



**Karnataka Bank Ltd.**  
Your Family Bank. Across India.

# **Analysis of Financial Results**

**March 2015**



**“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”.**



1. Time tested Bank with 91 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 Standard of Corporate Governance
7. Business Process Reengineering [BPR]
8. Consistent track record of profit since inception
9. In the process of unveiling VISION - 2020

# History & Evolution



- Incorporated in 1924, Karnataka Bank is one of the oldest time tested private sector Banks
- Forayed into General Insurance business as a JV partner in Universal Sompo General Insurance Company Limited
- **1,689** service outlets with **10** Regional Offices, **675** branches, **4** Extension Counters and **1,000 ATMs** in 449 centres across India as on March 31, 2015
- Business Turnover of ₹ 77,689 crore as at 31.03.2015.

- 2015 • No. of ATMs reached 1,000
- 2014 • Business turnover crossed the milestone of ₹ 75,000 crore
- 2013 • Secured ISO 27001 : 2005 Certificate from NQA
  - BPR implementation under the guidance of M/s KPMG Advisory Services Pvt Ltd. commenced
  - Business Turnover crossed the milestone of ₹ 50,000 crore
- 2012 • No. of branches crossed 500
  - Average turnover per branch crossed ₹ 100 crore
  - Launched ASBA facility
- 2011 • Right issue of ₹ 457.03 crore in the ratio of 2:5.
  - Launched Online Trading facility
- 2010 • Maiden QIP aggregate ₹ 160.83 crs.
- 2009 • Compliance with Basel-II norms
- 2007 • Completion of 100% core banking
  - Floated general insurance JV along with Allahabad Bank, Indian Overseas Bank, Dabur Investments and Sompo Japan Insurance
- 2006 • Launched CDSL-DP services at select branches
- 2005 • Completed 2:1 rights issue to raise ₹ 160 crs
- 2003 • Right issue in the ratio of 1:2
- 2002 • Bancassurance tie-up with MetLife
  - Maiden bonus issue in the ratio of 1:1
- 2000 • Implementation of “Finacle” CBS
- 1995 • Public issue of 45 lakh equity shares in October 1995
- 1977 • Became an authorised dealer of foreign exchange
- 1966 • Took over assets and liabilities of Bank of Karnataka, Hubli and opened 14 new branches
- 1961 • Took over assets and liabilities of the Chitaldurg Bank
- 1960 • Took over assets and liabilities of Sringeri Sharada Bank Ltd
- 1924 • Incorporated on 18<sup>th</sup> February 1924 at Mangalore by Late B R Vyasarayachar & other leading members of the South Kanara Region



## Recent Awards:

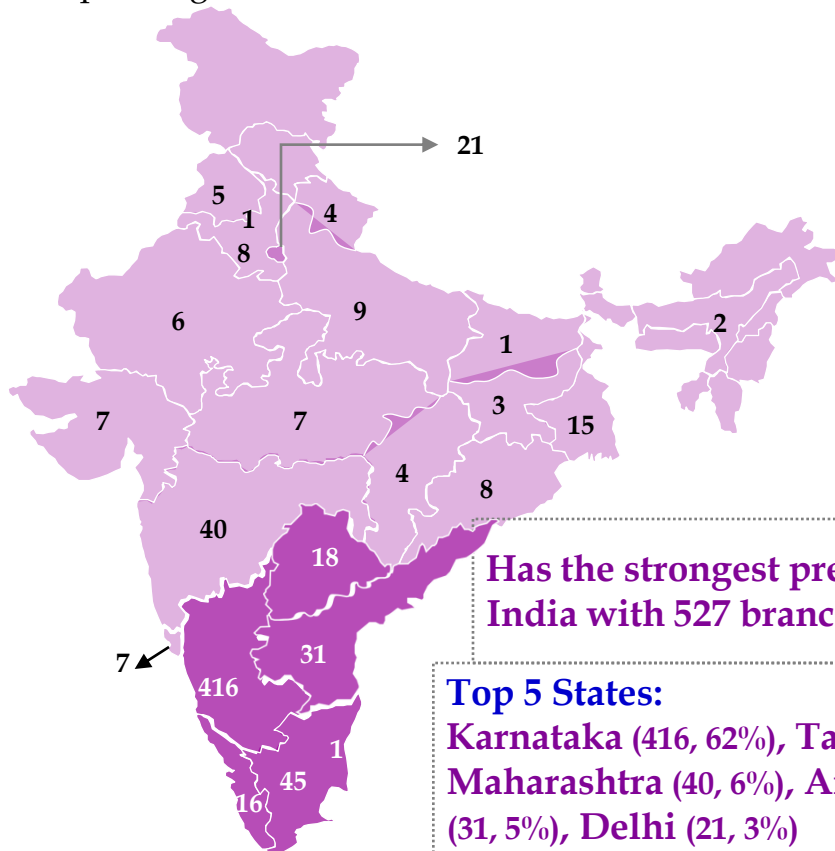
- ❖ Bank has bagged ASSOCHAM's [Associated Chambers of Commerce & Industry of India] Certificate of Excellence for Social Banking, under private sector banks category.
- ❖ Bank has bagged “MSME BANKING EXCELLENCE AWARDS - 2014”, initiated by CIMSME [Chamber of Indian Micro Small & Medium Enterprises], under the following categories:
  - i) Best Bank Award for New Initiatives - Runner Up
  - ii) Best Bank Award for CSR & Green Initiatives - Runner Up.
- ❖ Shri P. Jayarama Bhat, MD & CEO, has been awarded the Asia Pacific HRM Congress Awards 2014, under the category “CEO with HR Orientation”.
- ❖ Shri P. Jayarama Bhat, MD & CEO, has been honored with the “New Year Award, 2015” by Academy of General Education, Manipal University and Syndicate Bank, Manipal.

