

YBL/CS/2019-20/182

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Dear Sirs,

Sub.: Update on Rating action by Moody's

Please find enclosed the Press Release titled 'Moody's downgrades Yes Bank's ratings, ratings remain under review' published by Moody's, which is self-explanatory.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For **YES BANK Limited**


Shivanand R Shettigar
Group Company Secretary



Encl: As above

Rating Action: Moody's downgrades Yes Bank's ratings; ratings remain under review

06 Mar 2020

Singapore, March 06, 2020 -- Moody's Investors Service has today downgraded Yes Bank Limited's (Yes Bank) long-term foreign currency issuer rating to Caa3 from B2. The ratings remain under review, with the direction uncertain.

Moody's has also downgraded the bank's long-term foreign and local currency bank deposit ratings to Caa1 from B2, and its foreign currency senior unsecured MTN program rating to (P)Caa3 from (P)B2. The ratings remain under review, with the direction uncertain.

In addition, Moody's has downgraded the bank's long-term domestic and foreign currency Counterparty Risk Rating (CRR) and long-term Counterparty Risk Assessment (CR Assessment) to Caa1 from B1 and Caa1(cr) from B1(cr) respectively. The ratings remain under review, with the direction uncertain.

At the same time, Moody's has downgraded Yes Bank's Baseline Credit Assessment (BCA) and adjusted BCA to ca from caa2.

For a detailed list of the affected ratings for both Yes Bank Limited and Yes Bank, IFSC Banking Unit Branch, please refer to the end of this press release.

RATINGS RATIONALE

The downgrade of Yes Bank's issuer and senior unsecured MTN program ratings to Caa3 from B2 and (P)Caa3 from (P)B2 respectively is a result of an event of default triggered by the Reserve Bank of India's (RBI) 30-day moratorium, which prevents Yes Bank from making a full and timely payment to its senior creditors.

Despite the event of default, the Caa3 rating takes into account Moody's expectation that although recovery rates for the banks' senior creditors may be high given the close involvement of the Indian authorities and stated intention to resolve the bank quickly, the ultimate timing and form of eventual resolution remains uncertain. Actions by the authorities to date have not reduced the probability of default as evidenced by the moratorium announcement, and highlights the continued uncertainty around private sector bank resolutions in India and the recovery prospects for senior creditors.

The downgrade of the bank's long term deposit rating to Caa1 from B2 also reflects the RBI moratorium, which constitutes an event of default. Nevertheless, Moody's expects there is a higher probability of low loss rate for depositors and as a result Moody's has differentiated the bank deposit ratings from the issuer rating, which applies to non-deposit senior creditors. The assurance made by the RBI to protect depositors' interests provides greater certainty that the risk of losses to depositors is lower.

Yes Bank's long-term ratings remain under review with the direction uncertain, reflecting Moody's expectation of a potential for different outcomes. A prompt resolution of Yes Bank, that minimizes losses to depositors and creditors could result in a stabilization or upgrade of the bank's ratings. But, a protracted resolution that extends the moratorium could result in lower recovery rates for the bank's creditors and could lead to a further downgrade of the bank's ratings.

That said, Yes Bank can continue to discharge its liabilities arising from repurchase transactions (repo). However, the RBI moratorium prevents the bank from making fully and timely payment of some of its other operational liabilities, such as uncollateralized derivatives obligations. As a result, Moody's has downgraded the bank's CRR and CR Assessment to Caa1 from B1 and Caa1(cr) from B1(cr) respectively.

The RBI action also confirms Moody's view that the bank's standalone viability, in the absence of extraordinary support from Indian authorities, is in question. This has led to the downgrade of the bank's BCA to ca from caa2. Nevertheless, Moody's expects high recovery prospects for the principal and interest on the bank's deposits, as indicated by the final rating on those instruments.

WHAT COULD CHANGE THE RATING UP

Moody's could upgrade the ratings or change the outlook to stable if Indian authorities conclude a material capital raise, reconstruct the bank's assets and liabilities, or amalgamate the bank with another stronger bank, such that any action taken reduces the risks of losses to senior creditors and depositors.

WHAT COULD CHANGE THE RATING DOWN

Moody's could further downgrade the bank's ratings if Indian authorities are unable to resolve the bank within the planned moratorium period or if the moratorium is extended, such that it further impairs the bank's ability to make timely payments to depositors and senior creditors. Any risk of a likelihood of burden-sharing by Yes Bank's senior creditors in the bank's resolution will lead to a downgrade of the bank's senior debt ratings.

The principal methodology used in these ratings was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Yes Bank Limited is headquartered in Mumbai and reported total assets of INR3.5 trillion (\$49.1 billion) at 30 September 2019.

List of affected ratings

Yes Bank Limited

- Long-term foreign currency issuer rating downgraded to Caa3 from B2, on Review Direction Uncertain, Outlook is ratings under review
- Long-term foreign and local currency deposit ratings downgraded to Caa1 from B2, on Review Direction Uncertain, Outlook is ratings under review
- Short-term foreign and local currency deposit ratings affirmed at NP
- Foreign currency senior unsecured MTN program rating downgraded to (P)Caa3 from (P)B2, on Review Direction Uncertain
- Baseline Credit Assessment (BCA) and adjusted BCA downgraded to ca from caa2
- Long-term Counterparty Risk Assessment (CR Assessment) downgraded to Caa1(cr) from B1(cr), on Review Direction Uncertain
- Short-term CR Assessment affirmed at NP(cr)
- Long-term domestic and foreign currency counterparty risk rating (CRR) downgraded to Caa1 from B1, on Review Direction Uncertain
- Short-term domestic and foreign currency CRR affirmed at NP
- Outlook Action: Outlook is ratings under review

Yes Bank, IFSC Banking Unit Branch

- Foreign currency senior unsecured MTN program rating downgraded to (P)Caa3 from (P)B2, on Review Direction Uncertain
- Foreign currency senior unsecured debt rating downgraded to Caa3 from B2, on Review Direction Uncertain, Outlook is ratings under review
- Long-term CR Assessment downgraded to Caa1(cr) from B1(cr), on Review Direction Uncertain
- Short-term CR Assessment affirmed at NP(cr)
- Long-term domestic and foreign currency CRR downgraded to Caa1 from B1, on Review Direction Uncertain
- Short-term domestic and foreign currency CRR affirmed at NP
- Outlook Action: Outlook is ratings under review

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