



**Karnataka Bank**  
Your Family Bank Across India

**Analysis of Financial Results**  
**June 2019**

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# Company Overview

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- 03 Robust technology and risk management systems.
- 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"><li>❑ Customer base crossed the milestone of 1 crore.</li><li>❑ Business turnover crossed the historic milestone of ₹ 1,00,000 crore.</li><li>❑ Formed Investor Relation Cell.</li><li>❑ Networth of the Bank crossed ₹ 5,000 crs.</li></ul>
2012-16	<ul style="list-style-type: none"><li>❑ Completed 1:2 rights issue to raise ₹ 658.96 crs.</li><li>❑ Unveiled KBL - VISION 2020 &amp; adopted Vision Statement.</li><li>❑ No. of branches crossed 500 &amp; No. of ATMs crossed 1,000.</li><li>❑ Business turnover crossed the milestone of ₹ 75,000 crore.</li><li>❑ Secured ISO 27001 : 2005 Certificate from NQA..</li><li>❑ Launched ASBA facility</li></ul>
2007-11	<ul style="list-style-type: none"><li>❑ Right issue of ₹ 457.03 crore in the ratio of 2:5.</li><li>❑ Launched Online Trading facility.</li><li>❑ Maiden QIP aggregate ₹ 160.83 crs.</li><li>❑ Completion of 100% core banking</li></ul>
2002-06	<ul style="list-style-type: none"><li>❑ Floated general insurance JV along with Allahabad Bank, Indian Overseas Bank, Dabur Investments and Sompo Japan Insurance.</li><li>❑ Launched CDSL-DP services at select branches .</li><li>❑ Rights issue in the ratio of 2:1 to raise ₹ 160 crs.</li><li>❑ Right issue in the ratio of 1:2.</li><li>❑ Bancassurance tie-up with MetLife.</li><li>❑ Maiden bonus issue in the ratio of 1:1</li></ul>
1997-2002	<ul style="list-style-type: none"><li>❑ Implementation of "Finacle" CBS in 2000</li></ul>
1977-96	<ul style="list-style-type: none"><li>❑ Public issue of 45 lakh equity shares in October 1995</li><li>❑ Became an authorised dealer of foreign exchange in 1977</li></ul>
1960-66	<ul style="list-style-type: none"><li>❑ Took over Sringeri Sharada Bank Ltd, Chitaldurg Bank &amp; Bank of Karnataka, Hubli.</li></ul>
1924	<ul style="list-style-type: none"><li>❑ Incorporated on 18<sup>th</sup> February 1924 at Mangalore by Late B R Vyasarayachar &amp; other leading members of the South Kanara Region</li></ul>

# Evolution

First  
generation  
private  
sector  
Bank

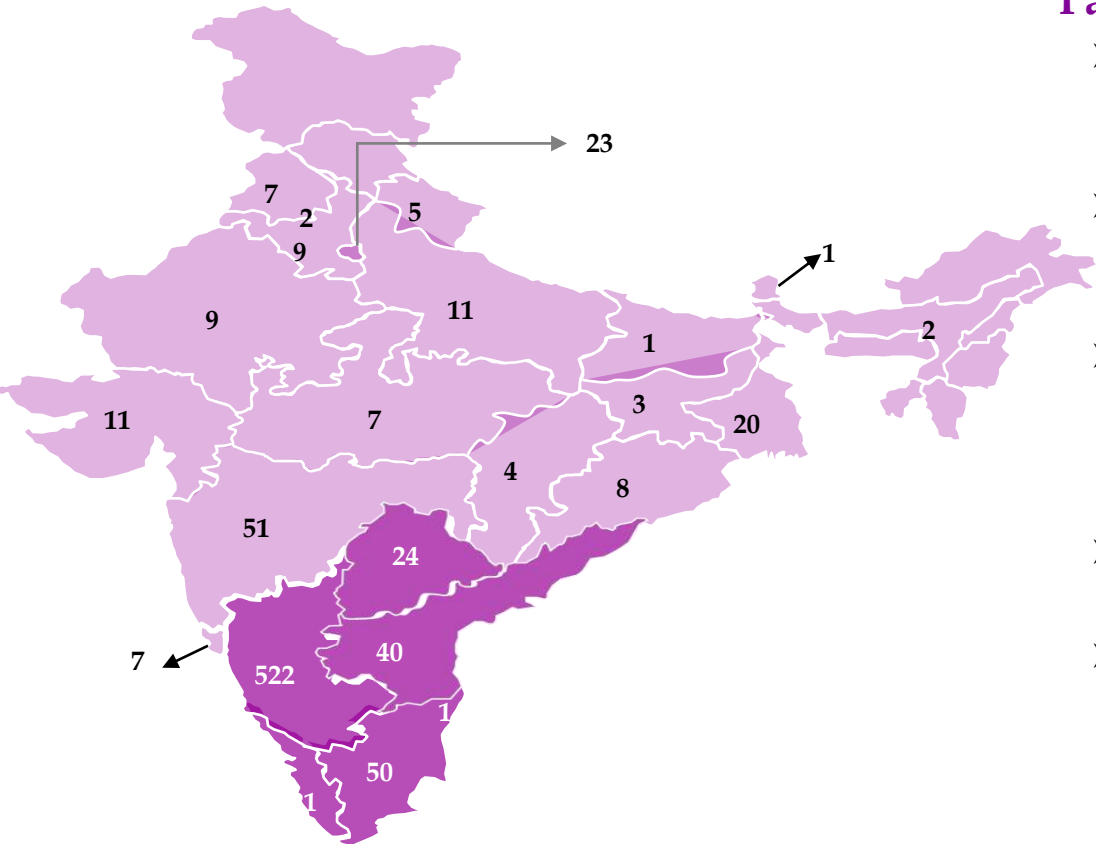
Offers wide  
variety of  
banking  
products

2,392  
Outlets all  
over India

With  
₹ 1,21,340 Cr  
business  
turnover

- Business Turnover of ₹ 1,21,340 crore as on 30.06.2019.
- Networth of ₹ 5,961 crore as on 30.06.2019.
- 2,392 service outlets with 839 branches, 1 Extension Counter, 1,191 ATMs and 361 recyclers in 545 centres across India as on 30.06.2019.
- Offers wide variety of corporate and retail banking products and services to over 10.4 million customers.
- Incorporated in 1924, one of the oldest time tested private sector Banks.

# Pan-India footprint

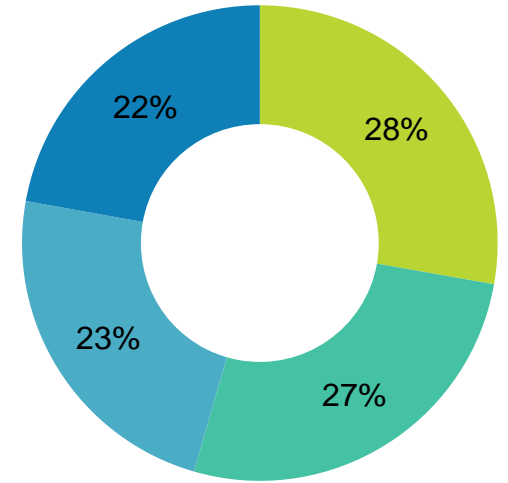


## Pan-India Presence

- Total 2,392 service outlets – 839 branches, 1 Extension Counter , 1,191 ATMs & 361 recyclers.
- Total 34 e-Lobbies & 318 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

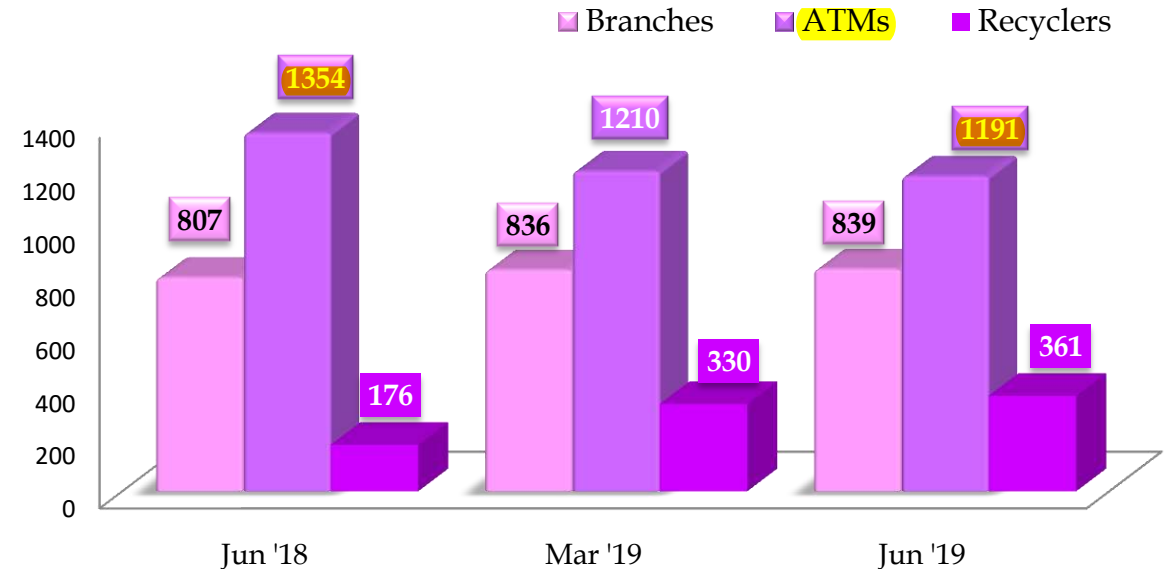
■ Metro ■ Urban ■ Semi Urban ■ Rural



**Has the strongest presence in South India with 658 branches**

### Top 5 States:

**Karnataka (522), Maharashtra (51), Tamilnadu (50), Andhra Pradesh (40), Telangana (24)**



# 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.

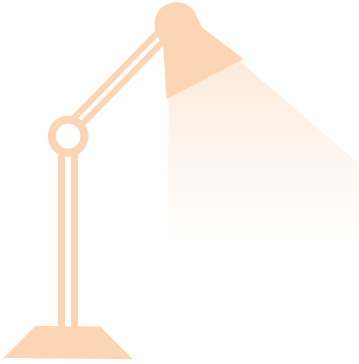
Also offers other Products such as NGRTGS, NEFT, NECS, CTS, Online Trading, ASBA facility, Gift Card, Travel Card, Biometric Smart Card under Financial Inclusion, PoS Network, Online inward remittance facility to NRIs etc.

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.

# 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

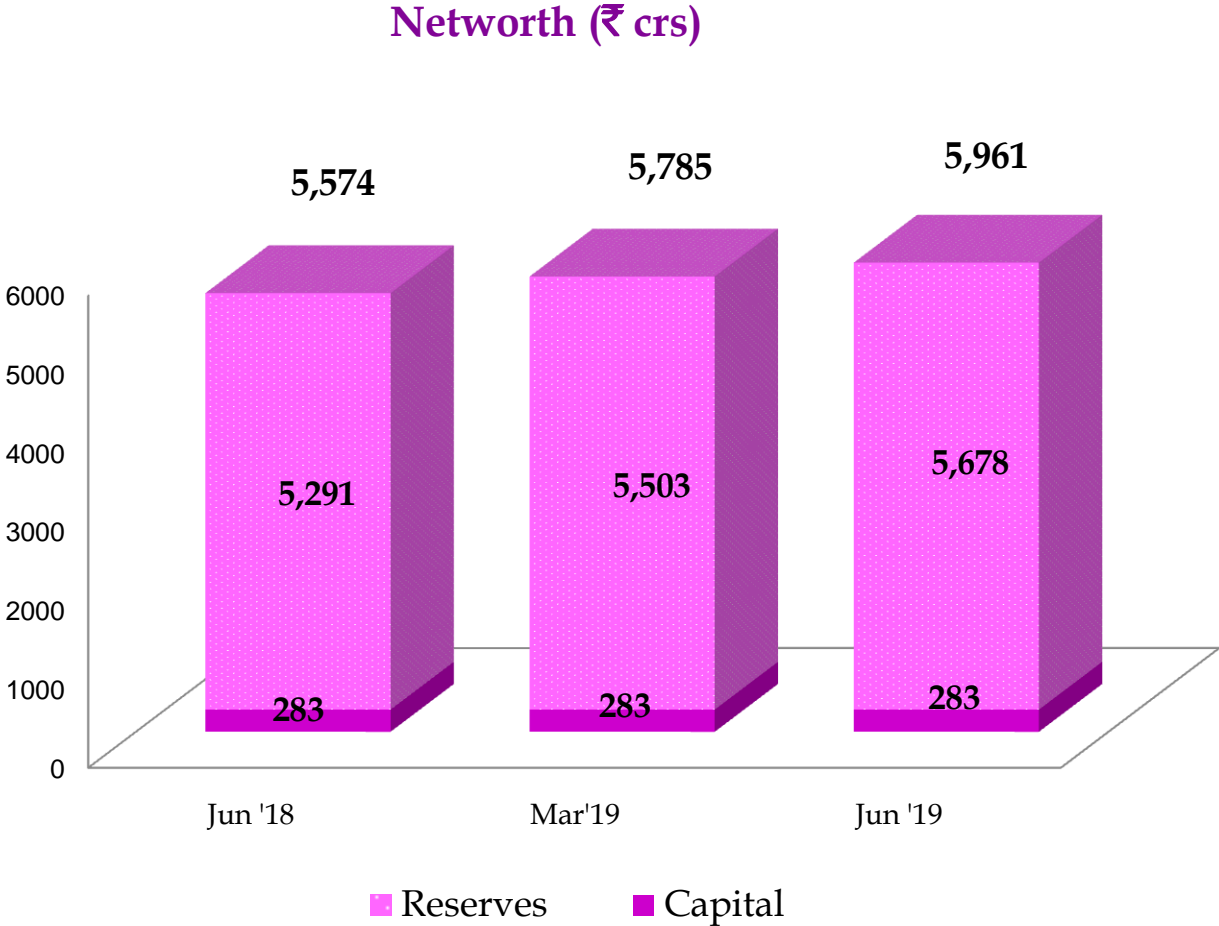
Moving towards migration to 'Basel II advanced approaches' under Credit, Market and Operational Risk and also complied with the extant 'Basel III' guidelines of RBI.

