

UPPER TIER II BONDS (SERIES-VI)

ISIN NO.-----INE 652A 09070

TERMS OF OFFER (DETAILS OF DEBT SECURITIES PROPOSED TO BE ISSUED,

**PRIVATE PLACEMENT OF UNSECURED REDEEMABLE NON-CONVERTIBLE
SUBORDINATED UPPER TIER-II BONDS (DEBT CAPITAL INSTRUMENTS) (SERIES-VI) IN
THE NATURE OF PROMISSORY NOTES OF RS. 10 LAKH EACH FOR CASH AT PAR
AGGREGATING RS. 150 CRORES TO BE ISSUED BY STATE BANK OF PATIALA**

Issuer	State Bank of Patiala
Issue Size	Rs. 150 crores
Issue Objects	Augmenting Tier-II Capital for strengthening the Capital Adequacy and enhancing long term resources of the Bank
Instrument	Unsecured Redeemable Non-Convertible Subordinated Upper Tier-II Bonds (Debt Capital Instruments) (Series-VI) in the nature of Promissory Notes ("Bonds")
Seniority of Claim	The claims of the investors in these Bonds shall be (a) superior to the claims of investors in instruments eligible for inclusion in Tier I capital; and (b) subordinate to the claims of all other creditors
Issuance/ Trading	In Dematerialized Form
Credit Rating	'AAA/Stable' by CRISIL and 'CARE AAA' by CARE
Security	Unsecured
Face Value	Rs. 10,00,000/- per Bond
Issue Price	At par (Rs. 10,00,000/- per Bond)

Redemption Price	At par (Rs. 10,00,000/- per Bond)
Minimum Subscription	1 Bond and in multiples of 1 Bond thereafter
Tenure	15 Years
Put Option	None
Call Option	<p>Call Option may be exercised by the Bank only if the Bonds have run for at least 10 Years. Call Option shall be exercised by the Bank only with the prior approval of RBI (Department of Banking Operations & Development).</p> <p>In effect, the Bank reserves Call Option to redeem the Bonds at par at the end of 10th Year from the Deemed Date of Allotment (subject to prior approval from RBI)</p>
Redemption/Maturity	At par at the end of 15th Year from the Deemed Date of Allotment (subject to prior approval from RBI)
Redemption Date	March 13, 2024 (subject to prior approval from RBI)
Call Option Due Date	March 13, 2019 (subject to prior approval from RBI)
Coupon Rate *	9.15% p.a. for the first 10 years
Step Up Option	<p>The Bonds shall have a step-up option which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of issue. The step-up shall be 50 bps.</p> <p>In effect, the coupon rate on Bonds shall be stepped up to 9.65% p.a. For last 5 Years if Call Option is not exercised by the Bank at the end of 10th Year from the Deemed Date of Allotment.</p>
Interest Payment	Interest Payment Annual (subject to RBI norms)
Interest Payment date	On March 13, every year (subject to RBI norms)

Lock-in-clause	<p>The Bonds shall be subjected to a lock-in clause in terms of which, the Bank shall not be liable to pay either interest or principal, even at maturity, if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI, or (b) the impact of such payment results in Bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI. However, the Bank may pay interest with the prior approval of RBI when the impact of such payment may result in</p> <p>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. The interest amount due and remaining unpaid may be allowed to be paid in the later years subject to the Bank complying with the above regulatory requirement. While paying</p> <p>such unpaid interest and principal, the Bank shall be allowed to pay compound interest at a rate not exceeding the coupon rate of the Bonds, on the outstanding principal and interest.</p>
Listing	Proposed on the Wholesale Debt Market (WDM) Segment of the National Stock Exchange of India Ltd. (NSE)
Trustee	IDBI Trusteeship Services Ltd.
Depository	National Securities Depository Ltd. and Central Depository Services (India) Ltd.
Registrars	Investor Services of India Ltd.
Banker to the Issue	State Bank of Patiala, Commercial Branch, Mumbai
Interest on Application Money *	At the coupon rate applicable for the first 10 years (i.e. @ 9.15% p.a.) from the date of realization of cheque(s)/ demand draft(s)/ RTGS upto but excluding the Deemed Date of Allotment.
Settlement	Payment of interest and repayment of principal shall be made by way of cheque(s)/ interest/ redemption warrant(s)/ demand draft(s)/ credit through RTGS system

