DISCLOSURE UNDER PILLAR III OF BASEL III ACCORD
[Position as on 30-09-13]

1. SCOPE OF APPLICATION

The Karnataka Bank Limited is a premier private sector bank which was incorporated on February 18th 1924 at Mangalore. The Bank does not have any subsidiary/Associate companies under its Management.

The Bank presently is not involved in insurance business. However, bank has entered in to a Joint venture agreement and holds equity investments to the extent of 15% in M/s Universal Sompo General Insurance Company Limited. The financials of the joint venture company are not considered with the balance sheet of the Bank. The investment in the joint venture is not deducted from the capital funds of the Bank but is assigned risk weights as an investment.

2. CAPITAL STRUCTURE

	Particulars	No of equity Shares	Face value per share	Amount
1	Authorized Capital	300000000	10	3000000000
2	Issued Capital	188432150	10	1884321500
3	Subscribed Capital	188423752	10	1884237520
4	Called up/Paid up Capital	188407202	10	1884072020

The Bank's shares are listed on the National Stock exchange Ltd and Bombay Stock Exchange Ltd.

During the half year period ended 30th September, 2013 the Bank has allotted 64092 equity shares to employees under its Employee Stock Option Plan. Apart from the above, Bank has not raised any capital by IPO, Rights or by Public offer if any during the six months period ended 30th September, 2013.

Breakup of Capital Funds

The Tier I Capital of the Bank comprises of

(Rs in crore)

1	Paid up Capital (Including forfeited shares)	188.42
2	Reserves	2630.47
	Total	**2818.89**

The Tier II Capital of the Bank comprises of

(Rs in crore)

1	Undisclosed reserves	14.95
2	General Provisions and Loss Reserves	170.98
3	Subordinated debts eligible for inclusion in Lower Tier 2 Capital	505.90
	Total	**691.83**

The Total capital comprises of

(Rs in crore)

1	Tier I Capital	2818.89
2	Tier II Capital	691.83
	Total	**3510.72**

The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted : (Rs. in crores)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
Universal Sompo General insurance Co Ltd	General Insurance	350	15%	CRAR will be reduced by 0.08%

Assessment of Capital Adequacy

a] An assessment of the capital requirement of the Bank is carried out through comprehensive projections of future business that takes cognizance of the strategic intent of the Bank, profitability of particular business and opportunities for growth. The proper mapping of credit, operational and market risks to this projected business growth enables assignment of capital that not only adequately covers the minimum regulatory capital requirements but also provides headroom for growth. The calibration of risk to business is enabled by a strong risk culture in the Bank aided by effective, technology based risk management systems.

A summary of the Bank's Capital requirement **under Basel III** for credit, market and operational risk and the capital adequacy ratio as detailed below.

(Rs in crore)

A	Capital requirement for Credit Risk	
	-Portfolios subject to Standardized approach	2077.99
	-Securitization exposures	-
B	Capital requirement for Market Risk	
	Standardized duration approach	108.64
	-Interest rate Risk	66.57
	-Foreign exchange risk	1.80
	-Equity Risk	40.27
c	Capital requirement for Operational Risk	
	-Basic Indicator approach	163.91
D	Total Capital requirement	2350.54
E	Total eligible Capital Funds of the Bank as per Basel III	3452.86
F	Total Risk Weighted Assets	26117.2
G	Common Equity Tier I ratio (CET1) (%)	10.57%
H	Tier I CRAR (%)	10.57%
I	Tier II CRAR (%)	2.65%
J	Total CRAR (%)	13.22%

3. RISK MANAGEMENT: OBJECTIVES AND ORGANIZATION STRUCTURE

The various risks taken by the Bank during the course of the business development are identified, assessed, measured, controlled, monitored and reported effectively. The key components of the Bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism. The Bank's risk governance architecture focuses attention on key areas of risk such as credit, market and operational risk and quantification of these risks wherever possible for effective and continuous monitoring.

