

YBL/CS/2020-21/104

December 08, 2020

**National Stock Exchange of India Limited**  
Exchange Plaza,  
Plot no. C/1, G Block,  
Bandra - Kurla Complex  
Bandra (E), 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,

**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 Brickwork Ratings, upgrading the rating assigned to the debt instrument of the Bank as detailed below:

| Credit Rating Agency | Debt Instrument                                   | Current Rating | Revised Ratings               |
|----------------------|---|----------------|-------------------------------|
| Brickwork Ratings    | Tier I Subordinated<br>Perpetual Bonds (Basel II) | BWR D          | BWR BB+/ Stable<br>(Upgraded) |

Further the ratings of the following debt instruments have been withdrawn due to redemption of the instruments.

1. Upper Tier II Bonds (Basel II)
2. Innovative Perpetual Debt Instruments (Basel II)
3. Lower Tier II Bonds (Basel II)

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](http://www.yesbank.in)

Thanking you,

Yours faithfully,

For YES BANK LIMITED



for Shivanand R. Shettigar  
Group Company Secretary

Encl: As above

## RATING RATIONALE

7 December 2020

### Yes Bank Limited

**Brickwork Ratings upgrades the rating of Tier I Subordinated Perpetual Bonds (Basel II) and withdraws the rating of Upper Tier II Bonds (Basel II), Lower Tier II Bonds (Basel II) and Innovative Perpetual Debt Instruments (Basel II) of Yes Bank Limited**

#### Particulars

| Instrument**                                     | Amount Rated<br>(Rs Crs) |              | Tenure                           | Rating*                    |                                   |
|--|--------------------------|--------------|----------------------------------|----------------------------|-----------------------------------|
|  | Previous                 | Present      |                                  | Previous<br>(6 March 2020) | Present                           |
| Tier I Subordinated Perpetual Bonds (Basel II)   | 90.00                    | 90.00        | Long Term                        | BWR D                      | <b>BWR BB+/ Stable (Upgraded)</b> |
| Upper Tier II Bonds (Basel II)                   | 450.00                   | 0.00         | Long Term                        | BWR D                      | <b>Rating Withdrawn #</b>         |
| Innovative Perpetual Debt Instruments (Basel II) | 230.00                   | 0.00         | Long Term                        | BWR D                      | <b>Rating Withdrawn #</b>         |
| Lower Tier II Bonds (Basel II)                   | 260.00                   | 0.00         | Long Term                        | BWR D                      | <b>Rating Withdrawn #</b>         |
| <b>Total</b>                                     | <b>1030.00</b>           | <b>90.00</b> | <b>Rupees Ninety Crores Only</b> |                            |                                   |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

\*\* Details of Instruments are provided in Annexure I.

# On account of redemption of instruments

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) upgrades the rating of Tier I Subordinated Perpetual Bonds (Basel II) to BWR BB+/ Stable from BWR D of Yes Bank Limited (YBL or the bank). The rating upgrade factors in improvement in capitalisation ratios of the bank, strong shareholder base and experienced board members.

In March 2020 RBI had superseded the Board of Directors of the bank and imposed a moratorium for a period of 30 days from 5 March 2020. The RBI also appointed Mr. Prashant Kumar (former Deputy Managing Director and Chief Financial Officer of State Bank of India) as the Administrator and published a draft scheme for reconstruction for the Bank. GOI approved the 'Yes Bank Reconstruction scheme, 2020' and the scheme came into effect from 13 March 2020. As per the scheme of reconstruction, the moratorium was lifted on 18 March 2020. State Bank of India (SBI) and a few domestic private sector financial institutions invested Rs.10,000 Crs in the bank as a part of restructuring and to bolster the bank's capital ratios, which had weakened significantly following the large loss in Q3 FY20 on account of higher



provisions. The common equity Tier I (CET-I) and total capital adequacy ratio (CAR) had fallen to 0.6% and 4.1% respectively as on 31 December 2019. The capital infusion and write-down of additional Tier I bonds helped to improve the bank's CET I and CAR ratio to 6.3% and 8.5% respectively as on 31 March 2020, however, the same was below the regulatory requirements.

