

**XVII. DETAILED TERM SHEET:****ISSUE DETAILS**

Term Sheet for the issue of Bonds (as defined below) in pursuance of Reserve Bank of India Master Circular – Basel III Capital Regulations, RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated 01.07.2015, Notification No. RBI/2015-16/285 DBR.No.BP.BC.71/21.06.201/2015-16 dated 14.01.2016, RBI/2015-16/331 DBR.No.BP.BC.83/21.06.201/2015-16 dated 01.03.2016 and Notification No. DBR.BP.BC.No.50/21.06.201/2016-17 dated 02.02.2017 ( BASEL III Guidelines)

1	Security Name	PSB AT1 Bond: Series I
2	Issuer	Punjab and Sind Bank ("P&SB"/ the "Issuer"/ the "Bank").
3	Issue Size	Rs.300 crores with an option to retain over subscription of up to Rs 700 crore
4	Objects of the Issue / Details of the utilization of the proceeds	Augmenting Additional Tier 1 Capital (as the term is defined in the Basel III Guidelines) 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.
5	Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	Proposed to be listed on the Wholesale Debt Market (WDM) Segment of National Stock Exchange Limited (NSE)
6	Type of Instrument	Unsecured, subordinated, non-convertible, perpetual taxable bonds which will qualify as Additional Tier 1 Capital (as the term is defined in the Basel III Guidelines of the Reserve Bank of India) in the nature of Debentures (the "Bonds").
7	Nature and status of Bonds	The Bonds are neither secured nor covered by a guarantee of the Issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim of the holders of the Bonds (the "Bondholders") vis- à-vis other creditors of the Issuer.  Bondholders will not be entitled to receive notice of or attend or vote at any meeting of shareholders of the Issuer or participate in the management of the Issuer.
8	Seniority of Instrument/Claim	The claims of the Bondholders shall be :  (i) superior to the claims of investors in equity shares and perpetual non-cumulative preference shares of the Bank, if any;  (ii) subordinated to the claims of depositors, general creditors and subordinated debt of the bank other than any subordinated debt qualifying as Additional Tier 1 Capital (as the term is defined





		<p>in the Basel III Guidelines);</p> <p>(iii) neither secured nor covered by a guarantee of the issuer nor related entity or any other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.</p> <p>(iv) rank pari passu without preference amongst;</p> <p>(v) unless the terms of any subsequent issuance of bonds/debentures (in the nature of AT1 instruments) by the Bank specifies that the claims of such subsequent bond holders are senior or subordinate to the bond issued under this Disclosure Document or unless the RBI specifies otherwise in its guidelines, the claims of the Bond holders shall be pari passu with claims of holders of such subsequent debentures/bond issuances of the Bank;</p>
9	Tenor	Perpetual
10	Redemption Date	Not Applicable
11	Convertibility	Non-Convertible
12	Face Value/ Issue Price	Rs. 10,00,000/- (Rupees Ten Lacs) per Bond.
13	Credit Rating	CARE A plus; Outlook: Stable, ICRA A plus (hyb); Outlook: Stable
14	Mode of Issue	Private Placement
15	Security	Unsecured
16	Coupon	10.90% p.a.
17	Coupon Reset	Not Applicable
18	Coupon Type	Fixed
19	Coupon (interest) Payment Frequency	Annually subject to Coupon Discretion and / or Loss Absorbency (as the case may be)
20	Coupon Payment Dates	On the Anniversary of Deemed Date of Allotment
21	Interest on application money	<p>Interest at the Coupon Rate (subject to deduction of Income-tax under the provisions of the Income-tax Act 1961, or any statutory modification or re-enactment 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 realization of cheque (s)/demand draft (s) and in case of RTGS/other means of electronic transfer interest shall be paid from the date of receipt of funds to one day prior to the Deemed Date of Allotment.</p> <p>The Interest on application money will be computed as per Actual/Actual Day count convention. Such interest would be paid on all the</p>