a. Objectives and Policies

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Bank has a well documented Board approved 'Risk Management Policy' in place. The Board sets the overall risk appetite and philosophy for the Bank. The Board of Directors, the Integrated Risk Management Committee and the Audit Committee of the Board review various aspects of risk arising from the businesses of the Bank.

b. Structure and Organization

The Bank has a risk management system that is centralized with a three track committee approach. The committees are Credit Policy Committee (CPC), Asset Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC). An Integrated Risk Management Committee (IRMC) evaluates the overall risk factors faced by the bank and directly reports to the Board of directors.
Credit Policy Committee deals with credit policies and procedures, Asset Liability Management Committee deals with Asset Liability Management (ALM) and Investment Policy of the Bank and Operational Risk Management Committee formulates policies and procedures for managing operational risk.

4. CREDIT RISK MANAGEMENT

Bank has developed online comprehensive credit risk rating system for all borrower accounts. Risk rating of borrowers intended to help banks in quantifying and aggregating the credit risk across various exposures. The bank has validated its existing rating models and refined/revised the corporate models, besides introduction of Specialized lending rating models, Retail score card models [Pool based approach] and Facility rating. Accordingly, bank is rating its credit portfolio as per the criteria laid down for rating in the Loan Policy of the Bank. The rating serves as a single point indicator of diverse risk factors of counter-party and for taking credit decisions. The risk rating system is drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics etc. Bank is also undertaking periodic validation exercise of its rating models and also conducting migration and default rate analysis to test robustness of its rating models.
The bank has formulated a comprehensive Loan Policy by incorporating various parameters and prudential limits to manage and control default, transaction and intrinsic/concentration risk. The credit exposures are taken after subjecting the proposals to analysis of various risk factors such as financial risk, industry risk, management risk, business risk, transaction risk etc.

The bank analyses the migration of borrowers in various risk rating categories to gauge the quality of the loan portfolio. In addition to the above, the bank also conducts periodical review of the loan assets to ascertain conduct of the accounts. The bank conducts periodical Credit Audit and Stock Audit of large credit exposures to limit the magnitude of credit risk and interest rate risk.

Credit sanction and related processes

Know Your Customer is a leading principle for all activities. The other components of the credit process are:

1. Sound credit approval process with well laid credit sanctioning criteria is in place.
2. The acceptability of credit exposure is primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.
3. Portfolio level risk analysis and reporting to ensure optimal spread of risk across various rating classes to prevent undue risk concentration across any particular industry segments and monitor credit risk migration.
4. Sector specific studies are periodically undertaken to highlight risk and opportunities in those sectors.
5. Rating linked exposure norms have been adopted by the Bank.
6. Industry-wise exposure ceilings are based on the industry performance, prospects and the competitiveness of the sector.
7. Separate risk limits are set out for credit portfolios like advances to NBFC and unsecured loans that require special monitoring.

Review and Monitoring

1. All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with lower credit rating are subject to more frequent reviews.
2. Credit monitoring involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.
3. Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimize the potential loss to the Bank.

Concentration Risk

The Bank controls concentration risk by means of appropriate sectoral limits and borrowers limits based on creditworthiness.

Large exposures to individual clients or group

The Bank has individual borrower-wise exposure ceilings based on the internal rating of the borrower as well as group-wise borrowing limits. The Bank monitors the level of credit risk (Low/Moderate/High/Very High) and direction of change in credit risk (increasing /decreasing/ stable) at the portfolio level. The bank captures the Concentration risk by monitoring the geographical exposure.

Definition of Non-Performing Assets

Bank has adopted the definition of the past due and impaired assets (for accounting purposes) as defined by the regulator for income recognition and asset classification norms.

