



Karnataka Bank Ltd.
Your Family Bank. Across India.



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P. B. No.599, Mahaveera Circle
Kankanady
Mangaluru 575 002

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E-Mail : comsec@ktkbank.com
Website : www.karnatakabank.com
CIN : L85110KA1924PLC001128

SECRETARIAL DEPARTMENT

National Stock Exchange of India Limited

BSE Limited

Sub: Integrated Annual Report 2022-23

<https://karnatakabank.com/investor-portal/annual-report>

**Sham K
Company Secretary &
Compliance Officer**

A Century of
Trust.



A Future of
Growth.

About this Report



Adherence to the IR Framework



Aspirational Goals

This Integrated Annual Report covers the Financial Year 2022-2023, symbolizing Karnataka Bank Limited's commitment to accountability and responsible growth. Approved by the Board of Directors on August 03, 2023 and signed by the Chairperson, this report illuminates how Karnataka Bank Limited lives its purpose: to enrich the lives of our customers and contribute to the well-being of our communities.

As our inaugural Integrated Report, we have meticulously adhered to the IIRC guidelines and endeavoured to align with the Global Reporting Initiative Standards' core option, encompassing both general and topic-specific disclosures pertinent to Karnataka Bank Limited.

At Karnataka Bank Limited, our commitment to the Integrated Reporting (IR) Framework 2021 underpins our approach to transparency and value creation. Our Integrated Report aims to reflect the following Guiding Principles, shaping its content and presentation:

1. **Strategic Clarity and Vision:** Our report offers a lucid glimpse into the bank's strategic vision, its alignment with value creation in the short, medium, and long term, and how it affects diverse forms of capital.
2. **Interconnected Insights:** With a comprehensive approach, the report unveils the intricate connections among various factors influencing our value creation journey. It artfully illustrates the interplay between our activities, capitals, and overall value proposition.
3. **Fostering Stakeholder Bonds:** Emphasizing the importance of our key stakeholders, the Integrated Report provides insights into our relationships with them. It showcases our understanding, responsiveness, and dedication to addressing their legitimate needs and interests.
4. **Unveiling Material Matters:** We divulge information on critical matters that significantly impact our value creation capabilities across short, medium, and long terms. Our identification of material matters centres on their potential to profoundly shape our value proposition.
5. **Elegance in Simplicity:** Embracing conciseness, our report presents a logical and articulate narrative in clear language. We employ effective navigation devices to enhance the user experience.
6. **Robust and Comprehensive:** Ensuring reliability and completeness, our report encapsulates all relevant and material information. It provides a comprehensive portrayal of our performance and prospects.
7. **Comparability and Consistency:** To bolster credibility and usability, we maintain consistency over time and align our reporting with peers in the industry or sector.

Karnataka Bank Limited's Integrated Report captures the essence of value creation, underscores our strategic focus, and acknowledges our stakeholder relationships. Through its succinct and comprehensive format, our report aims to foster reliability and comparability, aligning with the tenets of the Integrated Reporting Framework.

The goals outlined in this report are ambitious and reflect our unwavering determination to achieve them. However, we must acknowledge that while we are resolute in our commitment, we cannot guarantee that all goals will be met. Certain figures and metrics included in this report are estimates based on assumptions and may be unaudited. It is essential to recognize that the terms "material" and "materiality" used in this report refer specifically to the issues of utmost importance to Karnataka Bank Limited and our stakeholders, distinct from the context of financial statements and reporting as per securities laws.



Framing the Future

We recognize the significance of providing clear, relevant, and consistent information to our stakeholders and the markets. With a dedicated focus on enhancing disclosures, particularly on climate change and wider ESG factors, we are committed to publishing our Task Force on Climate-related Financial Disclosures (TCFD) Report to illustrate our progress in the climate journey. Our aspiration to benchmark our strategy against the United Nations' Sustainable Development Goals further reinforces our dedication to universal sustainability principles and supporting UN objectives.

At Karnataka Bank Limited, transparency and accuracy are paramount. This report is scrutinized and approved by the Board of Directors. The data presented covers the period FY2023, unless explicitly stated otherwise.

We recognise that markets and stakeholders need clear, relevant, and consistent information and we will continue to focus on enhancing disclosures, particularly on climate change, and across wider ESG factors. In future, we intend to publish our TCFD Report to continue disclosing our progress in our climate journey. We also intend to benchmark our strategy against the United Nation's Sustainable Development Goals.



For General Information only

This report serves as general informational material and does not constitute an offer or sale of any securities issued by Karnataka Bank Limited. All information within this report is accurate as of the date of publication. While we pledge to provide updates as necessary, we assume no obligation to notify readers of any changes to views, opinions, or facts stated herein. This report offers voluntary disclosures on crucial ESG topics, complemented by our FY2023 BRSR Report included in this report, (specifically the "Forward-Looking Statements" and "Risk Factors" sections), and all general information accessible on our Investor Relations pages at www.karnatakabank.com



Disclaimer

This report may include forward-looking statements regarding Karnataka Bank Limited. We caution readers that these statements do not guarantee future performance, and actual results may differ materially from those expressed in the forward-looking statements. The forward-looking statements utilize words such as 'may,' 'will,' 'seek,' 'continue,' 'aim,' 'anticipate,' 'target,' 'projected,' 'expect,' 'estimate,' 'intend,' 'plan,' 'goal,' 'believe,' 'achieve,' or similar expressions. Given their nature, forward-looking statements entail risk and uncertainty due to their relation to future events and circumstances. The forward-looking statements are valid as of the date of publication and may be impacted by changes in legislation, standards, interpretations, and practices in ESG reporting, as well as environmental, social, and geopolitical risks beyond our control. Actual outcomes may differ from the forward-looking statements. Factors affecting Karnataka Bank Limited's future financial condition and performance are identified in the various sections of the FY2023 Integrated Annual Report, which is available at www.karnatakabank.com. While we remain committed to fulfilling our obligations under relevant laws and regulations, we assume no obligation to publicly update or revise forward-looking statements, whether due to new information, future events, or other factors.



Scan QR Code to download
Integrated Annual Report
2022-23

Find out more at: www.karnatakabank.com

How to Read this Report



Integrated
Annual Report 2022-23

Throughout the report, a collection of icons has been judiciously placed, functioning as visual aids to associate significant themes and articulate our value generation procedure. Each icon, along with its respective materiality issue number, facilitates cross-referencing within the document, thereby bolstering a more profound understanding of the context and justification for the topics under examination. Utilize these guiding components to methodically navigate through the report and fully apprehend the comprehensive narrative of our performance.

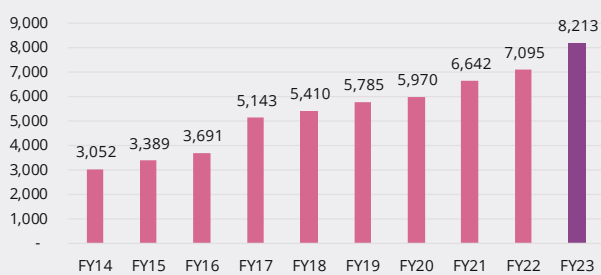
UNSDGs →	Strategic Pillars →	Business Model Components →
	<ol style="list-style-type: none"> Enhancing Return on Assets (ROA) Bolstering our Growth Engine Improving Overall Productivity Tapping into New Growth Opportunities 	<ol style="list-style-type: none"> Key Partners Key Activities Key Resources Value Propositions Customer Relationships Channels Customer Segments Key Inputs Revenue Streams

Material Issues → See page 32 & 33

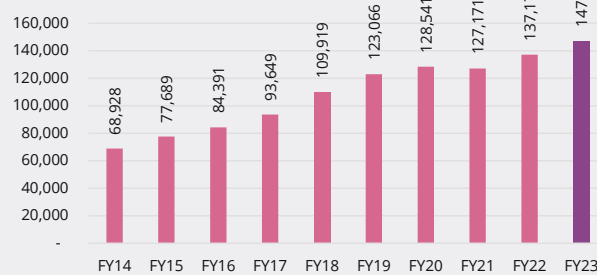


Ten years of progressive growth: a retrospective

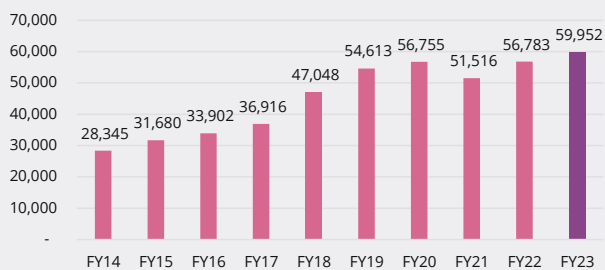
CAPITAL & RESERVES
(₹. in Crore)



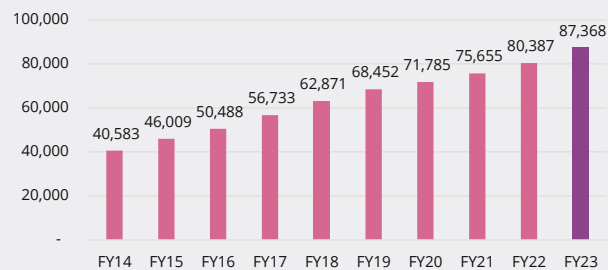
BUSINESS TURNOVER
(₹. in Crore)



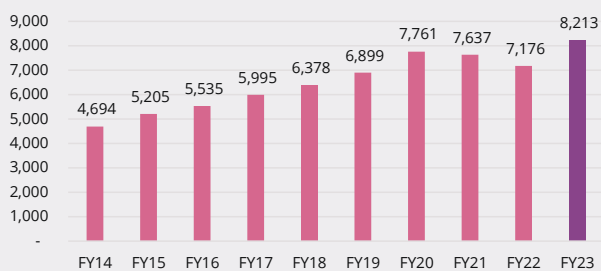
ADVANCES
(₹. in Crore)



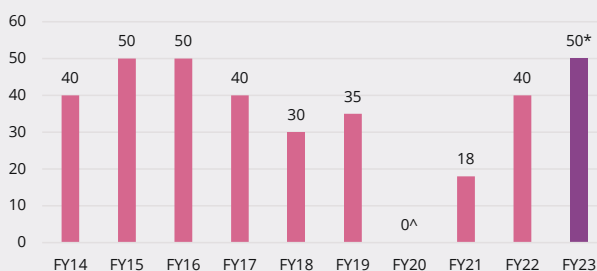
DEPOSITS
(₹. in Crore)



GROSS EARNINGS
(₹. in Crore)

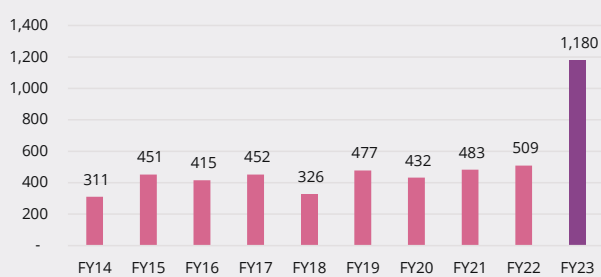
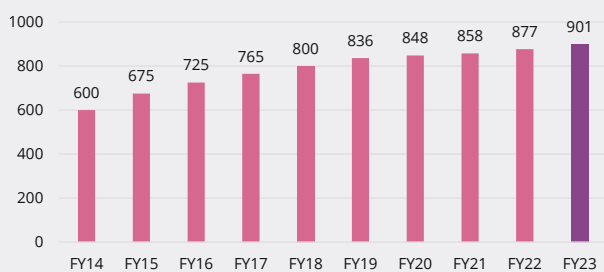
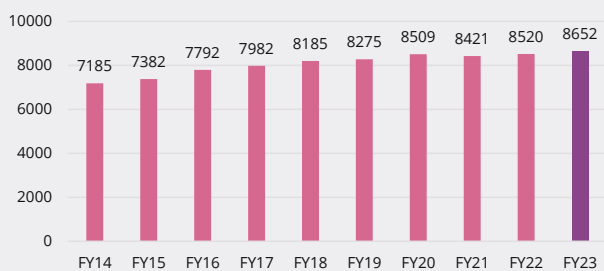


DIVIDEND
(%)



*Recommended

^As per RBI circular dated 17.04.2020, the banking companies were advised not to make any dividend payment for the FY2019-20

NET PROFIT
 (₹. in Crore)

BRANCHES
 (Count)

EMPLOYEES
 (Count)


Established in the picturesque coastal town of Mangaluru in 1924, Karnataka Bank has journeyed through nearly a century, blending its rich legacy with the enthusiasm of a startup. As we stand on the cusp of our centennial, we are reinvigorated with a drive to innovate, a commitment to banking excellence, and a vision to shape the future of finance, ensuring our continued dedication to serving our customers for the next century and beyond.

Nurturing Our Resources: Highlights of FY2022-23 non-financial capitals

₹12.13 cr.

Approved Financial Outlay for CSR in FY2023

₹290 cr.

Credit facilities extended to Renewable Energy Sector

₹173.76 cr.

Loans to women beneficiaries as on 31.03.2023

8,652

Workforce Strength in FY2023

<40 yrs.

The average age of employees

1,812

CSR Projects Supported so far

30.56%

Of our total workforce are women

72.63%

Percentage of total staff strength trained in FY2023

418

Strong Rural Presence with 418 branches in Rural/Semi Urban Centres

₹11,305 cr.

Loans disbursed to Agricultural Sector as on 31.03.2023, up by 7.93% YoY

₹15,247.08 cr.

Loans disbursed to MSME as on 31.03.2023 i.e., 24.87% of Total Advances

From empowering women and supporting the renewable energy sector, to bolstering the agricultural and MSME sectors, our commitments reflect a holistic approach to growth and societal impact.

Empowering Our Growth: FY2022-23 Highlights for Manufactured & Financial Capitals

₹1,47,320 cr.

Total Business

as on 31.03.2023, up by 7.40% YOY

₹87,368 cr.

Total Deposits

as on 31.03.2023, up by 8.68% YOY

₹59,952 cr.

Advances

as on 31.03.2023, up by 5.58% YOY

₹28,807 cr.

CASA Deposits

as on 31.03.2023, up by 8.71 % YOY

₹3,185 cr.

Net Interest Income

as on 31.03.2023, up by 27.86% YOY

₹2,208 cr.

Operating Profit¹

as on 31.03.2023, up by 40.80% YOY

3.70 %

NIM

as on 31.03.2023, up by 52 bps YOY

9.41 %

Yield on Advances

as on 31.03.2023, up by 57 bps YOY

80.86 %

Provision Coverage Ratio

as on 31.03.2023, up by 739 bps YOY

47.14 %

Cost to Income Ratio

as on 31.03.2023, down by 543 BPS YOY

-72 bps

Net Non-Performing Assets (NNPAs)

decreased by -72 bps, from 2.42% in FY2022 to 1.70% in FY2023

-16 bps

Gross Non-Performing Assets (GNPAs)

reduced by 16 bps, from 3.90% in FY2022 to 3.74% in FY2023

901

Branches

as on 31.03.2023

871

ATMs

as on 31.03.2023

603

Cash Recyclers (CRs)

as on 31.03.2023

15.42 %

Return on Equity (RoE)

surged from 7.41% in FY2022 to 15.42% in FY2023, up by 801 bps

1.21 %

Return on Assets (RoA)

surged from 0.56% in FY2022 to 1.21% in FY2023, up by 65 bps

₹0.26 cr.

Operating Profit per Employee

increased from ₹0.19 Cr in FY2022 to ₹0.26 Cr in FY2023

Corporate Information

Chief Operating Officer

Y V Balachandra

Chief Business Officer

Gokuldas Pai

Chief Financial Officer

Abhishek Sankar Bagchi

General Managers

Vinaya Bhat P J

Vadiraj K A

(CCO - Chief Compliance Officer)

Pankaj Gupta

(CD&MO - Chief Digital & Marketing Officer)

Raja B S

(CLO - Chief Learning Officer)

Nirmal Kumar Kechappa Hegde

(HIA & CIV - Head of Internal Audit & Chief of Internal Vigilance)

Ravichandran S

Jayanagaraja Rao S

Ananthapadmanabha B

(CTO - Chief Technology Officer)

Ramesh Bhat

Ramachandra K Gurumurthy

(Head-Treasury)

Sandra Maria Lorena

Chandrashekar

Kannan K

(CISO - Chief Information Security Officer)

Chief Risk Officer

Raghuram H S

Company Secretary

Sham K

Legal Advisor

M V Shanker Bhat

Statutory Auditors

M/s Sundaram & Srinivasan, Chennai

M/s Kalyaniwalla & Mistry LLP, Mumbai

Secretarial Auditors

M/s BMP and Co LLP, Bengaluru

Regd. & Head Office

Mahaveera Circle,
Kankanady Mangaluru - 575 002,
Karnataka, India

CIN: L85110KA1924PLC001128

Subsidiary

KBL Services Ltd.

Hafeeza Chambers, No. 111/3 3rd Floor,
A-Wing, K H Road Bengaluru - 560027

CIN: U74900KA2020PLC135108

Registrar & Share Transfer Agent

Integrated Registry Management Services Pvt. Ltd.

30, Ramana Residency, 4th Cross,
Sampige Road, Malleshwaram,
Bengaluru-560003

Tel: (080) 23460815-818

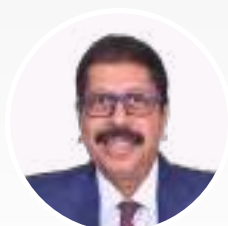
Fax: (080) 23460819

Email: irg@integratedindia.in

Board of Directors



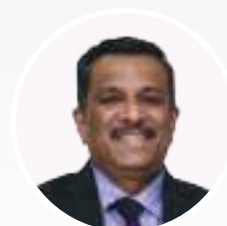
Sri P Pradeep Kumar
Chairman (Independent Director)



Sri Srikrishnan H.
Managing Director & CEO
(w.e.f. 09.06.2023)



Sri Mahabaleshwara M S
Managing Director & CEO
(upto 14.04.2023)



Sri Sekhar Rao
Executive Director
(w.e.f. 01.02.2023)



Sri Keshav K Desai
Independent Director



Sri B R Ashok
Non Executive Director



Justice A V Chandrashekar
Independent Director



Smt. Uma Shankar
Independent Director



Dr D S Ravindran
Independent Director



Sri Balakrishna Alse S
Independent Director



Sri Jeevandas Narayan
Independent Director



Sri Kalmanje Gururaj Acharya
Independent Director

The Chairman's Message



In the face of change, experienced leaders guide institutions toward new horizons. As one era ends and another begins, dedication meets innovation, setting a clear path for growth anchored in strong principles.

P Pradeep Kumar
Chairman

A Landscape in Flux: Banking in the Digital Era

The Indian banking sector, often seen as the vibrant heartbeat of our thriving economy, finds itself amidst a transformative era where the digital realm is becoming increasingly omnipresent. Digital innovation, with its vast potential, is reshaping our growth story. Yet, it's also a reminder for us to intensify our measures in safeguarding the treasures our customers entrust with us—be it their assets or precious data.

In this high-tech world, we're further integrating advanced technologies into our daily operations. Yet, this isn't just about keeping up with trends; it's about refining our skills

Dear Valued Stakeholders,

I am both delighted and honoured to welcome you to the integrated annual report for FY2023. This document encapsulates our journey, milestones, and steadfast dedication to you and the broader community we serve.

and knowledge. We view technology as an art form, one where the challenge lies in managing potential risks. Your Bank is committed to ensuring our services run seamlessly, safeguarding against unforeseen disruptions. The recent global challenges, especially those posed by the pandemic, have not been easy on the banking sector. Through the ever-changing dynamics of this era, Karnataka Bank stands unyielding, ever ready to evolve and adapt. We are harnessing the power of data-driven strategies to ensure that the quality of our assets remains impeccable. We've also charted a clear course forward: blending the advancements of technology with the time-tested values of our tradition, meeting regulatory mandates with spirited innovation, and anchoring our journey in the tenets of sustainability.

Celebrating a Legacy: A Century of Trust. A Future of Growth.

Now in our 99th year, marking our centenary is more than a milestone; it's a testament to our timeless journey, encapsulated in our tagline, "A Century of Trust. A Future of Growth." These words resonate deeply within us, for they tell the tale of an institution built on the pillars of unwavering profitability and exemplary governance. Our outlook, while deeply rooted in the invaluable lessons of the past, stretches forward with unbridled optimism. We regard this momentous occasion not as a culmination of our achievements but as a rejuvenating sunrise—a fresh chapter brimming with opportunities. As we stride ahead, we do so with the youthful exuberance of a nascent start-up, fortified by a hundred years of wisdom, experience, and trust.

A Fresh Dawn with Seasoned Leaders

Every organization benefits from consistent and dedicated leadership. Mr. Mahabaleshwara M.S., during his tenure as our Managing Director and CEO, provided just that. His guidance played a pivotal role in our bank's journey, and steering the Bank to its current position of strength. We extend our heartfelt appreciation and wish him well in his future endeavours.

The induction of Mr. Srikrishnan H. as our new MD & CEO, coupled with the appointment of Mr. Sekhar Rao as Executive Director, illuminates a bright pathway towards the future for Karnataka Bank. Both leaders bring with them a tapestry of rich experiences and accomplishments, promising a new chapter of innovation and growth. Their leadership, amalgamated with the prowess of our seasoned in-house team, heralds the genesis of an even more exceptional banking experience for our customers. As we set our sights on the horizon, with the renewed vigour of our leadership and the unmatched dedication of our team, we envision a bold and dynamic growth trajectory for Karnataka Bank. And through this ascent, we intend to remain anchored in our time-honoured principles of robust governance and meticulous risk management.

Stewards of Sustainability: ESG Commitments

Beyond operational aspects, our vision extends to a larger canvas. The world is waking up to the realities of climate change, and we see sustainable banking as an urgent call to action. We're deeply committed to the well-being of

our society and the environment, ensuring that our practices contribute to a greener, more sustainable future. Our Integrated Report for FY2023 is not just an annual document; it's a sample of our commitment to holistic value creation. Our mission is clear: champion financial inclusion, invest in our people, cultivate robust community ties, and above all, tread lightly on our planet. This maiden Integrated Report marks our early yet determined steps towards a sustainable future, in alignment with our nation's climate goals.

A Journey Together

As I pen this letter's conclusion, it is to you, our esteemed stakeholders, that our deepest gratitude is directed. Your unwavering trust, the resonance of your belief in our capabilities, and your continued accompaniment on our journey—from the modest roots to a century draped in banking excellence—have been the wind beneath our wings. As we stand on the cusp of a new era, please know that our allegiance to you, our rich heritage, and to fostering a sustainable world is not just resolute, but also reinvigorated with renewed passion and purpose. Together, we can chart a course into a future glowing with promise.

Warm Regards,

P Pradeep Kumar
Chairman

The Managing Director and CEO's Message

With the nimbleness of a fledgling enterprise and the seasoned sagacity of a centenarian, we're uniquely positioned to make our mark in modern banking.

Srikrishnan H.
MD & CEO



Dear Stakeholders,

As I draft this message, I am overcome with a profound sense of humility coupled with an exhilarating anticipation. It is with immense pride and honour that I address you today as the newly appointed Managing Director & CEO of Karnataka Bank. Stepping into this esteemed role, I am acutely aware of the responsibilities it entails, the legacy it carries, and the dreams it holds for the future.

We are poised at a significant juncture, standing on the brink of a monumental milestone — the commencement of our 100th year in operation. It's not merely a testament to the passage of time but a celebration of a century-old legacy underpinned by unwavering Trust and unparalleled Excellence. The weight of this legacy is not lost on me; rather, it fuels the fire of ambition, pushing us to set the gold standard in banking for generations to come.

I am deeply privileged to join you at this pivotal moment. Together, as one cohesive Karnataka Bank family, let us embrace the future with the wisdom from our storied past and the fervour of new beginnings.

As the banking landscape continually evolves, influenced by relentless market dynamics and spirited competitors, it's abundantly clear: standing still is not an option. In this vibrant ecosystem, envision Karnataka Bank not merely as a storied institution celebrating a century, but as a sprightly 100-year-old start-up. With the nimbleness of a fledgling enterprise and the seasoned sagacity of a centenarian,

we're uniquely positioned to make our mark in modern banking.

Fostering Collaborative Conversations

The journey ahead, while promising, also beckons collaboration and understanding. I am keen to establish a dialogue, to hear from you, and to integrate your insights into the evolving narrative of Karnataka Bank. Together, we have the opportunity to create a roadmap that is both responsive and visionary.

As we traverse this path, our commitments are clear, albeit not set in stone. We envision

an invigorated Karnataka Bank, navigating the intricacies of a digital era. We hope to reach beyond traditional boundaries, creating virtual bridges that expand our presence. Embracing state-of-the-art technology and digital solutions will undoubtedly be our ally. Moreover, innovation and collaboration will serve as our guiding lights, ensuring that we consistently add value for our stakeholders. And while we ambitiously look ahead, we're grounded in our values, emphasizing empowerment, delegation, ownership, and mindful action.

Strategizing Our Path Forward: Embracing Legacy, Crafting the Future

In the rapidly evolving banking landscape, our approach is both introspective and forward-looking. We are fostering a shift that leans more into business and sales, challenging traditional paradigms and constantly setting new benchmarks. Our product development will now be more in tune with market dynamics, and digitization and automation have become central tenets of our modus operandi.

Operationally, the essence of our strategy is to enhance efficiencies. We're streamlining, simplifying, and digitizing our processes, aiming to centralize significant portions of our operations. This not only fortifies our backend structures but also provides our customer-facing teams with more agility and resources. On the growth front, we are embracing an ambitious mindset. Our goal is to significantly expand our Advances and CASA portfolios, giving our customers a wider range of banking solutions. As we recognize the undeniable pull of the digital age, we are accelerating our digital client acquisition strategies. Furthermore,

in a world where collaboration spells innovation, our eyes are set on forming meaningful partnerships with Fintechs.

Charting Our Course with the Three R's

Our upcoming endeavours aim to bring forth wholesale transformation for Karnataka Bank. Digitalization, while soon becoming a cornerstone of our operations, will be enhanced by pivotal strategic partnerships, amplifying our potential in the market. The impending move towards a more customer-centric and business-facing approach aspires to elevate our responsiveness, agility and alignment to our customers' needs.

Our roadmap for the future is defined by our three pivotal pillars: Retail, Rural & MSME, and Risk Management. In the retail sector, our initiatives will be geared towards elevating advances and deposits, driven by cutting-edge digital analytics. It's not just about transactional relationships but crafting unparalleled and lasting customer journeys.

Casting our sights on rural India's vast expanse and the bustling universe of MSMEs, we are strategizing to deepen our roots. The plans to enhance our underwriting in rural territories, MSME domains, and agri-lending are crafted to resonate with value, serving both the bank and our extensive network of stakeholders.

Finally, addressing risk - a fundamental aspect of banking - our intent is to manage it with both caution and visionary thinking. The future will witness our decision-making fortified by data-centric strategies, ensuring a well-calibrated and visionary path for Karnataka Bank's next chapter.

Our Promise to Stakeholders

In the grand canvas of our vision lies a simple yet profound promise to our investors. Our endeavours will aim at enhancing the Return on Assets (ROA), and in propelling the Bank to more accelerated growth trajectories. What this paints for our investors is a future with fair valuations and a more consistent stream of dividend pay-outs over the long horizon. At the heart of our strategy is the intent to optimize returns, ensuring that your belief in us reaps tangible and consistent rewards.

Beyond these return goals lies our deeper commitment: to transform into a beacon of sustainability and social responsibility in the banking realm. With innovation as our compass and collaboration as our guide, we aspire to craft a legacy of value for all - our cherished customers, esteemed shareholders, dedicated employees, and the communities that have given us so much.

This journey, underwritten with the possibilities of digital transformation and sustainable growth, beckons us all. Together, let's stride forward into this future, creating, innovating, and flourishing.

Warm Regards,

Srikrishnan H.
MD & CEO

The Executive Director's Message

Dear Esteemed Stakeholders,

I am delighted to inform you that FY23 has been a year of monumental achievements, especially in core KPIs such as Loan Advances, an enhanced Net Interest Margin (NIM), and a consistent CASA base. These milestones, bolstered by top-tier productivity metrics, serve as a testament to our forward-looking vision. This is further evidenced by our ROA's impressive leap from 0.56% in FY22 to 1.21% in FY23.

Our commitment to integrating digital innovations into our operations acts as a driving force behind our growth trajectory. Alongside this, our 'Retailisation' strategy with greater focus on Retail, Rural and MSMEs, is reshaping our portfolio. We are strategically zooming in on pivotal retail sectors, with a keen focus on Home Loans and Loans Against Gold, ensuring we bolster our risk profile and margins.

FY2023 Performance

Financial Health and Profitability:

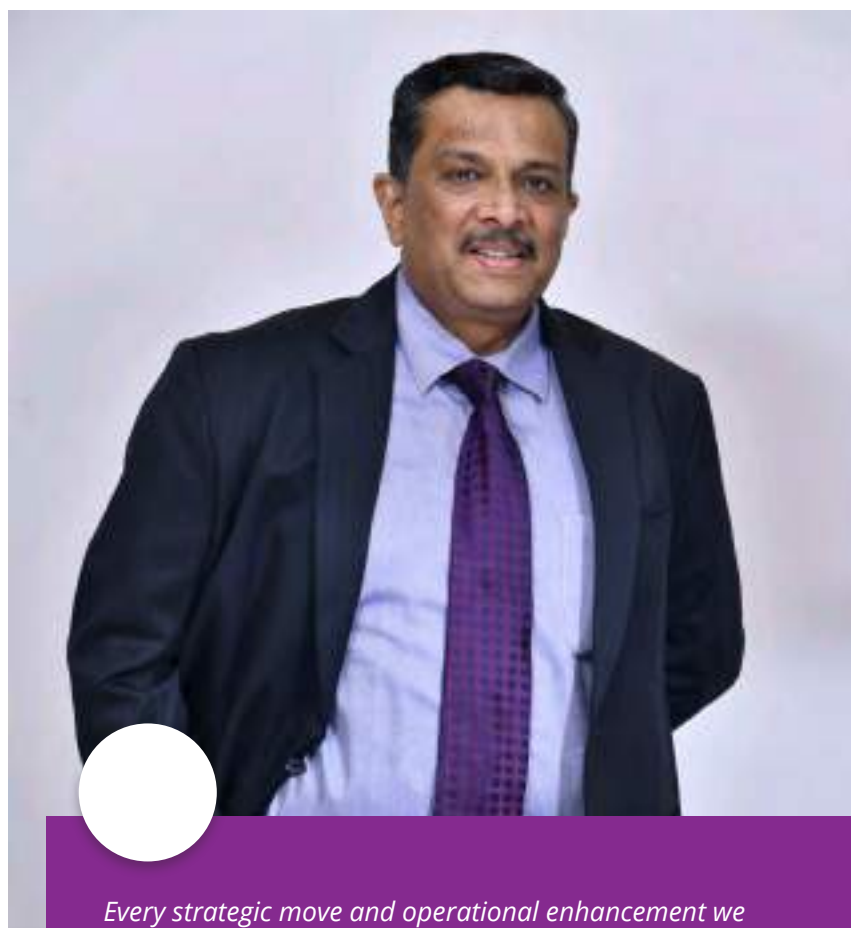
Over the last fiscal year, our Bank demonstrated strong financial prowess. The net profit dramatically ascended from ₹508.62 crore to record breaking ₹1,180.24 crore, reflecting the Bank's operational proficiency. Accompanying this growth, our operating profit amplified from ₹1,634.00 crore to ₹2,208.23 crore, reflecting a rise of 35.15%, accentuating our Bank's capability in optimising its core business processes. This robust enhancement in profitability was complemented by the net interest income, which escalated from ₹2,491.03 crore to ₹3,185.10 crore.

Assets and Liabilities Management:

From a balance sheet perspective, our deposits grew by 8.68%, moving from ₹80,386.85 crore to ₹87,368.01 crore, an indicator of growing

customer trust and our effective deposit accumulation strategies. Parallely, advances grew from ₹56,783.14 crore to ₹59,951.62 crore, marking a 5.58% increase, demonstrating our capability to harness lending opportunities. Notably, while the Credit-Deposit Ratio saw a slight reduction from 70.64% to 68.62%, this trend underscores our dedication to balanced financial stewardship.

Operational Efficiency: Our bank's financial acumen is further accentuated by the Net Interest Margin (NIM), which progressed from 3.18% to 3.70%. This positive trajectory underscores our enhanced capability to profit from our lending activities. The CASA Ratio, which consistently stood at 32.97%, showcases our stable current and savings account base, essential for leveraging low-cost funds.



Every strategic move and operational enhancement we made this year was geared toward precision and efficiency. The results are evident: with improved financial metrics across the board, we notably doubled our Return on Assets (ROA). Our actions not only reflect financial excellence but also a laser focus on driving sharper returns.

Sekhar Rao
Executive Director

Asset Quality: A testament to our commitment towards preserving stellar asset quality is evident in the improvement in both Gross NPA (GNPA) and Net NPA (NNPA) percentages. The GNPA saw a reduction from 3.90% to 3.74%, and the NNPA observed an even more substantial decline from 2.42% to 1.70%. This positive movement signifies our unwavering focus on credit risk management and robust lending and recovery mechanisms.

Shareholder Value and Returns: For our shareholders, the fiscal year brought encouraging returns. The Earnings Per Share (EPS) saw a significant jump, from an annualized value of ₹16.36 to ₹37.88, illustrating our improved profitability on a per-share basis. The Book Value per Share also saw a positive shift, moving from ₹228.01 to ₹262.96. Furthermore, our Return on Assets (ROA) more than doubled from 0.56% to 1.21%, and the Return on Equity (ROE) exhibited a similar upward trend, leaping from 7.41% to 15.42%.

Dividend Announcement

It brings us great pleasure to share that our Board of Directors has recommended a dividend of ₹5.00 per equity share, each with a face value of ₹10, for the financial year 2022-23. This recommendation is subject to the endorsement of our shareholders at the forthcoming 99th Annual General Meeting (AGM). We remain deeply committed to ensuring value returns for our shareholders and thank you for your unwavering trust in our institution.

Retailisation Takes Root

As part of our strategic pivot towards Retail, Rural & MSME, we have initiated a broad "Retailisation" strategy, focused on systematically expanding our Retail assets portfolio. This shift aims to recalibrate the composition of our Gross Advances, with a discerning

reduction in the proportion of Large Corporate Loans. With an intentional focus on pivotal sectors like Home Loans and Loans Against Gold, our objective is to cultivate a stronger risk profile and secure healthier margins, aligning seamlessly with our long-term growth aspirations.

Evidence of our retail-driven approach's efficacy is palpable. By the close of Q4FY23, Retail Advances had burgeoned to 50.34%, up from 48.08% in Q3FY23. In contrast, Large Corporate advances contracted to 20.18% from 22.91% over the same timeframe. This progressive shift towards prioritizing retail lending underscores our commitment to refining our portfolio mix. The goal is clear: enhancing our Return On Assets (ROA) and Return On Equity (ROE) and consistently delivering enduring value to our stakeholders.

Awards and Recent Initiatives

It is with immense pride that we share some significant recognitions and advancements that our Bank has recently achieved. The Chamber of Indian Micro Small and Medium Enterprises (CIMSME) honoured us with three distinguished awards: we were named the 'Winner' for our CSR Initiatives & Business Responsibility efforts, and 'Runner Up' for both Best MSME Bank and MSME Friendly Bank categories. Additionally, the Union Ministry of Electronics and Information Technology recognized our digital prowess by bestowing upon Karnataka Bank the 'Prathista Puraskar' under the 'Digidhan Awards 2021-22'. This award celebrates our exemplary performance in achieving the highest percentage target for BHIM-UPI transactions among private sector banks. As part of our ongoing digital transformation journey, 'KBL VIKAS 2.0', we have embarked on an accelerated digital drive, aptly titled 'KBL-NxT'. This initiative further underpins our commitment to embrace technological

advancements, thereby ensuring a seamless and enhanced banking experience for all our customers.

Digital Innovations for Enhanced Customer Experience

As part of our unwavering commitment to constantly enhance the customer experience and provide them with intuitive solutions, we have integrated a series of new digital initiatives.

Firstly, we introduced the KBL WhatsApp Banking Service. Aimed at offering immediate and instructive communication, this new Alternate Delivery Channel provides a range of banking services right at the customer's fingertips. Adding to our suite of digital offerings, we're also pleased to announce the implementation of the UPI Mapper in our BHIM KBL UPI application. These innovations are the most recent examples of infusing modern digital solutions into our banking operations, ensuring that our customers always have the best tools at their disposal. This will further accelerate going forward.

On reflection, the tangible growth across various verticals, combined with the strategic shift towards a retail-centric approach and the seamless integration of digital innovations, signifies not just our adaptability but our vision for the future. With your continued support and trust, we are poised to scale new heights, facing challenges head-on and transforming them into opportunities.

Thank you for being a pivotal part of our journey. We remain ever-committed to ensuring that our collective future is one of sustained growth, innovation and prosperity.

Warm regards,

Sekhar Rao
Executive Director



Corporate and Economic Profile



Our Portfolio: Comprehensive Services & Solutions

At Karnataka Bank, our portfolio encompasses physical and financial resources, technology, infrastructure, and processes that empower us to fulfil the diverse financial needs of our customers. As we stride into our 100th year, we embrace the spirit of a start-up, combining tradition with innovation to drive our commitment to excellence and progress.

As we embark on the next phase of our journey, we reaffirm our commitment to leveraging our manufactured capital to drive sustainable growth, enhance customer experiences, and contribute to the prosperity of our stakeholders and the communities we serve. At Karnataka Bank, we look to the future with enthusiasm, striving to build a legacy of excellence and innovation that extends well beyond our 100th year.

1. Acceptance of Deposits

**3. Comprehensive Banking
Products and Services:**

**2. Credit Solutions for
Economic Growth:**

**4. Embracing Digital
Innovation**

01

Acceptance of Deposits:

- **Savings Deposits:** Encouraging financial inclusion and a culture of saving.
- **Current Deposits:** Offering convenient banking solutions for businesses and individuals.
- **Term Deposits:** Providing secure avenues for long-term investments.
- **Recurring Deposits:** Empowering customers to save regularly for future goals.

02

Credit Solutions for Economic Growth:

- **Agriculture Lending:** Supporting the backbone of the nation's economy - our farmers.
- **MSME Lending:** Fostering entrepreneurship and job creation through small and medium-sized enterprises.
- **Retail Lending:** Fulfilling individual aspirations, from home ownership to education.
- **Corporate Lending:** Fuelling business growth and driving economic progress.
- **Home Loans as part of Retail Lending:** Realizing millions of dreams of owning a home.
- **Loans Against Gold as part of Retail Lending:** Providing short-term financial support during exigencies.

03

Comprehensive Banking Products and Services:

- **Deposit Accounts:** Secure avenues for savings and investments, including:
 - » Savings Accounts
 - » Current Accounts
 - » Fixed Deposit Accounts
 - » Recurring Deposit Accounts
 - » NRI Deposit Accounts
- **Lending Solutions:** Tailored Loan Products for diverse needs:
 - » Home Loans
 - » Vehicle Loans
 - » Education Loans
 - » Loans Against Property
 - » Personal Loans
 - » MSME Loans
 - » Agricultural Loans
 - » Corporate Loans
- **Co-branded Credit Cards:** Convenience and rewards tailored to spending patterns and lifestyle preferences.
- **NRI Banking:** Dedicated banking assistance and remittance services.
- **Remittance Services:** Simplifying international transactions and travel-related requirements.
- **Bouquet of financial services and investment solutions:** With an objective to meet various financial/investment needs of our customers, the Bank is distributing various financial services and investment products in tie-up arrangement with various channel partners to serve as a one-stop solution.

04

Embracing Digital Innovation:

- **Online and Mobile Banking:** Providing a seamless banking experience with secure access to services.
- **Electronic Payment Options:** Facilitating quick and safe transactions through NEFT, RTGS, IMPS, and UPI.
- **Forex Services:** Simplifying international transactions and foreign exchange requirements.
- **Digital underwriting of Loans**
- **Digital Customer Onboarding**



Navigating Market Forces: Embracing Sustainability for a Thriving Future









2. **Operational Risk Management:** With the increased implementation of advanced technology, there is an associated rise in operational risk due to system outages, IT failures, or breakdowns in internal procedures, people, and systems.
3. **Regulatory Compliance Assurance:** The regulatory landscape is becoming increasingly stringent, requiring banks to comply with various rules, ranging from Anti-Money Laundering (AML) laws to Know Your Customer (KYC) protocols. Non-compliance can lead to significant financial penalties and reputational damage.
4. **Credit Risk and Asset Quality Focus:** Indian banks face a persisting issue of Non-Performing Assets (NPAs), mainly due to high corporate and agricultural sector debt. Moreover, the economic consequences of the COVID-19 pandemic have further exacerbated the credit risk situation.
5. **Embracing Sustainability Imperatives:** In the face of global climate change, banks are experiencing increased expectations from stakeholders to transition to more sustainable operations and ensure their loan portfolios are aligned with climate-friendly projects.



Navigating the Digital Era with Sustainability at the Core

Embracing the dynamic landscape of the banking sector, Karnataka Bank aims to thrive in the digital age while prioritizing sustainability. By adopting a careful blend of strategies, the Bank can enhance its position, optimize performance, and flourish in a technology-driven and sustainability-focused environment. This requires a harmonious integration of technological advancements, regulatory compliance, proactive risk management, and a strong commitment to sustainability, fostered by a culture of innovation and adaptability. Among the key strategies in focus are:

Key Areas of Concern	Karnataka Bank's Actions	GRI Relevance	Read More	Strategic Pillar
Digital Disruption and Cybersecurity Challenges	Enhancing cybersecurity is a top priority for Karnataka Bank. To bolster our defences against evolving threats, we are proactively implementing cutting-edge technologies like data encryption, multi-factor authentication. To ensure ongoing protection, we conduct regular cybersecurity audits and provide comprehensive training to our employees to keep them informed about the latest cyber threats and promote a culture of safety and vigilance.	GRI 418: Customer Privacy and GRI 419: Socioeconomic Compliance	Chapter on Intellectual Capital, Page 64	
Operational Risk Management	We are fully committed to staying at the forefront of the digital revolution, empowering us to effectively compete with fintech and big tech firms. Furthermore, streamlining our operations is a top priority, as we continuously seek to optimize internal processes and enhance overall efficiency to elevate the customer experience. By embracing digital advancements, we position ourselves as a bank that is capable of thriving in the dynamic digital landscape and delivering innovative solutions and exceptional services to our valued customers.	GRI 419: Socioeconomic Compliance	Chapter on Intellectual Capital, Page 64	
Regulatory Compliance Assurance	At Karnataka Bank, we recognize the paramount importance of regulatory compliance, and to ensure we effectively manage and mitigate regulatory risks, we have established a robust compliance program. Our comprehensive approach involves adopting RegTech solutions that automate compliance processes, allowing us to stay agile and responsive to evolving regulations. Through this method, we can streamline compliance procedures and ensure that we are always up-to-date with the latest regulatory requirements, enabling us to uphold the highest standards of compliance and maintain the trust and confidence of our stakeholders.	GRI 419: Socioeconomic Compliance	Chapter on Management Discussion Analysis	
Embracing Sustainability Imperatives	The Bank places great emphasis on credit quality and risk management. To enhance our credit appraisal process, we continuously work to improve our credit appraisal systems. We diligently follow stringent due diligence practices for lending, ensuring that we thoroughly assess the creditworthiness of borrowers. The Bank's proactive approach in monitoring credit portfolio helps it to minimize credit risk, and safeguard the interests of its stakeholders.	GRI 201: Economic Performance	Chapter on Manufactured Capital, Page 42	 
Sustainability Concerns	At Karnataka Bank, we prioritize the adoption of advanced technologies to strengthen cybersecurity measures, ensuring the safety and privacy of our customers' data. By implementing innovative solutions such as data encryption, multi-factor authentication, and AI-based threat detection, we fortify our digital infrastructure against cyber threats. Additionally, we conduct regular cybersecurity audits and provide comprehensive employee training and promote a culture of cybersecurity awareness. Through these efforts, we aim to enhance customer trust and confidence in our digital services while upholding the highest standards of security.	GRI 201: Economic Performance, GRI 203: Indirect Economic Impacts, and GRI 300: Environmental	Chapters on Social & Relationship Capital, Page 82; Natural Capital, Page 70; Corporate Governance Report	





Strategic Pillar I: Enhancing Return on Assets (ROA)

To measure our efficiency in utilizing assets to generate profits, we focus on ROA. Several strategies will ensure its enhancement:

- **Enhanced Asset Quality:** By conducting comprehensive credit analysis and implementing stringent risk management, we aim to maintain a high-quality asset portfolio. This strategy reduces the probability of loan defaults, thereby boosting profitability.
- **Increase Interest Income:** We plan to explore high-yield loan segments and new lending markets, driving increased interest income, and enhancing our ROA.
- **Manage Operating Expenses:** By leveraging technology and automation, we will control operating expenses, thereby improving operational efficiency, reducing costs, and raising profits.
- **Diversify Revenue Streams:** By broadening our revenue sources beyond interest income, we can ensure stability and increase profitability, positively influencing our ROA.
- **Optimize Funding Costs:** We aim to attract low-cost deposits and manage our deposit mix to reduce the cost of funds, enhancing our net interest margin and ROA.
- **Focus on Cross-Selling and Customer Retention:** By building stronger customer relationships and cross-selling services, we plan to improve customer loyalty and generate additional revenue, contributing to our ROA.
- **Effective Capital Allocation:** By allocating capital across various business lines efficiently, we ensure that our capital is utilized for activities with the highest returns, directly impacting our ROA.
- **Proactive Risk Management:** By mitigating potential losses and maintaining a robust risk profile, we can safeguard our profitability against unexpected events, thereby protecting our ROA.



Strategic Pillar II: Augmenting the Bank's Growth Engine

We aim to stimulate growth and close the gap between our growth rate and the industry average. Strategies to achieve this include:

- **Improve Cross-Selling:** Enhancing customer relationships and offering a wider range of services can help increase our revenue and spur growth.
- **Target SMEs and Rural Markets:** We aim to target SMEs and rural markets, expanding our reach to underserved markets, and driving growth.
- **Partnerships and Alliances:** Strategic alliances with fintech and e-commerce companies can allow us to tap into new revenue sources and customer bases, promoting growth.

Strategic Roadmap:

Pledging Allegiance to Enhanced Road, Fuelled by Technological Advancements

- **Foster CASA Growth:** By growing our CASA deposits, we can reduce our cost of funds, strengthen our net interest margin, and improve profitability. We will promote CASA account benefits, leverage digital channels, and intensify customer acquisition efforts to attract more customers.



Strategic Pillar III:

Improving Overall Productivity

Maximizing resource output is essential for driving both profitability and growth. We have several strategies to achieve this:

- **Training and Development:** Regular training programs can improve employee skills and knowledge, driving better service and improved productivity.
- **Process Automation:** By automating routine tasks, we can increase efficiency, allowing our employees to focus on more strategic tasks, thereby boosting productivity.
- **Strategic Branch Expansion:** Opening branches in high-growth or underserved areas can maximize our infrastructure's productivity.
- **Business Correspondent Expansion:** By reaching unbanked or underbanked populations, we can enhance our services' productivity.
- **Digitization:** Digital platforms improve customer acquisition and retention, serving more customers with the same resources, leading to higher productivity.
- **Retailisation Focus:** Amplifying efforts in retail banking will allow us to diversify income, lessen risk, and boost productivity.




















Strategic Pillar IV:

Tapping into New Growth Opportunities

To stay relevant in the evolving banking environment, we need to explore emerging growth areas:

- **Fintech Partnerships:** Collaborating with fintech companies can provide innovative financial services, giving us a competitive edge and access to new customer segments.
- **Financial Inclusion Services:** By targeting unbanked and underbanked populations, we can access a vast, untapped customer base, driving growth.
- **Green Financing:** By offering environmental sustainability-related financial services, we align with global trends and potentially profitable ventures.

These strategic pillars present a comprehensive roadmap for improving Karnataka Bank's performance. They reflect our commitment to enhancing profitability, catalysing growth, and improving customer satisfaction while effectively managing risk. Our focus on these strategic areas will not only attract new investments but also assure existing investors of our forward-looking vision and steadfast execution.

Strategic Pillars of Karnataka Bank	Objective	Actions	UNSDGs	GRI Standards	SASB Standards
1. Enhancing Return on Assets (ROA)	To maximize the profitability of our assets, improving operational efficiency, and driving higher financial performance.	<ul style="list-style-type: none"> Enhance asset quality Increase interest income Manage operating expenses Diversify revenue streams Optimize funding costs Focus on cross-selling and customer retention Effective capital allocation Proactive risk management 	    	<ul style="list-style-type: none"> GRI 201: Economic Performance GRI 301: Materials GRI 302: Energy GRI 305: Emissions GRI 308: Supplier Environmental Assessment GRI 417: Marketing and Labelling 	<ul style="list-style-type: none"> FB-CB-450a.1: Discussion of approach to managing capital allocation FB-CB-450a.3: Total weighted average remaining maturity of the loan portfolio FB-CB-510a.1: Amount of assets subject to environmental, social, and governance (ESG) risk exposure FB-CB-000.B: Number and amount of loans originated broken down by loan type FB-CB-000.C: Description of approach to identifying and addressing data security risks
2. Bolstering our Growth Engine	To stimulate and sustain growth, focusing on targeting underserved markets, enhancing customer relationships, and forming strategic alliances.	<ul style="list-style-type: none"> Improve cross-selling Target SMEs and rural markets Form partnerships and alliances Boost CASA growth 	    	<ul style="list-style-type: none"> GRI 417: Marketing and Labelling GRI 203: Indirect Economic Impacts GRI 102: General Disclosures GRI 201: Economic Performance 	<ul style="list-style-type: none"> FB-CB-000.B: Number and amount of loans originated broken down by loan type FB-CB-510a.1: Amount of assets subject to environmental, social, and governance (ESG) risk exposure FB-CB-000.A: Number of customers, broken down by customer type.
3. Improving Overall Productivity	To optimize the use of our resources, driving both profitability and growth through employee development, process automation, and strategic expansion.	<ul style="list-style-type: none"> Training and development Nurturing a dynamic and engaged team Process automation Strategic branch expansion Business correspondent expansion Digitization Focus on retailisation 	    	<ul style="list-style-type: none"> GRI 404: Training and Education GRI 102: General Disclosures GRI 205: Anti-corruption GRI 206: Anti-competitive Behaviour GRI 418: Customer Privacy 	<ul style="list-style-type: none"> FB-CB-330a.2: Description of approach to identifying and addressing data security risks FB-CB-330a.1: Number of data breaches, percentage involving personally identifiable information (PII), number of customers affected FB-CB-550a.3: Total amount of monetary losses as a result of legal proceedings associated with fair lending FB-CB-000.B: Number and amount of loans originated broken down by loan type
4. Tapping into New Growth Opportunities	To explore and capitalize on emerging areas of growth, staying relevant in the evolving banking environment.	<ul style="list-style-type: none"> Green financing Fintech partnerships Financial inclusion services 	 		

Materiality Assessment & Stakeholder Engagement

This year, Karnataka Bank Limited undertook a Materiality Review, leveraging advanced survey techniques and methodologies, to determine the cornerstone directives for our integrated annual report. This exploration provided a panoramic view of our Bank's critical concerns across economic, environmental, and societal spectra and underscored the significance of anchoring our strategies on these findings.

The essence of a materiality survey in this integrated report is twofold: it not only discerns the pulse of our diverse stakeholders, but also ensures that our strategic narrative resonates with the real-world concerns and aspirations of those we serve. By committing to this exercise, we have deepened our understanding, spotlighting those subjects that are paramount both to our stakeholders, and to our Bank's vision of sustained growth.



Highly Material Issues cross-referencing:

Karnataka Bank carried out its inaugural materiality assessment survey in August 2023. We collaborated with stakeholders both within and outside the Bank, encompassing leaders from Karnataka Bank, and specialists from diverse domains within our institution. Our outreach also extended to many external stakeholders: our esteemed clientele, workforce, ESG-focused investors, and contemporaries in the financial sector.

For the context of this Integrated Annual Report, the Bank recognizes the following subjects as paramount, stemming from insights gathered through our materiality survey and internal evaluations:

Our conclusions from this materiality survey bolster our resolve: to weave our business ambitions seamlessly with stakeholder expectations, crafting a blueprint for responsible, inclusive, and well-informed advancement.

Issue #	Highly material issues for both internal & external stakeholders	Chapters Relevant to Issues	Strategic Pillars See page 2		
11	Customer Privacy: Karnataka Bank prioritizes customer privacy, upholding trust and ensuring compliance with data protection norms. We fortify our commitment with comprehensive data protection strategies, staff education, and direct communication about customer rights.	Relationship & Intellectual Capital - Page 82, 64			
12	Data Security: Data security is paramount in preventing breaches that might tarnish trust and attract regulatory actions. We diligently guard data by integrating innovative technology, fostering employee awareness, and undertaking routine audits.	Intellectual Capital - Page 64			
13	Clients' Sustainability: Karnataka Bank fosters sustainable relationships by developing eco-friendly products, offering sustainability counsel, and aiding clients in sustainable transitions.	Relationship Capital - Page 82			
15	Customer Welfare: Upholding customer welfare is synonymous with retaining trust. We pledge transparent offerings, stringent data safety, and impeccable service.	Relationship Capital - Page 82			
19	Training and Skill Development: Progressive training and skill enrichment propel productivity and employee satisfaction. Our bank champions continuous learning programs and promotes skill advancement.	Human Capital - Page 90			
20	Employee Health & Safety: Karnataka Bank accentuates workplace safety and well-being as pivotal to fostering a content and productive workforce. With holistic health policies and safe working surroundings, we prioritize our people.	Human Capital - Page 90			
23	Product Design and Innovation: Meeting evolving customer expectations and staying competitive necessitates product innovation. We channel investments in R&D and fintech collaborations by fostering an inventive spirit.	Intellectual Capital - Page 64			
29	Business Ethics and Anti-Corruption Measures: Our Bank's reputation hinges on unwavering ethical values and rigorous anti-corruption postures. Our strategies involve staff awareness programs and leadership exemplifying ethical conduct.	Corporate Governance Report (CGR)			
33	Risk Management: Efficacious risk management fortifies financial stability and trust. At Karnataka Bank, we deploy proven risk frameworks, tech-assisted analyses, and frequent audits.	Management Discussion Analysis (MD&A)			
36	Reputation, Communication and Awareness: Effective communication is pivotal for sustained trust and potential investments. Our bank champions lucid communication paradigms, transparency initiatives, and proactive stakeholder outreach.	Manufactured, Relationship Capital - Page 42, 82			
43	Economic Systematic Risk Management: Thorough systematic risk management is quintessential to sidestep substantial setbacks and uphold financial stability. Our Bank employs contemporary risk models and stress evaluations, while ensuring capital adequacy.	CGR & MD&A		GRI 201: Economic Performance	SASB FN-CB-000.B: Systemic Risk Management



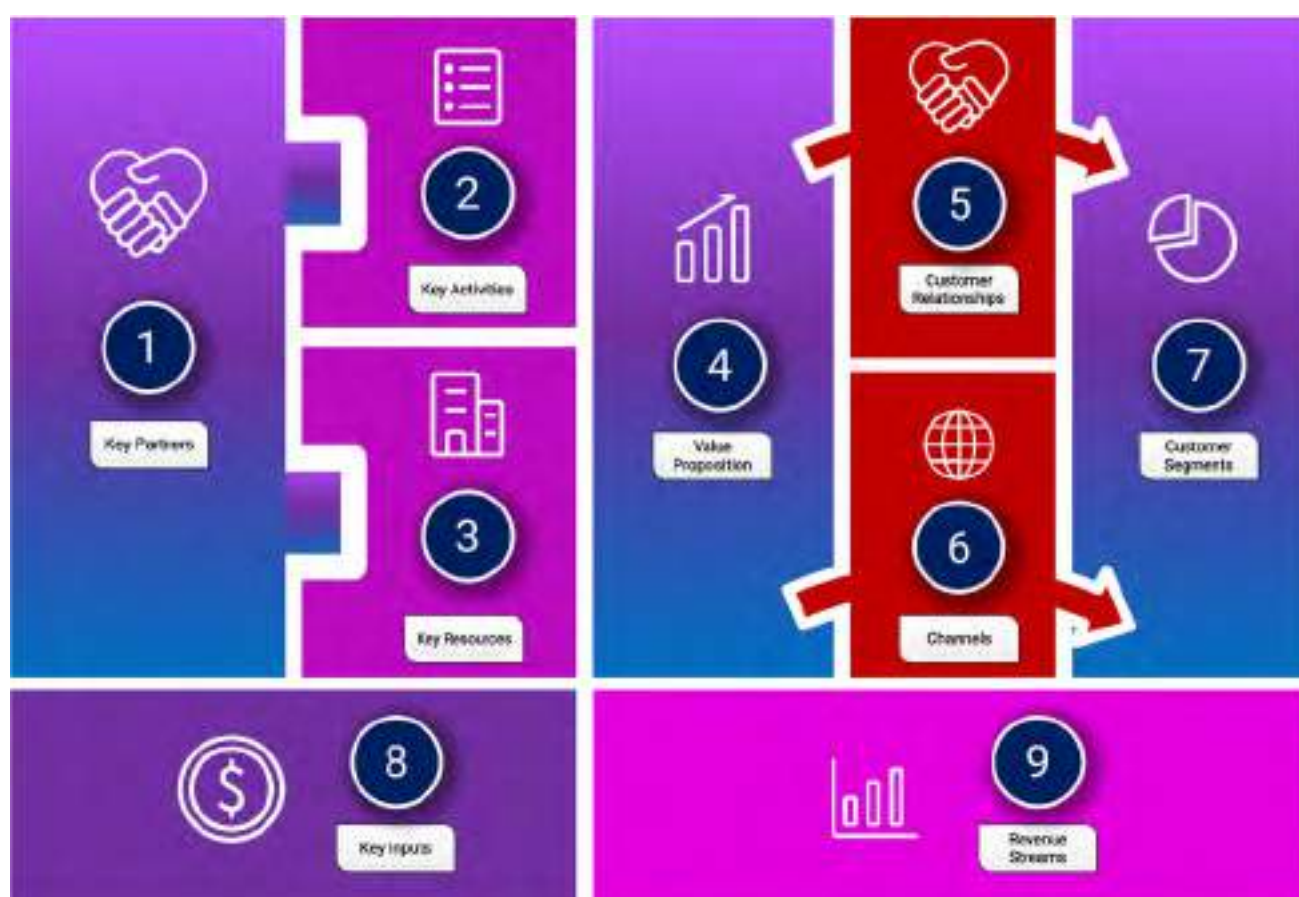
The above table encapsulates a collection of standards that may bear significance to a banking institution. However, this comparative chart is not all-encompassing, and the precise standards and disclosures pertinent to the Bank hinge on our materiality evaluation and the unique nature of our business activities. We encourage you to refer to the Sustainability Accounting Standards Board (SASB) and United Nations (UN) documents for a more detailed understanding of specific SASB references and UNSDGs, respectively. The SASB references and United Nations Sustainable Development Goals (UNSDGs) connected to the GRI Standards shown in this chart illustrate a broad correspondence. They may not wholly coincide with the details of our operations and strategies. This serves as a general direction and may not encapsulate every detail specific to our establishment.

A Vibrant Business Approach

Combining Digital Transformation and Sustainability in Contemporary Banking Practices



Our Functional Landscape

As Karnataka Bank, a leading private sector bank, we seamlessly blend our economic targets with socio-environmental goals. Here's a snapshot of our business model, utilizing the acclaimed Business Model Canvas designed by Alexander Osterwalder and Yves Pigneur. As a forward-thinking bank, this framework is fluid and consistently aligns with alterations in the regulatory, economic, and technological landscapes.



Steps	Activities	References
Key Partners 1	As a private sector bank, our relationship with the Government and the Reserve Bank of India remains paramount. This extends to our involvement with other banks and financial institutions that form the foundation for our interbank transactions and syndicated loans. Our bid to innovate and enhance our digital services is fuelled by our collaborations with Fintech companies. Furthermore, we leverage our strategic alliances with Non-Banking Financial Companies (NBFCs) and a network of Business Correspondents for credit facilitation.	Please see our Chapter on Manufactured Capital starting on Page 42

Steps	Activities	References
Key Activities 2	Our operations are multifaceted, involving deposit acceptance from diverse sources, including retail and corporate clients, Public Sector Units (PSUs), and government bodies. The provision of loans to various sectors, such as retail, agriculture, MSMEs, and large corporates, forms another significant facet of our activities. We also focus on financial inclusion initiatives, women empowerment, and priority sectors. Digital innovation forms the backbone of our operations, enabling easy banking access to customers and promoting financial inclusion. Catering to the investment and wealth management needs of high-net-worth clients and retail investors also forms part of our key activities.	<p>Please see our chapter on Strategic Roadmap starting on Page 28</p> <p>Please see our Chapter on Manufactured Capital starting on Page 42</p>
Key Resources 3	Our key resources include financial assets encompassing deposits, investments, capital and reserves. We consider our skilled and competent workforce as a crucial asset in managing various banking operations and delivering excellent customer service. The strength of our physical resources lies in our extensive network of branches and ATMs, complemented by online banking platforms. Our brand and reputation as one of India's trusted private sector banks form an invaluable resource.	<p>Please refer to our Chapter on Human Capital starting on page 90</p> <p>Please refer to our Chapter starting on Intellectual Capital on Page 64</p>
Value Propositions 4	Our value propositions include accessibility through our broad physical presence and digital platforms, and the sense of security and trust we offer being a regulated entity. We cater to a broad spectrum of customers with our diverse product and service portfolio. Upholding our social commitments, we focus on priority sector lending, financial inclusion initiatives, and sustainability.	<p>Please see our Chapter on Intellectual Capital starting on Page 64</p> <p>Please refer to our Chapter on Manufactured Capital starting on Page 42</p>
Customer Relationships 5	Our relationships with customers are nurtured through personal assistance via branch banking, self-service, and automated services provided through our digital platforms and ATMs. Our commitment to community development shines through in our social outreach programs, priority sector lending, and CSR activities.	Please see our Chapter on our Social and Relationship Capital starting on Page 82
Channels 6	Our channels for delivering our services include our extensive branch network for face-to-face banking services, digital platforms such as mobile and online banking, UPI for seamless transactions, and our widespread ATM network for cash withdrawal, deposits, and other services.	Please refer to our Chapter on Manufactured Capital starting on Page 42
Customer Segments 7	Our clientele includes retail customers for services like savings, current accounts, loans, etc., corporate clients for working capital, term loans, trade finance, etc., government bodies for funds management and disbursement, and MSMEs and Agricultural Customers whom we extend our services in the form of lending and other banking facilities.	<p>Please refer to our Chapter on Manufactured Capital starting on Page 42</p> <p>Please see our Chapter on our Social and Relationship Capital starting on Page 82</p>
Key Inputs 8	Our key inputs include operational costs encompassing employee salaries, branch maintenance, IT infrastructure, and cybersecurity maintenance. We also accommodate regulatory costs pertaining to compliance with banking and financial regulations. Provisions for bad loans and write-offs form part of our risk costs and expenditure.	<p>Please refer to our Chapter on Manufactured Capital starting on Page 42</p> <p>Please see our Chapter on Management Discussion & Analysis</p>
Revenue Streams 9	Our revenue streams comprise interest income from various types of lending, fees and commissions from services like trade finance, issuing BGs/LCs, card services, remittances, among others, and investment income from treasury operations.	<p>Please refer to our Chapter on Manufactured Capital starting on Page 42</p> <p>Please see our Chapter on Management Discussion & Analysis</p>

Outputs	Outcomes	Strategic Pillars	SDGs
Financial Capital Net Profit up 132.05% YOY Net Interest Income up by 27.86% YoY CASA Deposits up by 8.71% YoY Total Business up by 7.40% YoY Advances up by 5.58% YoY Deposits up by 8.68% YoY Enhanced Strength: CRAR - 17.45%	Financial Capital Sustainability: financial stability, green initiatives Socio-economic sustainability, financial Inclusion Retailization strategy & margin improvement Improved risk profile and liability management Sustainable returns, confidence in earnings potential		
Manufactured Capital ₹1,47,320 cr - Total Business ₹87,368 cr - Deposits ₹59,952 cr - Advances 4.03% - Retail loan growth 17.84% - Share of Agri advances to total advances 32.97% - CASA deposits 50.78% - Priority sector advances Net NPA down to 1.70%	Manufactured Capital Sustainable growth, customer-centric banking Recognised as a prominent private bank Empowering MSMEs, individuals & companies Aiding economic vitality and fostering prosperity Supporting communities & inclusive growth		
Human Capital Skilled and productive employees Trained for improved digital proficiency Engaged with to improve motivation 30.56% of the workforce are female Prioritised health, work-life balance Code of conduct & whistle blower mechanism	Human Capital ₹0.26 Cr operating profit per employee ₹2.45 Cr operating profit per branch Organizational growth & productivity Positive professional growth Improved talent retention: lower attrition Inclusive work culture & diversity benefits		
Social & Relationship Capital 1,812 CSR Projects funded so far Enhanced Customer Experience through Digital Employee and talent growth with inclusivity Multiple investor engagement initiatives 72.63% total staff trained in FY2023	Social & Relationship Capital Mutual growth and success in the ecosystem Elevated customer satisfaction and loyalty Increased investor confidence and value creation Productive workforce for organizational progress Positive social and inclusive impact Trust through ethical practices & transparency		
Natural Capital Underwriting ₹290 cr for renewable energy Integration of sustainability in operations Initiating measurement of GHG emissions Responsible paper consumption Minimized plastic use	Natural Capital Aligning to a low-carbon economy Positive environmental impact Increased adoption of sustainable practices Enhanced eco-friendly and responsible banking Contribution to a cleaner, plastic-free environment		
Intellectual Capital Majority Digital Loan Sanctions at 90% KBL Mobile Hosting 2.95 Million Users Massive Digital Transactions Totaling 6.1 mn High Customer Engagement by DCoE	Intellectual Capital Customer Satisfaction via Digital Banking Operational Efficiency via Digital Innovation Secure Risk Management with Robust Measures Amplified Stakeholder Value Digitally		

Our Sustainability Strategy

Fostering Collective Growth.

Our central purpose is straightforward: to bring about a positive change in the lives we touch and enrich the communities we are a part of. At Karnataka Bank, we take pride in the transformation we have set in motion and are enthusiastic about the collective progress we will achieve to elevate our stakeholders. Our dedication lies in generating enduring sustainable value for all our stakeholders - shareholders, clients, employees, local communities, and regulators. This dedication is in harmony with our Vision and steered by our Core Values and Strategic Pillars. Our commitment to sustainability permeates through our organization and aligns with our strategic priorities.





Oversight

The Bank's ESG oversight is governed by the Risk and Capital Management Committee (RCMC). The committee's goal is to guide the Bank in accomplishing their ESG objectives. The Bank has an exclusive CSR Committee of the Board overseeing CSR initiatives of the Bank. The Committees comprise the Managing Director & CEO, Executive Director, and Independent/ Non-Executive Directors.



What we offer

For India to flourish into a powerful economy, it necessitates the support of robust banks. At Karnataka Bank, we are reinventing ourselves to be one of India's leading banks. With strength comes the capacity to contribute strategically. Hence, our stance on corporate sustainability and ESG prioritizes prosperity through virtuous conduct. We hold a strong conviction that the way we administer finance can have beneficial repercussions for society. Together, we can yield significant results for all our stakeholders.

- ***Collaboratively for our customers and clients***

We assist our customers and clients in fulfilling their ambitions through our products, services, and expertise.

- ***Collaboratively for our employees***

We care for their well-being, foster their career growth, and inspire and encourage them to deliver exceptional service.

- ***Collaboratively for society and the environment***

Our long-term prosperity is intertwined with the advancement of our communities and the conservation of our environment.

- ***Collaboratively for our investors***

We continue to cultivate a strong, diversified business capable of delivering attractive and sustainable returns.

We dispense finance thoughtfully, in aid of individuals and businesses, by acting with compassion and honesty, fostering innovation and sustainability, for collective well-being and lasting progress.

Our diversity enables us to achieve this. Being a universal Indian bank, we cater to a diverse clientele - from individuals and small enterprises to large corporations and governments - as well as operate across different regions and generate various types of income. This diversity provides us with stability across economic cycles and lays the foundation for delivering a consistent level of financial performance.

This, in turn, empowers us to better cater to our stakeholders. We strive to serve our customers and clients, cultivate an inspiring work environment for our colleagues, bolster society, and yield consistent returns for our shareholders. As we aim for sustainable growth for our bank, our stakeholders will flourish alongside us.

Navigating with Integrity: Our Approach to Ethical Banking

Fostering Reliability and Openness:
Our Commitment to Fair Practices and Customer-Focused Growth

At Karnataka Bank, our emphasis is on delivering superior financial products and services while ensuring easy access for our customers whenever and wherever they need. We shoulder the responsibility of ensuring the accessibility of our products and services to all customers, across all markets, and that the right kind of responsible products and services are available. We endeavour to act in the best interest of our customers by providing affordable products, laying out explicit terms and disclosures, and rendering equitable and consistent service. Through this, we aim to establish enduring customer relationships and fulfil our responsibility to facilitate their financial growth.

We endeavour to act in the best interest of our customers, fostering enduring relationships and facilitating their financial prosperity.



Transparent Business Practices

At Karnataka Bank, our actions are motivated by the best interest of our customers. Transparent and ethical business practices are vital to keeping our customers at the forefront of all we do. Unethical business activities are strictly forbidden, and further, they contradict our core values. The Bank's Board and its committees provide top-level direction to consumer and commercial lines of business in accordance with the Policies and strategies approved by the Board. The committees

also strive to foster a corporate culture that reinforces Karnataka Bank's dedication to laws and regulations that prohibit unethical, discriminatory, or predatory behaviour and practices, as well as unfair, deceptive, or abusive acts or practices. The Bank's mission is to drive customer-focused growth by fully leveraging the Bank's brand. We are driven by the aim of doing what's right for customers, putting them at the heart of all decisions.



How our Financing Supports the United Nations Sustainable Development Goals

Karnataka Bank is acknowledging the United Nations Sustainable Development Goals (SDGs) as a collective global objective to be accomplished by 2030. These goals relate to enhancing human, societal, and environmental factors, achievable through committed involvement and multilateral cooperation. We believe that it is crucial for businesses, governments, society, and other stakeholders to collaborate to actualize the 2030 Agenda. Karnataka Bank is committed to playing its role, working in concert with our stakeholders to aid in the achievement of these goals.

Our environmental and social financing spans all sectors, bringing about positive societal and environmental changes through financing healthcare systems, educational institutions, affordable housing projects, and green infrastructure projects. Financing these activities, in turn, contributes towards progress on the SDGs.

As a part of a broader update of our Sustainable Finance Framework, we are in the process of refining our Framework and process to capture information more accurately on the SDGs, backed by an analysis of the underlying SDG targets. As more detailed information becomes accessible, we will improve our methodologies to provide more nuanced insights.



Manufactured Capital Unbroken Tradition, Unmatched Innovation

Forging a future of sustainable growth and customer-centric banking.

UNSDGs: →



Strategic Pillars →



Business Model Component →



Material Issues →

11, 12, 13, 19, 29, 43

As Karnataka Bank Limited proudly celebrates a century of excellence, we embark on a path that unites tradition with innovation, envisioning a future characterized by unparalleled value creation, sustainable growth, and a lasting legacy. Our Integrated Annual Report for FY2022-23 reflects the culmination of over a century of unbroken profitability, remarkable governance, and unwavering dedication to our customers. While honouring our rich history, we remain agile and responsive to evolving market demands, embracing technology and data-driven insights to drive growth in high-quality assets and operational efficiency.

With our “retailisation” strategy, we are focused on home and gold loans as our key value drivers, aspiring to establish Karnataka Bank as a prominent private bank in India. Our vision revolves around robust fundamentals, a customer-centric approach and digital innovation. To achieve this, we leverage cutting-edge technologies and maintain centres of excellence in data analysis and risk management, enabling us to scale our business while achieving industry-leading productivity benchmarks

At Karnataka Bank, we recognize the pivotal role of manufactured capital in our holistic value-creation process. This chapter delves into our commitment to fostering sustainable growth through integrated thinking and responsible financial practices. By integrating the six capitals – Financial, Manufactured, Intellectual, Human, Social, and Natural – we aspire to foster a future of purposeful growth and shared prosperity for all our stakeholders. Our manufactured capital serves as the bedrock of our commitment to financial excellence, enabling us to continually strengthen our balance sheet. We remain singularly focused on delivering exceptional shareholder returns while embracing our transformation into a more sustainable and socially responsible financial institution.

Comprehensive Services & Solutions

Manufactured Capital plays a pivotal role in our journey toward achieving sustainable growth and fostering a lasting legacy. It encompasses the physical and financial resources, technology, infrastructure, and processes that empower us to fulfil the diverse financial needs of our customers and contribute to the economic growth of our

nation. As we continue our journey toward a future where tradition and innovation unite, Karnataka Bank remains committed to leveraging our manufactured capital to drive sustainable growth, enhance customer experience, and contribute to the prosperity of our stakeholders and the communities we serve.

Manufactured Capital

Unbroken Tradition, Unmatched Innovation

Forging a future of sustainable growth and customer-centric banking.

Business Snapshot

>1.3 crore customers

We take pride in serving a vast and growing customer base, signifying the trust and confidence they place in Karnataka Bank as their preferred banking partner.

901 branches

With an extensive branch network, we ensure accessibility to banking services across various regions, fostering financial inclusion and convenience for our customers.

1,474+ ATMs

Our widespread network of ATMs provides easy access to cash and digital banking facilities, empowering customers with seamless transactions anytime, anywhere.

₹1,47,319.63 crore

Total business turnover as of March 31st, 2023 (Deposits plus Advances): This significant figure reflects the scale of our operations and the trust customers place in us for their financial needs.

₹87,368 crore

Total deposits with Karnataka Bank as of March 31st, 2023: Our customers' deposits represent their faith in our safety, stability, and reliability as a financial institution.

5.35%

Year-on-year growth in retail loans: As a customer-centric bank, we are dedicated to fulfilling the aspirations of individuals and households through tailored retail loan offerings.

17.84%

Your Bank's performance in the agriculture priority sector: We remain committed to supporting agriculture and rural development, contributing to the growth of the nation's backbone.

32.97%

Percentage of CASA deposits out of total deposits: Our strong CASA (Current Account-Savings Account) ratio highlights the stability of our funding base and cost-efficient liabilities.

56.41 %

Your Bank's achievement in priority sector advances: Our focus on priority sector lending showcases our commitment to inclusive and sustainable growth.

Our Key Offerings

Deposit Accounts

Various types of deposit accounts, such as savings accounts, current accounts, fixed deposit accounts, recurring deposit accounts, and NRI deposit accounts.

Loans and Advances

Comprehensive lending solutions for individuals and businesses, including personal loans, home loans, loans against gold, vehicle loans, education loans, loans against property, MSME loans, agricultural loans, and corporate loans.

NRI Banking

Dedicated services for Non-Resident Indians (NRIs), including NRI accounts, remittances, and personalized banking assistance.

Online and Mobile Banking

Convenient digital banking services, allowing customers to perform a wide range of transactions, manage accounts, pay bills, and access banking services anytime, anywhere.

Insurance

Tie-ups with leading insurance providers to offer a variety of insurance products, including life insurance, general insurance, and health insurance.

Payment Solutions

Facilities for online payments, NEFT/ RTGS transfers, IMPS, UPI, and other electronic payment options to facilitate seamless transactions.

Forex and Remittances

Foreign exchange services and remittance facilities to simplify international transactions and travel-related requirements.

Wealth Management

Wealth management services in tie up arrangement, investment advisory, and financial planning to help customers grow and protect their wealth.

Credit Cards

A range of co-branded credit cards with distinctive features and benefits, designed to meet the spending requirements and lifestyle preferences of customers.

Financial Services

Value-added services such as mutual funds, demat accounts, safe deposit lockers, and financial advisory services to enhance the overall banking experience.



Our Core Activities

1. Acceptance of Deposits: Our commitment to manufactured capital begins with providing a wide range of banking services that include the acceptance of several types of deposits. Whether it's savings, current, term, or recurring deposits, we act as a reliable one-stop solution to meet the diverse financial needs of our valued customers. By offering these deposit options, we aim to promote financial inclusion and encourage a culture of saving and investment.

2. Credit Solutions for Economic Growth: At Karnataka Bank, our core activity revolves around providing credit solutions that support various sectors of the economy. We specialize in offering a diverse range of credit services tailored to meet the specific needs of our customers. Our agriculture lending supports the backbone of our nation's economy by empowering farmers with accessible financing. Through MSME lending, we contribute to the growth of small and medium-sized enterprises, fostering entrepreneurship and job creation. Retail lending serves individual aspirations, enabling the realization of dreams, be it owning a home or pursuing higher education. Corporate lending fuels the growth of businesses, driving economic progress and competitiveness. Additionally, we offer loans against gold, providing short-term financial support to individuals during exigencies.

3. Comprehensive Banking Products and Services: As part of our commitment to manufactured capital, we offer a wide range of products and services designed to cater to the diverse financial needs of our customers. Besides deposit accounts, we provide secure avenues for savings and investments. Our comprehensive lending solutions encompass personal loans, home loans, vehicle loans, education loans, loans against property, MSME loans, agricultural loans, and corporate loans,

ensuring financial support across different life stages and business requirements. For our NRI customers, we provide dedicated banking assistance, remittance services, and investment advisory, ensuring seamless financial management from abroad. Our Co-branded credit cards offer convenience and rewards, tailored to meet spending patterns and lifestyle preferences. Besides, in tie-up arrangement with various channel partners we offer a bouquet of insurance and investment products to our valued customers. The Bank has been appointed as an Agency Bank for the conduct of government business and has embraced a strategic approach to cater to the unique financial needs of Government agency business.

4. Embracing Digital Innovation: In an era of rapid technological advancements, we are committed to leveraging digital innovation as a crucial aspect of our manufactured capital. Our online and mobile banking services provide customers with convenient access to banking solutions, facilitating a seamless banking experience. The Bank has embarked upon a digital transformation bringing value add to customers by way of self-service and assisted digital journeys for asset and liability products. During FY2023, the Bank has launched Online Account Opening with Video KYC Process, Account Aggregator, Whatsapp Banking, Multi language support in the mobile banking app-KBL Mobile Plus, Online solution for investing in Sovereign Gold Bonds and NPS, e-connect platform on the corporate website and trade finance automation for outward remittance and processing of export credit transactions. With facilities for online payments, NEFT/RTGS transfers, IMPS, UPI, and other electronic payment options, we enable quick and secure transactions. Our forex and remittance services simplify international transactions and travel-related requirements for our customers.

Manufactured Capital

Unbroken Tradition, Unmatched Innovation

Forging a future of sustainable growth and customer-centric banking.

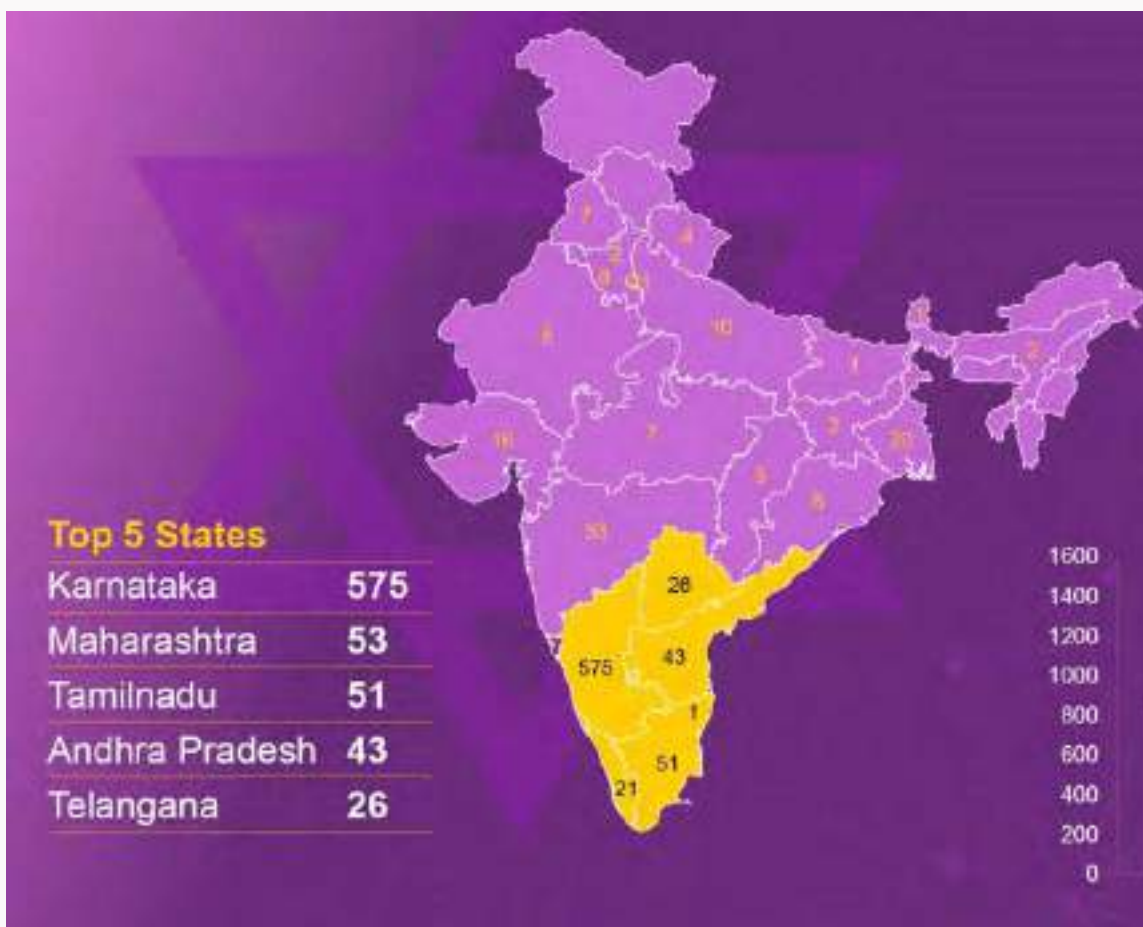
Our Branch Network

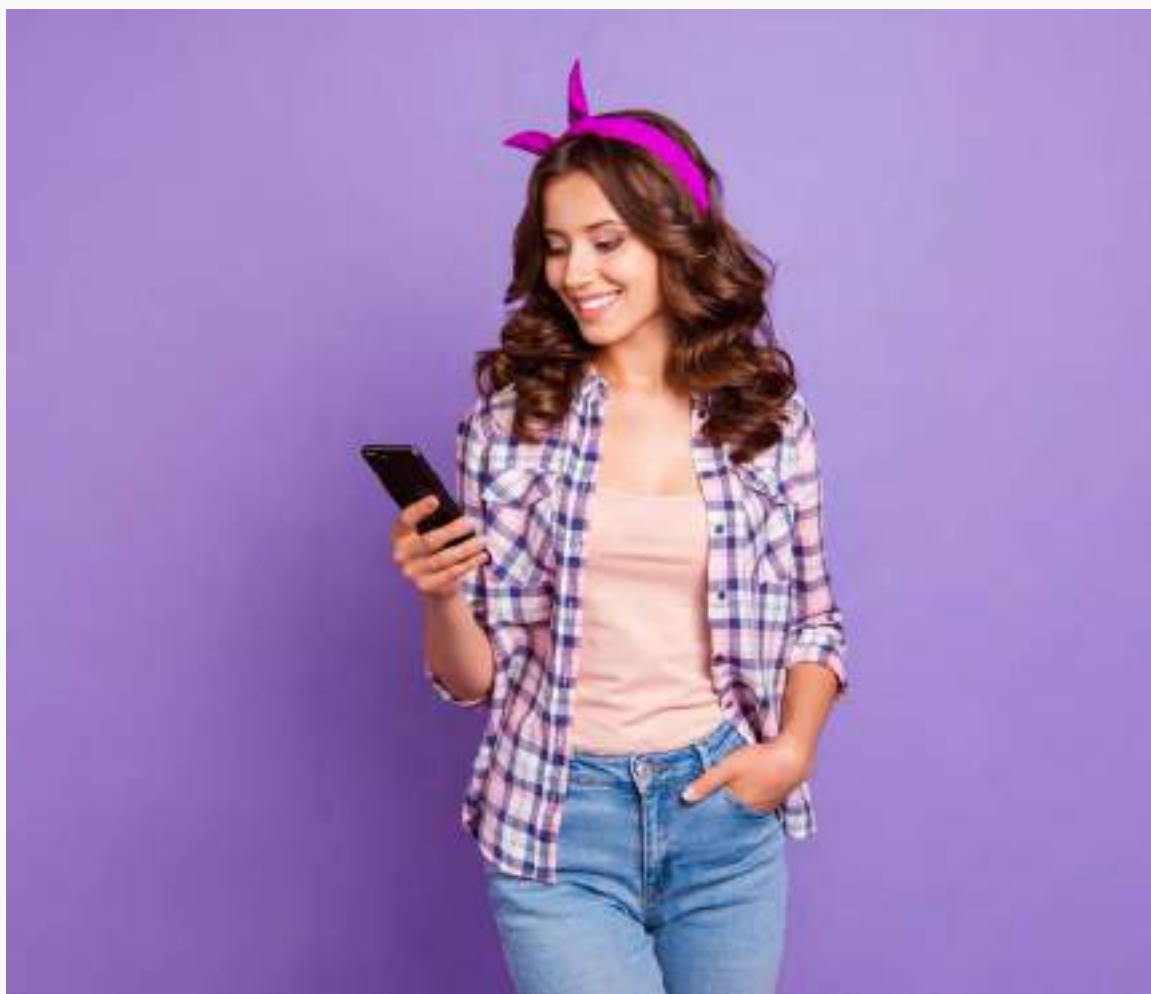
Creating enduring relationships with our customers

Our branch network is not just about physical presence; it symbolizes our dedication to building enduring relationships with our customers, shareholders, employees, and communities. We envision a future where our expanding horizons create unparalleled value, sustainable growth, and a lasting legacy for all stakeholders. Together, we embark on a journey toward shared prosperity, digital innovation, and sustainable growth.

We believe in having a constant and closer connect with our customers and communities. Our branch network serves as the foundation of this connectivity, enabling us to reach and explore diverse markets and provide exceptional banking experiences.

Transitioning to a National Network





Fostering Financial Accessibility and Inclusive Growth

1. Expanding Reach Across the Nation: As of March 31st, 2023, Karnataka Bank enjoys a presence of 901 branches (including two Digital Banking Units), 871 ATMs, and 603 cash recyclers (CRs) across the nation. Our strong footprint spans 578 centres, spanning 22 states and 2 union territories. This extensive network empowers us to serve a diverse customer base, catering to their financial needs with utmost efficiency.

2. Specialized Support Offices: Beyond traditional branches, we take pride in our specialized support offices. These include a 3 Central Loan Processing Hubs (CLPHs), 1 Digital Centre of Excellence, 1 Analytics Centre of Excellence, Co-located Data Centre with a Disaster Recovery Centre and Near Line Site (NLS), 2 Service branches, 4 Currency Chests, 2 Central Processing Centres, 8 Asset Recovery Management Branches, and. These centres of

excellence further reinforce our commitment to delivering comprehensive and innovative banking solutions.

3. Enabling Inclusive Growth: Our branch expansion strategy also takes into account reaching untapped markets and underserved regions, ensuring financial inclusion and accessibility. The addition of 24 new branches during the reporting year signifies our dedication to supporting growth in diverse communities.

4. Accelerating Loan Sanctioning: In line with our vision of enhancing customer experience, we have decentralized the credit underwriting process. By upgrading 3 existing CLPHs as Regional Loan Sanctioning Centres (RLPCs) and introducing 2 new RLPCs, we have significantly expedited the loan sanctioning process. This strategic move reflects our proactive approach to meet the evolving demands of our customers.

Manufactured Capital

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Maximizing Resource Potential: Nurturing Growth, Embracing Inclusivity

We are delighted to showcase how we have harnessed our resources effectively, empowering us to deliver exceptional value to our stakeholders and the communities we serve. Guided by the theme of “A Century of Trust. A Future of Growth,” we continue to uphold our legacy of unbroken profitability, customer-centricity, and commitment to innovation.

