



Karnataka Bank Ltd.
Your Family Bank. Across India.

Analysis of Financial Results

June 2018



Company Overview

Financial Performance

Annexure

Business Strategy



1. Time tested Bank with over 94 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 ₹ 1,10,456 crore as on 30.06.2018.
- Networth of ₹ 5,574 crore as on 30.06.2018.
- Market capitalization of ₹ 3,100 crore as on 30.06.2018.
- 2,163 service outlets with 807 branches, 2 Extension Counters and 1,354 ATMs in 539 centres across India as on Jun 30, 2018.
- Offers wide variety of corporate and retail banking products and services to over 9.8 million customers.
- 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
2016	<ul style="list-style-type: none">• Networth of the Bank crossed ₹ 5,000 crs• 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
2012	<ul style="list-style-type: none">• 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	<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 Sompoo 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 received during the FY 2018-19:

- ❖ “Best Performing Bank – Private Bank” category for the performance under Atal Pension Yojana [APY] during 2017-18.



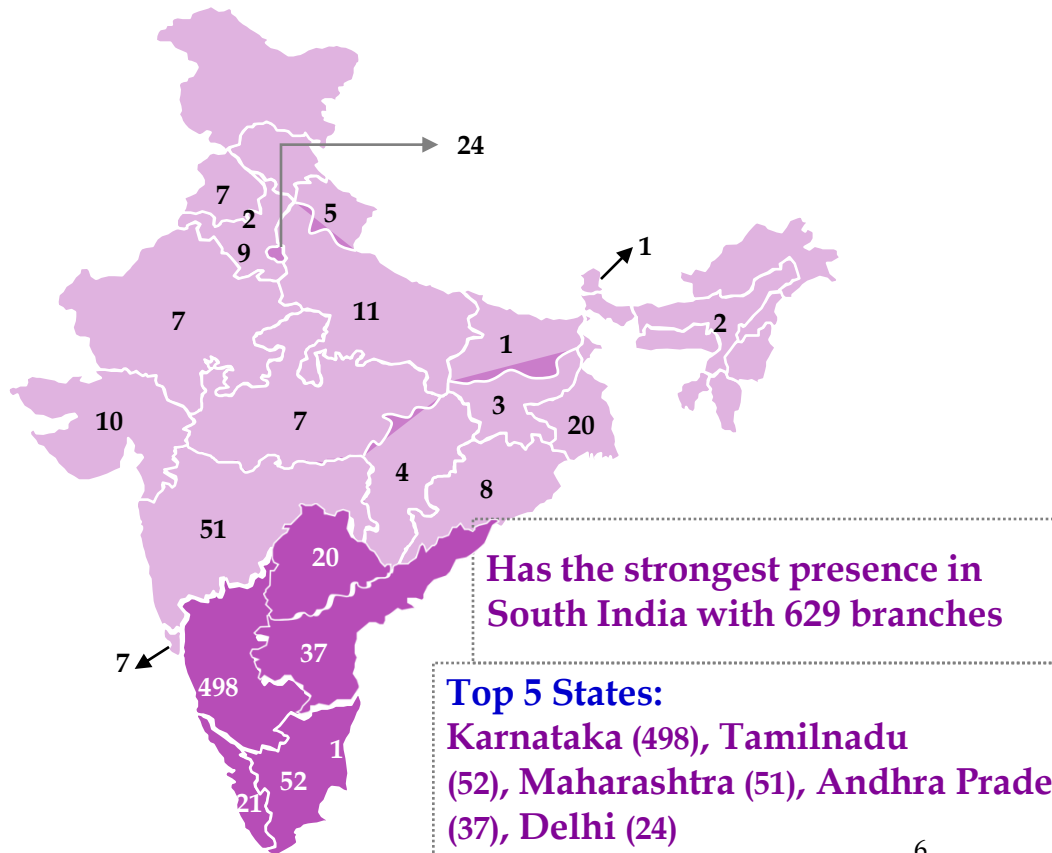
Shri H P R Hande, DGM, Corporate Planning Department receiving the award from Shri Shiv Pratap Shukla, Hon'ble Minister of State for Finance, Govt. of India, and Shri Supratim Bandyopadhyay, WTM [Finance], PFRDA, in the award function held at Delhi on 12.06.2018.

Pan-India footprint

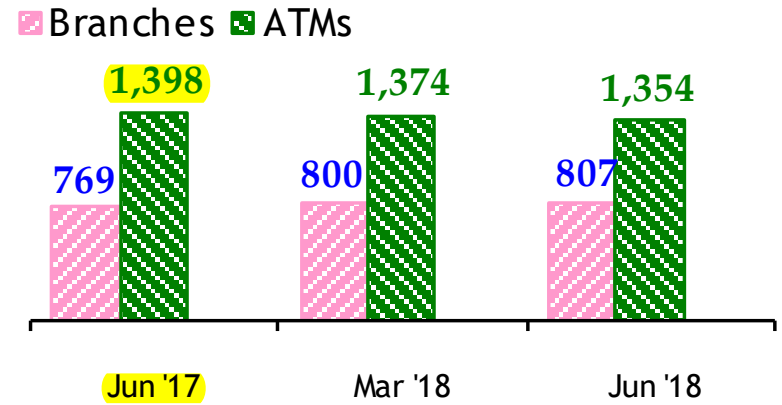


Pan-India Presence

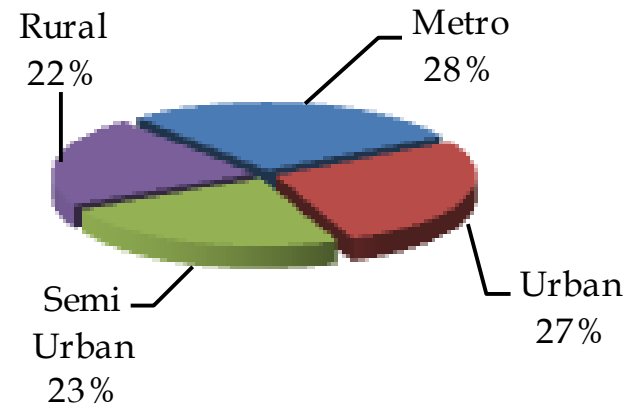
- Total 2,163 service outlets – 807 branches, 2 Extension Counters & 1,354 ATMs.
- Total 33 e-Lobbies & 143 mini e-Lobbies, of which, 152 Recyclers.
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion.
- 112 Financial Inclusion branches, 35 Ultra Small branches
- Expanding network in northern India also.



No of branches & ATMs



Area wise distribution of branches (Jun '18)





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”.



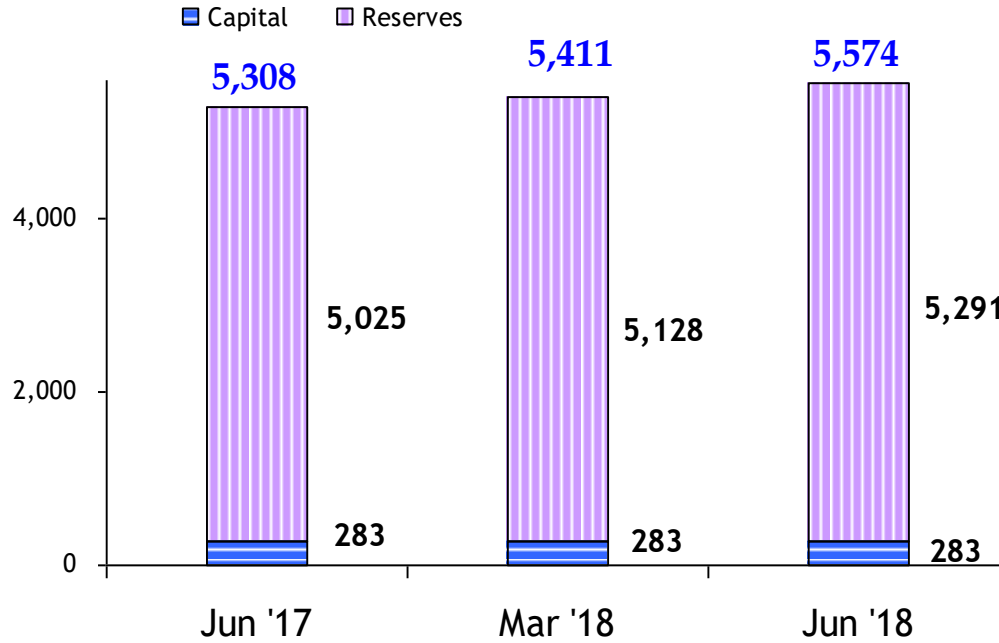
Effective risk management system

- ◆ 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.
- ◆ To effectively control possible frauds in "online transactions" done by customers, enterprise level fraud risk management solution is implemented.
- ◆ 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.

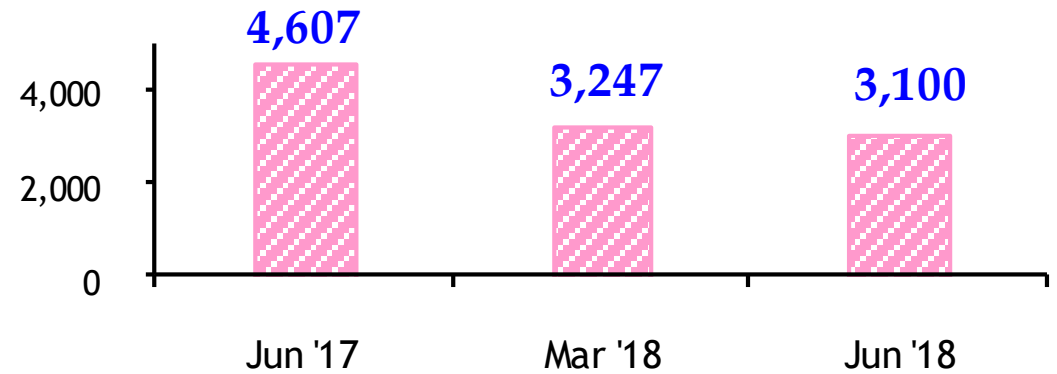
Financial strength of the Bank



Networth (₹ crs)



Market capitalization (₹ crs)



Highlights - Q1 FY 19



(₹ crs)

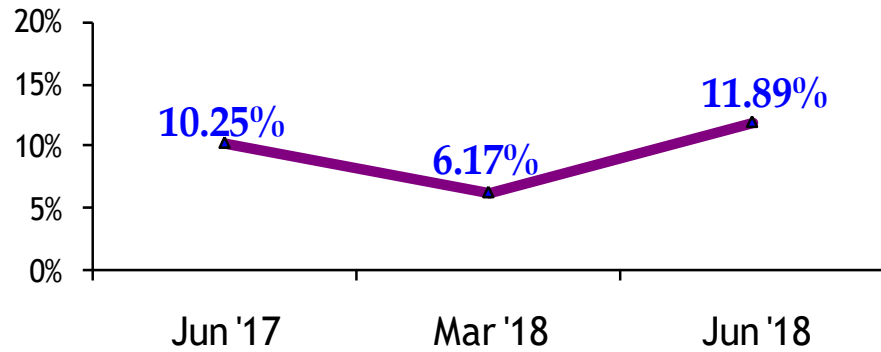
KPA _s	3 Months	
	Q1 FY 19	Q1 FY 18
Net profit	163.24	133.85
Operating profit	368.88	309.70
Turnover	1,10,456	94,633
Return on Asset	0.91%	0.83%
Earning per Share *	5.78	4.74
Return on Equity	11.89%	10.25%
Net Interest Margin	3.00%	2.97%
Gross NPA	4.72%	4.34%
Net NPA	2.92%	3.20%
Cost to Income	45.54%	51.75%
CRAR (Basel III)	11.60%	13.02%

