

July 14, 2025

## Yes Bank Limited: Ratings upgraded/reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Infrastructure bonds	5,700.00	5,700.00	[ICRA]AA- (Stable); upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive
Infrastructure bonds	1,000.00	-	[ICRA]AA- (Stable); upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive and withdrawn
Basel III Tier II bonds	10,900.00	10,345.80	[ICRA]AA- (Stable); upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive
Basel III Tier II bonds	554.20	-	[ICRA]AA- (Stable); upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive and withdrawn
Basel III Tier I bonds**	8,415.00	8,415.00	[ICRA]D; reaffirmed
<b>Total</b>	<b>26,015.00</b>	<b>24,460.80</b>	

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

### Rationale

The rating upgrade factors in the steady increase in Yes Bank Limited's (YBL) scale of operations, the improving mix of the loan book with the growing share of granular loans, and the continued decline in the stressed assets pool, which provides some stability to the earnings and capital position. ICRA also takes note of the steady recoveries from the security receipts (SRs), which helped the bank report an improvement in its overall profitability. ICRA expects the recoveries (though moderating) to keep supporting the bank's profitability in the near term while it would continue with its efforts to improve its core operating profitability further for a sustainable and healthy profitability profile. ICRA also notes the planned stake acquisition by Sumitomo Mitsui Banking Corporation<sup>1</sup> (SMBC, which will be the single largest shareholder once the required approvals are received).

The ratings remain supported by the adequate capitalisation and steady deposit growth, though the share of wholesale deposits stays high. The vulnerable book (comprising 31-90 days overdue and the standard restructured book) also declined to ~10% of the overall core capital as on March 31, 2025 from ~21<sup>2</sup>% as on March 31, 2024, though it remains monitorable. With the declining pool of stressed assets, YBL's gross slippage rate has also been declining. This, along with recoveries, helped the bank report lower net credit costs.

However, the ratings also consider the below-average interest spreads on account of the high funding costs, drag of high share of low-yielding assets {deposits towards shortfall in priority sector lending (PSL)}, and the elevated cost-to-income ratio, which lead to weak 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 scale up its loan book, granularise its deposit franchise further and improve its funding cost will remain key for an improvement in its core operating profitability. Additionally, its ability to limit slippages from the residual vulnerable book will remain key for keeping the credit costs in check, given its relatively thin operating profitability level.

<sup>1</sup> Rated A1/Stable by Moody's Investors Service with baseline credit assessment (BCA) of A3

<sup>2</sup> All ratios as per ICRA calculations

The impending judgement of the Supreme Court in the matter relating to the writeback of the Additional Tier-I (AT-1) bonds, amounting to Rs. 8,415 crore, remains a key monitorable as any writeback, in part or full, could result in the relative weakening of the reported core capital cushions as well as the solvency<sup>3</sup> level.

The Stable outlook factors in ICRA's expectation that the bank will be able to maintain a steady credit profile while further scaling up and will witness a steady improvement in its profitability metrics. In addition, ICRA will continue to monitor developments with respect to regulatory approvals, understand SMBC's strategy and the extent of its involvement in the bank's operations and will take appropriate rating action, if any, as more clarity emerges.

ICRA has upgraded and withdrawn the rating assigned to the Rs. 1,000.00-crore infrastructure bonds and Rs. 554.20-crore Basel III Tier II bonds as these have been redeemed with no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings ([click here for the policy](#)).

## Key rating drivers and their description

### Credit strengths

**Adequate capitalisation profile** – The capitalisation profile was supported by the capital raise of Rs. 6,041 crore in FY2023 through a mix of preferential allotment of shares and warrants, while the warrant conversion of the residual amount of Rs. 2,845 crore was done in Q1 FY2025, supporting the bank's growth plans. YBL's Tier I capital (13.5% as on March 31, 2025) remained satisfactory, given the moderate YoY growth of 8% in advances as on March 31, 2025 and around 6% in the overall risk-weighted assets (RWAs). Additionally, the bank has remained profitable since FY2022, which has supported its capital levels.