The bank has further raised Rs 15000 Crs through follow-on public offer (FPO) in July 2020 which has helped the bank to improve its capital ratios. CET I, Tier I and CAR ratios stood at 13.5%, 13.6% and 19.9% respectively as on 30 September 2020. The bank has a strong shareholder base with State Bank of India holding 30% stake as on 30 September 2020 and the bank has an experienced board of directors with Mr. Prashant Kumar as the managing director and chief executive officer (MD & CEO).

The rating is however constrained by the weak asset quality, impacting the profitability and moderate resource profile of the bank. The gross non-performing assets (NPAs) and net NPAs stood at 16.9% and 4.7% respectively as on 30 September 2020. The ability of the bank to control slippages on account of COVID-19 related stress is a key monitorable. The bank had seen a sizable decline in deposits with total deposits reducing from Rs 227610 Crs as on 31 March 2019 to Rs 105364 Crs as on 31 March 2020. However, the bank has been able to increase its deposits during H1 FY21 and total deposits stood at Rs 135815 Crs as on 30 September 2020. The ability of the bank to maintain a retail and sustainable deposit base is a key monitorable.

## KEY RATING DRIVERS

### Credit Strengths:

**Improvement in capitalisation ratios post restructuring of the bank:** In March 2020, State Bank of India (SBI) and a few domestic private sector financial institutions invested Rs.10,000 Crs in the bank as a part of restructuring and to bolster the bank's capital ratios. The CET I and CAR had improved from 0.6% and 4.1% respectively as on 31 December 2019 to 6.3% and 8.5% respectively as on 31 March 2020. However, the same was below the regulatory requirements. The bank further raised Rs 15000 Crs through FPO in July 2020 which has helped the bank to improve its capital ratios. CET I, Tier I and CAR ratios stood at 13.5%, 13.6% and 19.9% respectively as on 30 September 2020. Apart from the equity infusion, the board of directors was reconstituted as a part of the reconstruction scheme and Mr. Prashant Kumar (former Deputy Managing Director and Chief Financial Officer of State Bank of India) was appointed the MD and CEO of the bank. The bank is likely to benefit from the strong shareholder base. State Bank of India currently holds a 30% stake in the bank as on 30 September 2020. BWR believes the bank is likely to receive support from various stakeholders, if required, as extended in the recent past.

### Credit Risks:

**Weak asset quality, impacting profitability:** The bank's asset quality weakened significantly during FY20 with gross NPAs increasing from 3.2% as on 31 March 2019 to 16.8% as on 31 March 2020. Majority of the NPAs were from the corporate segment. The bank did a significant amount of provisioning during Q3 and Q4 of FY20, which resulted in huge losses for the bank. The bank had reported a loss of Rs 18560 Crs in Q3 FY20 and a loss of Rs 3668 Crs (excluding



write-down of AT-I bonds of Rs 8415 Crs) in Q4 FY20. The net NPAs stood at 5.0% and provision coverage ratio stood at 73.8% as on 31 March 2020. The bank has reported gross NPAs and net NPAs of 16.9% and 4.7% respectively as on 30 September 2020. In addition to gross NPAs, the bank also has gross non-performing investments of Rs 6576 Crs as on 30 September 2020 (Rs 9222 Crs as on 31 March 2020). Further advances aggregating to Rs 2391 Crs as of September 2020 have not been classified as NPAs in accordance with RBI's IRAC norms due to Supreme Court's interim order. The bank has done total provisions of Rs 1918 Crs for stress due to COVID-19. The ability of the bank to control slippages and improve its asset quality parameters is a key monitorable. The bank has reported a net profit of Rs 45 Crs in Q1 FY21 and Rs 129 Crs in Q2 FY21. The return on assets is low at 0.1% during Q1 FY21 and 0.2% during Q2 FY21.

