



Karnataka Bank
Your Family Bank Across India

**Analysis of Financial Results
December 2019**

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Company Overview

- 01 Time tested Bank with over 95 years of banking history .
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- 04 Strong productivity, capital adequacy ratios.
- 05 Experienced management team & Professional Board.
- 06 Highest Standards of Corporate Governance.
- 07 Consistent track record of profit since inception.
- 08 Powered by KBL - VIKAAS for Total Transformation.

History

2017-19	<ul style="list-style-type: none">❑ Customer base crossed the milestone of 1 crore.❑ Business turnover crossed the historic milestone of ₹ 1,00,000 crore.❑ Formed Investor Relation Cell.❑ Networth of the Bank crossed ₹ 5,000 crs.
2012-16	<ul style="list-style-type: none">❑ Completed 1:2 rights issue to raise ₹ 658.96 crs.❑ Unveiled KBL - VISION 2020 & adopted Vision Statement.❑ No. of branches crossed 500 & No. of ATMs crossed 1,000.❑ Business turnover crossed the milestone of ₹ 75,000 crore.❑ Secured ISO 27001 : 2005 Certificate from NQA..❑ Launched ASBA facility
2007-11	<ul style="list-style-type: none">❑ Right issue of ₹ 457.03 crore in the ratio of 2:5.❑ Launched Online Trading facility.❑ Maiden QIP aggregating ₹ 160.83 crs.❑ Completion of 100% core banking
2002-06	<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 .❑ Rights issue in the ratio of 2:1 to raise ₹ 160 crs.❑ Right issue in the ratio of 1:2.❑ Bancassurance tie-up with MetLife.❑ Maiden bonus issue in the ratio of 1:1
1997-2002	<ul style="list-style-type: none">❑ Implementation of "Finacle" CBS in 2000
1977-96	<ul style="list-style-type: none">❑ Public issue of 45 lakh equity shares in October 1995❑ Became an authorised dealer of foreign exchange in 1977
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

Evolution

First generation private sector Bank

Offers wide variety of banking products

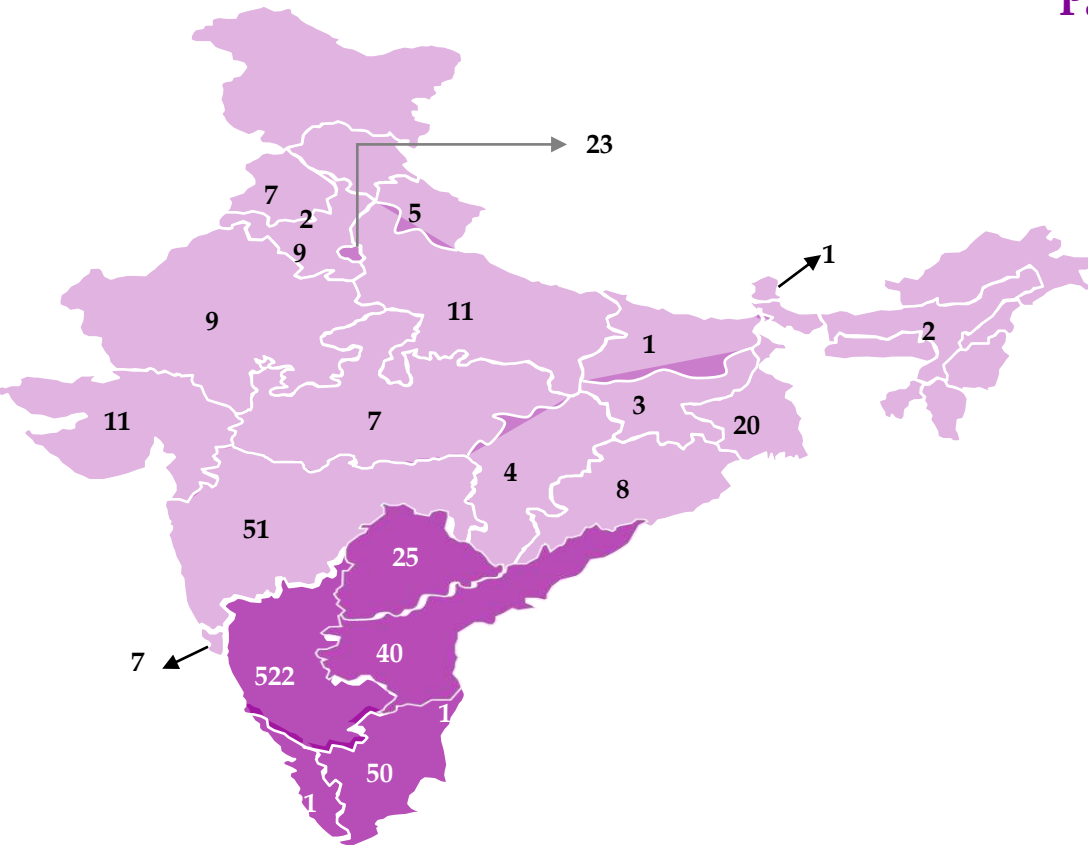
Digital loan initiatives & Tab Banking for SB a/c opening launched

2,336 Outlets all over India

₹ 1,26,267 Cr business turnover

- Business Turnover of ₹ 1,26,267 crore as on 31.12.2019.
- Networth of ₹ 6,133 crore as on 31.12.2019.
- 2,336 service outlets with 845 branches, 1 Extension Counter, 1,043 ATMs and 447 recyclers in 548 centres across India as on 31.12.2019.
- Offers wide variety of corporate and retail banking products and services to over 10.7 million customers.
- Incorporated in 1924, one of the oldest time tested private sector Banks.

Pan-India footprint

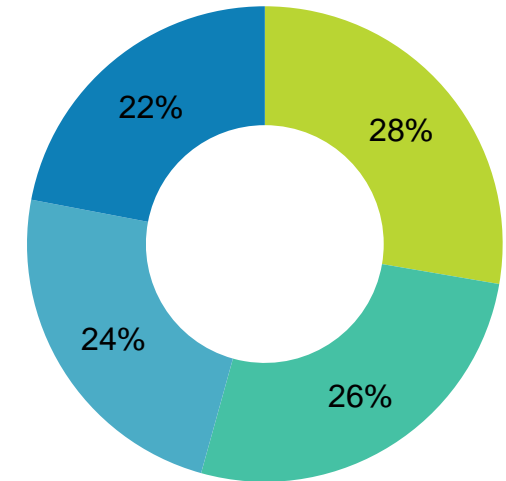


Pan-India Presence

- Total 2,336 service outlets – 845 branches, 1 Extension Counter , 1,043 ATMs & 447 recyclers.
- Total 35 e-Lobbies & 401 mini e-Lobbies, all are having Recyclers.
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion.
- 121 Financial Inclusion branches, 35 Ultra Small branches
- Expanding network in northern India also.

Area wise distribution of Branches

■ Metro ■ Urban ■ Semi Urban ■ Rural

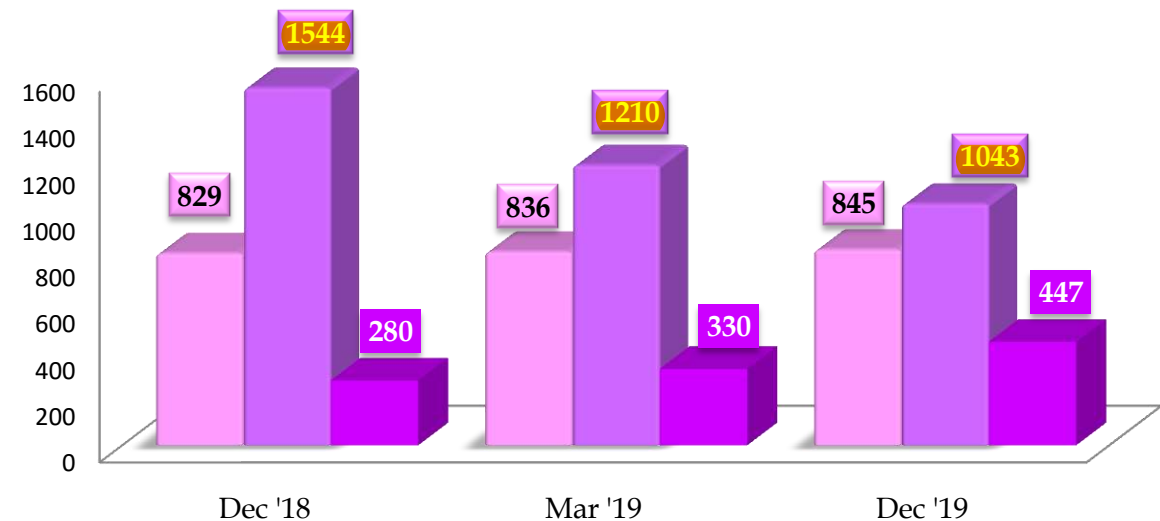


Has the strongest presence in South India with 663 branches

Top 5 States:

Karnataka (525), Maharashtra (51), Tamilnadu (50), Andhra Pradesh (41), Telangana (25)

■ Branches ■ ATMs ■ Recyclers



Robust technology platform and risk management systems



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 2022, reflecting the Bank's continued commitment to technology adoption.



Pioneer in implementing "Finacle" (CBS) amongst the first 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.



Implemented 'M-Passbook' (Mobile Passbook), 'KBL Apna App' (SMS Banking), 'KBL-Mobile Plus' (Mobile Banking) app, 'BHIM KBL UPI' app on Unified Payment Interface, 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.

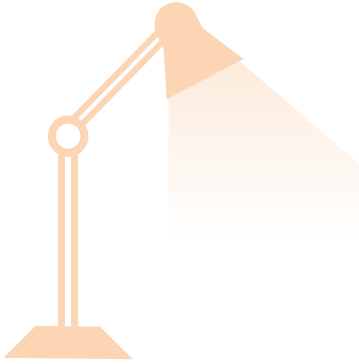
Implemented Lending Automation Processing System (LAPS) software for efficient life cycle management of loan accounts and improved monitoring.

Implemented an Enterprise Level Fraud Risk Management System (ELFRMS) for effective cyber fraud prevention across delivery channels.

Established DCOE for better TAT & risk management.

Robust technology platform and risk management systems

Effective risk management system



1

Periodical monitoring & reviewing of risk profile of the bank.

2

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'.

3

Continuous offsite surveillance of borrower accounts.

4

Effective ALM/ mid office set up to monitor Liquidity risk/ Market risk on a continuous basis.

5

Enterprise level fraud risk management system to effectively control / prevent online suspicious transactions done by customers & other digital channel transactions.

6

Effective Operational risk management by:

- building up a database of internal Loss data, near- miss cases and other Operational risk events, since Sept 2007.
- AML monitoring system to scrutinize the customer transactions to ensure compliance to the extant guidelines.

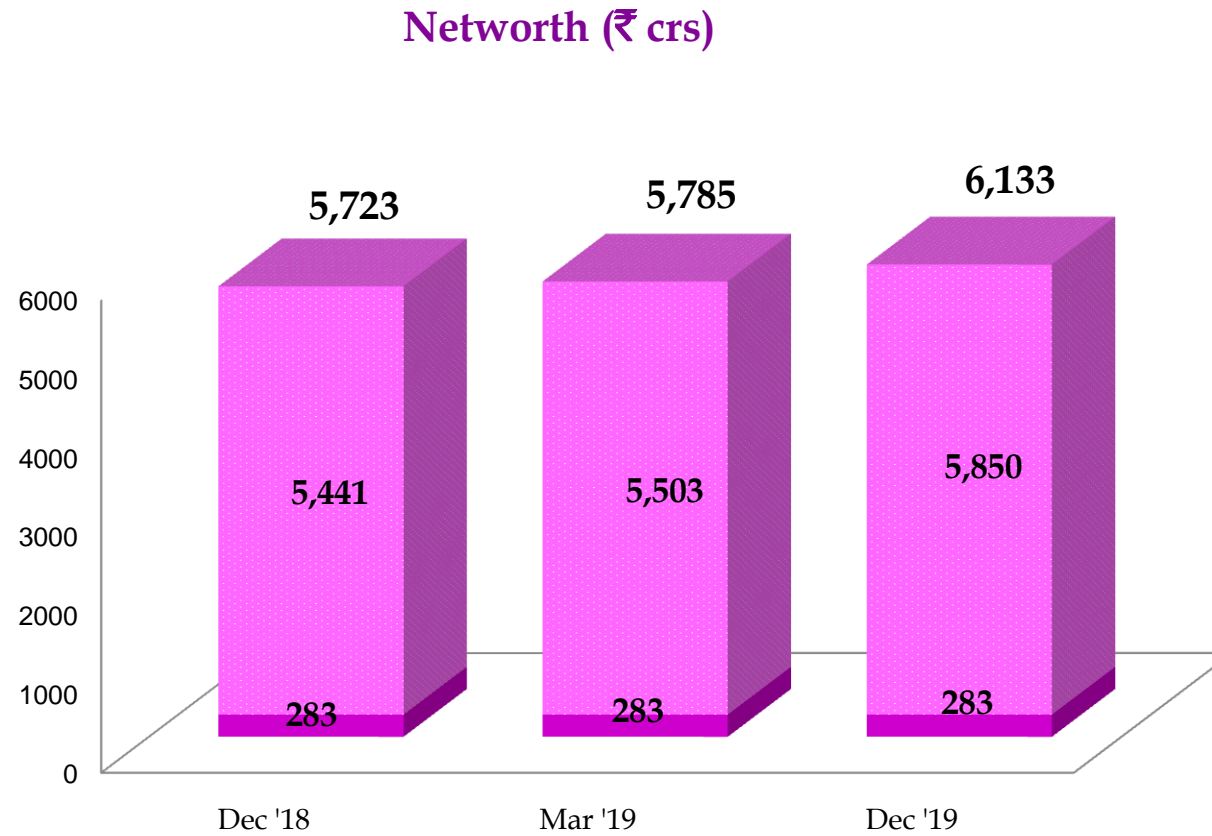
7

Moving towards migration to 'Basel II advanced approaches' under Credit, Market and Operational Risk and also complied with the extant 'Basel III' guidelines of RBI.