		valid applications including the refunds. For the application amount that has been refunded, the Interest on application money will be paid along with the refund orders and for the application amount against which Bonds have been allotted, the Interest on application money will be paid within ten working days from the Deemed Date of Allotment. 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. Income Tax at Source (TDS) will be deducted at the applicable rate on Interest on application money.
22	Record Date	Reference date for payment of coupon (interest) which shall be the date falling 15 days prior to the relevant Coupon Payment Date, Issuer Call Date, Tax Call Date or Regulatory Call Date (each as defined later) on which interest is due and payable. In the event the Record Date for Coupon Payment date falls on a day which is not a business day, the next business day will be considered as the Record Date.
23	Computation of Interest	Actual/Actual (as per SEBI circular no. CIR/IMD/DF/18/2013 dated October 29, 2013) and CIR/IMD/DF-1/122/2016 dated November 11, 2016. In case of a leap year, if February 29 falls during the tenor of the Bonds, then the number of days shall be reckoned as 366 days (Actual/Actual day count convention) for a whole one year period.
24	Coupon Discretion	(a) The Bank shall have full discretion at all times to cancel the payment of coupons in full or part.  (b) Consequence of full discretion at all times to cancel distributions/payments is that "dividend pushers" are prohibited. Therefore, the Bonds do not carry a 'dividend pusher' feature i.e. if the Bank makes any payment (coupon/dividend) on any other capital instrument or share, the Bank shall not be obligated to make Coupon payment on the Bonds.  (c) Furthermore, the term "cancel distributions/payment of Coupons" means extinguish these payments. It does not permit features that require the bank to make distributions/payments in kind.





	<p>(d) Cancellation of discretionary payments will not constitute an event of default.</p> <p>(e) The Bank shall have full access to cancelled payments to meet obligations as they fall due.</p> <p>(f) Cancellation of distributions/payments will not impose restrictions on the bank except in relation to distributions to common stakeholders.</p> <p>(g) "The Coupons, unless cancelled by the Bank will be paid out of 'distribution items'. In this context, coupon may be paid out of current year profits. However, if current year profits are not sufficient, coupon may be paid subject to availability of: (i) Profits brought forward from previous years, and/or (ii) Reserves representing appropriation of net profits, including statutory reserves, and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve and reserves created on amalgamation. The accumulated losses and deferred revenue expenditure, if any, shall be netted off from (i) and (ii) to arrive at the available balance for payment of coupon.</p> <p>If the aggregate of: (a) profits in the current year; (b) Profits brought forward from the previous years and (c) permissible reserves as at (ii) above, excluding statutory reserves, net of accumulated losses and deferred revenue expenditure are less than the amount of coupon, only then the Bank shall make appropriation from the statutory reserves. In such cases, Bank shall report to the Reserve Bank within twenty-one days from the date of such appropriation in compliance with Section 17(2) of the Banking regulation Act 1949.</p> <p>It may be noted that prior approval of the Reserve Bank for appropriation of reserves as above, in terms of the circular, DBOD.BP.BC No.31/12.04.018/2006-07 dated September 20, 2006 on 'Section 17 (2) of Banking Regulation Act, 1949 – Appropriation from Reserve Fund' is not required in this regard.</p> <p>(h) However, payment of coupons on PDIs from the reserves is subject to the issuing bank meeting minimum regulatory requirements for CET1, Tier 1 and Total Capital ratios including the additional capital requirements for Domestic Systemically Important Banks at all times and subject to the restrictions under the capital buffer frameworks (i.e. capital conservation buffer and counter</p>
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		<p>cyclical capital buffer in terms of paras 15 and 17 respectively of the Master Circular on Basel III Capital Regulations dated July 1, 2015 as amended from time to time)</p> <p>The Bank shall have full discretion at all times to cancel distributions / payments.</p> <p>(i) The Coupon on the Bonds shall not be cumulative. If Coupon is cancelled or not paid or paid at a rate lesser than the Coupon Rate, such unpaid and/or cancelled Coupon will not be paid in future years. If Coupon is paid at a rate lesser than the prescribed rate, the unpaid amount will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum.</p> <p>(j) The Dividend Stopper Clause will be applicable to these instruments which will stop dividend payments on common shares in the event the holders of AT1 instruments are not paid coupon.</p> <p>However, such dividend stopper arrangement shall not impede the full discretion that bank shall have at all times to cancel distributions/payments on the Additional Tier 1 instrument, nor shall act in a way that could hinder the re-capitalisation of the bank.</p> <p>For example, Dividend Stopper Arrangement on the Bonds shall not be permitted to:</p> <ul style="list-style-type: none"> <li>• attempt to stop payment on another instrument where the payments on this other instrument were not also fully discretionary;</li> <li>• prevent distributions to shareholders for a period that extends beyond the point in time that coupon on the Bonds are resumed;</li> <li>• impede the normal operation of the bank or any restructuring activity (including acquisitions/disposals).</li> </ul> <p>A stopper may act to prohibit actions that are equivalent to the payment of a dividend, such as the bank undertaking discretionary share buybacks, <b>if otherwise permitted.</b></p>
25	Put Option	No Put Option available
26	Call Option	<i>The Bank may at its sole discretion, exercise a call on the outstanding Bonds subject to the following conditions :</i>



