W. TERMS OF THE ISSUE

1.	Security Name	10.70% KBL Basel III Tier 2 Bonds-2032 (subject to Depositories confirmation)
2.	Issuer/ Bank/ Company/ KBL	The Karnataka Bank Limited.
3.	Type of Instrument	Bonds in the nature of debentures i.e. unsecured, subordinated, redeemable non-convertible, fully paid–up Basel III Compliant Tier 2 bonds (Debt Instrument Series VII) in the nature of Debentures, of face value of ₹1,00,00,000 (Rupees One Crore only) each with a base issue size of ₹150,00,00,000 (Rupees One Hundred Fifty Crore only) and a green shoe option of ₹150,00,00,000 (Rupees One Hundred Fifty Crore only) collectively aggregating up to ₹300,00,00,000 (Rupees Three Hundred Crore only) with marketable lot of one Bond offered through private placement route under the terms of this Placement Memorandum. 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 "Terms of the Issue".
4.	Nature of Instrument	Unsecured Basel III Tier 2 Bonds in the nature of Debentures.
5.	Seniority	Subordinated.
6.	Eligible Investors / Participants	In terms of the SEBI NCS Regulations along with the Operational Guidelines, only Qualified Institutional Buyers ("QIBs") are allowed to participate in the issuance of the Bonds. The Tier 2 Bonds to be issued under the Placement Memorandum and other transaction documents have the relevant features; hence the Operational Circular will be applicable. All participants are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue. As per Regulation 2 (ss) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 dated September 2018, "Qualified Institutional Buyer" means: a. a mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with SEBI; b. a foreign portfolio investor other than individuals, corporate bodies and family offices; c. a public financial institution; d. a scheduled commercial bank; e. a multilateral and bilateral development financial institution; f. a state industrial development corporation; g. an insurance company registered with the Insurance Regulatory and Development Authority of India; h. a provident fund with minimum corpus of twenty five crore rupees; i. a pension fund with minimum corpus of twenty five crore rupees; j. National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; k. insurance funds set up and managed by army, navy or air force of the Union of India; and l. insurance funds set up and managed by the Department of Posts, India; and m. Systemically important non-banking financial companies. Investment by Foreign Portfolio Investors (FPIs) in these Bonds raised in Indian Rupees shall be subject to compliance with terms and conditions stipulated by the Securities and Exchange Board of India (SEBI)/other regulatory authorities on

		investment in these instruments. Prospective subscribers must make their own independent evaluation and judgment regarding their eligibility to invest in the issue. Further, notwithstanding anything contained above, only eligible investors who have been addressed through the application form are eligible to apply. 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 Placement 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. Notwithstanding any acceptance of bids by the Bank on and/or pursuant to the bidding process on the EBP, (a) if a person, in the Bank's view, is not an eligible Investor, the Bank shall have the right to refuse allotment of Bonds to such person and reject such person's application; (b) 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.
7.	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 4 (Four) Trading Days from the date of allotment of bonds.
8.	Rating of the Instrument	The Bonds have been rated by two rating firms viz. (1) by ICRA Limited as **"[ICRA]A (Stable) (pronounced as ICRA A)"** and (2) CARE Ratings Limited as **"CARE A; Stable (Single A; Outlook: Stable)**" for an amount up to ₹300,00,00,000 (Rupees Three Hundred Crore) vide their letters dated March 23, 2022 (both). 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 above rating is not a recommendation to buy, sell or hold securities and investors should take their own decisions. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and the rating should be evaluated independently of any other rating. The rating agency has the right to suspend, withdraw the rating at any time on the basis of new information etc. Please refer to Page no 6 for rating related disclaimers and **Annexures 5 & 6** of this Placement Memorandum for rationale for the above rating
9.	Issue Size	Aggregate total issue size not exceeding ₹300,00,00,000 (Rupees Three Hundred Crore only), with a base issue size of ₹150,00,00,000 (Rupees One Hundred Fifty Crore only) and a green shoe option to retain oversubscription up to ₹ 150,00,00,000 (Rupees One Hundred Fifty Crore only).
10.	Minimum subscription	Not Applicable.
11.	Option to retain oversubscription (Amount)	₹150,00,00,000 (Rupees One Hundred Fifty Crore only).
12.	Objects of the Issue and Details of the utilization of the Proceeds.	The proceeds of the issue are being raised to augment Tier 2 Capital under Basel III Capital Regulations as laid out by RBI. 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.
13.	Coupon Rate	10.70% p.a.
14.	Step Up / Step Down Coupon Rate	Nil.
15.	Coupon Payment Frequency and Coupon	Annually, on 30th March of each year till Redemption Date, Call Option Due Date as the case may be. The first coupon payment date shall fall on March 30th 2023