8

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



Highlights - Q3 FY20

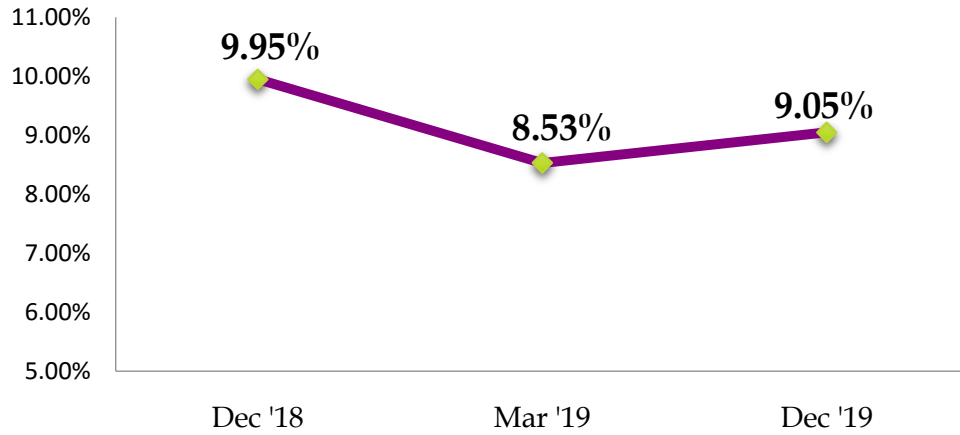
3 Months

9 Months

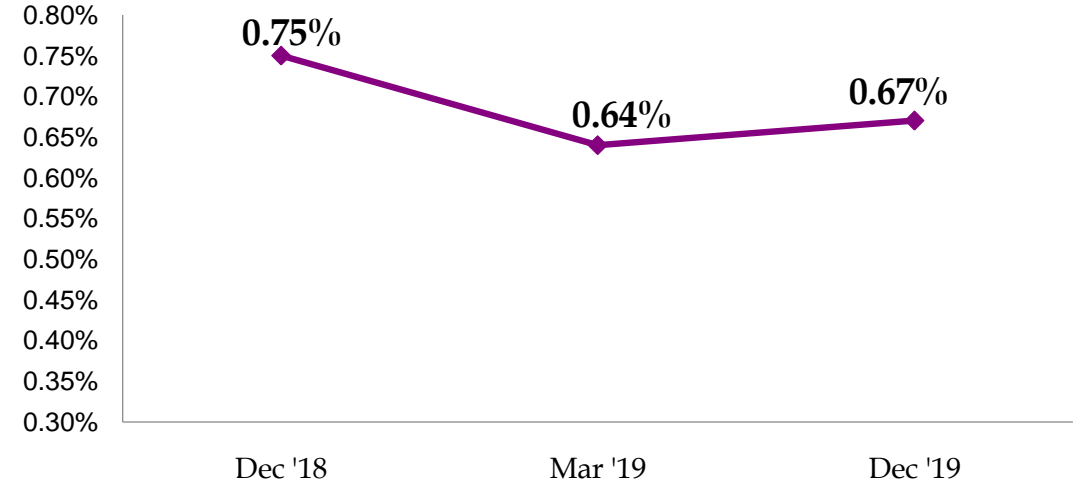
KPAs	Q3 FY 20	Q3 FY 19	Q3 FY 20	Q3 FY 19	(₹ crs)
Turnover	 1,26,267	1,17,102	 1,26,267	1,17,102	
Operating profit	 501.79	400.37	 1,265.23	1,125.58	
Net profit	 123.14	140.41	 404.47	415.51	
Return on Asset	 0.60%	0.74%	 0.67%	0.75%	
Earning per Share <small>(not annualized)</small>	 4.36	4.97	 14.31	15.72	
Return on Equity	 8.15%	9.94%	 9.05%	9.95%	
Net Interest Income	 507.75	487.95	 1,501.06	1,424.24	
Net Interest Margin	 2.83%	2.94%	 2.82%	2.95%	
Gross NPA	 4.99%	4.45%	 4.99%	4.45%	
Net NPA	 3.75%	3.00%	 3.75%	3.00%	
Cost to Income	 44.85%	49.28%	 48.50%	47.29%	
CRAR (Basel III)	 12.40%	11.98%	 12.40%	11.98%	

Return and Capital Adequacy Ratios

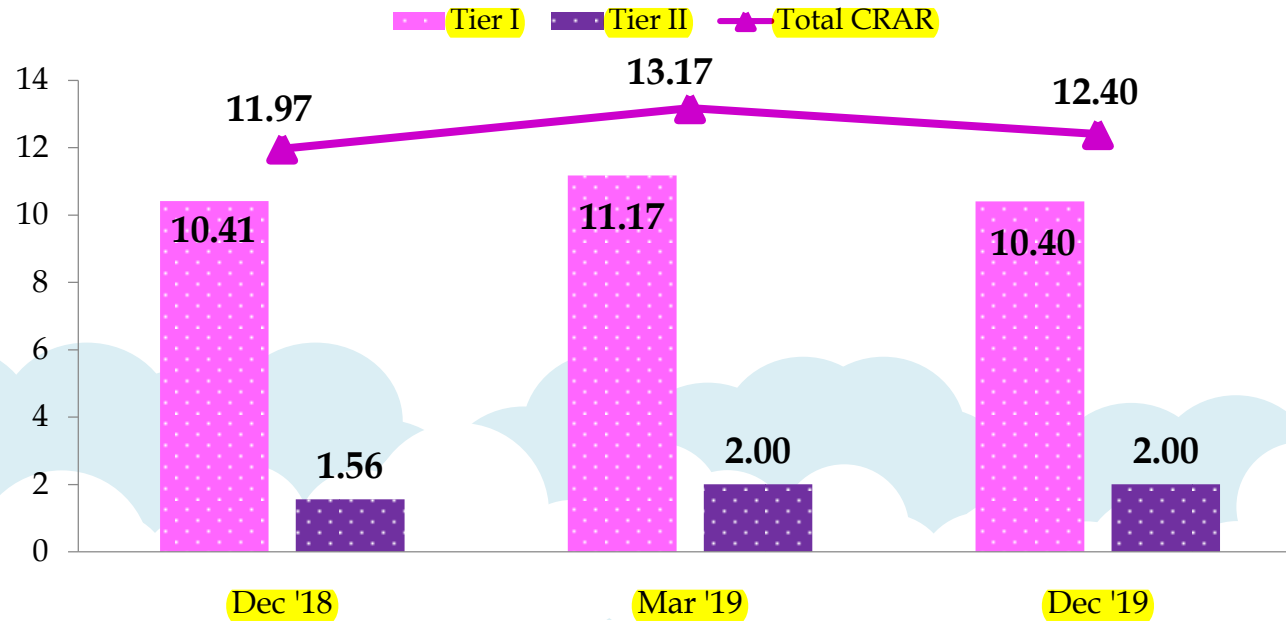
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)

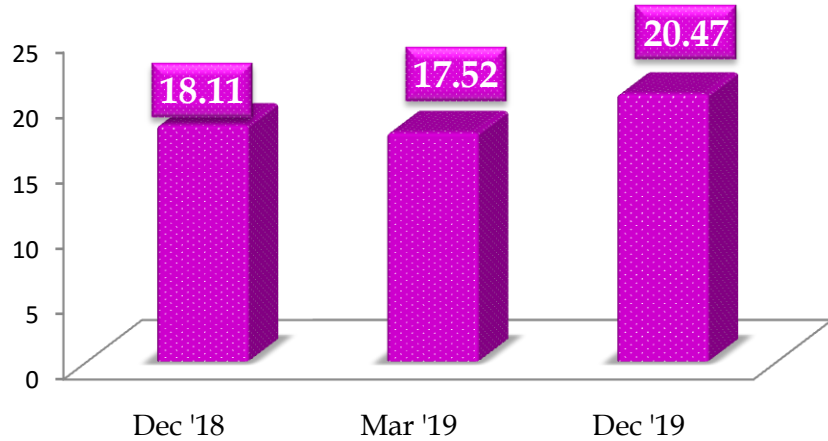


Capital Adequacy (%) - Basel III



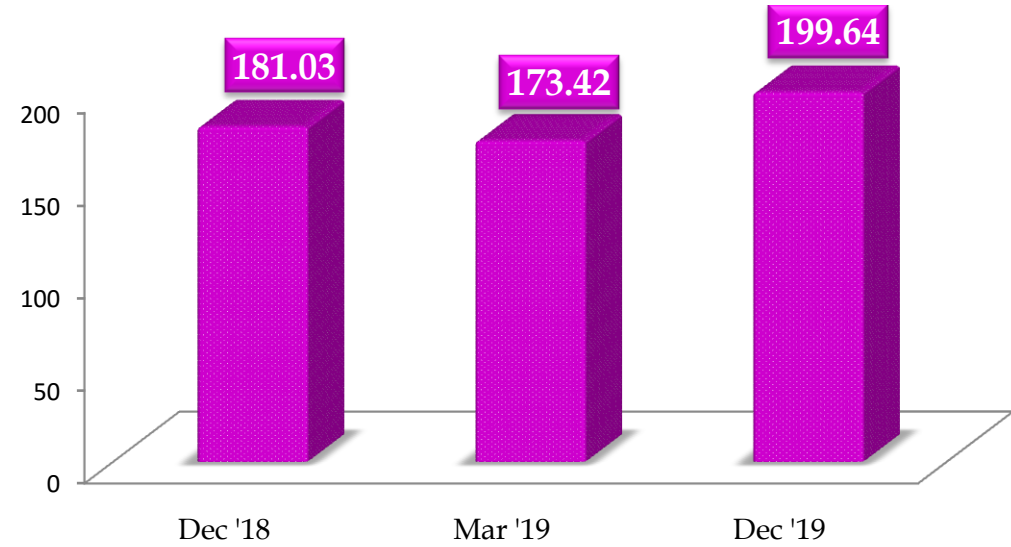
Productivity ratios

Operating Profit per employee (₹ lakh) *

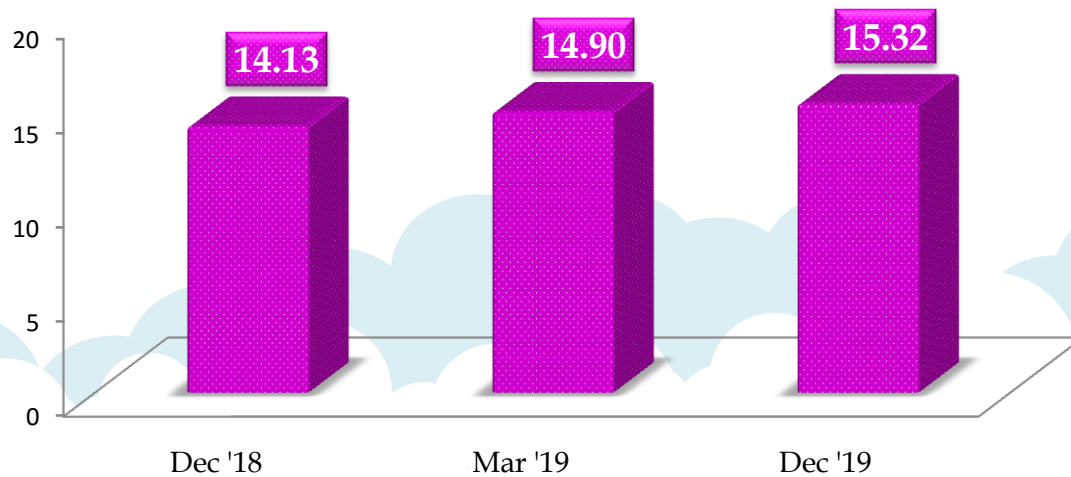


* annualised

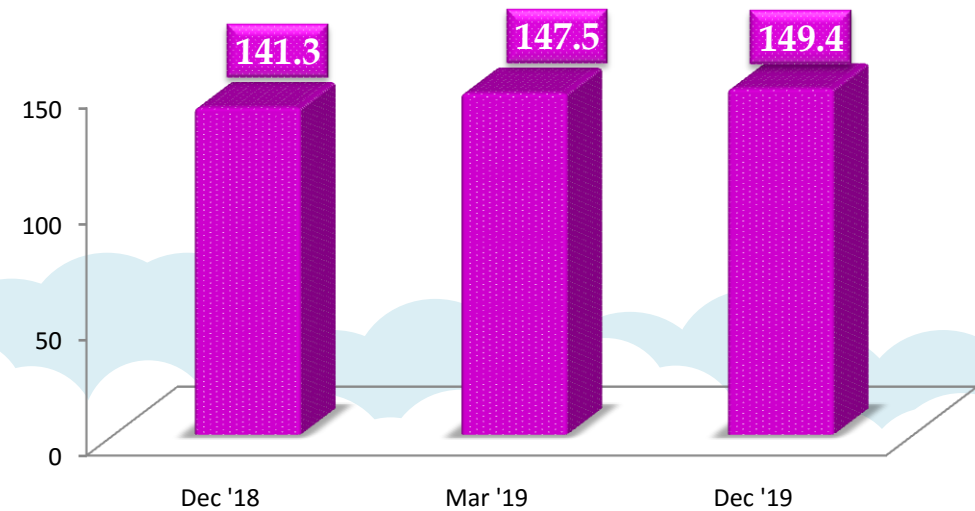
Operating Profit per branch (₹ lakh) *



Business per employee (₹ crs)



Business per branch (₹ crs)

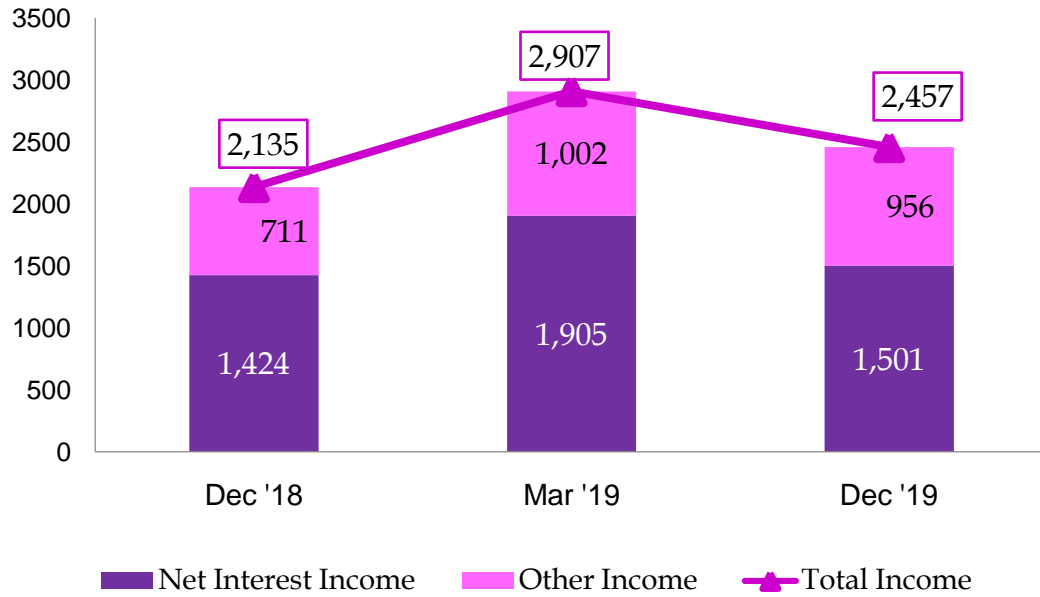


Financial Performance

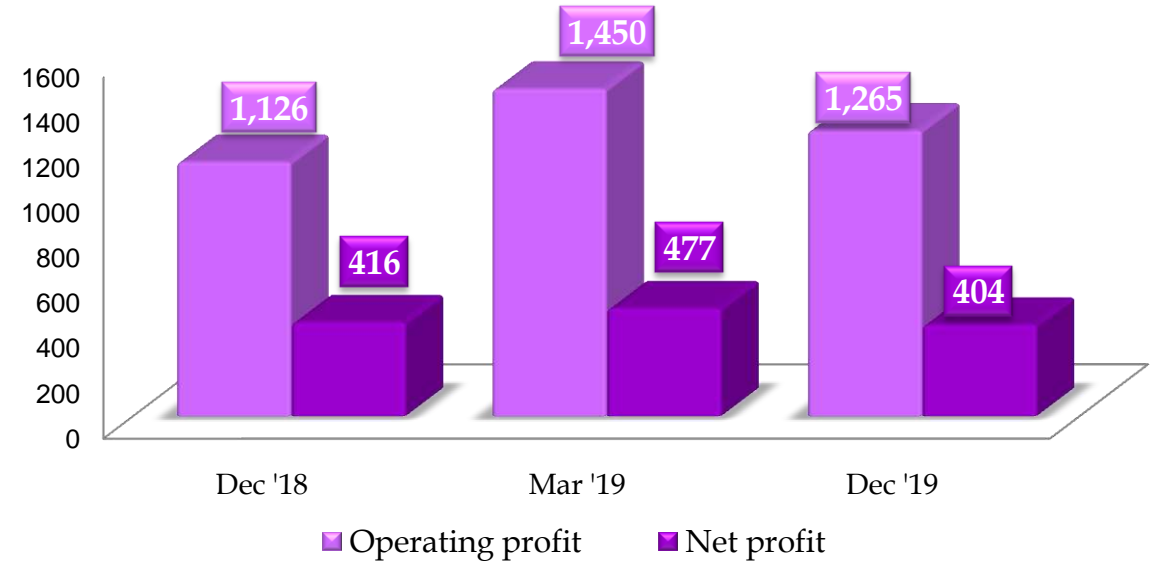


Income & Profit

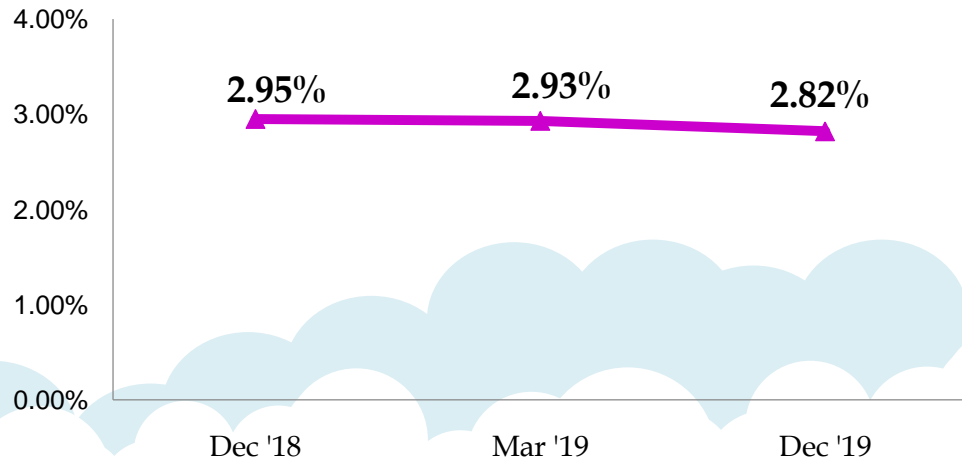
Net Income (₹ crs)



