

V M V V SANGHA'S



V M K S R VASTRAD ARTS SCIENCE
AND V S BELLIHAI COMMERCE COLLEGE
HUNGUND

Project report entitled

'A PROJECT OF KARNATAKA BANK'

UNDER GRADUATION OF BACHELOR OF COMMERCE

Submitted by

NAGARATNA PATIL

B.Com- IV Semester

Register Number U15IY21C0023

Under the Guidance of

Mr. SHREESHAIL BOMMASAGAR

Lecturer,

Department of commerce

2022-23

DECLARATION

I declare that this project report entitled " 'A PROJECT OF KARNATAKA BANK,' " independent project carried out by me in partial fulfilment of the requirements for the award of the degree of Bachelor of Commerce by the **Rani Channamma University**. The project report has been prepared under the guidance of . **Mr. SHREESHAIL BOMMASAGAR** Co-ordinator Department of in Commerce, **Rani Channamma University, V M K S R VASTRAD ARTS SCIENCE & V S BELLIHAL COMMERCE COLLEGE HUNGUND.**

I have not submitted his project previously to this university or any other university for the award of any degree.

Date :
Place :HUNGUND

M. H. Patil
Mrs. NAGARATNA PATIL

CERTIFICATE

This is to certify that **Mrs. NAGARATNA PATIL** is a bonafide student of the Department of Commerce, bearing REG NO : U15IY21C0009 during the academic year 2022-23 has satisfactorily completed the project work entitled "**A PROJECT REPORT KARNATAKA BANK**" submitted in partial fulfillment of the requirements for the award of the Degree of Commerce by RANI CHANNAMMA UNIVERSITY under guidance and supervision by **Mr. SHREESHAIL BOMMASAGAR** And Prof. B A KANTHI Head of the Department in Commerce.


Mr. SHREESHAIL BOMMASAGAR
(Coordinator)


Prof. B. A. Kanthi
(HOD OF COMMERCE)

Prof. S K MATH
Principal

Head, Department of Commerce
V.M.K S.R.Vastrad Arts, Science & V.S.Bellihalli
V.S.Bellihalli Commerce College, Hungund-587118
Vijaya Mahantesh Krupaposhit
S.R.Vastrad Arts, Science & V.S.Bellihalli
Commerce College, Hungund-587118

CERTIFICATE

This is to certify that the project work on "**A PROJECT OF KARNATAKA BANK**" has been carried out by **NAGARATNA PATIL** B. Com IV semester under the guidance of **Mr. SHREESHAIL BOMMASAGAR** Co-ordinator, **Prof. B A KANTHI** Head of the Department in Commerce. towards the partial fulfilment of the requirements for the award of degree of department of Commerce by the **Rani Channamma University** during the year **2022-23**.

Date :
Place :HUNGUND

Prof. S. K. MATH
(PRINCIPAL)
Principal
Vijaya Mahantesh Krupaposhit
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Commerce College,Hungund-587110

Acknowledgement

I am greatly indebted to my guide, **Shri. SHREESHAIL BOMMASAGAR** Co-ordinator, *Department of Commerce, Rani Channamma University, V M K S R VASTRAD ARTS SCIENCE & V S BELLIHAI COMMERCIAL COLLEGE HUNGUND* for his inspiring guidance. In spite of several busy assignments, he has been kind enough to spare his time for giving me pleasure and privilege to work under his guidance.

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My sincere thanks to all for supporting me in carrying out project report and I also thanks to library staff and all my friends for their co-operation during the course of project work and I am also thankful to printers of their skilful printing this work.

My parents are main soul for my confidence, determination and strength throughout my life. The sweet hopes and wishes have made me able to present this work.

Last but not the least I take this opportunity to thank and remember all my friends who are with me and who have helped me throughout my life from the place they have resided in making me feel that I am also one among them who can achieve things as we want.

