

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

Regd. & Head Office  
P. B. No.599, Mahaveera Circle  
Kankanady  
Mangaluru – 575 002

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CIN : L85110KA1924PLC001128

SECRETARIAL DEPARTMENT

April 23, 2021  
HO/SEC/25/2021-22

To:

The Manager  
Listing Department  
**National Stock Exchange of India Limited**  
Exchange Plaza,C-1, Block G  
Bandra-Kurla Complex, Bandra (E)  
Mumbai-400 051

The General Manager  
**BSE Limited**  
Corporate Relationship Dept.  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai-400 001

Scrip Code: **KTKBANK**

Scrip Code: **532652**

Dear Sir,

We enclose herewith the corporate communication disseminated to Bank's shareholders through email today, for your kind information.

Thank You,  
Yours faithfully,

  
Prasanna Patil  
**COMPANY SECRETARY**

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**SECRETARIAL DEPARTMENT**

April 23, 2021

Dear Shareholder,

**Sub: FY2020-21 Progress**

Seasons' Greetings!

I am pleased to share with you the overall developments that took place in the banking sector in general and at Karnataka Bank (KBL) in particular during the just concluded financial year 2020-21.

**1. The Year that was unique and challenging:**

When we were at the threshold of the financial year 2020-21 (FY21), we had already inherited two major challenges, namely (i) COVID-19 pandemic and (ii) the M-Cap related misleading campaign against the private sector banks, including our Bank by a section of media.

As far as handling the myth of M-Cap ratio, the Bank took swift action by publicizing the correct picture both in print media and reputed television channels duly highlighting the fact that health of the Banks is not measured by M-cap ratio nowhere in the world and that more scientific and accepted measurement is through capital adequacy ratio and liquidity position. Further, you may also be aware of the supporting clarifications furnished by the Governor, RBI, Chief Economic Advisor to Government of India and Chairman-SBI in this connection. I am equally thankful to you for holding on to us and trusting the instincts of the going concern concept of KBL which stood rock-solid in the testing times encountered by it in the last 97 years.

As far as COVID 19 Pandemic is concerned, it is a fact that, the resilience of KBL was well exhibited during the pandemic driven crisis. The COVID-19 business prescription of KBL i.e., 'CONSERVE, CONSOLIDATE and EMERGE STRONGER' has done wonders as we have been able to contain the expenditure significantly, improve the operational efficiency, realign the credit portfolio by focusing on Retail and Mid Corporates so as to ensue sustainability, develop cost-lite deposit portfolio with CASA share of more than 31%, improved stress management practices, effective internal control mechanism, spread of compliance culture across the Bank etc. It is gratifying to note that the digital banking also gained considerable traction across our multiple digital channels and now, the digital transactions stand at an all-time high exceeding 90%. Now, in terms of our digital capability, we are almost on par with any new generation banks. I also take this opportunity to acknowledge the bravery exhibited by our employees as "COVID-19 Warriors" in providing seamless banking services to the customers even under the tough circumstances.

Since the beginning of the FY21, the Govt. of India announced several measures to protect the economy from the crisis such as monetary and fiscal stimulus and also a host of other measures under **AatmaNirbhar Bharat Abhiyan**. Our Bank too, actively participated in all

these stimulus schemes of the Govt. which were aimed at handholding the needy & eligible borrowers during this crisis. The Bank acted swiftly in extending the Moratorium benefits, sanctioning of GECL (Guaranteed Emergency Credit Line) loans to the needy and eligible borrowers and also acted quickly on OTR, MSME restructuring exercise etc. in a war footing way.

Further, you are aware of the fact that, the Hon'ble Supreme Court of India ordered that there shall not be any charge of interest on interest/compound interest/penal interest for the period during the Moratorium (i.e. from 01.03.2020 to 31.08.2020) on the loans from any of the borrowers even above Rs.2 crore. The Bank had already made ex-gratia payment of difference between compound interest and simple interest for six months (01.03.2020 to 31.08.2020) to the borrowers in specified loan accounts as per the communications received from the Govt. of India dated 23.10.2020 and RBI Circular dated 26.10.2020. In the case of remaining accounts, compound interest/penal interest on interest charged on the borrower accounts may have to be refunded and adjusted towards next installment due within a reasonable time from the date of Supreme Court Order dated 23.03.2021. Further, with the vacation of Stay Order, NPA marking has also resumed.

