



Karnataka Bank
Your Family Bank Across India

Analysis of Financial Results
September 2019

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Company Overview

- 01 Time tested Bank with over 95 years of banking history .
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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">❑ Customer base crossed the milestone of 1 crore.❑ Business turnover crossed the historic milestone of ₹ 1,00,000 crore.❑ Formed Investor Relation Cell.❑ Networth of the Bank crossed ₹ 5,000 crs.
2012-16	<ul style="list-style-type: none">❑ Completed 1:2 rights issue to raise ₹ 658.96 crs.❑ Unveiled KBL - VISION 2020 & adopted Vision Statement.❑ No. of branches crossed 500 & No. of ATMs crossed 1,000.❑ Business turnover crossed the milestone of ₹ 75,000 crore.❑ Secured ISO 27001 : 2005 Certificate from NQA..❑ Launched ASBA facility
2007-11	<ul style="list-style-type: none">❑ Right issue of ₹ 457.03 crore in the ratio of 2:5.❑ Launched Online Trading facility.❑ Maiden QIP aggregating ₹ 160.83 crs.❑ Completion of 100% core banking
2002-06	<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 .❑ Rights issue in the ratio of 2:1 to raise ₹ 160 crs.❑ Right issue in the ratio of 1:2.❑ Bancassurance tie-up with MetLife.❑ Maiden bonus issue in the ratio of 1:1
1997-2002	<ul style="list-style-type: none">❑ Implementation of "Finacle" CBS in 2000
1977-96	<ul style="list-style-type: none">❑ Public issue of 45 lakh equity shares in October 1995❑ Became an authorised dealer of foreign exchange in 1977
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

Evolution

First
generation
private
sector
Bank

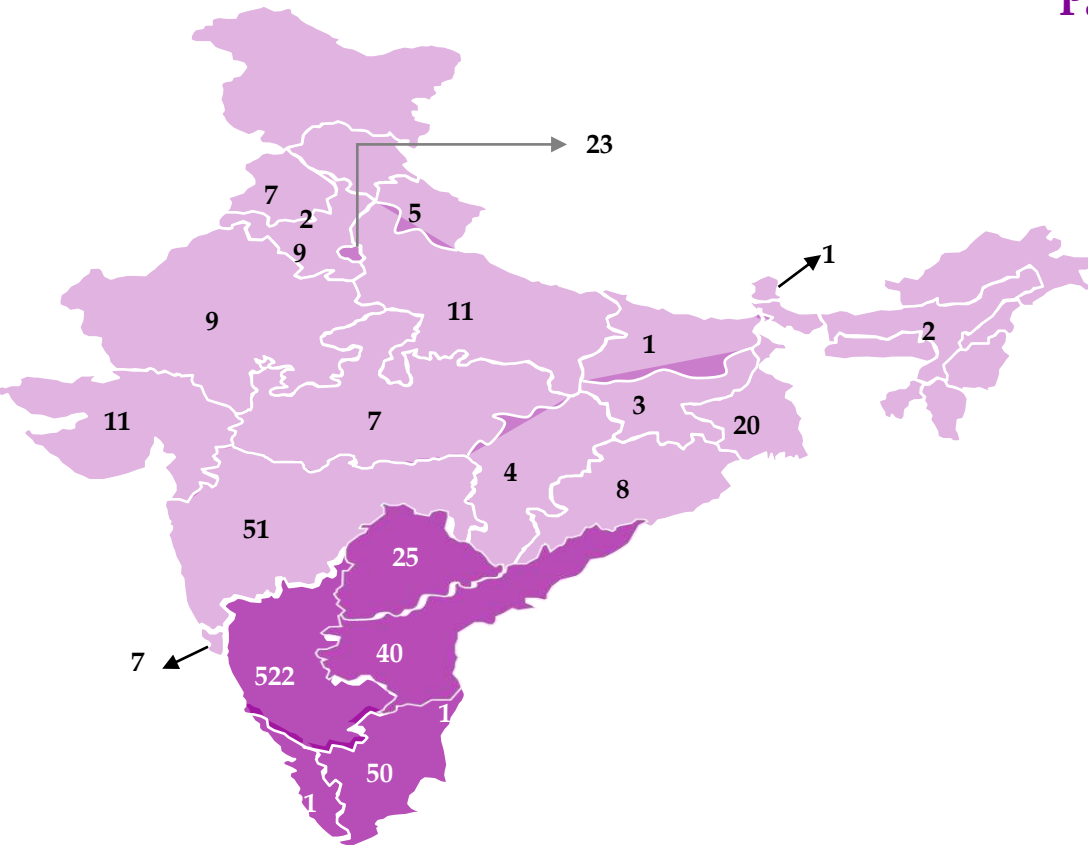
Offers wide
variety of
banking
products

2,345
Outlets all
over India

₹ 1,23,658 Cr
business
turnover

- Business Turnover of ₹ 1,23,658 crore as on 30.09.2019.
- Networth of ₹ 5,948 crore as on 30.09.2019.
- 2,345 service outlets with 840 branches, 1 Extension Counter, 1,084 ATMs and 420 recyclers in 546 centres across India as on 30.09.2019.
- Offers wide variety of corporate and retail banking products and services to over 10.6 million customers.
- Incorporated in 1924, one of the oldest time tested private sector Banks.

Pan-India footprint

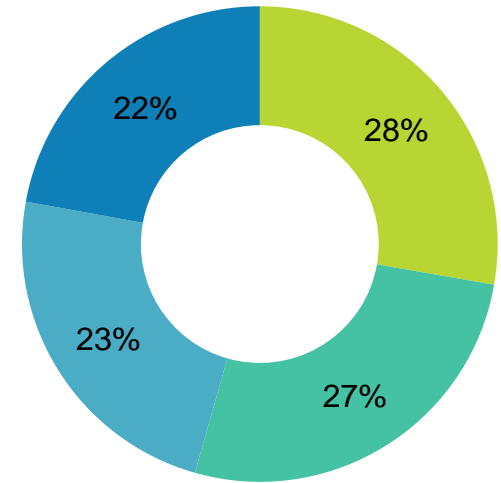


Pan-India Presence

- Total 2,345 service outlets – 840 branches, 1 Extension Counter, 1,084 ATMs & 420 recyclers.
- Total 34 e-Lobbies & 376 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

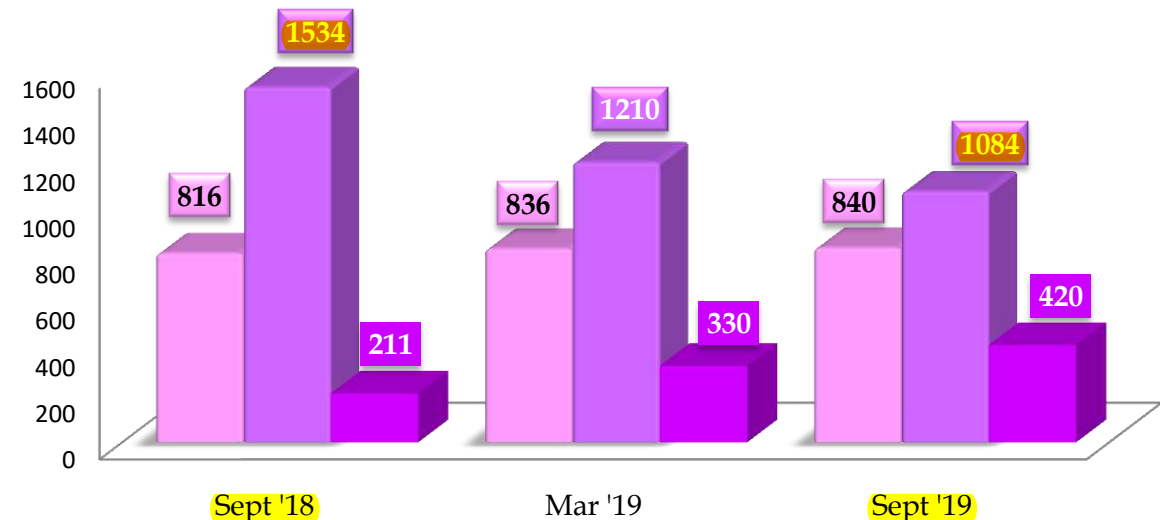


Has the strongest presence in South India with 659 branches

Top 5 States:

Karnataka (522), Maharashtra (51), Tamilnadu (50), Andhra Pradesh (40), Telangana (25)

■ Branches ■ ATMs ■ Recyclers



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.

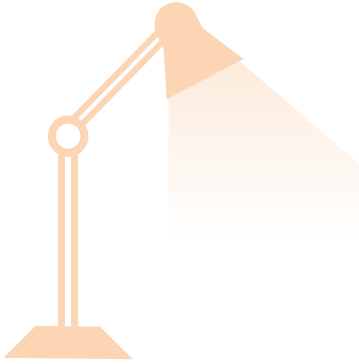
Implemented Lending Automation Processing System (LAPS) software for efficient life cycle management of loan accounts and improved monitoring.

Implemented an Enterprise Level Fraud Risk Management System (ELFRMS) for effective cyber fraud prevention across delivery channels.

Established DCOE for better TAT & risk management.

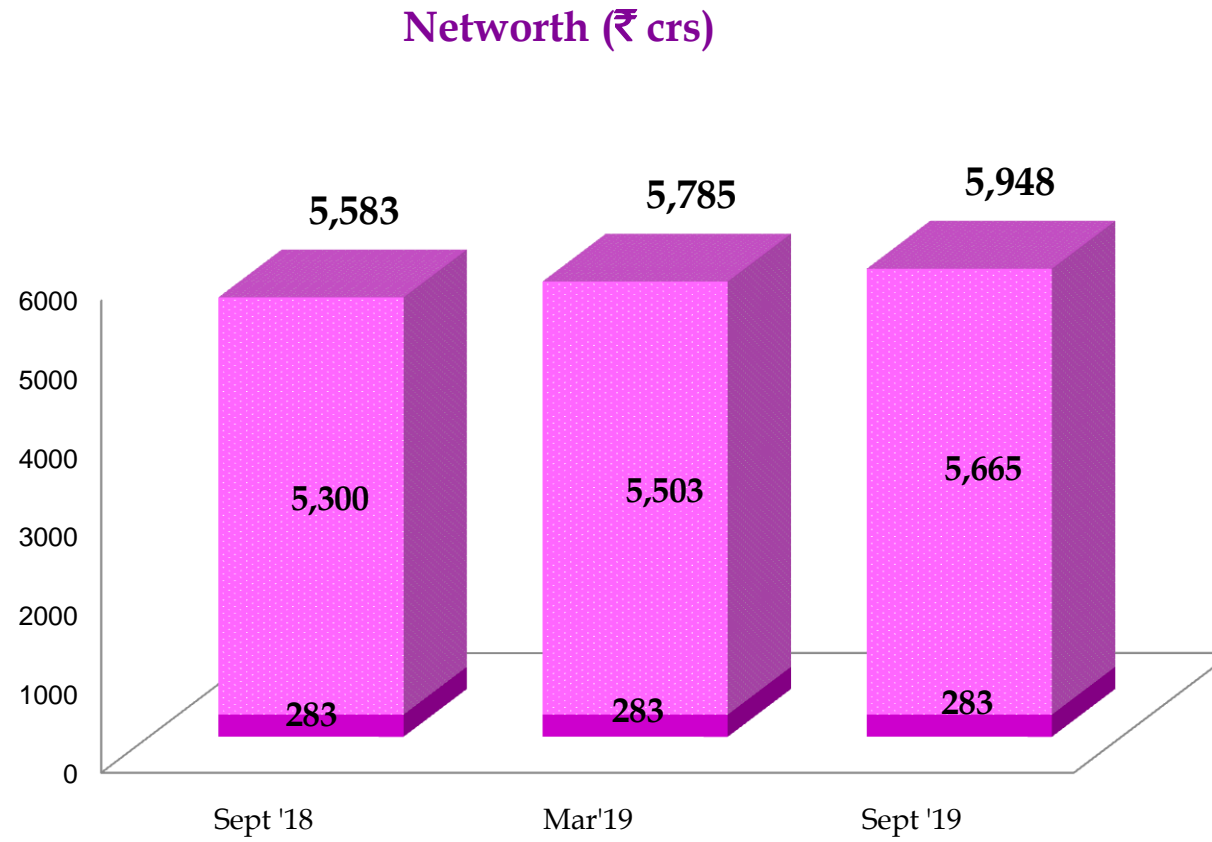
Robust technology platform and risk management systems

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 - Q2 FY20

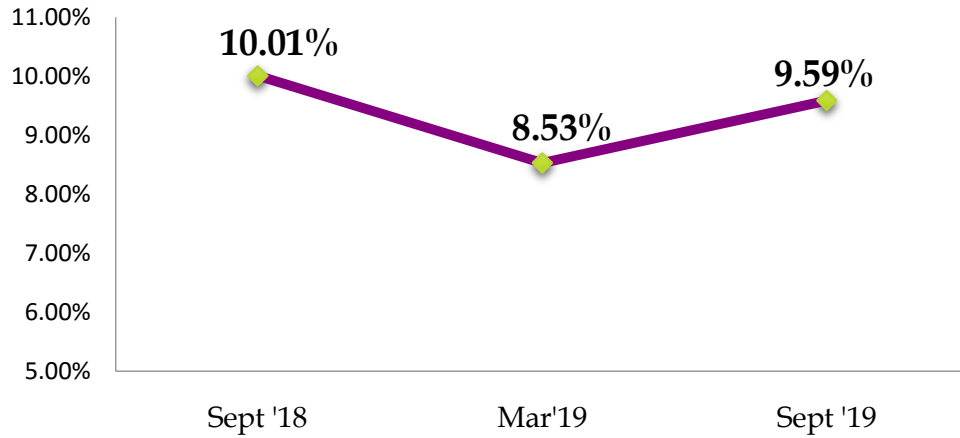
3 Months

6 Months

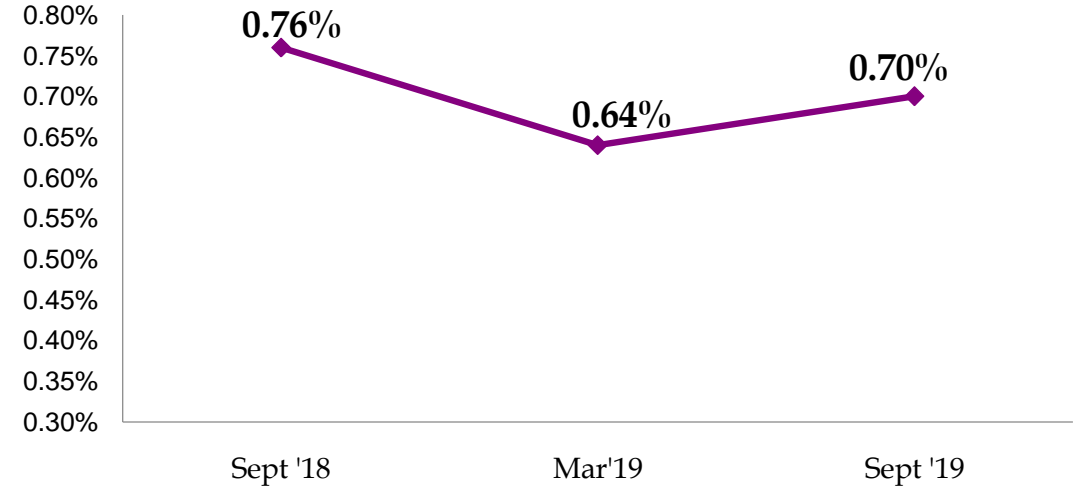
KPAs	Q2 FY 20	Q2 FY 19	H1 FY 20	H1 FY 19	(₹ crs)
Turnover	 1,23,658	1,13,854	 1,23,658	1,13,854	
Operating profit	 413.43	356.33	 763.44	725.21	
Net profit	 105.91	111.86	 281.33	275.10	
Return on Asset	 0.53%	0.61%	 0.70%	0.76%	
Earning per Share <small>(not annualized)</small>	 3.75	3.96	 9.95	9.73	
Return on Equity	 7.12%	8.02%	 9.59%	10.01%	
Net Interest Income	 498.72	467.71	 993.31	936.29	
Net Interest Margin	 2.82%	2.91%	 2.80%	2.95%	
Gross NPA	 4.78%	4.66%	 4.78%	4.66%	
Net NPA	 3.48%	3.00%	 3.48%	3.00%	
Cost to Income	 48.80%	46.73%	 50.65%	46.13%	
CRAR (Basel III)	 12.64%	11.30%	 12.64%	11.30%	

