Say YES to GROWTH

YES BANK

ANNUAL REPORT 2011-12

YES BANK VERSION 2.0 - BUILDING THE BEST QUALITY BANK OF THE WORLD IN INDIA

YES BANK is committed to its long-term goal of Building the Best Quality Bank of the World in India through utmost dedication, passion and commitment, backed by a highly differentiated financial and business model to achieve robust and sustained growth. Since inception in 2004, we have crossed many significant milestones that stand testimony to our Innovation and Excellence in creating a new paradigm in Indian Banking. At the beginning of Financial Year 2010-11, we embarked on an ambitious journey into the next phase of growth and launched YES BANK – VERSION 2.0, which is clearly the most stimulating phase in the life cycle of YES BANK with a vision of establishing 900 branches, 2000 ATMs, 12,750 employees, ₹125,000 Cr. Deposit base, ₹100,000 Cr. Loan book and a ₹150,000 Cr. Balance Sheet size by 2015.

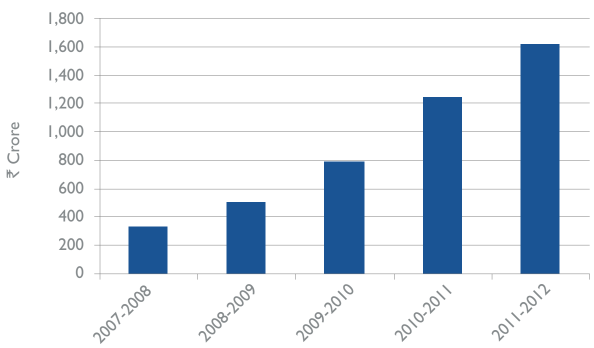
As we complete the 2nd year of this goal; we have outperformed our 2nd year targets and are poised for another year of stellar performance. We continue to strive to create a Global Institutional Trustmark in India by heralding a transformation in the banking sector by constantly creating, innovating and transforming to provide maximum benefit to all our stakeholders.

YES BANK

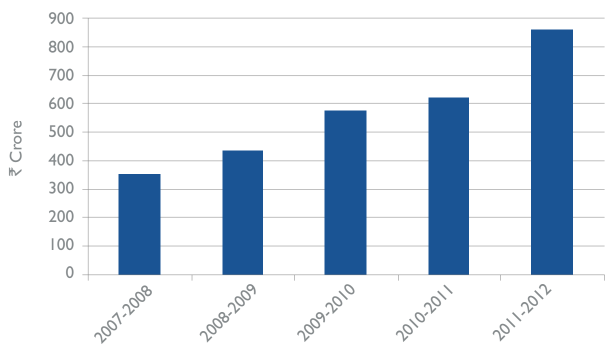
ANNUAL REPORT 2011-12

CREATING THE BEST QUALITY BANK THROUGH SUSTAINED PERFORMANCE

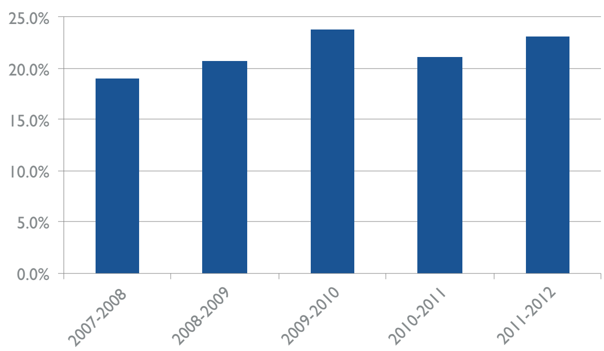
Net Interest Income



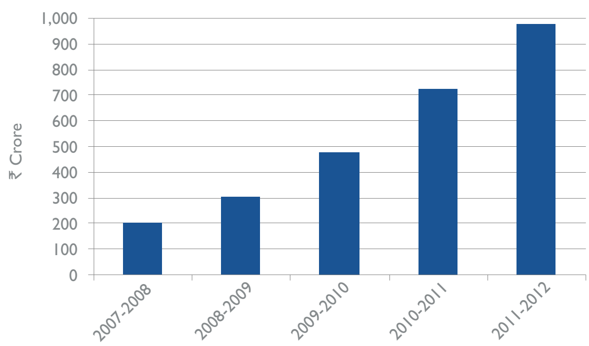
Non Interest Income



Return on Equity



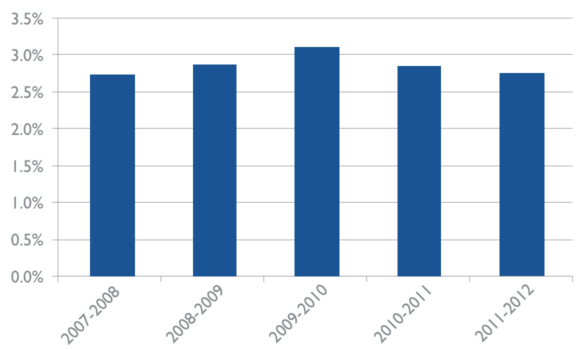
Net Profit



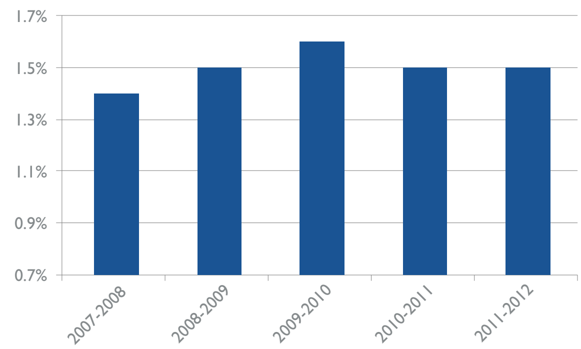
YES BANK

ANNUAL REPORT 2011-12

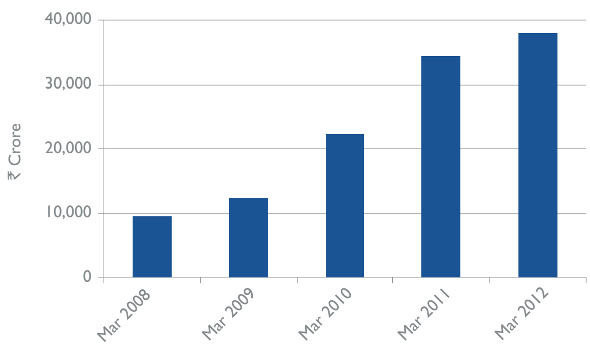
Net Interest Margin



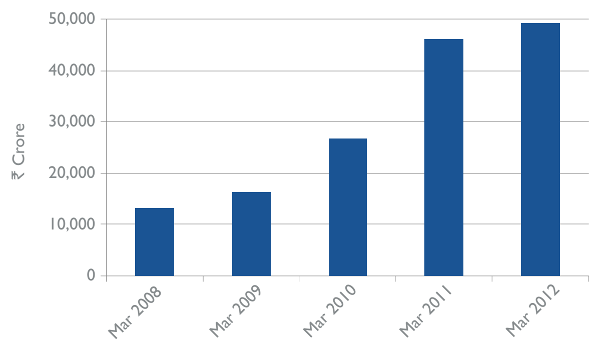
Return on Assets



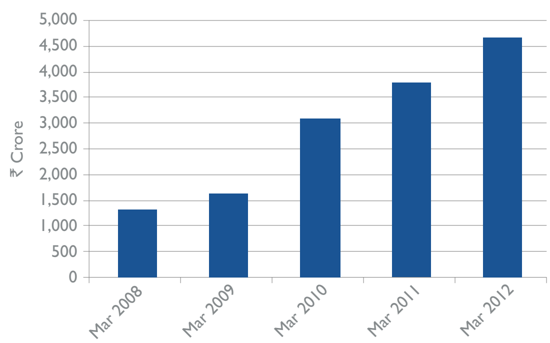
Advances



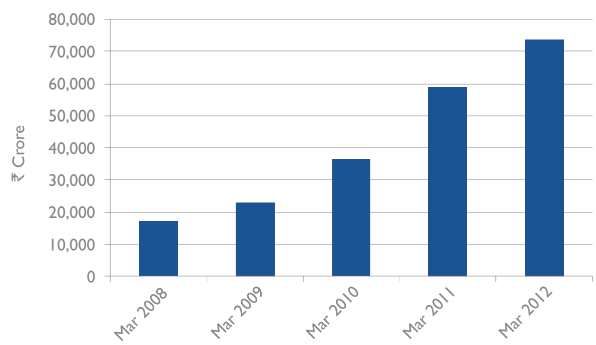
Deposits



Shareholder Funds



Total Assets



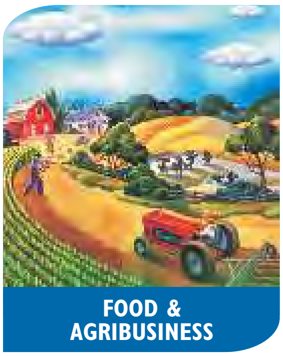
YES BANK

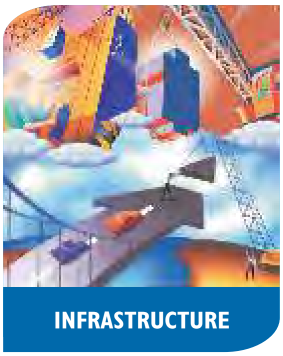
ANNUAL REPORT 2011-12

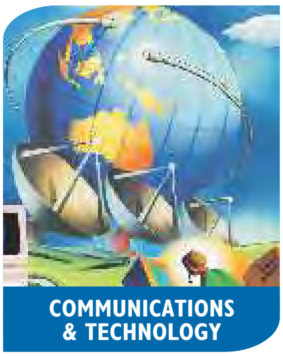
LEVERAGING KNOWLEDGE BANKING TO BUILD THE BEST QUALITY BANK OF THE WORLD IN INDIA

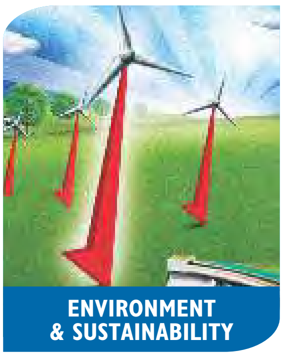
Your Bank has developed significant knowledge arbitrage through in-depth domain expertise in the sunrise sectors of the Indian economy. This has been amplified through exemplary knowledge reports / papers showcased at various thought leadership forums aptly demonstrating your Bank's expertise and commitment to the sector.

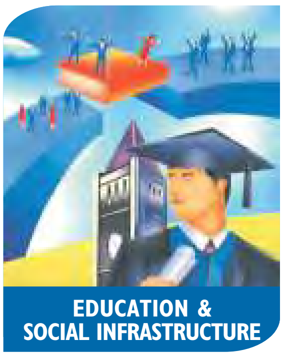
Say Yes To Knowledge Banking





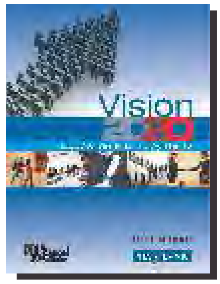


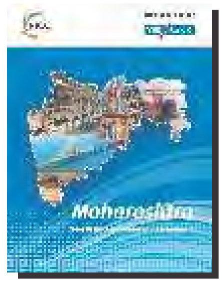


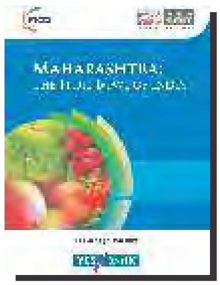


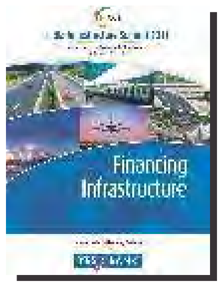
Select Knowledge Banking Publications Authored By YES BANK

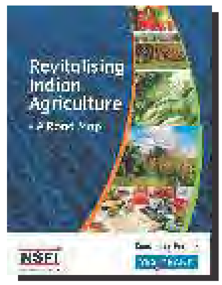


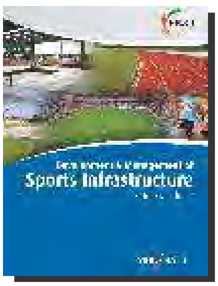













YES BANK

ANNUAL REPORT 2011-12

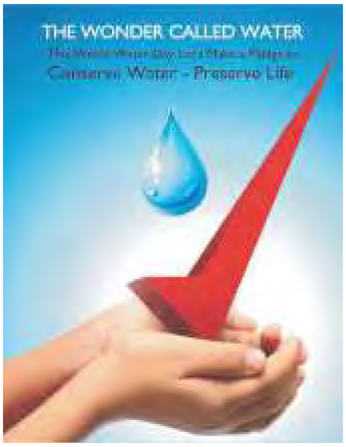
LEVERAGING SUSTAINABILITY TO BUILD THE BEST QUALITY BANK

Your Bank aims to build the 'Best Quality Bank of the World in India' by adhering to the **triple bottom line ethos i.e. 'People', 'Planet' and 'Profit' - thereby creating an enduring value, competitive advantage and sustainability leadership.** In this spirit and endeavour, your Bank has instituted a Responsible Banking strategy with the objective of providing financial solutions to social and environmental issues and becoming a sustainable organization.

Your Bank's Responsible Banking achievements have been covered in detail and discussed in the Sustainability Disclosures section on page 93 of the Annual Report. This is the first time your Bank is disclosing its sustainability performance in the Annual Report, guided by the **Global Reporting Initiative (GRI) framework and National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business.**

YES Community

Responsible community engagement for a sustainable future.



BUILDING THE BEST QUALITY BANK THROUGH SUSTAINED SERVICE EXCELLENCE

To build the 'Best Quality Bank of the World in India', your Bank lays great emphasis on a professional work culture that stimulates innovation and drives excellence in customer satisfaction. To deliver a banking experience that is truly professional and exceptional, your Bank benchmarks its product and service offerings with the best in the world.

Over the last seven years since inception in 2004, your Bank has leveraged on Creative Management Frameworks, Innovation and cutting-edge Technology, concurrently ensuring a Development Focus in its uncompromising pursuit to deliver unparalleled service to its customers.

- Aesthetically designed retail branches are strategically located at catchment areas, ensuring smoother and convenient customer engagement
- Your Bank's Direct Banking proposition 'YES TOUCH', is a manifestation of technology and convenience
- At your Bank's branches, 'YES for YOU' stands for responsiveness and an ebullient welcome
- Your Bank's branches have warm and welcoming interiors, evocative communication through wall graphics, comfortable seating and world-class service
- The Knowledge Café facilitates thought leadership sessions and information exchange. The Business Lounges enable customers to bank with both finesse and luxury.
- Your Bank firmly believes in adding value to customers. The International Debit Card can be used at all MasterCard enabled locations without a transaction charge
- Customers can avail of free online same day fund transfers, through RTGS / NEFT
- The Speech recognition enabled 'YES TOUCH' Phone Banking Service minimizes the transactional nature of banking
- Your Bank's Personal Relationship Managers commissioned to every account holder ensure a premium engagement experience
- The 1800 2000 Toll-free number has been made available by your Bank to all its customers
- An innovative Domestic Remittance platform – YES Money has been launched by your Bank, which has already facilitated remittance of ₹300 crore in just 6 months across India to 12,000 branches of 64 Banks
- Your Bank has successfully launched the 'Money Monitor'- Asia's FIRST online Personal Finance Aggregation Tool - This revolutionary tool allows YES BANK customers a single Log-in access to all Bank Accounts, Credit Cards, Investment Reward / Mileage points across over 11,000 financial institutions worldwide

BUILDING THE BEST QUALITY BANK THROUGH INSTITUTIONAL AND BUSINESS EXCELLENCE

Your Bank has consistently outperformed its peers while receiving significant institutional recognitions as a strong indicator of its robust systems, processes and best practices. As your Bank strives to become the 'Best Quality Bank of the World in India', we will continue to surpass and set new benchmarks in the future.

Enterprise Asia Award -

Dr. Rana Kapoor, Founder, Managing Director & CEO, receives the Indian Entrepreneur of the Year at the Asia Pacific Entrepreneur of the Year Awards 2011, hosted by Enterprise Asia, which pursues entrepreneurship development across Asia region. The award was presented by Dr. Farooq Abdullah, Hon'ble Minister for New & Renewable Energy.

Business Standard "Banker of the Year" Award -

Dr. Rana Kapoor, Founder, Managing Director & CEO received the Business Standard Banker of the Year award from Shri Prithviraj Chavan, Hon'ble Chief Minister of Maharashtra at the Business Standard Awards, 2011.

Key Awards And Accolades

Institutional & Business Excellence

The Institute of Chartered Accountants of India
Silver Shield for Excellence in Financial Reporting - Private Banks (including Cooperative Banks)
2012

CNBC TV18
Best Private Sector Bank – Special Jury Commendation
2011

D&B
Best Private Sector Bank Award
Dun & Bradstreet - Polaris Software Banking Awards
2011

FT Business – The Banker
Ranked 557 (net worth) & 542 (balance sheet) amongst all global banks
Financial Times Banker Top 1000 List 2011

THE FINANCIAL EXPRESS
Awarded India's No. 1 New Private Sector Bank
2011

Bloomberg UTV
India's Fastest Growing Bank of the Year Award – Bloomberg UTV Financial Leadership Awards
2011

Indian Power Brand
Conferred as an Indian Power Brand Indian Power Brands – Global Conclave London 2011

business today
- Adjudged the Fastest Growing & Strongest Large Bank (balance sheet > 50,000 cr), 2011
Business Today - KPMG Best Banks Annual Survey

Businessworld
- Awarded Fastest Growing Bank (balance sheet >30,000 cr) - 2011, 2010
India's Best Banks : A BusinessWorld - PwC Survey

CII-ITC Centre of Excellence for Sustainable Development
'Commendation Certificate'
- 'Significant Achievement' - 2011 & 2010
- 'Strong Commitment to Excel' - 2009
CII-ITC Sustainability Awards - Sustainability Asia Summit

FT / IFC International Finance Corporation
- Sustainable Bank of the Year - Asia/Pacific, 2011
- No.1 Emerging Markets Sustainable Bank of the Year - Asia, 2008
FT / IFC Washington London

Carbon Disclosure Project
- Greenest Financial Sector Company in the in the Carbon Disclosure Leadership Index, 2011
- First Indian Company to be a Signatory Since 2007

Efficient Payments Solutions & Technology/ Service Excellence

IMC Ramkrishna Bajaj National Quality Awards
- IMC RBNQ Performance Excellence Trophy (Service Category), 2011 & 2010
- 'Certificate of Merit' in the Services Category, 2009

Financial Insights / FIIA Financial Insights Innovation Award
- Innovation in payments, 2012
- Innovation in Business Intelligence, 2010
- Most Innovative e-Payments Solution Award - Asia, 2008
Singapore

NASSCOM IT User Award in Banking
(Scheduled Commercial Category)
2012

The Asian Banker
Asian Banker Technology Implementation Awards for Best Multi-channel Capability & Best Financial Supply Chain
Hong Kong
2011

The Banker
- Commercial Banking Project of the Year
- Innovation in Cash & Treasury Technology
The Banker Technology Awards
2011

Safety Rating

Moody's
Maiden International Investment Grade rating Baa3 long term
2011

ICRA / CARE
- Lower Tier II bonds Programme assigned ICRA AA and CARE AA
- Upper Tier II bond issue from assigned ICRA AA- and CARE AA-
- ICRA A1+ rating for the INR 75 bn Certificate of Deposit programme
- ICRA A1+ rating for Short Term Fixed Deposit Programme

Excellence In Branding & Human Capital

Asia's Best Employer Brand Awards
- Best HR Strategy in Line with Business
- Excellence in HR Through Technology
- Continuous Innovation in HR Strategy at Work
- Talent Management
Singapore, 2010 & 2011

CMO Asia
- Brand Excellence (Banking and Financial Services) award at the CMO Asia Awards for Excellence in Branding and Marketing
- 'Best Corporate Social Responsibility Practice (Overall)'
Singapore, 2010 & 2011

EBA
- Best Employer Brand of the Year
- Leading HR Practices in Learning & Human Capital Development
- 3rd Best Dream Employer of the Year

ESTABLISHING THE FOUNDATION FOR THE BEST QUALITY BANK THROUGH EXCEPTIONAL HUMAN CAPITAL

Your Bank relies on an exceptional high quality human capital base to drive its ambition in becoming the 'Best Quality Bank of the World in India' through a young, dynamic and professional team that effectively works across organisational boundaries to consistently build a culture that shifts the focus from activities to outcomes. Your Bank pursues a strong Employee Value Proposition of 'Creating and Sharing Value'.

YES School Of Banking

YES SCHOOL OF BANKING
EXPERIENCE OUR EXPERTISE

The YES SCHOOL OF BANKING (YSB) was institutionalized in 2007 with a vision to create a Centre of Excellence for learning solutions in Banking and related areas. All Learning and Development initiatives for executives in your Bank are under the aegis of YES SCHOOL OF BANKING.

THE CEO'S LEAGUE OF EXCELLENCE

The CEO's League of Excellence

The CEO's League of Excellence Awards honours high performing YES BANKers who have demonstrated top-class Performance and Outstanding Execution towards achieving business and management objectives in their respective functions.

The awards include 2 premium categories of Executive Recognition:

YES CHAMPION
CEO'S LEAGUE OF EXCELLENCE

YES RISING STAR

THE YES GOLDEN PIN - CEO'S AWARD

YES BANK GOLDEN PIN
CEO'S AWARD

The YES GOLDEN PIN CEO'S AWARD is presented selectively to deserving YES BANKers in the Top and Senior Management positions with a consistent and proven performance track record backed by exceptional achievements.

YES 5-YEAR COMMENDATION LAPEL PIN

5 YES BANK Years

The YES 5-year Commendation Lapel Pin is awarded to deserving YES BANKers who have successfully completed 5 years of partnership with the Bank.

ANNUAL REPORT 2011-12

Dr. RANA KAPOOR

Founder, Managing Director & CEO

SETTING HIGHEST STANDARDS OF CORPORATE GOVERNANCE TO SUSTAIN VERSION 2.0 GROWTH OBJECTIVES THROUGH EXCEPTIONAL INDEPENDENT BOARD MEMBERS

S. L. KAPUR
Non-Executive, Non-Independent, Chairman

ARUN K. MAGO
Independent Director

BHARAT PATEL
Independent Director

WOUTER KOLFF
Independent Director

RADHA SINGH
Independent Director

AJAY VOHRA
Independent Director

LT GENERAL (Retd.) MUKESH SABHARWAL
Independent Director

ADITYA SANGHI
President &
Senior Managing Director
Investment Banking

AMIT KUMAR
Senior President &
Country Head
Corporate & Institutional Banking

ANINDYA DATTA
President &
Chief Marketing Officer

ARUN AGRAWAL
Senior President
International Banking &
Multinational Corporations

ASIT OBEROI
Senior President &
Chief Operating Officer

ASHISH AGARWAL
Senior President & CRO
Wholesale Banking

AMIT DHAWAN
President
North & East
Corporate & Institutional Banking

CHITRA PANDEYA
Senior President & Country Head
Liabilities,
Cards & Direct Banking

DEEPAK KUMAR GADDHYAN
Senior President
Government Relationship Management

DEODUTTA KURANE
Senior President
Human Capital Management

DEVAMALYA DEY
Group President
Audit & Compliance

DEVANG RAWAL
President
Emerging Corporates Banking

JAIDEEP IYER
Senior President
Financial Management

K. RAMACHANDRAN
President
Investment Advisory & Equity Research
Branch Banking

KAPIL JUNEJA
President
Retail Banking Operations

K. SOMASUNDARAM
President
Credit Management, Market Risk
& Capital Compliance

KINGSHUK CHAKRABORTY
President & Managing Director
Loan Syndications

MANAVJEET SINGH
Senior President
Retail Banking

MANISH VORA
President
Corporate & Institutional Banking

NAMITA VIKAS
President &
Chief Sustainability Officer

NIKHIL SAHNI
President
Branch Banking

NIRAV DALAL
President & Managing Director
Debt Capital Markets

RAJNISH DATTA
President
Human Capital Management

R. RAVICHANDER
Group President & Head
Business Development (South)

RAJAT MONGA
Group President, Financial Markets & Chief Financial Officer

RINKI DHINGRA
President
Multinational Corporations

SANJAY NAMBIAR
President & General Counsel

SANJAY AGRAWAL
Senior President
Business Banking

SANJAY PALVE
Group President
Corporate Finance

SAURABH BHAT
President
Development Banking

SHUBHADA RAO
President & Chief Economist

SOMAK GHOSH
Group President
Development
& Government Banking

SONU BHASIN
Group President
Branch Banking

SUMIT GUPTA
Senior President
Emerging Corporates Banking

SUMIT KAKKAR
President
Wholesale Banking - Risk Management

SURENDRA JALAN
Senior President
Indian Financial Institutions

SURENDRA SHETTY
President & Dy. CIO
Technology Solutions Group

TUSHAR PANDEY
President
Strategic Initiatives,
Government & Advisory

VIKAS DAWRA
Managing Director
Investment Banking

VIKRAM KAUSHAL
President
YES First & Wealth Management

BRAND VISION AND STRATEGY

Your Bank's core strategy stands firm on the foundations of Trust, Transparency and Responsible Banking, collectively creating an open platform to work with a wide variety of public and private institutions to meet India's development agenda. By adhering to the 'Triple Bottom Line' ethos, your Bank focuses on nurturing the People, Planet and Profit principles to create enduring value, and a unique strategic position for YES BANK in a competitive marketplace.

BRAND PILLARS

Your Bank is built around 5 KEY BRAND PILLARS which reflect the core values of the Bank:

GROWTH: Your Bank's core promise is Growth for its internal and external stakeholders symbolised in 'Say YES to Growth!'.

TRUST: Your Bank's Promoters, Top Management team and investors are all of the highest pedigree with a demonstrated track record, thus inspiring and establishing a Trust Mark – 'Say YES to Trust!'.

HUMAN CAPITAL: Your Bank has adopted a knowledge-driven, entrepreneurial management approach and offers financial solutions beyond the traditional realm of banking. YES BANK's top quality Human Capital represents the finest talent in Indian banking, chosen from India and abroad.

TECHNOLOGY: Your Bank is establishing the highest standards in customer service by adopting cutting-edge, innovative Technology. The only thing constant about YES BANK's technology is Evolution.

TRANSPARENCY AND RESPONSIBLE BANKING: Your Bank considers Transparency and Accountability to be of utmost importance. Your Bank has established the most stringent Corporate Governance norms, and is committed to Responsible Banking by focusing on Sustainability and Social Responsibility.

A YES CAN CHANGE YOUR LIFE

In the backdrop of the landmark savings rate deregulation by the Reserve Bank of India, your Bank was the first Bank in the country to increase rates for all Savings Accounts from 4% p.a. to 6% p.a. and later to 7% p.a. The rate hike offering encompassed both Resident as well as Non-Resident Indian accounts. There was a high impact TV campaign done in Jan-Mar 2012 to highlight the higher rate of return at 7% p.a.

One YES can change your life.
Now imagine what over 350 will do.

YES BANK celebrates 350 branches

YES BANK celebrates yet another milestone of 350 world-class branches pan-India. Our experiential and customer-friendly branches offer personalised banking relationships and knowledge-driven solutions to ensure that we deliver a Consistently Superior Service Experience to you.

Walk in to a YES BANK branch today!

YES BANK

Over 350 Branches Pan India | 600+ ATMs | 2 National Operating Centres

Follow us on:

CONTENTS

Message From The Desk of Managing Director & CEO

Dear Valued Stakeholder,

In the last financial year, the Indian economy found itself in the midst of conflicting demands of managing growth and price stability. Regular hikes in monetary policy rates in a bid to harness inflation, elevated global crude oil prices, rising cost of funds, lack of domestic policy traction and a deteriorating global environment, saw GDP growth slipping successively on a quarterly basis through 2011. Additionally, weak macroeconomic fundamentals, led to deterioration in twin deficits – fiscal and trade deficit as the year drew to a close, escalating the bearish sentiment.

The beginning of FY13 was marked by the reversal in RBI's monetary stance, as it cut the benchmark repo rate by 50 bps to 8.0% for the first time in 3 years. The fiscal year is likely to be one of cautious optimism, as nascent ancedotal indicators point towards a marginal recovery but the outlook remains challenging. The revival clearly hinges on the anticipation of the government's ability to achieve fiscal consolidation, revive policy reforms; and recovery in the global economic environment.

Despite the challenging macroeconomic environment in 2011-2012, it has been an extremely satisfactory year for our Bank, which has truly demonstrated a **fine financial performance across all four quarters.** The recent **savings rate deregulation has been a transformational development and a stratospheric banking reform** in the last 20 years, and YES BANK has been a trendsetter in capitalising on this development, by being the first to increase Savings Account rates in consonance with market conditions.

I am pleased to report to you that the 7% savings interest rate offering has witnessed greater penetration in corporate salary accounts, and other savings accounts especially in key metro and urban areas, which is now being cascaded to semi-urban and rural markets as well. I am confident that this deregulation will be a game changer in further galvanising small, medium, as well as large savers who are ready to **move out from the lazy banking atmosphere, into a more dynamic, rate-driven and service-driven competitive environment, like ours.**

The Bank's objective in the last two years has been to achieve sustainable growth in Core Liabilities, driven by significant increase in Cash Management, Trade Flows, and maximization of Direct Banking and Cards Management channels. The strategy has also been to focus on building **scalability and granularity** in our businesses through a robust branch banking model, while further augmenting our high quality human capital.

In just the last 9 months we have enhanced our branch network by over 100 branches, and are adding almost 30 to 40 branches every quarter. We also believe that with the deregulation of branches for tier 2 to 6 cities, our Bank should have 900 branches by 2015, ahead of our Version 2.0 Vision and Strategy.

I truly believe that we have achieved this steady growth trajectory across all business segments, thereby further enhancing our **unique financial and business model,** which emphasises on value addition and superior, consistent and high quality service.

The focus for the current phase of growth is primarily on deposit mobilisation. **YES BANK plans to maintain its focus on garnering CASA on the back of our expanding distribution network, focusing on B2B2C alliances and segmental strategies to create increased momentum in granular deposit accretion,** with a focus to achieve its long-term goal of building CASA up to 30% of its total deposit base.

I am pleased to apprise you on two key partnerships that have fructified this year. The Bank in association with CARE India, a humanitarian relief and development NGO working in India for more than 60 years, launched India's first **Social Deposit Account (SDA).** This is an evolution of the regular Fixed Deposit account where customers have the option of donating their interest income to a social cause through **CARE India.** As part of our Responsible Banking ethos, I would like to inform you that the **Bank for the first time is introducing a Sustainability Report along the GRI guidelines.**

I am also pleased to advise you that the Bank entered into an MoU with the Indian Army to launch the **YES-VIJAY Salary Programme.** YES BANK has initiated relationships with 35 units/regiments already, and we are in the process of setting up our state-of-the-art world class branches and ATMs in Army Cantonments and regimental centers.

Branch expansion continues to be a significant organizational imperative for our Bank's next phase of growth - Version 2.0 that will further propel Retail/SME Banking initiatives. Towards this, YES BANK launched its second flagship state-of-the-art branch in Kolkata at Dalhousie, inaugurated by the **Hon'ble Finance Minister of West Bengal Dr. Amit Mitra. The Hon'ble Chief Minister of Haryana, Shri Bhupinder Singh Hooda** launched the Branch Banking Operations in Haryana from **YES BANK's** flagship Branch at **Madhya Marg, Chandigarh.**

As part of our knowledge-driven approach, this year, YES BANK has significantly invested in initiatives such as the launch of the **YES BANK National CFO Forum across Mumbai and Delhi** and the **Financial Times-YES BANK International Banking Summit,** amongst others.

Education and Sports have been two significant focus areas for YES BANK this year. Given **our significant focus on University and School Relations Management (YES - USRM),** we constantly endeavour to promote various learning and talent management initiatives. This year, YES BANK in association with Rutgers Business School, which is amongst the top 25 leading Business Schools in the world, **for the very first time,** offered a 5-day MINI-MBA programme for students, employees and other senior business experts. These participants were guided and trained by senior faculty members of the business school. YES BANK this year has been associated with **Corporate Masters, Senior Citizens Golf, and International Polo** across India. We truly believe in supporting and promoting sporting activities that showcase our country's abundant and diverse talent.

This year once again, YES BANK has been recognized **amongst the Top and the Fastest Growing Banks' in various Indian Banking League Tables** by prestigious media houses and Global Advisory Firms. The Bank has also been ranked 557th among FT – 1000 Banks, up 333 places (second highest jump for any Bank worldwide) from 890th rank last year.

YES BANK was awarded as India's No. 1 Bank at the Financial Express Best Banks Awards 2011, and for the third consecutive year, received the 'Fastest Growing Bank' award at the Businessworld Best Bank Awards 2011, the 'Best Private Sector Bank' Award at Dun & Bradstreet - Polaris Software Banking Awards 2011, the 'Sustainable Bank of the Year (Asia/Pacific)' Award at FT/IFC Sustainable Finance Awards 2011, London, and a 'Special Jury Commendation in the Best Private Sector Bank category' at the CNBC – TV 18 Best Bank and Financial Institution Awards in September 2011.

YES Bank was conferred the 'Indian Power Brand' at the Indian Power Brands – Global Conclave, London 2011; YES BANK also won the 'India's Fastest Growing Bank of the Year' award at the Bloomberg UTV Financial Leadership Awards 2011, and the 'Silver Shield for Excellence in Financial Reporting' by the Institute of Chartered Accountants of India in the Private Banks (including Cooperative Banks) category, by the Institutes of Chartered Accountants of India.

YES BANK also won seven awards at Asia's Best Employer Brand Awards for Continuous Innovation in HR Strategy at Work, Talent Management, Best HR Strategy in Line with Business, Excellence in HR through Technology, CEO of the Year Award, Brand Excellence in Banking, Financial Services & Insurance, Best Corporate Social Responsibility Practice (Overall) and the CMO Asia Awards for Excellence in Branding and Marketing.

The Best Multi-channel Capability Project Award and the Best Financial Supply Chain Project award at The Asian Banker Technology Implementation Awards 2011, the Commercial Banking Project of the Year award for Innovation in Cash and Treasury Technology at The Banker Technology Awards 2011 as well as the Financial Insights Innovation award 2012 for Innovation in Payments were presented to YES BANK.

With best-in-class Human Capital of over 5,500 YES BANKers, and focused vision and strategy encompassing Version 2.0, these recognitions will further act as key drivers of sustained growth and will help propel the Bank for its further take-off to become the Best Quality Bank of the World in India.

While we have the added responsibility of performing significantly better every year, and maximize value for all stakeholders, we remain committed to pursuing the highest levels of professional integrity, ethical standards, highest levels of compliance and the most transparent corporate governance norms, which have been the cornerstone of our success in the last seven years.

I take this opportunity to thank my entire management team for the commendable performance, dedication and hardwork put in over the past several years. I sincerely believe that with the continued support of our valued stakeholders, we will achieve our destination vision for Version 2.0 - Building the Best Quality Bank of the World in India, with a strong organizational character reflected in our Human Resources as the "Professionals' Bank of India".

Thank you.

Sincerely,

Rana

Dr. Rana Kapoor

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Eighth Annual Report of your Bank together with the audited Balance Sheet, Profit & Loss Account and the report on business and operations of the Bank for the year ended March 31, 2012.

Financial Performance

(₹ in crore)

Particulars	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Deposits	49,152	45,939
Borrowings	14,156	6,691
Advances	37,989	34,364
Total Assets/Liabilities	73,662	59,007
Net Interest Income	1,616	1,247
Non Interest Income	857	623
Operating profit	1,540	1,190
Provisions and Contingencies	90	98
Profit before Tax	1,450	1,092
Provision for taxes	473	365
Net Profit	977	727
Add: Surplus/(Deficit) brought forward from last period	1,115	673
Amount available for appropriation	2,092	1,400
Appropriations		
Statutory Reserve under section 17 of the Banking Regulation Act, 1949	244	182
Capital Reserve	25	2
Investment Reserve	-	-
Proposed Dividend and Tax thereon	164	101
Surplus carried to Balance Sheet	1,658	1,115
Key Performance Indicators		
Net Interest Margin	2.8%	2.9%
Return on Annual Average Assets	1.5%	1.5%
Return on Equity	23.1%	21.1%
Cost to Income Ratio	37.7%	36.3%
Non Interest Income to Net Revenues	34.7%	33.3%

Your Bank posted net revenues (Net Interest Income and other income) of ₹ 2,473 crore and Net Profit of ₹ 977 crore for the Financial Year 2011-12. Net Revenues and Net Profit for the Financial Year 2010-11 was ₹ 1,870 crore and ₹ 727 crore respectively. Appropriations from the Net Profit have been effected as per the table on the earlier page. Please refer to the section on FINANCIAL AND OPERATING PERFORMANCE in the Management Discussion and Analysis for a detailed analysis of financial data.

Dividend

In view of the excellent financial performance of your Bank and encouraging future outlook as well as the objective of rewarding shareholders with cash dividends while retaining capital to maintain a healthy Capital Adequacy Ratio, to support future growth, the Board of Directors has recommended Dividend at a rate of ₹ 4/- per equity share.

Capital Raising & Capital Adequacy Ratio (CAR)

The paid-up capital of your Bank increased to ₹ 352.99 crore as at March 31, 2012 from ₹ 347.15 crore as at March 31, 2011, post exercise of 58,40,300 employee stock options during the Financial Year 2011-12.

Your Bank also raised a sum of ₹ 150 crore by way of Tier I perpetual bonds, US $ 75 Million by way of Upper Tier II capital and ₹ 864.5 crore by way of Lower Tier II subordinated bonds during the Financial Year 2011-12. Your Bank has utilised the proceeds of the issue of Tier I Perpetual Bonds and Upper & Lower Tier II capital for strengthening the Capital Adequacy Ratio (CAR), for enhancing the long-term capital resources and its regular business activities.

In line with the RBI circular on Capital Adequacy Framework, your Bank has computed capital charge for operational, market and credit risk and its Capital Adequacy Ratio as per Basel II accord as at March 31, 2012.

Your Bank is well capitalised with a Capital Adequacy Ratio (as per Basel II) of 17.9 % as at March 31, 2012; of which Tier I Capital Ratio was 9.9% and Tier II Capital Ratio was 8.0%.

Employees Stock Option Scheme

Your Bank has instituted Stock Option Plans to reward and retain employees and to enable them to participate in your Bank's future growth and financial success. The Stock Option Schemes also enable the Bank to hire the best talent for its senior management and key positions. The Bank has five Employee Stock Option Schemes viz. Joining Stock Option Plan I (JSOP I), Joining Employee Stock Option Plan II (JESOP II), Joining Employee Stock Option Plan III (JESOP III), YBL ESOP (consisting of two sub-schemes JESOP IV/PESOP I) and YBL JESOP V/PESOP II (Consisting of three sub-schemes JESOP V/ PESOP II/PESOP II -2010).

The Employee Stock Option Plans are administered by the Board Remuneration Committee of the Bank.

