



Karnataka Bank Ltd.

Estd : 1924

CIN : L85110KA1924PLC001128

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

Phone : 0824 - 2228222 Fax : 0824-2225588
Website : www.karnatakabank.com
email : info@ktnbank.com

SECRETARIAL DEPARTMENT

15.05.2018

HO/SEC/98/2018-19

1. The Manager
Listing Department
National Stock Exchange of India Limited.
Exchange Plaza,C-1, Block G
Bandra-Kurla Complex,
Bandra (E), MUMBAI-400 051
2. The General Manager,
BSE Limited
Corporate Relationship Dept
Phiroze Jeejeebhoy Towers,
Dalal Street,
MUMBAI-400 001

Dear Sir,

Reg: The audited financial results for the year ended March 31, 2018

Please find enclosed copy of the audited financial results for the year ended 31.03.2018 approved by the Board of Directors at the meeting held on 15.05.2018. The Board has recommended dividend @ ₹ 3/- per share for the above period.

Further, pursuant to Regulation 33(3)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby confirm that the Auditors report on the Audited Financial Statement of the Bank for the financial year ended March 31, 2018 approved at the Board of Directors meeting held on May 15, 2018 is with unqualified opinion.

Thank You,

Yours faithfully,


COMPANY SECRETARY

ANNEXURE-1

AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2018

(Rs. in crore)

		Quarter ended			Year ended	
		31.03.2018 Audited	31.12.2017 Reviewed	31.03.2017 Audited	31.03.2018 Audited	31.03.2017 Audited
1	Interest Earned (a+b+c+d)	1443.04	1332.24	1294.50	5423.75	5185.40
a)	Interest/Discount on advances/ bills	1080.08	1042.52	903.52	4081.93	3793.56
b)	Income on Investments	267.57	272.13	372.29	1161.53	1271.16
c)	Interest on balances with Reserve Bank of India and other interbank funds	0.78	1.59	0.19	15.87	29.26
d)	Others	94.61	16.00	18.50	164.42	91.42
2	Other Income	294.51	194.62	311.69	954.34	809.34
3	TOTAL INCOME (1+2)	1737.55	1526.86	1606.19	6378.09	5994.74
4	Interest expended	901.53	880.76	942.33	3566.10	3694.78
5	Operating expenses (i+ii)	360.69	324.20	334.59	1338.83	1304.16
i)	Employees Cost	141.82	121.39	122.71	524.79	601.03
ii)	Other operating Expenses	218.87	202.81	211.88	814.04	703.13
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	1262.22	1204.96	1276.92	4904.92	4998.94
7	Operating Profit before provisions & contingencies (3-6)	475.33	321.90	329.27	1473.16	995.80
8	Provisions (other than tax) and Contingencies	541.75	196.40	160.40	1163.01	527.85
9	Exceptional Items	0.00	0.00	0.00	0.00	0.00
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	-66.42	125.50	168.87	310.16	467.95
11	Tax Expense	-77.42	38.12	30.50	-15.45	15.69
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax	11.00	87.38	138.37	325.61	452.26
13	Extraordinary Items (net of tax)	0.00	0.00	0.00	0.00	0.00
14	Net Profit (+)/Loss (-) for the period (12-13)	11.00	87.38	138.37	325.61	452.26
15	Paid up equity share capital (Face value each share - Rs 10)	282.62	282.62	282.62	282.62	282.62



		Quarter ended			Year ended	
		31.03.2018 Audited	31.12.2017 Reviewed	31.03.2017 Audited	31.03.2018 Audited	31.03.2017 Audited
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)	4711.32	4436.44	4436.44	4711.32	4436.44
17	Analytical Ratios					
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio - Basel III (%)	12.04	12.26	13.30	12.04	13.30
iii)	Earnings per share (EPS) (Rs) considering right factor					
	Basic & Diluted EPS before extraordinary items(Net of Tax Expenses) * Not Annualized	0.39*	3.09*	4.90*	11.52	19.38
	Basic & Diluted EPS after extraordinary items(Net of Tax Expenses) * Not Annualized	0.39*	3.09*	4.90*	11.52	19.38
iv)	NPA Ratios as on date					
a	Amount of Gross NPA	2376.07	1784.31	1581.59	2376.07	1581.59
b	Amount of Net NPA	1400.51	1262.96	974.73	1400.51	974.73
c	% of Gross NPA	4.92	3.97	4.21	4.92	4.21
d	% of Net NPA	2.96	2.85	2.64	2.96	2.64
v)	Return on Assets * Not Annualized	0.06*	0.53*	0.85*	0.49	0.74



