August 04, 2022 (Revised)

# Yes Bank Limited: Ratings upgraded/reaffirmed; outlook revised to Positive from Stable

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Infrastructure Bond** | 7,030.00 | 7,030.00 | [ICRA]A-(Positive); upgraded from [ICRA]BBB(Stable) and outlook revised to Positive from Stable |
| **Basel II - Lower Tier II Bond** | 459.70 | 459.70 | [ICRA]A-(Positive); upgraded from [ICRA]BBB(Stable) and outlook revised to Positive from Stable |
| **Basel II - Lower Tier II Bond** | 1,142.90 | - | [ICRA]A-(Positive); upgraded from [ICRA]BBB(Stable) and outlook revised to Positive from Stable and withdrawn |
| **Basel III - Tier II Bond** | 10,900.00 | 10,900.00 | [ICRA]A-(Positive); upgraded from [ICRA]BBB-(Stable) and outlook revised to Positive from Stable |
| **Basel II - Tier I Bond** | 307.00 | - | [ICRA]BBB+(Positive); upgraded from [ICRA]BB+ and outlook revised to Positive from Stable and withdrawn |
| **Basel II - Upper Tier II Bond** | 429.10 | 429.10 | [ICRA]BBB+(Positive); upgraded from [ICRA]BB+(Stable) and outlook revised to Positive from Stable |
| **Basel II - Upper Tier II Bond** | 915.00 | - | [ICRA]BBB+(Positive); upgraded from [ICRA]BB+(Stable) and outlook revised to Positive from Stable and withdrawn |
| **Basel III - Additional Tier I Bond **** | 8,415.00 | 8,415.00 | [ICRA]D; reaffirmed |
| **Basel III - Additional Tier I Bond** | 280.00 | 280.00 | [ICRA]BB(Positive); upgraded from [ICRA]C and Positive outlook assigned |
| **Total** | **29,878.70** | **27,513.80** | |

**Instrument details are provided in Annexure I; ** Was written down as a part of the restructuring of liabilities*

## Rationale

The ratings upgrade factors in the continued and meaningful traction in Yes Bank Limited's (YBL) deposit base since its reconstruction, which has led to an improvement in its scale, and the recoveries from non-performing advances (NPAs; including write-offs), which drove an increase in the overall net profitability. The upgrade also factors in the announced capital raise of Rs. 8,898 crore, of which Rs. 6,045 crore is expected to be raised in FY2023 through a mix of the preferential allotment of share and warrants, while the residual amount could flow in upon the conversion of the warrants in FY2024. Subject to various approvals, the planned capital raise will help augment the bank's growth and profitability, while driving an improvement in its overall solvency[1] profile and capital cushions.

The above positives are offset by the below-average interest spreads on account of high funding costs and the weak cost-to-income ratio that continues to weigh on the operating profitability and return metrics. While deposit growth has been appreciable, the share of corporate/wholesale deposits remains relatively high. Going forward, YBL's ability to continue to granularise its deposit franchise and improve the funding cost will remain key for an improvement in its profitability.

The ratings also factor in the materially high monitorable book (comprising the overdue book (overdue 31 to 90 days) and the standard restructured book), which stood at ~49% in relation to the overall core capital as on June 30, 2022, although it has moderated from the higher level of 58% as on June 30, 2021. Furthermore, YBL is in the process of setting up an asset reconstruction company (ARC), to transfer a sizeable portion of its stressed assets, but the said transaction alone is unlikely to materially improve the solvency profile.

[1] *Solvency = (Net NPA + Net non-performing investments + Net security receipts)/Core capital*

The Positive outlook on the ratings reflects ICRA's expectation that YBL's capital cushions and solvency profile will improve on a sustainable basis following the conclusion of the capital raise.

ICRA has withdrawn the ratings assigned to the Rs. 1,142.90-crore Basel II Lower Tier II bonds, Rs. 307-crore Basel II Tier I bonds, and Rs. 915-crore Basel II Upper Tier II bonds as these have been redeemed and no amount is outstanding against the rated instruments. The ratings were withdrawn in accordance with ICRA's policy on withdrawal and suspension (click here for the policy).

## Key rating drivers and their description

### Credit strengths

**Current capital position remains adequate; planned capital raise to strengthen capital cushions –** The bank's Tier I capital remained satisfactory despite the 14% YoY growth in advances as on June 30, 2022 and was supported by the moderation in the risk-weighted density of assets, which kept the overall risk-weighted assets (RWA) growth limited at 4% during the same period. Additionally, YBL turned profitable over FY2022-Q1 FY2023, which supported its capital levels.