		<p>a. The call option on the instrument is permissible after the instrument has run for at least five years;</p> <p>b. To exercise a call option the Bank shall receive prior approval of RBI (Department of Banking Regulation);</p> <p>c. The Bank shall not do anything which creates an expectation that the call will be exercised.</p> <p>d. Banks must not exercise a call unless :</p> <p>(i) The Bonds are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank. Replacement issues can be concurrent with but not after the instrument is called. ; or</p> <p>(ii) The Bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised. Here, 'minimum capital requirements' refers to Common Equity Tier 1 of 8% of RWAs (including capital conservation buffer of 2.5% of RWAs) and Total capital of 11.5% of RWAs including additional capital requirements identified under Pillar 2.</p> <p><i>The above Call, which is discretionary, may or may not be exercised on the fifth anniversary from the Deemed Date of Allotment i.e. the fifth Coupon Payment Date or on any Coupon Payment Date thereafter.</i></p> <p>The use of tax event and regulatory event calls may be permitted. However, exercise of the calls on account of these events is subject to the requirements set out in points (b) to (d) of above point. RBI will permit the bank to exercise the call only if the RBI is convinced that the bank was not in a position to anticipate these events at the time of issuance of PDIs.</p> <p><b>Tax Event :</b> If there is any change in, or amendment to, the laws affecting taxation (or regulations or rulings promulgated thereunder) in India or any change in the official application of such laws, regulations or rulings (a "Tax Event") like the Issuer will no longer being entitled to claim a deduction in respect of computing its taxation liabilities with respect to coupon on the Bonds, Issuer may, at its option, redeem the Bonds, in</p>
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		<p>whole but not in part, at a redemption price equal to outstanding principal amount subject to adjustment on account of "Loss Absorbency" and Other Events mentioned in the Term Sheet, together with any accrued but unpaid interest (subject to Coupon Discretion) to (but excluding) the date fixed for exercising call option on such Bonds. Any redemption upon the occurrence of a Tax Event will be subject to the provisions described under "Call Notification Time", if any and conditions from b) to d) enumerated under "Condition for exercise of Call Option"</p> <p><b>Regulatory Event :</b> If there is a change in the regulatory classification of the Bonds that occurs on or after the issue date of the Bonds (a "Regulatory Event"), Issuer may, at its option, redeem the Bonds, in whole but not in part, at a redemption price equal to outstanding principal amount subject to adjustment on account of "Loss Absorbency" and Other Events mentioned in the Summary Term Sheet, together with any accrued but unpaid interest (subject to Coupon Discretion) to (but excluding) the date fixed for exercising call option on such Bonds. Any redemption upon the occurrence of a Regulatory Event will be subject to the provisions described under "Call Notification Time", if any and conditions b) to d) enumerated under "Condition for exercise of Call Option".</p>
27	Call Option Price	At par i.e. Rs. 10,00,000/- (Rupees Ten Lacs) per Bond.
28	Call Notification Time	Twenty one (21) calendar days prior to the date of exercise of Call
29	Steps ups / other incentives to redeem.	In pursuance of RBI Guidelines, the Instruments shall not have any step-ups or other incentives to redeem.
30	Repurchase/redemption/ buy-back	(i) Principal of the instruments may be repaid (e.g. through repurchase or redemption) only with prior approval of RBI and bank shall not assume or create market expectations that supervisory approval will be given (this repurchase / buy-back /redemption of the principal is in a situation other than in the event of exercise of call option by the bank. One of the major differences is that in the case of the former, the option to offer the instrument for repayment on announcement of the decision to repurchase / buy-back /redeem the instrument, would lie with the investors whereas, in





