



**KBL NxT**

**WRITING THE FUTURE  
THE DIGITAL WAY**

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About Karnataka Bank Ltd

**Karnataka Bank Limited (KBL), a time tested and leading Scheduled Commercial Bank in India, with over 9 decades of professional banking experience, with a national presence and a network of 858 branches spread across 22 States and 2 Union Territories.**

**Ably guided by Professional Board, managed by a dedicated & competent Management Team, backed by over 8400+ committed Employees, 2 lakh+ Shareholders and the trusted 'Family Bank' for over 11 million Customers.**

## VISION

"To be a progressive, prosperous and well governed bank"

## MISSION

"To be technology savvy, customer centric progressive bank with a national presence, driven by the highest standards of corporate governance and guided by sound ethical values"

## KEY HIGHLIGHTS

**2,337**

Outlets  
(Branches + ATMs + Recyclers)

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**859**

858 Branches +  
1 Extension Counter

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**1,001+**

ATMs

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**477**

Recyclers

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**24**

States & UTs  
(Presence in 22 states & 2 UTs)

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**8,421**

Employees

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**11** Million

Customers

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**₹1,27,349** Crores

Total Business

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# Board of Directors



**Sri P Jayarama Bhat**  
Non-Executive Chairman



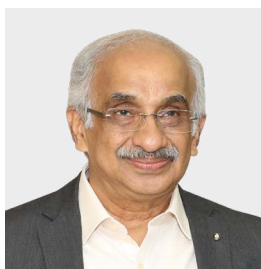
**Sri Mahabaleshwara M S**  
Managing Director & CEO



**Sri Rammohan Rao Belle**  
Independent Director



**Sri Keshav K Desai**  
Independent Director



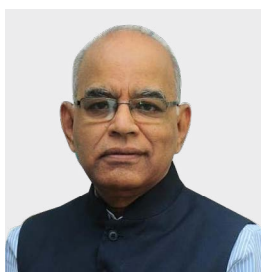
**Sri D Surendra Kumar**  
Independent Director  
(Upto: May 30, 2021)



**Smt Mythily Ramesh**  
Independent Director



**Sri B R Ashok**  
Non-Executive Director



**Justice A V Chandrashekar**  
Additional Director  
(Non Executive, Independent)



**Sri Pradeep Kumar Panja**  
Additional Director  
(Non Executive, Independent)



**Smt Uma Shankar**  
Additional Director  
(Non Executive, Independent)



**Dr D S Ravindran**  
Additional Director  
(Non Executive, Independent)  
[w.e.f. 01.04.2021]



**Sri Balakrishna Alse S**  
Additional Director  
(Non Executive, Independent)  
[w.e.f. 26.05.2021]

## Chairman's Message

**We, at Karnataka Bank, are poised to further intensify our journey in bringing out the best to our customers and have chosen to digitize rapidly, efficiently and effectively.**



Even during the testing times of the pandemic, the performance of our Bank has been quite satisfactory

## Dear Shareholders,

Hope you are all in good health in these trying times when people are grappling with COVID-19 pandemic created challenges and uncertainties. COVID-19 pandemic was unprecedented in the recent times. The impact of the virus has been devastating across the globe on all strata of the society. While the Governments focused on bringing out the relief through fiscal stimulus and policy measures, the businesses were forced to take a hard look and reinvent themselves to tide over the tough times.

The wave of optimism that came after the first wave of the pandemic was dampened with a severe second wave that took India by storm from mid-February to May 2021. With massive inoculation efforts across the country and recovery in few key economic indicators, even though things are looking-up now, health experts are forewarning about the possible wave 3.0 and we need to be vigilant as never before.

In the year 2020, India faced a contraction in the economy, along with the rest of the globe. Supply-chain interruptions caused slightly elevated headline inflation and higher food prices, which got moderated after December 2020. Cyclical revenue slowdowns worsened and the Government gave a push through various measures, announcements and relief packages. The Monetary Policy for 2021-22 also focused on the dual challenges of facilitating economic recovery from Covid-19 impact, while ensuring that inflation was in check.

The supply of liquidity helped to a considerable extent in softening the interest rates, narrowing of risk spreads and facilitated large flows in primary and secondary markets.

## The Banking Sector

The banking sector played a significant role in supporting individuals and businesses during the pandemic ably anchored by the Reserve Bank of India. Banks were at the forefront of adapting to social change by refocusing and reallocating their capital, providing transparency, enhancing their risk frameworks, improving their reporting standards and digitizing themselves faster to take the Bank from 'customer satisfaction' to 'customer delight'.