Incrementally, YBL announced a capital raise via a preferential allotment to CA Basque Investments (Carlyle Group) and Verventa Holdings Limited (Advent International). Of the proposed amount of Rs. 8,898 crore, Rs. 6,045 crore (of which Rs. 951 crore pertains to warrant) is likely to flow in during FY2023 while the residual Rs. 2,853 crore shall flow in upon the exercise of the warrants (post April 1, 2023). The capital raise is subject to shareholder and regulatory approvals and will help shore up the bank's capital cushions. The incoming shareholders will hold a stake of 10% each (upon conversion of warrants), but State Bank of India (SBI; rated [ICRA]AAA (Stable) for Tier II bonds) is expected to remain YBL's largest shareholder with a 24% stake.

Furthermore, following the improvement in its operating performance, the bank has exited the reconstruction scheme and its shareholders have approved and appointed a new board, which has replaced the board constituted as a part of the reconstruction scheme. Moreover, the two additional directors appointed by the Reserve Bank of India (RBI) have ceased to be directors on the board.

**Deposit base growth satisfactory, but remains concentrated –** YBL's deposit base grew by 18% YoY to Rs. 1.93 lakh crore as on June 30, 2022 from Rs. 1.63 lakh crore as on June 30, 2021 (Rs. 1.17 lakh crore as on June 30, 2020). The cost of interest-bearing funds differential vis-à-vis the private sector average improved to 115 basis points (bps) in FY2022 (120 bps in FY2021 and 150 bps in FY2020), but remains high.

The growth in current account savings account (CASA) and retail term deposits has been healthy, although the share of the wholesale term deposits remained high at 38% of the overall term deposits as on June 30, 2022. Moreover, despite the moderation in the share of the top 20 depositors in total deposits to ~16% as on March 31, 2022 from ~18% as on March 31, 2021, it remains higher than most peer banks. Given its aim to grow in the secured retail lending segment, YBL's ability to continue to grow its deposit franchise, while narrowing the cost differential, will be key for supporting an improvement in its scale and profitability.

### Credit challenges

**Stressed book remains elevated; asset quality remains a monitorable –** The annualised fresh NPA generation rate[2] reduced to 2.48% in Q1 FY2023 from 3.69% in FY2022 and 7.39% in FY2021. Further, the recoveries and upgrades remained meaningfully high in FY2022, partially supported by one-time loan restructuring as a part of the Covid-19 pandemic relief measures. This led to some improvement in the headline asset quality numbers, i.e. gross NPA (GNPA) and net NPA (NNPA), which stood at 13.45% and 4.17%, respectively, as on June 30, 2022. With the steady improvement in capital accretion and the absolute decline in the net stressed assets, the solvency profile witnessed a relative improvement to ~34% as on June 30, 2022 from 46% as on March 31, 2021.

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[2] *Fresh NPA generation – Gross fresh slippages/opening standard advances*

However, the overall net restructured book stood at 3.24% of standard advances as on June 30, 2022 (2.92% as on June 30, 2021), while the overdue book stood at 4.17% (7.50% as on June 30, 2021), which collectively remains elevated in relation to the total standard assets and the overall capital position of the bank. These exposures remain a potential source of incremental stress for the bank in the near term. While YBL is guiding towards lower slippages (fresh NPA generation of 2.3-2.6% in FY2023), the ability to keep incremental slippages in check will remain a near-to-medium-term monitorable.

The proposed transfer/sale of stressed assets to an ARC will drive a reduction in the reported GNPA and NNPA metrics, though the said transaction is unlikely to materially improve the overall solvency profile. However, meaningful recoveries from stressed assets, coupled with the closure of the proposed equity raise, will drive the improvement in the solvency profile.

**Improving profitability, although return metrics likely to remain muted –** YBL's standard loan book grew 16% to Rs. 1.79 lakh crore as on June 30, 2022 from Rs. 1.54 lakh crore as on June 30, 2021, supporting an improvement in the net interest income. The annualised net interest margin improved to 2.32% of the average total assets (ATA) in Q1 FY2023 (2.20% in FY2022 and 2.80% in FY2021), while the uptick in economic activity, recoveries from stressed assets as well as the growth in the retail segments led to an improvement in other income to 1.03% of ATA in Q1 FY2023 (1.01% in FY2022 and 0.80% in FY2021).

