

COVID-19 BUSINESS IMPACT REPORT

COVID-19 impact reporting framework is a voluntary format to disclose the business impact due to the outbreak – the Bank’s response to the situation – and the expected future outcomes. The framework broadly covers work force protection, impact assessment on the Banking services, customer engagement and financial stress. This reporting framework also covers disclosures in tune with the Securities and Exchange Board of India Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 on Advisory on disclosure of material impact of COVID-19 pandemic on listed entities under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable in the Bank’s case is given below:



MANAGEMENT TEAM / TASK FORCE

Multiple Business Continuity Plan (BCP) meetings were conducted from Mar 11, 2020 onwards at regular intervals to discuss on BCP plan for preparedness of COVID-19. The developments were/are reviewed at Executive Committee (EXCO) on a regular basis and EXCO acts as the quick response team in this regard.

All Board and other Committee meetings were conducted via digital platforms (WebEx). Earlier the conducting of all the meetings via digital platform was given as an option on request basis, but now it has been made the common medium for conducting all Board level meetings.

WORKFORCE PROTECTION



Initial actions

Policies and actions Incl. prevention and incident response, cancelation of travel, conferences, meetings.

Immediately after the Prime Minister, Shri. Narendra Modi announcing the complete lockdown in the country, the Bank though included in the “essential services list”, limited the number of staff attending the HO/ branch/other office operations, engaging the method of ‘staggering’ work shifts. Temporary transfer orders were also issued for individual employees to put their services at the nearest branch. All employees were instructed to ensuring effective implementation of lockdown period guidelines such as individual and work place sanitisation, wearing mask as well as ensuring that all customers are adhering to the guidelines. All the outstation and branch meetings were cancelled. Fumigation of all the Bank’s branches/offices was meticulously carried out on an ongoing basis, at periodical intervals.

All the meetings including internal staff meetings were also conducted continuously via video conferencing (WebEx) and phone calls.

Two Way Communication with employees

Multi – channel communications used, confidential reporting mechanism if any, information sources

The Bank issued few important and mandatory circulars through email, WhatsApp and internal report platform on

the operational, policy and safety procedures required during the outbreak, based on circulars/ notices issued by RBI/Government/local authorities. Aarogya Setu a mobile application developed by the Government of India to connect essential health services with the people of India in its combined fight against COVID-19, was made mandatory for all employees, both government and private. The Bank advised all staff members to download the Aarogya Setu mobile App in their smart phones. Telecommunication facilities such as voice and video conferencing were widely used among the staff and management for seamless communication on various safety and operational aspects.

Work from Home

Many of the staff members worked from home during the lock down, continuing office work without



Bank announced an Incentive to staff members working in branches/ administrative offices, during the lockdown period and paid ₹174.38 lakh to 2035 employees Pan India for the period from 30-03-2020 to 14-04-2020

interruption. The Bank provided a number of VPN connections for accessing CBS, IT, Treasury, CPC, Service branch and for some of the business executives also. VPN was provided to personal laptop users also and to ensure the security, IS team got into tie-up with Trend Micro AV and EDR solution and subscribed for the required number of user licences and VPN access was provided only if personal laptop users installed Trend AV & EDR Solutions. Necessary security features were enabled to provide secure VPN connection as device binding, Two Factor Authentication and close monitoring of VPN users through SOC. To facilitate uninterrupted technology support and to provide total data security, the Bank's SOC team worked 24x7.

Facility & Onsite Norms

Staggering work shifts, times prevention social distancing

Branches/ Offices functioned with minimum possible staff strength. Staggering work shifts was provided to employees. Work from Home facility was arranged to

some employees in administrative offices. The Bank advised branches to take precautionary measures like use of sanitizers, masks, etc.

Remuneration

Any changes, deviation in the existing remuneration

Bank continued paying all employees remuneration, as per their existing pay scales, throughout.

Incentives

Further, the Bank also announced an Incentive to Staff Members working in Bank's branches/ administrative offices, during the lockdown period and paid ₹174.38 lakh to 2035 employees Pan India for the period from 30-03-2020 to 14-04-2020.

Retrenchment

Employees, contract workers

During the lockdown period, no employees / contract workers were retrenched.