Financial Resource Management:

As of March 31st, 2023, our total deposits witnessed a steady growth, amounting to ₹87,368.01 Crore, compared to ₹80,386.85 Crore as of March 31st last year. Notably, our CASA deposits accounted for 32.97% of the total deposits, reflecting the strength of our retail franchise. Our commitment to providing seamless banking experience is further manifested through digital banking, 24/7 Banking, doorstep banking services for senior citizens and differently-abled individuals, extending our support and convenience to all.

Our steadfast focus on managing financial resources has led to a 8.68% growth in total deposits, solidifying our position as a customer-centric and dependable banking partner.



Driving Operational Efficiency:

With a keen eye on enhancing efficiency, we maintained cost of deposits at 4.62%, reflecting our diligent efforts in optimizing resource utilization. We believe that every customer relationship is valuable, and this ideology drives our initiatives, such as tailored deposit schemes, catering to the diverse category and needs of our customers.

Our focus on operational excellence has resulted in effective resource utilization, underlining our commitment to providing value and stability to our customers.

Nurturing Inclusivity:

At Karnataka Bank, our commitment to inclusivity is unwavering. Our vast retail franchise, comprising deposits below ₹2 Crore, accounted for approximately 92% of the total deposits. This reflects our dedication to fostering financial inclusion, ensuring that banking services are accessible to individuals from all walks of life. We take immense pride in offering specialized services, such as NRI banking and dedicated support for the differently-abled, underscoring our commitment to serving diverse communities.

Our strong retail franchise and emphasis on inclusivity amplify our vision of creating lasting value for every individual and community we serve.

Our Lending Performance

In the pursuit of sustainable growth and continuous value creation, a positive momentum was witnessed in corporate advances, leading to a 5.58% growth in advances during the fiscal year FY2022-23. A shift was observed in the composition of advances, with the retail and mid-corporate segments accounting for a substantial share of 79.82%. These figures underscore the Bank's unwavering commitment to supporting a diverse range of enterprises, from individual customers to medium-sized corporations, across various sectors of the economy.

The Retail segment, catering to individual customers and small businesses, saw a slight decline from 51.35% in FY2022 to 50.34% in FY2023. Despite this marginal dip, the Bank remains steadfast in its focus on empowering retail customers through a wide array of financial products and personalized services. In contrast, the mid-corporate segment grew from 28.28% in the previous fiscal year to 29.48% in the current reporting period. This uptick signifies the Bank's strategic efforts to cater to the evolving financial needs of medium-sized enterprises, strengthening their financial capabilities and facilitating their expansion. Meanwhile, the corporate segment experienced a minor decline from 20.37% in FY2022 to 20.18% in FY2023. Nonetheless, we continue to serve large-sized corporations, offering a comprehensive suite of corporate banking products and services.

The growth in gross advances and the dynamic shift in the composition of advances, with a noteworthy emphasis on the retail and mid-corporate segments, reflect Karnataka Bank's prowess in adapting to market demands. With a customer-centric approach and a commitment to serving businesses of all sizes, the Bank remains a reliable partner for individuals, MSMEs, and corporations alike. As we look ahead, Karnataka Bank is well-positioned to leverage its strengths and continue on a trajectory of sustained growth and inclusive value creation.

Corporate Credit

Driven by our commitment to trust and transparency, we pave the way for enterprises of all scales to flourish and prosper, contributing to India's economic vitality. With an unwavering commitment to supporting large-sized corporations, our Corporate and Wholesale banking division offers a wide range of products and services. This includes term loans, working capital facilities, foreign exchange services, structured finance, trade financing, and bill discounting. Moreover, our offerings extend to encompass non-fund-based products such as letters of credit and guarantees. The Bank has Corporate Finance Branches in Mumbai and New Delhi to cater exclusively to this segment. The revenue generated from this segment during the fiscal year amounted to ₹2,691.29 Crore, making a sizable contribution of ₹462.62 Crore to the profit before tax and un-allocable expenditure.

Our Corporate division supports the growth and success of large entities, strengthening their financial capabilities to propel India's progress.

MSME Support

Karnataka Bank remains steadfast in its mission to serve as a reliable partner to MSMEs, fostering their growth and resilience in a dynamic market landscape. At Karnataka Bank, we recognize the significant role played by the MSME sector in driving India's economic growth.

As a part of our commitment to nurturing these vital enterprises, we offer a diverse range of banking products. These include Working Capital Finance, Term Loans, and Business Finance Products, both fund-based and non-fund-based, customized to suit the needs of various sectors. Additionally, as a financier registered on the Trade Receivables Discounting System (TreDS) platform, we actively facilitate financial assistance to MSMEs. By empowering small and medium-sized businesses, we aim to contribute to inclusive growth and prosperity.

We believe in fostering an inclusive economy where every enterprise, regardless of size, thrives and flourishes.

Manufactured Capital

Unbroken Tradition, Unmatched Innovation

Forging a future of sustainable growth and customer-centric banking.

Our long-term transformation towards increased retail lending forms the foundation of our endeavours to optimize our portfolio mix. By focusing on improved Returns on Assets (ROA) and Equity (ROE), we are committed to delivering enduring value to our stakeholders.



Retail Credit

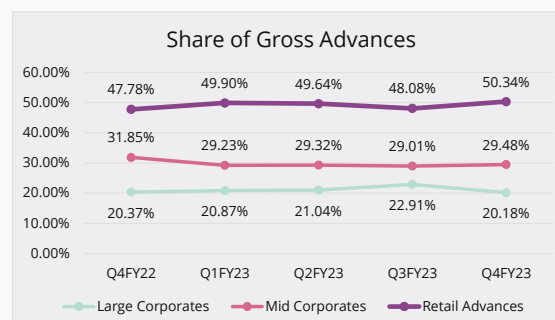
With a passion for innovation and customer-centricity, we continue to offer comprehensive financial solutions that enrich the lives of our customers and build lasting relationships. The Retail Credit division is a cornerstone of our customer-centric approach, catering to the diverse financial aspirations of individuals and small businesses.

Our extensive portfolio includes home loans, automobile loans, personal loans, education loans, loans against term deposits, securities, gold loans, small business banking loans, and agricultural loans. Committed to nurturing growth across various sectors, the Retail Banking division includes all credits up to ₹7.50 Crore in Industry, Service, Agriculture, Forex, and other Business Activities. Notably, our specialized wings dedicated to Agriculture, Forex and SMEs provide tailored solutions to each customer's unique requirements. In the fiscal year, the Retail Banking segment contributed significantly to the Bank's success, earning revenue of ₹3,755.78 Crore and making a notable contribution of ₹1,634.08 Crore to the profit before tax and unallocable expenditure.

Our Journey towards a Retail-Focused Strategy

We have initiated a decisive shift towards a "Retailisation" strategy, aiming for prudent growth in our Retail assets portfolio and a refined composition of Gross Advances. This strategic manoeuvre involves a gradual reduction in the proportion of Large Corporate Loans. Our emphasis is strategically placed on key sectors like Home Loans and Loans Against Gold to achieve an enhanced risk profile and lucrative margins, aligning with our long-term growth vision.

The effectiveness of our retail-centric approach is becoming increasingly apparent. The share of Retail Advances increased to 50.34% in Q4 FY23 from 48.08% in Q3 FY23, while Large Corporate advances saw a decrease to 20.18% from 22.91% within the same period.



Agriculture

Agriculture remains at the heart of India's economy and social fabric, and as such, continues to be a priority for us at Karnataka Bank. Our dedicated Agriculture Credit Support Group within the Retail Finance Division caters exclusively to agricultural credit, reflecting our commitment to India's farmers and rural communities. Through their unwavering efforts, we have seen our agriculture portfolio grow by 7.93% to ₹11,305 Crore in FY2023, contributing significantly to the rural economy and its stakeholders.

Our dedicated support to agriculture and priority sectors signifies our unwavering commitment to fostering sustainable and inclusive growth.

Priority Sector Advances

During the financial year 2023, Karnataka Bank Limited witnessed marginal growth in its priority sector advances, increasing from ₹32077 Crore in FY2022 to ₹32181.73 Crore in FY2023. This growth was primarily driven by a 7.93% increase in the agriculture sector and a 6.94% increase in the advances to weaker sections, despite a slight decrease of 2.88% in other priority sectors. The priority sector advances formed a significant portion of the total advances at 50.78% in FY2023, reflecting a slight decrease from 56.41% in FY22.

Furthermore, the Bank's commitment to regulatory guidelines was evident as it consistently met the Reserve Bank of India's target of maintaining the priority sector lending at 40% of Adjusted Net Banking Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher. On a broader scale, the Bank's total advances experienced a 5.58% growth, rising from ₹56,783 crores in FY22 to ₹59,952 crores in FY23, signifying an overall expansion in the Bank's lending activities.

International Banking

Reflecting our efforts to serve a global clientele and enhance our international presence, we have established four specialized overseas branches located in key metros like Mumbai, Delhi, Kolkata and Chennai and an integrated treasury In Mumbai. These branches offer a range of tailored services to meet the diverse needs of our international customers, enabling us to participate in the global financial ecosystem more effectively.

Treasury Operations

In our bid to enhance our financial stability, our Treasury Operations play a pivotal role. The operations primarily comprise statutory reserves management such as SLR and CRR, liquidity management, investment and trading activities, and foreign exchange activities. We engage in prudent and strategic investments in sovereign debt instruments and other fixed-income securities. This cautious yet dynamic approach led to the treasury operations segment contributing ₹182.23 Crore to our profit before tax and generating total revenue of ₹1276.83 Crore, emphasizing our commitment to financial excellence.

Through prudent management of treasury operations and strategic international banking services, we

Awards & Accolades



MSME Banking Excellence award - 2022

"Our Bank has bagged three prestigious awards, under 'MSME Banking Excellence award- 2022' conferred by Chamber of Indian Micro, Small and Medium Enterprises (CIMSME) during a function held at Delhi on 23.02.2023.

1. **CSR initiative Bank - Winner**
2. **Best MSME Bank - Runner up**
3. **MSME Friendly Bank - Runner up**

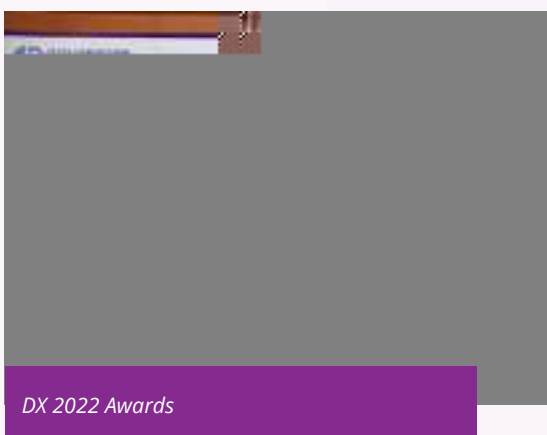
Shri Gokuldas Pai, CBO represented the Bank and received the award from Shri Gajendra Singh Shekhawat, Hon'ble Minister of Jal Shakti, Govt. of India. Present on the occasion were Shri Raja B S & Shri Ravichandran S, General Managers."



18th IBA annual Technology Conference, Expo, & Awards 2022

Karnataka Bank is jubilant to receive prestigious award for "Best Technology Talent – Runner Up "on 05.12.2022 at the 18th IBA annual Technology Conference, Expo, & Awards 2022, Mumbai.

Sri Anantha Padmanabha, GM & CTO receiving the trophy of "Best Technology Talent – Runner Up " along with Sri Pankaj Gupta, CD& MO, Sri Thrivikrama, DGM IT, Sri K Kannan, DGM & CISO and Sri Sharath Chandra Holla P , DGM & CTrO



DX 2022 Awards

Bank wins 3 National Digital Transformation Awards.

Shri Mahabaleshwara M S, MD&CEO, Shri Jagadeesh K S, DGM, RO-Delhi & Shri Sharath Chandra Holla P, DGM, Transformation Cell-HO are seen receiving the 3 National Digital Transformation Awards in a function held at New Delhi on 18.10.2022. Bank is awarded with the prestigious 'DX 2022 Awards' conferred by Confederation of Indian Industry [CII] for Best Practice in Digital Transformation under BFSI segment in recognition of the 'Innovative Excellence' in three categories viz. 'KBL HR NxT - Employee Engagement', 'KBL Operations NxT - Operational Excellence' and 'KBL Customer NxT - Customer Experience'."

Karnataka Bank wins 'Prathista Puraskar – Digidhan Award' from MeitY for highest percentage in BHIM-UPI transactions.

Karnataka Bank was awarded with 'Prathista Puraskar' under 'Digidhan Awards 2021-22' by Ministry of Electronics and Information Technology (MeitY), Govt of India for achieving target with highest percentage in BHIM-UPI transactions in Private Sector Bank category.



Prathista Puraskar - Digidhan Awards 2022

Speaking on the achievement Shri. Mahabaleshwara M.S, Managing Director & CEO of Karnataka Bank said "We are happy to receive this award from the Govt. of India and consider it as a recognition for our efforts to carry out our Nation's vision to accelerate the Digital Payment Ecosystem in the Indian economy. Labelled as 'KBL-NxT', the Bank is currently undertaking an accelerated digital drive under its Transformation Journey 'KBL VIKAAAS 2.0'. I also feel that this award is an ideal tribute to the founding fathers of this great institution as Karnataka Bank is stepping into its 100th year of its fruitful existence."

Representing the Bank, Shri. Gokuldas Pai, Chief Business Officer and Shri. Jagadeesh K S, Deputy General Manager, Delhi-Region received the award from Shri. Ashwini Vaishnaw, The Minister for Electronics & Information Technology, Communications and Railways, Govt of India on February 09, 2023 at New Delhi.



ASSOCHAM Excellence Award - 2022

"Bank bags ASSOCHAM Excellence Award

Bank has been conferred with ASSOCHAM Excellence Award – Runner up in category Lending, under Small Bank class in the 17th Annual Summit & Awards, Banking & Financial Sector Lending Companies, in a glittering function held at Mumbai on 08.09.2022. Shri Ravichandran S, General Manager is seen receiving the award from Shri M Rajeshwar Rao, Deputy Governor, RBI."



Agriculture Infrastructure Fund Award - 2022

"Bank bags Agriculture Infrastructure Fund Awards 2022

Shri Jagadeesha K S, DGM and Shri Prajwal Gunjal, Chief Manger, RO-Delhi are seen receiving the award bagged by Bank for achieving campaign target under Agriculture Infrastructure Fund (AIF) from Shri Narendra Singh Tomar, Union Minister of Agriculture on 30.07.2022 at PUSA, Delhi, organised by Ministry of Agriculture & Farmers Welfare."

Financial Capital Building a Resilient Balance Sheet

Ensuring Sustainable Growth and Digital Excellence.



UNSDGs: →



Strategic Pillars →



Business Model Component →



Material Issues →

13, 23, 33, 43

Our financial performance in FY2023 underscores our resilience and ability to create shared value. This allows us to invest in the future, fostering sustainable development and accelerating digital transformation.

Embracing our centennial legacy and future aspirations, we are steadfast in our mission to balance traditional wisdom with innovative strategies, shaping a future where trust, growth, and technological advancement converge and together we are stepping into a future of shared prosperity. As we celebrate our centennial at Karnataka Bank, we are committed to consolidating our financial strength as a foundation for sustainable growth and digital evolution. Our “A Century of Trust. A Future of Growth” theme reflects our firm dedication to prudent capital management and fiscal responsibility, ensuring business continuity, growth, and consistent shareholder returns. We leverage innovative technologies and sustainable banking practices to create lasting value for our stakeholders.

Our encouraging financial performance in FY2023 serves as a robust foundation for our strategic objectives of sustainable growth and digital excellence. Solid financial health denotes our steady growth and resilience, providing essential resources for future investments. This financial strength facilitates our ability to finance green initiatives, promote financial inclusion, and support critical sectors such as renewable energy and small and medium-sized enterprises (SMEs).

In line with the Bank’s vision to a digital bank, we have identified the need for investments in artificial intelligence, blockchain, and cybersecurity and earmarked sufficient resources in this regard. This digital transformation not only enhances customer experiences but also boosts operational efficiency through automation and data analytics, forming a virtuous cycle of financial performance enhancement

Particulars	FY2023	FY2022	Change
Interest earned	₹7220.23 Crore	₹6221.66 Crore	16.05 %
Interest expended	₹4035.13 Crore	₹3730.63 Crore	8.16 %
Net Interest Income	₹3185.10 Crore	₹2491.03 Crore	27.86 %
Net Interest Margin	3.70 %	3.18 %	52 bps
Yield on Advances	9.41 %	8.84 %	57 bps
Cost of Deposits	4.66 %	4.66 %	-4 bps
Interest Spread in Lending	4.79 %	4.18 %	61 bps

Financial Capital

Building a Resilient Balance Sheet

Ensuring Sustainable Growth and Digital Excellence

₹5 Per Share.

Board Decision: Dividend Proposition

132.05%

YoY growth in Net Profits

27.86%

YoY growth in Net Interest Income

8.71%

YoY growth in CASA Deposits

₹87,368 cr

Total Deposit base FY2023

7.40%

YoY growth in Total Business

5.58%

YoY growth in Advances

8.68%

YoY growth in Deposits

4.03%

YoY growth in Retail Advances

7.93%

YoY growth in Agriculture Advances

10.63%

YoY growth in Mid Corporate Advances

5.11%

YoY growth in Corporate Advances

16 bps

YoY reduction in Gross NPA

72 bps

YoY resuction in Net NPA

17.45%

YOY growth in CRAR - enhancement of Financial Strength

14.18%

YoY growth in CET1 Ratio

A robust financial performance, marked by proficient cost and risk management, instils confidence in our stakeholders, including customers, employees, investors, and regulators. It solidifies their belief in our ability to fulfil our sustainability commitments and effectively navigate the digital transition.

Financial Performance for FY2023

In this chapter, we look into an inspiring journey of growth and transformation that has been the hallmark of our fiscal year 2023. We have witnessed notable strides in key performance indicators, including growth in Advances, an improved Net Interest Margin (NIM), and the retention of a stable CASA base. Notably, Return on Assets (ROA) rose from 0.56% in FY2022 to a robust 1.21% in FY2023.

As we navigate the ever-evolving financial landscape, our commitment to digital transformation and strategic emphasis on 'Retailisation' emerge as significant driving forces. Our Retailisation strategy aims at accentuating the more profitable retail business, while prudently reducing the share of Corporate Loan advances. The emphasis on sectors like Home Loans and Loans against Gold underlines our commitment to improving our risk profile and margins.



The operating profit climbed from ₹1,634 crore in March 2022 to ₹2,208.03 crore in March 2023. The surge in our operating profit underlines the robustness of our financial health and operational efficiency, serving as a solid foundation for delivering enhanced value to our stakeholders. During the same period, we reported an all-time high net profit of ₹1,180.24 Crores, up by 132.05% YoY.

The quality of assets is a vital measure of a bank's financial well-being. In FY 2022-23, we contained Gross Non-Performing Assets (NPAs) and Net NPAs by 16 basis points (bps) and 72 bps, respectively. This reduction is

a positive development, suggesting a lower proportion of defaulted loans and emphasising our effective credit risk management. Moreover, we have fortified our position with a Provision Coverage Ratio (PCR) of 80.86% and a Capital to Risk Weighted Assets Ratio (CRAR) of 17.45%. These figures affirm our readiness to cover potential loan losses and our prudence in maintaining ample capital to offset reasonable losses, underscoring our risk management acumen.

₹8,212.81 *cr.*

Total income generated in FY2023

₹2,208 *cr.*

Net Profit for FY2023

A significant contributor to our profitability, the Net Interest Income (NII), experienced a surge of 27.86%, reaching ₹3,185.10 Crore from ₹2,491.03 Crore. This increase in NII was powered by a 16.05% growth in interest income, showing our successful interest income strategy. We also improved our Net Interest Margin (NIM) by 52 bps to 3.70% and our Yield on Advances by 57 bps to 9.41%. At the same time, we managed to decrease the Cost of Deposits by 4 bps to 4.62%. Additionally, our Interest Spread in Lending rose by 61 bps to 4.79%, signifying a more profitable lending business.

We've made significant strides in enhancing our financial management, evidenced by an increase in both the Net Interest Margin and Yield on Advances, coupled with a decrease in the Cost of Deposits. Alongside this, the rise in our Interest Spread in Lending points to a more profitable lending business, mirroring our successful lending practices.

These critical financial indicators affirm our robust growth strategy, underscore our effective risk management practices, and highlight our cost control measures. These collective achievements contributed to our strong financial performance in FY 2022-23, further establishing our commitment to sustainable and responsible growth.

Financial Capital

Building a Resilient Balance Sheet

Ensuring Sustainable Growth and Digital Excellence

Embracing Change for Optimal Returns: Notable Progress in Financial Year 2022-23

In our quest to deliver optimal returns, we have adapted, evolved, and achieved considerable progress in the fiscal year 2022-23. The journey has been centred around maintaining financial stability, driving sustainable growth, and improving capital efficiency, all of which have underpinned our transformation theme.

1.21%

Return on Assets (RoA) for FY2023
Catapulted to 1.21% in FY 2023 from 0.56% in FY 2022, up by 65 bps.

15.42%

Return on Equity (RoE) surged from 7.41% in FY2022 to 15.42% in FY2023, up by 801 bps

Deposit Stability: Maintaining a robust deposit base is a cornerstone of our financial stability. As of March 31, 2023, our CASA (Current Account Savings Account) deposits accounted for 32.97% of total deposits. Given the lower interest rates of these accounts compared to term deposits, the higher CASA ratio leads to a lower cost of funds. This triumphant preservation of a stable deposit base enhances our net interest margin and bolsters profitability.

Capital Efficiency: We have successfully enhanced our capital efficiency on the path of sustainable growth and resilience. Our business turnover witnessed a healthy surge from ₹137,169.99 crore in FY2022 to ₹147,319.63 crore in FY2023. Our capital efficiency has also been reflected in the substantial increase in our Return on Assets (RoA) and Return on Equity (RoE) demonstrating our adeptness at optimising asset utilisation and effective management in generating shareholder value.

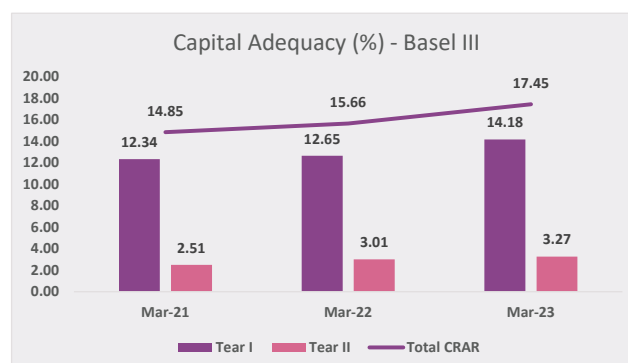
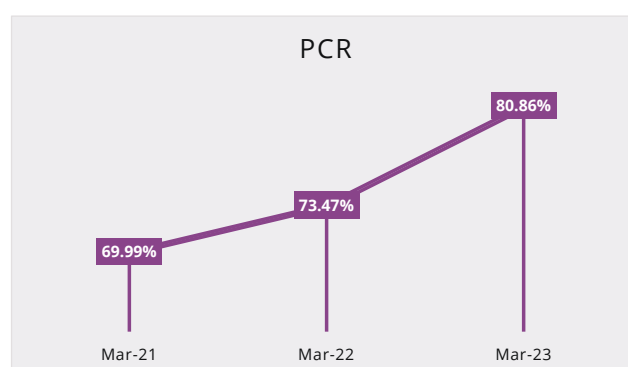
Prudent Lending and Risk Management: The journey has not been without its challenges. Yet, the Bank's proactive risk management strategies have significantly improved asset quality as reflected in the decline of both Gross and Net NPA ratios.

Future Preparedness: Our preparedness for future challenges has also been strengthened. The Provision Coverage Ratio (PCR), indicative of the funds allocated to cover potential loan losses, escalated from 73.47% in FY2022 to 80.86% in FY2023. This provides for a stronger buffer to cushion against potential future loan losses. Adding to this resilience is the upward trend in the Capital-To-Risk Weighted Assets Ratio (CRAR), a critical metric of our Bank's financial strength, which increased from 15.66% in FY2022 to 17.45% in FY2023. This progress fortifies our ability to absorb losses and sustain regular operations.

We remain committed to carrying forward this momentum, navigating the changing financial landscape, and delivering exceptional value to our stakeholders.

In our quest to deliver optimal returns, we have achieved notable progress in FY2022-23, maintaining a robust deposit base, driving prudent lending, enhancing capital efficiency, managing risk, and strengthening future preparedness.

With the improved fundamentals we have leveraged our financial stability to drive revenues, optimise asset utilisation, and generate significant shareholder value. This success is also reflected in the declining NPA ratios and increased PCR and CRAR, strengthening our resilience and readiness for future uncertainties.





Strides in Asset Quality Enhancement

In FY2023, we continued our focus on improvement of asset quality, resulting in significant strides that further underline our commitment to prudent banking practices. As a measure of an advance's recoverability, asset quality is crucial to a bank's operations and risk management. It evaluates a borrower's payment behaviours, including timely interest and instalment payments, among other key parameters.

As we aimed to foster this integral aspect of banking, the Bank witnessed substantial reductions in both Gross and Net Non-Performing Assets (NPAs). The Gross NPA reduced from 3.90% in FY2022 to 3.74% in FY2023. This marks a reduction of 16 basis points (bps), which testifies to our dedicated efforts in managing and diminishing credit risk.

FY2023 was marked by an unwavering focus on improving asset quality. The significant strides in this direction strengthened the Bank's financial standing and reinforced our commitment to uphold the highest standards of banking practices.

Simultaneously, the Net NPA, derived by reducing cumulative balances of provisions outstanding at a period-end from Gross NPA, witnessed a more significant reduction. The ratio decreased from 2.42% in FY2022 to 1.70% in FY2023, amounting to a decrease of 72 basis points. This reduction reflects the Bank's

(16)_{bps}

Gross Non-Performing Assets (GNPAs) reduced by 16 bps, from 3.90% in FY2022 to 3.74% in FY2023

(72)_{bps}

Net Non-Performing Assets (NNPAs) decreased by -72 bps, from 2.42% in FY2022 to 1.70% in FY2023

proactive and effective strategies in managing non-performing assets, resulting in a healthier and more robust loan portfolio.

Further reinforcing the Bank's asset quality was the increase in the Provision Coverage Ratio (PCR). The PCR, which estimates the funds a bank has set aside to cover potential loan losses, increased from 73.47% in FY2022 to 80.86% in FY2023. This increase indicates a stronger buffer for potential future loan losses, contributing to the Bank's financial resilience and stability.

Our robust recovery strategy also demonstrated our commitment to improving asset quality. Despite challenges, the Bank successfully managed total recoveries in Technically Written Off accounts to the tune of ₹283.41 Crore.

Financial Capital

Building a Resilient Balance Sheet

Ensuring Sustainable Growth and Digital Excellence

Optimal Liability Management: Key to our Sustainability Commitment

Our impressive surge in Domestic Advances, notably in Retail, Agriculture, MSME serves as a testament to our focus on championing financial inclusion. By extending loans to these sectors, we are aiding in job creation, poverty eradication, and fostering economic resilience—integral aspects of socio-economic sustainability. The strong retail deposit portfolio showcases our customers' trust and faith in us.

Our surge in Domestic Advances, notably in Retail, Agriculture, MSME serves as a testament to our focus on championing financial inclusion. By extending loans to these sectors, we are aiding in job creation, poverty eradication, and fostering economic resilience—integral aspects of socio-economic sustainability. The strong retail deposit portfolio showcases our customers' trust and faith in us.

8.71%

YoY Growth in CASA Deposits

32.97%

Share of CASA

This validates our sound fiscal management and signifies the depth of our relationships with our customers. Being a Bank steadfast in its commitment to sustainability, this trust paves the way for us to actively involve our customers in our sustainability endeavours, inspire them to consider sustainable investment and savings alternatives, and facilitate the redirection of more funds towards green projects.

Our effective liability management, with a CASA ratio of 32.97%, and large retail base reflects our robust financial resilience. It forms the bedrock of our lending power, fostering economic resilience, and supporting sectors vital for sustainable development. These metrics are a testament to our customers' trust, enabling us to redirect more funds towards green initiatives and promote financial inclusion.

During the year, our CASA deposits in absolute terms have grown and the share of CASA in total deposits has been stable, despite northward movement of deposit interest rates emphasising our ability to retain a stable and low-cost deposit foundation. This cost-effective fund source bolsters our ability to provide affordable financial services, a critical driver for promoting financial inclusion and socio-economic sustainability.

Boosting Productivity: A Key Contributor to Our Evolutionary Journey

As we continue to navigate our transformative journey, one of the standout aspects of our operational performance has been our robust productivity ratios. We proudly report that our productivity has continued to show a steady uptick in FY2023.

Our operating profit per employee increased from ₹0.19 crores in FY2022 to ₹0.26 crores in FY2023. This signifies our employees' effective role in our overall operational performance. Similarly, the operating profit per branch has also shown considerable growth, moving from ₹1.86 crores in FY2022 to ₹2.45 crores in FY2023, thereby reflecting the efficiency of our branch network. Furthermore, our business per employee

0.26 cr

Operating Profit per Employee: The operating profit per employee increased from ₹0.19 Cr in FY2022 to ₹0.26 Cr in FY2023, indicating the Bank's successful strategy in maximising the effectiveness of its workforce.

2.34 cr

Operating Profit per Branch: There has been substantial growth in the operating profit per branch, from ₹1.86 Cr in FY2022 to ₹2.45 Cr in FY2023.

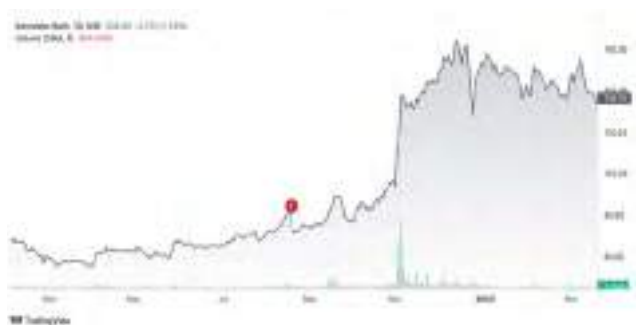
and business per branch figures have continued to ascend, reinforcing our successful customer-centric strategy. This is evident from the increase in business per employee from ₹16.10 crores to ₹17.03 crores and the rise in business per branch from ₹156.41 crores to ₹163.51 crores.

Simply put, these improvements in our productivity ratios are a tangible manifestation of our Bank's philosophy of continuously adapting, transforming, and optimising our resources and serve as a critical indicator of our Bank's efficiency and operational prowess, effectively translating into superior value creation for our stakeholders.

Value Creation for our shareholders

In FY2023, the Bank made significant strides in demonstrating the value proposition to our shareholders. Here, we present a summary of key capital market indicators for the Bank, reflecting our continued focus on generating sustainable shareholder returns.

Market Capitalisation: Market capitalisation is the aggregate value of a company's outstanding shares, representing the company's total market value. In FY2023, our market capitalisation showed a remarkable improvement, starting from ₹1784.79 crore at the beginning of the financial year and closing at ₹4250.60 crore by the end of FY2023.



Dividend: The dividend is a significant part of the total returns for our shareholders. In FY2023, our Bank has proposed a dividend of ₹5.00 per share, showcasing our commitment to sharing the fruits of our growth with our stakeholders.

Return on Equity (ROE) / Return on Assets (ROA):

These are key financial performance indicators. ROE measures the return generated on the equity capital invested by the shareholders, while ROA demonstrates how effectively we utilise our assets to generate

earnings. For FY2023, the Bank's ROE and ROA stood at 15.42% and 1.21%, respectively, indicating a successful year in creating value for our stakeholders and optimally utilising our assets.

Earnings Per Share (EPS): EPS is an important financial indicator that provides insight into a company's profitability. In FY2023, our EPS (basic) increased from ₹16.36 at the beginning of the year to ₹37.88 by the end of the year, showcasing the robustness of our earning capacity.

₹37.88

Earnings Per Share (EPS) for FY2023

₹16.36

Earnings Per Share (EPS) for FY2022

Price-to-Earnings (PE) Ratio: The PE ratio is used by investors to assess the relative value of companies. Our PE ratio started at 4.30 at the beginning of FY2023 and ended the year at 4.43, reflecting investors' confidence in our earnings potential.

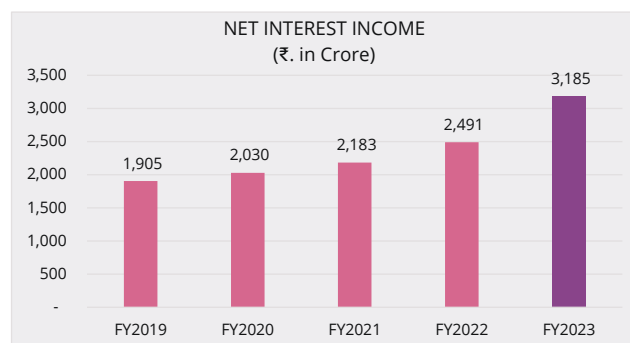
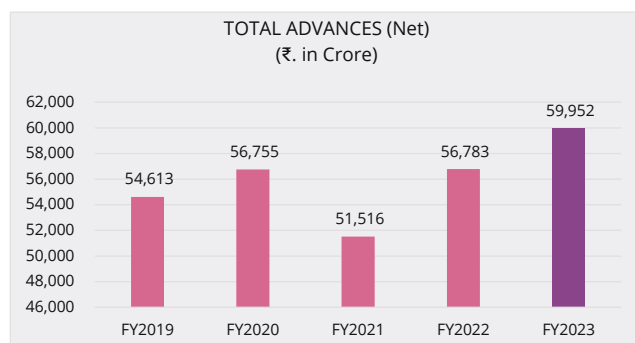
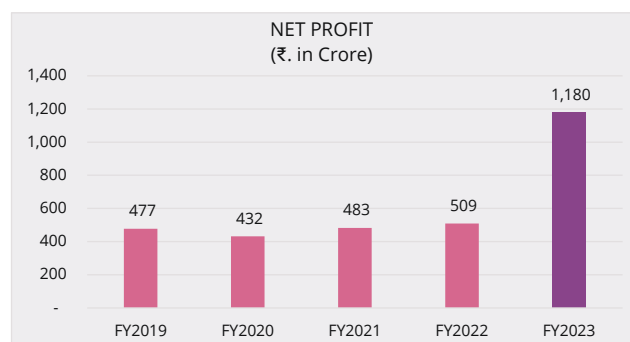
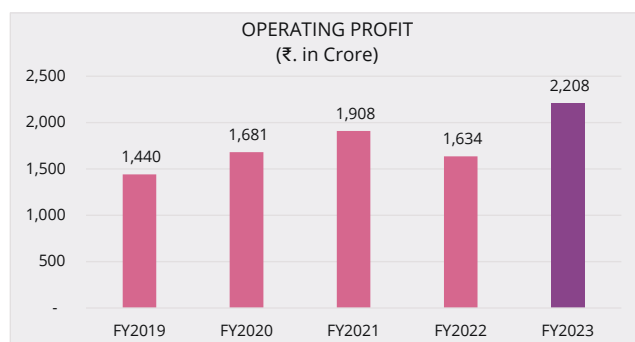
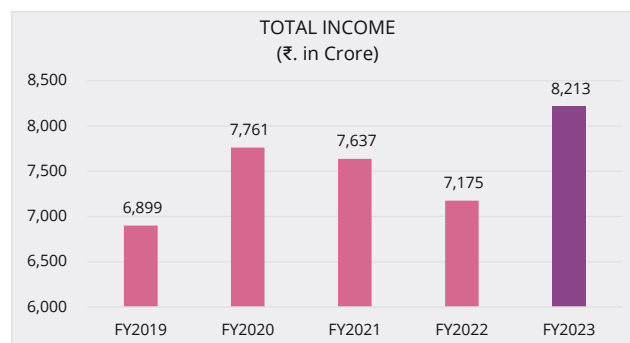
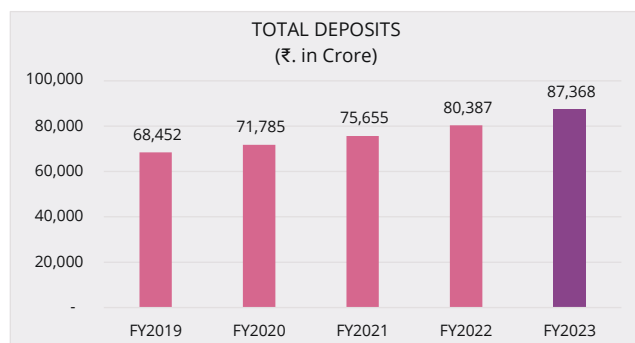
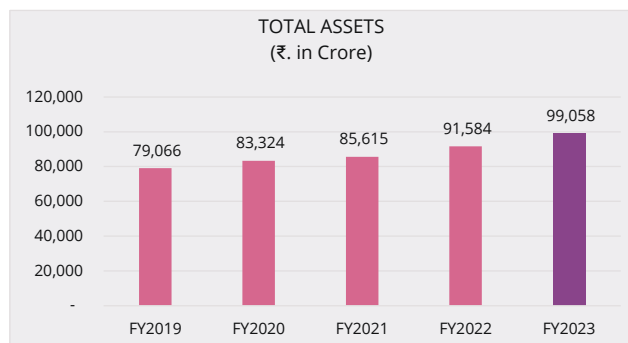
Price-to-Book (PB) Ratio: The PB ratio compares a company's market capitalisation to its book value. In FY2023, our PB ratio demonstrated an upward trend, starting from 0.31 and ending the year at 0.60.

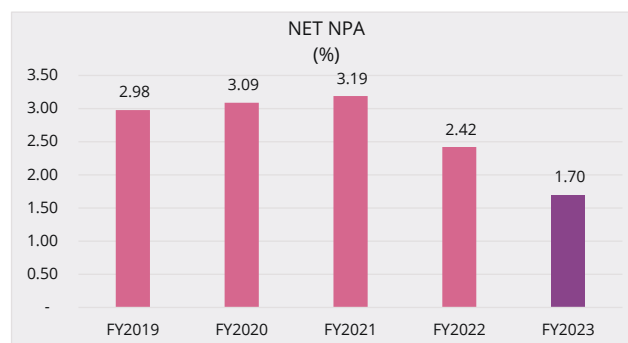
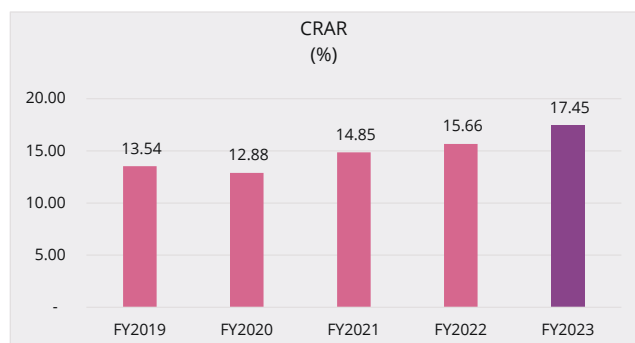
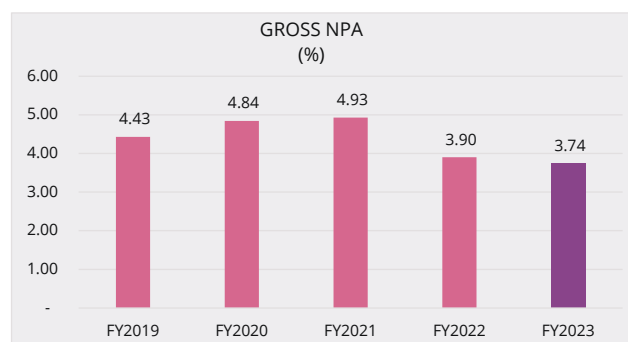
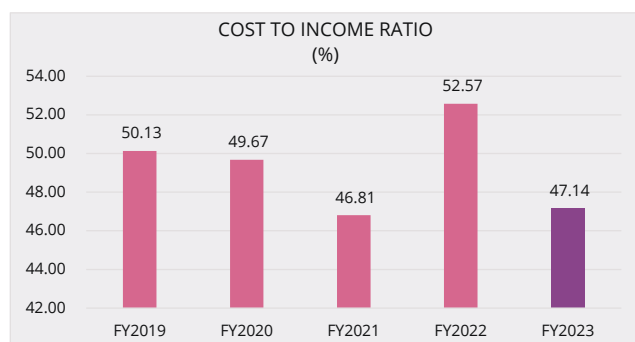
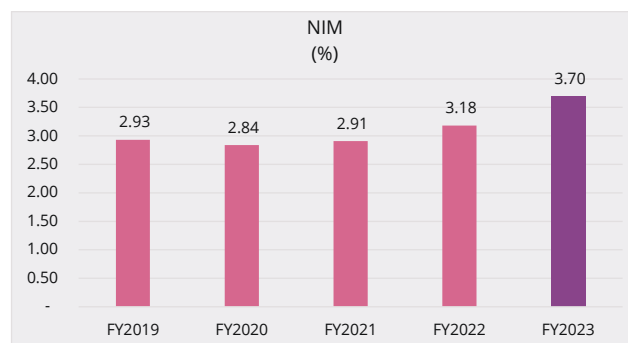
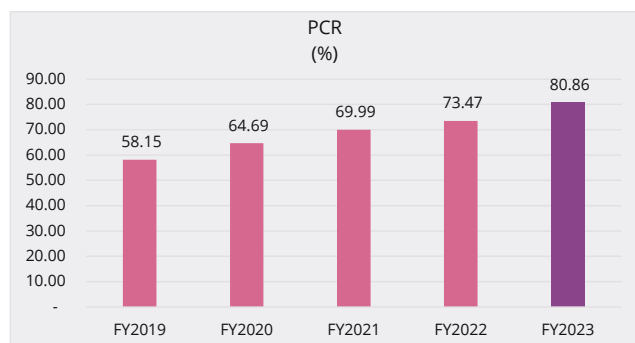
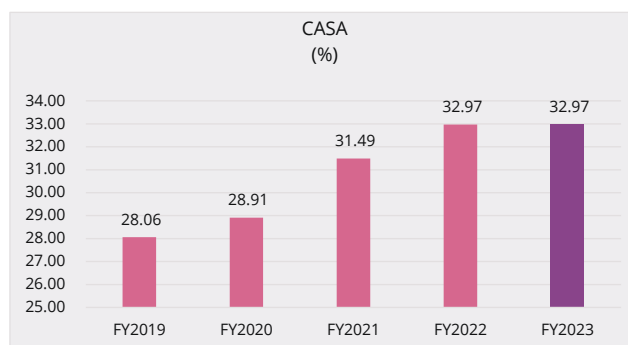
In FY2023, our bank's performance indicators have brilliantly reflected our continued focus on generating sustainable shareholder returns. The remarkable improvement in our market capitalisation, a generous dividend payout, the robustness of our ROE and ROA, and an increase in earnings per share from ₹16.36 to ₹37.88 are all testaments to this commitment. We are not just growing, we are growing while optimizing our resources and creating superior value for our stakeholders.

Financial Capital

Building a Resilient Balance Sheet

Ensuring Sustainable Growth and Digital Excellence





pital Research



As we commemorate our centennial, Karnataka Bank celebrates not only a legacy of trust but also a commitment to the future. Our intellectual capital, crystallised through our digital transformation journey, is a cornerstone of our strategy to become the most respected private sector bank in India. Pioneering technological developments and harnessing the power of digital platforms have allowed us to optimise our operations, enhance our offerings, and solidify our commitment to unparalleled customer service.

As we enter the next century of operations, we are committed to continually innovating, expanding, and improving our digital initiatives. Our quest for a digital revolution, fuelled by our robust intellectual capital, is a testament to our dedication to our customers, employees, and stakeholders.

>90%

Digitally Sanctioned Loans

Over 90% of Home Loans, Car Loans, and MSME Loans were sanctioned digitally by March 31, 2023.

>2.9 mn

Registered Users of KBL Mobile

The mobile banking application, KBL Mobile, has more than 2.9 million registered users as of March 31, 2023.

>6.1 mn

Mobile Banking Transactions during March 2023

Over 6.1 million mobile banking transactions in the month of March 2023 alone.

Harnessing Digital Innovation: Streamlining Journeys and Amplifying Services

In our quest to provide more accessible, user-friendly services, we have introduced a slew of digital products and services. We launched Mobile Banking tailored for Non-Residential Indians, and expanded our language options to include regional dialects, ensuring that our services resonate with the cultural diversity of our client base. Our revamped KBL Mobile Plus app now provides a modern user interface, contributing to a smoother, more intuitive customer experience.

Innovation is the compass that guides our journey, leading us to uncharted territories of digital excellence.

To support our pursuit of digital supremacy, we established additional Digi-Centres in Yelahanka and Hulimavu in Bengaluru, Oshiwara in Mumbai, and at our existing location at the Mannagudda branch, Mangaluru. We pioneered the introduction of Digital Banking Units in Mangaluru and Mysore, paving the way for an increasingly digital future.

Intellectual Capital Progress Through Research Navigating the Digital Frontier.

Our 'Digital Human Interactive Relationship Assistant' (Dhira) now graces our corporate website, extending an interactive, human touch to our digital banking services. We further enhanced our Mobile Banking and Internet Banking applications with an array of features, such as online KYC updates, online form submission (15G/H), and online Safe Deposit Locker Booking.

Embracing Emerging Technologies: The Key to our Digital Revolution

Our dedication to embracing advanced technologies is evident in our digital sanctioning process. As of March 31, 2023, over 90% of our Home Loans, Car Loans, and MSME Loans were sanctioned digitally. In total, 93.48 % of our transactions were executed through digital channels.

Embracing emerging technologies is not just our strategy; it's our ethos. It's the commitment to our customers to deliver an exceptional banking experience.

Our digital underwriting initiatives have resulted in an exceptionally high customer rating across various segments, showcasing our commitment to customer satisfaction. Our KBL Xpress Cash initiative has been particularly impactful, with 100% digital underwriting on eligible sanctions and an impressive customer rating of 4.51 on a 5-point scale.

Digital Leadership Milestones: Trailblazing a Digital Path

Our foray into the digital sphere has led to several achievements that have strengthened our leadership position. The launch of 'KBL SAMRIDDHI', our wealth management product, and banking services through WhatsApp channels highlight our constant endeavours to offer innovative solutions to our customers.

Each digital milestone achieved is a testament to our steadfast commitment towards delivering advanced, seamless, and secure banking solutions.

We went live with UPI Mapper and UPI GST enhancements under NPCI Projects, and integrated a new tool, 'eTHIC', for automating Audit Functions. We also executed the integration of our systems to the National Portal (Jan Samarth) for credit-linked Government schemes, while implementing 'KBL Finsurance', our digital insurance platform, with seamless integration of insurers.

KBL Mobile: A Dynamic Digital Interface

KBL Mobile, our mobile banking application, has registered a phenomenal response, with more than 2.9 million registered users as of March 2023. The application recorded over 6.1 million transactions in March, averaging around 68,000 transactions per day, with a daily transaction value exceeding ₹156 crores.

Our dynamic digital interface, KBL Mobile, personifies our commitment to offering banking on the go, making financial management easier, more efficient, and more accessible.

Safeguarding Our Digital Domain: Implementing Cyber Security Measures

In the face of escalating cyber threats, we have prioritised security to safeguard our customers' financial data. We have implemented the 'Cyber Security Framework' as per RBI guidelines and fortified our information systems with various security applications.



Our in-house 'Security Operations Center (SOC)' is equipped with 'Security Information Event Management (SIEM)' tools to monitor logs and ensure swift response to security threats. We have also established Digital Payment Security Controls for our Alternate Delivery Channel (ADC) products and adhere to the cyber security controls prescribed by the RBI's Cyber Security Framework.

In our digital sphere, safety is not just a priority but a fundamental necessity, a promise to our customers of a secure digital banking experience.

Karnataka Bank's ACoE: Transforming into the Digital Bank of the Future

Based in Bengaluru, India, Karnataka Bank's Analytical Centre of Excellence, often abbreviated as ACoE, has a clear and ambitious vision: to emerge as the "Digital Bank of the Future." This strategy is predicated on the use of data and analytics as key components of their business processes, ultimately leading to data-driven decision-making.

Embedding data and analytics in business processes, Karnataka Bank seeks to drive data-driven decision-making, aiming to emerge as the Digital Bank of the Future.

The ACoE has a multi-faceted set of objectives, each of which strengthens its digital transformation initiative:

Robust, Cloud-Enabled, Scalable Data Infrastructure: They aim to create a powerful and scalable data infrastructure, leveraging the benefits of cloud technology. This will serve as the backbone of their data and analytics initiatives, enabling efficient and secure storage and processing of massive amounts of banking data.

Develop Predictive, Business/Strategy & Descriptive Analytics Use-Cases: Through the utilisation of advanced analytics, the ACoE plans to build various use-cases that include predictive analytics for forecasting trends and behaviours, business, and strategy analytics for improving decision-making, and descriptive analytics for providing a comprehensive view of the Bank's operations and customers.

Unified, Scalable, Central Data Repository Solution & Processing Infrastructure: To support the vast scope of its digital ambitions, the ACoE envisions a unified, scalable, and central data repository solution. This centralisation will streamline data management and processing, providing a holistic view of data and facilitating more effective analytics.

Integrate Analytics with Business Processes to Enable Data-Driven Decision Making: The ACoE aims to tightly weave analytics into all business processes, ensuring that decisions at all levels of the Bank are informed by accurate, timely data.

Upskilling In-House Analytics Resources for Seamless Business Continuity: Recognising the importance of human capital in the digital transformation journey, ACoE is committed to upskilling its in-house analytics resources. This will ensure that their workforce is fully equipped with the necessary skills to navigate the digital landscape and provide seamless business continuity.

Measure & Achieve Defined Business Outcomes from Analytics Use-Cases: Finally, the ACoE plans to implement comprehensive measures to track the success of their analytics use cases. By defining and quantifying business outcomes, they can ensure that their digital transformation efforts are delivering tangible benefits.



Intellectual Capital

Progress Through Research

Navigating the Digital Frontier.

Digital Banking: Robust Technology and Advanced Digital Platforms

Karnataka Bank has made significant strides in enhancing its digital capabilities to offer customers a seamless and efficient banking experience. Leveraging robust technology and advanced digital platforms, the Bank has transformed its services to meet the changing needs of its clients.

Strong Information Security Framework: The Bank's commitment to securing customer data is demonstrated by the accreditation of its Information Security Management System (ISMS) with the "ISO 27001:2013" certificate. This certification, which encompasses the Bank's Data Centre/ IT Cell, Near line Site [NLS], and Information Technology Department, including the Disaster Recovery site [IT & DR], affirms the robust security measures in place to protect sensitive information.

Digital Sanction of Loans: Karnataka Bank has effectively integrated technology into its loan sanction process, offering digital sanction of Home Loans, Personal Loans, Car Loans, 2-wheeler Loans, and MSME Loans. It has also simplified the process of opening Savings Accounts through Tab Banking, thus making banking services more accessible to customers.

State-of-the-Art IT Setup: A state-of-the-art IT setup supports Anytime, Anywhere Banking through alternate delivery channels. These channels include ATMs, VISA International Debit Card, RUPAY Debit Card, Internet Banking, Mobile Banking, IMPS, e-lobby and more, offering customers a wide range of options to conduct their banking activities.

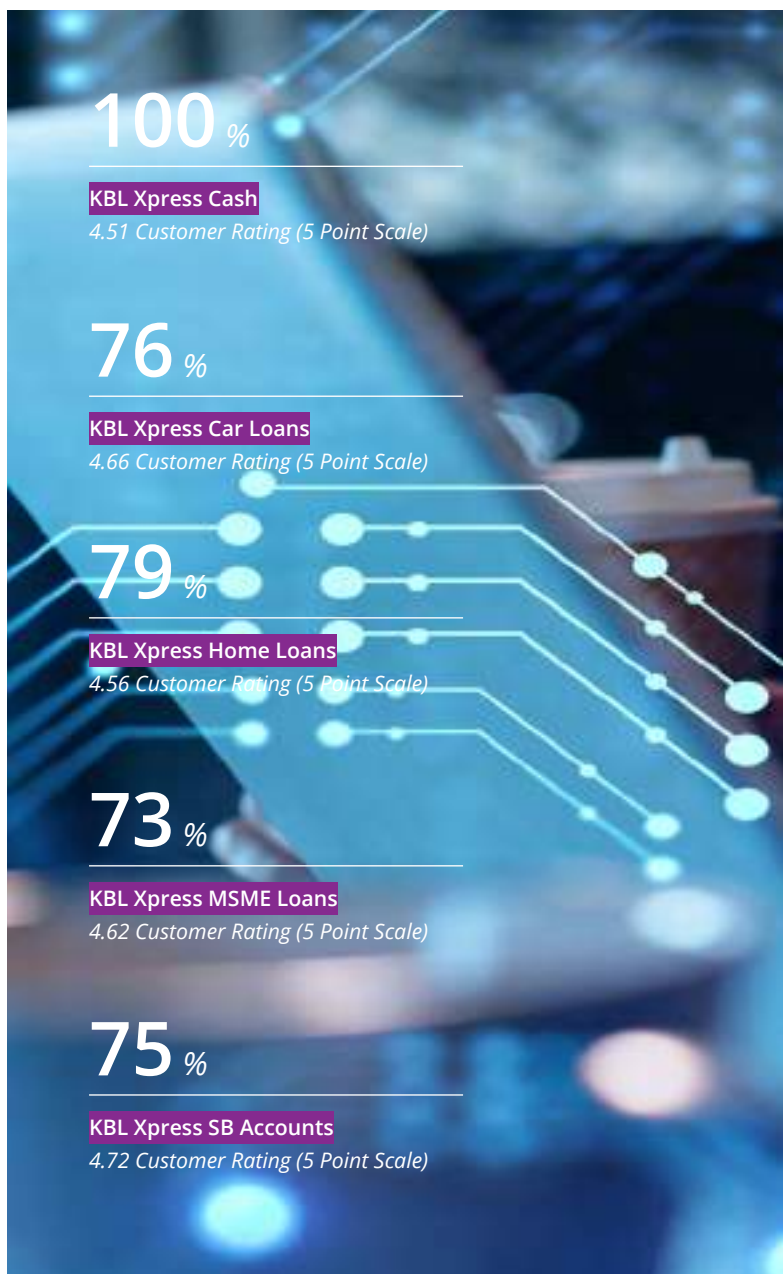
Through these robust technologies and digital platforms, Karnataka Bank continues to pioneer in the field of digital banking, ensuring its customers can manage their finances with ease and confidence.

Early Adopter of Core Banking Solution: Karnataka Bank is a pioneer among first-generation private sector banks in implementing "Finacle (CBS)", a comprehensive core banking solution. This has allowed the bank to streamline operations and provide efficient, personalised services to its customers.

Digital Sales and Investments: The bank has leveraged its digital platforms to offer insurance policies and Mutual Fund products through its Mobile Banking and Internet Banking platforms. Its partnership with 'FISDOM' offers customers a unified platform to buy Mutual Fund products. In addition, the bank has

facilitated the online opening of Demat & Trading accounts through KBL-Smart Trade, making investment more convenient and straightforward.

Mobile Banking Solutions: The 'KBL-Mobile Plus' Mobile Banking app and the 'BHIM KBL UPI' App on Unified Payment Interface stand as testimonials to the bank's efforts to simplify banking for its customers. These apps offer a wide range of services, providing customers with a secure and convenient banking experience on their mobile devices.



Digital Banking: The Digital Centre of Excellence (DCoE)

The Digital Centre of Excellence (DCoE) at Karnataka Bank has been instrumental in accelerating the Bank's digital transformation. The DCoE, acting as a catalyst, promotes a digital-first approach that enhances the bank's reach and effectiveness. A strong network of Digital Leads plays a crucial role in enabling this digital reach. It also aids in risk reduction, thereby improving the asset quality of the bank. This is evidenced by the bank's CIBIL V3 score portfolio, which stands

impressively at over 79.4% for scores above 701. As a demonstration of its commitment to customer service and personalisation, the DCoE has addressed over 30,000 customer queries in the capacity of Xpress Loan assistance and has helped more than 24,000 customers by matching their needs to the services offered by the bank. Through its efforts, the DCoE continually redefines the digital banking experience at Karnataka Bank, enhancing accessibility and personalisation for its customers.



Natural Capital Respect for Nature

Steering Towards Sustainable Growth.



UNSDGs: →



Strategic Pillars →

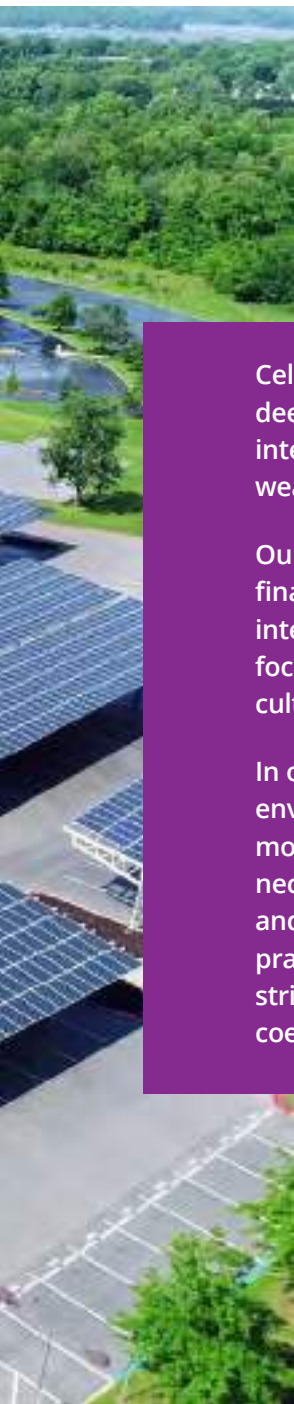


Business Model Component →



Material Issues →

1, 3, 4, 6, 8, 9, 26, 27, 28, 30, 32, 33



Celebrating a remarkable century in service, Karnataka Bank continues to honour its deep-rooted commitment to sustainable growth and development. Recognising the intertwined nature of our prosperity with the preservation of the planet, we seamlessly weave the stewardship of natural resources into the fabric of our operations.

Our understanding of success transcends beyond the conventional benchmarks of financial capital. We comprehend the inherent significance of the natural capital we interact with, rely upon, and impact our journey. Our efforts, therefore, are steadfastly focused on diminishing our environmental footprint while fostering a climate-conscious culture within our organisation and beyond.

In our commitment to creating a symbiotic relationship between economic progress and environmental conservation, we actively guide our stakeholders towards a greener and more sustainable future. We envision this shift as an afterthought and a proactive and necessary transformation. It is an approach that encompasses our operational decisions and the wider sphere of our influence to inspire, empower and facilitate sustainable practices at every level. This way, our legacy will be measured in business growth and the strides we make towards environmental stewardship, marking a future where prosperity coexists with sustainability.

Climate Strategy: Commitment and Collaboration

As the world grapples with the profound and escalating impact of climate change, we are not only acknowledging, but wholeheartedly embracing our pivotal role in driving sustainable practices within the banking sector. Our strategic approach towards combating climate change and fostering a greener future hinges upon a dual-pronged commitment.

Firstly, we have dedicated ourselves to proactively managing climate-related risks that may arise in our course of operations.

This commitment manifests in our everyday business decisions, where we factor in the potential environmental implications alongside the financial ones. By doing so, we ensure that our pursuit of growth does not compromise the health of the planet we rely upon.

Secondly, we have commenced alignment of our operations with globally recognised standards and guidelines aimed at environmental preservation. Adhering to these standards provides us with a

Natural Capital Respect for Nature Steering Towards Sustainable Growth.

comprehensive and well-established framework to ensure our practices not only minimise harm but also contribute positively to the environment.

Our climate strategy is rooted in commitment, collaboration, and global standards.

Moreover, our commitment transcends our organisational boundaries. We have chosen to join voluntary climate action initiatives specific to the finance industry, such as the Global Reporting Initiative. Through these collaborations, we are making concerted efforts to advance industry-wide sustainable practices, thereby magnifying the impact of our actions.

In addition to our direct actions, we endorse and implement principles for responsible and sustainable banking. These principles are the guiding lights for our operational ethos, helping us infuse sustainability into our core banking practices.

Collectively, this commitment significantly shapes our operations, our relationships with our stakeholders, and our contribution to the world at large. By integrating sustainability into our strategy, we are not only safeguarding our Bank's future but also playing our part in preserving the planet for generations to come.

ESG Governance: Leading with Responsibility

To ensure the successful execution of our Environment, Social, and Governance (ESG) policies, our Bank has established an exclusive internal ESG Committee in FY2024. This dedicated committee will serve as the backbone of our sustainability strategy, taking the reins to effectively manage, supervise, and track our ESG commitments and initiatives.

The ESG Committee works hand-in-hand with the Board level Risk and Capital Management Committee. This synergy is crucial as it enables the integration of ESG principles into our risk and capital management strategies, thereby strengthening our stance on sustainability. Together, they monitor our adherence to environmental, social, and governance standards, ensure that activities align with these globally recognised principles.

The role of our Board of Directors in this context is indispensable. They not only guide the ESG Committee in its mission but also act as ambassadors of sustainability within our organisation. The Board's commitment and proactive approach towards sustainability cascade down to every operational level, fostering a culture of responsibility and care for the environment, society, and good governance.



Through robust ESG Governance, we lead with responsibility and drive sustainability.

Through this structured and collaborative approach, we aim to instil sustainability at the core of our operations. By doing so, we hope to create an ecosystem where each decision made, and every action taken, underscores our commitment to the principles of ESG. Ultimately, our goal is to make our Bank a beacon of sustainability that leads by example and spurs positive change in the wider banking industry.



Financing the Transition: Towards a Sustainable Future

At the Bank, we are working diligently to infuse Environment, Social, and Governance (ESG) principles into our core banking operations, particularly our lending operations and risk management practices. We understand that our financial decisions can have profound environmental and social implications. Hence, we seek to promote environmentally friendly and socially responsible initiatives through our banking practices.

Recognising the significant climate risks associated with various commercial projects, we have committed to redirect our lending towards environmentally responsible initiatives. Instead of backing projects that may pose a threat to our planet, we have chosen to give priority to those that protect and conserve the environment. This represents a significant shift in our lending operations, demonstrating our commitment to sustainability and the future of our planet.

Financing the transition, we are steering our operations towards a sustainable future.

We believe in the power of incentives to promote behavioural change. To this end, we have introduced incentives for our customers to adopt green practices. One example of this is our support for the use of electric vehicles. By providing special financing options or better loan terms, we aim to make adopting these eco-friendly modes of transportation more accessible to our customers.

Our efforts align with the broader national initiative of 'Atmanirbharta', or self-reliance, led by the Government of India. This initiative promotes using domestic resources and capabilities, fostering economic sustainability and reducing dependence on foreign entities. We contribute to the 'Atmanirbharta' vision by supporting environmentally friendly practices, driving India towards a greener, more sustainable future.

Energy and Emission: Shaping a Low Carbon Future

In our endeavour to contribute to the creation of a low-carbon economy, we are taking proactive measures to reduce our energy consumption. We are implementing a comprehensive approach that actively promotes renewable energy use within our premises. This is part of our strategy to make our operations more sustainable and reduce our environmental footprint.

A significant part of our energy-efficiency strategy is adopting lighting solutions and IT systems that consume less energy. By transitioning to LED lights, for example, we are reducing our electricity usage. Similarly, by investing in energy-efficient servers and computers, we ensure our technology infrastructure does not excessively consume energy.

By managing our energy and emissions, we are actively shaping a low-carbon future.

Our commitment to sustainability also extends to water management and green cover. We are advocating for harvesting rainwater within our premises, which helps conserve water, an increasingly scarce resource. We also understand the role green cover plays in carbon sequestration and are promoting the planting of trees and maintaining green spaces around our major offices.

In our CSR Action Plan for the next three years, we have identified 'environmental sustainability' as one of the three CSR themes. This commitment underscores the extent to which we value environmental sustainability.



Natural Capital Respect for Nature Steering Towards Sustainable Growth.

By directing significant funds towards renewable energy initiatives and eco-friendly projects, we hope to amplify our positive environmental impact.

Greenhouse Gas Emission: Baseline Setup and Measurement Protocols

At the Bank, we understand that a significant part of our commitment to sustainability is being accountable for our carbon footprint. To this end, we are currently in the preliminary stages of establishing our foundational benchmarks and devising robust measurement protocols for tracking our greenhouse gas (GHG) emissions across all scopes. These comprehensive methodologies will enable us to accurately quantify and monitor our GHG emissions, providing valuable data that will inform our strategies to reduce our environmental impact. By doing so, we believe we can further our commitment to creating a sustainable, low-carbon future.

Towards Responsible Disposal and Reduction

At the Bank, we are acutely aware of the importance of responsible waste management, particularly given the growing concerns about electronic waste, or e-waste, and its environmental impact. We are committed to managing the disposal of our electronic waste responsibly. This means taking the necessary steps to ensure that hazardous electronic waste does not end up in landfills, which can devastate the environment and public health.

We employ waste management practices that prioritise recycling and safe disposal methods. We collaborate with certified e-waste disposal companies with a track record of meeting rigorous environmental standards and regulatory compliance. This way, we can ensure that our electronic waste is handled and processed in an environmentally friendly manner.

Reducing Paper Consumption

As we progress further into the digital age, we are making concerted efforts to reduce our paper consumption. Recognising that the production and disposal of paper contribute to deforestation and climate change, we are actively promoting digital adoption within our operations. By doing so, we are modernising our services, improving efficiency, and reducing our environmental footprint.

Through responsible waste management, we are reducing our environmental impact.



Minimising Plastic Use: In our constant endeavour to reduce waste and promote sustainability, we are committed to minimising the use of plastic across our operations. Recognising the environmental challenges posed by plastic waste, we are taking significant steps to reduce plastic use within our branches and during our outreach events. Using alternatives to plastic and promoting recycling, we aim to contribute to a more sustainable, plastic-free environment.

Procurement Practices: Eco-Friendly and Efficient

Understanding the detrimental effects of plastic waste on the environment, we continually strive to decrease plastic consumption as a part of our broader waste reduction and sustainability agenda. The ubiquitous presence of plastic globally poses significant environmental challenges, and we are wholeheartedly committed to playing our part in mitigating this issue.



Our commitment translates into actionable steps to significantly reduce the use of plastic across all our operational fronts. Within the confines of our branches, we have undertaken measures to replace plastic materials with more sustainable, biodegradable options wherever possible. We are also increasing our efforts to minimise plastic use during our community outreach events and even extend our reach outside our immediate operational spheres.

Eco-friendly and efficient procurement practices are integral to our commitment to sustainability.

Furthermore, our organisation actively advocates for recycling and responsible waste management. We not only use products made from recycled materials but also encourage their use among our employees and customers. This, combined with our push for plastic alternatives, aids us in our aim to establish a more sustainable and environmental friendly banking. Our

resolve against plastic waste reflects our commitment to promoting sustainability in every aspect of our work. We hope to contribute to a cleaner, more sustainable, and ultimately, plastic-free environment through these initiatives.

Climate Risk Management: Mitigating Environmental Impact

In the face of climate change, we understand that it calls for a united front, and we are devoted to being an integral part of this collective solution. Our mission is to assimilate sustainability principles into every aspect of our operations, from our everyday work practices to our wide range of products and services. Our aspiration extends beyond financial prosperity; we aim to create a future that ensures shared growth and prosperity for all our stakeholders. Together, we are forging a path leading to sustainable growth, digitised innovation, and a resilient future.

We're paving the way for long-term sustainability through proactive climate risk management.

We acknowledge that Environmental, Social, and Governance (ESG) factors play a significant role in shaping our Bank's performance and overall value. Given this recognition, we are not just reactive but proactively engaged in identifying, understanding, and managing the risks associated with these factors to secure long-term sustainability. Our approach includes thoroughly assessing various sectors and activities and categorising them based on their environmental impact. This structured approach enhances our ability to effectively manage the risks related to climate change.

Our commitment to managing these risks and our drive towards a sustainable future reflects our holistic approach to tackling climate change. As we move forward, our strategies will continue to be guided by the principles of sustainability, risk management, and shared prosperity, fostering a resilient and environmentally responsible future.

Operational Sustainability at Karnataka Bank:

Bridging Tradition with Transformation for a Sustainable Future



UNSDGs: →



Strategic Pillars →



Business Model Component →



Material Issues →

1, 3, 4, 6, 8, 9, 26, 27, 28, 30, 32, 33

Unveiling a future where tradition meets innovation, Karnataka Bank Limited takes immense pride in celebrating its legacy of a century. This rich heritage is intertwined with our employees' unwavering dedication and unflagging efforts, who stand tall as the pillars of our progress. They are our most valuable asset, embodying our service's quality, nature, and spirit.

As we commemorate a century of trust and leadership at Karnataka Bank, we take another firm stride forward, melding tradition with the innovation of our times. By integrating sustainability principles into our operations, we align our longstanding legacy with a future of sustainable growth. Operational Sustainability at Karnataka Bank encapsulates our forward-thinking measures to manage environmental impact, encourage renewable energy, reduce waste, and leverage digital efficiencies for an environmentally conscious, resource-efficient banking operation.

Operational Sustainability at Karnataka Bank is not a mere objective, but a reflection of our commitment to our legacy of trust and our vision of sustainable growth. As we stride confidently into our second century, we reaffirm our commitment to drive transformation while keeping our roots firmly grounded in tradition, thus fulfilling our tagline: "A Century of Trust. A Future of Growth."

Stewarding Environmental Conservation

Karnataka Bank remains steadfastly committed to stewardship of the environment, both in our banking practices and corporate social responsibility initiatives. We regard environmental protection not just as an objective, but as an intrinsic value that permeates our operational strategy. As we expand our banking services, we conscientiously weave in practices aimed at

mitigating environmental issues such as global warming, water scarcity, and over-reliance on non-renewable energy. Our commitment extends from our lending decisions to our Corporate Social Responsibility (CSR) strategy, emphasizing resource conservation, minimizing paper consumption, and promoting efficient energy management across our branches / offices.

Promoting sustainability is not just about doing business responsibly. It is about shaping a sustainable future for us all.

Operational Sustainability at Karnataka Bank:

Bridging Tradition with Transformation for a Sustainable Future



Renewable Energy: Powering Growth with the Sun

Our approach to energy conservation transcends mere compliance. We invest in harnessing renewable energy sources, installing solar panels at our Corporate Office and several Regional Offices, reducing our dependence on non-renewable power. Beyond our own premises, our CSR initiatives have catalysed the adoption of solar energy across educational institutions, places of worship, and rural villages. Through our diverse banking products, we provide financial support to micro and small enterprises, rural agriculture, and corporate projects focused on renewable energy, aligning our financial services with our commitment to a greener future.

Our means to Operational Sustainability

At Karnataka Bank, we recognize that our responsibility extends beyond providing excellent banking services - we are equally committed to driving positive environmental change. As stewards of both financial and

Turning to the Sun, we strive for a future that is both sustainable and bright.

natural resources, we strive to align our operational activities with sustainable practices. The following initiatives are designed not only to decrease our carbon footprint but also to shape a banking experience that is seamlessly efficient, modern, and considerate of the planet's health.

- **Tracking and Reporting GHG Emissions:**

Our commitment to a greener future extends beyond our immediate operations. We are taking decisive steps to measure and report our Greenhouse Gas (GHG) emissions accurately. The development of a comprehensive GHG emissions inventory will help us to understand our carbon footprint better and to identify areas where we can reduce emissions. This initiative not only reinforces our environmental



stewardship but also positions us to better navigate a future defined by the realities of climate change.

- **Encouraging Adoption of Non-Polluting Vehicles:** In our quest for environmental sustainability, we proactively incentivize the use of electric vehicles. By offering a discount on the interest rate for financing electric vehicles, we encourage our customers to make environmentally conscious choices, reinforcing our commitment to a sustainable future.
- **Reducing Waste & Sustainable Supply Chain Management:** We ensure the responsible disposal of waste, especially paper and electronic waste, which we provide to recycling vendors. Our effort transcends the confines of our premises, as we champion waste management principles throughout our supply chain.
- **Paper Reduction & Digital Efficiency:** In our digital age, we see an opportunity to significantly reduce paper consumption by transitioning to digital platforms. Initiatives such as digital banking, online account opening, and digital transactions not only enhance customer convenience but also contribute to our 'green initiative'. The introduction of 'Self Registration' for Internet and Mobile banking, replacing the traditional printed PIN mailers, underscores our commitment to operational efficiency and environmental conservation.
- **Enhancing our Digital Network:** As we embrace our vision as a digital bank, we have focused on enhancing our digital network to streamline operations and improve service delivery. Through advanced technologies, we have built a robust infrastructure that not only adds to our operational efficiency but also provides our customers with a seamless banking experience.

Operational sustainability through digital innovation

As we embrace our vision as a digital bank, we have focused on enhancing our digital network to streamline operations and improve service delivery. Through advanced technologies, we have built a robust infrastructure that not only adds to our operational efficiency but also provides our customers with a seamless banking experience. The digitalisation of banking services is a key part of our sustainable operational strategy. We have made tremendous advancements in integrating powerful technology with our digital platforms, tailoring our services to cater to the evolving needs of our clients. This adaptation not only supports our commitment to operational sustainability but also streamlines customer experiences.

The Information Security Management System (ISMS) of Karnataka Bank exemplifies our dedication to the safety of our customers' data. Our achievement of the "ISO 27001:2013" certification for our Data Centre, IT Cell, Near line Site [NLS], and Information Technology Department, including the Disaster Recovery site [IT & DR], attests to the robust protective measures we have enacted to safeguard critical information. In line with our objective of operational sustainability, we have successfully integrated technology into our loan approval process. Now, digital sanction of Home Loans, Personal Loans, Car Loans, 2-wheeler Loans, and MSME Loans are a reality, offering a seamless and efficient borrowing experience to our clients. Furthermore, we have simplified the procedure of opening Savings Accounts with our Tab Banking service, thus making banking even more accessible.

Our state-of-the-art IT setup allows for Anytime, Anywhere Banking through a plethora of alternative delivery channels.

Operational Sustainability at Karnataka Bank:

Bridging Tradition with Transformation for a Sustainable Future



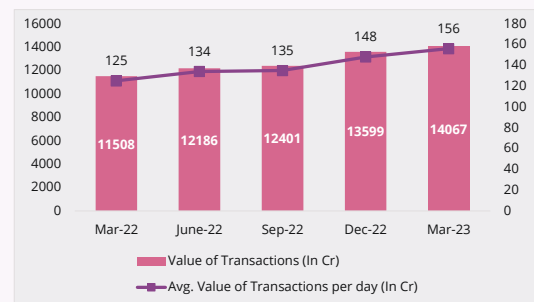
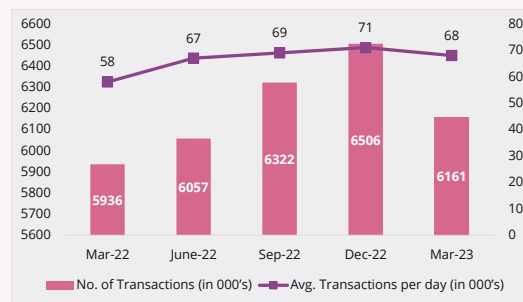
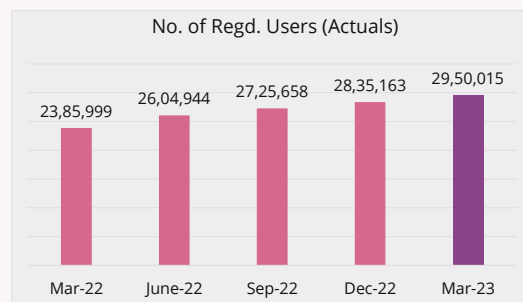
These include ATMs, VISA International Debit Card, RUPAY Debit Card, Internet Banking, Mobile Banking, IMPS, e-lobby, and more. We are proud to be among the pioneering first-generation private sector banks to implement "Finacle (CBS)", a comprehensive core banking solution. This has enabled us to streamline our operations, enhance our efficiency, and deliver personalised services.

Additionally, our digital platforms have been strategically used to offer insurance policies and Mutual Fund products via our Mobile Banking and Internet Banking platforms. With our partnership with 'FISDOM', our customers

can now purchase Mutual Fund products through a unified platform. Furthermore, our initiative of facilitating the online opening of Demat & Trading accounts via KBL-Smart Trade has made investments more convenient and efficient.

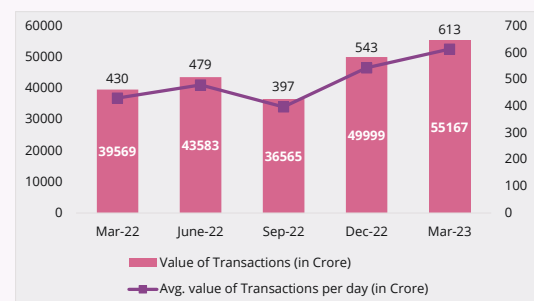
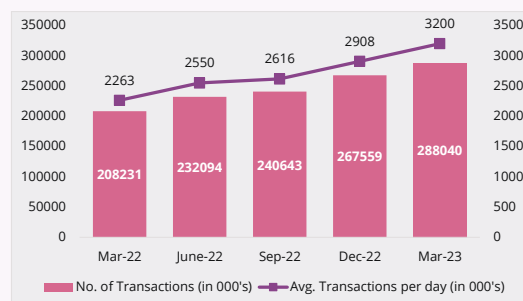
We leverage technology to increase our operational efficiency, reduce our environmental footprint, and enhance our customer's banking experience – a commitment that propels us towards a sustainable future.

Digital Adoption: Mobile Banking



Our mobile banking solutions, the 'KBL-Mobile Plus' and the 'BHIM KBL UPI' App, are instrumental in our drive towards operational sustainability. These apps offer a myriad of services, granting customers a secure, convenient, and sustainable banking experience at their fingertips.

Digital Channel: UPI Transactions



Fostering Social and Relationship Capital:

Building Bridges, Crafting Futures



As we proudly celebrate a century of dedication to our stakeholders, we continue to harness the power of our Social and Relationship Capital. As a key element in our holistic value creation model, we focus on cultivating robust relationships with our diverse stakeholders, thus maintaining a cohesive ecosystem that fosters mutual growth and success. Additionally, our focused approach towards grievance redressal and empowering inclusive growth through Corporate Social Responsibility (CSR) initiatives helps us fortify our relationships with our stakeholders.

Our Stakeholder Engagement: A Symphony of Collaboration

A fundamental component of our Social and Relationship Capital lies in our committed stakeholder engagement. Our approach combines an array of comprehensive engagement strategies that cater to our diverse stakeholder groups, ensuring consistent communication, transparency, and mutual growth.

1. For our cherished customers, we foster enduring relationships through continuous interactions at branch, regional, and corporate levels. Our commitment to customer satisfaction is reflected in our responsive feedback system and personalized services facilitated by dedicated cluster heads.
2. We believe that an engaged shareholder is a satisfied shareholder. Hence, we maintain transparency and rapport with our shareholders via regular disclosures, earnings con-calls, investor presentations, and annual reports. Our investor grievance platform addresses and resolves queries, facilitating a seamless shareholder experience.

3. Our employees, the pillars of Karnataka Bank, are consistently engaged through regular meetings, weekly updates from the MD's Desk, and the circulation of business strategies and priorities via our intranet.
4. We also value inputs from industry associations, vendors, and regulators through policy advocacy, periodical meetings, and steering committee interactions.
5. Finally, our engagement extends beyond the corporate boundaries to the society we serve. Through advertisements, socially responsible messages, press coverage, and CSR initiatives, we continue to resonate with the heart of our communities.

Elevating Customer Experience: Prioritizing Customer Needs

At Karnataka Bank Limited, we are creating innovative benchmarks in customer service to heighten our competitive edge. This pursuit demands the crafting of inventive and cost-effective strategies that efficiently deliver our banking services.

Digital Empowerment: We have embraced the power of the Unified Payments Interface (UPI), introducing new initiatives such as UPI Unified Disputes & Issues Resolution (UDIR) and UPI AutoPay. Additionally, we launched several other products during our Centenary Celebrations and Founders' Day, including WhatsApp Banking, KBL Samriddhi for Wealth Management, KBL Finsurance for digital insurance, and Instant Demat & Trading Account Opening. We have collaborated with Universal Sompo General Insurance Company Ltd. to introduce a Cyber Insurance Policy. To bring all complaint management under one roof, we launched a Centralized Customer Complaint & Grievance Redressal portal, effectively easing the reporting process to the Reserve Bank of India (RBI).

Fostering Social and Relationship Capital:

Building Bridges, Crafting Futures

Fresh Initiatives: In line with our commitment to provide comprehensive solutions, we have formed a strategic partnership with NTT Data Payments Services India Pvt. Ltd. for White Label services related to Payment Gateways. We have also introduced a new product - the KBL - Gold Loan Bullet Repayment Scheme, to make our gold loan offerings more attractive to our customers. Simultaneously, our focus on bolstering our Collection Mechanism led to the implementation of the Electronic Collection Process, known as the E-Connect Solution. This customer-centric solution allows customers to remit the amount towards the locker rent through UPI payment options, following a quick and easy login process on the Bank's portal.

Grievance Redressal Mechanism: Our online customer grievance portal is integral to this commitment, enabling us to monitor and address customer grievances effectively. With the introduction of the 'Grievance Redressal Satisfaction Score,' we aim to bring vibrancy and transparency to our customer service. Furthermore, we have appointed a Nodal Grievance Redressal Officer to handle FinTech/digital lending-related complaints and to oversee the complaints/issues raised by borrowers concerning our Bank and the Lending Service Provider [LSPs] engaged by us.

Our Grievance Redressal Mechanism is a testament to our dedication to customer satisfaction.

Ensuring Regulatory Compliance: The effective management of Compliance Risk is a cornerstone of our robust Corporate Governance structure. Our Compliance Department, operating with sufficient independence, promotes a culture of rigorous compliance within the Bank. Our compliance function is key to interpreting and disseminating regulatory and statutory guidelines. The risk-based compliance programme, under the supervision of the Chief Compliance Officer, ensures appropriate

coverage across businesses. Moreover, our annual compliance risk assessment enables us to identify, assess, and manage significant compliance risks effectively.

Ensuring regulatory compliance is integral to our promise of building trust and collaboration.

Through our CSR initiatives, we are creating a legacy of positive social impact and empowering inclusive growth.

Fortifying Investor Relations: Nurturing Trust, Fostering Prosperity

As we navigate the financial landscape, our relationship with our investors is a cornerstone of our success. At Karnataka Bank, we understand the critical role investor relations play in our organisation's overall stability and growth. Our ongoing commitment to transparency, trust, and proactive communication empowers us to foster a mutually beneficial relationship with our investor community, keeping them abreast of our strategies, operations, and financial performance.



Enhancing Investor Engagement: Over the course of FY2023, we have consistently made it a priority to ensure open and regular communication with our investor community. We hosted several investor meetings and analyst days, wherein we shared insights into our operational strategies, business outlook, and financial performance. These platforms served as an opportunity to engage in meaningful dialogues, understand investor perspectives, and address their queries effectively.

We also streamlined our investor communication by adopting digital means, which included webcasts, virtual conferences, and regular updates on our website. In FY2023, we saw an increase in our investor engagement levels, which we measure through key performance indicators such as frequency of meetings, responsiveness, and feedback.

Ensuring Regulatory Compliance & Transparency: Trust in our operations is rooted in our unwavering commitment to regulatory compliance and corporate governance. We take pride in our robust compliance department, which continually ensures adherence to all statutory provisions, guidelines from RBI and other regulators, the Bank's internal policies, and fair practices code. Our compliance function's significance extends beyond mere regulatory adherence. It offers our investors the assurance of transparency, as we deliver comprehensive and accurate information about our business activities and financial health. Through regular disclosures and reports, we maintain a steady flow of information to our investors, facilitating informed decision-making.

Delivering Shareholder Value: At Karnataka Bank, our strategic goals are aligned with delivering consistent, sustainable value to our shareholders. We understand that our ability to create enduring shareholder value lies in our commitment to robust financial performance and sustainable business practices. Our focus on high-quality asset growth, operational efficiency, and digital

innovation underpins our strategy for enhancing shareholder returns.

Our commitment to financial excellence drives our targets of achieving industry-leading Return on Assets (ROA) and Return on Equity (ROE). We continually strive to ensure that our performance creates tangible benefits for our shareholders.

Building Sustainable Relationships with Employees: Nurturing Growth, Inspiring Excellence

Our dedicated employees are at the heart of our operations, to whom we attribute our unwavering success and growth. We place significant importance on their development, satisfaction, and overall growth.

Our Chief Learning Officer oversees the meticulous skill development and training process, operationalizing the Employee Career and Development System (ECDS) in conjunction with the Performance Management System (PMS). Our Talent Management Committee (TMC) actively identifies potential talents and grooms them for succession planning.

We offer diverse learning opportunities, hosting 108 e-learning modules covering all facets of banking, digital transformation, and cyber security, among other vital subjects. Our staff receive an e-certificate upon successful completion, symbolizing their achievement and commitment to growth.

Our commitment to our stakeholders is not just about meeting expectations but exceeding them, building trust and creating a future together.

Fostering Social and Relationship Capital: Building Bridges, Crafting Futures



Our employees are the pillars of our progress. By investing in their growth, we are investing in the future of Karnataka Bank.

In FY2023, we nominated 5,873 employees for various training, workshops, and conferences, covering nearly 72.63% of our total staff strength. Over 5,000 staff members, including executives, underwent training at our ISO 9001:2015 certified Staff Training College. We also enabled 2,647 staff members to attend external training programs at elite institutes nationwide.

Our employees are encouraged to acquire certification courses in specialized areas, contributing to our capacity-building initiative. We believe in fostering a culture of inclusivity, valuing all employees' opinions and innovative ideas, thereby creating a highly productive and reliable workforce. As a testament to our harmonious industrial relations, we have maintained effective employee discipline, emerging as a preferred destination for a competent workforce.

5,873

Number of Employees Trained in FY2023

72.63%

Percentage of Total Staff Strength Trained in FY2023

108

Number of e-learning modules offered

9001:2015

Staff Training College ISO Certification: 9001:2015

2,647

Number of Staff Attended External Training in FY2023

In Pursuit of a Shared Prosperity: Our Commitment to Corporate Social Responsibility

At Karnataka Bank, we understand that our responsibilities extend beyond business. We are committed to operating in an economically, socially, and environmentally sustainable manner, while recognizing the interests of all stakeholders. With this understanding, we have woven the ethos of Corporate Social Responsibility (CSR) into our core business operations, aiming to bring about a positive difference in society.

Addressing Social Challenges through CSR: Our CSR initiatives are designed to address various aspects of social life, including healthcare, education, livelihood enhancement, women empowerment, environmental sustainability, and rural development. By focusing on these key areas, we aim to bring about significant societal change, promote inclusive development, and bridge the urban-rural divide. These initiatives reflect our commitment to the overall welfare and development of the communities we serve, and in FY2023, our ongoing dedication was more evident than ever.

Implementing Effective CSR Initiatives:

Effective implementation is the cornerstone of our CSR strategy. To ensure the successful execution of our initiatives, we have constituted a 'Corporate Social Responsibility (CSR) Committee' of the Board as per the Companies Act, 2013. This committee oversees the entire spectrum of our CSR activities, from strategy formulation to execution and monitoring, ensuring that our programs align with our CSR policy and objectives.

In our commitment to creating positive and sustainable social impact, we have so far funded 1812 projects, with a total financial outlay of ₹74.20 crore. Each project is meticulously planned and executed, leading to meaningful changes and visible improvements in the communities we serve.

Contributing to Social Well-being and Development:

Our commitment to CSR extends beyond mere compliance. We view it as an opportunity to contribute to societal well-being and as a pathway to inclusive growth. By aligning our resources, expertise, and strategic partnerships, we strive to empower individuals, uplift marginalized groups, and promote community wellness.

Our initiatives in education, healthcare, rural development, environmental sustainability, and empowerment of women and marginalized communities are reflective of this commitment. By nurturing these areas, we aim to foster a culture of shared prosperity, contributing to a more equitable and sustainable future.