* Not annualized

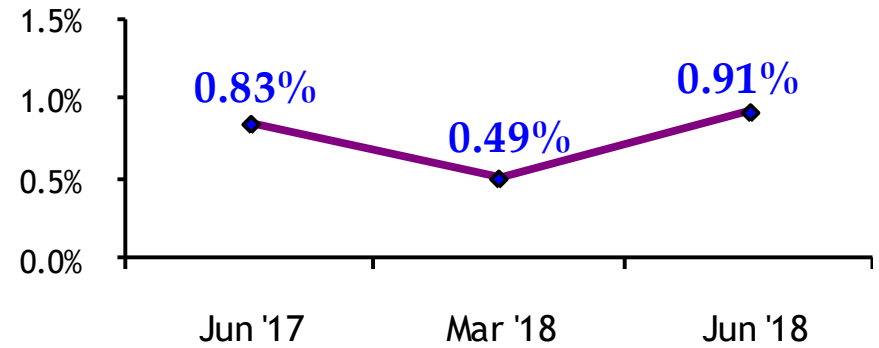
Return and Capital Adequacy Ratios



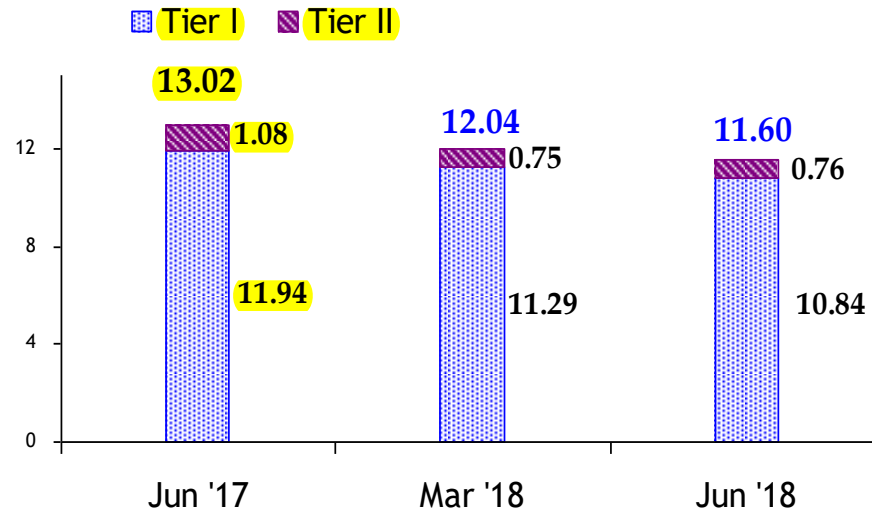
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)



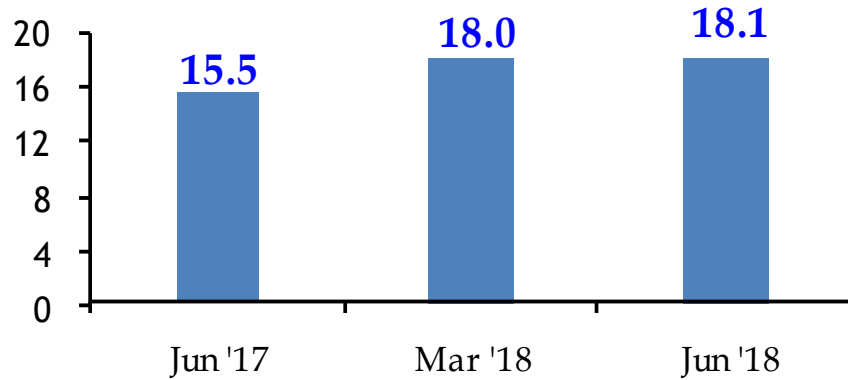
Capital Adequacy (%) - Basel III



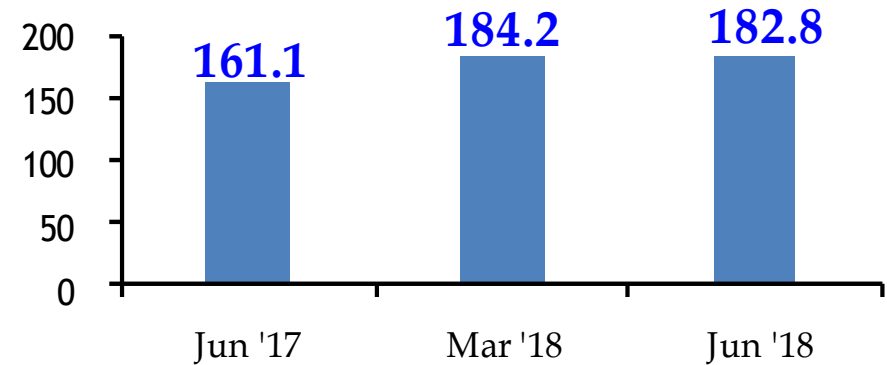
Productivity ratios



Operating Profit per employee (₹ lakh) *

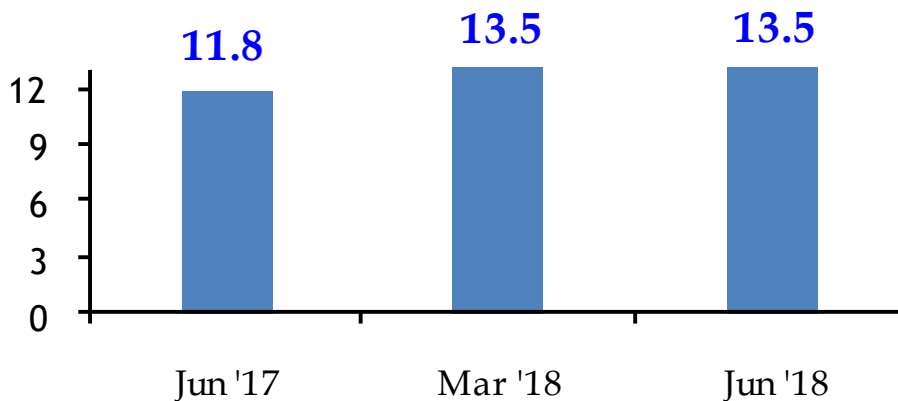


Operating Profit per branch (₹ lakh) *

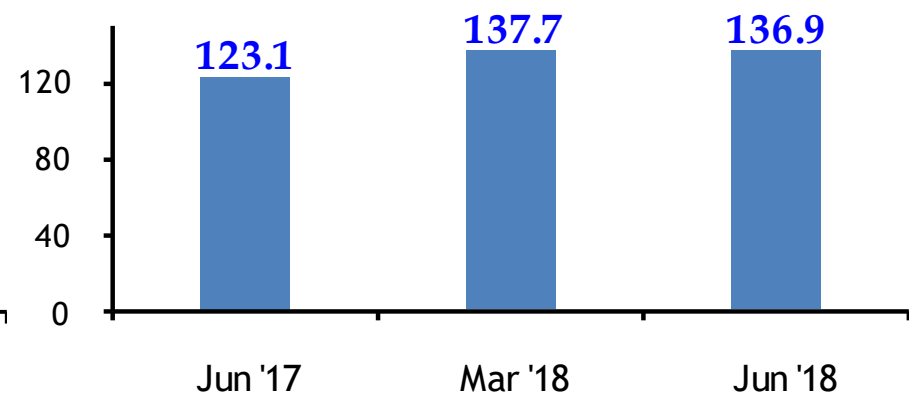


* annualised

Business per employee (₹ crs)



Business per branch (₹ crs)



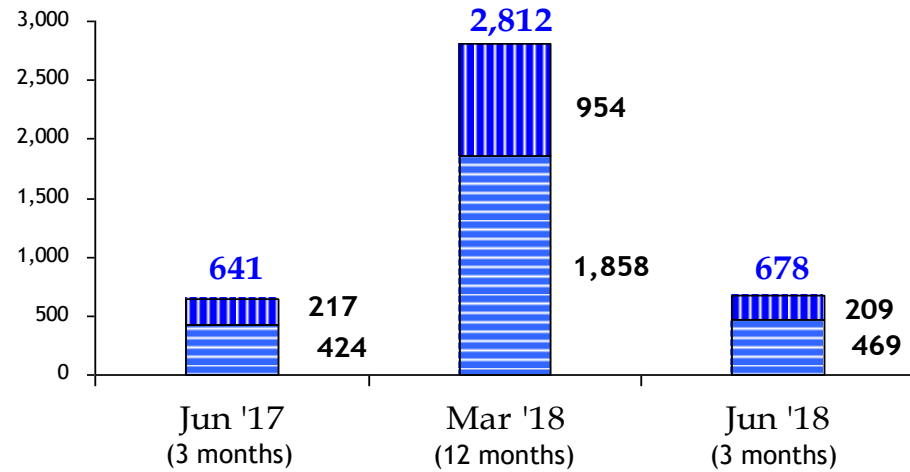
Financial Performance

Income & Profit



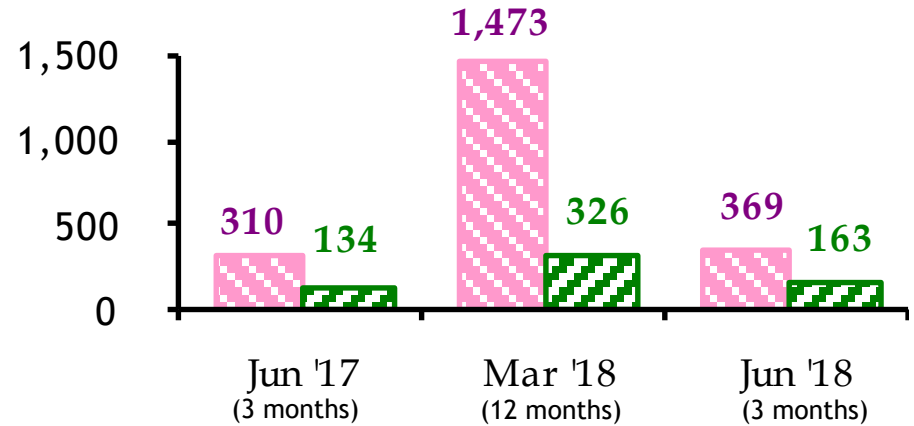
Net Income (₹ crs)

Net Interest Income Other Income

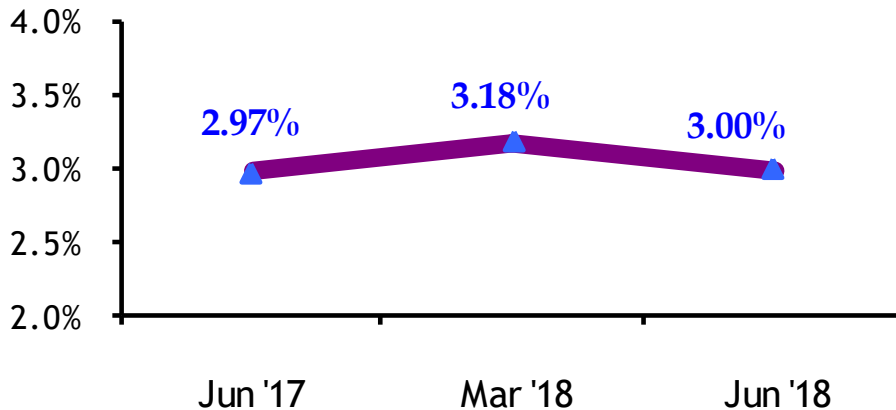


Operating and Net Profit (₹ crs)

