The Karnataka Bank Limited

(Regd. & Head Office: Mahaveera Circle, Kankanady, Mangalore – 2)

NOTICE TO THE MEMBERS

Notice is hereby given that the Eighty Eighth Annual General Meeting of THE KARNATAKA BANK LIMITED will be held as scheduled below:

Date : August 30, 2012
Day : Thursday
Time : 11.30 A.M.
Place : Registered & Head Office,
Karnataka Bank Ltd.,
Mahaveera Circle, Kankanady,
Mangalore – 575 002.

To transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012 and Profit & Loss Account for the year ended on that date together with the reports of the Auditors and the Directors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Ananthakrishna, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri D Harshendra Kumar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. H Ramamohan, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. The Board proposes to appoint M/s Vishnu Daya & Co., (Firm Reg. No. 08456S), Chartered Accountants, GF No. 7, Karuna Complex, No. 337, Sampige Road, Malleshwaram, Bangalore – 560 003 and M/s R K Kumar & Co., (Firm Reg. No. 001595S) Chartered Accountants, II Floor, Congress Building, 573, Mount Road, Chennai – 600 006 jointly as Statutory Central Auditors of the Bank to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. As required under Section 30(1A) of the Banking Regulation Act, 1949, Reserve Bank of India has approved the above appointment vide their Letter DBS.ARS. NO. 15155/08.11.005/2011-12 dated June 5, 2012.

SPECIAL BUSINESS

7. To consider the passing of the following resolution, as an ORDINARY RESOLUTION, with or without modifications.

   "RESOLVED THAT in terms of Section 228 of the Companies Act, 1956, the Board of Directors be and is hereby authorised to appoint from time-to-time and in consultation with the Bank's Statutory Central Auditors, one or more persons qualified for appointment as branch auditor/s to audit the accounts for the year ending 31st March, 2013 of such of the branches/offices of the Bank as are not proposed to be audited by the Bank's Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed by the Board of Directors".

8. To consider the passing of the following resolution, as an ORDINARY RESOLUTION, with or without modifications.

   RESOLVED that pursuant to the approval of the Reserve Bank of India, appointment of Shri P Jayarama Bhat as the Managing Director and CEO of the Bank for a further period of three years w.e.f. 14-7-2012 be and is hereby approved.

   RESOLVED FURTHER that subject to the approval of the Reserve Bank of India, approval of members of the Bank be and is hereby accorded for the payment of remuneration and other benefits/perquisites to Shri P Jayarama Bhat upon his re-appointment for a further period of 3 years w.e.f. 14-07-2012 as set out in the explanatory statement to this notice or with such modification/s in the remuneration etc., as may be advised by the Reserve Bank of India while conveying their approval and acceptable to the Board.

9. To consider the passing of the following resolution as a SPECIAL RESOLUTION with or without modifications.

   RESOLVED THAT pursuant to Section 94 of the Companies Act, 1956 read with Article 15(1)(a) of the Articles of Association of the Bank, the Authorized Share Capital of the Bank be and is hereby increased from the existing ₹200,00,00,000/- divided into 20,00,00,000 Equity Shares of ₹10/- each to ₹300,00,00,000/- divided into 30,00,00,000 Equity Shares of ₹10/- each and in that connection, the Clause 5 of the Memorandum of Association of the Bank be and is hereby amended to read as under:

   "The Authorised share capital of the Bank is ₹300,00,00,000/- divided into 30,00,00,000 Equity Shares of ₹10/- each".

10. To consider the passing of the following resolution as a SPECIAL RESOLUTION with or without modifications.

    RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article 3(a) of the Articles of Association of the Bank be and is hereby amended to read as under:

    "The Authorised share capital of the Bank is ₹300,00,00,000/- divided into 30,00,00,000 Equity Shares of ₹10/- each".