Exposures

A. Total gross credit exposure including geographic distribution of exposure

(Rs in crore)

	Domestic	Overseas	Total
Fund Based	30523.92	0.00	30523.92
Non Fund based	4359.64	0.00	4359.64
Total	34883.56	0.00	34883.56

Geographic distribution of credit exposure

(Rs in crore)

S.No.	State/Union Territory	Fund based	Non fund based	Total
1	ANDHRA PRADESH	2551.60	668.93	3220.53
2	ASSAM	48.12	29.59	77.71
3	BIHAR	10.44	0.00	10.44
4	CHANDIGARH	54.40	9.50	63.89
5	CHHATTISGARH	296.96	38.47	335.43
6	DELHI	3261.20	372.65	3633.85
7	GOA	153.76	35.99	189.74
8	GUJARAT	278.86	51.74	330.60
9	HARYANA	854.49	292.93	1147.42
10	JHARKHAND	37.61	1.86	39.47
11	KARNATAKA	11471.56	1280.22	12751.78
12	KERALA	291.28	9.50	300.78

13	MADHYA PRADESH	233.85	8.92	242.77
14	MAHARASHTRA	4888.15	830.34	5718.49
15	ORISSA	398.06	31.85	429.91
16	PONDICHERRY	35.27	1.73	37.00
17	PUNJAB	362.87	64.12	426.99
18	RAJASTHAN	884.13	39.43	923.56
19	TAMIL NADU	2916.35	321.44	3237.80
20	UTTAR PRADESH	516.31	143.38	659.69
21	UTTARAKHAND	58.58	2.97	61.55
22	WEST BENGAL	920.10	124.10	1044.19
	Total	**30523.92**	**4359.64**	**34883.56**

While determining level and direction of credit risk, parameters like percentage of low- risk credit (investment grade and above) to credit risk exposure and migration from investment to non-investment grade (quantum as percentage of credit risk exposure) are also considered. The Bank monitors the rating-wise distribution of its borrowers also.

Exposure to Industries

Industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Particular attention is given to industry sectors where the Bank believes that there is a high degree of risk or potential for volatility in the future. The Bank has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

The credit policy deals with short term as well as long term approach to credit risk management. The policy of the bank embodies in itself the areas of risk identification, risk measurement, risk grading techniques, reporting and risk control systems /mitigation techniques, documentation practice and the system for management of problematic loans.

B. Distribution of Credit Exposure by Industry sector

(Rs in Crore)

Sl. No.	INDUSTRY CLASSIFICATION	FUND BASED	NON FUND BASED
1	Coal and Mining	89.81	1.30
2	Iron and Steel	778.55	90.00
3	Metal and Metal Products	336.27	127.82

4	Other Engineering	559.01	245.66
5	Wood Based Industries	91.56	162.30
6	Electronics	24.88	3.52
7	Cotton Textile	680.79	95.60
8	Jute Textile	5.69	1.91
9	Other Textiles	793.02	103.30
10	Tea Industry	40.05	0.30
11	Kandasari and Sugar	33.98	2.11
12	Vegetable Oil	18.16	0.05
13	Tobbaco and Tobbaco Products	0.90	0.00
14	Paper and Paper Products	244.34	25.64
15	Rubber and Rubber Products	12.69	3.88
16	Plastic and Plastic Products	235.37	79.00
17	Chemicals, Dyes	80.95	20.01
18	Drugs and Pharmaceuticals	105.95	53.15
19	Cement and Cement Products	416.15	20.73
20	Leather and Leather Products	33.90	17.85
21	Petroleum Products	250.28	1.38
22	Distilleries, Brewaries including soft drinks	22.24	0.75
23	Cashewnut Processing	18.28	0.00
24	Rice, Flour, Dhal Mills	86.35	6.37
25	Marine Products/Processing	0.03	0.00
26	Food and Food Products	206.23	5.11
27	Gems and Jewellery	621.14	72.29
28	Automobiles	403.67	11.68
29	Computer Software and Computer Hardware	21.31	22.73
30	Infrastructure Loans	3166.36	217.17
31	All Other Industries	690.38	205.55
	TOTAL INDUSTRIAL ADVANCE	10068.30	1597.16

The details of the Industry wherein the bank's exposure in the related Industry has exceeded the 5% of total gross credit exposure is furnished below.