1,812

CSR Projects funded so far

₹74.20 cr.

Financial Outlay for CSR so far

Fostering Social and Relationship Capital:

Building Bridges, Crafting Futures



Ambulance to Srinivas Institute of Medical Sciences & Research Centre, Mukka, Surathkal, Mangaluru



On-grid solar rooftop solution at Chinmaya Vidyalaya CBSE school, Hubballi managed by Chinmaya Seva Samithi Trust, Hubballi



Solar power unit at College of Agriculture, Hassan



*Rejuvenation of 'Agasthya Kere' at Varadamula,
Sagar Taluk*



*Construction of classrooms of Saraswathi Vidya Mandir,
Shillong, Meghalaya*



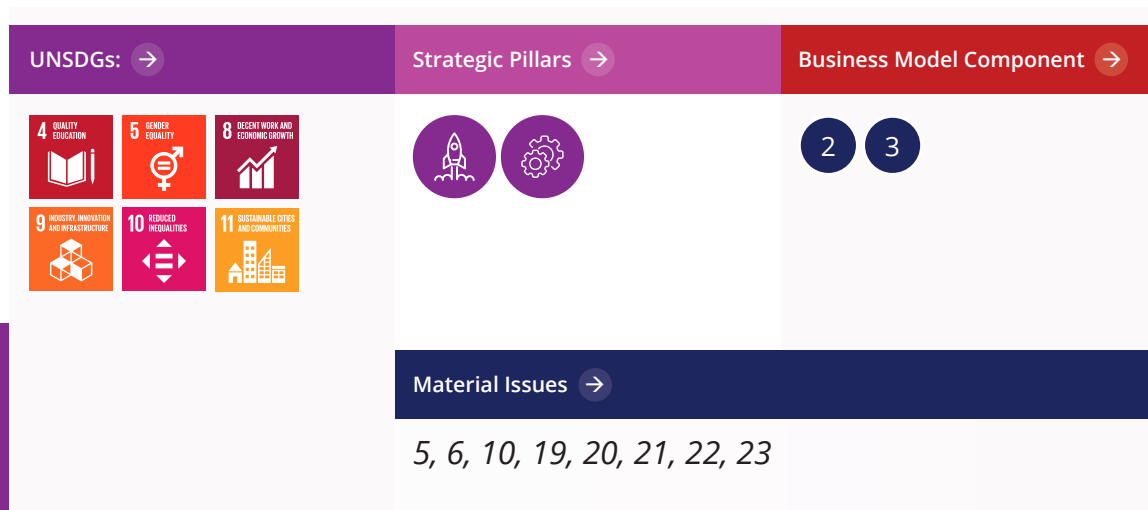
*School bus to Sri Jwalamalini English Medium
School, Narasimharajapura*



*Financial Assistance for procuring 25 computers to Dr. B. B. Hegde
First Grade College, Kundapura, Udupi Dist., Karnataka State*

Human Capital: Empowering the Engines of Progress

Unleashing Potential, Driving Innovation



Unveiling a future where tradition meets innovation, Karnataka Bank Limited takes immense pride in celebrating its legacy of a century. This rich heritage is intertwined with our employees' unwavering dedication and unflagging efforts, who stand tall as the pillars of our progress. They are our most valuable asset, embodying our service quality, nature, and spirit.

Respecting the principles of Human Capital Theory, we understand that our investment in nurturing our employees fuels our growth trajectory. Growth in their skills, competencies and capabilities translate directly into increased productivity, competitiveness, and innovation. Hence, we firmly believe that creating a conducive work environment stimulates creativity, spurs productivity, and ensures holistic well-being.

As of March 2023, Karnataka Bank is proud to have a robust workforce of 8652 individuals, with an average age of less than 40 years. Our young and dynamic team, stands prepared and enthusiastic to face future challenges. The dedication and innovation of our workforce embody our commitment to providing the best services to our customers and maintaining our position as a relevant player in the Banking industry.

8,652

Total number of employees as of March 2023

<40 years

The average age of employees

30.56%

The proportion of female employees in the workforce

Fuelling Progress Through Enhanced Skills and Capabilities

As we charter our path in the digital age, the continual development of our Human Capital forms the core of our strategic objectives. We recognize their integral role in shaping the quality and nature of our service. This belief

Karnataka Bank Limited's success is woven into our employees' collective strength and dedication. By fostering their growth, we are fuelling the very engine of our progress.

anchors our efforts as we strive to foster a work environment that cultivates creativity, bolsters productivity, and prioritizes the well-being of our staff.

Seeing beyond the realm of task-oriented perspectives, we view our investment in employee development as a vital conduit of progress. Our initiatives are designed to equip our human capital with the skills needed to flourish in a digital-first world. We believe empowering our employees aligns them with the requirements of a rapidly advancing digital landscape, transforming them into contributors to our organizational success.



Human Capital: Empowering the Engines of Progress

Unleashing Potential, Driving Innovation

Fuelling Progress Through Enhanced Skills and Capabilities

As we charter our path in the digital age, the continual development of our Human Capital forms the core of our strategic objectives. We recognize their integral role in shaping the quality and nature of our service. This belief anchors our efforts as we strive to foster a work environment that cultivates creativity, bolsters productivity, and prioritizes the well-being of our staff.

Seeing beyond the realm of task-oriented perspectives, we view our investment in employee development as a vital conduit of progress. Our initiatives are designed to equip our human capital with the skills needed to flourish in a digital-first world. We believe empowering our employees aligns them with the requirements of a rapidly advancing digital landscape, transforming them into contributors to our organizational success.

Karnataka Bank Limited's success is woven into our employees' collective strength and dedication. By fostering their growth, we are fuelling the very engine of our progress.

Training and E-Learning: Adapting to the Digital Era

Our commitment to employee development stems from the principles of Transformational Leadership Theory, which propounds the idea that by fostering acceptance of collective goals and promoting capacity development, leaders can inspire their teams to exceed expected performance.

449

Number of Training Programmes in FY2023

12,852

Number of nominations registered for training programmes imparted to 5873 staff members

108

Number of e-learning modules implemented on the ELM platform

97%

The uptake rate of e-learning modules by the end of FY2023

This perspective is reflected in our implementation of 108 e-learning modules on the ELM platform, achieving an exceptional uptake of 97% by year-end. With their interactive and animated features, these modules have been shown to significantly enhance information retention and improve digital proficiency among our staff, thereby contributing to our efforts towards fulfilling the United Nations' Sustainable Development Goal (SDG) 4: Quality Education.



Preparing for the Future

In accordance with the Lifelong Learning Theory, we believe in cultivating an organizational culture that encourages continuous learning and growth. In a rapidly evolving global business environment, it is crucial to align our employees' goals with the broader objectives of the Bank. This alignment allows us to shape their behaviour to align with our work culture, prepare them for various roles within the organization, enable them to realize their full potential, and equip them with the necessary job skills and knowledge about the latest industry trends. Our initiatives are grounded in the Human Resource Development Theory, which underscores the importance of continuously enhancing employee competence to maintain a competitive edge. Therefore, we invest in comprehensive induction training and skill development programmes for our newly inducted employees, equipping them with the tools and knowledge necessary to navigate the evolving landscape of the banking industry.

Under Capacity Building initiative our staff members are encouraged to acquire certification courses from institutions approved by Indian Banks' Association in areas like Treasury Operations, Risk Management, Credit Management, Accounting, Human Resource Management, and Information Technology.

To build the future leaders, the Bank has initiated a structured leadership programme and an exclusive Leadership programme "Un – Limited – Preparing future leaders – To lead with their best" was conducted for select executives handling various functions - business verticals, control functions, risk management, regional offices, information technology, sales / marketing, ADC channels etc. Furthermore, Leadership Development Programmes were also conducted at SBIL (State Bank Institute of Leadership) for executives.

The Bank has also introduced ECDS (Employee Career and Development System) by operationalizing the PMS (Performance Management System). Bank has also put in place TMC (Talent Management Committee) to identify and groom the talents as part of succession planning.

Our ISO 9001:2015 certified in-house Staff Training College is central to our strategy for enhancing business capabilities. Through the execution of 449 training programmes in the fiscal year 2022-23, the college covered an extensive range of 117 topics and registered 12852 nominations.

Innovating HR Practices for Organizational Success

Grounded in the spirit of the Employee Motivation Theory, we deeply understand the importance of acknowledging our employees' contributions to creating a highly motivated and committed workforce. This recognition extends to a holistic approach, reflecting in our various practices and policies designed to foster employee growth and satisfaction.

Our relentless commitment to nurturing our employees' development extends to our innovative practices in Human Resource Management. We continually strive to integrate advanced HR systems and technologies into our workflow, aiming to create a more efficient, rewarding, and engaging environment for our staff.

Our progressive and transformational initiatives in the field of Human Resource Management Systems (HRMS) application have not gone unnoticed. We take great pride in being recognized on a prestigious platform for our efforts in the HR domain. At the PeopleSoft India SIG 2023 event, Karnataka Bank was awarded the coveted 'PeopleSoft INNOVATOR' award by ORACLE. This honour reflects our commitment to HR innovation.

Human Capital:

Empowering the Engines of Progress

Unleashing Potential, Driving Innovation

Our recognition as a 'PeopleSoft INNOVATOR' is a testament to our unwavering commitment to fostering a nurturing and efficient environment for our employees. Their growth and satisfaction remain at the forefront of our HR initiatives.

Employee Engagement, Retention, and Talent Attraction: A Synergistic Approach

Job Embeddedness Theory postulates that creating a vibrant work environment and implementing measures for staff appreciation significantly contribute to reducing attrition rates. We subscribe to this theory and have established several initiatives, such as Employee Stock Options Plans (ESOPs), opportunities for internal promotions, and long-service award ceremonies. We also have policies for compassionate appointments that reflect our unwavering commitment to our employees' well-being, enhancing job satisfaction and organizational loyalty.

KPI	FY2022	FY2023	Definition
Employee Retention Rate	97.11%	96.76%	Demonstrates the ability to retain the talent pool over a specific period (usually a year)
Attrition Rate	1.91%	2.17%	The percentage of employees who leave the organization voluntarily over a specific period
Average Tenure of Employees	12.10	12.27	The average length of time employees have been with the Bank

Inclusivity and Empowerment: Embracing Diversity

Informed by the Diversity Management Theory, we recognize the benefits of a diverse workforce in enhancing problem-solving capacity, fostering creativity and innovation, and improving decision-making. At Karnataka Bank, 30.56% of our staff are women, and our policies and organizational culture are designed to respect and celebrate this diversity, thereby creating an inclusive work environment.

KPI	FY2022	FY2023	Definition
Gender Diversity Ratio	29.84%	30.56%	The ratio of female staff to total staff
Number of Women in Leadership Roles	5.73%	5.71%	The number of women in managerial and executive positions
Diversity & Inclusion Training Hours	51,073	1,00,271	The total number of hours spent on training programmes aimed at promoting diversity and inclusion

The Bank has put in place an institutional mechanism for the protection of women employees at the workplace and adopted a policy pursuant to Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, providing for the protection of women employees against the sexual harassment of women at the workplace and redressal of such complaints. There were no complaints pending at the beginning of the FY2023, and no complaints were received during the year under review.

Employee Health, Safety, and Well-being: The Core of Our Commitment

At Karnataka Bank, we prioritize our employees' health, safety, and well-being, which we consider as being fundamental to our continued success. We firmly believe that proactively addressing their physical and mental well-being empowers them to fully realize their potential, innovate, manage stress effectively, and cultivate a positive organizational culture. To embody these beliefs, we have instituted a comprehensive annual health check-up initiative for our employees above the age of 40 years. This initiative ensures regular health monitoring, enabling early detection and prevention of potential health issues, etc. Additionally, the Bank provides group medical insurance facility to the employees and their dependents which insulates them from financial exigencies in case of any unforeseen medical emergencies.

At Karnataka Bank, our employees' health, safety, and well-being are fundamental. Our comprehensive initiatives foster a culture of wellness, empowering employees to realize their potential and translating into tangible benefits for our organization and stakeholders.

To safeguard our employees against unforeseen events, we've established a group accidental insurance scheme. These measures collectively foster a culture of wellness at Karnataka Bank, enhancing employee well-being and productivity, and translating into tangible benefits for our organization and stakeholders.

Employee Code of Conduct and Whistle Blower Mechanism: Upholding Ethical Standards

As part of our commitment to uphold Ethical Leadership Theory in practice, Karnataka Bank maintains rigorous standards of ethics and integrity in every aspect of our organization. To embed these principles into our daily operations, we have implemented a comprehensive Code of Conduct, which delineates all employees' behavioural expectations and professional standards. The Code of Conduct provides a guideline for ethical decision-making. It assures that our business is conducted consistently with our core values and in compliance with all relevant laws and regulations.

We have also established a 'Protected Disclosure Scheme,' known as a Whistle Blower Mechanism. This policy ensures a safe, confidential, and open channel for our employees to report any suspected ethical misconduct or violations of our Code of Conduct. Any such concerns can be reported without fear of retaliation, safeguarding the interests of our employees and ensuring they feel supported in speaking up.

These measures ensure a fair, transparent, and ethical operational environment, and play a critical role in building and maintaining trust, not just among our employees but with our customers, stakeholders, and the wider community. It underscores our commitment to ethical practices and to conducting business with uncompromising integrity. Furthermore, these robust mechanisms assist in the early detection and mitigation of deviations from our ethical standards, thus promoting respect, trust, and ethical behaviour across our organization.

GRI Index Table

Item	GRI Standard	Disclosure Number	Disclosure	GRI Standard Framework	Relevant SASB Reference where applicable	UNSDG Reference where applicable	Page (s)	Material Issue #	Material Issue Description
1	GRI 102	1	Name of the organization	GRI 102: General Disclosures 2016	n/a	n/a	Pages 12	36	Leadership & Governance - Reputation, Communication and Awareness
2	GRI 102	2	Activities, brands, products, and services	GRI 102: General Disclosures 2016	n/a	n/a	Pages 20 - 23	23	Business Model & Innovation - Significance of Product Design and Innovation
3	GRI 102	3	Location of headquarters	GRI 102: General Disclosures 2016	n/a	n/a	Pages 12	32	Leadership & Governance - Management of the Legal & Regulatory Environment
4	GRI 102	4	Location of operations	GRI 102: General Disclosures 2016	n/a	n/a	Pages 20 & 46	39	Economy - Impact on Local Communities
5	GRI 102	5	Ownership and legal form	GRI 102: General Disclosures 2016	n/a	n/a	Pages 20	36	Leadership & Governance - Reputation, Communication and Awareness
6	GRI 102	6	Markets served	GRI 102: General Disclosures 2016	n/a	n/a	Pages 42 - 53	25	Business Model & Innovation - Access to Capital and Customers
7	GRI 102	7	Scale of the organization	GRI 102: General Disclosures 2016	n/a	n/a	Pages 42 - 53	24	Business Model & Innovation - Need for Business Model Resilience
8	GRI 102	8	Information on employees and other workers	GRI 102: General Disclosures 2016	HC-A, HC-B	8.5, 8.8	Pages 90 - 95	18	Human Capital - Labour Practice & Employment
9	GRI 102	9	Supply chain	GRI 102: General Disclosures 2016	CG-AA	12.6	Pages 42 - 53	26	Business Model & Innovation - Role of Supply Chain Management
10	GRI 102	10	Significant changes to the organization and its supply chain	GRI 102: General Disclosures 2016	n/a	n/a	Pages 42 - 53	24	Business Model & Innovation - Need for Business Model Resilience
11	GRI 102	11	Precautionary Principle or approach	GRI 102: General Disclosures 2016	CG-AA	16.5	Pages 24 - 27	33	Leadership & Governance - Risk Management
12	GRI 102	12	External initiatives	GRI 102: General Disclosures 2016	CG-AA	17.16	Pages 32 - 33	17	Social Capital - Social Development & Community Involvement
13	GRI 102	13	Membership of associations	GRI 102: General Disclosures 2016	n/a	n/a	Pages 82 - 89	36	Leadership & Governance - Reputation, Communication and Awareness
14	GRI 102	14	Statement from senior decision-maker	GRI 102: General Disclosures 2016	n/a	n/a	Pages 14 - 19	29	Leadership & Governance - Business Ethics and Anti-Corruption Measures

GRI Index Table

Item	GRI Standard	Disclosure Number	Disclosure	GRI Standard Framework	Relevant SASB Reference where applicable	UNSDG Reference where applicable	Page (s)	Material Issue #	Material Issue Description
15	GRI 102	15	Key impacts, risks, and opportunities	GRI 102: General Disclosures 2016	CG-AA	13.1	Pages 24 - 27	33	Leadership & Governance - Risk Management
16	GRI 103	1	Explanation of the material topic and its Boundary	GRI 103: Management Approach 2016	n/a	n/a	Pages 32 - 33	33	Leadership & Governance - Risk Management
17	GRI 201	1	Direct economic value generated and distributed	GRI 201: Economic Performance 2016	FB-EC	8.1, 8.2	Pages 36 - 37	37	Economy - Commodity Price Volatility
18	GRI 202	1	Ratios of standard entry level wage by gender compared to local minimum wage	GRI 202: Market Presence 2016	HC-B	5.1, 8.5	Pages 90 - 95	22	Human Capital - Employee Engagement, Diversity & Inclusion
19	GRI 202	2	Proportion of senior management hired from the local community	GRI 202: Market Presence 2016	HC-B	8.5	Pages 90 - 95	39	Economy - Impact on Local Communities
20	GRI 203	1	Infrastructure investments and services supported	GRI 203: Indirect Economic Impacts 2016	IF-EP	9.1, 9.3	Pages 42 - 53	24	Business Model & Innovation - Need for Business Model Resilience
21	GRI 203	2	Significant indirect economic impacts	GRI 203: Indirect Economic Impacts 2016	IF-EP	8.1, 8.2	Pages 82 - 89	39	Economy - Impact on Local Communities
22	GRI 205	1	Operations assessed for risks related to corruption	GRI 205: Anti-corruption 2016	CG-AA	16.5	Corporate Governance Report	29	Leadership & Governance - Business Ethics and Anti-Corruption Measures
23	GRI 205	2	Communication and training about anti-corruption policies and procedures	GRI 205: Anti-corruption 2016	CG-AA	16.5	Pages 90 - 95	29	Leadership & Governance - Business Ethics and Anti-Corruption Measures
24	GRI 205	3	Confirmed incidents of corruption and actions taken	GRI 205: Anti-corruption 2016	CG-AA	16.5	Corporate Governance Report	29	Leadership & Governance - Business Ethics and Anti-Corruption Measures
25	GRI 206	1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI 206: Anti-competitive Behavior 2016	CG-CC	16.3	See Website IR Pages	31	Leadership & Governance - Competitive Behaviour
26	GRI 302	1	Energy consumption within the organization	GRI 302: Energy 2016	IF-EU, IF-EP	7.3, 12.2	Pages 76 - 81	3	Environment - Energy Management & Renewable Energy Usage
27	GRI 302	3	Energy intensity	GRI 302: Energy 2016	IF-EU, IF-EP	7.3, 12.2	Not Available	3	Environment - Energy Management & Renewable Energy Usage

GRI Index Table

Item	GRI Standard	Disclosure Number	Disclosure	GRI Standard Framework	Relevant SASB Reference where applicable	UNSDG Reference where applicable	Page (s)	Material Issue #	Material Issue Description
28	GRI 302	4	Reduction of energy consumption	GRI 302: Energy 2016	IF-EU, IF-EP	7.3, 12.2	Pages 76 - 81	3	Environment - Energy Management & Renewable Energy Usage
29	GRI 303	1	Interactions with water as a shared resource	GRI 303: Water and Effluents 2018	IF-EP, EM-MM	6.4, 12.2	Pages 76 - 81	4	Environment - Water Management
30	GRI 304	1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	GRI 304: Biodiversity 2016	EM-MM	15.1, 15.5	Not Available	7	Environment - Biodiversity Management
31	GRI 305	1	Direct (Scope 1) GHG emissions	GRI 305: Emissions 2016	IF-EU, IF-EP	13.1, 13.2	Collating for FY24	1	Environment - Climate Change Mitigation & Adoption
32	GRI 305	2	Energy indirect (Scope 2) GHG emissions	GRI 305: Emissions 2016	IF-EU, IF-EP	13.1, 13.2	Collating for FY24	1	Environment - Climate Change Mitigation & Adoption
33	GRI 305	3	Other indirect (Scope 3) GHG emissions	GRI 305: Emissions 2016	IF-EU, IF-EP	13.1, 13.2	Collating for FY24	1	Environment - Climate Change Mitigation & Adoption
34	GRI 305	4	GHG emissions intensity	GRI 305: Emissions 2016	IF-EU, IF-EP	13.1, 13.2	Collating for FY24	1	Environment - Climate Change Mitigation & Adoption
35	GRI 305	5	Reduction of GHG emissions	GRI 305: Emissions 2016	IF-EU, IF-EP	13.1, 13.2	Collating for FY24	1	Environment - Climate Change Mitigation & Adoption
36	GRI 306	1	Waste generation and significant waste-related impacts	GRI 306: Waste 2020	EM-MM	12.4, 12.5	Collating for FY24	6	Environment - Waste Management
37	GRI 307	1	Non-compliance with environmental laws and regulations	GRI 307: Environmental Compliance 2016	EM-MM, IF-EP	16.3	None	8	Environment - Environment Compliance
38	GRI 401	1	New employee hires and employee turnover	GRI 401: Employment 2016	HC-B	8.5, 8.6	Pages 90 - 95	18	Human Capital - Labour Practice & Employment
39	GRI 402	1	Minimum notice periods regarding operational changes	GRI 402: Labor/Management Relations 2016	n/a	n/a	Not Available	22	Human Capital - Employee Engagement, Diversity & Inclusion
40	GRI 403	1	Occupational health and safety management system	GRI 403: Occupational Health and Safety 2018	EM-MM, IF-EP	8.8	Pages 90 - 95	20	Human Capital - Employee Health & Safety
41	GRI 403	2	Hazard identification, risk assessment, and incident investigation	GRI 403: Occupational Health and Safety 2018	EM-MM, IF-EP	8.8	Not Available	20	Human Capital - Employee Health & Safety

GRI Index Table

Item	GRI Standard	Disclosure Number	Disclosure	GRI Standard Framework	Relevant SASB Reference where applicable	UNSDG Reference where applicable	Page (s)	Material Issue #	Material Issue Description
42	GRI 403	3	Occupational health services	GRI 403: Occupational Health and Safety 2018	EM-MM, IF-EP	8.8	Pages 90 - 95	20	Human Capital - Employee Health & Safety
43	GRI 403	4	Worker participation, consultation, and communication on occupational health and safety	GRI 403: Occupational Health and Safety 2018	EM-MM, IF-EP	8.8	Pages 90 - 95	20	Human Capital - Employee Health & Safety
44	GRI 404	1	Average hours of training per year per employee	GRI 404: Training and Education 2016	HC-B	8.5	Pages 90 - 95	19	Human Capital - Training and Skill Development
45	GRI 404	2	Programs for upgrading employee skills and transition assistance programs	GRI 404: Training and Education 2016	HC-B	8.5	Pages 90 - 95	19	Human Capital - Training and Skill Development
46	GRI 405	1	Diversity of governance bodies and employees	GRI 405: Diversity and Equal Opportunity 2016	HC-B	5.1, 5.5	Pages 90 - 95	22	Human Capital - Employee Engagement, Diversity & Inclusion
47	GRI 405	2	Ratio of basic salary and remuneration of women to men	GRI 405: Diversity and Equal Opportunity 2016	HC-B	5.1, 5.5	Pages 90 - 95	18	Human Capital - Labour Practice & Employment
48	GRI 406	1	Incidents of discrimination and corrective actions taken	GRI 406: Non-discrimination 2016	n/a	n/a	Pages 90 - 95	22	Human Capital - Employee Engagement, Diversity & Inclusion
49	GRI 412	1	Operations that have been subject to human rights reviews or impact assessments	GRI 412: Human Rights Assessment 2016	FB-HR, HC-B	16.1, 16.2	Not Available	10	Social Capital - Human Rights
50	GRI 418	1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI 418: Customer Privacy 2016	TC-SI-220a.1, TC-SI-220a.2	16.3, 16.10	None	11	Social Capital - Customer Privacy
51	GRI 419	1	Non-compliance with laws and regulations in the social and economic area	GRI 419: Socioeconomic Compliance 2016	FB-HR, HC-B	16.3, 16.6	None	32	Leadership & Governance - Management of the Legal & Regulatory Environment
52	GRI Sector Disclosures for Financial Services	FS1	Policies with specific environmental and social components applied to business lines	GRI Financial Services Sector Disclosures 2013	IF-SS	8.3, 8.4	Not Available	33	Leadership & Governance - Risk Management
53	GRI Sector Disclosures for Financial Services	FS2	Procedures for assessing and screening environmental and social risks in business lines	GRI Financial Services Sector Disclosures 2013	IF-SS	8.3, 8.4	Pages 38 - 41	33	Leadership & Governance - Risk Management

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Item	GRI Standard	Disclosure Number	Disclosure	GRI Standard Framework	Relevant SASB Reference where applicable	UNSDG Reference where applicable	Page (s)	Material Issue #	Material Issue Description
54	GRI Sector Disclosures for Financial Services	FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	GRI Financial Services Sector Disclosures 2013	IF-SS	8.3, 8.4	Pages 70 - 75	33	Leadership & Governance - Risk Management
55	GRI Sector Disclosures for Financial Services	FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	GRI Financial Services Sector Disclosures 2013	HC-B	8.5	Pages 90 - 95	19	Human Capital - Training and Skill Development
56	GRI Sector Disclosures for Financial Services	FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	GRI Financial Services Sector Disclosures 2013	IF-SS	8.3, 8.4	Pages 70 - 75	13	Social Capital - Clients' Sustainability
57	GRI Sector Disclosures for Financial Services	FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	GRI Financial Services Sector Disclosures 2013	FN-AC-410a.1	10.2, 10.3	Pages 42 - 53	28	Business Model & Innovation - Long-Term Asset Management
58	GRI Sector Disclosures for Financial Services	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	GRI Financial Services Sector Disclosures 2013	FN-AC-410a.2	1.4, 10.2	Pages 82 - 89	17	Social Capital - Social Development & Community Involvement
59	GRI Sector Disclosures for Financial Services	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	GRI Financial Services Sector Disclosures 2013	FN-AC-410a.3	13.2, 13.3	Pages 82 - 89	1	Environment - Climate Change Mitigation & Adoption
60	GRI Sector Disclosures for Financial Services	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	GRI Financial Services Sector Disclosures 2013	FN-AC-410a.4	12.6, 12.8	Collating for FY24	35	Leadership & Governance - Responsible Investment
61	GRI Sector Disclosures for Financial Services	FS11	Percentage of assets subject to positive and negative environmental or social screening	GRI Financial Services Sector Disclosures 2013	FN-AC-410a.5	12.6	Not Available	35	Leadership & Governance - Responsible Investment

GRI Index Table

Item	GRI Standard	Disclosure Number	Disclosure	GRI Standard Framework	Relevant SASB Reference where applicable	UNSDG Reference where applicable	Page (s)	Material Issue #	Material Issue Description
62	GRI Sector Disclosures for Financial Services	FS13	Access points in low-populated or economically disadvantaged areas by type	GRI Financial Services Sector Disclosures 2013	FN-AC-550a.2	8.10, 10.2	Pages 82 - 89	25	Business Model & Innovation - Access to Capital and Customers
63	GRI Sector Disclosures for Financial Services	FS14	Initiatives to improve access to financial services for disadvantaged people	GRI Financial Services Sector Disclosures 2013	FN-AC-550a.3	1.4, 10.2	Pages 82 - 89	17	Social Capital - Social Development & Community Involvement
64	GRI Sector Disclosures for Financial Services	FS15	Policies for the fair design and sale of financial products and services	GRI Financial Services Sector Disclosures 2013	FN-AC-550a.4	10.2, 10.3	Pages 40 - 41	14	Social Capital - Product Quality & Safety
65	GRI Sector Disclosures for Financial Services	FS16	Initiatives to enhance financial literacy by type of beneficiary	GRI Financial Services Sector Disclosures 2013	FN-AC-550a.5	4.4, 4.7	Pages 82 - 89	19	Human Capital - Training and Skill Development

Disclaimer:

The above GRI index table encapsulates a collection of standards that may bear significance to a banking institution. However, this comparative chart is not all-encompassing, and the precise standards and disclosures pertinent to the Bank hinge on our materiality evaluation and the unique nature of our business activities. We encourage you to refer to the Sustainability Accounting Standards Board (SASB) and United Nations (UN) documents for a more detailed understanding of specific SASB references and UNSDGs, respectively. It is worth noting that SASB codes are condensed, with HC representing Human Capital, FB denoting Financials & Banking, IF signifying Infrastructure, EM for Extractives & Minerals Processing, CG stands for Corporate Governance, and TC refers to Technology & Communications. The SASB references and United Nations Sustainable Development Goals (UNSDGs) connected to the GRI Standards shown in this chart illustrate a broad correspondence. They may not wholly coincide with the details of our operations and strategies. Be aware that not all GRI Standards possess a corresponding SASB code or are associated with a UNSDG. The same condition is applicable to UNSDGs and SASB codes. This serves as a general direction and may not encapsulate every detail specific to our establishment.



Karnataka Bank
Your Family Bank. Across India.



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CIN : L85110KA1924PLC001128

NOTICE TO THE MEMBERS

Notice is hereby given that the Ninety-Ninth Annual General Meeting of **THE KARNATAKA BANK LIMITED** will be held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") as under:

Date : **August 29 2023**
Day : **Tuesday**
Time : **11.30 AM IST**

to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt:
 - i. the Audited Standalone Financial Statements for the financial year ended March 31, 2023 together with the reports of the Auditors and the Directors thereon.
 - ii. the Audited Consolidated Financial Statements for the financial year ended March 31, 2023 and the Report of the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. B R Ashok (DIN: 00415934), who retires by rotation and being eligible, offers himself for re-appointment.
4. Appointment of Statutory Auditors (SAs).

To consider and, if thought fit, to pass, the following Resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 139 to 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as may be applicable, the provisions of the Banking Regulation Act, 1949 and Reserve Bank of India (RBI) guidelines and as per approval of the RBI, (1) M/s. Sundaram & Srinivasan, Chartered Accountants (Firm Registration No. 004207S), New No.4, Old No. 23, C. P. Ramaswamy Road, Alwarpet, Chennai-600018, (2) M/s. Kalyaniwalla & Mistry LLP, Chartered Accountants (Firm Registration No./LLP No. 104607W/W100166), Esplanade House, 29, Hazarimal Somani Marg, Fort, Mumbai-400001 and (3) M/s. Ravi Rajan & Co LLP, Chartered Accountants, New Delhi (Firm Registration No./LLP No. 009073N/ N500320), be appointed as Joint Statutory Auditors of the Bank, to hold office from the conclusion of this Meeting till the conclusion of the One Hundredth Annual General Meeting of the Bank at an overall remuneration of ₹ 4.20 Crores (Rupees Four Crore Twenty Lakhs Only), to be paid and allocated to/between the Joint Statutory Auditors as may be mutually agreed between the Bank and the Joint Statutory Auditors, depending upon their respective scope of work and Certification fee of ₹30,000 (Rupees Thirty Thousand Only) per certificate issued and reimbursement of actual out-of-pocket expenses, goods and services tax and such other tax(es) as may be applicable.

RESOLVED FURTHER that the Board (including any Committee thereof and any other person duly authorised by the Board) be and is hereby severally authorised to do all such acts, matters, deeds and things and give such directions as may be deemed necessary or expedient in connection with or incidental to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies and to comply with all other requirements in this regard and to alter and vary the terms and conditions of the appointment, remuneration etc. including by reason of necessity on account of conditions as may be stipulated by RBI and/or any other authority, in such manner and to such extent as may be mutually agreed to with the auditors.

SPECIAL BUSINESS

5. Amendments to the Articles of Association of the Bank:

To consider the passing of the following resolution, as a SPECIAL RESOLUTION:

"RESOLVED to amend the Articles of Association of the Bank to the following effect:

1. To insert a new clause (v) under the Article 51:

- (v) The Bank shall, subject to prevailing laws and in accordance with the terms of trust deed/s entered with the Debenture Trustees for the issue of Debentures/ Bonds, appoint a person nominated by the Debenture Trustees as a Nominee Director on the Board of the Bank (to be referred as "Debenture Director") within the timelines permitted by applicable law."

2. To insert a new clause (d) under Article 61:

- (d) A Non-Executive Director or an Independent Director, other than the Chairman, may be paid compensation in the form of a fixed remuneration, subject to such limits as may be applicable under the law/relevant guidelines issued by RBI and such amount as may be decided by the Board from time to time.

RESOLVED FURTHER THAT the Board/Managing Director & CEO or any other Directors/Company Secretary/any Officer of the Bank duly authorized by the Board be and is hereby authorized to do all such acts, deeds and things as may be required to give effect to the aforesaid resolution."

6. Modification in the terms of appointment of Mr. Sekhar Rao (DIN: 06830595), Executive Director:

To consider the passing of the following resolution, as an ORDINARY RESOLUTION:

RESOLVED THAT in partial modification to the Resolution dated 30.03.2023 approving the appointment of Mr. Sekhar Rao (DIN: 06830595) as the Executive Director of the Bank and as per the provisions of Sections 152, 196 and all other applicable provisions, of the Companies Act, 2013 (the "Act") read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Section 35B and other relevant provisions, of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by the Reserve Bank of India ("RBI"), from time to time, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and any other applicable laws (including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereto, for the time being in force), the provisions of the Articles of Association ("Articles") of the Karnataka Bank Limited (the "Bank"), as amended, the office of Mr. Sekhar Rao, Executive Director, shall be liable to retire by rotation in terms of the relevant provisions of the Companies Act, 2013 and the Articles of the Bank, and if eligible, can offer himself for reappointment, within the overall term of three years w.e.f. 01.02.2023 or any extension thereof as may be permitted by the Reserve Bank of India from time to time.

RESOLVED FURTHER THAT the Board/Managing Director & CEO/Company Secretary/any Officer of the Bank duly authorized by the Board be and is hereby authorized to do all such acts, deeds and things as may be required to give effect to the aforesaid resolution."

7. Appointment of Mr. Srikrishnan Hari Hara Sarma (DIN: 00318563) as the Managing Director and CEO:

To consider the passing of the following resolution, as an ORDINARY RESOLUTION:

RESOLVED THAT pursuant to the provisions of Sections 152, 196 and all other applicable provisions, if any, of the Companies Act, 2013 (the "Act") read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Section 35B and other relevant provisions, if any, of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by the Reserve Bank of India ("RBI"), from time to time, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and any other applicable laws (including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereto, for the time being in force), the provisions of the Articles of Association ("Articles") of the Karnataka Bank Limited (the "Bank"), as amended, and pursuant to the recommendation made by the Nomination and Remuneration Committee (the "Committee") and approval of Board of Directors of the Bank (the "Board"), and in terms of the approval granted by RBI under Section 35B of the Banking Regulation Act, 1949, Mr. Srikrishnan Hari Hara Sarma (Mr. Srikrishnan H) (DIN: 00318563) who was appointed as an Additional Director by the Board of Directors of the Bank in terms of Section 161(1) of the Act and Articles of Association of the Bank to take up the role of the Managing Director and CEO of the Bank for a period of three (3) years from June 9, 2023,

and who has submitted a written notice pursuant to Section 160 of the Companies Act, 2013 of his candidature for the office of Managing Director, be and is hereby appointed as as the Managing Director and CEO of the Bank for a period of three (3) years w.e.f. June 9, 2023 and upto June 8, 2026 (both dates inclusive) in accordance with the approval of RBI and that Mr. Srikrishnan H shall retire by rotation, in terms of the relevant provisions of the Act and the Articles of the Bank and if eligible, can offer himself for reappointment.

RESOLVED FURTHER THAT pursuant to the provisions of Section 196, 197 and other applicable provisions, if any, of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Section 35B and other relevant provisions, if any, of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by RBI, from time to time and any other applicable laws (including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereto, for the time being in force), the provisions of the Articles of the Bank and pursuant to the recommendation made by the Committee and approval of the Board and as per approval of the RBI, the approval of the members of the Bank be and is hereby accorded for payment of remuneration to Mr. Srikrishnan H as the Managing Director and CEO of the Bank to be paid by way of fixed pay, allowances, perquisites and variable pay with effect from June 9, 2023, as more particularly mentioned herein below subject to such modifications/ changes, if any, as RBI may direct from time to time:

	Particulars	Amount ₹ (per annum)
	FIXED PAY	
1.	Salary (Basic)	1,28,94,000
2.	Dearness Allowance	25,78,800
3.	Retiral/Superannuation Benefits:	
	i. Provident Fund (12% of basic salary)	15,47,280
	ii. Gratuity (Gratuity is calculated for every completed year of service or part thereof in excess of six months at the rate of 15 days basic based on the last drawn basic, without the restriction of minimum service required).	6,20,200
	iii. Pension	Nil
4.	Leave Fare Concession	Highest class by whichever mode of travel within the country once a year for self and family including dependent children.
5.	Other fixed allowances:	
	i. Entertainment allowance (including club memberships if any on declaration basis)	2,50,000
	ii. Medical Benefits (for self and family on declaration basis)	75,000
6.	Perquisites:	
i)	Free Furnished House and its maintenance / House Rental Allowance (Free furnished residential accommodation. Proper upkeep and security arrangement to the residential accommodation to be provided by the Bank. Till the Bank arranges to provide the residential accommodation to the Managing Director, House Rent Allowance @ 15% of Basic Pay be given)	19,34,100
ii)	Conveyance allowance (Free use of Bank's Car for official purpose (journeys from residence to office and vice versa to be treated as duty runs). For personal use ₹250/- per month to be recovered.	39,600
iii)	Reimbursement of medical expenses	Reimbursement of actual expenses incurred including hospitalization in full for self and spouse and to the extent of 50% for his dependent children.
iv)	Any Other Perquisites:	
	a. Insurance Cover (Personal accident insurance cover upto ₹20,00,000.)	2,000

Particulars	Amount ₹ (per annum)
FIXED PAY	
b. Telephone facility (Telephone facility at MD's residence at Bank's Cost and including cell phone and internet/data charges)	60,000
c. Bonus & Sitting Fee	Nil
d. Travelling and Halting Allowance	As may be decided by the Board from time to time.
v) Leave	
a. Casual Leave	As applicable to the Officers of the Bank
b. Privilege Leave	As applicable to the Officers of the Bank encashable at the time of demission of office up to the limit as applicable to the Officers of the Bank.
c. Sick Leave	As applicable to the Officers of the Bank.
Total Fixed Pay	₹ 2,00,00,980
Target Variable Pay (i.e., up to 125 % of fixed pay divided into equal components of cash (upfront 40% and deferred 60%) and share linked benefits (100% deferred) with a vesting schedule of 30% : 30% : 40% over a period of three years and subject to other terms and conditions as per Bank's Compensation Policy.)	Up to ₹ 2,50,00,000
Total Compensation (Fixed + Target Variable Pay) (upto. ₹ 4,50,00,980) (rounded off)	Up to ₹ 450 Lakhs

RESOLVED FURTHER THAT the approval of the members of the Bank be and is hereby accorded to the Board or any Committee of the Board, to decide on the quantum of variable pay on an annual basis to be paid to Mr. Srikrishnan H (DIN: 00318563), as the Managing Director & CEO of the Bank, which shall be, based on his performance linked to quantitative and qualitative metrics, up to 125% of the fixed pay of the respective financial year, in accordance with Reserve Bank of India Guidelines on "Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 4, 2019 and Bank's Policy framed pursuant to the RBI Guidelines and subject to the prior approval of RBI in terms of Section 35B of the Banking Regulation Act, 1949 for each concerned financial year.

RESOLVED FURTHER THAT the Board is hereby authorized to approve/modify/change the fixed pay, allowances, perquisites and variable pay in such manner/form within the overall remuneration subject to the approval of Reserve Bank of India, without having to seek any further consent or approval of the Members of the Bank.

RESOLVED FURTHER THAT the Board/Executive Director/Company Secretary/any Officer of the Bank duly authorized by the Board be and is hereby authorized to do all such acts, deeds and things as may be required to give effect to the aforesaid resolution."

8. Borrowing Powers:

To consider the passing of the following resolution, as a SPECIAL RESOLUTION.

RESOLVED THAT pursuant to Section 180(1) and other applicable provisions, if any, of the Companies Act, 2013 and applicable Rules made thereunder, any other applicable provisions of law from time to time, and the provisions of the Memorandum and Articles of Association of the Bank and subject to such other approvals as may be necessary from any authorities or regulators, including Reserve Bank of India ("RBI"), the consent of the Members of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter referred to as "Board", which term shall be deemed to include any Committee of the Board or any other persons to whom powers are delegated by the Board as permitted under the Companies Act, 2013 or Rules thereunder) to borrow/raise funds by issue of BASEL III Compliant debt instruments, including but not limited to Bonds under Tier 2 or AT-1 Bonds, in one or more tranches, in Indian/foreign currencies in domestic and/or overseas markets, not exceeding in aggregate ₹ 1,500 crore (Rupees One thousand Five Hundred Crore Only), to be reckoned with in the borrowing powers of ₹6000 crore approved by the members at the 97th Annual General Meeting held on September 02, 2021, over and above the aggregate of the paid-up capital of the Bank and free reserves and the securities premium at any time, on such terms and conditions as may be determined, from time to time, by the Board.

RESOLVED FURTHER that the Board (including any Committee thereof and any other person duly authorised by the Board) be and is hereby severally authorised to do all such acts, matters, deeds and things and give such directions as may be deemed necessary or expedient in connection with or incidental to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies and to comply with all other requirements in this regard.

Registered Office:
Mahaveera Circle
Kankanady, Mangaluru-575002
Date: August 3, 2023

By order of the Board of Directors

Sham K
Company Secretary

Notes:

1. The shareholders may take note of the following dates:

Sl. No.	Particulars	Dates
1.	Cut-off date for the purpose of deciding the eligibility of the shareholders for remote e-voting	August 22, 2023
2.	Remote e-voting begin date & time	August 25, 2023 (9.00 a.m.) IST
3.	Remote e-voting end date & time (i.e., e-voting to close at 5.00 p.m. on the date preceding the date of general meeting)	August 28, 2023 (5.00 p.m.) IST
4.	Annual General Meeting Date	August 29, 2023 (11.30 a.m.) IST
5.	Record Date for determining the eligibility of the shareholders to receive dividend.	August 22, 2023
6.	Book Closure (both days inclusive)	August 23, 2023 to August 29, 2023

2. The Ministry of Corporate Affairs ("MCA") General Circular No. 10/2022 and 11/2022 dated December 28, 2022 and other circular mentioned therein (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), without the physical presence of the Members at a common venue. Accordingly, in compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the MCA Circulars, the AGM of the Bank is being held through VC/OAVM (hereinafter referred to as "e-AGM").
3. Further, in compliance with the aforesaid MCA Circulars and also SEBI Circular SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated January 05, 2023 (applicable to equity listed entities), the Notice of e-AGM along with the Annual Report 2022-23 is being sent only through electronic mode to those Members holding the shares as on the cutoff date and whose email addresses are registered with the Bank/Depositories. Members may note that the Notice and Annual Report 2022-23 will also be available on the Bank's website (<https://karnatakabank.com/investor-portal>), websites of the Stock Exchanges i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively, and on the website of CDSL <https://www.evoting.cdsl.com>
4. The explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of the special businesses set out above and the relevant details pursuant to Regulations 26(4) and 36(3) of the SEBI (LODR) Regulations, 2015 and Secretarial Standard-2 on General Meetings issued by the Institute of Company Secretaries of India, in respect of the Directors seeking reappointment at this e-AGM are annexed.
5. As this e-AGM is being held pursuant to the MCA/SEBI Circulars referred to above through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for their e- AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
6. Institutional/Corporate Shareholders (i.e. other than individuals/HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the e-AGM through VC/OAVM on its behalf and to vote through remote e-voting. The said Resolution/ Authorization shall be sent to the Scrutinizer by email from its registered email address to investor.grievancr@ktkbank.com with a copy marked to evoting@cdsl.co.in
7. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank account details such as, name of the bank and branch, bank account number, MICR code, IFSC code, etc., to

their DPs in case the shares are held by them in electronic form and to Bank's Registrar & Share Transfer Agent (R&TA): Integrated Registry Management Services Private Ltd., No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleshwaram, Bengaluru-560003 (Tel No.:080-23460815/6/7 email: irg@integratedindia.in) in case the shares are held by them in physical form.

8. The Board has appointed Mr. Pramod S M, Partner, M/s. BMP & Co. LLP, Company Secretary in Practice, Bengaluru, as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner as per the provisions of the law/act and Mr. Biswajit Ghosh, Partner, M/s. BMP & Co. LLP, Company Secretary in Practice, Bengaluru, as the Alternate Scrutinizer.
9. The Scrutinizer will submit his report to the Chairman after the completion of scrutiny and the voting results will be announced by the Chairman or Company Secretary of the Bank on or before August 31, 2023 and will also be displayed on the website of the Bank, besides being communicated to the Stock Exchanges viz. BSE and NSE, and Depositories. The Scrutinizer's decision on the validity of e-voting will be final.
10. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Bank will be entitled to vote at the e-AGM.
11. Members attending the AGM through "VC"/"OAVM" shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
12. Members desiring any information with regard to the annual accounts or any matter to be placed at the AGM, are requested to write to the Bank on or before August 19, 2023 through email on investor.grievance@ktkbank.com
13. Members may note that the Board, at its meeting held on May 26, 2023, has recommended a final dividend of ₹5.00 per share. The record date for the purpose of final dividend is fixed as August 22, 2023. The final dividend, once approved by the members in the ensuing AGM, will be paid electronically through various online transfer modes to those members who have furnished their bank account details. For members who have not provided their bank account details, dividend warrants will be sent out to their registered addresses. To avoid delay in receiving dividend, members are requested to update their Bank account details including Re-KYC with their depositories (where shares are held in dematerialized mode) and with the Bank's Registrar and Share Transfer Agent ("RTA") (where shares are held in physical mode) to receive dividend directly into their bank account on the payout date.
14. **TAX ON DIVIDEND:** Members may note that the Income-Tax Act, 1961, ("the IT Act") as amended by the Finance Act, 2020, mandates that dividends paid or distributed by a company on or after April 1, 2020 shall be taxable in the hands of members. Upon declaration of the dividend by the members at the AGM, the Bank shall therefore be required to deduct tax at source ("TDS") at the time of making the payment of the dividend. In such a case, the Dividend will be paid after deducting the tax at source as follows:

Resident Shareholders:

It may be noted that tax would not be deducted at source on payment of dividend to a "resident Individual shareholder", if the total dividend amount to be paid in a financial year does not exceed ₹5,000.

Tax to be deducted at source, wherever applicable, would be as under:

Particulars	Applicable Rate	Documents required (if any)
Shareholders having the PAN	10%	Update the PAN, and the residential status as per Income Tax Act, 1961 if not already done, with the depositories (in case of shares held in demat mode) and with the Bank's Registrar and Share Transfer Agent (in case of shares held in physical mode).
	NIL	Form 15G (applicable to any person other than a Company or a Firm)/Form 15H (applicable to an Individual above the age of 60 years), provided that all the required eligibility conditions are met, and a copy of PAN is furnished.
Shareholders not having PAN/ PAN is Invalid	20%	N.A.

Particulars	Applicable Rate	Documents required (if any)
Shareholders submitting the Order under Section 197 of the Income Tax Act, 1961 (Act)	Rate provided in the Order	Lower/NIL withholding tax certificate obtained from tax authority along with a copy of PAN.
Shareholders for whom Section 194 of the Act is not applicable	NIL	A declaration that it has full beneficial interest with respect to the shares owned by it along with PAN.
Shareholders, being Alternative Investment Funds (AIFs) (Category I & Category II)	NIL	A declaration that the AIFs are registered under SEBI as per SEBI Regulations.
Shareholders covered under Section 196 of the Act (e.g. Mutual Funds, Govt.)	NIL	Certificate of registration u/s 10(23D) issued by the appropriate authority along with PAN, documentary evidence that the person is covered under said Section 196 of the Act.

The Resident individual shareholders are requested to ensure that their Aadhaar Number is linked with PAN within the prescribed timelines. In case of failure to link, PAN shall be considered as inoperative/invalid and hence, tax at 20% shall be deducted in such cases.

TDS to be deducted at a higher rate in case of non-filers of Income Tax Return:

The Finance Act, 2021, inter-alia, has been amended to include a new Section 206AB with effect from July 1, 2021. The provisions of said section require the Bank to deduct tax at higher of the following rates from the amount paid/credited to a 'specified person'*:

- At twice the rate specified in the relevant provision of the Income Tax Act; or
- At twice the rate(s) in force; or
- At the rate of 5%.

*Specified Person is a person who has not furnished its/their Return of Income in India for the previous Financial Year, the time limit for which has expired under the provisions of the Income Tax Act 1961 and the aggregate of Withholding tax deducted exceeds ₹50,000/- in the current Financial Year.

In case Government provides any guidelines to comply with the provisions of Section 206AB, Bank will deduct tax in accordance with said guidelines. Tax deducted in accordance with said guidelines will be final and the Bank shall not refund/adjust said amount subsequently. The Bank might also seek necessary declarations from such shareholders to comply with the provisions of this Section. The non-resident who does not have a permanent establishment is excluded from the scope of a specified person. As such, a non-resident is required to submit a no permanent establishment declaration so as to be excluded from the scope of a specified person.

Where the shareholder being resident individual eligible for obtaining Aadhaar Number have not intimated/linked the Aadhaar Number allotted with its PAN up to the date of declaration of dividend. In such a case, the allotted PAN would be treated as inoperative ; benefit of TDS exemption such as vide Form 15G / H shall not be extended, for the provisions of deduction of TDS on the dividend declared by the Company, as may be applicable under the Act or relevant law/rules in force and taxes will be withheld accordingly.

Non-Resident Shareholders:

As per Section 90 of the Income Tax Act, the non-resident shareholder has the option of being governed by the provisions of the Double Tax Avoidance Treaty between India and the country of tax residence of the shareholder, if they are more beneficial to them.

Please refer to the below table for details of documents to avail Tax Treaty benefits.

Particulars	Applicable Rate	Documents required (if any)
Shareholders, being Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)	20% (plus applicable surcharge and cess) as per Section 196D of the Income Tax Act, 1961 OR Tax Treaty Rate (whichever is lower)	<ul style="list-style-type: none"> a) Self-attested copy of the Permanent Account Number (PAN Card) allotted by the Indian Income Tax authorities. b) Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is a resident, valid for FY 2023-24. c) Electronically furnished Form 10F & its acknowledgement from the Income Tax portal. d) Self-declaration by the non-resident shareholder about having no Permanent Establishment in India in accordance with the applicable Tax Treaty. e) Self-declaration of Beneficial ownership by the non-resident shareholder.
Other Non-Resident shareholders	20% (plus applicable surcharge and cess) OR Tax Treaty Rate (whichever is lower)	<ul style="list-style-type: none"> a) Self-attested copy of the Permanent Account Number (PAN Card) allotted by the Indian Income Tax authorities. b) Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is a resident, valid for FY 2023-24. c) Electronically furnished Form 10F & its acknowledgement from the Income Tax portal. d) Self-declaration by the non-resident shareholder about having no Permanent Establishment in India in accordance with the applicable Tax Treaty. e) Self-declaration of Beneficial ownership by the non-resident shareholder.
Shareholders submitting the Order under Section 197 of the Income Tax Act	Rate provided in the Order	Lower/NIL withholding tax certificate obtained from the tax authority.

In case PAN is not available, the non-resident shareholder (other than a company) shall furnish (a) name, (b) email id, (c) contact number, (d) address in residency country, (f) Tax Identification Number of the residency country.

It is recommended that shareholders should independently satisfy their eligibility to claim DTAA benefits including meeting all conditions laid down by DTAA.

Kindly note that the Bank is not obligated to apply beneficial DTAA rates at the time of tax deduction/withholding on dividend amounts. Application of beneficial rate as per DTAA for the purpose of withholding taxes shall depend upon the completeness and satisfactory review by the Company of the documents submitted by the non-resident shareholder.

As per CBDT's recent Notification no 03/2022 dated 16th July, 2022, all non-resident shareholders desiring to claim DTAA tax treaty benefits will need to electronically furnish Form 10F to the revenue authorities at the income tax e-filing portal.

Soft copies of the following documents may be downloaded from the link <https://www.integratedindia.in/ExemptionFormSubmission.aspx>

- (1) Form 15G.
- (2) Form 15H.
- (3) Form 10F.
- (4) Declaration from residents.
- (5) Declaration from non-residents.
- (6) Declaration under Rule 37BC from non-residents (other than companies) not having PAN.

Duly filled and signed aforesaid documents, as applicable, should be uploaded at the website of RTA at <https://www.integratedindia.in/ExemptionFormSubmission.aspx> on or before August 24, 2023, 11.59 PM (IST), to enable the Company to determine the appropriate TDS/withholding tax rate applicable.

No communication on the tax determination/deduction received post the aforesaid date and time shall be considered for payment of the Dividend.

No other mode of submission of the documents would be entertained and the same needs to be uploaded only on the website of the RTA at the weblink said above. If the documents are submitted to any other email id or through post etc., no claim shall lie against the Bank or the RTA.

Similarly, if the tax on said Dividend is deducted at a higher rate due to non-receipt of or satisfactory completeness of the above-mentioned details/documents, the shareholder may claim an appropriate refund in the return of income filed with their respective tax authorities and no claim shall lie against the Bank for such taxes deducted.

For shareholders having multiple accounts under different status/ category:

Shareholders holding ordinary shares under multiple accounts under different status/category and a single PAN may note that the higher of the tax as applicable to the status in which shares held under a PAN will be considered on their entire holding in different accounts.

Beneficial Interest:

In terms of Rule 37BA of Income Tax Rules, 1962, if dividend income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, then the deductee should file a declaration with the Bank in the manner prescribed by Rules. In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by the Shareholder(s), such Shareholder(s) will be responsible to indemnify the Bank and also, provide the Bank with all information/documents and co-operation in any appellate proceedings.

Updation of bank account details:

The shareholders are requested to ensure that their bank account details in their respective demat accounts/ folios are updated, to enable the Bank to make timely credit of dividend to their bank accounts.

15. The members may write to irg@integratedindia.in for any clarifications on this subject (please write in the subject matter as "KBL Dividend TDS" for easy identification and prompt redressal).
16. Members are requested to note that, dividend remaining unclaimed for a consecutive period of seven years from the date of transfer to the Unpaid Dividend Account of the Bank, is liable for transfer to the Investor Education and Protection Fund ("IEPF") along with the related shares. In view of this, Members are requested to claim their unpaid dividends, if any, from the Bank, within the stipulated timeline. The Members, whose unclaimed dividends/shares have been transferred to IEPF, may claim the same by making an online application to the IEPF Authority in web Form No. IEPF-5 is available on www.iepf.gov.in For details, please refer to the Corporate Governance Report of the Directors' Report.
17. Since the AGM will be held through "VC"/"OAVM", the Route Map to the venue of the AGM is not annexed in this Notice.
18. Article 74A of the Articles of Association of the Bank states that any suit by a member or members relating to any Annual General Meeting or Extraordinary General Meeting of the Bank or any meeting of its Board of Directors or a Committee of Directors or to any item of business on the agenda of any such meeting shall be subject to the exclusive jurisdiction of courts in Mangaluru city.
19. Instructions for remote e-voting, venue of voting and joining the AGM are provided in Page No. 20.

ANNEXURE TO THE NOTICE

Item No.3 : Reappointment of Mr. B R Ashok, as a Director of the Bank:

Mr. B R Ashok, a Chartered Accountant by profession, was appointed by the members in the 98th AGM held on 26.08.2022 as a Non-Executive Director liable to retire by rotation and being eligible, has offered himself for reappointment.

Further, the Independent Directors at their exclusive meeting held on February 21, 2023 while carrying out the performance evaluation of the Directors (in terms of the Companies Act, 2013) and the Board of Directors at its meeting held on May 26, 2023, while carrying out due diligence of the Directors under 'Fit & Proper' norms of RBI opined that his candidature is in compliance with the said norms and is eligible to be reappointed as a Director of the Bank and accordingly, the Board of Directors in terms of Section 160 of the Companies Act, 2013 resolved to recommend his re-appointment as a Non-Executive Non-Independent Director.

In terms of Section 152 of the Companies Act, 2013 read with Section 149 of the Act, he is classified as a Non-Executive (Non-Independent) Director in view of his earlier association with the Bank in the capacity as a Partner of the Audit Firm (i.e., M/s. R K Kumar & Co. which is now known as MSKC & Associates, Chennai) which carried out the Statutory Central Audit of the Bank in the past.

Brief Profile and additional information about Mr B R Ashok as per Secretarial Standard-2 read with Regulation 36(3) of SEBI (LODR) Regulations, 2015:

Name of the Director	Mr. B R Ashok
DIN	00415934
Age	60 years
Qualification	FCA
Experience	Mr. B R Ashok, is a Fellow Member of the Institute of Chartered Accountants of India (ICAI) (FCA) and also a professional member of the Indian Institute of Insolvency Professionals of ICAI (IIPI) and is an Insolvency Resolution Professional (IRP) under Insolvency and Bankruptcy Code (IBC). He qualified as a Chartered Accountant in the year 1984 and has more than 36 years of experience in practice. His areas of expertise include the statutory central audit of banks, statutory audit of insurance companies and corporates including public sector undertakings, NGOs and other entities besides advisory, consultancy and taxation assignments. He also has expertise in the fields of attestation services, consultancy in direct taxes and FEMA, management advisory services and representation before various adjudicating authorities up to the Tribunal level in income tax. He is a partner in M/s. MSKC & Associates (formerly known as R K Kumar & Co.,) Chartered Accountants, Chennai, a partnership firm established in the year 1974. He secured 1 st Rank in the post-qualification Diploma Course on Information Systems Audit conducted by the ICAI in December 2002 and has successfully completed the online Proficiency Self-Assessment Test for Independent Director's Databank conducted by the Indian Institute of Corporate Affairs in March 2020.
Terms and conditions of appointment	Proposed to be appointed as a non-independent, non-wholetime director liable to retire by rotation.
Remuneration details	Sitting Fees and such other remuneration as per the Compensation Policy of the Bank. During FY 2022-23 sitting fees aggregating to ₹40.20 lakhs was paid to him for attending the meetings of the Board/ Committees.
Date of first appointment on the Board	27.08.2019 as an Additional Director.

Shareholding	Directly Held: 1650 Equity Shares of ₹10 each & five subordinated debt instruments (Series V) with a face value of ₹1,00,000/- each. As Beneficial Owner: Nil
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	Not related to any other Directors, Managers and other Key Managerial Personnel of the Bank.
Number of meetings of the Board attended during the year	Attended 15 meetings out of 17 meetings held during the year and upon his request, leave of absence was granted for the two meetings in which he did not participate.
Other Directorships, Membership / Chairmanship of Committees of other Boards. Listed entities from which the person has resigned in the past three years.	Nil
Nature of Expertise	Accountancy, Banking and Finance and Taxation.
Skills and capabilities required for the role in terms of Section 10A(2) of the Banking Regulation Act, 1949. The manner in which the proposed person meets such requirements.	Accountancy, Banking, Finance, Business Management, Information Technology and Risk Management He has nearly four decades of experience in Statutory Audit of Banks, Accounting, Taxation etc., and in terms of Section 10A(2) of the Banking Regulation Act, 1949, banks in India are required to ensure that persons to be appointed as Directors shall have special knowledge or practical experience in respect of one or more of the matters specified in the said Act. Mr. B R Ashok possesses such desired skills and capabilities and the Nomination & Remuneration Committee and the Board of the Bank are of the opinion that his continuation on the Board of the Bank as a Director would provide substantial value addition.

Your Board recommends the resolution appointing Mr. B R Ashok as a Non-Executive, Non-Independent Director of the Bank as set out under **Item No. 3** of the notice, liable to retire by rotation, as aforesaid.

Except for Mr. B R Ashok and his relatives, no other Director or Key Managerial Personnel of the Bank or their respective relatives are in any way concerned or interested, financially or otherwise, in this resolution.

Item No. 4: Appointment of Statutory Auditors (SAs).

At the 98th Annual General Meeting held on August 26, 2022, M/s Sundaram & Srinivasan, Chartered Accountants (Firm Registration No. 004207S) and M/s Kalyaniwalla & Mistry LLP, Chartered Accountants (Firm Registration No./LLP No. 104607W/W100166), were re-appointed as the Joint Statutory Auditors of the Bank who, at the conclusion of the ensuing Annual General Meeting will be completing the period of second year (i.e., in the term commencing from FY 2021-22).

The maximum tenure of SAs is three years and FY 2023-24 will be the third year in office for the existing two audit firms. Therefore, with a view to ensuring continuity of auditors, the Board of Directors of the Bank at its meeting held on 17.06.2023, on the recommendation of the Audit Committee, approved the appointment of M/s Ravi Rajan & Co LLP, Chartered Accountants (Firm Registration No./LLP No. 009073N/ N500320), New Delhi. RBI, upon our application, approved the proposed appointment vide letter dated 20.07.2023.

The Bank will have three joint statutory auditors for the current financial year 2023-2024. The two existing audit firms will complete their third year of appointment as joint statutory auditors this year, and their assignment will end with the conclusion of the Annual General Meeting (AGM) for 2023-2024. The Bank has already appointed one of the new audit firms this year and will appoint another new joint statutory auditor for the FY 2024-2025 financial year. With necessary approvals, these two firms will jointly conduct the statutory audit thereafter.

All the above audit firms have confirmed their eligibility to be appointed as Statutory Auditors as per Section 141 of the Companies Act, 2013 and applicable rules. The Board of Directors recommends the appointment of M/s Sundaram & Srinivasan, Chartered Accountants, M/s Kalyaniwalla & Mistry LLP, Chartered Accountants and M/s Ravi Rajan & Co LLP, Chartered Accountants jointly as Statutory Auditors of the Bank to hold office upto the conclusion of 100th AGM.

Upward revision in the fees payable to the Statutory Auditors (SAs):

As said above, it is proposed to appoint M/s Ravi Rajan & Co LLP, Chartered Accountants, New Delhi as the Statutory Auditor jointly with the existing two audit firms for the current year 2023-24. Accordingly, there will be three joint statutory auditors for FY 2023-24.

Presently, the consolidated statutory audit fees paid to each firm is ₹1.40 crore and it is proposed to fix the fees payable to M/s. Ravi Rajan & Co LLP at the same rate i.e., ₹1.40 crore/year. While there is no increase in the fees paid to each of the firms, however, on account of the on-boarding of one more auditor during the current FY, the overall audit fee will be ₹ 4.20 crore as against the fees of ₹2.80 crores paid during the previous year.

The Board of Directors is of the view that the increase in overall fees for the FY is justified considering the benefit the Bank would derive out of continuity and smooth transition of the audit process, besides inputs expected to be brought in by the new audit firm.

The Board of Directors, based on the recommendation of the Audit Committee, has approved the fees payable to the statutory auditors as mentioned hereunder:

			(₹ crore)
Proposed fees payable to the statutory auditor(s)	Particulars	Amount of Fee per audit firm	Total Amount of Fees
	Consolidated Statutory Audit Fees to the existing auditors (two firms)	1.40	2.80
	Consolidated Statutory Audit Fees to the existing & proposed auditors (three firms)	1.40	4.20
	The Break-up is as under:		(₹ crore)
	Nature of Payment	Proposed fees structure	
	Year-end Audit	2.40	
	Limited Review (3 quarters)	0.90	
	Long form Audit Report	0.60	
	Tax Audit Fees	0.30	
	Total	4.20	
	Reimbursement of out of pocket expenses including GST	At Actuals	
	Notes:		
	1. Further, certification fees of ₹30,000 per certificate issued and actual out-of-pocket expenses will be reimbursed.		
Terms of Appointment	The assignment of Joint Statutory Auditors includes but not limited to:		
	1. Year-end audit and certification,		
	2. Limited Review (three qtrs.),		
	3. Long Form Audit Report		
	4. Tax audit,		
	5. Consolidation of Results (Holding & Subsidiary),		
	6. Centralized Audit of all branches of the Bank		
	7. Such other certification/reporting requirements as may be prescribed by the RBI from time to time.		
In case of a new auditor , any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change.	There is no outgoing auditor during the current FY. However, as detailed above, the fees payable to the additional joint statutory audit firm is fixed at the same rates as being agreed upon and paid to the existing audit firms. Hence, there is no material change in the fees payable to individual audit firms.		

Basis of recommendation for the appointment including the details in relation to and credentials of the statutory auditor(s):

Brief Profile of M/s Sundaram & Srinivasan

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, audit firm was established in the year 1943 and registered with the Institute of Chartered Accountants of India (ICAI). The firm has been providing professional services for the last 8 decades. Its Head Office is located in Chennai and has Branch Offices in Madurai, Mumbai and Bangalore. The firm is engaged in the areas of Audit and Assurance, Risk Advisory Services, and taxation including International Taxation and Transfer Pricing. The firm's clientele ranges from private, public and joint sector corporates and has varied experience in the Banking, Financial Services and Insurance (BFSI) sector, having provided audit / non-audit and consultancy services to private, public and foreign banks.

Brief Profile of M/s Kalyaniwalla & Mistry LLP

M/s Kalyaniwalla & Mistry LLP ("K&M"), Chartered Accountants, Mumbai, is a multi-service, multi-location, professional service organization established in the year 1928, with offices or associates in all the major cities in India. K&M is equipped to meet the corporate, non-corporate, industrial, commercial, and financial businesses with its resources which include more than 400 professionals and highly trained personnel with specialized service capabilities in diverse fields covering a wide spectrum of activities.

Brief Profile of M/s Ravi Rajan & Co LLP

M/s Ravi Rajan & Co LLP, Chartered Accountants, New Delhi is a dynamic and multi-faceted accountancy firm incorporated in 1989. The firm has a presence in Noida, Gurugram, Mumbai and Bengaluru. The firm has 16 partners and a team of over 200 members, including professionals from different fields-Lawyers, CS, Engineers, IPs, Registered Valuers, Ex-Senior Bankers etc., providing a varied range of services.

Besides, all the firms comply with the eligibility norms prescribed by the Reserve Bank of India vide its Circular dated April 27, 2021.

Your Board recommends the resolution appointing the above three firms as Joint Statutory Auditors as set out in Item No. 4 of the notice.

No Directors, Key Managerial Personnel and their relatives are concerned or interested in the passing of this resolution.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 (the "Act") AND DISCLOSURE PURSUANT TO REGULATION 36 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

In conformity with the above, given below is the explanatory statement setting out the material facts relating to items 5 to 8 appearing in this Notice dated August 3, 2023:

Item No. 5: Amendments to the Articles of Association:

The Board of Directors proposes the following amendments to the Articles of Association of the Bank and the rationale for each of the amendments is mentioned in the following table:

Article No	Existing Article	Amended Article	Rationale
51(v)	New Insertion	The Bank shall, subject to prevailing laws and in accordance with the terms of trust deed/s entered with the Debenture Trustees for the issue of Debentures/Bonds, appoint a person nominated by the Debenture Trustees as a Nominee Director on the Board of the Bank (to be referred as "Debenture Director") within the timelines permitted by applicable law.	In terms of Regulation 23(6) of SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021, the Articles of Association shall include a provision requiring the listed entity to appoint the person nominated by the Debenture Trustee(s) as a Director on its Board. Hence, this insertion.

Article No	Existing Article	Amended Article	Rationale
61(d)	New Insertion	A Non-Executive Director or an Independent Director, other than the Chairman, may be paid compensation in the form of a fixed remuneration, subject to such limits as may be applicable under the law/relevant guidelines issued by RBI and such amount as may be decided by the Board from time to time.	As per the RBI Guidelines dated April 26, 2021 on 'Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board' read with Bank's Policy on Compensation to Wholtime Directors / CEOs etc., Bank may provide for payment of compensation to non-executive directors in the form of a fixed remuneration in addition to sitting fees and expenses related to attending meetings of the Board and its committees as per extant statutory norms/practices. Accordingly, an enabling article is proposed for insertion.

No Directors, Key Managerial Personnel and their relatives are concerned or interested in the passing of this resolution except the Non-Executive Directors to the extent of fixed remuneration that may be paid to them from time to time, subject to necessary approvals.

Item No. 6: Modification in terms of appointment of Mr. Sekhar Rao (DIN: 06830595), Executive Director:

Mr. Sekhar Rao was appointed as the Executive Director of the Bank for a period of three years w.e.f. 01.02.2023. The resolution seeking approval of the shareholders for the appointment along with remuneration, terms and conditions of appointment was approved on 30.03.2023. The terms of appointment inter-alia indicated that the office of the Executive Director is not subjected to 'retirement by rotation'.

The said practice has been followed by the Bank in respect of terms of appointment of the Wholtime Directors and MD & CEO in view of their appointment for a fixed tenure with the approval of RBI under Section 35B of the Banking Regulation Act, 1949. Now, having regard to the present composition of the Board and provisions of Section 152 of the Companies Act, 2013, the Board proposes that the office of the MD & CEO/Executive Director/ Whole Time Directors shall also be subjected to 'retirement by rotation'.

Therefore, in partial modification to the terms of appointment of Mr. Sekhar Rao, Executive Director, the Board of Directors proposes that the office of the Executive Director shall be 'liable for retirement by rotation' and that the retiring Director, if eligible, can offer himself/herself for reappointment.

Other than the aforesaid, the remaining terms & conditions of appointment as approved by the RBI and shareholders by way of resolution dated 30.03.2023 shall remain unchanged.

Except for Mr. Sekhar Rao and his relatives, no other Director or Key Managerial Personnel of the Bank or their respective relatives are in any way concerned or interested, financially or otherwise, in this resolution.

Item No. 7: Appointment of Mr. Srikrishnan Hari Hara Sarma (Mr. Srikrishnan H) (DIN : 00318563) as Managing Director & CEO:

The Board of Directors has appointed Mr. Srikrishnan H as the Managing Director and CEO of the Bank for a period of three (3) years w.e.f. June 09, 2023 pursuant to the approval received from the Reserve Bank of India vide their letter DOR.GOV.No.S988/08.40.001/2023-24 dated May 23, 2023 in accordance with Section 35B of the Banking Regulation Act, 1949, on remuneration and other perquisites set out in the resolution under Item No. 7 of this Notice.

The Bank has received from him all statutory disclosures/declarations including, (i) consent in writing to act as director in Form DIR-2, pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014 ("the Appointment Rules"), and (ii) intimation in Form DIR-8 in terms of the Appointment Rules to the effect that he is not disqualified under Section 164 of the Act. Bank has also received a notice under Section 160 of the Companies Act, 2013 from him, intending to nominate Mr. Srikrishnan H to the office of Managing Director & CEO. A copy of the notice is available on our website viz., www.karnatakabank.com.

Your Board recommends the resolution appointing Mr. Srikrishnan H as the Managing Director & CEO of the Bank as set out Item No. 7 of the notice and shall be liable to retire by rotation.

Except for Mr. Srikrishnan H and his relatives, no other Director or Key Managerial Personnel of the Bank or their respective relatives are in any way concerned or interested, financially or otherwise, in this resolution.

Brief profile and Additional information about Mr. Srikrishnan H as per Secretarial Standard-2 read with Regulation 36(3) of SEBI (LODR) Regulations, 2015:

Name of the Director	Srikrishnan H
DIN	00318563
Age	61 years
Qualification	Post Graduate Diploma in Business Management and Bachelor of Commerce
Brief Profile/Experience	<p>Mr. Srikrishnan H has nearly four decades of experience spread across Commercial, Retail & Transactional Banking, Technology and Payments.</p> <p>At HDFC Bank Limited, he was part of the founding management team, for over 9 years, and as the Country Head - Transactional Banking and Operations, was involved in setting up the Bank's Corporate and Retail Banking, Treasury and Capital Markets Infrastructure business. Launched Commercial Vehicles and Construction Equipment (CV/CE) lending, Channel Financing, Capital Markets Margin lending and mid-Corporate lending business.</p> <p>At Yes Bank Limited, as Executive Director and member of the Board, was instrumental in setting up the Commercial Banking infrastructure covering Operations, Technology, Retail, Transaction Banking, Payments, Trade Finance, Loan servicing and Treasury Operations.</p> <p>At Jio Payments Bank Limited, as MD & CEO, he was responsible for the application and coordination for approval of license with the RBI, incorporation of the company, formation of the Board, strategic direction, and commencement of operations in 2018.</p> <p>He has worked extensively to build systems and technology to support supply chain finance and provide digital banking platforms to various Banks in and outside India.</p>
Terms and conditions of appointment	Managing Director & CEO (Whole Time Director) for a period of three years w.e.f. 09.06.2023.
Remuneration details	<p>The remuneration as approved by RBI is tabled in the resolution under Item No.7.</p> <p>As the incumbent has taken charge w.e.f. 09.06.2023, payment of remuneration for FY 2022-23 is not applicable.</p>
Date of first appointment on the Board	09.06.2023 as an Additional Director.
Shareholding	<p>Directly Held: Nil</p> <p>As Beneficial Owner: Nil</p>
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	Not related to any other Directors, Managers and other Key Managerial Personnel of the Bank.
Number of meetings of the Board attended during the year	Not Applicable, since assumed charge w.e.f. 09.06.2023.
Other Directorships, Membership / Chairmanship of Committees of other Boards.	KBL Services Limited Director and Non-Executive Chairman. (A wholly owned non-financial services company of the Karnataka Bank Limited).
Listed entities from which the person has resigned in the past three years.	Nil

Nature of Expertise	Corporate and Retail Banking, Treasury and Capital Markets Infrastructure business. Launched Commercial Vehicles and Construction Equipment (CV/CE) lending, Channel Financing, Capital Markets Margin lending and mid-Corporate lending business.
Skills and capabilities required for the role in terms of Section 10A(2) of the Banking Regulation Act, 1949. The manner in which the proposed person meets such requirements.	Banking, Finance, IT, Risk Management, Payment & Settlement, H.R. and Business Management He has over four decades of experience spread across Commercial, Retail & Transactional Banking, Technology and Payments and in terms of Section 10A(2) of the Banking Regulation Act, 1949, banks in India are required to ensure that persons to be appointed as Directors shall have special knowledge or practical experience in respect of one or more of the matters specified in the said Act. Mr. Srikrishnan Hari Hara Sarma possesses such desired skills and capabilities and the Nomination & Remuneration Committee and the Board of the Bank are of the opinion that his continuation on the Board of the Bank as a Director would provide substantial value addition.

Other relevant voluntary disclosures:

1. Impact on Board Composition	Presently, the Board has 11 Directors including Mr. Srikrishnan H and the percentage of Independent Directors on the Board of the Bank will be 72.73% as against the minimum requirement of 33.33% (1/3rd) as per the extant listing regulations.
2. Details of whole-time positions held by the candidate in any other entity	Nil.
3. Comments on the proposed Remuneration structure covering interalia the following aspects: <ul style="list-style-type: none"> Variable Component in the total remuneration structure. Comparison of growth in profits/operations with the proposed remuneration Comparison with median employee remuneration. Trend of employee benefit expenses, employee headcount vis-à-vis executive remuneration. 	<p>The proposed remuneration structure comprises fixed and variable components and variable pay is up to 125% of fixed pay, which will be payable only after the evaluation of the performance of the Managing Director & CEO by the NRC/Board after prior permission of RBI. Further, Variable pay has deferral arrangements for up to 3 years and is also subject to <i>Malus and Clawback</i> arrangements as per Bank's Compensation Policy. The Compensation Structure is as per the extant RBI guidelines on compensation to whole-time Directors. Detailed remuneration structure is furnished as part of the text of the Resolution.</p> <p>The incumbent has recently joined and hence, a comparison of growth in profits/ operations, dividend paid, trend of employee expenses etc., vis-à-vis proposed remuneration is not made. However, the proposed remuneration is approved by RBI and is well within the limits of the Companies Act, 2013.</p>

<ul style="list-style-type: none"> • Comparison with an increase in dividends paid. • Performance metrics for variable pay. • Claw Back provisions. • Remuneration from other group companies. 	<p>The median employee remuneration for the FY 2022-23 was ₹ 0.09 crore. Considering the maximum level of variable pay, the total remuneration of the Managing Director will be ₹ 4.50 crore which is 50.56 times of the median employee remuneration. If only fixed remuneration is considered, the same stands at 22.02 times of median employee remuneration.</p> <p>Performance Metrics for Variable Pay are defined in the Compensation Policy of the Bank comprising of both Quantitative (60%) and Qualitative (40%) metrics.</p> <p>As per the Bank's present Policy, quantitative metrics cover performance parameters such as :</p> <ol style="list-style-type: none"> 1. Incremental Average Credit and Credit Equivalent. 2. Incremental Average CASA. 3. Incremental Operating Profit. 4. Gross NPA (GNPA) (before Technical Write Off) 5. Incremental Net Profit 6. Return on Assets (RoA) 7. Cost to Income Ratio (CTIR) 8. Return on Equity (RoE) 9. Provision Coverage Ratio (excluding technically written-off) (PCR) 10. Parameters in comparison with the industry-level growth. 11. Parameters in comparison with the peer level growth. 12. Slippage Ratio <p>As per the Bank's present Policy, qualitative metrics include areas such as the overall strategic initiatives undertaken, brand building, clarity in vision, effective communication of vision to the employees, HR initiatives including succession planning and overall industrial relations, overall value addition to stakeholders' interest, Bank's performance relative to the peer group, adherence to the RBI Compensation policy, monetary penalty imposed by the RBI, if any, Number/Amount of Frauds, Improvement in Bank's External rating, Improvement in Risk rating assigned by the Regulator, PE Ratio, Market Capitalization compared with peers, Capital Augmentation etc.</p> <p>Further, the variable pay slab is pre-defined in the Policy and the final score assigned based on quantitative and qualitative metrics is compared with the slab to arrive at the variable pay payable for the performance period.</p> <p>Though the outer limit of variable pay is defined, within this, the actual Variable Pay for every performance period is granted after evaluation of performance by the NRC/Board and will be paid only after obtaining the approval of RBI each year.</p> <p>Further, the non-cash component of variable pay will be in the form of share-linked benefits (which could either be in the form of ESOP, ESPS, SARs or similar instruments) as permitted by RBI each year.</p> <p>The MD & CEO is not entitled to any remuneration from the Bank's wholly-owned subsidiary.</p>
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Item No. 8: Borrowing Powers:

In the normal course of business, Bank borrows money to meet its business requirements through various avenues and also raises money to meet its capital requirements, by way of issuance of various debt securities (bond/debentures) as permitted by the Reserve Bank of India ("RBI") and in accordance with the provisions of Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as amended, and other applicable laws, from time to time.

As per Section 180(1)(c) of the Companies Act, 2013 read with Article 22 of the Articles of Association of the Bank, the Board of Directors of a Company shall exercise the powers to borrow only with the consent of the Company by a special resolution, where the money to be borrowed, together with the money already borrowed by the Company exceeds the aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained in the ordinary course of business.

The consent of the members of the Bank has already been obtained at the 97th Annual General Meeting held on September 21, 2021 for borrowing/raising funds in Indian/foreign currency up to ₹6000 crore (Rupees Six thousand Crore only), in the form of debt instruments/ debentures etc., in one or more tranches in domestic and/ or overseas market.

The outstanding borrowings as on March 31, 2023 were as under:

Nature of Borrowing	Outstanding amount as on 31.03.2023 (₹ Cr.)
Tier-2 Subordinated Bonds	1020.00
Refinance from SIDBI	542.72
Total	1562.72

In terms of Section 42 of the Companies Act, 2013 read with Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make a private placement of securities subject to the condition that the proposed offer of securities or invitation to subscribe to securities has been previously approved by the Members of the Company, by a special resolution, for each of the offers or invitations/subscriptions. In case of an offer or invitation for subscription of non-convertible debentures, it shall be sufficient if a special resolution is passed by the shareholders only once a year for all the offers or invitations for subscription of such debentures during the year. Therefore, to facilitate the raising of funds by way of an issue of Basel III compliant debt securities including but not limited to Tier-2 and AT-1 bonds it is proposed to obtain the consent of the members for an amount not exceeding ₹1500 crore, to be reckoned with in the already approved borrowing limit of ₹6000 crore.

The aforesaid borrowing limit will be over and above the aggregate of the paid-up capital of the Bank, its free reserves and the securities premium at any time, apart from (i) acceptance of the deposits of money from public repayable on demand or otherwise and withdrawable by cheque, draft or otherwise and/or (ii) temporary loans obtained in the ordinary course of business of the Bank and would form part of the overall borrowing limits under Section 180(1)(c) of the Companies Act, 2013.

Accordingly, the consent of Members is being sought by way of special resolution as set out in Item No. 8 of this Notice.

None of the Directors, Key Management Personnel and their relatives are interested in this item of business except to the extent of subscription by a financial institution/company/body corporate in which the KMPs, Director or his / her relative may be directly or indirectly interested.

By order of the Board of Directors

Registered Office:
Mahaveera Circle
Kankanady, Mangaluru-575002
Date: August 3, 2023

Sham K
Company Secretary

INSTRUCTIONS FOR REMOTE E-VOTING AND E-VOTING DURING AGM AND JOINING MEETING THROUGH VC/ OAVM:

1. In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, and Regulation 44 of the SEBI Listing Regulations, the Members are provided with remote e-voting facility on all the resolutions set forth in this Notice. For this purpose, Bank has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency.
2. The facility of casting votes by a member using "remote e-voting" as well as "e-voting on the date of the AGM" will be provided by CDSL.

3. As per SEBI Circular No. SEBI/HO/CFD/ CMD/CIR/P/2020/242 dated 09.12.2020, for the Individual shareholders holding securities in demat mode, e-voting will be enabled to all the demat account holders, by way of a single login credential, through their demat accounts/websites of Depositories/ Depository Participants. Accordingly, Demat account holders would be able to cast their vote without having to register again with the ESPs.
4. Such individual shareholders are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access the e-Voting facility.

The instructions for REMOTE E-VOTING are given below:

- a. A person whose name is recorded in the register of members in case of shares held in physical form or in the register of beneficial owners maintained by the depositories in case of shares held in dematerialized (demat) form as on Cut-off date (i.e. August 22, 2023) only shall be entitled to vote by electronic means or in the AGM. The remote e-voting schedule is as under:

Date and time of commencement of remote voting through electronic means:	August 25, 2023 at 9.00 a.m. (IST).
Date and time of the end of voting through electronic means (beyond which voting will not be allowed):	August 28, 2023 at 5.00 p.m. (IST).
Details of the website:	www.evotingindia.com
Details of persons to be contacted for issues relating to remote e-voting:	Mr. Vijayagopal / Mr. Giridhar, Integrated Registry Management Services Pvt. Ltd. Tel No. 080-23460815-18, email: helpdesk.evoting@cdslindia.com or irg@integratedindia.in
Cut-off date to determine the eligibility to cast vote	August 22, 2023

- b. The remote e-voting is open for all members whether holding shares in physical form or dematerialized form. **The remote e-voting shall be disabled at 5.00 PM (IST) on August 28, 2023** and remote e-voting shall not be allowed beyond this date and time.
- c. Further, the facility for voting through an electronic voting system will also be made available at the AGM from CDSL and the members attending the AGM who have not cast their vote(s) by remote e-voting will be able to vote at the e-AGM.
- d. A member may participate in the e-AGM even after exercising his/her right to vote through remote e-voting but shall not vote again at the e-AGM.
- e. Any person, who acquires shares of the Bank after August 02, 2023, may write to irg@integratedindia.in in case of any login-related issues. However, if you are already registered with CDSL for remote e-voting, then you can use your existing user ID and password for casting your vote and also for attending the AGM electronically.
- f. The results of voting on the above resolutions shall be declared not later than 48 hours from the conclusion of the Annual General Meeting of the Bank. The results declared along with the Scrutinizer's Report will be made available on the Bank's website and on the website of Central Depository Services (India) Limited (CDSL) and the same shall simultaneously be communicated to the stock exchanges.

Procedure to be followed to vote through remote e-voting

For Individual shareholders holding securities in Demat mode:

Pursuant to the aforesaid SEBI Circular, the Login method for e-Voting and joining virtual meetings for Individual shareholders holding securities in Demat mode is given below:

Login Method	Procedure
Holding securities with CDSL	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi/Easiest facility, can log in through their existing user id and password. The option will be made available to reach the e-Voting page without any further authentication. The URL for users to login to Easi/Easiest is https:// web.cdslindia.com/myeasinew/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi/Easiest user will be able to see the e-Voting option for eligible companies where the e-voting is in progress as per the information provided by the company. On clicking the e-voting option, the user will be able to see the e-Voting page of the e-Voting Service Provider for casting their vote during the remote e-Voting period or joining virtual meetings & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e., CDSL/ NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' websites directly. 3) If the user is not registered for Easi/Easiest, an option to register is available at https:// web.cdslindia.com/myeasinew/Registration/EasiRegistration 4) Alternatively, the user can directly access the e-Voting page by providing Demat Account Number and PAN No. from the e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, the user will be able to see the e-Voting option where the e-voting is in progress and also able to directly access the system of all e-Voting Service Providers.
Holding securities with NSDL	<ol style="list-style-type: none"> 1) If you are already registered for the NSDL IDeAS facility, please visit the e-Services website of NSDL. Open the web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under the 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see the e-Voting page. Click on the company name or e-Voting service provider name and you will be redirected to the e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2) If the user is not registered for IDeAS e-Services, an option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS "Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open the web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of the e-Voting system is launched, click on the icon "Login" which is available under the 'Shareholder/ Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen-digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to the NSDL Depository site wherein you can see the e-Voting page. Click on the company name or e-Voting service provider name and you will be redirected to the e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Login through Depository Participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After successful login, you will be able to see e-Voting option. Once you click on the e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see the e-Voting feature. Click on the company name or e-Voting service provider name and you will be redirected to the e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.
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Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at the abovementioned website.

Helpdesk for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact the CDSL helpdesk by sending a request to helpdesk.evoting@cdslindia.com or contact at 022-23058738 and 022-23058542-43.
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact the NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll-free no.: 1800 1020 990 and 1800 22 44 30

For shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode:

- 1) The shareholders should log on to the e-voting website www.evotingindia.com.
- 2) Click on the "Shareholders" module.
- 3) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
- 4) Now enter your User ID
 - For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
- Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
- 5) Next enter the Image Verification as displayed and Click on Login.
- 6) If you are a first-time user follow the steps given below:

PAN	<ul style="list-style-type: none"> • Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both shareholders holding shares in demat as well as physical form) • Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	<ul style="list-style-type: none"> • Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records to login. • If both the details are not recorded with the depository or company, please enter the member id/folio number in the Dividend Bank details.

- 7) After entering these details appropriately, click on the "SUBMIT" tab.
- 8) Shareholders holding shares in physical form will then directly reach the Company selection screen.

- 9) However, shareholders holding shares in demat form will now reach the 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that the company opts for e-voting through the CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- 10) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- 11) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- 12) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- 13) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- 14) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- 15) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- 16) You can also take a print of the votes cast by clicking on the "Click here to print" option on the Voting page.
- 17) If a demat account holder has forgotten the login password, then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

Instructions for Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians:

- 1) Members are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- 2) A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- 3) After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote.
- 4) The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- 5) A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- 6) Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with the attested specimen signature of the duly authorized signatory who is authorized to vote, to the Scrutinizer and to the Company at the email address investor.grievancr@ktkbank.com if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

The instructions for E-VOTING ON THE DATE OF AGM are as under:

1. Only those Members/shareholders, present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through the e-Voting system available in the AGM.
2. If any Votes are cast by the members through the e-voting during the AGM and if the same members have not participated in the meeting through VC/OAVM facility, then the votes cast by such members shall be considered INVALID as the facility of e-voting during the meeting is available only to the members participating in the meeting.
3. Members who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

4. The procedure to be followed for e-Voting on the day of the AGM is the same as the instructions mentioned above for Remote e-voting.

