YBL/CS/2025-26/88

August 19, 2025

National Stock Exchange of India Limited
Exchange Plaza, Plot no. C/1, G Block,
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051
NSE Symbol: YESBANK

BSE Limited
Corporate Relations Department
P.J. Towers, Dalal Street
Mumbai – 400 001
BSE Scrip Code: 532648

Dear Sir / Madam,

Sub.: Update on India Ratings

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to update that **India Ratings** has issued a ratings release and Instrument wise rating actions have been detailed below:

Instrument	Existing Rating & Outlook	Action
Infrastructure bonds	IND A / Positive	**Upgraded to IND AA- / Stable**
Basel III Tier 2 bonds	IND A / Positive	**Upgraded to IND AA- / Stable**

We request you to kindly take the same on your record. The press release on ratings is enclosed herewith.

The weblink of BSE Limited and National Stock Exchange of India Limited providing the above information is being hosted on the Bank's website www.yesbank.in pursuant to Listing Regulations, as amended.

This is for your information and records.

Thanking you,

Yours faithfully,

For **YES BANK LIMITED**

SANJAY MADHAV ABHYANKAR
Digitally signed by SANJAY MADHAV ABHYANKAR
Date: 2025.08.19 20:59:29 +05'30'

Sanjay Abhyankar
Company Secretary

Encl: As above

India Ratings Upgrades Yes Bank and its Bonds to ‘IND AA-’, Outlook Stable

Aug 19, 2025 | Private Sector Bank

India Ratings and Research (Ind-Ra) has upgraded Yes Bank Ltd’s (YBL) Long-Term Issuer Rating to ‘IND AA-’ from ‘IND A’. The Outlook is Stable. The instrument-wise rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Issuer Rating	-	-	-	-	IND AA-/Stable	Upgraded
Infrastructure bonds#	-	-	-	INR32.5	IND AA-/Stable	Upgraded
Basel III Tier 2 bonds*	-	-	-	INR110	IND AA-/Stable	Upgraded

*Details in the annexure
#Unutilised

Analytical Approach

Ind-Ra continues to fully consolidate YBL’s 100% subsidiary, Yes Securities (India) Ltd., to arrive at the ratings.

Detailed Rationale of the Rating Action

The rating upgrade factors in an improvement in the consolidated profitability in 1QFY26 due to a material reduction in RIDF exposure to 9% (FY22: 11.5%) and a target of 5% by FY27, leading to improved net interest margins (NIMs). The increased focus on retail and SME in the loan mix to around 60% in FY25 (FY20: 36%) indicates a shift away from corporate lending, resulting in sustainable improvement in return on assets (ROA). Furthermore, the upgrade also reflects the bank’s improved asset quality, minimal provisioning for legacy stressed assets (Net non-performing assets + Net Security Receipts +Net restructured assets), and ongoing enhancement in the deposit profile.

Moreover, the bank maintains an adequate capital position, with a capital adequacy ratio of 16.2% and Tier-I capital at 14%, backed by internal accruals which are sufficient for 11%-12% growth in advances over the near to medium term. Ind-Ra also considers the proposed acquisition of a 20% stake by Sumitomo Mitsui Banking Corporation in YBL, expected to enhance the bank’s strategic direction and governance framework. The ratings also factor in YBL’s investments in low-yielding RIDF deposits due to Priority sector lending (PSL) shortfalls and elevated cost-to-income ratio over several fiscals.

List of Key Rating Drivers

Strengths

- Improving asset quality metrics amid benign credit environment
- Continuous improvement in deposit profile amid competition
- Continued traction towards granular asset profile mix
- Adequate capitalisation

