

The Karnataka Bank Limited

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Our Bank is a private sector banking company incorporated under the Indian Companies Act, 1913 and included in the second schedule of the Reserve Bank of India Act, 1934, ("RBI Act"), pursuant to Section 42(6)(a) of the RBI Act with effect from January 6, 1958.

INFORMATION MEMORANDUM ("IM") OF THE KARNATAKA BANK LIMITED (HEREINAFTER REFERRED TO AS "BANK"/ "ISSUER"/ COMPANY) OF RATED, UNSECURED, REDEEMABLE, NON-CONVERTIBLE, BASEL III COMPLIANT, LOWER TIER 2 SUBORDINATED BONDS (SERIES VI) IN THE NATURE OF DEBENTURES (REFERRED TO AS "BONDS/ DEBENTURES/NCDS") OF A FACE VALUE OF Rs.1,00,000 EACH FULLY PAID-UP WITH MARKETABLE LOT OF ONE BOND FOR CASH AGGREGATING Rs.100 CRORE ON A PRIVATE PLACEMENT BASIS AND THE RIGHT TO RETAIN OVERSUBSCRIPTION UPTO Rs.300 CRORE (THE "ISSUE"). THIS ISSUE IS IN CONTINUATION TO THE BOARD DECISION TO RAISE BONDS TO THE TUNE OF Rs.800 CRORE OUT OF WHICH, Rs. 400 CRORE HAS BEEN RAISED THROUGH ISSUE OF BONDS UNDER SERIES V IN NOVEMBER 2018.

THE ISSUE WOULD BE UNDER THE ELECTRONIC BOOK MECHANISM FOR ISSUANCE OF DEBT SECURITIES ON PRIVATE PLACEMENT BASIS AS PER THE SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI") CIRCULAR NO. SEBI/HO/DDHS/CIR/P/2018/05 DATED JANUARY 5, 2018 AS AMENDED ON 16 AUGUST 2018 AND ANY FURTHER AMENDMENTS THERETO ("SEBI EBP CIRCULAR") READ WITH THE "OPERATING GUIDELINES FOR NSE ELECTRONIC BIDDING PLATFORM" ISSUED BY NSE VIDE THEIR CIRCULAR NO. 24 / 2018 DATED SEPTEMBER 28, 2018 AND ANY AMENDMENTS THERETO ("NSE EBP GUIDELINES", TOGETHER WITH THE SEBI EBP CIRCULAR REFERRED TO AS THE "OPERATIONAL GUIDELINES"). THE BANK INTENDS TO USE THE NSE - EBP (AS DEFINED BELOW) FOR THIS ISSUE.

THIS INFORMATION MEMORANDUM IS BEING UPLOADED ON THE NSE - EBP ONLY TO COMPLY WITH THE OPERATIONAL GUIDELINES AND AN OFFER WILL BE MADE BY ISSUE OF THE SIGNED PRIVATE PLACEMENT OFFER CUM APPLICATION LETTER ("PPOAL") AFTER COMPLETION OF THE BIDDING PROCESS ON ISSUE / BID CLOSING DATE, TO SUCCESSFUL BIDDERS IN ACCORDANCE WITH THE PROVISIONS OF THE ACT AND RULES ISSUED THEREUNDER. THIS DOCUMENT PROVIDES DISCLOSURES IN ACCORDANCE WITH THE SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008 AS AMENDED (THE "SEBI ILDS REGULATIONS"). THE ELIGIBLE PARTICIPANTS MUST EVALUATE THE DISCLOSURES IN THE INFORMATION MEMORANDUM FOR TAKING THEIR INVESTMENT DECISION.

GENERAL RISK

Investments in debt and debt related securities involves a degree of risk and investors should not invest any funds in the debt instrument, unless they can afford to take risks attached to such investments. For taking an investment decision, the investors must rely on their own examination of the Bank and the Offer including the risks involved. This Offer/ Issue is being made on a private placement basis. The Bonds have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this Information Memorandum.

The Bond is different from fixed deposit particularly that it is not covered by deposit insurance. In addition, the loss absorbency features of the instrument have been enumerated in the Term Sheet below in this Information Memorandum.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Bank, having made all reasonable inquiries, accepts responsibility for and confirms, that the information contained in this Information Memorandum contains all the information with regard to the Bank and the Issue which is material in the context of the Issue and that the information contained in this Information Memorandum is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

CREDIT RATING

The Credit Rating Agencies have assigned their rating as '[ICRA]A (Hyb) (Stable) (pronounced as ICRA A hybrid and the outlook on the long-term rating is stable by ICRA Limited ("ICRA") and CARE A; Stable (pronounced as 'Single A; Outlook: Stable') by CARE Ratings Ltd., ("CARE")' for issue of bonds by the Bank to the extent of Rs.800 crore in the month of September 2018. Out of this limit, Rs.400 crore were raised under Series V ratings were assigned for Series V Bonds as stated above vide their letters dated September 17, 2018 (and reaffirmed their rating for the proposed issue under Series VI vide letter dated February 4, 2019) and September 24, 2018 (and reaffirmed their rating for the proposed issue under Series VI vide letter dated February 4, 2019) respectively. The letters 'hybrid' in parenthesis suffixed to a rating symbol stand for 'hybrid' indicating that the rated instrument is a hybrid subordinated instrument with equity-like loss-absorption features; such features may translate into higher levels of rating transition and loss severity vis-à-vis conventional debt instruments.

Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. The ratings are not a recommendation to buy, sell or hold the rated debt and investors should take their own decision. Neither ICRA nor CARE does assume any responsibility for any liability that may arise consequent to the Bank not complying with any eligibility criteria from time to time for issuance of debt instruments. The ratings may be subject to suspension, revision or withdrawal at any time by the assigning rating agencies. Rating agencies have a right to revise, suspend or withdraw the rating at any time on the basis of new information or unavailability of information or such circumstances which they believe may have an impact on their ratings. For further details including in respect of the rationale for the credit rating, please refer to the Rating and Rating Rationale in the **Annexure 1 & 2** of this Information Memorandum.

LISTING

The Bonds are proposed to be listed on the Debt Segment of the National Stock Exchange of India Ltd. ("NSE").

ARRANGER	DEBENTURE TRUSTEE	REGISTRAR TO THE ISSUE
 SPA Capital Advisors Ltd 804, Hallmark Business Plaza, Bandra East, Mumbai- 400051	 IDBI Trusteeship Services Ltd. Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400001	 Integrated Registry Management Services Pvt. Ltd. No.30, Ramana Residency, 4 th Cross, Malleswaram, Bangalore-560003
Contact Person : Mr. Vinod Singh Ph :022-42414241 Fax : 022-42414200 Email : vinod.singh@spagroupindia.com	Contact Person: Mr. Sunny Nihalani Ph : 022-4080 7000 Fax : 022-66311776 Email : itsl@idbitrustee.co.in	Contact Person: Mr. Vijayagopal Ph:080-23460815-818 Fax: 080-23460819 Email : vijayagopal@integratedindia.in

ISSUE PROGRAMME

ISSUE/BID OPENING DATE ^{##}	ISSUE/BID CLOSING DATE ^{##}	DATE OF ALLOTMENT ^{##}
February 15, 2019	February 15, 2019	February 18, 2019

^{##}The Bank reserves the right to change the issue schedule including the Date of Allotment at its sole and absolute discretion without giving any reasons or prior notice.

INFORMATION MEMORANDUM

Serial No :

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1. DISCLAIMERS:

1.1. DISCLAIMER OF THE BANK

This Information Memorandum does not constitute an offer to public in general to subscribe for or otherwise acquire the Bonds to be issued by the Bank. This Information Memorandum is for the exclusive use of the addressee and restricted for only the intended recipient and it should not be circulated or distributed to third party(ies). It is not and shall not be deemed to constitute an offer or an invitation to the public in general to subscribe to the Bonds issued by our Bank. This Bond issue is made strictly on private placement basis. Apart from this Information Memorandum, no offer document or prospectus has been prepared in connection with the offering of this Bond issue or in relation to the Bank.

This Information Memorandum is not intended to form the basis of evaluation for the prospective subscribers to whom it is addressed and who are willing and eligible to subscribe to the Bonds being issued by the Bank. This Information Memorandum has been prepared to give general information regarding the Bank to parties proposing to invest in this issue of Bonds and it does not purport to contain all the information that any such party may require. The Bank believes that the information contained in this Information Memorandum is true and correct as of the date hereof. The Bank does not undertake to update this Information Memorandum to reflect subsequent events and thus prospective subscribers must confirm about the accuracy and relevancy of any information contained herein with the Bank. The Bank accepts no responsibility for statements made in any advertisement or any other material and anyone placing reliance on any other source of information would be doing so at his own risk and responsibility.

Eligible Participants must make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in Bonds. It is the responsibility of the prospective subscriber to have obtained all consents, approvals or authorizations required by them to make an offer to subscribe for, and purchase the Bonds. It is the responsibility of the prospective subscriber to verify if they have necessary power and competence to apply for the Bonds under the relevant laws and regulations in force. Eligible Participants should conduct their own investigation, due diligence and analysis before bidding for the Bonds. Nothing in this Information Memorandum should be construed as advice or recommendation by the Bank or by the Arranger to the Issue to subscribers to the Bonds. The Eligible Participants bidding on the NSE-EBP should also acknowledge that the Arranger to the Issue do not owe the Eligible Participants any duty of care in respect of this bidding for the Bonds. Eligible Participants should also consult their own advisors on the implications of application, allotment, sale, holding and ownership of these Bonds and matters incidental thereto. This Information Memorandum is not intended for distribution. It is meant for the consideration of the person to whom it is addressed and should not be reproduced by the recipient and the contents of this Information Memorandum shall be kept utmost confidential. The Bonds mentioned herein are being issued on private placement basis and this offer does not constitute a public offer/ invitation.

Eligible Participants agree that the Bonds are different from fixed deposit instruments particularly that it is not covered by deposit insurance. In addition, any investment by an Eligible Investor would be after they have read and understood the terms including the loss absorbency features of the Bonds which have been explained in the Term Sheet herein.

The Bank reserves the right to withdraw the bid prior to the issue bidding date in the event of any unforeseen development adversely affecting the economic and regulatory environment or any other *force majeure* condition including any change in Applicable Law.

1.2. DISCLAIMER OF THE SECURITIES & EXCHANGE BOARD OF INDIA

This Information Memorandum has not been filed with Securities and Exchange Board of India (“SEBI”). The Bonds have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of information/contents of this Information Memorandum. It is to be specifically understood that this Information Memorandum should not, in any way, be deemed or

construed that the same has been cleared or vetted by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the purpose for which the Issue is proposed to be made, or for the correctness of the statements made or opinions expressed in this Information Memorandum. The issue of Bonds being on a private placement basis, filing of this Information Memorandum with SEBI is not required. However, SEBI reserves the right to take up at any point of time, with the Bank, any irregularities or lapses in this Information Memorandum.

1.3. DISCLAIMER OF ARRANGER TO THE ISSUE

It is advised that the Bank has exercised self-due-diligence to ensure complete compliance of prescribed disclosure norms in this Information Memorandum. The role of the Arranger to the Issue (referred to as “**Arranger**”) in the assignment is confined to marketing, and placement of the Bonds on the basis of this Information Memorandum as prepared by the Bank. The Arranger have neither scrutinized/ vetted nor have it done any due-diligence for verification of the contents of this Information Memorandum. The Arranger shall use this Information Memorandum for the purpose of soliciting bids from the Eligible Participants. It is to be distinctly understood that the aforesaid use of this Information Memorandum by the Arranger should not in any way be deemed or construed that the Information Memorandum has been prepared, cleared approved or vetted by the Arranger.

1.4. DISCLAIMER OF THE STOCK EXCHANGE

As required, a copy of this Information Memorandum shall be submitted to the National Stock Exchange of India Limited (hereinafter referred to as “**NSE**”) for hosting the same on its website. It is to be distinctly understood that such submission of this Information Memorandum with NSE or hosting the same on its website should not in any way be deemed or construed that this Information Memorandum has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; nor does it warrant that this Bank’s Bonds will be listed or continue to be listed on NSE; nor does it take responsibility for the financial or other soundness of the Bank, its promoters, its management or any scheme or project of the Bank. Every person who desires to apply for or otherwise acquire any Bonds of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

1.5. DISCLAIMER IN RESPECT OF JURISDICTION

The bidding for the Bonds is made in India on the NSE-EBP to various classes of investors. The Information Memorandum does not, however, constitute an offer to sell or an invitation to subscribe to the Bonds for bidding hereby in any other jurisdiction to any person to whom it is unlawful to bid in such jurisdiction. Any person into whose possession this Information Memorandum comes is required to inform him about and to observe any such restrictions. Any disputes arising out of this issue will be subject to the exclusive jurisdiction of the courts in Mangaluru. All information considered adequate and relevant about the Bank has been made available in this Information Memorandum for the use and perusal of the Eligible Participants and no selective or additional information would be available for a section of investors in any manner whatsoever.

1.6. DISCLAIMER BY THE RESERVE BANK OF INDIA

The Bonds have not been recommended or approved by the RBI nor does the RBI guarantee the accuracy or adequacy of this Information Memorandum. It is to be distinctly understood that this Information Memorandum should not, in any way, be deemed or construed that the Bonds have been recommended for investment by the RBI. RBI does not take any responsibility either for the financial soundness of the Bank, or the Bonds being issued by the Bank or for the correctness of the statements made or opinions expressed in this Information Memorandum. Eligible Participants may make investment decision in the Bonds in terms of the signed PPOAL after reading the disclosures under this Information Memorandum solely on the basis of their own analysis and RBI does not accept any responsibility about servicing/ repayment of such investment.

1.7. DISCLAIMER IN RESPECT OF RATING AGENCIES

Ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. The Rating Agencies have based its ratings on information obtained from sources believed by it to be accurate and reliable. The Rating Agencies do not, however, guarantee the accuracy, adequacy or completeness of any

information and is not responsible for any errors or omissions or for the results obtained from the use of such information.

1.8. DISCLAIMER OF THE DEBENTURE TRUSTEE

The Debenture Trustee *ipso facto* does not have the obligations of a borrower or a principal debtor or a guarantor as to the monies paid/invested by investors for the Bonds. Each Eligible Investor should make its own independent assessment of the merit of the investment in the Bonds and the Bank. Eligible Participants are required to make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in such instruments.

2. FORWARD LOOKING STATEMENTS

The Bank has included statements in this Information Memorandum which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue”, “our judgement” and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank’s expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, its ability to successfully implement its strategy, including its use of the internet and other technology and its rural expansion, its ability to integrate recent or future mergers or acquisitions into its operations, its ability to manage the increased complexity of the risks the Bank faces following its rapid international growth, future levels of impaired loans, its growth and expansion in domestic and overseas markets, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions the Bank is or will become a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on the Bank, including on the assets and liabilities of the Bank, its ability to roll over its short-term funding sources and its exposure to credit, market and liquidity risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Information Memorandum include, but are not limited to, the monetary and interest rate policies of India and the other markets in which the Bank operates, natural calamities, general economic, financial or political conditions, instability or uncertainty in India, southeast Asia, or any other country, caused by any factor including terrorist attacks in India or elsewhere, military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the rupee, instability in the subprime credit market and liquidity levels in the foreign exchange rates, equity prices or other market rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in the competitive and pricing environment in India, and general or regional changes in asset valuations.

3. DEFINITIONS AND ABBREVIATIONS

DEFINITIONS AND ABBREVIATIONS	TERM DESCRIPTION
Act	The Companies Act, 2013 (as amended, modified and/or supplemented from time to time) read with Rules framed thereunder.
ANBC	Adjusted Net Bank Credit
Applicable Law	Any statute, national, state, provincial, local, municipal, foreign, international, multinational or other law, treaty, code, regulation, ordinance, rule, judgment, order, decree, bye-law, approval of any governmental authority, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of or determination by, or any interpretation or administration having the force of law of any of the foregoing by any governmental authority having jurisdiction over the matter in question.
Applicant	The Identified Investor who applies for investment of Bonds and makes an offer pursuant to the terms of the PPOAL and the Application Form.
Application Form	The form used by the Identified Investor to apply for subscription to the Bonds pursuant to the signed PPOAL.
Allot/Allotment/ Allotted	Allot/Allotment/Allotted, Unless the context otherwise requires or implies, the allotment of the Bonds pursuant to the Issue.
Allottee	An Identified Investor to whom the Bonds are allotted pursuant to the Issue, either in full or in part
AY	Assessment Year
Basel III	Basel III framework was drafted by the Basel Committee on Banking Supervision, which is a Committee of Bank of International Settlements. It is the risk-based capital framework to be followed by banks across countries and it has been designed to be risk sensitive across various types of banking assets, including securitization exposure. Basel III is based on the following three mutually reinforcing pillars that allow banks and supervisors to evaluate properly the various risks that banks face: <ul style="list-style-type: none"> i. minimum capital requirements, which seek to refine the present measurement framework; ii. supervisory review of an institution's capital adequacy and internal assessment process; and iii. market discipline through effective disclosure to encourage safe and sound banking practices.
Board	Board of Directors of our Bank or any Committee formed by the Board of Directors.
Business Day	A day (other than Sunday or a bank holiday) on which the banks are open for general business in Mangaluru, Karnataka, and in relation to any payment in any other city, such city. For the purpose of coupon/ redemption payments, Business Days shall be all days when the money market is functioning in Mumbai.
CAR	Capital Adequacy Ratio
CDSL	Central Depository Services (India) Limited
Issuer/ Karnataka Bank	The Karnataka Bank Ltd., a company incorporated under the Indian Companies Act, 1913 and carrying on the banking business in India pursuant to the license obtained under Sec.22(1) of the Banking Regulation Act, 1949 having its Registered & Head Office at Mahaveera Circle, Kankanady, Mangaluru-575002. Karnataka, India
ICRA/CARE/ Credit Rating Agency	ICRA Limited/CARE Ratings Limited / Credit Rating Agency(ies). Any credit rating agency, approved by SEBI. For this Issue, ICRA and CARE shall be collectively referred to as the "Credit Rating Agencies".
Coupon Rate/ Interest Rate	Shall be as per the Term Sheet which is described under Clause 10 .
Date of Allotment	The date on which Allotment for the Issue is made.
Bonds/Debentures/ NCDs	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 for cash aggregating Rs.100 crore and the right to retain oversubscription upto Rs.300 crore on a private placement basis.
Bond Holder(s)	The several persons who are, until the Redemption Date, holders of the Bonds and who are identified in the Register of Bond Holder(s) as holders of the respective Bonds for the time being.

Debenture Trustee	Trustee for the Bond Holder(s), in the present case being IDBI Trusteeship Services Ltd., Mumbai.
Debenture Trustee Regulations	Means the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, as amended
Debenture Trust Deed	The deed, to be entered into between our Bank and the Debenture Trustee in order to record the terms and conditions applicable to the Bonds, the obligations, rights, duties and powers of the Debenture Trustee and ancillary terms and conditions in accordance with the provisions of the Debenture Trustee Regulations
Debt	At any time all the amounts payable by our Bank to the Bond Holders (or the Debenture Trustee on their behalf) or any other person, pursuant to the terms of the Transaction Documents (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise), including the following amounts: a. the principal amount of the Bonds and the Interest (including default interest) thereon; b. all other moneys, debts and liabilities of our Bank, including indemnities, liquidated damages, costs, charges, expenses and fees and interest incurred under, arising out of or in connection with the Transaction Documents; and c. any and all expenses for the enforcement and collection of any amounts due under the Transaction Documents.
Debt Segment	Debt segment of NSE
Date of Allotment	February 18, 2019
Designated Bank	The Karnataka Bank Ltd, HO-Complex Branch, Mangaluru.
Depository(ies)	National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
Depositories Act	The Depositories Act, 1996, as amended from time to time.
DP / Depository Participant	A depository participant as defined under the Depositories Act, 1996.
DRR	Bond/ Debenture Redemption Reserve
NSE-EBP	Electronic Book Provider mechanism for issuance of debt securities on private placement basis (also known as Electronic Bidding Platform or Electronic Book Provider Platform or NSE-EBP) as guided by the SEBI through its circulars bearing no. SEBI/HO/ DDHS/ CIR/P/ 2018/05 issued on January 05, 2018 read with SEBI circular No. SEBI/HO/ DDHS/ CIR/P/2018/122 issued on August 16, 2018, and the NSE EBP Guidelines
Eligible Participants	All QIBs, and any non-QIB Investors specifically mapped by the Issuer on the NSE – EBP platform, are eligible to bid / invest / apply for this Issue. Eligible Participants shall not include the following investors: <ul style="list-style-type: none"> • Trusts constituted wholly for charitable or religious purposes; • Foreign Portfolio Investor or Foreign Institutional Investor; • Non-Resident Indians (NRIs); • Limited Liability Partnership firms, Partnership Firms or their nominees; and • Overseas Corporate Bodies (OCBs). <p>All participants are required to comply with the relevant regulations/ guidelines applicable to them for investing in this Issue.</p>
EPS	Earnings Per Share
Equity Shares	Equity shares of the Bank having face value of Rs.10/- each.
FIs	Financial Institutions
FII/FPI	Foreign Institutional Investor or Foreign Portfolio Investor as defined by the Securities and Exchange Board of India (SEBI) and registered with SEBI.
Financial Year/ FY	Period of twelve months ending March 31, of that particular year
GAAP	Generally Accepted Accounting Principles
GIR	General Index Registration Number
GoI	Government of India

Identified Investor	The successful bidders who shall be identified by the Board / capital augmentation committee of the Board and to whom the signed PPOAL will be issued after completion of the bidding and shall not include a trust, as defined under the Indian Trusts Act, 1882 (as amended), wholly constituted for charitable or religious purposes. Such trusts shall not be eligible to invest in these Bonds.
I.T. Act	The Income-Tax Act, 1961 as amended from time to time information.
Information Memorandum	This Information Memorandum pursuant to which the Bonds are being offered on the NSE-EBP
INR/Rupees/Rs.	Indian Rupee
ISIN	International Securities Identification Number.
Issue / Bid Opening Date	February 15, 2019
Issue /Bid Closing Date	February 15, 2019
Loss Absorbency	The Bonds shall be subject to loss absorbency features applicable for non-equity capital instruments as per the Annexure 16 of the Master Circular issued by the Reserve Bank of India bearing no. DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations. Accordingly, the Bonds issued by the Bank (or interest there on) under this Issue may, at the option of the RBI, be permanently written-off upon occurrence of the trigger event called the “Point of Non Viability Trigger” in terms of the aforesaid RBI Circular. The PONV trigger event shall be as defined in the RBI Regulations and shall be determined by the RBI.
Majority Debenture Holders/Bond Holders	Such number of Bond Holders collectively holding more than 50% of the nominal value of the Bonds then outstanding.
Market Lot	One Bond of Rs.1,00,000/- each.
MCA	Ministry of Corporate Affairs, India.
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium scale Enterprises
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
NCD	Non-Convertible Debenture.
NSDL	National Securities Depository Limited.
NSE/ Stock Exchange	The National Stock Exchange of India Limited.
NRI	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management Act, 1999 and regulations there under.
PAN	Permanent Account Number
PAS Rules	Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended from time to time.
Payment Date	A Redemption Date or an Interest Payment Date.
PONV or referred as “Special Feature”	The Bonds may, at the option of the RBI, be permanently written-off upon occurrence of the trigger event called the “Point of Non Viability Trigger” (“ PONV Trigger ”). Details have been provided in the Term Sheet of this Information Memorandum.
Redemption Amount	The amount(s) specified in the Term Sheet to be paid by our Bank to the Bond/Debenture Holder(s) on the applicable Redemption Date(s).
Redemption Date	Shall have the same meaning as defined in “Term Sheet” of this Information Memorandum.
Record Date	The record date for payment of interest or repayment of principal shall be 15 (fifteen) calendar days prior to the date on which the interest is due and payable on the Bonds, or the date of redemption of such Bonds.
Registrar/ Registrar to the Issue	Integrated Registry Management Services Private Limited. (IRMSPL)
RTGS	Real Time Gross Settlement.
RBI	Reserve Bank of India.
RBI Norms / RBI	Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III

Guidelines/Master Circular	Capital Regulations issued by the RBI on Basel III capital regulations covering terms and conditions for issue of debt capital instruments for inclusion as Tier 2 capital as updated / modified / amended.
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (as amended from time to time).
SEBI Debt Regulations	The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended.
TDS	Tax Deducted at Source

Any capitalized terms used in the Information Memorandum and not defined in this section shall have the respective meanings set forth in the applicable provisions of the act/regulations/rules as the case may be. Further:

1. Words denoting singular only shall include plural and vice-versa.
2. Words denoting one gender only shall include the other gender.
3. "Persons" shall mean and include a company, corporation, a partnership, trust or any other entity or organization or other body whatsoever.
4. "Indebtedness" mean any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
5. All references in these presents to any provision of any statute shall be deemed also to refer to the statute, modification or re-enactment thereof or any statutory rule, order or regulation made thereunder or under such reenactment.
6. The headings used herein are inserted for convenience only and shall be ignored in construing and interpreting the relevant section.

4. MANAGEMENT'S PERCEPTION OF RISK FACTORS

An investment in securities involves a high degree of risk. You should carefully consider all the information in this Information Memorandum, including the risks and uncertainties described below, before making an investment in our proposed Bonds. Further, the occurrence of any of the following events or as set out in the Basel III Guidelines could have a material adverse effect on our business, results of operations, financial condition and prospects of the Bank and you may lose all or part of your investment. Additionally, our business operations could also be affected by additional factors that are not presently relevant or not known to us or that we currently consider as immaterial to our operations. However, some of the risk factors associated with the Bank are detailed below:

Risks Relating to our Business

1. *Our financial performance may be materially and adversely affected by fluctuating interest rates.*

Our results of operations depend, to a great extent, on our net interest income. Net interest income comprised 64.81%, 66.06% and 66.69% of our total net income for the Fiscals 2017, 2018 and the nine months ended December 31, 2018, respectively, where total net income comprises the sum of our net interest income and other income.

If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the decrease in the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. Any systemic decline in low-cost funding available to banks in the form of current and savings account deposits would adversely impact our net interest margin. An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets, will result in decline in net interest income.

2. *Any increase in our portfolio of NPAs, RBI-mandated provisioning requirements or restructured advances could materially and adversely affect our business and future financial performance.*

For the Fiscal years 2017, 2018 and the nine months ended December 31, 2018, our gross non-performing assets (“**Gross NPA**”) represented 4.21%, 4.92% and 4.45% of our total gross advances respectively, and our NPAs (net of provisions) (“**Net NPA**”) represented 2.64%, 2.96% and 3.00% of net advances respectively. As at March 31, 2017 and 2018 and as at December 31, 2018, our provision coverage ratio including the technically written-off accounts was 54.00 %, 54.56 % and 57.20 %, respectively. If there is any deterioration in the quality of our security or further ageing of the assets after being classified as non-performing, an increase in provisions will be required. This increase in provisions may adversely impact our financial performance. Our NPAs can be attributed to several factors, including inconsistent industrial growth, the high level of debt in financing of projects and capital structures of companies in India and the high interest rates in the Indian economy, which may reduce the profitability of some of our borrowers.

Although we are increasing our efforts for speedy recovery, we cannot assure you that we will be successful in our efforts or that the overall quality of our loan portfolio may not deteriorate in the future. If we are unable to successfully monitor and manage our portfolio, including during economic downturns, our asset quality and as a result, our financial condition and results of operation, could be materially and adversely affected.

3. *The value of our collateral may decrease or we may experience delays in enforcing our collateral if borrowers default on their obligations, which may result in failure to recover the expected value of collateral security exposing us to a potential loss. This can adversely affect our business and the financial performance of our Bank.*

A substantial portion of our loans are secured by collateral, including real estate assets such as property, plant, equipment, inventory, receivables, current assets and pledges of financial assets such as marketable securities and corporate guarantees. The loans to corporate customers also include working capital credit facilities that are typically secured by a first lien on inventory, receivables and other current assets. In certain cases, we may have taken further security of a first or second lien on fixed assets and a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. However, in the event of our borrowers defaulting on the repayment of the loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realisable value of the collateral, defective title, prolonged legal proceedings and fraudulent actions by borrowers. There can be no assurance that we will be able to realize the full

value of the collateral, as a result of, among other factors, delays in bankruptcy and foreclosure proceedings etc. and failure to recover the expected value of collateral security could expose us to a potential loss and affect the ability to pay under the Debt.

4. *Regulations in India require us to extend a minimum level of advances to certain sectors. These may subject us to higher delinquency rates. Our inability to comply with Indian priority sector lending requirements may require us to invest in funds with a lower return than we would otherwise earn in the market.*

The RBI mandates all banks that are operating in India to direct subtargets thereof of 40% lending to specified "Priority Sector" such as agriculture, MSMEs, housing and education etc. As on March 31, 2018 and December 31, 2018, the total credit extended by us to priority sectors constituted 52.83% and 47.44%, respectively of our ANBC; and the credit extended to the agriculture sector constituted 17.64% and 15.56%, respectively of our ANBC. Though we have met the target in relation to aggregate lending required to be made to the priority sector for the year ended March 31, 2018, we have not been able to meet the sub targets that have been set with respect to separate sectors under it.

In the case of any shortfall by us in meeting agriculture sector lending requirements, we would subsequently be required to place the difference between the required lending level and our actual priority sector lending in an account with the National Bank for Agriculture and Rural Development under the Rural Infrastructure Development Fund Scheme, or with other financial institutions specified by the RBI, from which we would earn lower levels of interest compared to advances made to the priority sector. Such circumstances could materially and adversely affect our business, financial condition and results of operations.

Our lending to relatively higher risk segments may result in increase in our NPAs under our direct lending portfolio. Any increase in our direct lending to certain sectors will result in an increase in our exposure to the payment risks inherent in such sectors, which could materially and adversely impact our business, financial condition and results of operations.

Our lending to relatively higher risk segments may result in increase in our NPAs under our direct lending portfolio. Any increase in our direct lending to certain sectors will result in an increase in our exposure to the payment risks inherent in such sectors, which could materially and adversely impact our business, financial condition and results of operations.

5. *Our risk management policies and procedures may not adequately address unanticipated risks. Inability to develop and implement effective risk management policies may adversely affect our business, prospects, financial condition and results of operations.*

We have devoted significant resources in developing our risk management policies and procedures and expect to continue to do so in the future. We have policies and procedures in place to measure, manage and control the various risks to which we are exposed, including a Risk Management Policy that articulates our approach to the identification, measurement, monitoring controlling and mitigation of various risks associated with our banking operations in addition to providing certain important guidelines for strict adherence. Our other important risk mitigants include our commercial general liability policy, standard fire and special perils policy, burglary policy, banker's indemnity policy and directors and officer's liability policy and, in compliance with the RBI's guidelines on BASEL III, Internal Capital Adequacy Assessment Process Policy. The Risk & Capital Management Committee of the Board and the Board reviews our risk management policies annually. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than those indicated by the historical trends.

6. *We have certain contingent liabilities which have not been provided for in our financial statements, which if they materialise, may adversely affect our financial condition.*

As on March 31, 2018 and December 31, 2018, we had contingent liabilities, which have not been provided for, amounting to Rs.7519.18 crore and Rs.8,308.23 crore respectively, the details of which are given below:

(in Rs. crore)

Contingent Liabilities	As on March 31, 2018	As on Dec. 31, 2018
Claims against the Bank not acknowledged as debts	34.44	33.39
Liability on account of outstanding Forward Exchange Contacts including derivatives	4,019.58	4,541.45
Guarantees given on behalf of constituents		
a) In India	2,829.61	2,729.19
b) Outside India	-	-
Acceptances, Endorsements & other Obligations	543.45	899.94
Other items for which the bank is contingently liable	92.10	104.26
Total	7,519.18	8,308.23

Most of these liabilities have been incurred during the normal course of our business. In the event of there being a crystallization of any of the contingent liabilities, we may be required to honour the demands raised. This may materially and adversely impact our business, financial conditions, result of operations and prospects.

7. There are operational risks associated with the banking industry, including the risk of fraud or other misconduct by employees etc., which when occurred may have an adverse impact on our results.

We are vulnerable to many types of operational risks, including but not limited to the risk of fraud or other misconduct by employees or outsiders, technological failures, unauthorized transactions by employees or operational errors and any risk that could adversely affect our reputation, operations, or otherwise have a material adverse effect on our business, financial condition or results of operation. The gist of material fraud cases have been mentioned under page no. 37 of this Information Memorandum.

8. We are involved in certain legal and other proceedings in India. If any of the pending case is decided against us, it may have a material adverse effect on our businesses, reputation, financial condition and results of operations.

Our Bank is involved in various civil, criminal, consumer and tax related litigations which are at different stages of adjudications before various forums.

Material Litigation against our Bank (as on March 31, 2018):

Sl. No.	Brief Description	No. of Cases	Amount Involved (₹ in crore)
1.	Criminal proceedings	21	Not quantifiable
2.	Direct tax matters	7	956.19
3.	Indirect tax matters	2	18.98
4.	Civil Cases	4	Not quantifiable

The criminal proceedings against our Bank *inter alia* include complaints in respect to wrongful credit of cheques, breach of trust, cheating and other related cases. We cannot assure you that the provisions we have made for litigation will be sufficient or that new litigations will not be brought against us in the future. If we fail to successfully defend these or other claims, or if our current provisions prove to be inadequate, our business, financial condition and results of operations could be adversely affected.

Material Litigation by our Bank (as on March 31, 2018):

Sl. No.	Brief Description	No. of Cases	Amount Involved (₹ in Crore)
1.	Criminal matters		
	• Proceedings under section 138 of the Negotiable Instruments Act	20	1.22
	• First Information Report (FIR) filed by our Bank in fraud cases	211	114.28
2.	Civil Proceedings	26	1705.63

If our Bank fails to successfully defend these or other claims, or if the current provisions prove to be inadequate, our business, financial condition and results of operations could be adversely affected.

9. Any non-compliance with mandatory AML and KYC policies could expose us to additional liability and harm our business and reputation.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable anti-money laundering (“AML”) and know your customer (“KYC”) regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and

procedures. While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers in order to detect and prevent the use of our banking networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities.

Although, we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

10. *We are exposed to various industry sectors. Deterioration in the performance of any of the industry sectors where we have significant exposure may adversely impact our business.*

Our credit exposure to borrowers is dispersed across various sectors including, infrastructure, textile, engineering, cement, metal, automobile, iron and steel, gems, plastics, food and food products, chemicals and chemical products, construction and other industries. Despite monitoring our level of exposure to sectors and borrowers, any significant deterioration in the performance of a particular sector driven by events not within our control, such as natural calamities, regulatory action or policy announcements by central or state government authorities, would adversely impact the ability of borrowers within that industry to service their debt obligations to us. As a result, we would experience increased delinquency risk which may have a material adverse effect on our business, financial condition, results and cash flow.

11. *We face income volatility from our fixed income operations. Any losses arising out of such volatility could adversely affect our business, financial condition and results of operations.*

Our income from the treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds. There can be no assurance that we will not lose money in the course of our proprietary trading on our fixed income book held for trading and available for sale portfolio. Any such losses could adversely affect our business, financial condition and results of operations.

12. *We have previously been penalized for not being in compliance with the RBI circulars and may face further penalties from the RBI and/or other regulatory bodies that govern us in cases of non-compliance in future.*

In Fiscal 2016, we were subjected to a penalty of Rs.6,300 towards certain discrepancies detected by the RBI while processing soiled notes remittances received from currency chest. Further, in Fiscal 2012, we were subjected to penalty of Rs.5,00,000 for contravention of the comprehensive guidelines on derivatives issued by the RBI for irregularities in the manner in which certain derivative transaction(s) were entered into and monitored by us.

13. *Expansion of our fee based earning is dependent on our arrangements with third parties including insurance companies. Termination of these arrangements may adversely impact our results of operations.*

For the Fiscal 2018, our fee-based income i.e. Rs.728.50 crore constituted 11.42 per cent of our total income i.e. Rs.6,378.09 crore. We intend to increase our fee-based income by expanding our third party product offerings and by increasing our fee-based services. We market the insurance products and mutual funds to our customers and we earn fees and commissions for the distribution and sale of these products. However, termination of distribution agreements entered into with the third party agencies with whom the Bank tied-up for insurance / mutual fund products or any weakening of our relationship with these third party associates may have an adverse impact on our fee based revenues and results of operations.

14. *We could be adversely affected by the inability of our vendors to perform their contractual obligations. Failure to perform these obligations by our vendors may materially and adversely*

affect our business, financial condition and results of operations.

