

YBL/CS/2019-20/194

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 CRISIL**

Please find enclosed the credit rating and rationale issued by CRISIL on the Certificate of Deposit Program of the Bank.

Kindly take the above on record.

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.

Thanking you,

**For YES BANK Limited**



Shivanand Shettigar  
Group Company Secretary

Encl.: as above

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IDBALI/244381/CD/03192020  
March 19, 2020

**Mr. Pratik Shroff**  
Group Executive Vice President  
**YES Bank Limited**  
Yes bank Tower 2, Indiabulls Finance Center  
27<sup>th</sup> Floor, Senapati Bapat Marg  
Elphinstone West  
Mumbai 400013

Dear Mr. Pratik Shroff,

**Re: CRISIL Rating on the Rs.20000 Crore Certificate of Deposit Program of YES Bank Limited**

We refer to your request for a rating for the captioned Certificate of Deposit program.

CRISIL has, after due consideration, assigned its "**CRISIL A2**" (pronounced as CRISIL A two rating) rating to the captioned debt instrument. Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligation. Such instruments carry low credit risk.

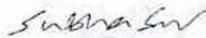
For the purpose of issuance of captioned certificates of deposit programme, this letter is valid for 60 calendar days from the date of the letter. In the event of your company not placing the above programme within this period, or in the event of any change in the size/structure of your proposed issue, the rating shall have to be reviewed and a letter of revalidation shall have to be issued to you. Once the instrument is issued, the above rating is valid throughout the life of the captioned certificates of deposit programme with a contracted maturity of one year or less.

As per our Rating Agreement, CRISIL would disseminate the rating through its publications and other media, and keep the rating under surveillance for the life of the instrument. CRISIL reserves the right to withdraw or revise the ratings assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information or other circumstances, which CRISIL believes, may have an impact on the rating.

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,

Yours sincerely,



Subha Sri Narayanan  
Director - CRISIL Ratings



Nivedita Shibu  
Associate Director - CRISIL Ratings



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**CRISIL Limited**

Corporate Identity Number: L67120MH1987PLC042363

## Rating Rationale

March 19, 2020 | Mumbai

## YES Bank Limited

'CRISIL A2' assigned to CD

## Rating Action

Rs.20000 Crore Certificate of Deposits

CRISIL A2 (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments &amp; Bank Facilities

**Detailed Rationale**

CRISIL has assigned its '**CRISIL A2**' rating to the Rs 20,000 crore certificate of deposit programme of YES Bank Limited (Yes Bank).

The rating is underpinned by the expectation of continued extraordinary systemic support from key stakeholders, along with sizeable ownership of State Bank of India (SBI).

CRISIL has taken note of the 'Yes Bank Limited Reconstruction Scheme, 2020' (the Scheme) that was notified by the Government of India (GoI) on March 13, 2020. The Scheme followed the imposition of a moratorium on Yes Bank by the central government on March 5, 2020, under Section 45 of the Banking Regulation Act, 1949. Pursuant to the Scheme, key stakeholders, including the Reserve Bank of India (RBI), have put in place various measures to bolster the bank's liquidity.

While the moratorium was initially slated to continue till April 3, 2020, it has been lifted in 13 days, on March 18, 2020, as per the Scheme. The Scheme involves, among other measures, equity infusion of Rs 10,000 crore by 8 entities, mainly banks led by SBI, and the reconstitution of Yes Bank's board, with Mr Prashant Kumar (former Deputy Managing Director and Chief Financial Officer of SBI) taking over as Managing Director and Chief Executive Officer.

However, the ability of the bank to limit deposit outflow with lifting of the moratorium, and to build a strong retail liabilities franchise along with a stable and sound operating business model with strong compliance and governance framework over the medium term, needs to be demonstrated. Furthermore, the bank's asset quality is weak and the impact of the shift in business model to focus more on granular retail segments will need to be seen over a longer period. These will be key rating monitorables.

**Analytical Approach**

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of Yes Bank and its subsidiaries, because of majority shareholding, business and financial linkages, and shared brand. CRISIL has also factored in the expectation of extraordinary systemic support for Yes Bank.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

**Key Rating Drivers & Detailed Description****Strengths:****\* Continued extraordinary systemic support**

CRISIL's rating centrally factors in the extraordinary systemic support from key stakeholders. All the key stakeholders, including the Ministry of Finance, RBI, and SBI have, over the past few days, reiterated in various forums that depositors' money in Yes Bank is safe and in case of any requirement, they will continue to ensure the safety of deposits through various measures. This systemic support has primarily come in three forms.