Date :
Place :HUNGUND

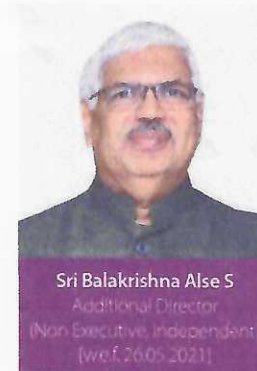
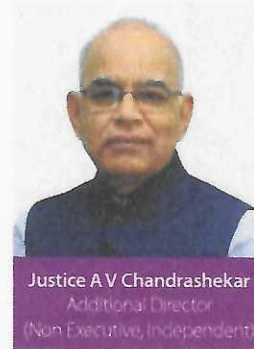
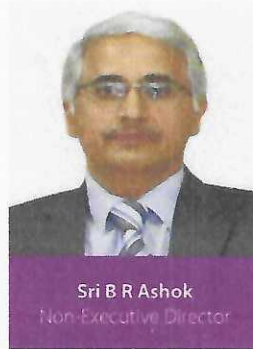
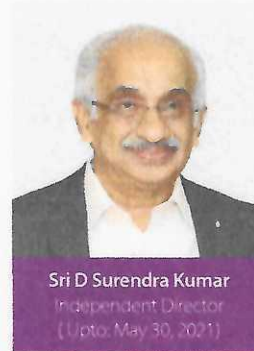
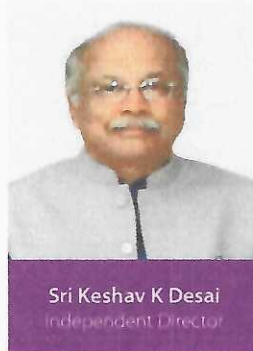
N. H. Patil
Mrs. NAGARATNA PATIL

About Karnataka Bank Ltd

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

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

Board of Directors



Managing Director and CEO's Review

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



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

The Bank has implemented 'KBL-Mobile Plus' (Mobile Banking) app, with several new enhanced features such as, cardless cash withdrawal, switch on/off debit card usage, enable/disable international transactions, setting account level limit, etc., and also integrated UPI (Unified Payment Interface) functionality.



Account Opening

Opening of Savings Accounts with pre-activated debit card, through Tab Banking.



Digital Underwriting

Through the Bank's digital capabilities developed under KBL-VIKAAS, even during the pandemic period, the Bank was able to provide quicker and superior customer experience through digitally underwritten Xpress Loans powered by Business Rule Engine (BRE).



Processes

Implemented Lending Automation Processing System (LAPS) software for efficient life cycle management of loan accounts and improved monitoring. Established Centralized Account Opening Cell for opening of CASA. Implemented an Enterprise Level Fraud Risk Management System (ELFRMS) for effective cyber fraud prevention, across delivery channels.



Para Banking

Digital sales of insurance policies through Mobile Banking and Internet Banking platform, Sale of Mutual Fund products of all the AMCs in a single platform 'FISDOM' and Online opening of Demat & Trading account through KBL-Smart Trade.

Directors' Report

Dear Stakeholders,

Your Directors have the pleasure in presenting the 97th Annual Report of the Bank together with the Audited Statement of Account for the year ended March 31, 2021 and the Auditors' Report thereon. The highlights of the operational performance are as under:

OPERATIONAL PERFORMANCE

₹ in crore

	MARCH 31, 2021	MARCH 31, 2020
Business Turnover	127348.56	128749.42
Deposits	75654.86	71785.15
Advances	51693.70	56964.27
Investments	21635.18	17545.34
Gross Income	7727.48	7736.40
Net Interest Income (NII)	2183.18	2030.36
Operating Profit	1999.14	1656.77
Net Profit	482.57	431.78

Note: Since the Bank's wholly owned non-financial subsidiary has commenced its operations with effect from 30.03.2021, there is no significant reflection in the consolidated financial statements and hence, the same has not been produced here.