Overall Impact on Human Resources

(With respect to people only)

Time line	No Impact	Moderate Impact	High Impact
Immediate impact (First 3 months)	N.A.	Bank branches had to function with minimum number of staff. Some Branches/Offices had to close due to Government Restrictions at different places. During initial lockdown period, some branches had to function in reduced business hours.	Nil
Expected Mid Term Impact 4 th to 9 months)	N.A.	Future disruption in the activity of key job functions which require technology and systems that are only available on the premises. Therefore, employee productivity may be expected to decline, but not materially. Sales personnel unable to meet prospective customers, thereby not meeting expected additional business. Enhanced usage of on-line electronic mode of transactions, will educate the customers thereby reducing personnel requirement at branch to a small extent. Employees unable to attend duty were asked to submit once in a year disassociation leave for the period and the resultant reduction of leave will reduce the provisioning requirement.	Nil
Expected long term beyond 9 months	N.A.	Might result in overall business not growing to the desired level.	Nil

CUSTOMER ENGAGEMENT



Customers accustomed to branch banking faced problems for making their regular routine transactions. As many customers were depending on digital banking, daily transaction limits in Internet/ Mobile were enhanced. Customers faced shortage of cash in a few of the ATMs. BCP for Call Centre of the Bank could not function effectively as many of the team members could not come for work.

Communication with customers

There has been a major impact unleashed by the COVID-19 outbreak on the financial services industry world-wide, especially on Banks. To efficiently handle the crisis and ensure seamless delivery of essential banking services, the Bank has identified the need to address its response suitably, immediate, short, and medium-term.

The effort has been to engage with customers and allay their apprehensions. The communication at all levels has been made to assure continuity of services in the face of an unprecedented situation and in tandem with the ever changing issues arising out of the present crisis. The business continuity plan has taken in the newly unfolded scenario. The focus has been on ensuring continuity in the face of the extreme situation like the current one. Hence, the Bank has addressed the developments to the shifting scenario.

The customers of the Bank were using hi-tech products like Net-Banking, Mobile Banking, ATMs and POS provided by the Bank to execute banking transactions during the outbreak and lockdown. The Bank communicated with customers through emails, SMS messages and or all urgent / critical issues on phone.

Customer interest protection

Global travel restrictions, nation-wide lockdown, surge in call and data traffic, tightening of liquidity, have been the prime concerns of the Bank. Resetting working hours in accordance with the local situation and restrictions placed has been implemented. This was supplemented by limiting the number of staff engaged to prevent mass exposure and rotating their working days. Care has been taken by the Bank to ensure workforce continuity. It has been recognized that the present challenges will test the efficiency of the Bank. Business continuity plans have been reaffirmed to ensure ability to deliver seamlessly in the coming days. Issues faced by customers and employees have been mapped. The view takes into consideration, enabling agile delivery models to successfully handle the continuing impact. The customers of the Bank were provided uninterrupted service, basically 24/7 service. Some customers were provided doorstep banking facility. Some of the corporate customers were provided with Virtual Private Network connectivity, which provided them with the flexibility of operating their Bank accounts from their office desks, for high value transactions without any compromise on security.

Any New products / services

New Products:

1. **Akshaya Gold Credit Line** - a unique, digitally enabled and customer centric product is rolled out to monetize the domestic gold reserves of middle and upper class of population who do not use gold loan as a primary credit option. It ensures 24x7 funds availability to any customer, who needs funds –either in an emergency or for just running their business, through a pre-approved credit line against gold ornaments parked with the Bank.
2. **CSB COVID RELIEF LOAN** - In order to help the existing borrowers of the Bank and as permitted by RBI, to tide over the economic fallout and manage the liquidity problems caused by COVID – 19, a new product has been launched namely 'CSB COVID RELIEF LOAN'. The loan amount is carved out from the existing working capital gap by reducing the stipulated margin on stock and receivables to 10% and 25% respectively (as against the Bank's usual requirement of 25% and 40% respectively). The Bank further has granted moratorium of six months on payment of all instalments falling due between 01.03.2020 and 31.08.2020, across the board for all borrowers. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by six months after the moratorium period. Moratorium will be extended to all standard accounts including those classified as SMA as on 29.02.2020.

Services:

- a. All loan related customers were allowed moratorium for the payment of instalment and



In order to help the existing borrowers of the Bank and as permitted by RBI, to tide over the economic fallout and manage the liquidity problems caused by COVID – 19, a new product has been launched namely 'CSB COVID RELIEF LOAN'

interest falling due between 1st March 2020 and 31st August, 2020. Customer needs to pay the interest for the utilised portion only and it can be used through any digital transactions.

- b. To avoid people's movement during the lock down and to facilitate to meet their immediate financial requirements, the Bank introduced door step banking. Bank's team members extended the banking service at the customers' door step.
- c. Deferred interest on the working capital loans will be converted into Funded Interest Term Loan (FITL) and further time up to March 2021 will be allowed, which will facilitate the customers from sudden repayment pressure after moratorium. The deferred term loan instalments including interest will be re-fixed as payable over the extended tenor.

