

INVESTOR BRIEF FOR SEPTEMBER 2020

A Very **Good Afternoon** and A Very Warm Welcome to all the participants. I wish you all a happy Diwali and a prosperous new year. The September quarter results of the Bank were finalized on November 06 but due to my personal engagements and the festival holidays, the interaction is being held today after some delay. In the meantime you might have gone through the published financial results of the Bank and our Earnings Update for the quarter & half year, which is also hosted on the Bank's Website.

After an acute slump in the economic activity across the globe during the first quarter of the current financial year, which saw unprecedented fall in India's GDP numbers, the phased unlocking in Q2 led to cautious resumption in economic activity. However, pre-covid momentum is still some distance away.

The festival season aided by the government stimuli has led to some brisk activity, especially in automobile and white goods segments. With significant drop in new COVID infections and recovery rate touching new highs, other sectors of the economy are also showing signs of recovery. However, the tourism industry, as the circumstances suggest, will still take some more time to regain traction.

Life in J&K is also gradually returning to normal. Economic activity has gathered momentum and is currently very near to the business-as-usual levels, except the tourism / hotel industry. Though some tourist inflows are visible, especially pilgrim tourism, yet it can be termed as a trickle as of now. With timely snowfall witnessed in the valley, winter tourism is expected to improve in coming days. The apple and walnut crops this year have been good and expected to fetch better price owing to supply constraints via imports from other countries.

J&K Government has come out with its own relief package for the affected economic sectors of the UT and a slew of financial and non-financial measures have been rolled out to ensure sustenance and viability of economic pursuits of the persons engaged in trade and industry. The government has already started release of the interest subsidy of 5% for the 6-month COVID period for all borrowers in the UT. Pertinent to mention that J&K Government has earmarked Rs. 950 Crores specifically for this purpose. In

addition to this, the outstanding claims of interest subvention / relief to eligible borrowers affected by 2014 floods and 2016 unrest amounting to Rs. 139 crore have also been released by the UT government. An amount of Rs250.00 crores has already been released by the Government which includes Rs 139.00 crores against outstanding claims of 2014 and 2016. These measures have significantly alleviated the stress in the borrowal accounts and also eased the liquidity position of the borrowing concerns.

The Bank on its part has so far covered **47594** borrowers under the GECL scheme disbursing Rs. **1715** crore, **610** borrowers under Bank's own schemes of Covid WCTL & Business Support Loans with disbursement of Rs. **124** Crores. Under the Regulatory relaxations, Bank has re-phased **608846** term loans aggregating to Rs. 26225 crore extending repayment term by six months, created FITL for **5943** CC / OD borrowers totaling to Rs. 169 Crore and credited ex-gratia of Rs. 22 crores on account of compounding of interest during covid period to **673505** borrower accounts. Pertinent to mention that the re-phasing in term loan accounts covers 80% of total standard term loans by number and 59% by amount.

Coming to the JK Bank's performance for the quarter indicative of Bank's markedly improved asset-quality as on 30th September, 2020, the net NPA ratio has sharply come down to 3.03 % from 4.48 % recorded as on September 30, 2019 while as the Gross NPA ratio has decreased considerably to 8.87 % from 10.64 % recorded last September. The provision coverage for bad loans is at 80.40 %, as against 71.46 % recorded during the corresponding quarter last year. Bank's NIM for the quarter is 3.68 % while as the bank's Capital Adequacy Ratio is at 11.86 % as against 11.17 % recorded as on September 30, 2019. Meanwhile, the bank's cost of deposits during the quarter has improved to 4.20 % from 5.11 % recorded for the corresponding quarter of previous year. The advances in J&K UT that form 67 % of the bank's total advances registered a growth of 15 % while as the total net Advances of the Bank grew by 2 % to Rs 66813.87 Cr as on 30th September, 2020 from Rs 65609.51 Cr recorded on September 30, 2019. The total deposits rose by around 10 % to Rs 100469 Cr from Rs 91620 Cr recorded during the corresponding quarter last year with CASA at 53.32 % as against 50.61 % recorded on September 30, 2020. Savings Deposits have grown by 19% on YoY basis resulting in

improvement in CASA ratio. Notably 88 % of the Bank's total deposits are from J&K UT alone.

Although during the last four quarters, business across the UTs of J&K, Ladakh has been severely affected due to ongoing pandemic and unavoidable disturbances prior to that; but we have managed to brave the crisis and have come out with promising numbers. These Q2 results certainly reflect the trend of turn-around that J&K Bank has scripted on YoY basis.

The Bank derives its strength from its huge retail liability franchise which is highly stable and economical. The patronage of the J&K UT Government lends the Bank credibility and general public's acceptance, making it a household name enjoying immense brand equity in the UT.

This is further bolstered by it being designated as RBI's agent for carrying out government business in the twin UTs of J&K and Ladakh with Lead Bank responsibility in 12 of the 20 districts of the JK UT. All the Departments of the UT government are mandatorily required to maintain accounts with the J&K Bank alone. Likewise the huge franchise of over 4 lakh active government employees and over 2 lakh pensioners drawing their salary and pension through the Bank also almost exclusively maintain their personal loan accounts with the Bank.

JK Bank's exposure to the Tourism, Hotel & Restaurants as on Sep 2020 is Rs. 1388 crore i.e. just 2% of its loan book. In contrast, Personal Loans comprising Housing loans, Consumer Durables, Vehicle & Consumption loans constitute 32% of the loan book of the Bank and majority of these loans are availed by the government employees or guaranteed by them and delinquency in this portfolio is just 1 percent.

The UT government is focusing on a number of developmental initiatives for rollout for attracting investments to the UT for ushering in an era of infrastructure development, industrial promotion, incentivization of local economic sectors like commercial horticulture, tourism, arts & crafts aimed at achieving socio-economic development, employment generation and improving living standards in the UT. The UT government

has already earmarked huge land banks for setting up of industrial estates, food parks etc to woo national & international investors.

We have moved forward on the Capital augmentation exercise. Merchant bankers are being onboarded for raising common equity through QIP and other routes including Rights Issue, ESPS, FPO etc. The sale of residual stake in PNB-Metlife is in the advanced stage and we expect it to crystalize in Q4 with a good valuation.

Guidance:

We are looking forward to further strengthen our CASA & Retail components on the Deposit side while on Advances front, we are looking at a low double digit YOY growth rate with main contribution from J&K UT.

We acknowledge your support and trust and we expect it to continue in the coming days.

I will be glad to now have your questions. Thank you very much.