BUSINESS OVERVIEW

Despite a challenging COVID-19 impacted external business environment during the year under report, with the business mantra - "Conserve, Consolidate and Emerge Stronger", your Bank was able to steer the business successfully and focused on further strengthening its fundamentals and the bottom line. As a part of this strategy, several measures were taken including realignment of credit mix wherein the Bank focused on increasing the share of retail and mid-corporate advances and restricted its exposure to the large corporates. The total business turnover of the Bank (i.e., Deposits plus Advances) registered a marginal decline of 1.09 per cent due to sluggishness in the credit off-take and also due to conscious de-growth in the Large Corporate advances on account of realignment of credit in favour of Retail and Mid-corporate sectors. The total assets of the Bank increased by 2.72 per cent i.e., to ₹85581.34 Crore as on March 31, 2021 from ₹83313.49 Crore a year ago.

DEPOSITS AND CASA

The CASA Deposits grew by 14.08 per cent and total deposits grew by 5.39 per cent during the FY and the share of low cost deposits of the Bank, viz., Current Account and Savings Account (CASA) touched an all-time high of 31.49 per cent of the total deposits of the Bank as against 28.91 per cent as on March 31, 2020.

LOANS & ADVANCES

The Retail and Mid-Corporate advances, recorded a growth of 5.91 per cent and 6.91 per cent (YoY) respectively. Due to continued sluggishness in the market and tepid credit growth and also due to de-growth in large corporate advances, the overall advances recorded a de-growth of 9.25 per cent on year-on-year basis. The share of Retail/Mid Corporate advances increased to 86.77 per cent as against 74.20 per cent as on March 31, 2020. The Credit-Deposit (CD) Ratio stood at 68.33 per cent.

The priority sector advances increased from ₹25094 crore to ₹28617 crore forming 46.58 per cent of applicable Adjusted Net Bank Credit (ANBC) and agricultural advances increased from ₹8568.24 crore to ₹9071.32 crore which, together with eligible deposits under Rural Infrastructure Development Fund (RIDF), constituted 14.76 per cent of ANBC. Bank is also focusing on lending under various socio-economic schemes.

ASSET QUALITY AND PROVISION COVERAGE RATIO (PCR)

Your Bank has been focusing on improving the asset quality through better credit monitoring as well as intensified efforts to address the problems posed by the impaired assets. In spite of the COVID19 pandemic related stress in the economy during

How We Performed in Digital Underwriting

As at March 31, 2021, the percentage of sanctions under Home loans, Car loans, MSME loans through digital mode has exceeded 90% of the eligible loans as depicted below:

Particulars	Digital adoption on overall sanctions	Digital adoption on eligible sanctions
Home Loan	71%	93%
Car Loan	71%	88%
MSME [OD+TL]	26%	92%
MSME [Micromitra+ Business Quick Loan]	73%	100%
Xpress Cash Loan to Salaried Class	100%	

Digital tools & Enablers: Bank has introduced a host of internal tools mainly, **KBL FORCE** (Lead Management System), **KBL e-Dashboard** (Business Dashboard), **KBL Collect +** (for Real-Time Monitoring of Collections), **KBL Vasool So-F** (NPA Management Tool), **KBL Rise** (Performance Management System), **e-TMS** (an internal digital Ticketing Management Solution). These digital tools have redefined the internal processes for further enhancing efficiency and effectiveness.

This is just a beginning of the digital initiatives undertaken by the Bank and many more to come. As digital is the

way forward, under the KBL VIKAAAS 2.0, your Bank has placed digital banking on fast forward mode to pursue the concept of '**KBL NxT**' which will redefine the Bank as 'The Digital Bank of Future'.

In the KBL NxT, the Bank has planned several digital transformational changes like digital customer on-boarding, end to end customer self-journey, both under Assets & Liabilities, establishing Analytical Center of Excellence (ACoE), predictive banking, providing Omni-Channel experience to the customer and many more digital initiatives that will lead to customer delight.



the year, the asset quality has further improved. In terms of absolute numbers, the GNPA's reduced to ₹2588.41 crore as on March 31, 2021 from ₹2799.93 crore as on March 31, 2020. However, the degrowth of overall loans and advances reflected in slight increase in percentage of gross NPAs to 4.91 from 4.82.

