



TRANSCRIPT OF 96TH AGM HELD ON 17TH JULY 2020 AT 11.30 AM.

P Jayarama Bhat

: I, P Jayarama Bhat, Chairman of Board of Directors of the Bank welcome you all to this 96th Annual General Meeting being held through video conference. I hope all of you are safe and are in good health.

Dear Members, this 96th Annual General Meeting of the Karnataka Bank is being held through video conference in accordance with the Companies Act, 2013 and circulars issued by the Ministry of Corporate Affairs and SEBI.

I have ascertained from the AGM Video Conference facility provider-CDSL, that we have the requisite quorum present through video conferencing to conduct the proceedings of this meeting and all the members attending this meeting through video conference are counted for the purpose of quorum as per the circulars issued by MCA and Section 103 of the Companies Act, 2013 and therefore, I call this meeting to order.

Before I take up the agenda items for discussion, I wish to state that, in accordance with the extant circulars issued by the Ministry of Corporate Affairs and SEBI on account of special situation arising due to COVID19 pandemic, Bank had sent Notice of the 96th AGM together with the Annual Report 2019-20 only through electronic mode to those Members whose email addresses are registered with the Bank/Depositories and therefore, there was no physical copy of Balance Sheet etc., sent to any shareholder this time. Further, as this meeting is held through video conference, there will be no show of hands and no physical poll. As the Notice has already been circulated to all the members, I take the Notice convening the meeting as read.

Let me now introduce the Board Members.

Due to COVID pandemic related lockdown restrictions and to maintain social distancing, most of the Board Members are participating from different locations.

I have joined this meeting from Bank's Registered & Head Office, Mangaluru accompanied by Mr. Mahabaleshwara M S, MD & CEO of the Bank and others. We have ensured to take sufficient care to maintain proper social distancing and comply with other health advisories while conducting the meeting.

Mr. Ashok Haranahalli, Independent Director and Chairman of the Nomination & Remuneration Committee, is attending this meeting from his residence in Bengaluru.

Mr. Rammohan Rao Belle: Independent Director and Chairman of the Audit Committee, is attending this meeting from his residence in Bengaluru.

Mr. U R Bhat: Independent Director, is attending this meeting from his residence in Mumbai.

Mr. Keshav K Desai: Independent Director, is attending this meeting from his residence in Hubballi.

Mr. D Surendra Kumar: Independent Director, is attending this meeting from his residence in Dharmasthala.

Mrs. Mythily Ramesh: Independent Director, is attending this meeting from her residence in Bengaluru.

We have one more person whose appointment to the Board of the Bank is proposed before this meeting namely - Mr. B R Ashok, Chartered Accountant from Chennai, who was appointed as an Additional Director since August 2019. He has joined the meeting from his residence in Chennai and I welcome him.

I also wish to state that I am also the Chairman of Stakeholders & Customer Relations Committee of the Board.

The following executives of the Bank have also joined the meeting from Mangaluru.

Mr. Y V Balachandra, Chief Operating Officer

Mr. Gokuldas Pai, Chief Business Officer

Mr. Muralidhar K Rao, General Manager & Chief Financial Officer

Other General Managers Mr. Chandrashekar Rao B, Mr. Subhaschandra Puranik, Mr. Nagaraja Rao B, Mr. Mahalingeshwara K, Mr. Manjunath Bhat B K, Mr. Ramesh S, Mr. Vadiraj K A, Mr. Vinay Bhat P J, Mr. Rajkumar P H have also joined this meeting through video conferencing facility.

Bank's Joint Statutory Central Auditors – Mr. Sudarshan T V, Partner representing M/s. Badari Madhusudan & Srinivasan, Chartered Accountants, has joined through video conferencing from Bengaluru and Mr. Murali Mohan Bhat, Partner, M/s. Manohar Chowdhry & Associates, Chartered Accountants, has joined from Mangaluru. Secretarial Auditor - Mr. Gopalakrishnaraj H H has also joined the meeting via video conference from Bengaluru.

Bank's Legal Advisor – Mr. M V Shanker Bhat and Company Secretary - Mr. Prasanna Patil have joined this meeting from Mangaluru.

I now request Mr. Prasanna Patil, Company Secretary, to provide general guidance to the members regarding participation in this meeting.

Prasanna Patil

: Thank you Chairman,

Dear Members, you are requested to note that this 96th Annual General Meeting of the Karnataka Bank is being held through video conference in accordance with the Companies Act, 2013 and circulars issued by the Ministry of Corporate Affairs and SEBI and the meeting proceedings are being recorded also. Facility for joining this meeting through video conference is made available for the members on a first-come-first-served basis. As the AGM is being held through video conference, the facility for appointment of proxies by the members was not applicable.

