

CHAIRMAN'S MESSAGE



Trust, transparency and a commitment to the highest standards of ethics and governance define the KBL ethos. This has been the guiding principle which has directed the Bank and its Board members to carry a 96 year legacy with great responsibility.

Dear Shareholders,

It has been a great satisfaction, personally, to discharge my duties as Chairman of the Board at Karnataka Bank, particularly when the institution is nearing its centenary year and is forging ahead on a major transformation journey of a mammoth scale, largely driven by an internal team.

The year was marked by overall improvement of all operating parameters, strengthening of the balance sheet and various strategic initiatives to build KBL as a 'Bank of the Future.' As one of India's first generation Private Sector banks with 96 years of banking wisdom, KBL has emerged as a 'time tested' and trusted 'family bank' to millions of customers across the country.

2019-20, the Global Economy which exhibited early signs of a turnaround with economic revival in South East Asia, Latin America, and Middle East, slid into slowdown, beset with the problems of geo-political tensions, protectionist trade policies, volatile oil prices and muted market demand.

The Indian Economy also trailed on a sluggish track, with GDP plunging to a 7 year low at 4.7 per cent in the second quarter of the year on the back of decline in growth in core industry sectors, weak rural demand and stress in the financial markets. The Government's slew of supportive measures to revive the economy helped to bolster growth in the third quarter, until the pandemic lockdown in March 2020, brought all economic activity to a standstill. While Global GDP decelerated to -3 per cent, the domestic economy plunged to 1.9 per cent.

As per RBI data, Bank credit growth decelerated to an over five-decade low of 6.14 per cent in the fiscal ended March 31, 2020, as against 13.3% in 2019, amid a faltering economy and lower demand. Advances growth was slowest since the fiscal ended March 1962. In the week ended March 20, 2020, advances stood at ₹103.71 lakh crore as against ₹97.71 lakh crore as on 29 March, 2019. Bank Deposits grew by 7.93 per cent to ₹135.71 lakh crore compared to ₹125.73 lakh crore in 2019.

For the past few years, the banking system in India has witnessed major upheavals, with legacy problems of NPA's and large exposures creating systemic stress and credit pressure. The Government's various regulatory measures and policy initiatives, including the implementation of the Insolvency and Bankruptcy Code (IBC), with timelines for early resolution, have ushered in a major change in terms of discipline and accountability in the banking ecosystem. Amalgamation of Public Sector Banks and the Ease 3.0 Reforms Agenda of the Ministry of Finance, Government of India, for 'Tech Enabled Banking', has accelerated the process of digitalization of banking services and laid the framework for 'responsible banking,' 'customer responsiveness', faster 'turn-around-time' and 'ease of banking'.

With the Government of India's focus on 'Make in India' initiative, financial inclusion and farmer support programmes, MSME and industry development plans, infrastructure pipeline projects and the country emerging as a favoured destination for most Global manufacturers, the potential for growth is considerable. So is the opportunity for the banking industry.

Digitisation, Artificial Intelligence, Big Data Analytics - the banking landscape is changing rapidly. At KBL, adaptability to change has always been a main strength. A strength, that has enabled the Bank not only to be resilient but also to stay ahead of the curve. Keeping pace with the disruptions and changing technologies, the bank has embarked on KBL-Vikaas, a major transformation journey, partnering with techno consultants and FinTech companies to emerge as the 'Bank of the future.'

KBL is embracing new generation technologies to deepen its customer engagement with innovative and futuristic digital products and services that define New Age banking.

Changing business dynamics mandate a prudent risk management framework and strong, well-established banking practices. In line with this, KBL's 'Compliance First, Business Next' approach has enabled the Bank to build a strong core, free from balance sheet vulnerabilities.

Despite the challenging business environment KBL worked with great diligence to further strengthen the fundamentals, and to create long term value for all its stakeholders.

Trust, transparency and a commitment to the highest standards of ethics and governance define the KBL ethos. This has been the guiding principle which has directed the Bank and its Board members to carry a 96 year legacy with great responsibility. I thank all my colleagues on the Board, for their support and guidance in helping to carry this legacy forward.

I wish to also thank all our shareholders for their continued support and trust in KBL, as a dependable banking institution of repute and helping us to forge ahead with renewed vigour towards our centenary milestone.

With warm regards,

P Jayarama Bhat

MD & CEO's MESSAGE



Dear Shareholders,

It has been a watershed year that will go down in the annals of global history for the pandemic outbreak and its impact on the social, economic and political environment of the world.