**Ability to improve resource profile and maintain a retail and sustainable deposit base:** The bank had seen a sizable decline in deposits with total deposits reducing from Rs 227610 Crs as on 31 March 2019 to Rs 105364 Crs as on 31 March 2020. However, post the restructuring of the bank and the capital raise, the bank has been able to mobilize deposits and increase its deposits during H1 FY21 and total deposits stood at Rs 135815 Crs as on 30 September 2020. The CASA ratio is still low at 24.8% as on 30 September 2020. The credit to deposit ratio has improved from 163% as on 31 March 2020 to 123% as on 30 September 2020 and is further expected to reduce by the end of the current financial year. The bank has also fully repaid the special liquidity facility of Rs 50000 Crs from the RBI. The ability of the bank to maintain a retail and sustainable deposit base is a key monitorable.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).

#### **Tier I Subordinated Perpetual Bonds (Basel II)**

The differentiating factors that could trigger a default event for hybrid capital instruments [Tier I perpetual bonds (Basel II) and upper Tier II bonds (Basel II)] include: the bank breaching the regulatory minimum capital requirement, or the regulator's denial of permission to the bank to make payments of interest and principal if the bank reports losses. These features increase the risk attributes of hybrid capital instruments over those of Tier II instruments and to factor in these risks, BWR notches down the rating on these instruments from the bank's Tier II bonds. The factor based on which the rating of Yes Bank Ltd's Tier I Subordinated Perpetual Bonds (Basel II) has been lowered is expected pressure on profitability.

#### **RATING SENSITIVITIES**

Going forward, the bank's ability to improve its resource profile, asset quality and profitability, while maintaining comfortable capitalisation will be key rating sensitivity factors.

**Positive:** The bank's ability to improve its resource profile, asset quality and profitability, while maintaining comfortable capital structure are key rating positives.

**Negative:** A deterioration in the asset quality or capital structure are key rating negatives.

### LIQUIDITY POSITION: ADEQUATE

The bank's liquidity coverage ratio (LCR) has improved from 40% as on 31 March 2020 to 99.7% as on 30 September 2020, against the minimum regulatory requirement of 80%

**Coronavirus disease (COVID-19)**, declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government had announced a 21-day nationwide lockdown on 24 March 2020, which was subsequently extended until 31 May 2020. As per BWR, financial institutions, mainly those lending directly or indirectly to retail low-income borrower segments could be the most impacted. The 6-month moratorium announced by the Reserve Bank of India on the interest and principal on bank debt has provided some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers and to collect accumulated interest and principal dues on a timely basis after this period will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and publish the same.

### BANK PROFILE

Yes Bank Limited is a private sector bank. It is a full service commercial bank having a pan India presence with 1106 branches and 1402 ATMs. It has a total employee headcount of 21374 as on 30 Sep 2020.

### KEY FINANCIAL INDICATORS

| Key Parameters       | Units     | FY19    | FY20    |
|----------------------|-----------|---------|---------|
| Result Type          |           | Audited | Audited |
| Net Interest Income  | Rs in Crs | 9809    | 6805    |
| Net Profit/ (Loss)   | Rs in Crs | 1720    | (16418) |
| Total Deposits       | Rs in Crs | 227610  | 105364  |
| Total Advances       | Rs in Crs | 241500  | 171443  |
| Gross NPA            | %         | 3.22    | 16.80   |
| Net NPA              | %         | 1.86    | 5.03    |
| Net Worth to Net NPA | In times  | 5.99    | 2.52    |
| Total CRAR           | %         | 16.50   | 8.50    |
| Tier I               | %         | 11.30   | 6.50    |
| CET I                | %         | 8.40    | 6.30    |