# Pan-India footprint

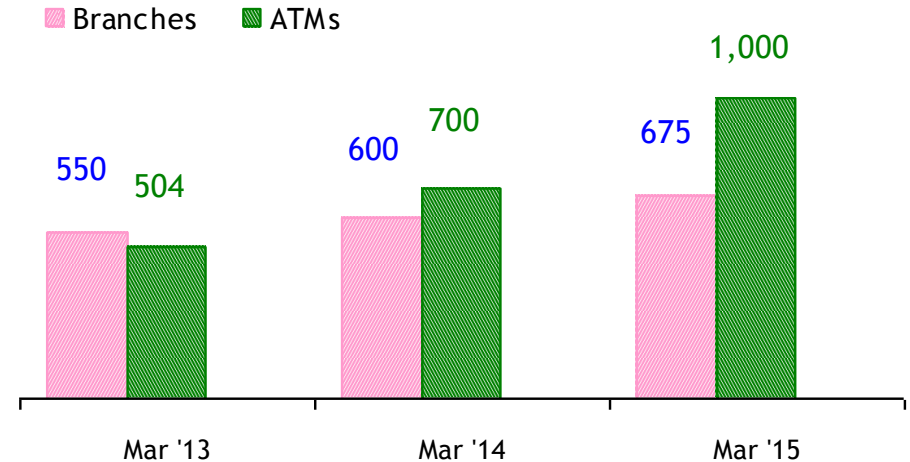


## Pan-India Presence

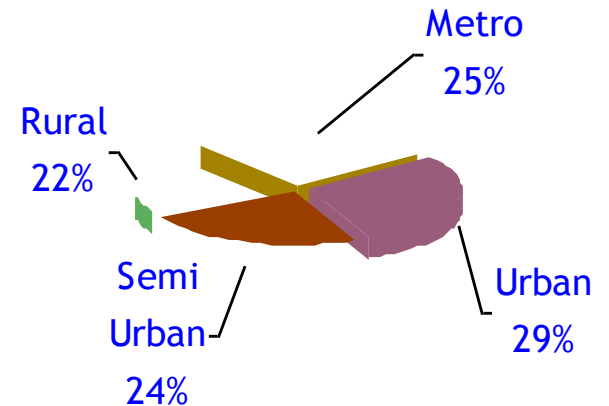
- Total 1,689 outlets – 10 regional offices, 675 branches, 4 Extension Counters & 1,000 ATMs
- Specialized branches for Forex, Industrial, Agriculture, MSME, Corporate business & Financial Inclusion
- 79 Financial Inclusion branches, 37 Ultra Small branches
- Expanding network in northern India also.



## No of branches & ATMs



## Area wise distribution of branches (Mar '15)





## Strong technology platform

Secured “ISO 27001:2013” certificate from NQA [National Quality Assurance] for its three I.T. set-ups, encompassing the Information Security Management System (ISMS) at Data Centre, Near line Site [NLS] at Bangalore and Information Technology Department including the DR site [IT & DR] at Head Office, Mangaluru.

- ◆ State-of-art IT set up which has enabled Anytime Anywhere Banking through alternate delivery channels such as ATMs, International Debit Card, Internet Banking, Mobile Banking, e-lobby etc.
- ◆ 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.

## Effective risk management system

- ◆ Integrated Risk Management Committee develops policies and strategies for integrated risk management, monitors and reviews risk profile of the bank periodically
- ◆ Internal Credit Rating of all the borrowers: Credit exposure above INR 25 lakh are rated borrower-wise and credit facilities below INR 25 lakh & all schematic advances including agri-credit proposals are rated under ‘Pool based approach’
- ◆ Continuous offsite surveillance of borrower accounts
- ◆ Effective ALM/mid office set up to monitor Liquidity risk/ Market risk on a continuous basis
- ◆ For effective Operational risk management: Bank is building up a database of internal Loss data, near- miss cases and other Operational risk events, since Sept 2007
- ◆ Bank has taken all necessary steps for migration to ‘Basel II advanced approaches’ under Credit, Market and Operational Risk and also implemented the presently applicable ‘Basel III’ guidelines of RBI



➤ Net profit	₹ 451.45 crore (₹ 311.03 crore)
➤ Operating profit	₹ 773.38 crore (₹ 687.05 crore)
➤ Turnover	₹ 77688.60 crore (₹ 68928.32 crore)
➤ Return on Asset	0.91% (0.71%)
➤ Earning per Share	₹ 23.96 (₹ 16.51)
➤ Return on Equity	14.02% (10.53%)
➤ Net Interest Margin	2.36% (2.40%)
➤ Gross NPA	2.95% (2.92%)
➤ Net NPA	1.98% (1.91%)
➤ Cost to Income	53.84% (56.07%)
➤ CRAR (Basel III)	12.41% (13.20%)





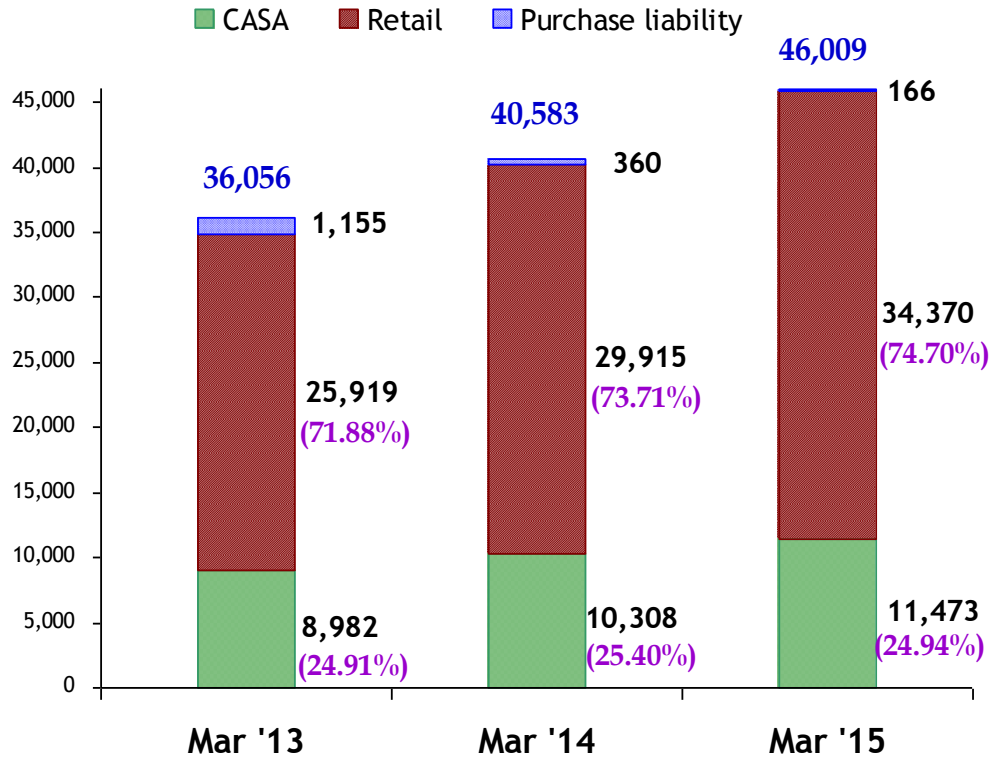
(₹ crs)

	31.03.13	31.03.14	% Growth	31.03.15	% Growth
Capital	188	188	0.00	188	0.00
Reserves and Surplus	2,669	2,864	7.31	3,201	11.77
Deposits	36,056	40,583	12.56	46,009	13.37
Borrowings	1,580	1,915	21.20	1,038	[-] 45.80
Investments	13,432	15,227	13.36	15,988	5.00
Advances	25,208	28,345	12.44	31,680	11.77
Turnover	61,264	68,928	12.51	77,689	12.71

