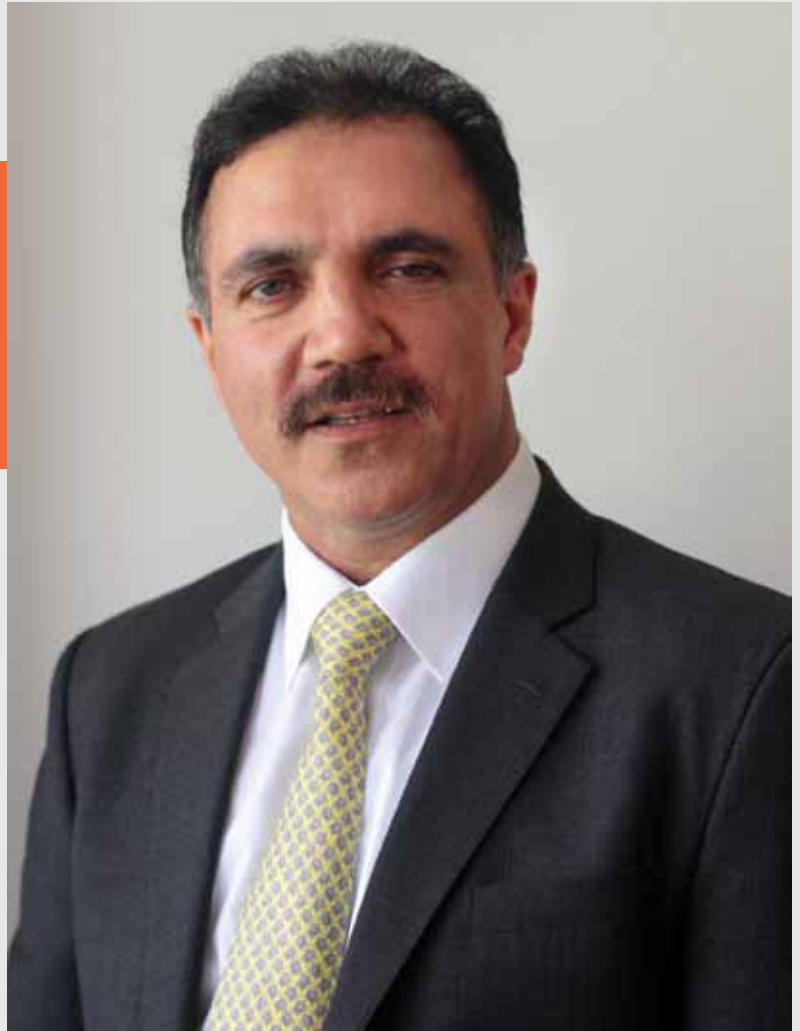


Chairman Speaks

Over the past year and a half, we focused on cleanup and consolidation of our Balance Sheet and I am happy to share that we completed so despite a difficult environment.



Esteemed Shareholders,

It is my honour and pleasure to present the 80th Annual Report for FY 2017-18. Over the past year and a half, we focused on cleanup and consolidation of our Balance sheet and I am happy to share that we completed so despite a difficult environment.

The year 2017-18 witnessed a cautious optimism in banking industry amid uncertainty. The banking industry took some key structural initiatives to build strength across macro-economic parameters for sustainable growth in future. Global growth for 2017-18 is estimated at 3.7 percent; 0.1 percentage point higher than projected.

The good news from the banking industry over the past year is that the pace of down gradation of assets

has been stemmed, pipeline of fresh NPAs reduced, credit off take is seen improving and settlement of NPAs enforced. However, the persistence of bad asset quality in the banking industry, the multi-billion fraud at one of the major PSBs, the looming Prompt Corrective Action (PCA) and Mergers and Acquisitions (M&A) were major challenges faced and are expected to transform the banking landscape in the country. New competitors and shifting economics are fuelling the transformation further.

Technology, on the other hand, is rapidly morphing from an expensive challenge into a potent enabler of both customer experience & effective operations and have moved the products offered by banks away from conventional banking. The launch of "Digital India Campaign" coupled with increasing Internet

connectivity paved way for technological reforms in India. Non-traditional players are challenging the established order primarily through customer-centric innovations. In 2018, we expect the digital transformation to further redefine the Banking Industry offering a very different form of retail banking than what we see today.

For us at J&K Bank, FY 2017-18 brought a challenging last quarter due to revised guidelines of RBI on NPA treatment besides quashing the restructuring schemes leading to some major slippages across the industry. Nevertheless, JK Bank has shown resilience during these overall turbulent times and has registered a profit of Rs 202.72 crore, CASA ration of 50.89%, NIIM of 3.65%, NPA coverage ratio of 65.83%, Net NPA of 4.90% and digital transaction percentage of 48% for FY ended March, 2018.

I am thankful to our promoters, the state government who supported us well during the tough preceding year in the management of rehabilitated portfolio of J&K state with Chief Minister's business interest relief scheme and Reserve Bank of India for allowing us the staggered provisioning for interest capitalized in rehabilitated accounts. The concerted efforts of the staff of your Bank in this challenging environment have resulted in smooth execution of the multi-pronged strategy devised to tide over the difficult times in the bank.

As part of the transformation journey undertaken by your Bank in the year 2017 in consultation with globally reputed Consultants, the organizational structure across full spectrum of activities is being realigned to ensure lucidity of roles and responsibilities, accelerated Retail and SME focus, enhanced customer experience, efficiency by reducing TATs, improved compliance structure, well-defined career path for employees, competence building and specialization etc. This transformation process is expected to catalyze internal synergies and help scale up the business over the next 3-5 years. Our endeavor through this transformation is to be future ready into a modern, efficient, customer focused, digitally driven profitable institution. In addition, your Bank has completed succession planning exercise to successfully steer towards transformation and higher levels of excellence.

In the FY 2018-19, our focus will still be on conservation and augmentation of capital, NPA recovery, containing the slippages especially in the restructured portfolio and strengthening our compliance framework in the Bank. In terms of business expansion, we shall be targeting a decent balance sheet growth driving upon robust credit growth in J&K state where we see huge untapped opportunity in retail credit. The Bank is focusing on customization and offering new customized products in the state, sourcing new retail loans to digital channels by targeting strategic tie up with Government Departments and Institutional customers. For your Bank, 2018 will be a pivotal year in redefining itself into a strategically growing, technologically modern and operationally agile institution. We are determined to maintain market leadership in a rapidly evolving ecosystem.

Notwithstanding the above, I am optimistic that your Bank shall not have to face any untoward environment in the years to come and we will continue to focus on repairing the downgraded asset portfolio and reducing the pipeline of NPAs.

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Dear Shareholders,

Looking ahead, I view your Bank's future with continued optimism and am confident that the Bank will regain and rather surpass its past glory in terms of business numbers. Your support & trust is our prime strength and we hope to receive these along with your encouragement in the future as well.

Parvez Ahmed
Chairman & CEO