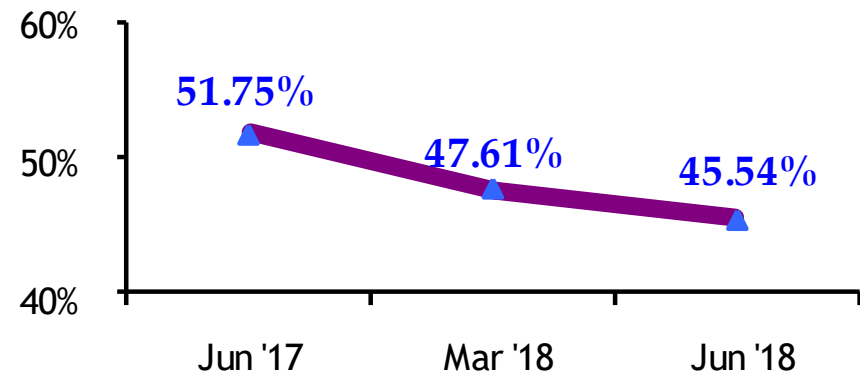
Operating profit Net profit



Net Interest Margins (%)



Cost to Income Ratio (%)

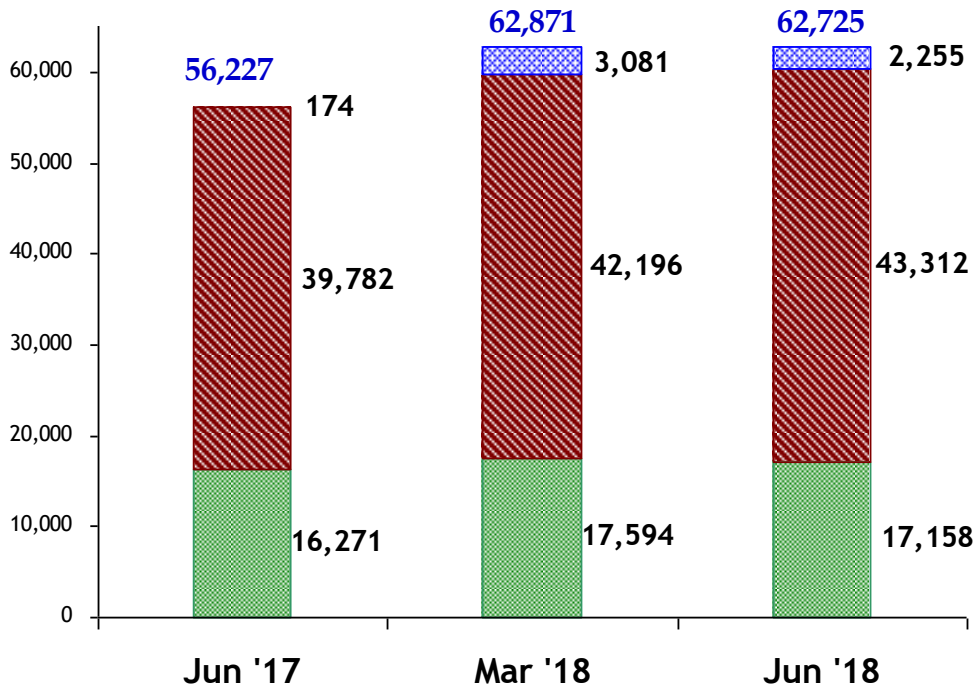


Deposits

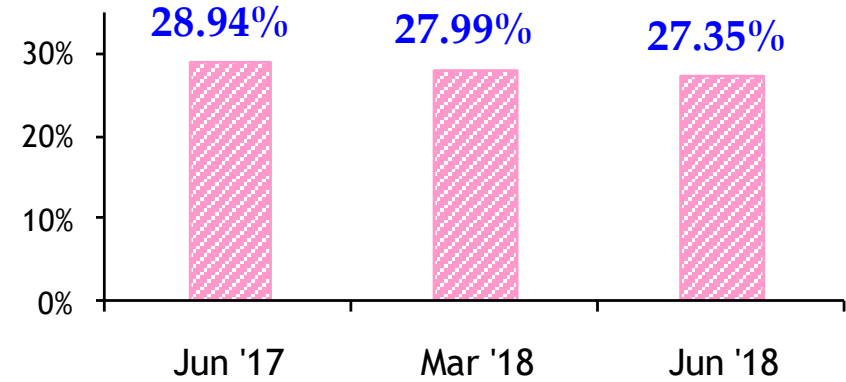


Deposits (₹ crs)

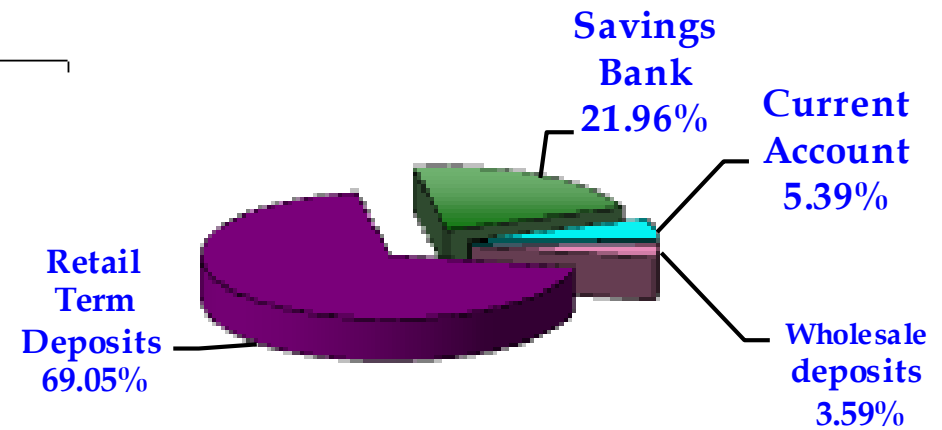
■ CASA
 ■ Retail
 ■ Wholesale deposits



CASA share to total Deposits

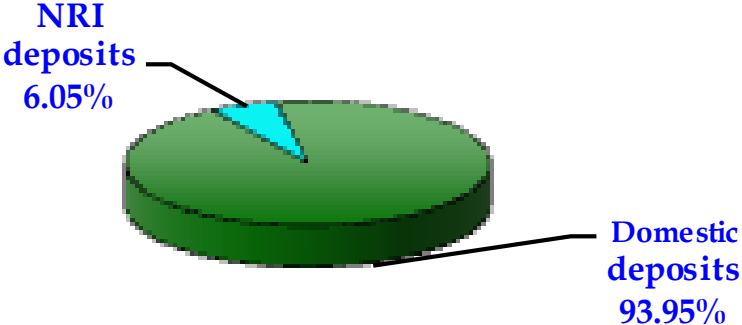
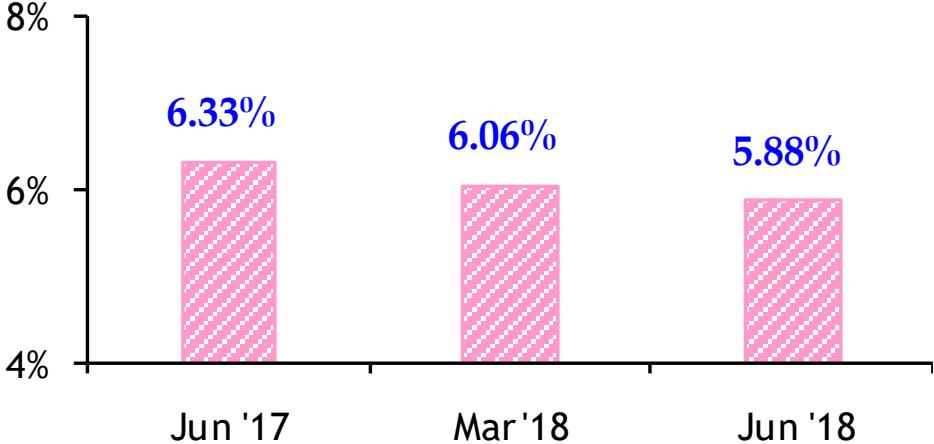


Deposits break up (Jun'18)

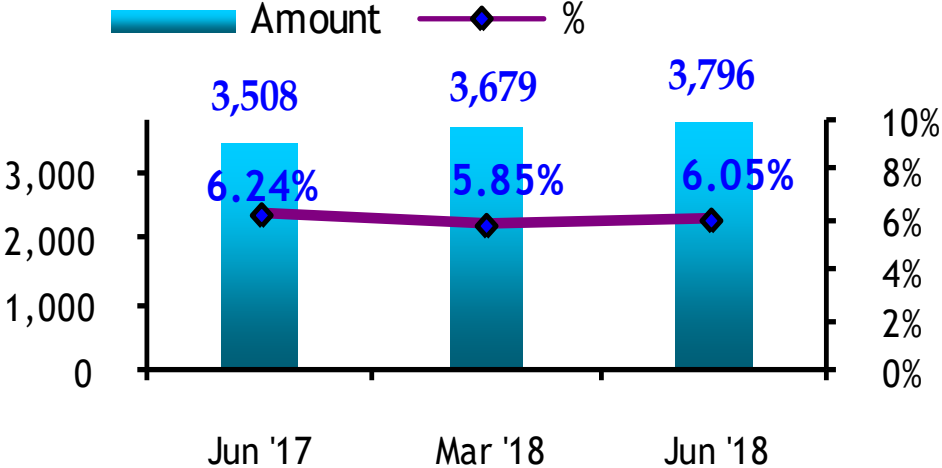




Cost of Deposits

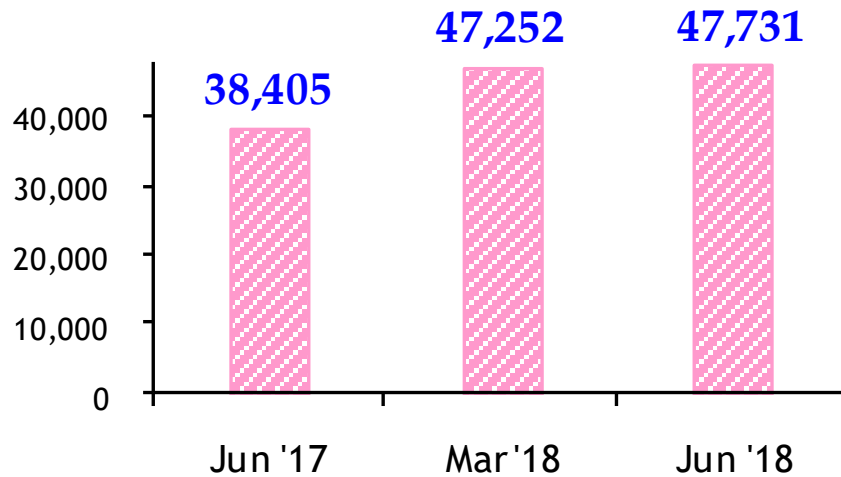


NRI Deposits (₹ crs)





Advances [Net] (₹ crs)

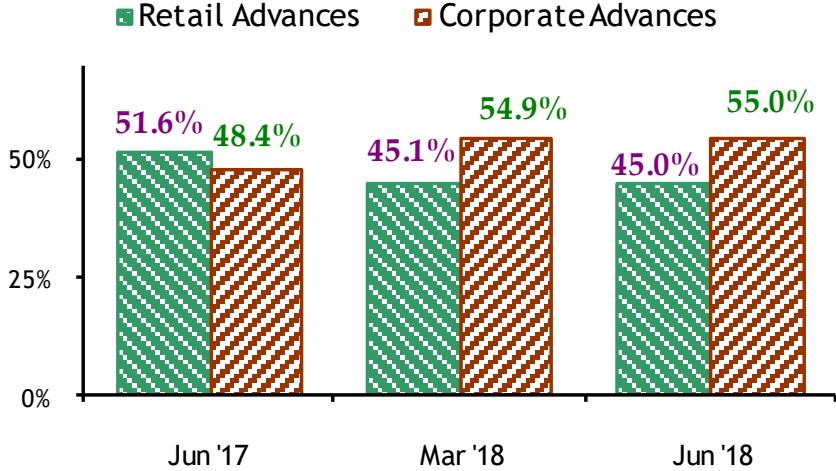


External rating wise Credit Portfolio as of Jun '18 [corporate borrowers]

