



YBL/CS/2020-21/56

August 03, 2020

**National Stock Exchange of India Limited**  
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Mumbai - 400 051  
**NSE Symbol: YESBANK**

**BSE Limited**  
Corporate Relations Department  
P.J. Towers, Dalal Street  
Mumbai - 400 001  
**BSE Scrip Code: 532648**

Dear Sirs,

**Subject: Press release on Credit Ratings by Moody's Investor Service**

Please find enclosed Press Release issued by Moody's Investor Service titled "*Moody's upgrades Yes Bank to B3 following equity capital raising; outlook stable*"

The same is being hosted on the Bank's website [www.yesbank.in](http://www.yesbank.in) in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the above on record.

Thanking you,

**For YES BANK Limited**

**Shivanand Shettigar**  
**Group Company Secretary**

Encl.: as above

**Rating Action: Moody's upgrades Yes Bank to B3 following equity capital raising; outlook stable**

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03 Aug 2020

Singapore, August 03, 2020 -- Moody's Investors Service ("Moody's") has upgraded Yes Bank Limited's (Yes Bank) long-term foreign currency issuer rating to B3 from Caa1.

Moody's has also upgraded the bank's long-term foreign and local currency bank deposit ratings to B3 from Caa1, and its foreign currency senior unsecured MTN program rating to (P)B3 from (P)Caa1.

In addition, Moody's has upgraded the bank's long-term local and foreign currency Counterparty Risk Ratings (CRR) and long-term Counterparty Risk (CR) Assessment to B3 from Caa1 and B3(cr) from Caa1(cr) respectively.

At the same time, Moody's has upgraded Yes Bank's Baseline Credit Assessment (BCA) and Adjusted BCA to caa2 from ca.

The outlook on Yes Bank's ratings where applicable is changed to stable from positive.

For a detailed list of the affected ratings for both Yes Bank Limited and Yes Bank, IFSC Banking Unit Branch, please refer to the end of this press release.

**RATINGS RATIONALE**

**IMPROVED SOLVENCY AS A RESULT OF A CAPITAL INCREASE DRIVING THE UPGRADE**

Yes Bank's successful equity capital raise of INR150 billion (about \$2 billion) has bolstered its solvency and is the main driver of the ratings upgrade.

The successful equity raising showcases Yes Bank's regained access to external market funds, which is a result of its improving financial strength and will support depositor confidence.

Given the improved solvency, Moody's has upgraded Yes Bank's BCA to caa2 from ca. The bank's B3 issuer rating is two notches above the bank's caa2 BCA, reflecting Moody's expectation of a high level of support from Government of India (Baa3 negative), in times of need.

Following the capital increase, the bank's Common Equity Tier 1 ratio will more than double to 13.4% from 6.6% based on the bank's capital position at the end of June 2020, bringing its capitalization largely in line with its private sector peers. The significantly improved solvency ratio strengthens the bank's resilience to potential asset quality risks resulting from the ongoing impact of the economic slowdown and coronavirus-related disruptions on India's economy.

Yes Bank's funding and liquidity have moderately improved in the second quarter of 2020, although they are still weaker than a year ago. Deposits, including current, savings and term deposits, increased 11% during March and June 2020, but remain 48% less than the same period last year. The deposit growth was largely driven by current account, corporate term deposits and certificate of deposits.

Despite the improvement in its deposits base, Moody's expects that it will be challenging for Yes Bank to restore its low-cost current and savings account (CASA) deposits to pre-March 2020 rescue levels. Even prior to its rescue, Yes Bank's low CASA ratio was a weakness relative to other rated Indian private sector banks.

In addition, the bank's liquidity coverage ratio (LCR) has trebled to 114% as of 30 June 2020 from 40% at 31 March 2020. The LCR improvement is partially driven by the liquidity support from the Reserve Bank of India (RBI).

However, Yes Bank continues to face the risk of a further deterioration in asset quality in light of the ongoing economic disruption caused by the coronavirus outbreak. About 40%-45% of the bank's loans were under a repayment moratorium as of mid-April 2020. Any further deterioration in asset quality will strain the bank's

already weak profitability.