Impact / Expected impact on fresh loans and instalments / recovery:

- a. New Covid loan had facilitated the Bank's existing customers to meet their immediate requirements, which had facilitated the customers to serve their employees also by paying salaries, etc.
- b. New gold loan product facilitated social distancing, reduced the personal contacts and visit of the customer to branch ; at the same time, it facilitates them by meeting all their requirements through digital mode like net banking, mobile banking, ATM etc.
- c. Door step banking had facilitated the customers to meet their requirements on their call and also protected them from exposure to COVID impact.
- d. Recovery to normalcy has started gradually and the moratorium period has facilitated the customers to reduce their irregularities and to commence afresh from September 1st.
- e. SMA / stressed account numbers have come down substantially.
- f. Most of the customers realised the cost impact on loans availed / moratorium and continued to service the loans as much as possible to reduce the liability, though moratorium is allowed. It has reduced the number and volume of stressed account position of the Bank substantially.

Digital transactions

Against the backdrop of branch banking facing challenges after the COVID 19 outbreak/ lockdown the Bank commenced its renewed campaign for usage of Digital Banking via; (a) CSB Website (b) SMS/ Emails and (c) Social Media- WhatsApp. Resultantly, the digital transactions increased after the lockdown.

Branches continued to contact HNI customers and enquired whether any support required. Also branches were contacting customers to help them activate online channels.

Weekly awareness communications were sent (SMS/ Mailer's) to customers on using bank's Digital Channels- Internet/Mobile /UPI .Online Links for self-activating/ resetting Passwords/ mPin were also shared.

For convenience of the customers, the Bank has enhanced the Internet/ Mobile Banking limits. Customers can now transact using Digital Products for a higher limit without depending on branch banking.

On account of lock down, the Bank had given higher limit discretion to ATM linked branches, basis their zonal heads approval.

Ongoing/Future digital plans

On account of COVID-19, customers were not able to receive the physical passwords/mPin for activating Internet/Mobile Banking. In order to ensure that customer receives his Net/Mobile banking credentials online, the Bank proposed online PIN generation option for Internet/Mobile Banking Passwords/ mPin to the registered mail ID of the customer with a password protected file & authentication to be done via OTP.

WhatsApp Banking

Bank will soon go live with WhatsApp banking which is new in industry. The same will help customers to get answer for their non-financial queries and balance enquiries.

Branch Expansion

The Bank has a Board approved plan of opening 101 branches, which is expected to be completed by the end of first half of fiscal 2021. This will in turn generate further staff recruitments.

FINANCIAL STRESS

Revenue Loss if any during and expected after lockdown

Banks entire strategy is geared to ensure that there is sequential growth in revenue. Being a niche player with minuscule market share with a focused strategy will ensure smooth sailing regardless of macroeconomic headwinds.

Financial Impact on various parameters:

Item	Present and Immediate Impact
Net interest income	Bank had participated in the LTRO programme of RBI, wherein the Bank received funds at repo rate and is in the process of investing the same in high yielding investments. In FY 20, the Bank's Gold loan portfolio has increased 28% in comparison to last year and expects almost a similar growth in current year.
Other income	Processing fee is the major component of Bank's other income which is expected to be high in FY 21 as the Bank has launched MSME vertical & planning to extend two wheeler vertical presence in other geographies. Treasury profits are also expected to be at higher level due to the decrease in G sec yields.
Impact on margins	No material adverse effect is expected in the margin as the Bank has enough scope on improving credit deposit ratio and the thrust segments for growth on asset side is interest rate in elastic segments.
EMI Moratorium & Gross NPA	Effect of lifting of moratorium will be visible only in the second half of FY21, as on 31.05.2020, 15% of clients & 28% of portfolio have availed the moratorium and their repayment behaviour will depend on a large extent on the overall economic revival.
Renegotiations with clients & Cost Escalation if any	Staff cost is the major component of opex and significant portion of this is driven by DA changes, which is linked to CPI (IW).As the CPI (IW) is expected to be in downward trajectory in FY21 due to expected slump in aggregate demand due to the Covid outbreak, the Bank does not expect significant increase in total employee cost. Other opex may increase as the Bank is going for branch expansion and this is independent of Covid situation. In the case of existing branches, the Bank is renegotiating with landlords for possible rent reduction.

Liquidity position /Cash availability to sustain in case of continued business disruptions

The Bank continues to maintain its sound liquidity position post capital infusion. Two major indicators of liquidity are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank's LCR and NSFR position as at 31st March, 2020 stood at 245 % and 163.67 % respectively and they are above the Regulatory requirement of 100 %.

