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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, assigns negative outlook' 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



Rating Action: Moody's downgrades Yes Bank's ratings, assigns negative outlook

05 Dec 2019

Singapore, December 05, 2019 -- Moody's Investors Service has today downgraded Yes Bank Limited's long-term foreign currency issuer rating to B2 from Ba3.

Moody's has also downgraded the bank's long-term foreign and local currency bank deposit ratings to B2 from Ba3, foreign currency senior unsecured MTN program rating to (P)B2 from (P)Ba3, and Baseline Credit Assessment (BCA) and Adjusted BCA to b3 from b1.

The outlook on the bank's ratings, where applicable, is negative.

Today's rating actions conclude Moody's review for downgrade initiated on 6 November 2019.

For a detailed list of ratings affected, please refer to the end of this press release.

RATINGS RATIONALE

The downgrade of Yes Bank's deposit and senior unsecured program ratings to B2 from Ba3 and (P)B2 from (P)Ba3 takes into account Moody's expectation that the bank's pool of potential stressed assets and low loss absorbing buffers against those assets — will add pressure to its funding and liquidity, creating additional risks to its standalone credit profile or BCA.

Moody's expects Yes Bank's common equity tier 1 (CET1) ratio of 8.7% at the end of September 2019 to come under significant pressure, unless the bank can raise new capital in the next few quarters.

Moody's notes that Yes Bank has received offers from a number of financial investors to invest up to \$2.0 billion through new equity capital into the bank. Nevertheless, Moody's notes that there are significant execution risks around the timing, price and regulatory approvals required.

The rating actions reflect Moody's view that Yes Bank's funding and liquidity compares weakly to other rated private sector peers in India, and could come under pressure, if the bank cannot strengthen its solvency in the next few quarters.

Yes Bank's ratings also take into account Moody's expectation of a moderate level of support from the Government of India (Baa2 negative) in times of need, which results in a one-notch uplift to the bank's ratings from its BCA.

Moody's expects that the Indian authorities will strive to maintain systemic stability and help prevent any weakness in the bank's standalone credit profile from significantly affecting depositors and creditors. The support assumption also takes into account the bank's modest, but increased franchise and relative importance to India's banking system.

Moody's maintains a negative adjustment for corporate behavior in Yes Bank's BCA, which results in a one-notch negative adjustment to the bank's BCA when compared to its financial profile. The corporate behavior adjustment reflects the RBI's identification of several lapses and regulatory breaches in various areas of the bank's functioning in fiscal 2018. The corporate behavior adjustment also takes into account the divergence in reported asset quality and profitability based on RBI's inspection which indicated higher NPLs and lower profitability as compared to the metrics disclosed by Yes Bank in fiscal 2019. This is the third year when RBI has identified a divergence in the bank's reported financials.

OUTLOOK NEGATIVE

The negative outlook primarily reflects the risk of further deterioration in the bank's solvency, funding or liquidity, if the bank is unable to recapitalize itself within the next few quarters.

WHAT COULD CHANGE THE RATING UP

Given the negative outlook, Moody's is unlikely to upgrade the bank's ratings over the next 12-18 months. Nevertheless, Moody's could change the ratings outlook to stable, if Yes Bank concludes a material capital raise that strengthens its loss-absorbing buffers.

WHAT COULD CHANGE THE RATING DOWN

Moody's could downgrade the bank's ratings if (1) there is a sustained deterioration in its impaired loans or loan-loss reserves, or if the rate of new NPL formation is significantly higher than previously experienced, (2) the bank's capital ratios decline because of losses or an inability to raise external capital, or (3) funding or liquidity deteriorates.

The principal methodology used in these ratings was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moody's.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 B2 from Ba3
- Long term foreign and local currency deposit ratings downgraded to B2 from Ba3
- Short term foreign and local currency deposit ratings affirmed at NP
- Foreign currency senior unsecured MTN program rating downgraded to (P)B2 from (P)Ba3
- Baseline Credit Assessment (BCA) and adjusted BCA downgraded to b3 from b1
- Long-term Counterparty risk assessment (CR Assessment) downgraded to B1(cr) from Ba2(cr)
- Short-term Counterparty risk assessment (CR Assessment) affirmed at NP(cr)
- Long-term Domestic and foreign currency counterparty risk rating (CRR) downgraded to B1 from Ba2
- Short-term Domestic and foreign currency counterparty risk rating (CRR) affirmed at NP
- Outlook, where applicable, is negative

Yes Bank, IFSC Banking Unit Branch

- Foreign currency senior unsecured MTN program rating downgraded to (P)B2 from (P)Ba3
- Foreign currency senior unsecured debt rating downgraded to B2 from Ba3
- Long term CR Assessment downgraded to B1(cr) from Ba2(cr)
- Short term CR Assessment affirmed at NP(cr)
- Long-term Domestic and foreign currency CRR downgraded to B1 from Ba2
- Short-term Domestic and foreign currency CRR affirmed at NP
- Outlook, where applicable, is negative

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