Similarly, amount of Net NPAs (NNPAs) also reduced to ₹1642.10 crore (3.18%) as against ₹1755.01 crore (3.08%) as on March 31, 2020. The Provision Coverage Ratio (PCR) improved to 70.05 per cent as on March 31, 2021 from 64.70 per cent as on March 31, 2020, thus further strengthening the fundamentals.

INVESTMENTS

The total investments increased by 23.31 per cent and the ID ratio stood at 28.60 per cent as on March 31, 2021 as against 24.44 per cent as on March 31, 2020.

GROSS INCOME, NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)

The gross income of the Bank for the year ended March 31, 2021 stood almost at the same level of last year. The total expenditure (excluding provisions and contingencies) declined by 5.78 per cent to ₹5728.34 crore for the year ended March 31, 2021 as against ₹6079.63 crore for the last financial year. During the FY, Net Interest Income (NII) of the Bank grew by 7.53 per cent over the previous year. The Net Interest Margin (NIM) also improved to 2.91 per cent from 2.84 per cent last year.

OPERATING PROFIT AND NET PROFIT

The operating profit registered a healthy growth of 20.67 per cent, by increasing to ₹1999.14 crore for the year 2020-21 from ₹1656.77 crore for the previous year. The provisions (other than tax) and contingencies for the year 2020-21 were ₹1387.21 crore vis-à-vis ₹1134.74 Crore as of previous year.

The net profit also reached an all-time high of ₹482.57 crore from ₹431.78 crore during the previous year registering a growth of 11.76 per cent.

APPROPRIATIONS

The net profit of ₹482.57 crore which along with a sum of ₹101.69 crore brought forward from the previous year, aggregating to ₹584.26 crore, has been appropriated as under:

Appropriation	₹ in crore
Transfer to Statutory Reserve	125.00
Transfer to Capital Reserve	199.69
Transfer to Revenue and Special Reserves	147.21
Transfer to Investment Fluctuation Reserve	26.89
Dividend of 2019-20 paid during the year *	0.00
Balance carried over to Balance Sheet	85.47

* As directed by the RBI vide circular DOR.BP.BC.No.64/21.02.067/ 2019-20 dated April 17, 2020, the Board of Directors had not recommended any dividend for the financial year 2019-20.

DIVIDEND

In terms of RBI Circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021, in partial modification of the instructions contained in Circular DBOD.No.BP.BC.88/21.02.067/2004-05 dated May 4, 2005, banks have been permitted to pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty per cent of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the said circular.

Duly complying with the above guidelines, the Board of Directors of the Bank recommended a dividend of ₹1.80 per share having face value of ₹10/- each (i.e. 18%) for the year ended March 31, 2021. The dividend payout ratio for the year works out to 11.60% as against NIL for the previous year. In accordance with the revised Accounting Standard (AS)-4 'Contingencies and Events occurring after the Balance Sheet Date' notified by the MCA on March 30, 2016, the proposed dividend amounting to ₹55.96 Crore has not been shown as appropriation from the Profit for the year ended March 31, 2021.

DIRECTORS AND CHANGES IN THE BOARD

As on March 31, 2021, your Bank's Board comprised of 10 Directors, including two woman directors. All of them are Independent Directors except Mr. P Jayarama Bhat, Part-Time Non-Executive Chairman, Mr. Mahabaleshwara M S, Managing Director & CEO and Mr. B R Ashok, Non-Executive Director. The details of the criteria for appointment and remuneration of Directors are provided in the report on Corporate Governance under Annexure-V.

During the year under report, Mr. Ashok Haranahalli and Mr. U R Bhat retired from the office of the Independent Director on September 13, 2020 and February 18, 2021 upon completion of their respective tenure as per Banking Regulation Act, 1949/Companies Act, 2013. Further, Mr. D Surendra Kumar retired from office of Independent Director on May 30, 2021 upon completion of his term. The Board places on record its appreciation for the valuable contributions and the guidance given by them during their tenure in office.