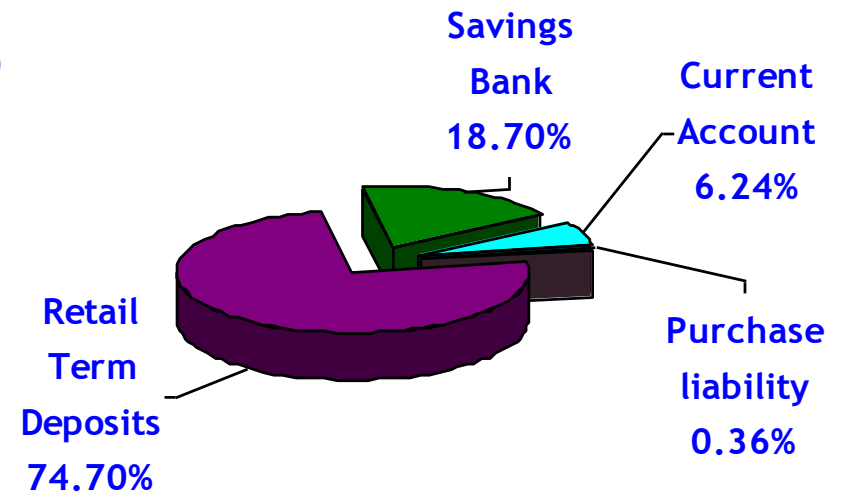
# Deposits



## Deposits (₹ crs)



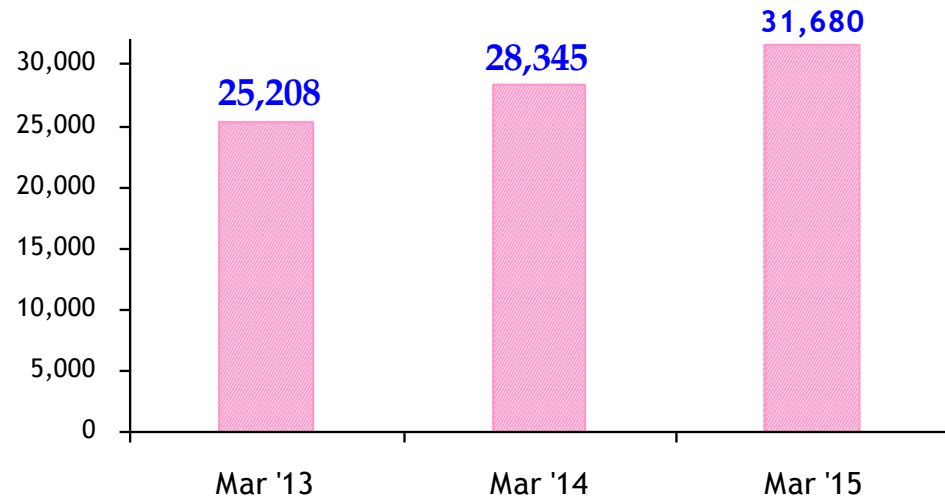
## Deposits break up (Mar '15)