Instructions for members for attending the AGM through VC/OAVM are as under:

1. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.
2. The facility of participation at the EGM/AGM through VC/OAVM will be made available to at least 1000 members on a 'first come first served' basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
3. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
4. The link for VC/OAVM to attend the meeting will be available where the EVSN of the Company will be displayed after a successful login as per the instructions mentioned above for Remote e-voting.
5. Members will also be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Members may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
6. Members are encouraged to join the Meeting through Laptops and high-speed internet connectivity for a better experience.
7. Further, Members will be required to allow Cameras and use the Internet at a good speed to avoid any disturbance during the meeting.
8. Please note that Participants Connecting from Mobile Devices or Tablets or through laptops connecting via Mobile Hotspots may experience Audio/Video loss due to Fluctuations in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
9. Registration as "Speakers"
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99TH DIRECTORS' REPORT

Dear Stakeholders,

Your Directors have the pleasure of presenting the 99th Annual Report of the Bank together with the Audited Statement of Accounts for the year ended March 31, 2023, and the Auditors' Report thereon. The highlights of the operational performance are as under:

OPERATIONAL PERFORMANCE

₹ in crore

	MARCH 31, 2023	MARCH 31, 2022
Net Profit	1180.24	508.62
Operating Profit	2208.23	1634.00
Net Interest Income (NII)	3185.10	2491.03
Gross Income	8212.81	7175.54
Deposits (A)	87368.01	80386.85
Advances (B)	59951.62	56783.14
Business Turnover (A)+ (B)	147319.63	137169.99
Investments	23326.37	22041.00
CASA deposits (as a share of total deposits) (%)	32.97	32.97
Gross NPA (%)	3.74	3.90
Net NPAs (%)	1.70	2.42
Provision Coverage Ratio (%)	80.86	73.47
Capital Adequacy Ratio (CRAR) (%)	17.45	15.66
Return on Assets (%)	1.21	0.56

Note: The figures mentioned are on a standalone basis. The consolidated financial statements are furnished separately as part of this report.

BUSINESS OVERVIEW

As on March 31, 2023, the Business Turnover of the Bank has reached a new high of ₹147319.63 crore with a YoY growth of 7.40%. During FY 23, Bank registered an all-time high net profit of ₹1180.24 crore with an impressive 132.05% YoY growth. The deposits and advances grew by 8.68% and 5.58% YoY respectively. As of March 31, 2023 the CD ratio was 68.62%. Despite the northward movement of interest rates, Bank maintained the share of CASA at 32.97%. The asset quality improved with a 16 bps and 72 bps reduction, respectively, under Gross NPAs and Net NPAs. The Bank has further consolidated its position in Provision Coverage Ratio (PCR), which improved to 80.86% and CRAR, which improved to an all-time high of 17.45%. Overall, the year 2022-23 was yet another year of satisfactory performance, witnessing further strengthening of the fundamentals of the Bank.

DEPOSITS AND CASA

The total deposits grew by 8.68% during the FY under report, with CASA deposits at 32.97% of the total deposits. The CASA deposits grew by 8.71% YoY. The deposits below ₹2 crore accounted for about 92% of the total deposits, reflecting a strong retail franchise.

ADVANCES

The advances grew by 5.58% YoY. The lending profile was well balanced with the share of retail advance at 50.34% and mid corporate advances at 29.48% and the share of Large corporate advances was at 20.18% of the loan book.

The priority sector advances increased from ₹32077 crore to ₹32181.73 crore forming 50.78% of applicable Adjusted Net Bank Credit (ANBC). The agricultural advances increased from ₹ 10474 crore to ₹11305 crore, which, together with eligible deposits under the Rural Infrastructure Development Fund (RIDF), constituted 17.84 % of ANBC during Q4FY23. Bank also focuses on lending under various socio-economic schemes, weaker section schemes, MSMEs etc.

ASSET QUALITY AND PROVISION COVERAGE RATIO (PCR)

Your Bank has been focusing on improving the asset quality through better credit appraisal and effective monitoring, as well as intensified recovery efforts. In terms of absolute numbers, the GNPA's slightly increased to ₹2292.91 crore as on March 31, 2023, from ₹ 2250.82 crore as on March 31, 2022. However, the percentage of Gross NPAs reduced from 3.90 % as on March 31, 2022, to 3.74 % as on March 31, 2023.

The amount of Net NPAs (NNPAs) reduced to ₹1021.27 crore as against ₹1376.97 crore as on March 31, 2022 and during the period, the percentage of NNPAs substantially improved to 1.70% as against 2.42% last year. The Provision Coverage Ratio (PCR) improved to 80.86 % on March 31, 2023 from 73.47 % on March 31, 2022, thus further strengthening the fundamentals.

INVESTMENTS

The total investments increased by 5.83% and the ID ratio stood at 26.70 % as on March 31, 2023 as against 27.42 % on March 31, 2022.

OPERATIONAL METRICS

The Bank's gross income for the year ended March 31, 2023, stood at ₹8212.81 crore compared to ₹7175.54 crore last year recording a YoY growth of 14.46%.

The total expenditure (excluding provisions and contingencies) increased by 8.36 % to ₹6004.58 crore for the year ended March 31, 2023, as against ₹5541.54 crore for the last financial year. The cost to income ratio improved by 543 bps to 47.14%.

During the FY, Net Interest Income (NII) grew by 27.86 % over the previous year. The Net Interest Margin (NIM) also improved to 3.70 % from 3.18 % last year.

The operating profit increased by 35.14 % to ₹ 2208.23 crore for FY 2022-23 from ₹ 1634.00 crore for the previous year due to improved Net Interest Income. The provisions (other than tax) and contingencies for FY 2022-23 were ₹ 767.19 crore vis-à-vis ₹939.44 Crore for the previous year.

The net profit reached an all-time high of ₹1180.24 crore from ₹ 508.62 crore during the previous year, registering a growth of 132.05 %.

APPROPRIATIONS

The net profit of ₹ 1180.24 crore, along with a sum of ₹135.82 crore brought forward from the previous year, aggregating to ₹ 1316.06 crore, has been appropriated as under:

Appropriation	₹ in crore
Transfer to Statutory Reserve	296.00
Transfer to Capital Reserve	NIL
Transfer to Revenue and Special Reserves	665.47
Transfer to Investment Fluctuation Reserve	64.15
Dividend of 2021-22 paid during the year	124.52
Balance carried over to Balance Sheet	165.92

DIVIDEND

Having regard to the overall performance of the Bank, the Board of Directors has recommended a dividend of ₹5/- per share (50%) for the year ended 31st March 2023 (previous year ₹4/- per share (40%). The dividend payout ratio for the year works out to 13.30% as against 24.47% for the previous year. In accordance with Accounting Standard (AS)4-Contingencies & Event occurring after the balance sheet date, the proposed dividend amounting to ₹ 157 crores (Previous year ₹124.47 Crores) has not been shown as an appropriation from the profit for the year ended March 31, 2023.

EARNINGS PER SHARE (EPS) and BOOK VALUE

The Earnings Per Share stood at ₹37.88 (basic) and ₹37.66 (diluted) for the year ended March 31, 2023. This was ₹16.36 (basic) and ₹16.29 (diluted) during the previous year. The Book Value per share has further improved to ₹262.96 as on March 31, 2023 as against ₹228.01 during the last year.

CAPITAL FUNDS AND CAPITAL ADEQUACY RATIO (CRAR)

The Bank's capital funds increased from ₹8118.55 crore to ₹9312.53 crore. The Capital to Risk- Weighted Assets (CRAR) Ratio improved to a high of 17.45 % as on March 31, 2023, as against the previous year's 15.66 %. The Bank has consistently maintained the CRAR ratio well above the minimum requirement of 11.50 %, including the Capital Conservation Buffer of 2.50 % stipulated by the Reserve Bank of India and the Bank's internal policy of maintaining the CRAR one per cent over and above the regulatory requirement.

EQUITY CAPITAL BASE

As on March 31, 2023, the paid-up capital of your Bank stood at ₹ 312,34,26,210 comprising 31,23,42,621 equity shares of ₹10/- each. During the year, 11,78,761 equity shares of ₹10/- each were allotted to option grantees upon exercise of vested stock options under KBL ESOS-2018.

CHANGE IN CAPITAL BASE AFTER THE CLOSE OF THE FINANCIAL YEAR

After the Financial Year's close, 2,24,901 equity shares of ₹10/- each were allotted pursuant to the exercise of vested stock options by the grantees under KBL ESOS-2018.

DEBT INSTRUMENTS AND CERTIFICATE OF DEPOSITS

Bank has issued Unsecured Non-Convertible BASEL III Debt Instruments as a part of Tier-2 Capital on a private placement basis. These bonds are listed on the debt segment of National Stock Exchange of India Ltd (NSE). The details of the debt instruments outstanding as on March 31, 2023, are as under:

Series	Date of Issue	Face Value per Bond (₹)	Number of Bonds	Amount (₹ crore)	Tenure from the date of issue	Coupon Rate (%) p.a.)	Credit Rating	Listing	ISIN of the Bonds
V	16.11.2018	1,00,000	40,000	400.00	120 months	12	ICRA 'A' & CARE 'A'	Listed on NSE-Debt Segment	INE614B08039
VI	18.02.2019	1,00,000	32,000	320.00		12			INE614B08047
VII	30.03.2022	1,00,00,000	300	300.00		10.70			INE614B08054

Your Bank has paid interest on these debt instruments on time since the issue of respective debt instruments as per the terms of the issue. During the FY, the bonds issued under Series IV matured on 17.11.2022 and were redeemed by the Bank on the said due date.

Further, during the reporting year, Bank raised Rs. 400.00 crore for a period of 90 days by issuing Certificates of Deposits (CDs) and there was no outstanding as on March 31, 2023.

TRANSFORMATION JOURNEY- 'KBL VIKAAS'

Your Bank had embarked on a holistic and aspirational transformation journey KBL-VIKAAS in November 2017 to strengthen its digital capabilities and total transformation in all the areas of its functioning. Under Phase-I of KBL-VIKAAS, many milestones were achieved like institutionalization of marketing culture, setting up of Digital Centre of Excellence (DCoE)/ Digi branch/ Digi Centres, digital underwriting of Loans, review cadence, etc.

In Phase-II, i.e., under the 'KBL NxT' concept of KBL VIKAAS 2.0, the journey is being taken up to further enhance the digital capabilities in all the banking operations to have end-to-end digital solutions. During the FY, your Bank set up an Analytical Centre of Excellence (ACoE) as a part of this initiative. Besides, over the next three years, your Bank will be focusing on digitizing various customer-facing activities and internal processes for increased efficiency.

Details about various digital initiatives introduced during the FY 2022-23 are furnished in Management Discussion and Analysis.

Leveraging through Bank's Wholly Owned Subsidiary:

Your Bank's wholly owned non-financial subsidiary-KBL Services Limited has been operationalised with effect from March 30, 2021 and has started providing its services to the Bank in augmenting its 'Feet on Street'. Presently, the subsidiary is providing the services of Business Associates as the feet on street support and for various back office processes in select areas.

RISK MANAGEMENT AND GOVERNANCE

In the normal course of business, banks are exposed to various risks, namely, Credit Risk, Market Risk and Operational Risk, besides other residual risks such as Liquidity Risk, Interest Rate Risk, Concentration Risk, Strategic Risk, Reputation Risk etc. With a view to efficiently managing such risks, your Bank has put in place various risk management systems and practices. In line with the guidelines issued by the Reserve Bank of India from time to time, your Bank continues to strengthen various risk management systems that include policies, tools, techniques, systems and other monitoring mechanisms.

Your Bank aims at achieving an appropriate trade-off between risks and returns. Your Bank's risk management objectives broadly cover proper identification, assessment, measurement, monitoring, controlling, mitigation and reporting of the risks across various business segments of the Bank. The risk management strategy adopted by your Bank is based on a clear understanding of the risks and the level of risk appetite, which is dependent on the willingness of your Bank to take risks in the normal course of business. A Board level committee, viz., Risk & Capital Management Committee (RCMC), periodically reviews the risk profile, evaluates the overall risks encountered by the Bank and develops policies and strategies for its effective management. Bank has an exclusive risk management department and a Chief Risk Officer for the overall supervision of all the risk related issues.

Various senior management committees, such as Credit Risk Committee (CRC), Asset-Liability Management Committee (ALCO), Operational Risk Management Committee (ORMC) etc., operate within the broad policy framework of the Bank to ensure and enhance the risk control and governance framework within the Bank. The Risk Management Department at Head Office oversees the overall implementation of various risk management initiatives across the Bank. Your Bank's Risk Management Department (RMD) has been accredited with the prestigious ISO 9001:2015 international certification for Quality Management System (QMS). Under ISO Accreditation, Quality Policy has been defined, existing procedures and Standard Operating Procedures were reviewed, and a formal Quality Management system (QMS) was established to ensure that the Risk Management processes and practices of the Bank are in line with the global standards.

In line with the guidelines issued by RBI, your Bank has nominated a Chief Information Security Officer (CISO), who is responsible for articulating and enforcing the policies that the Bank uses to protect the information assets apart from coordinating security-related issues in the implementation of new systems in the Bank.

A more elaborate discussion on how the Bank manages the key risks associated with its operations is provided under Management Discussion and Analysis attached to this report.

Basel III Capital Regulations – Implementation of Leverage Ratio:

To mitigate the risk of excessive leverage and enhance financial stability, RBI mandated the minimum Leverage Ratio (LR) under Basel III Regulations for banks in India. Both the capital measure and the exposure measure, along with the leverage ratio are to be disclosed on a quarter-end basis. However, banks must meet the minimum leverage ratio requirements at all times. As on March 31, 2023, your Bank had a comfortable leverage ratio of 6.91% as against the regulatory minimum requirement of 3.50%.

Capital Adequacy & Internal Capital Adequacy Assessment Process (ICAAP):

In compliance with Basel guidelines, Bank has put in place a policy document for Internal Capital Adequacy Assessment Process (ICAAP) to evaluate its capital adequacy requirements. A stress testing framework for various stress scenarios is also put in place for a better understanding of the likely impact of adverse market movements/events on capital and earnings. The results of the ICAAP and Stress testing are reviewed periodically to assess the capital requirement for the projected business growth, keeping in view the risk appetite and risk profile of the Bank. A Board level Risk & Capital Management Committee (RCMC) reviews the risk appetite, risk profile, business projections as well as capital assessments of your Bank at periodic intervals.

The Disclosure under Pillar III of the Basel III accord has been annexed to the Directors' Report as in Annexure-I.

SEGMENT REPORTING

Pursuant to the Guidelines issued by RBI on Accounting Standard 17 (Segment Reporting), the Bank has identified four business segments viz., Retail Banking ('Digital Banking' as a Sub-segment under Retail Banking as per RBI circular DOR.AUT.REC.12/22.01.001/2022-23 dated April 07, 2022, on establishment of Digital Banking Unit (DBU)), Corporate / Wholesale Banking, Treasury and Other Banking Operations for the year ended March 31, 2023 as under:

₹ in Crore

Segment	Revenue Earned	Contribution to Profit Before Tax and un-allocable expenditure
Retail Banking	3755.78	1634.08
-Digital Banking Unit (DBU)	0.01	-0.64
-Other Retail Banking	3755.77	1634.72
Corporate / Wholesale Banking	2691.29	462.62
Treasury Operations	1276.83	182.23
Other Banking Operations	424.58	-48.63

Details about aforesaid business segments are discussed in Management Discussion and Analysis attached to this report.

Banking Outlets and Alternate Delivery Channels (ADCs):

Your Bank has a strong presence in south India and has been judiciously expanding its network of branches and controlling offices in other parts of the country after examining the potential for business, earnings and customer outreach. As of 31st March 2023, your Bank had 2376 service outlets including 901 branches (including two Digital Banking Units), 871 ATMs, 603 cash recyclers (CRs) and one extension counter, with a presence in 578 centres spread across 22 States and 2 Union Territories.

More Details are discussed in Management Discussion and Analysis attached to this report.

Government Business:

Your Bank has been appointed by RBI as Agency Bank for the conduct of government business and your Bank can now undertake revenue receipts and payments on behalf of the Central/State Governments, pension payments and collection of Stamp Duty, and any other item of work specifically approved by the concerned government department and concurred by RBI. The handling of government business augurs well for your Bank as it helps in facilitating the customers in tax payments, thus enhancing relationship stickiness and as a source of revenue through eligible agency business commission.

Now, your Bank has engaged with the Central Board of Indirect Taxes and Customs (CBIC), Central Board of Direct Taxes (CBDT) and Department of Treasuries, Government of Karnataka (GoK) for the collection of Taxes and various revenues. Bank has started collecting customs duty through the ICEGATE portal on behalf of CBIC and also integrated with Khajane II IFMS SNA 4 module for Central/ State Sponsored schemes.

Your Bank has launched exclusive products and services for Government Departments, Boards, Bodies and Corporations to suit their needs.

Third-Party Products and Insurance Business:

With an aim to provide diversified financial products & services and to maximize value-added services to the customers, your Bank provides a bouquet of Third Party Products, which include Life Insurance, General Insurance, Health Insurance, Mutual Funds, Demat Account, Trading Account, Co-branded Credit Cards, PoS Network, KBL FASTag, NPS, SGB, APY, etc. A summary of the major third-party products is provided in Management Discussion and Analysis attached to this report.

Customer Service:

Your Bank is continuously focusing on creating new benchmarks in customer service so as to make the Bank distinctly more competitive. This necessitates the designing of innovative and cost-effective mechanisms for delivering banking services efficiently. The Bank is actively involved in putting in place a system and procedures for banking services rendered to customers and an effective grievance redressal mechanism, including an Internal Ombudsman [IO] as per the guidelines received from RBI and IBA from time to time. Bank is also providing doorstep banking services to Senior Citizen customers of more than 70 years of age and differently-abled or infirm persons including the visually impaired.

Credit Monitoring Excellence:

In order to have an effective post-sanction monitoring and collection mechanism, an exclusive Credit Monitoring Department (CrMD) is set up at Head Office. Regional Collection Hubs (RCH) consisting of the Regional Retail Collection Teams (RRCT) and Regional Corporate Collection Teams (RCCT) are set up at all the Regional offices. The RRCTs and

RCCTs follow up/initiate time-bound/DPD-wise actions to ensure the collection of dues in respect of all loan accounts under the overall supervision of CrMD. Dedicated Credit Monitoring Teams (CrMT) are also functioning under RCHs at all the Regional Offices to undertake post-sanction monitoring of loan accounts of the respective regions. With a view to improve the efficiency in monitoring & follow-up activities, various digital initiatives, viz., implementation of web-based Collection Tool-“KBL-Kollect+”, the introduction of Auto Sweep system for auto collection of EMI / Installment/ Interest of loans from operating accounts of borrowers, E-Connect solution for making payment to the loan accounts through UPI, Auto-capturing of Early Warning Signals etc., are put in place.

For close monitoring of the restructured advances, Bank has formed an exclusive cell, viz., “Restructured Advances Monitoring Cell” within the Credit Monitoring Department. Further, a Consortium & Multiple Banking Arrangement Cell was also formed for special monitoring of loan accounts under Consortium & Multiple Banking Arrangement.

With an integrated approach to contain stress in the portfolio, Bank has been able to contain overall stress in the advances portfolio.

SUPPORT AND CONTROL FUNCTIONS

Information Technology:

The Bank has adopted Core Banking System (CBS) since the year 2000, and all its branches and offices are under the CBS network. Alternate Delivery channels, viz., ATM, Internet Banking, Mobile Banking, UPI, and PoS, have been integrated with the CBS. Disaster Recovery [DR] arrangement also exists to ensure business continuity in the event of a primary site failure. This arrangement is strengthened by implementing a three-way data replication process aimed at maintaining zero data loss. Critical applications like CBS, ATM, Internet Banking and Mobile Banking are part of this arrangement. Bank's Primary Data Centre is operating from a Tier-4 Colocation Centre. Bank's IT infrastructure as a whole is supervised by the Chief Technology Officer (CTO).

Human Resources:

As on March 31, 2023, Bank had 8652 employees, of which 2644 are women employees constituting around 30.56% of the total strength. Your Bank recognizes the significance of Human Resources as an important asset and attaches the greatest importance to employee upskilling, employee satisfaction and human resource development activities. Bank has introduced ECDS (Employee Career and Development System) by operationalizing the PMS (Performance Management System). Bank has also put in place TMC (Talent Management Committee) to identify and groom the talent as part of succession planning. Further, the Bank provides training and development opportunities to the employees, which are discussed in detail in the Managing Discussion and Analysis.

Your Bank has put in place an institutional mechanism for the protection of women employees at the workplace and adopted a policy pursuant to Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, providing for the protection of women employees against the sexual harassment of women at the workplace and redressal of such complaints. There was no complaint pending at the beginning of the FY, and no complaint was received during the year under report.

Your Bank values opinions and suggestions from all the employees and encourages their inputs, thoughts and innovative ideas, which help in creating a highly productive, competitive and reliable workforce, thereby emerging as a preferred destination for the competent workforce. Further, your Bank has maintained cordial industrial relations and effective employee discipline.

EMPLOYEE STOCK OPTIONS (ESOP)

Your Bank has the below-mentioned Employee Stock Option Schemes in force as on March 31, 2023:

1. Employee Stock Option Scheme 2018 (ESOS 2018) was approved by the shareholders on July 21, 2018. During the reporting year, there was no grant of options under ESOS 2018. However, the grantees have exercised 11,78,761 vested stock options as per the terms of the ESOP Scheme, which were granted to them during earlier years.
2. Employee Stock Option Scheme-2023 (ESOS-2023), was approved by the shareholders of the Bank on March 30, 2023, with a total of 15,00,000 stock options available for grant. During the reporting year, there was no grant of options under ESOS-2023.

Other statutory disclosures required as per SEBI guidelines/Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 are provided on the website of the Bank at the link: <https://karnatakabank.com/sites/default/files/2023-08/ESOP%20Disclosure%202022-23%20.pdf>

Risk Based Supervision (RBS)

In view of the growing complexities in the processes, product offerings and systems and procedures in the Indian banking sector, pursuant to the recommendation of the High-Level Steering Committee, the Reserve Bank of India has shifted its supervisory stance to a risk-based approach called the Supervisory Program for Assessment of Risk and Capital (SPARC) which is focusing on evaluating both present and future risks, identifying incipient problems and facilitating prompt intervention / early corrective action etc. Your Bank has been included under the same and migrated to Risk Based Supervision since March 31, 2015. A plan of action for complying with various findings in RBS communicated to the Bank in the Risk Assessment Report is also ensured.

Compliance Function

Your Bank is effectively addressing Compliance Risk through the Compliance function. The compliance function is one of the key elements in the Bank's Corporate Governance structure along with internal control and risk management process. Bank has set up a robust Compliance Department with sufficient independence to promote a healthy compliance culture. Bank ensures strict observance of all statutory provisions, guidelines from RBI and other Regulators, standards and codes, the Bank's internal policies and fair practices code. The compliance function includes interpretation/dissemination of regulatory and statutory guidelines and ensures that controls and procedures capture the appropriate information to the Senior Management in their risk management function. The risk-based compliance programme of the Bank, under the supervision of the Chief Compliance Officer, ensures appropriate coverage across businesses, besides verifying the level of compliance through 'Compliance Testing' of branches/business units. The Bank carries out an annual compliance risk assessment to identify and assess its significant compliance risks and take steps to manage the risks effectively. Further, the tone from the Top management continuously emphasizes the significance of compliance to usher in perceptible improvements in the overall compliance culture of the Bank.

Vigil Mechanism

The Bank has implemented the Protected Disclosure Policy (Whistle Blower Policy) since the year 2007, intended to promote the participation of employees at all levels and detection of corruption, misuse of Office, criminal offences, suspected/actual fraud, failure to comply with the rules and regulations prescribed by the Banks and any events/acts detrimental to the interest of the Bank, depositors and the public resulting in financial loss/operational risk, loss of reputation etc. Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against the victimization of Whistle Blower who avails of such mechanism and also provides for direct access to the Chief of Internal Vigilance (CIV). Further, there was no occasion where a person was denied access to the Audit Committee. The details of Whistle Blower Policy are posted on Bank's website and available at the <https://karnatakabank.com/sites/default/files/2023-06/Policy%20on%20Whistle%20Blower%202023-24.pdf>

Corporate Social Responsibility

Corporate Social Responsibility (CSR) initiatives of the Bank are designed to make a positive impact on a wide range of areas of social life like healthcare, education, livelihood enhancement, empowering women/socially and economically disadvantaged, environmental sustainability/ green initiatives, protection of heritage/ culture, promotion of sports, rural development, Swachh Bharath etc., aimed at promoting the overall development of the society. Further, to minimize the urban-rural divide, your Bank has been strengthening its rural orientation through initiatives aimed at imparting financial literacy and extending banking services to the people in rural unbanked areas in a fair and transparent manner at an affordable cost.

Further, pursuant to Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board has constituted a 'Corporate Social Responsibility (CSR) Committee' of the Board and has also put in place a Policy on Corporate Social Responsibility (CSR Policy) to undertake projects/programmes in pursuance of the said Policy. Under CSR activities, Bank has so far funded 1812 projects with a total financial outlay of ₹74.20 crore, and these projects have exhibited a positive impact on society.

Pursuant to Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the contents of the CSR Policy, along with the report on amounts spent on various projects/ programmes during FY2022-23, are detailed in Annexure-2 to this report. Further, in terms of Rule 4(5) of the CSR rules, certification from the Chief Financial Officer has been obtained for the CSR outlay during FY 2022-23.

Financial Inclusion:

Through the Financial Inclusion Plan, your Bank aims at 'connecting people' with the Bank and not at just opening accounts. This includes meeting the small credit needs of the rural public, giving them access to the payments system, providing remittance facilities, life insurance and health insurance etc. Your Bank has 418 branches, apart from 35 Ultra Small Branches, located in the rural and semi-urban areas and offers banking facilities to the rural clientele. Our rural branches are also acting as Financial Literacy Centers (FLCs) and imparting banking literacy among the rural populace. In accordance with Prime Minister's Jan Dhan Yojana (PMJDY), Bank has implemented the revised Strategy and Guidelines for Financial Inclusion activities. Your Bank is actively participating in the Direct Benefit Transfer (DBT) Programme of Govt. of India to transfer the benefits of various Schemes / LPG subsidies directly to the beneficiaries' Aadhaar-enabled bank accounts.

As part of the Financial Inclusion plan, Bank has been offering the following services:

1. Business Correspondent (BC) services: Bank has tied up with Sub-K Impact Solutions Limited to provide the BC services, and as on March 31, 2023, 121 BC Agents are covering the allocated villages in the states of Karnataka, Andhra Pradesh and Chhattisgarh.
2. Aadhar Enabled Payment System (AEPS): Bank has introduced AEPS transaction services offered by the National Payments Corporation of India (NPCI) at all Business Correspondent (BC) locations of the Bank, and with this, the Bank's customers having an Aadhar-enabled SB account can transact at the BC point.
3. Financial Literacy and Credit Counseling Centers (FLCs): Bank is running 5 FLCs at B.C Road - Bantwal, Hangal, Kundagol, Tiptur and Alur (Karnataka). During FY23, these FLCCs have conducted 795 Financial Literacy campaigns in which 54,960 participants took part. In adherence to the RBI guidelines, all rural branches of your Bank are also conducting financial literacy Camps.
4. Social Security Schemes: All the branches of your Bank are actively involved in providing three Social Security Schemes-Prime Minister Jeevan Jyothi Bima Yojana (PMJJBY), Prime Minister Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) schemes to customers across the country.
5. Prime Minister Jan Dhan Yojana (PMJDY): All the branches across the country are opening accounts under PMJDY and are issuing RuPay Debit Cards.
6. Bank is one of the trustees of Karnataka Farmers Resource Center (KFRC), Bagalkot, established to impart training and act as a resource centre for farmers under the umbrella of SLBC Karnataka. Bank has contributed ₹ 50.00 lakhs towards the capital expenditure/corpus of KFRC.
7. In line with the Pradhan Mantri Street Vendor's Atmanirbhar Scheme, Bank has rolled out KBL- PM – SVANidhi scheme providing working capital loans up to ₹50,000/- to the street vendors to support their businesses.

AWARDS AND ACCOLADES:

Your Bank has bagged the following awards during the year under report in recognition of its achievement:

- i. 'Excellence Award-Runner Up' under Lending in Small Bank category by ASSOCHAM 17th Annual Summit & Awards Banking & Financial Sector Lending Companies.
- ii. Three prestigious awards from Confederation of Indian Industry (CII) - Digital Transformation (DX) in BFSI segment for 'Innovative' Best Practice under the following categories:
 - a) 'KBL HR NxT'
 - b) 'KBL Operations NxT'
 - c) 'KBL Customer NxT'
- iii. 'Award of Par Excellence' received in APY Strategy Review Meeting & Felicitation Programme organised by PFRDA held on 18.11.2022 under 'Beat the Best & Be the Best' category for South Zone.
- iv. 'Best Technology Talent-Runner Up' award at the 18th IBA annual Technology Conference, Expo & Awards 2022, conferred by Indian Banks' Association (IBA) Mumbai.

- v. 'Prathista Puraskar' under 'Digidhan Awards 2021-22' by Ministry of Electronics & Information Technology (MeitY), Govt. of India for achieving target with highest percentage in BHIM-UPI transactions in Private Sector Bank category.
- vi. Three (3) Awards at 'MSME Banking Excellence Awards-2022' by CIMSME (Chamber of Indian Micro Small & Medium Enterprises) held on 23.02.2023 at New Delhi, as detailed herebelow:
 - a) CSR Initiative Bank – Winner
 - b) Best MSME Bank – Runner-Up
 - c) MSME Friendly Bank – Runner-Up
- vii. The Bank stood Sixth position among all the Banks in India under Digital Payment Performance as on March 2022 as published by the Ministry of Electronics & Information Technology, Govt. of India. Our Bank stood at First position in the list under Category Specific Bank-wise Digital Payment Performance-Small & Micro Banks.

Implementation of Ind AS:

As per the roadmap given by Reserve Bank of India (RBI) vide circular dated February 11, 2017, transition to "Indian Accounting Standards (Ind AS)" in banks were to commence from the accounting period beginning April 1, 2018 onwards. However, RBI vide its circular No.DBR.BP.BC.No.29/21. 07.001/2018-19 dated March 22, 2019 has deferred implementation of Ind-AS in Banks till further notice.

The Bank has set up a Steering Committee head by the Managing Director and also a sub-committee called IFRS Working Group involving stakeholder departments to facilitate on a continuous basis the process of smooth implementation of Ind AS in the Bank and to have detailed discussions and deliberations on Ind AS Standards and related RBI Circulars. As stipulated by RBI, Bank has been submitting the Proforma Ind AS Financial statements at half yearly intervals. Also, as a prudent measure, Bank is preparing Proforma Ind AS financials on a quarterly basis and the estimated impact along with latest update on the Ind AS implementation in the Bank is placed to the Audit Committee of the Board.

DIVIDEND DISTRIBUTION POLICY

Your Bank has adopted a Policy on the Distribution of Dividend to the shareholders pursuant to the Regulation 43A of the SEBI (LODR) Regulations, 2015. The Gist of the Dividend Distribution Policy is as under:

- Being a Banking entity, Dividend Distribution is guided by the RBI Circular DBOD.No.BP.BC.8821. 02.67/2004-05 dated May 5, 2005, with regard to eligibility criteria for distribution of dividend.
- Factors considered for a recommendation of dividend includes both internal factors such as financial performance, dividend payout trends, tax implications, and corporate actions and external factors such as shareholders' expectations, macro environment etc.
- Factors considered for determining the quantum of dividend include financial performance, capital fund requirements to support future business growth, having regard to the dividend payout ratio prescribed under the aforesaid RBI Guidelines etc.

The Dividend Distribution Policy of the Bank is available on Bank's website at <https://karnatakabank.com/sites/default/files/2023-04/Policy%20on%20Dividend%20Distribution%202023-24.pdf>

As discussed earlier, the Board of Directors has recommended payment of dividend duly complying with the Reserve Bank of India directions for payment of dividend out of the profit for the financial year ended March 31, 2023.

ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, a copy of the Annual Return of the Company for FY2023 prepared in accordance with Section 92(1) of the Act has been placed on the website and is available at <https://karnatakabank.com/investor-portal/annual-report>

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014, the Bank has prepared Consolidated Financial Statement including its subsidiary - KBL Services

Limited and pursuant to the provisions of Accounting Standard ('AS') 21, the Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014, the Consolidated Financial Statements of the Bank along with its subsidiary for the year ended March 31, 2023 forms part of the Annual Report. The financial position and performance of the subsidiary are given in Form AOC-1 attached to this Report as Annexure-3.

In accordance with the third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its Standalone and Consolidated Financial Statements has been hosted on the website, <https://karnatakabank.com>. Further, as per the fourth proviso to the said Section, the Audited Annual Accounts of the said subsidiary company of the Bank, considered as part of the Consolidated Financial Statements have also been hosted on the Bank's website: <https://karnatakabank.com>. The documents/details available on the Bank's website: <https://karnatakabank.com> will also be available for inspection by any member at its Registered Office.

INVESTOR RELATION CELL

To maintain a regular connect with the investors, your Bank has a dedicated Investor Relation Cell at the Registered Office. Besides redressing the grievances, if any, from the investors, the Cell proactively disseminates corporate information on a voluntary basis to the shareholders through email (wherever made available) about financial results, major events and coverage about the Bank in the media etc.

DIRECTORS AND CHANGES IN THE BOARD

As of March 31, 2023, your Bank's Board comprised of eleven Directors with one Independent woman director. Except the then Managing Director & CEO - Mr. Mahabaleshwara M S, Mr. Sekhar Rao, Executive Director and Mr. B R Ashok, Non-Executive Director, all of them are Independent Directors. The details of the criteria for appointment and remuneration of Directors are provided in the report on Corporate Governance under Annexure-4.

During the FY 2022-23, the Bank has inducted Mr Jeevandas Narayan (DIN: 07656546) and Mr Kalmanje Gururaj Acharya (DIN: 02952524) as Additional Directors (Non-Executive, Independent) w.e.f. April 26, 2022 and their appointment as Independent Directors was approved by the shareholders vide resolution dated June 02, 2022 passed via Postal ballot (e-voting). Further, Bank has also appointed Mr. Sekhar Rao (DIN: 06830595) as Executive Director w.e.f. February 01, 2023 and his appointment was approved by the shareholders vide resolution dated March 30, 2023, passed via Postal ballot (e-voting).

During the year under report, Mrs. Mythily Ramesh, Independent Director, retired on March 13, 2023 upon completion of her tenure of five years.

Further, subsequent to March 31, 2023, Mr. Mahabaleshwara M S retired from the post of Managing Director & CEO on April 14, 2023 upon completion of his tenure.

The Board places on record its appreciation for the valuable contributions and the guidance given by them during their tenure in office.

Further, pursuant to the approval of RBI, your Bank has appointed Mr Srikrishnan Hari Hara Sarma (Mr Srikrishnan H) as the Managing Director & CEO of the Bank for a period of three years who has assumed charge w.e.f. June 09, 2023. The Board of Directors recommends his appointment as the Managing Director & CEO of the Bank for approval by the shareholders and accordingly, a resolution seeking appointment of Mr Srikrishnan H as the Managing Director & CEO has been included in the Notice of 99th AGM for approval of the members.

Considering the appointment of whole time Directors (WTD) i.e., MD & CEO and ED for a fixed tenure with prior approval of RBI under section 35B of Banking Regulation Act, 1949, Bank has been following the practice of the office of WTDs not being subjected to retirement by rotation. However, in view of the present constitution of the Board and provisions of Section 152(6) of Companies Act, 2013, it is proposed that the office of WTDs shall also be liable for retirement by rotation, within the overall tenure permitted by RBI. Hence, it is proposed to partially amend the terms of appointment of the Executive Director- Mr. Sekhar Rao to this effect.

Hence, a resolution seeking shareholders' approval for the amendments to the terms of appointment of Mr. Sekhar Rao is included in the Notice of 99th AGM.

Considering the foregoing and as per Section 152(6) of Companies Act, 2013, at the ensuing AGM, Mr. B R Ashok, Non-Executive Director being the longest in office shall retire on rotation. Further, being eligible, he has offered himself for reappointment. In the opinion of the Board Mr. B R Ashok has the integrity, expertise and requisite experience, which is beneficial to the business interest of the Bank. Based on performance evaluation and the due diligence carried out under 'Fit and Proper' norms of RBI, the Board recommends his re-appointment for approval by the members of the Bank. Accordingly, a resolution seeking the reappointment of Mr. B R Ashok has been included in the Notice of 99th AGM.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER (MD & CEO)

Mr. Mahabaleshwara M S (DIN: 07645317) was reappointed as the Managing Director & CEO of the Bank upon receipt of approval from RBI to hold office from 1st April 2023 for a period of three years i.e. till 31st March 2026 in accordance with the provisions of the Banking Regulation Act, 1949. Mr. Mahabaleshwara M S was reappointed as the Managing Director & CEO of the Bank upon receipt of approval from RBI to hold office from 1st April 2023 for a period of three years i.e. till 31st March 2026 in accordance with the provisions of the Banking Regulation Act, 1949.

As the Managing Director & CEO of the Bank

- d) The Directors have prepared the annual accounts on a going concern basis.
- e) The Directors have laid down the internal financial controls followed by the Bank and that such internal financial controls are adequate and are operating effectively.
- f) The Directors have devised proper systems to ensure compliance with the provision of all applicable laws and that such systems were adequate and operating effectively.

STATUTORY DISCLOSURES

The disclosures under sub-section (3) of Section 134 of the Companies (Accounts) Rules, 2014 are furnished below:

- a) Conservation of energy and technology absorption: Considering the nature of the Bank's business, the provisions of Section 134(3)(m) of the Companies Act, 2013 relating to conservation of energy and technology absorption are not applicable to your Bank. The Bank has, however, used information technology in its operations extensively. Further, to promote renewable sources of energy, Bank has installed solar panels at the Corporate Office, a few Regional Offices and Bank's few owned premises.
- b) During the year ended March 31, 2023, the Bank earned ₹3.36 crore and spent ₹1.93 crore in foreign currency.
- c) There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Bank's operations in future.
- d) Internal financial control systems and their adequacy: Your Bank has laid down standards, processes and structure facilitating the implementation of internal financial control across the Bank and ensure that same are adequate and operating effectively.
- e) Key Managerial Personnel:
 - Mr. Mahabaleshwara M S, MD & CEO (demitted his office on April 14, 2023 upon completion of his term), Mr. Abhishek S Bagchi, CFO and Mr Sham K, Company Secretary, were the Key Managerial Personnel of the Bank as on March 31, 2023, as per the provisions of the Companies Act, 2013.
 - Mr. Prasanna Patil the then Company Secretary, resigned from the services of the Bank and was relieved w.e.f. August 31, 2022.
 - Mr. Sham K joined the Bank as Company Secretary & Compliance Officer of the Bank w.e.f. February 27, 2023.
 - Mr. Muralidhar Krishna Rao, upon completion of his contractual term demitted the office of Chief Financial Officer on March 01, 2023, and Mr. Abhishek S Bagchi assumed charge as the Chief Financial Officer w.e.f. March 02, 2023.
- f) Remuneration of Directors: Disclosure pursuant to Section 197 (12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in Annexure-7 to this report.
- g) During the financial year 2022-23, there was no employee who was in receipt of remuneration requiring disclosure as per the limits prescribed under Section 197 of the Companies Act, 2013, read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. However, the remuneration (including variable pay determined in the subsequent financial year) pertaining to the Whole Time Directors is subject to prior approval of the Reserve Bank of India. The details of remuneration paid to Mr. Mahabaleshwara M S, the then Managing Director & CEO and Mr. Sekhar Rao, Executive Director (w.e.f. February 01, 2023) are provided in the Corporate Governance Report.

In terms of Section 197(12) of the Act, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the Top-10 employees in terms of remuneration drawn forms part of this annual report. In accordance with the provisions of Section 136(1) of the Act, the annual report excluding the aforesaid information, is being sent to the members of the Bank and others entitled thereto. The said information is available for inspection by the members at the Registered Office of the Bank during business hours of the Bank up to the date of the ensuing

Annual General Meeting. Any member interested in obtaining a copy thereof, may write to us at investor.grievance@ktkbank.com.

- h) There are no material changes affecting the financial position of the Bank which have occurred between the end of the financial year of the Bank to which the financial statements relate and the date of this Report.
- i) Particulars of loans, guarantees or investments under section 186:Nil
- j)

been obtained from the RBI vide their letter dated July 20, 2023. The Bank has received consent from the above auditors and necessary confirmation from them that they are not disqualified from being appointed as auditors of the Bank pursuant to the provisions of the Companies Act, 2013 and the Rules made thereunder.

b. Secretarial Audit Report:

Pursuant to Section 204 of the Companies Act, 2013 and the rules thereunder, your Bank has appointed M/s. BMP & Co, LLP, Bengaluru, Company Secretaries in practice as the Secretarial Auditor to conduct the Secretarial Audit for the year ended March 31, 2023. The audit report from the Secretarial Auditor is annexed to this report as a part of Annexure-6.

Pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD1/27/2019 dated February 08, 2019, the Bank has obtained the Annual Secretarial Compliance Report, certified by CS Pramod S M (COP: 13784), BMP & Co. LLP, Company Secretaries in practice, Bengaluru, for the financial year ended March 31, 2023, on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder and a copy was submitted to the Stock Exchanges within the prescribed timeline.

During the FY 2022-23, pursuant to Section 143(12) of the Act, neither the Statutory Auditors nor the Secretarial Auditor of the Bank have reported any instances of fraud committed in the Bank by its officers or its employees.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their sincere gratitude to the customers of the Bank, depositors, shareholders for their unwavering support, patronage and goodwill. Your Directors also place on record their gratitude for the continued guidance and support provided by the Reserve Bank of India, other government and regulatory authorities, financial institutions and correspondent banks. Your Directors express their deep sense of appreciation to all the staff members, for their contribution to the Bank's quest for sustained growth and profitability and look forward to their continued contribution to scaling greater heights.

For and on behalf of the Board of Directors
P Pradeep Kumar

Chairman
 Place: Mangaluru
 Date: August 03, 2023

ಮುಂಗಡಗಳು

ವರದಿ ವರ್ಷಾಂತ್ಯದಲ್ಲಿ, ನಿಮ್ಮ ಬ್ಯಾಂಕಿನ ಮುಂಗಡಗಳಲ್ಲಿ ಶೇ.5.58ರ ಬೆಳವಣಿಗೆಯನ್ನು ಲೇವಿ ಮಾಡಿ, ನಿಮ್ಮ ಲೇವಿಗಳನ್ನು ರಿಟೇನ್ ಮುಂಗಡಗಳ ಪಾಲಿಗೆ ಶೇ.50.34 ರಷ್ಟಿದ್ದರೆ, ಮಧ್ಯಮ ಗಾತ್ರದ ಕಾರ್ಪೊರೇಟ್ ಕಂಪನಿಗಳಿಗೆ ದಾಖಲಾಗಿದ್ದರೆ, ಕಾರ್ಪೊರೇಟ್ ಮುಂಗಡಗಳ ಪಾಲಿಗೆ ಸುಮಾರು ಶೇ.20.18 ದರದಲ್ಲಿ ಲೇವಿ ಮಾಡಲಾಗಿದೆ.

ಆದ್ದರಿಂದ ವಲಯದ ಮುಂಗಡಗಳು ₹32077 ಕೋಟಿಯಿಂದ ₹32181.73 ಕೋಟಿಗೆ ಹೆಚ್ಚಾಗಿದೆ. Creditನ ಶೇ.50.78). ಕೃಷಿ ಕ್ಷೇತ್ರಕ್ಕೆ ನೀಡಿರುವ ಮುಂಗಡಗಳು, ಗ್ರಾಮೀಣ ಮೂಲಸೌಕರ್ಯ ಕಾಮಗಾರಿಗಳಿಗೆ ಲೇವಿ ಮಾಡಲಾಗಿದೆ.

ವಿನಿಯೋಗ	₹ ಕೋಟಿಗಳಲ್ಲಿ
ಶಾಸನಾತ್ಮಕ ಕಾದಿಟ್ಟ ನಿಧಿಗೆ ವರ್ಗಾವಣೆ	296.00
ಬಂಡವಾಳ ಮೀಸಲಿಗೆ ವರ್ಗಾವಣೆ	-
ಸಾಮಾನ್ಯ ಮತ್ತು ವಿಶೇಷ ಕಾದಿಟ್ಟ ನಿಧಿಗೆ	

ಬ್ಯಾಂಕುಗಳಿಗೆ ಆಪತ್ತು ನಿಯಂತ್ರಣ ಮತ್ತು ಆಡಳಿತ ಚೌಕಟ್ಟನ್ನು ಖಚಿತಪಡಿಸಿಕೊಳ್ಳಲು ಬಿಂದು ವಿಶೇಷವಾದ ನೀತಿ ಚೌಕಟ್ಟನ್ನಲ್ಲಿ

ಸೀಟ್ ಸಾಮಾಜಿಕ ಹೊಣೆಗಾರಿಕೆ (CSR)

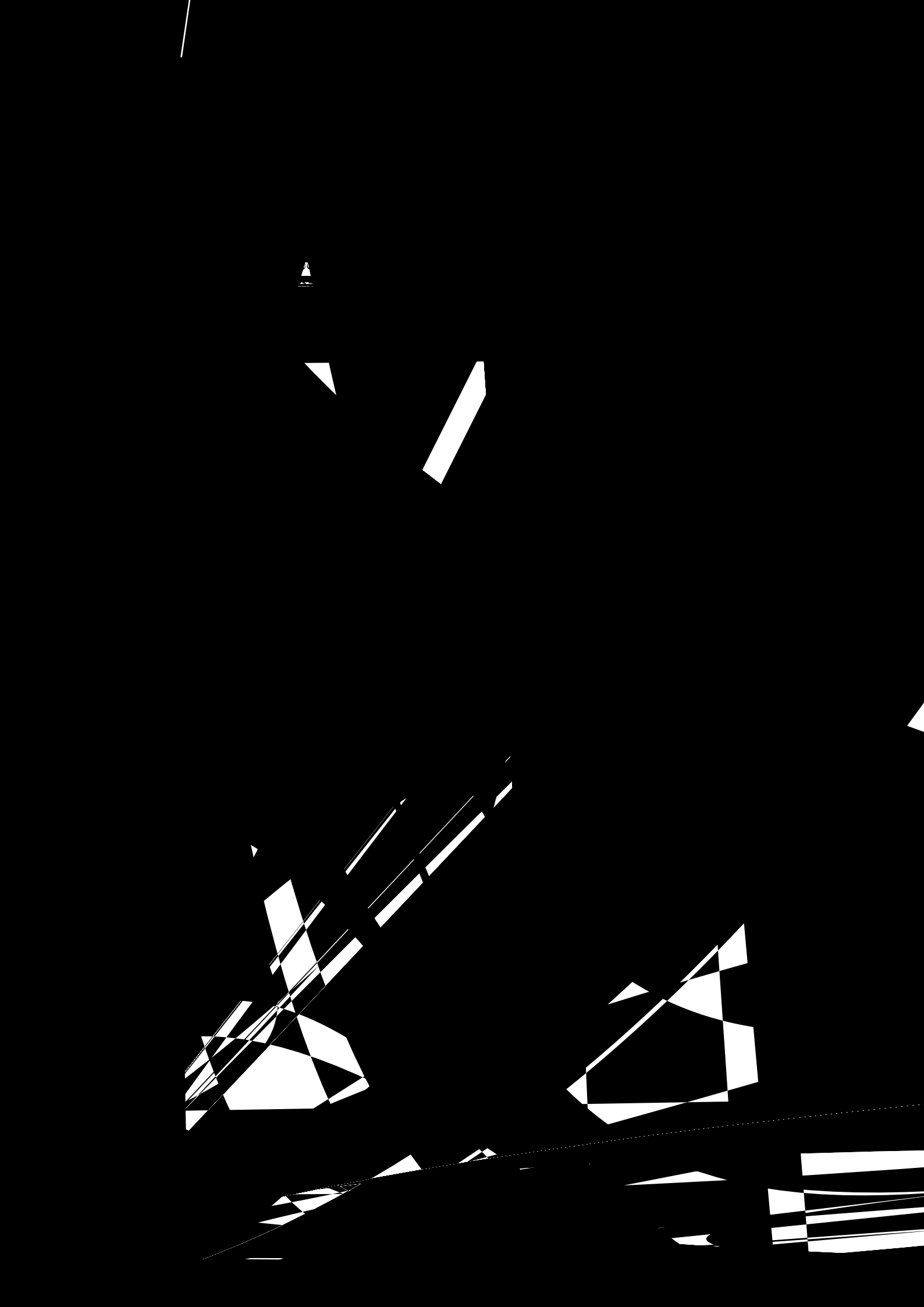
ಸಾಮಾಜಿಕ ಹೊಣೆಗಾರಿಕೆಯು ಕಾರ್ಪೊರೇಟ್‌ಗಳ ಮೂಲಕ ಆರೋಗ್ಯ, ಸುರಕ್ಷತೆ, ಪರಿಸರ, ಸಾಮಾಜಿಕ ಮತ್ತು ಆರ್ಥಿಕವಾಗಿ ಹಿಂದುಳಿದವರ ಸಹಾಯ, ಶಿಕ್ಷಣ, ಗ್ರಾಮೀಣಾಭಿವೃದ್ಧಿ, ಸ್ವಚ್ಛತೆ, ರಸ್ತೆ, ಹೊಂದಿಗೆ ಉಳಿದವರ ಸಹಾಯ.

ಬೆಂಗಳೂರು ವ್ಯಾಪಾರಿಗಳ ಆತ್ಮನಿರ್ಭರ್ ಯೋಜನೆಗೆ (PM-SVANidhi) ಅನುಗುಣವಾಗಿ, ಬ್ಯಾಂಕ್ KBL-PM-SVANidhi ನಿರ್ದೇಶನಾನು ಪರಿಗಣಿಸಿದೆ. ಇದರಲ್ಲಿ ಬೀದಿ ವ್ಯಾಪಾರಿಗಳಿಗೆ ತಮ್ಮ ವ್ಯಾಪಾರವನ್ನು ಬೆಂಬಲಿಸಲು ₹50,000/- ವರೆಗಿನ ಒಮ್ಮೆ ಉಭಯ ನಿರ್ಧರಿಸುತ್ತಿದೆ.

ಪುರಸ್ಕಾರಗಳು
ಈ ಬ್ಯಾಂಕ್ ತನ್ನ ಸಾಧನೆಯ ಪರಿಣಾಮವಾಗಿ ಈ ಕೆಳಗಿನ ಪರಿಸ್ಥಿತಿಗಳನ್ನು ಪಡೆದುಕೊಂಡಿದೆ:

2022-23ರ ಅವಧಿಯಲ್ಲಿ, ಶ್ರೀ ಜೀವನ್‌ದಾಸ್ ನಾರಾಯಣ್ (DIN:07656546) ಮತ್ತು ಶ್ರೀ ಕಲ್ಮಂಜೆ ಗುರುರಾಜ್ ಆಚಾರ್ಯ (DIN: 02952524) ಅವರನ್ನು ಹೆಚ್ಚುವರಿ ನಿರ್ದೇಶಕರಾಗಿ (ಕಾರ್ಯನಿರ್ವಾಹಕೇತರ, ಸ್ವತಂತ್ರ) ಏಪ್ರಿಲ್ 26, 2022ರಿಂದ ನೇಮಿಸಲಾಗಿದ್ದು, ಸ್ವತಂತ್ರ ನಿರ್ದೇಶಕರಾಗಿ ಅವರ ನೇಮಕಾತಿಯನ್ನು ಪೇರುದಾರರು ಜೂನ್ 02, 2022 ರಂದು ಅಂಚೆ ಮತಪತ್ರ (ಇ-ಮತದಾನ) ಮೂಲಕ ಅಂಗೀಕರಿಸಿದ ನಿರ್ಣಯದ ಮೂಲಕ ಅನುಮೋದಿಸಿದ್ದಾರೆ. ಇದಲ್ಲದೆ, ಶ್ರೀ ಶೇ

ಮತ್ತು ಸಂರಚನೆಗೆ



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MANAGEMENT DISCUSSION AND ANALYSIS

Global Economic Outlook:

Weighing the Impact of Geopolitical Uncertainty and Inflation

The FY2023 narrative in the global economic arena was one of paradoxes. It was marked by a gradual attenuation of the virulent infections, considerable easing of supply chains, but also persistent geopolitical tensions and stubborn inflation. Central banks worldwide acted in unison, devising monetary strategies to counteract these challenges.

The geopolitical conflicts stirring in Europe and escalation in the Taiwan/Korean Peninsula created substantial volatility in global energy and commodity prices. In response, central banks globally chose to counter unyielding inflation by raising their key policy rates. Benchmark yields and equities fluctuated, painting a picture of a complex and intertwined global economy.

Amidst a year of paradoxes, the world grappled with persistent geopolitical tensions, stubborn inflation, and volatile commodity prices. Yet, glimmers of resilience emerged, with IMF's projections hinting at the easing of inflation and central banks globally adjusting to new economic realities.

However, even as economic heat maps flickered with instability, the International Monetary Fund's (IMF) projections hinted towards a change in the weather. Indicators of inflation cooling and a slowdown in job openings emerged, but these have yet to translate into a concrete change in the central banks' rate regime. The global growth rate was expected to fall from 3.4% in 2022 to 2.8% in 2023, and settle at around 3.0% in 2024. On the other hand, the global headline inflation was set to decrease from 8.7% in 2022 to 7.0% in 2023, with a full return to target inflation unlikely before 2025.

While fiscal and monetary policies remained largely accommodative, inflation ruling above targets forced several central banks of Emerging Market Economies (EMEs) followed by Advanced Economy (AE) to tighten monetary policy. In the financial markets, risk-off sentiment drove equity markets into a correction. The bearish government bond market experienced a hardening of real yields across AEs. Going forward, the global economic growth outlook depends on global headwinds from the geo-political tensions, resurgence of new variants of COVID-19, volatility in global financial markets and inflation trajectory.

Indian Economic Overview:

Driving Growth Amidst Global Economic Uncertainty

As the world grappled with economic uncertainties, India emerged as a beacon of resilience. With strong GDP growth and robust export figures, the nation proved itself as a steadfast growth engine amidst global fluctuations.

India's domestic economic activity displayed resilience in the second half of FY2023. Real GDP growth for the year stood at 7.2%, driven by strong investment and private consumption trends. The agriculture and services sectors played instrumental roles in maintaining this growth trajectory, even though the manufacturing sector was reined in by high input costs.

The Gross Value Added (GVA) in agriculture and allied activities registered a 3.5% growth in FY2023. Despite rainfall irregularities impacting kharif production, food grains production reached a record high in FY2023. The services sector also held its own, posting a robust growth of 9.5%, powered by contact-intensive services like trade, hotels, transport, and communication, which grew by 14.0%.

Amid global economic uncertainties, India demonstrated the vitality of its growth engine, offering an optimistic outlook for global economic recovery. The resilience and growth of the Indian economy serve as an encouraging signpost for future economic prosperity.

India's external sector reflected a vibrant performance with merchandise exports rising by about 6% to a record US\$447 billion. Despite this, inflationary pressures were hard to shake off completely, with the average CPI inflation standing at 6.7% compared to 5.5% in FY2022.

Heightened uncertainty surrounds the inflation trajectory, which is heavily contingent upon the evolving geopolitical situation. Global commodity price dynamics are driving the path of food inflation in India, including prices of inflation-sensitive items that are impacted by global shortages due to output losses and export restrictions by key producing countries. International crude oil prices remain high but volatile, posing considerable upside risks to the inflation trajectory through both direct and indirect effects. Core inflation is likely to remain elevated in the coming months, reflecting high domestic prices and pressures from the prices of essential medicines. Renewed lockdowns and supply chain disruptions due to the resurgence of COVID-19 infections in major economies could sustain higher logistics costs for longer.

Global Growth in 2023 as per IMF's forecasts	India's GDP growth rate for FY2023	Indian Exports in FY2023	Indian Inflation in FY2023
2.8%	7.2%	US\$447 Billion	6.7%

Indian Banking Sector Developments:

Adapting and Growing Amidst a Pandemic

The banking sector in India, much like the rest of the world, had to face numerous challenges in the past year due to the Covid-19 pandemic. However, as highlighted in the Reserve Bank of India's (RBI) Annual Report 2022-23, it also saw a host of encouraging developments.

Liquidity remained stable, providing a necessary safety net against pandemic-induced disruptions. Public and private sector banks bolstered their financial health through profit retention and capital market funding. Impressively, the gross non-performing assets (GNPA) ratio for all scheduled commercial banks dipped to a six-year low.

The RBI's Report on Trend and Progress of Banking in India 2020-21, dated December 28, 2021, disclosed promising early signs of recovery in credit growth for the 2021-22 period (up to Dec 2021). Deposit growth, although slower at 10.1% at end-September 2021 compared to 11.0% the previous year, remains robust.

Several transformative developments in the banking sector emerged during this period:

- The launch of the Financial Inclusion Index and Digital Payments Index, aimed to enhance the quality of banking services and deepen digital payment penetration.
- The UPI123Pay implementation, opening the doors of formal banking to forty crore feature phone users, transitioning from a cash economy.
- Amendments to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act 1961, requiring DICGC to pay insured amounts to depositors within ninety days of RBI's withdrawal restrictions imposition on troubled banks.
- The establishment of the National Asset Reconstruction Company Ltd. (NARCL) aims to accelerate the resolution of high-value stressed assets.

Opportunities and Outlook:

The Union Budget 2022-23 further amplified the sector's momentum by focusing on hard infrastructure like roads, railways, and housing, which would generate employment, spur development, and boost the banking sector's growth. Various budget proposals, such as connecting 1.5 lakh post offices to the Core Banking System, setting up 75 Digital Banking Units (DBUs) in 75 districts, and additional allocations under ECLGS for the Hospitality Sector, among others, are set to catalyze economic recovery and facilitate healthier credit flow to major sectors.

Our banking segments:

Pursuant to the Guidelines issued by RBI on Accounting Standard 17 (Segment Reporting), the Bank has identified four business segments viz., Retail Banking, (including DBUs) Corporate /Wholesale Banking, Treasury and Other Banking Operations for the year ended March 31, 2023. Details about aforesaid business segments are discussed hereafter:

Retail Banking: Comprehensive Retail Banking Services: Tailoring Financial Solutions

Your Bank offers an extensive range of personal banking products within the retail segment encompassing home loans, automobile loans, personal loans, education loans, loans against term deposits and securities, gold loans, small business banking loans, and agriculture loans.

Retail Banking includes credit of up to ₹7.50 Crore to industry, service, agriculture, forex, and other business activities. To manage this portfolio, the Division comprises four specialized wings: Agriculture, Forex, SMEs, and Others. An exclusive Agriculture Credit Support Group within the Retail Finance Division deals solely with agriculture credit, emphasizing our commitment to this crucial sector.

In addition to this, we lend extensive support to the MSME sector through our retail banking arm. Our range of banking products includes Working Capital Finance, Term Loans, and Business Finance Products, both fund-based and non-fund based, tailored to fit needs of every industry/sector. We are a registered financier on the TreDS platform, providing an additional financing avenue to MSMEs.

Your Bank has marked its presence in more than 200 out of 388 clusters identified by the United Nations Industrial Development Organization (UNIDO) as having significant MSME concentration and caters to the credit needs of these MSME units through our dedicated branch teams spread across these clusters.

Efficient Credit Management:

In an effort to streamline and standardize our credit underwriting practices, we established three Centralised Loan Processing Hubs (CLPHs) in Mangaluru, Bengaluru, and Ahmedabad. Alongside this, a Centralised Loan Sanctioning Centre (CLSC) was set up at Mangaluru. To further speed up the loan sanctioning process, Bank upgraded the existing three CLPHs as Regional Loan Sanctioning Centres (RLPCs) and introduced two new RLPCs. This set up manages credit proposals of up to ₹ 5 Crore, considering product or facility specifics under Retail, MSME, Agri, and Forex credit facilities.

During the reporting year, our Retail Segment delivered strong performance. It generated revenue of ₹3755.78 crores (Previous year: ₹2910.17 crore), contributing ₹ 1634.08 crores (Previous year: ₹920.35 crore) to the profit before tax and un-allocable expenditure, further attesting to our robust retail banking strategy.

Corporate and Wholesale Banking:

Nurturing Large-Scale Business Growth

Our Bank extends its financial expertise to meet the specific needs of corporate and wholesale banking business clients, with a focus on serving entities with an individual exposure exceeding ₹7.50 crore. This includes catering to the banking necessities of large-sized corporations across diverse industries.

Our portfolio of corporate banking products and services is comprehensive, featuring a variety of fund-based products such as term loans, working capital facilities, foreign exchange services, structured finance, trade financing, and bill discounting. Additionally, we provide non-fund-based products including letters of credit and guarantees, broadening our offering to fully cater to the diverse needs of our corporate clients.

In the fiscal year under report, the Corporate and Wholesale Banking Segment demonstrated satisfactory financial performance. It generated revenue amounting to ₹2691.29 crores (Previous year: ₹2506.24 crores). Furthermore, it significantly contributed to the Bank's profit, yielding ₹462.62 crores (Previous year: ₹526.63 crore) before tax and un-allocable expenditure. This strong performance underscores the value of our tailored financial solutions for the corporate and wholesale banking clientele.

Treasury Operations: Streamlining Financial Management

The Bank's treasury operations primarily manage statutory reserves, such as Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR), while ensuring effective liquidity management. Alongside these core functions, our treasury operations are responsible for investment and trading activities and the execution of foreign exchange operations.

In the pursuit of optimizing liquidity, the Treasury invests primarily in sovereign debt instruments and other fixed-income securities. Moreover, the Bank utilizes instruments such as commercial papers, mutual funds, certificates of deposits, and floating-rate instruments to manage short-term surplus liquidity. In terms of foreign exchange, our operations are centralized in Mumbai and extend the scope of our Integrated Treasury. We provide our clients with a broad array of products and services, including forward contracts and diverse foreign exchange solutions.

During FY 22-23, our Treasury operations earned a total revenue of ₹1276.83 crores (Previous year: ₹1315.30 crores) from these operations, contributing ₹182.23 crores (Previous year: ₹256.12 crores) to profit before tax and un-allocable expenditure.

Other Banking Operations: Comprehensive Financial Services

Our Bank offers a wide variety of products and services, including savings accounts, current accounts, wholesale term deposits, international debit cards, locker facilities, depository services, Application Supported by Blocked Amount (ASBA) facility, and Sovereign Gold Bonds. Further Bank offers services such as co-branded credit cards, online trading facility, Point of Sale terminals, Fastag, distribution of life insurance, general insurance products and social security schemes, distribution of Mutual Fund units, Wealth Management services and payment gateway services through tie-ups with the respective channel partners.

These offerings are made accessible to our customers through both physical banking channels and digital platforms, including Internet or E-banking, Mobile Banking, ATMs/Cash Recyclers, E-lobbies, digital banking solutions, QR payments, Aadhar Enabled Payment System, UPI and 24*7 Contact Centre. Our aim is to ensure the availability and convenience of banking services for all customers, irrespective of their preferred banking method.

In the fiscal year under report, this segment generated revenues of ₹424.58 crores (Previous year: ₹427.66 crores) and delivered a net result of ₹-48.63 crores (Previous year: ₹ -11.59 crores).

Banking Outlets and Alternate Delivery Channels: Expanding our Reach

While your Bank's presence is notably strong in South India, we have been conscientiously expanding our network of branches and control offices across various regions of the country. In making these expansion decisions, we rigorously evaluate potential business opportunities, earnings, and customer reach.

As of 31st March 2023, your Bank had 2376 service outlets including 901 branches (including two Digital Banking Units), 871 ATMs, 603 cash recyclers (CRs) and one extension counter, with a presence in 578 centres spread across 22 States and 2 Union Territories.

Apart from these customer-facing outlets, our robust infrastructure includes one co-located Data Centre equipped with a Disaster Recovery Centre and Near Line Site (NLS), two service branches, four Currency Chests, two Central Processing Centers, one Digital Centre of Excellence, one Analytical Centre of Excellence and eight Asset Recovery Management Branches.

Over the past year, we have continued to broaden our reach. We have opened 24 new branches and made the strategic decision to move our integrated treasury to Mumbai by merging it with our domestic treasury. To further speed up the loan sanctioning process, the Bank upgraded the existing three CLPHs as Regional Loan Sanctioning Centres (RLPCs) and introduced two new RLPCs. Our ongoing expansion highlights our commitment to enhancing accessibility, improving customer experience, and continually evolving to meet the changing needs of our customer base.

Mobile Banking and Net Banking:

Besides ATM/CRs, the Mobile banking app-KBL Mobile Plus and Net banking-KBL Money Click are the prominent delivery channels. During FY2023, value-added features like Mobile Banking in Hindi & Marathi languages, Travel Ticket Booking, Sovereign Gold Bond (SGB), Online Locker booking facility, Fraud reporting and channel blocking option, and Adaptive Authentication were launched. As on March 31, 2023, 93.48 percent of transactions were performed through digital channels.

For improved coordination and delivery, Bank has recently opened an IT and Digital Hub in Bengaluru which houses Bank's entire Information Technology vertical.

Bancassurance Business: Offering Comprehensive Insurance Solutions

Life Insurance: Your Bank has been committed to providing comprehensive life insurance solutions through well-established partnerships. We have maintained an association with PNB Metlife Insurance Company Limited for over two decades, partnered with Life Insurance Corporation of India since 2017, and joined forces with Bharti AXA Life Insurance Limited since 2019. These collaborations enable us to offer our customers a diverse range of life insurance products that cater to their unique needs.

General Insurance: In the realm of general insurance, we have expanded our portfolio by joining hands with Universal Sampo General Insurance Co Ltd and Bajaj Allianz General Insurance Company Limited. Through these alliances, we offer a broad spectrum of health and non-life insurance products to our customers.

As part of our commitment to providing financial security, your Bank introduced the Group Personal Accident (GPA) Insurance scheme, "KBL Suraksha". This program, in collaboration with M/s Universal Sampo General Insurance

Company Ltd, provides Personal Accident Insurance coverage for accidental death. Launched with a vision to extend social security to our eligible Savings Bank (SB) account holders, the scheme is attractively priced with a minimal premium.

Additionally, we extend the benefits of various Social Security Schemes at all our branches. These include Pradhan Mantri Jeevan Jyoti Bima Yojana [PMJJBY], Pradhan Mantri Suraksha Bima Yojana [PMSBY], National Pension Scheme (NPS), and Atal Pension Yojana (APY). These schemes reflect our commitment to contributing to general as well as our customers' financial stability and well-being.

Co-Branded Credit Cards: Enhancing Consumer Convenience

In a bid to offer enhanced financial flexibility to our customers, your Bank initiated the offering of co-branded credit cards. Launched on March 31, 2017, this initiative was established in partnership with SBI Cards, and we are currently issuing two card variants: the 'Simply Save Card' and the 'Prime Card'.

Throughout the past year, we have successfully achieved a significant milestone by issuing over one lakh cards. During the year, Bank issued 1.25 lakh co-branded credit cards with total outstanding cards at 2.42 lakh.

Sovereign Gold Bonds

Your Bank is distributing Sovereign Gold Bonds to its customers since 2015. The experience has been made totally digital since December 2022 through Bank's Mobile Banking app- KBL Mobile Plus.

Demat and Online Trading Services: Streamlining for Our Customers

Marking its registration with SEBI as a 'Depository Participant (DP)' back in 2006, your Bank has been consistently providing efficient Demat services for over a decade. In a bid to enhance our offerings and streamline operations for our valued customers, we currently have a cooperative arrangement with Way2Wealth Securities Pvt. Ltd and IIFL Securities Ltd. This 2-in-1 partnership facilitates seamless online Demat and trading services, bolstering the ease of banking and financial management for our customers.

Mutual Fund Unit Distribution: Customised for Client Requirements

As an AMFI-registered mutual fund distributor, your Bank has partnered with eight leading asset management companies and we have leveraged our branch network to provide these services to meet the customers' requirements. Bank has partnered with Finwizard Technology Private Limited to offer online distribution of mutual fund units through their digital platform 'FISDOM' mobile application.

Point of Sale (POS) Network: Streamlined Payment Collection and Cash Withdrawals

Your Bank actively serves as a comprehensive solutions provider for merchant partners, leveraging the Point of Sale (PoS) services enabling automated collection of payments for our partners. Bank has partnered with 'Mswipe Technologies Private Limited' and 'Bijilipay' to expand service offerings in this space.

Bank has also launched 'Cash@POS' facility which is available at over 9,311 PoS terminals installed across various merchant establishments nationwide, where customers or non-customers of our Bank can withdraw cash using their debit cards or open system prepaid cards (issued by Banks in India) at our PoS terminals.

FASTag Facility: Smoothing Out Toll Transactions

In our continuing efforts to enhance customer convenience, your Bank offers KBL-FASTag facility and has enabled KBL FASTag recharge facility through multiple platforms such as Mobile Banking, UPI, and the NETC FASTag portal.

Prioritizing Customer Service

Your Bank's primary focus has always been on elevating the customer service to new heights, thereby setting benchmarks in the banking industry. This pursuit demands the creation of unique, efficient, and cost-effective mechanisms to deliver banking services. Bank has embarked upon offering its services through digital platforms by providing self and assisted journeys across asset and liability products further enhancing customer experience and convenience.

We understand the importance of effective systems and procedures for the services we render to our customers. This understanding extends to a proficient grievance redressal mechanism, including an Internal Ombudsman [IO] aligned with guidelines provided by the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA).

In our quest to make banking accessible to everyone, we provide doorstep banking services for our Senior Citizen customers aged 70 or above, and differently-abled or infirm individuals, including visually impaired persons. These services are available at all our branches in metro centres and, on a best-effort basis, at all other branches. This initiative demonstrates our commitment to cater to the banking needs of our customers, ensuring they can access banking services from the comfort of their homes.

Digital Initiatives under KBL-Vikaas

During the reported year, we have launched multiple initiatives as part of the KBL-Vikaas project. Here are some significant new launches:

a. Digital Journeys/ Products/Services:

- Online Account Opening with Video KYC Process
- Launching Account Aggregator
- Whatsapp Banking
- KBL Mobile Plus enhancements with multi-language support
- Honey Deposit Automation
- Online solutions for Sovereign Gold Bond investments and NPS
- Implementation of insurance platform- Banca Edge to provide comprehensive solutions for sales, service and MIS
- e -Connect Platform on the Bank's Website
- Trade Finance Automation for outward remittance and processing of export credit

b. Digital Tools & Enablers:

To improve and redefine the internal processes, a suite of internal tools has been introduced and during FY 2022-23, the following were added:

- Digitization of Audit Activities.
- CERSAI-API,
- E-ticketing system for timebound redressal of grievances from operational teams.
- Automation of MIS Dashboards.

c. Digital Marketing and Digital Customer Survey:

Bank conducted several digital marketing campaigns for our products through social media, our website, Mobile and Internet Banking, and ATMs. Branding exercises have also been undertaken, with the usage of hashtags, blogs, hosting of videos of CSR activities, customer testimonials, etc. Regular digital customer surveys help us understand our customers' needs and evaluate the effectiveness of our products. We have also listed the location of all our branches on Google Maps and local search results using the 'Google My Business tool.

d. Digital Adoption:

As of March 31, 2023, digital channels were used for 93.48% of transactions. Further, digital adoption in loan underwriting was in the range of 73% to 79% across digital products and 100% in KBL Xpress Cash.

Human Resources

In the face of rapidly advancing digitalization, the banking industry faces many changes and challenges. The survival and prosperity of any industry hinge upon the quality of its human resources, and banking is no exception. Human Resource Development is a continuous, systematic, and planned process geared towards fostering employee competencies, dynamism, motivation, and effectiveness.

In line with this, your bank places paramount importance on employee satisfaction, well-being, and human resource development activities. We have appointed a Chief Learning Officer specifically to oversee skill development and training needs. We have also implemented an Employee Career and Development System (ECDS) by operationalizing the Performance Management System (PMS). This system lays out role-based, measurable and behavioural Key Result Areas (KRAs) against which an employee's performance is assessed on a monthly basis.

Moreover, we have put a Talent Management Committee (TMC) in place to identify and groom talent, fostering succession planning in the process.

For various HR Processes, Bank has introduced Robotic Process Automation (RPA). For Executives/Officers in sensitive positions, Mandatory Leave has been introduced as a risk mitigation measure. For the benefit of women employees, Bank has Sabbatical Leave Scheme in place and 58 employees have availed of this benefit during the FY.

We value opinions and suggestions from all employees, encouraging their inputs, thoughts, and innovative ideas, which help create a highly productive, competitive, and reliable workforce.

Training and Development:

Training is a key factor in human resource development. For any organization aiming to gain a competitive edge through increased performance and outstanding service from its employees, effective training is crucial. It's essential for staff members to be equipped with the required knowledge and skills to meet current challenges, perform tasks efficiently, and prepare them for higher responsibilities.

So far, the Bank has hosted 108 e-learning modules on the ELM platform, covering all facets of banking, essential products/processes of the Bank, Para banking, IT, Information and Cyber Security, Risk, etc. E-learning gives staff members a valuable opportunity to gain knowledge on various subjects at their location, using easy learning techniques without the need for classroom training. These modules are in simple and clear language, understandable to everyone, and upon successful completion, an e-Certificate is awarded.

Our bank regularly deposes its employees to various training and development programs to enhance their skills, competencies, and contributions to the Bank's growth. We have a well-established Staff Training College, awarded the prestigious ISO 9001:2015 certification for Compliance Quality Management Standards. We depute officers and staff to elite institutes for specialized training like the Indian Institute of Management (IIM) Ahmedabad, State Bank Institute of Leadership (SBIL) Kolkata, Centre for Advanced Financial Research & Learning (CAFRAL) Mumbai, National Institute of Bank Management (NIBM) Pune, and others.

During the year 2022-23, 5873 employees were nominated for various trainings/e-workshops/conferences covering 72.63% of the total staff strength. Further, a total of 5030 members of staff including executives have undergone the training at our Staff Training College and 2647 members of staff have been trained at the external training Centres (1804 Staff members have attended training at both STC and external training centres.) such as SIBTSC, IIBF, RBI-CAB etc., either offline or online mode. Further, Leadership Development Programme was conducted at SBIL (State Bank Institute of Leadership) for executives. Under our Capacity Building initiative, areas like Treasury Operations, Risk Management, Credit Management, Accounting, Human Resource Management, and Information Technology have been identified for specialized training, and staff members are encouraged to acquire certification courses from institutions approved by IBA.

Review Of Financial Performance (Standalone):

a. Summary:

As on March 31, 2023, the Business Turnover of the Bank reached a new high of ₹147319.63 crores. During the FY 2022-23, Bank registered an all-time high net profit of ₹1180.24 crores. The share of CASA was at 32.97%. The asset quality improved with a 16 bps and 72 bps reduction respectively under Gross NPAs and Net NPAs. The Bank has further consolidated its position in Provision Coverage Ratio (PCR) which improved to 80.86% and CRAR which improved to an all-time high of 17.45%. Overall, the year 2022-23 was a year of business excellence witnessing further strengthening of the fundamentals of the Bank.

Net Interest Income increased by 27.86 % to ₹3185.10 crores from ₹2,491.03 crores as Interest income increased by 16.05 % to ₹7220.23 crores from ₹6221.66 crores. As a result, Net profit increased by 132.05 % to ₹1180.24 crores from ₹508.62 crores.

The following table sets forth the analysis of Net interest income and Interest spread:

(₹in crores)	FY23	FY22	Change (%)
Interest earned	7220.23	6221.66	16.05
Interest expended	4035.13	3730.63	8.16
Net Interest Income	3185.10	2491.03	27.86

(₹ in crores)	FY23	FY22	Change (%)
Net Interest Margin (%)	3.70	3.18	52 bps
Yield on Advances (%)	9.41	8.84	57 bps
Cost of Deposits (%)	4.62	4.66	-4 bps
Interest Spread in Lending (%)	4.79	4.18	61 bps

Net interest margin and Interest spread have improved by 52 bps and 61 bps respectively as there was a 57 bps increase in yield on advances while the cost of funds moderated.

b. Interest Earned

During FY23, your Bank earned an interest income of ₹7220.23 crores up by 16.05% over ₹6,221.66 crores earned in FY22.

(₹ in crores)	FY23	FY22	Change (%)
Interest on advances and Discount on bills	5,584.91	4,737.88	17.88
Income on investments	1,422.35		

f. Provisions and contingencies

The following table sets forth the details of provisions for NPA etc.

(₹ in crores)	FY23	FY22	Change (%)
NPA	889.95	590.61	50.68
Standard advances (including NPV of Restructured Standard advances)	-121.49	327.08	-137.14
Investments	0	10	-100.00
Others	-1.28	11.75	-110.89
Provision for Tax	260.8	185.94	40.26
Total provisions	1027.98	1125.38	-8.65

During FY23, Bank has resorted to accelerated provisioning for non-performing advances banking on the strength of its Balance Sheet thereby increasing its PCR above 80% levels and moderating Net NPAs to below 2% levels. The provision on Restructured advances has decreased as there was a reduction in Restructured portfolio by 28.51% thereby reducing the provisioning requirement for such advances. Also, with effect from the Assessment year 2021-22, the Bank has opted for the new regime of tax under section 115 BAA of the Income tax Act 1961.

g. Deposits

The following table sets forth the details of the deposits.

(₹ in crores)	FY23	FY22	Change (%)
CASA deposits	28807.07	26499.59	8.71
Retail term deposits	58560.94	53886.79	8.67
Others	---	0.47	--
Total	87,368.01	80,386.85	8.68

Higher growth in CASA deposits helped the bank to reduce its overall cost of deposits from 4.66% in FY22 to 4.62% in FY23.

h. Advances

During FY 2022-23, advances grew by 5.58%. The details are as under:

(₹ in crores)	FY23	FY22	Change (%)
Advances	59951.62	56783.14	5.58

i. Asset quality / Provisioning

Asset quality refers to the recoverability of an advance, measured by the behaviour of the borrower in timely payment of interest and instalments and other parameters. As per RBI guidelines, we have classified our advances into Standard, Substandard, Doubtful and Loss assets depending upon how long a loan has remained a non-performing asset (NPA) and made provisions as per those guidelines.

Classification of NPAs is as follows:

(₹ in crores)

	Gross NPA	Provision held & other netting items	Net NPA
Sub-standard	681.15	144.78	536.37
Doubtful	1381.03	873.51	439.83
Loss	230.73	182.90	45.07
Total NPA	2292.91	1201.19	1,021.27
NPA%	3.74	-	1.70

j. Capital Adequacy

Your Bank maintained a strong capital position and capital adequacy ratios were well above the minimum regulatory requirements of 11.50% as per Basel III capital adequacy guidelines stipulated by RBI.

Capital-To-Risk Weighted Assets Ratio (CRAR) under Basel III:

(₹ in crores)		As on 31.3.2023	As on 31.3.2022
A	Tier I Capital		
	Paid-up Equity Capital	312.35	311.17
	Reserves under Tier I Cap.	7258.31	6,247.02
	Total Tier I Capital	7570.66	6,558.19
B	Tier II Capital		
	General Provisions & Reserves	721.87	540.35
	Subordinated Debts	1020.00	1020.00
	Eligible Tier II Capital	1741.87	1,560.35
C	Total Capital Tier I and II	A+B	8118.55
D	Risk-Weighted Assets	53378.41	51,855.44
E	CRAR Tier I Capital	A/D	12.65%
F	CRAR Tier II Capital	B/D	3.01%
G	CRAR Tier I and Tier II Capital	C/D	17.45%
			15.66%

k. Key Ratios

Ratio	UoM	As on/FYE 31.03.2023	As on/FYE 31.03.2022
Productivity ratios			
Operating Profit per employee	₹ in crores	0.26	0.19
Operating Profit per branch	₹ in crores	2.45	1.86
Business per employee	₹ in crores	17.03	16.10
Business per branch	₹ in crores	163.51	156.41
Profitability			
Net interest margin	%	3.70	3.18
Interest spread	%	4.79	4.18
Cost to income	%	47.14	52.57
Asset quality			
Gross NPA	%	3.74	3.90
Net NPA	%	1.70	2.42
Capital efficiency			
Business turnover	₹ in crores	147319.63	137169.99
Credit deposit ratio	%	68.62	70.64
Return on assets	%	1.21	0.56
Return on equity	%	15.42	7.41
Provision coverage ratio (PCR)	%	80.86	73.47
Capital-To-Risk Weighted Assets Ratio (CRAR)	%	17.45	15.66
Shareholder value			
Earnings per share	₹	37.88	16.36
Book value per share	₹	262.96	228.01

As provided in the above table, significant changes i.e., variation of more than 25%, were observed in Key ratios such as Net NPA, return on assets, return on equity and Earnings per Share during the FY 2022-23.

Risk and Mitigation

A Gist of how the Bank manages the key risks associated with its operations is provided hereunder:

Type of Risk	Mitigation Process	Strategy
CREDIT RISK		
Credit risk is the possibility of a bank's borrower or counterparty failing to meet their obligations in accordance with agreed terms.	Your Bank has developed an online comprehensive credit risk rating system for quantifying and aggregating the credit risk of all borrower accounts across various exposures. Bank has introduced Specialized lending rating models, Retail Scorecard model (Pool based approach) and Facility Rating Model. Further, score card models under Business Rule Engine (BRE) approach have also been introduced for the digital underwriting process. Credit Audits, Legal Audits and Stock Audits of large credit exposures are conducted to limit the magnitude of credit risk.	Ensuring healthy asset quality by continuous monitoring and collection follow-ups through Credit Monitoring Department (CrMD).
MARKET RISK		
Market risk is the risk to earnings and capital resulting from movements in market prices, particularly changes in interest rates, foreign exchange rates and equity and commodity prices, including the volatilities resulting from those changes.	Bank has put in place Board approved Policy on Integrated Treasury, Policy on Asset Liability Management (ALM), Policy on Market Risk Management and Policy on Fund Transfer Pricing for effective management of Market Risk in the Bank. Besides, there are inbuilt thresholds for close monitoring of the market movement.	Optimizing returns from various assets and market-linked instruments, treasury operations etc.
LIQUIDITY RISK		
Liquidity risk arises when a bank fails to meet its contractual obligation in its daily operations due to inadequate funds flow	Proactive analysis of different circumstances viz. Funding risks, Time risks, and call risks which would cause liquidity risk to the banks. Liquidity risks is assessed using gap analysis for maturity mismatch based on residual maturity in different time buckets. Advanced techniques such as Stress testing, simulation, sensitivity analysis etc. are conducted at regular intervals to monitor the liquidity and to draw the action plan if required.	Advanced assessment of the need for funds and coordinating with various sources of funds available to the Bank under normal and stressed conditions.
INTEREST RATE RISK		
This is a Risk that arises when the financial value of assets or liabilities (or inflows/outflows) is altered because of fluctuations in interest rates.	An analysis is conducted by applying various shocks on product-wise weighted average interest rates in each time band. The interest rate risk is viewed from different perspectives viz. 'Earnings Perspective' and 'Economic Value Perspective'. The former is measured using Earnings-at-Risk (EaR) under Traditional Gap Analysis (TGA) while the latter is measured through changes in the Market Value of Equity (MVE) under Duration Gap Analysis (DGA).	Ensuring appropriate trade-off between the cost of deposits and interest rate on advances.

Type of Risk	Mitigation Process	Strategy
CYBER RISK		
<p>This is a Risk associated with financial/data loss, disruption or damage to the reputation of an organization from unauthorized / deliberate malafide or erroneous use of information systems.</p>	<p>Bank has adopted a layered security model for protecting the customer data and is aligned to cyber security framework of RBI & CIS standards. Bank has deployed multiple security solutions such as End point security solutions, Endpoint Detection and Response solution, Network firewalls with Anti-malware / Antibot capabilities, Application firewalls, Intrusion Prevention Systems, Advanced Persistent Threat detection system, e-mail security, Secured Proxy, Data Leak Prevention solutions, Honey Pot systems, and Privilege Identity Management (PIM) to protect its information systems. Bank has also availed cyber security services for DNS security, Anti-DDOS services, Dark Web Monitoring Services, Anti-phishing simulation services. Bank has also put in place adequate data security measures such as data encryption, Data Leak Prevention etc. Bank has a robust vulnerability management & penetration testing practices and automated patching solution. Bank has a 24/7*365 captive 'Cyber Security Operation Centre (C-SOC)', wherein, the logs are pro-actively monitored through 'Security Information Event Management (SIEM)' tools and incident response measures undertaken to prevent cyber security attacks.</p>	<p>Strengthening Bank's internal cyber resilience system while keeping a watch on the cyber risk associated incidents in the outside world.</p>

Type of Risk	Mitigation Process	Strategy
	<p>Bank has adopted the cyber security controls prescribed by RBI's cyber security framework and also have implemented Digital Payment Security Controls for its Alternate Delivery Channel (ADC) products. All other regulatory compliances are also being strictly adhered to. Bank has also availed adequate cyber security insurance for handling its cyber risk.</p> <p>Bank is certified under ISO/IEC 27001:2013 standards for the 'Information Security Management System' (ISMS) for the systems and procedures related to Information Technology services of the Bank.</p> <p>Bank has taken active measures to impart cyber security awareness to its staff, customers by the way of cyber security trainings, e-mail news letters, social media adverts and through SMS alerts.</p> <p>Bank is also keeping pace with latest technologies for suitable adoption as part of its cyber security preparedness. Board and top management of the Bank closely reviews cyber security preparedness through various internal forums and advises for adoption of best practices.</p>	
Operational Risk		
Operational risk is the risk of direct or indirect loss resulting from breakdowns in internal processes, people, systems and external events.	<p>Bank has initiated several measures to manage operational risk through the identification, assessment and monitoring of inherent risks in all its business processes. Systems and controls have been built in the Core Banking Solution to avert probable fraud incidents.</p> <p>Bank has also implemented the Enterprise Level Fraud Risk Management System (ELFRMS) to identify potential fraudulent transactions under various Alternate Delivery Channels (ADC) and Core Banking Solutions (CBS). The system is intended to identify potentially fraudulent transactions on a real-time basis, based on predefined probable fraud scenarios. ELFRMS operates 24*7 with a DR set up to ensure business continuity.</p>	<p>Introduction/modifications of products/ processes would be taken up post-assessments primarily using the 'Risk and Control Self-Assessment (RCSA)' to identify, evaluate, monitor, and mitigate key operational risks within the Bank.</p> <p>Bank has implemented the Operational Risk Management application 'Kalypto/ Ops' to effectively manage the operational risk.</p>

Internal Control Systems – Adequacy and Compliance

Your Bank has put in place an effective and robust internal control apparatus, commensurate with its size, geographical spread, and complexity of operations. At the apex level, guidance and direction on the control aspects is vested with the Audit Committee of the Board of Directors which takes an overall view of the internal control aspects and formulates all the related policy guidelines.

Your Bank has put in place an independent Compliance Department headed by a Chief Compliance Officer who is In-charge of the entire compliance functions of the Bank to ensure effective implementation and compliance with all the directives issued by various Regulators, its Board of Directors and its own Internal Control Policy.

Risk-Based Internal Audit (RBIA):

Your Bank has adopted a Risk-Based Internal Audit (RBIA) mechanism which ensures greater emphasis on the internal auditor's role in mitigating various risks. While continuing with the traditional risk management and control methods involving transaction testing etc., the Risk-Based Internal Audit would, not only offer suggestions for mitigating current risk but also on potential risk, thereby playing an important role in the risk management process of the Bank. The risk assessment under RBIA covers risks at various levels (corporate and branch; portfolio and individual transactions etc.,) as also the processes in place to identify, measure, monitor and control the risks.

The internal audit department has put in place the RBIA risk assessment methodology, with the approval of the Audit Committee of the Board of Directors, keeping in view the size and complexity of the business undertaken by the Bank. The risk assessment process includes the identification of 'Inherent Business Risk' in various activities undertaken by the Bank and evaluating the effectiveness of the control systems for monitoring the Inherent Risks of the business activities. The Internal Audit function of the Bank, operates independently under the supervision of the Audit Committee of the Board, thereby ensuring its independence.

To appraise the effectiveness of management at different levels in accomplishing the assigned tasks towards achieving the overall corporate objectives, Management Audit is being undertaken by your Bank for Departments at Head Office and Regional Offices.

