

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

\* refer item 2 (b) of notes

i)	Percentage of shares held by Government of India	<b>Nil</b>	<b>Nil</b>	Nil	<b>Nil</b>
ii)	Capital Adequacy Ratio (%)				
	Basel II	<b>13.05</b>	<b>13.30</b>	14.08	<b>13.30</b>
	Basel III	<b>12.97</b>	<b>13.20</b>	13.86	<b>13.20</b>
iii)	Earning per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized				
	- Basic EPS	<b>6.46*</b>	<b>4.31*</b>	5.00*	<b>16.51</b>
	- Diluted EPS	<b>6.45*</b>	<b>4.31*</b>	4.99*	<b>16.50</b>
	Earnings per share (EPS) (Rs) after extraordinary items (net of Tax expense) * <b>Not Annualized</b>				
	- Basic EPS	<b>6.46*</b>	<b>4.31*</b>	5.00*	<b>16.51</b>
	- Diluted EPS	<b>6.45*</b>	<b>4.31*</b>	4.99*	<b>16.50</b>
iv)	NPA Ratios as on date				
	Gross NPA	<b>99928</b>	<b>83593</b>	82299	<b>83593</b>
	Net NPA	<b>68117</b>	<b>53804</b>	49189	<b>53804</b>
	% of Gross NPA	<b>3.43</b>	<b>2.92</b>	3.22	<b>2.92</b>
	% of Net NPA	<b>2.37</b>	<b>1.91</b>	1.96	<b>1.91</b>
	Return on Assets	<b>1.02</b>	<b>0.71</b>	0.90	<b>0.71</b>
18	Public Shareholding				
	No of shares	<b>188418789</b>	<b>188412372</b>	188348904	<b>188412372</b>
	Percentage of share holding	<b>100%</b>	<b>100%</b>	100%	<b>100%</b>
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

**SEGMENT RESULTS FOR THE QUARTER ENDED 30.06.2014**

	<b>Particulars</b>	<b>Quarter ended 30.06.2014 (Reviewed)</b>	<b>Quarter ended 31.03.2014 (Audited )</b>	<b>Quarter end 30.06.2013 (Reviewed)</b>	<b>Year ended 31.03.2014 (Audited)</b>
		<b>(Rs. in Lakhs)</b>			
<b>1</b>	<b>Segment Revenue</b>				
	(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
	<b>Total</b>	<b>125424</b>	<b>117258</b>	<b>120380</b>	<b>469441</b>
<b>2</b>	<b>Segment Results (after Provisions before Tax)</b>				
	(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
	<b>Total</b>	<b>14187</b>	<b>5685</b>	<b>19081</b>	<b>43418</b>
	<b>Less: Un-allocable Expenditure</b>	977	609	619	2553
	<b>Profit before Tax and exceptional item</b>	<b>13210</b>	<b>5076</b>	<b>18462</b>	<b>40865</b>
<b>3</b>	<b>Capital employed</b>				
	(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
	<b>Total</b>	<b>317386</b>	<b>305220</b>	<b>295128</b>	<b>305220</b>

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

## Notes forming part of the un-audited financial results for the quarter 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 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 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 depreciation 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 8<sup>th</sup> 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 31<sup>st</sup> 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://www.karnatakabank.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.

## **Analysis of Financial Results June -2014 [Click here](#)**

**P Jayarama Bhat**  
**Managing Director & C.E.O**

**For R K Kumar & Co.,**  
**Chartered Accountants**  
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**For Kamath & Rau**  
**Chartered Accountants**  
**Firm Regn. No. 001689S**

**(G. Naganathan)**  
**Membership No. 022456**

**(Srinivas S Kamath)**  
**Membership No. 201716**

Place: Mangalore  
Date: 30.07.2014