



Karnataka Bank Ltd.

Your Family Bank, Across India.

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

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CIN : L85110KA1924PLC001128

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.2015 (Rs in Lakhs)

		Quarter ended 31.3.2015 (Audited)	Quarter ended 31.12.2014 (Reviewed)	Quarter ended 31.03.2014 (Audited)	Year ended 31.03.2015 (Audited)	Year ended 31.03.2014 (Audited)
1	Interest Earned (a+b+c+d)	119635	120186	105860	469842	418883
a)	Interest/Discount on advances/bills	90255	89346	79300	350556	316155
b)	Income on Investments	29708	30109	26388	118463	102192
c)	Interest on balances with Reserve Bank of India and other inter bank funds	46	28	39	198	273
d)	Others	(374)	703	133	625	263
2	Other Income	11169	16283	11398	50699	50558
3	TOTAL INCOME (1+2)	130804	136469	117258	520541	469441
4	Interest expended	90503	89981	80867	352957	313276
5	Operating expenses (i+ii)	21366	28162	27476	95257	87460
i)	Employees Cost	8256	18772	17983	52466	52540
ii)	Other operating expenses	13110	9390	9493	42791	34920
6	TOTAL EXPENDITURE ((4+5) (excluding provisions & Contingencies)	111869	118143	108343	448214	400736
7	Operating Profit before provisions & contingencies (3-6)	18935	18326	8915	72327	68705
8	Provisions (other than tax) and Contingencies	(449)	7889	3839	21398	27840
9	Exceptional Items	0	0	0	(3307)	0
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	19384	10437	5076	54236	40865
11	Tax Expense	5942	(257)	(3045)	9091	9762
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	13442	10694	8121	45145	31103



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		Quarter ended 31.3.2015 (Audited)	Quarter ended 31.12.2014 (Reviewed)	Quarter ended 31.03.2014 (Audited)	Year ended 31.03.2015 (Audited)	Year ended 31.03.2014 (Audited)
13	Extraordinary Items (net of tax expense)	0	0	0	0	0
14	Net Profit (+)/Loss (-) for the period (12-13)	13442	10694	8121	45145	31103
15	Paid up equity share capital (Face Value Rs 10/-)	18846	18846	18842	18846	18842
16	Reserves excluding revaluation reserves	320060	286378	286378	320060	286378
17	Analytical Ratios					
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio (%)					
	Basel II	12.67	11.99	13.30	12.67	13.30
	Basel III	12.41	11.79	13.20	12.41	13.20
iii)	Earning per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized					
	- Basic EPS	7.13*	5.67*	4.31*	23.96	16.51
	- Diluted EPS	7.13*	5.67*	4.31*	23.95	16.50
	Earnings per share (EPS) (Rs) after extraordinary items (net of Tax expense) *Not Annualized					
	- Basic EPS	7.13*	5.67*	4.31*	23.96	16.51
	- Diluted EPS	7.13*	5.67*	4.31*	23.95	16.50
iv)	NPA Ratios					
	(a) (i) Gross NPA	94421	105417	83593	94421	83593
	(a) (ii) Net NPA	62355	72709	53804	62355	53804
	(b) (i) % of Gross NPA	2.95	3.44	2.92	2.95	2.92
	(b) (ii)% of Net NPA	1.98	2.41	1.91	1.98	1.91
	(c) Return on Assets	1.05	0.85	0.71	0.91	0.71
18	Public Shareholding					
	No of shares	188446755	188444304	188412372	188446755	188412372
	Percentage of share holding	100%	100%	100%	100%	100%
19	Promoters and Promoter group shareholding					



		Quarter ended 31.3.2015 (Audited)	Quarter ended 31.12.2014 (Reviewed)	Quarter ended 31.03.2014 (Audited)	Year ended 31.03.2015 (Audited)	Year ended 31.03.2014 (Audited)
	a) Pledged /encumbered					
	-Number of shares	NA	NA	NA	NA	NA
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	NA	NA	NA	NA	NA
	-Percentage of shares (as a % of the total share capital of the company).	NA	NA	NA	NA	NA
	b) Non-encumbered					
	-Number of shares	NA	NA	NA	NA	NA
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	NA	NA	NA	NA	NA
	-Percentage of shares (as a % of the total share capital of the company).	NA	NA	NA	NA	NA

Notes forming part of audited financial results of the Bank for the year ended March 31, 2015

1. The above financial results for the year ended March 31, 2015 have been reviewed by the Audit Committee of the Board in their meeting held on May 21, 2015 and approved by the Board of Directors in their meetings held on May 22nd, 2015. The same has been subjected to audit by the Statutory Central Auditors of the Bank in line with the guidelines issued by Reserve Bank of India and as per listing agreement with the stock exchanges.
- 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 previous years, except for accounting of depreciation on fixed assets.
- 2b. from the quarter ended June 30, 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 afore stated 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 quarter ended June 30, 2014, 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 year ended March 31, 2015 was higher by Rs. 3307.15 lakhs.

- 2c In accordance with the requirements of schedule II of the Companies Act, 2013 the Bank has charged an amount of Rs. 3592.98 lakhs to Profit and Loss Account for the year ended March 31, 2015 representing the depreciation on the carrying value of the assets as on April 1, 2014 on the remaining useful life.
3. The above financial results have been arrived at after considering the provision for loan losses, provision for un-hedged foreign currency exposure and depreciation on investment consistent with the banks policy read with RBI guidelines. Provision for employees' retirement benefits like pension and gratuity, provision for arrears of salary pending negotiation and wage settlement and other contingencies for the current period have been estimated and provided for. Provision for income tax has been made on actual basis.
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 year ended March 31, 2015 debited its financial results with a sum of Rs. 3141.00 lakhs towards proportionate share of the unamortized liability of Pension and Gratuity as of 31st March 2011 and the balance un-amortized amount in pension and Gratuity as on March 31, 2015 is Rs. NIL.



