



Karnataka Bank Ltd.
Your Family Bank. Across India.

Analysis of Financial Results

Sept 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 ₹ 1,13,854 crore as on 30.09.2018.
- Networth of ₹ 5,583 crore as on 30.09.2018.
- Market capitalization of ₹ 2,747 crore as on 30.09.2018.
- 2,140 service outlets with 816 branches, 1 Extension Counter and 1,323 ATMs in 542 centres across India as on 30.09.2018.
- Offers wide variety of corporate and retail banking products and services to over 10 million customers.
- Incorporated in 1924, Karnataka Bank is one of the oldest time tested private sector Banks.

2018	<ul style="list-style-type: none"> • Customer base crossed the milestone of 1 crore
2017	<ul style="list-style-type: none"> • Business turnover crossed the historic milestone of ₹ 1,00,000 crore • 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
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.
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 Sompo 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”** under the following categories of Atal Pension Yojana,
 - ‘People First’ campaign at Tamilnadu for 100% branch activation,
 - ‘Icons of inspiration’ campaign, held during 2017-18.
- ❖ **“Best MSME Bank Award – Runner Up”** instituted by Chamber of Indian Micro Small & Medium Enterprises [CIMSME].
- ❖ **“Best Performing Bank – Private Bank”** category for the performance under Atal Pension Yojana during 2017-18.
- ❖ **STP Award 2017:** In recognition of Bank’s outstanding payment formatting and straight through rate, instituted by Bank of New York, Mellon.



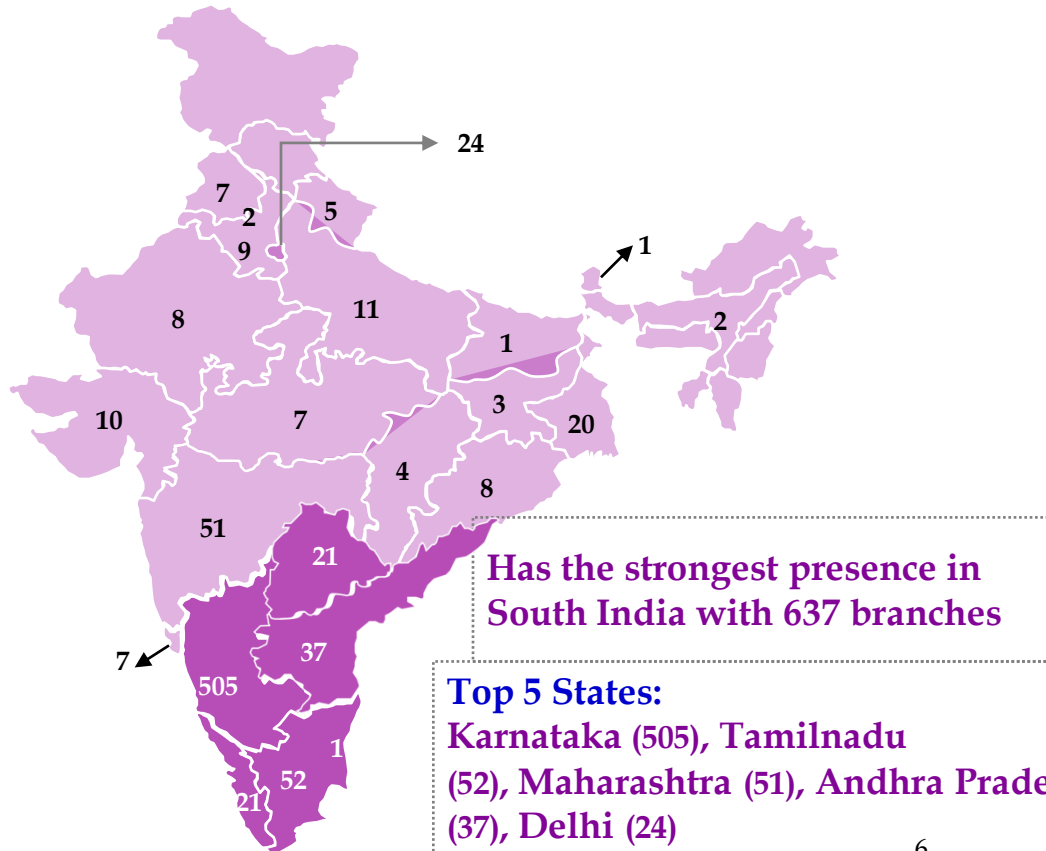
Shri Y V Balachandra, General Manager, receiving the Best MSME Bank Award – Runner Up from Shri Giriraj Singh, Hon’ble Union Minister of State [independent charge] for MSME, in the award function held at Delhi on 20.07.2018.

Pan-India footprint

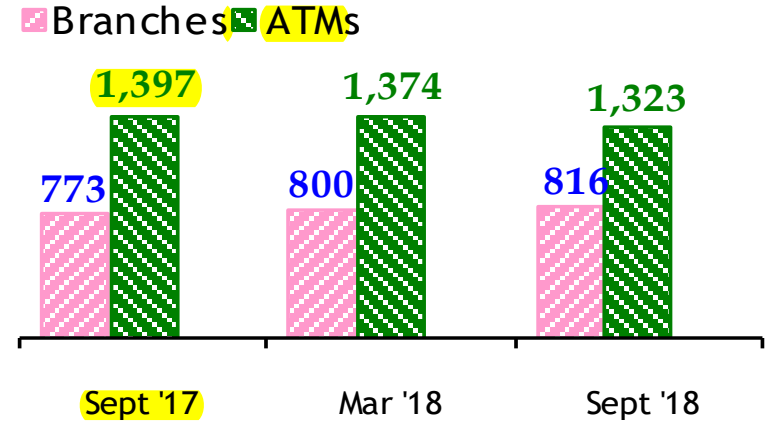


Pan-India Presence

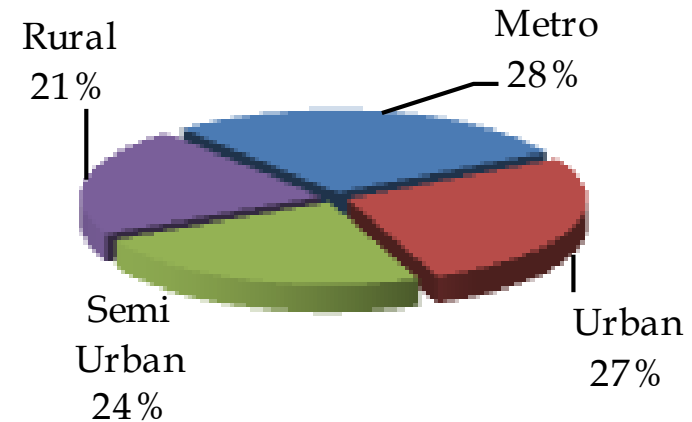
- Total 2,140 service outlets – 816 branches, 1 Extension Counter & 1,323 ATMs.
- Total 33 e-Lobbies & 178 mini e-Lobbies, all are having Recyclers.
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion.
- 113 Financial Inclusion branches, 35 Ultra Small branches
- Expanding network in northern India also.



No of branches & ATMs



Area wise distribution of branches (Sept '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 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.
- ◆ Enabled Online Account Opening, implemented ‘M-Passbook’ (Mobile Passbook), ‘KBL Apna App’ (SMS Banking), ‘KBL-Mobile’ (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.



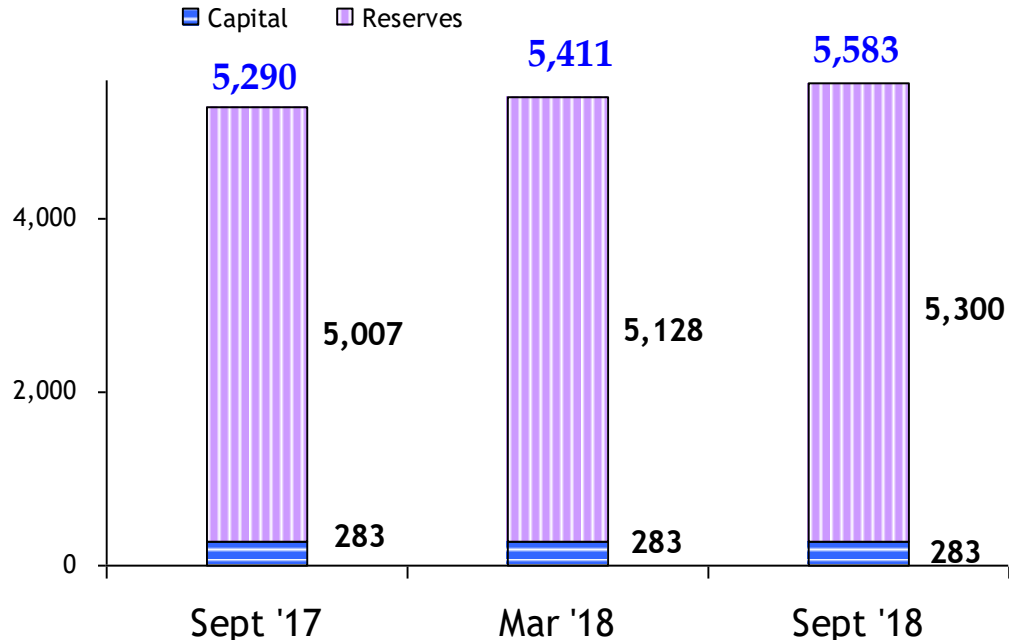
Effective risk management system

- ◆ 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.

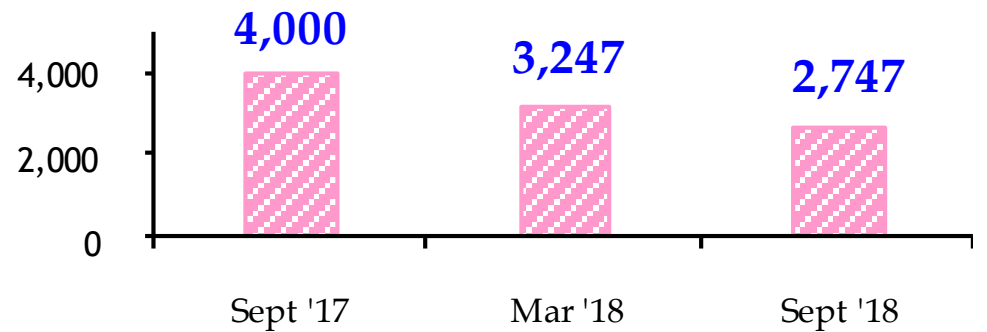
Financial strength of the Bank



Networth (₹ crs)



Market capitalization (₹ crs)



Highlights - Q2 FY 19



(₹ crs)

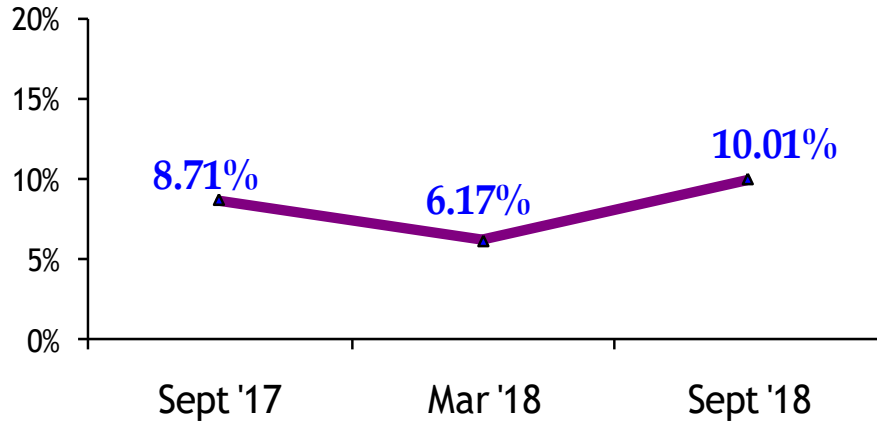
KPA's	3 Months		6 Months	
	Q2 FY 19	Q2 FY 18	H1 FY 19	H1 FY 18
Net profit	111.86	93.38	275.10	227.23
Operating profit	356.33	366.24	725.21	675.94
Turnover	113,854	97,621	113,854	97,621
Return on Asset	0.61%	0.58%	0.76%	0.71%
Earning per Share *	3.96	3.30	9.73	8.04
Return on Equity	8.02%	7.05%	10.01%	8.71%
Net Interest Income	467.71	440.23	936.29	864.65
Net Interest Margin	2.91%	3.09%	2.95%	3.03%
Gross NPA	4.66%	4.13%	4.66%	4.13%
Net NPA	3.00%	3.04%	3.00%	3.04%
Cost to Income	46.73%	46.77%	46.13%	49.17%
CRAR (Basel III)	11.30%	12.46%	11.30%	12.46%