The Bank has received requests from a few members to register them as speakers at the meeting. Audio and Video of such speakers will be enabled by the moderator one by one once the Chairman opens the floor for questions and answers. For other shareholders, "Q&A option" will also be enabled at that time.

It may please be noted that the Bank or the Chairman of this Meeting reserves the right to limit the number of members asking questions and also number of questions depending on the availability of time at the AGM.

Further, the Bank had provided the facility to cast the votes electronically on the resolutions set forth in the Notice and remote e-voting facility was open between July 10th 2020 9:00am till July 16th 2020 5:00pm IST. Members who have not yet cast their votes electronically and who are participating in this meeting will have an opportunity to cast their votes during the meeting through the e-voting system provided by CDSL.

The Board of Directors has appointed Mr. M V Shanker Bhat, Practicing Advocate, Mangaluru as the Scrutinizer to oversee the e-voting process.

All the documents referred to in the notice pertaining to the agendas set out in the notice/explanatory statement and also Register of Directors and Key Managerial Personnel etc. are available electronically for inspection upon request by the members and I request you to send an email to investor.grievance@ktkbank.com if you so desire to inspect it. Proxy register is not available for inspection since there is no proxy facility this time.

Thank you very much. Over to you Chairman Sir.

P Jayarama Bhat : Thank you.

Dear Members, On behalf of the Bank's Board of Directors, I want to thank you for understanding the current situation and yet, taking out your valuable time to join this meeting today. The COVID-19 pandemic is an unprecedented condition and has been impacting the world at large, business units, economy and families too. These are tough times for most of us and Bankers will have to deal with several challenges. However, your Bank has been successful in timely recognizing risks and taking prudent decisions to overcome the shock and march forward.

In this background, I now request Mr. Mahabaleshwara MS, MD & CEO to address the members and provide an update on progress made by the Bank during 2019-20. Over to Mr. Mahabaleshwara MS, Managing Director & CEO.

Mahabaleshwara MS : Thank you Chairman.

Dear Shareholders,

I am happy to present an overview of performance of your Bank for the year 2019-20.

Global Economy

It has been a watershed year that will go down in the annals of global history for the COVID-19 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, once again demonstrating its resilience.

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 almost 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 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 of 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).

Here, I wish to state that the RBI, vide its Circular dated 17.04.2020, with a view to conserve the capital on account of COVID19 and its impact on economy and banking sector, has instructed the commercial banks in India not to declare any further dividend for the financial year ended March 31, 2020 until further notice and therefore, your Board of Directors have not recommended any dividend for the financial year 2019-20 in spite of having sufficient distributable profits.

Further, during the reporting year, your bank has rewarded the shareholders by way of issue of bonus shares in the ratio of 1:10 and the allotment of shares was made on 19.03.2020 to the eligible shareholders. With this, the paid up equity share capital of the Bank increased to Rs.310.87 crore from Rs.282.62 crore.

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 (Alternate Delivery Channels) 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 members 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 touch points 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 generally 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 optimized 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-Ft' 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.

Corporate Social Responsibility (CSR)

Your Bank's growth has been in consonance with its un-relenting commitment towards the social welfare of the larger society in which it operates right from its inception. Over the years, your Bank has generated a positive social impact in various sectors of social life through its CSR initiatives such as Girl child education, rejuvenation of lakes, solar light scholarships, support to rural Govt. schools etc. thus raising the quality of lives of less privileged sections of the society.

During the year under report your Bank had sanctioned a sum of ₹923.85 lakhs for 222 projects under its CSR initiatives. The social impact of your Bank's CSR initiatives across various sectors has been well appreciated and found to be rewarding. A committee of Directors, i.e. Corporate Social Responsibility Committee is overseeing the overall governance of the CSR activities of your Bank.

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.

Challenges 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'. Thus in this era of uncertainty we will continue to be cautious and conservative.

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 its 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 as well.

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.' Thank you one and all.

P Jayarama Bhat : Thank you Mr. Mahabaleshwar for your wonderful speech. May I request you to provide a summary of the auditors' report.

Mahabaleshwara MS

: Thank you Sir. The Joint Statutory Central Auditors–M/s. Badari Madhusudan & Srinivasan, Chartered Accountants and M/s. Manohar Chowdhry & Associates, have expressed unqualified opinion in their audit reports for the financial year 2019-2020. There were no qualifications on financial statements and matters which have any material bearing on the functioning of the Bank. The Statutory Central Auditors' Report on financial statements is available on Page number 204 on the Annual Report. The Secretarial Auditor Report is also available on Page number 136 on the Annual Report.