Sl No	Industry / sectors classification	Percentage of the total credit exposure

1	Infrastructure Loans	9.70 %

C. Residual Contractual Maturity of Advances and Investments

(Rs in crore)

Sl No	Maturity Buckets	Advances	Investments
1	1 day	949.03	308.87
2	2 to 7 days	194.34	110.02
3	8 to 14 days	258.5	0.00
4	15-28 Days	285.62	25.00
5	29 Days to 3 Months	1438.56	566.60
6	Over 3 Months to 6 Months	2101.85	538.88
7	Over 6 Months to 12 Months	3175.52	481.89
8	Over 1 Year to 3 years	11949.55	2965.87
9	Over 3 Years to 5 Years	2654.09	2318.46
10	Over 5 Years	3461.63	7643.99
	Total	26468.69	14959.58

D. Classification of Non Performing Advances

(Rs in Crore)

		30.09.2013
A	Amount of NPA's (Gross)	962.11
	-Substandard	520.13
	-Doubtful 1	260.22
	-Doubtful 2	129.20
	-Doubtful 3	18.61
	-Loss	33.95
B	Net NPAs	593.09
	Gross NPAs to Gross Advances ratio (%)	3.59
	Net NPAs to Net Advances ratio (%)	2.25

Movement of NPAs (Gross) (Rs in crores)

	30.09.2013
1. Opening Balance as on 01.04.2013	638.86
2. Additions	415.04
3. Reductions	91.79

4. Closing Balance as on 30.09.2013	962.11

Movement of Provisions for NPAs

(Rs. in crores)

	30.09.2013
1. Opening Balance	198.41
2. Provision made during the period	147.51
3. Write off	44.34
4. Write back of excess provisions	
5. Closing balance	301.58

E. Non Performing Investments and movement of provision for depreciation on Investments

(Rs in Crore)

		30.09.2013
A	Amount of Non performing Investments	14.92
B	Amount of Provision held for Non performing Investments	14.92
C	Movement of provisions for depreciation on Investments	
	a)Opening balance	88.00
	b) Add: Provisions made during the year	58.39
	c) Less: Write off/write back of excess provisions	16.77
	d) Closing balance	129.62

Disclosure for portfolios subject to the standardized approach

Large corporate borrowers and Public Sector Enterprises are being encouraged to solicit ratings from approved external rating agencies and wherever such ratings are available the bank uses the same in assigning risk weights. Bank has approved 6 domestic credit rating agencies identified by RBI i.e. CRISIL, CARE, India Ratings and Research Private Limited (earlier FITCH India), ICRA, Brickwork and SMERA. The ratings available in public domain are mapped according to risk profile and specific risk characteristics of each rating grade of respective agencies as envisaged in RBI guidelines.

The credit exposure [fund based & non fund based] after risk mitigation (subject to the standardized Approach) in different risk buckets are as under:

(Rs in Crore)

Sl No	Risk weight	Exposure Outstanding
1	Below 100%	10106.20
2	100%	10342.63
3	More than 100%	4175.00
	Total	**24623.83**

Credit Risk Mitigation: Disclosures for Standardized Approach

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral mitigation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel guidelines.

Types of eligible financial collateral / Guarantors:

The Bank recognizes only specified types of financial collateral and guarantees (counter-guarantors) for providing capital relief in line with Basel II guidelines on credit risk mitigation.

This includes cash, Bank own deposits, gold (including bullion and jewellery, subject to collateralized jewellery being notionally converted/benchmarked to 99.99% purity), securities issued by the Central and State Governments, Kisan Vikas Patra, National Savings certificates, life insurance policies with a declared surrender value which is regulated by IRDA, certain debt securities rated by a recognized credit rating agency, certain debt securities not rated but issued by Banks and listed on a recognized exchange and are classified as senior debt, certain mutual fund units where daily Net Assets Value (NAV) is available in public domain .

