



Karnataka Bank Ltd.
Your Family Bank. Across India.

Analysis of Financial Results

September 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. Consistent track record of profit since inception
8. 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 **9.2 million** customers.
- Forayed into General Insurance business as a JV partner in Universal Sampo General Insurance Company Limited.
- **2,173** service outlets with **773** branches, **3** Extension Counters and **1,397** ATMs in 507 centres across India as on Sept 30, 2017.
- Business Turnover of **₹ 97,685 crore** as at 30.09.2017.

2017	<ul style="list-style-type: none"> • Formed Investor Relation Cell • Networth of the Bank crossed ₹ 5,000 crs
2016	<ul style="list-style-type: none"> • 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 • BPR implementation under the guidance of M/s KPMG Advisory Services Pvt Ltd. commenced
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 Sampo 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 to 1966	<ul style="list-style-type: none"> • Took over assets and liabilities of 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:

- ❖ **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,
 - ❖ Winner - Brand Ambassador Trophy.
- ❖ **ISO 9001 : 2015 Certification**, bagged by Bank's Staff Training College at Mangaluru for compliance to quality management standards, instituted by TVE Certification Services Pvt. Ltd., Trichy.
- ❖ **Best Bank Award** among Small Banks for **use of Technology for Financial Inclusion**, instituted by IDRBT.



Shri Mahabaleshwara M S, Managing Director & CEO, receiving the award from Shri Sudarshan Sen, Executive Director, Reserve Bank of India, at Hyderabad on 01-09-2017. Bank has bagged the “Best Bank Award among Small Banks for use of Technology for Financial Inclusion” from IDRBT .

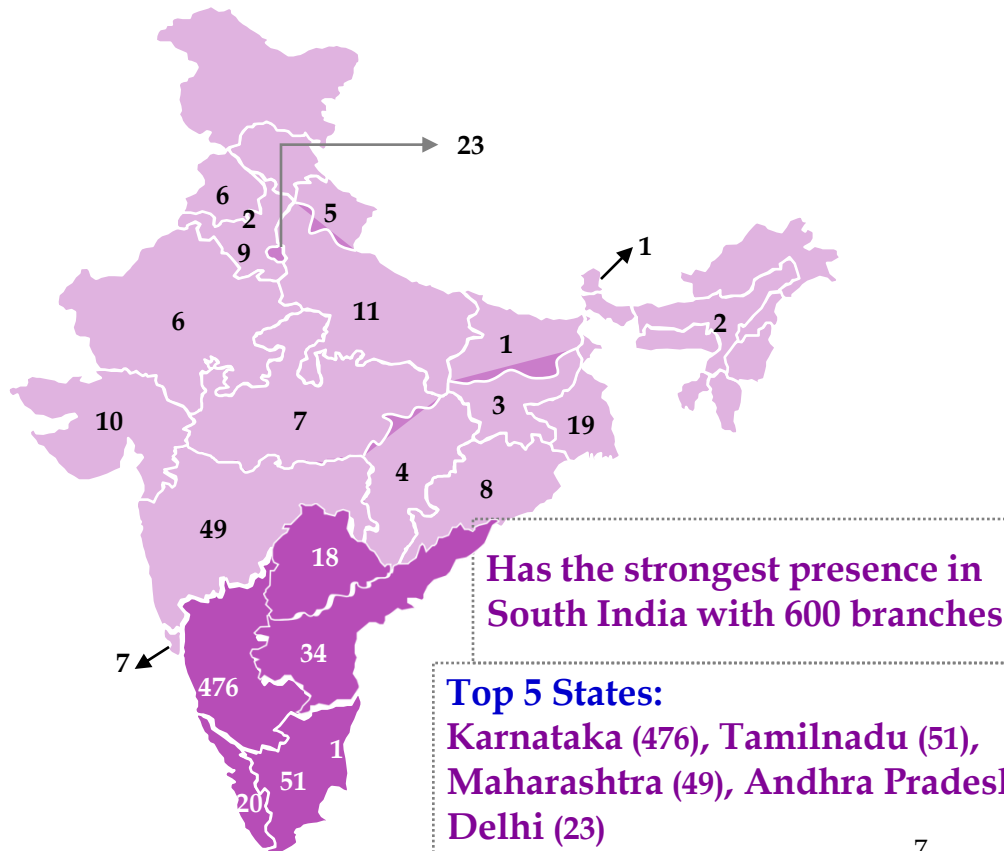
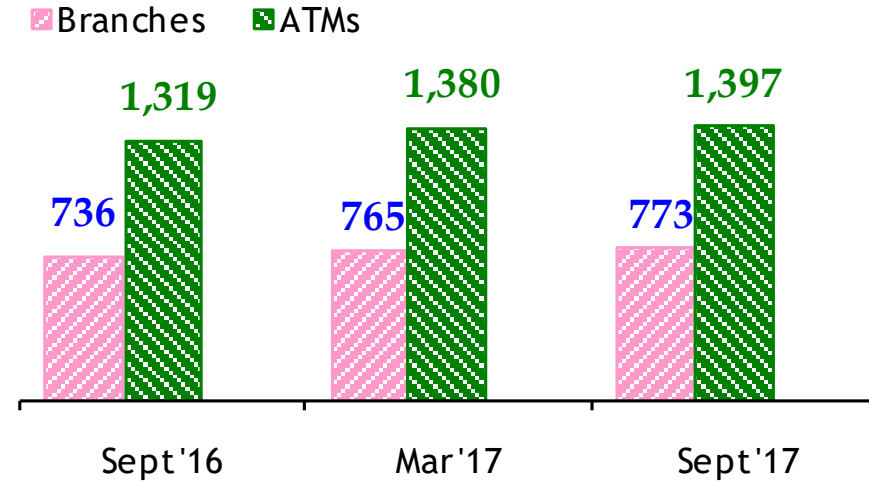
Pan-India footprint



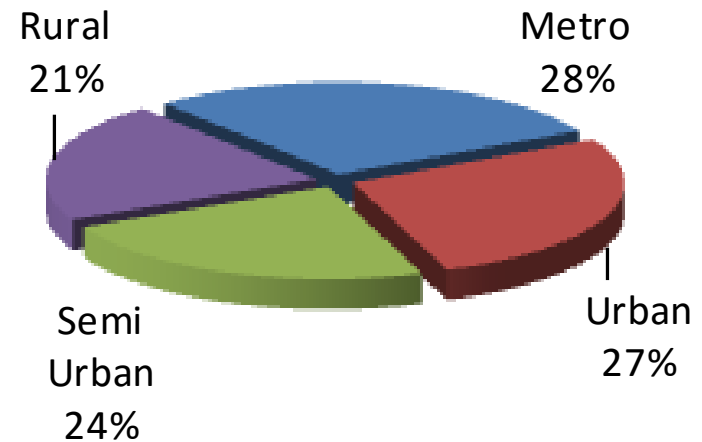
Pan-India Presence

- Total 2,173 service outlets –773 branches, 3 Extension Counters & 1,397 ATMs
- Total 31 e-Lobbies & 88 mini e-Lobbies
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion
- 103 Financial Inclusion branches, 37 Ultra Small branches
- Expanding network in northern India also.

No of branches & ATMs



Area wise distribution of branches (Sept '17)





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”.



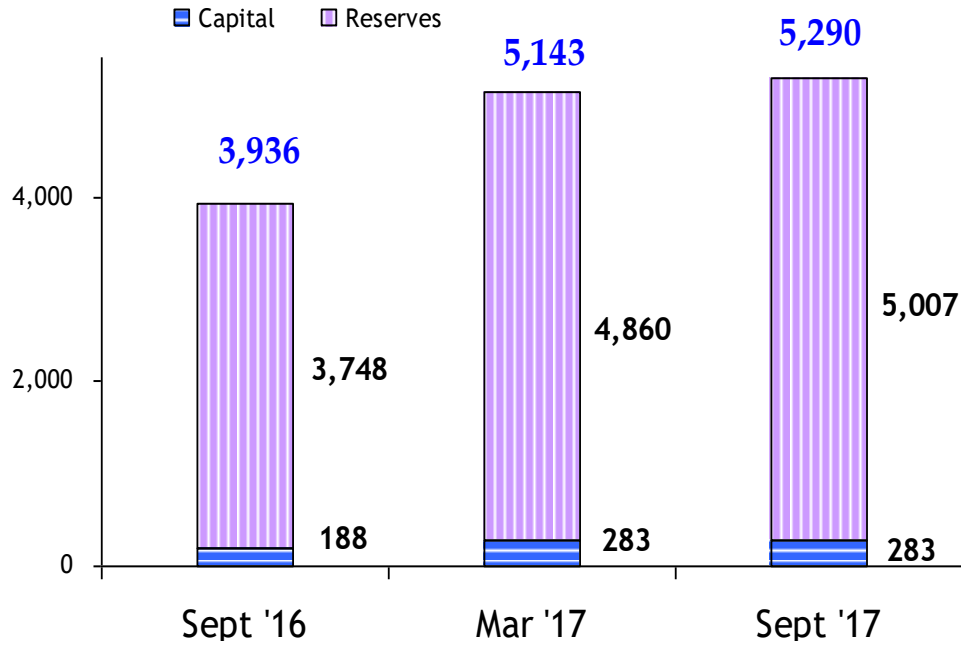
Effective risk management system

- ◆ 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.
- ◆ 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.

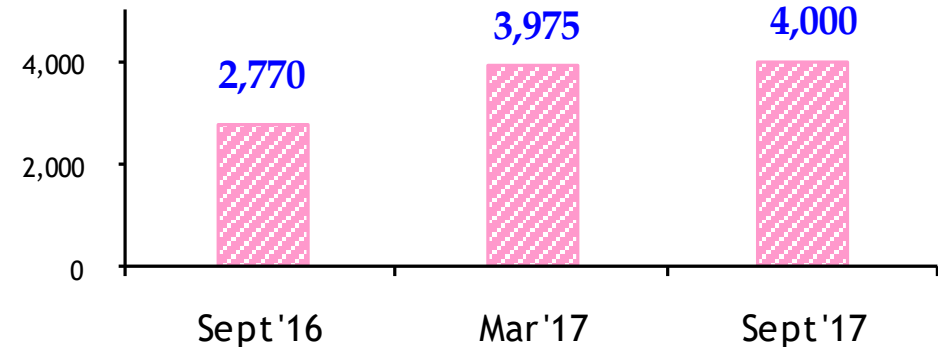
Financial strength of the Bank



Networth (₹ crs)



Market capitalisation (₹ crs)



Highlights - H1 FY 18



(₹ crs)