As regards to the observation of the Secretarial Auditor on constitution of the Audit Committee during the reporting financial year, a brief response in the matter has been provided in the Directors' Report. However, Bank has duly reconstituted the Audit Committee and ensured complete compliance before the end of 2019-20 and as on March 31, 2020, Bank has ensured adherence to extant SEBI Guidelines in the matter.

Thank you.

P Jayarama Bhat : Thank you Mr. Mahabaleshwar. We now take up the agenda as set forth in the Notice.

There are 10 items of business proposed in the Notice, of which 8 are ordinary resolutions and two are special resolutions. The members who have registered as speakers will be provided with an opportunity soon after these ten agenda items are read. Similarly, the queries raised by the members through Q&A option, will also be taken up at the end. With this, I will now proceed with the following agenda.

Item No. 1 of the Notice – Ordinary Resolution - Adoption of Financial Statements.

The Audited Financial Statements of the Bank for the financial year ended March 31, 2020 along with the reports of Board of Directors and Auditors thereon have already been provided to the members.

Since the next agenda item pertains to my appointment, I now request Mr. Ashok Haranahalli, Director, to conduct the proceedings.

Ashok Haranahalli : Thank you Mr. Jayarama Bhat.

Item No. 2 of the Notice – Ordinary Resolution - Reappointment of Mr. P Jayarama Bhat as a Director of the Bank, who retires by rotation and being eligible, offers himself for reappointment.

I now request Mr. P Jayarama Bhat to resume the Chair once again.

P Jayarama Bhat : Thank you Mr. Ashok Haranahalli.

Item No. 3 of the Notice – It is an Ordinary Resolution - Appointment of Statutory Central Auditors of the Bank.

The Board has recommended the appointment of M/s. Badari, Madhusudhan & Srinivasan, Chartered Accountants, Bengaluru and M/s. Manohar Chowdhry & Associates, Chartered Accountants, Chennai, jointly as Statutory Central Auditors of the Bank to hold office from the conclusion of this 96th Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board to fix their remuneration.

I wish to state here that the Reserve Bank of India has already granted its approval vide their letter dated June 23, 2020.

Item No. 4 of the Notice-It is an Ordinary Resolution - Appointment of Branch Auditors.

The Board/Audit Committee requires approval from the shareholders to appoint branch auditors to audit such branches/offices which are not proposed to be taken up for audit by the Statutory Central Auditors and to fix their remuneration.

Since the next agenda item pertains to me, I now request Mr. Ashok Haranahalli, Director, to conduct the proceedings.

Ashok Haranahalli : Thank you Mr. Jayarama Bhat.

Item No. 5 of the Notice- It is an Ordinary Resolution - Payment of remuneration to Mr. P Jayarama Bhat, Non-Executive Chairman.

His reappointment as Non-Executive Chairman of the Bank to hold office for a period upto November 13, 2021 (i.e. upto attainment of maximum upper age limit of 70 years in terms of RBI guidelines) and also to pay the remuneration as approved by the Reserve Bank of India in terms of Section 10B (1A) of the Banking Regulation Act, 1949.

I now request Mr. P Jayarama Bhat to resume the Chair once again.

P Jayarama Bhat : Thank you Mr. Ashok Haranahalli.

The text of the resolution along with explanatory statement is provided in the Notice circulated to the members.

Item No. 6 of the Notice-It is an Ordinary Resolution-Reappointment of Mr. Mahabaleshwara M S as Managing Director & CEO of the Bank to hold the office for a period of three years w.e.f. April 15, 2020 and to pay remuneration to him as detailed in the explanatory statement.

Both, his appointment as well as remuneration has been approved by the Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949.

Item No. 7 of the Notice – It is an Ordinary Resolution - Appointment of Mr. B R Ashok as Non-Executive Director.

Item No. 8 of the Notice – It is a Special Resolution - Reappointment of Mr. Keshav K

Desai as an Independent Director to hold office for a further period of three years i.e. upto February 18, 2024.

Item No. 9 of the Notice – It is an Ordinary Resolution relating to reduction in Authorised capital from Rs. 800 crore to Rs. 600 crore.

It may be noted that, being a banking company, as per Section 12(1) of the Banking Regulation Act, 1949, we shall ensure that our paid up capital is not less than 51% of the subscribed capital and issued capital is not less than 51% of authorised capital. With a view to ensure this compliance, resolution set out in item no. 9 is proposed for members' approval. The reasons and justification for such reduction is morefully furnished in the explanatory statement forming part of the AGM Notice.

Item No. 10 of the Notice – It is a Special Resolution – Alteration of Article 3(a) of the Articles of Association.