# Composition of Advances

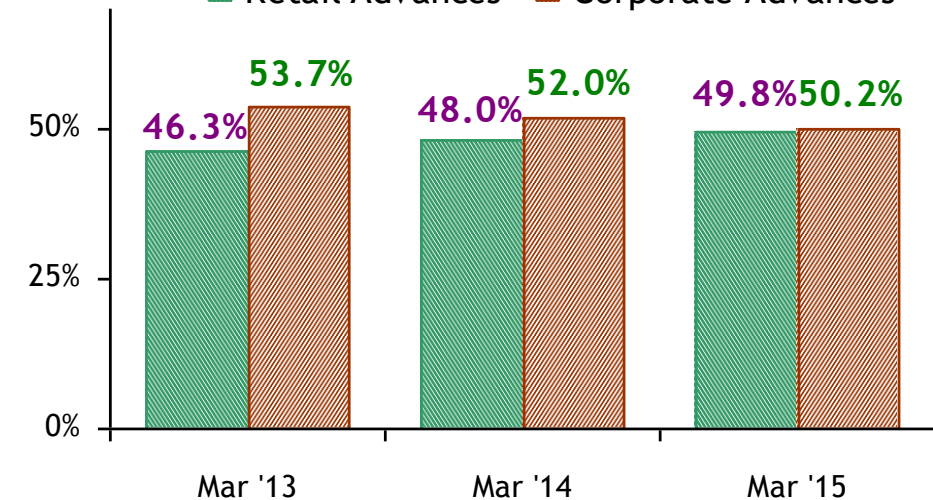


## Advances (₹ crs)

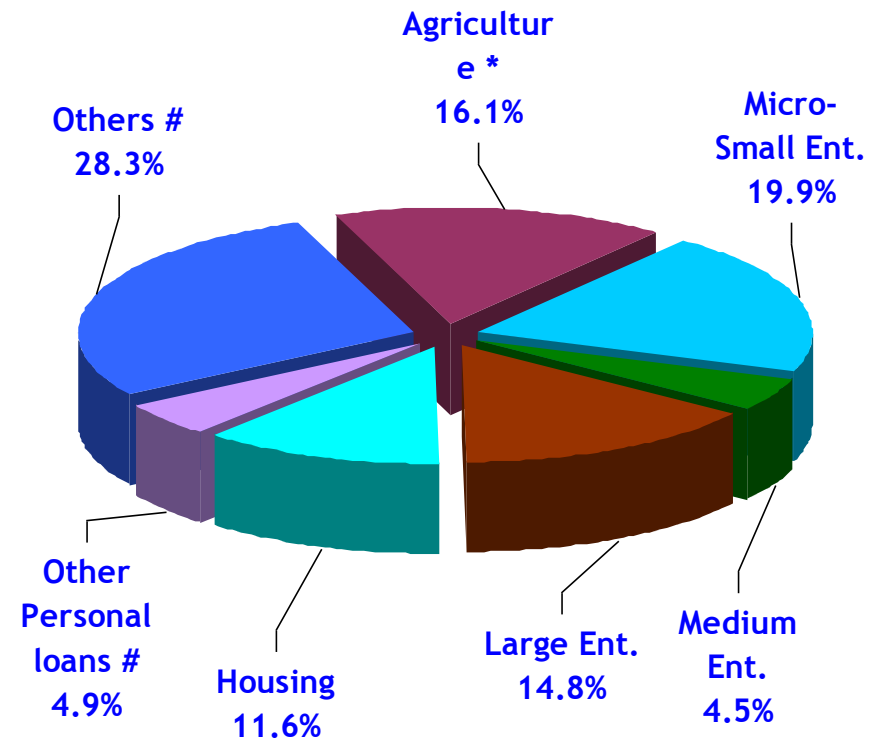


## Retail & Corporate Advances (%)

■ Retail Advances ■ Corporate Advances



## Segmentation of Advances (Mar '15)

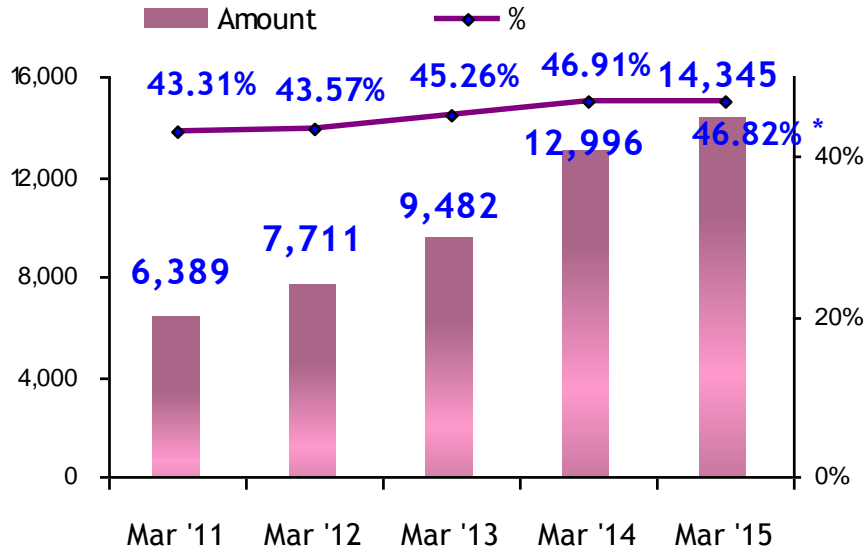


\* However, this works out to 16.79% of the ANBC of 31.03.2014.

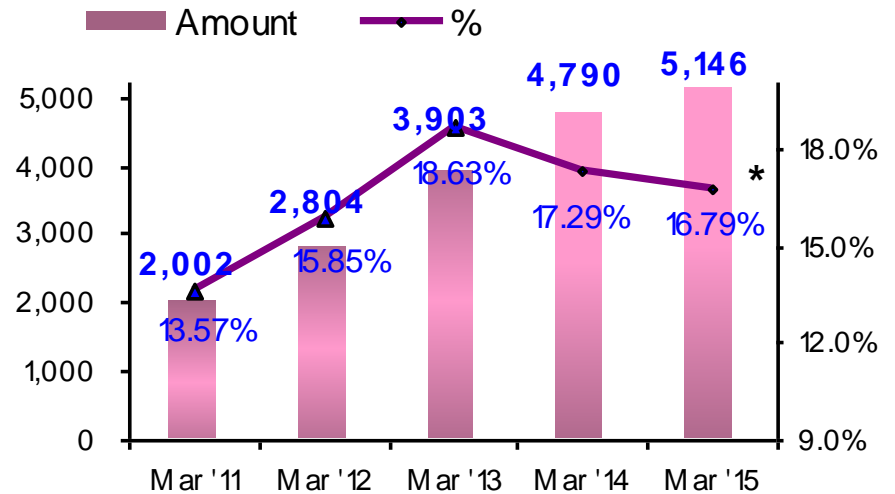
# Priority Sector Advances



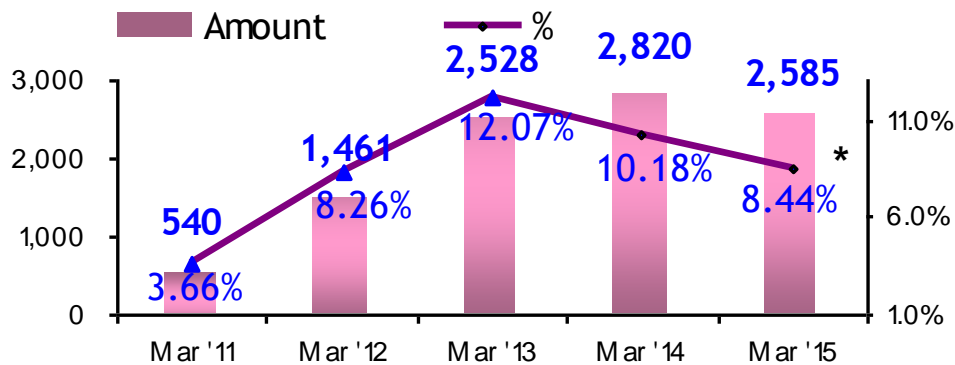
## Priority Sector Advances (₹ crs)



## Agriculture Advances (₹ crs)



## Advances to Weaker Section (₹ crs)

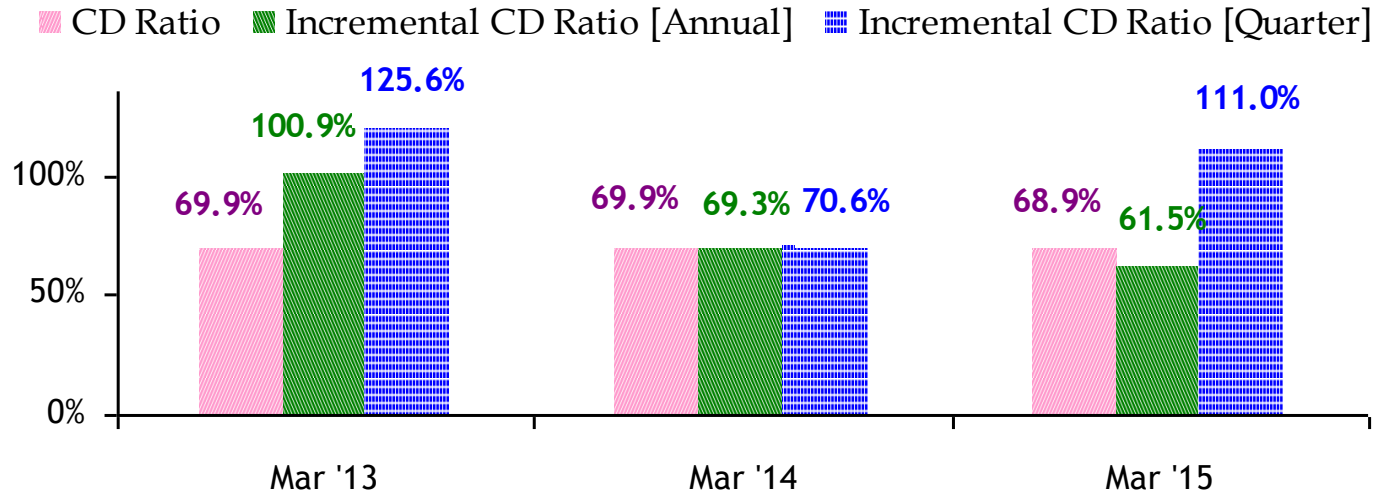


\* Base figure for the calculation of % is ANBC as on March 31<sup>st</sup> of previous year.