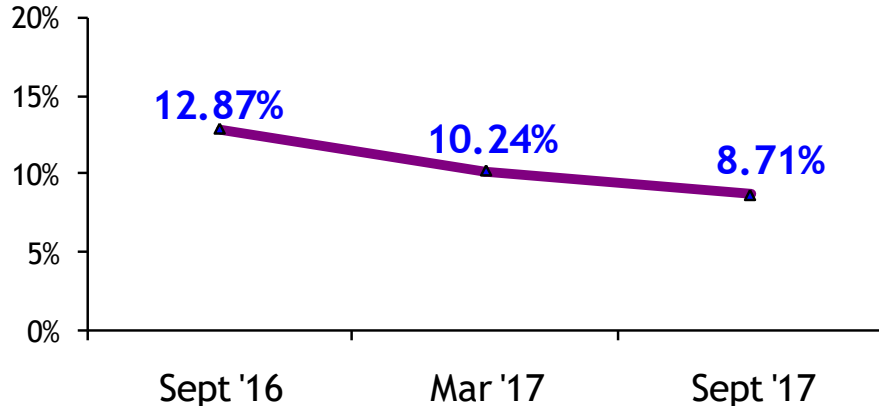
KPAs	H1 FY 18	H1 FY 17
Net profit	227.23	245.36
Operating profit	675.94	494.67
Turnover	97,685	89,707
Return on Asset	0.71%	0.84%
Earning per Share *	8.04	11.63
Return on Equity	8.71%	12.87%
Net Interest Margin	3.03%	2.95%
Gross NPA	4.13%	3.64%
Net NPA	3.04%	2.63%
Cost to Income	49.17%	56.07%
CRAR (Basel III)	12.46%	11.19%

* Not annualized

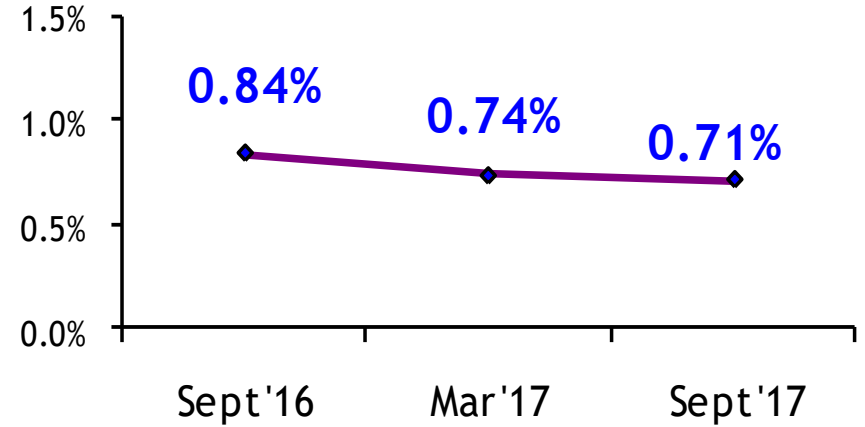
Return and Capital Adequacy Ratios



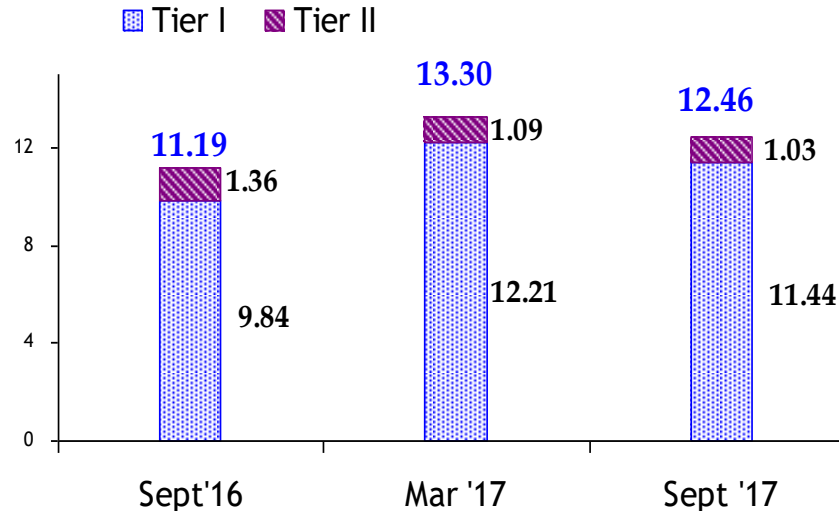
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)



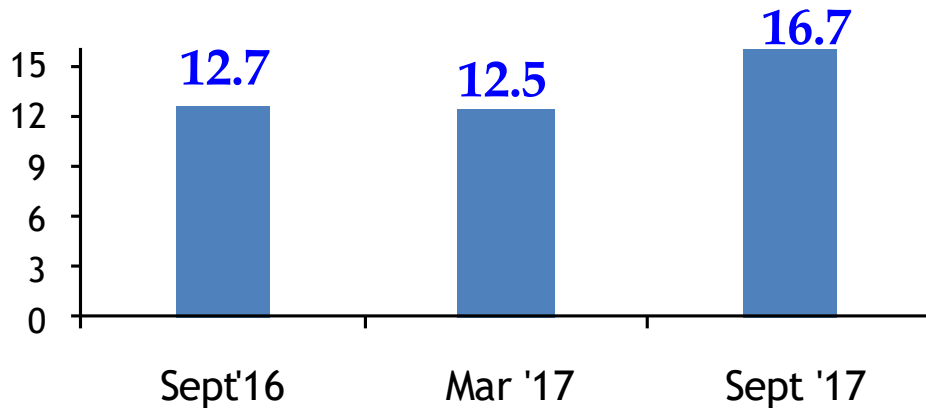
Capital Adequacy (%) - Basel III



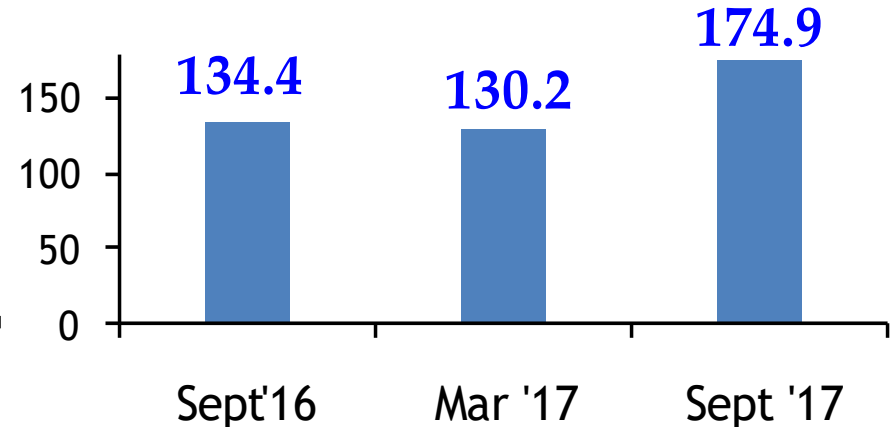
Productivity ratios



Operating Profit per employee (₹ lakh) *

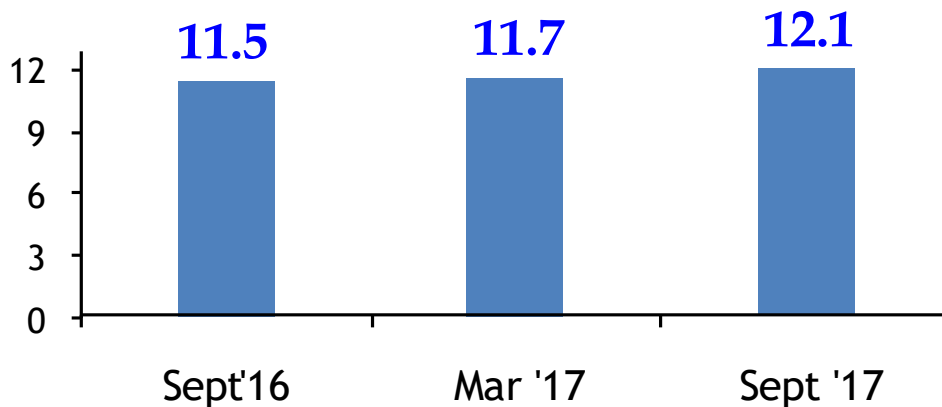


Operating Profit per branch (₹ lakh) *

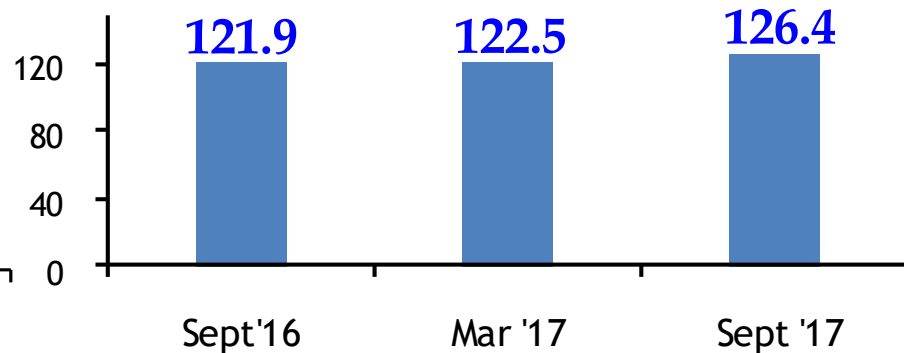


* annualised

Business per employee (₹ crs)



Business per branch (₹ crs)



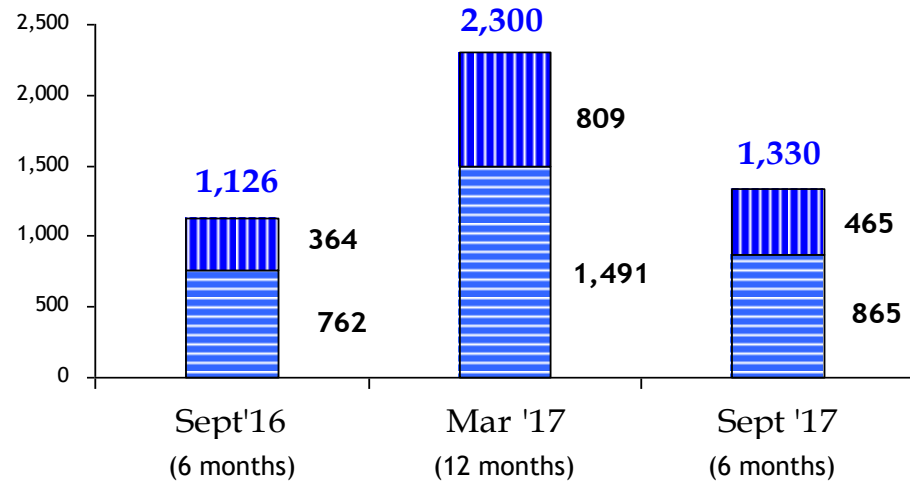
Financial Performance

Income & Profit



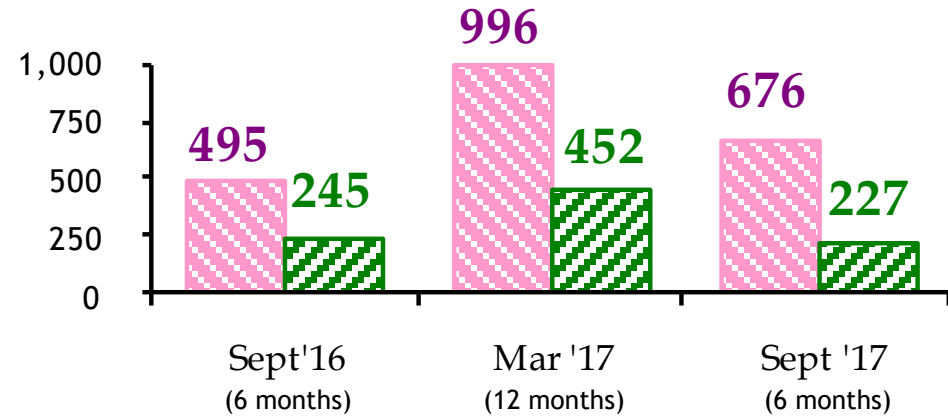
Net Income (₹ crs)

