The Jammu & Kashmir Bank Limited Corporate Headquarters
M A Road, Srinagar 190001
Kashmir, India
CIN: L65110JK1938SGC000048
T +91 194 248 3775
F +91 194 248 1928
W www.jkbank.net
E: board.sectt@jkbmail.com

Ref:-JKB/BS/F3652/2017/37
Dated: 13th May, 2017

J&K Bank

Board Secretariat

National Stock Exchange of India Ltd
Exchange Plaza 5th Floor
Plot No. C/1 G-Block
Bandra Kurla Complex
Bandra (E) Mumbai - 400 051

The Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers
Dalal street
Mumbai - 400 001

SUB: - PRESS RELEASE ON AUDITED FINANCIAL RESULTS

Dear Sirs

Please find enclosed press release on Audited Financial Results for the Quarter and Financial Year ended 31st March, 2017.

Thanking you

Yours faithfully

For The Jammu & Kashmir Bank Ltd.

(Mohammad Shafi Mir)
Company Secretary

The Jammu & Kashmir Bank Limited Corporate Headquarters
M A Road, Srinagar 190001
Kashmir, India
CIN: L65110JK1938SGC000048
T +91 194 248 3775
F +91 194 248 1928
W www.jkbank.net
E: board.sectt@jkbmail.com

Board Secretariat

J&K Bank

J&K Bank declares March 2017 Results. Worst is over, 2017-18 to be year of turnaround: Chairman

The Jammu and Kashmir Bank declared it's audited financials for the quarter and financial year ended March 2017 on Saturday posting an operating profit of Rs.276.37 Crores for the quarter and Rs.1294.34 Crores for the financial year. The bank however, ended the year with a net loss of Rs. 1632.28 Crores primarily due to provisions made against bad debts to the tune of Rs. 2115.93 Crores. The net NPA of the bank improved by 112 basis points during the period to end at 4.87% and the Net Interest Margin improved to 3.50% from 2.99% reported in last quarter. The total business of the bank crossed Rs 1.22 lac crores registering an increase of Rs. 2700 Crores over the last year.

In line with the guidance given to the market by Mr. Parvez Ahmed on assuming charge as Chairman & CEO of the Bank in October 2016 about consolidation and strengthening of the Bank's Balance Sheet, the focus during the last three quarters has been on reinforcing fundamental strengths which formed the core of the Bank in the yesteryears. Recognition of the stress in the asset book and making adequate provisions therefor which also covered shortage of provisions of previous periods was preferred over reflection of profits.

The strategy of instilling transparency and faith in the system adopted by the new regime by focusing on increased provision coverage of bad debts despite stress on the bottom-line of the Bank in the short-run was fully adhered to. The Chairman & CEO asserted that the system is fairly cleansed now and with the levels of provisions made during the year, balance sheet expansion in a sustainable manner with decent return on the equity will be assured from FY 2018 and onwards. Commenting on the numbers, the Chairman & CEO clarified that the requirement of provisions for incremental NPAs recognized during the year would be substantially less than what the Bank actually provided for during the year. A sizable portion of the total provisions of Rs. 2800 crores (excluding provision for tax) made during the year were necessitated by the shortfall in provisions of previous periods which were the reason for the Bank recording a negative bottom-line for the first-time in a long history. The provision coverage ratio of the Bank as a result of this accelerated provisioning, has improved to 67% after touching a low of 50% in June 2016. The Standard Loan Book and Investment Book of the Bank is mostly high rated and the woes of asset quality issues in this portfolio are assumed to be passe.

The year 2016-17 was unusual in more ways than one and there were several reasons that impacted the business growth of the Bank. The civil unrest for a prolonged period in the J&K State, resource-intensive initiatives of Demonetization and Rehabilitation / Restructuring of loan accounts in J&K and the Bank's conscious decision of consolidation were the reasons for muted business growth. Notwithstanding all

The Jammu & Kashmir Bank Limited Corporate Headquarters
M A Road, Srinagar 190001
Kashmir, India
CIN: L65110JK1938SGC000048
T +91 194 248 3775
F +91 194 248 1928
W www.jkbank.net
E: board.sectt@jkbmail.com

Board Secretariat

J&K Bank

these odds, the Bank recorded deposit growth of 4% and gross advances growth of 2% during the year. Silver linings emerging due to proper liability management and management's decision of non-rollover of high-cost bulk deposits are reflected in CASA ratio of the Bank improving to 51.7% as on March 2017 from 44.1% a year ago though this was partly aided by demonetization. The Bank is operating with a better than industry-average NIM of 3.4% which is bound to improve further going forward. Credit growth of 11% during the fourth quarter is an encouraging sign of growth momentum setting in.

Reorganization and creation of a dedicated Impaired Assets Portfolio Management vertical too has started yielding encouraging results with substantial improvement in reduction/recovery of bad loans to the tune of Rs. 355 crores during the fourth quarter of FY'17 taking the overall reduction/recovery during the year to an unprecedented Rs 800 crores almost double the recovery affected during the previous FY.

Bank's superior franchise in its home state as evidenced by its dominant market share of over 60% in loans and deposits continues and is expected to be reinforced further with adoption of a plan based strategy of outgrowing the market. The state contributes about half of the loan portfolio, 85% of overall deposits and 92% of CASA deposits of the Bank.

The State government being the promoter and major stake holder is committed to support the envisaged growth plans of the Bank by augmenting its capital base. Preferential allotment of equity shares for second tranche of infusion of Rs. 282 Crore by the State Government has already been approved. Proportionate amount of capital raising from public / institutions has also been approved by the Board of Directors of the Bank in addition to raising of Basel III compliant T2 bonds worth Rs. 1000 crore. The capital augmentation through such infusion and envisaged retained earnings over the ensuing periods shall help in complying with the regulatory capital adequacy requirement and support envisioned credit growth.

The Bank has also roped in professional consultants for drawing a medium-term business plan with strategy for achieving the targeted goals, suggesting re-engineering of business processes focusing on improving efficiency and cutting wastages, ensuring high level of regulatory compliances and realigning HR policies to support the business plan achievement. All these initiatives are expected to yield rich dividends and fructify into financial performance worth showcasing.

May 13, 2017