Note:

i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE BANK.

ii) Proxies if any, duly completed in the prescribed Proxy Form shall be deposited at the Registered Office of the Bank at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.

iii) The Register of Members and Share Transfer Books of the Bank will remain closed from 11-8-2012 to 30-8-2012 (both days inclusive).

By order of the Board of Directors

Registered Office:
Mahaveera Circle
Kankanady, Mangalore – 2

Y V Balachandra
Company Secretary

Date: July 20, 2012

NOTE:

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business set out above is annexed.

2. Members are requested to immediately notify change of their address, if any, to the Registrar & Share Transfer Agent of the Bank – M/s Integrated Enterprises (India) Ltd., 30, Ramana Residency, 4th Cross, Sampige Road, Malleshwaram, Bangalore – 560 003 in respect of shares held in physical form. In case the shares are held in electronic form (demat), changes, if any, in their addresses shall be communicated to the Depository Participants (DPs) where the beneficiary account is maintained.

3. Members are requested to be in their seats at the meeting hall before the scheduled time of commencement of the Annual General Meeting.

4. Members who have not encashed their dividend warrants of the previous years are hereby requested to encash the same at the earliest. The unclaimed dividend will be transferred to the Investor Education and Protection Fund as per the provisions of Section 205C of the Companies Act, 1956.

5. Members desiring any information about the annual accounts at the meeting are requested to write to the Bank so as to reach the Bank at least 5 days in advance of the Annual General Meeting.

6. Article 74A of the Articles of Association of the Bank states that any suit by a member or members relating to any Annual General Meeting or Extraordinary General Meeting of the Bank or any meeting of its Board of Directors or a Committee of Directors or to any item of business on the agenda of any such meeting shall be subject to the exclusive jurisdiction of courts in Mangalore city.

INFORMATION ABOUT DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

In terms of the requirements of the Listing Agreement, the following information is furnished about the Directors retiring by rotation and seeking re-appointment at this Annual General Meeting.

Item No. 3: Re-appointment of Shri Ananthakrishna

Shri Ananthakrishna, aged 65 years has been the Part time Non-executive Chairman of the Bank with effect from July 13, 2009. He is a postgraduate in Mathematics from University of Mysore. He is a seasoned Banker with over 40 years of experience in the field of Banking, Finance etc. He was the Chairman and CEO of the Bank from 13-7-2000 to 12-7-2009.

With effect from July 13, 2009, Shri Ananthakrishna has been appointed as Part time Non-Executive Chairman of the Bank for a period of three years. The Board of Directors at the meeting held on June 28, 2012, has proposed his re-appointment Part time Non-Executive Chairman for a period of three years and sought the approval of the Reserve Bank of India.

Shri Ananthakrishna is also on the Boards of M/s Universal Sompo General Insurance Company Ltd., and Indian Institute of Banking and Finance (IIBF), a company registered under Section 25 of the Companies Act, 1956. He is also a member of Investment Committee, Audit Committee, Risk Management Committee, and Protection of Policy Holders Committee of Universal Sompo General Insurance Company Ltd.

The Bank has gained from his vast experience and knowledge. His re-appointment as a Director on the Board of the Bank is expected to provide substantial value addition to the Bank in achieving its future objectives.

Shri Ananthakrishna is not related to any of the Directors of the Bank. He holds 10000 Shares of the Bank.

The Board of Directors recommends the resolution for approval by the members.

Item No. 4: Re-appointment of Shri D Harshendra Kumar

Shri D Harshendra Kumar, aged 58 years, holds B.A. degree. He is the younger brother of Shri D Veerendra Heggade, Dharmadhikari, Shri Kshetra Dharmasthala, a famous religious and sacred centre in South India and a pioneer in Rural development initiatives. He is well versed with all aspects of Agriculture and Rural Economy, Co-operation and Self Help Group

(SHG). He is the Secretary, Rural Development, Self Employment Training Institute, having branches all over India, Trustee Sri Dharmasthala Munjunatheshwara Trust, Dharmasthala and Secretary, SDM Educational Institutions. He was earlier on the Board of our Bank between 1992 and 2000.

