F. No. 1303 (H.O.)

Karnataka Bank Ltd.

Estd : 1924 CIN : L85110KA1924PLC001128

Regd. & Heac Office
P.B. No. 599, Mahaveera Circle
Kankanady, Mangalore – 575 002

Phone : 0824 - 2228222 Fax : 0824-2225588
Website : www.karnatakabank.com
email : info@ktkbank.com

30.07.2014 SECRETARIAL DEPARTMENT

HO/SEC/287/2014-15

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

Dear Sir,

Reg: The unaudited financial results for the quarter ended 30.06.2014.

Please find enclosed copy of the unaudited financial results for the quarter ended 30.06.2014 taken on record by the Board of Directors at the meeting held on 30.07.2014. A copy of the limited review report of the Statutory Auditors is enclosed.

Thank You,

Yours faithfully,

COMPANY SECRETARY

KARNATAKA BANK LIMITED

Regd. Office: Mangalore – 575002

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30.06.2014

(Rs. in Lakhs)

		Quarter ended 30.06.2014 (Reviewed)	Quarter ended 31.3.2014 (Audited)	Quarter ended 30.06.2013 (Reviewed)	Year ended 31.03.2014 (Audited)
1	Interest Earned (a+b+c+d)	112454	105860	99785	418883
a)	Interest/Discount on advances/ bills	84111	79300	75814	316155
b)	Income on Investments	28168	26388	23836	102192
c)	Interest on balances with Reserve Bank of India and other inter bank funds	44	39	128	273
d)	Others	131	133	7	263
2	Other Income	12970	11398	20595	50558
3	TOTAL INCOME (1+2)	125424	117258	120380	469441
4	Interest expended	84633	80867	74775	313276
5	Operating expenses (i+ii)	21987	27476	19854	87460
i)	Employees Cost	12381	17983	11513	52540
ii)	Other operating Expenses	9606	9493	8341	34920
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	106620	108343	94629	400736
7	Operating Profit before provisions & contingencies (3-6)	18804	8915	25751	68705
8	Provisions (other than tax) and Contingencies	5594	3839	7289	27840
9	Exceptional Items *	-3307	0	0	0
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	16517	5076	18462	40865
11	Tax Expense	4354	(3045)	9045	9762
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	12163	8121	9417	31103
13	Extraordinary Items (net of tax expense)	0	0	0	0
14	Net Profit (+)/Loss (-) for the period (12-13)	12163	8121	9417	31103
15	Paid up equity share capital Face Value Rs 10/-)	18843	18842	18836	18842
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)	286378	286378	266873	286378
17	Analytical Ratios				

* Refer item 2 (b) of notes

KARNATAKA BANK LTD. MANGALORE
R.K. KUMAR & CO. CHENNAI Chartered Accountants
KAMATH & RAU CHARTERED ACCOUNTANTS

		Quarter ended 30.06.2014	Quarter ended 31.3.2014	Quarter ended 30.06.2013	Year ended 31.03.2014
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio (%)				
	Basel II	13.05	13.30	14.08	13.30
	Basel III	12.97	13.20	13.86	13.20
iii)	Earning per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized				
	- Basic EPS	6.46*	4.31*	5.00*	16.51
	- Diluted EPS	6.45*	4.31*	4.99*	16.50
	Earnings per share (EPS) (Rs) after extraordinary items (net of Tax expense) *Not Annualized				
	- Basic EPS	6.46*	4.31*	5.00*	16.51
	- Diluted EPS	6.45*	4.31*	4.99*	16.50
iv)	NPA Ratios as on date				
	Gross NPA	99928	83593	82299	83593
	Net NPA	68117	53804	49189	53804
	% of Gross NPA	3.43	2.92	3.22	2.92
	% of Net NPA	2.37	1.91	1.96	1.91
	Return on Assets	1.02	0.71	0.90	0.71
18	Public Shareholding				
	No of shares	188418789	188412372	188348904	188412372
	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

KARNATAKA BANK LTD. * MANGALORE *

R.K. KUMAR & CO. CHENNAI Chartered Accountants

K. SUBRAMANIAM & RAU Chartered Accountants

SEGMENT RESULTS FOR THE QUARTER ENDED 30.06.2014

	Particulars	Quarter ended 30.06.2014 (Reviewed)	Quarter ended 31.03.2014 (Audited)	Quarter end 30.06.2013 (Reviewed)	Year ended 31.03.2014 (Audited)
		(Rs. in Lakhs)			
1	**Segment Revenue**				
	(a) Treasury Operations	32221	28904	33248	117821
	(b) Corporate Banking	43052	33778	38380	149254
	(c) Retail Banking	46151	52255	45424	192909
	(d) Other Banking Operations	4000	2321	3328	9457
	Total	**125424**	**117258**	**120380**	**469441**
2	**Segment Results (after Provisions before Tax)**				
	(a) Treasury Operations	4389	-250	7671	-438
	(b) Corporate Banking	3566	-2077	1471	5073
	(c) Retail Banking	3224	6432	7252	31480
	(d) Other Banking Operations	3008	1580	2687	7303
	Total	**14187**	**5685**	**19081**	**43418**
	Less: Un-allocable Expenditure	977	609	619	2553
	Profit before Tax and exceptional item	**13210**	**5076**	**18462**	**40865**
3	**Capital employed**				
	(a) Treasury Operations	136655	126386	125587	126386
	(b) Corporate Banking	88443	87597	85130	87597
	(c) Retail Banking	90472	89793	83116	89793
	(d) Other Banking Operations	13	36	21	36
	(e) Unallocated	1803	1408	1274	1408
	Total	**317386**	**305220**	**295128**	**305220**

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

Notes forming part of the un-audited financial results for the half year ended June 30, 2014

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 July 30, 2014. The same has been subjected to limited review by the Statutory Central Auditors of the Bank;

2a. 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 March 31, 2014, except for accounting of depreciation on fixed assets.

2b. In the current year effective from April 1, 2014 the bank has changed the accounting policy of charging depreciation having regard to change in the estimated useful life of the assets, from Written down Value (WDV) method to Straight Line Method (SLM) in respect of all fixed assets other than computers, since computers were already being depreciated under SLM. The management believes that the aforestated changes better reflect the actual use of assets acquired and is in conformity with the Companies Act, 2013. On account of this change in accounting policy, the bank has in the current quarter, reversed an amount of Rs.5010.07 lakhs representing the excess depreciation charge for the period up to March 31, 2014 and disclosed the same net of related tax effect of Rs. 3307.15 lakhs, as an exceptional item. As a result of this change, the net profit for the current quarter is higher by Rs. 3307.15 lakhs and the basic and diluted earnings per share is higher by Rs. 1.76 per share.

2c In accordance with the requirements of schedule II of the Companies Act, 2013 the bank has also reassessed the useful lives of the fixed assets and an amount of Rs. 976.21 lakhs has been charged to the financial results of the current quarter representing the deprecation on the carrying value of the assets as on April 1, 2014 on the remaining useful lives.

3. As per the RBI circular No. RBI/2012-13/514 DBOD.BP.BC.No.99/ 21.04.132/2012-13 dated May 30, 2013, during the financial year 2014-15 the banks are required to increase the provisions from the existing 3.50% to 4.25% in respect of restructured standard accounts as on June 30, 2013, spread over the 4 quarters of the year. However, as a measure of prudence the bank has opted to make full incremental provision of Rs. 831.93 lakhs in the current quarter itself.

4. As per the RBI circular No. RBI/2013-14/448 DBOD.BP.BC.No.85/ 21.06.200/2013-14 dated January 15, 2014, during the financial year 2014-15 the banks are required to provide the prescribed incremental provisioning and capital requirements for bank exposure to entities with un-hedged foreign currency exposures spread over the 4 quarters of the year. However, as a measure of prudence the bank has opted to make full provision of Rs. 2224.97 lakhs in the current quarter itself.

5. 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.

6. 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 three months ended June 30, 2014 debited its financial results with a sum of Rs. 785.25 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.

7. In accordance with the RBI circular DBOD.NO.BP.BC 2/21/06.201/2013-14 dated July 01, 2013 Banks are required to make half yearly Pillar III disclosure under Basel III capital requirements with effect from Sept 30, 2013. The bank has made these disclosures available on its web site at the following link. These disclosures have not been subjected to a limited review by the auditors. (Link: http://ktkbank.com/ktk/BaselDisclosures.jsp#)

8. 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.

9. During the quarter ended June 30, 2014 the bank had allotted 4,297 equity shares pursuant to the exercise of stock options by certain employees

10. Disclosure about investor complaints: Complaints at the beginning of the period Nil, Received during the period 10; Disposed off during the period 10 Unresolved as on June 30, 2014 Nil.

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

12. The figures of the last quarter of financial year 2013-14 are the balancing figures between audited figures in respect of the full financial year up to March 31, 2014 and the unaudited published year-to-date figures up to December 31, 2013 which were subject to limited review.

P Jayarama Bhat
Managing Director & C.E.O

For R K Kumar & Co.,
Chartered Accountants
Firm Regn. No. 001566S

(G. Naganathan)
Membership No. 022456

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

(Srinivas S Kamath)
Membership No. 201716

Place: Mangalore
Date: 30.07.2014

R K Kumar & Co.,
Chartered Accountants
Congress Buildings 2nd Floor
573, Anna Salai, Chennai 600 006

Kamath & Rau
Chartered Accountants
Karangalpady
Mangalore 575003

INDEPENDENT AUDITOR'S REVIEW 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 quarter ended June 30, 2014, 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 review reports received in respect of 104 branches. These reports cover 65.90% 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 Firm Regn. No. 004829S MANGALORE-3 Ph.: 2443315 2443150 CHARTERED ACCOUNTANTS

R K Kumar & Co.,
Chartered Accountants
Congress Buildings 2nd Floor
573, Anna Salai, Chennai 600 006

Kamath & Rau
Chartered Accountants
Karangalpady
Mangalore 575003

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 notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended) 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.

Without qualifying our opinion, we draw attention to Note No. 6 of the financial statements, regarding deferment of pension and gratuity liability of the bank to the extent of Rs. 23.56 crore to be amortized in the subsequent periods pursuant to the exemption granted by the Reserve Bank of India from the application of the provisions of Accounting Standard (AS) 15, Employee Benefits vide circular No. DBOD. BP. BC /80/21.04.018/2010-11 dated Feb.9th 2011;

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: July 30, 2014
Place: Mangalore