Main Features of Regulatory Capital Instruments:

Main Features of Regulatory Capital Instruments (Equity Shares & Bonds)					
	Description	**Equity Shares**	**SERIES IV**	**SERIES V**	**SERIES VI**
1.	Issuer	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	INE614B08021	INE614B08039	INE614B08047
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
Regulatory Treatment					
4.	Transitional Basel III rules	Common Equity Tier I	Tier 2	Tier 2	Tier 2
5.	Post-transitional Basel III rules	Common Equity Tier I	Ineligible	Eligible	Eligible
6.	**Eligible at solo** ~~/ group / group & solo~~	Solo	Solo	Solo	Solo
7.	Instrument type	Common Shares	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. 3,108.69 million	Rs.250.00 million	Rs.4,000.00 million	Rs.3,200.00 million
9.	Par value of instrument	NA	Rs.2,500.00 million	Rs.4,000.00 million	Rs.3,200.00 million
10.	Accounting classification	Shareholders' Equity	Liability	Liability	Liability
11.	Original date of issuance	Various	17.11.2012	16.11.2018	18.02.2019
12.	Perpetual or dated	Perpetual	Dated	Dated	Dated
13.	Original maturity date	NA	17.11.2022	16.11.2028	18.02.2029
14.	Issuer call subject to prior supervisory approval	NA	Call Option by the Bank at par after five years from the date of issue subject to RBI Approval.	Call Option by the Bank at par after five years from the date of issue subject to RBI Approval.	Call Option by the Bank at par after five years from the date of issue subject to RBI Approval.

Main Features of Regulatory Capital Instruments (Equity Shares & Bonds)					
	Description	**Equity Shares**	**SERIES IV**	**SERIES V**	**SERIES VI**
15.	Optional call date, contingent call dates and Redemption amount	NA	After 18.11.2017, However call option has not been exercised so far. * Rs.2,500.00 million.	After 16.11.2023, Rs.4,000.00 million	After 18.02.2024, Rs.3,200.00 million
16.	Subsequent call dates, if applicable	NA	On every anniversary of coupon payment date after first call option due date. However, call option has not been exercised so far.*	On every anniversary of coupon payment date after first call option due date	On every anniversary of coupon payment date after first call option due date

*call option requires prior approval of the RBI

Coupons / dividends		Dividend	Coupon	Coupon	Coupon
17.	Fixed or floating dividend / coupon	NA	Fixed	Fixed	Fixed
18.	Coupon rate and any related index	NA	11.00%	12.00%	12.00%
19.	Existence of a dividend stopper	NA	NA	NA	NA
20.	Fully discretionary, partially discretionary or mandatory	Full Discretionary	Mandatory	Mandatory	Mandatory
21.	Existence of step up or other incentive to redeem	No	No	No	No
22.	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23.	Convertible or non-convertible	NA	Non-Convertible	Non-Convertible	Non-Convertible
24.	If convertible, conversion trigger(s)	NA	NA	NA	NA
25.	If convertible, fully or partially	NA	NA	NA	NA
26.	If convertible, conversion rate	NA	NA	NA	NA
27.	If convertible, mandatory or optional conversion	NA	NA	NA	NA

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Coupons / dividends		Dividend	Coupon	Coupon	Coupon
28.	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29.	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30.	**Write-down feature**	No	No	Yes	Yes
31.	If write-down, write-down trigger(s)	NA	NA	Point of Non Viability as stipulated in Basel III guidelines and determined by RBI.	Point of Non Viability as stipulated in Basel III guidelines and determined by RBI.
32.	If write-down, full or partial	NA	NA	Full	Full
33.	If write-down, permanent or temporary	NA	NA	Permanent	Permanent
34.	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
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
36.	Non-compliant transitioned features	No	Yes	No	No
37.	If yes, specify non-compliant features	NA	PONV clause not in instrument	NA	NA

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

(Rs in Million)

Series	ISIN	Date of allotment	Date of redemption	Rate of Interest	Amount
Series IV	INE614B08021	17.11.2012	17.11.2022	11.00%	2,500.00
Series V	INE614B08039	16.11.2018	16.11.2028	12.00%	4,000.00
Series VI	INE614B08047	18.02.2019	18.02.2029	12.00%	3,200.00
				Total	**9,700.00**

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Table DF-14: Full Terms and Conditions of Regulatory Capital Instruments

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

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. 2,500.00 Million
	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
	Detailed terms and conditions as per Annexure I	

