

YBL/CS/2021-22/0052

August 27, 2021**National Stock Exchange of India Limited**

Exchange Plaza, Plot no. C/1, G Block,
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051
Tel.: 2659 8235/36 8458
NSE Symbol: YESBANK

BSE Limited

Corporate Relations Department
P.J. Towers, Dalal Street
Mumbai - 400 001
Tel.: 2272 8013/15/58/8307
BSE Scrip Code: 532648

Dear Sirs,

Sub: Update on Credit Ratings

In terms of Regulation 30 of the Listing Regulations, we would like to update on the Press Release issued by India Ratings, affirming the rating assigned to the Bank's Long-Term Issuer Rating as detailed below:

Credit Rating Agency	Debt Instrument	Current Rating	Ratings Action
India Ratings	Infrastructure Bonds	IND BBB/Stable	Affirmed
	Basel III tier 2 bonds	IND BBB-/Stable	Affirmed

The outlook is stable.

We request you to kindly take the same on your record. The press release on ratings and the rational is enclosed herewith.

The same is also being hosted on the Bank's website at www.yesbank.in

Thanking you,

Yours faithfully,

For YES BANK LIMITED

Shivanand R. Shettigar
Company Secretary

Encl: A/a

India Ratings Affirms Yes Bank at 'IND BBB'/Stable

26

AUG 2021

By Jindal Haria

India Ratings and Research (Ind-Ra) has affirmed Yes Bank Ltd's Long-Term Issuer Rating to 'IND BBB'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type*	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Infrastructure bonds	-	-	-	INR35.8	IND BBB/Stable	Affirmed
Basel III tier 2 bonds	-	-	-	INR110	IND BBB-/Stable	Affirmed

*Details in Annexure

KEY RATING DRIVERS

Improving Deposit Profile: Yes Bank's deposits increased to INR1.63 trillion in 1QFY22 (FYE20: INR105.4 trillion). Its current account-savings accounts increased almost 50% yoy in 1QFY22, while the retail term deposits increased by about 40%. The strategies that led to this improvement were: new customer accretion; increasing transactional flows through cash management; the winning-back of erstwhile depositors, and making liabilities an important factor for employees' performance evaluation, especially across customer-facing roles.

Yes Bank's average deposit size is higher than its peers, giving the bank access to affluent customers. Compared with other larger banks, Yes Bank reduced its interest rate spread on deposit rates to 0.5%-0.75% over 2QFY21-4QFY21 (1QFY21: 1.5%). The agency believes the bank needs continued traction to continue increasing the granularisation of its deposits.

Liquidity Indicator – Adequate: Owing to an improvement in its liabilities and deposit profile, Ind-Ra believes the bank does not face the risk of non-compliance of the statutory liquidity ratio (SLR) and liquidity coverage ratio (LCR). The quarterly average LCR of the bank was 132% at end-1QFY22 (average-1QFY21: about 42%; end-1QFY21: 114%).

The bank's short-term liabilities exceeded the short-term assets by 5% of total assets at end-1QFY22 (end-1QFY21: 15%) and is manageable, in the agency's opinion. With likely moderate growth in advances on the account of macro/ COVID-19 concerns in FY22, Ind-Ra expects the deposit pricing to continue improving; the agency believes the deposit rate reductions in FY21 will continue to play out in FY22 and possibly in FY23 as deposits come up for renewals. The quantum of certificate of deposits declined about 60% yoy to INR38 billion in 1QFY22.

Recoveries Could Drive Profitability: The bank has seen losses of INR34 billion in FY21, mainly on account of fresh slippages of INR120 billion, where the bank has almost maintained its provision cover. The bank maintained provision cover of 67% (excluding technical write-offs) on gross non-performing assets at end-1QFY22 and over 90% provisions on non-performing investments. Excluding recoveries, under Ind-Ra's stress tests, the bank could see modest losses and hence recoveries would be important for the bank to achieve its short-to-medium term goals. The bank has gross non-performing assets, investments and technically written-off exposures of up to INR500 billion; hence the management believes the bank could see material recoveries in FY22 and FY23.

In FY21, the bank witnessed upgradation and recoveries (including cash recoveries) of INR50 billion. The bank has a target of INR50 billion of recoveries in FY22, out of which it recovered INR6 billion in 1QFY22. The bank's operating costs, in line with the agency and the management's expectation, have not increased materially and are also not expected to as the bank sweats its existing network, branches and assets. Overall, banks and the agency believe the deposit costs could decline further while the decline in yields could be slower as the bank moves towards its target of having 60% non-corporate portfolio. Consequently, the agency believes the bank's performance in FY22 would be critical to ascertain its performance trajectory.

Capital Levels Adequate: Yes Bank reported common equity tier-1 (CET-1) of 11.6% at end-1QFY22 (peak in FY21 was 13.6%). The bank carries deferred tax assets of INR64 billion, that are reduced from the network to arrive at the CET-1; as the assets against which provisions are made get written off or sold, the agency believes the deferred tax assets would get utilised and result in an increase in CET-1. The agency is of the opinion that the capital levels seem adequate to withstand expected stresses. Ind-Ra also expects the bank to benefit from its association with its single largest shareholder the State Bank of India ([IND AAA/Stable](#)); the State Bank of India has to maintain a minimum of 26% holding in the bank till March 2023 (YTDFY22: currently 30%) based on Yes Bank's reconstruction plan.

