

The present issue of Bonds is being made in pursuance of Master Circular No. RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015 issued by the Reserve Bank of India on Basel III Capital Regulations covering terms and conditions for issue of debt capital instruments for inclusion as Tier 2 Capital (Annex 5 of the Master Circular) and minimum requirement to ensure loss absorbency of non-equity regulatory capital instruments at the Point of Non Viability (PONV) (Annex 16 of the Master Circular).

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 subject to provisions of the Companies Act, 2013 Securities Contract Regulation Act 1956, Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, terms of this Disclosure Document, instructions contained in the Application Form and other terms and conditions as may be incorporated in the Debenture Trustee Agreement. 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), concerned Stock Exchange or any other documents that may be executed in respect of the Bonds.

9. Terms of raising securities

Unsecured, non-convertible, redeemable Basel III-compliant Tier 2 Bonds (Series II) in dematerialized form for inclusion in Tier 2 capital.

10. Paid in status

Fully paid in

11. Maturity period

Ten years from the Deemed date of allotment.

12. Rate of interest

The Bonds have been issued with a fixed rate of interest.

13. Put and Call Option

In pursuance of Master Circular No. RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015, issued by the Reserve Bank of India on Basel III capital regulations covering terms and conditions for issue

of debt capital instruments for inclusion as Tier 2 Capital, the Bonds shall not have any “Put Option”.

The Bonds may have “Call Option” exercisable at the initiative of the Bank only after a minimum of five years, subject to compliance with the terms specified in the RBI Regulations. However the proposed Bonds shall not have any “Call Option”.

Therefore, (i) the Bondholder(s) shall not have any right to exercise Put Option; and (ii) the Issuer shall not have right to exercise Call Option to redeem the Bonds, in whole or in part, prior to the Redemption Date.

14. Minimum Subscription

5 (five) Bonds (i.e. a minimum application size of Rs. 50,00,000 (Rupees Fifty lakhs only) and in multiples of 1 (one) Bond thereafter.

15. Underwriting

The present Issue of Series II Bonds is on a Private Placement basis and has not been underwritten.

16. Status of Bondholders/ Seniority of Claim

The claims of the Bondholders shall be:

- a) senior to the claims of Investors in Instruments eligible for inclusion in Tier 1 Capital;
- b) subordinate to the claims of all depositors and general creditors of the Bank;
- c) 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 creditors of the Bank.

17. Loss Absorption Features

The Bonds shall be subjected to loss absorbency features applicable for non-equity capital instruments vide RBI Master Circular No. DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015 on Basel III capital regulations covering criteria for inclusion of debt capital instruments as Tier 2 capital (Annex 5) and minimum requirements to ensure loss absorbency of additional Tier 1 instruments at pre-specified trigger and of all non-equity regulatory capital instruments at the Point of Non-viability (“PONV”) (Annex 16).

Accordingly, the Bonds at the option of RBI, shall be permanently written off on the occurrence of the trigger event called the Point of Non Viability (PONV).

18. PONV Trigger

The PONV Trigger event shall be the earlier of:

- a) a decision that the permanent write off, without which the Bank would become nonviable, is necessary, as determined by the Reserve Bank of India; and
- b) 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. Such a decision would invariably imply that 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.

For this purpose, the Bank may be considered 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 Reserve Bank of India unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by the 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 permanent write-off in combination with or without other measures as considered appropriate by the Reserve Bank of India (RBI).

The Bank facing financial difficulties and approaching a PONV shall be deemed to achieve viability if within a reasonable time in the opinion of RBI, it will be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including write-off/public sector injection of funds are likely to:

- a) Restore confidence of the depositors/ investors;
- b) Improve rating/ creditworthiness of the bank and thereby improving its borrowing capacity and liquidity and reduce cost of funds; and
- c) Augment the resource base to fund balance sheet growth in the case of fresh injection of funds.

The amount to be written-off will be determined by RBI. The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level may trigger write-off.

18. Purchase/ funding of bonds by the Bank

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 also not grant advances against the security of the Bonds issued by it.

19. Terms of Payment

The full face value of the Bonds applied for is to be paid along with the Application Form. Applicant(s) need to send in the Application Form and the application amount through RTGS for the full value of Bonds applied for.

Face Value per Bond	Minimum Application Size	Amount Payable on Application per Bond
Rs.10 lakhs	5 Bonds and in multiples of 1 Bond thereafter	Rs.10 lakhs

20. Deemed Date of Allotment

All benefits under the Bonds including payment of interest will accrue to the Bondholders from and including 07.01.2016 which shall be the Deemed Date of Allotment. All benefits relating to the Bonds will be available to the applicants from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment. The Bank reserves the right to keep multiple allotment date(s)/ date(s) of allotment at its sole and absolute discretion without any notice. If the issue closing date/ pay in dates is/are changed (pre-poned/ postponed), the Deemed Date of Allotment may also be changed (pre-poned/ postponed) by the Bank at its sole and absolute discretion.