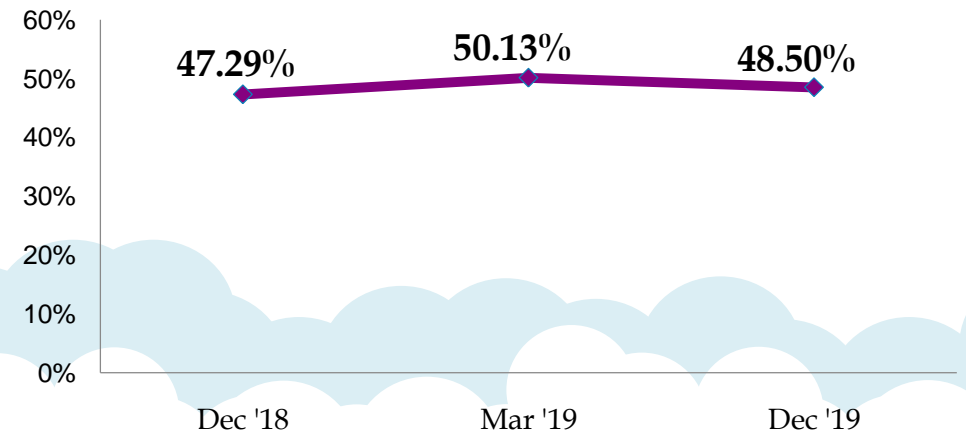
Operating and Net Profit (₹ crs)



Net Interest Margins (%)

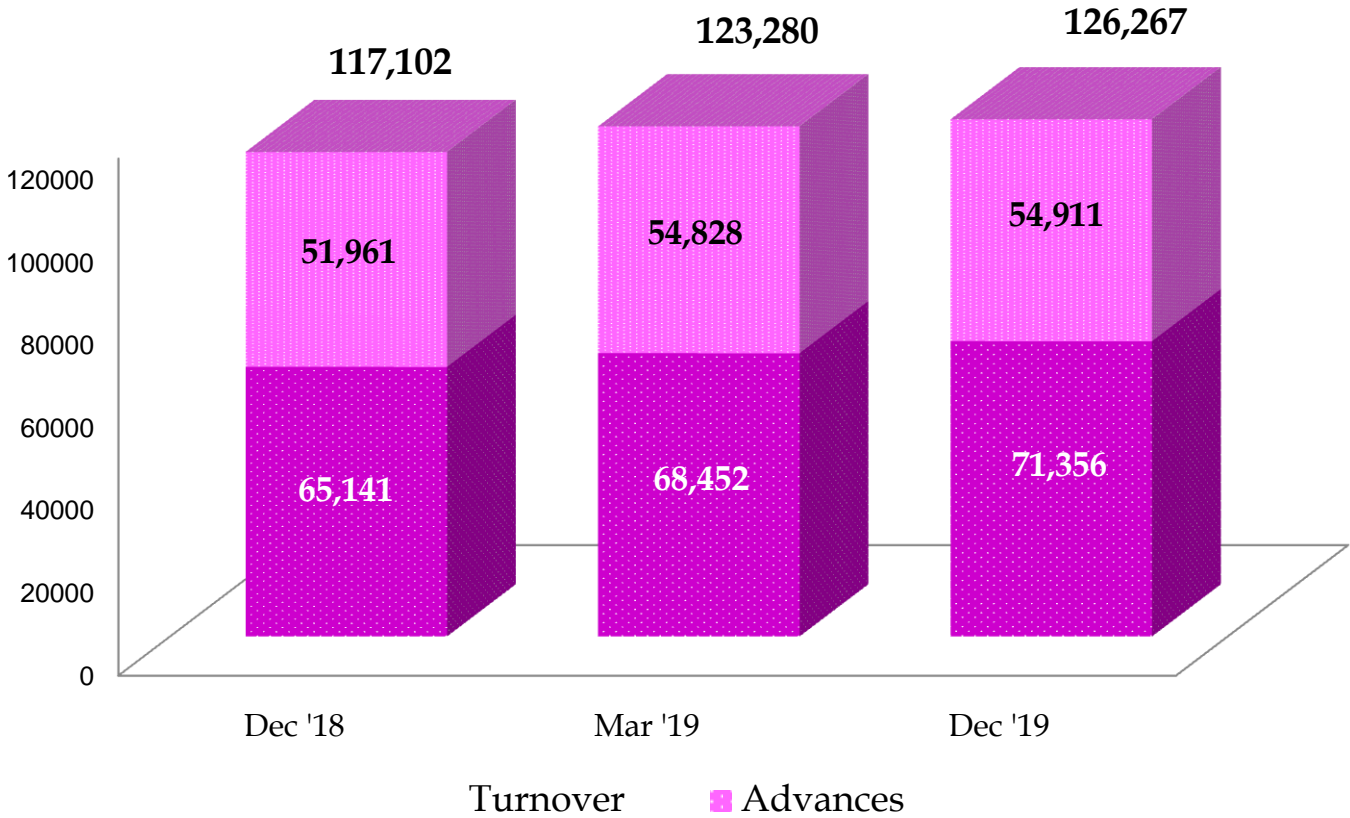


Cost to Income Ratio (%)



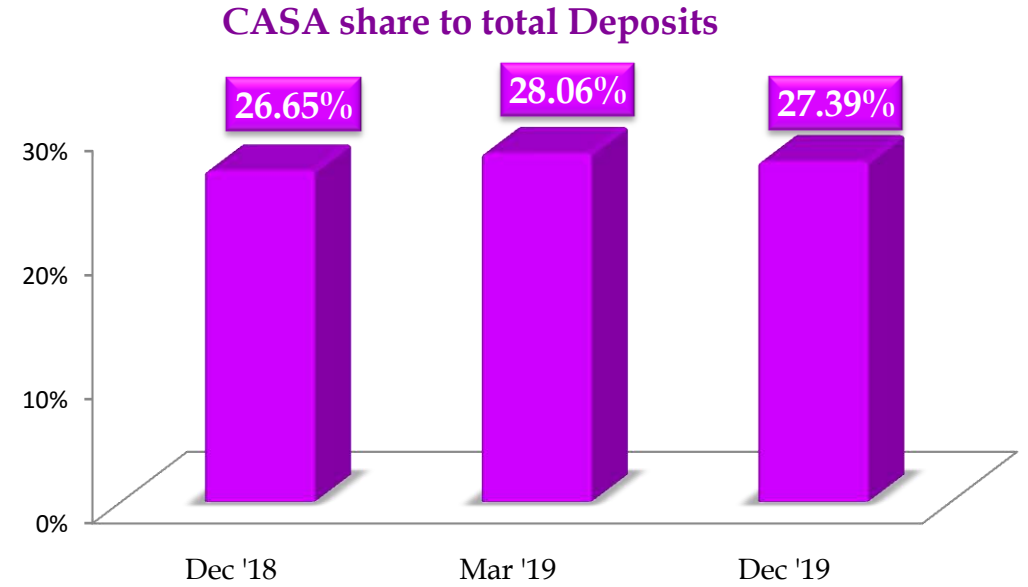
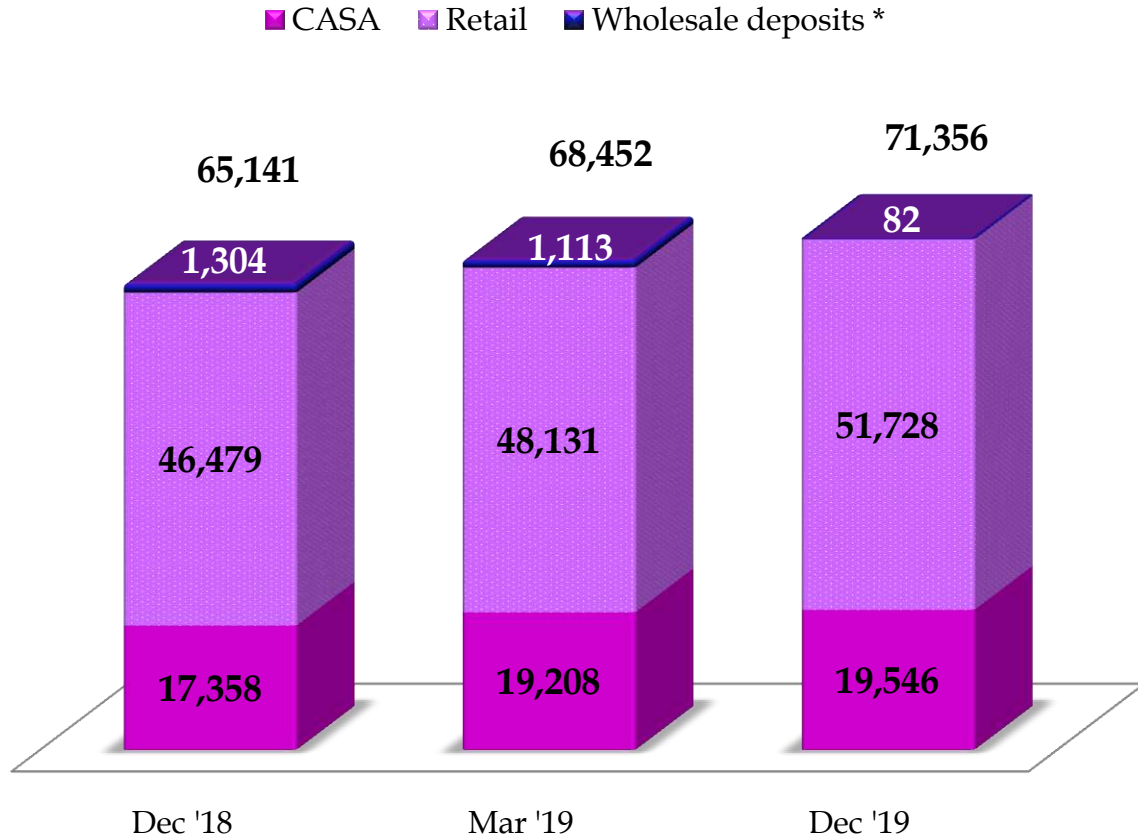
Business size

Business Turnover (₹ crs)

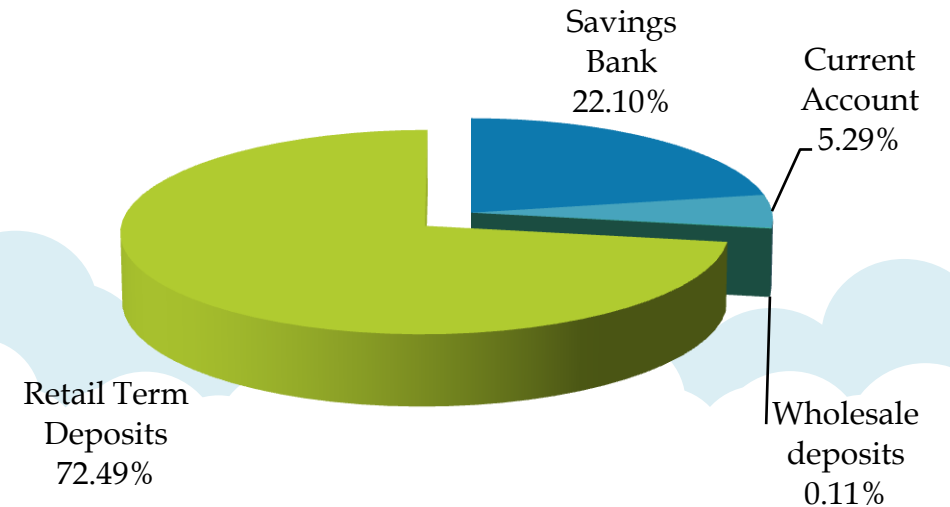


Deposits

Deposits (₹ crs)



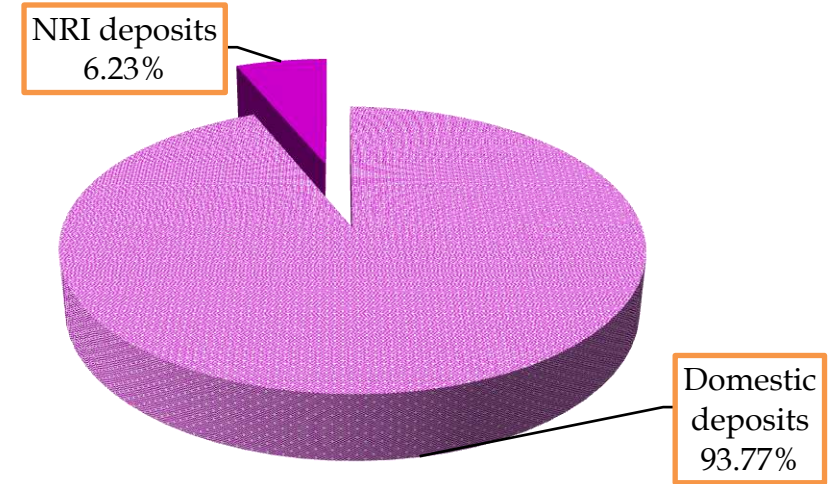
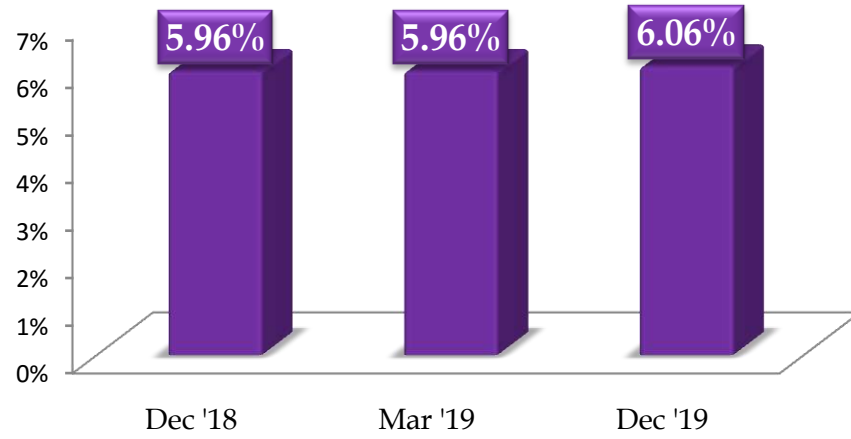
Deposits break up (Dec '19)