Weaknesses

- Improving, albeit modest profitability among peers

Detailed Description of Key Rating Drivers

Improving Asset Quality Metrics amid Benign Credit Environment: YBL's asset quality has consistently improved since FY20, with gross NPAs declining to 1.6% in 1QFY26 (FY20: 16.8%). This is mainly attributed to the sale of a large portion of its non-performing asset (NPA) portfolio to J.C. Flowers Asset Reconstruction Private Limited (debt rated at 'IND A+'/Stable) in FY23, for a total consideration of INR80 billion. At end-1QFY26, the combined value of net NPAs, net restructured book, and the net carrying value of SRs was low at 0.5% of the total net advances, indicating a cleaner balance sheet. Furthermore, YBL's standard restructured assets fell sharply to INR3.8 billion over the past four quarters from INR36.4 billion in 1QFY25. SMA-1 and SMA-2 across segments was at moderate levels, with a combined ratio of 1.4% in FY25, broadly in line with peers. In FY25, the bank achieved upgrades and recoveries of INR23.4 billion and expects a similar trend in FY26. This improvement reflects the bank's focused efforts on resolving stressed accounts and exiting weak exposures. However, slippages remained stable at 2.5% in 1QFY26 (FY25: 2.1%; FY24: 2.5%). Slippages were high in the retail segment and stood at 4.3%. However, the bank has prudently provided on gross non-performing assets with a provision coverage ratio of 80% in 1QFY26 (FY25: 79.7%; FY24: 66.6%) and recorded credit cost of 50bp in 1QFY26 (FY25: 50bp; FY24: 90bp) and maintained Pre-provisioning operating profit (PPOP)/ net advances of 2.3% (1.7%; 1.5%) which is sufficient to absorb credit cost. Ind-Ra opines slippage trends in the retail and MSME segments would remain a key monitorable as they continue to evolve. Ind-Ra opines YBL to maintain stable asset quality in FY26, in view of its strong capital levels, healthy operating buffers, and ongoing recoveries.

Continuous Improvement in Deposit Profile amid Competition: YBL's deposits continued to increase, reaching INR2.8 trillion in 1QFY26 (FY25: INR2.8 trillion; FY24: INR2.6 trillion; FY23: INR2.2 trillion), which improved its market share in deposits to 1.3% in FY25 (FY24: 1.3%; FY23: 1.1%; FY22: 1.1%; FY21: 1.0%). Also, the bank's current account and savings account (CASA) base remained largely steady (1QFY26: 32.8%; FY25: 34.3%; FY24: 30.9%; FY23: 30.8%). However, the bank's retail deposits increased to 61% in 1QFY26 (FY22: 36%), without a material increase in its branch strength (branch count: 1QFY26: 1,253; FY22: 1,122), which shows significant retail traction. Cost of deposit stood at 5.9% in 1QFY26 (FY25: 6.1%; FY24: 6.1%; FY23: 5.2%), which is in line with peers'. Moreover , the bank has shown increasing granular traction and a declining concentration of deposits among its top 20 depositors (FY25: 11.3%; FY21: 17.5%). YBL's deposit profile has improved over the past few years due to several strategic initiatives: onboarding new customers, increasing transactional flows through cash management and digital payment capabilities, winning back erstwhile depositors, and placing greater emphasis on liability-related metrics in employee performance evaluation, particularly for customer-facing roles.

Continued Traction Towards Granular Asset Mix: With a substantial reduction in the legacy portfolio, the bank has witnessed sustained growth momentum in its more granular retail portfolio, whose share in the total loan book has consistently increased to 49.4% in 1QFY26 (FY25: 48.9%; FY24: 46.1%; FY23: 44.5%). Furthermore, the bank continues to increase its focus on the margin-accretive portfolio, especially used car financing, rural financing and affordable housing segment. That being said, slippages in the retail portfolio remain elevated, while the bank has taken corrective steps and implemented policy changes in the portfolio, including the introduction of a more dynamic scorecard for retail lending. The agency expects the share of the retail portfolio to gradually increase in the overall mix, as the unwinding of RIDF deposits will be redeployed to grow retail distribution, thereby enabling portfolio expansion. Additionally, Ind-Ra opines that the move to a granular portfolio from the chunkier corporate exposure prior to FY20 will provide adequate operating buffer to absorb credit costs.

Adequate Capitalisation: YBL's capitalisation appears adequate, with a capital to risk (weighted) assets ratio (CRAR) of 16.2% and Tier-I capital of 14% as of end-1QFY26. The bank does not expect to raise capital in FY26, but has the board approval to raise equity of INR75 billion if there is visibility for mid-to-high teen loan growth. Sumitomo Mitsui Banking Corporation has a pre-emptive right to infuse capital in any capital raise program, to maintain its stake in YBL, ensuring long-term capital support. As of FYE25, the bank carried deferred tax assets of INR75 billion, which were deducted from the net worth to arrive at CET-1. Utilisation of these assets will release marginal capital. Additionally, an improvement in the profitability and internal accruals support credit growth of 11%-12% over the near to medium term.

However, an adverse outcome of the Honourable Supreme Court's ruling on the AT1 bond can reduce the CET1 ratio by 2.5% - 3% ceteris paribus, while the Tier 1 capital would remain unchanged. However, until the matter is resolved, Ind-Ra expects the bank to continue accruing capital and deploying it towards loan growth.