Return and Capital Adequacy Ratios

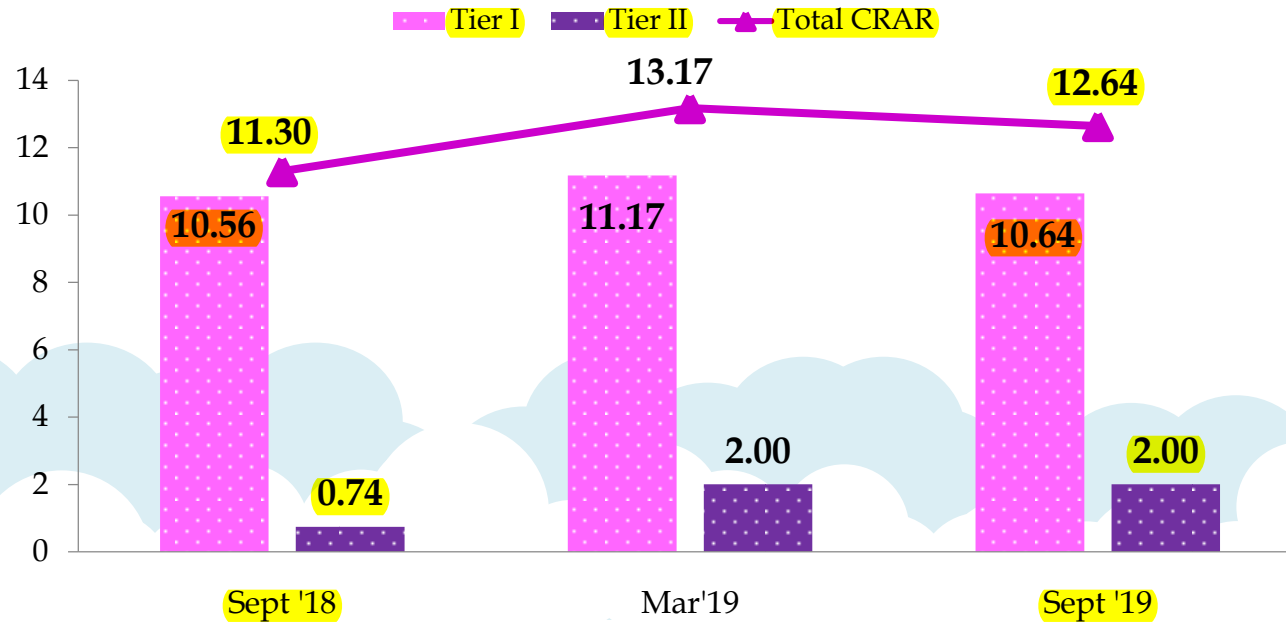
Return on Equity (%) (after tax)



Return on Assets (%) (after tax)

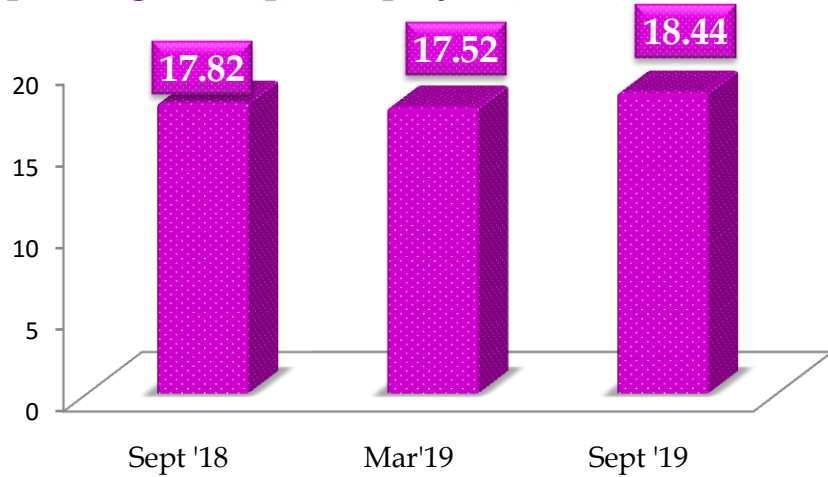


Capital Adequacy (%) - Basel III

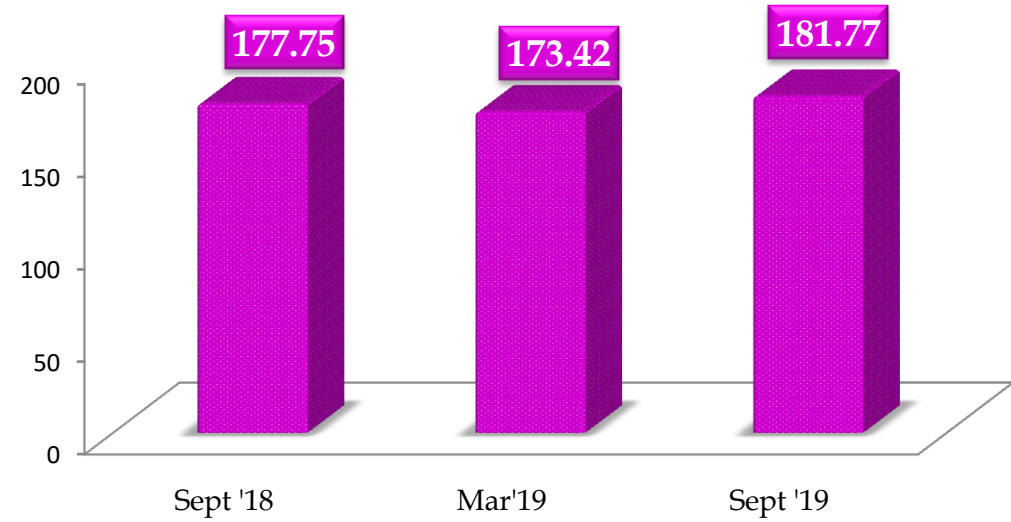


Productivity ratios

Operating Profit per employee (₹ lakh) *

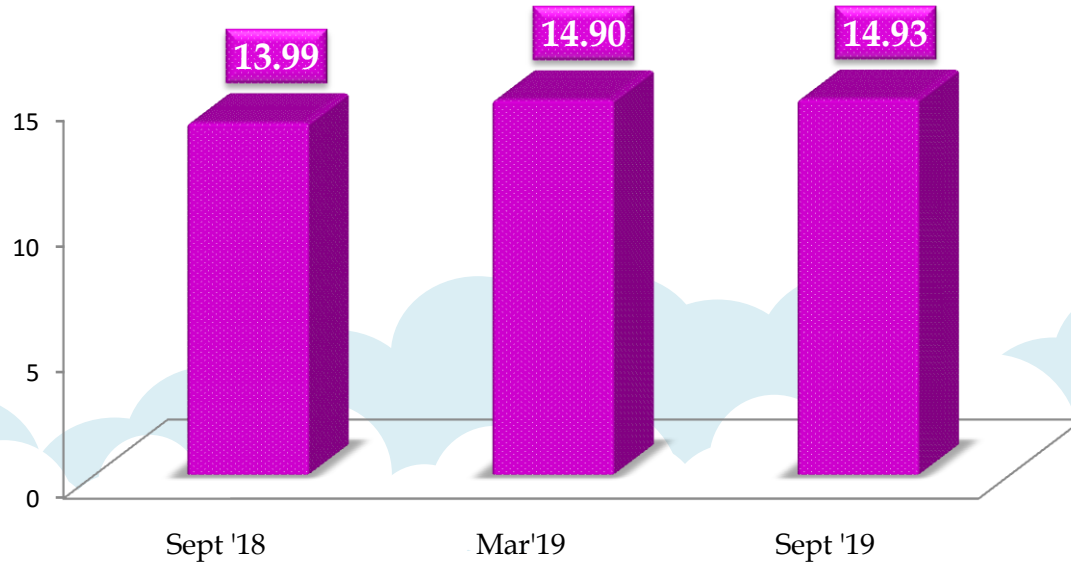


Operating Profit per branch (₹ lakh) *

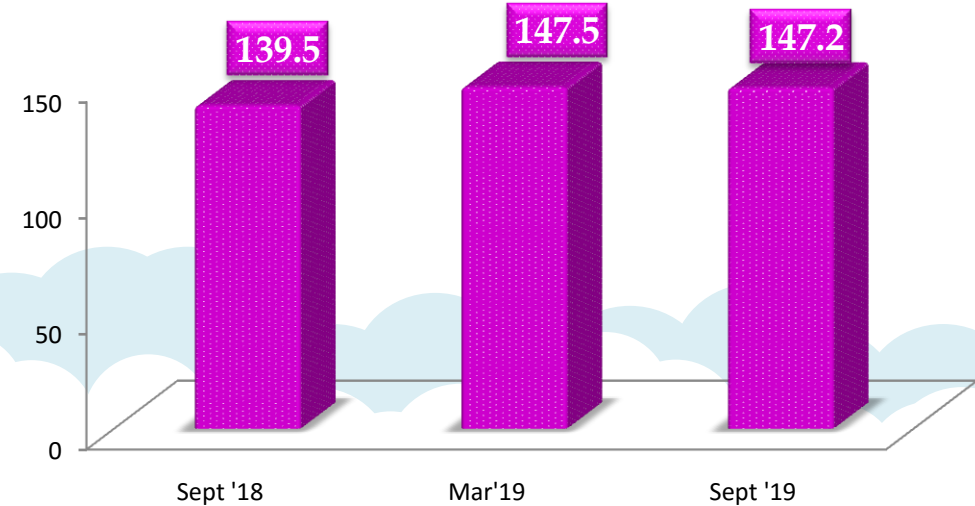


* annualised

Business per employee (₹ crs)



Business per branch (₹ crs)

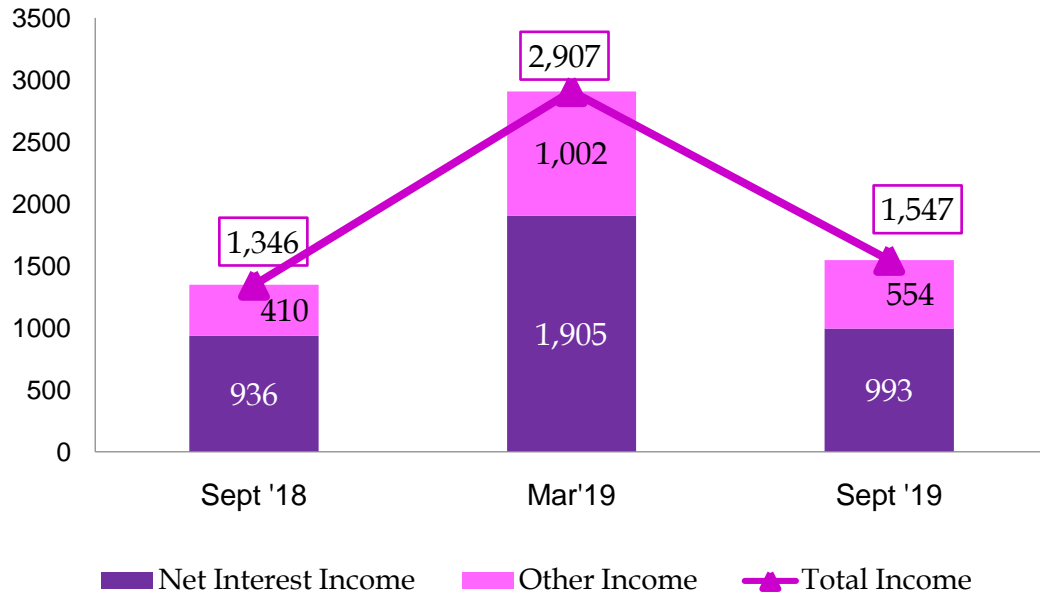


Financial Performance

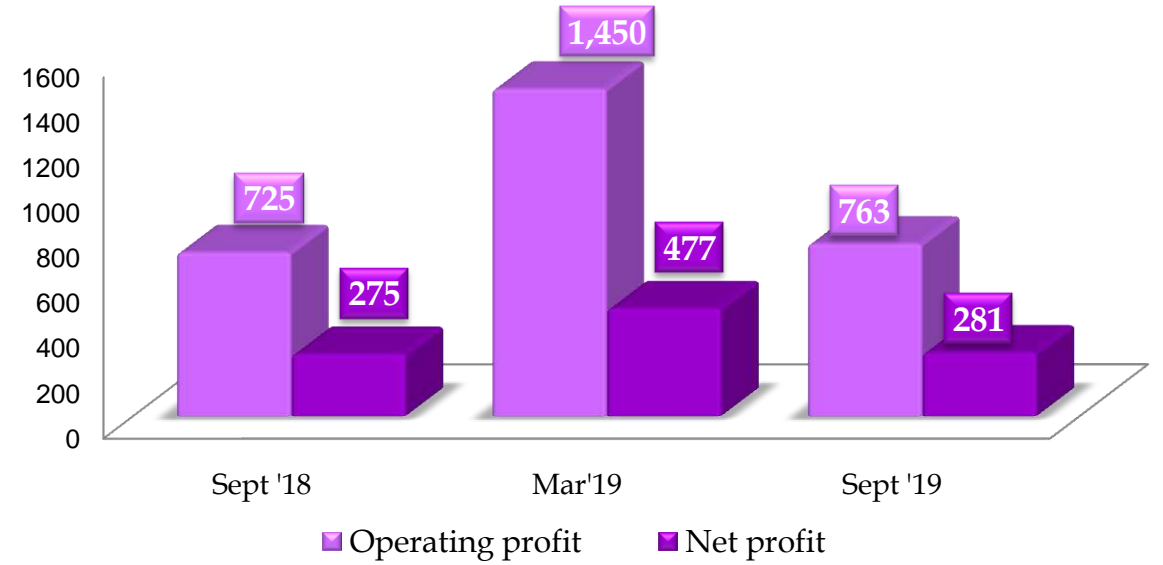


Income & Profit

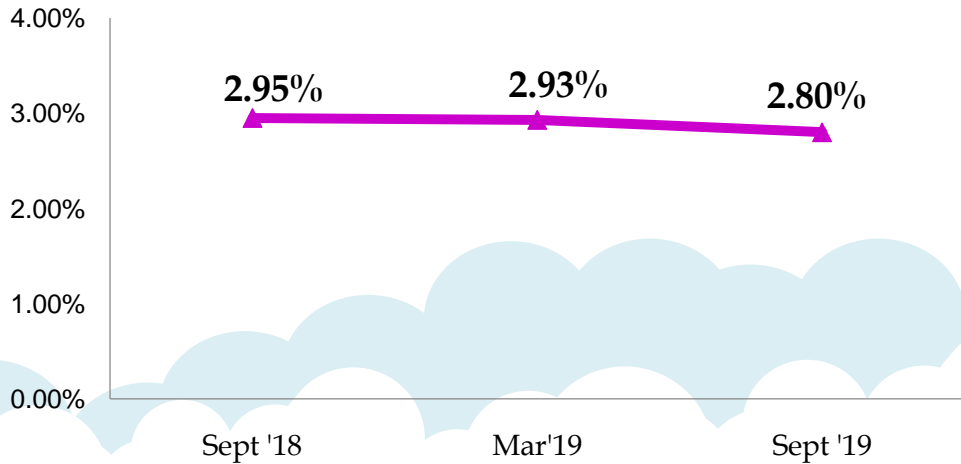
Net Income (₹ crs)



