

Regulations in India covering Criteria for inclusion of Debt Capital Instruments as Tier 2 Capital under Annexure 5 thereof and minimum requirements to ensure loss absorbency of all non-equity regulatory capital instruments at the Point of Non- Viability under Annexure 16 thereof.

The Bank can issue the Debentures 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.

C. Application process:

The application process for the Issue is as provided in **Section 8** of this Disclosure Document.

5.19 Issue Details

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| Security Name | 8.73% YBL Tier 2 Bonds FEB 2028 |
| Issuer | YES Bank Limited ('the Bank'/'the Issuer') |
| Type of Instrument | Rated, Listed, Non-convertible, Redeemable, Unsecured, BASEL III compliant Tier 2 Bonds in the nature of Debentures for augmenting Tier 2 capital of the Issuer with Face Value of Rs.10,00,000 each (Bond) |
| Nature of Instrument | <p>Unsecured</p> <p>The bonds are neither secured nor covered by a guarantee of the Bank nor related entity or other arrangements that legally or economically enhances the seniority of the claim vis-à-vis other creditors of the Bank.</p> <p>Bond holders will not be entitled to receive notice of or attend or vote at any meeting of shareholders of issuer or participate in management of issuer.</p> |
| Seniority | <p>Claims of the Investors in the Instruments shall be:</p> <p>(i) Senior to the claims of Investors in Instruments eligible for inclusion in Tier 1 Capital</p> <p>(ii) Subordinate to the claims of all depositors, general creditors of the Bank and</p> <p>(iii) These Bonds shall neither be secured nor covered by a guarantee of the Issuer or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis -à-vis creditors of the Bank.</p> <p>(iv) rank <i>pari passu</i> without preference amongst themselves.</p> <p>The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation.</p> <p>The claims of the bondholders shall be subject to the provisions mentioned in the point Special Features, "Point of Nonviability" (PONV) in the term sheet.</p> |
| Mode of Issue | Private Placement |
| Eligible Investors | The investor to whom this Disclosure Document is specifically addressed, is eligible to apply for this private placement of Debentures subject to fulfilling its respective investment norms/rules and compliance with laws applicable to it by submitting all the relevant documents along with the Application Form. The persons to whom the Disclosure Document has been circulated to, may include but not limited to: |



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| | <ol style="list-style-type: none"> 1. Financial Institutions: registered under the applicable laws in India which are duly authorized to invest in Bonds; 2. Insurance companies 3. Provident, Gratuity, Pension & Superannuation Funds 4. Regional Rural Banks 5. Mutual Funds 6. Companies, Bodies Corporate authorized to Invest in bonds 7. Trusts, Association of Persons, Societies registered under the applicable laws in India which are duly authorized to invest in bonds 8. FPIs 9. Individuals 10. Scheduled Commercial Banks 11. Co-operative Bank 12. Partnership Firms 13. HUF through Karta |
| Listing | <p>This issue of Debentures will be listed on Wholesale Debt Market (WDM) Segment the BSE Limited (BSE)</p> <p>The Issue will be listed within 20 days from the deemed date of allotment. In case of delay in listing, Bank will pay penal interest of 1% p.a. over the coupon rate from the expiry of 30 days from the deemed date of allotment till the listing of such debt securities to the Investor</p> <p>In case the Debentures are allotted to any SEBI registered FPIs /sub accounts of FPIs and the Debentures are not listed within 15 days then Bank shall immediately redeem/buyback the said securities from the FPIs/sub-accounts of FPIs in such an eventuality.</p> |
| Rating of the Instrument | 'ICRA AA+(hyb)/ Outlook Positive' by ICRA & 'IND AA+/ Outlook Stable'' by India Ratings |
| Issue Size | Rs. 3000,00,00,000/- (Rupees Three Thousand Crore only) |
| Option to retain oversubscription | NA |
| Objects of the Issue | Augmenting Tier 2 Capital (as defined in the BASEL III Guidelines issued by RBI) and overall capital of the Issuer for strengthening its capital adequacy and for enhancing its long-term resources. Proceeds of the Bonds raised will be utilized for the business of the Bank. |
| Details of the utilization of the Proceeds | <p>The proceeds realized by YES Bank from the Issue shall be utilized as per the Objects of the Issue.</p> <p>The proceeds of the issue are being raised to augment Tier 2 Capital under BASEL III Capital Regulations as laid out by RBI. The proceeds of issue shall be utilized for regular business activities of the Bank.</p> |
| Coupon Rate | 8.73% p.a. |
| Step Up/ Step Down Coupon Rate | NA |
| Coupon Payment Frequency | Annual |
| Coupon Payment Date | February 22, 2019 and every year thereafter till maturity/redemption and subject to "Special Features", "PONV" mentioned below. |
| Coupon Type | Fixed |
| Coupon Reset Process | NA |
| Day Count Basis | Interest for each of the interest periods shall be computed as per Actual / Actual day count conversion on the Face Value/principal outstanding at the |