Despite the turbulent banking environment and various challenges, your Bank was able to successfully sail through the Financial Year 2019-20 with a satisfactory performance, demonstrating its resilience.

Global Economy

According to the IMF, the global economy has hit the worst recession since the Great Depression in the 1930s due to the raging pandemic that has nearly stalled all economic activities across the world. Global Economic growth which decelerated to 2.9% in 2019 is projected to contract sharply by -3% in 2020.

Indian Economy

The Indian Economy exhibited signs of a slowdown during the early part of the year with GDP growth declining to 4.8 per cent in H1 of 2019-20 bogged down with muted demand in core sectors. Signs of a revival were evident from November to January 2020, on the back of supportive policy intervention by the Government, which however could not be sustained due to the pandemic outbreak and the resultant lockdown which brought all economic activities to a halt. The IMF has pegged India's GDP growth for 2020 at 1.9%.

Banking Industry

Supportive monetary and regulatory policy measures by the Government to accelerate growth helped restore the health of the banking industry with a rise in profitability and a decline in NPAs from its peak of over 10 per cent of the advances. The amendment to the Insolvency and

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Bankruptcy Code (IBC), during the year, with timelines for early resolution, promised relief to Banks while ushering in accountability and discipline. However the telecom AGR liability and the debacle of a new generation private bank hit hard, both in terms of sentiment and loss in market valuations. The COVID-19 pandemic which followed, further exacerbated the stressed environment.

Our Bank's Performance

The overall performance of your Bank is a testimony to its strength and resilience, considering the market environment and industry growth metrics. Bank has recorded a growth of 14.27% in Operating Profit at ₹1,656.77 crore as on March 31, 2020 compared to ₹1,449.81 crore for the corresponding period the previous year. The Provision Coverage Ratio (PCR) also improved to 64.70% in FY 2019-20 from 58.45% in 2018-19, while the Capital Adequacy Ratio is at a comfortable level of 12.66% as against the regulatory requirement of a minimum of 10.875%. The Book Value per share is at ₹192.06 (after considering the bonus shares issued during the FY 2019-20).

Digital banking transactions are gaining momentum and have now risen to 83% as on March 31, 2020 as compared to 77% a year ago.

Banking on Technology

Digital disruption is bringing a tectonic shift to the banking landscape and transforming customer behaviour radically.

India with a young and techno-savvy demographic profile is projected to be the future market for digital banking.

KBL was among the first few banks to adopt the technology of Core Banking Solution nearly two decades ago. The implementation of Core Banking Solution (CBS) for banking operations and the ADC journey thereafter, ushered in a technology driven, paradigm shift in the banking sector.

An agility to adapt to a changing environment and embrace new technologies has always been KBL's main forte. In line with this, the Bank has embarked on a major transformation journey, with a focus on New Age digital technologies, to continue to be a relevant and significant player in the banking industry and emerge as a 'Bank of the future'. KBL-VIKAAS - the transformation project of the Bank, in alliance with Boston Consulting Group (BCG) as the transformation consultant has created a dynamic ecosystem of digital transformation and an agile work culture, with a future driven 8,500+ team as change agents.

KBL-VIKAAS- A Transformation Journey of the Century

'KBL-VIKAAS' has gained momentum and in 2 years of its journey, has proven its worth with a track record of various futuristic initiatives, enabling the Bank to scale up its technological capabilities and optimise efficiencies with a seamless integration of day-to-day operations, be it business sourcing, performance management or back-end management and thus eventually resulting in enhanced operational efficiency.

To further accelerate the transformation, a Digital Centre of Excellence (DCoE) has been established in Bengaluru for developing innovative end-to-end digital solutions for deepening customer engagement and enhancing experiential customer touchpoints and delivery channels.

The 'Digital Sanction of Loans' is projected as the next game changer in the Indian Banking Sector. At DCoE, we have rolled out several digital products during the year, like KBL Xpress Home Loan, KBL Xpress Cash Loan, KBL Xpress Car Loan, where in-principle digital sanction is given within 20 minutes. KBL Business Quick Loan for MSMEs based on GST returns, was also introduced to mine the potential in this segment.

Promoting the ease of 'banking on the go', 'KBL Xpress SB account'- a Tab Banking platform for opening of new Savings Accounts and 'SB-Salary' catering to the salaried segment were added to the Bank's digital range of products.

The 'Digi Branch' at Bengaluru was transformed to an experiential touchpoint where customers could open a Savings Bank Account on-line and self generate their debit cards within a few minutes.

