

September 09, 2021

Yes Bank Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bond Programme	7,030.00	7,030.00	[ICRA]BBB (Stable) reaffirmed
Basel II - Lower Tier II Bond Programme	1,602.60	1,602.60	[ICRA]BBB (Stable) reaffirmed
Basel II - Lower Tier II Bond Programme	322.00	0.00	[ICRA]BBB (Stable) reaffirmed and withdrawn
Basel III - Tier II Bond Programme	10,900.00	10,900.00	[ICRA]BBB- (Stable) reaffirmed
Basel II - Tier I Bond Programme	307.00	307.00	[ICRA]BB+ (Stable) reaffirmed
Basel II - Upper Tier II Bond Programme	1,344.10	1,344.10	[ICRA]BB+ (Stable) reaffirmed
Basel III - Additional Tier I Bond Programme**	8,415.00	8,415.00	[ICRA]D reaffirmed
Basel III - Additional Tier I Bond Programme	280.00	280.00	[ICRA]C reaffirmed
Total	30,200.7	29,878.7	

*Instrument details are provided in Annexure-1, ** was written down as a part of the restructuring of liabilities

Rationale

The ratings reaffirmation factors in the steady growth in the deposit franchise of Yes Bank Limited (YBL) since its reconstruction scheme and the consequent improvement in its liquidity position. While the growth in deposits has been appreciable, the share of corporate/wholesale deposits remains relatively high for the bank. Incrementally, YBL's ability to build a more granular deposit franchise will continue to be key for its growth and profitability.

The ratings continue to draw comfort from the demonstrated capital raise of Rs. 15,000 crore in July 2020 and Rs. 10,000 crore in March 2020, which helped restore the bank's capital ratios. Moreover, State Bank of India (SBI; rated [ICRA]AAA (Stable) for Tier II bonds) remains the largest shareholder with 30% shareholding as on June 30, 2021, with a lock-in that prevents any dilution in its shareholding in YBL below 26% before March 2023.

YBL's capital ratios remain satisfactory at the current rating levels despite the losses in FY2021 that led to the narrowing of the capital cushions seen after the capital raise in July 2020. Incrementally, asset quality pressures to persist due to the Covid-19-induced stress on sectors like hospitality and real estate, where the bank is meaningfully exposed. YBL's SMA¹-1 and SMA-2 book (including retail overdues) and exposure to a stressed telecom company remain high in relation to its advances/capital and could be a source of incremental asset quality stress. However, given the meaningfully large stock of non-performing assets (NPAs; including written-off accounts) and the reasonably high provision coverage on the same, a traction in recoveries could help partially offset the impact of such stress if the same materialises.

The bank is also proposing to set up an asset reconstruction company (ARC) to transfer its pool of stressed assets, which could also reduce the necessity of increasing the provision cover on incremental slippages to keep the net NPAs below 6.0%. This will also prevent the weakening of the capital ratio arising out of such accelerated provisions. YBL has taken shareholder approval for raising capital up to Rs. 10,000 crore, which could be instrumental in addressing the potential asset quality stress. The timeliness of capital raising will remain critical for the bank's capital and solvency position if the stress materialises.

¹ SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days and SMA-2 accounts are overdue by 61-90 days

The Stable outlook on the ratings reflects ICRA's expectations that YBL will maintain the regulatory capital ratios, continue to improve its liability franchise and receive timely support from various stakeholders, if required, as demonstrated in the past.

ICRA has withdrawn the rating assigned to the Rs. 322.00-crore Basel II Tier II bonds as these are fully redeemed and no amount is outstanding against the rated instrument. The rating was withdrawn in accordance with ICRA's policy on withdrawal and suspension ([click here for the policy](#)).

Key rating drivers and their description

Credit strengths

SBI remains largest shareholder; capital cushions provide adequate buffer against incremental stress – SBI is the largest shareholder in YBL with a 30% shareholding as on June 30, 2021. As per the terms of Yes Bank Reconstruction Scheme, 2020, SBI will continue to hold 26% till March 2023. Accordingly, future capital raise, if required by the bank before the said date, would require SBI's participation. YBL raised Rs. 10,000 crore as part of the reconstruction scheme (subscribed by SBI along with various other domestic institutions) followed by Rs. 15,000 crore capital raise in July 2020 via follow-on public offer (FPO).. Given the extraordinary support extended to the bank by various stakeholders in the recent past, ICRA continues to expect support in future as well, if required. The board is also represented by nominee directors from SBI and the RBI.

