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Independent Auditor's Review Report on Unaudited Quarterly Financial Results of The Karur Vysya Bank Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

To the Board of Directors of The Karur Vysya Bank Limited

1. We have reviewed the accompanying statement of unaudited financial results ('the Statement') of The Karur Vysya Bank Limited ('the Bank') for the quarter ended 30 June 2020, being submitted by the Bank pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including relevant circulars issued by the SEBI from time to time, except for the disclosures relating to Pillar 3 disclosure as at 30 June 2020, including leverage ratio and liquidity coverage ratio under Basel III Capital Regulations, as have been disclosed on the Bank's website and in respect of which a link has been provided in the Statement, and have not been reviewed by us.
2. The Statement, which is the responsibility of the Bank's management and has been approved by the Bank's Board of Directors, has been prepared in accordance with the accounting principles laid down in Accounting Standard 25, Interim Financial Reporting ('AS 25'), prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India ('the RBI') from time to time ('the RBI guidelines'), and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing specified under section 143(10) of the Companies Act, 2013, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandiook & Co LLP is registered with limited liability with identification number AAC-2085 and its registered office at L-41 Connaught Circus, New Delhi, 110001, India

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4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the accounting principles laid down in AS 25 prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), the RBI guidelines, and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including the manner in which it is to be disclosed, or that it contains any material misstatement, or that it has not been prepared in accordance with the relevant prudential norms issued by the RBI in respect of income recognition, asset classification, provisioning and other related matters, except for the disclosures relating to Pillar 3 disclosure as at 30 June 2020, including leverage ratio and liquidity coverage ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Statement and have not been reviewed by us, or that it contains any material misstatement.
5. We draw attention to Note 7 of the accompanying Statement, which describes the uncertainties due to the outbreak of COVID-19 and management's evaluation of its impact on the operations of the Bank. In view of these uncertainties, the impact on the Bank's financial results is significantly dependent on future developments. Our conclusion is not modified in respect of the above matter.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm Registration No: 001076N/N500013

Krishnakumar Ananthasivan

Partner

Membership No. 206229

UDIN No. 20206229AAAACS3688



Place: Kochi

Date: 30 July 2020

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30th JUNE 2020

Particulars	Quarter ended			Year ended
	30-06-2020	31-03-2020	30-06-2019	31-03-2020
	Unaudited	Audited (Refer note 1 below)	Unaudited	Audited
1. Interest earned (a+b+c+d)	137610	145616	149253	598998
a) Interest / discount on advances / bills	111211	114395	117550	466505
b) Income on investments	24135	27552	28213	114967
c) Interest on balances with Reserve Bank of India & other interbank funds	2088	2935	3246	14076
d) Other interest	176	734	244	3450
2. Other income (Refer note 5 below)	31713	34699	26984	115462
3. Total income (1+2)	169323	180315	176237	714460
4. Interest expended	81426	86568	90856	364204
5. Operating expenses (i+ii)	40509	43764	40868	174171
(i) Employees cost	21364	21442	20375	85665
(ii) Other operating expenses	19145	22322	20493	88506
6. Total expenditure (excluding provisions and contingencies) (4+5)	121935	130332	131724	538375
7. Operating profit (before provisions and contingencies) (3-6)	47388	49983	44513	176085
8. Provisions (other than tax) and contingencies	33757	42927	32997	148867
9. Exceptional items	-	-	-	-
10. Profit from ordinary activities before tax (7-8-9)	13631	7056	11516	27218
11. Tax expense	3081	(1314)	4224	3716
12. Net profit from ordinary activities after tax (10-11)	10550	8370	7292	23502
13. Extraordinary items (net of tax expense)	-	-	-	-
14. Net profit for the period (12-13)	10550	8370	7292	23502


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CIN : L65110TN1916PLC001295
GSTIN : 33AAACT3373J1ZD



