



Karnataka Bank Ltd.
Your Family Bank. Across India.

Analysis of Financial Results

March 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 ₹ 1,10,123 crore as on 31.03.2018.
- Networth of ₹ 5,410 crore as on 31.03.2018.
- Market capitalization of ₹ 3,247 crore as on 31.03.2018.
- 2,176 service outlets with 800 branches, 2 Extension Counters and 1,374 ATMs in 535 centres across India as on Mar 31, 2018.
- Offers wide variety of corporate and retail banking products and services to over 9.7 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 2017-18:

- ❖ **IBA – Banking Technology Awards 2018** under Small Bank Category:
 - ❖ Technology Bank of the Year,
 - ❖ Best Payments Initiatives,
 - ❖ Best use of Digital & Channels Technology.
- ❖ **ASSOCHAM Social Banking Excellence Award 2017:**
 - ❖ Winner – Best Social Bank under Small Bank Category.
- ❖ **BFSI Awards 2018** instituted by **ET NOW:**
 - ❖ Winner - Bank with more Rural Branch expansion,
 - ❖ Winner - Bank with Leading Financial Inclusion initiatives.
- ❖ **Appreciation Certificate** for ‘Impactful Financial Inclusion through Innovations & Processes’, instituted jointly by **Union Bank of India & CNBC TV18.**



Shri Raghavendra Bhat M, Chief General Manager, receiving the Best Financial Services & Foreign Exchange Earner in Southern Region award for 2016-17 from Sri M Venkaiah Naidu, Hon'ble Vice President of India, at Chennai on 18.01.2018, for the support extended to export business, under Gold category.

Shri Manjunatha Bhat B K, General Manager, receiving the ET Now BFSI awards, 2018 from Sri Narendra M, ex-CMD of IOB, at Mumbai on 14.02.2018, under the categories viz., Bank with more Rural Branch expansion and Bank with leading Financial Inclusion initiatives.



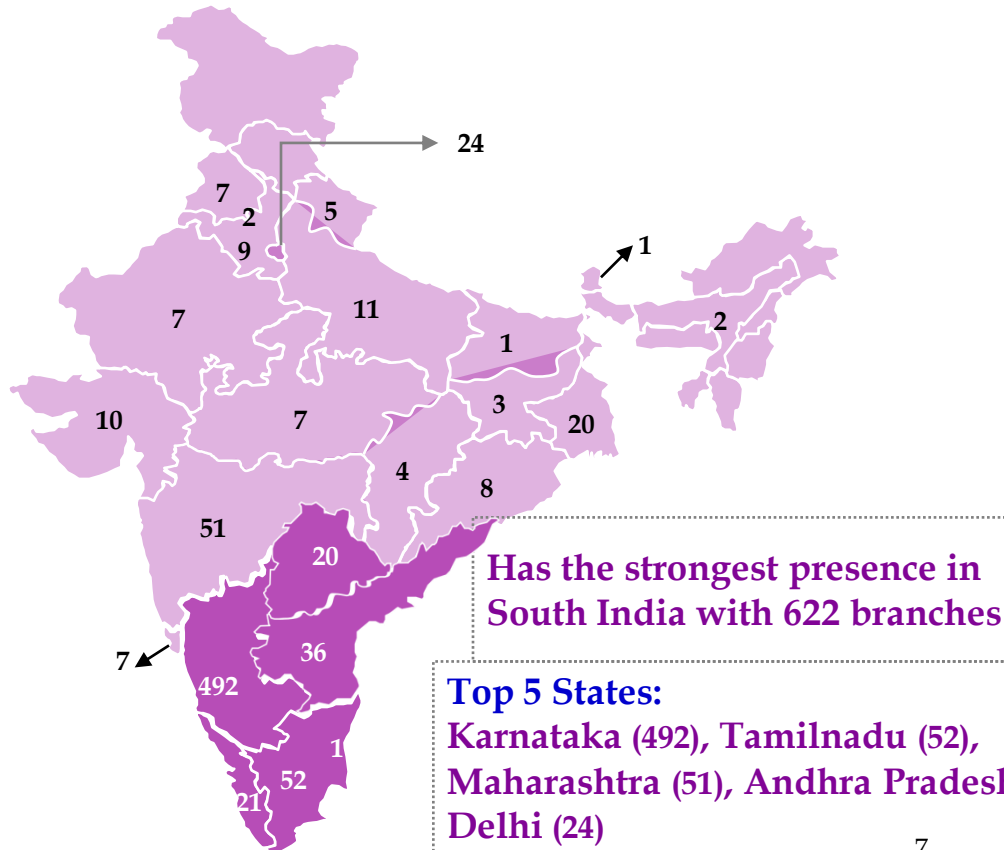
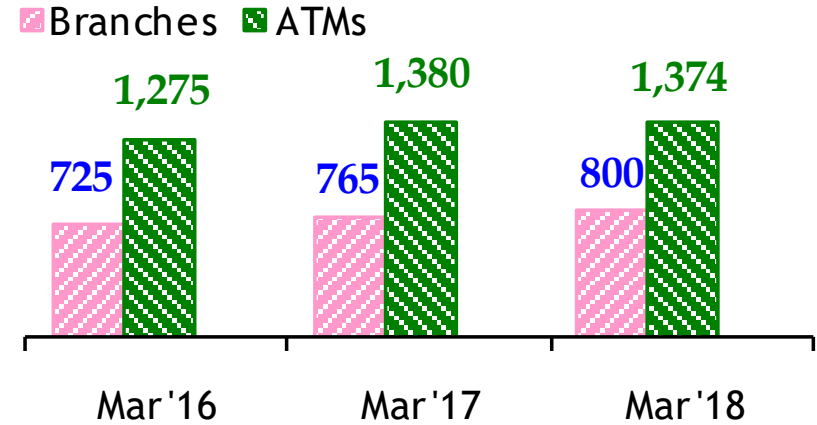
Pan-India footprint



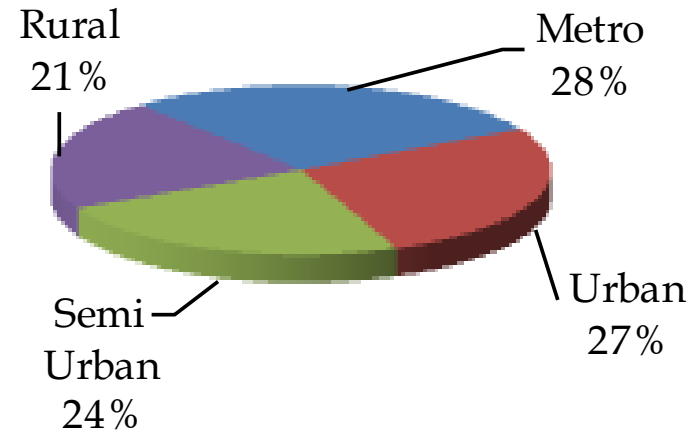
Pan-India Presence

- Total 2,176 service outlets – 800 branches, 2 Extension Counters & 1,374 ATMs
- Total 33 e-Lobbies & 127 mini e-Lobbies
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion
- 110 Financial Inclusion branches, 35 Ultra Small branches
- Expanding network in northern India also.

No of branches & ATMs



Area wise distribution of branches (Mar '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”.



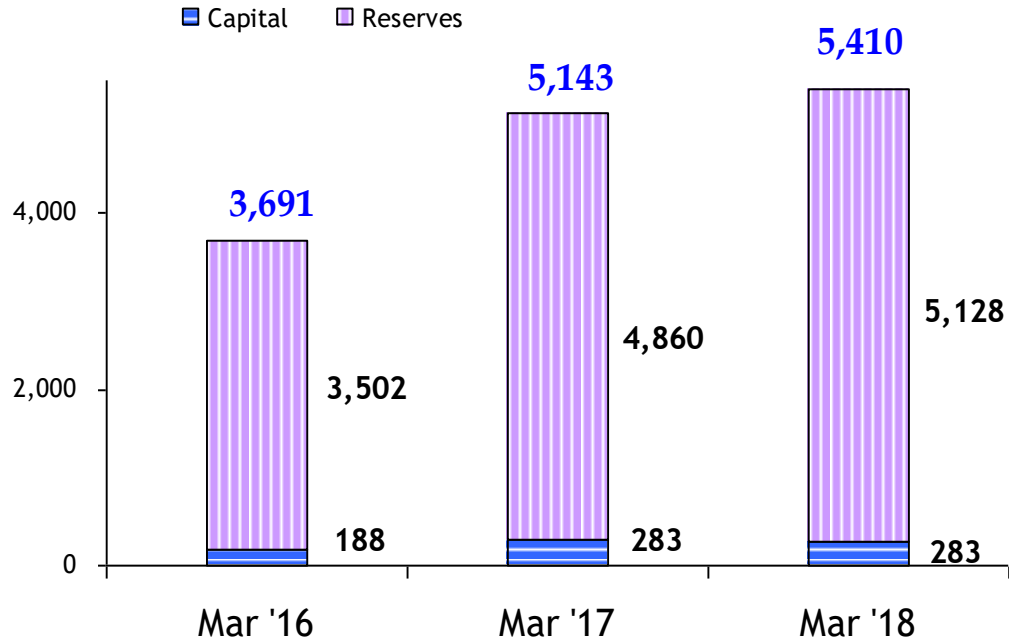
Effective risk management system

- ◆ 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.

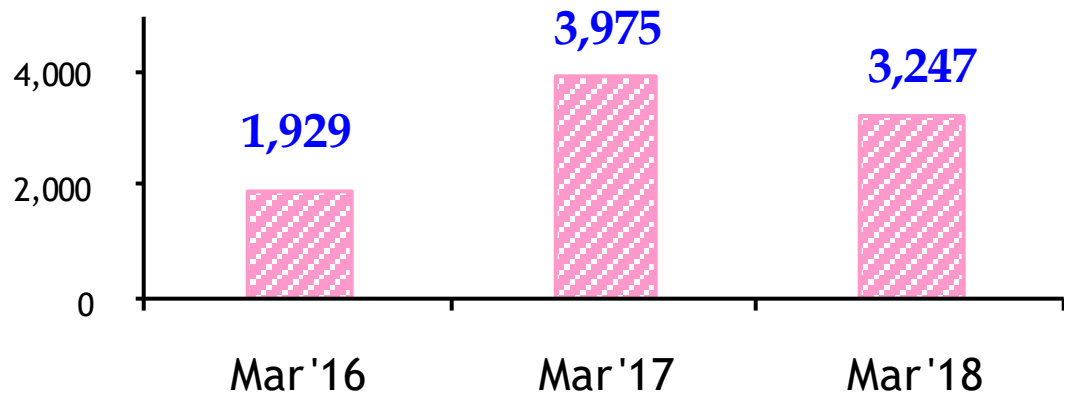
Financial strength of the Bank



Networth (₹ crs)



Market capitalization (₹ crs)



Highlights - Q4 FY 18



(₹ crs)