Shri D Harshendra Kumar has been the Director of our Bank since 25-10-2008. The Bank has gained from his vast experience and knowledge. His re-appointment as a Director on the Board of the Bank is expected to provide substantial value addition to the Bank in achieving its future objectives.

Shri D Harshendra Kumar is not a Director in any other company. He holds 3983 shares of the Bank. He is not related to any of the Directors of the Bank.

The Board of Directors recommends the resolution for approval by the members.

Item No. 5: Re-appointment of Dr. H Ramamohan

Dr. H Ramamohan, aged 60 years, holds MBBS, FCGP, FIAMS, DMag qualifications, is in private practice as family Physician in Kundapura, Udupi District. He is a member of 'Govt. of Karnataka Sustainable Forest Maintenance and Bio-diversity Preservation' committee for Mangalore Circle, a Programme of Japan Bank of International Co-operation. He is also the Chairman, IMA, Academy of Medical Specialities, Kundapur Chapter, President, Amateur Artists' Association, Trustee, Seva Sangam Trust, Treasurer, Seva Sangam Vidya Kendra, Thekkatte, Hon. Chairman, Coondapur Education Society, Advisory Committee Member, KMC Hospital, Manipal, Member, Supreme governing body of the Academy of General Education, Manipal, Member, Quality Assessment and Advisory Committee, Bhandarkars' College, Kundapura. He is also an agriculturist growing coconut, cashew, pepper and areca.

Dr. H Ramamohan has been the Director of our Bank since 25-10-2008. The Bank has gained from his vast experience and knowledge. His re-appointment as a Director on the Board of the Bank is expected to provide substantial value addition to the Bank in achieving its future objectives.

Dr. H Ramamohan is not a Director in any other company. He holds 11632 Shares of the Bank. He is not related to any of the Directors of the Bank.

The Board of Directors recommends the resolution for approval by the members.

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

In conformity with Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out the material facts relating to Items No. 7 to 10 appearing in the accompanying notice dated July 20, 2012.

Item No. 7

As per Clause (a) of Sub-section (3) of Section 228 of the Companies Act, 1956, General Meeting of the shareholders may authorise the Board of Directors to appoint Branch Auditors for the purpose of audit of branches/offices by persons qualified to act as Auditors under Section 226 in consultation with the Statutory Central Auditors of the Bank.

It is proposed to authorise the Board to appoint branch auditors for the year ending 31-3-2013 on the terms and conditions including the remuneration payable to them in consultation with the Bank's Statutory Central Auditors.

The Board of Directors recommends the resolution for approval by the members.

None of the Directors is interested in this item of business.

Item No. 8

The Board of Directors of the Bank at the meeting held on March 27, 2012, after considering the progress made by the Bank during the tenure of Shri P Jayarama Bhat as the Managing Director of the Bank, had resolved to re-appoint him for a further period of 3 years w.e.f. 14-7-2012, subject to the approval of the Reserve Bank of India, and also proposed the revision in the salary and other benefits/perquisites payable to him. Reserve Bank of India vide their Letter DBOD.No. 567/08.40.001/2012–13 dated July 11, 2012 have conveyed their approval under Section 35B of the Banking Regulation Act, 1949 for the re-appointment of Shri P Jayarama Bhat for another period of three years w.e.f. July 14, 2012. It is also conveyed by RBI that as regards the remuneration, a separate communication would be sent in due course. Accordingly Shri P Jayarama Bhat has continued in Office as Managing Director and CEO of the Bank for a further period of three years w.e.f. 14-7-2012.