In order to ensure board level succession planning, your Bank has inducted following eminent personalities to the Board of Directors as Additional Directors:

SI No	Name	Area of Experience	Date of Appointment
1.	Mr. Justice A V Chandrashekar	Law (former Judge, High Court of Karnataka)	19.08.2020
2.	Mr. Pradeep Kumar Panja	Banking & Finance [former Managing Director (Corporate Banking) of State Bank of India (SBI)]	19.08.2020
3.	Mrs. Uma Shankar	Banking & Finance (Former Executive Director of RBI)	01.11.2020
4.	Dr. D S Ravindran	Agriculture, IT and Administration (Retired IFS (Indian Forest Service 1986 Batch), Former Principal Secretary to the Government, Khajane-2, Finance Department, Government of Karnataka)	01.04.2021
5.	Mr. Balakrishna Aise S	Banking, Agriculture (former Executive Director of the Oriental Bank of Commerce)	26.05.2021

The aforesaid Directors will hold office up to the date of 97th Annual General Meeting and the Board of Directors recommends their appointment as Independent Directors of the Bank. Accordingly, resolutions seeking shareholders' approval for their appointment have been included in the Notice of ensuing 97th Annual General Meeting.

As per Section 152(6) of Companies Act, 2013, one of the Non-Executive Directors viz., Mr. B R Ashok is liable to retire by rotation and being eligible he has offered himself for reappointment. Accordingly, a resolution seeking reappointment of Mr. B R Ashok has been included in the Notice of 97th AGM for approval of the members.

Pursuant to the provisions of Section 149(6) of the Companies Act, 2013, your Bank has received necessary declarations from all the Independent Directors confirming that they meet the criteria of independence for Independent Directors as on March 31, 2021.

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 April 15, 2020 for a period of three years i.e., till April 14, 2023 in accordance with Section 35B of Banking Regulation Act, 1949.

PERFORMANCE EVALUATION OF THE BOARD

Your Board of Directors has laid down criteria for performance evaluation of Directors, Chairman, MD & CEO, Committees of the Board and Board as a whole and also the evaluation process for the same. The statement indicating the manner in which formal annual evaluation of the Directors, the Board and Committees of the Board etc., are given in detail in the report on Corporate Governance under Annexure V. In pursuance to the above, the Independent Directors in their separate meetings held on March 23, 2021 have reviewed and evaluated the performance of Board as a whole, Managing Director & CEO and Non-Executive Director.

Further, the Board has also reviewed the performance of Committees of the Board and each of individual Independent Directors at its meeting held on March 23, 2021.

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 'Risk Management Policy' 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 Policy Committee (CPC), 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.

CPC deals with credit policies and procedures, ALCO deals with Asset Liability Management (ALM) and Investment Policy 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 KBL-96 scorecard used for digital journey. Accordingly, Bank is rating its credit portfolio as per the criteria laid down for rating in the Loan Policy 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 Loan Policy 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.

Exposures

(b) Total gross credit exposure including geographic distribution of exposure (₹ in Crores)

Category	Domestic	Overseas	Total
Fund Based	60,203.49	NIL	60,203.49
Non Fund Based	8,967.47	NIL	8,967.47
TOTAL	69,170.96	NIL	69,170.96

(c) Geographic distribution of credit exposure

(₹ in Crores)

