

Restoring Viability

The Bank facing financial difficulties and approaching a PONV shall be deemed to achieve viability if within a reasonable time in the opinion of the Reserve Bank of India, it shall be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including write-off of the 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.

Other Requirements to be met by the Non-Common Equity Capital Instruments to Absorb Losses at the PONV

- a. The Bonds shall have a provision that requires the Bonds to be permanently written off, at the option of the Reserve Bank of India, upon the occurrence of the 'Point of Non-Viability (PONV) Trigger.
- b. The amount of Bonds to be written-off shall be determined by the Reserve Bank of India.
- c. If the Bank breaches the PONV trigger and the equity is replenished through write-off of the Bonds, such replenished amount of equity shall be excluded from the total equity of the Bank for the purpose of determining the proportion of earnings to be paid out as dividend in terms of rules laid down for maintaining capital conservation buffer. However, once the Bank attains a total Common Equity ratio of 8% without counting the replenished equity capital, that point onwards, the Bank may include the replenished equity capital for all purposes.
- d. If the total CET1 ratio of the Bank falls again below the total Common Equity ratio of 8%, it shall include the replenished capital for the purpose of applying the capital conservation buffer framework.

Criteria to Determine PONV

- a. The above framework shall be invoked when the Bank is adjudged by Reserve Bank of India 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.
- b. The purpose of write-off of non-equity regulatory capital elements shall be to shore up the capital level of the Bank. RBI would follow



	<p>a two-stage approach to determine the non-viability of the 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 shall be evaluated together and not in isolation.</p> <p>c. Once the PONV is confirmed, the next step shall be to decide whether rescue of the Bank would be through write-off alone or write-off in conjunction with public sector injection of funds.</p> <p>d. The PONV Trigger shall be evaluated both at consolidated and solo level and breach at either level will trigger write-off.</p> <p>e. As the capital adequacy is applicable both at solo and consolidated levels, the minority interests in respect of capital instruments issued by subsidiaries of the Bank including overseas subsidiaries may be included in the consolidated capital of the banking group only if such instruments have pre-specified triggers (in case of AT1 capital instruments)/ loss absorbency at the PONV (for all non-common equity capital instruments).</p> <p>f. The cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, is eliminated as per AS-21. So, in case of wholly-owned subsidiaries, it would not matter whether or not it has same characteristics as the Bank's capital. However, in the case of less than wholly owned subsidiaries (or in the case of non-equity regulatory capital of the wholly owned subsidiaries, if issued to the third parties), minority interests constitute additional capital for the banking group over and above what is counted at solo level; therefore, it should be admitted only when it (and consequently the entire capital in that category) has the same characteristics as the Bank's capital.</p> <p>g. If the Bank wishes the instrument issued by its subsidiary to be included in the consolidated group's capital in addition to its solo capital, the terms and conditions of such instruments should specify an additional trigger event.</p> <p>h. Such additional trigger event shall be the earlier of:</p> <ol style="list-style-type: none"> a decision that a write-off, without which the Bank or its subsidiary would become non-viable, is necessary, as determined by the Reserve Bank of India; and the decision to make a public sector injection of capital, or equivalent support, without which the Bank or its subsidiary would have become non-viable, as determined by the Reserve Bank of India. 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. <p>i. In such cases, the subsidiary should obtain its regulator's approval/ no-objection for allowing the capital instrument to be written-off at the additional trigger point referred to above.</p> <p>j. Any common shares paid as compensation to the holders of the instrument must be common shares of either the issuing subsidiary or the parent bank (including any successor in resolution).</p>
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66.	Eligible Investors	<ol style="list-style-type: none"> 1. Public Financial Institutions as defined in section 2(72) of the Companies Act, 2013; 2. Insurance Companies registered with the Insurance Regulatory and Development Authority; 3. Scheduled Commercial Banks; 4. Co-operative Banks; 5. Regional Rural Banks authorized to invest in bonds/ debentures; 6. Provident Funds, Pension Funds, Gratuity Funds and Superannuation Funds; 7. Mutual Funds registered with SEBI; 8. Foreign Institutional Investors registered with SEBI; 9. Companies falling within the meaning of section 2(20) of the Companies Act, 2013 and bodies corporate authorised to invest in Bonds; 10. Statutory Corporations established/ constituted under union/ central/ state legislature or under other applicable laws in India; and 11. Trusts, Association of Persons, Societies registered under the applicable laws in India which are duly authorised to invest in Bonds. <p>The above categories of investors may apply for the Bonds, subject to applicable laws and subject to fulfilling their respective investment norms/ rules by submitting all the relevant documents along with the Application Form. Investors are required to independently verify their eligibility to subscribe to the Bonds on the basis of norms/ guidelines/ parameters laid by their respective regulatory body including but not limited to RBI, SEBI, IRDA, Government of India, Ministry of Finance, Ministry of Labour etc.</p>
67.	Investors who are not eligible to apply	<p>The following categories of investors are not eligible to apply for this private placement of Bonds:</p> <ol style="list-style-type: none"> 1. Non-Resident Indians (applying on repatriation/ non-repatriation basis); 2. Foreign Portfolio Investors registered with SEBI; 3. Partnership Firms in the name of their partners; 4. Charitable Institutions registered under section 25 of the Companies Act, 1956; 5. Limited Liability Partnerships; 6. Universities incorporated by Central, State or Provincial Act or declared to be a university under section 3 of the University Grants Commission Act, 1956 (3 of 1956); 7. Minors applying through/ not applying through their guardians; 8. Resident Indian Individuals. 9. Hindu Undivided Families applying in the name of Karta; 10. Persons Resident outside India and Foreign Nationals (applying on repatriation/ non-repatriation basis); 11. Overseas Corporate Bodies; 12. Venture Capital Funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 and Foreign Venture Capital Investors; 13. Alternative Investment Funds (as defined in and registered under the SEBI (Alternative Investment Funds) Regulations, 2012; 14. Multilateral and Bilateral Development Financial Institutions; 15. Associations of Persons; and Persons ineligible to contract under applicable statutory/ regulatory requirements.