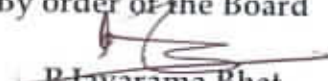
5. Pending finalization of wage revision effective November 1, 2012, the bank has made a provision of Rs. 25.85 crores during the current year on an estimated basis. The cumulative provision held there on as on 31.03.2015 aggregates to Rs.81.78 crores.
6. In accordance with the RBI circular DBOD.NO.BP.BC 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 Audit by the Statutory Central Auditors. (Link: [http://ktkbank.com/ktk/Basel Disclosures.jsp#](http://ktkbank.com/ktk/Basel%20Disclosures.jsp#))
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. The Board of Directors recommends a dividend of Rs. 5/- per equity share of Rs. 10/- each for the year 2014-15.
9. Provision Coverage Ratio is 50.54% as on March 31, 2015.
10. During the year ended March 31, 2015 the bank had allotted 32263 equity shares pursuant to the exercise of stock options by employees
11. Disclosure about investor complaints: Complaints at the beginning of the period Nil; Received during the period 51, Redressed during the period 51; Unresolved as on March 31, 2015, Nil.



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12. 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: 22.05.2015



SUMMARY BALANCE SHEET AS ON 31ST MARCH 2015

(Rs in lakhs)

	As on 31.03.2015	As on 31.03.2014
CAPITAL AND LIABILITIES		
Capital	18846	18842
Reserves and Surplus	320060	286378
Deposits	4600860	4058283
Borrowings	103776	191519
Other Liabilities and Provisions	140118	147858
TOTAL	5183660	4702880
ASSETS		
Cash and balances with Reserve Bank of India	248845	215273
Balances with Banks and Money at Call & Short Notice	12571	18467
Investments	1598806	1522678
Advances	3167999	2834549
Fixed Assets	29185	19748
Other Assets	126254	92165
TOTAL	5183660	4702880



SEGMENT RESULTS FOR THE YEAR ENDED 31.03.2015

Business Segments

(Rs. in lakhs)

	Segment wise Results	3 Months ended			Year ended	
	Particulars	31.03.2015 Audited	31.12.2014 Reviewed	31.03.2014 Audited	31.03.2015 Audited	31.03.2014 Audited
		(Rs. in lakhs)				
1	Segment Revenue					
	(a) Treasury Operations	30504	38702	28904	134119	117821
	(b) Corporate Banking	44157	42750	33778	172821	149254
	(c) Retail Banking	53775	52712	52255	202888	192909
	(d) Other Banking Operations	2368	2305	2321	10713	9457
	Total	130804	136469	117258	520541	469441
2	Segment Results (after Provisions before Tax)					
	(a) Treasury Operations	759	7803	(250)	12490	(438)
	(b) Corporate Banking	7536	(895)	(2077)	12533	5073
	(c) Retail Banking	9890	3016	6432	21543	31480
	(d) Other Banking Operations	2051	1350	1580	7957	7303
	Total	20236	11274	5685	54523	43418
	Less: Un-allocable Expenditure	854	837	609	3594	2553
	Profit before Tax	19382	10437	5076	50929	40865
3	Capital employed					
	(a) Treasury Operations	136479	143224	126386	136479	126386
	(b) Corporate Banking	94259	91497	87597	94259	87597
	(c) Retail Banking	106061	100288	89793	106061	89793
	(d) Other Banking Operations	7	12	36	7	36
	(e) Unallocated	2100	1916	1408	2100	1408
	Total	338906	336937	305220	338906	305220



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Chartered Accountants
#521, 3rd Main, 6th Block,
2nd Phase, B.S.K. 3rd Stage,
Bangalore – 560085

Independent Auditor's Report

To

The Shareholders
The Karnataka Bank Limited
Mangalore

Report on the Financial Statements

1. We have audited the accompanying financial statements of The Karnataka Bank Limited, which comprise the Balance Sheet as at 31st March, 2015 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 20 branches/offices audited by us and 679 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949 and Accounting Standards notified under the Companies Act, 1956 ("this Act") read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of



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Bangalore – 560085

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the accounting policies and notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2015;
 - (ii) in the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to:
- (a) *Note no. 2.1 of the financial statements, which describes the change in accounting policy of charging depreciation on fixed asset having regard to change in the estimated useful life of the assets from written down value*



method to straight line method as per the requirement of Schedule II of the Companies Act 2013; and

- (b) *Note no. 3.1 of the financial statements, regarding absorption of unamortized pension and gratuity liabilities of the bank to the extent of Rs.31.41 Crore 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.BO.BC/80/21.04.018/2010-11 dated February 9th, 2011.*

Report on Other Legal and Regulatory Matters

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013.
9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above, We report that:
- (a) we have 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.
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
11. We further report that:
- (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns;
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;



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- (iii) the reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- (iv) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of sub-section (2) of section 164 of the Companies Act, 2013.

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



Parineeth Rau
Partner
M No 222039

Mangalore
May 22nd, 2015

Abarna & Ananthan
Chartered Accountants
Firm Regn No. 000003S

C.S. Gopalakrishna
Partner
M No 014706