The equity infusion helped YBL shore up its CET-I to 13.5% as on September 30, 2020. However, losses in Q4 FY2021 resulted in the narrowing of the available capital cushions with the CET-I moderating to 11.2% as on March 31, 2021. The profitability remained modest in Q1 FY2022 and the CET-I improved to 11.6% as on June 30, 2021 supported by a sequential decline in the loan book. To meet the growth requirements and to address the potential asset quality stress, the bank has taken shareholder approval for raising capital up to Rs. 10,000 crore. The timing of the capital raise may be critical for YBL's capital position if slippages are high.

Satisfactory traction in deposit base although it remains concentrated – The deposit base grew 39% YoY to Rs. 1.63 lakh crore as on June 30, 2021 from Rs. 1.17 lakh crore as on June 30, 2020 (Rs. 1.05 lakh crore as on March 31, 2020). The satisfactory traction in deposits has helped repay the entire special liquidity facility (SLF) extended by the RBI in March 2020. Current account and savings account (CASA) deposits also grew at a healthy pace of 48% YoY to Rs. 44,790 crore (from Rs. 30,325 crore as on June 30, 2020). CASA, as a percentage of total deposits, remains more or less at similar levels of 26-27%, mainly due to the strong growth of 36% in terms deposits.

Notwithstanding the growth in the overall deposits, the share of wholesale term deposits remained high at 54-55% of overall deposits as on June 30, 2021 against 50% as on March 31, 2020 although it was lower than 60-62% as on March 31, 2019. Moreover, the share of the top 20 depositors in total deposits remained high at 18.28% as on March 31, 2021 (against 13.28% as on March 31, 2020). While the bank has reduced deposit rates over the past year, in ICRA's view, the cost of interest-bearing funds remained higher by 120 bps in FY2021 compared to the private sector average (150 bps in FY2020). Going forward, YBL's ability to grow its deposit franchise while narrowing the cost differential will be key for supporting growth while improving the profitability.

Credit challenges

Incremental asset quality pressures expected to remain in the near term – Given the weak operating environment, fresh NPA generation remained materially high at 7.39% of opening standard advances in FY2021. With the onset of the second Covid-19 wave, the annualised NPA generation remained elevated at 5.69% in Q1 FY2022, with absolute slippages at Rs. 12,035 crore in FY2021 and Rs. 2,233 crore in Q1 FY2022. Accordingly, the gross NPA (GNPA) and net NPA (NNPA) metrics remained weak at 15.60% and 5.78%, respectively, as on June 30, 2021 against 17.30% and 4.96%, respectively, as on June 30, 2020.

YBL has a Covid-19 restructured book comprising ~2% of standard advances as on June 30, 2021 and the SMA 1 and SMA 2 advances remained high at 7.5% of standard advances as on June 30, 2021. Apart from this, it has an exposure to a stressed telecom company. These exposures remain a potential source of incremental stress for the bank in the near term.

The management has provided guidance that fresh slippages are unlikely to exceed the net recoveries of ~Rs. 5,000 crore (3.2% of standard advances) in FY2022, though this remains to be seen given the stressed book. The recoveries could also offset the impact of elevated slippages and associated credit costs. Further, given the large stock of NPAs (including written-off accounts) of over ~Rs. 50,000 crore, the bank has been considering the constitution/setting up of an ARC in which it will hold an equity stake and have board representation to oversee the recovery and resolution process. The constitution of the ARC, which is subject to regulatory approvals, could help in paring down the stock of GNPA/NNPAs on which the provision coverage remained at 79% (including write-offs) as on June 30, 2021. In ICRA's view, a positive outcome in this direction could improve YBL's ability to reduce the provision on incremental slippages while keeping the NNPAs below the PCA threshold of 6%.

YBL's net stress book (NNPAs ++ net non-performing investments + net security receipts) remained high in relation to the core capital at ~44% as on June 30, 2021 (~40²% as on June 30, 2020), which could also drive incremental credit costs.