	Payment Date	and thereafter March 30th of every year subject to business day. Coupon payment and redemption are subject to "Loss Absorbency", "Write-off on PONV Trigger Events" and "Other Events" as stated hereafter.
16.	Coupon Type	Fixed rate, Non-Cumulative.
17.	Coupon Reset Process	Not Applicable.
18.	Mode of Issue	Private placement through Electronic Bidding Platform (EBP).
19.	Basis of Allotment	In the case of oversubscription, the allotment bonds will be on **'first come first serve'** basis. The issuer reserves the right to reject any/all applications fully or partially at its sole discretion, without assigning any reason whatsoever.
20.	Day Count Basis and Business Day Convention	Interest for each of the interest periods shall be computed as per Actual/Actual day count convention on the face value of principal. Outstanding at the coupon rate rounded off to the nearest rupee. 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). 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. For the purpose of coupon/ redemption payments, Business Days shall be all days when the money market is functioning in Mumbai. "Business Day" shall be all days (excluding Sundays and Public Holidays and Saturdays on which the Bank is not open) on which commercial banks are open for business in the city of Mangaluru, Karnataka and when the money market is functioning in Mumbai. If the date of payment of interest/ redemption of principal does not fall on a business day, the payment of interest/ principal shall be made in accordance with Operational Guidelines If any Coupon Payment Date, other than the ones falling on the redemption date, falls on a day that is not a business day, the payment shall be made by the Issuer on the immediately succeeding business day, which becomes the Coupon Payment Date for that coupon. However, the future Coupon Payment Date would be as per the schedule originally stipulated at the time of issuing of the Bonds. In other words, the subsequent Coupon Payment Date would not be changed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a non-business day. If the Redemption Date of the Bonds including any Call Option Date, falls on a day that is not a Business Day, the redemption amount shall be paid by the Issuer on the immediately preceding Business Day which becomes the new redemption date, along with interest accrued on the Bonds until but excluding the date of such payment.
21.	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 10.70% p.a. on the application money till the date of allotment.
22.	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 interest is paid. However, any non-payment of interest and /or principal on account of RBI Guidelines, Loss Absorbency, Write-down on PONV Trigger Event and Other Events of this Terms of the Issue, no such default interest shall be payable. 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 Placement Memorandum.
23.	Tenor	10 years from the Date of Allotment.
24.	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 2032, subject to “Loss Absorbency”, “Write-off on PONV Trigger Events” and “Other Events” and call option feature as detailed in this Terms of the Issue.
25.	Redemption Amount	Subject to the provisions mentioned in “Loss Absorbency”, “Write- off on PONV Trigger Events” and “Other Events” mentioned in the Terms of the Issue, the redemption amount would be ₹1,00,00,000 (Rupees one crore) per Bond i.e. at par.
26.	Redemption Premium / Discount	Nil
27.	Issue Price	At Par i.e. ₹1,00,00,000 per Bond (Rupees one crore each).
28.	Discount at which security is issued and the effective yield as a result of such discount.	Nil
29.	Put Option	Not Applicable
30.	Put Date	Not Applicable
31.	Put Price	Not Applicable
32.	Put Notification Time	Not Applicable
33.	Call option & Call Date	**For Call option**, refer to point no. 54 below. **Call date:** After completion of 5 (Five) years from the Deemed Date of Allotment or any anniversary date thereafter with prior approval RBI, subject to Tax Call/ Regulatory Call. In case of Tax Call or Regulatory Call, the date may be as specified in the notice given to debenture trustees.
34.	Call Price	At Par i.e. ₹1,00,00,000 per Bond (Rupees one crore each).
35.	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.
36.	Face Value	₹1,00,00,000 per Bond (Rupees one crore each).
37.	Minimum Application and in multiples of Bonds thereafter	5 (Five) Bonds (i.e. ₹5,00,00,000/-) and in the multiples of One Bond (₹1,00,00,000/-) thereafter.
38.	Type of Bidding	Open Bidding on Electronic Bidding Platform (EBP) of NSE
39.	**Issue Timing:**	
	1. Issue Opening Date	**March 29, 2022**
	2. Issue Closing Date	**March 29, 2022**
	3. Pay-in Date	**March 30, 2022**
	4. Date of Allotment	**March 30, 2022**
	5. Date of earliest closing of the issue	Not Applicable