However, YBL's core capital profile or CET I could deteriorate in case of an adverse judgement by the Supreme Court in the matter relating to the write-off of its AT-1 bonds. The complete writeback of these bonds could adversely impact the CET I by ~280 basis points (bps), while the Tier I level is likely to remain unaffected. This could also result in the weakening of the core capital cushions as well as the solvency profile, thus remaining a monitorable.

**Steady growth in scale of operations with improving granularity of the loan mix** – YBL has witnessed a steady increase in its scale of operations with its advances book growing to Rs. 2.46 lakh crore as on March 31, 2025 from Rs. 1.71 lakh crore as on March 31, 2020, rising at a compound annual growth rate (CAGR) of 8% during this period. In addition, the share of the retail and micro, small and medium enterprise (MSME) book increased to 59% as on March 31, 2025 from ~44% as on March 31, 2020. Though the book declined slightly on a sequential basis in Q1 FY2026, this is likely to be temporary with steady growth expected during the rest of the fiscal.

Additionally, YBL's deposit base continues to grow, increasing by 7% YoY to Rs. 2.85 lakh crore as on March 31, 2025 from Rs. 2.66 lakh crore as on March 31, 2024. The growth was below the industry average of ~11% in FY2025, but remains in line with the rise in the bank's advances. The growth in current and savings account (CASA) and retail term deposits<sup>4</sup> has been healthy, given the declining share of wholesale deposits, which stood at 64% of the overall deposits as on March 31, 2025 (57% as on March 31, 2024). The share of the top 20 depositors in total deposits stood unchanged from the FY2024 level at 11% as on March 31, 2025.

The cost of interest-bearing funds differential vis-à-vis the private sector average witnessed a moderate uptick at 72 bps in FY2025 (65 bps in FY2024) amid the high share of wholesale deposits and the tight liquidity environment. Given its aim to grow in the secured retail lending segment, YBL's ability to continue increasing its deposit franchise, while narrowing the cost differential, will be key for supporting an improvement in its scale and profitability.

<sup>3</sup> Solvency = Net stressed book/Core capital; net stressed assets include net NPAs, net non-performing investments (NPIs) and net SRs

<sup>4</sup> Based on account level balance: <=Rs. 2 crore in FY2024 and <=Rs. 3 crore in FY2025

## Credit challenges

**Asset quality remains monitorable** – The annualised fresh non-performing advances (NPA) generation rate<sup>5</sup> reduced to 2.2% in FY2025 (2.6% in FY2024, 2.8% in FY2023 and 3.7% in FY2022). Further, recoveries and upgrades remained meaningfully high in FY2025. This, along with the sale of stressed assets to an asset reconstruction company (ARC), supported the headline asset quality metrics. The gross NPAs (GNPAs) and net NPAs (NNPAs) improved to 1.6% and 0.3%, respectively, as on March 31, 2025, from 1.7% and 0.6%, respectively, as on March 31, 2024. Additionally, the net non-performing investments (NPIs) and net SRs were fully provided for as on March 31, 2025 (0.3% of total assets as on March 31, 2024). The bank continues to benefit from recoveries from legacy stressed assets, most of which have been provided for. As a result, its net credit cost stood at 0.3% of average total assets (ATA) compared to the gross credit cost of 0.7% of ATA in FY2025. Recoveries from the legacy stressed assets are expected to moderate in FY2026. Despite this, the net credit cost is expected to remain stable at the FY2025 level, given the expected decline in the gross credit cost.

YBL's vulnerable book has been on an improving trajectory with its net restructured book at 0.2% of standard advances as on March 31, 2025 (1.7% as on March 31, 2024), while the 31-90 days overdue book remained range-bound at 1.5% as on March 31, 2025 (1.6% as on March 31, 2024). These exposures remain a potential source of incremental stress for the bank in the near term. While YBL continues to guide towards lower slippages going forward, its ability to keep incremental slippages in check will remain a near-to-medium-term monitorable. With the steady increase in capital accretion and the absolute decline in net stressed assets, the solvency profile improved to 2.0% as on March 31, 2025 from 7.5% as on March 31, 2024.