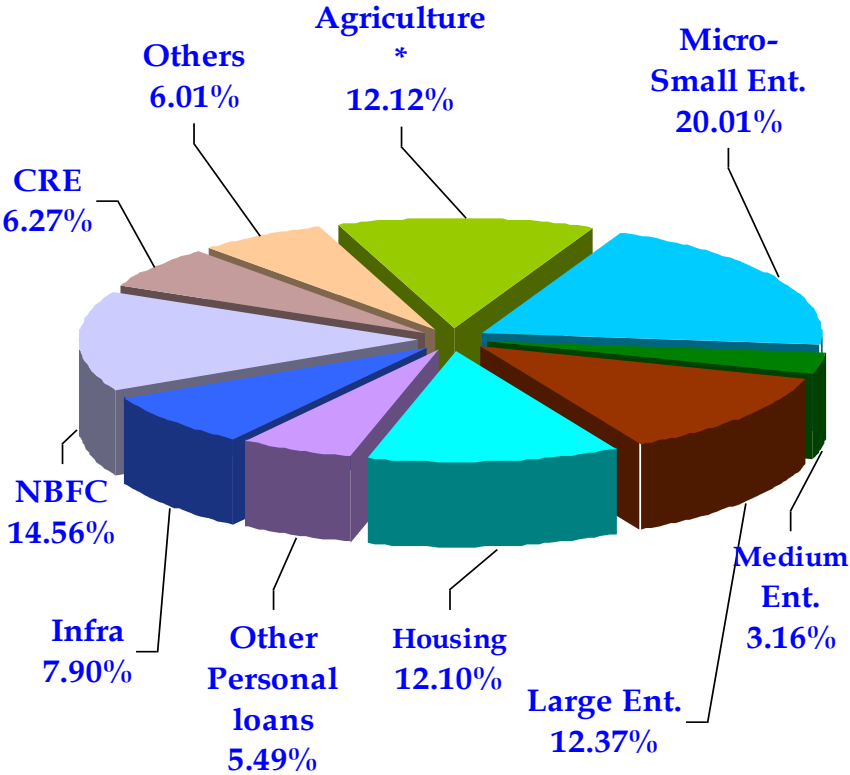
Rating	No of Borrowers	Balance O/s (in crs)	% to GBC
AAA	18	5,987.64	12.31%
AA	36	4,789.58	9.85%
A	26	1,479.96	3.04%
BBB	38	2,126.92	4.37%
BB	36	1,786.86	3.67%
B	14	580.38	1.19%
C	-	-	-
D	7	476.99	0.98%
Total	175	17,228.33	35.41%
Gross Bank Credit		48,647.68	



Retail & Corporate Advances (%)



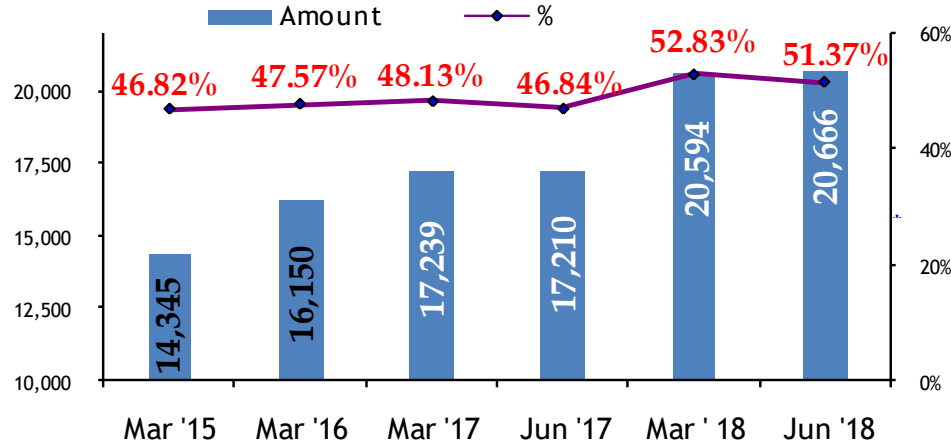
Segmentation of Advances (Jun '18)



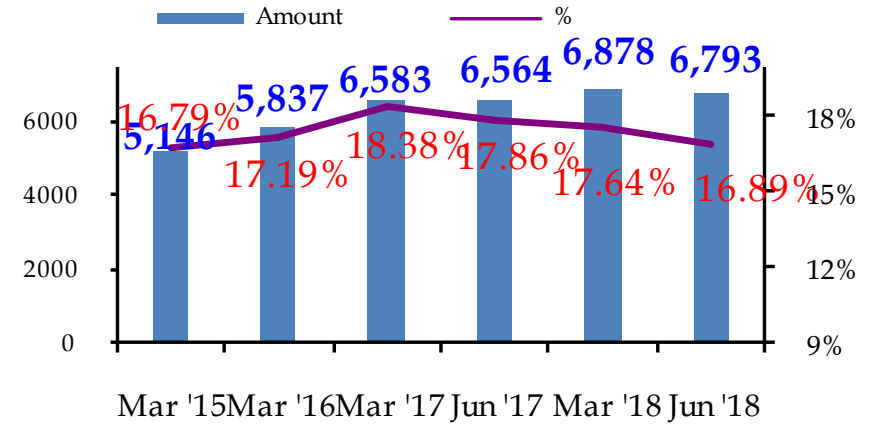
* However, this works out to 16.89% of the ANBC of 30.06.2018.



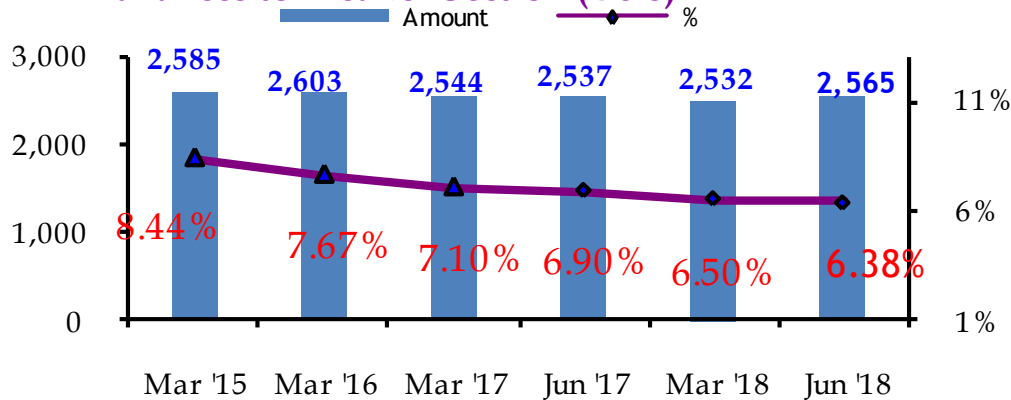
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)



Advances to Weaker Section (₹ crs)

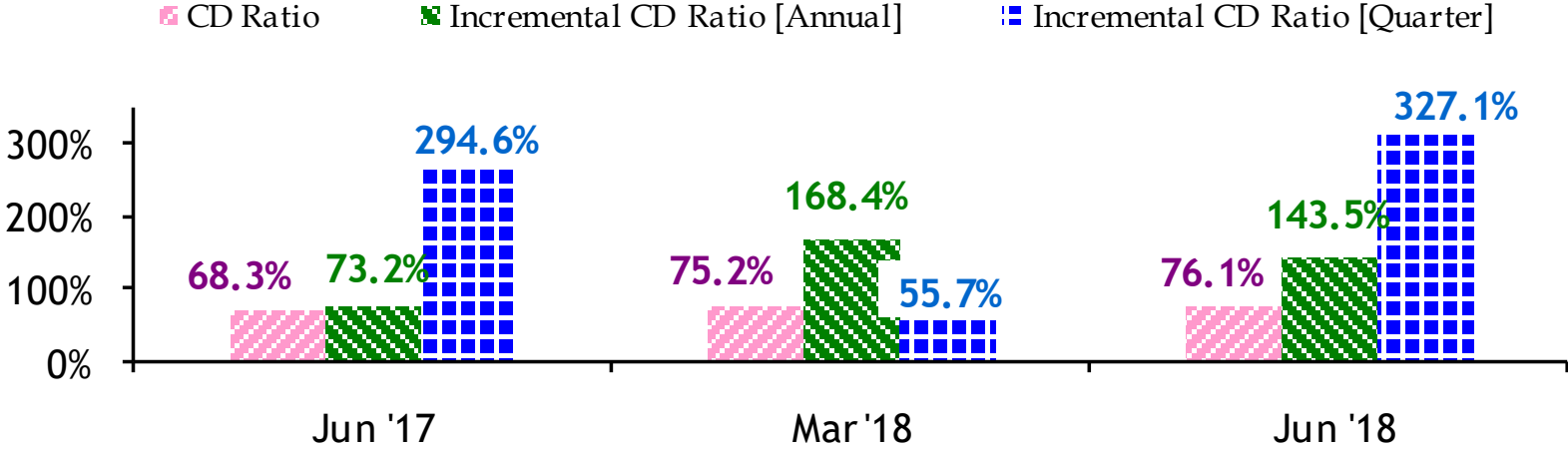


* Base figure for the calculation of % is ANBC as on March 31st of previous year.

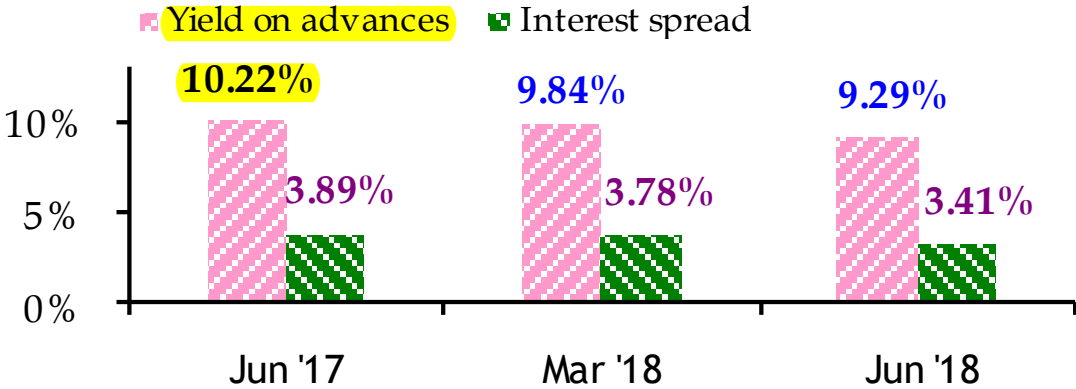
CD Ratio & Yield on Advances



Credit Deposit ratio (%)