The details of the grants under JSOP I, JESOP II, JESOP III, YBL ESOP and YBL JESOP V/PESOP II/PESOP II -2010 respectively are as follows:

	JSOP I	JESOP II	JESOP III	YBL ESOP (JESOP IV)	YBL ESOP (PESOP I)	YBL JESOP V	YBL PESOP II	YBL PESOP II 2010
Total No. of Options granted (during FY 2011-12)	Nil	Nil	Nil	Nil	Nil	23,88,800	Nil	38,97,500
The Pricing Formula	At par	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.

	JSOP I	JESOP II	JESOP III	YBL ESOP (JESOP IV)	YBL ESOP (PESOP I)	YBL JESOP V	YBL PESOP II	YBL PESOP II 2010
Options Vested (during FY 2011-12)	Nil	7,57,500	8,05,000	3,68,500	9,23,375	2,46,750	38,46,550	Nil
Options Exercised (during FY 2011-12)	2,00,000	7,48,620	6,67,750	7,28,105	7,80,450	1,74,850	25,40,525	Nil
The Total No of shares arising as a result of exercise of option	2,00,000	7,48,620	6,67,750	7,28,105	7,80,450	1,74,850	25,40,525	Nil
Options lapsed/ Forfeited (during FY 2011-12)	Nil	Nil	22,500	6,19,400	2,44,005	4,03,500	6,24,400	6,47,000
Variation of terms of options	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.	There is no variation in the terms of the options during the Financial Year ended March 31, 2012.
Money realized by exercise of Options (during FY 2011-12) (in ₹)	20,00,000	7,50,32,949	6,53,47,588	11,62,93,612	12,03,51,454	1,88,60,635	29,83,04,103	Nil
Total No of Options in force	2,61,500	3,04,700	4,35,650	14,87,795	18,25,400	53,22,950	56,39,375	74,93,500
Total No. of Options granted to: (during FY 2011-12)								
(i) Total No of Options granted to Senior Management Personnel (SMP)	Nil	Nil	Nil	Nil	Nil	Asit Oberoi - 1,35,000 Manavjeet Singh - 3,00,000 Rajagopal Srivatsa - 2,00,000 Sonu Bhasin - 2,50,000	Nil	Aditya Sanghi -1,50,000 Amit Kumar - 60,000 Anindya Datta-60,000 Deodutta Kurane - 60,000 Devamalya Dey - 60,000 Kavita Venugopal - 60,000

	JSOP I	JESOP II	JESOP III	YBL ESOP (JESOP IV)	YBL ESOP (PESOP I)	YBL JESOP V	YBL PESOP II	YBL PESOP II 2010
								Rajat Monga - 2,50,000 Rajesh Gandhi - 60,000 Sanjay Agrawal - 1,00,000 Sanjay Palve - 2,00,000 Sumit Gupta - 75,000
(ii) Any other employee who received a grant in any one year of options, amounting to 5% or more of options granted during that year	N.A	N.A	N.A	N.A	N.A	Aspy Engineer -1,50,000 Sumit Kakkar - 1,25,000	N.A	N.A
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	₹ 27.13 per share							
Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	The Bank has charged ₹ nil, being the intrinsic value of the stock options granted for the year ended March 31, 2012. Had the Bank adopted the Fair Value method (based on Black-Scholes pricing model), for pricing and accouning of options, net profit after tax would have been lower by ₹ 294,869 thousands, the basic earnings per share would have been ₹ 27.03 per share instead of ₹ 27.87 per share; and diluted earnings per share would have been ₹ 26.31 per share instead of ₹ 27.13 per share.							
Weighted average price of shares exercised during the year (in ₹)	10.00	100.23	97.86	159.72	154.21	107.87	117.42	-

	JSOP I	JESOP II	JESOP III	YBL ESOP (JESOP IV)	YBL ESOP (PESOP I)	YBL JESOP V	YBL PESOP II	YBL PESOP II 2010
Weighted average fair values of the options outstanding (in ₹)	5.29	42.75	58.24	98.57	84.37	131.82	61.58	134.99
The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:								
I) Risk free interest rate	6.54%~6.81%	6.73%~7.45%	7.27%~8.23%	7.48%~8.55%	5.98%~8.51%	5.20%~8.81%	4.96%~8.51%	5.83%~8.55%
ii) Expected life	6.5 yrs to 7.5 yrs	6.5 yrs to 7.5 yrs	6.5 yrs to 7.5 yrs	4.5 yrs to 7.5 yrs	1.5 yrs to 6 yrs	4.5 yrs to 7.5 yrs	1.5 yrs to 4.5 yrs	4.5 yrs to 7.5 yrs
iii) Expected volatility	50.58%	35.97% ~49.92%	35.82% ~41.74%	39.94% ~64.92%	40.74% ~82.76%	32.84% ~82.76%	61.31% ~82.76%	32.84% ~63.71%
iv) Expected dividends	1.44%	1.13%~1.23%	1.13%	1.13%~1.5%	1.13%~1.5%	1.5%	1.5%	1.5%
v) The price of the underlying share in market at the time of option grant (in ₹)	Not Listed	62.45 ~100.45	80.30 ~140.00	114.70 ~249.30	114.70 ~249.30	148.85 ~350.15	50.00 ~266.15	269.30 ~350.15

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Mr. S L Kapur and Mr. Arun Mago shall retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board at its meeting held on April 25, 2012 appointed Lt. General (Retd.) Mukesh Sabharwal as an Additional Director of the Bank. He holds office up to the date of the forthcoming Annual General Meeting but is eligible for appointment.

Corporate Governance

Your Bank is committed to achieving the highest standards of Corporate Governance. Accordingly, your Board functions as trustees of the shareholders and seeks to ensure that the long term economic value for its shareholders is achieved while balancing the interest of all the stakeholders.

A separate section on Corporate Governance standards followed by your Bank as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is enclosed as an Annexure to this report.

Auditors

M/s. B S R & Co., Chartered Accountants will retire at the forthcoming Annual General Meeting. They have been Statutory Auditors of the Bank for last four years, which is the maximum term of appointment of Auditors permitted by the Reserve Bank India. As recommended by Audit & Compliance Committee, the Board has proposed the appointment of M/s S R Batliboi & Co., Chartered Accountants as Statutory Auditors for the financial year 2012-13. Their appointment is subject to approval by the Reserve Bank India. Members are requested to consider their appointment on a remuneration to be decided by the Board or Committee thereof for the ensuing financial year i.e. 2012-13.

Statutory Disclosures

The statement containing particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 forms part of this report. In terms of Section 219(1)(b)(iv) of the Act, the same is open for inspection at the Registered Office of your Bank. Copies of this statement may be obtained by the members by writing to the Company Secretary of your Bank.

The provisions of Section 217(1)(e) of the Companies Act, 1956 do not apply to your Bank. Your Bank is constantly pursuing its goal of technological upgradation in a cost efficient manner for delivering quality customer service.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

(I) in the preparation of the accounts for the Financial Year ended March 31, 2012 the applicable accounting standards have been followed along with proper explanation relating to material departures;

(II) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2012 and of the profit of the Bank for the year under review;

(III) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and

(IV) the Directors have prepared the annual accounts of the Bank on a 'going concern' basis.

Acknowledgement

Your Directors take this opportunity to express their deep and sincere gratitude to the customers of the Bank for their confidence and patronage, as well as to the Reserve Bank of India, Government of India and Regulatory Authorities for their co-operation, support and guidance. Your Directors would like to express a deep sense of appreciation for the commitment shown by the employees in supporting the Bank in its endeavour to create the BEST QUALITY BANK OF THE WORLD IN INDIA. Your Directors would also like to express their gratitude to the members for their trust and support.

For and on behalf of the Board of Directors

Rana Kapoor Managing Director & CEO	**S.L. Kapur** Non-Executive Chairman

Place: Mumbai
Date: April 25, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic and Industry Overview

The domestic economic growth after moderating to 6.7% in 2008-09 recovered to 8.4% in 2009-10 helped by fiscal stimulus and an accommodative monetary policy. The uptrend in growth consolidated further in 2010-11, as GDP clocked a growth of 8.4%, despite a partial withdrawal of fiscal stimulus and onset of monetary policy tightening. However, in 2011-12, the Indian economy found itself in the heart of conflicting demands of managing growth amidst price stability. Aggressive hikes in policy rate in a bid to clamp down inflation, elevated global crude oil prices, rising cost of funds, lack of domestic policy traction and a deteriorating global environment, saw GDP growth slipping successively on a quarterly basis through 2011. The advance estimates of Central Statistics Office have placed real growth GDP at 6.9% in 2011-12.

In terms of sectoral trends, the slowdown in headline GDP growth in 2011-12, is primarily owing to a dip in industrial growth to 3.9% compared to 7.2% in 2010-11. Within the industry, with the exception of electricity, all sub-indices namely mining, manufacturing and construction, witnessed significant slowdown over 2010-11. In contrast, both agriculture and services sector remained largely resilient in the year. Agriculture GDP is expected to grow at 2.5% for 2011-12. The slowdown in comparison to a 7% growth recorded in 2010-11 is largely a manifestation of an adverse base effect. Growth in services is likely to be a notch higher at 9.4% in 2011-12 as against 9.3% in 2010-11.

Headline WPI inflation remained persistently high and relatively sticky at around 9% during 2011-12. A combination of several factors – elevated international commodity prices, frequent adjustment to petrol prices, strong demand conditions (led by sharper increase seen in rural wages), and rupee depreciation kept inflationary pressures intact. As a result, the Reserve Bank of India (RBI) in a bid to curb inflationary expectations upped its quantum of rate hikes in 2011-12. It hiked the repo rate by 175 bps during Apr-Oct 2011-12. Though inflation remained high during most of the year, it has shown signs of moderation lately. Headline WPI inflation has corrected by close to 250 bps since Oct-11, owing to a combination of abating sequential pressures and a favourable base. In addition, core inflation, an indicator of demand side pressures in the economy, has also corrected by close to 300 bps since Nov-11.

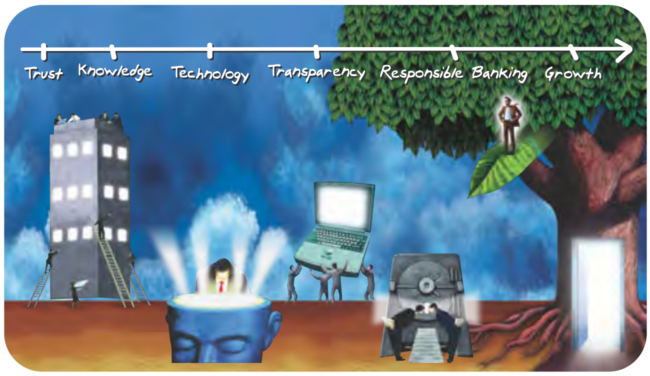
In the light of the recent easing in inflation and the concomitant deceleration in growth, the period from Dec-11 to Jan-12 marked a reversal of the rate cycle, with the RBI now clearly having indicated that the monetary tightening cycle has peaked. In the last policy review in Mar-12, while the RBI sounded concerned on domestic growth remaining below trend and acknowledged future policy action in the form of monetary easing, it kept policy rate unchanged while balancing upside risks (due to the recent surge in crude oil prices, fiscal slippage and the rupee depreciation) of inflation in the economy verses growth.

The central government had projected a fiscal deficit to GDP ratio of 4.6% for 2011-12 at the start of the year, lower than the deficit of 4.8% achieved in 2010-11. The optimistic projection was aimed to be achieved through a 16% growth in tax revenues, disinvestment receipts of ₹ 40,000 crore, and a moderation in growth in expenditure to 4.9%. However, during the course of the financial year, the deceleration in real GDP growth, particularly the industrial sector, continued high level of commodity prices weighing on subsidy outgoes and an adverse capital market environment weighing on PSU disinvestments, saw a sharp slippage in fiscal deficit to 5.9%. Amidst this background, in the recently announced Union Budget FY13, the government has embarked on a path of fiscal consolidation, as it anticipates bringing the fiscal deficit lower to 5.1% in 2012-13.

Liquidity conditions remained in the deficit during the majority of 2011-12. The extent of liquidity deficit deteriorated sharply post November after remaining moderate to the tune of ₹ 43,800 crore during Apr-Oct 2011-12. Liquidity deficit averaged ₹ 1,16,300 crore between Nov-Feb 2011, much above the comfort level of the RBI. While a deficit liquidity situation is desirable for effective transmission of monetary policy, the extent of deficit turned out to be much higher because of structural factors like greater than average increase in currency in circulation and RBI's forex/foreign exchange intervention to curb Rupee depreciation in second half of 2011-12. As a result, RBI addressed liquidity concerns by allowing Banks to avail overnight funds through the MSF scheme, and by reducing CRR and through Open Market Operations (OMO). RBI has conducted OMOs aggregating ₹ 1,24,700 crore over the period of Nov 2011 to March 2012. Despite the measures, the continued structural deficit in liquidity prompted RBI to reduce CRR in two tranches by 50 bps in Jan-12 and by 75 bps in Mar-12 to an effective 4.75%.

During 2011-12, there were two distinct phases of movement in the exchange rate. The Rupee exhibited a two way movement with an appreciating bias until July 2011. Thereafter, the trend reversed, with the domestic currency unit depreciating sharply from September 2011. On a point to point basis, Rupee depreciated by close to 19% since July until the end of 2011, leading RBI to take remedial measures to increase inflows and curb speculative activity in the forex market. Since then, the Rupee has made an impressive turnaround by gaining close to 7% in 2012 so far, with receding global risks especially after the successful injection of over EUR 1 trillion through LTRO by ECB and Greece's bailout.

Vision, Mission And Business Strategy



Your Banks' vision is, to become the 'Best Quality Bank of the World' in India and evolve its organisational ethos into the "Professionals' Bank of India". In April 2010, your Bank launched the Version 2.0 and announced the roll-out of a strategic roadmap to further accelerate business growth with an aim to achieve a balance sheet size of ₹ 1,50,000 crore and a pan India network of 900 branches with a human capital base of 12,750 by 2015. Your Bank continues on this Version 2.0 strategy which is based on a relationship-driven, service-centric approach to deliver customised and comprehensive financial solutions to suit the specific requirements of its customers. Your Bank is taking steps to achieve the 7 Strategic Objectives for the Version 2.0 growth phase, built around CORE Relationship Management:

(1) Liabilities Generation (RANK #1): The most important objective of your Bank is to increase the quantum of Current and Savings Account (CASA) deposits and granular term deposits as a part of its Version 2.0 goals. For this purpose, your Bank plans to use a business-to-business-to-customer (B2B2C) strategy along with focused target segment approach by offering products according to customer needs. Key elements of this strategy involve identifying Current Account rich corporate customer segments and offering them tailor-made products, offering wealth products to the owner promoters and directors of corporate customers and offering salary accounts to these companies under the Y-COPs Program (Corporate Salary Programs). Your Bank also taps the supply chain of large corporate customers by offering superior cash management and liquidity management solutions. Further, your Bank has tied up with various brokers and insurance firms to offer innovative products to their customers as a part of its strategy to target financial intermediaries, who are a rich source of references of technology savvy and transaction heavy customers. In addition, your Bank is continuously investing in expanding the distribution network to further improve access to the customer base. Your Bank has set up more than 356 branches and 600 ATMs with a target to achieve 900 branches and 2000 ATMs by March 2015. In October 2011, the Reserve Bank of India announced deregulation of Savings Account rates, whereby individual banks were allowed to set differential savings rate for their customers. Accordingly, your Bank was the first Bank to offer higher savings rates to its customers; your Bank now offers 6% to customers maintaining balances below ₹ 100,000 and 7% to Saving Account customers maintaining balances above ₹ 100,000, significantly higher than the 4% offered by public sector and larger private sector banks. On the back of this move, your Bank has seen a significant improvement in savings account balances & new account openings.

(2) Optimal Risk Management: Your Bank believes in achieving growth while maintaining high standards of asset quality through Risk Management and mitigation practices that are actively focused on evaluations of credit, market and operational risk. The risk strategy laid down by your Bank helps foster a disciplined culture of risk management and control. In conjunction with these practices, we intend to optimize our capital needs through our growth phase so as to achieve the highest returns on capital while managing risks appropriately.

(3) Sustainable / Diversified Revenue Generation: Your Bank intends to expand its presence by increasing its customer base in its Corporate and Institutional Banking, Commercial Banking and Branch Banking divisions through a focused customer relationship management approach. Our goal is to increase the amount of business we do with our customers by building on our strong customer relationships and cross-selling our banking and advisory products. As we go forward we intend to have a more evenly distributed business across relationship groups thereby increasing granularity and diversity in revenues. The above strategy coupled with our other objectives of consistent customer service and Human Capital Management will help achieve the desired results.

(4) Consistent Customer Service & Brand Management: Since inception, we have built our brand around five key pillars: Trust, Growth, Knowledge-driven Human Capital, Technology, Transparency and Responsible Banking. Your Bank intends to build this further through various activities such as advertising across print, radio, television and Internet in India as well as internationally; Organizing, attending and sponsoring Industry Trade and Knowledge seminars; Authoring knowledge-based publications; Benchmarking against the best in the

Customer Service oriented companies in the world, across industry verticals; Adopting the Best Practices in Customer Service and Delivery from the consumer goods industries; Investing in continuous Product, Process and Soft Skills training for our employees; and continuing to improve the level of service that we offer to our customers. As a part of this strategy, for the last 2 years, your Bank has undertaken a customer centric advertising campaign that has had a strong resonance among its customers. These measures are expected to result into improved customer sentiment.

(5) Finest Human Capital Management: Your Bank's management team is highly experienced and has a strong track record with demonstrated expertise in project management and execution and a history of significant corporate relationships. We believe that our management is supported by experienced and qualified human capital, to whom we offer opportunities in an entrepreneurial environment, along with an attractive compensation system and suitable training programs. Your Bank continues to attract the best quality talent from leading financial institutions and business schools in the country. During the financial year 2011-12, your Bank was one of the leading recruiters at the top business schools and the Institute of Chartered Accountants of India hiring more than 170 post-graduates. Your Bank will continue to augment its human capital base in line with the growing brand and business franchise. During the financial year 2011-12, your Bank hired a number of senior banking professionals from other private sector banks particularly to increase the depth of the retail banking leadership. Your Bank believes that the single-most important resource in developing a sustainable business is human talent and the policies and procedures will be aligned to meet the interests of shareholders.

(6) Effective Cost Management: Your Bank continues to maintain one of the best cost to income ratios in the banking sector. Your Bank intends to effectively manage cost by reducing waste, efficiently using resources, negotiating rates efficiently with vendors and reducing technology cost through innovations. Using resources efficiently is a part of our overarching Responsible Banking strategy. We have consistently endeavoured to develop sustainable business solutions using innovative technologies. We understand the importance of robust cost management in a competitive environment and therefore focus on re-engineering our business to improve efficiencies.

(7) Continuous Strengthening of Systems, Controls, Processes & Procedures: Your Bank continues to develop technology-based solutions in conjunction with robust processes and controls through centralized operations, which not only provide consistent services to our customers but also minimize our operational costs and risks and provide a strong platform for scaling up the business. The level and scale of changes in our business presents new challenges to our internal control systems; and your Bank will continue to invest in strengthening risk management and operational controls.

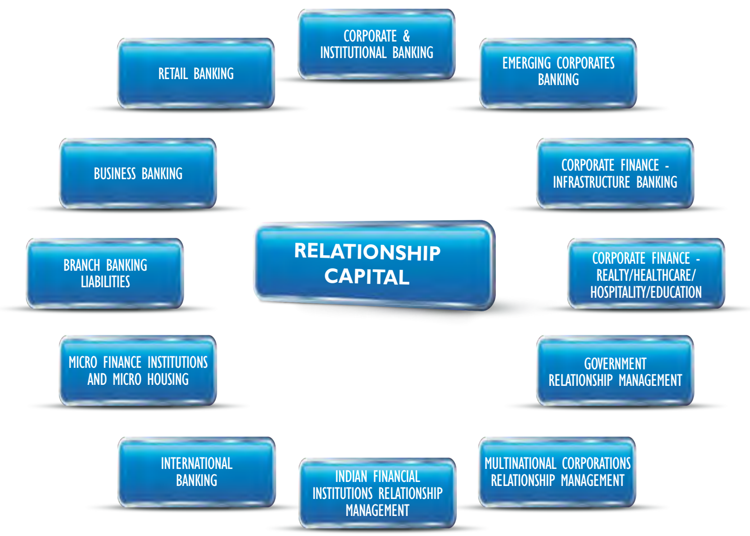
Business Overview

YES BANK launched Version 2.0 in April 2010, which indeed is the most stimulating phase of the Bank's lifecycle, and has successfully completed two years of Version 2.0 with a stellar financial performance. Your Bank has further strengthened its platform to deliver on the key goals established for 2015. Further, with a rapidly expanding branch network, which is also achieving the desired vintage/maturity, your Bank is seeing the commencement of an inflection point in the liabilities base of its branch network. Being the fourth largest private sector Bank, we aim to further build the franchise organically through counter cyclical strategies and proactive risk management, and are confident of achieving our destination vision for Version 2.0 of YES BANK.

Your Bank is relentlessly surging ahead with utmost dedication, passion and commitment, backed by a differentiated financial and business model to achieve robust and sustained growth. Over the last seven years (since inception in 2004), your Bank has leveraged on Creative Management Frameworks, Innovation and cutting-edge Technology, concurrently ensuring a Development Focus in its uncompromising pursuit to emerge as the Professionals' Bank of India.

YES BANK has received significant Institutional recognitions, awards and accolades from Indian and International media houses, consulting organisations, think-tanks, etc. and we truly believe that these are defining moments in the successful journey of your Bank, as it strives to achieve the stated ultimate vision and strategy of developing into the 'Best Quality Bank of the World in India' .

Relationship Capital



Corporate & Institutional Banking

Your Bank's Corporate & Institutional Banking (C&IB) division provides comprehensive financial and risk management solutions in the highly competitive market of large corporates with a turnover of generally more than ₹1,000 crore. Your Bank's highly qualified professional relationship experts have built strong value based long term relationships with almost all large corporate houses in India.

Your Bank has mastered its Unique Selling Proposition, its Knowledge - Based Advisory and Service Delivery. The Bank follows the approach of offering the right industry specific products in a timely manner to our clients by thorough understanding of their business model, the market conditions they operate in and by tracking developments in their industry and market space. Such distinct approach has earned your Bank strong mutually beneficial relationships with clients in knowledge sectors like Healthcare & Pharmaceuticals, Media & Entertainment, Education among others.

It is key to note that in pursuit of the most critical objective of YES BANK's Version 2.0 - "building a low-cost granular liability base", C&IB is playing a major role in developing a strong CASA and deposit base. Our paradigm products like YES BANK's Unique "Employee Value Proposition" of providing consistent services at best-in-industry Savings Interest Rate to Salary Account customers, highly service oriented YES FIRST accounts along with highly competitive corporate deposit rates have helped C&IB build significant CASA and deposit base by utilizing its relationship potential with all major corporate houses in India.

C&IB offers a comprehensive range of client focused Corporate Banking Services that includes Working Capital Finance, Term Loans, Specialized Corporate Finance Products, Trade & Transaction Banking Products, Cash Management Services, Treasury Services, Investment Banking Solutions & Liquidity Management Solutions to name a few. Your Bank provides customised offerings to the specific requirements of our clients after in-depth research and assessment. Strong credit quality being at the highest priority in your Bank, all offerings are made after rigorous analysis of the client's risk profile.

Your Bank provides industry specific financial solutions by creating tailor-made services through superior structuring to best suit client requirements, which helps lower entry barriers, strengthens business relationships, and ensures risk mitigation. Your Bank has been successfully leveraging its technological expertise in creating state-of-the-art electronic platforms to provide well integrated solutions to corporates such as the robust integrated straight-through processing based payments/ collections proposition which has also aided in granular liability generation.

Your Bank is committed to continuous improvement in service quality, risk management and product portfolio through indigenous research, benchmarking with international standards and strong client orientation.

Emerging Corporates Banking (Commercial Banking)

Like in the past, Emerging Corporates Banking (ECB) strives to better its own performance benchmarks, with the customer being the focal point. Considering the customized servicing with this segment of companies – generally with the turnover ranging between ₹ 100 crore and ₹ 1,000 crore, the team creates and delivers on the expectations, of being a partner in achieving growth. In line with this approach and to be closer to the customer, ECB has expanded its ground presence, during the year, from 12 locations across the country to 17 locations. To further this, your Bank plans to be present in 24 locations during FY13.

A CRM focused strategy, has been the core business development and management tool that ECB has been leveraging. To ensure maximization of knowledge management, the entire team in ECB has been structured on the lines of specific industries/knowledge verticals. This has not only helped the Bank in expediting the pace of business development within the industry, but has also enabled us to identify and execute better risk management practices, besides developing linked strategies for adjacent (or related) industry segments.

The "Lifecycle Banking" philosophy has been instrumental in understanding the aspirations of our customers, and demonstrating the capability to influence sustainable growth and transformation in a large number of the Bank's customers, resulting in strong customer retention and loyalty along with a mutually enriching experience. With an aim to maximize capital efficiency, cross-sell has been integrated with the Bank's business development approach. Not only has this resulted in increasing capital efficiency, but also in increasing the number of touch points with the customer, leading to the generation of more business leads. The intense relationship with the top management and the promoters of our corporate/clientele in the process, has also led to strong referral-led business being originated.

By constantly evolving innovative, sector-specific products and services, your Bank continues to provide thought leadership in key focus sectors like Food & Agribusiness, Life Sciences & Health Care, Media & Entertainment and Auto Ancillary. Each of these sectors have a significant multiplier effect in the domestic economy.

ECB's Relationship Managers aim to deliver the highest standards in service to their customers by following a Money Doctor approach of diagnostic and prescriptive solutions, through a careful evaluation of client specific financial needs and providing customized solutions to them. These include structured products based on the customer's risk profile and growth requirements as well as general banking products and services like Working Capital, Term Funding, Liabilities, Investments, Insurance, Trade Finance, Cash Management and Treasury amongst others. ECB also offers a boutique of specialised services including Capital Markets, Corporate & M&A Advisory, Corporate Finance and Project Advisory and Finance in partnership with product groups to augment and suit the dynamic and varied requirements of the customers.

Multinational Corporations Relationship Management

As your Bank's clientele has grown, so has the requirement of the scope and breath of the services, products, and relationships to enable them to compete and thrive in a global environment.

Your Bank understands the financial needs of Multinational Companies, and their plans to increase their footprint in the Indian market. We have leveraged our relationships to conclude key alliances with foreign banks and global institutions to scale up our revenue streams and product offerings. This has allowed us to develop an expertise in India's key foreign trade and investment corridors, and has enabled us to offer this expertise to both Indian and Multinational corporations through our business relationship teams, operating at a pan India level.

The Multinational Corporations Relationship Management team has been institutionalized within your Bank to provide Knowledge-Driven Banking solutions to MNCs present in India, as well as to those aspiring to enter India, as a strong HOST COUNTRY BANK. Our differentiated approach through Dedicated Knowledge Banking teams, Indian Market Expertise, World Class Banking solutions and Service Excellence, positions us favourably to become the "Preferred HOST COUNTRY BANK for MNCs".

Government Relationship Management

The Government Relationship Management (GRM) team at your Bank understands the financial needs of the Central and State Government undertakings and agencies in their progress and development role towards a growing India through its Knowledge Banking approach. This is further facilitated through your Bank's Technology leadership delivering proven, easy-to-use solutions for Government Undertakings and Agencies.

Your Bank has provided financial and advisory services to Ministries of the Union Government, State Governments, Central & State Public Sector Undertakings (PSUs) and Agencies. Your Bank remains committed to delivering innovative, structured and comprehensive solutions, and has accomplished several landmark transactions in this space with Maharatnas, Navratnas, Mini Ratnas and other Apex Institutions. In a short span of 6 years, the GRM group has developed robust relationships with over 500 entities across India. The GRM Group is committed to the core values of client origination, innovation and a superior service experience that exemplifies all businesses at your Bank.

We have also signed MOUs with the Indian Army & Navy to offer "YES Vijay" – A unique salary account proposition for Defense Personnel in September 2011 & January 2012 respectively. Under this program the benefits offered to the defense personnel are continued post retirement as well. This program has been well appreciated and is seeing a lot of traction at our end.

RBI vide its circular dated January 31, 2012 has permitted Private Sector Banks to handle Government Businesses as Agency Banks

which opens up great opportunity for your Bank in terms of collection of various taxes (direct & indirect) on behalf of the Central & the State governments as well as to act as a banker to various State & Central Government Ministries. This shall complement your banks efforts to build healthy CASA book over a period of time.

Branch Banking

Your Bank believes in providing a seamless banking experience embedded in the vision to become the 'Best Quality Bank of the World in India' to all its customers through its high quality, state-of-the-art branch infrastructure backed by cutting-edge technology and a customer-centric approach.

Your Bank's branches are not only strategically located at premium high-street locations but also benchmarked with world-class design standards to ensure smoother and convenient customer engagement. Your Bank's branches are highly accessible and facilitate warmth, coherent communication and a consistent customer experience across all locations. The focus is not merely on facilitating transactions, but also on engaging, informing and involving customers in a personalized manner thereby providing incremental value to the customer experience at the branch. In fact, your Bank has been successful in ensuring that its branches have transcended to the next level of serving as Community Centres facilitating community engagement, rather than merely being touch points.

Currently, your Bank's customers are being served through an extensive branch network, comprising 356 branches spread over 240 locations across India as well as over 600 ATMs. Your Bank will continue to expand its branch presence in line with its vision of enabling financially efficient Inclusive Banking through its state-of-the-art technology platform. While your Bank's branches have been designed to cater to all segments of customers under the 'One-Bank Model', Branch Banking - Liabilities & Wealth Management, Business Banking and Retail Banking - customers are the most frequent users of this world-class infrastructure. The three segments, as elaborated subsequently, together constitute the Branch Banking business. This relationship line is an area of high focus for your Bank and significant investments have been made to provide an exceptional experience to customers from each of these segments.

Liabilities & Wealth Management

Your Bank has a well defined segmented strategy and focuses on 12 identified sunrise sectors. These sunrise sectors have huge potential of growth given the India growth story. The core objective of Branch Banking is to focus on these identified sectors and to generate granular Current Accounts & Savings Accounts (CASA) by focusing on emerging entrepreneurs and SME businesses, such as

- ✓ Professional Services - CA Firms, Law Firms, Healthcare Firms, Consultancy Firms, Broking Firms, Educational Institutes,
- ✓ Trusts Associations Societies and Clubs (TASC)
- ✓ Travel and Tourism (Tour Operators)
- ✓ Media & Entertainment & Lifestyle Firms
- ✓ Gems & Jewellery Firms
- ✓ Retail Merchants
- ✓ IT / ITeS
- ✓ Logistics (Freight Forwarders)
- ✓ Realty & Infrastructure
- ✓ Trade (Exporter / Importer)
- ✓ Hospitality (Hotels / Restaurants)
- ✓ Food & Beverages

Your Bank has developed comprehensive and customized business solutions for all the identified focused segments and individual customers (Resident & Non-Resident) to address their Business and Wealth Management requirements. Your Bank goes beyond the traditional realm of banking and delivers long term-value through:

- ✓ Effective Relationship Management
- ✓ Customised Product Solutions
- ✓ Premium Touch Points – YES Touch
- ✓ Equity Research, Investment Advisory and Wealth Management Services

a. Relationship Segments

Your Bank provides an extensive array of Branch Banking offerings to strengthen customer relationships. Your Bank categorizes its relationship base of Branch Banking customers into three distinct groups based on the relationship size:

YES Prosperity which provides value-added services to customers by offering them a combination of consistent service standards and expertise in wealth management.

YES First which offers a combination of superlative service standards, expertise in wealth management and customized investment advisory solutions, and value-added services like convenience benefits, concierge solutions and premium lifestyle privileges to its High Networth Individual (HNI) customers.

YES Private which offers personalized, confidential and tailor-made wealth management and financial solutions, including Structured Products, and additional services in the area of Private Equity, Art and Real Estate Advisory along with convenience benefits, concierge solutions and lifestyle services. YES Private is handled by Private Bankers in partnership with the Investment Advisory team and focuses on Wealth Generation, Preservation and Transmission for HNIs.

Global Indian Banking encompasses the above three products with the unanimous objective of providing a consistent and service experience to the Non-Resident Indian customer, by presenting a comprehensive suite of basic banking facilities, online remittances, differentiated Wealth Management and Investments in alternate asset classes.

b. Equity Research, Investment Advisory and Wealth Management Services

Your Bank follows an integrated approach towards providing complete 'Wealth Management Solutions', based on comprehensive Risk Profiling, Asset Allocation and Investment Monitoring Processes.

These solutions are anchored on timely advise provided to customers in the form of regular performance updates and reports on product and market developments, based on their investment strategy. Your Bank provides an impressive line-up of reputed third party products, including Investments (across mutual funds of 29 AMCs), Bancassurance (Life Insurance - Max New York Life Insurance, General Insurance - Bajaj Allianz General Insurance), Structured Products and Alternative Investments (Art Advisory, Structured Products and Realty Funds) to customers, thereby helping them attain a higher level of diversification in their investment portfolio.

c. Premium Touch Points - YES Touch

Your Bank fulfills its promise of 'Consistent Service Experience' by employing an array of customised solutions to meet all financial needs, combined with a world-class Branch ambience, convenience of Direct Access, an exemplary Service Culture and Knowledge Expertise.

Customers of your Bank can avail of a 24x7, consistent superior service experience through various direct access touch points, branded as 'YES TOUCH'. Your Bank strongly believes in the financially inclusive nature of technology, and is fully committed towards ensuring that the best-in-class technology platforms are leveraged to the fullest to extend superlative banking solutions to all customers in record time across various channels like Internet, Mobile, ATM and Phone using the latest technology. Customers can also access information on your Bank's products and services through a well-structured website at www.yesbank.in

Industry Redefining Features Powering Customer Satisfaction

To provide a consistent banking experience, your Bank has created and implemented several industry redefining features which have revolutionised the traditional banking experience in India by bringing the fastest, most efficient and convenient services to our valuable customers, right on their fingertips. These include:

- Single PIN access across all channels, including Internet Banking, ATM and Debit Card
- "Two Factor Authentication" security process where customers need to include a second transaction password, which is sent as an instant SMS on their mobile phone to complete fund transfers
- Online Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT) services available to customers to transfer funds to third party accounts in over 54,000 branches nationally
- Stop payment instructions for cheques, using the SMS facility on mobile phones
- Access to over 35,000 ATMs affiliated to MasterCard, National Financial Switch and Cash Tree networks in India and over 1.25 mn ATMs associated with MasterCard globally
- YES BANK international Debit Card waivers on petrol surcharge, zero lost card liability, unlimited free ATM transactions across partner networks, higher daily withdrawal and purchase limits
- Online Mutual Funds platform - 'MFONLINE', which enables customers to purchase and sell mutual funds at the click of a mouse
- Periodic research, analysis and market updates, well documented in a report format are provided to customers on the managed products segment. These reports, like the "Daily Fund Watch", provide valuable information on market trends and investment opportunities for customers and fund managers to optimise their portfolio returns
- YES BANK launched the YES FIRST MASTERCARD WORLD Debit Card, the most premium card category issued by MasterCard in India. Apart from the regular offerings, the card also enables premium benefits like complimentary access to airport lounges and select Golf courses in India
- YES TOUCH - Phone Banking integrates Voice, E-mail, Chat and Video in partnership with CISCO, Scansoft for speech-recognition and Servion Global for system integration and implementation. This is the first and only implementation of a 24x7, speech enabled contact centre in the Banking, Financial Services & Insurance (BFSI) segment in Asia
- Centralised Customer Query Management System diligently tracks customer feedback and propels it towards a positive closure
- Wi-Fi and RFID-enabled 'Bank Branch of the Future' in New Delhi

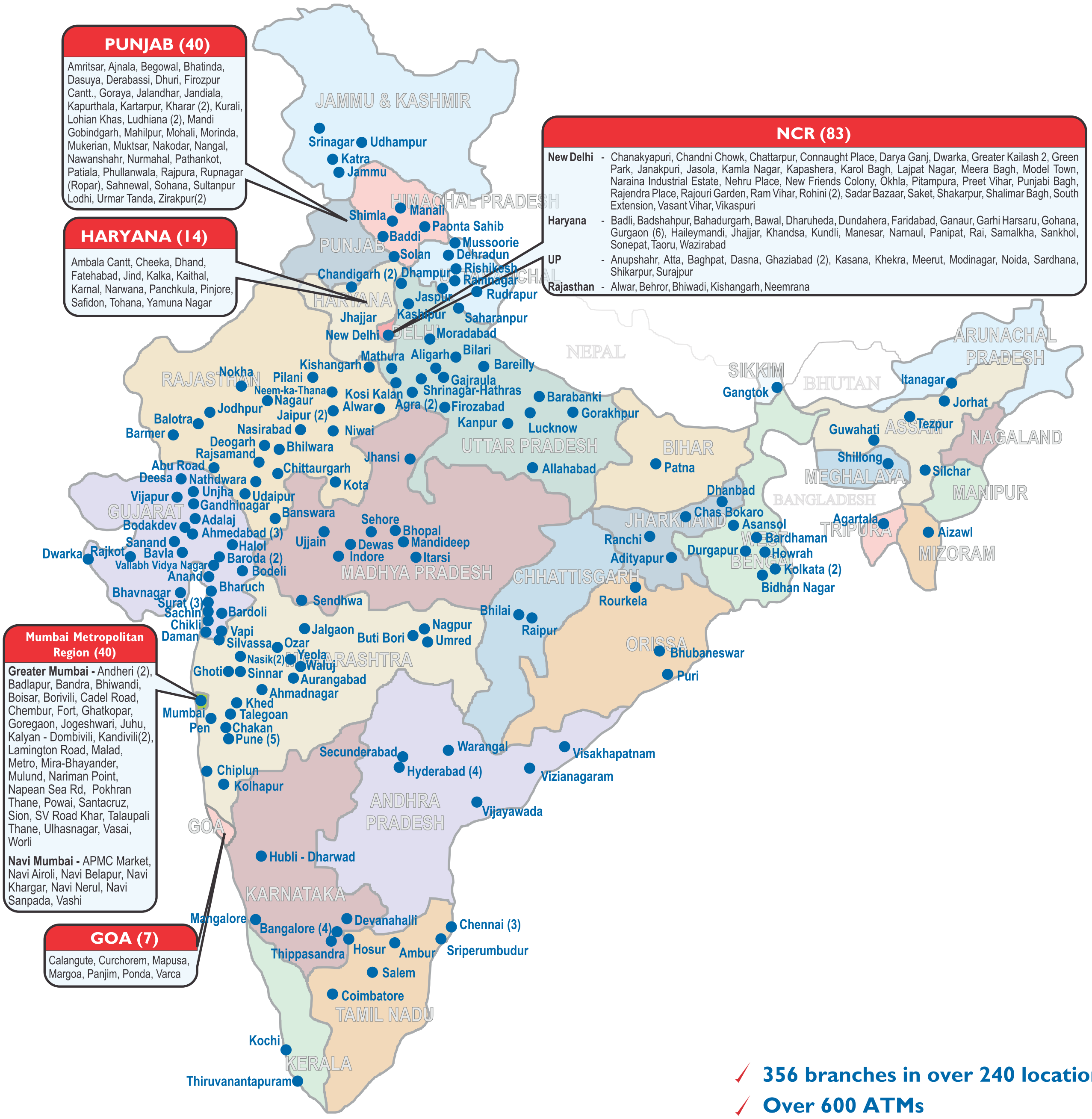
The Money Monitor - A personal finance aggregation tool on the Internet, launched in partnership with YODLEE, provides seamless information of the client's financial health by aggregating data from over 11,000 Financial and related sites across the world (including Accounts with other Banks, Credit Cards, Insurance policies, Reward & Mileage points, and Investments), thereby providing a single view across own and family accounts.