**Improving profitability, although return metrics likely to remain muted given the pressure on margins** – YBL's standard loan book grew by 8.4% to Rs. 2.45 lakh crore as on March 31, 2025, supporting the improvement in the net interest income. The annualised net interest margin remained steady at 2.16% of ATA in FY2025 (2.13% in FY2024), driven by the decline in the share of low-yielding assets (9% as of March 2025 vs 11% as of March 2024) consisting of deposits towards the shortfall in priority sector lending (PSL). Improved cross-selling and processing fees, supported by higher income in corporate trade and cash management, led to an increase in other income to 1.35% of ATA in FY2025 (1.30% in FY2024, 1.04% in FY2023).

Operating expenses remained high at 2.54% of ATA in FY2025 (2.58% in FY2024, 2.57% in FY2023) due to the costs incurred towards franchise expansion and the changing asset mix with the increasing share of granular assets. As a result, the core operating profitability (before treasury gains/losses) remained suboptimal at 0.96% of ATA in FY2025 (0.84% in FY2024, 0.93% in FY2023) and was lower than the private sector average of 2.66% (2.84% in FY2024). Credit costs were largely controlled due to significant recoveries and upgrades, given the high provision cover on the sizeable pool of stressed assets. Consequently, the net credit cost (annualised) was much lower at 0.26% of ATA in FY2025 (0.50% in FY2024, 0.66% in FY2023) and has been supporting the bottom line despite the suboptimal operating profitability. YBL's ability to improve its scale of operations while reducing the funding and operating costs will be key for increasing its operating profitability as well as its ability to absorb asset quality shocks and achieve a better return on assets (RoA) in future.

## Environmental and social risks

While banks like YBL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for banks. However, such risk is not material for YBL as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure as seen in the case of other banks in the recent past. YBL has not faced any material lapse over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. YBL has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved

<sup>5</sup> Fresh NPA generation = Gross fresh slippages/Opening standard advances

segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers<sup>6</sup>.

## Liquidity position: Adequate

The bank's daily average liquidity coverage ratio (LCR) stood at 125% for Q4 FY2025 and remained above the regulatory requirement of 100% during all four quarters of the fiscal. Further, the net stable funding ratio (NSFR) stood at 118% as on March 31, 2025, staying above the regulatory requirement of 100%. The cumulative gaps in the <1-year maturity buckets remained negative at 2% of the total outflows as per the structural liquidity statement as on March 31, 2025. Moreover, the statutory liquidity ratio (SLR) holding above the regulatory ask can be utilised to meet its liquidity requirements. YBL has access to liquidity support from the Reserve Bank of India (RBI) under the liquidity adjustment facility apart from the marginal standing facility in case of urgent requirement.

## Rating sensitivities

**Positive factors** – Improvement in the profitability with RoA of more than 1.0% on a sustained basis, while improving the scale and granularity of the business and maintaining solvency level better than 20% with a capital cushion of over 3% over the regulatory level on Tier I capital ratio.

**Negative factors** – A higher-than-expected deterioration in the asset quality or erosion of the capital cushion below 2% over the regulatory levels for the Tier I capital ratio.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Rating Methodology for Banks and Financial Institutions</a> <a href="#">Policy on Default Recognition</a> <a href="#">ICRA's Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of YBL. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiary.

## About the company

YBL is a private sector bank that was set up in 2004. It is the sixth largest private sector bank, in terms of total assets, with a 1.4% market share in net advances as on December 31, 2024. It had a network of 1,255 branches, as on March 31, 2025, as well as an international branch in GIFT City, Gujarat (India). YBL's CET I ratio stood at 13.5% (CRAR of 15.6%) as on March 31, 2025.