I am happy to mention here that, being an essential service, all the staff members of our Bank worked relentlessly risking their lives to ensure continuity of business operations of Bank's customers. Hence even during the testing times of the pandemic, the performance of our Bank has been quite satisfactory and also demonstrated its ability to adapt to the changing environment as the share of digital transactions in the total transactions has increased notably. Further, Bank has been preparing itself with necessary physical, people and technical infrastructure including APIs, Business Rule Engines (BREs), Digital underwriting, KBL NxT



**The Bank has been preparing itself with necessary physical, people and technical infrastructure including APIs, Business Rule Engines (BREs), Digital underwriting, KBL NxT and many more, to emerge as 'The Digital Bank of Future'**

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and many more, to emerge as 'The Digital Bank of Future'. The Bank is optimistic to take all these initiatives to a new high in the years to come.

## Corporate Governance

The regulators like Reserve Bank of India, SEBI and others have been introducing several notable changes intended to further enhance the governance practices across the banking sector/listed entities. The circulars issued by the Reserve Bank of India in April 2021 on Board Governance and enhancing the eligibility criteria for statutory auditors are expected to bring in more clarity and improve governance practices in banks significantly. Going forward, many such policy interventions from the regulators shall improve the corporate governance standards and benchmark with the best global practices.

On behalf of my fellow Board Members, I wish to express my gratitude to all of our staff members, investors, service providers, stakeholders and most importantly our customers, for their unstinted support extended to the Bank.

We, at Karnataka Bank, are poised to further intensify our journey in bringing out the best to our customers and have chosen to digitize rapidly, efficiently and effectively. We will remain socially responsible, commercially viable Bank with customer centric approach as hitherto.

With your continued and unstinted support, Bank is looking forward to reach new heights in the days to come and celebrate Centenary Year in a most befitting manner which is just around the corner, in 2023-24.

With best wishes,

**P Jayarama Bhat**

Non-Executive Chairman

Managing Director and CEO's Review

**Having overcome the challenges of 2020-21, we look forward with optimism and enthusiasm and our focus continues to make the current financial year an 'YEAR OF EXCELLENCE'.**



Our digital transactions improved to an impressive 90.66% of the total transactions as of March 2021



## Dear Shareholders,

The financial year 2020-21 was a year full of COVID-19 impact and economies around the world contracted to a greater extent. However, in the first quarter of calendar year 2021, India got hit by a second wave of the coronavirus, sending the economy and healthcare system into a challenging situation. Few of you may have lost your near and dear ones. My heartfelt condolences to all such families. I also with great grief and sorrow mention here that we in the Karnataka Bank family too have lost few colleagues. We are supporting and will continue to stand by with their families.

You are well aware that the nation slowly pulled out of the second wave towards the end of the second quarter of 2021. Vaccination efforts across the country continue to play a key role in containment of the effects of the virus and currently the country is riding on a wave of optimism after getting through the second wave, laced with caution of a potential third wave.

The year 2020-21 saw Reserve Bank of India strengthening its efforts at stabilizing the financial markets by improving financial infrastructure, access to finance, ensuring liquidity in the system, broadening participation, streamlining regulations and creating integrated surveillance systems for maintaining market integrity.

During a time when the entire world was reeling under the pandemic, we at Karnataka Bank not only overcame the challenges, but also created new performance benchmarks by protecting our asset quality, improving the fundamentals and mitigating risks effectively thus demonstrating the resilience of the Bank. Our results are a shining beacon of hope for the future, with several new benchmarks we established internally during such a difficult year, thanks to



**During this pandemic affected year, we focused intensely on further strengthening the balance sheet and improving our asset quality. There has been many highs to the Bank during the reporting year. The Net Profit zoomed to ₹ 482.57 crores, CRAR to 14.85%, PCR to 70.05%, CASA to 31.49% etc.**



**Last year we also started the MSME digital underwriting, which reached around 42% of the daily MSME sanctions.**

the unstinted support of our customers and the committed efforts of our employees.

