



**Karnataka Bank Ltd.**  
Your Family Bank. Across India.

# **Analysis of Financial Results**

**June 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. Business Process Reengineering under implementation
8. Consistent track record of profit since inception
9. Powered by KBL - VISION 2020

# History & Evolution



- Incorporated in **1924**, Karnataka Bank is one of the oldest time tested private sector Banks.
- Offers wide variety of corporate and retail banking products and services to over **8.9 million** customers.
- Forayed into General Insurance business as a JV partner in Universal Sampo General Insurance Company Limited.
- **2,170** service outlets with **769** branches, **3** Extension Counters and **1,398** ATMs in 506 centres across India as on June 30, 2017.
- Business Turnover of **₹ 94,711 crore** as at 30.06.2017.

2017	• Networth of the Bank crossed ₹ 5,000 crs
2016	• Completed 1:2 rights issue to raise ₹ 658.96 crs
2015	• Unveiled KBL - VISION 2020 & adopted Vision Statement • No. of ATMs crossed 1,000
2014	• Business turnover crossed the milestone of ₹ 75,000 crore
2013	• Secured ISO 27001 : 2005 Certificate from NQA • BPR implementation under the guidance of M/s KPMG Advisory Services Pvt Ltd. commenced
2012	• Business Turnover crossed the milestone of ₹ 50,000 crore • No. of branches crossed 500 • Average turnover per branch crossed ₹ 100 crore • Launched ASBA facility
2011	• Right issue of ₹ 457.03 crore in the ratio of 2:5. • Launched Online Trading facility
2010	• Maiden QIP aggregate ₹ 160.83 crs.
2009	• Compliance with Basel-II norms
2007	• Completion of 100% core banking
2006	• Floated general insurance JV along with Allahabad Bank, Indian Overseas Bank, Dabur Investments and Sampo Japan Insurance • Launched CDSL-DP services at select branches
2005	• Completed 2:1 rights issue to raise ₹ 160 crs
2003	• Right issue in the ratio of 1:2
2002	• Bancassurance tie-up with MetLife • Maiden bonus issue in the ratio of 1:1
2000	• Implementation of "Finacle" CBS
1995	• Public issue of 45 lakh equity shares in October 1995
1977	• Became an authorised dealer of foreign exchange
1960 to 1966	• Took over assets and liabilities of Sringeri Sharada Bank Ltd, Chitaldurg Bank & Bank of Karnataka, Hubli.
1924	• Incorporated on 18 <sup>th</sup> February 1924 at Mangalore by Late B R Vyasarayachar & other leading members of the South Kanara Region



## 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.





## 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”.



## Effective risk management system

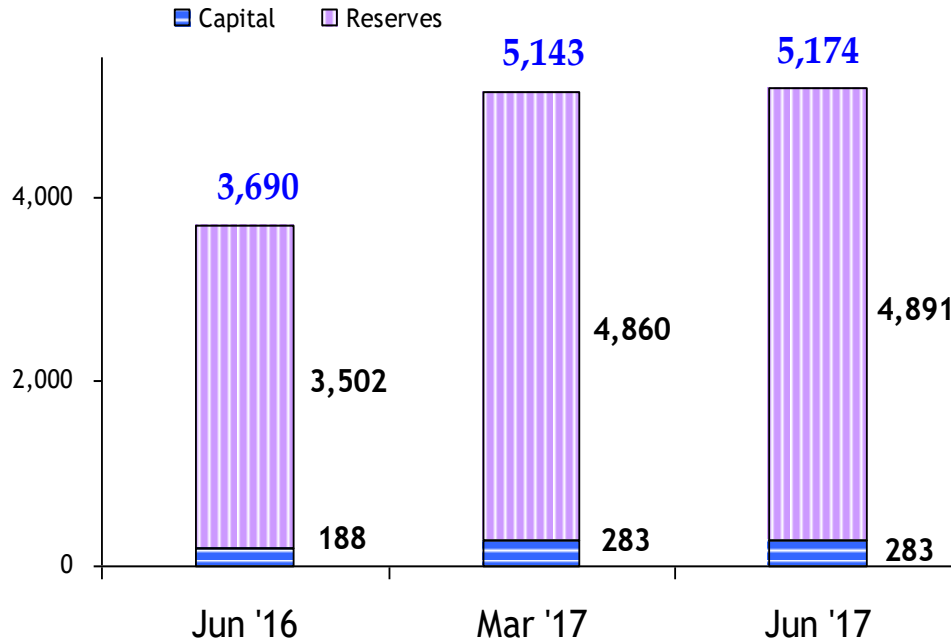
- ◆ Periodical monitoring & reviewing of risk profile of the bank.
- ◆ Internal Credit Rating of all the borrowers: Credit exposure above INR 25 lakh are rated borrower-wise and credit facilities below INR 25 lakh & all schematic advances including agri-credit proposals are rated under 'Pool based approach'.
- ◆ 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.
- ◆ For continuous monitoring of customer induced transactions under various Alternate Delivery Channels (ADC) and Core Banking Solution (CBS), Bank has implemented Enterprise Level Fraud Risk Management System (ELFRMS) - An automated transaction monitoring system for detection of frauds.



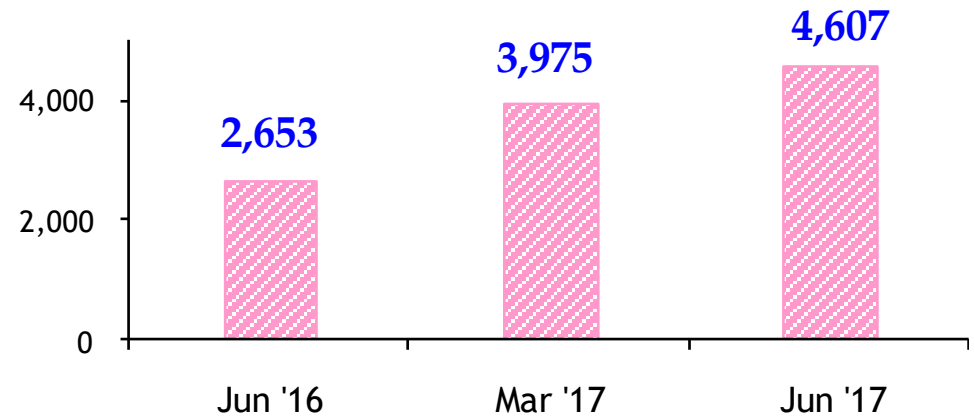
# Financial strength of the Bank



## Networth (₹ crs)



## Market capitalisation (₹ crs)



# Highlights - Q1 FY 18



(₹ crs)

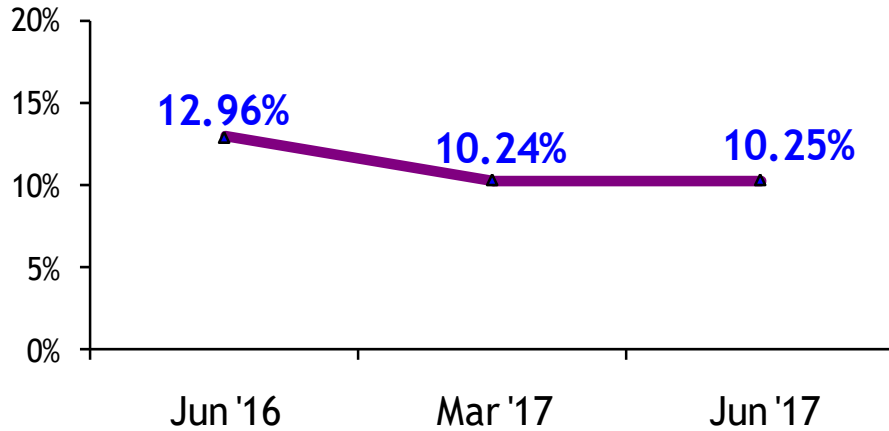
KPAs	Q1 FY 18	Q1 FY 17
Net profit	133.85	121.54
Operating profit	309.70	261.92
Turnover	94,711.38	86,447.44
Return on Asset	0.83%	0.85%
Earning per Share *	4.74	5.76
Return on Equity	10.25%	12.96%
Net Interest Margin	2.64%	2.55%
Gross NPA	4.34%	3.92%
Net NPA	3.20%	2.61%
Cost to Income	51.75%	51.41%
CRAR (Basel III)	13.02%	11.64%

\* Not annualized

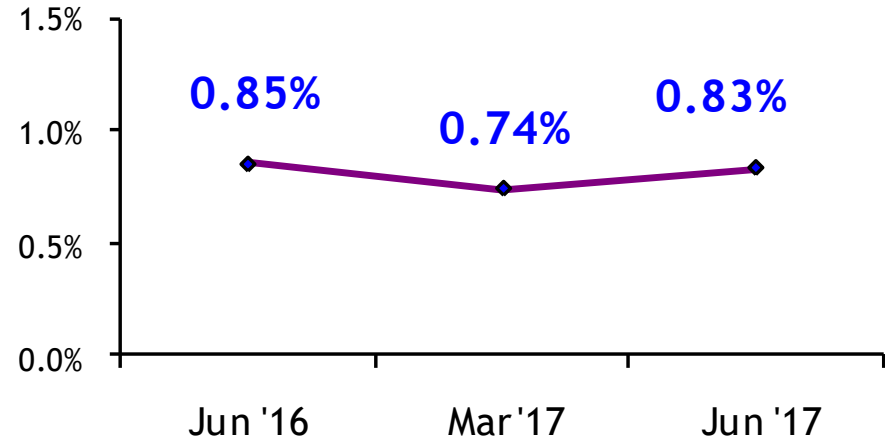
# Return and Capital Adequacy Ratios



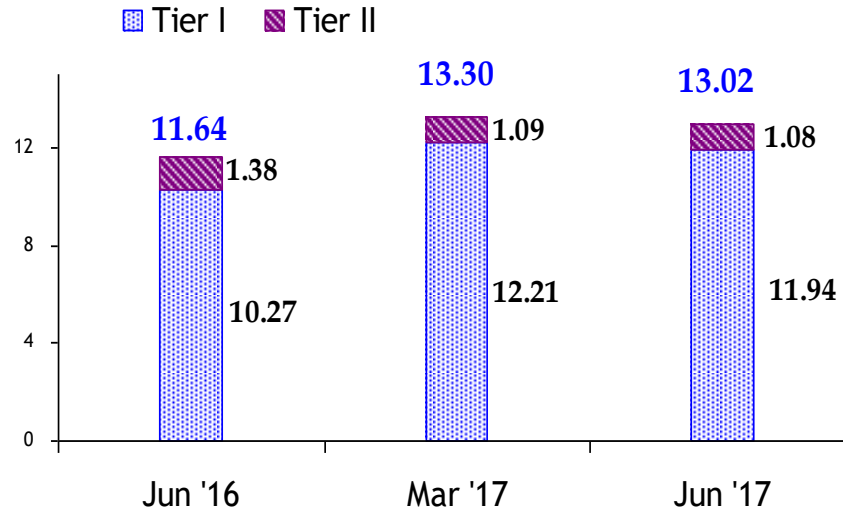
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)