**NOTES FORMING PART OF THE AUDITED FINANCIAL RESULTS FOR THE QUARTER
AND YEAR ENDED MARCH 31, 2018**

1. The above financial results for the quarter/ year ended 31st March, 2018 have been reviewed by the Audit Committee of the Board at its meeting held on 14th May, 2018 and approved by the Board of Directors at its meeting held on 15th May, 2018. The same have been audited by the Statutory Central Auditors of the Bank in line with the guidelines issued by the Reserve Bank of India and as per the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015.
2. 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 31st March, 2017, except for the treatment of depreciation on revalued portion of fixed assets pursuant to Accounting Standard-10 (Revised 2016) on Property, Plant & Equipment, applicable from 1st April 2017 as per which depreciation on revalued portion is transferred from Revaluation Reserve to Revenue Reserves.
3. The working results of the bank for the quarter and year ended 31st March 2018 have been arrived at after considering the provisions on the basis of extant guidelines / directives issued by Reserve Bank of India on Advances, exposure to entities with Un-Hedged Foreign Currency Exposure, Non Performing Investments, Depreciation on Investments & Fixed Assets and on standard GST registered MSME borrowers.
4. The provisions for Employee Benefits such as Gratuity, Pension, Leave Encashment and sick leave have been made based on the actuarial valuation in terms of Accounting Standard – 15 “Employee Benefits”.
5. Tax provisions for the financial year 2017-18 have been computed as per Income Tax Act, 1961.
6. The Bank has recognized net Deferred Tax Assets as on 31st March, 2018 aggregating to Rs 381.07 Crores (PY Rs 191.30 Crores) on timing differences pertaining to surplus provision for doubtful advances, Provision for Standard Advances, Leave Encashment, Special Reserve etc in accordance with Accounting Standard – 22 on “Taxes and Income” issued by the Institute of Chartered Accountants of India.
7. In terms of RBI guidelines, the Bank had opted to spread the net shortfall on account of sale of assets to Reconstruction companies during the financial year 2015-16 and 2016-17 over a period of 8/ 4 quarters and consequently the Bank has fully absorbed a sum of Rs 78.51 Crore during the year ended 31st March, 2018 (by corresponding reversal of the proportionate debit made earlier to Revenue and Other Reserves). The unamortized amount as at 31st March, 2018 is Nil.
8. The Reserve Bank of India vide its Circular dated 12th February, 2018, issued a revised framework for resolution of stressed assets, which superseded the existing guidelines on SDR, S4A etc, with immediate effect. Accordingly the Bank has revoked the stand-still benefits for accounts where any of these schemes had been invoked but not yet implemented and classified them as per the extant RBI Guidelines on Income Recognition and Asset Classification, and requisite provisions have been made.