## Performance Highlights

We are pleased to report that our operating profit year-on-year went up by 20.67% and net profit went up by 11.76%, reaching a new high of ₹ 482.57 crores. Our CASA ratio improved to 31.49% from 28.91% Y-o-Y, also touching a new high and the overall cost of deposits reduced from 6.01% to 5.29% due to the interest rate moderation and rationalization. Above all, during this pandemic affected year, we focused intensely on further strengthening the balance sheet and improving our asset quality. Last year our CRAR was at 12.88% and this year we improved it to 14.85%, as against the minimum stipulated CRAR of 10.875% by RBI and again this is a new high for our Bank. Similarly the PCR (Provision Coverage Ratio), which was at 64.67% last year has further improved to 70.05% during this year. As far as the asset quality is concerned, both the Gross NPAs (GNPA) and Net NPAs (NNPA) have moderated and were contained at 4.91% and 3.18% respectively inspite of the pandemic affected economy. Our GNPA's which were at ₹ 2,799 crores about a year back improved to ₹ 2,588 crores in absolute terms, thus, there is a reduction of ₹ 211 crores in the GNPA during this COVID-19 pandemic affected year. Similarly, the NNPA's have also come down from ₹ 1,755 crores to ₹ 1,642 crores as at March 31, 2021, representing a reduction by ₹ 113 crores. Even though in percentage terms, there is a marginal increase of around 10 bps both in the GNPA as well as NNPA, this was mainly on account of the denominator factor, as our overall loan book came down by around 9%. Further please note that the 9% reduction is again on account of reduction in the large corporate advances which was in tune with our credit realignment efforts even though Retail and Mid Corporate loan books registered positive tractions. Going forward the combined portfolios of Retail and Mid Corporates is expected to be the growth engine.

## Our Digital Journey

We were frontrunners in the computerisation of banking and adopted Core Banking Solutions way back in 2000. In 2017, we commenced our new gen digital foray with "Project KBL VIKAS" and established a Digital Centre of

Excellence (DCoE) in Bengaluru. We are further accelerating our endeavour to be a new gen digitized bank through our plans under “KBL NxT”.

We have tech-enabled loan sanctions for most of the Retail loan products. We introduced online opening of savings bank accounts through Tab and Web Banking. Further, we lined up many digital products for FY22 and beyond. In the current year, our digital transactions improved to an impressive 90.66% of the total transactions as of March 2021 and 91.63% as of June 2021, putting us on par with tech savvy private sector banks.

Our digital underwriting of retail loans gained momentum during the FY 2021. In fact, in the home loan portfolio about 72% of our daily underwritings are done digitally. Similarly, in car loans, around 75% are being sanctioned digitally. Last year we also started the MSME digital underwriting, which reached around 42% of the daily MSME sanctions. The digitalization enhances our customer experience besides aiding our cost reduction strategies. I am confident that going forward, we will be able to reach around 80% of all our retail loans to be sanctioned under the digital underwriting platform, thus resulting in large scale efficiency.

In FY21 Karnataka Bank formed a non-financial wholly owned subsidiary – KBL Services Ltd. This subsidiary will play a complementary role by assuming the back-office operations for many of our initiatives.

### Way Forward

Having overcome the challenges in 2020-21, we look forward with optimism and enthusiasm and our focus continues to make the current financial year an ‘YEAR OF EXCELLENCE’ and ‘Team KBL’ shall strive hard to see our Bank among the Top three in the peer group in the years to come, by focusing on following aspects:

- a. A healthy, consistent, sustainable and remunerative business.
- b. An efficient collection mechanism to further de-stress the Advances Portfolio and to bring down the Slippage Ratio.
- c. To continue our good efforts in NPA resolution and recovery in Technically Written-Off accounts.
- d. To have a ‘Cost-Lite’ liability portfolio by focusing on CASA and cost effective RTD (Retail Term Deposit).
- e. Customer centric initiatives including TPP, to broaden our fee income stream.



**We will be focusing on taking the digital initiatives to the next level to create a ‘Digital Bank of Future’ by focusing on ‘KBL NxT’ concept.**

- f. Redesigning our business model by duly factoring in the service of KBL Services Ltd.
- g. Creating a future ready workforce.
- h. Further strengthening the control functions by spreading the culture of compliance.
- i. Further strengthening the fundamentals like PCR, CRAR, NIM, ROA, ROE, Cost to Income Ratio etc.
- j. Enhancing the stake holders’ value.
- k. Taking digital initiatives to next level to create a ‘Digital Bank of Future’ by further strengthening the IT/ digital security features and by focusing on ‘KBL NxT’ concept.
- l. Initiating forward looking and long lasting initiatives for our Centenary Year (2023-24).

I am also indebted to my employees and the leadership teams who have helped the Bank to get through a difficult pandemic year. I'd like to express my sincere gratitude to each and every person who has helped this Bank grow. I would also like to thank the Reserve Bank of India for their timely guidance and policy measures that helped the nation to get through the financial and economic effects caused by the pandemic. I would also thank the Chairman and the Board of Directors of our Bank for their guidance and immense support and also customers, shareholders/ investors for their loyalty and faith in us which keeps us motivated to continuously innovate, deliver and delight.

Soliciting your continued support and understanding in the aspirational journey of the Bank to create a New KBL.

Yours faithfully,

**Mahabaleshwara M S**

Managing Director & CEO