		<p>Prospective subscribers must make their own independent evaluation and judgment regarding their eligibility to invest in the issue. Prior to making any bid, application for subscription and/or investment in these Debentures, each investor should satisfy and assure herself/himself/itself that it is authorized and eligible to invest in these Debentures. The Issuer shall be under no obligation to verify the eligibility/authority of the investor to invest in these Debentures. Further, mere receipt of this PPM (and/or any document in relation thereto and/or any notification in relation to the issuance of these Debentures on an Electronic Book Platform) by a Person shall not be construed as any representation by the Issuer that such Person is authorized to invest in these Debentures or eligible to subscribe to these Debentures.</p> <p>Notwithstanding any acceptance of bids by the Issuer on and/or pursuant to the Electronic Book Platform, (a) if a Person, in the Issuer's view, is not an Eligible Investor, the Issuer shall have the right to refuse allotment of Debentures to such Person and reject such Person's application; (b) if after applying for subscription to these Debentures and/or allotment of Debentures to any Person, such Person becomes ineligible and/or is found to have been ineligible to invest in/hold these Debentures, the Issuer shall not be responsible in any manner.</p>												
68.	Remittance of Application Money	<p>Applicants may make remittance of application money either through cheque(s)/ demand draft(s) drawn in favour of "PNB AT1 BASEL III Bonds Series X" and crossed "Account Payee Only" payable at par at place/ centre where the application form is deposited or by way of electronic transfer of funds through funds transfer/ RTGS mechanism for credit in the account as per following details:</p> <table><tr><td>Name of the Banker</td><td>Punjab National Bank</td></tr><tr><td>Account Name</td><td>PNB AT1 BASEL III Bonds Series X</td></tr><tr><td>Credit into Current A/c No.</td><td>7538002900001302</td></tr><tr><td>IFSC Code</td><td>PUNB0753800</td></tr><tr><td>Address of the Branch</td><td>Punjab National Bank, BO: BKC, Mumbai</td></tr><tr><td>Narration</td><td>Application Money for Bond Issue</td></tr></table>	Name of the Banker	Punjab National Bank	Account Name	PNB AT1 BASEL III Bonds Series X	Credit into Current A/c No.	7538002900001302	IFSC Code	PUNB0753800	Address of the Branch	Punjab National Bank, BO: BKC, Mumbai	Narration	Application Money for Bond Issue
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69.	Conditions Precedent to Disbursement	<p>The subscription from Investors shall be accepted for allocation and allotment by the Bank subject to the following:</p> <ul style="list-style-type: none">a. Rating letters from IRRPL and Brickwork Ratings not being more than one month old from the Issue Opening Date;b. Letter from the Debenture Trustee conveying their consent to act as Trustee for the holder(s) of Bonds;c. Letter from BSE conveying its in-principle approval for listing of Bonds.												
70.	Condition Subsequent to Disbursement	<p>The Bank shall ensure that the following documents are executed/ activities are completed as per time frame mentioned in the Disclosure Document:</p> <ul style="list-style-type: none">a. Credit of demat account(s) of the allottee(s) by number of Bonds allotted within 2 (two) working days from the Deemed Date of Allotment;b. Making application to NSE and/or BSE within 15 days from the Deemed Date of Allotment to list the Bonds and seek listing permission from NSE and/or BSE within 20 days from the Deemed Date of Allotment;c. 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.								
		Besides, the Bank shall perform all activities, whether mandatory or otherwise, as mentioned in the Disclosure Document.								
71.	Applicable SEBI Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008 as amended pursuant to the Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012, and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014, as and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2016 issued vide circular no. LAD-NRO/GN/2016-17/004 dated May 25, 2016.								
72.	Governing Law & Jurisdiction	The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of district courts of Mumbai, Maharashtra.								
73.	Issue Schedule*	<table><tr><td>Issue Opening Date</td><td>29.03.2017</td></tr><tr><td>Issue Closing Date</td><td>29.03.2017</td></tr><tr><td>Pay - in Dates</td><td>31.03.2017</td></tr><tr><td>Deemed Date of Allotment</td><td>31.03.2017</td></tr></table>	Issue Opening Date	29.03.2017	Issue Closing Date	29.03.2017	Pay - in Dates	31.03.2017	Deemed Date of Allotment	31.03.2017
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