The details of the remuneration and other benefits/perquisites proposed by the Board to be paid to Shri P Jayarama Bhat is set out below:

Remuneration etc.	Particulars
1. Salary	₹3,00,000 per month with an annual increment of 10%.
2. Dearness Allowance	20% of Basic Salary.
3. House Rent Allowance	Free furnished residential accommodation. Proper upkeep and security arrangement to the residential accommodation to be provided by the Bank. Till the Bank arranges to provide an independent house to the Managing Director, allowance @ 15% of Basic Pay be given.
4. Conveyance Allowance	Nil.

5. Entertainment Allowance	₹25000/- p.a. Membership fees of two clubs, if any, will be adjustable within this ceiling.
6. Other Allowances, if any	Nil.
Perquisites	
1. Free furnished house	House Rent Allowance as in Serial No. 3 supra is to be paid.
2. Free use of Bank's Car: i) For Official purpose ii) For Private purpose on compensating the Bank with suitable amount	Free use of Bank's Car for official purpose (journeys from residence to office and vice versa to be treated as duty runs). For personal use ₹250/- per month to be recovered.
3. Provident Fund, Gratuity & Pension	Provident Fund: 12% of the Basic Pay. Gratuity: As applicable to the officer staff of the Bank, without the restriction of minimum service required. The Bank should seek approval of the Reserve Bank of India as and when the gratuity is proposed to be paid. Pension: NA.
4. Travelling and Halting Allowance	As may be decided by the Board from time-to-time.
5. Medical Benefits	Reimbursement upto ₹15000/- p.a. for self and family on declaration basis. Re-imbursement of actual expenses incurred including hospitalization in full for self and spouse and to the extent of 50% for his dependent children or in lieu thereof suitable medical insurance policy with a cover of upto ₹10 lakh may be taken by the Bank.
6. Other benefits, if any, please specify: 1. Insurance Cover 2. Telephone 3. Bonus & sitting fees	1. Personal accident insurance cover upto ₹20,00,000/-. 2. All communication facilities like telephone/FAX, Internet, E-mail, Cell Phone etc. 3. Bonus and sitting fees: NIL.
Leave	
1. Casual Leave	As applicable to the Officers of the Bank.
2. Ordinary Leave	As applicable to the Officers of the Bank. Encashable at the time of demission of office upto the limit as applicable to the Officers of the Bank.
3. Sick Leave	As applicable to the Officers of the Bank.
4. Leave Fare Concession	Highest class by whichever mode of travel within the country once a year for self and family including dependent children.

The resolution seeks members approval for the re-appointment and payment of salary, allowances and other perquisites/benefits payable to Shri P Jayarama Bhat upon his re-appointment as the Managing Director and CEO of the Bank as above or with such modification/s in the remuneration etc., as may be advised by the Reserve Bank of India while conveying their approval and acceptable to the Board.

The Board of Directors recommends the resolution for approval by the members.

Except Shri P Jayarama Bhat none of the Directors of the Bank is interested in this item of business.

The above terms and conditions of re-appointment of Shri P Jayarama Bhat as the Managing Director and CEO of the Bank may be taken as an abstract and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

Item No. 9 & 10

In order to support and sustain the current rate of growth and to meet regulatory requirements of capital as envisaged in the Basel III accord, augmenting the capital fund of the Bank is very much essential on an on going basis. The Capital to Risk Weighted Assets Ratio as on March 31, 2012 was at 12.84% under Basel II. In order to augment capital fund, Bank may enter the capital market by issue of equity shares.

The present authorized and paid-up capital of the Bank is ₹200 crore and ₹188.28 crore respectively. It is proposed to increase the authorized share capital of the Bank from ₹200 crore to ₹300 crore to facilitate further issue of equity shares. Resolution set out in Item Nos. 9 and 10 are for the purpose of altering the Memorandum and Articles of Association dealing with Authorised Share Capital of the Bank.

The Board of Directors recommend the resolution for approval by the members.

None of the Directors is interested in this item of business.

By order of the Board of Directors

Y V Balachandra
Company Secretary

Registered Office:
Mahaveera Circle
Kankanady, Mangalore – 2

Date: July 20, 2012