However, the overall operating expenditure remained high at 2.57% of ATA in Q1 FY2023 (2.2-2.3% in FY2021-FY2022), driven by the costs incurred towards the expansion of the franchise. As a result, the core operating profitability (before treasury gains/losses) remained suboptimal at 0.57% of ATA in Q1 FY2023 (0.89% in FY2022) and was comparatively lower than the private sector average of 1.74% for FY2022. Credit costs were largely controlled on account of high recoveries and upgrades, given the high provision cover on the sizeable pool of stressed assets. Consequently, the net credit cost stood much lower than the past level at 0.22% of ATA in Q1 FY2023 (0.24% in FY2022) and has been supporting the bottom line despite the suboptimal operating profitability. YBL's ability to improve the scale of operations while reducing the funding costs will be key for improving its operating profitability and its ability to absorb asset quality shocks and achieve a better return on assets in future.

## Liquidity position: Adequate

With steady deposit accretion and relatively lower growth in advances, YBL's overall liquidity position has improved over the last year. The bank's average liquidity coverage ratio (LCR) stood at ~119% for Q1 FY2023 and remained above the regulatory requirement of 100% for all the quarters of FY2022. The cumulative gaps in all the < 1-year maturity buckets remain manageable as per the structural liquidity statement as on March 31, 2022. Furthermore, the excess statutory liquidity ratio (SLR) holding above the regulatory ask (4% above the regulatory level as on March 31, 2022) can be utilised to meet its liquidity requirements. YBL has access to liquidity support from the RBI under the liquidity adjustment facility apart from the marginal standing facility in case of urgent liquidity needs.

## Rating sensitivities

**Positive factors –** ICRA could upgrade the long-term ratings upon the conclusion of the planned equity raise. Further, YBL's ability to consistently maintain a Tier I capital cushion of more than 2% over the regulatory level {including capital conservation buffer (CCB)} and a solvency ratio of more than 25%, reduce the stressed exposures meaningfully and improve the profitability will be positive factors.

**Negative factors –** A higher-than-expected deterioration in the asset quality, resulting in the erosion of the Tier I capital cushion to <1% over the regulatory level (including CCB), will be a credit negative.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | ICRA's Rating Methodology for Banks<br>ICRA's Policy on Withdrawal of Credit Ratings<br>ICRA's Rating Methodology on Consolidation |
| **Parent/Group support** | Not Applicable |

| | |
|---|---|
| **Consolidation/Standalone** | For arriving at the ratings, ICRA has considered the standalone financials of YBL. YBL has one subsidiary as mentioned in Annexure II. It divested its asset management company and trustee company in FY2022, while no material capital requirement is envisaged for the remaining subsidiary. |

## About the company

YBL is a private sector bank that was set up in 2004. It is the sixth largest private bank, in terms of total assets, with a 2.5% market share in standard advances as on March 31, 2022. The bank had a network of 1,140 branches as on June 30, 2022 as well as an international branch in Gift City, Gujarat (India). YBL's regulatory capital adequacy ratio (Basel III) stood at 17.52% (CET I and Tier I of 11.72%) as of June 30, 2022.

A moratorium was placed on YBL by the Central Government on March 5, 2020, whereby payments to its depositors and creditors were restricted. The moratorium was removed w.e.f. March 18, 2020 and the Government approved a reconstruction scheme for the bank, based on which it received equity of Rs. 10,000 crore from SBI and other domestic financial institutions. Apart from the equity infusion, YBL's board was reconstituted with a new Managing Director (MD) and Chief Executive Officer (CEO) from SBI. In July 2020, the bank concluded a follow-on public offer (FPO) of Rs. 15,000 crore. Consequently, SBI's shareholding declined to 30% from 48% (following the reconstruction scheme) as of March 31, 2022. In July 2022, the shareholders approved the appointment of a new board, that effectively replaces the one that was constituted as a part of the reconstruction scheme, while also approving the extension in the tenure of the MD & CEO, subject to RBI approval.