Particulars	(Rs. in lakh)			
	Quarter ended			Year ended
	30-06-2020	31-03-2020	30-06-2019	31-03-2020
	Unaudited	Audited (Refer note 1 below)	Unaudited	Audited
15. Paid-up equity share capital (FV Rs.2/- per share)	15986	15986	15986	15986
16. Reserves excluding revaluation reserve				644041
17. Analytical ratios				
(i) % of shares held by Government of India	-	-	-	-
(ii) Capital adequacy ratio - Basel III (%)	18.14	17.17	15.99	17.17
(iii) Earnings per share (EPS)^ (Rs.)				
a) Basic EPS before and after extraordinary items	1.32	1.05	0.91	2.94
b) Diluted EPS before and after extraordinary items	1.32	1.05	0.91	2.94
(iv) NPA ratios				
a) Gross NPA	405566	421277	451083	421277
b) Net NPA	158523	180865	232177	180865
c) % of Gross NPA	8.34	8.68	9.17	8.68
d) % of Net NPA	3.44	3.92	4.94	3.92
(v) Return on asset (annualised) (%)	0.59	0.46	0.40	0.32

^ EPS not annualised for the quarter.



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SEGMENT REPORTING FOR THE QUARTER ENDED 30th JUNE 2020

Business Segments	(Rs. in lakh)			
	Quarter ended			Year ended
	30-06-2020	31-03-2020	30-06-2019	31-03-2020
	Unaudited	Audited (Refer note 1 below)	Unaudited	Audited
Segment revenue				
1. Treasury	44546	45183	39103	166896
2. Corporate/Wholesale banking	31426	37104	38375	150547
3. Retail banking	92980	97044	98133	393881
4. Other banking operations	371	984	626	3136
Total	169323	180315	176237	714460
Segment results				
1. Treasury	19815	19067	14062	57825
2. Corporate/Wholesale banking	7991	10352	10294	39259
3. Retail banking	24785	26175	25944	102577
4. Other banking operations	291	867	555	2760
Total	52882	56461	50855	202421
Less: Unallocated expenses (net)	5494	6478	6342	26336
Operating profit	47388	49983	44513	176085
Tax expense	3081	(1314)	4224	3716
Other provisions	33757	42927	32997	148867
Net profit from ordinary activities	10550	8370	7292	23502
Extraordinary items	-	-	-	-
Net profit	10550	8370	7292	23502
Segment assets				
1. Treasury	1855302	1738669	1981001	1738669
2. Corporate/Wholesale banking	1136483	1213077	1298149	1213077
3. Retail banking	3476616	3396734	3400072	3396734
4. Other banking operations	-	-	-	-
5. Unallocated	469631	479337	562281	479337
Total segment assets	6938032	6827817	7241503	6827817



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Business Segments	(Rs. in lakh)			
	Quarter ended			Year ended
	30-06-2020	31-03-2020	30-06-2019	31-03-2020
	Unaudited	Audited (Refer note 1 below)	Unaudited	Audited
Segment liabilities				
1. Treasury	1695202	1607550	1909375	1607550
2. Corporate/Wholesale banking	1022297	1087141	1155811	1087141
3. Retail banking	3127431	3043627	3026510	3043627
4. Other banking operations	-	-	-	-
5. Unallocated	422525	429472	500228	429472
Total (a)	6267455	6167790	6591924	6167790
Capital employed (Segment assets - Segment liabilities)				
1. Treasury	160100	131119	71626	131119
2. Corporate/Wholesale banking	114186	125936	142338	125936
3. Retail banking	349185	353107	373562	353107
4. Other banking operations	-	-	-	-
5. Unallocated	47106	49865	62053	49865
Total (b)	670577	660027	649579	660027
Total segment liabilities (a+b)	6938032	6827817	7241503	6827817

For the above segment reporting, the reportable segments are identified into Treasury, Corporate/Wholesale banking, Retail banking and other banking operations in compliance with RBI guidelines. The Bank operates only in India.

Notes:

1. The figures for the quarter ended 31st March 2020 are the balancing figures between audited financial year ended 31st March 2020 and unaudited published figures for nine months ended 31st December 2019.
2. The above financial results for the quarter ended 30th June 2020 have been reviewed by the Audit Committee of the Board and approved by the Board of Directors at the meeting held on 30th July 2020. The same have been subjected to limited review by the Statutory Central Auditors of the Bank in line with the guidelines issued by Reserve Bank of India and as per listing agreement with the stock exchange.