9. Ministry of Labor and Employment, government of India on 19th March, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to Rs 20 Lakhs from the earlier limit of Rs 10 lakhs. RBI circular DBT.BP.9730/21.04.018/2017-18 dated 27th April, 2018, permitted banks to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended 31st March, 2018. However, the Bank has not availed this dispensation and has recognized the entire incremental provision required in the quarter ended 31st March, 2018, itself.
10. The Reserve Bank of India vide its Circular RBI/2017-18/147 DBR.No. BP.BC.102/21.04.048/2017-18 dated 02nd April, 2018, permitted banks to spread provisioning for Mark to Market (MTM) losses on investments held in AFS and HFT category for the quarters ended 31st December, 2017 and 31st March, 2018, equally over four quarters respectively (commencing with the quarter in which the loss is incurred). The Bank has not availed the said dispensation and has recognized the entire Mark to Market loss on investments in the respective quarters.
11. During the year, the Bank has sold SLR Securities with a book value of Rs 1,857.92 Crore from Held to Maturity category in excess of 5% of the book value of the investments of Rs 11523.93 Crores of Book Value held in HTM category at the beginning of the year. As on 31st March 2018, the book value of SLR HTM category securities was Rs 11776.62 Crores and a market value of Rs 11469.32 Crores resulting in depreciation of Rs 307.30 Crores. The book value of the Non SLR securities in the HTM category as on 31st March, 2018 was Rs 342.42 Crores and a Market Value of Rs 360.03 Crores due to an appreciation of Rs 17.61 Crores.
12. The Board of Directors at its meeting held on 15th May, 2018, proposed a dividend at Rs 3 per equity share (ie., 30%) on the paid up capital (previous year at Rs 4 per share (ie., 40%)) subject to the requisite approval of members at the ensuing Annual General Meeting. In accordance with the revised Accounting Standard (AS) -4 'Contingencies and Events occurring after the Balance Sheet Date' as notified by the Ministry of Corporate Affairs through amendments to companies (Accounting Standards) Amendment Rules, 2016 dated 30th March, 2016, the Bank has not accounted the proposed dividend of Rs 84.78 Crore (previous year Rs 113.04 Crore) and corporate dividend tax of Rs 17.42 Crore (previous year Rs 23.01 Crore) as a liability, as at 31st March, 2018. In arriving at the capital fund for the computation of CRAR as of 31st March, 2018 the Bank has reduced the proposed dividend and corporate dividend tax thereon.
13. The provision coverage ratio as at 31st March 2018 stood at 54.56%. (54.00% as on March 31, 2017)
14. In terms of the RBI Circular DBR.BP.BC.No. 63/21.04.018/2016-17 dated 18th April 2017, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts wherever either a) the additional provisioning requirements assessed by RBI exceed 15% of the published net profits after tax for the reference period or, b) the additional Gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs for the reference period, or both. Accordingly, divergence in Asset Classification and Provisioning for NPAs in compliance to Risk Assessment Report (RAR) of RBI for the Financial Year 2016-17 is reported as under.



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		(Rs in Crores)
Sr	Particulars	Amount
1	Gross NPAs as on March 31, 2017 as reported by the Bank	1581.59
2	Gross NPAs as on March 31, 2017 as assessed by RBI	2696.69
3	Divergence in Gross NPAs (2-1)	1115.10
4	Net NPAs as on March 31, 2017 as reported by the Bank	974.73
5	Net NPAs as on March 31, 2017 as assessed by RBI	1642.59
6	Divergence in Net NPAs (5-4)	667.86
7	Provisions for NPAs as on March 31, 2017 as reported by the Bank	581.60
8	Provisions for NPAs as on March 31, 2017 as assessed by RBI	1054.10
9	Divergence in Provisioning (8-7)	472.50
10	Reported Net profit after tax (PAT) for the year ended March 31, 2017	452.26
11	Adjusted (notional) Net Profit after tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning (includes a provision requirement of Rs 74.76Crores for divergence in NPI)	(95.00)

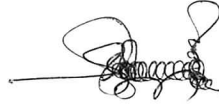
(Resultant impact of the RBI divergence has been duly considered and given effect to as of 31.03.2018)

15. In accordance with RBI guidelines on 'Basel III Capital Regulations' read together with the RBI Circular dated 1st July, 2015, the consolidated Pillar 3 disclosure at 31st March, 2018 including leverage ratio and liquidity coverage ratio is made available in the Bank's web site at the following link: <http://karnatakabank.com/ktk/BaselDisclosures.jsp#>. These disclosures have not been subjected to audit by the Statutory Central Auditors.
16. Interest on Reverse Repo transactions which until 31st March 2017 was reported under the head "Interest earned on Investments" is now reported under the head "Interest earned on Balances with Reserve Bank of India and Inter Bank funds" pursuant to RBI guidelines. Figures for the previous periods have been regrouped / reclassified to conform to current period's classification. The above regrouping / reclassification has no impact on the profit of the Bank for the year ended 31st March, 2018 or the previous periods.
17. Disclosure about investor complaints: Complaints at the beginning of the period NIL; Received during the period 13; Disposed off during the period 13; Unresolved as on 31st March, 2018: Nil.
18. The figures for the last quarter of the current year and for the previous year are the balancing figures between the audited figures in respect of the full financial year and the unaudited published year to date figures up to the third quarter.