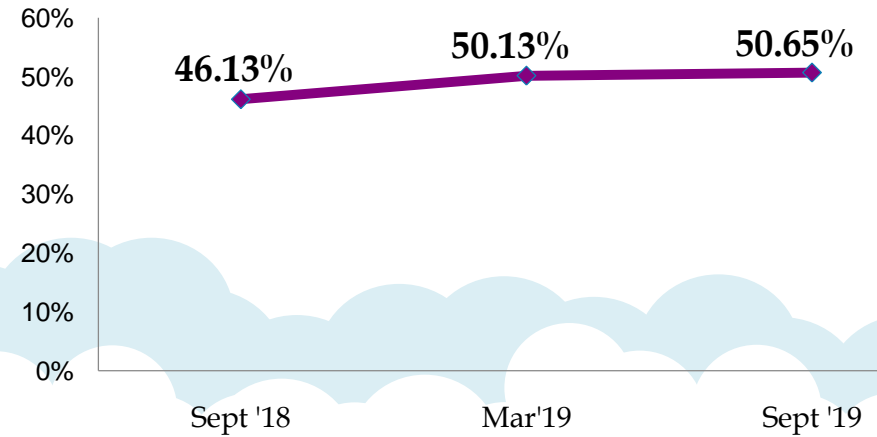
Operating and Net Profit (₹ crs)



Net Interest Margins (%)

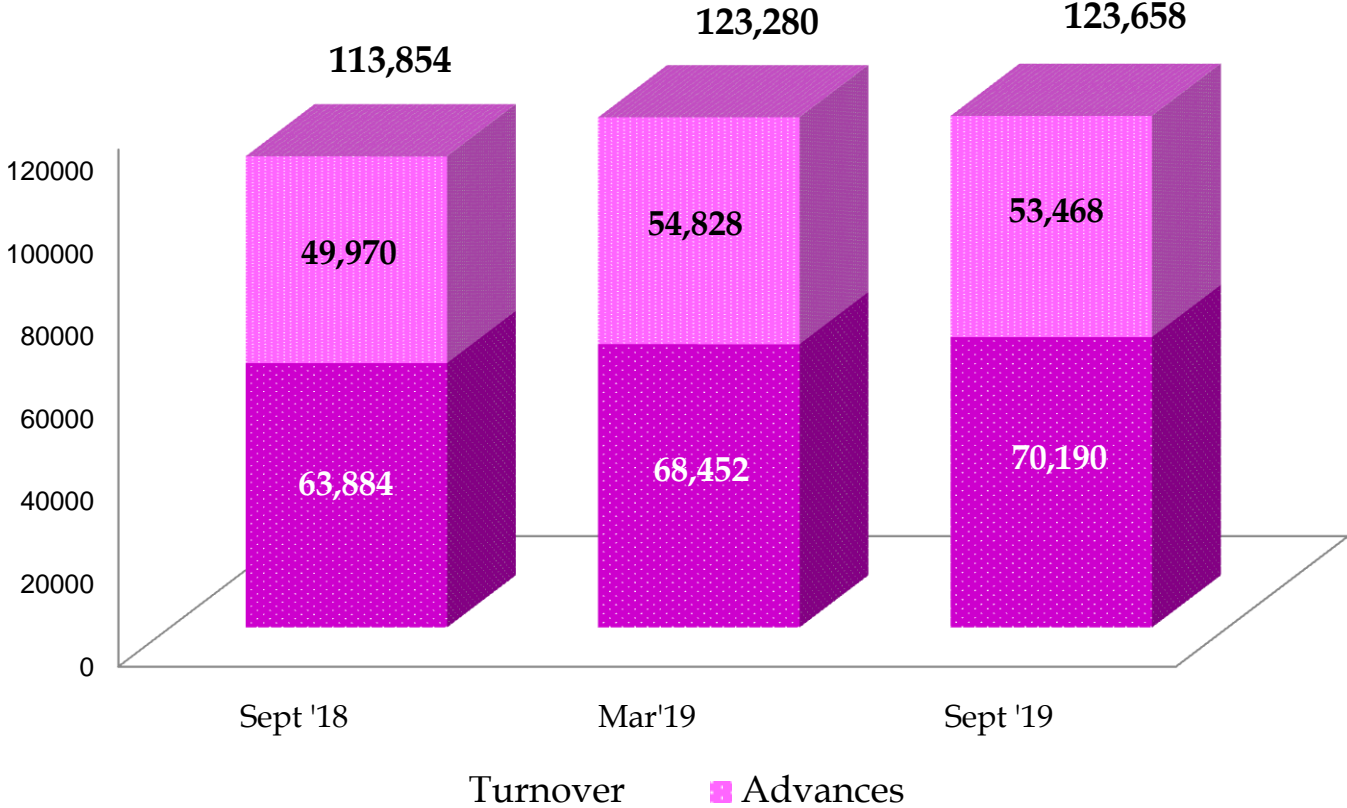


Cost to Income Ratio (%)



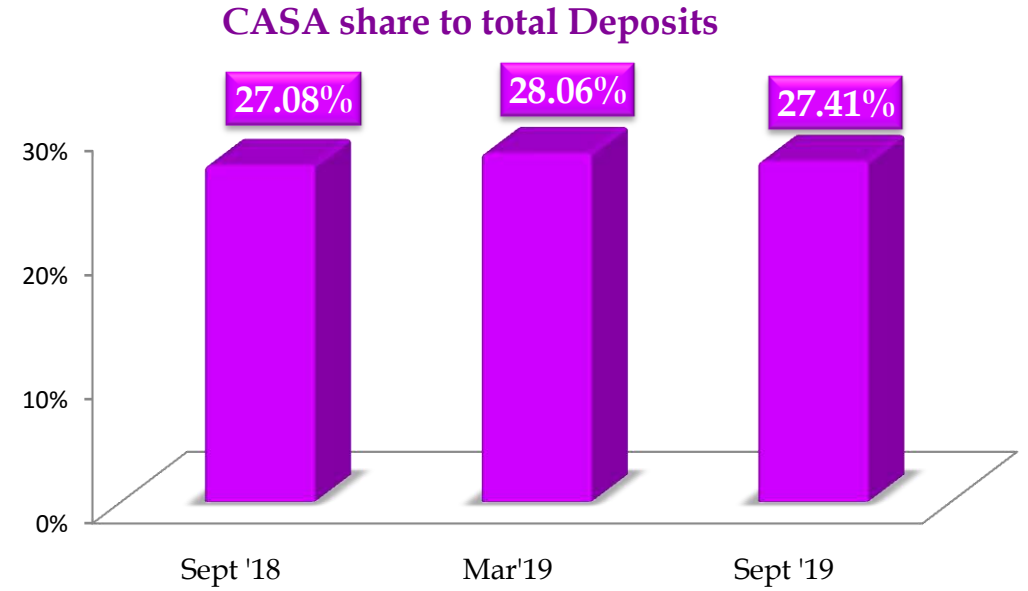
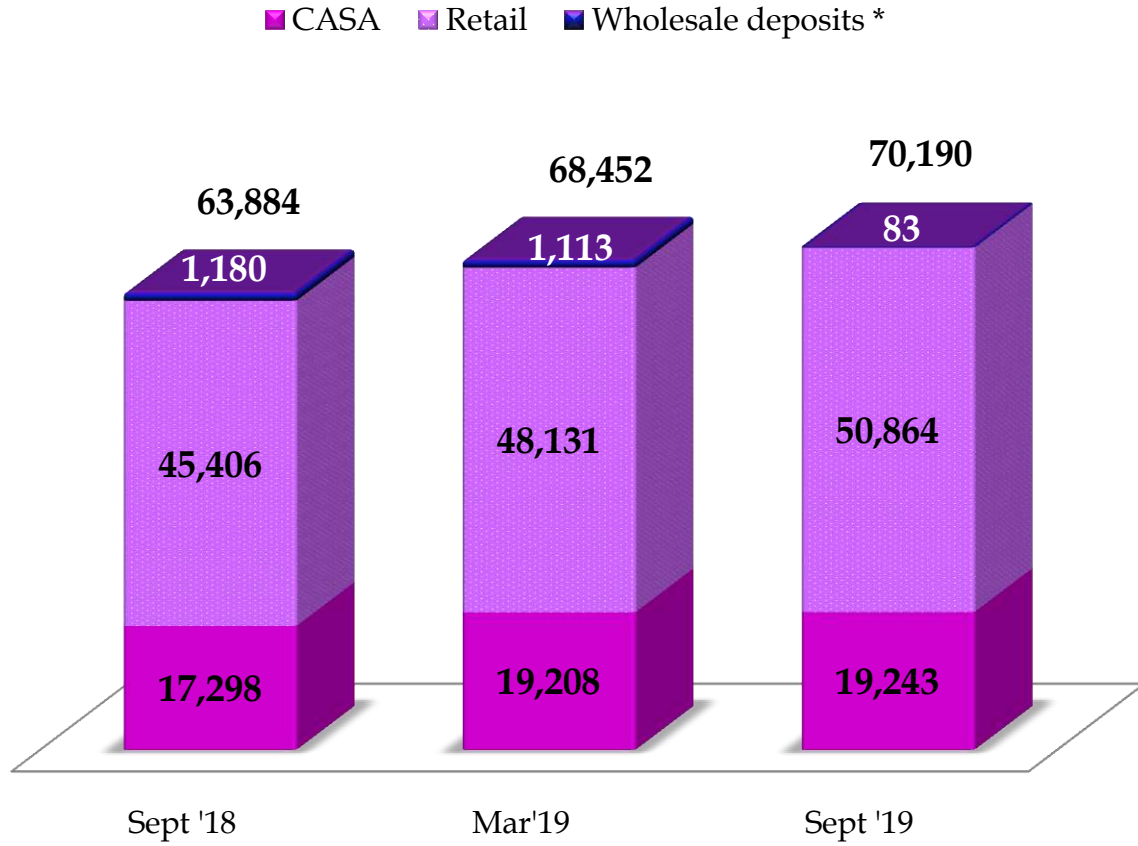
Business size

Business Turnover (₹ crs)

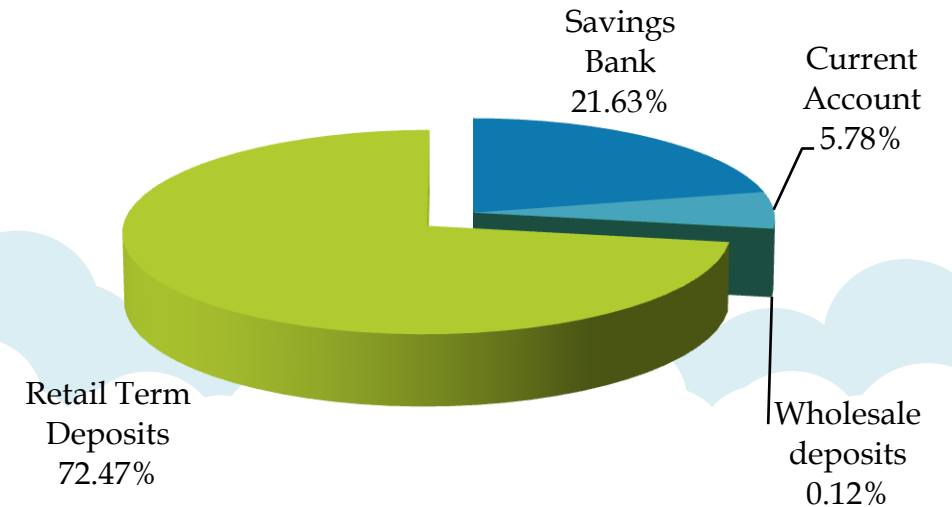


Deposits

Deposits (₹ crs)



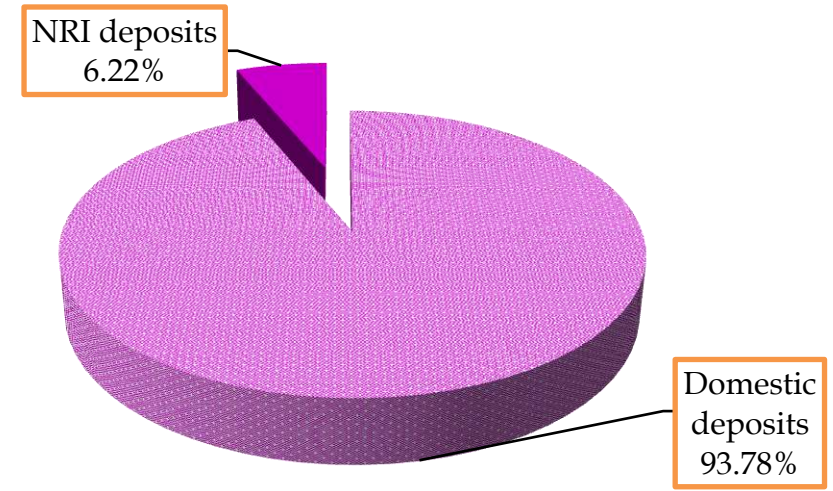
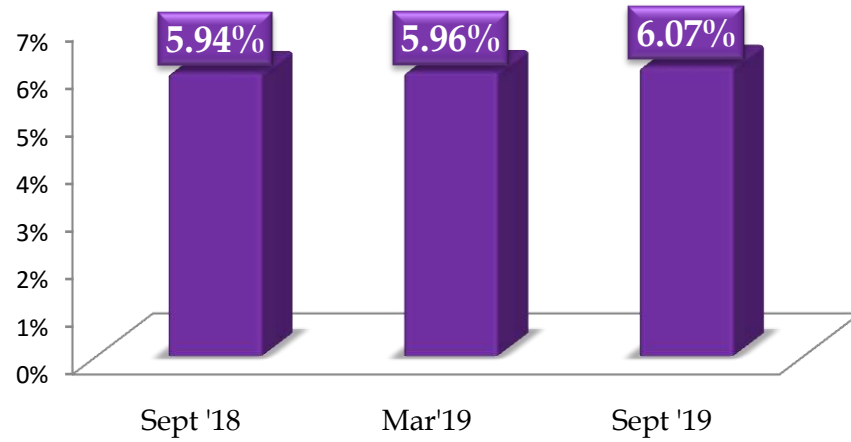
Deposits break up (Sept '19)



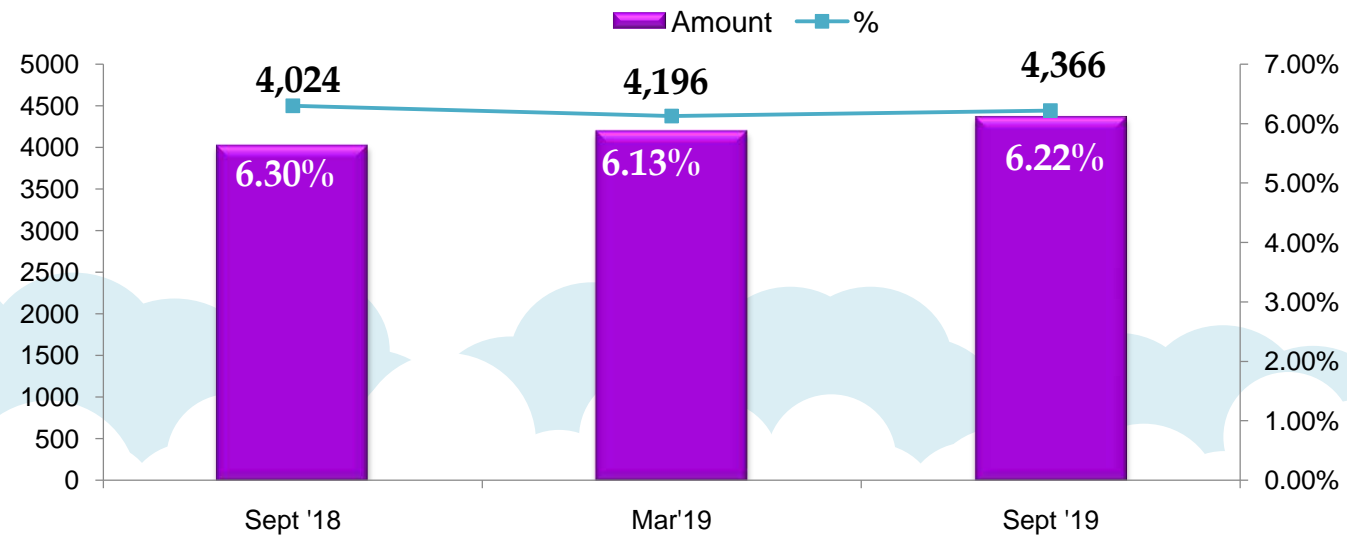
* Wholesale deposits = Purchase liability + Certificates of deposit + Interbank deposits