We are dependent on various vendors for certain non-core elements of our operations including implementing IT infrastructure and hardware, branch roll-outs, networking, managing our data center, and back-up support for disaster recovery. We have also outsourced certain activities, including the installation and management of our ATMs. Generally, we have agreements with only one service providers for each outsourced activity and such agreements are typically non-exclusive and short term. However, if such agreements are terminated or not renewed or replaced in a timely manner, this may result in a disruption of our operations. Failure to perform any of these functions by our vendors or service providers may materially and adversely affect our business, financial condition and results of operations.

15. Any downgrading in our credit rating could adversely affect our business, financial condition and results of operations.

ICRA & CARE vide their letters dated September 17, 2018 and September 17, 2018 respectively have reaffirmed their ratings on the existing Lower Tier 2 Subordinated debt instruments issued by our Bank aggregating Rs.450 crore as 'ICRA A' & 'CARE A' respectively. Further, for the Tier 2 Subordinated debt instruments amounting to Rs.400 crore issued on November 16, 2018, the rating agencies viz. ICRA Limited ("ICRA") and CARE Ratings Ltd., ("CARE"), vide their letters dated September 17, 2018 (and reaffirmation of the rating vide letter dated October 26, 2018 and reaffirmation of the rating for the proposed issue under Series VI vide letter dated February 4, 2019) and September 24, 2018 (and reaffirmation of the rating vide letter dated October 26, 2018 and reaffirmation of the rating for the proposed issue under Series VI vide letter dated February 4, 2019) respectively, have reaffirmed '[ICRA]A (Hyb) (Stable) and CARE A; Stable (pronounced as 'Single A; Outlook: Stable')'.

Further, ICRA has given "ICRA A1+" rating for certificate of deposits programme of Rs.3000 crore. Credit rating is considered as an assessment of our ability to honour our financial commitments and obligations as and when they become due. A downgrade in our credit rating may adversely affect our ability to obtain funds and may increase the financing costs.

16. Significant operational risks including security breaches, cyber-threats and failure in our computer systems, and calamities could materially and adversely impact our business.

We depend on our computer systems to process a large number of transactions on an accurate and timely basis, and to store all of our business and operating data. We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. These concerns could intensify with our increased use of technology, internet based resources and advanced internet banking and mobile banking platform and technology related disruptions for varied reasons could affect the availability of information. Although our Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. A failure of security measures could have a material adverse effect on our Bank's business, its future financial performance.

17. Non Compliance with RBI's risk-based supervision framework and RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation

The RBI conducts periodic on-site/off-site inspections on all matters relating to our banking operations and relating to, among other things, our Bank's portfolio, risk management systems, credit concentration risk, counterparty credit risk, operational risk, credit allocation and regulatory compliance. Any significant deficiencies identified by the RBI that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties imposed by the RBI, as well as expose us to increased risks. Starting Fiscal 2016, our Bank has been subjected to the risk-based supervision framework and while the Bank has fulfilled the requirements under the risk-based supervision process, we may be required to comply with additional requirements to improve various aspects of our operations and any failure to meet regulatory requirements could materially and adversely affect our reputation, business, financial condition, cash flows, results of operations, pending applications or requests with the regulators and our ability to obtain the regulatory permits and approvals required to expand our business.

18. We operate in a highly competitive environment and our ability to grow depends on our ability to compete effectively. The grant of new banking licenses to private sector entities may materially and adversely affect our business, financial condition and results of operations.

The Indian banking industry is highly competitive. We face strong competition in all our lines of business from much larger Indian and foreign commercial banks, non-banking financial companies, financial service firms, small banks/payment banks and other entities operating in the Indian financial sector. The competitive environment and/or dynamic changes in the banking operations or introduction of disruptive technology in the financial markets by competitors may result in a material adverse effect on our business, financial condition and results of operations.

19. *Our insurance coverage could prove inadequate to satisfy potential claims. If we were to incur a serious uninsured loss or a loss that significantly exceed the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.*

We do not carry insurance to cover all of the risks associated with our business, either because insurance coverage is not available or prohibitively expensive. We have taken out insurance within a range of coverage consistent with industry practice in India to cover certain risks associated with our business. We cannot assure that our current insurance policies will insure us fully against all risks and losses that may arise in the future. In addition, our insurance policies are generally subject to annual renewal, and we cannot assure that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceed the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

20. *Negative publicity could damage our reputation and adversely impact our business and financial results.*

Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. Negative public opinion about the financial services industry generally or us specifically, could adversely affect our ability to attract and retain customers. We distribute several third-party products, including life insurance, general insurance etc. We also work in partnership with third parties, including business correspondents in the financial inclusion businesses. We have no control over the actions of third parties associated with the Bank and any failure on the part of such third parties, including any failure to comply with applicable regulatory norms, any regulatory action taken against such parties or any adverse publicity relating to such party could, in turn, result in negative publicity about us and adversely impact our brand and reputation.

21. *We may face labour disruptions that could interfere with our operations. Any such disruption in future may have a material adverse effect on our business, financial condition or results of operation.*

We are exposed to the risk of strikes and other industrial actions. Majority of our employees are members of All India Karnataka Bank Employees Association and Karnataka Bank Officers Organization and these two organizations could participate in a nation-wide strike organized by the United Forum of Bank Unions (UFBU) in the future for varied charter of demands. Apart from the national labor strikes which affected the entire unionized banking sector in the past, Bank has not experienced disruptions in the past five years owing to work stoppages among our unionized employees.

Although we believe that we have good industrial relations with our employees/officers and their unions, we cannot guarantee that our workforce will not undertake or participate in strikes, work stoppage or other industrial action in the future. Any such employee unrest events could disrupt our operations, possibly for a significant period of time, result in increased wages and other benefits or otherwise have a material adverse effect on our business, financial condition, cash flows or results of operation.

22. *We operate in a regulated industry and any changes in the regulations or enforcement initiatives may adversely affect our business, financial condition or results of operation.*

The banking and financial sector in India is highly regulated and extensively supervised by authorities such as the RBI. Our business could be directly affected by any changes in laws, regulations and policies for banks. We are also subject to regular financial inspection by the RBI. In the event that we are unable to meet or adhere to the guidance or requirements of the RBI, the RBI may impose strict enforcement of its observations on us, and we may be subject to monetary fines and other penalties which may have an adverse effect on our business, financial condition and results of operations.

Further, the RBI is empowered to supersede any decision of the board of directors of a bank and RBI may exercise such power where it is satisfied, in consultation with the Central Government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank.

23. *We may face maturity mismatch between assets and liabilities which may result in an adverse impact on our business and operations.*

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of deposits. A portion of our assets have long-term maturities, creating a possibility for funding mismatches. In our experience, a substantial portion of our customer deposits have been rolled over on maturity and have been, over time, a stable source of funding. However, in the event that a substantial number of our depositors do not roll over deposits on maturity, our liquidity position and business could be adversely affected. If the depositors do not renew deposits or our Bank is unable to raise new deposits, our Bank may face a liquidity problem and may be required to pay higher interest rates to attract deposits, which may have an adverse impact on our Bank's business and operations.

24. *We are subject to implementation of IND AS method of accounting and additional capital may be required if IND AS is fully implemented.*

As per the erstwhile roadmap given by Reserve Bank of India vide circular dated February 11, 2017, transition to 'Indian Accounting Standards (IND AS)' in banks were to commence from the accounting period beginning April 1, 2018 onwards. However, the RBI vide its circular date April 5, 2018, deferred the implementation of IND AS for Scheduled Commercial Banks by one year i.e. from the accounting period beginning April 1, 2019 and upon implementation, there will be additional capital requirements due to expected increase in the provisioning requirements based on revised computation methodology.

25. *We are subject to capital adequacy norms and are required to maintain a CRAR at or above the minimum level required by the RBI for domestic banks.*

We are required to maintain a minimum capital adequacy ratio as prescribed by the RBI from time to time and as on December 31, 2018, the CRAR stood at 11.98%. Although we are currently in compliance with the applicable capital adequacy requirements, certain adverse developments could affect our ability to satisfy these requirements in the future, including deterioration in our asset quality, decline in the value of our investments and our inability to meet any regulatory requirements or changes. We are exposed to the risk of the RBI increasing the applicable risk weight for different asset classes from time to time. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities, and the payment of dividends by us. Further, continued compliance requirements with Basel III or other capital adequacy requirements imposed by the RBI may result in the incurrence of substantial compliance and monitoring costs.

RISKS RELATING TO THE ISSUE AND THE BONDS

26. *We cannot assure you that our Bonds offered on the NSE-EBP will be listed on the NSE in a timely manner or at all, which may restrict your ability to dispose of the Bonds*

In accordance with Indian law and practice, permission for listing of the Bonds will not be granted by a stock exchange, namely, NSE, until after the Bonds offered in this Issue have been allotted. There could be a failure or delay in listing the Bonds on the NSE within the timelines stipulated under the SEBI Debt Regulations, which would restrict your ability to dispose of the Bonds.

27. *After this Placement, active trading market for our Bonds may not develop*

The Bonds are a new issue of securities for which there is currently no trading. No assurance can be given that an active trading market for the Bonds will develop, or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders of the Bond will be able to sell their Bond. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall. If an active trading market were to develop, the Bonds could trade at prices that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including: (i) prevailing interest rates and the market for similar securities, (ii) general economic conditions and (iii) the Issuer's financial condition, financial performance and future prospects.

28. *Compounding of Risks on investment in our Bonds*

An investment in the Bonds involves multiple risks and such investment should only be made after assessing the direction, timing and magnitude of potential future changes in the interest rates, the risks associated with such investments and the terms and conditions of the Bonds. More than one risk factor may have simultaneous effects with regard to the Bonds such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect, which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Bonds.

29. *The Bonds may not be a suitable investment for all purchasers*

Eligible Participants should ensure that they understand the nature of the Bonds and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Bonds and that they consider the suitability of the Bonds as an investment in the light of their own circumstances and financial condition. It may not be a suitable investment for all types of investors and accordingly, investors may lose their money if the Bonds are not suitable for them.

30. *Changes in interest rates may affect the price of the Bonds*

All securities where a fixed rate of interest is offered, such as the Bonds, are subject to price risk. Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond the Issuer's control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic and international economic and political conditions, inflation and other factors. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing interest, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the price of the Bonds.

31. *The Bonds are subject to stamp duty requirements*

Potential purchasers and sellers of the Bonds should be aware that stamp duty in accordance with the laws and practices of India are required to be paid at the time of issuance of the Bonds and if the tenor of the Bonds is extended. Non-payment of stamp duty results in the document becoming inadmissible as evidence in Indian courts. Payment and/or delivery of any amount due in respect of the Bonds will therefore, be conditional upon the payment of all applicable stamp duty.

32. *We are not required to create a debenture redemption reserve*

As per the Company (Share Capital and Debentures) Rules, 2014, save and except certain companies governed by RBI and banking companies every company is required to create DRR for the purpose of redemption of debentures. Hence, we are not required to create DRR. Accordingly, we may not consider it necessary to create DRR. Consequently, the Bond Holder may not be able to recover, on a timely basis or at all, the full value of the outstanding amounts and/or the interest accrued thereon in connection with the Bonds.

33. *Payments made on the Bonds will be subordinated to payments to secured creditors and certain tax and other liabilities preferred by law*

The Bonds will be unsecured and will be subordinated to all claims of depositors, general creditors and subordinated debt bonds of the Bank as well as certain liabilities preferred by law such as to claims of the GoI, on account of taxes, and certain liabilities incurred in the ordinary course of our transactions. The Bonds are neither secured nor covered by a guarantee of the Issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim of the Bond Holders vis-à-vis other creditors of the Issuers. Bond Holders will not be entitled to receive notice of or attend or vote at any meeting of shareholders of the Issuer or participate in the management of the Issuer.

34. *Payments under the Bonds may, and in some cases must, be cancelled.*

In the context of Point of Non-Viability Trigger (PONV) as prescribed under BASE III norms by RBI, all or some of the coupon falling due on the Bonds on any Coupon Payment Date may be cancelled or subject to approval of RBI. Further, any coupon not so paid on any such Coupon Payment Date shall be cancelled and shall no longer be due and payable by the Bank. A cancellation of interest pursuant to conditions under the term sheet of Bonds does not constitute a default under the Bonds for any

purpose.. The Bank may use revenue reserves (i.e. revenue reserves which are not created for specific purposes by the Bank) and/or credit balance in profit and loss account to make payment of coupon on the Bonds if it meets certain minimum regulatory requirements in the event of PONV. Eligible Participants should be aware that any change to the Basel III Guidelines (as defined in the Term Sheet below) requiring the Bank to cancel coupon payments in other or additional circumstances could be complied with by the Bank through its general discretion to cancel coupon payments under the term sheet of the Bonds or as prescribed by the RBI from time to time.

35. *The terms and conditions of the Bonds permits the Bank's ability to declare and pay dividends, distributions or other payments on its ordinary shares when coupon on the Bonds otherwise scheduled to be paid on a Coupon Payment Date are cancelled.*

Given that the Bank may cancel payment of any coupon, in the circumstances described above, it must not pay, all or some of the coupon falling due on the Bonds on any Coupon Payment Date. If coupon on the Bonds is cancelled, it would not tantamount to the Bank not paying dividends and distributions or other payments on its ordinary shares or perpetual non-cumulative preference shares. Accordingly, it would be possible (subject to applicable law) for the holders of the Bank's ordinary shares or perpetual non-cumulative preference shares, which rank junior to the Bonds, to receive dividends, distributions or other payments when coupon on the Bonds has been cancelled.

36. *The Bonds have principal loss absorption features and permit a permanent or temporary write-down on the occurrence of certain trigger events.*

The Bonds are in accordance with the Minimum Requirements to Ensure Loss Absorbency of Non-equity Regulatory Capital Instruments at the Point of Non-Viability as provided for in Annex 16 of the Basel III Guidelines. Various criteria for loss absorption through write-down / write-off on breach of pre-specified trigger and at the point of non-viability are elaborated in the term sheet and later part of this IM.

37. *The Bond Holders would not have right to call for redemption of the Bonds.*

The Bonds shall have the maturity prescribed in the term sheet, unless the Bank elects to exercise a call option on the Bonds to the extent allowed under the Basel III Guidelines. In addition, Bond Holders do not have any right to exercise put option on the Bonds or call on the Bonds. Although the Bank may redeem the Bonds at its option, there are limitations on redemption of the Bonds, including obtaining the prior written approval of the RBI and satisfaction of any conditions that the RBI and other relevant Indian authorities may impose at the time of such approval. The RBI is likely to 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 time of issuance of Bonds.

Further, the Bank has a discretion to exercise call option subject to:(i) replacing the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are 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. Accordingly, the chances of the Bank not exercising call option is high.

38. *Regulatory call option may be exercised by the RBI*

Apart from the right of the Issuer to exercise call option, the Bonds also have a regulatory call option which entitles the RBI (the regulator) to call on the Bonds. As of February 2018, the RBI has directed about a dozen state-run banks, put under the regulatory watch for mounting bad loans, to retire high-cost debt such as Additional Tier I capital and/or Additional Tier 2 capital as part of the austerity drive that seeks to restore commercial viability for the stressed lenders. Accordingly, there is no assurance that the RBI may not exercise a call option.

REGULATORY DISCLOSURE:

The Information Memorandum is prepared in accordance with the provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time and Bank has disclosed the details required as per Schedule I of the SEBI Debt Regulations and additional disclosures pursuant to the provisions of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

4.1. Documents Submitted to the Exchanges

The following documents have been / shall be submitted to the Stock Exchanges along with the listing application:

- 4.1.1. Memorandum and Articles of Association of the Bank and necessary resolution(s) for the allotment of the Bonds;
- 4.1.2. Copy of the audited Annual Reports for the last three years;
- 4.1.3. Statement containing particulars of, dates of, and parties to all material contracts and agreements;
- 4.1.4. Certified Copy of the Board resolution dated September 05, 2018 authorizing the borrowing and the list of authorized signatories and the Board resolution dated January 11, 2019 for issuing bonds to the tune of Rs.400 crores;
- 4.1.5. An undertaking from the Bank stating that the Debenture Trust Deed would be executed within the time frame prescribed in the relevant regulations/acts/rules, etc. and the same would be uploaded on the website of the NSE, where the Bonds proposed to be listed, within 5 (five) working days of execution of the same; and
- 4.1.6. Any other particulars or documents that the recognized stock exchange may call for as it deems fit.

As the Bonds are unsecured, creation of charge on the security and maintenance of debenture redemption reserve is not applicable.

4.2. Documents Submitted to Debenture Trustee

The following documents have been / shall be submitted to the Debenture Trustee:

- 4.2.1. Memorandum and Articles of Association of the Bank and necessary resolution(s) for the allotment of the Bonds;
- 4.2.2. Copy of the audited Annual Reports for the last three years;
- 4.2.3. Statement containing particulars of, dates of, and parties to all material contracts and agreements;
- 4.2.4. Latest audited/limited review half yearly consolidated (wherever available) and standalone financial information (profit and loss statement, balance sheet and cash flow statement) and auditor qualifications, if any;
- 4.2.5. An undertaking to the effect that the Bank would, until the redemption of the Bonds, submit the details mentioned in point 4.2.4 above to the Debenture Trustee within the timelines as mentioned in the SEBI Circulars as amended from time to time, for furnishing/publishing its half yearly/annual result. Further, the Bank shall within 180 (One Hundred and Eighty) calendar days from the end of the financial year, submit a copy of the latest annual report to the Debenture Trustee and the Trustee shall be obliged to share the details submitted under this clause with all 'Qualified Institutional Buyers' and other existing Bond/Debenture-Holders within 2 (two) Business Days of their specific request.

4.3. Information about the Bank:

4.3.1. Registered Office of the Bank: (Also the Corporate Office):

Name : The Karnataka Bank Limited
Address : P B No 599, Regd. & Head Office, Mahaveera Circle, Kankanady,
Mangaluru-575002
Ph : +91-824 2228222
Fax : +91-824 2225588
Email : info@ktkbank.com
Website : www.karnatakabank.com

4.3.2. Details of the Chief financial Officer (CFO)

Name : **Mr. Y V Balachandra**
Designation : General Manager and Chief Financial Officer
Ph : +91-824 2228288
Fax : +91-824 2225588
Email : balachandra@ktkbank.com

4.3.3. Compliance Officer of the Bank:

Name : **Mr. Prasanna Patil**
Designation : Company Secretary & Compliance Officer
Address : Registered and Head Office: P B No 599, Mahaveera Circle,
Kankanady, Mangaluru-575002
Ph : +91-824 2228182
Fax : +91-824 2225588
Email : comsec@ktkbank.com;

4.3.4. Arranger to the Issue:

Name : **SPA Capital Advisors Ltd**
Address : 804, Hallmark Business Plaza, Bandra East, Mumbai- 400051
Contact Person : Mr. Vinod Singh, Associate Director
E-mail : vinod.singh@spagroupindia.com
Contact no. : 022-42414241

4.3.5. Debenture Trustee of the Issue:

Name : **IDBI Trusteeship Services Limited**
Address : Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate,
Mumbai- 400001
Contact Person : Mr. Sunny Nihalani, Vice President
E-mail : itsl@idbitrustee.co.in
Contact no. : 022- 40807006

4.3.6. Registrar to the Issue:

Name : **Integrated Registry Management Services Pvt. Limited**
Address : No. 30, Ramana residency, 4th Cross, Malleshwaram,
Bengaluru -560003
Contact Person : Mr. Vijayagopal, Vice President
E-mail : vijayagopal@intergratedindia.in
Contact no. : 080-23460815-818

4.3.7. Credit Rating Agency(cies) of the issue:

Name : **ICRA Limited**
Address : The Millenia, Tower-B, Unit No.1004, 10th Floor,
1&2 Murphy Road, Ulsoor, Bengaluru-560008
E-mail : info@icraindia.com / anuprasanth@icraindia.com
Contact no. : +91 80 43326400
Name : **CARE Ratings Ltd.**
Address : Unit No.1101-1102, 11th Floor, Prestige Merdian 2 No.30,
M G Road, Bengaluru-560001
E-mail : karthik.raj@careratings.com / tony.mathew@careratings.com
Contact no. : +91 80-46625566

4.3.8. Statutory Central Auditors of the Bank:

Name : **M/s. Manohar Chowdhry & Associates**
1 Address : New.No.27, Subramaniam Street, Abiramapuram, Chennai – 600018
E-mail : muralimohan@mca.co.in
Contact no. : 0824-2988383
2 Name : **M/s. Badari, Madhusudhan & Srinivasan**
Address : 132, Kantha Court, 2nd Floor, Lalbagh Road, Bengaluru-560027
E-mail : bmscas@gmail.com
Contact no. : 080-22277714

4.4. A brief summary of the business/activities of the Bank and its line of business:

4.4.1. HISTORY & OVERVIEW

Our Bank was incorporated on February 18, 1924 as The Karnataka Bank Limited at Mangaluru in Karnataka state to cater to the banking needs of the South Kanara Region. The Certificate to Commence Business was obtained on May 23, 1924.

The Bank has completed 94 years of successful banking and as on December 31, 2018, Bank has 829 branches (the details of our Bank's branches can be viewed on our website www.karnatakabank.com), 1 Extension counter, 1544 ATMs including 280 Re-Cyclers. The Bank also has 32 e-Lobbies and 248 mini e-lobbies. Bank has a presence in 22 States and 2 Union Territories and is known for its high quality of customer service. Over the years, our Bank grew with the merger of Sringeri Sharada Bank Limited, Chitaldurg Bank Limited and Bank of Karnataka Limited. At present, our Bank provides a wide gamut of financial services to cater to the needs of trade, industry, commerce and agriculture. Our Bank's Vision Statement is "To be a progressive, prosperous and well governed bank" and Mission statement is "To be a technology savvy, customer centric progressive Bank with a national presence, driven by highest standards of corporate governance and guided by sound ethical values".

FOCUS ON TECHNOLOGY

True to its Mission Statement, the Bank is tech savvy, and has enabled 'Anywhere', 'Anytime', '24x7' banking services and other advanced technology based products to its customers. The Bank has been making optimum use of technology to roll out innovative products to cater to the changing needs and preferences of its customers.

We use Core Banking Technology (which is also known as Core Banking Solution or CBS) across all our branches and offer multiple delivery channels to reach our clientele. The Core Banking System (CBS) covers all the branches and offices of the Bank as on date. We currently deliver our services through channels like Branches and Alternate Delivery Channels like ATM, Internet Banking, Mobile Banking, UPI App etc. With these technological features, Bank offers a wide variety of corporate and retail banking products and services to customers. Recently, Bank has revamped its corporate website providing a new look and ease of access to the information need for various stakeholders. The digital migration has reached 76.42% [as on December 31, 2018] of our total transactions.

Traditionally, our thrust has been small and retail segment and agriculture financing. Over the period of time, we have expanded our offering with a comprehensive range of banking services, which we provide to small, medium and large corporates as well as retail clients.

KBL – VIKAAS

Our Bank being a time-tested entity, in its endeavor to continue to be a "Relevant and Significant Bank", initiated a transformation project namely – 'Project Vikaas' to meet the growth aspirations by focusing on people and driven by technology. The transformation exercise is mainly focused on (a) growth with improved sales productivity and designing new products (b) cost optimization with process automation and digitization as well as NPA management (c) profitability boosters with pricing optimization and focus on fee income and (d) shareholder value enhancement through investor engagement, communication and corporate branding. Human resources, digital and IT transformation are identified as the main enablers for transformation by focusing on the entire ecosystem of the Bank. In this regard, Bank has partnered with the Boston Consultancy Group (BCG), a leading global management consulting firm and world's leading advisor on business strategy. Project Vikaas is a long term plan and expected to play a major role in realizing aspirational goals culminating in emergence of new KBL coinciding with the celebration of centenary year of the Bank in 2024.

Under this project, the Bank has already implemented few initiatives. Some of them being, (i) Credit Process Transformation, i.e. fine-tuned the credit sanction process under Home Loans and MSME loans by establishing a Regional Loan Processing Centres at Regional Offices, (ii) rolled out a Lead Management System which is designed for providing end to end management of prospective leads (iii) partnerships with few Fintech Companies having focused attention on lending, (iv) A new

collection tool for better and easy access to data for improved collection mechanism, (v) introduced ESCDS, Employee Satisfaction and Career Development System as part of the HR transformation.

For better customer service and facilitated digital experience, the Bank is under the process of having a state of the art Contact Centre through strategic partnership. The Contact Centre will be equipped to initiate outbound calls as well, for improved collection process in the future. Further, for a unique digital experience, the Bank is also in the process of establishing a Digital Branch with sophisticated IT setup. As part of the IT transformation, the Bank has established a Digital Centre of Excellence (DCoE) which will spearhead the IT related transformation of the Bank. All the critical and competitive applications and IT infrastructure will be the integral part of the DCoE

Implementation of IND AS in Banks:

As per the erstwhile roadmap given by Reserve Bank of India (RBI) vide circular dated February 11, 2017, transition to ‘Indian Accounting Standards (IND AS)’ in banks were to commence from the accounting period beginning April 1, 2018 onwards. However, in its ‘Statement on Developmental and Regulatory Policies’ dated April 5, 2018, the regulator has deferred the implementation of IND AS for Scheduled Commercial Banks by one year i.e. from the accounting period beginning April 1, 2019 and the Bank has been imparting special attention towards successful implementation of IND AS on the revised transition date in accordance with the relevant guidelines. In this regard, Bank, in consultation with M/s Ernst & Young (EY), has conducted a diagnostic study on various disparities between current Accounting framework and IND AS and ascertained various areas having an impact on measurement, accounting and disclosure of financial assets and liabilities and provisioning requirements. An IT Diagnostic Study was also conducted identifying robust changes in CBS and IT systems of the Bank, to accommodate IND AS.

SUMMARY OF BUSINESS ACTIVITIES

Our principal banking activities are classified into four segments viz. **Corporate Lending, Retail Financing, Treasury Operations and other Banking Operations**. Products/services provided under these segments are:

1. Corporate Lending

Our loan product offerings to the large and corporate banking customer base includes (a) Project Financing/ Term lending; (b) working capital finance; (c) trade finance and (d) Foreign Exchange Business. The products and services we offer to our corporate customers include fund based products, non-fund based products, and other fee based services. The Forex Support Group at the Head Office facilitates foreign exchange business of our Bank.

a) Project Finance/ Term Lending

Subject to the guidelines issued by RBI from time to time and the Bank’s Loan policy , our bank provides Fund Based Project finance/Term Lending for capital expenditure/acquisition of fixed assets towards setting-up/capacity expansion of a business or industrial unit. Our Bank also provides Non Fund based finance in the form of Deferred Payment Guarantee (DPG) for acquisition of fixed assets towards setting-up/capacity expansion of a business or industrial unit.

b) Working capital finance

Under working capital finance, we offer, *inter-alia*, the following products and services to our customers.

- **Cash credit/overdraft facilities:** Under the cash credit facility, a line of credit is provided to the borrower, up to a pre-determined amount (limit) based on the borrowers’ projected level of inventories, receivables and cash deficits etc.
- **Bill discounting:** Bill discounting involves the financing of short-term trade receivables through negotiable instruments. These negotiable instruments can then be re-discounted with other banks if required, thus enhancing the liquidity position.
- **Guarantees:** We issue guarantees on behalf of our borrowers in favour of corporations and government authorities. The term of these guarantees is generally up to 36 months though in specific cases, the term could be longer. This facility is generally secured by collateral. In addition, as a part of our project financing activity, we issue guarantees to foreign lenders, export credit agencies and domestic lenders on behalf of our clients.

c) Trade Finance

We provide trade and commodity finance services to our wholesale banking/corporate finance and SME customers for their international trade flows. The products offered by us include Pre-Export finance as well as structured trade and commodity finance solutions. We provide export credit in INR and also in foreign currencies for pre-shipment and post-shipment requirements of our exporter borrowers. We also provide confirmations to letters of credit and negotiation services to non-resident foreign banks.

d) Foreign Exchange Business

We have an International Division at Mumbai and Centralized Processing Centre at Mangaluru and Mumbai to support International Trade business undertaken by our branches. The branches are well equipped with sophisticated infrastructure to efficiently handle transactions and are SWIFT enabled for speedy conduct and execution of foreign exchange transactions. We arrange Medium/Long term Foreign Currency loans, short-term finance through Letters of Credit, Loans against Foreign Currency Liabilities etc.

2. Retail Finance

Retail Banking includes all credits to Industry/Service/Agriculture/Forex and other Business Activities of upto to Rs.5 Crore. The Retail Credit portfolio/segment of the Bank is one of the major contributors for the Bank's total revenue. Our Bank has several loan products at reasonable interest rates to meet the credit needs of various categories of customers. The array of such products includes:

- KBL Apna Ghar /KBL Apna Ghar Elite
- KBL Home Comfort
- KBL Ghar Niveshan
- KBL Home Top Up
- KBL Mahila Udyog
- KBL Vidyanidhi
- KBL Mortgage
- KBL Mortgage-OD
- KBL Easy Ride / KBL Car Finance
- KBL Lease N Cash
- KBL Insta Cash
- KBL Contractor Mithra
- KBL Commodity Pledge Loan
- KBL Krishik Pushpankur
- KBL Ravi Kiran
- KBL Instant Agri Credit
- Krishik Godham
- Krishik Bhandar
- KBL Agri Gold
- KBL Salaried Persons
- Krishik Sinchana
- KBL Agro Processing Scheme
- Krishik Sarathi
- KBL Suvidha OD
- KBL Export Mithra

Features of some of the products are as under:

KBL APNA GHAR/ELITE: Loans under KBL Apna Ghar/ELITE scheme can be availed by a Resident Indians/NRIs for (i) construction of house/purchase of ready built house or flat/purchase of site and build house thereon or for (ii) Renovation /remodeling/extension/additions/ repairs to the existing house/flat.

KBL-HOME COMFORT: KBL Home Comfort Scheme is meant for meeting the expenses towards furnishing, interior works, acquire furniture-fixtures, Solar heating/lighting systems, modular kitchens, Wardrobes, etc.

KBL-GHAR NIVESHAN: KBL Ghar Niveshan Scheme is meant for purchase of converted site/plots by Resident Indians & NRIs who wish to construct house in the said land.

KBL-HOME TOP UP: The scheme is meant for meeting variety of personal expenses (Other than for speculative purpose) of the customers who have already availed the housing loan from the Bank and mortgaged the house property with the Bank.

KBL MAHILA UDYOG: Women entrepreneurs play an important role in the development of the Society and with a view to encourage and provide financial support to women who show interest in income generating activities.

KBL-VIDYANIDHI-EDUCATION LOAN: Under this scheme financial assistance is provided to the students for pursuing higher education in select courses in India/abroad based on the model Education Loan Scheme devised by Indian Banks' Association. This scheme is now integrated with "Vidya Lakshmi portal" for online education loan. Vidya Lakshmi portal is an initiative of Department of Financial Services, (Ministry of Finance), Department of Higher Education (Ministry of Human Resource Development) and Indian Banks Association (IBA) for students seeking Education Loan wherein students can apply, view and track the status of their education loan application anytime, anywhere by accessing the portal.

KBL MORTGAGE: In order to meet the credit needs of property owners, Bank has introduced KBL Mortgage Scheme and loans under the said scheme can be availed for meeting Working Capital requirements for business, profession, repair, renovation, development of property and also to meet personal commitments.

KBL MORTGAGE OD: KBL-Mortgage to facilitate the customers to raise funds by mortgaging their residential/commercial property, for meeting their urgent financial needs. The credit facility was being offered in the form of fixed limit (as DPN/TL). With a view to give a competitive edge to the above schematic product, to facilitate availing of Working Capital limits by Micro & Small Enterprises (MSEs) against mortgage of properties, Bank has rolled out Overdraft facility under KBL-Mortgage scheme. The OD facility is offered to customers/units eligible to be classified under Priority Sector (MSE) only.

KBL EASY RIDE/CAR FINANCE: These two products are meant for purchase of two/four wheelers.

KBL LEASE N CASH: Rent receivables are one of the major sources of funds for the property owners. The funds so generated can be utilized for repair & renovation of the property and also for other productive requirements. In order to meet the credit requirements of property owners (building, flat, godowns, etc.) who have rented their premises to corporates/Reputed Companies/MNCs, KBL Lease N Cash scheme has been introduced.

KBL INSTA CASH: Under this Scheme, Bank provides financial assistance to meet the personal/consumption/business needs etc. on the basis of security of liquid assets like NSCs, LIC Policies with SV, Kisan Vikas Patras and Post Office Time Deposits etc.

KBL CONTRACTOR MITRA: The scheme is meant for Civil contractors, Individuals, Company, Partnership, LLP engaged in civil contract activities, in order to meet their immediate credit requirements. The scheme also helps the set of borrowers procure new /second hand heavy vehicles (including JCB, tractors etc.), purchase of new machineries required for civil contract activities.

KBL COMMODITY PLEDGE LOAN: Farmers generally sell the commodities after a reasonable time when the market prices are good or sometimes immediately after harvesting. The purchase and sales of the commodities happens depending upon the active participation of APMCs/Mandi's and liquidity available with traders and millers. Banks have an opportunity in financing Traders/Millers which may increase their purchasing powers and ultimately benefits the farmers. Bank provides financial assistance to Traders/Millers for interim gestation period of business against the pledged agricultural commodities purchased by them.

MSME - Micro, Small And Medium Enterprises (MSME) Financing

Micro, Small & Medium Enterprises (MSME) are the engines of economic growth due to their ability to create jobs, foster entrepreneurship and to provide depth to the industrial base of the economy. The Bank has taken major initiatives to streamline financing to MSME sector. A MSME Support Group has been set-up at the Head Office to have a focused approach in handling all matters related to Bank's MSME initiatives. Few of the initiatives are:

- a) The 210 "Specialized MSME branches" are identified to focus on lending to the MSE sector, with special focus on Micro sector.
- b) MSME customer meetings are organized across the country in different places to bring awareness of our various credit facilities to the MSME sector.
- c) Bank has introduced KBL- MSME scheme in order to provide speedy and hassle free credit to MSME clients at competitive rates. KBL Contractor Mitra and KBL Commodity Pledge loan

schemes also to cater to the needs of civil contractors (for purchase of vehicles/equipments) and traders/millers.

- d) MSME sensitization programs/training for all staff members/Officers at all levels at the Staff Training College of the Bank as well as outside institutions is conducted on an ongoing basis.

3. Treasury Operations

The Treasury activities are guided by the principles of optimum management of funds and to earn through trading opportunities. Our Bank's integrated treasury operations include maintenance of required regulatory reserves, and optimizing profits from trading portfolio by taking advantage of the market opportunities. Further the treasury operations provide a range of products and services for corporate customers, such as forward contracts, foreign exchange products and services etc. The treasury division also ensures liquidity management and compliance with the cash reserve ratio requirement with an objective to ensure optimum flow of cash in all the branches of the Bank.

4. Other Banking Operations :

TIME / DEMAND DEPOSITS / SAVINGS ACCOUNT: Bank has introduced an array of Saving Bank Products, ideally designed to suit the needs of various segments of the Society like SB-General (for General Public), KBL Salary Privilege (for salaried persons), KBL-Vanitha (for women which offer insurance coverage and free Personal Accident Insurance), KBL – Tarun (for students in the age group of 18-25), KBL – Kishore (for students in the age group of 10-18). Bank also offers Privilege Savings Account like KBL ILSB [Insurance Linked SB], SB Money Sapphire, SB Money Ruby, SB Money Platinum, Sugama-BSBD (a new basic banking 'no-frills' account that would make accounts accessible to vast section of population). Further, with a view to augment institutional CASA, Bank has launched a new CASA product namely, "TASC" specifically designed to attract the Trusts, Associations, Societies and Clubs.

The Bank has also introduced 'Group Personal Accident Insurance Scheme' viz. "KBL Suraksha" in association with M/s Universal Sompo General Insurance Company'. All the Bank's SB account customers between the age group of 18 and 70 years can subscribe to this scheme by paying a nominal annual premium.