Concurrent Audit, Credit & Stock Audit

Besides, your Bank also covers select branches under concurrent audit as per the Concurrent Audit Policy of the Bank and Short Inspection of all the branches as well. Concurrent Audit of Treasury functions (both domestic and forex), Integrated Treasury, Forex designated branches, Centralised Loan Processing Hub, Centralised Loan Sanctioning Centre, Centralized Account Verification Cell, SWIFT reconciliation, and external Integrated Audit of Centralised Reconciliation Cell is also undertaken.

Besides, the Bank has also been causing Stock/Credit Audits and Legal Audits of large borrowal accounts by external professionals in furtherance of effective credit administration. Bank's Credit Monitoring Department and Risk Management Department are acting as Risk resilient systems for effectively monitoring and managing for mitigation of various risks.

Testing of Internal Financial Controls over Financial Reporting (ICFR)

As per the requirement of the Companies Act, 2013, Bank has formulated Internal Financial Controls framework by documenting risks and controls associated with each process in the Bank and testing of Internal Financial Controls over Financial Reporting (ICFR) is done annually.

Information Systems Audit

With a view to seek periodic assurances on the adequacy and efficacy of internal control functions, the Bank causes periodic Regular Inspections and Information System (IS) audits of all the branches and Offices. IS Audit of Data Centre and DR Site is done by CERT-In empanelled external security auditing firm besides conducting other regular IS Audits by internal CISA qualified and ISO 27001 Lead Auditors etc. Your Bank has implemented a 'Defence in Depth' security architecture with continuous monitoring by the Securities Operations Centre (SOC) integrated with SIEM to safeguard the interest of the bank's assets and its stakeholder. The systems and processes of the Data Centre, NLS & IT, and RMD departments of the Bank are ISO 27001:2013 certified.

Your Bank has put in place the policies and procedures for ensuring orderly and efficient conduct of its business, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable and transparent financial information. The Audit Committee of the Board periodically assesses the effectiveness of the internal financial controls and their adequacy and issues directions for its strengthening wherever found necessary.

I. The Path Ahead

During FY 2022-23, Bank achieved new highs in major parameters and further improved most of the benchmark ratios. During the fiscal FY 2023-24, the Bank will continue its focus on retail loans, gold loans, Agri, MSME and Mid Corporate Sectors to achieve sustainable and remunerative business growth. Bank will further expand its branch network in identified centres to increase customer outreach in potential areas.

As your bank is set to celebrate its 100th anniversary during the fiscal year of 2023-24, numerous activities have been lined up to mark this milestone year. The Bank is readying itself for its second-century saga, Bank envisions transforming itself into a new age entrepreneurial start-up like digital Bank.

ANNEXURE-1

DISCLOSURE UNDER PILLAR III OF BASEL III ACCORD

1. SCOPE OF APPLICATION

The Karnataka Bank Limited, a premier private sector Bank, was incorporated on February 18th 1924 in Mangaluru.

As per capital adequacy guidelines under Basel III, insurance and non-financial subsidiaries / joint ventures / associates etc. of banks are not to be consolidated. The Bank's Subsidiary, KBL Services Limited, is a non-financial entity, and hence not consolidated for capital adequacy purpose.

The Bank presently is not involved in insurance business. However, Bank holds equity investments to the extent of 6.00 per cent in Universal Sompo General Insurance Company Limited. The financials of the said company are not consolidated with the balance sheet of the Bank. The investment in the company is not deducted from the capital funds of the Bank but is assigned risk weights as an investment.

Name of the Head of the Banking group to which the framework applies- THE KARNATAKA BANK LIMITED

Name of the entity / country of incorporation	Whether entity is included in the accounting scope of consolidation	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
KBL Services Limited/ India	Yes	AS-21	No	NA	NA	The Bank's Subsidiary, KBL Services Limited, is a non-financial entity, and hence not consolidated for capital adequacy purpose.

2. CAPITAL STRUCTURE:

Sl. No	Particulars	No of equity Shares	Face value per share (in ₹)	Amount (₹)	Amount (₹ in Crore)
1.	Authorized Capital	60,00,00,000	10	600,00,00,000	600.00
2.	Issued Capital*	31,24,71,142	10	312,47,11,420	312.47
3.	Subscribed Capital	31,23,59,171	10	312,35,91,710	312.36
4.	Called up/Paid up Capital	31,23,42,621	10	312,34,26,210	312.34

*inclusive of forfeited shares.

The Bank's shares are listed on the National Stock exchange of India Ltd and Bombay Stock Exchange Ltd. During the FY 2022-2023, Bank has issued 11,78,761 shares pursuant to exercise of employees stock options by the employees.

a. Breakup of Capital Funds

The Tier I Capital of the Bank comprises of

(₹ in Crore)

1	Paid up Capital (Including forfeited shares)	312.35
2	Reserves	7,258.31
	Total	7,570.66

The Tier II Capital of the Bank comprises of

(₹ in Crore)

1	Undisclosed reserves	180.95
2	General Provisions and Loss Reserves	540.92
3	Subordinated debts eligible for inclusion in Lower Tier 2 Capital	1,020.00
	Total	1,741.87

The Total capital comprises of:

(₹ in Crore)

1	Tier I Capital	7,570.66
2	Tier II Capital	1,741.87
	Total	9,312.53

Details of the aggregate amounts of the Bank's total interests in insurance entities, which are risk-weighted:

(₹ in Crore)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
Universal Sompo General insurance Co Ltd /India	General Insurance	368.18*	6%	0.10%

* As per latest financials disclosed in their website, i.e., up to Dec'2022

b. TABLE DF-2: CAPITAL ADEQUACY: ASSESSMENT OF CAPITAL ADEQUACY:**1. Qualitative Disclosures:**

An assessment of the capital requirement of the Bank is carried out through comprehensive projections of future business that takes cognizance of the strategic intent of the Bank, profitability of particular business and opportunities for growth. The proper mapping of credit, operational and market risks to this projected business growth enables assignment of capital that not only adequately covers the minimum regulatory capital requirements but also provides headroom for growth. The calibration of risk to business is enabled by a strong risk culture in the Bank aided by effective, technology based risk management systems.

2. Quantitative Disclosures:

A summary of the Bank's Capital requirement under Basel III for credit, market and operational risk and the capital adequacy ratio is detailed below.

(₹ in Crore)

A	Capital requirement for Credit Risk	
	-- Portfolios subject to Standardized approach	4,023.86
	-- Securitization exposures	0.00
B	Capital requirement for Market Risk	
	Standardized duration approach	242.09
	-- Interest rate Risk	154.84
	-- Foreign exchange risk	0.76
	-- Equity Risk	86.49
C	Capital requirement for Operational Risk	
	-- Basic Indicator approach	538.12
D	Total Capital requirement (**)	4,804.06
E	Total eligible Capital Funds of the Bank as per Basel III	9,312.53
F	Total Risk Weighted Assets	53,378.41
G	Common Equity Tier I ratio (CET1) (%)	14.18%
H	Tier I CRAR (%)	14.18%
I	Tier II CRAR (%)	3.27%
J	Total CRAR (%)	17.45%

** Excluding CCB

3. RISK MANAGEMENT: OBJECTIVES AND ORGANIZATION STRUCTURE

The various risks taken by the Bank during the course of the business development are identified, assessed, measured, controlled, monitored, mitigated and reported effectively. The key components of the Bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism. The Bank's risk governance architecture focuses attention on key areas of risk such as credit, market and operational risk and quantification of these risks wherever possible for effective and continuous monitoring.

a. Objectives and Policies

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Bank has a well-documented Board approved 'Policy on Risk Management' in place. The Board sets the overall risk appetite and philosophy for the Bank. The Board of Directors, the Risk & Capital Management Committee and the Audit Committee of the Board review various aspects of risk arising from the businesses of the Bank.

b. Structure and Organization

The Bank has a risk management system that is centralized with a three track committee approach. The committees are - Credit Risk Committee (CRC), Asset Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC). Risk & Capital Management Committee (RCMC) evaluates the overall risk factors faced by the bank and directly reports to the Board of directors.

CRC deals with credit policies and procedures, ALCO deals with Asset Liability Management (ALM), Investment and Market Risk policies of the Bank and ORMC formulates policies and procedures for managing operational risk.

4. TABLE DF-3: CREDIT RISK: GENERAL DISCLOSURES CREDIT RISK MANAGEMENT

Qualitative Disclosures

(a) General qualitative disclosure with respect to credit risk

Bank has developed an online comprehensive credit risk rating system for all borrower accounts. Risk rating of borrowers is intended to help banks in quantifying and aggregating the credit risk across various exposures. The Bank has validated its existing rating models and refined/revised the corporate models, besides introduction of Specialized lending rating models, retail score card models [Pool based approach], facility rating and Business Rule Engine based KB-96 scorecard are used for digital journey. Accordingly, Bank is rating its credit portfolio as per the criteria laid down for rating in the Policy on Loans & Advances of the Bank. The rating serves as a single point indicator of diverse risk factors of counter-party and for taking credit decisions. The risk rating system is drawn up in a structured manner, incorporating different factors such as borrower and industry specific characteristics. The Bank also undertakes periodic validation exercise of its rating models and also conducts migration and default rate analysis to test robustness of its rating models.

The Bank has formulated a comprehensive Policy on Loans & Advances by incorporating various parameters and prudential limits to manage and control default, transaction and intrinsic/concentration risk. The credit exposures are taken after subjecting the proposals to analysis of various risk factors such as financial risk, industry risk, management risk, business risk, transaction risk etc.

The Bank analyses the migration of borrowers in various risk rating categories to gauge the quality of the loan portfolio. The Bank also conducts periodical review of the loan assets to ascertain conduct of the accounts. The Bank conducts periodical Credit Audit and Stock Audit of large credit exposures to limit the magnitude of credit risk and interest rate risk.

Credit sanction and related processes

Know Your Customer is a leading principle for all business activities. The other components of the credit processes are:

1. Sound credit approval process with well laid credit sanctioning criteria.
2. The acceptability of credit exposure primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.
3. Portfolio level risk analysis and reporting to ensure optimal spread of risk across various rating classes to prevent undue risk concentration across any particular industry segments and monitor credit risk migration.
4. Sector specific studies at periodic intervals to highlight risks and opportunities in those sectors.
5. Adoption of rating linked exposure norms.
6. Industry-wise exposure ceilings based on the industry performance, prospects and the competitiveness of the sector.
7. Separate risk limits for credit portfolios like advances to NBFC and unsecured loans that require special monitoring.

Review and Monitoring

1. All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with lower credit rating are subject to more frequent reviews.
2. Credit monitoring involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance with the sanction terms and conditions and effectiveness of loan administration.
3. Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimize the potential loss to the Bank.

Concentration Risk

The Bank controls concentration risk by means of appropriate sectoral limits and borrowers limits based on creditworthiness. The Bank also captures the Concentration risk by monitoring the geographical exposure.

Large exposures to individual clients or group

The Bank has individual borrower-wise exposure ceilings based on the internal rating of the borrower as well as group-wise borrowing limits. The Bank monitors the level of credit risk (Low/Moderate/High/Very High) and direction of change in credit risk (increasing /decreasing/ stable) at the portfolio level.

Definition of Non-Performing Assets

Bank has adopted the definition of the past due and impaired assets (for accounting purposes) as defined by the regulator for income recognition and asset classification norms.

Quantitative Disclosures

Exposures

(b) Total gross credit exposure including geographic distribution of exposure

(₹ in Crore)

Category	Domestic	Overseas	Total
Fund Based	70,835.60	NIL	70,835.60
Non Fund Based	10,654.44	NIL	10,654.44
TOTAL	81,490.04	NIL	81,490.04

(c) Geographic distribution of credit exposure

(₹ in Crore)

S. No.	State / Union Territory	Funded Exposure	Non Funded Exposure	Total Exposure
1	Andhra Pradesh	3,210.79	554.87	3,765.66
2	Assam	186.34	124.30	310.64
3	Bihar	25.40	0.08	25.48
4	Chandigarh	115.83	73.22	189.05
5	Chhattisgarh	649.97	293.32	943.29
6	Dadra And Nagar Haveli	5.99	0.01	6.00
7	Daman And Diu	39.49	0.00	39.49
8	Delhi	6,190.56	496.27	6,686.84
9	Goa	354.17	32.76	386.93
10	Gujarat	1,440.25	582.95	2,023.20
11	Haryana	814.76	275.87	1,090.63
12	Himachal Pradesh	3.50	1.25	4.75
13	Jammu & Kashmir	0.96	0.00	0.96
14	Jharkhand	303.24	13.52	316.76
15	Karnataka	31,494.36	3,641.16	35,135.52
16	Kerala	1,073.98	20.19	1,094.17
17	Madhya Pradesh	431.87	38.24	470.11
18	Maharashtra	10,913.20	1,199.73	12,112.93
19	Manipur	0.03	0.00	0.03
20	Orissa	831.67	193.18	1,024.85
21	Pondicherry	21.02	0.76	21.77
22	Punjab	849.98	112.61	962.59
23	Rajasthan	663.11	172.27	835.38
24	Sikkim	32.97	0.00	32.97
25	Tamil Nadu	4,942.75	503.28	5,446.03
26	Telangana	3,956.58	1,779.00	5,735.57
27	Uttar Pradesh	484.09	120.98	605.07
28	Uttarakhand	216.15	4.74	220.89
29	West Bengal	1,582.59	419.88	2,002.48
	Grand Total	70,835.60	10,654.44	81,490.04

While determining level and direction of credit risk, parameters like percentage of low- risk credit (investment grade and above) to credit risk exposure and migration from investment to non-investment grade (quantum as percentage of credit risk exposure) are also considered. The Bank monitors the rating-wise distribution of its borrowers also.

(d) Exposure to Industries:

Industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Particular attention is given to industry sectors where the Bank believes that there is a high degree of risk or potential for volatility in the future. The Bank has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

The credit policy deals with short term as well as long term approach to credit risk management. The policy of the Bank embodies in itself the areas of risk identification, risk measurement, risk grading techniques, reporting and risk control systems /mitigation techniques, documentation practice and the system for management of problematic loans.

Distribution of Credit Exposure by Industry sector

(₹ in Crore)

	Industry	31.03.2023		
		Fund Exposure	Non-Funded Exposure	Total Credit Exposure (Funded & Non-Funded)
	A	B	C	D=B+C
A.	Mining and Quarrying	307.03	8.31	315.34
	A.1 Coal	1.85	0.94	2.79
	A.2 Others	305.18	7.37	312.55
B.	Food Processing	296.28	416.22	712.50
	B.1 Sugar	6.87	-	6.87
	B.2 Edible Oils and Vanaspati	26.32	299.95	326.27
	B.3 Tea	-	0.31	0.31
	B.4 Coffee	0.10	0.37	0.47
	B.5 Others	262.99	115.60	378.59
C.	Beverages (excluding Tea & Coffee) and Tobacco	233.81	0.16	233.97
	C.1 Tobacco and tobacco products	6.58	0.00	6.58
	C.2 Others	227.23	0.16	227.39
D.	Textiles	1,735.29	47.58	1,782.87
	D.1 Cotton	413.45	13.09	426.54
	D.2 Jute	-	-	-
	D.3 Man-made	627.27	1.75	629.02
	D.4 Others	694.58	32.74	727.32
	Out of D (i.e., Total Textiles) to Spinning Mills	64.22	1.24	65.46
E.	Leather and Leather products	9.97	2.00	11.98
F.	Wood and Wood Products	1.28	0.03	1.31
	G. Paper and Paper Products	106.23	20.56	126.79
H.	Petroleum (non-infra), Coal Products (non-mining) & Nuclear Fuels	196.74	0.96	197.69
I.	Chemicals and Chemical Products (Dyes, Paints, etc.)	1,278.31	86.66	1,364.97
	I.1 Fertilizers	684.06	5.05	689.11
	I.2 Drugs and Pharmaceuticals	304.39	80.26	384.64
	I.3 Petro-chemicals (excluding under Infrastructure)	-	-	-
	I.4 Others	289.86	1.36	291.22

(₹ in Crore)

	Industry	31.03.2023		
		Fund Exposure	Non-Funded Exposure	Total Credit Exposure (Funded & Non-Funded)
J.	Rubber, Plastic and their Products	716.32	55.11	771.43
K.	Glass & Glassware	6.38	0.38	6.76
L.	Cement and Cement Products	209.93	47.69	257.62
M.	Basic Metal and Metal Products	510.68	87.37	598.05
	M.1 Iron and Steel	312.08	41.15	353.23
	M.2 Other Metal and Metal Products	198.60	46.22	244.82
N.	All Engineering	986.88	447.60	1,434.48
	N.1 Electronics	26.96	36.74	63.70
	N.2 Others	959.92	410.86	1,370.78
O.	Vehicles, Vehicle Parts and Transport Equipments	341.14	17.54	358.68
P.	Gems and Jewellery	558.09	4.91	563.00
Q.	Construction	-	-	-
R.	Infrastructure	1,400.54	554.01	1,954.55
	R.a Transport (a.1 to a.6)	766.21	302.36	1,068.57
	R.a.1 Roads and Bridges	755.27	281.10	1,036.37
	R.a.2 Ports	-	0.02	0.02
	R.a.3 Inland Waterways	-	-	-
	R.a.4 Airport	-	-	-
	R.a.5 Railway Track, tunnels, viaducts, bridges	10.94	21.06	32.01
	R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	-	0.18	0.18
	R.b. Energy (b.1 to b.6)	308.59	164.40	472.99
	R.b.1 Electricity Generation	238.50	163.35	401.86
	R.b.1.1 Central Govt PSUs	-	-	-
	R.b.1.2 State Govt PSUs (incl. SEBs)	-	-	-
	R.b.1.3 Private Sector	238.50	163.35	401.86
	R.b.2 Electricity Transmission	0.09	0.50	0.59
	R.b.2.1 Central Govt PSUs	-	-	-
	R.b.2.2 State Govt PSUs (incl. SEBs)	-	-	-
	R.b.2.3 Private Sector	0.09	0.50	0.59
	R.b.3 Electricity Distribution	70.00	0.23	70.23
	R.b.3.1 Central Govt PSUs	70.00	-	70.00
	R.b.3.2 State Govt PSUs (incl. SEBs)	-	-	-
	R.b.3.3 Private Sector	-	0.23	0.23
	R.b.4 Oil Pipelines	-	-	-
	R.b.5 Oil/Gas/Liquefied Natural Gas storage facility	-	0.27	0.27
	R.b.6 Gas Pipelines	-	0.04	0.04
	R.c. Water and Sanitation (c.1 to c.7)	99.55	66.39	165.95
	R.c.1 Solid Waste Management	50.00	0.30	50.30
	R.c.2 Water supply pipelines	-	0.13	0.13
	R.c.3 Water treatment plants	20.86	5.89	26.75
	R.c.4 Sewage collection, treatment and disposal system	-	0.35	0.35

(₹ in Crore)

	Industry	31.03.2023		
		Fund Exposure	Non-Funded Exposure	Total Credit Exposure (Funded & Non-Funded)
	R.c.5 Irrigation (dams, channels, embankments etc)	28.69	59.72	88.42
	R.c.6 Storm Water Drainage System	-	-	-
	R.c.7 Slurry Pipelines	-	-	-
	R.d. Communication (d.1 to d.3)	9.31	15.10	24.41
	R.d.1 Telecommunication (Fixed network)	6.68	13.64	20.33
	R.d.2 Telecommunication towers	1.88	1.05	2.93
	R.d.3 Telecommunication and Telecom Services	0.75	0.40	1.16
	R.e. Social and Commercial Infrastructure (e.1 to e.9)	142.49	5.76	148.26
	R.e.1 Education Institutions (capital stock)	102.63	0.38	103.01
	R.e.2 Hospitals (capital stock)	29.69	5.27	34.95
	R.e.3 3-star or higher category classified hotels located outside cities with population of more than 1 million	9.11	-	9.11
	R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	0.91	-	0.91
	R.e.5 Fertilizer (Capital investment)	-	0.12	0.12
	R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	0.16	-	0.16
	R.e.7 Terminal markets	-	-	-
	R.e.8 Soil-testing laboratories	-	-	-
	R.e.9 Cold Chain	-	-	-
	R.f. Others, if any, please specify	74.38	-	74.38
	Hotels with Project cost of More than Rs 200 crore	74.38	-	74.38
	Other Infra	-	-	-
S.	Other Industries, pl. specify	1,247.89	551.24	1,799.13
	Cutting/Polishing Of Granite Stone	693.22	100.53	793.75
	Electric Equipment/Products	255.24	271.09	526.34
	Other Industries	299.42	179.62	479.04
	All Industries (A to S)	10,142.80	2,348.31	12,491.10
	Residuary other advances (to tally with gross exposures)	60,692.80	8,306.13	68,998.94
	Total	70,835.60	10,654.44	81,490.04

The details of the Industry wherein the Bank's exposure in the related Industry has exceeded the 5 per cent of total gross credit exposure is furnished below.

SI No	Industry / sectors classification	Percentage of the total credit exposure
	NIL	

(e) Maturity pattern of assets -31.03.2023

(₹ in Crore)

Time Bucket	Cash & Balance with RBI	Balance with Banks & Money at Call & Short Notice	Investments	Advances	Fixed Assets	Other Assets	Total
1day	681.12	560.61	7,514.10	715.07	0.00	2.93	9,473.84
2 to 7 days	1,201.98	394.42	185.77	805.52	0.00	3.31	2,590.99
8 to 14 days	23.87	0.00	152.49	724.08	0.00	2.97	903.40
15 to 30 days	53.12	0.00	183.34	397.06	0.00	1.63	635.15
31 days to 2 Months	72.29	0.00	273.84	655.66	0.00	2.69	1,004.48
2 Months to 3 Months	74.64	0.00	343.17	2,110.69	0.00	8.66	2,537.17
Over 3 Months to 6 months	185.26	0.00	859.58	3,489.31	0.00	14.31	4,548.45
Over 6 months to 1 year	170.13	0.00	888.22	6,609.95	0.00	446.24	8,114.53
Over 1 year to 3 years	1,653.17	0.21	7,627.32	2,3111.20	0.00	1,787.35	34,179.25
Over 3 years to 5 years	80.36	0.00	532.98	6,107.61	0.00	23.00	6,743.94
5 year to 7 Years	170.80	0.00	908.61	3,397.20	0.00	13.94	4,490.55
7 Year to 10 years	113.31	0.00	650.11	3,926.03	0.00	16.11	4,705.55
10 Year to 15 Years	602.84	0.00	2695.75	4,107.40	0.00	16.85	7,422.84
Over 15 Years	121.37	0.00	511.09	3,794.85	875.22	6,405.69	11,708.22
Total	5,204.24	955.23	23,326.37	59,951.62	875.22	8,745.66	99,058.34

Classification of Non Performing Advances

(₹ in Crore)

Particulars	31.03.2023
(f) Amount of NPA's (Gross)	2,292.91
Substandard	681.15
Doubtful 1	694.27
Doubtful 2	557.61
Doubtful 3	129.16
Loss	230.73
(g) Net NPAss	
Amount of Net NPA	1,021.27
(h) NPA Ratios	
Gross NPAs to Gross Advances ratio (%)	3.74
Net NPAs to Net Advances ratio (%)	1.70

(i) Movement of NPAs (Gross)

(₹ in Crore)

Particulars	Amount
1. Opening Balance as on 01.04.2022	2,250.82
2. Additions	1,836.64
3. Reductions	1,794.55
4. Closing Balance as on 31.03.2023	2,292.91

(j) Movement of Provisions for NPAs

(₹ in Crore)

Particulars	Amount
1. Opening Balance	817.50
2. Provision made during the period	889.95
3. Write off	506.26
4. Write back of excess provisions during the period	-
5. Closing balance	1,201.19

(₹ in Crore)

Particulars	Amount
Write offs booked directly to income statement	-
Recoveries booked directly to income statement	283.41

Non Performing Investments and movement of provision for depreciation on Investments

(₹ in Crore)

	Particulars	31.03.2023
(k)	Amount of Non performing Investments	62.10
(l)	Amount of Provision held for Non performing Investments	62.10
(m)	Movement of provisions for depreciation on Investments	
	- Opening balance	62.10
	- Add: Provisions made during period	0.00
	- Less: Write off/write back of excess provisions	0.00
	- Closing balance	62.10

(n) Major Industry break up of NPA

(₹ in Crore)

Industry	Gross NPA	Specific Provision
Food and Food Products	110.00	109.21
Engineering Goods (including electronic goods)	65.89	41.63
Gems and Jewellery	59.19	59.05
Textiles	58.21	39.86
Metal and Metal products (including Iron and Steel)	9.58	7.23
Total	302.87	256.98

Geography wise Distribution of NPA and Provision

(₹ in Crore)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	2,292.91	1,201.19	0.00
Overseas	-	-	-
Total	2,292.91	1,201.19	0.00

TABLE DF-4: CREDIT RISK: DISCLOSURE FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

Qualitative Disclosures

Large corporate borrowers and Public Sector Enterprises are being encouraged to solicit ratings from approved external rating agencies and wherever such ratings are available, the Bank uses the same in assigning risk weights. Bank has approved 7 domestic credit rating agencies identified by RBI i.e. CRISIL, CARE, India Ratings and Research Private Limited (earlier FITCH India), ICRA, Brickwork, Acuite Ratings & Research Ltd (Earlier SMERA Ratings Limited) and Infomerics Valuation and Rating Pvt Ltd (INFOMERICS). The ratings available in public domain are mapped according to risk profile and specific risk characteristics of each rating grade of respective agencies as envisaged in RBI guidelines. As per the RBI directions, no fresh rating/evaluations from Brickwork Ratings India Pvt Limited would be considered for calculation of RWA.

Quantitative Disclosures

The credit exposure [fund based & non-fund based] after risk mitigation (subject to the standardized Approach) in different risk buckets are as under:

		(₹ in Crore)
Sl. No.	Risk weight	Exposure Outstanding
1	Below 100%	35,345.18
2	100%	20,301.06
3	More than 100%	1,784.98
	Total	57,431.22

5. TABLE DF-5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACH

Qualitative Disclosures

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral risk mitigation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel guidelines.

Types of eligible financial collateral / Guarantors:

The Bank recognizes only specified types of financial collateral and guarantees (counter-guarantors) for providing capital relief in line with Basel II guidelines on credit risk mitigation.

This includes cash, Bank own deposits, gold (including bullion and jewellery, subject to collateralized jewellery being notionally converted/benchmarked to 99.99 per cent purity), securities issued by the Central and State Governments, Kisan Vikas Patra, National Savings certificates, life insurance policies with a declared surrender value which is regulated by IRDA, certain debt securities rated by a recognized credit rating agency, certain debt securities not rated but issued by Banks and listed on a recognized exchange and are classified as senior debt, certain mutual fund units where daily Net Assets Value (NAV) is available in public domain.

Eligible Guarantors (counter-guarantors):

Credit protection given by the following entities is recognized:

- Sovereigns, sovereign entities (including BIS, IMF, European Central Bank & European Community as well as permitted MDBs, ECGC, CRGFTLIH, CGTMSE & credit guarantee schemes covered by NCGTC), Banks and primary dealers with a lower risk weight than the counterparty;

- ii) Other entities that are externally rated except when credit protection is provided to a securitization exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.
- iii) When credit protection is provided to a securitization exposure, other entities that currently are externally rated BBB- or better & that were externally rated A- or better at the time the credit protection was provided. This would include credit protection provided by parent, subsidiary & affiliate companies when they have a lower risk weight than the obligor.

Quantitative Disclosures

The extent of total credit exposure (under the standardized approach) covered by eligible financial collaterals after application of haircuts are furnished below:

	(₹ in Crore)
Eligible financial collaterals after haircuts	6,785.99
Eligible guarantees	904.93

6. TABLE DF-7: MARKET RISK IN TRADING BOOK

Qualitative Disclosures

The Bank has put in place Board approved Integrated Treasury Policy, Asset Liability Management (ALM) policy, Market Risk Management Policy and Fund Transfer Pricing Policy for effective management of market risk in the Bank. The objective of Integrated Treasury Policy is to assess and minimize risks associated with treasury operations by extensive use of various risk management tools. Broadly, it encompasses Policy prescriptions for managing systemic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

For market risk arising out of various products in treasury and its business activities, the Bank has set regulatory / internal limits and ensures the adherence thereof. Migration of ratings is tracked regularly. Limits for exposures to counter-parties, industries and countries are monitored and the risks are controlled through Stop Loss Limits, Overnight limit, Daylight limit, Aggregate Gap limit, Individual gap limit, Value at Risk (VaR) limit for Forex, Inter-Bank dealing and various investment limits. For the Market Risk Management the Bank has a Mid Office. The functions of Mid Office are handled by Risk Management Department.

The Board, RCMC & ALCO are overseeing the market risk management of the Bank, procedures thereof, implementing risk management guidelines issued by regulator, best risk management practices followed globally and ensures that internal parameters, procedures, practices/policies and risk management prudential limits are adhered to.

Liquidity risk of the Bank is assessed through daily gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as Stress testing, simulation, sensitivity analysis etc. are conducted on regular intervals to draw the contingency funding plan under different liquidity scenarios.

Fund Transfer Pricing Policy which lays down methodology/assumptions on which profitability of the branches/ products/customers is measured and the FTP results are being used for effective decision making.

Quantitative Disclosures

Bank has adopted the Standardized Duration Approach as prescribed by RBI for computation of capital charge for market risk and is fully compliant with such RBI guidelines.

The capital requirements for market risk are detailed below:

		(₹ in Crore)
Sl No	Risk Category	Capital Charge
I	Interest Rate	154.84
II	Equity	86.49
III	Foreign Exchange , Gold and Derivatives	0.76
IV	Total Capital Charge for market Risk (I+II+III)	242.09

7. TABLE DF-8 : OPERATIONAL RISK

Strategies and Processes: Bank has initiated several measures to manage operational risk through identification, assessment and monitoring of inherent risks in all its business processes. A framework has been laid to capture loss data which can be mapped to operational risk every \$ to measure the

The Bank does not recognize bilateral netting. The credit equivalent amount of derivative exposure is calculated using Current Exposure Method and the balance outstanding as on 31st March, 2023 is as under:

Quantitative Disclosures

(₹ in Crore)

Particulars	Notional Amount	Current Exposure
Foreign exchange contracts	3,852.65	95.79
Interest rate contracts	-	-
Total	3,852.65	95.79

10. TABLE DF-11 : COMPOSITION OF CAPITAL:

(₹ in Crore)

SI No		Amount
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,573.16
2	Retained earnings	8.92
3	Accumulated other comprehensive income (and other reserves)	6,030.49
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	Common Equity Tier 1 capital before regulatory adjustments	7,612.56
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Intangibles (net of related tax liability)	40.39
10	Deferred tax assets	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined-benefit pension fund net assets	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	0.01
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% thresh	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights (amount above 10% threshold)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	
23	of which: significant investments in the common stock of financial entities	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments (26a+26b+26c+26d)	1.50
26a	of which: Investments in the equity capital of unconsolidated insurance subsidiaries	

		(₹ in Crore)
SI No		Amount
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	1.50
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	Total regulatory adjustments to Common equity Tier 1	41.90
29	Common Equity Tier 1 capital (CET1)	7,570.66
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 capital before regulatory adjustments	
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 capital before regulatory adjustments	
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments (41a+41b)	
41a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	
41b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	Total regulatory adjustments to Additional Tier 1 capital	
44	Additional Tier 1 capital (AT1)	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44)	7,570.66

(₹ in Crore)

Sl No		Amount
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,020.00
47	Directly issued capital instruments subject to phase out from Tier 2	1,020.00
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	834.32
51	Tier 2 capital before regulatory adjustments	1,854.32
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	0.00
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments (56a+56b)	
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	
57	Total regulatory adjustments to Tier 2 capital	0.00
58	Tier 2 capital (T2) (Tier 2 capital reckoned for capital adequacy in terms of para 4.2.5.1.A.(i).(a) by restricting General provisions and loss reserves upto 1.25% of credit RWA.)	1,741.87
59	Total capital (TC = T1 + T2) (45 + 58)	9,312.53
60	Total risk weighted assets (60a + 60b + 60c)	53,378.41
60a	of which: total credit risk weighted assets	44,709.50
60b	of which: total market risk weighted assets	2,689.86
60c	of which: total operational risk weighted assets	5,979.06
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.18%
62	Tier 1 (as a percentage of risk weighted assets)	14.18%
63	Total capital (as a percentage of risk weighted assets)	17.45%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus higher of G-SIB buffer requirement and D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	8.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: bank specific countercyclical buffer requirement	
67	of which: higher of G-SIB and D-SIB buffer requirement	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	7.18%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%

		(₹ in Crore)
SI No		Amount
74	Mortgage servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	834.32
77	Cap on inclusion of provisions in Tier 2 under standardised approach	558.87
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings- based approach	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	NA
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
82	Current cap on AT1 instruments subject to phase out arrangements	NA
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA
84	Current cap on T2 instruments subject to phase out arrangements	NA
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA

Notes to the Template

Row No. of the template	Particular	(₹ in Crore)
10	Deferred tax assets associated with accumulated losses Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank of which: Increase in Common Equity Tier 1 capital of which: Increase in Additional Tier 1 capital of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non- financial subsidiaries are not deducted and hence, risk weighted then: (i) Increase in Common Equity Tier 1 capital (ii) Increase in risk weighted assets	
50	Eligible Provisions included in Tier 2 capital Investment Fluctuation Reserve included in Tier 2 capital Eligible Revaluation Reserves included in Tier 2 capital Total of row 50	671.32 163.00 834.32

TABLE DF 12 Composition of Capital– Reconciliation requirements (on 31.03.2023)**Step 1**

(₹ in Crore)

Sl No		Balance Sheet as in Financial Statements	Balance Sheet under regulatory scope of consolidation
		As on Reporting Date	As on Reporting Date
A	Capital & Liabilities		
i)	Paid-up Capital	312.35	
	Reserves & Surplus	7,901.01	
	Minority Interest	0.00	
	Profit Up To The Quarter	0.00	
	Total Capital	8,213.36	
ii)	Deposits	87,368.01	
	of which: Deposits from banks	5.42	
	of which: Customer deposits	87,362.59	
	of which: Other deposits (pl. specify)	0.00	
iii)	Borrowings	1,562.72	
	of which: From RBI	0.00	
	of which: From banks	0.00	
	of which: From other institutions & agencies	542.72	
	of which: Others (outside India)	0.00	
	of which: Capital instruments (Tier II)	1,020.00	
iv)	Other liabilities & provisions	1,914.25	
	TOTAL Capital & Liabilities	99,058.34	
B	ASSETS		
i)	Cash & balances with Reserve Bank of India	5,204.24	
	Bal. with banks & money at call & short notice	955.23	
ii)	Investments:	23,326.37	
	of which: Government securities	21,727.46	
	of which: Other approved securities	0.00	
	of which: Shares	98.72	
	of which: Debentures & Bonds	1,491.21	
	of which: Subsidiaries/Joint Ventures/Associates	1.50	
	of which: Others (commercial Papers, MFs etc.)	7.47	
iii)	Loans and Advances	59,951.62	
	of which: Loans and Advances to Banks	0.00	
	of which: Loans and Advances to Customers	59,951.62	
iv)	Fixed Assets	875.22	
v)	Other Assets:	8,745.66	
	of which: Goodwill and intangible assets	0.00	
	of which: Deferred tax assets	437.43	
vi)	Goodwill on consolidation	0.00	
vii)	Debit balance in Profit & Loss account	0.00	
	TOTAL Assets	99,058.34	

Step 2

(₹ in Crore)

Sl No		Balance Sheet as in Financial Statements	Balance Sheet under regulatory scope of consolidation
		As on Reporting Date	As on Reporting Date
A	Capital & Liabilities		
i)	Paid-up Capital	312.35	
	of which: Amount eligible for CET1	312.35	
	of which: Amount eligible for AT1	0.00	
	Reserves & Surplus	7,901.01	
	Of which	0.00	
	Share Premium	1,260.80	
	Statutory Reserve	3,051.00	
	Capital Reserve	626.39	
	Revenue Reserves	1,732.35	
	Revaluation Reserve	510.44	
	Investment Fluctuation Reserve	163.00	
	Special Reserve	391.06	
	Employee stock option reserve	0.05	
	Balance in the profit and loss account	165.92	
	Minority Interest	0.00	
	Profit Upto the Quarter	0.00	
	Total Capital	8,213.36	
ii)	Deposits	87,368.01	
	of which: Deposits from banks	5.42	
	of which: Customer deposits	87,362.59	
	of which: Other deposits (pl. specify)	0.00	
iii)	Borrowings	1,562.72	
	of which: From RBI	0.00	
	of which: From banks	0.00	
	of which: From other institutions & Agencies	542.72	
	of which: Others (outside India)	0.00	
	of which: Capital instruments (Tier II)	1,020.00	
iv)	Other liabilities & provisions	1,914.25	
	of which: DTLs related to goodwill	0.00	
	of which: DTLs related to intangible assets	0.00	
	of which: Provision for standard assets	573.85	
	TOTAL Capital & Liabilities	99,058.34	
B	ASSETS		
i)	Cash & balances with Reserve Bank of India	5,204.24	
	Bal. with banks & money at call & short notice	955.23	
ii)	Investments:	23,326.37	
	of which: Government securities	21,727.46	
	of which: Other approved securities	0.00	
	of which: Shares	98.72	

(₹ in Crore)

SI No		Balance Sheet as in Financial Statements	Balance Sheet under regulatory scope of consolidation
		As on Reporting Date	As on Reporting Date
	of which: Debentures & Bonds	1,491.21	
	of which: Subsidiaries/Joint Ventures/Associates	1.50	
	of which: Others (Commercial Papers, MFs etc.)	7.47	
iii)	Loans and Advances	59,951.62	
	of which: Loans and Advances to Banks	0.00	
	of which: Loans and Advances to Customers	59,951.62	
iv)	Fixed Assets	875.22	
v)	Other Assets:	8,745.66	
	of which: Goodwill and intangible assets	0.00	
	Out of which: Goodwill	0.00	
	Other intangibles (excluding MSR)	0.00	
	of which: Deferred tax assets	437.43	
vi)	Goodwill on consolidation	0.00	
vii)	Debit balance in Profit & Loss account	0.00	
	TOTAL Assets	99,058.34	

Disclosures pertaining to main features of equity and debt capital instruments and the terms and conditions of equity and debt capital instruments have been disclosed separately on the Bank's website under 'Regulatory Disclosures Section'. The link to this section is <https://karnatakabank.com/regulatory-disclosures>

11. TABLE DF-15: DISCLOSURE REQUIREMENTS FOR REMUNERATION

a) Qualitative Disclosure

(a)	<p>Information relating to the composition and mandate of the Nomination & Remuneration Committee (NRC).</p> <p>The Nomination & Remuneration Committee (NRC) consists of four Directors, three of them are Independent Directors. Two members are also the members of Risk and Capital Management Committee (RCMC) of the Board.</p> <p>The mandate of the NRC includes identification of persons who are qualified to become directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board for their appointment, fixing their compensation and/or removal, undertaking the due diligence of candidates before their appointment/re-appointment as directors, formulating the criteria for determining qualification, positive attributes and independence of a director, key managerial personnel and other employees, formulation of criteria for evaluation of performance of independent directors and the board of directors, etc. NRC also reviews Policy on "Compensation of Whole Time Directors/Chief Executive Officers/Risk Takers and Control Function Staff, etc." of the Bank (known as "Compensation Policy") besides, administration of ESOP scheme.</p>
(b)	<p>Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.</p> <p>Compensation Policy aims to attract and retain the right candidates in the Bank. The policy is designed to support key business strategies and create a strong, performance-orientated environment besides providing reasonable remuneration commensurate with the growth of the Bank, keeping in mind the circulars issued by the RBI in the matter. It also ensures effective governance of compensation, alignment of compensation with prudent risk taking, effective supervisory oversight and stakeholder engagement. The Policy read with Policy on Human Resource Management of the Bank aims at facilitating effective succession planning in the Bank.</p>
(c)	<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.</p> <p>A wide variety of measures of credit, market and liquidity risks are used by Bank in implementation of risk adjustment. The risk adjustment methods have both quantitative and qualitative elements. Compensation outcomes are symmetric with risk outcomes and compensation pay-outs are sensitive to the time horizon of the risk.</p>
(d)	<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.</p> <p>The performance-based remuneration motivates and rewards high performers who strengthen long-term customer relations and generate income and shareholder value. The Bank's Compensation Policy stipulates that while designing the compensation package to WTD/CEO & Material Risk Takers, it is ensured that there is a proper balance between Fixed Pay and Variable Pay. While fixing the Variable Pay, performance parameters under financial and non-financial areas of operations (including risk adjustment) are assessed.</p>
(e)	<p>A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.</p> <p>As per the Bank's Compensation Policy, effective pay cycles commencing from April 2020, the maximum permissible variable pay is at 200% of the fixed pay for WTD/CEO, which is split into cash (50%) and share linked components (50%). Further, in each of these components, 60% of the Variable Pay is deferred to be vested over a period of three years in the ratio of 30:30:40. In case of Material Risk Takers (MRTs), the maximum permissible limit of variable pay is at 100% of Fixed Pay with similar deferral arrangement. The policy also provides that the deferred compensation will be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year and the policy has identified certain set of situation which, if triggered, empower the NRC/ Board of Directors to invoke malus/clawback clauses. The payment of Variable Pay to the WTD/CEO is subject to prior approval of the RBI.</p>
(f)	<p>Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.</p> <p>The variable pay is split into equal components of cash and share linked instruments to have proper mix of remuneration. The share linked instruments act as a retention and motivation tool and provide the incumbent with a sense of belongingness with the Bank.</p>

b) Quantitative Disclosures

(₹ in 000's)

Particulars		Current Year (2022-23)	Previous Year (2021-22)
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Eleven (11) Sitting fees of ₹ 60,000/- to each Non-Whole Time Director members per meeting attended. Overall remuneration paid as Sitting fees paid to Members of the NRC during the FY 2022-23 is ₹ 0.30 Crores	Seven (7) Sitting fees of ₹ 50,000/- to each Non-Whole Time Director members per meeting attended. Overall remuneration paid as Sitting fees paid to Members of the NRC during the FY 2021-22 is ₹ 0.14 Crores

Sitting fees payable for the Committee meeting was increased from ₹ 50,000/- to ₹ 60,000/- w.e.f. 01-04-2022

Particulars			Current Year (2022-23)	Previous Year (2021-22)
(h)	(i)	Number of employees having received a variable remuneration award during the financial year.	Three	Three
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(i)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Refer to Table 1 below	
	(ii)	Total amount of deferred remuneration paid out in the financial year.		
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.		Refer to Table 2 below	
(k)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments.	Nil	Nil
	(ii)	Total amount of reductions during the financial year due to ex-post explicit adjustments.	Nil	Nil
	(iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments.	Nil	Nil
(l)	Number of MRTs identified.		Three	Two
(m)	i)	Number of cases where malus has been exercised.	Nil	Nil
	ii)	Number of cases where clawback has been exercised.		
	iii)	Number of cases where both malus and clawback have been exercised.		

b) General Quantitative Disclosure

(₹ in 000's)

Particulars		Current Year (2022-23)	Previous Year (2021-22)
(n)	The mean pay for the bank as a whole (excluding sub-staff)	Mean Pay ₹ 0.10 crores	Mean Pay ₹ 0.10 crores
	And The deviation of the pay of each of its WTDs from the mean pay.	MD & CEO: 13.90X*	MD & CEO: 11.72X**

* Computed based on the non-deferred remuneration which has been recognized during FY 2022-23.

** Computed based on the non-deferred remuneration which has been recognized during FY 2021-22.

TABLE 1

(₹ in Crores)

Particulars	FY 2022-23				FY 2021-22			
	MD & CEO	COO	CBO	Total	MD & CEO	COO	CBO	Total
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (for performance year 2020-21 & 2021-22)	0.77 #	0.12	0.10	0.99	0.77 @	0.12	0.11	1.00
Total amount of deferred remuneration paid out in the financial year (for performance year 2020-21 & 2021-22)	0.08	Nil	Nil	0.08	Nil	Nil	Nil	Nil

Notes:

₹ 96 Lakhs was the amount of Variable Pay granted for the Performance year FY 2021-22 and approved by the RBI vide letter DOR.GOV.No.S7046/08.40.001/2022-23 dated 02-02-2023. The details are furnished in Table 2.

@ ₹ 96 Lakhs was the amount of Variable Pay granted for the Performance year FY 2020-21 and approved by the RBI vide letter DOR.GOV.No.S4602/08.40.001/2021-22 dated 21-03-2022. The details are furnished in Table 2.

TABLE 2

**Breakdown of amount of remuneration awards for
the financial year to show Fixed and Variable, Deferred and Non-Deferred**

(₹ in Crores)

Name of the Director/ MRTs	FY 2022-23			FY 2021-22		
	Fixed Pay	Variable Pay		Fixed Pay	Variable Pay	
		Cash Component	Share Linked Remuneration (ESOPs)		Cash Component	Share Linked Remuneration (ESOPs)
Mr. Mahabaleshwara M S, Managing Director & CEO *	0.96	0.48 Non-Deferred (upfront): 0.19 (40%) Deferred: 0.29 (60%)	0.48 (worth) Non-Deferred (upfront): Nil Deferred: 0.48 (100%)	0.96	0.48 Non-Deferred (upfront): 0.19 (40%) Deferred: 0.29 (60%)	0.48 (worth) Non-Deferred (upfront): Nil Deferred: 0.48 (100%)
Mr. Sekhar Rao, Executive Director #	0.72	0.72	0.72	Not Applicable		
Mr. Balachandra Y V, Chief Operating Officer (MRT)	0.32	0.12 ~	0.12 (worth) Deferred: 0.12 (100%)	0.32	0.12 ~	0.12 (worth) Deferred: 0.12 (100%)
Mr. Gokuldas Pai, Chief Business Officer (MRT)	0.32	0.10~	0.10 (worth) Deferred: 0.10 (100%)	0.32	0.11~	0.11 (worth) Deferred: 0.11 (100%)
Mr. R K Gurumurthy, Head-Treasury (MRT) ##	0.27	0.135~	0.135 (worth) Deferred: 0.135 (100%)	Not Applicable		

Joined the services of the Bank on 01-02-2023

Joined the services of the Bank on 17-03-2023

Variable Pay will be upto a maximum of 200% of Fixed Pay, bifurcated equally into cash and share linked instruments. It is payable on evaluation of performance determined by the Board, subject to approval of the Reserve Bank of India.

Notes:

- * Performance year being FY2020-21 and the assessment of Variable Pay of ₹ 96 lakhs has been approved by the RBI and non-deferred remuneration (upfront) of ₹ 19 Lakhs was paid on 12-05-2022 and 1st year deferred remuneration of ₹ 8 Lakhs was paid on 30-03-2023 during FY 2022-23.
- * Performance year being FY2021-22 and the assessment of Variable Pay of ₹ 96 lakhs has been approved by the RBI and non-deferred remuneration (upfront) of ₹ 19 Lakhs was paid on 30-03-2023 during FY 2022-23.

~Since the amount of Variable Pay was less than ₹ 25 Lakhs, there was no deferral arrangement on cash component.

12. TABLE DF-16 : EQUITIES – DISCLOSURE FOR BANKING BOOK POSITIONS

The risk oversight relating to the equity portfolio is part of the overall independent risk management structure of the Bank and is subjected to the risk management processes and policies along with Integrated Treasury Policy approved by the Board of Directors of the Bank.

In accordance with the RBI guidelines, entire investment portfolio of the Bank including equity investments is classified on the date of purchase as:

- HFT - Held for Trading
- AFS - Available for Sale and
- HTM - Held to Maturity.

Investments which the Bank intends to hold till maturity are classified as HTM securities. In accordance with the RBI guidelines, equity investments held under the HTM category are classified as banking book for capital adequacy purpose. Equity investments only in the equity of subsidiaries/joint ventures are eligible to be categorized as HTM in accordance with the RBI guidelines.

Further, investments in Private Equity funds are eligible to be accounted under HTM portfolio for the initial period of 3 years; bank will shift all such portions of draw down for the respective financial year to AFS category. All other investments are required to be classified as HFT / AFS securities.

Further, Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any diminution, other than temporary, in the value of equity investments is provided for.

Profit on sale of investment in the HTM category will be first taken to the Profit and loss account, and thereafter be appropriated to the 'Capital Reserve Account'. The amount so appropriated would be net of taxes and the amount required to be transferred to statutory reserves. Loss on sale of HTM will be recognized in the profit and loss account.

The Bank has classified investments in PE for ₹ 3.23 Crore under AFS and ₹ 5.78 Crore under HTM as at March 31, 2023 as per prudential guidance. There was no sale, liquidation or shifting to other categories from above mentioned investments during the Quarter ended March 31, 2023 from the HTM category. On account of this investment, the Bank has not recognized any unrealized gain or loss in the financial statement as of March 31, 2023.

13. LEVERAGE RATIO

Qualitative Disclosure:

Under Basel III, a simple, transparent, non-risk based ratio called leverage ratio has been introduced which is calibrated to act as a credible supplementary measure to the risk based capital requirements. This ratio acts as a "backstop" measure to the risk based capital requirements and constrains the build-up of leverage in the banking sector.

The Leverage Ratio is computed as:

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I capital)}}{\text{Exposure Measure}}$$

The capital measure is the Tier 1 capital of the risk-based capital framework, taking into account various regulatory adjustments/deductions and the transitional arrangements. The exposure measure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction (SFT) exposures and off-balance sheet items.

TABLE DF-17: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

(₹ in Crore)

Item	Amount
1 Total consolidated assets as per published financial statements	99,058.34
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure	

(₹ in Crore)

SI No	Item	Amount
Capital and total exposures		
20	Tier 1 capital	7,570.66
21	Total exposures (sum of lines 3, 11, 16 and 19)	109,485.85
Leverage ratio		
22	Basel III leverage ratio	6.91%

14. LIQUIDITY COVERAGE RATIO (LCR)

Qualitative Disclosure:

Bank is computing LCR on a daily basis in line with the RBI circular dated June 9, 2014 on “Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards”. These guidelines ensure that banks maintain sufficient amount of High Quality Liquidity Assets (HQLAs) to survive 30 days stress scenario so that banks can take corrective measures within such period. These HQLAs have to be 100% of the net cash outflows w.e.f. January 1, 2019.

Bank’s Asset Liability Management Committee (ALCO) is empowered to monitor and form suitable strategies to maintain stipulated levels of LCR by channelizing funds to target good quality asset and liability profile to meet Bank’s profitability as well as liquidity requirements. Funding strategies are formulated by the Finance and Accounts Department (FAD) in accordance with ALCO guidance. The objective of the funding strategy is to achieve an optimal funding mix which is consistent with prudent liquidity, diversity of sources and servicing costs. Accordingly, FAD estimates daily liquidity requirement. With the help of structural liquidity statement prepared by Bank, FAD evaluates current and future liquidity requirement and takes necessary action.

Quantitative Disclosure:

(₹ in Crore)

SI No		Total Average Unweighted Value*	Total Average Weighted Value*
High Quality Liquid Assets			
1.	Total High Quality Liquid Assets (HQLA)	21,549.43	21,493.14
Cash Outflows			
2.	Retail Deposits and Deposits from small business customers	67,827.61	5,949.28
	(i) Stable Deposits	16,669.60	833.48
	(ii) Less Stable Deposits	51,158.01	5,115.80
3.	Unsecured Whole Funding, of which:	5,404.35	2,376.84
	(i) Operational Deposits (all counterparties)	0.00	0.00
	(ii) Non-operational deposits(all counterparties)	5,404.35	2,376.84
	(iii) Unsecured debt		
4.	Secured wholesale funding	1,116.70	0.00
5.	Additional requirements, of which	7,796.28	730.15
	(i) Outflows related to derivative exposures & other collateral requirements	1.13	1.13
	(ii) Outflows related to loss of funding on debt products	0.00	0.00
	(iii) Credit and liquidity facilities	7,795.16	729.03
6.	Other contractual funding obligations	202.15	202.15
7.	Other contingent funding obligations	6,637.10	199.11
8.	TOTAL CASH OUTFLOWS	88,984.18	9,457.53

(₹ in Crore)

SI No		Total Average Unweighted Value*	Total Average Weighted Value*
Cash Inflows			
9.	Secured lending (e.g. reverse repos)	0.00	0.00
10.	Inflows from fully performing exposures	2,461.39	1,230.70
11.	Other cash inflows	1,329.03	1,329.03
12.	TOTAL CASH INFLOWS	3,790.42	2,559.72
13.	TOTAL HQLA	21,549.43	21,493.14
14.	TOTAL NET CASH OUTFLOWS	85,193.77	6,897.81
15.	LIQUIDITY COVERAGE RATIO (%)		311.59

* Average is calculated based on the previous 3 months (90Days) data points.

15. NET STABLE FUNDING RATIO (NSFR)

The NSFR is defined as the “amount of available stable funding relative to the amount of required stable funding” and it promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. The primary objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities, promoting funding stability. Bank is required to maintain NSFR of above 100%.

(₹ in Crore)

NSFR Disclosure Template						
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	833.44	0.00	0.00	1020.00	9354.43
2	Regulatory capital	8334.43	0.00	0.00	1020.00	9354.43
3	Other capital instruments	0.00	0.00	0.00	0.00	0.00
4	Retail deposits and deposits from small business customers: (5+6)	27129.87	11868.98	9536.57	30446.81	57940.12
5	Stable deposits	17591.73	4338.98	2880.56	7093.69	26351.85
6	Less stable deposits	9538.14	7530.00	6656.01	23353.12	31588.27
7	Wholesale funding: (8+9)	1136.56	2803.56	1514.10	2811.50	3881.77
8	Operational deposits	0.00	0.00	0.00	0.00	0.00
9	Other wholesale funding	1136.56	2803.56	1514.10	2811.50	3881.77
10	Other liabilities: (11+12)	2414.72	21.90	8.86	10.48	4.62
11	NSFR derivative liabilities	0.00	0.00	0.00	0.00	0.00
12	All other liabilities and equity not included in the above categories	2414.72	21.90	8.86	10.48	4.62
13	Total ASF (1+4+7+10)					71180.94
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)					1143.29
15	Deposits held at other financial institutions for operational purposes	61.11	0.00	0.00	0.00	30.55
16	Performing loans and securities: (17+18+19+21+23)	1.33	7533.18	3516.29	50022.65	45654.89

(₹ in Crore)

NSFR Disclosure Template						
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
17	Performing loans to financial institutions secured by Level 1 HQLA	0.00	0.00	0.00	0.00	0.00
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	2982.36	650.05	6555.05	7327.43
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	0.00	4432.17	2814.60	33519.93	31328.38
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	1240.81	7.07	3934.77	2557.60
21	Performing residential mortgages, of which:	0.00	0.84	3.47	8932.68	6052.02
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.84	3.47	7714.56	5014.46
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1.33	117.81	48.17	1014.99	947.06
24	Other assets: (sum of rows 25 to 29)	9514.13	691.19	98.97	527.66	10827.17
25	Physical traded commodities, including gold	0.00	0.00	0.00	0.00	0.00
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		31.74			26.98
27	NSFR derivative assets		3.19			3.19
28	NSFR derivative liabilities before deduction of variation margin posted		145.79	45.38	0.00	191.17
29	All other assets not included in the above categories	9514.13	510.47	53.59	527.66	10605.84
30	Off-balance sheet items	16949.32	0.00	0.00	0.00	668.37
31	Total RSF (14+15+16+24+30)					58324.27
32	Net Stable Funding Ratio (%)					122.04

Annexure 2

ANNUAL REPORT ON CSR ACTIVITIES

1. Brief outline on CSR Policy. :

Business organizations are an integral part of the society. Every decision taken while doing the business involves financial implications and social and environmental consequences. Karnataka Bank is a socially responsible and commercially viable time-tested organization. We strongly believe that usefulness of existence of an entity is best judged by its relevance to the society as judged by the Stakeholders. We believe in the principle of sharing the earnings. CSR is the process aimed at embracing the responsibility for the actions of the Bank and encourage a positive impact through our activities on the environment, consumers, employees, communities, stakeholders and all other members of the public. The area of focus for our CSR activities include the three areas, viz., education, health care and environmental sustainability over the next three years.

2. Composition of CSR Committee:

Sl. No	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Pradeep Kumar Panja	Independent Director	4	4
2.	Mr. Mahableshwara MS	MD & CEO	4	4
3.	Mr. Justice AV Chandrashekhar	Independent Director	4	4
4.	Dr. DS Ravindran	Independent Director	4	4
5.	Mr. Sekhar Rao	Executive Director	1*	1*

*Inducted into the committee w.e.f. 02.02.2023

3. Provide the web-link(s) where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Bank.

CSR Policy:

<https://karnatakabank.com/sites/default/files/2023-06/Policy%20on%20Corporate%20Social%20Responsibility%202023-24.pdf>

CSR Projects approved by the Board:

<https://karnatakabank.com/sites/default/files/2023-06/website%20csr%2022-23.pdf>

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.

Not applicable

5. (a) Average net profit of the company as per sub-section (5) of section 135. : ₹ 60,950.54 lakhs.
- (b) Two percent of average net profit of the company as per sub-section (5) of section 135.: ₹ 1,219.01 lakhs.
- (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years. : Nil
- (d) Amount required to be set-off for the financial year, if any. : ₹ 6.11 lakhs.
- (e) Total CSR obligation for the financial year [(b)+(c)-(d)]. : ₹ 1,212.90 lakhs.
6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): ₹ 1167.25 lakhs
- (b) Amount spent in Administrative Overheads. ₹ 46.22 lakhs.
- (c) Amount spent on Impact Assessment, if applicable. Not applicable
- (d) Total amount spent for the Financial Year [(a)+(b)+(c)]. : ₹ 1,213.47 lakhs.
- (e) CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135		
	Amount	Date of transfer	Name of the Fund	Amount.	Date of transfer.
1,213.47 lakhs	305.03 lakhs	27.04.2023	NA	NA	NA

(f) Excess amount for set-off, if any:

Sl. No	Particular	Amount (in ₹)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	1,219.01 lakhs
(ii)	Total amount spent for the Financial Year	1,219.58 lakhs
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	0.57 lakh
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	0.57 lakh

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
S I . No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any		Amount remaining to be spent in succeeding Financial Years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of Transfer		
1	FY 21-22	3,48,07,868.00	3,48,07,868.00	2,30,88,316.56	NIL	NA	1,17,19,551.44	
2	FY 20-21	2,96,32,861.90	1,01,93,507.90	47,78,000.00	NIL	NA	54,15,507.90	
3	FY 19-20	96,04,124.00	65,62,728.00	63,12,728.00	2,50,000.00	27.04.2023	0.00	

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

☒ Yes ☐ No

If Yes, enter the number of Capital assets created/ acquired

45

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
1	Drinking water purifiers at the office of Urban Development Authority, Kalaburagi	585 102	28.06.2022	4,90,880.00	NA	Urban Development Authority	Kalaburagi, Shambhognalli, Gulbarga, NH-218, Gulbarga Jewargi Road, 585 102
2	Drinking water purifier at Shri Balaganapathi Parvathi Devasthanam, Udupi	574 111	20.05.2022	64,310.00	NA	Shri Balaganapathi Prasanna Parvathi Devasthanam	Shri Kshetra Udayadri, Kaup Taluk, Udupi Dist, Padubidri, 574 111
3	Drinking water purifier at Specially abled Children's Training Centre, Udupi	576 101	12.10.2022	50,140.00	NA	Office of the Public Education Department	Govt. of Karnataka, Udupi - 576 101
4	Computers to SDM College, Honavar	581 334	12.07.2022	2,30,701.23	NA	The Malnad Progressive Education Society, Honavar	North Kanara, 581 334
5	Computers to St. Marys College, Shirva	574 116	12.08.2022	1,74,400.00	NA	St Marys College	Shirva, Udupi Dist.- 574 116
6	Computers to Govt. High School, Kayarthadka village, Belthangady Taluk, D K Dist.	574 216	21.09.2022	1,10,848.64	NA	Govt High School	Kayarthadka Village, Belthangady Taluk, DK Dist., 574 216
7	Drinking water purifier to Shree Shankar Math, Dandeli	581 325	16.07.2022	77,390.00	NA	Shree Shankar Math	Shree Shankara Tatwanveshan Mandali, Township, Dandeli - 581325
8	Computer and UPS to Ashoka Vidyalaya English Medium School, Ashoka Nagar, Mangaluru	575 006	22.08.2022	2,13,643.74	NA	Ashoka Vidyalaya English Medium School	Ashoka Nagar, Mangaluru, 575 006
9	Drinking water purifier to Dakshina Kannada Zilla Panchayath Higher Primary School, Guttakadu, Thalipadi, Post Kinnigoli	574 150	05.08.2022	62,250.84	NA	Dakshina Kannada Zilla Panchayath Higher Primary School	Guttakadu, Thalipadi, Post Kinnigoli - 574 150

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
10	Drinking water purifier to St. Joseph P U College, Jyothinagar, Chikkamagaluru	577 102	25.08.2022	52,744.91	NA	St. Joseph P U College	Jyothinagar, Chikkamagaluru - 577102
11	Projector for digital class at Govt. High School, Mallur	591 111	13.12.2022	76,246.03	NA	Govt. High School	Mallur, Savadatti Taluk, Belgaum Dist., 591 111
12	School bus to Govt. Higher Primary School, Haykadi, Udupi	576 212	23.08.2022	21,47,045.00	NA	Govt. Higher Primary School	Brahmavar Zone, Udupi - 576212
13	School bus to Govt. Higher Primary School, Chittoor, Udupi	576 233	23.08.2022	14,61,550.00	NA	Govt. Higher Primary School	Chittoor, Byndoor Zone, Kundapur Taluk, Udupi District, 576 233
14	Ambulance to Saraswathi Teacher Memorial Charitable Society, Manjeshwar, Kasargod Dist.	671 323	05.08.2022	14,23,780.00	NA	Saraswathi Teacher Memorial Charitable Society	MGP -XIII-353/A, Manjeshwar - 671 323 Kasargod Dist.
15	School bus to Arivu Trust, Mangaluru	575 016	23.08.2022	14,59,476.00	NA	Arivu Trust ®	Door No 8-124, "Soundarya", Behind Milan Castle Apts, P O Shaktinagar, Mangaluru - 575 016
16	Drinking water purifier to Holy Family High School (Aided), Bajpe, Mangaluru	574 142	13.09.2022	72,750.00	NA	Holy Family High School(Aided)	Bajpe, Mangaluru - 574 142
17	Medical equipment to Vivekanand General Hospital, Deshpandenagar, Hubballi	580 029	19.11.2022	16,16,500.00	NA	Vivekanand General Hospital	Deshpandenagar, Hubballi - 580 029
18	Drinking water purifier at Poornaprajna Institute of Management, Poornaprajna Campus, Udupi	576 101	01.09.2022	75,755.00	NA	Poornaprajna Institute of Management	Poornaprajna Campus, Udupi, 576 101

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
19	Xerox machine to Poornaprajna High School, J P Nagar, Belur	573 115	07.09.2022	1,15,540.00	NA	Poornaprajna High School	Belur, 573 115
20	School van to Parimala Gurukula English Medium School, Lingasugur Road, Mudgal, Raichur Dist.	584 125	11.08.2022	7,61,524.00	NA	Parimala Gurukula English Medium School	Lingasugur Road, Mudgal, Raichur Dist., 584 125
21	Solar roof top power system at the hostel building of KSSS P U Science & Commerce College, Budarsingi, Hubballi	580 024	01.09.2022	10,00,000.00	NA	KSSS P U Science & Commerce College	Near Kundagol Cross, Budarsingi, Hubballi, 580 024
22	Solar street lights at Savira Kamba Basithi, Moodabidri, Dakshina Kannada Dist.	574 227	29.10.2022	2,69,962.50	NA	Shri Jain Math	Moodabidri, 574 227
23	Computers to Dakshina Kannada Zilla Panchayath Higher Primary School, Parladka, Puttur, Dakshina Kannada	574 202	06.12.2022	52,837.29	NA	Dakshina Kannada Zilla Panchayath Higher Primary School	Parladka, Puttur, Dakshina Kannada, 574 202
24	Drinking water purifier at Sri Devi Temple, Policelane, Mangaluru	575 001	13.09.2022	59,895.50	NA	Sri Devi Temple	Policelane, Mangaluru, 575 001
25	School bus to Govt. Higher Primary School, Amasebail, Kundapur Taluk, Udupi Dist.	576 227	13.09.2022	23,36,130.00	NA	Govt. Higher Primary School	Amasebail, Kundapur Taluk, Udupi Dist., 576 227
26	School van to Govt. Higher Primary School, Chitrapady, Post Saligrama	576 225	21.09.2022	16,00,000.00	NA	Govt. Higher Primary School	Chitrapady, Post Saligrama, 576 225

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
27	School bus to Sri Jwalamalini Devi English Medium Primary School, Narasimharajapura, Chikkamagaluru	577 134	21.09.2022	21,84,500.00	NA	Sri Jwalamalini Devi English Medium Primary School	Simhanagadde, Bastimath, Narasimharajapura, Chikkamagaluru, 577 134
28	Medical equipment to Dermatology Department, Wenlock District Hospital, Hampankatta, D.K Dist.	575 001	19.10.2022	13,78,000.00	NA	District Surgeon & Superintendent, Wenlock District Hospital	Hampankatta, Mangaluru, 575 001
29	School bus to Ramchand Motichand Shah Public School, Indi, Bijapur – 586 209	586 209	21.09.2022	20,09,900.00	NA	Ramchand Motichand Shah Public School	Near Satapur, Ward No.4, Indi, Bijapur – 586 209
30	Drinking water purifier to Sri Bharathi English Medium School, Mudipu, Kurnad	574 153	21.09.2022	46,186.57	NA	Sri Bharathi English Medium School	Mudipu, Kurnad, 574 153
31	Projector and Screen to Govt. Composite P U College, Kavoov, Mangaluru	575 015	21.10.2022	46,725.20	NA	Govt. Composite P U College	Kavoov, Mangaluru, 575 015
32	Computers to Parijnan Vidyalay, Someshwar, Koteekar	575 020	19.10.2022	2,24,004.54	NA	Parijnan Vidyalay	Someshwar, Koteekar, Dakshina Kannada, 575 020
33	Drinking water purifier at Jnanadeep English Medium School, Mudipu, Kurnad, Bantwal Taluk	574 153	11.10.2022	82,211.87	NA	Jnanadeep English Medium School	Mudipu, Kurnad, Bantwal Taluk, 574 153
34	Installation of solar roof top power system at the hostel building for students Akhila Bharata Madhva Maha Mandala Vidyarthi Nilaya, Hubballi	580 021	21.01.2023	7,50,000.00	NA	Akhila Bharata Madhva Maha Mandala Vidyarthi Nilaya	Shanthi Colony, Vidya Nagar, Hubballi, 580 021

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
35	School bus to Vidyodaya Public School, Vadiraj Road, Udupi	576 101	24.11.2022	26,96,039.00	NA	Vidyodaya Public School	Vadiraj Road, Udupi, 576 101
36	Drinking water purifier to Shri Marikamba Temple, Sirsi	571 401	11.01.2023	1,10,831.20	NA	Marikamba Temple	Sirsi, 571 401
37	Procure almirahs and chairs for Govt. Primary School, Dharsiwa, Raipur	492 001	30.11.2022	37,318.62	NA	Govt. Primary School	Dharsiwa, Raipur, 492 001
38	Drinking water purifier at Panchamukhi Anjaneya Temple, Shivamogga	577 201	21.01.2023	80,000.00	NA	Panchamukhi Anjaneya Temple,	Shivamogga, 577 201
39	School bus to Sneha High School, Snehashila, P.O Sullia	574 239	02.12.2022	17,40,000.00	NA	Sneha High School	Snehashila, P.O Sullia, 574 239
40	Smart class equipment to Jnana Gangothri Village, Bale Village, Moodubagilu Post, Taluk N R Pura, Dist. Chikkamagaluru	577 134	10.01.2023	1,71,436.71	NA	Jnana Gangothri High School,	Bale village, Mudubagilu Post, Taluk N R Pura, Chikkamagaluru Dist., 577 134
41	Projector for conducting smart class at St. Lawrence P U College (High School Section - Kannada Medium), Moodubelle.	576 120	29.12.2022	35,625.00	NA	St. Lawrence P U College	Moodubelle, 576 120
42	Computer for Grama Panchayath, Yerlapady, Karkala Taluk, Udupi	574 102	23.02.2023	63,226.46	NA	Grama Panchayath	Yerlapady, Karkala Taluk, Udupi, 574 102
43	Water purifier and computer to Govt. High School, Horanadu	577 181	30.03.2023	1,28,384.00	NA	Govt. High School, Horanadu	Mudigere Taluk, Chikkamagaluru Dist., 577 181

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
44	Solar lamps inside the campus of Cauvery Kanya Gurukulam managed by Cauvery Sannidhi for Indian Culture, Mandya District	571 606	24.03.2023	1,50,000.00	NA	Cauvery Kanya Gurukulam	Cauvery Sannidhi for Indian Culture, Mandya District., 571 606
45	Wheel chairs to Sevanikethana Kanyady, Belthangady Taluk, D.K Dist.	574 216	22.02.2023	1,09,760.00	NA	Sevanikethana Kanyady	2 nd Dharmasthala Post & Village, Belthangady Taluk, D.K Dist, 574 216

Note: Capital assets created or acquired which were partly funded by the Bank through its CSR initiatives are not included here.

9. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of section 135.** Not Applicable

Sd/-
Managing Director & CEO (interim).

Sd/-
(Chairman CSR Committee).

Annexure 3

FORM AOC- 1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or Joint ventures

PART-A SUBSIDIARIES

(Information in respect of each subsidiary to be presented with amounts in ₹)

1.	Name of the subsidiary	KBL SERVICES LTD
2.	The date since when subsidiary was acquired	21 st June, 2020*
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	1 st April, 2022 to 31 st March, 2023
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	Not Applicable

*Date of incorporation

(Amount in ₹ Crore)		
5.	Share capital (Paid Up)	1.50
6.	Reserves and surplus	-1.30
7.	Total assets	1.01
8.	Total Liabilities	0.81
9.	Investments	Nil
10.	Turnover	4.11
11.	Profit before taxation	-0.56
12.	Provision for taxation	Nil
13.	Profit after taxation	-0.56
14.	Proposed Dividend	Nil
15.	Extent of shareholding (in percentage)	100%

Notes: The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations- Nil
- Names of subsidiaries which have been liquidated or sold during the year.- Nil
- Part B of the Annexure is not applicable as there are no Associate Companies/ Joint ventures of the Bank as on 31st March, 2023.

ANNEXURE-4

REPORT ON CORPORATE GOVERNANCE

PHILOSOPHY OF CORPORATE GOVERNANCE

The basic philosophy of Corporate Governance of your Bank is the application of the best management practices that provide stability and growth to the enterprise, transparency, accountability, disclosures and value creation. Your Bank believes that good governance practices ultimately secure the goal of turning the Bank into a value driven organization. Your Bank's philosophy of Corporate Governance has been embedded in its mission statement which reads as under:

"To be a technology savvy, customer centric progressive Bank with a national presence, driven by the highest standards of Corporate Governance and guided by sound ethical values".

The Bank has also adopted a vision statement which reads as under:

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

The Core values and guiding principles to be followed by all the workforce of the Bank include:

- i) Sincere, Honest and Trustworthy
- ii) Unshakable Integrity.
- iii) Professional and Smart Banker.
- iv) Committed to protect Bank's interests through legitimate and sustainable business.
- v) 'Bank first' attitude always

Your Directors present below the Bank's Report on compliance to Corporate Governance requirements as prescribed under Regulation 17 to 27 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred as "SEBI LODR") and confirm that the Bank has complied with the corporate governance requirements as specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation 2 of Regulation 46 of SEBI (LODR) Regulations, 2015.

1. Board of Directors:

Composition of the Board: As on March 31, 2023, the Board of Directors of the Bank consisted of 11 Directors including the Part-time Chairman, Managing Director & CEO and Executive Director. The constitution of the Board conforms to the provisions of Section 10A of the Banking Regulation Act, 1949, Section 149 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The Board consists of eminent persons having specialized knowledge or practical experience in the areas such as Banking, Finance, Accountancy, Law, Agriculture & Rural Economy, Cooperation & SSI, Information Technology, Risk Management, Payment & Settlement and other areas as specified in the Banking Regulation Act 1949. The directors as on March 31, 2023 were as under:

Sl. No.	Name of the Director (Mr. / Mrs.)	Category of Directorship
1.	P Pradeep Kumar	Part-time Chairman Independent Director
2.	Mahabaleshwara M S	Managing Director & CEO
3.	Sekhar Rao	Executive Director
4.	Keshav Krishnarao Desai	Independent Director
5.	B R Ashok	Non-Executive Director (Non- Independent)
6.	Justice A V Chandrashekar	Independent Director
7.	Uma Shankar	Independent Director
8.	Dr D S Ravindran	Independent Director
9.	Balakrishna Alse S	Independent Director
10.	Jeevandas Narayan	Independent Director
11.	Kalmanje Gururaj Acharya	Independent Director

During the FY 2022-23, the Bank has inducted Mr. Jeevandas Narayan and Mr. Kalmanje Gururaj Acharya as Additional Directors (Non-Executive, Independent) w.e.f. April 26, 2022 and their appointment as Independent Directors was approved by the shareholders vide resolution dated June 02, 2022 passed via Postal ballot (e-voting). Further, Bank has also appointed Mr. Sekhar Rao as Executive Director w.e.f. February 01, 2023 and his

appointment as the Executive Director was approved by the shareholders vide resolution dated March 30, 2023 passed via Postal ballot (e-voting).

During the year under report, Mrs. Mythily Ramesh, Independent Director, retired on March 13, 2023 upon completion of her tenure of 5 years.

Competency at the Board level:

The chart mapping the skills/expertise/competence of the Board of Directors of the Bank (as on 31.03.2023) is as under:

Sl no	List of core skills/ expertise/ competencies required in terms of statutory requirement as per BR Act	1 P Pradeep Kumar*	2 Mahabaleshwara M S*	3 Sekhar Rao ^{\$}	4 Keshav K Desai ^{\$}	5 B R Ashok*	6 A V Chandrashekar*	7 Uma Shankar*	8 D S Ravindran*	9 Balakrishna Alse S*	10 Jeevandas Narayan ^{\$}	11 K Gururaj Acharya*
1	Accountancy	✓	✓			✓		✓		✓	✓	✓
2	Agriculture and rural economy		✓		✓				✓	✓	✓	✓
3	Banking	✓	✓	✓		✓		✓		✓	✓	✓
4	Co-operation & SSI	✓	✓		✓			✓				
5	Economics					✓		✓	✓	✓	✓	✓
6	Finance	✓	✓	✓		✓		✓	✓	✓	✓	✓
7	Law						✓	✓				✓
8	IT	✓	✓	✓		✓			✓	✓		
9	Risk Management	✓	✓			✓		✓		✓		✓
10	Payment & Settlement	✓	✓	✓		✓						
11	HR	✓	✓		✓		✓		✓	✓		✓
12	Business Management	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓

In terms of Banking Regulation Act, 1949 * means that director does not have substantial interest in any company/firm carrying on trade, commerce or industry.
 \$ means that director have substantial interest in any company/firm carrying on trade, commerce or industry.

BOARD MEETINGS:

During the financial year ended March 31, 2023 the Board met 17 times on the following dates:

Sl. No.	Date of the meeting	Sl. No.	Date of the meeting
1	26.04.2022	10	13.12.2022
2	18.05.2022	11	23.12.2022
3	27.05.2022	12	13.01.2023
4	27.06.2022	13	17.01.2023
5	23.07.2022	14	02.02.2023
6	21.09.2022	15	20.02.2023
7	13.10.2022	16	08.03.2023
8	01.11.2022	17	28.03.2023
9	23.11.2022		

Details of the attendance of directors at the Board meetings during the year under report and at the last Annual General Meeting were as under:

Sl. No.	Name of the Director (Mr. / Mrs.)	No. of meetings held/ attended	Whether attended the last AGM
1.	P Pradeep Kumar	17/17	YES
2.	Mahabaleshwara M S	17/17	YES
3.	Sekhar Rao (w.e.f 01.02.2023)	4/4	NA
4.	Keshav Krishnarao Desai	17/17	YES
5.	Mythily Ramesh (up to 13.03.2023)	15/16	YES
6.	B R Ashok	15/17	YES
7.	Justice A V Chandrashekar	17/17	YES
8.	Uma Shankar	17/17	YES
9.	Dr D S Ravindran	17/17	YES
10.	Balakrishna Alse S	17/17	YES
11.	Jeevandas Narayan (w.e.f. 26.04.2022)	16/16	YES
12.	K Gururaj Acharya (w.e.f. 26.04.2022)	16/16	YES

a. Directorships/committee positions held in other companies as on March 31, 2023:

Sl. No.	Name of the Director (Mr. / Mrs.)	Directorship in other public Limited Companies	Committee positions in other Public Limited Companies	Directorship in other listed entity	Nature of Directorship in other listed entity
1.	P Pradeep Kumar	3	6	2 1) Brigade Enterprises Ltd 2) Shriram Finance Limited (formerly known as Shriram Transport Finance Company Ltd)	Independent Director
2.	Mahabaleshwara M S	01	NIL	NIL	NIL
3.	Sekhar Rao	NIL	NIL	NIL	NIL
4.	Keshav Krishnarao Desai	NIL	NIL	NIL	NIL
5.	B R Ashok	01	NIL	NIL	NIL
6.	A V Chandrashekar	NIL	NIL	NIL	NIL
7.	Uma Shankar	3	3	1	Nominee Director
8.	Dr D S Ravindran	NIL	NIL	NIL	NIL
9.	Balakrishna Alse S	NIL	NIL	NIL	NIL
10.	Jeevandas Narayan	1	1	NIL	NIL
11.	K Gururaj Acharya	1	NIL	NIL	NIL

Note: In terms of Regulation 26 of the SEBI (LODR) Regulation, 2015 for the purpose of Committee positions held in other public limited companies, only Audit Committee and Stakeholders Relationship Committee have been considered.

None of the Directors of the Board serves as members of more than ten Committees or acts as Chairpersons of more than five Committees across all listed entities in which they are directors. In the opinion of the Board, all the Independent Directors fulfill the criteria of independence as specified under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 and are independent of the management.

b. Relationship between Directors inter-se: None of the Directors of the Board is related inter-se.

c. Details of Familiarization Programme imparted to Directors:

The Directors of the Bank were nominated to various training programmes in specialized areas such as IT, Governance, Cyber Security, Risk Management and Corporate Governance etc., conducted by IDRBT, CAFRAL, NIBM etc., and the details of training undergone during the reporting period are posted on the website of the Bank at the URL <https://karnatakabank.com/investor-portal>. These trainings are in addition to the familiarization programme relating to Bank's internal process & systems and procedures.

REMUNERATION OF DIRECTORS:

Remuneration of Whole Time Directors:

The Bank has adopted a "Policy on compensation of Whole Time Directors/Chief Executive Officers, Material Risk Takers etc.". The policy is designed to support key business strategies and provide reasonable remuneration commensurate with the performance of the Bank considering alignment of compensation with prudent risk taking as per guidelines issued by the Reserve Bank of India on 'Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function staff etc.' vide circular No. DOR.Appt. BC. No.23/ 29.67.001/2019-20 dated November 4, 2019. The compensation package of the Managing Director & CEO and Executive Director includes the fixed pay and allowances as approved by Reserve Bank of India. Besides, the compensation policy provides for a variable pay (VP), maximum up to 200% of the fixed pay, payable after evaluation of the performance and risk score assigned thereon and subject to approval of the RBI each year. The said variable pay is equally split into cash and non-cash components with each component having upfront (presently 40% of VP) and deferred portions (presently 60% of VP with a deferral period of three years). The policy has malus/clawback arrangements in line with the RBI guidelines.

The remuneration structure of the Managing Director & CEO and Executive Director of the Bank is recommended by the Nomination and Remuneration Committee (NRC) to the Board for approval in accordance with the aforesaid policy. The Board of Directors on the basis of recommendation of the NRC approves the remuneration, subject to necessary approvals from Reserve Bank of India and the shareholders.

Remuneration of Non-Executive Directors:

The Non-Executive Directors including Chairman of the Board were paid sitting fees as approved by the Board for attending each meeting of the Board/Committee subject to limits prescribed under the Companies Act, 2013, besides reimbursement of traveling expenses wherever applicable and halting allowance at the rates fixed by the Board. Besides, consolidated monthly salary is being paid to the Part-time Chairman of the Bank as approved by the RBI (presently of ₹1,25,000/-p.m.). No compensation in the form of profit related commission was paid to the Non-Executive Directors/Independent Directors during the year under report. Effective from April 01, 2022, the sitting fees payable per Director per meeting has been revised from ₹ 70,000/- to ₹80,000/- and for the Board level Committees from ₹ 50,000/- to ₹ 60,000/-.

There were no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Bank (except banking transactions in the ordinary course of business and on arm's length basis) during FY 2022-23.

The details of remuneration paid to Directors during the year under report are as under:

A. Remuneration of Managing Director & CEO – Mr. Mahabaleshwara M S:

Sl. No.	Particulars of Remuneration	(₹. In Crore)
1	Gross Salary	
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	0.86
	b) Value of Perquisites u/s 17(2) of the Income Tax Act, 1961	* -
	c) Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-
2	Stock Options	-
3	Sweat Equity	-
4	Commission (as a % of profit & others)	-
5	Others	0.03^
	Contribution to PF	0.07
	Variable Pay (2020-21 & 2021-22)	0.27+
	Total (A)	1.23

+ Computed inclusive of deferred component of variable pay of ₹ 8 Lakhs towards the performance period of FY 2020-21 and ₹ 19 lakhs of upfront payment of variable pay for the performance period of FY 2021-22.

^ includes the amount of contribution towards gratuity as provided in the RBI approval.

* Perquisite value arising out of free use of Bank's car for official and private purposes amounting to ₹ 50,000 has been included in the sl no. 5 of the table under "Others".

B Remuneration of Executive Director – Mr. Sekhar Rao (w.e.f. 01.02.2023) :

Sl. No.	Particulars of Remuneration	(₹. In Crore)
1	Gross Salary	
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	0.10
	b) Value of Perquisites u/s 17(2) of the Income Tax Act, 1961	-
	c) Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-
2	Stock Options	-
3	Sweat Equity	-
4	Commission (as a % of profit & others)	-
5	Others	0.007
	Contribution to PF	0.008
	Variable Pay	-
	Total (B)	0.12*

* As Mr. Sekhar Rao, Executive Director has joined the Bank w.e.f 01.02.2023, the salary paid for 2 months is disclosed.

Variable Pay 2022-23:

For the FY 2022-23, the variable pay in terms of extant RBI guidelines will be decided in the Financial Year 2023-24, which shall not exceed 200% of the fixed pay. The variable pay is subject to prior approval of the RBI and approval of RBI is awaited.

C. Remuneration of Non-Executive Directors:

(₹. in Crore)

Sl No	Particulars of Remuneration	Name of the Directors (Messrs/Mrs.)										Total Amount
		P Pradeep Kumar	Keshav K Desai	Mythily Ramesh (upto 13.03.2023)	B R Ashok	A V Chandrashekar	Uma Shankar	Dr. D S Ravindran	Balakrishna Alse S	Jeevandas Narayan (w.e.f 26.04.2022)	K Gururaj Acharya (w.e.f 26.04.2022)	
1.	Independent Directors											
	Sitting Fees for attending Board/Committees	0.32	0.33	0.30		0.26	0.43	0.36	0.36	0.44	0.40	3.20
	Commission	NA	0	0		0	0	0	0	0	0	0
	Others (Salary)	0.15	0	0		0	0	0	0	0	0	0.15
	Total(1)	0.47	0.33	0.30		0.26	0.43	0.36	0.36	0.44	0.40	3.35
2.	Non-Executive Directors											
	Sitting Fees for attending meetings of the Board/Committees				0.40							0.40
	Commission				0							0
	Others (Salary)				0							0
	Total(2)				0.40							0.40
	Total (C)=(1+2)	0.47	0.33	0.30	0.40	0.26	0.43	0.36	0.36	0.44	0.40	3.75
	Total Managerial Remuneration (A+B+C)	5.10										

Overall ceiling as per the Companies Act, 2013@

@Being Banking Company, the provisions of Banking Regulation Act, 1949 would apply to the Bank and the remuneration of Whole-Time-Director is subject to the approval of Reserve Bank of India. Again, any payment to Non-Executive/ Independent Directors other than sitting fees and profit related commission not exceeding in aggregate one per cent of net profits of the Bank subject to maximum of ₹ 20 lakh (except to Part Time Chairman). Presently, Independent Directors are paid only sitting fees and Mr. P Pradeep Kumar, Part-time Chairman is also being paid with a consolidated remuneration of ₹ 1.25 lakh per month, as approved by RBI, which is within limits prescribed under the Companies Act, 2013.

Note: Sitting fees mentioned above includes the fees amounting to ₹ 0.56 crore paid to the respective members for attending the meetings of three Search & Selection Committees formed during the FY for the selection of candidates for the posts of Executive Director, Company Secretary and Managing Director & CEO and also includes the sitting fees of ₹ 0.04 cr paid to the members of ESG Committee, since dissolved.

PERFORMANCE EVALUATION CRITERIA FOR DIRECTORS

As required under the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (SEBI LODR), performance review/evaluation of the Board as a whole, Committees of the Board, Chairman of the Board, all Directors including Independent Directors and Managing Director & CEO of the Bank was carried out as per the Performance Evaluation Policy adopted by the Bank. The process of Performance Evaluation is as under:

Independent Directors in a separate meeting shall evaluate the (i) performance of the Board as a whole taking into account the views of the Managing Director, Non-Independent Directors, Chairman of the Board (ii) Chairman of the Board (iii) MD & CEO and (iv) Non independent Directors.

Board shall review the performance of all Independent Directors (excluding the director being evaluated) as well as the Committees of the Board.

EVALUATION CRITERIA

Bank aligned its performance evaluation templates in line with SEBI Guidance Note dated 5th January, 2017 and the basis of evaluation is as under:

Board

The criteria for evaluation of performance of the Board includes composition of the Board, periodicity of the meetings, management and human resources, strategy determination, monitoring and acting, policies and procedures including Risk management policy, understanding the regulatory requirements, reporting to the stakeholders, compliance with all applicable laws etc.

Committees of the Board

The performance of the Board Committees was evaluated taking into consideration the terms of reference of each Committee, periodicity of meetings, collective judgment and contribution by each committee in attaining their objectives.

Chairman of the Board

The evaluation criteria for the performance of the Chairman of the Board inter-alia included leadership qualities demonstrated by him, ability to synthesize discussion and divergent views to lead to consensus after listening to all directors, his working relationship with the Managing Director & CEO etc.

Managing Director & CEO

While evaluating the performance of the Managing Director & CEO, besides his leadership qualities, performance in key financial and non-financial areas such as achieving the business targets, meeting stakeholders' expectations and maintaining harmonious relationship with the employee unions and recognition and rewards secured by the Bank under his leadership, relationship with the Board, ability to execute the strategies etc., are considered. The periodicity of performance evaluation of MD & CEO has been fixed as 'after the publication of audited financial results of the performance period'.

Independent Directors

The review of the performance of Independent Directors is undertaken by the Board having regard to their experience and expertise in the specified area of their specialization, attendance record at the meetings of the Board and the Committees thereof, value addition in the decision-making process in the meetings, their ability to update their knowledge about the business and regulatory environment in which the Bank is functioning, leading to bringing in an independent judgment and safeguarding the interest of stakeholders etc.

2. COMMITTEES OF THE BOARD:

In compliance with the regulatory requirements and for the operational convenience, Bank has constituted the following Board level Committees:

- 1) Audit Committee of the Board (ACB)
- 2) Management Committee of the Board (MCB)
- 3) Risk and Capital Management Committee (RCMC)
- 4) Nomination & Remuneration Committee (NRC)
- 5) Stakeholders and Customer Relations Committee (SCRC)
- 6) IT Strategy and Governance Committee (ITSG)
- 7) Special Committee for Monitoring & Investigation of Large Value Frauds (Special Committee)
- 8) Corporate Social Responsibility Committee (CSR)
- 9) Review Committee for identification of Non-Cooperative Borrower & Willful Defaulters (RCNCB&WD)
- 10) Committee of Directors (COD)
- 11) H R Committee (HRC)
- 12) Centenary Year Celebrations Committee (CYCC)

Further during the year under report Bank has constituted the three Search & Selection Committees for the appointment of Executive Director, Company Secretary and Managing Director & CEO which were subsequently dissolved upon appointment of the candidates to the said posts.