First, to protect the interests of the public and depositors, RBI and GoI came together to implement the restructuring Scheme of the bank within a short time frame. As part of the Scheme, an Administrator was appointed by the RBI to oversee its implementation. Furthermore, pursuant to the Scheme, 8 entities, primarily other banks, have infused Rs 10,000 crore of equity in the bank, bolstering the bank's capital ratios, which had weakened significantly following the large loss reported in the third quarter of fiscal 2020 on account of higher provisions. Factoring this capital along with write-down of Additional Tier I (ATI) bonds, the bank's Common Equity Tier I (CET1) ratio and overall capital adequacy ratio (CAR) improves to 7.6% and 13.6%, respectively, from 0.6% and 4.1%, respectively, as on December 31, 2019. The rating also factors in proposed capital raising of Rs 10,000 crore over the near term.

Second, systemic support has come in to bolster the liquidity position of Yes Bank. These avenues cover a significant proportion of Yes Bank's overall deposit base and is expected to support any potential surge in deposit withdrawals post

lifting of the moratorium. RBI is expected to provide significant liquidity support, in case of any requirement, and has articulated the same in various forums. Yes Bank is also in the process of raising certificates of deposit from other banks. Refinance from financial institutions, is also available, in case the need arises. Furthermore, Yes Bank can also raise funds through securitisation and inter-bank participation certificates. CRISIL believes Yes Bank will be able to tap into these sources in a stress case scenario wherein there is withdrawal of a large quantum of deposits.

Third, SBI, the largest bank in India, is taking the lead in supporting Yes Bank in various forms. Over 60% (Rs 6,050 crore) of the equity infusion of Rs 10,000 crore has come from SBI, thereby making it the single largest stakeholder in Yes Bank with a shareholding of 48.21%. SBI is also expected to be an investor in Yes Bank's certificates of deposit. SBI will nominate 2 directors on the board of Yes Bank. SBI has publicly articulated that for the next 3 years, it will not sell any part of its shareholding in Yes Bank. The rating reflects this articulated stance of SBI and any change in this is a key rating sensitivity factor.

#### **Weaknesses:**

##### **\* Modest resource profile - ability to limit deposit outflow with lifting of the moratorium and to build a retail liabilities franchise over the medium term needs to be demonstrated**

Yes Bank has witnessed a steady outflow of deposits in the past few quarters given the challenges faced by it and the adverse news reports with respect to the bank. Just between December 31, 2019, and March 5, 2020, the deposit base shrunk by around Rs 28,000 crore. Since March 31, 2018, the deposit base has declined by over Rs 63,000 crore.

Nevertheless, the bank added depositors even in recent quarters. It has been in touch with existing depositors to address concerns. Key stakeholders have provided public assurances regarding the safety of deposits in Yes Bank.

However, deposits tend to be highly confidence sensitive in nature. Given the recent events, it remains to be seen whether there is any significant withdrawal by depositors with the moratorium being lifted. Nevertheless, liquidity support measures provide a good mitigant to the same.

The extent of withdrawal will be a key monitorable and ability of the bank to limit decline in deposits will play a key role in its future prospects. The bank's ability to build a retail liabilities franchise on a steady state basis also needs to be seen; this will be a critical determinant in building a stable business model going forward.

##### **\* Weak asset quality, impacting profitability**

The bank witnessed a sharp increase in slippages in the third quarter of fiscal 2020, largely stemming from challenges in the corporate loan book. This led to a significant increase in gross non-performing assets (NPAs) to 18.9% as on December 31, 2019, from 7.4% as on September 30, 2019 (3.2% as on March 31, 2019). As a result, and because of the associated provisioning cost, Yes Bank reported a large loss of Rs 18,560 crore in the third quarter of fiscal 2020.

The Special Mention Account -1 (SMA-1) and SMA-2 portfolio was around Rs 13,900 crore as on December 31, 2019, which was almost 7.5% of net advances. Any further material slippages can potentially impact the bank's earnings, and thereby, its capital position.

The bank plans to increasingly focus on granular retail asset segments. Over the medium term, the share of the retail portfolio is targeted to increase to around two-thirds of the portfolio. However, given the intense competition, ability to scale up this book while maintaining asset quality and profitability needs to be seen. Build-up of a sound operating model along with strengthening of governance and compliance framework will also be key for the long-term success of the bank and will be key rating monitorable.

#### **Liquidity Adequate**

Liquidity is driven by systemic support in various forms. Liquidity coverage ratio was 74.6% as on December 31, 2019, against the regulatory requirement of 100%. Nevertheless, CRISIL understands that the ratio has improved as on latest date supported by capital infusion into the bank. Furthermore, as on the latest date, the bank's statutory liquidity ratio is also in line with regulatory requirements.