Further various other facilities offered by the Bank are:

- **CURRENT ACCOUNT:** The Bank has a power packed KBL Current Account with six options to suit the business needs. Our product suite includes [a] CA General; [b] CA Money Pearl; [c] CA Money Ruby; [d] CA Money Diamond; [e] CA Money Diamond Plus; [f] CA Money Platinum.
- **MULTI BRANCH BANKING:** The Bank provides Multi Branch Banking facility and Multi City Cheque facility (payable at par) along with various add on benefits for the benefit of its SB/Current account holders.
- **ONLINE ACCOUNT OPENING:** With a view to enhance customer experience, Bank has 'Online Account Opening' facility which enables the customers to open an account online. The process is quicker, simpler and easier from anywhere at any time as per customer's convenience. The data submitted by customer is safe and secured by Verisign secure server.
- **ATM FACILITY:** The Bank has 1544 ATMs/re-cyclers/e-lobbies and the Bank's ATM network sharing arrangement with NPCI & Visa has enabled the Bank's Debit Card holders to operate their account at more than 2.30 lakh ATMs (of NPCI apart from Visa enabled), over 2 million ATMs and over 29 million merchant establishments globally.
- **E-LOBBY SERVICES:** The Bank has introduced e-lobby services which provide essential banking services under one roof on 24x7 basis through automated and interactive communication channels like ATM (cash dispenser), Bunch Note Acceptor (BNA), Cheque Deposit Machine, Passbook Printing and the like. Bank has introduced 280 Re-Cyclers, 32 e-Lobbies and 248 mini e-lobbies across India. Bank has also deployed exclusive self-service pass book printing kiosks at certain Branches of the Bank.
- **CASH RECYCLERS:** Bank has installed Cash Recycler machines in their e-lobbies/mini e-lobbies, which are capable of both accepting/dispensing cash. Cash recyclers enable cash deposit,

validate, sort and store banknotes quickly and reliably and further make these notes available for any customer withdrawals.

- **INTERNET BANKING:** The Bank's Internet Banking Channel "Money Click" is a secured, user-friendly facility which enables online banking by customers from the comfort of their homes/offices. The Money Click facilitates fund transfer (Inter/intra bank), utility bill payment, DTH payments, Online fixed deposit opening facility, Personalized ledger maintenance facility, Online shopping, Railway ticket booking, Bulk upload facility for corporates, 15G/15H, interest certificate, TDS certificate view/download facility and a host of other facilities. The Bank also offers i-Hundi facility to its customers to send their contributions to Hundis of select temples.

The Bank has also extended the following value added services to its Debit Card holders through Internet banking, in addition to the Interactive Voice Response (IVR):

- a) Switch OFF/ON Debit Card Usage.
- b) Disable/Enable International transactions.
- c) Set maximum transaction limit on Debit Card.
- d) Blocking of Debit Card.
- e) Green Pin Facility.

Further the Bank has launched DigiLocker Account facility through its MoneyClick Internet Banking. Through DigiLocker one can store certificates issued by the Government Department/agencies that are made available digitally, such as Aadhaar, PAN, Driving License, Registration Certificate (RC), LPG documents etc. Indian citizens who sign up for a DigiLocker account get dedicated cloud storage space of 1GB that is linked to their Aadhaar number.

- **MOBILE BANKING:** As an additional delivery channel to customers, the Bank has launched KBL Mobile App where a host of banking services like fund transfer, Mobile/DTH recharge, Credit Card payment, bill payments, etc. within the specified limits can be made at the pre-registered Mobile Phone Number. Customer can opt for 'self-registration' option by downloading the app from Google Playstore.
- **DIGI BRANCH:** Bank has taken its digital banking initiatives to a new level by opening its first ever digital branch at Nettakallappa Circle, Bengaluru. The 'Digi Branch' is in line with transformation exercise currently pursued by the Bank and it aims at providing an instant real time response for the chosen services by the consumer thereby reducing the turn-around time significantly. Few of the services enveloped through the 'Digi branch' include account opening, issue and activation of personalized debit card, internet banking, mobile banking, fund transfer within the Bank/NEFT/RTGS, cash transaction through cash Recyclers, Passbook Printer etc.
- **BHIM KBL UPI APP:** BHIM KBL UPI APP (earlier known as KBL SMARTz (UPI) app) is an app launched by the Bank which operates on Unified Payments Interface (UPI) platform of National Payments Corporation of India (NPCI). The interface is designed to enable customers/Merchants across UPI member banks to pay/collect money by using Virtual Payment Address (VPA) or by scanning QR code from their smart phones without entering any bank account information. Mobile recharge and DTH recharge is also facilitated through this mobile app. The Scan and pay option can also be used by merchants such as grocery stores, milk vendors, restaurants, vegetable vendors, taxi/tour operators, door to door services etc. for facilitating payment.
- **KBL e-Collect:** This product is a next generation fee payment processing platform which enables the institutions to offer parents and students a convenient way to pay their fees through a wide range of payment options. The facility is offered in association with M/s BillDesk, a leading payment gateway aggregator in the country. To avail this facility, the educational institutions need not deploy any infrastructure except an internet connectivity and desktop PC. The facility is best suited for institutions which do not have necessary infrastructure in place.

- **MISSED CALL BANKING FACILITY:** The Bank provides missed call banking facility. Customers can give a missed call from their registered mobile number and get Account information without any charges.
- **KBL mPassBook :** 'KBL mPassBook' is an e-Passbook mobile application which facilitates download and viewing of account entries on smart phone/tablet similar to conventional passbook along with many other features like adding personalized remarks to transactions, creating personalized ledger and many more.
- **SENIOR CITIZENS' SERVICE:** Special Deposit Scheme is provided for Resident Senior Citizens which carries higher rate of interest besides other benefits like monthly interest on deposits without discounting factor, two free remittance/drafts per calendar month, instant credit of local/outstation cheques up to a specified amount and Insurance Linked Savings Bank account with free insurance coverage and reimbursement of hospitalization expenses in the event of accident etc.
- **DEBIT CARD / GIFT CARD:** The Bank offers a host of customer-friendly technology backed card variants like VISA Classic EMV Debit Card, VISA International Debit Card, Rupay Classic EMV Debit Card, Rupay International Platinum Debit Card, Rupay PMJDY Debit Card, Rupay Kisan Debit Card, Moneyplant Rupay Mudhra Card, Travel Card, Gift Card, etc. Besides, our Bank has recently introduced *Rupay* Kisan Debit Card for the benefits of farmers. Besides, our Bank has recently introduced *Rupay* Kisan Debit Card for the benefits of farmers.
- **IMAGE BASED DEBIT CARD:** 'KBL Image Debit Card' a value added facility to our existing as well as new debit cardholders to get their existing Bank's standard design card converted to an Image Debit card with their personalized / customized image. It will fulfil our debit cardholders' desire to stamp their best moments / family / friends impression on the face of debit card.
- **DEPOSIT ONLY CARD:** 'KBL-Deposit Only Card', enables hassle-free cash deposit transactions at Bank's e-Lobbies. It can be used only for Cash Deposit with a per day cash deposit with a certain limit.
- **POINT OF SALE NETWORK (SWIPING MACHINE):** The Bank provides Point of Sale (Swiping Machine) services to Banks merchants (customers) for collection of sales in an automated process. "KBL-POS Manager" is an Android based Mobile application, which will service our POS merchants [a] To see daily reports [b] To know latest settlement report value [c] To request statements that will be delivered to registered email id. and [d] To see live Transactions and to effectively monitor the transactions under POS Terminals.

Bank has also launched Cash@POS Facility through its network of 13,100+ Point of Sale (PoS) terminals installed at various merchant establishments throughout India. It is a facility through which any bank customers can withdraw cash using their Debit Cards /Open System Prepaid cards (issued by Banks in India) at PoS terminals of the Bank.

- **PAYMENT GATEWAY:** Payment gateway is a merchant service that facilitates acceptance of electronic payments made through cards (debit, Credit, Prepaid), internet banking, mobile wallets etc. Payment Gateway acts as a bridge between the merchant's website and the Bank/Associations that provide Internet Banking/ Debit /Credit cards. The Bank is providing such facilities to needy clientele like Educational Institutions, Temples, Govt. Organizations and merchants, who are having their own websites and intend to accept Online [e-commerce] transactions from their customers.
- **NEFT / RTGS SERVICES:** The Bank provides remittance facilities to its customers in the form of NEFT and RTGS. NEFT is an application developed by RBI to facilitate customers to transfer funds from one bank account to another bank account in India in an efficient, secure, economical, reliable and expeditious system of fund transfer between banks using Structural Financial Messaging System (SFMS) back bone. The bank also offers Real Time Gross Settlement (RTGS) facility which enables expeditious transfer/ remittance of funds on real time basis between banks across the country. The Customer can avail this facility and make instant transfer of funds to beneficiary's account.

- **IMPS:** Immediate Payment Service (IMPS) is an instant & real-time interbank electronic fund transfer system. Unlike NEFT & RTGS, the service is available 24*7 even on Bank holidays / Sundays. Funds can be transferred securely using any of the following beneficiary credentials; (a) Account Number & IFSC Code OR (b) MMID & Mobile Number. IMPS service is available to all registered users of Karnataka Bank MoneyClick® Internet Banking, Mobile Banking (KBL Mobile) and KBL ApnaApp.
- **KBL ApnaApp:** 'KBL ApnaApp' is an Android based 'SMS banking application' which will work on the basis of SMS authentication. The app can be downloaded directly from Google Play Store. The major features of 'KBL ApnaApp' are Balance enquiry, Mini Statement, Funds transfer own/within bank, NEFT / RTGS, IMPS, Mobile Money Identifier, Mobile recharge, DTH recharge, Cheque Book Request, Branch/ ATM/IFSC code search, Stop Payment Request, cheque status enquiry, etc.
- **KBL Mobile Plus:** Bank has recently launched an integrated Mobile Banking Application called "KBL MobilePlus" integrating existing standalone App's like BHIM KBL UPI, KBL mPassbook, KBL Locator and mCommerce online into a single app thereby serving as an "one stop solution" for the customers. Further, the app also has many additional new age features such as Biometric based login, Debit Card Settings like Blocking Card, Switch ON/OFF and Enable/Disable International Usage, Online FD/RD Opening, KBL QR Code for within Bank Transfer, Online registration from KBL Suraksha, PMJDY, PMJJY etc.
- **CREDIT CARD:** Bank in collaboration with State Bank of India launched Co-branded Credit Card offering two variant of cards namely 'Simply SAVE Card' & 'Platinum Card'. While Platinum SBI Card has been designed to meet premium customers life style and spending patterns, Simply SAVE Card has been designed to meet value conscious consumer needs and enables to maximize their savings on their regular spends. These cards are accepted at all merchant locations globally and offer distinct and rewarding benefits to the card holders. The KBL-SBI Card App provides card blocking/unblocking of international transactions and also temporary blocking option for domestic usage. The APP is user friendly and one can know the transaction details and balance at any time.
- **AADHAAR ENROLMENT:** In response to the need of providing Aadhaar enrolment and Updation facilities to the customer and the public at large the bank initiated steps to open Aadhaar and Enrolment centres some of its branches in tune with the policy guidelines of UIDAI.
- **DEMAT /ONLINE TRADING FACILITY:** The Bank provides DP services under the aegis of Central Depository Services Ltd. (CDSL) which is promoted by BSE jointly with leading banks. The Bank has tied up with Way2Wealth Brokers Pvt. Ltd., to provide online trading facility.
- **ASBA FACILITY:** The Bank provides ASBA facility to its customers. ASBA is an application containing an authorization to block the application money in the savings account, for subscribing to an IPO/ Rights Issue/New Fund Offering of Mutual Funds.
- **SOCIAL MEDIA:** Bank has ventured into social media presence by opening its official pages in leading social networking sites such as FaceBook, Twitter, Instagram and YouTube. The official social handle of the Bank is [@karnatakabank](https://www.facebook.com/karnatakabank).
- **INSURANCE BUSINESS:** The Bank has tied up with various insurance companies like PNB MetLife India Insurance Company Ltd., Life Insurance Corporation of India, Universal Sampo General Insurance Co. Ltd. (USGICL), M/s Bajaj Allianz General Insurance Co. Ltd. and offers life/general/health insurance products to our customers. Bank also offers social security schemes launched by the Government viz. "Pradhan Mantri Suraksha Bima Yojna" under MOU with New India Assurance Co Ltd., and "Pradhan Mantri Jeevan Jyoti Bima Yojna", under MOU with LIC of India.
- **ATAL PENSION YOJANA (APY):** The Bank has implemented 'Atal Pension Yojana' (APY) pension scheme and has been encouraging its rural customers to secure their future financial needs to the extent possible through this scheme.

- **MUTUAL FUND DISTRIBUTION:** To provide an opportunity to our customers to diversify their investment portfolios depending on their requirements and risk appetite, Bank has entered into Distribution Agreement with the eight Asset Management Companies viz. Franklin Templeton Mutual Fund (MF), Tata MF, ICICI Prudential MF, Reliance Capital MF, Birla Sun Life MF, LIC MF, UTI MF & HDFC Asset Management Company to offer their mutual fund products.
- **FINANCIAL INCLUSION:** The Bank has 182 branches in rural areas (including 116 financial inclusion branches) catering to the multifarious needs of farmers who are the backbone of the Indian economy. The Bank has 35 ultra-small branches in the villages as well. The Bank has automated all its rural branches to render improved and efficient technology-driven services to its customers and is active in opening more number of financial inclusion branches. The Bank has also taken initiatives to provide banking to rural masses through Business Correspondent model. Bank has sponsored 5 Financial Literacy & Counseling Centres [FLCC]. The Bank is also conducting account opening camps at various centres under Pradhan Mantri Jan -Dhan Yojana.
- **PRADHAN MANTRI JAN DHAN YOJANA [PMJDY]:** Bank has always been in the forefront in implementing the schemes formulated by the Central / State Governments and Bank has been offering Banking services to all sections of the society duly adhering to the policy / KYC / AML guidelines issued by the Reserve Bank of India. Through the PMJDY product, Bank has helped the poor households to have bank accounts so that they would not only get the benefits distributed by the Government under different schemes, but also enjoy various banking facilities and bring them to the mainstream of banking.
- **CSR INITIATIVES:** The Bank has been actively engaging itself in sectors such as education, civic health, public infrastructure, environmental sustainability, women's empowerment, protection of national heritage, Swach Bharath Abhiyan, construction of toilets in schools and the like, which have a medium to long-term impact on society.
- **FOREX and INTERNATIONAL TRANSACTIONS:** The Bank designated 23 branches in important locations for boosting Forex business. The Bank is a member of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) for expeditious two-way transfer of funds. The Bank has a well-knit correspondent relationship with prime banks in 43 countries and 13 Nostro accounts. For the benefit of NRIs all over the world, we have tied-up with Western Union Money Transfer (WUMT) and Remit2India for providing remittance assistance. Bank has also facility of Multicurrency Travel Card.
- **SERVICES TO NRIs:** There are a wide range of deposit schemes for NRIs as well. It includes Non-Resident (Rupee) Account (NRE), Foreign Currency Non Resident (Bank) Scheme (FCNR (B)) and Non Resident (Ordinary) Account (NRO) with very attractive and highly competitive interest rates. Resident Foreign Currency (RFC) Account for returning Indians is also available. Apart from the loans against their deposits, the Bank has a tailor-made credit scheme for acquisition of house under its Housing Loan Scheme exclusively for NRIs at reasonably low rate on reducing daily balance. A NRI Cell has been set up at International Division, Mumbai to provide help and guidance to branches and NRIs products, services & other facilities available to them. Bank has entered into a 'Sub-Agent' arrangement with UAE Exchange & Financial Services Ltd., for processing inward remittances which are cash-to-cash or cash-to-bank (customer to customer transfer) facility similar to Western Union Money Transfer services.
- **KBL LOAN JUNCTION:** Bank has launched "KBL-LOAN JUNCTION", an online retail loan web portal, which will provide the loan seekers a platform to: [a] Know about the various loan products offered by the Bank. [b] Check the loan eligibility for any of the products. [c] Enquire status of their loan application online. [d] Get the updates about their loan application through SMS / email.
- The Bank has entered into a MoU with NCMSL, NBHC, Edelweiss & STARAGRI for availing Collateral Management services to extend loan against Warehouse Receipts to farmers. Sugarcane growers are targeted for finance under a MoU with sugar mills. Specialized centres have been identified and Agriculture Field Officers are placed for enhancing the Agri-portfolio.

4.4.2. Brief Particulars of the Management of the Bank:

Sl No	Name (Mr.)	Designation
1.	Raghavendra Bhat M	Chief Operating Officer (COO)
2.	Chandrashekar Rao B	General Manager
3.	Subhaschandra Puranik	General Manager & Chief of Internal Vigilance
4.	Y V Balachandra	General Manager & CFO
5.	Muralidhar Krishna Rao	General Manager
6.	Nagaraja Rao B.	General Manager
7.	Manjunath Bhat B K	General Manager
8.	Gokuldas Pai	General Manager & Chief Transformation Officer
9.	Mahalingeshwara K	General Manager & Chief Learning Officer
10.	Prasanna Patil	Company Secretary

4.4.3. **Corporate Structure:** The present Organizational Structure of the Bank is given in **Annexure 6**.

4.4.4. **Key Operational and Financial Parameters for the last 3 audited years** [Without restatements]:

FINANCIAL PERFORMANCE

As on March 31, 2018, the Bank surpassed its annual target and achieved a Business Turnover of Rs.1,10,455.95 crore consisting of Deposits of Rs.62,724.72 crore and Advances of Rs.47,731.23 crore and posted a net profit of Rs.325.61 crore. Some of the financial parameters that depict growth story of the Bank over the past decade are as under:

*Amount in Rs. Crore

Year	Capital & Reserves*	Deposits*	Advances*	Gross Earnings*	Net profit*	Dividend paid %	No. of Branches	No. of Employees
2008-09	1567.03	20333.29	11810.45	2270.55	266.71	60	447	4947
2009-10	1832.75	23730.65	14435.68	2354.68	167.12	40	464	5244
2010-11	2429.08	27336.45	17348.07	2662.60	204.61	30	478	5795
2011-12	2598.21	31608.32	20720.70	3447.27	246.07	35	503	6087
2012-13	2857.08	36056.22	25207.68	4161.93	348.08	40	550	6339
2013-14	3052.20	40582.83	28345.49	4694.41	311.03	40	600	7185
2014-15	3389.06	46008.61	31679.99	5205.41	451.45	50	675	7382
2015-16	3690.58	50488.21	33902.45	5535.07	415.29	50	725	7792
2016-17	5142.58	56733.11	36915.70	5994.74	452.26	40	765	7982
2017-18	5410.15	62871.29	47251.75	6378.09	325.61	30	800	8185

Key Operational and Financial Parameters of the Bank for the last 3 Audited Financial Years and Unaudited Results up to December 31, 2018 on a standalone basis are as under:

Amount in Rs. Crore

Parameters	As on December 31, 2018	FY2017-18	FY2016-17	FY2015-16
Net worth	5304.24	4891.72	4719.05	3690.58
Total Debt	3084.28	815.97	832.62	1051.48
of which – Non Current Maturities of long term borrowing.	2849.32	665.97	682.58	922.10
- Short term Borrowing	234.96	150.00	0.04	129.38
- Current maturities of long term borrowing	0.00	0.00	150.00	0.00
Net fixed assets	769.65	761.60	720.57	306.64
Noncurrent Assets	3709.48	3314.86	2908.57	2989.67
Cash and Cash Equivalents	3193.51	3601.01	3274.03	3044.92
Current Investments	15700.25	15444.44	20219.73	16256.65
Current Assets	18893.75	19045.45	23493.76	19301.57
Current liabilities	1385.69	1276.27	1330.29	1418.23
Assets under Management (Loans & Advances)	51961.44	47251.75	36915.70	33902.45
Off Balance sheet Assets	0.00	0.00	0.00	0.00
Interest income	4374.67	5423.75	5185.40	4992.21
Interest expense	2950.43	3566.10	3694.78	3689.34

Provisioning & write- offs	2387.88	1796.17	1009.43	572.30
PAT	415.51	325.61	452.26	415.29
Gross NPA (%)	4.45	4.92	4.21	3.44
Net NPA (%)	3.00	2.96	2.64	2.35
Tier 1 Capital Adequacy Ratio (%)	10.41	11.29	12.21	10.56
Tier 2 Capital Adequacy Ratio (%)	1.56	0.75	1.09	1.47
Total Capital Adequacy Ratio (%)	11.97	12.04	13.30	12.03

- 4.4.5.** Profits of the Bank, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of Information Memorandum:

Rs. in crore

Particulars	2017-18	2016-17	2015-16
Profits before tax	310.16	482.98	528.00
Profits after tax	325.61	452.26	415.29

- 4.4.6.** Dividends declared by the Bank in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid):

Particulars	2017-18	2016-17	2015-16
Dividends (incl. Tax on Dividend) (Rs. cr)	102.21	136.05	112.41
Dividend Payout Ratio (percentage)	26.04	24.99	22.69
Interest coverage ratio (times)	5.04	6.37	5.52

- 4.4.7. Gross Debt: Equity Ratio of the Bank as on December 31, 2018:**

(Rs in Crore)

Capitalization Statement	Before Issue	After Issue
Borrowings		
- Short Term Debt	234.96	234.96
- Long Term Debt	2849.32	3249.32
Total Debt (A)	3084.28	3484.28
Equity		
-Share Capital	282.62	282.62
-Reserve & Surplus (excluding revaluation reserve)	5021.62	5021.62
Total Shareholders Fund (B)	5304.24	5304.24
Total Capitalisation (A+B)	8388.52	8788.52
Long Term Debt/Equity Ratio	0.58	0.66
in % age terms	58.15	65.69

- 4.4.8. Audited cash flow statement for the three years immediately preceding the Issue: As provided under Annexure - 7**

- 4.4.9. Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.**

There were no changes in the accounting policies during the last three years period.

- 4.4.10. Project Cost and means of financing, in case of funding of new projects:**

The funds being raised by the Bank through present issue of Bonds are not meant for financing any particular project. The Bank will utilize the proceeds of the issue for augmenting its Tier 2 Capital and overall capital base and for the purpose of its regular business activities & other associated business objectives.

4.5. Brief History since incorporation: Please refer to page number 21 of this Information Memorandum.

4.5.1. Details of Share Capital of the Bank:

As on December 31, 2018

Equity Share Capital	Number of Shares	Amount (Rs. in crore)
Authorized Share Capital	80,00,00,000	800.00
Issued	28,27,27,150	282.73
Subscribed	28,26,24,348	282.62
Paid up Capital	28,26,07,798	282.61 #*
Securities Premium	-	1283.96*
Size of the present offer		
Equity	-	N.A.
Debt	-	400 crore.

* Pre and post details will remain unchanged since the present issue is of Bonds.

There will be no change in the Paid-up Capital since the bonds proposed to be issued are unsecured and non-convertible.

4.5.2. Changes in Capital Structure as on last quarter end, during the last five years:

Date of change (AGM/EGM)	Amount Rs. in crore		Particulars
91 st AGM held on July 16, 2015	Authorised Capital	200.00	Authorised capital increased from Rs.300 crore to Rs.500 crore.
2016-17 December 8, 2016	Paid-up Capital	94.14	Increase in Issued, Subscribed and Paid-Up share capital pursuant to allotment of 9, 41, 36,866 equity shares under Rights Issue 2016.
	Securities Premium	564.82	
94 th AGM held on July 21, 2018	Authorised Capital	300.00	Authorised capital increased from Rs.500 crore to Rs.800 crore.

4.5.3. Equity Share Capital History of the Bank for the last five years:

Date of allotment	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Allotment	Cumulative			Remarks	
						No. of Equity Shares	Equity share capital	Securities premium		
30.04.2013	3109	10	46.2	Cash	ESOS	3109	31090	112545.8	188346219	-
31.05.2013	2685	10	46.2	Cash	ESOS	5794	57940	209742.8	188348904	-
31.07.2013	26893	10	46.2	Cash	ESOS	32687	326870	1183269.4	188375797	-
27.08.2013	29968	10	46.2	Cash	ESOS	62655	626550	2268111	188405765	-
19.09.2013	1437	10	46.2	Cash	ESOS	64092	640920	2320130.4	188407202	-
23.11.2013	2734	10	46.2	Cash	ESOS	66826	668260	2419101.2	188409936	-
23.01.2014	1005	10	46.2	Cash	ESOS	67831	678310	2455482.2	188410941	-
24.03.2014	1231	10	46.2	Cash	ESOS	69062	690620	2500044.4	188412172	-
24.03.2014	200	10	--	--	Bonus-Abeyance	69262	692620	0	188412372	-
07.06.2014	4297	10	46.2	Cash	ESOS	73559	735590	2662835.8	188416669	-
07.06.2014	200	10	20	Cash	Rights issue 2003-Abeyance	73759	737590	737590	188416869	-
07.06.2014	1200	10	25	Cash	Rights issue 2005-Abeyance	74959	749590	1124385	188418069	-
07.06.2014	720	10	85	Cash	Rights issue 2011-Abeyance	75679	756790	5675925	188418789	-
30.07.2014	12908	10	46.2	Cash	ESOS	88587	885870	3206849.4	188431697	-
06.09.2014	7277	10	46.2	Cash	ESOS	95864	958640	3470276.8	188438974	-
31.10.2014	3967	10	46.2	Cash	ESOS	99831	998310	3613882.2	188442941	-
29.12.2014	1363	10	46.2	Cash	ESOS	101194	1011940	3663222.8	188444304	-
27.01.2015	1104	10	46.2	Cash	ESOS	102298	1022980	3703187.6	188445408	-
28.03.2015	1347	10	46.2	Cash	ESOS	103645	1036450	3751949	188446755	-
27.06.2015	2502	10	46.2	Cash	ESOS	106147	1061470	3842521.4	188449257	-
21.08.2015	6083	10	46.2	Cash	ESOS	112230	1122300	4062726	188455340	-
30.10.2015	681	10	46.2	Cash	ESOS	112911	1129110	4087378.2	188456021	-
30.06.2016	2402	10	46.2	Cash	ESOS	115313	1153130	4174330.6	188458423	-
26.08.2016	5425	10	46.2	Cash	ESOS	120738	1207380	4370715.6	188463848	-
20.09.2016	5233	10	46.2	Cash	ESOS	125971	1259710	4560150.2	188469081	-
08.12.2016	94136866	10	70	Cash	Rights issue-2016	94262837	942628370	5655770220	282605947	-

27.04.2017	1380	10	70	Cash	Rights issue-2016-Abeyance	94264217	942642170	5655853020	282607327	-
19.02.2018	359	10	70	Cash	Rights issue-2016-Abeyance	94264576	942645760	5655874560	282607686	-
05.09.2018	112	10	70	Cash	Rights issue-2016-Abeyance	94264688	942646880	5655881280	282607798	-

4.5.4. Details of any Acquisition or Amalgamation in the last 1 year : NIL

4.5.5. Details of any Reorganization or Reconstruction in the last 1 year : NIL

4.6. Details of the shareholding pattern of the Bank:

4.6.1. Shareholding pattern of the Bank as on latest quarter end i.e. December 31, 2018:

Sl. No.	Particulars	Number of shareholders	Total no. of Equity Shares	No. of shares held in demat form	% to total no. of Equity Shares
A.	Shareholding of Promoter and Promoter Group	0	0	0	0
B.	Public Shareholding				
1.	Institutions				
a.	Mutual Funds	26	24149120	24149120	8.55
b.	Venture capital	0	0	0	0
c.	Alternate Investment Funds	1	1260630	1260630	0.45
d.	Foreign Venture Capital Investors	0	0	0	0
e.	Foreign Portfolio Investors (FPIs)	117	35999005	35999005	12.74
f.	Financial Institutions /Banks	8	1239612	1239612	0.43
g.	Insurance Companies	4	16681300	16681300	5.90
h.	Central Government/State Govt	0	0	0	0
	SUBTOTAL (B1)	156	79329667	79329667	28.07
2.	Non-Institutions				
a.	Individuals				
i.	Individual shareholders holding nominal share capital up to Rs. 1 lakh	182470	91076591	78557405	32.23
ii.	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1811	83020782	80209822	29.38
	SUBTOTAL (B2)	184281	174097373	158767227	61.61
b.	NBFCs registered with RBI	7	184500	184500	0.07
c.	Employee trusts	0	0	0	0
d.	Overseas Depositories (holding DRs)	0	0	0	0
e.	Any other (specify)				
	Bodies Corporate	1162	19821473	19527667	7.01
	Clearing Members	507	2425142	2425142	0.86
	Trusts	9	266859	266859	0.09
	Foreign Nationals/NRI	3063	5749519	5744519	2.03
	Unclaimed or Suspense or Escrow account	1	89283	89283	0.03
	IEPF A/c.	1	643982	643982	0.23
	SUBTOTAL (B3)	4750	29180758	28881952	10.32
C.	Total Public Shareholding (B1 + B2 + B3)	189187	282607798	266978846	100.00

Note: Bank does not have any promoter and therefore, promoter shareholding reflects 'NIL'

Details of shares pledged or encumbered by the promoters (if any): Not Applicable

4.6.2. Pre-Issue and post-Issue shareholding pattern of the Bank:

Sl. No.	Particulars	Pre-Issue				Post-Issue			
		Number of shareholders	Total no. of Equity Shares	No. of shares held in demat form	% to total no. of Equity Shares	Number of shareholders	Total no. of Equity Shares	No. of shares held in demat form	% to total no. of Equity Shares
A.	Shareholding of Promoter and Promoter Group	0	0	0	0	0	0	0	0
B.	Public Shareholding								
1.	Institutions								
a.	Mutual Funds	26	24149120	24149120	8.55	26	24149120	24149120	8.55
b.	Venture capital	0	0	0	0	0	0	0	0
c.	Alternate Investment Funds	1	1260630	1260630	0.45	1	1260630	1260630	0.45
d.	Foreign Venture Capital Investors	0	0	0	0	0	0	0	0
e.	Foreign Portfolio Investors (FPIs)	117	35999005	35999005	12.74	117	35999005	35999005	12.74
f.	Financial Institutions /Banks	8	1239612	1239612	0.44	8	1239612	1239612	0.44
g.	Insurance Companies	4	16681300	16681300	5.90	4	16681300	16681300	5.90
h.	Central Government/State Govt	0	0	0	0	0	0	0	0
	SUBTOTAL (B1)	156	79329667	79329667	28.07	156	79329667	79329667	28.07
2.	Non-Institutions								
a.	Individuals								
i.	Individual shareholders holding nominal share capital up to Rs. 1 lakh	182470	91076591	78557405	32.23	182470	91076591	78557405	32.23
ii.	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1811	83020782	80209822	29.38	1811	83020782	80209822	29.38
	SUBTOTAL (B2)								
b.	NBFCs registered with RBI	7	184500	184500	0.07	7	184500	184500	0.07
c.	Employee trusts	0	0	0	0	0	0	0	0
d.	Overseas Depositories (holding DRs)	0	0	0	0	0	0	0	0
e.	Any other (specify)								
	Bodies Corporate	1162	19821473	19527667	7.01	1162	19821473	19527667	7.01
	Clearing Members	507	2425142	2425142	0.86	507	2425142	2425142	0.86
	Trusts	9	266859	266859	0.09	9	266859	266859	0.09
	Foreign Nationals (NRI)	3063	5749519	5744519	2.03	3063	5749519	5744519	2.03
	Unclaimed or Suspense or Escrow account	1	89283	89283	0.03	1	89283	89283	0.03
	IEPF A/c.	1	643982	643982	0.23	1	643982	643982	0.23
	SUBTOTAL (B3)								
C.	Total Public Shareholding (B1 + B2 + B3)		282607798	266978846	100.00		282607798	266978846	100.00

4.6.3. List of top 10 holders of equity shares of the Bank as on latest quarter ended i.e. December 31, 2018:

Sl. No	Name of the Shareholders	Total no. of Equity Shares	No. of Shares in demat form	Total Shareholding as % of total no. of Equity Shares
1	Life Insurance Corporation of India	14053194	14053194	4.97
2	ICICI Prudential Banking and Financial Services	11179054	11179054	3.96
3	B Sumanthkumar Reddy	6024817	6024817	2.13
4	IDFC Sterling Value Fund	4175200	4175200	1.48
5	LSV Emerging Markets Equity Fund LP	3938400	3938400	1.39
6	CD Equifinance Private Limited	3429285	3429285	1.21
7	Kotak Equity Savings Fund	3187335	3187335	1.13
8	State Street Emerging Markets Small Cap Active Non-lending QIB	3100383	3100383	1.10
9	Nayani Haritha	2998728	2998728	1.06
10	Sreenadha Reddy Nayani	2788005	2788005	0.99
	Total	54874401	54874401	19.42

4.6.4. Details regarding directors of the Bank:

a. Details of the current directors of the Bank:

Sl. No.	Name, Designation & DIN	Age (Yrs)	Address	Director of the Bank since	Details of other Directorship
1.	Shri P Jayarama Bhat Non-Executive Chairman DIN: 00041500	66	“CHAITANYA”, Manjushree Layout, Kadri Temple Road, Mangaluru-575002	12.04.2017 * (*earlier he was holding the post of MD & CEO of the Bank from 13.07.2009 till 11.04.2017)	Universal Somp General Insurance Company Ltd (Nominee Director on behalf of the Bank)
2.	Shri Mahabaleshwara M S Managing Director & CEO (MD & CEO) DIN: 07645317	59	No.23, Sai Paradise, Chilimbi, Urwastores, Mangaluru-575006	15.04.2017	NIL
3.	Shri Ashok Haranahalli Independent Director DIN: 05339634	60	No. 558, I Main Road, III Block RMV II Stage, Bengaluru-560094.	14.09.2012	NIL
4.	Shri Rammohan Rao Belle Independent Director DIN: 02370794	66	1406, Santrupti, 34 th Cross, 17 th A Main, 1 st Stage, HBR Layout, 5 th Block, Bengaluru- 560043.	21.10.2013	NIL
5.	Shri B A Prabhakar Independent Director DIN: 02101808	65	Shreyas, 333/13, BEML Layout V Stage, Rajarajeshwari Nagar Bengaluru-560098.	06.09.2014	1. ASREC (India) Ltd 2. L&T Finance Holdings Ltd. 3. Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd. 4. National Securities Depository Ltd
6.	Shri U R Bhat Independent Director DIN: 00008425	66	3A-203, Green Acres, Lokhandwala Complex, Andheri (West), MUMBAI-400 053	19.02.2016	1. Dalton Capital Advisors (India) Private Limited 2. Repro India Limited 3. Edelweiss Asset Management Limited 4. Subhkan Capital Ventures Private Limited 5. Axis Asset Management Company Ltd 6. Bluestreet Capital Management Private Limited 7. Finaureus Technologies Pvt. Ltd. 8. Speciality Restaurants Limited 9. First Meridian Consulting LLP
7.	Shri Keshav Krishnarao Desai Independent Director DIN: 07427621	57	House No.59, Gajaraj Desai Park, Kusugal Park,Keshwapur, Hubbali-5800023.	19.02.2016	NIL
8.	Shri D Surendra Kumar Independent Director DIN: 00234305	67	No.55, Vittal Mallya Road, Bengaluru-560012	29.12.2016	NIL
9.	Smt. Mythily Ramesh Independent Director DIN: 06959991	53	No.302, Sparta-2, Prestige Acropolis, Hosur Road, Adugodi, Bengaluru- 560029	14.03.2018	1. WEP Solutions Ltd. 2. WEP Digital Services Ltd.