Eligible Guarantors (counter-guarantors):

Credit protection given by the following entities is recognized:

(i) Sovereigns, sovereign entities (including BIS, IMF, European Central Bank and European Community as well as permitted MDBs, ECGC, CRGFTLIH and CGTMSE), banks and primary dealers with a lower risk weight than the counterparty;

(ii) Other entities that are externally rated except when credit protection is provided to a securitization exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

(iii) When credit protection is provided to a securitization exposure, other entities that currently are externally rated BBB- or better and that were externally rated A- or better at the time the credit protection was provided. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

The extent of total credit exposure (under the standardized approach) covered by eligible financial collaterals after application of haircuts are furnished below:

(Rs in crore)

Eligible financial collaterals after haircuts	4597.76
Eligible guarantees	694.72

5. MARKET RISK & LIQUIDITY RISK

The bank has put in place Board approved Integrated Treasury Policy and Asset Liability Management (ALM) policy for effective management of market risk in the bank. The objective of Integrated Treasury Policy is to assess and minimize risks associated with treasury operations by extensive use of various risk management tools. Broadly, it encompasses Policy prescriptions for managing systemic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

For market risk arising out of various products in treasury and its business activities, the bank has set regulatory / internal limits and ensures the adherence thereof. Migration of ratings is tracked regularly. Limits for exposures to counter-parties, industries and countries are monitored and the risks are controlled through Stop Loss Limits, Overnight limit, Daylight limit, Aggregate Gap limit, Individual gap limit, Value at Risk (VaR) limit for Forex, Inter-Bank dealing and various investment limits. For the Market Risk Management the bank has a Mid Office. The functions of Mid Office are handled by Integrated Risk Management Department.

The Board, IRMC & ALCO are overseeing the market risk management of the bank, procedures thereof, implementing risk management guidelines issued by regulator, best risk management practices followed globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits are adhered to.

The policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigates are discussed in ALCO and based on views taken by / mandates of ALCO, hedge deals are undertaken.

Liquidity risk of the bank is assessed through daily gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as Stress testing, simulation, sensitivity analysis etc. are conducted on regular intervals to draw the contingency funding plan under different liquidity scenarios.

Market Risk in Trading Book

Bank has adopted the Standardized Duration Approach as prescribed by RBI for computation of capital charge for market risk and is fully compliant with such RBI guidelines. Bank is now preparing itself for the Advanced Approach based on a Value at Risk (VaR) model, which is under implementation.

The capital requirements for market risk are detailed below:

(Rs in crore)

Sl No	Risk Category	Capital Charge
I	Interest Rate	66.57
II	Equity	40.27
III	Foreign Exchange , Gold and Derivatives	1.80
IV	Total Capital Charge for market Risk (I+II+III)	108.64

6. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

The interest rate risk is viewed from two perspectives i.e. 'Earnings Perspective' and 'Economic Value Perspective'. Generally, the former is measured using Earnings-at-Risk (EaR) under Traditional Gap Analysis (TGA) and the latter is measured through changes in the Market value of Equity (MVE) under Duration Gap Analysis (DGA).

- Earnings-at-Risk (EaR):

  All the Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) maturing/re-pricing up to 1 year are bucketed as per Traditional Gap Analysis (TGA) and EaR analysis is conducted by applying various shocks on product-wise weighted average interest rates in each time band. EaR is quantified by changes in the NII and NIM in comparison with the previous financial year end.

- Impact on Market Value of Equity (MVE):

Impact on Market Value of Equity (MVE) is analyzed through Duration Gap Analysis (DGA) which involves bucketing of market value of all Rate Sensitive Assets and Rate Sensitive Liabilities as per residual maturity/ re-pricing in various time bands and computing Modified Duration Gap. Accurate method is adopted for computing the market value by discounting each cash flow of all Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) with various discount curves as suggested by RBI. Notional interest rate shocks are applied on the resultant Modified Duration Gap to arrive at the changes in the Market Value of Equity (MVE).

- Prudential limits have been fixed for changes in NIM and MVE for 200bps shock in the interest rates and monitored on a monthly basis.