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 - FY 19

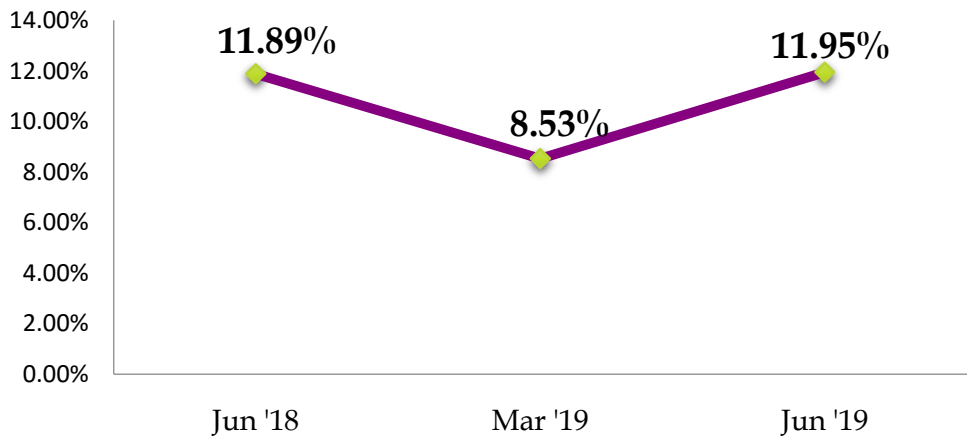
3 Months

KPAs	Q1 FY 20	Q1 FY 19
Turnover	 1,21,340	1,10,456
Operating profit	 350.01	368.88
Net profit	 175.42	163.24
Return on Asset	 0.88%	0.91%
Earning per Share <small>(not annualized)</small>	 6.21	5.78
Return on Equity	 11.95%	11.89%
Net Interest Income	 494.59	468.58
Net Interest Margin	 2.81%	3.00%
Gross NPA	 4.55%	4.72%
<b>Net NPA</b>	 <b>3.33%</b>	<b>2.92%</b>
<b>Cost to Income</b>	 <b>52.66%</b>	<b>45.54%</b>
CRAR (Basel III)	 12.70%	11.60%

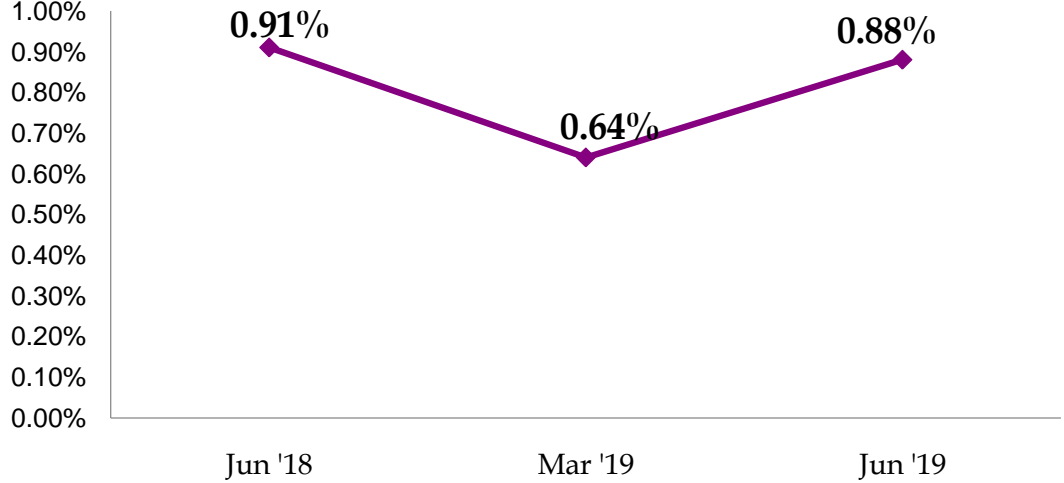
(₹ crs)

# Return and Capital Adequacy Ratios

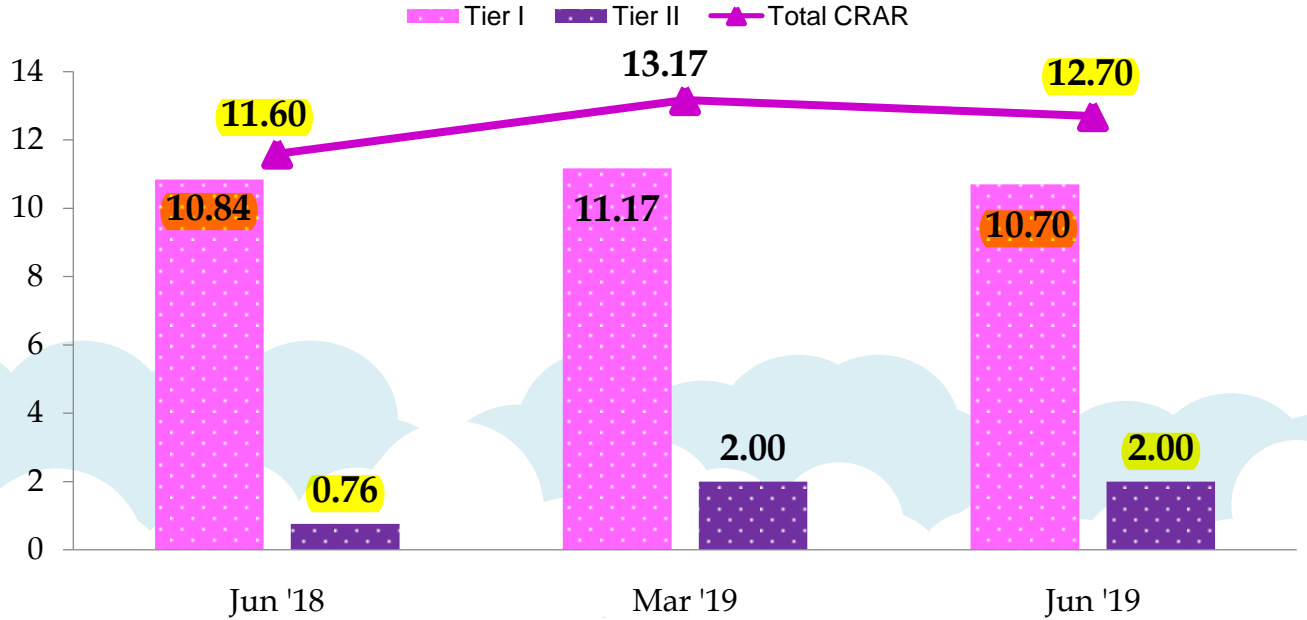
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)

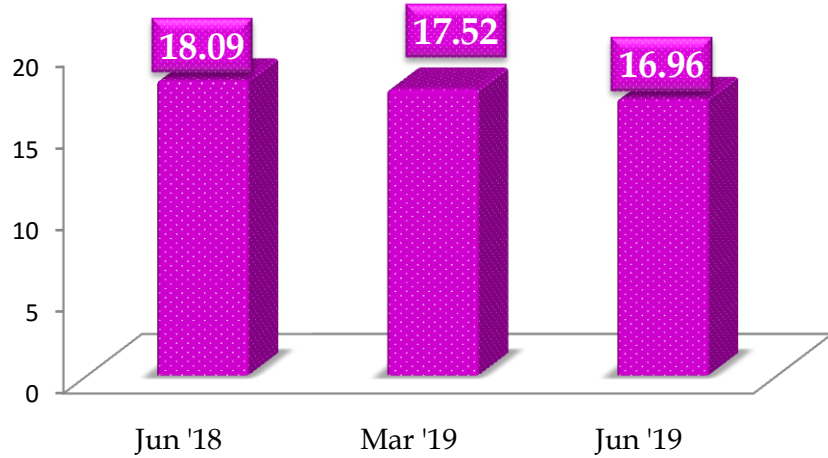


Capital Adequacy (%) - Basel III



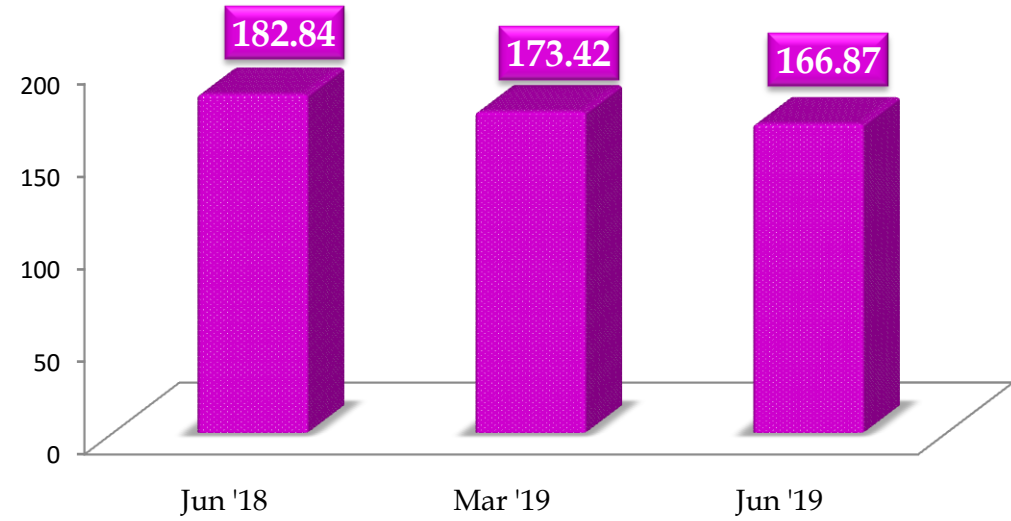
# Productivity ratios

Operating Profit per employee (₹ lakh) \*

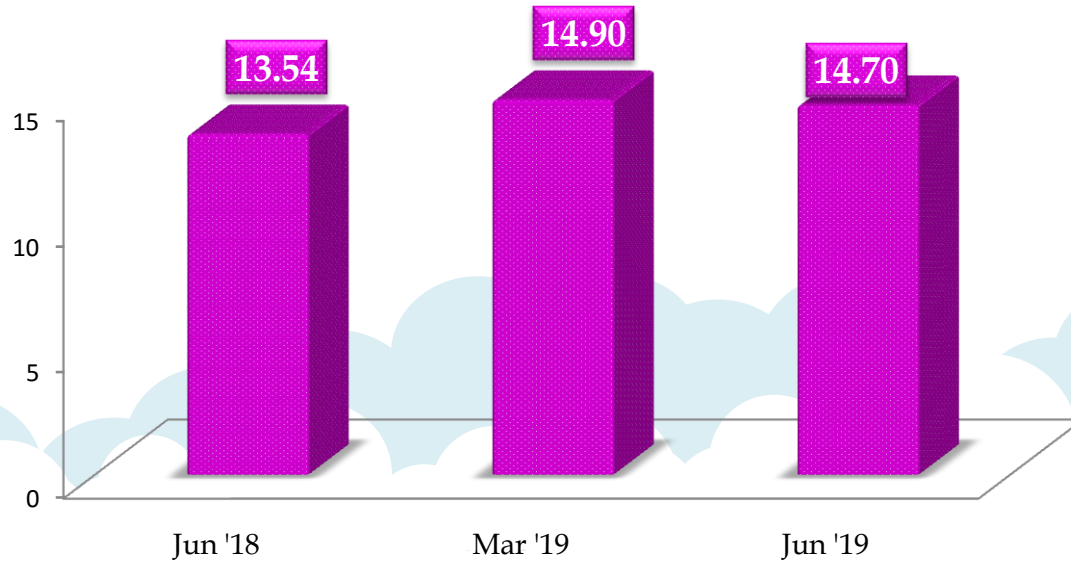


\* annualised

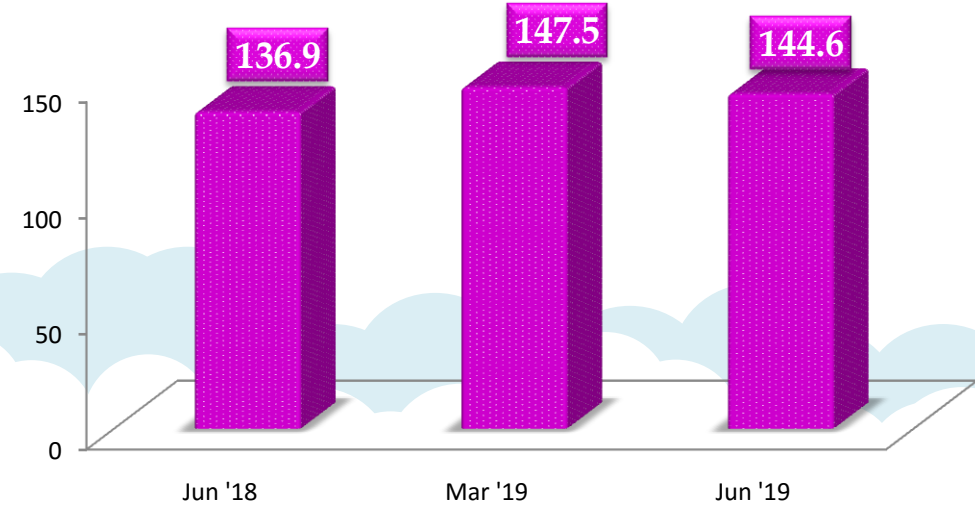
Operating Profit per branch (₹ lakh) \*



Business per employee (₹ crs)



Business per branch (₹ crs)

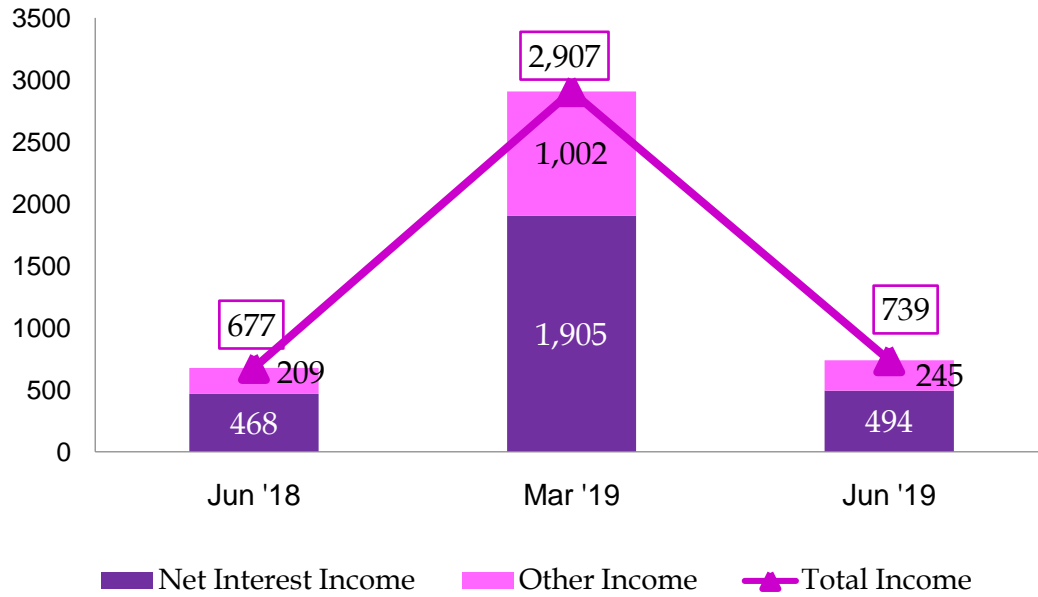


# Financial Performance

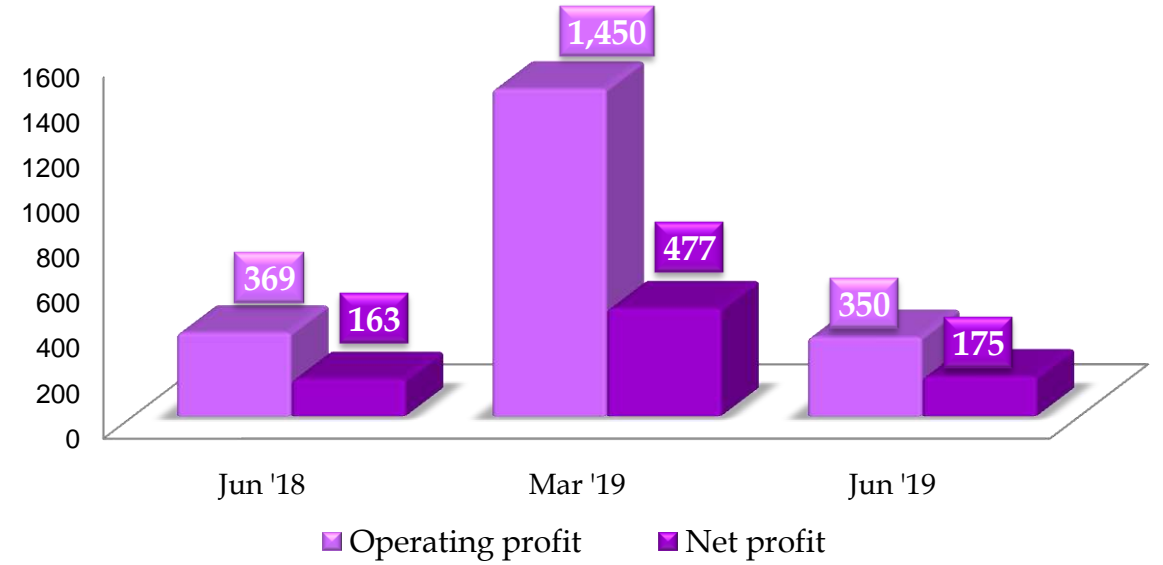


# Income & Profit

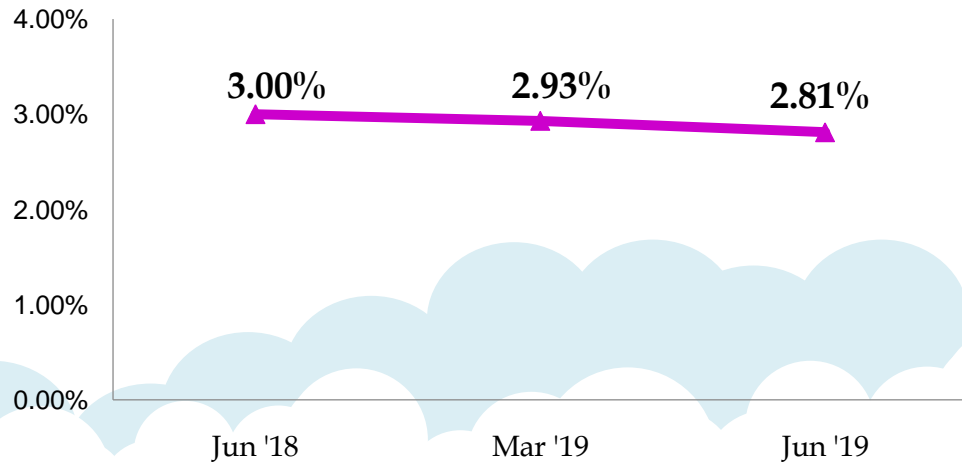
### Net Income (₹ crs)