## **2. Karnataka Bank's response:**

In spite of turbulent banking environment and unforeseen hurdles, your Bank has been able to sail through the FY21 smoothly. This has demonstrated the resilience of your Bank to counter any unprecedented conditions. All the employees dedicated themselves during the pandemic crisis. I regret to inform that eight of them have lost their lives while battling the deadly pandemic COVID-19.

Yet, the Bank continued its journey as per the plan jotted down earlier. Karnataka Bank is at the cusp of engineering a breakthrough in the Banking industry as the ground has already been laid to be the 'Digital Bank of Future'. Even before COVID-19 outbreak, Indian Banking Industry had been undergoing a paradigm shift from the traditional ways of Banking with digital technology powering this change in all the aspects of Banking. The advent of payment Banks and fintech companies has accelerated this change. Karnataka Bank is one of the first Banks to Acknowledge, Accept and Adopt this change and took a proactive step as early as 2017 by initiating a holistic transformation journey - 'Project KBL VIKAAS'. The objective of this journey, founded on digital technology as enabler, is to strengthen the Bank's fundamentals and build long term capabilities to continue to stay ahead of the curve. Establishing a state-of-the-art Digital Centre of Excellence (DCoE) in Bengaluru has been the most important outcome of this project. DCoE is now the digital innovation hub of the Bank powering the launch of various digital products harnessing the latest cutting edge digital technology in the industry. Bank has already launched digital loan sanctions for most of its retail loan products. The introduction of Tab Banking for opening SB a/cs is the recent successes of this centre. With many more digital products lined up for this new financial year under this new set up, Karnataka Bank has a business advantage heading into the new FY21-22 in a post COVID-19 scenario.

As part of the advances portfolio realignment strategy, the Bank has been eyeing to have its credit exposure of minimum of 50% to retail, 35% to mid corporates and not more than 15% to large corporates (i.e.50:35:15) so as to minimize the concentration on large corporate borrowers and to ensure continued sustainability. On account of the continuous efforts made by the Bank, I am pleased to state that the Bank has been moving towards the said direction in

a sustainable manner. Besides, the yield on the retail and mid corporate advances has been better than the large corporates and also, the risk is wide-spread across the portfolio than that of concentration in the case of large corporate exposure.

### **3. Third Party Products (TPP):**

The enthusiastic participation from Team KBL towards Third Party Products business has lead towards broadening the Income Line of the Bank. Further, to have a better customer experience, we have started offering Digital Insurance Solutions through our KBL Mobile Plus and KBL Internet Banking facility. Similarly, Mutual Fund Investment Solutions are also being offered through digital platform called FISDOM which is hosted in our mobile banking app- KBL Mobile Plus.

### **4. Expanding Service Outlets:**

Expansion of service outlets is a continuous process as per the business needs. During the year 2020-21, a total of 16 new branches were opened across India, 6 branches were merged, thus taking the effective total number of branches to 858 as on 31.03.2021. Further, for better business and ambience, 16 branches were shifted to new premises. 25 e-lobbies/ mini e-lobbies were opened and as on 31.03.2021 the effective number of e-lobbies/mini e-lobbies stood at 477. The total number of Bank's currency chest stood at 4 as on 31.03.2021 as we have opened a new currency chest at Mysuru on 10.06.2020.

### **5. Formation of Subsidiary:**

I am happy to inform that the wholly owned non-financial subsidiary of the Bank - 'KBL Services Ltd.' has commenced its operations w.e.f. 30.03.2021 at Bengaluru. This is the first ever subsidiary of the Bank in its history of 97 years. The Bank expects a greater role by the Subsidiary in supplementing Bank's efforts to emerge as a Smart Bank. KBL Services Ltd. is also expected to play a major role in enhancing operational efficiency of the Bank going forward.

### **6. Collection Management:**

For management of collections and monitoring of loan accounts, Regional Collection Hubs (RCH) have been set up at all the 14 Regional Offices of the Bank. The existing CrMTs (Credit Monitoring Teams) also have two teams each, namely, Regional Retail Collection Team (RRCT) & Regional Corporate Collection Team (RCCT) to take actions for collections /monitoring. A web based collection tool "KBL Collection" was put in place to monitor/record the activities done at Contact Centre, Branches, RRCT and RCCTs. Borrowers are also being reminded through SMS well ahead of the due dates/EMI dates. Further, Bank has also introduced "Auto Sweep" facility to ensure timely recovery of dues besides having ECS channel.

Further, KBL e-Connect an SMS based digital facility for payment of loan installments/ dues by the customers through API platform is also enabled. This is also made available in our Corporate Website - Loan Page as well.