The wide range of transactions that can be conducted online include:

- Real-time payments using RTGS and NEFT payment systems
- Requests for demand drafts, cheque books, cheque status, stop payments, purchase fixed deposits and TDS enquiry on fixed deposits amongst others
- Utility bill payments across India including the facility to make charitable contributions to various religious and NGO institutions

- ✓ E-standing instructions towards bill payments
- ✓ Facility to view and download account statements
- ✓ Facility to view and initiate standing instructions
- ✓ E-mail alerts based on transaction thresholds and account activity
- ✓ Integrated view across Corporate and Cash Management services (payments and collections)
- ✓ Differential bulk transactions along with file-level encryption for corporate clients
- ✓ Air-ticket reservations and e-shopping funded by direct debits
- ✓ Real-time payments to various e-brokerage accounts
- ✓ Foreign exchange trading for corporate clients
- ✓ Facility to request and view real-time balances and transaction information

BRANCH LOCATIONS



PUNJAB (40)

Amritsar, Ajnala, Begowal, Bhatinda, Dasuya, Derabassi, Dhuri, Firozpur Cantt., Goraya, Jalandhar, Jandiala, Kapurthala, Kartarpur, Kharar (2), Kurali, Lohian Khas, Ludhiana (2), Mandi Gobindgarh, Mahilpur, Mohali, Morinda, Mukerian, Muktsar, Nakodar, Nangal, Nawanshahr, Nurmahal, Pathankot, Patiala, Phullanwala, Rajpura, Rupnagar (Ropar), Sahnewal, Sohana, Sultanpur Lodhi, Urmar Tanda, Zirakpur(2)

HARYANA (14)

Ambala Cantt, Cheeka, Dhand, Fatehabad, Jind, Kalka, Kaithal, Karnal, Narwana, Panchkula, Pinjore, Safidon, Tohana, Yamuna Nagar

NCR (83)

New Delhi - Chanakyapuri, Chandni Chowk, Chattarpur, Connaught Place, Darya Ganj, Dwarka, Greater Kailash 2, Green Park, Janakpuri, Jasola, Kamla Nagar, Kapashera, Karol Bagh, Lajpat Nagar, Meera Bagh, Model Town, Naraina Industrial Estate, Nehru Place, New Friends Colony, Okhla, Pitampura, Preet Vihar, Punjabi Bagh, Rajendra Place, Rajouri Garden, Ram Vihar, Rohini (2), Sadar Bazaar, Saket, Shakarpur, Shalimar Bagh, South Extension, Vasant Vihar, Vikaspuri

Haryana - Badli, Badshahpur, Bahadurgarh, Bawal, Dharuheda, Dundahera, Faridabad, Ganaur, Garhi Harsaru, Gohana, Gurgaon (6), Haileymandi, Jhajjar, Khandsa, Kundli, Manesar, Narnaul, Pataudi, Rai, Samalkha, Sankhol, Sonepat, Taoru, Wazirabad

UP - Anupshahr, Atta, Baghpat, Dasna, Ghaziabad (2), Kasana, Khekra, Meerut, Modinagar, Noida, Sardhana, Shikarpur, Surajpur

Rajasthan - Alwar, Behror, Bhiwadi, Kishangarh, Neemrana

Mumbai Metropolitan Region (40)

Greater Mumbai - Andheri (2), Badlapur, Bandra, Bhiwandi, Boisar, Borivili, Cadel Road, Chembur, Fort, Ghatkopar, Goregaon, Jogeshwari, Juhu, Kalyan - Dombivili, Kandivili(2), Lamington Road, Malad, Metro, Mira-Bhayander, Mulund, Nariman Point, Napean Sea Rd, Pokhran Thane, Powai, Santacruz, Sion, SV Road Khar, Talaupali Thane, Ulhasnagar, Vasai, Worli

Navi Mumbai - APMC Market, Navi Airoli, Navi Belapur, Navi Khargar, Navi Nerul, Navi Sanpada, Vashi

GOA (7)

Calangute, Curchorem, Mapusa, Margoa, Panjim, Ponda, Varca

356 branches in over 240 locations

Over 600 ATMs

Under the aegis of Branch Banking, a comprehensive suite of innovative liability, wealth and financial products are provided to your Bank's customers:

<table>
<tr><th></th><th>Branch Banking
Individual/Non-Individual</th><th>Business Banking</th><th>Retail Banking</th></tr>
<tr><td>CORE PRODUCTS</td><td>• Savings Accounts (with multiple variants)
• Current Accounts (with multiple variants)
• No-frills Accounts
• Non-Resident Accounts (with multiple variants)
• Fixed Deposits (for various tenors)
• Tax Efficient Fixed Deposits
• Smart Saver Accounts:
A unique proposition, which combines the high returns of a Fixed Deposit with complete liquidity of a Savings Account
• Smart Salary Accounts:
An innovative Corporate Salary Programme, backed by superior technology that enables convenience and direct access
• Capital Market Services
• Premium Banking & Wealth Management
• Structured Products & Wealth Advisory for Non-Resident Indians
• Social Deposit Account (SDA)
• Prepaid Cards/Gift Cards</td><td>• Term Loans
• Working Capital
  • Overdraft
  • Order Invoice/Financing
  • Supply Chain Finance
• Account Services
  • Operating Accounts
  • FCY Accounts
• Financial Markets
• Corporate Finance
• Transaction Banking
• Trade Finance</td><td>• Car Loans
• Commercial Vehicle Loans
• Inventory Finance
• Home Loans
• Education Loans
• Personal Loans
• Salary Overdraft
• Loan Against Property (LAP)
• Loan Against Shares (LAS)</td></tr>
<tr><td>CROSS SELL PRODUCTS</td><td>• Transaction Banking Services
  • Cash Management Services
  • Trade Services
  • Trade Finance
  • Direct Banking
• Wealth Management Services
  • Life and General Insurance
  • Mutual Funds/ Portfolio Management Services
  • Demat Accounts</td><td></td><td>YES SWARN
• Investment in Gold through bars in sizes of 10g, 20g and 50g
• Provides an International Certification of 99.99% purity (24K)</td></tr>
</table>

Business Banking

Your Bank supports Small and Emerging businesses which are the growth drivers of our growing economy through its dedicated Business Banking unit. Driven by Knowledge Banking and backed by a team of professionals, your Bank delivers a customised suite of products, services and resources to meet varied business requirements.

The Business Banking unit caters to the unique banking requirements of Small & Medium Businesses in identified sectors generally with a turnover upto ₹100 crores. The Business Banking unit provides a complete suite of banking and advisory services to these small and emerging businesses, who are the driving force behind innovation, sustainable development and the economic growth. To actualize this strategy and improve the flow of credit to Micro & Small Enterprises, your Bank has also institutionalized a separate business sub vertical i.e. Small Business Banking, which focuses on entities with an annual turnover of up to ₹10 crores. Your Bank caters to all the financial and service requirements of these SMEs across various product segments like Fund-based lending (Working Capital and Term financing), Cash Management (Collection Services and Payment Solutions) Direct Banking, Trade and Treasury services and Advisory through a strong branch network of 100 branches across significant SME clusters.

Your Bank aims at fostering growth, competitiveness and employment creation that are key to achieving sustainable economic growth. At the same time, greater focus on lending on MSME and Agri-linked businesses has also contributed towards fulfilling the Priority Sector Lending requirements of your Bank. Your Bank attracts SME customers by:

- ✓ Offering a customised service proposition, tailor-made for high transactional volumes in the key businesses of Infrastructure/ Infrastructure Services, Food & AgriBusiness, Life sciences, Logistics, Education, Traders, Auto Ancillary, Electrical & Electronic Goods Manufacturers and other Engineering Products
- ✓ Your Bank has housed the Supply Chain Business, Agri, MSME and other priority businesses within Business Banking and developed specialized credit underwriting expertise, including strong understanding of market practices (appraisal mechanism/ collateral cover/TATs etc.) to facilitate business development/ risk management within these segments
- ✓ Offering holistic banking solutions to customers through services of Business Banking Relationship Managers and Service Managers for all their banking needs (including business, wealth management and advisory) at the branch level
- ✓ Offering liability products like Cash Management Services (CMS), Payment Solutions, Net Banking, Phone Banking and Trade Services

Retail Banking

In line with the Version 2.0 key objective of Quality, Granularity and Profitability in Loans portfolio, eight Retail Asset Products were

launched in FY 2011-12 viz Car Loans, Commercial Vehicle Loans, Inventory Finance, LAP, Personal Loans, LAS, Education Loans and Home Loans. We would be making sustained efforts for business acquisition, improved productivity / efficiency and scalability, to ensure that our committed objectives are fully achieved.

Your Bank will be focusing to leverage its existing retail / corporate relationships, to provide a comprehensive range of financial services to our customers, and maximizing the customer profitability for your Bank.

The key differentiators for retail customers are:

- ✓ Comprehensive banking solutions under one roof catering to all financial needs of retail customers
- ✓ Need-based banking solutions made possible through a customized Relationship Management approach at the branch level
- ✓ Consistent and superior service delivery through operational experience and product innovation
- ✓ Proactive approach towards the financial requirement of retail customers
- ✓ Cutting edge technology platform driving best-in-class customer service

Focus on the Retail asset segment would continue in FY2012-2013, and we would be launching more products to cater to the wider market segment. These products would include, Construction Equipment Loan, Tractor Finance, Hospitality, Education and Healthcare Equipment Finance, Two-wheeler Loans and Loan Against Gold.

Indian Financial Institutions Relationship Management

Indian Financial Institutions (IFI) group is your Bank's face to the key domestic financial institutions across the nation. The team is primarily engaged in offering banking solutions to Banks, Non-Banking Finance Companies, Housing Finance Companies, Insurance Companies, Mutual Funds, Financial Institutions, Co-operative and Regional Rural Banks (RRBs); and capital market participants including Stock Exchanges, Stock Brokers, Commodity Brokers, Private Equity Funds, Provident Funds, Primary Dealers and Depositories.

IFI, as a team, has been engaged in product suites including Lending, Trade Finance, Treasury Services, Working Capital Finance, Cash Management & Transactional Services, Liquidity Management Solutions and other Corporate Finance Solutions. However, in line with the banks focus on increasing granularity in the Liability book, the team has been actively engaging with its clientele for effecting the CA-led-SA strategy.

Apart from establishing counterparty limits for trade and treasury functions, the relationship with other Banks and Financial Institutions is also leveraged for syndication of loans for Wholesale and Commercial Banking customers, and to raise resources through refinancing existing loan portfolios. The team also initiates tie-ups with leading brokerage houses and NBFCs to offer various banking products to their end-customers. The IFI team has also been actively partnering with the Agricultural and Rural Banking (ARB) team to meet the Bank's priority sector targets.

IFI also plays a key role in raising debt capital for your Bank in the form of Tier II Subordinated Bonds and Tier I Perpetual Bonds. During FY 2011-12, IFI successfully raised ₹150 crore of Perpetual Bonds and ₹ 864 crore of Lower Tier II Capital.

The IFI team has now grown into a pan India group comprising of over 40 professionals spread over 15 key centers across the country. With its increased presence, this year witnessed significant expansion of IFI relationships across Insurance companies, mutual funds and the co-operative banks segment resulting in a significant increase in liability generation. This successful penetration of the co-operative banking segment was achieved due to the introduction of various new products for co-operative banks which in turn enabled them to offer the best products to their customers using your Bank's pioneering technological platforms.

In line with the Bank's CA-led-SA strategy, the team also leveraged its relationships with its broking clientele by entering into country-wide tie-ups to offer banking services to the retail clientele of leading brokerage houses.

In its constant endeavour to provide customized solutions catering to the dynamic needs of its customers, IFI has introduced several breakthrough products across its client segment. Key products include an electronic collections model for co-operative bank clients, integrated ATM solutions for co-operative banks and also a product suite for Qualified Foreign Investor domain for investments in Indian capital markets.

International Banking

Your Bank was conceived with the dream of building the 'Best Quality Bank of the World in India' - a high- quality, knowledge driven institution with the highest levels of professional ethics, integrity and competencies. Keeping up with the tradition, your Bank has taken yet another leap by achieving institutional excellence in International Banking. With its roots firmly grounded in professional entrepreneurship, your Bank has created a far reaching network with almost 750 international banks, financial institutions and official bodies across the globe (part of the Bankers' Top 1000 world banks).

YES-International Banking offers a complete suite of products including Debt, Trade Finance, Treasury Services, Investment Banking Solutions, Financial Advisory and Global Indian Banking to international customers of your Bank. These products are offered through partnerships and tie-ups with International Banks and Institutions in target geographies. Apart from active tie-ups with exchange houses in GCC countries, the International Banking team has also made inroads in the ASEAN belt for such tie-ups.

These tie-ups have already resulted in a strong income stream in terms of FOREX / foreign exchange flows and improvement in CASA profile.

International Banking continues to raise large-ticket offshore borrowings for your Bank and negotiated overseas trade transactions for the Bank's eclectic clientele. The efforts put in by International Banking in its philosophy to become the most preferred host country banker to its counterparts around the world has started yielding results. Your Bank is ranked 557 in the Bankers' Top 1000 World Banks list, from the ranking of 890 last year, the second highest improvement of ranking for any bank.

Your Bank hosted the first International Banking conference, in association with The Financial Times, with resounding success. With over 1000 registered participants, this was a first event of its kind inviting banking/ finance professionals across the globe. This has immensely helped your Bank in improving the Brand Value and adding to its Relationship Capital.

Your Bank continued working with the Multilateral Agencies, some of which have expressed their commitment to the Bank by way of direct fund-based limits and customer transactions vis-à-vis External Commercial Borrowings. The International Banking team helped raise USD 75 million of Upper Tier-II debt from IFC, Washington DC. Overall the International Banking team strives to evolve best-in-class solutions for both, your Bank's customers who conduct business overseas, as well as the Bank's global customers such as:

- ✓ Foreign Banks with or without any presence in India
- ✓ Multilateral/Development Agencies and Institutions
- ✓ Private Equity Fund Houses with a focus on India
- ✓ Investment/Merchant Banking Boutiques
- ✓ NBFCs registered in India and backed by Foreign banks

Product Capital

Your Bank has created a range of products to professionally service customers across differentiated market segments. The 'One-Bank-Model' approach built on a 3-Dimensional organisational structure of Relationship, Product and Knowledge enables greater cross-sell and up-sell of these products to customers. This approach enables your Bank to further augment its existing relationships by providing multiple engagement opportunities, and introducing customized products across the customer's growth lifecycle.

Financial Markets

Backed by experienced professionals, the Financial Markets Group at YES BANK offers a competitive and comprehensive line-up of financial market products and services to its clients.

Your Bank's Financial Markets (FM) business model provides effective Risk Management solutions relating to foreign currency and interest rate exposures of its corporate clients. FM proactively assists clients in creating a thorough awareness about the risks they face with respect to Capital Raising, Investments, Exports, Imports and any other market risks. The Financial Markets group offers a structure comprising of different business units to seamlessly cater to the specific client requirements.

Your Bank provides customised solutions to clients to hedge foreign currency and interest rate exposures through products such as Foreign Exchange Forwards, Options and Swaps. The client offerings are duly guided and supported by professionals comprising Economists and Research Analysts who provide the latest analysis for generating quality Risk Management ideas and solutions.

Your Bank has created a buoyant Debt Capital Markets (DCM) franchise with a deep rooted knowledge of the underlying market dynamics, coupled with strong distribution and structuring capabilities. Since inception, the DCM group has originated and efficiently executed over 300 transactions, across the product suite, for clients including Corporates, PSUs, Central and State Government entities and many NBFCs. Your Bank was ranked No. 1 by Prime Database in the 'Private Issuers Category' of the Arrangers tables and ranked No. 8 in the all issuers category for FY 2012. Further, your Bank was ranked No. 7 by Bloomberg in the India Domestic Bonds underwriting league tables for FY 2012.

Financial Markets also conduct proprietary trading to maximize earnings by optimal risk taking across key fixed income, equities and global foreign exchange markets. Additionally, the business unit is responsible for Balance Sheet Management, Liquidity Monitoring, Maintenance of Cash and Statutory Reserve requirements and day-to-day Fund Management of the Bank. Subordinated and hybrid debt capital for your Bank is also raised by the Financial Markets Group. Your Bank continues to excel as reflected hereunder:

- ✓ ICRA (Moody's affiliate in India) has reaffirmed your Bank's A1+ rating for its ₹ 7,500 crore Certificate of Deposit programme. A1+ rating indicates the highest level of safety in the short-term.

- ✓ The Loan Syndications (LS) group provides comprehensive syndication and sell-down services to the valuable clients of your Bank. With its proven domestic and international credentials over the last 7 years, the group has successfully catered to clients' expectations, facilitated the Bank's portfolio churn and increased the non-interest income of your Bank.
- ✓ The group's appraisal skills and sales capabilities are evident from the fact that it has successfully placed over ₹ 5,000 crore (~$1 billion) with over 20 banks and financial institutions, both domestic and international in the last calendar year. This has enabled your Bank to consistently maintain the 7th rank in the India Loans Mandated Arranger by Bloomberg and the 7th rank in the India ₹ denominated Bookrunner by Dealogic (a reputed international organization).
- ✓ The clientele involved pedigree players across the infrastructure, manufacturing and hospitality segments.

Investment Banking

Your Bank continued its efforts in building and enhancing its franchise as the partner of choice to its large and mid-market corporate as well as financial sponsor clients in their M&A and capital raising initiatives.

Overall, the year had more than its fair share of challenges such as the EU sovereign debt crisis, sluggish recovery in US, natural disaster in Japan as well as domestic headwinds like high inflation, limited availability of liquidity and policy inaction leading in significant reduction in business confidence and growth. This resulted in Indian corporates holding back their capital raising and acquisition plans for most part of

this year. The equity and convertible paper markets have also been sluggish with limited capital issuance.

Despite the challenging macro environment, the Investment Banking team successfully completed several significant transactions across a variety of products and added new clients, taking the tally of total completed transactions to over 115, since inception. The main highlight of the Investment Banking team's performance in FY12 continues to be the diversity in the nature of assignments completed which include M&A (sell-side and buy-side; domestic and cross-border, in-bound and out-bound), successful retail bond issuances, private equity fund raising and market placements. These transactions span across growth sectors of the Indian economy, and also sectors like Real Estate which have been out of favour with banks and the investor community lately, demonstrating the exceptional deal making skills in your Bank's advisory practice. The performance of the team is reflected in the consistent ranking received by your Bank amongst the top deal makers across prestigious league tables every year. As a testimony to your Bank's strong cross border M&A expertise, YES BANK has secured the 1st position at the Global M&A Advisor Awards held in New York on Oct 11, 2011 for the "Industrial Manufacturing / Distribution" Deal of the Year. This is the 3rd consecutive year when your Bank has won the 1st position at the prestigious Global M&A Advisors forum.

Some of the noteworthy transactions consummated during this fiscal year include:

- ✓ Exclusive Advisor to Hikma Pharmaceuticals Plc, a Jordan based LSE listed pharmaceutical company, for acquisition of a significant minority stake in Unimark Remedies Ltd., a leading Indian API manufacturer
- ✓ Exclusive Advisor to Indofil Industries Ltd., a leading Indian agri-chem company, for acquisition of Dow AgroSciences LLC's Mancozeb (fungicide) business in Europe
- ✓ Exclusive Advisors to Interlabels Industries Pvt. Ltd. and its promoters on divestment of their stake to Skanem, AS, a leading European labeling solutions provider
- ✓ Exclusive Advisor to DBM Geotechnics and Constructions Pvt. Ltd., a leading marine construction services company, for raising growth capital from funds managed by Jacob Ballas
- ✓ Exclusive Advisor to City Corporation Ltd for raising funds for development of a premium residential project in 'Amanora Park Town', Pune from IL&FS India Realty Fund II
- ✓ Exclusive Advisor to Ajmera Group for raising funds for development of 'Project Times Square', an A-grade commercial building in Mumbai, from Xander Finance
- ✓ Exclusive Advisor to DEG, development finance institution of the Federal Republic of Germany, on divestment of their holding in Jindal Poly Films Ltd.
- ✓ Exclusive Advisor to Finnfund, development finance institution of the government of Finland, on divestment of their holding in Andhra Pradesh Paper Mills Ltd.
- ✓ Sole India Advisor to Indian Energy Ltd. for sale of controlling stake
- ✓ Advisor to ING Group for investment by an HNI Group in ING's Life Insurance business in India
- ✓ Manager to the Open Offer of Nirupam Energy Projects Pvt. Ltd. and Bharati Shipyard Ltd. to the shareholders of Tebma Shipyards Ltd.
- ✓ Manager to the Open Offer of Mahindra & Mahindra Ltd. to the shareholders of EPC Industries Ltd.
- ✓ Lead Manager to the Rights Issue of Arrow Textiles Ltd.
- ✓ Manager to the Buyback offer of ABG Infralogistics Ltd
- ✓ Lead Manager to the Public Issue of Secured Redeemable Non Convertible Debentures by Religare Finvest Ltd., where the total amount mobilized was ₹7,540 million
- ✓ Lead Manager to the Public Issue of Secured Non Convertible Debentures by Muthoot Finance Ltd., where the total amount mobilized was ₹6,930 million

Corporate Finance

Your Bank continues to be a leader in the country's economic growth by leveraging its in-depth knowledge of the emerging and core sectors with solutions that create long term value in the Corporate Finance domain.

The Corporate Finance practice offers clients a combination of professional advisory and lending services along with customized structured financial products to meet the varied requirements in diverse sectors across infrastructure, education, health, hospitality and real estate. The team provides an "out of the box" solution driven approach to create win-win solutions for all stakeholders and helps clients obtain superior financial returns in a risk-mitigated manner due to substantial "Knowledge Arbitrage" over the market.

Infrastructure Banking Group (IBG)

For infrastructure lending, your Bank has a specialized Infrastructure Banking Group (IBG) with specialists for sectors like Power & Renewable Energy, Oil & Gas, Telecom, EPC, Transportation, Logistics, Urban Infrastructure, Natural Resources and Manufacturing. Since inception, IBG has been a key pillar in the Corporate Finance practice. IBG offers client services spanning the entire spectrum from advisory to financial closure with a complete range of customized financial products throughout the entire project lifecycle. Our complete Liabilities product suite delivered via robust technology platforms helps streamline client operations and serves to provide an edge to customers in these highly competitive sectors. Dedicated Relationship Teams aligned to the Infrastructure sector further strengthen our "Knowledge Banking" approach. This team comprises of relationship champions with significant domain experience, thereby making it easier to cater to the unique needs of the Infrastructure sector clients of your Bank.

Within a short span of time, IBG has managed to forge formidable relationships with leading Infrastructure companies, along with the successful closure of many marquee tombstone deals in the roads, ports, power and urban infrastructure space. Your Bank firmly believes that besides funding, the infrastructure sector also needs an enabling environment to facilitate the development and implementation of projects. The knowledge-driven approach in concurrence with renowned institutional tie-ups has led to a fusion of industry best practices providing vision to the sector. Your Bank thus also works closely with private and government agencies on policy formation.

Structured Finance Group

Your Bank has a dedicated Structured Finance Group that is qualified and experienced in providing financial structured products that are of commercial and strategic importance to the client. The group caters to the financing needs of clients not served by traditional banking products. This group leverages their strong regulatory, compliance and legal understanding to structure complex transactions both in domestic and foreign currency, thereby providing solutions to clients that help them achieve higher risk weighted returns. The team also provides structured solutions and funding to the emerging sectors namely sports, media and entertainment, thus setting a unique precedent in the Banking industry.

The group provides end-to-end solutions by liasioning with the external/internal counsels, rating agencies and other stakeholders. The product specialization offered includes asset securitization, structured debt, mezzanine funding, overseas acquisition financing, equity/quasi equity products, lease rental discounting, pool buy-outs (both agriculture and non agriculture), microfinance/gold loan pool buy-outs and financing of receivables.

Healthcare, Hospitality, Education And Urban Realty Group

Your Bank also houses a dedicated financing group for Urban Amenities, Commercial & Residential Realty, Healthcare, Hospitality and Education comprising of specialists with extensive prior experience in these sunrise sectors which are positioned to be key growth drivers for the Indian economy. The Realty Banking Group is an important component of the Corporate Finance team, and offers the entire suite of services including project conceptualization, advisory, structuring, JV partner identification, and raising / arranging financing across diverse geographies. Your Bank has identified Education as a key growth sector and has significant relationships with leading universities and institutions along with a unique customized solution offering to leverage opportunities in this segment. The group also offers a range of debt-linked products including construction finance, lease rental discounting and corporate debt along with the complete range of Liabilities products encompassing cash management, collections, payments, trade services and working capital offerings by leveraging our best-in-class technology to maximize operational efficiencies of the client.

The Realty Banking practice also has a dedicated relationship team to focus on the overall banking requirements of its clients. This team comprises relationship experts with experience in these specialised focus sectors to provide exceptional services and solutions which cater to diverse requirements covering end-to-end financial solutions for your Bank's clients. In the short period of time, since its inception, the group has managed to build a considerable portfolio by closing several significant transactions year after year.

The practice has positioned your Bank as one of the select few financial institutions in the country with a track record of extensive credentials in these allied sectors; as an advisor, lender, arranger, project financer and equity placement advisor with transactions consummated across the value chain.

Transaction Banking & Liability Management

The Transaction Banking and Liability Management Group at your Bank is a core Product Group catering to clientele across all business segments viz. Wholesale, Commercial and Retail. The specialized product domains under this group include Savings Accounts, Current Accounts, Cash Management Services, Trade Finance & Services and Capital Markets & Escrow Services. With sustained liability generation being the core focus of the Bank, the above mentioned product domains are the prime building blocks for client acquisition/ retention, and have resulted in substantial growth in the liability acquisition. The group has focused on integrating the financial supply chain of the corporate by addition of the value chain partners to the bank ecosystem and offering structured solutions with liability maximization as the core thought.

YES BANK was the first Bank to leverage the Savings Rate de-regulation announced by the Reserve Bank of India vide its monetary policy statement dated October 25, 2011 with a best-in-class Savings interest rate of 7% p.a. (above ₹100,000) for Resident and Non-Resident Indians with an above-the-line marketing support through print and television media. YES-Vijay, a customized salary proposition for Indian Armed Forces was also designed and MoUs signed for opening of Salary Accounts with

Indian Army in September 2011 and Indian Navy in January 2012. These initiatives have been further supported by a concerted effort across the Bank to leverage our Wholesale Banking strength towards generating Retail Liabilities viz., Salary accounts.

Current Account of the Liability Product Group addresses business requirements of Retail as well as Corporate customers. Retail customers are offered a bouquet of products and services with a capability to customize features to suit their business needs. 'Anywhere Banking' is offered at any YES BANK location at no additional cost to serve customers better. Cutting edge knowledge-based financial solutions through our identified 12 focused segments, cater to the specific financial needs of businesses. A strong internal & external linkage has been institutionalized to mobilize granular deposits of branch offices/ plants/factories through our growing Branch network.

Cash Management Services under the Transaction Banking Group offer value-added solutions for Working Capital Management of the corporate customer aimed at streamlining the domestic supply chain business flows by optimizing the payables and receivables cycles and providing superior liquidity management options. This domain provides structured Receivables and Payables Management solutions for managing the electronic inter-bank and intra-bank collections, physical collections of cash and cheques and recurring collections of post dated cheques and ECS debit mandates. The solutions are offered under a highly secure and robust Corporate Net Banking platform that caters to the corporate requirements of physical payments, bulk payments, electronic payments and ERP integration. Your Bank has always been one of the pioneers in leveraging latest technology to deliver banking products and services addressing the diverse requirements of the corporate. Your Bank has been recognized in the industry for being the forerunner in its participation in industry defining initiatives.

The trade related requirement of the corporate customer is addressed by Trade Finance & Services, both on the domestic and international front, covering Import and Export services and the underlying financing structures like Letter of Credit, Bank Guarantees, Buyers Credit, Packing Credit, Export LC confirmation, Pre-shipment Credit, Post-shipment Credit and Open Account Remittances. Trade Finance also covers Channel Financing and Bill Discounting facilities for domestic corporate customers. Our services include regulatory advisory on various transactions which attract FEMA, whether it's a Foreign Direct Investment in India, Investment outside India, import & export of goods or services and capital account or current account transactions. Your Bank has been instrumental in providing credit facilities to corporate customers, with a key focus on those in environment friendly businesses. Overseas correspondents banking accounts like Vostro accounts, Asian Clearing Union (ACU) accounts are also managed by Trade Finance and Services.

The Capital Markets & Escrow Services domain caters to a range of corporate customers' requirements of Bankers to Issue services for Initial Public Offers, Rights Issues and Qualified Institutional Placements. Additionally the domain offers Dividend/Interest Payout Services and Escrow Account Services for transactions including Open Offers, Sale Shares and Purchase, Lease Rental Discounting, Business Transfer Arrangements and Trust & Retention Account Arrangements.

Your Bank's ATM count has increased from 242 as on April 1, 2011 to 606 as on March 31, 2012, on account of strategic deployment to create Brand awareness and help your Bank in acquisition of Current Accounts and Savings Accounts. Your Bank also has a strong Merchant Acquisition business focusing on key knowledge verticals in line with the Knowledge Banking strategy. Your Bank has also been granted approval for handling government business by RBI and your Bank is in the process of seeking requisite approvals from the concerned Ministries/ State Governments for empanelment for handling their transaction business.

Your Bank has been awarded the prestigious Financial Insights Innovation Award (FIIA), 2012 for "Financial Supply Chain Integration" thereby strengthening the case for a technology savvy Bank. Your Bank is also the recipient of "The Asian Banker Technology Implementation Awards" for 'Best Financial Supply Chain project' and 'Best Multi-channel Capability (Mobile Money Services)' in 2011 and "The Banker – Innovation in Banking Technology Awards 2011" for "Innovation in Cash and Treasury Technology" and "Innovative Commercial Project of the Year".

Knowledge Capital

Your Bank has established key knowledge verticals across sunrise sectors of the Indian economy and leverages Knowledge Capital as one of the key differentiators to develop innovative solutions to reinforce long-term and sustainable partnerships with its stakeholders.

Knowledge has been institutionalised as a key ingredient in all internal and external processes of your Bank. It helps to facilitate structuring of innovative, superior and sustainable financial solutions, based on efficient product delivery, industry benchmarked service levels and strong client orientation.

Knowledge Banking

Your Bank focuses on developing in-depth knowledge of the future businesses of India such as Food and Agribusiness, Healthcare, Life Sciences, Media and Entertainment, Light Engineering, Telecommunications, Information Technology, Infrastructure and Retail amongst others. Your Bank's in-depth knowledge of emerging sectors has enabled it to deliver efficient and customised banking solutions to these sunrise sectors thereby playing a significant part in driving the economic growth of the country.

Food & Agribusiness Strategic Advisory and Research (FASAR)

Your Bank has established a Food & Agribusiness Strategic Advisory and Research (FASAR) division to provide professional, end-to-end advisory and financial solutions for stakeholders across the entire agricultural value chain. The FASAR team is driven by sector experts with relevant educational background and professional industry expertise. They provide sectoral knowledge on industry trends and enhance growth prospects in the Agribusiness sector. In the recent years, FASAR has been working with our private sector clients on some path breaking projects like developing Mega Food Parks, Modern Terminal Markets, Integrated Dairy Farms, Large Scale Farming Initiatives in Africa, Facilitation in establishing Food Processing Businesses, Development of Integrated Cold Chains, Supply Chain Management Initiatives, Evaluation of Overseas Plantations, Market Assessment

Studies and entry strategies, Studies on Agri Value Chain etc. apart from providing policy advisory to various Union and State Government entities. These initiatives have made your Bank a much sought after advisory and research unit in the food and agribusiness sector. Through these efforts your Bank has achieved a key knowledge and thought leadership position amongst the stakeholders in this highly important sector of the Indian economy.

Strategic Initiatives, Government & Advisory (SIGA)

Strategic Initiatives, Government & Advisory (SIGA) is a specialised division that manages the Bank's engagement with the Government and other key stakeholders in its efforts to support development and economic growth in India. The division offers strategic advisory services to achieve this objective drawing on expertise in key sunrise sectors such as Infrastructure (including Social Infrastructure), Agriculture, Tourism & Hospitality and e-Governance both within the team and across the Bank. The division has worked with the Government through policy advocacy, project advisory and development support particularly in attracting private sector investments for development through Public-Private Partnerships (PPP) in addition to enhancing Industry University relations, creation of Knowledge publications and addressing stakeholders at industry led events.

SIGA has been successful in cementing your Bank's relationships with apex stakeholders, with a special emphasis on Central and State Governments and communicating your Bank's strategy and achievements to them. SIGA has achieved noteworthy success in getting your Bank empanelled with several Union & State Governments, agencies and Public Sector Enterprises as also the armed forces, to undertake banking business under their purview. In addition, the division has brought in some very successful international affiliations for your Bank and created strategic business opportunities as spin-offs. Notably, the SIGA division of your Bank has been appointed as 'Country Manager' for a 'first-of-its-kind' Sustainable Rural Development initiative. This project funded by the Scottish Government's International Development Fund is seeking to demonstrate on a pilot basis a scalable, replicable model of cooperative tourism that involves significant focus on organizing rural communities and capacity building.

Through these efforts, your Bank has been able to contribute to the development of key sectors and also position its knowledge capabilities, sectoral expertise and capture the mindshare of niche stakeholders and thought-leaders, thus creating opportunities for other business groups. In addition, SIGA is working towards creating strategic opportunities for enhancement of business for the Branch Banking division of your Bank particularly to build the liabilities and CASA business through these efforts. SIGA has also successfully cemented strategic relationships with Industry Associations and Chambers through these knowledge driven efforts that has been a facilitator of the Bank's business. Further, the division has led the Bank's foray in working with the government on pilot initiatives to develop cashless payment ecosystems in partnership with the government by leveraging capabilities of technology, including mobile and card-based payments solutions.

Responsible Banking

Your Bank aims to build the 'Best Quality Bank of the World in India' by adopting the triple bottom-line ethos – 'People, Planet and Profit' – thereby creating enduring value, competitive advantage and sustainability leadership. Through various innovative initiatives, your Bank reaches out to sunrise sectors, untapped markets and underserved sections of the society, engendering an inclusive and sustainable development.

Responsible Banking at Your Bank is divided into 2 broad categories:

1. Responsible Banking – in thought
2. Responsible Banking – in action

The Responsible Banking in thought team is a strategic unit that undertakes sustainability research and development activities in order weave sustainability principles into the Bank's long term business strategy and ensure triple bottom line accountability.

The Responsible Banking in action division comprises strategic business units entrusted to address pertinent social and environmental development issues with financial solutions. These units include:

a) Microfinance Institutions Group
b) Inclusive & Social Banking
c) Agribusiness & Rural Banking
d) Sustainable Investment Banking
e) Socially Responsible Investing

Sustainability Disclosures

In line with the 'Green Initiative in Corporate Governance', instituted by the Ministry of Corporate Affairs ("MCA'), your Bank will continue to make an electronic copy of the Annual Report available through email, This initiative has already led to a significant decrease in the amount of paper being used by your Bank to communicate its success to you.

In line with its vision to embrace the triple bottom-line approach, beginning from FY12, your Bank has taken a strategic decision to publicly disclose its social and environmental performance in addition to its finance performance in the form of a Sustainability Report, developed in accordance to the Global Reporting Initiative standards. The FY12 Sustainability

Report is accordingly part of this Annual Report where you can access the progress of your Bank's Responsible Banking strategy.

Microfinance and Affordable Housing Group

Your Bank is committed to Creating Equal Financial Opportunities, and Enabling Financial Inclusion. Your Bank approaches microfinance by instituting specific transactions to position it as a new asset class, appealing to a broad range of investors and lenders, and expanding access to capital by bringing in the power of capital markets. Your Bank achieves this primarily through a two-pronged strategy with intervention from the Microfinance and Affordable Housing Group (MIAG), and by providing the last mile connect by mainstreaming micro clients at the bottom-of-the-pyramid through the Inclusive and Social Banking team.

Wholesale Micro Lending

Through MIAG's product suite including term loans, loan syndications and rated capital market loan products (pool securitisation, bonds, commercial paper and loan assignments), your Bank aims to catalyse the growth of the Indian microfinance industry by increasing its access to a wider pool of investors and reducing costs of funds through a mix of lower cost of funds and transaction costs to enable scale up, thus ensuring provision of affordable, fairly priced and customised financial solutions to the bottom-of-the-pyramid. MIAG has done advocacy at various levels to support MFIs in the current stressful scenario. MIAG thus is the primary channel to create an enabling macro environment through engagements with stakeholders including MFIs, investors, rating agencies, policymakers, government agencies and the regulator where the group's activities indirectly affects the lives of 750,000 people.

Housing is one of the key drivers that determine the quality of life of a household. Hence, access to affordable housing is critical in improving the lives of families. 'Affordable housing' or 'Micro-housing' as a concept has developed in the last few years and several projects have been launched targeted at low-income group households. However, the most critical missing link is affordable mortgage for the low-income households. MIG will jointly work with the 'Inclusive and Social Banking' team of your Bank to roll out 'Micro-housing' as a new product and envisages supporting both the demand and supply side of the micro-housing market.

Inclusive & Social Banking

In line with its Responsible Banking vision of mainstreaming sustainability within its core business operations and cognizant of the needs of 'The Next Billion' customers, YES BANK has launched a special division, Inclusive & Social Banking (ISB). The genesis of ISB dates back to December 2006 when your Bank launched YES SAMPANN, the first-of-its-kind direct micro-finance initiative in technical collaboration with ACCION International. The mandate of ISB is to reach out to the un-banked and under-banked population (in urban and rural areas) by leveraging our branch network, technology edge and relationship capital in the Public, Private and Social sectors. Working with the guiding principle of Frugal Innovations for Financial Inclusion (FI4FI), ISB is continuously developing innovative business models and forging partnerships for seamless implementation of the same. ISB aims to create viable business models for providing comprehensive financial services to'The Next Billion' customers in a commercially viable and sustainable manner.