#### **Rating Sensitivity factors**

##### **Upward factors:**

- \* Stability in deposit base, with no material reduction from current levels
- \* Improvement in asset quality and profitability

##### **Downward factors:**

- \* Any change in expectation of systemic support from key stakeholders, including RBI, or material decline in SBI's ownership
- \* Significant contraction in deposit base over a prolonged period
- \* Decline in CAR below minimum regulatory requirements over an extended period of time
- \* Any adverse observations by investigative agencies or regulators

#### **About the Bank**

Set up in 2004, Yes Bank was the fourth largest private sector bank in India as on September 30, 2019, in terms of assets.

However, after contraction in the balance sheet, it was the sixth largest as on December 31, 2019, with a network of 1,130 branches.

On March 5, 2020, the central government imposed a moratorium on Yes Bank, based on RBI's assessment of lack of a credible revival plan by the bank, and in the interest of the public and depositors. During the moratorium that was initially slated to last till April 3, 2020, Yes Bank could not, without written permission from RBI, pay any depositor or creditor a sum exceeding Rs 50,000. The bank was also restricted from lending activity. The bank had also defaulted on the coupon payment on the Basel II Tier I bond due on March 5, 2020.

Following equity infusion of Rs 10,000 crore by 8 financial institutions under the Scheme, and with write down of Basel III ATI bonds aggregating Rs 8,415 crore (the first such instance in India), the capital position of the bank has improved significantly. On a pro forma basis, post the capital infusion, the CET1 ratio is 7.6% compared with 0.6% as on December 31, 2019, while the overall CAR is 13.6% compared with 4.1%.

#### Key Financial Indicators - (Consolidated)

| As on/for the nine months ended Dec 31, | Unit     | 2019     | 2018     |
|---|----------|----------|----------|
| Total assets                            | Rs crore | 2,91,012 | 3,73,946 |
| Net Advances <sup>^</sup>               | Rs crore | 1,86,099 | 2,43,885 |
| Deposits <sup>^</sup>                   | Rs crore | 1,65,755 | 2,22,758 |
| Total income (net of interest expense)  | Rs crore | 8,440    | 11,427   |
| Profit after tax                        | Rs crore | -19,098  | 3,218    |
| Gross NPAs                              | %        | 18.9     | 2.1      |
| Net NPAs                                | %        | 5.97     | 1.18     |
| Provision coverage ratio (PCR)          | %        | 72.7     | 44.3     |
| Tier I capital adequacy ratio           | %        | 2.1*     | 12.0     |
| Overall capital adequacy ratio          | %        | 4.2*     | 16.4     |
| Return on assets (annualised)           | %        | -7.6     | 1.3      |

<sup>^</sup>Standalone;

\*On a proforma basis Tier I CAR and overall CAR are 7.8% and 13.6%, respectively subsequent to recent capital infusion

**Any other information:** Not applicable

#### Note on complexity levels of the rated instrument:

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#### Annexure - Details of Instrument(s)

| ISIN | Name of instrument      | Date of allotment | Coupon rate (%) | Maturity date | Issue size (Rs Crore) | Rating assigned with outlook |
|------|-------------------------|-------------------|-----------------|---------------|-----------------------|------------------------------|
| NA   | Certificate of Deposits | NA                | NA              | 7-365 Days    | 20000                 | CRISIL A2                    |

#### Annexure - List of entities consolidated

| Entity consolidated              | Extent of consolidation | Rationale for consolidation |
|----------------------------------|-------------------------|-----------------------------|
| YES SECURITIES (India) Ltd       | Full                    | Subsidiary                  |
| YES Asset Management (India) Ltd | Full                    | Subsidiary                  |
| YES Trustee Ltd                  | Full                    | Subsidiary                  |

#### Annexure - Rating History for last 3 Years

| Instrument              | Type | Current            |           | 2020 (History) |        | 2019 |        | 2018 |        | 2017 |        | Start of 2017 |
|-------------------------|------|--------------------|-----------|----------------|--------|------|--------|------|--------|------|--------|---------------|
|                         |      | Outstanding Amount | Rating    | Date           | Rating | Date | Rating | Date | Rating | Date | Rating | Rating        |
| Certificate of Deposits | ST   | 20000.00           | CRISIL A2 |                | --     |      | --     |      | --     |      | --     | --            |

All amounts are in Rs.Cr.

#### Links to related criteria

[Rating Criteria for Finance Companies](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Criteria for rating short term debt](#)

#### For further information contact:

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