* Not annualized

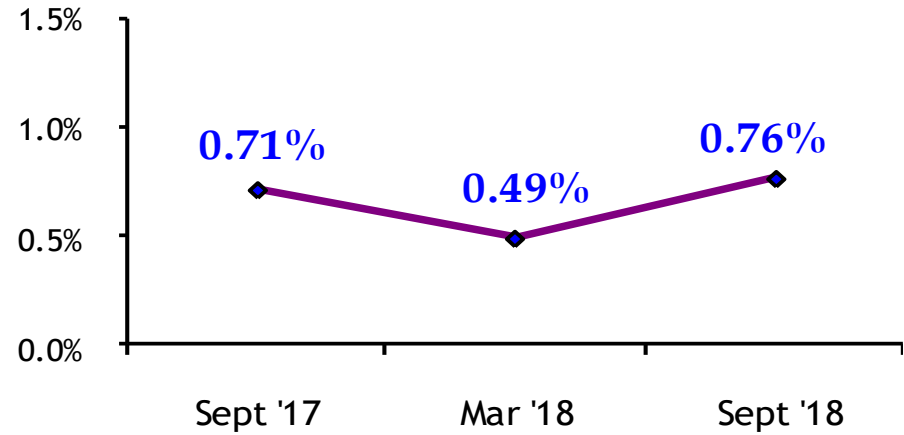
Return and Capital Adequacy Ratios



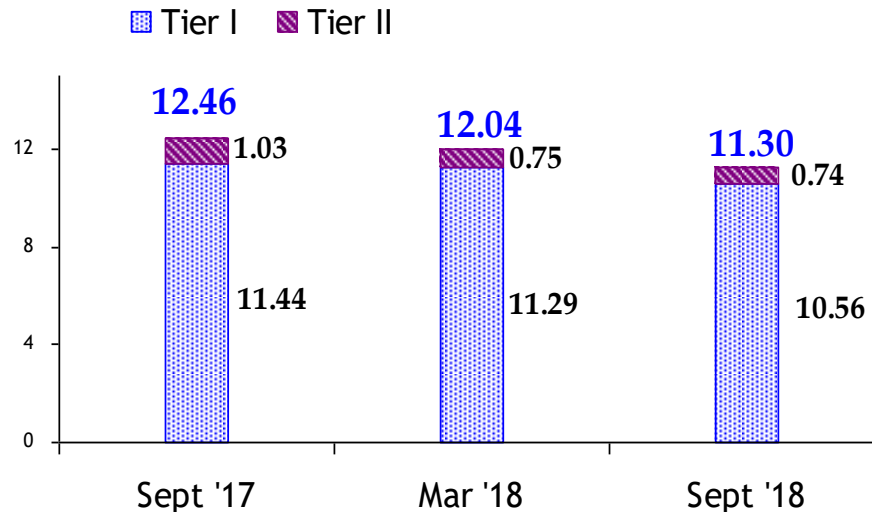
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)



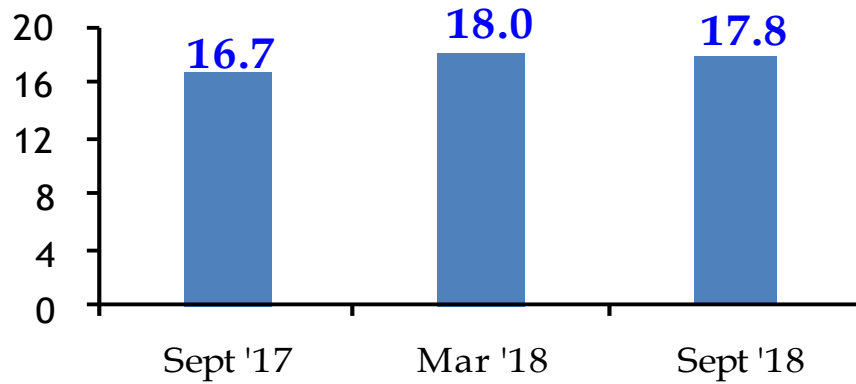
Capital Adequacy (%) - Basel III



Productivity ratios

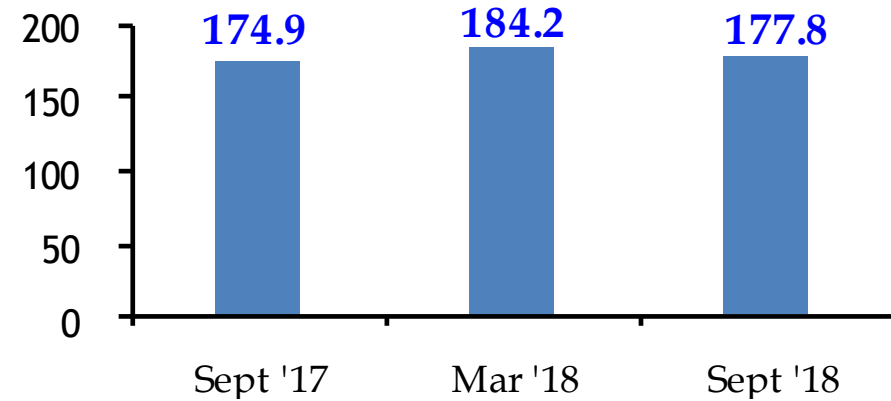


Operating Profit per employee (₹ lakh) *

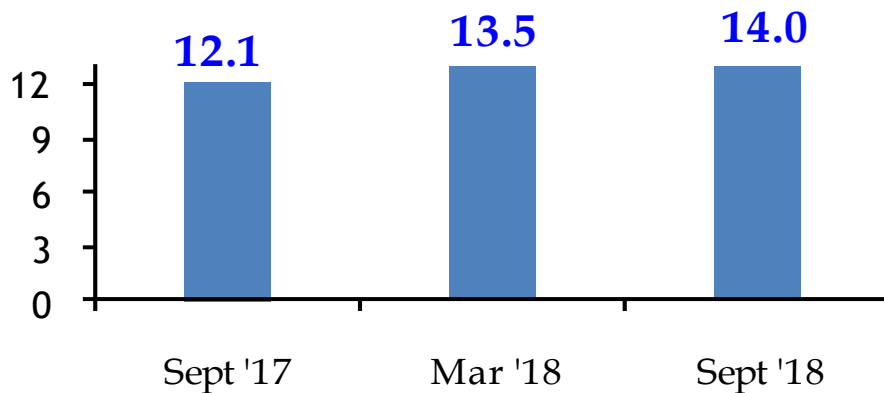


* annualised

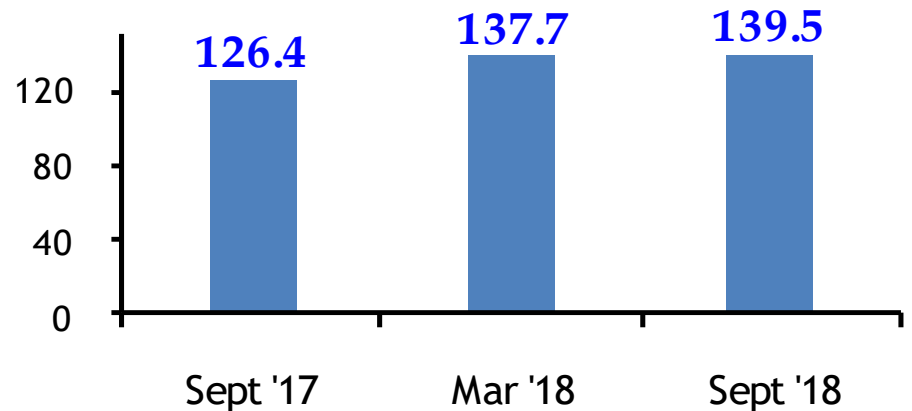
Operating Profit per branch (₹ lakh) *



Business per employee (₹ crs)



Business per branch (₹ crs)



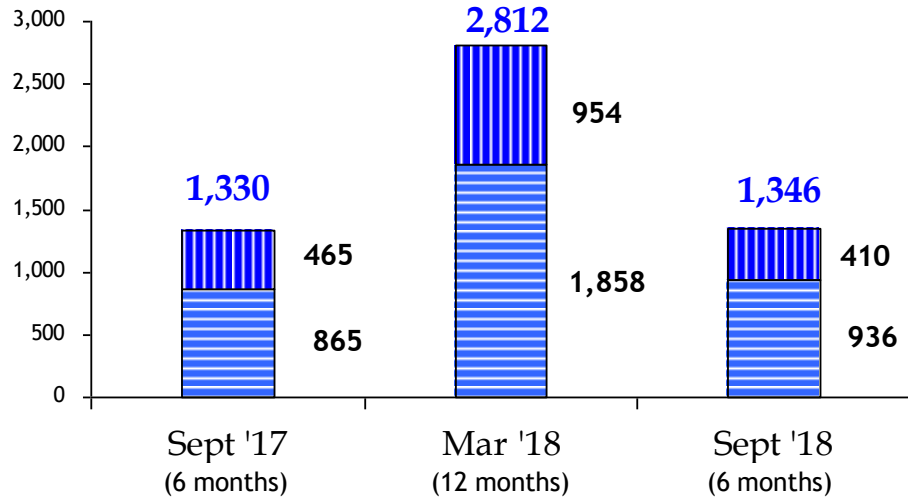
Financial Performance

Income & Profit



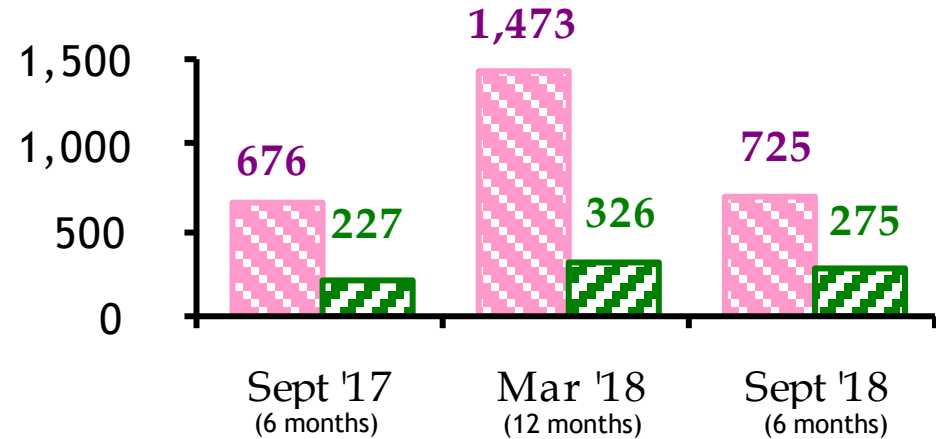
Net Income (₹ crs)

Net Interest Income Other Income

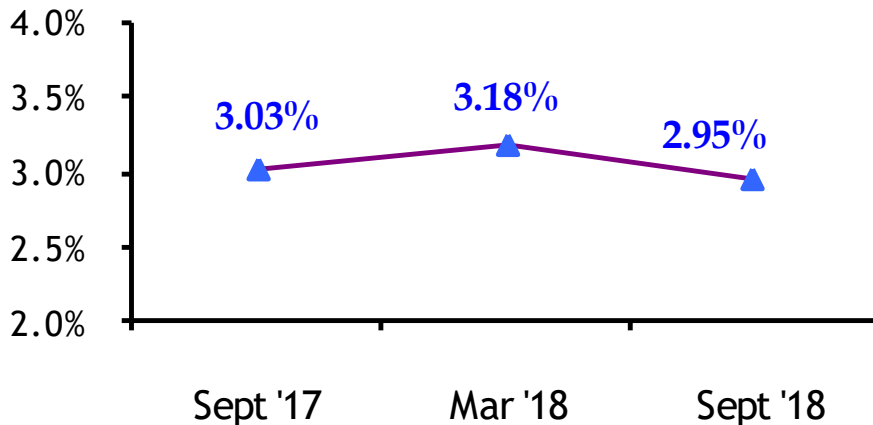


Operating and Net Profit (₹ crs)