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| | Coupon Rate rounded off to the nearest rupee. |
| | Interest Period means each period beginning on (and including) the Deemed Date of Allotment (s) or any Coupon Payment Date and ending on (but excluding) the next Coupon Payment Date. |
| Interest on Application Money | <p>Interest on application money will be the same as the Coupon rate (subject to deduction of Tax at Source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modifications or re-enactment thereof) and will be paid on application money to the applicants from the date of transfer of funds in the Issuer's bank account upto 1(one) day prior to the date of allotment of Debentures.</p> <p>Provided that, notwithstanding anything contained herein above, Bank shall not be liable to pay any interest on monies liable to be refunded in case of invalid Applications or Applications liable to be rejected including Applications made by persons ineligible to apply for and/or hold the Bonds.</p> |
| Default Interest Rate | <p>In relation to the principal amount and coupon payable in respect of the Debentures, in case the same is not paid on the respective Due Dates, the defaulted amounts shall carry further interest at the rate of 2% (Two Percent) per annum over and above the Coupon Rate, from the date of occurrence of such default up to the date on which the defaulted amounts together with default interest is paid, and subject to "Special Features", "PONV" mentioned below.</p> <p>Furthermore, in the event that the Debentures are not listed on the WDM segment of the BSE within a period of 20 (Twenty) days from the Deemed Date of Allotment, the Issuer shall pay a default interest at the rate of 1% (One Percent) per annum over and above the Coupon Rate for the period commencing from 30 (Thirty) calendar days from the Deemed Date of Allotment till the date the Debentures are listed on the WDM of the BSE.</p> |
| Tenure | 10 Years from the Deemed Date of Allotment |
| Redemption Date | February 22, 2028 |
| Redemption Amount | At par |
| Redemption Premium / Discount | Not Applicable |
| Issue Price | Rs. 10,00,000/- per Debenture |
| Discount at which security is issued and the effective yield as a result of such discount | Not Applicable |
| Put Option | Not Applicable |
| Put option date | Not Applicable |
| Put option price | Not Applicable |
| Put notification time | Not Applicable |
| Call Option | Not Applicable |
| Call option date | Not Applicable |
| Call option price | Not Applicable |
| Call notification time | Not Applicable |
| Face Value | Rs. 10,00,000/- per Debenture |
| Minimum Application size | The minimum application size for the Issue shall be 10 (Ten) Debentures and |