21. Trading of Bonds

The marketable lot for the purpose of trading of Bonds shall be 1 (one) Bond of face value of Rs.10 lakhs each. Trading of Bonds would be permitted in demat mode only in standard denomination of Rs.10 lakhs and such trades shall be cleared and settled in recognised stock exchange(s) subject to conditions specified by SEBI. In case of trading in Bonds which has been made over the counter, the trades shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI.

22. 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.

Transfer of Bonds to and from NRIs/ OCBs, in case they seek to hold the Bonds and are eligible to do so, will be governed by the then prevailing guidelines of RBI.

23. Common Form of Transfer

The Bank undertakes that it shall use a common form/ procedure for transfer of Bonds issued under terms of this Disclosure Document.

24. Interest on the Bonds

The Bonds shall carry a fixed rate of interest at the Coupon Rate from, and including, the Deemed Date of Allotment up to, but excluding the Redemption Date, payable on the "Coupon Payment Dates", on the outstanding principal amount of Bonds till Redemption Date as specified in the Term sheet.

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The interest will be paid to those bondholders whose name appears on the record of the Depositories as on the Record Date. Interest will be paid by RTGS/NEFT/ Pay Orders/ Demand Drafts.

25. Deduction of Tax at Source

Tax as applicable under the IT Act or any other statutory modification or re-enactment thereof will be deducted at source out of interest payable on Bonds.

Interest payable subsequent to the Deemed Date of Allotment of Bonds shall be treated as "Interest on Securities" as per Income Tax Rules. Bondholders desirous of claiming exemption from deduction of income tax at source on the interest payable on Bonds should submit tax exemption certificate/ document, under section 193 of the IT Act, if any, with the Registrar, or to such other person(s) at such other address(es) as the Bank may specify from time to time through suitable communication, at least 45 days before the payment becoming due. However, with effective from 01.06.2008, tax is not to be deducted at source under the provisions of section 193 of IT Act, if the following conditions are satisfied:

- (a) interest is payable on any security issued by a company;

- (b) such security is in dematerialized form; and
- (c) such security is listed in a recognised stock exchange in India.

Present issue of Bonds fulfils the above conditions and therefore, no tax would be deducted on the interest payable. However, the Bank shall pursue the provisions as amended from time to time with respect to applicability of TDS at the time of payment of interest on Bonds. Regarding deduction of tax at source and the requisite declaration forms to be submitted, applicants are advised to consult their own tax consultant(s).

26. Redemption/Maturity:

The Bonds shall be redeemed in full 10 (ten) years from the Deemed Date of Allotment.

The Bonds shall be redeemed at par along with interest accrued till one day prior to the Redemption Date.

27. Settlement/ Payment on Redemption

Payment of interest and repayment of principal shall be made by way of cheque(s)/ interest/ redemption warrant(s)/ demand draft(s)/ credit through direct credit/ NECS/ RTGS/ NEFT mechanism in the name of the Bondholders whose name appear on the List of Beneficial Owners given by Depository to the Bank as on the Record Date.

The Bonds shall be taken as discharged on payment of the redemption amount by the Bank on the Redemption Date to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant as on Record Date. Such payment will be a legal discharge of the liability of the Bank towards the Bondholders. On such payment being made, the Bank shall inform NSDL/ CDSL/ Depository Participant and accordingly the account of the Bondholders with NSDL/ CDSL/ Depository Participant shall be adjusted.

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 Redemption Date. On the Bank's dispatching/ crediting the amount to the Beneficiary(ies) as specified above in respect of the Bonds, the liability of the Bank shall stand extinguished.

28. Effect of Holidays

If any Coupon Payment Date falls on a day which is not a Business Day, the payment of coupon shall be made by the Bank on the immediately succeeding Business Day along with interest for such additional period. Further, interest for such additional

period so paid, shall be deducted out of the interest payable on the next Coupon Payment Date.

If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds 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.

In the Event the Record Day falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.

29. 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 on maturity, as the case may be. In case, the beneficial owner is not identified by the Depository on the Record Date due to any reason whatsoever, the Issuer shall keep in abeyance the payment of interest or other benefits, till such time the beneficial owner is identified by the depository and intimated to the Issuer. On receiving such intimation, the Issuer shall pay the interest or other benefits to the beneficiaries identified, within a period of 15 days from the date of receiving such intimation.