KBL Vikaas has optimised operational efficiencies with a seamless integration of various verticals and work-flows be it HR, Marketing, IT, Finance, etc. The KBL Xpress e-Dashboard enables mobile monitoring of the various business performance dashboards, providing business agility and enabling speed and accuracy in data driven decision making.

Merging the physical with the virtual / digital, the 'phygital' is supposed to lend a superior customer experience. We have introduced a new credit marketing business vertical at KBL, to drive digital marketing related transformation and build capabilities in B2C sales.

'KBL Force' a comprehensive Lead Management System has helped to drive an aggressive sales culture and to contribute to the growth of the business.

NPA's have become the bane of banking institutions and in recent times are considered as a main metric for gauging a bank's financial health. 'KBL Vasool SO-F' a NPA Management tool, launched during the year served as an effective measure to improve efficiency and effectiveness in loan recovery. In addition, Regional Collection Hubs were also established for efficient collection and follow-up of loans, resulting in substantial reduction in stressed assets.

A transformation journey is a relentless march towards excellence and into unexplored white spaces. The aim is to consolidate capabilities and accelerate the pace and progress of the journey, guided by the vision to strike a new path which is distinct, sustainable and rewarding.

In addition to launching new, future driven, digital initiatives to enhance the customer experience, suitable strategies for sustainable growth have been mapped out to enable Karnataka Bank to build a competitive edge in the banking space and to emerge as the 'Bank of the Future.'

Formation of Subsidiary

With a view to streamline and to adopt cost efficient measures for back-end operations of KBL, your Bank has taken a decision to form a new subsidiary called 'KBL Services Ltd.' I am happy to inform you that the final approval has been received from the Regulator to form the subsidiary which will become operational during the current year.

Human Resources Management

Our people are our greatest asset and they have exhibited great resilience and commitment in these turbulent times by further improving the customer service benchmarks. The 'Bank First' approach embedded in the ecosystem has helped to protect the interest of the Institution by being vigilant and alert from possible financial as well as reputational risk. To build a transformational, future ready, people resource, curated training and capability development programmes were conducted across the Bank. 'KBL RISE' a calibrated Performance Management System

was introduced as an effective HR tool to track and manage performance while E-learning Platforms, online reviews and mentoring workshops, helped to build people capabilities and self paced learning and development.

Awards and Accolades

During 2019-20, the Bank received 11 prestigious awards in various categories. To name a few: ET Business Excellence Award 2019, for 'Excellence in Banking Service', BFSI Awards for 'Best Bank in Private Sector' and 'Innovation and Emerging Technologies', 3 IBA Awards for 'Best Digital Financial Inclusion', 'Technology Bank of the Year' and 'Best IT Risk Management & Cyber Security Initiatives' This has been made possible because of the dedication and hard work of our people and the respective business leaders across regions who have worked in unison as one Team. I congratulate each one of them for their contribution. The Awards and Accolades have set a new benchmark for the Bank and should serve as an impetus for greater laurels in future.

Outlook for 2020-21

As per industry forecasts, the year 2020-21 will be a very challenging one with the financial landscape facing major turbulence and an unprecedented downturn triggered by the pandemic threatening to decimate fragile economies across the world.

Due to the prolonged uncertainty resulting from the pandemic shutdown, RBI has forecast negative growth for the first half of the current fiscal with a slow revival expected in the second half of the year. With the Government of India's focus on 'Atmanirbhar Bharat' and various pro-growth programmes such as 'Make in India', Digital India, job creation in MSMEs, infrastructure building, etc, the potential for long term growth is immense.

In this test-by-fire times, KBL is building on its inherent strength of fiscal prudence and its reserves of resilience, leveraging on the concept of its business model - 'conserve, consolidate and emerge stronger'.

Nearly a century in banking, Karnataka Bank has demonstrated resilience in surmounting upheavals, displayed prudence in its risk appetite and shown a passion and courage to tread new paths. The 'Compliance first, business next' approach of KBL has provided it the strength and stability, as a socially responsible and commercially viable bank creating value for all stakeholders, with unfailing dividend pay outs for 93 years of the 96 years of its existence. A record that demonstrates resilience, matched by very few in the banking industry across the world.

