



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

# Analysis of Financial Results

**June 2013**

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**Corporate Goal for 2013-14**

# Company Overview



1. Over 89 years of banking history
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3. Robust technology and risk management systems
4. Strong productivity, capital adequacy ratios
5. Experienced management team
6. Highest Standard of Corporate Governance
7. Business Process Reengineering [BPR] in progress

# History & Evolution



- Incorporated in **1924**, Karnataka Bank is one of the oldest time tested private sector Banks
- Offers wide variety of corporate and retail banking products and services to over **7.2 million** customers
- Forayed into General Insurance business as a JV partner in Universal Sompo General Insurance Company Limited
- **1,089** service outlets with **556** branches, **4** Extension Counters and **529 ATMs** in 360 centres across India as on June 30, 2013
- Business Turnover of ₹ **62,159** crore as of June 2013

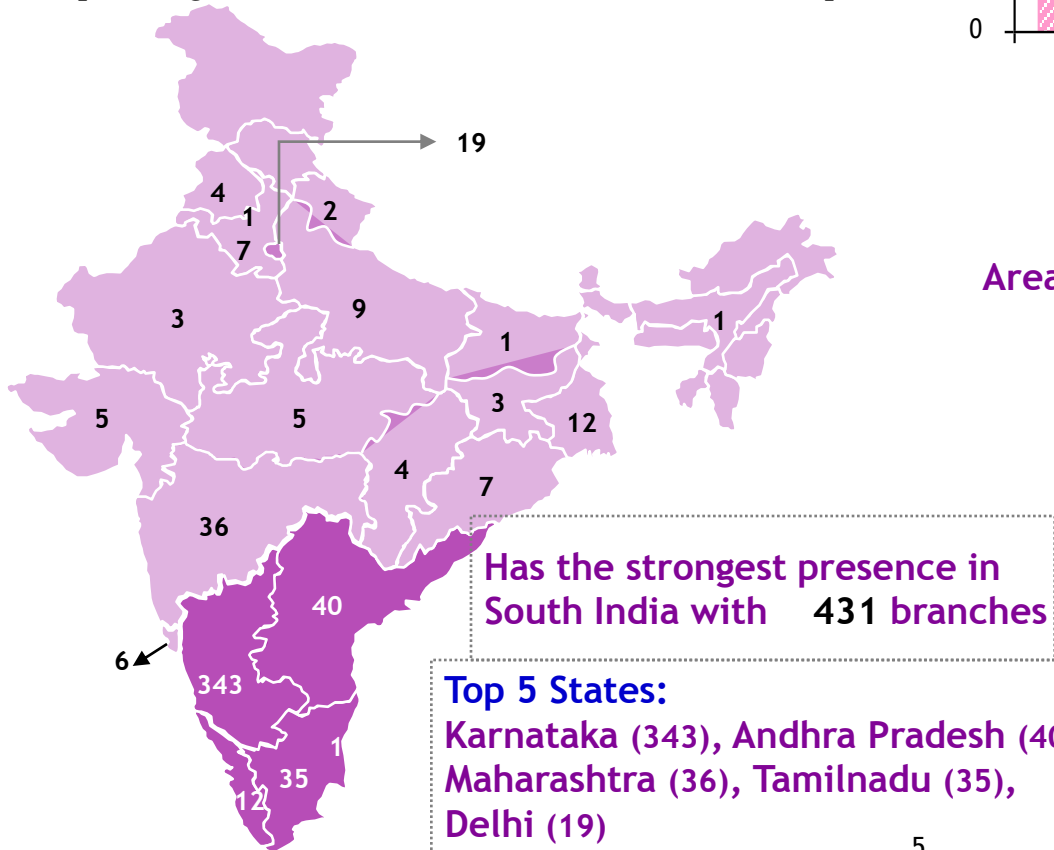
- 2013**
  - Secured ISO 27001 : 2005 Certificate from NQA
  - Bagged “STP Award” by Bank of New York Mellon
- 2012**
  - BPR implementation with the guidance of M/s KPMG Advisory Services Pvt Ltd.
  - Bagged “Operational Excellence Award” for ATMs
  - Bagged “Best Banker in Customer Friendliness - Runner up” by The Sunday Standard Finviz
  - Bagged “Best Risk Mgmt & Security Initiative - 2<sup>nd</sup> runner up”
  - Bagged “Best Financial Inclusion Initiative - 2<sup>nd</sup> runner up” } by IBA Banking Technology Awards
- 2011**
  - Business Turnover crossed the milestone of ₹ 50,000 crore
  - No. of branches also crossed 500
  - Average turnover per branch crossed ₹ 100 crore
- 2010**
  - Bagged “Special Award for managing IT risks” instituted by IDRBT
  - Right issue of ₹ 457.03 crore in the ratio of 2:5.
- 2009**
  - Maiden QIP aggregate ₹ 160.83 crs.
- 2007**
  - Compliance with Basel-II norms
- 2006**
  - Completion of 100% core banking
  - 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**
  - Completed 2:1 rights issue to raise ₹ 160 crs
- 2003**
  - Right issue in the ratio of 1:2
- 2002**
  - Launched multi-branch banking in 5 cities
  - 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

# Pan-India footprint

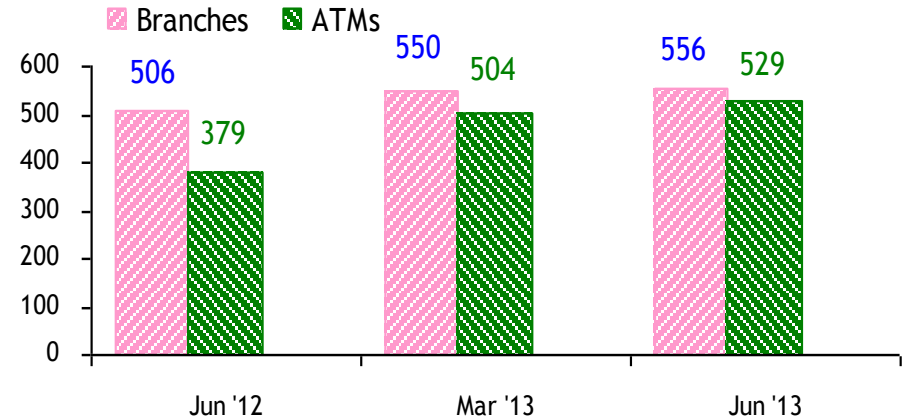


## Pan-India Presence

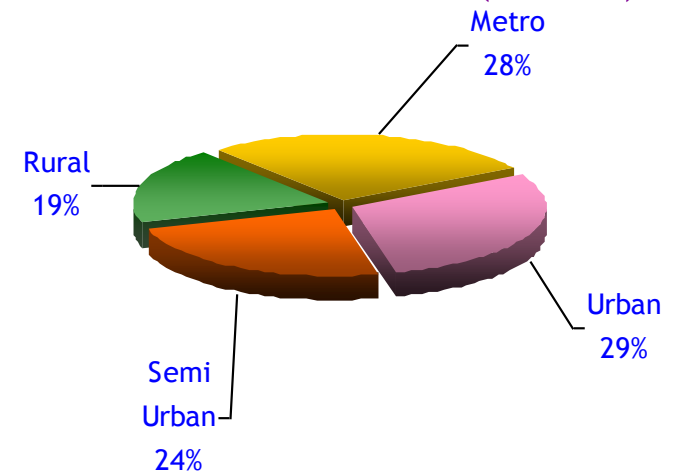
- Total 1,099 outlets – 10 regional offices, 556 branches, 4 Extension Counters & 529 ATMs
- Specialized branches for Forex, Industrial, Agriculture, MSME & Corporate finance business
- 19 Financial Inclusion branches, 26 Ultra Small branches
- Expanding network in northern India in the recent past



## No of branches & ATMs



## Area wise distribution of branches (Jun '13)





## Strong technology platform

Secured “ISO 27001:2005” 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 [NS] at Bangalore and Information Technology Department including the DR site [IT & DR] at Head Office, Mangalore

- ◆ Pioneer in implementing “Finacle” (CBS) amongst the old generation private sector banks
- ◆ 100% networking of branches using CBS
- ◆ 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, and also other products such as Online Trading, ASBA facility, Gift Card, Travel Card, Biometric Smart Card under Financial Inclusion, PoS Network, Online inward remittance facility to NRIs, etc.