ISB is currently offering various financial services such as direct micro-credit, micro saving and micro insurance and remittance services across various geographical and socio-economic contexts and through a variety of partners. In rural areas, through the YES Livelihood Enhancement Action Program (YES LEAP), the bank is providing credit and saving facility to Self Help Group (SHG) through partner NGOs acting as Business Correspondents. In urban areas the focus is more on offering non-credit products through programs like YES MONEY - A Multichannel Domestic Remittance Service. Technology is leveraged to the maximum extent possible to reduce costs and operational risks. ISB is also mandated with implementation of your Bank's Financial Inclusion Plan (FIP) as approved by the Board and RBI.

Your Bank's radical approach of FI4FI received several national level accolades like

- ✓ NASSCOM Social Innovation Honors 2012: Certificate of Appreciation
- ✓ SKOCH Financial Inclusion Awards 2012: Two projects were shortlisted in top 50 Financial Inclusion Projects of India
- ✓ IAMAI India Digital Awards 2012: YES Money project in partnership with Suvidhaa Infoserve was shortlisted for the final round

The FI4FI approach was also discussed and appreciated on various forums, the important ones include

- ✓ FT–YES BANK International Banking Summit, jointly organized by your Bank in partnership with Financial Times in Mumbai in November 2011
- ✓ International Conference on Challenges of Rural Marketing in 21st Century organized by IFEEL in Lonavala in November 2011
- ✓ IBEX India 2011: International Trade Fair & Seminar on Banking Technologies, Equipment & Services Organized by PDA at World Trade Centre, Mumbai in December 2011
- ✓ International Conference on Creativity & Innovations: Breaking the Barriers to Reach the Bottom-of-Pyramid organized by JK Business School in New Delhi in February 2012
- ✓ Featured in a book entitled “Jugaad Innovation: Think Frugal, Be Flexible, Generate Breakthrough Growth” by Navi Radjou, Jaideep Prabhu, Simone Ahuja of Cambridge Jude Business School

Agribusiness & Rural Banking (ARB)

In its endeavour to provide end-to-end financial solutions to stakeholders across the entire agricultural value chain, your Bank has domiciled a specialized group viz., “Agribusiness and Rural Banking” within its Development and Sustainable Banking division. It houses a 35-member strong team with backgrounds across different sectors in the Food & Agribusiness (F&A) domain in addition to having a rich banking experience. This

dual expertise gives them the advantage of understanding the client's business in greater depth and offering tailor-made solutions. This has resulted in putting the Bank in good stead in the F&A domain over the years. Despite its limited reach in terms of branch network in rural areas, your Bank has been able to consistently achieve its Priority Sector Lending (PSL) targets through certain innovative financial models. Several structured products such as structured farmer financing, vendor financing, dealer/ distributor financing, etc., have been evolved by the group in the past few years, which have not only contributed to the achievement of the Bank's PSL targets while minimizing delinquencies, but also won national and international recognition at various forums. In FY 11, your Bank had launched the Commodity Financing program wherein finance is extended against the agricultural produce stored by farmers etc., in accredited warehouses. Your Bank has entered into strategic partnerships with National Collateral Management Services Limited (NCMSL), National Bulk Handling Corporation (NBHC), Shree Shubham Logistics Limited (SSLL) and Geo-Chem Laboratories Private Limited for the same. In line with the recommendations of the Nair Committee on Priority Sector Lending, your Bank would try to increase its reach to the Small & Marginal Farmers directly and also through linkages with its corporate clients in the F&A domain.

Sustainable Investment Banking (SIB)

SIB is your Bank's specialised investment advisory team under the aegis of the Bank's Investment Banking practice providing advisory for sustainable ventures. SIB's focus is on Alternate Energy & Environment sectors and Social Enterprises & Rural Advisory. The team is one of the few specialised Investment Banking practices actively involved in supporting the complete value chain of clean technology initiatives, covering:

i) Energy: generation, management, engineering and resources

ii) Environment: water & waste water, waste management, engineering and services

iii) Socially sustainable sectors: broadly defined as healthcare, education, livelihood creation, water and sanitation, etc.

Over the last few years, since its establishment, SIB has successfully positioned itself as a knowledge-based Advisory & Investment Banking practice. SIB has been active in securing and placing M&A and private equity fund raising transactions in segments covering Renewable energy Independent Power Producer (IPP), Renewable energy, equipment provider, Water infrastructure & services provider, Water conservation & management company, Waste management services, Energy efficiency & materials and Financial Inclusion covering the bottom-of-the-pyramid. In the cross border advisory space, SIB secured strategic seed-stage investment for an Australian company which had developed a patented solar technology that aimed to substantially reduce cost of solar energy generation.

SIB was invited as a key speaker in various forums including Victorian Clean Tech Mission to India 2012, Mumbai (part of the Victorian Government's Super Trade Mission to India).

Service and Technology Capital

Your Bank relies on exceptional Service and Technology to build the 'Best Quality Bank of the World in India'. Various mission critical back-end functions including key Business Processes, Quality Assurance, External & Internal Service Delivery Standards, Technology Architecture, Risk Management and Internal Audit as well as your Bank's high quality Human Capital function seamlessly to deliver a world-class banking experience. Your Bank continuously integrates innovative information technologies and management programs to not only ensure efficient service delivery and human resource management, but also to significantly reduce consumption of critical resources, i.e. paper, electricity and water.

Business Processes - Creating a Quality Organisation

To deliver optimum results, your Bank has seamlessly extended its professional outlook across its business processes. Your Bank envisions to become the 'Best Quality Bank of the World in India' by 2015. In recognition of the Bank's strategic intent, your Bank imbibes a culture of professional entrepreneurship where every employee plays an important role in the Bank's growth. Your Bank incorporates highly professional practices into its business processes to generate added efficiencies and long-term growth. These processes ensure an effective maintenance mechanism through ongoing feedback as well as complaint resolution from employees as well as customers. Prudent internal and external audit policies, effective risk management systems and state-of-the-art technology platforms help in implementation of optimum business processes and are key to ensuring your Bank's core customer promise of providing a "Consistent Service Experience".

Some key business processes initiatives implemented towards the same include:

- ✓ Two world-class National Operating Centres (NOC) based out of Mumbai and Gurgaon have been established with a focus on providing an immediate response to customer requests, as also to provide Business Continuity Planning. The NOCs house the centralised back office functions of various businesses including the YES TOUCH Contact Centre, which is located at NOC, Gurgaon.
- ✓ Adherence to Business Excellence frameworks and Quality practices such as Five S, Quality Circle, Six Sigma and ISO 9001 Standard. Back office operations at both the NOCs and 101 key branches are covered under the ISO 9001 (Quality Management System) certification. Your Bank's Complaints Handling systems are certified for ISO 10002, as also ISO 27001 with regards to Information security.
- ✓ Business processes are supported by best-in-class business solutions and superior information technology platforms - with a view to optimise productivity (based on Time and Motion & Time and Material studies).
- ✓ Evaluation of all critical quality parameters, including an End-to-End (e2e) review/analysis of all critical business processes.
- ✓ Your Bank is committed to building a culture of Quality & Innovation. Steps taken in this direction include benchmarking against the best-in-class, identification and implementation of Best and Next Innovative Practices, with a view to enhance Customer Experience.
- ✓ Framework for measurement of Customer Experience - with a view to ensure that customer feedback across each touchpoint (including customer complaint registers, customer satisfaction surveys, telephonic surveys and employee feedback) is collected, analysed and actioned upon in a time bound and consistent manner.
- ✓ Leveraging Social Media as a new channel for Customer Service to address queries / complaints, receive feedback, garner inputs on service (VOC), and share relevant content about products & services, brand building and press releases.
- ✓ The Customer Query Management System (CQMS) is used as the single touch point for logging, handling, escalating and resolving customer grievances.
- ✓ The Query Resolution Unit (QRU) formed as a part of the

YES TOUCH Phone Banking Service, ensures effective follow-up and resolution of customer queries and complaints.

- ✓ Adherence to Banking Codes and Standards Board of India (BCSBI), Goiporia Committee recommendations and the Committee on Procedures and Performance Audit of Public Services (CPPAPS) guidelines.

Embedding a Continuous Improvement Approach

Quality Assurance and the Service Delivery Unit provide a framework, through which your Bank imbibes a culture of continuous improvement. The Quality Policy at your Bank states - "YES BANK will strive to ensure a consistent superior Service Experience through Operational Excellence, Innovation, Cutting-edge Technology and Best-in-class Systems and Processes in its mission to become the Best Quality Bank of the World in India by 2015".

The Service Quality Strategy

Your Bank has a three-pronged structure to bolster customer service – Customer Experience, Innovation and Quality Assurance Units. The Customer Experience unit captures the Voice of the Customer (VOC), and assesses performance on key Service Drivers. The Innovation initiatives are managed through the Innovation Centre which acts as a clearing house for ideas to help your Bank implement Next Practices across products, services and channels. The Quality Assurance unit draws upon quality methodologies practised by world-class organisations in building institutional excellence.

Specific Quality Goals have been classified into the categories of "Process Management" and "External & Internal Service Delivery", in line with your Bank's Quality Policy and Quality Objectives. Quality improvement drives like Workforce suggestion schemes, Lean Six Sigma, Quality Circles, Five S, ISO 9001 & ISO 10002 are being driven across business units of the Bank as well as branches.

Process Management (PM) aims to continually monitor current processes, benchmark them against competition, incorporate best practices, knowledge dissemination and introduce robust mechanisms for process improvements, while identifying wastages to drive effective waste management and cost control. PM uses quality tools to facilitate ease of execution of transactions, through automation of manual processes and ensures adequacy and effectiveness of training for employees.

External & Internal Service Delivery i.e. Customer Satisfaction level at your Bank is measured using Dashboards, Voice of the Customer (VOC), Branch Service Committee Meetings and Sigma Score Cards. These initiatives not only help build mutually beneficial customer relationships, but also ensure stringent Service Level Agreements (SLAs) with relevant Operations Units across the Bank. Additionally, it provides an efficient MIS support platform for effective decision-making at the management level.

Your Bank's external service delivery is a manifestation of the internal service principles instituted within the Bank, that seek to align and influence the organisational behaviour of your Bank's Human Capital towards delivering on the stated service value proposition of providing customers with a - consistent superior Service Experience'.

The YES SERVICE Programme - an Internal Service proposition is disseminated through a well-defined and ongoing Service Marketing programme and measured through Mystery Shopping, On-Job Monitoring and in Branch Executive Leadership Team (BELT) programmes held periodically across key branches nationally.

Within a short period, your Bank has several achievements to its credit. To highlight a few:

Your Bank has been awarded the 'IMC RBNQ Performance Excellence Trophy' - Services Category, at the IMC Ramkrishna Bajaj National Quality (IMC RBNQ) Awards, 2010. Your Bank was the only Bank to be awarded the IMC RBNQ Certificate of Merit. The IMC RBNQ award, based on the Malcolm Baldrige Business Excellence Framework, USA, is one of the most prestigious Awards in India, in the realm of Business Excellence (Leadership, Strategic Planning, Customer & Market Focus, Measurement, Analysis & Knowledge Management, Workforce Focus, Process Management and Results).

Qimpro Awards

- BestPrax Award for Innovation in the Service Sector at the Qimpro Convention 2010, for its nomination titled "Focused Information Based Service Delivery". This is the second consecutive year for your Bank to receive this award for innovation.
- 'BestPrax Compass' award as part of the BestPrax Benchmark Competition 2010, for its "Knowledge Banking" practice. Your Bank was the only organization selected in the Services Sector.

✓ Your Bank has been accredited with ISO 9001:2008 certification from BVQI for its back office operations & 101 branches across India to deliver consistent service by ensuring process standardization.

✓ Your Bank has received certification for its "Customer Service - Complaints Management System (ISO 10002:2004)". Your Bank is the first Indian Bank and the third one globally in the banking Industry to achieve this certification, as per British Standard's Institution (BSI) as on August 25, 2010. ISO 10002 provides a standard on the process of handling complaints related to products & services within the Bank.

✓ Your Bank has deployed 'Five S' across 137 branches, back office operations & support functions. This simple yet extremely powerful technique, has not only helped in building workplace efficiency but also helped to get engagement of teams on local improvements and waste reduction initiatives.

✓ Your Bank has Implemented 166 'Quality Circles' for customer service & process improvement across branches and back office operations to solve work-area problems. 'Quality Circles' are groups of employees who meet together on a regular basis to identify, define, analyze and solve work related problems using the seven basic QC tools. 'Quality Circle' is one of the employee participation methods aimed at development of skills, capabilities, confidence and creativity of the workforce through cumulative process of education, training, work experience and participation.

✓ Your Bank has created a Knowledge Pool of Six Sigma/Lean Change Agents and Elementary Problem Solving Agents. To build a culture of improvement, your Bank has been undertaking several Improvement Projects both strategic and tactical in nature. The former is targeted towards projects that impact the strategic business objectives. The latter are tactical improvements that are carried out by teams on the shop-floor.

✓ Processes have well defined metrics and performance is tracked through dashboards on an ongoing basis. The leadership of each business unit continuously reviews the existing processes, initiates improvements and works towards instilling process thinking among the workforce.

Information Technology

Your Bank has adopted innovative modern technology and best-in-class international banking practices with respect to governance frameworks/to ensure that it renders the highest standards of service quality and operational excellence to its customers. As a new generation Bank, your Bank has deployed "Technology" as a Strategic Business enabler – to build a distinct competitive advantage and to achieve superior and consistent standards of Customer Service. The technology architecture and the innovative IT Outsourcing structure has enabled your Bank to achieve high standards of Customer Service at comparatively lower cost structures. Innovations like Money Monitor, Mobile Money Services, dual factor authentication, one view of customer relationship, and most advanced voice enabled IVR helps the products and sales teams to offer superior products and services.

Your Bank's Technology team focuses on enabling innovative, timely, effective and efficient solutions to make your Bank the 'Best Quality Bank of the World in India'. The values are:

- ✓ Achieve customer delight through service excellence and futuristic solutions
- ✓ Build a motivated, lean and high performance team
- ✓ Build a culture of risk appreciation, transparency and cost consciousness
- ✓ Be proactively aligned with business and organisational needs

Your Bank continues to strengthen its strategic partnerships with some of the best known IT majors globally, to develop innovative system features in order to improve process efficiencies and create sector-specific banking solutions. Additionally, the development of a robust Business Continuity plan in your Bank addresses risks and secures systems that are vital to business operations.

In the current fiscal, the following initiatives were undertaken:

1. Your Bank developed a 'Customer Profitability System' on our award winning Business Intelligence platform that provides our sales teams, online access to customer profitability. This platform is a key differentiator viz. regular market offering and focuses on providing the right information to the right people at the right time via interactive dashboards.

2. Leveraging our Business Process Management platform, your Bank rapidly rolled out innovative solutions like host-to-host integration and a cash collection system benefiting our corporate customers on one hand and generating quick liabilities for the Bank on the other. It has also helped in automation of numerous processes, especially, in domain of cash management, accounts payable, and financial supply chain management.

3. Your Bank entered into a partnership with Prizm Payment Services Pvt. Ltd. for its ATM outsourcing in line with its

strategy to partner with best-in-class service providers. This move has given your Bank a substantial cost advantage viz. ATM management on one side, and the ability to scale up much faster at the other end.

4. With an aim to make your Bank paper-free and to streamline our operations, we have embarked on the implementation of a document management system. This is a key ingredient to our GO-GREEN initiative that we drive as part of our Responsible Banking philosophy.

5. Your Bank has started Virtualising its servers and implementing the Unified Communication Cloud solution to reduce communication related costs, improve staff mobility and optimize network bandwidth. We are also evaluating cutting-edge technologies like Desktop Virtualization and Social Media to invest in the best-in-class IT systems and practices, and in order to ensure that its technology platform becomes a Strategic Business tool for building a Competitive Advantage.

6. Your Bank is leveraging IT as a cost differentiator for our Financial Inclusion business – the entire gamut of branch connectivity, operational connectivity and product adaptability. Our Mobile Banking strategy will involve technology creativity for Banking as well as m-Commerce transactions for both MBA (Mobile Banking Application) and SVA (Stored Value Application) related technologies.

Achievements

1. Your Bank got the most coveted award by "The Banker - Innovation in Banking Technology Awards 2011" for 'Innovation in Cash & Treasury Technology' and 'Most Innovative Commercial Banking Project of the Year'.

2. Your Bank has been awarded the Information Week Diamond Edge Award for the Implementation of the "Insights 2 Engage" project.

3. Your Bank also garnered a Special citation award by CSI 2011 - Award for Excellence in IT for Innovation (Insights 2 Engage).

4. Your Bank has been awarded the "Financial Insights Innovation Awards 2012" for "Innovation in Payments (Financial Supply Chain Integration)" award.

5. Your Bank was selected as the CELENT MODEL BANK for two initiatives-Insights 2 Engage & IT Governance Risk & Compliance implementation.

Partners

Your Bank has formed strategic relationships with eminent Indian and global companies. These partnerships not only widen business platforms but also lay the foundation for a sustainable future.

Key Partnerships

Organisation	Purpose
AGS Transact Technologies	ATM Deployment partners
ATOM Technologies	Mobile Banking Services
Atos Wordline	Merchant acquiring
Bill Desk (Indiaideas.com)	Online Bill Payment Facility
Bajaj Allianz	General Insurance
Bharti Airtel	Telecom Connectivity
FundTech	Cash Management and Financial Supply Chain Solutions
CISCO	Technology Innovation and Infrastructure
CMC	Back Office IT Solutions
Cognizant Technology Solutions	Application Development – Business Process Management Platform
Cordys	Business Process Management Suite
De La Rue	Teller Automation and Cash Dispenser Machines
Easy Bill	Internet Banking Security Solutions
FIS	Debit Card & Switching Services
IBM	Technology Hardware
Intel Technologies	Wireless Fidelity (Wi-Fi) Branch Banking Solutions
MasterCard International	International Debit Cards and Prepaid Cards
Max New York Life	Life Insurance
Microsoft	Enterprise Agreement for Servers, Desktops and other products
Murex	Integrated Risk Management and Treasury Solution
NABARD / NABCONS	Strategic Advisory for Food and Agribusiness Sector
NCMSL	Collateral Management & Warehousing Services
NewGen Software Technologies	Cheque Truncation Solution
NSIC	Financial Solutions and Advisory for Small Scale Industries
Nuance	Speech Recognition Solution-Contact Centre
Nucleus Software	Retail Assets Platform
Oracle Financial Services	Core Banking and Internet Banking Solution
PortWise	Internet Banking Security Solutions
Prizm Payments Services	ATM Deployment Partners
Reliance Infocomm	Telecom Connectivity, WAN MPLS Backbone and Data Centre Hosting
Reuters	Dealing Solution and Online Forex Trading Platform
Servion Global	Integration Partners for Contact Centre Phone Banking Services
SIDBI	Financial Solutions for SMEs
Sify Communications	Redundant WAN MPLS Backbone , ATM Connectivity and Data Centre Hosting
Span Across	Online Tax Return Filing Solution
TATA Teleservices	Telecom Connectivity
TCS	Hosted Cheque Truncation Solution
Visa	International Debit Cards
Virtusa	Application Development – Business Process Management Platform
Wincor Nixdorf	Self Service Solutions: Automated Teller Machines (ATM) and Financial Kiosks
Wipro	Total Technology Outsourcing
Yodlee Inc	Online Personal Finance Management
YSE	Prepaid Cards

Risk Management

The long-term financial security and success of your Bank is built on a robust risk management system. Through proactive and improved risk management practices, your Bank's risk management function continuously works towards achieving financial stability and enhancing stakeholder value. The Risk Management Architecture of your Bank is overseen by the Risk Monitoring Committee (RMC), an independent Board level sub-committee that strives to put in place specific policies, frameworks and systems for effectively managing the various risks. These policies and procedures are reviewed and updated at regular intervals.

Credit Risk

Your Bank's Credit Risk management is governed by a comprehensive and well-defined Credit Policy which is approved by the Board. It encompasses credit approval processes for all business segments along with the guidelines for monitoring and mitigating the risks associated with them. All corporate credit exposures are approved either through the "Three Initial System" (3 approving authorities) or through the Management Credit Committee (5 approving authorities). While exercising their financial powers, these designated committees/functionaries exercise highest level of due diligence and ensure adherence to the Bank's Credit policy and other regulatory guidelines.

The appraisal process encompasses a detailed risk assessment and rating of all obligors using your Bank's rating models. These models have been developed in conjunction with a reputed external credit rating agency and cover all corporate business segments of your Bank. The ratings of customers are assessed based on their financial performance, industry characteristics, business positioning, project risks, operating performance and other non financial parameters such as quality of management and conduct of account.

The Risk Management function of your Bank works in close co-ordination with various Business segments to periodically review the individual borrower relationships, identify early warning signals and assess the overall health of borrowers. Your Bank has taken proactive measures to ensure that delinquencies are maintained at a minimum level through robust post sanction monitoring processes. There is a dedicated team which works towards ensuring compliance to the sanctioned terms and conditions through an internal tracking system. There is also an independent 'Portfolio Analytics Unit' which monitors the entire credit portfolio across all segments, carries out detailed sectoral studies, identifies portfolio trends, reviews credit policies and programs and generates portfolio level MIS covering various credit quality indicators like sectoral exposure, credit concentration, ratings distribution and migration, etc. Your Bank also has an active legal department that helps in assessment and management of material legal risks. The department has developed a comprehensive set of standard documents for various types of credit products.

Market Risk

Your Bank's Market Risk management is governed by a comprehensive Market Risk Policy, ALM Policy, Liquidity Policy, Investment Policy, Hedging Policy, Stress Testing Policy, Derivative Policy and a Derivative Appropriateness Policy to ensure that risks underwritten across business activities are within the stipulated risk appetite of the Bank and also to aggregate similar risks. These policies have been benchmarked with industry best practices and RBI regulations. Your Bank has an integrated and straight-through processing state-of-the-art treasury system for enabling better risk management.

Your Bank measures liquidity, currency, and interest rate risks through various metrics viz. Liquidity Gap Analysis, Dynamic Cash Flow Analysis, Liquidity Ratios, Value at Risk (VaR), Earnings at Risk (EaR), Duration of Equity, Sensitivity Analysis, etc. using internal risk models. Your Bank regularly conducts stress testing to monitor the Bank's vulnerability towards unfavourable shocks.

Your Bank monitors and controls its risk, using various internal and regulatory risk limits for trading book and banking book which are set according to a number of criteria including economic scenario, business strategy, management experience, peer analysis and the Bank's risk appetite. The risk reporting mechanism in the Bank comprises disclosures and reporting to the various management committees viz. Investment Committee, Asset Liability Committee, etc.

Operational Risk

Your Bank in accordance with the regulatory guidelines has implemented a comprehensive operational risk management policy and put in place a framework to identify, assess and monitor risks, strengthen controls, improve customer service, and minimise operating losses. Your Bank has also constituted the Operational Risk Management Committee, which is the primary driver for implementing the best industry practices in Operational Risk Management.

Basel–II and Capital Management

Your Bank also has an enterprise wide risk management unit called 'Capital Compliance Unit'. This unit is responsible for BASEL-II compliance, migration to advanced approaches for capital charge computation, integrated bank-wide stress testing of risks and for ensuring that the Bank maintains sufficient capital buffer against various types of risks which your Bank is exposed to. This unit helps in further strengthening the overall risk architecture of your Bank. This unit is also responsible for constantly monitoring & obtaining credit ratings for your Bank's credit exposures, which help minimize credit risk & enhance capital efficiency.

Your Bank has successfully migrated to BASEL-II capital adequacy norms since March 31, 2009 under which it has adopted the 'Standardised Approach' for measurement of Credit Risk., 'Basic Indicator Approach' for Operational Risk and 'The Standardised Duration Approach' for Market Risk. Your Bank has also formulated an extensive policy on Internal Capital Adequacy Assessment Process (ICAAP) commensurate with the Bank's size, level of complexity, risk profile and scope of operations. Your Bank has thus evolved a robust enterprise wide risk management framework which is geared well enough to support the business plan of the Bank.

Internal Audit

Your Bank's Internal Audit department performs independent and objective assessment to monitor adequacy, effectiveness and adherence to the internal controls, processes and procedures instituted by the management.

This function supports your Bank's role in safeguarding its assets. The function has adopted a Risk-based approach of Internal Audit (RBIA). The primary focus of the audit is on key risk areas, which are of substantial importance to the Bank. The RBIA approach has been thoughtfully structured taking into account RBI guidelines and international best practices. The Internal Audit function reports to the Managing Director & CEO for day to day activities and to the Audit and Compliance Committee for Audit Planning & Reporting. Additionally, your Bank also subjects its operations to Concurrent Audit by reputable audit firms to complement its internal audit function. The Concurrent Audit covers core activities such as credit portfolio, financial markets, operations, and branches. All audit reports are circulated to the relevant management teams and the Audit and Compliance Committee of the Board.

Compliance

Your Bank has institutionalised a strong compliance culture across the organization, pursuant to its strategic goals of transparency and trust amongst all its stakeholders. Your Bank has a dedicated Compliance Department for ensuring regulatory compliance across all its businesses and operations. The key functions of this department includes dissemination of key regulatory updates affecting the various businesses of your Bank, review of new products and processes from a regulatory compliance perspective, provide guidance on compliance related matters, impart training to employees on compliance aspects, etc. Your Bank has also put in place a "Know Your Customer" & "Anti-Money Laundering Policy" approved by the Board of Directors and transaction monitoring procedures as per RBI guidelines.

Human Capital Management

Since inception, your Bank has adopted international best practices, the highest standards of service quality and

operational excellence, with innovative state-of-the-art technology, and offers comprehensive banking and financial solutions to all its valued customers. A key strength and differentiating feature of YES BANK is its knowledge driven approach, which goes beyond the traditional realm of banking, and helps adoption of a diagnostic and prescriptive approach towards superior product structuring.

YES BANK pursues a strong Employee Value Proposition of 'Creating & Sharing Value', with a vision to build an organization, driven by Professional Entrepreneurship, where all YES BANKers truly partner to direct, manage and accelerate the development of your Bank as the Young and Dynamic Bank for "Emerging India".

YES BANK recognizes that the real source of competitive advantage for an organisation is the power of its Human Capital. Your Bank cultivates an environment where people with diverse backgrounds come together to create long-term value and has hired the finest quality Human Capital across all its functions and businesses. This young, extremely dynamic and professional team effectively works across organizational boundaries, to build a culture that shifts the focus from activities to outcomes. Your Bank ensures Service Excellence through high-quality Human Capital. Equipped with a team of industry and banking experts, your Bank continuously delivers quality performance while realizing customer service objectives, creating positive employee attitudes through effective recognition programs and measuring results through consistent customer feedback. The aim is to build a culture and environment that supports Professional Entrepreneurship.

The Human Capital engagement practices at your Bank are targeted at developing the Bank's brand as a "Preferred Employer of Choice". The Bank continues to be strongly focused on attracting and retaining the best talent from India and abroad. Within a short span of time, management talent at your Bank has been regarded as one of the best in the Indian Banking sector, as demonstrated by the several recognitions and awards received over the last seven years. Some of the key features of your Bank's policies and practices are illustrated below:

Human Capital Management and Business Productivity

In line with the Bank's stated objectives in Version 2.0, your Bank has institutionalized a Management By Objective (MBO) framework, with an intention to develop best and highly productive human capital, and to further reinforce alignment of individual and business goals with the 7 Strategic Objectives of the Bank. With your Bank's focus on building granular business and thrust on strengthening our CASA ratio, Liabilities Generation was made a mandatory part of performance and productivity measures of all Relationship businesses this year, with almost 50% weightages on building CASA with measurable Average Monthly Balances, Deposits, CMS Cross sell/ YCOPs / YES First etc.

Talent Acquisition & Development

Your Bank is now recognized as an "Employer of Choice" for the brightest and best quality Human Capital available in the market. The total employee strength of your Bank, as on March 31, 2012, was 5642 up by 44 % since 31st March, 2011.

Building superior Human Capital Management frameworks is one of the key objectives of your Bank. This is being achieved by coordinated efforts through high quality knowledge enhancement frameworks, mentorship by leaders and a structured and Comprehensive Training and Development road map.

Knowledge At Work - YES School Of Banking

The YSB initiative has scaled new heights during the Financial Year 2011-12, with a plethora of new focused learning initiatives being launched for various business groups. Your Bank has also signed knowledge partnerships with organizations like Dale Carnegie, Redwood Edge & Tatva Leadership India for institutionalizing Competency-based Management Development Programs focused at middle, senior and top level management bands. This is in continuation to the vision, to create and deliver Benchmark Learning and Development initiatives for all executives of the Bank and to become a Banking Industry Talent Creator and knowledge warehouse by building a pool of qualified executives with practical skill sets required for the Banking Industry.

Your Bank continues to be highly focussed on inducting the highest quality of management talent through its flagship and uniquely differentiated Talent Acquisition Programs like the YES Professional Entrepreneurship Program, (Y-PEP) institutionalized in August, 2006. This innovative program has contributed substantially to create an enviable talent pool to further support the growth ambitions of the Bank. In 5 successful years of Y-PEP, your Bank has received an overwhelming response across the country with Y-PEP executives mobilized across various business verticals. This year, your Bank was one of the leading recruiters on Tier I campuses with 174 offers, taking the total strength of 'Y-PEPs' in YES BANK to over 760+ by May, 2012. These 174 management graduates have been hired from the top Business Schools across the country including all IIMs, ISB, FMS, JBIMS, XLRI, SP Jain, NITIE, MDI, NMIMS, Symbiosis and the Institute of Chartered Accountants of India, etc. This highly qualified talent pool of 'Y-PEPs' is being consciously created to consistently augment, and support the Bank's knowledge based, state-of-the-art technology-driven services across key banking relationships, products, knowledge advisory groups, and critical support functions. The continued trust and confidence of these young professionals validates the success of the innovative Y-PEP and showcases YES BANK as an "Employer of Choice" across premier B-School campuses.

YES-University & School Relationship Management (YES-USRM)

In addition to institutionalizing L&D initiatives in the Bank the YES SCHOOL OF BANKING further augments the UNIVERSITY & SCHOOL RELATIONSHIP MANAGEMENT (USRM) initiative which plays a pivotal role in cultivating and deepening strong symbiotic relationships with the best Ivy League Institutions in India and overseas as a Preferred 'Knowledge Partner' from the Banking Arena. The "USRM" program is designed to equip an encompassing knowledge sharing platform that will help disseminate information about key developments in the Banking arena. As part of the Bank's Talent Management and Employer Branding strategy several outreaching engagement activities are planned and executed with select B-Schools, Engineering Colleges and Agricultural Institutes across the country through the USRM initiative. Over the years, your Bank has nurtured strong alliances with some of the premier B-Schools in India and abroad which includes all the IIMs and international Ivy league campuses. Some of the key initiative undertaken during the year includes:

Wharton Business School

Your Bank partnered the Wharton Business School India admission process for the 5th consecutive year across Mumbai, Bangalore & Delhi. The sessions were conducted by Anthony Penna who is the Associate Director - MBA Admissions and Financial Aid at Wharton Business School.

Rutgers University

YES SCHOOL OF BANKING partnered with RUTGERS BUSINESS SCHOOL & THINK EDUCATION to bring the first ever Rutgers Mini-MBA program: 'Business Essentials', to India. Four leading professors from Rutgers Business School, USA facilitated this 5 day program in Mumbai in August - September, 2011. YES BANK was represented by 7 YBL executives who are participated in this program. The Bank also sponsored 2 exceptional students from HR College as YES BANK Ambassadors for this Mini MBA Certification.

Some other notable partnerships are:

YES BANK's partnership with The Wall Street Journal for 'Future Leadership Series' in India

Your Bank has partnered with The Wall Street Journal Asia (WSJ) for executing knowledge workshops on 'Future Leadership Series' across 17 key campuses in India which includes all the IIMs. A focused knowledge session has been rolled-out across all the 17 campuses.

YES BANK's knowledge partnership at the India Finance Conference (IFC 2011) by IIMB & IIMC :

Your Bank was the Knowledge Partner at the India Finance Conference 2011 (IFC 2011) held in December 2011, which was jointly organized by the Indian Institute of Management - Bangalore & Indian Institute of Management-Calcutta. The event invited academics, researchers, doctoral students, and practitioners, to submit papers in all areas of finance. The Bank was also represented in panel discussion on the 'Financial Markets: Issues & Development' session.

YES For YOU: Yes Bank's HR-IT System

'YES for YOU', your Bank's HR-IT system has received significant enhancements with the launch of new, innovative features and modules during the Financial Year 2011-12. The entire Human Capital Management System was migrated to a world class advanced .net platform. These new interventions have, apart from further improving the Human Capital Management process efficiency, also contributed towards cost management and reduction in downtime in consolidation and availability of sensitive Human Capital information on a real-time basis.

Financial and Operating Performance

Balance Sheet

The Balance Sheet of your Bank grew by a healthy 24.8% to ₹73,662.1 crore as at March 31, 2012 from ₹59,007.0 crore as at March 31, 2011. During this fiscal, your Bank recorded a growth of 10.5% in its loan book with advances increasing to ₹37,988.6 crore, on the back of growth in lending to retail and micro SMEs along with large and mid-sized corporates. Corporate and Institutional Banking (large corporations, government-owned corporations and institutions, multinational corporations and Indian financial institutions) & Commercial Banking (mid-market corporations, operating across various industries) constituted 81.8% of your Bank's advances as at March 31, 2012. Branch Banking (MSMEs and Retail) grew at an impressive rate over FY11 in line with the Version 2.0 goals of the Bank to increase granularity and now comprise of 18.2% of total advances.

Summarised Financial Position:

(₹ in Crores)

Particulars	March 31, 2012	March 31, 2011	Growth % over March 31, 2011
Assets			
Advances	37,988.6	34,363.6	10.5%
Investments	27,757.3	18,828.8	47.4%
Others	7,916.2	5,814.6	36.1%
Total Assets	**73,662.1**	**59,007.0**	**24.8%**
Liabilities			
Shareholders' Funds	4,676.6	3,794.1	23.3%
Deposits	49,151.7	45,938.9	7.0%
Borrowings	14,156.5	6,690.9	111.6%
Others	5,677.3	2,583.1	119.8%
Total Liabilities	**73,662.1**	**59,007.0**	**24.8%**

The Yield on Advances for the year increased by 2.2% from 10.0% in FY 2010-11 to 12.2% in FY 2011-12 due to increase in interest rates in the economy during the year and the Bank effectively passing on high costs to its customers. Total investments as at March 31, 2012 increased 47.4% to ₹27,757.3 crore from ₹18,828.8 crore as at March 31, 2011. This growth can be mainly attributed to the increase in Government Securities of ₹5,431.2 crore and non-SLR investments of ₹3,497.3 crore.

Your Bank's deposits increased by 7.0% to ₹49,151.7 crore as at March 31, 2012 which comprised of ₹4,888.4 crore of demand deposits, ₹2,503.8 crore of savings deposits, ₹41,759.5 crore of term deposits. Term Deposits increased by 1.4% during FY 2011-12 while Savings deposits increased by 206.4% and current deposits increased by 24.3% as at March 31, 2012 over March 31, 2011. The Bank has seen an increase in the composition of granular deposits on account of an increasing branch franchise and consequently the customer base of the Bank's Current and Savings Account (CASA) deposits grew by 55.6% to ₹7,392.1 crore taking the CASA ratio to 15.0% as at March 31, 2012 up from 10.3% as at March 31, 2011. The Bank continues to witness increased traction in CASA on the back of enhanced Savings Rate offering and improvements in productivity. Retail Banking Liabilities (CASA + Retail Banking term deposits) improved from 23.5% of Total Deposits as at March 31, 2011 to 32.7% as at March 31, 2012.

Total borrowings of your Bank increased from ₹6,690.9 crore as at March 31, 2011 to ₹14,156.5 crore as at March 31, 2012. Your Bank on the back of a Moody's International rating (Baa3, in line with India's sovereign rating) increased its medium term foreign currency borrowing from ₹1,833.7 crore as at March 31, 2011 to ₹2,917.9 crore as at March 31, 2012. This is in addition to raising ₹1,246.1 crore as Tier II borrowings. The Bank also raised ₹150.0 crore in the form of Innovative Perpetual Debt Instruments (Tier I). Tier I & Tier II debt bolster the capital adequacy of your Bank while enhancing the liability duration of the Balance Sheet.

Profit and Loss Statement

Your Bank's net interest income grew at an impressive rate of 29.6% from ₹1,246.9 crore in FY 2010-11 to ₹1,615.6 crore in FY 2011-12 on the back of growth in advances & investments and relatively stable margins. The increase in net interest income was driven by 33.4% increase in average interest bearing assets

Selective Operating Result Data:

(₹ in Crores)

Particulars	FY 2011-12	FY 2010-11	Growth % over FY 2010-11
Net Interest Income	1,615.6	1,246.9	29.6%
Non Interest Income	857.1	623.3	37.5%
Total Net Income	**2,472.7**	**1,870.2**	**32.2%**
Operating Expenses	932.5	679.8	37.2%
Employee Costs	475.1	362.3	31.1%
Other Costs	457.4	317.5	44.1%
Operating Profit	**1,540.2**	**1,190.4**	**29.4%**
Provisions and Contingencies	90.2	98.2	(8.1%)
Profit before Tax	1,450.0	1,092.2	32.8%
Provision for Taxes	473.0	365.0	29.6%
Profit after Tax	**977.0**	**727.2**	**34.4%**

and a relatively stable net interest margin. Increase in the average interest bearing assets was primarily due to growth in advances and investments portfolio during the FY 2011-12.

Your Bank also displayed strong growth in non interest income, which grew from ₹623.3 crore in FY 2010-11 to ₹857.1 crore in FY 2011-12, representing an increase of 37.5%. This was on the back of continued cross selling of fee-based products in Financial Markets, Financial Advisory, Transaction Banking and Retail Banking Fees. The percentage of non-interest income to net revenues (net interest income plus non-interest income) was 34.7% in FY 2011-12 as compared to 33.3% in FY 2010-11.

The rising interest rates in the economy during the fiscal year resulted in an increase in cost of funds for your Bank by 1.7% during the FY 2011-12 to 8.8% as compared 7.1% in FY 2010-11. Although, the yields on advances also increased, there was a marginal decline in the net interest margins from 2.9% in FY 2010-11 to 2.8% in FY 2011-12.

Your Bank continued to make substantial investments towards human capital, information technology and branch expansion to meet its growth targets. Your Bank has increased its total human capital from 3,929 as at March 31, 2011 to 5,642 as at March 31, 2012 on the back of hiring talent from leading financial institutions as well as directly from top business schools, on the back of improving brand franchise. Your Bank added 142 new branches across the country during the year taking the total branch count to 356, up 66% over last year. Your bank also added 359 ATMs in FY 2011-12 taking the total count of ATMs to 606.

Operating expenses increased by 37.2% from ₹679.8 crore for FY 2010-11 to ₹932.5 crore in FY 2011-12. The management's continued focus on cost control has resulted only in a marginal increase in cost to income ratio to 37.7% in FY 2011-12 compared to 36.3% in FY 2010-11, inspite of the significant increase in headcount and number of branches. Employee costs accounted for 51.0% of non-interest expenses for FY 2011-12 as against 53.3% for FY 2010-11.

