INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF THE KARNATAKA BANK LIMITED

We have reviewed the accompanying statement of unaudited financial results of The Karnataka Bank Limited for the Period ended 30.06..2013, except for disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. The preparation and fair presentation of this statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In the conduct of our Review we have relied on the reports received from concurrent auditors of 92 branches. These reports cover 60.88 percent of the advances portfolio of the Bank. Apart from these reports, in the conduct of our review, we have also relied upon various returns received from the branches of the bank.

R.K. KUMAR & Co CHENNAI Chartered Accountants

KAMATH & RAU KARANGALPADY MANGALORE-3 PH: 2443115 2443150 CHARTERED ACCOUNTANTS

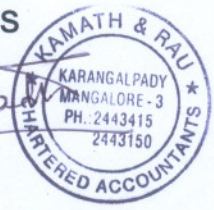
Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying interim statement of unaudited financial results prepared in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

For R. K. Kumar & Co.
Chartered Accountants
Firm Regn.No.001595S



(G. Naganathan)
Partner
Membership No. 022456

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S



(Srinivas S. Kamath)
Partner
Membership No. 201716

Date: 31st July, 2013
Place: Mangalore

KARNATAKA BANK LIMITED

Regd. Office: Mangalore – 575002

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30.06.2013

(Rs. in Lakhs)

		Quarter ended 30.06.2013 (Reviewed)	Quarter ended 31.3.2013 (Audited)	Quarter ended 30.06.2012 (Reviewed)	Year ended 31.03.2013 (Audited)
1	Interest Earned (a+b+c+d)	**99785**	96114	89333	**376429**
a)	Interest/Discount on advances/ bills	**75814**	72684	67146	**281772**
b)	Income on Investments	**23836**	23823	21251	**93843**
c)	Interest on balances with Reserve Bank of India and other inter bank funds	**128**	113	21	**367**
d)	Others	**7**	-506	915	**447**
2	Other Income	**20595**	12918	9533	**39764**
3	TOTAL INCOME (1+2)	**120380**	109032	98866	**416193**
4	Interest expended	**74775**	73974	67144	**286056**
5	Operating expenses (i+ii)	**19854**	19699	14829	**66604**
i)	Employees Cost	**11513**	11251	8538	**37508**
ii)	Other operating Expenses	**8341**	8448	6291	**29096**
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	**94629**	93673	81973	**352660**
7	Operating Profit before provisions & contingencies (3-6)	**25751**	15359	16893	**63533**
8	Provisions (other than tax) and Contingencies	**7289**	5429	5706	**17115**
9	Exceptional Items	**0**	0	0	**0**
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	**18462**	9930	11187	**46418**
11	Tax Expense	**9045**	3191	2844	**11610**
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	**9417**	6739	8343	**34808**
13	Extraordinary Items (net of tax expense)	**0**	0	0	**0**
14	Net Profit (+)/Loss (-) for the period (12-13)	**9417**	6739	8343	**34808**
15	Paid up equity share capital Face Value Rs 10/-)	**18836**	18835	18830	**18835**
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)	266873	266873	240992	**266873**
17	Analytical Ratios				
i)	Percentage of shares held by Government of India	**Nil**	Nil	Nil	**Nil**
ii)	Capital Adequacy Ratio (%)				

	Basel II	**14.08**	13.22	12.50	**13.22**
	Basel III	**13.86**	NA	NA	**NA**
iii)	Earning per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized				
	- Basic EPS	**5.00***	3.58*	4.43*	**18.48**
	- Diluted EPS	**4.99***	3.57*	4.43*	**18.46**
	Earnings per share (EPS) (Rs) after Extraordinary items (net of Tax expense) *Not Annualized				
	- Basic EPS	**5.00***	3.58*	4.43*	**18.48**
	- Diluted EPS	**4.99***	3.57*	4.43*	**18.46**
iv)	NPA Ratios as on date				
	Gross NPA	**82299**	63886	72729	**63886**
	Net NPA	**49189**	37775	42976	**37775**
	% of Gross NPA	**3.22**	2.51	3.31	**2.51**
	% of Net NPA	**1.96**	1.51	1.99	**1.51**
	Return on Assets	**0.90**	0.89	0.90	**0.89**
18	Public Shareholding				
	No of shares	**188348904**	188343110	188294456	**188343110**
	Percentage of share holding	**100%**	100%	100%	**100%**
19	Promoters and Promoter group shareholding				
	a) Pledged /encumbered				
	-Number of shares	NA	NA	NA	**NA**
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	NA	NA	NA	**NA**
	-Percentage of shares (as a % of the total share capital of the company.	NA	NA	NA	**NA**
	b) Non-encumbered				
	-Number of shares	NA	NA	NA	**NA**
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	NA	NA	NA	**NA**
	-Percentage of shares (as a % of the total share capital of the company.	NA	NA	NA	**NA**