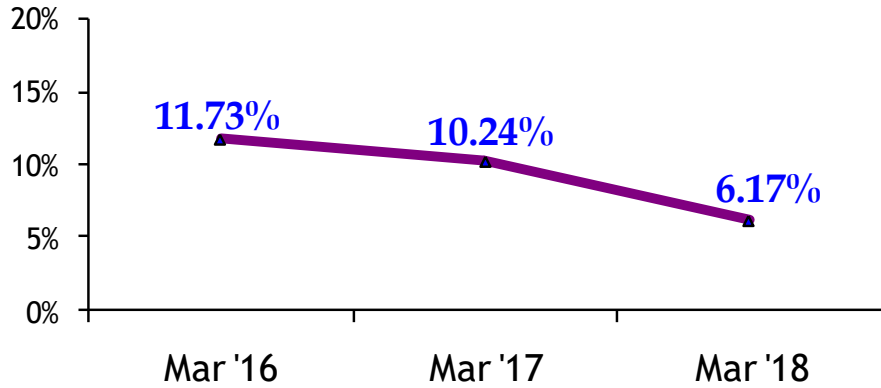
KPAAs	3 Months		12 Months	
	Q4 FY 18	Q4 FY 17	Q4 FY 18	Q4 FY 17
Net profit	11.00	138.38	325.61	452.26
Operating profit	475.33	329.27	1,473.16	995.80
Turnover	1,10,123	93,649	1,10,123	93,649
Return on Asset	0.06%	0.85%	0.49%	0.74%
Earning per Share *	11.52	19.38	11.52	19.38
Return on Equity	0.81%	10.83%	6.17%	10.24%
Net Interest Margin	3.54%	2.41%	3.18%	2.79%
Gross NPA	4.92%	4.21%	4.92%	4.21%
Net NPA	2.96%	2.64%	2.96%	2.64%
Cost to Income	43.14%	50.40%	47.61%	56.70%
CRAR (Basel III)	12.04%	13.30%	12.04%	13.30%

* Annualized

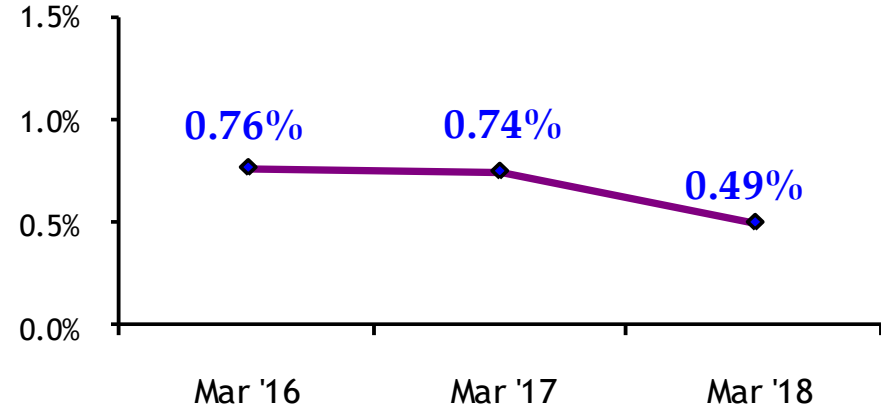
Return and Capital Adequacy Ratios



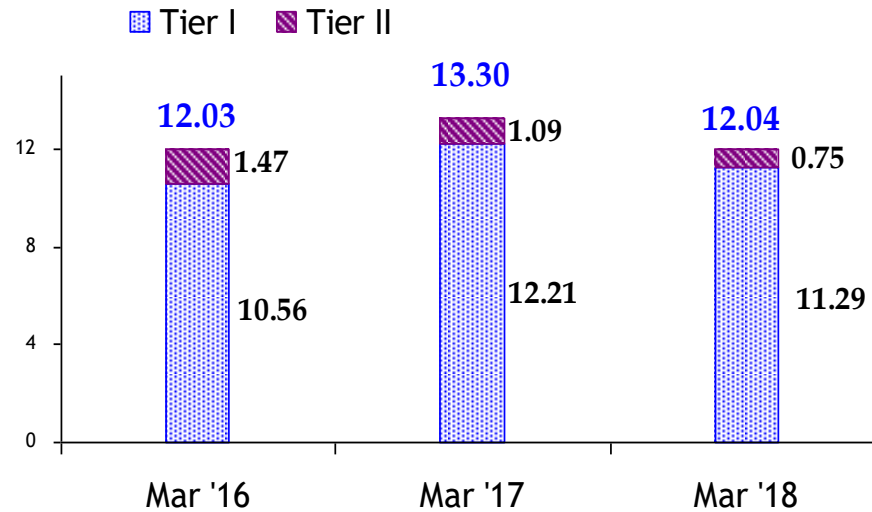
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)



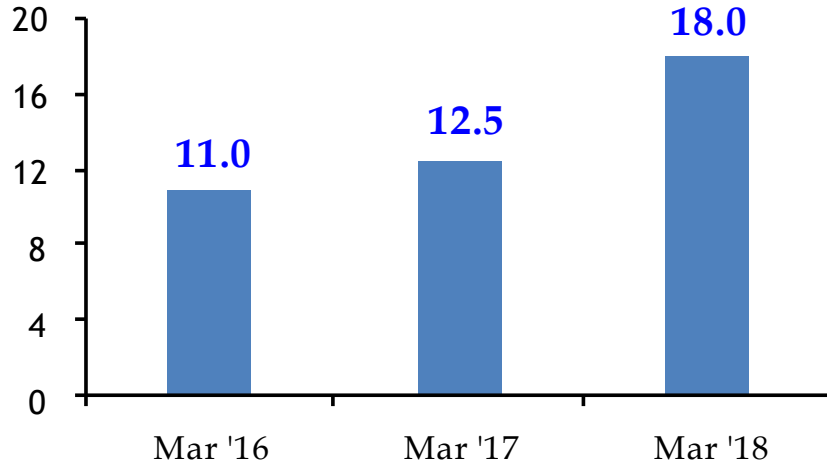
Capital Adequacy (%) - Basel III



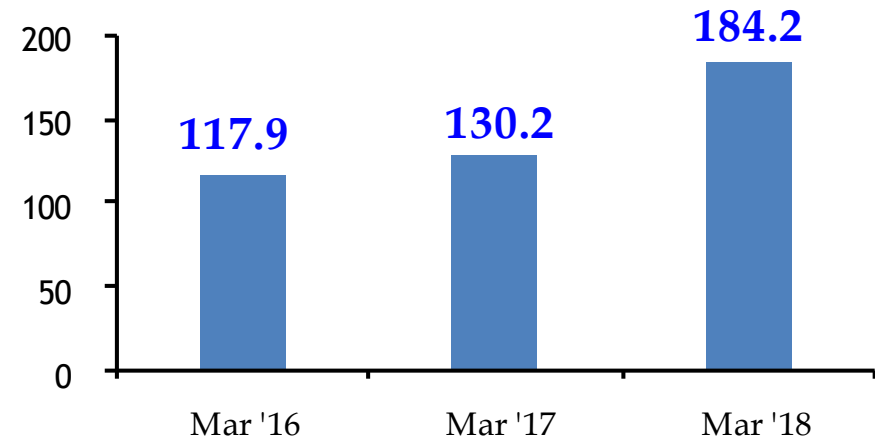
Productivity ratios



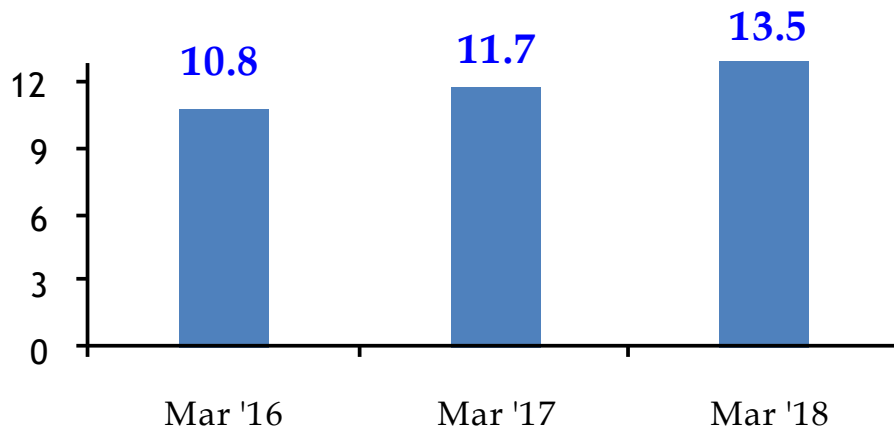
Operating Profit per employee (₹ lakh) *



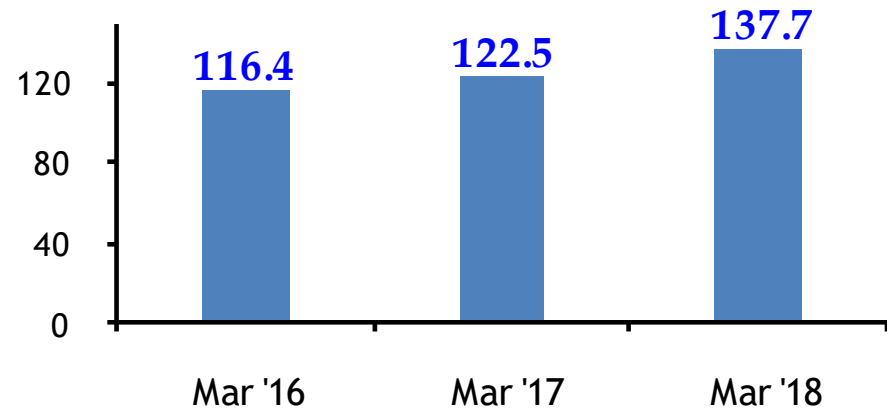
Operating Profit per branch (₹ lakh) *



Business per employee (₹ crs)



Business per branch (₹ crs)

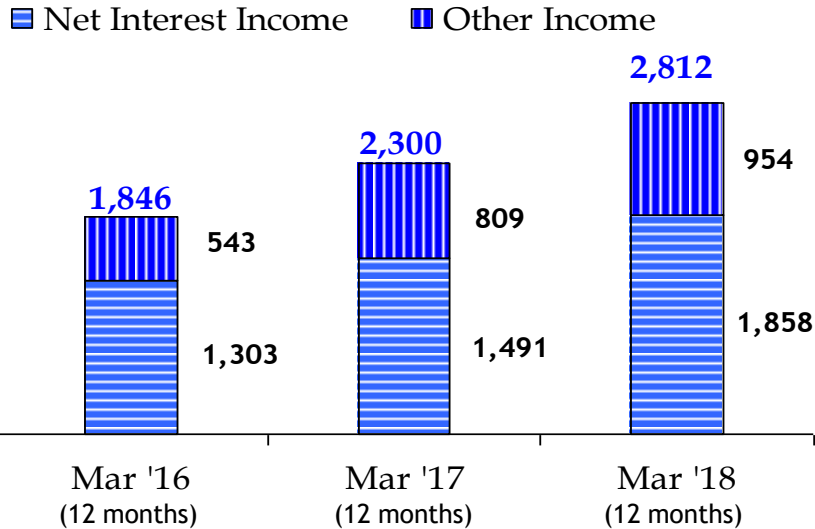


Financial Performance

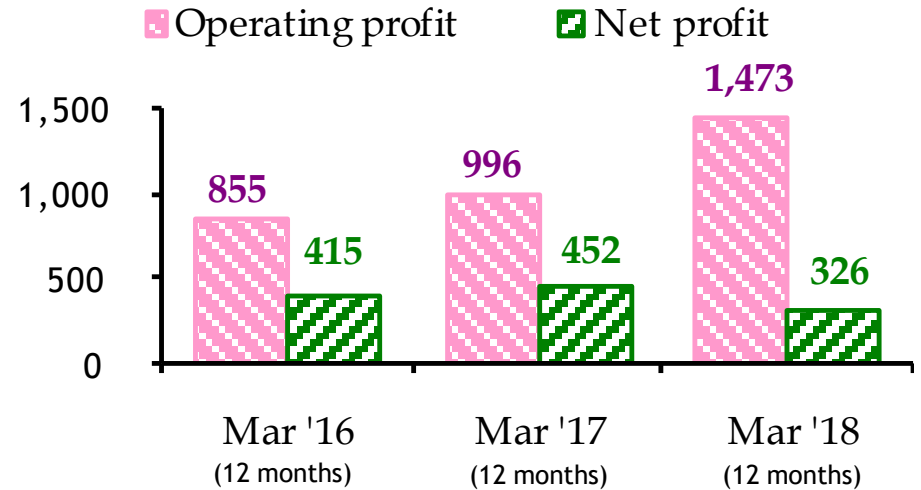
Income & Profit



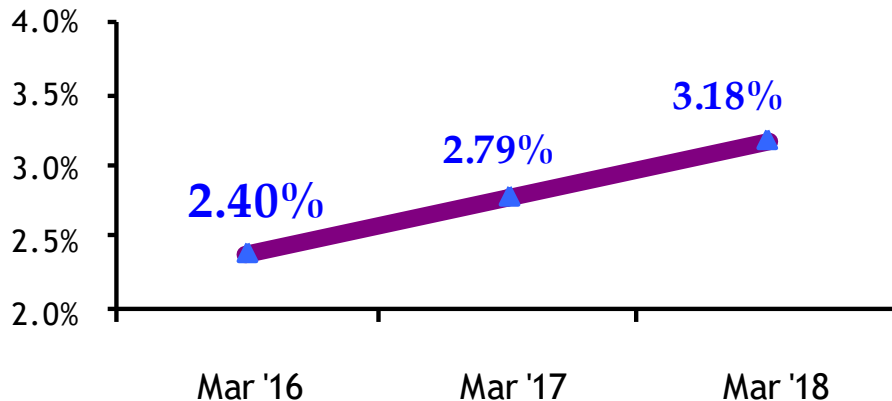
Net Income (₹ crs)