Operating profit before tax increased 29.4% to ₹1,540.2 crore for FY 2011-12 compared to ₹1,190.4 crore for FY 2010-11. Net Profit after tax was ₹977.0 crore for FY 2011-12, an increase of 34.4% as compared to a net profit of ₹727.2 crore for FY 2010-11. The effective tax rate in FY 2011-12 was 32.6%. The return on average assets was 1.5% while return on equity was 23.1% for the year ended March 31, 2012. The return on assets and return on equity have been in excess of 1.5% and 20% respectively for the past 4 years.

Key Ratios:

	FY 2011-12	FY 2010-11
Return on Equity	23.1%	21.1%
Return on Annual Average Assets	1.5%	1.5%
Basic Earnings Per Share ₹	27.9	21.1
Diluted Earnings Per Share ₹	27.1	20.3
Book value ₹	132.5	109.3
Non Interest Income to Net Revenues	34.7%	33.3%
Cost to Income	37.7%	36.3%
Gross NPA Ratio	0.22%	0.23%
Net NPA Ratio	0.05%	0.03%

Despite the growth in advances and overall slowdown in the economy, your Bank's continued risk mitigation practices resulted in Net Non-Performing Advances (NPA) to Net Advances ratio of 0.05% as at March 31, 2012 as compared to 0.03 % as at March 31, 2011. The gross non-performing advances stood at ₹83.9 crore as at March 31, 2012 as compared to ₹80.5 crore as at March 31, 2011. The specific loan loss provision balance was ₹66.4 crore as at March 31, 2012 resulting in a specific cover of 79.2%. The general loan loss provision made during FY 2011-12 was ₹40.7 crore as compared to ₹52.1 crore for FY 2010-11. The total provision cover stood at 341% as at March 31, 2012 in line with the conservative provisioning norms followed by your Bank.

SHAREHOLDERS' FUNDS & CAPITAL MANAGEMENT

Your Bank's shareholder funds were ₹4,676.6 crore as at March 31, 2012 as compared to ₹3,794.1 crore as at March 31, 2011. The Book Value per share increased from ₹109.3 as at March 31, 2011 to ₹132.5 as at March 31, 2012 on the back of strong growth and retention of earnings for the year. The Capital Funds increased from ₹7,119.3 crore as at March 31, 2011 to ₹9,326.1 crore as at March 31, 2012.

Tier-I Capital

The increase in Tier-I Capital was on account of (1) Profit after Tax for the FY 2011-12 of ₹977.0 crore less dividend declared at ₹4.00 per share aggregating ₹164.1 crore (including dividend distribution tax) (2) Exercise of 5,840,300 stock options by employees aggregating ₹69.6 crore and (3) Issuance of Innovative Perpetual Debt Instruments aggregating ₹150.0 crore (of which ₹142.3 crore is eligible as Tier-I Capital).

Tier-II Capital

During the financial year 2011-12, your Bank raised ₹1,246.1 crore of Tier-II Capital through private placement issues of unsecured, redeemable, non-convertible, subordinated instruments from various financial institutions.

Your Bank had a capital adequacy ratio of 17.9% (as per Basel II) as at the end of FY 2011-12. As per Basel II, Tier I capital ratio was 9.9% and the Tier II capital ratio was 8.0% as at March 31, 2012.

Capital Adequacy Ratios in percent	March 31, 2012	March 31, 2011
Total capital ratio (CAR) out of the above	17.9%	16.5%
- Tier I Capital	9.9%	9.7%
- Tier II Capital	8.0%	6.8%

In line with the RBI circular on new capital adequacy framework, currently for computing capital requirement, your Bank has adopted the standardized approach for credit risk, standardized duration approach for market risk and Basic indicator approach for operational risk. Your Bank has also put in place a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP) which defines and sets processes to review and improve the techniques used for identification, measurement and assessment of all material risks and resultant capital requirements.

SWOT Analysis

Strength

Your Bank has displayed strong financial health since inception and even through the financial turmoil in 2008-09. The capital adequacy ratio of the Bank is well above minimum requirements and supports the soundness and sustainability of the business over the longer term. The high CAPAD coupled with a relatively strong equity capital base would minimize the impact on earnings of transition of your Bank into the BASEL III regime.

Your Bank's RoA (annualized) has been at or above 1.5% over last 4 years and its RoE (annualized) has been at or above 20% over last 4 years. Your Bank also has the best asset quality among private sector banks. Further, your Bank over the past couple of years has increased efficiencies and has unlocked economies of scale to bring down cost to income ratios to 36%-38% (far below the industry average Cost to income ratio of approx 45%) and retain high profitability per employee as compared to peers.

Your Bank has also developed a strong standing in the market mainly due to its differentiated knowledge banking approach. This approach coupled with its corporate lending strategy (minimal retail lending) helped minimize the overall impact of the financial crisis. The crisis has also helped the bank validate its model and acquire new corporate clients while other banks were inward looking.

Your Bank has had a proven track record to raise capital necessary to sustain the high growth witnessed. It has raised capital (both debt and equity) at appropriate times and good prices. This ability to augment capital funds will help enhance growth in the future.

Last but not the least, your Bank's performance is attributable to the finest human capital base built in line with its increasing business. The numerous HR awards are a testimony to this fact that your Bank is truly a desired employer to work with. The Bank has initiated many path breaking and innovative ideas to nurture talent such as the YES School of Banking and YES Professional Entrepreneurship Program. YES BANK has been one of the largest recruiters from B-schools in India.

Weakenesses

Although your Bank has made significant strides over the last few years, it is still a very small player in the banking space. It suffers from low market share as its network of branches (~360) is still relatively smaller than its peers in both the public and private sector. Your Bank has significantly accelerated branch openings over the last two years and has increased the network from 150 branches as at March 31, 2010 to 356 as at March 31, 2012.

Being a new Bank, brand awareness among retail customers is lower than its peers who have been in the business for a significantly longer time. Due to above reasons, your Bank also has a relatively lower Current and Saving Account ('CASA') base. However absolute CASA is in line with peers at a similar stage of evolution (7 years). The recent deregulation of saving rates by the Reserve Bank of India has helped your Bank significantly increase its Saving Account balance by offering customer friendly rates of 6% (upto ₹100,000) and 7% (above ₹100,000) to its saving account holders. The lower level of CASA results in lower NIMs which average at around 2.8%.

Opportunities

The global economic environment has improved significantly since the lows of the economic crisis of 2008-09. While there do remain concerns on sovereign risks in several Euro zone economies, the recent upside in the US economic activity and an improvement in labour markets is encouraging. While 2011-12 saw Indian economic growth slipping sharply vis-à-vis 2010-11, nevertheless India remains as the second fastest growing major economy after China. India continues to present a significant opportunity to develop domestic infrastructure. In the next Five Year Plan period (2012-17), over USD 1 trillion of investments would be required in the infrastructure sector for India to achieve double digit growth on a sustainable basis. Your Bank has developed specialized skills in the infra financing field and continues to be a leading advisor and syndications Bank in this space.

Indian banking continues to experience demographic tailwinds. The large middle class with increasing incomes and banking needs along with a huge unbanked population below the age of 25 offers an enormous retail opportunity for banks in India. Smaller towns and rural India still provide a huge untapped potential for expansion and there are significant opportunities especially in the small and medium enterprise space. Further the ability to use technology to profitably deliver banking solutions to masses is an exciting opportunity. Additionally, the goal of financial inclusion would benefit immensely from key government initiatives like the UID program. The use of smart cards in various programs would help develop the knowledge infrastructure for enhancing reach of the banking sector.

Savings rate deregulation by the RBI has offered your Bank an opportunity to gain significant savings account market share by offering better rates and services to customers. An International Branch (subject to regulatory permissions) would also help raise capital and tap the low-cost funds abroad. Your Bank has been ranked by Financial Times among the top 600 banks in the world, and with Moody's credit rating of Baa3, at par with India's Sovereign rating, both these events help make the Bank's international foray, a logical next step.

The Bank's entry into new product/segments viz. retail assets offers significant potential for the Bank to build on its expanding custom base. The ability to cross sell product to retail customers would enhance profitability of the Bank over the long run.

Threats

The ongoing global economic recovery amidst an environment of extremely accommodative monetary policies adopted by the central banks in most of the developed countries has resulted in a significant pick up in global commodity prices. The recent geopolitical tensions between Iran and Western economies have increased the potential risk of a disruption in crude oil production. A combination of demand and supply pressures has led to global oil prices rising to close to a one year high of USD 125 per barrel. While the risk of a double dip recession in advanced countries has abated over the last year, downside risks to growth remain amidst attempts of fiscal consolidation in Euro zone and high commodity prices, especially oil.

The tight monetary policy adopted by the RBI with a view to tame inflation could dampen corporate credit offtake. Overall business could also be impacted due to reduction in asset quality and rise in NPAs due to the impact on corporate margins. RBI has acknowledged increased upside risks to inflation owing to the recent surge in crude oil prices, fiscal slippage and the rupee depreciation. In addition, there continues to be significant suppressed inflation in fuel, fertilizer and power as administered prices do not fully reflect the costs of production.

While inflation has evolved in line with projected trajectory in the recent months, the upside risks to inflation are likely to influence both the timing and magnitude of future rate actions. Amidst a slowing domestic activity, the extent of rate cut by the Reserve Bank of India in 2012-13 is likely to remain measured.

Changes in RBI regulations requiring banks to set up a higher number of rural branches could result in lower profitability for banks. Also, RBI awarding additional licenses could potentially result in increasing competition in the banking industry. There may be some erosion in projected growth due to market captured by new entrants and also competition among banks in retaining quality staff.

Expansion may lead to increase in costs and overall reduction in operating profit accompanied by a decrease in quality of assets with exposure to retail in the future. Your Bank could also face intense competition from allied firms in financial services (e.g. Broking / investment banking, etc.) who compete for human capital.

Further, recent regulatory changes including revised priority sector norms, adoption of BASEL III norms could result in lower profitability for the banking system in general, thereby also impacting your Bank.

Outlook

After a year characterized by below potential economic growth (trend growth estimated to be around 8%), the outlook for FY13 is expected to show mild improvement. Robust private consumption is likely to underpin the overall growth momentum. However, investments, after having contracted for two consecutive quarters in Q2 and Q3 FY12, are expected to see a mild reversal (albeit in second half of 2012-13), as monetary easing begins and some action on policy front gains momentum. However, high global crude prices have increased the downside risk for growth. As a result we expect overall GDP growth to stay around 7.0-7.5% in FY13.

Average WPI inflation in 2011-12 has come at 8.8% compared to 9.6% in 2010-11. With economic growth expected below potential in 2011-12 and 2012-13, rising global commodity prices are likely to provide the upside risk to inflation. We expect WPI inflation to average in the range of 6-7% in 2012-13.

On the fiscal front, the government has budgeted for a reduction in fiscal deficit to 5.1% of GDP in FY13 from 5.9% in FY12. We expect upside risks to the fiscal deficit projections as the subsidy bill especially petroleum is likely to overshoot the budgeted estimates due to high global crude oil price. As a result, the overall fiscal deficit in FY12 can be expected to come around 5.3% of GDP.

The impact of high global commodity prices would also be reflected in the external accounts as high crude oil prices result in higher oil import bill. We expect the current account deficit to GDP ratio to deteriorate from -2.7% in FY11 to -4.0% in FY12, higher than previous estimate of -3.6%. However, greater foreign direct investment inflows on account of resurgence in global liquidity and External Commercial Borrowings have compensated for the shortfall in portfolio investment, and in bridging the current account gap.

The saving rate deregulation during the previous financial year and the consequent superior rate (7%/6%) offering has significantly increased your Bank's customer acquisitions by over three times in second half of 2011-12. Consequently, we have also increased the branch build-out targets for March, 2015 from 750 to 900. The Bank has also launched various retail asset products including car loans, home loans, education loans, loan against property to name a few during FY 2012. Your Bank will further enhance retail asset product offering during FY 12-13 to complement and enhance current portfolio. With the superior Saving Account proposition, rapidly growing and maturing branch network and complete retail asset product proposition suite, your Bank believes that it would be able to further accelerate customer acquisition while improving cross sell of products, thereby potentially improving profitability. Your bank has maintained best-in-the-class cost to income ratios, despite significant investments in Branch network and Human Capital, and we believe that we should be able to maintain lower than industry average cost to income ratios.

The Bank continues to build on its well developed Corporate & Institutional, Emerging Corporate Banking and SME Banking businesses. Your Bank will continue to grow its Corporate Banking franchise at higher than industry average, thereby increasing its market share over the next year. With a robust risk management, the Bank continues to maintain best-in-the-class asset quality, we believe that we should continue to maintain strong asset quality over the next year. As a result of the above, your Bank believes that it will continue to make significant progress towards achieving targets outlined as part of Version 2.0 strategy in a time bound manner.

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

YES BANK Limited

We have examined all relevant records of Yes Bank Limited (the Bank / Company) for the purposes of certifying compliances of the conditions of Corporate Governance under the revised Clause 49 of the Listing Agreement entered into with National Stock Exchange of India Limited and BSE Limited (Stock exchanges) for the Financial Year ended March 31, 2012.

The compliances of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Bank for ensuring compliances of the conditions of the Corporate Governance. This certificate is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

For Mehta and Mehta
Company Secretaries

Dipti Mehta
Partner
CP No.: 3202
FCS No.: 3667

Place : Mumbai
Date : April 25, 2012

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

YES BANK is ordained to set the highest standards of Corporate Governance right from its inception benchmarked with the best class practices across the globe. Effective Corporate Governance is the manifestation of professional beliefs and values, which configures the organisational values, credo and actions of its employees. Transparency and accountability are the fundamental principles to sound Corporate Governance, which ensures that the organisation is managed and monitored in a responsible manner for 'creating and sharing value'.

YES BANK believes that Corporate Governance is more than just regulatory compliance and there exists a fundamental link with the organisation of business, corporate responsibility and shareholder wealth maximisation. Therefore, your Bank has articulated a multi-stakeholder model (including shareholder value) of accountability that manages the symbiotic relationship between the various stakeholders. This approach is central to the day-to-day functioning of your Bank and in implementation of its business strategy.

Code of Ethics

The Board of Directors has approved and implemented a Code of Conduct and Ethics for the Board of Directors and Senior Management. The Confirmation from the Managing Director & CEO regarding compliance with the code by all the Directors and Senior Management is annexed to the Report.

Prevention of Insider Trading

The Bank has instituted a comprehensive code of conduct for prevention of insider trading in accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Whistle Blower Policy

The Whistle Blower Policy of the Bank intends to cover major concerns that may fall outside the scope of other procedures. These include:

- Conduct which is an offence or a breach of law or as stated in the Bank's Code of Conduct

- Disclosures related to miscarriage of justice
- Financial or non-financial mal-administration or malpractice or impropriety or fraud or corruption/Unauthorized use of funds/ Embezzlement of funds
- Code of Conduct & Ethics for the Board of Directors and Senior Management
- Health and safety risks
- Other unethical conduct

The policy also affords protection to employees raising a genuine concern to prevent harassment or victimisation.

Board of Directors

Your Bank has a broad based Board of Directors, constituted in compliance with the Banking Regulation Act, Companies Act, Listing Agreement with the stock exchange(s) and in accordance with best practices in Corporate Governance. The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board. In case of Committee meetings in the absence of the Original Director, the Alternate Director can attend the Committee meetings.

Four Board Meetings were held during the Financial Year ended March 31, 2012 on the following dates: April 20, 2011, July 21, 2011, October 20, 2011 and January 24, 2012. The names of the members of the Board, their status, their attendance at the Board Meetings and the last AGM, number of other Directorships and Committee membership/chairmanship of each Director are as under:

Name of Director	Board Meetings attended during the year	Attendance at last AGM	Number of other Directorships		Number of Committee memberships in other companies (2)
			Of Indian Public Limited Companies	Of other Companies (1)	
Independent Director(s)					
Mr. Bharat Patel	4	Absent	3	NIL	1
Mr. Arun Mago	4	Absent	2	NIL	1(1)
Mr. Wouter Kolff	4	Absent	NIL	4	NIL
Ms. Radha Singh	4	Absent	2	0	3(1)
Mr. Ajay Vohra	1	Present	1	1	1
Wholetime Director(s)					
Dr. Rana Kapoor	4	Present	NIL	3	NIL
Non Executive Non Independent Director(s)					
Mr. S. L. Kapur	4	Present	5	1	8 (2)

(1) Includes Foreign Companies and Private Limited Companies, Section 25 Companies in India

(2) Includes memberships of Audit, Investor's Grievance Committees of all Public Limited Companies; figures in brackets indicate number of Committee Chairmanships as per Clause 49 of the Listing Agreement

(3) No other Director is related to each other or is a member of an extended family.

None of the Directors of the Bank were members in more than 10 committees nor acted as Chairperson of more than five committees across all Companies in which they were Directors.

Audit & Compliance Committee

Terms of Reference

The terms of reference of the Audit & Compliance Committee include providing direction and oversight to the total audit function in the Bank, creating an avenue for communication between the Board of Directors, Internal and External Auditors and the Independent Auditors, recommending appointment and removal of statutory/internal and concurrent auditors and fixing their remuneration, discussing with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern, reviewing of the results/financial statements (quarterly, half yearly, annual) and analyzing performance of the Bank along with the Management before submission to the Board, monitoring the adequacy of internal control environment, checks and balances and internal audit function, its policies, its structure, discussing and reviewing with the Internal and Concurrent Auditors their reports / findings with an objective of reporting any significant / material findings to the Board, reviewing all related party transactions, instituting special investigation teams with complete access to all records, information and personnel of the Bank, if necessary, scrutinizing the reasons for default, if any, in payments to Depositories, Debenture holders, Shareholders, Creditors, etc. and legal matters that could have a significant impact on the financial statements, performing any other act, duty as stipulated by the Companies Act, Reserve Bank of India, Securities & Exchange Board of India, Stock Exchanges and any other regulatory authority, as prescribed from time to time. The Company Secretary acts as the Secretary to the Committee.

Composition

The Audit & Compliance Committee comprises of 4 Non - Executive Directors, majority of them are Independent Directors. The Committee is chaired by Mr. Ajay Vohra, Independent Director. 6 meetings were held during the Financial Year ended March 31, 2012. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Ajay Vohra	4
Mr. S. L. Kapur	6
Mr. Wouter Kolff	4
Mr. Arun K Mago	6

Risk Monitoring Committee

Terms of Reference

The terms of reference of the Risk Monitoring Committee include identification, monitoring and measurement of the risk profile of the Bank (including market risk, operational risk, transactional risk and credit risk), overseeing its integrated risk measurement system and review of the risk models, approval of the risk management policies and structure of risk management systems, overseeing the credit approval process, developing policies and procedures for setting of quantitative prudential limits on various products and segments of the Bank's operations, monitoring compliance of various risk parameters by operating departments, developing an integrated framework for charting/categorising various types of loans, determining implications on quality and review of returns and reports to the Reserve Bank of India pertaining to the Risk Monitoring function.

Composition

The Risk Monitoring Committee comprises of 5 members. 4 meetings were held during the Financial Year ended March 31, 2012. The Committee is chaired by Mr. Wouter Kolff. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Wouter Kolff	4
Dr. Rana Kapoor	4
Mr. Arun K. Mago	4
Mr. S L Kapur	4
Mr. Ajay Vohra	2

Board Remuneration Committee

Terms of Reference

The terms of reference of the Board Remuneration Committee includes reviewing the Bank's overall compensation structure and related polices with a view to attract, motivate and retain employees and review compensation levels vis-à-vis other Banks and the industry in general, to determine the Bank's policies on remuneration packages payable to the Directors including performance/achievement bonus, perquisites, retirals, sitting fee, etc., consider grant of Stock Options to employees and administer and supervise the Employee Stock Option Plans. The Committee also functions as the Compensation Committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is authorised to allot shares pursuant to exercise of Stock Options by employees.

Composition

The Board Remuneration Committee comprises of 3 members. 1 meeting was held during the Financial Year ended March 31, 2012.

The Committee is chaired by Mr. Arun Mago. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Arun K Mago	1
Mr. Wouter Kolff	1
Dr. Rana Kapoor	1

Remuneration policy

Your Bank's Remuneration Policy is to position its pay structure competitively in relation to the market to be able to attract and retain critical talent. The compensation strategy clearly endeavours to differentiate performance significantly and link the same with quality and quantum of rewards. Your Bank would also strive to create long term wealth creation opportunities through stock option schemes.

Remuneration of Directors:

The Managing Director & CEO is paid remuneration as recommended by the Board Remuneration Committee and approved by the Board of Directors, Shareholders and Reserve Bank of India. The details of remuneration of Dr. Rana Kapoor, Managing Director & CEO are as under:

- Salary and allowances: ₹ 1,43,45,100/-
- Bonus to be paid as decided by the Board Remuneration Committee/Board of Directors in accordance with RBI Guidelines
- Provident Fund: ₹ 10,48,386/-, Super Annuation : ₹ 8,73,655/-
- Perquisites such as benefit of Bank's furnished leased accommodation, gas, electricity, water expenses, at actuals, use of Bank's cars, telephones at residence, medical insurance and life insurance as per Bank's policy, gratuity as per Bank's policy, medical benefits and leave fare concession. No sitting fees are paid to the Managing Director & CEO and there was no grant of stock options.

The Non Executive Chairman is paid remuneration as recommended by the Board Remuneration Committee and approved by the Board of Directors, shareholders and Reserve Bank of India. The Non Executive Chairman was paid a remuneration of ₹ 12,00,000/- per annum.

The Independent Directors are paid sitting fees of ₹ 20,000/- for attending each meeting of the Board of Directors and any Committee of Directors. During the Financial Year ended March 31, 2012 the Bank paid ₹ 11,00,000/- as sitting fees to the Independent Directors.

Nominations & Governance Committee

Terms of Reference

The terms of reference include review of the current Board composition, its governance framework, its Committees, determining future requirements and making recommendations to the Board for approval, scrutinise nominations for Independent/Non Executive Directors with reference to their qualifications and experience and making recommendations to the Board for appointment/filling of vacancies, validate 'fit and proper' status of all Directors on the Board of the Bank, develop and recommend to the Board Corporate Governance guidelines applicable to the Bank for incorporating best practices and implement policies and processes relating to Corporate Governance principles.

Composition

The Committee comprises of 3 members. 1 meeting was held during the Financial Year ended March 31, 2012. The Committee is chaired by Dr. Rana Kapoor. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Dr. Rana Kapoor	1
Mr. Arun K Mago	1
Mr. Wouter Kolff	1

Investor Relations Committee

Terms of Reference

The terms of reference include redressal of complaints from shareholders such as non-receipt of dividend, annual report, transfer of shares, issue of duplicate share certificates, etc. and monitor transfers, transmissions, dematerialisation, rematerialisation, splitting and consolidation of shares and bonds issued by the Bank.

Composition

The Committee comprises of 2 members. The Committee is chaired by Mr. Bharat Patel. 2 meetings were held during the Financial Year ended March 31, 2012. The composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Bharat Patel	2
Dr. Rana Kapoor	2

Particulars	No. of Complaints
Investor Complaints pending at the beginning	NIL
Investor Complaints received for the period April 2011 to March 2012	58
Investor Complaints disposed during the period April 2011 to March 2012	58
Investor Complaints pending	NIL

Fraud Monitoring Committee

Terms of Reference

The terms of reference include, to monitor and review in detail all frauds in excess of ₹ 1crore and above, identify the systematic lacunae, if any, that facilitate perpetration of the fraud and put in place measures to plug the same, identify reasons for delay in detection, if any and reporting of frauds to top management of the Bank and the Reserve Bank of India, to monitor progress of Central Bureau of Investigation/ Police investigation, and recovery position thereof, ensure that staff accountability is examined at all levels in all the cases of frauds and action against staff, if required, is completed quickly, with minimum loss of time, review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal control environment.

Composition

The Committee comprises of 3 members. The Committee is chaired by Dr. Rana Kapoor. 2 meetings were held during the Financial Year ended March 31, 2012. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Dr. Rana Kapoor	2
Mr. Wouter Kolff	2
Mr. S. L. Kapur	2

Service Excellence Committee

Terms of Reference

The terms of reference include reviewing of the product approval process, formulating comprehensive deposit policy, conducting and reviewing annual survey of depositor satisfaction, taking measures for enhancing the quality of customer service, improving the level of customer satisfaction for all categories of clientele and perform any other act, duty as stipulated by the Companies Act, Reserve Bank of India, Securities & Exchange Board of India, Stock Exchanges and any other regulatory authority, as prescribed from time to time.

Composition

The Committee comprises of 3 members. The Committee is chaired by Mr. Bharat Patel. 3 meetings were held during the Financial Year ended March 31, 2012. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Dr. Rana Kapoor	3
Mr. Bharat Patel	3
Mr. Arun K. Mago	3

Special Purpose Committee:

The Bank had constituted one special purpose committee viz. Capital Raising Committee. The Capital Raising Committee was formed for the purpose of looking at various options for infusing of capital, crystallize pricing after negotiation by the management and recommend the same to the shareholders at a general meeting. No meetings were held during the financial year ended March 31, 2012.

General Body Meetings

Location and time of the previous Annual General Meeting(s):

Year	Location	Date	Time
2009	Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai – 400 018	September 3, 2009	11.00 A.M
2010	Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai – 400 018	July 2, 2010	11.00 A.M
2011	Hall of Culture, G round Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai – 400 018	June 28, 2011	11.00 A.M

Special Resolutions

General Body Meeting	Day, Date	Special Resolution
Fifth Annual General Meeting	Thursday, September 3, 2009	Approval of partial modification of the resolution passed as item No 7 at the fourth annual general meeting of the Bank held on September 18, 2008 for increasing the coverage of stock options from 1 Crore stock options to 3 Crore stock options of YES Bank Limited Employee Stock Option Plan (YBL JESOP V/ PESOP II)
		Approval for partial modification of the resolution passed as item No 8 at the fourth annual general meeting of the Bank held on September 18, 2008 for extending the enhanced coverage of stock options under YES Bank Limited Employee Stock Option Plan (YBL JESOP V/ PESOP II) to the employees transferred / deputed to subsidiaries or employees of such subsidiaries of the bank
		Qualified Institutions Placement
Sixth Annual General Meeting	Friday, July 2, 2010	No special resolution passed
Seventh Annual General Meeting	Tuesday, June 28, 2011	Approval of partial modification of the earlier resolution passed as Item No. 8 at the Fifth Annual General Meeting of the Bank held on September 3, 2009 for increasing the coverage of stock options from 3 Crore stock options to 4.5 Crore stock options of YES Bank Limited Employee Stock
		Approval for partial modification of the resolution passed as item No 9 at the Fifth Annual General Meeting of the Bank held on September 3, 2009 for extending the enhanced coverage of stock options under YES Bank Limited Employee Stock Option Plan (YBL JESOP V/ PESOP II) to the employees transferred / deputed to subsidiaries or employees of such subsidiaries of the bank
		Approval for authorising the Board or any committee authorised by the Board for raising of additional capital aggregating upto USD 500 million or its Indian Rupee equivalent by way of placement of shares to Qualified Institutional Buyers through Qualified Institutions Placement (QIP) and/or private placement in international markets through ADRs/GDRs or a Public Issue or any other methods

Postal Ballot

No special resolution was passed during the last year through postal ballot. No special resolution is being proposed to be passed through postal ballot at the ensuing Annual General Meeting.

Disclosures

During the Financial Year ended March 31, 2012:

- There was no materially significant related party transactions with the Directors that have a potential conflict with the interests of the Bank
- The related party transactions have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements
- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.
- The Bank has formulated a Whistle Blower Policy duly approved by the Audit & Compliance Committee and the same provides for direct access to the Chairman of the Audit & Compliance Committee in exceptional cases
- The Bank has adhered to all the mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Listing Agreement to the extent applicable to the Bank. The CEO/CFO certificate with respect to internal controls on financial reporting and declaration by the CEO with respect to compliance with the Code of Conduct and Ethics for the Board of Directors and Senior Management were placed before the Board
- The Bank has implemented some of the recommendations given in the 'Corporate Governance - Voluntary Guidelines 2009' by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations
- The Bank has also ensured the implementation of the non-mandatory items, like maintenance of office for the Non Executive Chairman, Whistle Blower Mechanism and Constitution of Board Remuneration Committee. Dr Rana Kapoor, MD & CEO, Non Independent Director is a member of Board Remuneration Committee. In terms of Section 10 (2A) of the Banking Regulation Act, 1949 all Directors other than its Chairman and/or Wholetime Directors cannot hold office continuously for a period exceeding eight years. The Bank has constituted the Nominations & Governance Committee which undertakes a process of due diligence and evaluates every year whether the members of the Board adhere to the 'fit and proper' criteria as prescribed by the Reserve Bank of India. The adherence to the 'fit and proper' criteria by the members of the Nominations & Governance Committee is evaluated by the Board of Directors.
- Brief profile of the Directors retiring by rotation and eligible for re-appointment and Directors proposed to be appointed is attached to the notice convening Annual General Meeting.

Means of Communication

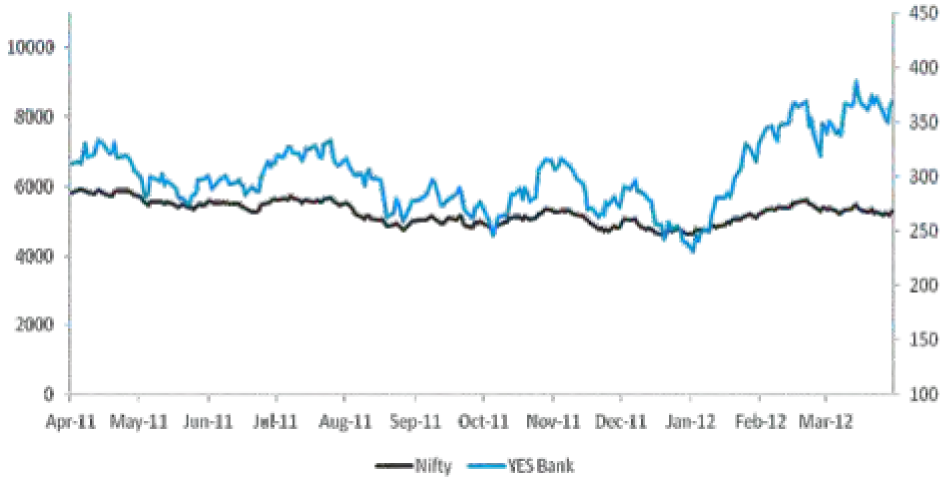
- Quarterly Results are communicated through a Press Release and newspaper advertisements in prominent national and regional dailies like the Economic Times, Business Standard, Mint, Free Press Journal, Navshakti, Financial Express, DNA and Hindu Business Line.
- The financial results, official news releases and presentations are also displayed on the website of the Bank (www.yesbank.in)
- The Bank also publishes its Balance Sheet and Profit and Loss Account together with the Auditors' Report in newspaper(s) as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulation (Companies) Rules, 1949

General Shareholders Information

Day, Date, Time and Venue of the Annual General Meeting	Saturday, July 14, 2012 at 11.00 A.M Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai - 400 018
Financial Year	April 1, 2011 to March 31, 2012
Date of Book Closure	July 9, 2012 to July 14, 2012 (both days inclusive)
Dividend Payment Date	Will be paid during July 19, 2012 to July 26, 2012
Listing on Stock Exchanges	1. Bombay Stock Exchange Limited 2. National Stock Exchange of India Limited. The Bank has paid the listing fees to the stock exchanges.
Stock Code	BSE : 532648 NSE : YESBANK

Market Price Data: High, Low during each month in last Financial Year

	NSE			BSE		
Month	High(₹)	Low (₹)	Volume	High (₹)	Low(₹)	Volume
April 2011	333.50	305.15	4,80,91,376	333.40	305.10	79,81,281
May 2011	302.40	273.60	5,72,73,444	302.15	273.60	73,87,477
June 2011	313.35	282.90	4,65,22,100	313.35	282.65	55,68,265
July 2011	333.45	310.45	4,37,17,650	332.65	310.45	54,32,231
August 2011	316.30	259.40	5,45,69,885	316.60	259.35	71,10,436
September 2011	296.85	262.30	5,17,51,452	296.90	262.10	69,27,089
October 2011	315.70	246.05	5,85,56,837	315.35	246.35	83,18,914
November 2011	316.50	263.10	4,43,34,511	316.55	262.90	53,46,904
December 2011	296.35	238.80	5,29,78,286	295.25	238.60	56,11,148
January 2012	330.45	231.85	7,44,41,869	329.95	232.20	86,24,258
February 2012	368.75	319.75	5,76,06,027	368.25	319.60	60,50,323
March 2012	386.50	337.80	9,57,69,268	386.85	337.85	81,97,669



Registrar and Transfer Agents	Karvy Computershare Private Limited Plot No. 17 to 24, Vittalrao Nagar Madhapur, Hyderabad - 500 081. Phone No. 040-44655000; Fax No. 040 -23420814 Contact Persons: Mr. K Sreedhara Murthy / Mr. U S Singh
Share Transfer System	The Board has delegated the authority for approving transfer, transmission etc. of the Bank's securities to the Managing Director & CEO and the Company Secretary.The Bank's shares are traded under compulsory demat mode. The Bank obtains from a company secretary in practice, half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

Distribution of Shareholding as at March 31, 2012

Category (Amount)	No. of shareholders	%	Total Shares	Amount	% of Amount
Up to 5,000	1,30,232	94.03	1,17,45,034	11,74,50,340	3.33
5,001 – 10,000	4,130	2.98	32,36,981	3,23,69,810	0.92
10,001 – 20,000	1,834	1.32	27,15,792	2,71,57,920	0.77
20,001 – 30,000	612	0.44	15,71,856	1,57,18,560	0.44
30,001 – 40,000	274	0.20	9,84,187	98,41,870	0.28
40,001 – 50,000	257	0.19	12,08,836	1,20,88,360	0.34
50,001 – 1,00,000	387	0.28	27,50,712	2,75,07,120	0.78
1,00,001 & Above	769	0.56	32,87,74,026	328,77,40,260	93.14
TOTAL	**138495**	**100.00**	**35,29, 87,424**	**352,98,74,240**	**100.00**

Shareholding Pattern as on March 31, 2012

	No of shares	%
Rana Kapoor - Promoter and Promoter Group	9,22,42,450	26.13
Other Institutions		
Mutual Funds / UTI	1,55,18,731	4.40
Financial Institutions / Banks	1,70,280	0.05
Insurance Companies	2,27,79,270	6.45
Foreign Institutional Investors	16,45,48,031	46.62
Foreign Financial Institution	1,67,00,000	4.73
Other non - institutions		
Bodies Corporate	43,33,116	1.23
Individuals		
(I) Individuals holding nominal share capital upto ₹ 1 lakh	2,04,78,022	5.80
(ii) Individuals holding nominal share capital in excess of ₹ 1 lakh	1,11,92,920	3.17
Trusts	1,07,475	0.03
Non Resident Indians	19,04,393	0.54
H U F	5,51,422	0.16
Clearing Members	24,61,314	0.70
TOTAL	**35,29,87,424**	**100.00**

List of Major Shareholders as on March 31, 2012

SR NO	NAME	SHARES	%
1.	Rana Kapoor - Promoter and Promoter Group	9,22,42,450	26.13
2.	American Funds Insurance Series Growth Fund	1,70,80,000	4.84
3.	HSBC Bank (Mauritius) Limited a/c HSBC Iris Investments	1,67,92,999	4.76
4.	Rabobank International Holding B.V.	1,67,00,000	4.73
5.	Smallcap World Fund, Inc	1,00,65,832	2.85
6.	CLSA (Mauritius) Limited	84,35,478	2.39
7.	Life Insurance Corporation of India	83,99,461	2.38
8.	Wasatch Small Cap Growth Fund	45,81,117	1.30

Dematerialization of shares and liquidity	As on March 31, 2012 almost the entire equity capital was held in the dematerialized form with NSDL (97.78%) and CDSL. (2.21%) Only 23,154 shares were being held in physical form (0.01%).
Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	The Bank does not have any Outstanding GDRs / ADRs / Warrants or any other Convertible instrument as on date.
Plant Locations	As the company is engaged in the business of banking/financial services, there is no plant location.
Address for correspondence	Karvy Computershare Private Limited Plot No. 17 to 24, Vittalrao Nagar Madhapur, Hyderabad - 500 081. Phone No. 040-44655000; Fax No. 040 -23420814 Contact Persons: Mr. K Sreedhara Murthy / Mr. U S Singh
Address of the Compliance Officer	Mr Sanjeev Kapoor, Company Secretary 23rd Floor, Tower 2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone Road (West), Mumbai - 400 013 Phone No. : 022 -3366 9000 Fax No. : 022 - 24214507 e-mail : shareholders@yesbank.in

Rana Kapoor
Managing Director & CEO

S.L. Kapur
Non-Executive Chairman

Place: Mumbai

Date: April 25, 2012

Compliance with the Code of Conduct and Ethics

I confirm that all Directors and members of the Senior Management have affirmed compliance with YES BANK Code of Conduct and Ethics.

Rana Kapoor
Managing Director & CEO

Place: Mumbai
Date: April 25, 2012

Welcome to the exclusive world of YES FIRST PREMIUM BANKING SERVICES

At YES BANK we take pride in presenting to you YES FIRST, the finest banking service for discerning customers like you.

Now achieve your financial goals with our expertise in Wealth Management & Advisory. Benefit from an impressive line-up of Privileges, Products and Services, world-class Wi-Fi enabled Branches, Business Lounges, User-friendly Touch Points and much more! All adding a new meaning to the word 'Convenience'.

Advantage YES FIRST

- Instant Online Fund Transfers
- Access to over 360 YES BANK branches and 600 Plus ATMs in India
- Customised wealth management through Dedicated Relationship Managers
- Track your net worth in seconds with MONEY MONITOR, Your Personal Finance Tracking Tool
- Complimentary access at over 1 million MasterCard ATMs worldwide
- Transact in mutual funds online through MFONLINE
- 24 x 7 access through India's first Voice Enabled Phone Banking Service
- Enjoy Concierge Services through YES Assist

Come. Experience YES FIRST. A world of convenience is waiting to be yours.

Welcome to the exclusive world of YES FIRST PREMIUM BANKING SERVICES

An Exclusive Wealth Management Program

At YES BANK we take pride in presenting to you YES FIRST, the finest banking service for discerning customers like you.

Now achieve your financial goals with our expertise in Wealth Management & Advisory. Benefit from an impressive line-up of Privileges, Products and Services, world-class Wi-Fi enabled Branches, Business Lounges, User-friendly Touch Points and much more! All adding a new meaning to the word 'Convenience'.

YES Advantages

- Wealth Management
- Preferential Services
- Convenience Benefits
- Health, Wellness & Security
- Lifestyle Benefits
- Responsible Banking

YES, we promise to put you FIRST.

YES FIRST | YES BANK

Get more for your family with YES BANK's Loan Against Property

YES BANK now offers Loan Against Property to help you get more. After all, it's what you and your family deserve. The very best that life has to offer.

YES BANK's Loan Against Property can be availed up to ₹ 2.5 crores.

It's not just a car you buy. It's a lifestyle.

Introducing YES BANK Car Loan.

