March 19, 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,

Subject: Press release on Credit Ratings by India Ratings and Research

Please find enclosed press release issued by India Ratings and Research on credit ratings of the Bank.

Kindly take the above on record.

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

Thanking you,

For YES BANK Limited

[Signature]
Shivanand Shettigar
Group Company Secretary

Encl.: as above
India Ratings and Research (Ind-Ra) has revised the rating watch on Yes Bank Ltd's Long-Term Issuer Rating of 'IND BB-' to Rating Watch Evolving (RWE) from Rating Watch Negative (RWN). The instrument-wise rating actions are given below:

<table>
<thead>
<tr>
<th>Instrument Type*</th>
<th>Date of Issuance</th>
<th>Coupon Rate (%)</th>
<th>Maturity Date</th>
<th>Size of Issue (billion)</th>
<th>Rating/Rating Watch</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basel III Tier 2 bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110 INR</td>
<td>IND B+/RWE</td>
<td>Rating Watch revised to Evolving from Negative</td>
</tr>
<tr>
<td>Additional Basel III Tier 1 (AT1) bonds#</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>111 INR</td>
<td>WD</td>
<td>Withdrawn</td>
</tr>
<tr>
<td>Infrastructure bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35.8 INR</td>
<td>IND BB-/RWE</td>
<td>Rating Watch revised to Evolving from Negative</td>
</tr>
</tbody>
</table>

*Details in annexure
# Given that Basel III AT1 bonds have been written off/extinguished, agency withdraws its ratings on the same.

**KEY RATING DRIVERS**

The revision of the rating watch to evolving follows the systemic support Yes Bank has received recently in terms of both equity and liquidity from the new set of investors and the regulator for its reconstruction. It also considers the pressure that could show up on the liabilities once the regulator-imposed moratorium is lifted.

Ind-Ra downgraded the bank’s ratings and maintained them on RWN on 6 March 2020; in the agency’s opinion, the temporary regulator-imposed moratorium resulted in the bank not being able to follow through with settlement and transaction requests. Subsequently, the bank declared its 3QFY20 results. Its gross non-performing assets (NPAs) increased to 18.87% in 3QFY20 from 7.39% in 2QFY20 while its net NPAs grew to 5.97% from 4.35%. This implies the additional recognition of INR230 billion as non-performing till the time of publishing the 3QFY20 results and not just end-December 2019. Including this, the total stressed book including non-fund limits to the same accounts is about INR490 billion. The bank has significantly ramped up its provision cover on gross NPAs (3QFY20: 72.7%; 2QFY20: 43.05%); the credit cost incurred in 3QFY20 was INR223 billion (80% of the bank’s net-worth at end-September 2019). In its communication to the markets, Yes Bank has indicated that as a prudent measure, it has provided a substantially higher amount than required under the Reserve Bank of India’s (RBI) norms and non-performing assets recognition and provisions cover FY20 till the time of publishing the 3QFY20 results and not just end-December 2019. So, the bank may see limited credit costs over the next couple of quarters.

The unprecedented levels of provisions resulted in CET1 declining to 0.6% in 3QFY20 from 8.5% in 2QFY20 (adjusted for the divergences). Based on the reconstruction plan that was notified on 13 March 2020, the State Bank of India (‘IND AAA’/Stable), along with a group of private banks, was to infuse INR100 billion into Yes Bank. Also, the AT1 bonds of INR84.15 billion have been fully written down and extinguished, adding to the net worth of the bank. The bank’s CET1 now stands at 7.6%, marginally higher than the minimum requirement of 7.375% before 31 March 20 but lower than 8% required on and after 31 March 2020. The bank also plans to raise further capital in subsequent stages.

Liquidity Indicator – Stretched: Yes Bank also saw a substantial outflow of deposits; there was a 21% qoq reduction in deposits in 3QFY20 to INR1.66 trillion. The bank managed the same by increasing borrowings and selling assets to generate liquidity. Its liquidity coverage ratio and statutory liquidity ratio were both below the regulatory requirements.

The Finance Ministry and the RBI subsequently, through press conferences and public statements, have assured liquidity and other forms of support as and when required for the reconstruction to be successful. Ind-Ra expects that the reconstructed bank could face deposit withdrawals as soon as the moratorium is lifted and the liquidity support commitments that various investors and the RBI have committed may need to materialise. The scheme of reconstruction also states that all the deposits would be honoured.