Deposits

Cost of Deposits

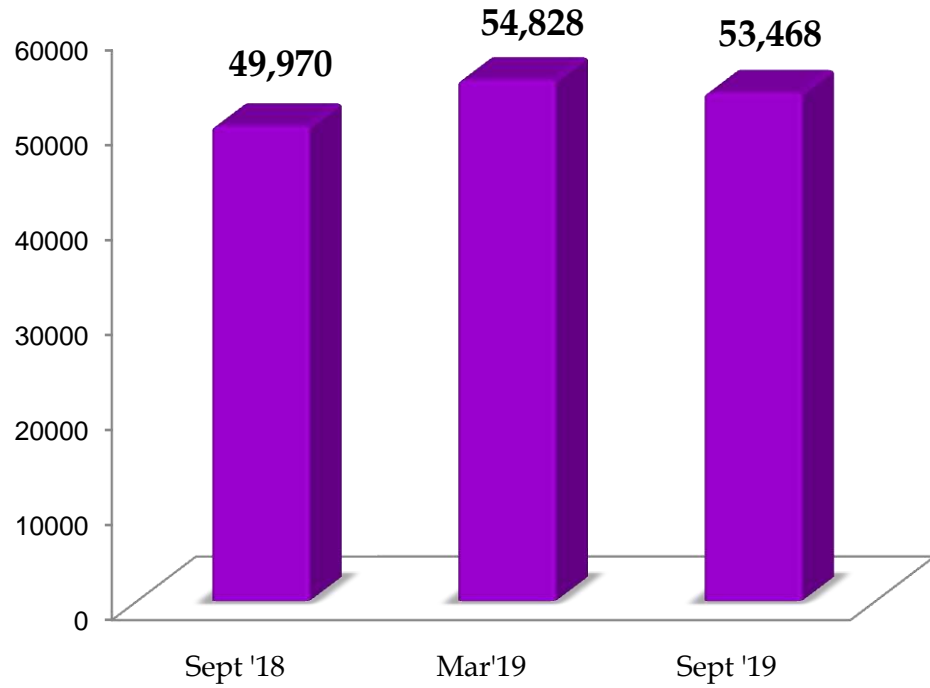


NRI Deposits (₹ crs)



Advances

Advances [Net] (₹ crs)



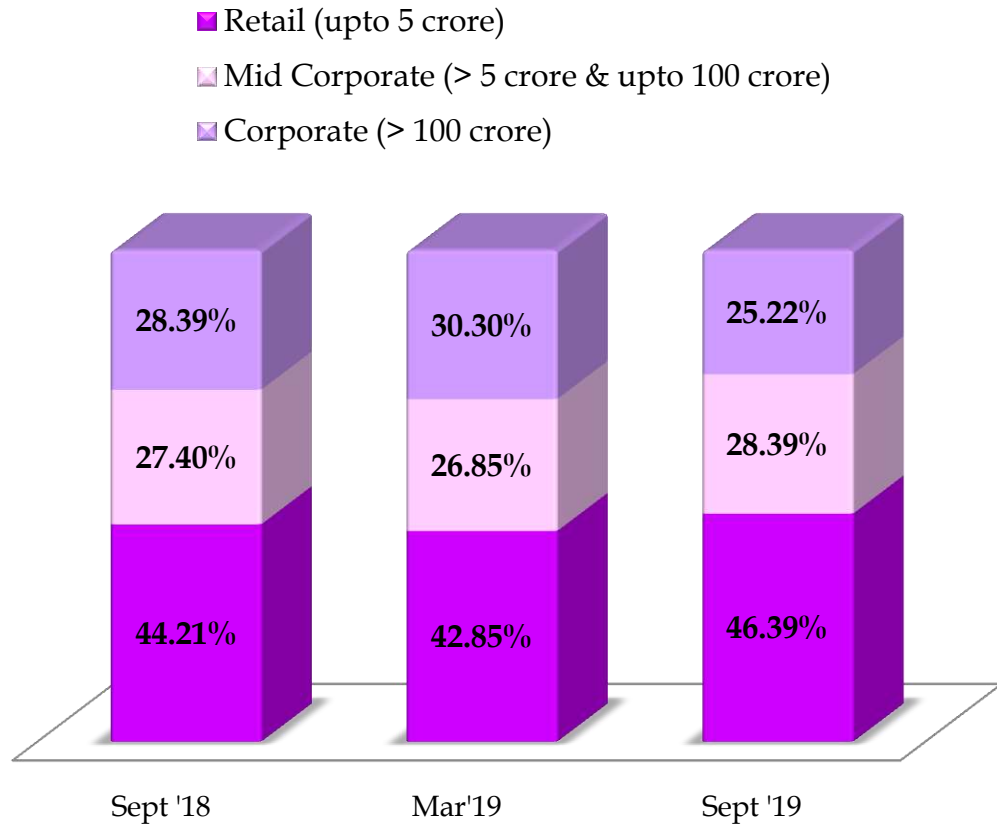
External rating wise Credit Portfolio as of Sept '19

[Figures in brackets - as of Sept '18]

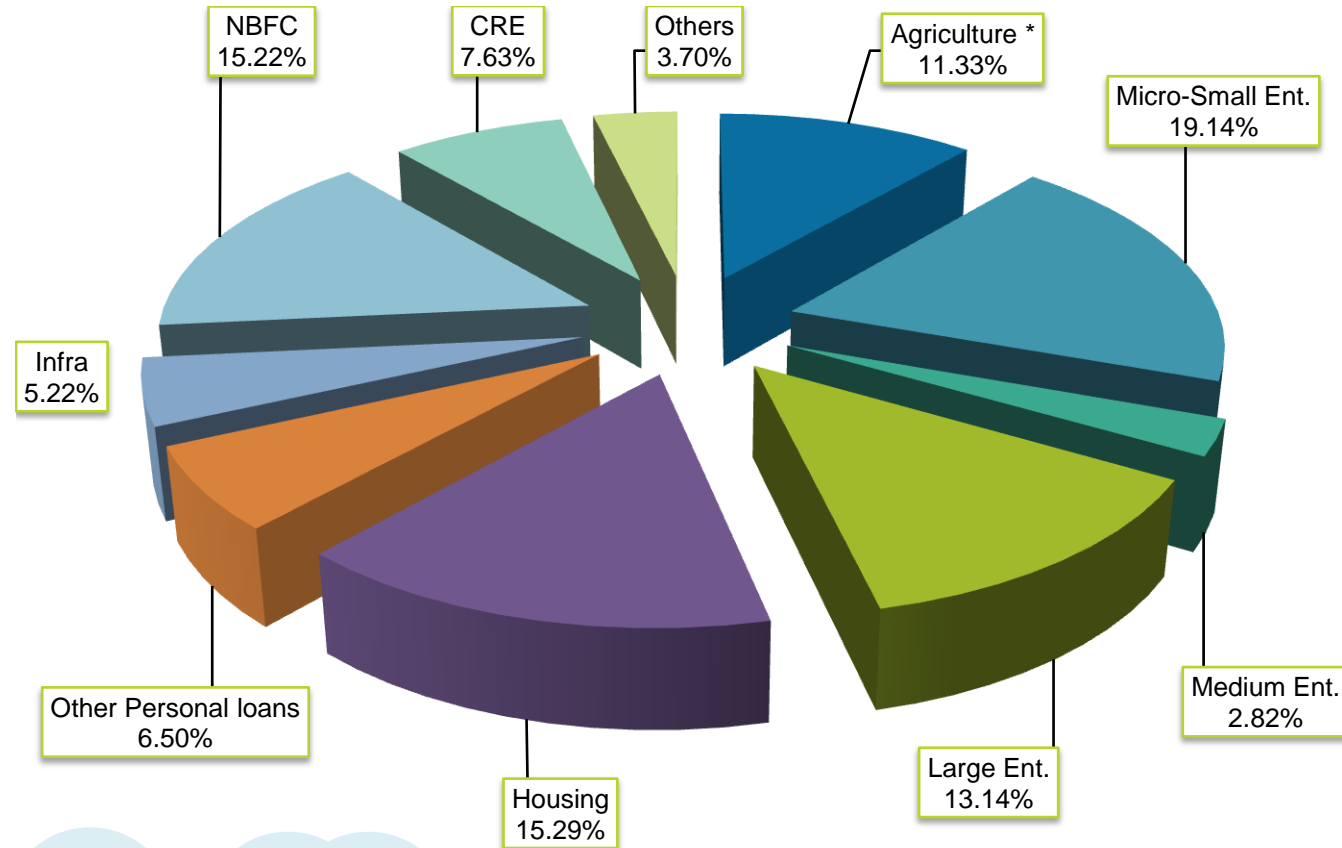
Rating	No of Borrowers	Balance O/s (in cr)	% to GBC	Of which, NPA - no. of borrowers	NPA - Bal o/s (cr)
AAA	16 (21)	5,365.26 (6,537.88)	9.89 (12.86)	-	-
AA	36 (35)	5,170.70 (4,818.48)	9.53 (9.47)	-	-
A	39 (33)	1,641.40 (1,132.07)	3.03 (2.23)	-	-
BBB	79 (69)	2,120.33 (2,237.01)	3.91 (4.40)	-	-
BB	90 (70)	1,554.97 (1,687.92)	2.87 (3.32)	4 (1)	109.65 (14.33)
B	42 (33)	792.95 (500.46)	1.46 (0.98)	2 (3)	85.04 (112.74)
C	1 (1)	27.08 (13.27)	0.05 (0.03)	1 (-)	27.08 (-)
D	28 (24)	1,124.82 (852.62)	2.07 (1.68)	13 (8)	606.22 (500.38)
Total	331 (286)	17,797.51 (17,779.71)	32.82 (34.97)	20 (12)	827.99 (627.45)
Gross Bank Credit		54,233.65 (50,857.59)			

Advances

Retail & Corporate Advances (%)



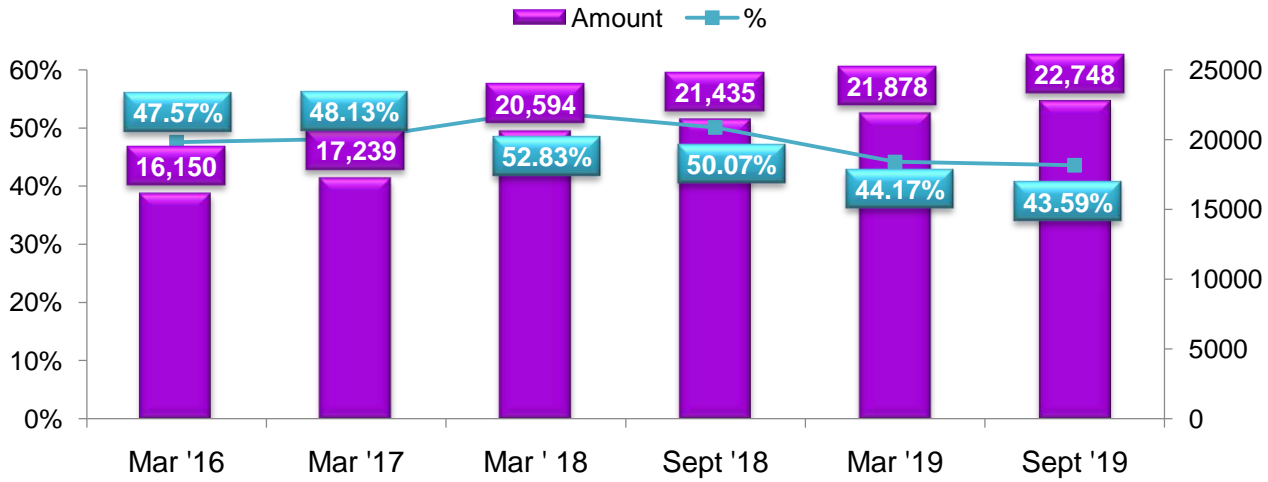
Segmentation of Gross Advances (Sept '19)



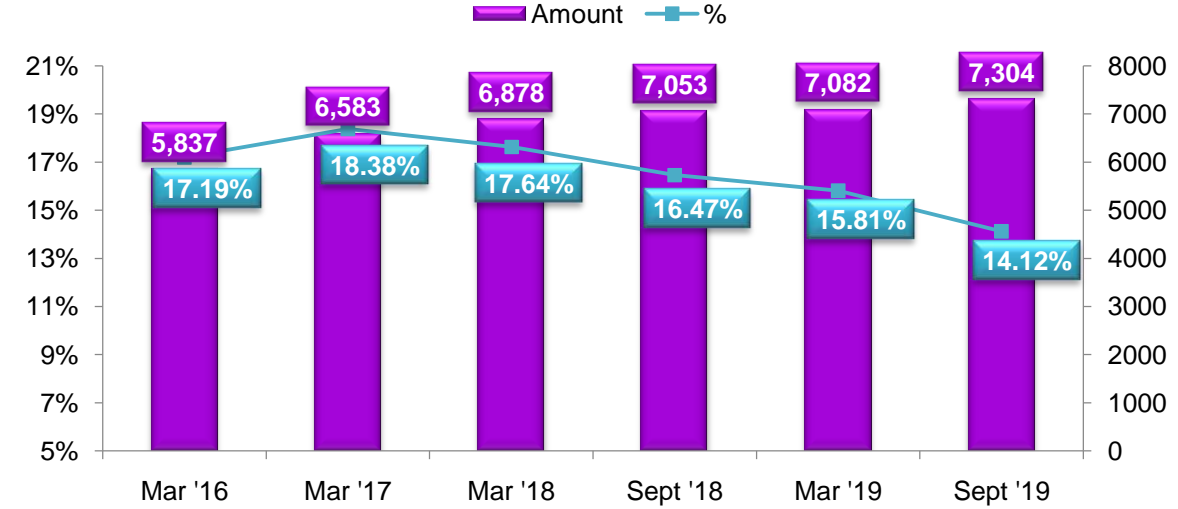
* However, this works out to 14.12% of the ANBC of 30.09.2018.