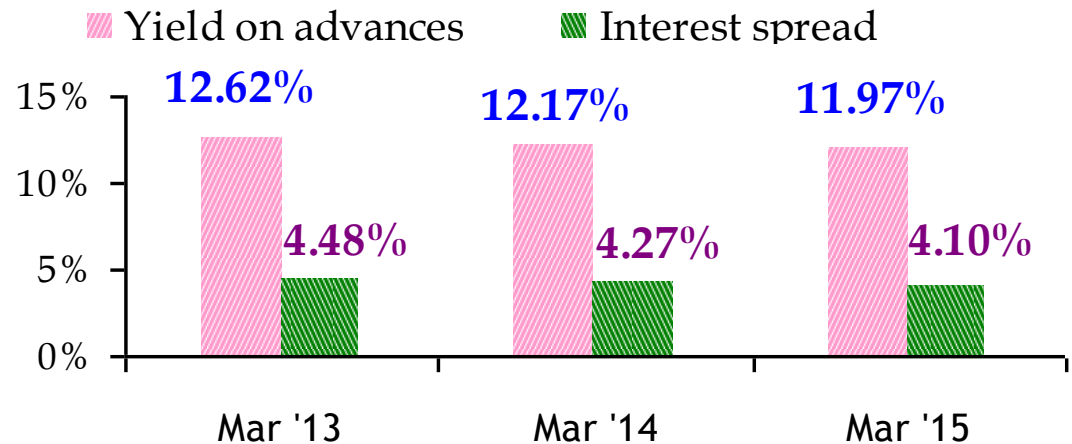
# CD Ratio & Yield on Advances



## Credit Deposit ratio (%)



## Yield on Advances & Interest Spread (%)



# Movement of NPA



(₹ crs)

	31.03.2014	31.03.2015
<b>Gross NPA (opening)</b>	638.86	835.94
<b>Additions</b>	@ 653.88	@ 929.83
<b>Sub total (A)</b>	1292.74	1765.77
<b>Up-gradations</b>	@ 192.99	@ 282.63
<b>Recoveries (excluding in upgraded accounts)</b>	117.54	320.07
<b>Technical / prudential write off</b>	134.86	53.47
<b>Other write offs</b>	11.42	165.39
<b>Subtotal (B)</b>	# 456.81	* 821.56
<b>Gross NPA (closing) (A-B)</b>	835.94	944.21
<b>Net addition to NPA</b>	197.08	108.27
<b>Slippage Ratio (%)</b>	2.64	3.35

# Includes ₹ 10.92 crore pertaining to sale of assets to ARCs during the FY 2013-14

\* Includes ₹ 329.69 crore pertaining to sale of assets to ARCs during the FY 2014-15

@ Includes Intra - quarter additions and upgradations.

# Composition of NPA



(₹ crs)

	31.03.2014	31.03.2015
<b>Sub Standard</b>	<b>407.33</b> (48.73%)	<b>425.09</b> (45.03%)
<b>Doubtful</b>	<b>383.25</b> (45.85%)	<b>480.71</b> (50.91%)
<b>Loss Assets</b>	<b>45.36</b> (5.42%)	<b>38.41</b> (4.06%)
<b>Total</b>	<b>835.94</b>	<b>944.21</b>
<b>Gross NPA (%)</b>	<b>2.92</b>	<b>2.95</b>
<b>Net NPA</b>	<b>538.03</b>	<b>623.55</b>
<b>Net NPA (%)</b>	<b>1.91</b>	<b>1.98</b>
<b>P C R (%)</b>	<b>53.21</b>	<b>50.54</b>

# Sectoral Exposures in NPA



Sector (₹ crs)		Mar '14		Mar '15			
		Bal. O/s	% to Tot. Adv. In that sector	Bal. O/s	% to Tot. Adv. In that sector	Addition during the year	Reduction during the year
<b>A.</b>	<b>Priority Sector</b>						
1.	Agri & allied activities	83.08	1.99%	83.54	1.95%	42.03	41.57
2.	Industry	128.53	4.61%	86.66	2.85%	42.07	83.94
3.	Services	63.11	2.85%	111.49	3.36%	76.95	28.57
4.	Personal & Other loans	20.29	1.12%	25.65	1.24%	14.04	8.68
	<b>Total</b>	<b>295.01</b>	<b>2.69%</b>	<b>307.34</b>	<b>2.42%</b>	<b>175.09</b>	<b>162.76</b>
<b>B.</b>	<b>Non-Priority Sector</b>						
1.	Industry	223.12	5.87%	235.81	5.91%	183.60	170.91
2.	Services	60.90	2.70%	108.88	4.52%	57.88	9.90
3.	Personal loans	48.80	1.42%	89.22	2.00%	43.70	3.28
4.	Others	208.10	2.55%	202.96	2.41%	129.73	134.87
	<b>Total</b>	<b>540.92</b>	<b>3.07%</b>	<b>636.87</b>	<b>3.30%</b>	<b>414.91</b>	<b>318.96</b>
<b>GRAND TOTAL</b>		<b>835.93</b>	<b>2.92%</b>	<b>944.21</b>	<b>2.95%</b>	<b>590.00</b>	<b>481.72</b>



# Restructured Advances

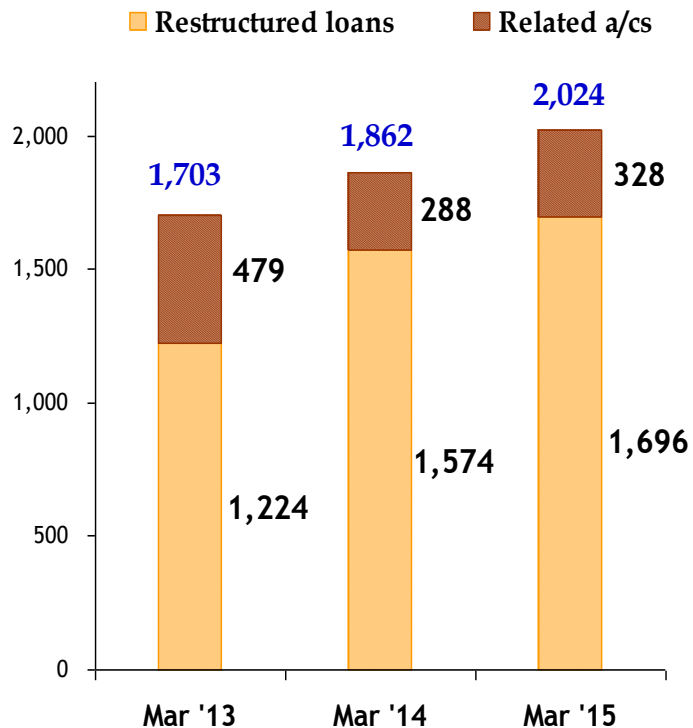


(₹ crs)

