



Rating Rationale

Yes Bank Limited, Mumbai

2 Aug 2017

Brickwork Ratings (BWR) reaffirms 'BWR AA+' rating for Yes Bank Limited's Upper Tier II Bonds, Lower Tier II Bonds, Hybrid Tier I Bonds and Innovative Perpetual Debt Instruments

Particulars

Instruments	Issue Date	Amount rated (₹ Cr)	Amount raised (₹ Cr)	Interest Rate	Maturity Date	ISIN	Rating ¹ (Jul 2017)
Innovative Perpetual Debt Instrument	21-Aug-2010	230	225	9.90%	Perpetual	INE528G09079	BWR AA+ (Stable) (Reaffirmed)
Upper Tier II	14-Aug-2010	450	440	9.65%	14-Aug-2025	INE528G08154	BWR AA+ (Stable) (Reaffirmed)
Hybrid Tier I	5-Mar-2010	90	82	10.25%	Call option after 10 years	INE528G09061	BWR AA+ (Stable) (Reaffirmed)
Lower Tier II	22-Jan-2010	300	300	9.65%	22-Jan-2020	INE528G08147	BWR AA+ (Stable) (Reaffirmed)
Lower Tier II	30-Sep-2009	260	260	9.65%	30-Apr-2020	INE528G08139	BWR AA+ (Stable) (Reaffirmed)

¹For Definition of ratings please refer our website www.brickworkratings.com

Rating Reaffirmed

Brickwork Ratings has reaffirmed the rating of Yes Bank Limited's various Bond issues, as tabulated above.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings have relied on Yes Bank Limited's financial results upto Q1FY18, publicly available information and other information/clarifications provided by the Bank.

The rating reaffirmation, inter alia, factors improving business franchise, strong capital adequacy level of the bank, high operational efficiency, and demonstrated ability to maintain asset quality through cycle as well as improving CASA with increasing granularity in deposits. The rating is constrained by marginal increase in Cost to income ratio, and the increase in GNPA and NNPA ratios on yoy basis, though there is reduction in Standard restructured assets ratio.



Rating Outlook: Stable

BWR believes Yes Bank's risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The key rating sensitivities would be asset quality and profitability.

About the Company

Background: Yes Bank, founded in 2004 and headquartered at Mumbai is one of the fast growing private banks in India, with pan-India presence covering 53 Metro, 29 states and 7 Union Territories. As of Jun 30, 2017, the Bank has a network of 1020 branches (860 in FY16) and 1,796 ATM network including BNAs (1,609 in FY16). Shri. Ashok Chawla took charge as Non-Executive Part-time Chairman of the Bank effective from October 30, 2016.

Management: Shri Rana Kapoor is the Promoter, Managing Director and Chief Executive Officer of the Bank. He is supported by senior management who are experienced in their respective domain.

Financial Performance

Business Performance: Total business of the Bank indicates an increase of 27% from ₹ 228,523 Cr as on June 30, 2016 to ₹ 290,213 Cr as on June 30, 2017 (FY17: ₹ 275,137 Cr). Deposits have increased by 23% from ₹ 122,581 Cr as on June 30, 2016 to ₹ 150,241 Cr as on June 30, 2017 (FY17: ₹ 142,874 Cr). CASA ratio has improved from 29.60% as on June 30, 2016 to 36.75% as on June 30, 2017 (FY17:36.30%).

Total advances have increased by 32% from ₹ 105,942 Cr as on June 30, 2016 to ₹ 139,972 Cr as on June 30, 2017 (FY17: ₹ 132,263 Cr). Of the total advances, the Bank reported a relatively higher share of loans to Corporate Banking of 68.1% (FY17:67.7% and Q1FY17:67.5%) The Retail and Business Banking contributed 31.9% (FY17:32.3% and Q1FY17:32.5%). The Retail & business Banking comprises of Business Banking (medium enterprises) with 9.9% share, Micro and Small enterprises with 11.5% share and Consumer Banking (urban and rural) with 10.5% share. Of the sensitive sectors, electricity stood at 10.6% (FY17:11.3%), iron & steel at 1.9% (FY17:1.8%), EPC at 7.3% (FY17: 7.3%) and telecom at 3.9% (FY17: 4.9%) of the bank's total exposure as on June 30, 2017. The loans/deposit ratio of the bank has increased from 86.43% in Q1FY17 to 93.16% in Q1FY18 (FY17:92.57%). CASA has improved substantially from 29.60% in Q1FY17 to 36.75% in Q1FY18 (FY17:36.30%), especially in the last two quarters of FY17.

Earnings Quality: Total Net Interest Income for the Bank as on June 30, 2017 stood at ₹ 1,810 Cr from ₹ 1,256 Cr as on June 30, 2016 (FY17: ₹ 5,797 Cr). Net Interest margin stood at 3.7% for Q1FY18 (Q1FY17: 3.4% and FY17: 3.4%). Non-interest income stood at ₹ 1,132 Cr as on June 30, 2017 against ₹ 961 Cr as on June 30, 2016 (FY17: ₹ 4,157 Cr). As of FY17, the Bank's corporate banking fees of ₹ 1,725 Cr (FY16: ₹ 1,171 Cr), income from forex, debt capital market & securities of ₹ 1,042 Cr (FY16: ₹ 468 Cr) and retail banking fees of ₹ 915 Cr (FY16: ₹ 612 Cr) were the major contribution to Non interest income. The Bank's provision is maintained at ₹ 286 Cr in Q1FY18 which includes part of the proactive



provision of 50% towards NCLT exposure (₹ 207 Cr in Q1FY17 and ₹ 793 Cr in FY17). The Bank has earned a profit of ₹ 966 Cr in Q1FY18 (₹ 732 Cr in Q1FY17 and ₹ 3,330 Cr in FY17). Provision costs and non-interest income are key monitorables. The Cost to Income ratio has marginally increased from 41.1% in Q1FY17 to 42.1% in Q1FY18 (FY17: 41.4%).