Net Interest Income Other Income

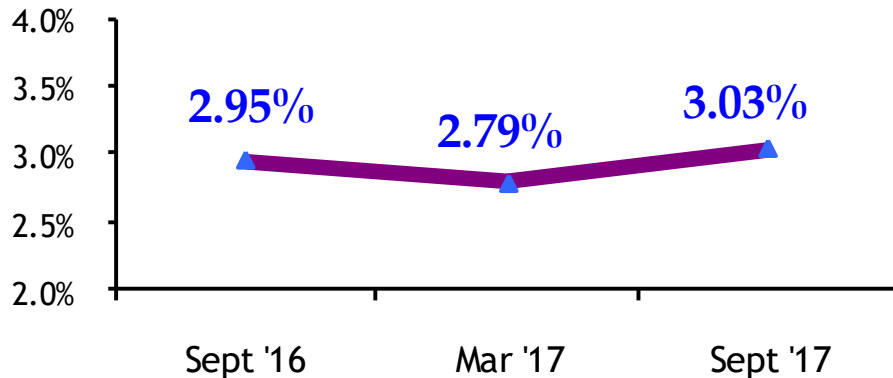


Operating and Net Profit (₹ crs)

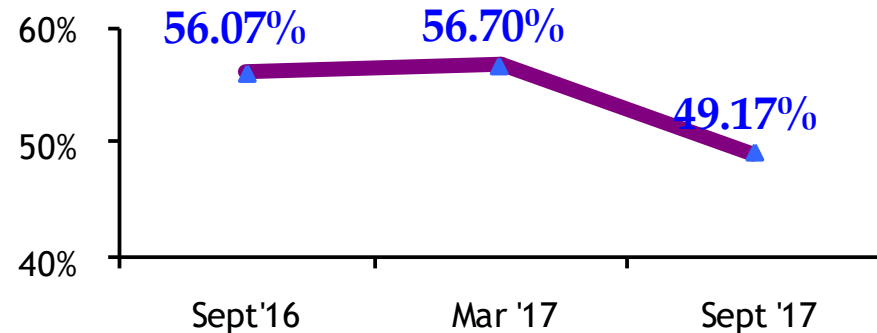
Operating profit Net profit



Net Interest Margins (%)



Cost to Income Ratio (%)

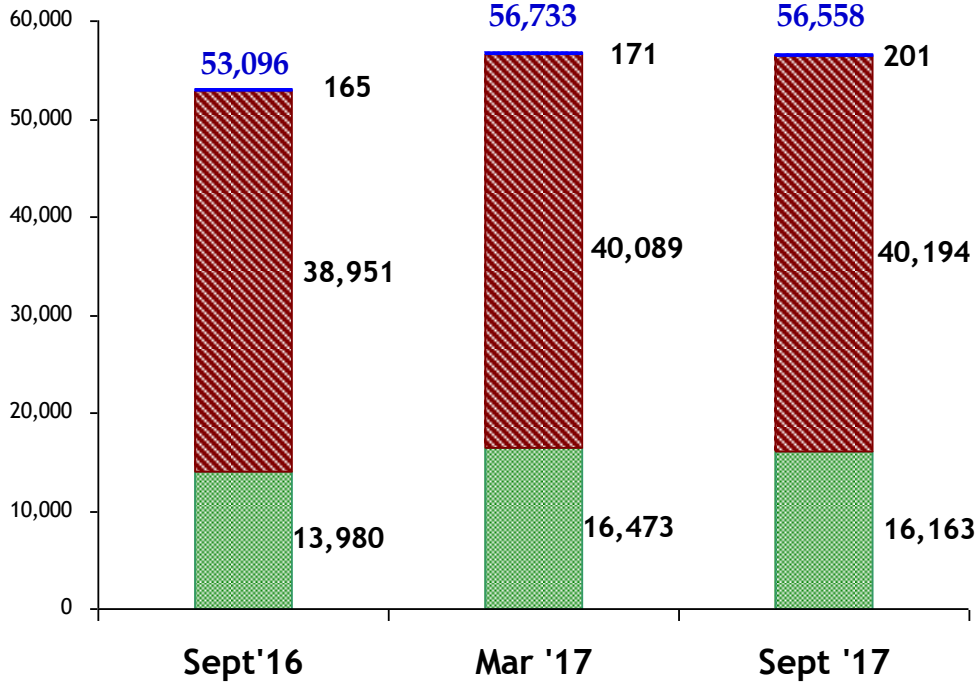


Deposits

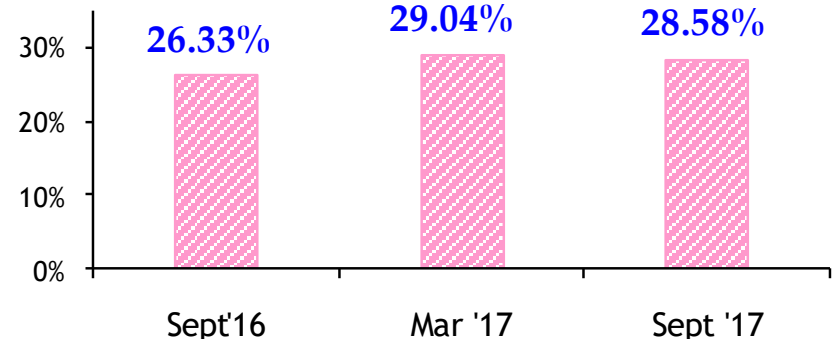


Deposits (₹ crs)

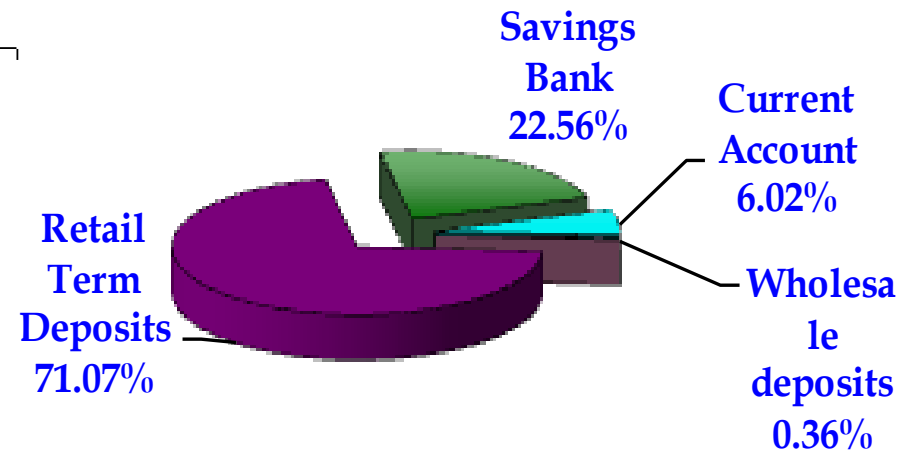
■ CASA
 ■ Retail
 ■ Wholesale deposits



CASA share to total Deposits



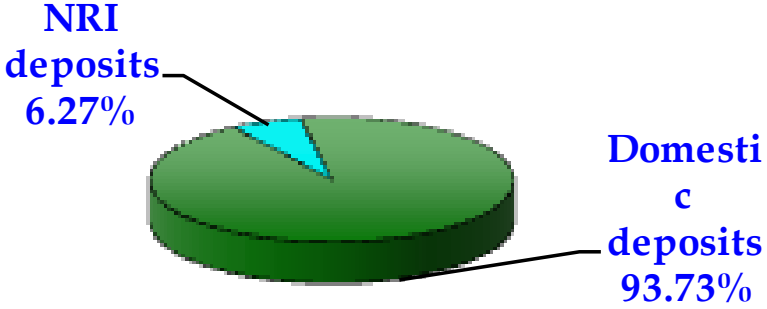
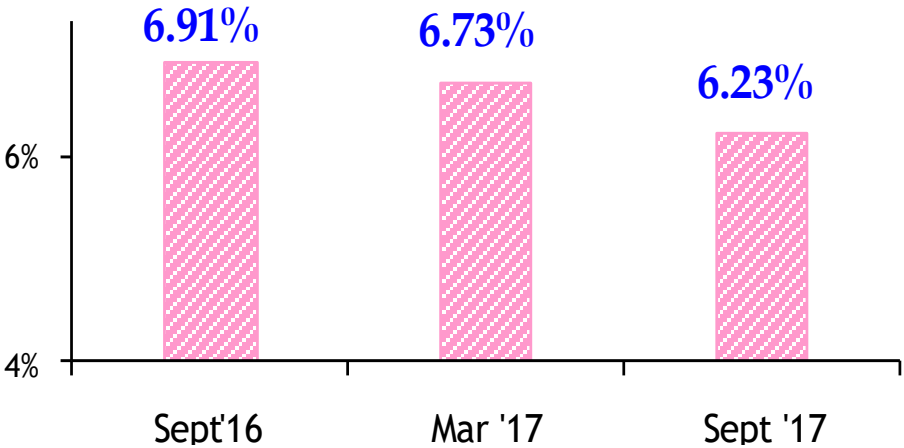
Deposits break up (Sept '17)



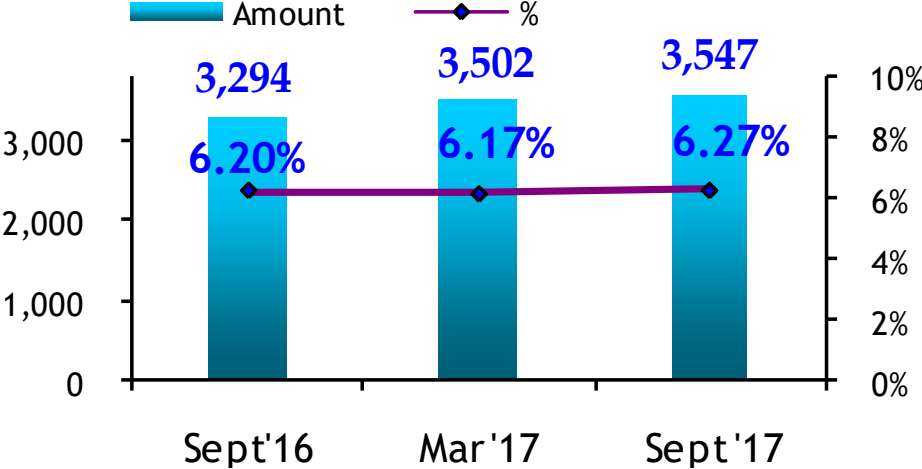
Deposits



Cost of Deposits

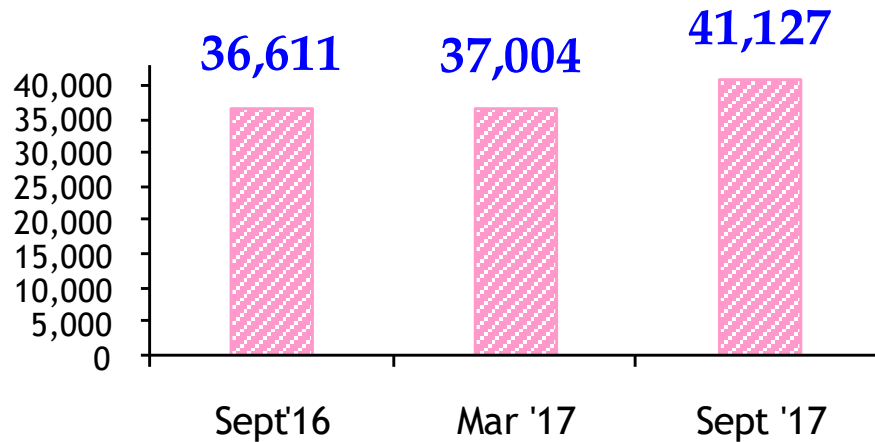


NRI Deposits (₹ crs)