Acknowledgment

As we continue to embark on our transformation journey, I wish to express my heartfelt gratitude to our beloved Chairman, Shri P. Jayarama Bhat and the Board of Directors for providing their continuous support and guidance to maintain the highest standards of corporate governance and professionalism in running the Bank. I also thankfully acknowledge the continuous guidance and support of the Reserve Bank of India, Indian Banks' Association, SEBI, Stock Exchanges, IRDAI and other Regulatory / Statutory bodies. My sincere thanks to all the team members for their wholehearted efforts and also the President, General Secretary and office bearers of both AIKBEA & KBOO for their continued support in all the endeavours of the Bank as partners in progress.

My special thanks to all of you dear shareholders for reposing your trust in the Bank and helping to shape it as an institution of great stability. My sincere thanks to all our customers.

Forging ahead to reach its centenary milestone, I am sure KBL on its transformational journey, will emerge bigger, stronger and resilient to take its place as the 'Bank of the Future.' A journey, with a myriad possibilities...

Yours sincerely,

Mahabaleshwara M S

KEY HIGHLIGHTS

TURNOVER

₹128,749 crore

TOTAL DEPOSITS

₹ 71,785 crore

ADVANCES

₹56,964 crore

INVESTMENTS

₹17,545 crore

GROSS INCOME

₹7,871 crore

OPERATING PROFIT

₹1,657 crore

NET PROFIT

₹431.78 crore

TOTAL ASSETS

₹83,313 crore

CASA DEPOSITS

₹20,752 crore

CASA DEPOSITS %

28.91 %

CUSTOMERS

10.9 million

SHAREHOLDERS

2 lakh +

SERVICE OUTLETS

2,329

BRANCHES

848

(Centres across 22 States & 2UTs
E-lobbies / Mini E-lobbies- 442)

ATMS & CASH RECYCLERS

1,480

EMPLOYEES

8,500+

KYB - KNOW YOUR BANK



Vision

Our vision is to be a progressive, prosperous and well governed bank.

Mission and Strategic Focus

Our Mission is to be a technology savvy, customer-centric, progressive bank with a national presence, driven by the highest standards of corporate governance and guided by sound ethical values.



ABOUT KBL

Karnataka Bank Limited, (KBL), a leading Scheduled Commercial Bank in India, was incorporated on February 18th, 1924 at Mangaluru, a coastal town of Dakshina Kannada, in Karnataka. Over the years the Bank expanded itself with the acquisition of the Sringeri Sharada Bank Ltd., Chitaldurg Bank Ltd and Bank of Karnataka Ltd.

More than 9 decades of professional banking experience, has earned KBL the reputation of a time tested and trusted 'family bank' with a national presence and a network of 848 branches spread across 22 States and 2 Union Territories.

Managed by a dedicated and professional Management Team, with an empowered people force of over 8,500+ employees, 2 lakh+ shareholders and nearly 11 million customers, KBL has emerged as a leading financial service institution in India, readying to take its place as a customer centred, trusted and technology driven 'Bank of the Future'.

BUSINESS SEGMENTS

A strong customer focus, a wide spectrum of differentiated products and services, digitally advanced banking facilities that ensure speed, security and efficiency, KBL today has emerged as a trusted total solution provider and a one-stop shop for all banking needs. KBL's Business cater to major segments : Retail Banking, Corporate Banking, Treasury Operations and Other Banking Operations.

RETAIL SEGMENT



Karnataka Bank presents an array of Retail Banking Products such as customised, segment specific, Savings Bank Products, Loans, Deposit Accounts, Cards, On-line Trading facilities, Payment and Transfer facilities, etc. The major components of the Bank's retail lending portfolio are home and mortgage finance, agriculture loans, personal loans and automobile finance.



CORPORATE BANKING

KBL provides total solutions in Corporate Banking which include providing business credit, export credit, transaction banking, treasury, investment banking, etc.



MSME LENDING

KBL supports the MSME sector with a range of Banking products to help businesses in their time of need. These include Working Capital Finance, Term Loans, Infrastructure Finance, finances to start an industry, and Business Finance Products both fund based and non-fund based suited to all sectors of Industry. KBL has designated 210 'Specialized MSME Branches' to cater to the needs of the sector.



TREASURY

The Treasury handles the regulatory reserve requirements and the investment transactions of the Bank. The scope includes trading in equity, foreign exchange, currency futures and investing in commercial paper, mutual funds, etc. In addition it also offers corporate customers treasury products and services including derivative instruments such as forward contracts, interest rate and currency swaps, etc.



KBL VIKAAS is a quest for new milestones, an inclusive, vision driven, transformation journey. A journey, that seeks to transform KBL as the 'Bank of the Future' and position it as a significant player in the Indian Banking space.