		<p>case of the latter, it lies with the bank).</p> <p>(ii) Banks may repurchase / buy-back / redemption only if:</p> <p>(a) the Bonds are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or</p> <p>(b) The bank demonstrates that its capital position is well above the minimum capital requirements after the repurchase / buy-back / redemption.</p> <p>The Bonds so repurchased, bought-back or redeemed, may be held, reissued, resold, extinguished or surrendered at the option of the Bank, subject to applicable laws.</p>
31	Depository	National Securities Depository Limited ( the "NSDL") and Central Depository Services (India) Limited ( the "CDSL")
32	Events of Default	As specified in the Bond Trust Deed.
33	Cross Default	Not Applicable
34	Issuance	Only in dematerialized form
35	Trading	Only in dematerialized form
36	Issue Schedule	
	Issue Opening Date	02.05.2017
	Issue Closing Date	02.05.2017
37	Pay-In-Date	08.05.2017
38	Deemed Date of Allotment	08.05.2017
39	Minimum Application and in multiples of Debt securities thereafter	Ten (10) Bond and in multiples of 1 Bond thereafter
40	Settlement	Payment of interest shall be made by way of credit through direct credit/ NECS/ RTGS/ NEFT mechanism.
41	Loss Absorption	<p>These Instruments shall be subject to loss absorbency features applicable on Additional Tier 1 Instruments at Pre-specified Trigger point and at the Point of non-viability as contained in Master Circular No. RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated 01.07.2015, Notification No. RBI/2015-16/285 DBR.No.BP.BC.71/21.06.201/2015-16 dated 14.01.2016, RBI/2015-16/331 DBR.No.BP.BC.83/21.06.201/2015-16 dated 01.03.2016 and Notification No. DBR.BP.BC.No.50/21.06.201/2016-17 dated 02.02.2017 on Basel III Capital Regulations covering terms and conditions for issue of Perpetual Debt Instruments for inclusion as</p>