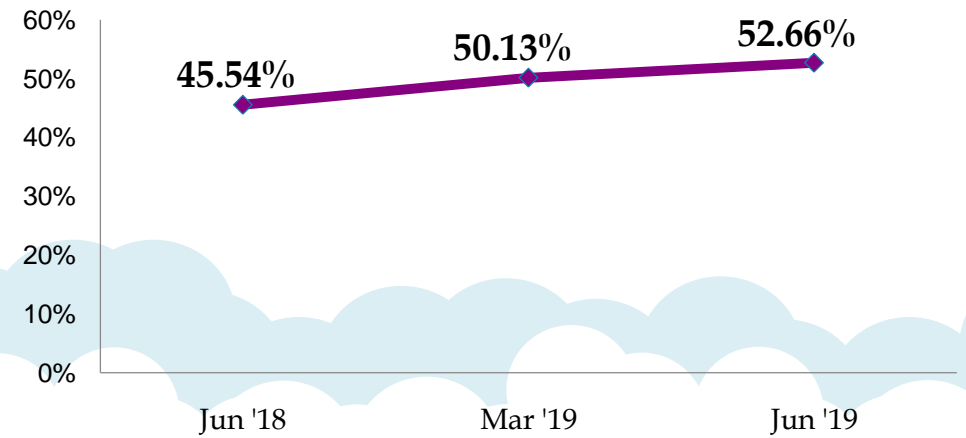
### Operating and Net Profit (₹ crs)



### Net Interest Margins (%)

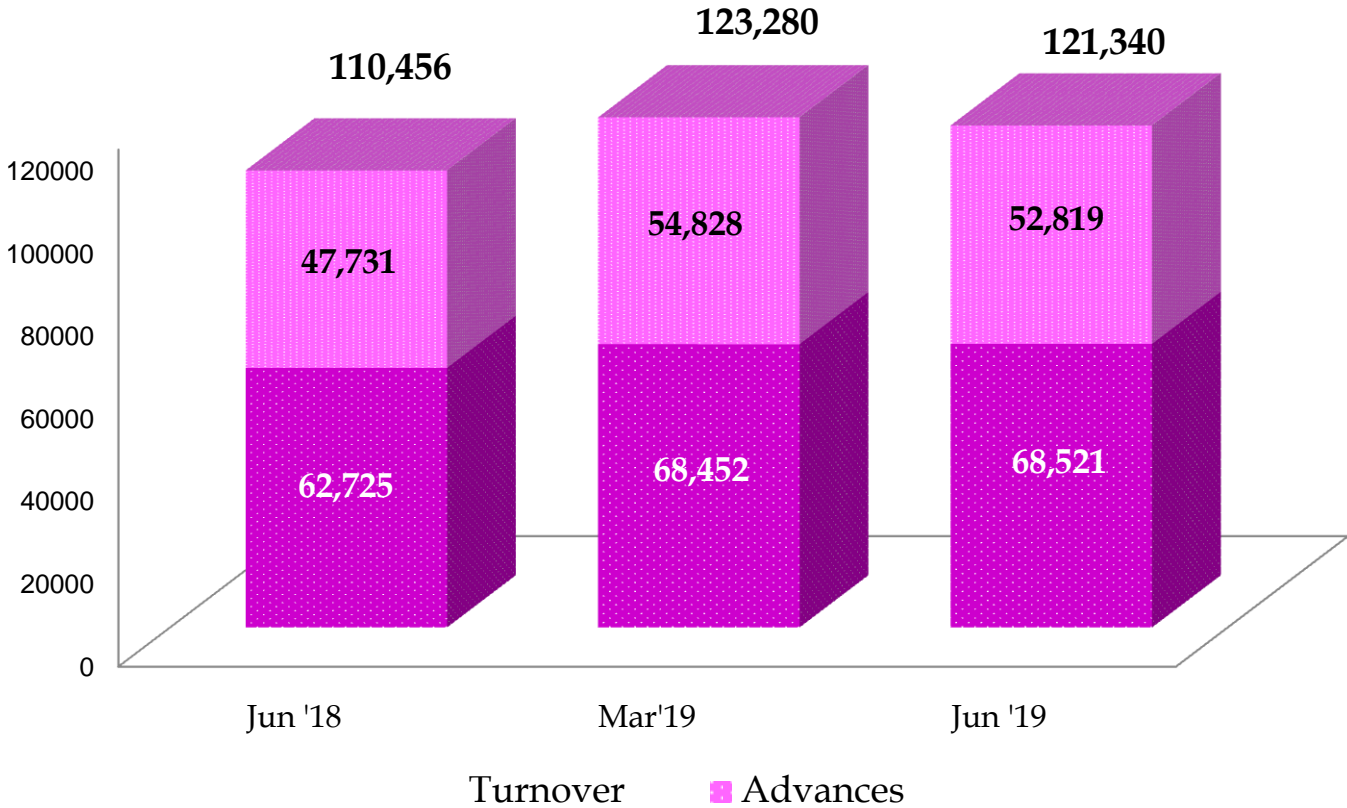


### Cost to Income Ratio (%)



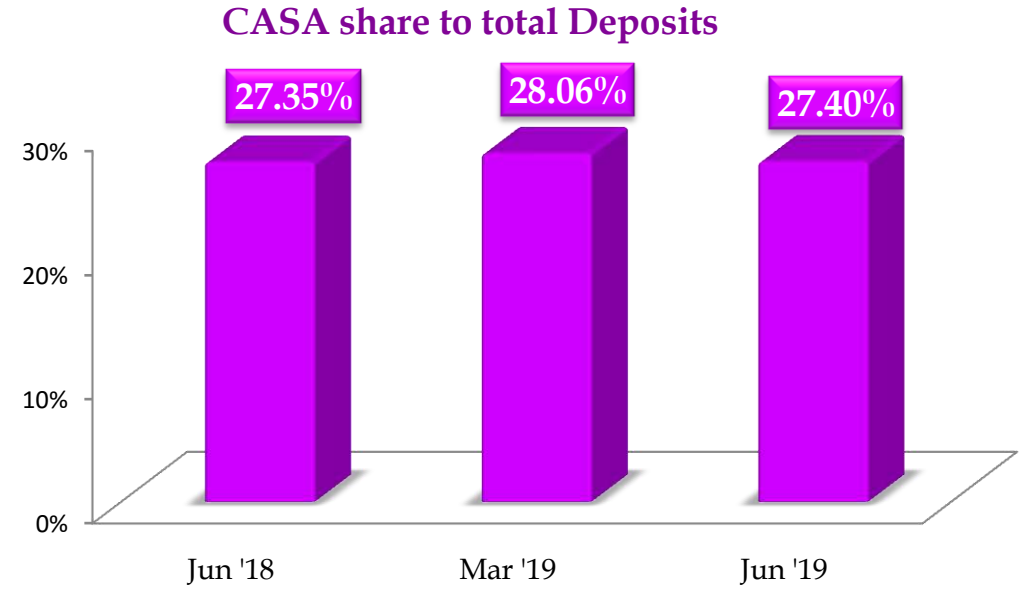
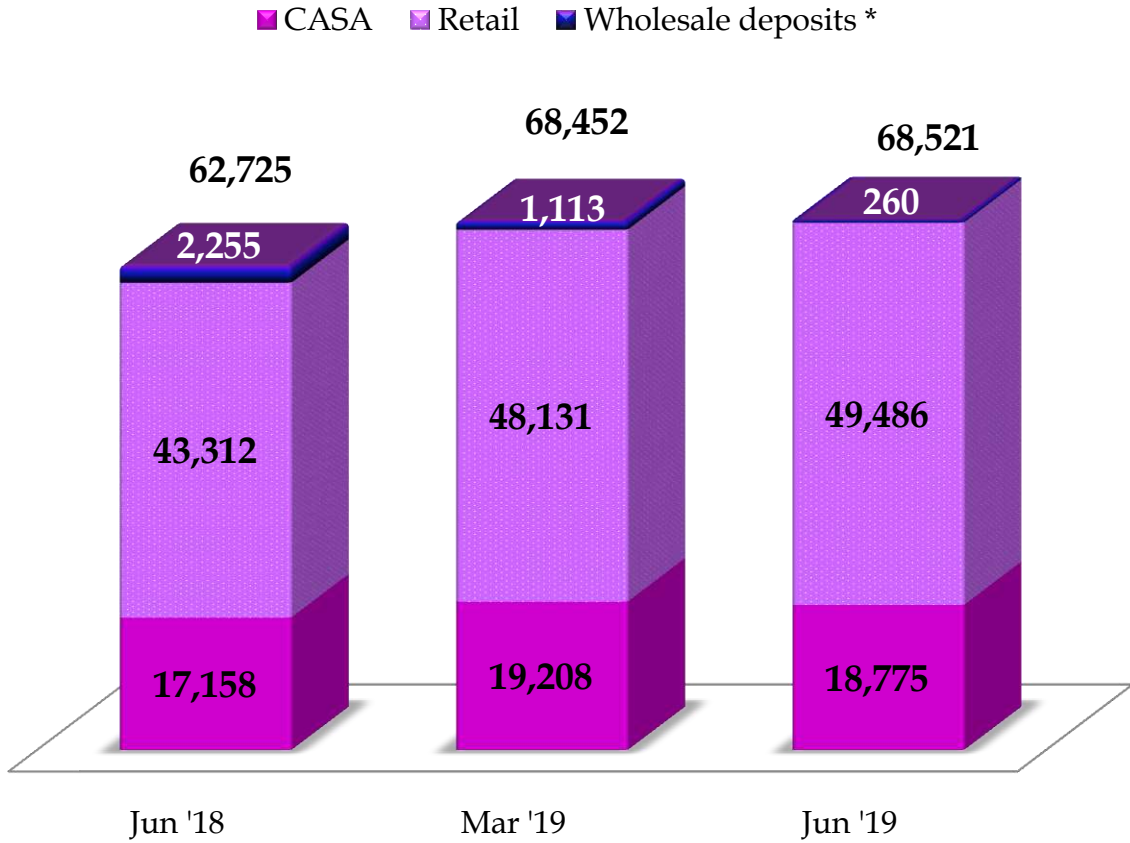
# Business size

Business Turnover (₹ crs)

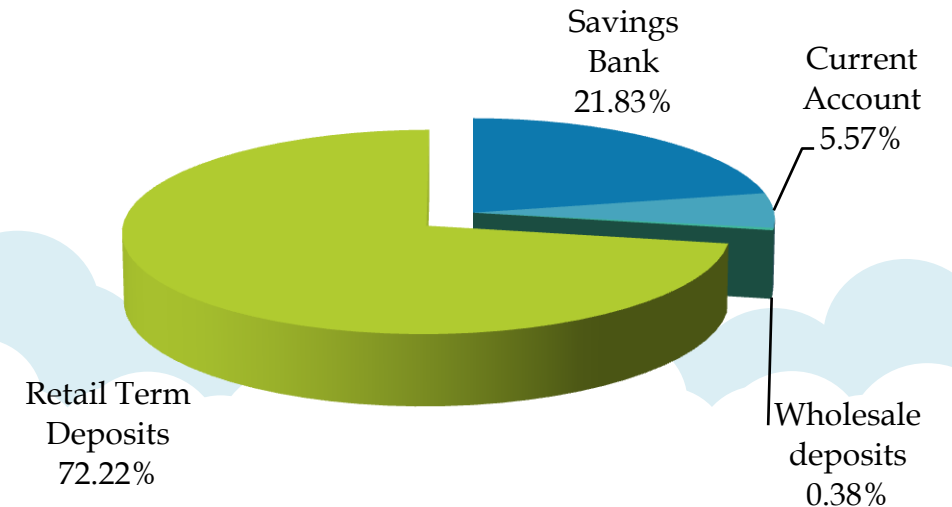


# Deposits

Deposits (₹ crs)



Deposits break up (Jun '19)

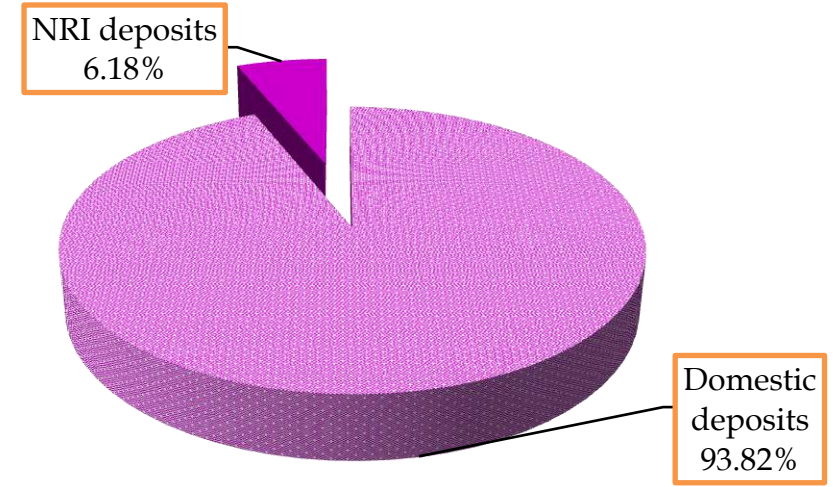
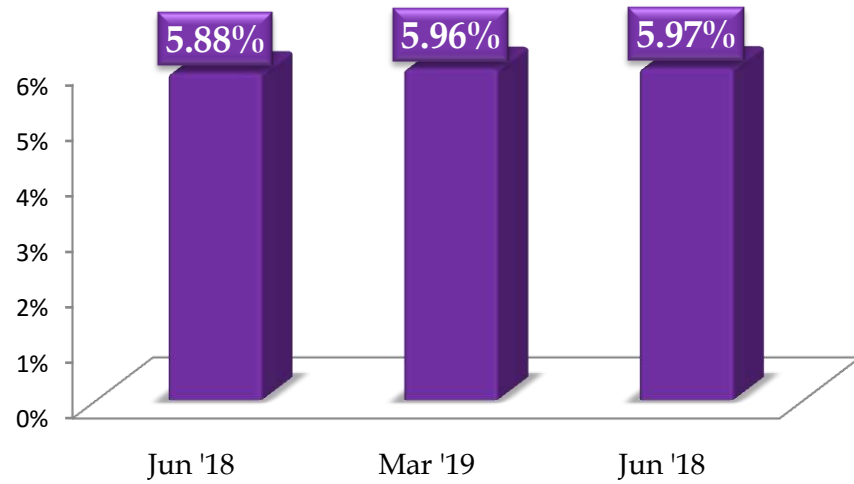


\* Wholesale deposits = Purchase liability + Certificates of deposit + Interbank deposits