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19. Previous period/year figures have been re-grouped/ re-classified where necessary to conform to current period classification.




Mahabaleshwara M S
Managing Director & C.E.O

For Abarna & Ananthan
Chartered Accountants
Firm Regn No 000003S



(Abarna Bhaskar)
Membership No. 025145

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



(B R Ashok)
Membership No. 023313

Place: Mangaluru
Date: 15th May 2018

SEGMENT RESULTS FOR THE QUARTER AND YEAR ENDED 31.03.2018

Segment-wise Results	3 Months ended			Year ended	
	31.03.2018 Audited	31.12.2017 Reviewed	31.03.2017 Audited	31.03.2018 Audited	31.03.2017 Audited
	(Rs. in Crore)				
Segment Revenue					
(a) Treasury Operations	269.08	304.18	541.00	1404.18	1642.55
(b) Corporate Banking	549.27	627.61	416.93	2174.98	1814.36
(c) Retail Banking	705.40	522.42	569.87	2367.96	2281.72
(d) Other Banking Operations	115.39	72.65	78.39	332.57	256.11
(e) Unallocated	79.59	18.82	0.00	98.41	0.00
Income from operations	1718.73	1545.68	1606.19	6378.09	5994.74
Segment Results (after Provisions before Tax)					
(a) Treasury Operations	23.05	17.40	220.86	267.76	442.87
(b) Corporate Banking	(218.96)	22.67	(93.88)	(306.05)	(233.15)
(c) Retail Banking	44.64	71.63	68.73	249.28	344.07
(d) Other Banking Operations	17.90	7.41	(14.19)	50.82	(36.08)
(e) unallocated	66.95	6.39	(12.65)	48.35	(49.76)
Total profit/(loss) before tax	(66.42)	125.50	168.87	310.16	467.95
Segment Assets					
(a) Treasury Operations	19451.00	18889.79	23925.48	19451.00	23925.48
(b) Corporate Banking	25888.90	23712.09	17505.98	25888.90	17505.98
(c) Retail Banking	21662.73	21054.57	19667.38	21662.73	19667.38
(d) Other Banking Operations	1360.32	1284.64	1427.87	1360.32	1427.87
(e) Unallocated	2010.73	1618.08	1511.89	2010.73	1511.89
Total	70373.68	66559.17	64038.60	70373.68	64038.60
Segment Liabilities					
(a) Treasury Operations	17892.70	17261.62	21912.82	17892.70	21912.82
(b) Corporate Banking	23948.50	21910.40	16202.03	23948.50	16202.03
(c) Retail Banking	20015.57	19329.67	18097.86	20015.57	18097.86
(d) Other Banking Operations	1258.38	1180.26	1323.46	1258.38	1323.46
(e) Unallocated	1848.38	1477.56	1359.84	1848.38	1359.84
	64963.53	61159.51	58896.01	64963.53	58896.01
Capital employed					
(Segment Assets-Segment Liabilities)					
(a) Treasury Operations	1558.30	1628.17	2012.66	1558.30	2012.66
(b) Corporate Banking	1940.39	1801.69	1303.95	1940.39	1303.95
(c) Retail Banking	1647.15	1724.90	1569.52	1647.15	1569.52
(d) Other Banking Operations	101.95	104.38	104.41	101.95	104.41
(e) Unallocated	162.35	140.52	152.05	162.35	152.05
	5410.15	5399.66	5142.59	5410.15	5142.59



ANNEXURE 2

AUDITED FINANCIAL RESULTS FOR THE QUARTER/YEAR ENDED MARCH 31, 2018

Particulars	(Rs in Crore)		
	Quarter ended 31.03.2018	Year ended 31.03.2018	Quarter ended 31.03.2017
Total income from operations (net)	1737.55	6378.09	1606.19
Net Profit / (Loss) from ordinary activities after tax	11.00	325.61	138.38
Net Profit / (Loss) for the period after tax (after Extraordinary items)	11.00	325.61	138.38
Equity Share Capital	282.62	282.62	282.62
Reserves excluding Revaluation Reserve (as shown in the Balance Sheet of previous year)	4711.32	4711.32	4436.44
Earnings Per Share (before extraordinary items) (of Rs 10/- each)			
Basic :	0.39*	11.52	4.90*
Diluted:	0.39*	11.52	4.90*
Earnings Per Share (after extraordinary items) (of Rs 10/- each)			
Basic :	0.39*	11.52	4.90*
Diluted:	0.39*	11.52	4.90*