	31.03.2013	31.03.2014	Increase / decrease	31.03.2015	Increase / decrease
Opening balance (including related account)	2128.92	1703.03	[-] 425.89	1861.33	158.30
Add- Fresh Restructuring	305.32	585.65	280.33	454.01	[-] 131.64
Less - Restructured advance which ceases to attract higher provisioning	688.28	70.92	[-] 617.36	50.38	[-] 20.54
Less - Write off / recovery	42.93	356.43	313.50	241.11	[-] 115.32
<b>Closing balance</b>	<b>1703.03</b>	<b>1861.33</b>	<b>158.30</b>	<b>2023.85</b>	<b>162.52</b>
Out of Above - NPA	157.57	176.87	19.30	224.08	47.21
Provision for restructured advances	156.50	229.85	73.35	261.14	31.29
% age to gross advances	6.70	6.50		6.33	



## Restructured loans & related accounts



## Sectorwise Restructured Adv. as of Mar'15:

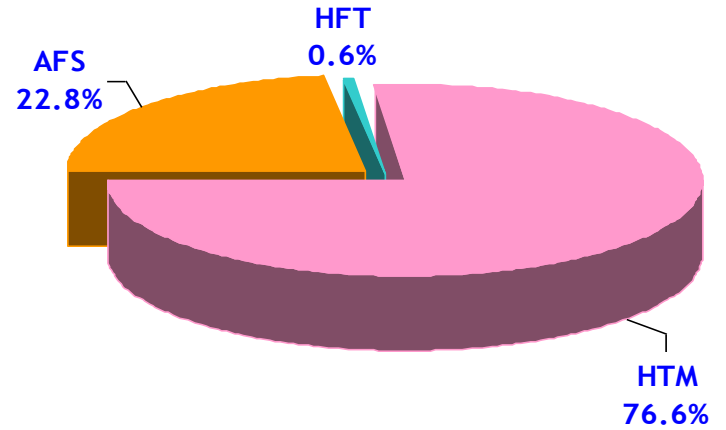
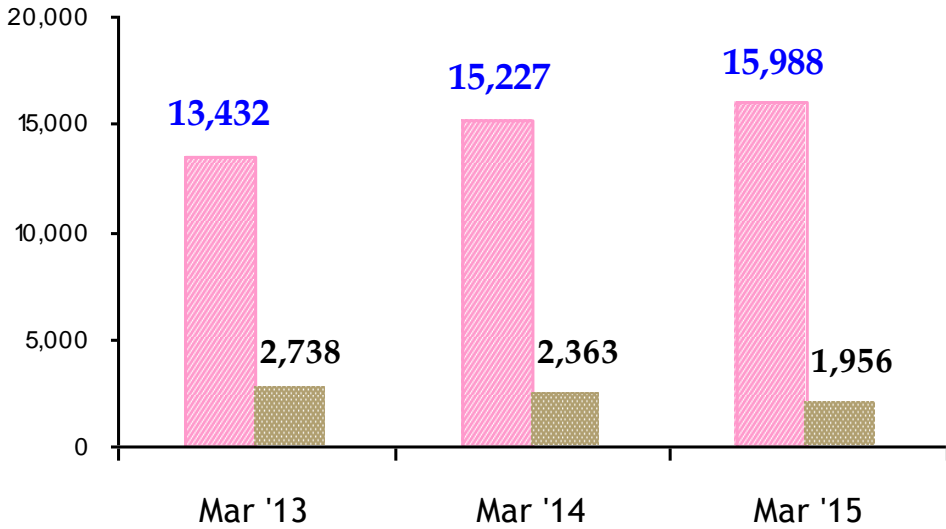
Sector	Restructured Adv.	Of which, slipped to NPA
Infrastructure	919.56	-
Iron & Steel	373.04	47.75
Service Sector	132.42	46.44
Textiles	132.05	26.47
Other Industry	105.05	24.20
Other	84.33	60.65
Metal & Metal Products	73.80	-
Agriculture	59.56	16.74
Other Engineering	47.04	-
Commercial Real Estate	44.73	0.01
Gems & Jewellaries	28.44	-
Coal & Mining	21.19	0.50
Housing	2.63	1.31
<b>Grand Total</b>	<b>2023.85</b>	<b>224.07</b>

# Investments



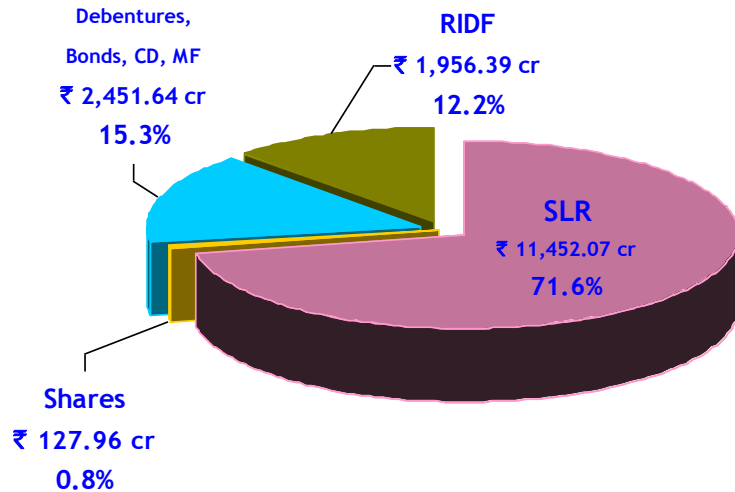
## Investments (₹ crs)