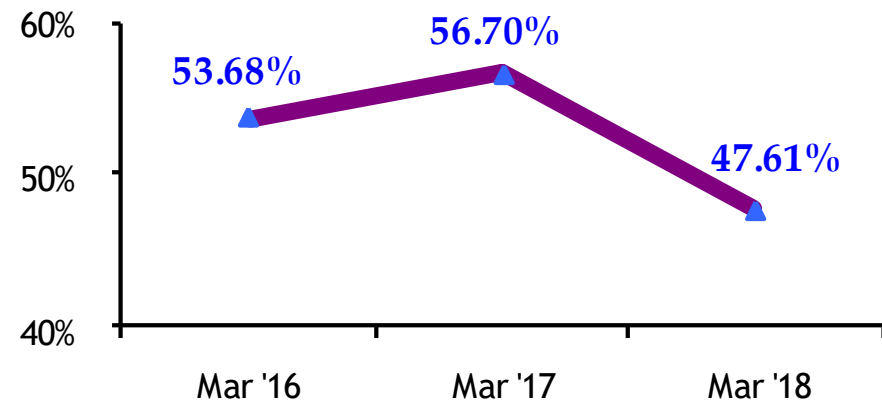
Operating and Net Profit (₹ crs)



Net Interest Margins (%)



Cost to Income Ratio (%)

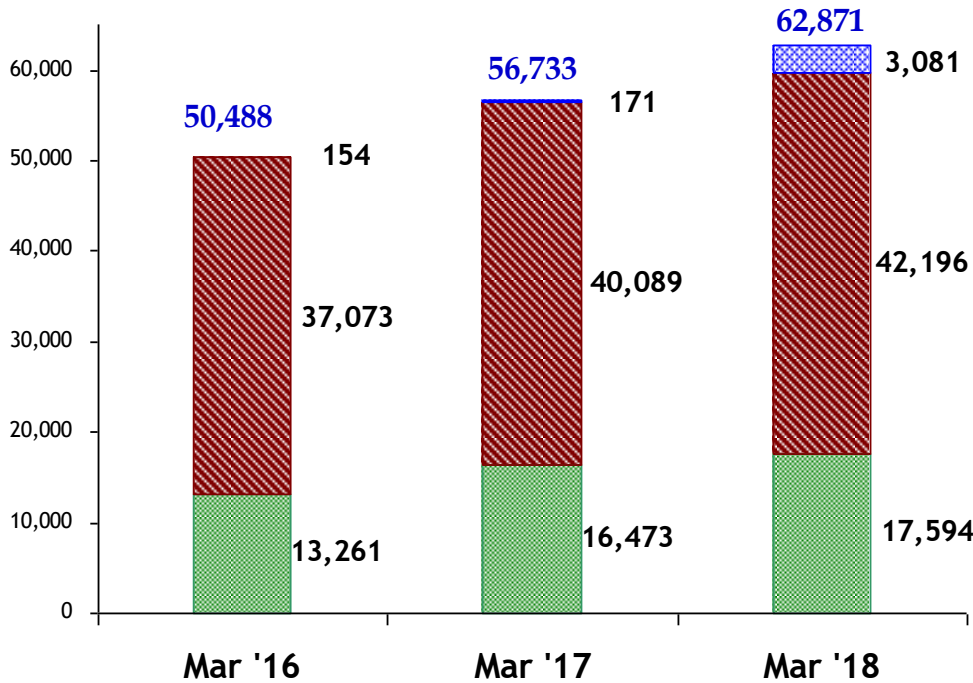


Deposits

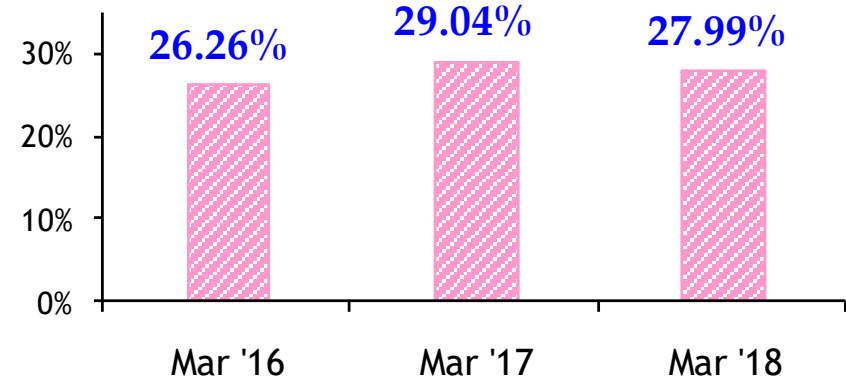


Deposits (₹ crs)

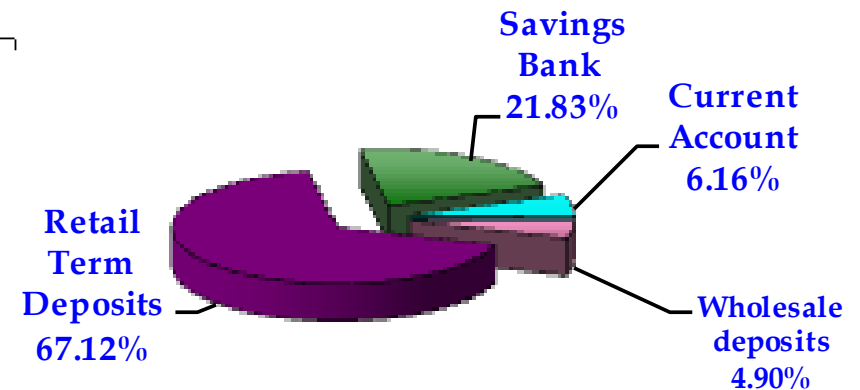
■ CASA
 ■ Retail
 ■ Wholesale deposits



CASA share to total Deposits

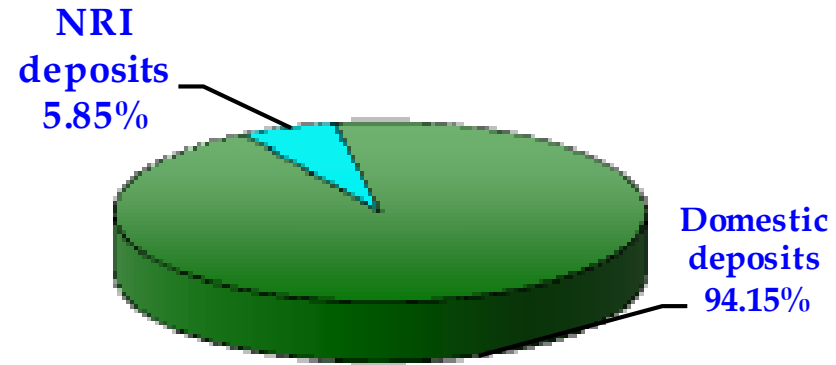
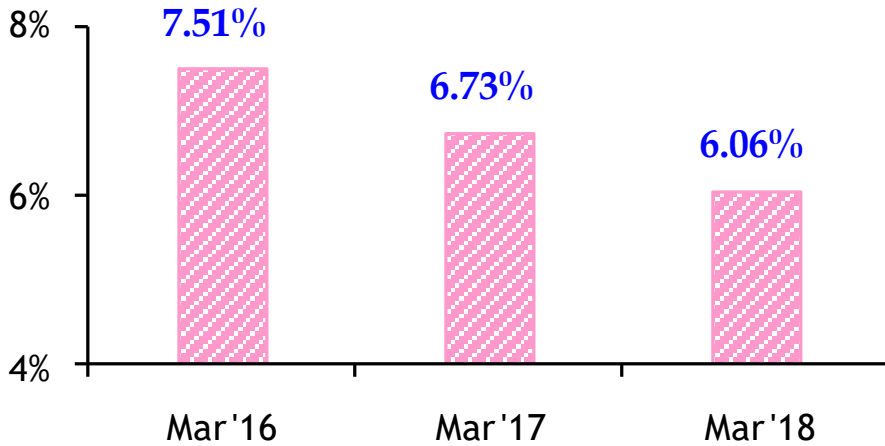


Deposits break up (Mar '18)

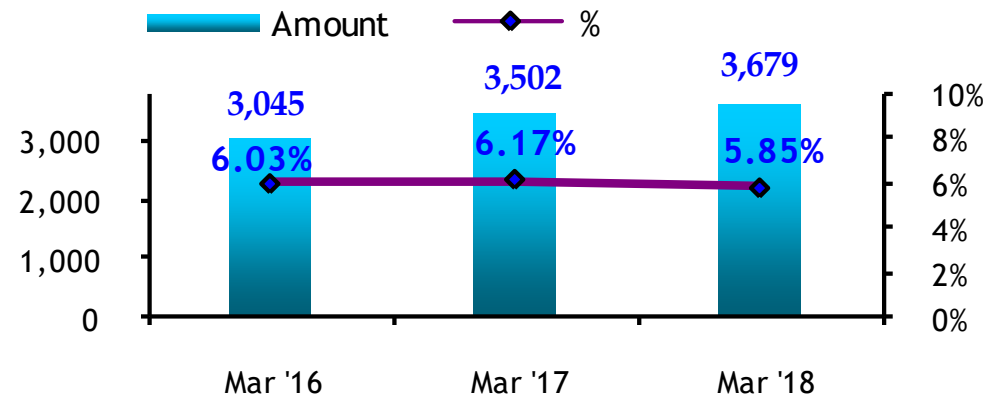




Cost of Deposits

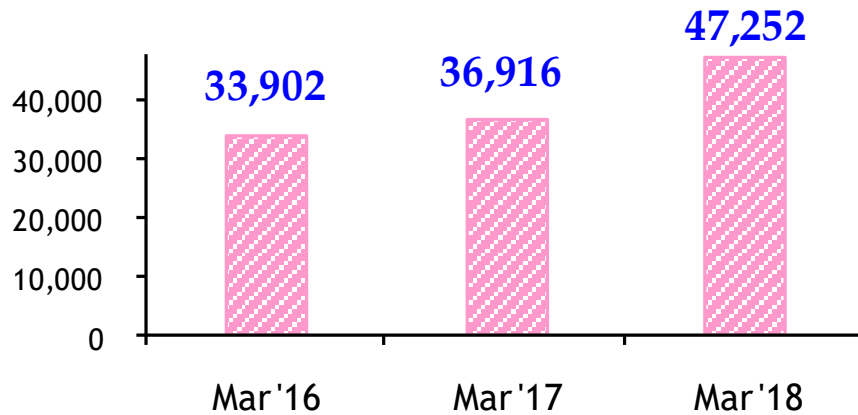


NRI Deposits (₹ crs)





Advances [Net] (₹ crs)