At YES BANK, we're always seeking ways to make your life better. The YES BANK Car Loan is just another step in this direction. After all, we believe that you do deserve the very best.

You can avail of the following benefits to get the lifestyle you've always deserved:

- Maximum loan amount up to ₹ 1 crore
- Loans up to 90% of ex-showroom cost
- Fixed Tenure Loan up to 60 months
- Easy repayment options
- Faster processing and minimal documentation

Follow us on:

YES BANK's Sustainability Disclosures 2011-12

Responsible Banking: Towards a better understanding of Risk

Managing Director & CEO's Message

Dear Stakeholder,

I am pleased to share highlights from YES BANK'S first Sustainability Report titled, 'Responsible Banking, towards a better understanding of risk'. Being our first public sustainability disclosure, we are establishing FY12 as our baseline year, against which we will compare all our future sustainability performances in the many enduring years ahead.

It is important for our stakeholders to know that sustainability is embedded at the epicenter of Our Bank's strategy. In fact, since YES BANK'S inception in 2004, Responsible Banking was adopted as a business philosophy that determines the future of our organisation. We have applied Responsible Banking as a compass to guide the direction of our business where we identified a range of sunrise and development sectors in the Indian landscape and installed strategic business units to pursue and service these sectors using a Knowledge Banking approach, and therefore provide focused financial services. Clean energy, Agri-business and Bottom of the Pyramid financing are amongst some of these sectors.

On risk management, our Bank's progressive Environment and Social Policy, modeled on lending guidelines of multi-lateral lending agencies like the IFC and World Bank, ensures that YES BANK does not lend, invest or enter into business agreements with organizations that delve in socially and environmentally unethical activities. To enforce this, we have included a robust check list of prohibitive activities in our loan approval memos, ensuring that each and every transaction is screened on such parameters.

Setting our sights firmly on what our business has to do, which is to facilitate sustainable development, YES BANK has also evolved on how it conducts its business. Although banking operations are not as resource intensive as the manufacturing sector, we are acutely aware that our rapid branch expansion plans will put relative strain on India's limited natural resources, hence we are committed to reducing our natural resource consumption through data collection, analysis and strategic reduction programs. We have installed an intelligent IT system which monitors our Greenhouse Gas emissions in real time. Accurate measurement of emissions leads to the development of internal resource consumption mitigation programs, which ultimately result in a reduction of operational costs. Conscious of our rapid expansion, we are also ensuring that our employees are trained in the aspects of Responsible Banking while we are investing significantly in their wellbeing and professional growth. Our headcount has increased in tandem with our balance sheet, ensuring we consistently provide superior service quality to our clients.

Since the main Annual Report adequately covers YES BANK'S financial performance, this section is dedicated to our performance on various social and environmental development parameters. We have used the 9 principles of the National Voluntary Guidelines, launched by the Ministry of Corporate Affairs, and the Global Reporting Initiative (GRI) G3 framework to structure this section.

Your Bank believes that triple bottom line reporting is a true measurement of the health and long term strategy of an organization. Our approach will always be fixed on accurate measurement on economic, social and environmental parameters so as to develop and implement programs that will generate measurable positive impact on society and the planet.

You are an important stakeholder to us, therefore I do encourage you to provide your feedback and suggestions on our journey towards sustainable growth.

Thank you,

Sincerely,

Rana

Dr. Rana Kapoor

Introduction

Responsible Banking

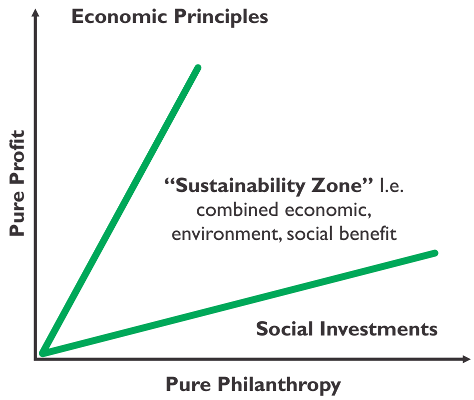
Your BANK aims to build the 'Best Quality Bank of the World in India' by adopting the triple bottom-line ethos – 'People, Planet and Profit' – thereby creating enduring value, competitive advantage and sustainability leadership. Through various innovative initiatives, your Bank reaches out to emerging sectors, untapped markets and underserved sections of society, engendering inclusive and sustainable development.

Your Bank's business philosophy is cognizant of India's business, social and development agenda. Our sustainability focus is driven by Responsible Banking (RB). Your Bank believes that as a commercial bank, the RB approach makes the best use of our skills and resources and achieves the greatest impact in a business-like, commercially viable manner – addressing social, environmental and financial benefits, for us, our clients and our immediate community by bringing about a systemic change rather than an isolated one-off intervention. RB will continue to remain the cornerstone of our strategy, ensuring the longevity of our business and that of our clients, helping us mitigate risks and identify new markets thereby perpetuating a virtuous cycle of economic prosperity and balanced development and, at a broader level, be the 'Reference Bank' for the Indian financial community. Indeed, YES BANK was established with a vision to create a commercially viable financial institution that incorporates sustainability within its core business focus. Our unique and innovative approach has moved away from philanthropy based CSR to strategic sustainability encapsulated in our 'Responsible Banking' (RB) strategy which:

- ✓ Aligns with our core business
- ✓ Strategically differentiates the Bank in a crowded marketplace
- ✓ Helps in developing financial solutions for developmental problems
- ✓ Underpins each transaction via the Environment and Social Policy (ESP)

Sustainability Strategy

Your Bank has evolved an innovative business model entailing a conscious move away from philanthropy and a single-minded focus on financial gains to operate in an area between pure profit and pure charity which we call the **'Sustainability Zone'** where wider economic, environmental and social objectives are met using a business approach.



Your Bank's Sustainability Strategy addresses the value chain of sustainable finance in India, engendering:

- ✓ Value capture–generating sustainable profits & generating profits from sustainability
- ✓ Value addition–providing sustainability edge
- ✓ Value creation–charting strategy, translating this into products and services
- ✓ Value collaboration–operating from a position of engagement and understanding

Embodied in the organisation's **'Responsible Banking'** strategy, and driven by the Bank's top management, our sustainability approach is well-defined, and embedded across all businesses/departments, mainstreamed within the broader Indian context through multi-stakeholder engagement with peers, governmental and non-governmental bodies, industry and academia.

More specifically the Bank works towards:

- ✓ Mainstreaming sustainability within the Indian banking landscape, adopting a multi-stakeholder approach of dialogue with peers, corporate, governmental and non-governmental bodies, industry and academia.

- ✓ Addressing Environmental, Social and Governance (ESG) issues to not only mitigate risks associated with environmental or social performance but also foster new sustainable businesses.
- ✓ Offering innovative financial solutions to address a wide range of issues across the sustainability spectrum from sustainable livelihoods, food security and climate change to access social infrastructure including healthcare and education.
- ✓ Measuring, managing and reporting its economic, social and environmental performance in accordance with international protocols and standards.

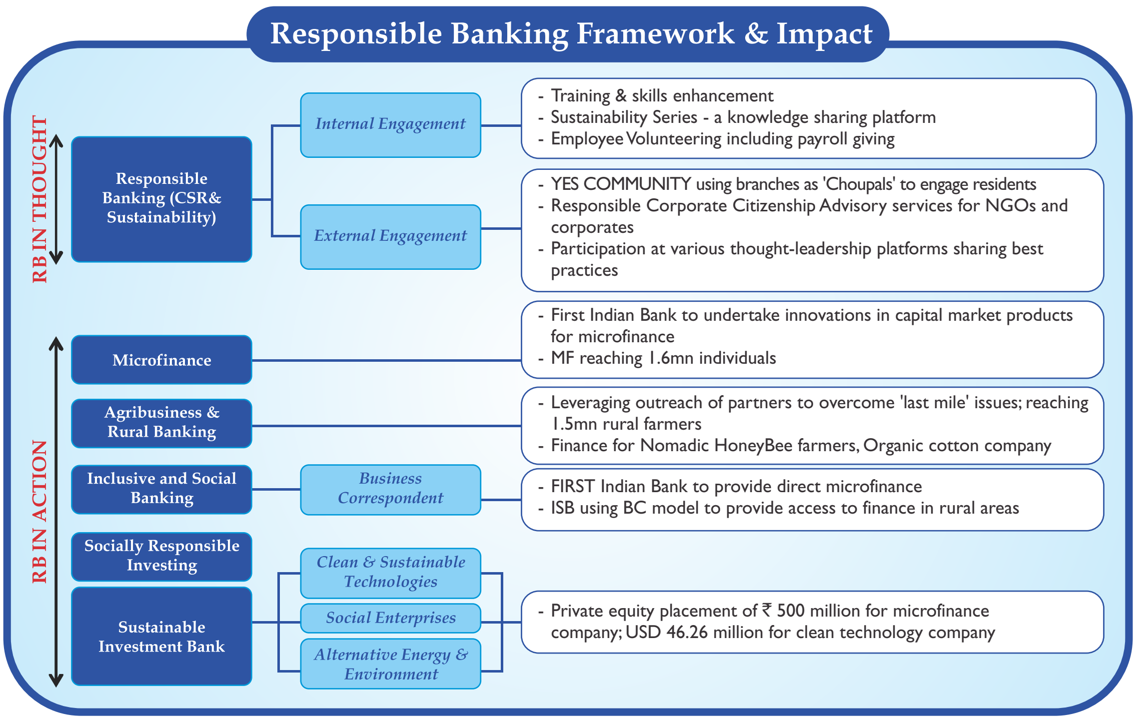
The Bank implements the Responsible Banking strategy using a two-pronged approach:

Responsible Banking in Thought

This unit focuses on sustainability research, strategy formulation & reporting while working as a think tank that incubates fledgling business models within the social and environmental space. Liaising with a range of external stakeholders from social enterprises, civil society organizations, multilateral agencies, government bodies, socially responsible investor communities, academia and sustainability practitioners among others, this team seeks to create innovative, scalable and financial viable approaches to development. Internally, the team works seamlessly with other parts of your Bank to embed sustainability principles within daily operations including developing sustainability related employee engagement programs (volunteering, ESG training and communications) and influencing/steering business and risk management strategies.

Responsible Banking in Action

This includes 5 dedicated business units providing financial solutions to address a range of socio-environmental development issues, focusing specifically on sustainability sectors including clean energy, energy



efficiency, sustainable livelihoods and agricultural & rural enterprises.

a) Microfinance Institutions Group

b) Inclusive & Social Banking

c) Agribusiness & Rural Banking

d) Sustainable Investment Banking

e) Socially Responsible Investing

These Responsible Banking units – both Thought and Action, continually work in close association with other parts of the Bank creating an effective network of sustainable business solutions to address environmental and social concerns.

Sustainability Thought Leadership and Memberships

Given our strategic focus on sustainability, we have been active participants at various thought leadership forums e.g. first Indian banking signatories to the United Nations Environment Program – Finance Initiative (UNEP-FI) and the Carbon Disclosure Project (CDP). We are also signatories to the United Nations Global Compact (UNGC) and submit our Communication of Progress to the organization annually. YES BANK featured third on the Carbon Disclosure Leadership Index (CDLI) due to its commitment to incorporating the best Green House Gas (GHG) practices internally.

To further percolate sustainability principles within the Indian context, your Bank has instituted the "Sustainability Series" this year which is designed to transition from an internal knowledge exchange platform to an external thought leadership initiative that generates a multi-stakeholder dialogue on mainstreaming sustainability.

Awards

The Bank's Sustainability Responsible Banking Strategy has garnered significant recognition winning the **'Sustainable Bank of the Year : Asia-Pacific Region'** award at the FT-IFC Sustainable Finance Awards 2011 held in London, U.K, for the second time in six years as well as receiving a **'Commendation Certificate' for 'Significant Achievement'** at the 2012 CII-ITC Sustainability Awards for the second year running.

Sustainability Management & Corporate Governance

Since inception, YES BANK has set the highest standards of corporate governance by benchmarking its governance practices against the accepted best practices across the globe. We believe that **transparency and accountability** are the fundamental principles of sound corporate governance, and these principles form the foundation of all our businesses. We believe that there is a need to view corporate governance as more than just a regulatory requirement since there is a fundamental link between governance, corporate responsibility and shareholder wealth maximization.

The RB - in thought team is primarily responsible for driving the sustainability strategy and CSR agenda at your Bank. Administratively, the team reports directly to the CEO where this close association ensures that sustainability remains paramount as an agenda. Further the team meets the Board once a year to showcase results and discuss future sustainability strategies for your Bank and approve budgets. The team is then responsible for communicating the developed strategies and reporting successes through sustainability reporting, carbon disclosure and the UNGC Communication of Progress.

While the Management Committee oversees the implementation of the sustainability strategy and stringent adherence to the Bank's Environment and Social Policy (discussed later in the report) for any financing, all sustainability initiatives are also part of comprehensive internal audits conducted regularly at the Bank. The internal audit is an independent and objective assurance and consulting activity to add value and improve organization's control environment.

Reporting & Feedback

In reporting its sustainability initiatives, including its social development programmes, the Bank puts forth its efforts to various stakeholders for their feedback which is then incorporated to improve business processes and practices. Using a multi-stakeholder engagement model, your Bank has put in place a concrete feedback mechanism that feeds in to our strategy helping to enhance implementation. Internally there are reports produced to assess the progress of projects undertaken in the area of sustainable development. This ensures monitoring, evaluation and identification of gaps that helps in the continual improvement of the projects and initiatives in place so that they are better executed and result in greater outreach. Client feedback is also included in such reports to get an independent assessment on the requirements and effectiveness of the project.

Stakeholder Engagement – Sustainability

YES BANK STAKEHOLDER ENGAGEMENT

MULTILATERAL ORGANIZATIONS

- Dr. Kapoor is also a Board member of the UNEP-FI Banking Commission Steering Committee
- Your Bank has jointly developed a Sustainable Finance model with UNEP – FI, to be launched at the upcoming Rio+20 talks.

EMPLOYEES

- **Sustainability Training** - Instituting internal practices, external initiatives, new business lines and training/capacity building.
- **The Responsible Times** - Connect with employees on sustainability themes a monthly newsletter is circulated, called 'The Responsible Times'.
- **Sustainability Series** - A knowledge exchange platform that generates dialogue between employees and sustainability practitioners & social entrepreneurs.

CUSTOMERS & COMMUNITY

- YES COMMUNITY (YC), is the Bank's community engagement initiative wherein all branches serve as 'choupal' or knowledge exchange platforms for clients to discuss local social and environmental issues.

INDUSTRY BODIES

- Dr. Rana Kapoor was appointed as Senior Vice President of ASSOCHAM in 2012.
- Dr. Kapoor is also an advisory council member of CII-ITC Center for Excellence in Sustainable Development and TERI Business Council for Sustainable Development.

BUSINESS PARTNERS

- Business partners are screened against your Bank's Environment and Social Policy (ESP) which lays down guidelines for business partner selection.

CIVIL SOCIETY

- Your Bank engages with Civil Society to develop well informed content for internal and external sustainability engagement programs (i.e. Volunteering & YES COMMUNITY).
- Your Bank's Social Deposit Account, a retail banking product, is an example of partnering with civil society, CARE India, to develop innovative Banking products.

SUPPLIERS

- Your Bank's vendor agreement is a 300 page document that contains YBL stipulated clauses on human rights & ethical business practices.

INVESTORS

- The Annual Report, the Environmental & Social Policy, Business Updates as well as the Shareholding Pattern as of March 31, 2012 have been uploaded on the YES BANK website (www.yesbank.in).

ACADEMIA

- Your Bank has authored numerous publications in partnership with premier academic institutions.
- A full list of knowledge reports authored by various business units at Your Bank can be found in the Annual Report.

REGULATORS

- Your Bank is compliant to all RBI & SEBI regulations, directives and notifications.
- Occasionally your Bank collaborates with regulatory authorities to host workshops financial literacy workshops for clients.

GOVERNMENT

- YES BANK has dedicated teams like Strategic Initiatives and Government Advisory (SIGA) and Government Relationship Management (GRM) that specifically manage relations with government bodies.

Towards a better understanding of 'Risk'

Environmental & Social Risk and Governance at YES BANK

As India emerges as a global player, with Indian companies attracting significant foreign direct investment, it is becoming important and relevant for your Bank to strengthen the triple-bottom-line approach in making credit decisions, where we take pride in scrutinizing our business activities using a compliant Environmental and Social Policy (ESP) that is based on international best practices. The ESP is a crucial part of the credit risk appraisal process wherein due diligence is done to ensure that we do not support businesses that are engaged in illegal, unethical or environmentally unsustainable practices. The ESP enables the Bank to develop processes to recognize, evaluate, and to the highest degree possible, monitor and manage, the environmental and social facets of our operations and that of our clients. Here, the overarching objective is to align environment and social approaches of the Bank with those of its customers to synergistically promote sustainable banking relationships.

The Bank adopted its first ESP in August 2005 to adequately meet, respond and enhance our approach to environmental and social risk management and we are cognizant of practices followed by other Banking/Financial Institutions and have bench-marked the ESP against the International Finance Corporation/ The World Bank Group, National Environment Policy, Asian Development Bank and international agencies like International Labour Organization, amongst others. The scope of the Policy has evolved across the years and recapitulates the commitments of the Bank to mainstream environmental and social issues strategically as an integral dimension of business. The ESP is reviewed and updated annually to ensure alignment with the broader objectives of the Bank.

YES BANK seeks to ensure through its ESP, evaluation and assessment processes that the projects it finances –

(I) are socially and environmentally sustainable;

(ii) respect human rights

(iii) are designed and operated in compliance with applicable regulatory requirements and good international practices.

The due diligence conducted includes the level of social and environmental risks commensurate to the scale and nature of the projects being financed. The ESP is integrated with the Credit Risk Policy for an overall assessment of the projects.

Sustainability Risks & Opportunities

Although your Bank's business is guided by a robust ESP which contains exhaustive environment and social risk assessment parameters, the policy is only applicable to loan applications, business partnerships and vendor selection. In light of this the ESP is revisited periodically and revised if necessary. Revisions in FY13 will include your Bank's internal Environment Management System protocol (explained in the Environment Management section).

To go beyond and project triple bottom line risk assessment and to truly guide and protect your Bank's business strategy, we believe that any shocks and risks to India's social, environmental and economic stability are inevitable risks to the sustainability of your Bank's entire business model. **Taking this approach expands our business consciousness where we take a proactive approach towards understanding the various economic, social and environmental risks in detail, and convert them into business opportunities.** These risks have been identified by the Board together with the Responsible Banking in thought team and validated for materiality through an internal stakeholder engagement with top management executives of your Bank. Our aim for the future is to extend our materiality assessment exercise to all our stakeholders.

Our approach to these business sustainability risks is aligned to your Bank's inherent Money Doctor approach of diagnosis, prescription & monitoring, where we invest considerable resources to academically explore and research these topics using a multi-stakeholder approach. Our knowledge reports are intended to highlight financing opportunities for your Bank where the emerging thoughts can be further refined to develop financial products and institute strategic business units to offer a range of financial solutions to address the specific sustainability risk. To further leverage our research and knowledge, your Bank triggers dialogue in the form of focused knowledge events with partners that bring together industry practitioners, policy makers and financial institutions. Our aim for FY13 is to incorporate the risks and sustainability issues identified by our external stakeholders as well to ensure our business sustainability strategy and business outlook are inclusively driven.

The Opportunity In Sustainability Risk

SOCIAL ANALYSIS	THE RISK	THE OPPORTUNITY
Financial Inclusion & Literacy	A large segment of Indians remain excluded from formal payments systems & financial markets. Financial inclusion comprises the delivery of banking/ financial services at an affordable cost to the vast sections of disadvantaged and low income groups. Insufficient physical and communication infrastructure restrict access to financial services and institutions. The barriers of financial inclusion on demand side are illiteracy, lack of awareness and financial illiteracy, low income, pre-owned collateral /assets and social exclusion. The reasons for exclusion from the supply side are long distance of branch from the residence, inflexible timings of the branch, complicated procedure and intricacies of documentation, unfamiliar language, unsuitable products and staff attitudes.	Direct and wholesale microfinance with a diversified portfolio range
Skills Development & Livelihoods	Despite impressive economic growth, poverty and hunger continue to blight the lives of many people in rural India. Low levels of literacy and skills conspire to keep people in the poverty trap, preventing them from claiming their basic rights or from embarking on new activities to earn income or build assets. A shortage of skilled labor in the formal sector could slow down growth of India's manufacturing and service sectors.	Adopting a livelihoods approach, that places people at the centre of development, can help them build assets and develop their skills so that they are able to access new opportunities for income generation and employment. This approach shapes your Bank's focus on social businesses.

SOCIAL ANALYSIS	THE RISK	THE OPPORTUNITY
Public Health & Access to healthcare	Healthcare resources in India though not adequate, are ample. There has been a definite growth in the overall healthcare resources and health related manpower in the last decade. However, unequal distribution of resources becomes apparent and access to quality healthcare services has been limited by income inequality. Only 17% of all health expenditure in the country is borne by the state, and 82% comes as 'out of pocket payments' by the people. The Indian public health system is grossly inadequate and under-funded. The socially under-privileged are unable to access the healthcare due to geographical, social, economic or gender related distances. The burgeoning but unregulated private healthcare sector makes the gap between rich and poor more apparent.	Financing public private partnerships to improve the service delivery of Primary Health Centers in rural and semi rural India will become a significant opportunity for the Banking and financial sector in the years to come. Creating awareness and driving the acceptability of HIV, AIDS and other communicable diseases will also unlock the human capital potential in the vast swathes of the working population that is afflicted with the diseases.
Nutrition	The World Bank estimates that India is ranked 2nd in the world of the number of children suffering from malnutrition. One of the major causes for malnutrition in India is gender inequality. Women who suffer malnutrition are less likely to have healthy babies. Deficiencies in nutrition inflict long-term damage to both individuals and society. Compared with their better-fed peers, nutrition-deficient individuals are more susceptible to infectious diseases such as pneumonia and tuberculosis, which lead to a higher mortality rate. In addition, nutrition-deficient individuals are less productive at work. Low productivity not only gives them low pay but also traps them in a vicious cycle of under-	Funding low cost off grid food processing technologies aimed at tackling malnutrition is an area currently being explored by your Bank. At the farm level, our Responsible Bankers are providing a range of financial services to clients ranging from biotechnology, to cooperative and organic farming.

SOCIAL ANALYSIS	THE RISK	THE OPPORTUNITY
	nutrition. India's long term economic growth is fully dependent on a young and vibrant workforce across the social strata. Malnutrition could not only significantly impair the physical strength of children but also limit their mental abilities when they grow up and enter the workforce. A mentally impaired and physically weakened workforce could disrupt the growth of manufacturing activity and services in the Indian economy.	
Disaster relief	A wide spectrum of disasters regularly wreaks havoc in the Indian subcontinent, and India remains the worst-affected country in South Asia. Disasters are either natural, such as floods, droughts, cyclones and earthquakes, or human-made such as riots, conflicts, refugee situations, and others like fire, epidemics, industrial accidents, and environmental fallouts. The frequency of all categories of disasters, varying from epidemics to road accidents and perennial droughts and floods, is escalating, resulting in a multifold growth of injuries, disabilities, diseases, and deaths, disrupting life-supporting systems, and adding to the health, social and economic costs.	Responding promptly to regional disasters is deeply embedded in the corporate culture at your Bank where the Responsible Banking team has organized donation drives and volunteering programs in collaboration with a range of NGO partners. Building strong and meaningful grassroots ties with local communities is and will continue to be one of core strengths and philosophies of your Bank, thus creating a work environment that is grounded and connected to the realities of living in a diverse country.

SOCIAL ANALYSIS	THE RISK	THE OPPORTUNITY
Affordable Housing	In India alone, about 100 million people live in urban slums and slum-like conditions without adequate basic facilities. These numbers are expected to touch 200 million by 2020. As a result of rapid urbanization and rural-urban migration, a significant challenge will be providing affordable housing to city-dwellers, especially the poor. To ensure that we are able to house the economically weak and disadvantaged, we must be able to provide housing at a cost of between three to six times of per capita incomes. With the number of families earning more than Rs 2 lakh annually, set to double to around 20 million in the next two years, demand for small and simple affordable apartments is set to grow. Slum expansions can lead to a variety of health related illnesses and havens for epidemics. Further, there is a high incidence of informal economic activity taking place in Indian slums, a sink for black money and other unethical and illegal business activities. A combination of these problems can significantly hamper labor productivity and lead to GDP calculation errors which in turn can have significant macro economic impacts	Working with a combination of low cost housing project developers, your Bank can develop low cost home financing products and services to facilitate the uptake of housing loans, focusing on the bottom, low and lower middle income segments of the market.

ENVIRONMENTAL ANALYSIS	THE RISK	THE OPPORTUNITY
Energy Security	An energy deficit in India threatens the pace of manufacturing and ultimately economic growth. Almost 60% of India's power is derived from the inefficient burning of imported coal, a major contributor to Greenhouse Gas (GHG) emissions. Imported coal puts a strain on the country's balance sheets and casts a shadow on the long term sustainability of the Indian power sector and the Indian economy as a whole.	India's solar power reception is pegged at 5 Petawatt hours per year (5 trillion Kilowatts per year) and aided by a progressive National Solar Policy, India will generate close to 20 GW of solar power by 2020 with the Government of India investing close to $19 bn in the sector. This is just one example of how India will overcome its energy related challenges by adopting clean energy models and therefore reduce its GHG emissions in the long term.
Green Technology & Chemistry	Climate change caused by increased GHG emissions from energy and resource inefficient manufacturing equipment gives rise to wide range of long term economic security threats. Increasing levels of toxicity released into the ecosystem from pesticides and by-products from manufacturing process threaten the well being and productivity of human beings and have led to the extinction of several animal species.	Green/clean technology addresses the energy efficiency concern and is further accelerated by concerted Government of India policy to enable faster integration. Green Chemistry is a practice of scientific research that focuses on increasing the safe and accelerated biodegradation of chemical by products and discovering natural substitutes for synthetic and harmful chemicals.
Water Security & Access	Agriculture in India consumes up to 70% of India's fresh water supply which mainly comes from drying rivers, lakes and underground aquifers. Inefficient agricultural practices, climate change and an increasing population are putting a strain on India's limited freshwater supplies where shortages in India's major cities are not uncommon. Therefore, droughts and water shortages are a threat to food security, productivity and ultimately the Indian economy. Any threats and shocks to an economy must be considered as a threat to the stability of financial institutions.	Water desalination, drip irrigation and other mainstreamed water technologies that promote water conservation are a market reality and are attracting significant attention from the financial community, including your Bank.

ENVIRONMENTAL ANALYSIS	THE RISK	THE OPPORTUNITY
Food Security	India's population now stands at 1.2 bn people. This 10% growth over a decade in population puts a strain on the food supply chain in the country where inefficiencies and wastage contribute significantly to price pegged inflation of everyday food items. Uncontrollable inflation is a significant threat to economic stability and the ability for companies to pay back loans to Financial Institutions.	Your Bank has instituted a strategic unit to better understand the opportunities in the food and farm sector. The Food and Agri-business Strategic Advisory and Research (FASAR) team at your Bank undertakes advisory projects for clients in this space and develop strategy for the Agri-business and Rural Banking team to disburse loans allocated by the Bank for the growth of the sector.
Waste Management & Sanitation	Waste needs to be addressed holistically, as an integral part of the cycle of production-consumption-recovery and safe disposal, recognizing its natural resource roots as well as health and environmental impacts. Urban India is likely to face a massive waste disposal problem in the coming years. Waste can be wealth, which has tremendous potential not only for generating livelihoods for the urban poor, through recovery and reuse, but can also enrich the earth through composting and recycling rather than inflicting pollution as has been the case. Any new paradigm should include a cradle-to-grave multi-stakeholder approach that includes product manufacturers, consumers and communities, the recycling industry, trade, municipalities and the urban poor.	Waste to energy is an age old activity in India with many successful models currently running at the grass roots level. Biomass, biogass, bio-methanation and plasma arc gasification are just some of the commercially viable technologies that are addressing the issue and inadvertently improving the waste and sanitation supply chain.

ENVIRONMENTAL ANALYSIS	THE RISK	THE OPPORTUNITY
Biodiversity & Natural Resource Management	Unsustainable development has threatened species principally due to a decline in the areas of their habitats, fragmentation of habitats and declines in habitat quality, as economic development has preceded environmental sustainability. The erosion of India's biodiversity and natural resources are threatening the livelihoods of millions typically dependant on it and has also caused large unpredictable changes to ecosystems that adversely impact agriculture, human health and environmental quality. Biodiversity and a healthy natural resource base are essential for maintaining the ecological functions that form the basis of economies, including stabilizing of the water cycle, maintenance and replenishment of soil fertility, pollination and cross-fertilization of crops and other vegetation, protection against soil erosion and stability of food producing and other ecosystems.	The international discussion on Natural Capital, i.e. putting a value on nature, is taking a mature turn and your Bank, being the Board member of the UNEP-FI Banking Commission steering committee is working with other global banks to build consensus and a deeper understanding of the subject with the objective of creating green financial markets.

Climate Change & Environment: Business & Management Performance

Management Approach to Climate Business & Management at YES BANK

YES BANK's Responsible Banking approach is aimed at percolating the triple bottom-line approach (People-Planet-Profit) within the broader Indian context. To this end, we use an Environmental Management System to attain internal resource consumption efficiency and an Environmental & Social Policy to underscore all our credit decisions thus ensuring the sustainability of our own business and that of our clients.

Climate Business – Environmental deals in FY12

As mentioned, your Bank assesses every loan application on set social and environmental parameters, therefore strengthening your Bank's risk management and due diligence procedures and thereby ensuring the sustainability of our business. Our low NPAs, the lowest in the Indian Banking sector, are a testament to our holistic understanding of risk. The FY12 NPA figures can be accessed from our Annual Report.

Your Bank's Sustainable Investment Bank works closely with the Corporate Finance team to financially facilitate the growth of companies setting up renewable energy, clean technology and water and sanitation projects. The teams develop innovative financial structures, sometimes accessing government subsidies and funds to create sustainable finance models that promote environmental growth.

Here is a summary of the debt and equity deals executed by your Bank in FY12 which promote environmental development:

Renewable energy FY12

	Power Generation Megawatts (MW)	Debt Exposure (₹ cr)	Equity Advisory (₹ cr)
Wind	96	133	58
Solar	49	544	0
Waste to energy	70	154	0
Total	215	831	58

Water Security & Sanitation FY12

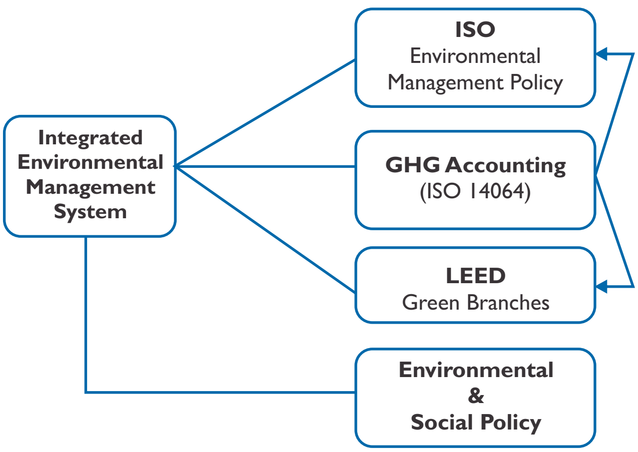
	Debt Exposure (₹ cr)	Equity Advisory (₹ cr)
Hazardous Waste Management	35	--
Water efficiency	–	25
Total	35	25

Internal Environmental Management at Your Bank

In FY12, Your Bank indigenously developed and installed an **Integrated Environmental Management System** to unify three key environmental objectives – GHG Accounting, ISO 14001 and LEED.

Your Bank believes that taking a methodological approach towards measuring the Bank's Green House Gas (GHG) emissions will lead to better management and quantifiable mitigation. The entire program is driven by the inextricable link between GHG emissions and operational cost, justifying the need for a concerted and strategic approach to control emissions using a multi-departmental approach.

An Integrated Approach to Environmental Management System (I-EMS) at Your Bank:



Key objectives of I – EMS

1) Accurate GHG Accounting

ISO 14064 provides internationally accepted guidelines to maintain an inventory and audit greenhouse gas emissions. It involves developing a system to track, manage and report, in quantitative terms, environmental impact across the organization.

- ✓ System to collate data on pan-bank carbon footprint
- ✓ Measurement and monitoring for ISO 14001 and LEED

2) Robust Environmental Management Policy

ISO 14001 is an internationally accepted standard on Environmental Management System (EMS) & is a framework that allows an organization to consistently control its significant impacts on the environment & ensure compliance with environmental legislation.

- ✓ Policy, procedures and programs to manage environmental impacts
- ✓ Processes to monitor and review environmental performance
- ✓ Internal and external communication

3) Sustainable business expansion through Green Branches

The LEED 2011 for India Green Building Rating System is a voluntary, consensus-based, market driven rating system based on existing, proven technology & processes. It evaluates environmental performance from a whole building perspective over a building's life cycle, providing a definitive standard for what constitutes a "green building"

- ✓ Green procurement of materials used in YBL premises

- ✓ Technological controls to improve efficiency of resource consumption
- ✓ Management of environmental impacts

Implementation of I-EMS in FY12 – Key developments

Environment and Cost Management Committee (ECMC)

Our first step to ensure multi-departmental coordination and synchronization for the development, installation and management of GHG emissions at your Bank was to establish the ECMC. The ECMC brings together senior business leaders to drive targeted programs that seek to rationalize the Bank's resource consumption, thereby reducing our carbon footprint and operating costs. The ECMC has driven programs like 'War on Waste', 'R3 – Reduce, Reuse, Recycle' (As part of the program, 400 suggestions from employees were received for various aspects of efficient operation) and 'YES EcoSave' that bring together different verticals to develop innovative ways to improve operational efficiency to reduce waste and minimize our carbon footprint. This is a strategic approach, with defined objectives, a formal policy, action plans, allocated resources, and expert staff.

Environmental Management System (EMS)

Global warming and climate change have emerged as key sustainable development issues. Most governments across the globe have pledged to take steps to reduce GHG emissions through national policies and various mechanisms such as emissions trading programs, voluntary programs, carbon or energy taxes, regulations and standards on energy efficiency and emissions of facilities, products and services.

Internally the most significant impact within the Bank is in energy use, paper consumption, and business travel, and a critical measure would be instituting a carbon accounting system, a methodology to inventory and audit greenhouse gas (GHG) emissions, to improve environmental performance and reduce resource consumption. Implementing an EMS, as we have done, to measure environmental performance, provides sustainability managers with relevant data based on which they can identify potential gaps and opportunities to reduce carbon emissions and cost.

Greenhouse Gas Accounting Tool

Steering Group members of the ECMC, your Bank's Technology Solutions Group (TSG) along with the Operations and Service Delivery (OSD) and Responsible Banking (RB) teams, have internally developed a specialized GHG tracking and management software tool that aggregates data on key environmental performance parameters across all locations.

The tool was made operational in December 2011 and is being installed in a phased manner, initially covering 10 major locations including our Head Quarters (Nehru Center), Regional Head Quarters (NRO), and both our National Operating Centres (NOC). It has now been scaled across all locations and is currently undergoing stability testing.

GHG Performance at Your Bank

As the first Indian signatory to the Carbon Disclosure Project, YES BANK has voluntarily reported its carbon footprint annually since FY2008. Your Bank was ranked 3rd on the Carbon Disclosure Leadership Index for the year 2010-2011, the only Indian Financial Institution to make it to the list. Your Bank achieved a score of 78, which is the highest for the financial sector.

Reporting Year -
01 April 2010 - 31 March 2011

Year	CO_2 emissions
2008-2009	13,875 MtCO2e
2009-2010	15,385 MtCO2e
2010-2011	26,860 MtCO2e

Total Emissions
(Scope 1 + Scope 2 + Scope 3) = **26,860 MtCO2e**

SCOPE	Environmental Performance	Metric tons Co2e
	NCR (National Capital Region)	3916
2	Mumbai	2231
	Other regions	6726
	Total	**12873**
3	Business travel	6968.22
	Transportation and distribution	28.74
	Employee commuting	6990.54
	Total	13987.5

Your Bank's Grid Electricity Consumption for FY12- 16,090 MWh

Emissions forecast (as reported to CDP) - The Scope 2 emissions due to use of purchased electricity are expected to increase by 289% by 2015 owing to the Bank's rapid branch expansion plans (without considering any emission reduction initiatives). However, the Bank is pursuing opportunities to implement GHG reduction and energy efficiency projects at its corporate offices, branches, and ATMs to reduce its carbon footprint.

Energy Efficiency & Resource Management Programs in FY12

1) Server Optimization & Virtualization (Technology Solutions Group)

Server optimization enhances the availability and overall performance of servers within an enterprise environment. Server optimization processes can include measures such as physical hardware consolidation and server virtualization. Server optimization tools allow administrators to optimize the way critical data is processed and distributed on the network, leading to reductions in energy use. With this solution, we are able to drastically reduce the number of servers required and time to launch new applications. Based on server utilization, we will be able to consolidate multiple servers into a single physical server.

No of Physical servers Virtualized	81
Power Saved in KVA	55
Power used by Virtual Environment (KVA)	11.4
Actual Power Saved (KVA)	43.6
Cost of Power saved ₹	**2,964,800** p.a.

Some of the major benefits of virtualizing these servers are as follows:

Significantly Quicker Provisioning of applications: When rolling out a new application, we need to wait for nearly 6 weeks for delivery of hardware and then start configuring the application on the server. With virtualization we will provision a server resource within a very short period (of less than 2 days) on hardware with spare capacity.

Significant cost and resource consumption reduction: Almost a 50% reduction in cost of server hardware in one financial year.

Manage growth: without the need to purchase any additional space or power for Production Data Centre, we will be able to cater to exponential growth projections of the Bank. This will help us eliminate the risks associated with migration of IT equipment between data centers.

Future Target - Over a period of next 3 years we are expected to replace 121 servers. Using a virtualization solution, considering a consolidation ratio of 6:1, we will be able to consolidate 108 servers into 21 servers.

2) E-Waste Management

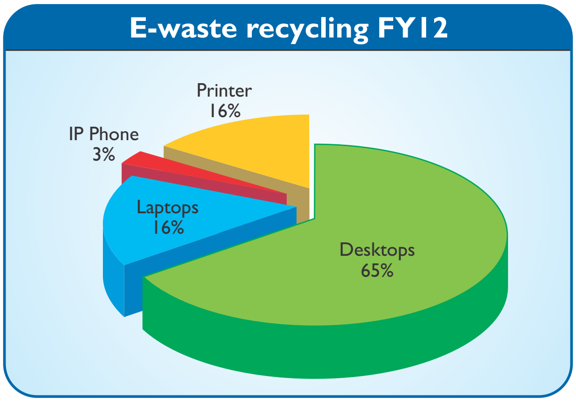
Ecoreco
Eco Recycling Limited
Give your e-waste to the best

Electronics products like computers, printers and laptops contain a range of harmful elements that are toxic to the environment. The harmful materials contained in electronics products, coupled with the fast rate of technological obsolesce, pose a real threat to human health and the environment if they are not properly processed prior to disposal.