Advances [Net] (₹ crs)



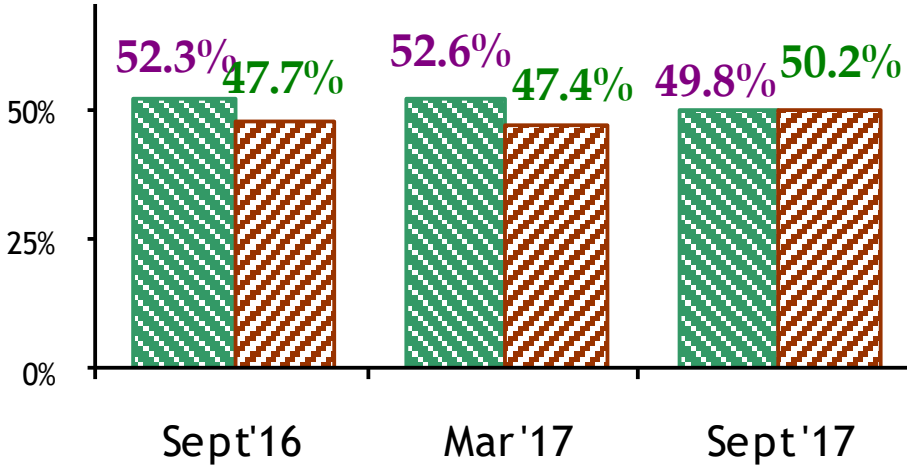
External rating wise Credit Portfolio as of Sept'17 [corporate borrowers]

Rating	No of Borrowers	Balance O/s (in crs)	% to GBC
AAA	11	2,561.08	6.16
AA	26	3,230.75	7.77
A	30	1,325.38	3.19
BBB	38	1,557.95	3.75
BB	28	1,445.56	3.48
B	13	323.89	0.78
C	-	-	-
D	8	723.67	1.74
Total	154	11,168.28	26.86
Gross Bank Credit		41,573.49	

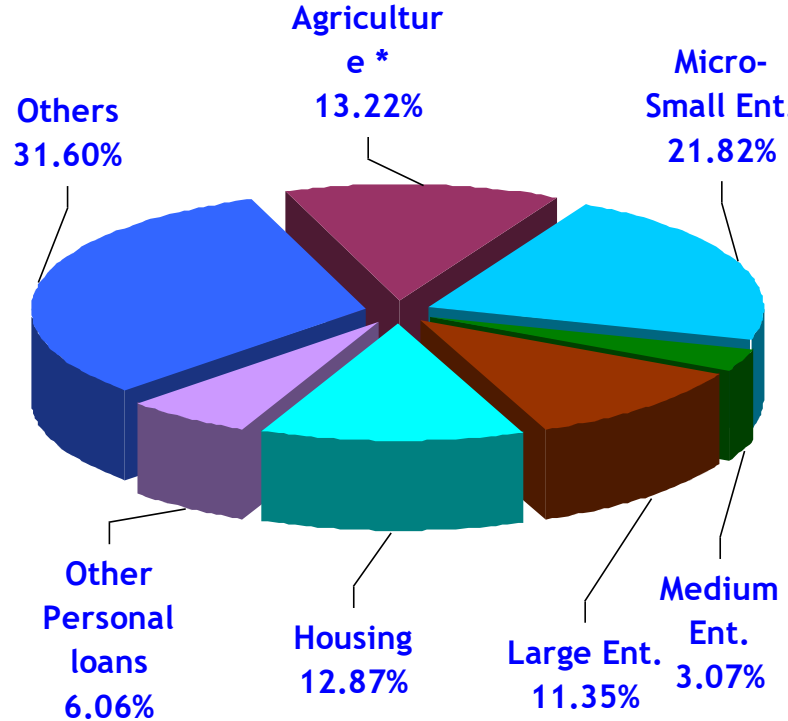


Retail & Corporate Advances (%)

■ Retail Advances



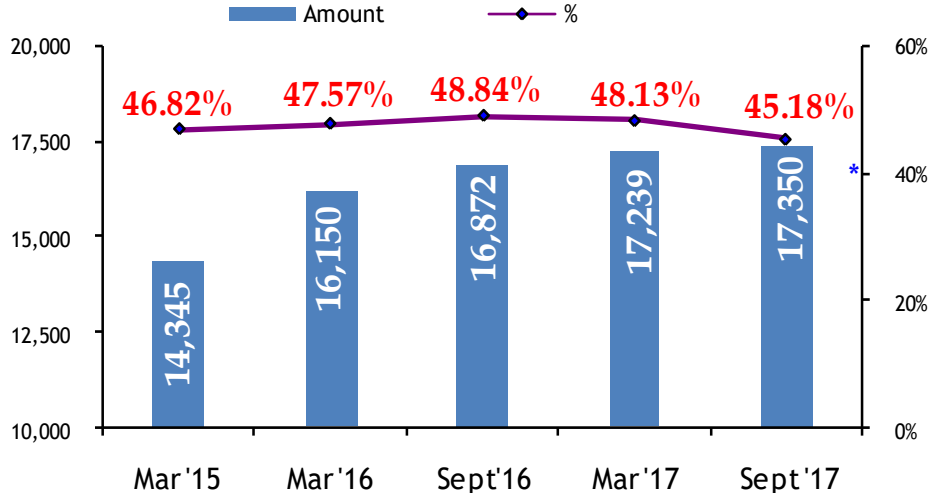
Segmentation of Advances (Sept '17)



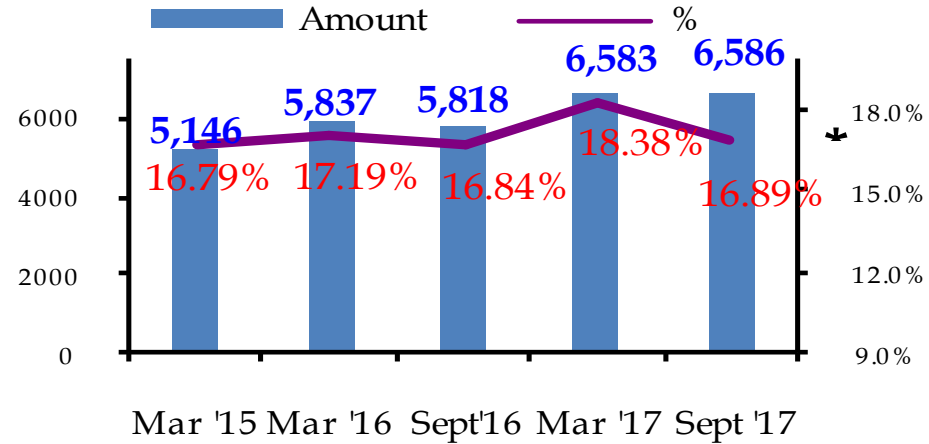
* However, this works out to 16.89% of the ANBC of 30.09.2016.



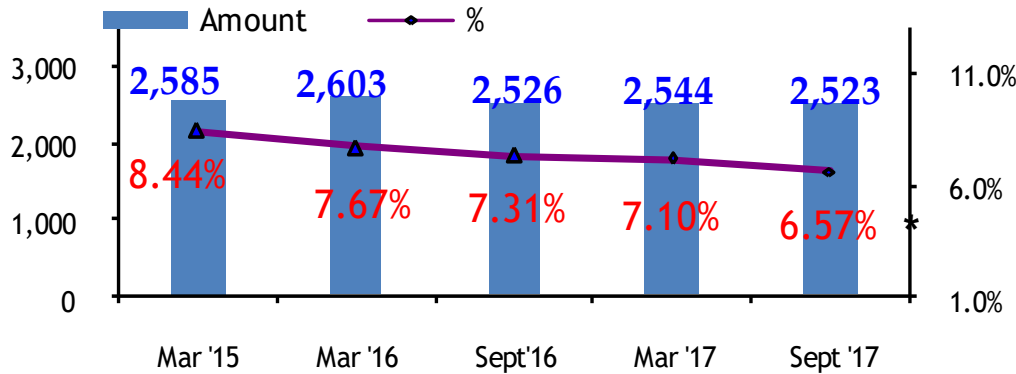
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)



Advances to Weaker Section (₹ crs)

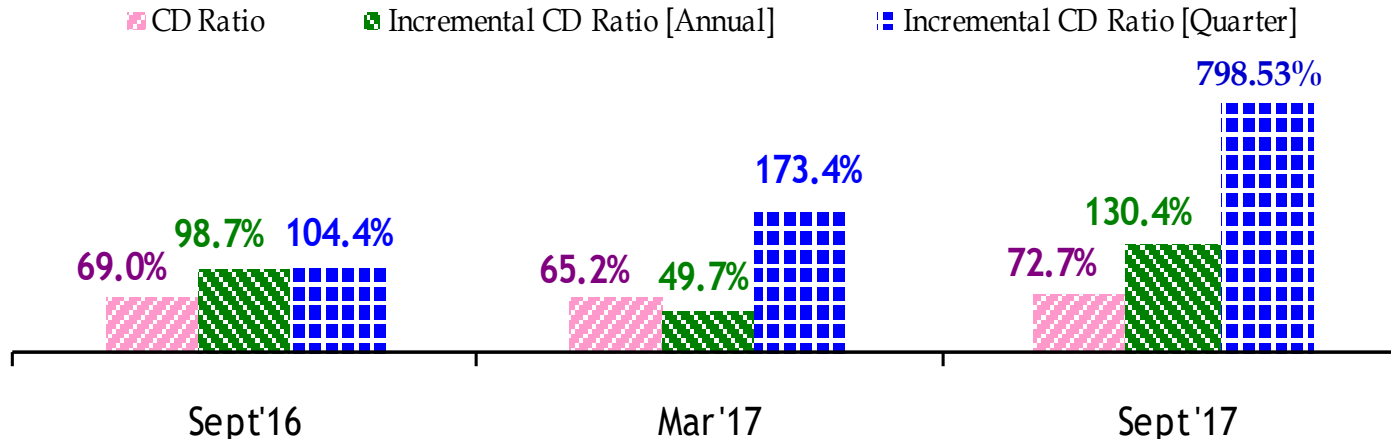


* Base figure for the calculation of % is ANBC as on March 31st of previous year.