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal & suspended)**

| Sr. No. | Name of Facility/Instrument          | Current Rating (2020) |                  |                    | Rating History for the past 3 years |     |                  |            |     |                  |           |     |               |           |     |                 |
|---------|--------------------------------------|-----------------------|------------------|--------------------|-------------------------------------|-----|------------------|------------|-----|------------------|-----------|-----|---------------|-----------|-----|-----------------|
|         |                                      | Type                  | Amount (Rs. Crs) | Rating             | 2020                                |     |                  | 2019       |     |                  | 2018      |     |               | 2017      |     |                 |
| 1       | Innovative Perpetual Debt Instrument | Long Term             | --               | Rating Withdrawn # | 6.03.2020                           |     |                  | 23.12.2019 |     |                  | 5.10.2018 |     |               | 2.08.2017 |     |                 |
|         |                                      |                       |                  |                    | Long Term                           | 230 | BWR D            | Long Term  | 230 | BWR A-/ Negative | Long Term | 230 | BWR AA+/ CWDI | Long Term | 230 | BWR AA+/ Stable |
|         |                                      |                       |                  |                    | 5.08.2019                           |     |                  | 27.08.2018 |     |                  |           |     |               |           |     |                 |
|         |                                      |                       |                  |                    | Long Term                           | 230 | BWR A+/ Negative | Long Term  | 230 | BWR AA+/ Stable  |           |     |               |           |     |                 |
|         |                                      |                       |                  |                    | 9.05.2019                           |     |                  |            |     |                  |           |     |               |           |     |                 |
| 2       | Upper Tier II                        | Long Term             | --               | Rating Withdrawn # | 6.03.2020                           |     |                  | 23.12.2019 |     |                  | 5.10.2018 |     |               | 2.08.2017 |     |                 |
|         |                                      |                       |                  |                    | Long Term                           | 450 | BWR D            | Long Term  | 450 | BWR A-/ Negative | Long Term | 450 | BWR AA+/ CWDI | Long Term | 450 | BWR AA+/ Stable |
|         |                                      |                       |                  |                    | 5.08.2019                           |     |                  | 27.08.2018 |     |                  |           |     |               |           |     |                 |
|         |                                      |                       |                  |                    | Long Term                           | 450 | BWR A+/ Negative | Long Term  | 450 | BWR AA+/ Stable  |           |     |               |           |     |                 |
|         |                                      |                       |                  |                    | 9.05.2019                           |     |                  |            |     |                  |           |     |               |           |     |                 |
| 2       | Hybrid Tier I                        | Long Term             | 90               |                    | 6.03.2020                           |     |                  | 23.12.2019 |     |                  | 5.10.2018 |     |               | 2.08.2017 |     |                 |
|         |                                      |                       |                  |                    | Long Term                           | 90  | BWR D            | Long Term  | 90  | BWR A-/ Negative | Long Term | 90  | BWR AA+/ CWDI | Long Term | 90  | BWR AA+/ Stable |
|         |                                      |                       |                  |                    | 5.08.2019                           |     |                  | 27.08.2018 |     |                  |           |     |               |           |     |                 |
|         |                                      |                       |                  |                    | Long Term                           | 90  | BWR A+/ Negative | Long Term  | 90  | BWR AA+/ Stable  |           |     |               |           |     |                 |
|         |                                      |                       |                  |                    | 9.05.2019                           |     |                  |            |     |                  |           |     |               |           |     |                 |