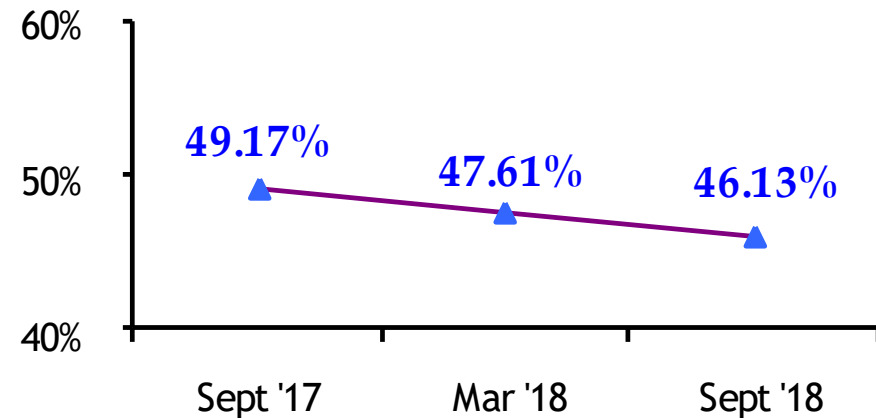
Operating profit Net profit



Net Interest Margins (%)



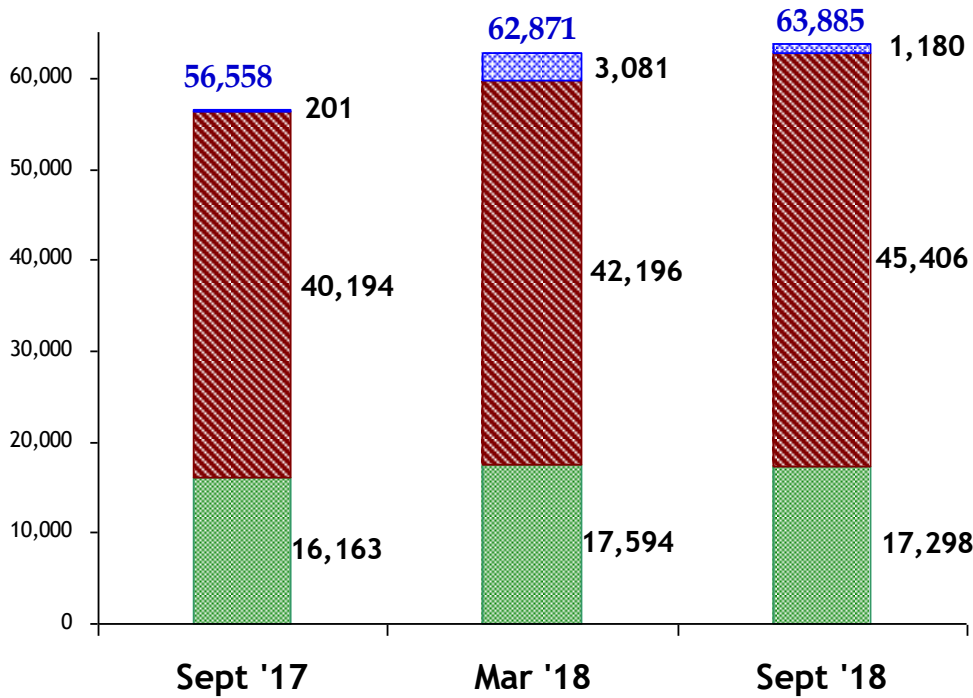
Cost to Income Ratio (%)



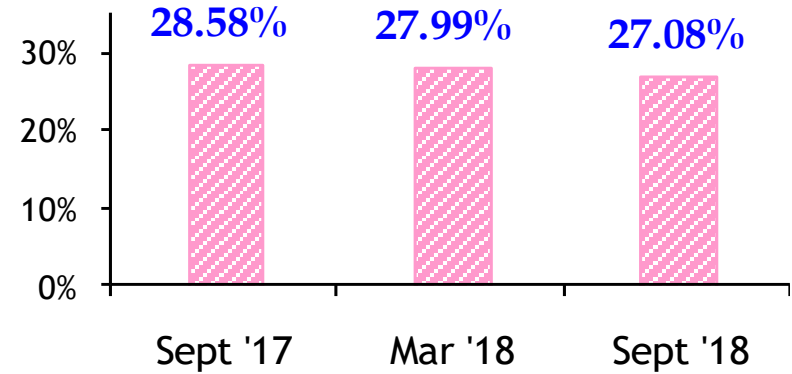


Deposits (₹ crs)

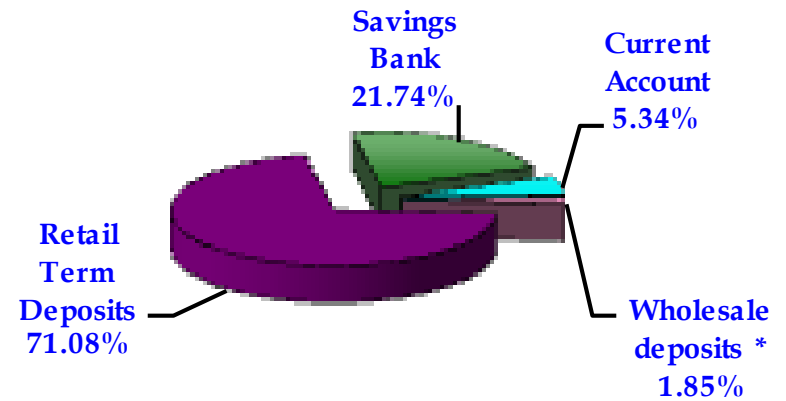
■ CASA
 ■ Retail
 ■ Wholesale deposits *



CASA share to total Deposits



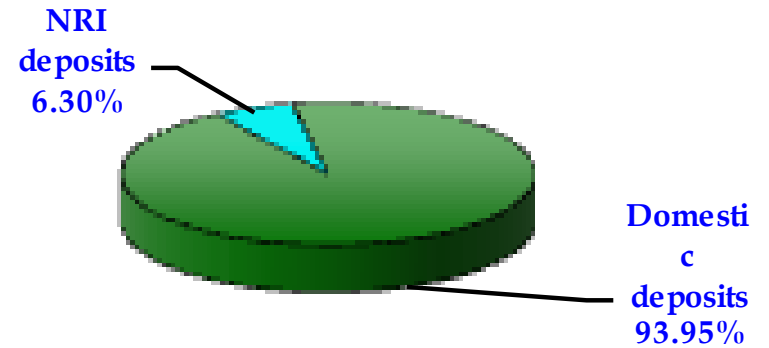
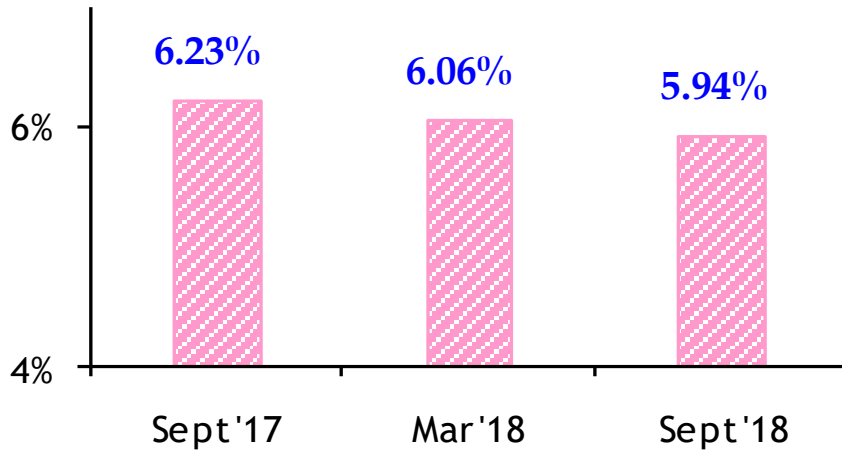
Deposits break up (Sept '18)



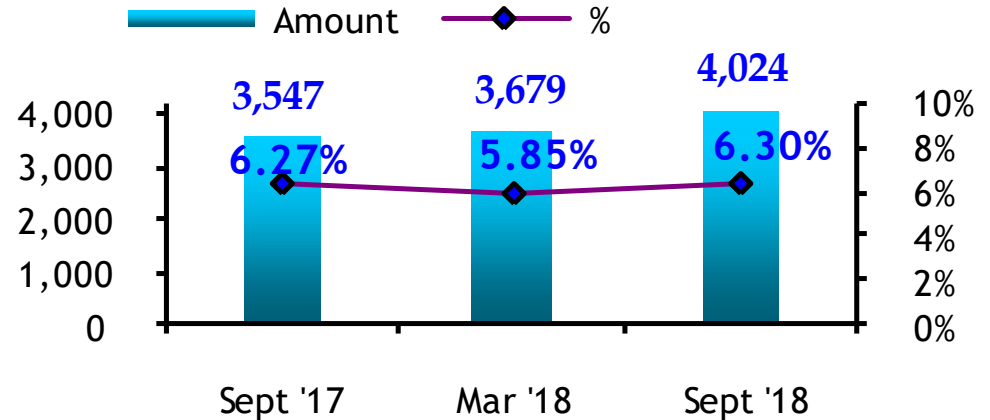
* Wholesale deposits = Purchase liability + Certificates of deposit + Interbank deposits



Cost of Deposits

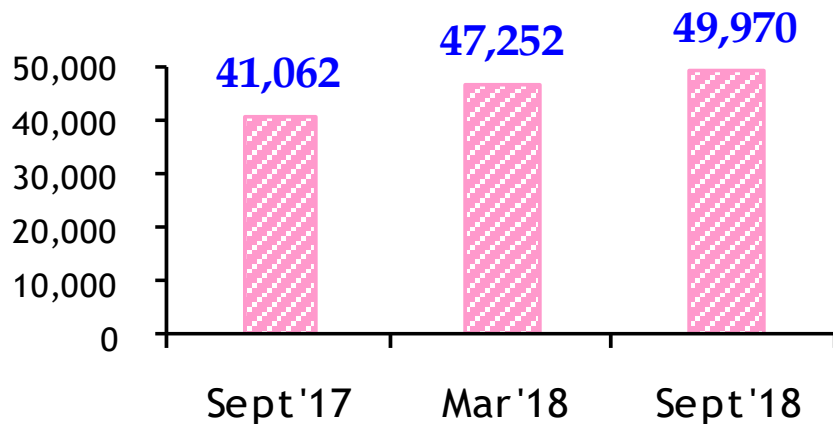


NRI Deposits (₹ crs)





Advances [Net] (₹ crs)