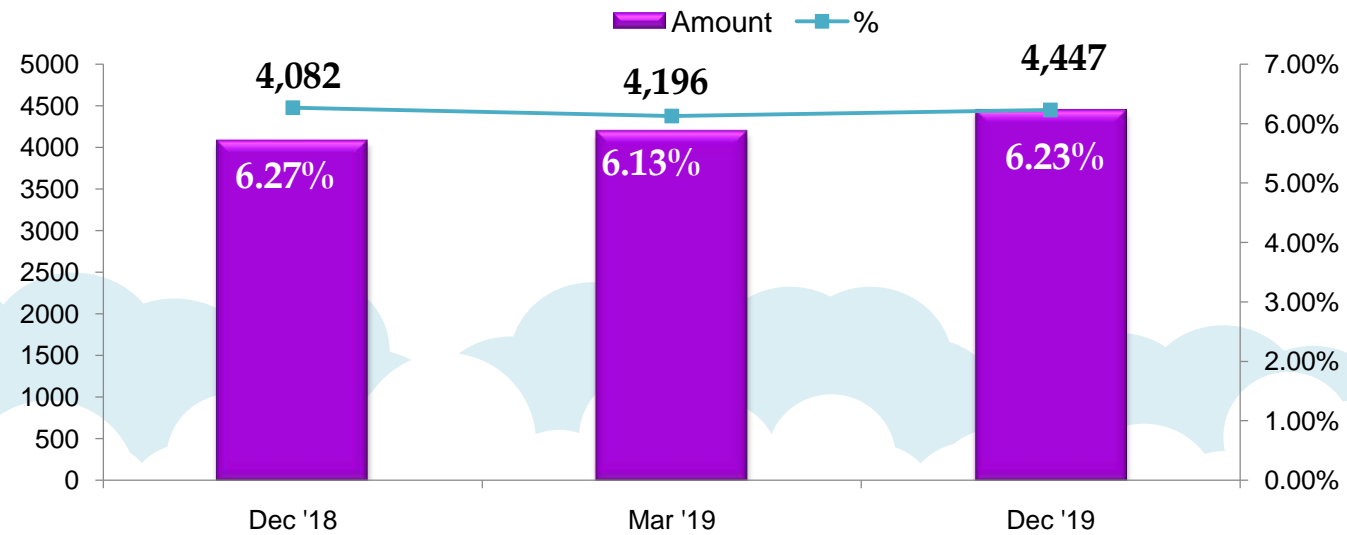
* Wholesale deposits = Purchase liability + Certificates of deposit + Interbank deposits

Deposits

Cost of Deposits

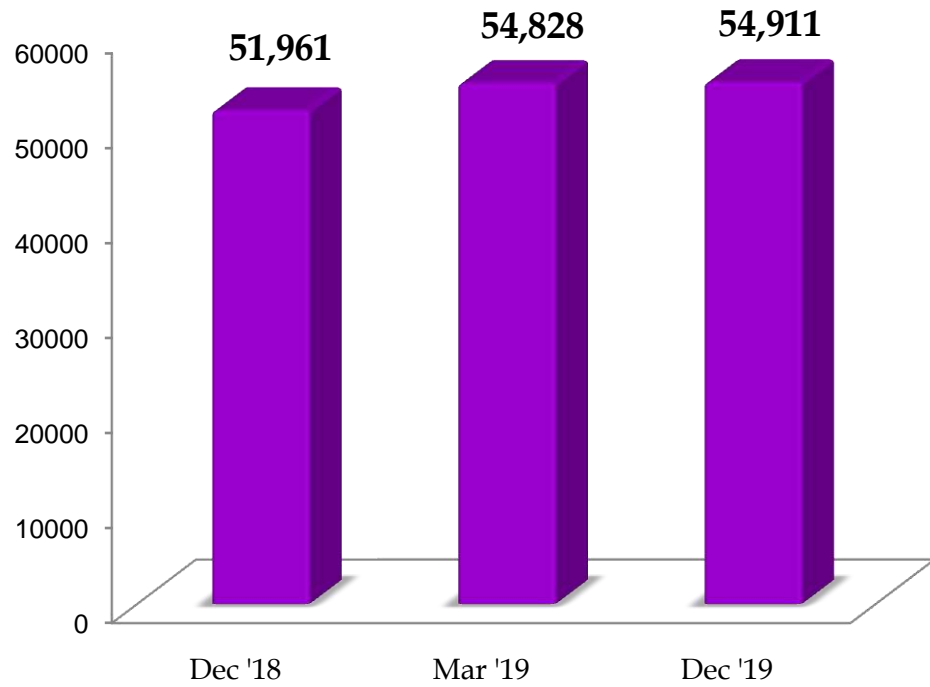


NRI Deposits (₹ crs)



Advances

Advances [Net] (₹ crs)



External rating wise Credit Portfolio as of Dec '19

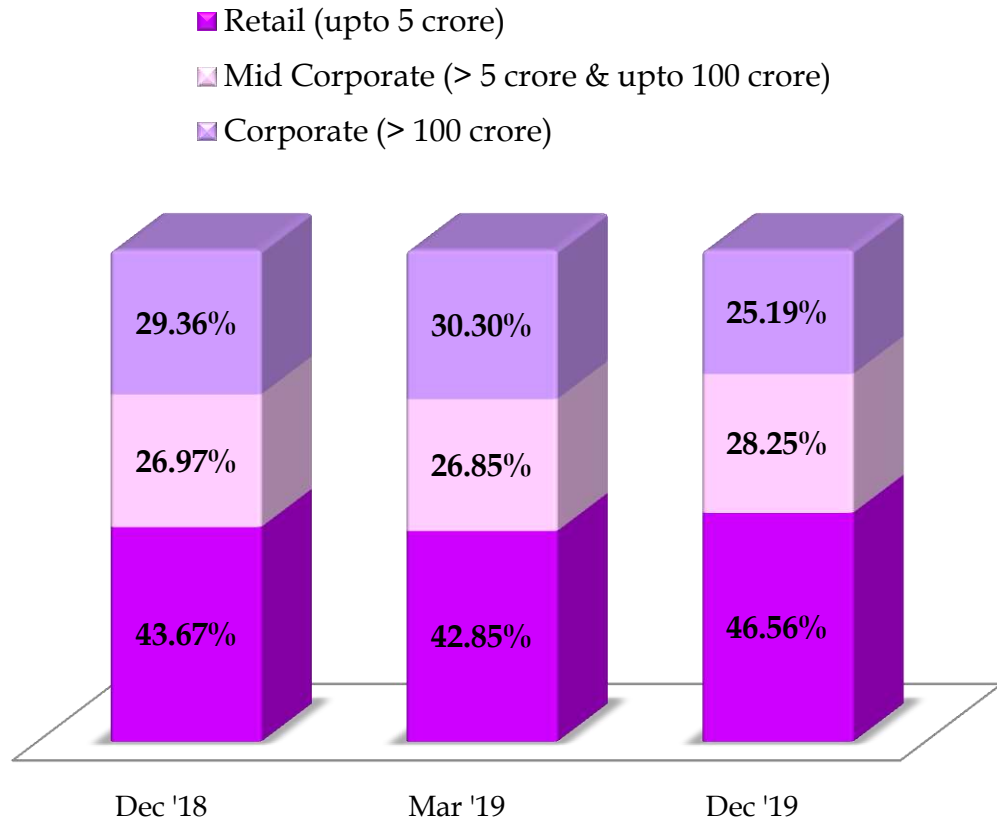
[Figures in brackets - as of Dec '18]

Rating	No of Borrowers	Balance O/s (in cr)	% to GBC	Of which, NPA - no. of borrowers	NPA - Bal o/s (cr)
AAA	19 (22)	5,981 (7,281)	10.74 (13.80)	-	-
AA	34 (40)	4,631 (5,619)	8.32 (10.65)	-	-
A	40 (33)	1,798 (1,319)	3.23 (2.50)	-	-
BBB	71 (74)	1,789 (1,591)	3.21 (3.01)	-	-
BB	90 (73)	1,802 (1,981)	3.24 (3.75)	3 (-)	87 (-)
B	48 (30)	659 (459)	1.18 (0.87)	3 (2)	96 (99)
C	1 (1)	26 (14)	0.05 (0.03)	1 (-)	26 (-)
D	25 (24)	1,258 (873)	2.26 (1.65)	13 (10)	713 (658)
Total	328 (297)	17,943 (19,137)	32.24 (36.27)	20 (12)	922 (758)

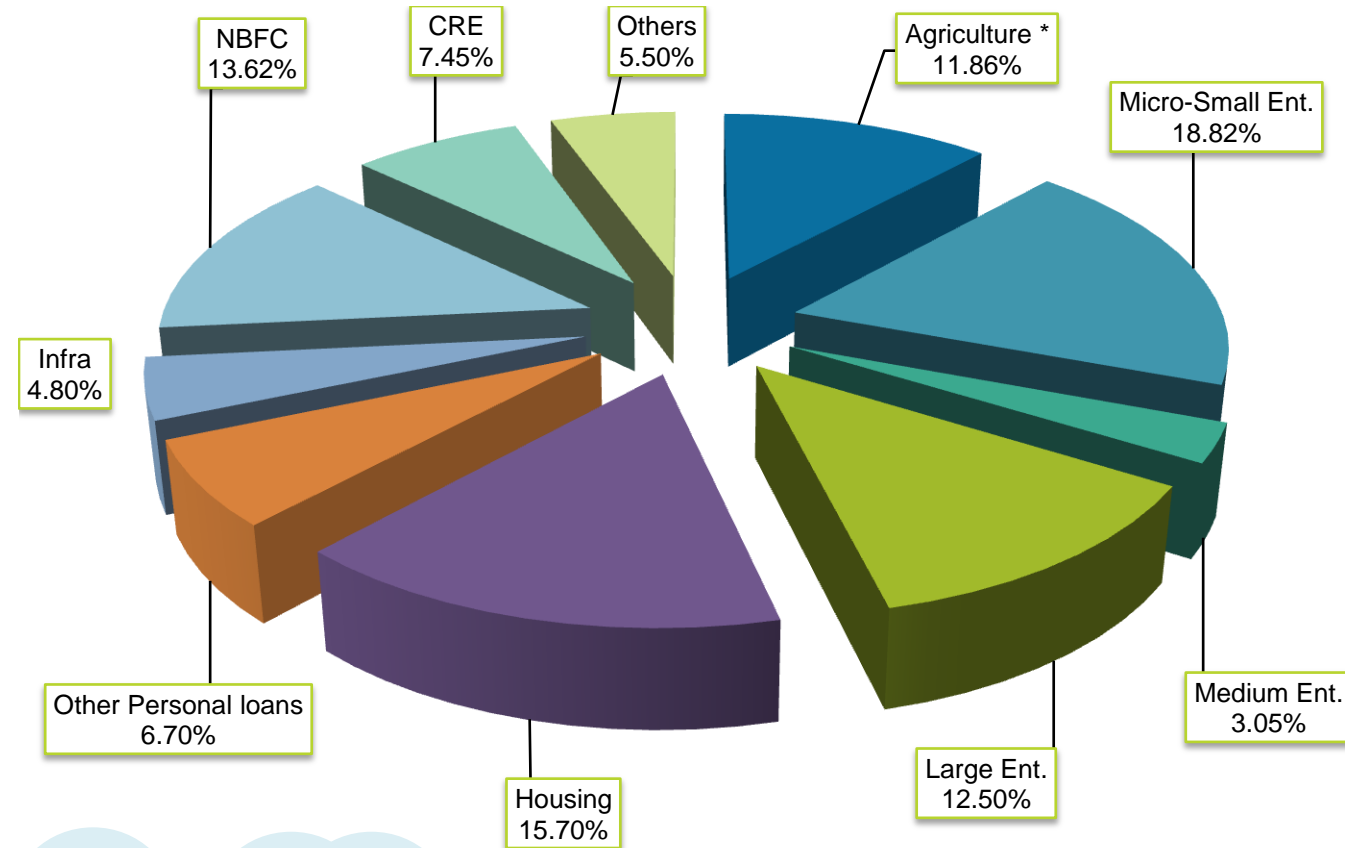
Gross Bank Credit: ₹ 55,660 crore (prev.yr: ₹ 52,769 crore).

Advances

Retail & Corporate Advances (%)



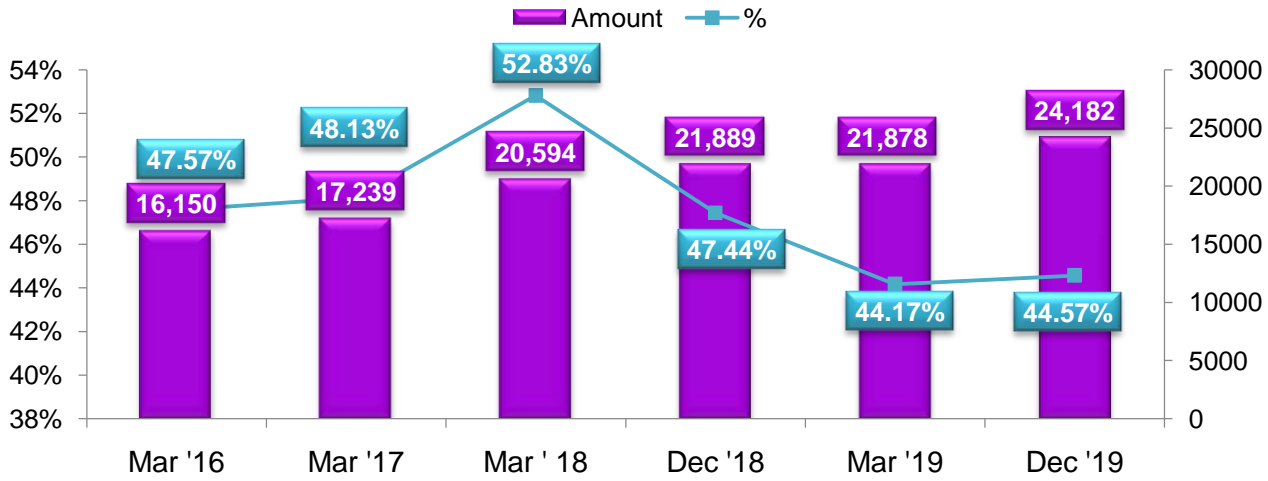
Segmentation of Gross Advances (Dec '19)



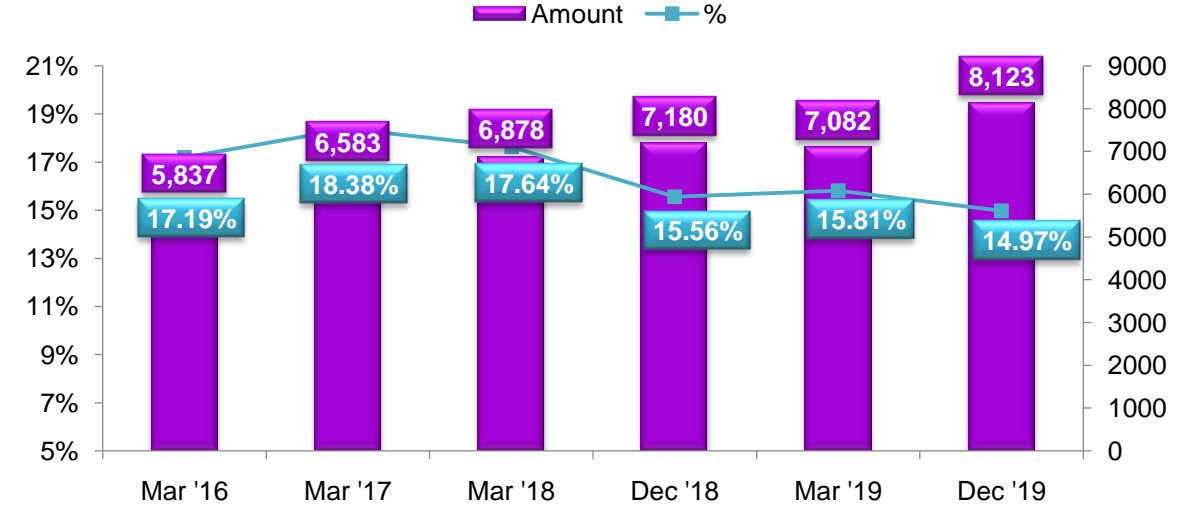
* However, this works out to 14.97% of the ANBC.