		Note: *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 deemed date of allotment and issue size of the above issue without giving any reasons or prior notice. Consequent to change in deemed Date of Allotment, the Coupon Payment Dates and/or Redemption Date may also be changed at the sole and absolute discretion of the Bank.*
40.	Settlement mode of the instrument	Private Placement in dematerialized form through Electronic Bidding Platform of NSE. As regards the Payment of interest and repayment of principal, the same will be made by way of direct credit/ NECS/RTGS/NEFT mechanism in Indian Rupees to the eligible bond holders holding bonds as on the record date announced from time to time. 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.	Disclosure of interest dates (i.e. Coupon payment dates)	Please refer to the illustrative cash flows under **Clause R** for dates and subject to "Loss Absorbency", "Write-off on PONV Trigger Events" and "Other Events" mentioned below.
43.	Record Date	At least 15 days prior to each Coupon Payment Date, and Redemption Date.
44.	All covenants of the issue	Please refer to covenants mentioned in this "Terms of Issue" and also in this Placement Memorandum.
45.	Description regarding Security	Unsecured.
46.	Transaction Documents	The Issuer shall execute/procure (as the case may be) the following documents: (i) Letter appointing M/s Beacon Trusteeship Ltd as Debenture Trustee; (ii) Debenture Trusteeship Agreement; (iii) Debenture trust deed; (iv) Rating agreement with CARE and ICRA; (v) Tripartite agreement between the Issuer, Registrar and NSDL for issue of Bonds in dematerialized form; (vi) Tripartite agreement between the Issuer, Registrar and CDSL for issue of Bonds in dematerialized form; (vii) Letter appointing Integrated Registry Management Services Pvt. Ltd. as Registrar and agreement entered into between the Issuer and the Registrar. (viii) Listing Agreement with NSE (ix) Placement Memorandum with the application form.
47.	Conditions precedent to subscription of Bonds	The subscription from applicants shall be accepted for allocation and allotment by the Bank, subject to the following: (i) Rating Letter from (Rating Agency) not being more than one month old from the Deemed Date of Allotment and Rating Rationale not being older than 1 year from the date of Deemed Date of Allotment. (ii) Signing of Issuer Agreement and closure of bidding process and all related requirements with the Electronic Book Provider (EBP) necessary as per relevant SEBI Circular. (iii) Certified true copy of the resolution of board of directors of the Bank under Section 179 (3) of the Companies Act 2013 approving and authorising the terms of issue of the Bonds by private placement and authorizing certain officials of the Bank named therein to appoint intermediaries, execute all documents and do all such acts, deeds, matters and things in relation to the issue of Bonds . (iv) Certified true copy of a resolution of shareholders of the Bank under

		Sections 180(1)(c), 71 and 42 of the Companies Act, 2013 approving the issuance of the Bonds , appointment of intermediaries, and the execution and delivery of the transaction documents in compliance with the Companies Act, 2013 along with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Bonds) Rules, 2014 and other rules prescribed therein. (v) Certified true copy of the signature certificate provided by the Bank setting out the specimen signatures of each person authorized by the Bank's board and shareholders' resolutions. (vi) Letter from NSE Limited conveying In-Principle Approval for listing & trading of Bonds. (vii) Placement Memorandum having been executed. (viii) Certified true copies of the Articles of Association, Memorandum of Association and certificate of incorporation of the Bank. (ix) Consent from the Registrar to act as the registrar and transfer agent for the issue of Bonds. (x) Certificate from the director or company secretary or chief financial officer of the Bank addressed to the Trustee certifying: (a) the resolutions referred to in paragraph (iv) above was passed by way of a special resolution; (b) the Bank is and will be, after issuance of the Bonds , in full compliance with all provisions of the transaction documents, its constitutional documents, any document to which it is a party or by which it is bound, and any laws and regulations applicable to it; (c) that no Event of Default has occurred or is continuing; (d) no event has occurred which has or could reasonably be expected to have Material Adverse Effect has occurred; (e) that all representations and warranties of the Bank under the Transaction Documents are true and correct in all material respects on and as of the date of the transaction documents and the date of such certificate; and (f) any other representation as may be required by the Trustee and/or the Bondholders. (xi) Simplified listing agreement entered into between Bank and the designated stock exchange, where the Bonds are proposed to be listed, as provided in Annexure 1 of the SEBI Circular CIR/CFD/CMD/6/2015 dated 13 October 2015. (xii) Tripartite Agreements entered into by Bank with the respective depositories, i.e. NSDL and CDSL. (xiii) Uploading the Offer Document on the EBP Bond Platform. (xiv) Certified true copy of the most recent annual report of the Bank containing all provisions required by the SEBI LODR Regulations. (xv) Submission of certified true copy of financial statements of the Bank for the Financial Year ending (xvi) No-objection certificate from existing lender, if any, for borrowing under this issue of Bonds or confirm if not applicable. (xvii) Evidence/confirmation that the Bank has made intimation to the NSE atleast 2 (two) Business prior to the passing of the board resolution in relation to the Issue. (xviii) Bond Trustee Agreement. (xix) Evidence of stamping and execution of the Transaction Documents (including fee letter). (xx) Evidence of opening of a separate designated bank account for the proceeds of the Issue. (xxi) Receipt of ISIN from the Depository for issuance of the Bonds in dematerialized form.