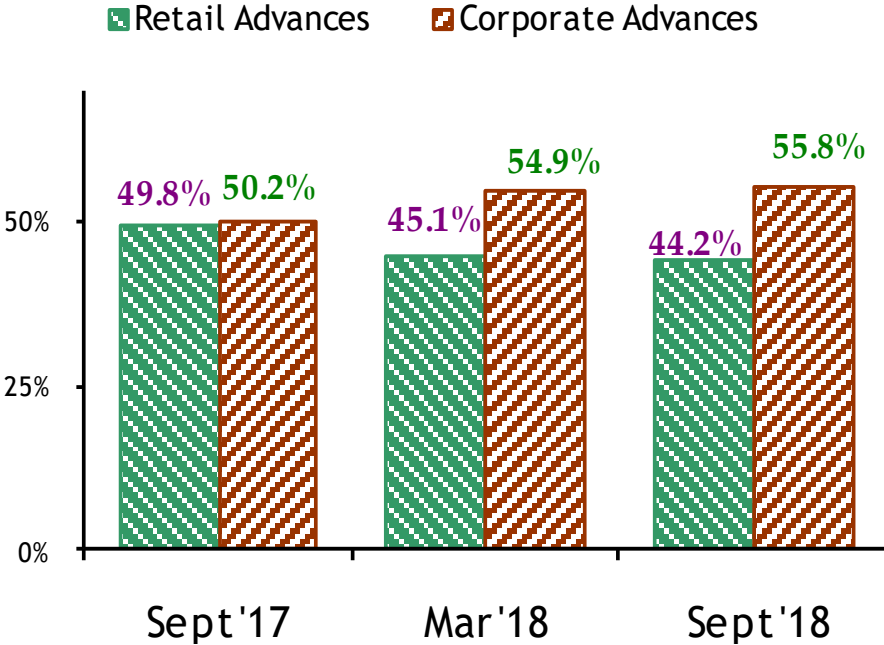


External rating wise Credit Portfolio as of Sept '18 [corporate borrowers] [Figures in brackets - as of Sept '17]

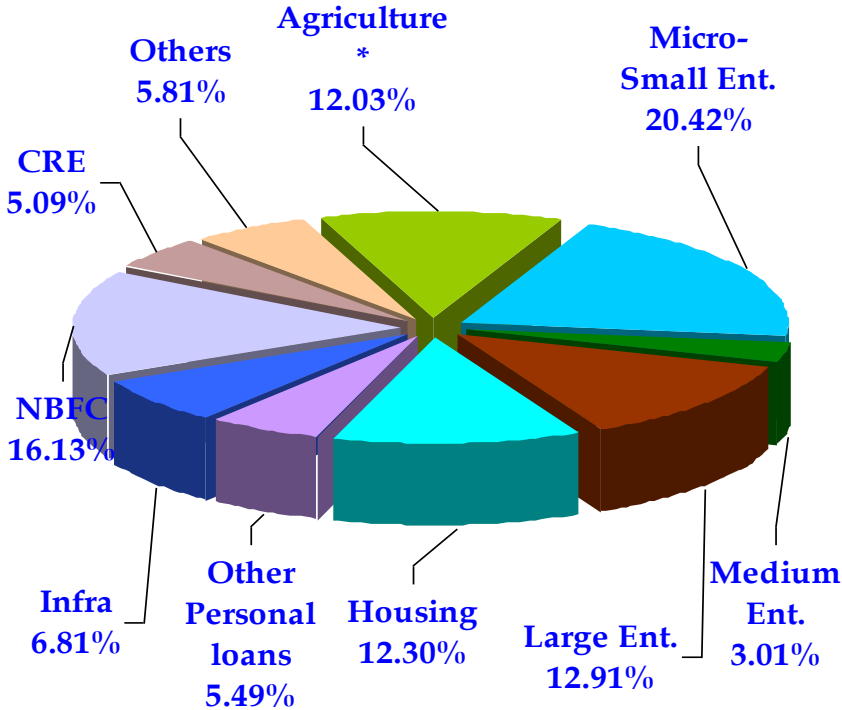
Rating	No of Borrowers	Balance O/s (in crs)	% to GBC
AAA	23 (11)	7,682.28 (2,561.08)	15.11 (6.16)
AA	32 (26)	4,406.76 (3,230.75)	8.66 (7.77)
A	27 (30)	1,694.18 (1,325.38)	3.33 (3.19)
BBB	42 (38)	2,285.72 (1,557.95)	4.49 (3.75)
BB	35 (28)	1,647.55 (1,445.56)	3.24 (3.48)
B	15 (13)	582.52 (323.89)	1.15 (0.78)
C	-	-	-
D	8 (8)	345.74 (723.67)	0.68 (1.74)
Total	182 (154)	18,644.75 (11,168.28)	36.66 (26.86)
Gross Bank Credit		(41,573.49)	



Retail & Corporate Advances (%)



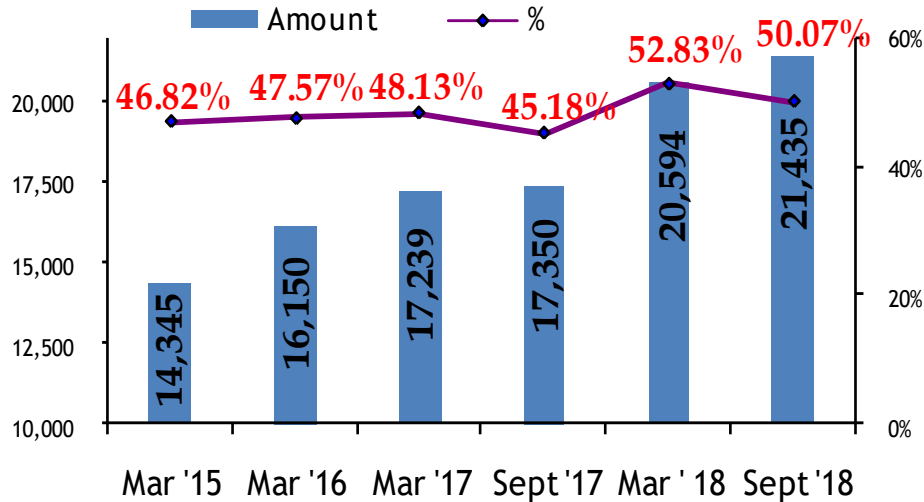
Segmentation of Gross Advances (Sept '18)



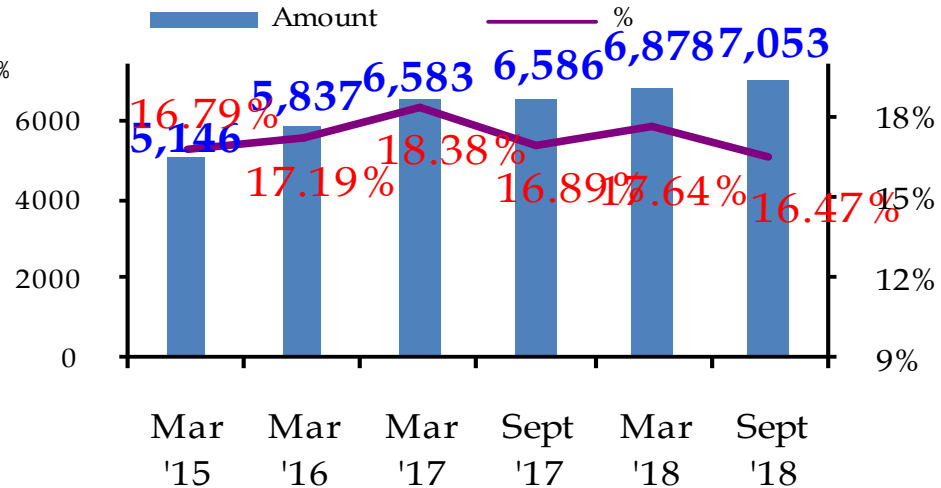
* However, this works out to 16.47% of the ANBC of 30.09.2017.



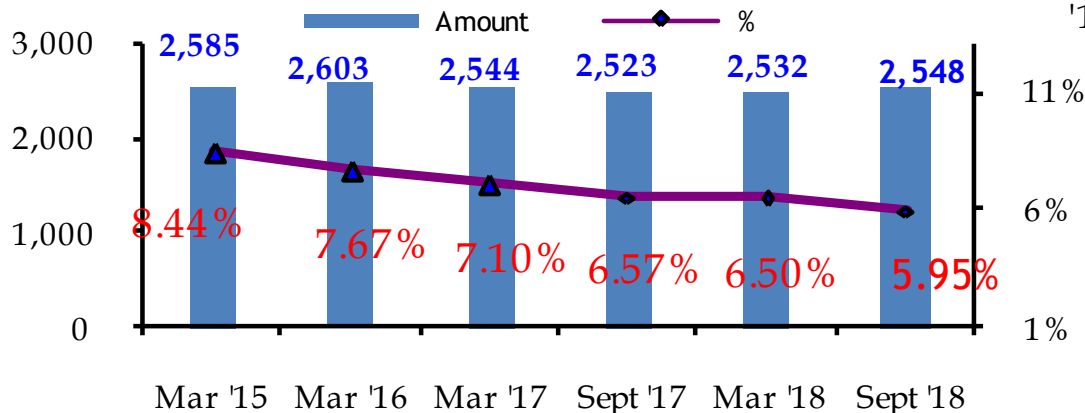
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)



Advances to Weaker Section (₹ crs)

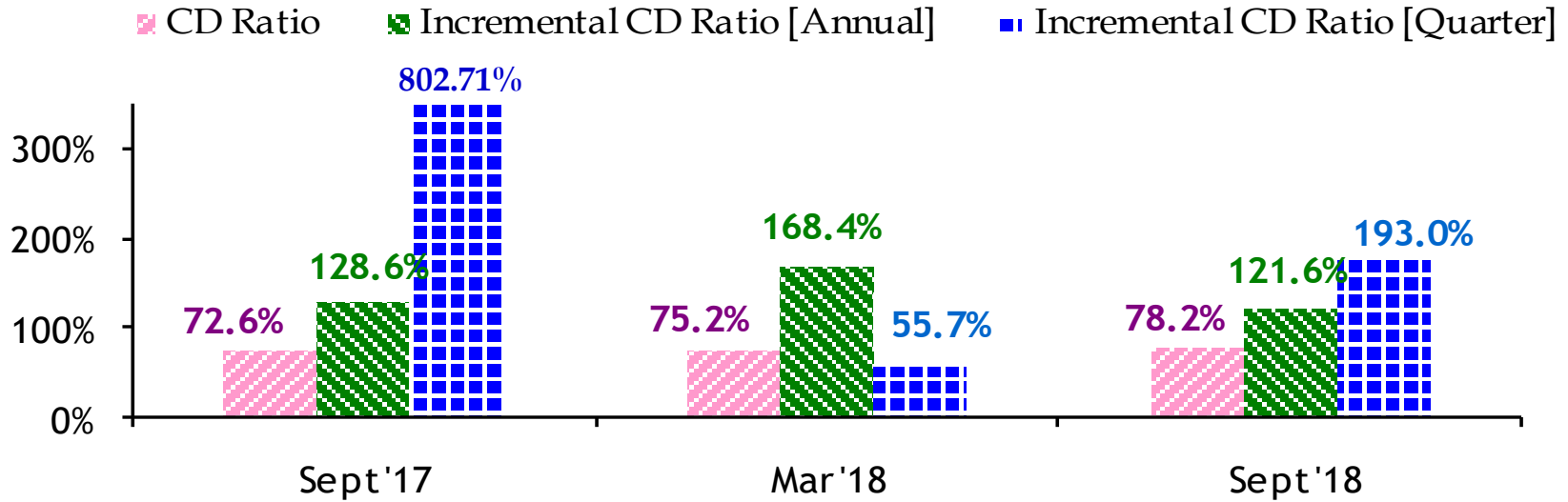


* Base figure for the calculation of % is ANBC as on March 31st of previous year.