R.K. KUMAR & CO. CHENNAI Chartered Accountants

KARNATAKA BANK LTD. MANGALORE

KAMATH & RAU KARANGALPADY MANGALORE-3 PH: 2443415 2443150 CHARTERED ACCOUNTANTS

SEGMENT RESULTS FOR THE QUARTER ENDED 30.06.2013

	Particulars	Quarter ended 30.06.2013 (Reviewed)	Quarter ended 31.03.2013 (Audited)	Quarter end 30.06.2012 (Reviewed)	Year ended 31.03.2013 (Audited)
		(Rs. in Lakhs)			
1	**Segment Revenue**				
	(a) Treasury Operations	33248	26592	24693	104395
	(b) Corporate Banking	38380	37493	32790	134912
	(c) Retail Banking	45424	43190	38792	169545
	(d) Other Banking Operations	3328	1757	2591	7341
	Total	**120380**	**109032**	**98866**	**416193**
2	**Segment Results (after Provisions before Tax)**				
	(a) Treasury Operations	7671	-825	256	-2595
	(b) Corporate Banking	1471	3375	546	7285
	(c) Retail Banking	7252	7157	9478	39486
	(d) Other Banking Operations	2687	907	1466	4645
	Total	**19081**	**10614**	**11746**	**48821**
	Less: Unallocable Expenditure	619	684	559	2403
	Profit before Tax	**18462**	9930	**11187**	**46418**
3	**Capital employed**				
	(a) Treasury Operations	125587	116054	117220	116054
	(b) Corporate Banking	85130	87647	77012	87647
	(c) Retail Banking	83116	80750	72707	80750
	(d) Other Banking Operations	21	23	42	23
	(e) Unallocated	1274	1234	1188	1234
	Total	**295128**	**285708**	**268169**	**285708**

PART B: GEOGRAPHIC SEGMENTS: There is only one Segment i.e. Domestic Segment

Notes forming part of the un-audited financial results for the quarter ended 30.06.2013

1. The above interim financial results have been reviewed by the Audit Committee of the Board and approved by the Board of Directors in their meetings held on 31.07.2013. The same has been subjected to limited review by the Statutory Central Auditors of the Bank;

2. For the preparation of these financial results, the Bank has followed the same accounting policies and generally accepted practices adopted for the preparation of audited financial statements for the year ended 31st March, 2013.

3. The above interim financial results have been arrived at after considering the provision for loan losses and depreciation on investment as per RBI guidelines. Provision for employees' retirement benefits like pension and gratuity, provision for arrears of salary pending negotiation and wage settlement, provision for income tax and other contingencies for the current period have been made on an estimated and proportionate basis, which are subject to year-end adjustments, if any.

4. As permitted by the Reserve Bank of India vide their letter DBOD. No. BP. BC. 15896/21.04.018/2010-11 dated 8th April, 2011 the Bank has during the quarter ended June 2013 debited its Profit & Loss Account a sum of Rs. 785 lakhs towards proportionate share of the unamortized liability of Pension and Gratuity as of 31st March 2011 and the balance of the unamortized portion will be dealt with as per the guidelines of the Reserve Bank of India.

5. In terms of RBI circular DBOD. No. BP.BC.88/21.06.201/2012-13 dated 28-03-2013, banks have been advised to disclose Capital adequacy ratio computed under Basel III regulations for the quarter ended 30th June 2013. Accordingly, corresponding details for the previous year/period are not furnished.

6. The figures for the quarter ended 31st March 2013 are the balancing figures between the audited figures in respect of the full financial year ended 31st March 2013 and the published year-to-date figure up to the end of the third quarter of the financial year ended 31st March 2013

7. The business of the Bank has been classified into 4 segments i.e., (a) Treasury Operations; (b) Corporate & Wholesale Banking; (c) Retail banking and (d) Other Banking Operations. 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. The segment results are annexed.

8. Disclosure about investor complaints: Complaints at the beginning of the period –NIL; Received during the period 6; Disposed off during the period 6 Unresolved as on 30.06.2013 –NIL-.

9. Corresponding previous period figures have been regrouped/ rearranged wherever necessary to make them comparable with current period figures.

By order of the Board

P Jayarama Bhat
Managing Director & C.E.O

For R K Kumar & Co.,
Chartered Accountants
Firm Regn. No. 001595S

(G. Naganathan)
Membership No. 022156

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

(Srinivas S Kamath)
Membership No. 201716

Place: Mangalore
Date: 31.07.2013