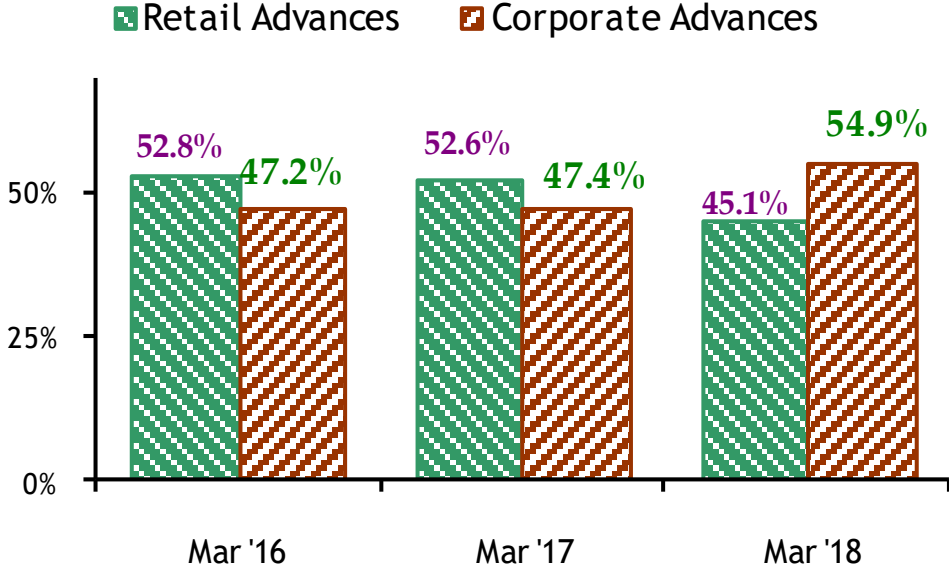


External rating wise Credit Portfolio as of Mar '18 [corporate borrowers]

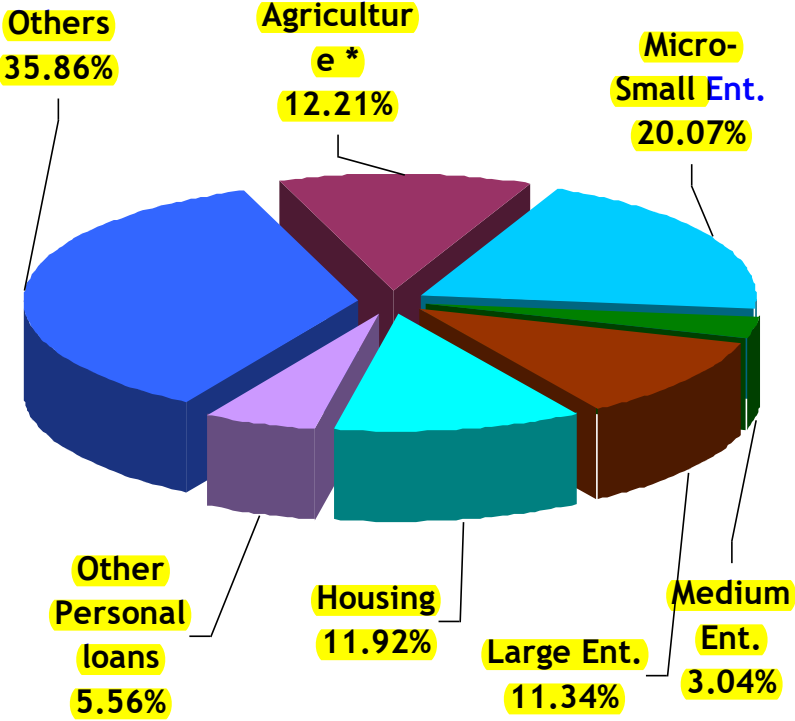
Rating	No of Borrowers	Balance O/s (in crs)	% to GBC
AAA	19	6,365	13.19%
AA	33	3,983	8.26%
A	25	1,178	2.44%
BBB	37	2,039	4.23%
BB	31	1,612	3.34%
B	16	373	0.77%
C	-	-	-
D	8	633	1.31%
Total	169	16,183	33.54%
Gross Bank Credit		48,246	



Retail & Corporate Advances (%)



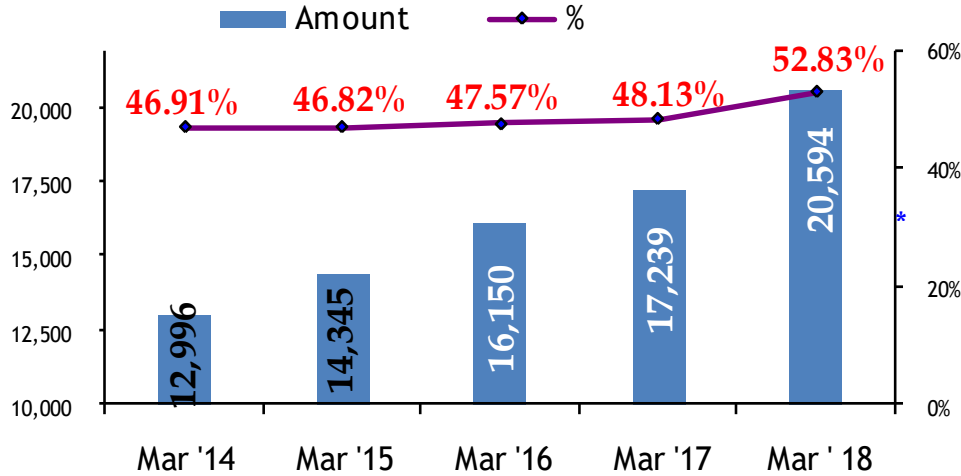
Segmentation of Gross Advances (Mar '18)



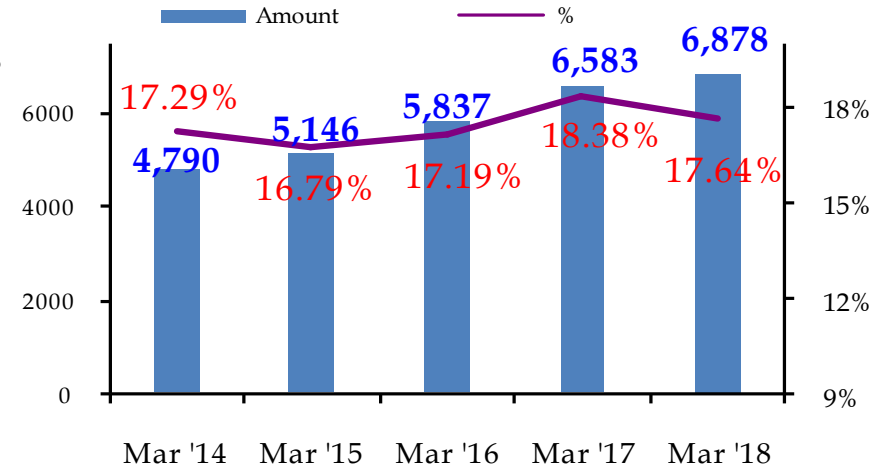
* However, this works out to 17.64% of the ANBC of 31.03.2017.



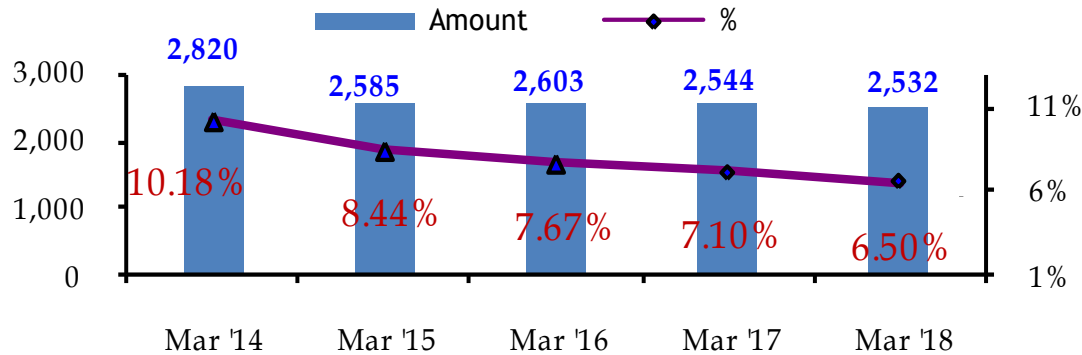
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)



Advances to Weaker Section (₹ crs)

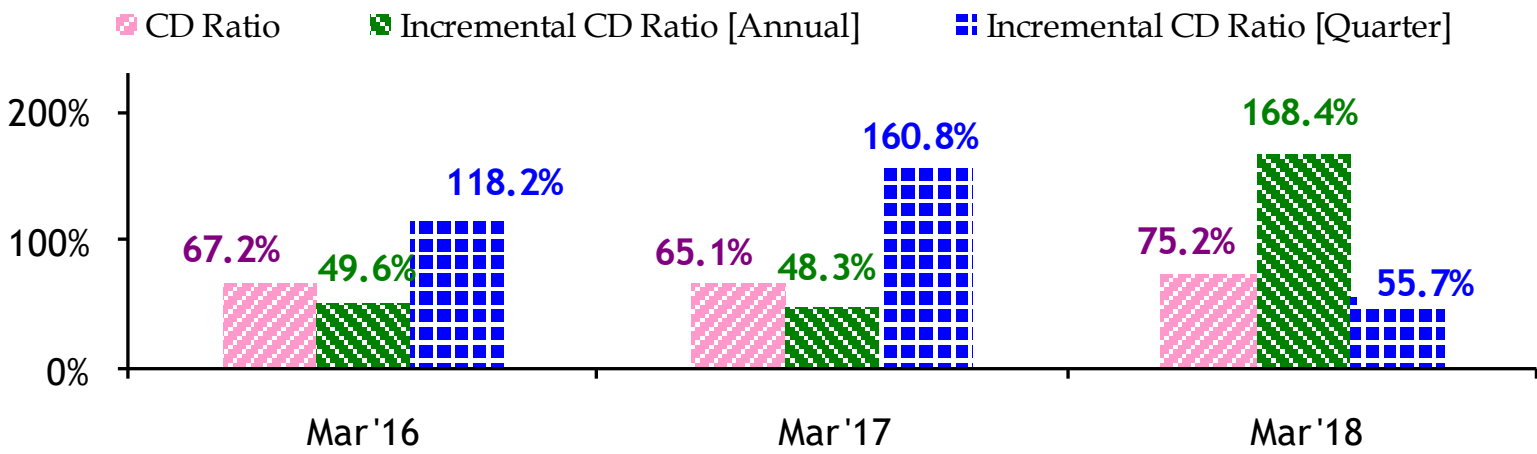


* Base figure for the calculation of % is ANBC as on March 31st of previous year.