Advances

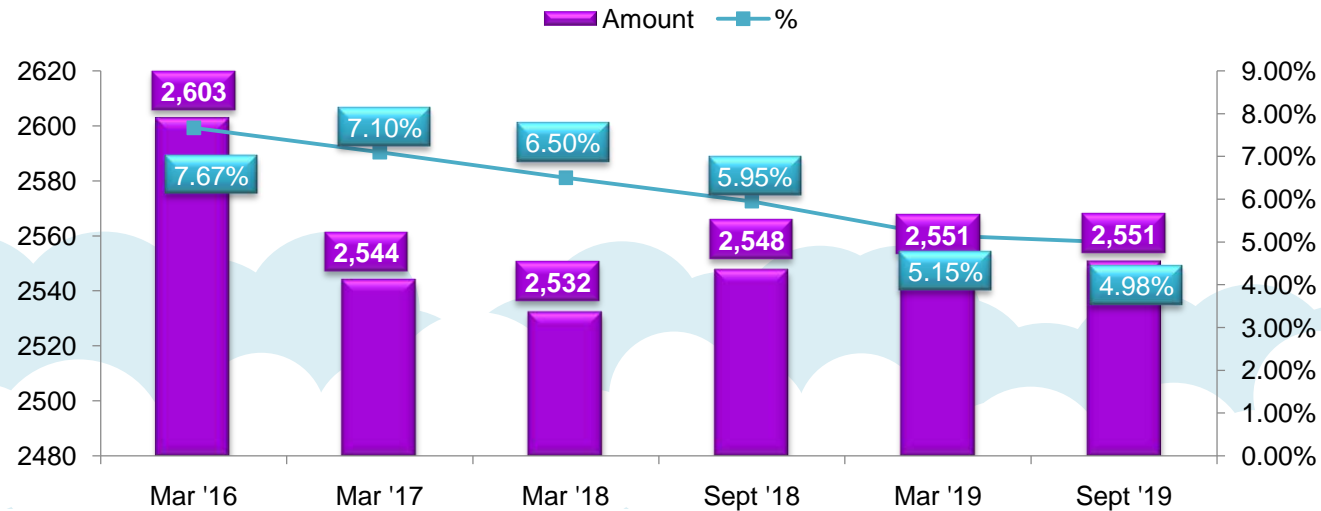
Priority Sector Advances (₹ crs)



Agriculture Advances (₹ crs)

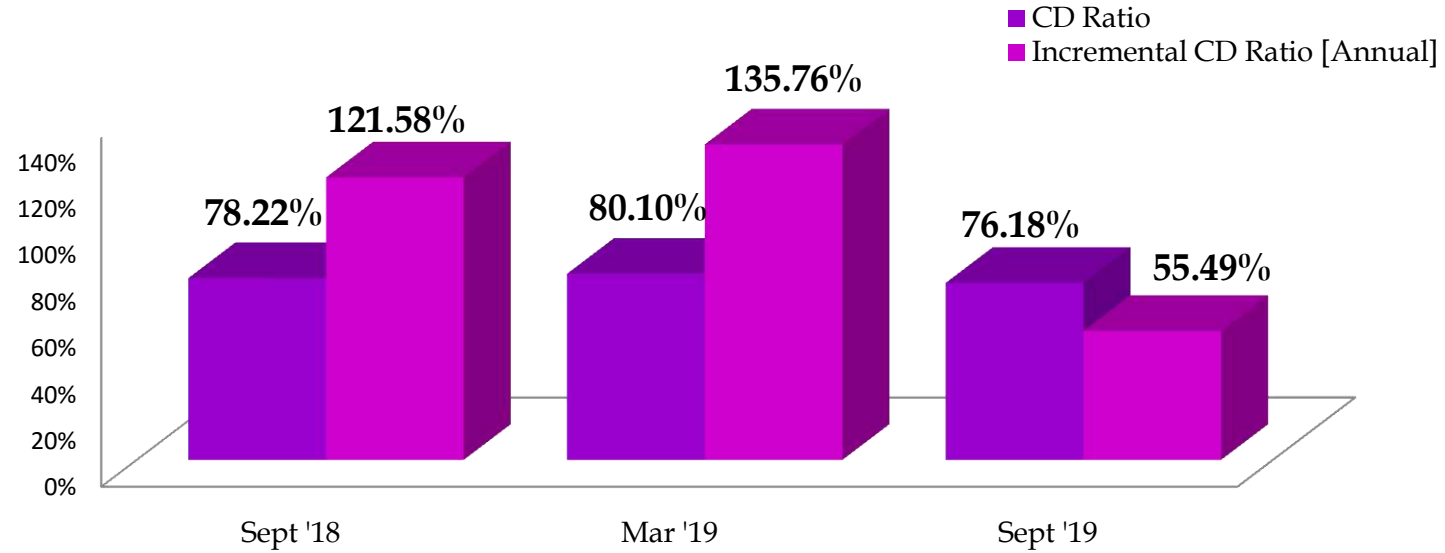


Advances to Weaker Section (₹ crs)

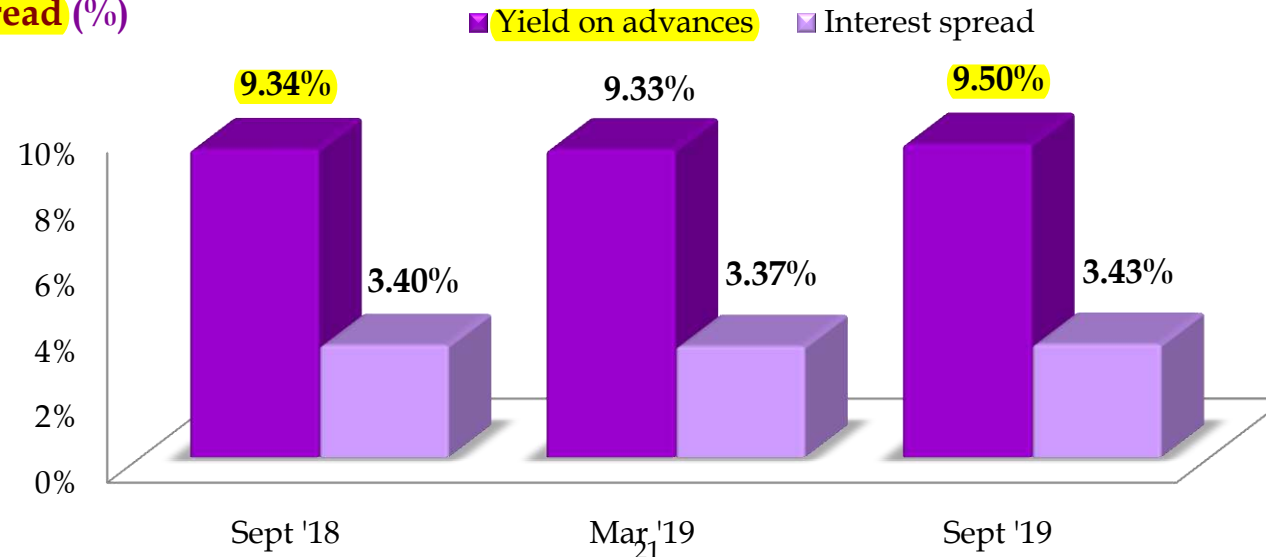


CD Ratio & Yield on Advances

Credit Deposit ratio (%)

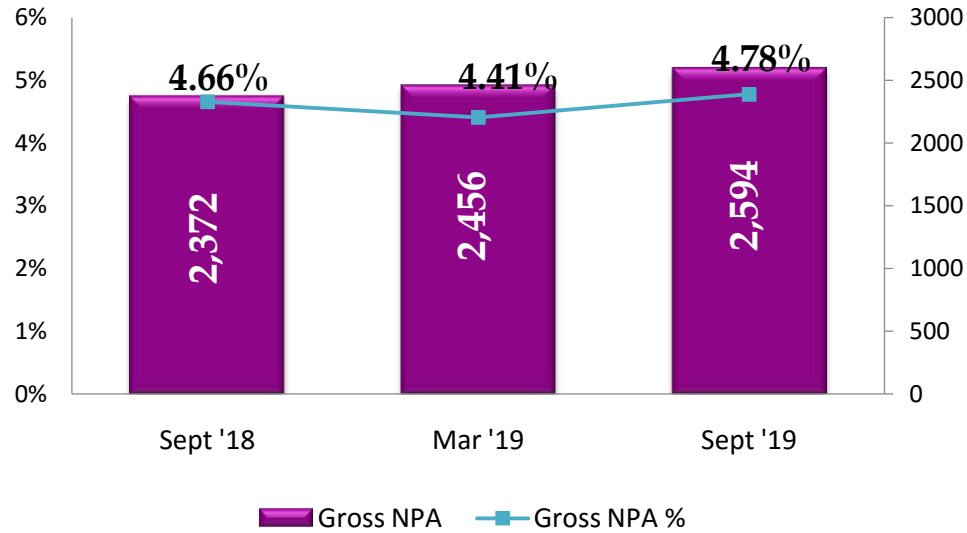


Yield on Advances & Interest Spread (%)

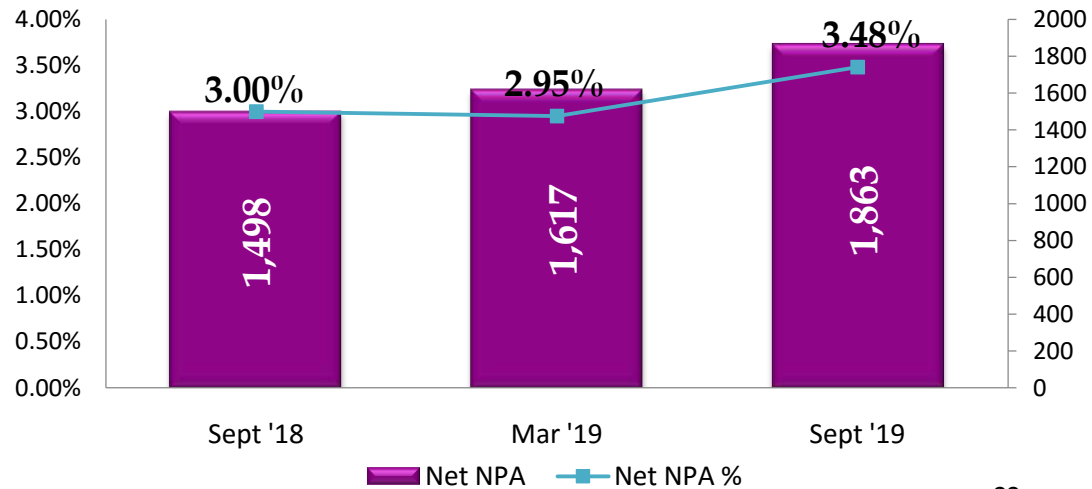


Asset Quality

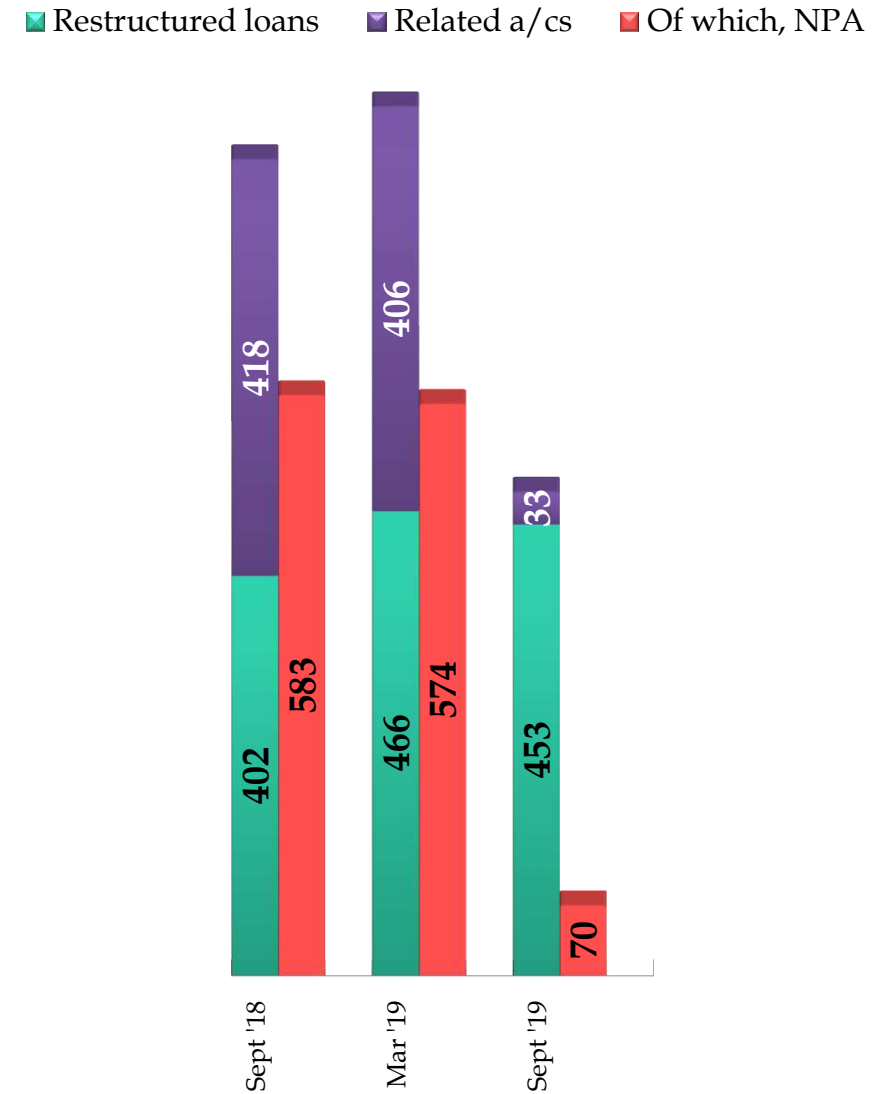
Gross NPAs (₹ crs)



Net NPAs (₹ crs)

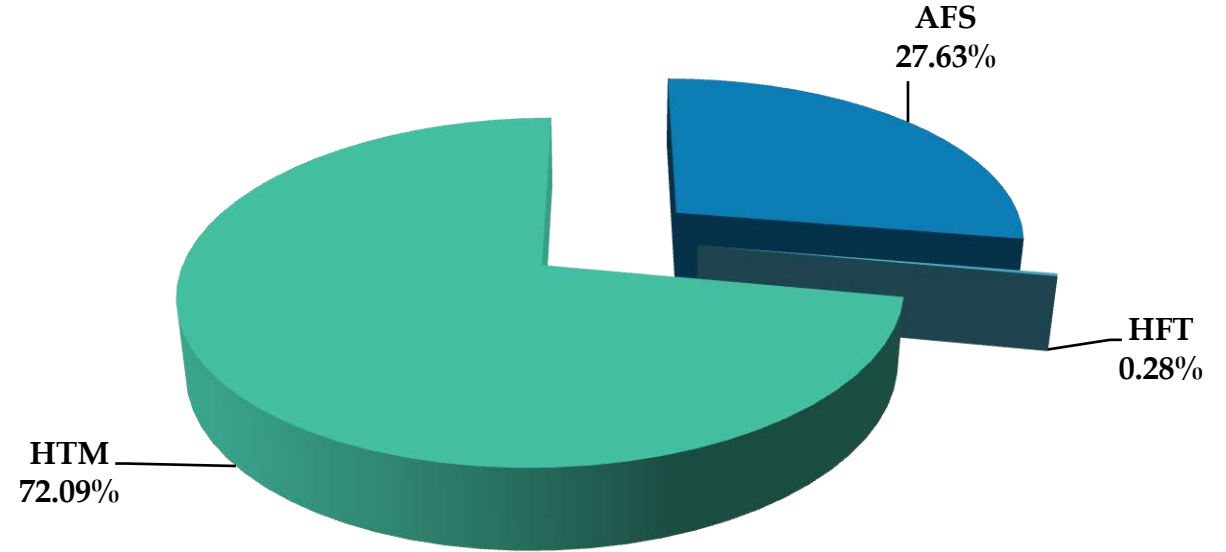
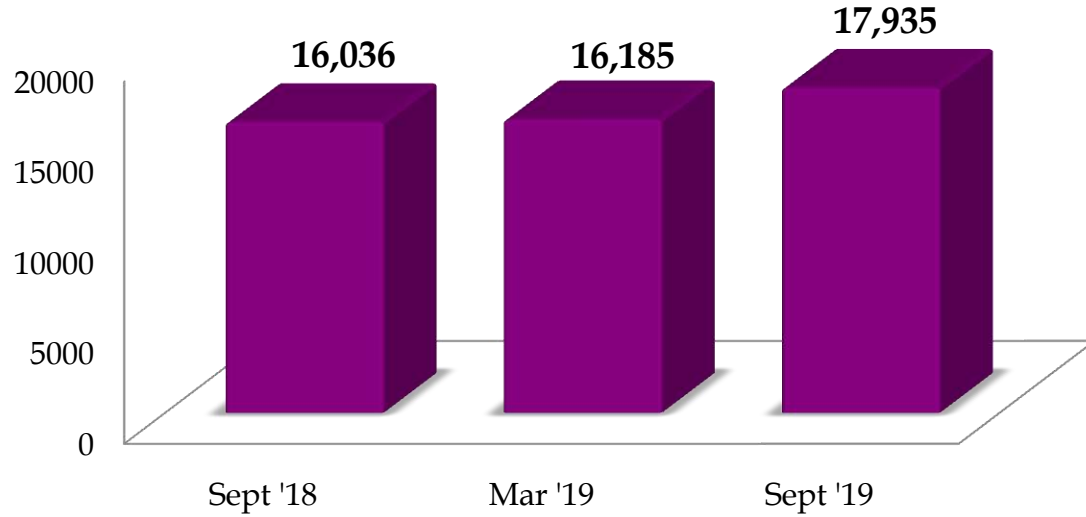