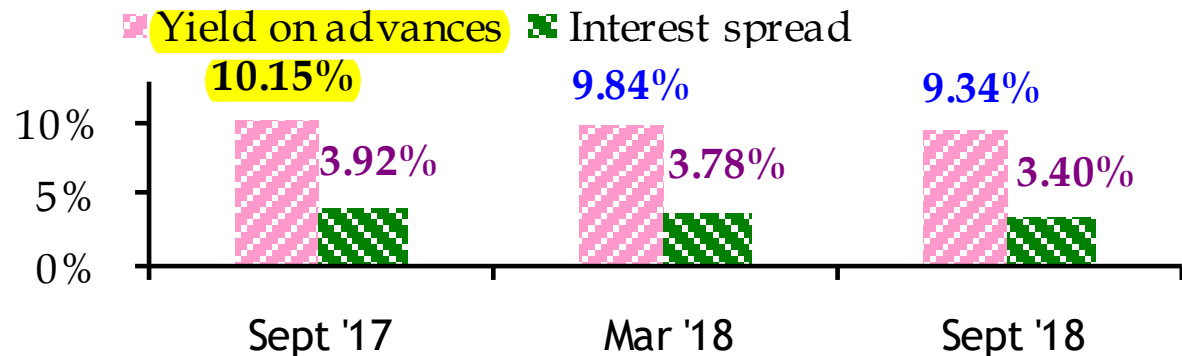
CD Ratio & Yield on Advances



Credit Deposit ratio (%)

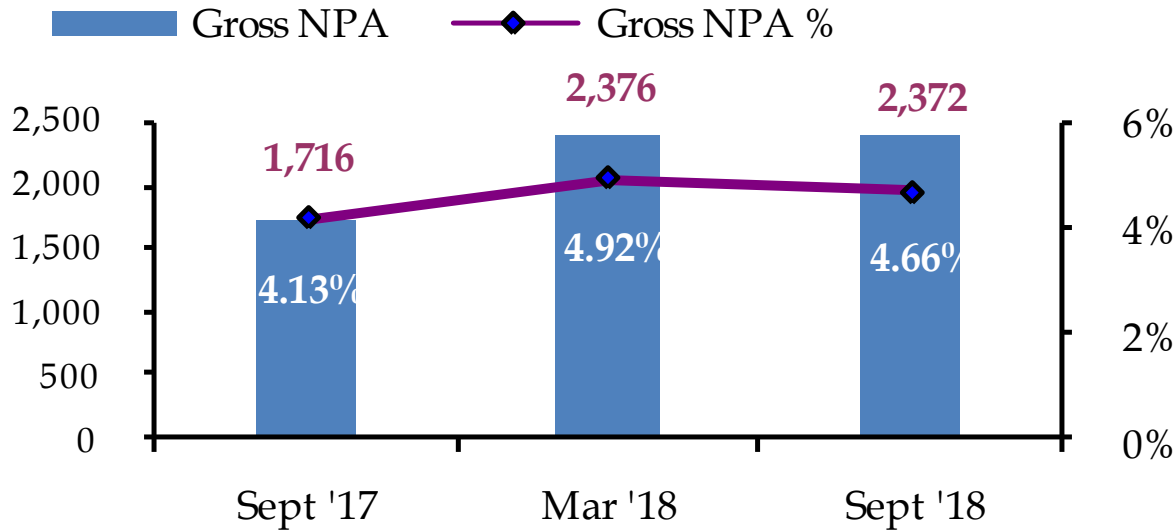


Yield on Advances & Interest Spread (%)

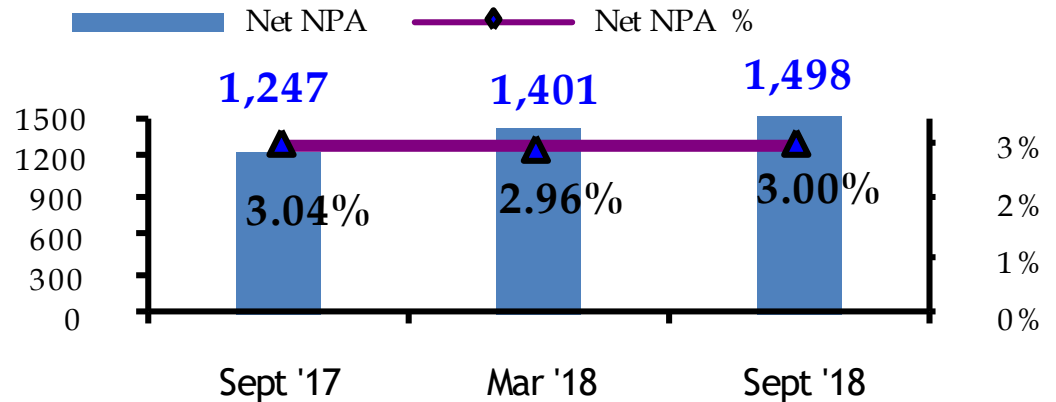




Gross NPAs (₹ crs)

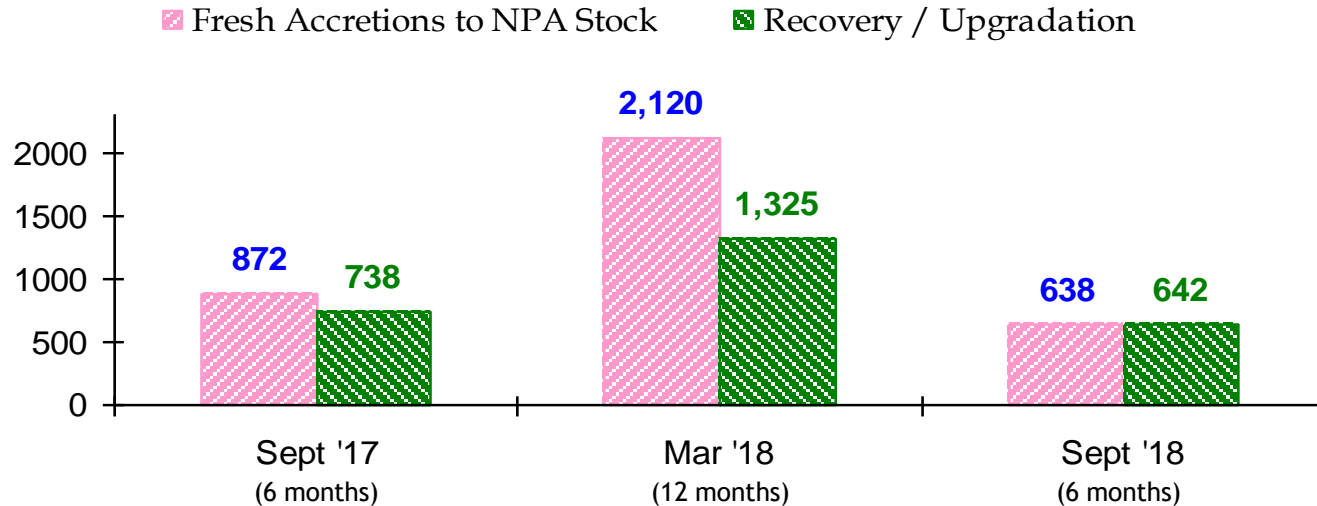


Net NPAs (₹ crs)

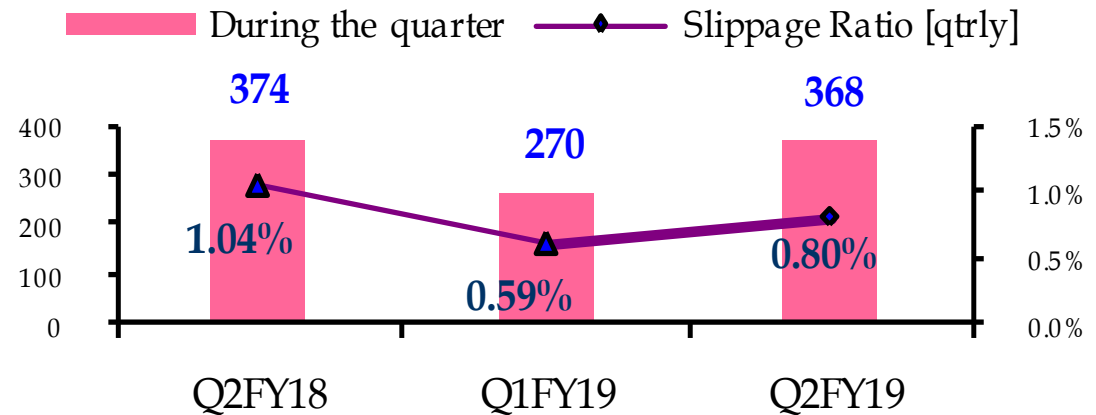




Fresh accretions and recoveries (₹ crs)



Slippages (₹ crs)

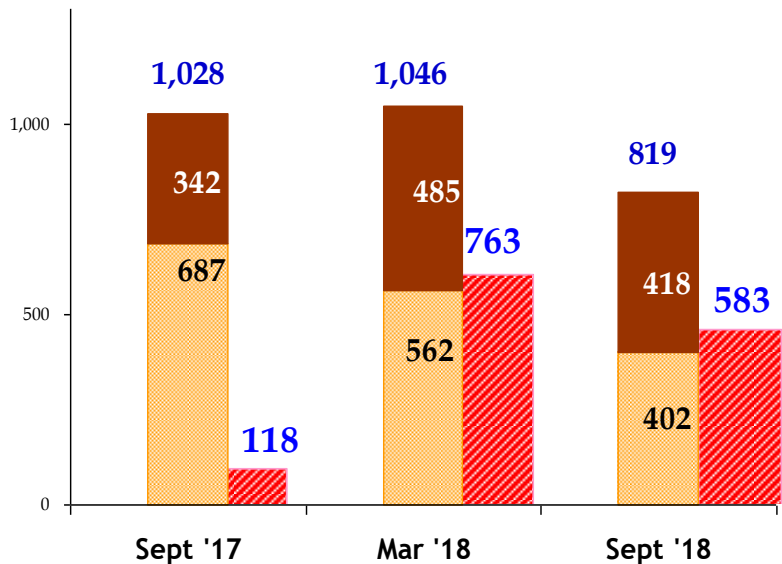




(₹ crs)

Restructured loans & related accounts

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



Sector wise Restructured Adv. as Sept '18:

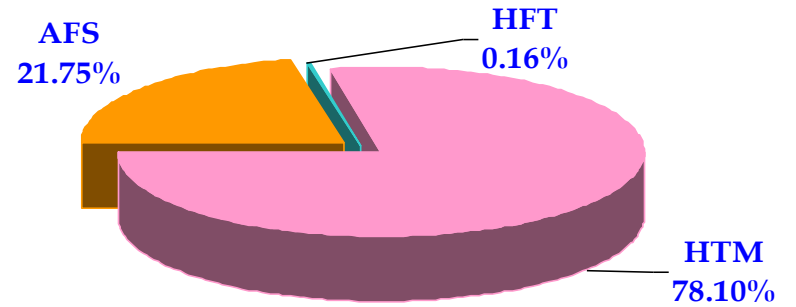
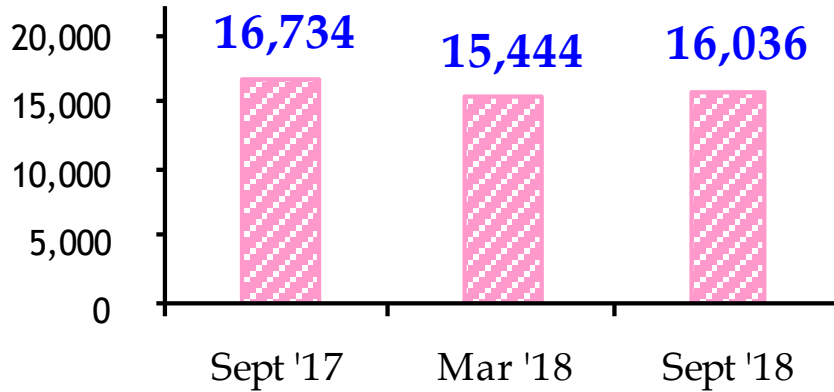
Sector	Restructured Adv.	Of which, NPA
Large Industry	458.07	381.31
Infrastructure	279.28	162.20
Real Estate [including CRE, excluding Services]	20.90	20.89
Others	19.58	0.07
Agriculture	17.99	11.75
MSME [excl. Infrastructure]	16.99	6.30
Education [Individual + Institution]	5.48	-
Wholesale/Retail Trade [excl. services]	1.04	-
Grand Total	819.32	582.52



	No. of a/cs	Amount (₹ in cr)
Opening balance as on 30.06.2018	57	734.04
Addition	12	214.86
Deletion/ Upgradation	45	602.16
Position as on 30.09.2018	24	346.74

