

**Karnataka Bank Ltd.**

Estd : 1924

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25.01.2017

SECRETARIAL DEPARTMENT

HO: SEC:588: 2016-17

1. The Manager
Listing Department
National Stock Exchange Of India Limited
Exchange Plaza,C-1, Block G
Bandra-Kurla Complex, Bandra (E)
MUMBAI-400 051
2. The General Manager,
BSE Limited
Corporate Relationship Dept
Phiroze Jeejeebhoy Towers
Dalal Street
MUMBAI-400 001

Dear Sir,

Reg: Report on Q3 earnings Concall.

With reference to the Q3 earnings concall with investors/analysts held on January 24, 2017, we hereby inform you that a report on the Concall is hosted in our website www.karnatakabank.com.

Thank You,

Yours faithfully,


(Y. V. Balachandra)
COMPANY SECRETARY

Q3 earnings concall- Report on the Concall held on January 24, 2017.

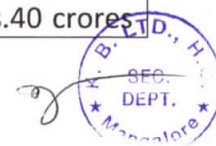
Following the announcement of the unaudited financial results for the quarter ended December 31 2016, Bank had arranged Concall with analysts/investors on January 24, 2017 at 4.30 PM. In all, 30 participants had registered for the Concall. The summary of the Concall is furnished hereunder.

Mr P Jayarama Bhat, MD & CEO of the Bank welcomed the participants and briefed about the salient features of the financial results. He shared the highlights of the results as under:

- 1) Deposits of the Bank have grown from Rs.53095.83 crore as on September 30, 2016 to Rs.57435.43 crore as on December 31, 2016 with a growth rate of 8.17 per cent for the quarter and 15.65 percent growth on year on year basis.
- 2) Advances of the Bank stood at Rs.35786.19 crore as on December 31, 2016 as against Rs.36610.88 crore as on September 30, 2016 in view of the muted credit offtake during the quarter.
- 3) Average CD ratio of the Bank for the nine months ended December 31, 2016 was at 66.45 per cent.
- 4) Net Interest Income (NII) grew by 20.71 per cent during the nine months period ended December 31, 2016 compared to the previous year's nine months period.
- 5) Other income for nine months period stood at Rs.497.65 crore as against Rs.372.85 crore for the corresponding nine months period of the previous year showing a growth of 33.47%.
- 6) Total income for the nine months ended December 31, 2016 stood at Rs.4388.55 crore as against Rs. 4087.39 crore for the corresponding nine months period of the previous year showing a growth of 7.37%. Total income for the quarter ended December 31, 2016 was Rs.1457.52 crore as against Rs.1369.83 crore in the corresponding quarter of the previous year.
- 7) Operating profit for the nine months ended December 31, 2016 stood at Rs.666.53 crore as against Rs.600.16 crore registering growth of 11.06% on YOY basis. However, for the quarter ended December 31, 2016, the operating profit was down by 10.34 percent and stood at Rs.171.86 crore.
- 8) Net profit for the nine months ended December 31, 2016 stood at Rs.313.88 crore as against Rs.308.50 crore on YOY basis, increase being 1.74 percent. Net profit for quarter ended December 31, 2016 was Rs.68.52 crore as against Rs.96.91 crore in corresponding quarter of the previous year.
- 9) Low cost deposits i.e. Current and Savings Accounts constituted 30.22% of the total deposits as on December 31, 2016 as against 25.23% during corresponding period of the previous year.
- 10) ROA stood at 0.44 percent for the quarter and ROA for the nine months period ended December 31, 2016 stood at 0.70 percent as against 0.76 percent in corresponding nine months period of the previous year.

Thereafter, queries on the financial results raised by the participants were replied as under:

Query	Reply
Demonetization and its impact on business	It was informed that business during the quarter was impacted due to demonetization. There was muted credit growth during the period as the focus was mainly in dealing with Government's Demonetisation initiative. Additionally Bank had to incur certain expenditure in respect of SBNs including interest on increased savings bank deposits representing SBNs and maintenance of CRR in relation to SBNs and as such there were additional expenditure to the extent of about Rs.40 crores.



	besides loss of income to the extent of around Rs.12 crores on acquirer transactions in ATMs. He also clarified that there was no loss of customer to other cooperative banks. Further he expressed confidence that credit will pick up in the current quarter.
Slippages & Increase in Gross NPA	Slippages during the quarter were in 618 accounts amounting to Rs.266.80 crores. Sectorwise NPAs were as given below: Industries: 21% Services: 36% Agriculture: 8% Personal & Professional Loans: 24% Others: 11% During the quarter the planned asset sale of about Rs.250 crores to ARCs did not materialise and the same is expected to be completed during the current quarter. Details of assets under SDR (Rs.445.49 crore), S4A (Rs.21.37 crore) and restructured portfolio (Rs.1616.49 crore) were also shared. Bank continues its efforts for recovery of bad loans.
Special Dispensation for Asset Classification	It was clarified that as per latest RBI instructions with respect to special dispensation for borrowal accounts below Rs.1 crore to the extent of Rs.70 crore has been extended and expressed confidence that there may not be any slippages in this category in the current quarter.
ADC Business	With the digital banking push, Bank is progressively moving in increasing the share of its business under ADC. More and more technology driven customer friendly apps like <i>KBL Smartz</i> , <i>KBL Mobile</i> etc., are being launched in addition to traditional ADC channels like ATM, mobile banking and internet banking. He expressed the confidence that by the end of the year it is expected that the business under ADC may reach around 60%.
Other income	Taking into account the yield movement Bank continuous to book trading profit and during the nine months period the trading profit stood at Rs.140.31 crore as against Rs.43.37 crore during the corresponding nine months period in the previous year and has plans to earn more by sale of securities during the current quarter also.
Other expenses	It was informed that because of movement in the discount rate and Bank adopting latest mortality table employee cost has gone up on account of increase in contribution to pension, gratuity and leave encashment fund. Similar increase is not expected in the current quarter. Number of employees was 7900.
Branding and name change	In response to analyst's suggestion to change name of the Bank which is presently misperceived by few segment in the market as a public sector bank, it was clarified that brand Karnataka Bank is well established with pan India presence. However we may re-examine the suggestion if needed.
NIM comparison	Bank is hoping to regain the momentum in the business in the current quarter and the NIM position as seen in the second quarter is expected to be regained.
Component of RIDF	RIDF deposits stood at Rs.1453.20 crore as on December 31, 2016 and the yield on such deposits increased to 5.23% as on December 31, 2016 from 5.07% as on December 31, 2015.

Mr. P. Jayarama Bhat thanked the participants for their participation in the concall.