Advances

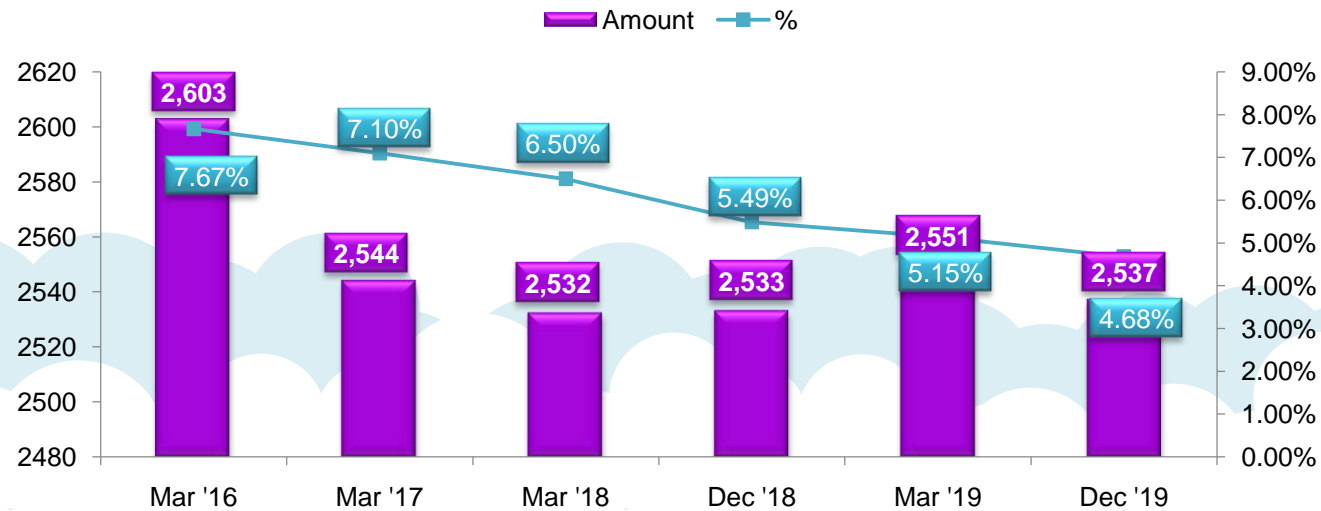
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)

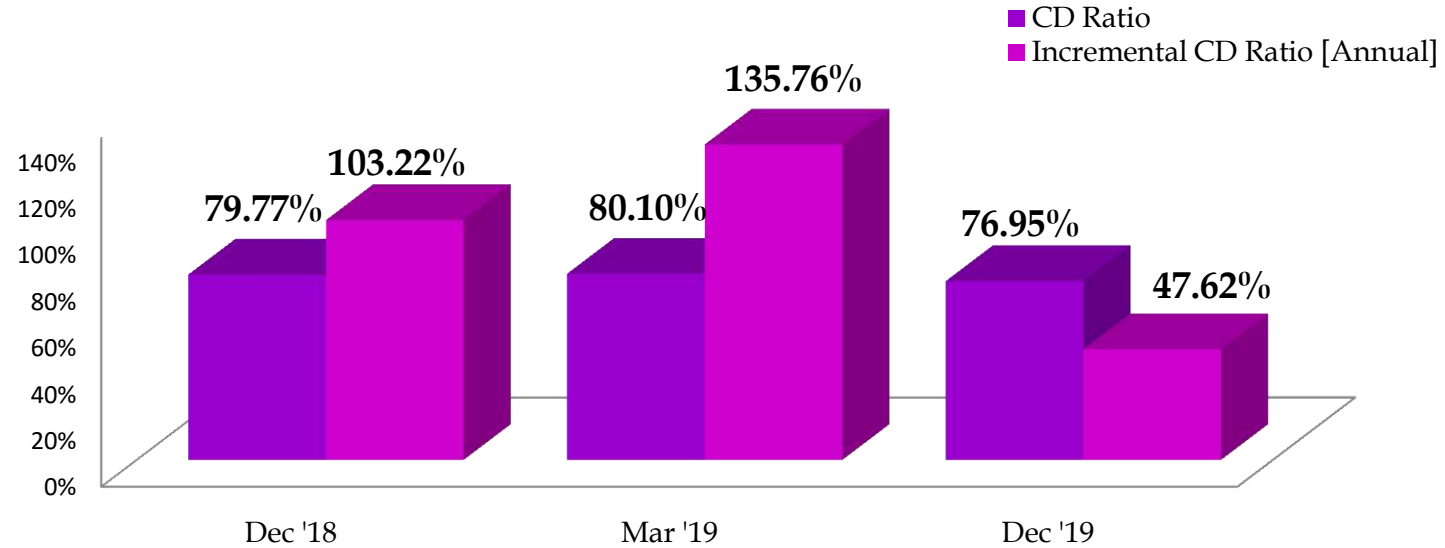


Advances to Weaker Section (₹ crs)

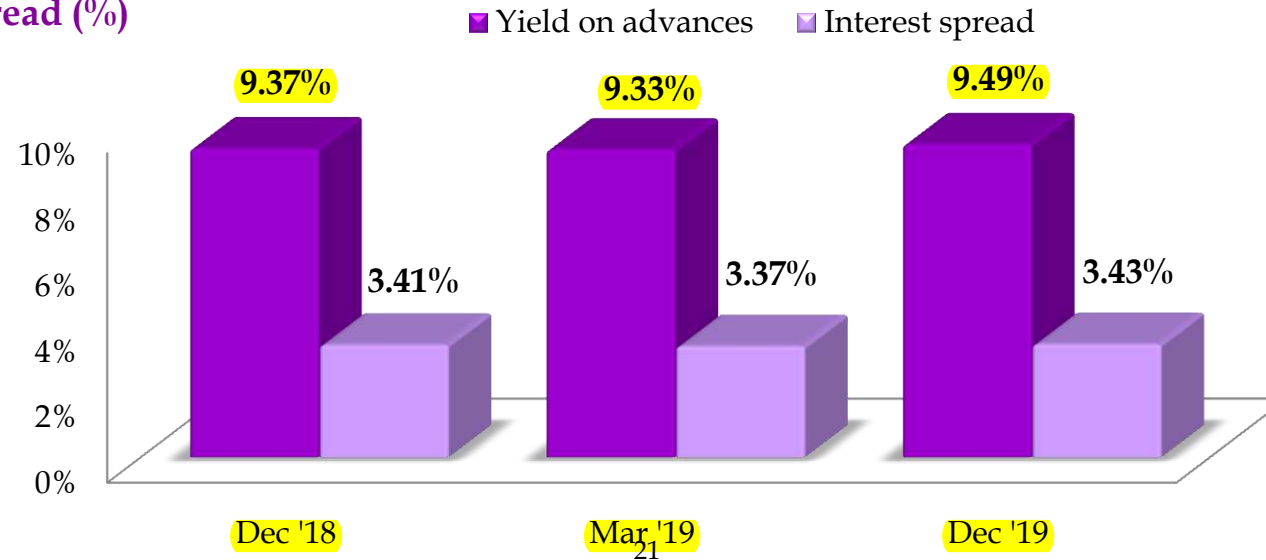


CD Ratio & Yield on Advances

Credit Deposit ratio (%)

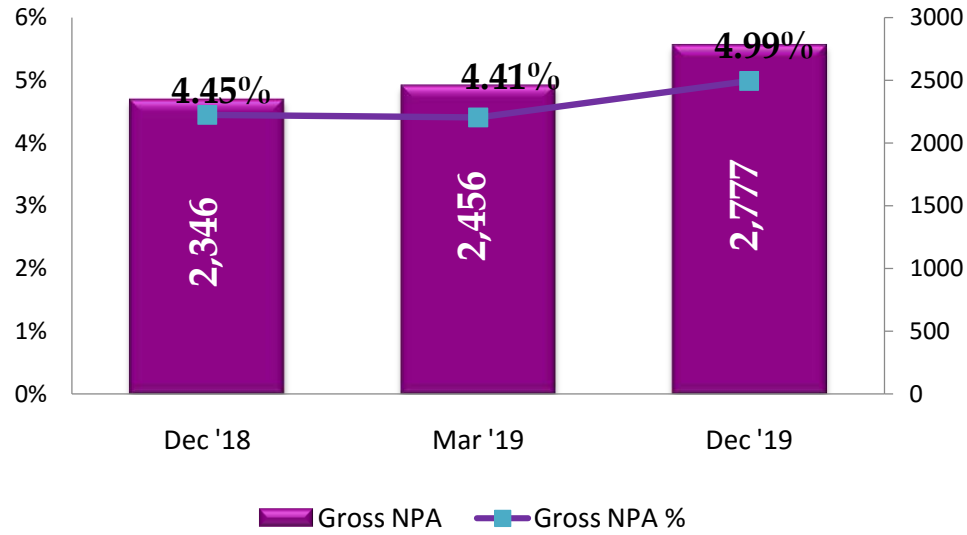


Yield on Advances & Interest Spread (%)

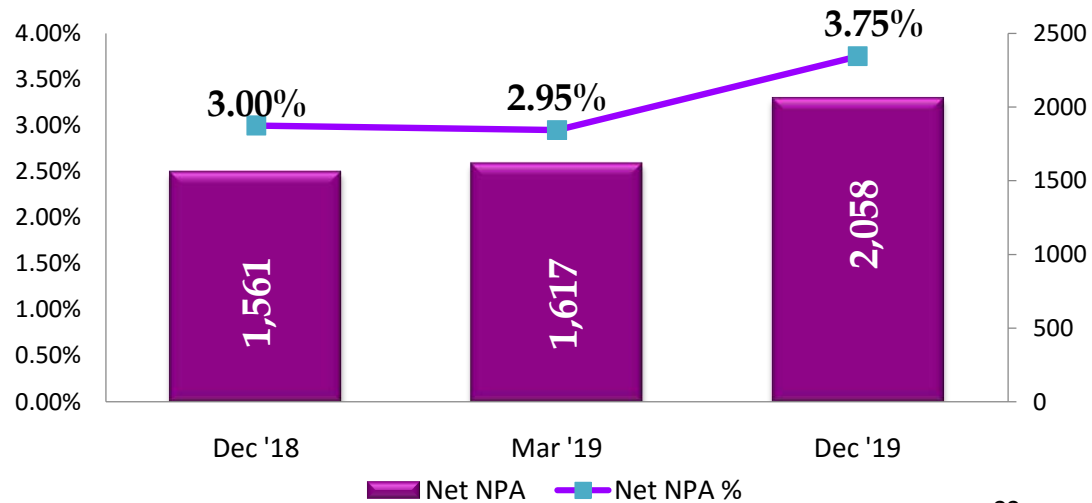


Asset Quality

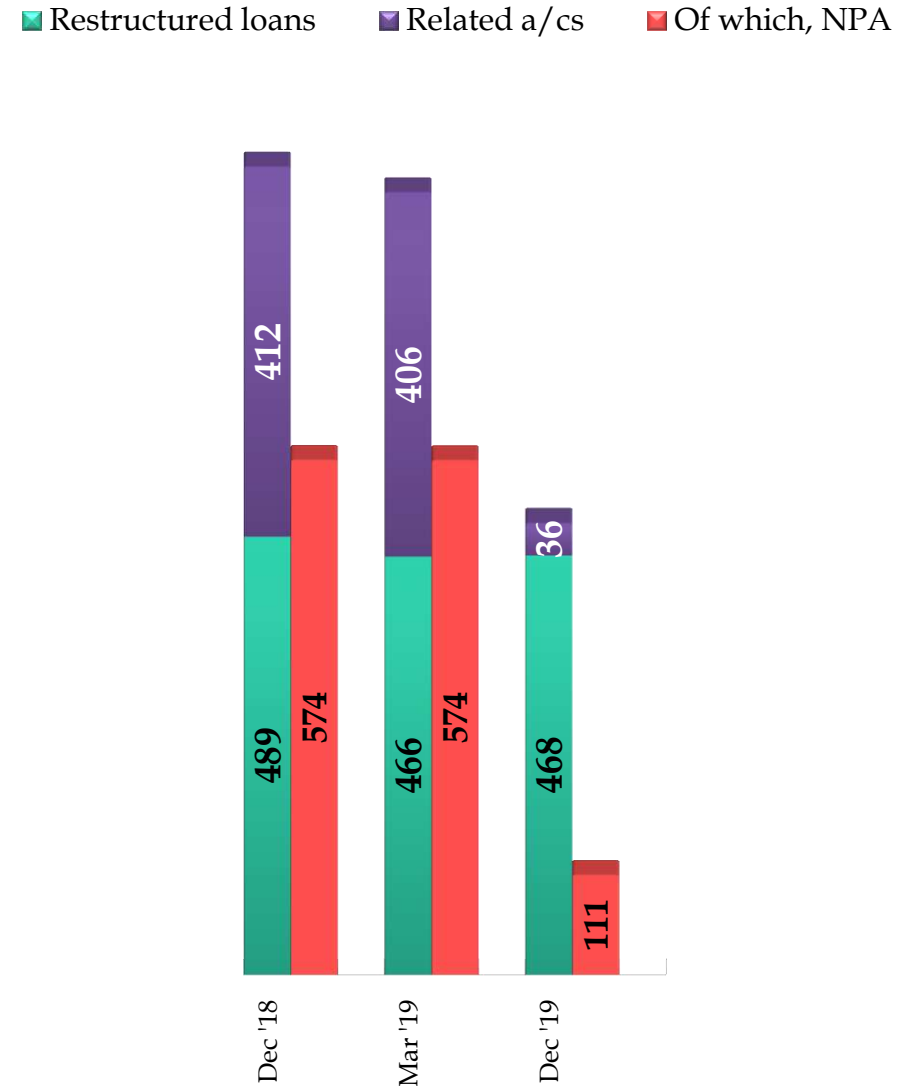
Gross NPAs (₹ crs)



Net NPAs (₹ crs)

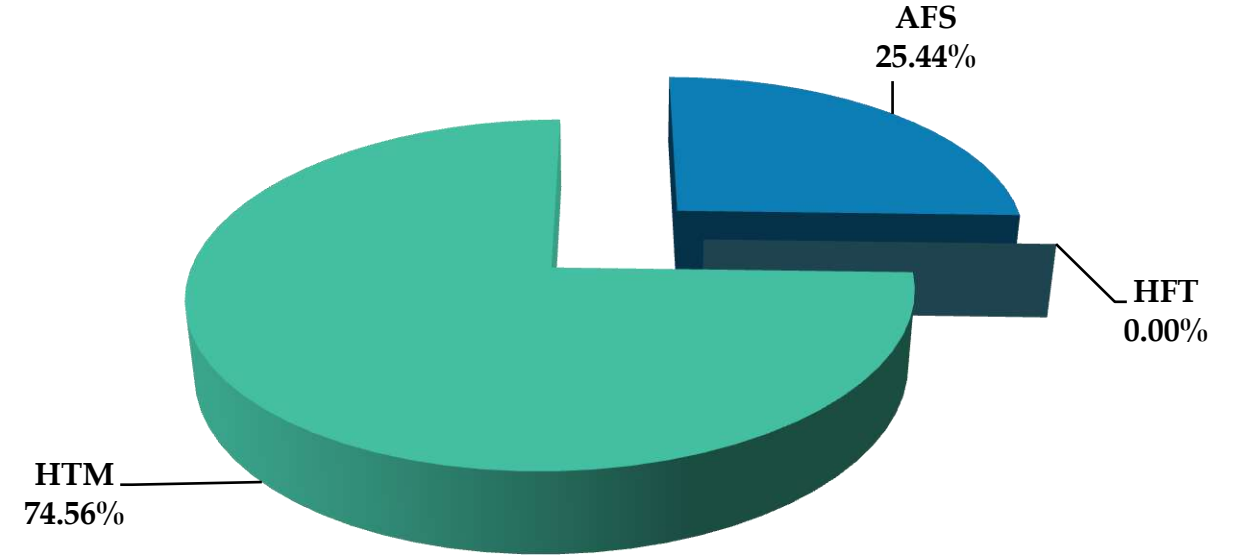
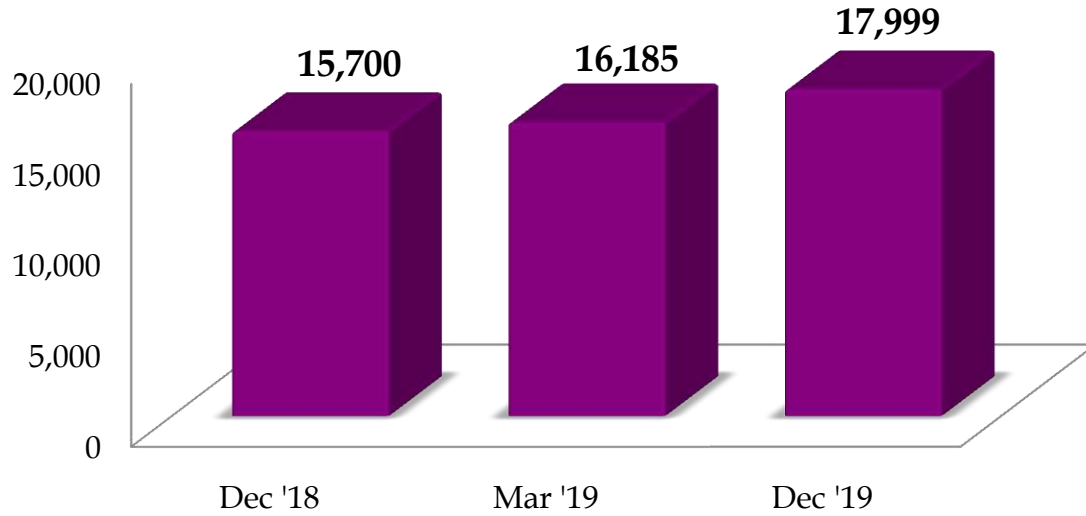