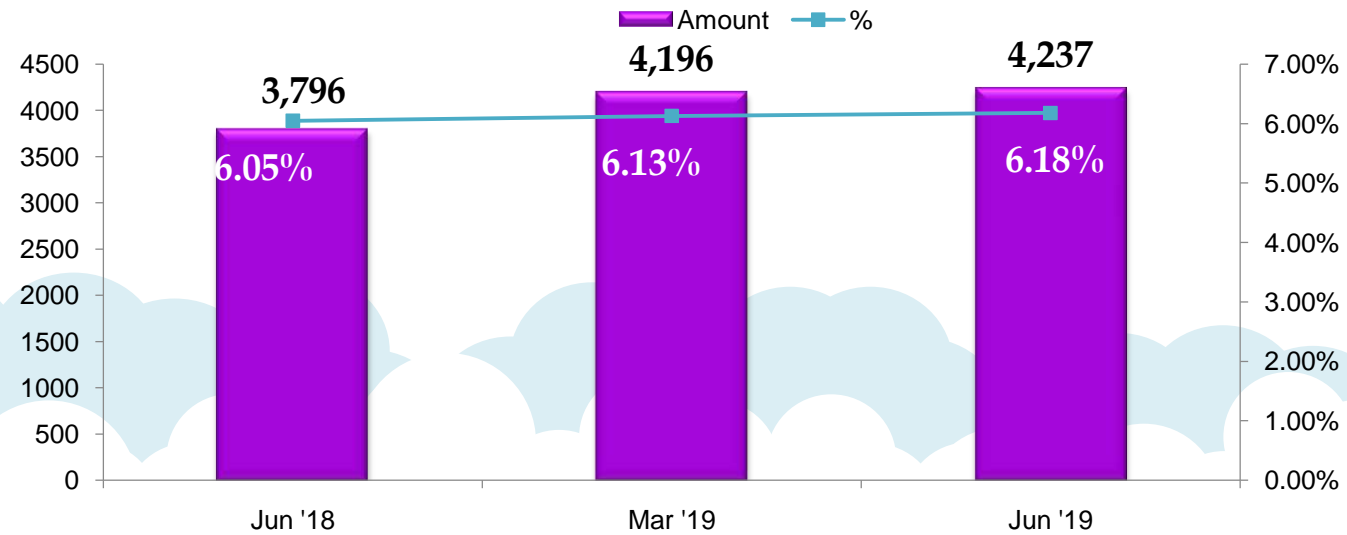


# Deposits

### Cost of Deposits

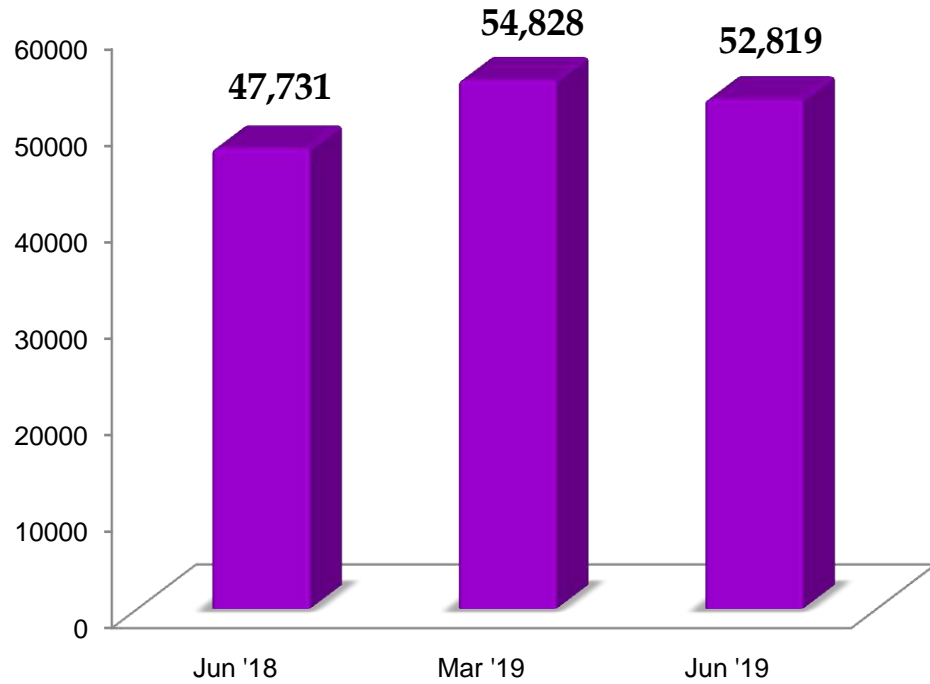


### NRI Deposits (₹ crs)



# Advances

Advances [Net] (₹ crs)



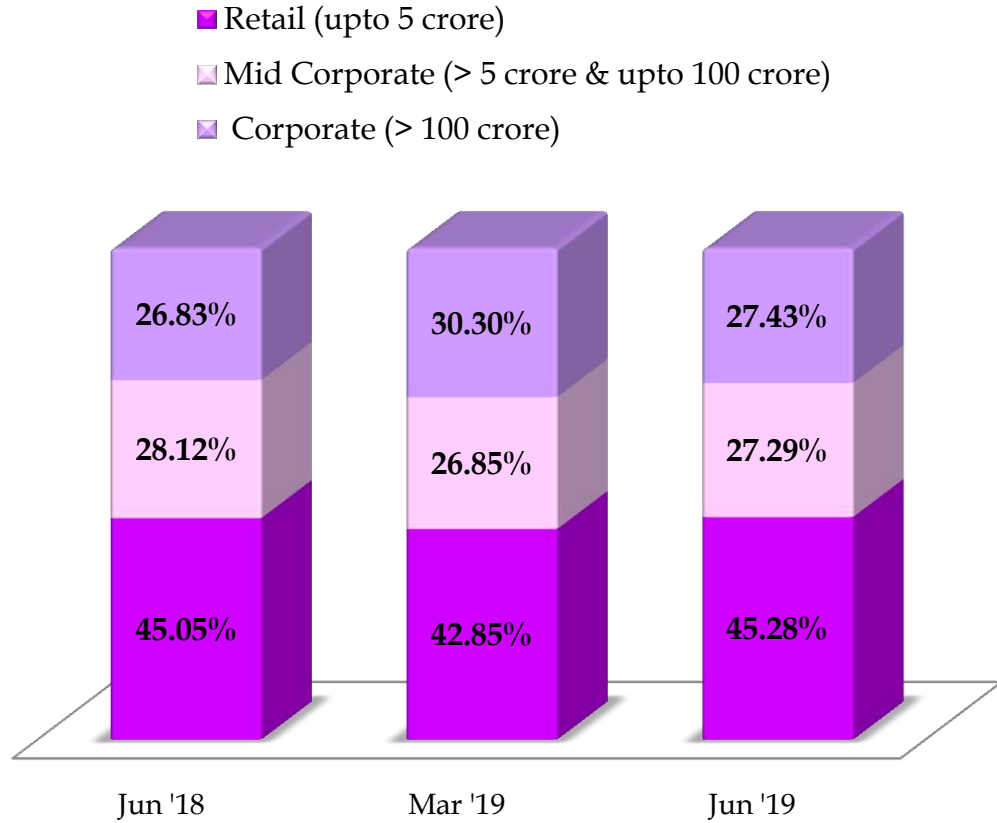
External rating wise Credit Portfolio as of Jun '19

[ Figures in brackets - as of Jun '18 ]

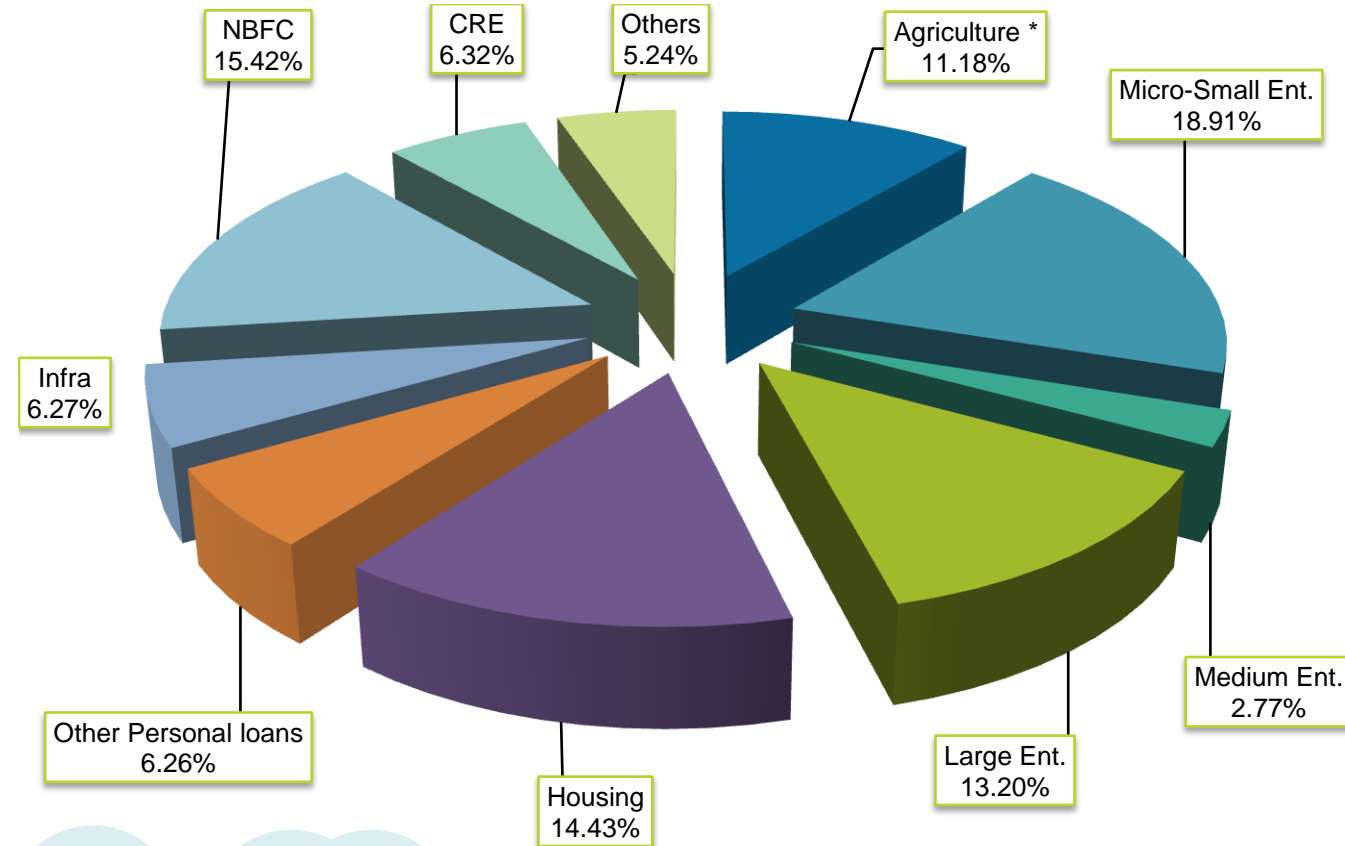
Rating	No of Borrowers	Balance O/s (in cr)	% to GBC	Of which, NPA - no. of borrowers	NPA - Bal o/s (cr)
AAA	18 (19)	6,249.59 (6,427.07)	11.68 (13.21)	-	-
AA	38 (37)	5,412.38 (4,404.67)	10.11 (9.05)	-	-
A	34 (30)	1,347.01 (1,067.31)	2.52 (2.19)	-	-
BBB	75 (61)	2,039.84 (1,639.68)	3.81 (3.37)	2 (-)	168.13 (-)
BB	71 (74)	1,372.65 (1,976.93)	2.56 (4.06)	1 (1)	24.90 (29.50)
B	34 (36)	639.96 (528.39)	1.20 (1.09)	2 (1)	84.99 (31.86)
C	1 (1)	26.76 (10.12)	0.05 (0.02)	1 (-)	26.76 (-)
D	25 (20)	1,037.77 (945.62)	1.94 (1.94)	8 (7)	430.11 (726.34)
<b>Total</b>	<b>296</b> <b>(278)</b>	<b>18,125.96</b> <b>(16,999.79)</b>	<b>33.86</b> <b>(34.94)</b>	<b>14</b> <b>(9)</b>	<b>734.89</b> <b>(787.70)</b>
<b>Gross Bank Credit</b>		<b>53,524.96</b> <b>(48,647.68)</b>			

# Advances

## Retail & Corporate Advances (%)



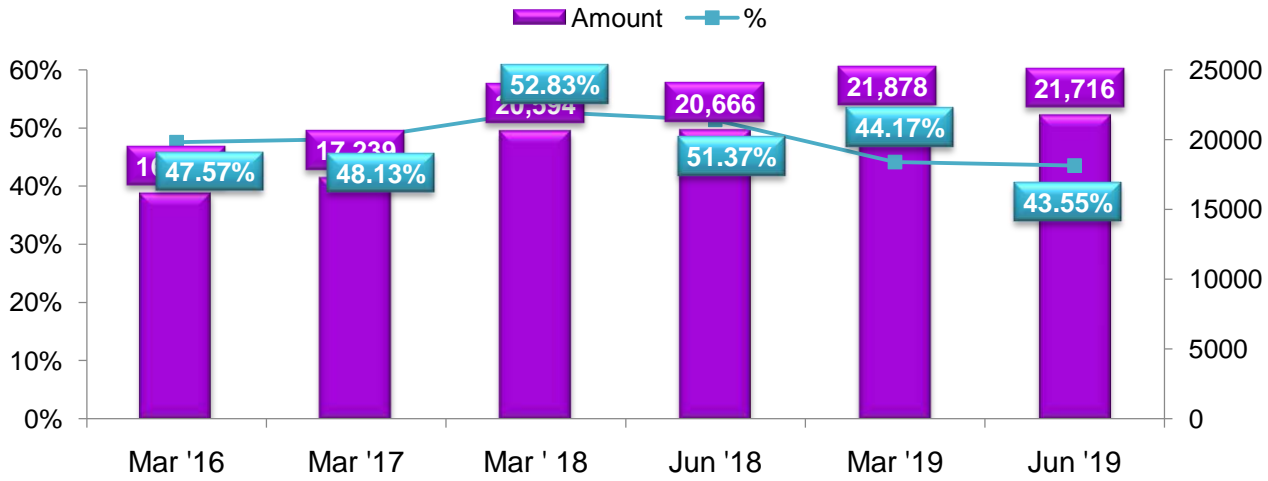
## Segmentation of Gross Advances (Jun '19)



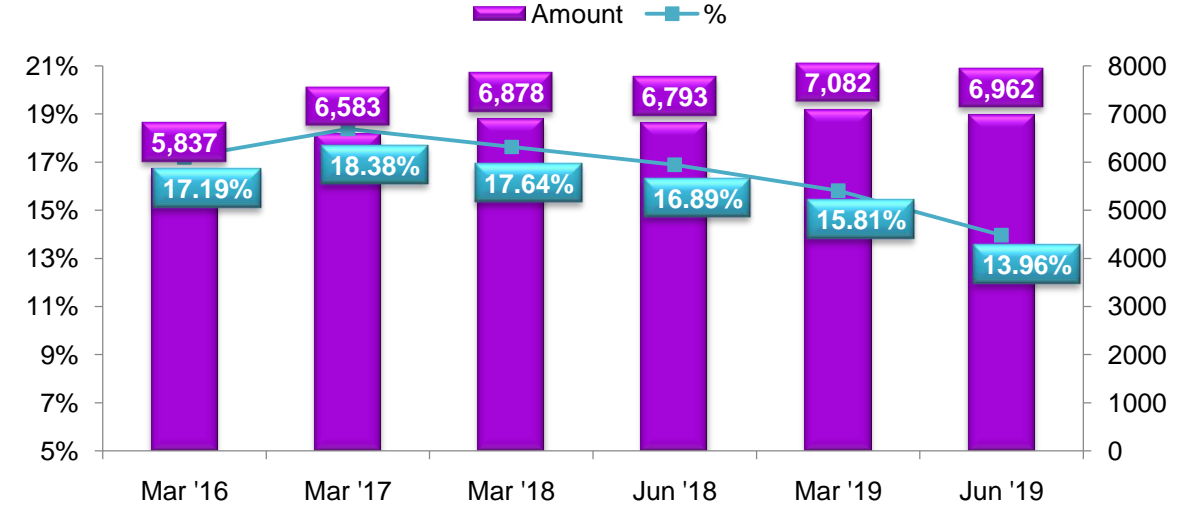
\* However, this works out to 13.96% of the ANBC of 30.06.2018.