Your Bank has partnered with ECORECO to ensure the safe disposal of all e-waste generated by the Bank across locations in India. ECORECO follows an organized methodology that minimizes environmental impact by employing technology that adheres to international best practices for handling and disposal of e-waste.

Total number of assets e-recycled through Ecoreco – 37

The breakup on which is:



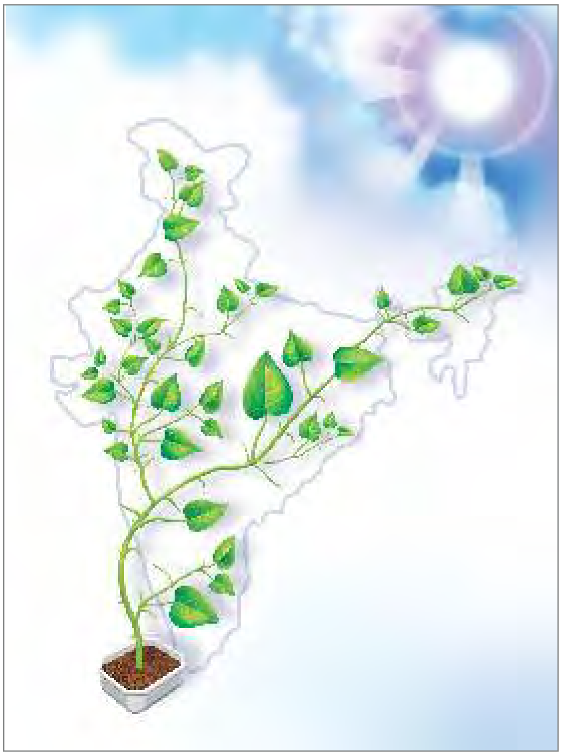
3) Recycling Toner Cartridges

(Mumbai Pilot)

CARTRIDGE JUNCTION
stop. refill. go.

- ✓ In FY12, 33 empty toner cartridges are collected and sent to Cartridge Junction
- ✓ Cartridge Junction specializes in recycling/ refilling toner cartridges
- ✓ Cartridge Junction has a fixed buy-back price
- ✓ In FY12, ₹4550 was recovered from recycling empty toner cartridges and it has been donated to Masoom, a NGO in Mumbai that works towards improving the quality of education in night schools.

4) Sustainable Branch Design – Managed by Infrastructure Management Team



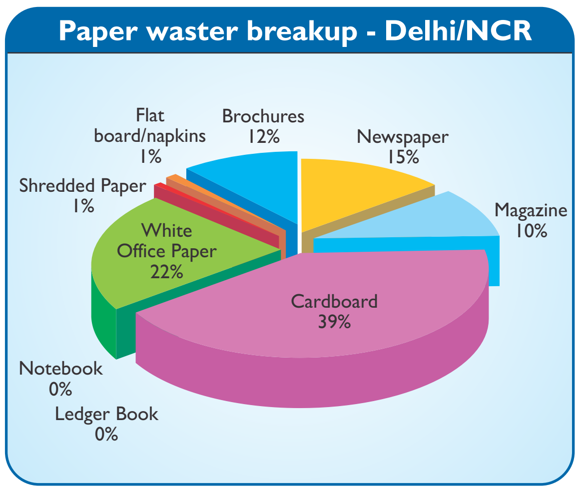
Parameters	Actions/programme	Impact
Air- conditioner	4 star power save Ac usage Usage time Rationalization Timely Maintanance	Reduced wastage & Lower Emissions
Lights	Energie Efficient CFLs used Led Usage Being Tested For Branches Signage	Efficient Lighting & Reduced Emissions/ Cost
Energy Use (Electricity)	Power Factors Corrections Voltage Stabilizer Installation Awareness Drive	Waste reduction, Improve Efficiency & Reduced Cost
Diesel Generators/UPS	UPS Utilization - DG set used post 1 hour of electricity failure Regular srevicing	Reduction in Diesel Usage / Emissions

Your Bank will report the energy savings through these initiatives in the next financial year.

5) Paper – Usage reduction & Recycling

GREENOBIN™
“Reuse Whatever is used”

Your Bank is piloting a paper recycling drive in Delhi/ NCR with Green-O-Bin, our recycling partner. In FY12 Green-o-Bin collected **3099 kgs** of paper waste, which has been recycled at their facility. Placing **Desk Side Recycling Bins** around in your Bank's NCR offices has made it easier to collect and segregate waste paper from wet waste, at source, ensuring that it gets sent for recycling, thus helping reduce the banks environmental footprint.



Investing in Human Capital Management

Management Approach: Your Bank's Code of Conduct

The YES BANK Code of Conduct is applicable to all executives of YES BANK Limited. This Code of Conduct covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all executives. Executives must refer to other organizational policies, guidelines, operational procedures, Terms & Conditions of their appointment letter, etc. for better understanding of the governance frameworks within the Bank.

The Code advises executives about the conduct they should abide by as well as actions that shall be treated as misconducts. Some of the sections include Conflict of Interest, Confidentiality and non-disclosure of Information, Fair Dealing, Anti-Money Laundering, Insider Trading, Regulatory Compliance, Product Appropriateness & Suitability, Assets and Resource Usage, Intellectual Property, Policy regarding Prevention of Sexual Harassment, Public Representation of the Bank and Environmental considerations.

CSR & Sustainability training

All new recruits are given peripheral information on the philosophy and business practice of Responsible Banking. The introductory presentation on YES BANK contains 5 slides on the Environment & Social Policy, making relationship managers aware of the additional social and environmental risk screening parameters all loan applications are subjected to. Social risk screening includes Human Rights parameters where relationship managers have to make site visits to the client's premises to ensure the company is not engaging in any socially unethical business practices.

Strengthening Your Bank's in-house capacity for Sustainability Accountability & Assurance

Your Bank's Responsible Banking team is currently undergoing various skills development training workshops which help to enhance the team's ability to manage the Bank's sustainability mandate more effectively and efficiently.

These include:

✓ **Global Reporting Initiative (GRI) –** CII-ITC Center for Excellence in Sustainable Development (CESD) is a GRI Certified Training Partner in India offering a 3-day workshop that enables the practitioner to swiftly navigate GRI's G3 (Version 3) and upcoming G4 (Version 4) guidelines.

✓ **GHG Accounting –** An online course taught by the GHG Management Institute, established in 2008 by Princeton University professors and practitioners from organizations such as Point Carbon, Govida, World Resources Institute and the Carbon Disclosure Project.

✓ **Social Accounting & Auditing –** CII-ITC CESD delivers the Certified Sustainability Assurance Practitioner (CSAP) program. Training is based on the global sustainability standards: ISO 26000 revised AA1000 AS & AA1000 APS, AA1000 SES.

> Total cost of sustainability skills enhancement for Responsible Banking team in FY12 – ₹9.7 lakhs

YES Connect / YES Family Connect

YES CONNECT is a team bonding initiative launched in 2009 with a view to provide your Bank's executives a platform to celebrate together, bond and share best practices to enhance individual & team productivity . It is implemented in the form of an evening get-together where all executives from the respective branch/ office celebrate the spirit of organizational bonding by recognizing and applauding team members who have shown exemplary achievements in their work areas, inviting newly joined executives (of the previous month) with their spouse/family to meet their team, celebrating birthdays etc. special family events are also organized around popular festivals. The Bank has designated a monthly budget for each executive across all branches/offices across the country, specifically for this activity.

My Voice

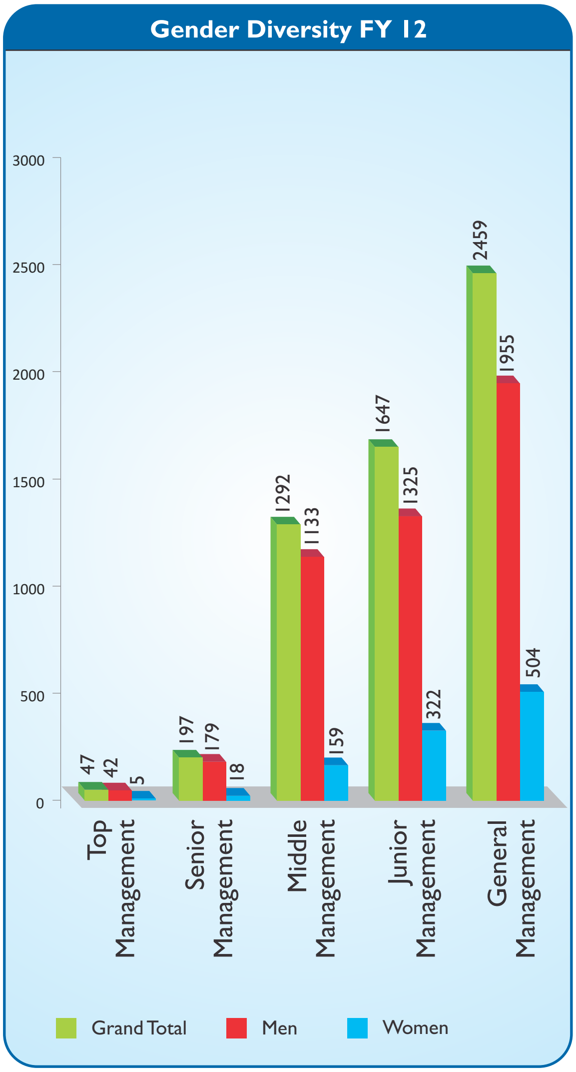
In line with the Bank's objective of providing a consistent & superior service experience, My Voice is an extension of the same to internal customers. This initiative has been running successfully since 2009 on your Bank's intranet, as a significant differentiator to achieve the vision to become 'The Most Technologically Architected' Bank of India.

This initiative aims at quick resolution of queries, providing executives a simple, easy to use platform to log inquiries/grievances with in-built tracking and escalation for effective monitoring and follow-up. This initiative acts as a transparent empowerment tool with the executive as each query is also marked to the Head of Human Capital Management.

Human Capital Management undertakes regular analysis of the queries received to identify the concern areas. Reports of such analysis are submitted to the Head-Human Capital Management and corrective actions plans are formulated.

Diversity in the workplace

Your Bank is an Equal Opportunity Employer with an environment conducive to job enrichment and all-round workforce development. Various policies like Sexual Harassment Policy further augment the sense of security amongst the workforce.



Women make up 14% of the Directors at your Bank and 18% of Your Bank's total workforce. As on 31st March 2012, the total headcount is 5642 employees. All employees have a written contract with the Bank.

Employee Welfare

Healthcare is provided to the employees as per the following policies:

I. Group Mediclaim Policy (for self and family)
ii. Group Term Life Insurance Policy
iii. Mediclaim Policy for Parents of YES BANK Executives

Employees are also provided the benefit of regular health check-ups at selected hospitals at a discounted rate. Stress Management training is also provided regularly.

All Your Bank's offices are ergonomically designed so as to ensure workplace health, safety and security. Regular evaluations (e.g. fire drills) are conducted to ensure preparedness during emergencies. The findings of the mock drills are evaluated and reviewed by the management to further improve processes.

Social Development: Business & Management Performance

Social Development - Management Approach

Your Bank's vision is to utilize our Branches as community engagement centers, deepening relationships by understanding and addressing the social and environmental issue relevant to the community. Further, your Bank nurtures social business models by making them more robust and commercially viable. The idea is to make these budding mission driven businesses attractive to commercial finance. The RB in thought team also strengthens the organization's culture by introducing philanthropic opportunities to employees.

List of Community Initiatives

YES COMMUNITY: Your Bank's community engagement initiative wherein all branches serve as 'choupals' or knowledge exchange platforms with people residing around our branches participating in events designed to address pertinent social and environmental issues. Held every month and aimed at both children

YES Community Event at Patna Branch

and adults, YC workshops focus on issues such as clean and green drives, energy efficiency practices, workplace health and safety, pollution prevention, rain water harvesting and development of local disaster management plans among others. These engagements helps the Bank build relations with its immediate communities that go beyond transactional banker-customer relations to engender trust. Through 1200+ branch events since June 2008, the Bank has reached out to 80,000+ people nationwide.

Incubating Social Business Models

Case study (LaBL Project): The TERI Light a Billion Lives (LaBL) campaign has the goal of enabling a billion lives to access clean light by displacing kerosene and paraffin lanterns with solar lighting devices. TERI installs one Solar Lantern Charging Station capable of charging 50 lanterns in each village, where an enterprising and respected community member is trained to manage the station and market the LaBL campaign. Responsible Banking at YES BANK has partnered with TERI to facilitate the scaling up of the LaBL campaign by developing and piloting semi-commercial business models to augment the donations received by TERI. TERI and a grassroots NGO partner are currently engaged in identifying suitable test sites for the pilot project

A Laboratory entrepreneur

Driving employee philanthropy

- ✓ **Book Donations:** Over 700 books were donated to **Kaivalya Education Foundation (KEF), Mumbai** for setting up a reading club for less–privileged children in the Mariamma Nagar community, and **Katha, Delhi** for 'I Love Reading' programme that aims to inculcate a reading habit among less-privileged children

- ✓ **Payroll giving:** Your Bank's employees are enrolled onto a payroll giving program. Our partner for the payroll giving program is GiveIndia, a section 25 company that operates an online donation platform that has conducted due diligence on 250 grassroots NGOs. Your Bank's employees can choose which the NGO and development program they wish to donate their money to. In FY12,

> Your Bank's employees donated ₹12 lakhs through the payroll giving program.

Social Performance – Business results FY12

Management Approach: Taking a Human Rights approach to Banking

Your Bank takes a human rights based approach to banking.

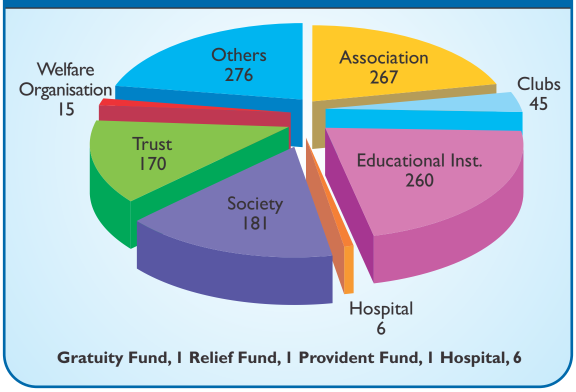
> We believe that 'access to finance' is a basic human right which has the potential to empower the financially excluded by making them less vulnerable to financial exploitation by loan sharks and informal leading.

Enabling communities to integrate into the formal financial system is a small but necessary step towards poverty alleviation and unlocking financial and human capital at the Bottom of the Pyramid and sectors, like agriculture, to accelerate and modernize. This approach underpins our Microfinance, Inclusive & Social Banking, Agri business and Rural Banking & Retail Banking strategies.

Business Banking : TASC Account

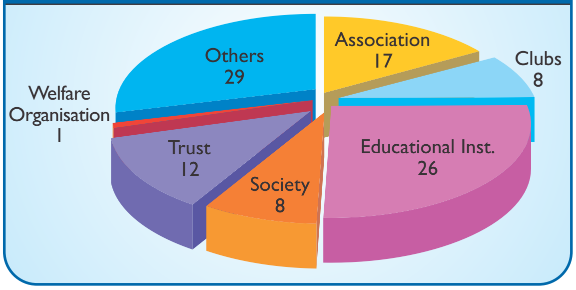
Your Bank has developed a tailored account to meet the specific needs of Trusts, Associations, Societies & Clubs in India. It is important for financial institutions to create flexible products for these organizations as their financial requirements significantly differ from corporations. Features include FCRA facilities to facilitate foreign remittances and low average monthly balance requirements.

FY12 Results of TASC acquisitions and Relationship Management:



Total Number of TASC clients added in FY12: 1223

TASC Accounts
Liabilities Aquired (INR Cr.) FY12



Total Liabilities acquired through TASC proposition in FY12 – ₹102 cr.

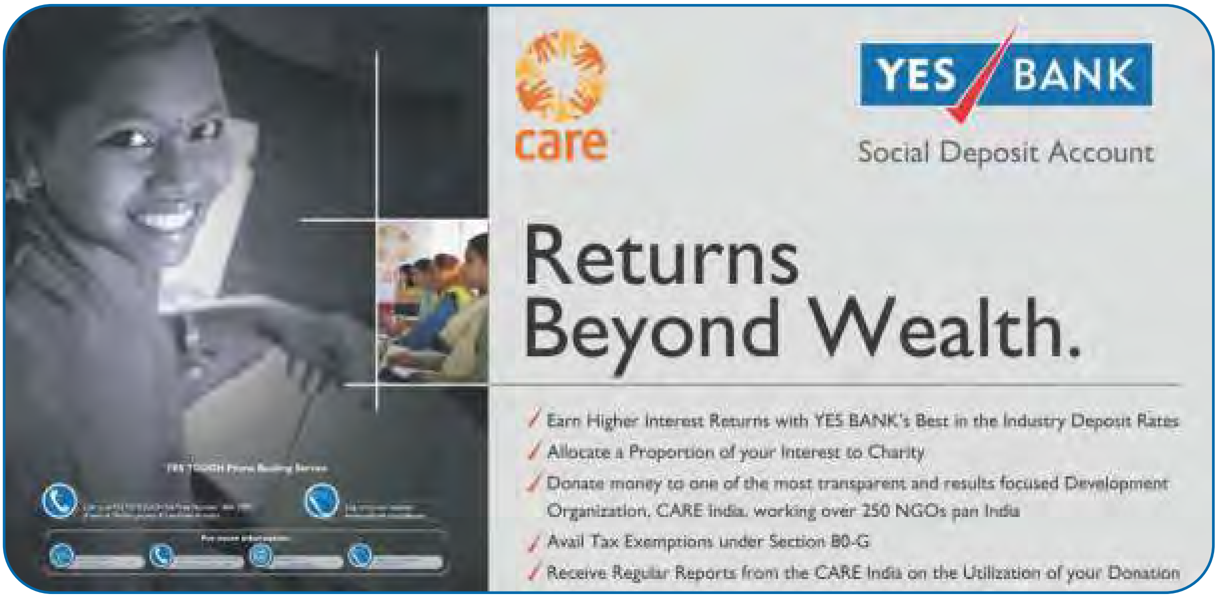
Retail Banking: The Social Deposit Account

Sustainability led product development!

The RB in thought team has introduced a unique product in partnership with CARE India called the - Social Deposit Account (SDA) on the 9th of February, 2012. It is an evolution of the regular Fixed Deposit account where the SDA allows the Bank's clients to allocate a proportion of their FD interest return to be donated to a social cause, in this case, CARE India.

Through the SDA, the Bank's customers can allocate a fixed amount to be deducted from the interest return on the fixed deposit and divert it to any of **CARE India's projects spread across the country in the areas of Healthcare & Nutrition, Quality Education, Livelihoods, Disaster Support and Integrated Development.**

This is the first 'Philanthropy Banking' product of its kind to be launched in India and is an innovative vehicle to channel funds to various social projects undertaken by CARE India thereby actualizing the 'Responsible



Banking' concept. IN FY13 we will market this product in a phased manner to our YES FIRST clientele in the metropolitan areas, closely monitoring the uptake and efficacy of such 'Philanthropy Banking' products in the Indian market.

Responsible Banking in action
(Strategic Business Units)

Inclusive and Social Banking (ISB)

A specialized division of the Bank that provides easy access to fairly priced, transparent and suitable financial products and services accompanied with appropriate financial education for the financially excluded low income communities across urban and rural India. ISB provides the last mile connect with the BOP offering affordable, customized financial services including credit, savings and insurance.

YES SAHAJ Mobile Transaction Kit developed in collaboration with DruvTech Systems is cost-efficient alternative to Hand-held devices which increase effectiveness of 'DoorStep Banking.' It consists of a low end mobile handset and Bluetooth printer synchronized with a central server through GPRS connectivity. Thus, centralized real-time monitoring of repayment and savings collection is possible along with instantaneous printed receipt and SMS alert to customer.

YES SAHAJ recorded
an aggregate transaction number of 88,703
with a transaction volume of ₹6.9 cr.

YES MONEY is a multi-channel, multi-platform banking product suite comprising of service such as National Electronic Fund Transfer (NEFT) based Outward Remittance Service through Business Correspondent partners. A Business Correspondent (BC) franchise (usually neighbourhood Kirana Store) can initiate the remittance transaction on the terminal which flows through YES BANK's NEFT system and lands in destination account within 24 working hours. The service is targeted towards people who have access to formal bank account at the Terminating Point (rural/native) but do not have such access at originating point (Urban/Metro). The service is targeted towards the migrant labourers who work in cities away from their home towns and do not have Bank accounts in the cities. Your Bank has utilized the Business Correspondent (BC) model to bring the transaction touch-point closer to the customer that is available even at non-banking hours. This service generally costs the customer up to 1% of transaction value.

YES MONEY had 994 active Business Correspondent Agents enrolled through two Business Correspondents (Suvidhaa Inforserve & Oxigen Services) serving 55,165 customers. **Aggregate transaction number was 172,582 with a transaction volume of ₹ 98.9 cr.**

YES LEAP has 218 savings linked SHGs with a total saving balance of ₹17.12 lakh and 203 credit linked SHGs with a total loan outstanding of ₹ 1.4 cr.

Microfinance Institutions Group (MIG)

Your Bank is committed to 'Creating Equal Financial Opportunities, Enabling Financial Inclusion'. In line with this view, the Bank through its Microfinance Institutions Group (MIG) aims to facilitate access to suitable financial products and services to unbanked low-income communities across urban and rural India. This Group focuses on commercially sustainable Micro Finance Institutions to provide innovative financial solutions to ensure long-term sustainability and plays a pro-active role in advocacy on policy and regulatory issues to enable growth of the Microfinance sector.

Agribusiness & Rural Banking (ARB)

Client activities	Client Addition in FY12	Total number of clients as of 23rd Mar FY12	Debt Disbursal in FY12 (₹ Cr.)	Total exposure as of March FY12 (₹ Cr.)	Liabilities (FD) acquisition in FY12 (₹ Cr.)	Total liabilities (FD) as on 23rd Mar FY12
Agri supply chain & logisitics	723	727	238.25	401.8	55	55
Food processing	15	18	71.86	72	4	0
Agri Equipments	23225	37533	775.83	924.48	86.94	127.3
Crop Production	103225	103243	679.07	833.84	332.29	334.29
Agri Inputs1309	1311	1195.19	1175.19	0	0	
Seed Production	14	19	297.79	257.79	77	40
Allied Activities	342	351	761.17	731.17	96	86
TOTAL	**128853**	**143202**	**4019.17**	**4396.13**	**651.36**	**643**

Sustainable consumption of our products

We ensure the sustainable consumption/ utilization of your Bank's financial products, especially amongst groups of people who are new to formal financial system is of prime importance to the Bank and its stakeholders. In order to achieve this goal, your Bank lays emphasis on strong and stringent credit and equity approval processes where adherence to our ESP is as critical as financial due diligence. Further, YES BANK's service excellence mandate ensures that our network of professional Relationship Managers continually engage the customer and provide the highest levels of knowledge and financial advisory. It is important for our customers to understand all the features and risks of the financial products and services being sold to them. This not only ensures the correct and effective utilization of the product/service by the customer but also mitigates the risk of lending money by the bank. Being a public trust institution, YES BANK goes beyond its obligation of thorough due diligence and has built in several additional checks in the credit approval process to ensure we have the lowest Net Non-Performing Assets ratio in the financial industry.

Product responsibility case study: Driving financial inclusion with diligence and technology.

YES BANK has introduced several products and services based on the core philosophy that 'If customer cannot come to Bank, the Bank will go to the customer' which entails providing appropriate products at right place and at a competitive price. Amongst these, several offerings are possible only due to effective use of ICT.

Credit Appraisal Toolkit (CAT) leverages immense computing power of MSExcel for appraisal of YES Sampann micro-business loans. As the target customers don't have any formal business records, your Bank uses this internally developed tool, which compares each new customer with previously analyzed customers having similar micro-businesses.

Feedback

As best practice, we seek your feedback so that we can improve our sustainability performance and reporting.

For any comments and suggestions, please write to the Responsible Banking team: responsiblebanking@yesbank.in

A smiling Micro Entrepreneur impacted by Your Bank's Inclusive and Social Banking practice.

YES BANK Debit Card Features

YES BANK

Follow us on:

One card gifts all.

Presenting the YES Gift Card.

- Non-reloadable prepaid card
- Off the counter issuance at YBL branches – however activation within 1 working day of realization of funds
- Can be funded by debit to YBL account or cash (upto ₹ 49,999) or cheque
- Easy Documentation
- Pan India usage at any MasterCard accepting merchant in India
- Real-time alerts for activation/funding etc.
- Balance enquiry, free of charge at any YBL ATM
- Real time account management by the customer through a secure internet log in
- Refund allowed only to the purchaser

YES BANK

Follow us on:

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Members of YES BANK Limited

1 We have audited the attached Balance Sheet of YES Bank Limited ('the Bank') as at 31 March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, annexed thereto for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3 The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

4 We report that:

a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

b) In our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.

In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

5 We further report that:

a) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

b) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

c) On the basis of written representations received from the directors, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

a) In the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2012;

b) In the case of the Statement of Profit and Loss, of the profit of the Bank for the year ended on that date; and

c) In the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
25 April 2012

FINANCIAL STATEMENTS

BALANCE SHEET AS AT MARCH 31, 2012

(₹ in thousands)

	Schedule	As at March 31, 2012	As at March 31, 2011
CAPITAL AND LIABILITIES			
Capital	1	3,529,874	3,471,471
Reserves and surplus	2	43,236,486	34,469,280
Deposits	3	491,517,050	459,389,318
Borrowings	4	141,564,874	66,909,092
Other liabilities and provisions	5	56,772,824	25,830,728
TOTAL		**736,621,108**	**590,069,889**
ASSETS			
Cash and balances with Reserve Bank of India	6	23,325,440	30,760,155
Balances with banks, money at call and short notice	7	12,529,966	4,199,609
Investments	8	277,573,491	188,288,378
Advances	9	379,886,419	343,636,387
Fixed assets	10	1,771,038	1,324,296
Other assets	11	41,534,754	21,861,064
TOTAL		**736,621,108**	**590,069,889**
Contingent liabilities	12	1,614,270,735	1,362,253,799
Bills for collection		4,020,545	1,701,444
Significant Accounting Policies and Notes to Accounts forming part of financial statements	18		

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board of Directors
YES BANK Limited

N Sampath Ganesh
Partner
Membership No: 042554

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 25, 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in thousands)

		Schedule	Year ended March 31, 2012	Year ended March 31, 2011
I.	INCOME			
	Interest earned	13	63,073,581	40,417,473
	Other income	14	8,571,206	6,232,709
	TOTAL		**71,644,787**	**46,650,182**
II.	EXPENDITURE			
	Interest expended	15	46,917,212	27,948,174
	Operating expenses	16	9,325,343	6,798,103
	Provisions and contingencies	17	5,632,248	4,632,527
	TOTAL		**61,874,803**	**39,378,804**
III.	PROFIT			
	Net profit for the year		9,769,984	7,271,378
	Profit brought forward		11,150,578	6,729,526
	TOTAL		**20,920,562**	**14,000,904**
IV.	APPROPRIATIONS			
	Transfer to Capital Reserve		253,337	19,924
	Transfer to Statutory Reserve		2,442,496	1,817,845
	Transfer to Investment Reserve		228	137
	Dividend paid for last year and tax thereon		(439)	410
	Proposed Dividend		1,411,950	867,868
	Tax (including surcharge and education cess) on Dividend		229,054	144,142
	Balance carried over to balance sheet		16,583,936	11,150,578
	TOTAL		**20,920,562**	**14,000,904**
	Significant Accounting Policies and Notes to Accounts forming part of financial statements	18		
	Earning per share (Refer Sch. 18.7.6)			
	Basic (₹)		27.87	21.12
	Diluted (₹)		27.13	20.25
	(Face Value of Equity Share is ₹ 10/-)			

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

For and on behalf of the Board of Directors
YES BANK Limited

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 25, 2012

Cash Flow Statement

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in thousands)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Cash flow from operating activities		
Net profit before taxes	**14,500,152**	**10,921,785**
Adjustment for		
Depreciation for the year	408,197	348,391
Amortization of premium on investments	308,137	314,001
Provision for investments	160,152	(71,892)
Provision for standard advances	406,989	520,976
Provision/write off of non performing advances	115,677	392,628
Other provisions	219,262	140,408
Loss from sale of fixed assets	14,339	4,403
	16,132,905	**12,570,700**
Adjustments for :		
Increase in Deposits	32,127,732	191,403,652
Increase in Borrowings	60,101,931	7,691,434
Increase in Other Liabilities	24,668,861	2,841,344
Increase in Investments	(42,006,422)	(52,458,952)
Increase in Advances	(36,365,710)	(122,063,524)
Increase in Other Assets	(13,624,469)	(5,280,610)
	24,901,923	**22,133,344**
Payment of direct taxes	(5,149,891)	(4,197,730)
Net cash generated from operating activities (A)	**35,884,937**	**30,506,314**

(₹ in thousands)

	Year ended March 31, 2012	Year ended March 31, 2011
Cash flow from investing activities		
Purchase of Fixed Assets	(904,106)	(256,567)
Proceeds from sale of Fixed Assets	67,884	6,682
Changes in Capital Work-in-Progress	(51,338)	(15,262)
Changes in Held to Maturity Investment	(47,746,979)	(33,972,122)
Net cash used in investing activities (B)	(48,634,539)	(34,237,269)
Cash flow from financing activities		
Tier II Debt raised	12,460,625	9,464,000
Innovative Perpetual Debt raised	1,500,000	2,250,000
Proceeds from issuance of Equity Shares	58,403	74,798
Share Premium received thereon	637,787	765,939
Dividend paid during the year	(870,375)	(511,540)
Tax on dividend	(141,196)	(84,961)
Net cash generated from financing activities (C)	13,645,244	11,958,236
Net increase in cash and cash equivalents (A+B+C)	895,642	8,227,281
Cash and cash equivalents as at April 1	34,959,764	26,732,483
Cash and cash equivalents as at March 31	35,855,406	34,959,764
Notes to the Cash flow statement:		
Cash and cash equivalents includes the following		
Cash and Balances with Reserve Bank of India	23,325,440	30,760,155
Balances with Banks and Money at Call and Short Notice	12,529,966	4,199,609
Cash and cash equivalents as at March 31	35,855,406	34,959,764

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board of Directors
YES BANK Limited

N Sampath Ganesh
Partner
Membership No: 042554

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 25, 2012

Schedules forming part of the Balance Sheet

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
SCHEDULE 1 – CAPITAL		
Authorised Capital		
600,000,000 equity shares of ₹ 10/- each	**6,000,000**	**4,000,000**
(March 31, 2011: 400,000,000 equity shares of ₹ 10/- each)		
Issued, subscribed and paid-up capital		
352,987,424 equity shares of ₹ 10/- each	3,529,874	3,471,471
(March 31, 2011: 347,147,124 equity shares of ₹ 10/- each) *[Refer Sch 18.5.1.1]*		
TOTAL	**3,529,874**	**3,471,471**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. **Statutory Reserves**		
Opening balance	4,646,083	2,828,238
Additions during the year	2,442,496	1,817,845
Closing balance	**7,088,579**	**4,646,083**
II. **Share Premium**		
Opening balance	17,531,048	16,819,556
Additions during the year *[Refer Sch 18.5.1.1]*	637,787	765,939
Reduction during the year *[Refer Sch 18.5.1.1]*	-	(54,447)
Closing balance	**18,168,835**	**17,531,048**
III. **Capital Reserve**		
Opening balance	1,141,222	1,121,298
Additions during the year *[Refer Sch 18.5.1.2]*	253,337	19,924
Closing balance	**1,394,559**	**1,141,222**
IV. **Investment Reserve**		
Opening balance	349	212
Additions during the year *[Refer Sch 18.5.1.3]*	228	137
Closing balance	**577**	**349**
V. **Balance in Profit and Loss Account**	16,583,936	11,150,578
TOTAL	**43,236,486**	**34,469,280**

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i) From banks	3,868,171	856,323
ii) From others	45,015,454	38,481,970
II. Savings Bank Deposits	25,037,833	8,170,363
III. Term Deposits		
i) From banks	35,066,348	30,044,531
ii) From others	382,529,244	381,836,131
TOTAL	**491,517,050**	**459,389,318**
B. I. Deposits of branches in India	**491,517,050**	**459,389,318**
II. Deposits of branches outside India	-	-
TOTAL	**491,517,050**	**459,389,318**
SCHEDULE 4 – BORROWINGS		
I. Innovative Perpetual Debt Instruments (IPDI) and Tier II Debt		
A. Borrowing in India		
i) IPDI	6,110,000	4,610,000
ii) Upper Tier II Borrowings	12,326,000	12,326,000
iii) Lower Tier II Borrowings	20,658,000	12,013,000
TOTAL (A)	**39,094,000**	**28,949,000**
B. Borrowing outside India		
i) IPDI	254,375	222,975
ii) Upper Tier II Borrowings	8,784,869	4,407,418
iii) Lower Tier II Borrowings	-	-
TOTAL (B)	**9,039,244**	**4,630,393**
TOTAL (A+B)	**48,133,244**	**33,579,393**
II. Other Borrowings*		
A. Borrowings in India		
i) Reserve Bank of India	23,500,000	4,350,000
ii) Other banks	24,294,543	5,930,000
iii) Other institutions and agencies**	16,458,357	4,712,917
TOTAL (A)	**64,252,900**	**14,992,917**
B. Borrowings outside India (B)	29,178,730	18,336,782
TOTAL (A+B)	**93,431,630**	**33,329,699**
TOTAL (I+II)	**141,564,874**	**66,909,092**

* Of the above secured borrowings are ₹ 23,500,000 thousands (March 31, 2011 : ₹4,350,000 thousands)
** Represents refinance borrowing

Schedules forming part of the Balance Sheet

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
SCHEDULE 5 - OTHER LIABILITIES & PROVISIONS		
I. Bills payable	1,948,325	766,007
II. Inter-office adjustments (net)	-	-
III. Interest accrued	6,633,416	5,166,537
IV. Proposed Dividend (including tax on dividend)	1,641,003	1,012,010
V. Others (including provisions)		
- Provision for standard advances	2,107,828	1,700,838
- Others	44,442,252	17,185,336
TOTAL	**56,772,824**	**25,830,728**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand	1,147,747	595,949
II. Balances with Reserve Bank of India		
- In current account	22,177,693	30,164,206
- In other account	-	-
TOTAL	**23,325,440**	**30,760,155**
SCHEDULE 7 - BALANCES WITH BANKS, MONEY AT CALL AND SHORT NOTICE		
I. In India		
Balances with banks		
i) in current accounts	101,946	90,380
ii) in other deposit accounts	50	-
Money at call and short notice		
i) with banks	-	20,000
ii) with other institutions	3,247,998	-
iii) Lending under Reverse Repo (RBI & Banks) {Refer note 18.4.2(f)}	8,842,571	1,712,228
TOTAL (I)	**12,192,565**	**1,822,608**
II. Outside India		
i) in current accounts	337,401	2,377,001
ii) in other deposit accounts	-	-
iii) Money at call and short notice	-	-
TOTAL(II)	**337,401**	**2,377,001**
TOTAL(I+II)	**12,529,966**	**4,199,609**

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
SCHEDULE 8 - INVESTMENTS (net of provisions)		
A. Investments in India		
i) Government securities	161,784,354	107,472,601
ii) Other approved securities	-	-
iii) Shares	512,782	135,168
iv) Debentures and bonds	74,759,395	37,134,960
v) Subsidiaries and/or joint ventures	-	-
vi) Others (CPs, CDs, Pass Through Certificates etc.)	40,516,960	43,545,649
	277,573,491	**188,288,378**
B. Investments outside India	-	-
TOTAL	**277,573,491**	**188,288,378**
SCHEDULE 9 - ADVANCES		
A. i) Bills purchased and discounted	6,479,039	5,360,632
ii) Cash credits, overdrafts and loans repayable on demand	89,657,441	64,551,723
iii) Term loans	283,749,939	273,724,032
TOTAL	**379,886,419**	**343,636,387**
B. i) Secured by tangible assets *	275,219,367	200,513,396
ii) Covered by Bank/Government Guarantees	1,874,568	788,577
iii) Unsecured **	102,792,484	142,334,414
TOTAL	**379,886,419**	**343,636,387**
* The Bank has not classified any advance as secured for which intangible security such as charge over rights, licences, authorities etc have been obtained as security. ** Includes advances of ₹ 30,176,778 thousands (March 31, 2011 ₹ 55,570,617 thousands) for which security documentation is either being obtained or being registered.		
C. I. Advances in India		
i) Priority sectors	98,453,455	90,360,278
ii) Public sector	839,086	123,369
iii) Banks	881,256	262,348
iv) Others	279,712,622	252,890,392
	379,886,419	**343,636,387**
II. Advances outside India	-	-
TOTAL	**379,886,419**	**343,636,387**

Schedules forming part of the Balance Sheet

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
SCHEDULE 10 - FIXED ASSETS		
I. Premises	-	-
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on March 31st of preceding financial year	2,553,046	2,064,030
Additions during the year	839,636	513,846
Deductions during the year	(82,223)	(24,830)
Accumulated depreciation to date	(1,619,833)	(1,257,824)
	1,690,626	1,295,222
Capital work-in-progress	80,412	29,074
TOTAL	**1,771,038**	**1,324,296**
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	9,456,513	6,018,772
II. Advance tax and tax deducted at source [Refer Sch 18.6.1.ii]	85,552	10,772,707
III. Deferred tax asset (net) [Refer Sch 18.7.8]	1,367,098	1,060,994
IV. Others	30,625,591	4,008,591
TOTAL	**41,534,754**	**21,861,064**
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	379,052	379,052
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	799,971,222	546,970,625
IV. Liability on account of outstanding derivative contracts		
- Single currency Interest Rate Swaps	535,443,857	576,655,250
- Others	60,279,603	70,458,172
V. Guarantees given on behalf of constituents		
- In India	91,830,012	62,512,422
- Outside India	-	-
VI. Acceptances, endorsements and other obligations	104,493,693	79,653,933
VII. Other items for which the bank is contingently liable		
- Value dated purchase of securities	489,002	1,681,423
- Capital commitments	102,189	176,595
- Foreign Exchange Contracts (Tom & Spot)	21,282,105	23,766,327
TOTAL	**1,614,270,735**	**1,362,253,799**

Schedules forming part of the Profit and Loss Account

(₹ in thousands)

	Year Ended March 31, 2012	Year Ended March 31, 2011
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	44,267,932	29,891,238
II. Income on investments	18,470,394	10,273,114
III. Interest on balances with Reserve Bank of India and other inter-bank funds	232,546	187,549
IV. Others	102,709	65,572
TOTAL	**63,073,581**	**40,417,473**
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	7,676,904	5,869,664
II. Profit/(Loss) on the sale of investments (net)	378,594	(463,623)
III. Profit /(Loss) on the revaluation of investments (net)	-	-
IV. Loss on sale of land, building and other assets	(14,339)	(4,403)
V. Profit on exchange transactions (net)	268,200	685,756
VI. Income earned by way of dividends etc. from subsidiaries, companies and/or joint ventures abroad/in India	-	-
VII. Miscellaneous income	261,847	145,315
TOTAL	**8,571,206**	**6,232,709**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	38,433,622	22,941,783
II. Interest on Reserve Bank of India/inter-bank borrowings/ Tier I and Tier II debt instruments	8,224,399	4,587,874
III. Others	259,191	418,517
TOTAL	**46,917,212**	**27,948,174**

Schedules forming part of the Profit and Loss Account

(₹ in thousands)

	Year Ended March 31, 2012	Year Ended March 31, 2011
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	4,751,490	3,623,352
II. Rent, taxes and lighting	1,255,415	866,673
III. Printing and stationery	80,768	59,208
IV. Advertisement and publicity	102,790	206,374
V. Depreciation on Bank's property	408,197	348,391
VI. Directors' fees, allowances and expenses	4,519	4,074
VII. Auditors' fees and expenses	6,205	5,917
VIII. Law charges	11,002	8,480
IX. Postage, telegrams, telephones, etc.	123,909	88,369
X. Repairs and maintenance	76,049	38,182
XI. Insurance	382,365	274,515
XII. Other expenditure	2,122,634	1,274,568
TOTAL	**9,325,343**	**6,798,103**
SCHEDULE 17 - PROVISIONS & CONTINGENCIES		
I. Provision for taxation [Refer Sch 18.6.1]	4,730,168	3,650,407
II. Provision for investments	160,152	(71,892)
III. Provision for standard advances	406,989	520,976
IV. Provision/write off for non performing advances	115,677	358,368
V. Other provisions	219,262	174,668
TOTAL	**5,632,248**	**4,632,527**

18. Significant accounting polices and Notes forming part of the Accounts for the year ended March 31, 2012

18.1 Background

YES BANK Limited (the 'Bank' or 'YES BANK') is a private sector Bank promoted by the late Mr. Ashok Kapur and Mr. Rana Kapoor. YES BANK Limited is a publicly held bank engaged in providing a wide range of banking and financial services. YES BANK Limited is a banking company governed by the Banking Regulation Act, 1949. The Bank was incorporated as a limited company under the Companies Act, 1956 on November 21, 2003. The Bank received the licence to commence banking operations from the Reserve Bank of India ('RBI') on May 24, 2004. Further, YES BANK was included to the Second Schedule of the Reserve Bank of India Act, 1934 with effect from August 21, 2004.

