



MESSAGE FROM THE CHAIRMAN TO SHAREHOLDERS

On behalf of the Board of Directors and the Management of Vijaya Bank, it is my pleasure to share with you the progress and performance of the Bank during the financial year 2017-18.

The financial year 2017-18 was the year of economic revival across the globe, as compared to the previous year. During the year, the global market picked up and gained traction. The economic indicators of most of the countries across the globe have shown improvement with strengthening of the fundamentals. According to World Bank, labour market indicators continue to improve across the countries, and roughly two-thirds of countries worldwide experienced stronger growth in 2017, than in the year 2016. The capital flows to emerging markets rose including a rise in cross-border lending and stronger credit growth in both developed and developing economies.

Economic activity in the euro area continued to expand at a solid pace in second half, marking 2017 as one of the best years over a decade, although consumer spending and factory activity slowed down, possibly weighed down by political uncertainty and the strengthening of the currency.

Economic activity continued to expand also in major EMEs. China's economy grew by 6.9 per cent in 2017, against the rate of 6.7 per cent recorded in 2016. In Brazil, economic activity is gaining momentum, driven by higher commodity prices and improved fiscal outlook.

Indian Economy showed mixed response to the policy reforms initiated by the Government during the financial years 2016-17 and 2017-18. During the year, the country witnessed significant policy reform with introduction of GST (Goods and Services Tax) with effect from July 1, 2017. The GST replaced existing multiple cascading taxes levied by the central and state governments.

Though the roll out of GST faced certain operational issues initially, things have improved substantially later.

Manufacturing and trade activities have slowed down following the implementation of GST, which has improved gradually as a result of the Government's initiative to simplify the system with suitable modifications. The disruptions caused by the demonetization scheme that was implemented during FY 2016-17 had spill over effect in FY 2017-18 as well.

The GDP of the country continued to grow from quarter to quarter. The GDP during first quarter of the financial year was at 5.7%, improved to 6.5% during second quarter and further improved to 7.2% during the third quarter of the financial year 2017-18. The Central Statistics Office (CSO) released its second advance estimates for 2017-18, revising India's real Gross Domestic Product (GDP) growth marginally upward to 6.6 per cent from 6.5 per cent in the first advance estimates.

For the banking industry the year 2017-18 was not a year of progression in terms of profitability and overall growth especially for Public Sector Banks. The Macro Economic conditions of the country was not favorable for a strong credit growth. The sector witnessed a steep fall in asset quality with diminishing profitability. During Q3 of FY 2017-18, out of 21 Public Sector Banks, 16 Banks reported Net Losses. This was mainly due to mounting bad loans requiring additional provisioning.

The continuous deterioration in asset quality of the Banks and its profitability compelled the regulatory bodies to take stringent measures to curb the issue. The RBI has put many banks under its PCA frame work based on the poor performance of the Banks on the key parameters. The Government of India has taken key policy measures to improve the health of the Banks. The overall demand for the Bank credit was almost static compared to the previous year.



The performance of Vijaya Bank should be assessed for the financial year 2017-18 in this background. I am happy to share that in the given scenario, your Bank has performed exceedingly well in all the key financial parameters. A well conceived business strategy to grow in safer areas of business and certain proactive measures and greater diligence while dispensing credit could help to keep the bank less affected and remain resilient.

The Bank kept its focus on quality of assets and to increase the business levels in retail business segments. The Bank has taken special care to tap Government Business and private corporate customers with clean financial profile.

The Bank declared a Net Profit of ₹ 727 Crores during the financial year 2017-18. The Operating profit of the Bank increased to ₹ 3098 Crores by registering a growth of 27.95%. The Total Business of the Bank increased to all time high of ₹ 2,75,965 Crores by marking a robust growth of 20.07% on a Y-o-Y basis. The Total Deposits and Advances of the Bank have also witnessed a double digit growth of 18.25% and 22.57% on a Y-o-Y basis which is well above the industry average.

The retail asset book of the bank showed an excellent performance during the year. The mortgage loan of the Bank grew from Rs 357 Crores in March 2017 to Rs 814 Crore in March 2018 by registering a growth of 128.01% on a Y-o-Y basis. Housing Loan segment of the Bank grew by 30.50% on a Y-o-Y basis. The overall Retail Loan Portfolio of the Bank grew by 24.98% on a Y-o-Y basis.