S.No.	State / Union Territory	Funded Exposure	Non Funded Exposure	Total Exposure
1	Andhra Pradesh	2,969.69	513.01	3,482.70
2	Assam	145.94	133.91	279.85
3	Bihar	13.89	0.72	14.61
4	Chandigarh	119.33	42.09	161.42
5	Chhattisgarh	615.80	257.27	873.07
6	Dadra And Nagar Haveli	3.27	0.01	3.28
7	Daman and diu	0.36	0.00	0.36
8	Delhi	2,985.71	440.09	3,425.80
9	Goa	354.67	29.32	383.99
10	Gujarat	751.65	237.88	989.53
11	Haryana	1,107.33	255.63	1,362.96
12	Himachal Pradesh	7.91	1.25	9.16
13	Jammu And Kashmir	0.01	0.00	0.01
14	Jharkhand	329.17	5.72	334.89
15	Karnataka	28,402.24	3,298.47	31,700.71
16	Kerala	943.19	22.42	965.61
17	Madhya Pradesh	519.98	8.75	528.72
18	Maharashtra	8,334.18	1,123.22	9,457.40
19	Manipur	0.05	0.00	0.05
20	Orissa	846.88	103.77	950.65
21	Pondicherry	29.67	1.37	31.04
22	Punjab	921.55	80.91	1,002.46
23	Rajasthan	704.32	142.98	847.30
24	Sikkim	30.26	2.50	32.76
25	Tamil Nadu	4,243.52	574.58	4,818.10
26	Telangana	3,334.25	1,184.30	4,518.56
27	Uttar Pradesh	576.89	145.81	722.70
28	Uttarakhand	172.83	5.51	178.33
29	West Bengal	1,738.97	355.96	2,094.94
	Grand Total	60,203.49	8,967.47	69,170.96

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 Name	31 st March 2021		
	Fund Exposure	Non-Funded Exposure	Total Credit Exposure (Funded and Non-Funded)
A	B	C	D=B+C
A. Mining and Quarrying	243.11	6.45	249.56
A.1 Coal	5.14	1.28	6.42
A.2 Others	237.97	5.17	243.14
B. Food Processing	431.00	221.05	652.04
B.1 Sugar	28.83	0.00	28.83
B.2 Edible Oils and Vanaspati	20.56	100.00	120.56
B.3 Tea	0.00	0.32	0.32
B.4 Coffee	67.27	5.01	72.27
B.5 Others	314.34	115.72	430.06
C. Beverages (excluding Tea & Coffee) and Tobacco	64.07	1.05	65.12
C.1 Tobacco and tobacco products	0.00	0.00	0.00
C.2 Others	64.07	1.05	65.12
D. Textiles	1,799.75	108.7	1,908.45
D.1 Cotton	626.43	25.42	651.85
D.2 Jute	0.01	0.00	0.01
D.3 Man-made	460.03	8.42	468.45
D.4 Others	713.28	74.87	788.14
Out of D (i.e., Total Textiles) to Spinning Mills	74.11	33.4	107.51
E. Leather and Leather products	8.86	3.13	11.99
F. Wood and Wood Products	1.77	0.03	1.79
G. Paper and Paper Products	147.48	10.3	157.78
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	36.97	56.16	93.13
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	474.88	128.77	603.64
I.1 Fertilizers	50.77	5.07	55.84
I.2 Drugs and Pharmaceuticals	249.43	94.11	343.53
I.3 Petro-chemicals (excluding under Infrastructure)	-	-	-

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 -31st March 2021

(₹. in Crores)

Time Bucket	Cash & Balance with RBI	Balance with Banks & Money at Call & Short Notice	Investments	Advances	Fixed Assets	Other Assets	Total
1day	2,256.41	39.91	7,854.30	1,223.80	0	0	11,374.42
2 to 7 days	16.73	263.05	84.44	348.90	0	0	713.12
8 to 14 days	22.22	94.99	77.19	345.42	0	0	539.82
15 to 30 days	26.14	0	154.58	540.30	0	0	721.02
31 days to 2 Months	50.71	51.15	225.04	850.03	0	0	1,176.93
2 Months to 3 Months	52.55	0	303.91	2,077.21	0	0	2,433.67
Over 3 Months to 6 months	170.18	0	874.76	2,705.49	0	0	3,750.43
Over 6 months to 1 year	210.70	0	1,003.45	4,839.61	0	1,110.99	7,164.75
Over 1 year to 3 years	1,313.63	0.32	9,130.33	19,885.43	0	0	30,329.71
Over 3 years to 5 years	114.50	0	493.76	5,756.80	0	0	6,365.06
5 year to 7 Years	50.98	0	105.69	3,045.94	0	0	3,202.61
7 Year to 10 years	102.22	0	340.99	3,810.20	0	0	4,253.41
10 Year to 15 Years	429.77	0	513.64	3,523.87	0	0	4,467.28
Over 15 Years	49.41	0	473.10	2,740.70	837.85	4,988.05	9,089.11
	4,866.15	449.42	21,635.18	51,693.70	837.85	6,099.04	85,581.34