Also, a Board level ESG Committee was formed for finalization of Bank's Policy on ESG and the Committee has since been dissolved.

The composition, names of members and chairperson of the Committees as on March 31, 2023 were as under:

Director's Name (Messrs)	Name of the Committee											
	ACB	NRC	MCB	SCRC	Special Committee	RCMC	ITSG	CSR	RCNCWD	COD	HRC	CYCC
Part-time Chairman												
P Pradeep Kumar		✓				✓	✓	•		•		
Whole Time Directors												
Mahabaleshwara M S			•	✓	•	✓	✓	✓	•	✓		
Sekhar Rao (w.e.f. 01.02.2023)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Directors												
Keshav K Desai		•	✓	•					✓			•
A V Chandrashekar				✓	✓			✓	✓		✓	
Uma Shankar	✓	✓				•	✓					
Dr D S Ravindran	✓			✓			•	✓				
Balakrishna Alse S	•			✓	✓				✓		✓	✓
Jeevandas Narayan			✓		✓	✓				✓	•	✓
K Gururaj Acharya	✓		✓		✓	✓						
Non-Executive Director												
B R Ashok	✓	✓	✓							✓		
• Chairperson of the Committee												
✓ Member of the Committee												

The brief terms of reference, number of meetings held along with attendance details of each of the Committees are furnished to below.

a. Audit Committee of the Board of Directors (ACB)

As per the directions of Reserve Bank of India, Bank has constituted an Audit Committee of the Board (ACB) which also conforms to the requirements of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Brief terms of reference	
a.	Overseeing the Bank's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
b.	Recommending appointment and removal of external auditors and fixing of their fees;
c.	Reviewing with management the quarterly/annual financial statements and auditor's report before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards, disclosure of related party transactions and other legal requirements relating to financial statements;
d.	Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements; and
e.	Any other terms of reference as may be included from time to time in the Banking Regulation Act, 1949 or extant guidelines of RBI in the form of Calendar of reviews or by separate circulars, Companies Act, 2013, SEBI Listing Regulations, 2015, including any amendments/re-enactments thereof.
Number of meetings held : 10 meetings	

All the members of the ACB are financially literate. The Company Secretary acted as the secretary to the Committee. The Managing Director & CEO, Chief Operating Officer, Chief Business Officer, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Chief Information Security Officer and the Head of the Inspection & Audit Department of the Bank were invited to attend the meetings of the Committee as and when desired by the Committee. The Statutory Auditors were also invited to attend the meetings whenever interim / annual financial reports/Long Form Audit Report etc. were considered. Further, periodical one-to-one interaction was held by the Committee with the HIA & CIV and CCO without the presence of the management.

The meeting dates and the attendance record is as below:

Dates of Meeting	Balakrishna Alse S	B R Ashok	Uma Shankar	Dr D S Ravindran	K Gururaj Acharya [%]
26.05.2022	✓	✓	✓	✓	
10.06.2022	✓	✓	✓	✓	✓
22.07.2022	✓	✓	✓	✓	✓
25.08.2022	✓	✓	✓	✓	✓
27.10.2022	✓	✓	✓	✓	✓
31.10.2022	✓	✓	✓	✓	✓
22.11.2022	✓	✓	✓	✓	✓
22.12.2022	✓	✓	✓	✓	✓
01.02.2023	✓	✓	✓	✓	✓
13.03.2023	✓	✓	✓	✓	✓
Meetings Attended/ Held	10/10	10/10	10/10	10/10	9/9

[%]w.e.f 27.05.2022

b. Nomination and Remuneration Committee (NRC)

Pursuant to the Companies Act, 2013, SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and the extant guidelines of Reserve Bank of India, Bank has constituted "Nomination & Remuneration Committee (NRC)".

Brief terms of reference

The meeting dates and the attendance record is as below:

Dates of Meeting	Mahabaleshwara M S	Sekhar Rao%	Keshav K Desai	B R Ashok	P Pradeep Kumar#	Jeevandas Narayan@	K Gururaj Acharya@
09.05.2022	✓		✓	✓	✓		
28.06.2022	✓		✓	-		✓	✓
18.07.2022	✓		✓	✓		✓	✓
16.08.2022	✓		✓	✓		✓	✓
14.09.2022	✓		✓	✓		✓	✓
24.11.2022	✓		✓	✓		✓	✓
21.12.2022	✓		✓	✓		✓	✓
30.12.2022	✓		✓	✓		✓	✓
16.02.2023	✓	✓	✓	✓		✓	✓
20.03.2023	✓	✓	✓	✓		✓	✓
Meetings Attended/ Held	10/10	2/2	10/10	9/10	1/1	9/9	9/9

@inducted into committee w.e.f 27.05.2022

#upto 26.05.2022

%inducted into committee w.e.f 02.02.2023

d. Stakeholders and Customer Relations Committee (SCRC)

To enhance the customer service standards in the Bank and to ensure a mutually rewarding relationship with the shareholders and also to redress their grievances, a Stakeholders and Customer Relations Committee (SCRC) has been functioning at the Board level as per the requirements of the Companies Act, 2013, and SEBI (LODR) Regulations and the extant RBI guidelines.

Brief terms of reference

- Formulation of a comprehensive deposit policy;
- Product approval process;
- Annual survey of depositor satisfaction;
- Tri-ennial audit of such services; and
- Periodical review of the performance of the Ad-hoc committee.
- Specifically looking into various aspects of interest of shareholders, debenture holders and other security holders.

Number of meetings held: 4 meetings

The meeting dates and the attendance record is as below:

Dates of Meeting	Keshav K Desai	Mahabaleshwara M S	Sekhar Rao#	Justice A V Chandrashekar	Dr D S Ravindran	Balakrishna Alse S%
02.06.2022	✓	✓		✓	✓	✓
24.09.2022	✓	✓		✓	✓	✓
12.12.2022	✓	✓		✓	✓	✓
24.03.2023	✓	✓	✓	✓	✓	✓
Meetings Attended/ Held	4/4	4/4	1/1	4/4	4/4	4/4

%inducted into committee w.e.f 27.05.2022

#inducted into committee w.e.f 02.02.2023

Name & Designation of the Compliance Officer:

Mr. Prasanna Patil, Company Secretary, up to 31.08.2022

Mr. Sham K, Company Secretary, w.e.f .27.02.2023.

During the FY 2022-23, a total of 12 grievances were received from the securities holders and all of them have been redressed satisfactorily within the timelines. An exclusive Email ID viz., investor.grievance@ktnbank.com has been maintained by the Bank for the purpose of redressal of investors' grievances, if any. Further, the complaints received via SEBI's Complaint Redress System (SCORES) were also redressed promptly.

e. Special Committee for Monitoring and Investigation of Large Value Frauds:

As per the directions of the Reserve Bank of India, the Board has constituted a Special Committee exclusively to monitor, investigate and follow-up cases of fraud involving amounts of Rupees One crore and above.

Brief terms of reference

- Identify the systems lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same.
- Identify the reasons for delay in detection, if any, in reporting of fraud to top management of the Bank and RBI.
- Monitor progress of Police investigation and recovery position.
- Ensuring examination of staff accountability at all levels in all cases of frauds and quick completion of staff side action, if required, without loss of time.
- Review the efficacy of the remedial action taken such as strengthening of internal controls to prevent recurrence of frauds.
- Put in place other measures as may be considered relevant to strengthen preventive measures against frauds etc.

Number of meetings held: 7 meetings

The Committee meets quarterly to review and monitor all cases. Also, the Committee meets immediately on detection of any fraud involving amount of Rupees One crore and above.

The meeting dates and the attendance record is as below:

Dates of Meeting	Mahabaleshwara M S	Sekhar Rao [@]	B R Ashok ^{**}	Mythily Ramesh ^{**}	Justice A V Chandrashekar	Balakrishna Alse S	Jeevandas Narayan [@]	K Gururaj Acharya [@]
10.05.2022	✓		✓	✓	✓	✓		
28.06.2022	✓				✓	✓	✓	✓
26.07.2022	✓				✓	✓	✓	✓
25.08.2022	✓				✓	✓	✓	✓
08.10.2022	✓				✓	✓	✓	✓
30.01.2023	✓				✓	✓	✓	✓
07.03.2023	✓	✓			✓	✓	✓	✓
Meetings Attended/ Held	7/7	1/1	1/1	1/1	7/7	7/7	6/6	6/6

[@]inducted into committee w.e.f 27.05.2022

[%]inducted into committee w.e.f 02.02.2023

^{**}upto 26.05.2022

f. Risk and Capital Management Committee (RCMC):

With a view to devise policy and strategy for integrated risk management containing various risk exposures, Bank has constituted “**Risk and Capital Management Committee**” (RCMC). The Committee also reviews and recommends to the Board the capital plan of the Bank and lays down the capital planning process and responsibilities as well as contingency planning to deal with deviations and unexpected events and matters incidental thereto.

The Committee conforms to the guidelines of Reserve Bank of India and SEBI (LODR) Regulations, 2015.

Brief terms of reference
Risk Function:

- a. Devise the policy and strategy for integrated risk management containing various risk exposures of the Bank including Credit Risk, Market Risk and Operational Risk.
- b. Review of Risk Profile of the Bank, evaluation of overall risks faced by the Bank.
- c. Review the decisions of the 3 sub-committees namely ALCO, ORMC and CRC and ensure smooth transition to new capital adequacy framework.
- d. Ensure robustness of the financial models used for measuring risks and to ensure a smooth transition to the New Capital Adequacy Framework.
- e. Ensuring that new risks arising out of events like new product launch, new business, increased volume, changes in concentration, changes in quality of portfolio or in overall economic scenario have been properly incorporated in the risk assessment.

Capital Function:

- f. To review the business projections, Risk Profile Assessment and Capital Budgeting and to set short term and long-term goals for capital levels based on current and projected changes to the risk profile.
- g. To approve the Basel III Pillar II CRAR calculations along with the results of Stress Testing and Leverage Ratio & Liquidity Coverage Ratio.
- h. To review and recommend to the Board the capital plan of the Bank at annual intervals and lay down capital planning process and responsibilities as well as contingency planning for dealing with deviations and unexpected events like restrictions on business activities, etc.
- i. To develop an internal strategy for maintaining adequate capital, which reflects desired level of risk coverage, expected balance sheet growth, future sources and application of fund, acquisitions, new products and services, market image, strategic goals.
- j. To review and appraise the capital management and planning policy of the Bank and review the capital targets and levels in relation to such policy.
- k. To ensure that detailed documentation of methodologies, assumptions, procedures and minutes of meeting etc. is available for all the processes of ICAAP and is communicated to the concerned stakeholders and appropriate authority and responsibilities have been allocated.

Number of meetings held: 4 meetings

Further, periodical one-to-one interaction was held by the Committee with the Chief Risk Officer without the presence of the management.

The meeting dates and the attendance record is as below:

Dates of Meeting	Uma Shankar	P Pradeep Kumar	Mahabaleshwara M S	Sekhar Rao [%]	Jeevandas Narayan [@]	K Gururaj Acharya [@]
25.06.2022	✓	✓	✓		✓	✓
17.08.2022	✓	✓	✓		✓	✓
22.12.2022	✓	✓	✓		✓	✓
29.03.2023	✓	✓	✓	✓	✓	✓
Meetings Attended/ Held	4/4	4/4	4/4	1/1	4/4	4/4
[%] inducted into committee w.e.f 02.02.2023						
[@] inducted into committee w.e.f 27.05.2022						

g. IT Strategy and Governance Committee(ITSG)

A Board Level Committee on IT Strategy and Governance has been constituted to oversee the Information Technology (IT) related areas such as IT Governance, Information Security, Information System Audit, IT Operations, IT Services Outsourcing, Cyber Fraud, Business Continuity Planning etc.

Brief terms of reference

- Approving IT strategy and policy documents
- Ensuring that the management has put an effective strategic planning process in place
- Ratifying that the business strategy is indeed aligned with IT strategy
- Ensuring that the IT organizational structure complements the business model and its Direction
- Ascertaining that management has implemented processes and practices to ensure that the IT delivers value to the business
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and to provide high-level direction for sourcing and use of IT resources.;
- Ensuring proper balance of IT investments for sustaining Bank's growth;
- Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks;
- Assessing Senior Management's performance in implementing IT strategies;
- Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks);
- Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT;
- Overseeing the aggregate funding of IT at a bank-level and ascertaining if the management has resources to ensure the proper management of IT risks;
- Monitoring progress in Digital Banking transactions;

Number of meetings held: 5 meetings

The meeting dates and the attendance record is as below:

Dates of Meeting	Mythily Ramesh [#]	Dr. D S Ravindran [@]	P Pradeep Kumar	Mahabalaeshwara M S	Sekhar Rao [%]	Uma Shankar
25.04.2022	✓	✓	✓	✓		✓
02.05.2022	✓	✓	✓	✓		✓
20.08.2022	✓	✓	✓	✓		✓
20.12.2022	✓	✓	✓	✓		✓
24.03.2023		✓	✓	✓	✓	✓
Meetings Attended/ Held	4/4	5/5	5/5	5/5	1/1	5/5

[#]Chairperson of the Committee upto 01.02.2023

[%]inducted into the Committee w.e.f 02.02.2023

[@]Chairman of the Committee w.e.f 02.02.2023

h. Corporate Social Responsibility (CSR) Committee

Brief terms of reference

Pursuant to Section 135 of the Companies Act, 2013, a separate Committee has been constituted by the Board to formulate and recommend a CSR Policy, recommend the amount of expenditure to be incurred on the CSR activities and monitor the CSR Policy of the Bank from time to time, monitor & regulate the expenditure incurred by the Bank in corporate social responsibilities.

Number of meetings held: 4 meetings

The meeting dates and the attendance record is as below:

Dates of Meeting	P Pradeep Kumar	Mahabaleshwara M S	Sekhar Rao [%]	Justice A V Chandrashekar	Dr D S Ravindran
02.05.2022	✓	✓		✓	✓
08.06.2022	✓	✓		✓	✓
18.11.2022	✓	✓		✓	✓
25.03.2023	✓	✓	✓	✓	✓
Meetings Attended/ Held	4/4	4/4	1/1	4/4	4/4

[%]inducted into the Committee w.e.f 02.02.2023

Necessary disclosure pursuant to Section 135(4) of the Companies Act, 2013 read with Companies (CSR) Rules 2014, has been furnished in Annexure-2 forming part of Directors Report and also posted on our website.

i. Review Committee for Identification of Non-Cooperative Borrowers and Wilful Defaulters:

Brief terms of reference

- Reviewing and confirming the order of the Internal Screening Committee for Identification of Non-Cooperative Borrowers.
- Reviewing and confirming the order of the Internal Committee for identification of wilful defaulters.

Number of meetings held: 3 meetings

The meeting dates and the attendance record is as below:

Dates of Meeting	Mahabaleshwara M S	Sekhar Rao [%]	Keshav K Desai	Justice A V Chandrashekar	Balakrishna Alse S
01.07.2022	✓		✓	✓	✓
04.11.2022	✓		✓	✓	✓
25.03.2023	✓	✓	✓	✓	✓
Meetings Attended/ Held	3/3	1/1	3/3	3/3	3/3
[%] Inducted into the committee w.e.f 02.02.2023					

j. Committee of Directors:

The Board has constituted this Committee in view of the business need to strategize capital augmentation plans of the Bank as and when a decision in this regard is taken by the Board of Directors.

Number of meetings held: 2 meetings

The meeting dates and the attendance record is as below:

Dates of Meeting	P Pradeep Kumar (Chairman of the Committee)	Mahabaleshwara M S	B R Ashok	Jeevandas Narayan	Sekhar Rao [%]
18.07.2022	✓	✓	✓	✓	
23.11.2022	✓	✓	✓	✓	
Meetings Attended/ Held	2/2	2/2	2/2	2/2	NA[^]
[%] Inducted into the committee w.e.f 02.02.2023					

[^]No meeting was held post his induction.

k. H R Committee:

The Board of Directors has constituted the HR Committee to review the Bank's HR processes.

Number of meetings held: 1 meeting.

The meeting dates and the attendance record is as below:

Dates of Meeting	Jeevandas Narayan (Chairman of the Committee)	Justice A V Chandrashekar	Balakrishna Alse S	Sekhar Rao
06.03.2023	✓	✓	✓	✓
Meetings Attended/ Held	1/1	1/1	1/1	1/1

l. Centenary Year Celebrations Committee (CYCC)

The Committee is constituted to examine and recommend action plan for the initiatives to be taken up as part of Centenary Year celebrations.

Number of meetings held: 2 meetings.

The meeting dates and the attendance record is as below:

Dates of Meeting	Keshav K Desai (Chairman of the Committee)	Balakrishna Alse S	Jeevandas Narayan	Sekhar Rao
06.03.2023	✓	✓	✓	✓
20.03.2023	✓	✓	✓	✓
Meetings Attended/ Held	2/2	2/2	2/2	2/2

Detailed terms of reference of each of above Committees are also provided in the Bank's website under the section 'Investors Portal/Corporate Governance'.

COMMITTEES OF EXECUTIVES:

Apart from the Board and its Committees, Bank has also constituted other committees of executives such as Asset and Liability Management Committee (ALCO), Investment Management Committee (IMC), Credit Management Committee (CMC), Credit Risk Committee (CRC), Operational Risk Management Committee (ORMC), Committee for scrutiny of frauds, staff accountability Committee, New Product & Process Approval Committee, IT Steering Committee, ICAAP Function Committee, Management Security Forum, Risk Based Supervision (RBS) Top Management Committee, Inspection Monitorable Action Plan (IMAP) Committee, KBL Vikaas Steering Committee, etc. These Committees meet regularly to deliberate and take decisions on respective matters.

ANNUAL GENERAL MEETINGS:

Venue and the date of the last three annual general meeting were as under:

Year	Venue/Mode	Date	Day	Time (IST)	Whether any Special resolution/s passed
2022	Video Conferencing	26.08.2022	Friday	11.30 AM	Yes#
2021	Video Conferencing	02.09.2021	Thursday	11.00AM	Yes
2020	Video Conferencing	17.07.2020	Friday	11.30 AM	Yes

#Resolution seeking authorization to the Board of Directors to issue and allot equity shares by way of Qualified Institutions Placement (QIP) could not secure requisite Majority.

SPECIAL RESOLUTIONS PASSED VIA POSTAL BALLOT AND VOTING PATTERN:

Date of Resolution	Nature of Business	Voting Pattern (out of the votes cast)		Result
		In favour	Against	
30.03.2023	Approval of "Karnataka Bank Employees Stock Option Scheme, 2023"	99.88	0.12	Passed with requisite majority.
30.12.2022	Amendment to Articles of Association of the Bank	99.96	0.04	
02.06.2022	Appointment of Mr. Jeevandas Narayan (DIN: 07656546) as an Independent Director of the Bank.	99.33	0.67	
02.06.2022	Appointment of Mr. Kalmanje Gururaj Acharya (DIN: 02952524) as an Independent Director of the Bank.	99.46	0.54	
02.06.2022	Amendments to the Articles of Association of the Bank.	88.71	11.29	

MEANS OF COMMUNICATION:

The quarterly/half yearly/annual results are published in the leading national English dailies and vernacular newspaper (Kannada). The results and presentation on analysis of financial results were also posted on our website <https://karnatakabank.com/investor-portal> and also on the websites of stock exchanges i.e., www.bseindia.com and www.nseindia.com. Also, material updates/developments are disclosed to the stock exchanges and hosted on Bank's website. Further, the gist of financial results is also shared on a quarterly basis on a voluntary basis with the shareholders who have registered their email ids with the Bank/Depositories.

SHAREHOLDERS' INFORMATION:

A. Annual General Meeting for the FY 2022-23 (e-AGM) to be held through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM"):

Day	: Tuesday
Date	: August 29, 2023
Time	: 11.30 AM
Venue	: Not Applicable (to be held through VC/OAVM)
Mode	: Will be held through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM") accordance with the General Circular No. 10/2022 and 11/2022 dated December 28, 2022 issued by Ministry of Corporate Affairs ("MCA") and SEBI Circular No. SEBI/HO/CFD/PoD-2/P/CIR/2023/4 Dated January 5, 2023 and other connected circulars, if any, mentioned therein.
Bank's Address for Correspondence	: The Karnataka Bank Ltd., Secretarial Department, Regd. & Head Office, Mahaveer Circle, Kankanady, Mangaluru-575002, Karnataka, India. Tel: +91-824-2228222, Email: investor.grievance@ktnbank.com Website: www.karnatakabank.com

B. Financial Calendar:

The financial year of the Bank is April to March. The financial results for the quarter/half year/year are generally published as under:

- a) Quarter ended 30th June, 2023 : July, 2023
- b) Quarter ending 30th September, 2023 : October, 2023
- c) Quarter ending 31st December, 2023 : January, 2024
- d) Quarter ending 31st March 2024 : May, 2024

C. Dividend:

The Board of Directors has recommended a dividend of ₹5.00 per share for the year ended March 31, 2023 (i.e., 50 % on paid up capital) and subject to the approval by the members at the AGM to be held on August 29, 2023 the same will be paid to the shareholders holding shares as on August 22, 2023 in respect of shares held both in physical form and in electronic form.

Dividend Payment Date: Between August 30, 2023 and September 03, 2023.

D. Year wise details of Unclaimed Dividend:

The following Table gives the position of unclaimed dividend for the past seven years as on March 31, 2023:

Year	Unclaimed dividend(₹)	Date of declaration	Last date for claiming dividend
2015-2016	80,26,625.00	28.07.2016	27.08.2023
2016-2017	79,48,332.00	17.07.2017	16.08.2024
2017-2018	63,67,788.00	21.07.2018	20.08.2025
2018-2019	75,43,070.50	07.08.2019	06.09.2026
2019-2020	No Dividend Declared due to restriction imposed by RBI for all banking companies.		
2020-2021	58,69,278.20	02.09.2021	02.10.2028
2021-2022	1,15,76,206.00	26.08.2022	26.09.2029

E. Demat Suspense Account: Pursuant to Schedule V of SEBI LODR, after sending three reminders to the shareholders at the latest available address, in respect of unclaimed shares, Bank had transferred these unclaimed shares to a separate Demat Suspense Account. The Voting rights on these shares shall remain frozen till such shares are claimed by the rightful owner. The summary of shares transferred and released in favour of shareholders is furnished below:

Particulars	No. of shareholders	Total Number of shares
1. Number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	480	80422
2. Shareholders who approached us for transfer of shares from suspense account during the year	9	2536
Less: Shareholders to whom shares were transferred from suspense account during the year	9	2536
3. Less: Shares transferred to IEPF	3	182
4. Number of shareholders and the outstanding shares in the suspense account lying at the end of the year (4=1-2-3)	468	77704

F. Transfer of unclaimed dividend to IEPF:

As per the provisions of Section 124 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (in short "IEPF rules"), the unclaimed dividend for the financial year 2014-15 of ₹77,73,430/- has been transferred on September 14, 2022 to the Investor Education and Protection Fund established by the Central Government.

G. Transfer of shares to IEPF:

Pursuant to Section 124(6) of the Act read with IEPF rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more are required to be transferred in the name of Investor Education and Protection Fund. Accordingly, 69,445 shares in respect of which the dividend for the FY 2014-15 had remained unclaimed for a period of seven years or more, were transferred to IEPF on September 15, 2022.

H. Listing of shares:

The shares of the Bank are listed on the following Stock Exchange.

ISIN	INE614B01018				
Scrip Code	Name of the Stock Exchange	Address			
NTKBANK	National Stock Exchange of India Ltd. (NSE)	Regd. O	xchand.	d a M	M

Prd. Coru

K. Dematerialization of shares:

As per the directives of SEBI, the equity shares of the Bank are compulsorily traded in dematerialized form by all categories of investors with effect from February 26, 2001. The Bank had entered into tripartite agreement with the depositories viz., National Securities Depositories Ltd. and Central Depositories Services (India) Ltd. and share transfer agent, for dematerialization of shares. The ISIN allotted for the shares of the Bank is INE614B01018. In view of the obvious benefits of holding the shares in demat form, over the period of time shareholders have converted their physical shares into electronic form and about 96.00 % of the equity shares of the Bank are in demat form as on March 31, 2023.

L. Stock Market Data

The shares of the Bank are traded on the Stock Exchanges only in dematerialized form as per the directives issued by Securities and Exchange Board of India (SEBI). The shares are regularly traded on NSE and BSE. The monthly high & low prices along with the volumes traded from April 01, 2022 to March 31, 2023 on the above Stock Exchanges are given below together with bench mark indices.

Trading statistics on NSE:

Month	Share price		No. of Shares Traded	NIFTY 50	
	High	Low		High	Low
Apr 2022	65.25	55.65	30434070	18114.65	16824.70
May 2022	67.65	57.70	26628331	17132.85	15735.75
June 2022	68.40	62.90	20876747	16793.85	15183.40
July 2022	72.60	64.55	20912224	17172.80	15511.05
Aug 2022	81.50	70.80	36620847	17992.20	17154.80
Sep 2022	91.35	72.60	59789472	18096.15	16747.70
Oct 2022	97.65	77.30	43332407	18022.80	16855.55
Nov 2022	149.90	92.60	245640806	18816.05	17959.20
Dec 2022	168.50	128.25	100681405	18887.60	17774.25
Jan 2023	162.00	131.25	24070374	18251.95	17405.55
Feb 2023	154.80	133.70	25152984	18134.75	17255.20
Mar 2023	158.00	124.50	27225667	17799.95	16828.35

Trading statistics on BSE:

Month	Share price		No. of Shares Traded	S&P BSE SENSEX	
	High	Low		High	Low
Apr 2022	65.20	55.70	3692481	60845.10	56009.07
May 2022	67.65	57.75	2837561	57184.21	52632.48
June 2022	68.30	62.90	2620439	56432.65	50921.22
July 2022	72.55	64.60	2483931	57619.27	52094.25
Aug 2022	82.00	70.45	3633169	60411.20	57367.47
Sep 2022	91.35	72.85	6262543	60676.12	56147.23
Oct 2022	97.65	76.55	4268686	60786.70	56683.40
Nov 2022	149.90	92.25	17460403	63303.01	60425.47
Dec 2022	168.50	128.30	10380156	63583.07	59754.10
Jan 2023	162.00	129.35	2366477	61343.96	58699.20
Feb 2023	154.75	133.75	2572305	61682.25	58795.97
Mar 2023	158.00	124.10	2528139	60498.48	57084.91

M. Distribution of shareholding as on March 31, 2023:

Category of Shareholders	No. of Shares held at the beginning of the year (i.e. as on April 1, 2022)				No. of Shares held at the end of the year (i.e. as on March 31, 2023)				% change during the year
	Physical	Demat	Total no. shares held	% of Total Shares	Physical	Demat	Total no. shares held	% of Total Shares	
Sub Total B1	0	16627913	16627913	5.34	0	17926177	17926177	5.74	7.49
B2) Institutions (Foreign)	0	0	0	0	0	0	0	0.00	0
Foreign Portfolio Investors Category I	0	37086547	37086547	11.92	0	61512662	61512662	19.69	65.18
Foreign Portfolio Investors Category II					0	1918883	1918883	0.61	0
Sub Total B2	0	37086547	37086547	11.92	0	63431545	63431545	20.31	70.39
B3) Central Government/ State Government(s)/ President of India									
B4) Non-Institutions									
Directors and their relatives (excluding independent directors and nominee directors)	0	112490	112490	0.04	0	208490	208490	0.07	75.00
Key Managerial Personnel	0	5526	5526	0.00	3630	265	3895	0.00	0
Investor Education and Protection Fund (IEPF)	0	941021	941021	0.30	0	1008297	1008297	0.32	6.67
Resident Individuals holding nominal share capital up to ₹ 2 lakhs	12402140	127796908	140199048	45.06	11141794	110018558	121160352	38.79	-13.91
Resident Individuals holding nominal share capital in excess of ₹ 2 lakhs	1126721	92684552	93811273	30.15	970142	84735036	85705178	27.44	-8.99
Non Resident Indians (NRIs)	5500	9028982	9034482	2.90	5500	7945760	7951260	2.55	-12.07
Bodies Corporate	245039	11808668	12053707	3.87	238983	14264003	14502986	4.64	19.90
Any Other	0	1291853	1291853	0.42	118255	326186	444441	0.14	0
Clearing Members	0	1203833	1203833	0.39	0	225485	225485	0.07	-82.05
Trusts	0	7598	7598	0.00	0	8678	8678	0.00	0
Unclaimed or Suspense or Escrow Account	0	80422	80422	0.03	118255	92023	210278	0.07	133.33
Sub Total B4	13779400	243670000	257449400	82.74	12478304	218506595	230984899	73.95	-10.62
B=B1+B2+B3+B4	13779400	297384460	311163860	100.00	12478304	299864317	312342621	100.00	0.00

ii) **Shareholding of Promoters:** Not applicable as the Bank does not have any promoters in control of the management.

iii) **Shareholding Pattern of top ten Shareholders other than directors, promoters, holders of ADR/GDR**

Sl. No.	Name	At the beginning of the year		Change in Shareholding (No. of Shares) Increase/ (Decrease)	At the end of the year	
		No. of shares	% to total shares of the Bank		No. of shares	% to total shares of the Bank
1.	Life Insurance Corporation of India	1,45,58,513	4.68	0	1,45,58,513	4.66
2.	B Sumanthkumar Reddy & Relatives	1,29,40,537	4.16	-12,36,578	1,17,03,959	3.75
3.	Zeal Global Opportunities Fund	0	0	+77,78,000	77,78,000	2.49
4.	LSV Emerging Markets Equity Fund LP	43,32,240	1.39	0	43,32,240	1.39
5.	Zinnia Global Fund	0	0	+38,18,585	38,18,585	1.22
6.	Sreenadha Reddy Nayani	36,32,334	1.17	-3,999	36,28,335	1.16
7.	Acadian Emerging Markets Small Cap Equity Fund LIC	31,37,201	1.01	+3,96,562	35,33,763	1.13
8.	Venkata Seshamma Naidu	19,53,248	0.63	+7,49,237	27,02,485	0.87
9.	Societe Generale	3,285	0	+25,92,431	25,95,716	0.83
10.	Vivek Chand Burman	21,67,500	0.69	0	21,67,500	0.69

Note: Since the substantial portion of the shares are held and traded in demat form, date wise increase or decrease is not available.

iv) **Shareholding of Directors & Key Managerial Personnel as on March 31, 2023:**

Sl. No	The Director and KMP (Messrs./Mrs.)	At the beginning of the year		Date-wise increase/ decrease during the year	Reasons for increase/ decrease	Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company			No of shares	% of total shares of the Company
Directors:							
1.	P Pradeep Kumar	3410	0.00	Nil	NA	3410	0.00
2.	Mahabaleshwara M S	96178	0.00	96000 ^{\$}	ESOP ^{\$}	192178	0.06
3.	Sekhar Rao	NIL	0.00	Nil		NIL	0.00
4.	Keshav K Desai	11000	0.00	Nil	NA	11000	0.00
5.	B R Ashok	1650	0.00	Nil		1650	0.00
6.	Justice A V Chandrashekar	500	0.00	Nil		500	0.00
7.	Uma Shankar	1000	0.00	Nil		1000	0.00
8.	Dr. D S Ravindran	400	0.00	Nil		400	0.00
9.	Balakrishna Alse S	500	0.00	Nil		500	0.00
10.	Jeevandas Narayan	200	0.00	Nil		200	0.00
11.	K Gururaj Acharya	2842	0.00	Nil		2842	0.00
Key Managerial Personnel							
1.	Abhsihek Bagchi, Chief Financial Officer	NA	NA	NA	NA	0	0.00
2.	Sham K Company Secretary	NA	NA	NA	NA	3895	0.00

*21000 shares allotted on 20.07.2022 and 75000 shares allotted on 02.02.2023

O. Subordinated Bonds:

The Bonds of the Bank are listed on the following Stock Exchange.

Name of the Stock Exchange	Address
National Stock Exchange of India Ltd.- Debt Market Segment	Regd. Office: Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai- 400051

The Bank has paid the annual listing fees for the year 2022-23 to the above Stock Exchange.

ISIN

Particulars	Series V	Series VI	Series VII
ISIN at NSDL/CDSL	INE614B08039	INE614B08047	INE614B08054

During the year under report, Bank has redeemed bonds issued under Series IV under ISIN number INE614B08021 of ₹ 250.00 crore upon maturity i.e., on 17.11.2022.

Debenture Trustees:

In respect of the subordinated debt instruments outstanding as on March 31, 2023, the Bank has appointed IDBI Trusteeship Services Ltd as the Debenture Trustee for Bonds issued by the Bank under Series V and VI and Beacon Trusteeship Limited for the Bonds issued by the Bank under Series VII and their contact details are as follows.

IDBI Trusteeship Services Ltd	Beacon Trusteeship Limited
Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400001 Tel: 91 022 4080 7001 Fax: 91 022 66311776 Email: itsl@idbitrustee.co.in Website: www.idbitrustee.com	4C & D , Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Bandra East, Mumbai 400051 Tel: +91 22 26558759 Email: compliance@beacontrustee.in Website: https://beacontrustee.co.in/

Credit Ratings: Tier 2 Bonds:

Series	Face Value	Coupon Rate p.a.*	Date of Issue	Tenor (Years)	Amount (₹. in Cr.)	Credit Rating		Outlook
						CARE	ICRA	
Series V	₹1 Lakh	12.00%	16.11.18	10	400.00	CARE "A"	ICRA "A"	Stable
Series VI	₹1 Lakh	12.00%	18.02.19	10	320.00	CARE "A "	ICRA "A "	Stable
Series VII	₹1 crore	10.70%	30.03.22	10	300.00	CARE "A "	ICRA "A "	Stable

*Bank has paid interest on these debt instruments on time since the issue of respective debt instruments as per the terms of the issue.

P. Change in Senior Management: During the Financial Year 2022-23, below mentioned changes has taken place in the Senior Management of the Bank:

i) Appointment

Sr No	Name Mr.	Designation	Date of Appointment
1	Raghuram H S	Chief Risk Officer	08-06-2022
2	Ananthapadmanabha B	General Manager & CTO	01-09-2022
3	Ramesh Bhat	General Manager	01-09-2022
4	Jayanagaraja Rao S	General Manager & CLO	01-09-2022
5	Sham K	Company Secretary & Compliance Officer	27-02-2023
6	Abhishek Sankar Bagchi	Chief Financial Officer	02-03-2023

ii) Cessation/Resignation/Superannuation

Sr No	Name Mr.	Designation	Date of Cessation/Resignation/Superannuation	Reason
1	Chandrashekar Rao B	General Manager	31-07-2022	Superannuation
2	Rajakumar P H	General Manager	31-08-2022	Superannuation
3	Nagaraja Rao B	General Manager	31-08-2022	Superannuation
4	Ramesh S	General Manager	31-01-2023	Superannuation
5	Mahalingeshwara K	General Manager	31-03-2023	Superannuation
6	Prasanna Patil	Company Secretary & Compliance Officer	31-08-2022	Resignation
7	Muralidhar Krishna Rao	Chief Financial Officer	01-03-2023	Completion of Term

Q. Other Disclosures (as per Schedule V of SEBI LODR)

- 1. Compliance with Corporate Governance requirements:** The Bank has been complying with requirements of Corporate Governance as stipulated under Regulations 17-27 read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and a report on corporate Governance in the prescribed format has been submitted to the Stock Exchange every quarter.
- There were no materially significant transactions entered into by the Bank with its directors, management or relatives conflicting with the interest of the Bank at large during the year ended March 31, 2023. Further, it is declared that all the directors and senior management personnel have affirmed the compliance to the code of conduct laid down by the Bank.

The policy on dealing with related party transactions is available on the Bank's website at <https://karnatakabank.com/sites/default/files/2022-12/Policy%20on%20related%20Party%20Transaction.pdf>

3. STATUTORY NON-COMPLIANCE, PENALTIES AND STRICTURES DURING THE LAST THREE YEARS:

₹in Crore

Name of the Authority	2022-23	2021-22	2020-21
SEBI	NIL	NIL	NIL
BSE/NSE	NIL	NIL	NIL
RBI	NIL	1.00 [^]	NIL
Other Statutory Authority	NIL	NIL	NIL

[^]The Reserve Bank of India imposed a monetary penalty of ₹1.00 Crore (Rupees one crore only) on the Bank for contravention of the directions contained in RBI Circulars on 'Lending to Non-Banking Financial Companies (NBFCs)' and 'Bank Finance to Non-Banking Financial Companies (NBFCs)' while sanctioning credit facilities to M/s. Infrastructure Leasing and Financial Services Ltd.(IL&FS) and its group companies. However, the Bank had already made full loan provision, there was no other financial impact other than the penalty amount.

4. Commodity Price Risk or Foreign Exchange Risk and hedging activities:

The risks and concerns and mitigation measures are discussed in detail in the Directors Report.

5. Vigil Mechanism: Details as per Clause 10(c) of Shedule V of SEBI LODR are furnished in the Directors Report.

6. Policy for determining material subsidiary:

Bank has no material subsidiary as per definition prescribed under Regulation 16(1)(c) of SEBI LODR Regulations and the Policy for determining material subsidiary is available at <https://karnatakabank.com/sites/default/files/202212/Policy%20on%20related%20Party%20Transaction.pdf>

7. Details of fees paid to the Statutory Auditors for FY 2022-23:

The total fees incurred by the Bank and its subsidiary on a consolidated basis for services rendered by the Statutory Auditors is given below:

Particulars	Amount (₹ Crore)*
Audit Fee	2.65
Reimbursement of Expenses	0.05
Certification charges	0.15
Total	2.85

*Excluding Goods and Service Tax

8. Disclosure in relation to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Particulars	No. of cases
Number of complaints pending as at the beginning of the financial year	Nil
Number of complaints filed during the financial year	Nil
Number of complaints disposed during the financial year	Nil
Number of complaints pending as at end of the financial year	Nil

9. Non-mandatory (Discretionary) requirements:

The compliance statuses of Non-mandatory requirements were as under:

Requirements	Compliance status
A non-executive Chairman may be entitled to maintain a Chairman's office at the company's expense and also allowed reimbursement of expenses incurred in performance of his duties.	The Bank has provided a separate office to the Part Time Chairman at its Registered & Head office, Mangaluru and at its Bull Temple Road Office, Bengaluru. The Chairman is entitled to allowances such as Travelling / Halting allowances etc. as paid to other directors.
Shareholders Rights: A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders.	In addition to the mandatory exchange / newspaper publications on the financial results in terms of Regulation 30 of SEBI LODR, Bank has been disseminating corporate communications periodically about financial results or major events etc., on a voluntary basis to the shareholders whose email ids are registered and such communications are also hosted on Bank's website for information of the shareholders.
Modified opinion(s) in audit report: Company may move towards a regime of unmodified financial statements.	There were no audit qualifications.
Reporting of Internal Auditor (The Internal auditor may report directly to the Audit Committee)	Complied with. Bank follows guidelines issued by Reserve Bank of India in the matter of Risk Based Internal Audit and has put in place policies for ensuring compliance with the requirements.

COMPLIANCE WITH THE CODE OF CONDUCT

I confirm that all Directors and members of the Senior Management have affirmed compliance with the Bank's Code of Conduct for the year ended 31st March 2023.

Sd/-
Sekhar Rao
Managing Director & CEO (interim)

Place: Mangaluru
Date: 26.05.2023

Annexure 5

FORM MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2023

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014]

To,
The Members,
The Karnataka Bank Limited,
CIN: L85110KA1924PLC001128
Regd. and Head Office,
P.B.No.599, Mahaveera Circle, Kankanady,
Mangalore, Karnataka - 575002

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by "The Karnataka Bank Limited" (hereinafter called the "Bank"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on 31st March 2023 (April 01, 2022 to March 31, 2023), complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed, and other records maintained by the Bank for the financial year ended on 31st March 2023, according to the provisions of:

- i. The Companies Act, 2013 ('the Act') and the Rules made thereunder and the relevant provisions of The Companies Act, 1956;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Byelaws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- v. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosures Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Benefits Employee Benefits and Sweat Equity) Regulations, 2021;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - Not Applicable as the Bank is not registered as Registrar to an Issue and Share Transfer Agent during the financial year under review;

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; – Not Applicable as the Bank has not delisted its equity shares from any Stock Exchange during the financial year under review; and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; - Not Applicable as the Bank has not bought back / proposed to buyback any of its securities during the financial year under review.

vi. The following key / significant laws is specifically applicable to the Bank:-

The Bank has complied with the provisions of the Banking Regulation Act, 1949 ("BR Act"), Master Circulars, Notifications, Guidelines and other directions pertaining to commercial banking issued by the Reserve Bank of India (RBI) from time to time. Further, the Bank has complied with other applicable general business laws, rules, regulations and guidelines.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI)
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Limited;

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:-

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and BR Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting; and

As per the minutes of the meetings, the decisions of the Board were taken unanimously.

We further report that based on review of compliance mechanism established by the Bank and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

As informed, the Bank has responded to notices for demands, claims, penalties etc. levied by various statutory / regulatory authorities and initiated actions for corrective measures, wherever necessary / applicable.

We further report that during the audit period there were following specific events / actions having major bearing on Bank's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards etc.:

- i. The Bank has allotted 11,78,761 Equity Shares of ₹ 10/- each under KBL Employee Stock Option Scheme 2018 (ESOS 2018) of the Bank.

There were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines etc., having a major bearing on the Bank's affairs.

For BMP & Co. LLP,
Company Secretaries

Place: Bangalore
Date: 03rd August 2023

Pramod S M
Partner
FCS No: 7834 CP No: 13784
UDIN: F007834E000729841
PR No.: 736/2020

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

To,
The Members,
The Karnataka Bank Limited,
CIN: L85110KA1924PLC001128
Regd. and Head Office,
P.B.No.599, Mahaveera Circle, Kankanady,
Mangalore, Karnataka - 575002

Our report of even date is to be read along with this letter:

1.

CERTIFICATE ON NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members,
The Karnataka Bank Limited,

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of The Karnataka Bank Limited having CIN: L85110KA1924PLC001128 and having registered office at P.B.NO.599, Mahaveera Circle, Kankanady, Mangalore, Karnataka – 575002, IN (hereinafter referred to as 'the Bank'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C sub-clause 10 (i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Director Identification Number status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank & its Officers, we hereby certify that none of the Directors on the Board of the Bank as stated in table below for the Financial Year ended on March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of the Director	DIN	Date of Appointment
1.	Panja Pradeep Kumar	03614568	19/08/2020
2.	*Mavinakudige Subramanyabhatta Mahabaleshwara	07645317	15/04/2017
3.	Keshav Krishnarao Desai	07427621	19/02/2016
4.	Balebail Rajagopal Ashok	00415934	27/08/2019
5.	Arakalgud Venkataramaiah Chandrashekar	08829073	19/08/2020
6.	Uma Shankar	07165728	01/11/2020
7.	Devarayasamudram Srinivasan Ravindran	09057128	01/04/2021
8.	Balakrishna Alse Shettwalli	08438552	26/05/2021
9.	Jeevandas Narayan	07656546	26/04/2022
10.	Kalmanje Gururaj Acharya	02952524	26/04/2022
11.	Sekhar Sridhar Rao	06830595	01/02/2023

(*Note: Mr. Mavinakudige Subramanyabhatta Mahabaleshwara ceased to be the Managing Director & CEO of the Bank with effect from 15th April 2023 upon completion of his tenure i.e., after the closure of financial year 2022-23).

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For BMP & Co. LLP,
Company Secretaries

Place: Bangalore
Date: 03rd August 2023

Pramod S M
Partner
FCS No: 7834 CP No: 13784
UDIN: F007834E000729874
PR No.: 736/2020

ANNEXURE-6

COMPLIANCE CERTIFICATE

[Pursuant to Regulation 13 of the Securities Exchange Board of India
(Share Based Employee Benefits and Sweat Equity) Regulations, 2021]

To,
The Members,
The Karnataka Bank Limited,
CIN: L85110KA1924PLC001128
Regd. and Head Office,
P.B.No.599, Mahaveera Circle, Kankanady,
Mangalore, Karnataka - 575002

We, BMP & Co. LLP, Company Secretary in Practice, have been appointed as the Secretarial Auditor vide a resolution passed at its meeting held on 21st September 2022 by the Board of Directors of The Karnataka Bank Limited (hereinafter referred to as "the Bank"), having CIN: L85110KA1924PLC001128 and having its Registered Office at P.B. NO. 599, Mahaveera Circle, Kankanady, Mangaluru - 575002, Karnataka, India, This certificate is issued under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "the Regulations"), for the year ended 31st March 2023.

Management Responsibility:

It is the responsibility of the Management of the Bank to implement the Scheme(s) including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Verification:

The Bank has implemented KBL Employee Stock Option Scheme 2018 (ESOS 2018) in accordance with the Regulations and the Special Resolution passed by the members at the General Meeting of the Bank held on July 21, 2018. Further, the Bank has also implemented the Karnataka Bank Employees Stock Option Scheme, 2023 (ESOS 2023) in accordance with the Regulations and the Special Resolution passed by the members through Postal Ballot on March 30, 2023 ("ESOP Schemes").

For the purpose of verifying the compliance of the Regulations, we have examined the following, as applicable:

1. Scheme(s) received from/furnished by the Company;
2. Articles of Association of the Company;
3. Resolutions passed at the meeting of the Board of Directors;
4. Shareholders' resolutions passed at the General Meeting(s);
5. Shareholders' resolution passed at General Meetings w.r.t variation in the scheme (if any) – Not Applicable;
6. Shareholders' resolution passed at General Meeting w.r.t approval for implementing the scheme(s) through a trust(s) – Not Applicable;
7. Minutes of the meetings of the Nomination and Remuneration Committee;
8. Trust Deed – Not Applicable;
9. Details of trades in the securities of the Bank executed by the trust through which the scheme is implemented – Not Applicable;
10. Relevant Accounting Standards as prescribed by the Central Government;

11. Detailed terms and conditions of the scheme as approved by Nomination and Remuneration Committee;
12. Bank Statements towards Application Money received under the scheme(s);
13. Valuation Report;
14. Exercise Price / Pricing formula;
15. Statement filed with recognised Stock Exchange(s) in accordance with Regulation 10 of these Regulations;
16. Disclosure by the Board of Directors;
17. Relevant provisions of the Regulations, Companies Act, 2013 and Rules made thereunder;
18. Other relevant document / filing / records / information as sought and made available to us and the explanations provided by the Company.

Certification:

In our opinion and to the best of our knowledge and according to the verifications as considered necessary and explanations furnished to us by the Company and its Officers, we certify that the Company has implemented the ESOP Schemes in accordance with the applicable provisions of the Regulations and resolution(s) of the Company in the General Meeting(s) and through postal ballots, as the case may be.

Assumption & Limitation of Scope and Review:

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

For BMP & Co. LLP,
Company Secretaries

Place: Bengaluru
Date: 03rd August 2023

CS Pramod S M
Partner
FCS No: 7834 CP No: 13784
UDIN: F007834E000729775
PR Certificate No.: 736/2020

Annexure 7

The ratio of the remuneration of each director to the median employees' remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	MD & CEO : 13.86x Non-Executive Chairman : 1.69x Executive Director** : 1.31x (w.e.f. 01.02.2023)
(ii) the percentage increase in remuneration of each director, Chief Financial Officer(CFO), Chief Executive Officer (CEO), Company Secretary (CS) or Manager, if any, in the financial year	MD & CEO: The remuneration paid to MD & CEO during the FY 2022-23 has increased by 6.93%. Non-Executive Chairman: The remuneration of ₹ 0.15 crore is paid for the FY 2022-23 and there is no change. Executive Director: Mr. Sekhar Rao is paid a fixed remuneration of ₹0.72 crore with a target variable pay upto 200% of fixed remuneration as per the approval received from RBI. Chief Financial Officer: Mr. Muralidhar Krishna Rao who was the CFO upto 01.03.2023 was paid a remuneration of ₹ 0.33 crore. Mr. Abhishek Sankar Bagchi, took charge as CFO from 02.03.2023 and a remuneration of ₹0.04 crore is paid to him. Company Secretary: The remuneration of the CS is as per the industry level settlement. However, due to appointment of a new incumbent in a higher grade (i.e., DGM) to the said post, there was an increase in the remuneration payable.
iii) the percentage increase in the median remuneration of employees in the financial year	Increase in the median remuneration of employees in the financial year was 6.44 %.
(iv) the number of permanent employees on the rolls of company	8652
viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	During the FY 2022-23, there was an increase of 5.02% in the average salaries of all employees (other than managerial personnel) as per industry level settlements and normal annual increments and increase in Dearness Allowance which is linked to the consumer price index and paid across the banks as per the industry level wage pact.
x) the key parameters for any variable component of remuneration availed by the directors;	As per the Bank's Compensation Policy, the maximum permissible variable pay of Managing Director & CEO is up to 200% of the fixed pay which is arrived at as per the quantitative and qualitative parameters prescribed in the Policy and after due evaluation of performance by the Nomination & Remuneration Committee and the Board of Directors. Further, payment of variable pay is subject to prior-approval of Reserve Bank of India. Also, the variable pay is subject to malus and claw back as well as deferral arrangements.

(xii) affirmation that the remuneration is as per the Yes. It is confirmed.

Remuneration policy of the company. Explanation.-
 For the purposes of this rule.-(i) the expression
 "median" means the numerical value separating
 the higher half of a population from the lower half
 and the median of a finite list of numbers may be
 found by arranging all the observations from lowest
 value to highest value and picking the middle one;
 ii) if there is an even number of observations, the
 median shall be the average of the two middle
 values.

*clauses (v), (vi), (vii) and (ix) to (xi) omitted by MCA notification

**based on remuneration for the full year, the ratio works out to 8.09x

INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members of

The Karnataka Bank Limited

1. This Certificate has been issued in accordance with the terms of our engagement letter dated September 08, 2022.
2. We have examined the compliance of conditions of Corporate Governance by The Karnataka Bank Limited ('the Bank'), for the financial year ended on March 31, 2023, as stipulated in Regulation 17 to 27 and clauses (b) to (i) of sub regulation (2) of regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, as amended from time to time ('Listing Regulations').

Management's Responsibility

3. The compliance of conditions of Corporate Governance as stipulated under the listing regulations is the responsibility of the management including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance as stipulated in the Listing Regulations.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Bank has complied with the conditions of Corporate Governance as specified in the Listing Regulations referred to in paragraph 2 above for the year ended March 31, 2023.
5. Our responsibility is limited to examining the procedures and implementation thereof adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.
6. We have examined the relevant records maintained by the Bank for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Bank.
7. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India ('ICAI'), the Standards on Auditing specified under section 143 (10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

9. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that, the Bank has complied, with the conditions of Corporate Governance as stipulated in above mentioned Listing Regulations as applicable during the year ended March 31, 2023.
10. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

Restrictions on use:

11. This Certificate is addressed and provided to the members of the Bank solely for the purpose of enabling the Bank to comply with the requirement of the Listing Regulations and should not be used by any other party or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other party to whom this Certificate is shown or into whose hands it may come, without our prior consent in writing. We have no responsibility to update this Certificate for any events or circumstances occurring after the date of this Certificate.

For Kalyaniwalla & Mistry LLP

Chartered Accountants
 (Firm Registration No.: 104607W/W100166)

Anil A. Kulkarni

Partner
 Membership No.: 047576
 UDIN: 23047576BGUVHX7327
 Mangaluru; August 3, 2023
 Certificate No: JSA/KBL/2023-24/020

For Sundaram & Srinivasan

Chartered Accountants
 (Firm Registration No. 004207S)

P Menakshi Sundaram

Partner
 Membership No. 217914
 UDIN: 23217914BGWPGV7005
 Chennai; August 3, 2023

ANNEXURE-8

BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORT

SECTION A: GENERAL DISCLOSURES

I. DETAILS OF THE LISTED ENTITY

1. Corporate Identity Number (CIN)	L85110KA1924PLC001128
2. Name of the Listed Entity	THE KARNATAKA BANK LIMITED
3. Year of incorporation	1924
4. Registered office address	Regd. & Head Office, Post Box No. 599, Mahaveera Circle, Kankanady, Mangaluru-575002 Karnataka, India.
5. Corporate address	Same as above.
6. E-mail	info@ktnbank.com
7. Telephone	+91-824-2228222
8. Website	www.karnatakabank.com
9. Financial year for which reporting is being done	2022-23
10. Name of the Stock Exchange(s) where shares are listed	BSE Limited (Equity Shares) National Stock Exchange of India Ltd
11. Paid-up Capital (as on 31.03.2023)	₹ 312.34 crore
12. Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	Mr. Sham K, Company Secretary and Compliance Officer Tel: +91-824-2228182 Email: shamk@ktnbank.com comsec@ktnbank.com
13. Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together).	Consolidated.

II. PRODUCTS/SERVICES:

Note: 'Turnover' in this section refers to Gross Revenue of the Bank for the FY.

14. Details of business activities (accounting for 90% of the turnover):

Sl. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	Banking (Financial and Insurance Services-Activity Code-K1)	Banking activities by Central, Commercial Bank	100%

15. Products /Services sold by the entity (accounting for 90% of the entity's Turnover):

Sl. No.	Product/Service	NIC Code	% of total Turnover contributed
	Banking Services	64191	100

III. OPERATIONS:

16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	NA	Branches : 901 Offices : 37 Offsite ATM/Recyclers: 586	Branches : 901 Offices : 37 Offsite ATM/ Recyclers: 586
International	Nil	Nil	Nil

17. Markets served by the entity:

a. Number of locations

Locations	Number
National (No. of States/Union Territory)	States: 22 UTs: 2
International (No. of Countries)	NIL

b. What is the contribution of exports as a percentage of the total turnover of the entity?

Not applicable.

c. A brief on types of customers:

The Bank caters to a diverse customer base –including individuals, government, MSMEs, large corporate, farmers etc.,

IV. EMPLOYEES

18. Details as at the end of Financial Year:

a. Employees and workers (including differently abled):

S. No	Particulars	Total (A)	Male		Female	
			No. (B)	%(B / A)	No.(C)	% (C / A)
EMPLOYEES						
1.	Permanent (D)	8644	6000	69.41%	2644	30.59%
2.	Other than Permanent (E)	8	8	100%	0	0%
3.	Total employees (D + E)	8652	6008	69.44%	2644	30.56%
WORKERS						
4.	Permanent (F)	NIL	NIL	NIL	NIL	NIL
5.	Other than Permanent (G)	NIL	NIL	NIL	NIL	NIL
6.	Total workers (F + G)	NIL	NIL	NIL	NIL	NIL

b. Differently abled Employees and workers:

S. No	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No.(C)	% (C / A)
DIFFERENTLY ABLED EMPLOYEES						
1.	Permanent (D)	28	24	85.71%	4	14.28%
2.	Other than Permanent (E)	0	0	0	0	0
3.	Total employees (D + E)	28	24	85.71%	4	14.28%
DIFFERENTLY ABLED WORKERS						
4.	Permanent (F)	NA	NA	NA	NA	NA
5.	Other than Permanent (G)	NA	NA	NA	NA	NA
6.	Total workers (F + G)	NA	NA	NA	NA	NA

19. Participation/Inclusion/Representation of women

Particulars	Total (A)	No. and percentage of Females	
		No. (B)	% (B / A)
Board of Directors	11	1	9.09%
Key Management Personnel	3	0	0%
Other categories of employees	8652	2644	30.56%

20. Turnover rate for permanent employees and workers

	FY 2022-2023			FY 2021-2022			FY 2020-2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees (With-out Superannuation / Retirement)	1.70%	0.45%	2.16%	1.54%	0.37%	1.90%	1.29%	0.62%	1.90%
Permanent Workers	NA	NA	NA	NA	NA	NA	NA	NA	NA

V. HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (INCLUDING JOINT VENTURES)**21. (a) Names of holding / subsidiary / associate companies / joint ventures**

S. No.	Name of the holding/ subsidiary/ associate companies /joint ventures (A)	Indicate whether holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business responsibility initiatives of the listed entity? (Yes/No)
1	KBL Services Ltd	Wholly Owned Non-Financial Services Subsidiary	100%	Yes

VI. CSR DETAILS:

22. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes
 (ii) Turnover : ₹ 1,47,319.63 Crore(Audited).
 (iii) Net worth : ₹ 7702.92 Crore (Audited)

VII. TRANSPARENCY AND DISCLOSURES COMPLIANCES:**23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:**

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/ No) (If Yes, then provide web-link for grievance redress policy)	FY 2022-2023			FY 2021-2022		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	NA	NA	NA	NA	NA	NA	NA
Investors (other than shareholders)	YES	0	0	0	0	0	0

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy)	FY 2022-2023			FY 2021-2022		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Shareholders	Yes#	12	NIL		15	NIL	
Employees	Yes^	NIL	NIL		NIL	NIL	
Customers	https://karnataka.bank.com/policies	1787*	401		2317*	312	
Value Chain Partners	NA						
Other	NIL						

*ATM complaints numbering 54,538 is excluded for the year 2022-2023.

*ATM complaints numbering 38,837 is excluded for the year 2021-2022.

#Shareholders/Investors can reach us on the dedicated email id investor.grievance@ktkbank.com to redress their grievances, if any.

^Employees can reach HR & IR Department by telephone, e-mail, letter and in person also to redress grievances, if any.

Summary Information on Complaints Received by the Bank from Customers and from the Office of Banking Ombudsman				
Sl. No.		Particulars	Current Year 2022-23	Previous Year 2021-22
Complaints received by the bank from its customers				
1		Number of complaints pending at the beginning of the year	312	458
2		Number of complaints received during the year	56325	41154
3		Number of complaints disposed during the year	56236	41300
	3.1	Of which, number of complaints rejected by the bank	53	6
4		Number of complaints pending at the end of the year	401	312
Maintainable complaints received by the bank from OBOs				
5		Number of maintainable complaints received by the bank from OBOs	363	374
	5.1	Of 5, number of complaints resolved in favour of the bank by BOs	326	337
	5.2	Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by BOs	37	21
	5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	Nil	Nil
6		Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 [Previously Banking Ombudsman Scheme, 2006] and covered within the ambit of the Scheme.

Top Five Grounds of Complaints Received by the Bank from Customers					
Grounds of Complaints [i.e., complaints relating to]	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Current Year [2022-23]					
ATM/Debit Cards	256	54761	40.01	376	0
Internet/Mobile/Electronic Banking	14	822	-18.05	8	4
Loans and advances	24	200	-39.03	7	0
Levy of charges without prior notice/excessive charges/foreclosure charges	1	91	9.64	0	0
Facilities for customers visiting the branch/adherence to prescribed working hours by the branch etc.	1	78	-2.50	1	1
Others [Apart from top 5 complaints]	16	373	-12.87	9	0
Total	312	56325		401	5
Previous Year [2021-22]					
ATM/Debit Cards	435	39113	-1.35	256	1
Internet/Mobile/ Electronic Banking	6	1003	25.53	14	1
Loans & Advances	3	328	5.81	24	4
Others	4	206	-53.18	6	1
Levy of charges without prior notice/excessive	3	83	-62.27	1	0
Others [Apart from top 5 complaints]	7	421	93.12	11	4
Total	458	41154		312	11

24. Overview of the entity's material responsible business conduct issues.

S. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
	Not Applicable				

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

Disclosure Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Policy and management processes									
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	Yes								
c. Web Link of the Policies, if available.	Provided in a separate table in Annexure.								
2. Whether the entity has translated the policy into procedures. (Yes / No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	N	N	N	N	N	N	N	N	N

4. Name of the national and international codes/certifications/labels/standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	Some of the departments of the Bank are ISO accredited viz., Risk Management (ISO 9001:2015), HR & IR (ISO 9001:2015) and Information Technology DC & NLS (ISO 27001:2013).
5. Specific commitments, goals and targets set by the entity with defined timelines, if any.	Nil, being the first year of implementation of ESG principles.
6. Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.	Not Applicable, being the first year of implementation of ESG principles.

Governance, leadership and oversight

7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure)	Bank has a well-articulated Board approved ESG policy. Accordingly, we lend/invest in key sectors such as MSME and Agriculture, Infrastructure, Power (including Solar and Wind), manufacturing, etc., demonstrating our resolve to provide responsible and sustainable finance. Bank continues to prioritize lending to businesses with robust environmental and social management systems that enable early identification of risks and impacts and their effective mitigation.
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).	ESG Committee of Executives oversees implementation of Bank's Business Responsibility Policy (presently called ESG Policy).
9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.	Yes. Risk and Capital Management Committee (RCMC) of the Board is the Committee which takes decision on sustainability related issues.
10. Details of Review of NGRBCs by the Company:	No review is carried out being first year of implementation. Going forward a periodical review mechanism will be put in place.
11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	No. However, all policies of the Bank have been developed after detailed consultation and are evaluated internally.

12. If answer to question (1) above is "No" i.e. not all Principles are covered by a policy, reasons to be stated:

Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
The entity does not consider the Principles material to its business (Yes/No)	Not Applicable								
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
The entity does not have the financial or/human and technical resources available for the task (Yes/No)									
It is planned to be done in the next financial year (Yes/No)									
Any other reason (please specify)									

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

1. Percentage coverage by training and awareness programmes on any of the Principles during the financial year:

Segment	Total number of training and awareness programmes held	Topics / principles covered under the training and its impact	%age of persons in respective category covered by the awareness programmes
Board of Directors	Nil	Nil	Nil
Key Managerial Personnel	Nil	Nil	Nil
Employees other than BoD and KMPs	117		27.93%
Workers	NA	NA	NA

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings(by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format

Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine fee	NIL	NIL	NIL	NIL	NIL
Settlement	NIL	NIL	NIL	NIL	NIL
Compounding fee	NIL	NIL	NIL	NIL	NIL

Non-Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed:

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
NIL	NIL

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

Yes,

There is a whistle blower policy and the same is available on Bank's website. The link <https://karnatakabank.com/sites/default/files/2023-06/Policy%20on%20Whistle%20Blower%202023-24.pdf>

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

	FY2022-2023	FY2021-2022
Directors	NIL	NIL
KMPs	NIL	NIL
Employees	NIL	NIL
Workers	NA	NA

6. Details of complaints with regard to conflict of interest:

	FY 2022-2023		FY2021-2022	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	NIL	NA	NIL	NA
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	NIL	NA	NIL	NA

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.: Not Applicable
PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe:
1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	2022-23	2021-22	Details of improvements in environmental and social impacts
R&D	Not applicable given the sector	NA	NA
Capex	Not Applicable being a financial services.	NA	NA

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No) Yes
b. If yes, what percentage of inputs were sourced sustainably?

No, Being in the Financial Services sector, inputs purchased for operations is not significant except for paper. For procurement of equipment, the Bank ensures that energy efficiency standards are considered during the purchase of electronic equipment such as computers, laptops, lighting devices, ACs etc.,

3. Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste, and (d) other waste.

(a) Plastics (including packaging): Not Applicable

(b) E-waste and (c) Hazardous waste: Bank follows specific procedures for the disposal of IT assets under e-waste and hazardous waste categories. Computers and related accessories are handed over to vendors or to certified disposal agencies.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Not applicable.

PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains:

1. a. Details of measures for the well-being of employees:											
% of employees covered by											
Category	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		No.(B)	% (B / A)	No.(C)	% (C / A)	No. (D)	% (D / A)	No. (E)	% (E / A)	NO. (F)	% (F / A)
Permanent employees											
Male	6000	6000	100%	0	-			375	6.25 %	NIL	NA
Female	2644	2644	100%	0	-	173	6.54%			NIL	NA
Total	8644	8644	100%	0	-	173	2.00%	375	4.34%	NIL	NA
Other than Permanent employees											
Male	8	3	37.50%	3	37.50%	NIL	NIL	NIL	NIL	NIL	NA
Female	0	0	-	0	-	NIL	NIL	NIL	NIL	NIL	NA
Total	8	3	37.50%	3	37.50%	NIL	NIL	NIL	NIL	NIL	NA

b. Details of measures for the well-being of workers: Not Applicable

2. Details of retirement benefits, for Current FY and Previous Financial Year.

Benefits	FY 2022-2023			FY 2021-2022		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	37%	NA	Yes	39%	NA	Yes
Gratuity	100%	NA	NA	100%	NA	NA
ESI	Not Applicable					
Others-NPS	63%	NA	Yes	61%	NA	Yes

3. Accessibility of workplaces:

Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes. The Bank follows RBI guidelines with regard to provision of ramps in the branches.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Yes. The policy can be accessed at: <https://karnatakabank.com/sites/default/files/2022-04/Policy%20on%20Equal%20opportunity%20-%202022-23.pdf>

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Permanent employees			Permanent workers	
Gender	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	100%	100%	NA	NA
Female	100%	100%	NA	NA
Total	100%	100%	NA	NA

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief.

	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Workers	NA
Other than Permanent Workers	NA
Permanent Employees	Yes, Any aggrieved employee can reach HR by telephone, e-mail, letter and in person also.
Other than Permanent Employees	

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Category	FY 2022-2023			FY 2021-2022		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	% (D / C)
Total Permanent Employees	8423	8095	96%	8292	7971	95%
- Male	5791	5627	97%	5762	5476	95%
- Female	2632	2468	94%	2530	2395	95%
Total Permanent Workers	Not Applicable					
- Male						
- Female						

Note: Total staff excluding executives.

8. Details of training given to employees and workers:

Category	FY 2022-2023					FY 2021-2022				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B / A)	No. (C)	% (C / A)		No. (E)	% (E / D)	No. (F)	% (F / D)
Employees										
Male	6008	813	13.53%	4335	72.15%	5978	433	7.24%	3363	56.26%
Female	2644	496	18.76%	1767	66.83%	2542	410	16.13%	1265	49.76%
Total	8652	1309	15.13%	6102	70.53%	8520	843	9.89%	4628	54.32%
Workers										
Male	Not Applicable									
Female										
Total										

9. Details of performance and career development reviews of employees and worker:

Category	FY 2022-23			FY 2021-2022		
	Total (A)	No. (B)	% (B / A)	No. (C)	Total (D)	% (D / C)
Employees						
Male	6008	6008	100%	5978	5978	100%
Female	2644	2644	100%	2542	2542	100%
Total	8652	8652	100%	8520	8520	100%
Workers						
Male	Not Applicable					
Female						
Total						

10. Health and safety management system:

- Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system?
Yes. The system covers all the branches and offices of the Bank.
- What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?
Not Applicable.
- Whether you have processes for workers to report the work related hazards and to remove themselves from such risks. (Y/N)
Not applicable, considering the nature of activity of the entity.
- Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)
Yes, All the employees are covered under Group Medical and Personal Accident Insurance.

11. Details of safety related incidents, in the following format:

Safety Incident/Number	Category	FY 2022-2023	FY 2021-2022
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	NIL	NIL
	Workers	NIL	NIL
Total recordable work-related injuries	Employees	NIL	NIL
	Workers	NIL	NIL
No. of fatalities	Employees	NIL	NIL
	Workers	NIL	NIL
High consequence work-related injury or ill-health (excluding fatalities)	Employees	NIL	NIL
	Workers	NIL	NIL

12. Describe the measures taken by the entity to ensure a safe and healthy work place.

Bank is committed as a responsible business entity by providing fair and safe working environment to all its employees through various initiatives like basic fire safety training, first aid evacuation related training etc.,

13. Number of Complaints on the following made by employees and workers:

	FY 2022-2023			FY 2021-2022		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	NIL	-	-	NIL	-	-
Health & Safety	NIL	-	-	NIL	-	-

14. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	NA
Working Conditions	NA

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

Training on safety measures related to fire drills, evacuation safety, branch security etc., is imparted to the employees.

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders
1. Describe the processes for identifying key stakeholder groups of the entity.

Bank considers any person or entity that comes to its contact either during its transactions or otherwise as a stakeholder and believes in maintaining constant engagement with them to build and maintain mutual trust and value creation.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/ No)	Channels of communication	Frequency of engagement	Purpose and scope of engagement including key topics and concerns raised during such engagement
Shareholders	No	Quarterly results, Investor presentations, Annual Report, Annual General Meeting, Investor/ analysts calls and meet, Media releases, Website.	Ongoing engagement with at least one engagement on a quarterly basis	a. To answer investor queries on financial performance b. To present business performance highlights to investors c. To discuss about publicly available information on the Bank with the shareholders and investors.

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/ No)	Channels of communication	Frequency of engagement	Purpose and scope of engagement including key topics and concerns raised during such engagement
Customers	No	Monthly meeting at Branches, Communication to customers on change in interest rate/ Introduction of New Schemes, Awareness Emailers/SMS. Awareness through Social Media quarterly meetings of Stakeholders and Customers Relations Committee.	As and when need arises	Improvement in service quality/Enhancement in digital products/Ambience
Employees	No	Internal circulars, Emails, SMS, Meetings, Townhall meetings, Intranet site etc.,	Intranet- Daily Newsletter- Quarterly Email, otherwise as and when required	1. To disseminate business strategies 2. Periodical review meetings 3. Customer Service
Vendors	No	Weekly and Monthly Meetings on Operations/ Enhancements	As and when required	Operational issues/ Improvement in service quality and discussions on enhancements
Outsourcing Agency	No	Weekly and Monthly Meetings on Operations/ Enhancements	As and when required.	
Value chain partners	No	Communication to DSAs, BSAs, KSL Associates through meetings, emails etc.	Weekly/Monthly/ as and when need arises.	Augment the advances portfolio & generate maximum business under advances.
Society in General	No	Social media, Advertisements, Online channels, Video – Audio presentations, newspaper articles, seminars, programmes, events etc.		

PRINCIPLE 5 Businesses should respect and promote human rights:

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2022-2023			FY 2021-2022		
	Total (A)	No. of employees / workers covered (B)	% (B / A)	Total (C)	No. of employees / workers covered (D)	% (D / C)
Employees						
Permanent	8644	NIL	0%	8512	NIL	0%
Other than permanent	8	NIL	0%	8	NIL	0%
Total Employees	8652	NIL	0%	8520	NIL	0%
Workers						
Permanent	Not Applicable					
Other than permanent						
Total Workers						

2. Details of minimum wages paid to employees and workers:

Category	FY 2022-2023					FY 2021-2022				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B / A)	No. (C)	% (C / A)		No. (E)	% (E / D)	No. (F)	% (F / D)
Employees										
Permanent	8644	NIL	NIL	8644	100%	8512	NIL	NIL	8512	100%
Male	6000	NIL	NIL	6000	100%	5970	NIL	NIL	5970	100%
Female	2644	NIL	NIL	2644	100%	2542	NIL	NIL	2542	100%
Other than permanent	8	NIL	NIL	8	100%	8	NIL	NIL	8	100%
Male	8	NIL	NIL	8	100%	8	NIL	NIL	8	100%
Female	0	NIL	NIL	0	--	0	NIL	NIL	0	---
Workers										
Permanent	Not Applicable									
Male										
Female										
Other than permanent										
Male										
Female										

3. Details of remuneration/salary/wages, in the following format:

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/ salary/ wages of respective category
Board of Directors (BoD)	2	₹ 78.67 Lakhs	Nil	NA
Key Managerial Personnel	2	₹ 27.44 Lakhs	Nil	NA
Employees other than BoD and KMP	6006	₹ 9.95 Lakhs	2644	8.32 Lakhs
Workers	NA	NA	NA	NA

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, The employees can raise their concerns, if any, related to human rights issues directly with the Bank, also through the windows permitted viz. Whistle Blower policy, etc.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

Every staff of the Bank has the right to be treated with dignity and respect. For any grievances on human rights issues, the employees have the access to raise their concerns through HR department apart from the mechanism like Whistle blower policy.

6. Number of Complaints on the following made by employees and workers:

	FY 2022-2023 Current Financial Year			FY 2021-2022 Previous Financial Year		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	NIL	NIL	NIL	NIL	NIL	NIL
Discrimination at workplace	NIL	NIL	NIL	NIL	NIL	NIL
Child Labour	NIL	NIL	NIL	NIL	NIL	NIL
Forced Labour/ Involuntary Labour	NIL	NIL	NIL	NIL	NIL	NIL
Wages	NIL	NIL	NIL	NIL	NIL	NIL
Other human rights related issues	NIL	NIL	NIL	NIL	NIL	NIL

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

The Bank has Internal Complaints Committee to address the issues related to the discrimination and harassment cases.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes. The business agreements and contracts do include Bank's expectations on /respect for human rights to the extent as required as per the relevant laws.

9. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child labour	NIL
Forced/involuntary labour	NIL
Sexual harassment	NIL
Discrimination at workplace	NIL
Wages	NIL
Others – please specify	NIL

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above:

NIL

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment :
1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	FY 2022-2023	FY 2021-2022
Total electricity consumption (A)	(13927.557 MWH) 50.14 TJ**	(1818.663 MWH) 6.54 TJ
Total fuel consumption (B)	(116.294MWH) 0.42 TJ (Terajoules) #	(52.16 MWH) 0.18 TJ
Energy consumption through other sources (C)	Nil	Nil
Total energy consumption (A+B+C)	(50.56 TJ)	(6.72.TJ)
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees)	NA	NA
Energy intensity (optional) – the relevant metric may be selected by the entity	NA	NA

**Total electricity consumption for the previous financial year was compiled only for the Head Office and Regional Office building at Kodialbail, Mangaluru and the electricity consumption of these buildings during FY 2022-23 was 6.64TJ. During the Current Financial Year data compilation has been extended to all the branches/offices of the Bank, hence there is a variation in the electricity consumption reported.

#Only Head office building and Regional office building at Kodialbail, Mangaluru is considered for calculating fuel consumption. In case of branches, since the generator capacity is low, units consumed cannot be ascertained.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. No

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

Not Applicable.

3. Provide details of the following disclosures related to water, in the following format:

While we have not measured our water consumption so far, we have initiated discussions internally on tracking water consumption at some of our large offices.

Parameter	FY 2022-2023	FY 2021-2022
Water withdrawal by source (in kilolitres)		
(i) Surface water	NA #	NA
(ii) Groundwater	NA #	NA
(iii) Third party water	NA	NA
(iv) Seawater / desalinated water	NA	NA
(v) Others	NA	NA
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	NA	NA
Total volume of water consumption (in kilolitres)	NA	NA
Water intensity per rupee of turnover (<i>Water consumed / turnover</i>)	NA	NA
Water intensity (<i>optional</i>) – the relevant metric may be selected by the entity	NA	NA

We have got more than 900 Branches/Offices spread across India. Each Branches/Offices are using the resources available at the locality for water source and water is being utilized for personal consumption only.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Not applicable.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	FY 2022-2023	FY 2021-2022
NOx		NA	NA
SOx		NA	NA
Particulate matter (PM)		NA	NA
Persistent organic pollutants (POP)		NA	NA
Volatile organic compounds (VOC)		NA	NA
Hazardous air pollutants (HAP)		NA	NA
Others – please specify		NA	NA

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not applicable.

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Unit	FY 2022-2023	FY 2021-2022
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	NA	NA
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	NA	NA
Total Scope 1 and Scope 2 emissions per rupee of turnover		NA	NA
Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity		NA	NA

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Since our organization comes under Banking/Service industry, it is not applicable to us.

7. Does the entity have any project related to reducing Green House Gas emission? If Yes, then provide details.

Not Applicable.

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-2023	FY 2021-2022
Total Waste generated (in metric tonnes)		
Plastic waste (A)	NA	NA
E-waste (B)	4.55	0.67
Bio-medical waste (C)	NA	NA
Construction and demolition waste (D)	NA	NA
Battery waste (E)	43.4	40.6
Radioactive waste (F)	NA	NA
Other Hazardous waste. Please specify, if any.(G)	NA	NA
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	NA	NA
Total (A+B + C + D + E + F + G + H)	47.95	41.27
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	NA	NA
(ii) Re-used	NA	NA
(iii) Other recovery operations	NA	NA
Total		NA
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	NA	NA
(ii) Landfilling	NA	NA
(iii) Other disposal operations	NA	NA
Total		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Since our organization comes under Banking/Service industry, it is not applicable to us.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

Being a Banking organisation, no hazardous and toxic chemicals used in operations and hence no generation of such wastes.

E Waste materials generated due to up gradation/replacement of existing components like computers, modems, printers, UPS and etc. are disposed as per the e-waste management policy. Further, wherever possible, we also procure under buy-back model where the same OEM will take back the same who are reputed in the market.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

Not applicable

S. No.	Location of operations/ offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any.
	NA	NA	
	NA	NA	

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Not applicable.

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, and Environment Protection Act and Rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

S. No.	Specify the law / regulation / guidelines which was not complied with	Provide details of the non-compliance	Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken, if any
NIL				

Considering the nature of activity, the provisions of the above laws are not applicable to us. However, as far as possible, Bank is conducting its activities in an environment friendly manner.

PRINCIPLE 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

1. a. Number of affiliations with trade and industry chambers/ associations.

Bank has been associated with Federation of Indian Export Organisation (FIEO) and is a member of Indian Banks' Association (IBA).

b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1	Indian Banks' Association	National
2	FIEO	National
3	CII – Member National Committee of Banking	National
4	FICCI – Member National Committee of Banking	National

2. Provide details of corrective action taken or underway on any issues related to anticompetitive conduct by the entity, based on adverse orders from regulatory authorities.

Name of authority	Brief of the case	Corrective action taken
NIL		

PRINCIPLE 8 Businesses should promote inclusive growth and equitable development

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
NIL	NIL	NIL	NIL	NIL	NIL

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

S. No.	Name of Project for which R&R is ongoing	State	District	No. of Project Affected Families (PAFs)	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (In INR)
	NA	NA	NA	NA	NA	NA

3. Describe the mechanisms to receive and redress grievances of the community.

To ensure effective grievance redressal for the community, Bank has introduced a centralized Customer Complaint & Grievance Redressal (CCGR) portal. This user-friendly platform allows customers to lodge their complaints, which are then automatically assigned to the relevant department for prompt resolution. Additionally, customers can also submit complaints through KBL-Mobile Banking, Internet Banking, and the bank's contact centre. These mechanisms enable quick and convenient reporting, ensuring that customer grievances are addressed efficiently and in a timely manner.

4. Percentage of input material (inputs to total inputs by value):

	FY 2022-2023	FY 2021-2022
Directly sourced from MSMEs/ small producers	NA	NA
Sourced directly from within the district and neighbouring districts	NA	NA

PRINCIPLE 9 Businesses should engage with and provide value to their consumers in a responsible manner**1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.**

Bank has a Grievance redressal policy, the consumer complaints are addressed as per the policy. The policy is hosted in the Bank's website - [https://karnatakabank.com/sites/default/files/2023-05/Policy on Grievance Redressal - 2023-24-d.pdf](https://karnatakabank.com/sites/default/files/2023-05/Policy%20on%20Grievance%20Redressal%20-2023-24-d.pdf)

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

	As a percentage to total turnover
Environmental and social parameters relevant to the product	NA
Safe and responsible usage	NA
Recycling and/or safe disposal	NA

3. Number of consumer complaints in respect of the following:

	FY 2022-2023		Remarks	FY 2021-2022		Remarks
	Received during the year	Pending resolution at end of year		Received during the year	Pending resolution at end of year	
Data privacy	NIL	NIL		NIL	NIL	
Advertising	NIL	NIL		NIL	NIL	
Cyber-security	NIL	NIL		NIL	NIL	
Delivery of essential services	1309 13	370 4	Debit Card CPLL(AEPS)	2317 1	0 0	Debit Card CPLL(Banking Ombudsman)
Restrictive Trade Practices	NIL	NIL		NIL	NIL	
Unfair Trade Practices	NIL	NIL		NIL	NIL	
Other	NIL	NIL		NIL	NIL	

4. Details of instances of product recalls on account of safety issues:

	Number	Reasons for recall
Voluntary recalls	NIL	NIL
Forced recalls	NIL	NIL

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

Bank has a Board approved policy on cyber security. The privacy statement is available in this link <https://karnatakabank.com/privacy>.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

No such action/penalty levied/imposed by Regulatory authority

Note: The FY 2022-23 being the first year of implementation of ESG principles, 'Essential Indicators' have been reported. As per SEBI Circular Ref : SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021, Bank endeavours to report also 'Leadership Indicators', going forward.

Annexure

Principle-wise (as per NVGs) BR Policy/policies

a. Details of Compliance

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/ policies for	Y	Y	Y	Y	Y	Y	N*	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y2	Y2	Y2	Y2	Y2	Y2	-	Y2	Y2
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y3	Y3	Y3	Y3	Y3	Y3	-	Y3	Y3
5.	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6.	Indicate the link for the policy to be viewed online?									
	a. Code of Bank's Commitment to Customers	https://karnatakabank.com/BCSBI-code								
	b. Customer Rights Policy & Policy on Product Suitability	https://karnatakabank.com/sites/default/files/2023-05/Policy%20on%20Customer%20Rights%20%26%20Policy%20on%20Product%20Suitability-2023-24.pdf								
	c. Citizens Charter	https://karnatakabank.com/model-citizen-chart								
	d. Fair Practice Code	https://karnatakabank.com/fair-practise-code								
	e. Lending Policy for MSME	https://karnatakabank.com/sites/default/files/2020-03/MSME%20Lending%20Policy.pdf								
	f. Deposit Policy	https://karnatakabank.com/sites/default/files/2023-05/Policy%20on%20Deposits%20-%202023-24_0.pdf								
	g. Code of Conduct for Board of Directors and Senior Management	https://karnatakabank.com/sites/default/files/2022-08/Code%20of%20Conduct%20and%20Ethics%20for%20Directors%20and%20Senior%20Management.pdf								
	h. Policy for dealing with Related Party Transactions	https://karnatakabank.com/sites/default/files/2022-12/Policy%20on%20related%20Party%20Transaction.pdf								
	i. Code of conduct to Regulate, Monitor and Report trading by Insiders	https://karnatakabank.com/sites/default/files/2017-09/PRACTICES_2015.pdf								
	j. Protected Disclosure Scheme [Whistle-Blower policy]	https://karnatakabank.com/sites/default/files/2017-09/Policy%20on%20Disclosure%20Scheme.pdf								
	k. Grievance Redressal Policy	https://karnatakabank.com/sites/default/files/2017-08/GrieveRedressal-2017.pdf								
	l. Corporate Social Responsibility Policy	https://karnatakabank.com/sites/default/files/2017-09/CSR_policy_2014.pdf								
7.	m. Policy for Dealing with Related Party Transaction	https://karnatakabank.com/sites/default/files/2020-08/a_Policy_on_Related_Party_Transactions_compressed.pdf								
8.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes. The policies have been communicated to all relevant internal and external stakeholders as the case may be.								

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
9.	Does the company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	Y	-	Y	Y
10.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
11.	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	All policies are reviewed internally on an annual basis.								

b. If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

No	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
12.	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
13.	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
14.	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
15.	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
16.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
17.	Any other reason (please specify)	-	-	-	-	-	-	-	-	-

*Note: Bank works closely with trade association for the collective good of the society, though there is no specific policy for this principle.

Y² Bank's policies are developed keeping in mind the requirements of extant RBI Guidelines, SEBI Regulations, Companies Act, 2013 and also Bank's internal requirements and best practices.

Y³ Policies are approved by the Board/Committee of the Board or Senior Management as the case may be.

1. Governance related to BR

a. Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.	Annually.
b. Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published	Bank is reporting BR annually w.e.f. April 1, 2016. The BR for the FY 2021-22 is made available on the Bank's website www.karnatakabank.com (Investors Portal)

Independent Auditors' Report

**To The Members of
The Karnataka Bank Limited**

Report on Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of The Karnataka Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31, 2023, the Profit and Loss Account, the Cash Flow Statement, and notes to the Standalone Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, as amended ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, its profit, its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with ethical requirements that are relevant to our audit of the Standalone Financial Statements in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021, provisions of section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Standalone Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Standalone Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Standalone Financial Statements.

A. Identification of Non-Performing Assets ('NPA') and Provisions thereon

Key Audit Matter

Significant estimates and judgment involved

Identification of Non-Performing Assets ("NPA") and provisions in respect of NPAs are made based on management's assessment in accordance with the prudential norms issued by the Reserve Bank of India on Income Recognition, Asset Classification and Provisioning ("IRACP") pertaining to Advances from time to time.

The provision on NPAs is based on the valuation of the security available and also involves management estimates and judgements. In case of restructured accounts, provision is made in accordance with the RBI guidelines.

Accordingly, our audit focused on identification of NPAs and provision on advances as a key audit matter because of the level of management estimates and judgment involved. Further, in the event of any improper application of the prudential norms or consideration of the incorrect value of the security, the carrying value of the assets could be materially misstated either individually or collectively, and in view of the significance of amount of advances and investments in the financial statements and given its significance to the overall audit due to stakeholder and regulatory focus, the classification of the advances and investments and provisioning thereon has been considered as Key Audit Matter.

Auditors' Response

Our key audit approach included assessing the adequacy of design, implementation and operating effectiveness of key internal controls and substantive audit procedures over approval, recording and monitoring of loans, assessing the reliability of documentation, measurement of provisions, identification of NPA accounts and valuation of security for NPA accounts along with basis and rationale for various other management information.

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- As a process, we have read the Bank's policies for NPA identification and provisioning and assessing compliance with the IRACP norms.
- We have evaluated details on a test check basis of exposures for identification of NPA and calculation of provisions including valuation of primary and collateral securities which involves certain degree of management estimation.
- We have evaluated and understood the Bank's internal control systems to ensure completeness, accuracy, and relevance of data and to ensure that the same is in compliance with the RBI guidelines, circulars and directions on the Prudential Norms on Income Recognition, Asset Classification and Provisioning issued from time to time.
- We tested on a samples basis to ensure completeness of documentation, adherence of the approval process to the Bank's Policy and board minutes, credit review of customers, review of Special Mention Accounts ('SMA') reports in the RBI's Central Repository of Information on Large Credits (CRILC) and other related documents and reports including evaluation of the past trends of management judgement, governance, and review of internal control. Held discussion with the management of the Bank on various accounts wherein there has been stress and steps taken to mitigate such risks.
- We have also assessed disclosure requirements for classification and provisioning of NPAs in accordance with the RBI circulars including those specifically issued for Covid 19 related matters.

B. Information Technology (IT) Systems and Controls

Key Audit Matter

The IT environment of the Bank is complex. The Bank's operations utilise many independent and inter-dependent information technology systems for processing and recording large volume of transactions in numerous locations on a daily basis. As a result, there is a high degree of reliance and dependency on such IT systems for financial reporting process of the Bank. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of Standalone Financial Statements. Appropriate automated general and application controls are required to ensure that such IT systems and applications are able to process the data, as required, completely, accurately and consistently, which directly impact the completeness and accuracy of financial reporting.

The IT systems and controls is identified as a key audit matter because of high level of automation, significant number of systems being used and complexity of the IT infrastructure and its impact on the financial reporting system since our audit approach could significantly differ depending on the effective operation of the Bank's IT controls.

Auditor's Response

We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested key automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment and performing review of IT general controls.
- Evaluation and understanding the key IT systems being used by the Bank for its Core Banking and other operations.
- Assessing operative effectiveness of key controls within various business processes. It included testing of integrity of system interfaces, completeness and accuracy of the data, system reconciliation controls and automated calculations.
- Design and operating effectiveness testing of controls across the User Access Management, Change Management, backup, other IT operational controls as well as effectiveness testing of automated business process controls.
- Data integrity of critical system reports used by us in our audit to select samples and analyse data used by management to generate financial reports.

C. Direct and Indirect Taxes

Key Audit Matter

This matter has been identified as a Key Audit Matter due to the significant level of management judgment required in the estimation of provision for taxes including any write back of provisions, due to factors like uncertain tax positions and provision for tax involves interpretation of various rules and law. It also involves consideration of on-going disputes and disclosures.

Auditor's Response

- Our audit procedures to test uncertain tax positions included understanding processes, evaluation of adequacy of design and

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implementation of controls and testing of operating effectiveness of controls over provision for taxation, assessment of uncertain tax positions and disclosure of contingencies.

