

made, the Bank will inform NSDL/CDSL and accordingly the account of the Bondholders with NSDL/CDSL will be adjusted. The Bonds are negotiable instruments transferable by endorsement and delivery in the denomination of Rs.10,00,000/- each. The bonds will not be redeemable at the initiative of the holder or without the prior approval of Reserve Bank of India. Hence, the prior approval of Reserve Bank of India will be taken before redemption of bonds on due date or on Call Option exercised by the Bank, as required in terms of their guidelines addressed to all commercial banks vide their communication Circular No RBI/2009-2010/37, DBOD.No.BP.BC.6 /21.01.002/2009-10 dated 1st July, 2009.

15. Information relating to Terms of Offer

Key Terms:

Tenor: 15 Years

Coupon : The bonds will carry a coupon rate of 8.60%

Face Value Per Bond

Each Bond will carry a face value of Rs.10, 00,000/- and is issued at par at cash of Rs.10, 00,000/-.

Minimum Application Size

The minimum investment shall be 10 (ten) bonds i.e. Rs.1,00,00,000/- and in multiples of 1 (one) Bonds i.e. Rs.10, 00,000 thereafter.

Date of Allotment

Date: 08.09.2009, shall be the Date of Allotment of the Bonds. All the benefits under the bonds will accrue to the investor from this date even though the actual allotment may take place on a date other than the specified Date of Allotment.

Credit Rating

CRISIL has assigned a 'AAA'/Stable (pronounced as Triple A Stable) rating to the captioned debt programme of the Bank. This is the highest credit quality rating assigned by CRISIL. The rated instrument carries the lowest credit risk.

CARE has assigned a 'CARE AAA' [pronounced as Triple A] rating to the captioned debt programme of the Bank. This is considered to be the best credit quality offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.

The rating is not a recommendation to buy, sell or hold Securities and investors should take their own decision. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating. The rating obtained is subject to revision at any point of time in the future. The rating agencies have a right to suspend, withdraw the rating at any time on the basis of new information etc.

Listing

Application shall be made to the Bombay Stock Exchange of India Ltd. to list the bonds of the Bank now being offered through this Information Memorandum and for permission to deal in such Bonds.

If the permissions to deal in and for an official quotation of the Bonds is not granted by the BSE, the Bank shall forthwith repay, without interest all such moneys received from the applicants in pursuance of this Information Memorandum. If such monies are not repaid within eight days after the Bank becomes liable to repay them (i.e. from the date of refusal or within 70 days from the date of the closing of the subscription list, whichever is earlier), then the Bank will be liable to repay the monies, with interest, as prescribed under Section 73 of the Companies Act, 1956.

Underwriting

The Bonds offer is not underwritten.

RECORD DATE

The Record Date will be 30 days prior to each Interest Payment Date or the Date of Redemption as the case may be.

Interest on Application Money

Interest at the coupon rate (subject to deduction of tax at source) will be paid in respect of all valid applications including the refunds. Such interest shall be paid from the date of realization of the cheques/demand drafts up to the date immediately preceding the Deemed Date of Allotment. Refund cheques/Warrants/Demand Drafts will be mailed within seven days of Deemed Date of Allotment.

The Interest Cheque(s)/ Demand Draft(s) for Interest on Application Money shall be dispatched by the Bank along with allotment advise/ Rejection letter, as the case may be, and will be dispatched by registered post to the sole/ first applicant, at the sole risk of the applicant.

Interest on the Bonds

The Bonds will carry interest at the rate of 8.60 % p.a. for a tenure of 15 Years from the deemed date of allotment. The interest will be paid from the deemed Date of Allotment (subject to deduction of tax at source at the rates prevailing from time to time under the Income Tax Act,

1961 or any other statutory modification or re-enactment thereof) and is payable annually on March 31st each year during the tenure of the Bonds except for the last interest payment. In case the call option is not exercised by the Bank, the step-up coupon rate of 50 bps will be paid for the remaining tenor.

If any interest payment date falls on a day, which is not a business day in Hyderabad, Andhra Pradesh ("Business Day" being a day on which Commercial Banks are open for business in Hyderabad, Andhra Pradesh), then payment of interest will be made on the next business day but without liability for making payment of interest for the delayed period. The interest payable shall be calculated by multiplying the coupon rate by the principal amount, multiplying such product by actual number of days in the interest period concerned dividing by 365 (a leap year would be considered as 366 days for the purpose of interest calculation).

Interest Period

- a. The first interest period is defined as the actual number of days falling between the Deemed Date of Allotment and 30th March 2010 including both the first date and the last date. The first interest payment would be made on 31st March, 2010.
- b. The second interest period is defined as the actual number of days between 31st March 2010 and 30th March 2011 including both the dates and so on.
- c. The last interest period is defined as the actual number of days falling between 31st March and redemption date including both the first date and the last date. The last interest payment would be made on the redemption date along with the redemption of principal amount

Payment of Interest

The interest payment would be made by RTGS / Electronic Clearing System or by means of cheques/demand drafts/ (Interest warrants payable at par at specified branches of the Bank) and will be mailed to the Bondholders. Payment of interest will be made to the holders of the Bonds whose names appear in the list of beneficiaries given by NSDL/CDSL to the Bank on Record Date.