Classification of Non Performing Advances

(₹ in Crores)

Particulars	31st March 2021
(f) Amount of NPA's (Gross)	2,588.41
Substandard	1,033.93
Doubtful 1	696.07
Doubtful 2	616.57
Doubtful 3	34.65
Loss	207.19
(g) Net NPAs	
Amount of Net NPA	1,642.10
(h) NPA Ratios	
Gross NPAs to Gross Advances ratio (%)	4.91
Net NPAs to Net Advances ratio (%)	3.18

(i) **Movement of NPAs (Gross)** (₹ in Crores)

Particulars	Amount
1. Opening Balance as on April 1st, 2020	2,799.93
2. Additions	1,346.37
3. Reductions	1,557.90
4. Closing Balance as on 31st March 2021	2,588.41

(j) **Movement of Provisions for NPAs** (₹ in Crores)

Particulars	Amount
1. Opening Balance	1,017.31
2. Provision made during the period	1,038.05
3. Write off	1,153.41
4. Write back of excess provisions during the period	
5. Closing balance	901.95

(₹ in Crores)

Particulars	Amount
Write offs booked directly to income statement	0.00
Recoveries booked directly to income statement	171.56

Non Performing Investments and movement of provision for depreciation on Investments (₹ in Crores)

	31st March 2021
(k) Amount of Non performing Investments	75.15
(l) Amount of Provision held for Non performing Investments	75.15
(m) Movement of provisions for depreciation on Investments	
- Opening balance	180.32
- Add: Provisions made during period	96.84
- Less: Write off/write back of excess provisions	0.32
- Closing balance	276.84

(n) **Major Industry break up of NPA** (₹.in Crores)

Industry	Gross NPA	Specific Provision
Textiles	147.85	103.27
Engineering Goods	55.92	33.81
Metal and Metal Products	22.76	14.26
Cement and Cement Products	17.76	7.66
Gems and Jewellery	11.17	2.65
Total	255.46	161.65

Balance Sheet as on 31st March 2021

(₹ in' 000s)

	Schedule No.	As on 31.03.2021	As on 31.03.2020
CAPITAL AND LIABILITIES			
Capital	1	310,87,95	310,87,95
Reserves and Surplus	2	6331,47,55	5659,56,41
Deposits	3	75654,86,16	71785,15,40
Borrowings	4	1764,88,00	4065,11,80
Other Liabilities and Provisions	5	1519,24,26	1492,77,20
TOTAL		85581,33,92	83313,48,76
ASSETS			
Cash and balances with Reserve Bank of India	6	4866,14,91	2756,05,04
Balances with Banks and Money at Call and Short Notice	7	449,41,71	163,44,02
Investments	8	21635,18,54	17545,34,22
Advances	9	51693,69,73	56964,27,18
Fixed Assets	10	837,84,67	826,41,89
Other Assets	11	6099,04,36	5057,96,41
TOTAL		85581,33,92	83313,48,76
Contingent Liabilities	12	8387,48,61	7723,75,78
Bills for Collection		2378,63,20	2315,38,01
Significant Accounting Policies	17		
Notes on Account	18		

The Schedules referred to above form an intergal part of the Balance Sheet

Sd/-
Prasanna Patil
Company Secretary

Sd/-
Muralidhar K Rao
General Manager & CFO

Sd/-
Gokuldas Pai
Chief Business Officer

Sd/-
Y V Balachandra
Chief Operating Officer

Sd/-
Mahabaleshwara M S
Managing Director & CEO

Sd/-
P Jayarama Bhat
Chairman

Sd/-
Rammohan Rao Belle
Director

Sd/-
B R Ashok
Director

Sd/-
Pradeep Kumar Panja
Director

Refer our report of even date

For Manohar Chowdhry & Associates
Chartered Accountants
Firm Regn. No. 001997S

For Badari Madhusudhan & Srinivasan
Chartered Accountants
Firm Regn. No. 005389S

Sd/-
(Murali Mohan Bhat)
Partner
M. No. 203592

Sd/-
(S. Rajendiran)
Partner
M. No.021883

Place : Mangaluru
Date : 26th May 2021

Profit and Loss Account

For the Year Ended 31st March 2021

(₹ in ' 000s)