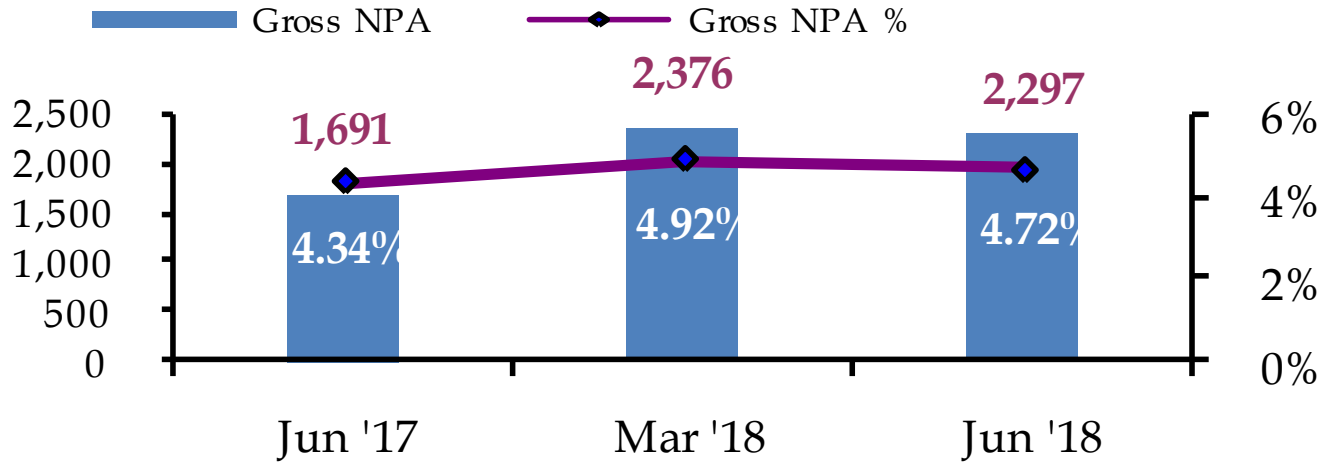


Yield on Advances & Interest Spread (%)

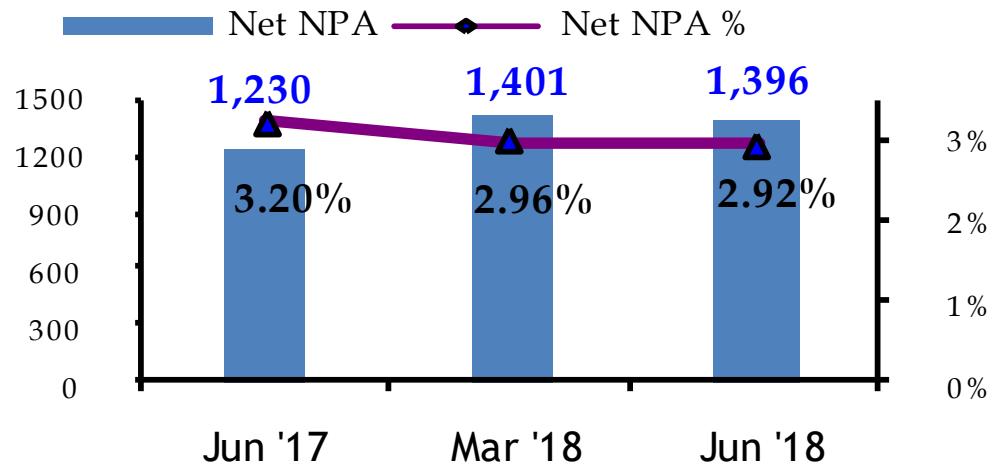




Gross NPAs (₹ crs)

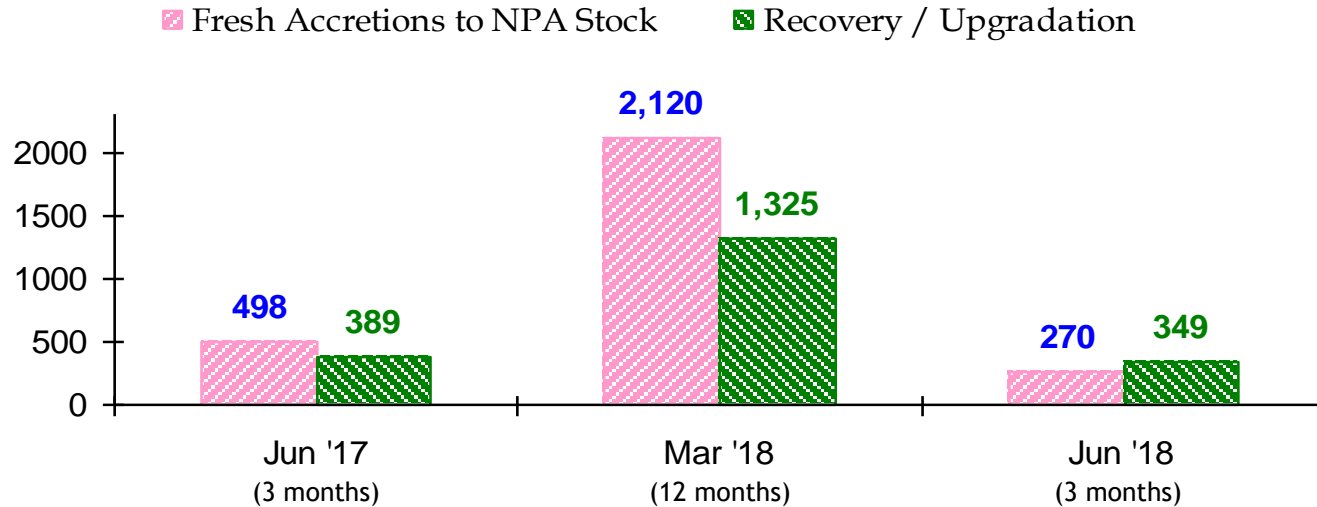


Net NPAs (₹ crs)

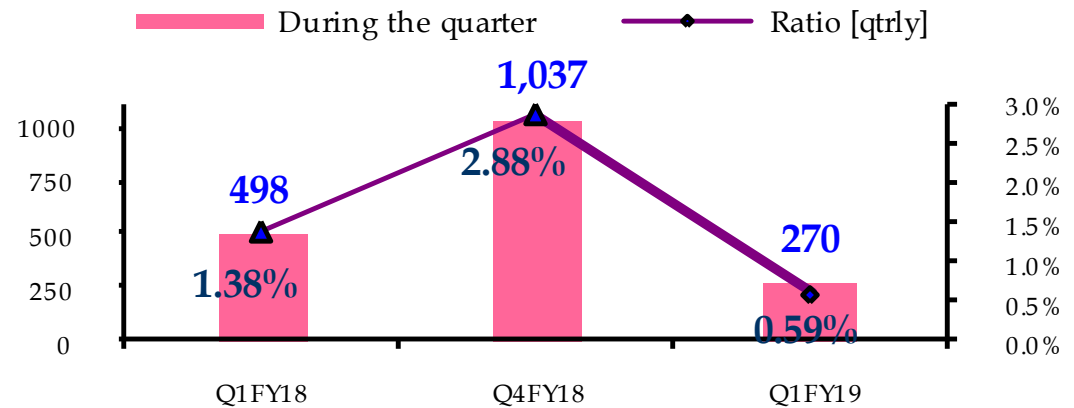




Fresh accretions and recoveries (₹ crs)



Slippages (₹ crs)

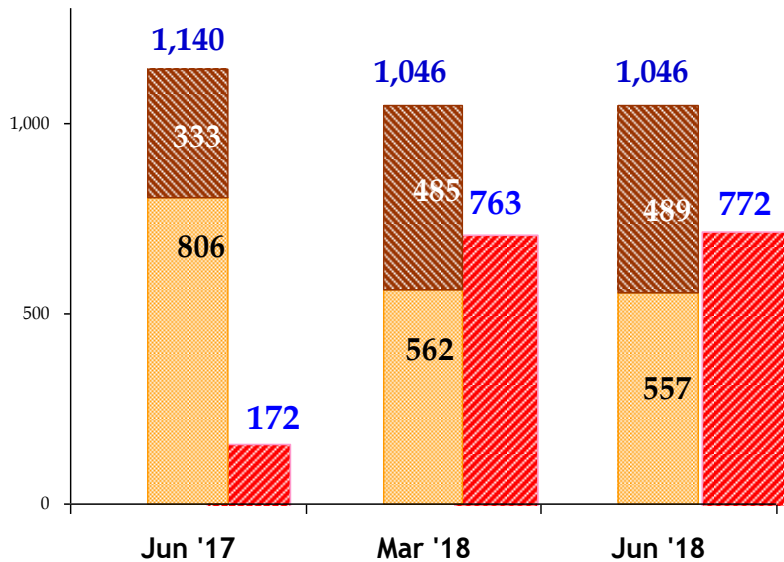




(₹ crs)

Restructured loans & related accounts

■ Restructured loans
 ■ Related a/cs
 ■ Of which, NPA

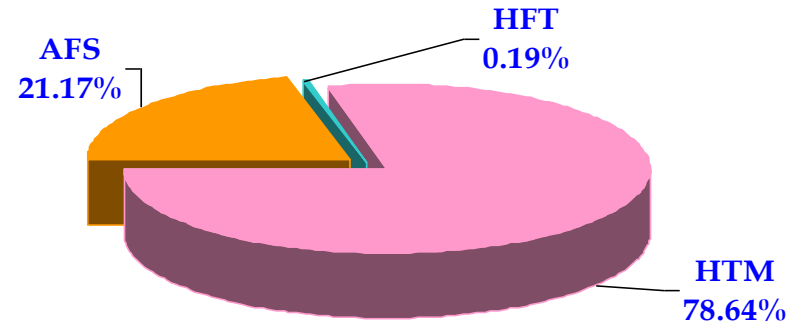
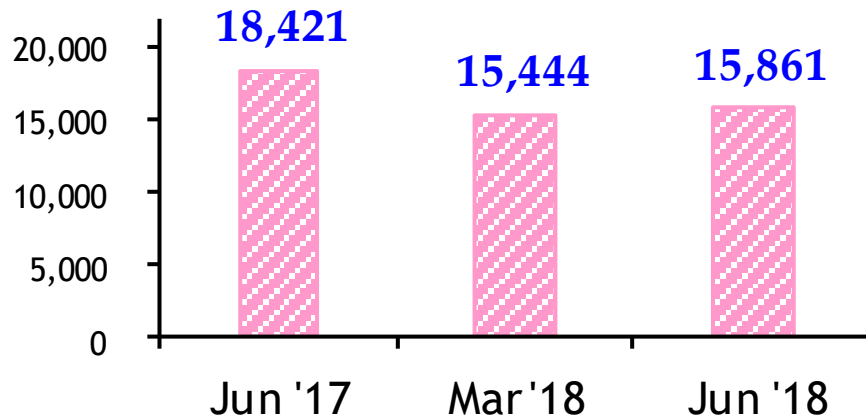


Sector wise Restructured Adv. as Jun '18:

Sector	Restructured Adv.	Of which, NPA
Large Industry	462.23	393.19
Infrastructure	449.25	318.16
Real Estate [including CRE, excluding Services]	42.23	40.89
MSME [excl. Infrastructure]	38.03	6.30
Others	27.16	0.98
Agriculture	19.40	12.88
Education [Individual + Institution]	5.92	0.03
Wholesale/Retail Trade [excl. services]	1.49	-
Grand Total	1,045.71	772.43