Improving, albeit Modest Profitability Among Peers: YBL has reported lower NIMs than peers', mainly due to its sizeable investment in low-yielding RIDF deposits amid PSL shortfall over the past few years. However, the PSL shortfall reduced to 9% of the total assets in 1QFY26 (FY22: 11.5%). This led to a modest improvement in NIMs to 2.5% in 1QFY26 . The improvement would have been more if not for YBL's investment in RIDF bonds which dragged NIM around 50bp. This could continue in the medium term, as RIDF deposits are likely mature over the next six years. YBL has been focusing on increasing traction towards the retail segment (both asset and liabilities), which led to a high cost-to-income ratio of 67% in 1QFY26 (FY25: 71.3%; FY24: 74.4%; FY23: 72.6%). The credit cost remained low at 0.5% in 1QFY26 (FY25: 0.5%; FY24: 0.9%) amid a benign credit environment, in line with peers. A substantial write-back of provisions on non-performing investments driven by a healthy recovery of SRs has supported the profitability. Overall, YBL's return on assets improved to 0.8% in 1QFY26 (FY25: 0.6%; FY24: 0.3%; FY23: 0.2%); however, the agency expects ROA to touch 1.0% by FY27.

Liquidity

Adequate: The bank's short-term gap (excess of liability over assets in the short term) in the asset-liability maturity statement (ALM) in an up to one- year bucket was 3.4% in FY25. But, the statutory liquidity ratio (SLR) holding above the regulatory requirement can be utilised to meet the shortfall in ALM. Moreover, 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 an urgent requirement. YBL's share of retail and branch banking led deposits improved to 61% in 1QFY26 (FY25: 59%; FY24: 53%). This along with the increase in the share of retail advances has led to a more favourable ALM. As the concentration in advances and deposits decreases, the liquidity profile would improve. Its liquidity coverage ratio for 1QFY26 was 135.8% versus the requirement of 100%. Assuming a normal business scenario, Ind-Ra does not expect the bank to face challenges related to raising funds from the interbank market.

Rating Sensitivities

Positive: Growth in franchise delivering consistent market share gains, a sustained improvement in the profitability profile while maintaining capital buffers at materially higher levels than the regulatory requirements, stable through-the-cycle asset quality and an improvement in deposit profile could collectively result in a positive rating action.

Negative: Events that could, individually or collectively, lead to a negative rating action include:
- a material reduction in the capital buffers, with the CET1 capital buffer falling below the floor of 12% on a sustained basis,
- a prolonged decline in profitability buffers,
- continued elevated slippages on a sustained basis, and
- any significant weakness in the bank's funding due to a decline in low-cost deposits or deterioration in its liquidity profile.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on YBL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

YBL was established in 2004 as a new-generation private sector bank, headquartered in Mumbai. It has grown to become a full-service commercial bank, providing a complete range of products, services and digital offerings, to corporate, micro, small and medium enterprises and retail customers. YBL operates its investment banking, merchant banking & brokerage businesses through its wholly owned subsidiary Yes Securities Limited. As of June 2025, the bank had a network of over 1,253 branches and 1330 ATMs, with deposits of INR2.75 trillion, net advances of INR2.41 trillion and total assets of INR4.1 trillion. It reported a tier 1 capital ratio of 14% as of June 2025.

Key Financial Indicators

Particulars (INR billion)	FY25	FY24
Total assets	4,234.4	4,054.9
Total equity	477.8	421.5
Net income	24.1	12.51
Return on assets (%)	0.6	0.3
CET-1 (%)	13.5	12.2
Source: YBL		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (billion)	Rating	23 August 2024	24 August 2023	25 August 2022
Issuer rating	Long-term	-	IND AA-/Stable	IND A/Positive	IND A/Stable	IND A-/Stable
Basel III Tier 2 bonds	Long-term	INR110	IND AA-/Stable	IND A/Positive	IND A/Stable	IND BBB+/Stable
Infrastructure bonds	Long-term	INR32.5	IND AA-/Stable	IND A/Positive	IND A/Stable	IND A-/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III Tier 2 bonds	Moderate
Infrastructure bonds	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Issue name/Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Basel III Tier 2 Bonds	INE528G08378	29 September 2017	7.8	29 September 2027	INR25	IND AA-/Stable
Basel III Tier 2 Bonds	INE528G08386	3 October 2017	7.8	1 October 2027	INR15	IND AA-/Stable
Basel III Tier 2 Bonds	INE528G08402	22 February 2018	8.73	22 February 2028	INR30	IND AA-/Stable

Basel III Tier 2 Bonds	INE528G08410	17 September 2018	9.12	15 September 2028	INR40	IND AA-/Stable
Total utilised					**INR110**	
Source: NSDL, YBL						

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About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

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