



Karnataka Bank Ltd.
Your Family Bank. Across India.

Analysis of Financial Results

December 2017



Company Overview

Financial Performance

Annexure

Business Strategy



1. Time tested Bank with over 93 years of banking history
2. Pan-India footprint
3. Robust technology and risk management systems
4. Strong productivity, capital adequacy ratios
5. Experienced management team & Professional Board
6. Highest Standards of Corporate Governance
7. Consistent track record of profit since inception
8. Powered by KBL – VIKAAS for Total Transformation

History & Evolution



- Business Turnover of ₹ 1,02,182 crore as at 31.12.2017.
- 2,165 service outlets with 781 branches, 2 Extension Counters and 1,382 ATMs in 521 centres across India as on Dec 31, 2017.
- Offers wide variety of corporate and retail banking products and services to over 9.4 million customers.
- Forayed into General Insurance business as a JV partner in Universal Sompo General Insurance Company Limited.
- Incorporated in 1924, Karnataka Bank is one of the oldest time tested private sector Banks.

2017	<ul style="list-style-type: none"> • Business turnover crossed the historic milestone of ₹ 1,00,000 crore • Formed Investor Relation Cell • Network of the Bank crossed ₹ 5,000 crs
2016	<ul style="list-style-type: none"> • Completed 1:2 rights issue to raise ₹ 658.96 crs
2015	<ul style="list-style-type: none"> • Unveiled KBL - VISION 2020 & adopted Vision Statement • No. of ATMs crossed 1,000
2014	<ul style="list-style-type: none"> • Business turnover crossed the milestone of ₹ 75,000 crore
2013	<ul style="list-style-type: none"> • Secured ISO 27001 : 2005 Certificate from NQA • BPR implementation under the guidance of M/s KPMG Advisory Services Pvt Ltd. commenced • Business Turnover crossed the milestone of ₹ 50,000 crore
2012	<ul style="list-style-type: none"> • No. of branches crossed 500 • Average turnover per branch crossed ₹ 100 crore • Launched ASBA facility
2011	<ul style="list-style-type: none"> • Right issue of ₹ 457.03 crore in the ratio of 2:5. • Launched Online Trading facility
2010	<ul style="list-style-type: none"> • Maiden QIP aggregate ₹ 160.83 crs.
2009	<ul style="list-style-type: none"> • Compliance with Basel-II norms
2007	<ul style="list-style-type: none"> • Completion of 100% core banking
2006	<ul style="list-style-type: none"> • Floated general insurance JV along with Allahabad Bank, Indian Overseas Bank, Dabur Investments and Sompo Japan Insurance • Launched CDSL-DP services at select branches
2005	<ul style="list-style-type: none"> • Completed 2:1 rights issue to raise ₹ 160 crs
2003	<ul style="list-style-type: none"> • Right issue in the ratio of 1:2
2002	<ul style="list-style-type: none"> • Bancassurance tie-up with MetLife • Maiden bonus issue in the ratio of 1:1
2000	<ul style="list-style-type: none"> • Implementation of "Finacle" CBS
1995	<ul style="list-style-type: none"> • Public issue of 45 lakh equity shares in October 1995
1977	<ul style="list-style-type: none"> • Became an authorised dealer of foreign exchange
1960-66	<ul style="list-style-type: none"> • Took over Sringeri Sharada Bank Ltd, Chitaldurg Bank & Bank of Karnataka, Hubli.
1924	<ul style="list-style-type: none"> • Incorporated on 18th February 1924 at Mangalore by Late B R Vyasarayachar & other leading members of the South Kanara Region

Awards & Accolades



Awards & accolades received during the FY 2017-18:

- ❖ **STP Award 2016** in recognition of its **outstanding payment formatting & Straight-Through Rate** instituted by The Bank of New York Mellon.
- ❖ **MSME Banking Excellence Award - 2016**, instituted by CIMSME:
 - ❖ Runner Up - CSR Initiatives & Business Responsibility [Emerging category].
- ❖ **APY Awards**, instituted by **PFRDA**:
 - ❖ Winner - Indian Pension League,
 - ❖ Best Performing Branch [Guwahati] under Customer First Campaign, under the category of Small Private Sector Bank,
 - ❖ Winner - Brand Ambassador Trophy,
 - ❖ Winner - Challengers Gold campaign.
- ❖ **ISO 9001 : 2015 Certification**, bagged by Bank's Staff Training College at Mangaluru for compliance to quality management standards, instituted by TVE Certification Services Pvt. Ltd., Trichy.



Awards & accolades received during the FY 2017-18:

- ❖ **Best Bank Award** among Small Banks for **use of Technology for Financial Inclusion**, instituted by IDRBT.
- ❖ **Appreciation Certificate** for 'Impactful Financial Inclusion through Innovations & Processes', instituted jointly by Union Bank of India & CNBC TV18.
- ❖ **ASSOCHAM India - SMEs Excellence Award 2017** under Private Sector category, instituted by ASSOCHAM, India.



Shri Raghavendra Bhat M, Chief General Manager, receiving the ASSOCHAM India - SMEs Excellence Award 2017 from Dr Udit Raj, Hon'ble Member of Parliament, Govt. of India, at New Delhi on 14.12.2017, for rendering Excellent Service in SME sector under Private Sector category.

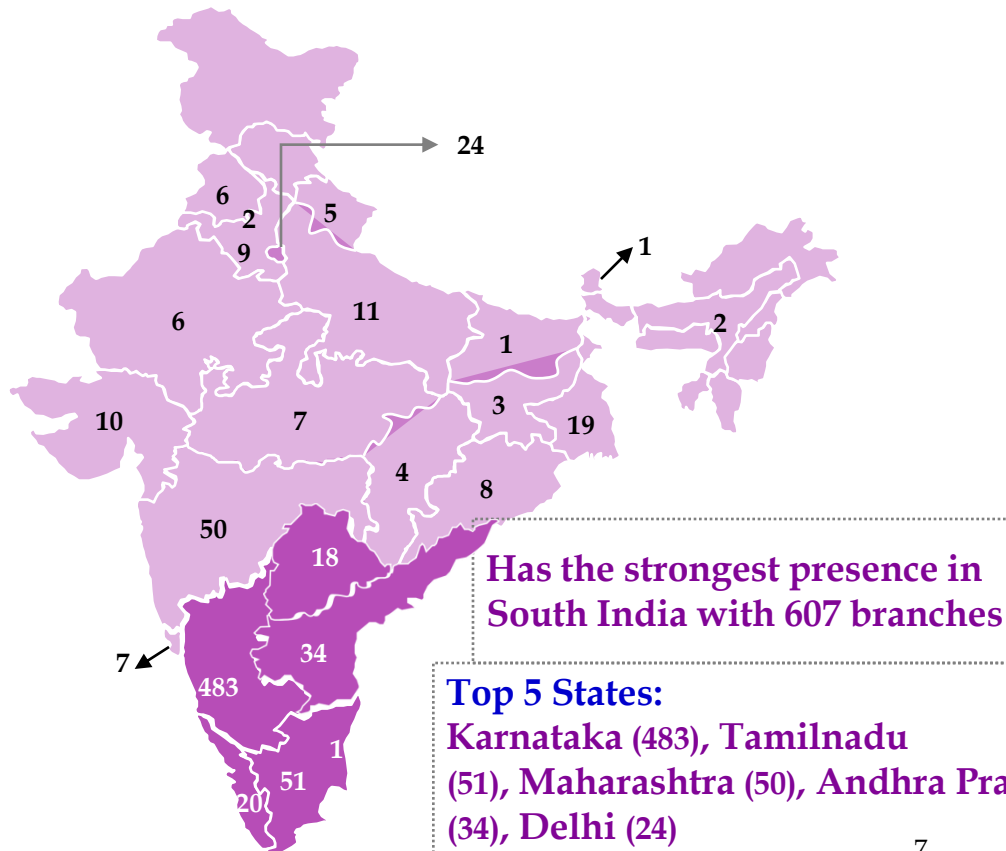
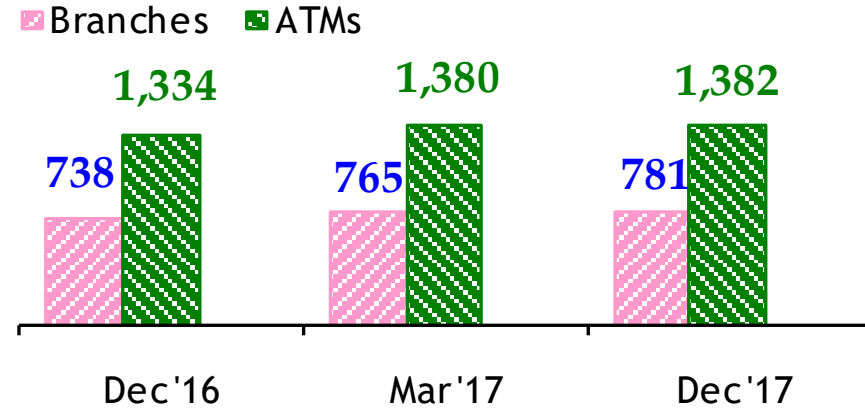
Pan-India footprint



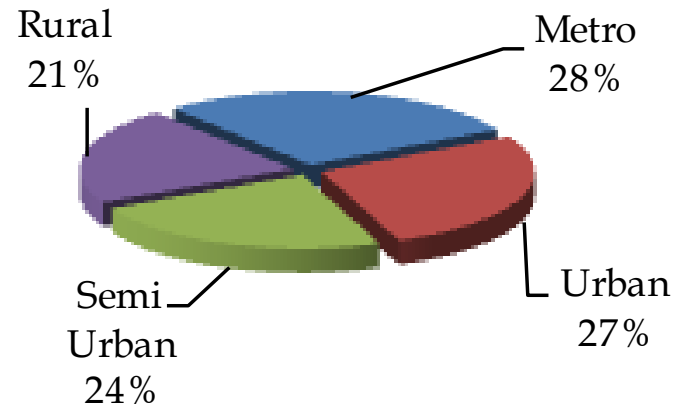
Pan-India Presence

- Total 2,165 service outlets –781 branches, 2 Extension Counters & 1,382 ATMs
- Total 31 e-Lobbies & 100 mini e-Lobbies
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion
- 107 Financial Inclusion branches, 37 Ultra Small branches
- Expanding network in northern India also.

No of branches & ATMs



Area wise distribution of branches (Dec '17)





Strong technology platform

The existing “ISO 27001:2013” certificate encompassing the Information Security Management System (ISMS) at the Bank’s Data Centre, Near line Site [NLS] at Bengaluru and Information Technology Department including the DR site [IT & DR] at Head Office, Mangaluru, has been renewed by AJA Registrars, UK, for a further period of three years up to March 2019, reflecting the Bank’s continued commitment to technology adoption.

- ◆ Pioneer in implementing “Finacle” (CBS) amongst the old generation private sector banks
- ◆ State-of-art IT set up which has enabled Anytime Anywhere Banking through alternate delivery channels such as ATMs, VISA International Debit Card, RUPAY Debit Card, Internet Banking, Mobile Banking, IMPS, e-lobby etc.
- ◆ Enabled Online Account Opening, implemented ‘M-Passbook’ (Mobile Passbook), ‘KBL Apna App’ (SMS Banking) etc as additional facilities for the convenience of customers.
- ◆ Also offers other products such as NGRTGS, NEFT, NECS, CTS, Online Trading, ASBA facility, Gift Card, Travel Card, Biometric Smart Card under Financial Inclusion, PoS Network, Online inward remittance facility to NRIs etc.
- ◆ Implemented Lending Automation Processing System (LAPS) software for efficient life cycle management of loan accounts and improved monitoring.
- ◆ Implemented an Enterprise Level Fraud Risk Management System (ELFRMS) for effective cyber fraud prevention across delivery channels.
- ◆ Launched Mobile Banking App on Unified Payment Interface (UPI) Platform branded “KBL SMARTz”, which is recently renamed as “BHIM KBL UPI”.