With all the technological initiatives in place, going forward, it is expected to have a strong collection and monitoring mechanism to take timely actions as may be needed which is likely to have a favourable impact in containing the Slippage Ratio.

We have been continuously working towards strengthening the fundamentals of the Bank which is indicated by the consistent financial numbers, improved book value per share, improved networth of the Bank, improved NIM, PCR, CRAR etc.

### **7. KBL VIKAAS:**

Under Bank's aspirational transformational journey - 'KBL-VIKAAS', Bank has implemented initiatives during the last fiscal year and some of them are:

- Digital journeys for Home Loans [KBL Xpress Home Connect, KBL Xpress Ghar Niveshan].
- MSME Business Quick Loan.
- Sales of general insurance policies through Mobile Banking and Internet Banking facility.
- KBL Xpress e-Dashboard, a web based business dashboard.
- ABCD [Annual Branch Customer Dashboard] on pilot basis in Bengaluru & Mangaluru Regions. It will enable the branch to have a 360° view of the customer which will help in up-selling/cross-selling.
- Digital customer survey is being conducted by DCoE on regular basis to understand the needs of the customers and effectiveness of our products.

I am glad to inform that because of our digital capabilities developed under KBL-VIKAAS, even during the pandemic induced lockdown, the Bank was able to provide faster and superior customer digital experience including sanctioning of loans under its Xpress loan journey.

### **8. Board of Directors:**

We have been further strengthening the Board and during the year 2020-21, Bank has inducted eminent personalities in the field of law and banking viz. (1) Mr. Justice A V Chandrashekar, former Judge, High Court of Karnataka and former Judicial Member, Karnataka State Administrative Tribunal, (2) Mr. Pradeep Kumar Panja, former Managing Director (Corporate) of State Bank of India and (3) Mrs. Uma Shankar, former Executive Director from Reserve Bank of India. Very recently, i.e. from April 1, 2021, Dr. D S Ravindran (PhD), Retd. IFS (Indian Forest Service 1986 Batch) and former Principal Secretary, Khajane-2, Finance Department, Government of Karnataka has been inducted into the Board. With these inclusions, the Board consists of 11 Directors of which, 8 are Independent Directors (about 73% as against the minimum regulatory requirement of 33%) and two are Women Directors (as against the minimum regulatory requirement of one).

In the meantime, two of the Directors viz. Mr. Ashok Haranahalli and Mr. U R Bhat retired from the office upon completion of their term in accordance with the Banking Regulation Act, 1949/Companies Act, 2013.

I am also pleased to say that Bank has made optimum use of technology to conduct internal meetings, trainings to staff and also Board meetings through video conference mode duly complying with the RBI instructions on cyber security.

### **9. Business Plans for FY22:**

For the new Financial Year, the Bank is planning to grow its business at a moderate 12% to take the total business turnover (i.e. total of Deposits and Advances) to around Rs.1,42,500 crores. With a healthy business growth, 'cost-lite' liability portfolio, strengthened fundamentals etc. the year 2021-22 should be an 'Year of Excellence' for Karnataka Bank.

## **10. Way Forward:**

We, at Karnataka Bank, are striving hard to see Karnataka Bank among the Top three in the peer group by focusing on:

- a. A healthy, consistent, sustainable and remunerative business.
- b. To continue our good efforts in recovery process.
- c. To have a 'Cost-Lite' liability portfolio by focusing on CASA and cost effective RTD (Retail Term Deposit).
- d. Customer centric initiatives including TPP, to broaden our fee income line.
- e. Redesigning our business model by duly factoring in the service of KBL Services Ltd.
- f. Creating a future ready workforce.
- g. Further strengthening the control functions by spreading the culture of compliance and Risk Management.
- h. Further strengthening the fundamentals like PCR, CRAR, NIM, ROA, ROE, Cost to Income Ratio etc.
- i. Enhancing the stake holders' value.
- j. Taking digital initiatives to next level to create a 'Digital Bank of Future'.

In this aspirational journey, you being an integral part, I count on your continued support.

For latest updates/developments please visit our official pages/handles in social media on Facebook, Twitter, Instagram and YouTube.

Looking forward for your continued patronage and support.

Yours in the service of KBL,

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

(P.S. For all investor grievances related issues please make use of e-mail Id: [mailto: investor.grievance@ktkbank.com](mailto:investor.grievance@ktkbank.com) only.)