With this, we have completed all the items of business.

Now I request the CDSL Team to enable the speakers one by one and also enable Q&A option. Please mention your name, Folio Number or Demat Account Number and the location from where you have joined. In the interest of time, please make your questions very short and sweet. To avoid repetition of answers to similar questions asked by the members, answers to all the questions will be provided at the end at once.

Members may also note that the Bank reserves the right to limit the number of members asking questions and also the number of questions depending on the availability of time.

- Moderator** : Hi Sir, I will start with the Q&A session
- P Jayarama Bhat** : Yes, I will mention the name and other particulars and the shareholder may ask the Questions or make any other observations.
- Moderator** : First, question is from Mr. Gundmi Shankar
- Gundmi Shankar** : Respected Mr. Jayarama Bhat, Chairman, Mr. Mahabaleswara M S, Managing Director & CEO, respected Board members and elite shareholders. It gives me great pleasure to express my opinion on the workings of my family bank.

I have been the customer of this Bank since last 25 years and I have grown with the Bank. I have gone through the working results of the year 2019-20 and wish to complement the Board for having achieved the desired growth. Notably, NPA containment, investment portfolio and treasury management business. Targets achieved by the bank for the year 2019-20 are second to none in private sector banks. During the first quarter of 2020-21 i.e., quarter ending 30th June 2020 Bank has performed wonderfully by posting record profits which is best in the banking business. I also wish that share price will also start responding positively. While congratulating Chairman, Managing Director and the whole management team, I wish to say that we continue to be more aggressive in approach and customer friendly. In the present COVID-19 pandemic situation, it is very important that our bank has to improve digital banking system significantly. We wish Karnataka Bank Ltd has the strength and stability to create value for all the stakeholders and become the Bank of the future. Thanks for the opportunity given. Thank you.

- P Jayarama Bhat** : Thank you very much. Next speaker is Mr. Alok Dayachand Jain from Indore.

- Moderator** : Mr. Alok is not present in the meeting. We may now move to the next participant.

- P Jayarama Bhat** : Next speaker is Ms.Leslie Prabhu from Chennai.
- Moderator** : Ms. Leslie Prabhu is not present in the meeting. We may now move to the next participant.
- P Jayarama Bhat** : Next speaker is Mr. Beruz F Pouredehi from Mumbai.
- Beruz F Pouredehi** : Respected Chairman, we are account holders and we are also holding shares. We are very proud that you are performing very well. No dividend this year, but you have given bonus of one share for every ten shares. I think next year you will compensate us with dividend from you. Sir you are always holding analyst meet and hope that you will continue the same in future.....
- {voice inaudible}
- P Jayarama Bhat** : Your voice was breaking, can you please send the question in chat.
- {voice inaudible}
- Next speaker is Mr. Dnyaneshwar K Bhagwat from Mumbai.
- Moderator** : Mr. Dnyaneshwar is not present in the meeting. We may now move to the next speaker.
- P Jayarama Bhat** : Next Speaker is Mr. Tamal Kumar Majumder from Kolkata.
- Tamal Kumar Majumdar** : Thank you Mr. Mahabaleshwar for sharing your thought. I have some questions. Firstly, retail banking during the year declared negative growth. What is the view given in the current year? During the year number as well as the amount of frauds increased abnormally. Third question is that CASA deposits increased to 21.9 percent in current year, whether that trend continue in current year.
- And you have recovered Rs.203 crore from bad debts already written off. Under which head are you showing this and would you share the total amount of bad debt against which bank is pursuing recovery? As regard to page no 180 of the annual report, I noted that the percentage of gross NPA to advances in respect of agriculture and allied activities increased during the year and what is the status there? You have 4 NPA accounts. What is the position? Thank you all for your patient hearing.
- Mahabaleshwara M S** : Mr. Tamal, we have noted few of your questions but your voice was breaking. Kindly send the questions through the chat box immediately.
- P Jayarama Bhat** : Next speaker is Mr. Akshay Anil Kumar from Bengaluru.
- Akshay Anil Kumar** : Very good morning to all the Directors and all members. Thank you for giving me this opportunity. Mine is a 3 fold question. Firstly, on the annual report. I see that the turnover has increased significantly from the previous year. However, when it comes to net profit, last year it was Rs.477.24 crore and for the current year it is at Rs.431.78 crore. That is something I want to know what Karnataka Bank is more focusing on.
- Gross NPA again is at 4 .82% as compared to 4.41%of last year. Bank has reported Rs.258 crores worth of fraud from DHFL, Religare, Leel Electrical and in 2018 December Hanung Toys and textiles was reported. Whether you have increased your internal controls. Despite having RBI observation, legal audit and other provisions, dedicated CRO, Why are the number of frauds are increasing.