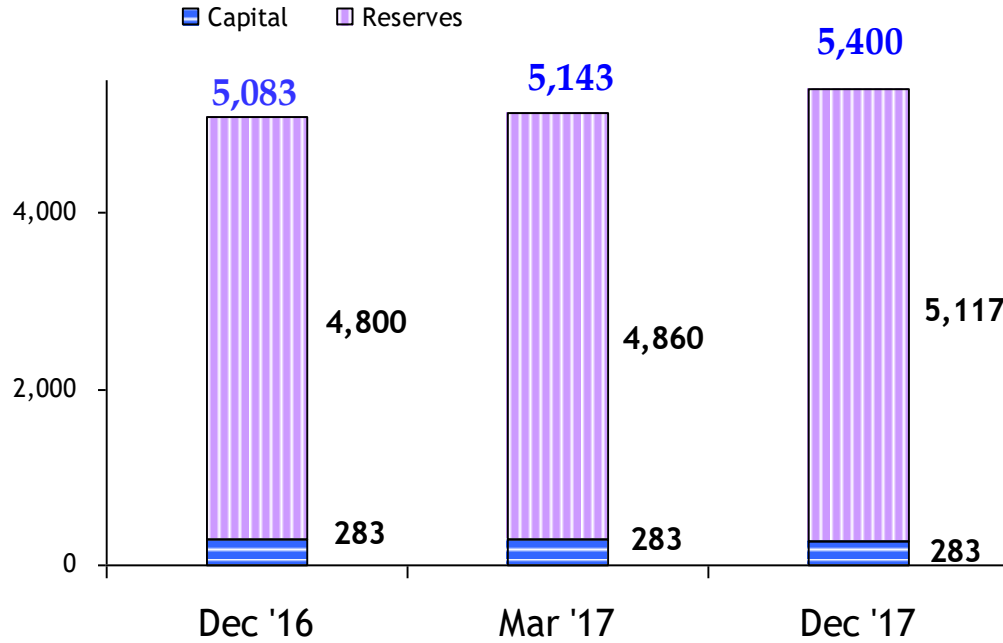
Effective risk management system

- ◆ Periodical monitoring & reviewing of risk profile of the bank.
- ◆ Internal Credit Rating of all the borrowers: Credit exposure above INR 25 lakh are rated borrower-wise and credit facilities below INR 25 lakh & all schematic advances including agri-credit proposals are rated under 'Pool based approach'.
- ◆ Continuous offsite surveillance of borrower accounts.
- ◆ Effective ALM/mid office set up to monitor Liquidity risk/ Market risk on a continuous basis.
- ◆ For effective Operational risk management:
 - Bank is building up a database of internal Loss data, near- miss cases and other Operational risk events, since Sept 2007.
 - Bank has an effective AML monitoring system to scrutinize the customer transactions to ensure compliance to the extant guidelines.
- ◆ Bank has taken all necessary steps for migration to 'Basel II advanced approaches' under Credit, Market and Operational Risk and also complied with the extant 'Basel III' guidelines of RBI.
- ◆ Bank has implemented a scientific Fund Transfer Pricing (FTP) & Customer Profitability Management System (CPMS) to assess the performance of branches / products / portfolios / customers.

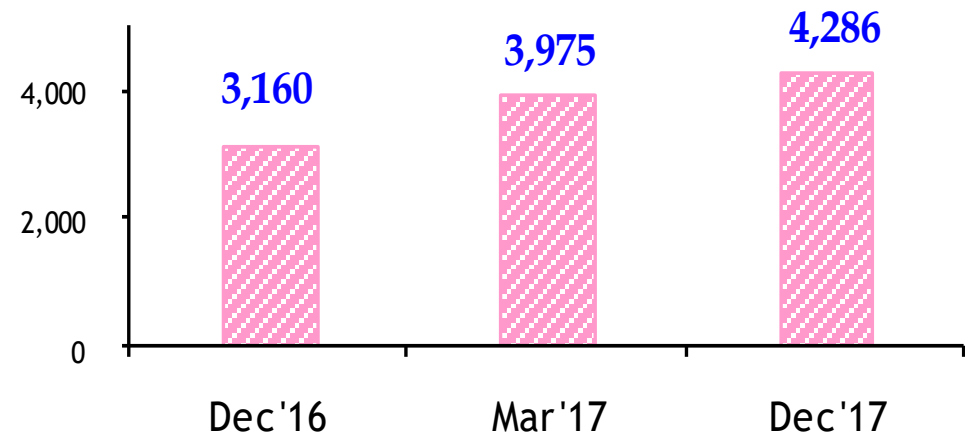
Financial strength of the Bank



Networth (₹ crs)



Market capitalisation (₹ crs)



Highlights - Q3 FY 18



(₹ crs)

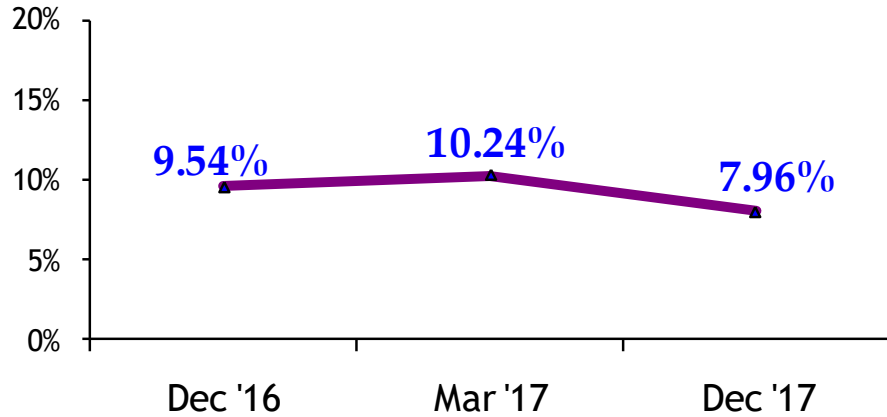
KPAAs	3 Months		9 Months	
	Q3 FY 18	Q3 FY 17	Q3 FY 18	Q3 FY 17
Net profit	87.38	68.52	314.61	313.89
Operating profit	321.90	171.86	997.84	666.53
Turnover	1,02,182	93,222	1,02,182	93,222
Return on Asset	0.53%	0.44%	0.65%	0.70%
Earning per Share *	3.09	3.22	11.13	15.96
Return on Equity	6.54%	6.08%	7.96%	9.54%
Net Interest Margin	3.09%	2.84%	3.07%	2.92%
Gross NPA	3.97%	4.30%	3.97%	4.30%
Net NPA	2.85%	2.99%	2.85%	2.99%
Cost to Income	50.18%	66.31%	49.50%	59.26%
CRAR (Basel III)	12.26%	13.19%	12.26%	13.19%

* Not annualized

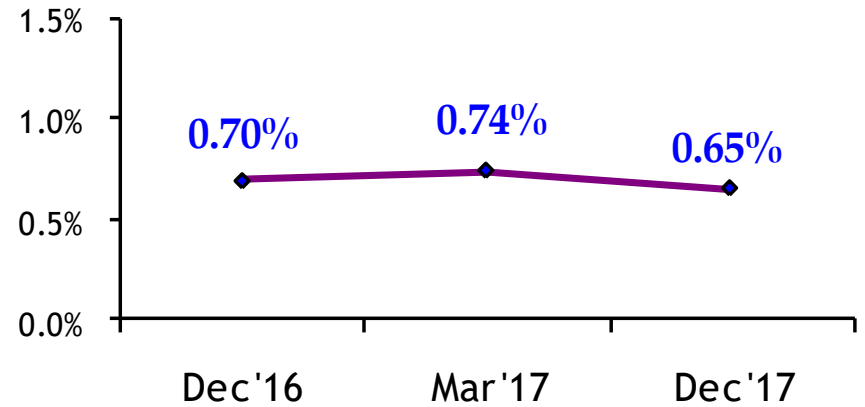
Return and Capital Adequacy Ratios



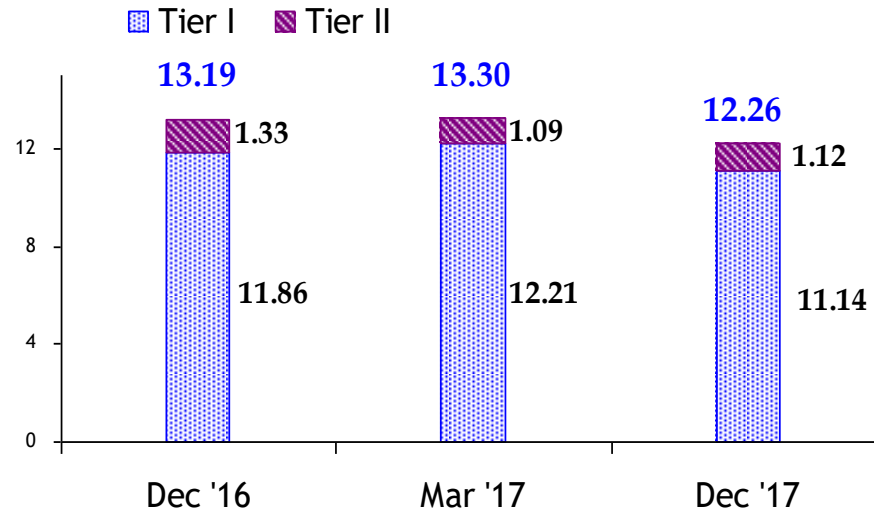
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)



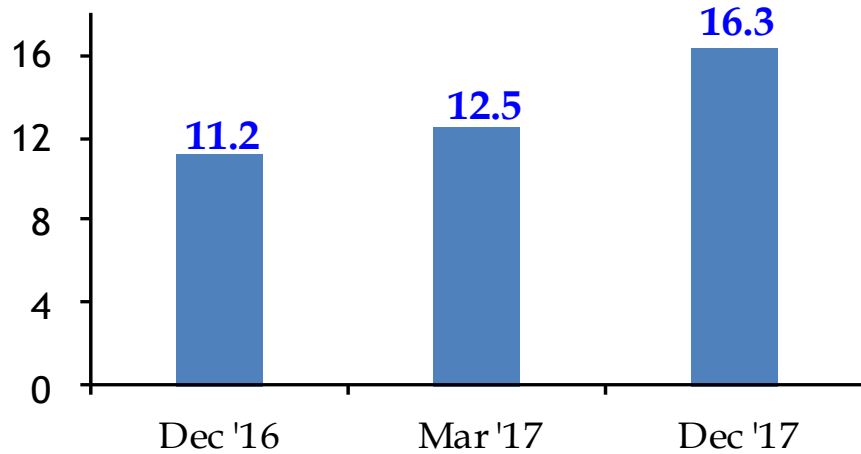
Capital Adequacy (%) - Basel III



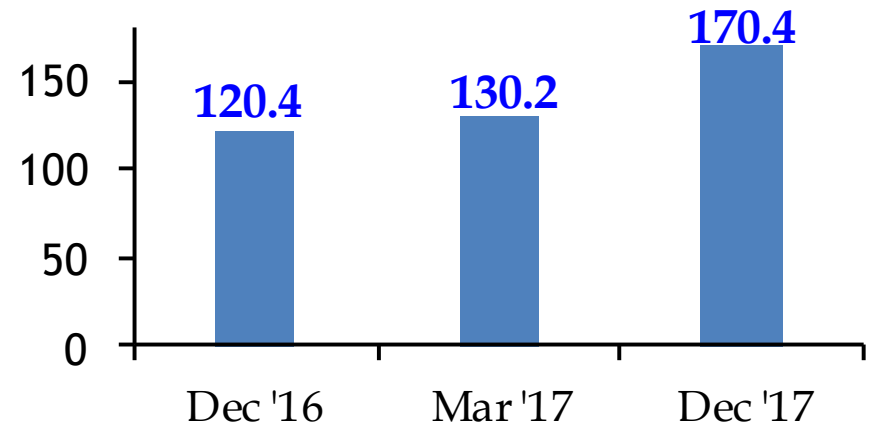
Productivity ratios



Operating Profit per employee (₹ lakh) *

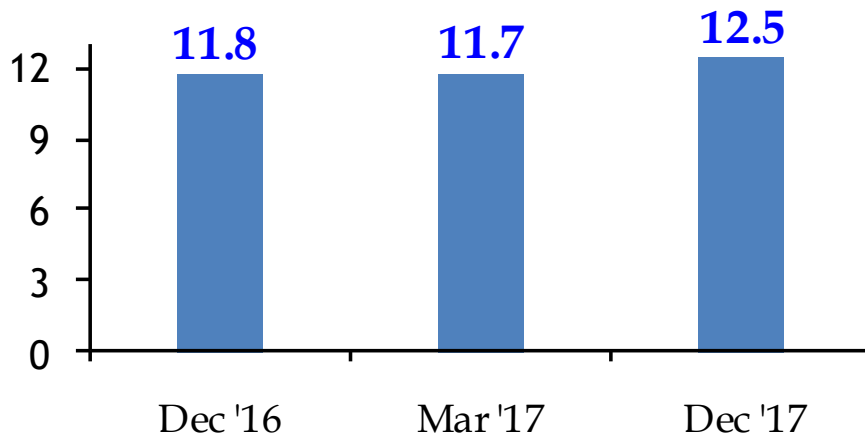


Operating Profit per branch (₹ lakh) *

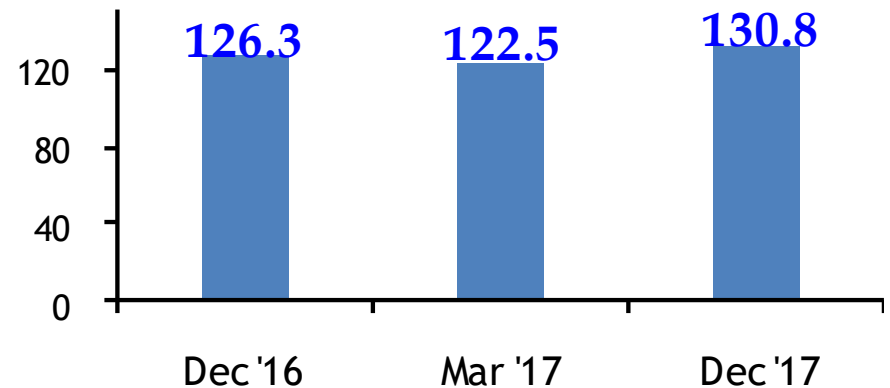


* annualised

Business per employee (₹ crs)