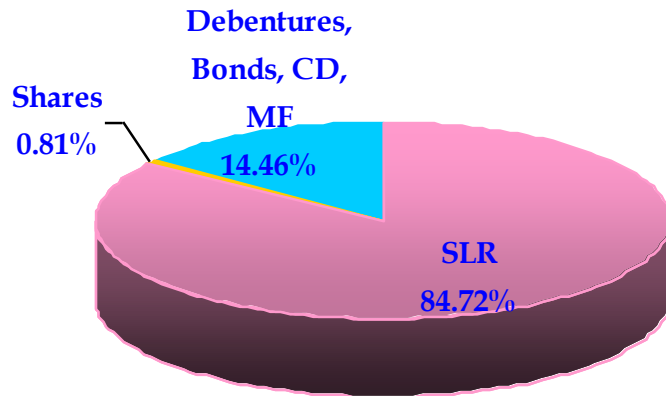


Investments [excl. RIDF] (₹ crs)

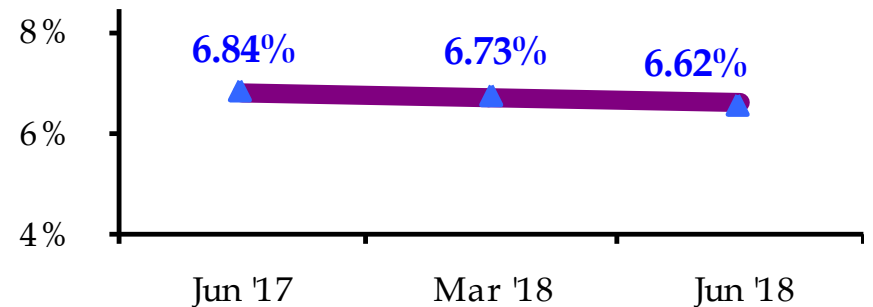


Duration

AFS	HFT	HTM	TOTAL
2.37	1.07	5.49	4.77



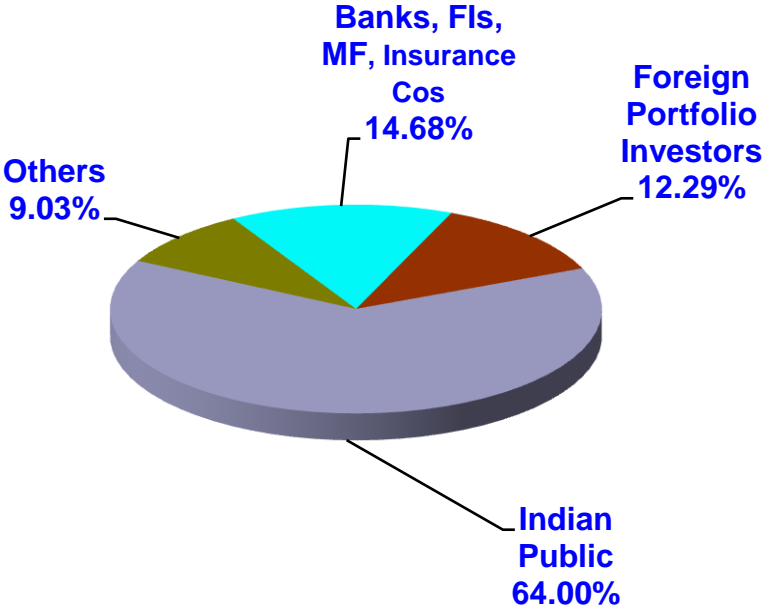
Yield on Investments (%)



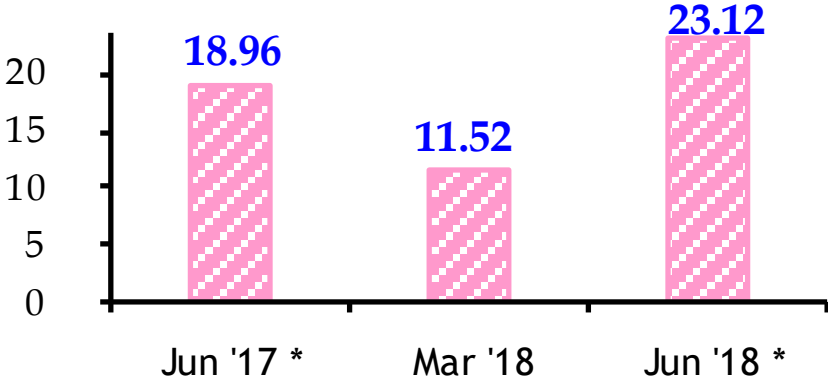
Share holders' value



Share holding pattern (Jun '18)

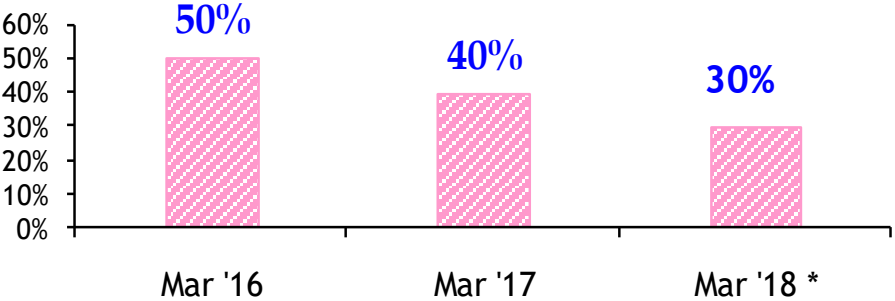


Earning Per Share (₹)



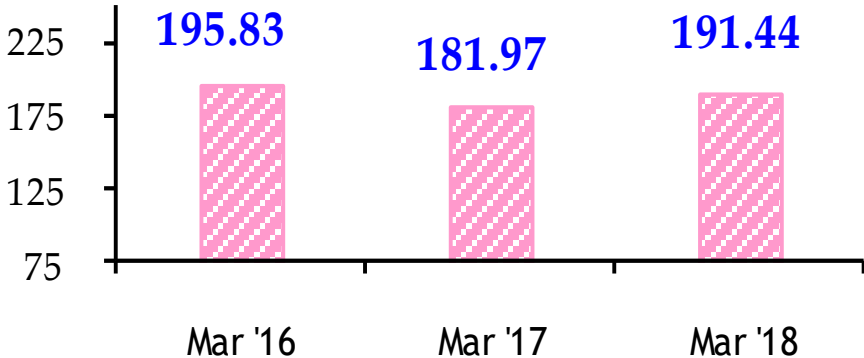
* annualised

Dividend (%)



* proposed

Book value (₹)

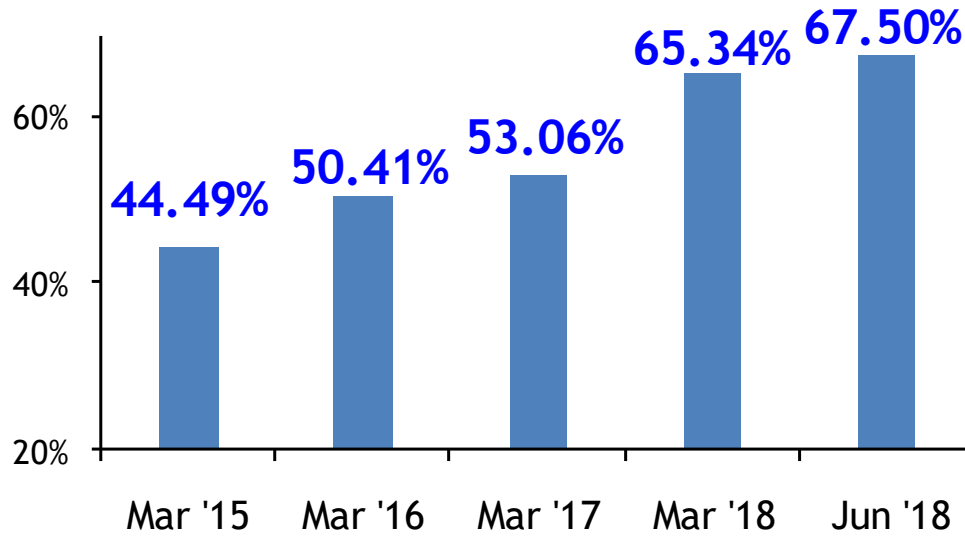


Leveraging on Technology



Migration to Digital Channel

[share of ADC transactions to total CBS transactions]



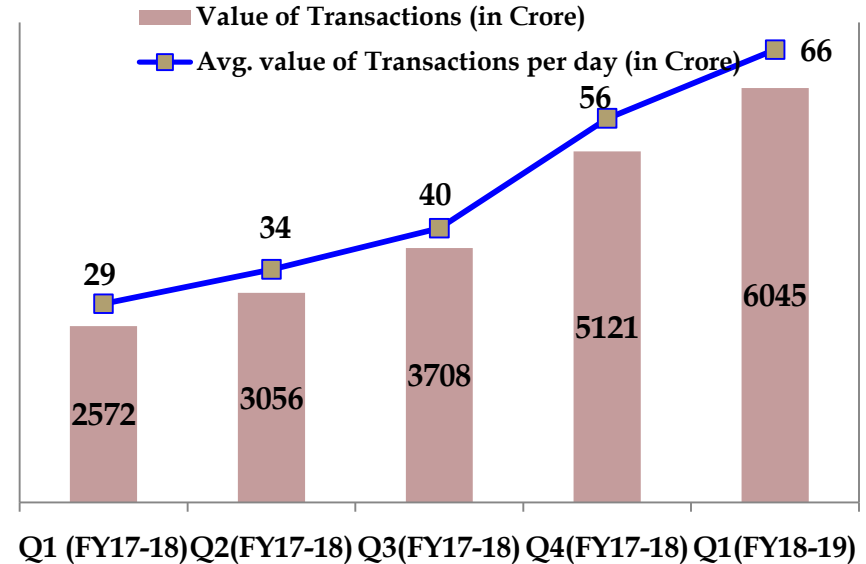
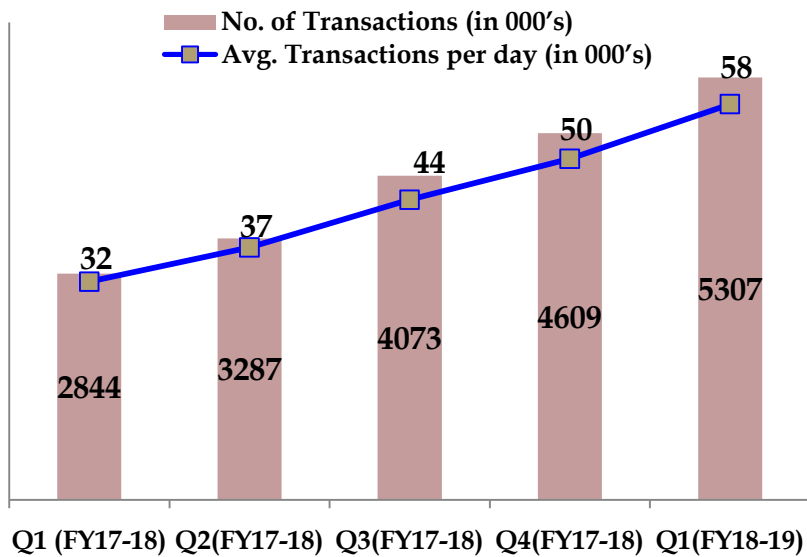
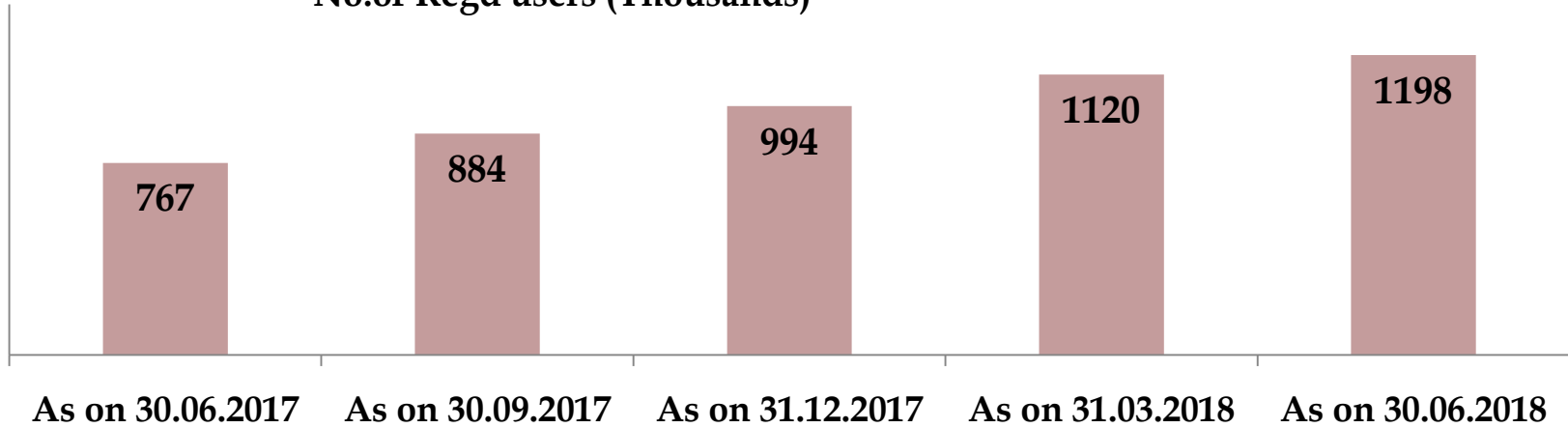
MULTI-DIMENSIONAL BANKING. POWERED BY TECHNOLOGY.