Instrument	Full Terms and Conditions	
Series V	Nature of Instrument:	Unsecured, Redeemable, Non-convertible, Basel III compliant, Subordinated Lower Tier-II Bonds in the nature of debentures.
	Amount Subscribed:	Rs. 4,000.00 Million
	Face Value of the Bond:	Rs.1,00,000 per Bond
	Date of allotment:	16.11.2018
	Date of Redemption:	16.11.2028
	Coupon Rate:	12.00%
	Issuance, Trading & Listing:	Demat Mode, Listed on NSE Debt Segment
	Detailed terms and conditions as per Annexure II	

Instrument	Full Terms and Conditions	
Series VI	Nature of Instrument:	Unsecured, Redeemable, Non-convertible, Basel III compliant, Subordinated Lower Tier-II Bonds in the nature of debentures.
	Amount Subscribed:	Rs. 3,200.00 Million
	Face Value of the Bond:	Rs.1,00,000 per Bond
	Date of allotment:	18.02.2019
	Date of Redemption:	18.02.2029
	Coupon Rate:	12.00%
	Issuance, Trading & Listing:	Demat Mode, Listed on NSE Debt Segment
	Detailed terms and conditions as per Annexure II	

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ANNEXURE –I SERIES IV

Nature of Instrument	Unsecured, Redeemable, Non-convertible Subordinated Lower Tier-IIBonds in the nature of debentures.
Face Value	Rs 10,00,000/- (Rupees Ten Lakhs only) per Bond.
Redemption	Bullet Redemption at par at the end of 10th Year from the date of Allotment with the consent of the Reserve Bank of India.
Put Option	None.
Call Option	At Par at the end of 5th Year from the date of allotment with the prior Approval of Reserve Bank of India (Department of Banking Operations &Development).
Interest Payment	The Bonds shall carry interest at coupon rate (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Bank) on the outstanding amount of the principal till final redemption. The Interest on the Bonds shall be calculated on basis of actual / 365 days and actual / 366 days in the case of leap years. Interest will be paid annually on November 17th each year till final redemption. First interest payment shall be made on November 17, 2013.
Interest on Subscription Money	Interest on application money will be paid to investors at the coupon rate (subject to deduction of tax at source, as applicable) from date of realisationof cheques(s)/Demand Draft(s) upto but not including the date of allotment.
Listing	The Bank proposes to list the Bonds on the Wholesale Debt Market (WDM) Segment of National Stock Exchange of India Ltd. (NSE).
Issuance and Trading	Demat Mode.
Depository	NSDL & CDSL
Record Date	The Bank's Register of Bondholders will be closed for the purpose of payment of interest, redemption or exercise of the call option of Bonds, as the case may be, 15 days (Fifteen days) prior to the respective due date.
Other Terms and conditions	With reference to the RBI Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework (NCAF) circular No: DBOD.No.BP.BC. 15/21.06.001/2012-13 July 2, 2012, regarding "Terms and conditions applicable to Subordinated debt to qualify for inclusion as Lower Tier II Capital", Lower Tier II Bonds are subordinated to the claims of other creditors, free of restrictive clauses and shall not be redeemable at the initiative of the holder or without the consent of Reserve Bank of India. Further with reference to the Guidelines on Implementation of Basel III Capital Regulations in India issued by RBI bearing reference DBOD.No.BP.BC.98 /21.06.201/2011-12 May 2, 2012, regarding the "Criteria for inclusion of Debt Capital Instruments as Tier 2 capital, the investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation. All redemptions shall be made with the consent of Reserve Bank of India.
Note: For the complete terms and conditions, kindly refer to the Term Sheet as made available in the Information Memorandum of the respective Series as submitted to the stock exchange.	

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ANNEXURE-II SERIES V AND SERIES VI

Type of Instrument	Bonds in the nature of debentures i.e. Rated, Unsecured, Redeemable, Non-convertible, BASEL III Compliant, Lower Tier 2 Subordinated Bonds in the nature of debentures of a face value of Rs.1,00,000 each fully paid-up with marketable lot of one Bond. The instruments shall be free of restrictive clauses and shall not be redeemable at the initiative of the holder or without the consent of the Reserve Bank of India, as may be required and subject to conditions as mentioned under this term sheet.
Put Option	Not Applicable
Put Date	Not Applicable
Put Price	Not Applicable
Put Notification Time	Not Applicable
Call Option	The Bonds may be called upon, at the initiative of the Bank only after a minimum period of five years post allotment of the Bonds, subject to the below conditions: a. To exercise a Call Option, Bank must receive prior approval of RBI (Department of Banking Regulation); and b. Bank must not do anything which creates an expectation that the call will be exercised. For example, to preclude such expectation of the instrument being called, the dividend/ coupon reset date need not be co-terminus with the call date. Banks may, at their discretion, consider having an appropriate gap between dividend/coupon reset date and call date; and c. Banks must not exercise a call unless: i. They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions whichare sustainable for the income capacity of the Bank; or ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the Call Option is exercised. The use of tax event and regulatory event calls may be permitted. However, exerciseof the calls on account of these events is subject to the requirements set out in points (a) to (c) above. RBI will permit the Bank to exercise the call only if the RBI is convinced that the Bank was not in a position to anticipate these events at the timeof issuance of the Bonds.
Record Date	At least 15 days prior to each Coupon Payment Date, and Redemption Date.
Redemption Date	Tenure of the Bonds proposed is 10 years from the date of allotment and as such, the redemption of these Bonds would be in the year 2029, subject to "special features" and call option feature as detailed in this term sheet.
Redemption Amount	Subject to the provisions mentioned in "**Special Features**" in the Summary Term Sheet, the redemption amount would be Rs. 1,00,000 per Bond i.e. at par.
Redemption Premium/	Nil

