

Yes Bank Limited

October 19, 2026

CareEdge Ratings (CareEdge Ratings Limited) takes note of the ruling by the Honourable Supreme Court on October 15, 2026, setting aside the write-down of Additional Tier-1 (AT-1) bonds aggregating to ₹8,415 crore issued by Yes Bank Limited (YBL; rated CARE AA+; Stable / CARE A1+). The ruling upholds the earlier order of the Bombay High Court in January 2023, which had directed reinstatement of the said AT-1 bonds.

The above-mentioned AT-1 bonds bearing ISINs INE528G08352 and INE528G08394 were issued by YBL during FY17 and FY18. Given the deterioration in YBL's financial risk profile, the bank was placed under moratorium by the Reserve Bank of India (RBI) in March 2020. Subsequently, the Yes Bank Reconstruction Scheme, 2020, drafted by RBI, was notified for the revival of the bank. As part of the reconstruction, the AT-1 bonds were written down by the administrator appointed by RBI. The investors challenged this decision, and the Bombay High Court set aside the write-down in January 2023. YBL then appealed to the Supreme Court, which has now upheld the judgement of the Bombay High Court.

In its stock exchange disclosure dated October 17, 2026, and other communications, YBL has stated that it is evaluating the order and taking legal opinion to decide its further course of action.

Reinstatement of the AT-1 bonds is expected to reduce the bank's common equity tier-1 (CET-1) ratio, as an equivalent amount of CET-1 capital would be replaced by the reinstated bonds. Considering the principal value of these bonds aggregating to ₹8,415 crore, the pro-forma CET-1 for the quarter ended September 30, 2026, is expected to be impacted by ~250 bps, whereas Tier-1 capital and overall capitalisation (CRAR) would remain broadly at similar levels. YBL would need to raise equity capital to restore its CET-1 to earlier levels, as a lower CET-1 could constrain its growth. The Bank has not recognised any financial impact arising from the judgment in its financial statements as of September 30, 2026. Further, the Bank has disclosed the pro forma impact of the restatement of AT1 bonds on its profitability, which is estimated at approximately ₹6,300 crore (net of tax), assuming the financial impact of the judgment had been recognised as of September 30, 2026.

Furthermore, CareEdge Ratings notes that the Honourable Supreme Court has also ruled that the annual coupon on the AT-1 bonds is to be paid as per the Information Memorandum (IM). As per the terms of the IM, the coupon payments are discretionary and non-cumulative. The bank is currently evaluating the judgement and considering suitable action in relation there to. Any payment of past coupons may further affect profitability and capitalisation.

CareEdge Ratings believes that YBL is adequately capitalised and would be able to absorb the impact, given its ability to raise capital, supported by its largest shareholder Sumitomo Mitsui Banking Corporation (SMBC), and the overall improvement in its financial performance over the last couple of years. Furthermore, as YBL is a strategic investment of SMBC, CareEdge Ratings expects SMBC to continue to support YBL going forward.

YBL is currently evaluating the judgement including suitable actions going forward. CareEdge Ratings has taken cognisance of the judgement and will continue to closely monitor further developments and assess any potential implications arising from the matter.

Refer the following link for the previous press release that captures key rating factors and rating sensitivities: [Link](#)

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