Mobile Banking



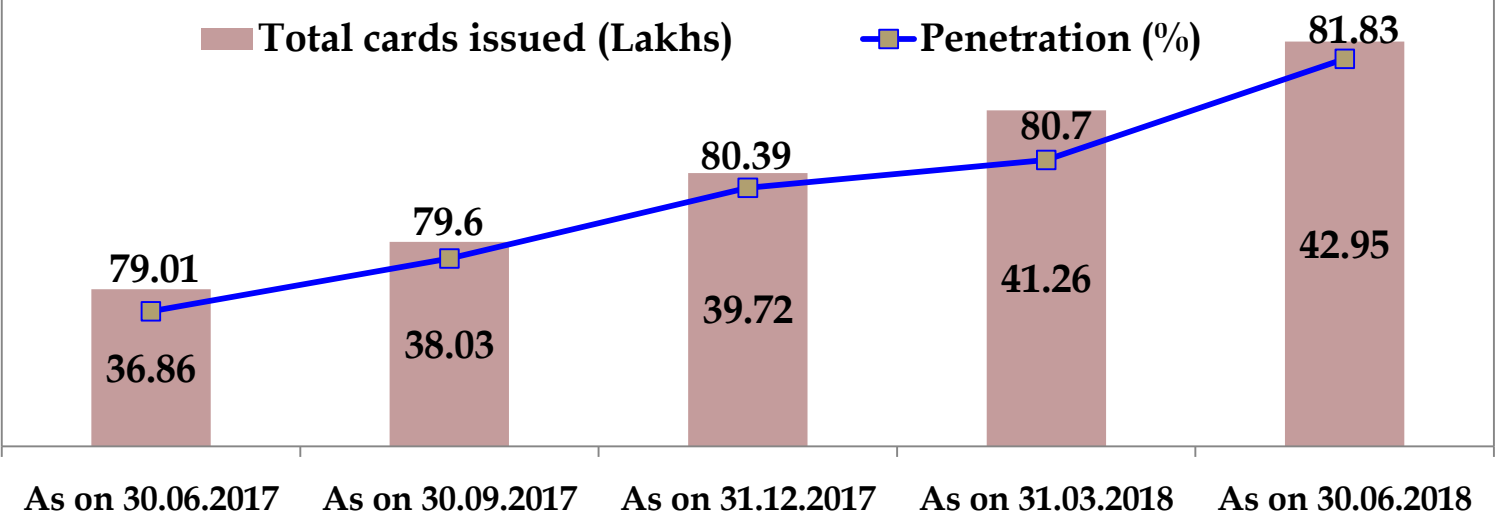
No. of Regd users (Thousands)