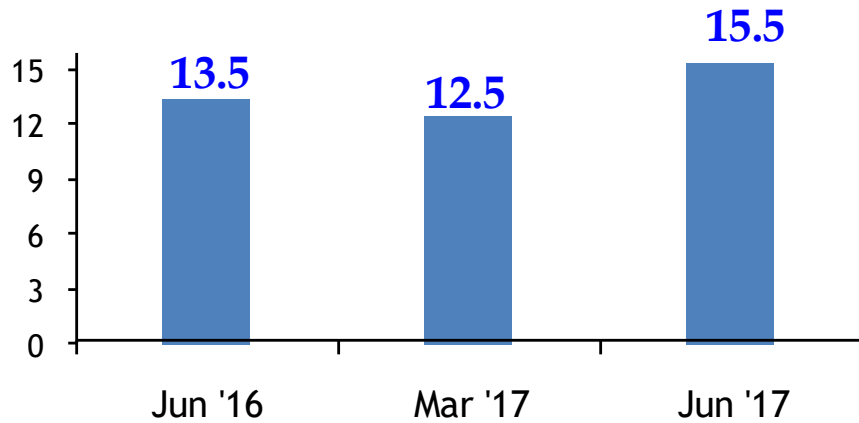
Capital Adequacy (%) - Basel III



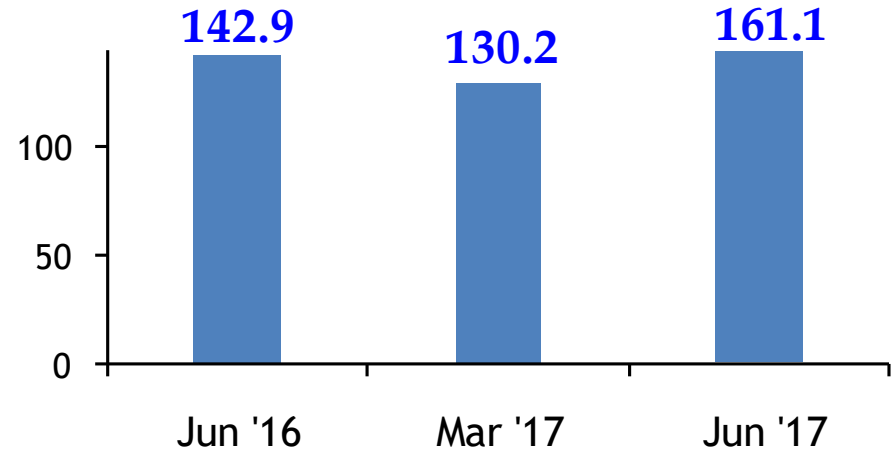
# Productivity ratios



Operating Profit per employee (₹ lakh) \*

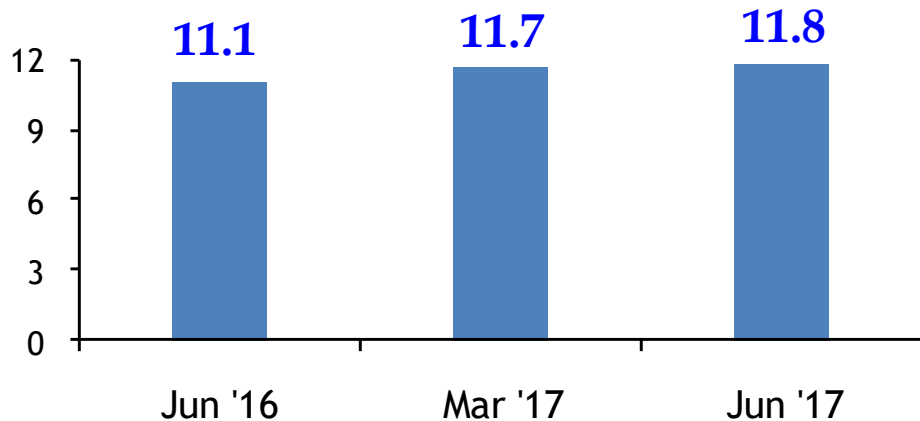


Operating Profit per branch (₹ lakh) \*

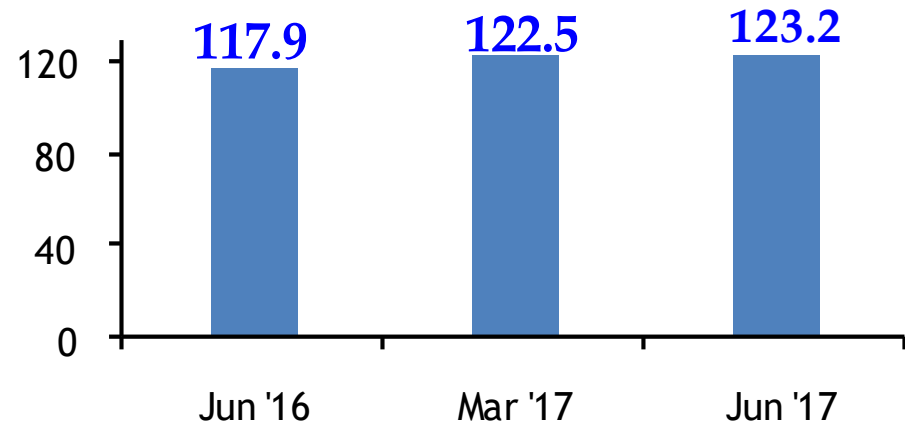


\* annualised

Business per employee (₹ crs)



Business per branch (₹ crs)



# Financial Performance

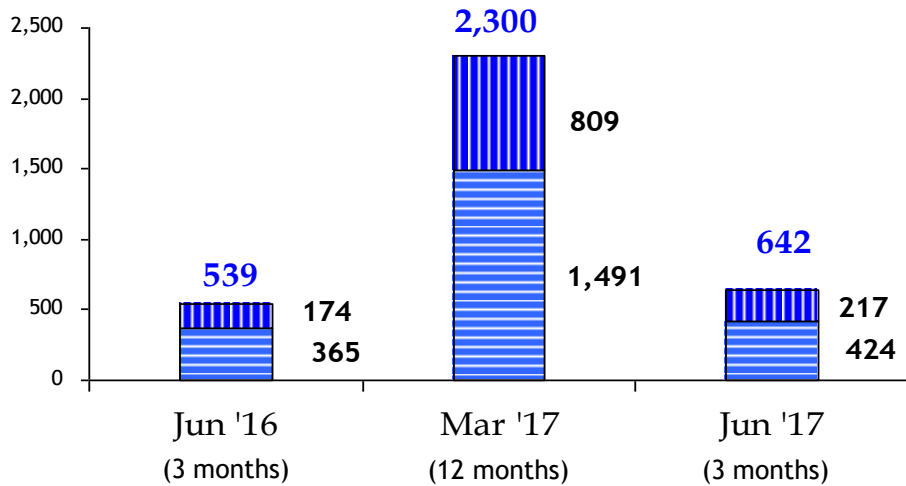
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# Income & Profit



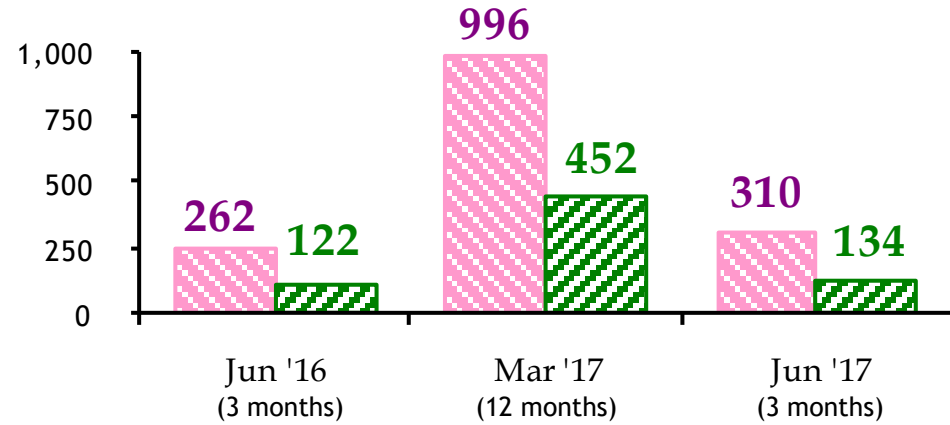
## Net Income (₹ crs)