Mode of Subscription	Cheque(s)/ demand draft(s) may be drawn in favour of "State Bank of Patiala A/c - Bonds Issue" and crossed "Account Payee Only" payable at par at designated centers mentioned elsewhere in the Disclosure Document or by way of electronic transfer of funds through RTGS mechanism for credit in the Account of "State Bank of Patiala", Account No. " 65017942677 ", Branch: " Commercial Branch Mumbai ", IFSC Code: "STBP0000758"
Issue Opens on ^	March 5, 2009
Issue Closes on ^	March 6, 2009
Pay-In Dates ^	March 5, 2009 to March 6, 2009
Deemed Date of Allotment ^	March 13, 2009

* subject to deduction of tax at source, as applicable

^ The Bank reserves its sole and absolute right to modify (pre-pone/ postpone) the issue opening/ closing/ pay-in date(s) without giving any reasons or prior notice. In such a case, investors shall be intimated about the revised time schedule by the Bank. The Bank also reserves the right to keep multiple Deemed Date(s) of Allotment at its sole and absolute discretion without any notice.

INFORMATION RELATING TO THE TERMS OF OFFER OR PURCHASE

Governing Law & Provisions

The Bonds offered are subject to provisions of the Companies Act, 1956, Securities Contract Regulation Act, 1956, Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, terms of this Disclosure Document, Instructions contained in the Application Form and other terms and conditions as may be incorporated in the Trustee Agreement and Bond Trust Deed. 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 authorities and other documents that may be executed in respect of the Bonds. Any disputes arising out of this issue will be subject to the exclusive jurisdiction of the district courts of Patiala, Punjab.

Authority for the Placement

The present private placement of Unsecured Redeemable Non-Convertible Subordinated Upper Tier-II Bonds (Series-VI) is being made in accordance with extant RBI guidelines vide its master circular no. DBOD.No.BP.BC.2/21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital. The private placement of Bonds under the terms of this Disclosure Document is being made pursuant to the approval given by the Board of Directors of the Bank in their meeting held on June 10, 2008 for raising Upper Tier-II Bonds aggregating Rs. 500 crores. The Bonds to be raised is within the overall borrowing powers of the Bank. This being a private placement of debt securities, the eligibility norms of SEBI (DIP) Guidelines, 2000 shall not be applicable. Further the Bank, its promoter, its associates and companies with which the directors of the Bank are associated as directors or promoters are not prohibited from accessing the capital market/ debt securities market under any order or directions passed by SEBI. The Bank can undertake the proposed issue of bonds in view of the present approvals and no further approval from any government authority(ies)/ Reserve Bank of India (RBI) is required by the Bank in this connection.

Objects of the Issue

The proposed issue of Bonds is being made for augmenting Tier II Capital of the Bank for strengthening its Capital Adequacy and for enhancing the long-term resources of the Bank. The expenses of the issue shall be borne by the Bank.

Minimum Subscription

As the current issue of Bonds is being made on private placement basis, the requirement of minimum subscription shall not be applicable and therefore the Bank shall not be liable to refund the issue subscription(s)/ proceed(s) in the event of the total issue collection falling short of issue size or certain percentage of issue size.

Terms of Payment

The full face value of the Bonds applied for is to be paid alongwith the Application Form. Investor(s) need to send in the Application Form and the cheque(s)/ demand draft(s)/ RTGS for the full face value of the Bonds applied for.

Face Value per Bond	Minimum Application for	Amount Payable on Application per Bond
Rs. 10,00,000/-	1 Bond and in multiples of 1 Bond thereafter	Rs. 10,00,000/-

Deemed Date of Allotment

Interest on Bonds shall accrue to the Bondholder(s) from and including March 13, 2009, which shall be the Deemed Date of Allotment. All benefits relating to the Bonds will be available to the investors 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)/ deemed date(s) of allotment at its sole and absolute discretion without any notice. In case if the issue closing date is 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.

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

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

Underwriting

The present Issue of Bonds on private placement basis has not been underwritten.

Nature and Status of Bonds

The Bonds are to be issued in the form of Unsecured Redeemable Non-Convertible Subordinated Upper Tier-II Bonds (Debt Capital Instruments) (Series-VI) in the nature of Promissory Notes for inclusion as Upper Tier II capital. As per RBI master circular no. DBOD.No.BP. BC.2/21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital, these Bonds shall be fully paid-up, unsecured, and free of any restrictive clauses. The claims of the investors in these Bonds shall be (a) superior to the claims of investors in instruments eligible for inclusion in Tier I capital; and (b) subordinate to the claims of all other creditors.