	Schedule No.	Year ended 31.03.2021	Year ended 31.03.2020
I. INCOME			
Interest Earned	13	6232,41,47	6474,76,99
Other Income	14	1495,06,50	1261,62,54*
Total		7727,47,97	7736,39,53
II. EXPENDITURE			
Interest Expended	15	4049,22,68	4444,41,24
Operating Expenses	16	1679,10,91	1635,21,76*
Provisions and Contingencies		1516,57,44	1224,98,88
Total		7244,91,03	7304,61,88
III. PROFIT			
Net Profit for the Year		482,56,94	431,77,65
Profit brought forward		101,68,14	119,64,95
Total		584,25,08	551,42,60
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		125,00,00	110,00,00
Transfer to Capital Reserve		199,68,68	183,08,22
Transfer to Revenue Reserve		100,00,00	30,00,00
Transfer to Special Reserve u/s 36 (1) (viii) of the Income Tax Act, 1961		47,20,66	6,73,79
Transfer from Investment Reserve Account		0	0
Transfer to Investment Fluctuation Reserve		26,88,41	77,81
Transfer to Other Funds		0	0
Dividend Paid		0	98,82,75
Tax on Dividend Paid		0	20,31,89
Balance carried to Balance Sheet		85,47,33	101,68,14
Total		584,25,08	551,42,60
Earning per share			
Basic	₹	15.52	13.89
Diluted	₹	15.48	13.89
Significant Accounting Policies	17		
Notes on Account	18		

The Schedules referred to above form an intergal part of the Profit And Loss Account

* Previous year figures recomputed to exclude GST wherever applicable

Sd/- Prasanna Patil Company Secretary	Sd/- Muralidhar K Rao General Manager & CFO	Sd/- Gokuldas Pai Chief Business Officer	Sd/- Y V Balachandra Chief Operating Officer
Sd/- Mahabaleshwara M S Managing Director & CEO	Sd/- P Jayarama Bhat Chairman	Sd/- Rammohan Rao Belle Director	Sd/- Pradeep Kumar Panja Director

Refer our report of even date

For Manohar Chowdhry & Associates

Chartered Accountants
Firm Regn. No. 0019975

For Badari Madhusudhan & Srinivasan

Chartered Accountants
Firm Regn. No. 0053895

Sd/-
(Murali Mohan Bhat)
Partner
M. No. 203592

Sd/-
(S. Rajendiran)
Partner
M. No.021883

Place : Mangaluru
Date : 26th May 2021

(₹ in crore)

Total						
	Total	Std.	SS	DS	LS	Total
3	521	471	27	21	3	522
1	534.64	413.75	64.47	26.86	31.41	536.49
4	5282	43.19	10.91	7.47	31.34	92.91
0	1304	1235	62	7	-	1304
0	1314	1261.65	49.69	3.26	-	1314.60
0	15138	140.73	8.44	2.24	-	151.41
0	0	1	-1	0	0	0
0	0.01	0.19	-0.18	0	0	0.01
0	-0.02	0.02	-0.04	0	0	-0.02
	0	0				0
	0	0				0
	0	0				0
4	11	-82	1	88	4	11
9	-0.35	-118.05	-45.19	154.70	8.19	-0.35
9	73.60	-7.21	-6.86	79.48	8.19	73.60
1	-115	-83	-17	-14	-1	-115
7	-112.33	-67.77	-7.16	-6.13	-31.27	-112.33
7	-3.80	-4.77	-1.25	-1.51	-31.27	-38.80
6	1721	1542	72	102	6	1722
3	1755.97	1489.77	61.63	178.69	8.33	1738.42
6	273.98	171.96	11.20	87.68	8.26	279.10

recovery.