*Not annualized


Note: The above is an extract of the detailed format of Quarterly Results filed with the Stock Exchange under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Quarterly/Year ended Financial Results is available on the Stock Exchange websites. BSE: <http://www.bseindia.com>, NSE: <http://www.nseindia.com>, Bank website: <https://www.karnatakabank.com/index.jsp>

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

Place: Mangaluru

Date: 15th May 2018.

For and on behalf of Board of Directors



Mahabaleshwara M S

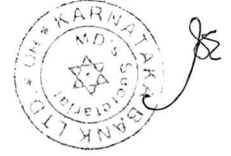
MANAGING DIRECTOR & CEO



SUMMARY BALANCE SHEET AS ON 31ST MARCH 2018

(Rs in crores)

	As on 31.03.2018	As on 31.03.2017
CAPITAL AND LIABILITIES		
Capital	282.62	282.62
Reserves and Surplus	5127.53	4859.97
Deposits	62871.29	56733.11
Borrowings	815.97	832.62
Other Liabilities and Provisions	1276.27	1330.29
TOTAL	70373.68	64038.60
ASSETS		
Cash and balances with Reserve Bank of India	3545.82	2929.27
Balances with Banks and Money at Call & Short Notice	55.20	344.76
Investments	15444.45	20219.73
Advances	47251.75	36915.70
Fixed Assets	761.60	720.57
Other Assets	3314.86	2908.57
TOTAL	70373.68	64038.60



ABARNA & ANANTHAN

Chartered Accountants
521, 3rd Main, 6th Block, 2nd Phase
BSK 3rd Stage,
Bangalore 560085

R.K. KUMAR & CO

Chartered Accountants
Second floor, Congress Building,
573, Mount Road,
Chennai – 600 006.

Auditor's Report on the Financial Results of the Karnataka Bank Ltd pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015

To The Board of Directors of The Karnataka Bank Ltd

1. We have audited the accompanying annual Financial Results of **The Karnataka Bank Limited** ("The Bank") for the year ended 31st March 2018 ("the Financial Results"), attached herewith, being submitted by the Bank pursuant to the requirements of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015 ("the SEBI Regulation"). The disclosures relating to the "Pillar 3 under Basel III Capital Regulations" and those relating to "Leverage Ratio", "Liquidity Coverage Ratio" under Capital Adequacy and Liquidity Standards issued by the Reserve bank of India ("RBI") as have been disclosed on the Bank's website and in respect of which a link has been provided in the Financial Results have not been audited by us. Attention is drawn to the fact that the figures for the quarter ended 31st March 2018 and the corresponding quarter ended in the previous year as reported in these Financial Results ended 31st march 2018 are the balancing figures between the audited figures in respect of the full financial year and the published un-audited year-to-date figures upto the end of the third quarter of the relevant financial year.
2. These Financial Results have been prepared on the basis of the stand-alone financial statements and the unaudited quarterly financial results upto the end of the third quarter which are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial results based on our audit of the annual standalone financial statements which have been prepared in accordance with the recognition and measurement principles prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, provisions of section 29 of the banking Regulation Act, 1949, circulars, guidelines and directions issued by the Reserve Bank of India from time to time and other accounting principles generally accepted in India.
3. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as Financial Results. An audit also includes assessing the accounting principles used and significant estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.



ABARNA & ANANTHAN

Chartered Accountants
521, 3rd Main, 6th Block, 2nd Phase
BSK 3rd Stage,
Bangalore 560085

R.K. KUMAR & CO

Chartered Accountants
Second floor, Congress Building,
573, Mount Road,
Chennai – 600 006.

4. In our opinion and to the best of our information and according to the explanations given to us, these Financial Results:
- have been presented in accordance with Regulation 33 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015 in this regard; and
 - give a true and fair view of the Net Profit and other financial information for the year ended 31st March 2018;

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

Abarna
(Abarna Bhaskar)
Partner
M. No. 025145



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

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



Place: Mangalore
Dated: 15th May 2018