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3. There has been no change in the accounting policies followed in the preparation of these financial results for the quarter ended 30th June 2020, as compared to those followed in the financial statements for the year ended 31st March 2020.
4. The bank has made provisions in accordance with Reserve Bank of India guidelines, for loan losses and depreciation on investments, standard advances, restructured advances, exposures to entities with unhedged foreign currency exposure, taxes on income and other usual and necessary provisions. Provision for employees' retirement benefits viz. pension, gratuity and leave encashment has been made based on actuarial valuation.
5. Other income includes fees earned from providing services to customers, commission from non-fund based banking activities, earnings from foreign exchange transactions, selling third party products, profit on sale of investments (net), recoveries from advances written off, profit on bullion business etc.
6. In accordance with RBI circular DBOD.No.BPBC.1/21.06.201/2015-16 dated 1st July 2015, read together with RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March 2015, Banks are required to make Pillar 3 disclosures under Basel III capital regulations. Accordingly, Pillar 3 disclosures under Basel III capital regulations have been made available on the Bank's website at the following link <https://www.kvb.co.in/about-us/disclosures/disclosures-pillar-III/>. These disclosures have not been subjected to review by the Statutory Central Auditors.
7. COVID-19 pandemic has caused a significant impact and volatility in the global and domestic financial markets and economic activities. Government of India had announced a series of lock-down measures beginning 24th March 2020 which has been extended from time to time, in order to limit the spread of the pandemic across India. The Government has since announced a phased re-opening / resumption of notified business activities, which will be based on the guidelines issued by the various states. These measures, undertaken to contain the spread of the pandemic has led to a slow-down in economic activities, are likely to impact the Bank's operations and results; the severity of the impact will depend on future developments, which are highly uncertain at present, as well as the measures undertaken to mitigate the same.

'COVID-19 Regulatory Package' announced by RBI vide circular DOR.No.BP.BC.72/21.04.048/2019-20 dated 23rd May 2020 read with circulars DOR.No.BP.BC.63/21.04.048/2019-20 dated 17th April 2020 and DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March 2020 has envisaged granting of various relief measures to the borrowers whose accounts were classified as Standard Assets as on 29th February 2020.



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Accordingly, Board has approved a policy for implementation of the said package, including, inter-alia, grant of moratorium on the payment of installments and / or deferment of interest falling due between 1st March 2020 and 31st August 2020 (extended from 31st May 2020) as well as relaxation of certain other parameters, to eligible borrowers. The moratorium period / benefits, wherever granted, shall be excluded for the purpose of asset classification as per Income Recognition and Asset Classification norms.

Bank is required to make additional provision @ 10%, over two quarters beginning with quarter ending 31st March 2020, in respect of such borrowers whose accounts, though classified as Standard, would have become non-performing but for these benefits / relaxations. The Bank had made provision of Rs. 19.50 crore towards the accounts which would have been otherwise non-performing during the previous quarter ended 31st March 2020. Further, during the current quarter ended 30th June 2020, Bank has made provision of Rs. 69.39 crore (net) in respect of such borrowers, whose accounts would have been otherwise non-performing in the said quarter, as per RBI guidelines. The aggregate provision held for COVID-19 thus stands at Rs. 120.01 crore as on 30th June 2020, including an additional provision of Rs. 31.12 crore made during the current quarter. The provision made by the Bank is more than the requirement as per RBI guidelines dated 17th April 2020.

8. Pursuant to the Memorandum of Understanding dated 22nd July 2020 entered into between Indian Banks' Association and Workmen Unions and Officers' Associations, the Bank has assessed the impact of proposed wage revision and has created an additional provision of Rs. 22.75 crore during the current quarter, pending finalization of bipartite settlement.
9. Provision Coverage Ratio as on 30th June 2020, calculated as per the guidelines of Reserve Bank of India, is 72.74% (previous year 59.05%).
10. Previous period / year's figures have been re-classified / regrouped wherever considered necessary to confirm to the current period / year's classification.

Place: Mumbai
Date : 30th July 2020



For and on behalf of Board of Directors

B. Ramesh Babu
MD & CEO



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