### Key financial indicators (standalone)

| Yes Bank Limited | FY2021 | FY2022 | Q1 FY022 | Q1 FY2023 |
|---|---|---|---|---|
| **Net interest income** | 7,429 | 6,498 | 1,402 | 1,850 |
| **Profit before tax** | (4,735) | 1,436 | 276 | 415 |
| **Profit after tax** | (3,462) | 1,066 | 207 | 311 |
| **Net advances (Rs. lakh crore)** | 1.67 | 1.81 | 1.64 | 1.86 |
| **Total assets (Rs. lakh crore)** | 2.73 | 3.18 | 2.73 | 3.18 |
| | | | | |
| **CET I** | 11.15% | 11.60% | 11.48% | 11.72% |
| **Tier I** | 11.27% | 11.60% | 11.48% | 11.72% |
| **CRAR** | 17.47% | 17.43% | 17.83% | 17.52% |
| | | | | |
| **Net interest margin / ATA** | 2.80% | 2.20% | 2.05% | 2.32% |
| **PAT / ATA** | (1.30%) | 0.36% | 0.30% | 0.39% |
| **Return on net worth** | (10.43%) | 3.16% | 2.49% | 3.66% |
| | | | | |
| **Gross NPAs** | 15.41% | 13.93% | 15.60% | 13.45% |
| **Net NPAs** | 5.88% | 4.53% | 5.78% | 4.17% |
| **Provision coverage excl. technical write-offs** | 65.70% | 70.67% | 79.30% | 82.30% |
| **Net NPA / Core equity capital** | 38.14% | 30.52% | 36.85% | 28.58% |

*Source: Yes Bank Limited, ICRA Research; Amount in Rs. crore; Total assets and net worth exclude revaluation reserves; All ratios as per ICRA's calculations*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Instrument | Current rating (FY2023) | | | | Chronology of rating history for the past 3 years | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount rated (Rs. crore) | Amount outstanding as of August 02, 2022 (Rs. crore) | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 | | | | | Date & rating in FY2020 | | | | |
| | | | | | Aug 04, 2022 | Sep 09, 2021 | Sep 11, 2020 | Jun 23, 2020 | Mar 30, 2020 | Mar 24, 2020 | Mar 6, 2020 | Feb 20, 2020 | Dec 19, 2019 | Nov 13, 2019 | Jul 24, 2019 | May 3, 2019 |
| 1 | Basel II Lower Tier II Bond Programme | Long Term | 459.70 | 459.70 | [ICRA]A- (Positive) | [ICRA]BBB (Stable) | [ICRA]BBB (Stable) | [ICRA]BB+& | [ICRA]BB+& | [ICRA]BB+& | [ICRA]D | [ICRA]A- (Negative) | [ICRA]A (Negative) | [ICRA]A+ (Negative) | [ICRA]A+ (Negative) | [ICRA]AA- (Negative) |
| 2 | Basel II Lower Tier II Bond Programme | Long Term | 1,142.90 | - | [ICRA]A- (Positive); withdrawn | [ICRA]BBB (Stable) | [ICRA]BBB (Stable) | [ICRA]BB+& | [ICRA]BB+& | [ICRA]BB+& | [ICRA]D | [ICRA]A- (Negative) | [ICRA]A (Negative) | [ICRA]A+ (Negative) | [ICRA]A+ (Negative) | [ICRA]AA- (Negative) |
| 3 | Basel II Upper Tier II Bond Programme | Long Term | 429.10 | 429.10 | [ICRA]BBB+ (Positive) | [ICRA]BB+ (Stable) | [ICRA]BB+ (Stable) | [ICRA]D | [ICRA]BB& | [ICRA]BB& | [ICRA]D | [ICRA]BBB+ (Negative) | [ICRA]A- (Negative) | [ICRA]A (Negative) | [ICRA]A (Negative) | [ICRA]A+ (Negative) |
| 4 | Basel II Upper Tier II Bond Programme | Long Term | 915.00 | - | [ICRA]BBB+ (Positive); withdrawn | [ICRA]BB+ (Stable) | [ICRA]BB+ (Stable) | [ICRA]D | [ICRA]BB& | [ICRA]BB& | [ICRA]D | [ICRA]BBB+ (Negative) | [ICRA]A- (Negative) | [ICRA]A (Negative) | [ICRA]A (Negative) | [ICRA]A+ (Negative) |
| 5 | Basel II Tier I Bond Programme | Long Term | 307.00 | - | [ICRA]BBB+ (Positive); withdrawn | [ICRA]BB+ (Stable) | [ICRA]BB+ (Stable) | [ICRA]D | [ICRA]D | [ICRA]D | [ICRA]D | [ICRA]BBB+ (Negative) | [ICRA]A- (Negative) | [ICRA]A (Negative) | [ICRA]A (Negative) | [ICRA]A+ (Negative) |
| 6 | Infrastructure Bond Programme | Long Term | 7,030.00 | 3,780.00^ | [ICRA]A- (Positive) | [ICRA]BBB (Stable) | [ICRA]BBB (Stable) | [ICRA]BB+& | [ICRA]BB+& | [ICRA]BB+& | [ICRA]D | [ICRA]A- (Negative) | [ICRA]A (Negative) | [ICRA]A+ (Negative) | [ICRA]A+ (Negative) | [ICRA]AA- (Negative) |
| 7 | Basel III Tier II Bond | Long Term | 10,900.00 | 10,899.00^ | [ICRA]A- (Positive) | [ICRA]BBB- (Stable) | [ICRA]BBB- (hyb)(Stable) | [ICRA]BB (hyb) & | [ICRA]BB (hyb) & | [ICRA]BB (hyb) & | [ICRA]D (hyb) | [ICRA]A- (hyb) (Negative) | [ICRA]A(hyb) (Negative) | [ICRA]A+(hyb) (Negative) | [ICRA]A+(hyb) (Negative) | [ICRA]AA- (hyb) (Negative) |
| 8 | Basel III Additional Tier I Bond | Long Term | 8,415.00 | 8,415.00 | [ICRA]D | [ICRA]D | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]BBB- (hyb) (Negative) | [ICRA]BBB (hyb) (Negative) | [ICRA]BBB+ (hyb) (Negative) | [ICRA]BBB+ (hyb) (Negative) | [ICRA]A (hyb) (Negative) |
| 9 | Basel III Additional Tier I Bond Programme | Long Term | 280.00 | 280.00 | [ICRA]BB (Positive) | [ICRA]C | [ICRA]C (hyb) | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]D (hyb) | [ICRA]BBB- (hyb) (Negative) | [ICRA]BBB (hyb) (Negative) | [ICRA]BBB+ (hyb) (Negative) | [ICRA]BBB+ (hyb) (Negative) | [ICRA]A (hyb) (Negative) |

