

Moody's downgrades Yes Bank's ratings; ratings remain under review

Rating Action | 6 min read

07 Mar 2020 Moody's Investors Service



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

Contents

Related Entities

Read Next

Podcast

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



Related Entities

Read Next

Podcast

- 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

REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further



Related Entities

Read Next

Podcast

applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Alka Anbarasu
VP - Senior Credit Officer
Financial Institutions Group
Moody's Investors Service Singapore Pte. Ltd.
50 Raffles Place #23-06
Singapore Land Tower
Singapore 48623
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Graeme Knowd
MD - Banking
Financial Institutions Group
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Singapore Pte. Ltd.
50 Raffles Place #23-06
Singapore Land Tower
Singapore 48623
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Related Entities

[Yes Bank Limited](#)
[Yes Bank, IFSC Banking Unit Branch](#)

2 Issuers



Related Entities

Read Next

Podcast

SECTOR PROFILE

Banking – Indonesia: Indonesia's Islamic banking system

🔒 11 Apr 2022 | Moody's Investors Service

SECTOR PROFILE

Banks – Bangladesh: Bangladesh's Islamic banking system

🔒 11 Apr 2022 | Moody's Investors Service

OUTLOOK

Banking System Outlook – China: Deteriorating operating environment drives negative outlook

🔒 22 Nov 2022 | Moody's Investors Service

OUTLOOK

Banking System Outlook – Hong Kong SAR, China: Outlook stable on improving profitability despite challenging operating conditions

🔒 11 Apr 2022 | Moody's Investors Service

OUTLOOK

Banking System Outlook – China: Deteriorating asset quality and profitability drive negative outlook

🔒 01 Mar 2023 | Moody's Investors Service

Podcast

31 May 2023 | Moody's Investors Service



Related Entities

Read Next

Podcast



Commercial real estate downturn could weaken US life insurers' portfolio asset quality



Podcast

13 min 2 sec

Focus on Finance

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLISHED FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.



Related Entities

Read Next

Podcast

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

MOODY'S

Moody's Integrity Hotline 

About Us 

Regulatory 

Explore 

Terms & Conditions 