Business per branch (₹ crs)



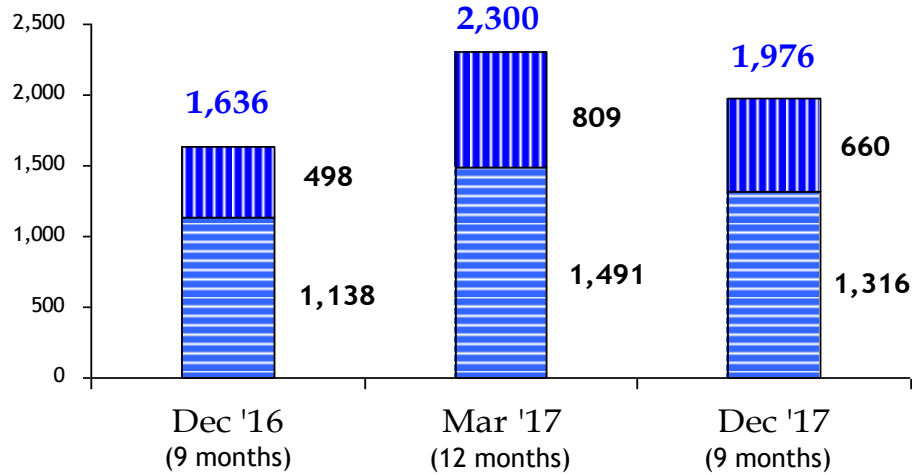
Financial Performance

Income & Profit



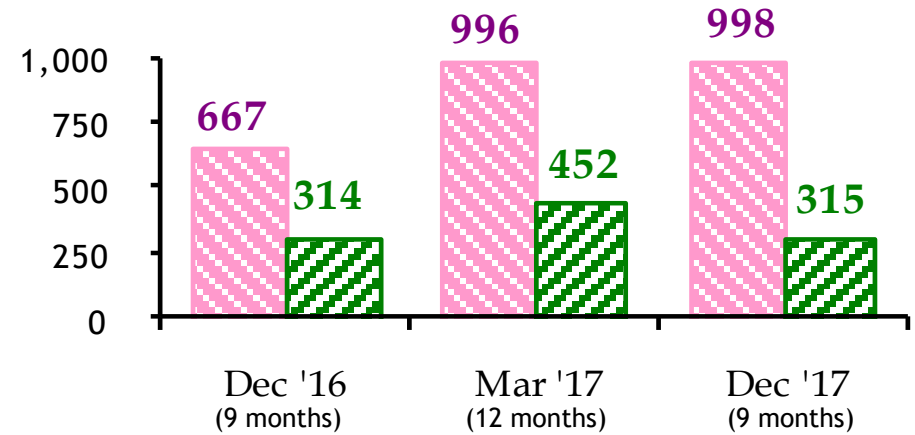
Net Income (₹ crs)

Net Interest Income Other Income

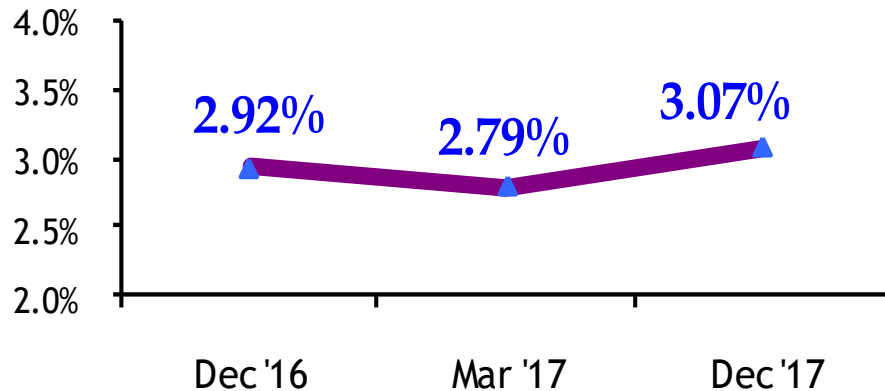


Operating and Net Profit (₹ crs)

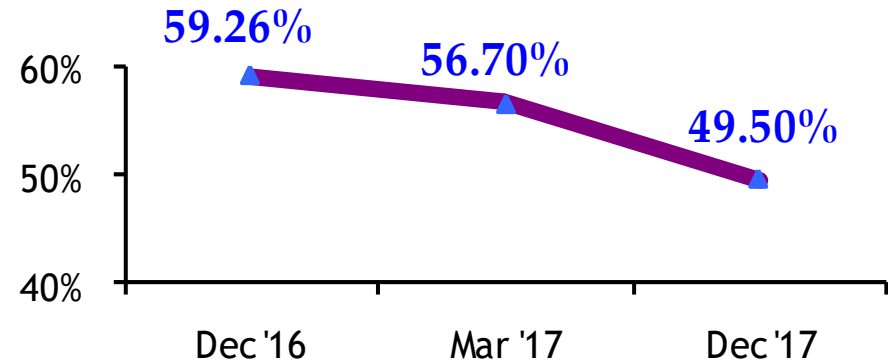
Operating profit Net profit



Net Interest Margins (%)



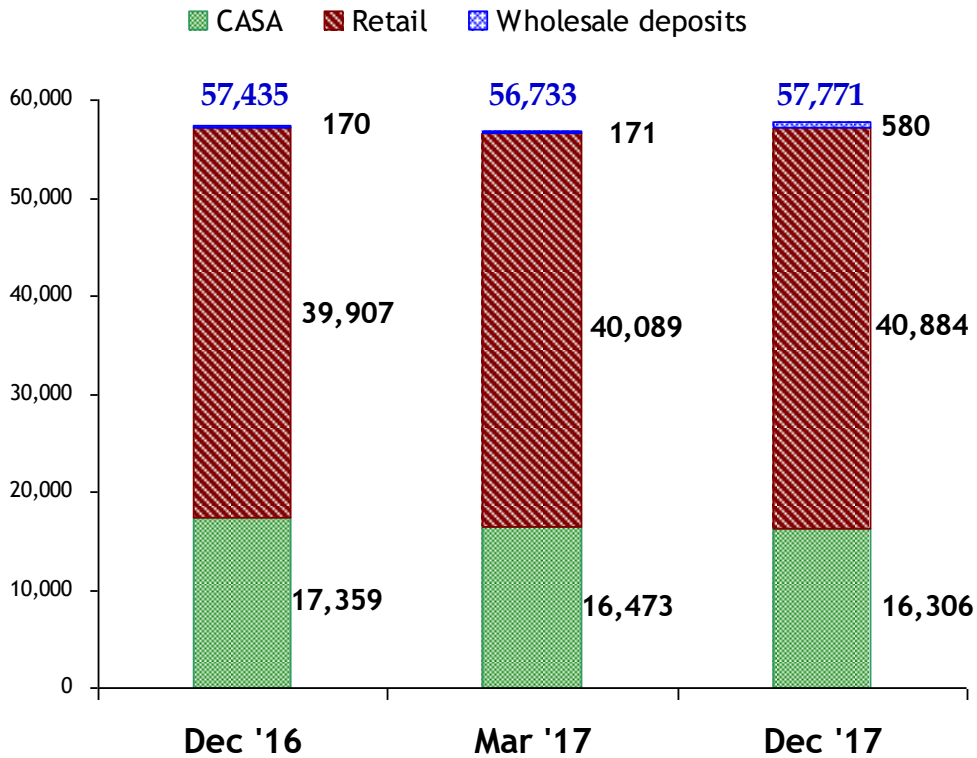
Cost to Income Ratio (%)



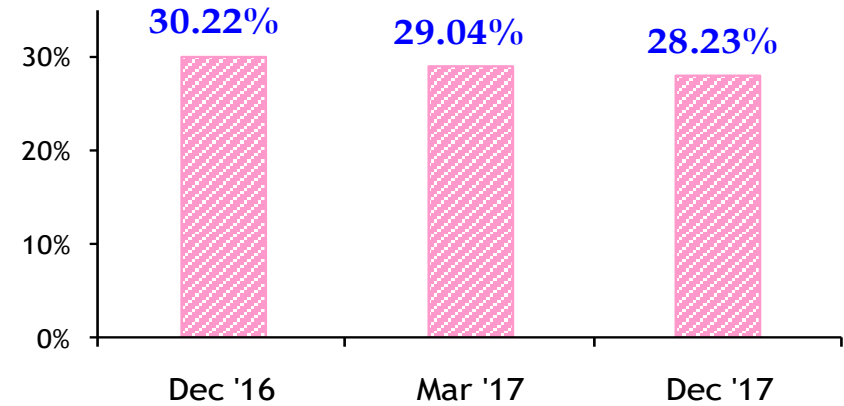
Deposits



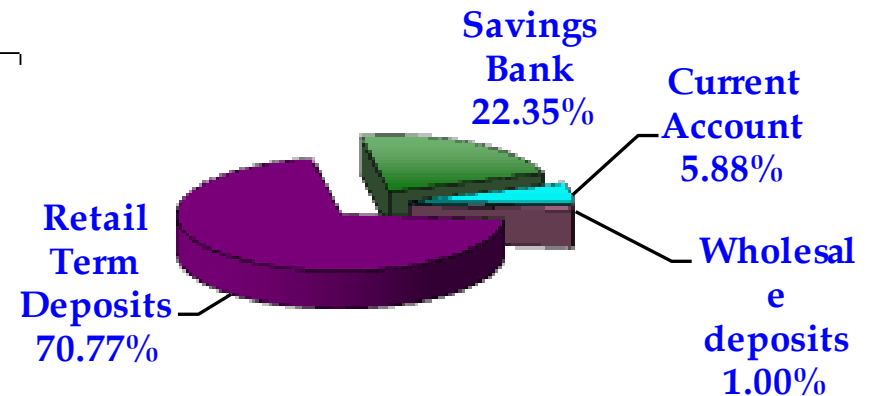
Deposits (₹ crs)



CASA share to total Deposits



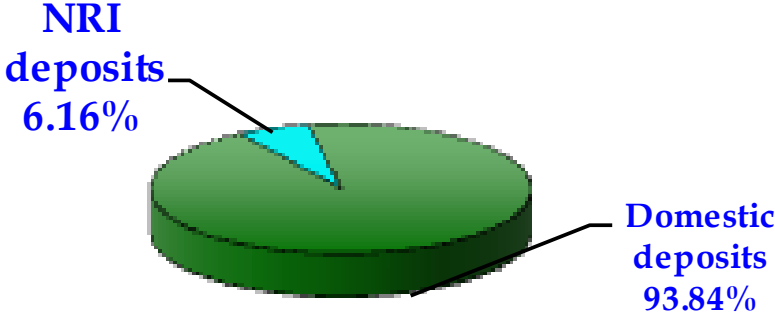
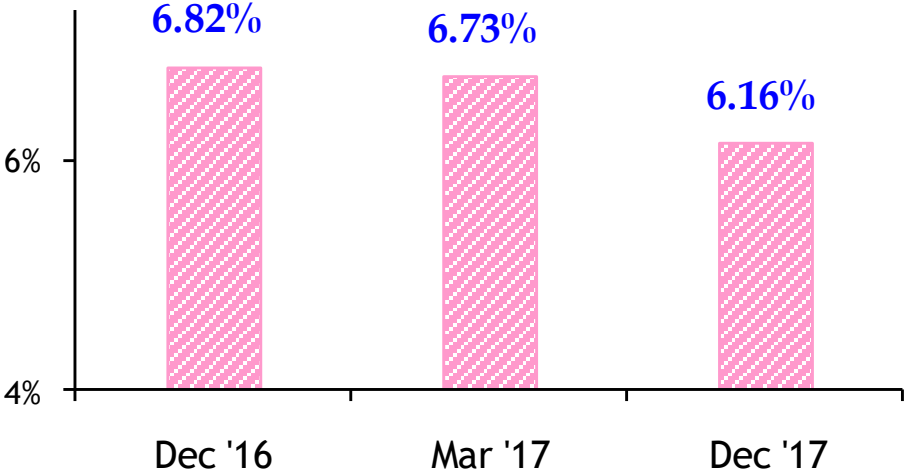
Deposits break up (Dec '17)