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| | in multiples of 1 (One) Debenture thereafter |
| Issue Opening Date | February 22, 2018 |
| Issue Closing Date: | February 22, 2018 |
| Pay-in Date: | February 22, 2018 |
| Deemed Date of Allotment: | February 22, 2018 |
| Issuance mode of the Instrument | Demat only |
| Trading mode of the Instrument | Demat only |
| Settlement mode of the Instrument | Cheques, Demand Drafts, interest/ redemption warrants, pay order, direct credit, ECS, NEFT, RTGS, other online payment mechanism as are permitted by the Reserve Bank of India |
| Depositories | NSDL and CDSL |
| Business Day Convention/Effect of Holidays | <p>If any of the Coupon Payment Date(s) (other than on Redemption Date(s)) fall on a day which is not a Business Day, or any day on which Real Time Gross Settlement (RTGS) or high value clearing does not take place in Mumbai, for any reason whatsoever, the payment due on such date may be made on the immediately succeeding Business Day however: (i) the dates of the future coupon payments would be as per the schedule originally stipulated at the time of issuing the Debentures. In other words, the subsequent coupon schedule would not be disturbed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a day which is not a Business Day; and (ii) the amount of interest to be paid would be computed as per the schedule originally stipulated at the time of issuing the security.</p> <p>If the Redemption Date falls on a day which is not a Business Day, payment in respect of that Redemption Amount (along with interest accrued on the Debentures until but excluding the date of such payment) shall be made one Business Day prior to the Redemption Date.</p> |
| Record Date | <p>The date falling 15 (Fifteen) days prior to any Due Date in relation to the Debentures.</p> <p>If any of the Record Date(s) fall on a day which is not a Business Day, the record date shall be considered on the immediately preceding Business Day.</p> |
| Transaction Documents | <ol style="list-style-type: none"> 1. Information memorandum 2. Trustee consent letter 3. Rating Letter from ICRA & India Ratings 4. Debenture trust deed 5. In principle approval from the stock exchange 6. Issue subscription application form |
| Conditions Precedent to Pay-In | <ol style="list-style-type: none"> (a) A certified copy of a resolution of the shareholders of the Company should have been submitted to the Debenture Trustee: <ol style="list-style-type: none"> (i) Authorising the Board of Directors of the Company to borrow monies; and (ii) Setting out the authorisation under Section 42 of the Companies Act, 2013 read with the applicable rules in relation to the private placement of Debentures. (b) The Company shall have obtained an in-principle approval from BSE for listing of the Debentures. (c) The Company shall have received a letter from the Debenture Trustee that it has acknowledged and has agreed / consented to act as the |



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| | <p>Debtenture Trustee.</p> <p>(d) Issuance of the Disclosure Document.</p> <p>(e) Rating Letters from ICRA and India Ratings.</p> |
| Conditions Subsequent to the Date Deemed of Allotment | <p>(a) The Company shall ensure that the Debtentures are listed and traded on the BSE within 20 (Twenty) days from the Deemed Date Allotment of the Debtentures;</p> <p>(b) The Company shall ensure that upon issuance of the Debtentures, the allotment and the dematerialised credit of the same occurs not later than 2 (two) days from the Deemed Date of Allotment;</p> <p>(c) The Company shall ensure that it files PAS-4 and PAS-3 with the Registrar of Companies, within the time limit set out under the Companies Act, 2013.</p> <p>(d) 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.</p> |
| Events of Default | <p>The Issuer has defaulted in relation to payment of the principal amount / coupon / redemption premium due in respect the Debtentures. The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation of the Issuer.</p> |
| Provisions related to Cross Default Clause | <p>Not applicable</p> |
| Role and Responsibilities of Debtenture Trustee | <p>To oversee and monitor the overall transaction for and on behalf of the Debtenture Holders. All rights and remedies under the Transaction Documents shall rest in and be exercised by the Debtenture Trustee without having it referred to the Debtenture Holders. Any payment made by the Company to the Debtenture Trustee, for the benefit of the Debtenture Holders, shall discharge the Company pro tanto to the Debtenture Holders.</p> |
| Governing Law and Jurisdiction | <p>The Debtentures and documentation will be governed by and construed in accordance with the laws of India and the Courts in Mumbai shall have jurisdiction to determine any dispute arising in relation to the Debtentures.</p> |
| Loss Absorbency | <p>The Bonds shall be subjected to loss absorbency features applicable for non-equity capital instruments vide BASEL III Guidelines, as amended from time to time, which BASEL III Guidelines cover criteria for inclusion of Debt Capital Instruments as Tier 2 Capital 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")</p> <p>Accordingly, the Bonds may at the option of RBI either be permanently written off or temporarily written off, on the occurrence of the trigger event called the Point of Non Viability (PONV). PONV trigger event shall be as defined in the aforesaid BASEL III Guidelines and shall determined by the RBI</p> |
| Point of Non Viability (PONV) and special features | <p>The present issue of Bonds is being made in pursuance of Basel III Guidelines as amended from time to time. As per the extant instructions issued by RBI, these Bonds, at the option of the Reserve Bank of India, shall be written off upon the occurrence of the trigger event, called the 'Point of Non-Viability (PONV) Trigger' stipulated below :</p> |