		(xxii) Certified true copy of the resolution of the board or any duly constituted committee of the board inter alia approving the identified investors from the successful bidders on the EBP Bond Platform, to whom the private placement offer cum application letter is to be issued to.
48.	Conditions subsequent to subscription of Bonds	The Bank shall ensure that the following documents are executed/ activities are completed, as per terms of this Information Memorandum: a. The Bank shall ensure that the Bonds are credited into the demat accounts of the Bondholders of the Bonds within 2 (two) Business Days from the Deemed Date of Allotment. b. The Bank shall, *inter alia*, file a copy of the return of allotment of securities under Form PAS-3 under Section 42 of the Companies Act read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 with the ROC within 15 (fifteen) days of the Deemed Date of Allotment along with a list of the Bondholders and with the prescribed fee and maintain a complete record in the form of Form PAS-5 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 in respect of the Issue of the Bonds. c. Update Register of Bondholders. d. Making application to NSE within 4 days from the Deemed Date of Allotment to list the Bonds. e. Confirmation that 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. f. The Bank to pass on the date of allotment a resolution for the allotment of the Bonds. g. Intimation of the issue price to NSE as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. h. The Bank to file the following documents with the depository for crediting of each series of the Bonds: i. Corporate action form; and j. Letter of allotment.
49.	Event of Default	The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation of the Issuer. It is further clarified that cancellation of discretionary payments or any exercise of Write-off on PONV Trigger Event, Loss Absorbency and Other Events shall not be deemed to be an event of default. The Issuer or the Trustee may call for meeting of Bondholders as per the terms of the DTD. E-voting facility may be provided, if applicable subject to compliance with regulatory guidelines. In case of any decision that requires a special resolution at a meeting of the Bondholders duly convened and held in accordance with provisions contained in DTD and applicable law, the decision shall be passed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is demanded or e-voting facility is used, by a majority representing not less than three-fourths in value of the votes cast on such poll. Notwithstanding anything contained above, if any regulations/ circular/ guidelines issued by SEBI/RBI or any other relevant regulator require the voting to be held in a particular manner, the provisions contained in such regulations/ circular/ guidelines shall prevail. The DTD shall contain the provisions for the meetings of the Bondholders and manner of voting. Subject to applicable law and regulatory guidelines, a meeting of the Bondholders, may consider the proposal for joining the inter creditor agreement, if applicable, and the conditions for joining such inter creditor agreement, if

		applicable, will be made part of the meeting agenda and the Trustee will follow the process laid down vide SEBI circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 dated October 13, 2020, at all times subject to RBI Guidelines. The Events of Default and the consequences are set out in 'Additional Covenants' of this Placement Memorandum	
50.	Recovery Expense Fund	The issuer shall create a recovery expense fund with NSE in the manner and use it for the purpose as maybe specified by SEBI from time to time.	
51.	Provisions related to Cross Default Clause	Not Applicable	
52.	Roles and Responsibilities of Bond Trustees to the Issue	The Bond Trustee shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Bond 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 Bond Trustee. The Bond Trustee 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 Bond Trusteeship Agreement, Placement Memorandum and all other related transaction documents, with due care, diligence and loyalty.	
53.	Risk factors pertaining to the Issue	The Bonds issued are subject to the "Loss Absorbency", "Write-off on PONV Trigger Event" and "Other Events" mentioned in this Terms of the Issue, Please refer Risk Factors of this Placement Memorandum.	
54.	Call Option	(i) Issuer Call	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; and c. Banks must not exercise a call unless: ii. 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 iii. The bank demonstrates that its capital position is well above the minimum capital requirements after the Call Option is exercised. The use of tax event and regulatory event calls may be permitted. However, 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.
		(ii) Tax Call	If a Tax Event (as described below) has occurred and continuing, then the Issuer may subject to paragraphs (a) (b) and (c) of "Issuer Call" above, having notified the Trustee not less than 21calendar days prior to the date of exercise of such call ("Tax Call") which notice shall specify the date fixed for exercise of the Tax Call "Tax Call Date"), exercise a call on the Bonds or substitute the Bonds so that the Bonds have better regulatory classification subject to adjustment on account of "Loss Absorbency", "Permanent principal write-down on PONV Trigger Event" and "Other Events" mentioned in this Terms of the Issue. A Tax Event has occurred if, as a result of any change in, or

