

Karnataka Bank Ltd.

Your Family Bank. Across India.

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CIN : L65110KA1924PLC001126

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/HALF YEAR ENDED SEPT 30, 2014 (Rs. in Lakhs)

		Quarter ended			Half year ended		Year ended
		30.09.2014 Reviewed	30.06.2014 Reviewed	30.09.2013 Reviewed	30.09.2014 Reviewed	30.09.2013 Reviewed	31.03.2014 Audited
1	Interest Earned (a+b+c+d)	117567	112454	106469	230021	206254	418883
a)	Interest/Discount on advances/ bills	86844	84111	79851	170955	155665	316155
b)	Income on Investments	30478	28168	25759	58646	49595	102192
c)	Interest on balances with Reserve Bank of India and other inter bank funds	80	44	95	124	223	273
d)	Others	165	131	764	296	771	263
2	Other Income	10277	12970	8780	23247	29375	50558
3	TOTAL INCOME (1+2)	127844	125424	115249	253268	235629	469441
4	Interest expended	87840	84633	78015	172473	152790	313276
5	Operating expenses (i+ii)	23742	21987	20070	45729	39924	87460
i)	Employees Cost	13057	12381	11286	25438	22799	52540
ii)	Other operating Expenses	10685	9606	8784	20291	17125	34920
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	111582	108620	98085	218202	192714	400736
7	Operating Profit before provisions & contingencies (3-6)	16262	18804	17164	35066	42915	68705
8	Provisions (other than tax) and Contingencies	8364	5594	12671	13958	19960	27840
9	Exceptional Items	0	-3307	0	-3307	0	0
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	7898	16517	4493	24415	22955	40865
11	Tax Expense	-948	4354	1598	3406	10643	9762
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	8846	12163	2895	21009	12312	31103
13	Extraordinary Items (net of tax expense)	0	0	0	0	0	0
14	Net Profit (+)/Loss (-) for the period (12-13)	8846	12163	2895	21009	12312	31103



		Quarter ended			Half year ended		Year ended
		30.09.2014 Reviewed	30.06.2014 Reviewed	30.09.2013 Reviewed	30.09.2014 Reviewed	30.09.2013 Reviewed	31.03.2014 Audited
15	Paid up equity share capital (Face value Rs 10/-)	18845	18843	18842	18845	18842	18842
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)	286378	286378	266873	286378	266873	286378
17	Analytical Ratios						
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio (%)						
	Basel II	12.31	13.05	13.47	12.31	13.47	13.30
	Basel III	12.08	12.97	13.22	12.08	13.22	13.20
iii)	Earnings per share (EPS) (Rs) before extraordinary items(Net of Tax Expenses) * not Annualized						
	- Basic EPS	4.69*	6.46*	1.54 *	11.15*	6.54*	16.51
	- Diluted EPS	4.69*	6.45*	1.54 *	11.14*	6.53*	16.50
	Earning per share (EPS) (Rs) after extraordinary items(Net of Tax Expenses) * not Annualized.						
	- Basic EPS	4.69*	6.46*	1.54*	11.15*	6.54 *	16.51
	- Diluted EPS	4.69*	6.45*	1.54*	11.14*	6.53 *	16.50
iv)	NPA Ratios as on date						
	Gross NPA	106088	99928	96211	106088	96211	83593
	Net NPA	70224	68117	59309	70224	59309	53804
	% of Gross NPA	3.53	3.43	3.59	3.53	3.59	2.92
	% of Net NPA	2.37	2.37	2.25	2.37	2.25	1.91
	Return on Assets	0.72	1.02	0.27	0.87	0.58	0.71
18	Public Shareholding						
	No of shares	188438974	188418789	188407202	188438974	188407202	188412372
	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



	Quarter ended			Half year ended		Year ended
	30.09.2014 Reviewed	30.06.2014 Reviewed	30.09.2013 Reviewed	30.09.2014 Reviewed	30.09.2013 Reviewed	31.03.2014 Audited
-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

SUMMARY BALANCE SHEET AS ON SEPTEMBER 30, 2014

(Rs in lakhs)