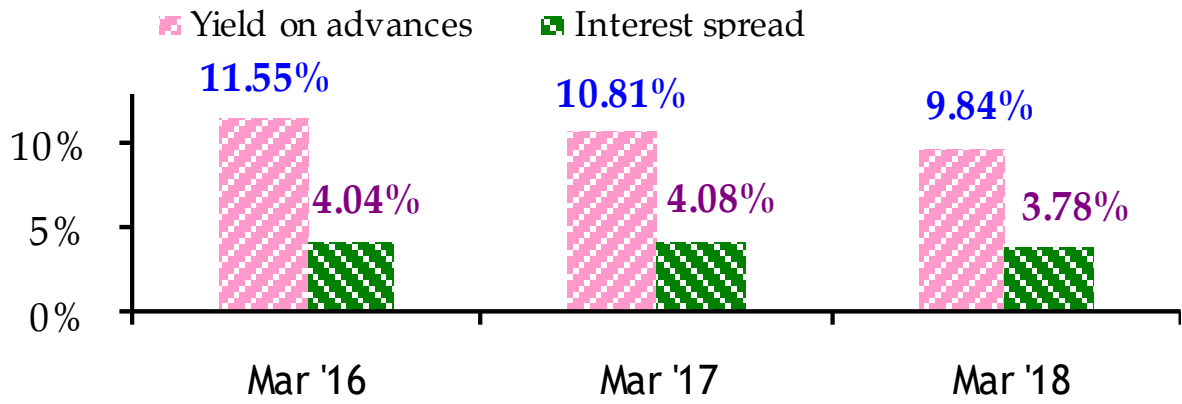
CD Ratio & Yield on Advances



Credit Deposit ratio (%)

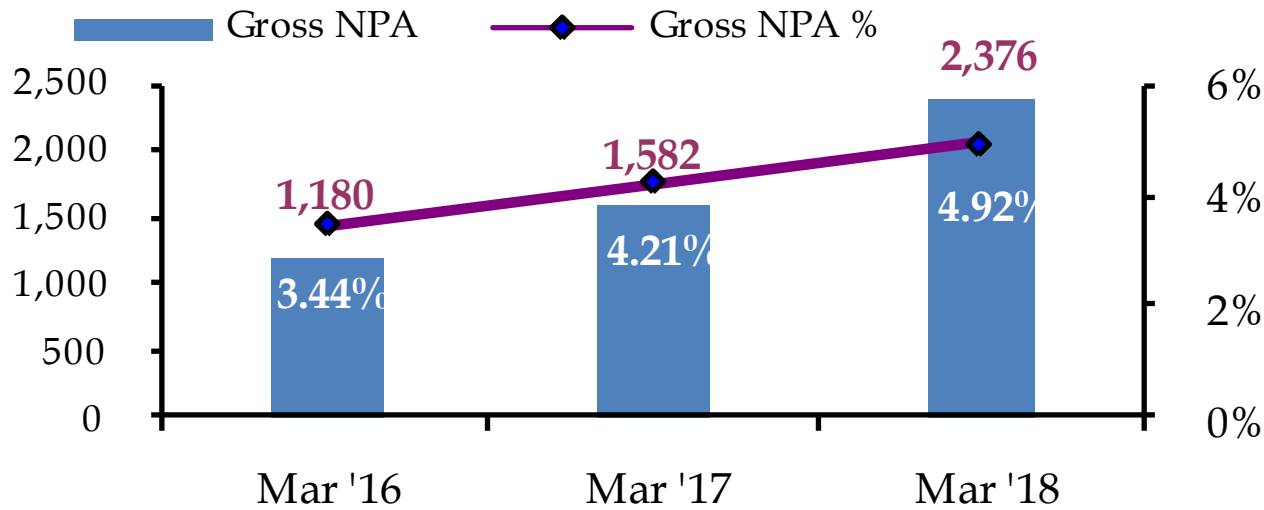


Yield on Advances & Interest Spread (%)

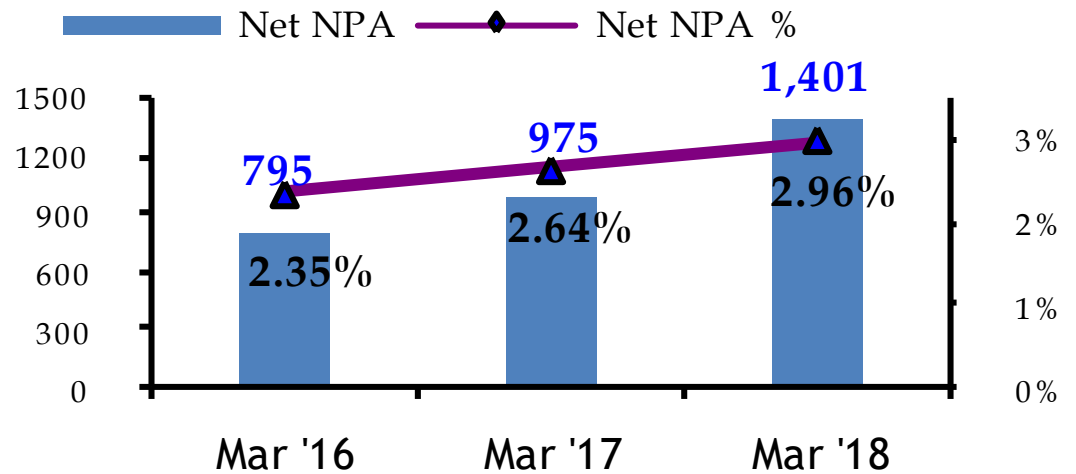




Gross NPAs (₹ crs)

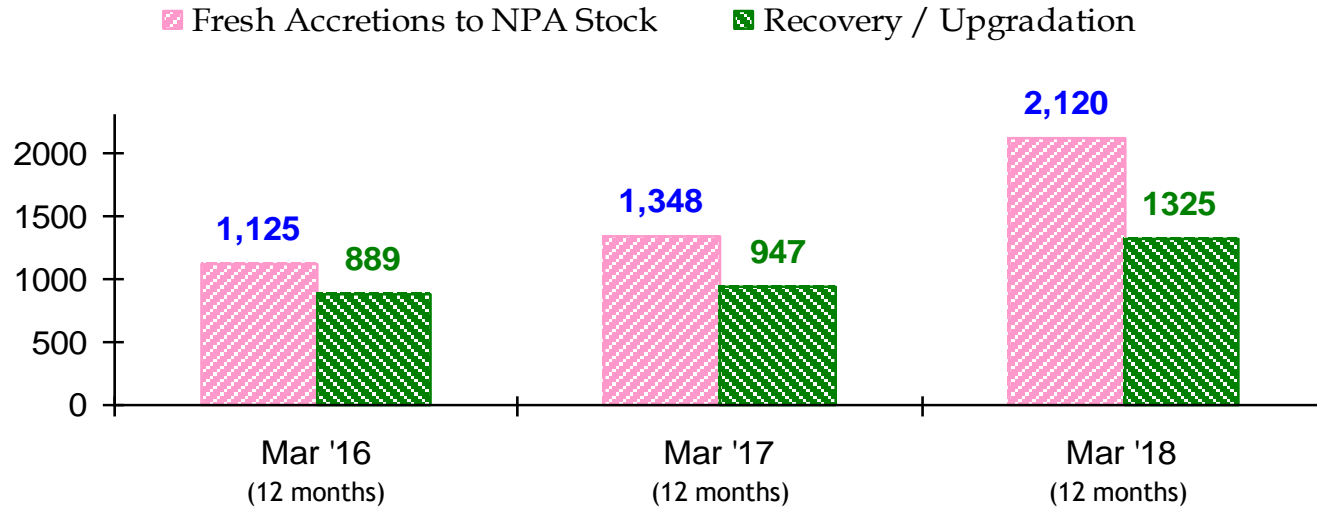


Net NPAs (₹ crs)

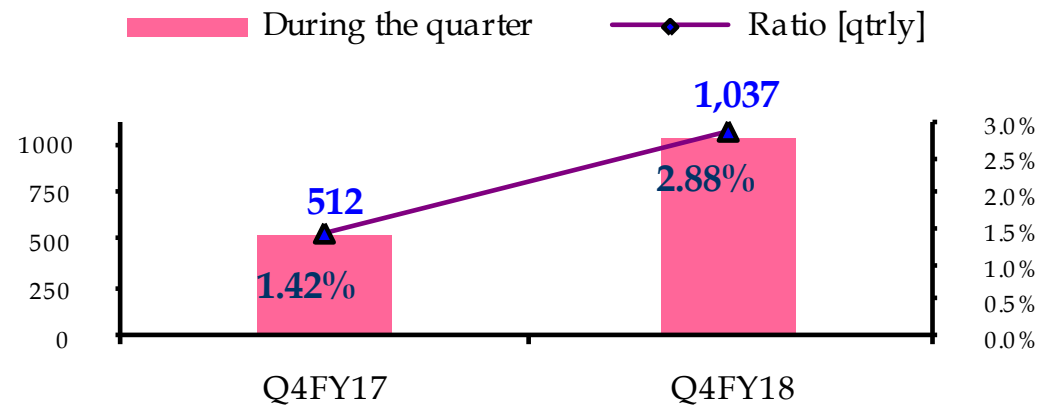




Fresh accretions and recoveries (₹ crs)



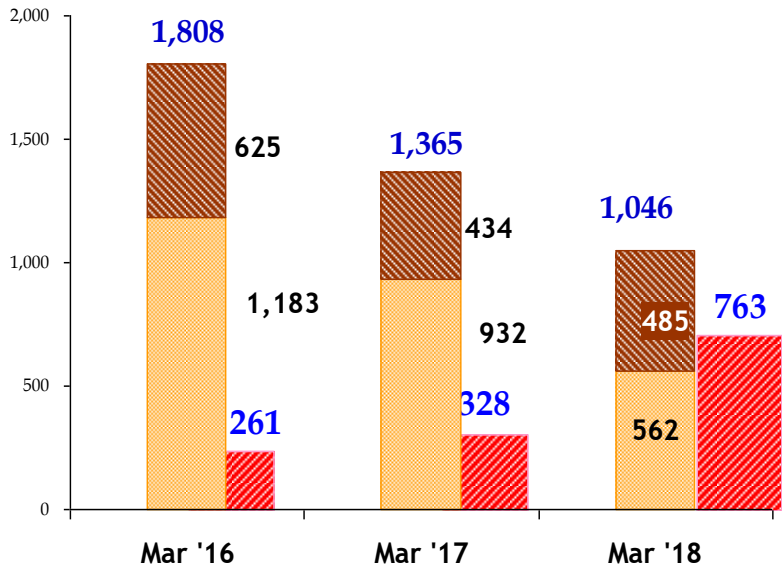
Slippages (₹ crs)





Restructured loans & related accounts

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

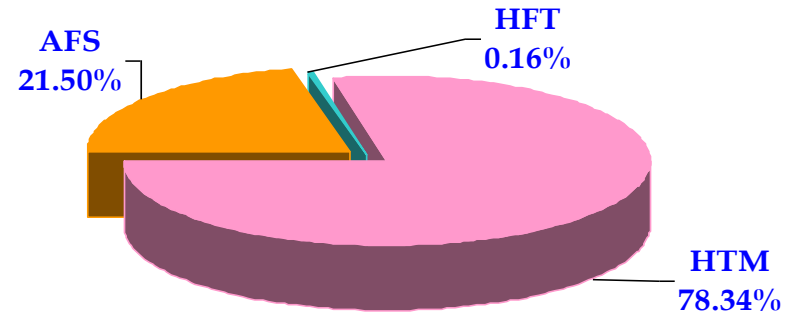
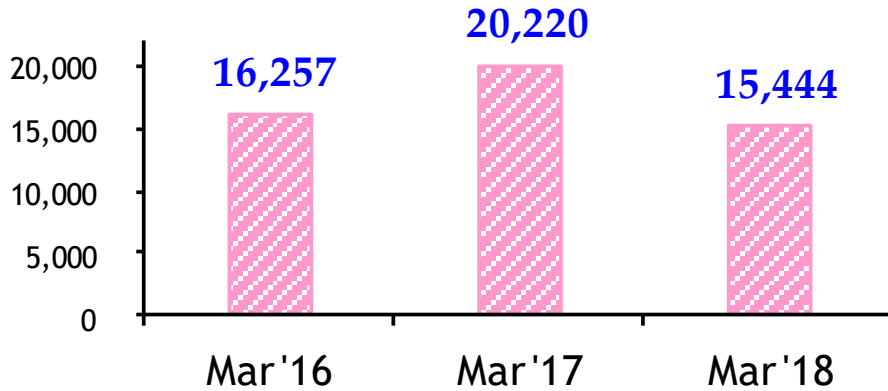


Sector wise Restructured Adv. as Mar '18:

Sector	Restructured Adv.	Of which, NPA
Infrastructure	448.98	318.16
Large Industry	423.22	343.04
Real Estate [including CRE, excluding Services]	81.57	81.57
MSME [excl. Infrastructure]	37.15	6.62
Others	27.11	0.96
Agriculture	20.98	12.64
Education [Individual + Institution]	5.94	0.04
Wholesale/Retail Trade [excl. services]	1.48	-
Grand Total	1,046.43	763.03

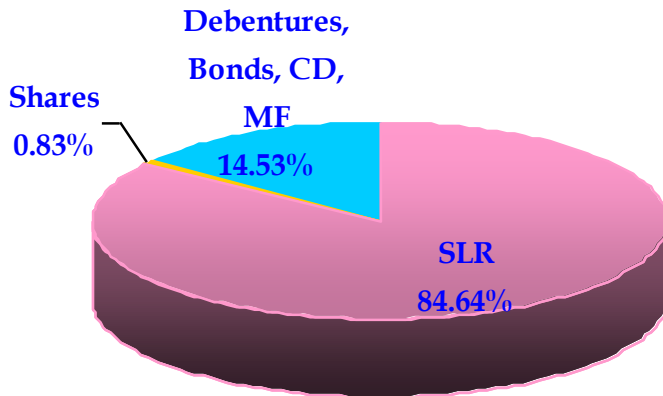


Investments [excl. RIDF] (₹ crs)

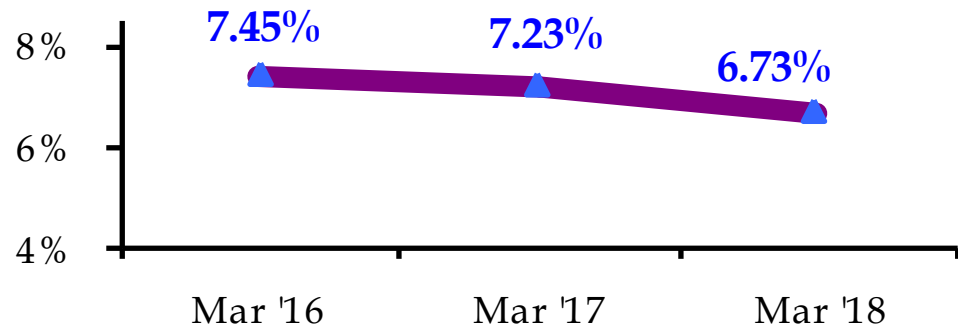


Duration

AFS	HFT	HTM	TOTAL
2.63	0.00	5.58	4.92



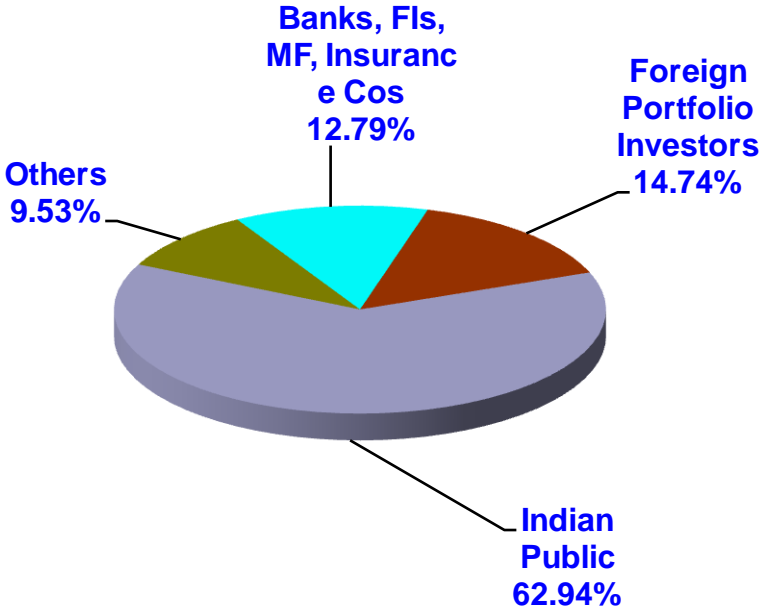
Yield on Investments (%)



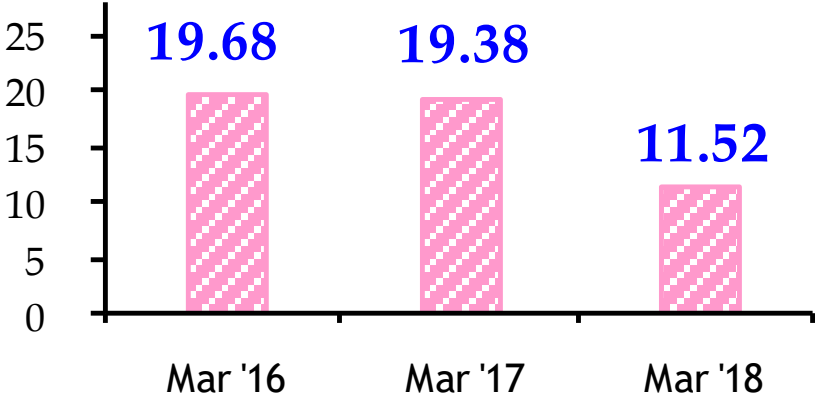
Share holders' value



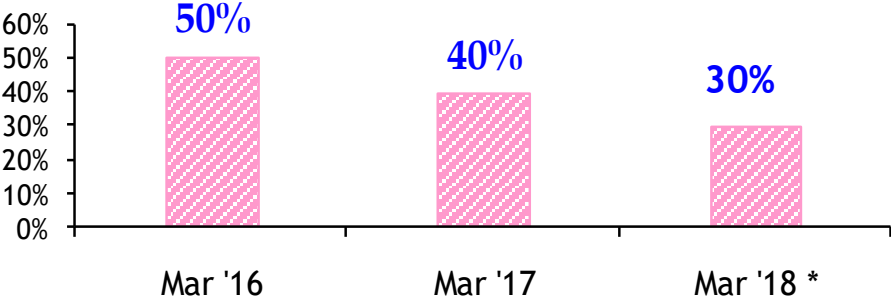
Share holding pattern (Mar '18)



Earning Per Share (₹)

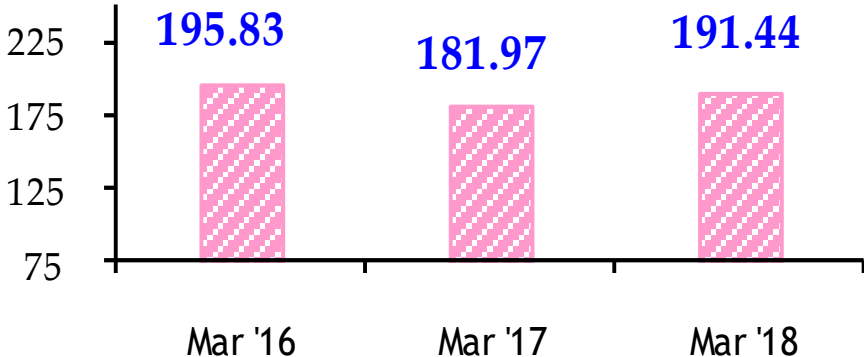


Dividend (%)



* proposed

Book value (₹)

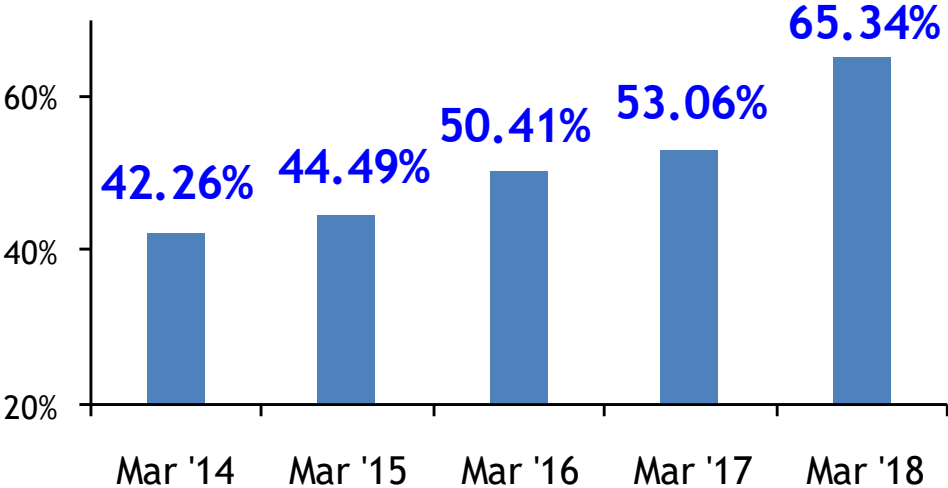


Leveraging on Technology



Migration to Digital Channel

[share of ADC transactions to total CBS transactions]

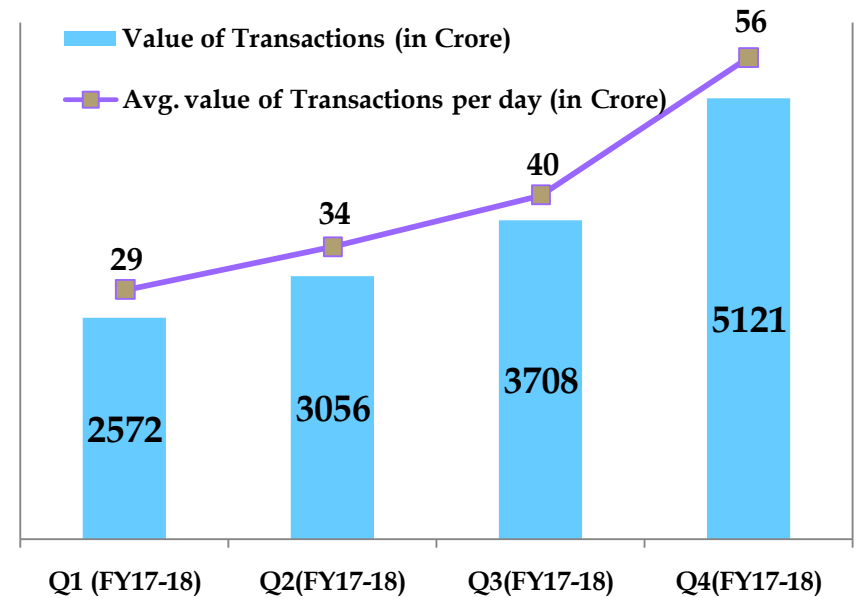
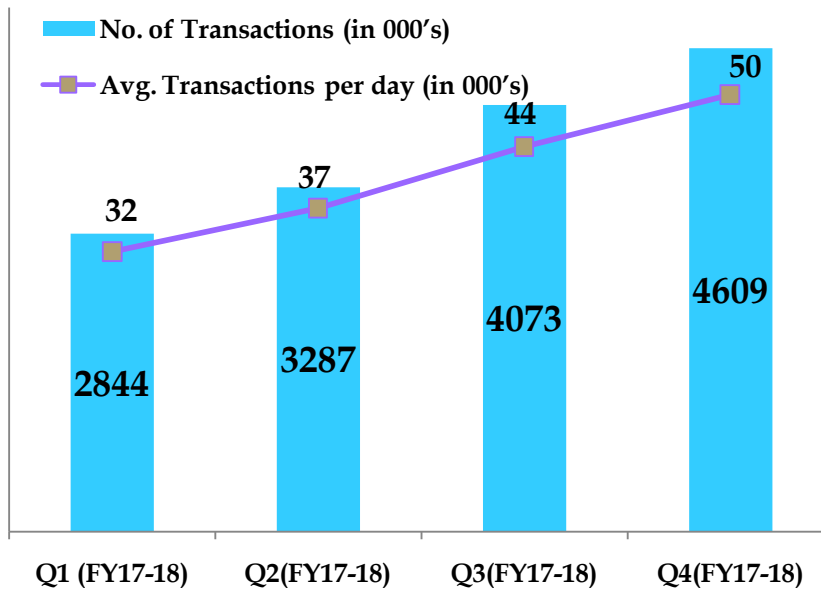
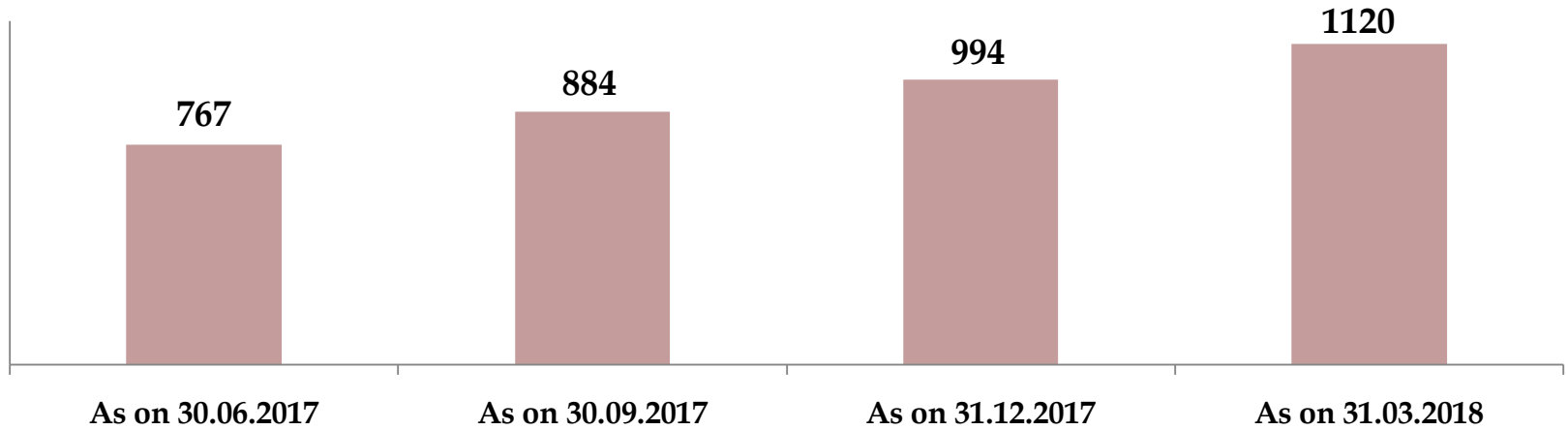