# Advances

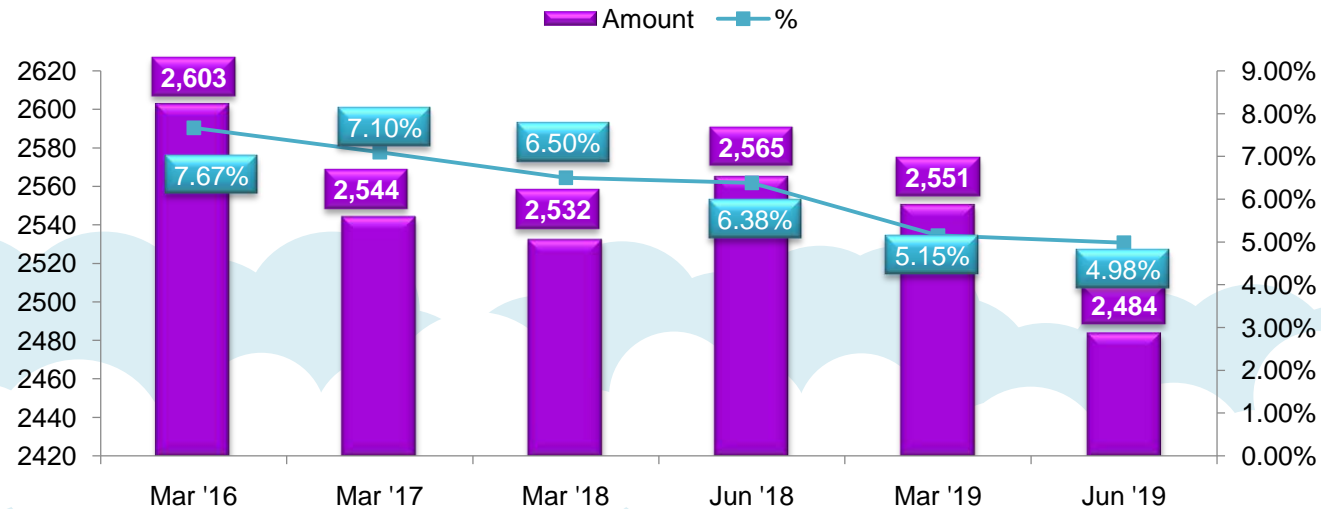
## Priority Sector Advances (₹ crs)



## Agriculture Advances (₹ crs)

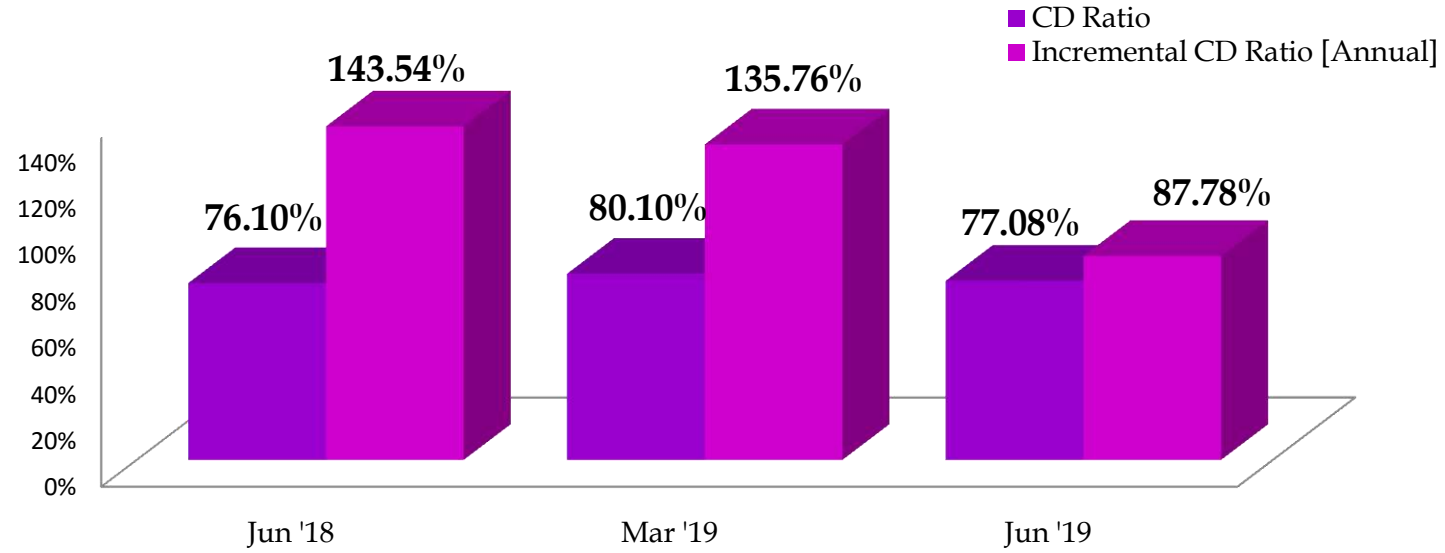


## Advances to Weaker Section (₹ crs)

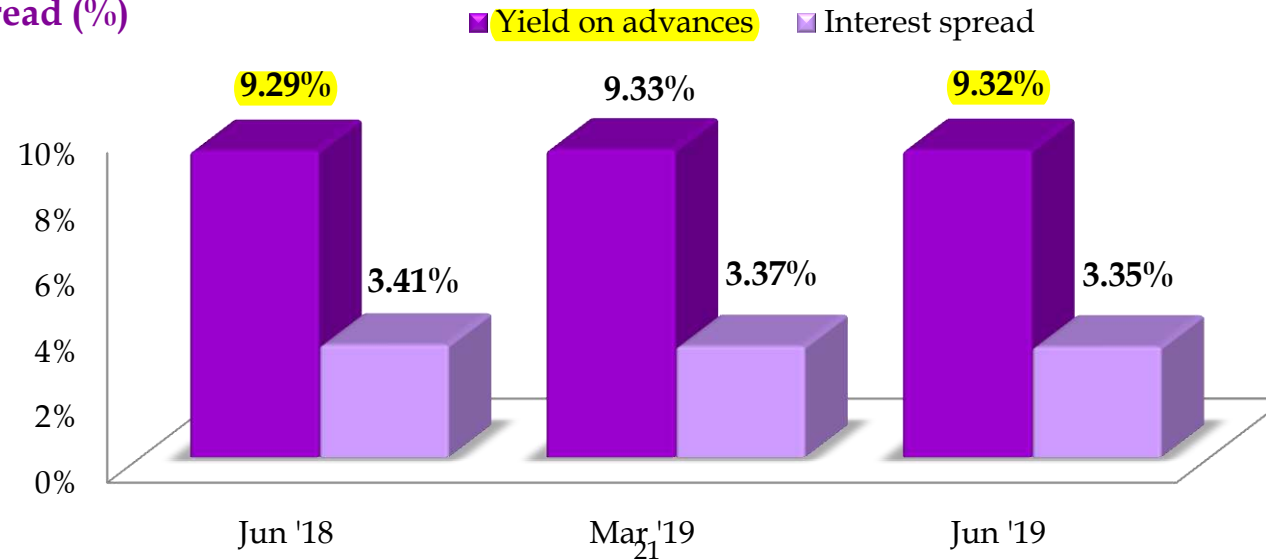


# CD Ratio & Yield on Advances

## Credit Deposit ratio (%)

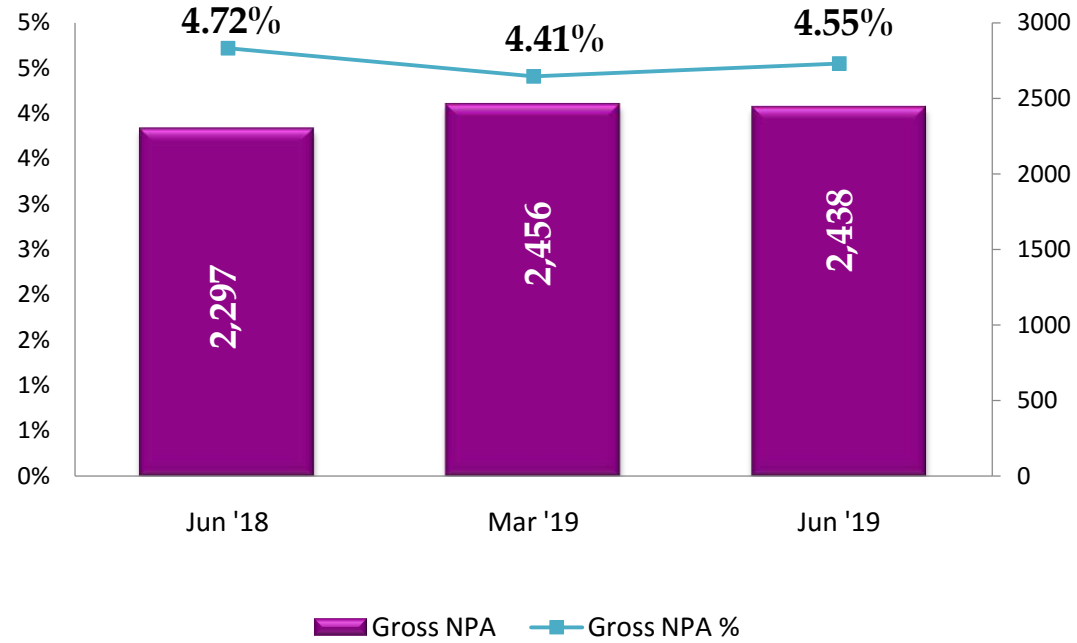


## Yield on Advances & Interest Spread (%)

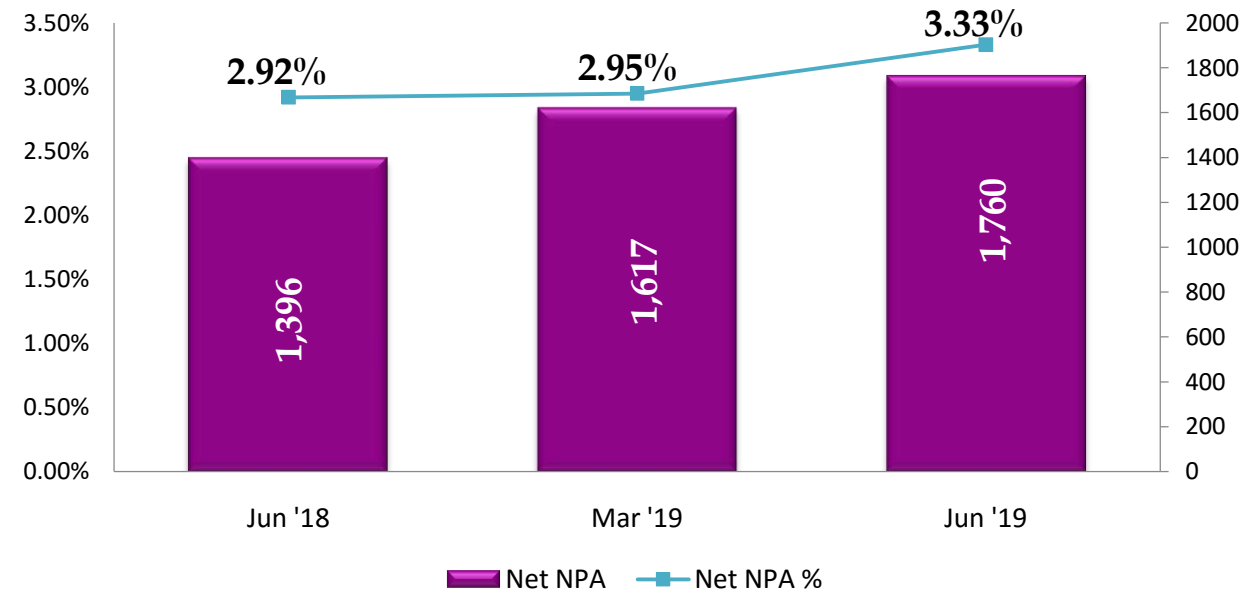


# Asset Quality

## Gross NPAs (₹ crs)

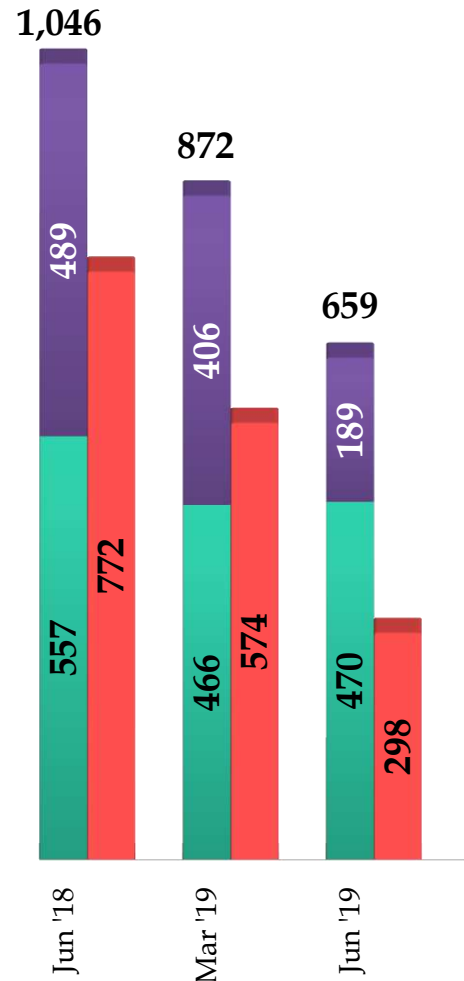


## Net NPAs (₹ crs)



## Restructured loans & related accounts

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

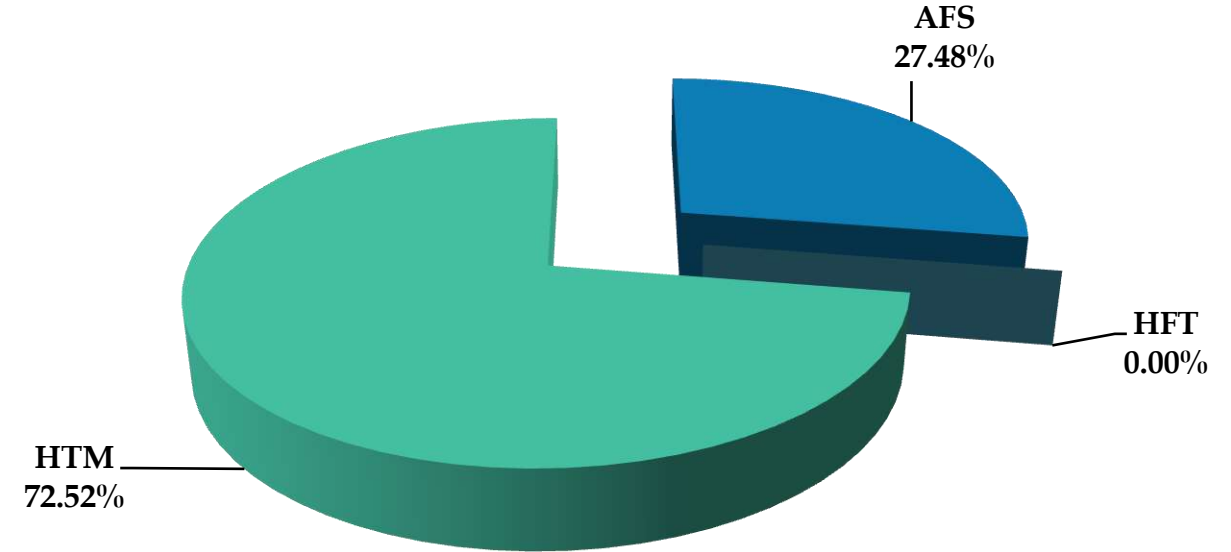
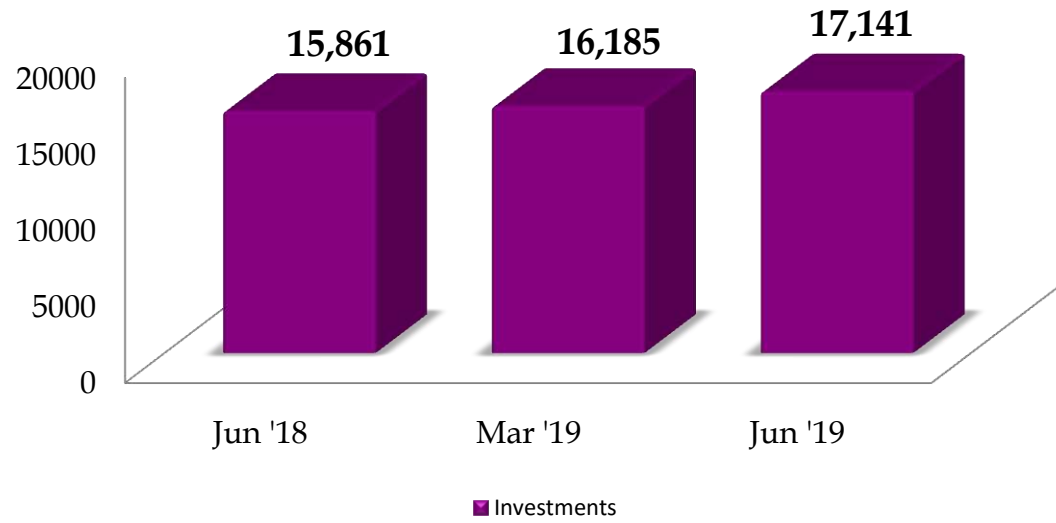