On an operational basis, the bank’s pre-provision operating profit was nil in 3QFY20 (2QFY20: INR14.5 billion). For the bank to be profitable again, it needs to gain confidence of both the depositors and the borrowers. While its ability to manage both asset and liability sides for growth could be tested in the near term, based on the systemic support that the bank has been provided with, Ind-Ra expects the bank to begin to build its business again.

**RATING SENSITIVITIES**
The success of the resolution plan over a reasonable timeframe in the agency’s opinion and the ability of the bank to maintain reasonable liability profile to run its business profitably could lead to the resolution of the RWN.

**COMPANY PROFILE**

Yes Bank is a private bank headquartered in Mumbai. It was incorporated in 2004 and has grown to become a full service commercial bank. The bank had an asset size of INR2,909.8 billion at end-December 2019, with a net loss of INR190.47 billion for 9MFY20.

**FINANCIAL SUMMARY**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>9MFY20</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (INR billion)</td>
<td>2,909.8</td>
<td>3,808.26</td>
</tr>
<tr>
<td>Total equity (INR billion)</td>
<td>92.2</td>
<td>269.04</td>
</tr>
<tr>
<td>Net income (INR billion)</td>
<td>-190.47</td>
<td>17.20</td>
</tr>
<tr>
<td>Return on assets (%)</td>
<td>-7.6</td>
<td>0.5</td>
</tr>
<tr>
<td>CET1 (%)</td>
<td>0.61</td>
<td>8.4</td>
</tr>
<tr>
<td>Capital adequacy ratio (%)</td>
<td>4.1</td>
<td>16.5</td>
</tr>
<tr>
<td>Source: YES Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The CET1 increased subsequently to 7.6% and total CRAR to 13.6% as on date mainly on account of equity infusion of INR 100 billion and write-off of AT1 bonds of about INR84.15 billion.

**RATING HISTORY**

<table>
<thead>
<tr>
<th>Instrument Type</th>
<th>Current Rating/Rating Watch</th>
<th>Historical Rating/Rating Watch/Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer rating</td>
<td>Long-term/Short-term -</td>
<td>IND BB-/RWE IND BB-/RWN</td>
</tr>
<tr>
<td>Basel III Tier 2 Bonds</td>
<td>Long-term</td>
<td>INR110 IND B+/RWE IND B+/RWN</td>
</tr>
<tr>
<td>AT1 Basel III Bonds</td>
<td>Long-term</td>
<td>INR111 WD IND C IND BBB-/RWN</td>
</tr>
<tr>
<td>Infrastructure bonds</td>
<td>Long-term</td>
<td>INR35.8 IND BB-/RWE IND BB-/RWN</td>
</tr>
</tbody>
</table>

**ANNEXURE**

<table>
<thead>
<tr>
<th>Issue name/Type</th>
<th>ISIN</th>
<th>Date of Issuance</th>
<th>Coupon Rate (%)</th>
<th>Maturity Date</th>
<th>Size of Issue (billion)</th>
<th>Rating/Rating Watch</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT1 Basel III bonds</td>
<td>INE528G08394</td>
<td>18 October 2017</td>
<td>9.0</td>
<td>Perpetual</td>
<td>INR54.15</td>
<td>WD</td>
</tr>
<tr>
<td>AT1 Basel III bonds</td>
<td>INE528G08352</td>
<td>23 December 2016</td>
<td>9.5</td>
<td>Perpetual</td>
<td>INR30</td>
<td>WD</td>
</tr>
<tr>
<td>Infrastructure bonds</td>
<td>INE528G08360</td>
<td>29 December 2016</td>
<td>7.62</td>
<td>29 December 2023</td>
<td>INR3.3</td>
<td>IND BB-/RWE</td>
</tr>
</tbody>
</table>

Total utilised: INR3.3

Total unutilised: INR26.85

Total utilised: INR3.3

Total unutilised: INR32.5

Basel III Tier 2 Bonds | 29 September 2017 | 7.8 | 29 September 2027 | INR25 | IND B+/RWE |

Basel III Tier 2 Bonds | 3 October 2017    | 7.8 | 1 October 2027    | INR15 | IND B+/RWE |

Basel III Tier 2 Bonds | 22 February 2018  | 8.73| 22 February 2028  | INR30 | IND B+/RWE |


Total utilised: INR100.42

Total unutilised: INR9.58
COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit [https://www.indiaratings.co.in/complexity-indicators](https://www.indiaratings.co.in/complexity-indicators).

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ABOUT INDIA RATINGS AND RESEARCH

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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.

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Applicable Criteria

- Financial Institutions Rating Criteria
- Rating Bank Subordinated and Hybrid Securities

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