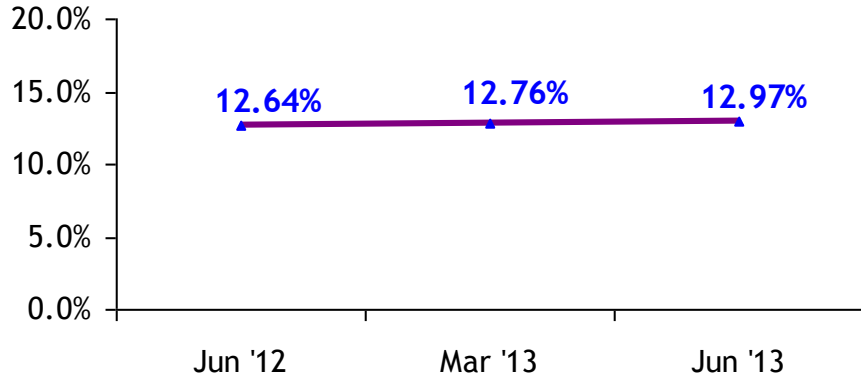
## Effective risk management system

- ◆ 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 all others facilities are rated under ‘Pool based approach’
- ◆ Continuous offsite surveillance of borrower accounts
- ◆ Effective ALM/mid office set up to monitor Market risk/Liquidity 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

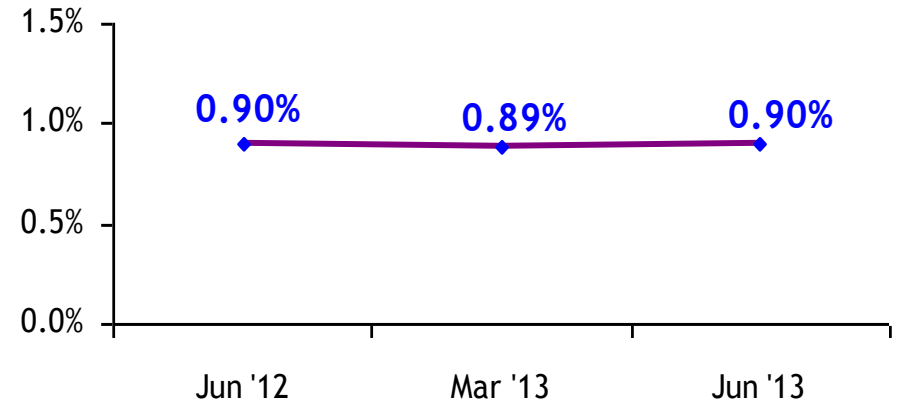
# Return and Capital Adequacy Ratios



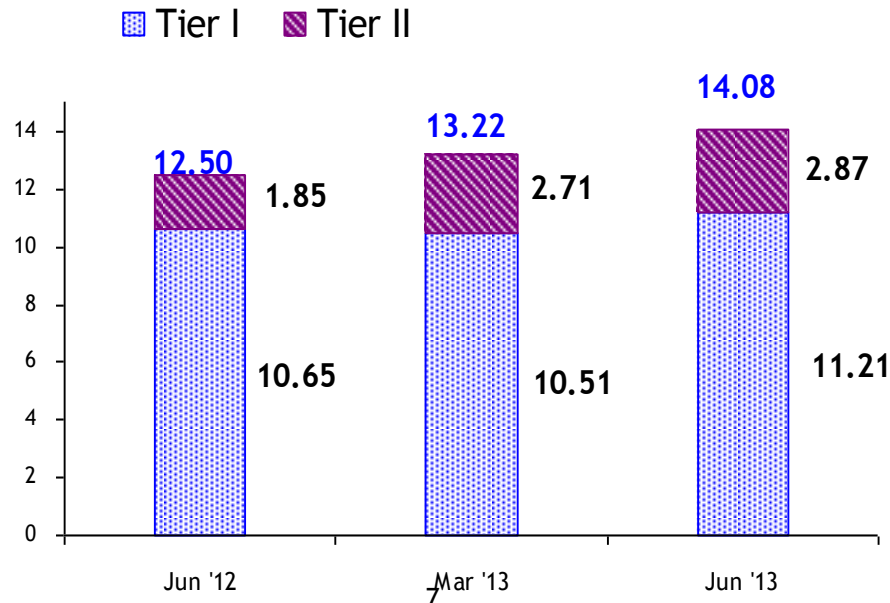
### Return on Equity (%) (after tax)