### Sector wise Restructured Adv. as Jun '19:

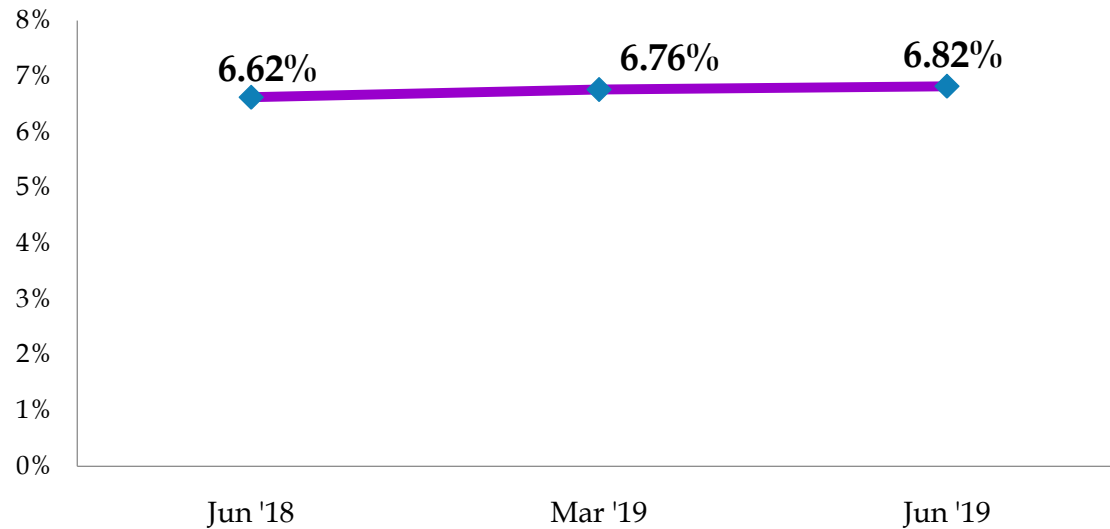
Sector	Restructured Adv.	Of which, NPA
Infrastructure	270.16	270.16
MSME [excl. Infrastructure]	193.80	24.14
Agriculture	91.86	3.16
Others	50.37	0.05
Housing	25.95	0.09
Consumption loans	23.00	0.01
Large Service	4.28	-
Grand Total	659.40	297.60

# Investments

Investments [excl. RIDF] (₹ crs)



Yield on Investments (%)



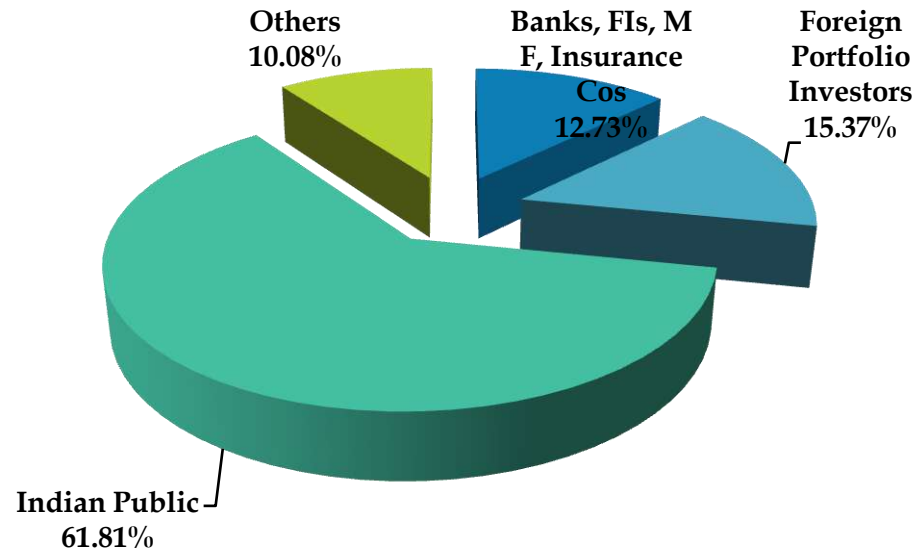
Duration

AFS	HFT	HTM	TOTAL
1.91	-	5.11	4.29

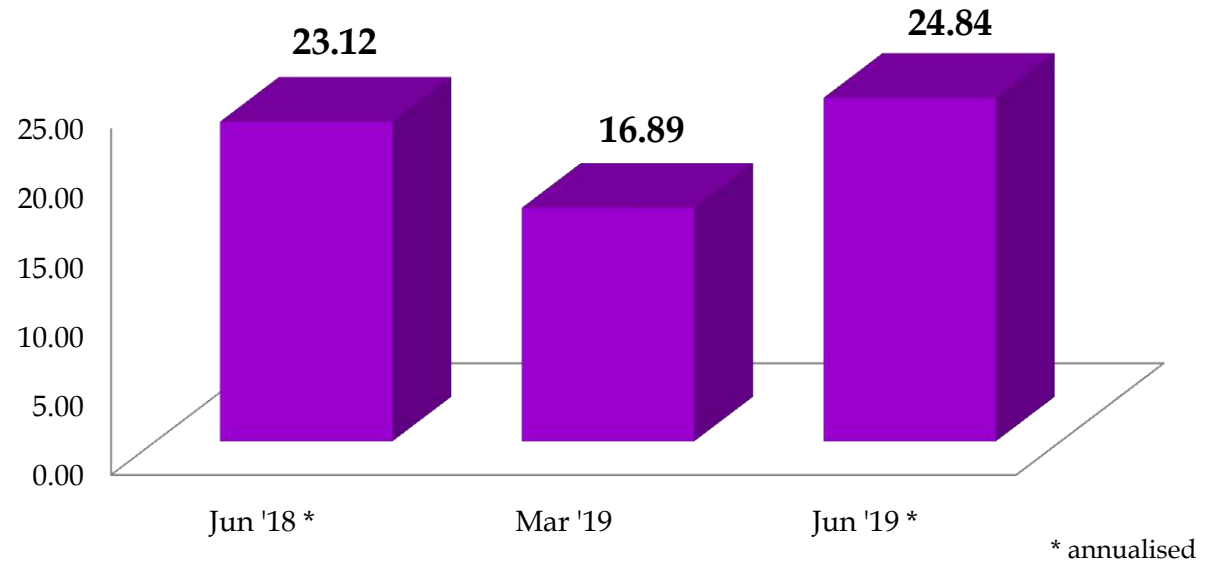


# Share holders' value

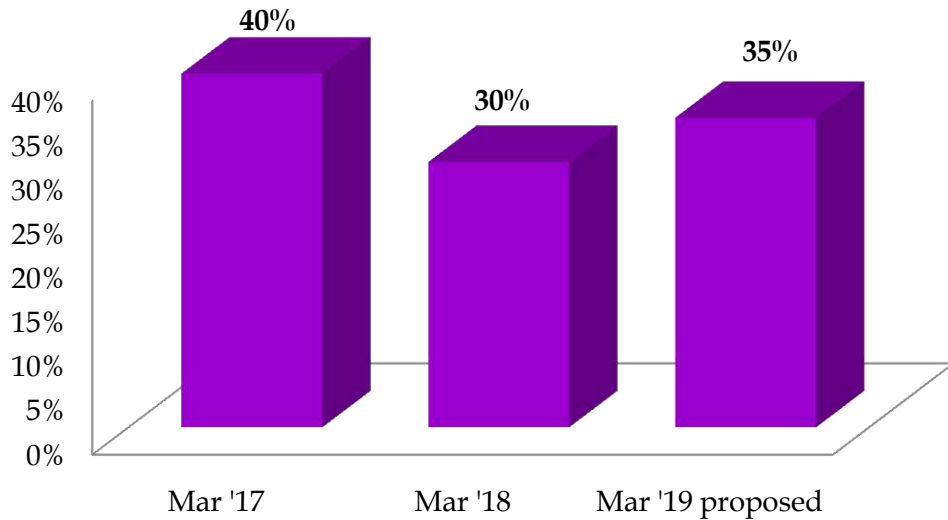
Share holding pattern (Jun '19)



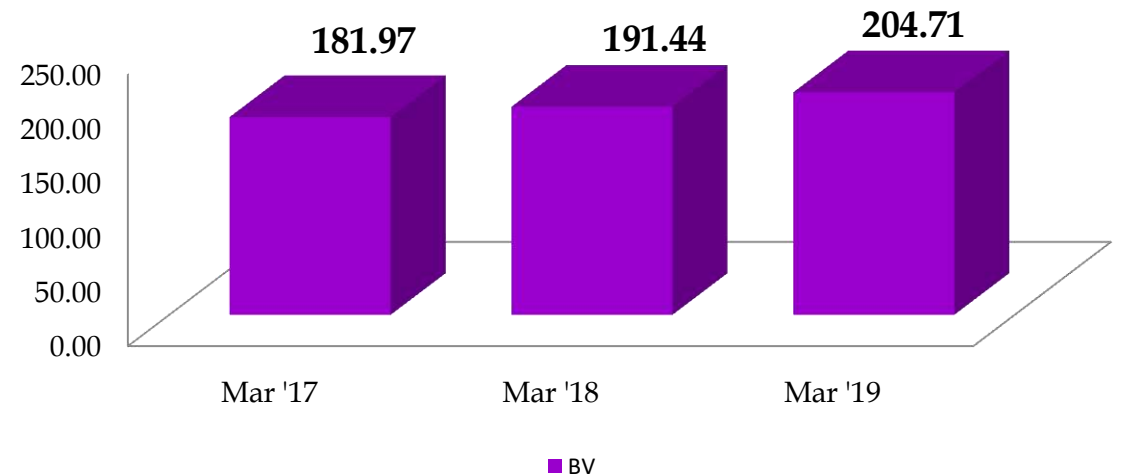
Earning Per Share (₹)



Dividend (%)



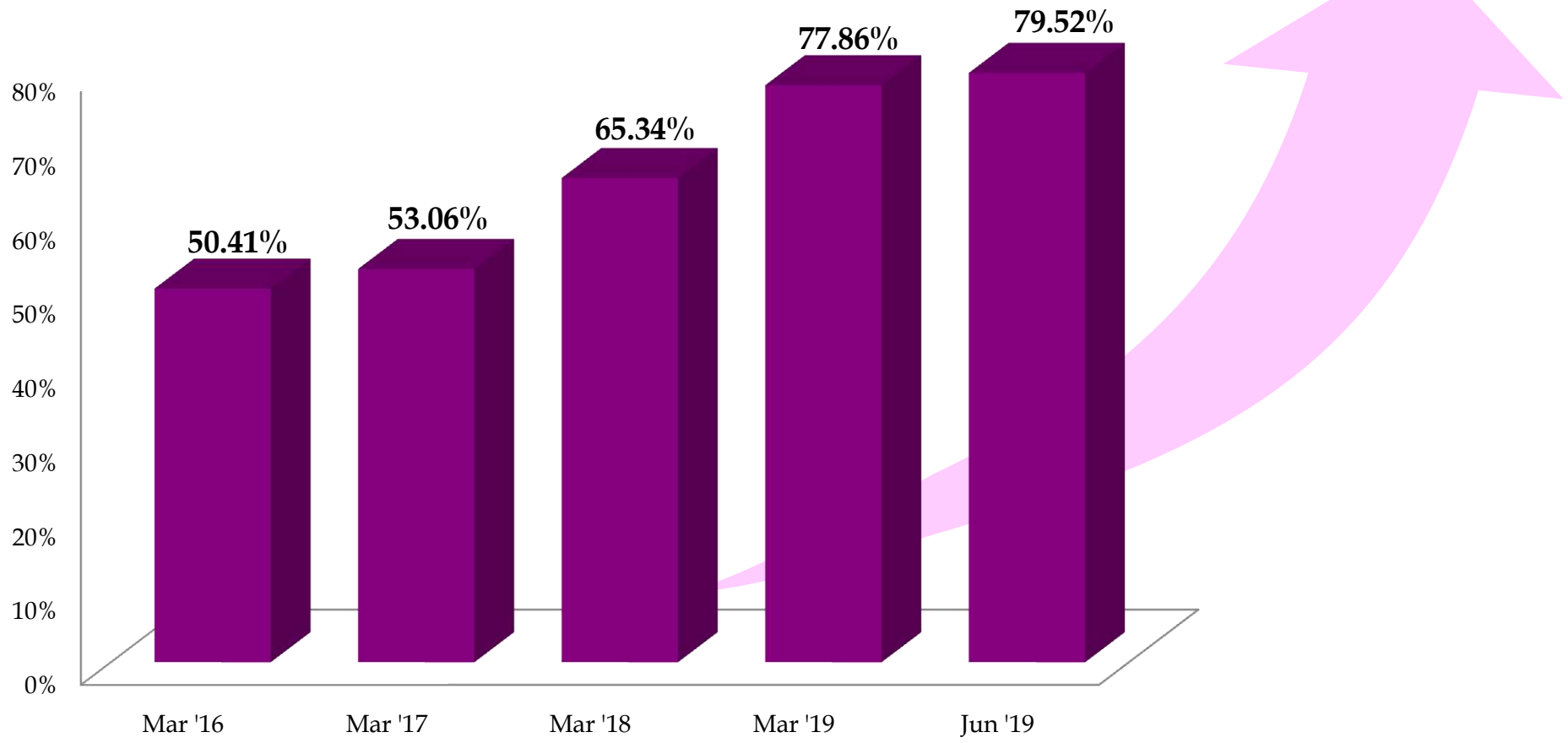
Book value (₹)