Note: None of the names of the current Directors of the Bank appear in the RBI's Defaulters' List or ECGC's Default List

b. Details of change in Directors during the last three years:

Sl. No	Name, Designation and DIN	Date of appointment/resignation/cessation	Director of the Bank since (in case of resignation/cessation)	Remarks
1.	Shri Keshav Krishnarao Desai Director DIN: 07427621	19.02.2016	-	
2.	Shri U R Bhat Director DIN: 00008425	19.02.2016	-	
3.	Shri T R Chandrasekaran Director DIN: 00399104	09.06.2016*	15.10.2010	Upon attainment of upper age of 70 years as per the extant guidelines of Reserve Bank of India.
4.	Shri S V Manjunath Director DIN: 02354102	25.10.2016*	24.10.2008	Retired upon completion of period of 8 years as per Banking Regulation Act.
5.	Shri D Harshendra Kumar Director DIN: 02336746	25.10.2016*	24.10.2008	Retired upon completion of period of 8 years as per Banking Regulation Act.
6.	Dr H Ramamohan Director DIN: 02331431	25.10.2016*	24.10.2008	Retired upon completion of period of 8 years as per Banking Regulation Act.
7.	Shri Ananthakrishna Director DIN: 00018423	26.10.2016*	13.07.2000	Upon attainment of upper age of 70 years as per the extant guidelines of Reserve Bank of India.
8.	Shri D Surendra Kumar Director DIN: 00234305	29.12.2016	-	
9.	Shri P Jayarama Bhat Managing Director & CEO DIN: 00041500	11.04.2017*	13.07.2009	Resigned from the position MD & CEO to take up the position of Non-Executive Chairman.
10.	Shri P Jayarama Bhat Director DIN: 00041500	12.04.2017	-	Appointment as Additional Director u/s 161 of Companies Act, 2013 and appointed as a Non-Executive Chairman of the Bank and his appointment was confirmed by the shareholders at the 93 rd AGM held on 17.07.2017.
11.	Shri Mahabaleshwara M S Managing Director & CEO DIN: 07645317	15.04.2017	-	Appointment as Additional Director u/s 161 of Companies Act, 2013 and appointed as MD & CEO of the Bank and his appointment as a Director was confirmed by the shareholders at the 93 rd AGM held on 17.07.2017.
12.	Smt. Mythily Ramesh Director DIN: 06959991	14.03.2018	-	Appointment as Additional Director u/s 161 of Companies Act, 2013 and later appointed as an Independent Director of the Bank confirming her Directorship by the shareholders at the 94 th AGM held on 21.07.2018.
13.	Smt Usha Ganesh Director DIN: 00455890	05.07.2018*	31.07.2013	Upon attainment of upper age of 70 years as per the extant guidelines of Reserve Bank of India.
14.	Shri Ashok Haranahalli Director DIN: 05339634	14.09.2012	-	Re-appointed as an Independent Director at the 94 th AGM for a further period to hold office upto 13.09.2020
15.	Shri Rammohan Rao Belle Director DIN: 02370794	21.10.2013	-	Re-appointed as an Independent Director at the 94 th AGM for a further period to hold office upto 20.10.2021

* Dates of cessations

4.7. DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.

i	Any financial or other material interest of the directors, promoters or key managerial personnel in the Offer/Issue and the effect of such interest in so far as it is different from the interests of other persons.	Nil																									
ii	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the Bank during the last three years immediately preceding the year of the circulation of this offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action.	Nil																									
iii	Remuneration of directors (during the current year and last three financial years)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;">DETAILS OF REMUNERATION PAID TO DIRECTORS during Current year and Last three Financial Years (Rs. in lakhs)</th> </tr> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">Current Year upto 31st December 2018</th> <th style="text-align: center;">2017-18</th> <th style="text-align: center;">2016-17</th> <th style="text-align: center;">2015-16</th> </tr> </thead> <tbody> <tr> <td>Gross Salary paid to MD & CEO</td> <td style="text-align: center;">52.92</td> <td style="text-align: center;">Up to 11.04.2017: Rs.16.27 Lakh W.e.f. 12.04.2017: Rs.59.84 Lakh</td> <td style="text-align: center;">78.90</td> <td style="text-align: center;">72.95</td> </tr> <tr> <td>Gross Salary paid to Chairman</td> <td style="text-align: center;">9.00</td> <td style="text-align: center;">11.63</td> <td style="text-align: center;">NIL</td> <td style="text-align: center;">NIL</td> </tr> <tr> <td>Sitting fee paid to Directors</td> <td style="text-align: center;">111.40</td> <td style="text-align: center;">177.8</td> <td style="text-align: center;">116.8</td> <td style="text-align: center;">80.90</td> </tr> </tbody> </table>	DETAILS OF REMUNERATION PAID TO DIRECTORS during Current year and Last three Financial Years (Rs. in lakhs)					Particulars	Current Year upto 31 st December 2018	2017-18	2016-17	2015-16	Gross Salary paid to MD & CEO	52.92	Up to 11.04.2017: Rs.16.27 Lakh W.e.f. 12.04.2017: Rs.59.84 Lakh	78.90	72.95	Gross Salary paid to Chairman	9.00	11.63	NIL	NIL	Sitting fee paid to Directors	111.40	177.8	116.8	80.90
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Gross Salary paid to Chairman	9.00	11.63	NIL	NIL																							
Sitting fee paid to Directors	111.40	177.8	116.8	80.90																							
iv	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	Nil																									
v	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark.	Nil. For more details please refer to the Auditors Report under Annexure 7																									
vi	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also, if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries.	Nil																									
vii	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	<p>Gist of frauds committed against the Bank in the last three years and reported to RBI as per the extant guidelines issued by the said regulator: (Amount Rs. in lakhs)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">No of cases*</th> <th style="text-align: center;">Amount involved*</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2015-16</td> <td style="text-align: center;">1</td> <td style="text-align: right;">8169.86</td> </tr> <tr> <td style="text-align: center;">2016-17</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">2017-18</td> <td style="text-align: center;">4</td> <td style="text-align: right;">20808.14</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">5</td> <td style="text-align: right;">28978.00</td> </tr> </tbody> </table> <p>* includes accounts held under consortium.</p> <p>The Bank has filed Police complaints in the cases and has initiated suitable recovery/other legal proceedings including appropriate action against erring staff members.</p>	Year	No of cases*	Amount involved*	2015-16	1	8169.86	2016-17	Nil	0	2017-18	4	20808.14	Total	5	28978.00										
Year	No of cases*	Amount involved*																									
2015-16	1	8169.86																									
2016-17	Nil	0																									
2017-18	4	20808.14																									
Total	5	28978.00																									

4.7.1. Details regarding the auditor of the Bank:

Name	Address	Auditor Since
M/s. Manohar Chowdhry & Associates	New No.27, Subramaniam Street, Abiramapuram, Chennai-600018	2018-19*
M/s. Badari Madhusudhan & Srinivasan	132, Kantha Court, 2 nd Floor, Lalbagh Road, Bengaluru-560027	

*Joint Statutory Central Auditors of the Bank appointed at the 94th Annual General Meeting held on July 21, 2018.

Details of change in auditor since last three years:-

Sl. No.	Name	Address	Date of Appointment / Resignation	Auditor of the Company since (in case of resignation)	Remarks
1.	R K Kumar & Co	2 nd floor, Congress Bldg., 573, Mount Road, Chennai-600006	*	None of the Auditor has resigned.	Joint Statutory Central Auditors for the period 2017-18
	Abarna & Ananthan	No: 521, 3 rd Main Road, 6 th Block, 2 nd Stage, BSK III Stage, Bengaluru-560085			
2.	Kamath & Rau	Karangalpady, Mangaluru-575003			Joint Statutory Central Auditors for the period 2014-15 upto 2016-17
	Abarna & Ananthan	No: 521, 3 rd Main Road, 6 th Block, 2 nd Stage, BSK III Stage, Bengaluru-560085			

*The appointment of Joint Statutory Central Auditors of the Bank is subject to prior approval from the Reserve Bank of India under section 30 of the Banking Regulation Act, 1949. Accordingly, the aforesaid auditors have carried out the audit of the Bank for the reporting period as provided under remarks.

4.7.2. Details of borrowings of the Company, as on December 31, 2018:

a. Details of Secured Loan facilities as on December 31, 2018:

Lender's Name	Type of facility	Amount sanctioned (Rs. In Cr)	Principal amount outstanding (Rs. In Cr)	Repayment Date/ schedule	Security
CCIL	TREPS	200.00	199.96	01.01.2019	Collateralized borrowing
RBI	REPO	35.00	35.00	01.01.2019	SLR Securities

b. Details of Unsecured Loan facilities as on December 31, 2018:

Lender's Name	Type of facility	Amount sanctioned (Rs. In Cr)	Principal amount outstanding (Rs. In Cr)	Repayment Date/ schedule	Security
NHB	Refinancing	340.00	107.26	01.07.2020	Unsecured
NHB	Refinancing	55.00	46.30	01.01.2023	Unsecured
SIDBI	Refinancing	2250.00	2044.45		Unsecured

c. Certificate of Deposits as on December 31, 2018:

Type of facility	Amount Raised (Rs. In Cr)	Date of Issue	Repayment Date/ schedule	Rating
Certificate of Deposits	500.00	11.12.2018	08.03.2019	ICRA A1+

d. Details of existing Bonds:

The existing Rated, Unsecured, Redeemable, Non-convertible, Lower Tier 2 Subordinated Bonds in the nature of debentures issued in the past on different dates by the Bank as on September 30, 2018 are as under:

Debenture Series	Amount (Rs. In Cr)	Date of Allotment	Redemption Date	Tenor / Period of Maturity	Coupon (%p.a.)	Credit Rating	Secured / Unsecured
Series IV	250.00	17.11.2012	17.11.2022	10 years	11.00	ICRA "A" CARE "A"	Unsecured
Series V	400.00	16.11.2018	16.11.2028	10 years	12.00	ICRA "A" CARE "A"	Unsecured

e. List of Top 10 Debenture Holders as on December 31, 2018:

Series IV (ISIN INE61B08021)		
SI No	Name	Amount (Rs. In Cr)
1	Bank of India	25
2	United India Insurance Company Limited	25
3	Canara Bank (Employees) Pension Fund	18
4	Oriental Bank of Commerce	15
5	The Federal Bank Limited	15
6	Indian Overseas Bank	15
7	Canara Bank Staff Provident Fund	12
8	Bank of Maharashtra	10
9	Trustees Central Bank of India Employees Pension Fund	10
10	Indian Bank	10
11	United India Insurance Company Limited Employees Provident Fund	10
12	Canara Bank-Mumbai	10

Series V (ISIN INE61B08039)		
SI No	Name	Amount (Rs. In Cr)
1	Vijaya Bank	90
2	PNB Metlife India Insurance Company Limited	63.5
3	Bharti Axa Life Insurance Company Ltd	50
4	Indian Bank	25
5	Union Bank of India	25
6	The Federal Bank Limited	25
7	Indian Register of Shipping	10
8	The South Indian Bank Ltd	10
9	Andhra Bank	10
10	Punjab National Bank	10
11	City Union Bank Limited	10

f. Number of persons to whom allotment on preferential basis/private placement/rights issue has already been made during the year, in terms of number of securities as well as price:

On November 16, 2018, Bank issued and allotted 'Rated, Unsecured, Redeemable, Non-convertible, BASEL III Compliant, Lower Tier 2 Subordinated Bonds' in the nature of debentures to the tune of Rs.400 crore (40000 bonds of Rs.100000 each at par) to 21 applicants under NSE-EBP mechanism on a private placement basis.

g. The amount of corporate guarantee issued by the Bank along with name of the counterparty (like name of the subsidiary, JV entity, Group Company, etc.) on behalf of whom it has been issued: There are no corporate guarantees issued by the Bank to the counterparties.

h. Details of Commercial paper : NIL

i. Details of Rest of the borrowings (including hybrid debt like FCCB, Optionally Convertible Bonds / Preference Shares) as on December 31, 2018. : NIL

j. Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the Company and including any statutory dues, in the past 5 years: All payments of interest and redemption proceeds were paid on due date in the past five years.

k. Details of any outstanding borrowings taken/ debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option. : NIL

1.1. Details of Promoters of the Bank : Bank has no identifiable promoter and the equity shares of the Bank are widely held by the public.

1.2. Abridged version of Audited Consolidated (wherever available) and Standalone Financial Information (Profit & Loss statement, Balance Sheet and Cash Flow statement) for last three years and auditor qualifications [Without restatement]: Details have been provided under **Annexure 7**.

1.3. Abridged version of Latest audited/Limited Review half yearly consolidated (wherever applicable) and Standalone Financial Information (like Profit & Loss statement, and Balance Sheet) and auditor's qualifications, if any. : Details have been provided under **Annexure 7**

1.4. Any material event/development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Bank/Promoters, Tax litigations resulting in material liabilities, corporate restructuring event etc.) at the time of issue which may affect the issue or the investor's decision to invest / continue to invest in the debt securities:

The Bank had been served with show cause notices relating CENVAT/service tax and the taxability of certain transactions treated as non-taxable/exempted from service tax. The Bank has already made representations against these notices and is confident of decision in its favour. For more details, please refer to latest Audited Financial Statements for the year ended March 31, 2018 contained in the 94th Annual Report of the Bank.

1.5. Details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of the company and its future operations:

Our Bank is involved in various litigations in the nature of civil, criminal, consumer and tax related matters which are at different stages of adjudications before various forums and the summary has been provided under page no.12 of this Information Memorandum. Further, by the very nature of its business, Bank is involved in large number of transactions involving financial obligations and despite best efforts to provide quality service, litigations/disputes from the customers/regulators cannot be overruled and as such, it is difficult to quantify the orders passed by various regulators as material or significant such that going concern status of the Bank or its future operations are jeopardized.

1.6. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –

i)	statutory dues;	NIL
ii)	debentures and interest thereon;	NIL
iii)	deposits and interest thereon; and	NIL
iv)	loan from any bank or financial institution and interest thereon;	NIL

1.7. Details of any default in annual filing of the Bank under Companies Act, 2013 or the rules made thereunder: NIL

2. ISSUE DETAILS:

1.	Date of passing of board resolution	September 05, 2018 & January 11, 2019
2.	Date of passing of resolution in the general meeting, authorizing the offer of securities	Section 42 of the Companies Act, 2013 read with Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended, provides that in case of offer or invitation for non-convertible debentures, where the proposed amount to be raised through such offer or invitation does not exceed the limit as specified in clause (c) of sub-section (1) of section 180 of the Companies Act, 2013, relevant Board resolution under clause (c) of subsection (3) of section 179 of the Companies Act, 2013 would be adequate and in the case of our Bank, present borrowing is well within the permissible limits of Section 180(1)(C) of the Companies Act, 2013 as per the latest Audited Balance Sheet as on March 31, 2018 and also Unaudited results for the quarter ended December 31, 2018. Therefore, shareholders' approval is not required.
3.	Purposes and objects of the Issue	<p>Purpose: To augment the Tier-2 capital of the Bank for strengthening its CRAR.</p> <p>Objects of the Issue: The proceeds of the Issue will augment Tier 2 capital under Basel III Capital Regulations as laid out by RBI. The proceeds of issue shall be utilized for its regular business activities.</p> <p>The funds being raised by the Bank through the present Issue are not meant for financing any particular project. The Bank shall utilize the proceeds of the Issue for its regular business activities.</p>
4.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects	Not Applicable
5.	Names of the Debentures Trustees and Consents thereof:	IDBI Trusteeship Services Limited. Their consent letter dated February 1, 2019 to act as a Debenture Trustee to the proposed bonds issue is enclosed as Annexure 3 .
6.	The detailed rating rationale(s) adopted (not older than one year on the date of opening of the Issue)/ credit rating letter issued (not older than one month on the date of opening of the Issue) by the rating agencies shall be disclosed:	Please refer to Annexure 1 & 2 for rating letters and rating rationale adopted by the Credit Rating Agencies.
7.	Details of the security backed by a guarantee or letter of comfort or any other document /letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines):	NIL
8.	Name and address of the valuer who performed the valuation of the security offered:	SPA Capital Advisors Ltd., 804, Hallmark Business Plaza, Bandra East, Mumbai- 400051
9.	Names of Recognized Stock Exchanges where Securities are proposed to be Listed clearly indicating the Designated Stock Exchange:	National Stock Exchange of India Ltd (NSE)-Debt Segment

10.	Debenture Redemption Reserve:	Not Applicable as per the exemption available pursuant to Rule 18(7) of the Companies (Share Capital and Debentures) Rules, 2014.
11.	Regulations pertaining to the Issue in respect of which, the terms and conditions of this Information Memorandum are dependent upon.	The present issue of Bonds is being made primarily in pursuance of RBI Master Circulars DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015 on Basel III and DBR.No.BP.BC.4/21.06.001/2015-16 dated July 1, 2015 (NCAF) (i.e. New Capital Adequacy Framework Guidelines) and SEBI (Issue and Listing of Debt Securities) Regulations, 2008
12.	Transaction Documents	<p>The Bank has executed/ shall execute the documents including but not limited to the following in connection with the Issue:</p> <ol style="list-style-type: none"> a. Letter appointing Debenture Trustee to the Bondholders; b. Debenture Trusteeship Agreement; c. Letter appointing Arranger to the issue; d. Letter appointing Registrar; e. Rating Letters and Rating Rationale from ICRA and CARE Ratings; f. Tripartite Agreement between the Bank, Registrar and NSDL for issue of Bonds in dematerialized form; g. Tripartite Agreement between the Bank, Registrar and CDSL for issue of Bonds in dematerialized form; h. Listing Agreement with NSE; i. Certified true copy of resolution of the Board of Directors of the Bank dated September 05, 2018 and January 11, 2019 passed in accordance with Section 179 of the Companies Act, 2013. <p>In case of delay in execution of Debenture Trusteeship Agreement, the Bank will refund the subscription with the agreed rate of interest or will pay penal interest of atleast 2% p.a. over the coupon rate till these conditions are complied with at the option of the investor.</p>
13.	Progressive Discounting of Bonds	The Bonds shall be subjected to a progressive discount for capital adequacy purposes in accordance with the Basel III Guidelines.
14.	Call option details.	<p>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:</p> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> i. They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are 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. <p>The use of tax event and regulatory event calls may be permitted. However, exercise of 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 time of issuance of the Bonds.</p>

3. TERM SHEET

1.	Security Name	12% KBL Basel III Tier 2 Bonds-2029 (subject to Depositories confirmation)
2.	Issuer	The Karnataka Bank Limited
3.	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.
4.	Nature of Instrument	Bonds in the nature of Debentures.
5.	Type of Security	Unsecured.
6.	Issue Size	Rs.100 crore (Rupees One hundred crore only).
7.	Option to retain oversubscription (Amount)	Rs.300 crore (Rupees Three hundred crore only).
8.	Objects of the Issue	To augment the Tier - 2 Capital of the Bank for strengthening its Capital Adequacy Ratio.
9.	Mode of Issue	Private placement basis.
10.	Coupon Rate	12.00% p.a.
11.	Step Up/ Step Down Coupon Rate	Nil.
12.	Coupon Payment Frequency and Coupon Payment Date	Annually on 18th February of each year till Redemption Date, Call Option Due Date as the case may be. The first coupon payment date shall fall on 18th February, 2020 and thereafter February 18th of every year subject to business day. Coupon payment and redemption are subject to special features as stated hereafter.
13.	Coupon Type	Fixed rate, Non-Cumulative.
14.	Coupon Reset Process	Not Applicable.
15.	Tenor	10 years from the Date of Allotment.
16.	Face Value	Rs.1,00,000 per Bond.
17.	Issue Price	At par (Rs.1,00,000 per Bond).
18.	Minimum Application and in multiples of Bonds thereafter	10 (Ten) Bonds (i.e. Rs.10,00,000/-) and in the multiples of 10 (Ten) Bonds (Rs.10,00,000/-) thereafter.
19.	Discount at which security is issued and the effective yield as a result of such discount.	Nil
20.	Put Option	Not Applicable
21.	Put Date	Not Applicable
22.	Put Price	Not Applicable
23.	Put Notification Time	Not Applicable
24.	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

		<p>quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Bank; or</p> <p>ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the Call Option is exercised.</p> <p>The use of tax event and regulatory event calls may be permitted. However, exercise of 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 time of issuance of the Bonds.</p>
25.	Call Date	To be decided at a later date only after completion of a minimum period of five years post-allotment of the Bonds, subject to prior approval of the RBI and conditions as may be stipulated by the said regulator in future.
26.	Call Price	At par (i.e. Rs.1,00,000 per Bond)
27.	Call Notification Time	Any redemption of the Bonds on account of exercise of Call Option shall be subject to the Bank giving not less than twenty one (21) calendar days' prior notice. The Call Option shall be excised only after a minimum period of 5 years post allotment of the Bond.
28.	Issue Timing:	
	1. Issue Opening Date	February 15, 2019
	2. Issue Closing Date	February 15, 2019
	3. Pay-in Date	February 18, 2019
	4. Date of Allotment	February 18, 2019
29.	Basis of Allotment	In the case of oversubscription, the allotment bonds will be on 'first come first serve' basis.
30.	Listing and the timeline for listing	The Bonds are proposed to be listed on the Debt Segment of National Stock Exchange of India Ltd. ("NSE"). The Bank will complete the listing process within 15 Business Days from the date of allotment of bonds.
31.	Details of the utilization of the Proceeds	<p>The proceeds of the issue are being raised to augment Tier 2 Capital under Basel III Capital Regulations as laid out by RBI. The proceeds of issue shall be utilized for its regular business activities.</p> <p>The funds being raised by the Bank through the present Issue are not meant for financing any particular project. The Bank shall utilize the proceeds of the Issue for its regular business activities.</p>
32.	Eligible Participants	<p>All QIBs, and any non-QIB Investors specifically mapped by the Issuer on the NSE – EBP platform, are eligible to bid/invest/apply for this Issue.</p> <p>All participants are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue.</p> <p><u>Eligible Participants shall not include the following investors:</u></p> <ol style="list-style-type: none"> 1. Trusts constituted wholly for charitable or religious purposes; 2. Foreign Portfolio Investor or Foreign Institutional Investor; 3. Non-Resident Indians (NRIs); 4. Limited Liability Partnership firms, Partnership Firms or their nominees; and 5. Overseas Corporate Bodies (OCBs). <p>Prior to making any investment in these Bonds, each investor should satisfy and assure themselves that they are authorized and eligible to invest in these Bonds. The Bank shall be under no obligation to verify the eligibility/authority of the investor to invest in these Bonds. Further, mere receipt of this Information Memorandum by a person shall not be construed as any representation by the Bank that such person is authorized to invest in these Bonds or eligible to subscribe to these Bonds. If after applying for subscription to these Bonds and/or allotment of Bonds to any person, such person becomes ineligible and/or is found to have been ineligible to invest in/hold these Bonds, the Bank shall not be responsible in any manner.</p>
33.	Record Date	At least 15 days prior to each Coupon Payment Date, and Redemption Date.
34.	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.
35.	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.
36.	Redemption Premium/Discount	Nil
37.	Rating of the Instrument	The Bonds proposed to be issued under this Issue have been rated as ‘[ICRA] A (Hyb)(Stable)’ (pronounced as ICRA A Hybrid and the outlook on the long term rating is stable. The letters ‘hybrid’ in parenthesis suffixed to a rating symbol stand for “hybrid” indicating that the rated instrument is a hybrid subordinated instrument with equity-like loss-absorption features; such features may translate into higher levels of rating transition and loss severity vis-à-vis conventional debt instruments)’ by ICRA Limited (“ICRA”) and ‘CARE A; Stable’ (pronounced as ‘Single A; Outlook: Stable’) by CARE Ratings Limited, (“CARE”).
38.	Issuance mode	Bonds shall be allotted in Demat mode only.
39.	Trading of Bonds	Bonds shall be traded in Demat mode only.
40.	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.
41.	Depository	National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)
42.	Coupon payment dates	Please refer to the illustrative cash flows for dates and subject to special features mentioned below.
43.	Day Count Basis and Business Day Convention	<p>Interest for each of the interest periods shall be computed as per Actual/Actual day count convention on the face value of principal.</p> <p>Outstanding at the coupon rate rounded off to the nearest rupee.</p> <p>In case of a leap year, if February 29 falls during the tenor of the Bonds, then the number of days shall be reckoned as 366 days (Actual/Actual day count convention).</p> <p>Interest Period means each period beginning on (and including) the date(s) of allotment or any coupon payment date and ending on (but excluding) the next coupon payment date/ redemption date.</p> <p>For the purpose of coupon/ redemption payments, Business Days shall be all days when the money market is functioning in Mumbai.</p> <p>As per SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016: If any Coupon Payment Date falls on a day that is not a Business Day, the payment may be made on the following Business Day. However the dates of the future coupon payments shall be as per the schedule originally stipulated at the time of issuing Bonds. Thus the subsequent coupon schedule shall not be disturbed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a holiday.</p> <p>If the Redemption Date/Call Option Due Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the Redemption Price/ Call Option Price shall be paid by the Bank on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.</p>
44.	Interest on Application Money	Since the application process is governed by the NSE-EBP, interest on application money is not payable. However in the event of <i>force majeure</i> , Bank will pay an interest at 12.00% p.a. on the application money till the date of allotment.
45.	Default Interest Rate	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

		<p>interest is paid.</p> <p>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.</p>
46.	Conditions precedent to subscription of Bonds	<p>The subscription from applicants shall be accepted for allocation and allotment by the Bank, subject to the following:</p> <ul style="list-style-type: none"> • Rating letters and rating rationales from ICRA and CARE Ratings not being more than one month old from the date of issue opening date; • Consent letter from the Debenture Trustees to act as Trustee to the Bondholder(s);
47.	Conditions subsequent to subscription of Bonds	<p>The Bank shall ensure that the following documents are executed/ activities are completed, as per terms of this Information Memorandum:</p> <ul style="list-style-type: none"> • Credit of Bonds allotted within 2 (two) working days from the Date of Allotment to the respective Demat Account(s) of the Allottee(s); • Making application to NSE within 15 (fifteen) days from the Date of Allotment to list the Bonds; and • Neither the Bank nor any related party over which the Bank exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the Bonds, nor would the Bank directly or indirectly fund the purchase of the Bonds. The Bank shall not grant advances against the security of the Bonds issued by it.
48.	Investment in Bonds by other Banks/Financial Institutions	Such Banks /Financial Institutions will have to comply with conditions stipulated under Clause 1.15 of the Annex 5 of the RBI Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations.
49.	Seniority	<p>Claims of the Bondholders shall be:</p> <ol style="list-style-type: none"> 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. <i>Pari-passu</i> without preference amongst themselves and other subordinated debt that is eligible for inclusion in Tier 2 Capital whether currently outstanding or issued at any time in the future. <p>Tier 1 Capital and Tier 2 Capital shall have the meaning ascribed to such terms in the Basel III Guidelines.</p> <p>The claims of the Bondholders shall be subject to the provisions mentioned in the point “Special Features” in this Term Sheet.</p>
50.	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.
51.	Provisions related to Cross Default Clause	Not Applicable
52.	Roles and Responsibilities of Debenture Trustees to the Issue	The Debenture Trustee shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Debenture Trustees by the holder(s) of the Bonds and shall further conduct itself, and comply with the provisions of all applicable laws, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to the Debenture Trustees. The Debenture Trustees shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Debenture Trusteeship Agreement, Information Memorandum and all other related transaction documents, with due care, diligence and loyalty.
53.	Governing Law and Jurisdiction	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 be subject to the sole jurisdiction of courts of Mangaluru Karnataka.

54.	Additional Covenants	<ol style="list-style-type: none"> 1. Delay in Listing: The Bank shall complete all the formalities and seek listing permission within 15 days from the Date of Allotment. In the event of delay in listing of Bonds beyond 20 days from the Date of Allotment, the Bank shall pay penal interest of 1.00% per annum over the Coupon Rate from the expiry of 30 days from the Date of Allotment till the listing of Bonds to the Bondholder(s). 2. Refusal for Listing: If listing permission is refused before the expiry of the 20 days from the Date of Allotment, the Bank shall forthwith repay all monies received from the applicants in pursuance of the Information Memorandum along with penal interest of 1.00% per annum over the Coupon Rate from the expiry of 20 days from the Date of Allotment till the date the Bonds are listed on the Debt Segment of the NSE.
Special Feature: Minimum requirements to ensure Loss Absorbency of Non-equity Regulatory Capital Instruments at the Point of Non-Viability		
55.	General Conditions	<p>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.</p>
56.	Mode of Loss Absorption and Trigger Event	<p>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.</p> <p>Loss Absorption at the Point of Non-Viability (“PONV”)</p> <ol style="list-style-type: none"> (a) If a PONV Trigger (as described below) occurs, the Bank shall: <ol style="list-style-type: none"> 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, to the 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) regulatory capital instruments.
57.	Point of Non-Viability (PONV)	<ol style="list-style-type: none"> (a) The PONV Trigger event is the earlier of: <ol style="list-style-type: none"> 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. <p><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 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-</p>

		<p>equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the Reserve Bank of India.</p> <p>(b) The amount of non-equity capital to be written-off will be determined by RBI.</p> <p>(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.</p> <p>(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.</p> <p>(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:</p> <ol style="list-style-type: none"> 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. <p>(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:</p> <ol style="list-style-type: none"> 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. <p>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 <i>prima facie</i> 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 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.</p> <p>The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level will trigger write-off</p>
58.	<p>Other events: Treatment of Bonds in the event of winding-up, amalgamation, acquisition, re-constitution etc.</p>	<p><u>In the event of winding-up:</u></p> <p>(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.</p> <p>(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.</p> <p><u>Amalgamation of a banking company: (Section 44A of BR Act, 1949):</u> Subject to provisions of the Banking Regulation Act, 1949 as amended from time to time:</p> <ol style="list-style-type: none"> 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 of regulatory capital of the new bank emerging after the merger.

		<p>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.</p> <p><u>Scheme of reconstitution or amalgamation of a banking company: (Section 45 of BR Act, 1949)</u></p> <p>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.</p>
59.	Procedure to apply for Bonds	Please refer to the instructions under Page no. 51 and onwards of this Information Memorandum.
<p>Note: <i>The Bank reserves its sole and absolute right to modify (pre-pone/ postpone) the above issue schedule without giving any reasons or prior notice. The Bank also reserves its sole and absolute right to change the date of allotment and issue size of the above issue without giving any reasons or prior notice. Consequent to change in Date of Allotment, the Coupon Payment Dates and/or Redemption Date may also be changed at the sole and absolute discretion of the Bank.</i></p>		

ILLUSTRATIVE CASH FLOWS:

Face value per Bond (Rs.)	1,00,000
Issue price per Bond (Rs.)	1,00,000
Redemption price per Bond (Rs.)	1,00,000
Date of Allotment	February 18, 2019
First call option due date	Fifth year from the date of allotment i.e., February 18, 2024
Subsequent call due date	On every anniversary of Coupon Payment Date after First Call Option Due Date
Tenor	10 years
Redemption/ Maturity date	February 18, 2029
Coupon rate	12.00% p.a.
Coupon payment dates	Annually i.e., on February 18 th of each year till Redemption Date, Call Option Due Date/ as the case may be subject to special features as referred above. The first coupon shall fall due on February 18, 2020 and thereafter February 18 th every year subject to business day.

Illustrative Cash flow (Per Bond) if call option is not exercised						
Allotment on		18-Feb-2019		Face value (Rs)	Coupon rate	12.00% p.a.
S. No.	Nature of Outflow	Coupon for the period		Tentative modified coupon date*	no. of days	Coupon amount (Rs.)
		from and including	to and excluding			
1	Coupon	18-Feb-19	18-Feb-20	18-Feb-20	365	12000
2	Coupon	18-Feb-20	18-Feb-21	18-Feb-21	366	12000
3	Coupon	18-Feb-21	18-Feb-22	18-Feb-22	365	12000
4	Coupon	18-Feb-22	18-Feb-23	18-Feb-23	365	12000
5	Coupon	18-Feb-23	18-Feb-24	19-Feb-24	365	12000
6	Coupon	18-Feb-24	18-Feb-25	18-Feb-25	366	12000
7	Coupon	18-Feb-25	18-Feb-26	18-Feb-26	365	12000
8	Coupon	18-Feb-26	18-Feb-27	18-Feb-27	365	12000
9	Coupon	18-Feb-27	18-Feb-28	18-Feb-28	365	12000
10	Coupon	18-Feb-28	18-Feb-29	17-Feb-29	366	12000
11	Redemption	18-Feb-29	-	17-Feb-29	-	100000

* Bank holidays at Mumbai on the tentative coupon payment dates have not been factored.

Illustrative Cash flow (Per Bond) if call option is exercised						
Sl. No.	Nature of Outflow	Coupon for the period		Tentative modified coupon date	No. of days	Coupon amount
		from and including	to and excluding			
1	Coupon	18-Feb-19	18-Feb-20	18-Feb-20	365	12000
2	Coupon	18-Feb-20	18-Feb-21	18-Feb-21	366	12000
3	Coupon	18-Feb-21	18-Feb-22	18-Feb-22	365	12000
4	Coupon	18-Feb-22	18-Feb-23	18-Feb-23	365	12000
5	Coupon	18-Feb-23	18-Feb-24	17-Feb-24	365	12000
6	Redemption [Upon call option]	18-Feb-24	-	17-Feb-24	-	100000

Notes:

- Call Option has been assumed after 5 years under table above, for illustrative purpose only.
- The above illustrations do not capture the impact of provisions mentioned in "Special Features" in the Summary Term Sheet.
- The coupon payable to each Bondholder shall be rounded off to the nearest rupee as per the Fixed Income Money Market and Derivatives Association ("FIMMDA") handbook on market practices.

4. Disclosures relating to willful default:

Name of Bank declaring entity to be willful defaulter	Year in which entity is declared as willful defaulter	Outstanding amount at the time of declaration	Name of entity declared as willful defaulter	Steps taken for removal from list of willful defaulters	Other disclosures	Any other disclosures
NIL	NIL	NIL	NIL	NIL	NIL	NIL

5. Bidding Process

This Information Memorandum has been drafted in compliance with the SEBI ILDS Regulations, the Memorandum and Articles of Association of the Bank and all other Applicable Laws. This section applies to all Eligible Participants. Please note that all Eligible Participants are required to make payment of the full application amount in accordance with the Operational Guidelines.

Pursuant to resolutions of the Board dated September 5, 2018 and January 11, 2019, the Issuer has been authorised to Issue the Bonds and a 'Capital Augmentation Committee' resolution dated February 7, 2019 the Issuer has been authorised to *inter-alia* invite bids in relation to the issue of Bonds pursuant to this Information Memorandum.

Who can bid?

All Eligible Participants comprising of investors specifically mapped by the Issuer on the NSE-EBP platform, are eligible to bid for this Issue.

All Eligible Participants are required to comply with the relevant regulations/ guidelines applicable to them for investing in this Issue in accordance with the norms approved by the Government of India, RBI or any other statutory body from time to time, including but not limited to the Operational Guidelines for investing in this Issue.

Right to Accept or Reject Bids

The Issuer reserves its full, unqualified and absolute right to accept or reject any application for bid, in part or in full, without assigning any reason thereof in accordance with the Operational Guidelines.

Manner of Bidding

The Issue will be through open bidding on the EBP platform in line with EBP Guidelines vide SEBI circular SEBI/HO/DDHS/CIR/P/2018/122 dated August 16, 2018.

Manner of settlement

Settlement of the Issue will be done through the escrow account of the Issuer and the account details are given in the section on 'Payment Mechanism' of this Information Memorandum.

Provisional or Final Allocation

Allocation shall be made on a 'first come first serve' basis in the multiples of the bidding lot size, i.e., in multiples of Rs.1,00,000 (Rupees One Lakh Only). Post completion of bidding process, the Issuer will upload the provisional allocation on the NSE-EBP platform. Post receipt of details of the successful bidders, the Issuer will upload the final allocation file on the NSE-EBP platform.

Method of Allotment

The allotment will be done on time basis (first come first serve basis) in line with EBP Guidelines vide SEBI circular SEBI/HO/DDHS/CIR/P/2018/122 dated August 16, 2018.

How to bid?

All Eligible Participants will have to register themselves as a one-time exercise (if not already registered) under the NSE-EBP platform offered by NSE for participating in the electronic book mechanism. Eligible Participants will also have to complete the mandatory KYC verification process. Eligible Participants should refer to the Operational Guidelines.

The details of the Issue shall be entered on the NSE- EBP platform by the Issuer at least 2 (two) working days prior to the Issue/Bid Opening Date, in accordance with the Operational Guidelines.

The Issue will be open for bidding for the duration of the bidding window that would be communicated through the Issuer's bidding announcement on the NSE-EBP platform, at least 1 (one) working day before the start of the Issue/Bid Opening Date.

A bidder will only be able to enter the amount while placing their bids in the NSE – EBP platform, since the proposed issue is a fixed rate/coupon issue.

Some of the key guidelines in terms of the current Operational Guidelines on issuance of securities on private placement basis through an electronic book mechanism are as follows:

1. **Modification of Bid:** Eligible Participants may note that modification of bid is allowed during the bidding period / window. However, in the last 10 minutes of the bidding period / window, revision of bid is only allowed for upward revision of the bid amount placed by the Eligible Participant.
2. **Cancellation of Bid:** Eligible Participants may note that cancellation of bid is allowed during the bidding period / window. However, in the last 10 minutes of the bidding period / window, no cancellation of bids is permitted.
3. **Multiple Bids:** Eligible Participants are permitted to place multiple bids.
4. **Withdrawal of Issue :** The Issuer may, at its discretion, withdraw the issue process on the following conditions:
 - (a) non-receipt of bids upto the Issue Size;
 - (b) bidder has defaulted on payment towards the allotment, within the stipulated time frame, due to which the Issuer is unable to fulfil the Issue Size.

Provided that the Issuer shall accept or withdraw the Issue on the NSE-EBP platform within 1 (one) hour of the closing of the bidding window, and not later than 6 pm on the Issue/Bidding Closing Date.

However, Identified Investors should refer to the Operational Guidelines as prevailing on the date of the bid.

5. **Application Size :** Applications for the Bonds are required to be for a minimum of 10 (ten) Bonds and multiples of 10 (ten) Bonds thereafter.

All Eligible Participants under the Operational Guidelines and subsequent Bond Holders (who shall purchase the Bonds in the secondary market) are required to consult their own advisors in investing in the Bonds and comply with the relevant rules, regulations, guidelines or notifications applicable to them for investing in the Bonds.

6. **Offer or Issue of PPOAL to Identified Investors :** The PPOAL along with the Application Form will be issued to the successful bidders who are the Identified Investors. Identified Investors will be required to complete and submit the Application Form and Part B of the PPOAL to the Issuer in order to accept the offer of Bonds.