The performance of Bank is highly appreciable considering the turbulence that prevailed in the banking sector during the financial year 2017-18. The Bank has strengthened its recovery process. Due to this, the Banks Gross NPA has improved from 6.59% in March 2017 to 6.34% in March 2018. The Net NPA of the Bank also improved from 4.36% in March 2017

to 4.32% in March 2018. The provisional coverage ratio increased from 58.15% March 2017 to 59.39% in March 2018.

During the year, the Bank has increased its number of branches to 2136 from 2031 branches in the previous year. The Bank has taken efforts to make each of its branches as a profit centre. The ATM strength of the Bank has increased to 2155 from the previous level of 2001 ATMs.

On Digital Banking front, the Bank is always in the forefront to offer latest technology driven banking to its customers. During the year, the Bank has taken many initiatives to capitalize the opportunities in digital banking and to reduce the cost of operation. The Bank has upgraded all its digital channels with latest available version, for which bank has got a very good response from the customers. This has resulted in increased number of active customers in our all digital banking channels. We also simplified all our digital banking applications to make it convenient for customers across all age groups.

The compliance and high standard of corporate governance is the culture of our Bank, which helps us to get quality business.

Considering the overall business growth and profit that bank has made during the Financial Year 2017-18, I am happy to inform you that the Board of Directors of the Bank has recommended for dividend of ₹ 1.20 per share (12%) which has to be approved in the ensuing Annual General Meeting of the Bank.

Looking ahead, the Bank is well equipped to face any challenges in the industry. The domestic and global economy are expected to improve during the year 2018-19 as predicted by IMF. In its Regional Economic Outlook, IMF had mentioned that, Indian economy is expected to grow at 7.4 per cent in the current fiscal and is expected to accelerate further to 7.8 per cent, as it recovers from the impact of demonetisation and



GST roll out. After implementation of various reforms initiated by the Government of India, the Indian economy is set for a higher growth trajectory on the back of a slew of structural reforms. The economy will start getting benefits of Demonetisation and GST initiatives. The Economic Survey predicts that the Indian economy would rebound to grow in the range of 7-7.5% in 2018-19.

The demand for Bank credit will grow significantly targeting a double digit growth which was at 8.4% during FY 2017-18. The Government's initiative to infuse 2.11 trillion to public sector banks will help to strengthen the capital structure of the Banks.

Vijaya Bank has been adopting suitable business strategies to cope up with the challenges that may arise. The Bank is now flexible to adapt to change and respond quickly to the changing macroeconomic conditions. The Bank has fine-tuned its operational capability and increased the delivery capacity. Human resource of the Bank is geared to its optimum level to face the challenges coming from increasing level of competition from different types of Banks. The Bank provides excellent customer service, which is one of the core strength and a critical factor that differentiates the Bank from others. The major business goals and objectives of the Bank are focused on creating a sustainable and profitable business model with greater customer friendly approach adopting latest technological innovations to increase the brand name of the Bank. Going forward, the Bank will continue

to service the society, support various Government initiative for the progress of the Nation and maximize our productivity and profitability to enhance the satisfaction of the various Stake holders.

I am confident that Vijaya Bank will be able to achieve its plans and business goals with concerted efforts being innovative in its approach.

On behalf of the Board of Directors and myself, I would like to express our sincere gratitude and appreciation to the Bank's esteemed shareholders, valued clients and other stakeholders for their continued support and patronage. I would like to take this opportunity to compliment the Management team and the entire staff of the bank for the brilliant performance, hard work with dedication. This would be my last general body meeting as I will be relinquishing my office by August 2018. I carry along with me happy thoughts of my memorable Association with Vijaya Bank. I am confident, Employees of the bank will remain victorious and pray almighty to be with the bank for glorious years ahead.

Last but not the least is to place on record my thanks and appreciation for the enlightened board which added value in every issue with critical inputs and valuable guidance. Every board deliberation was a learning curve and exhibition of highest standard of good governance.

Thank You all .

G. Narayanan
Chairman