█ Total Investments    █ of which, RIDF Invt

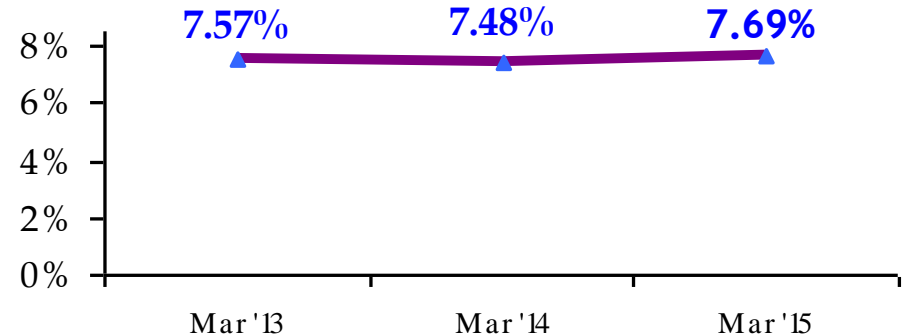


## Duration

AFS	HFT	HTM	TOTAL
2.93	0.08	4.29	3.95



## Yield on Investments (excl. RIDF & MF) (%)



# Income and Expenditure



(₹ crs)

	31.03.13	31.03.14	% Change	31.03.15	% Change
<b>Interest Income</b>	3764	4189	11.29	4698	12.15
<b>Other Income</b>	398	506	27.14	507	0.20
<i>Trading profit</i>	53	102	92.45	113	10.78
<i>others</i>	345	404	17.10	394	-2.48
<b>Total Income</b>	4162	4695	12.81	5205	10.86
<b>Interest Expenditure</b>	2861	3133	9.51	3530	12.67
<b>Other Expenditure</b>	666	875	31.38	902	3.09
<i>Establishment</i>	375	525	40.00	525	0.00
<i>others</i>	291	350	20.27	377	7.71
<b>Total Expenditure</b>	3527	4008	13.64	4432	10.58

# Net Interest Income



(₹ crs)

	31.03.13	31.03.14	31.03.15
<b>Interest on Advances</b>	2818	3162	3506
<b>Interest on investments</b>	938	1022	1185
<b>Other interest</b>	8	5	7
<b>Total Interest Income</b>	3764	4189	4698
<b>Interest on deposits</b>	2726	2976	3408
<b>Other interest</b>	134	157	121
<b>Total Interest Expense</b>	2860	3133	3529
<b>Net interest Income (Growth )</b>	904	1056 (16.81%)	1169 (10.70%)
<b>Interest spread in lending</b>	4.48 %	4.27 %	4.10%
<b>Net Interest Margin</b>	2.31 %	2.40 %	2.36%



(₹ crs)

	31.03.13	31.03.14	31.03.15
<b>Gross Advances</b>	25,416.46	28,623.94	31,995.33
<b>Gross NPA</b>	638.86	835.93	944.21
<b>Provision made thereon</b>	208.79	278.45	315.34
<b>Provisions made to Gross NPA (%)</b>	32.68	33.31	33.40
<b>Gross Investments</b>	13,520.40	15,323.79	16,017.74
<b>Non Performing Investment</b>	12.85	14.11	12.86
<b>Provisions made thereon</b>	12.85	14.11	12.86
<b>Provisions made to NPI %</b>	100	100	100

# Provisions and Contingencies



(₹ crs)

	31.03.13	31.03.14	Increase / decrease	31.03.15	Increase / decrease
Provisions for depreciation on investment	-31.44	26.99	+58.43	-59.44	-86.43
Provision towards NPA	172.33	210.54	+38.21	223.07	+12.53
Provision towards Standard Assets	18.36	42.10	+23.74	48.15	+6.05
Provision Made towards Taxes	116.10	97.62	-18.48	107.95	+10.33
Other Provisions & contingencies	11.90	-1.24	-13.14	2.20	+3.44
<b>TOTAL</b>	<b>287.25</b>	<b>376.01</b>	<b>+88.76</b>	<b>321.93</b>	<b>-54.08</b>



(₹ crs)

	31.03.13	31.03.14	% Change	31.03.15	% Change
<b>Interest earned</b>	3864.29	4188.83	8.40	4698.42	12.17
<b>Other Income</b>	397.64	505.58	27.15	507.00	0.28
<b>Total Income</b>	4161.93	4694.41	12.79	5205.41	10.89
<b>Interest expended</b>	2860.56	3132.76	9.52	3529.57	12.67
<b>Operating Expenses</b>	666.03	874.60	31.32	902.47	3.19
<b>Total Expenditure</b>	3526.59	4007.36	13.63	4432.04	10.60
<b>Operating Profit</b>	635.34	687.05	8.14	773.38	12.57
<b>Provisions and contingencies</b>	287.25	376.01	30.90	321.92	-14.39
<b>Net Profit</b>	348.08	311.03	-10.64	451.45	45.16



# Capital Adequacy



₹ crs	<u>Mar-13</u>	<u>Mar-14</u>	<u>Mar-15</u>
Total Risk Weighted Assets – Basel II	26,838	28,200	31,966
Total Risk Weighted Assets – Basel III	-NA-	28,247	32,021
Total Capital Fund	3,548	3,752	4,051
Total Tier I Capital	2,820	3,052	3,370
Paid up Equity Capital	188	188	188
Reserves under Tier I Cap.	2,632	2,864	3,182
Total Tier II Capital	728	699	681
Surplus Provisions & Reserves	158	199	251
Subordinated Debt Fund	570	500	430
<b>CRAR under Basel II</b>	<b>13.22%</b>	<b>13.30%</b>	<b>12.67%</b>
CRAR Tier I Capital	10.51%	10.82%	10.54%
CRAR Tier II Capital	2.71%	2.48%	2.13%
<b>CRAR under Basel III</b>	<b>-NA-</b>	<b>13.20%</b>	<b>12.41%</b>
CRAR Common Equity Tier I Capital	-NA-	10.73%	10.52%
CRAR Tier I Capital	-NA-	10.73%	10.52%
CRAR Tier II Capital	-NA-	2.47%	1.89%



	31.03.2013	31.03.2014	31.03.2015
Market Capitalization (₹ in crs)	2462.68	2208.99	2348.99
Share price (₹)	130.75	117.25	124.65
Earnings per Share (EPS) (₹)	18.48	16.51	23.96
Book value per share (₹)	151.70	162.00	179.87
Adjusted Book Value per share (₹)	131.63	133.43	146.75
Price Earning (P/E) (times)	7.08	7.10	5.20
Price to Book Value	0.86	0.72	0.69
Return on Equity	12.76	10.53	14.02
Dividend Per Share (₹)	4.00	4.00	5.00
Dividend (%)	40	40	50
Total amt of dividend paid (₹ in crore)	75.34	75.37	94.23
Dividend payout ratio excl. tax (%)	21.66	24.25	20.81
Retained earnings (₹ in crore)	259.90	222.85	337.50
Percentage to Net Profit (%)	74.67	71.65	74.76

# Profitability Ratios

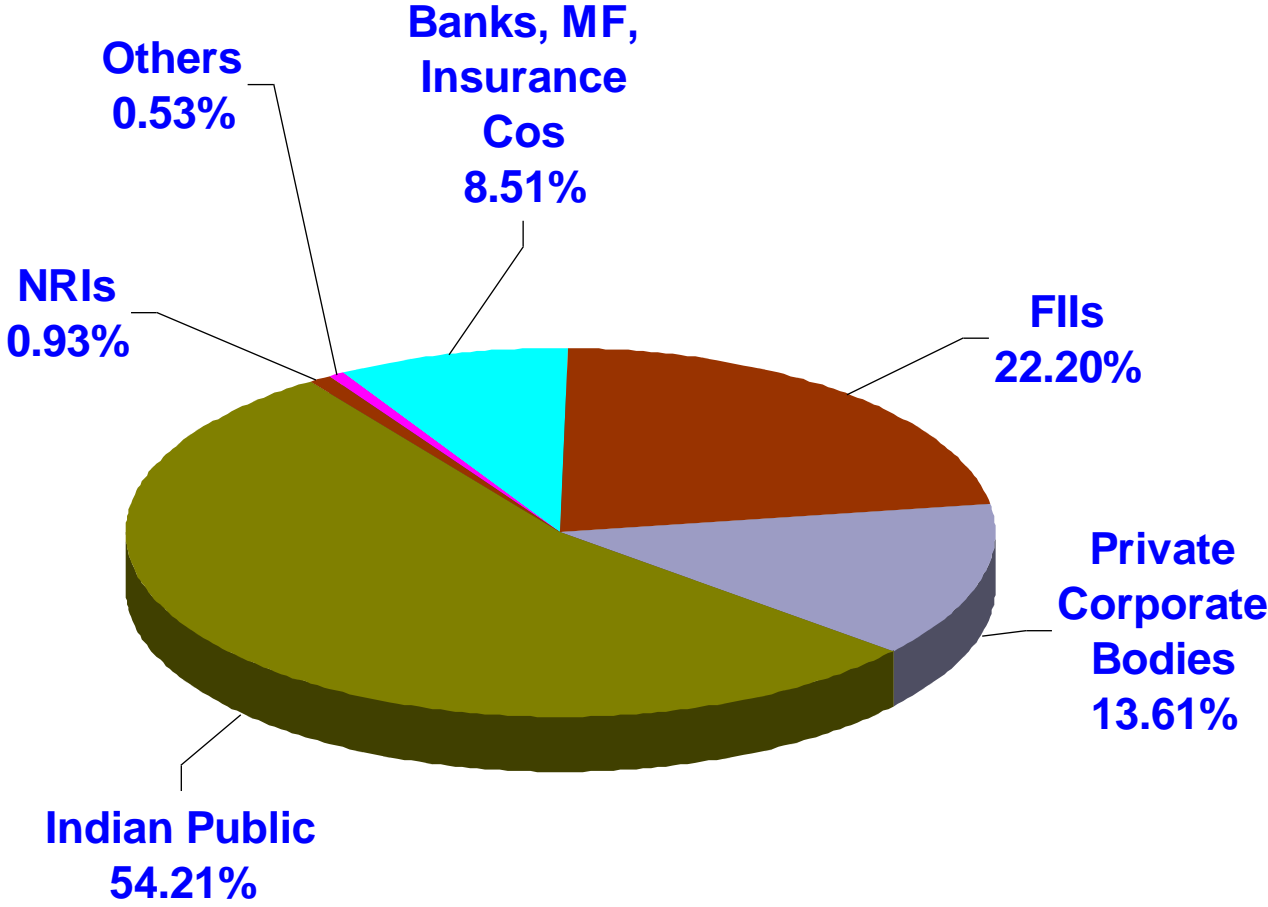


	31.03.2013	31.03.2014	31.03.2015
CD Ratio (%)	69.91	69.85	68.86
ID Ratio (%)	37.25	37.52	34.75
CD + ID Ratio (%)	107.16	107.37	103.61
Cost of Deposits (%)	8.14	7.90	7.87
Yield on advances (%)	12.62	12.17	11.97
Interest spread (%)	4.48	4.27	4.10
Adjusted Yield on Investments (%)	7.34	7.34	8.21
Cost of funds (%)	9.02	9.12	8.94
Net Interest margin (%)	2.31	2.40	2.36
Return on Assets (%)	0.89	0.71	0.91
Intermediation cost (%)	1.70	1.99	1.82
Cost to Income (%)	51.11	56.07	53.84



	31.03.2013	31.03.2014	31.03.2015
<b>No. of Branches</b>	550	600	675
<b>No. of ATM</b>	504	700	1000
<b>No. of employees</b>	6,339	7,185	7,382
<b>Operating Profit per employee (lakh)</b>	10.03	9.56	10.47
<b>Operating Profit per Branch (lakh)</b>	115.52	114.51	114.57
<b>Business per Employee (crore)</b>	9.67	9.59	10.52
<b>Business per Branch (crore)</b>	111.39	114.88	115.09

# Share holders' pattern





- ❖ **Business Turnover of ₹ 91,000 crore.**
- ❖ **50 new Branches to take the total no. of Branches to 725.**
- ❖ **275 new ATMs to take total no. of ATMs to 1,275.**
- ❖ **Introduction of technology based facilities: social media banking, image based debit cards, student combo cards, card less cash, Mobile apps, new version of internet banking, m-POS (Mobile Point of Sales), video conferencing with branches using desktop etc.**
- ❖ **Effective utilisation of the Fund Transfer Pricing (FTP) and Customer Profitability Management System (CPMS) solution.**
- ❖ **Introduction of Fraud Risk Management Solution (FRMS) to enhance the customer acceptability of digital banking products.**
- ❖ **Introduction of Aadhaar enabled e-KYC, online authentication system.**
- ❖ **Bank is in the process of unveiling its VISION - 2020 document.**
- ❖ **Aiming for CD Ratio of > 70%,  
Net NPA of < 1.33%,  
ROA of > 1%,  
NIM of > 2.50%.**

# Board of Directors



**Ananthakrishna**  
Non Executive Chairman



**P Jayarama Bhat**  
Managing Director & CEO



**S V Manjunath**  
Chikmagalur  
Planter



**D Harshendra Kumar**  
Shri Kshethra  
Dharmastala,  
Dakshina Kannada



**Dr. H Rama Mohan**  
Kundapura  
Medical Practitioner



**T R Chandrasekaran**  
Chennai Chartered  
Accountant



**Ashok Haranahalli**  
Bangalore  
Advocate



**Mrs Usha Ganesh, IAS**  
Bangalore  
Former Member of  
Karnataka  
Administrative  
Tribunal



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



**B A Prabhakar**  
Bangalore  
Former Chairman & MD of  
Andhra Bank



THANK YOU  
THANK YOU