	<p>Additional Tier I Capital (Annex 4 of the Master Circular) and minimum requirement to ensure loss absorbency of Additional Tier 1 Instruments at pre-specified trigger point and of non-equity regulatory capital instruments at the Point of Non Viability (PONV) (Annex 16 of the Master Circular).</p> <p><b>I. Loss Absorption of Bonds at Objective Pre-Specified Trigger Point</b></p> <p>In conformity with RBI Basel III Guidelines, the Bonds shall have principal loss absorption at an objective pre-specified trigger point by way of temporary or permanent write-down mechanism which shall allocate losses to the Bonds. The write-down of the Bonds shall have the following effects:</p> <ul style="list-style-type: none"> <li>(i) reduce the claims of the Bondholders in liquidation;</li> <li>(ii) reduce the amount to be repaid when Call Option is exercised; and</li> <li>(iii) partially or fully reduce coupon payments on the Bonds.</li> </ul> <p>If fully paid-up Bonds are fully and permanently written-down, they cease to exist resulting in extinguishment of a liability of a bank (a non-common equity instrument) and thus create CET1.</p> <p>A temporary write-down is different from a conversion and a permanent write-down i.e. the original instrument may not be fully extinguished. Generally, the par value of the instrument is written-down (decrease) on the occurrence of the trigger event and which may be written-up (increase) back to its original value in future <i>in conformity with the provisions of the RBI Basel III Guidelines</i>. The amount shown on the balance sheet subsequent to temporary write-down may depend on the precise features of the Bonds and the prevailing accounting standards.</p> <p><b>II. Level of Pre-specified Trigger and Amount of Equity to be Created by Write-down.</b></p> <ul style="list-style-type: none"> <li>(i) The pre-specified trigger for loss absorption through write-down of Bonds shall be at least Common Equity Tier 1 capital of 6.125% of RWAs.</li> <li>(ii) The Bonds issued before March 31, 2019 i.e. before the full implementation of Basel III shall have two pre-specified triggers. A lower pre-</li> </ul>
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	<p>specified trigger at CET1 of 5.5% of RWAs shall apply and remain effective before March 31, 2019. From this date the trigger shall be raised to CET1 of 6.125% of RWAs for all such Bonds. Bonds issued on or after March 31, 2019 shall have pre-specified trigger at CET1 of 6.125% of RWAs only.</p> <p>(iii) The Write-down of any Common Equity Tier 1 capital shall not be required before a write-down of such Bonds.</p> <p>(iv) The write-down mechanism (temporary or permanent) which allocates losses to the Bonds must generate Common Equity Tier 1 (CET1) under applicable Indian Accounting Standards. The Bonds shall receive recognition in AT1 capital only upto the extent of minimum level of CET1 generated (i.e. net of contingent liability recognised under the Indian Accounting Standards, potential tax liabilities, etc., if any) by a full write-down of the Bonds.</p> <p>(v) The aggregate amount of bonds to be written-down on breaching the trigger level shall be at least the amount needed to immediately return the bank's CET1 ratio to the trigger level or, if this is not possible, the full principal value of the Bonds. The Bank shall have full discretion to determine the amount of AT1 instruments to be written-down subject to the amount of write-down not exceeding the amount which would be required to bring the CET1 ratio to 8% of RWAs (minimum CET1 of 5.5% + capital conservation buffer of 2.5%).</p> <p>(vi) If the Bank breaches the pre-specified trigger of loss absorbency of such Bonds and the equity is replenished either through write-down of 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 has attained 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. If the total CET1 ratio of the bank falls again below the 8%, it would include the replenished capital for the purpose of applying the capital conservation buffer framework.</p> <p>(vii) The write-down of the Bonds may be allowed more than once in case the bank hits the pre-specified trigger level subsequent to the first write-down which was partial.</p>
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	<p>(viii) The write-down of Bonds shall be primarily intended to replenish the equity in the event it is depleted by losses. Therefore, the Bank shall not use write-down of Bonds to support expansion of balance sheet by incurring further obligations/ booking assets. If the Bank's Common Equity ratio slips below 8% due to losses and is still above 6.125% i.e. trigger point, the Bank shall seek to expand its balance sheet further only by raising fresh equity from its existing shareholders or market and the internal accruals. The Bank may take fresh exposures to the extent of amortization of the existing ones. If any expansion in exposures, such as due to draw down of sanctioned borrowing limits, is inevitable, this should be compensated within the shortest possible time by reducing other exposures.</p> <p>(ix) For the purpose of determination of breach of trigger, the fresh equity, if any, raised after slippage of CET1 below 8% will not be subtracted. In other words, if CET1 of the bank now is above the trigger level though it would have been below the trigger had it not raised the fresh equity which it did, the trigger will not be treated as breached.</p> <p><b>III. Treatment of AT I Instruments in the event of Winding-Up, Amalgamation, Acquisition, Re-Constitution etc. of the Bank</b></p> <p>a. If the Bank goes into liquidation before the Bonds have been written-down, the Bonds shall absorb losses in accordance with the order of seniority indicated in the offer document and as per usual legal provisions governing priority of charges.</p> <p>b. If the Bank goes into liquidation after the Bonds have been written-down, the holders of the Bonds shall have no claim on the proceeds of liquidation.</p> <p><b>(A) Amalgamation of a banking company: (Section 44 A of BR Act, 1949)</b></p> <p>a) If the Bank is amalgamated with any other bank before the Bonds have been written-down, the Bonds shall become a part of the corresponding categories of regulatory capital of the new bank emerging after the merger.</p> <p>b) If the Bank is amalgamated with any other bank after the Bonds have been written-down temporarily, the amalgamated entity can write-up such Bonds as per its discretion.</p> <p>c) If the Bank is amalgamated with any other bank after the Bonds have been written-down permanently, such Bonds cannot be written-up by</p>
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	<p>the amalgamated entity.</p> <p><b>(B) Scheme of reconstitution or amalgamation of a banking company: (Section 45 of BR Act, 1949)</b></p> <p>a) If the relevant authorities decide to reconstitute the Bank or amalgamate the Bank with any other Bank under the Section 45 of BR Act, 1949, such a bank will be deemed as non-viable or approaching non-viability and both the pre-specified trigger and the trigger at the point of non-viability for write-down of Bonds will be activated. Accordingly, the Bonds shall be fully written-down permanently before amalgamation / reconstitution in accordance with these rules.</p> <p><b>(IV) Loss Absorption of Bonds at the Point of Non-Viability</b></p> <p>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 trigger event, called the "Point of Non-Viability (PONV) Trigger".</p> <p>b) <i>The PONV Trigger event is the earlier of:</i></p> <p>a. a decision that a full and permanent write-off, without which the Bank would become non-viable, is necessary, as determined by the Reserve Bank of India; and</p> <p>b. the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the relevant authority.</p> <p>c) The Write-off of any Common Equity Tier 1 capital shall not be required before the write-off of any Non-equity (Additional Tier 1 and Tier 2) regulatory capital instrument.</p> <p>d) 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 Bonds shall not carry any residual claims on the Bank 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.</p>
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#### **V. A Non-viable Bank**

For the purpose of these guidelines, 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 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 non-viable. Such measures would include write-off of Bonds in combination with or without other measures as considered appropriate by the Reserve Bank of India.