Face Value, Issue Price, Effective Yield for Investor

Each Bond has a face value of Rs. 10,00,000/- and is issued as well as redeemable at par i.e. for Rs. 10,00,000/-. Since there is no premium or discount on issue price or redemption price of the Bonds, the effective yield for the investors shall be the same as the coupon rate on the Bonds (i.e. 9.15% p.a. for first 10 years and 9.65% p.a. for last 5 years if Call Option is not exercised by the Bank at the end of 10th year).

Issue of Bond Certificate(s)

Subject to the completion of all statutory formalities within 3 months from the Deemed Date of Allotment, or such extended period as may be approved by the appropriate authority(ies), the initial credit akin to a Letter of Allotment in the Beneficiary Account of the investor would be replaced with the number of Bonds allotted. The Bonds since issued in electronic (dematerialized) form, will be governed as per the provisions of The Depository Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, rules notified by NSDL/ CDSL/ Depository Participant from time to time and other applicable laws and rules notified in respect thereof.

Depository Arrangements

The Bank has appointed "Investor Services of India Ltd." (hereinafter referred to as the 'Registrars'/'RTA') [Address: IDBI Building, 2nd Floor, 'A' Wing, Sector 11, Plot No. 39,40,41, CBD Belapur, Navi Mumbai - 400 614; Tel: (022) 27579636-9643; Fax No: (022) 27579650; E-mail: n.nomani@isilindia.com] as Registrars & Transfer Agent for the present Bond Issue. The Bank shall make necessary depository arrangements with National Securities Depository Ltd. ("NSDL") and Central Depository Services (India) Ltd. ("CDSL") for issue and holding of Bonds in dematerialised form. In this context the Bank has signed two tripartite agreements as under:

1. Tripartite Agreement between State Bank of Patiala, Investor Services of India Ltd. And National Securities Depository Ltd. for offering depository option to the investors.
2. Tripartite Agreement between State Bank of Patiala, Investor Services of India Ltd. and Central Depository Services (India) Ltd. for offering depository option to the investors.

Investors can hold the bonds only in dematerialised form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

Procedure for applying for Demat Facility

- The applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or CDSL prior to making the application.
- The applicant must necessarily fill in the details (including the beneficiary account number and Depository Participant's ID) appearing in the Application Form under the heading 'Details for Issue of Bonds in Electronic/ Dematerialised Form'.
- Bonds allotted to an applicant will be credited directly to the applicant's respective Beneficiary Account(s) with the DP.
- For subscribing the bonds, names in the application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
- The Registrars to the Issue will directly send non-transferable allotment advice/refund orders to the applicant.
- If incomplete/ incorrect details are given under the heading 'Details for Issue of Bonds in Electronic/ Dematerialised Form' in the application form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Bank.
- For allotment of Bonds, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The Applicant is therefore responsible for the correctness of his/her demographic details given in the application form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient, the Issuer would not be liable for losses, if any.
- It may be noted that Bonds being issued in electronic form, the same can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. National Stock Exchange of India Ltd. where the Bonds of the Bank are proposed to be listed has connectivity with NSDL and CDSL.
- Interest or other benefits would be paid to those Bondholders whose names appear on the list of beneficial owners given by the Depositories to the Bank as on Record Date/ Book Closure Date. In case of those Bonds for which the beneficial owner is not identified by the Depository as on the Record Date/ Book Closure Date, the Bank would keep in abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to the Bank, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of 30 days.

Investors may note that pursuant to current provisions, the Bonds of the Bank would be issued and traded only in dematerialised form.

Market Lot

The market lot will be one Bond ("Market Lot"). Since the Bonds are being issued only in dematerialised form, the odd lots will not arise either at the time of issuance or at the time of transfer of Bonds.

Trading of Bonds

The marketable lot for the purpose of trading of Bonds shall be Rs.10 lakhs. 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 executed and reported on a recognized stock exchange having a nation wide trading terminal or such other platform as may be specified by SEBI.

Mode of Transfer of Bonds

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.

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. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Bank.

Interest on Application Money

Interest at the coupon rate applicable for first 10 years (i.e. at the rate of 9.15 per cent per annum) (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) will be paid to all the applicants on the application money for the Bonds. Such interest shall be paid from the date of realisation of cheque(s)/ demand draft(s)/ RTGS upto one day prior to the Deemed Date of Allotment. The interest on application money will be computed on an Actual/ 365 day basis. Such interest would be paid on all the valid applications, including the refunds. Where the entire subscription amount has been refunded, the interest on application money will be paid along with the Refund Orders. Where an applicant is allotted lesser number of bonds than applied for, the excess amount paid on application will be refunded to the applicant along with the interest on refunded money.