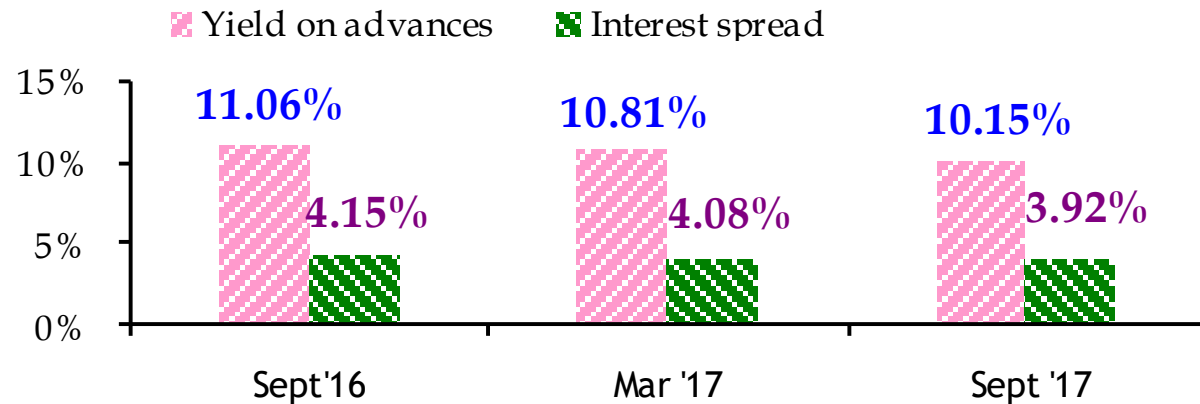
CD Ratio & Yield on Advances



Credit Deposit ratio (%)

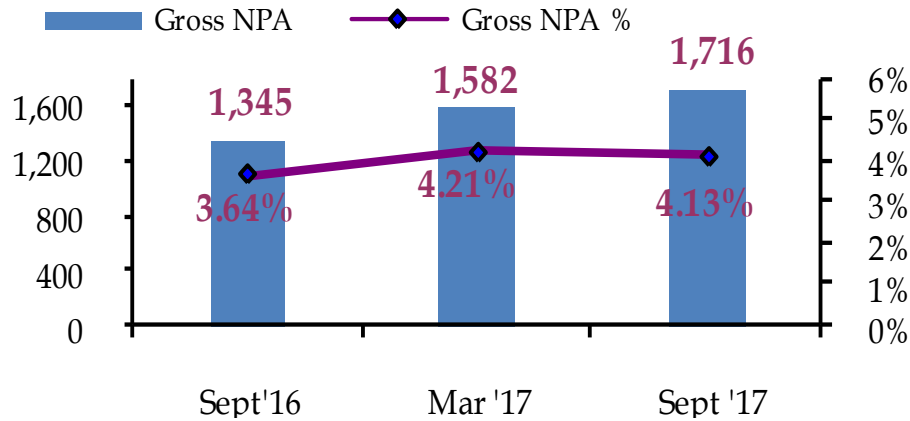


Yield on Advances & Interest Spread (%)

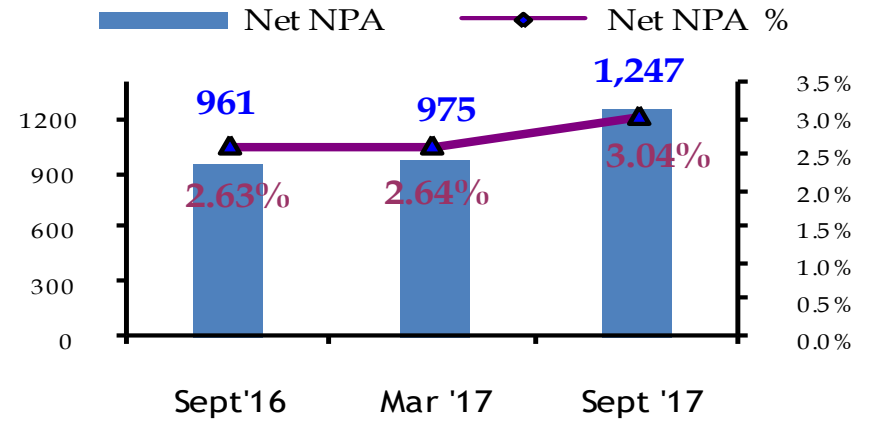




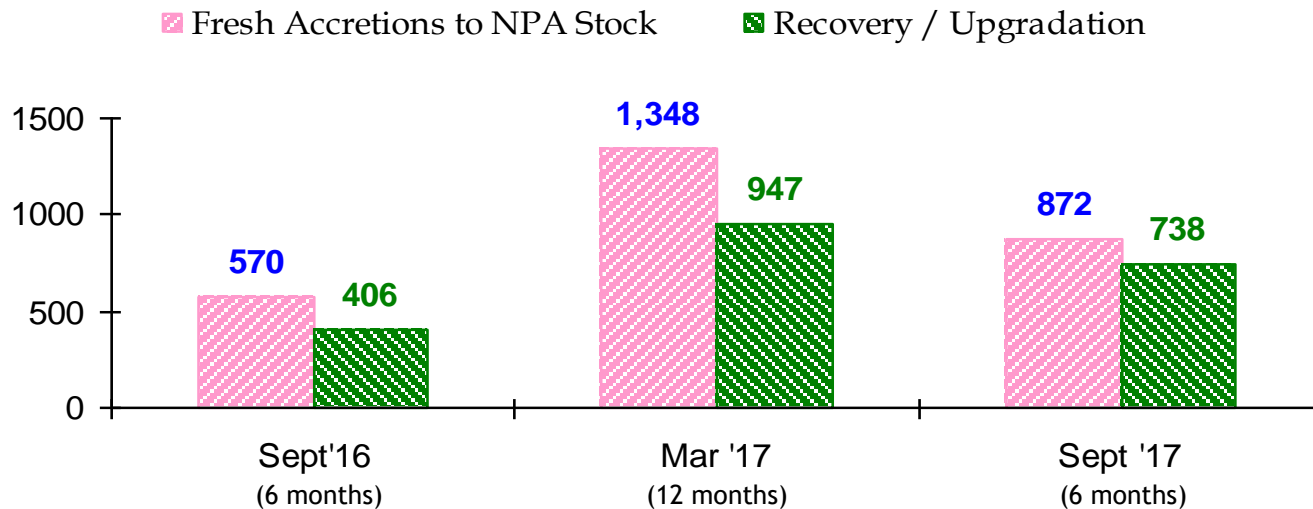
Gross NPAs (₹ crs)



Net NPAs (₹ crs)

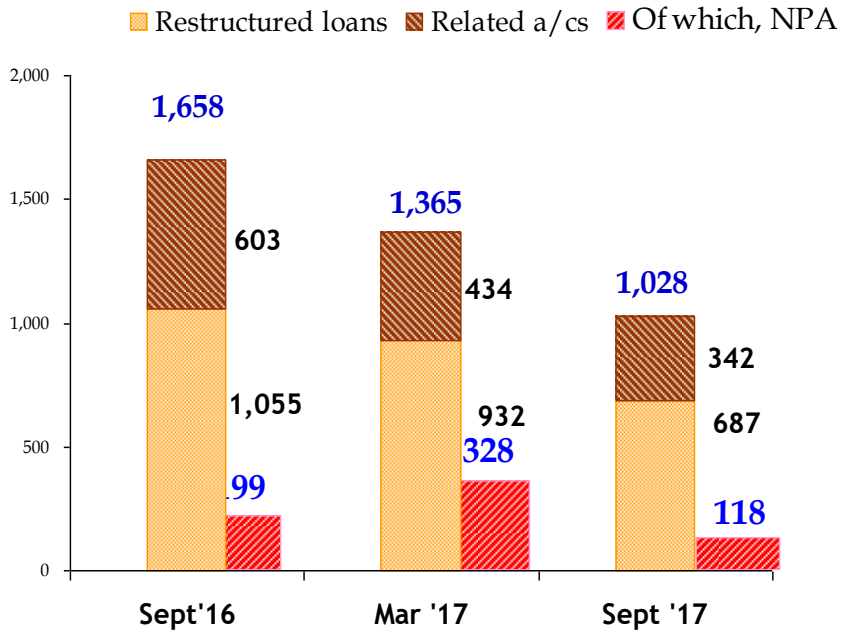


Fresh accretions and recoveries (₹ crs)





Restructured loans & related accounts

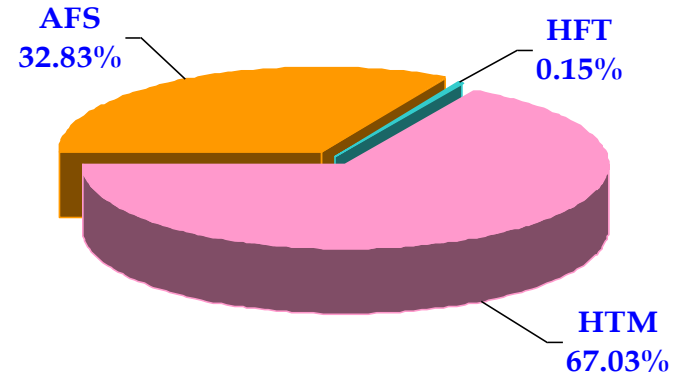
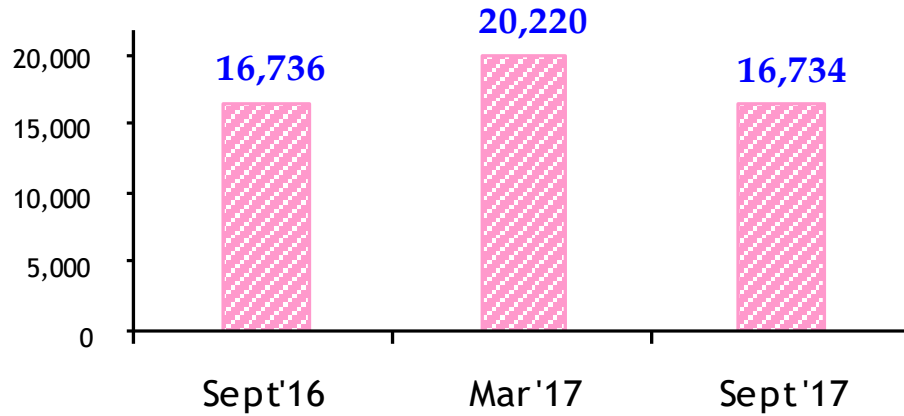


Sector wise Restructured Adv. as Sept '17:

Sector	Restructured Adv.	Of which, NPA
Infrastructure	506.55	38.86
Large Industry	355.76	46.39
MSME [excl. Infrastructure]	54.36	7.19
Real Estate [including CRE, excluding Services]	42.16	-
Others	33.83	10.67
Agriculture	28.46	13.71
Education [Individual + Institution]	5.39	0.85
Wholesale/Retail Trade [excl. services]	1.71	-
Grand Total	1,028.22	117.67

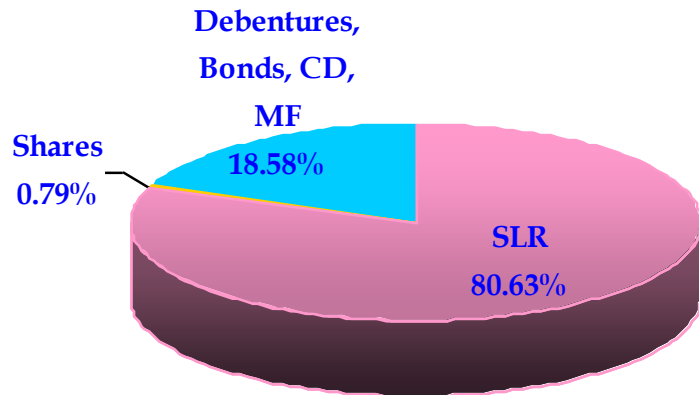


Investments [excl. RIDF] (₹ crs)