In rare situations, a bank may also become non-viable due to non-financial problems, such as conduct of affairs of the bank in a manner which is detrimental to the interest of depositors, serious corporate governance issues, etc. In such situations raising capital is not considered a part of the solution and therefore, may not attract provisions of this framework.

#### **VI. Restoring Viability**

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

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

#### **VII. Other Requirements to be met by the Non-common Equity Capital Instruments so as 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





	<p>occurrence of the "Point of Non-Viability (PONV) Trigger.</p> <p>b) The amount of Bonds to be written-off shall be determined by the Reserve Bank of India.</p> <p>c) If the bank breaches the PONV trigger and the equity is replenished either 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 of 8% without counting the replenished equity capital, that point onwards, the bank may include the replenished equity capital for all purposes.</p> <p>d) If the total CET1 ratio of the bank falls again below the total Common Equity ratio of 8%, it would include the replenished capital for the purpose of applying the capital conservation buffer framework.</p> <p><b>VIII. Criteria to Determine the PONV</b></p> <p>a) 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:</p> <ol style="list-style-type: none"> <li>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</li> <li>if left unattended, the weaknesses would inflict financial losses on the bank and, thus, cause decline in its common equity level.</li> </ol> <p>b) The purpose of write-off of non-equity regulatory capital elements will 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.</p> <p>The <b>Stage 1</b> assessment would consist of purely objective and quantifiable criteria to indicate that there is a <i>prima facie</i> case of the Bank approaching non-viability and, therefore, a closer examination of the bank's financial situation is warranted.</p>
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		<p>The <b>Stage 2</b> 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.</p> <p>c) 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 a public sector injection of funds.</p> <p>d) The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level will trigger conversion / write-off.</p> <p>e) As the capital adequacy is applicable both at solo and consolidated levels, the <b>minority interests</b> in respect of capital instruments issued by subsidiaries of Bank (if any) including overseas subsidiaries (if any) can be included in the consolidated capital of the banking group only if these 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) In addition, 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 that instrument must specify an additional trigger event.</p>
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		<p>h) This additional trigger event is the earlier of:</p> <p>(1) a decision that a write-off, without which the bank or the subsidiary would become non-viable, is necessary, as determined by the Reserve Bank of India; and</p> <p>(2) 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 or issuance of any new shares as a result of conversion 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> <p>i) In such cases, the subsidiary should obtain its regulator's approval/no-objection for allowing the capital instrument to be converted/written-off at the additional trigger point referred above.</p> <p>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>
42	Treatment in Insolvency	The instrument cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of a requirement to prove insolvency under any law or otherwise.
43	Transaction Documents	<p>The Issuer shall execute the documents including but not limited to the following in connection with the issue:</p> <p>(i) Letter appointing Trustees to the Bond Holders.</p> <p>(ii) Bond trustee agreement;</p> <p>(iii) Bond trustee deed</p> <p>(iv) Rating agreement with Rating agency;</p> <p>(v) Tripartite agreement between the Issuer, Registrar and NSDL for issue of Bonds in dematerialized form;</p> <p>(vi) Tripartite agreement between the Issuer, Registrar and CDSL for issue of Bonds in dematerialized form;</p> <p>(vii) Letter appointing Registrar and agreement entered into between the Issuer and the Registrar.</p> <p>(viii) Letter(s) Appointing Arranger to the Issue</p> <p>(viii) Listing Agreement with NSE.</p> <p>(ix) Disclosure Document</p>
44	Conditions precedent to subscription of	The subscription from investors shall be accepted