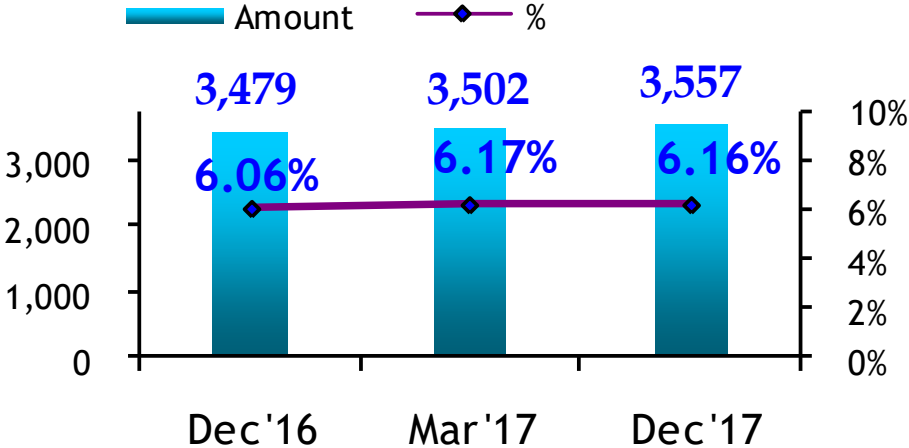
Deposits



Cost of Deposits

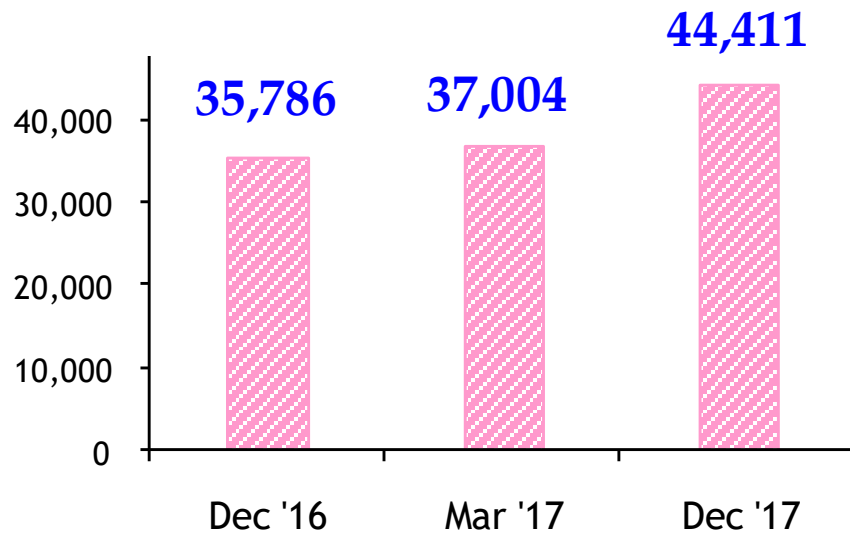


NRI Deposits (₹ crs)





Advances [Net] (₹ crs)



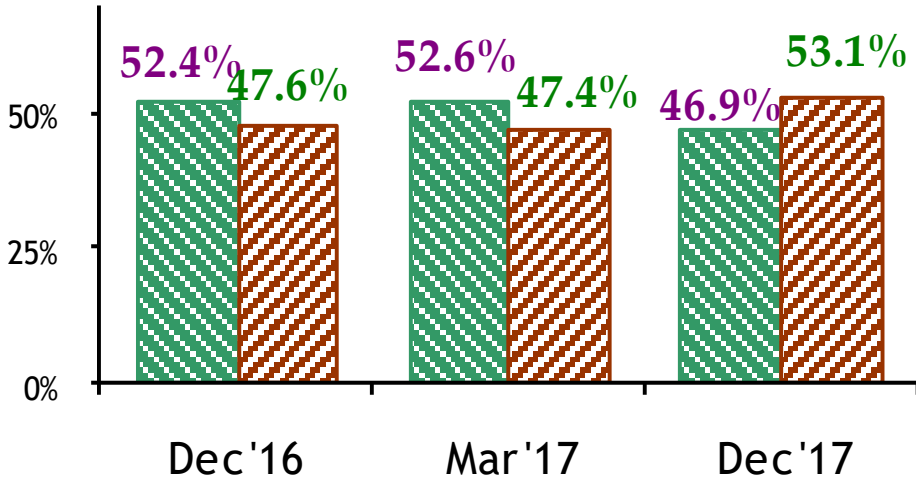
External rating wise Credit Portfolio as of Dec'17 [corporate borrowers]

Rating	No of Borrowers	Balance O/s (in crs)	% to GBC
AAA	17	3,367.00	7.50%
AA	33	3,468.60	7.72%
A	25	1,134.61	2.53%
BBB	39	2,080.21	4.63%
BB	32	1,643.42	3.66%
B	14	281.23	0.63%
C	-	-	-
D	10	844.68	1.88%
Total	170	12,819.75	28.54%
Gross Bank Credit		44,916.84	

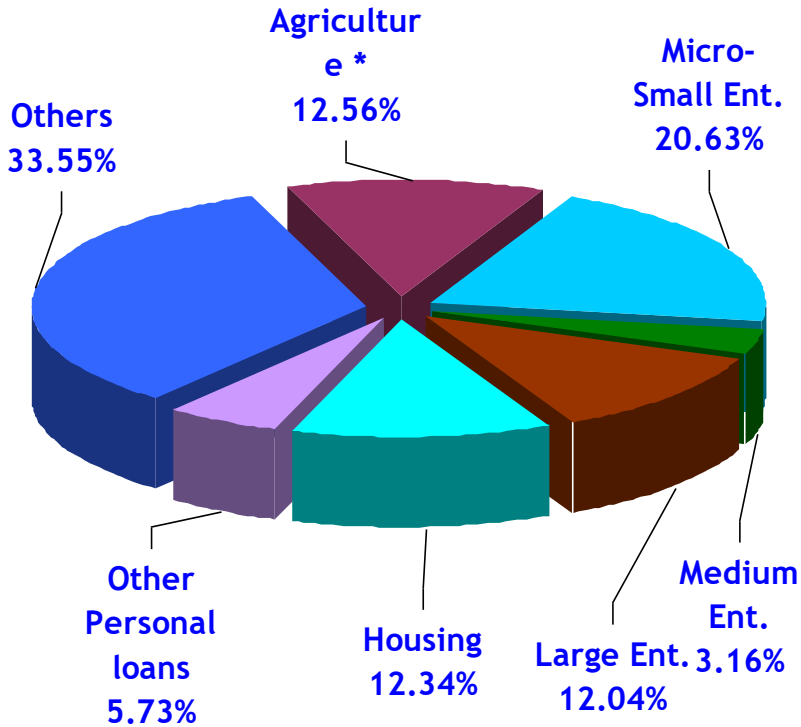


Retail & Corporate Advances (%)

■ Retail Advances ■ Corporate Advances



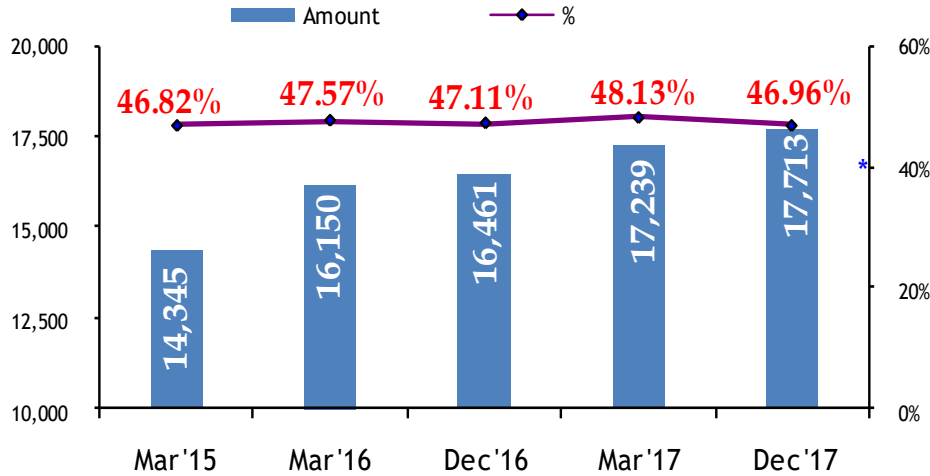
Segmentation of Advances (Dec '17)



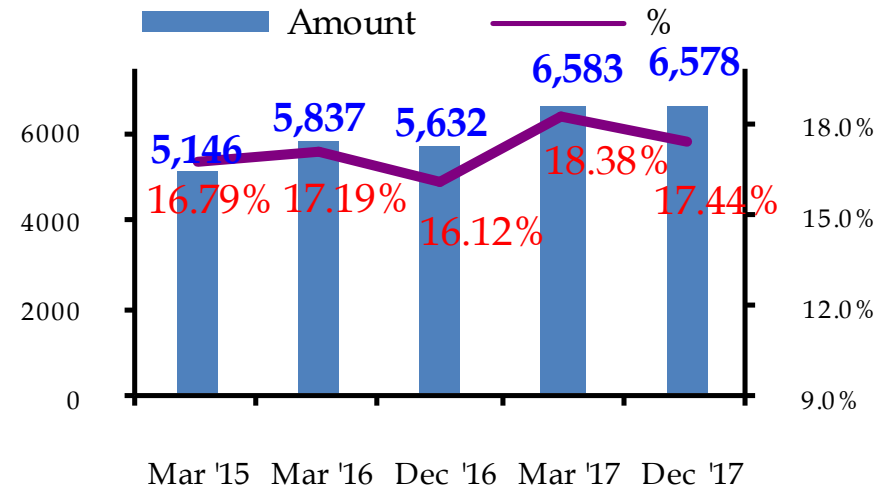
* However, this works out to 17.44% of the ANBC of 31.12.2016.



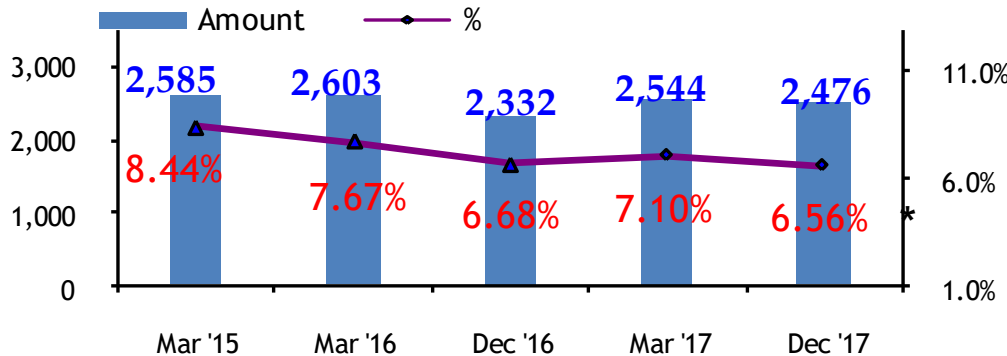
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)



Advances to Weaker Section (₹ crs)

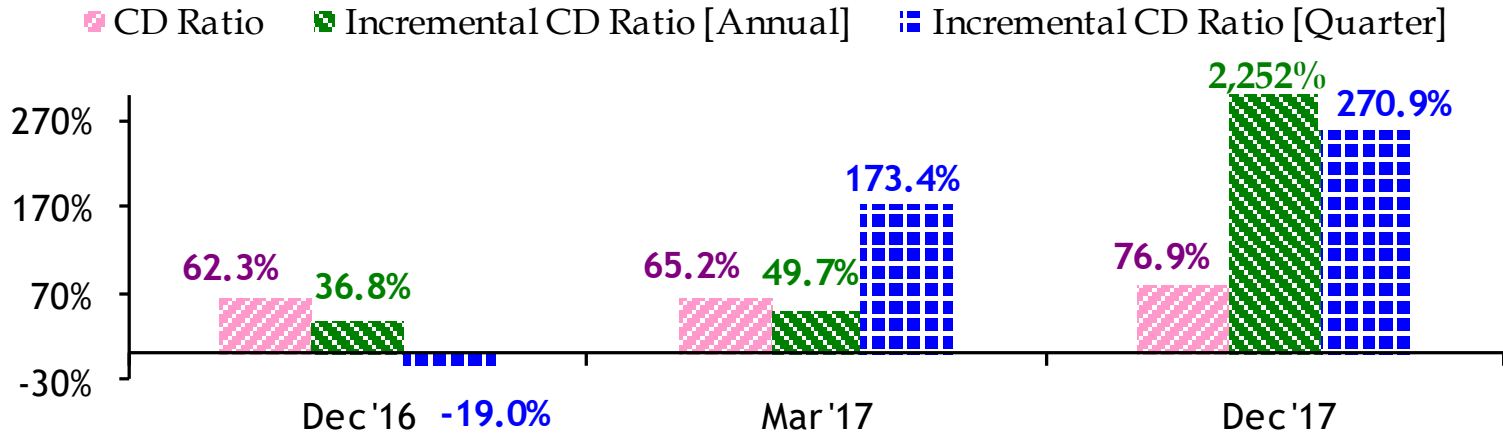


* Base figure for the calculation of % is ANBC as on March 31st of previous year.