Tax Deduction at Source

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. The investor(s) desirous of claiming exemption from deduction of income tax at source on the interest on application money are required to submit the necessary certificate(s), in duplicate, along with the application form in terms of Income Tax rules.

Interest payable subsequent to the Deemed Date of Allotment of Bonds will 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 Income Tax Act, 1961, if any, at the office of the Bank, at least 45 days before the payment becoming due.

Regarding deduction of tax at source and the requisite declaration forms to be submitted, prospective investor is advised to consult his tax consultant.

Put Option

No put option is available for the Bonds.

Call Option

In terms of RBI Circular No RBI/2009-2010/37, DBOD.No.BP.BC.6/21.01.002/2009-10 dated 1st July, 2009, Banks may issue the instruments with a Call Option subject to strict compliance with each of the following conditions:

- a) Call option may be exercised only if the instrument has run for at least ten years;
- b) Call option shall be exercised only with the prior approval of RBI (Department of Banking Operations & Development). While considering the proposals received from banks for exercising the call option the RBI would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

The Bank shall have the option of redeeming the Bonds at par, subject to the prior approval of the RBI and in accordance with applicable laws and regulations in effect at the time relating to, among other things, CRAR, replacement capital and interest rate, in whole but not in part, at the end of 10th year from the Deemed Date of Allotment at a redemption price equal to the principal amount thereof plus accrued interest. For availing of this facility, the Bank shall notify its intention to do so through a public notice at least in one All-India English and one regional language daily newspaper in Mumbai, New Delhi, Kolkata and Chennai and/ or through notice sent by registered post to the sole/ first allottee or sole/ first Beneficial Owner of the Bonds at least 1 (one) month prior to the due date.

Step-Up Option

In terms of RBI Circular No RBI/2009-2010/37, DBOD.No.BP.BC.6/21.01.002/2009-10 dated 1st July, 2009, the issuing bank may have a step-up option which may be exercised only once during the whole life of the instrument, in conjunction with the call option, after the lapse of ten years from the date of issue. The step-up shall not be more than 100 bps. The limits on step-up apply to the all-in cost of the debt to the issuing banks.

If the Step-up Option is exercised, a step up of 50 bps over and above the coupon rate of 8.60% will be paid, for all subsequent years. The Step-up Option shall not in any way alter other characteristics of the instruments, except the coupon rate of the instruments.

Lock-in Clause

In terms of RBI Circular No RBI/2009-2010/37, DBOD.No.BP.BC.6 /21.01.002/2009-10 dated 1st July, 2009

1. Upper Tier II instruments shall be subjected to a lock-in clause in terms of which the issuing bank shall not be liable to pay either interest or principal, even at maturity, if
 - the bank's CRAR is below the minimum regulatory requirement prescribed by RBI, or
 - the impact of such payment results in bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI.
2. However, banks may pay interest with the prior approval of RBI when the impact of such payment may result in net loss or increase the net loss provided CRAR remains above the regulatory norm. For this purpose 'Net Loss' would mean either (a) the accumulated loss at the end of the previous financial year; or (b) the loss incurred during the current financial year.
3. The interest amount due and remaining unpaid may be allowed to be paid in the later years in cash/ cheque subject to the bank complying with the above regulatory requirement. While paying such unpaid interest and principal, banks are allowed to pay compound interest at a rate not exceeding the coupon rate of the relative Upper Tier II bonds, on the outstanding principal and interest.

REDEMPTION

In terms of RBI Circular No RBI/2009-2010/37, DBOD.No.BP.BC.6 /21.01.002/2009-10 dated 1st July, 2009 Upper Tier 2 instruments shall not be redeemable at the initiative of the holder. All redemptions shall be made only with the prior approval of the Reserve Bank of India (Department of Banking Operations & Development).

The face value of the Bond will be redeemed at par, on expiry of 180 months from the Deemed Date of Allotment or earlier, if the call option is exercised, which, in any case, shall not be before the expiry of at least ten years from the Deemed Date of Allotment. The Bond will not carry any obligation, for interest or otherwise, after the Date of Redemption. The Bonds held in the Dematerialized Form shall be taken as discharged on payment of the redemption amount by the Bank on maturity to the registered Bondholders whose names appear in the Register of Bondholders on the 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 will inform NSDL/CDSL and, accordingly, the account of the Bondholders with NSDL/CDSL will be adjusted. The Bonds are negotiable instruments transferable by endorsement and delivery in the denomination of Rs.10,00,000/- each. The bonds will not be redeemable at the initiative of the holder or without the prior approval of Reserve Bank of India. *Hence, the prior approval of Reserve Bank of India will be taken before redemption of bonds on due date or on Call Option exercised by the Bank, as required in terms of their guidelines addressed to all commercial banks vide their communication Circular No RBI/2009-2010/37, DBOD.No.BP.BC.6 /21.01.002/2009-10 dated 1st July, 2009*

EFFECT OF HOLIDAYS

Should any of the dates defined above or elsewhere in the Information Memorandum, excepting the Deemed Date of Allotment, fall on a Sunday or a Public Holiday, the next working day shall be considered as the effective date(s).