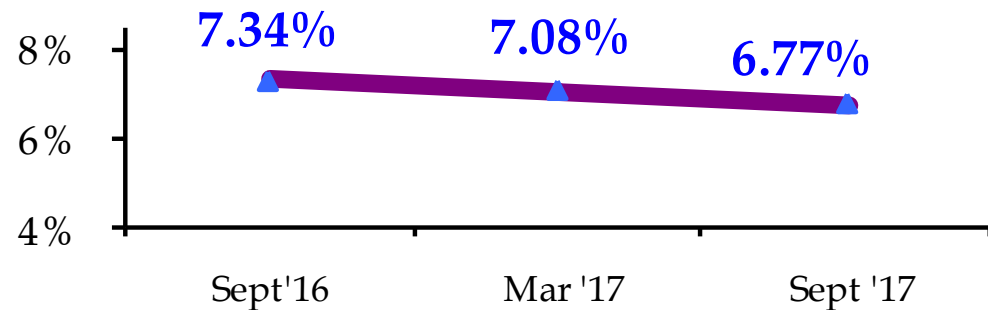


Duration

AFS	HFT	HTM	TOTAL
2.07	0.01	5.70	4.50



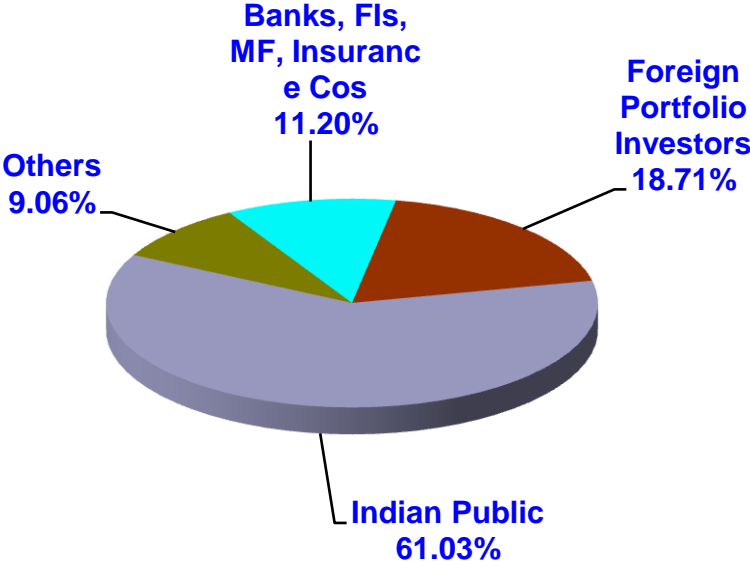
Yield on Investments (%)



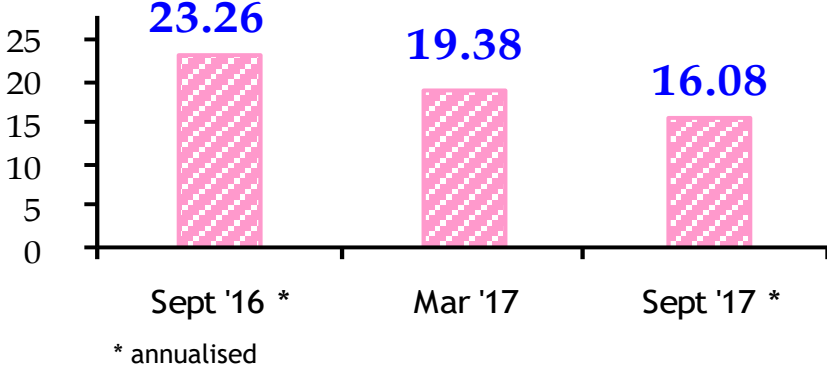
Share holders' value



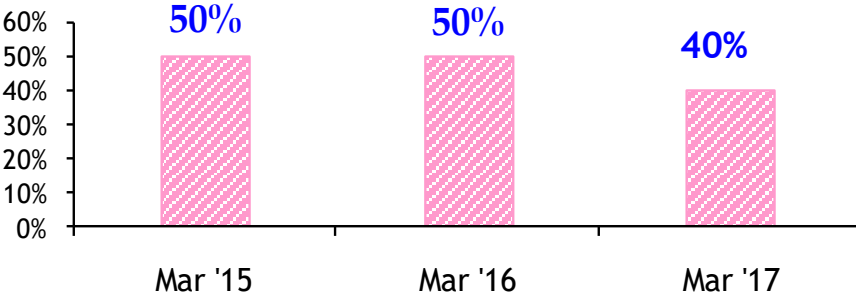
Share holding pattern (Jun 2017)



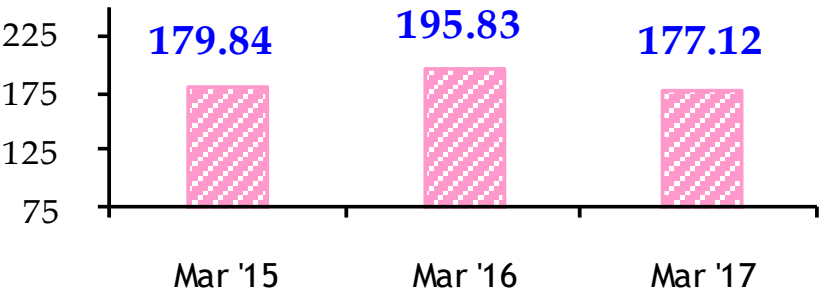
Earning Per Share (₹)



Dividend (%)



Book value (₹)

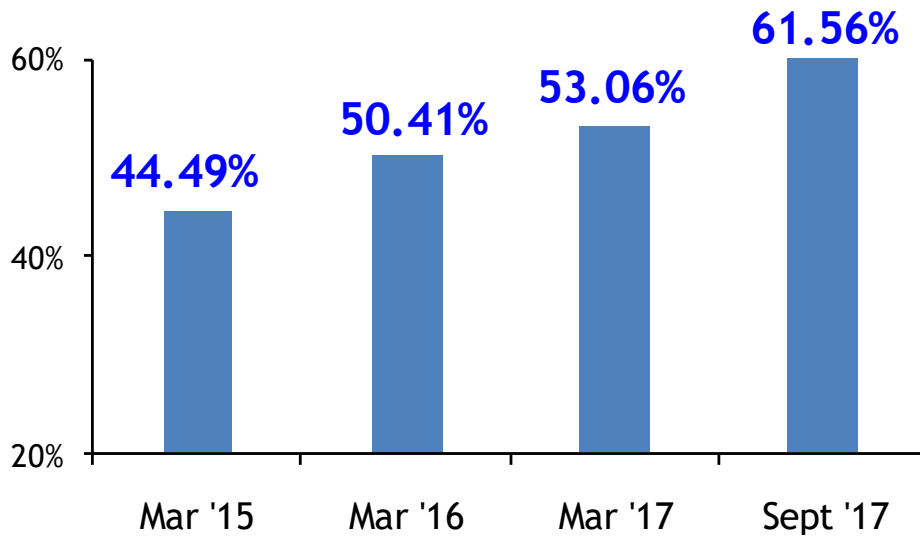


Leveraging on Technology



Migration to Digital Channel

[share of ADC transactions to total CBS transactions]

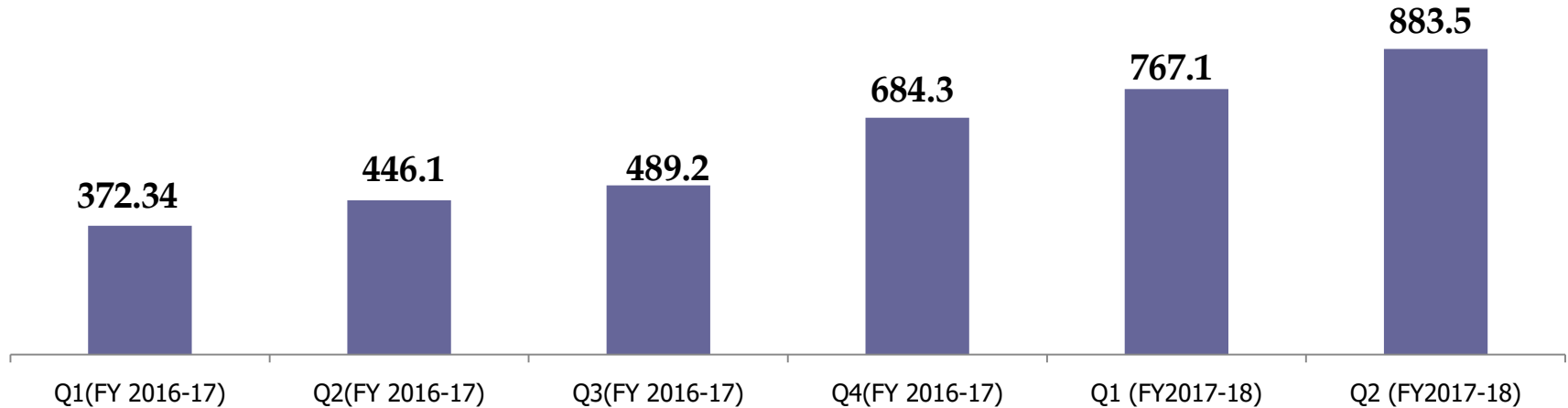


MULTI-DIMENSIONAL BANKING. POWERED BY TECHNOLOGY.

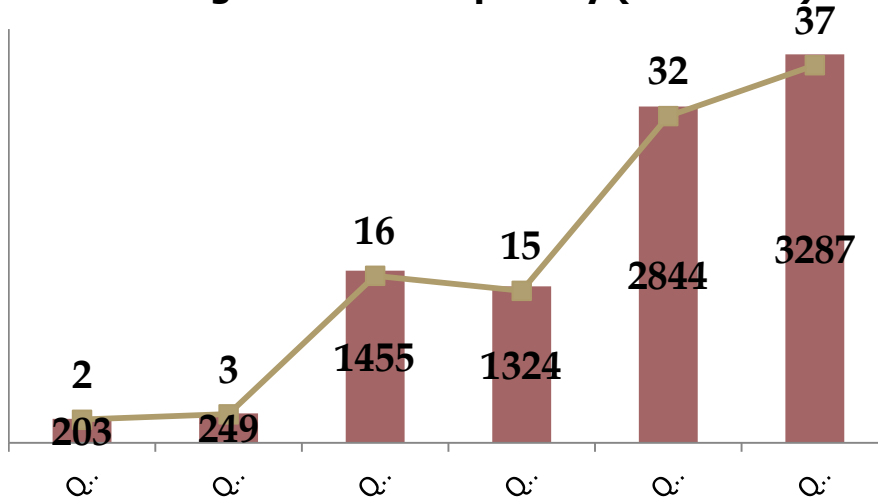




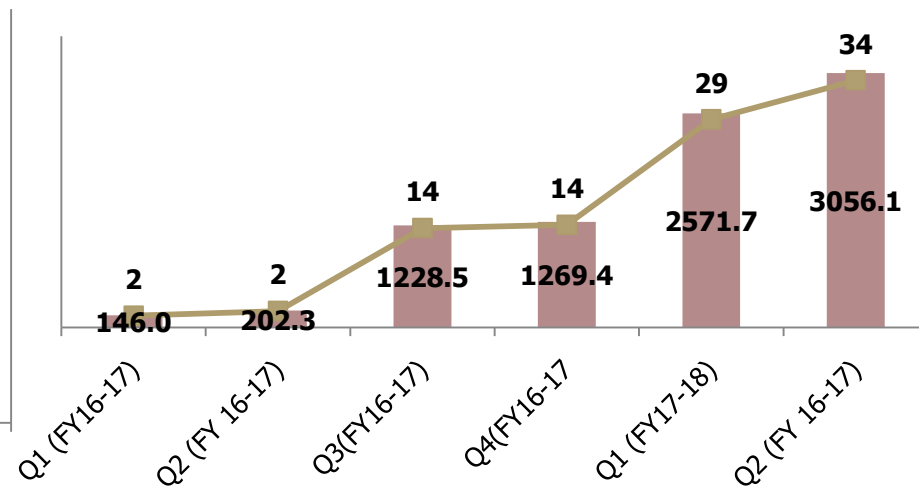
No. of Regd. Users (Thousand)