Restructured loans & related accounts

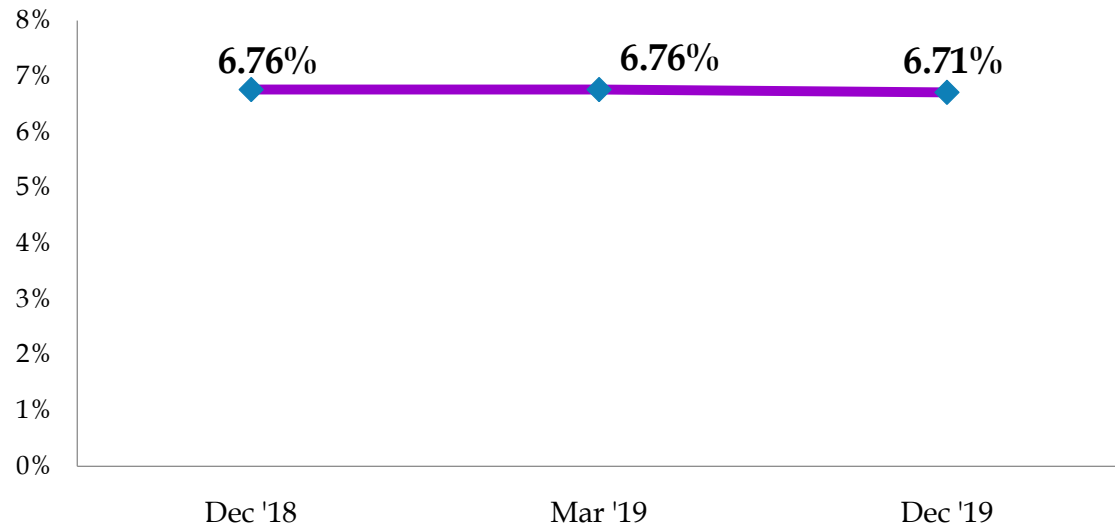


Investments

Investments [excl. RIDF] (₹ crs)



Yield on Investments (%)

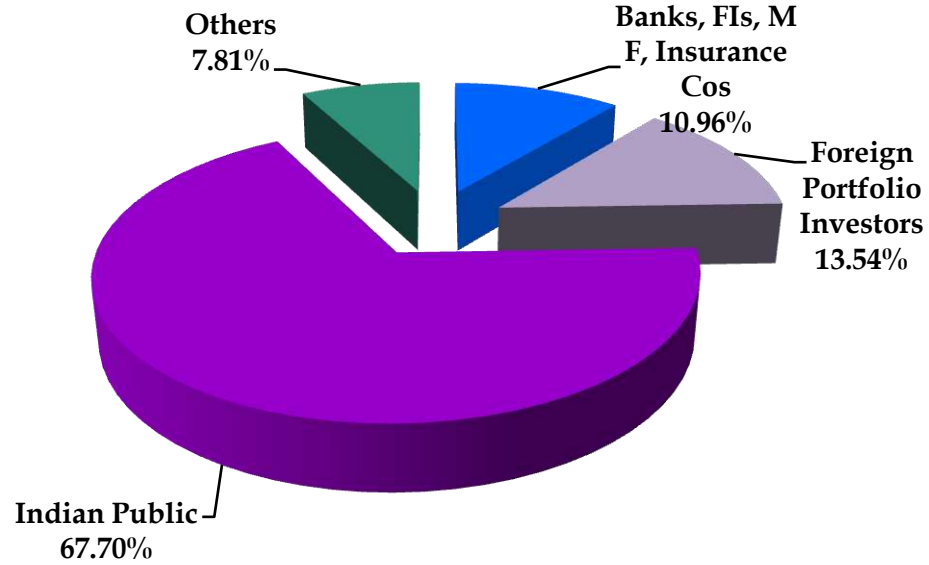


Duration

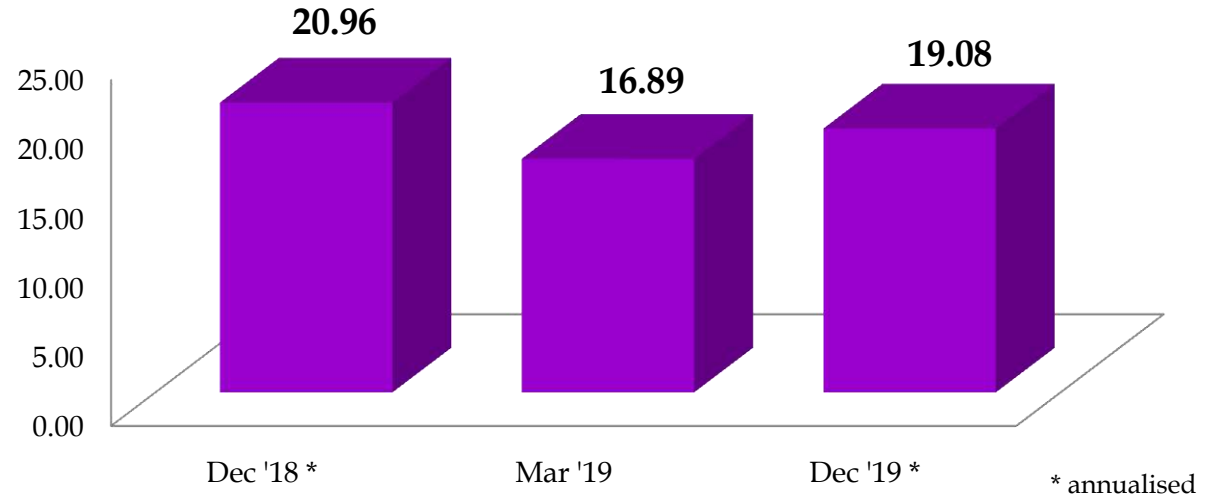
AFS	HFT	HTM	TOTAL
2.21	-	5.16	4.48

Share holders' value

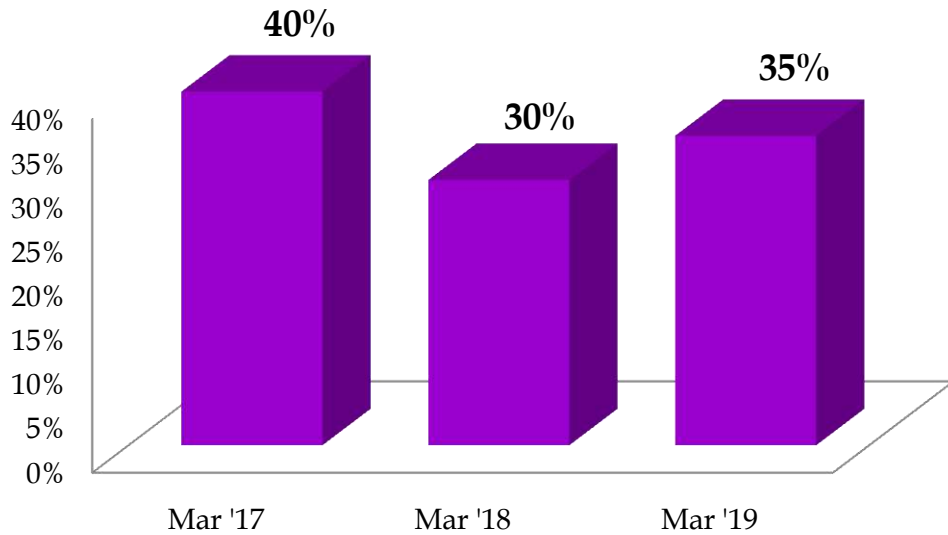
Share holding pattern (Dec '19)



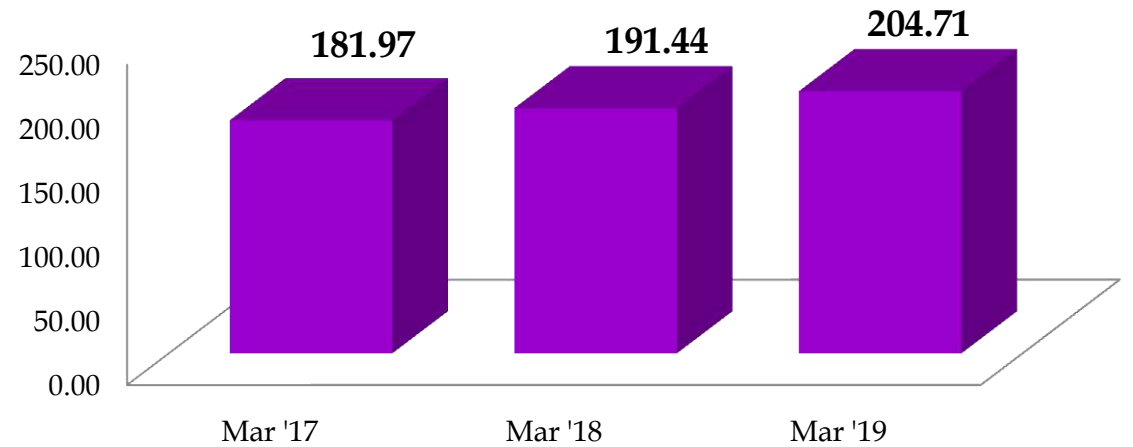
Earning Per Share (₹)



Dividend (%)



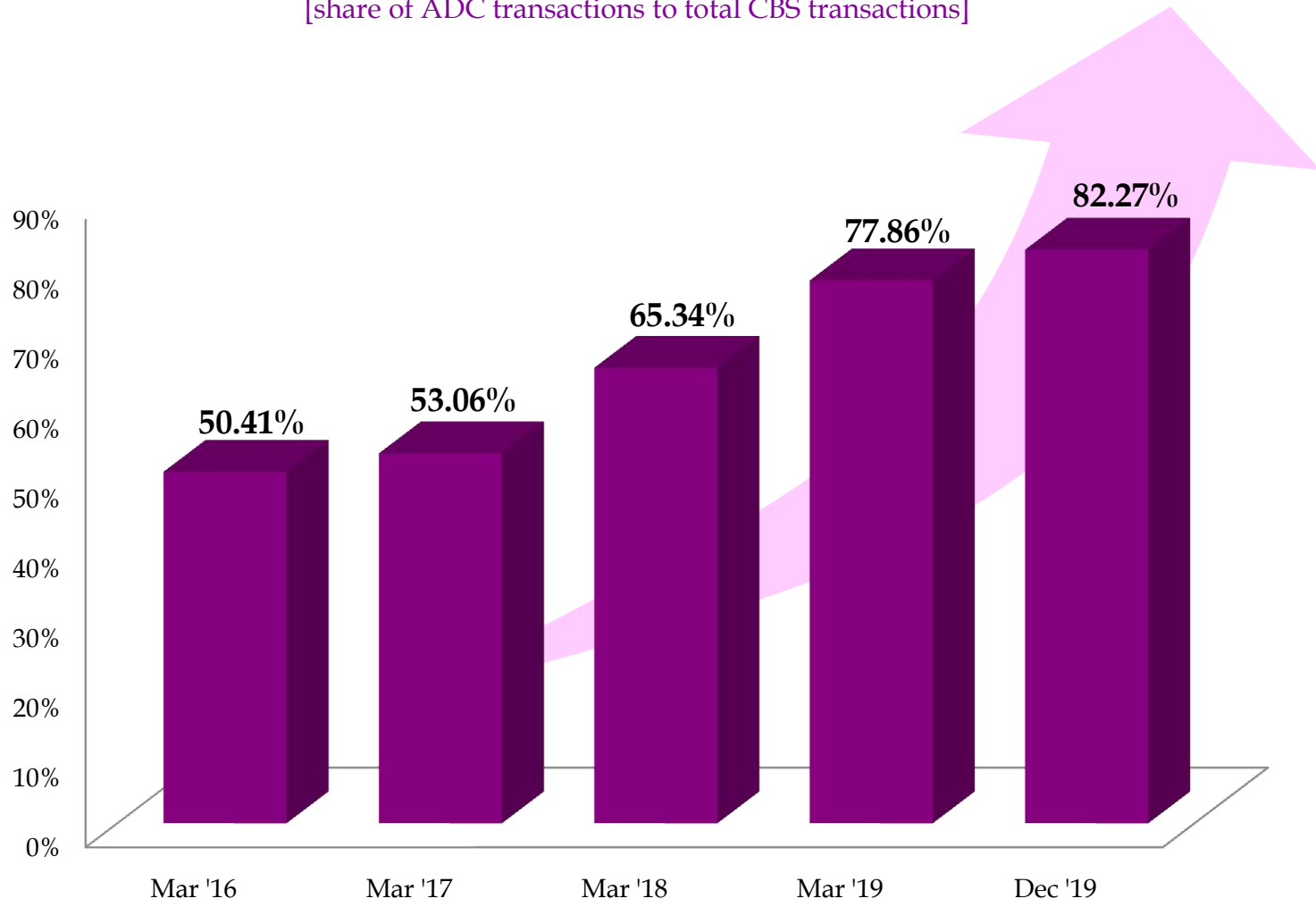
Book value (₹)



Leveraging on Technology

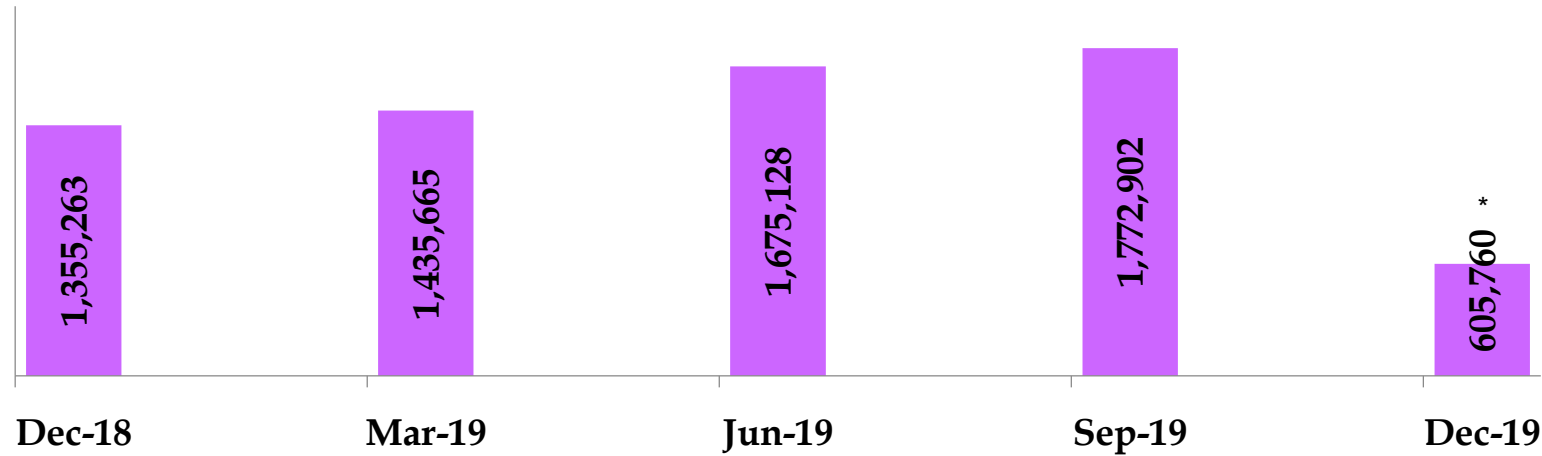
Migration to Digital Channel

[share of ADC transactions to total CBS transactions]