Profitability remains susceptible to slippages from monitorable book and NPA recoveries – YBL's standard loan book declined by 1.4% to Rs. 1.54 lakh crore as on June 30, 2021 from Rs. 1.56 lakh crore as on June 30, 2020 and remained lower than the peak level of Rs. 2.41 lakh crore on December 31, 2018. The decline in the scale of operations, the drop-in core non-interest income, and interest reversals on meaningfully large slippages weighed down the bank's operating profitability in FY2021 with operating profitability/average total assets at 1.46% (including recoveries on NPAs). This was lower than the private bank average of 2.7% of average assets.

YBL's ability to sustain the deposit growth momentum will be a key driver of its loan book growth and profitability over the medium term. With relatively lower operating profitability, the bank's ability to control slippages from its vulnerable exposures and achieve targeted recoveries from NPAs will be a key driver of its credit costs and net profitability.

Liquidity position: Adequate

With steady deposit accretion and muted growth in advances, YBL's overall liquidity position has improved over the last year. The bank's average liquidity coverage ratio (LCR) remained above 100% after Q2 FY2021 (132% in Q1 FY2022) and the extent of cumulative negative gaps in the statutory liquidity statement (SLS) in the less than 1 year buckets has narrowed over the last year. Furthermore, the excess securities (10% above the regulatory levels as on June 30, 2021) held by the bank to meet the statutory liquidity ratio (SLR) 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

Factors for Basel III Tier II Bonds, Basel II Lower Tier II Bonds, and infrastructure bond programme

Positive factors – ICRA could revise the outlook to Positive or upgrade the ratings if YBL is able to grow its deposit base, resulting in a commensurate increase in its scale, while improving its profitability in a sustained manner. This should be accompanied with an improvement in the capital cushions at over 2% of the regulatory levels for the Tier I capital (including capital conservation buffer – CCB).

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 levels (including CCB), will be a credit negative.

Factors for Basel II Upper Tier II Bond programme and Basel II Tier I Bonds

Positive factors – ICRA could revise the outlook to Positive or upgrade the rating if YBL is able to improve its profitability in a sustained manner.

² Including FPO of Rs. 15,000 crore

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 levels, will be a credit negative.

Factors for Basel III AT-I Bonds

Positive factors – As the coupon on these bonds can be serviced through profits, the bank's ability to become profitable on a sustained basis while maintaining the capital ratios above the regulatory levels will remain a positive trigger.

Negative factors – Continued losses or breach in the regulatory capital ratios, which may constrain the coupon servicing ability of the bank, will be negative rating triggers.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Rating Methodology for Banks
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of YBL. YBL has three subsidiaries as mentioned in Annexure-2; it has stated its plan to divest its asset management company while no material capital requirement is envisaged for the other 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 among the 18 large universal private sector banks in India, with a 1.6% market share in advances as on June 30, 2021. As on June 30, 2021, the bank had a network of 1,139 branches as well as an international branch in Gift City, Gujarat (India). YBL's regulatory capital adequacy ratio (Basel III) stood at 8.60% (CET-I of 6.50% and Tier I of 6.60%) as on June 30, 2020.

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 has been reconstituted with a new MD and CEO from SBI. In July 2020, the bank concluded a follow-on public offer (FPO) of Rs. 15,000 crore. Consequently, SBI's shareholding reduced to ~30% from 48% (following the reconstruction scheme).

Key financial indicators (standalone)

Yes Bank Limited		FY2020	FY2021	Q1 FY2022
Net Interest Income	Rs. crore	6,805	7,429	1,402
Profit before tax	Rs. crore	-20,826	-4,735	276
Profit after tax	Rs. crore	-16,418	-3,462	207
Net advances	Rs. crore	1,71,443	1,66,893	1,63,654
Total assets	Rs. crore	2,57,827	2,73,543	2,72,527
% CET	%	6.3%	11.2%	11.6%
% Tier I	%	6.5%	11.3%	11.6%*
% CRAR	%	8.5%	17.5%	17.9%
% Net interest margin / Average total assets	%	2.13%	2.80%	2.05%
% Net profit / Average total assets	%	-5.14%	-1.30%	0.30%
% Return on net worth	%	-75.57%	-10.43%	2.49%
% Gross NPAs	%	16.80%	15.41%	15.60%
% Net NPAs	%	5.03%	5.88%	5.78%
% Provision coverage excl. technical write-offs	%	74%	66%	67%
% Net NPA/ Core capital	%	83%	46%	37%^