	Bonds	<p>for allocation and allotment by the Issuer subject to the following:</p> <p>(i) Rating letter(s) from the aforesaid rating agencies not being more than one month old from the issue opening date;</p> <p>(ii) Letter from the Trustees conveying their consent to act as Trustees for the Bondholder(s);</p> <p>(iii) Letter to NSE for seeking its In-principle approval for listing and trading of Bonds</p>
45	Conditions subsequent to subscription of Bonds	<p>The Issuer shall ensure that the following documents are executed/ activities are completed as per time frame mentioned elsewhere in this Term Sheet :</p> <p>(i) Credit of demat account(s) of the allottee(s) by number of Bonds allotted within 2 working days from the Deemed Date of Allotment</p> <p>(ii) Making listing application to NSE within 15 days from the Deemed Date of Allotment of Bonds and seeking listing permission within 20 days from the Deemed Date of Allotment of Bonds in pursuance of SEBI Debt Regulations;</p> <p>(In the event of a delay in listing of the Bonds beyond 20 days of the Deemed Date of Allotment, the Issuer will pay to the investor penal interest of 1% per annum over the Coupon Rate commencing on the expiry of 30 days from the Deemed Date of Allotment until the listing of the Bonds.)</p> <p>(iii) Neither the Bank nor any related party over which the Bank exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the Bonds, nor would the Bank directly or indirectly fund the purchase of the Bonds. The Bank shall also not grant advances against the security of the Bonds issued by it.</p> <p>Besides, the Issuer shall perform all activities, whether mandatory or otherwise, as mentioned elsewhere in this Term Sheet.</p>
46	Business Day Convention	<p>In pursuance of circular no. CIR/IMD/DF-1/122/2016 dated November 11, 2016 issued by SEBI:</p> <p>(i) If any Coupon Payment Date falls on a day that is not a Business Day, the Coupon Payment shall be made by the Bank on the immediately succeeding Business Day and calculation of such coupon payment shall be as per original schedule as if such Coupon Payment Date were a Business Day. Further the future Coupon Payment Dates shall remain intact and shall not be disturbed because of postponement of</p>





		<p>such coupon payment on account of it falling on a non Business Day;</p> <p>(ii) If the Call Option Due Date (also being the last Coupon Payment Date, in case call option is exercised) of the Bonds falls on a day that is not a Business Day, the Call Option Price shall be paid by the Bank on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment;</p> <p>(iii) In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day shall be considered as the Record Date.</p> <p>Business days/ working days shall be all days on which the money market is functioning in the city of Mumbai, Maharashtra.</p>
47	Re-capitalization	<p>The Bonds shall not have any features that hinder re-capitalization, such as provisions which require the Bank to compensate investors if a new instrument is issued at a lower price during a specified time frame.</p>
48	Order of Write down of such bonds	<p>The order of claims / write-down of various types of regulatory capital instruments issued by the Bank or may be issued by the Bank in future shall be in accordance with the order of seniority and as per usual legal provisions governing priority of charges. The claims of Bondholders (investors in Perpetual Debt Instruments for inclusion as Additional Tier 1 Capital) shall be:</p> <p>(i) superior to the claims of investors in equity shares and perpetual non-cumulative preference shares and other regulatory capital instruments eligible for inclusion in Tier 1 capital of the Bank ;</p> <p>(ii) subordinated to the claims of (a) all depositors, (b) general creditors and (c) subordinated debt of the bank other than subordinated debt qualifying as Additional Tier 1 Capital (as the term is defined in the Basel III Guidelines) ; (d) Debt Capital Instruments eligible for inclusion in Tier 2 capital issued and to be issued in future by the Bank; (e) perpetual cumulative preference shares; (f) redeemable non-cumulative preference shares; (g) redeemable cumulative preference shares eligible for inclusion in Tier 2 capital issued and to be issued in future by the Bank;</p>