Asset Quality: As on June 30, 2017, the Bank's Gross NPAs increased from ₹ 845 Cr in Q1FY17 to ₹ 1,364 Cr, however reduced from ₹ 2,019 Cr in FY17. During Q1FY18, Bank has recovered ₹ 546 Cr (~60% of the outstanding) from one of its extraordinary account which increased the GNPA for FY17 by ₹ 911 Cr. GNPA stood at 0.97% in Q1FY18 (Q1FY17:0.79% and FY17: 1.52%) and NNPA stood at 0.39% in Q1FY18 (Q1FY17:0.29% and FY17: 0.81%). The Bank has close to ₹ 331 Cr of standard restructured advances i.e. ~0.24%. The Bank has two borrowers amounting to ₹ 343 Cr referenced in RBI IBC/NCLT notification dated June 13, 2017, for which the Bank has proactively maintained 50% provisions. Potential slippages to NPA would be a key rating sensitivity. Provision Coverage Ratio stands at 60% (Q1FY17:64.20% and FY17: 46.88%).

Capital Adequacy: As on June 30, 2017, the Bank's total CRAR as per BASEL III guidelines stands at 17.6% (Q1FY17:15.5% and FY17:17.0%) out of which Tier I capital adequacy ratio stood at 13.8% (Q1FY17:10.3% and FY17:13.3%) with CET-1 11.9% (Q1FY17:9.9% and FY17:11.4%). During FY17, the Bank has raised capital amounting to ₹ 4,907 Cr (USD 750 Mn) through QIP, and ₹ 3,000 Cr in form of Basel III compliant Additional Tier I bonds.

KEY Parameters – Rs Cr	2015	2016	2017	Q1FY17	Q1FY18
Total Deposits	91,176	111,720	142,874	122,581	150,241
<i>Deposit Growth (in %)</i>	22.89%	22.53%	27.89%		22.56%
Total Advances	75,550	98,210	132,263	105,942	139,972
<i>Loans Growth</i>	35.80%	29.99%	34.68%		32.12%
Total Business	166,726	209,929	275,137	228,523	290,213
<i>Business Growth (%)</i>	28.42%	25.91%	31.06%		26.99%
CASA Ratio %	23.12%	28.05%	36.30%	29.60%	36.75%
Profitability Ratios (%)					
RoE	19.0%	19.9%	21.5%	20.7%	17.4%
RoA	1.6%	1.7%	1.8%	1.7%	1.8%
NIM	3.2%	3.4%	3.4%	3.4%	3.7%
Net Interest Income (NII) (Rs Cr)	3488	4567	5797	1256	1809
Non-Interest Income (Rs Cr)	2046	2712	4157	961	1132
Operating Profit (Rs Cr)	3250	4302	5838	1307	1704
Prov.& Cont.excl.tax (Rs Cr)	339	536	793	207	286

PAT (Rs Cr)	2005	2539	3330	732	966
Cost to Income Ratio	41.3%	40.9%	41.4%	41.1%	42.1%
Asset Liability Profile (%)					
Loans/Deposit Ratio	82.86%	87.91%	92.57%	86.43%	93.17%
Gross NPAs to Advances	0.41%	0.76%	1.52%	0.79%	0.97%
Net NPAs to Advances	0.12%	0.29%	0.81%	0.29%	0.39%
Provision Coverage Ratio	72.0%	62.0%	46.8%	64.2%	60.0%
Restructured Portfolio as a % of Gross Advances	0.50%	0.53%	0.36%	0.49%	0.24%
Gross NPA% + Restructured (Stressed Advances)	0.91%	1.29%	1.88%	1.28%	1.21%
CRAR	15.6%	16.5%	17.0%	15.5%	17.6%
<i>Tier I</i>	11.5%	10.7%	13.3%	10.3%	13.8%
<i>CET-I</i>	11.5%	10.7%	11.4%	9.9%	11.9%
<i>AT-I</i>	0.0%	0.0%	1.9%	0.4%	1.9%
<i>Tier II</i>	4.1%	5.8%	3.7%	5.2%	3.8%
<i>Book Value</i>	279.6	327.8	468.7	345.2	489.3

Note as per BWR calculations;

RBI: Reserve Bank of India, NCLT – National Company Law Tribunal, IBC – Insolvency and Bankruptcy Code

Rating History for the last three years (including withdrawn/suspended ratings)

S N o.	Instrument/ Facility	Current Rating (July 2017)			Rating History			
		Type	Amount (₹ Crs)	Rating	29 Jul 2016	11 Jun 2015	20 Sep 2013	25 Sep 2012
1	Innovative Perpetual Debt Instrument	Long term	230 (raised ₹ 225 Cr)	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed
2	Upper Tier II	Long Term	450 (raised ₹ 440 Cr)	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed
3	Hybrid Tier I	Long Term	90 (raised ₹ 82 Cr)	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed

4	Lower Tier II	Long Term	300	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed
5	Lower Tier II	Long Term	260	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Complexity levels of the Rated Instruments](#)
- [Banks and Financial Institutions](#)
- [Basel III Compliant Instruments](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives



in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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