Ind-Ra's criteria '[Rating Bank Subordinated and Hybrid Securities](#)' states that for banks lower than 'IND A' category, the rating of Tier-2 instruments should be at least one notch lower than the long-term issuer rating. The bank has operationally improved its position and Ind-Ra does not expect the bank to fail its obligations on existing sub-debt.

Pressure on Asset Quality to Continue: COVID-19 related lockdowns through FY21 and 1QFY22 have impacted the bank's asset quality; the bank has seen about INR120 billion of slippages in FY21 – few of these are from real estate and hospitality sectors. In fact, the restructured loans (INR50 billion) and special mention accounts also had exposures in the aforementioned segments at end-1QFY22.

Some of the large hospitality-stressed exposures could be well-placed to recover with the economy. The bank also has exposure to a known stressed telecom account. In addition, the bank has disbursed over INR50 billion under the Emergency Credit Line Guarantee Scheme till 1QFY22. The bank has stated that it does not have a material pipeline for the Emergency Credit Line Guarantee Scheme's disbursements or restructuring post 1QFY22. The agency believes the aforementioned factors will continue to weigh on the bank's asset

quality. Ind-Ra expects that the non-corporate segment, including the bulk of incremental disbursements to perform in line with the broader banking segment.

RATING SENSITIVITIES

Positive: A sustained increase in the franchise scale, along with a considerable improvement in the retail franchise, with a more granular funding and asset mix, while building stronger capital and operating buffers, could lead to a positive rating action.

Negative: Any further material deterioration in the asset quality from the current levels, owing to COVID-19 or otherwise, and an impairment in the funding profile could lead to a negative rating action. A sizeable drop in the provision cover or CET-1 falling below 10%, could also lead to negative rating action.

COMPANY PROFILE

Yes Bank was established in 2004 as a new-generation private sector bank, headquartered in Mumbai. It was incorporated in 2004 and has grown to become a full service commercial bank, providing complete range of products, services and digital offerings, catering to corporate, micro, small and medium enterprises and retail customers.

FINANCIAL SUMMARY

Particulars (INR billion)	FY21	FY20
Total assets	2,735.43	2,578.30
Total equity	331.96	217.3
Net income	-34.6	-227.2
Return on assets (%)	-1.3	-7.1
CET-1 (%)	11.2	6.3
Source: YES Bank		
*Excluding proceeds from write off of additional tier-1 bonds		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Rating Watch/Outlook							
	Rating Type	Rated Limits (billion)	Rating	27 August 2020	18 March 2020	6 March 2020	12 February 2020	28 January 2020	18 December 2019	31 August 2019	8 May 2019
Issuer rating	Long-term/Short-term	-	IND BBB/Stable	IND BBB / Stable	IND BB-/RWE	IND BB-/RWN	IND A-/RWN	IND A/RWN	IND A/RWN/IND A1/RWN	IND A+/Negative/IND A1+	IND AA-/Negative/IND A1+
Basel III tier 2 bonds	Long-term	INR110	IND BBB-/Stable	IND BBB-/Stable	IND B+/RWE	IND B+/RWN	IND A-/RWN	IND A/RWN	IND A/RWN	IND A+/Negative	IND AA-/Negative
Infrastructure bonds	Long-term	INR35.8	IND BBB-/Stable	IND BBB-/Stable	IND BB-/RWE	IND BB-/RWN	IND A-/RWN	IND A/RWN	IND A/RWN	IND A+/Negative	IND AA-/Negative

ANNEXURE

Issue name/Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Infrastructure bonds	INE528G08360	29 December 2016	7.62	29 December 2023	INR3.3	IND BBB-/Stable
Total utilised					INR3.3	
Total unutilised					INR32.5	
Basel III tier 2 bonds	INE528G08378	29 September 2017	7.8	29 September 2027	INR25	IND BBB-/Stable
Basel III tier 2 bonds	INE528G08386	3 October 2017	7.8	1 October 2027	INR15	IND BBB-/Stable
Basel III tier 2 bonds	INE528G08402	22 February 2018	8.73	22 February 2028	INR30	IND BBB-/Stable
Basel III tier 2 bonds	INE528G08410	14 September 2018	9.12	15 September 2028	INR30.42	IND BBB-/Stable
Total utilised					INR100.42	
Total unutilised					INR9.58	

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Infrastructure Bonds	Low
Basel III tier 2 bonds	Moderate

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/RATING-DEFINITIONS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE WWW.INDIARATINGS.CO.IN. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Applicable Criteria

[Financial Institutions Rating Criteria](#)
[Rating Bank Subordinated and Hybrid Securities](#)

Analyst Names

Primary Analyst

Jindal Haria

Director

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001750

Secondary Analyst

Meet Shah

Analyst

9870259951

Committee Chairperson

Prakash Agarwal

Director and Head Financial Institutions

+91 22 40001753

Media Relation

Ankur Dahiya

Manager – Corporate Communication

+91 22 40356121