*^ Balance amount yet to be placed; & - Rating Watch with Negative Implications*

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| **Infrastructure Bond Programme** | Very Simple |
| **Basel II Lower Tier II Bond Programme** | Simple |
| **Basel III Tier II Bond Programme** | Highly Complex |
| **Basel II Tier I Bond Programme** | Highly Complex |
| **Basel II Upper Tier II Bond Programme** | Highly Complex |
| **Basel III Additional Tier I Bond Programme** | Highly Complex |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

## Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **INE528G09129** | Basel II - Lower Tier II Bonds | Oct 16, 2012 | 10.00% | Oct 16, 2022 | 200.00 | [ICRA]A-(Positive) |
| **INE528G08246** | Basel II - Lower Tier II Bonds | Oct 31, 2012 | 9.90% | Oct 31, 2022 | 259.70 | |
| **INE528G08204** | Basel II - Lower Tier II Bonds | Oct 28, 2011 | 10.20% | Oct 28, 2021 | 243.00 | [ICRA]A-(Positive); withdrawn |
| **INE528G08212** | Basel II - Lower Tier II Bonds | Mar 28, 2012 | 9.90% | Mar 28, 2022 | 300.00 | |
| **INE528G08220** | Basel II - Lower Tier II Bonds | Aug 23, 2012 | 10.00% | Aug 23, 2022 | 300.00 | |
| **INE528G08238** | Basel II - Lower Tier II Bonds | Sep 10, 2012 | 10.00% | Sep 10, 2022 | 300.00 | |
| **INE528G09103** | Basel II - Upper Tier II Bonds | Jun 29, 2012 | 10.25% | Jun 29, 2027 | 60.10 | [ICRA]BBB+(Positive) |
| **INE528G09111** | Basel II - Upper Tier II Bonds | Sep 28, 2012 | 10.15% | Sep 28, 2027 | 200.00 | |
| **INE528G09137** | Basel II - Upper Tier II Bonds | Dec 27, 2012 | 10.05% | Dec 27, 2027 | 169.00 | |
| **INE528G08154** | Basel II - Upper Tier II Bonds | Aug 14, 2010 | 9.65% | Aug 14, 2025 | 440.00 | [ICRA]BBB+(Positive); withdrawn |
| **INE528G08162** | Basel II - Upper Tier II Bonds | Sep 08, 2010 | 9.50% | Sep 08, 2025 | 200.00 | |
| **INE528G08253** | Basel II - Upper Tier II Bonds | Nov 10, 2012 | 10.25% | Nov 10, 2027 | 275.00 | |
| **INE528G08279** | Infrastructure Bonds | Feb 24, 2015 | 8.85% | Feb 24, 2025 | 1,000.00 | [ICRA]A-(Positive) |
| **INE528G08295** | Infrastructure Bonds | Aug 05, 2015 | 8.95% | Aug 05, 2025 | 315.00 | |
| **INE528G08345** | Infrastructure Bonds | Sep 30, 2016 | 8.00% | Sep 30, 2026 | 2,135.00 | |
| **INE528G08360** | Infrastructure Bonds | Dec 29, 2016 | 7.62% | Dec 29, 2023 | 330.00 | |
| **Yet to be placed** | Infrastructure Bonds | - | - | - | 3,250.00 | |
| **INE528G08287** | Basel III - Tier II Bonds | Jun 29, 2015 | 9.15% | Jun 30, 2025 | 554.00 | [ICRA]A-(Positive) |
| **INE528G08303** | Basel III - Tier II Bonds | Dec 31, 2015 | 8.90% | Dec 31, 2025 | 1,500.00 | |
| **INE528G08311** | Basel III - Tier II Bonds | Jan 15, 2016 | 9.00% | Jan 15, 2026 | 800.00 | |
| **INE528G08329** | Basel III - Tier II Bonds | Jan 20, 2016 | 9.05% | Jan 20, 2026 | 500.00 | |
| **INE528G08337** | Basel III - Tier II Bonds | Mar 31, 2016 | 9.00% | Mar 31, 2026 | 545.00 | |
