

YBL/CS/2024-25/59

July 11, 2024

**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 Sir / Madam,

**Sub.: Update on Moody's Investors Service**

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to update on the ratings release issued by Moody's Investors Service, **affirming the ratings assigned to the Bank's instruments and changing outlook to Positive (from stable)** as detailed below:

Instrument	Current Rating	Action
Long-Term Foreign Currency Issuer Rating	Ba3	Ratings: <b>Re-affirmed.</b>  Outlook: <b>changed to Positive</b> (from Stable earlier)
Long-term (Local and Foreign Currency) Deposit Rating	Ba3	
Baseline Credit Assessment (BCA) and Adjusted BCA	b1	
Senior Unsecured (Foreign Currency) Medium-Term Note Program	(P)Ba3	

We request you to kindly take the same on your record. The press release on ratings 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**

**Shivanand R. Shettigar**  
**Company Secretary**  
*Encl: As above*

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms Yes Bank's Ba3 ratings, changes outlook to positive from stable**

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10 Jul 2024

Singapore, July 10, 2024 -- Moody's Ratings (Moody's) has today affirmed Yes Bank Limited's Ba3 long-term (LT) foreign currency (FC) and local currency (LC) bank deposit ratings, its Ba3 LT FC issuer rating, its Ba3 LT FC and LC Counterparty Risk Ratings (CRR), its b1 Baseline Credit Assessment (BCA) and Adjusted BCA, the Not Prime (NP) short-term (ST) FC and LC bank deposit ratings and CRR, as well as the (P)Ba3 senior unsecured medium-term note program rating. We have also affirmed Yes Bank's Ba3(cr) and NP(cr) LT and ST Counterparty Risk (CR) Assessments, respectively.

At the same time, we have affirmed Yes Bank, IFSC Banking Unit Branch's Ba3 LT FC and LC CRR, its (P)Ba3 senior unsecured medium-term note program rating, the NP ST FC and LC CRR and the branch's Ba3(cr) and NP(cr) LT and ST CR Assessments, respectively.

We have changed the rating outlooks to positive from stable on both entities where applicable.

#### RATINGS RATIONALE

The change in outlook to positive reflects our expectation that a gradual improvement in Yes Bank's depositor base and lending franchise will help improve its core profitability over the next 12-18 months. The positive outlook takes into account the improvement in the bank's asset quality and capitalization over the past 2-3 years, somewhat offset by the bank's weak core profitability driven by high funding costs and the strain from meeting priority sector lending (PSL) targets.

We expect Yes Bank's core profitability, which is measured by pre-provisioning profits to total assets, will gradually improve to above 1.2% over the next 12-18 months from 0.8% in the financial year ended March 2024 (fiscal 2024). An improvement in Yes Bank's ability to meet the central bank's PSL rules through new lending from its branches will help reduce operating expenses for meeting the targets, improving its overall profitability. In addition, Yes Bank's lending focus on higher yielding, albeit

higher-risk retail and small and medium enterprise segments will help widen its net interest margins. A gradual increase in the bank's credit costs will be largely offset by recoveries from its legacy stressed assets, given the high loan loss provision coverage of those assets. Despite these improvements, Yes Bank's profitability will remain weak compared with the Indian peers we rate and a key drag on further improvements to its credit profile.

Deposits grew 10.3% in fiscal 2023 and 22.5% in fiscal 2024. Deposit quality has also improved, with current and savings account (CASA) deposits accounting for 30.9% of the bank's total deposits as of the end of March 2024 from 26.1% in March 2021. Despite these improvements, Yes Bank's funding and liquidity are modest compared with those of other large private-sector Indian banks we rate. This has also translated into the bank's higher funding costs than those of its peers. We expect the bank's funding costs to remain higher than its peers' over the next 12-18 months because of increasing competition amongst banks for deposits.

The bank's asset quality has significantly improved. Its non-performing loan (NPL) ratio declined to 1.7% as of 31 March 2024 from 2.2% a year earlier, supported by lower slippages as well as stronger recoveries and higher write-offs. We expect a gradual increase in NPLs due to portfolio aging and a shift towards riskier, high-yield segments. However, the NPL ratio will remain stable because of write-offs and recoveries of legacy problem loans.

Capitalization has also improved and provides adequate cushion to fund loan growth. As of 31 March 2024, the Common Equity Tier 1 (CET1) ratio including conversion of outstanding warrants was 13.2%. Over the next 12 to 18 months, we expect the bank's capitalization to moderately decline because credit growth will outpace internal capital generation. For fiscal 2025, we project a loan growth rate of around 13%-17%.

Yes Bank's issuer and deposit ratings are one notch above its BCA, reflecting a moderate probability of support from the Government of India (Baa3 stable) in times of need. The support assumption is in line with the support we expect for other private-sector banks in India.

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

We could upgrade the bank's ratings and BCA if the bank manages to sustainably improve its core profitability while maintaining stable asset quality and capitalization. Specifically, an improvement of pre-provisioning profits to total assets above 1.2% while maintaining stable asset quality and capitalization without a significantly increase in credit costs will be positive for the BCA and rating.

Given the positive outlook, a downgrade of Yes Bank's ratings is unlikely over the next 12-18 months. Nevertheless, we could downgrade Yes Bank's ratings if its asset quality significantly deteriorates, leading to an erosion of its profitability and

capitalization. Specifically, a decline in its total common equity/risk-weighted assets to below 10% with pre-provisioning profits to total assets remaining below 0.8% will exert downward pressure on the BCA. Any weakening in Yes Bank's funding and liquidity would also be negative for the rating.

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Yes Bank is headquartered in Mumbai and reported consolidated assets of INR181.4 billion (\$2.2 billion) as of 31 March 2024.

## 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 on <https://ratings.moodys.com/rating-definitions>.

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