In case any Interest Payment Date(s) and/or the Date of Redemption falls on a holiday, interest/ redemption will be paid on the next working day (i.e. a day on which scheduled commercial banks are open for business). No additional interest will be paid as a result of the interest payment and/or Redemption being made on a day falling after the Interest Payment Date/ Date of Redemption under this condition.

Issue of Bonds in dematerialized form

The Bank will be issuing the Bonds in dematerialized form. The Bank will be opening the accounts with NSDL and CDSL for issuing these Bonds. Applicant should mention their Depository Participant's name, DP-ID and Beneficiary Account Number in the appropriate place in the Application Form. The Bank will take necessary steps to credit the Depository Account of the allottee(s) with the number of bonds allotted. Responsibility for correctness of applicant's demographic details given in the application form vis-a-vis his/her depository participant would rest with the applicant and the bank would not be liable with regard to the above in any manner whatsoever.

Transfer of Bonds

The transfer of bonds in dematerialized form would be in accordance with the rules/procedures as prescribed by Depository/Depository Participant.

TERMS OF PAYMENT

Applications should be for a minimum of 10 Bonds. All cheques /drafts should be in favour of "State Bank of Hyderabad A/c-Upper Tier II Bonds Issue-Series-XI" and crossed Account Payee only. The entire amount of Rs. 10 lakh (Rs. Ten Lakh only) per bond is payable on application.

The full face value of the Bonds has to be paid up on application. Investors may also remit the application money through RTGS (if remitted from branches of other Banks), with instructions to credit the same to the above account No. 62105466585 maintained at our Nariman Point Branch Mumbai, IFSC Code: "SBHY0020001"

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

This being a Private Placement Offer, Investors who are established/Resident in India and who have been addressed through this Communication directly, only are eligible to apply.

Applications for the Bonds must be in the prescribed form (enclosed) and completed in Block Letters in English and as per the instructions contained therein.

Applications complete in all respects (along with all necessary documents as detailed in the memorandum of information) 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 centers, accompanied by the subscription amount by way of cheque(s)/draft(s) drawn on any bank including a co-operative bank which is situated at and is a member of the Bankers' clearing house located at a place where the application form is submitted.

Outstation cheque(s)/Bank draft(s) drawn on Bank(s) not participating in the clearing process at the designated clearing centres will not be accepted. Money orders/postal orders will also not be accepted. The Bank assumes no responsibility for any applications/cheques/ DDs lost in mail. All cheques/drafts should be in favour of "State Bank of Hyderabad A/c – Upper Tier II Bonds Issue - Series XI" and crossed Account Payee only. Investors may also remit the application money through RTGS with instructions to credit the same to account maintained with SBH, Nariman Point Branch, Mumbai. The RTGS code number of Nariman Point Branch is SBHY0020001. The entire amount of Rs. 10 lakh (Rs. Ten Lakh only) per bond is payable on application.

No separate receipt will be issued for the Application money. However, the Bank's designated collection branches or Arrangers receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the Acknowledgment Slip at the bottom of the each Application Form.

As a matter of precaution against possible fraudulent encashment of Interest Warrants/Cheques due to loss/misplacement, the applicant should furnish the full particulars of his or her bank account (i.e. Account Number, name of the bank and branch) at the appropriate place in the Application Form. Interest warrants will then be made out in favour of the bank for credit to his/her account so specified and dispatched to the investors, who may deposit the same in the said bank.

WHO CAN APPLY

The issue of Private Placement Upper Tier-II issue is being offered to various categories of investors as mentioned below:

1. Provident Funds/ Superannuation/Pension Fund, Gratuity Funds.
2. Commercial Banks, Financial Institutions, Insurance Companies
3. State/ Central Co-operative Banks, Development Co-operative Banks, Land Development Banks, Regional Rural Banks and Primary Co Operative Banks subject to their internal and other appropriate approvals.
4. Mutual Funds, Port Trusts
5. Trust and Association of Person which are authorised to invest in Bonds
6. Body Corporates, Companies, and Societies authorised to invest in Bonds
7. Individuals (excluding minors and NRIs) to whom this Information Memorandum is specifically addressed.
8. Scientific and/or Industrial Research Organisations authorised to invest in the Bonds.
9. Other Government / Non Government agencies/Board/Institutions etc

Although above investors are eligible to apply, only those persons, who are individually addressed through direct communication by the Bank, are eligible to apply for the Bonds. No other person may apply. Posting of Information Memorandum on the Designated Stock Exchange website should not be construed as an offer to issue and has been posted only as it is stipulated by SEBI.

Investors should check about their eligibility before making any investment.

The Applications must be accompanied by certified true copies of (1) Memorandum and Articles of Association/constitution/Bye-laws (2) Resolution authorising investment and containing operating instructions (3) Specimen signatures of authorised signatories and (4) Necessary forms for claiming exemption from deduction of tax at source on the interest income / interest on application money, wherever applicable.

16. Discount at which the offer is being made and effective price for the investor

Not applicable as the issue is being made at par.