PONV Trigger

- (i) The PONV Trigger event is the decision that write-off without which the firm would become nonviable, 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 firm would have become non-viable, as determined by the relevant authority. The Write-off of any Common Equity Tier 1 Capital shall not be required before the write off of any Non-Equity (Additional Tier-I and Tier 2) regulatory capital instrument.
- (ii) 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. As such, the contractual terms and conditions of these instruments shall not provide for any residual claims on the issuer which are senior to ordinary shares of the bank (or banking group entity where applicable), following a trigger event and when write-off is undertaken.

For the purpose of the above, a non-viable bank will be: A 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 a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier 1 capital of the bank should be considered as the most appropriate way to prevent the bank from turning nonviable. Such measures would include write-off with or without other measures as considered appropriate by the Reserve Bank of India.

Write-off Features

These instruments are subject to write-off upon the occurrence of the trigger event called PONV as determined by Reserve Bank of India. The amount of non-equity capital to be written-off will be determined by RBI. When a bank breaches the PONV trigger and the equity is replenished through write-off such replenished amount of equity will 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 has attained total Common Equity ratio as defined in Table Minimum Capital Required under section 5.19 without counting the replenished equity capital, that point onwards, the bank may include the replenished equity capital for all purposes. The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level will trigger write-off.

Treatment in Bankruptcy / Liquidation

The holders of Bonds shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation of the Issuer.

If a bank goes into liquidation before these instruments have been written-down, these instruments will absorb losses in accordance with the order of seniority indicated in the offer document and as per usual legal provisions governing priority of charges. If a bank goes into liquidation after these



instruments have been written-down, the holders of these instruments will have no claim on the proceeds of liquidation.

Amalgamation of a banking company

If a bank is amalgamated with any other bank before these instruments have been written-down, these instruments will become part of the corresponding categories of regulatory capital of the new bank emerging after the merger. If a bank is amalgamated with any other bank after the non-equity regulatory capital instruments have been written-down permanently, these cannot be written-up by the Amalgamated entity. If the relevant authorities decide to reconstitute a bank or amalgamate a bank with any other bank under the Section 45 of Banking Regulation Act, 1949, such a bank will be deemed as non-viable or approaching non-viability and both the pre-specified trigger, as applicable and the trigger at the point of non-viability for write-down of these instruments will be activated. Accordingly, these instruments will be fully written-down permanently before amalgamation / reconstitution in accordance with these rules.

Order of write-down of various types of capital instruments

The capital instruments shall be written-off in order in which they would absorb losses in a gone concern situation. The capital instruments shall absorb losses in accordance with the order of seniority and as per usual legal provisions governing priority of charges.

Criteria to Determine the PONV

The above framework will 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:

- a) 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
- b) if left unattended, the weaknesses would inflict financial losses on the bank and, thus, cause decline in its common equity level.

The purpose of write-off of the Bonds shall be to shore up the capital level of the Bank. RBI would follow 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 would be evaluated together and not in isolation.