Net Interest Income    Other Income

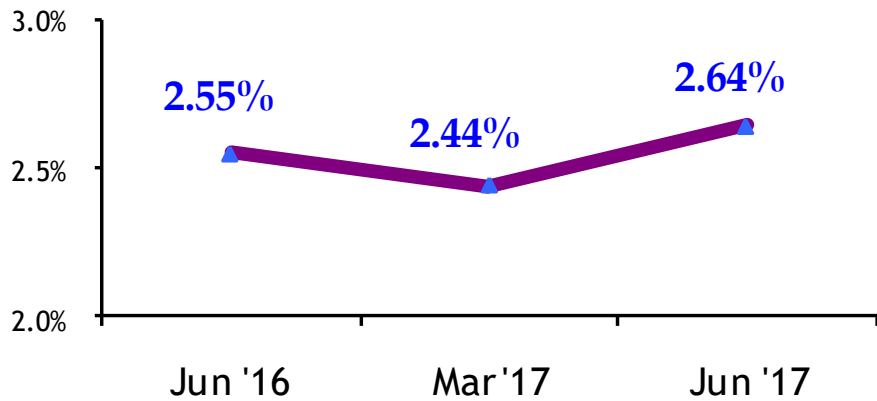


## Operating and Net Profit (₹ crs)

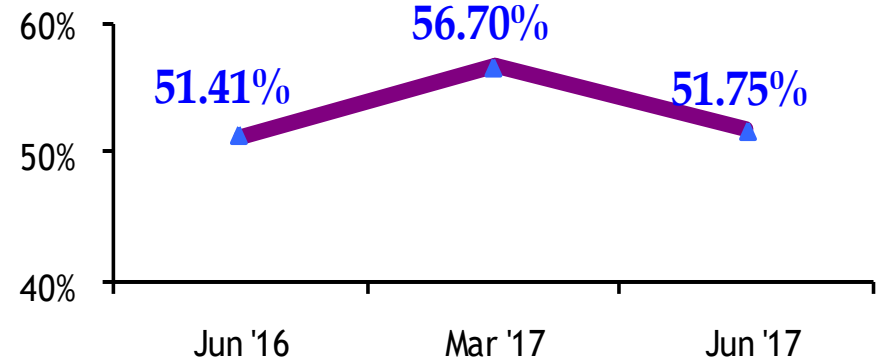
Operating profit    Net profit



## Net Interest Margins (%)



## Cost to Income Ratio (%)

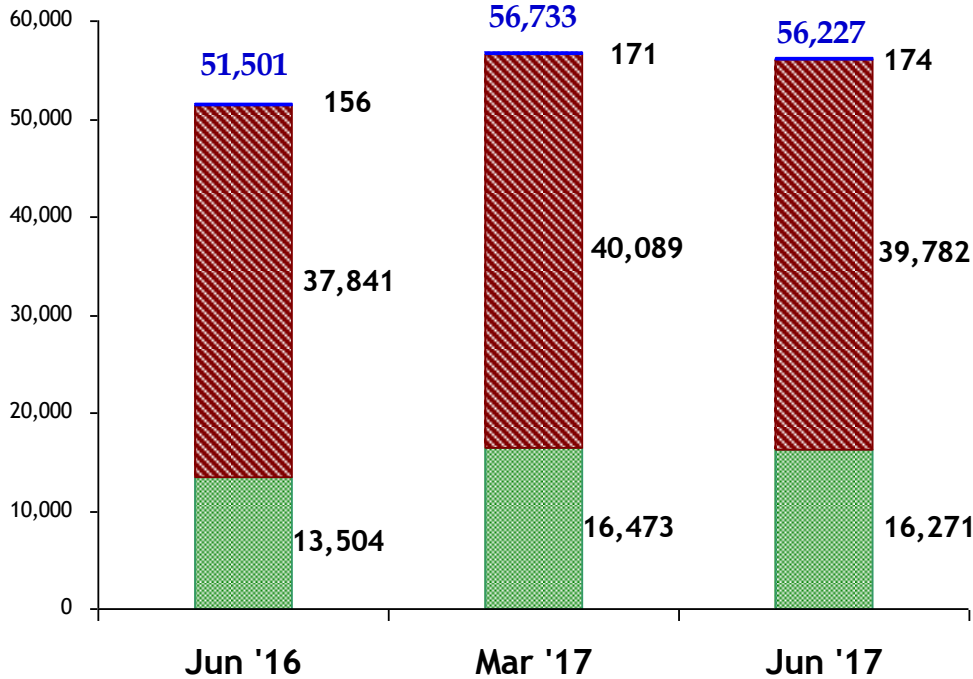


# Deposits

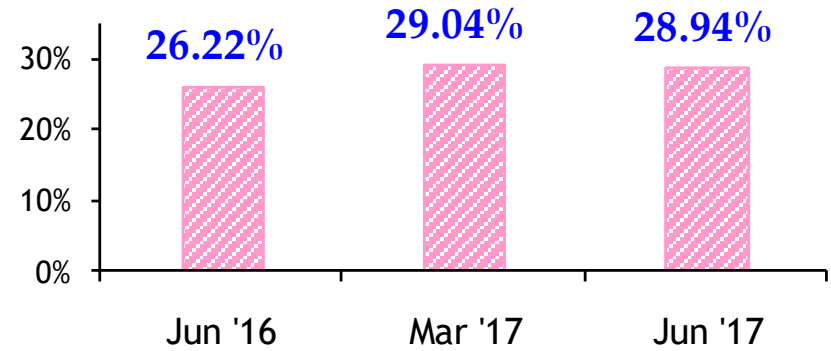


## Deposits (₹ crs)

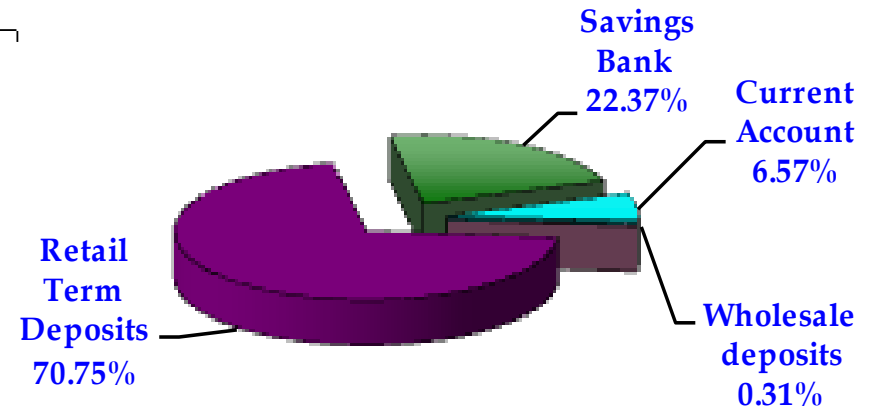
■ CASA   
 ■ Retail   
 ■ Wholesale deposits



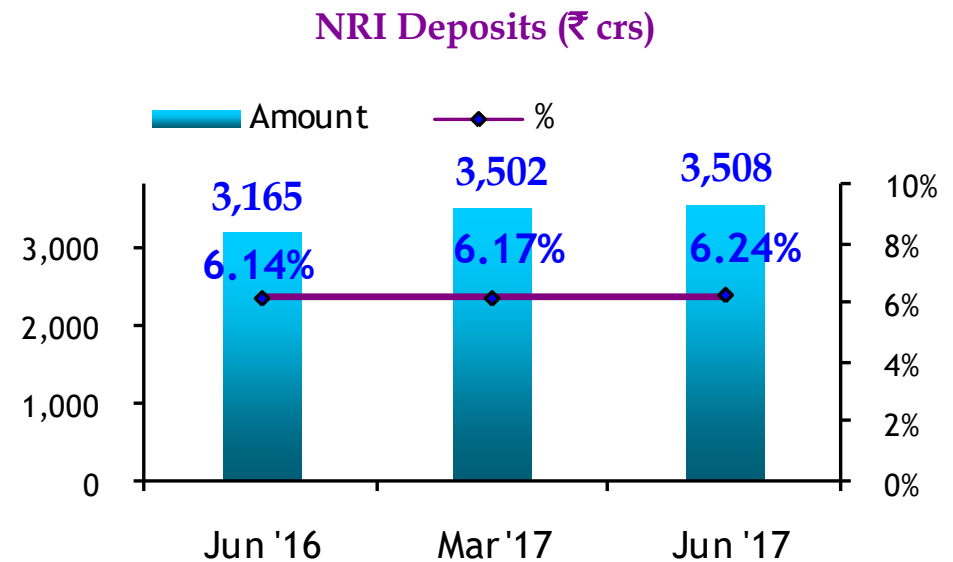
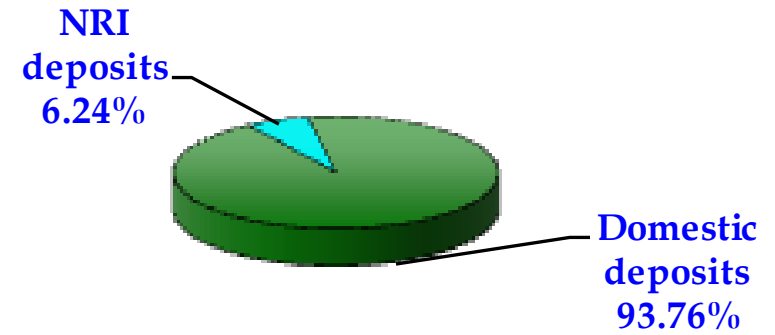
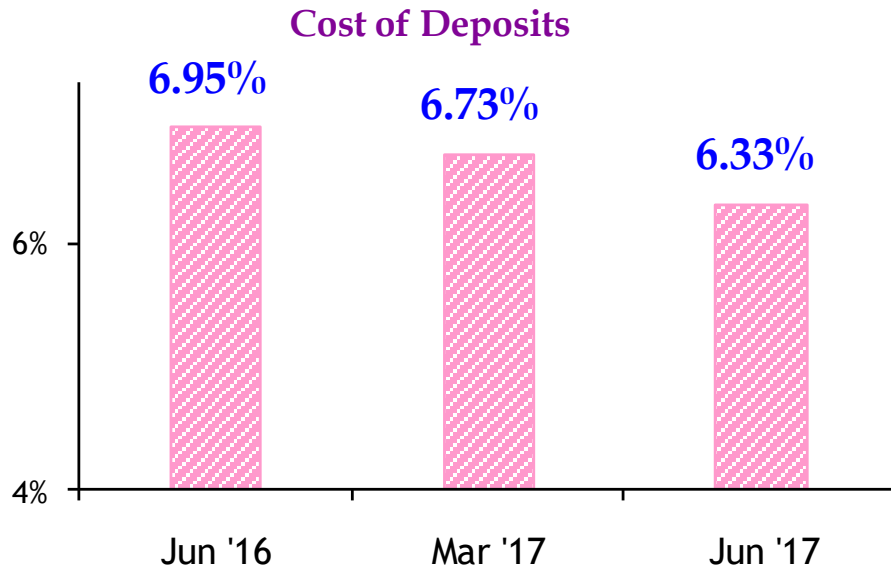
## CASA share to total Deposits



## Deposits break up (Jun '17)



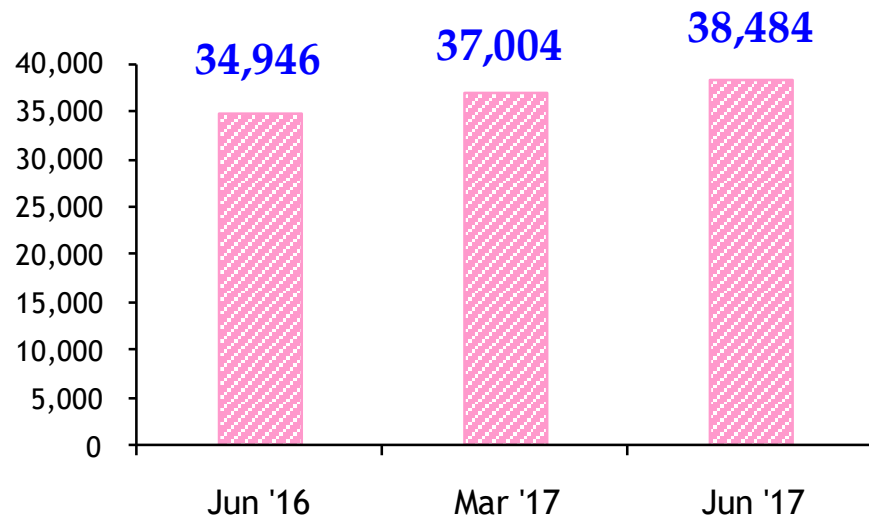
# Deposits







## Advances (₹ crs)



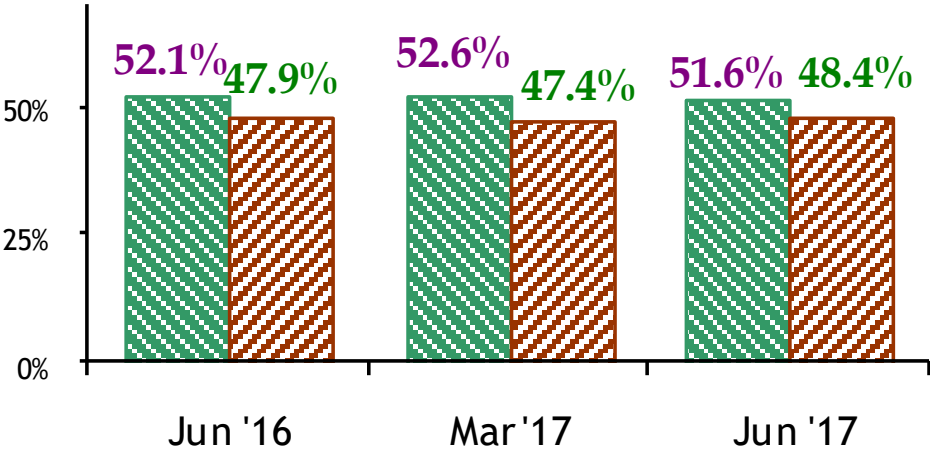
## External rating wise Credit Portfolio as of Jun'17 [corporate borrowers]