|   |               |           |           |                    |                                  |     |                    |            |                   |                   |            |     |                 |           |     |                 |
|---|---------------|-----------|-----------|--------------------|----------------------------------|-----|--------------------|------------|-------------------|-------------------|------------|-----|-----------------|-----------|-----|-----------------|
|   |               |           |           |                    |                                  |     | Long Term          | 90         | BWR AA-/ Negative |                   |            |     |                 |           |     |                 |
| 4 | Lower Tier II | --        | --        | --                 | 6.03.2020                        |     |                    | 23.12.2019 |                   |                   | 5.10.2018  |     |                 | 2.08.2017 |     |                 |
|   |               |           |           |                    | Long Term                        | 300 | Rating Withdrawn # | Long Term  | 300               | BWR A/ Negative   | Long Term  | 300 | BWR AA+/ CWDI   | Long Term | 300 | BWR AA+/ Stable |
|   |               |           |           |                    |                                  |     |                    | 5.08.2019  |                   |                   | 27.08.2018 |     |                 |           |     |                 |
|   |               |           |           |                    |                                  |     |                    | Long Term  | 300               | BWR AA-/ Negative | Long Term  | 300 | BWR AA+/ Stable |           |     |                 |
|   |               |           |           |                    |                                  |     |                    | 9.05.2019  |                   |                   |            |     |                 |           |     |                 |
|   |               |           |           |                    |                                  |     |                    | Long Term  | 300               | BWR AA/ Negative  |            |     |                 |           |     |                 |
| 5 | Lower Tier II | Long Term | --        | Rating Withdrawn # | 6.03.2020                        |     |                    | 23.12.2019 |                   |                   | 5.10.2018  |     |                 | 2.08.2017 |     |                 |
|   |               |           |           |                    | Long Term                        | 260 | BWR D              | Long Term  | 260               | BWR A/ Negative   | Long Term  | 260 | BWR AA+/ CWDI   | Long Term | 260 | BWR AA+/ Stable |
|   |               |           |           |                    |                                  |     |                    | 5.08.2019  |                   |                   | 27.08.2018 |     |                 |           |     |                 |
|   |               |           |           |                    |                                  |     |                    | Long Term  | 260               | BWR AA-/ Negative | Long Term  | 260 | BWR AA+/ Stable |           |     |                 |
|   |               |           |           |                    |                                  |     |                    | 9.05.2019  |                   |                   |            |     |                 |           |     |                 |
|   |               |           |           |                    |                                  |     |                    | Long Term  | 260               | BWR AA/ Negative  |            |     |                 |           |     |                 |
|   | <b>Total</b>  |           | <b>90</b> |                    | <b>Rupees Ninety Crores Only</b> |     |                    |            |                   |                   |            |     |                 |           |     |                 |

# On account of redemption

CWDI - Credit watch with developing implications

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Banks & Financial Institutions](#)

| Analytical Contacts  |   |
|--|---|
| <b>Nirav Shah</b><br><b>Senior Analyst - Ratings</b><br><b>+91 22 6745 6623</b><br><b>Nirav.s@brickworkratings.com</b> | <b>Anil Patwardhan</b><br><b>Senior Director - Ratings</b><br><b>+91 22 6745 6660</b><br><b>anil.p@brickworkratings.com</b> |

**Yes Bank Limited**

**ANNEXURE I - INSTRUMENT DETAILS**

| <b>Instrument</b>                               | <b>Issue Date</b> | <b>Amount Rated (Rs in Crs)</b> | <b>Interest Rate</b> | <b>Maturity Date</b>                                       | <b>ISIN Particulars</b> |
|---|-------------------|---------------------------------|----------------------|--|-------------------------|
| Tier I Subordinated Perpetual Bonds (Basel II)  | 5-Mar-2010        | 90                              | 10.25% #             | Call option after 10 years                                 | INE528G09061            |
| Upper Tier II bonds (basel II)                  | 14-Aug-2010       | 450                             | 9.65%                | Fully redeemed by exercising call option on 14 August 2020 | INE528G08154            |
| Innovative Perpetual Debt Instrument (basel II) | 21-Aug-2010       | 230                             | 9.90%                | Fully redeemed by exercising call option on 21 August 2020 | INE528G09079            |
| Lower Tier II bonds (basel II)                  | 30-Sep-2009       | 260                             | 9.65%                | Fully redeemed on maturity date i.e. 30 April 2020         | INE528G08139            |

# Step-up coupon rate is 11.25%





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