			amendment to, the laws affecting taxation (or regulations or rulings promulgated there under) of India or any change in the official application of such laws, regulations or rulings the Issuer will no longer be entitled to claim a deduction in respect of computing its taxation liabilities with respect to Coupon on the Bonds ("**Tax Event**"). The exercise of Tax Call by the Issuer is subject to the requirements set out in the Basel III Guidelines. RBI will permit the Issuer to exercise the Tax Call only if the RBI is convinced that the Issuer was not in a position to anticipate the Tax Event at the time of issuance of the Bonds and if the Bank demonstrates to the satisfaction of RBI that the Bank's capital position is well above the minimum capital requirements after the Call Option is exercised.
		(iii) Regulatory Call	If a Regulatory Event (described below) has occurred and continuing, then the Issuer may subject to paragraphs(a),b) and (c) of "Issuer Call" above, having notified the Trustee not less than 21 calendar days prior to the date of exercise of such call ("Regulatory Call") which notice shall specify the date fixed for exercise of the Regulatory Call (the "Regulatory Call Date")), exercise a call on the Bonds or substitute the Bonds so that the Bonds have better regulatory classification subject to adjustment on account of "Loss Absorbency", "Permanent principal write- down on PONV Trigger Event" and "Other Events" mentioned in this Terms of the Issue. A Regulatory Event is deemed to have occurred if there is a downgrade of the Bonds in regulatory classification i.e. Bonds are excluded from the Tier 2 Capital of the Issuer. The exercise of Regulatory Call by the Issuer is subject to requirements set out in the Basel III Guidelines. RBI will permit the Issuer to exercise the Regulatory Call only if the RBI is convinced that the Issuer was not in a position to anticipate the Regulatory Event at the time of issuance of the Bonds and if the Bank demonstrates to the satisfaction of RBI that the Bank's capital position is well above the minimum capital requirements after the Call Option is exercised. The Issuer Call, the Tax Call and the Regulatory Call are hereinafter referred to as the "**Call Option**".
55.	Recapitalization	Nothing contained in this Placement Memorandum or any other Transaction Document shall hinder recapitalization by the Issuer.	
56.	Reporting of Non-Payment of Coupon	All instances of non-payment of Coupon should be notified by the Issuer to the Chief General Managers-in-Charge of Department of Banking Regulation and Department of Banking Supervision of the Reserve Bank of India, Mumbai	
57.	Trading of Bonds	Bonds shall be traded in Demat mode only.	
58.	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.	
59.	Convertibility of Bonds	Non-Convertible	
60.	Condition to Redemption	The Bonds shall be redeemed at par along with Coupon accrued till one day prior to the Redemption Date, as per the terms of the Placement Memorandum subject to the "Loss Absorbency", "Write-off on PONV Trigger Event" and "Other Events" mentioned in this Terms of the Issue.	
61.	Additional Covenants	Delay in Listing: The Issuer shall complete all formalities and seek listing permission within 4 working days from the Issue Closing Date. In the event of delay in listing of Bonds beyond 4 working days from the Issue Closing Date, the Issuer shall pay an interest of 1.00% per annum over and above the Coupon Rate from the Deemed Date of Allotment till the date the Bonds are listed on the Debt	

		Segment of the NSE. Refusal of Listing: If listing permission is refused before the expiry of the prescribed period from the Deemed Date of Allotment, the Issuer shall forthwith repay all monies received from the applicants in pursuance of the Placement Memorandum along with penal interest of 1.00% per annum over the Coupon Rate from the expiry of prescribed period from the Deemed Date of Allotment. If such monies are not repaid within 8 days after the Issuer becomes liable to repay it (i.e. from the date of refusal or prescribed period days from the Deemed Date of Allotment, whichever is earlier), then the Issuer and every Director/ Compliance Officer of the Issuer who is an officer in default shall, on and from the expiry of 8 days, will be jointly and severally liable to repay the money, with interest at the rate of 15 per cent per annum on application money
62.	All covenants of the issue	The covenants and conditions as more particularly set out in the DTD, including but not limited to the covenants contained in this Terms of Issue shall be binding on the Bank and the Bondholders and all persons claiming by, through or under any of them. The Trustee shall be entitled to enforce the obligations of the Bank under or pursuant to the covenants as set out herein: **Information Covenants** **(a)** The Bank shall furnish to the Trustee in relation to itself, the information as more particularly set out in the DTD, in accordance with the timelines set out therein, including but not limited to: *(i)* The Bank shall no later than 45 (forty five) days from the end of the applicable financial year, provide to the Trustee, its unaudited financial statements*;* (ii) all such information (including rating letter, rating rationale, latest profile of the Bank etc.) as reasonably requested by the Trustee for the effective discharge of its duties and obligation under the Placement Memorandum and applicable law; (iii) such financial statements as may be requested by the Trustee under applicable laws and all such information required by the Trustee for the effective discharge of its duties and obligation under the Placement Memorandum and Transaction Documents. (iv) an intimation to the Trustee in case of a change in the Director of the Bank and/ or a change in management control of the Bank and shall promptly inform the Trustee of any change in its name, any change in the change in the conduct of its business prior to such change being effected. (v) intimation regarding application or statutory notice of winding up being made or given to the Bank under the provisions of the applicable law; (vi) any environmental or social claim current, or to its knowledge, pending or threatened; and **(b)** The Bank shall promptly notify the Trustee and Bondholders of the events/occurrences as more particularly set out in the DTD, in accordance with the timelines set out therein, including but not limited to: (i) any material adverse effect in relation to the Bank (and the steps, if any, being taken to remedy it); (ii) any Event of Default and provide any further information with respect thereto, in writing; (iii) details of all litigation, arbitration or administrative proceedings materially affecting the Bank, in writing. **(c) Certification requirements on Bonds** **The Bank shall provide:** (i) a quarterly report to the Bond Trustee within 45 (forty- five) days from the end of the relevant quarter and on a quarterly basis in each year, reports certified by an independent chartered accountant, to the