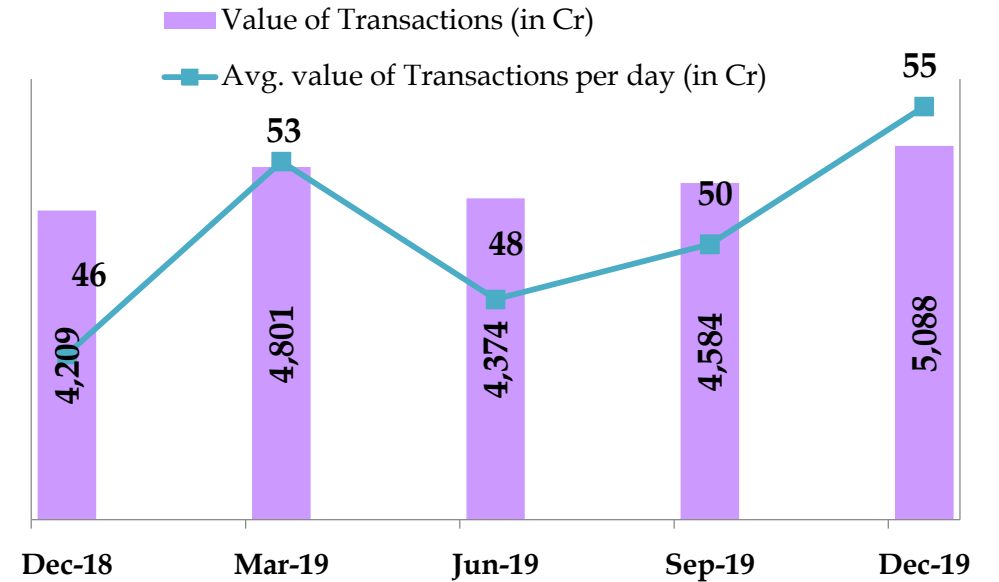
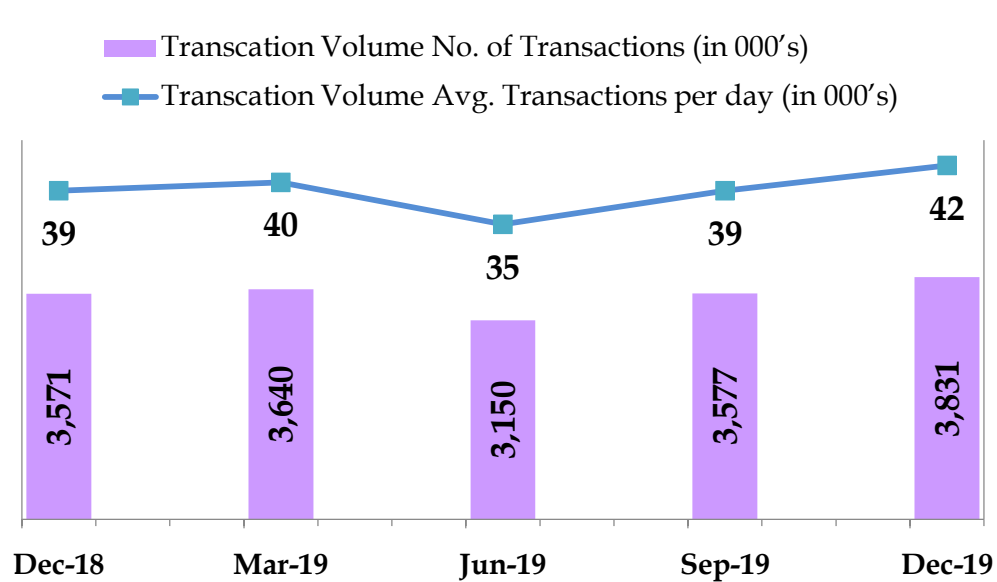


Mobile Banking

No. of Regd users (Thousands)

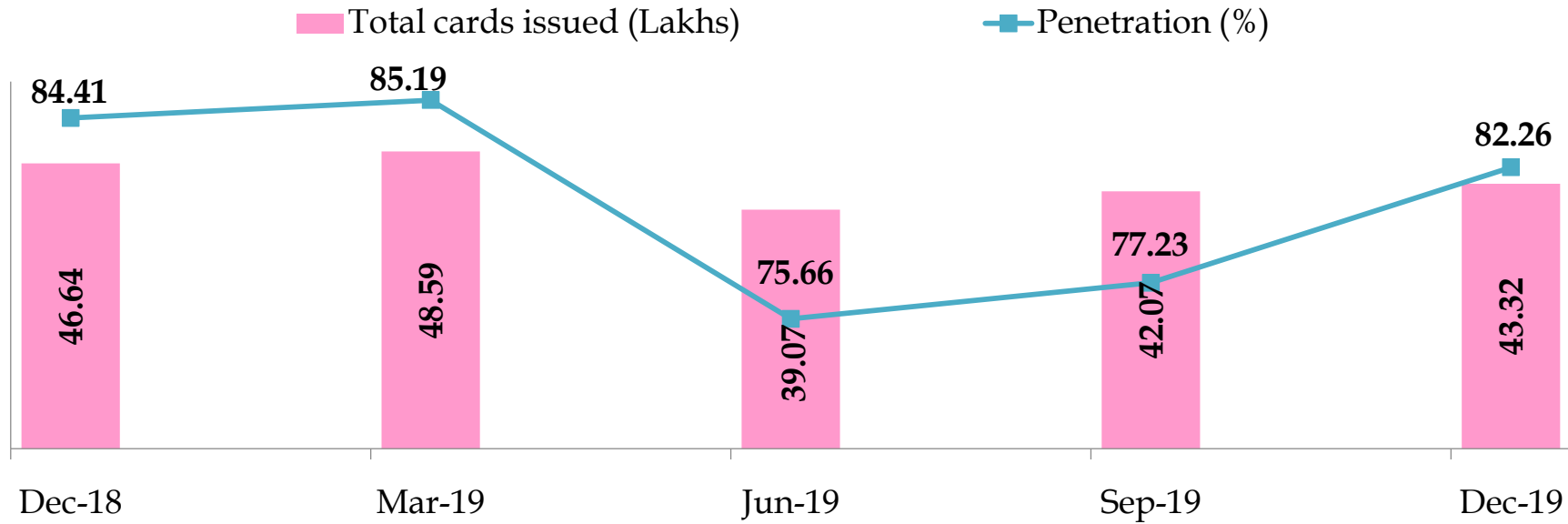


* The decrease in Mobile banking registered users count is on account of blockage of registered user ids in old mobile app as the said service is now stopped.

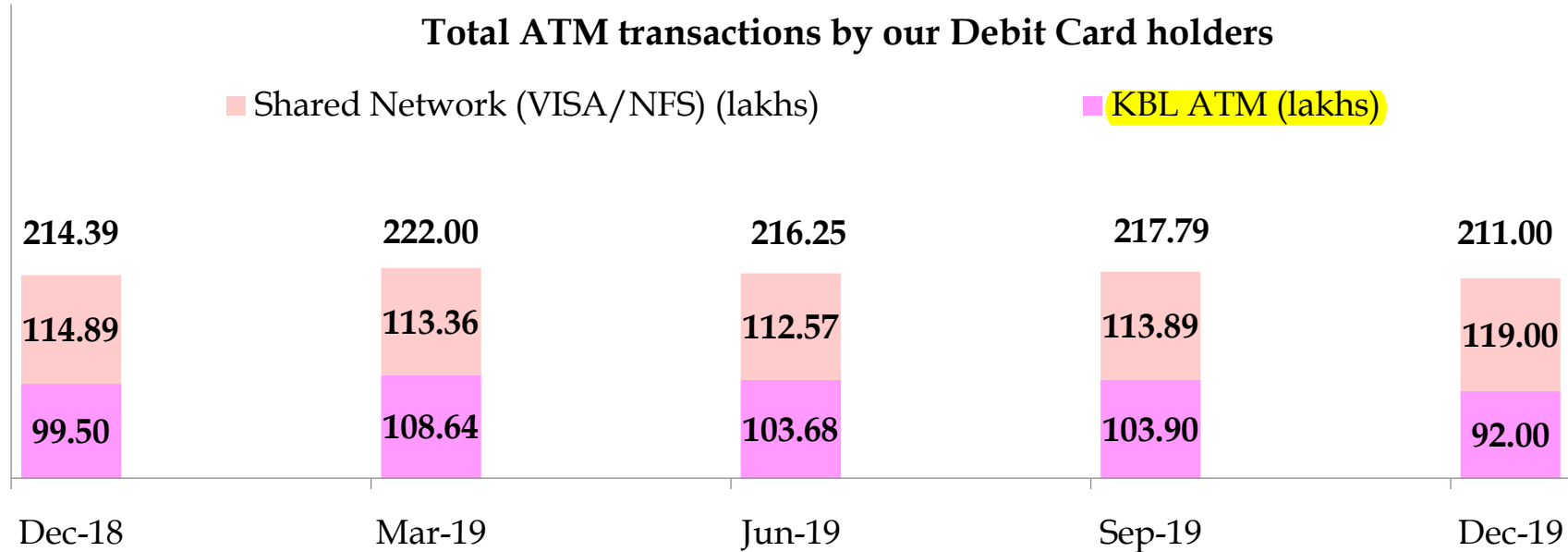


Debit Cards

Debit cards Penetration

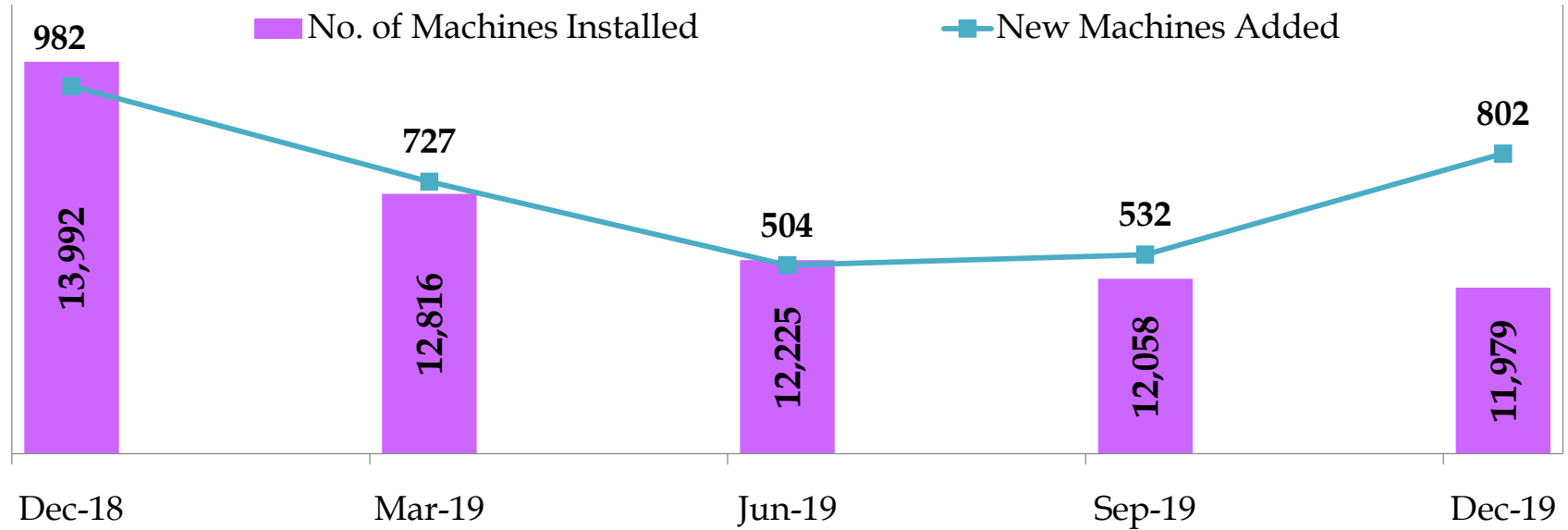


Cards Usage



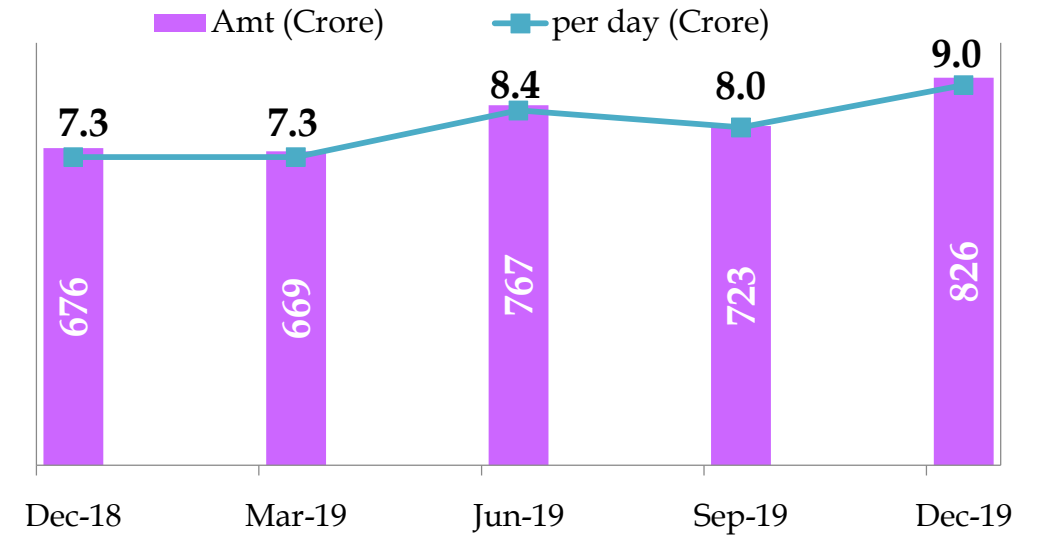
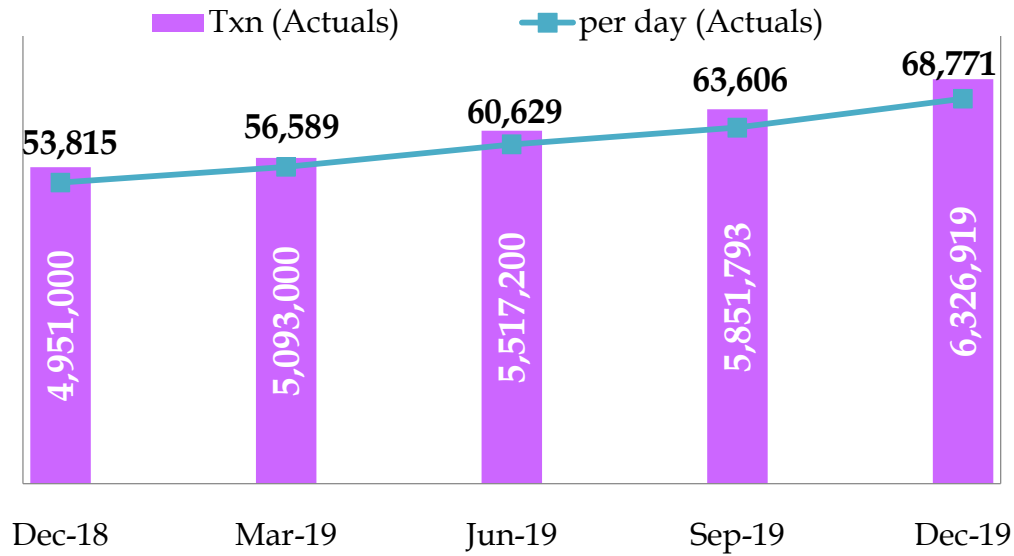
Point of Sale (POS) Business