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 State Bank of India (SBI) and other domestic financial institutions. 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 on March 31, 2022. In July 2022, the board approved the raising of equity capital of Rs. 8,900 crore on a preferential basis from two global equity investors – Carlyle and Advent International – via equity share warrants, which were received in two tranches, after which SBI's stake declined to 24% as on June 30, 2024.

On May 09, 2025, the bank announced that its board of directors (BoD) had approved the acquisition of a stake in YBL by Sumitomo Mitsui Banking Corporation (SMBC/Purchaser) from SBI (Seller) and seven other banks, collectively referred to as Other Sellers). The deal would result in the Purchaser buying 13.19% from the Seller and 6.81% from the Other Sellers with both

<sup>6</sup> Corresponds to provision for NPAs

transactions expected to occur simultaneously. The said transaction is, however, subject to regulatory and procedural approvals. On the completion of the transaction, SMBC will be the single largest shareholder in YBL.

#### Key financial indicators (standalone)

Yes Bank Limited	FY2024	FY2025
Total income	13,050	14,524
Profit after tax	1,251	2,406
Total assets (Rs. lakh crore)	4.05	4.23
CET I	12.2%	13.5%
CRAR	15.4%	15.6%
PAT/ATA	0.33%	0.58%
Gross NPAs	1.73%	1.58%
Net NPAs	0.58%	0.33%

Source: YBL, ICRA Research; Total income = Net interest income + Non-interest income (excluding trading gains)

Amount in Rs. crore unless mentioned otherwise; 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

Current (FY2026)						Chronology of rating history for the past 3 years					
FY2026						FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	July 14, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Basel II Upper Tier II bonds	Long term	-	-	-	-	Jul 19, 2024	[ICRA]A- (Positive); withdrawn	Aug 01, 2023	[ICRA]BBB+ (Positive)	Aug 04, 2022	[ICRA]BBB+ (Positive)
Infrastructure bonds	Long term	5,700.00	[ICRA]AA- (Stable)	May 16, 2025	[ICRA]A (Positive)	Jul 19, 2024	[ICRA]A (Positive)	Aug 01, 2023	[ICRA]A- (Positive)	Aug 04, 2022	[ICRA]A- (Positive)
Infrastructure bonds	Long term	1,000.00	[ICRA]AA- (Stable); withdrawn	May 16, 2025	[ICRA]A (Positive)	Jul 19, 2024	[ICRA]A (Positive)	Aug 01, 2023	[ICRA]A- (Positive)	Aug 04, 2022	[ICRA]A- (Positive)
Infrastructure bonds	Long term	-	-	-	-	Jul 19, 2024	[ICRA]A (Positive); withdrawn	Aug 01, 2023	[ICRA]A- (Positive)	Aug 04, 2022	[ICRA]A- (Positive)
Basel III Tier II bonds	Long term	10,345.80	[ICRA]AA- (Stable)	May 16, 2025	[ICRA]A (Positive)	Jul 19, 2024	[ICRA]A (Positive)	Aug 01, 2023	[ICRA]A- (Positive)	Aug 04, 2022	[ICRA]A- (Positive)
Basel III Tier II bonds	Long term	554.20	[ICRA]AA- (Stable); withdrawn	May 16, 2025	[ICRA]A (Positive)	Jul 19, 2024	[ICRA]A (Positive)	Aug 01, 2023	[ICRA]A- (Positive)	Aug 04, 2022	[ICRA]A- (Positive)
Basel III Tier I bonds	Long term	8,415.00	[ICRA]D	May 16, 2025	[ICRA]D	Jul 19, 2024	[ICRA]D	Aug 01, 2023	[ICRA]D	Aug 04, 2022	[ICRA]D
Basel III Tier I bonds	Long term	-	-	-	-	Jul 19, 2024	[ICRA]BB+ (Positive); withdrawn	Aug 01, 2023	[ICRA]BB (Positive)	Aug 04, 2022	[ICRA]BB (Positive)