### Return on Assets (%) (after tax)



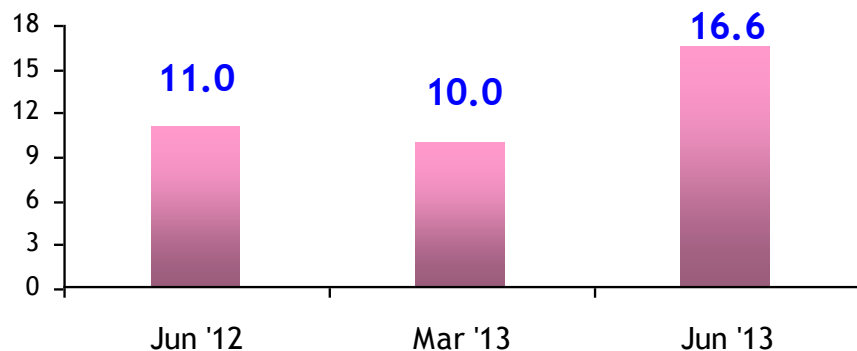
### Capital Adequacy (%) Basel II



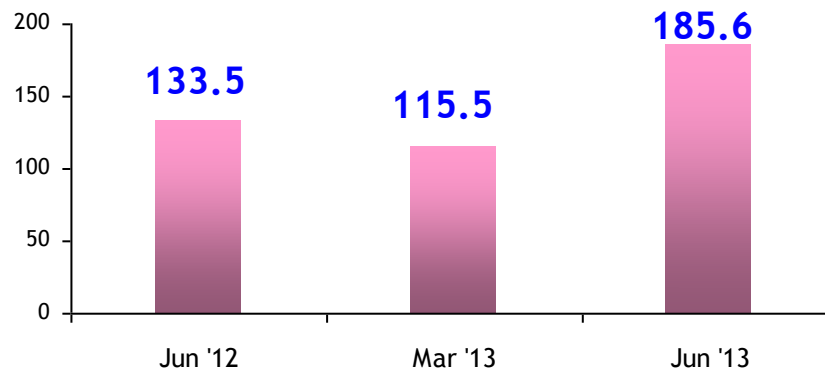
# Productivity ratios



### Operating Profit per employee (₹ lakh) \*

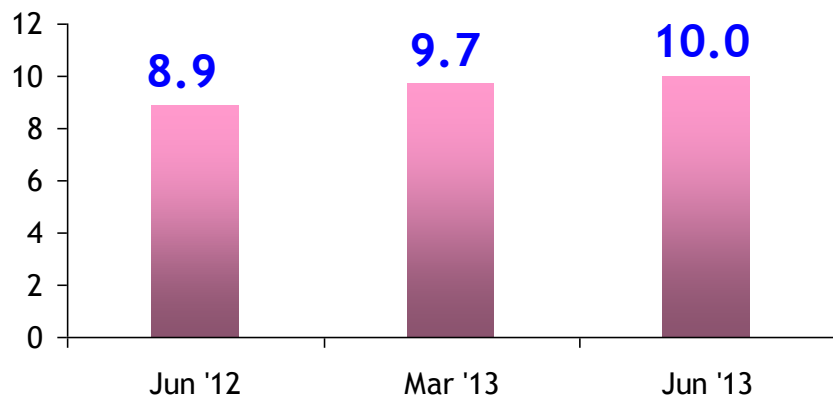


### Operating Profit per branch (₹ lakh) \*

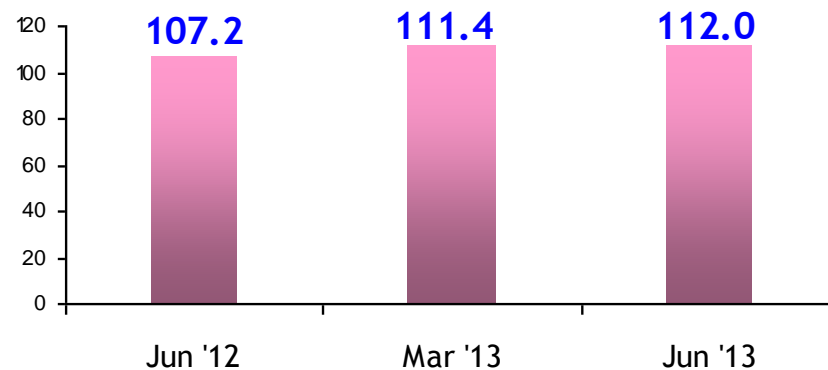


\* annualised

### Business per employee (₹ crs)



### Business per branch (₹ crs)





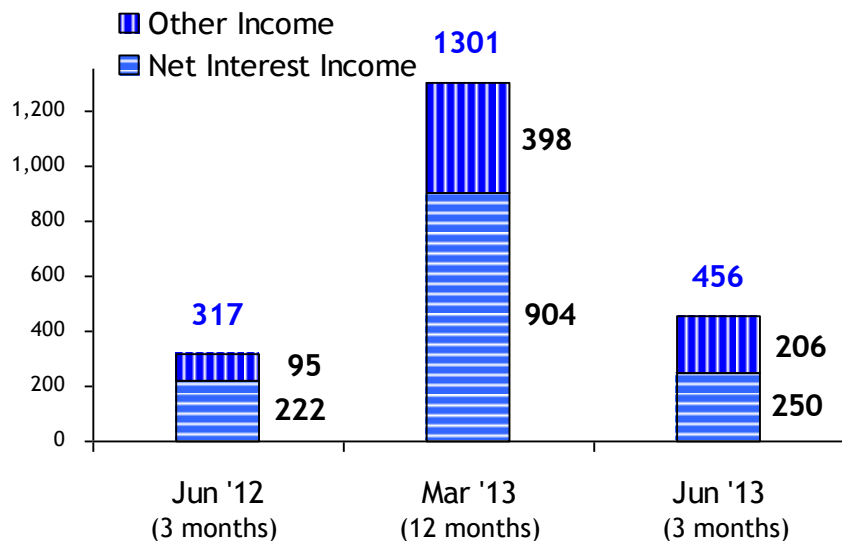
# Financial Performance

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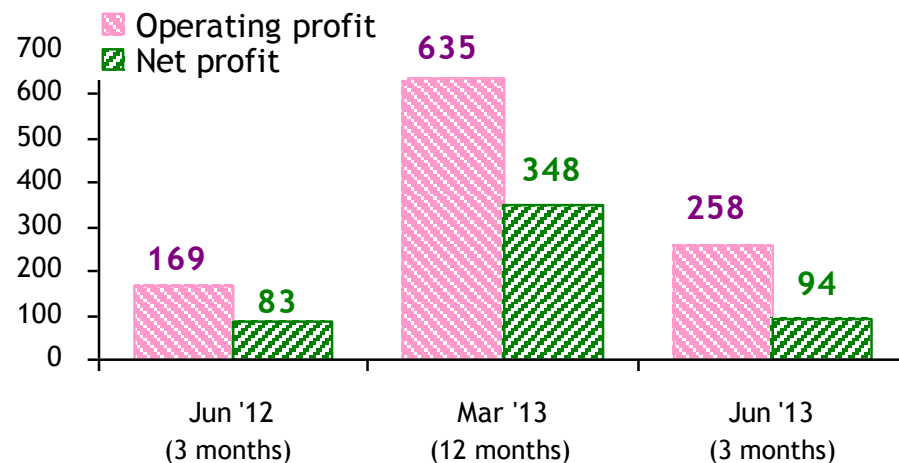
# Income & Profit



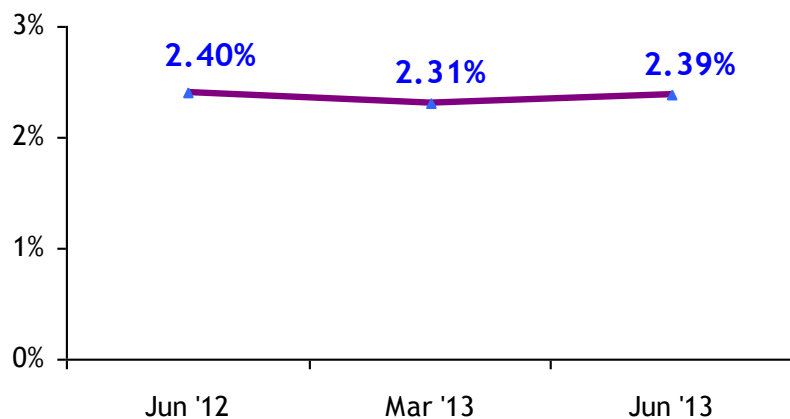
## Net Income (₹ crs)



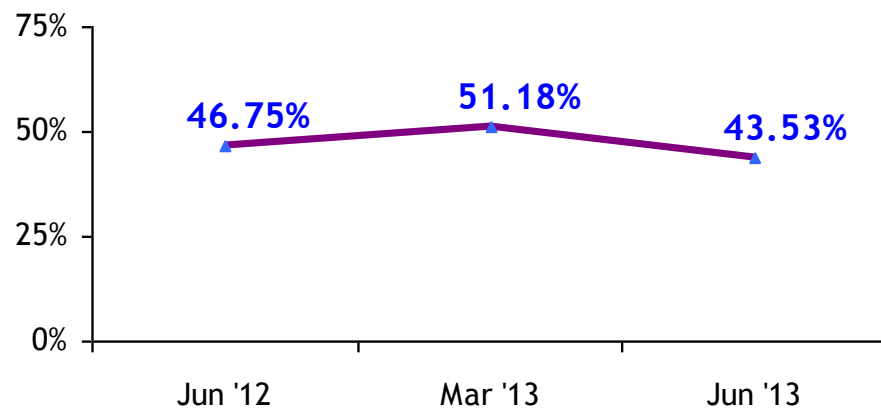
## Operating and Net Profit (₹ crs)



## Net Interest Margins (%)



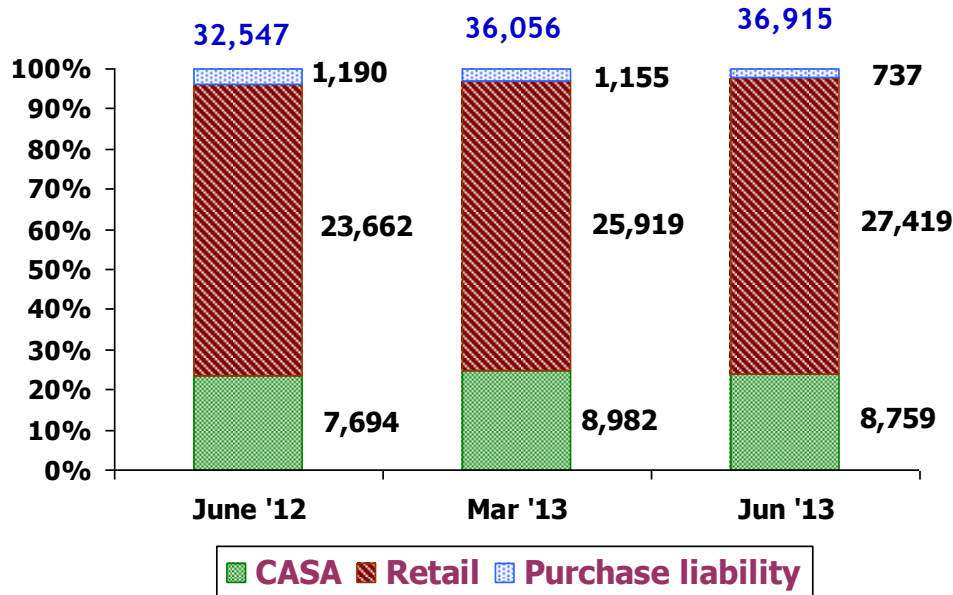
## Cost to Income Ratio (%)



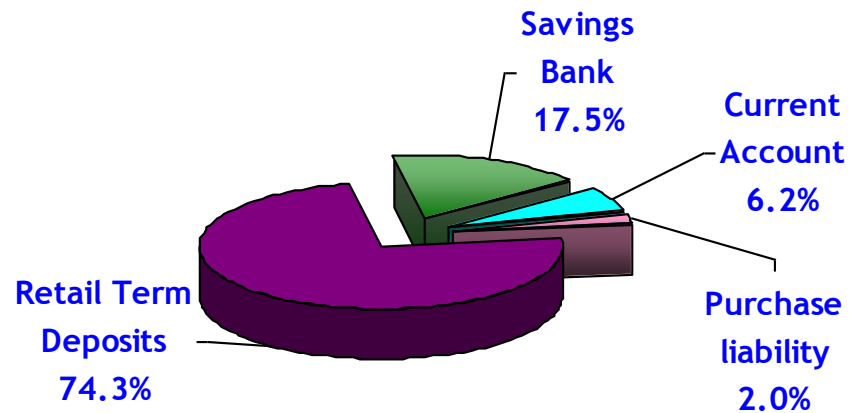
# Deposits



Deposits (₹ crs)