MULTI-DIMENSIONAL BANKING. POWERED BY TECHNOLOGY.





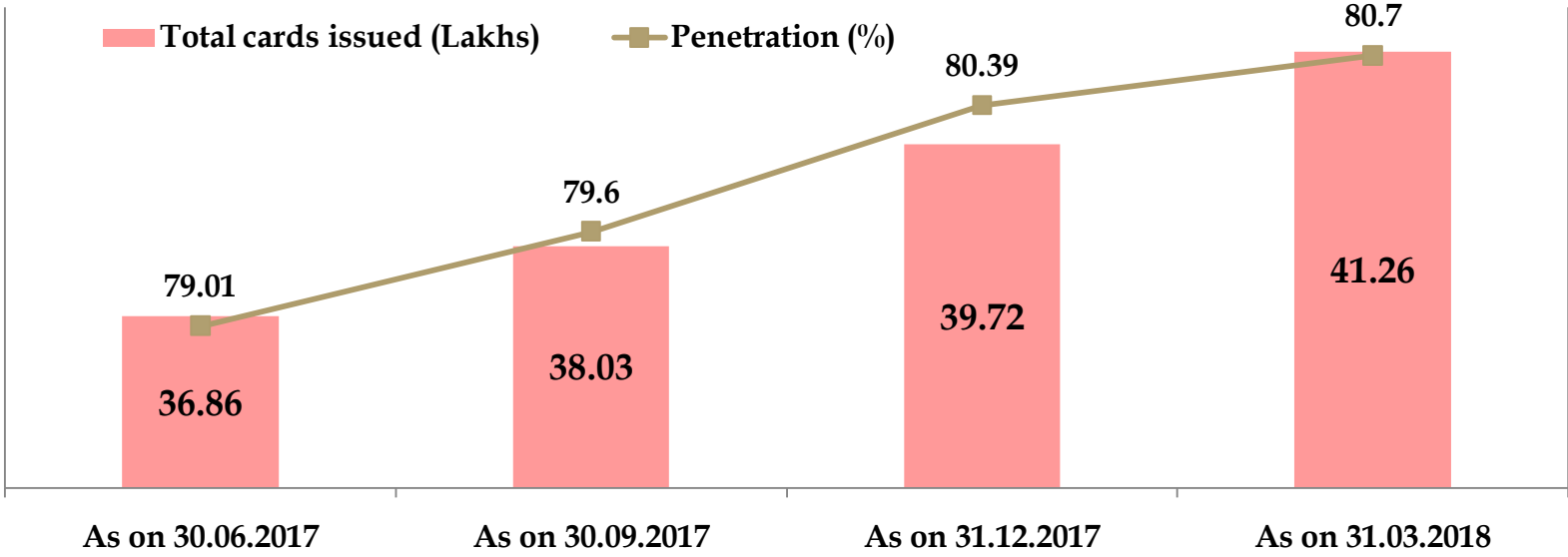
No. of Regd users (Thousands)



