

**Rating Action: Moody's downgrades Yes Bank's ratings; outlook negative; concludes review for downgrade**

28 Aug 2019

Singapore, August 28, 2019 -- Moody's Investors Service has today downgraded Yes Bank Limited's long-term foreign-currency issuer rating to Ba3 from Ba1.

Moody's has also downgraded the bank's long term foreign and local currency bank deposit ratings to Ba3 from Ba1, foreign currency senior unsecured MTN program rating to (P)Ba3 from (P)Ba1, and Baseline Credit Assessment (BCA) and adjusted BCA to b1 from ba2.

The outlook on the bank's ratings, where applicable, is negative.

Today's rating action concludes the review for downgrade initiated on 11 June 2019.

For a detailed list of ratings affected, please refer to the end of this Press Release.

RATINGS RATIONALE

The downgrade of Yes Bank's ratings takes into account: (1) the lower than expected amount of capital raised by the bank recently; and (2) the risk that the substantial decline in the bank's share price will challenge its ability to raise sufficient capital to maintain the rating at its previous level.

On 14 August 2019, Yes Bank raised INR19.3 billion in new capital via a qualified institutional placement (QIP). On a pro-forma basis, the QIP will moderately improve the bank's reported common equity tier 1 (CET1) ratio as of 30 June 2019 to 8.6% from 8.0%.

Furthermore, Moody's expects the bulk of Yes Bank's operating profits will get consumed by loan loss provisions over the next 12-18 months, and thus not support internal capital generation.

This will leave the bank dependent on external capital raising to improve its loss-absorbing buffers, which in Moody's opinion is becoming more challenging given the substantial decline in its share price.

Yes Bank's asset quality deteriorated in the quarter ended June 2019, with its gross nonperforming loan (NPL) ratio rising to 5.0% from 3.2% at the end of March 2019. As of the same date, about INR100 billion of loans -- or about 4% of Yes Bank's total loans -- remain on a watchlist, meaning the company expects these watchlist loans may translate into NPLs over the next 2-3 quarters.

In addition, about INR75 billion of bond investments -- or 10% of its total investment holdings -- have experienced rating downgrades in the past quarters.

As of June 2019, on a pro-forma basis, the bank's loan loss coverage against potential stressed loans, NPLs and watchlist loans registered about 27%, which is very weak compared to the loan given default experience of Indian banks. The loan loss coverage ratio includes a contingent provision of INR7 billion against watchlist loans. The bank has also taken some marked-to-market losses on investments that were downgraded.

Although the bank's funding and liquidity profile has remained broadly stable, it compares weakly to other rated private sector peers in India.

Moody's maintains a negative adjustment for corporate behavior in Yes Bank's BCA, which results in a one-notch negative adjustment to the bank's BCA when compared to its financial profile.

Moody's also maintains its assumption of a moderate probability of government support for deposits and senior unsecured debt, reflecting the bank's modest, but increased, franchise and relative importance to India's banking system. This support assumption results in a one-notch uplift to the bank's foreign currency issuer rating of Ba3 from its BCA of b1.

OUTLOOK NEGATIVE

The negative outlook primarily reflects the risk of further deterioration in the bank's solvency, funding or liquidity, as the bank continues to work through the asset quality issues and rebuilds its loss absorbing buffers.

WHAT COULD CHANGE THE RATING UP

Given the negative outlook, an upgrade is unlikely over the next 12-18 months.

Nevertheless, Moody's could change the ratings outlook to stable if Yes Bank (1) maintains its current asset quality profile, or adequately provides for the stock of stressed assets; or (2) concludes a further material capital raise that strengthens its loss absorbing buffers.

WHAT COULD CHANGE THE RATING DOWN

Moody's could downgrade Yes Bank's ratings if (1) there is a sustained deterioration in its impaired loans or loan-loss reserves, or if the rate of new NPL formation is significantly higher than previously experienced; (2) the bank's capital ratios declines because of losses and or an inability to raise external capital; or (3) its funding or liquidity deteriorates.

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Yes Bank Limited is headquartered in Mumbai and reported total assets of INR3.7 trillion (\$53.7 billion) at 30 June 2019.

List of affected ratings

Yes Bank Limited

- Long term foreign currency issuer rating downgraded to Ba3 from Ba1

- Long term foreign and local currency deposit ratings downgraded to Ba3 from Ba1

- Short term foreign and local currency deposit ratings affirmed at NP
- Foreign currency senior unsecured MTN program rating downgraded to (P)Ba3 from (P)Ba1
- Baseline Credit Assessment (BCA) and adjusted BCA downgraded to b1 from ba2
- Counterparty risk assessment (CR Assessment) downgraded to Ba2(cr)/NP(cr) from Baa3(cr)/P-3(cr)
- Domestic and foreign currency counterparty risk rating (CRR) downgraded to Ba2/NP from Baa3/P-3
- Outlook, where applicable, is negative

Yes Bank, IFSC Banking Unit Branch

- Foreign currency senior unsecured MTN program rating downgraded to (P)Ba3 from (P)Ba1
- Foreign currency senior unsecured debt rating downgraded to Ba3 from Ba1
- CR Assessment downgraded to Ba2(cr)/NP(cr) from Baa3(cr)/ P-3(cr)
- Domestic and foreign currency CRR downgraded to Ba2/NP from Baa3/P-3
- Outlook, where applicable, is negative

REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody's.com for additional regulatory disclosures for each credit rating.

Alka Anbarasu
 VP - Senior Credit Officer
 Financial Institutions Group
 Moody's Investors Service Singapore Pte. Ltd.
 50 Raffles Place #23-06
 Singapore Land Tower
 Singapore 48623
 Singapore
 JOURNALISTS: 852 3758 1350
 Client Service: 852 3551 3077

Graeme Knowd
 MD - Banking
 Financial Institutions Group
 JOURNALISTS: 852 3758 1350
 Client Service: 852 3551 3077

Releasing Office:
 Moody's Investors Service Singapore Pte. Ltd.
 50 Raffles Place #23-06
 Singapore Land Tower
 Singapore 48623
 Singapore
 JOURNALISTS: 852 3758 1350
 Client Service: 852 3551 3077

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas

Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.