- We have obtained details of completed tax assessments and demands from the management of the Bank.
- We discussed with appropriate senior management personnel, independently assessed management's estimate of the possible outcome of disputed cases; and evaluated the management's underlying key assumptions in estimating the tax provisions.
- We considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions, the provisions made, and/or write back of the provisions.
- We have also relied upon the opinion given by tax specialist in evaluating management's assessment for the uncertain tax positions. For those matters where management concluded that no provision should be recorded, we also considered the adequacy and completeness of disclosures.

D. Centralised Audit of the Bank

Key Audit Matter

Till year 2020-21, the audit of Branches (other than top 20 branches and certain other locations) was carried out by the Branch Statutory Auditors appointed by the Bank. However, since previous year, the Joint Statutory Auditors have performed the audit of the Bank centrally. Considering this fact, it has been considered as a key audit matter.

Auditor's Response

- We have assessed the Bank's systems and procedures for carrying out centralized operations under various areas including process of consolidation at the central level.
- Visited certain branches to understand the operations carried out at Branches and potential issues.
- Performed analysis of information provided at central level.
- Reviewed the reports in respect of various audits including concurrent audit, internal inspections carried out at branches on a sample basis.

Information Other than the Standalone Financial Statements and Auditors' Report thereon

The Bank's Board of Directors are responsible for the other information. The other information comprises the Corporate Overview, Directors' Report including annexures to Directors' Report, Management Discussion and Analysis, Basel III – Pillar 3 disclosures and Corporate Governance report included in the Annual Report, but does not include the Standalone and Consolidated Financial Statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the RBI from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and the Banking Regulations Act, 1949 for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and

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are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, the Management and the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to Standalone Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures in the Standalone Financial Statements made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of the misstatements in the Standalone Financial Statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

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adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Standalone Balance Sheet and the Standalone Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949 and Accounting Standards as per section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021.
2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a) we have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by its branches. However, during the course of our audit, we have visited 99 branches and offices for the purpose of understanding the processes, perform necessary walkthroughs and test of controls and examine the records maintained at such branches and offices.
3. With respect to the matter to be included in the auditor's report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under the Banking Regulation Act, 1949; the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section, is not applicable.
4. Further, as required by Section 143(3) of the Act, based on our audit, we further report to the extent applicable that:
 - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
 - (c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021 to the extent they are not inconsistent with the policies prescribed by the RBI.
 - (e) on the basis of the written representations received from directors as on March 31, 2023 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of section 164(2) of the Act.
 - (f) with respect to the adequacy of internal financial controls with reference to the Standalone Financial Statements of the Bank and the operating effectiveness of such controls, our separate report in Annexure A is attached.
 - (g) the entity being a banking company as defined under Banking Regulation Act, 1949, the remuneration to its directors during the year ended 31 March 2023 has been paid / provided by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949.
 - (h) with respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our knowledge and belief and according to the information and explanation given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in Note 17 of Schedule 18 to the Standalone Financial Statements.
 - ii. There are no material foreseeable losses in respect of long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund during the year ended 31 March 2023.
 - iv. (a) The management has represented that, to the best of its knowledge and belief, as disclosed in the note 21 (a) of Schedule 18

Independent Auditors' Report (contd...)

to the Standalone Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

- (b) The management has represented that, to the best of its knowledge and belief, as disclosed in the note 21 (b) of Schedule 18 to the Standalone Financial Statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (iv) (a) and (iv) (b) contain any material misstatement.

- v. (a) The final dividend proposed for the previous year, declared, and paid by the Bank during the year is in accordance with Section 123 of the Act, as applicable.

- (b) As stated in the note 19 of Schedule 18 to the Standalone Financial Statements, the Board of Directors of the Bank have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend proposed is in accordance with section 123 of the Act, to the extent it applies to declaration of dividend, as applicable until the date of this report.

- vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only with effect from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014, is not applicable.

For Kalyaniwalla & Mistry LLP

Chartered Accountants

Firm Registration No. 104607W/W100166

Anil A. Kulkarni

Partner

M. No. 047576

UDIN: 23047576BGUVEF4662

Place: Mangaluru

Date: May 26, 2023

For Sundaram & Srinivasan

Chartered Accountants

Firm Registration No. 004207S

P Menakshi Sundaram

Partner

M. No. 217914

UDIN: 23217914BGWPD1030

Place: Mangaluru

Date: May 26, 2023

Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 4 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date on the Standalone Financial Statements of the Karnataka Bank Limited for the year ended March 31, 2023)

Report on the Internal Financial Controls with reference to Standalone Financial Statements

We have audited the internal financial controls with reference to Standalone Financial Statements of The Karnataka Bank Limited (“the Bank”) as of March 31, 2023 in conjunction with our audit of the Standalone Financial Statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Bank’s management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to Standalone Financial Statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the “ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act and the Banking Regulation Act, 1949 and the circulars and guidelines issued by the RBI.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Bank’s internal financial controls with reference to Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the ICAI and the Standards on Auditing (SAs) issued by the ICAI and deemed to be prescribed under section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Standalone Financial Statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to Standalone Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Financial Statements included obtaining an understanding of internal financial controls with reference to Standalone Financial Statements, assessing

the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial controls based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls with reference to Standalone Financial Statements.

Meaning of Internal Financial Controls with reference to Standalone Financial Statements

A Bank’s internal financial controls with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles. A Bank’s internal financial controls with reference to Standalone Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank’s assets that could have a material effect on the Standalone Financial Statements.

Inherent Limitations of Internal Financial Controls with reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to Standalone Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Standalone Financial Statements to future periods are subject to the risk that the internal financial controls with reference to Standalone Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the Bank has, in all material respects, adequate internal financial controls with reference to Standalone Financial Statements and such internal financial controls were operating effectively as at March 31, 2023, based on the criteria for internal control with reference to Standalone Financial Statements established by the Bank considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting" issued by the ICAI.

For Kalyaniwalla & Mistry LLP

Chartered Accountants

Firm Registration No. 104607W/W100166

Anil A. Kulkarni

Partner

M. No. 047576

UDIN: 23047576BGUVEF4662

Place: Mangaluru

Date: May 26, 2023

For Sundaram & Srinivasan

Chartered Accountants

Firm Registration No. 004207S

P Menakshi Sundaram

Partner

M. No. 217914

UDIN: 23217914BGWPD1030

Place: Mangaluru

Date: May 26, 2023

Standalone Balance Sheet

As On 31 March, 2023

(₹ in 000's)

	Schedule No.	As on 31-Mar-23	As on 31-Mar-22
CAPITAL AND LIABILITIES			
Capital	1	312,35,24	311,17,37
Reserves and Surplus	2	7901,00,89	6783,55,64
Deposits	3	87368,01,22	80386,84,54
Borrowings	4	1562,72,00	2313,84,33
Other Liabilities and Provisions	5	1914,24,50	1788,57,44
TOTAL		99058,33,85	91583,99,32
ASSETS			
Cash and balances with Reserve Bank of India	6	5204,23,46	3957,22,07
Balances with Banks and Money at Call and Short Notice	7	955,23,28	479,53,78
Investments	8	23326,36,66	22040,99,73
Advances	9	59951,62,21	56783,14,02
Fixed Assets	10	875,21,96	818,16,04
Other Assets	11	8745,66,28	7504,93,68
TOTAL		99058,33,85	91583,99,32
Contingent Liabilities	12	10102,40,01	9656,98,66
Bill for collection		2773,08,22	2485,72,63
Significant Accounting Policies	17		
Notes on Account	18		

The schedules referred to above form an integral part of Balance Sheet

Sham K.
Company Secretary

Abhishek S. Bagchi
Chief Financial Officer

Gokuldas Pai
Chief Business Officer

Y. V. Balachandra
Chief Operating Officer

Sekhar Rao
Managing Director & CEO (Interim)
DIN 06830595

P Pradeep Kumar
Chairman
DIN 03614568

Keshav K Desai
Director
DIN 07427621

B R Ashok
Director
DIN 00415934

A V Chandrashekar
Director
DIN 08829073

Uma Shankar
Director
DIN 07165728

D S Ravindran
Director
DIN 09057128

Balakrishna Alse S
Director
DIN 08438552

Jeevandas Narayan
Director
DIN 07656546

K Gururaj Acharya
Director
DIN 02952524

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 0042075

Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

(₹ in 000's)

	Schedule No.	Year ended 31-Mar-23	Year ended 31-Mar-22
I. INCOME			
Interest Earned	13	7220,23,12	6221,66,37
Other Income	14	992,57,53	953,87,70
Total		8212,80,65	7175,54,07
II. EXPENDITURE			
Interest Expended	15	4035,12,74	3730,62,79
Operating Expenses	16	1969,45,39	1810,91,72
Provisions and Contingencies		1027,98,24	1125,37,61
Total		7032,56,37	6666,92,12
III. PROFIT			
Net profit for the year		1180,24,28	508,61,95
Profit brought forward		135,81,74	85,47,33
Total		1316,06,02	594,09,28
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		296,00,00	150,00,00
Transfer to Capital Reserve		0	82,01
Transfer to Revenue Reserve		590,00,00	210,00,00
Transfer to Special Reserve u/s 36 (i) (viii) of Income Tax Act		75,47,41	38,22,62
Transfer from Investment Reserve Account		0	0
Transfer to Investment Fluctuation Reserve		64,15,30	3,27,26
Transfer to Other Funds		0	0
Dividend paid		124,51,72	55,95,65
Balance carried over to Balance Sheet		165,91,59	135,81,74
Total		1316,06,02	594,09,28
Earning per share			
Basic ₹		37.88	16.36
Diluted ₹		37.66	16.29
Significant Accounting Policies	17		
Notes on Account	18		

The schedules referred to above form an

18

18

Sham K.
Company Secretary

Abhishek S. Bagchi
Chief Financial Officer

Gokuldas Pai
Chief Business Officer

Y. V. Balachandra
Chief Operating Officer

Sekhar Rao
Managing Director & CEO (Interim)
DIN 06830595

P Pradeep Kumar
Chairman
DIN 03614568

Keshav K Desai
Director
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B R Ashok
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A V Chandrashekar
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Uma Shankar
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Balakrishna Alse S
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Jeevandas Narayan
Director
DIN 07656546

K Gururaj Acharya
Director
DIN 02952524

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 0042075

Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

Standalone Cash Flow Statement

For The Year Ended 31 March, 2023

(₹ in 000's)

	Year ended 31-Mar-23		Year ended 31-Mar-22	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit after Tax and Extra Ordinary Items		1180,24,28		508,61,95
Add:				
<u>Adjustments for :</u>				
Provision for Tax	260,80,12		185,94,42	
(Profit)/Loss on sale Fixed Assets	30,14		85,17	
Depreciation on Fixed Assets including Lease Adjustment charges	86,41,02		73,67,41	
Provisions and Contingencies	767,18,12		840,66,28	
Amortisation of premium on Held to Maturity Investments	103,54,91		119,23,80	
(Profit)/ Loss on Revaluation of Investments	182,17,38		98,76,92	
Write-off of Fixed Assets	3,90	1400,45,59	0	1319,14,00
Operating Profit Before Working Capital Changes		2580,69,87		1827,75,95
Adjustment for :				
i) (Increase)/Decrease in Advances & Other Assets	-8008,07,47		-6561,33,33	
ii) (Increase)/Decrease in Investments	-1570,59,21		-610,26,78	
iii) Increase/(Decrease) in Deposits, Borrowings & Other Liabilities	9135,43,25		5115,85,05	
iv) Change in Revenue Reserve	0	-443,23,43	0	-2055,75,06
Cash Generated from Operations		2137,46,44		-227,99,11
Less: Direct taxes paid		307,38,40		239,03,65
Net Cash Flow from Operating Activities (A)		1830,08,04		-467,02,76
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		-88,70,41		-56,52,42
Sale of Fixed Assets		1,78,59		66,15
Investment in wholly owned subsidiary-KBL Services Ltd		-50,00		-50,00
Net Cash used in Investing Activities (B)		-87,41,82		-56,36,27

Standalone Cash Flow Statement

For The Year Ended 31 March, 2023 (contd...)

(₹ in 000's)

	Year ended 31-Mar-23		Year ended 31-Mar-22	
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		6,01,39		1,24,94
Proceeds from long term borrowings		98,55,00		-300,70,99
Dividend paid (Including Tax on Dividend)		-124,51,72		-55,95,65
Net Cash Generated from Financing Activities (C)		-19,95,33		-355,41,70
Net Increase in Cash & Cash Equivalents (A+B+C)		1722,70,89		-878,80,74
Cash & Cash Equivalents as at the beginning of the year		4436,75,85		5315,56,62
Cash & Cash Equivalents as at the end of the year		6159,46,74		4436,75,85

Note:

- The Cash Flow Statement has been prepared under the Indirect Method and the previous year's figures have been re-grouped wherever necessary.
- Cash and Cash Equivalents comprise of Cash on Hand, Balances with Reserve Bank of India, Balances with Banks and Money at Call and Short Notice.

Sham K.
Company Secretary

Abhishek S. Bagchi
Chief Financial Officer

Gokuldas Pai
Chief Business Officer

Y. V. Balachandra
Chief Operating Officer

Sekhar Rao
Managing Director & CEO (Interim)
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K Gururaj Acharya
Director
DIN 02952524

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 004207S

Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

Schedules

Forming Part Of Standalone Balance Sheet

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 1 CAPITAL		
Authorised Capital		
60,00,00,000 Equity shares of ₹ 10/- each	600,00,00	600,00,00
(Previous Year 60,00,00,000 equity shares of ₹ 10/- each)		
Issued Capital		
31,24,71,142 Equity shares of ₹ 10/- each	312,47,11	311,29,24
(previous year 31,12,92,381 Equity shares of ₹ 10/- each)		
Subscribed Capital		
31,23,59,171 Equity shares of ₹ 10/- each	312,35,92	311,18,04
(previous year 31,11,80,410 Equity shares of ₹ 10/- each)		
Called up Capital /Paid-up Capital		
31,23,42,621 Equity shares of ₹ 10/- each fully paid up	312,34,26	311,16,39
(previous year 31,11,63,860 Equity shares of ₹ 10/- each fully paid up)		
Less : Calls unpaid	0	0
Add : Forfeited Shares	98	98
Total	312,35,24	311,17,37

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -2 RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	2755,00,00	2605,00,00
Additions during the year	296,00,00	1,50,00,00
	3051,00,00	2755,00,00
Deductions during the year	0	0
Total	3051,00,00	2755,00,00
II. Capital Reserve		
Opening balance	626,38,45	625,56,42
Additions during the year ¹	0	82,03
	626,38,45	626,38,45
Deductions during the year	0	0
Total	626,38,45	626,38,45
III. Share Premium		
Opening balance	1255,96,84	1255,01,32
Additions during the year	4,83,52	95,52
	1260,80,36	1255,96,84
Deductions during the year	0	0
Total	1260,80,36	1255,96,84

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
IV. Revenue and other Reserves		
a) Revenue Reserve		
Opening balance	1136,94,70	922,15,38
Additions during the year	595,40,15	214,79,32
	1732,34,85	1136,94,70
Deductions during the year	0	0
Total	1732,34,85	1136,94,70
b) Special Reserve u/s 36(1)(viii) of Income Tax Act		
Opening balance	315,58,63	277,35,99
Additions during the year	75,47,41	38,22,64
	391,06,04	315,58,63
Deductions during the year	0	0
Total	391,06,04	315,58,63
c) Investment Fluctuation Reserve Account		
Opening balance	98,84,70	95,57,45
Additions during the year	64,15,30	3,27,25
	163,00,00	98,84,70
Deductions during the year	0	0
Total	163,00,00	98,84,70
d) Employee stock option outstanding		
Opening balance	5,41	0
Additions during the year	0	541
	5,41	5,41
Deductions during the year	0	0
Total	5,41	5,41
e) Revaluation Reserve Account		
Opening balance	458,95,17	465,33,66
Additions during the year	56,89,17	0
	515,84,34	465,33,66
Deductions during the year ²	5,40,15	6,38,49
Total	510,44,19	458,95,17
TOTAL (a to e)	2796,90,49	2010,38,61
V. Balance in Profit and Loss Account	165,91,59	135,81,74
GRAND TOTAL (I TO V)	7901,00,89	6783,55,64

Note

- 1 Appropriation on account of profit on sale of investments held under HTM category, net of taxes and transfer to Statutory Reserve
- 2 Depreciation on the revalued amount during the year is transferred to Revenue Reserve.

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -3 DEPOSITS		
A. I. Demand Deposits		
1. From Banks	5,42,43	5,56,43
2. From others	5310,15,31	4821,18,24
	5315,57,74	4826,74,67
II. Savings Bank Deposits	23491,48,95	21672,83,84
III. Term Deposits		
1. From Banks	0	47,23
2. From others	58560,94,53	53886,78,80
	58560,94,53	53887,26,03
Total : (I, II and III)	87368,01,22	80386,84,54
B. 1. Deposits of branches in India	87368,01,22	80386,84,54
2. Deposits of branches outside India	0	0
Total (1+2)	87368,01,22	80386,84,54

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -4 BORROWINGS		
I Borrowings in India		
1. Reserve Bank of India	0	849,67,33
2. Other Banks	0	0
3. Other Institutions and Agencies	542,72,00	194,17,00
4. Subordinated Debts for Tier II Capital	1020,00,00	1270,00,00
Total	1562,72,00	2313,84,33
II Borrowings outside India	0	0
Total : (I and II)	1562,72,00	2313,84,33
Secured borrowings included in I & II above	0	849,67,33

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	231,83,91	307,95,12
II. Inter Office adjustments(Net)	51,29	52,96
III. Interest accrued	89,71,67	68,33,74
IV. Deferred Tax Liability (Net)	0	0
V. Others (including Provisions)	1592,17,63	1411,75,62
Total	1914,24,50	1788,57,44

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 6 CASH AND BALANCES WITH RBI		
I. Cash in hand (including foreign currency notes)	676,07,88	644,39,93
II. Balances with Reserve Bank of India		
1. In Current Account	3362,15,58	2779,82,14
2. In Other Accounts	1166,00,00	533,00,00
Total	4528,15,58	3312,82,14
Total : (I and II)	5204,23,46	3957,22,07

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. IN INDIA		
i. Balances with Banks		
a) In Current Accounts	27,18,96	57,02,34
b) In Other Deposit Accounts	499,70,92	0
	526,89,88	57,02,34
ii. Money at Call and Short Notice		
a) With Banks	0	0
b) With Other institutions	0	0
	0	0
Total (i) & (ii)	526,89,88	57,02,34
II. OUTSIDE INDIA		
i. In Current Accounts / (Debit balance)	0	20,81,41
ii. In Other Deposit Accounts	428,33,40	401,70,03
iii. Money at Call and Short Notice	0	0
Total	428,33,40	422,51,44
Grand Total (I and II)	955,23,28	479,53,78

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 8 INVESTMENTS		
I. Investments in India (Gross)	23871,09,48	22403,55,18
Less: Provision / depreciation	544,72,82	362,55,45
Net value of Investments In India	23326,36,66	22040,99,73
Break-up :		
1. Government Securities *	21727,46,37	20133,08,77
2. Other Approved Securities	0	0
3. Shares	98,72,38	86,17,72
4. Debentures and Bonds	1491,21,27	1633,40,99
5. Subsidiaries and/or Joint Ventures	1,50,00	1,00,00
6. Units and Gold	7,46,64	1873225
Total	23326,36,66	22040,99,73
II. Investments outside India		
1. Government Securities (including local authorities)	0	0
2. Subsidiaries and/or Joint Ventures abroad	0	0
3. Other investments	0	0
Total	0	0
Total (I+II)	23326,36,66	22040,99,73
* includes securities of ₹ Nil (Previous year ₹ 849.67 crore) pledged for borrowings		

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 9 ADVANCES		
A) 1. Bills Purchased and discounted	323,90,24	379,09,18
2. Cash Credits, Overdrafts and Loans repayable on demand	24362,22,27	19924,33,25
3. Term Loans	35265,49,70	36479,71,59
Total	59951,62,21	56783,14,02
B) 1. Secured by Tangible Assets (including book debts)	53357,75,47	51823,35,71
2. Secured by Bank/Government Guarantees	1285,06,32	1611,65,35
3. Unsecured	5308,80,42	3348,12,96
Total	59951,62,21	56783,14,02
C) I. Advances in India		
1. Priority Sector	24861,18,30	25835,47,83
2. Public Sector	3409,18,40	2407,08,98
3. Banks	0	0
4. Others	31681,25,51	28540,57,21
Total	59951,62,21	56783,14,02

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
C) II. Advances outside India		
1. Due from Banks	0	0
2. Due from others	0	0
a) Bills Purchased and Discounted	0	0
b) Syndicated Loans	0	0
c) Others	0	0
Total	0	0
GRAND TOTAL (C. I and C. II)	59951,62,21	56783,14,02

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 10 FIXED ASSETS		
I. Premises		
At cost / Revaluation as on 31st March of the preceding year	675,73,69	677,45,35
Additions during the year	72,30,32	0
	748,04,01	677,45,35
Deductions during the year	385	1,71,66
	748,00,16	675,73,69
Depreciation to-date	66,73,57	58,77,29
Total	681,26,59	616,96,40
II. Other Fixed Assets (including Furniture and Fixtures)		
At cost as on 31st March of the preceding year	693,39,54	658,14,40
Additions during the year	58,84,42	44,06,34
	752,23,96	702,20,74
Deductions during the year	44,17,63	8,81,20
	708,06,33	693,39,54
Depreciation to date	543,24,93	505,35,92
Total	164,81,40	188,03,62
III. Assets under Construction	29,13,97	13,16,02
Total Fixed Assets (I+II+III)	875,21,96	818,16,04

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -11 OTHER ASSETS		
I. Interest accrued	360,18,26	348,46,44
II. Tax paid in advance/tax deducted at source(net of provisions)	1107,07,38	1382,57,12
III. Stationery and Stamps	5,41,26	5,30,83
IV. Non-Banking Assets acquired in satisfaction of claims	3,79,37	6,12,95
V. Others *	7269,20,01	5762,46,35
Total	8745,66,28	7504,93,68
* includes deferred tax assets (net)of ₹ 437,43,31 (Previous year ₹ 369,30,78)		

	(₹ in 000's)	
	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 12 CONTINGENT LIABILITIES		
I Claims against the Bank not acknowledged as debts	39,89,85	50,06,55
II Liability for Partly paid investments	0	0
III Liability on account of outstanding Forward Exchange Contracts	3860,65,41	4371,73,51
IV Guarantees given on behalf of constituents		
a) In India	4990,67,53	3961,42,03
b) Outside India	0	0
V Acceptances, endorsements and other Obligations	902,11,31	1020,49,52
VI Other items for which the bank is contingently liable	309,05,91	253,27,05
Total	10102,40,01	9656,98,66

Schedules

Forming Part Of Standalone Profit and Loss Account

	(₹ in 000's)	
	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 13 INTEREST EARNED		
I. Interest/Discount on Advances/Bills	5584,90,74	4737,88,38
II. Income on Investments	1422,34,93	1310,11,91
III. Interest on balances with R.B.I / other Inter-Bank funds	1,58,02	31,88,86
IV. Others	211,39,43	141,77,22
Total	7220,23,12	6221,66,37

	(₹ in 000's)	
	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 14 OTHER INCOME		
I. Commission, Exchange and Brokerage	561,46,86	416,13,63
II. Profit on sale of Investments	24,96,86	52,62,28
Less : Loss on sale of Investments	-5,72,22	-3,96,60
III. Profit on Revaluation of Investments	0	0
Less : Loss on Revaluation of Investments	-182,17,38	-98,76,92
IV. Profit on sale of Land, Buildings and Other Assets	64,81	27,71
Less : Loss on sale of Land, Buildings and Other Assets	-94,95	-1,12,88
V. Profit on Exchange Transactions	39,79,51	23,97,35
Less : Loss on Exchange Transactions	-28,21,21	-3,59,00
VI. Income earned by way of dividends etc., from Subsidiaries/ Companies and /or Joint Ventures abroad/ in India	0	0
VII. Miscellaneous income	582,75,25	568,32,13
Total	992,57,53	953,87,70

	(₹ in 000's)	
	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 15 INTEREST EXPENDED		
1. Interest on deposits	3786,86,07	3584,64,72
2. Interest on Reserve Bank of India/Inter-Bank Borrowings	53,34,64	39,42,46
3. Others	194,92,03	106,55,61
Total	4035,12,74	3730,62,79

(₹ in 000's)

	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 16 OPERATING EXPENSES		
I. Payments to and provisions for employees	1069,18,79	1014,94,68
II. Rent, Taxes and Lighting	157,27,79	146,21,87
III. Printing and Stationery	10,56,31	15,00,57
IV. Advertisement and Publicity	10,51,23	7,60,36
V. Depreciation on Bank's property	86,41,02	73,67,41
VI. Directors' fees, allowances and expenses	4,77,15	2,75,63
VII. Auditors' fees and expenses	3,11,89	2,84,82
VIII. Law charges	12,47,95	9,80,95
IX. Postage, telegrams, telephones etc.	28,12,28	26,79,88
X. Repairs and maintenance	71,06,63	57,88,84
XI. Insurance	103,02,85	94,49,42
XII. Other expenditure	412,91,50	358,87,29
Total	1969,45,39	1810,91,72

SCHEDULE-17**BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN PREPARING THE FINANCIAL STATEMENTS****GENERAL**

The Karnataka Bank Limited incorporated at Mangaluru in India is a publicly held Banking Company governed by the Banking Regulation Act, 1949 and is engaged in providing a wide range of banking and financial services involving retail, corporate banking and para-banking activities in addition to treasury and foreign exchange business.

BASIS OF PREPARATION

The accompanying Financial Statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949, following the going concern concept, on historical cost basis and accrual basis of accounting unless otherwise stated, conforming to the Generally Accepted Accounting Principles (GAAP) in India which encompasses applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) from time to time, the accounting standards notified under section 133 of the Companies Act, 2013 and Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the Banking industry in India.

USE OF ESTIMATES

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including contingent liabilities as of the date of the financial statements and the reported income and expenses during the reported period. The Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

SIGNIFICANT ACCOUNTING POLICIES**1. REVENUE RECOGNITION**

Revenue is recognised on accrual basis, except otherwise stated.

Interest and discount on performing advances and investments is accounted for on accrual basis. Income on discounted instruments is recognised over the tenor of the instrument on a Constant Yield to Maturity method.

Interest and discount income is recognised in the Profit and Loss account on realisation basis for the following:

- Income from Non-Performing Assets (NPAs) including investments as per the RBI prudential norms on Income Recognition and Asset Classification.

- ii. Income on Rupee derivatives designated as “Trading”.

Commission on Guarantees/Letter of Credit, Funded Interest on Term Loan, Processing Fees, Rent on safe deposit lockers and other fees and incomes are accounted on receipt basis.

Commission on para banking business is accounted on accrual basis.

Dividend Income is recognised when right to receive the dividend is established.

Recoveries in the non performing advances are appropriated as under:

- a) In case of Term Loan/DPN, recoveries are appropriated towards principal, interest and charges in order of demand.
- b) In case of Overdraft accounts the recoveries are first appropriated towards excess allowed in overdraft account if any, followed by expired sanctioned TOD and then towards interest.
- c) In case of One Time Settlement (OTS) accounts the recoveries are first adjusted to principal balance.
- d) In case of suit filed accounts, related legal and other expenses incurred are charged to Profit and Loss Account and on recovery the same are accounted as income.
- e) Recoveries from advances written-off are recognised in the Profit and Loss account under other income and recovery of Unrealised Interest under Income Interest on Loans & Advances.

Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the “Held to Maturity” category is appropriated (net of applicable taxes and amount required to be transferred to Statutory Reserve account) in accordance with the RBI guidelines.

Interest on income tax refund is recognised based on the refund intimation / order received under the provisions of the Income tax Act, 1961 from time to time.

2. INVESTMENTS

2.1 Classification:

Investments are classified under the heads “Held to Maturity”, “Available for Sale” and “Held for Trading” categories and are valued in accordance with the RBI guidelines. The value, net of depreciation is shown in the Balance Sheet. For the purposes of disclosure in the Balance Sheet, they are classified under six groups viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries and/or joint ventures and Other Investments.

2.2 Basis of Classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified as HFT securities.

Investments which the Bank intends to hold till maturity are classified as HTM securities.

Investments which are not classified in the above categories are classified as AFS securities.

Investments in subsidiaries and joint ventures are classified as HTM except in respect of those investments which are acquired and held exclusively with a view to its subsequent disposal. These investments are classified as AFS.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 Acquisition Cost:

Cost of investments is computed based on the weighted average cost method. Cost including brokerage, commission pertaining to investments, paid at the time of acquisition, is charged to the Profit and Loss Account. Broken period interest is charged to the Profit and Loss Account.

2.4 Valuation:

Held to Maturity:

These are carried at their acquisition cost and are not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Provision is recognised for diminution other than temporary in the value of such investments for each investment individually.

Non-performing investments are identified and provision is recognised as per the RBI guidelines.



Held for Trading and Available for Sale categories:

Investments classified under HFT and AFS are marked to market as per the RBI guidelines. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category. The net depreciation for each category within each group is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.

Traded investments are valued based on the trades / quotes from the recognised stock exchanges, prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Private Limited ('FBIL'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FBIL.

The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures, Pass through Certificates) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities with similar maturity, published by FIMMDA/FBIL. Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹ 1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits, being discounted instruments, are valued at carrying cost.

Units of Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per AIF.

In the event provisions recognised on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, such excess is recognised in the Profit and Loss Account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve Account in accordance with the RBI guidelines after adjusting for income tax and appropriation to Statutory Reserve.

2.5 Security Receipts (SR):

Where sale of stressed asset results in a consideration lower than the value of the stressed assets net of provisions carried there against, the shortfall is debited to Profit & Loss account. Where such sale results in consideration higher than the value of the stressed assets net of provisions carried there against, the excess is netted off against the cost of corresponding SRs to arrive at their Book Value.

SRs issued by Asset Reconstruction Companies ('ARC') are valued at Net Asset Value ('NAV') declared by the ARC except in respect of stressed assets which are sold on or after Apr 1, 2018 and the Bank holds more than 90% of SRs backed by its sold assets, the provision held against the Book Value of these SRs is higher of provision required in terms of NAV declared by the ARC and provisioning applicable to the underlying loans, assuming that the assets sold notionally continued in the books of the Bank.

2.6 Disposal of Investments:

Profit/Loss on sale of investment under the aforesaid three categories is recognised in the Profit and Loss Account. In accordance with the guidelines issued by the Reserve Bank of India, Profit on sale of investments in the Held to Maturity (HTM) category is appropriated to Capital Reserve, net of applicable taxes and amount required to be transferred to Statutory Reserve. The discount if any, on acquisition of investments in

Held to Maturity (HTM) category is accounted as follows:

- a. on interest bearing securities, it is accounted for at the time of sale/ redemption.
- b. on zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

2.7 Repo and reverse repo transactions:

Repo and reverse repo transactions are accounted for as secured borrowing/ lending transactions respectively. Borrowing cost on repo transactions is treated as interest expense and income on reverse repo transactions is treated as interest income.

2.8 Short Sale

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for

this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

2.9 Non Performing Investments

- Interest/ instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.
- In the case of equity shares, in the event the investment in shares of any company is valued at ₹ 1 per company on account of non-availability of the latest balance sheet, those equity shares would be reckoned as NPI.
- The Bank also classifies an investment as a non-performing investment in case any credit facility availed by the same borrower/entity has been classified as a non-performing asset and vice versa. The above is applied to Preference Shares where the fixed dividend is not paid.
- The investments in debentures/ bonds, which are deemed to be advance, are also subjected to NPI norms as applicable to investments.

3. DERIVATIVE CONTRACTS

Derivative contracts are designated as hedging or trading and accounted in accordance with Reserve Bank of India's guidelines.

Derivative deals for trading are marked to market and net depreciation is recognised while net appreciation is ignored.

Derivatives used for hedging are marked to market in cases where the underlying assets/ liabilities are marked to market and income /expenditure is accounted on accrual basis.

4. ADVANCES

4.1 Classification

Advances are classified into (a) Standard; (b) Sub-Standard; (c) Doubtful; and (d) Loss assets, in accordance with the RBI Guidelines and are stated net of provisions made towards Non- performing advances, unrealised interest and claims received from Guarantee corporations. etc. Advances are net of bills rediscounted, Inter-bank participation with risk, provisions for non- performing advances, floating provisions, unrealised fees and unrealised interest held in suspense account. Credit facility/investment are classified as performing and non-performing asset as per applicable RBI guidelines.

4.2 Provisioning

Provision for non-performing advances ('NPAs') comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement.

In case of restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI as applicable.

In case of financial assets sold to Securitisation/Reconstruction Company, if the sale is for the price higher than the net book value, excess provision held is not reversed but retained till redemption of the security receipt, wherever applicable. If the sale is at a price below the net book value (NBV), the shortfall is debited to the Profit and Loss account, as per the RBI Guidelines.

5. FIXED ASSETS

Fixed assets are stated at historical cost (except premises revalued based on values determined by the approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use and taxes and duties to the extent not eligible for input credits if any. Profit on sale of immovable properties are transferred to the Capital Reserves after adjusting for income tax and appropriation to Statutory Reserve.

Computer Software is capitalised along with computer hardware and included under other fixed assets.

6. REVALUATION OF FIXED ASSETS

Portfolio of immovable properties is revalued periodically by an independent valuer to reflect current market valuation. All land and building owned by the Bank and used as branches or offices are grouped under "Land and Building" in the fixed assets category. Appreciation, if any, on revaluation is credited to Revaluation Reserve under Capital Reserves. Additional Depreciation on the revalued asset is charged to the Profit and Loss Account and appropriated from the Revaluation Reserves to Revenue Reserves.

7. DEPRECIATION

Depreciation on fixed assets (including revalued portion thereon) is provided following Straight Line Method (SLM) as per the useful life specified under Schedule II of the Companies Act, 2013, except in respect of computers (including software) where depreciation is provided at a flat rate of 33.33 % as per the RBI guidelines.

Where during any financial year, addition has been made to any asset or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such asset is calculated on pro rata basis from the date of such addition or as the case maybe, up to the date on which such asset has been sold, discarded, demolished or destroyed.

Premium paid on leasehold properties is charged off over the lease period. Depreciation on leased assets is calculated so as to spread the depreciable amount over the primary lease period.

8. IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. In case of indicators of impairment, an impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over remaining useful life.

9. FOREIGN CURRENCY TRANSACTIONS

9.1 Initial Recognition

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency on the date of the transaction.

9.2 Conversion

Monetary Assets and Liabilities, Forward Exchange Contracts, Guarantees, Letters of Credit, Acceptances, Endorsements and other obligations are evaluated at the closing spot rates/forward rates for the residual maturity of the contract, as notified by the Foreign Exchange Dealers Association of India ('FEDAI') and the resulting profit and loss is recognised in the Profit and Loss account, as per the guidelines issued by RBI.

9.3 Exchange Differences

Exchange difference arising on settlement of monetary items is recognised as income or as expense in the year in which it arises. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuations denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Foreign exchange forward contracts not intended for trading that are entered into to establish the amount of reporting currency required or available at the settlement date of transactions, which are outstanding at the Balance Sheet date are effectively valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

9.4 Outstanding forward exchange contracts are revalued at the Balance Sheet date at the rates notified by FEDAI and at interpolated rates for contracts of interim maturities. The resultant gain/loss on revaluation is recognised in the Profit and Loss Account in accordance with the RBI/FEDAI guidelines.

9.5 Forward exchange contracts and other derivative contracts which have overdue receivables remaining unpaid over 90 days or more are classified as non-performing assets and provided for as per the extant master circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning issued by the RBI.

10. EMPLOYEE BENEFITS

10.1 Defined Benefit Plan

Liability towards Gratuity, Pension, Sick Leave and En-cashable Leave are determined and recognised in the accounts based on actuarial valuation as at the Balance Sheet date. Gratuity is funded with the Gratuity Trust duly registered under the provisions of Income Tax Act, 1961. The actuarial gains/losses are recognised as per the Accounting Standard 15.

10.2 Defined Contribution Scheme

Contribution made by the Bank to the Provident Fund and Contributory Pension Scheme in the form of retirement benefits are charged to the Profit and Loss account. There is no other obligation other than the contribution payable to the fund.

Short term employee benefits are accounted for on actual basis.

11. EMPLOYEE SHARE BASED PAYMENTS

In accordance with the SEBI (Share Based Employee Benefits) Regulations, 2021 / Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants of India ('ICAI'), the cost of equity-settled transactions is measured using intrinsic value method for all options granted on or before 31 March 2021.

RBI vide its clarification dated 30th August, 2021, circular reference no. RBI/2021-22/95 DOR.GOV. REC.44/29.67.001/2021-22 on Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff, advised Banks that fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments. For options granted after March 31, 2021, the Bank follows the fair value method and recognise the fair value of such option computed using the Black-Scholes model without reducing estimated forfeitures, as compensation expense over the vesting period.

12. SEGMENT REPORTING

The Bank recognises the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in compliance with Accounting Standard 17.

Business Segment is classified into (a) Treasury, (b) Corporate and Wholesale Banking, (c) Retail Banking and (d) Other Banking Operations and revenues /expenses allocated in accordance with the RBI guideline. Further, 'Digital Banking' has been identified as a Sub-segment under Retail Banking as required in extant guidelines of the Reserve Bank of India (RBI)

Geographical Segment consists only of Domestic Segment since the Bank does not have any foreign branches.

13. EARNINGS PER SHARE

Basic Earnings per share are calculated by dividing the net profit or loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted Earnings per share are computed by dividing the net profit or loss for the year attributable to the equity shareholders using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

14. TAXATION

Tax expenses comprise current and deferred taxes. Current income tax is measured as the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, rules framed thereunder and after due consideration of the judicial pronouncement and legal opinions.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of change.

Deferred tax assets and liabilities are recognised for future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards.



Deferred tax is recognized subject to consideration of prudence on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. In the event of unabsorbed depreciation and carry forward losses and items relating to capital losses, deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off.

Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted.

15. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when there is an obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or a present obligation that arises from past events that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent liabilities on account of foreign exchange contracts, letters of credit, bank guarantees and acceptances and endorsements denominated in foreign currencies and outstanding as at the Balance Sheet date are translated at year end rates notified by the FEDAI.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

16. NET PROFIT

The net profit disclosed in the Profit & Loss Account is after making provisions for (i) Taxes, (ii) Non Performing Assets, (iii) Standard Advances, (iv) Restructured advances, (v) Depreciation on Investments and (vi) other necessary and applicable provisions.

17. LEASES

Leases where the Lessor effectively retains substantially all risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised on SLM basis as an expense in the Profit and Loss Account over the lease term in accordance with AS-19.

18. ACCOUNTING FOR DIVIDEND DECLARED / PAID

The Bank is not required to provide for dividend proposed/ declared after the balance sheet date. The same shall be appropriated from next year from amount available for appropriation.

19. CASH AND CASH EQUIVALENT

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

20. CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with the Companies Act, 2013, are recognised in the Profit and Loss account.

SCHEDULE - 18

NOTES ON ACCOUNTS FORMING PART OF THE BALANCE SHEET AS ON 31st MARCH, 2023, THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2023.

A) Disclosures as laid down by the RBI Circulars

1. a) Composition of Regulatory Capital

(₹ in crore)

Sr. No.	Particulars	31.03.2023	31.03.2022
i)	Common Equity Tier 1 capital (CET 1) / Paid up share capital and reserves (net of deductions, if any)	7570.66	6558.19
ii)	Additional Tier 1 capital/ Other Tier 1 capital	-	-
iii)	Tier 1 capital (i + ii)	7570.66	6558.19
iv)	Tier 2 capital	1741.87	1560.35
v)	Total capital (Tier 1+Tier 2)	9312.53	8118.54
vi)	Total Risk Weighted Assets (RWAs)	53378.41	51855.44
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs) / Paid-up share capital and reserves as percentage of RWAs	14.18%	12.65%
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	14.18%	12.65%
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	3.26%	3.01%
x)	Capital to Risk Weighted Assets Ratio (CRAR)* (Total Capital as a percentage of RWAs)	17.45%	15.66%
xi)	Leverage Ratio	6.91%	6.53%
	Percentage of the Shareholding of:		
a.	Government of India		
b.	State Government	Nil	Nil
c.	Sponsor Bank		
xii)	Amount of paid-up equity capital raised during the year#	1.18	0.29
xiii)	Amount of non-equity Tier 1 capital raised during the year	Nil	Nil
xiv)	Amount of Tier 2 capital raised during the year by issuing subordinated debt instruments (i.e., unsecured Non-Convertible Subordinated (Lower Tier-2 BASEL III Debt Instruments) as part of Tier 2 capital under series VII by private placement and listed on NSE	Nil	300.00

*In terms of Accounting Standard (AS) 4 "Contingencies and events occurring after the Balance Sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 157 crore from the Profit and loss account for the year ended March 31, 2023 (Previous year ₹ 124.47 crore). However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31, 2023.

#pertains to issuance of shares under Employee Stock Option Scheme, 2018

b) Draw down from Reserves

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2023. (Previous year Nil)

2. Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities as on 31.03.2023

(₹ in crore)

	Day 1	2 to 7 days	8 to 14 days	15 to 30 Days	31 days to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	451.61	1045.18	955.90	1179.75	1745.16	1926.24	4938.29	4446.52	44561.77	2172.70	23944.88	87368.01
Advances	715.07	805.52	724.08	397.06	655.65	2110.69	3489.31	6609.95	23612.94	5605.86	15225.48	59951.62
Investments	7514.10	185.77	152.49	183.34	273.84	343.17	859.58	888.21	7627.32	532.98	4765.56	23326.37
Borrowings	0.00	0.00	16.91	0.00	16.91	16.91	50.73	101.46	339.80	0.00	1020.00	1562.72
Foreign Currency Assets	99.49	612.42	36.77	377.61	197.60	212.01	354.51	535.68	174.17	34.81	0.00	2635.07
Foreign Currency Liabilities	87.82	860.38	53.71	362.38	187.61	299.71	348.73	384.60	0.00	0.00	0.00	2584.94

The above data has been compiled on the basis of the guidelines of RBI and certain assumptions made by the management and have been relied upon by auditors.

Maturity pattern of certain items of assets and liabilities as on 31.03.2022

(₹ in crore)

	Day 1	2 to 7 days	8 to 14 days	15 to 30 Days	31 days to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	394.55	937.01	623.07	808.58	1430.37	1750.59	5231.46	5408.62	39888.18	1948.17	21966.25	80386.85
Advances	813.51	265.67	645.32	1072.66	1120.64	1400.93	3723.92	5311.20	22341.88	6500.00	13587.41	56783.14
Investments	3.30	27.38	24.98	0.00	35.09	55.07	636.30	756.74	1015.34	4255.77	15231.03	22041.00
Borrowings	849.67	0.00	28.93	0.00	28.93	28.93	81.48	275.90	0.00	0.00	1020.00	2313.84
Foreign Currency Assets	82.06	858.29	71.20	354.76	318.85	327.02	614.65	295.23	0.70	0.00	0.00	2922.76
Foreign Currency Liabilities	141.46	895.43	8.78	365.09	185.32	261.83	485.59	418.32	152.45	63.46	0.00	2977.73

b) Liquidity Coverage Ratio (LCR)

Bank is computing LCR on a daily basis in line with the RBI circular dated June 9, 2014 on “Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards”. These guidelines ensure that banks maintain sufficient amount of High Quality Liquidity Assets (HQLAs) to survive 30 days stress scenario so that banks can take corrective measures within such period. These HQLAs have to be 100% of the net cash outflows w.e.f. January 1, 2019.

Bank's Asset Liability Management Committee (ALCO) is empowered to monitor and form suitable strategies to maintain stipulated levels of LCR by channelizing funds to target good quality asset and liability profile to meet Bank's profitability as well as liquidity requirements. Funding strategies are formulated by the Finance and Accounts Department (FAD) in accordance with ALCO guidance. The objective of the funding strategy is to achieve an optimal funding mix which is consistent with prudent liquidity, diversity of sources and servicing costs. Accordingly, FAD estimates daily liquidity requirement. With the help of structural liquidity statement prepared by Bank, FAD evaluates current and future liquidity requirement and takes necessary action. Bank has consistently maintained LCR above 100% during FY 22-23 i.e., at levels higher than the required regulatory at minimum level on an ongoing basis.

(₹ in Crore)

	Quarter ended 30.06.2022		Quarter ended 30.09.2022		Quarter ended 31.12.2022		Quarter ended 31.03.2023	
	Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High-Quality Liquid Assets(HQLA)		20550.36		19582.07		19076.56		21493.14
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	63599.94	5557.88	64035.98	5600.21	65670.98	5755.78	67827.61	5949.28
i) Stable deposits	16042.33	802.12	16067.80	803.39	16226.42	811.32	16669.60	833.48
ii) Less stable deposits	47557.61	4755.76	47968.19	4796.82	49444.56	4944.46	51158.01	5115.80
3 Unsecured wholesale funding, of which:	5099.24	2322.95	5053.46	2228.32	5017.52	2256.37	5404.35	2376.84
i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-

 which6.02B00 TJZ
 counterparties)=

(₹ in Crore)

		Quarter ended 30.06.2022		Quarter ended 30.09.2022		Quarter ended 31.12.2022		Quarter ended 31.03.2023	
		Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average)
i)	Outflows related to derivative exposures and other collateral requirement	0.50	0.50	1.26	1.26	1.86	1.86	1.12	1.12
ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii)	Credit and liquidity facilities	7808.23	900.72	7990.18	825.62	7804.99	760.53	7795.16	729.03
6	Other contractual funding obligations		215.30		205.21		215.34		202.15
7	Other contingent funding obligations	5655.52	169.67	6262.55	187.88	6139.66	184.19	6637.10	199.11
8	Total Cash Outflows		9167.01		9048.49		9174.05		9457.53
Cash Inflows									
9	Secured lending (e.g. reverse repos)	82.09	-	29.32	-	16.39	-	-	-
10	Inflows from fully performing exposures	1786.89	893.45	2133.94	1066.97	2415.42	1207.71	2461.39	1230.70
11	Other cash inflows	1470.40	1470.40	1478.14	1478.14	1428.46	1428.46	1329.03	1329.03
12	Total Cash Inflows	3339.38	2363.85	3641.40	2545.11	3860.27	2636.17	3790.42	2559.72
13	Total HQLA		20550.36		19582.07		19076.56		21493.14
14	Total Net Cash Outflows		6803.17		6503.38		6537.89		6897.81
15	Liquidity Coverage Ratio (%)		302.07		301.11		291.78		311.59

Note: LCR Data has been calculated based on simple average of all daily observations over the previous period. The above data has been furnished by the management and have been relied upon by the auditors. In accordance with RBI guidelines, Banks are required to make consolidated Pillar 3 disclosures including Leverage Ratio and Net >

3. Investments

a) Composition of Investment Portfolio as on 31.03.2023

(₹ in crore)

Investments in India														Investments outside India			
Government Securities		Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	Total Investments					
Held to Maturity																	
Gross	18253.99	-	-	0.06	1.50	5.78	18261.34	-	-	-	-	18261.34					
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-					
Net	18253.99	-	-	0.06	1.50	5.78	18261.34	-	-	-	-	18261.34					
Available for Sale																	
Gross	3628.26	-	106.85	1564.46	-	310.19	5609.76	-	-	-	-	5609.76					
Less: Provision for depreciation and NPI	154.79	-	8.13	73.31	-	308.51	544.73	-	-	-	-	544.73					
Net	3473.47	-	98.72	1491.15	-	1.68	5065.03	-	-	-	-	5065.03					
Held for Trading																	
Gross	-	-	-	-	-	-	-	-	-	-	-	-					
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-					
Net	-	-	-	-	-	-	-	-	-	-	-	-					
Total Investments	21882.25	-	106.85	1564.52	1.50	315.97	23871.09	-	-	-	-	23871.09					
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-					
Less: Provision for depreciation and NPI	154.79	-	8.13	73.31	-	308.51	544.73	-	-	-	-	544.73					
Net	21727.46	-	98.72	1491.21	1.50	7.47	23326.37	-	-	-	-	23326.37					

[illegible]

b) Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

Sr. No.	Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
i)	<u>Movement of provisions held towards depreciation on investments</u>		
a)	Opening balance	362.55	276.84
b)	Add: Provisions made during the year	182.18	108.77
c)	Less: Write off / write back of excess provisions during the year	-	23.06
d)	Closing balance	544.73	362.55
ii)	<u>Movement of Investment Fluctuation Reserve</u>		
a)	Opening balance	98.85	95.58
b)	Add: Amount transferred during the year	64.15	3.27
c)	Less: Drawdown	-	-
d)	Closing balance	163.00	98.85
iii)	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2.91%	2.00%

c) Sale and transfer to/from Held to Maturity category

(₹ in crore)

Sr. No.	Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
1.	Shifting amongst Securities	Nil	Nil
2.	Sale of Non-SLR Securities held under HTM Portfolio	Nil	294.04

d) Non-SLR investment portfolio
i) Non Performing non- SLR investments

(₹ in crore)

Sr. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
a.	Opening Balance	62.10	75.15
b.	Additions in the year since 1st April	9.99	10.00
c.	Reductions in the above period	9.99	23.05
d.	Closing Balance	62.10	62.10
e.	Total Provisions Held	62.10	62.10

ii) Issuer composition of non-SLR investments

(₹ in crore)

Sr. No.	Issuer	(2)	Amount		Extent of Private Placement		Extent of 'Below Investment Grade' Securities		Extent of 'Unrated' Securities		Extent of 'Unlisted' Securities	
			Current year	Previous Year	Current year	Previous Year	Current year	Previous Year	Current year	Previous Year	Current year	Previous Year
(1)			2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
a)	PSUs		323.07	349.46	152.00	129.25	Nil	Nil	0.06	0.07	2.00	2.00
b)	FIs		1009.70	1091.38	630.00	665.00	20.00	10.00	Nil	Nil	Nil	Nil
c)	Banks		129.01	135.70	125.00	125.00	Nil	Nil	Nil	Nil	Nil	Nil
d)	Private Corporates		218.62	234.26	58.12	148.96	34.10	9.10	Nil	Nil	Nil	Nil
e)	Subsidiaries/ Joint Ventures		1.50	1.00	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f)	Others		306.96	375.99	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
g)	Provision held towards depreciation		367.32	279.90								
	Total *		1621.52	1907.89								

Note: Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

e) Repo transactions (in face value terms)

(₹ in crore)

Sl. No.	Particulars	Outstanding during the year 2022-23			Outstanding as on 31.03.2023	Outstanding as on 31.03.2022
		Min.	Max.	Daily average		
1	Securities sold under Repo					
a	Government securities	14.00	200.00	2.11	0.00	0.00
b	Corporate Debt securities	Nil	Nil	Nil	Nil	Nil
c	Any other securities	Nil	Nil	Nil	Nil	Nil
2	Securities purchased under reverse Repo					
a	Government securities	5.00	500.00	15.57	0.00	533.00
b	Corporate Debt securities	Nil	Nil	Nil	Nil	Nil
c	Any other securities	Nil	Nil	Nil	Nil	Nil

4. Asset Quality
a) Classification of advances and provisions held as on 31.03.2023

(₹ in crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	55518.52	732.12	1434.71	83.99	2250.82	57769.34
Add: Additions during the year					1836.64	
Less: Reductions during the year*					1794.55	
Closing balance	59009.87	681.15	1381.03	230.73	2292.91	61302.78
*Reductions in Gross NPAs due to:					0.00	
i) Upgradation					401.81	
ii) Recoveries (excluding recoveries from upgraded accounts)					886.48	
iii) Technical/ Prudential Write-offs					491.15	
iv) Write-offs other than those under (iii) above					15.11	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	725.50	123.38	636.92	57.20	817.50	1543.00

(₹ in crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Add: Fresh provisions made during the year					1476.55	
Less: Excess provision reversed/ Write-off loans					1092.86	
Closing balance of provisions held	653.37	144.78	873.51	182.90	1201.19	1854.56
Net NPAs						
Opening Balance		608.74	741.44	26.79	1376.97	
Add: Fresh additions during the year					1159.53	
Less: Reductions during the year					1515.23	
Closing Balance		536.37	439.83	45.07	1021.27	
Floating Provisions						
Opening Balance						
Add: Additional provisions made during the year						
Less: Amount drawn down during the year						
Closing balance of floating provisions						
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2939.80
Add: Technical/ Prudential write-offs during the year						491.15
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						387.58
Closing balance						3043.37

b) Classification of advances and provisions held as on as on 31-03-2022

(₹ in crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	50136.69	1033.93	1347.29	207.19	2588.41	52725.10
Add: Additions during the year					1552.86	
Less: Reductions during the year*					1890.44	
Closing balance	55518.52	732.12	1434.71	83.99	2250.82	57769.34
*Reductions in Gross NPAs due to:						
i) Upgradation					819.29	
ii) Recoveries (excluding recoveries from upgraded accounts)					396.10	
iii) Technical/ Prudential Write-offs					628.26	
iv) Write-offs other than those under (iii) above					46.80	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	388.13	170.42	546.82	184.71	901.95	1290.08
Add: Fresh provisions made during the year					809.84	
Less: Excess provision reversed/ Write-off loans					894.29	
Closing balance of provisions held	725.50	123.38	636.92	57.20	817.50	1543.00
Net NPAs						
Opening Balance		863.50	759.07	22.48	1645.05	
Add: Fresh additions during the year					1209.32	
Less: Reductions during the year					1477.40	
Closing Balance		608.74	741.44	26.79	1376.97	
Floating Provisions						
Opening Balance						
Add: Additional provisions made during the year						
Less: Amount drawn down during the year						
Closing balance of floating provisions						

(₹ in crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2893.76
Add: Technical/ Prudential write-offs during the year						628.26
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						582.22
Closing balance						2939.80

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
Gross NPA to Gross Advances	3.74%	3.90%
Net NPA to Net Advances	1.70%	2.42%
Provision Coverage ratio	80.86%	73.47%

b) Sector-wise Advances and Gross NPAs

(₹ in crore)

Sr. No.	Sector	Current Year 31.03.2023			Previous Year 31.03.2022		
		Outstandi ng Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstandin g Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
i)	Priority Sector						
a)	Agriculture and allied activities	7591.42	552.40	7.28%	7435.30	552.91	7.44%
b)	Advances to industries sector eligible as priority sector lending	4404.10	317.63	7.21%	4781.83	370.11	7.74%
c)	Services	10842.98	818.00	7.54%	11313.08	714.01	6.31%
d)	Personal loans	2886.45	55.75	1.93%	2939.56	68.70	2.34%
	Subtotal (i)	25724.95	1743.78	6.78%	26469.77	1705.73	6.44%
ii)	Non-priority Sector						
a)	Agriculture and allied activities	74.31	2.32	3.12%	67.10	6.42	9.57%
b)	Industry	2664.43	133.28	5.00%	1883.65	89.04	4.73%
c)	Services	2285.85	38.87	1.70%	3067.78	33.23	1.08%
d)	Personal loans	11915.93	284.52	2.39%	10779.54	298.33	2.77%
e)	Other Non-Priority Loans	18637.31	90.14	0.48%	15501.5	118.07	0.76%
	Sub-total (ii)	35577.83	549.13	1.54%	31299.57	545.09	1.74%
	Total (i + ii)	61302.78*	2292.91	3.74%	57769.34*	2250.82	3.90%

*excludes provision for NPA and other netting items

c) Overseas assets, NPAs and Revenue –Nil (Previous Year – Nil)
d) Particulars of resolution plan and restructuring

There are no Borrowers requiring additional provision in terms of Reserve Bank of India Circular DBR.No.BP. BC.45/21.04.048/2018-19 dated June 7, 2019.

During the year, there was no conversion of debt into equity on restructuring (Previous year Nil.)

e) Divergence in asset classification and provisioning:

No disclosure on divergence in asset classification and provisioning for NPAs is required with respect to the Risk based Supervision conducted by the Reserve Bank of India for the year ended 31st March 2022, based on conditions mentioned in the RBI Master Direction No. RBI/DOR/2021-22 /83 DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30th August 2021 (updated as on 11th October 2022). (Previous year Nil.)

f) Disclosure of transfer of loan exposures (₹ in Crore)

- i) Details of loans not in default that are transferred/ acquired during the year ended 31st March, 2023 under the RBI Master Direction on transfer of loan exposure dated 24th September, 2021 are given below:

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
Mode of acquisition	-	Assignment and Novation
Aggregate principal outstanding of loan acquired	-	₹ 117.09 crore
Weighted average residual maturity	-	8.94 years
Weighted average holding period	-	N.A.
Retention of beneficial economic interest by the originator	-	N.A.
Coverage of tangible security (For secured loans)	-	100% Secured
Rating-wise distribution of loans acquired by the value		
-A- and above	-	48.87%
-BBB and BBB+	-	51.13%

- ii) In the case of stressed loans transferred: (₹ in Cr. except no. of accounts & Tenor) (Previous year figures are in bracket)

Particulars	To Asset Reconstruction Companies(ARCs)	To permitted transferees	To other Transferees
No of accounts	3 (48)	-	-
Aggregate principal outstanding of loan transferred	3.96 (176.98)	-	-
Weighted average residual tenor of the loans transferred	1.02 (0.87)	-	-
Net book value of loans transferred (at the time of transfer)	2.36 (0.31)	-	-
Aggregate consideration	2.80 (25.15)	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-	-

Details of loans acquired during the year

(₹ in crores)

Particulars	From SCBs, RRBs, UCBs, StCBs, DCCBs, AIFs, SFBs, and NBFCs including Housing Finance Companies(HFCs)	From ARCs
Aggregate principal outstanding of loans acquired	Nil	Nil
Aggregate consideration paid	Nil	Nil
Weighted average residual tenor of loans acquired	Nil	Nil

Distribution of Security Receipts across various categories of recovery ratings assigned to such SR's by the credit rating agencies as on March 31, 2023:

(₹ in crore)

Recovery Rating Band	Book Cost (Rs. in crore)	
	As on 31st March 2023	As on 31st March 2022
RR1	7.29	46.43
RR2	39.00	45.66
RR3	80.45	134.14
RR4	65.49	23.77
RR5	0.00	71.17
Rating Withdrawn	114.69	54.82
TOTAL	306.92*	375.99

*Provision held there against ₹ 306.92 crore

g) Fraud accounts

(₹ in crore)

Particulars	2022-23	2021-22
Number of frauds reported	60	16
Amount involved in frauds*	166.46	171.59
Amount of Provision for such Fraud#	58.37	4.93
Amount of Amortised provision debited from other reserves as at the end of the year	Nil	Nil

*Includes Technical Written Off Accounts

#The Bank holds 100% Provision

Pursuant to RBIs Master Direction No. RBI/DBS/2016-17/28 DBS.CO.CFMC.BC.No.1/ 23.04.001/2016-17 dated July 1, 2016 (updated as on July 03, 2017), the Fraud Monitoring Group of the bank has identified two Red Flagged Accounts as suspected frauds. Pending outcome of the process, full provision has been made by the Bank for the above borrower accounts as a matter of prudence.

h) Disclosure under Resolution Framework for COVID-19 related Stress

The continued impact of COVID-19 pandemic, has affected the global economy including India. The slowdown may lead to a rise in the number of customer defaults and consequently an increase in provisions there against. The extent to which COVID-19 pandemic may continue to impact the Bank's operations and asset quality is dependent on the ongoing as well as future developments, which are highly uncertain. In accordance with the COVID 19 regulatory package announced by RBI from time to time providing relief to the borrowers, the Bank as per approved board policy offered relief to all eligible borrowers and necessary provision has been made for the same.

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan- Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half- year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	318.32	44.81	1.39	110.63	262.80
Corporate persons*	326.19	312.54	-	423.51	4.73
Of which MSMEs	-	-	-	-	-
Others	52.28	0.11	-	9.81	53.26
Total	696.79	357.46	1.39	543.95	320.79

* As defined in section 3(7) of the Insolvency and Bankruptcy Code, 2016

- ii. In Accordance with RBI Cir No. DOR.str.rec.11/21.04.048/2021-22 dated May 5, 2021 on "Resolution Framework 2.0: Resolution of Covid-19 related stress of individuals and small business, the number of borrowers Accounts where modifications were sanctioned and implemented and the aggregate exposure to such borrowers are as under:

No. of Accounts	31
Aggregate Exposure as on 31st March 2023 (₹ in crore)	20.89

5. Exposures

a) Exposures to real estate sector

(₹ in crore)

Category	Current Year 31-03-2023	Previous Year 31-03-2022
i) Direct exposure		
a) Residential Mortgages -	9850.96	9249.56
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Of which Individual housing loans eligible for inclusion in priority sector advances	2706.45	2740.29
b) Commercial Real Estate -		
Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	5323.34	6016.48
c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures -		
i. Residential	Nil	Nil
ii. Commercial Real Estate	Nil	Nil
ii) Indirect Exposure		
Fund based and non-fund-based exposures on National Housing		
Bank and Housing Finance Companies.	0.22	0.92
Total Exposure to Real Estate Sector	15174.52	15266.96

b) Exposure to capital market

(₹ in crore)

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	107.14	84.04
ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	Nil	Nil
iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil

Particulars	(₹ in crore)	
	Current Year 31-03-2023	Previous Year 31-03-2022
iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	Nil	Nil
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	146.95	53.86
vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
vii) Bridge loans to companies against expected equity flows / issues;	Nil	Nil
viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
ix) Financing to stockbrokers for margin trading;	Nil	Nil
x) All exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
Total exposure to capital market	254.09	137.90

c) Risk category-wise country exposure

Risk Category*	(₹ in crore)			
	Exposure (net) as at March 2023	Provision held as at March, 2023	Exposure (net) as at March, 2022	Provision held as at March, 2022
Insignificant	46.69	Nil	42.41	Nil
Low	26.09		50.68	
Moderately Low	9.02		0.18	
Moderate	0.02		0.73	
Moderately High	0.00		0.38	
High	0.04		0.00	
Very High	0.00		0.00	
Total	81.86		94.38	

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no country risk provision is required as per the extant RBI guidelines. The Bank has used 7 categories of classifications followed by the ECGC for purpose of classification and making provision for country risk exposures.

d) Unsecured advances

Particulars	(₹ in crore)	
	Current Year 31-03-2023	Previous Year 31-03-2022
Total unsecured advances of the bank (Net)	5308.80	3348.13
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	30.82	23.68
Estimated value of such intangible securities	35.25	-

e) **Factoring Exposure-** The bank has no Factoring exposure as on 31.03.2023. (Previous Year- Nil)

f) **Intra -group Exposure**

There are no Intra Group exposures other than investment of ₹ 1.50 crore in wholly owned non-financial Subsidiary KBL Services Ltd. (Previous Year ₹ 1.00 crore)

g) **Unhedged foreign currency exposure**

The Bank has put in place a policy on Hedging of Foreign Currency Exposure which is a part of the Loan Policy which stipulates the guidelines on managing the risk arising out of the unhedged foreign currency exposure in line with the extant RBI guidelines. Further, the Bank has made a provision of ₹ 20.39 crore (Previous year ₹ 17.87 crore) and has provided capital for the unhedged foreign currency exposure of borrowal entities of ₹2.73 crore (Previous year ₹ 4.46 crore) in line with the extant RBI guidelines.

h) **Disclosure on amortisation of Expenditure on account of Enhancement in family pension of Employees of Banks:**

The Bank had fully recognised the expenditure for enhancement of Family pension in the FY 2021-22.

6. **Concentration of deposits, advances, exposures and NPAs**

a) **Concentration of deposits**

(₹ in crore)

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
Total Deposits of twenty largest depositors	3105.47	2604.14
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	3.55	3.44

b) **Concentration of advances**

(₹ in crore)

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
Total Advances to the twenty largest borrowers	8964.75	8237.81
Percentage of advances of the twenty largest borrowers to Total Advances of the Bank	10.99	10.73

c) **Concentration of exposures**

(₹ in crore)

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
Total Exposures to twenty largest borrowers	9381.93	8479.99
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	11.23	10.74

d) **Concentration of NPAs**

(₹ in crore)

Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
Total Exposures to the top twenty NPA accounts	512.83	396.52
Percentage of exposures of the twenty largest NPA exposure to total Gross NPAs.	22.37	17.62

7. Derivatives

a) Forward rate agreement/ interest rate swap

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
i.	The Notional principal of swap agreements	Nil	Nil
ii.	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	Nil	Nil
iii.	Collateral required by the bank upon entering into swaps	Nil	Nil
iv.	Concentration of credit risk arising from swaps	-	-
v.	The fair values of the swap book	Nil	Nil

b) Exchange traded interest rate derivatives

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument wise)	Nil	
(ii)	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2023 (Instrument -wise)		
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)		
(iv)	Mark to Market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instruments -wise)		

Disclosure on Risk exposure in derivatives

Qualitative Disclosure

The Bank has put in place Board approved Integrated Treasury Policy, Asset Liability Management (ALM) policy, Market Risk Management Policy and Fund Transfer Pricing Policy for effective management of market risk in the Bank. The objective of Integrated Treasury Policy is to assess and minimize risks associated with treasury operations by extensive use of various risk management tools. Broadly, it encompasses Policy prescriptions for managing systemic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

For market risk arising out of various products in treasury and its business activities, the Bank has set regulatory/ internal limits and ensures the adherence thereof. Migration of ratings is tracked regularly. Limits for exposures to counter- parties, industries and countries are monitored and the risks are controlled through Stop Loss Limits, Overnight limit, Daylight limit, Aggregate Gap limit, Individual gap limit, Value at Risk (VaR) limit for Forex, Inter-Bank dealing and various investment limits. For the Market Risk Management the Bank has a Mid Office. The functions of Mid Office are handled by Risk Management Department.

The Board, RCMC & ALCO are overseeing the market risk management of the Bank, procedures thereof, implementing risk management guidelines issued by regulator, best risk management practices followed globally and ensures that internal parameters, procedures, practices/policies and risk management prudential limits are adhered to.

Liquidity risk of the Bank is assessed through daily gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as Stress testing, simulation, sensitivity analysis etc. are conducted on regular intervals to draw the contingency funding plan under different liquidity scenarios.

Fund Transfer Pricing Policy which lays down methodology/assumptions on which profitability of the branches/ products/customers is measured and the FTP results are being used for effective decision making.

ii) Quantitative disclosure

(₹ in crore)

Sl. No.	Particulars	Current year 31.03.2023		Previous year 31.03.2022	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)	Nil			
	a) For Hedging				
	b) For Trading				
(ii)	Marked to Market Positions (1)				
	a) Asset (+)				
	b) Liability (-)				
(iii)	Credit Exposure (@)				
(iv)	Likely Impact of one percentage change in interest rate (100*pv01)				
	a) On Hedging Derivatives				
	b) On Trading Derivatives				
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) On hedging				
	b) On trading				

@ Credit exposure is calculated as per RBI Circular DBS.FID.No.C-12/01.02.00/2002- 03 dated 20-01-2003 on measurement of credit exposure of derivatives products and we have adopted current exposure method for calculating the same. According to the circular, on order to calculate the credit exposure equivalent of off balance sheet interest rate & exchange rate instruments under current exposure method, a bank would sum:

- The total replacement cost (obtaining by marking by marking to marking) of all its contracts with positive value (i.e. when bank has to receive money from counterparty) and
- An Amount Potential future charges in credit exposure calculated on the basis of the notional principal amount of the contract multiplied by the credit conversion factor of 1% (applicable to contracts maturing less than one year) and 5% (contract maturing one year and above) according to residual maturity.

c) Credit default swaps

The Bank has not entered into any credit default swap. (Previous Year- Nil)

8. Disclosures relating to securitisation:

The Bank has not sponsored any SPEs for securitisation transactions (₹ in crore)

Sl. No.	Particulars	Current year 31.03.2023	Previous year 31.03.2022
1	No of SPVs sponsored by the bank for securitization transactions	Nil	
	(Only the SPVs relating to outstanding securitization transactions to be reported here)		
2	Total a) No. and b) amount of securitised assets as per books of the SPVs sponsored by the bank		
3	Total amount of exposures retained by the bank to comply with Minimum Retention Requirement (MRR) as on the date of balance sheet		

Sl. No.	Particulars	Current year 31.03.2023	Previous year 31.03.2022
	a) Off-balance sheet exposures		
	First loss		
	Others		
	b) On-balance sheet exposures		
	First loss		
	Others		
4	Amount of exposures to securitisation transactions other than		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss		
	others		
	ii) Exposure to third party securitisations		
	First loss		
	Others		
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	First loss		
	Others		
	ii) Exposure to third party securitisations		
	First loss		
	Others		
5	Sale consideration received for the securitised assets and gain/ loss on sale on account of securitisation		
6	Form and quantum (outstanding value) of services provided by way of credit enhancement, liquidity support, post-securitisation asset servicing, etc.		
7	Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.		
	a) Amount paid		
	b) Repayment received		
	c) outstanding amount		
8	Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e RMBS, Vehicle Loans etc		
9	Amount and number of additional/ top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e RMBS, vehicle loans, etc.		
10	Investor complaints		
	a) Directly / indirectly received and;		
	b) Complaints outstanding		

Nil

9. Off balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms) – Nil

10. Transfers to Depositor Education and Awareness Fund (DEA Fund)

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
i)	Opening balance of amounts transferred to DEA Fund	177.48	130.88
ii)	Add: Amounts transferred to DEA Fund during the year	76.94	48.78
iii)	Less: Amounts reimbursed by DEA Fund towards claims	5.17	2.18
iv)	Closing balance of amounts transferred to DEA Fund	249.25	177.48

11. Disclosure of Complaints

- a) Summary information on complaints received by the bank from customers and from the Offices of Ombudsman are furnished below

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023	Previous Year 31-03-2022
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	312	458
2	Number of complaints received during the year	56325	41154
3	Number of complaints disposed during the year	56236	41300
3.1	Of which, number of complaints rejected by the bank	53	6
4	Number of complaints pending at the end of the year	401	312
	Maintainable complaints received by the bank from Office of Ombudsman		
5	Number of maintainable complaints received by the bank from Office of Ombudsman	363	374
5.1.	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	326	337
5.2	Of 5, number of complaints resolved through conciliation /mediation /advisories issued by Office of Ombudsman	37	21
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	Nil	Nil
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

b) Top five grounds of complaints received by the bank from customers are as under

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Current Year 2022-23					
ATM/Debit Cards	256	54761	40.01	376	0
Internet / Mobile / Electronic Banking	14	822	-18.05	8	4
Loans & Advances	24	200	-39.03	7	0
Levy of charges without prior notice / excessive charges / foreclosure charges	1	91	9.64	0	0
Facilities for customers visiting the branch/ adherence to prescribed working hours by the branch, etc.	1	78	-2.5	1	1
Others	16	373	-12.87	9	0
Total	312	56325		401	5

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Previous Year 2021-22					
ATM/Debit Cards	435	39113	-1.35	256	1
Internet / Mobile / Electronic Banking	6	1003	25.53	14	1
Loans & Advances	3	328	5.81	24	4
Others	4	206	-53.18	6	1

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
	Previous Year 2021-22				
Levy of charges without prior notice / excessive charges / foreclosure charges	3	83	-62.27	1	0
Others [Apart from top 5 complaints]	7	421	93.12	11	4
Total	458	41154		312	11

12. Disclosures of penalties imposed by the Reserve Bank of India

During the year, no penalty was imposed by the Reserve Bank of India. (Previous Year – ₹ 1 crore)

13. Disclosures on remuneration

a) Qualitative disclosure

(a)	Information relating to the composition and mandate of the Nomination & Remuneration Committee (NRC).	The Nomination & Remuneration Committee (NRC) consists of four Directors, three of them are Independent Directors. Two members are also the members of Risk and Capital Management Committee (RCMC) of the Board. The mandate of the NRC includes identification of persons who are qualified to become directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board for their appointment, fixing their compensation and/or removal, undertaking the due diligence of candidates before their appointment/re-appointment as directors, formulating the criteria for determining qualification, positive attributes and independence of a director, key managerial personnel and other employees, formulation of criteria for evaluation of performance of independent directors and the board of directors, etc. NRC also reviews Policy on "Compensation of Whole Time Directors/Chief Executive Officers/Risk Takers and Control Function Staff, etc." of the Bank (known as "Compensation Policy") besides, administration of ESOP scheme.
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(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	Compensation Policy aims to attract and retain the right candidates in the Bank. The policy is designed to support key business strategies and create a strong, performance-orientated environment besides providing reasonable remuneration commensurate with the growth of the Bank, keeping in mind the circulars issued by the RBI in the matter. It also ensures effective governance of compensation, alignment of compensation with prudent risk taking, effective supervisory oversight and stakeholder engagement. The Policy read with Policy on Human Resource Management of the Bank aims at facilitating effective succession planning in the Bank.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	A wide variety of measures of credit, market and liquidity risks are used by Bank in implementation of risk adjustment. The risk adjustment methods have both quantitative and qualitative elements. Compensation outcomes are symmetric with risk outcomes and compensation pay-outs are sensitive to the time horizon of the risk.
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	The performance-based remuneration motivates and rewards high performers who strengthen long-term customer relations and generate income and shareholder value. The Bank's Compensation Policy stipulates that while designing the compensation package to WTD/CEO & Material Risk Takers, it is ensured that there is a proper balance between Fixed Pay and Variable Pay. While fixing the Variable Pay, performance parameters under financial and non-financial areas of operations (including risk adjustment) are assessed.
(e)	A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	As per the Bank's Compensation Policy, effective pay cycles commencing from April 2020, the maximum permissible variable pay is at 200% of the fixed pay for WTD/CEO, which is split into cash (50%) and share linked components (50%). Further, in each of these components, 60% of the Variable Pay is deferred to be vested over a period of three years in the ratio of 30:30:40. In case of Material Risk Takers (MRTs), the maximum permissible limit of variable pay is at 100% of Fixed Pay with similar deferral arrangement. The policy also provides that the deferred compensation will be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year and the policy has identified certain set of situation which, if triggered, empower the NRC/Board of Directors to invoke malus/clawback clauses. The payment of Variable Pay to the WTD/CEO is subject to prior approval of the RBI.

(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	The variable pay is split into equal components of cash and share linked instruments to have proper mix of remuneration. The share linked instruments act as a retention and motivation tool and provide the incumbent with a sense of belongingness with the Bank.
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b) Quantitative disclosures

		Current Year (2022-23)	Previous Year (2021-22)
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	<p>Eleven (11)</p> <p>Sitting fees of ₹ 60,000/- to each Non- Whole Time Director members per meeting attended.</p> <p>Overall remuneration paid as Sitting fees paid to Members of the NRC during the FY 2022-23 is ₹ 0.30 Crore.</p>	<p>Seven (7)</p> <p>Sitting fees ₹50,000/- to each non- whole time Director members per meeting attended.</p> <p>Overall remuneration paid as sitting fees paid to Members of the NRC during the FY 2021-22 is ₹ 0.14 Crore</p>
(b)	<p>(i) Number of employees having received a variable remuneration award during the financial year.</p> <p>(ii) Number and total amount of sign- on/joining bonus made during the financial year.</p> <p>(iii) Details of severance pay, in addition to accrued benefits, if any.</p>	<p>Three</p> <p>Nil</p> <p>Nil</p>	<p>Three</p> <p>Nil</p> <p>Nil</p>
(c)	<p>(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</p> <p>(ii) Total amount of deferred remuneration paid out in the financial year.</p>	Refer to Table 1 below	
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Refer to Table 2 below	
(e)	<p>(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex- post explicit and/or implicit adjustments.</p> <p>(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.</p>	<p>Nil</p> <p>Nil</p>	<p>Nil</p> <p>Nil</p>

			Current Year (2022-23)	Previous Year (2021-22)
	(iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments.	Nil	Nil
(f)		Number of MRTs identified.	Three	Two
(g)	(i)	Number of cases where malus has been exercised	Nil	Nil
	(ii)	Number of cases where clawback has been exercised.	Nil	Nil
	(iii)	Number of cases where both malus and clawback have been exercised.	Nil	Nil

c) General Quantitative Disclosure

(a)	1.	The mean pay for the bank as a whole (excluding sub-staff) and	Mean Pay ₹ 0.10 crore	Mean Pay ₹ 0.10 crore
	2.	The deviation of the pay of each of its WTDs from the mean pay.	MD & CEO: 13.90X* Executive Director: 1.14^	MD & CEO: 11.72X** NA

* computed based on the non-deferred remuneration which has been recognized during the FY 2022-23

** computed based on the non-deferred remuneration which has been recognized during the FY 2021-22

TABLE 1

(₹ in Crore)

	FY2022-23				FY2021-22			
	MD & CEO	COO	CBO	Total	MD & CEO	COO	CBO	Total
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (for performance year 2020-21 & 2021-22)	0.77#	0.12	0.10	0.99	0.77@	0.12	0.11	1.00
Total amount of deferred remuneration paid out in the financial year. (for performance year 2020-21 & 2021-22)	0.08	Nil	Nil	0.08	Nil	Nil	Nil	Nil

Notes:

₹96 Lakhs was the amount of Variable Pay granted for the Performance year FY 2021-22 and approved by the RBI vide letter DOR.GOV.No.S7046/08.40.001/2022-23 dated 02-02-2023. The details are furnished in Table 2.

@ ₹96 Lakhs was the amount of Variable Pay granted for the Performance year FY 2020-21 and approved by the RBI vide letter DOR.GOV.No.S4602/08.40.001/2021-22 dated 21-03-2022. The details are furnished in Table 2.

TABLE 2

(₹ in Crore)

Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.

Name of the Director/MRT	FY 2022-23			FY 2021-22		
	Fixed Pay	Variable Pay1		Fixed Pay	Variable Pay2	
		Cash Component	Share Linked remuneration (ESOPs)		Cash Component	Share Linked remuneration (ESOPs)
Mr. Mahabaleshwara M S, Managing Director & CEO	0.96	0.48 Non-Deferred (upfront): 0.19 (40%) Deferred: 0.29 (60%)	0.48 (worth) Non-Deferred (upfront): Nil Deferred: 0.48 (100%)	0.96	0.48 Non-Deferred (upfront): 0.19 (40%) Deferred: 0.29 (60%)	0.48 (worth) Non-Deferred (upfront): Nil Deferred: 0.48 (100%)
Mr. Sekhar Rao Executive Director #	0.72	0.72	0.72	Not Applicable		
Mr. Y V Balachandra, Chief Operating Officer (MRT)	0.32	0.12~	0.12 (worth) Deferred: 0.12 (100%)	0.32	0.12 ~	0.12(worth) Deferred: 0.12 (100%)
Mr. Gokuldas Pai Chief Business Officer (MRT)	0.32	0.10~	0.10 (worth) Deferred: 0.10 (100%)	0.32	0.11~	0.11 (worth) Deferred: 0.11 (100%)
Mr. R K Gurumurthy Head -Treasury (MRT)##	0.27	0.135~	0.135 (worth) Deferred: 0.135 (100%)	Not Applicable		

Joined the services of the Bank on 01-02-2023

Variable Pay will be bifurcated equally into cash and share linked instruments. It is payable on evaluation of performance determined by the board, subject to approval of the Reserve Bank of India.

Joined the services of the Bank on 17-03-2023

Notes:

1. Performance year being FY 2020-21 and the assessment of variable pay of ₹ 96 lakhs has been approved by the RBI and non-deferred remuneration (upfront) of ₹19 Lakhs was paid on 12-05- 2022 and 1st year deferred remuneration of ₹ 8 Lakhs was paid on 30-03-2023 during FY 2022-23.

2. Performance year being FY 2021-22 and the assessment of variable pay of ₹ 96 lakhs has been approved by the RBI and non-deferred remuneration (upfront) of ₹19 Lakhs was paid on 30-03- 2022 during FY 2022-23.

~since the amount of variable pay was less than ₹25 lakh, there was no deferral arrangement on cash component.

14. Other Disclosures

a) Business ratios

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
i	Interest Income to working funds	8.07%	6.96%
ii	Non interest income to working funds	1.11%	1.07%
iii	Cost of Deposit	4.62%	4.66%
iv	Net Interest Margin	3.70%	3.18%
v	Operating Profit as a percentage to working funds	2.47%	1.83%
vi	Return on Assets	0.56%	1.21%
vii	Business (Deposits Plus Advances) per employee (₹ in crore)	16.10	17.03
viii	Profit per employee(₹ in crore)	0.06	0.14

b) Bancassurance business

(₹ in crore)

Sl. No.	Nature of Income	Current Year 2022-23	Previous Year 2021-22
1	For selling Life Insurance Policies	40.82	36.98
2	For selling Non Life Insurance Policies	11.94	10.57

c) Marketing and Distribution

Other fees/ remuneration received in respect of the marketing and distribution function (excluding bancassurance business) undertaken by us during Financial Year 2022-23 is ₹ 16.12 Crore (Previous year ₹10.31 crore)

d) Disclosures regarding Priority Sector Lending Certificates(PSLCs)

The amount of PSLCs purchased during the FY 2022-23 is as follows:

(₹ In crore)

Sl. No.	Type/ Category	Date of purchase	No. of units (each unit = ₹ 25.00 lakh)	Total Face value (Rs.in crore)	Premium Rate/ crore (in % age)	Premium amt /unit (Amt in ₹)	Total premium amt (excl applicable GST)
1	PSLCSM	29-03-2023	1600	400.00	0.50	12500	2.00
2	PSLCSM	29-03-2023	400	100.00	0.50	12500	0.50
3	PSLCSM	29-03-2023	1000	250.00	0.40	10000	1.00
4	PSLCSM	29-03-2023	1000	250.00	0.31	7750	0.78
	Total		4000	1000.00			4.28

The amount of PSLCs purchased during the FY 2021-22 is as follows:

(₹ In crore)

Sl. No.	Type/ Category	Date of purchase	No. of units (each unit = ₹ 25.00 lakh)	Total Face value (Rs.in crore)	Premium Rate/ crore (in % age)	Premium amt /unit (Amt in ₹)	Total premium amt (excl applicable GST)
1	PSLCSM	21-03-2022	160	40.00	0.06	1500	0.02
2	PSLCSM	21-03-2022	400	100.00	0.08	2000	0.08
3	PSLCSM	21-03-2022	1040	260.00	0.09	2250	0.23
4	PSLCSM	21-03-2022	400	100.00	0.08	2000	0.08
5	PSLCSM	30-03-2022	600	150.00	0.11	2750	0.17
6	PSLCSM	30-03-2022	400	100.00	0.11	2750	0.11
	Total		3000	750.00			0.69

e) Provisions and contingencies:**Details of Provisions and contingencies made during the year**

(₹ in crore)

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
1	Provision for NPI	0.00	10.00
2	Provision towards NPA	889.95	590.61
3	Provision towards Standard Assets (including NPV of Restructured Standard advances)	-121.49	327.08
4	Provision made towards Income Tax	260.80	185.94
5	Other Provisions & contingencies-for frauds, claims against the Bank not acknowledged as debt and other intangibles.	-1.28	11.75
	Total	1027.98	1125.38

f) Implementation of IFRS converged Indian Accounting Standards (Ind AS)

The RBI, vide its communication Ref: DBR.BP.BC.No.29/21.07.001/2018-19 dated 22nd March, 2019 has deferred implementation of Ind AS for all Scheduled Commercial Banks till further notice. However, going forward, in order to implement Indian Accounting Standards (Ind AS), The Bank has set up a Steering Committee head by the Managing Director to facilitate on continuous basis the process of smooth implementation of Ind AS in the Bank. Also, a sub-committee called IFRS Working Group is formed to work towards effectively implementing Ind AS in the Bank by having detailed discussions and deliberations on Ind AS Standards and related RBI Circulars. The RBI Discussion Paper on ECL was studied and deliberated by the IFRS Working Group and the responses for the Discussion Paper was shared with Reserve Bank of India on 28th February 2023.

Further, Bank has been submitting the proforma Ind AS financials to RBI every half year as per the RBI guidelines. Also, as a prudent measure, Bank is preparing Proforma Ind AS financials on quarterly basis and the estimated impact along with latest update on the Ind AS implementation in the Bank is placed to the Audit Committee of the Board.

g) Payment of DICGC Insurance Premium

(₹ in crore)

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
i	Payment of DICGC Insurance Premium	115.94	108.52
ii	Arrears in payment of DICGC premium	NIL	NIL

15. Accounting Standards

In compliance with the guidelines issued by the Reserve Bank of India regarding disclosure requirements of the various Accounting Standards, following information is disclosed:

a) Accounting Standard 5 – Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies

There are no material prior period items.