Once the PONV is confirmed, the next step would be to decide whether rescue of the bank would be through write-off alone or write-off in conjunction with public sector injection of funds.

The trigger at PONV shall be evaluated both at consolidated and solo level and breach at either level shall trigger write-off.



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| | <p>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 can be included in the consolidated capital of the banking group only if these instruments have pre-specified triggers/loss absorbency at the PONV. The cost to the parent of its investment in each subsidiary and the parents' 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, 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 Banks' capital. In addition, if the Bank wishes the instrument issued by its subsidiary to be included in the consolidated groups' capital, in addition to its solo capital, the terms and conditions of that instrument must specify an additional trigger event. The additional trigger event is the earlier of:</p> <ol style="list-style-type: none"> a) a decision that write-off of the Bonds, without which the Bank or the subsidiary would become non-viable, 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 or the subsidiary would have become non-viable, as determined by the Reserve Bank of India. Such a decision would invariably imply that the write-off of the Bonds 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>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 above.</p> <p>Any common stock paid as compensation to the holders of the Bonds must be common stock of either the issuing subsidiary or the Bank (including any successor in resolution).</p> |
| <p>Applicable RBI Guidelines</p> | <p>The present issue of Bonds is being made in pursuance of Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 issued by the RBI, covering Prudential Guidelines on Implementation of Basel III Capital Regulations in India and Criteria for Inclusion of Debt Capital Instruments, and Clarification issued by RBI vide Master Circular RBI/2015-16/285 DBR.No.BP.BC.71/ 21.06.201/ 2015-16 dated January 14, 2016, and amendments made thereto from time to time</p> |

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The issuer/Bank reserves the absolute right to modify (pre -pone/postpone) the Issue schedule specified herein without giving any reasons or prior notice. The Bank also reserves its sole and absolute right to change the Deemed Date of Allotment of the above Issue, prior to closure of the said Issue, without giving any reasons or prior notice. Consequent to change in Deemed Date of Allotment, the Coupon Payment Dates if any may also be changed at the sole and absolute discretion of the Issuer. The Bank reserves the right to close the Issue earlier than the stipulated issue closing date and it is further clarified that the Bank need not wait for any minimum subscription amount to the Debentures before closing the Issue. In the event of any change in the Issue Schedule including the Deemed Date of Allotment, the Bank shall, however notify the Stock Exchange about such change.



5.20 Notes to Term Sheet

The issue of Bonds is being made in pursuance of Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015, as amended from time to time, issued by the RBI, covering Prudential Guidelines on Implementation of Basel III Capital Regulations in India covering Criteria for Inclusion of Debt Capital Instruments as Tier 2 Capital 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 PONV.

Minimum Capital Requirements and Minimum Capital Conservation Ratios Applicable to the Bank

As per RBI guidelines, Bank is required to maintain a Capital Conservation Buffer (CCB) of 2.5%, comprised of Common Equity Tier 1 capital, above the Regulatory Minimum Capital requirement, and the same will be implemented in a phased manner from March 31, 2016 onwards, as shown below.

| Minimum Required | 31.3.2014 | 31.3.2015 | 31.3.2016 | 31.3.2017 | 31.3.2018 | 31.3.2019 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Minimum Common Equity Tier 1 (CET1) | 5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% |
| Capital Conservation Buffer (CCB) | 0% | 0% | 0.625% | 1.25% | 1.875% | 2.5% |
| CET Ratio + Capital Conservation Buffer | 5% | 5.5% | 6.125% | 6.75% | 7.375% | 8% |
| Minimum Tier 1 Capital (excl. CCB) | 6.5% | 7% | 7% | 7% | 7% | 7% |
| Minimum Total Capital +CCB | 9% | 9.00% | 9.625% | 10.25% | 10.875% | 11.5% |

In addition to the above, the Bank may be required, by RBI, to exercise coupon discretion, if it does not meet the increase in Minimum Capital Requirements or Capital Buffers, if any, imposed by RBI from time-to-time. The term "Minimum Capital Requirements" to be complied by the Bank shall, thus include, the Minimum Capital Requirements as per Basel-III guidelines as shown above, Capital Conservation Buffer and any Additional capital requirements stipulated by RBI due to implementation/activation (as and when applicable) of any type of Capital Buffers and additional capital requirements prescribed by RBI on account of Pillar-2 under Supervisory Review Process (SREP).