		Trustee, certifying and containing the following: (a) updated list of names and address of all Bondholders and the number of Bonds held by each Bondholder; (b) compliance of the Bank with respect to the use of the proceeds raised through the issue of the Bonds; (c) details of interest due but unpaid and reasons for the same; and (d) the number and nature of grievances received from the Bondholders and resolved by the Bank. (ii) The Bank shall, under section 52(4) of SEBI LODR regulations and to the extent required under the debt listing agreement entered into between the Bank and the exchange, shall disclose the following information to the stock exchange, along with the annual/quarterly financial results: i. debt-equity ratio; ii. net worth; iii. net profit after tax; iv. earnings per share. v. current ratio; vi. long term debt to working capital; vii. bad debts to Account receivable ratio; viii. current liability ratio; ix. total debts to total assets; x. debtors turnover; xi. inventory turnover; xii. operating margin (%); xiii. net profit margin (%); xiv. sector specific equivalent ratios, as applicable. xv. outstanding redeemable preference shares (quantity and value).: **(d)** The Bank shall, to the extent required under the SEBI LODR Regulations, submit all such documents to the stock exchange and to the DT. **Negative Covenants** The Bank shall not undertake any of the following action, without the prior written permission of the Trustee: a) initiate the process or voluntarily delist the securities of the Bank from the relevant stock exchange; b) The Bank shall not enter into any amalgamation, consolidation, merger, de-merger or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or enter into any reorganisation, scheme of arrangement or compromise with its creditors or shareholders which is not permitted under the applicable laws including RBI Guidelines. **General Covenants** (i) The Bank shall at all times ensure that it is a company duly organized and validly existing under the applicable laws of India and has the right to carry on its business and operations in compliance with applicable law; (ii) The Bank shall ensure that the Transaction Documents hold legal validity, be enforceable, except to the extent enforcement may be limited by applicable laws affecting creditor's rights or the application of equitable principles; (iii) The Bank shall ensure that the execution, delivery and performance by the Bank of the Transaction Documents and the compliance by it with the terms and provisions are not in conflict with or result in any breach of the any of the terms, covenants, conditions or provisions of, or constitute a