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Discount	
Settlement	Payment of interest and repayment of principal shall be made by way of direct credit/NECS/RTGS/NEFT mechanism in Indian Rupees. In the event of any online credit failure, Bank reserves the right to settle the amounts by way of cheque(s)/ warrant(s)/demand draft(s) or any other banking instruments/channels.
Interest on Application money	Since the application process is governed by the NSE-EBP, interest on applicationmoney is not payable. However in the event of *force majeure*, Bank will pay an interest at 12.00% p.a. on the application money till the date of allotment.
Default InterestRate	In case of a default in payment of interest and/or principal redemption on the respective due dates (except under circumstances as mentioned in the RBI Norms / RBI Guidelines / Basel III Guidelines), additional interest @ 2.00% per annum over the documented Coupon Rate will be payable by the Bank (subject to prevailing regulatory environment) for the defaulting period i.e. from the date of occurrence of such default up to the date on which the defaulted amounts together with default interest is paid. The Bank will notify the Reserve Bank of India in case of non-payment of coupon as guided by the RBI Master Circular referred in this Information Memorandum.
Seniority	Claims of the Bondholders shall be: i. Senior to the claims of investors in instruments eligible for inclusion in Tier 1 Capital whether currently outstanding or issued at any time in the future; ii. Subordinate to the claims of all depositors and general creditors of the Bank; iii. Neither secured nor covered by a guarantee of the Bank or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis creditors of the Bank; and iv. *Pari-passu* without preference amongst themselves and other subordinated debtthat is eligible for inclusion in Tier 2 Capital whether currently outstanding or issued at any time in the future. Tier 1 Capital and Tier 2 Capital shall have the meaning ascribed to such terms in theBasel III Guidelines. The claims of the Bondholders shall be subject to the provisions mentioned in the point "**Special Features**" in this Term Sheet.
Events of Default	The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation, subject to RBI Guidelines/directions/instructions as the case may be.
Provisions related to Cross Default Clause	Not Applicable
Governing Law andJurisdiction	The Bonds are governed by and shall be construed in accordance with the laws of India, as modified or amended from time to time. Any dispute arising thereof will besubject to the sole jurisdiction of courts of Mangaluru Karnataka.

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Special Feature: Minimum requirements to ensure Loss Absorbency of Non-equity Regulatory Capital Instruments at the Point of Non-Viability	
General Conditions	The present Issue of Bonds is being made in pursuance Master Circular No. DBR. No. BP.BC.1/ 21.06.201/ 2015-16 dated July 1, 2015 issued by the Reserve Bank of India on Basel III Capital Regulations ("Master Circular") covering terms and conditions for issue of Tier 2 capital (Annex 5 of the Master Circular) and minimum requirements to ensure loss absorbency of all non-equity regulatory capital instruments at the point of non-viability (Annex 16 of the Master Circular) as amended from time to time. In the event of any discrepancy or inconsistency between the terms of the Bonds contained in any Transaction Document(s) (including this Information Memorandum) and the Basel III Guidelines, the provisions of the Basel III Guidelines shall prevail.
Mode of Loss Absorption and Trigger Event	The Bonds, at the option of the Reserve Bank of India, may be written-off upon the occurrence of the trigger event, called the 'Point of Non-Viability (PONV) Trigger' as stipulated in the BASEL III Guidelines and determined by RBI. **Loss Absorption at the Point of Non-Viability ("PONV")** (a) If a PONV Trigger (as described below) occurs, the Bank shall: i. notify the Trustee ii. cancel any coupon which is accrued and unpaid on the Bonds as on the write-down date; and iii. without the need for the consent of Bondholders or the Trustee, write down the outstanding principal of the Bonds by such amount as may be prescribed by RBI (b) Following writing-off of the Bonds and claims and demands as noted above neither the Bank, nor any other person on the Bank's behalf shall be required to compensate or provide any relief, whether absolutely or contingently, tothe Bondholder or any other person claiming for or on behalf of or through such holder and all claims and demands of such persons, whether under law, contract or equity, shall stand permanently and irrevocably extinguished and terminated. (c) The write-off of any Common Equity Tier I Capital shall not be required before the write-off of any non-equity (Additional Tier I & Tier II) regulatorycapital instruments.
Point of Non-Viability (PONV)	(a) The PONV Trigger event is the earlier of: i. decision that a permanent write-off, without which the Bank would become non-viable, is necessary, as determined by the Reserve Bank of India; and ii. the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the relevant authority. <u>For these purposes, the Bank may be considered as non-viable if:</u> The Bank which, owing to its financial and other difficulties, may no longer remain a going concern on its own in the opinion of the RBI unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a Bank should be such that these are likely to result in financial losses and raising the Common Equity Tier 1 capital of the Bank