No person other than the Identified Investors to whom the PPOAL has been issued by Issuer may apply for the Issue through the PPOAL and any Application Form received from a person other than those specifically addressed will be invalid.

7. **Minimum Subscription :** The requirement of minimum subscription shall not be applicable to the Issue and therefore the Issuer shall not be liable to refund the subscription(s) or proceed(s) in respect of Issue in the event of the total Issue collection falling short of the proposed Issue size or certain percentage of the proposed Issue size.
8. **Payment Mechanism :** Payment of subscription money for the Bonds should be made by the Identified Investors as notified by the Issuer (to whom the Issuer has issued given the offer by issue of PPOAL). **Identified Investors should do the funds pay-in to the following bank account of the Bank (“Designated Bank Account”):**

Name of the Banker	The Karnataka Bank Limited
Account Name	KBL Subordinated Bonds-Series VI
Credit into Current A/c No.	5132000100033701
IFS Code	KARB0000513
Address of the Branch	HO-Complex Branch, Karnataka Bank Ltd., Head Office, Mahaveera Circle, Kankanady, Mangaluru-575002

Successful bidders must do the subscription amount payment to the Designated Bank Account on or before 11:30 a.m. on the Pay-in Date i.e. February 18, 2019 (“**Pay-in Time**”). Identified Investors should ensure to make payment of the subscription amount for the Bonds from their same bank account which is updated by them in the NSE-EBP platform while placing the bids. In case of mismatch in the bank account details between NSE-EBP platform and the bank account from which payment is done by the successful bidder, the payment would be returned.

Note: In case of failure of any Identified Investor to complete the subscription amount payments by the Pay-in Time or the funds are not received in the Designated Bank Account by the Pay-in Time for any reason whatsoever, the bid will liable to be rejected and the Issuer shall not be liable to issue Bonds to such Identified Investors.

9. **Date of Subscription:** The date of subscription shall be the date of realisation of proceeds of subscription money in the Designated Bank Account.
10. **Settlement Process :** Upon final allocation by the Issuer, the Issuer or the Registrar on behalf of the Issue shall instruct the Depositories on the Pay-In Date, and the Depositories shall accordingly credit the allocated Bonds to the demat account of the successful bidder.

The Company shall give the instruction to the Registrar for crediting the Bonds by 12:30 p.m. on the Pay-In Date. The Registrar shall provide corporate action file along with all requisite documents to Depositories by 12:30 p.m. on the Pay-In Date. On the Pay-In Date, the Depositories shall confirm to the Issuer the transfer of Bonds in the demat account(s) of the successful bidder(s).

Post-Allocation Disclosures by the EBP

Upon final allocation by the Issuer, the Issuer shall disclose the Issue Size, coupon rate, ISIN, number of successful bidders, category of the successful bidder(s), etc., in accordance with the Operational Guidelines. The EBP shall upload such data, as provided by the Issuer, on its website to make it available to the public.

Guidelines issued by the NSE with regard to NSE-EBP are detailed hereafter. Eligible Participants are requested to ensure that they have login-id and password from the NSE-EBP for participating on the NSE-EBP.

Bid Procedure	<ul style="list-style-type: none"> a. The issue parameters will be provided at least two working days prior to the issue opening date. b. The bidding announcement on NSE EBP with details of bid opening and closing time will be made at least one working day before initiating the bidding process. c. The 'Issue Opening date' and 'Issue Closing date' are synonymous to 'Bid Open date' and 'Bid Close date' respectively for activities pertaining to the NSE EBP platform. d. Any change in bidding time and/or date by the Bank will be intimated to participants, ensuring that such announcement is made within the operating hours of the EBP, at least a day before the bidding date. e. All Eligible Participants registered with the NSE EBP platform will be allowed to bid on propriety basis. f. Eligible participants bidding on propriety basis, for an amount equal to or more than Rs.15 crore or 5% of the base issue size, whichever is lower, will bid directly i.e. will enter the bids directly on NSE EBP platform. g. Arranger mapped to an Issue are also allowed to bid on propriety, client and consolidated basis. h. For bids made by an arranger for any particular issue, an arranger shall disclose the following to the EBP at the time of bidding: <ul style="list-style-type: none"> i. Specify that whether the bid is propriety bid or is being entered on behalf of an eligible participant or is a consolidated bid i.e. an aggregate bid consisting of propriety bid and bid(s) on behalf of Eligible Participants ii. For consolidated bid, arranger shall disclose breakup between propriety bid and bid(s) made on behalf of Eligible Participants. Further, for bids entered on behalf of Eligible Participants, following shall be disclosed: <ul style="list-style-type: none"> i. Names of such Eligible Participants; ii. Category (i.e. QIB or non-QIB); and iii. Quantum of bid of each eligible participant
Bid Modification/ Cancellation	<ul style="list-style-type: none"> a. Bid modification is allowed during the bidding period. However, in the last ten minutes of the bidding period revision is allowed only to improve the coupon/yield and upward revision in terms of bid amount. b. Bid Cancellation is allowed during the bidding period. No cancellation of bids is permitted in the last 10 minutes of the bidding period.

Settlement process	<p>a. Successful bidders, are required to make pay-in of funds on February 18, 2019, before 11.30 am towards the allocation made to them, in the escrow bank account of the Bank;</p> <p>b. The funds pay-in by the successful bidders shall be made only from the bank account(s), which have been provided/updated in the EBP system.</p> <p>c. Any pay-in received from any other bank account will lead to cancellation of bid.</p> <p>d. The payment should be made by electronic transfer of funds through RTGS mechanism for credit as per details given hereunder:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Name of the Banker</td> <td>The Karnataka Bank Limited</td> </tr> <tr> <td>Account Name</td> <td>KBL Subordinated Bonds-Series VI</td> </tr> <tr> <td>Credit into Current A/c No.</td> <td>5132000100033701</td> </tr> <tr> <td>IFS Code</td> <td>KARB0000513</td> </tr> <tr> <td>Address of the Branch</td> <td>HO-Complex Branch, Karnataka Bank Ltd., Head Office, Mahaveera Circle, Kankanady, Mangaluru-575002</td> </tr> </table> <p>e. Cheque(s), demand draft(s), Money orders, postal orders will not be accepted.</p> <p>f. The entire amount of Rs.1 lakh per Bond is payable on application.</p> <p>g. Bank will effect corporate action for credit of securities to the successful bidders, after receiving confirmation from the RTA about receipt of funds.</p>	Name of the Banker	The Karnataka Bank Limited	Account Name	KBL Subordinated Bonds-Series VI	Credit into Current A/c No.	5132000100033701	IFS Code	KARB0000513	Address of the Branch	HO-Complex Branch, Karnataka Bank Ltd., Head Office, Mahaveera Circle, Kankanady, Mangaluru-575002
Name of the Banker	The Karnataka Bank Limited										
Account Name	KBL Subordinated Bonds-Series VI										
Credit into Current A/c No.	5132000100033701										
IFS Code	KARB0000513										
Address of the Branch	HO-Complex Branch, Karnataka Bank Ltd., Head Office, Mahaveera Circle, Kankanady, Mangaluru-575002										
Other particulars	<p>a. The Arranger who enters bids on behalf of an eligible bidder/ participant will need to ensure that the necessary KYC is completed by them before placing the bids on the platform.</p> <p>b. In the case of Non QIB bidders, the KYC verification will be undertaken by the Bank by obtaining necessary documents/utilization of existing KYCs from KRAs registered with SEBI</p> <p>c. All QIBs and the Arranger(s) shall ensure updated Bank account details are linked to their respective EBP Issuer/Investor/ Arranger/ Custodian codes provided by the NSE.</p> <p>d. All QIBs and the Arranger(s) shall ensure updated DP account details linked to their respective EBP Investor/ Arranger/ Custodian codes provided by the NSE.</p> <p>e. NSE reserves the right to cancel any bids placed by Bidder or any transaction, if found in contravention of Terms & Conditions, or when requested/directed by any competent legal authority (ies), or if found that occurrence of material events have bearing on the performance/ operations of the Bank or an informed appraisal of the status/ position of the Bank by Bidder/ its client.</p>										

General:

Applications for the Bonds must be in the prescribed form and completed in BLOCK LETTERS in English and as per the instructions contained therein. Applications complete in all must be submitted on the day of completion of bid itself to either the Bank’s Compliance Officer or to any other person authorized to collect the application in any of the locations informed in due course.

Applications should be for the number of Bonds applied by the Applicant. Applications not completed in the said manner are liable to be rejected. The name of the applicant’s bank, type of account and account number must be filled in the Application Form. This is required for the applicant’s own safety and these details will be used for remitting the interest/ redemption in future. In case of any change in the bank account details of the applicant, the bank account details as provided by the Depositories with respect of the concerned demat account number under which the bonds are held shall be considered by the Bank for remittance of interest/redemption purposes.

The applicant should mention Permanent Account Number (PAN) allotted under the Income-tax Act, 1961. Application Forms without this information will be considered incomplete and are liable to be rejected. Applicants are requested to tick the relevant column “Category of Investor” in the Application Form. Public/Private Trusts, Provident Funds and Other Superannuation Trusts and other investors requiring “approved security” status for making investments.

Applications by the Companies

A certified true copy of the Board Resolution stating authorization to subscribe to the Bonds along with name of person who are authorized to apply on behalf of such company and along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/document, if any, must be lodged along with the submission of the completed Application Form.

Applications under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/additions in the power of attorney or authority should be notified to the Bank or to the Registrars or to such other person(s) at such other address(es) as may be specified by the Bank from time to time through a suitable communication.

Application by Provident Funds, Superannuation Funds and Gratuity Funds

The applications must be accompanied by certified true copies of

- Trust Deed / Bye Laws /Resolutions
- Resolution authorizing Investment
- Specimen Signatures of the Authorized Signatories

Those desirous of claiming tax exemptions on interest payments, such certificates have to be submitted periodically.

Application by Mutual Funds

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

For further instructions about how to make an application for applying for the Bonds and procedure for remittance of application money, please refer to the Term Sheet and the Application Form.

Future Borrowings

The Bank shall be entitled to borrow/ raise loans or avail of financial assistance in whatever form as also issue Bonds or other securities in any manner with ranking as *pari-passu* basis or otherwise and to change its capital structure, including issue of shares of any class or redemption or reduction of any class of paid up capital, on such terms and conditions as the Bank may think appropriate, without the consent of, or intimation to, the Bondholder(s) or the Trustees in this connection.

Terms of Payment

The full face value of the Bonds applied for is to be remitted once the bid is accepted under NSE EBP Mechanism. Investor(s) need to send in the Application Form and the details of RTGS for the full value of Bonds applied for.

Rights of Bondholder(s)

Bondholder is not a shareholder. The Bondholders will not be entitled to any other rights and privilege of shareholders other than those available to them under statutory requirements. The Bonds allotted under this issue are also subject to RBI Directions with respect to BASEL norms. The Bond(s) shall not confer upon the holders the right to receive notice, or to attend and vote at the General Meetings of the Bank. The principal amount and interest on the Bonds will be paid to the registered Bondholders only, and in case of Joint holders, to the one whose name stands first.

Besides the above, the Bonds shall be subject to the provisions of the terms of this bond issue and the other terms and conditions as may be incorporated in the Debenture Trusteeship Agreement and other documents that may be executed in respect of these Bonds.

Procedure and Time Schedule for Allotment/Refund

As per the operating instructions of the NSE-EBP mechanism. Subject to the completion of all legal formalities within 3 months from the Date of Allotment, or such extended period as may be approved by the Appropriate Authorities, the initial credit akin to a Letter of Allotment in the Beneficiary Account of the investor would be replaced with the number of Bonds allotted which will be akin to a Bond Certificate.

Right to Accept or Reject Applications

The Bank reserves its full, unqualified and absolute right to accept or reject any application, in part or in full, without assigning any reason thereof. The rejected applicants will be intimated along with the direct credit/RTGS/NEFT or refund warrant as the case may be, if applicable. The Application Forms that are not complete in all respects are liable to be rejected. Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

- Number of bonds applied for is less than the minimum application size;

- Applications exceeding the issue size;
- Bank account details not given;
- Details for issue of Bonds in electronic/ dematerialized form not given;
- PAN/GIR and IT Circle/Ward/District not given;
- In case of applications under Power of Attorney by limited companies, corporate bodies, trusts, etc. relevant documents not submitted;
- In the event, if any Bond(s) applied for is/ are not allotted in full, the excess application monies of such Bonds will be refunded, as may be permitted.

Force Majeure

The Issuer reserves the right to withdraw the Issue prior to the Issue Closing Date in the event of any unforeseen development adversely affecting the economic and regulatory environment.

Signatures

Signatures should be made in English or in any of the Indian Languages. Thumb impressions must be attested by an authorized official of a Bank or by a Magistrate/ Notary Public under his/her official seal.

Fictitious Applications

Any person who makes, in fictitious name, any application to a body corporate for acquiring, or subscribing to, the bonds, or otherwise induced a body corporate to allot, register any transfer of bonds therein to them or any other person in a fictitious name, shall be punishable under the extant laws.

Depository Arrangements

The Bank has appointed Integrated Registry Management Services Pvt. Ltd, as the Registrar for the present Bond Issue. The Bank has entered into necessary depository arrangements with National Securities Depository Limited (“NSDL”) and Central Depository Services (India) Limited (“CDSL”) for dematerialization of the Bonds offered under the present Issue, in accordance with the Depositories Act, 1996 and regulations made there under. In this context, the Bank has signed two tripartite agreements as under:

1. Tripartite Agreement between the Bank, NSDL and the Registrar for dematerialization of the Bonds offered under the present Issue.
2. Tripartite Agreement between the Bank, CDSL and the Registrar for dematerialization of the Bonds offered under the present Issue.
3. Bondholders can hold the bonds only in dematerialized form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

Modification of Rights

The rights, privileges, terms and conditions attached to the Bonds may be varied, modified or abrogated with the consent, in writing, of those holders of the Bonds who hold at least three fourth of the outstanding amount of the Bonds or with the sanction accorded pursuant to a resolution passed at a meeting of the Bondholders, provided that nothing in such consent or resolution shall be operative against the Bank where such consent or resolution modifies or varies the terms and conditions of the Bonds, if the same are not acceptable to the Bank.

Notices

All notices required to be given by the Bank or by the Trustees to the Bondholders shall be deemed to have been given if sent by ordinary post/ courier to the original sole/ first allottees of the Bonds and/ or if published in one English daily newspaper having nation-wide circulation and one regional language newspaper.

All notices required to be given by the Bondholder(s), including notices referred to under “Payment of Interest” and “Payment on Redemption” shall be sent by registered post or by hand delivery to the Bank or to such persons at such address as may be notified by the Bank from time to time.

Letter(s) of Allotment / Bond Certificate(s) / Issue of Letter(s) of Allotment

The beneficiary account of the investor(s) with NSDL/ CDSL/ Depository Participant will be given initial credit within 15 working days from the Date of Allotment. The initial credit in the account will be akin to the Letter of Allotment. On completion of the all statutory formalities, such credit in the account will be akin to a Bond Certificate.

Issue of Bond Certificate(s)

Subject to the completion of all statutory formalities within time frame prescribed in the relevant Regulations/Act/ Rules etc., the initial credit akin to a Letter of Allotment in the Beneficiary Account of the investor would be replaced with the number of Bonds allotted. The Bonds since issued in electronic (dematerialized) form, will be governed as per the provisions of the Depository Act, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, rules notified by NSDL/ CDSL/ Depository Participant from time to time and other applicable laws and rules notified in respect thereof. The Bonds shall be allotted in dematerialized form only.

Mode of Transfer of Bonds

The Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/CDSL/Depository Participant of the transferor/transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Bank.

Interest on Application Money

Since the application process is governed by the NSE-EBP, interest on application money 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.

Deduction of Tax at Source

As applicable in terms of Income Tax Act, 1961 or as may be amended from time to time.

Payment on Redemption

Payment on redemption will be made electronically or through RTGS (if indicated in the application form) or by cheque(s)/ warrants(s) in the name of the Bondholder whose name appears on the List of Beneficial owners given by Depository to the Bank as on the Record Date. On the Bank dispatching the redemption warrants to such Beneficiary(ies) by registered post/speed post/courier/hand delivery, the liability of the Bank shall stand extinguished. The Bonds shall be taken as discharged on dispatch of redemption warrants by the Bank on maturity to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant. The Bank will inform NSDL/CDSL/Depository Participant about the redemption and the necessary corporate action would be taken. The Bank's liability to the Bondholders towards all their rights including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further the Bank will not be liable to pay any interest or compensation from the date of redemption. On the Bank dispatching the warrants or crediting the beneficiary's account by relevant amount as specified above in respect of the Bonds, the liability of the Bank shall stand extinguished.

List of Beneficial Owners

The Bank shall request the Depository to provide a list of Beneficial Owners as at the end of the Record Date. This shall be the list, which shall be considered for payment of interest or repayment of principal amount, as the case may be.

Investor Relations and Grievance Redressal

Arrangements have been made to redress investor grievances expeditiously as far as possible. The Bank shall endeavour to resolve the investor's grievances within 30 days of its receipt. All grievances related to the issue quoting the Application Number (including prefix), number of Bonds applied for, amount paid on application and details of collection centre where the Application was submitted, may be addressed to the Compliance Officer at registered office of the Bank. All investors are hereby informed that the Bank has designated a Compliance Officer who may be contacted in case of any pre-issue/ post-issue related problems such as non-credit of letter(s) of allotment/ bond certificate(s) in the demat account, non-receipt of refund order(s), interest warrant(s)/ cheque(s) etc. Contact details of the Compliance Officer are given elsewhere in this Information Memorandum.

Sharing of Information

The Bank may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Bondholders available with the Bank, affiliates and other banks, financial institutions,

credit bureaus, agencies, statutory bodies, as may be required and neither the Bank nor their agents shall be liable for use of the aforesaid information.

UNDERTAKING BY THE BANK

The Bank hereby undertakes that:

- The complaints received in respect of the Issue shall be attended to by the Bank expeditiously and satisfactorily;
- It shall take all steps for timely completion of formalities for listing and commencement of trading at all the concerned stock exchange(s) where securities are to be listed.
- The funds required for refund if applicable shall be made available by the Bank;
- Necessary co-operation to the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.

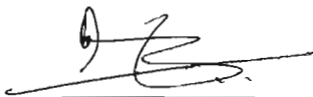
6. DECLARATION BY THE DIRECTORS

We hereby certify that:

- a) The Bank has complied with the provisions of the Act and the rules made thereunder;
- b) The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;
- c) The monies received under the offer shall be used only for the purposes and objects indicated in the Information Memorandum;

We are authorized by the Board of Directors of the Company vide resolution dated January 11, 2019 to sign this Information Memorandum and declare that all the requirements of Companies Act, 2013 and the rules made there under in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this Information Memorandum and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.



P Jayarama Bhat
Non-Executive Chairman
[Member of Capital Augmentation Committee
of the Board]
DIN: 00041500
Date: February 7, 2019
Place: Mangaluru



Mahabaleshwara M S
Managing Director & CEO
[Member of Capital Augmentation Committee
of the Board]
DIN: 07645317
Date: February 7, 2019
Place: Mangaluru

ANNEXURES

Annexure 1- ICRA Letter

Annexure 2- CARE Letter

Annexure 3- Consent from the Debenture Trustee

Annexure 4- Consent from the Registrar to the Issue

Annexure 5- Certified True Extract of the Board Resolution dated September 05, 2018

Annexure 5a- Certified True Extract of the Board Resolution dated January 11, 2019

Annexure 6- Organisational Structure

Annexure 7- Summary financials



ICRA Limited

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Ref: ICRA:BLR:2018-2019/Reval/702

Date: February 04, 2019

Mr. Mahabaleshwara M.S
Managing Director & CEO,
M/s. Karnataka Bank Limited,
Mahaveera Circle, Kankanady
Mangalore – 575 002.

Dear Sir,

Re: ICRA rating for Rs. 800 crore Basel III Compliant Tier II Bond Programme of Karnataka Bank Limited

Please refer to your request dated February 04, 2019 for revalidating the rating letter issued for the captioned programme.

We confirm that the [ICRA]A (hyb) (pronounced as ICRA A hybrid) rating with Stable outlook assigned to your captioned programme and last communicated to you vide our letter dated October 26, 2018 stands. Instruments with [ICRA]A rating indicate adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. The amount unutilized against this is Rs.400.00 crore.

The other terms and conditions for the credit rating of the aforementioned instrument shall remain the same as communicated vide our letter Ref: ICRA: BLR:2018-19/RT/409 dated September 17, 2018.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

Swathi Hebbar
Asst Vice President
swathi.hebbar@icraindia.com

Mathew Kurian Eranat
Asst Vice President
mathew.eranat@icraindia.com



ICRA

ICRA Limited

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Ref: ICRA:BLR:2018-2019/Revu/505

Date: October 26, 2018

Mr. Mahabaleshwara M.S
Managing Director & CEO,
M/s. Karnataka Bank Limited,
Mahaveera Circle, Kankanady
Mangalore – 575 002.

Dear Sir,

Re: ICRA rating for Rs. 800 crore Basel III Compliant Tier II Bond Programme of Karnataka Bank Limited

Please refer to your request dated October 26, 2018 for revalidating the rating letter issued for the captioned programme.

We confirm that the [ICRA]A (hyb) (pronounced as ICRA A hybrid) rating with Stable outlook assigned to your captioned programme and last communicated to you vide our letter dated September 17, 2018 stands. Instruments with [ICRA]A rating indicate adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

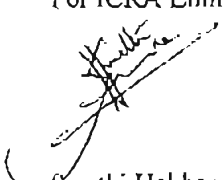
The other terms and conditions for the credit rating of the aforementioned instrument shall remain the same as communicated vide our letter Ref: ICRA: BLR:2018-19/RT/409 dated September 17, 2018.

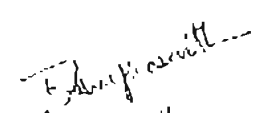
We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited


Swathi Hebbar
Assistant Vice President
swathi.hebbar@icraindia.com


Anuprasanth
Analyst
anuprasanth@icraindia.com

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R A T I N G • R E S E A R C H • I N F O R M A T I O N



ICRA

ICRA Limited

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Ref: ICRA: BLR:2018-19/RT/409

September 17, 2018

To

Mr. Mahabaleshwara M.S
Managing Director & CEO,
M/s. Karnataka Bank Limited,
Mahaveera Circle, Kankanady
Mangalore – 575 002.

Dear Sir,

Re: ICRA Credit Rating for the Rs. 800 crore Basel III Compliant Tier II Bond Programme of Karnataka Bank Limited

Please refer to the Rating Agreement dated September 11, 2018 for carrying out the rating of the aforesaid Basel III Compliant Tier II Bond Programme. The Rating Committee of ICRA, after due consideration, has assigned a [ICRA] A (Hyb) (pronounced as ICRA A Hybrid) rating to the captioned Bond Programme. Instruments with this rating indicate adequate degree of safety regarding timely servicing of financial obligations. The Outlook on the long-term rating is Stable.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as [ICRA]A (Hyb) (Stable). We would request if you can sign the acknowledgement and send it to us latest by September 21, 2018 as acceptance on the assigned rating. In case you do not communicate your acceptance/non acceptance of the assigned credit rating, or do not appeal against the assigned credit rating by the aforesaid date, the credit rating will be treated by us as non accepted and shall be disclosed on ICRA's website accordingly. This is in accordance with requirements prescribed in the circular dated June 30, 2017 on '*Monitoring and Review of Ratings by Credit Rating Agencies(CRAs)*' issued by the Securities and Exchange Board of India.

Any intimation by you about the above rating to any Banker/Lending Agency/Government Authorities/Stock Exchange would constitute use of this rating by you and shall be deemed acceptance of the rating.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned. ICRA reserves the right to review and/or, revise the above at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

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Website : www.icra.in
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Registered Office : 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

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ICRA

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the bonds, debentures and/ or other instruments of like nature to be issued by you.

As mentioned above and in accordance with the aforesaid circular issued by SEBI, you are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

Enclosed herewith is a copy of the rationale of the assigned rating for your reference. Please respond with your comments if any within the aforesaid timeline of September 21, 2018.

We thank you for your kind cooperation extended during the course of the rating exercise. Should you require any clarification, please do not hesitate to get in touch with us.

We look forward to your communication and assure you of our best services.

With kind regards,

For ICRA Limited

Swathi Hebbar
Assistant Vice President
swathi.hebbar@icraindia.com

Anuprasanth
Analyst
anuprasanth@icraindia.com



Karnataka Bank Limited

September 24, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Compliant Tier II Bonds	-	800.00	[ICRA]A(hyb) (Stable); assigned
Lower Tier II Bonds (Basel II)	29.50	0.00	[ICRA]A (Stable); withdrawn
Lower Tier II Bonds (Basel II)	450.00	450.00	[ICRA]A (Stable); reaffirmed
Certificates of Deposit	3,000.00	3,000.00	[ICRA]A1+; reaffirmed
Total	3,479.50	4,250.00	

* Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]A(Hyb) (pronounced ICRA A hybrid)¹ to the Rs. 800.00-crore² Basel III compliant Tier II bonds programme of Karnataka Bank Limited (KBL). ICRA has also reaffirmed the long-term rating of [ICRA]A (pronounced ICRA A) on the Rs. 450.00-crore lower Tier II bonds (Basel II) and the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) on the Rs. 3,000.00-crore certificates of deposit programme of the bank. The outlook on the long-term ratings is Stable.

ICRA has withdrawn the rating of [ICRA]A(Stable) (pronounced ICRA A) outstanding on the Rs. 29.5-crore lower Tier II bonds (Basel II) programme of KBL, as the same was redeemed in full, with no amount outstanding.

Rationale

The assigned rating factors in KBL's established regional franchise in Karnataka and its comfortable liquidity profile with a positive cumulative mismatch in the less than 1-year bucket (as on August 15, 2018). The bank's liquidity coverage ratio (LCR) stood at 176.4% (for the quarter ending June 30, 2018) against the regulatory requirement of 100.0% by January 2019.

The rating, however, remains constrained by the bank's moderate asset quality indicators, subdued profitability, modest scale and regionally concentrated operations. ICRA notes that the bank's capitalisation profile is adequate, at present, with Tier I at 10.8% (June 2018). However, it would have to raise Tier I capital in Q4 FY2019 or H1 FY2020 to maintain a comfortable Tier I level, over the regulatory requirement of 9.5% (including capital conservation buffer in March 2019). KBL's ability to improve its asset quality and maintain a comfortable capital profile, in view of the envisaged 18-20% growth in advances, would be crucial from a rating perspective.

Outlook: Stable

ICRA expects KBL to continue to grow its advances and maintain a comfortable liquidity profile. However, the profitability indicators are expected to remain subdued vis-à-vis peers in the near to medium term. The outlook may be revised to Negative in case of a significant decline in the asset quality, capitalisation or solvency profile. The outlook may be revised to Positive if the bank is able to improve its asset quality, capital indicators, and earnings profile.

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

² 100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

Established franchise in Karnataka provides access to core retail deposits – KBL's established regional franchise in Karnataka provides access to core retail deposits. The bank's retail term deposits accounted for about 95% of its total term deposits as on June 30, 2018. The current account savings account (CASA) ratio stood at 27.3% in June 2018 compared to 28.0% on March 31, 2018.

Growing loan book improved CD ratio – The bank's loan book grew by 24.3% YoY to Rs. 47,731 crore (as of June 2018). While KBL's advances to the corporate segment have increased and accounted for 55.0% of total advances in June 2018 (48.4% in June 2017), ICRA notes that the same is mitigated by the improved quality of corporate lending with a higher share of better-rated ('A' and above) exposures. The share of advances with external rating in 'A' category and above increased to about 25.0% of gross bank credit in June 2018 from 14.4% in June 2017. Consequently, the bank's credit-deposit(CD) ratio improved to 76.1% in June 2018 from 68.3% in June 2017 (75% in March 2018). The bank's growing loan book and the consequent improvement in the CD ratio is expected to result in a higher yield on overall average earning assets (includes loans, investments, etc).

Adequate capitalisation and comfortable liquidity profile – The bank's capitalisation profile was adequate with a Tier I and capital to risk weighted assets ratio (CRAR) of 10.8% and 11.6%, respectively, as on June 30, 2018. As per ICRA's estimates, the bank would require Tier I capital of about Rs. 1,000-1,300 crore during FY2019-FY2021, to support a 20% growth in advances, while maintaining a buffer of 1% over the regulatory Tier I (9.5%). KBL's liquidity profile remains comfortable as there is no negative cumulative asset liability management (ALM) gap in the maturity bucket up to one year (as on June 30, 2018) and the LCR stood at 176.4% as of June 30, 2018 compared to the regulatory requirement of 100% from January 1, 2019.

Credit challenges

Modest scale and regionally concentrated operations – KBL's scale of operations is modest with a total asset size of Rs. 70,603 crore as on June 30, 2018. KBL accounted for about 0.6% of the market share, in terms of advances, as of March 2018. The bank's operations are highly concentrated in South India (mainly Karnataka), which accounted for about 60% of the total advances and 78% of the branches as on June 30, 2018. ICRA expects the bank's operations to remain concentrated in South India over the medium term.

Moderate asset quality indicators and weak solvency profile – KBL's asset quality indicators remained moderate as the gross and net non-performing asset (NPA) ratio stood at 4.7% and 2.9%, respectively, as on June 30, 2018. The bank's solvency ratio³ was weak at 25.1% (June 2018) compared to the private sector average of 13.7%. ICRA takes notes of the build-up of stress in the bank's micro small and medium enterprise (MSME) advances; about 0.7% of the total advances were under special dispensation offered to MSMEs and classified as standard in June 2018. Thus, going forward, it would be crucial for KBL to contain overall incremental slippages and undertake effective recoveries to contain credit costs.

Subdued profitability indicators – The bank's profitability remained subdued as PAT/ATA stood at 0.5% during FY2018 (0.7% in FY2017) and 0.9% (annualised) during 3M FY2019 as credit costs remained high. KBL's provision cover⁴ stood at

³ Net NPA/Net Worth (excl. revaluation reserves)

⁴ Provision cover = (Gross NPA-Net NPA)/Gross NPA



39% in June 2018 compared to the private sector average of 54%. Ability to maintain adequate net interest margin, in view of the expected increase in the cost of funds, and to keep the asset quality under control would be crucial for incremental profitability as the bank further increases its provision cover on NPAs going forward.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[ICRA's Credit Rating Methodology for Banks](#)

About the company

KBL is one of the oldest private sector banks, having commenced its operations in 1924 in Mangalore (Karnataka). The bank reported an asset size of Rs. 70,603 crore as on June 30, 2018. KBL's shares were largely held by the public (64%), followed by foreign portfolio investors (12.3%), banks/mutual funds/insurance companies (14.7%) and others (9.0%) as on June 30, 2018. The bank had a network of 807 branches and 1,354 ATM outlets as on June 30, 2018 with about 62% of its total branches located in Karnataka.

For Q1 FY2019, the bank reported a net profit of Rs. 163 crore on a total asset base of Rs. 70,603 crore (compared to a net profit of Rs. 134 crore for Q1 FY2018 on a total asset base of Rs. 63,525 crore).

For FY2018, the bank reported a net profit of Rs. 326 crore on a total asset base of Rs. 70,374 crore (compared to Rs. 452 crore in FY2017 on a total asset base of Rs. 64,039 crore).

Key financial indicators

	FY2017	FY2018	3M FY2018	3M FY2019 [#]
Net interest income	1,491	1,858	424	469
Profit before tax	468	310	111	147
Profit after tax	452	326	134	163
Net advances	36,916	47,252	38,405	47,731
Total assets (net of revaluation reserves)	64,039	70,374	63,525	70,603
% CET 1	12.2%	11.3%	11.9%	10.8%
% Tier 1	12.2%	11.3%	11.9%	10.8%
% CRAR	13.3%	12.0%	13.0%	11.6%
%Net interest margin/ATA [^]	2.5%	2.8%	2.7%	2.7%
%Net profit/average total assets [^]	0.7%	0.5%	0.8%	0.9%
%Return on average net worth [^]	10.2%	6.4%	10.9%	11.9%
% Gross NPAs	4.21%	4.9%	4.3%	4.7%
% Net NPAs	2.64%	2.9%	3.2%	2.9%
% Provision coverage excl. technical write offs	38.4%	41.0%	27.3%	39.2%
% Net NPA/net worth	20.7%	25.9%	25.3%	25.0%

[#] - Reviewed unaudited, [^] Annualised

Source: KBL and ICRA research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Current Rating (FY2019)		Chronology of Rating History for the past 3 years					
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	FY2019	FY2018			FY2017	FY2016
					September 2018	March 2018	February 2018	July 2017	January 2017	October 2015
1	Lower Tier-II Bonds	Long term	450.00	450.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Lower Tier-II Bonds	Long term	29.50	-	[ICRA]A (Stable); withdrawn	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	Certificate of Deposits	Short term	3,000.00	1,500.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Basel III Compliant Tier II Bonds	Long Term	800.00	800.00	[ICRA]A (hyb) (Stable)	-	-	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

**Annexure-1: Instrument Details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE614B09029	Lower Tier-II Bonds	-	-	-	29.50	[ICRA]A (Stable); withdrawn
INE614B08013	Lower Tier-II Bonds	27-09-2008	11.25%	27-09-2018	200.00	[ICRA]A (Stable)
INE614B08021	Lower Tier-II Bonds	17-11-2012	11.00%	17-11-2022	250.00	[ICRA]A (Stable)
-	Certificate of Deposit	NA	NA	7-365 days	3,000.00	[ICRA]A1+
Yet to be placed	Basel III Compliant Tier II Bonds	-	-	-	800.00	[ICRA]A(hyb) (Stable)

Source: KBL



Mr. Y.V. Balachandran
Chief Financial Officer
Karnataka Bank Limited
Karnataka Bank Limited-Head Office,
Mahaveer Circle, Mangalore- 575002

February 04, 2019

Confidential

Dear Sir,

Validity of Credit rating for Proposed BASEL III Tier II Bonds of Rs. 800 crore

In continuation with our letter dated September 24, 2018 assigning the rating of CARE A: Stable (Single A; Outlook: Stable) to the proposed BASEL III Tier II Bonds of Rs.800 crore (Outstanding as on February 03, 2019-Rs.400 crore), it is re-emphasised that the proposed bond issue needs to be raised within a period of 6 months of the said date of letter after which it needs to be revalidated.

2. Once the bond issue is placed, the rating is valid for the tenure of such instrument till redemption. Nevertheless, CARE reserves the right to undertake a review of the rating from time to time, based on circumstances warranting such review.

Thanking you,

Yours faithfully,


Himanshu Jain
Manager

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Page 1 of 1

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CIN-L67190MH1993PLC071691

October 26, 2018

Confidential

Dear Sir,

Validity of Credit rating for Proposed Basel III Tier II Bonds of Rs. 800 crores

In continuation with our letter dated September 24, 2018 assigning the rating of CARE A; Stable (Single A; Outlook: Stable) to the proposed Basel III Tier II Bonds of Rs. 800 crores (Outstanding as on October 25, 2018-Nil), it is re-emphasised that the above bond issue needs to be raised within a period of 6 months of the said date of letter after which it needs to be revalidated.

2. Once the bond is placed, the rating is valid for the tenure of such instrument till redemption. Nevertheless, CARE reserves the right to undertake a review of the rating from time to time, based on circumstances warranting such review.

Thanking you,

Yours faithfully,

**Himanshu Jain**
ManagerEncl : As above**Disclaimer**

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CARE/BRO/RL/2018-19/1226

Mr. Y. V. Balachandran
CFO,
Karnataka Bank Ltd.
Karnataka Bank Limited-Head Office
Mahaveer Circle, Mangalore 575002

September 24, 2018

Confidential

Dear Sir,

Credit rating for proposed Proposed Basel III Compliant Tier II Bonds

Please refer to your request for rating of proposed Basel III Compliant Tier II Bonds aggregating to Rs.800 crore.

2. The following ratings have been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Basel III Compliant Tier II Bonds	800 (Rs. Eight hundred crore only)	CARE A; Stable (Single A; Outlook Stable)	Assigned

- Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is September 19, 2018).
- In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.
- Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

6. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
7. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 26, 2018, we will proceed on the basis that you have no any comments to offer.
8. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
9. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to buy, sell or hold any securities.