Source: YBL

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Infrastructure bonds</b>	Very Simple
<b>Basel III Tier II bonds</b>	Highly Complex
<b>Basel III Tier I bonds</b>	Highly Complex
<b>Basel II Upper Tier II bonds</b>	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
INE528G08279	Infrastructure bonds	Feb 24, 2015	8.85%	Feb 24, 2025	1,000.00	[ICRA]AA- (Stable); withdrawn
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	[ICRA]AA- (Stable)
Yet to be placed	Infrastructure bonds	-	-	-	3,250.00	
INE528G08287	Basel III Tier II bonds	Jun 29, 2015	9.15%	Jun 30, 2025	554.20	[ICRA]AA- (Stable); withdrawn
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	[ICRA]AA- (Stable)
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	-	-	-	0.80	
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: YBL; \* Was written down as a part of the restructuring of liabilities

## Key features of the rated instruments

The servicing of the 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 III Tier I bonds (Rs. 8,415 crore) were written down as a part of the restructuring of liabilities during the reconstruction of the bank in March 2020.

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

Company name	YBL ownership	Consolidation approach
Yes Securities (India) Limited	100%	Full consolidation

Source: YBL

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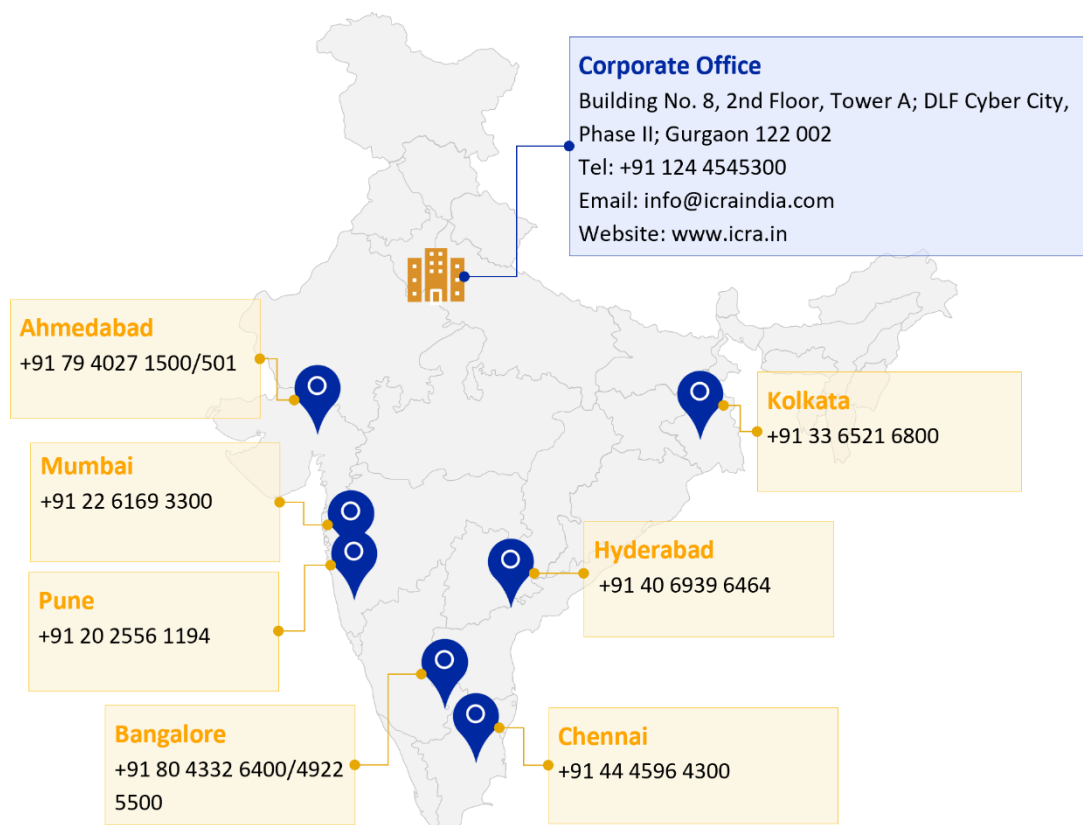


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