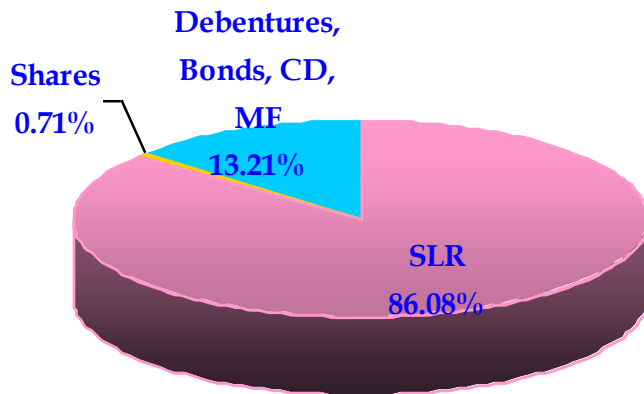


Investments [excl. RIDF] (₹ crs)

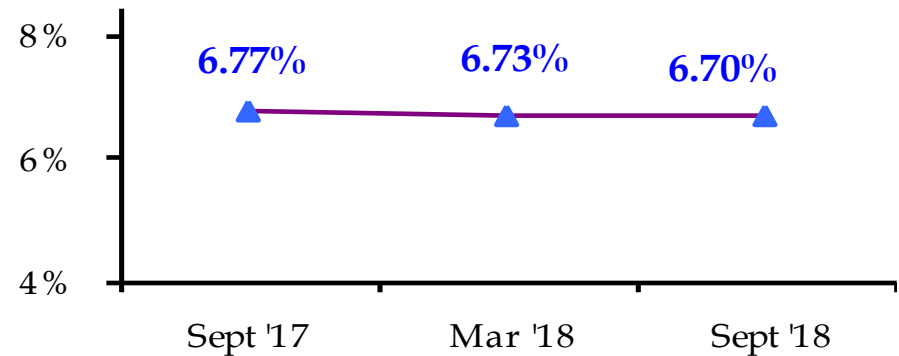


Duration

AFS	HFT	HTM	TOTAL
2.36	0.01	5.36	4.65



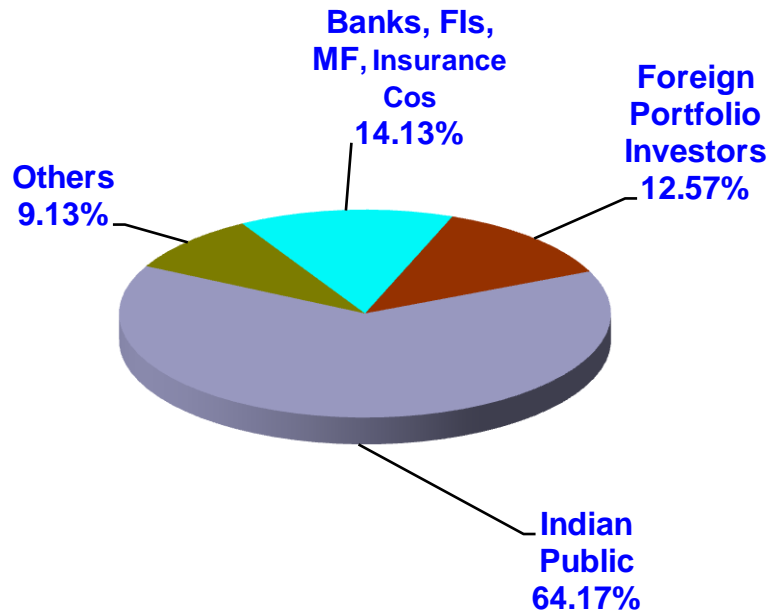
Yield on Investments (%)



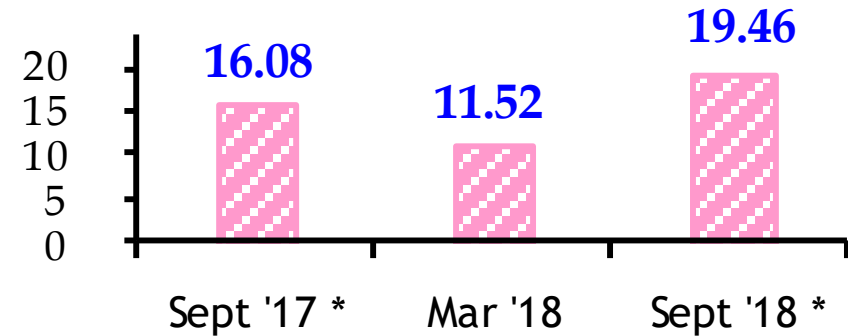
Share holders' value



Share holding pattern (Sept '18)

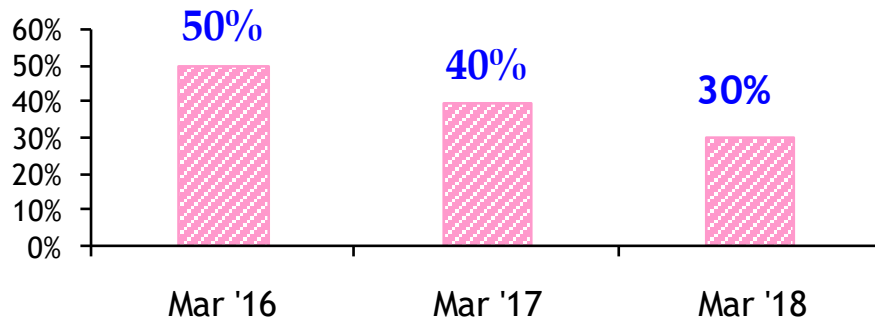


Earning Per Share (₹)

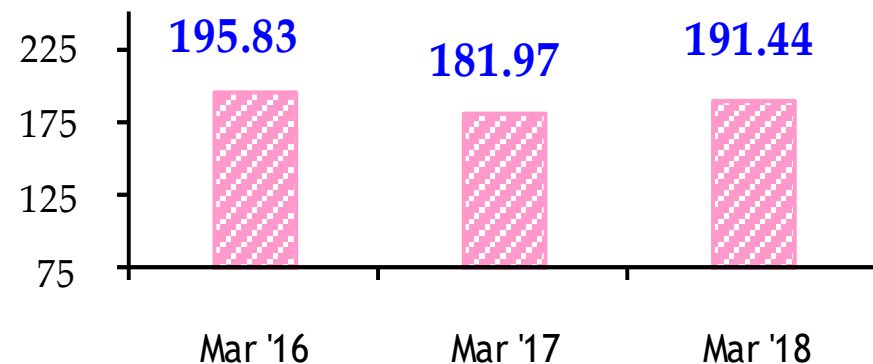


* annualised

Dividend (%)



Book value (₹)

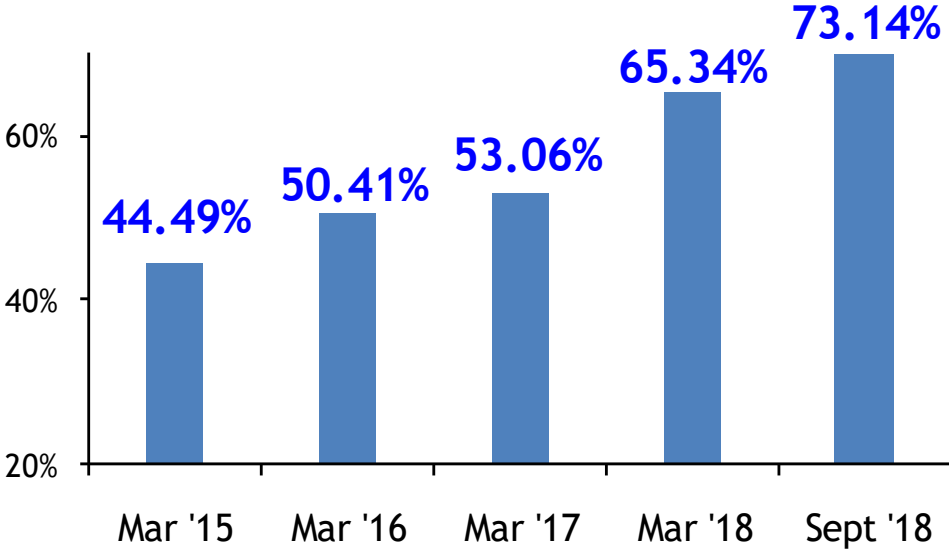


Leveraging on Technology



Migration to Digital Channel

[share of ADC transactions to total CBS transactions]

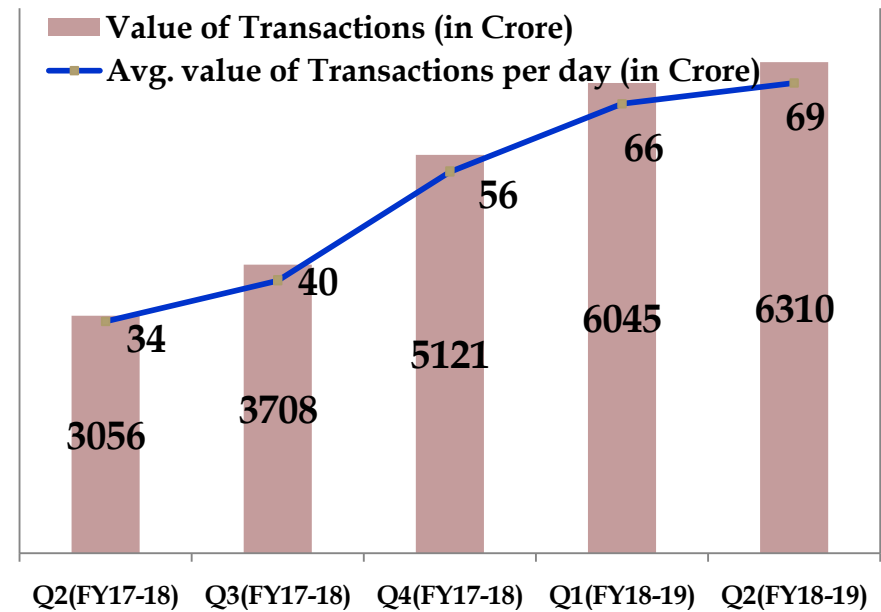
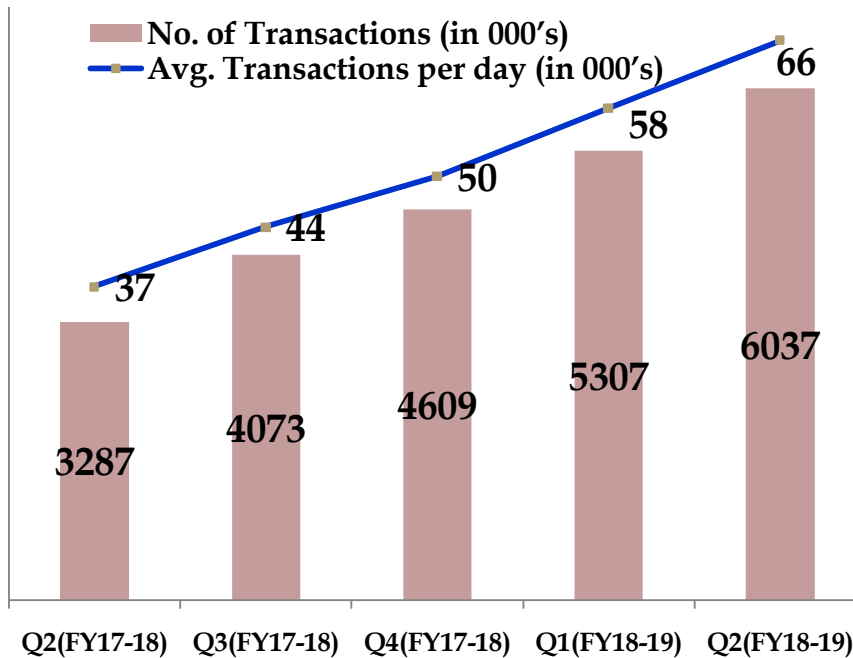
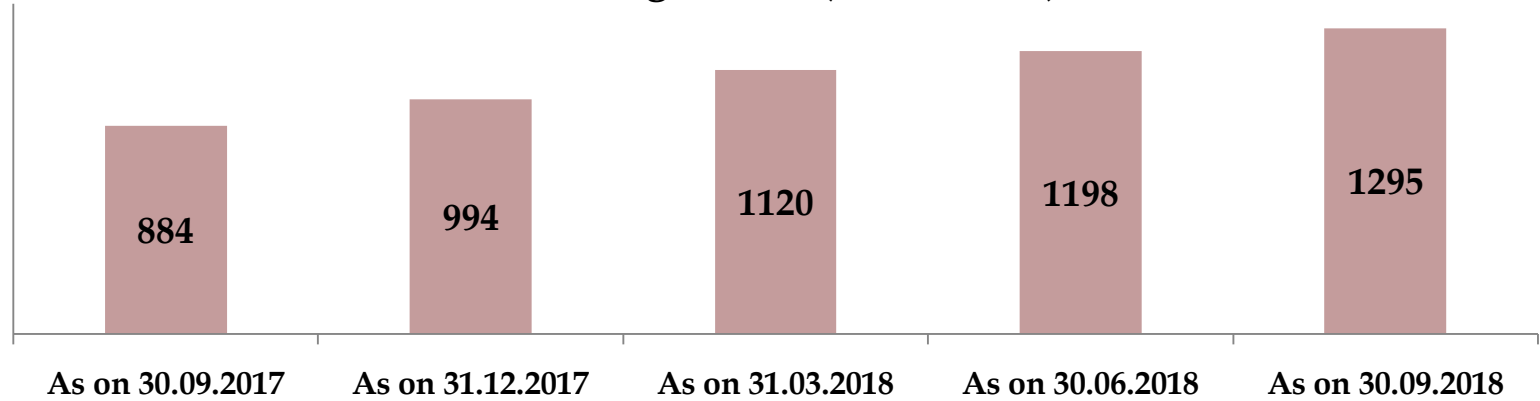


MULTI-DIMENSIONAL BANKING. POWERED BY TECHNOLOGY.