  Earning at Risk for 200 bps interest rate shock is estimated at Rs. 55.14 crore and change in the Market value of Equity for 200 bps interest rate shocks is [-] 1.38%.

8. OPERATIONAL RISK

Strategies and Processes

Bank has initiated several measures to manage operational risk through identification, assessment and monitoring of inherent risks in all its business processes. A framework has been laid to capture loss data which can be mapped to operational risk events to measure the impact quantitatively. Bank has put in place a hierarchical structure to effectively manage operational risk through the formation of internal committee viz., Operational Risk Management Committee (ORMC).

Scope and Nature of Operational Risk Reporting and Measurement Systems

A systematic process for reporting risk events, loss events, "near misses" and non-compliance issues relating to operational risks have been developed and implemented. The information gathered will be used to develop triggers to initiate corrective actions to improve controls. All critical risks and potential loss events are reported to the senior Management/ORMC/IRMC as appropriate for their directions and suggestions.

An Operational Risk Management Policy approved by the Risk Management Committee of the Board details the framework for hedging and/or mitigating operational risk in the Bank. As per the policy, all new products are vetted by the

New Product Approval Committee to identify and assess potential operational risks involved and suggest control measures to mitigate the risks.

Approach for Operational Risk Capital Assessment

As per the RBI guidelines, the Bank has adopted Basic Indicator Approach for computing capital charge for Operational Risk. Steps have been initiated to migrate to the Advanced Measurement Approach.

Exposure Related to Counterparty Credit Risk

Counterparty Credit Risk exposures for banks are assessed based on Bank's business requirements and considering counterparty bank's parameters such as CRAR, NPA level, net worth etc. Counterparty exposures for other entities are assessed subject to exposure ceilings as per the Loan Policy of the Bank. Capital for Counterparty Credit Risk exposure is assessed based on Standardized Approach.

The Bank does not recognize bilateral netting. The credit equivalent amount of derivative exposure is calculated using Current Exposure Method and the balance outstanding as on 30th September, 2013 is as under:

(Rs. in crores)

Particulars	Notional Amount	Current Exposure
Foreign exchange contracts	8788.67	373.43
Interest rate contracts	Nil	Nil
Total	8788.67	373.43

Composition of Capital: Rs. in million

			Amounts Subject to Pre-Basel III Treatment
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	9107.79	
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)	19081.10	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
	Public sector capital injections grandfathered until January 1, 2018		

5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	28188.89	
Common Equity Tier 1 capital : regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)		
10	Deferred tax assets		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity	4.31	17.25
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights[4](amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which : significant investments in the common stock of financial entities		
24	of which : mortgage servicing rights		
25	of which : deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments[7] (26a+26b+26c+26d)	568.32	0
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries		

26b	of which : Investments in the equity capital of unconsolidated non-financial subsidiaries		
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank		
26d	of which : Unamortised pension funds expenditures	568.32	0
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)		
	of which : [INSERT TYPE OF ADJUSTMENT]		
	of which : [INSERT TYPE OF ADJUSTMENT]		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	572.63	
29	**Common Equity Tier 1 capital (CET1)**	27616.26	
Additional Tier 1 capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)		
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)		
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which : instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**		
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		

40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)[0]		
41	National specific regulatory adjustments (41a+41b)		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs]		
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]		
	of which : [INSERT TYPE OF ADJUSTMENT]		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**		
44	**Additional Tier 1 capital (AT1)**	0	
44a	**Additional Tier 1 capital reckoned for capital adequacy**	0	
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	27616.26	
Tier 2 capital : instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	5059.00	
47	Directly issued capital instruments subject to phase out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which : instruments issued by subsidiaries subject to phase out		
50	Provisions	1859.35	
51	**Tier 2 capital before regulatory adjustments**	6918.35	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments	5.97	23.87
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10%		