Source: Yes Bank Limited, ICRA Research; All ratios as per ICRA calculations; *Bank has decided not to classify Rs. 280-crore AT-I bonds as part of Tier I capital; ^ Excluding NPIs & SRs

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Name of Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years														
		Type	Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	Sep-21	Date & Rating in FY2021		Date & Rating in FY2020								Date & Rating in FY2019				
					Sep 9, 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	Nov 28, 2018	Nov 16, 2018	Sep 21, 2018	Aug 16, 2018	Apr 10, 2018
1	Certificates of Deposit Programme	Short Term	-	NA	-	-	-	[ICRA]A 4+& withdrawn	[ICRA]A4+&	[ICR]A]D	[ICRA]A2+	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+				
2	Basel II Lower Tier II Bond Programme	Long Term	1,602.60	1,602.60	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BB+&	[ICRA]BB+&	[ICRA]BB+&	[ICR]A]D	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- (Negative)	[ICRA]AA @	[ICRA]AA+ @	[ICRA]AA+ (Stable)	[ICRA]AA+ (Positive)	[ICRA]AA+ (Positive)
3	Basel II Lower Tier II Bond Programme	Long Term	322	0	[ICRA]BBB (Stable) and withdrawn	[ICRA]BBB (Stable)	[ICRA]BB+&	[ICRA]BB+&	[ICRA]BB+&	[ICR]A]D	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- (Negative)	[ICRA]AA @	[ICRA]AA+ @	[ICRA]AA+ (Stable)	[ICRA]AA+ (Positive)	[ICRA]AA+ (Positive)
4	Basel II Upper Tier II Bond Programme	Long Term	1,344.10	1,344.10	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]D	[ICRA]BB&	[ICRA]BB&	[ICR]A]D	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- @	[ICRA]AA @	[ICRA]AA (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)
5	Basel II Tier I Bond Programme	Long Term	307	307	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]D	[ICRA]D	[ICRA]D	[ICR]A]D	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- @	[ICRA]AA @	[ICRA]AA (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)
6	Infrastructure Bond Programme	Long Term	7,030.00	3,780.00^	[ICRA]BBB	[ICRA]BBB	[ICRA]BB+&	[ICRA]BB+&	[ICRA]BB+&	[ICR]A]D	[ICRA]A-				[ICRA]AA-	[ICRA]AA @		[ICRA]AA+	[ICRA]AA+	[ICRA]AA+