■ No. of Transactions (in Thousand)
—■ Avg Transactions per day (Thousand)



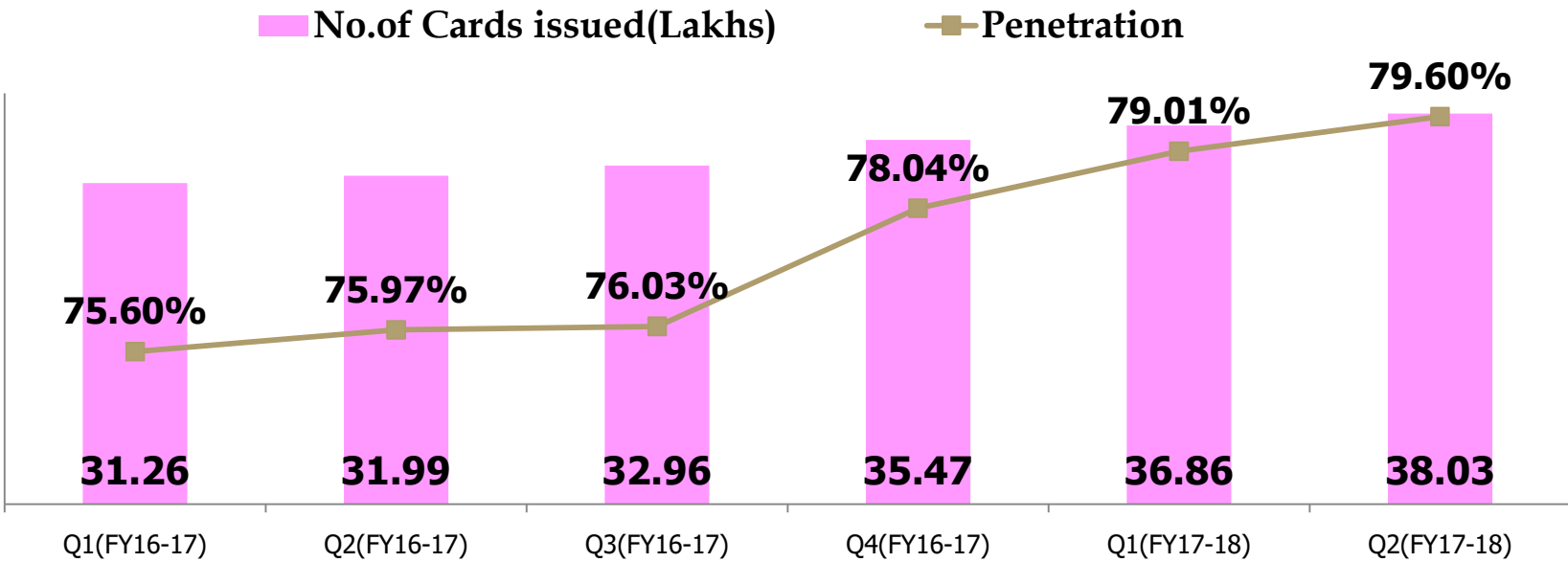
■ Value of Transactions (Crore)
—■ Avg Value of Transactions per day (Crore)



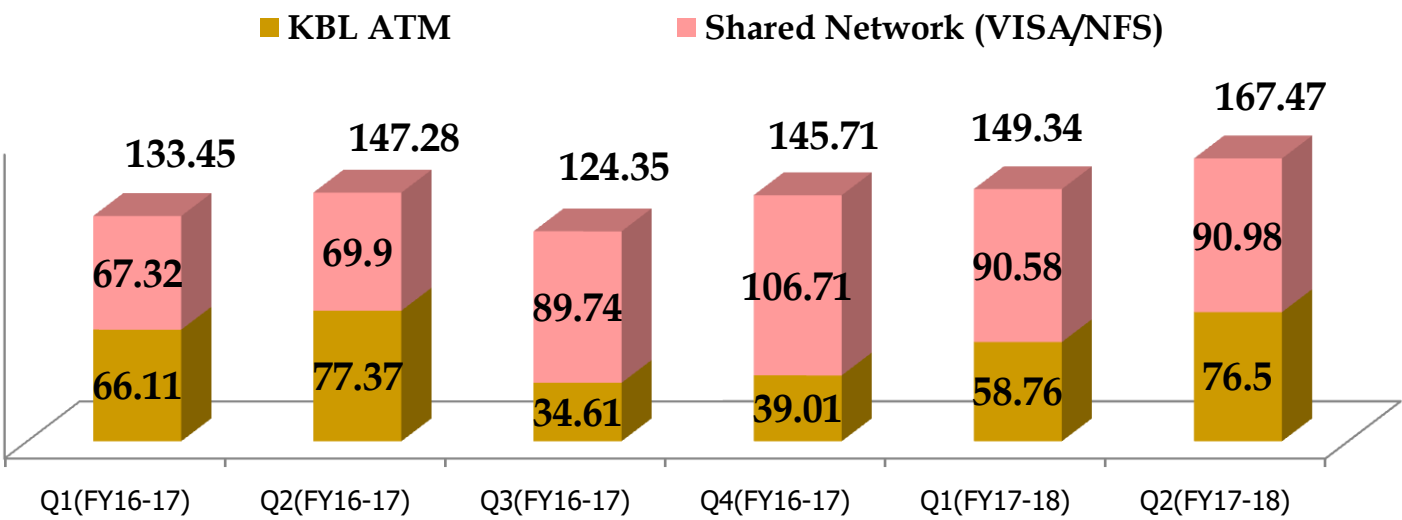
Debit Cards



Debit cards Penetration



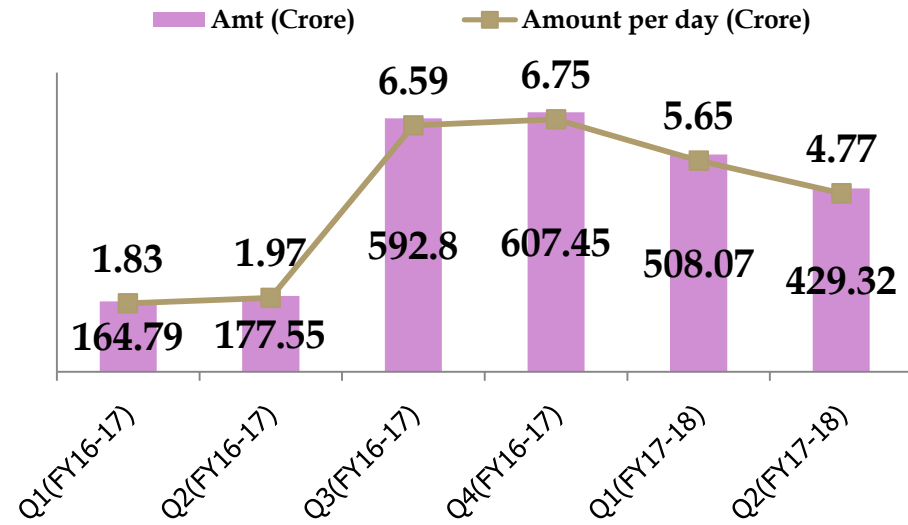
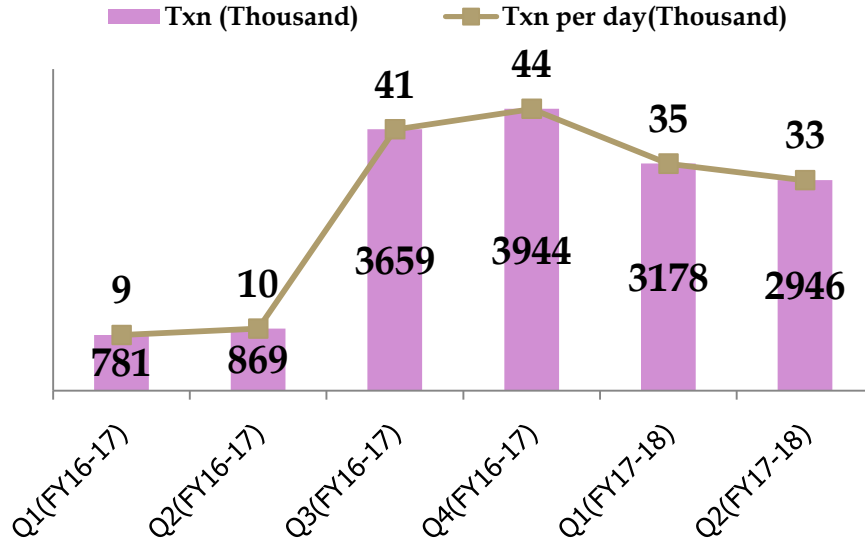
Cards Usage



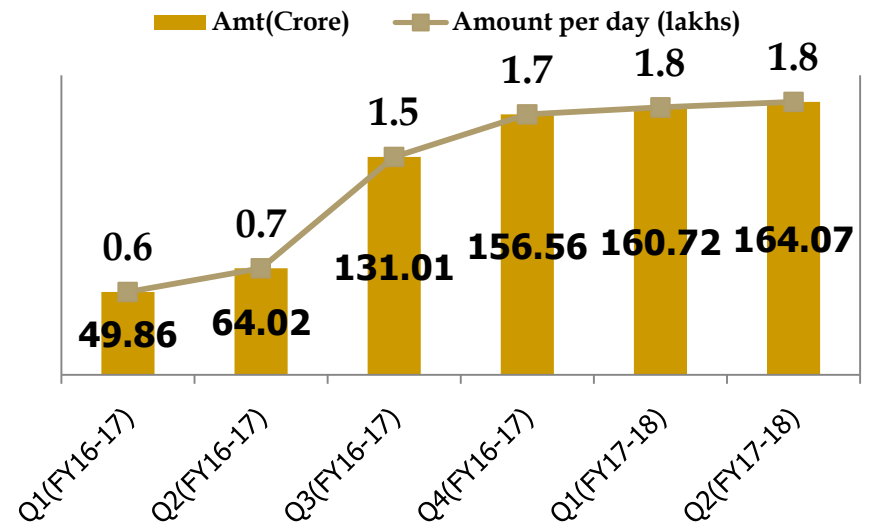
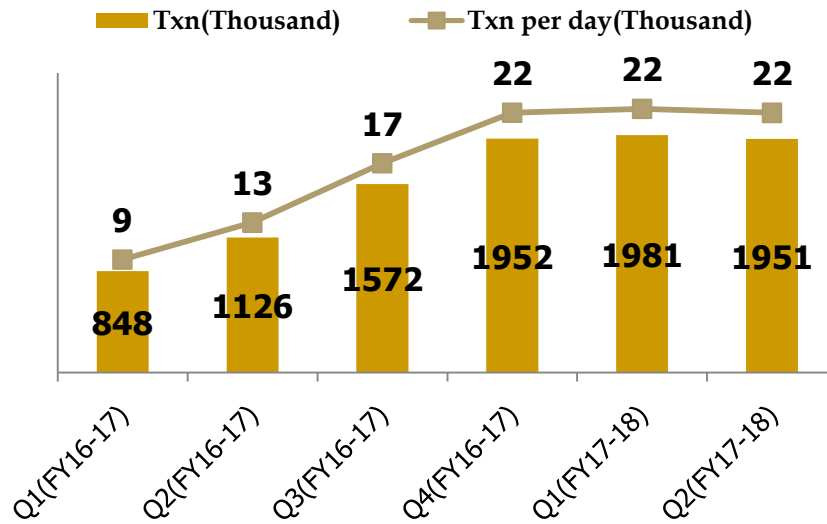
POS & ECOM transactions