And in fact, Bank's share price was ₹68 on that day immediately after reporting it plunged to ₹60. So you know this is something that will hurt investors like us. We invest hard earned money. I wish Karnataka bank puts more emphasis on these lines.

My second question is, seeing your annual report the total amount of insurance Commission collected is Rs.38 crores for the fiscal 2020. On perusal I find that Rs.38 crore is a very small amount for Karnataka Bank size. Banks having much lesser book size have collected higher fees from insurance. Thank you.

P Jayarama Bhat : Thank you, Next speaker is Mr. Vinod Motilal Agarwal from Mumbai.

Vinod Motilal Agarwal

: At the end of the year you have reported frauds from DHFL 180 crores, Religare Rs.43 crore Leel Electricals, Fedders etc., all aggregating to Rs.285 crore. Was it an inside error or the assessment and monitoring system did not foresee fraud in these accounts? Secondly, RBI has directed not to declare the dividend due to COVID 19 situation. However, as soon as RBI restriction goes, Bank should consider declaring interim dividend. As regards COVID moratorium extended to the borrowers what will be the provisions for such advances? NPAs are at more than 3%, what is the target for recovery and what has been recovered last year. What is the capital raising plan? We are not against payment of salary to the chairman, however, club fees should not be included in the remuneration. What is the plan to bring the market price at least to half of the book value?

P Jayarama Bhat : We have noted your questions. Some questions are repetitive, we will cover it. Next speaker is Ms. Usha from Chennai (Joint Holder - Mr. B. Srichand)

B. Srichand : I am thankful to the management for giving a liberal bonus during the previous year. I have some observations/clarifications in the balance sheet which I would like go page wise.

Page no 3 Auditors name alone is provided why not full address and contact details so that Annual report looks more transparent. In page no 24, 10 years' performance is good. Business is increased Y-o-Y and from past 10 years you are a dividend issuing company but not this year. The chain has broken due to RBI circular dated 17 April 2020. Hope you declare a dividend in this year once RBI allows you to do so.

Page no 25 to 58. You are given everything in Kannada all the language completely used is in Kannada from 25 to 58 around 30 pages provide us translated copy so that it's easy for us to understand for ready reference. Sir management declared bonus last year but the ratio could have been improved instead of 1:10. In Page 168, Contingent liability we have item in no 6. Other items for which Bank is contingently liable i.e., Rs.122 crore, you may kindly provide a brief on that. So What are the other items involved.

Page number 169 operating expenses instead of providing in thousands you can give it in Rs. crores so that it will be easy for us to understand.

The Auditors fee has increased. Directors' fees also gone up. Law charges we have incurred Rs.747 lakhs so any legal issues faced by Bank during this year we would like to know. Repairs and maintenance is Rs.45 crores why each and every year you are incurring lot of repairs and maintenance. We are not in manufacturing industry why in banking industry, we incur so much of expense, you may explain Sir. Other expenses being Rs.293 crore which being too high for our Bank Sir. Try to reduce the same in the coming future.

Then under CSR you may dedicate towards COVID 2019. I hope that you will be dedicating CSR towards COVID and since Tamil Nadu is being affected more when compared to Karnataka so kindly try dedicate to some part of CSR towards state Tamil Nadu also. Sir then try arranging a concall for the investors on quarterly basis. Thank you for giving the

opportunity

P Jayarama Bhat : Thank you very much. Next speaker is Sushma Deepak Pai from Bengaluru.

Moderator : Ms. Sushma Deepak Pai is not present in the meeting.

P Jayarama Bhat : Members, we have received a couple of queries through Q&A chat box also and the questions received are as under:

Mr. Saravanan. K.R:	Why share price is not moving up to old levels after posting very excellent results. Also we stuck below Rs.50 level. Why?
Mr. Phani Bhushan.	How much dividend is being declared? We're not seeing any appreciation in the share price. Kindly clarify.
Mr. Mehul Pathak	International benchmark for ROA for good bank is 2.5% plus. In the last 10 years our ROA has been consistently below 1%. Does the board have any target for this metric and what are the banks plans to improve the ROA.
Mr. Ramchandra Vidyaranyapura	It is reported that bank have recognized exposure in respect of 11 entities with outstanding balance of Rs.252.49 crores as fraud and provided in. Is it possible to share what steps initiated in the matter of recovery?
From Vivek Pathak	What strategy the bank is going to adapt to avoid recurrence of certain frauds which is leading to penalty from RBI.
Chandan Kumar.R	I don't have any questions but Karnataka Bank performing good and management also taken good decisions. Well capital and trusted bank. Thank you.
Yashwanth Tippeswamy	Moratorium levels of other banks have been on downward trend but it is an upward trend. So how is the management planning to handle this situation?
Abhinash	During our post Pandemic time we might see spike up in default rates on loans. That is bad loans. What we have seen in 2008 time So how you are planning to mitigate the risk.
Mr. Pathak	What strategy the bank is going to adopt not recurrence of certain flaws which leads to penalty from again? Certain questions in pages 149 to 157 of banks annual report were not addressed appropriately especially principle-wise question 3, 4, 6 7 and 8. Will you please consider re looking this and the strategy to take some actions. I raise this thing because they are inherently important for giving the bank stronger international perspectives.