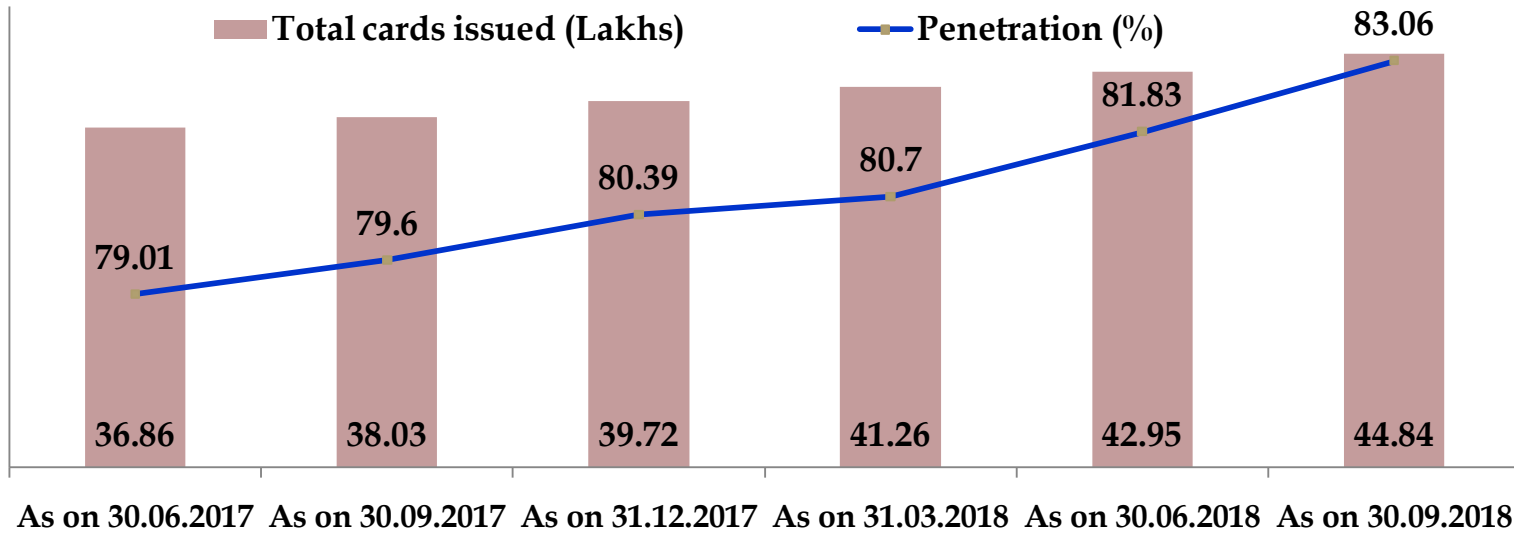
No. of Regd users (Thousands)