30. Succession

In the event of the demise of the sole/first holder of the Bond(s) or the last survivor, in case of joint holders for the time being, the Bank shall recognize the executor or administrator of the deceased Bondholder, or the holder of succession certificate or other legal representative as having title to the Bond(s). The Bank shall not be bound to recognize such executor or administrator, unless such executor or administrator obtains probate, wherever it is necessary, or letter of administration or such holder is the holder of succession certificate or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter. The Bank may, in its absolute discretion, where it thinks fit, dispense with production of probate or letter of administration or succession certificate or other legal representation, in order to recognize such holder as being entitled to the Bond(s) standing in the name of the deceased Bondholder on production of sufficient documentary proof or indemnity.

Where a non-resident Indian becomes entitled to the Bond by way of succession, the following steps have to be complied:

- a. Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Bond was acquired by the NRI as part of the legacy left by the deceased holder.
- b. Proof that the NRI is an Indian National or is of Indian origin.

Such holding by the NRI will be on a non-repatriation basis.

31. Who Can Apply

The following categories of applicants are eligible to apply for this Issue of Bonds. However, the prospective subscribers must make their own independent evaluation and judgment regarding their eligibility to invest in the Issue.

- (a) Mutual Funds;
- (b) Public Financial Institutions as defined under Section 4A of the Companies Act.
- (c) Scheduled Commercial Banks;
- (d) Insurance Companies;
- (e) Provident Funds, Gratuity Funds, Superannuation Funds and Pension Funds;
- (f) Co-operative Banks;
- (g) Regional Rural Banks authorized to invest in bonds/ debentures;
- (h) Companies and Bodies Corporate authorized to invest in bonds/ debentures;
- (i) Trusts authorized to invest in bonds/ debentures; and
- (j) Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures, etc.

The issue is restricted to the above class of investors. Prospective subscribers must make their own independent evaluation and judgment regarding their eligibility to invest in the Issue.

All applicants are required to comply with the relevant regulations/ guidelines applicable to them for investing in the issue of Bonds as per the norms approved by Government of India, Reserve Bank of India or any other statutory body from time to time.

However, out of the aforesaid class of applicants eligible to invest, this Disclosure Document is intended solely for the use of the person to whom it has been sent by the Bank for the purpose of evaluating a possible investment opportunity by the recipient(s) in respect of the securities offered herein, and it is not to be reproduced or distributed to any other persons (other than professional advisors of the prospective applicant receiving this Disclosure Document from the Bank).

32. How to Apply

This being a private placement Issue, the eligible investors who have been addressed through this communication directly, only are eligible to apply. 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 respects must be submitted before the last date indicated in the issue time table or such extended time as decided by the Bank, at any of the designated collection centres, accompanied by the credit of application money by way of RTGS. The original Application Forms (along with all necessary documents as detailed in this Disclosure Document), pay-in slip and other necessary documents should be sent to the Domestic Treasury, Integrated Treasury Wing, Mumbai of the Bank on the same day.

The remittance of application money should be made by electronic transfer of funds through RTGS mechanism for credits as per details given hereunder:

Name of the Banker	Canara Bank
Account Name	Canara Bank A/c- Tier II Bonds 2015-16 (Series II)
Credit into Current A/c No.	2426201100282
IFSC Code	CNRB0002426
Address of the Branch	115, 11 th Floor, Atlanta Building, Nariman Point, Mumbai 400021
Narration	Application Money for the Bond Issue

Cheque(s), demand draft(s), money orders, postal orders will not be accepted. The Bank assumes no responsibility for any applications lost in mail. The entire amount of Rs.10 lakhs per Bond is payable on application.

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 printed on the refund orders and interest/ redemption warrants.

The applicant or in the case of an application in joint names, each of the applicant, should mention his/her Permanent Account Number (PAN) allotted under the Income-Tax Act or where the same has not been allotted, the GIR No. and the Income tax Circle/Ward/District. As per the provision of Section 139A (5A) of the Income Tax

Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the applicant should mention his PAN/GIR No. In case neither the PAN nor the GIR Number has been allotted, the applicant shall mention "Applied for" and in case the applicant is not assessed to income tax, the applicant shall mention "Not Applicable" (stating reasons for non applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

All applicants are requested to tick the relevant column "Category of Investor" in the Application Form. Public/ Private/Religious/ Charitable Trusts, Provident Funds and Other Superannuation Trusts and other investors requiring "approved security" status for making investments.

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 Summary Term Sheet and the Application Form (Annexure VIII hereof).

33. Force Majeure

The Bank 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.

34. 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.

35. 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.

36. Application by Provident Funds, Superannuation Funds and Gratuity Funds

The applications must be accompanied by certified true copies of (i) Trust Deed/Bye Laws/Resolutions, (ii) Resolution authorising investment and (iii) specimen signatures of the authorised signatories. Those desirous of claiming tax exemptions