These are the questions so far received and I think we will limit the questions to this much because of the time constraint. The Managing Director has noted down the questions and he will answer the questions one by one in a nutshell because some of the questions are repetitive.

Mahabaleshwara

M S

: I should thank all the shareholders who have expressed their views, their concerns, appreciation.. everything. We are thankful to you because the feedback you give is really going to help us in trying our level best to come up to your satisfaction.

I am thankful to Mr. G. Shankar who spoke first about his 25 years long association with the Bank and he has also been very keenly observing the quarterly performance as well as the annual performance of the Bank i.e. how he appreciated the stellar performance of 2019-2020 as well as Q1FY21. Yes, he also gave certain suggestions about remaining aggressive and customer friendly banking. Definitely we will be focusing on that. But this is the time where we have to be really cautious and conservative, so, a reasonable combination of “cautiously aggressive” would be the hallmark of Karnataka Bank.

Mr. Beruz from Mumbai has expressed his satisfaction with the performance of the Bank and he raised a question about the analyst meet. Mr. Beruz, we have been continuously holding the annual analyst meet at Mumbai all these years and this time because of the COVID19 pandemic related logistic inconvenience and the restrictions, we could not hold it at Mumbai. But, we had it soon after the annual results through the concall itself. As soon as the situation improves for the next year we will definitely continue the tradition.

Mr. Tamal Kumar has expressed certain things about the negative growth under retail banking, compared to the last year. Yes, some figures have come down but in all other areas there is a positive growth. However, it all depends on the overall strategy, expected yield etc. He has also expressed his concern, like many others, about the increased frauds. Unfortunately, many of these frauds had happened in the consortium advances where the bank was a minor stakeholder and we had taken proactive steps in identifying the frauds and making necessary provisions. You might have seen in one of the leading NBFC fraud, we had taken proactive steps to declare as fraud and subsequently few of the nationalized banks also have declared it as fraud. That is the expectation from the Regulator also. At the very first instance, where any connotation to frauds is observed, Bank should be proactive in declaring those frauds. However, lots of steps to prevent occurrence of frauds is put in place and control mechanisms have been further strengthened. We have also strengthened Whistle Blower Mechanism, credit assessment and also the capacity building etc., and with that I think going forward we should be able to contain such things. The retail and mid corporate advances have already reached the level of 47% and 30% whereas our corporate advances are coming down. So that is a very calculated move we are making in realigning our credit portfolio. Since under corporate advances these problems were faced, we are reducing our exposure to corporate advances.

Mr. Akshay Anil Kumar has appreciated that Bank’s turnover has improved significantly. But he has mentioned that the net profit has not gone up in the same proportion. Mr. Akshay you might have noted that this was especially for this year mainly on account of provision of about Rs.211 crores for the superannuation benefits. Had that issue was not there, our net profit also would have been further improved significantly. Since we have provided the accelerated provision, proportionate increase in net profit as compared to turnover was not found feasible.

As regards commission earned from insurance business, we have tied-up with three life insurance companies and two general insurance partners and we will continue to focus more on this which is one of the initiatives undertaken under our transformation journey-KBL Vikaas So we will be continuing our efforts to increase our TPP income in the coming years.

Mr. Vinod Kumar, has highlighted about the dividend. Of course, this year we could not declare dividend due to the circular guidelines issued by the regulator mainly with an intention to conserve the capital. However, we have a satisfaction that in the month of

March, we had come out with a bonus issue. Further, whenever an opportunity is given, we will explore your suggestion as we have a strong track record of declaring dividend. Mr. Vinod Kumar, you have given good many suggestions. COVID19 moratorium was another issue which you have rightly pointed out. We are proactive in providing for these advances also. You might have noted that for the year ended March 2020, we have about Rs.240 crores under this portfolio. We were supposed to provide 5% each in the quarters March and June 2020. But we had provided the entire 10% upfront during the March itself. During June also, for the another around Rs.770 crores, also we have made 10% provision. So as of now we have advances of about Rs.970 crore under COVID19 related moratorium. Thus, about Rs.97 crore of provision on the said Rs.970 crores has been provided.