The Bank has assessed the future liquidity plans in the light of RBI COVID - 19 relief packages and additional measures introduced to boost liquidity in the economy. The Bank has in its armour adequate net lendable surplus to meet the business requirements in the First quarter of 2020-21.

The Bank has also initiated action plans to facilitate self-funding of advances from respective loan verticals.

Overall Expected Impact on Business:

Item	Impact
As on March 31, 2020	As per 'COVID-19 Regulatory Package' announced by the RBI as on 31.03.2020, ₹1,62,81.541/- has been provided for accounts for which, asset classification benefit was extended.
Immediate impact (First 3 months)	Even in normal times, the first quarter is a period of lull for business growth in banks. Despite this the deposit portfolio of the bank has grown significantly so far. Gold Loans, Loans to Agri & MFI, MSME and Two wheelers are also on the upward trajectory.
Expected Mid Term Impact (4 to 9 months)	Not much change is expected in the mid term
Expected Long term (Beyond 9 months)	In the long term as the moratorium ends, some stress on SME book is expected. But in the Bank's view, it will be manageable.

KEY HIGHLIGHTS

In FY 20, the Bank's gold loan portfolio has increased 28% in comparison to last year and expects almost a similar growth in current year.

No material adverse effect is expected in the margin as the Bank has enough scope on improving credit deposit ratio and the thrust segments for growth on asset side is interest rate in elastic segments.

Bank does not expect significant increase in total employee cost. Other opex may increase as the Bank is going for branch expansion and this is independent of Covid situation. In the case of existing branches, the Bank is renegotiating with landlords for possible rent reduction.

The Bank has in its armour adequate net lendable surplus to meet the business requirements in the first quarter of 2020-21.

The Bank has also initiated action plans to facilitate self-funding of advances from respective loan verticals.

Risk Factors

Effect of lifting of moratorium will be visible only in the second half of FY21, as on 31.05.2020, 15% of clients & 28% of portfolio have availed the moratorium and their repayment behaviour will depend on a large extent on the overall economic revival.

CREDIT QUALITY

COVID-19 would adversely result in cash flows of households and business entities and is expected to result in financial stress in borrowers under retail, SME and corporate portfolio. Debt servicing of borrowers enjoying working capital and term loan facilities are likely to be affected since there are pressure from both supply and demand side. To circumvent with this situation Monetary Policy committee of Reserve Bank of India, in its seventh bi monthly policy statement, sets out various developmental and regulatory policies that directly address the stress in financial conditions caused by COVID-19. One of the key decision taken by RBI is easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital finance. Accordingly, RBI has issued COVID-19 regulatory package advising various relief measures to be adopted by Banks and financial institutions, to enable the borrowers to tide over the economic fallout from COVID-19.

The moratorium may provide immediate relief to the borrowers to tide over the disruptions caused by the COVID-19 pandemic. However, their loan servicing burden will increase significantly in the days to come when the deferred instalments / interest falls due for payment. The disruption of economic activities on account of the lockdown may further intensify asset quality deterioration.

The Bank has issued circular to adopt in line with RBI directions, in the following matters:

1. Rescheduling of Payments – Term Loans and Working Capital Facilities
2. Easing of Working Capital Financing
3. Asset Classification
4. Provisioning Norms