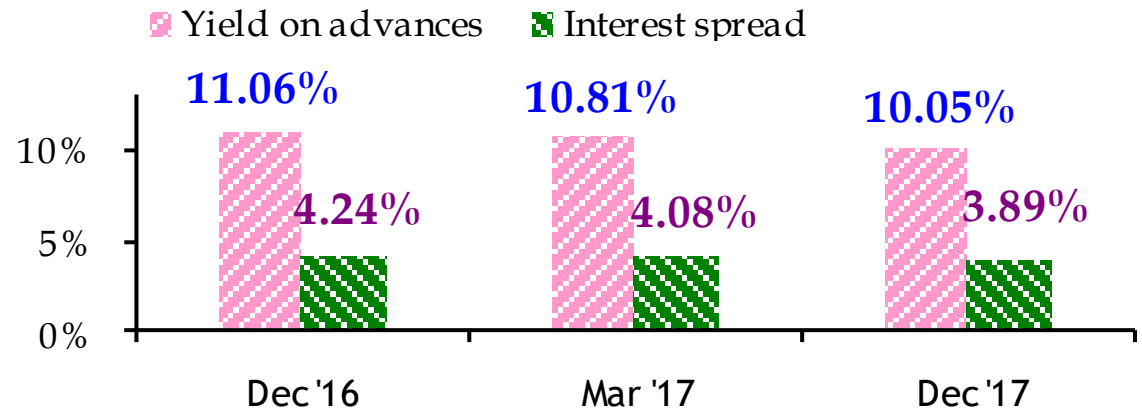
CD Ratio & Yield on Advances



Credit Deposit ratio (%)

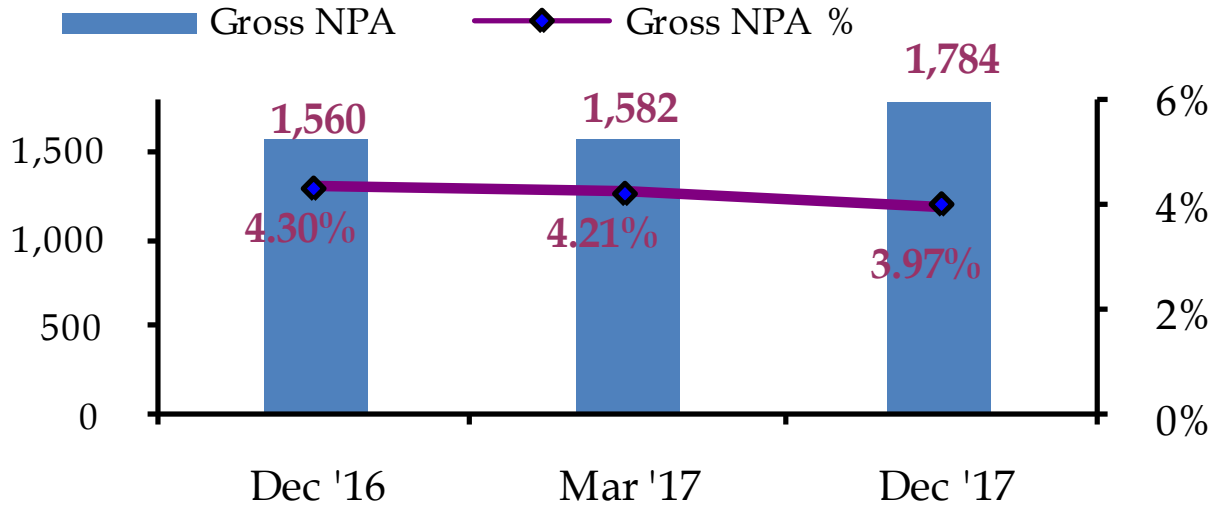


Yield on Advances & Interest Spread (%)

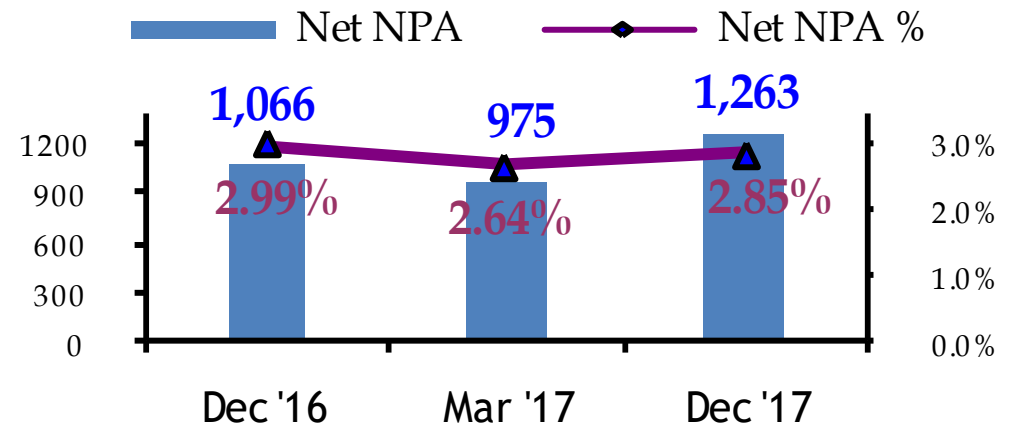




Gross NPAs (₹ crs)

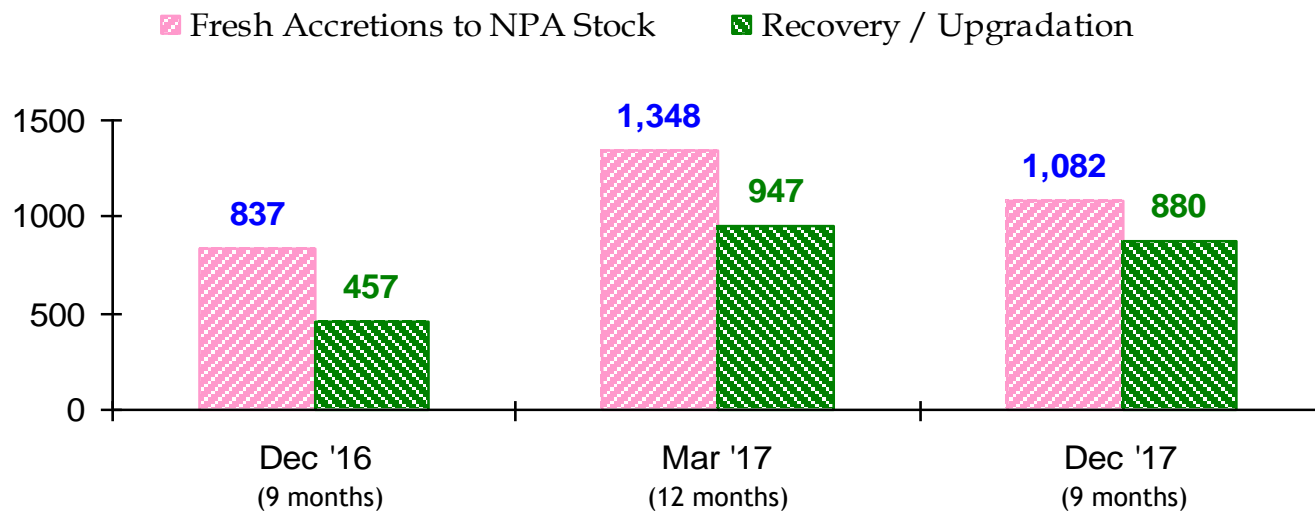


Net NPAs (₹ crs)

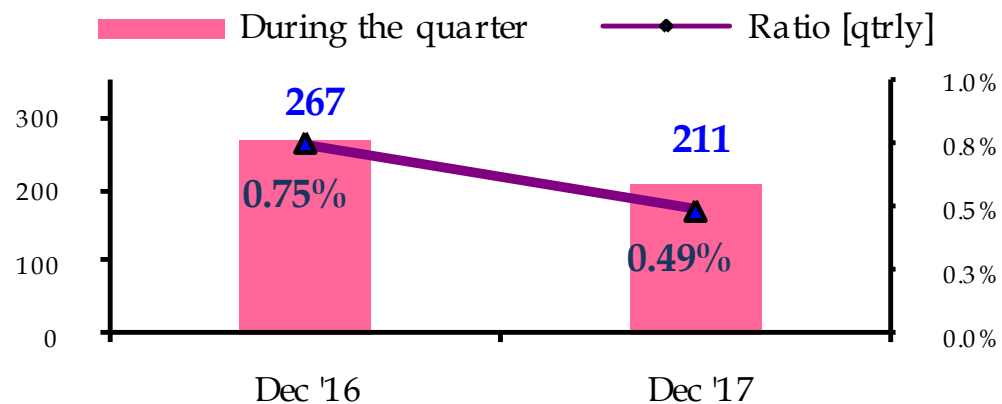




Fresh accretions and recoveries (₹ crs)

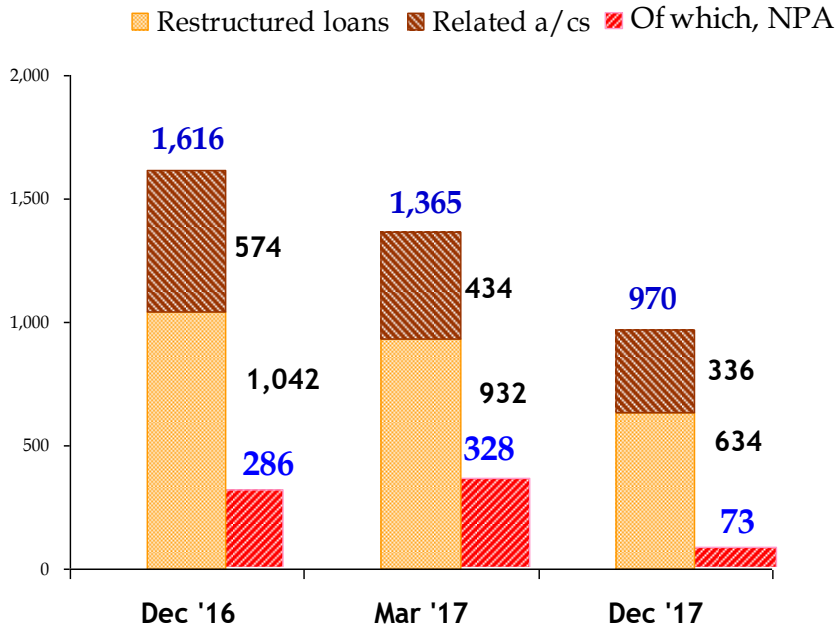


Slippages (₹ crs)