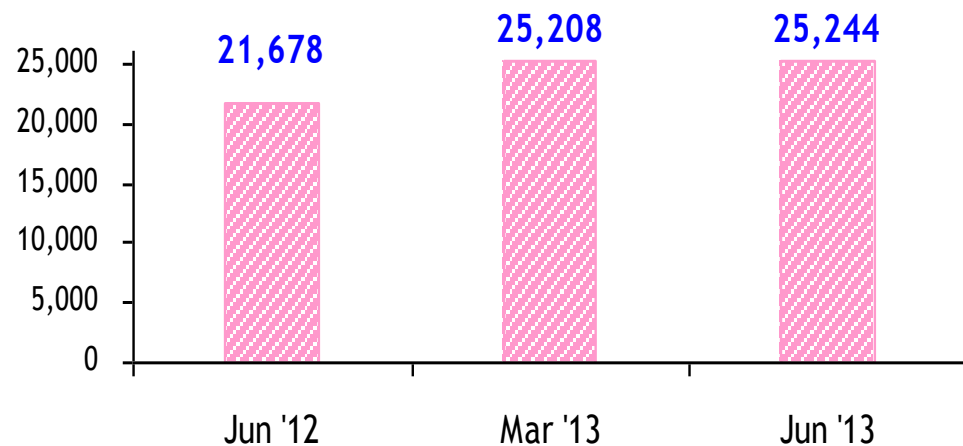
Deposits break up (Jun 2013)



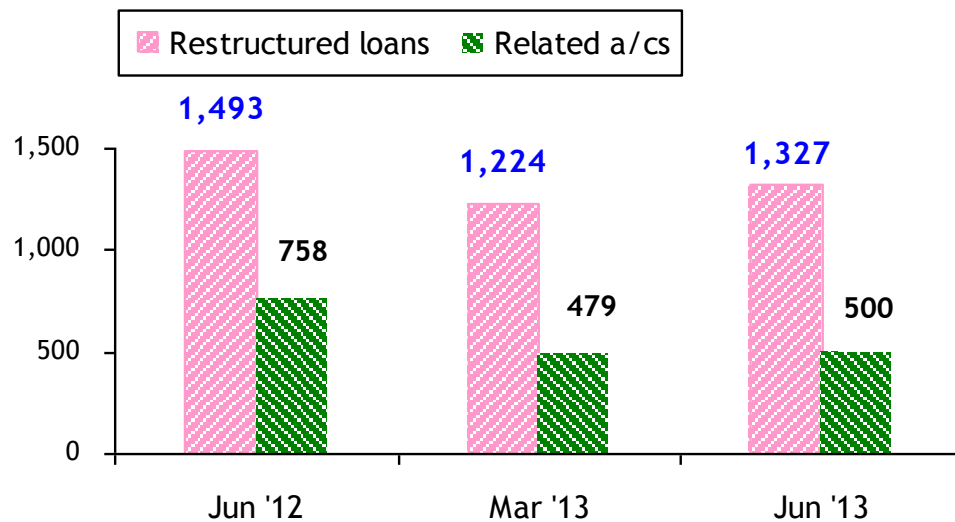
# Advances



## Advances (₹ crs)



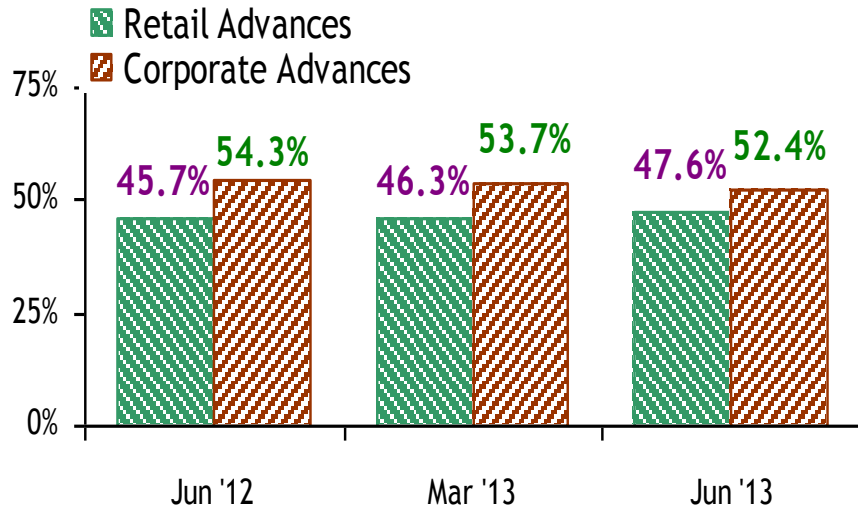
## Restructured loans & related accounts (₹ crs)



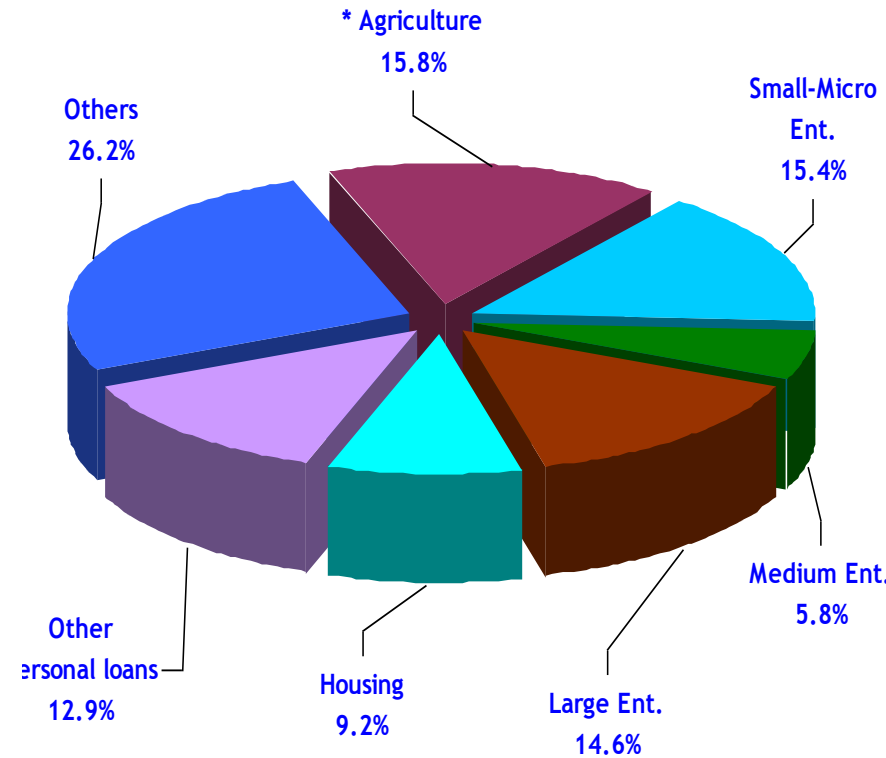
# Advances



## Retail & Corporate Advances (%)



## Segmentation of Advances (Jun 2013)

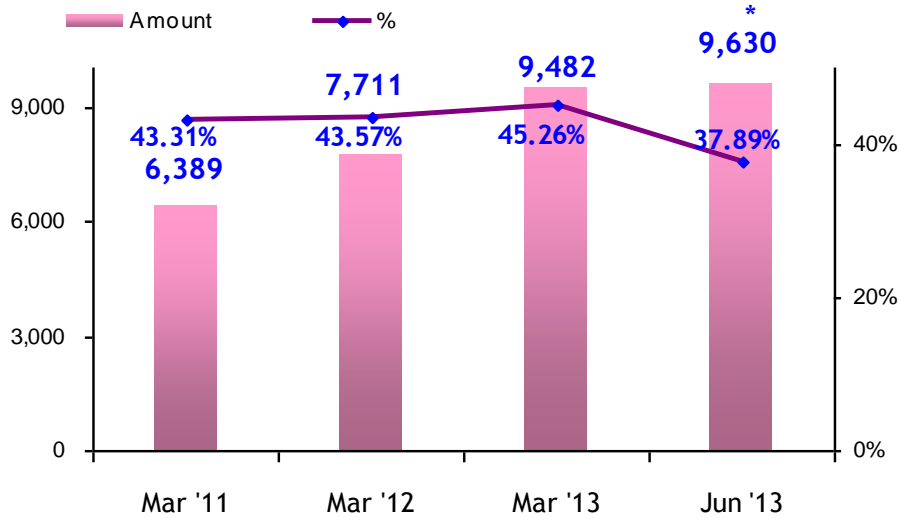


\* However, this works out to 15.88% of the ANBC of 31.03.2013.