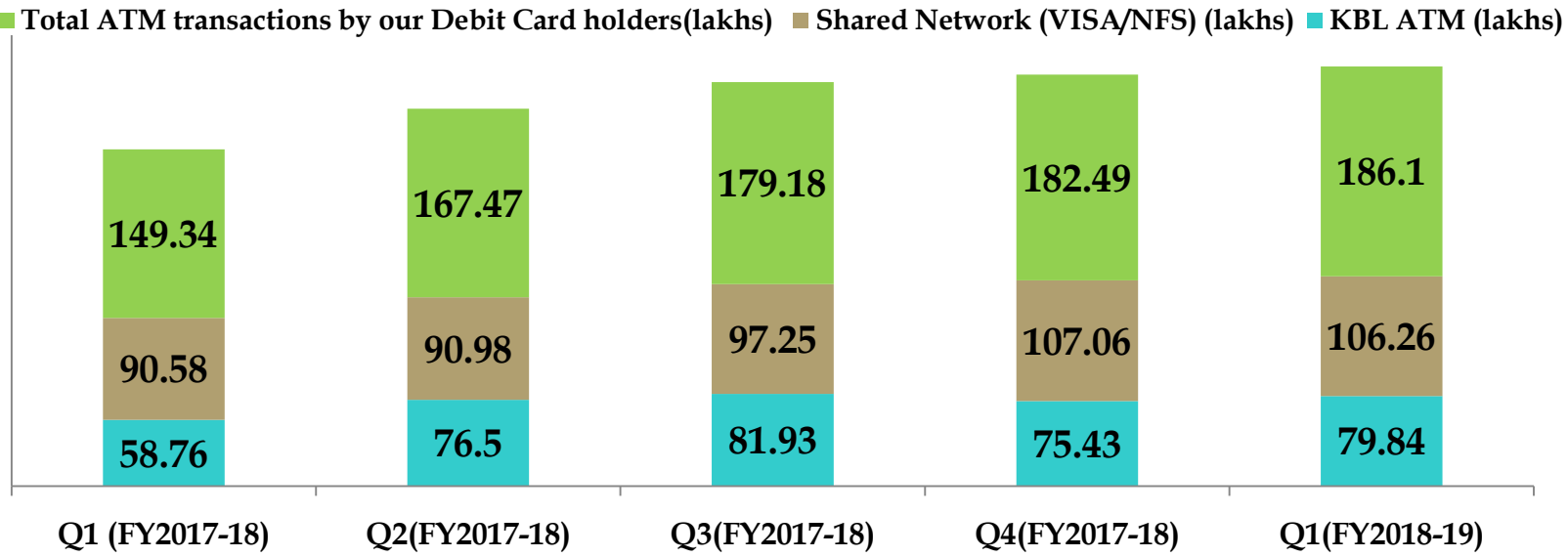
Debit Cards



Debit cards Penetration



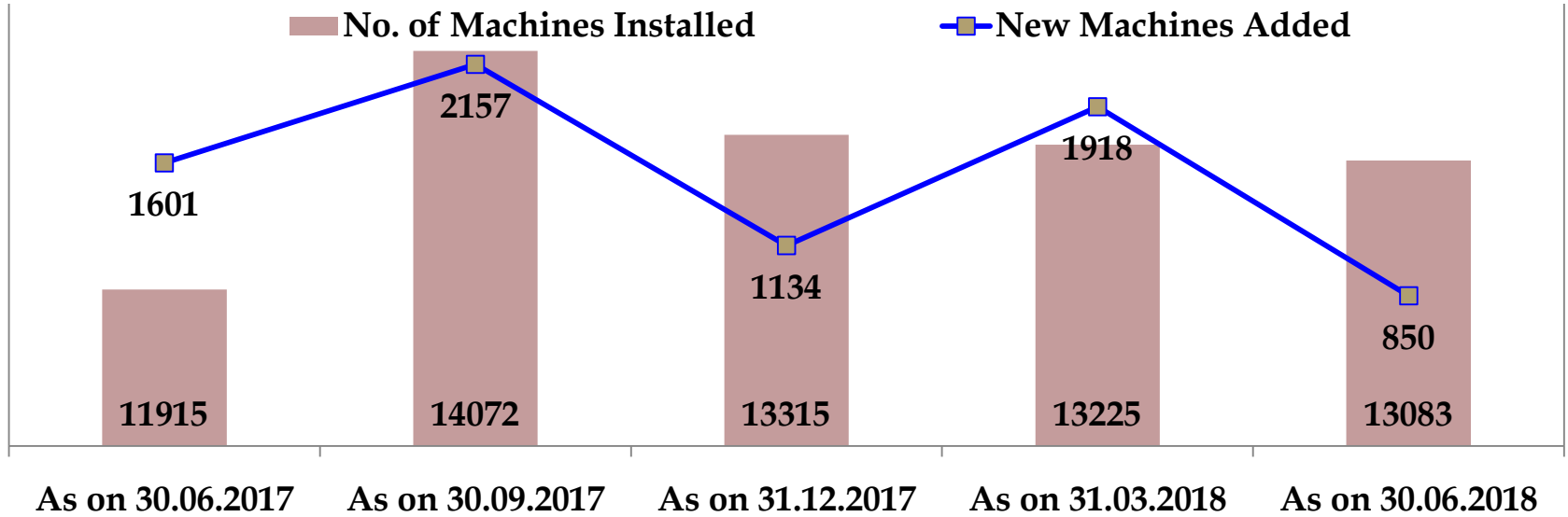
Cards Usage



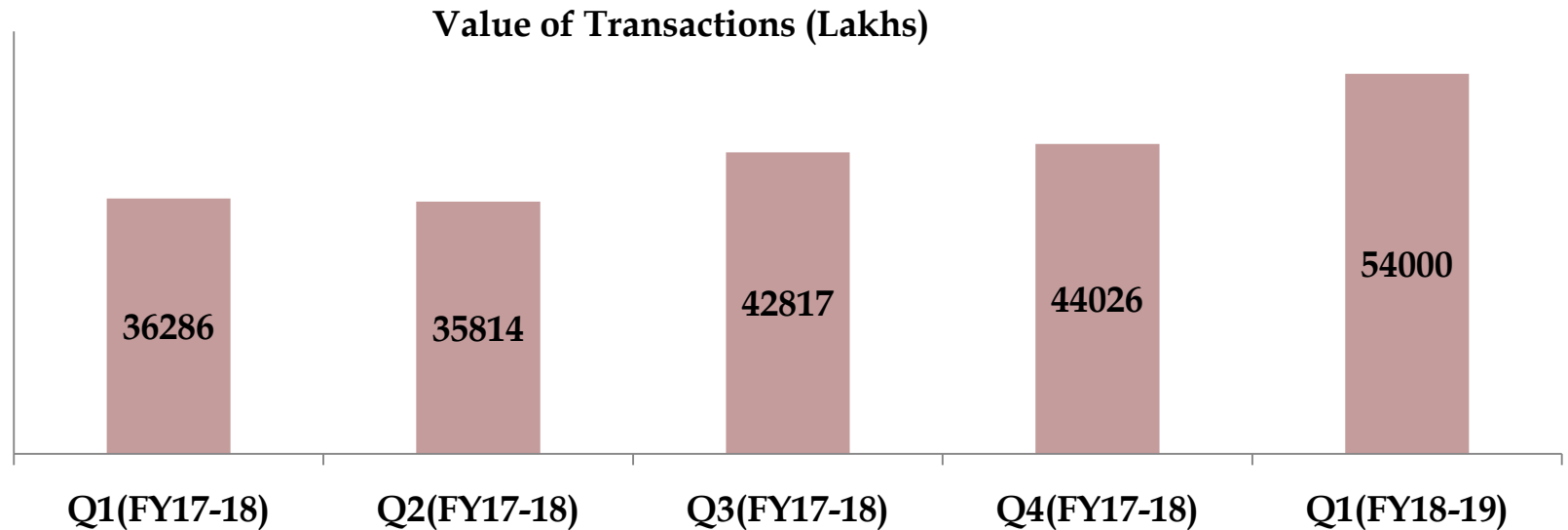
Point of Sale (POS) Business



POS Installation Report



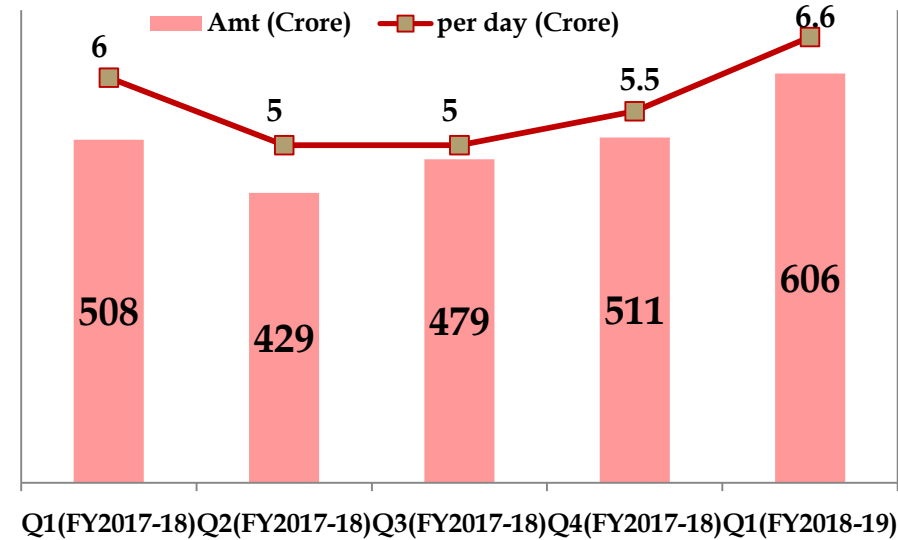
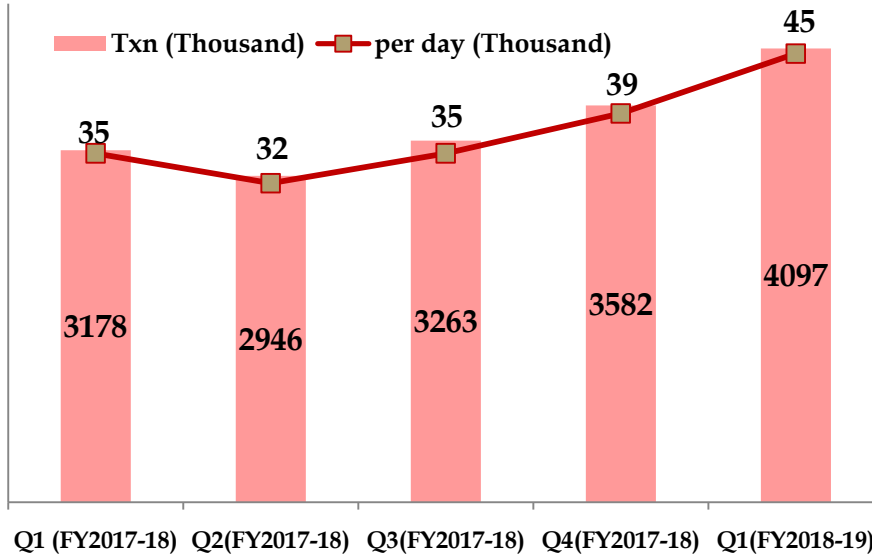
POS Transaction Value



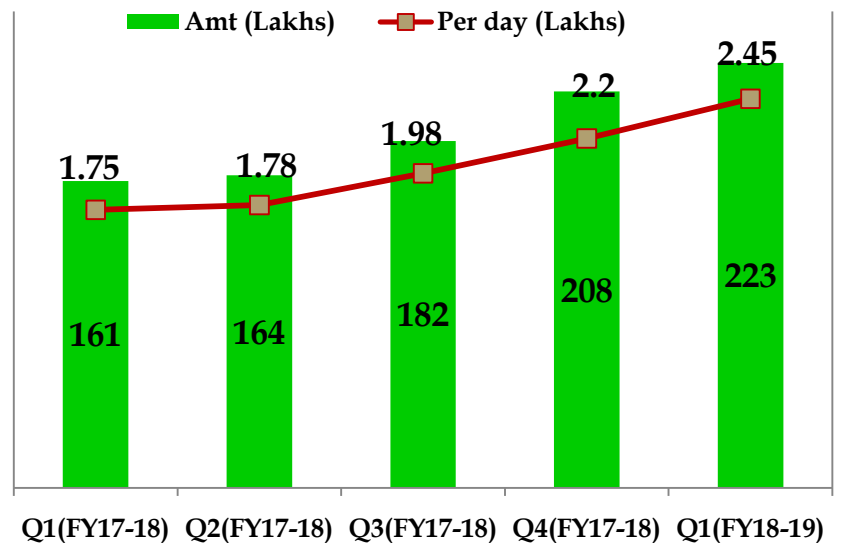
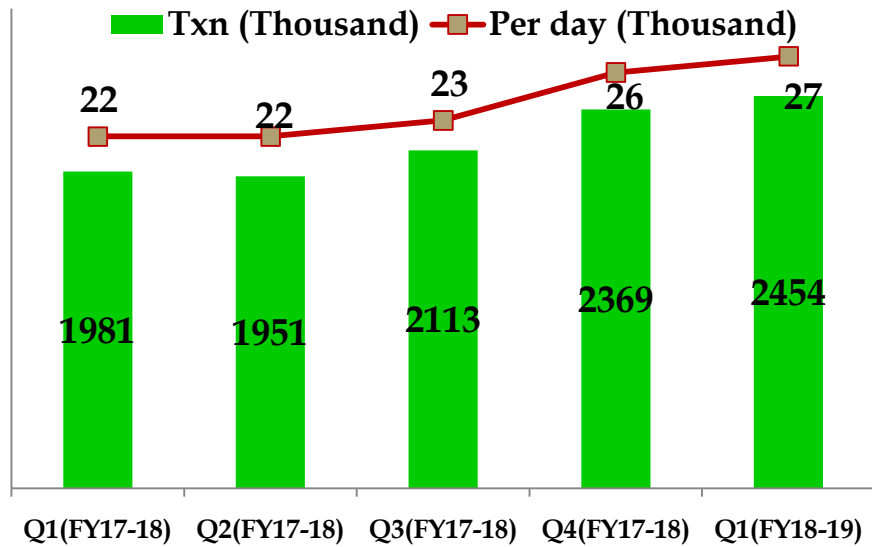
POS & ECOM transactions



POS Transactions



ECOM Transactions



Annexure

Deposits & Advances



₹ crs	<u>Jun-17</u>	<u>Mar-18</u>	<u>Jun-18</u>
Total Deposits	56,227	62,871	62,725
CASA Deposits	16,271	17,594	17,158
Retail Deposits	39,782	42,196	43,312
Wholesale Deposits	174	3,081	2,255
Total Advances	38,405	47,252	47,731
Priority Sector Advances	17,210	20,594	20,666
Agri Advances	6,564	6,878	6,793
MSE Advances	8,626	9,683	9,736
Advances to Weaker Section	2,537	2,532	2,565

Income & Expenditure



₹ crs	<u>Mar-18</u> [12 months]	<u>Jun-17</u> [3 months]	<u>Jun-18</u> [3 months]
Interest Income	5,424	1,331	1,408
Interest Expense	3,566	906	939
Net Interest Income	1,858	425	469
Fee Income	757	142	203
Treasury Income	197	75	6
Non-Interest Income	954	217	209
Total Income (Net of Interest Expense)	2,812	642	678
Operating Expenses	1,339	332	309
Operating Profit	1,473	310	369
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	1,147	176	206
Net Profit	326	134	163

Interest Income & Interest Expenditure



₹ crs	<u>Mar-18</u> [12 months]	<u>Jun-17</u> [3 months]	<u>Jun-18</u> [3 months]
<u>Interest Income</u>			
Interest Income	5,424	1,331	1,408
Interest on Advances	4,082	950	1,106
Interest on Investments	1,162	333	271
Other interest	180	48	31
Yield on Advances	9.84%	10.22%	9.29%
Adjusted yield on Invts.	7.31%	8.34%	6.69%
<u>Interest Expense</u>			
Interest Expense	3,566	906	939
Interest on Deposits	3,473	885	918
Other interest	93	21	21
Cost of Deposits	6.06%	6.33%	5.88%
<u>Net Interest Income</u>			
Net Interest Income	1,858	425	469
Interest Spread in Lending	3.78%	3.89%	3.41%
Net Interest Margin on average earning assets	3.18%	2.97%	3.00%

Capital Adequacy under BASEL III



₹ crs	<u>Jun-17</u>	<u>Mar-18</u>	<u>Jun-18</u>
Total Risk Weighted Assets	40,032	44,981	46,030
Total Capital Fund	5,211	5,414	5,339
Total Tier I Capital	4,781	5,079	4,991
Paid up Equity Capital	283	283	283
Reserves under Tier I Cap.	4,498	4,796	4,708
Total Tier II Capital	430	335	348
Surplus Provisions & Reserves	265	235	248
Subordinated Debt Fund	165	100	100
Total CRAR	13.02%	12.04%	11.60%
CRAR Common Equity Tier I Capital	11.94%	11.29%	10.84%
CRAR Tier I Capital	11.94%	11.29%	10.84%
CRAR Tier II Capital	1.08%	0.75%	0.76%

Other initiatives / developments



- ❖ Launched Deposit Only Card.
- ❖ Opened Currency Chest at Mangaluru.
- ❖ Launched Centralized Account Opening process.
- ❖ Launched Cash@PoS facility.
- ❖ With a view to focus on home loan segment & other retail products, a new process has already been implemented in 10 Regions and the same will be extended to the remaining 2 Regions shortly.
- ❖ MSME loan processing is being fine tuned & a new process for sourcing, processing & sanctioning of MSME loan will be implemented shortly.

Corporate Social Responsibility



Donation of solar power generating system to Gayathri Samskrithika Bhavana, Koppa.



Donation of drinking water purifier to Krishna Mandira Temple, Mangaluru.



Donation of haemodialysis machine to Karuna Hospital, Borivli (West), Mumbai.



Business Strategy



**The transformation Project
by partnering BCG is under progress
to change from Good to Great...**

KBL VIKAAS





- ❖ **Business Turnover of ₹ 1,30,000 crore.**
- ❖ **Opening of 35 new Branches to take the total no. of Branches to 835.**
- ❖ **To introduce following products & services:**
 - Robotic Process Automation (RPA),
 - Customer Relationship Management (CRM),
 - Digi Branches,
 - Artificial intelligence powered Chatbot,
 - Online Mutual Fund Platform,
 - TReDS (Trade Receivables Electronic Discounting System),
 - Corporate Mobile Banking,
 - Grievance Redressal through CRM Software.



- ❖ 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.
 - A comprehensive collection mechanism.
- ❖ CASA deposits
 - Focusing on customer onboarding to increase CASA as well as cross selling.
- ❖ 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
- ❖ 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.



Thank You

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



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



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



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