		default under, inter alia, any instrument to which it is a party; (iv) The Bank shall , at such reasonable times, with prior notice, permit any officers or employees of the Trustee or its representatives (i) to visit and inspect any of its properties, and to discuss with its principal officers matters pertinent to an evaluation of the credit of the Bank or relating to compliance with the DTD, and (ii) to the fullest extent permitted by law and appropriate regulatory authority to review all books of record and account and any available reports or statements relevant thereto; (v) The Bank shall pay, in respect of the Bonds , all stamp duty, Taxes, charges (including registration charges) and penalties if and when the Bank may be required to pay the according to applicable law; (vi) The Bank shall make all filings, submit all documentation, obtain all registrations and complete all formalities, including the return of allotment of securities under Form PAS-3 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as may be required in connection with the Bonds and Transaction Documents with all relevant regulatory authorities; (vii) During the continuance of the Issue, the Bank shall comply with applicable law including all provisions of SEBI Debt Regulations, the debt listing agreement entered into with the exchange, the Placement Memorandum and the Transaction Documents; (viii) The Bank will obtain and maintain all material governmental approvals and licenses as required to carry out its business activities pursuant to the applicable laws; and (ix) The Bank is and shall continue to be in compliance with all Environmental or Social Laws, anti-corruption laws, money laundering laws and Environmental or Social Approvals applicable to it, where failure to do so (a) has a material adverse effect; or (b) which, if reported would adversely impact the credibility of the Bank, resulting in any loss or an anticipated loss to the Finance Parties.
63.	**Special Feature: Minimum requirements to ensure Loss Absorbency of Non-equity Regulatory Capital Instruments at the Point of Non-Viability.**	
64.	General Conditions	The present Issue of Bonds is being made in pursuance Master Circular No. DBR. No. BP.BC.1/ 21.06.201/ 2015-16 dated July 1, 2015 issued by the Reserve Bank of India on Basel III Capital Regulations ("Master Circular") covering terms and conditions for issue of Tier 2 capital (Annex 5 of the Master Circular) and minimum requirements to ensure loss absorbency of all non-equity regulatory capital instruments at the point of non-viability (Annex 16 of the Master Circular) as amended from time to time. In the event of any discrepancy or inconsistency between the terms of the Bonds contained in any Transaction Document(s) (including this Placement Memorandum) and the Basel III Guidelines, the provisions of the Basel III Guidelines shall prevail.
65.	Mode of Loss Absorption and Trigger Event	The Bonds, at the option of the Reserve Bank of India, may be written-off upon the occurrence of the trigger event, called the 'Point of Non-Viability (PONV) Trigger' as stipulated in the BASEL III Guidelines and determined by RBI. **Loss Absorption at the Point of Non-Viability ("PONV")** (a) If a PONV Trigger (as described below) occurs, the Bank shall: i. notify the Trustee ii. cancel any coupon which is accrued and unpaid on the Bonds as on the write-down date; and iii. without the need for the consent of Bondholders or the Trustee, write down the outstanding principal of the Bonds by such amount as may be prescribed by RBI (b) Following writing-off of the Bonds and claims and demands as noted

		above neither the Bank, nor any other person on the Bank's behalf shall be required to compensate or provide any relief, whether absolutely or contingently, 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 1 Capital shall not be required before the write-off of any non-equity (Additional Tier 1 & Tier 2) regulatory capital instruments.
66.	Point of Non-Viability (PONV)	(a) The PONV Trigger event is the earlier of: i. decision that a permanent write-off, without which the Bank would become non-viable, is necessary, as determined by the Reserve Bank of India; and ii. the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the relevant authority. *For these purposes, the Bank may be considered as non-viable if:* 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-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the Reserve Bank of India. (b) The amount of non-equity capital to be written-off will be determined by RBI. (c) The order of write-off of the Bonds shall be as specified in the order of Seniority as per this Placement Memorandum and any other regulatory norms as may be stipulated by the RBI from time to time. (d) The write-off consequent upon the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted. The bondholders shall have any residual claims on the Bank (including any claims which are senior to ordinary shares of the Bank), following a trigger event and when write-off is undertaken. (e) In case of the Bank facing financial difficulties and approaching a PONV will be deemed to achieve viability if within a reasonable time in the opinion of the RBI, it will be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including augmentation of equity capital through write-off of Bonds/public sector injection of funds are likely to: i. Restore depositors'/investors' confidence; ii. Improve rating/creditworthiness of the bank and thereby improve its borrowing capacity and liquidity and reduce cost of funds; and iii. Augment the resource base to fund balance sheet growth in the case of fresh injection of funds. (f) Criteria to Determine the PONV: The above framework will be invoked when the Bank is adjudged by RBI to be approaching the point of non-viability, or has already reached the point of non-viability, but in the views of RBI: i. there is a possibility that a timely intervention in form of capital support,