OPERATIONS & CONTROLS

Item	Current	Expected	Innovations for streamlining
Service branch	There was no dip in NACH transactions, however cheque transactions reduced by almost 60%.	Cheque transactions volumes will gradually pick up once lockdown is lifted, totally.	Clearing process as on date is fully outsourced, as this was Pan India issue, vendor had invoked 'Force Majeure' clause, however continued to support with Bank staff help. In order to ensure social and physical distancing, staff roster was introduced to handle Inward and Outward Clearing.
Service Branch - NACH Processing	There has been no change in NACH transactions (as they are pre-registered)	NACH transaction levels are stable	Mumbai/Chennai Service branches managed NACH processing – The Bank was able to get the team to work from home at Chennai and Mumbai to manage the volumes. Chennai was also the Disaster Recovery site for Mumbai and Delhi and work from home was enabled for Chennai staff as well.
Reconciliation	As a critical activity all alternate channels (including ATM) reconciliation and management including customer dispute management were switched over to the work from home facility. VPN connectivity was enabled to the respective officers till 21st April 2020 and thereafter directed the team to join the office, when the lockdown was lifted.	RBI had given some relaxation from 5 days to 30 days which might be revisited again –The Bank needs to ensure controls over TAT.	Automation - Reconciliation need inputs from multiple sources and the Bank is already in the process of automating the process as much as possible. This will help TAT and Accuracy.
Deliverables	Deliverables function affected during these days due to non-availability of courier service, however within the state service restored and the Bank's team is closely working with them.	Post Lockdown the normalcy has been restored in terms of all deliverables.	With the help of IT team, the Bank worked on Pin generation across channels with a combination of Email and OTP over RMN. This helped the Bank to reduce courier cost - domestic and overseas, improve TAT and better customer engagement.
Two Wheeler Loans	Two wheeler business originate from dealerships which were totally shut from Mar 23rd onwards. Sanction approvals also has a prerequisite of field verification which was not possible during lock down. As a result, there were no fresh disbursements received during this period.	Business might take some time for revival as there is a fear of job losses. However as crowded public transport might be a concern due to pandemic, some leeway can be taken to boost business.	Streamlining of process to have excellent TAT's, train the staff for proper / first time right documentation for customer delight. Follow up on discrepancies to ensure controls are not compromised.
	Two wheeler operations are currently centralized from single location in Ernakulam, 60 % of the staff was unable to attend office due to lockdown and inter district travel restrictions even for Bank staff.	Restrictions have been released in a phased manner and most of the staff have joined back, accordingly.	The Bank will need to arrange for back up for Asset Operations as BCP measure, which is already on cards. MSME Operations in Chennai will also manage two wheeler operations for few locations as well serve as back up for Ernakulam unit.

Item	Current	Expected	Innovations for streamlining
Micro-ATM	Decrease in Micro ATM transactions, as on date there is only one BC deploying the Bank's Micro ATMs at Petro outlets. Due to the Pandemic/ lockdown & reduced operating hours, transactions have come down drastically.	Transactions will also continue to be on the downside due to the pandemic.	The Bank will need to de-risk the business by engaging multiple BC's. To increase the Bank's reach by engaging multiple BC's in tier II and III cities. BC to look for cash intensive business's since disposal of cash via Micro-ATM can be good incentive for such outlets. Business team is working on such prospects.
POS	Decrease in POS and QR transactions as only 'Essential services business' are running due to the pandemic.	POS and QR transactions are picking up in most of the locations post lockdown.	Increase the percentage of existing customer base using the Bank's digital solutions, use analytics to assess customer profile and work on campaigns to popularise the Bank's products.
Prepaid	There were no incremental Prepaid Instruments issued due to lockdown status across. However Prepaid Instruments have managed to maintain the same volume as seen in Feb '20, since it facilitates contactless transactions and customers are comfortable using the same as the ticket size is small.	Prepaid Instruments business volumes might continue to remain low due to pandemic. The situation might not improve immediately, if companies fail to provide salaries/ incentives due to the Pandemic. Also as Bank's prepaid cards are issued to daily wagers, adhoc workers, cab drivers, delivery boys, etc.,	The Bank needs to look at increasing its reach, identify different profiles to popularise products, ride on some of the existing products like schools, etc. The Bank is currently working on implementing eKYC verifications which will reduce the time taken to collect Physical KYC. It is also in discussion with few companies who want to partner with it as BC to issue Prepaid cards. Due to COVID situations, lots of partners are looking forward to having multiple bank tie-ups. The Bank can make use of this situation, positively.
Centralised Payments	All Payments, TDS and Outsourcing activity review functions are managed from centralised payments. As these are time bound core functions (Premises Rent, Recurring Payments and Statutory TDS return filings) it's been quite a challenge to process payments and statutory monthly Tax remittance with available reduced staff strength.	-	Team is working for centralised deposit TDS processing i.e. payment & filing in a single centralised TAN and revamping payments platform in IFUSION with the support of CBS team. New Tax calculation for FY 2020-21 discussed with CBS & modified module will be available for UAT soon. The Bank is in process to implement the system changes intimated by IT department for this current FY with the support of CBS.
Liability / Asset Account Opening/ CERSAI Registration	There was a huge dip in volumes, after some initial hiccups service provider was able to support. The Bank had also arranged for some of the staff to stay onsite in CPC premises just as contingency measure.	Volumes will pick up gradually, in the process the Bank is also working on assisted Digital account opening across branches.	Bank's Assisted digital account opening platform for Individual accounts will be strengthened, it also has a virtual ATM card offer to support Ecom transactions.
Profile Modifiation - CRF	Some reduction in volumes, however this team was stationed in the CPC office itself and hence were able to cope up.	The Bank is looking at this phase to centralize pending processes.	SOP's for centralized operations are about to be finalised, the Bank will be able bring in good improvement in TAT's and customer delight.