POS Transactions



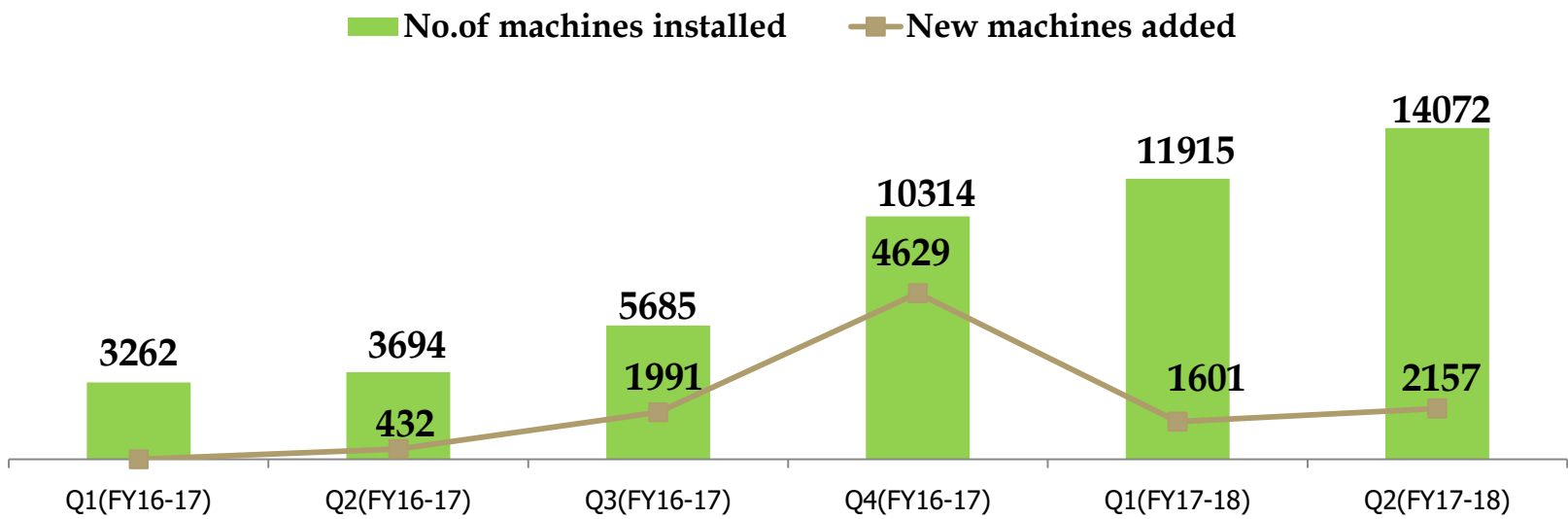
ECOM Transactions



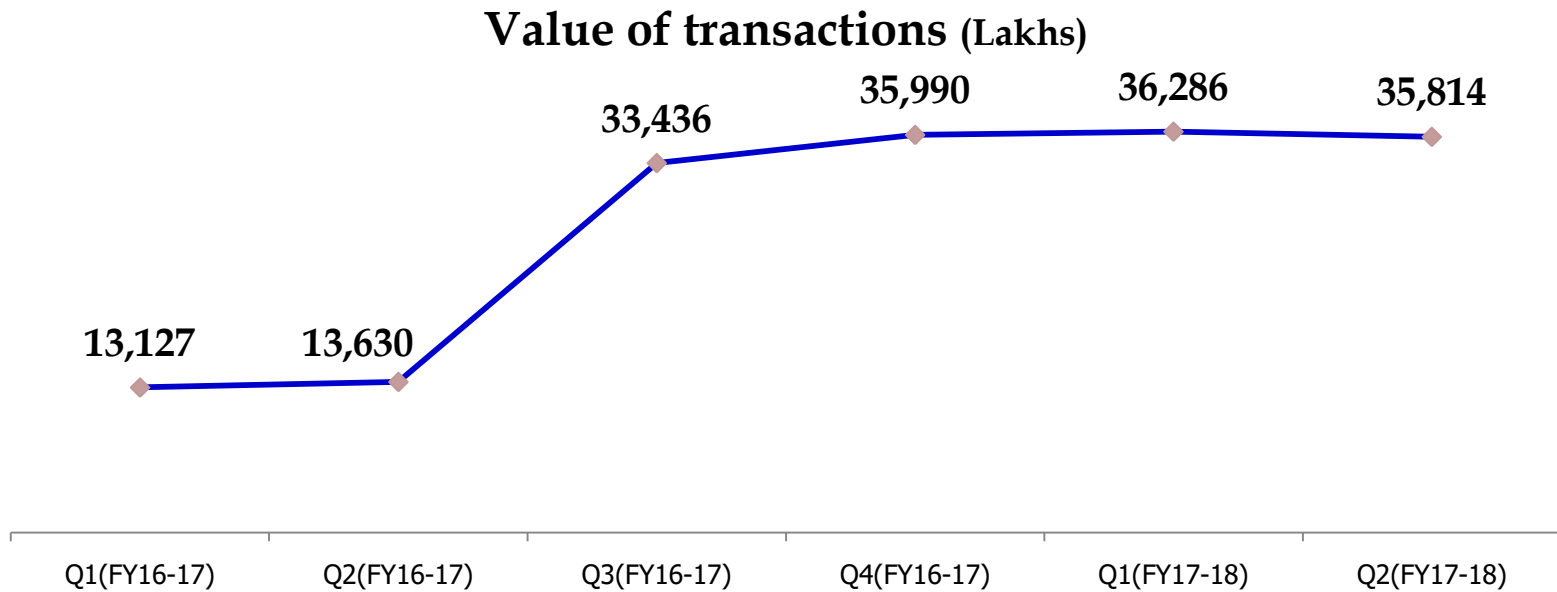
Point of Sale (POS) Business



POS Installation Report



POS Transaction Value



Annexure

Deposits & Advances



₹ crs	<u>Sept-16</u>	<u>Mar-17</u>	<u>Sept-17</u>
Total Deposits	53,096	56,733	56,558
CASA Deposits	13,980	16,473	16,163
Retail Deposits	38,951	40,089	40,194
Wholesale Deposits	165	171	201
Total Advances	36,611	37,004	41,127
Priority Sector Advances	16,872	17,239	17,350
Agri Advances	5,818	6,583	6,586
MSE Advances	8,805	8,496	9,073
Advances to Weaker Section	2,526	2,544	2,523

Income & Expenditure



₹ crs	<u>Mar-17</u> [12 months]	<u>Sept-16</u> [6 months]	<u>Sept-17</u> [6 months]
Interest Income	5,185	2,567	2,649
Interest Expense	3,694	1,805	1,784
Net Interest Income	1,491	762	865
Fee Income	505	251	304
Treasury Income	304	113	161
Non-Interest Income	809	364	465
Total Income (Net of Interest Expense)	2,300	1,126	1,330
Operating Expenses	1,304	631	654
Operating Profit	996	495	676
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	544	250	449
Net Profit	452	245	227

Interest Income & Interest Expenditure



₹ crs	<u>Mar-17</u> [12 months]	<u>Sept-16</u> [6 months]	<u>Sept-17</u> [6 months]
<u>Interest Income</u>			
Interest Income	5,185	2,567	2,649
Interest on Advances	3,794	1,906	1,959
Interest on Investments	1,271	618	622
Other interest	120	43	68
Yield on Advances	10.81%	11.06%	10.15%
Adjusted yield on Invts.	8.88%	8.67%	8.43%
<u>Interest Expense</u>			
Interest Expense	3,694	1,805	1,784
Interest on Deposits	3,601	1,760	1,744
Other interest	93	45	40
Cost of Deposits	6.73%	6.91%	6.23%
<u>Net Interest Income</u>			
Net Interest Income	1,491	762	865
Interest Spread in Lending	4.08%	4.15%	3.92%
Net Interest Margin on average assets	2.79%	2.95%	3.03%

Capital Adequacy under BASEL III



₹ crs	<u>Sept-16</u>	<u>Mar-17</u>	<u>Sept-17</u>
Total Risk Weighted Assets	37,357	38,902	42,019
Total Capital Fund	4,182	5,172	5,236
Total Tier I Capital	3,675	4,749	4,805
Paid up Equity Capital	188	283	283
Reserves under Tier I Cap.	3,487	4,467	4,523
Total Tier II Capital	507	423	431
Surplus Provisions & Reserves	311	258	306
Subordinated Debt Fund	196	165	125
Total CRAR	11.19%	13.30%	12.46%
CRAR Common Equity Tier I Capital	9.84%	12.21%	11.44%
CRAR Tier I Capital	9.84%	12.21%	11.44%
CRAR Tier II Capital	1.36%	1.09%	1.03%

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.
- ❖ Introduced value added services to debit card holders through IVR facility.
- ❖ Launched Bank's official page on social media - FaceBook, Twitter, Instagram and YouTube.
- ❖ Opened Bank's Aadhar Enrollment and Updation Centres at Bengaluru, Coimbatore, Gurugram & Faridabad.
- ❖ Joined hands with Isha Foundation for Rally for Rivers campaign.

Corporate Social Responsibility



Donation of food distribution vehicle to mid-day meal programme of M/s The Akshaya Patra Foundation, Bengaluru.

Sponsorship of construction of compound wall to Viveka group of educational institutions managed by Kota Vidya Sangha ®, Kota.





Business Strategy

Highlights of KBL – VISION 2020 Document



- ❖ 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.
- ❖ 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.

Bank is actively considering a total transformation exercise to reposition itself as a significant & relevant force in the days to come, in active association with an external consultant.

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 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.



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



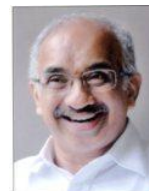
B A Prabhakar
Bengaluru
Former Chairman & MD of
Andhra Bank



U R Bhat
Mumbai
Investment Adviser &
Columnist



Keshav Krishnarao Desai
Hubballi
Businessman



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



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