Rating	No of Borrowers	Balance O/s (in crs)	% to GBC
AAA	10	1,923.79	4.94%
AA	24	2,285.19	5.87%
A	30	1,400.99	3.60%
BBB	31	1,284.41	3.30%
BB	27	1,180.36	3.03%
B	16	530.83	1.36%
C	1	37.37	0.10%
D	6	642.72	1.65%
<b>Total</b>	<b>145</b>	<b>9,285.66</b>	<b>23.86%</b>
<b>Gross Bank Credit</b>		<b>38,922.40</b>	

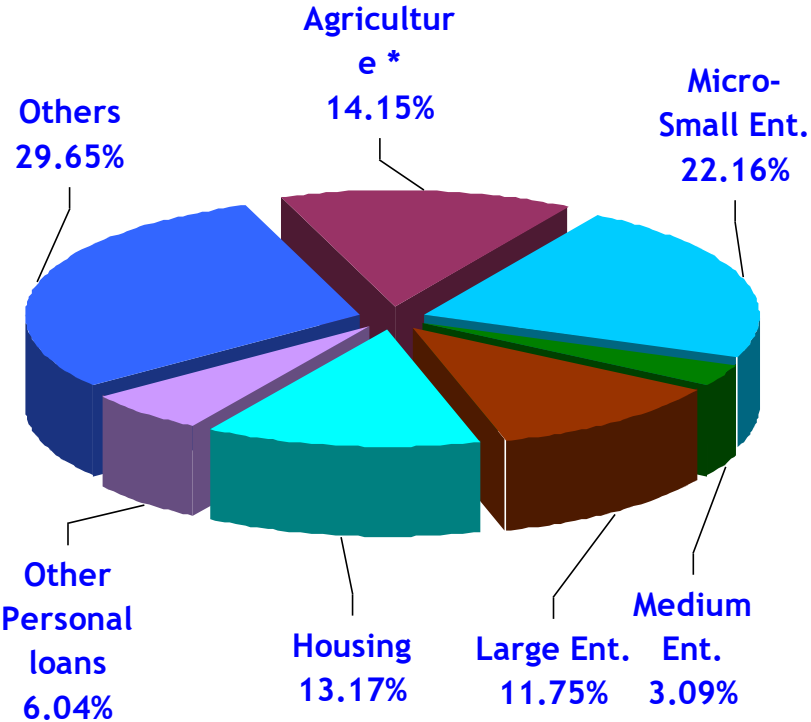


## Retail & Corporate Advances (%)

■ Retail Advances ■ Corporate Advances



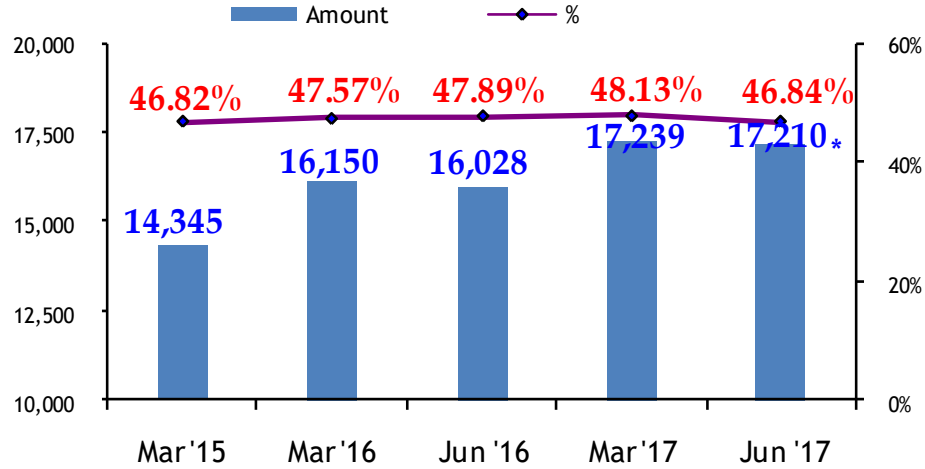
## Segmentation of Advances (Jun '17)



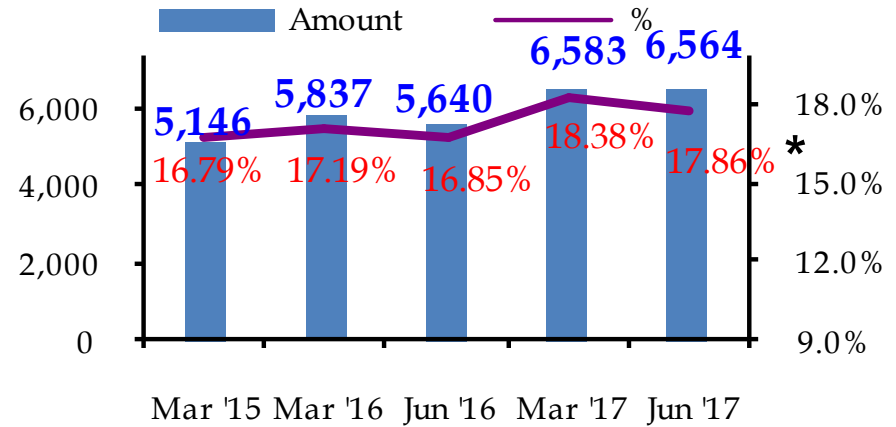
\* However, this works out to 17.86% of the ANBC of 30.06.2016.



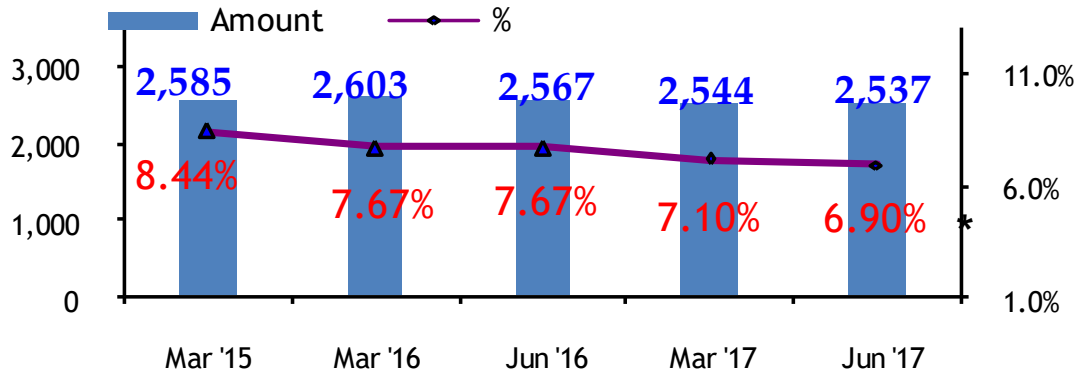
## Priority Sector Advances (₹ crs)



## Agriculture Advances (₹ crs)



## Advances to Weaker Section (₹ crs)

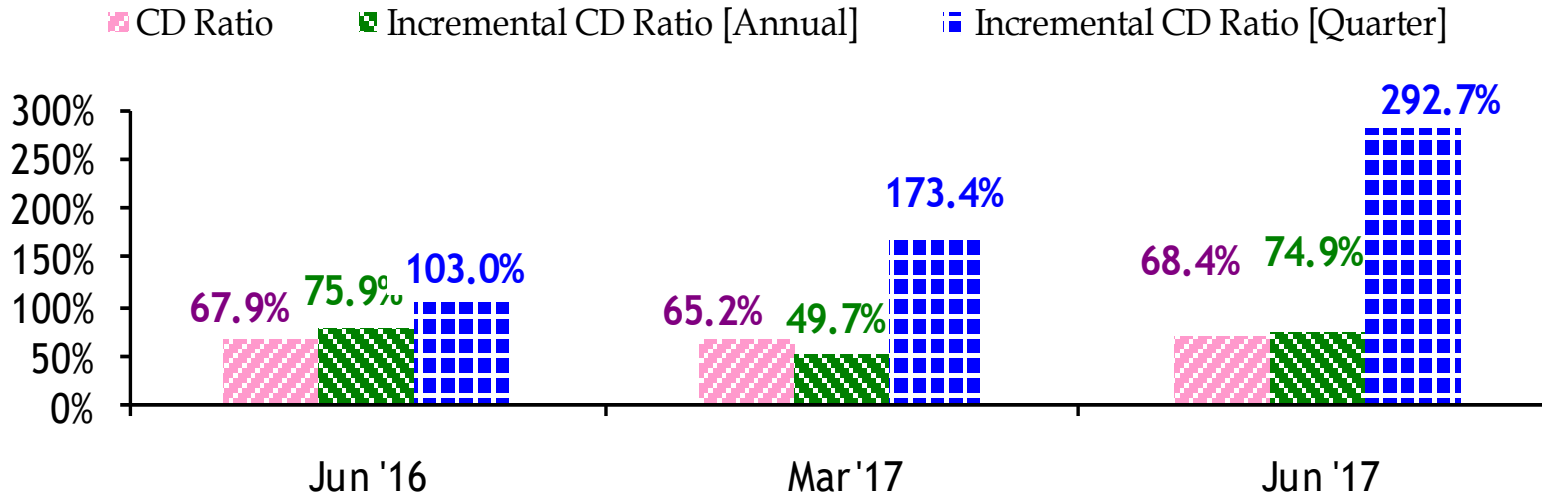


\* Base figure for the calculation of % is ANBC as on March 31<sup>st</sup> of previous year.