Bank shall be subjected to Minimum Capital Conservation Ratios at various levels of the Common Equity Tier 1 Capital ratios after including the current periods retained earnings as per RBI Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 issued by the RBI, covering Prudential Guidelines on Implementation of BASEL III Capital Regulations in India covering Criteria for Inclusion of Debt Capital Instruments as Tier 2 Capital 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 PONV. As per RBI guidelines, Banks should not distribute capital (i.e. Dividends and share buybacks, discretionary payments on other Tier 1 capital instruments and discretionary bonus payments to staff would constitute items considered to be distributions) in case Capital Level falls below the range as shown in the table below. BASEL III minimum capital conservation standards apply with reference to the applicable minimum CET1 capital and applicable CCB.

Therefore, during the Basel III transition period, Bank shall be guided by the following table for meeting the minimum capital conservation ratios at various levels of the Common Equity Tier 1 capital ratios

| Minimum capital conservation Standards for individual bank | | | Minimum Capital Conservation Ratios (Expressed as % of earnings) prescribed by RBI |
|--|-------|-------|--|
| Common Equity Tier 1 Ratio after including the current periods Retained earnings | | | |
| As on | As on | As on | |
| | | | |



| 31-Mar-16 | 31-Mar-17 | 31-Mar-18 | |
|---------------------|-------------------|---------------------|------|
| 5.5% - 5.65625% | 5.5% - 5.8125% | 5.5% - 5.96875% | 100% |
| >5.65625% - 5.8125% | >5.8125% - 6.125% | >5.96875% - 6.4375% | 80% |
| >5.8125% - 5.96875% | >6.125% - 6.4375% | >6.4375% - 6.90625% | 60% |
| >5.96875% - 6.125% | >6.4375% - 6.75% | >6.90625% - 7.375% | 40% |
| >6.125% | >6.75% | >7.375% | 0% |

The constraints imposed shall be related to the distributions only and shall not be related to the operations of the bank. Payments which do not result in depletion of Common Equity Tier 1 capital are not considered distributions.

The Term 'Earnings', for the purpose of deciding Minimum Capital Conservation Ratios, are defined as Distributable Profits before the deduction of elements subject to the restriction on distributions such as Dividends and share buybacks, discretionary payments on other Tier 1 capital instruments and discretionary bonus payments to staff would constitute items considered to be distributions. Earnings are calculated after the tax which would have been reported had none of the distributable items been paid. As such, any tax impact of making such distributions are reversed out. Inclusion of current period retained earnings in common equity Tier -I capital shall be subject to the conditions laid down in RBI Master circular on BASEL III capital regulations dated July 1, 2015, as amended from time to time. If the bank does not have positive earnings and has a Common Equity Tier 1 ratio less than 8%, it shall not make positive net distributions.

Capital conservation buffer is applicable both at the Solo level (global position) as well as at the consolidated level, i.e. restrictions shall be imposed on distributions at the level of both the solo bank and the consolidated group. In all cases where the bank is the parent of the group, the distributions by the bank can be made only in accordance with the lower of its Common Equity Tier 1 Ratio at Solo level or consolidated level. RBI may consider accelerating the build-up of the capital conservation buffer and shorten the transition periods, if the situation warrants so. The capital conservation buffer can be drawn down only when a bank faces a systemic or idiosyncratic stress, with prior approval of RBI.

5.21 Cash Flows

Refer Annexure IV