NNPA now has further improved to 3.01% from 3.08% as on March 2020. Going forward, we are optimistic that it would be below 3%. And of course, it again depends on our ability to recover and provide. Since the operating profit is improving now and the stress in the portfolio is also decreasing we are confident of further containing the NNPA.

The Capital raising option is still open as the shareholders' resolution is valid up to March 2021. As of now the Capital Adequacy Ratio has further improved to 13.07% excluding current quarter profits (i.e., June 2020) which was at 12.66% as of March 2020. Further, If the current quarter's profit (i.e., June 2020) is added, the capital adequacy ratio will further improve to 13.4%. However, it is our endeavor to keep the Capital Adequacy Ratio at a healthy position. Going forward depending on the market conditions we may take a call regarding the QIP. However, my point of emphasis is that your bank is well capitalized. Our policy is to have at least 1% over and above the regulatory requirements and if you see the history of capital adequacy Ratio for the last 10 years, the ratio has been at a healthy level generally varying between 12 to 13.5% which shows comfortable track record as far as capital adequacy is considered. We will definitely continue to hold the capital adequacy ratio at a comfortable level in the years to come as well.

There were queries about Chairman's remuneration and it is my responsibility and duty to inform you all that even though he was eligible for increased remuneration for his 2nd term, he has opted to continue with the old compensation package only. So I am really grateful to chairman Sir for this noble gesture of leading from the front. Besides, all members of the Board have taken a proactive step in containing the expenditure during the current special situation. Even though bank had initiated lot many cost control measures, it is the Board of Directors who voluntarily took about 29% cut in their sitting fees and Committee members about 20% cut in their sitting fees. And of course all of us, even my colleague executives and the staff members, all have volunteered to reduce the cost. This shows the attachment of the entire team to the Bank right from Chairman to the last person. This is our responsibility and we will not lag behind in ensuring a reduction of all those avoidable expenditure. We will definitely take up your words, Mr. Vinod Kumar, in right spirit.

The Book Value of the shares had improved to Rs.204.10 during the March 2019. However, it reduced to Rs.192 because of the bonus issue of March 20. Otherwise it would have been at a level of above Rs.200. So, the book value is consistently increasing, however, there is no proportionate response as far as the market value is concerned. But of course from our side we have been making all out efforts to reach out to the analysts and also the investors conveying what is happening in the Bank and your bank also has one of the best disclosures. If you look at the Concall details as well as the Annual Report you will come to know the standard and quality of disclosures. So, our aim is to run the Bank on very solid ground by further enhancing and improving all the fundamentals as per the requirement under guidelines stipulated by the regulator and I think going forward definitely even the stock market will also take notice of that. We will continue to do all the possible efforts from our side and I am optimistic that there will be matching response from the capital market as well in the days to come.

Mr. Srichand has made a point about the dividend. Yes, you are suggesting that once RBI relaxes its norms, Bank should come out with dividend and we have taken note of that. He also made a reference about Kannada report in page number 25. Its Kannada translated version of Directors report and English version is provided in Page.58. The amount in Rupees to be mentioned in 'crores' instead of thousands and we have noted this point. On repairs & maintenance cost you have made a very valid question. Last year it was Rs.42.79 crores. This time it is Rs.45.33 crore hardly there is any increase but this is mainly on account of the AMC (Annual Maintenance Cost) and otherwise we are not incurring any significant increase on the repairs and maintenance.

He has also made a suggestion about CSR activities. We are extending CSR to all the needy activities across India as per the CSR policy of the Bank. To quote one excellent example, in the state of Rajasthan we had supported girl child education centers. There, because of poverty especially girl children could not go to school and we have tied up with local NGO and provided support to good number of Learning Centers. In fact, about 4 months back I personally visited those centres. They are far off from the city of Jaipur, for about 150 kilometers. There is a visible positive social impact. Some of the children who studied in these centres have now become the teachers in those centers. Definitely we will take note of all your suggestions. You also raised a question on 'other items' for which the Bank is contingently liable i.e., Rs.112.98 crores. Page no.168 provides details about this. It pertains to the amount transferred to DEAF-Depositors Education and Awareness Fund A/c and it is applicable to all the banks.

We do have received good number of queries through chat messages.

Why share price is not moving up in spite of excellent result? Of course I have already covered that.