POS Installation Report

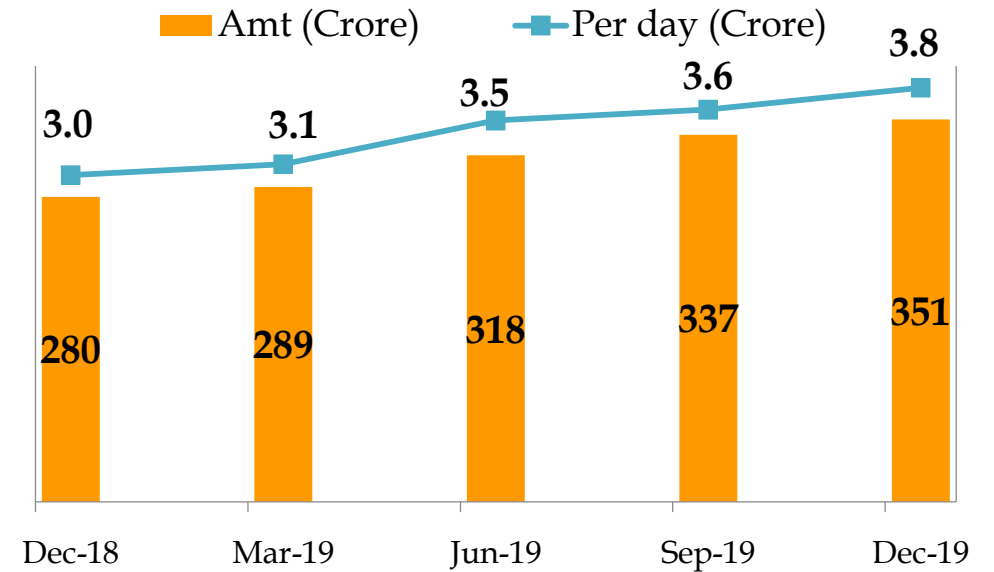
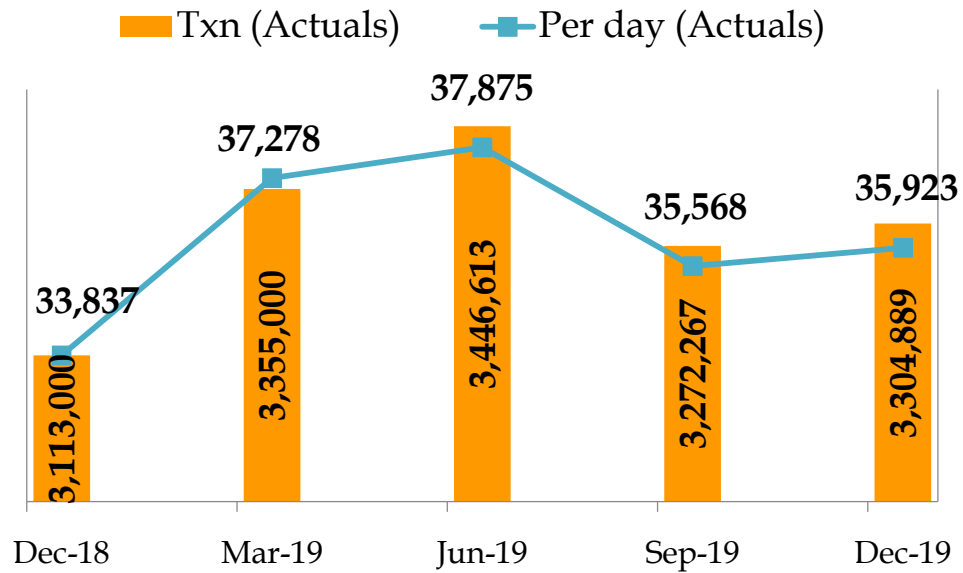


POS & ECOM transactions










POS Transactions














ECOM Transactions



Deposits & Advances

₹ crs	<u>Dec-18</u>	<u>Mar-19</u>		<u>Dec-19</u>
Total Deposits	65,141	68,452		71,356
CASA Deposits	17,358	19,215		19,546
Retail Deposits	46,479	48,125		51,728
Wholesale Deposits	1,304	1,113		82
Total Advances	51,961	54,828		54,911
Priority Sector Advances	21,889	21,787		24,182
Agri Advance	7,180	7,082		8,123
MSE Advances	10,301	10,178		10,473
Advances to Weaker Section	2,533	2,551		2,537

Income & Expenditure

₹ crs	<u>Mar-19</u> [12 months]	<u>Dec-18</u> [9 months]	<u>Dec-19</u> [9 months]
Interest Income	5,906	4,375	 4,836
Interest Expense	4,001	2,951	 3,335
Net Interest Income	1,905	1,424	 1,501
Fee Income	839	591	 711
Treasury Income	163	120	 245
Non-Interest Income	1,002	711	 956
Total Income (Net of Interest Expense)	2,907	2,135	 2,457
Operating Expenses	1,457	1,009	 1,192
Operating Profit	1,450	1,126	 1,265
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	973	710	 861
Net Profit	477	416	 404

Interest Income & Interest Expenditure

₹ crs	<u>Mar-19</u> [12 months]	<u>Dec-18</u> [9 months]		<u>Dec-19</u> [9 months]
<u>Interest Income</u>				
Interest Income	5,906	4,375	↑	4,836
Interest on Advances	4,698	3,473	↑	3,839
Interest on Investments	1,106	826	↑	870
Other interest	102	76	↑	127
Yield on Advances	9.33%	9.37%	↑	9.49%
Adjusted yield on Invts.	7.58%	7.45%	↑	8.77%
<u>Interest Expense</u>				
Interest Expense	4,001	2,951	↑	3,335
Interest on Deposits	3,823	2,837	↑	3,155
Other interest	178	114	↑	180
Cost of Deposits	5.96%	5.96%	↑	6.06%
<u>Net Interest Income</u>				
Net Interest Income	1,905	1,424	↑	1,501
Interest Spread in Lending	3.37%	3.41%	↑	3.43%
Net Interest Margin on average earning assets	2.93%	2.95%	↓	2.82%

Corporate Social Responsibility



Donation of 5 units of 'Electrical Operated Dental Chairs' to KVG Dental College & Hospital, Kurunjibag, Sullia.



Donation of Foot Abduction Braces (special shoes) to children suffering from clubfoot deformity, in association with Cure International India Trust.

KBL-Vikaas - Bank's Transformation Journey

BCG as transformation consultant

As a part of Transformation journey,



- Launched digital journeys, viz., 'KBL Express Home Loan', 'KBL Express Cash Loan' & 'KBL Express Car Loan'.
- Launched Tab banking for opening of SB accounts.
- Launched Regional Loan Processing Centres [RLPCs] at all Regions.
- Focusing on Housing, Retail & MSME loans at these RLPCs.
- Launched "KBL FORCE" - an integrated Lead Management System (LMS) and KBL-FORCE (LMS) Mobile App.
- Verticalized Credit Dept. as "Sales vertical" and "Sanctions vertical".
- Introduced Collection Management System.
- Launched "KBL KOLLECT+" - a Collection tool, at Regional Collection Hubs in all Regions.
- Launched NPA Management tool - VASOOL SO-Ft.
- Launched Monitoring Excellence Initiatives.
- Implemented Employee Satisfaction and Career Development System [ESCDS] and Key Result Area [KRA].
- Launched ESOP scheme.
- Launched 'KBL RISE' - a Performance Management System for employees.
- Revamped Internet Banking to improve customer experience.
- Inaugurated Bank's first 'Digi Branch' at Bengaluru.
- Established Digital Centre of Excellence (DCoE).
- Established Contact Center.
- Launched an institutional SB product KBL SB-TASC and salary account schemes with 3 variants viz. KBL Salary Executive, KBL Salary Prime & KBL Salary Classic.
- Introduced Document Management System, on pilot basis, for loans on-boarding and retrieving.
- Introduced Dealer tie up for Auto Loans in all Regions.
- Launched a Mutual Fund platform 'FISDOM' to offer the products of all the AMC's to our customers.
- Implemented Safe deposit locker module in our CBS on pilot basis in all the branches in Bengaluru.

Awards & Accolades

Awards & accolades received during the FY 2019-20:

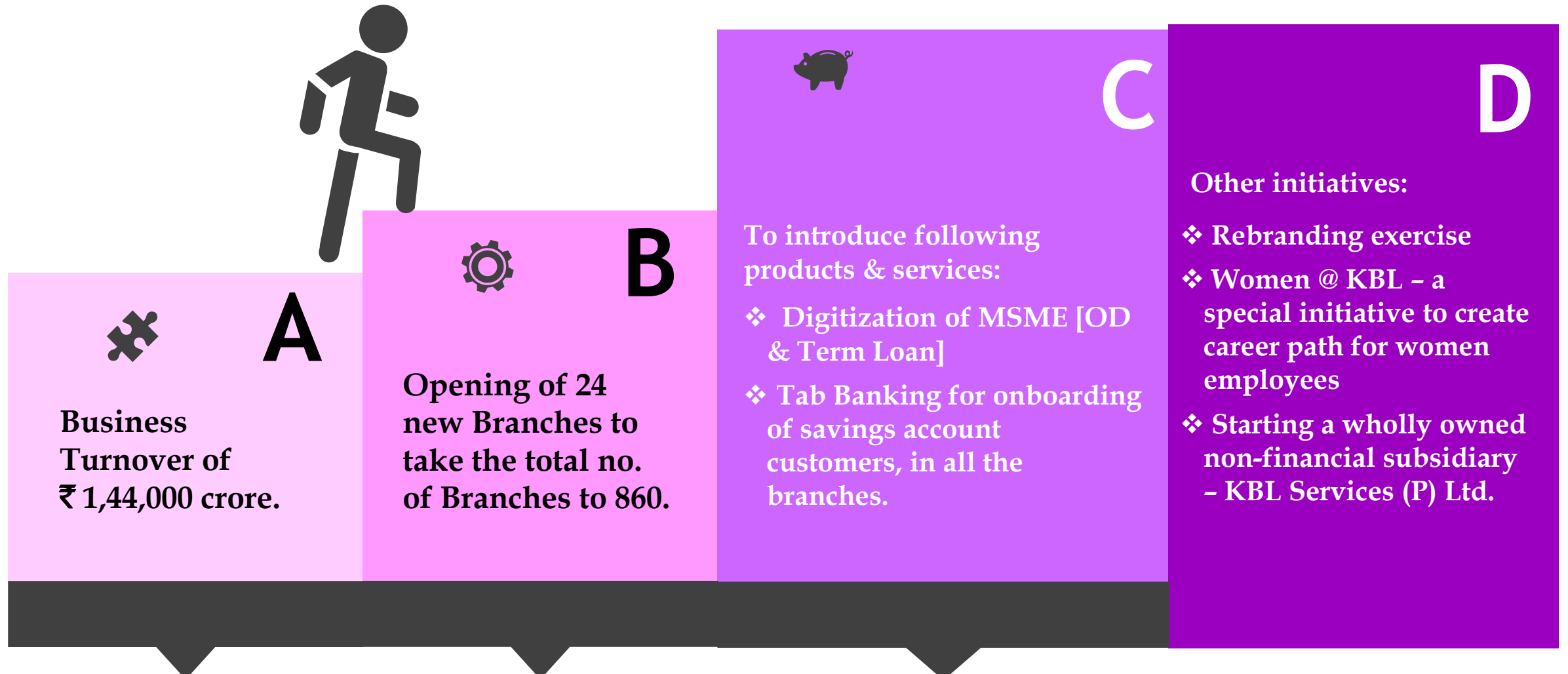
- ❖ Atal Pension Yojana “Game Changers” award instituted by PFRDA, for achieving 100% of AAPB target for the FY 2018-19.
- ❖ ET Business Excellence Award 2019 in the category “Excellence in Banking Service”.
- ❖ STP Award 2018: In recognition of Bank’s outstanding payment formatting and straight-through rate, instituted by Bank of New York, Mellon.
- ❖ Bank’s in-house magazine ‘ABHYUDAYA’ - awarded as the Best In House Magazine in the National Awards for Marketing Excellence presented by Business Television India (BTVI).



Business Strategy



Corporate Goal for 2019 -20



Business Strategy

CASA deposits

- ❑ Focusing on customer onboarding to increase CASA as well as cross selling
- ❑ RSE approach to CASA marketing.
- ❑ SB account opening through TAB banking.

Minimum space maximum business.

Credit augmentation

- ❑ Focusing on MSME sector
- ❑ Focusing on mid-corporate & retail sectors
- ❑ Flow based lending and an exclusive personal loan product.

NPA & Stressed Assets management

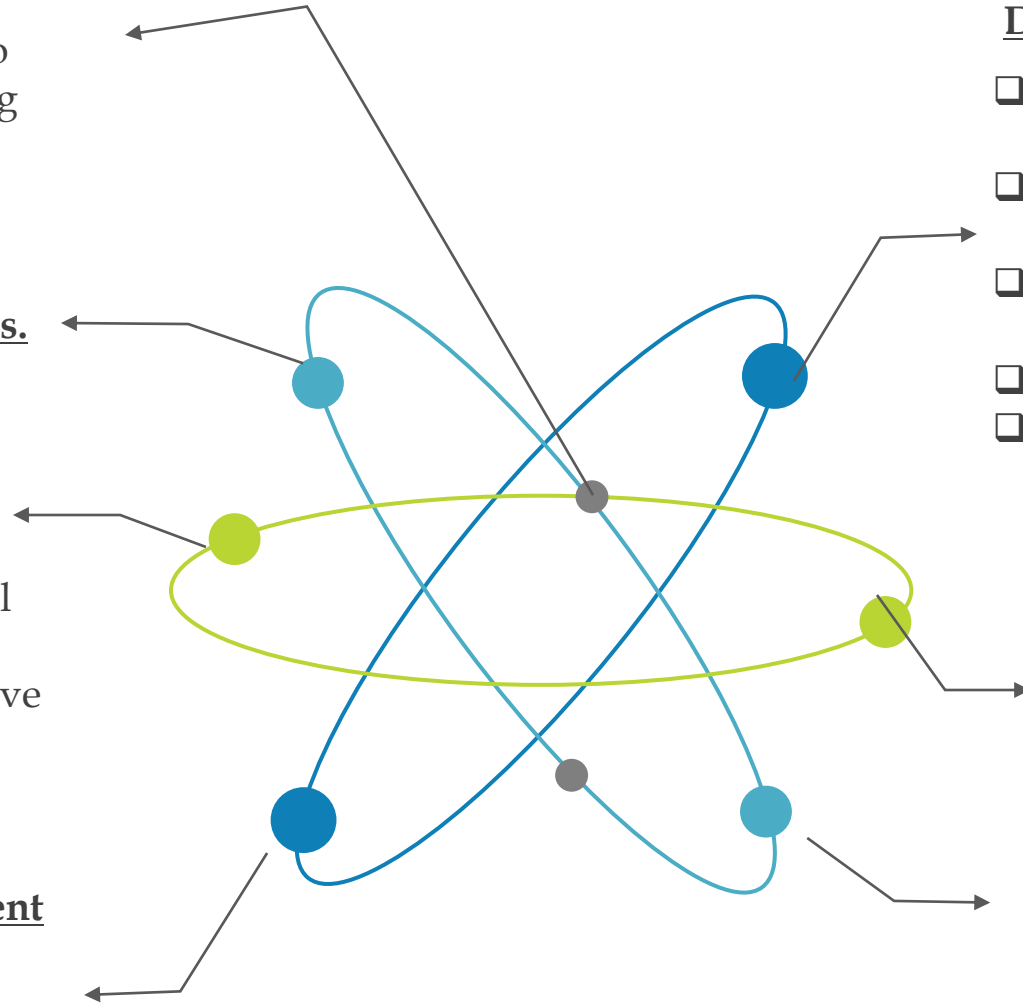
- ❑ Minimizing slippages and improving recovery management.
- ❑ A comprehensive collection mechanism.

Digital Banking initiatives

- ❑ Focusing on digital marketing of Bank's products & services
- ❑ Digital loan sanctions for HL, PL & Auto loans
- ❑ Value addition to Bank's existing Mobile Banking channel
- ❑ Installation of self service kiosks
- ❑ Comprehensive IT and Digital Strategy - Requirement of critical applications and IT infrastructure

Para banking activities.

Partnering with an efficient call center handling company for handling service calls for better customer service and handling sales and collection calls for marketing and credit monitoring.





Thank You

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



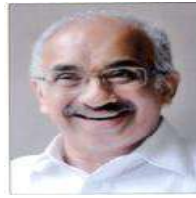
Rammohan Rao Belle
Bengaluru
Former MD & CEO, SBI Gen.
Insu. Co. Ltd



U R Bhat
Mumbai
Investment Adviser & Columnist



Keshav Krishnarao Desai
Hubballi
Businessman



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



Mrs Mythily Ramesh,
Bengaluru
IT Professional and Co-Founder &
CEO of NextWealth



B R Ashok
Chartered Accountant
Partner in M/s. R K Kumar & Co.,
Chartered Accountants, Chennai

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