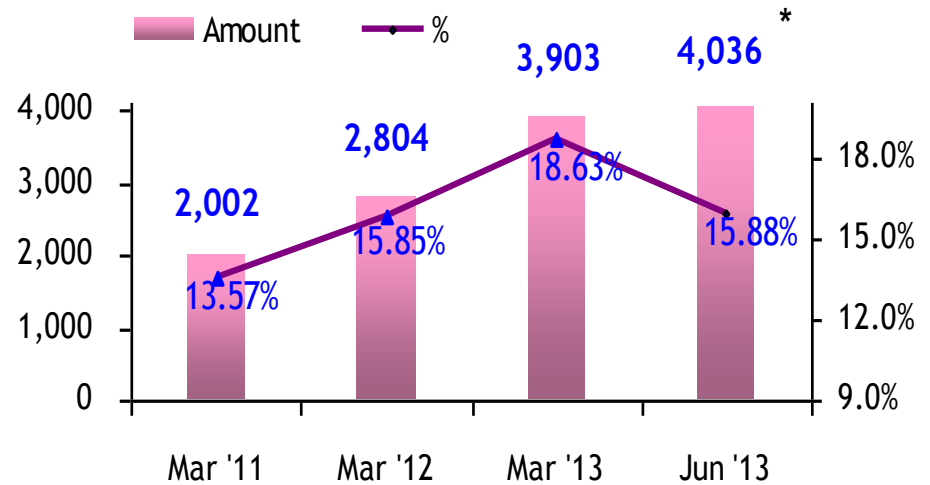
# Advances



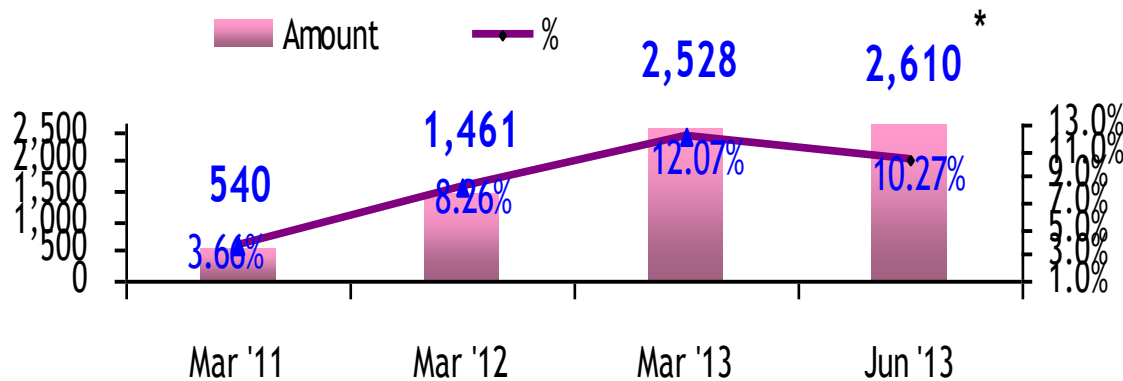
## Priority Sector Advances (₹ crs)



## Agriculture Advances (₹ crs)



## Advances to Weaker Section (₹ crs)

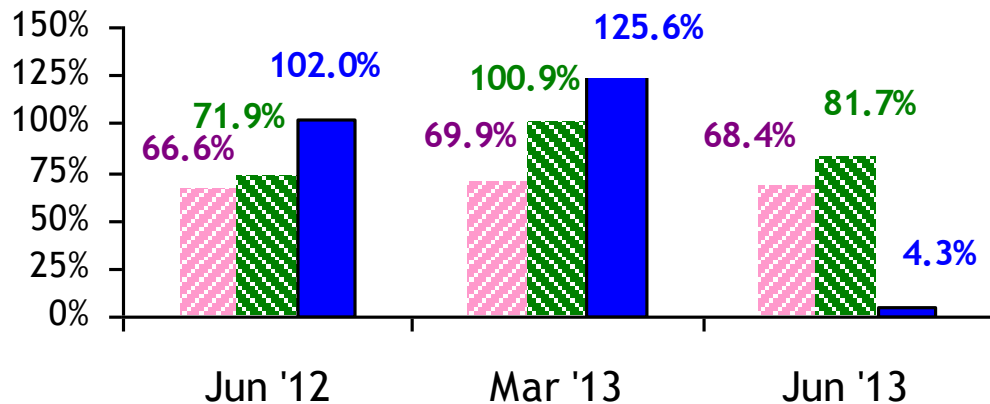
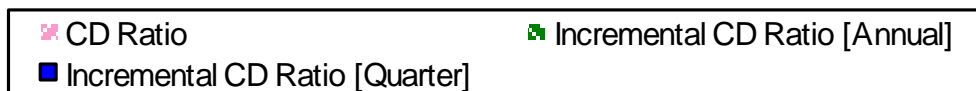


\* Base figure for the calculation of % is ANBC as on March 31<sup>st</sup> of previous year.

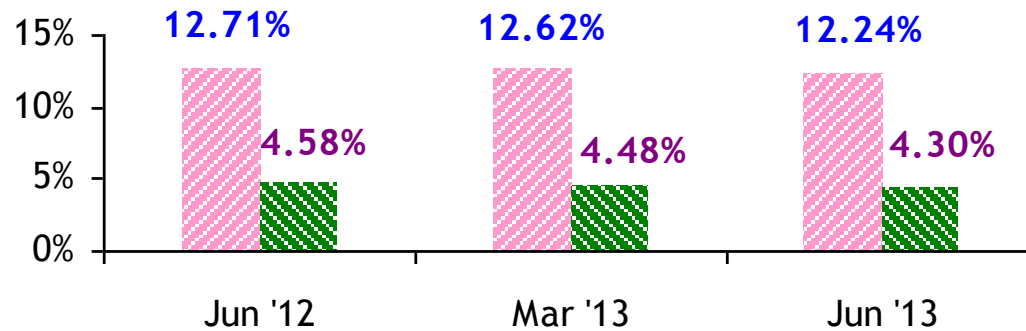
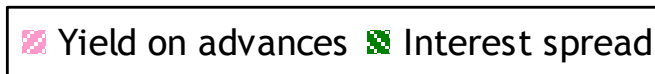
# CD Ratio & Yield on Advances



## Credit Deposit ratio (%)

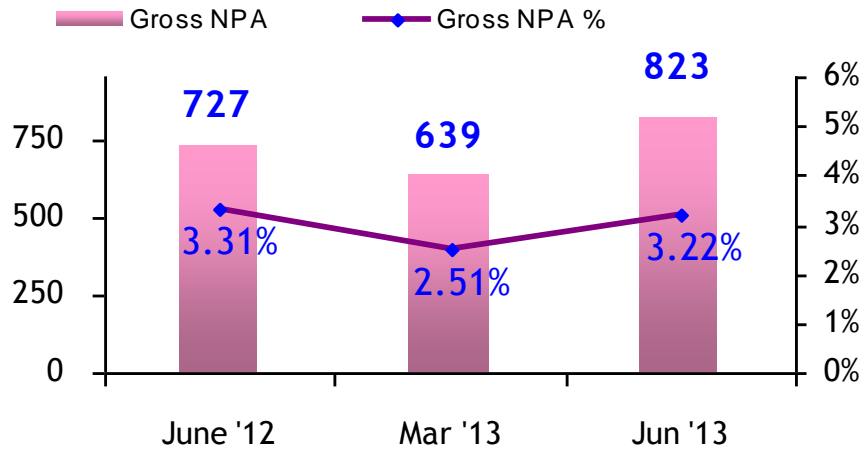


## Yield on Advances & Interest Spread (%)

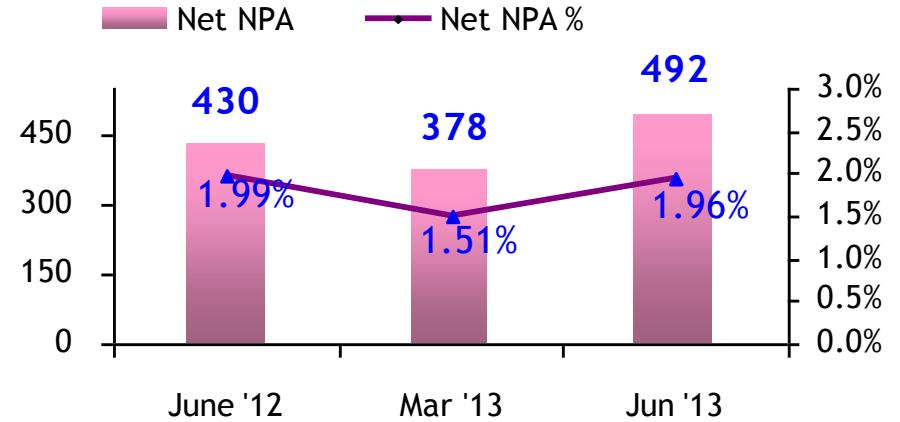




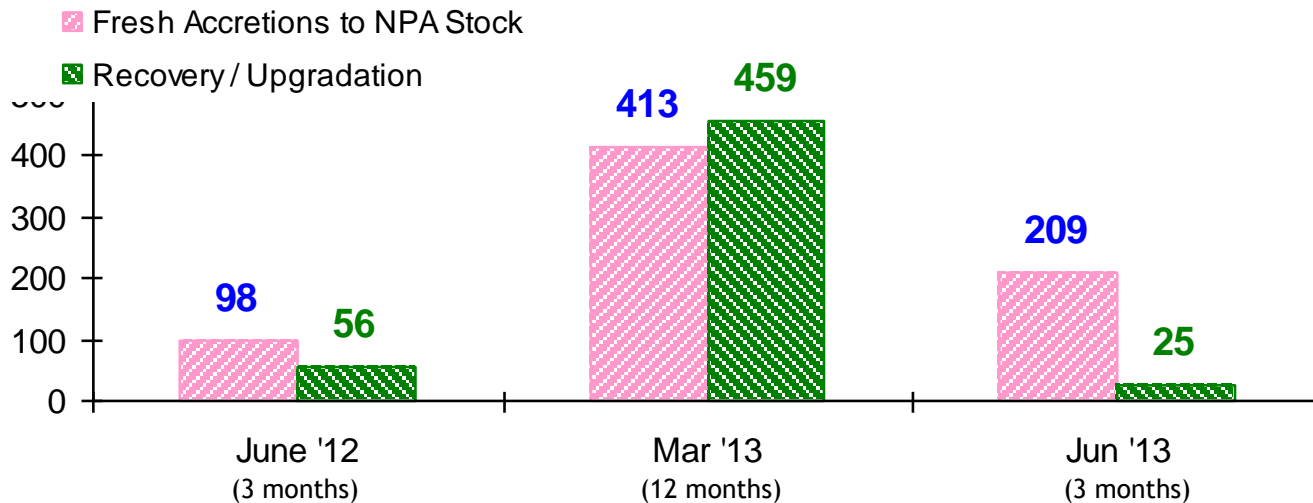
## Gross NPAs (₹ crs)



## Net NPAs (₹ crs)



## Fresh accretions and recoveries (₹ crs)

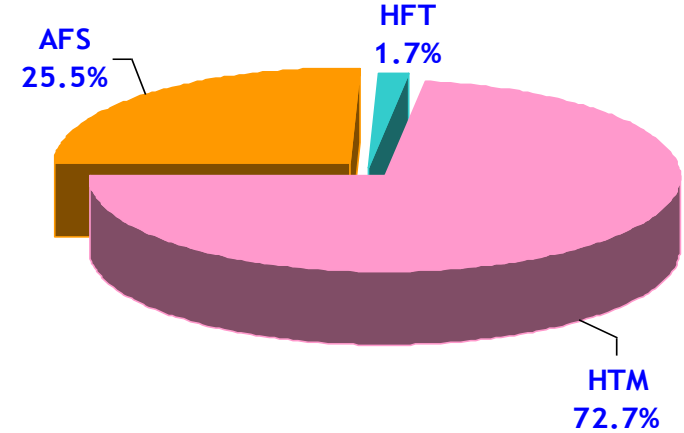
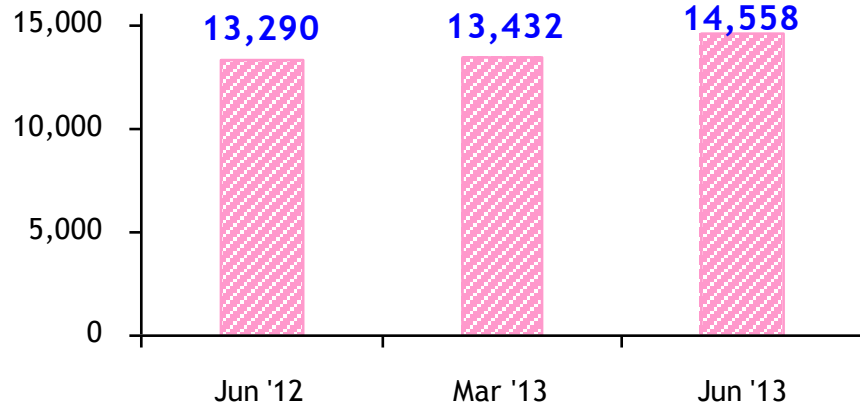




# Investments

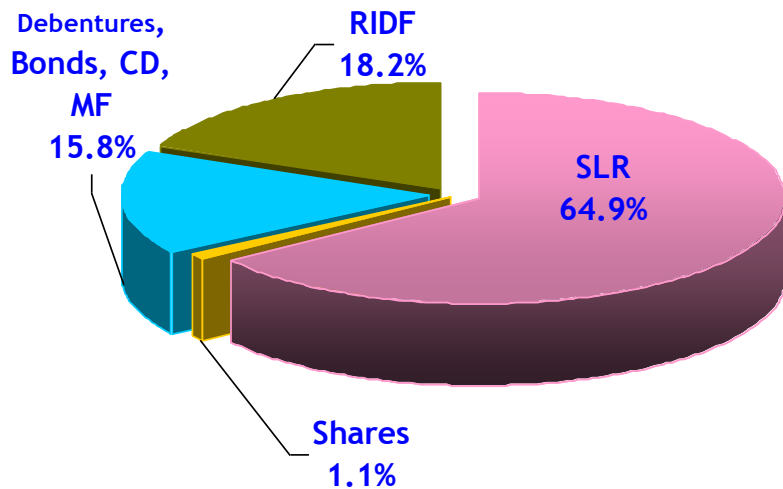


Investments (₹ crs)