The interest cheque(s)/ demand draft(s) for interest on application money (alongwith Refund Orders, in case of refund of application money, if any) shall be dispatched by the Bank alongwith

the Refund Order(s), as the case may be, by registered post to the sole/ first applicant, at the sole risk of the applicant.

Interest on the Bonds

The Bonds shall carry interest at the rate of 9.15 per cent per annum (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Bank) from, and including, March 13, 2009 upto, but excluding, March 13, 2019, payable annually in arrears on March 13, in each year (each, an "Interest Payment Date"), commencing March 13, 2010, to the holders of Bonds (the "Holders" and each, a "Holder") as of the relevant Record Date. If the Bonds are not redeemed on March 13, 2019, interest from March 13, 2019 upto but excluding, March 13, 2024 shall be reset to 9.65 per cent per annum (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Bank) for subsequent interest payment periods, payable annually in arrears on March 13, in each year (each, an "Interest Payment Date"), commencing March 13, 2020, to the holders of Bonds. In case if call option is exercised at the end of 10th year from the Deemed Date of Allotment, then interest on Bonds will cease from the date of exercise of such Call Option in all events.

The first interest period is defined as the actual number of days falling between the Deemed Date of Allotment to March 13, 2010 including the first date but excluding the last date. The first interest payment would be made on March 13, 2010. The second and subsequent interest period is defined as the actual number of days in a year as 365 (366 in case of a leap year) between March 13, 2009 and March 13, 2024 including the first date but excluding the last date and so on. The last interest period is defined as the actual number of days falling between March 13, 2009 and call option exercise date/ redemption date, as the case may be, including the first date but excluding the last date. The last interest payment would be made on the call option exercise date/ redemption date, as the case may be, alongwith the redemption of principal amount.

In terms of RBI master circular no. DBOD.No.BP. BC.2/21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital,, these Bonds shall have a step-up option which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of issue. The step-up shall be 50 bps. That is, the coupon rate on Bonds shall be stepped up to 9.65% p.a. for last 5 Years if Call Option is not exercised by the Bank at the end of 10th Year from the Deemed Date of Allotment. In terms of RBI master circular no. DBOD.No.BP. BC.2/21.01.002/2008-09 dated July 01,

2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital,, these Bonds shall be subjected to a lock-in clause in terms of which, the Bank shall not be liable to pay either interest or principal, even at maturity, if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI, or (b) the impact of such payment results in Bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI. However, the Bank 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. The interest amount due and remaining unpaid may be allowed to be paid in the later years subject to the Bank complying with the above regulatory requirement. While paying such unpaid interest and principal, the Bank shall be allowed to pay compound interest at a rate not exceeding the coupon rate of the Bonds, on the outstanding principal and interest.

If any interest payment date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in the State of Punjab) then payment of interest will be made on the next day that is a business day but without liability for making payment of interest for the intervening period.

In case the Deemed Date of Allotment is revised (pre-poned/ postponed) then the above Interest Payment Date may also be revised pre-poned/ postponed) accordingly by the Bank at its sole & absolute discretion.

Computation of Interest

Interest for each of the interest periods shall be calculated, on 'actual/ 365 (366 in case of a leap year) days' basis, on the face value of principal outstanding on the Bonds at the coupon rate rounded off to the nearest Rupee.

Record Date

The 'Record Date' for the Bonds shall be 30 days prior to each interest payment date and/ or call option due date and/or redemption date.

Deduction of Tax at Source

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or

reenactment 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 Head 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 investors are advised to consult their own tax consultant(s).

Put Option

There is no Put Option available to the Bondholder(s). As per RBI master circular no. DBOD.No.BP.BC.2/ 21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital, these Bonds shall be free of any restrictive clauses and shall not be redeemable at the initiative of the holder and shall thus not have any 'Put Option'.

Call Option/ Option for Early Redemption

In terms of RBI master circular no. DBOD.No.BP.BC.2/ 21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital, these Bonds shall have a Call Option which may be exercised by the Bank only if the Bonds have run for at least 10 Years. Further Call Option shall be exercised by the Bank only with the prior approval of RBI (Department of Banking Operations & Development).