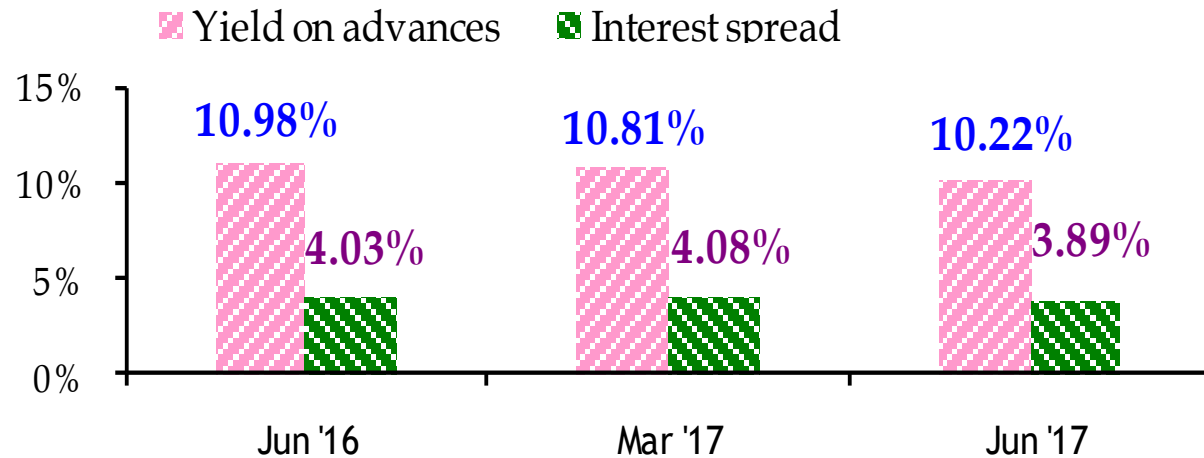
# CD Ratio & Yield on Advances



## Credit Deposit ratio (%)

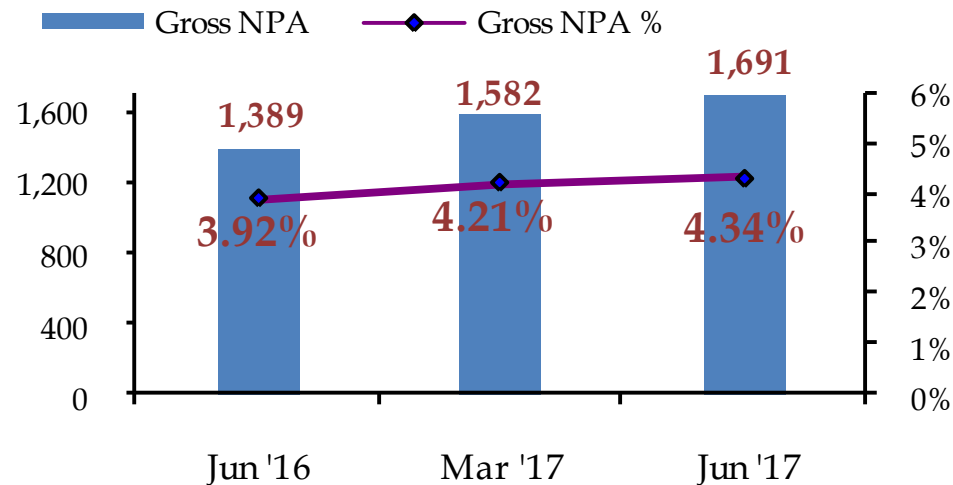


## Yield on Advances & Interest Spread (%)

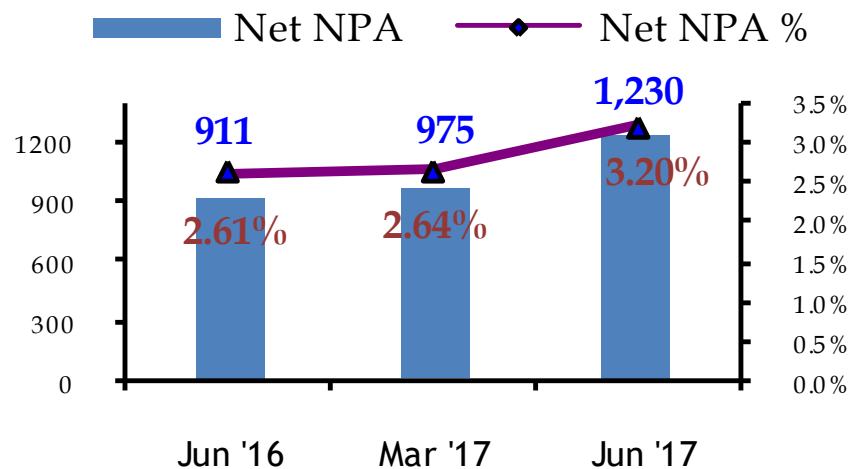




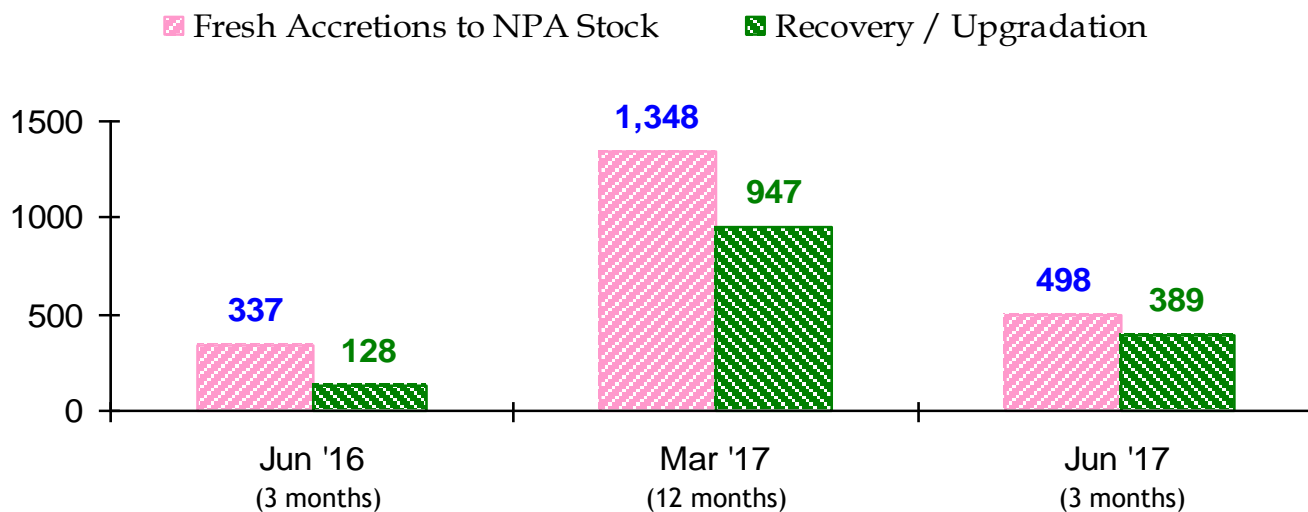
## Gross NPAs (₹ crs)



## Net NPAs (₹ crs)



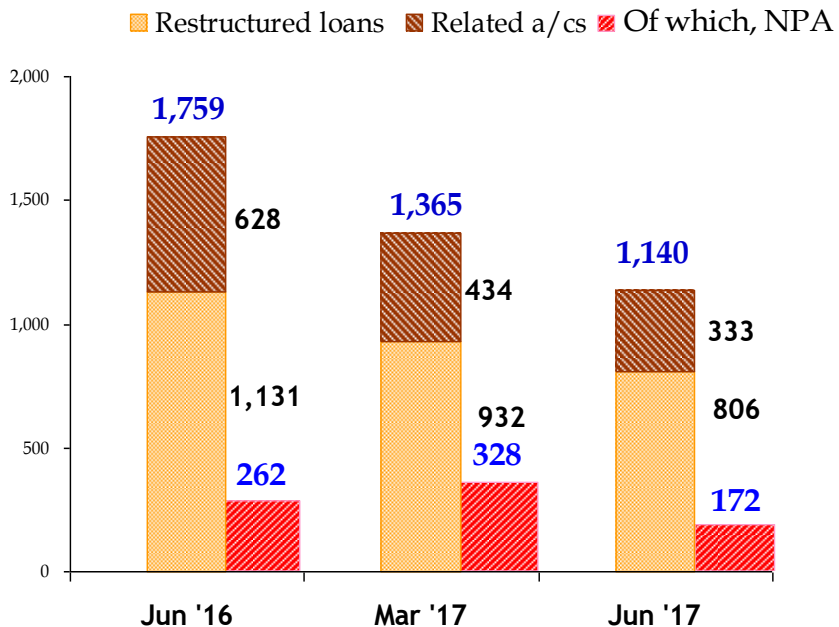
## Fresh accretions and recoveries (₹ crs)





(₹ crs)

## Restructured loans & related accounts

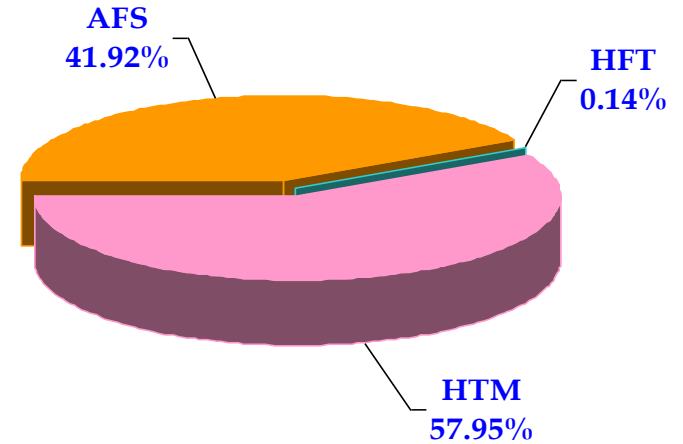
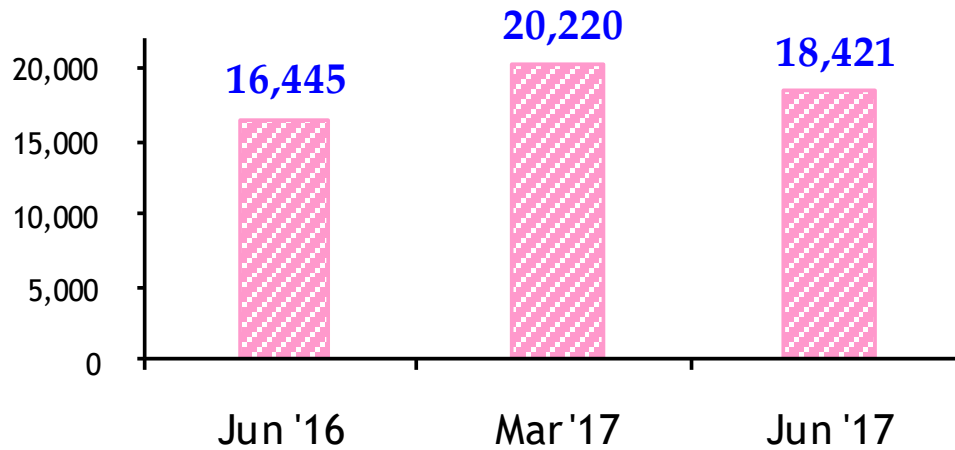


## Sector wise Restructured Adv. as Jun '17:

Sector	Restructured Adv.	Of which, NPA
Infrastructure	589.40	62.99
Large Industry	359.94	47.36
MSME [excl. Infrastructure]	59.24	12.45
Others	51.36	33.34
Real Estate [including CRE, excluding Services]	45.20	-
Agriculture	30.89	16.07
Wholesale/Retail Trade [excl. services]	1.81	-
Education [Individual + Institution]	1.74	-
<b>Grand Total</b>	<b>1,139.57</b>	<b>172.20</b>



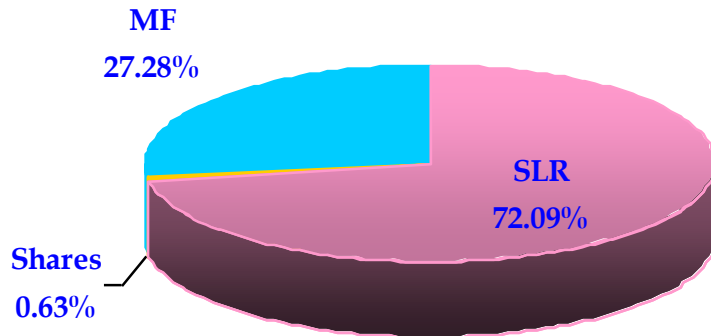
Investments [excl. RIDF] (₹ crs)



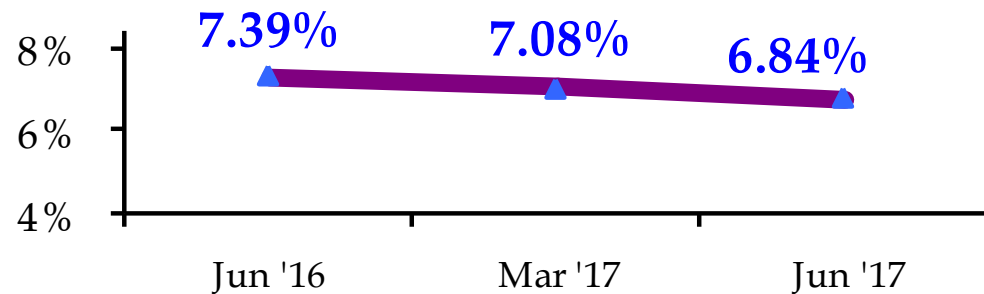
Duration

AFS	HFT	HTM	TOTAL
1.66	0.03	5.70	4.01

Debtures,  
Bonds, CD,  
MF



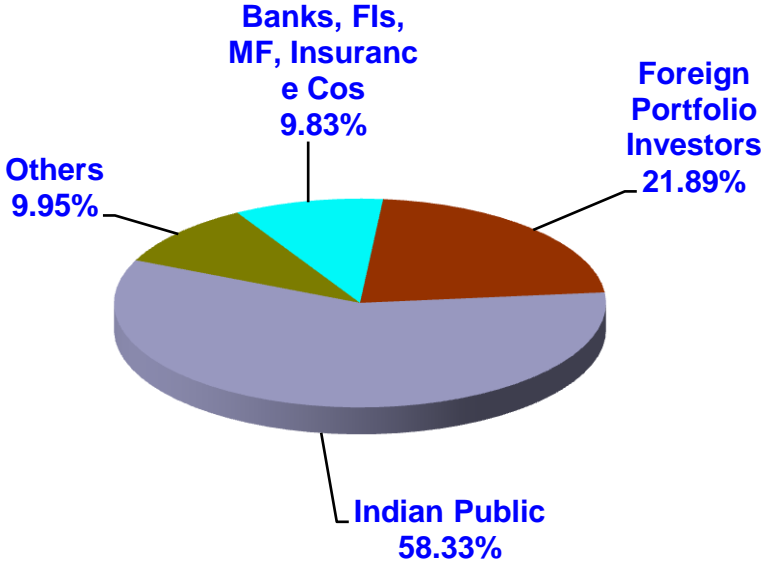
Yield on Investments (%)



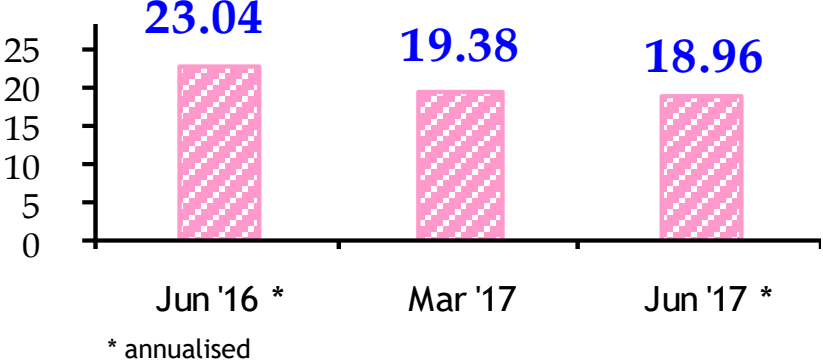
# Share holders' value



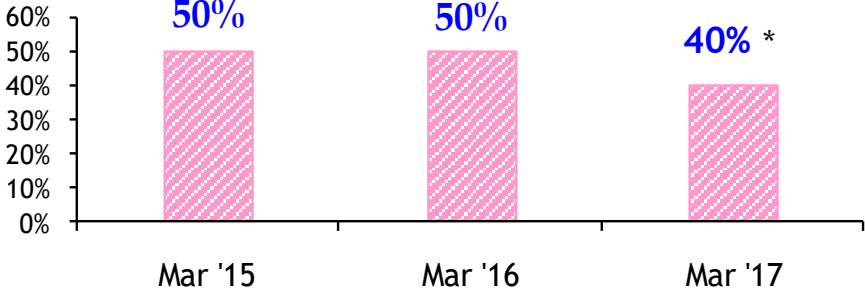
Share holding pattern (Jun 2017)



Earning Per Share (₹)

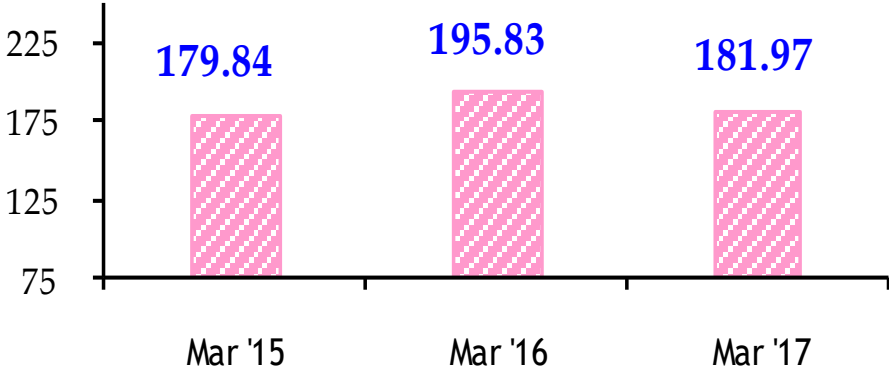


Dividend (%)



\* Proposed

Book value (₹)



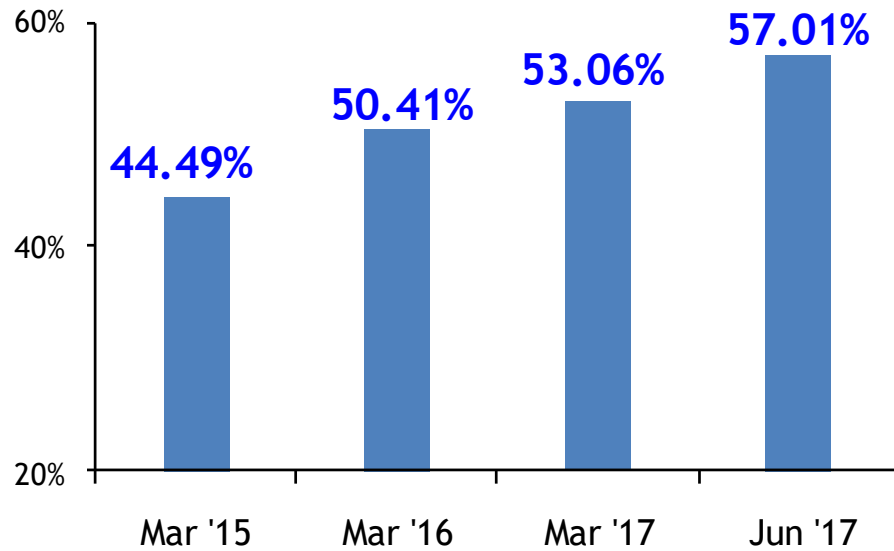


# Leveraging on Technology



## Migration to Digital Channel

[share of ADC transactions to total CBS transactions]



## MULTI-DIMENSIONAL BANKING. POWERED BY TECHNOLOGY.

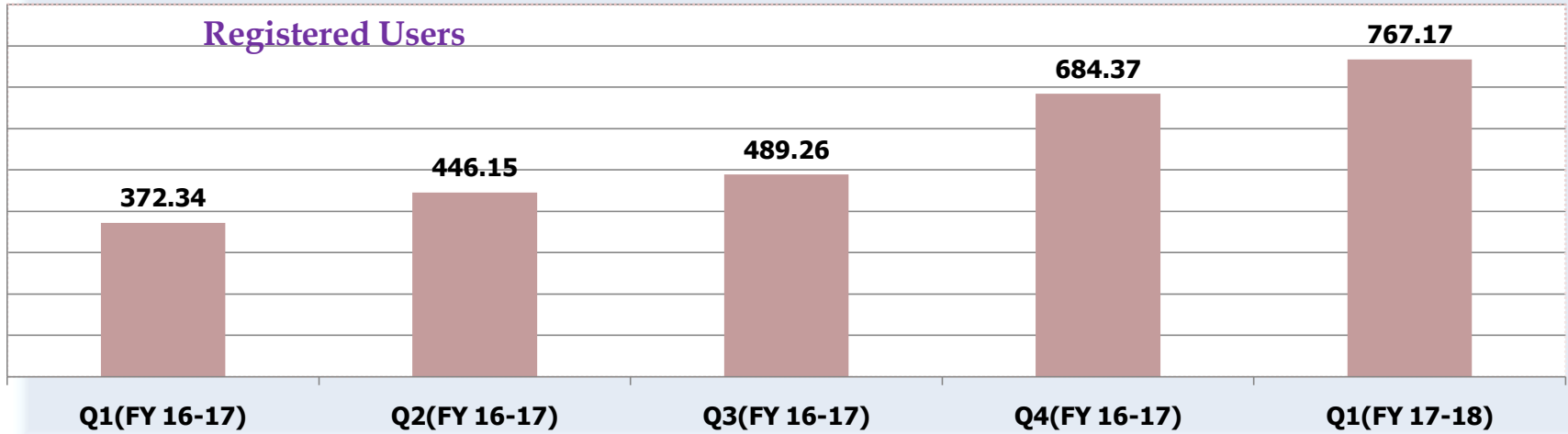


# Mobile Banking



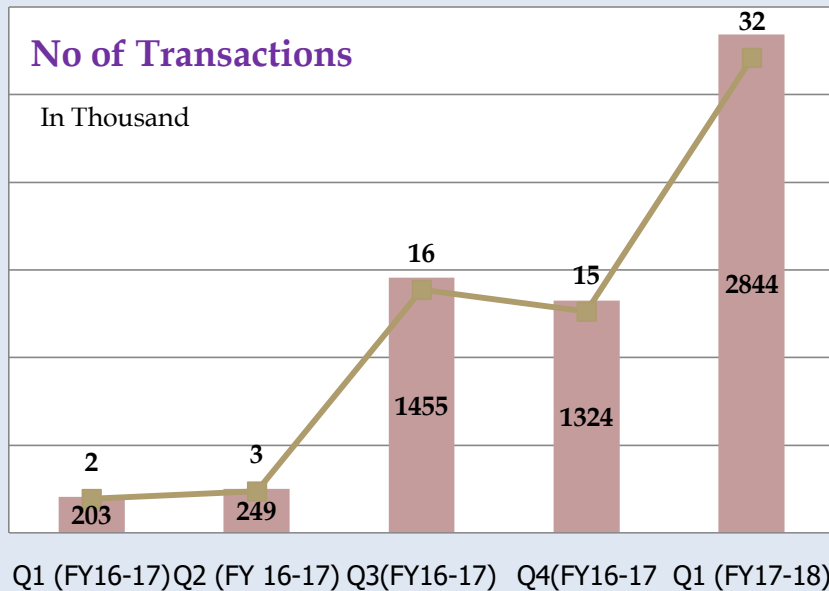
In thousands

## Registered Users



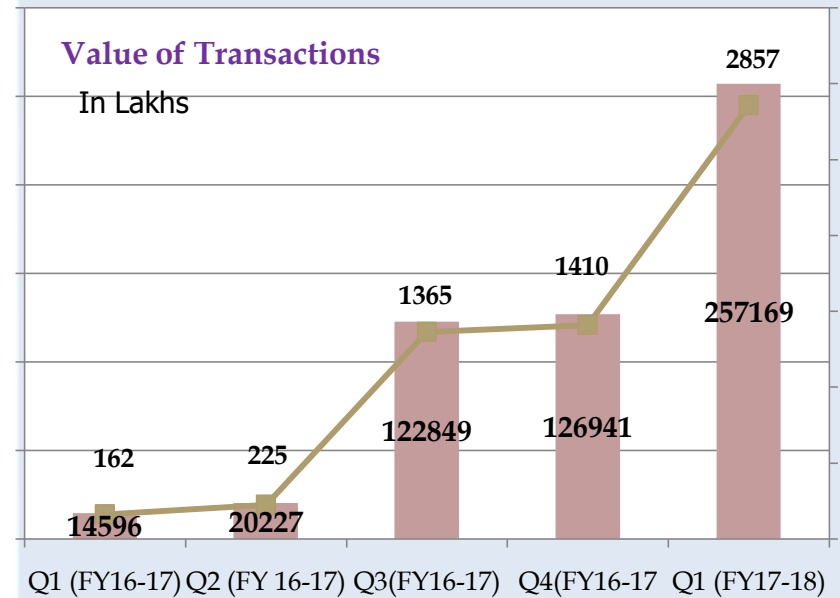
## No of Transactions

In Thousand



## Value of Transactions

In Lakhs

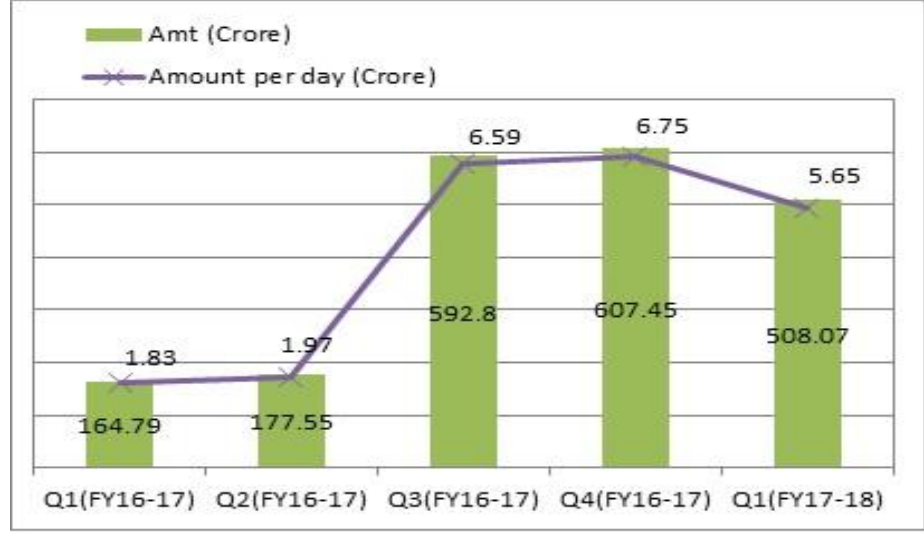
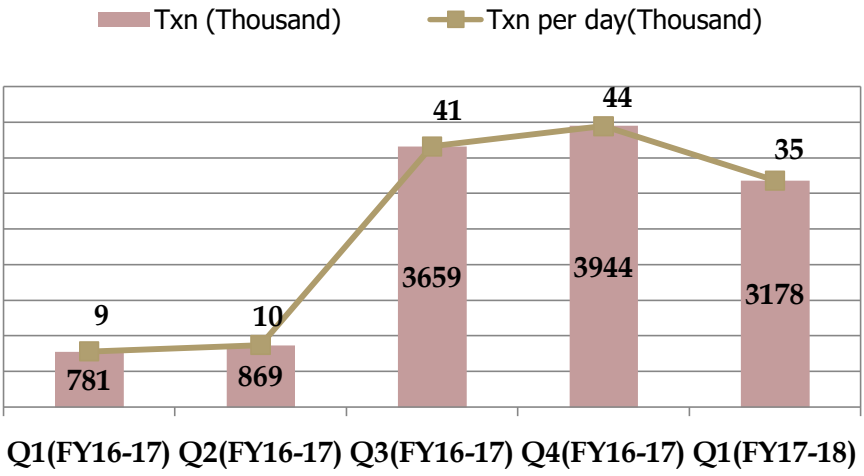


No of Transactions

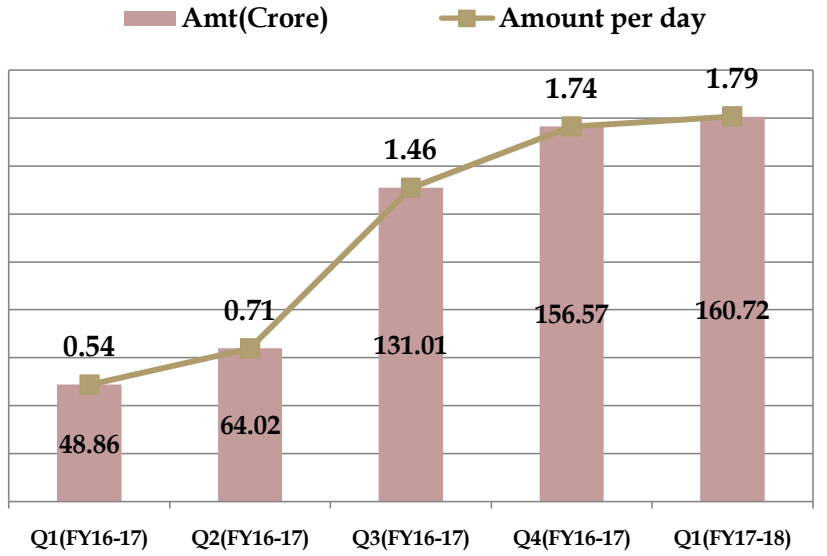
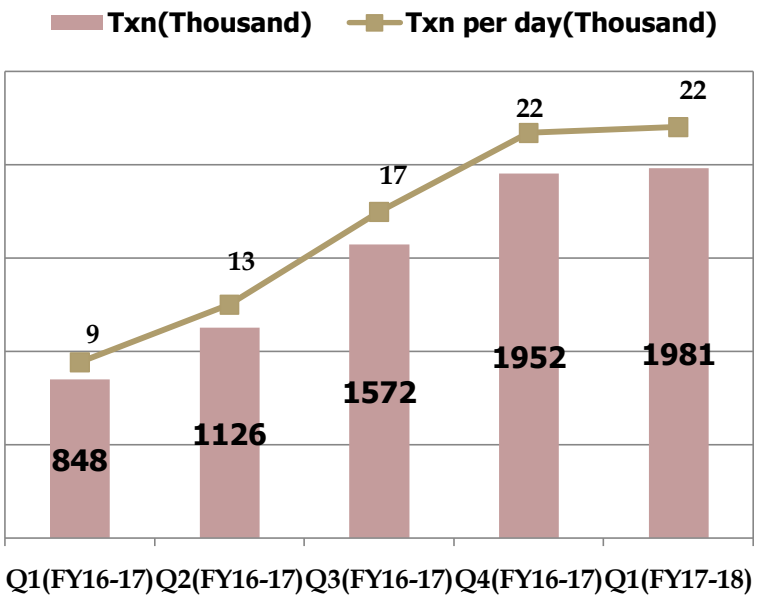
Avg Transactions per day