Restructured loans & related accounts



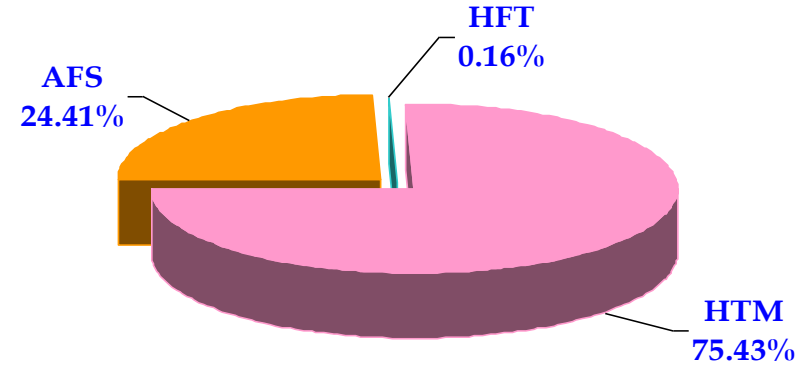
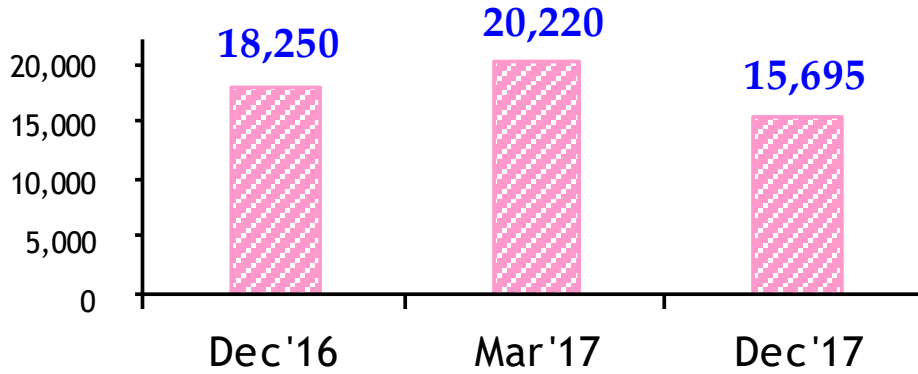
Sector wise Restructured Adv. as Dec '17:

Sector	Restructured Adv.	Of which, NPA
Infrastructure	505.36	38.86
Large Industry	322.15	16.54
Real Estate [including CRE, excluding Services]	43.47	-
MSME [excl. Infrastructure]	41.50	6.61
Others	26.86	1.36
Agriculture	23.29	8.53
Education [Individual + Institution]	6.11	0.85
Wholesale/Retail Trade [excl. services]	1.63	-
Grand Total	970.38	72.77

Investments

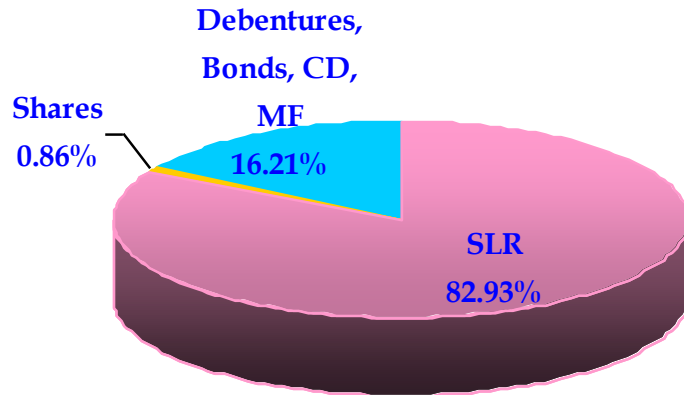


Investments [excl. RIDF] (₹ crs)

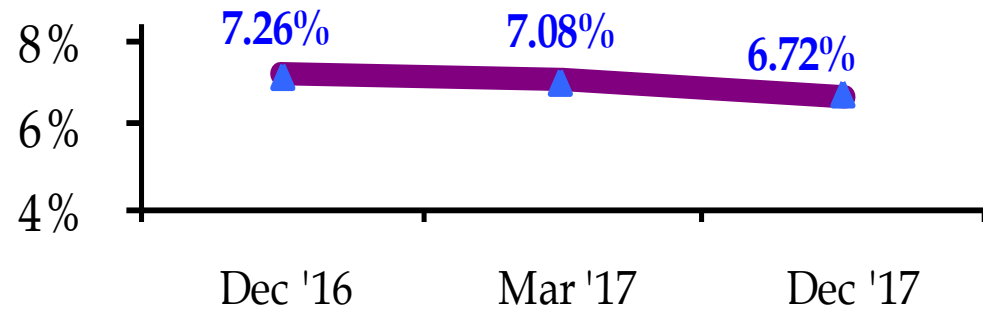


Duration

AFS	HFT	HTM	TOTAL
2.38	0.01	5.69	4.86



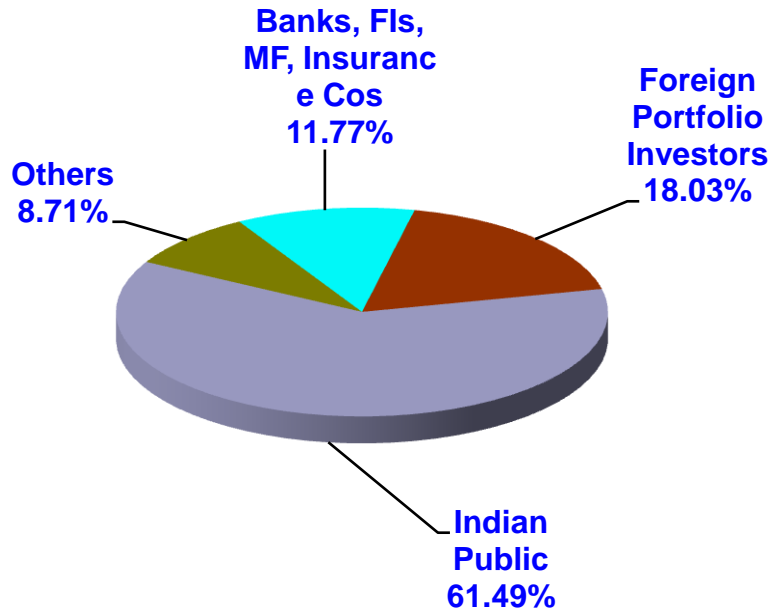
Yield on Investments (%)



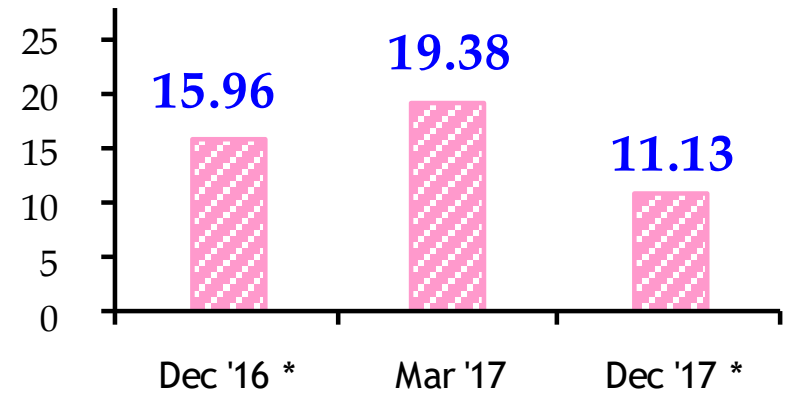
Share holders' value



Share holding pattern (Dec 2017)

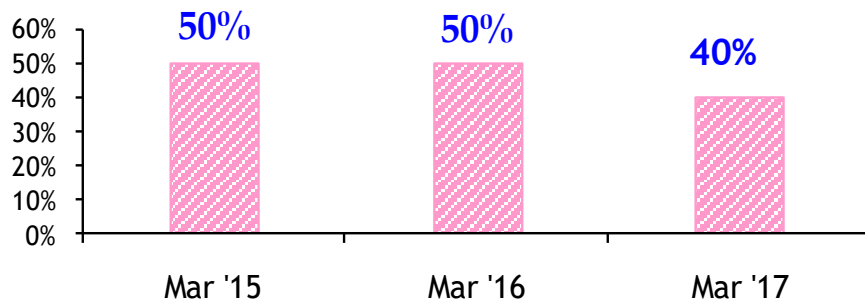


Earning Per Share (₹)

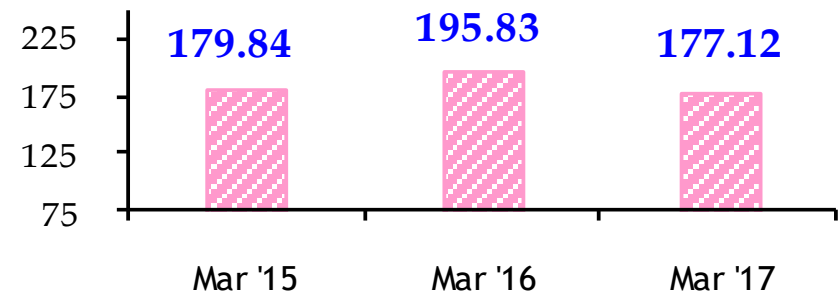


* Not annualised

Dividend (%)



Book value (₹)

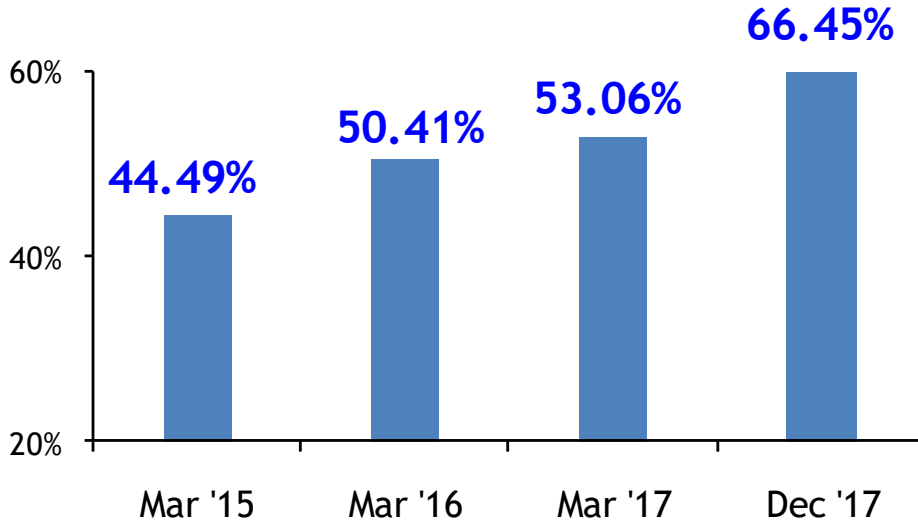


Leveraging on Technology



Migration to Digital Channel

[share of ADC transactions to total CBS transactions]



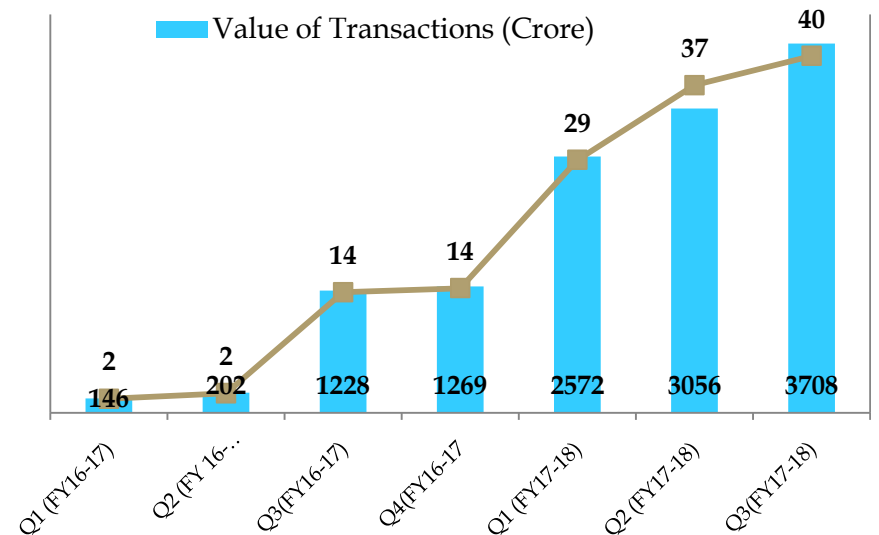
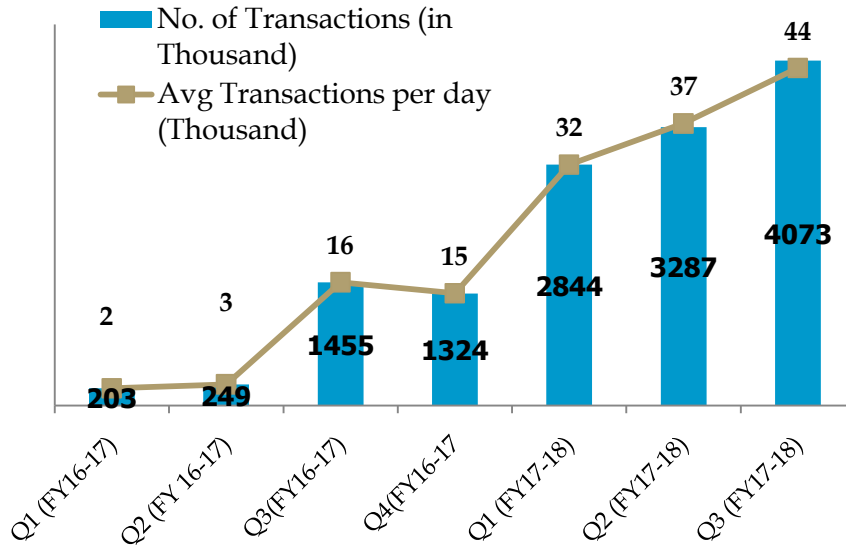
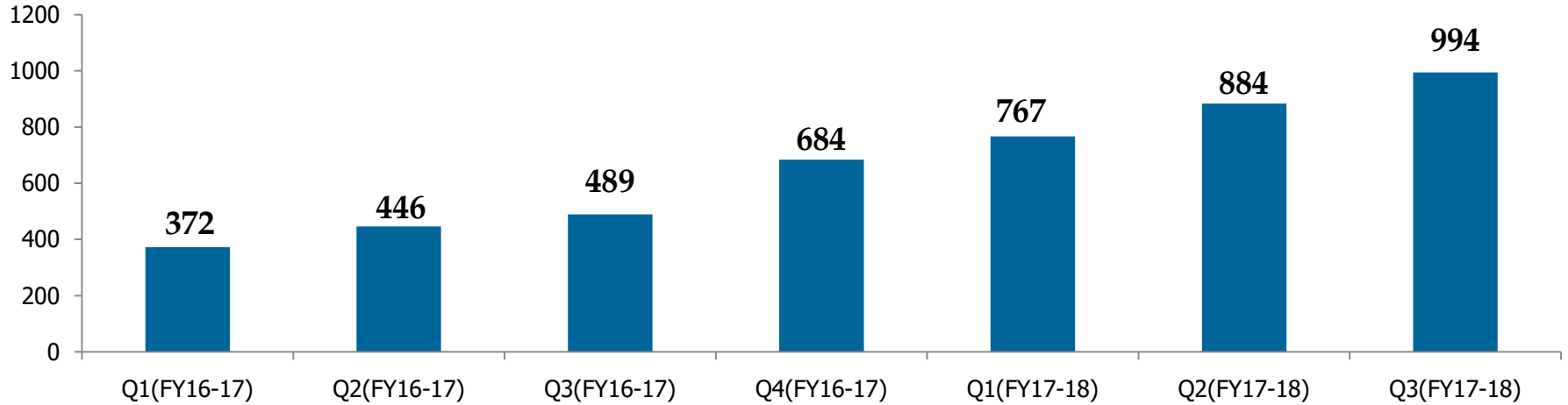
MULTI-DIMENSIONAL BANKING. POWERED BY TECHNOLOGY.