Restructured loans & related accounts

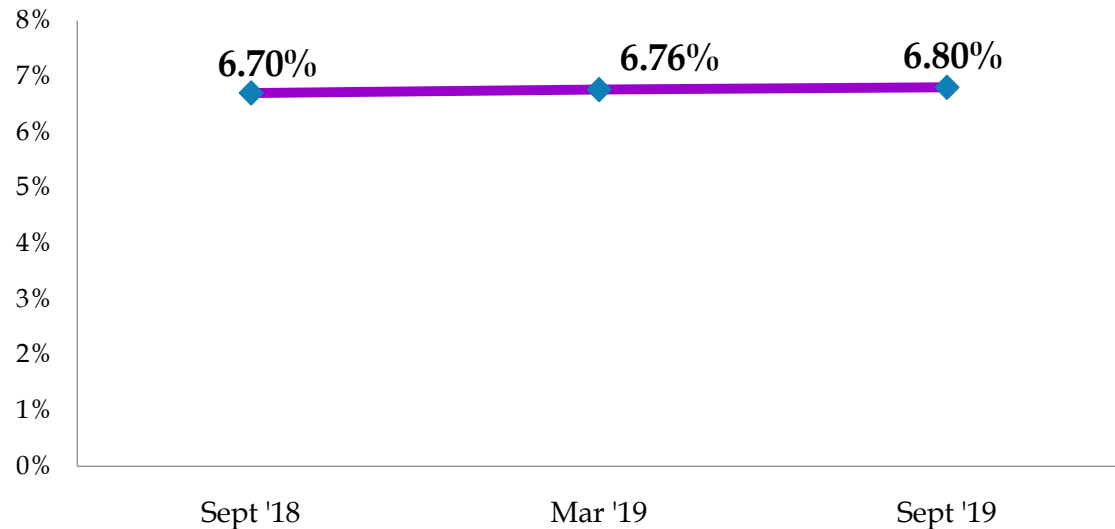


Investments

Investments [excl. RIDF] (₹ crs)



Yield on Investments (%)

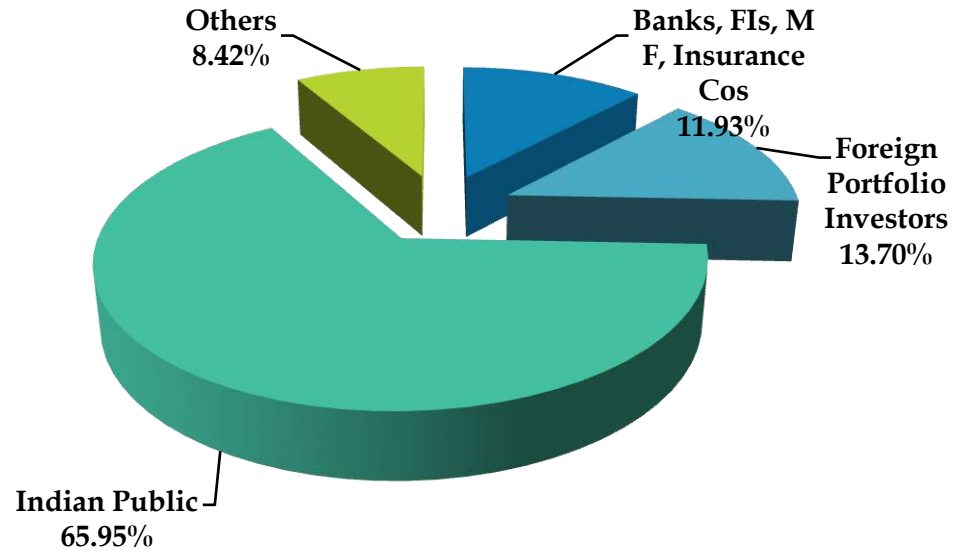


Duration

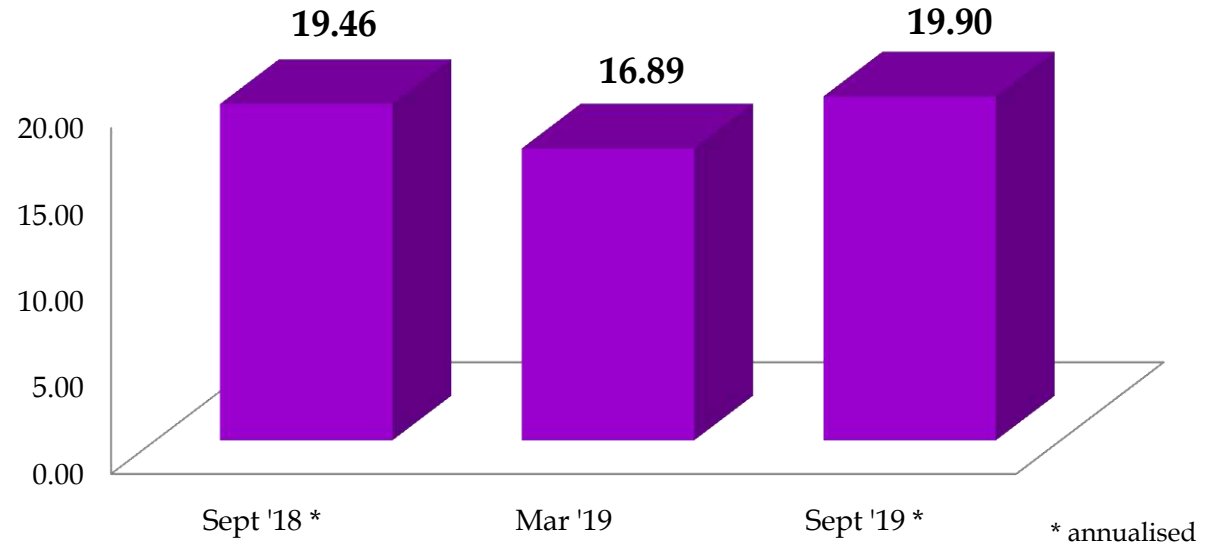
AFS	HFT	HTM	TOTAL
1.88	0.00	4.97	4.16

Share holders' value

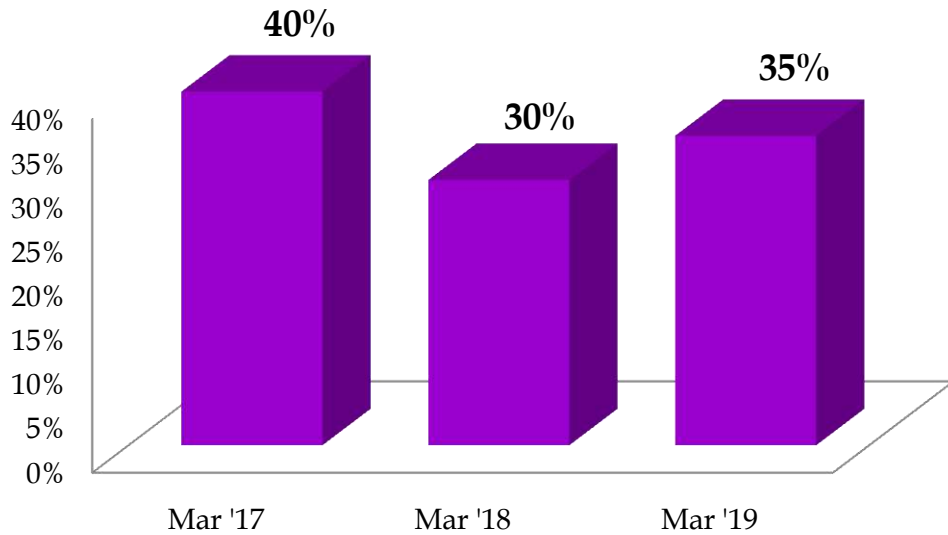
Share holding pattern (Sept '19)



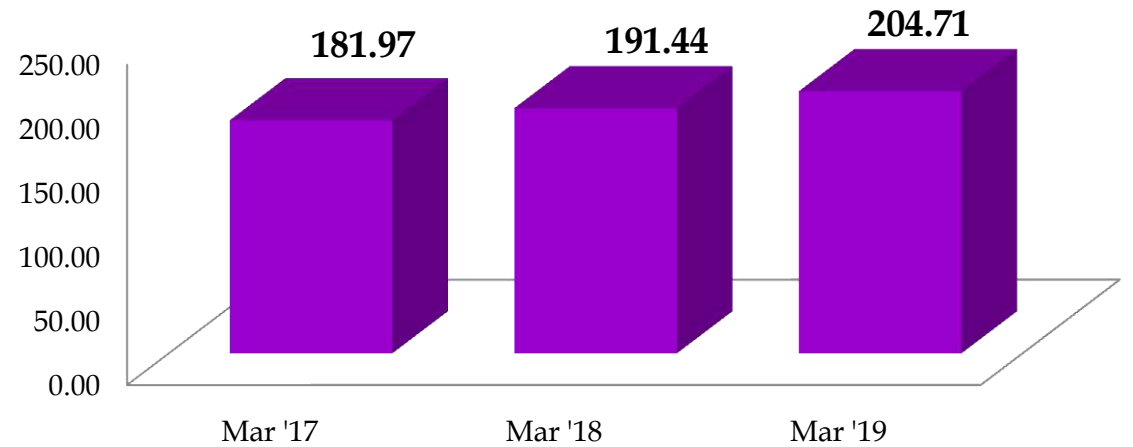
Earning Per Share (₹)



Dividend (%)



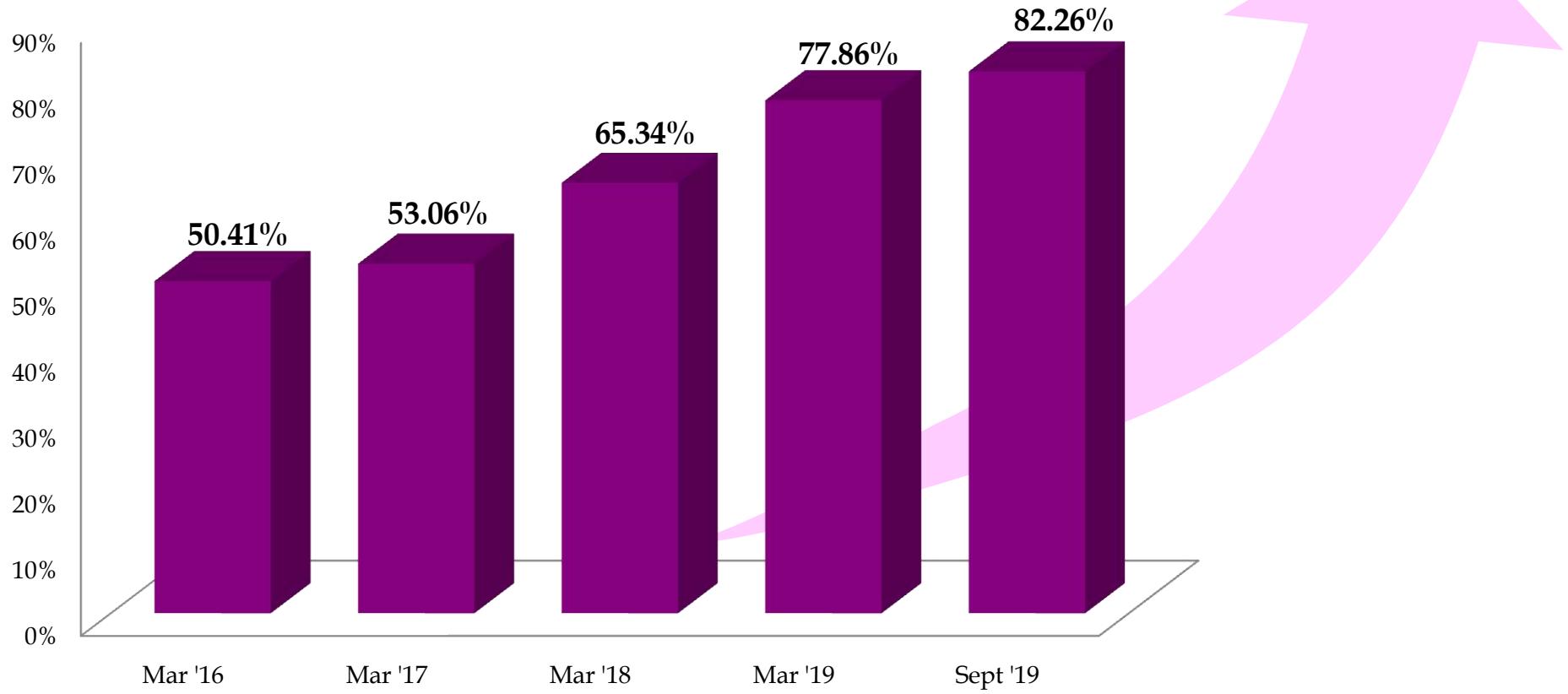
Book value (₹)



Leveraging on Technology

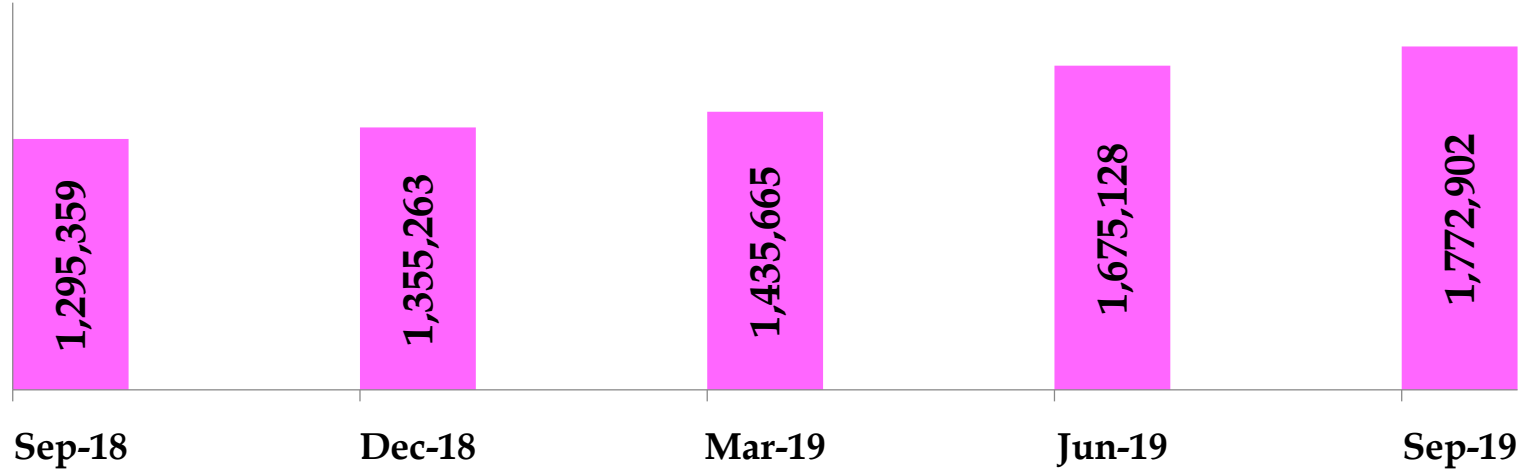
Migration to Digital Channel

[share of ADC transactions to total CBS transactions]