		<p>(iii) neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.</p> <p>(iv) claims of Perpetual Debt Instruments eligible for inclusion in Additional Tier 1 capital shall be on pari passu basis amongst themselves irrespective of the date, amount or terms of issue;</p> <p>(v) pari passu with the claims of investors in instruments eligible for inclusion in Additional Tier 1 capital including but not limited to (a) perpetual non-cumulative preference shares eligible for inclusion in Additional Tier 1 capital; and (b) perpetual debt instruments eligible for inclusion in Additional Tier 1 capital of the Bank;</p> <p>(v) Claims of holders of perpetual non-cumulative preference shares, if any shall be superior to the claims of holders of equity/ common shares;</p>
49	Reporting of Non Payment of Coupons	All Instances of non payment of coupon shall be notified by the issuing bank to the Chief General Managers –in-Charge of Department of Banking Regulation and Department of Banking Supervision of the Reserve Bank of India, Mumbai.
50	OTHER GENERAL TERMS	
a.	Eligible Investors	<p>a. Mutual Funds;</p> <p>b. Public Financial Institutions as defined under the Companies Act.</p> <p>c. Scheduled Commercial Banks;</p> <p>d. Insurance Companies;</p> <p>e. Provident Funds, Gratuity Funds, Superannuation Funds and Pension Funds;</p> <p>f. Co-operative Banks;</p> <p>g. Regional Rural Banks authorized to invest in bonds/ debentures;</p> <p>h. Companies and Bodies Corporate authorized to invest in bonds/ debentures;</p> <p>i. Trusts authorized to invest in bonds/ debentures; and</p> <p>j. Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures, etc</p> <p>Prospective subscribers must make their own independent evaluation and judgment regarding their eligibility to invest in the issue.</p> <p>The following are considered as Ineligible</p>





		<p>investors:</p> <p>i. Retail investors.</p> <p>ii. Investment by FIIs and NRIs shall be within overall limit of 49 % and 24 % of this issue respectively, subject to the investment by each FII not exceeding 10 % of the issue and investment by each NRI not exceeding 5 % of the issue.</p> <p>Any other Institution/Entity which are barred from investing by their respective Regulatory Authorities.</p>
b.	Governing Law and 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 competent courts of New Delhi.
c.	Applicable RBI Guidelines	<p>The present issue of Bonds / Debentures is being made in pursuance of Master Circular No. RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated 01.07.2015, Notification No. RBI/2015-16/285 DBR.No.BP.BC.71/21.06.201/2015-16 dated 14.01.2016, RBI/2015-16/331 DBR.No.BP.BC.83/21.06.201/2015-16 dated 01.03.2016 and Notification No. DBR.BP.BC.No.50/21.06.201/2016-17 dated 02.02.2017 issued by RBI on Basel III Capital Regulations (Master Circular) covering terms and conditions for issue of Perpetual Debt Instruments (PDI) for inclusion in Additional Tier I Instruments (annex 4 of the master circular) and minimum requirements to ensure loss absorbency of Additional Tier 1 Instruments at pre-specified trigger point and of all non equity regulatory capital instruments at the point of non viability (PONV) (Annexure 16 of the master Circular).</p>
d.	Prohibition on Purchase/ Funding of Bonds	Neither the bank nor a related party over which the bank exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the instrument, nor shall the bank directly or indirectly should fund the purchase of the instrument. Bank shall also not grant advances against the security of the Bonds issued by it.
e.	Trustees	Vistra ITCL (India) Limited
f.	Role and Responsibility of Trustee	The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the Trust Reposed in the Trustees by the Holder(s) of the Bonds and shall further conduct itself and complied with the provisions of all applicable laws provided that, the provisions of Sec. 20 of the Indian Trusts Act, 1882 shall not be applicable to the Trustees. The Trustees shall





		<p>carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debt Securities Trustees), Regulations, 1993, the Bond/Debt Securities Trust Deed, Disclosure Document and all other related transaction documents with due care, diligence and loyalty.</p> <p>The Trustees shall be vested with the requisite powers for protecting the interest of Holder(s) of the Bonds. The Trustees shall ensure disclosure of all material events on an ongoing basis</p>
g.	Registrar	Link Intime India Private Limited

\* \* The Issuer reserves its sole and absolute right to modify (pre-poned/ postpone) the above issue schedule without giving any reasons or prior notice. In such a case, investors shall be intimated about the revised time schedule by the Issuer. The Issuer also reserves the right to keep multiple Deemed Date(s) of Allotment at its sole and absolute discretion without any notice. In case if the Issue Closing Date/ Pay in Date is/are changed (pre-poned/ postponed), the Deemed Date of Allotment may also be changed (pre-poned/ postponed) by the Issuer at its sole and absolute discretion. Consequent to change in Deemed Date of Allotment, the Coupon Payment Dates may also be changed at the sole and absolute discretion of the Issuer.