		with or without other supporting interventions, is likely to rescue the Bank; and ii. if left unattended, the weaknesses would inflict financial losses on the Bank and, thus, cause decline in its common equity level. RBI would follow a two-stage approach to determine the non-viability of a bank. The Stage 1 assessment would consist of purely objective and quantifiable criteria to indicate that there is a *prima facie* case of the Bank approaching non-viability and, therefore, a closer examination of the Bank's financial situation is warranted. The Stage 2 assessment would consist of supplementary subjective criteria which, in conjunction with the Stage 1 information, would help in determining whether the Bank is about to become non-viable. These criteria would be evaluated together and not in isolation. Once the PONV is confirmed, the next step would be to decide whether rescue of the Bank would be through write-off alone or write-off in conjunction with a public sector injection of funds. The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level will trigger write-off.
67.	Seniority	Claims of the Bondholders shall be: i. Senior to the claims of investors in instruments eligible for inclusion in Tier 1 Capital whether currently outstanding or issued at any time in the future; ii. Subordinate to the claims of all depositors and general creditors of the Bank; iii. Neither secured nor covered by a guarantee of the Bank or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis creditors of the Bank; and iv. *Pari-passu* without preference amongst themselves and other subordinated debt that is eligible for inclusion in Tier 2 Capital whether currently outstanding or issued at any time in the future. Tier 1 Capital and Tier 2 Capital shall have the meaning ascribed to such terms in the Basel III Guidelines. The claims of the Bondholders shall be subject to the provisions mentioned in the points "Loss Absorbency", "Write-Off on PONV Trigger Events" and "Other Events" in these **Terms of the Issue**.
68.	Other Events: Treatment of Bonds in the event of winding-up, amalgamation, acquisition, re-constitution etc.	<u>In the event of winding-up:</u> (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 Placement Memorandum and as per usual legal provisions governing distribution in a winding-up situation. (b) If the Bank goes into liquidation after the Bonds have been written-down, the Bondholders will have no claim on the proceeds of liquidation. <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: 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. ii. If the Bank is amalgamated with any other bank after the Bonds have been written-down permanently, the Bonds cannot be written-up by the amalgamated entity.

		Scheme of reconstitution or amalgamation of a banking company: (Section 45 of BR Act, 1949) If the relevant authorities decide to reconstitute the Bank or amalgamate the Bank with any other bank under the Section 45 of Banking Regulation Act, 1949, the Bank will be deemed as non-viable or approaching non-viability and both the pre-specified trigger and the trigger at the point of non-viability for write-down of Bonds will be activated. Accordingly, the Bonds will be fully written-down permanently before amalgamation/ reconstitution in accordance with the RBI Norms/ RBI Guidelines.
69.	Order of claim of Basel III compliant Tier 2 instruments	The order of claim of various types of Regulatory capital instruments issued by the Bank and that may be issued in future shall be as under: (i) Tier 2 instruments shall be superior to the claims of investors in instruments eligible for inclusion in Tier 1 Capital and subordinate to the claims of all depositors and general creditors of the Bank. Tier 2 debt instruments will rank pari-passu without preference amongst themselves and other debt instruments irrespective of the date of issue classifying as Tier 2 Capital in terms of Basel III Guidelines. (ii) Unless the terms of any subsequent issuance of Bonds by the Bank specifies that the claims of such subsequent bond holders are senior or subordinate to the Bonds issued under this Placement Memorandum or unless the RBI specifies otherwise in its guidelines, the claims of the Bond Holders shall be *pari-passu* with claims of holders of such subsequent Bond issuances; and shall be on *pari-passu* ranking with holders of other Tier 2 instruments issued by the Bank. However, the claims of the Bondholders shall be subject to the provisions of Loss Absorbency, Permanent principal write-down on PONV Trigger Event and Other Events mentioned above.
70.	Registrar	Integrated Registry Management Services Pvt. Ltd.
71.	Trustee/Debenture Trustee	M/s Beacon Trusteeship Limited.
72.	Compliance Officer	Company Secretary of the Bank, details provided in the Placement Memorandum.
73.	Applicable RBI Guidelines	The present issue of Bonds is being made in pursuance of the RBI Guidelines.
74.	Prohibition on Purchase/ Funding of Bonds	Neither the Issuer nor a related party over which the Issuer exercises control or significant influence (as defined under relevant accounting standards) shall purchase the Bonds, nor shall the Issuer directly or indirectly fund the purchase of the Bonds. The Issuer shall also not grant advances against the security of the Bonds issued by it.
75.	Procedure to apply for Bonds	Please refer to the instructions under Page no. 57 and onwards of this Placement Memorandum.

OTHER TERMS OF OFFER

Apart from "terms of the offer" mentioned above, the following terms shall also be applicable:

AUTHORITY FOR THE ISSUE
The present issue of Bonds is being made pursuant to the board resolution passed in the Board meeting held on March 22, 2022, and the delegation provided there under and in pursuance of RBI Master Circulars referred in this Placement Memorandum as applicable to our Bank for raising Tier 2 bonds for capital adequacy purpose. The Bank can issue the Bonds proposed by it in view of the present approvals and no further internal or external permission/ approval(s) is/ are required by it to undertake the proposed activity. The Bonds offered are additionally subject to provisions of terms of this Placement Memorandum, Instructions contained in the Application Form and other terms and conditions as may be incorporated in the Trustee Agreement and DTD. Over and above such terms and conditions, the Bonds shall also be subject to the applicable provisions of the Depositories Act 1996 and the laws as applicable, guidelines, notifications and regulations relating to the allotment & issue of capital and listing of securities issued from time to time by the Government of India (GoI), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI),