Vishnu Daya & CO.,
Chartered Accountants
337, Karuna Complex, GF 7 & 3rd Floor
Sampige Road, Malleshwaram
Bangalore 560 003

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

Limited Review Report

The Board of Directors
The Karnataka Bank Ltd
Mangalore

We have reviewed the accompanying statement of unaudited financial results of **The Karnataka Bank Limited** ("the Bank") for the quarter/half year ended 30.09.2012 ("the statement), except for the 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 of the statements 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. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to enquiries of bank's personnel and analytical procedures applied to financial data and thus provides less assurance than the audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Vishnu Daya & Co. Bangalore Chennai Chartered Accountants

R.K. KUMAR & CO. CHENNAI Chartered Accountants

Vishnu Daya & CO.,
Chartered Accountants
337, Karuna Complex, GF 7 & 3rd Floor
Sampige Road, Malleshwaram
Bangalore 560 003

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

In the conduct of our review, we have relied on the reports received from concurrent auditors of 95 branches. These reports cover 61.06 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.

Based on our review conducted as stated above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable Accounting Standards 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 with the stock exchanges 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 Vishnu Daya & Co.,
Chartered Accountants
Firm Regn. No. 008456S

Vishnu Daya & Co., Bangalore Chennai Chartered Accountants

(Guruprasad)
Partner
Membership No.219250

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

R.K. KUMAR & CO. CHENNAI Chartered Accountants

(B. R. Ashok)
Partner
Membership No. 023313

Date: 17th October, 2012
Place:Mangalore

KARNATAKA BANK LIMITED

Regd. Office: Mangalore – 575002

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/HALF YEAR ENDED 30.09.2012

(Rs. in Lakhs)

		UNAUDITED					AUDITED
		Quarter ended			Half year ended		Year ended
		30.09.2012	30.06.2012	30.09.2011	30.09.2012	30.09.2011	31.03.2012
1	Interest Earned (a+b+c+d)	**94548**	89333	76000	**183881**	144490	**310099**
a)	Interest/Discount on advances/ bills	**70426**	67146	57751	**137572**	109256	**236191**
b)	Income on Investments	**23992**	21251	17832	**45243**	34792	**73633**
c)	Interest on balances with Reserve Bank of India and other inter bank funds	**120**	21	38	**141**	48	**99**
d)	Others	**10**	915	379	**925**	394	**176**
2	Other Income	**8689**	9533	8033	**18222**	16432	**34628**
3	TOTAL INCOME (1+2)	**103237**	98866	84033	**202103**	160922	**344727**
4	Interest expended	**71284**	67144	57852	**138428**	111163	**236887**
5	Operating expenses (i+ii)	**16076**	14829	14510	**30905**	27380	**56819**
i)	Employees Cost	**8306**	8538	7787	**16844**	15566	**32495**
ii)	Other operating Expenses	**7770**	6291	6723	**14061**	11814	**24324**
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	**87360**	81973	72362	**169333**	138543	**293706**
7	Operating Profit before provisions & contingencies (3-6)	**15877**	16893	11671	**32770**	22379	**51021**
8	Provisions (other than tax) and Contingencies	**2275**	5706	4793	**7981**	10751	**22162**
9	Exceptional Items	**0**	0	0	**0**	0	**0**
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	**13602**	11187	6878	**24789**	11628	**28859**
11	Tax Expense	**1883**	2844	2770	**4727**	2542	**4252**
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	**11719**	8343	4108	**20062**	9086	**24607**
13	Extraordinary Items (net of tax expense)	**0**	0	0	**0**	0	**0**
14	Net Profit (+)/Loss (-) for the period (12-13)	**11719**	8343	4108	**20062**	9086	**24607**

Bangalore Chennai Chartered Accountants
KARNATAKA BANK LTD. TREASURY & ACCOUNTS DEPT. H.O. MANGALORE
R.K. KUMAR & CO. CHENNAI Chartered Accountants

		UNAUDITED					AUDITED
		Quarter ended			Half year ended		Year ended
		30.09.2012	30.06.2012	30.09.2011	30.09.2012	30.09.2011	31.03.2012
15	Paid up equity share capital (Face Value Rs 10/-)	18832	18830	18822	18832	18822	18829
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)	---	---	----	----	----	240992
17	Analytical Ratios						
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio (%)						
	Basel I	11.16	11.54	12.01	11.16	12.01	11.95
	Basel II	12.17	12.50	12.85	12.17	12.85	12.84
iii)	Earning per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized						
	- Basic EPS	6.22*	4.43*	2.18*	10.65*	4.83*	13.07
	- Diluted EPS	6.22*	4.43*	2.18*	10.64*	4.82*	13.06
	Earnings per share (EPS) (Rs) after Extraordinary items (net of Tax expense) *Not Annualized						
	- Basic EPS	6.22*	4.43*	2.18*	10.65*	4.83*	13.07
	- Diluted EPS	6.22*	4.43*	2.18*	10.64*	4.82*	13.06
iv)	NPA Ratios as on date						
	Gross NPA	72942	72729	77714	72942	77714	68472

Chamma Raya & Co. Bangalore Chennai Chartered Accountants
KARNATAKA BANK LTD. TREASURY & ACCOUNTS DEPT. MANGALORE
R.K. KUMAR & CO. CHENNAI Chartered Accountants

		UNAUDITED					AUDITED
		Quarter ended			Half year ended		Year ended
		30.09.2012	30.06.2012	30.09.2011	30.09.2012	30.09.2011	31.03.2012
	Net NPA	**46431**	42976	42170	**46431**	42170	**43520**
	% of Gross NPA	**3.22**	3.31	4.01	**3.22**	4.01	**3.27**
	% of Net NPA	**2.08**	1.99	2.22	**2.08**	2.22	**2.11**
	Return on Assets	**1.21**	0.90	0.50	**1.06**	0.56	**0.73**
18	Public Shareholding						
	No of shares	**188306672**	188294456	188217721	**188306672**	188217721	**188284090**
	Percentage of share holding	**100%**	100%	100%	**100%**	100%	**100%**
19	Promoters and Promoter group shareholding						
	a) Pledged /encumbered						
	-Number of shares	NA	NA	NA	NA	NA	**NA**
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	NA	NA	NA	NA	NA	**NA**
	-Percentage of shares (as a % of the total share capital of the company.	NA	NA	NA	NA	NA	**NA**
	b) Non-encumbered						
	-Number of shares	NA	NA	NA	NA	NA	**NA**
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	NA	NA	NA	NA	NA	**NA**
	-Percentage of shares (as a % of the total share capital of the company.	NA	NA	NA	NA	NA	**NA**

Vishnu Daya & Co. Bangalore Chennai Chartered Accountants
KARNATAKA BANK LTD. TREASURY & ACCOUNTS DEPT. H.O. MANGALORE
R.K. KUMAR & CO. CHENNAI Chartered Accountants

SUMMARY BALANCE SHEET AS ON 30th SEPTEMBER 2012

(Rs in lakhs)

	As on 30.09.2012	As on 30.09.2011
CAPITAL AND LIABILITIES		
Capital	18832	18823
Reserves and Surplus	261061	233207
Deposits	3396831	2884936
Borrowings	146807	112231
Other Liabilities and Provisions	89202	81429
TOTAL	**3912733**	**3330626**
ASSETS		
Cash and balances with Reserve Bank of India	172628	176697
Balances with Banks and Money at Call & Short Notice	18307	8583
Investments	1404167	1152791
Advances	2239526	1906700
Fixed Assets	15598	14554
Other Assets	62507	71301
TOTAL	**3912733**	**3330626**

Vishnu Daya & Co. Bangalore Chennai Chartered Accountants

R.K. KUMAR & CO. CHENNAI Chartered Accountants

KARNATAKA BANK LTD. TREASURY & ACCOUNTS DEPT. HO. MANGALORE

SEGMENT RESULTS FOR THE QUARTER /HALF YEAR ENDED 30.09.2012

	Segmentwise Results	3 Months ended			6 Months ended		Year ended
	Particulars	30.09.2012 Reviewed	30.06.2012 Reviewed	30.09.2011 Reviewed	30.09.2012 Reviewed	30.09.2011 Reviewed	Audited 31.03.2012
		(Rs. in lakhs)					
1	**Segment Revenue**						
	(a) Treasury Operations	26043	24693	20864	50736	40429	84400
	(b) Corporate Banking	32182	32790	28640	64971	56544	117613
	(c) Retail Banking	42236	38609	33077	80846	60376	135537
	(d) Other Banking Operations	2776	2774	1452	5550	3573	7177
	Total	**103237**	**98866**	**84033**	**202103**	**160922**	**344727**
2	**Segment Results (after Provisions before Tax)**						
	(a) Treasury Operations	-3325	-4380	-8166	-7705	-15953	-29795
	(b) Corporate Banking	2449	1075	1395	3524	3872	2719
	(c) Retail Banking	12671	13306	12801	25977	21684	52159
	(d) Other Banking Operations	2388	1745	1377	4133	3077	5967
	Total	**14183**	**11746**	**7407**	**25929**	**12680**	**31050**
	Less: Unallocable Expenditure	581	559	529	1140	1052	2191
	Profit before Tax	**13602**	**11187**	**6878**	**24789**	**11628**	**28859**
3	**Capital employed**						
	(a) Treasury Operations	124261	117220	108462	124261	108462	115407
	(b) Corporate Banking	77264	77012	80394	77264	80394	76404
	(c) Retail Banking	77138	72707	61987	77138	61987	66792
	(d) Other Banking Operations	37	41	41	37	41	50
	(e) Unallocated	1193	1188	1146	1193	1146	1168
	Total	**279893**	**268168**	**252030**	**279893**	**252030**	**259821**

Vishnu Daya & Co., Chartered Accountants, Bangalore, Chennai

KARNATAKA BANK LTD., TREASURY & ACCOUNTS DEPT., H.O., MANGALORE

R.K. KUMAR & CO., Chartered Accountants, CHENNAI

Notes forming part of the un-audited financial results for the quarter/half year ended 30.09.2012

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 17.10.2012. The same has been subjected to limited review by the Statutory Central Auditors of the Bank;

2. To the extent applicable to the interim financial reporting, the Bank has consistently followed the same accounting policies and generally accepted practices adopted for the preparation of audited financial statements for the year ended 31st March, 2012;

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, gratuity etc., 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 half year ended Sept 2012 debited its Profit & Loss Account a sum of Rs.1570.50 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. 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.

6. Disclosure about investor complaints: Complaints at the beginning of the period –NIL; Received during the period – 31; Disposed off during the period – 31; Unresolved as on 30.09.2012 - NIL

7. 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

Place: Mangalore
Date: 17.10.2012

KARNATAKA BANK LTD. TREASURY & ACCOUNTS DEPT.

Vishnu Daya & Co. Chartered Accountants Bangalore Chennai

R.K.KUMAR & CO. CHENNAI Chartered Accountants