	Name of Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years														
		Type	Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	Sep-21	Date & Rating in FY2021		Date & Rating in FY2020							Date & Rating in FY2019					
						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	Nov 28, 2018	Nov 16, 2018	Sep 21, 2018	Aug 16, 2018	Apr 10, 2018
					(Stable)	(Stable)					(Negati ve)	[ICRA]A (Negati ve)	[ICRA]A+ (Negativ e)	[ICRA]A+ (Negativ e)	(Negat ive)		[ICRA] AA+ @	(Stabl e)	(Positi ve)	(Positi ve)
7	Basel III Tier II Bond Programme	Long Term	10,900.00	10,899.00^	[ICRA] BBB- (Stable)	[ICRA] BBB- (hyb)(S table)	[ICRA]B B (hyb) &	[ICRA]B B (hyb) &	[ICRA] BB (hyb) &	[ICR A]D (hyb)	[ICRA] A- (hyb) (Negati ve)	[ICRA]A (hyb) (Negati ve)	[ICRA]A+ (hyb) (Negativ e)	[ICRA]A+ (hyb) (Negativ e)	[ICRA] AA- (hyb) (Negat ive)	[ICRA] AA (hyb) @	[ICRA] AA+ (hyb) @	[ICRA] AA+ (hyb) (Stabl e)	[ICRA] AA+ (hyb) (Positi ve)	[ICRA] AA+ (hyb) (Positi ve)
8	Basel III Additional Tier I Bond Programme	Long Term	8,415.00	8,415.00	[ICRA] D	[ICRA] D (hyb)	[ICRA] D (hyb)	[ICRA]D (hyb)	[ICRA] D (hyb)	[ICR A]D (hyb)	[ICRA] BBB- (hyb) (Negati ve)	[ICRA]B BB (hyb) (Negati ve)	[ICRA]BB B+ (hyb) (Negativ e)	[ICRA]BB B+ (hyb) (Negativ e)	[ICRA] A (hyb) (Negat ive)	[ICRA] AA- (hyb) @	[ICRA] AA (hyb) @	[ICRA] AA (hyb) (Stabl e)	[ICRA] AA (hyb) (Positi ve)	[ICRA] AA (hyb) (Positi ve)
9	Basel III Additional Tier I Bond Programme	Long Term	280	280	[ICRA] C	[ICRA]C (hyb)	[ICRA] D (hyb)	[ICRA]D (hyb)	[ICRA] D (hyb)	[ICR A]D (hyb)	[ICRA] BBB- (hyb) (Negati ve)	[ICRA]B BB (hyb) (Negati ve)	[ICRA]BB B+ (hyb) (Negativ e)	[ICRA]BB B+ (hyb) (Negativ e)	[ICRA] A (hyb) (Negat ive)	[ICRA] AA- (hyb) @	[ICRA] AA (hyb) @	[ICRA] AA (hyb) (Stabl e)	[ICRA] AA (hyb) (Positi ve)	[ICRA] AA (hyb) (Positi ve)
10	Basel III Additional Tier I Bond Programme	Long Term	-	NA	-	[ICRA]C (hyb); withdr awn	[ICRA] D (hyb)	[ICRA]D (hyb)	[ICRA] D (hyb)	[ICR A]D (hyb)	[ICRA] BBB- (hyb) (Negati ve)	[ICRA]B BB (hyb) (Negati ve)	[ICRA]BB B+ (hyb) (Negativ e)	[ICRA]BB B+ (hyb) (Negativ e)	[ICRA] A (hyb) (Negat ive)	[ICRA] AA- (hyb) @	[ICRA] AA (hyb) @	[ICRA] AA (hyb) (Stabl e)	[ICRA] AA (hyb) (Positi ve)	[ICRA] AA (hyb) (Positi ve)
11	Short-term Fixed Deposit Programme	Short Term	NA	NA	-	-	-	[ICRA]A 4+&; withdra wn	[ICRA] A4+&	[ICR A]D	[ICRA] A2+	[ICRA]A 1	[ICRA]A1 +	[ICRA]A1 +	[ICRA] A1+	[ICRA]A1+				

^ Balance amount yet to be placed; @ Rating Watch with Negative Implications

Removal of (hyb) suffix from Basel III instruments

In compliance with the [circular](#) issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 for standardising the rating scales used by credit rating agencies, ICRA has discontinued its practice of affixing the (hyb) suffix alongside the rating symbols for hybrid instruments.

Accordingly, ICRA has removed the (hyb) suffix that was earlier being placed alongside the rating symbol for the hybrid instruments issued by YBL. The earlier and revised denotation of the rating for various instruments can be seen in the table above. This rating action only involves the removal of the (hyb) suffix and should not be construed as a change in the credit rating.