	threshold)		
55	Significant investments[13]in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments (56a+56b)		
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries		
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]		
	of which : [INSERT TYPE OF ADJUSTMENT		
57	Total regulatory adjustments to Tier 2 capital	5.97	
58	Tier 2 capital (T2)	6912.38	
58a	Tier 2 capital reckoned for capital adequacy14	6912.38	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0	
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	6912.38	
59	Total capital (TC = T1 + Admissible T2) (45 + 58c)	34528.64	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment		
	of which : [INSERT TYPE OF ADJUSTMENT]		
	of which : …		
60	**Total risk weighted assets (60a + 60b + 60c)**	261172.03	
60a	of which : total credit risk weighted assets	230887.87	
60b	of which : total market risk weighted assets	12071.22	
60c	of which : total operational risk weighted assets	18212.94	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.57%	
62	Tier 1 (as a percentage of risk weighted assets)	10.57%	
63	Total capital (as a percentage of risk weighted assets)	13.22%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	4.5%	
65	of which : capital conservation buffer requirement	-	

66	of which : bank specific countercyclical buffer requirement	-	
67	of which : G-SIB buffer requirement		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	6.07%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	4.5%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	6%	
71	National total capital minimum ratio (if different from Basel III minimum)	9%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1859.35	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2886.09	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Main Features of Regulatory Capital Instruments:

Main Features of Regulatory Capital Instruments (Equity Shares & Bond SERIES I, II, III & IV)						
Disclosure template for main features of regulatory capital instruments						
	Description	**Equity Shares**	**SERIES I**	**SERIES II**	**SERIES III**	**SERIES IV**
1.	Issuer	The Karnataka Bank Ltd	The Karnataka Bank Ltd	The Karnataka Bank Ltd	The Karnataka Bank Ltd	The Karnataka Bank Ltd
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE614B01018	INE614B09011	INE614B09029	INE614B08013	INE614B08021
3.	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements
	Regulatory Treatment					
4.	Transitional Basel III rules	Common Equity Tier I	Tier 2	Tier 2	Tier 2	Tier 2
5.	Post-transitional Basel III rules	Common Equity Tier I	Eligible	Eligible	Eligible	Eligible
6.	Eligible at solo ~~/ group / group & solo~~	Solo*	Solo	Solo	Solo	Solo
7.	Instrument type	Common Shares	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8.	Amount recognized in regulatory capital (Rs. in million, as of most recent reporting date)	Rs.188.40 Crore	Rs.72.30 Crore	Rs.23.60 Crore	Rs.160 Crore	Rs.250 Crore

Main Features of Regulatory Capital Instruments (Equity Shares & Bond SERIES I, II, III & IV)						
Disclosure template for main features of regulatory capital instruments						
	Description	**Equity Shares**	**SERIES I**	**SERIES II**	**SERIES III**	**SERIES IV**
9.	Par value of instrument	Not Applicable	Rs.120.50 Crore	Rs.29.50 Crore	Rs.200.00 Crore	Rs.250.00 Crore
10.	Accounting classification	Shareholders' Equity	Liability	Liability	Liability	Liability
11.	Original date of issuance	Various	30.06.2007	29.03.2008	27.09.2008	17.11.2012
12.	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13.	Original maturity date	No Maturity	30.09.2017	29.03.2018	27.09.2018	17.11.2022
14.	Issuer call subject to prior supervisory approval	Not Applicable	No call option	No call option	No call option	Call Option by the Bank at par after five years from the date of issue subject to RBI Approval.
15.	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable	Not Applicable	After 18.11.2017, Rs.250.00 Crore
16.	Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Coupons / dividends	Dividend	Coupon	Coupon	Coupon	Coupon
17.	Fixed or floating dividend / coupon	Not applicable	Fixed	Fixed	Fixed	Fixed
18.	Coupon rate and any related index	Not Applicable	10.50%	10.25%	11.25%	11.00%
19.	Existence of a dividend stopper	Not Applicable	Yes	Yes	Yes	Yes