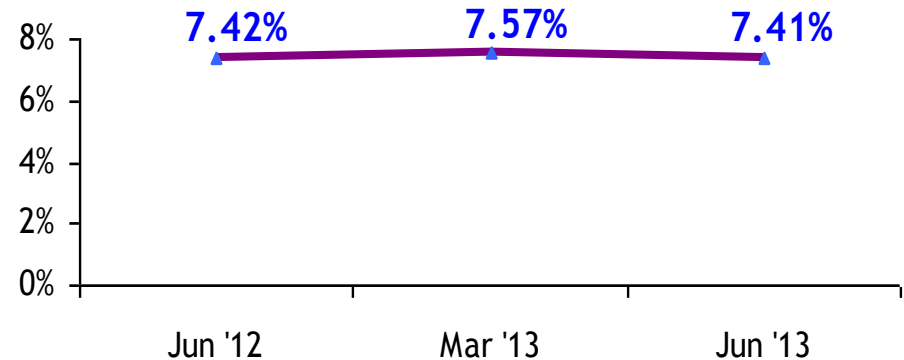


Duration

AFS	HFT	HTM	TOTAL
3.00	0.01	4.46	4.00



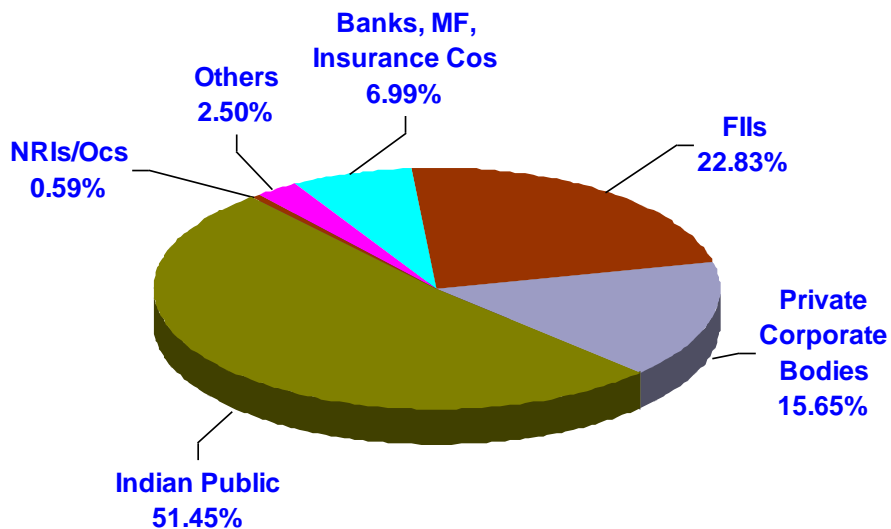
Yield on Investments (excl. RIDF & MF) (%)



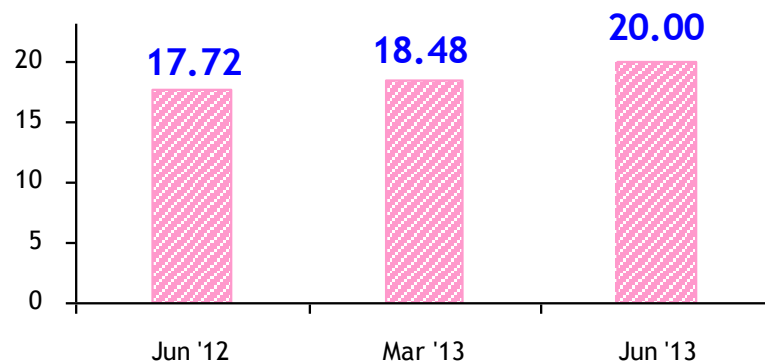
# Share holders' value



Share holding pattern (Jun 2013)

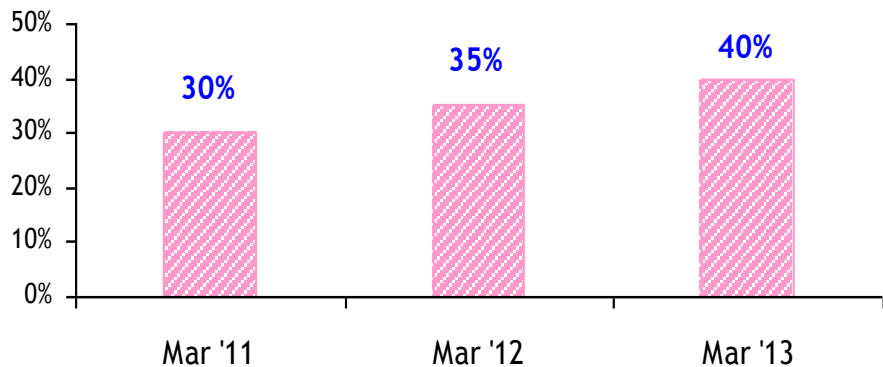


Earning Per Share (₹) \*

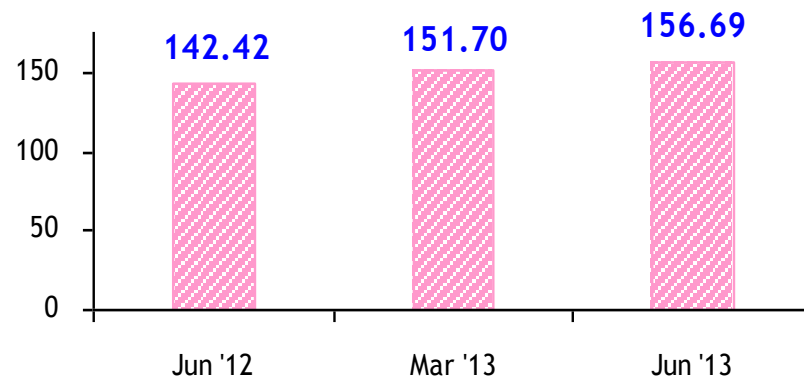


\* annualised

Dividend (%)



Book value (₹)



# Business Strategy

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# “PROJECT TEJAS” - BPR project of KBL



The Bank has embarked on a “transformation journey” by initiating “Business Process Reengineering” [BPR] called “PROJECT TEJAS” and has engaged renowned Management Consultants M/s KPMG Advisory Services for the purpose. This initiative was kick started during 2012-13 & is aimed at high growth with superior quality across assets & liabilities portfolio and products & services.



Priorities	Strategy	Product support
<p><b>Increasing the share of CASA deposits</b></p>	<ul style="list-style-type: none"> <li>• Introduction of new SB &amp; Current account schemes tailored to suit the various market segments and periodical overhauling of the schemes with necessary sophistication / upgradation.</li> <li>• Increasing the penetration level of alternate delivery channels such as ATMs, Internet banking and mobile banking facilities, POS etc.</li> <li>• Pushing the use of electronic payment facilities like Real Time Gross Settlement (RTGS) and NEFT.</li> <li>• Effective marketing through a focused marketing vertical.</li> <li>• Holding CASA campaigns to reach out to new clients.</li> </ul>	<p><b><u>Salaried Persons</u></b></p> <ul style="list-style-type: none"> <li>⊙ <b>KBL Salary Privilege</b></li> </ul> <p><b><u>Students</u></b></p> <ul style="list-style-type: none"> <li>⊙ <b>KBL – Tarun</b></li> <li>⊙ <b>KBL – Kishore</b></li> </ul> <p><b><u>Women</u></b></p> <ul style="list-style-type: none"> <li>⊙ <b>KBL –Vanitha</b></li> </ul> <p><b><u>HNI's</u></b></p> <ul style="list-style-type: none"> <li>⊙ <b>KBL – SB Money Sapphire</b></li> <li>⊙ <b>KBL – SB Money Platinum</b></li> </ul> <p><b><u>Businessmen/Corporates</u></b></p> <p><b><u>KBL Current Accounts</u></b></p> <ul style="list-style-type: none"> <li>⊙ <b>General</b></li> <li>⊙ <b>Money Pearl</b></li> <li>⊙ <b>Money Ruby</b></li> <li>⊙ <b>Money Diamond</b></li> <li>⊙ <b>Money Platinum</b></li> </ul>



Priorities	Strategy	Products support
<p><b>Credit in Centre Stage</b></p>	<ul style="list-style-type: none"> <li>➤ Augmenting the credit disbursal through specially identified Focused Attention Branches (FAB).</li> <li>➤ Thrust on Micro, Manufacturing and Service sector under MSME lending and introduction of new loan products for MSME.</li> <li>➤ Modification in organizational set up for effective credit dispensation and monitoring.</li> <li>➤ Thrust on maintaining quality of credit and effective credit monitoring through creation of Regular Asset Monitoring Cell (RAM Cell) and Stressed Asset Monitoring Cell (SAM Cell).</li> <li>➤ Tackling Non Performing Assets through early and effective recovery action.</li> <li>➤ More thrust for Financial Inclusion agenda.</li> </ul>	<p style="text-align: center;"><u><b>Agri Sector</b></u></p> <ul style="list-style-type: none"> <li style="width: 50%;">○ KBL- Instant Agri Credit</li> <li style="width: 50%;">○ KBL - Krishik Sarathi</li> <li style="width: 50%;">○ KBL - Agri Gold</li> <li style="width: 50%;">○ KBL – Krishik Godham</li> <li style="width: 50%;">○ KBL - Kissan Credit Card</li> <li style="width: 50%;">○ KBL – Kisan Mitra</li> </ul> <p style="text-align: center;"><u><b>MSME Sector</b></u></p> <ul style="list-style-type: none"> <li style="width: 50%;">○ KBL- MSE (Traders, Professionals, Transport Operators etc)</li> <li style="width: 50%;">○ KBL- Contractor Support</li> <li style="width: 50%;">○ Vyaapar Mithra</li> </ul> <p style="text-align: center;"><u><b>Housing</b></u></p> <ul style="list-style-type: none"> <li style="width: 50%;">○ BL- Apna Ghar</li> <li style="width: 50%;">○ KBL - Mortgage</li> <li style="width: 50%;">○ KBL - Ghar Niveshan</li> <li style="width: 50%;">○ KBL - Lease N Cash</li> </ul> <p style="text-align: center;"><u><b>Consumption</b></u></p> <ul style="list-style-type: none"> <li style="width: 50%;">○ KBL- Car Loan</li> <li style="width: 50%;">○ KBL- Insta Cash</li> <li style="width: 50%;">○ KBL- Salaried Persons</li> <li style="width: 50%;">○ KBL - Easy Ride</li> </ul> <p style="text-align: center;"><u><b>Students</b></u></p> <ul style="list-style-type: none"> <li>○ KBL- Vidyanidhi</li> </ul> <p style="text-align: center;"><u><b>Women</b></u></p> <ul style="list-style-type: none"> <li>○ KBL- Mahila Udyog</li> </ul>