In effect, 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, capital adequacy position of the Bank both at the time of exercise of the call option and after exercise of the call option), in whole but not in part, on March 13, 2019

(i.e. at the end of 10th year from the Deemed Date of Allotment), at a redemption price equal to the principal amount of the Bonds plus accrued interest.

In case of exercise of Call Option by the Bank, the Bank shall notify its intention to do so through a public notice in one All India English daily newspaper and one regional language newspaper.and/or through notice sent by registered post/ courier to the sole/ first allottee or sole/ first Beneficial Owner of the Bonds at least 30 (thirty) days prior to the due date.

In case if the Call Option due date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for business in the State of Punjab, then the payment due shall be made on the next Business Day together with additional interest for the intervening period.

Payment on exercise of Call Option will be made by cheque(s)/ redemption warrants(s)/ demand draft(s)/ credit through RTGS system 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/ Book Closure Date. On the Bank dispatching the redemption warrants to such Beneficiary(ies) by registered post/ courier, the liability of the Bank shall stand extinguished.

The Bonds shall be taken as discharged on payment of the redemption amount by the Bank on exercise of Call Option to the list of Beneficial Owners as provided by the Depository to the Bank as 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/ Depository Participant and accordingly the account of the Bondholders with NSDL/ CDSL/ Depository Participant will 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 date of exercise of Call Option in all events. Further the Bank will not be liable to pay any interest or compensation from the date of exercise of Call

Option. On the Bank dispatching the amount as specified above in respect of the Bonds, the liability of the Bank shall stand extinguished.

Redemption

The face value of the Bonds will be redeemed at par on March 13, 2024 (at the end of 15 years from the Deemed Date of Allotment). In terms of RBI master circular no. DBOD.No.BP.BC.2/

21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for

inclusion as Upper Tier II Capital, these Bonds are free of any restrictive clauses and shall not be redeemable at the initiative of the holder. Redemption of these Bonds shall be made only with the prior approval of the RBI.

Further these Bonds shall be subjected to a lock-in clause in terms of which, the Bank shall not be liable to pay either interest or principal, even at maturity, if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI, or (b) the impact of such payment results in Bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI. However, the Bank 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. The interest amount due and remaining unpaid may be allowed to be paid in the later years subject to the Bank complying with the above regulatory requirement. While paying such unpaid interest and principal, the Bank shall be allowed to pay compound interest at a rate not exceeding the coupon rate of the Bonds, on the outstanding principal and interest.

In case if the principal redemption date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for business in the State of Punjab), then the payment due shall be made on the next Business Day together with additional interest for the intervening period.

Payment on redemption shall be made by cheque(s)/ redemption warrants(s)/ demand draft(s)/ credit through RTGS system 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/ Book Closure Date. On the Bank dispatching the redemption warrants to such Beneficiary(ies) by registered post/ courier, the liability of the Bank shall stand extinguished.

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The Bonds shall be taken as discharged on payment of the redemption amount by the Bank on redemption date to the list of Beneficial Owners as provided by the Depository to the Bank as 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/ Depository Participant and accordingly the account of the Bondholders with NSDL/ CDSL/ Depository Participant will 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 date of redemption in all events. Further the Bank will not be liable to pay any interest or compensation from the date of redemption. On the Bank dispatching the amount as specified above in respect of the Bonds, the liability of the Bank shall stand extinguished.

Lock-In Clause

In terms of RBI master circular no. DBOD.No.BP.BC.2/ 21.01.002/2008-09 dated July 01, 2008 on Prudential Norms on Capital Adequacy-Basel I Framework covering terms and conditions for issue of debt capital instruments to qualify for inclusion as Upper Tier II Capital, these Bonds shall be subjected to a lock-in clause in terms of which, the Bank shall not be liable to pay either interest or principal, even at maturity, if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI, or (b) the impact of such payment results in Bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI. However, the Bank 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. The interest amount due and remaining unpaid may be allowed to be paid in the later years subject to the Bank complying with the above regulatory requirement. While paying such unpaid interest and principal, the Bank shall be allowed to pay compound interest at a rate not exceeding the coupon rate of the Bonds, on the outstanding principal and interest.

Effect of Holidays

Should any of dates defined above or elsewhere in the Disclosure Document, excepting the Deemed Date of Allotment, fall on a Saturday, 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 Call

Option Due Date 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 in the State of Punjab).

List of Beneficial Owners

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

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 will 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 with:

- 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.