

To

The Managing Director & CEO,
Jammu & Kashmir Bank Limited,
Corporate Office, MA Road,
Srinagar

Subject: Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the financial statements (Standalone and Consolidated) of Jammu & Kashmir Bank Limited for the year ended on 31 March 2025

I am to forward herewith the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the financial statements (Standalone and Consolidated) of Jammu & Kashmir Bank Limited for the year ended on 31 March 2025 for being placed before the shareholders in the Annual General Meeting. The date of holding Annual General Meeting and minutes of meeting may please be furnished to this office.

Encl: As above

Yours faithfully,



Deputy Accountant General (AMG-II)



COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(b) OF THE COMPANIES ACT, 2013 ON THE STANDALONE FINANCIAL STATEMENTS OF JAMMU AND KASHMIR BANK LIMITED FOR THE YEAR ENDED ON 31 MARCH 2025

The preparation of financial statements of Jammu and Kashmir Bank Limited for the year ended on 31 March 2025 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Bank. The Statutory Auditors appointed by the Comptroller & Auditor General of India under Section 139(5) of the Companies Act, 2013 are responsible for expressing opinion on these financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 5 May 2025.

I, on the behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Companies Act, 2013 of the financial statements of Jammu and Kashmir Bank Limited for the year ended on 31 March 2025. The supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Bank personnel and a selective examination of some of accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) of the Companies Act, 2013 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. BALANCE SHEET

**A.1 Capital and Liabilities
Reserve & Surplus (Schedule-2)
Statutory Reserves-₹3,693.46 crore**

As per Accounting Standard 5 'Net Profit or loss for the period, Prior Period Items and Changes in Accounting policies', Prior Period items refer to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

The Bank had been transferring depreciation on revalued portion of fixed assets from 'Revaluation Reserve Account' to 'Revenue Reserve Account' since the financial year 2017-18. The Bank had given the accounting treatment as per AS-10 and had not routed the same through Profit & Loss Account. However, it did not appropriate 25 per cent of above transferred amount to the statutory reserve as per the requirement of the Banking Regulation Act, 1949.

During 2024-25, the Bank had appropriated ₹15.13 crore (₹7.56 crore for 2024-25 and ₹7.57 crore for 2023-24). This treatment is compliant with both AS-10 and the Banking Regulation Act. However, prior period adjustments amounting to ₹23.94 crore on account of appropriations to Statutory Reserve as 25 per cent of ₹95.75 crore transferred from Revaluation Reserve to General Reserve during 2017-18 to 2022-23 were not made in books of account as per requirement of AS-5.

This resulted in understatement of Statutory Reserves by ₹23.94 crore and overstatement of Revenue and Other Reserves to that extent.

B. PROFIT AND LOSS ACCOUNT

B.1 Expenditure

Provisions and Contingencies-₹ 84733.04 crore

As per the Master Circular issued by RBI (Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances), where there are potential threats for recovery on account of erosion in the value of security, it will not be prudent that such accounts should go through various stages of asset classification and when erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank of accepted by RBI at the time of last inception as the case may be. Such NPAs may be straightway classified under doubtful category.

As on 31 March 2025, the NPA balances outstanding under credit facilities extended to M/s Goverdhan India Pvt. Ltd was ₹4.50 crore. The underlying security was under the purview of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001. Further, the Hon'ble High Court of J&K and Ladakh directed (9 October 2020) that immovable property acquired under Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001 must be retrieved. Consequently, J&K Government declared all the actions taken under Roshni Act as void ab initio and all the mutations done in furtherance of said Act as annulled.

Since the security was not realisable due to adverse legal rulings and State Government orders, the Bank should have considered the NPA as unsecured and 100 percent provision should have been made.

This resulted into understatement of provisions by ₹2.25 crore and overstatement of profits by ₹2.25 crore

C. COMMENTS ON DISCLOSURE

C.1 The Bank had not disclosed its accounting policy with regard to additional provisioning towards balance outstanding in respect of advances covered by any existing or future



schemes/guarantees launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and National Credit Guarantee Trustee Company (NCGTC).

C.2 The Bank had made a disclosure in Notes to Account (Schedule 18) on 'Investments stating that for classification, measurement and valuation of investments, new guidelines have been followed as per policy mandated by RBI vide its master directions-Classification, valuation and operation of investment portfolio of commercial banks (Directions), 2023 issued on 12 September 2023. On transition to the framework on 1 April 2024, the bank has recognized a net gain of ₹26.31 crore (net of tax of ₹8.85 crore) which has been credited/effectuated to General Reserve. However, the disclosure made by the Bank is incorrect as the gain realized on transition to framework was ₹1.27 crore (net of taxes of ₹17.25 crore).

D. OTHER COMMENTS

D. 1. As per Section 395 read with sub-section (1) of Section 394 of the Companies Act, 2013, where the Central Government is not a member of a Government Company, every State Government which is a member of the Company, or where only one State Government is a member of the Company, that State Government shall cause an Annual Report on the working and affairs of the Company to be:

- (a) prepared within the time specified in sub-section (1) of Section 394; and
- (b) as soon as may be after such preparation, laid before the House or both Houses of the State Legislature together with a copy of the Audit Report and comments upon or supplement to the Audit Report, (made by the Comptroller and Auditor General of India) referred to in sub-section (1) of that section.

Audit observed that the Comment Certificate, which was issued to the Bank by the office of the Principal Accountant General (Audit), Jammu & Kashmir, Jammu on behalf of the Comptroller and Auditors General of India, was not included in its Annual Report 2023-24.

This has resulted in non-compliance of the statutory provisions of Section 395 of the Companies Act, 2013.

For and on the behalf of the
Comptroller & Auditor General of India

Principal Accountant General (Audit)
Jammu and Kashmir

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JAMMU AND KASHMIR BANK LIMITED FOR THE YEAR ENDED ON 31 MARCH 2025

The preparation of consolidated financial statements of Jammu and Kashmir Bank Limited for the year ended on 31 March 2025 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Bank. The Statutory Auditors appointed by the Comptroller & Auditor General of India under Section 139(5) read with section 129(4) of the Act are responsible for expressing opinion on these financial statements under Section 143 read with section 129(4) of the Companies Act 2013 based on independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 5 May 2025.

I, on the behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of Jammu and Kashmir Bank Limited for the year ended on 31 March 2025 under Section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of Jammu and Kashmir Bank Limited (Parent Company). Further, section 139(5) and 143(6) (a) of the Act are not applicable to J&K Grameen Bank (Associate Bank) for appointment of their statutory auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the statutory auditors nor conducted the supplementary audit of the Associate Bank. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Bank personnel and a selective examination of some of accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) read with section 129 (4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. BALANCE SHEET

A.1 Capital and Liabilities

Reserve & Surplus (Schedule-2)

Statutory Reserves ₹3693.47 crore

As per Accounting Standard 5 'Net Profit or loss for the period, Prior Period Items and Changes in Accounting policies', Prior Period items refer to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.



The Bank had been transferring depreciation on revalued portion of fixed assets from 'Revaluation Reserve Account' to 'Revenue Reserve Account' since the financial year 2017-18.

The Bank had given the accounting treatment as per AS-10 and had not routed the same through Profit & Loss Account. However, it did not appropriate 25 per cent of above transferred amount to the statutory reserve as per the requirement of the Banking Regulation Act, 1949.

During 2024-25, the Bank had appropriated ₹15.13 crore (₹7.56 crore for 2024-25 and ₹7.57 crore for 2023-24). This treatment is compliant with both AS-10 and the Banking Regulation Act. However, prior period adjustments amounting to ₹23.94 crore on account of appropriations to statutory reserve as 25 per cent of ₹95.75 crore transferred from Revaluation reserve to General reserves during 2017-18 to 2022-23 were not made in books of account as per requirement of AS-5.

This resulted in understatement of Statutory Reserves by ₹23.94 crore and overstatement of Revenue and Other Reserves to that extent.

B. PROFIT AND LOSS ACCOUNT

B.1 Expenditure

Provisions and Contingencies ₹84851.27 crore

As per the Master Circular issued by RBI (Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances), where there are potential threats for recovery on account of erosion in the value of security, it will not be prudent that such accounts should go through various stages of asset classification and when erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inception as the case may be. Such NPAs may be straightway classified under doubtful category.

As on 31 March 2025, the NPA balances outstanding under credit facilities extended to M/s Goverdhan India Pvt. Ltd was ₹ 4.50 crore. The underlying security was under the purview of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001. Further, the Hon'ble High Court of J&K and Ladakh directed (9 October 2020) that immovable property acquired under Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001 must be retrieved. Consequently, J&K Government declared all the actions taken under Roshni Act as void ab initio and all the mutations done in furtherance of said Act as annulled.

Since the security was not realisable due to adverse legal rulings and State Government orders, the Bank should have considered the NPA as unsecured and 100 percent provision should have been made.

This resulted into understatement of provisions by ₹2.25 crore and overstatement of profits by ₹2.25 crore

C. COMMENTS ON DISCLOSURE

C.1 The Bank had not disclosed its accounting policy with regard to additional provisioning towards balance outstanding in respect of advances covered by any existing or future schemes/guarantees launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and National Credit Guarantee Trustee Company (NCGTC).

C.2 The Bank had made a disclosure in Notes to Account (Schedule 18) on 'Investments stating that for classification measurement and valuation of investments, new guidelines have been followed as per policy mandated by RBI vide its master directions-Classification, valuation and operation of investment portfolio of commercial banks (Directions), 2023 issued on 12 September 2023. On transition to the framework on 1 April 2024, the bank has recognized a net gain of ₹26.31 crore (net of tax of ₹8.85 crore) which has been credited/effectuated to General Reserve. However, the disclosure made by the Bank is incorrect as the gain realized on transition to framework was ₹51.27 crore (net of taxes of ₹17.25 crore).

D. OTHER COMMENTS

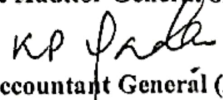
D.1. As per Section 395 read with sub-section (1) of Section 394 of the Companies Act, 2013, where the Central Government is not a member of a Government Company, every State Government which is a member of the Company, or where only one State Government is a member of the Company, that State Government shall cause an Annual Report on the working and affairs of the Company to be:

- (a) prepared within the time specified in sub-section (1) of Section 394; and
- (b) as soon as may be after such preparation, laid before the House or both Houses of the State Legislature together with a copy of the Audit Report and comments upon or supplement to the Audit Report, (made by the Comptroller and Auditor General of India) referred to in sub-section (1) of that section.

Audit observed that the Comment Certificate, which was issued to the Bank by the office of the Principal Accountant General (Audit), Jammu & Kashmir, Jammu on behalf of the Comptroller and Auditors General of India, was not included in its Annual Report 2023-24.

This has resulted in non-compliance of the statutory provisions of Section 395 of the Companies Act 2013.

For and on the behalf of the
Comptroller & Auditor General of India


Principal Accountant General (Audit)