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	should be considered as the most appropriate way to prevent the Bank from turning non-viable. Such measures would include write-off of the Bonds/conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the Reserve Bank of India. (b) The amount of non-equity capital to be written-off will be determined by RBI. (c) The order of write-off of the Bonds shall be as specified in the order of Seniority as per this Information Memorandum and any other regulatory norms as may be stipulated by the RBI from time to time. (d) The write-off consequent upon the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted. The bondholders shall have any residual claims on the Bank (including any claims which are senior to ordinary shares of the Bank), following a trigger event and when write-off is undertaken. (e) In case of the Bank facing financial difficulties and approaching a PONV will be deemed to achieve viability if within a reasonable time in the opinion of the RBI, it will be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including augmentation of equity capital through write-off of Bonds/public sector injection of funds are likely to: i. Restore depositors'/investors' confidence; ii. Improve rating/creditworthiness of the bank and thereby improve its borrowing capacity and liquidity and reduce cost of funds; and iii. Augment the resource base to fund balance sheet growth in the case of fresh injection of funds. (f) Criteria to Determine the PONV: The above framework will be invoked when the Bank is adjudged by RBI to be approaching the point of non-viability, or has already reached the point of non-viability, but in the views of RBI: i. there is a possibility that a timely intervention in form of capital support, with or without other supporting interventions, is likely to rescue the Bank; and ii. if left unattended, the weaknesses would inflict financial losses on the Bank and, thus, cause decline in its common equity level. RBI would follow a two-stage approach to determine the non-viability of a bank. The Stage 1 assessment would consist of purely objective and quantifiable criteria to indicate that there is a *prima facie* case of the Bank approaching non-viability and, therefore, a closer examination of the Bank's financial situation is warranted. The Stage 2 assessment would consist of supplementary subjective criteria which, in conjunction with the Stage 1 information, would help in determining whether the Bank is about to become non-viable. These criteria would be evaluated together and not in

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	isolation. Once the PONV is confirmed, the next step would be to decide whether rescue of the Bank would be through write-off alone or write-off in conjunction with a public sector injection of funds. The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level will trigger write-off.
Other events: Treatment of Bonds in the event of winding-up, amalgamation, acquisition, re-constitution etc.	In the event of winding-up: (a) If the Bank goes into liquidation before the Bonds have been written-down, the Bonds will absorb losses in accordance with the order of seniority indicated in the Information Memorandum and as per usual legal provisions governing distribution in a winding-up situation. (b) If the Bank goes into liquidation after the Bonds have been written-down, the Bondholders will have no claim on the proceeds of liquidation. Amalgamation of a banking company: (Section 44A of BR Act, 1949): Subject to provisions of the Banking Regulation Act, 1949 as amended from time totime: i. If the Bank is amalgamated with any other bank before the Bonds have been written-down, the Bonds will become part of the corresponding categories ofregulatory capital of the new bank emerging after the merger. ii. If the Bank is amalgamated with any other bank after the Bonds have been written-down permanently, the Bonds cannot be written-up by the amalgamated entity. Scheme of reconstitution or amalgamation of a banking company: (Section 45 of BR Act, 1949) If the relevant authorities decide to reconstitute the Bank or amalgamate the Bank with any other bank under the Section 45 of Banking Regulation Act, 1949, the Bank will be deemed as non-viable or approaching non-viability and both the pre-specified trigger and the trigger at the point of non-viability for write-down of Bonds will be activated. Accordingly, the Bonds will be fully written-down permanently before amalgamation/reconstitution in accordance with the RBI Norms/ RBI Guidelines.

Note: For the complete terms and conditions, kindly refer to the Term Sheet as made available in the Information Memorandum of the respective Series as submitted to the stock exchange.

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