KBL VIKAAS

A TRANSFORMATION OF THE CENTURY

The last few years have been turbulent times for the Indian banking industry. Even before the COVID-19 outbreak emerged, Indian banking was already going through a crisis of non-performing assets and increasing competition from non-traditional players like payment banks, fintech lenders and NBFCs. In such rapidly evolving times, it was imperative that our Bank evolves too and continues to remain a bank of relevance and significance.

Towards this objective, as early as 2017, the Bank realized the need to keep up with the pace of change around us. In our endeavor to become a successful bank-of-the-future and accelerate business growth by further strengthening the fundamentals, we initiated a holistic transformation journey - 'Project KBL - VIKAAS' – in Nov. 2017. The objective of this program, founded on digital and technology as enablers, was to strengthen the bank's fundamentals and build long-term capabilities to continue to stay ahead of the curve. The Bank appointed Boston Consulting Group, a leading global management consulting firm, as its partner in this transformation journey. It has now been 2.5 years since the transformation started, and it is noteworthy that the program has delivered many firsts and many wins for the Bank, while many more are in the pipeline.

Firstly, KBL - VIKAAS has laid the foundation of a strong sales and marketing culture in the Bank. We have created a sales team of more than 300 officers and associates across advances and deposit products like loans, savings accounts, salary accounts and third party products. Each of our fourteen regions now has a Regional Sales Executives (RSE) for each business vertical to drive sales. We have also focused on enhancing customer experience – the sanction turn-around-time for home loan has been reduced from 30 days to less than 7 days by setting up Regional Loan Processing Centres (RLPCs). Since November 2019, this time has been further brought down to less than a single day through our digital home loan product (KBL XPRESS HOME LOAN). These interventions have led to 26% growth in our home loan advances in FY20, compared to about 15% before start of KBL - VIKAAS.

Your Bank has also launched many new products like savings account for Trusts, Associations, Societies and Clubs (TASC), savings account for salaried customers and a digital personal loan (KBL XPRESS CASH). From being a Bank that was reliant on customers walking in to our branch for sales, we are today a Bank that has on-boarded 400 DSAs for home loans and partnered with many four-wheeler dealerships to accelerate our auto loans business.

The Bank has also witnessed strong growth and momentum in the distribution of third party products. Mutual Funds fresh AUM in FY20 has gone up to ₹178 Cr from just ₹74 Cr in the previous financial year.

Second, your Bank has significantly strengthened & modernized its risk management practices. Through setting up of RLPCs, credit decision process for retail loans have been standardized and streamlined, which were earlier distributed across many branches. In addition, automated scorecard based underwriting has been introduced for home loans, personal loans and will soon be extended to MSME loans as well. This digital method of underwriting uses advanced data analytics and statistical models to make our risk decisioning very robust. Further, we have launched fourteen Regional Collection Hubs (RCHs) to systematically monitor and act upon stressed accounts. The entire NPA recovery process has also been enhanced through an automated digital tool that enables case-by-case tracking and remedial actions. The Bank's prudent approach to lending has kept GNPA under control at 4.82% as on Mar 31, 2020 and assets under stress have come down significantly.

To pro-actively plan for potential stress in advances that may emerge from the COVID-19 outbreak, our Bank has undertaken an in-depth stress-testing exercise as part of KBL - VIKAAS. For each of our MSME and corporate clients, a clear action plan is underway to ensure effectiveness of collections activities.

Third, your Bank has seen a step-jump in digital capabilities and customer offerings. The importance of digital products and services was perhaps never greater than it is today. Your Bank has made great leaps in this regard. We inaugurated our first Digital Centre of Excellence (DCoE) in Bengaluru in January 2019. In just about 18 months of operations, this team has become the flag bearer for the Bank and already launched five new digital products in record time, while two more products will be launched within the next one month. The Bank now has a 100% digital personal loan for salaried individuals – existing customers of the Bank can avail of this loan through our website and the loan amount is credited to customer's Karnataka Bank account within minutes! For our MSME customers, we have launched a digital working capital product that allows an in-principle sanction within a single day. Staff from the Bank have been equipped with tablets for doorstep sales of these products, with minimal need for any paper documents. Home loans, car loans, savings account, commercial vehicle loans and term loans are other products that have been brought under the digital ambit. Through this DCoE, Karnataka Bank is today at the forefront of cutting-edge technology. Our digital products have many new-age capabilities such as digital underwriting and automated analysis of documents like bank statements.