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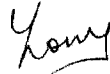
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CIN-L67190MH1993PLC071691

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

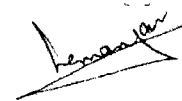
Thanking you,

Yours faithfully,



Tony Mathew
Analyst

tony.mathew@careratings.com



Himanshu Jain
Manager

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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Press Release

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Remarks
Proposed- Basel III Tier II Bonds	800.0	CARE A; Stable (Single A; Outlook Stable)	Assigned
Lower Tier II Bonds	479.5	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Total	1279.5 (Rs. One Thousand Two Hundred and Seventy Nine crore and Fifty Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to take into account the established track record of the bank, consistent profitability, comfortable liquidity profile and satisfactory capital adequacy position although the same had moderated during FY18 on account of strong growth in advances. The rating is, however, constrained by regional concentration and modest size of operations of the bank, modest asset quality which witnessed deterioration during FY18 (refers to the period April 1 to March 31) due to higher slippages. However growth in net interest income and operating profit aided by consistent growth in non-interest income and strong advances growth, helped the bank cover higher credit cost resulting from higher asset quality slippages during FY18.

Going forward, ability of Karnataka Bank Ltd (KBL) to control incremental slippages and improve its asset quality and profitability parameters amidst weak demand outlook and challenging operating environment would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Long standing track record: KBL is an old generation private sector bank. Established in the year 1924, it has a proven track record of 90 years. Over the years it has developed a strong deposit base in the state of Karnataka and its adjoining states like Maharashtra, Andhra Pradesh, Tamil Nadu and Delhi.

Satisfactory Capital Adequacy: The bank's capital adequacy ratio (CAR) deteriorated with Basel III CAR of 12.04% as on Mar'18 (Mar'17: 13.30%) and Basel III Tier I CAR and CET I both at 11.29% as on Mar'18 (Mar'17: 12.21%). Deterioration in CAR was on account of increase in advances of the bank with no fresh

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

fund raising and regular redemption of Tier-II bonds and the bank has not issued any fresh bonds in past 3 years. The Basel III CAR has further deteriorated to 11.60% and Basel III Tier I CAR and CET I stood at 10.84% as on June 30, 2018. The bank is planning to raise additional lower tier II bonds of Rs.800 crore which would boost the capital adequacy of the bank.

Comfortable liquidity position: The liquidity profile of the bank was comfortable with no cumulative negative mismatches in up to 1 year tenor bucket as on June 30, 2018.

Stable growth in advance: KBL achieved strong growth in advances of 28% and stood at Rs.47,252 crore as on March 31, 2018 as against Rs.36,916 crore as on March 31, 2017. Corporate advances (Bank classify loan above Rs.5 crore as corporate loans) proportion increased to 54.9% of the bank's total advances as on March 31, 2018 from 47.4% as on March 31, 2017 and has remained stable at 55% as on June 30, 2018. During Q1FY18, the advances grew by only 1% sequentially to Rs.47,731 crore as on June 30, 2018.

Key Rating Weaknesses

Moderation in net profit owing to higher provisioning during the year: During FY18, the bank reported a business growth of 17.59% supported by 10.82% growth in deposits and 28% growth in advances. KBL reported PAT of Rs. 326 crore in FY18 as compared to a PAT of Rs.452 crore during FY17. Decline in profit is on account of higher provisioning cost during FY18 at Rs.1147 crore as against Rs.543 crore during FY17 and lower profit from treasury operations. Bank reported operating profit of Rs.1473 crore (FY17:Rs.995 crore) aided by strong growth in advances and bank reporting consistent growth in income from other sources to Rs.954 crore in FY18 as against Rs.809 crore in FY17 and the same have remained stable at Rs.209 crore during Q1FY19. Of the non-interest income Rs.197.5 crore (PY: Rs.304.4 crore) was from profit on sale of investments.

The bank's Q1FY18 performance has been stable with PAT of Rs.163 crore (Q1FY18: Rs. 134 crore) on total income of Rs.1617 crore (Q1FY18: Rs. 1548 crore). Bank had availed RBI dispensation for spreading MTM losses and has made a provisioning of Rs.13.41 crore towards MTM losses during Q1FY19 and has carried forward Rs.40.22 crore to be provided for equally in the upcoming 3 quarters.

NIM improved to 2.78% in FY18 as compared to 2.48% in FY17. The priority sector advances increased to Rs.20594.27 crore as on March 31, 2018 from Rs. 17238.77 crore as on March 31, 2017 which, together with RIDF exposure, formed 52.83% (PY:48.13%) of Adjusted Net Bank Credit (ANBC). ROTA declined to 0.49% as on March 31, 2018 (FY17: 0.75%). The proportion of low cost CASA deposits declined to 27.99% as on March 31, 2018 as compared to 29.04% as on March 31, 2017.

Deterioration in asset quality parameters, however improvement during Q1FY19: During FY18, the bank's slippage ratio increased to 5.88% (FY17: 4.07%). As on Mar'18, Gross NPA (GNPA) and Net NPA (NNPA) ratios increased to 4.92% (FY17: 4.21%) and 2.96% (FY17: 2.63%) respectively with net NPA/Net worth deteriorated to 28.05% (FY17: 20.66%).

Standard restructured assets outstanding as on Mar'18 declined to Rs. 283 crore (FY17: Rs.1037 crore) being 5.68 % of net worth and 0.60% of net advances (from 21.98% of net worth and 2.80% of net advances as on Mar'17). The major sectors contributing to restructured assets as on March 31, 2018 were infrastructure and large industry segment contributing 87% of the total restructured assets. Bank has exposure to 3 NCLT referred accounts against which it has made adequate provisioning to the extent of 70%.

During Q1FY19, the asset quality has improved with GNPA and NNPA at 4.72% and 2.92% respectively.

Regional concentration and modest size of operations: The operations of the bank are spread mainly in the state of Karnataka and its adjoining states. Karnataka constituted around 41.1% of total credit exposure as on March 31, 2018. Six states Karnataka, Maharashtra (18.29%), Tamil Nadu (8.02%), Delhi (7.10%), Andhra Pradesh (4.38%) and Telangana (4.03%) constituted around 82.93% of the total advances. With total assets of Rs.69,957 crore as on March 31, 2018; KBL is one of the small sized banks in India.

Analytical approach: Standalone

Applicable Criteria

- CARE's Policy on Default Recognition
- CARE's Criteria on assigning Outlook to Credit Ratings
- CARE's CAPL Rating Methodology for Banks
- Public Sector - Financial Ratios

About the Company

Karnataka Bank Ltd. (KBL) is a Mangalore-based, small-sized, old private sector bank which was set up in 1924. As on March 31, 2018; the branch network was spread across 800 branches (March 31, 2017: 765) and 1374 ATMs (March 31, 2017: 1380) and 3 extension counters.

The bank has a strong presence in South India with 621 branches as on March 31, 2018 (of which 492 branches are located in Karnataka). All branches are under Core Banking Solution since 2007. The Total Capital Adequacy of the bank under Basel III as on March 31, 2018 stood at 12.04% (Mar'17:13.30%), with Tier I and CET I both at 11.29 (Mar'17: 12.21%). The CAR of Karnataka Bank stands satisfactory at 11.6% as on Jun'18. Gross NPA and Net NPA stood at 4.92% and 2.96% as on March 31, 2018 (GNPA 4.21% and NNPA 2.64% as on Mar'17). The asset quality of Karnataka Bank improved for quarter ended Q1FY19 with GNPA ratio and NNPA ratio at 4.72% and 2.92% respectively.

(Rs. Crore)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total Income	5954	6378
PAT	452	326
Interest coverage (times)	1.27	1.41
Total Assets	63703	69957

Net NPA (%)	2.63	2.96
ROTA (%)	0.75	0.49

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Karthik Raj

T: 080-46625566

M: 9980562244

Email: karthik.raj@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Lower Tier II	September 27, 2008	11.25%	September 27, 2018	200.00	CARE A; Stable

Bonds-Lower Tier II	November 17, 2012	11.0%	November 17, 2022	250.00	CARE A; Stable
Bonds-Tier II Bonds	-	-	-	800.00	CARE A; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Bonds-Lower Tier II	LT	200.00	CARE A; Stable	-	1)CARE A; Stable (09-Oct-17)	1)CARE A (07-Oct-16)	1)CARE A (07-Oct-15)
2.	Bonds-Lower Tier II	LT	-	-	1)Withdrawn (29-May-18)	1)CARE A; Stable (09-Oct-17)	1)CARE A (07-Oct-16)	1)CARE A (07-Oct-15)
3.	Bonds-Lower Tier II	LT	250.00	CARE A; Stable	-	1)CARE A; Stable (09-Oct-17)	1)CARE A (07-Oct-16)	1)CARE A (07-Oct-15)
4.	Bonds-Tier II Bonds	LT	800.00	CARE A; Stable	-	-	-	-

4

ANNEXURE 3: CONSENT FROM DEBENTURE TRUSTEE

IDBI Trusteeship Services Ltd

CIN : U65991MH2001GOJ131154



No.10770/ITSL/OPR/ CL/18-19/BT/1811
February 1, 2019

Mr. Prasanna Patil – Company Secretary
The Karnataka Bank Limited
Regd. & Head Office, Mahaveera Circle,
Kankanady, Mangaluru 575002

Dear Sir/ Madam,

Consent to act as Bond Trustee for Listed Unsecured Redeemable subordinated Basel III Lower Tier II Bonds of Rs.100 crore with an option to retain oversubscription upto Rs.300 crore (total Rs.400 crore) on a private Placement basis.

This is with reference to your email dated 31.01.2019 regarding appointment of IDBI Trusteeship Services Ltd. (ITSL) as Bond Trustee for the Bank's proposed Listed Unsecured Redeemable subordinated Basel III Lower Tier II Bonds of Rs.100 crore with an option to retain oversubscription upto Rs.300 crore (total Rs.400 crore) on a private placement basis.

It would indeed be our pleasure to be associated with your esteemed organization as Bond Trustee on trusteeship remuneration as under.

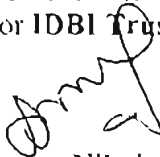
In this connection, we confirm our acceptance to act as Bond Trustee for the same, subject to the Bank agreeing the conditions as set out in Annexure - A.

We are also agreeable for inclusion of our name as trustees in the Bank's offer document / disclosure document / listing application / any other document to be filed with SEBI / ROC / the Stock Exchange(s) or any other authority as required.

The Karnataka Bank Limited shall enter into Bond Trustee Agreement for the said issue of the Bonds.

Thanking you,

Yours faithfully,
For IDBI Trusteeship Services Limited


Sunny Nihalani
Vice President



Annexure A

1. The Bank agrees & undertakes to pay to the Bond Trustees so long as they hold the office of the Bond Trustee, remuneration as stated above for their services as Bond Trustee in addition to all legal, traveling and other costs, charges and expenses which the Bond Trustee or their officers, employees or agents may incur in relation to execution of the Bond Trust Deed and all other Documents till the monies in respect of the Bonds have been fully paid-off.

2. The Bank agrees & undertakes to comply with the provisions of SEBI (Debenture Trustees) Regulations, 1993, SEBI (Issue and Listing of Debt Securities) Regulations, 2008, read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Companies Act, 1956 to the extent not repealed and The Companies Act, 2013 to the extent notified and other applicable provisions as amended from time to time and agrees to furnish to Trustees such information in terms of the same on regular basis.

For IDBI Trusteeship Services Limited



Sunny Nihalani
Vice President

SK

ANNEXURE 4: CONSENT LETTER FROM REGISTRAR TO THE ISSUE



January 31, 2019

The Company Secretary
Karnataka Bank Ltd
Mangalore 575 002

Sir,

SUB: CONSENT TO ACT AS REGISTRARS AND TRANSFER AGENTS FOR LISTED UNSECURED REDEEMABLE SUBORDIANATED BASEL III LOWER TIER II BONDS OF RS 100 CRORE WITH AN OPTION TO RETAIN OVERSUBSCRIPTION UP TO 300 CRORE (TOTAL RS 400 CRORE) ON A PRIVATE PLACEMENT BASIS

We are extremely grateful to you for the interest shown in our services on the subject matter. As requested by you we are enclosing herewith our comprehensive offer for acting as Share Registrar & Transfer Agent for your NCD issue.

Integrated Registry Management Services Private Ltd (IRMSL) head quartered in Chennai is No 1 RTA in south with a Branch at Bangalore services close to 40 lacs share/bond holders across 250 Listed clients and around 650 unlisted clients and makes its present felt in south India.

We have a work force of around 150 personnel for handling the RTA activities.

Our services as a Registrar to the NCD would cover the following areas.

1. Upload of the data of the investors on the Depositories to whom the Ncd's have been issued for the purpose of crediting their respective accounts with the No of bonds issued to them.
2. Weekly download of the BENPOS and maintenance of the same at our end.
3. RTA shall attend to general correspondence received from the bondholders.
4. RTA shall update all records and generate reports and returns required for the purpose of payment of interest.
5. During the redemption time RTA will provide the details of the bondholders for the purpose of making the payment to them.
6. Extinguishing the ISIN which have matured.

Schedule of FEES :

The schedule of fees is strictly confined to the scope of the work.

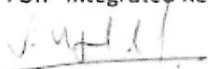
FEE FOR NSDL/CDSL OPERATIONS

1	One time connectivity fees for interacting with NSDL/CDSL is Rs. 5000/- plus GST per ISIN
2	RTA Fees of Rs. 15000/- plus GST per annum per ISIN would be charged subject to 50 bondholders. Rs 10/- per bondholder will be charged per annum for the excess of 50 folios.
3	Corporate Action charges would be Rs 1000/- plus gst per CA
4	All out of pocket expenses needs to be reimbursed by the Bank on actual basis. (like stationery,postage, travel etc)

We hope that you will find our offer competitive and acceptable. We look forward to your favorable response.

Our SEBI registration No is INR000000544 and its valid permanently.

Thanking you,
FOR Integrated Registry Management Services Private Limited


S VIJAYAGOPAL
VICE PRESIDENT

Integrated Registry Management Services Pvt. Ltd.

CIN: U74900TN2015PTC101466

30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003.

Phone No.: 23460815 to 818 Fax No.: 080-23460819 Website: www.integratedindia.in

Regd. Office : 2nd Floor, "Kences Towers", No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017



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

TRUE EXTRACT FROM THE MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE BANK HELD ON 05.09.2018 AT 9.30 AM AT REGIONAL OFFICE, BENGALURU

Board/Secretarial/S/022/2018-19 dtd 05.09.2018

RESOLVED THAT pursuant to the powers vested with the Board of Directors of the Bank under Section 179(3) and Section 180(1)(c) of the Companies Act, 2013 read with the relevant rules thereunder, consent of the Board of Directors of the Bank be and is hereby accorded for issue of Rated, Unsecured, Redeemable, Non-convertible, BASEL III Compliant, Lower Tier 2 Subordinated Bonds in the nature of debentures (referred to as "Bonds/Debentures/NCDs" as the case may be) of a face value of Rs.10,00,000 each fully paid-up with marketable lot of one Bond for cash aggregating Rs.800 crore on a private placement basis in terms of Section 42 read with Section 71 of the Companies Act, 2013 and relevant rules thereunder and also SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and RBI Master Circulars No. DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 (BASEL III) and DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015 (NCAF) on the following terms and conditions:

1. **Paid-in Status:** Bonds shall be fully paid-up.
2. **Amount to be raised:** Optimum amount of ₹800 crore in one or more tranches with a face value of ₹10 lakh each for cash.
3. **Maturity Period:** 10 years from the date of allotment with a call option as detailed herein below and that, no step-up option or other incentives to redeem.
4. **Progressive Discounting:** Progressive discounting for capital adequacy purposes in accordance with the extant guidelines issued by Reserve Bank of India i.e. DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 (BASEL III) and DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015 (NCAF).
5. **Rate of Interest:** Fixed rate of interest, to be finalized in due course taking into consideration the rating of the instrument and prevailing market conditions.
6. **Call Option:** The Bonds shall not have any 'put option'. However, it may be callable at the initiative of the Bank only after a minimum period of five years and subject to the compliance of the requirements as set out in the aforesaid RBI Master Circulars.
7. **Redemption:** 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.
8. **Point of Non-viability and Treatment of Instruments:** In the event of winding-up, amalgamation, acquisition, re-constitution etc. of the Bank, the aforesaid instruments, at the option of the Reserve Bank of India, may be either written-off or converted into common equity upon the occurrence of the trigger event, called the 'Point of Non-Viability (PONV) Trigger' as stipulated under annexure 16 of the RBI Master Circular No. DBR.No.BP.BC.1 /21.06.201/2015-16 dated July 1, 2015 (BASEL III).




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

9. **Treatment in Bankruptcy/Liquidation:** The investor must 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.
10. **Purchase/Funding of Instruments:** Neither the bank nor a related party over which the bank exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the instrument, nor can directly or indirectly fund the purchase of the instrument. No advances against the security of the Bonds shall be made by the Bank.
11. **Seniority of Claim:** The claims of the investors in instruments shall be (i) senior to the claims of investors in instruments eligible for inclusion in Tier 1 capital; (ii) subordinate to the claims of all depositors and general creditors of the bank; and (iii) is neither secured nor covered by a guarantee of the Bank or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis Bank's creditors.
12. **Compliance with Reserve Requirements:** (i) The funds collected and pending allotment of the Tier 2 Capital instruments will be taken into account for the purpose of calculating reserve requirements and (ii) The total amount raised through the issue shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and as such, attracts CRR/SLR requirements.
13. **Reporting of Issuances:** Bank shall submit a report to the Chief General Manager-In-Charge, Department of Banking Regulation, Reserve Bank of India, Mumbai giving details of the debt raised, including the terms of issue specified at para 1 above, along with the External Legal Opinion as may be required.
14. **Listing:** The bonds shall be listed under Debt Segment of the National Stock Exchange of India Ltd. (NSE).

FURTHER RESOLVED THAT Mr. Mahabaleshwara M S, Managing Director & CEO or Mr. Prasanna Patil, Company Secretary be and is hereby authorised to:

1. approach rating agencies for getting the aforesaid instruments rated and sign mandate letters thereof;
2. appoint arranger/s to the issue and Debenture Trustees, Registrars and fix their remuneration;
3. admit the instruments for dematerialization with the Depositories;
4. execute necessary application for obtaining the In-principle approval if required and for listing the instruments under Debt Segment of the National Stock Exchange of India Ltd. (NSE);
5. to execute necessary documents/agreements with NSE for enabling the NSE-EBP;
6. pay applicable fees to depositories/NSE/MCA etc.
7. pay stamp duty under Indian Stamp Act, 1899;



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email : info@ktkbank.com

8. pay fees/charges to credit rating agencies or other intermediaries and pay brokerage/ commission/consulting fee to arrangers and incur necessary expenses in this regard.

RESOLVED FURTHER THAT Mr. Mahabaleshwara M S, Managing Director & CEO be and is hereby authorised to identify prospective investors to whom the invitation to subscribe the aforesaid bonds under private placement basis would be circulated and also to negotiate and finalise the rate of interest on the aforesaid bonds and to finalise the issue schedule in consultation with the arranger/s to the issue and execute Bond Trust Deed and Trust Agreement as required by the Debenture Trustee and to undertake all other incidental actions for successful raising of capital.


COMPANY SECRETARY



-CERTIFIED TRUE COPY-

**Karnataka Bank Ltd.**

Estd : 1924

CIN : LB5110KA1924PLC001128

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@ktkbank.com

TRUE EXTRACT FROM THE MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE BANK HELD ON 11.01.2019 AT 10.30 AM AT REGISTERED OFFICE, MANGALURU

Board/ Secretarial /S/013/2018-19 dtd 11.01.2019

RESOLVED to approve the Information Memorandum prepared for subscription and issue of Rated, Unsecured, Redeemable, Non-convertible, BASEL III Compliant, Lower Tier 2 Subordinated Bonds (Series VI) in the nature of debentures for cash aggregating ₹100,00,00,000 on a private placement basis and the right to retain oversubscription up to ₹300,00,00,000 (the "Issue") prepared in accordance with the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as amended, and the circular on electronic book mechanism for issuance of debt securities on a private placement basis as per the Securities and Exchange Board of India ("SEBI") circular no. SEBI/HO/DDHS/CIR/P/ 2018/05 dated January 5, 2018 as amended on 16 August 2018 and any further amendments thereto ("EBP Guidelines") and ensuring necessary compliance related thereto pertaining to the Issue.

RESOLVED FURTHER THAT the face value of Bonds shall be ₹1,00,000 each fully paid-up with marketable lot of one Bond.

RESOLVED FURTHER THAT a Committee of Directors namely 'Capital Augmentation Committee' constituted by the Board earlier vide resolution dated 12.10.2018 be and is hereby authorized to:

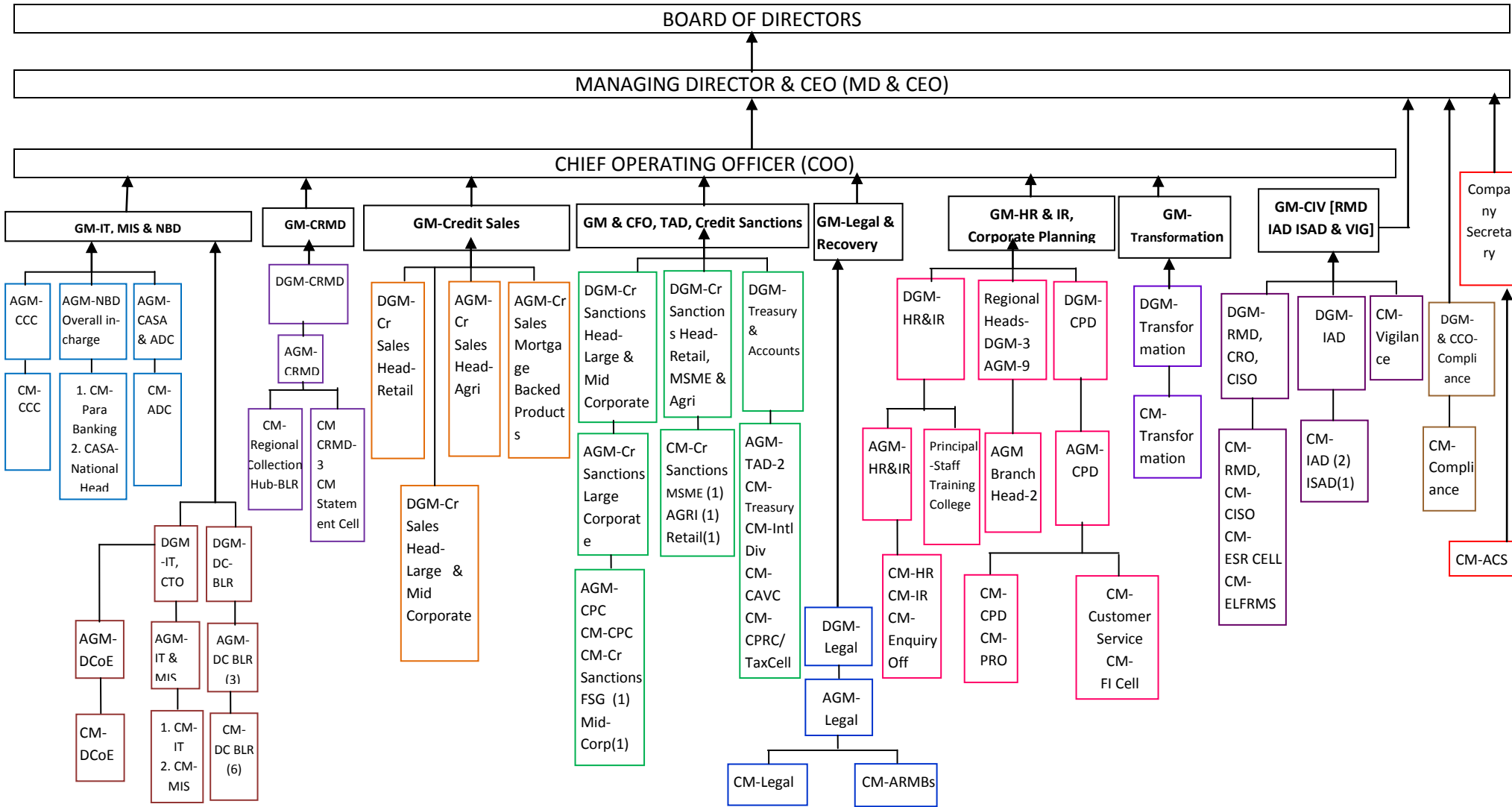
- to sign the Information Memorandum on behalf of the Board of Directors and also authorized to decide and fix the coupon rate on the aforesaid Bonds as may deem fit;
- to appoint the arrangers to the Issue from time to time;
- to identify investors from the successful bidders ("Identified Investors") upon completion of the electronic book building process under the EBP Guidelines issue the private placement offer cum application letter in Form PAS-4 prepared pursuant to the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended; and to do all other activities, execute agreement/s, deed/s for the purpose of giving effect to the above.



COMPANY SECRETARY

-CERTIFIED TRUE COPY-

ANNEXURE 6: ORGANISATION STRUCTURE



Short Name	Designation	Short Name	Department
GM	General Manager	NBD	New Business Department
DGM	Dy. General Manager	CRMD	Credit Monitoring
CCO	Chief Compliance Officer	TAD	Treasury & Accounts
AGM	Asst. General Manager	RMD	Risk Management Dept
CM	Chief Manager	IAD	Inspection & Audit Dept
ACS	Asst. Company Secretary	ISAD	Information Systems Audit Dept
CIV	Chief of Internal Vigilance	CCC	Customer Care Centre
		DCoE	Digital Centre of Excellence
		CPC	Central Processing Centre
		CAVC	Central Account Verification Cell
		ELFRMS	Enterprise Level Fraud Risk Management System
		CPRC	Central Payment & Reconciliation Cell

ANNEXURE 7: SUMMARY FINANCIALS



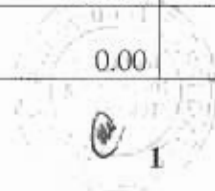
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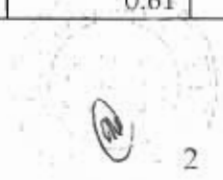
REVIEWED FINANCIAL RESULTS FOR THE PERIOD ENDED DECEMBER 31, 2018.

(Rs in Crore)

		Quarter ended 31.12.2018	Quarter ended 30.09.2018	Quarter ended 31.12.2017	Nine months ended 31.12.2018	Nine months ended 31.12.2017	Year ended 31.03.2018
		(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)	(Audited)
1	Interest Earned (a+b+c+d)	1514.42	1452.61	1332.24	4374.67	3980.71	5423.75
a)	Interest/Discount on advances/ bills	1214.97	1152.36	1042.52	3473.12	3001.85	4081.93
b)	Income on Investments	276.23	279.33	272.13	826.05	893.96	1161.53
c)	Interest on balances with Reserve Bank of India and other interbank funds	5.73	5.27	1.59	13.02	15.09	15.87
d)	Others	17.49	15.65	16.00	62.48	69.81	164.42
2	Other Income	301.37	201.20	194.62	711.37	659.83	954.34
3	TOTAL INCOME (1+2)	1815.79	1653.81	1526.86	5086.04	4640.54	6378.09
4	Interest expended	1026.47	984.90	880.76	2950.43	2664.57	3566.10
5	Operating expenses (i+ii)	388.95	312.58	324.20	1010.03	978.13	1338.82
i)	Employees Cost	180.76	110.85	121.39	402.11	382.97	524.79
ii)	Other operating Expenses	208.19	201.73	202.81	607.92	595.16	814.03
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	1415.42	1297.48	1204.96	3960.46	3642.70	4904.92
7	Operating Profit before provisions & contingencies (3-6)	400.37	356.33	321.90	1125.58	997.84	1473.17
8	Provisions (other than tax) and Contingencies	208.99	193.22	196.40	624.27	621.26	1163.01
9	Exceptional Items	0.00	0.00	0.00	0.00	0.00	0.00
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	191.38	163.11	125.50	501.31	376.58	310.16
11	Tax Expense	50.97	51.25	38.12	85.80	61.97	-15.45
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	140.41	111.86	87.38	415.51	314.61	325.61
13	Extraordinary Items (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00



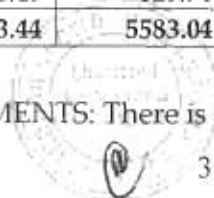
		Quarter ended 31.12.2018 (Reviewed)	Quarter ended 30.09.2018 (Reviewed)	Quarter ended 31.12.2017 (Reviewed)	Nine months ended 31.12.2018 (Reviewed)	Nine months ended 31.12.2017 (Reviewed)	Year ended 31.03.2018 (Audited)
14	Net Profit (+)/Loss (-) for the period (12-13)	140.41	111.86	87.38	415.51	314.61	325.61
15	Paid up equity share capital Face Value Rs 10/-)	282.62	282.62	282.62	282.62	282.62	282.62
16	Reserves excluding revaluation reserves	---	---	---	---	---	4711.32
17	<u>Analytical Ratios</u>						
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio (%) - Basel III (%)	11.98	11.30	12.26	11.98	12.26	12.04
iii)	Earnings per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized						
	- Basic EPS	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
	- Diluted EPS	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
	Earnings per share (EPS) (Rs) after extraordinary items (net of Tax expense) *Not Annualized						
	- Basic EPS	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
	- Diluted EPS	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
iv)	NPA Ratios as on date						
	Gross NPA	2345.93	2371.62	1784.31	2345.93	1784.31	2376.07
	Net NPA	1560.94	1497.68	1262.96	1560.94	1262.96	1400.51
	% of Gross NPA	4.45	4.66	3.97	4.45	3.97	4.92
	% of Net NPA	3.00	3.00	2.85	3.00	2.85	2.96
	Return on Assets	0.74	0.61	0.53	0.75	0.65	0.49



SEGMENT RESULTS FOR THE QUARTER/NINE MONTH ENDED 31.12.2018

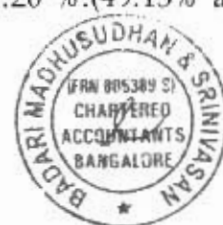
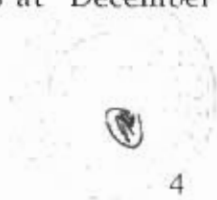
Segment wise Results	UNAUDITED					AUDITED
	Quarter Ended			Nine Months Ended		Year ended
	31.12.2018	30.09.2018	31.12.2017	31.12.2018	31.12.2017	31.03.2018
Particulars	(Rs. in crores)					
1 Segment Revenue						
(a) Treasury Operations	393.73	298.35	304.18	976.25	1115.46	1404.18
(b) Corporate Banking	753.43	686.17	627.61	2066.95	1625.71	2174.98
(c) Retail Banking	579.50	584.92	522.42	1753.46	1662.56	2367.95
(d) Other Banking Operations	89.13	84.37	72.65	276.12	217.17	332.57
(e) Unallocated	-	-	-	13.26	19.64	98.41
Total	1815.79	1653.81	1526.86	5086.04	4640.54	6378.09
2 Segment Results (after Provisions before Tax)						
(a) Treasury Operations	144.91	30.31	36.22	204.53	243.89	267.76
(b) Corporate Banking	25.22	29.74	22.67	37.26	-87.09	-449.42
(c) Retail Banking	26.76	100.18	71.63	232.99	204.64	392.65
(d) Other Banking Operations	8.32	16.12	7.41	53.46	32.92	50.82
(e) Unallocated	- 13.83	-13.24	-12.43	-26.93	-17.78	48.35
Total Profit / Loss before tax	191.38	163.11	125.50	501.31	376.58	310.16
3 Segment Assets						
(a) Treasury Operations	19457.70	19876.06	18889.92	19457.70	18889.92	19451.00
(b) Corporate Banking	29609.81	27885.70	23712.26	29609.81	23712.26	25888.90
(c) Retail Banking	23070.07	22728.46	20997.16	23070.07	20997.16	21662.73
(d) Other Banking Operations	1543.48	1389.29	1284.63	1543.48	1284.63	1360.32
(e) Unallocated	1653.27	1609.10	1618.09	1653.27	1618.09	2010.73
Total	75334.33	73488.61	66502.06	75334.33	66502.06	70373.68
Segment Liabilities						
(a) Treasury Operations	17898.84	18286.25	17276.55	17898.84	17276.55	17892.70
(b) Corporate Banking	27444.03	25853.70	21929.15	27444.03	21929.15	23948.50
(c) Retail Banking	21315.79	20995.31	19293.71	21315.79	19293.71	20015.57
(d) Other Banking Operations	1432.45	1290.92	1181.27	1432.45	1181.27	1258.38
(e) Unallocated	1519.78	1479.39	1478.83	1519.78	1478.83	1848.38
Total	69610.89	67905.57	61159.51	69610.89	61159.51	64963.53
Capital employed (Segment Assets-Segment Liabilities)						
(a) Treasury Operations	1558.86	1589.81	1613.37	1558.86	1613.37	1558.30
(b) Corporate Banking	2165.78	2032.00	1783.11	2165.78	1783.11	1940.40
(c) Retail Banking	1754.28	1733.15	1703.45	1754.28	1703.45	1647.16
(d) Other Banking Operations	111.03	98.37	103.36	111.03	103.36	101.94
(e) Unallocated	133.49	129.71	139.26	133.49	139.26	162.35
Total	5723.44	5583.04	5342.55	5723.44	5342.55	5410.15

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



Notes forming part of the unaudited financial results for the period ended December 31, 2018.

1. The above interim financial results for the quarter and nine months ended December 31, 2018 have been reviewed by the Audit Committee of the Board at the meeting held on January 10, 2019 and approved by the Board of Directors at the meeting held on January 11, 2019. The same has been subjected to limited review by the Statutory Central Auditors of the Bank in line with the guidelines issued by the Reserve Bank of India and as per the SEBI (LODR) Regulations, 2015.
2. In the preparation of these financial results, the Bank has followed the same accounting policies and generally accepted practices adopted in the preparation of audited financial statements for the year ended March 31, 2018.
3. The above interim financial results have been arrived at after considering the provision for loan losses and depreciation on Investments, Provision for employees' retirement benefits like pension, gratuity, leave encashment and unused sick leave as per actuarial valuations, Provision for exposure to entities with un-hedged foreign currency exposure, Income tax, Provision for arrears of salary pending negotiation & wage settlement and Other contingencies on estimated and proportionate basis and ~~are~~ subject to adjustments at the year end.
4. Reserve Bank of India vide RBI/2017-18/200 DBR.No. BP.BC.113/21.04.048/2017-18 dated June 15, 2018, granted Banks, the option to spread provisioning for their mark to market (MTM) losses on all the investments held under AFS and HFT categories for the quarter ended June 30, 2018 equally over up to four quarters, commencing with the quarter ended June 30, 2018. In accordance to the above stated circular, for the quarter ended December 31,2018, Bank has provided an amount of Rs 13.41 Crores and deferred an amount of Rs 13.41 Crores to be accounted for the quarter ended 31st March 2019.
5. Provision coverage ratio as at December 31, 2018 stood at 57.20 %.(49.13% as at December 31, 2017)



6. In terms of RBI circular DBR No BP.BC 1/21.06.201/2015-16 dated July 1, 2015, Pillar III disclosures under Basel III Capital Regulations have been made available on our web site at the following link: <http://karnatakaBank.info.com/ktk/BaselDisclosures.jsp#>. These disclosures have not been subjected to limited review by the Statutory Central Auditors.
7. Disclosure about investor complaints for the period ended 31 December 2018: Complaints at the beginning of the period Nil; Received during the period 50. Disposed off during the period 49. Unresolved as on December 31,2018: 1
8. During the period under review, Bank has raised Rs 400 Crores under Tier-II capital, by issue of Basel-III compliant Subordinated debt instruments, on private placement.
9. Corresponding previous period figures have been regrouped/ rearranged wherever necessary to make them comparable with the current period figures.