| **INE528G08378** | Basel III - Tier II Bonds | Sep 29, 2017 | 7.80% | Sep 29, 2027 | 2,500.00 | |
| **INE528G08386** | Basel III - Tier II Bonds | Oct 03, 2017 | 7.80% | Oct 01, 2027 | 1,500.00 | |
| **INE528G08402** | Basel III - Tier II Bonds | Feb 22, 2018 | 8.73% | Feb 22, 2028 | 3,000.00 | |
| **Yet to be placed** | Basel III - Tier II Bonds | - | - | - | 1.00 | |
| **INE528G09061** | Basel II - Tier I Bonds | Mar 05, 2010 | 10.25% | Dec 30, 2020 | 82.00 | [ICRA]BBB+(Positive); withdrawn |
| **INE528G09079** | Basel II - Tier I Bonds | Aug 21, 2010 | 9.90% | Aug 21, 2020 | 225.00 | |
| **INE528G08261** | Basel III - Additional Tier I Bonds | Dec 31, 2013 | 10.50% | NA# | 280.00 | [ICRA]BB(Positive) |
| **INE528G08352** | Basel III - Additional Tier I Bonds | Dec 23, 2016 | 9.50% | NA* | 3,000.00 | [ICRA]D |
| **INE528G08394** | Basel III - Additional Tier I Bonds | Oct 18, 2017 | 9.00% | NA* | 5,415.00 | |

*Source: Yes Bank Limited; * Was written down as a part of the restructuring of liabilities; # Perpetual bonds*

### Key features of the rated instruments

The servicing of the Basel II Lower Tier II Bonds and infrastructure bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked. The rated Basel III Tier II instrument is a hybrid subordinated instrument with equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

The Basel II Upper Tier II Bonds have specific features wherein the debt servicing is linked to the bank meeting the profitability and regulatory norms for capitalisation. As per the regulatory norms for these instruments, approval from the RBI is required for coupon payments (including redemption) in case the bank reports a loss and is not liable to service the debt if it breaches the minimum regulatory capitalisation norms, i.e. CRAR of 9.0%. The coupon, if missed on the Basel II Upper Tier II Bonds, is cumulative if not paid. ICRA has notched down the rating on these instruments, given the expected pressure on the bank’s profitability in the near term.

The Basel III AT-I instrument (Rs. 8,415 crore) was written down as a part of the restructuring of liabilities. YBL continues to have Basel III AT-I Bonds of Rs. 280 crore. It has stopped including this Rs. 280-crore bond in its Tier I capital, though the coupon is still contingent on regulatory approvals.

### Annexure II: List of entities considered for limited consolidated analysis

| Company Name | Yes Bank Ownership | Consolidation Approach |
|---|---|---|
| **Yes Securities (India) Limited** | 100% | Limited consolidation |

*Source: Yes Bank Limited*

## Corrigendum

**Rationale dated August 04, 2022, has been revised with changes as below:**

– Addition of "ICRA's Rating Methodology on Consolidation" in the analytical approach section

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