# Debit card transactions at POS & eCommerce (Online txns)

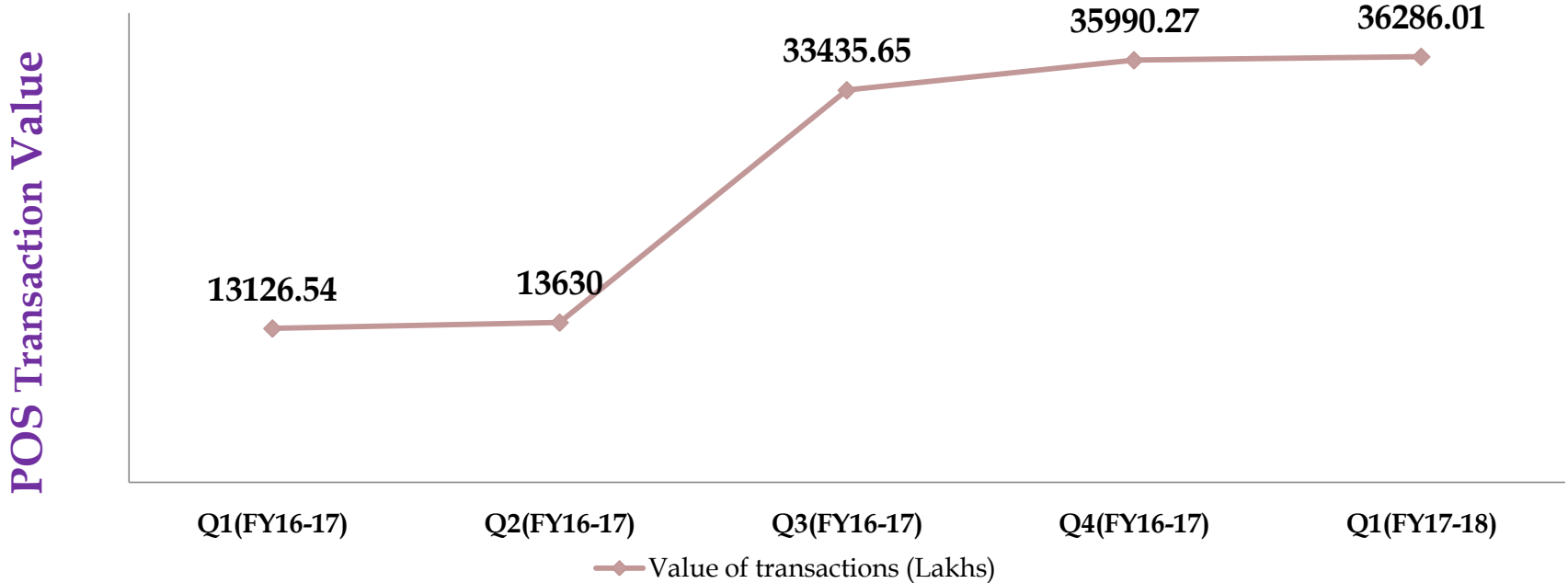
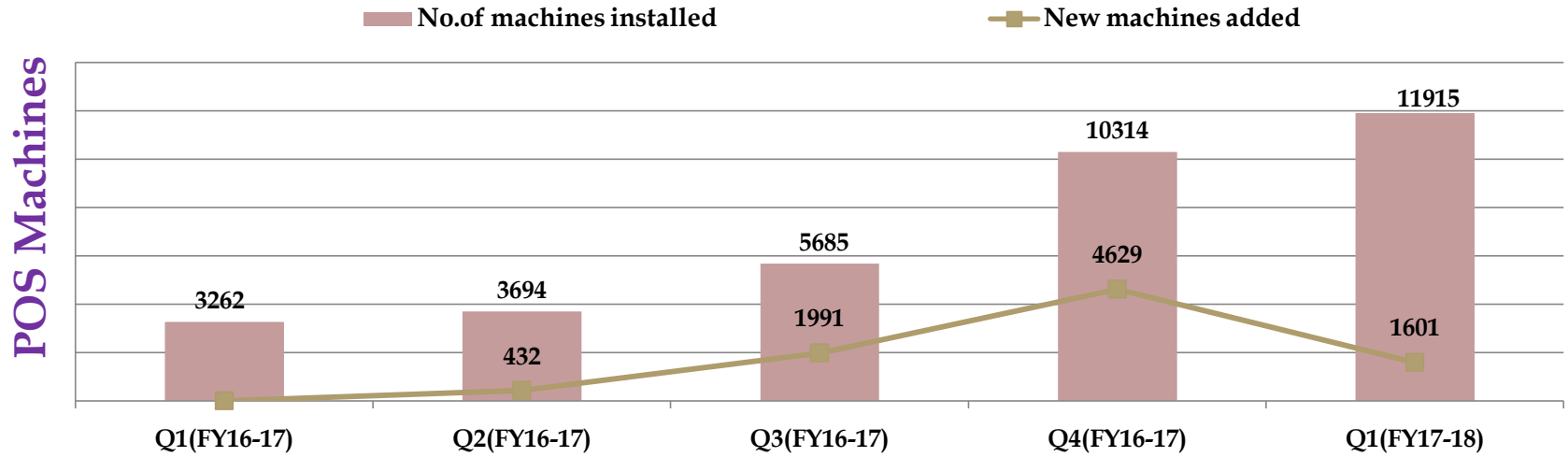
## POS Transactions



## ECOM Transactions



# Point of Sale (POS) Business



# Annexure

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# Deposits & Advances



<b>₹ crs</b>	<b><u>Jun-16</u></b>	<b><u>Mar-17</u></b>	<b><u>Jun-17</u></b>
<b>Total Deposits</b>	<b>51,501</b>	<b>56,733</b>	<b>56,227</b>
<b>CASA Deposits</b>	<b>13,504</b>	<b>16,473</b>	<b>16,271</b>
<b>Retail Deposits</b>	<b>37,841</b>	<b>40,089</b>	<b>39,782</b>
<b>Wholesale Deposits</b>	<b>156</b>	<b>171</b>	<b>174</b>
<b>Total Advances</b>	<b>34,946</b>	<b>37,004</b>	<b>38,484</b>
<b>Priority Sector Advances</b>	<b>16,028</b>	<b>17,239</b>	<b>17,210</b>
<b>Agri Advances</b>	<b>5,640</b>	<b>6,583</b>	<b>6,564</b>
<b>MSE Advances</b>	<b>8,131</b>	<b>8,496</b>	<b>8,626</b>
<b>Advances to Weaker Section</b>	<b>2,567</b>	<b>2,544</b>	<b>2,537</b>

# Income & Expenditure



<b>₹ crs</b>	<b><u>Mar-17</u></b> [12 months]	<b><u>Jun-16</u></b> [3 months]	<b><u>Jun-17</u></b> [3 months]
<b>Interest Income</b>	<b>5,185</b>	<b>1,261</b>	<b>1,331</b>
<b>Interest Expense</b>	<b>3,694</b>	<b>896</b>	<b>906</b>
<b>Net Interest Income</b>	<b>1,491</b>	<b>365</b>	<b>425</b>
<b>Fee Income</b>	<b>505</b>	<b>132</b>	<b>142</b>
<b>Treasury Income</b>	<b>304</b>	<b>42</b>	<b>75</b>
<b>Non-Interest Income</b>	<b>809</b>	<b>174</b>	<b>217</b>
<b>Total Income (Net of Interest Expense)</b>	<b>2,300</b>	<b>539</b>	<b>642</b>
<b>Operating Expenses</b>	<b>1,304</b>	<b>277</b>	<b>332</b>
<b>Operating Profit</b>	<b>996</b>	<b>262</b>	<b>310</b>
<b>Provision for loan losses in Adv. / losses in Invts. / Taxes / other</b>	<b>544</b>	<b>140</b>	<b>176</b>
<b>Net Profit</b>	<b>452</b>	<b>122</b>	<b>134</b>

# Interest Income & Interest Expenditure



₹ crs	<u>Mar-17</u> [12 months]	<u>Jun-16</u> [3 months]	<u>Jun-17</u> [3 months]
<b><u>Interest Income</u></b>			
<b>Interest Income</b>	<b>5,185</b>	<b>1,261</b>	<b>1,331</b>
<b>Interest on Advances</b>	<b>3,794</b>	<b>928</b>	<b>950</b>
<b>Interest on Investments</b>	<b>1,271</b>	<b>312</b>	<b>333</b>
<b>Other interest</b>	<b>120</b>	<b>21</b>	<b>48</b>
<b>Yield on Advances</b>	<b>10.81%</b>	<b>10.98%</b>	<b>10.22%</b>
<b>Adjusted yield on Invts.</b>	<b>8.88%</b>	<b>8.38%</b>	<b>8.34%</b>
<b><u>Interest Expense</u></b>			
<b>Interest Expense</b>	<b>3,694</b>	<b>896</b>	<b>906</b>
<b>Interest on Deposits</b>	<b>3,601</b>	<b>874</b>	<b>885</b>
<b>Other interest</b>	<b>93</b>	<b>22</b>	<b>21</b>
<b>Cost of Deposits</b>	<b>6.73%</b>	<b>6.95%</b>	<b>6.33%</b>
<b><u>Net Interest Income</u></b>			
<b>Net Interest Income</b>	<b>1,491</b>	<b>365</b>	<b>425</b>
<b>Interest Spread in Lending</b>	<b>4.08%</b>	<b>4.03%</b>	<b>3.89%</b>
<b>Net Interest Margin on average assets</b>	<b>2.44%</b>	<b>2.55%</b>	<b>2.64%</b>



# Capital Adequacy under BASEL III



₹ crs	<u>Jun-16</u>	<u>Mar-17</u>	<u>Jun-17</u>
Total Risk Weighted Assets	35,797	38,902	40,032
Total Capital Fund	4,168	5,172	5,211
Total Tier I Capital	3,675	4,749	4,781
Paid up Equity Capital	188	283	283
Reserves under Tier I Cap.	3,487	4,467	4,498
Total Tier II Capital	493	423	430
Surplus Provisions & Reserves	257	258	265
Subordinated Debt Fund	236	165	165
Total CRAR	11.64%	13.30%	13.02%
CRAR Common Equity Tier I Capital	10.27%	12.21%	11.94%
CRAR Tier I Capital	10.27%	12.21%	11.94%
CRAR Tier II Capital	1.38%	1.09%	1.08%

# 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.
- ❖ Bank's Staff Training College received ISO 9001:2015 certificate for its training standards.

# Corporate Social Responsibility



Joining hands with Red FM Radio for the Anti Tobacco campaign on “World Tobacco Free Day”.

Donation of school bus to Vidhyavardhaka Aided Higher Primary School, Meeyapadavu, a rural village in Kerala.





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# Business Strategy

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- ❖ Bank has adopted a Vision Statement, “To be a Progressive, Prosperous and well Governed Bank”.
- ❖ Bank’s total business turnover is projected to increase in a progressive manner to touch ₹ 1,80,000 crore by March 2020, with deposits of ₹ 1,00,000 crore & advances of ₹ 80,000 crore.
- ❖ Service outlets are projected to touch 3,500 [1,000 Branches + 2,500 ATMs] by March 2020. E-lobbies / Mini e-lobbies to touch 250.
- ❖ Digital Banking initiative to be taken forward by increasing the digital touch points.
- ❖ Bank aims to become a Preferred Banker to atleast 1% of India’s population by March 2020.
- ❖ Credit quality initiatives, Risk management practices, Compliance culture & Marketing initiatives to be further strengthened.
- ❖ Rationalization of ATMs & Branches.

# 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:**
  - **Cash Recyclers,**
  - **Corporate Mobile Banking,**
  - **KBL Locator and e-Address book app.**
  - **Centralized account opening.**



- ❖ Minimum space maximum business.
- ❖ 20:30:40 formula for business augmentation during the next 3 years.
- ❖ Credit augmentation
  - Focus on MSME sector
  - Focus on mid-corporate & retail sectors.
- ❖ NPA & Stressed Assets management
  - Minimising slippages and tightening the recovery mechanism.
- ❖ 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.



**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



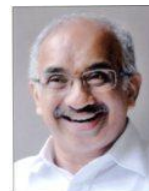
**B A Prabhakar**  
Bengaluru  
Former Chairman & MD of  
Andhra Bank



**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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