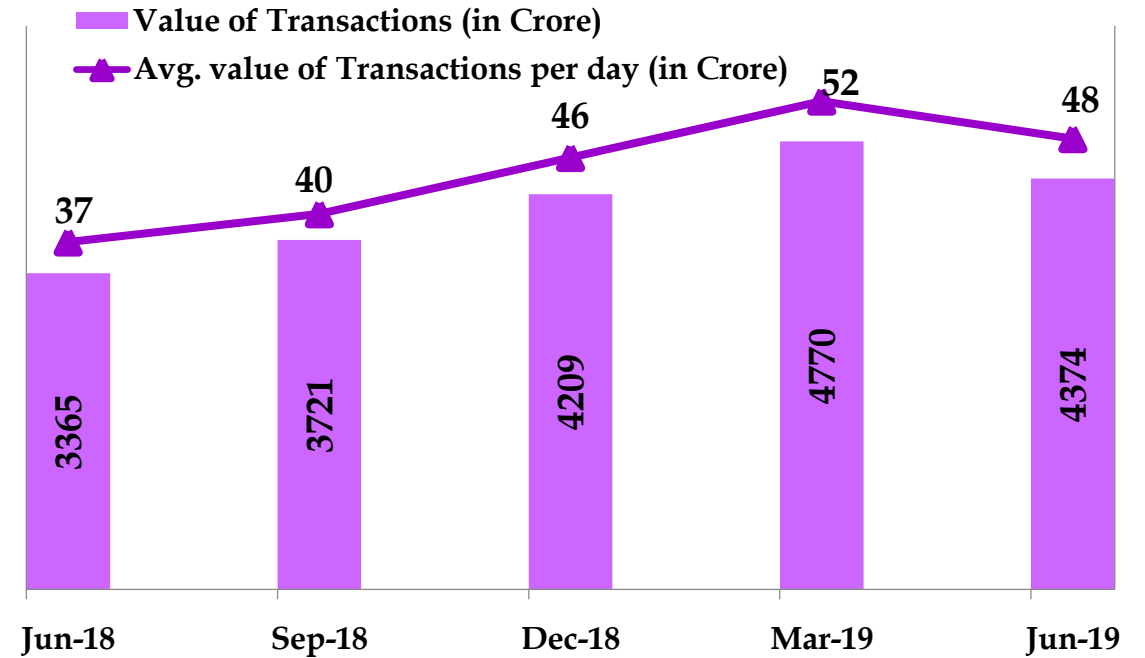
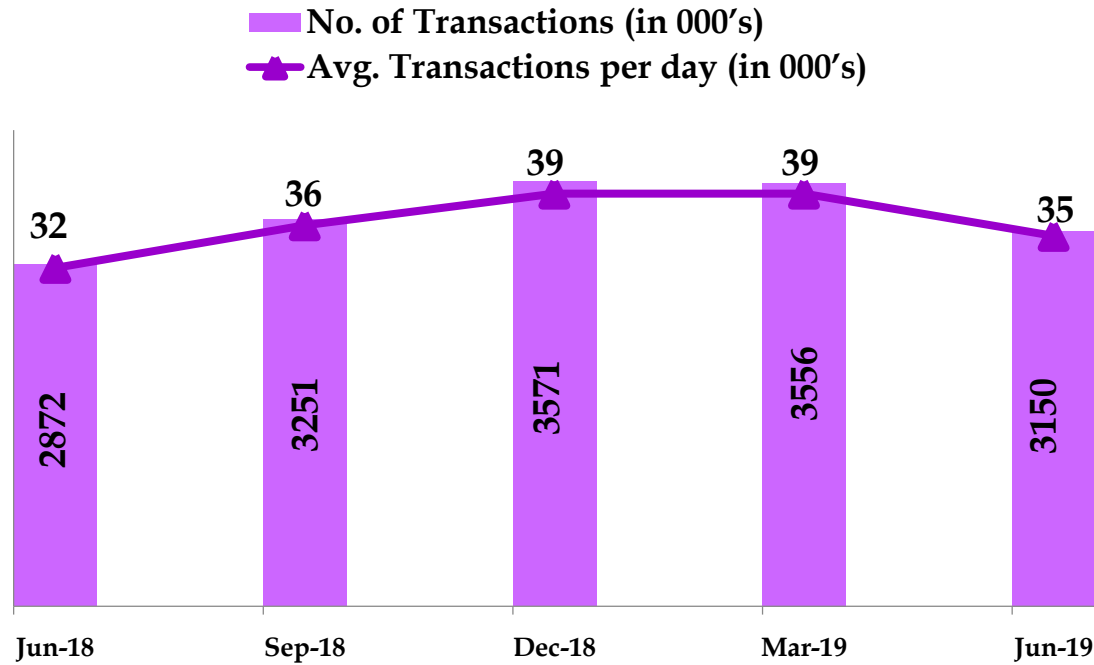
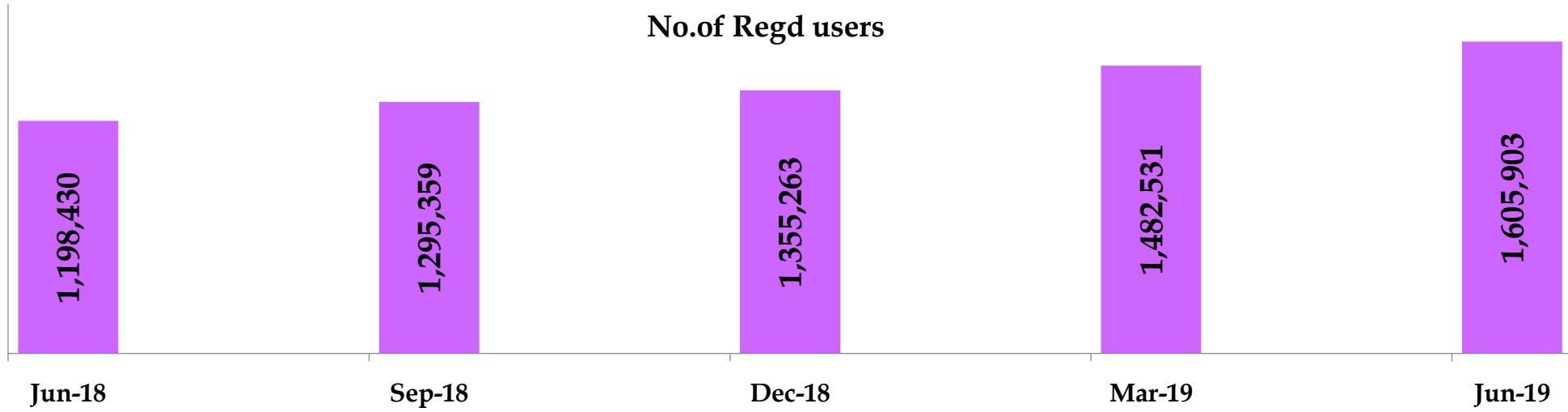
# Leveraging on Technology

## Migration to Digital Channel

[share of ADC transactions to total CBS transactions]

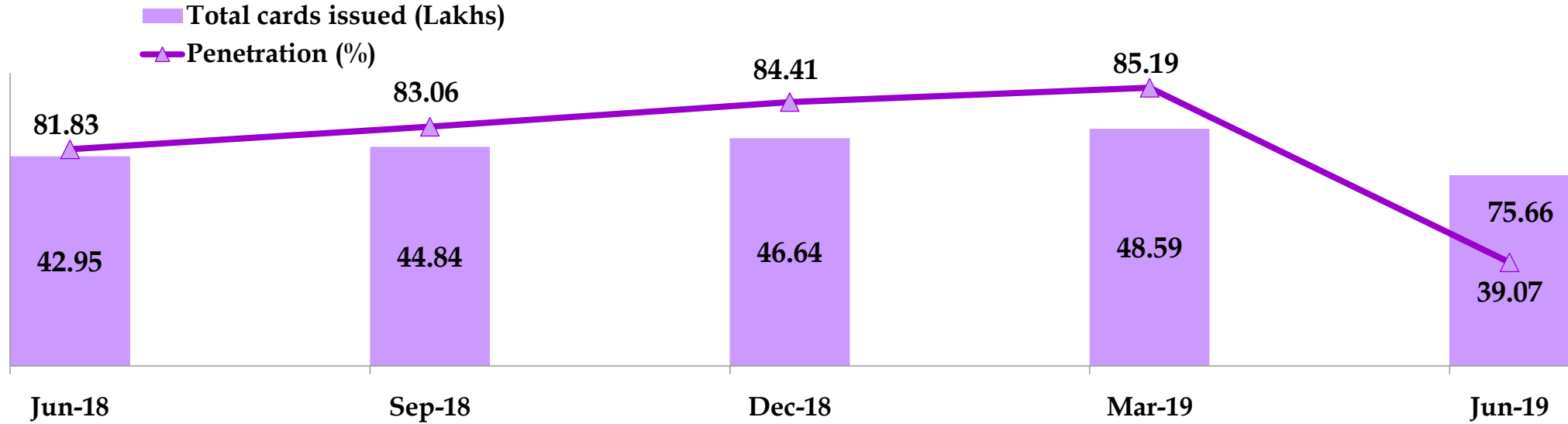


# Mobile Banking

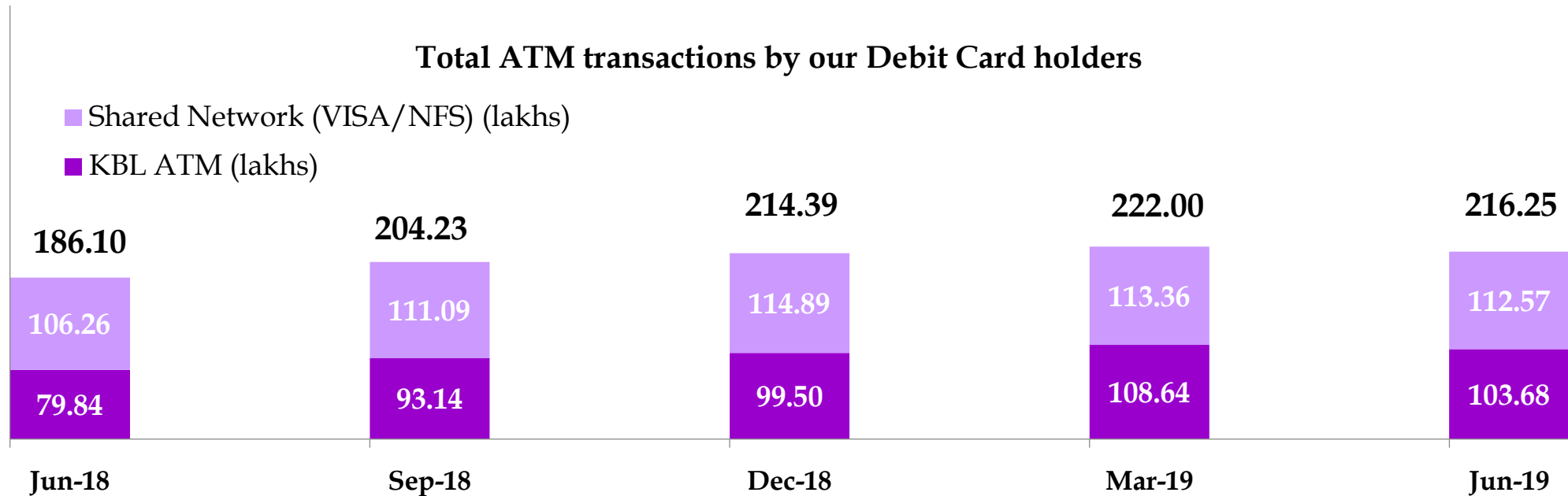


# Debit Cards

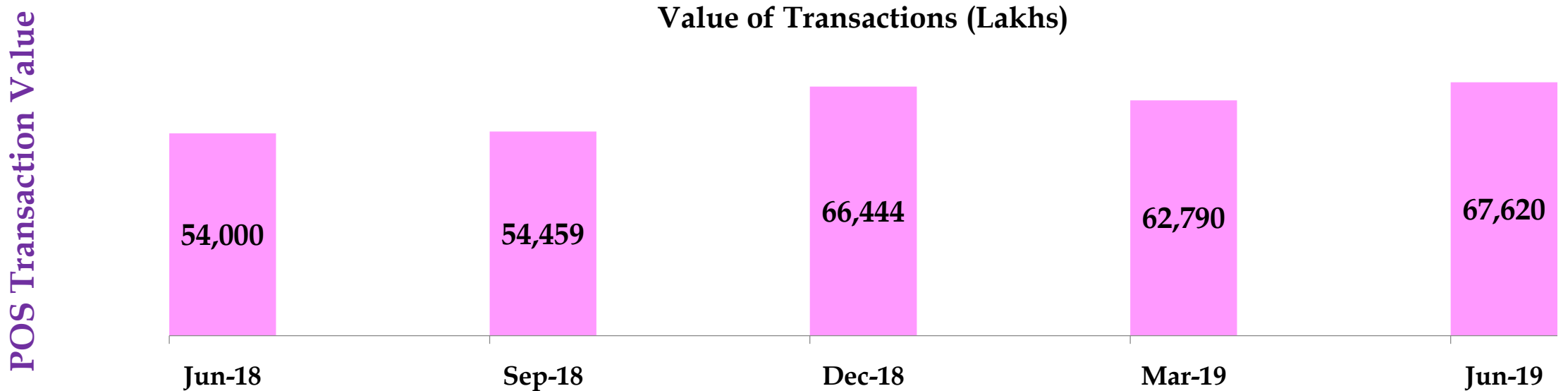
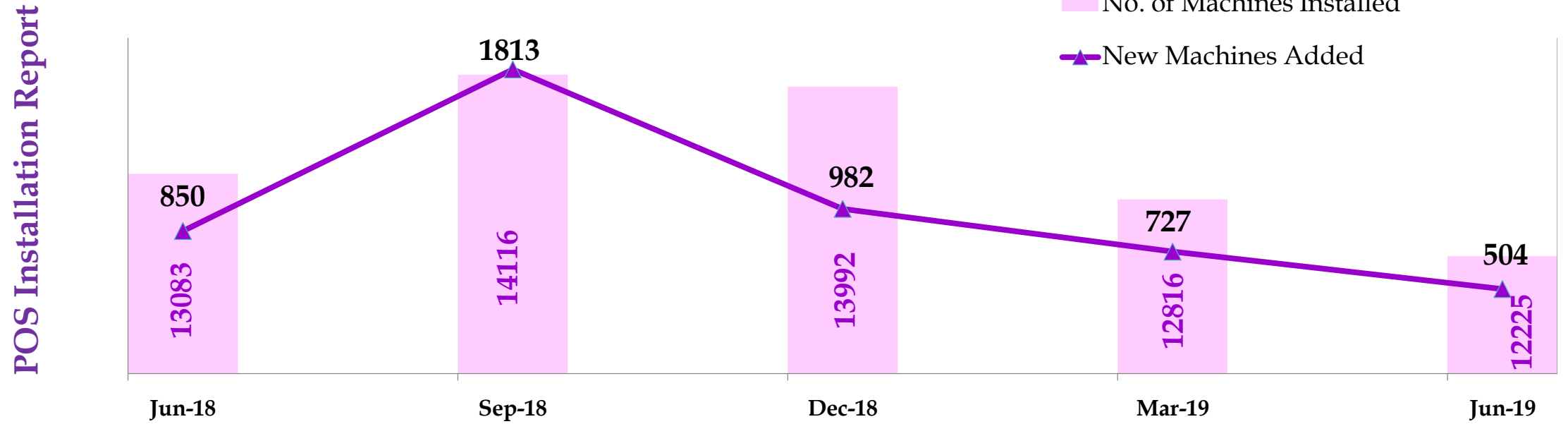
Debit cards Penetration



Cards Usage

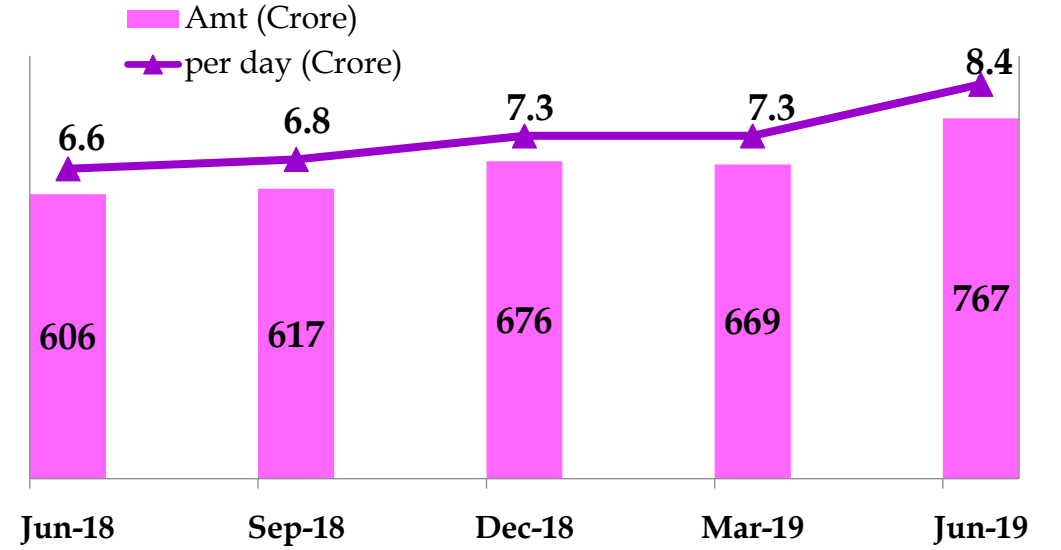
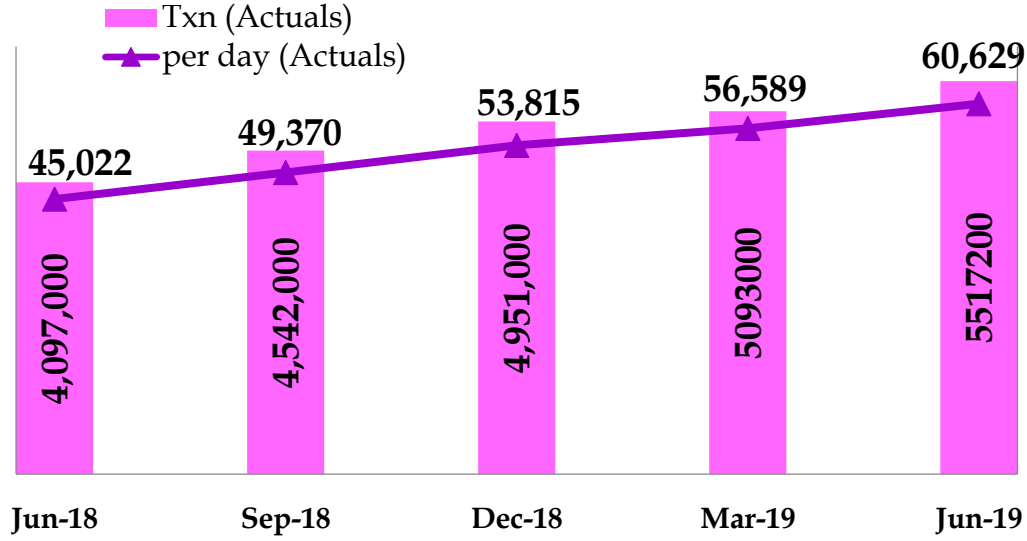