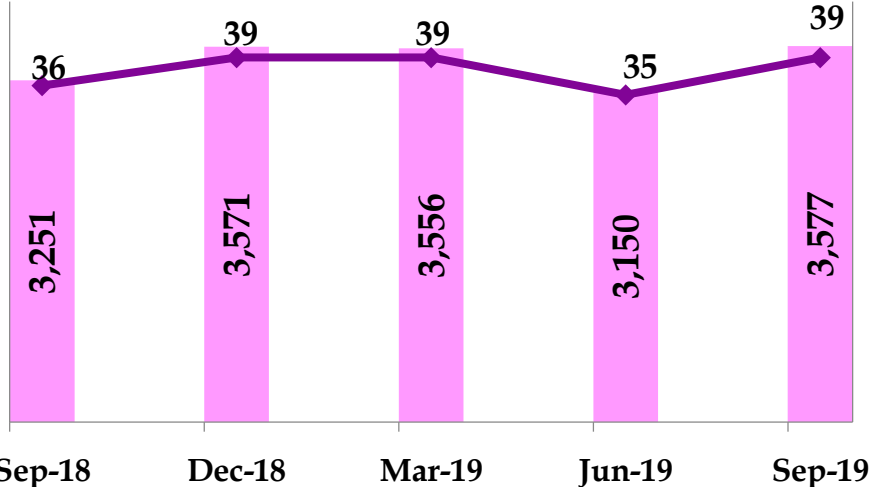


Mobile Banking

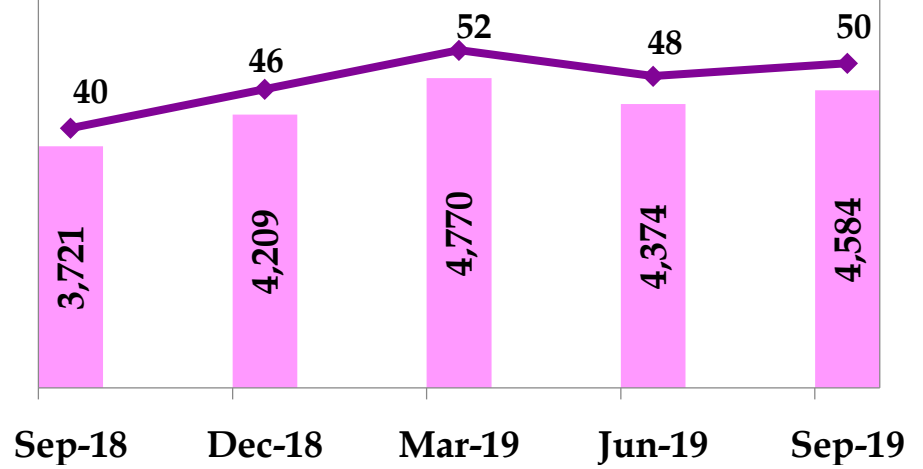
No.of Regd users



No. of Transactions (in 000's)
Avg. Transactions per day (in 000's)

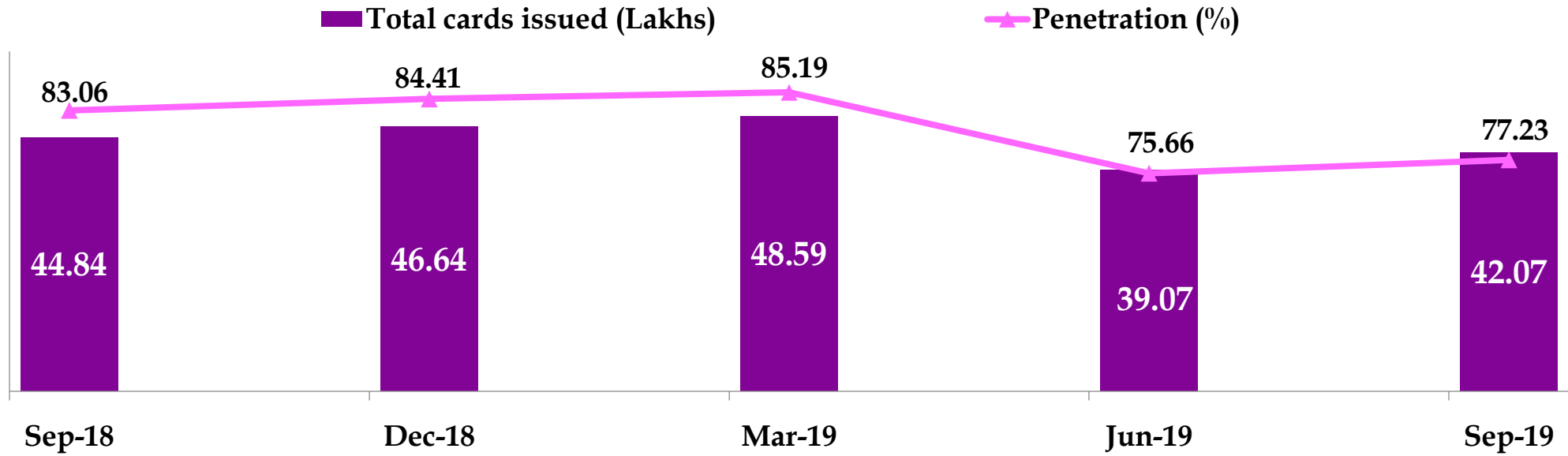


Value of Transactions (in Cr)
Avg. value of Transactions per day (in Cr)

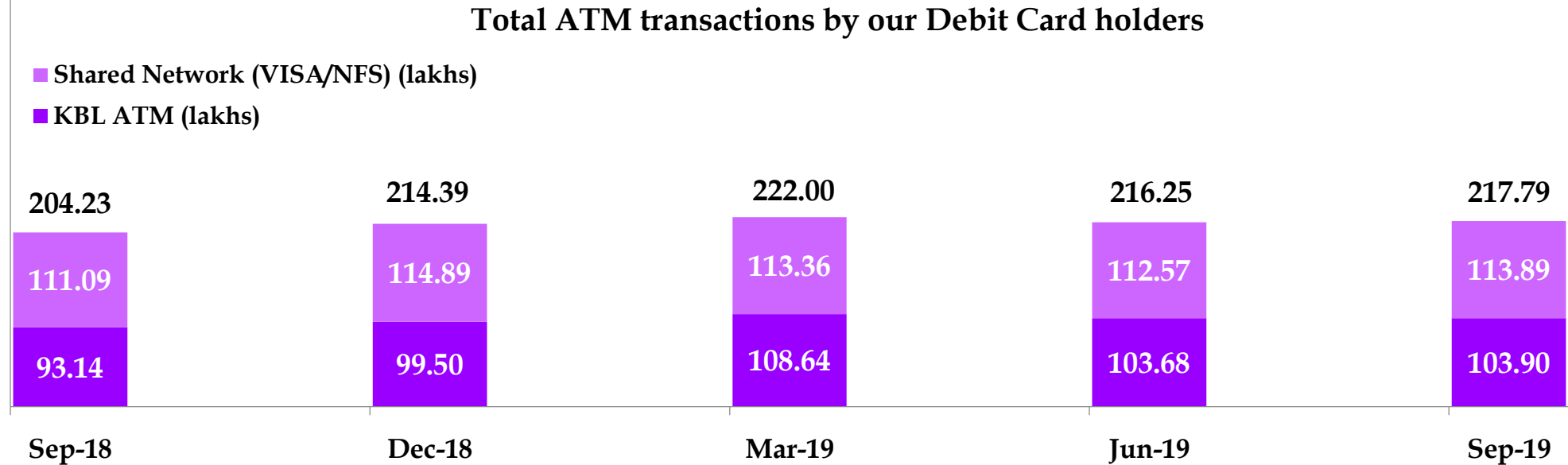


Debit Cards

Debit cards Penetration

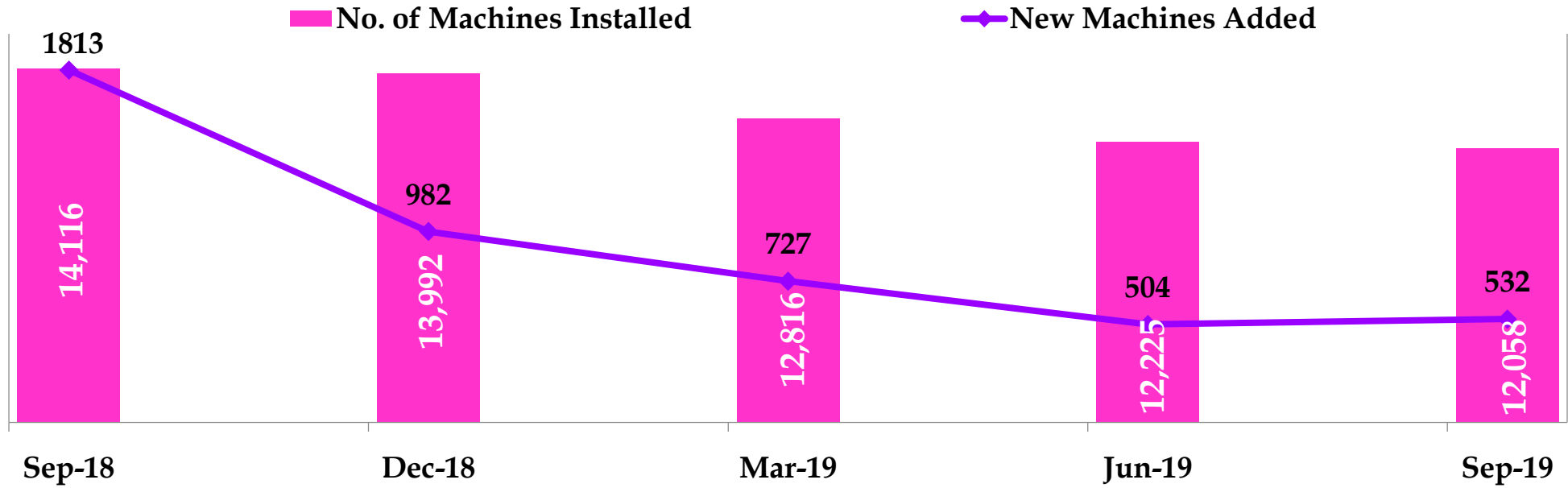


Cards Usage

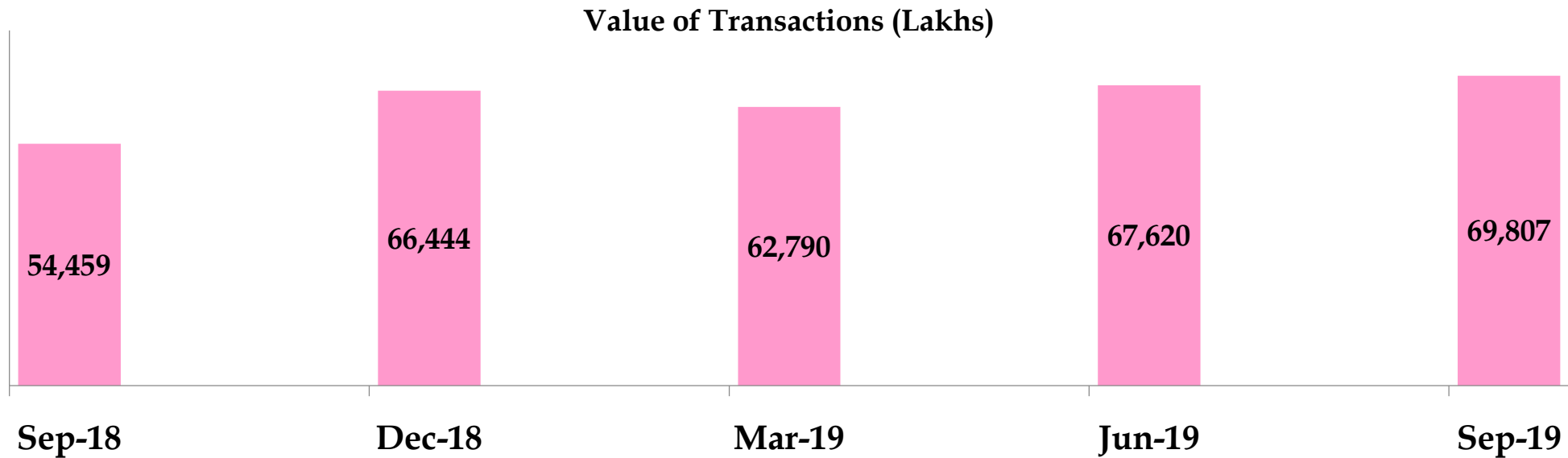


Point of Sale (POS) Business

POS Installation Report

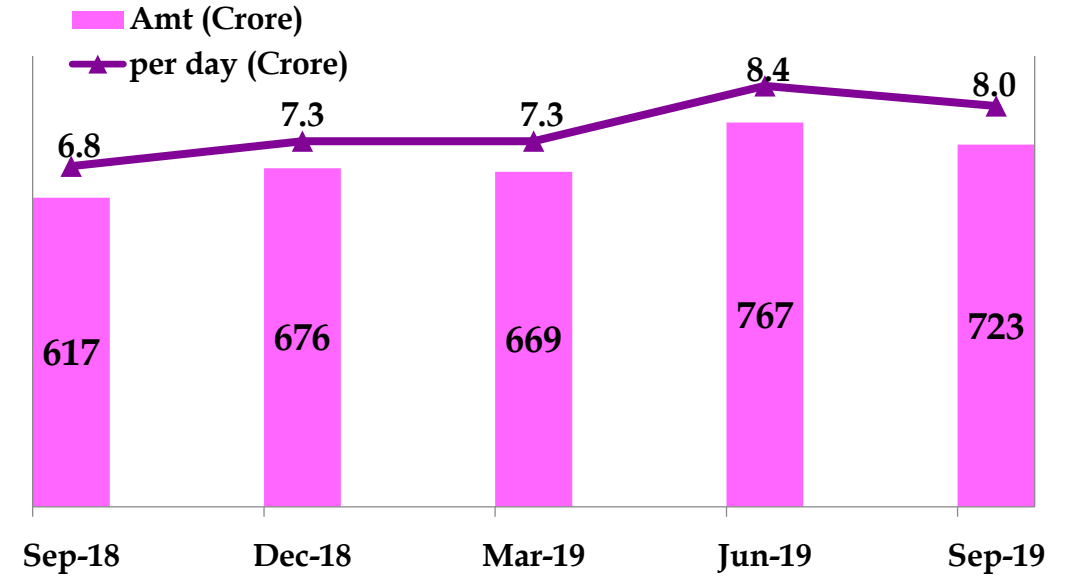
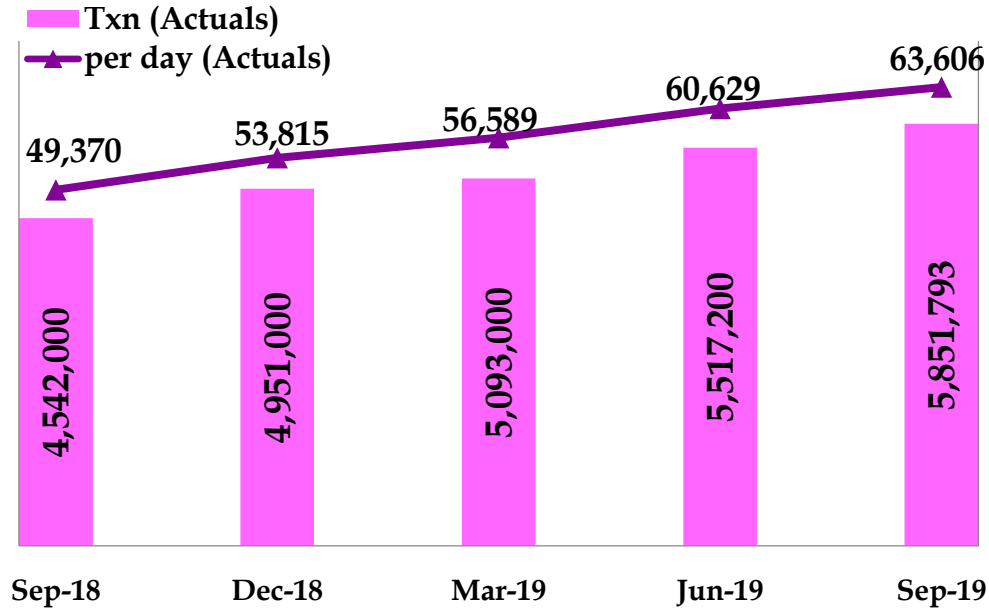