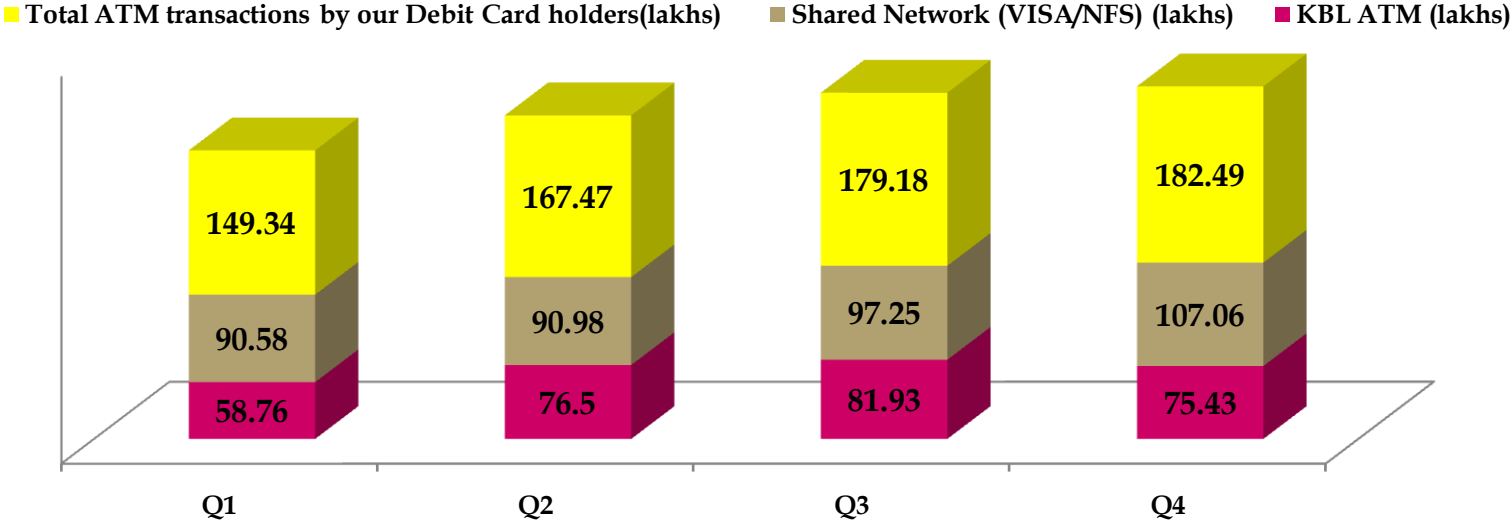
Debit Cards



Debit cards Penetration



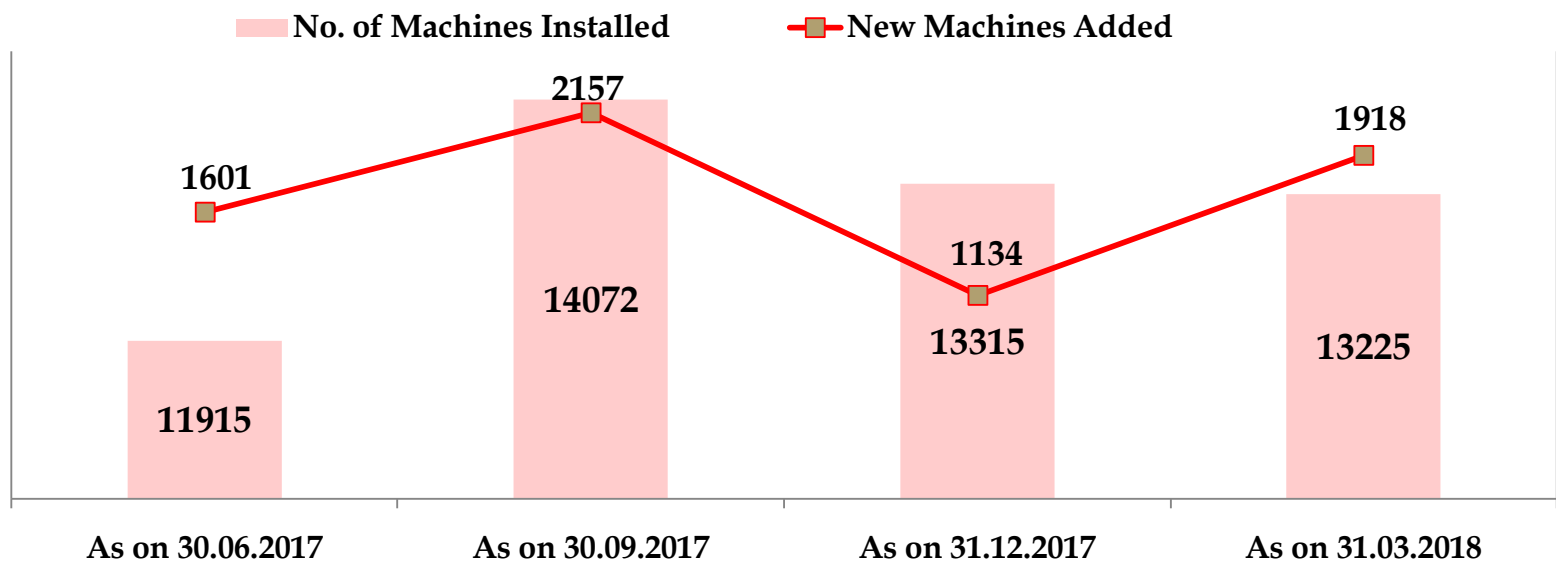
Cards Usage



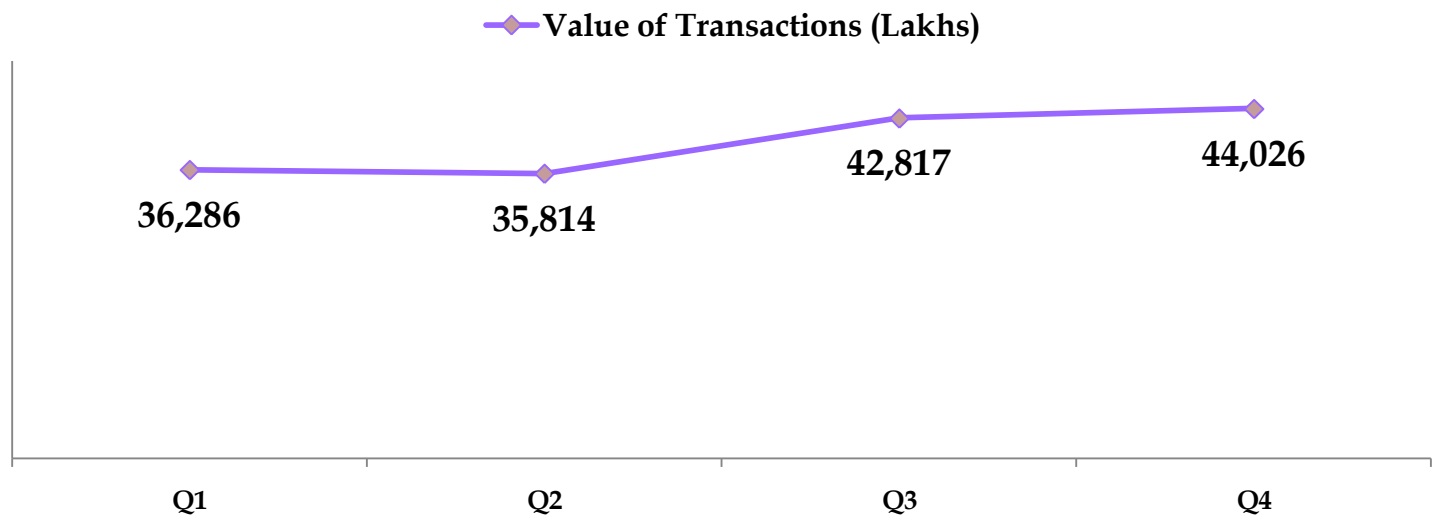
Point of Sale (POS) Business



POS Installation Report



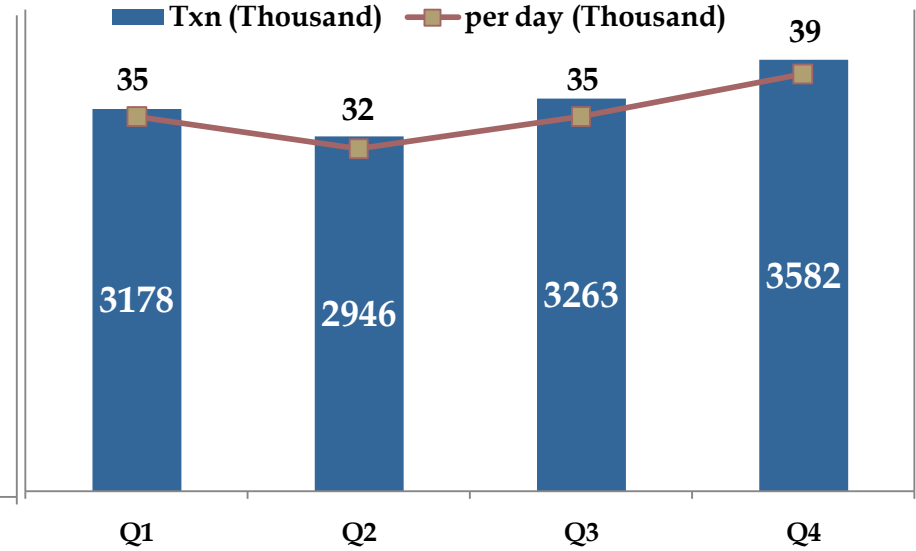
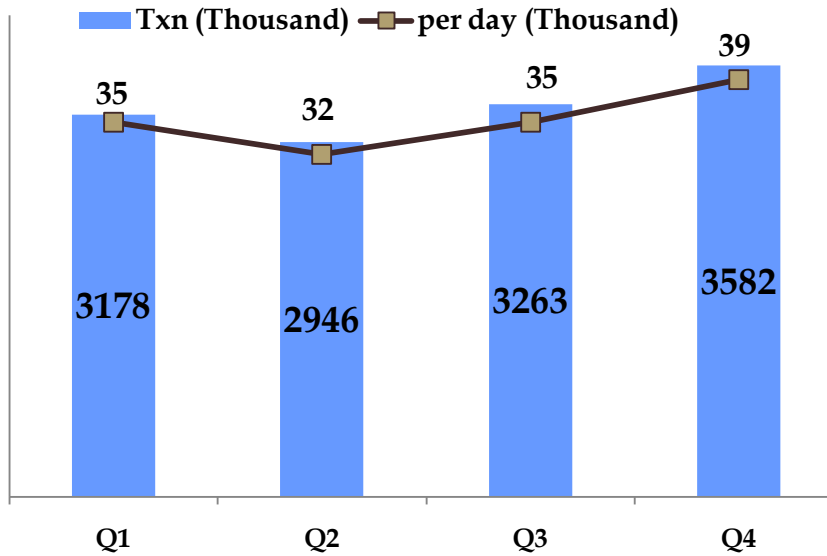
POS Transaction Value



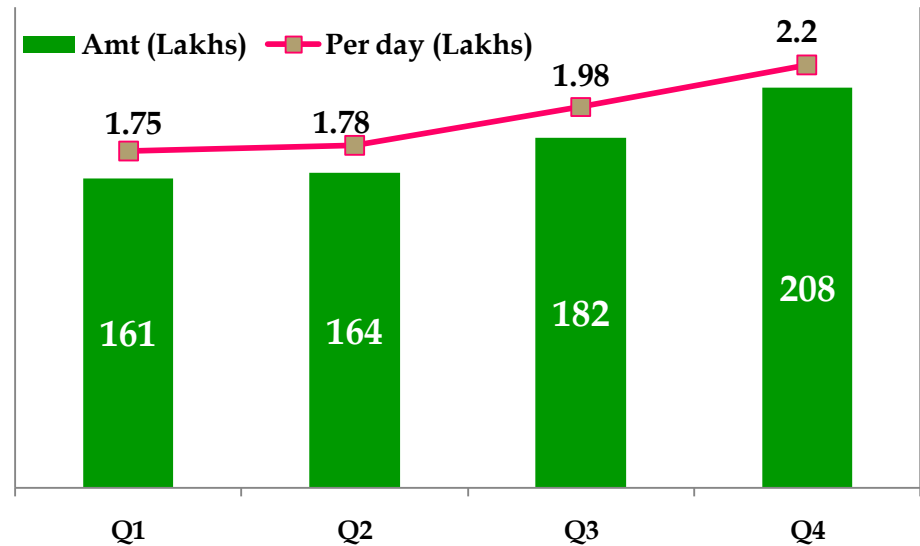
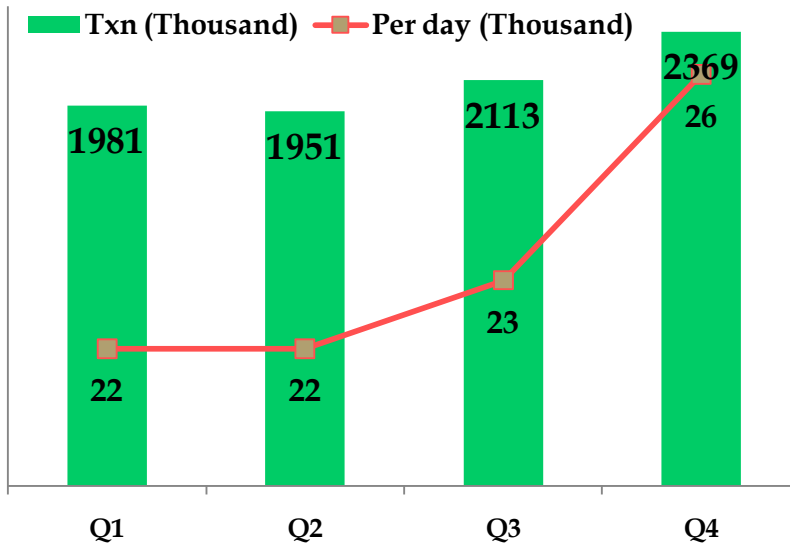
POS & ECOM transactions



POS Transactions



ECOM Transactions



Annexure

Deposits & Advances



₹ crs	<u>Mar-16</u>	<u>Mar-17</u>	<u>Mar-18</u>
Total Deposits	50,488	56,733	62,871
CASA Deposits	13,261	16,473	17,594
Retail Deposits	37,073	40,089	42,196
Wholesale Deposits	154	171	3,081
Total Advances	33,902	36,916	47,252
Priority Sector Advances	16,150	17,239	20,594
Agri Advances	5,837	6,583	6,878
MSE Advances	8,037	8,496	9,683
Advances to Weaker Section	2,603	2,544	2,532

Income & Expenditure



₹ crs	<u>Mar-16</u> [12 months]	<u>Mar-17</u> [12 months]	<u>Mar-18</u> [12 months]
Interest Income	4,992	5,185	5,424
Interest Expense	3,689	3,694	3,566
Net Interest Income	1,303	1,491	1,858
Fee Income	481	505	757
Treasury Income	62	304	197
Non-Interest Income	543	809	954
Total Income (Net of Interest Expense)	1,846	2,300	2,812
Operating Expenses	991	1,304	1,339
Operating Profit	855	996	1,473
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	440	544	1,147
Net Profit	415	452	326

Interest Income & Interest Expenditure



₹ crs	<u>Mar-16</u> [12 months]	<u>Mar-17</u> [12 months]	<u>Mar-18</u> [12 months]
<u>Interest Income</u>			
Interest Income	4,992	5,185	5,424
Interest on Advances	3,700	3,794	4,082
Interest on Investments	1,190	1,271	1,162
Other interest	102	120	180
Yield on Advances	11.55%	10.81%	9.84%
Adjusted yield on Invts.	7.76%	8.88%	7.31%
<u>Interest Expense</u>			
Interest Expense	3,689	3,694	3,566
Interest on Deposits	3,588	3,601	3,473
Other interest	101	93	93
Cost of Deposits	7.51%	6.73%	6.06%
<u>Net Interest Income</u>			
Net Interest Income	1,303	1,491	1,858
Interest Spread in Lending	4.04%	4.08%	3.78%
Net Interest Margin on average assets	2.40%	2.79%	3.18%

Capital Adequacy under BASEL III



₹ crs283	<u>Mar-16</u>	<u>Mar-17</u>	<u>Mar-18</u>
Total Risk Weighted Assets	34,787	38,902	44,981
Total Capital Fund	4,185	5,172	5,414
Total Tier I Capital	3,675	4,749	5,079
 Paid up Equity Capital	188	283	283
 Reserves under Tier I Cap.	3,487	4,467	4,796
Total Tier II Capital	510	423	335
 Surplus Provisions & Reserves	250	258	235
 Subordinated Debt Fund	260	165	100
Total CRAR	12.03%	13.30%	12.04%
 CRAR Common Equity Tier I Capital	10.56%	12.21%	11.29%
 CRAR Tier I Capital	10.56%	12.21%	11.29%
 CRAR Tier II Capital	1.47%	1.09%	0.75%

Other initiatives / developments



- ❖ Launched KBL-VIKAAS – Bank’s Transformation initiative.
- ❖ Launched Bank’s official page on social media - FaceBook, Twitter, Instagram and YouTube.
- ❖ Revamped official website.
- ❖ 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 at different locations.
- ❖ Enabled Talking ATM facility at some of our ATMs.
- ❖ Introduced value added services to debit card holders through IVR facility.
- ❖ Implemented KBL-Locator.
- ❖ Implemented White Label Education Institution Fee payment module KBL e-Collect.
- ❖ Joined hands with Isha Foundation for Rally for Rivers campaign.
- ❖ Implemented Audit automation process.
- ❖ Launched e-Learning platform for staff members.
- ❖ Opened Bank’s Aadhar Enrollment and Updation Centres at various locations.
- ❖ Opened first ‘All Women Branch’ at Bull Temple Road, Bengaluru.

Corporate Social Responsibility



Inauguration of the new Sabha Bhavana complex of Sri Guru Narasimha Temple, Saligrama, constructed with the assistance of the Bank.

Inauguration of the new school auditorium of Shubhodaya Vidyalaya, Shivanagara, Moodushedde, Mangaluru, constructed with the assistance of the Bank.





Business Strategy



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

KBL VIKAAS 



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



- ❖ **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.
- ❖ 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.



Thank You

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



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



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