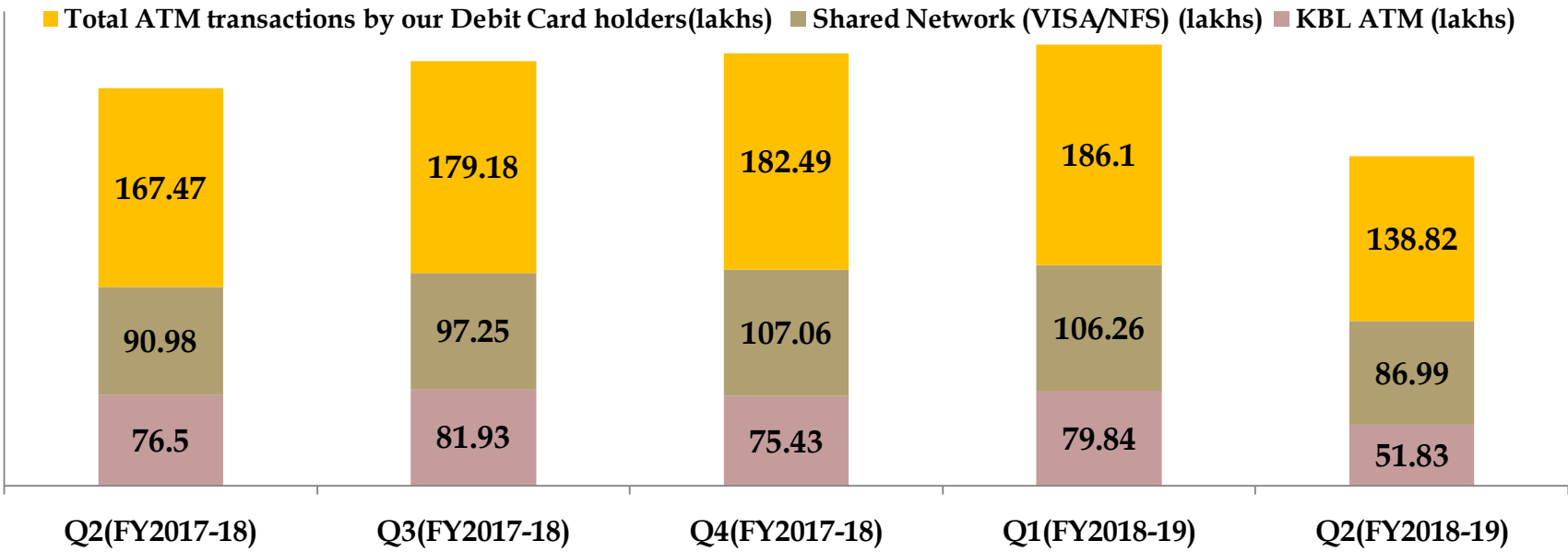
Debit Cards



Debit cards Penetration



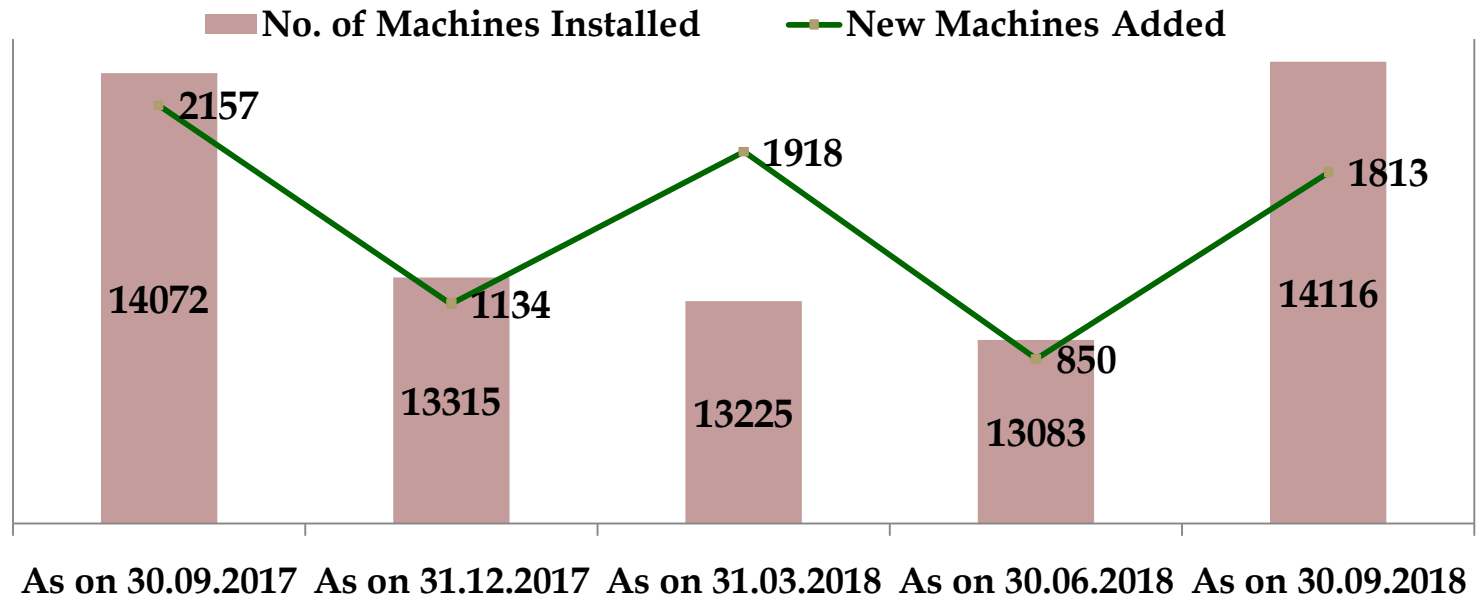
Cards Usage



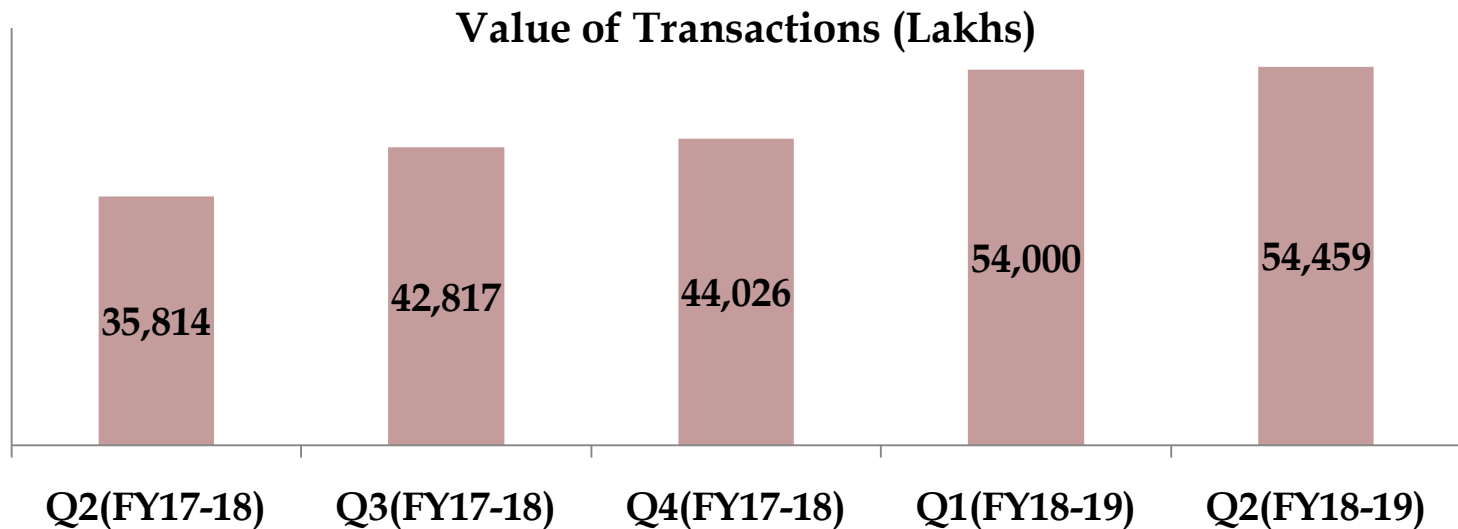


Point of Sale (POS) Business

POS Installation Report



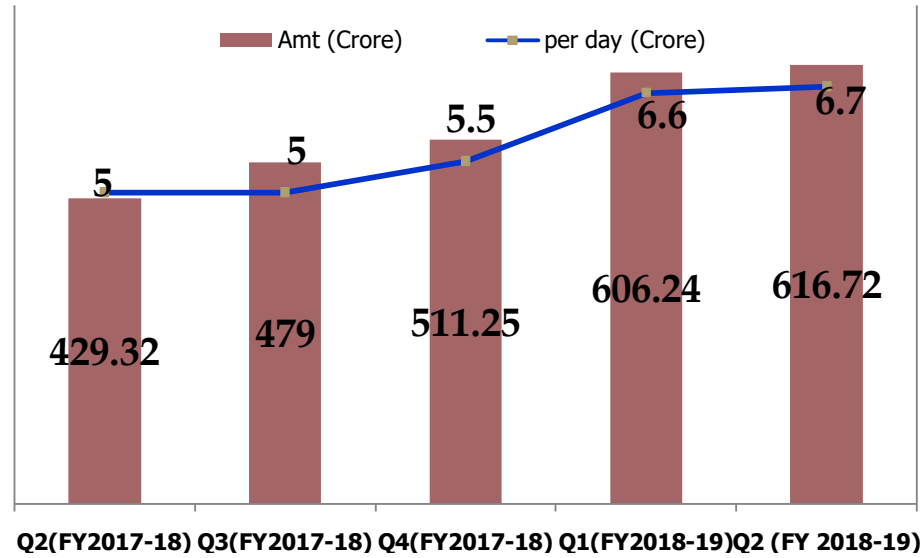
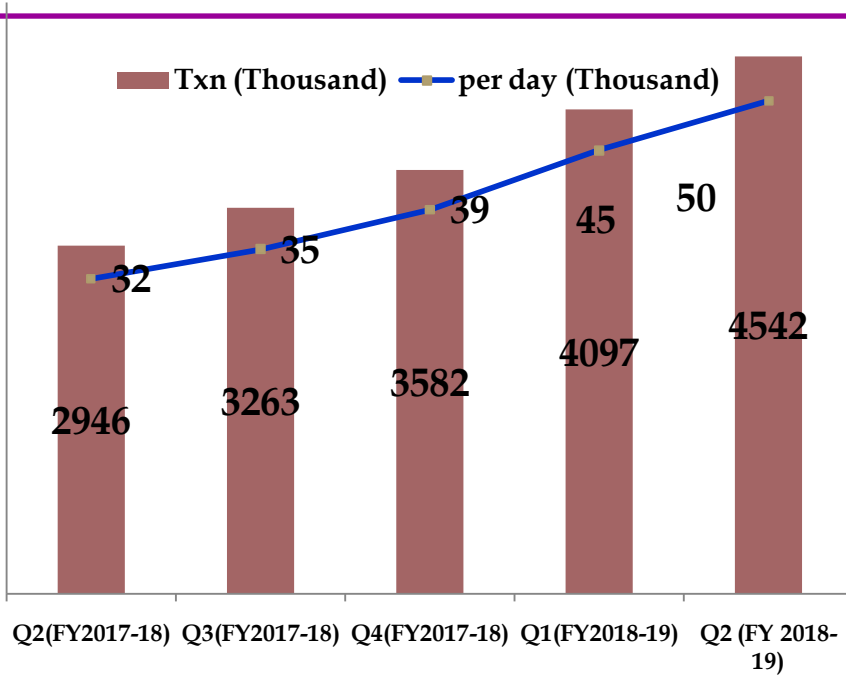
POS Transaction Value



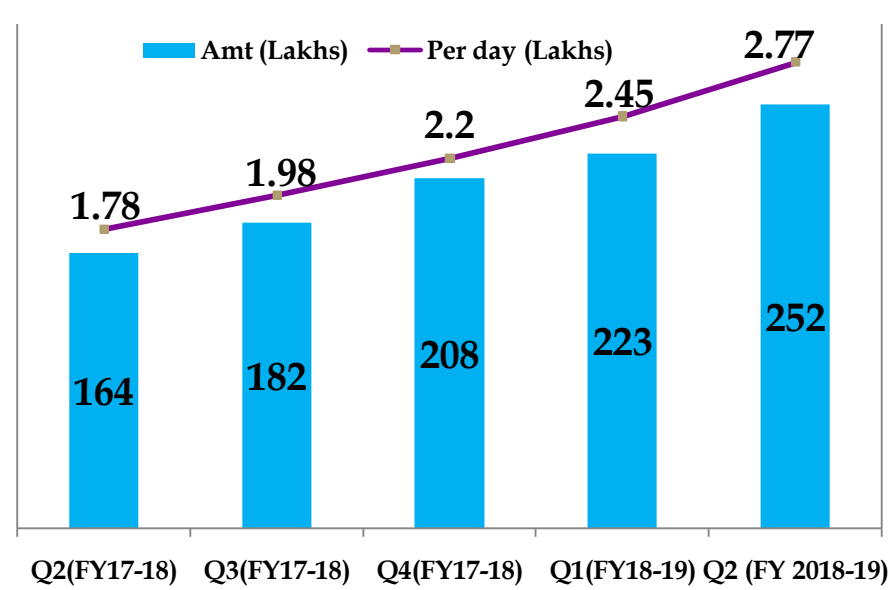
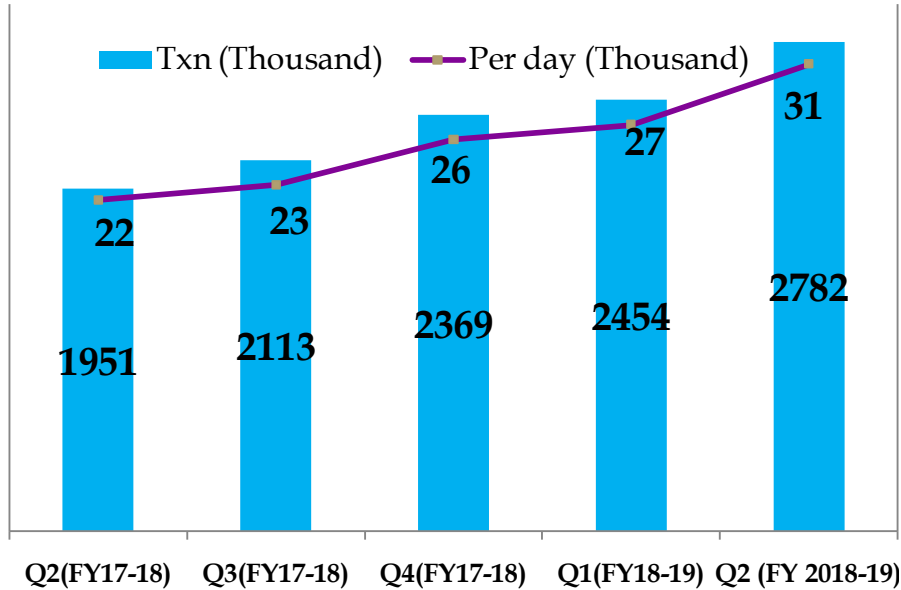
POS & ECOM transactions



POS Transactions



ECOM Transactions



Annexure

Deposits & Advances



₹ crs	<u>Sept-17</u>	<u>Mar-18</u>	<u>Sept-18</u>
Total Deposits	56,558	62,871	63,885
CASA Deposits	16,163	17,594	17,298
Retail Deposits	40,194	42,196	45,406
Wholesale Deposits	201	3,081	1,180
Total Advances	41,062	47,252	49,970
Priority Sector Advances	17,350	20,594	21,435
Agri Advances	6,586	6,878	7,053
MSE Advances	9,073	9,683	10,384
Advances to Weaker Section	2,523	2,532	2,548

Income & Expenditure



₹ crs	<u>Mar-18</u> [12 months]	<u>Sept-17</u> [6 months]	<u>Sept-18</u> [6 months]
Interest Income	5,424	2,649	2,860
Interest Expense	3,566	1,784	1,924
Net Interest Income	1,858	865	936
Fee Income	757	304	397
Treasury Income	197	161	13
Non-Interest Income	954	465	410
Total Income (Net of Interest Expense)	2,812	1,330	1,346
Operating Expenses	1,339	654	621
Operating Profit	1,473	676	725
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	1,147	449	450
Net Profit	326	227	275

Interest Income & Interest Expenditure



₹ crs	<u>Mar-18</u> [12 months]	<u>Sept-17</u> [6 months]	<u>Sept-18</u> [6 months]
<u>Interest Income</u>			
Interest Income	5,424	2,649	2,860
Interest on Advances	4,082	1,959	2,258
Interest on Investments	1,162	622	550
Other interest	180	68	52
Yield on Advances	9.84%	10.15%	9.34%
Adjusted yield on Invts.	7.31%	8.43%	6.63%
<u>Interest Expense</u>			
Interest Expense	3,566	1,784	1,924
Interest on Deposits	3,473	1,744	1,868
Other interest	93	40	56
Cost of Deposits	6.06%	6.23%	5.94%
<u>Net Interest Income</u>			
Net Interest Income	1,858	865	936
Interest Spread in Lending	3.78%	3.92%	3.40%
Net Interest Margin on average earning assets	3.18%	3.03%	2.95%

Capital Adequacy under BASEL III



₹ crs	<u>Sept-17</u>	<u>Mar-18</u>	<u>Sept-18</u>
Total Risk Weighted Assets	42,019	44,981	47,619
Total Capital Fund	5,236	5,414	5,379
Total Tier I Capital	4,805	5,079	5,029
Paid up Equity Capital	283	283	283
Reserves under Tier I Cap.	4,523	4,796	4,746
Total Tier II Capital	431	335	350
Surplus Provisions & Reserves	306	235	250
Subordinated Debt Fund	125	100	100
Total CRAR	12.46%	12.04%	11.30%
CRAR Common Equity Tier I Capital	11.44%	11.29%	10.56%
CRAR Tier I Capital	11.44%	11.29%	10.56%
CRAR Tier II Capital	1.03%	0.75%	0.74%

Corporate Social Responsibility



Contribution of the Bank towards the flood affected victims of Kerala State.



Contribution of the Bank towards the flood affected victims of Kodagu district of Karnataka State.



Donation of school van to Govt. Higher Primary School, Chitrapady.



- ❖ Launched Deposit Only Card.
- ❖ Opened Currency Chest at Mangaluru.
- ❖ Launched Centralized Account Opening process for CASA accounts.
- ❖ Launched Cash@PoS facility.
- ❖ Launched DigiLocker Account facility through MoneyClick® Internet Banking.
- ❖ Integrated Bank's education loan scheme with Govt of India's Vidya Lakshmi Portal for online education loan.
- ❖ Launched 'QR code' instant two-wheeler insurance policy.



BCG as transformation consultant

As a part of Transformation journey,

- Launched Regional Loan Processing Centres [RLPCs] at all the Regions.
- Focus on Housing, Retail & MSME loans at these RLPCs.
- Tied up with M/s A & A Dukaan Financial Services Pvt Ltd [BankBazaar] for Digital Home Loan sourcing.
- Launched “KBL FORCE” - an integrated Lead Management System (LMS).
- Introduced Collection Management System.
- Launched “KBL KOLLECT+” - a Collection tool, on pilot basis at Bengaluru.
- Revamped Internet Banking.
- Implementation of Employee Satisfaction and Career Development System [ESCDS] and Key Result Area [KRA].



Business Strategy



- ❖ **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
 - 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
 - Establishing Digital Centre of Excellence(DCoE)
 - 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
- ❖ Parabanking 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.



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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