# Business Strategy



Priorities	Strategy	Product support
<p><b>Augmenting Fee Income</b></p>	<ul style="list-style-type: none"> <li>➤ Leveraging the Clientele base to enhance the “Other Income” by Cross Selling / upselling of other products such as insurance &amp; mutual fund products, lockers, gift cards, travel cards, etc.</li> <li>➤ Effective utilisation of ‘customer segmentation’ tool - CLIVE tool &amp; CAFÉ tool provided by KPMG.</li> <li>➤ Concentrating more on acquirer business in ATM channel.</li> <li>➤ Appropriate counselling on “Financial Planning” relevant for various stages of one’s life/life style.</li> </ul>	<ul style="list-style-type: none"> <li>⊙ <b>Life Insurance products</b></li> <li>⊙ <b>General Insurance products</b></li> <li>⊙ <b>Mutual Fund products</b></li> <li>⊙ <b>Demat Services</b></li> <li>⊙ <b>Online Trading</b></li> <li>⊙ <b>POS Network</b></li> <li>⊙ <b>Gift Card</b></li> <li>⊙ <b>Travel Card</b></li> <li>⊙ <b>ASBA facility</b></li> <li>⊙ <b>Online inward remittance facility for NRIs</b></li> </ul>
<p><b>Customer Relationship Management</b></p>	<ul style="list-style-type: none"> <li>✓ Retention / Acquisition of customer through constant improvement in the services rendered.</li> <li>✓ Speedy redressal of customer complaints &amp; grievances.</li> <li>✓ Special attention &amp; support to senior citizens and differently enabled customers.</li> </ul>	<ul style="list-style-type: none"> <li>⊙ <b>ATM facilities</b></li> <li>⊙ <b>Internet Banking facilities</b></li> <li>⊙ <b>Mobile Banking</b></li> <li>⊙ <b>Moneyplant Visa International Debit Cards</b></li> <li>⊙ <b>E - Commerce Online payment thro Debit Card</b></li> <li>⊙ <b>M – Commerce Payment thro Mobile</b></li> </ul>

# Financial Inclusion Initiative



- ❖ **Bank is providing banking services to rural unbanked areas through about 105 outlets, including 26 Ultra Small Branches [USBs].**
- ❖ **Bank plans to open another 111 service outlets, including 96 USBs, by the end of March 2014.**
- ❖ **Bank has sponsored 2 Financial Literacy & Counseling Centres [FLCC] & plans to open 4 more FLCCs in the current Financial Year.**
- ❖ **Bank is one of the Trustees of Karnataka Farmers' Resource Centre, which serves as a Resource Centre for providing training, counseling & consultancy services to farmers.**
- ❖ **Bank is participating in the Govt. of Karnataka EBT Pilot project for NREGA / SSP beneficiaries.**
- ❖ **Bank has introduced Basic Savings Bank Deposit Account [BSBD] & SB-Small Account with simplified KYC requirement for hassle free opening of account.**
- ❖ **Bank has also introduced General Credit Card scheme which enables customers in rural & semi urban area to avail credit upto ₹ 25,000/-.**





- ❖ **Focused attention through 160 specialised MSME branches to ensure hassle free flow of credit to the sector.**
- ❖ **Holding MSME cluster meets at various centres in association with stakeholders like DIC, ASSOCHAM, DSIA, etc.**
- ❖ **Simplified systems & procedures, attractive rates of interest & collateral free loans upto ₹ 10 lakh.**
- ❖ **Bank has entered into a MOU with Reliance Capital Ltd. for financing of MSMEs through co-financing arrangement, on July 4, 2013.**

# Other developments



- ❖ **Bank has tied up with Times of Money to offer an internet based online money transfer solution, 'Remit2India', to NRIs on July 2, 2013.**

# Annexure

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# Income & Expenditure



₹ crs	<u>Mar-13</u>	<u>Jun-12</u>	<u>Jun-13</u>
Interest Income	3,764	893	998
Interest Expense	2,861	671	748
Net Interest Income	903	222	250
Fee Income	345	84	125
Treasury Income	53	11	81
Non-Interest Income	398	95	206
Total Income (Net of Interest Expense)	1,301	317	456
Operating Expenses	666	148	198
Operating Profit	635	169	258
Provision for Taxes / loan losses in Adv. / losses in Invts. / other	287	86	164
Net Profit	28 348	83	94

# Interest Income & Interest Expenditure



₹ crs	<u>Mar-13</u>	<u>Jun-12</u>	<u>Jun-13</u>
<b><u>Interest Income</u></b>			
Interest Income	3,764	893	998
Interest on Advances	2,818	671	758
Interest on Investments	938	213	238
Other interest	8	9	2
Yield on Advances	12.62%	12.71%	12.24%
Adjusted yield on Invts.	7.34%	6.96%	9.10%
<b><u>Interest Expense</u></b>			
Interest Expense	2,861	671	748
Interest on Deposits	2,726	644	715
Other interest	135	27	33
Cost of Deposits	8.14%	8.13%	7.94%
<b><u>Net Interest Income</u></b>			
Net Interest Income	903	222	250
Interest Spread in Lending	4.48%	4.58%	4.30%
Net Interest Margin on average assets	2.31%	2.40%	2.39%

# Capital Adequacy



₹ crs	<u>Jun-12</u>	<u>Mar-13</u>	<u>Jun-13</u>
Total Risk Weighted Assets - Basel II	24,225	26,838	25,152
Total Risk Weighted Assets - Basel III	-NA-	-NA-	25,219
Total Capital Fund	3,028	3,548	3,541
Total Tier I Capital	2,579	2,820	2,819
Paid up Equity Capital	188	188	188
Reserves under Tier I Cap.	2,391	2,632	2,631
Total Tier II Capital	449	728	722
Surplus Provisions & Reserves	123	158	176
Subordinated Debt Fund	326	570	546
CRAR under Basel II	12.50%	13.22%	14.08%
CRAR Tier I Capital	10.65%	10.51%	11.21%
CRAR Tier II Capital	1.85%	2.71%	2.87%
CRAR under Basel III	-NA-	-NA-	13.86%
CRAR Common Equity Tier I Capital	-NA-	-NA-	11.00%
CRAR Tier I Capital	-NA-	-NA-	11.00%
CRAR Tier II Capital	-NA-	-NA-	2.86%



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# Corporate Goal for 2013-14

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# Corporate Goal for 2013-14



<b>Business Turnover</b>	<b>₹ 78,000 crore</b>
<b>Deposits</b>	<b>₹ 45,500 crore</b>
<b>Advances</b>	<b>₹ 32,500 crore</b>
<b>No. of Branches</b>	<b>600</b>
<b>No. of ATMs</b>	<b>600</b>





**BANK HAS STEPPED INTO ITS 90<sup>TH</sup> YEAR OF PURPOSEFUL BANKING ON FEBRUARY 18, 2013. 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.**



# Present Management Team



## Top Management



**Ananthakrishna**  
Chairman



**P Jayarama Bhat**  
Managing Director & CEO

## Board of Directors



**R V Shastri**  
Bangalore  
Former Chairman and  
Managing Director,  
Canara Bank



**U R Bhat**  
Mumbai  
Investment Adviser &  
Columnist



**T S Vishwanath**  
New Delhi  
Chartered Accountant  
Former President, ICAI



**Sitarama Murthy M**  
Hyderabad  
Former Managing  
Director, State Bank  
of Mysore



**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

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