	As on 30.09.2014	As on 30.09.2013
CAPITAL AND LIABILITIES		
Capital	18845	18842
Reserves and Surplus	307396	279208
Deposits	4419644	3801371
Borrowings	138669	214370
Other Liabilities and Provisions	127814	119804
TOTAL	5012368	4433595
ASSETS		
Cash and balances with Reserve Bank of India	216381	194666
Balances with Banks and Money at Call & Short Notice	8476	3345
Investments	1693296	1495958
Advances	2971763	2646870
Fixed Assets	26038	17180
Other Assets	96414	75586
TOTAL	5012368	4433595



SEGMENT RESULTS FOR THE QUARTER /HALF YEAR ENDED SEPTEMBER 30,2014

Segment wise Results	UNAUDITED					AUDITED
	Quarter Ended			Half Year Ended		Year ended
	30.09.2014	30.06.2014	30.09.2013	30.09.2014	30.09.2013	31.03.2014
Particulars						
	(Rs. in lakhs)					
1 Segment Revenue						
(a) Treasury Operations	32692	32221	28041	64913	61289	117821
(b) Corporate Banking	42862	43052	37681	85914	76061	149254
(c) Retail Banking	50250	46151	47602	96401	93026	192909
(d) Other Banking Operations	2040	4000	1925	6040	5253	9457
Total	127844	125424	115249	253268	235629	469441
2 Segment Results (after Provisions before Tax)						
(a) Treasury Operations	-461	4389	-4674	3928	2997	-438
(b) Corporate Banking	2326	3566	388	5892	1900	5073
(c) Retail Banking	5413	3224	7901	8637	15112	31480
(d) Other Banking Operations	1548	3008	1531	4556	4218	7303
Total	8826	14187	5146	23013	24227	43418
Less: Un-allocable Expenditure	928	977	653	1905	1272	2553
Profit before Tax and exceptional items	7898	13210	4493	21108	22955	40865
3 Capital employed						
(a) Treasury Operations	140125	136655	125668	140125	125668	126386
(b) Corporate Banking	88121	88443	84967	88121	84967	87597
(c) Retail Banking	96112	90472	86140	96112	86140	89793
(d) Other Banking Operations	6	13	24	6	24	36
(e) Unallocated	1877	1803	1251	1877	1251	1408
Total	326241	317386	298050	326241	298050	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 Sept 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 October 31, 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. 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 aforesaid 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 previous 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 previous quarter ended June 30, 2014 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.1905.60 lakhs to profit and Loss Account for the half year ended September 30, 2014 representing the depreciation on the carrying value of the assets as on April 1, 2014 on the remaining useful life.
3. The above interim 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 Bank's policy read with 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 six months ended Sept 30, 2014 debited its financial results with 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. 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#>)



6. 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.
7. During the quarter ended Sept 30, 2014 the bank had allotted 20185 equity shares pursuant to the exercise of stock options by certain employees
8. Disclosure about investor complaints: Complaints at the beginning of the period Nil; Received during the period 19; Disposed of during the period 19; Unresolved as on Sept 30, 2014 Nil.
9. Corresponding previous period figures have been regrouped/ rearranged wherever necessary to make them comparable with current period figures.


P Jayarama Bhat
Managing Director & C.E.O



For Abarna & Ananthan
Chartered Accountants
Firm Regn. No 000003S


(Abarna Bhaskar)
Membership No. 025148

Place: Bangalore
Date: 31.10.2014

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


(Parineeth Rau)
Membership No. 222039



Abarna and Ananthan

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

Kamath and Rau

Chartered Accountants
Karangalpadu
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 September 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.

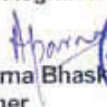
We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making 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 64.43% 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.



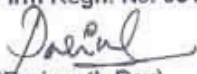
Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying interim statement of unaudited financial results prepared in accordance with applicable Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006 (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.

For Abama and Ananthan
Chartered Accountants
Firm Regn.No.00000135


(Abama Bhaskar)
Partner
Membership No. 025145



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


(Parineeth Rau)
Partner
Membership No. 222039



Date: October 31, 2014
Place: Bangalore