Yes Bank reported a modest profit with return on assets of 0.1%, in the first quarter of financial year ending March 2021. Moody's expects the bank to remain profitable over the next 12-18 months, but it won't be enough to support a significant internal capital generation.

Moody's assumes a high level of government support for Yes Bank, resulting in a two-notch uplift. This is lower than the three notches of support Moody's previously incorporated in the bank's rating, but is still higher than the moderate support Moody's assumes for higher rated private sector Indian Banks.

Government support in the form of a recapitalization as orchestrated by the authorities in March 2020, under which a number of Indian public and private sector banks injected capital into Yes Bank following a moratorium imposed by the Reserve Bank of India (RBI), has enabled the bank to continue as a going concern.

Yes Bank continues to benefit from liquidity support of around INR250 billion from the RBI as of 28 July 2020. In March 2020, the bank had received a total of INR500 billion in liquidity support from the RBI.

Moody's expects that as the bank's operations normalize the extraordinary government support will reduce. As a result, Moody's expects to lower support assumption in Yes Bank's rating to moderate from high, as currently assumed, in line with the level assumed for Yes Bank's other Indian peers. A change in the support assumption to moderate may result in a one notch uplift to the bank's ratings.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

### WHAT COULD CHANGE THE RATING UP

Given the bank's improved solvency, Moody's notes that there is further upside potential to Yes Bank's BCA and ratings over the next 12-18 months. Nevertheless, similar to other banks that undergo a restructuring, Moody's expects that any improvement in BCA will be gradual depending on the bank's ability to restore its franchise strength, improve its funding and maintain its stable solvency.

### WHAT COULD CHANGE THE RATING DOWN

Moody's could downgrade the bank's ratings and BCA if: (i) its capital deteriorates materially because of asset strain and/or (ii) the bank's funding and liquidity deteriorate and the bank continues to remain dependent on liquidity support from the regulator for a period beyond the next 12-18 months.

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1147865](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1147865). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

Yes Bank Limited is headquartered in Mumbai and reported total assets of INR2.6 trillion (\$33.8 billion) at 30 June 2020.

### LIST OF AFFECTED RATINGS:

#### Upgrades:

..Issuer: Yes Bank Limited

.... Adjusted Baseline Credit Assessment, upgraded to caa2 from ca

.... Baseline Credit Assessment, upgraded to caa2 from ca

.... Long-term Counterparty Risk Assessment, upgraded to B3(cr) from Caa1(cr)

.... Long-term Foreign currency and Local currency Counterparty Risk Ratings, upgraded to B3 from Caa1

.... Long-term Foreign currency Issuer Rating, upgraded to B3 from Caa1, outlook changed to stable from positive

.... Long-term Foreign currency Senior Unsecured Medium-Term Note Program, upgraded to (P)B3 from (P)Caa1

.... Long-term Foreign currency and Local currency Deposit Ratings, upgraded to B3 from Caa1, outlook

changed to stable from positive

..Issuer: Yes Bank, IFSC Banking Unit Branch

.... Long-term Counterparty Risk Assessment, Upgraded to B3(cr) from Caa1(cr)

.... Long-term Foreign currency and Local currency Counterparty Risk Ratings, upgraded to B3 from Caa1

.... Long-term Foreign currency Senior Unsecured Medium-Term Note Program, upgraded to (P)B3 from (P)Caa1

.... Long-term Foreign currency Senior Unsecured Regular Bond/Debenture, upgraded to B3 from Caa1, outlook changed to stable from positive

Affirmations:

..Issuer: Yes Bank Limited

.... Short-term Counterparty Risk Assessment, Affirmed NP(cr)

.... Short-term Foreign currency and Local currency Counterparty Risk Ratings, Affirmed NP

.... Short-term Foreign currency and Local currency Deposit Ratings, Affirmed NP

..Issuer: Yes Bank, IFSC Banking Unit Branch

.... Short-term Counterparty Risk Assessment, Affirmed NP(cr)

.... Short-term Foreign currency and Local currency Counterparty Risk Ratings, Affirmed NP

Outlook Actions:

..Issuer: Yes Bank Limited

....Outlook, changed to stable from positive

..Issuer: Yes Bank, IFSC Banking Unit Branch

....Outlook, changed to stable from positive

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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