Mahabaleshwara M S

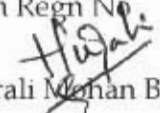
Managing Director & C.E.O



For Manohar Chowdhry & Associates

Chartered Accountants

Firm Regn No. 001997S


Murali Mohan Bhat

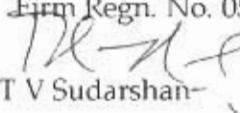
Partner

M No. 203592

For Badari Madusudhan & Srinivasan

Chartered Accountants

Firm Regn. No. 05389S


T V Sudarshan

Partner

M No. 19108



Place: Mangaluru

Date: 11th January 2019

KARNATAKA BANK LTD

REVIEWED FINANCIAL RESULTS FOR THE QUARTER /NINE MONTHS ENDED DECEMBER 31, 2018 (Rs. In crore)

Particulars	Quarter Ended 31.12.2018 (Reviewed)	Quarter Ended 30.09.2018 (Reviewed)	Quarter Ended 31.12.2017 (Reviewed)	Nine months ended 31.12.2018 (Reviewed)	Nine months ended 31.12.2017 (Reviewed)	Year ended 31.03.2018 (Audited)
Total income from operations (net)	1815.79	1653.81	1526.86	5086.04	4640.54	6378.09
Net Profit / (Loss) from ordinary activities after tax	140.41	111.86	87.38	415.51	314.61	325.61
Net Profit / (Loss) for the period after tax (after Extraordinary items)	140.41	111.86	87.38	415.51	314.61	325.61
Equity Share Capital	282.62	282.62	282.62	282.62	282.62	282.62
Reserves (excluding Revaluation Reserve as shown in the Balance Sheet of previous year)	---	---	---	---	---	4711.32
Earnings Per Share (before extraordinary items) (of Rs 10/- each)						
Basic:	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
Diluted	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
Earnings Per Share (After extraordinary items) (of Rs 10/- each)						
Basic:	4.97*	3.96*	3.09*	15.72*	11.13*	11.52
Diluted	4.97*	3.96*	3.09*	15.72*	11.13*	11.52

*Not annualized

Note: The above is an extract of the detailed format of period ended Results filed with the Stock Exchange under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the period 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>

For and on behalf of Board of Directors

Place: Mangaluru

Date: 11th January 2019



Mahabaleshwara M S

MANAGING DIRECTOR & CEO

Manohar Chowdhry & Associates
Chartered Accountants,
102, MICASA,
Bejai Main Road
Mangaluru 575 004
Tel: 0824 - 2988383
Email: muralimohan@mca.co.in

Badari, Madhusudhan & Srinivasan
Chartered Accountants,
Kantha Court,
Lalbagh Road
Bengaluru-560027
Tel: 080-22277714,41142536
Email: bmscas@gmail.com

Limited Review Report on the Interim Financial Results

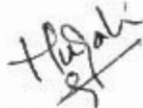
Review report to the Board of Directors of The Karnataka Bank Ltd

1. We have reviewed the accompanying statement of Unaudited Financial Results of **The Karnataka Bank Limited** ("The Bank") for the quarter and nine months period ended 31st December, 2018 ("the Statement") being prepared and submitted by the Bank pursuant to the requirement of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The disclosures relating to "Pillar 3 under Basel III Capital Regulations", "Leverage Ratio" and "Liquidity Coverage Ratio" as have been disclosed on the Bank's website and in respect of which a link has been provided in the aforesaid Statement have not been reviewed by us. The preparation and fair presentation of the Statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a Report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. Without qualifying our conclusion, we draw attention to Note No. 4 regarding exercise of the option by the Bank for spreading the provision for Mark to Market (MTM) losses for the quarter ended June 30, 2018, over four quarters resulting in carry forward of unamortized MTM losses of Rs 13.41 crore as at December 31, 2018 for amortization in the remaining quarter of the current financial year.



4. Based on our review conducted as mentioned in Paragraph 2 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the applicable Accounting Standards along with other accounting principles generally accepted in India in so far as they apply to the Banking Companies and guidelines issued by the Reserve Bank of India from time to time, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

For Manohar Chowdhry & Associates
Chartered Accountants
FR No. 001997S



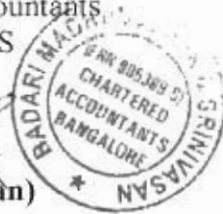
(Murali Mohan Bhat)
Partner
M. No. 203592

Place: Mangalore
Date: 11.01.2019

For Badari, Madhusudhan & Srinivasan
Chartered Accountants
FRNo. 005389S



(T V Sudarshan)
Partner
M. No. 019108



SUMMARY OF THE FINANCIAL POSITION OF THE ISSUER FOR 5 YEARS- BALANCE SHEET

BALANCE SHEET AS ON 31st MARCH 2018

		(₹ in '000s)	
	Schedule No.	As on 31.03.2018 ₹	As on 31.03.2017 ₹
CAPITAL AND LIABILITIES			
Capital	1	282,61,75	282,61,57
Reserves and Surplus	2	5127,53,44	4859,96,58
Deposits	3	62871,28,50	56733,10,82
Borrowings	4	815,97,04	832,62,21
Other Liabilities and Provisions	5	1276,26,81	1330,28,72
TOTAL		70373,67,54	64038,59,90
ASSETS			
Cash and balances with Reserve Bank of India	6	3545,82,00	2929,26,87
Balances with Banks and Money at Call and Short Notice	7	55,19,34	344,76,41
Investments	8	15444,44,93	20219,73,17
Advances	9	47251,75,07	36915,69,85
Fixed Assets	10	761,60,21	720,56,99
Other Assets	11	3314,85,99	2908,56,61
TOTAL		70373,67,54	64038,59,90
Contingent Liabilities	12	7519,17,65	5336,03,09
Bills for Collection		2407,26,92	1925,76,85
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Vinaya Bhat P. J.
(Deputy General Manager)

Sd/-
Prasanna Patil
(Company Secretary)

Sd/-
Y. V. Balachandra
(General Manager & C.F.O)

Sd/-
Raghavendra Bhat M.
(Chief Operating Officer)

Sd/-
Mahabaleshwara M. S.
(Managing Director & CEO)

Sd/-
P. Jayarama Bhat
(Chairman)

Sd/-
Ashok Haranahalli
Usha Ganesh
Directors

Sd/-
Rammohan Rao Belle
B. A. Prabhakar
Directors

Sd/-
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Sd/-
D. Surendra Kumar
Mythily Ramesh
Directors

Refer our report of even date

For R. K. KUMAR & CO
Chartered Accountants
Firm Regn. No. 001595S

For ABARNA & ANANTHAN
Chartered Accountants
Firm Regn. No. 000003S

Place : Mangaluru
Date : 15th May 2018

Sd/-
B. R. Ashok
(Partner)
M. No. 023313

Sd/-
Abarna Bhaaskar
(Partner)
M. No. 025145

93rd ANNUAL REPORT 2016-17

BALANCE SHEET AS ON 31st MARCH 2017

(₹ in '000s)

	Schedule No.	As on 31.03.2017 ₹	As on 31.03.2016 ₹
CAPITAL AND LIABILITIES			
Capital	1	282,61,57	188,46,58
Reserves and Surplus	2	4859,96,58	3502,11,84
Deposits	3	56733,10,82	50488,20,95
Borrowings	4	832,62,21	1051,47,95
Other Liabilities and Provisions	5	1418,23,49	1270,06,17
Total		64126,54,67	56500,33,49
ASSETS			
Cash and balances with Reserve Bank of India	6	2929,26,87	2645,62,37
Balances with Banks and Money at Call and Short Notice	7	344,76,41	399,30,01
Investments	8	20219,73,17	16256,65,31
Advances	9	37003,64,62	33902,44,84
Fixed Assets	10	720,56,99	306,63,85
Other Assets	11	2908,56,61	2989,67,11
Total		64126,54,67	56500,33,49
Contingent Liabilities	12	5336,03,09	5877,69,65
Bills for Collection		1925,76,85	1507,99,29
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Ravindranath Hande H P
Deputy General Manager

Sd/-
Prasanna Patil
Company Secretary

Sd/-
Y. V. Balachandra
General Manager & CFO

Sd/-
Mahabaleshwara M. S.
Managing Director & CEO

Sd/-
P. Jayarama Bhat
Chairman

Sd/-
Ashok Haranahalli
Usha Ganesh
Directors

Sd/-
Rammohan Rao Belle
B. A. Prabhakar
Directors

Sd/-
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Sd/-
D. Surendra Kumar
Director

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Place : Mangaluru
Date : 13th May 2017

Sd/-
Srinivas S. Kamath
Partner
M. No. 201716

Sd/-
Abarna Bhaskar
Partner
M. No. 025145

92nd ANNUAL REPORT 2015-16

BALANCE SHEET AS ON 31st MARCH 2016

(₹ in '000s)

	Schedule No.	As on 31.03.2016 ₹	As on 31.03.2015 ₹
CAPITAL AND LIABILITIES			
Capital	1	188,46,58	188,45,66
Reserves and Surplus	2	3502,11,84	3200,60,39
Deposits	3	50488,20,95	46008,60,55
Borrowings	4	1051,47,95	1037,75,78
Other Liabilities and Provisions	5	1270,06,17	1401,17,55
Total		56500,33,49	51836,59,93
ASSETS			
Cash and balances with Reserve Bank of India	6	2645,62,37	2488,44,50
Balances with Banks and Money at Call and Short Notice	7	399,30,01	125,70,98
Investments	8	16256,65,31	14031,67,32
Advances	9	33902,44,84	31679,98,76
Fixed Assets	10	306,63,85	291,85,32
Other Assets	11	2989,67,11	3218,93,05
Total		56500,33,49	51836,59,93
Contingent Liabilities	12	5877,69,65	8315,68,67
Bills for Collection		1507,99,29	4103,52,90
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
Y. V. Balachandra
Company Secretary

Sd/-
Chandrashekar Rao. B.
General Manager & CFO

Sd/-
M. S. Mahabaleshwara
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & CEO

Sd/-
Ananthakrishna
Chairman

Sd/-
S. V. Manjunath
D. Harshendra Kumar
Directors

Sd/-
Dr. H. Ramamohan
T. R. Chandrasekaran
Directors

Sd/-
Ashok Haranahalli
Usha Ganesh
Rammohan Rao Belle
Directors

Sd/-
B. A. Prabhakar
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Sd/-
Srinivas S. Kamath
Partner
M. No. 201716

Sd/-
C. S. Gopalakrishna
Partner
M. No. 014706

Place : Mangaluru
Date : 20th May 2016

91st ANNUAL REPORT 2014-15

BALANCE SHEET AS ON 31ST MARCH 2015

(000's omitted)

	Schedule No.	As on 31.03.2015 ₹	As on 31.03.2014 ₹
CAPITAL AND LIABILITIES			
Capital	1	188,45,66	188,42,22
Reserves and Surplus	2	3200,60,39	2863,77,54
Deposits	3	46008,60,55	40582,82,87
Borrowings	4	1037,75,78	1915,19,11
Other Liabilities and Provisions	5	1401,17,55	1478,58,32
Total		51836,59,93	47028,80,06
ASSETS			
Cash and balances with Reserve Bank of India	6	2488,44,50	2152,73,34
Balances with Banks and Money at Call and Short Notice	7	125,70,98	184,66,90
Investments	8	15988,05,95	15226,78,14
Advances	9	31679,98,76	28345,48,95
Fixed Assets	10	291,85,32	197,48,10
Other Assets	11	1262,54,42	921,64,63
Total		51836,59,93	47028,80,06
Contingent Liabilities	12	8315,68,67	9007,93,21
Bills for Collection		4103,52,90	2838,63,21
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
Y.V. Balachandra
Company Secretary

Sd/-
Raghurama
General Manager & CFO

Sd/-
M.S. Mahabaleshwara
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & CEO

Sd/-
Ananthakrishna
Chairman

Sd/-
S.V. Manjunath
D. Harshendra Kumar
Directors

Sd/-
Dr. H. Ramamohan
T.R. Chandrasekaran
Directors

Sd/-
Ashok Haranahalli
Rammohan Rao Belle
B.A. Prabhakar
Directors

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Sd/-
Parineeth Rau
Partner
M.No. 222039

Sd/-
C.S. Gopalakrishna
Partner
M.No. 014706

Place : Mangaluru
Date : 22nd May 2015

90th Annual Report 2013-14

BALANCE SHEET AS ON 31ST MARCH, 2014

(000's omitted)

	Schedule No.	As on 31.03.2014	As on 31.03.2013
CAPITAL AND LIABILITIES			
Capital	1	188,42,22	188,35,29
Reserves and Surplus	2	2863,77,54	2668,72,85
Deposits	3	40582,82,87	36056,22,13
Borrowings	4	1915,19,11	1579,76,08
Other Liabilities and Provisions	5	1478,58,32	1033,31,65
Total		47028,80,06	41526,38,00
ASSETS			
Cash and balances with Reserve Bank of India	6	2152,73,34	1717,95,58
Balances with Banks and Money at Call and Short Notice	7	184,66,90	235,84,18
Investments	8	15226,78,14	13432,48,47
Advances	9	28345,48,95	25207,67,88
Fixed Assets	10	197,48,10	166,95,65
Other Assets	11	921,64,63	765,46,24
Total		47028,80,06	41526,38,00
Contingent Liabilities	12	9007,93,21	6199,40,81
Bills for Collection		2838,63,21	1768,04,00
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
P. Jairama Hande
Senior General Manager & C.F.O

Sd/-
M.S. Mahabaleshwar
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & C.E.O

Sd/-
Ananthakrishna
Chairman

Sd/-
T.S. Vishwanath
S.V. Manjunath
Directors

Sd/-
D. Harshendra Kumar
Dr. H. Ramamohan
Directors

Sd/-
T.R. Chandrasekaran
Usha Ganesh
Ramamohan Rao Belle
Directors

Refer our report of even date

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

For **Kamath & Rau**
Chartered Accountants
Firm Regn. No. 001689S

Place: Mangalore
Date : May 15th, 2014

Sd/-
C R Sundararajan
Partner
M.No. 025400

Sd/-
Srinivas S Kamath
Partner
M.No. 201716

SUMMARY OF THE FINANCIAL POSITION OF THE ISSUER FOR 5 YEARS- PROFIT & LOSS ACCOUNT

94th ANNUAL REPORT 2017-18PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2018

('₹ in '000s)

	Schedule No.	Year ended 31.03.2018 ₹	Year ended 31.03.2017 ₹
I. INCOME			
Interest Earned	13	5423,75,02	5185,40,07
Other Income	14	954,34,43	809,33,85
Total		6378,09,45	5994,73,92
II. EXPENDITURE			
Interest Expended	15	3566,09,75	3694,77,73
Operating Expenses	16	1338,82,50	1304,16,13
Provisions and Contingencies		1147,56,42	543,53,93
Total		6052,48,67	5542,47,79
III. PROFIT			
Net profit for the year		325,60,78	452,26,13
Profit brought forward		137,14,27	3,18
Total		462,75,05	452,29,31
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		82,00,00	125,00,00
Transfer to Capital Reserve		51,05,05	112,79,75
Transfer to Revenue Reserve		90,75,00	45,00,00
Transfer to Special Reserve u/s 36 (i) (vii) of Income Tax Act		24,32,39	23,29,80
Transfer from Investment Reserve Account		-24,16,19	8,75,48
Transfer to Other Funds		50,00	30,00
Proposed dividend paid		113,04,29	-
Tax on proposed dividend paid		23,01,30	-
Balance carried over to Balance Sheet		102,23,21	137,14,27
Total		462,75,05	452,29,30
Earning per share			
Basic	₹	11.52	19.38
Diluted	₹	11.52	19.38
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Vinaya Bhat P. J.
(Deputy General Manager)

Sd/-
Prasanna Patil
(Company Secretary)

Sd/-
Y. V. Balachandra
(General Manager & C.F.O)

Sd/-
Raghavendra Bhat M.
(Chief Operating Officer)

Sd/-
Mahabaleshwara M. S.
(Managing Director & CEO)

Sd/-
P. Jayarama Bhat
(Chairman)

Sd/-
Ashok Haranahalli
Usha Ganesh
Directors

Sd/-
Rammohan Rao Belle
B. A. Prabhakar
Directors

Sd/-
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Sd/-
D. Surendra Kumar
Mythly Ramesh
Directors

Refer our report of even date

For R. K. KUMAR & CO
Chartered Accountants
Firm Regn. No. 001595S

For ABARNA & ANANTHAN
Chartered Accountants
Firm Regn. No. 000003S

Place : Mangaluru
Date : 15th May 2018

Sd/-
B. R. Ashok
(Partner)
M. No. 023313

Sd/-
Abarna Bhaskar
(Partner)
M. No. 025145

 The Karnataka Bank Ltd.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2017

(₹ in '000s)

	Schedule No.	For the year ended 31.03.2017 ₹	For the year ended 31.03.2016 ₹
I. INCOME			
Interest Earned	13	5185,40,07	4992,21,03
Other Income	14	809,33,84	542,85,97
Total		5994,73,91	5535,07,00
II. EXPENDITURE			
Interest Expended	15	3694,77,73	3689,33,77
Operating Expenses	16	1304,16,13	991,20,10
Provisions and Contingencies		543,53,93	439,23,99
Total		5542,47,79	5119,77,86
III. PROFIT			
Net profit for the year		452,26,12	415,29,14
Profit brought forward		3,18	40,10
Total		452,29,30	415,69,24
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		125,00,00	230,00,00
Transfer to Capital Reserve		112,79,75	8,85,37
Transfer to Revenue Reserve		45,00,00	41,00,00
Transfer to Special Reserve u/s 36 (1) (viii) of Income Tax Act		23,29,80	25,83,62
Transfer to Investment Reserve Account		8,75,48	(3,83,99)
Transfer to Other Funds		30,00	40,00
Transfer to Proposed dividend		-	94,22,80
Transfer to Tax on proposed dividend		-	19,18,26
Balance carried over to Balance Sheet		137,14,27	3,18
Total		452,29,30	415,69,24
Earning per share			
Basic	₹	19,38	19,68
Diluted	₹	19,38	19,68
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Ravindranath Hande H P
Deputy General Manager

Sd/-
Prasanna Patil
Company Secretary

Sd/-
Y. V. Balachandra
General Manager & CFO

Sd/-
Mahabaleshwara M. S.
Managing Director & CEO

Sd/-
P. Jayarama Bhat
Chairman

Sd/-
Ashok Haranahalli
Usha Ganesh
Directors

Sd/-
Rammohan Rao Belle
B. A. Prabhakar
Directors

Sd/-
Uljal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Sd/-
D. Surendra Kumar
Director

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Place : Mangaluru
Date : 13th May 2017

Sd/-
Srinivas S. Kamath
Partner
M. No. 201716

Sd/-
Abarna Bhaskar
Partner
M. No. 025145

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2016

(₹ in '000s)

	Schedule No.	For the year ended 31.03.2016 ₹	For the year ended 31.03.2015 ₹
I. INCOME			
Interest Earned	13	4992,21,03	4698,41,93
Other Income	14	542,85,97	506,99,51
Total		5535,07,00	5205,41,44
II. EXPENDITURE			
Interest Expended	15	3689,33,77	3529,57,25
Operating Expenses	16	991,20,10	902,46,68
Provisions and Contingencies		439,23,99	321,92,49
Total		5119,77,86	4753,96,42
III. PROFIT			
Net profit for the year		415,29,14	451,45,02
Profit brought forward		40,10	16,06
Total		415,69,24	451,61,08
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		230,00,00	230,00,00
Transfer to Capital Reserve		8,85,37	3,14,80
Transfer to Revenue Reserve		41,00,00	58,00,00
Transfer to Special Reserve u/s 36 (1) (viii) of Income Tax Act		25,83,62	26,06,95
Transfer to Investment Reserve Account		(3,83,99)	19,24,69
Transfer to Other Funds		40,00	80,00
Transfer to Proposed dividend		94,22,80	94,22,83
Transfer to Tax on proposed dividend		19,18,26	19,71,71
Balance carried over to Balance Sheet		3,18	40,10
Total		415,69,24	451,61,08
Earning per share			
Basic	₹	22.04	23.96
Diluted	₹	22.03	23.95
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
Y. V. Balachandra
Company Secretary

Sd/-
Chandrashekar Rao. B.
General Manager & CFO

Sd/-
M. S. Mahabaleshwara
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & CEO

Sd/-
Ananthakrishna
Chairman

Sd/-
S. V. Manjunath
D. Harshendra Kumar
Directors

Sd/-
Dr. H. Ramamohan
T. R. Chandrasekaran
Directors

Sd/-
Ashok Haranahalli
Usha Ganesh
Rammohan Rao Belle
Directors

Sd/-
B. A. Prabhakar
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Refer our report of even date


For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Sd/-
Srinivas S. Kamath
Partner
M. No. 201716

Sd/-
C. S. Gopalakrishna
Partner
M. No. 014706

Place: Mangaluru
Date : 20th May 2016

 The Karnataka Bank Ltd.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2015

(000's omitted)

	Schedule No.	For the year ended 31.03.2015 ₹	For the year ended 31.03.2014 ₹
I. INCOME			
Interest Earned	13	4698,41,93	4188,82,82
Other Income	14	506,99,51	505,58,17
Total		5205,41,44	4694,40,99
II. EXPENDITURE			
Interest Expended	15	3529,57,25	3132,76,10
Operating Expenses	16	902,46,68	874,60,10
Provisions and Contingencies		321,92,49	376,01,36
Total		4753,96,42	4383,37,56
III. PROFIT			
Net profit for the year		451,45,02	311,03,43
Profit brought forward		16,06	8,94
Total		451,61,08	311,12,37
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		230,00,00	147,00,00
Transfer to Capital Reserve		3,14,80	0
Transfer to Revenue Reserve		58,00,00	63,00,00
Transfer to Special Reserve u/s 36 (1) (viii) of Income Tax Act		26,06,95	23,21,48
Transfer to Investment Reserve Account		19,24,69	(11,47,63)
Transfer to Other Funds		80,00	1,00,00
Transfer to Proposed dividend		94,22,83	75,40,89
Transfer to Tax on proposed dividend		19,71,71	12,81,57
Balance carried over to Balance Sheet		40,10	16,06
Total		451,61,08	311,12,37
Earning per share			
Basic	₹	23.96	16.51
Diluted	₹	23.95	16.50
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
Y.V. Balachandra
Company Secretary

Sd/-
Raghurama
General Manager & CFO

Sd/-
M.S. Mahabaleshwara
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & CEO

Sd/-
Ananthakrishna
Chairman

Sd/-
S.V. Manjunath
D. Harshendra Kumar
Directors

Sd/-
Dr. H. Ramamohan
T.R. Chandrasekaran
Directors

Sd/-
Ashok Haranahalli
Rammohan Rao Belle
B.A. Prabhakar
Directors

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Sd/-
Parineeth Rau
Partner
M.No. 222039

Sd/-
C.S. Gopalakrishna
Partner
M.No. 014706

Place : Mangaluru
Date : 22nd May 2015

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2014

(000's omitted)

	Schedule No.	For the year ended 31.03.2014 ₹	For the year ended 31.03.2013 ₹
I. INCOME			
Interest Earned	13	4188,82,82	3764,28,81
Other Income	14	505,58,17	397,64,13
Total		4694,40,99	4161,92,94
II. EXPENDITURE			
Interest Expended	15	3132,76,10	2860,55,63
Operating Expenses	16	874,60,10	666,03,58
Provisions and Contingencies		376,01,36	287,25,52
Total		4383,37,56	3813,84,73
III. PROFIT			
Net profit for the year		311,03,43	348,08,21
Profit brought forward		8,94	3,17
Total		311,12,37	348,11,38
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		147,00,00	160,00,00
Transfer to Capital Reserve		0	3,25,77
Transfer to Revenue Reserve		63,00,00	62,70,00
Transfer to Special Reserve u/s 36 (1) (viii) of IT Act		23,21,48	21,10,67
Transfer to Investment Reserve Account		-11,47,63	11,47,63
Transfer to Other Funds		1,00,00	1,30,00
Transfer to Proposed dividend		75,40,89	75,37,72
Transfer to Tax on proposed dividend		12,81,57	12,80,65
Balance carried over to Balance Sheet		16,06	8,94
Total		311,12,37	348,11,38
Earning per share			
Basic	₹	16.51	18.48
Diluted	₹	16.50	18.46
Significant Accounting Policies	17		
Notes on Account	18		

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
P. Jairama Hande
Senior General Manager & C.F.O

Sd/-
M.S. Mahabaleshwar
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & C.E.O

Sd/-
Ananthakrishna
Chairman

Sd/-
T.S. Vishwanath
S.V. Manjunath
Directors

Sd/-
D. Harshendra Kumar
Dr. H. Ramamohan
Directors

Sd/-
T.R. Chandrasekaran
Usha Ganesh
Ramamohan Rao Belle
Directors

Refer our report of even date

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

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

Place: Mangalore
Date : May 15th, 2014

Sd/-
C R Sundararajan
Partner
M.No. 025400

Sd/-
Srinivas S Kamath
Partner
M.No. 201716

CASH FLOW STATEMENT

 The Karnataka Bank Ltd.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2018

(₹ in '000s)

	Year Ended March 31, 2018		Year Ended March 31, 2017	
	₹	₹	₹	₹
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit after Tax and Extra Ordinary Items		325,60,78		452,26,11
Add:				
Adjustments for :				
Provision for Tax	-15,44,98		30,71,78	
Loss on sale Fixed Assets	22,52		-28,67	
Depreciation on Fixed Assets including Lease				
Adjustment charges	50,05,52		49,75,10	
Provisions and Contingencies	1163,01,40		512,82,15	
Amortisation of premium on Held to Maturity Investments	62,03,35		32,62,61	625,62,97
Loss on sale to SC/RC amortised during the year	78,50,64			
Write-off of Fixed Assets	2,90	1338,41,35		
Operating Profit Before Working Capital Changes		1664,02,13		1077,89,08
Adjustment for :				
i) (Increase)/Decrease in Advances & Other Assets	-11038,56,74		-3143,12,75	
ii) (Increase)/Decrease in Investments	4599,17,52		-3966,20,84	
iii) Increase/(Decrease) in Deposits, Borrowings & Other Liabilities	5817,68,24	-621,70,98	6093,13,08	-1016,20,51
Cash Generated from Operations		1042,31,15		61,68,57
Less: Direct taxes paid		321,43,27		245,79,92
Net Cash Flow from Operating Activities (A)		720,87,88		-184,11,35
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		-91,54,95		-41,18,19
Sale of Fixed Assets		20,79		1,32,00
Net Cash used in Investing Activities (B)		-91,34,16		-39,86,19
TOTAL (A+B)		629,53,72		-223,97,54
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		1,22		655,00,90
Proceeds from long term borrowings		-166,61,20		-89,51,50
Dividend paid (Including Tax on Dividend)		-135,95,68		-112,40,96
Net Cash Generated from Financing Activities (C)		-302,55,66		453,08,44
Net Increase in Cash & Cash Equivalents (A+B+C)		326,98,06		229,10,90
Cash & Cash Equivalents as at the beginning of the year		3274,03,28		3044,92,38
Cash & Cash Equivalents as at the end of the year		3601,01,34		3274,03,28

Note : 1. The Cash Flow Statement has been prepared under the Indirect Method and figures of the previous year have been re-grouped wherever necessary.

2. Cash and Cash Equivalents comprise of Cash on Hand, Balances with Reserve Bank of India, Balances with Banks and Money at Call and Short Notice.

Sd/- Vinaya Bhat P. J. (Deputy General Manager)	Sd/- Prasanna Patil (Company Secretary)	Sd/- Y. V. Balachandra (General Manager & C.F.O)	Sd/- Raghavendra Bhat M. (Chief Operating Officer)
Sd/- Mahabaleshwara M. S. (Managing Director & CEO)			
Sd/- P. Jayarama Bhat (Chairman)	Sd/- Ashok Haranahalli Usha Ganesh Directors	Sd/- Rammohan Rao Belle B. A. Prabhakar Directors	Sd/- Ullal Ravindra Bhat Keshav Krishnarao Desai Directors
Sd/- D. Surendra Kumar Mythily Ramesh Directors			
Refer our report of even date			
For R. K. KUMAR & CO Chartered Accountants Firm Regn. No. 001595S		For ABARNA & ANANTHAN Chartered Accountants Firm Regn. No. 000003S	
Sd/- B. R. Ashok (Partner) M. No. 023313		Sd/- Abarna Bhaskar (Partner) M. No. 025145	

Place : Mangaluru
Date : 15th May 2018

93rd ANNUAL REPORT 2016-17

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017

(₹ in '000s)

	Year Ended March 31, 2017		Year Ended March 31, 2016	
	₹	₹	₹	₹
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit after Tax and Extra Ordinary Items		452,26,11		415,29,14
Add:				
Adjustments for :				
Provision for Tax	30,71,78		112,71,29	
Loss on sale of Fixed Assets	(28,67)		89,33	
Depreciation on Fixed Assets including Lease				
Adjustment charges	49,75,10		42,23,71	
Provisions and Contingencies	512,82,15		326,52,70	
Amortisation of premium on Held to Maturity				
Investments	32,62,61	625,62,97	33,33,83	515,70,86
Operating Profit Before Working Capital Changes		1077,89,08		931,00,00
Adjustment for :				
i) (Increase) / Decrease in Advances & Other Assets	(3143,12,75)		(1855,28,28)	
ii) (Increase) / Decrease in Investments	(3966,20,84)		(2258,63,53)	
iii) Increase / (Decrease) in Deposits, Borrowings & Other Liabilities	6093,13,08	(1016,20,51)	4004,07,81	(109,84,00)
Cash Generated from Operations		61,68,57		821,16,00
Less: Direct taxes paid		245,79,92		185,22,57
Net Cash Flow from Operating Activities (A)		(184,11,35)		635,93,43
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(41,18,19)		(58,55,37)
Sale of Fixed Assets		1,32,00		63,80
Net Cash used in Investing Activities (B)		(39,86,19)		(57,91,57)
TOTAL (A+B)		(223,97,54)		578,01,86
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		655,00,90		4,27
Proceeds from long term borrowings		(89,51,50)		(34,41,08)
Dividend paid (Including Tax on Dividend)		(112,40,96)		(112,88,15)
Net Cash Generated from Financing Activities (C)		453,08,44		(147,24,96)
Net Increase in Cash & Cash Equivalents (A+B+C)		229,10,90		430,76,90
Cash & Cash Equivalents as at the beginning of the year		3044,92,38		2614,15,48
Cash & Cash Equivalents as at the end of the year		3274,03,28		3044,92,38

Note: 1. The Cash Flow Statement has been prepared under the Indirect Method and figures of the previous year have been re-grouped wherever necessary.
2. Cash and Cash Equivalents comprise of Cash on Hand, Balances with Reserve Bank of India, Balances with Banks and Money at Call and Short Notice.

Sd/-
Ravindranath Hande H P
Deputy General Manager

Sd/-
Prasanna Patil
Company Secretary

Sd/-
Y. V. Balachandra
General Manager & CFO

Sd/-
Mahabaleshwara M. S.
Managing Director & CEO

Sd/-
P. Jayarama Bhat
Chairman

Sd/-
Ashok Haranahalli
Usha Ganesh
Directors

Sd/-
Rammohan Rao Belle
B. A. Prabhakar
Directors

Sd/-
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Sd/-
D. Surendra Kumar
Director

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Place: Mangaluru
Date : 13th May 2017

Sd/-
Srinivas S. Kamath
Partner
M. No. 201716

Sd/-
Abarna Bhaskar
Partner
M. No. 025145

92nd ANNUAL REPORT 2015-16

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016

(₹ in '000s)

	Year Ended March 31, 2016		Year Ended March 31, 2015	
	₹	₹	₹	₹
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit after Tax and Extra Ordinary Items		415,29,14		451,45,02
Add:				
Adjustments for :				
Provision for Tax	112,71,29		107,94,63	
Loss on sale of Fixed Assets	89,33		29,11	
Depreciation on Fixed Assets including Lease				
Adjustment charges	42,23,71		(14,16,77)	
Provisions and Contingencies	326,52,70		213,97,86	
Amortisation of premium on Held to Maturity Investments	33,33,83	515,70,86	34,82,16	342,86,99
Operating Profit Before Working Capital Changes		931,00,00		794,32,01
Adjustment for :				
i) (Increase) / Decrease in Advances & Other Assets	(1855,28,28)		(3502,45,91)	
ii) (Increase) / Decrease in Investments	(2258,63,53)		(728,76,69)	
iii) Increase / (Decrease) in Deposits, Borrowings & Other Liabilities	4004,07,81	(109,84,00)	4415,97,52	184,74,92
Cash Generated from Operations		821,16,00		979,06,93
Less: Direct taxes paid		185,22,57		330,97,07
Net Cash Flow from Operating Activities (A)		635,93,43		648,09,86
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(58,55,37)		(81,20,19)
Sale of Fixed Assets		63,80		70,63
Net Cash used in Investing Activities (B)		(57,91,57)		(80,49,56)
TOTAL (A+B)		578,01,86		567,60,30
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		4,27		15,82
Proceeds from long term borrowings		(34,41,08)		(203,77,28)
Dividend paid (Including Tax on Dividend)		(112,88,15)		(87,23,60)
Net Cash Generated from Financing Activities (C)		(147,24,96)		(290,85,06)
Net Increase in Cash & Cash Equivalents (A+B+C)		430,76,90		276,75,24
Cash & Cash Equivalents as at the beginning of the year		2614,15,48		2337,40,24
Cash & Cash Equivalents as at the end of the year		3044,92,38		2614,15,48

Note: 1 The Cash Flow Statement has been prepared under the indirect Method and figures of the previous year have been re-grouped wherever necessary.

2 Cash and Cash Equivalents comprise of Cash on Hand, Balances with Reservo Bank of India, Balances with Banks and Money at Call and Short Notice.

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
Y. V. Balachandra
Company Secretary

Sd/-
Chandrashekar Rao. B.
General Manager & CFO

Sd/-
M. S. Mahabaleshwara
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & CEO

Sd/-
Ananthkrishna
Chairman

Sd/-
S. V. Manjunath
D. Harshendra Kumar
Directors

Sd/-
Dr. H. Ramamohan
T. R. Chandrasekaran
Directors

Sd/-
Ashok Haranahalli
Usha Ganesh
Rammohan Rao Belle
Directors

Sd/-
B. A. Prabhakar
Ullal Ravindra Bhat
Keshav Krishnarao Desai
Directors

Refer our report of even date

For **Kamath & Rau**
Chartered Accountants
Firm Regn. No. 001689S

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

Sd/-
Srinivas S. Kamath
Partner
M. No. 201716

Sd/-
C. S. Gopalakrishna
Partner
M. No. 014706

Place: Mangaluru
Date : 20th May 2016

91st ANNUAL REPORT 2014-15

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2015

(000's omitted)

	Year Ended March 31, 2015		Year Ended March 31, 2014	
	₹	₹	₹	₹
A CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax and extra ordinary items		575,32,76		548,95,23
Adjustments for :				
Depreciation on Fixed Assets including				
Lease Adjustment charges	(14,16,77)		25,53,22	
Provisions and Contingencies	213,97,86		278,39,74	
Amortisation of premium on Held to				
Maturity Investments	34,82,16		34,77,28	
		234,63,25		338,70,24
Operating profit before working capital changes		809,96,01		887,65,47
Adjustment for :				
i) Advances & Other Assets	(3502,45,91)		(3309,31,89)	
ii) Investments	(728,76,69)		(1838,16,24)	
iii) Deposits, Borrowings & Other Liabilities	4400,33,52		4841,66,88	
		169,10,92		(305,81,25)
Cash generated from operations		979,06,93		581,84,22
Direct taxes paid		330,97,07		177,91,33
Net cash flow from operating activities (A)		648,09,86		403,92,89
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(81,20,19)		(56,89,27)
Sale of fixed assets		70,63		2,56,42
Net cash used in investing activities (B)		(80,49,56)		(54,32,85)
TOTAL (A+B)		567,60,30		349,60,04
C CASH FLOW FROM FINANCIAL ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		15,82		31,92
Proceeds from long term borrowings		(203,77,28)		121,00,70
Dividend paid (Including Tax on Dividend)		(87,23,60)		(87,32,18)
Net Cash generated from Financing Activities (C)		(290,85,06)		34,00,44
Net increase in Cash & Cash equivalents (A+B+C)		276,75,24		383,60,48
Cash & cash equivalents as at (opening)		2337,40,24		1953,79,76
Cash & cash equivalents as at (closing)		2614,15,48		2337,40,24

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
Y.V. Balachandra
Company Secretary

Sd/-
Raghurama
General Manager & CFO

Sd/-
M.S. Mahabaleshwara
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & CEO

Sd/-
Ananthkrishna
Chairman

Sd/-
S.V. Manjunath
D. Harshendra Kumar
Directors

Sd/-
Dr. H. Ramamohan
T.R. Chandrasekaran
Directors

Sd/-
Ashok Haranahalli
Rammohan Rao Belle
B.A. Prabhakar
Directors

Refer our report of even date

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

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

Sd/-
Parineeth Rau
Partner
M.No. 222039

Sd/-
C.S. Gopalakrishna
Partner
M.No. 014706

Place : Mangaluru
Date : 22nd May 2015

90th Annual Report 2013-14

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

(000's omitted)

	March 31, 2014		March 31, 2013	
	₹	₹	₹	₹
A CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax and extra ordinary items		548,95,23		465,30,17
Adjustments for :				
Depreciation on Fixed Assets including				
Lease Adjustment charges	25,53,22		24,03,31	
Provisions and Contingencies	278,39,74		171,15,37	
Amortisation of premium on Held to				
Maturity Investments	34,77,28		7,88,19	
		<u>338,70,24</u>		<u>203,06,87</u>
Operating profit before working capital changes		887,65,47		668,37,04
Adjustment for :				
i) Advances & Other Assets	-3309,31,89		-4417,22,12	
ii) Investments	-1838,16,24		-567,69,56	
iii) Deposits, Borrowings & Other Liabilities	4841,66,88		4652,50,59	
		<u>-305,81,25</u>		<u>-332,41,09</u>
Cash generated from operations		581,84,22		335,95,95
Direct taxes paid		177,91,33		233,21,81
Net cash flow from operating activities (A)		403,92,89		102,74,14
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		-56,89,27		-39,47,19
Sale of fixed assets		2,56,42		-40,94
Net cash used in investing activities (B)		-54,32,85		-39,88,13
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		31,92		27,25
Proceeds from long term borrowings		121,00,70		100,81,60
Dividend paid (Including Tax on Dividend)		-87,32,18		-75,71,83
Net Cash generated from Financing Activities(C)		34,00,44		25,37,02
Net increase in Cash & Cash equivalents (A+B+C)		383,60,48		88,23,03
Cash & cash equivalents as at (opening)		1953,79,76		1865,56,73
Cash & cash equivalents as at (closing)		2337,40,24		1953,79,76

Sd/-
Muralidhar K. Rao
Deputy General Manager

Sd/-
P. Jairama Hande
Senior General Manager & C.F.O

Sd/-
M.S. Mahabaleshwar
Chief General Manager

Sd/-
P. Jayarama Bhat
Managing Director & C.E.O

Sd/-
Ananthakrishna
Chairman

Sd/-
T.S. Vishwanath
S.V. Manjunath
Directors

Sd/-
D. Harshendra Kumar
Dr. H. Ramamohan
Directors

Sd/-
T.R. Chandrasekaran
Usha Ganesh
Ramamohan Rao Belle
Directors

Refer our report of even date

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

For Kamath & Rau
Chartered Accountants
Firm Regn. No. 001689S

Sd/-
C R Sundararajan
Partner
M.No. 025400

Sd/-
Srinivas S Kamath
Partner
M.No. 201716

Place: Mangalore
Date : May 15th, 2014

ABARNA & ANANTHAN

Chartered Accountants
521, 3rd Main, 6th Block, 1st Phase
BDA 3rd Stage,
Bangalore - 560085

R.K. KUMAR & CO

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

INDEPENDENT AUDITORS' REPORT

To the Members of The Karnataka Bank Limited

Report on the Standalone Financial Statements

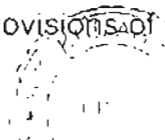
1. We have audited the accompanying standalone financial statements of The Karnataka Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2018, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns for the year ended on that date of 11 branches/offices audited by us and 818 branches/offices audited by statutory branch auditors.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.