International benchmark for return on assets mentioned as over 2.50%. The average ROA of Indian banks is around 1%. But there are some good banks with more than 1% ROA. As you rightly noted our ROA has not yet crossed 1%. ROA of 0.93% as on June 2020 is the highest ROA we have recorded since last 2 years. It was hovering between 0.49 to 0.93. The immediate task before us is improving it to at least 1% and once we cross that then we can think of further improving it. We will definitely strive hard to walk the path of some of the good banks who have very good return on assets and we will definitely try our level best.

COVID19 default rate as you said it may spike so we have already mentioned the impact of COVID19 in our annual report also. That is why we continue to be very Cautious & Conservative. The only certain thing as of today is the great uncertainty. We have taken note of that and we will be taking all the precautions to be cautious as well as conservative going forward. Once the situation improves then definitely, we will be able to encash that opportunity with a cautious aggression.

Mr. Vivek has also raised one very valid question that what strategy the Bank is going to adopt to avoid recurrence of certain flaws to avoid penalty from Reserve banks India. As I said, we have already taken the precautionary and preventive steps. Going forward such situations may not arise because of the improved supervision as well as the control mechanism.

Mr. Yashwant T has highlighted that the moratorium level of other banks has seen downward trend but the level at Karnataka Bank is on upward trend. So how is the management planning to handle these situations? It is basically the COVID19 related moratorium. It is our responsibility to extend a helping hand to all the needy borrowers and we have extended the moratorium benefit to all the eligible customers as per the Reserve Bank of India guidelines. I think your apprehension is that already around 51% of

our eligible loan book and around 36% of our customers have availed this benefit. However, these are under temporary stress because of the COVID 19 related problems. We have been interacting with all those borrowers not only from the corporate office but also through regional collection hubs and once the situation improves definitely these accounts will come out of the stress category. This is a timely helping hand extended to the needy borrowers and going forward I'm sure that this will benefit not only the customer but also the bank to come out of this stressed situation in a comfortable way.

Mr. Abhinash your query is that during our post Corona Pandemic and we may see spike in default rates and loans as what we have seen in 2008. So how are you going to handle? I'm not subscribing to your views because we are in regular touch with customers and definitely going forward, we should be able to come out successfully.

Mr.Chandan Kumar has said that Karnataka Bank is performing good and management also taking good decision and well trusted ...thank you Mr. Chandan.

Mr. Ramachandra Vidyaranyapura, has said that it would be fair and transparent to publish the financial results in the SEBI format instead of cherry picking of a few numbers in publication. Mr.Ramachandra, publication is made as per the SEBI format only and we cannot deviate from that in the websites of exchange, you will see the detailed format and whatever format used for publication is also given by SEBI. We are following the regulatory requirement. Apart from that, I am also sharing information through our regular communication to the shareholders with all the highlights of business performance.

Mr. Pradeep Mishra, has asked that "Management says there is good performance but still in comparison to other leading banks it is lackluster". Yeah that I have already answered.

My Dear shareholders, all your points are well taken and it is definitely a valuable input for us. I must say that Karnataka Bank is a shareholders' bank and professionally run by a professional Board, a team of seasoned executives and highly committed employees. Our good efforts and good performance in spite of external threat would continue and I would like to thank each one of you for the confidence reposed in Karnataka Bank. We have completed 96 successful years and just another four years to complete the great centenary. We have already started planning for that and I hope the centenary year will be a great year going forward, because all the transformation initiative that we have initiated under KBL Vikaas has started yielding desired results. That is where you see a new bank in the form of "Bank of the Future" in Karnataka Bank.

Thanks for all the confidence that you reposed on Karnataka Bank.

P Jayarama Bhat : Thank you, Mr. Mahabaleshwar. You have answered almost all the questions and queries of the shareholders and also responded to the appreciation by some of our shareholders. Under cost cutting measures, I must say that Mr. Mahabaleshwar has foregone his variable pay entitlement for the year 2019-20 as a proactive step towards cutting down the expenses.

And we are moving further now.

Members, you may please note that the voting on the CDSL platform will continue to be available for the next 30 minutes that is up to 1:40 PM. therefore members who are present in this meeting and those who are yet to cast vote are requested to do so.

The Board of directors has appointed Mr. M.V. Shanker Bhat, practicing advocate, Mangaluru as the Scrutinizer to supervise the e-voting process. Further, we shall declare e-voting results within the SEBI prescribed timeline and inform stock exchanges and also will

place the same on the Banks website. The resolutions, as set forth in the Notice, will be deemed to have been passed in today's AGM subject to receipt of requisite number of votes.

I thank all the shareholders for attending the meeting and I hereby declare the proceedings as closed. Thank you.