In the preparation of these Financial Statements, the Bank has followed the same accounting policies and generally accepted accounting practices adopted for the preparation of the Audited Financial Statements for the year ended March 31, 2022.

b) Accounting Standard 9 – Revenue Recognition

Revenue is recognized on accrual basis as per Accounting Policy No. 1 of Schedule 17 to the financial statements. Certain items of income are recognized on cash basis and same is not material.

c) Accounting Standard 10 - Fixed Assets

Details of Revaluation are given below:

Details	Current year 31.03.2023	Previous year 31.03.2022
Book value of Land & Building as on	169.66	160.38
Incremental value on account of revaluation made in 2016-17 and credited to the Revaluation Reserve	422.43	422.99
Incremental value on account of revaluation made in 2019-20 and credited to the Revaluation Reserve (net of reduction in value due to revaluation)	60.11	60.11
Incremental value on account of revaluation made in 2022-23 and credited to the Revaluation Reserve (net of reduction in value due to revaluation)	56.89	-
Depreciation on revalued amount up to year ended	31.13	27.73
Written Down Value of the revalued assets	677.96	615.75

Depreciation on the book value of the building up to March 31, 2023 is ₹62.79 crore. Profit and Loss Account for the current financial year has been debited with additional depreciation charge of ₹5.40 crore representing the incremental depreciation on the revalued amount.

d) Accounting Standard 15 - Employee Benefits

Various Benefits made available to the Employees

- Pension:** The Bank has a defined benefit plan under Pension Trust to cover employees who have joined employment up to 31st March 2010 and who have opted for Pension Scheme, provided they have completed 20 years of service. The benefits under this plan are based on last drawn salary and the tenure of employment. The liability for the pension is determined and provided on the basis of actuarial valuation and is covered by purchase of annuity from LIC. The employees who have joined employment after 31st March 2010 are covered under contributory pension scheme.
- Gratuity:** In accordance with the applicable Indian Laws, the Bank provides for defined gratuity benefit retirement plan ('the Gratuity Plan') covering eligible employees. This plan provides for a lump sum payment to the eligible employees on retirement, death, incapacitation or termination of employment of amounts that are based on the last drawn salary and tenure of employment. Liabilities with regard to the gratuity plan are determined by actuarial valuation and contributed to the gratuity fund trust. Trustees administer the contribution made to the trust and invest in specific designated securities as mandated by law, which generally comprise of Central and State Government Bonds and debt instruments of Government owned corporations.
- Leave Encashment (PL):** The Bank permits encashment of leave accumulated by the employees. The liability for encashment of such leave is determined and provided on the basis of actuarial valuation. For the current financial year, Bank has provided an amount of ₹ 13.40 crore (Previous year Rs 19.01 crore).
- Provident Fund:** The Bank pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the Fund is recognised as expense and is charged to the Profit and Loss Account. The obligation of the Bank is limited to such contributions. As on 31st March 2023, there was no liability due and outstanding to the Fund by the Bank.
- Other Employee Benefits:** Other than the benefits listed above, the Bank also gives certain other benefits to the employees, which include Medical Aid, Sick Leave, Casual Leave etc.,

- vi) The summarised position of post-employment benefits and employees' long term benefits are recognized in the financial statements in accordance with Accounting Standard – 15 and are as under:

Principal actuarial assumption at the Balance Sheet Date (expressed as weighted average)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Method of Valuation	Projected unit credit			
2	Discount rate	0.08	0.08	0.07	0.07
3	Salary escalation rate	0.04	0.04	0.04	0.04
4	Attrition rate	0.02	0.02	0.02	0.02
5	Expected rate of return on plan assets	0.07	0.07	0.07	0.07
6	Mortality	IALM (2012-14) ult			

Changes in the present value of obligations (PVO) - Reconciliation of Opening and closing Balance

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Present Value of defined benefit obligation as at 1st April 2022	945.50	295.30	854.00	282.30
2	Interest Cost	64.57	20.61	54.22	18.68
3	Current Service Cost	26.01	25.54	29.51	24.84
4	Past Service Cost	-	-	-	-
5	Benefits Paid	(145.82)	(26.04)	(158.86)	(23.19)
6	Actuarial Loss/(Gain) on plan assets	103.94	(12.51)	166.63	(7.33)
7	Present Value of defined benefit obligation as at 31st March 2023	994.20	302.90	945.50	295.30

Changes in Fair value of Plan Assets- Reconciliation of Opening and Closing Balances

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Fair Value of Plan Assets at the beginning of the year	945.50	295.30	854.00	282.30
2	Expected return on Plan Assets	67.86	20.90	63.06	20.19
3	Bank's Contribution related to Current year	126.81	11.89	190.39	15.56
4	Benefits Paid	(145.82)	(26.04)	(158.86)	(23.19)
5	Actuarial Gain/(Loss) on plan assets	(0.15)	0.85	(3.09)	0.44
6	Fair Value of Plan Asset at the end of the year	994.20	302.90	945.50	295.30

Actual Return on Plan Assets

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Expected return on Plan Assets	67.86	20.90	63.06	20.19
2	Actuarial Gain/(Loss) on plan Assets	(0.15)	0.85	(3.09)	0.44
3	Actual Return on Plan Assets	67.71	21.75	59.97	20.63

Actuarial Gain / Loss Recognized

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Actuarial (Gain)/Loss for the period- Obligations	103.94	(12.51)	166.63	(7.33)
2	Actuarial (gain)/Loss for the period-Plan Assets	0.15	(0.85)	3.09	(0.44)
3	Total (Gain)/Loss for the period- Plan Assets	104.09	(13.36)	169.72	(7.77)
4	Actuarial (Gain)/Loss recognized in the year	104.09	(13.36)	169.72	(7.77)
5	Unrecognized actuarial (Gain)/ Loss at the end of the year	-	-	-	-

Amounts recognized in Balance Sheet and Related Analysis

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Present value of the obligations	994.20	302.90	945.50	295.30
2	Fair Value of Plan Assets	994.20	302.90	945.50	295.30
3	Surplus/(Deficit)	-	-	-	-
4	Assets/(Liability) recognised in the Balance Sheet	-	-	-	-

Expenses recognised in the Profit and Loss Account

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Current Service Cost	26.01	25.54	29.51	24.84
2	Interest Cost	64.57	20.61	54.22	18.68
3	Expected Return on Plan Assets	(67.86)	(20.90)	(63.06)	(20.19)
4	Net actuarial (Gain)/Loss recognized in the year	104.09	(13.36)	169.72	(7.77)
5	Expenses recognised in the Profit and Loss Account	126.81	11.89	190.39	15.56

Major Categories of plan assets (As a percentage of total plan assets)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension Fund	Gratuity Fund	Pension Fund	Gratuity Fund
1	Government of India Securities	-	1.77	-	2.12
2	State Government Securities	-	-	-	-
3	High Quality Corporate Bonds	-	-	-	-
4	Equity Shares of Listed Companies	-	-	-	-
5	Property	-	-	-	-
6	Funds managed by insurer	100.00	98.05	100.00	97.74
7	Mutual Funds	-	-	-	-
8	Bank Deposits- Current Accounts	-	-	-	-
9	Others	-	0.18	-	0.14
	Total	100.00	100.00	100.00	100.00

Estimated expenses / contribution for the next year

(₹ In crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31- 03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Enterprises Best estimate of expenditure to be incurred during the next year(inclusive of proportionate amortisation)	1029.60	321.40	971.70	310.40

e. Accounting Standard 17 – Segment Reporting:

For the purpose of segment reporting in terms of AS 17 of the Companies (Accounting Standards) Rules 2021 and as prescribed in the RBI guidelines, the business of the Bank has been classified into 4 segments i.e. (a) Treasury operations (b) Corporate/Wholesale Banking (c) Retail Banking (d) Other Banking Operations. Further as per the RBI circular DOR.AUT.REC.12/22.01.001/2022-23 dated April 07, 2022, on establishment of Digital Banking Unit (DBU) 'Digital Banking' has been identified as a Sub-segment under Retail Banking. Since the Bank does not have any overseas branch, reporting under geographic segment does not arise. Segment assets have been identified and segment liabilities have been allocated on the basis of segment assets.

BUSINESS SEGMENTS	(₹ In crore)									
	TREASURY		CORPORATE/ WHOLESALE BANKING		RETAIL BANKING		OTHER BANKING OPERATIONS		TOTAL	
	Mar'23	Mar'22	Mar'23	Mar'22	DBU	Other Retail Banking	Mar'23	Mar'22	Mar'23	Mar'22
Particulars										
Revenue	1276.83	1315.30	2691.29	2542.14	0.01	3755.77	424.58	387.49	8148.48	7159.37
Unallocated Income									64.33	16.17
Total Income									8212.81	7175.54
Result	182.23	256.12	462.62	557.02	-0.64	1634.72	-48.63	-40.71	2230.30	1691.51
Unallocated expenses (including provisions & contingencies)									-789.26	-996.95
Profit before tax									1441.04	694.56
Income taxes									260.80	185.94
Extraordinary/Exceptional Profit / Loss									-	-
Net Profit									1180.24	508.62
Other Information										
Segment Assets	29124.90	26827.22	29970.97	29849.68	3.74	29976.91	5403.09	4897.69	94479.61	88508.05
Unallocated Assets									4578.73	3532.50
Total Assets									99058.34	92040.55
Segment Liabilities	26730.78	24704.14	27524.59	27676.65	4.38	27429.50	4955.35	4532.92	86644.60	81694.52
Unallocated liabilities									4200.39	3253.70
Total Liabilities									90844.99	84948.22
Capital employed									8213.35	7092.33

f. Accounting Standard 18 – Related Party Disclosures

(₹ in crore)

Items/Related Party of FY 2022- 23	Parent (as per ownership or control)	Subsidiaries	Associates / Joint Ventures	Key Management Personnel ^	Relatives of Key Management Personnel
Borrowings		0		0	0
Deposits		0.1 (0.66)		1.35 (0.72)	0.76 (1.28)
Placement of deposits		0		0	0
Advances		0		0	0.12 (0.31)
Investments		0.50 (1.50)		0	0
Non funded commitments		0		0	0
Leasing/ HP Arrangements availed		0		0	0
Leasing/ HP Arrangements provided		0		0	0
Purchase of fixed assets		0		0	0
Sale of fixed assets		0		0	0
Interest Paid		0.007		*	*
Interest Received		0		0	*
Rendering Services		0		0	0
Receiving Services		4.11		1.35#	0
Management Contact		0		0	0

Figures in bracket indicate maximum balance during the year.

#Computed inclusive of deferred component of variable pay of ₹ 8 Lakhs towards the performance period of FY 2020-21 and ₹ 19 lakhs of upfront payment of variable pay for the performance period of FY 2021-22

* amount is less than ₹ 1 Lakh.

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates / Joint Ventures	Key Management Personnel ^	Relatives of Key Management Personnel
Borrowings		0		0	0
Deposits		0.11		Please See	Please See
		(0.54)		note below	note below
Placement of deposits		0		0	0
Advances		0		0	Please See note below
Investments		0.50			
		(1.00)		0	0
Non funded commitments		0		0	0
Leasing/ HP Arrangements availed#		0		0	0
Leasing/ HP Arrangements provided#		0.09		0	0
Purchase of fixed assets		0		0	0
Sale of fixed assets		0.001			
Interest Paid		0.008		Please See note below	Please See note below
Interest Received		0		0	0
Rendering Services		0		0	0
Receiving Services		0.84		1.15#	0
Management Contact		0		0	0

Figures in bracket indicate maximum balance during the year.

computed based on fixed pay plus the non-deferred remuneration which has been recognized during the FY 2021-22

1. ^ In terms of Regulation 23(9) of the SEBI (LODR) Regulations, 2015 read with "Para 5 Accounting Standard 18 - Related Party Disclosures" of the RBI Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021, "where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party."
2. Bank has only one entity under Subsidiary and two Key Managerial Personnel, the definition of which, are drawn from the "Accounting Standard 18 – Related Party Disclosures" as required for disclosure under Regulation 23(9) of the SEBI LODR. In terms of the aforesaid RBI Master Direction, the Bank's relationship with each of the parties is as under:

Key Managerial Personnel:

- a) Mr. Mahabaleshwara MS, Managing Director & CEO of the Bank, who was the Whole Time Director upto 14th April 2023 on the Board of the Bank and his appointment is in accordance with the approval received from the RBI in terms of Banking Regulation Act, 1949.
- b) Mr. Sekhar Rao, Managing Director & CEO (Interim) of the Bank, who is the Whole Time Director from 1st February 2023 on the Board of the Bank and his appointment is in accordance with the approval received from the RBI in terms of Banking Regulation Act, 1949.

Subsidiary:

KBL Services Ltd. is a Wholly Owned Non-Financial Subsidiary of the Bank in respect of which the approval of the Reserve Bank of India has been obtained in terms of "Master Direction- Reserve Bank of India (Financial Services provided by Banks) Directions, 2016".

g. Accounting Standard 19- Leases

The Bank has taken certain premises on operating lease which primarily comprise office premises.

Liability for Premises taken on operating lease are given below:

Particulars	(₹ In crore)	
	As at 31st March, 2023	As at 31st March, 2022
Not later than 1 year	0.78	0.76
Later than 1 year and not later than 5 years	4.79	3.97
Payable Later than 5 years	94.40	88.80
Total	99.97	93.53

The lease rents are paid by the bank for premises leased for its business operations. The above contingent lease rent has been determined based on terms of individual lease agreements over lease period. The terms of renewals/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreement.

h. Accounting Standard 20 - Earnings per Share

Basic and diluted earnings per equity share computed in accordance with AS 20 – Earnings per Share are as under:

Particulars	(₹ In crore)	
	Current Year 2022-23	Previous Year 2021-22
Earnings per share- Basic (₹)	37.88	16.36
Earnings per share- Diluted (₹)	37.66	16.29
Net Profit for the year attributable to Equity shares (₹ in crore)	1180.24	508.62
Weighted Average number of Equity Shares –Basic	31,15,41,947	31,09,47,545
Weighted Average number of Equity Shares - Diluted	31,34,10,655	31,21,58,169
Nominal value per equity share (₹)	10	10

Allotment of 128521 equity shares (Previous year 128521) is kept in abeyance including 1,800 equity shares (Previous Year 1,800), where the entitlement matter is sub judice. These shares have not been considered for EPS calculation, as the shares are not allotted.

i. Accounting Standard 22 – Accounting for Taxes on Income
i) Provision made for taxes during the year

(₹ In crore)

Particulars	Current Year 2022-23	Previous Year 2021-22
Current Tax	328.93	129.51
Deferred Tax	-68.13	56.43
Total	260.80	185.94

ii) Major components of Deferred Tax Assets and Liabilities recognised are as Under:

(₹ In crore)

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
A	Deferred Tax Liabilities		
1	Depreciation on fixed assets	4.22	10.20
2	Special Reserve u/s 36(1)(viii) of Income Tax Act	98.42	79.42
3	Deferred Revenue Expenditure	-	-
4	Others	-	-
	Total	102.64	89.62

(₹ In crore)

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
B	Deferred Tax Assets	-	-
1	PL/LFC Encashment	60.70	56.70
2	Provision for advances	302.32	205.74
3	Provision for Standard advances	144.43	154.31
4	Provision for arrears of salary	15.97	-
5	Provision for Fair Value Loss	-	20.69
6	Others	16.66	21.49
	Total	540.08	458.93
	Net Deferred Tax Liability/(Asset)(A) - (B)	-437.44	-369.31

j. Accounting Standard 28 – Impairment of Assets

An assessment is made at each Balance sheet date as to whether there is any indication that an asset is impaired. If any such indication exists, an estimate of the recoverable amount is made and impairment loss, if any, is provided for. As on March 31, 2023, there was no indication of impairment of any asset.

k. Accounting Standard 29 – Provision, Contingent Liabilities and Contingent Assets

Movement in Provision for Contingencies

(₹ in crore)

Particulars	Opening as on 01.04.2022	Provision made during the year	Provisions reversed/ adjusted	Closing as on 31.03.2023
Provision for contingencies	25.12	0	8.92	16.20

16. Operating Expenses stated in Schedule 16 to the Profit and Loss Account includes ₹12.13 crore (Previous year ₹ 11.61 crore) spent towards Corporate Social Responsibility (CSR) activities. The Bank has spent 2% (Previous Year: 2.04%) of its average net profit for the last three Financial Years as part of its Corporate Social Responsibility for the year ended March 31, 2023. The details of the amount spent during the respective years towards CSR are as under:

(₹ in Crore)

Sl No.	Particulars	March 31, 2023			March 31, 2022		
		Amount Spent	Amount unpaid / provided	Total*	Amount Spent	Amount unpaid / provided	Total@
i)	Construction / acquisition of any asset	6.79	2.42	9.21	4.61	2.46	7.07
ii)	On purpose other than (i) above	2.29	0.63	2.92	3.52#	1.02	4.54

* Excluding a sum of ₹ 0.06 Crore excess sanctioned & provided in FY 2021-22 set off to FY 2022-23.

@ Excluding a sum of ₹ 0.19 Crore excess sanctioned & provided in FY 2020-21 set off to FY 2021-22.

including a sum of ₹ 0.13 Crore of earlier years (2017-18) sanction spent during the FY 2021-22.

17. Litigations and claims

A sum of ₹1630.03 crore (Previous year ₹ 1222.43 crore) is outstanding on account of demands raised by the Income Tax Department in the earlier years, out of which an amount of ₹956.13 Crore (Previous year ₹ 765.87 Crore) has been paid under protest by debit to Sundry Assets - Protested Tax Account and for the balance of ₹673.90 crore (Previous year ₹ 456.56 Crore) stay from collection of demand has been granted.

In addition to the above, the Income Tax Department has gone on appeal on various issues wherein Appellate Authority has given decisions in favour of the Bank to the extent of ₹ 486.55 crore (Previous year ₹ 352.31 crore).

The Bank has also preferred appeal against certain service tax demands to the extent of ₹193.15 crore (Previous year ₹ 193.15 crore) and paid pre deposit of ₹ 1.06 crore (Previous year ₹ 1.06 crore) by debit to Sundry Assets - Service Tax Paid under Protest.

The Bank has been advised by its Tax Consultants and Experts that there are good chances of success in these appeals, considering favorable judicial pronouncements and / or appellate orders on identical issues for earlier years. Hence, the Bank does not consider it necessary to make any provision or include the same under Schedule 12 - Contingent Liability, to the Balance sheet.

All pending litigations which may have an impact on its financial position have been estimated and provided for. In respect of other pending litigations, no provision is required since these pending litigations have no impact on its financial position.

18. Employee Stock Option

The shareholders of the Bank, on July 21, 2018, have approved 'KBL Employee Stock Option Scheme-2018' (ESOS-2018) with a total of 50,00,000 stock options available for grant each of which is convertible into one equity share. The scheme has been framed in accordance with SEBI (Share Based Employee Benefits) Regulations, 2014 as amended from time to time. Further, to give effect to the corporate action by way of Bonus issue in the ratio of 1:10, additional 1,07,147 options have been accounted and hence, the total available options under the scheme stand increased to 51,07,147 stock options.

The options granted under ESOS 2018 would vest after one year from the date of grant of such options in a graded manner over a period of three years (i.e. 40%, 30% & 30% respectively on completion of 1st, 2nd & 3rd year), as determined by the Nomination & Remuneration Committee (NRC), a committee of the Board of Directors, subject to continued employment with the Bank on the date of vesting.

During the year ended March 31, 2023, no modifications were made to the terms and conditions of ESOSs as approved by the NRC.

The Shareholders of the Bank on March 30, 2023 have approved 'KBL Employee Stock Option Scheme-2023' (ESOS-2023) with a total of 15,00,000 Stock options available for grant each of which is convertible into one equity share catering partially towards the disbursement of share linked portion of variable pay as per RBI guidelines relating to compensation payable to MD & CEOs/Whole Time Directors/Material Risk Takers (MRTs) in banks vide DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019. The Scheme, which is in lieu of ESOS-2018, has been framed in accordance with Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021. The old Scheme ESOS 2018 will continue to be operative for the limited purpose of permitting exercise of already granted options.

The Options granted under ESOS 2023 would vest after one year from the date of grant of such options in a graded manner over a period of three years (i.e. 30%, 30% & 40% respectively on completion of 1st, 2nd & 3rd year), as determined by the Nomination & Remuneration Committee (NRC), a committee of the Board of Directors. During the year under report, there was no grant of options under ESOS 2023.

Activity in the options outstanding under the Employee Stock Option Scheme (ESOS 2018):

Particulars	Number of options	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	4613177	56.66
Granted during the year	-	-
Vested during the year	1206757	44.37
Exercised during the year	1190544	51.12
Lapsed/ forfeited/ cancelled (Nos.)	116949	53.86
Outstanding as on March 31, 2023	3305684	58.76
Exercisable at the end of the year March 31, 2023	2283047	65.90

19. The Board of Directors of the Bank have proposed a dividend of ₹ 5.00 per Equity share of ₹ 10/- each for the year ended March 31st 2023 (Previous year ₹ 4.00 per Equity share of ₹ 10 each), subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 Contingencies and Events occurring after the Balance sheet date, the Bank has not appropriated proposed dividend aggregating to ₹ 157.00 crore from the Profit and loss account for the year ended March 31st, 2023. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31st, 2023.

20. Reconciliation of Branch Adjustments and Balancing of Subsidiary Ledgers

- Balancing of Subsidiary Ledgers is completed at all the Branches/ offices
- Reconciliation of Branch Adjustments/Interbank accounts has been completed up to 31st March 2023 and steps are being taken to give effect to consequential adjustments of pending items.

21. Disclosure under Rule 11(e) of the Companies (Audit & Auditors) Rules, 2014

The Bank, as part of its normal business, grants loans and advances (including loans against third party deposits or Non-Banking Finance Company or Real estate promoters / developers loan, other margins / security), makes investment, provides guarantees (including against margin / guarantees received from third parties / banks) to and accepts deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's authorised normal business, which is conducted ensuring adherence to regulatory requirements.

In the course of the transactions carried out as described above

- (a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall whether directly or indirectly lend or invest in other persons or entities identified by in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or like on behalf of the Ultimate Beneficiaries.
- (b) The Bank has not received any funds from any person(s) or entity(ies) including foreign entity(ies) ("Funding Party") with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

22. Disclosure of material items as required under RBI Circular DOR.ACC.REC. No.91/21.04.018/2022-23 dated December 13th 2022

Particulars of Head/Sub-Head	Item under Head/Sub-Head	₹ in Crore
Schedule 14- Other Income	Recovery of Written Off Accounts	283.41
Schedule 11(V)	RIDF Deposit	5456.44

23. Previous year's figures have been regrouped/rearranged wherever necessary.

Sham K.
Company Secretary

Abhishek S. Bagchi
Chief Financial Officer

Gokuldas Pai
Chief Business Officer

Y. V. Balachandra
Chief Operating Officer

Sekhar Rao
Managing Director & CEO (Interim)
DIN 06830595

P Pradeep Kumar
Chairman
DIN 03614568

Keshav K Desai
Director
DIN 07427621

B R Ashok
Director
DIN 00415934

A V Chandrashekar
Director
DIN 08829073

Uma Shankar
Director
DIN 07165728

D S Ravindran
Director
DIN 09057128

Balakrishna Alse S
Director
DIN 08438552

Jeevandas Narayan
Director
DIN 07656546

K Gururaj Acharya
Director
DIN 02952524

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 004207S

Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

Independent Auditors' Report

To The Members of The Karnataka Bank Limited

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of The Karnataka Bank Limited ("the Bank" or "Holding Company"), and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") which comprise the Consolidated Balance sheet as at March 31, 2023, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiary, the aforesaid Consolidated Financial Statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, as amended ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its subsidiary as at March 31, 2023, its consolidated profit, and its consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with ethical requirements that are relevant to our audit of the Consolidated Financial Statements in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021, provisions of section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, and based on the consideration

of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiary, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Consolidated Financial Statements.

A. Identification of Non-Performing Assets ('NPA') and Provisions thereon

Key Audit Matter

Significant estimates and judgment involved

Identification of Non-Performing Assets ("NPA") and provisions in respect of NPAs are made based on management's assessment in accordance with the prudential norms issued by the Reserve Bank of India on Income Recognition, Asset Classification and Provisioning ("IRACP") pertaining to Advances from time to time.

The provision on NPAs is based on the valuation of the security available and also involves management estimates and judgements. In case of restructured accounts, provision is made in accordance with the RBI guidelines.

Accordingly, our audit focused on identification of NPAs and provision on advances as a key audit matter because of the level of management estimates and judgment involved. Further, in the event of any improper application of the prudential norms or consideration of the incorrect value of the security, the carrying value of the assets could be materially misstated either individually or collectively, and in view of the significance of amount of advances and investments in the financial statements and given its significance to the overall audit due to stakeholder and regulatory focus, the classification of the advances and investments and provisioning thereon has been considered as Key Audit Matter.

Auditor's Response

Our key audit approach included assessing the adequacy of design, implementation and operating effectiveness of key internal controls

Independent Auditors' Report (contd...)

and substantive audit procedures over approval, recording and monitoring of loans, assessing the reliability of documentation, measurement of provisions, identification of NPA accounts and valuation of security for NPA accounts along with basis and rationale for various other management information.

- As a process, we have read the Bank's policies for NPA identification and provisioning and assessing compliance with the IRAC norms.
- We have evaluated details on a test check basis of exposures for identification of NPA and calculation of provisions including valuation of primary and collateral securities which involves certain degree of management estimation.
- We have evaluated and understood the Bank's internal control systems to ensure completeness, accuracy, and relevance of data and to ensure that the same is in compliance with the RBI guidelines, circulars and directions on the Prudential Norms on Income Recognition, Asset Classification and Provisioning issued from time to time.
- We tested on a samples basis to ensure completeness of documentation, adherence of the approval process to the Bank's Policy and board minutes, credit review of customers, review of Special Mention Accounts (SMA) reports in the RBI's Central Repository of Information on Large Credits (CRILC) and other related documents and reports including evaluation of the past trends of management judgement, governance, and review of internal control. Held discussion with the management of the Bank on various accounts wherein there has been stress and the steps taken to mitigate such risks.
- We have also assessed disclosure requirements for classification and provisioning of NPAs in accordance with the RBI circulars including those issued specifically issued for Covid 19 related matters.

B. Information Technology - IT Systems and Controls

Key Audit Matter

The IT environment of the Bank is complex. The Bank's operations utilise many independent and inter-dependent information technology systems for processing and recording large volume of transactions in numerous locations on a daily basis. As a result, there is a high degree of reliance and dependency on such IT systems for financial reporting process of the Bank. Controls over access and changes to IT systems are critical to the recording of financial information and

the preparation of the Consolidated Financial Statements. Appropriate automated general and application controls are required to ensure that such IT systems and applications are able to process the data, as required, completely, accurately and consistently, which directly impact the completeness and accuracy of financial reporting.

The IT systems and controls is identified as a key audit matter because of high level of automation, significant number of systems being used and complexity of the IT infrastructure and its impact on the financial reporting system since our audit approach could significantly differ depending on the effective operation of the Bank's IT controls.

Auditor's Response

We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested key automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment and performing review of IT general controls.
- Evaluation and understanding the key IT systems being used by the Bank for its Core Banking and other operations.
- Assessing operative effectiveness of key controls within various business processes. It included testing of integrity of system interfaces, completeness and accuracy of the data, system reconciliation controls and automated calculations.
- Design and operating effectiveness testing of controls across the User Access Management, Change Management, backup, other IT operational control as well as effectiveness testing of automated business process controls.
- Data integrity of critical system reports used by us in our audit to select samples and analyse data used by management to generate financial reports.

C. Direct and Indirect Taxes

Key Audit Matter

This matter has been identified as a Key Audit Matter due to the significant level of management judgment required in the estimation of provision for taxes including any write back of provisions, due to factors like uncertain tax positions and provision for tax involves interpretation of various rules and law. It also involves consideration of on-going disputes and disclosures.

Independent Auditors' Report (contd...)

Auditor's Response

- Our audit procedures to test uncertain tax positions included understanding processes, evaluation of adequacy of design and implementation of controls and testing of operating effectiveness of controls over provision for taxation, assessment of uncertain tax positions and disclosure of contingencies.
- We have obtained details of completed tax assessments and demands from the management of the Bank.
- We discussed with appropriate senior management personnel, independently assessed management's estimate of the possible outcome of disputed cases; and evaluated the management's underlying key assumptions in estimating the tax provisions.
- We considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions, the provisions made, and/or write back of the provisions.
- We have also relied upon the opinion given by tax specialist in evaluating management's assessment for the uncertain tax positions. For those matters where management concluded that no provision should be recorded, we also considered the adequacy and completeness of disclosures.

D. Centralised Audit of the Bank

Key Audit Matter

Till year 2020-21, the audit of Branches (other than top 20 branches and certain other locations) was carried out by the Branch Statutory Auditors appointed by the Bank. However, since previous year, the Joint Statutory Auditors have performed the audit of the Bank centrally. Considering this fact, it has been considered as a key audit matter.

Auditor's Response

- We have assessed the Bank's systems and procedures for carrying out centralized operations under various areas including process of consolidation at the central level.
- Visited certain branches to understand the operations carried out at Branches and potential issues.
- Performed analysis of information provided at central level.
- Reviewed the reports in respect of various audits including concurrent audit, internal inspections carried out at branches on a sample basis.

Information Other than the Consolidated Financial Statements and Auditors' Report thereon

The Bank's Board of Directors are responsible for the other information. The other information comprises the Corporate Overview, Directors' Report including annexures to Directors' Report, Management Discussion and Analysis, Basel III – Pillar 3 disclosures and Corporate Governance report included in the Annual Report, but does not include the Standalone and Consolidated Financial Statements and our auditors' reports thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Bank's Board of Directors are responsible for the preparation and presentation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the RBI from time to time. Further, in terms of the Act, the respective Board of Directors of the companies in the Group covered under the Act, are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act and the Banking Regulations Act, 1949 for safeguarding of the assets of the Group and of its subsidiary and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to

Independent Auditors' Report (contd...)

the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the management and Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Management and the Board of Directors of the companies included in the Group are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of each Company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls system with reference to Consolidated Financial Statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the Consolidated Financial Statements made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial information of the Bank. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in 'Other Matters' in this Audit report.

Materiality in the magnitude of the misstatements in the Consolidated Financial Statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Consolidated Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the Consolidated Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant

Independent Auditors' Report (contd...)

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of the subsidiary, KBL Services Limited, included in the Consolidated Financial Statements, whose financial statements reflect Group's share of total assets of Rs.10,130 thousand as at March 31, 2023, Group's share of total revenue of Rs. 41,132 thousand and Group's share of total net loss after tax of Rs.5,608 thousand for the year ended March 31, 2023, respectively. These financial statements have been audited by another auditor whose Independent Auditor's Report has been furnished to us by the Management, and our opinion on these financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on report of such auditor and the procedures performed by us as stated in paragraph above.

Our opinion on the Consolidated Financial Statement is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor on the said financial statements of the subsidiary.

Report on Other Legal and Regulatory Requirements

1. The Consolidated Balance Sheet and the Consolidated Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949 and Accounting Standards as per section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021.
2. As required by section 197(16) of the Act in relation to managerial remuneration, based on the information and explanations given to us, and on the consideration of the reports of the other auditors, referred to in the Other Matters section above, on separate financial statements of the subsidiary, we report that, the subsidiary covered under the Act has not paid any remuneration to its directors during the year. Hence, reporting under the provisions of section 197 read with Schedule V to the Act is not applicable for the current year. Further,

since the Holding Company is a banking company, as defined under the Banking Regulation Act, 1949; the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section is not applicable.

3. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiary, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid Consolidated Financial Statements.
 - (b) In our opinion, proper books of account as required by law, relating to the presentation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors.
 - (c) The Consolidated Balance Sheet, Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021 to the extent they are not inconsistent with the policies prescribed by the RBI.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023 and taken on record by the Board of Directors of the Holding Company and the reports of statutory auditors of its subsidiary company, none of the directors of the Holding Company and subsidiary company are disqualified as on March 31, 2023, from being appointed as a director in terms of section 164(2) of the Act.
 - (f) With respect to the adequacy of internal financial controls with reference to the Consolidated Financial Statements of the Holding Company and of its Subsidiary, and the operating effectiveness of such controls, our separate report in Annexure A is attached.
 - (g) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the

Independent Auditors' Report (contd...)

best of our knowledge and belief and according to the information and explanation given to us:

- i. The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Holding Company and its subsidiary in Note 4 of Schedule 18 to the Consolidated Financial Statements.
- ii. There are no material foreseeable losses in respect of long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its Subsidiary during the year ended March 31, 2023.
- iv. (a) The management of the Holding Company and its Subsidiary has represented that, to the best of its knowledge and belief, as disclosed in the note 8 (a) of Schedule 18 to the Consolidated Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank or its subsidiary to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank or its subsidiary ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (b) The management of the Holding Company and its Subsidiary has represented that, to the best of its knowledge and belief, as disclosed in the note 8 (b) of Schedule 18 to the Consolidated Financial Statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank and its subsidiary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

Based on the audit procedures which we have considered reasonable and appropriate in the circumstances

and according to the information and explanations provided to us by the Management in this regard, nothing has come to our notice that has caused us to believe that the representations made by the Management under sub-clause (iv) (a) and (iv) (b) contain any material misstatement. Our reporting under sub-clause (iv) (a) and (iv) (b) in so far as it relates to subsidiary company, is based solely on the reports of the auditors of subsidiary company.

- v. (a) The final dividend proposed for the previous year, declared, and paid by the Bank during the year is in accordance with Section 123 of the Act, as applicable.
- (b) As stated in the note 6 of Schedule 18 to the Consolidated Financial Statements, the Board of Directors of the Bank have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend proposed is in accordance with section 123 of the Act, to the extent it applies to declaration of dividend, as applicable until the date of this report.
- vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Group only with effect from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014, clause is not applicable.

For Kalyaniwalla & Mistry LLP

Chartered Accountants

Firm Registration No. 104607W/W100166

Anil A. Kulkarni

Partner

M. No. 047576

UDIN: 23047576BGUVEG6695

Place: Mangaluru

Date: May 26, 2023

For Sundaram & Srinivasan

Chartered Accountants

Firm Registration No. 004207S

P Menakshi Sundaram

Partner

M. No. 217914

UDIN: 23217914BGWPDM2483

Place: Mangaluru

Date: May 26, 2023

Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 3 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date on the Consolidated Financial Statements of the Karnataka Bank Limited for the year ended March 31, 2023)

Report on the Internal Financial Controls with reference to Consolidated Financial Statements

We have audited the internal financial controls with reference to Consolidated Financial Statements of The Karnataka Bank Limited (“the Bank”) and its subsidiary company, as of March 31, 2023 in conjunction with our audit of the Consolidated Financial Statements of the Group for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Bank and its subsidiary company are responsible for establishing and maintaining internal financial controls based on the internal control with reference to Consolidated Financial Statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (“ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to Consolidated Financial Statements of the Bank and its subsidiary company, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the ICAI and the Standards on Auditing (SAs) issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Financial Statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to

Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial controls based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls with reference to Consolidated Financial Statements.

Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A Bank’s internal financial controls with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with generally accepted accounting principles. A Bank’s internal financial controls with reference to Consolidated Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank’s assets that could have a material effect on the Consolidated Financial Statements.

Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Financial Statements to future periods are subject to the risk that the internal financial controls with reference to Consolidated Financial Statements may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matter paragraph below, the Bank and its subsidiary company have, in all material respects, adequate internal financial controls with reference to Consolidated Financial Statements and such internal financial controls with reference to Consolidated Financial Statements were operating effectively as at March 31, 2023, based on the internal financial controls with reference to Consolidated Financial Statements criteria established by the respective companies considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting" issued by the ICAI.

Other Matter

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Financial Statements in so far as it relates to a subsidiary company is based solely on the report of the auditors of

such company. Our opinion is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditors.

For Kalyaniwalla & Mistry LLP

Chartered Accountants

Firm Registration No. 104607W/W100166

Anil A. Kulkarni

Partner

M. No. 047576

UDIN: 23047576BGUVEG6695

Place: Mangaluru

Date: May 26, 2023

For Sundaram & Srinivasan

Chartered Accountants

Firm Registration No. 004207S

P Menakshi Sundaram

Partner

M. No. 217914

UDIN: 23217914BGWPDM2483

Place: Mangaluru

Date: May 26, 2023

Consolidated Balance Sheet

As On 31 March, 2023

(₹ in 000's)

	Schedule No.	As on 31-Mar-23	As on 31-Mar-22
CAPITAL AND LIABILITIES			
Capital	1	312,35,24	311,17,37
Reserves and Surplus	2	7899,71,13	6782,81,96
Deposits	3	87367,91,05	80386,73,60
Borrowings	4	1562,72,00	2313,84,33
Other Liabilities and Provisions	5	1914,42,70	1788,76,67
TOTAL		99057,12,12	91583,33,93
ASSETS			
Cash and balances with Reserve Bank of India	6	5204,23,46	3957,22,07
Balances with Banks and Money at Call and Short Notice	7	955,23,28	479,53,78
Investments	8	23324,86,66	22039,99,73
Advances	9	59951,62,21	56783,14,02
Fixed Assets	10	875,36,03	818,22,33
Other Assets	11	8745,80,48	7505,22,00
TOTAL		99057,12,12	91583,33,93
Contingent Liabilities	12	10102,40,01	9656,98,66
Bill for collection		2773,08,22	2485,72,63
Significant Accounting Policies	17		
Notes on Account	18		

The schedules referred to above form an integral part of Balance Sheet

Sham K.
Company Secretary

Abhishek S. Bagchi
Chief Financial Officer

Gokuldas Pai
Chief Business Officer

Y. V. Balachandra
Chief Operating Officer

Sekhar Rao
Managing Director & CEO (Interim)
DIN 06830595

P Pradeep Kumar
Chairman
DIN 03614568

Keshav K Desai
Director
DIN 07427621

B R Ashok
Director
DIN 00415934

A V Chandrashekar
Director
DIN 08829073

Uma Shankar
Director
DIN 07165728

D S Ravindran
Director
DIN 09057128

Balakrishna Alse S
Director
DIN 08438552

Jeevandas Narayan
Director
DIN 07656546

K Gururaj Acharya
Director
DIN 02952524

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 0042075

Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

Consolidated Profit And Loss Account

For The Year Ended 31 March, 2023

(₹ in 000's)

	Schedule No.	Year ended 31-Mar-23	Year ended 31-Mar-22
I. INCOME			
Interest Earned	13	7220,23,18	6221,66,37
Other Income	14	992,57,53	953,87,70
Total		8212,80,71	7175,54,07
II. EXPENDITURE			
Interest Expended	15	4035,12,04	3730,61,97
Operating Expenses	16	1970,02,22	1811,55,17
Provisions and Contingencies		1027,98,24	1125,37,61
Total		7033,12,50	6667,54,75
III. PROFIT			
Net profit for the year		1179,68,21	507,99,32
Profit brought forward		135,08,06	85,36,28
Total		1314,76,27	593,35,60
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		296,00,00	150,00,00
Transfer to Capital Reserve		0	82,01
Transfer to Revenue Reserve		590,00,00	210,00,00
Transfer to Special Reserve u/s 36 (i) (viii) of Income Tax Act		75,47,41	38,22,62
Transfer from Investment Reserve Account		0	0
Transfer to Investment Fluctuation Reserve		64,15,30	3,27,26
Transfer to Other Funds		0	0
Dividend paid		124,51,72	55,95,65
Balance carried over to Balance Sheet		164,61,84	135,08,06
Total		1314,76,27	593,35,60
Earning per share			
Basic ₹		37.87	16.36
Diluted ₹		37.64	16.29
Significant Accounting Policies	17		
Notes on Account	18		

The schedules referred to above form an integral part of Profit And Loss Account

Sham K.
Company Secretary

Abhishek S. Bagchi
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Chief Business Officer

Y. V. Balachandra
Chief Operating Officer

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K Gururaj Acharya
Director
DIN 02952524

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 0042075

Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

Consolidated Cash Flow Statement

For The Year Ended 31 March, 2023

(₹ in 000's)

Particulars	Year ended 31-Mar-23		Year ended 31-Mar-22	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit after Tax and Extra Ordinary Items		1179,68,21		507,99,32
Add:				
<u>Adjustments for :</u>				
Provision for Tax	260,80,12		185,94,42	
(Profit)/Loss on sale of Fixed Assets	30,14		85,17	
Depreciation on Fixed Assets including Lease Adjustment charges	86,44,25		73,69,35	
Provisions and Contingencies	767,18,12		840,66,28	
Amortisation of premium on Held to Maturity Investments	103,54,91		119,23,80	
(Profit)/ Loss on Revaluation of Investments	182,17,38		98,76,92	
Write-off of Fixed Assets	3,90	1400,48,82	0	1319,15,92
Operating Profit Before Working Capital Changes		2580,17,03		1827,15,25
Adjustment for :				
i) (Increase)/Decrease in Advances & Other Assets	-8008,48,98		-6561,58,35	
ii) (Increase)/Decrease in Investments	-1570,59,21		-610,26,78	
iii) Increase/(Decrease) in Deposits, Borrowings & Other Liabilities	9136,05,85		5116,29,55	
iv) Change in Revenue Reserve	0	-443,02,34	0	-2055,55,58
Cash Generated from Operations		2137,14,69		-228,40,33
Less: Direct taxes paid		307,45,63		239,05,28
Net Cash Flow from Operating Activities (A)		1829,69,06		-467,45,61
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		-88,81,42		-56,59,59
Sale of Fixed Assets		1,78,59		66,15
Investment in wholly owned subsidiary-KBL Services Ltd		-50,00		-50,00
Net Cash used in Investing Activities (B)		-87,52,83		-56,43,44

Consolidated Cash Flow Statement

For The Year Ended 31 March, 2023 (contd...)

(₹ in 000's)

Particulars	Year ended 31-Mar-23		Year ended 31-Mar-22	
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		6,51,39		1,74,94
Proceeds from long term borrowings		98,55,00		-300,70,99
Dividend paid (Including Tax on Dividend)		-124,51,72		-55,95,65
Net Cash Generated from Financing Activities (C)		-19,45,33		-354,91,70
Net Increase in Cash & Cash Equivalents (A+B+C)		1722,70,90		-878,80,76
Cash & Cash Equivalents as at the beginning of the year		4436,75,85		5315,56,61
Cash & Cash Equivalents as at the end of the year		6159,46,75		4436,75,85

Note:

- The Cash Flow Statement has been prepared under the Indirect Method and the previous year's figures have been re-grouped wherever necessary.
- Cash and Cash Equivalents comprise of Cash on Hand, Balances with Reserve Bank of India, Balances with Banks and Money at Call and Short Notice.

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Company Secretary

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Anil A. Kulkarni
Partner
M. No. 047576

P. Menakshi Sundaram
Partner
M. No. 217914

Place: Mangaluru
Date: 26th May, 2023

Schedules

Forming Part Of Consolidated Balance Sheet

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 1 CAPITAL		
Authorised Capital		
60,00,00,000 Equity shares of ₹ 10/- each	600,00,00	600,00,00
(Previous Year 60,00,00,000 Equity shares of ₹ 10/- each)		
Issued Capital		
31,24,71,142 Equity shares of ₹ 10/- each	312,47,11	311,29,24
(Previous year 31,12,92,381 Equity shares of ₹ 10/- each)		
Subscribed Capital		
31,23,59,171 Equity shares of ₹ 10/- each	312,35,92	311,18,04
(Previous year 31,11,80,410 Equity shares of ₹ 10/- each)		
Called up Capital /Paid-up Capital		
31,23,42,621 Equity shares of ₹ 10/- each fully paid up	312,34,26	311,16,39
(Previous year 31,11,63,860 Equity shares of ₹ 10/- each fully paid up)		
Less : Calls unpaid	0	0
Add : Forfeited Shares	98	98
Total	312,35,24	311,17,37

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -2 RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	2755,00,00	2605,00,00
Additions during the year	296,00,00	150,00,00
	3051,00,00	2755,00,00
Deductions during the year	0	0
Total	3051,00,00	2755,00,00
II. Capital Reserve		
Opening balance	626,38,45	625,56,42
Additions during the year ¹	0	82,03
	626,38,45	626,38,45
Deductions during the year	0	0
Total	626,38,45	626,38,45
III. Share Premium		
Opening balance	1255,96,84	1255,01,32
Additions during the year	4,83,52	95,52
	1260,80,36	1255,96,84
Deductions during the year	0	0
Total	1260,80,36	1255,96,84

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
IV. Revenue and other Reserves		
a) Revenue Reserve		
Opening balance	1136,94,70	922,15,38
Additions during the year	595,40,15	214,79,32
	1732,34,85	1136,94,70
Deductions during the year	0	0
Total	1732,34,85	1136,94,70
b) Special Reserve u/s 36(1)(viii) of Income Tax Act		
Opening balance	315,58,63	277,35,99
Additions during the year	75,47,41	38,22,64
	391,06,04	315,58,63
Deductions during the year	0	0
Total	391,06,04	315,58,63
c) Investment Fluctuation Reserve Account		
Opening balance	98,84,70	95,57,45
Additions during the year	64,15,30	3,27,25
	163,00,00	98,84,70
Deductions during the year	0	0
Total	163,00,00	98,84,70
d) Employee stock option outstanding		
Opening balance	5,41	0
Additions during the year	0	5,41
	5,41	5,41
Deductions during the year	0	0
Total	5,41	5,41
e) Revaluation Reserve Account		
Opening balance	458,95,17	465,33,66
Additions during the year	56,89,17	0
	515,84,34	465,33,66
Deductions during the year ²	5,40,15	6,38,49
Total	510,44,19	458,95,17
TOTAL (a to e)	2796,90,49	2010,38,61
V. Balance in Profit and Loss Account	164,61,83	135,08,06
GRAND TOTAL (I TO V)	7899,71,13	6782,81,96

Note

- 1 Appropriation on account of profit on sale of investments held under HTM category, net of taxes and transfer to Statutory Reserve
- 2 Depreciation on the revalued amount during the year is transferred to Revenue Reserve.

		(₹ in 000's)	
		As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -3 DEPOSITS			
A. I. Demand Deposits			
1. From Banks	5,42,43	5,56,43	
2. From others	5310,11,15	4821,18,24	
	5315,53,58	4826,74,67	
II. Savings Bank Deposits	23491,48,94	21672,83,84	
III. Term Deposits			
1. From Banks	0	47,23	
2. From others	58560,88,53	53886,67,86	
	58560,88,53	53887,15,09	
Total : (I, II and III)	87367,91,05	80386,73,60	
B. 1. Deposits of branches in India	87367,91,05	80386,73,60	
2. Deposits of branches outside India	0	0	
Total (1+2)	87367,91,05	80386,73,60	

		(₹ in 000's)	
		As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -4 BORROWINGS			
I Borrowings in India			
1. Reserve Bank of India	0	849,67,33	
2. Other Banks	0	0	
3. Other Institutions and Agencies	542,72,00	194,17,00	
4. Subordinated Debts for Tier II Capital	1020,00,00	1270,00,00	
Total	1562,72,00	2313,84,33	
II Borrowings outside India	0	0	
Total : (I and II)	1562,72,00	2313,84,33	
Secured borrowings included in I & II above	0	849,67,33	

		(₹ in 000's)	
		As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS			
I. Bills Payable	231,83,91	307,95,12	
II.			



(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 6 CASH AND BALANCES WITH RBI		
I. Cash in hand (including foreign currency notes)	676,07,88	644,39,93
II. Balances with Reserve Bank of India		
1. In Current Account	3362,15,58	2779,82,14
2. In Other Accounts	1166,00,00	533,00,00
Total	4528,15,58	3312,82,14
Total : (I and II)	5204,23,46	3957,22,07

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. IN INDIA		
i. Balances with Banks		
a) In Current Accounts	27,18,96	57,02,34
b) In Other Deposit Accounts	499,70,92	0
	526,89,88	57,02,34
ii. Money at Call and Short Notice		
a) With Banks	0	0
b) With Other institutions	0	0
	0	0
Total (i) & (ii)	526,89,88	57,02,34
II. OUTSIDE INDIA		
i. In Current Accounts / (Debit balance)	0	20,81,41
ii. In Other Deposit Accounts	428,33,40	401,70,03
iii. Money at Call and Short Notice	0	0
Total	428,33,40	422,51,44
Grand Total (I and II)	955,23,28	479,53,78

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 8 INVESTMENTS		
I. Investments in India (Gross)	23869,59,48	22402,55,18
Less: Provision / depreciation	544,72,82	362,55,45
Net value of Investments In India	23324,86,66	22039,99,73
Break-up :		
1. Government Securities *	21727,46,37	20133,08,77
2. Other Approved Securities	0	0
3. Shares	98,72,38	86,17,72
4. Debentures and Bonds	1491,21,27	1633,40,99
5. Subsidiaries and/or Joint Ventures	0	0
6. Units and Gold	7,46,64	187,32,25
Total	23324,86,66	22039,99,73
II. Investments outside India		
1. Government Securities (including local authorities)	0	0
2. Subsidiaries and/or Joint Ventures abroad	0	0
3. Other investments	0	0
Total	0	0
Total (I+II)	23324,86,66	22039,99,73
* includes securities of ₹ Nil (Previous year ₹ 849.67 crore) pledged for borrowings		

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 9 ADVANCES		
A) 1. Bills Purchased and discounted	323,90,24	379,09,18
2. Cash Credits, Overdrafts and Loans repayable on demand	24362,22,27	19924,33,25
3. Term Loans	35265,49,70	36479,71,59
Total	59951,62,21	56783,14,02
B) 1. Secured by Tangible Assets (including book debts)	53357,75,47	51823,35,71
2. Secured by Bank/Government Guarantees	1285,06,32	1611,65,35
3. Unsecured	5308,80,42	3348,12,96
Total	59951,62,21	56783,14,02
C) I. Advances in India		
1. Priority Sector	24861,18,30	25835,47,83
2. Public Sector	3409,18,40	2407,08,98
3. Banks	0	0
4. Others	31681,25,51	28540,57,21
Total	59951,62,21	56783,14,02

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
C) II. Advances outside India		
1. Due from Banks	0	0
2. Due from others	0	0
a) Bills Purchased and Discounted	0	0
b) Syndicated Loans	0	0
c) Others	0	0
Total	0	0
GRAND TOTAL (C. I and C. II)	59951,62,21	56783,14,02

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 10 FIXED ASSETS		
I. Premises		
At cost / Revaluation as on 31st March of the preceding year	675,73,69	677,45,35
Additions during the year	72,30,30	0
	748,03,99	677,45,35
Deductions during the year	385	1,71,66
	748,00,14	675,73,69
Depreciation to-date	66,73,57	58,77,29
Total	681,26,57	616,96,40
II. Other Fixed Assets (including Furniture and Fixtures)		
At cost as on 31st March of the preceding year	693,47,84	658,15,53
Additions during the year	58,95,44	44,13,51
	752,43,28	702,29,04
Deductions during the year	44,17,63	8,81,20
	708,25,65	693,47,84
Depreciation to date	543,30,16	505,37,93
Total	164,95,49	188,09,91
III. Assets under Construction	29,13,97	13,16,02
Total Fixed Assets (I+II+III)	875,36,03	818,22,33

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE -11 OTHER ASSETS		
I. Interest accrued	360,18,26	348,46,44
II. Tax paid in advance/tax deducted at source(net of provisions)	1107,14,62	1382,58,75
III. Stationery and Stamps	5,41,26	5,30,83
IV. Non-Banking Assets acquired in satisfaction of claims	3,79,37	6,12,95
V. Others *	7269,26,97	5762,73,03
Total	8745,80,48	7505,22,00
* includes deferred tax assets (net)of ₹ 437,43,31 (Previous year ₹ 369,30,78)		

(₹ in 000's)

	As on 31-Mar-23	As on 31-Mar-22
SCHEDULE - 12 CONTINGENT LIABILITIES		
I Claims against the Bank not acknowledged as debts	39,89,85	50,06,55
II Liability for Partly paid investments	0	0
III Liability on account of outstanding Forward Exchange Contracts	3860,65,41	4371,73,51
IV Guarantees given on behalf of constituents		
a) In India	4990,67,53	3961,42,03
b) Outside India	0	0
V Acceptances, endorsements and other Obligations	902,11,31	1020,49,52
VI Other items for which the bank is contingently liable	309,05,91	253,27,05
Total	10102,40,01	9656,98,66

Schedules

Forming Part Of Consolidated Profit and Loss Account

(₹ in 000's)

	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 13 INTEREST EARNED		
I. Interest/Discount on Advances/Bills	5584,90,74	4737,88,38
II. Income on Investments	1422,34,93	1310,11,91
III. Interest on balances with R.B.I / other Inter-Bank funds	1,58,02	31,88,86
IV. Others	211,39,49	141,77,22
Total	7220,23,18	6221,66,37

(₹ in 000's)

	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 14 OTHER INCOME		
I. Commission, Exchange and Brokerage	561,46,86	416,13,63
II. Profit on sale of Investments	24,96,86	52,62,28
Less : Loss on sale of Investments	-5,72,22	-3,96,60
III. Profit on Revaluation of Investments	0	0
Less : Loss on Revaluation of Investments	-182,17,38	-98,76,92
IV. Profit on sale of Land, Buildings and Other Assets	64,81	27,71
Less : Loss on sale of Land, Buildings and Other Assets	-94,95	-1,12,88
V. Profit on Exchange Transactions	39,79,51	23,97,35
Less : Loss on Exchange Transactions	-28,21,21	-3,59,00
VI. Income earned by way of dividends etc., from Subsidiaries/ Companies and /or Joint Ventures abroad/ in India	0	0
VII. Miscellaneous income	582,75,25	568,32,13
Total	992,57,53	953,87,70

(₹ in 000's)

	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 15 INTEREST EXPENDED		
1. Interest on deposits	3786,85,39	3584,63,90
2. Interest on Reserve Bank of India/Inter-Bank Borrowings	53,34,62	39,42,46
3. Others	194,92,03	106,55,61
Total	4035,12,04	3730,61,97

(₹ in 000's)

	Year ended 31-Mar-23	Year ended 31-Mar-22
SCHEDULE - 16 OPERATING EXPENSES		
I. Payments to and provisions for employees	1073,46,28	1016,19,94
II. Rent, Taxes and Lighting	157,41,40	146,34,14
III. Printing and Stationery	10,56,31	15,00,57
IV. Advertisement and Publicity	10,51,23	7,60,36
V. Depreciation on Bank's property	86,44,25	73,67,41
VI. Directors' fees, allowances and expenses	4,80,45	2,76,83
VII. Auditors' fees and expenses	3,12,84	2,85,42
VIII. Law charges	12,47,95	9,80,95
IX. Postage, telegrams, telephones etc.	28,12,28	26,79,88
X. Repairs and maintenance	71,06,63	57,88,84
XI. Insurance	103,02,85	94,49,42
XII. Other expenditure	408,99,75	358,11,41
Total	1970,02,22	1811,55,17

SCHEDULE-17**BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN PREPARING THE FINANCIAL STATEMENTS****GENERAL**

The parent Bank, The Karnataka Bank Limited incorporated at Mangaluru in India is a publicly held Banking Company governed by the Banking Regulation Act, 1949 and is engaged in providing a wide range of banking & financial services involving retail, corporate banking and para banking activities in addition to treasury and foreign exchange business. KBL Services Limited, a wholly owned non-financial subsidiary of the Bank was incorporated on June 21, 2020 and the certificate of commencement of business was filed on August 26, 2020. The subsidiary Company formerly started its operations on 30.03.2021.

BASIS OF PREPARATION

The accompanying Financial Statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949, following the going concern concept, on historical cost basis and accrual basis of accounting unless otherwise stated, conforming to the Generally Accepted Accounting Principles (GAAP) in India which encompasses applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) from time to time, the accounting standards notified under section 133 of the Companies Act, 2013, and Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the Banking industry in India.

USE OF ESTIMATES

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including contingent liabilities as of the date of the financial statements and the reported income and expenses during the reported period. The Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

CONSOLIDATION PROCEDURE

Consolidated Financial Statements (CFS) of the parent bank, and its subsidiary has been prepared on the basis of financial statements and in accordance with Accounting Standard 21 "Consolidated Financial Statements" as per the Companies (Accounting Standards) Rules, 2021.

The Financial Statements of the Parent bank and its subsidiary has been aggregated on a line by line basis by adding together like sums of assets, liabilities, income and expenses, after eliminating intra- group transactions and unrealised profit/ loss and making necessary adjustments wherever practicable to confirm to the uniform accounting policies. The Financial Statements of the subsidiary are drawn up to the same reporting date as that of the parent.

SIGNIFICANT ACCOUNTING POLICIES

1. REVENUE RECOGNITION

Revenue is recognised on accrual basis, except otherwise stated.

Interest and discount on performing advances and investments is accounted for on accrual basis. Income on discounted instruments is recognised over the tenor of the instrument on a Constant Yield to Maturity method.

Interest and discount income is recognised in the Profit and Loss account on realisation basis for the following:

- i. Income from Non-Performing Assets (NPAs) including investments as per the RBI prudential norms on Income Recognition and Asset classification.
- ii. Income on Rupee derivatives designated as "Trading".

Commission on Guarantees/Letter of Credit, Funded Interest on Term Loan, Processing Fees, Rent on safe deposit lockers and other fees and incomes are accounted on receipt basis.

Commission on para banking business is accounted on accrual basis.

Dividend Income is recognised when right to receive the dividend is established.

Recoveries in the non performing advances are appropriated as under:

- a) In case of Term Loan/DPN, recoveries are appropriated towards principal, interest and charges in order of demand.
- b) In case of Overdraft accounts the recoveries are first appropriated towards excess allowed in overdraft account if any, followed by expired sanctioned TOD and then towards interest.
- c) In case of One Time Settlement (OTS) accounts the recoveries are first adjusted to principal balance.
- d) In case of suit filed accounts, related legal and other expenses incurred are charged to Profit and Loss Account and on recovery the same are accounted as income.
- e) Recoveries from advances written-off are recognised in the Profit and Loss account under other income and recovery of Unrealised Interest under Income Interest on Loans & Advances.

Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the "Held to Maturity" category is appropriated (net of applicable taxes and amount required to be transferred to Statutory Reserve account) in accordance with the RBI guidelines.

Interest on income tax refund is recognised based on the refund intimation / order received under the provisions of the Income Tax Act, 1961 from time to time.

2. INVESTMENTS

2.1 Classification:

Investments are classified under the heads "Held to Maturity", "Available for Sale" and "Held for Trading" categories and are valued in accordance with the RBI guidelines. The value, net of depreciation is shown in the Balance Sheet. For the purposes of disclosure in the Balance Sheet, they are classified under six groups viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries and/or joint ventures and Other Investments.


2.2 Basis of Classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified as HFT securities.

Investments which the Parent Bank intends to hold till maturity are classified as HTM securities.

Investments which are not classified in the above categories are classified as AFS securities.

Investments in subsidiaries and joint ventures are classified as HTM except in respect of those investments which are acquired and held exclusively with a view to its subsequent disposal. These investments are classified as AFS.



An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 Acquisition Cost:

Cost of investments is computed based on the weighted average cost method. Cost including brokerage, commission pertaining to investments, paid at the time of acquisition, is charged to the Profit and Loss Account. Broken period interest is charged to the Profit and Loss Account.

2.4 Valuation:

Held to Maturity:

These are carried at their acquisition cost and are not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Provision is recognised for diminution other than temporary in the value of such investments for each investment individually.

Non-performing investments are identified and provision is recognised as per the RBI guidelines.

Held for Trading and Available for Sale categories:

Investments classified under HFT and AFS are marked to market as per the RBI guidelines. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category. The net depreciation for each category within each group is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.

Traded investments are valued based on the trades / quotes from the recognised stock exchanges, prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Private Limited ('FBIL'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FBIL.

The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures, Pass through Certificates) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities with similar maturity, published by FIMMDA/FBIL. Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹ 1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits, being discounted instruments, are valued at carrying cost.

In the event provisions recognised on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, such excess is recognised in the Profit and Loss Account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve Account in accordance with the RBI guidelines after adjusting for income tax and appropriation to Statutory Reserve.

2.5 Security Receipts (SR):

Where sale of stressed asset results in a consideration lower than the value of the stressed assets net of provisions carried there against, the shortfall is debited to Profit & Loss account. Where such sale results in consideration higher than the value of the stressed assets net of provisions carried there against, the excess is netted off against the cost of corresponding SRs to arrive at their Book Value.

SRs issued by Asset Reconstruction Companies ('ARC') are valued at Net Asset Value ('NAV') declared by the ARC except in respect of stressed assets which are sold on or after Apr 1, 2018 and the Bank holds more than 90% of SRs backed by its sold assets, the provision held against the Book Value of these SRs is higher of provision required in terms of NAV declared by the ARC and provisioning applicable to the underlying loans, assuming that the assets sold notionally continued in the books of the Bank.

2.6 Disposal of Investments:

Profit/Loss on sale of investment under the aforesaid three categories is recognised in the Profit and Loss Account. In accordance with the guidelines issued by the Reserve Bank of India, Profit on sale of investments in the Held to Maturity (HTM) category is appropriated to Capital Reserve, net of applicable taxes and amount required to be transferred to Statutory Reserve. The discount if any, on acquisition of investments in

Held to Maturity (HTM) category is accounted as follows:

- a. on interest bearing securities, it is accounted for at the time of sale/ redemption.
- b. on zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

2.7 Repo and reverse repo transactions:

Repo and reverse repo transactions are accounted for as secured borrowing/ lending transactions respectively. Borrowing cost on repo transactions is treated as interest expense and income on reverse repo transactions is treated as interest income.

2.8 Short Sale

In accordance with the RBI guidelines, the Parent Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

2.9 Non Performing Investments

- a. Interest/ instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.
- b. In the case of equity shares, in the event the investment in shares of any company is valued at Re. 1 per company on account of non-availability of the latest balance sheet, those equity shares would be reckoned as NPI.
- c. The Parent Bank also classifies an investment as a non-performing investment in case any credit facility availed by the same borrower/entity has been classified as a non-performing asset and vice versa. The above is applied to Preference Shares where the fixed dividend is not paid.
- d. The investments in debentures/ bonds, which are deemed to be advance, are also subjected to NPI norms as applicable to investments.

3. DERIVATIVE CONTRACTS

Derivative contracts are designated as hedging or trading and accounted in accordance with Reserve Bank of India's guidelines.

Derivative deals for trading are marked to market and net depreciation is recognised while net appreciation is ignored.

Derivatives used for hedging are marked to market in cases where the underlying assets/ liabilities are marked to market and income /expenditure is accounted on accrual basis.

4. ADVANCES


4.1 Classification

- a) Advances are classified into (a) Standard; (b) Sub-Standard; (c) Doubtful; and (d) Loss assets, in accordance with the RBI Guidelines and are stated net of provisions made towards Non- performing advances, unrealised interest and claims received from Guarantee corporations. etc. Advances are net of bills rediscounted, Inter-bank participation with risk, provisions for non- performing advances, floating provisions, unrealised fees and unrealised interest held in suspense account. Credit facility/investment are classified as performing and non-performing asset as per applicable RBI guidelines.

4.2 Provisioning

Provision for non-performing advances ('NPAs') comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement.

In case of restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI as applicable.



In addition to the above, the Bank, on a prudent basis, recognises provisions on advances or exposures which are performing assets as per the IRAC norms.

The Bank maintains general provision for Standard Assets, including credit exposures computed as per the current marked to market values of foreign exchange forward contracts, at levels stipulated by the RBI from time to time. These provisions on Standard Assets are included under Other Liabilities.

The Bank estimates the inherent risk of the unhedged foreign currency exposures of its borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

In case of financial assets sold to Securitisation/Reconstruction Company, if the sale is for the price higher than the net book value, excess provision held is not reversed but retained till redemption of the security receipt, wherever applicable. If the sale is at a price below the net book value (NBV), the shortfall is debited to the Profit and Loss account, as per the RBI Guidelines.

5. FIXED ASSETS

Fixed assets are stated at historical cost (except premises revalued based on values determined by the approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use and Taxes and duties to the extent not eligible for input credits if any. Profit on sale of immovable properties are transferred to the Capital Reserves after adjusting for income tax and appropriation to Statutory Reserve.

Computer Software is capitalised along with computer hardware and included under other fixed assets.

6. REVALUATION OF FIXED ASSETS

Portfolio of immovable properties is revalued periodically by an independent valuer to reflect current market valuation. All land and building owned by the Bank and used as branches or offices are grouped under "Land and Building" in the fixed assets category. Appreciation, if any, on revaluation is credited to Revaluation Reserve under Capital Reserves. Additional Depreciation on the revalued asset is charged to the Profit and Loss Account and appropriated from the Revaluation Reserves to Profit and Loss Account i.e. revenue reserves.

7. DEPRECIATION

Depreciation on fixed assets (including revalued portion thereon) is provided following Straight Line Method (SLM) as per the useful life specified under Schedule II of the Companies Act, 2013, except in respect of computers (including software) where depreciation is provided at a flat rate of 33.33 % as per the RBI guidelines.

Where during any financial year, addition has been made to any asset or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such asset is calculated on pro rata basis from the date of such addition or as the case maybe, up to the date on which such asset has been sold, discarded, demolished or destroyed.

Premium paid on leasehold properties is charged off over the lease period. Depreciation on leased assets is calculated so as to spread the depreciable amount over the primary lease period.

8. IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. In case of indicators of impairment, an impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over remaining useful life.

9. FOREIGN CURRENCY TRANSACTIONS

9.1 Initial Recognition

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency on the date of the transaction.

9.2 Conversion

Monetary Assets and Liabilities, Forward Exchange Contracts, Guarantees, Letters of Credit, Acceptances, Endorsements and other obligations are evaluated at the closing spot rates/forward rates for the residual maturity of the contract, as notified by the Foreign Exchange Dealers Association of India ('FEDAI').and the resulting profit and loss is recognised in the Profit and Loss account, as per the guidelines issued by RBI.

9.3 Exchange Differences

Exchange difference arising on settlement of monetary items is recognised as income or as expense in the year in which it arises. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuations denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Foreign exchange forward contracts not intended for trading that are entered into to establish the amount of reporting currency required or available at the settlement date of transactions, which are outstanding at the Balance Sheet date are effectively valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

9.4 Outstanding forward exchange contracts are revalued at the Balance Sheet date at the rates notified by FEDAI and at interpolated rates for contracts of interim maturities. The resultant gain/loss on revaluation is recognised in the Profit and Loss Account in accordance with the RBI/FEDAI guidelines.

9.5 Forward exchange contracts and other derivative contracts which have overdue receivables remaining unpaid over 90 days or more are classified as non-performing assets and provided for as per the extant master circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning issued by the RBI.

10. EMPLOYEE BENEFITS

10.1 Defined Benefit Plan

Liability towards Gratuity, Pension, Sick Leave and En-cashable Leave are determined and recognised in the accounts based on actuarial valuation as at the Balance Sheet date. Gratuity is funded with the Gratuity Trust duly registered under the provisions of Income Tax Act, 1961. The actuarial gains/losses are recognised as per the Accounting Standard 15.

10.2 Defined Contribution Scheme

Contribution made by the Parent Bank to the Provident Fund and Contributory Pension Scheme in the form of retirement benefits are charged to the Profit and Loss account. There is no other obligation other than the contribution payable to the fund.

Short term employee benefits are accounted for on actual basis.


11. EMPLOYEE SHARE BASED PAYMENTS

In accordance with the SEBI (Share Based Employee Benefits) Regulations, 2021 / Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants ('ICAI') of India ('ICAI'), the cost of equity-settled transactions is measured using intrinsic value method for all options granted on or before 31 March 2021.

RBI vide its clarification dated 30th August, 2021, circular reference no. RBI/2021-22/95 DOR.GOV. REC.44/29.67.001/2021-22 on Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff, advised Banks that fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments. For options granted after March 31, 2021, the Bank follows the fair value method and recognise the fair value of such option computed using the Black-Scholes model without reducing estimated forfeitures, as compensation expense over the vesting period.

12. SEGMENT REPORTING

The Parent Bank recognises the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in compliance with Accounting Standard 17.



Business Segment is classified into (a) Treasury, (b) Corporate and Wholesale Banking, (c) Retail Banking and (d) Other Banking Operations and revenues /expenses allocated in accordance with the RBI guideline. Further, 'Digital Banking' has been identified as a Sub-segment under Retail Banking as required in extant guidelines of the Reserve Bank of India (RBI)

Geographical Segment consists only of Domestic Segment since the Parent Bank does not have any foreign branches.

13. EARNINGS PER SHARE

Basic Earnings per share are calculated by dividing the net profit or loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted Earnings per share are computed by dividing the net profit or loss for the year attributable to the equity shareholders using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

14. TAXATION

Tax expenses comprise current and deferred taxes. Current income tax is measured as the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, rules framed thereunder and after due consideration of the judicial pronouncement and legal opinions.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of change.

Deferred tax assets and liabilities are recognised for future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards.

Deferred tax is recognized subject to consideration of prudence on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. In the event of unabsorbed depreciation and carry forward losses and items relating to capital losses, deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off.

Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted.

15. PROVISIONS, AND CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when there is an obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Parent Bank or a present obligation that arises from past events that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. The Parent Bank does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent liabilities on account of foreign exchange contracts, letters of credit, bank guarantees and acceptances and endorsements denominated in foreign currencies and outstanding as at the Balance Sheet date are translated at year end rates notified by the FEDAI.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

16. NET PROFIT

The net profit disclosed in the Profit & Loss Account is after making provisions for (i) Taxes, (ii) Non Performing Assets, (iii) Standard Advances, (iv) Restructured advances, (v) Depreciation on Investments and (vi) other necessary and applicable provisions.

17. LEASES

Leases where the Lessor effectively retains substantially all risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account over the lease term.

18. ACCOUNTING FOR DIVIDEND DECLARED / PAID

The Bank is not required to provide for dividend proposed/ declared after the balance sheet date. The same shall be appropriated from next year from amount available for appropriation.

19. CASH AND CASH EQUIVALENT

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

20. CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with the Companies Act, 2013, are recognised in the Profit and Loss account.

SCHEDULE - 18

NOTES ON CONSOLIDATED ACCOUNTS FORMING PART OF THE BALANCE SHEET AS ON 31st MARCH 2023, THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2023.

1. Consolidated Financial Statements comprises the results of The Karnataka Bank Limited (Parent) and one wholly owned non-financial subsidiary of KBL Services Limited.
2. Audited Financial Statements of one Subsidiary has been drawn upto the same reporting date as that of the Parent i.e. 31st March, 2023.

3. Accounting Standards

In compliance with the guidelines issued by the Reserve Bank of India regarding disclosure requirements of the various Accounting Standards, following information is disclosed.

a. Accounting Standard 5 – Net Profit or Loss for the period, Prior Period items and Changes in Accounting Policies:

There are no material prior period items.

In the preparation of these Financial Statements, the Parent Bank has followed the same accounting policies and generally accepted accounting practices adopted for the preparation of the Audited Financial Statements for the year ended March 31, 2022.

b. Accounting Standard 9 – Revenue Recognition.

Revenue is recognized on accrual basis as per Accounting Policy No.1 of Schedule 17 to the financial statements. Certain items of income are recognized on cash basis and the same is not material.

c. Accounting Standard 10 - Fixed Assets

Details of Revaluation are given below:

Details	Current Year 31-03-2023	Previous Year 31-03-2022
Book value of Land & Building as on March 31, 2023	169.66	160.38
Incremental value on account of revaluation made in 2016-17 and credited to the Revaluation Reserve	422.43	422.99
Incremental value on account of revaluation made in 2019-20 and credited to the Revaluation Reserve (net of reduction in value due to revaluation)	60.11	60.11
Incremental value on account of revaluation made in 2022-23 and credited to the Revaluation Reserve (net of reduction in value due to revaluation)	56.89	-
Depreciation up to March 31, 2023 on revalued amount	31.13	27.73
Written Down Value of the revalued assets	677.96	615.75

Depreciation on the book value of the building up to March 31, 2023 is ₹ 62.79 crore. Profit and Loss Account for the current financial year has been debited with additional depreciation charge of ₹ 5.40 crore representing the incremental depreciation on the revalued amount.

d) Accounting Standard 15 – Employee Benefits

Various Benefits made available to the Employees

- i) **Pension:** The Parent Bank has a defined benefit plan under Pension Trust to cover employees who have joined employment up to 31st March 2010 and who have opted for Pension Scheme, provided they have completed 20 years of service. The benefits under this plan are based on last drawn salary and the tenure of employment. The liability for the pension is determined and provided on the basis of actuarial valuation and is covered by purchase of annuity from LIC. The employees who have joined employment after 31st March 2010 are covered under contributory pension scheme.

- ii) **Gratuity:** In accordance with the applicable Indian Laws, the Parent Bank provides for defined gratuity benefit retirement plan ('the Gratuity Plan') covering eligible employees. This plan provides for a lump sum payment to the eligible employees on retirement, death, incapacitation or termination of employment of amounts that are based on the last drawn salary and tenure of employment. Liabilities with regard to the gratuity plan are determined by actuarial valuation and contributed to the gratuity fund trust. Trustees administer the contribution made to the trust and invest in specific designated securities as mandated by law, which generally comprise of Central and State Government Bonds and debt instruments of Government owned corporations.
- iii) **Leave Encashment (PL):** The Parent Bank permits encashment of leave accumulated by the employees. The liability for encashment of such leave is determined and provided on the basis of actuarial valuation. For the current financial year, Parent Bank has provided an amount of ₹ 13.40 crore (Previous year ₹ 19.01 crore).
- iv) **Provident Fund:** The Parent Bank pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the Fund is recognised as expense and is charged to the Profit and Loss Account. The obligation of the Parent Bank is limited to such contributions. As on 31st March 2023, there was no liability due and outstanding to the Fund by the Parent Bank.
- v) **Other Employee Benefits:** Other than the benefits listed above, the Parent Bank also gives certain other benefits to the employees, which include Medical Aid, Sick Leave, Casual Leave etc.,
- vi) The summarised position of post-employment benefits and employees' long term benefits are recognized in the financial statements in accordance with Accounting Standard – 15 and are as under:

Principal actuarial assumption at the Balance Sheet Date (expressed as weighted average)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Method of Valuation	Projected unit credit			
2	Discount rate	0.08	0.08	0.07	0.07
3	Salary escalation rate	0.04	0.04	0.04	0.04
4	Attrition rate	0.02	0.02	0.02	0.02
5	Expected rate of return on plan assets	0.07	0.07	0.07	0.07
6	Mortality	IALM (2012-14) ult			

Changes in the present value of obligations (PVO) - Reconciliation of Opening and closing Balances

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Present Value of defined benefit obligation as at 1 st April 2022	945.50	295.30	854.00	282.30
2	Interest Cost	64.57	20.61	54.22	18.68
3	Current Service Cost	26.01	25.54	29.51	24.84
4	Past Service Cost	-	-	-	-
5	Benefits Paid	(145.82)	(26.04)	(158.86)	(23.19)
6	Actuarial Loss/(Gain) on Obligations	103.94	(12.51)	166.63	(7.33)
7	Present Value of defined benefit obligation as at 31 st March 2023	994.20	302.90	945.50	295.30

Changes in Fair value of Plan Assets- Reconciliation of Opening and Closing Balances

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Fair Value of Plan Assets at the beginning of the year	945.50	295.30	854.00	282.30
2	Expected return on Plan Assets	67.86	20.90	63.06	20.19
3	Bank's Contribution related to Current year	126.81	11.89	190.39	15.56
4	Benefits Paid	(145.82)	(26.04)	(158.86)	(23.19)
5	Actuarial Gain/(Loss) on plan assets	(0.15)	0.85	(3.09)	0.44
6	Fair Value of Plan Asset at the end of the year	994.20	302.90	945.50	295.30

Actual Return on Plan Assets

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Expected return on Plan Assets	67.86	20.90	63.06	20.19
2	Actuarial Gain/(Loss) on plan Assets	(0.15)	0.85	(3.09)	0.44
3	Actual Return on Plan Assets	67.71	21.75	59.97	20.63

Actuarial Gain/Loss Recognized

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Actuarial (Gain)/Loss for the period-Obligations	103.94	(12.51)	166.63	(7.33)
2	Actuarial (gain)/Loss for the period- Plan Assets	0.15	(0.85)	3.09	(0.44)
3	Total (Gain)/Loss for the period- Plan Assets	104.09	(13.36)	169.72	(7.77)
4	Actuarial (Gain)/Loss recognized in the year	104.09	(13.36)	169.72	(7.77)
5	Unrecognized actuarial (Gain)/Loss at the end of the year	-	-	-	-

Amounts recognized in Balance Sheet and Related Analysis

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Present value of the obligations	994.20	302.90	945.50	295.30
2	Fair Value of Plan Assets	994.20	302.90	945.50	295.30
3	Surplus/(Deficit)	-	-	-	-
4	Assets/(Liability) recognised in the Balance Sheet	-	-	-	-

Expenses recognised in the Profit and Loss Account

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Current Service Cost	26.01	25.54	29.51	24.84
2	Interest Cost	64.57	20.61	-	-
3	Expected Return on Plan Assets	(67.86)	(20.90)	(63.06)	(20.19)
4	Net actuarial (Gain)/Loss recognized in the year	104.09	(13.36)	169.72	(7.77)
5	Expenses recognised in the Profit and Loss Account	126.81	11.89	190.39	15.56

Major Categories of plan assets (As a percentage of total plan assets)

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Government of India Securities	-	1.77	-	2.12
2	State Government Securities	-	-	-	-
3	High Quality Corporate Bonds	-	-	-	-
4	Equity Shares of Listed Companies	-	-	-	-
5	Property	-	-	-	-
6	Funds managed by insurer	100.00	98.05	100.00	97.74
7	Mutual Funds	-	-	-	-
8	Bank Deposits- Current Accounts	-	-	-	-
9	Others	-	0.18	-	0.14
	Total	100.00	100.00	100.00	100.00

Estimated expenses/contribution for the next year

(₹ in crore)

Sl. No.	Particulars	Current Year 31-03-2023		Previous Year 31-03-2022	
		Pension (Funded)	Gratuity (Funded)	Pension (Funded)	Gratuity (Funded)
1	Enterprises Best estimate of expenditure to be incurred during the next year(inclusive of proportionate amortisation)	1029.60	321.40	971.70	310.40

e. Accounting Standard 17 – Segment Reporting:

For the purpose of segment reporting in terms of AS 17 of the ICAI and as prescribed in the RBI guidelines, the business of the Bank has been classified into 4 segments i.e.(a) Treasury operations (b) Corporate/ Wholesale Banking (c) Retail Banking (d) Other Banking Operations. Further as per the RBI circular DOR. AUT.REC.12/22.01.001/2022-23 dated April 07, 2022, on establishment of Digital Banking Unit (DBU, 'Digital Banking' has been identified as a Sub-segment under Retail Banking. Since the Parent Bank does not have any overseas branch, reporting under geographic segment does not arise. Segment assets have been identified and segment liabilities have been allocated on the basis of segment assets.

(₹ in crore)

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates / Joint Ventures	Key Management Personnel ^	Relatives of Key Management Personnel
Leasing/ HP Arrangements provided#				0	0
Purchase of fixed assets				0	0
Sale of fixed assets				0	0
Interest Paid				*	*
Interest Received				0	*
Rendering Services				0	0
Receiving Services				1.35#	0
Management Contact				0	0

Figures in bracket indicate maximum balance during the year.

Computed inclusive of deferred component of variable pay of ₹ 8 Lakhs towards the performance period of FY 2020-21 and ₹ 19 lakhs of upfront payment of variable pay for the performance period of FY 2021-22

* amount is less than ₹ 1 Lakh.

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates / Joint Ventures	Key Management Personnel ^	Relatives of Key Management Personnel
Borrowings				0	0
Deposits				Please See note below	Please See note below
Placement deposits of				0	0
Advances				0	Please See note below
Investments				0	0
Non funded commitments				0	0
Leasing/ HP Arrangements availed#				0	0
Leasing/ HP Arrangements provided#				0	0
Purchase of fixed assets				0	0
Sale of fixed assets					
Interest Paid				Please See note below	Please See note below
Interest Received				0	0
Rendering Services				0	0
Receiving Services				1.15#	0
Management Contact				0	0

Figures in bracket indicate maximum balance during the year.

computed based on fixed pay plus the non-deferred remuneration which has been recognized during the FY 2021-22

1. ^ In terms of Regulation 23(9) of the SEBI (LODR) Regulations, 2015 read with "Para 5 Accounting Standard 18 - Related Party Disclosures" of the RBI Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021, "where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party."

2. Bank has only one entity under Subsidiary and two Key Managerial Personnel, the definition of which, are drawn from the "Accounting Standard 18 – Related Party Disclosures" as required for disclosure under Regulation 23(9) of the SEBI LODR. In terms of the aforesaid RBI Master Direction, the Bank's relationship with each of the parties is as under:

Key Managerial Personnel:

- Mr. Mahabaleshwara MS, Managing Director & CEO of the Bank, who was the Whole Time Director upto 14th April 2023 on the Board of the Bank and his appointment is in accordance with the approval received from the RBI in terms of Banking Regulation Act, 1949.
- Mr. Sekhar Rao, Managing Director & CEO (Interim) of the Bank, who is the Whole Time Director from 1st February 2023 on the Board of the Bank and his appointment is in accordance with the approval received from the RBI in terms of Banking Regulation Act, 1949.

Subsidiary:

KBL Services Ltd. is a Wholly Owned Non-Financial Subsidiary of the Bank in respect of which the approval of the Reserve Bank of India has been obtained in terms of "Master Direction- Reserve Bank of India (Financial Services provided by Banks) Directions, 2016".

g. Accounting Standard 20 - Earnings per Share

Basic and diluted earnings per equity share computed in accordance with AS 20 – Earnings per Share are as under:

Particulars	Current Year 2022-23	Previous Year 2021-22
Earnings per share- Basic(₹)	37.87	16.36
Earnings per share- Diluted(₹)	37.64	16.29
Net Profit for the year attributable to Equity shares (₹ in crore)	1179.68	508.62
Weighted Average number of Equity Shares – Basic	31,15,41,947	31,09,47,545
Weighted Average number of Equity Shares - Diluted	31,34,10,655	31,21,58,169
Nominal value per equity share(₹)	10	10

Allotment of 128521 equity shares (Previous year 128521) is kept in abeyance including 1,800 equity shares (Previous Year 1,800), where the entitlement matter is sub judice. These shares have not been considered for EPS calculation, as the shares are not allotted.

h. Accounting Standard 22 – Accounting for Taxes on Income

i) Provision made for taxes during the year

Particulars	Current Year 2022-23	Previous Year 2021-22
Current Tax	329	129.51
Deferred Tax	-68.13	56.43
Total	260.80	185.94

(₹ in crore)

ii) Major components of Deferred Tax Assets and Liabilities recognised are as Under:

(₹ in crore)

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
A	Deferred Tax Liabilities		
1	Depreciation on fixed assets	4.22	10.20
2	Special Reserve u/s 36(1)(viii) of Income Tax Act	98.42	79.42
3	Deferred Revenue Expenditure	0.00	0.00
4	Others	0.00	0.00
	Total	102.64	89.62

(₹ in crore)

Sl. No.	Particulars	Current Year 2022-23	Previous Year 2021-22
B	Deferred Tax Assets		
1	PL/LFC Encashment	60.70	56.70
2	Provision for advances	302.32	205.74
3	Provision for Standard advances	144.43	154.31
4	Provision for arrears of salary	15.97	-
5	Provision for Fair Value Loss	-	20.69
6	Others	16.66	21.49
	Total	540.08	458.93
	Net Deferred Tax Liability/(Asset)(A) - (B)	-437.44	-369.31

i. Accounting Standard 28 – Impairment of Assets

An assessment is made at each Balance sheet date as to whether there is any indication that an asset is impaired. If any such indication exists, an estimate of the recoverable amount is made and impairment loss, if any, is provided for. As on March 31, 2023, there was no indication of impairment of any asset.

j. Accounting Standard 29 – Provision, Contingent Liabilities and Contingent Assets
Movement in Provision for Contingencies

(₹ in crore)


Particulars	Opening as on 01.04.2022	Provision made during the year	Provisions reversed/ adjusted	Closing as on 31.03.2023
Provision for contingencies	25.12	-	8.92	16.20

4. Litigations and claims

A sum of ₹ 1630.03 crore (Previous year ₹ 1222.43 crore) is outstanding on account of demands raised by the Income Tax Department in the earlier years, out of which an amount of ₹ 956.13 Crore (Previous year ₹ 765.87 Crore) has been paid under protest by debit to Sundry Assets - Protested Tax Account and for the balance of ₹ 673.90 crore (Previous year ₹ 456.56 Crore) stay from collection of demand has been granted.

In addition to the above, the Income Tax Department has gone on appeal on various issues wherein Appellate Authority has given decisions in favour of the Parent Bank to the extent of ₹ 486.55 crore (Previous year ₹ 352.31 crore).

The Parent Bank has also preferred appeal against certain service tax demands to the extent of ₹ 193.15 crore (Previous year ₹ 193.15 crore) and paid pre deposit of ₹ 1.06 crore (Previous year ₹ 1.06 crore) by debit to Sundry Assets – Service Tax Paid under Protest.



The Parent Bank has been advised by its Tax Consultants and Experts that there are good chances of success in these appeals, considering favorable judicial pronouncements and / or appellate orders on identical issues for earlier years. Hence, the Parent Bank does not consider it necessary to make any provision or include the same under Schedule 12 - Contingent Liability, to the Balance sheet.

All pending litigations which may have an impact on its financial position have been estimated and provided for. In respect of other pending litigations, no provision is required since these pending litigations have no impact on its financial position.

5. Employee Stock Option

The shareholders of the Parent Bank, on July 21, 2018, have approved 'KBL Employee Stock Option Scheme-2018' (ESOS-2018) with a total of 50,00,000 stock options available for grant each of which is convertible into one equity share. The scheme has been framed in accordance with SEBI (Share Based Employee Benefits) Regulations, 2014 as amended from time to time. Further, to give effect to the corporate action by way of Bonus issue in the ratio of 1:10, additional 1,07,147 options have been accounted and hence, the total available options under the scheme stand increased to 51,07,147 stock options.

The options granted under ESOS 2018 would vest after one year from the date of grant of such options in a graded manner over a period of three years (i.e. 40%, 30% & 30% respectively on completion of 1st, 2nd & 3rd year), as determined by the Nomination & Remuneration Committee (NRC), a committee of the Board of Directors, subject to continued employment with the Parent Bank on the date of vesting.

During the year ended March 31, 2023, no modifications were made to the terms and conditions of ESOSs as approved by the NRC.

The Shareholders of the Parent Bank on March 30, 2023 have approved 'KBL Employee Stock Option Scheme-2023' (ESOS-2023) with a total of 15,00,000 Stock options available for grant each of which is convertible into one equity share catering partially towards the disbursement of share linked portion of variable pay as per RBI guidelines relating to compensation payable to MD & CEOs/Whole Time Directors/Material Risk Takers (MRTs) in banks vide DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019. The Scheme, which is in lieu of ESOS-2018, has been framed in accordance with Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021. The old Scheme ESOS 2018 will continue to be operative for the limited purpose of permitting exercise of already granted options.

The Options granted under ESOS 2023 would vest after one year from the date of grant of such options in a graded manner over a period of three years (i.e. 30%, 30% & 40% respectively on completion of 1st, 2nd & 3rd year), as determined by the Nomination & Remuneration Committee (NRC), a committee of the Board of Directors. During the year under report, there was no grant of options under ESOS 2023.

Activity in the options outstanding under the Employee Stock Option Scheme (ESOS 2018):

6. The Board of Directors have proposed a dividend of ₹ 5.00 per Equity share of ₹ 10/- each for the year ended March 31st 2023 (Previous year ₹ 4.00 per Equity share of ₹ 10 each), subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 Contingencies and Events occurring after the Balance sheet date, the Bank has not appropriated proposed dividend aggregating to ₹ 157.00 crore from the Profit and loss account for the year ended March 31st, 2023. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31st, 2023.
7. Operating Expenses stated in Schedule 16 to the Profit and Loss Account includes ₹ 12.13 crore (Previous year ₹ 11.61 crore) spent towards Corporate Social Responsibility (CSR) activities. The Bank has spent 2% (Previous Year: 2.04%) of its average net profit for the last three Financial Years as part of its Corporate Social Responsibility for the year ended March 31, 2023.

The details of the amount spent during the respective years towards CSR are as under:

(₹ in Crore)

Sl No.	Particulars	March 31, 2023			March 31, 2022		
		Amount Spent	Amount unpaid / provided	Total *	Amount Spent	Amount unpaid / provided	Total@
i)	Construction / acquisition of any asset	6.79	2.42	9.21	4.61	2.46	7.07
ii)	On purpose other than (i) above	2.29	0.63	2.92	3.39#	1.02	4.41

* Excluding a sum of ₹ 0.06 Crore excess sanctioned & provided in FY 2021-22 set off to FY 2022-23.

@ Excluding a sum of ₹ 0.19 Crore excess sanctioned & provided in FY 2020-21 set off to FY 2021-22.

including a sum of ₹ 0.13 Crore of earlier years (2017-18) sanction spent during the FY 2021-22.

8. Disclosure under Rule 11(e) of the Companies (Audit & Auditors) Rules, 2014

The Bank, as part of its normal business, grants loans and advances (including loans against third party deposits or Non-Banking Finance Company or Real estate promoters / developers loan, other margins / security), makes investment, provides guarantees (including against margin / guarantees received from third parties / banks) to and accepts deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's authorised normal business, which is conducted ensuring adherence to regulatory requirements.

In the course of the transactions carried out as described above

- (a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall whether directly or indirectly lend or invest in other persons or entities identified by in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or like on behalf of the Ultimate Beneficiaries.
- (b) The Bank has not received any funds from any person(s) or entity(ies) including foreign entity(ies) ("Funding Party") with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

9. Additional Disclosure:

Additional Statutory information disclosed in the standalone financial statement of the Bank and the Subsidiary having no material bearing on the true and fair view on the Consolidated financial statement and the information pertaining to the item which are not material have not been disclosed in the Consolidated Financial Statement.

10. Leases

The Parent Bank has taken certain premises on operating lease which primarily comprise office premises.

Liability for Premises taken on operating lease are given below:

Particulars	(₹ in crore)	
	As at 31st March, 2023	As at 31st March, 2022
Not later than 1 year	0.78	0.76
Later than 1 year and not later than 5 years	4.79	3.97
Payable Later than 5 years	94.40	88.80
Total	99.97	93.53

The lease rents are paid by the Parent bank for premises leased for its business operations. The above contingent lease rent has been determined based on terms of individual lease agreements over lease period. The terms of renewals/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreement.

11. Previous year's figures have been regrouped/rearranged wherever necessary.

Sham K.
Company Secretary

Y. V. Balachandra
Chief Operating Officer

P Pradeep Kumar
Chairman
DIN 03614568

A V Chandrashekar
Director
DIN 08829073

Balakrishna Alse S
Director
DIN 08438552

for **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Reg. No. 104607W/W100166

Anil A. Kulkarni
Partner
M. No. 047576

Place: Mangaluru
Date: 26th May, 2023

Abhishek S. Bagchi
Chief Financial Officer

Keshav K Desai
Director
DIN 07427621

Uma Shankar
Director
DIN 07165728

Jeevandas Narayan
Director
DIN 07656546

for **Sundaram & Srinivasan**
Chartered Accountants
Firm Reg. No. 004207S

P. Menakshi Sundaram
Partner
M. No. 217914

Gokuldas Pai
Chief Business Officer

Sekhar Rao
Managing Director & CEO (Interim)
DIN 06830595

B R Ashok
Director
DIN 00415934

D S Ravindran
Director
DIN 09057128

K Gururaj Acharya
Director
DIN 02952524

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A Century of Trust.

As we stand on the cusp of our centennial, we are reinvigorated with a drive to innovate, a commitment to banking excellence, and a vision to shape the future of finance, ensuring our continued dedication to serving our customers for the next century and beyond.

A Future of Growth.



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