In 2018, Karnataka Bank's first Digi-branch was launched in Bengaluru where prospective clients can just walk in and open a fully functional account and also get their Debit Card printed within just 15-20 minutes. Even internally within the Bank, we are today using several digital tools in our everyday ways of working to enhance the productivity of our employees. For example, all business leads are now tracked through KBL FORCE, an app-based Lead Management System. These investments in our digital capabilities will keep us ahead of the curve and create a competitive advantage for us in times to come.

Last, and perhaps the most important, is the transformation of our employees to become agents of change & growth. KBL was traditionally known for its customer service and now under KBL-VIKAAS, the team is well equipped with digital capabilities and the new skill set of marketing. They are the frontline soldiers of transformation as change agents.

We also redesigned our organization structure to drive larger focus on strategic areas for the Bank and speed up decision making – the new role of Chief Business Officer was created as a result of this, in addition to the existing role of Chief Operating Officer. A new role - Chief Digital & Marketing Officer – was also added to lead the Bank's digital future. We have initiated a big change in the way we evaluate performance of our people by moving to a digital Performance Management System that assigns objective business KRAs to each officer and executive and measures performance against these KRAs. This will allow us to recognize and reward strong performers while support and develop those who are lagging behind. A large scale skill upgradation and capability building exercise has been undertaken under the KBL-VIKAAS program. More than 2,000 of our staff have been trained on topics like business review methodologies, digital banking and products, lead sourcing and conversion and data analytics. A 15-member Transformation Cell, headed by a Chief Transformation Officer, has been created to nurture change agents within the Bank and lead from the front in this transformation journey.

KBL - VIKAAS has today become a symbol of confidence and change in the Bank. MD & CEO himself has led more than 50 steering committees and all the townhall meetings across India to on-board more and more of our people onto this change journey. This transformation has been founded on the core values of Karnataka Bank and these have always been the guiding light for our journey. Moreover, all these new initiatives have been delivered by team KBL in addition to their day-to-day roles and responsibilities, without any additional hiring done to support the program and is praiseworthy. Of course, change is a never-ending journey and transformation must continue, for across the globe, Transformation is regarded as a work-in-progress. Team KBL is proud of the start it has made under KBL-VIKAAS! Under this transformation of the century, we are consolidating the capabilities by accelerating the pace and progress of the journey, guided by the vision to strike a new path which is distinct, sustainable and rewarding.

PEOPLE TRANSFORMATION

At KBL an inspired and vision driven people force is moving in tandem on an inclusive, transformation journey. Consolidating capabilities, building new competencies, embracing newgen technologies, and winning awards - at KBL, the dynamic upsurge of People transformation was evident as goal driven teams forged ahead on their mission to redefine KBL as the 'Bank of the Future'.

Learning and development programmes, E-Learning modules, incubation platforms for ideation, personalised developmental training, executive mentoring modules, Leadership Development workshops and a calibrated Performance Management System, created an ecosystem of a vibrant people synergy and team working.

The several awards received during the year are a testimony to the people excellence and the best practices at the Bank.

AWARDS & ACCOLADES

KBL bagged the following awards during the year in recognition of its achievement under technology initiatives, social banking, export performance, etc.

- o ET Business Excellence Award-2019, in the category 'Excellence in Banking Service.'
- o 'Best MSME Offering under Private Sector Category' in ASSOCHAM 7th National MSME's Excellence Awards.
- o IBA Banking Technology Awards -2020, under Small Bank category in 3 variants:
Winner in the category of 'Best Digital Financial Inclusion'
Joint Winner in the category of ' Best IT Risk Management & Cyber Security Initiatives.'
Runner-up in the category of ' Technology Bank of the Year.'
- o Third Best Performed Bank Award at national Level under 'Old Private Sector Bank' category for the year 2018-19, instituted by the State Forum of Bankers' Clubs, Kerala,
- o BFSI Awards 'For Excellence in Banking Financial Services & Insurance' under 2 categories, instituted by ABP News:
'Best Bank in Private Sector.'
'Innovation and Emerging Technologies in Banking Sector.'
- o STP Award 2018: In recognition of Bank's 'Outstanding Payment Formatting and Straight Through Rate', instituted by Bank of New York, Mellon.
- o Atal Pension Yojana 'Game Changers Award' instituted by PFRDA.for achieving 100% of AAPB target for the FY 2018-19.
- o Bank's In-House Magazine Abhyudaya awarded as the 'Best In-house Magazine' presented by Business Television India (BTVI).

SECURE & SEAMLESS BANKING



Digital disruption is bringing a tectonic shift to the banking landscape and transforming customer behaviour radically. In a global survey on banking services conducted across 17 countries, the ease of accessing the products and services of a bank has emerged as the primary parameter for customer satisfaction, emphasising the importance.

'Banking on the Go', has made digital engagement the key to optimizing the customer experience. To provide customers with a secure and seamless banking experience and to create additional delivery channels for their convenience, KBL has relaunched a range of Mobile Banking Apps during the year:

- KBL Mobile Plus
- BHIM KBL UPI App
- KBL Apna App
- KBL mPassBook App

As per an Economic Survey Report, India's digital lending stood at US\$ 75 billion in FY18 and is estimated to reach US\$ 1 trillion by FY2023 driven by the five-fold increase in digital disbursements. KBL has mapped out strategies to participate in this growing space with an innovative range of products and services.

To enable easy sanctions of loans, we have rolled out a new digital solution powered by BRE (Business Rule Engine) where in-principle digital sanction is given within 20 minutes, for Home Loans, Personal Loans and Car Loans. Digital sanction of MSME loans has also been implemented to address the needs of the large MSME segment.

Faster payments also increase the need to balance convenience and speed with security. In digital transactions, data security is of paramount importance.

KBL's Core Banking Solution (CBS) provides hassle free banking transactions to all the branches /offices of the Bank and to its customers. Further, Alternate Delivery Channels like ATM, Internet Banking, Mobile Banking, UPI App, etc., have also been integrated with CBS. Disaster Recovery (DR) facilities for all the critical applications are established to ensure business continuity in the event of primary site failure. Additionally, a three-way data replication facility aimed at zero data loss is also implemented for applications such as CBS, ATM and Internet Banking. A 24x7 vigil is also exercised through state-of-the-art ELFRMS (Enterprise Level Fraud Risk Management Solution) facility to prevent transaction related frauds.



During the year the following IT projects were also implemented:

- EMV Card enabled ATMs
- Cardless cash withdrawal from ATM and BNA Machines through Mobile Banking
- Enhancement in Internet Banking solution 'Money Click'.
- Introduction of e-mandate system proposed by NPCL.
- e-Waste management system to ensure safe disposal of hazardous electronic waste.

As in other fields, the use of AI and machine learning are expected to expand at a rapid pace in the banking and financial sectors. KBL is constantly striving to be in the forefront of cutting edge technologies that would provide it a competitive edge as well as help to transform it as the 'Bank of the Future.'



FINANCIAL INCLUSION

At KBL, we firmly believe that 'connecting people' with the Bank is more important than opening accounts. Our services for the rural community include meeting their small credit needs, giving them access to the payments system, providing easy remittance facility and also ensuring life and health insurance cover. Financial inclusion is therefore a vital part of our Transformation journey.

KBL's network of 386 branches (including 35 Ultra Small Branches) located in rural and semi urban areas, offer banking facilities to the rural communities, and also serve as Financial Literacy Centers (FLCs) imparting banking literacy among the rural populace. In accordance with Prime Minister's Jan Dhan Yojana (PMJDY), Bank has implemented the revised Strategy and Guidelines for Financial Inclusion activities. KBL is actively participating in Direct Benefit Transfer (DBT) Programme of the Government, to transfer the benefits of various schemes and subsidies directly to the beneficiaries of Aadhaar enabled bank accounts.

To minimize the urban-rural divide, KBL has been strengthening its rural orientation through initiatives aimed at imparting financial literacy and extending banking services to the people in rural unbanked areas, in a fair and transparent manner and at an affordable cost.



Business Correspondent (BC) Services: Bank has tied-up with Sub-K Impact Solutions Limited to provide BC services and during the year, 119 BC Agents covered allocated villages of Karnataka, Andhra Pradesh and Chattisgarh States.

Aadhaar Enabled Payment System (AEPS): Bank has introduced AEPS transaction services offered by National Payments Corporation of India (NPCI) at all Business Correspondent (BC) locations of the Bank. This facility enables the Bank's customer having an Aadhaar enabled SB account to transact conveniently at the BC point.

Financial Literacy and Credit Counseling Centres (FLCCS): Bank has sponsored 5 FLCs jointly with M/s Jnana Jyothi Financial Literacy and Credit Counseling Trust, Manipal. During the year 652 financial literacy campaigns were

conducted in which 25,775 participants took part. In adherence to RBI guidelines all the rural branches of the Bank are also conducting financial literacy camps regularly.

Social Security Schemes: Karnataka Bank is actively involved in extending the 3 Social Security Schemes- Prime Minister Jeevan Jyothi Bima Yojana (PMJJBY), Prime Minister Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) to beneficiaries across the country.

Prime Minister Jan Dhan Yojana (PMJDY): All KBL branches across the country are opening accounts under PMJDY and are issuing RuPay Debit Cards. Since 2014 at KBL, 2,39,573 PMJDY accounts have been opened with an outstanding balance of ₹64.59 crore. So, far 79,548 PMJDY RuPay cards have been issued.



• 2,39,573 PMJDY accounts have been opened.

• 79,548 PMJDY RuPay issued.

• 652 Financial Literacy Campaigns conducted during the year in which 25,775 people participated.

TRANSFORMING LIVES - A SOCIALLY RESPONSIBLE BANK

Transforming lives for the better is an important part of KBL's transformation journey and its goal of becoming the 'Bank of the Future'.

At the core of KBL's Corporate Social Responsibility framework is the firm understanding that an institution has to participate in and contribute to the development of the community around it.

KBL's wide spectrum of inclusive and socially responsible initiatives include, providing healthcare support, promoting education, livelihood enhancement, empowering women and the socially and economically disadvantaged sections of the community, rural development, promoting environmental sustainability projects and green initiatives, protection of heritage and culture, promotion of sports, etc.



Shri Mahabaleshwara M.S, MD & CEO of the Bank handing over the demand draft of ₹50 lakhs to Shri B.S. Yediyurappa, Hon'ble Chief Minister, Government of Karnataka, towards Flood Relief and Rehabilitation work.



IIMPACT Girls Education Project started by the IIM Alumni Batch of 1978, Ahmedabad, identifies and provides education to rural out-of-school girls in 27 different regions of 11 States having low female participation in education. Joining hands with this project, Karnataka Bank has helped IIMPACT in setting up 20 Learning Centres for girls in Karauli district of Rajasthan.



Life saving medical equipment was donated to the Trauma Care Ambulance of Kaveri Memorial Charitable Maternity & Children Hospital, Kalasa. The only charitable hospital in Mudigere Taluk, Kaveri Memorial caters to the needs of the people of Kalasa, Hornad, Kudremukh, Javali, Kottegehar and Balehonnur covering an area of about 180 km radius.



Foot Abduction Braces were donated to Wenlock District Hospital, Mangaluru, to enable children born with clubfoot deformity to walk freely. This project was implemented in association with Cure International India Trust.



Shri Mahabaleshwara M.S, MD & CEO, flagging off the Mangalore Express train at the Central Railway station, Mangaluru, adorned with multi-language messages promoting civic values in areas of Swachh Bharat, Conservation of Water, Girl Child Education, Promoting environmental sustainability, etc.



As part of women empowerment initiatives, Karnataka Bank donated a Goods Carrier vehicle to SIRI - the Shri Dharmasthala Siri Gramodyoga Samste which is a non-profit organization in Belthangady Taluk of Dakshina Kannada District. The vehicle will help Self Help Groups comprising rural women to expand their supply chain for sourcing raw materials as well as delivering finished products to their intended markets.

PROGRESS OVER A DECADE

(₹ in lakh)

Year	Capital & Reserves	Deposits	Advances	Business Turnover	Gross Earnings	Net Profit	Dividend Paid %	No. of Branches	No. of Employees
2010-11	242908.10	2733644.63	1734807.09	4468451.72	266260.26	20461.13	30	478	5795
2011-12	259821.05	3160832.43	2072069.83	5232902.26	344726.74	24607.02	35	503	6087
2012-13	285708.14	3605622.13	2520767.88	6126390.01	416192.94	34808.21	40	550	6339
2013-14	305219.76	4058282.87	2834548.95	6892831.82	469440.99	31103.43	40	600	7185
2014-15	338906.05	4600860.55	3167998.76	7768859.31	520541.44	45145.02	50	675	7382
2015-16	369058.42	5048820.95	3390244.84	8439065.79	553507.00	41529.14	50	725	7792
2016-17	514258.15	5673310.82	3691569.85	9364880.67	599473.91	45226.12	40	765	7982
2017-18	541015.19	6287128.50	4725175.07	11012303.57	637809.45	32560.78	30	800	8185
2018-19	578518.29	6845212.28	5482820.10	12328032.38	690791.79	47723.98	35	836	8275
2019-20	597044.36	7178515.40	5696427.18	12874942.58	787081.89	43177.65	—*	848	8509

* Please refer to Page No. 60 of the Directors Report