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: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE528G08196	Basel II - Lower Tier II Bond Programme	July 25, 2011	10.30%	July 25, 2021	322	[ICRA]BBB (Stable) withdrawn
INE528G08204	Basel II - Lower Tier II Bond Programme	October 28, 2011	10.20%	October 28, 2021	243	[ICRA]BBB (Stable)
INE528G08212	Basel II - Lower Tier II Bond Programme	March 28, 2012	9.90%	March 28, 2022	300	[ICRA]BBB (Stable)
INE528G08220	Basel II - Lower Tier II Bond Programme	August 23, 2012	10	August 23, 2022	300	[ICRA]BBB (Stable)
INE528G08238	Basel II - Lower Tier II Bond Programme	September 10, 2012	10	September 10, 2022	300	[ICRA]BBB (Stable)
INE528G09129	Basel II - Lower Tier II Bond Programme	October 16, 2012	10	October 16, 2022	200	[ICRA]BBB (Stable)
INE528G08246	Basel II - Lower Tier II Bond Programme	October 31, 2012	9.90%	October 31, 2022	260	[ICRA]BBB (Stable)
INE528G08154	Basel II - Upper Tier II Bond Programme	August 14, 2010	9.65%	August 14, 2025	440	[ICRA]BB+ (Stable)
INE528G08162	Basel II - Upper Tier II Bond Programme	September 8, 2010	9.50%	September 8, 2025	200	[ICRA]BB+ (Stable)
INE528G09103	Basel II - Upper Tier II Bond Programme	June 29, 2012	10.25	June 29, 2027	60	[ICRA]BB+ (Stable)
INE528G09111	Basel II - Upper Tier II Bond Programme	September 28, 2012	10.15	September 28, 2027	200	[ICRA]BB+ (Stable)
INE528G08253	Basel II - Upper Tier II Bond Programme	November 10, 2012	10.25%	November 10, 2027	275	[ICRA]BB+ (Stable)
INE528G09137	Basel II - Upper Tier II Bond Programme	December 27, 2012	10.05	December 27, 2027	169	[ICRA]BB+ (Stable)
INE528G09061^	Basel II - Tier I Bond Programme	March 5, 2010	10.25%	NA	82	[ICRA]BB+ (Stable)
INE528G09079	Basel II - Tier I Bond Programme	August 21, 2010	9.90%	NA	225	[ICRA]BB+ (Stable)
INE528G08279	Infrastructure Bonds	February 24, 2015	8.85%	February 24, 2025	1,000	[ICRA]BBB (Stable)
INE528G08295	Infrastructure Bonds	August 5, 2015	8.95%	August 5, 2025	315	[ICRA]BBB (Stable)
INE528G08345	Infrastructure Bonds	September 30, 2016	8.00%	September 30, 2026	2,135	[ICRA]BBB (Stable)
INE528G08360	Infrastructure Bonds	December 29, 2016	7.62%	December 29, 2023	330	[ICRA]BBB (Stable)
-	Yet to be placed	-	-	-	3,250	[ICRA]BBB (Stable)
INE528G08287	Basel III - Tier II Bonds	June 29, 2015	9.15%	June 30, 2025	554	[ICRA]BBB- (Stable)
INE528G08303	Basel III - Tier II Bonds	December 31, 2015	8.90%	December 31, 2025	1,500	[ICRA]BBB- (Stable)
INE528G08311	Basel III - Tier II Bonds	January 15, 2016	9.00%	January 15, 2026	800	[ICRA]BBB- (Stable)
INE528G08329	Basel III - Tier II Bonds	January 20, 2016	9.05%	January 20, 2026	500	[ICRA]BBB- (Stable)
INE528G08337	Basel III - Tier II Bonds	March 31, 2016	9.00%	March 31, 2026	545	[ICRA]BBB- (Stable)
INE528G08378	Basel III - Tier II Bonds	September 29, 2017	7.80%	September 29, 2027	2,500	[ICRA]BBB- (Stable)
INE528G08386	Basel III - Tier II Bonds	October 3, 2017	7.80%	October 1, 2027	1,500	[ICRA]BBB- (Stable)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE528G08402	Basel III - Tier II Bonds	February 22, 2018	8.73%	February 22, 2028	3,000	[ICRA]BBB- (Stable)
-	Yet to be placed	-	-	-	1.00	[ICRA]BBB- (Stable)
INE528G08261	Basel III - Additional Tier I Bond Programme	December 31, 2013	10.5	NA	280	[ICRA]C
INE528G08352	Basel III - Additional Tier I Bond Programme	December 23, 2016	9.50%	NA	3,000	[ICRA]D
INE528G08394	Basel III - Additional Tier I Bond Programme	October 18, 2017	9.00%	NA	5,415	[ICRA]D

Source: Yes Bank Limited, ^ matured-to be withdrawn

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. ICRA has notched down the rating on the Basel III Tier II bonds from the Basel II Lower Tier II Bonds, given the expected pressure on the bank's profitability in the near term.

The Basel II Upper Tier II Bonds and Basel II Tier I 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 Tier I Bonds, is non-cumulative, while that 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, the servicing of which will remain contingent on its ability to maintain the regulatory capital ratios and profitable operations. If the bank reports losses, it can utilise the distributable reserves to service the coupon on these bonds provided it remains above the capital ratios. The coupon, once skipped, is non-cumulative. Given the expected profitability pressure and accumulated losses, YBL's ability to service the coupon on this instrument could remain a challenge.

Annexure-2: List of entities considered for limited consolidated analysis

Company Name	YBL Ownership	Consolidation Approach
YES Securities (India) Limited	100%	Limited Consolidation
Yes Asset Management (India) Limited	100%	Limited Consolidation
Yes Trustee Limited	100%	Limited Consolidation

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