# Point of Sale (POS) Business

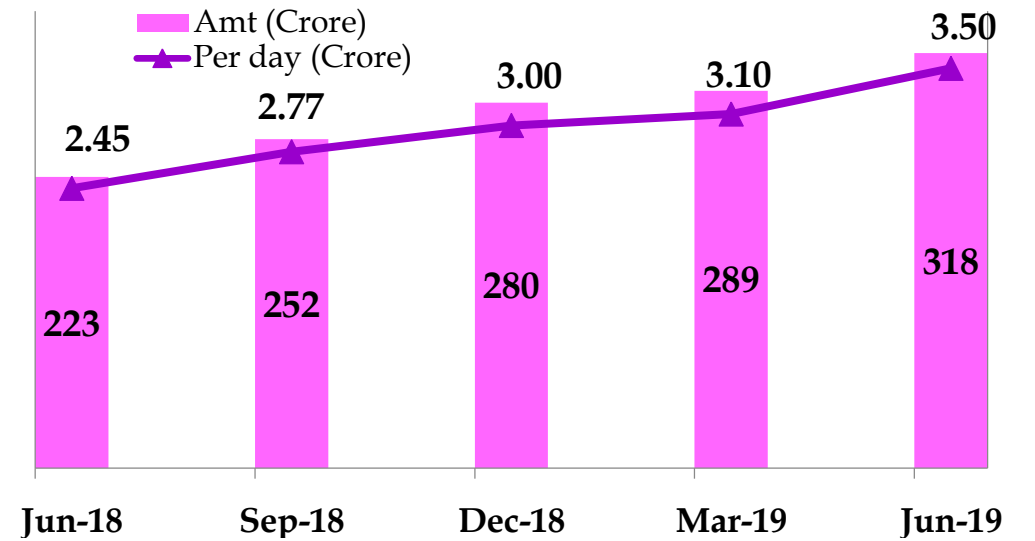
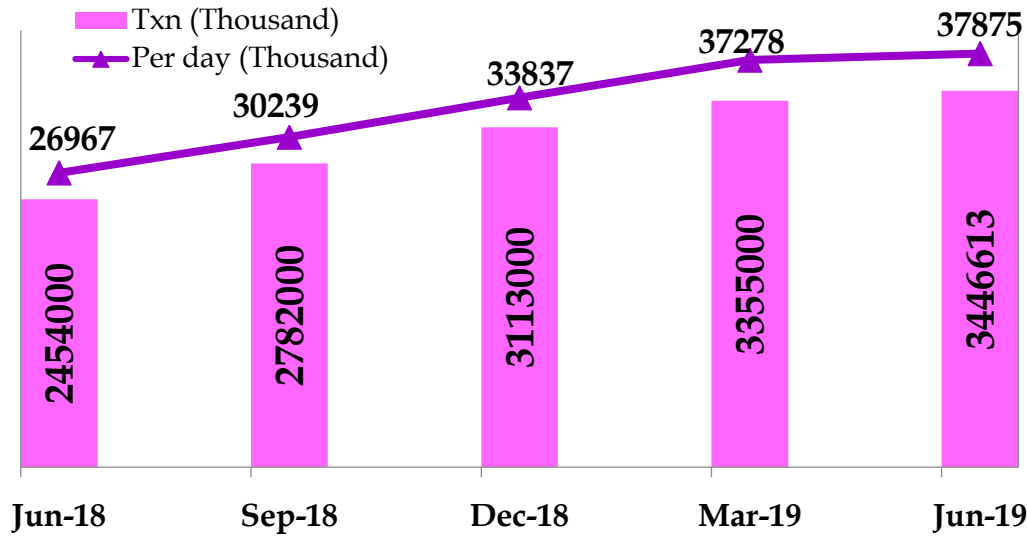


# POS & ECOM transactions

POS Transactions














ECOM Transactions



# Deposits & Advances

₹ crs	<u>Jun-18</u>	<u>Mar-19</u>		<u>Jun-19</u>
Total Deposits	62,725	68,452	↑	68,521
CASA Deposits	17,158	19,215	↑	18,775
Retail Deposits	43,312	48,125	↑	49,486
Wholesale Deposits	2,255	1,113	↓	260
Total Advances	47,731	54,828	↑	52,819
Priority Sector Advances	20,666	21,787	↑	21,716
Agri Advance	6,793	7,082	↑	6,962
MSE Advances	9,736	10,178	↑	10,119
Advances to Weaker Section	2,565	2,551	↓	2,484

# Income & Expenditure

₹ crs	<u>Mar-19</u> [12 months]	<u>Jun-18</u> [3 months]	<u>Jun-19</u> [3 months]
Interest Income	5,906	1,407	 1,584
Interest Expense	4,001	939	 1,090
Net Interest Income	1,905	468	 494
Fee Income	839	203	 221
Treasury Income	163	6	 24
Non-Interest Income	1,002	209	 245
Total Income (Net of Interest Expense)	2,907	677	 739
Operating Expenses	1,457	309	 389
Operating Profit	1,450	369	 350
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	973	206	 175
Net Profit	477	163	 175



# Interest Income & Interest Expenditure

₹ crs	<u>Mar-19</u> [12 months]	<u>Jun-18</u> [3 months]		<u>Jun-19</u> [3 months]
<b><u>Interest Income</u></b>				
Interest Income	5,906	1,407	↑	1,584
Interest on Advances	4,698	1,105	↑	1,273
Interest on Investments	1,106	271	↑	282
Other interest	102	31	↓	29
Yield on Advances	9.33%	9.29%	↑	9.32%
Adjusted yield on Invts.	7.58%	6.69%	↑	7.53%
<b><u>Interest Expense</u></b>				
Interest Expense	4,001	939	↑	1,090
Interest on Deposits	3,823	918	↑	1,024
Other interest	178	21	↑	66
Cost of Deposits	5.96%	5.88%	↑	5.97%
<b><u>Net Interest Income</u></b>				
Net Interest Income	1,905	468	↑	494
Interest Spread in Lending	3.37%	3.41%	↓	3.35%
Net Interest Margin on average earning assets	2.93%	3.00%	↓	2.81%

# Corporate Social Responsibility



Inauguration of newly set up language laboratory at Chinmaya Vidyalaya, Koramangala, Bengaluru, with the assistance of the Bank under its CSR initiatives .



Donation of Ambulance to Shri Balaji Metro Hospital, Raigarh (Chattisgarh), under the CSR initiatives of the Bank.

# KBL-Vikaas - Bank's Transformation Journey

## BCG as transformation consultant

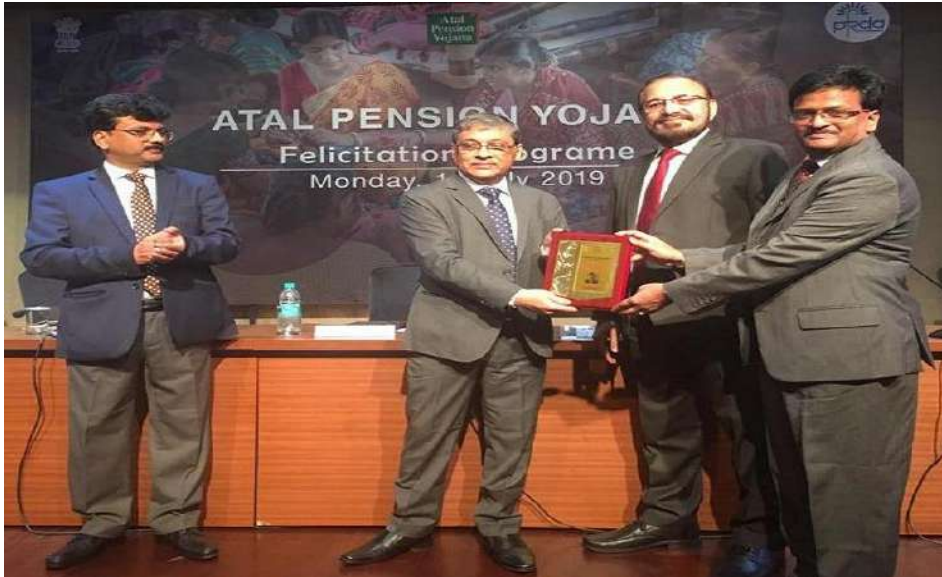


### As a part of Transformation journey

- Launched Regional Loan Processing Centres [RLPCs] at all the Regions.
- Focusing on Housing, Retail & MSME loans at these RLPCs.
- Tied up with more number of DSAs, BSAs and MRAs, pan India, to strengthen the credit portfolio.
- Tied up with Fintech companies for Digital Home Loan sourcing.
- Launched "KBL FORCE" - an integrated Lead Management System (LMS) and KBL-FORCE (LMS) Mobile App.
- Verticalized Credit Department as "Sales vertical" and "Sanctions vertical".
- Introduced Collection Management System.
- Launched "KBL KOLLECT+" - a Collection tool, on pilot basis at Regional Collection Hub in Bengaluru.
- Launched Monitoring Excellence Initiatives.
- Launched a new institutional SB product called KBL SB-TASC (Trusts, Associations, Societies & Clubs).
- Implemented Employee Satisfaction and Career Development System [ESCDS] and Key Result Area [KRA].
- Launched ESOP scheme.
- Revamped Internet Banking to improve customer experience.
- Inaugurated Bank's first 'Digi Branch' at Bengaluru.
- Established Digital Centre of Excellence (DCoE).
- Launched NPA Management - VASOOL SOFT .
- Established Contact Center in partnership with M/s Karvy DigiConnect Ltd .
- Launched a new salary account scheme with 3 variants viz. KBL Salary Executive, KBL Salary Prime & KBL Salary Classic.

# Awards & Accolades

## Awards & accolades received during the FY 2019-20:

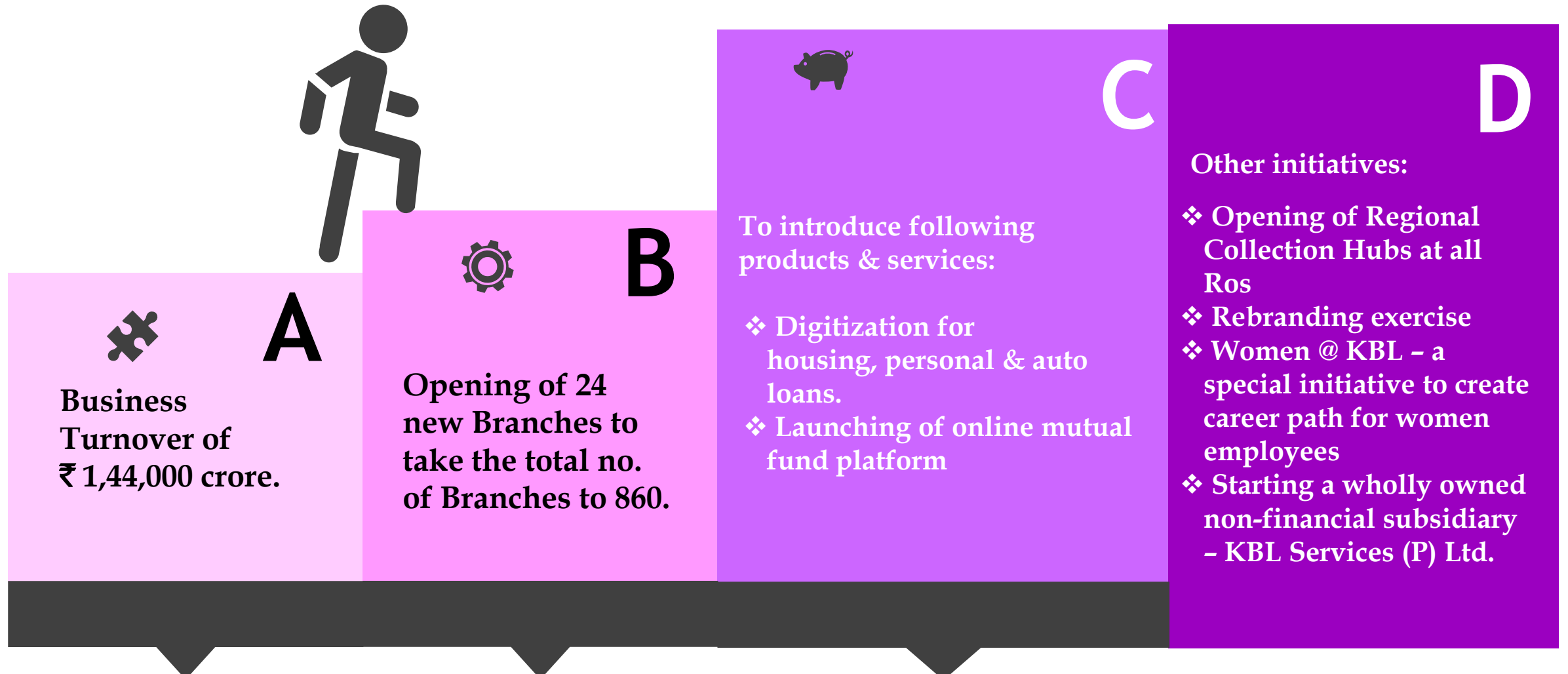


- ❖ Atal Pension Yojana “Game Changers” award instituted by PFRDA, for achieving 100% of AAPB target for the FY 2018-19.

# Business Strategy



# Corporate Goal for 2019 -20





# Business Strategy

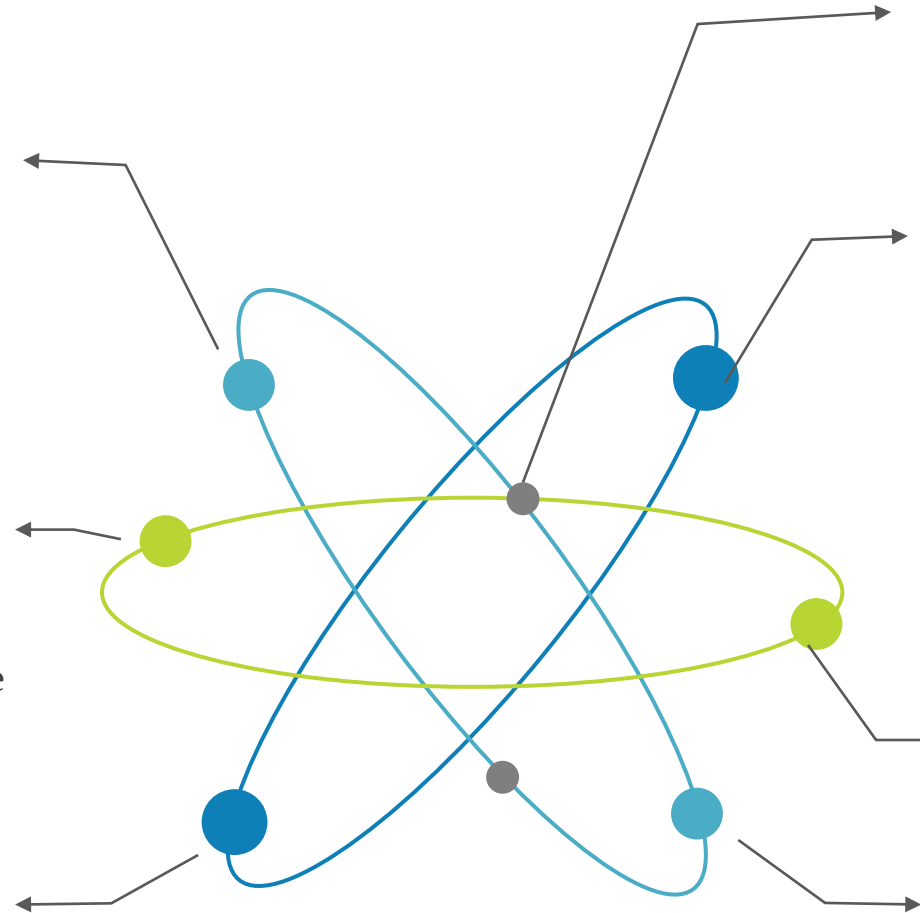
## Minimum space maximum business.

### Credit augmentation

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

### NPA & Stressed Assets management

- ❑ Minimizing 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

- ❑ Focusing on digital marketing of Bank's products & services
- ❑ 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



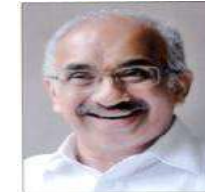
**B A Prabhakar**  
Bengaluru  
Former Chairman & MD of Andhra Bank



**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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