ABARNA & ANANTHAN

Chartered Accountants
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Bangalore 560085

R.K. KUMAR & CO

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

5. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank, as at 31st March 2018 and its profit and its cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:



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Chennai - 600 006

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory,
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit

11 Further, as required by section 143(3) of the Act, we report that:

- (i) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (iii) the reports on the accounts of the branches audited by branch auditors of the Bank under section 143(8) of the Companies Act 2013 have been sent to us and have been properly dealt with by us in preparing this report;
- (iv) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;
- (v) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- (vi) on the basis of written representations received from the directors as on 31st March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- (vii) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and



ABARNA & ANANTHAN

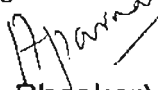
Chartered Accountants
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BSF 3rd Stage,
Bangalore-560085

R.K. KUMAR & CO

Chartered Accountants
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573, Mount Road
Chennai - 600 006

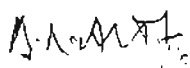
- (viii) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 18 - Note No. 5. to the financial statements;
 - the Bank does not have any long term contracts including derivative contracts - Refer Schedule 18 - Note No. 1.3.3(ii) to the financial statements, and
 - there has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Bank;

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


(Abarna Bhaskar)
Partner
M. No. 025145



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


(B R Ashok)
Partner
M. No. 023313



Place: Mangalore
Dated: 15th May 2018

ABARNA & ANANTHAN

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

R.K. KUMAR & CO

Chartered Accountants
Second floor, Congress Building,
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Annexure A to the independent auditors' report of even date on the standalone financial statements of The Karnataka Bank Limited

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of The Karnataka Bank Limited ('the Bank') as at 31st March 2018 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI').

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing ('the Standards'), both issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.



ABARNA & ANANTHAN

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

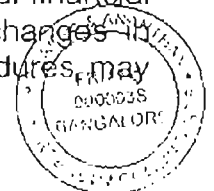
- 4 Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial Statements

Meaning of Internal Financial Controls Over Financial Reporting

6. A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that
 - (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
 - (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the bank are being made only in accordance with authorizations of management and directors of the bank; and
 - (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material mis-statements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate



ABARNA & ANANTHAN

Chartered Accountants
321, 3rd Main, 6th Block, 2nd Phase
BSI 3rd Stage,
Bangalore 560085

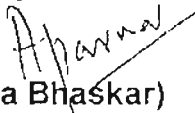
R.K. KUMAR & CO

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

Opinion

8. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31st March 2018, based on the internal controls criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

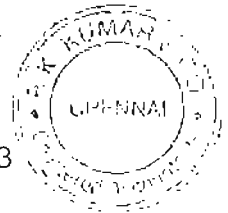
For Abarna & Ananthan
Chartered Accountants
Firm Regn. No. 000003S


(Abarna Bhaskar)
Partner
M. No. 025145



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


(B R Ashok)
Partner
M. No. 023313



Place: Mangalore
Dated: 15th May 2018

Kamath & Rau

Chartered Accountants
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Abarna & Ananthan

Chartered Accountants
#521, 5th Floor, Anand Nagar
Bangalore - 560025

INDEPENDENT AUDITORS' REPORT

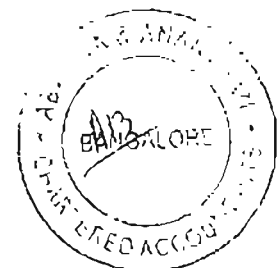
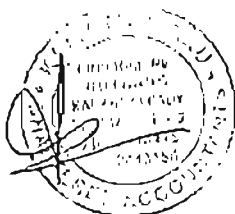
To the Members of The Karnataka Bank Limited

Report on the Financial Statements

1 We have audited the accompanying financial statements of The Karnataka Bank Limited (the Bank), which comprise the Balance Sheet as at 31st March 2017, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these Financial Statements are the returns of 34 branches audited by us, 757 branches / offices audited by Branch Auditors

Management's Responsibility for the Financial Statements

2 The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



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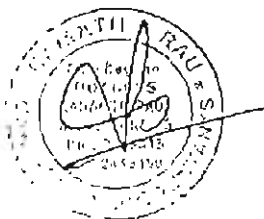
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Auditors Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ("the Standards") specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India.



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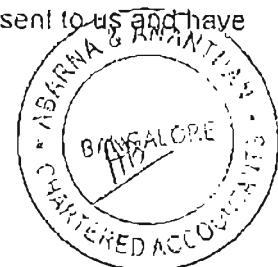
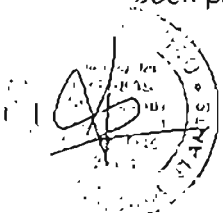
- a. in case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2017
- b. In case of the Profit and Loss Account of the profit for the year ended on that date, and
- c. In case of the Cash Flow Statement, of cash flows for the year ended on that date

Emphasis of Matter

9. We draw attention to Note of the Financial Statements, regarding deferment of loss of Rs 78.51 Crores on sale of advances to Asset Reconstruction Companies
Our opinion is not qualified in respect of this matter

Report on Other Legal and Regulatory Requirements

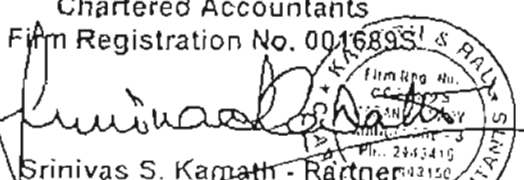

10. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014
11. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c. the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
12. Further, as required by section 143(3) of the Act, we further report that
 - i. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
 - iii. the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Companies Act 2013 have been sent to us and have been properly dealt with by us in preparing this report;

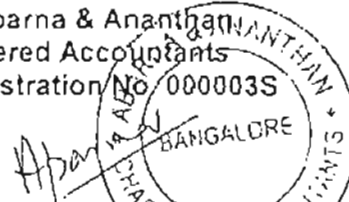
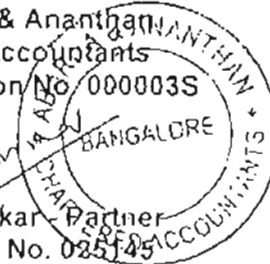


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- iv. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;
- v. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- vi. on the basis of written representations received from the directors as on 31st March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2017 from being appointed as a director in terms of Section 164 (2) of the Act, and
- vii. with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- viii. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a. the Bank has provided for pending litigations having an impact on its financial statements – Refer Schedule 18 – Note 6;
 - b. the Bank does not have any long-term contracts including derivative contracts- Refer Schedule 18 – Note 1.3.3(ii) to the financial statements; and
 - c. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank

For Kamath & Rau
Chartered Accountants
Firm Registration No. 0016893S

Srinivas S. Kamath - Partner
Membership No. 201746


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

Abarna Bhaskar - Partner
Membership No. 025145


Place : Mangaluru
Date : 13th May 2017

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Chartered Accountants
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**Annexure A to the Independent Auditor's Report of even date on the Financial
Statements of The Karnataka Bank Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section
143 of the Companies Act, 2013**

1 We have audited the internal financial controls over financial reporting of The Karnataka Bank Limited ('the Bank') as at 31st March 2017 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

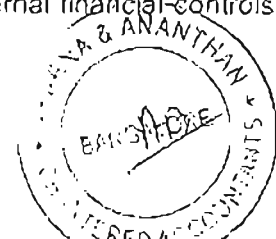
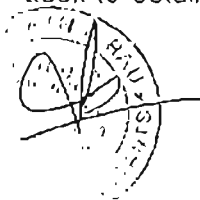
Management's Responsibility for Internal Financial Controls

2 The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI')".

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

3 Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls



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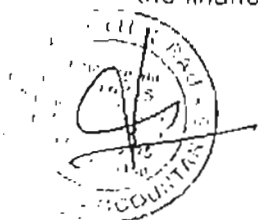
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... internal financial recording was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that:
 - a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
 - b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and
 - c. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.



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3rd Phase, Electronic City
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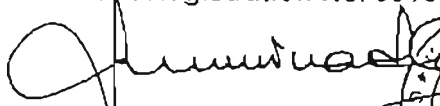
Inherent Limitations of Internal Financial Controls over Financial Reporting

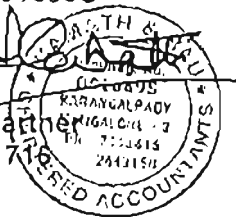
- Because of the inherent limitations of internal financial controls over financial reporting including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion


8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

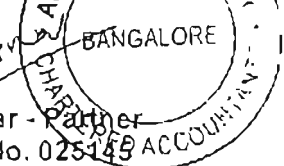
For Kamath & Rau
Chartered Accountants
Firm Registration No. 001689S


Srinivas S. Kamath - Partner
Membership No. 201716



For Abarna & Ananthan
Chartered Accountants
Firm Registration No. 0000003S


Abarna Bhaskar - Partner
Membership No. 025145



Place : Mangaluru
Date : 13th May 2017

Kamath & Rau
Chartered Accountants
Near Bunt's Hostel,
Karangalpady
Mangalore - 575003

Abarna & Ananthan
Chartered Accountants
#521 3rd Main, 6th Block,
2nd Phase, B.S.K. 3rd Stage,
Bengaluru - 560085

INDEPENDENT AUDITOR'S REPORT

To the Members of The Karnataka Bank Limited

Report on the Financial Statements

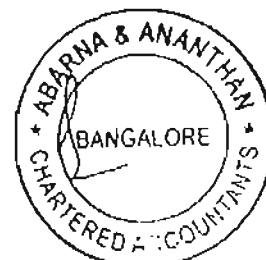
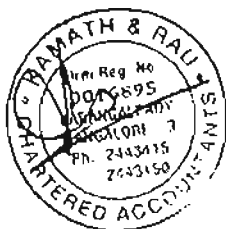
- 1 We have audited the accompanying financial statements of The Karnataka Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31st March 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these Financial Statements are the returns of 29 branches audited by us, 722 branches/offices audited by Branch Auditors

Management's Responsibility for the Financial Statements

- 2 The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit.



Kamath & Rau

Chartered Accountants
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Karangalpady,
Mangaluru – 575003

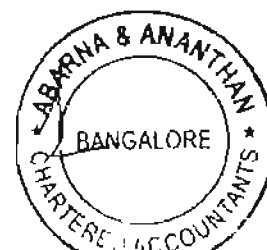
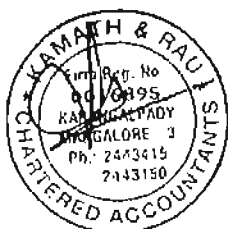
Abarna & Ananthan

Chartered Accountants,
#521, 3rd Main, 6th Block,
2nd Phase, E S K 3rd Stage,
Bengaluru - 560085

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder
5. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:
 - a. In case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2016,
 - b. In case of the Profit and Loss Account of the profit for the year ended on that date, and
 - c. In case of the Cash Flow Statement, of cash flows for the year ended on that date.



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Near Bunts Hostel,
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Mangaluru - 575003

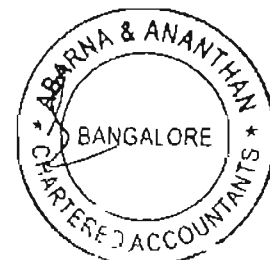
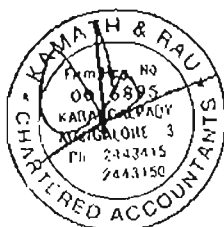
Abarna & Ananthan
Chartered Accountants,
#521, 3rd Main, 6th Block,
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Bengaluru - 560085

Emphasis of Matter

- 9 We draw attention to Note of the Financial Statements, regarding deferment of loss of Rs. 58 72 Crores on sale of advances to Asset Reconstruction Companies
Our opinion is not qualified in respect of this matter

Report on Other Legal and Regulatory Requirements

10. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014
11. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that
- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank
 - (c) the returns received from the offices, and branches of the Bank have been found adequate for the purposes of our audit
- 12 Further, as required by section 143(3) of the Act, we further report that.
- i we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit,
 - ii. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us
 - iii the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Companies Act 2013 have been sent to us and have been properly dealt with by us in preparing this report
 - iv The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us.



Kamath & Rau

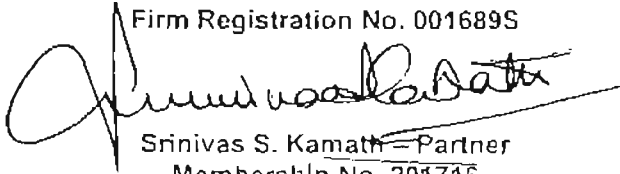
Chartered Accountants,
Near Bunts Hostel,
Karangalpady,
Mangaluru – 575002

Abarna & Ananthan

Chartered Accountants,
#521 3rd Main, 6th Block,
2nd Phase B.S.K 3rd Stage,
Bengaluru – 560085

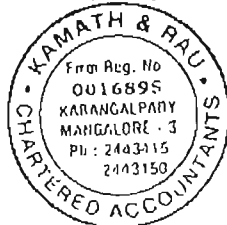
- v. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI,
- vi. on the basis of written representations received from the directors as on 31st March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act; and
- vii. with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- viii. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us
- the Bank has disclosed the impact of pending litigations on its financial position in its financial statements
 - the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts and
 - there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Kamath & Rau
Chartered Accountants
Firm Registration No. 001689S

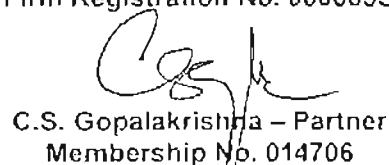


Srinivas S. Kamath – Partner
Membership No. 201716

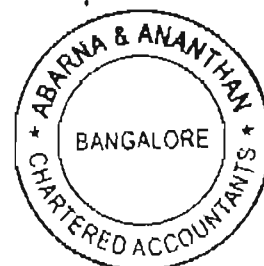
Place: Mangaluru
Date: 20-05-2016



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



C.S. Gopalakrishna – Partner
Membership No. 014706



Kamath & Rau
Chartered Accountants,
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**Annexure A to the Independent Auditor's Report of even date on the Financial
Statements of The Karnataka Bank Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of
Section 143 of the Companies Act, 2013**

1. We have audited the internal financial controls over financial reporting of The Karnataka Bank Limited ('the Bank') as at 31st March 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date

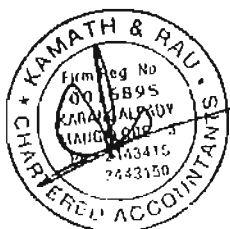
Management's Responsibility for Internal Financial Controls

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI')"

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls



over financial reporting was established and maintained and if such controls operated effectively in all material respects

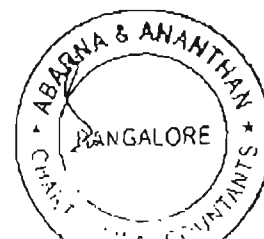
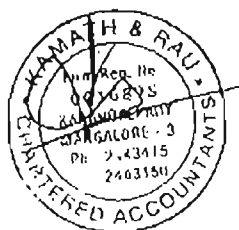
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting

Meaning of Internal Financial Controls Over Financial Reporting

6. A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that
 - a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank,
 - b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of



Kamath & Rau
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Mangaluru – 575003

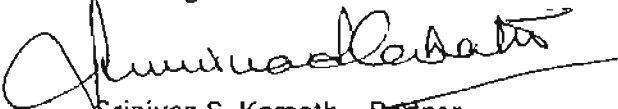
Abarna & Ananthan
Chartered Accountants,
#521, 3rd Main, 6th Block,
2nd Phase, B S K 3rd Stage,
Bengaluru - 560085

any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

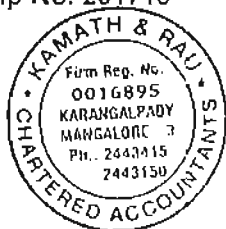
Opinion

- 8 In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI


For Kamath & Rau
Chartered Accountants
Firm Registration No. 001689S


Srinivas S. Kamath – Partner
Membership No. 201716

Place: Mangaluru
Date: 20-05-2016



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


C.S. Gopalakrishna – Partner
Membership No. 014706



Chartered Accountants
Near Bunts Hostel
Karangalpadu
Mangalore - 575003

Chartered Accountants
#521, 3rd Main, 6th Block,
2nd Phase, B.S.K, 3rd Stage
Bangalore - 560085

Independent Auditor's Report

To

The Shareholders
The Karnataka Bank Limited
Mangalore

Report on the Financial Statements

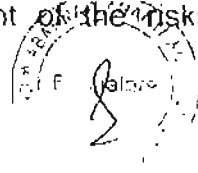
1. We have audited the accompanying financial statements of The Karnataka Bank Limited, which comprise the Balance Sheet as at 31st March, 2015 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 20 branches/offices audited by us and 679 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949 and Accounting Standards notified under the Companies Act, 1956 ("this Act") read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of



Chartered Accountant
Near Bunt's Hostel
Koranganpady
Mangalore - 575003

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#521, 3rd Main, 6th Block,
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material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

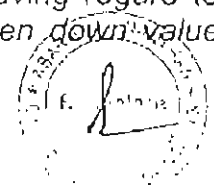
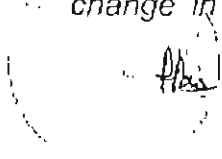
Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the accounting policies and notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2015;
 - (ii) in the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Emphasis of Matter

- 7 Without qualifying our opinion, we draw attention to:

- (a) *Note no. 2.1 of the financial statements, which describes the change in accounting policy of charging depreciation on fixed asset having regard to change in the estimated useful life of the assets from written down value*



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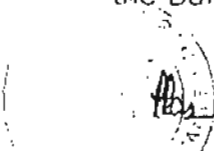
Chartered Accountants
#521, 3rd Main, 6th Block,
2nd Phase, B.S.K. 3rd Stage
Bangalore - 560085

method to straight line method as per the requirement of Schedule II of the Companies Act 2013; and

- (b) *Note no. 3.1 of the financial statements, regarding absorption of unamortized pension and gratuity liabilities of the bank to the extent of Rs.31.41 Crore pursuant to the exemption granted by the Reserve Bank of India from the application of the provisions of Accounting Standard (AS) 15, Employee Benefits vide Circular No DBOD BO BC/80/21.04.018/2010-11 dated February 9th, 2011.*

Report on Other Legal and Regulatory Matters

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013.
9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above, We report that:
- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
11. We further report that:
- (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns;
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;



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- (iii) the reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us
- (iv) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of sub-section (2) of section 164 of the Companies Act, 2013

For Kamath & Rau
Chartered Accountants
Firm Regn No. 001689S



Parineeth Rau
Partner
M No 222039

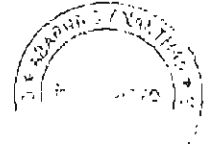
Mangalore
May 22nd, 2015



Abarna & Ananthan
Chartered Accountants
Firm Regn No. 000003S



C.S. Gopalakrishna
Partner
M No 014706



R K Kumar & Co.,
Chartered Accountants
2nd Floor Congress Buildings
573, Mount Road
Chennai 600006

Kamath & Rau
Chartered Accountants
Near Bunt's Hostel
Karangalpadu
Mangalore 575005

Independent Auditor's Report

To

The Shareholders
The Karnataka Bank Limited
Mangalore

Report on the Financial Statements

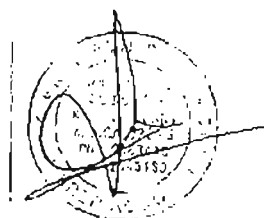
1. We have audited the accompanying financial statements of The Karnataka Bank Limited, which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 18 branches/ offices audited by us and 606 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949 and Accounting Standards notified under the Companies Act, 1956 ("this Act") read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



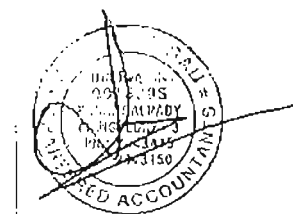
R K Kumar & Co.,
Chartered Accountants
2nd Floor Congress Buildings
573, Mount Road
Chennai 600006

Kamath & Rau
Chartered Accountants
Near Bunts Hostel
Karangalpady
Mangalore 575003

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the accounting policies and notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2014;
 - (ii) in the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.



R K Kumar & Co.,
Chartered Accountants
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573, Mount Road
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Kamath & Rau
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Near Bunts Hostel
Karangalpadu
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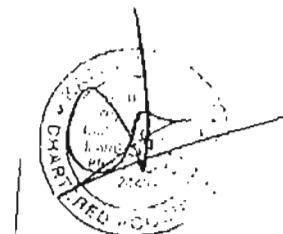
Emphasis of Matter

7 Without qualifying our opinion, we draw attention to:

- (a) *Note No. 3.13 of the financial statements, regarding deferment of pension and gratuity liability of the bank to the extent of Rs.31.41 crore to be amortized in the next year pursuant to the exemption granted by the Reserve Bank of India from the application of the provisions of Accounting Standard (AS) 15, Employee Benefits vide circular No. DBOD BP. BC /80/21.04 018/2010-11 dated Feb.9th 2011; and*
- (b) *Note 8 of the financial statements, which describes the accounting treatment of the expenditure on creation of Deferred Tax Liability of Rs. 27.01 crore on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 as at 31st March 2013, pursuant to RBI's Circular No. DBOD No.BP.BC.77/ 21 04.018 / 2013-14 dated 20th December 2013.*

Report on Other Legal and Regulatory Matters

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above, We report that:
- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.




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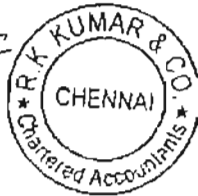
Kamath & Rau
Chartered Accountants
Near Bunts Hostel
Karangalpadu
Mangalore 575003

11. We further report that:

- (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns;
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
- (iii) the reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- (iv) as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956,
- (v) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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


C R Sundararajan
Partner
M No 025400



For Kamath and Rau
Chartered Accountants
Firm Regn No. 001689S


Srinivas S Kamath
Partner
M No 201716

Mangalore
May 15, 2014

ANNEXURE 7: REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2018

KARNATAKA BANK LTD HEAD OFFICE, MANGALURU 575002

ANNEXURE-1

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2018.(Rs in Crores)

		Quarter ended 30.09.2018	Quarter ended 30.06.2018	Quarter ended 30.09.2017	Half year ended 30.09.2018	Half year ended 30.09.2017	Year ended 31.03.2018
		(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)	(Audited)
1	Interest Earned (a+b+c+d)	1452.61	1407.64	1317.93	2860.25	2648.47	5423.75
a)	Interest/Discount on advances/ bills	1152.36	1105.79	1009.50	2258.15	1959.33	4081.93
b)	Income on Investments	279.33	270.49	289.20	549.82	621.83	1161.53
c)	Interest on balances with Reserve Bank of India and other interbank funds	5.27	2.02	1.53	7.29	13.50	15.87
d)	Others	15.65	29.34	17.70	44.99	53.81	164.42
2	Other Income	201.20	208.80	247.82	410.00	465.21	954.34
3	TOTAL INCOME (1+2)	1653.81	1616.44	1565.75	3270.25	3113.68	6378.09
4	Interest expended	984.90	939.06	877.69	1923.96	1783.81	3566.10
5	Operating expenses (i+ii)	312.58	308.50	321.82	621.08	653.93	1338.82
i)	Employees Cost	110.85	110.50	124.17	221.35	261.58	524.79
ii)	Other operating Expenses	201.73	198.00	197.65	399.73	392.35	814.03
6	TOTAL EXPENDITURE ((4+5) excluding provisions & Contingencies)	1297.48	1247.56	1199.51	2545.04	2437.74	4904.92
7	Operating Profit before provisions & contingencies (3-6)	356.33	368.88	366.24	725.21	675.94	1473.17
8	Provisions (other than tax) and Contingencies	193.22	222.06	225.98	415.28	424.86	1163.01
9	Exceptional Items	0.00	0.00	0.00	0.00	0	0.00
10	Profit (+)/Loss (-) from Ordinary Activities before tax (7-8-9)	163.11	146.82	140.26	309.93	251.08	310.16
11	Tax Expense	51.25	-16.42	46.88	34.83	23.85	-15.45
12	Net Profit (+)/Loss (-) from Ordinary activities after Tax (10-11)	111.86	163.24	93.38	275.10	227.23	325.61
13	Extraordinary Items (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00

		Quarter ended 30.09.2018 (Reviewed)	Quarter ended 30.06.2018 (Reviewed)	Quarter ended 30.09.2017 (Reviewed)	Half year ended 30.09.2018 (Reviewed)	Half year ended 30.09.2017 (Reviewed)	Year ended 31.03.2018 (Audited)
14	Net Profit (+)/Loss (-) for the period (12-13)	111.86	163.24	93.38	275.10	227.23	325.61
15	Paid up equity share capital Face Value Rs 10/-)	282.62	282.62	282.62	282.62	282.62	282.62
16	Reserves excluding revaluation reserves	---	---	---	---	---	4711.32
17	<u>Analytical Ratios</u>						
i)	Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
ii)	Capital Adequacy Ratio (%) -Basel III (%)	11.30	11.60	12.46	11.30	12.46	12.04
iii)	Earnings per share (EPS) (Rs) before Extraordinary items (net of Tax expense) * Not Annualized						
	- Basic EPS	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
	- Diluted EPS	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
	Earnings per share (EPS) (Rs) after extraordinary items (net of Tax expense) *Not Annualized						
	- Basic EPS	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
	- Diluted EPS	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
iv)	NPA Ratios as on date						
	Gross NPA	2371.62	2296.53	1715.7	2371.62	1715.7	2376.07
	Net NPA	1497.68	1395.97	1246.81	1497.68	1246.81	1400.51
	% of Gross NPA	4.66	4.72	4.13	4.66	4.13	4.92
	% of Net NPA	3.00	2.92	3.04	3.00	3.04	2.96
	Return on Assets	0.61	0.91	0.58	0.76	0.71	0.49

SUMMARY BALANCE SHEET AS ON SEPTEMBER 30, 2018

(Rs in crore)

	As on	As on
	30.09.2018	30.09.2017
CAPITAL AND LIABILITIES		
Capital	282.62	282.62
Reserves and Surplus	5300.42	5007.21
Deposits	63884.70	56558.45
Borrowings	2807.52	1051.13
Other Liabilities and Provisions	1213.35	1509.56
TOTAL	73488.61	64408.97
ASSETS		
Cash and balances with Reserve Bank of India	3087.16	2779.09
Balances with Banks and Money at Call & Short Notice	201.91	131.32
Investments	16035.86	16734.05
Advances	49969.61	41062.23
Fixed Assets	758.47	718.41
Other Assets	3435.60	2983.87
TOTAL	73488.61	64408.97

SEGMENT RESULTS FOR THE HALF YEAR ENDED 30.09.2018

Segment wise Results	UNAUDITED					AUDITED
	Quarter Ended			Half Year Ended		Year ended
	30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.09.2017	31.03.2018
Particulars	(Rs. in crores)					
1 Segment Revenue						
(a) Treasury Operations	298.35	284.17	385.57	582.52	811.28	1404.18
(b) Corporate Banking	686.17	627.35	505.82	1313.52	998.10	2174.98
(c) Retail Banking	584.92	589.04	609.41	1173.96	1140.14	2367.95
(d) Other Banking Operations	84.37	102.62	64.14	186.99	144.52	332.57
(e) Unallocated	0.00	13.26	0.81	13.26	19.64	98.41
Total	1653.81	1616.44	1565.75	3270.25	3113.68	6378.09
2 Segment Results (after Provisions before Tax)						
(a) Treasury Operations	30.31	29.31	94.45	59.62	207.67	267.76
(b) Corporate Banking	29.74	-17.71	-121.56	12.03	-170.93	-449.42
(c) Retail Banking	100.18	106.06	164.22	206.24	194.18	392.65
(d) Other Banking Operations	16.12	29.02	14.61	45.14	25.51	50.82
(e) Unallocated	-13.24	0.14	-11.46	-13.10	-5.35	48.35
Total Profit/ Loss before	163.11	146.82	140.26	309.93	251.08	310.16
3 Segment Assets						
(a) Treasury Operations	19876.06	19557.40	20105.47	19876.06	20105.47	19451.00
(b) Corporate Banking	27885.70	26401.62	20763.59	27885.70	20763.59	25888.90
(c) Retail Banking	22728.46	21956.99	20656.22	22728.46	20656.22	21662.73
(d) Other Banking Operations	1389.29	1257.25	1284.64	1389.29	1284.64	1360.32
(e) Unallocated	1609.10	1429.92	1599.05	1609.10	1599.05	2010.73
Total	73488.61	70603.18	64408.97	73488.61	64408.97	70373.68
Segment Liabilities						
(a) Treasury Operations	18286.25	17946.08	18370.26	18286.25	18370.26	17892.70
(b) Corporate Banking	25853.70	24369.33	19158.33	25853.70	19158.33	23948.50
(c) Retail Banking	20995.31	20236.57	18950.04	20995.31	18950.04	20015.57
(d) Other Banking Operations	1290.92	1166.60	1181.56	1290.92	1181.56	1258.38
(e) Unallocated	1479.39	1311.21	1458.95	1479.39	1458.95	1848.38
Total	67905.57	65029.79	59119.14	67905.57	59119.14	64963.53
Capital employed (Segment Assets-Segment Liabilities)						
(a) Treasury Operations	1589.81	1611.32	1735.21	1589.81	1735.21	1558.30
(b) Corporate Banking	2032.00	2032.29	1605.26	2032.00	1605.26	1940.40
(c) Retail Banking	1733.15	1720.42	1706.18	1733.15	1706.18	1647.16
(d) Other Banking Operations	98.37	90.65	103.08	98.37	103.08	101.94
(e) Unallocated	129.71	118.71	140.10	129.71	140.10	162.35
Total	5583.04	5573.39	5289.83	5583.04	5289.83	5410.15

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

Notes forming part of the unaudited financial results for the half year ended September 30, 2018.

1. The above interim financial results for the Half year ended September 30, 2018 have been reviewed by the Audit Committee of the Board at the meeting held on October 11, 2018 and approved by the Board of Directors at the meeting held on October 12, 2018. The same has been subjected to limited review by the Statutory Central Auditors of the Bank in line with the guidelines issued by the Reserve Bank of India and as per the SEBI (LODR) Regulations, 2015.
2. In the preparation of these financial results, the Bank has followed the same accounting policies and generally accepted practices adopted in the preparation of audited financial statements for the year ended March 31, 2018.
3. The above interim financial results have been arrived at after considering the provision for loan losses. Provision for employees' retirement benefits like pension, gratuity, leave encashment and unused sick leave has been made as per actuarial valuations. Provision for exposure to entity with un-hedged foreign currency exposure, Income tax, provision for arrears of salary pending negotiation & wage settlement and other contingencies are on estimated and proportionate basis and are subject to adjustments at the year end.
4. Reserve Bank of India vide RBI/2017-18/200 DBR.No. BP.BC.113/21.04.048/2017-18 dated June 15, 2018, granted Banks, the option to spread provisioning for their mark to market (MTM) losses on all the investments held under AFS and HFT categories for the quarter ended June 30, 2018 equally over up to four quarters, commencing with the quarter ended June 30, 2018. Accordingly, the Bank utilizing the aforesaid dispensation, has provided Rs 26.82 Crore up to half year ended 30 September, 2018 (including Rs 13.41 Crore provided in June 2018 Quarter) and deferred provision of Rs 26.82 Crore, which will be made good equally over the remaining two quarters of FY 2018-19.
5. Provision coverage ratio as at September 30, 2018 stood at 57.49 %.(46.94% as at September 30, 2017)

6. In terms of RBI circular DBR No BP.BC 1/21.06.201/2015-16 dated July 1, 2015, Pillar III disclosures under Basel III Capital Regulations have been made available on our web site at the following link: <http://karnatakaBank.info.com/ktk/BaselDisclosures.jsp#>. These disclosures have not been subjected to limited review by the Statutory Central Auditors.
7. Disclosure about investor complaints for the half year ended 30 September 2018: Complaints at the beginning of the period Nil; Received during the period 30. Disposed off during the period 30. Unresolved as on September 30,2018: Nil
8. Corresponding previous period figures have been regrouped/ rearranged wherever necessary to make them comparable with the current period figures.

Mahabaleshwara M S
Managing Director & C.E.O

For Manohar Chowdhry & Associates
Chartered Accountants
Firm Regn No 01997S

For Badari, Madusudhan & Srinivasan
Chartered Accountants
Firm Regn. No. 05389S

Murali Mohan Bhat
(Partner)
M No. 203592

N Srinivasan
(Partner)
M No. 27887

Place: Mangaluru

Date: 12th October 2018

ANNEXURE 2

REVIEWED FINANCIAL RESULTS FOR THE QUARTER / HALF YEAR ENDED SEPTEMBER 30, 2018 (Rs. In crore)

Particulars	Quarter Ended 30.09.2018 (Reviewed)	Quarter Ended 30.06.2018 (Reviewed)	Quarter Ended 30.09.2017 (Reviewed)	Half year ended 30.9.2018 (Reviewed)	Half year ended 30.9.2017 (Reviewed)	Year ended 31.03.2018 (Audited)
Total income from operations (net)	1653.81	1616.44	1565.75	3270.25	3113.68	6378.09
Net Profit / (Loss) from ordinary activities after tax	111.86	163.24	93.38	275.10	227.23	325.61
Net Profit / (Loss) for the period after tax (after Extraordinary items)	111.86	163.24	93.38	275.10	227.23	325.61
Equity Share Capital	282.62	282.62	282.62	282.62	282.62	282.62
Reserves (excluding Revaluation Reserve as shown in the Balance Sheet of previous year)	-----	-----	-----	-----	-----	4711.32
Earnings Per Share (before extraordinary items) (of Rs 10/- each)						
Basic:	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
Diluted	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
Earnings Per Share (After extraordinary items) (of Rs 10/- each)						
Basic	3.96*	5.78*	3.30*	9.73*	8.04*	11.52
Diluted	3.96*	5.78*	3.30*	9.73*	8.04*	11.52

*Not annualized

Note: The above is an extract of the detailed format of half year ended Results filed with the Stock Exchange under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the half 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>

For and on behalf of Board of Directors

Place: Mangaluru

Date: 12th October 2018

Mahabaleshwara M S

MANAGING DIRECTOR & CEO