Mobile Banking



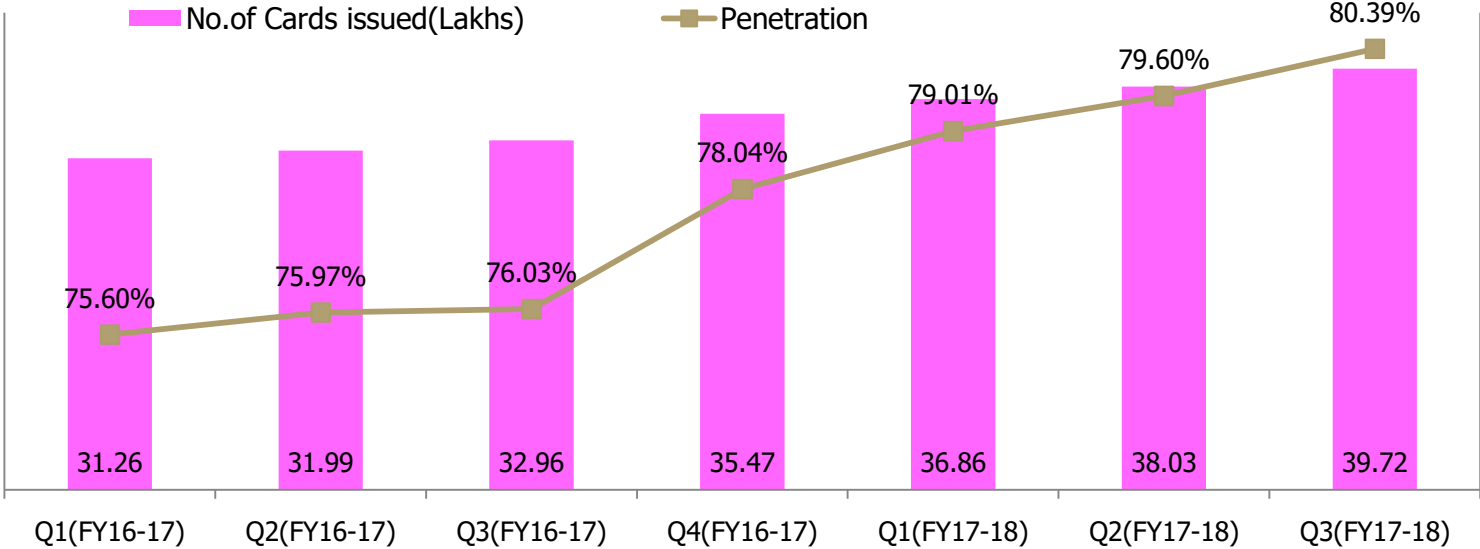
No. of Regd. Users (Thousands)