POS Transaction Value

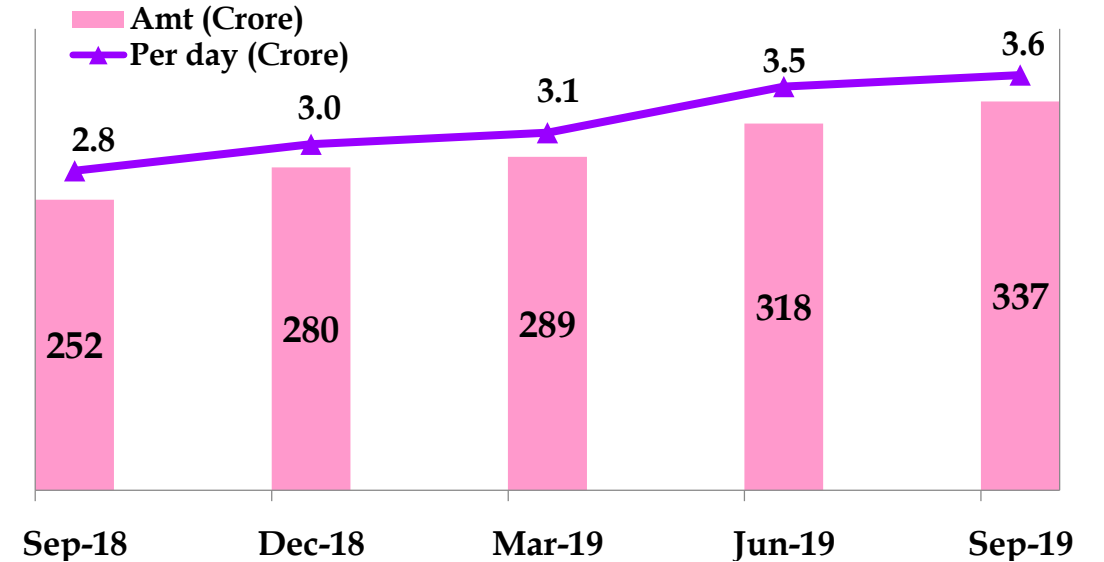
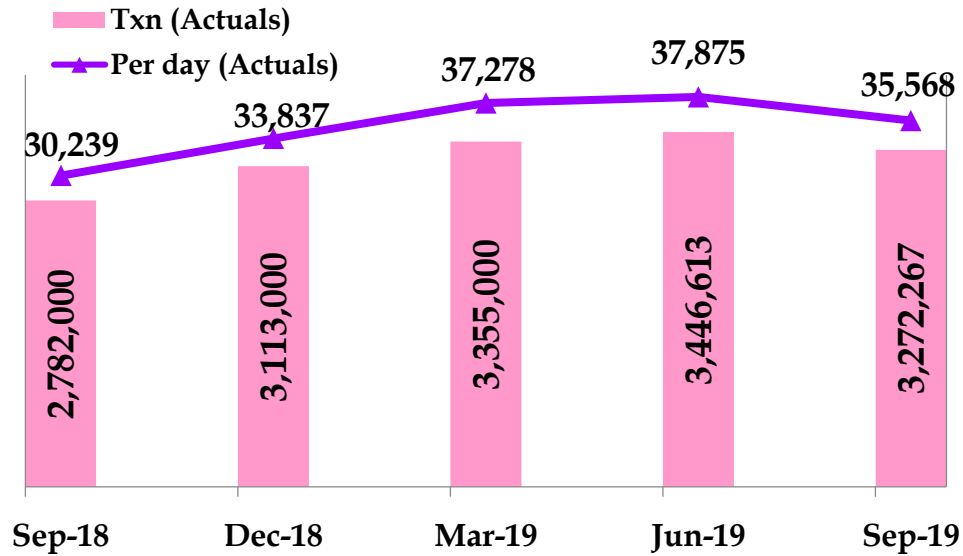


POS & ECOM transactions

POS Transactions














ECOM Transactions
















Deposits & Advances

₹ crs	<u>Sept-18</u>	<u>Mar-19</u>		<u>Sept-19</u>
Total Deposits	63,884	68,452	↑	70,190
CASA Deposits	17,298	19,215	↑	19,243
Retail Deposits	45,406	48,125	↑	50,864
Wholesale Deposits	1,180	1,113	↓	83
Total Advances	49,970	54,828	↑	53,468
Priority Sector Advances	21,435	21,787	↑	22,748
Agri Advance	7,053	7,082	↑	7,304
MSE Advances	10,384	10,178	↓	10,380
Advances to Weaker Section	2,548	2,551	↑	2,551

Income & Expenditure

₹ crs	<u>Mar-19</u> [12 months]	<u>Sept-18</u> [6 months]	<u>Sept-19</u> [6 months]
Interest Income	5,906	2,860	 3,214
Interest Expense	4,001	1,924	 2,221
Net Interest Income	1,905	936	 993
Fee Income	839	397	 491
Treasury Income	163	13	 63
Non-Interest Income	1,002	410	 554
Total Income (Net of Interest Expense)	2,907	1,346	 1,547
Operating Expenses	1,457	621	 783
Operating Profit	1,450	725	 763
Provision for loan losses in Adv. / losses in Invts. / Taxes / other	973	450	 482
Net Profit	477	275	 281

Interest Income & Interest Expenditure

₹ crs	<u>Mar-19</u> [12 months]	<u>Sept-18</u> [6 months]	<u>Sept-19</u> [6 months]
<u>Interest Income</u>			
Interest Income	5,906	2,860	 3,214
Interest on Advances	4,698	2,258	 2,568
Interest on Investments	1,106	550	 576
Other interest	102	52	 70
Yield on Advances	9.33%	9.34%	 9.50%
Adjusted yield on Invts.	7.58%	6.63%	 7.80%
<u>Interest Expense</u>			
Interest Expense	4,001	1,924	 2,221
Interest on Deposits	3,823	1,868	 2,091
Other interest	178	56	 130
Cost of Deposits	5.96%	5.94%	 6.07%
<u>Net Interest Income</u>			
Net Interest Income	1,905	936	 993
Interest Spread in Lending	3.37%	3.40%	 3.43%
Net Interest Margin on average earning assets	2.93%	2.95%	 2.80%

Corporate Social Responsibility



Donation of ₹ 50 lakh to Karnataka Chief Minister's relief fund, towards the rehabilitation of those affected by the recent floods in Karnataka State.



Inauguration of the portable donor chairs sponsored by the Bank to Rotary - Red Cross Blood Bank, Sagar.

KBL-Vikaas - Bank's Transformation Journey

BCG as transformation consultant

As a part of Transformation journey,



- Launched Regional Loan Processing Centres [RLPCs] at all Regions.
- Focusing on Housing, Retail & MSME loans at these RLPCs.
- 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 Dept. as "Sales vertical" and "Sanctions vertical".
- Introduced Collection Management System.
- Launched "KBL KOLLECT+" - a Collection tool, at Regional Collection Hubs in all Regions.
- Launched NPA Management tool - VASOOL SO-F^t.
- Launched Monitoring Excellence Initiatives.
- Implemented Employee Satisfaction and Career Development System [ESCDS] and Key Result Area [KRA].
- Launched ESOP scheme.
- Launched 'KBL RISE' - a Performance Management System for employees.
- Revamped Internet Banking to improve customer experience.
- Inaugurated Bank's first 'Digi Branch' at Bengaluru.
- Established Digital Centre of Excellence (DCoE).
- Established Contact Center in partnership with M/s Karvy DigiConnect Ltd .
- Launched a new institutional SB product called KBL SB-TASC (Trusts, Associations, Societies & Clubs).
- Launched a new salary account scheme with 3 variants viz. KBL Salary Executive, KBL Salary Prime & KBL Salary Classic.
- Launched two digital journeys, viz., 'KBL Express Home Loan' & 'KBL Express Cash Loan' .
- Introduced Document Management System, on pilot basis, for loans on-boarding and retrieving.
- Introduced Dealer tie up for Auto Loans in all Regions.
- Launched a Mutual Fund platform 'FISDOM' to offer the products of all the AMCs to our customers.

Awards & Accolades

Awards & accolades received during the FY 2019-20:

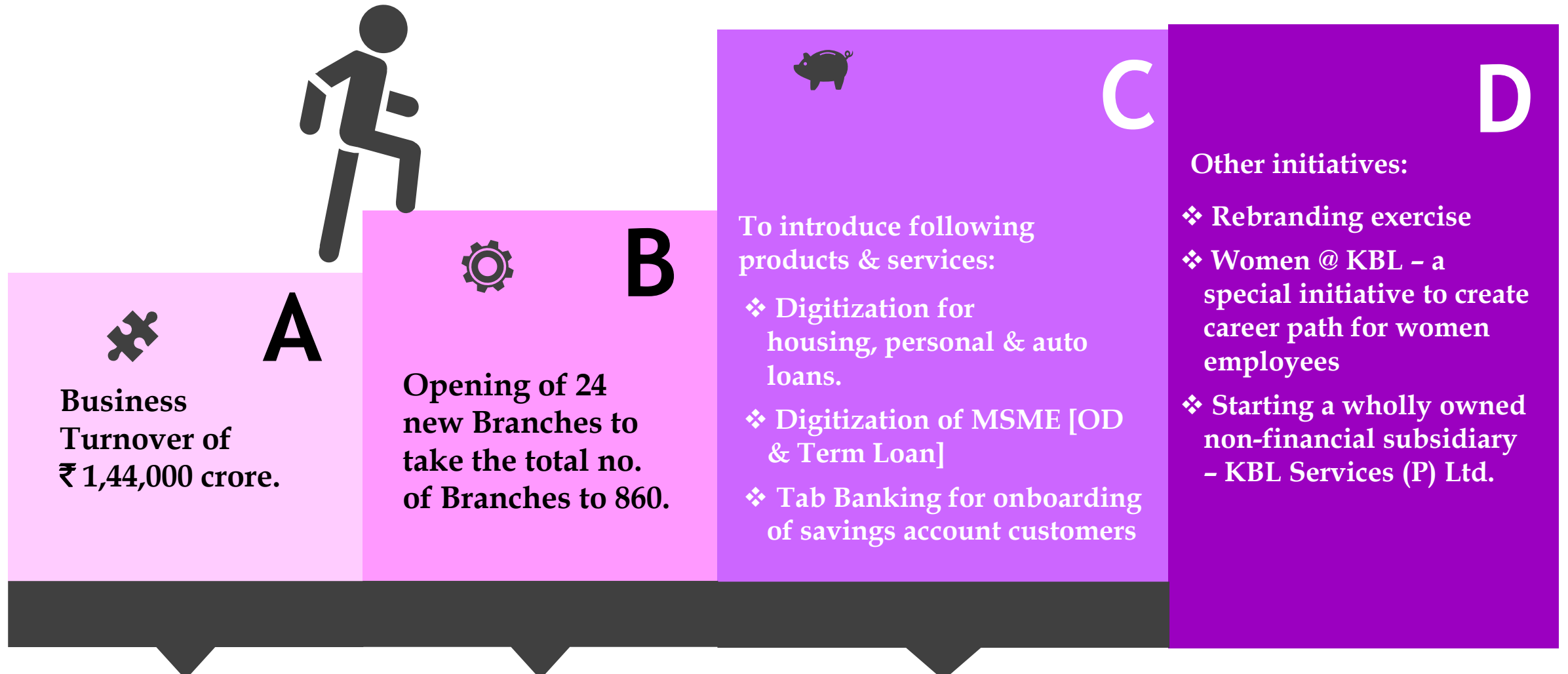
- ❖ Atal Pension Yojana “Game Changers” award instituted by PFRDA, for achieving 100% of AAPB target for the FY 2018-19.
- ❖ ET Business Excellence Award 2019 in the category “Excellence in Banking Service”.



Business Strategy



Corporate Goal for 2019 -20



Business Strategy

CASA deposits

- ❑ Focusing on customer onboarding to increase CASA as well as cross selling
- ❑ RSE approach to CASA marketing.

Minimum space maximum business.

Credit augmentation

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

NPA & Stressed Assets management

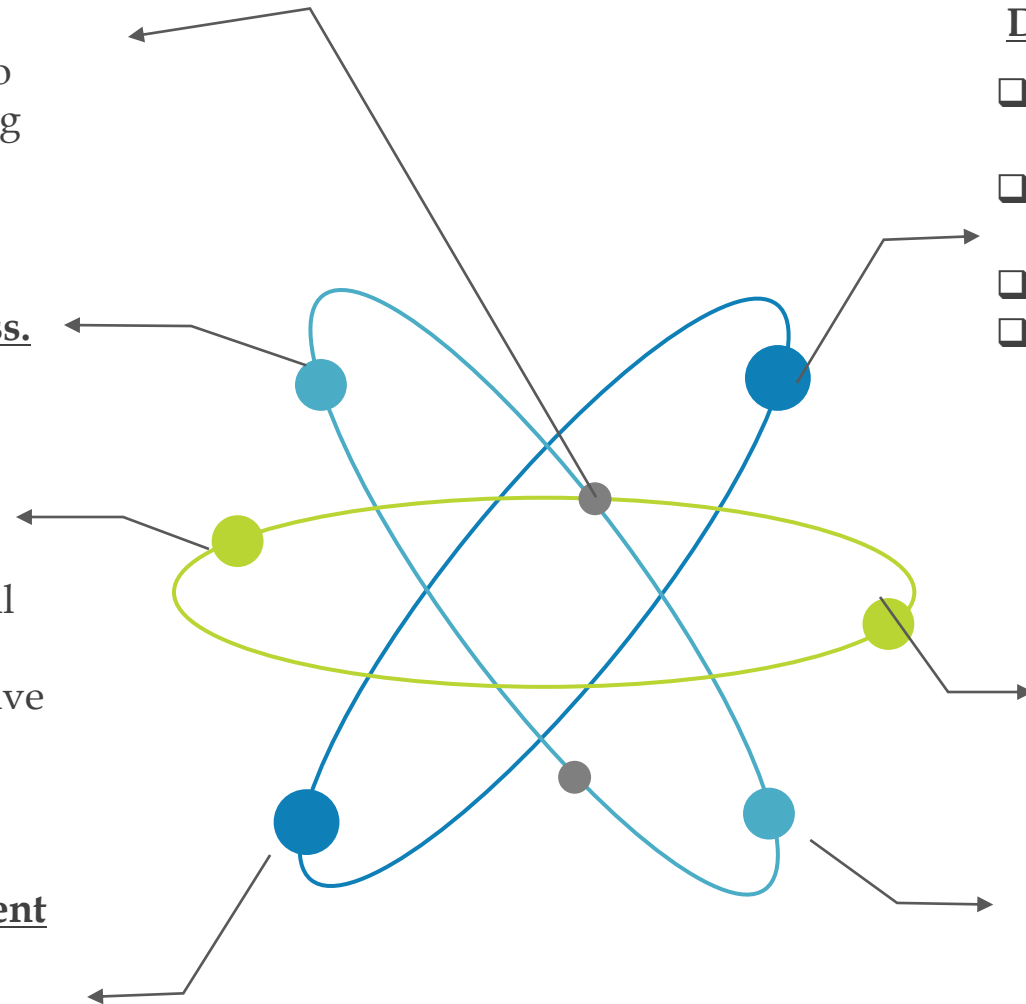
- ❑ Minimizing slippages and improving recovery management.
- ❑ A comprehensive collection mechanism.

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



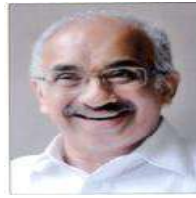
Rammohan Rao Belle
Bengaluru
Former MD & CEO, SBI Gen.
Insu. Co. Ltd



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



B R Ashok
Chartered Accountant
Partner in M/s. R K Kumar & Co.,
Chartered Accountants, Chennai

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