Main Features of Regulatory Capital Instruments (Equity Shares & Bond SERIES I, II, III & IV)						
Disclosure template for main features of regulatory capital instruments						
	Description	**Equity Shares**	**SERIES I**	**SERIES II**	**SERIES III**	**SERIES IV**
20.	Fully discretionary, partially discretionary or mandatory	Full Discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21.	Existence of step up or other incentive to redeem	No	No	No	No	No
22.	Noncumulative or cumulative	Non Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23.	Convertible or non-convertible	Not Applicable	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24.	If convertible, conversion trigger(s)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
25.	If convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
26.	If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
27.	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
28.	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
29.	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Main Features of Regulatory Capital Instruments (Equity Shares & Bond SERIES I, II, III & IV)						
Disclosure template for main features of regulatory capital instruments						
	Description	**Equity Shares**	**SERIES I**	**SERIES II**	**SERIES III**	**SERIES IV**
30.	Write-down feature	No	No	No	No	No
31.	If write-down, write-down trigger(s)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
32.	If write-down, full or partial	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
33.	If write-down, permanent or temporary	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
34.	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Claim at the time of liquidation	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank
36.	Non-compliant transitioned features	No	No	No	No	No
37.	If yes, specify non-compliant features	No	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* No Group entities

The details of the Tier II capital [Bonds] raised by the Bank:

(Rs in crore)

Series	ISIN	Date of allotment	Date of redemption	Rate of Interest	Amount
SERIES I	INE614B09011	30.06.2007	30.06.2017	10.50%	Rs.120.50
SERIES II	INE614B09029	29.03.2008	29.03.2018	10.25%	Rs.29.50
SERIES III	INE614B08013	27.09.2008	27.09.2018	11.25%	Rs.200.00
SERIES IV	INE614B08021	17.11.2012	17.11.2022	11.00%	Rs.250.00
				Total	**Rs.600.00**

Terms and Conditions of regulatory capital instruments [Bond series]:

Instrument	Full Terms and Conditions	
SERIES I	Nature of Instrument:	Unsecured, Redeemable, Non-convertible Subordinated Lower Tier-II Bonds in the nature of debentures.
	Amount Subscribed:	RS.120.50 Crore
	Face Value of the Bond:	Rs.10,00,000 per Bond
	Date of allotment:	30.06.2007
	Date of Redemption:	30.06.2017
	Coupon Rate:	10.50%
	Issuance, Trading & Listing:	Demat Mode, Listed on NSE Debt Segment

Instrument	Full Terms and Conditions	
SERIES II	Nature of Instrument:	Unsecured, Redeemable, Non-convertible Subordinated Lower Tier-II Bonds in the nature of debentures.
	Amount Subscribed:	RS.29.50 Crore
	Face Value of the Bond:	Rs.10,00,000 per Bond
	Date of allotment:	29.03.2008
	Date of Redemption:	29.03.2018
	Coupon Rate:	10.25%
	Issuance, Trading & Listing:	Demat Mode, Listed on NSE Debt Segment

Instrument	Full Terms and Conditions	
SERIES III	Nature of Instrument:	Unsecured, Redeemable, Non-convertible Subordinated Lower Tier-II Bonds in the nature of debentures.
	Amount Subscribed:	RS.200.00 Crore
	Face Value of the Bond:	Rs.10,00,000 per Bond
	Date of allotment:	27.09.2008
	Date of Redemption:	27.09.2018
	Coupon Rate:	11.25%
	Issuance, Trading & Listing:	Demat Mode, Listed on NSE Debt Segment

Instrument	Full Terms and Conditions	
SERIES IV	Nature of Instrument:	Unsecured, Redeemable, Non-convertible Subordinated Lower Tier-II Bonds in the nature of debentures.
	Amount Subscribed:	RS.250.00 Crore
	Face Value of the Bond:	Rs.10,00,000 per Bond
	Date of allotment:	17.11.2012
	Date of Redemption:	17.11.2022
	Coupon Rate:	11.00%
	Issuance, Trading & Listing:	Demat Mode, Listed on NSE Debt Segment

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