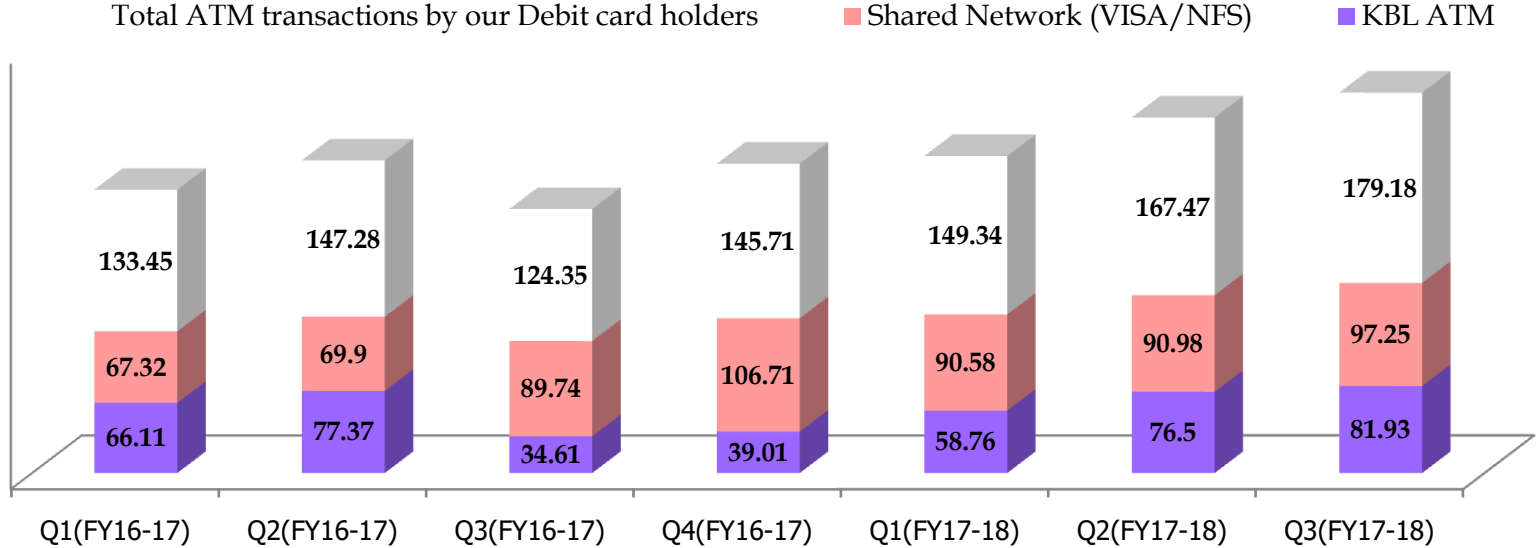
Debit Cards



Debit cards Penetration



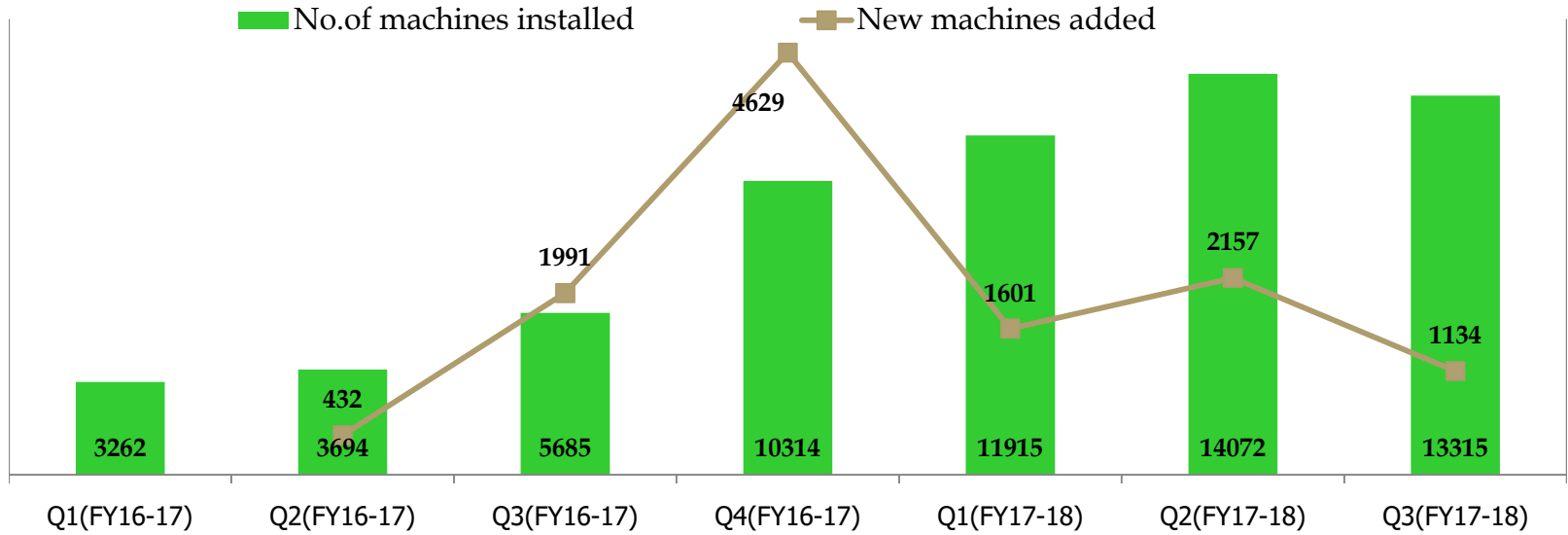
Cards Usage



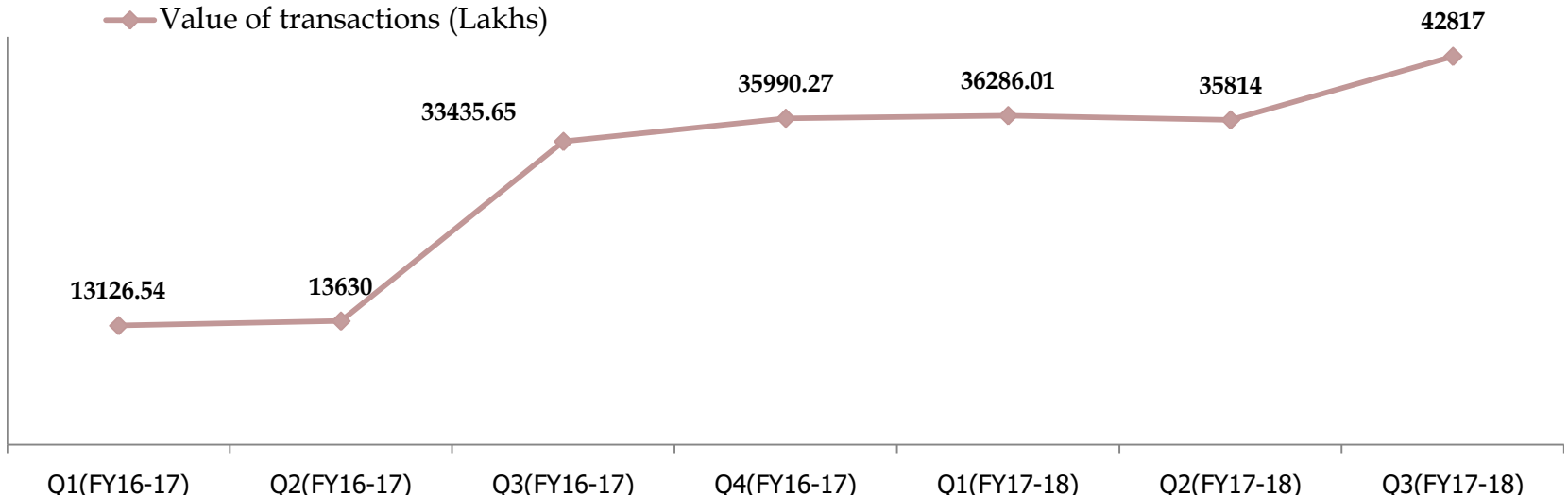
Point of Sale (POS) Business



POS Installation Report



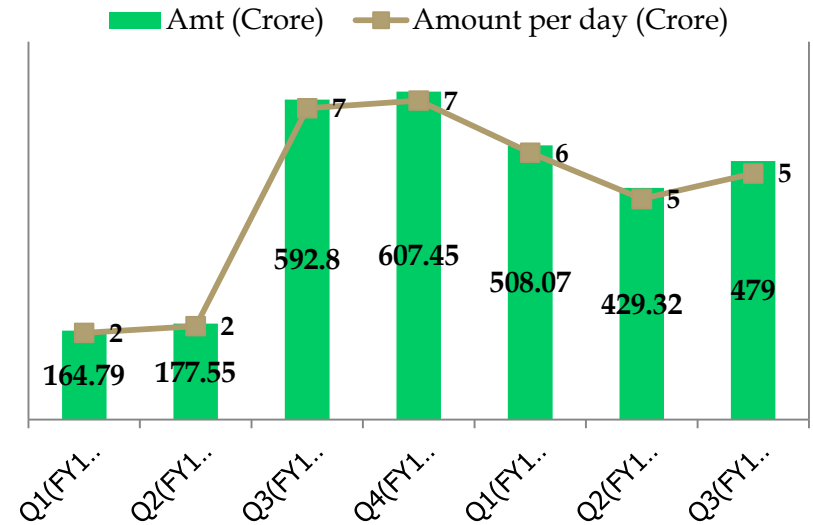
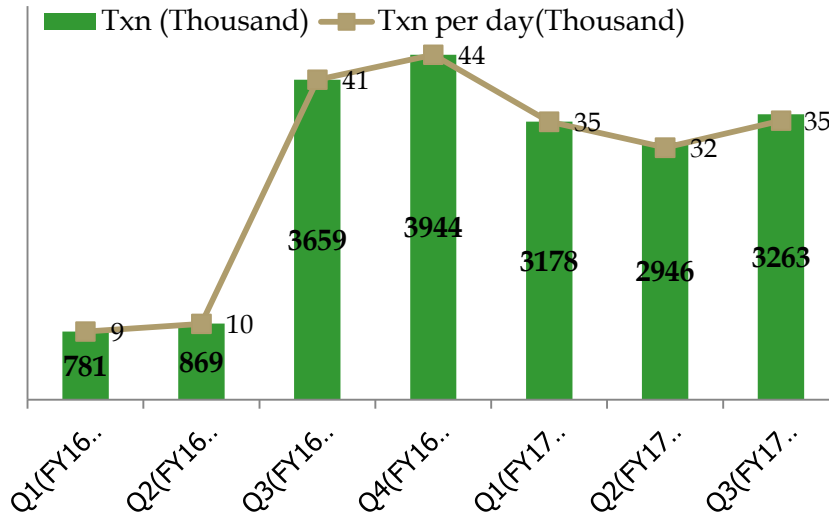
POS Transaction Value



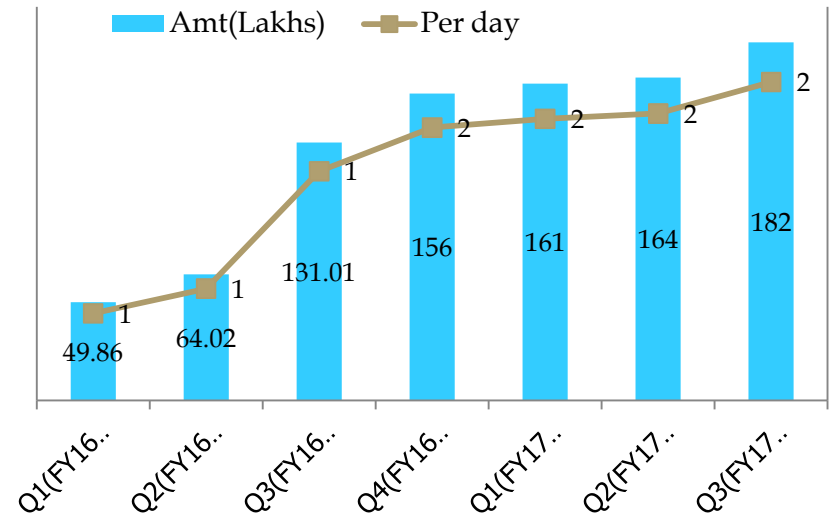
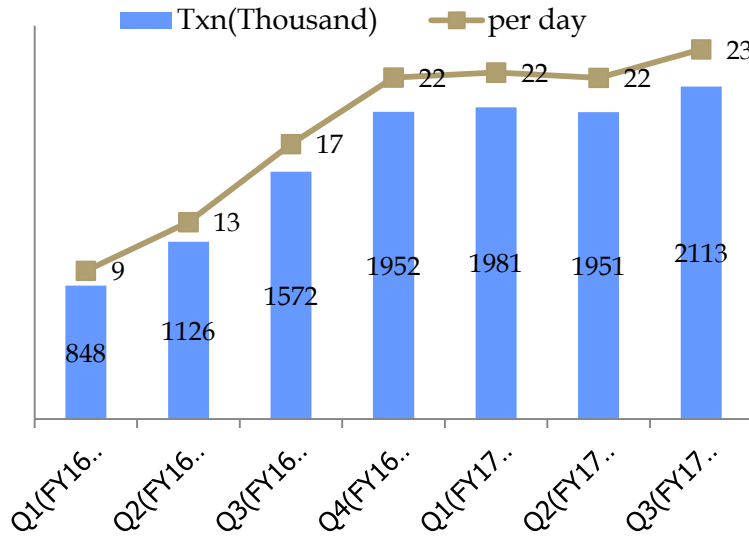
POS & ECOM transactions



POS Transactions



ECOM Transactions



Annexure

Deposits & Advances



₹ crs	<u>Dec-16</u>	<u>Mar-17</u>	<u>Dec-17</u>
Total Deposits	57,435	56,733	57,771
CASA Deposits	17,359	16,473	16,306
Retail Deposits	39,907	40,089	40,885
Wholesale Deposits	170	171	580
Total Advances	35,786	37,004	44,411
Priority Sector Advances	16,461	17,239	17,713
Agri Advances	5,632	6,583	6,578
MSE Advances	8,594	8,496	9,265
Advances to Weaker Section	2,332	2,544	2,476

Income & Expenditure



₹ crs	<u>Mar-17</u> [12 months]	<u>Dec-16</u> [9 months]	<u>Dec-17</u> [9 months]
Interest Income	5,185	3,891	3,981
Interest Expense	3,694	2,752	2,665
Net Interest Income	1,491	1,138	1,316
Fee Income	505	358	474
Treasury Income	304	140	185
Non-Interest Income	809	498	660
Total Income (Net of Interest Expense)	2,300	1,636	1,976
Operating Expenses	1,304	970	978
Operating Profit	996	667	998
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	544	353	683
Net Profit	452	314	315

Interest Income & Interest Expenditure



₹ crs	<u>Mar-17</u> [12 months]	<u>Dec-16</u> [9 months]	<u>Dec-17</u> [9 months]
<u>Interest Income</u>			
Interest Income	5,185	3,891	3,981
Interest on Advances	3,794	2,890	3,002
Interest on Investments	1,271	926	894
Other interest	120	75	85
Yield on Advances	10.81%	11.06%	10.05%
Adjusted yield on Invts.	8.88%	8.36%	7.80%
<u>Interest Expense</u>			
Interest Expense	3,694	2,752	2,665
Interest on Deposits	3,601	2,680	2,601
Other interest	93	72	64
Cost of Deposits	6.73%	6.82%	6.16%
<u>Net Interest Income</u>			
Net Interest Income	1,491	1,138	1,316
Interest Spread in Lending	4.08%	4.24%	3.89%
Net Interest Margin on average assets	2.79%	2.92%	3.07%

Capital Adequacy under BASEL III



₹ crs	<u>Dec-16</u>	<u>Mar-17</u>	<u>Dec-17</u>
Total Risk Weighted Assets	38,120	38,902	43,326
Total Capital Fund	5,027	5,172	5,313
Total Tier I Capital	4,521	4,749	4,827
Paid up Equity Capital	283	283	283
Reserves under Tier I Cap.	4,238	4,467	4,545
Total Tier II Capital	506	423	485
Surplus Provisions & Reserves	310	258	360
Subordinated Debt Fund	196	165	125
Total CRAR	13.19%	13.30%	12.26%
CRAR Common Equity Tier I Capital	11.86%	12.21%	11.14%
CRAR Tier I Capital	11.86%	12.21%	11.14%
CRAR Tier II Capital	1.33%	1.09%	1.12%

Other initiatives / developments



- ❖ Tied up with Life Insurance Corporation of India for distribution of life insurance products.
- ❖ Tied up with HDFC MF Asset Management Co. for distribution of their Mutual Fund products.
- ❖ Launched KBL-Image Debit Card.
- ❖ Enabled Cash Recyclers on pilot basis at different locations.
- ❖ Enabled Talking ATM facility at some of our ATMs.
- ❖ Introduced value added services to debit card holders through IVR facility.
- ❖ Launched Bank's official page on social media - FaceBook, Twitter, Instagram and YouTube.
- ❖ Opened Bank's Aadhar Enrollment and Updation Centres at various locations.
- ❖ Joined hands with Isha Foundation for Rally for Rivers campaign.
- ❖ Revamped official website.

Corporate Social Responsibility



Donation of a school bus to Malnad Development Foundation [R], Sagar.

Handing over the citation to the director of M/s Snehadeep, for which Bank has extended financial assistance to build a residential home for rehabilitating HIV infected girl patients.





Business Strategy

Transformation journey...



The transformation Project is christened to change from Good to Great...

KBL VIKAAS 

Transformation Theme 1 2 3 4

1% Market share, 2 times growth in every 3 years and eventually aim for 4 times P/B.



Exchanging the MoU with Boston Consulting Group (India) Pvt Ltd.

Corporate Goal for 2017 -18



- ❖ **Business Turnover of ₹ 1,10,000 crore.**
- ❖ **Opening of 35 new Branches to take the total no. of Branches to 800.**
- ❖ **To introduce following products and services:**
 - **Corporate Mobile Banking,**
 - **KBL Locator and e-Address book app.**
 - **Centralized account opening.**



- ❖ Minimum space maximum business.
- ❖ Credit augmentation
 - Focus on MSME sector
 - Focus on mid-corporate & retail sectors.
- ❖ NPA & Stressed Assets management
 - Minimising slippages and improving recovery management.
- ❖ CASA deposits
 - Maintaining CASA share of atleast 30%
 - Focusing on further customer onboarding.
- ❖ Digital Banking initiatives
 - Focus on digital marketing of Bank's products & services
 - Value addition to Bank's existing Mobile Banking channel
 - Installation of self service kiosks
 - Enabling Cash Recyclers
 - Extension of Cash@POS facility
- ❖ Parabanking activities.

Glimpses of walkathon for Banking awareness at various centres



Pune



Mumbai



Chennai



Mangaluru



Kolkata



Mysuru



Tumakuru



Udupi



Our Total Business Surpasses
RUPEES ONE LAKH CRORE



**Special Thanks
to all our Well Wishers**

**WE EXPRESS OUR HEARTFELT GRATITUDE TO ALL OUR STAKE
HOLDERS FOR THEIR TRUST & SUPPORT AND SOLICIT THEIR
CONTINUED PATRONAGE, AS WE CONTINUE OUR JOURNEY
WITH RENEWED DEDICATION & COMMITMENT TO MAKE OUR
BELOVED KARNATAKA BANK A FINANCIAL POWER HOUSE.**

Board of Directors



P Jayarama Bhat
Non Executive Chairman



Mahabaleshwara M S
Managing Director & CEO



Ashok Haranahalli
Bengaluru
Advocate



Mrs Usha Ganesh, IAS
Bengaluru
Former Member of
Karnataka Administrative
Tribunal



Rammohan Rao Belle
Bengaluru
Former MD & CEO,
SBI Gen. Insu. Co. Ltd



B A Prabhakar
Bengaluru
Former Chairman & MD of
Andhra Bank



U R Bhat
Mumbai
Investment Adviser &
Columnist



Keshav Krishnarao Desai
Hubballi
Businessman



D. Surendra Kumar,
Shri Kshethra Dharmastala,
Dakshina Kannada
Educationist



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