

# Karnataka Bank Ltd.

Your Family Bank, Across India

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CIN : L85110KA1924PLC001128

09.06.2020

## SECRETARIAL DEPARTMENT

HO/SEC/45 /2020-21

To:

1. The Manager

Listing Department

**National Stock Exchange of India Limited**

Exchange Plaza, C-1, Block G

Bandra-Kurla Complex, Bandra (E)

MUMBAI-400 051

2. The General Manager

**BSE Limited**

Corporate Relationship Dept

Phiroze Jeejeebhoy Towers

Dalal Street

MUMBAI-400 001

**Scrip Code: KTKBANK**

**Scrip Code: 532652**

Dear Sir/Madam

**Sub: Disclosure on material events etc. in terms of SEBI Circular referred below.**

**Ref: SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020: Advisory on disclosure of material impact of COVID-19 pandemic on listed entities under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations'/'LODR')**

With reference to the above advisory issued by the SEBI, we furnish below the disclosures for information.

	Item of disclosure	Remarks
1	Impact of the CoVID-19 pandemic on the business	<p>The global economy is confronting with an unprecedented COVID- 19 pandemic which has a rippling effect on the real GDP of all the affected countries. In Indian context, almost all the sectors are impacted due to lock down and the social distancing restrictions, resulting in contraction of demand for banking products /services. The resilience depends on the health &amp; societal factors like disease progression, vaccine development, spending habits, timely availability of labour force etc.</p> <p>In accordance with the regulatory package announced by Reserve Bank of India, we have extended moratorium for all standard loans outstanding as on February 29, 2020 from payment of instalments falling due between March 1, 2020 and August 31, 2020. So far borrowers consisting of about 34.67% by numbers and 46.62% by value (i.e. loan amount) have opted for Moratorium benefits even though the said facility was extended</p>

	Item of disclosure	Remarks
		<p>to all the eligible borrowers.</p> <p>Accordingly the repayment schedule for such loans as also the residual tenor will be shifted across the board with an asset classification standstill clause. The interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period. Similarly on working capital facilities which are standard as on February 29, 2020, deferment of interest falling due from March 1, 2020 and August 31, 2020 has been extended. The accumulated interest for the deferment period are eligible to be converted into a funded interest term loan (FITL) which shall be repayable not later than March 31, 2021 as per the extant guidelines. Hence loan book may not suffer. Further on account of economic slowdown across the sectors, banking business is also likely to be at a low profile during the first half of current FY and thereafter likely to bounce back depending on the Govt packages, economic stimulus, calibrated response of the regulators, State Governments etc. Accordingly, Karnataka Bank also expects a moderate growth in banking business during the second half of current FY.</p>
2	<p>Ability to maintain operations including the factories/ units/ office spaces functioning and closed down</p> <p>Schedule, if any, for restarting the operations</p>	<p>At present all our branches/ATMs/e-Lobbies (except those in sealed down areas which is a temporary phenomenon) are functional in spite of challenging environment posed by the outbreak of COVID-19 pandemic. Further all our digital channels are functioning 24x7 and customer services are not affected.</p>
3	<p>Steps taken to ensure smooth functioning of operations</p>	<p>Duly adhering to the guidelines issued by Ministry of Home Affairs, RBI, Indian Bank's Association, SLBC and local District Administration, branches are functioning by providing the essential banking services. A Quick Response Team is also constituted at Head Office and is monitoring the COVID-19 pandemic related issues continuously. As part of business continuity plan, staff attended duty on staggering schedule, top officials were relocated in different office / geographic locations. Work from home practice was adopted for select back office functions / section of IT team by ensuring secured means of access. Customers were encouraged to use digital channels for basic banking operations to certain extent going forward. As such operations are smooth.</p>

	<b>Item of disclosure</b>	<b>Remarks</b>
4	Estimation of the future impact of COVID-19 on its operations	Banking operations continued as normal during lock down period and no significant impact on banking operations is foreseen in future. However, the intensity and spread of the disease and ability of our borrowers to resume their business /industrial activities may affect their repayment capacity which in turn results in deterioration of assets quality or increase in stress levels which cannot be quantified now. Inspite of adhering to all advisories, chances of our front office staff members getting infected for COVID-19 cannot be ruled out which may have a small impact on our operations going forward.
5	Impact of COVID-19 on listed entity's - capital and financial resources	As one of the capital conservation measures, as per RBI circular DOR.BP.BC.No.64/21.02.067/2019-20 dt.17.4.2020, dividend pay outs would not be made from the profits pertaining to the financial year ended March 31, 2020 till further instructions. Further the Bank has already initiated various capital /cost conserving measures and is already in "conserve and consolidate" mode. The Bank is adequately capitalized and the financial resources are found optimum to support its business growth.
6	Impact of COVID-19 on listed entity's profitability	Due to subdued business environment the demand for credit may be muted initially thus affecting the top line of the Bank which has already been factored into while drawing the business plan for the current financial year. Additional provision of 10% to be maintained in respect of loan assets where asset classification benefits is taken is already frontloaded in the Q4FY20 results. Further prolonged lockdown coupled with subdued economic activities may have an adverse impact on repayment of loans and assets quality which are being closely monitored at our end as of now.
7	Impact of COVID-19 on listed entity's liquidity position	Impact of COVID-19 on liquidity of banking sector is minimised through various liquidity management tools by the RBI. Bank's liquidity position (both short term and long term) is adequate with compliance of regulatory prescriptions. Bank has a continuous process of monitoring the liquidity position including 'stress testing' to ensure that adequate liquidity is available for normal banking operations. As on March 2020, Liquidity Coverage Ratio was 218.74% (prov) as against minimum 100% and Net Stable Funding Ratio was 102.82% (prov) as against minimum 100% prescribed by the RBI. As on 28.5.2020, LCR was 236.31% as against minimum 80% prescribed by the RBI.
8	Impact of COVID-19 on listed entity's ability to service debt	There is no material impact of COVID on bank's ability to service the debt and other financing arrangements. Bank has adequate liquidity to meet the same.

	Item of disclosure	Remarks
	and other financing arrangements	
9	Impact of COVID-19 on listed entity's assets	The RBI's COVID -19 regulatory package announced on 27.3.2020, 17.4.2020 and 23.5.2020 for moratorium of instalment of Term Loans and deferment of interest on Working Capital Facilities, easing of working capital financing for all standard accounts as on 29 <sup>th</sup> February 2020 and asset classification stand still clause may result in postponement of stress and delayed initiation of resolution plans in respect of stressed accounts. However, prolonged lockdown with subdued economic activities may have an adverse impact on loan repayment and assets quality. Further no adverse effect is foreseen on the fixed assets of the Bank.
10	Impact of COVID-19 on listed entity's internal financial reporting and control	The internal financial reporting and control is not likely to get material impact in view of various centralised systems and effective offsite monitoring arrangements in place.
11	Impact of COVID-19 on listed entity's supply chain	Considering the nature of business the impact is not material.
12	Impact of COVID-19 on listed entity's demand for its products/services	With overall subdued domestic growth prospects and volatile purchasing power with individuals, demand for banking products / services may remain comparatively low. Branch banking channel may see lower traction whereas digital channels may experience increased traction. Demand for digital services/products and demand for Insurance products could show better traction.
13	Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business	Core banking activities are carried on by bank's internal staff. External support services are availed in limited areas. Hence, no significant / material impact on bank's business even though ATM service facility is outsourced effective BCP is ensured.

For your kind information and records.

Thank You,  
Yours faithfully,

  
Prasanna Patil  
COMPANY SECRETARY