18.2 Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements confirm to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting (except where otherwise stated), and the historical cost convention.

18.3 Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

18.4 Significant accounting policies

18.4.1 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- Interest income is recognized in the profit and loss account on accrual basis, except in the case of non-performing assets. Interest on non-performing assets is recognized upon realization as per the prudential norms of the RBI.
- Revenue in certain structured transactions where interest income is partially receivable in advance is recognized when due.
- Dividend income is recognized when the right to receive payment is established.
- Commission on guarantees issued by the Bank is recognized as income on yearly basis over the period of the guarantee, except for guarantee commission not exceeding ₹100 thousands, which is recognized at the time of issue of the guarantee.
- Commission on Letters of Credit ('LC') issued by the Bank is recognized as income at the time of issue of the LC.
- Income on discounted instruments is recognized over the tenure of the instrument on a straight line basis.

- Revenue from financial advisory services is recognized in line with milestones achieved as per terms of agreement with clients.
- Other fees and commission income are recognized on accrual basis.

18.4.2 Investments

Classification and valuation of the Bank's investments are carried out in accordance with RBI Circular DBOD No.BP.BC.19/21.04.141/2011-12 dated 1 July 2011 and Fixed Income Money Market and Derivative Association (FIMMDA) guidelines FIMCIR/2011-12/45/March 01, 2012.

a) Accounting and Classification

Investments are recognized using the value date basis of accounting. In compliance with RBI guidelines, all investments, are categorized as "Held for trading" ('HFT'), "Available for sale" ('AFS') or "Held to maturity" ('HTM') at the time of its purchase. For the purpose of disclosure in the balance sheet, investments are classified as disclosed in Schedule 8 ('Investments') under six groups (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others.

b) Cost of acquisition

Costs such as brokerage pertaining to investments, paid at the time of acquisition are charged to the profit and loss account.

c) Basis of classification

Securities that are held principally for resale within 90 days from the date of purchase are classified under the HFT category. Investments that the Bank intends to hold till maturity are classified under the HTM category, or as per RBI guidelines. Securities which are not classified in the above categories are classified under the AFS category.

d) Transfer between categories

Reclassification of investments from one category to the other, if done, is in accordance with RBI guidelines. Transfer of scrips from AFS / HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS / HFT category, the investments held under HTM at a discount is transferred to AFS / HFT category at the aquisition price and investments placed in the HTM category at a premium is transferred to AFS/ HFT at the amortized cost.

Transfer of investments from AFS to HFT or vice a versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

e) Valuation

Investments categorized under AFS and HFT categories are marked to market (MTM) on a periodical basis as per relevant RBI guidelines. Net depreciation, if any, in the category under the classification mentioned in Schedule 8 ('Investments') is recognized in the profit and loss account. The net appreciation, if any, in the category under each classification is ignored, except to the extent of depreciation previously provided. The book value of individual securities is not changed consequent to periodic valuation of investments.

Investments received in lieu of restructured advances are valued individually and not under any category. Any diminution in value on these investments is provided for.

Investments classified under the HTM category are carried at their acquisition cost and any premium over the face value, paid on acquisition, is amortised on a straight line basis over the remaining period to maturity. Amortization expense of premia on investments in the HTM category is deducted from interest income. Where in the opinion of management, a diminution, other than temporary in the value of investments classified under HTM has taken place, suitable provisions are made.

Treasury Bills, Commercial Paper and Certificates of deposit being discounted instruments, are valued at carrying cost.

The market/ fair value applied for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is the market price of the scrip as available from the trades/ quotes on the stock exchanges and for Subsidiary General Ledger ('SGL') account transactions, the prices as periodically declared by Primary Dealers Association of India jointly with FIMMDA.

The market/ fair value of unquoted government securities included in the AFS and HFT category is determined as per the rates published by FIMMDA. Further, in the case of unquoted fixed income securities (other than government securities), valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield to Maturity ('YTM') rates of government securities. Such mark up and YTM rates applied are as per the relevant rates published by FIMMDA.

Quoted equity shares are valued at their closing price on a recognized stock exchange. Unquoted equity shares are valued at the book value if the latest balance sheet is available, else, at ₹1 per company, as per relevant RBI guidelines.

At the end of each reporting period, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from security receipts issued by the asset reconstruction company are limited to the actual realization of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting date.

Mutual Fund units are valued at their net asset value on the reporting date.

f) Accounting for repos / reverse repos

Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are treated as collateralized borrowing and lending transactions respectively in accordance with RBI master circular DBOD No. BP. BC. 19/21.04.14/2011-12 dated July 1, 2011. The first leg of the repo transaction is contracted at the prevailing market rates. The difference between consideration amounts of first and second(reversal of first) leg reflects interest and is recognized as interest income/expense over the period of transaction.

In respect of repo transactions under Liquidity Adjustment Facility (LAF) with RBI, money borrowed from RBI are credited to borrowing account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, money paid to RBI are debited to lending account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

18.4.3 Advances

Advances are classified as performing and non-performing based on the relevant RBI guidelines. Advances are stated net of specific loan loss provisions, interest in suspense, Export Credit Guarantee Corporation of India Limited ('ECGC') claims received, inter-bank participation certificates issued and bills rediscounted. Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in relevant RBI guidelines.

As per the RBI guidelines a general provision is made on all standard advances based on the category of advances as prescribed in the said guidelines. The Bank also maintains additional general provisions on standard exposure based on the internal credit rating matrix. These provisions are included in Schedule 5 - 'Other liabilities & provisions - Others'.

In addition to the provisions required according to the asset classification status, provisions are made for individual country exposures (other than for home country exposure) in accordance with RBI guidelines. Countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets.

In respect of restructured standard and non performing assets, provision is made for the present value of principal and interest component sacrificed at the time of restructuring the assets, based on the RBI guidelines.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary based on the current status of the borrower are recognised in the profit and loss account.

18.4.4 Securitization transactions

The Bank enters into securitization transactions wherein corporate loans are sold to a Special Purpose Vehicle ('SPV'). These securitization transactions are accounted for in accordance with the RBI guidelines on "Securitization of Standard Assets".

Securitized assets are derecognized upon sale if the Bank surrenders control over the contractual rights that comprise the financial asset and fulfils other conditions as per the applicable extant RBI guidelines.

Gain on securitization is amortized over the life of the securities issued by the SPV. Losses are recognized immediately.

Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

18.4.5 Transactions involving foreign exchange

Monetary foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI'). Foreign exchange contracts outstanding at the balance sheet date are Marked to Market at rates notified by FEDAI for specified maturities, suitably interpolated for in-between maturity contracts as specified by FEDAI, and are stated at net present value based on LIBOR/SWAP curves of the respective currencies for contracts of maturities over 12 months (long term forex contract). The resulting profits or losses are recognized in the profit and loss account.

Premia/discounts on foreign exchange swaps, that are used to cover risks arising from foreign currency assets and liabilities, are amortized over the life of the swap.

Income and expenditure in foreign currency are accounted for at exchange rates prevalent on the date of the transaction.

In accordance with AS 11 'The Effects of changes in Foreign Exchange Rates', contingent liabilities in respect of outstanding foreign exchange forward contracts, derivatives, guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI corresponding to the balance sheet date.

18.4.6 Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with (AS) 20, "Earnings per Share" prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share have been computed by dividing net profit for the year by the weighted average number of equity shares outstanding for the period.

Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

18.4.7 Accounting for derivative transactions

Derivative transactions comprise of forward rate agreements, swaps and option contracts. The Bank undertakes derivatives transactions for market making/trading and hedging on-balance sheet assets and liabilities. All market making/trading transactions are marked-to-market on a periodic basis and the resultant unrealized gains/losses are recognized in the profit and loss account.

Derivative transactions that are undertaken for hedging are accounted for on accrual basis except for the transaction designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements.

The Bank follows the option premium accounting framework prescribed by FEDAI SPL- circular dated Dec 14, 2007 Premium on option transaction is recognized as income/expense on expiry or early termination of the transaction. MTM gain/ loss (adjusted for premium received/paid on option contracts) is recorded under 'Other Income'.

The amounts received/paid on cancellation of option contracts are recognized as realized gains/losses on options. Charges receivable/ payable on cancellation/ termination of foreign exchange forward contracts and swaps are recognized as income/ expense on the date of cancellation/ termination under 'Other Income'.

The requirement for collateral and credit risk mitigation on derivative contracts is assessed based on internal credit policy. Overdues if any, on account of derivative transactions are accounted in accordance with extant RBI Guidelines.

As per the RBI guidelines on 'Prudential Norms for Off-balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions.

18.4.8 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost comprises the purchase price and any cost attributable for bringing the asset to its working condition for its intended use.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

18.4.9 Depreciation

Depreciation on fixed assets is provided on straight-line method, over estimated useful lives, as determined by the management, at the rates mentioned below (which are higher than or equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956):

Class of asset	Rates of depreciation per annum
Office Equipment	16.21%
Computer Hardware	33.33%
Computer Software	25.00%
Vehicles	20.00%
Furniture and Fixtures	6.33%
Leasehold improvements to premises	Over the lease period.

Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

For assets purchased/sold during the year, depreciation is being provided on pro rata basis by the Bank.

18.4.10 Retirement and employee benefits

Leave salary

The employees of the Bank are entitled to carry forward a part of their unavailed/unutilized leave subject to a maximum limit. The employees cannot encash unavailed/unutilized leave. The Bank has computed the leave compensated absence provision as per revised AS 15 - Employee Benefits. The Bank accounts for the liability for compensated absence benefits using the projected unit cost method based on annual actuarial valuation.

Gratuity

The Bank provides for gratuity, a defined benefit retirement plan, covering eligible employees. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent to 15 days' eligible salary payable for each completed year of service if the service is more than 5 years. The Bank accounts for the liability for future gratuity benefits using the projected unit cost method based on annual actuarial valuation.

The Bank recognizes the actuarial gains and losses during the year in which the same are incurred.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre determined rate. The Bank has no liability for future provident fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

18.4.11 Leases

Leases where the lessor effectively retains substantially all risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

18.4.12 Income taxes

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the balance sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.

18.4.13 Provisions and contingent assets/liabilities

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

18.4.14 Employee Stock Compensation Cost

Measurement of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI) and SEBI Esop Guidelines 1999. The Bank measures compensation cost relating to employee stock options using the intrinsic value method. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock (i.e. the last closing price on the stock exchange on the day preceding the date of grant of stock options) over the exercise price. The exercise price of the Bank's stock option is the last closing price on the stock exchange on the day preceding the date of grant of stock options and accordingly there is no compensation cost under the intrinsic value method.

18.5.1 Capital

18.5.1.1 Equity Issue

During the financial year ended March 31, 2012, the Bank has issued 5,840,300 shares pursuant to the exercise of stock option aggregating to ₹ 696,190 thousands.

During the financial year ended March 31, 2011, the Bank has issued 7,479,855 shares pursuant to the exercise of stock option aggregating to ₹ 840,738 thousands.

During the financial year ended March 31, 2011, the Bank has charged to Share Premium Account, an amount of ₹ 54,447 thousands on account of the possible disallowance of tax benefit on certain expenses incurred in the financial year ended

March 31, 2006, in connection with the Initial Public Offering. In the financial year ended March 31, 2006, these expenses were charged net of taxes to the share premium account.

18.5.1.2 Capital Reserve

Profit on sale of investments in the HTM category is credited to the profit and loss account and thereafter appropriated to capital reserve (net of applicable taxes and transfer to statutory reserve requirements). During the year ₹ 253,337 thousands (previous year: ₹ 19,924 thousands) was transferred to capital reserve.

18.5.1.3 Investment Reserve

The Bank has transferred ₹ 228 thousands (Previous year: ₹ 137 thousands) towards Investment Reserve (Net of applicable taxes and transfer to statutory reserve requirements) on provisions for depreciation on investments credited to profit and loss account.

18.5.1.4 Capital Adequacy Ratio

Capital Adequacy Ratio as per RBI guidelines (New Capital Adequacy Framework (NCAF) dated July 01, 2011, generally referred to as Basel II) as at March 31, 2012 is given below:

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
Tier-1 capital	51,512,727	41,650,617
Tier-2 capital	41,747,823	29,542,501
Total capital	**93,260,550**	**71,193,118**
Credit Risk - Risk Weighted Assets (RWA)	441,425,137	380,275,615
Market Risk - RWA	56,323,972	35,704,632
Operational Risk - RWA	22,077,222	15,449,563
Total risk weighted assets	**519,826,331**	**431,429,810**
Tier-1 capital adequacy ratio (%)	**9.9**	**9.7**
Tier-2 capital adequacy ratio (%)	**8.0**	**6.8**
Total capital adequacy ratio (%)	**17.9**	**16.5**
Amount raised by issue of IPDI*	6,324,400	4,824,400
Amount raised by issue of Upper Tier II instruments*	20,499,658	16,684,033
Amount of subordinated debts raised as Tier II Capital*	20,658,000	12,013,000

* Outstanding as at March 31.
Outstanding borrowings in foreign currency is converted at the rate prevelant on the date of borrowing for the purpose of capital adequacy.

As at March 31, 2012 the Bank is required to maintain minimum capital which is higher of the minimum capital requirement under Basel II framework or 80% (80% as at March 31, 2011) of the minimum capital requirement under Basel I framework. As at March 31, 2012, the capital funds of the Bank are higher than the minimum capital requirement.

18.5.1.5 Tier I and Tier II Capital

During the financial year 2011-12, the Bank has raised Tier II Debt instruments amounting to ₹ 12,460,625 thousands and Innovative Perpetual Debt Instruments (IPDI) amounting to ₹1,500,000 thousands. Details of the same are as follows:

Tier II Debt Instruments

(₹ in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Lower Tier II	Debentures	July 25, 2011	10.30%	10 years	3,215,000
Lower Tier II	Debentures	October 28, 2011	10.20%	10 years	2,430,000
Lower Tier II	Debentures	March 28, 2012	9.90%	10 years	3,000,000
Upper Tier II	Debentures	March 30, 2012	Libor + 482 bps	15 years	3,815,625*
				TOTAL	12,460,625

Innovative Perpetual Debt Instruments (IPDI)

(₹ in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tier I Perpetual	Promissory Note	March 19, 2012	10.50%	Perpetual	1,500,000**
				TOTAL	**1,500,000**

*Borrowings in foreign currency converted at the rate prevalent on the date of borrowing for the purpose of capital adequacy.
**Of which amount qualified for Tier I Capital as of March 31, 2012 was ₹1,423,193 thousands.

During the financial year 2010-11, the Bank has raised Tier II Debt instruments amounting to ₹ 9,464,000 thousands and Innovative Perpetual Debt Instruments (IPDI) amounting to ₹ 2,250,000 thousands. Details of the same are as follows:

Tier II Debt Instruments

(₹ in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Upper Tier II	Debentures	August 14, 2010	9.65%	15 years	4,400,000
Upper Tier II	Debentures	September 08, 2010	9.50%	15 years	2,000,000
Lower Tier II	Debentures	September 30, 2010	9.30%	9 years & 7 Months	3,064,000
				TOTAL	**9,464,000**

Innovative Perpetual Debt Instruments (IPDI)

(₹ in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tier I Perpetual	Promissory Note	August 21, 2010	9.90%	Perpetual	2,250,000
				TOTAL	**2,250,000**

18.5.2.1 Investments

(₹ in thousands)

Particulars (In India)	As at March 31, 2012	As at March 31, 2011
Gross value	277,853,996	188,408,731
Less: Provision for depreciation (fair value provision)	280,505	120,353
Net value	**277,573,491**	**188,288,378**

There were no investments outside India as at March 31, 2012 and March 31, 2011.

18.5.2.2 Provision for depreciation on Investments

(₹ in thousands)

Particulars (In India)	As at March 31, 2012	As at March 31, 2011
Opening Balance	120,353	192,245
Add/(Less): Provision during the year	160,152	(71,892)
Closing Balance	**280,505**	**120,353**

There was no provision for depreciation on invesments outside India as at March 31, 2012 and March 31, 2011.

18.5.3 Repo Transactions

a) The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2012:

(₹ in thousands)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2012
Securities sold under repos	-	24,199,543	6,740,570	24,199,543
Security purchased under reverse repo	142,352	12,235,151	1,775,327	8,842,571

b) The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2011:

(₹ in thousands)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2011
Securities sold under repos	-	12,250,000	1,900,862	4,350,000
Security purchased under reverse repo	-	11,530,063	1,958,053	1,712,228

The bank has not dealt in any repo or reverse repo transactions in corporate bonds during the financial year ended March 31, 2012 and March 31, 2011.
The above figures include amount borrowed and lent under Repurchase / Reverse repurchase transactions with RBI and other Banks.

18.5.4 Non-SLR Investment Portfolio

a) Issuer composition of Non SLR investments as at March 31, 2012 is given below:

(₹ in thousands)

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities #	Extent of 'unlisted' securities*
i)	PSUs	3,363,182	750,000	-	-	-
ii)	Financial Institutions	25,093,214	23,924,184	-	582,300	11,250,532
iii)	Banks	7,140,327	4,499,612	-	-	6,773,327
iv)	Private Corporates	69,596,889	68,629,889	50,000	14,410	15,135,878
v)	Subsidiaries/Joint ventures	-	-	-	-	-
vi)	Others	10,780,048	10,780,048	-	-	10,780,048
vii)	Provision held towards depreciation	(184,523)	-	-	-	-
	TOTAL	**115,789,137**	**108,583,733**	**50,000**	**596,710**	**43,939,785**

*Of the investments disclosed ₹41,120,785 thousands are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities.
Excludes investment in equity shares and units

b) Issuer composition of Non SLR investments as at March 31, 2011 is given below:

(₹ in thousands)

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities #	Extent of 'unlisted' securities*
i)	PSUs	1,050,000	1,050,000	-	-	-
ii)	Financial Institutions	12,190,665	12,190,665	-	-	4,892,919
iii)	Banks	29,737,469	15,910,462	-	-	29,261,467
iv)	Private Corporates	34,642,012	34,141,371	50,000	14,410	6,616,153
v)	Subsidiaries/Joint ventures	-	-	-	-	-
vi)	Others	3,279,635	3,279,635	-	-	3,279,635
vii)	Provision held towards depreciation	(84,004)	-	-	-	-
	TOTAL	**80,815,777**	**66,572,133**	**50,000**	**14,410**	**44,050,174**

*Of the investments disclosed ₹43,567,173 thousands are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities.
Excludes investment in equity shares and units

c) The Bank does not have any non-performing 'Non SLR' investments as at March 31, 2012 (Previous Year - Nil)

d) The Bank has not sold and transferred securities to or from HTM category exceeding 5 percent of the book value of investment held in HTM category at the begining of the year. The 5% threshold referred above does not include one time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the begining of the year and sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI.

18.5.5 Derivatives

18.5.5.1 Forward Rate Agreement/ Interest Rate Swap

The details of Forward Rate Agreements / Interest Rate Swaps outstanding as at March 31, 2012 are provided in accordance with the RBI guidelines on Forward Rate Agreements and Interest Rate Swaps (MPD.BC.187/07.01.279/1999-2000) as applicable to Indian Rupee transactions:

(₹ in thousands)

Sr. No.	Items	As at March 31, 2012	As at March 31, 2011
I)	The notional principal of swap agreements	516,374,000	551,250,000
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	1,732,290	1,385,424
iii)	Collateral required by the bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps [Percentage Exposure to Banks] [1]	12.96%	24.08%
v)	The fair value of the swap book [2]	1,311,757	187,398

1. Credit risk concentration is measured as net receivable under Swap contracts from banks
2. Fair value represents MTM including accrued interest.

The nature and terms of the IRS as on March 31, 2012 are set out below:

(₹ in thousands)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	6	9,500,000	INBMK	Fixed Payable v/s Floating Receivable
Hedging	8	2,000,000	MIBOR	Fixed Payable v/s Floating Receivable
Hedging	8	2,000,000	MIBOR	Fixed Receivable v/s Floating Payable
Hedging	15	4,050,000	MIFOR	Fixed Payable v/s Floating Receivable
Trading	14	10,760,000	INBMK	Fixed Payable v/s Floating Receivable
Trading	3	1,500,000	INBMK	Fixed Receivable v/s Floating Payable
Trading	496	234,395,000	MIBOR	Fixed Payable v/s Floating Receivable
Trading	506	238,250,000	MIBOR	Fixed Receivable v/s Floating Payable
Trading	16	3,965,000	MIFOR	Fixed Payable v/s Floating Receivable
Trading	26	9,954,000	MIFOR	Fixed Receivable v/s Floating Payable

The nature and terms of the IRS as on March 31, 2011 are set out below:

(₹ in thousands)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	6	9,500,000	INBMK	Fixed Payable v/s Floating Receivable
Hedging	8	5,250,000	MIBOR	Fixed Payable v/s Floating Receivable
Hedging	13	5,000,000	MIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	900,000	MIFOR	Fixed Payable v/s Floating Receivable
Trading	15	11,760,000	INBMK	Fixed Payable v/s Floating Receivable
Trading	3	1,500,000	INBMK	Fixed Receivable v/s Floating Payable
Trading	416	249,080,000	MIBOR	Fixed Payable v/s Floating Receivable
Trading	461	258,000,000	MIBOR	Fixed Receivable v/s Floating Payable
Trading	8	3,080,000	MIFOR	Fixed Payable v/s Floating Receivable
Trading	19	7,180,000	MIFOR	Fixed Receivable v/s Floating Payable

18.5.5.2 Unhedged / uncovered foreign currency exposure

The Bank's foreign currency exposures as at March 31, 2012 that are not hedged/covered by either derivative instruments or otherwise are within the Net Overnight Open Position limit (NOOP) and the Aggregate Gap limit, as approved by the RBI. NOOP at March 31, 2012 is ₹366,454 thousands (March 31, 2011: ₹423,481 thousands).

18.5.5.3 Exchange Traded Interest Rate Derivatives

The Bank has not dealt in exchange traded interest rate derivatives during the financial year ended March 31, 2012 (Previous Year: NIL)

18.5.5.4 Currency Futures

The bank had dealt in exchange traded currency Forwards (Futures) during the financial year ended March 31, 2012. As at March 31, 2012 the open contracts on the exchange were to the tune of USD 403,000 (₹20,642,667) for April 2012 expiry (March 31, 2011: NIL open contracts).

18.5.5.5 Disclosures on risk exposure in derivatives

As per RBI Master circular DBOD.BP.BC.No.16/21.04.018/2011-12 dated July 1, 2011, the following disclosures are being made with respect to risk exposure in derivatives of the Bank:

a) Purpose: The Bank uses Derivatives including Forwards & swaps for various purposes viz. hedging its currency and interest rate risk in its balance sheet, customer offerings and proprietary trading. The management of these products and businesses is governed by the Market Risk Policy, Investment Policy, Derivatives Policy, Derivatives Appropriateness Policy, Hedging Policy.

b) Structure: The Board of Directors of the Bank have constituted a Board level sub-committee, the Risk Monitoring Committee ('RMC') and delegated to it all functions and responsibilities relating to the risk management policy of the Bank and its supervision thereof.

c) As part of prudent business and risk management practice, the Bank has also instituted a comprehensive limit and control structure encompassing Value-at-Risk (VAR), Stop loss & portfolio credit limits for derivative transactions. The Bank has an elaborate internal reporting mechanism providing regular reports to the RMC.

d) The Bank has an independent Middle Office, which is responsible for monitoring, measurement and analysis of derivative related risks, among others. The Bank has a Credit Risk Management unit which is responsible for setting up counterparty limits and also a treasury operation unit which is responsible for managing operational aspects of derivatives control function and settlement of transactions. The Bank is subject to a concurrent audit for all treasury transactions, including derivatives, a monthly report of which is periodically submitted to the top management and Audit & Compliance Committee of the Bank.

e) In addition to the above, the Bank independently evaluates the potential credit exposure on account of all derivative transactions, wherein risk limits are specified separately for each product, in terms of both credit exposure and tenor. As mandated by the Credit Policy of the Bank, the Bank has instituted an approval structure for all treasury/derivative related credit exposures. Wherever necessary, appropriate credit covenants are stipulated as trigger events to call for collaterals or terminate a transaction and contain the risk.

f) The Bank reports all trading positions to the management on a daily basis. The Bank revalues its trading position on a daily basis for Management and Information System ('MIS') and control purposes and records the same in the books of accounts on a monthly basis.

g) For derivative contracts in the banking book designated as hedge, the Bank documents at the inception of the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge.

h) Refer Note 18.4.7 for accounting policy on derivatives.

i) The details of derivative transactions as at March 31, 2012 and March 31, 2011 are given below:

(₹ in thousands)

No.	Particular	Currency derivatives[1]		Interest rate derivatives	
		Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
i)	**Derivatives (Notional Principal Amount)[2]**				
	a) For hedging	17,777,846	10,266,787	17,550,000	20,650,000
	b) For trading	842,472,980	607,162,010	517,893,857	556,005,250
ii)	**Marked to market positions[3]**				
	a) Asset (+)	20,520,155	13,815,057	3,636,147	4,002,280
	b) Liability (-)	19,169,394	12,957,981	3,348,155	4,193,310
iii)	**Credit exposure**[4]**	24,713,275	29,734,368	9,322,821	9,014,434
iv)	**Likely impact of one percentage change in interest rate (100*PV01)** (Refer Note 1&2 below)				
	a) on hedging derivatives	337,391	309,028	637,760	637,581
	b) on trading derivatives	296,569	274,930	712,047	803,249
v)	**Maximum and minimum of 100*PV01 observed during the year** (Refer Note 1&2 below)				
	a) on hedging				
	Maximum	394,047	340,268	684,029	638,939
	Minimum	294,310	279,302	596,568	13,655
	b) on trading				
	Maximum	431,038	350,712	877,112	1,164,995
	Minimum	239,798	37,199	712,047	328,948

1 Forwards, Options and cross currency swaps and currency futures are included in currency derivatives

2 Currency Derivatives excludes notional amount of option sold of ₹ 27,086,499 thousands and ₹ 45,755,258 thousands for the financial year ended March 31, 2012 and financial year ended March 31, 2011 respectively.

3 Trading portfolio including accrued interest in the Balance Sheet, the bank has reported unrealised gain under Other Assets and unrealised loss under Other Liabilities on foreign exchange and derivative contract as on March 31, 2012, which hitherto was reported on net basis as Other Assets or Other Liabilities as at March 31, 2011.

4 Including accrued interest. Does not include forward contracts settling through CCIL under Forex Forward Segment.

***The credit exposure has been calculated using the Current Exposure Method as prescribed in the RBI Circular on "Exposure Norms", DBOD.No.Dir.BC.7/13.03.00/2011-12 dated July 1, 2011.*

Note:

1) Denotes absolute value of loss which the Bank could suffer on account of a change in interest rates by 1% which however doesn't capture the off-setting exposures between interest rate and currency derivatives.

2) PV01 exposures reported above may not necessarily indicate the interest rate risk the bank is exposed to, given that PV01 exposures in Investments (which may offsets the PV01 reflected above) do not form part of the above table.

18.5.6 Asset quality

18.5.6.1 Non-Performing Asset

The details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2012 and the year ended March 31, 2011 are given below :

(₹ in thousands)

No.	Particulars	March 31, 2012	March 31, 2011
(i)	Net NPA to Net Advances	0.05%	0.03%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	805,242	602,020
	(b) Additions (Fresh NPAs during the year)	643,743	498,168
	Sub total (A)	**1,448,985**	**1,100,188**
	Less:		
	(I) Upgradations	-	278
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	346,102	177,864
	(iii) Write-offs	264,294	116,804
	Sub-total (B)	**610,396**	**294,946**
	Gross NPAs (closing balance) (A-B)	**838,589**	**805,242**
(iii)	Movement of Net NPAs		
	(a) Opening balance	91,536	129,878
	(b) Additions during the year	129,391	6,198
	(c) Reductions during the year	46,327	44,540
	(d) Closing balance	174,600	91,536
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
	(a) Opening balance	713,706	472,142
	(b) Additions during the year	514,353	491,970
	(c) Write off/Write back of excess provision	564,070	250,406
	(d) Closing balance	**663,989**	**713,706**

18.5.6.2 Provision coverage Ratio

The provision coverage ratio of the Bank as at March 31, 2012 computed as per the the RBI circular dated December 01, 2009 is 79.18% (previous year 88.63%) (excluding technical write-offs).

18.5.6.3 Concentration of NPAs

Exposure (Funded + Non Funded) of the Bank to top four NPA is ₹586,371 thousands (previous year ₹ 575,899 thousands) and the Bank has provided for ₹ 522,545 thousands (previous year ₹ 520,468 thousands) for the same.

18.5.6.4 Sector-wise NPAs

The details of Sector-wise NPAs as at March 31, 2012 and March 31, 2011 are given below:

No.	Sector	% of gross NPAs to gross advances in that sector	
		March 31, 2012	March 31, 2011
1	Agriculture & allied activities	0.16	-
2	Industry (Micro & small, Medium and Large)	0.29	0.29
3	Services	0.13	0.27
4	Personal Loans	0.09	1.56

18.5.6.5 Restructured Accounts

Details of Restructured Accounts as at March 31, 2012 are as follows-

(₹ in thousands)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	10	-	3
	Amount outstanding*	1,843,909	-	220,478
	of which amount restructured	1,843,909	-	195,726
	Sacrifice (diminution in the fair value)	68,710	-	7,100
Sub-standard advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
TOTAL	No. of Borrowers	**10**	**-**	**3**
	Amount outstanding	**1,843,909**	**-**	**220,478**
	of which amount restructured	**1,843,909**	**-**	**195,726**
	Sacrifice (diminution in the fair value)	**68,710**	**-**	**7,100**

* Does not include ₹389,463 thousands classified as NPA as at March 31, 2012.

Details of Restructured Accounts as at March 31, 2011 are as follows-

(₹ in thousands)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	4	-	3
	Amount outstanding*	659,827	-	248,706
	of which amount restructured	608,028	-	221,254
	Sacrifice (diminution in the fair value)	45,542	-	13,405
Sub-standard advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
TOTAL	No. of Borrowers	**4**	**-**	**3**
	Amount outstanding	**659,827**	**-**	**248,706**
	of which amount restructured	**608,028**	**-**	**221,254**
	Sacrifice (diminution in the fair value)	**45,542**	**-**	**13,405**

* Does not include ₹ 155,700 thousands classified as NPA as at March 31, 2011.

18.5.7 Financial assets sold to Securitization/Reconstruction Company for Asset Reconstruction

During the year ended March 31, 2012 the Bank had sold a NPA of ₹64,715 thousands (Provisions held ₹48,522 thousands) to an Asset Reconstruction Company and realized ₹56,748 thousands. (Previous Year: Nil).

18.5.8 Non-performing financial assets purchased/sold from/to other bank

The Bank has not purchased/sold any non-performing financial assets from/to bank during the year ended March 31, 2012 and March 31, 2011.

18.5.9 Provisions for Standard Assets

Provision on standard advances is ₹2,107,828 thousands and ₹1,700,838 thousands as at March 31, 2012 and March 31, 2011 respectively.

18.5.10 Business Ratios

Business Ratios	As at March 31, 2012	As at March 31, 2011
i) Interest income as a percentage to working funds[1]	10.14%	8.76%
ii) Non interest income as a percentage to working funds[1]	1.38%	1.35%
iii) Operating profit as a percentage to working funds[1]	2.48%	2.58%
iv) Return on assets[1]	1.57%	1.58%
v) Business (deposits + net advances) per employee (₹'000's)[2]	174,765	222,025
vi) Profit per employee (₹'000's)[2]	2,042	2,089

1 Working funds represents the average of total assets as reported in Return Form X to RBI under Section 27 of the Banking Regulation Act, 1949.

2 For the purpose of computation of business per employee (deposits + net advances), inter bank deposits have been excluded and average employees have been considered.

18.5.11 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

In compiling the information of maturity pattern (refer 18.5.11 (a), (b), (c) and (d) below), estimates and assumptions have been made by the management.

Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

a) Specified assets and liabilities as at March 31, 2012

(₹ in thousands)

Maturity Buckets	Loans & Advances*	Investment Securities	Deposits	Borrowings
1 day	5,803,898	-	3,018,431	-
2 days to 7 days	3,891,120	101,600	29,822,872	39,868,456
8 days to 14 days	8,013,885	-	34,242,486	4,776,743
15 days to 28 days	5,267,310	-	29,251,570	3,300,000
29 days to 3 months	51,593,394	14,658,789	90,056,222	10,836,844
Over 3 to 6 months	45,471,585	21,067,592	91,222,172	14,289,992
Over 6 to 12 months	39,000,415	21,319,463	136,501,283	8,928,664
Over 1 year to 3 years	129,370,871	37,603,087	24,047,835	10,818,156
Over 3 years to 5 years	51,163,515	49,675,060	52,319,249	3,412,775
Over 5 years	40,310,426	133,147,900	1,034,930	45,333,244
TOTAL	**379,886,419**	**277,573,491**	**491,517,050**	**141,564,874**

b) Specified assets and liabilities as at March 31, 2011

(₹ in thousands)

Maturity Buckets	Loans & Advances*	Investment Securities	Deposits	Borrowings
1 day	2,857,636	-	1,747,455	-
2 days to 7 days	10,160,909	-	37,002,534	10,369,386
8 days to 14 days	10,157,440	-	25,171,695	805,480
15 days to 28 days	23,101,268	1,591,278	34,257,290	1,547,259
29 days to 3 months	71,840,323	29,744,027	117,609,218	5,306,477
Over 3 to 6 months	47,846,376	11,870,150	63,830,849	4,962,603
Over 6 to 12 months	43,012,885	6,624,856	103,869,299	6,370,093
Over 1 year to 3 years	80,594,485	27,359,778	64,843,606	2,600,000
Over 3 years to 5 years	25,256,352	27,634,956	8,910,280	2,368,401
Over 5 years	28,808,713	83,463,333	2,147,092	32,579,393
TOTAL	**343,636,387**	**188,288,378**	**459,389,318**	**66,909,092**

* For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') have been classified in the maturity bucket corresponding to the original maturity of such loans and advances gross of any risk participation. Correspondingly, the balances have been reported net of IBPC maturities falling due in the respective buckets.

c) Foreign currency denominated assets and liabilities as at March 31, 2012:

(₹in thousands)

Maturity Buckets	Assets	Liabilities
1day	1,125,845	20,467
2 days to 7 days	100,317	2,131,919
8 days to 14 days	321,056	132,412
15 days to 28 days	1,105,197	63,413
29 days to 3 months	4,975,606	8,122,241
Over 3 months to 6 months	3,393,375	9,198,349
Over 6 months to 12 months	-	1,479,022
Over 1 year to 3 years	-	7,924,741
Over 3 years to 5 years	-	1,341,383
Over 5 years	89,031	9,039,244
TOTAL	**11,110,427**	**39,453,191**

d) Foreign currency denominated assets and liabilities as at March 31, 2011:

(₹ in thousands)

Maturity Buckets	Assets	Liabilities
1 day	2,485,037	28,260
2 days to 7 days	378,867	3,614,100
8 days to 14 days	446,270	837,845
15 days to 28 days	608,554	510,616
29 days to 3 months	2,895,563	3,434,441
Over 3 months to 6 months	4,350,315	5,059,625
Over 6 months to 12 months	92,333	3,084,974
Over 1 year to 3 years	-	737,874
Over 3 years to 5 years	-	2,474,055
Over 5 years	78,041	4,630,394
TOTAL	**11,334,980**	**24,412,184**

18.5.12 Exposures

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market, real estate and commodities.

18.5.12.1 Exposure to Real Estate Sector

The exposure, representing the higher of funded and non-funded limits sanctioned or outstanding to real estate sector, is given in the table below:

(₹ in thousands)

Sr. No.	Particulars	As at March 31, 2012	As at March 31, 2011
i)	Direct exposure		
	Residential Mortgages	1,707,657	276,525
	Commercial Real Estate*	24,584,819	19,357,999
	of which outstanding as advances	14,863,969	11,870,683
	Investments in Mortgage Backed Securities (MBS) and		
	other securitized exposures		
	- Residential	425,601	609,402
	- Commercial Real Estate	-	-
ii)	Indirect exposure		
	Fund based and non fund based exposures on		
	National Housing Board and Housing Finance Companies	9,191,389	3,371,420
	TOTAL	**35,909,466**	**23,615,346**

*Commercial real estate exposure include loans given to land and building developers for construction, corporates for their real estate requirements and to individuals/firms/corporates against non-residential premises.

18.5.12.2 Exposure to Capital Market

The exposure representing the higher of funded and non-funded limits sanctioned or outstanding to capital market sector is given in the table below:

(₹ in thousands)

Sr. No.	Particulars	As at March 31, 2012	As at March 31, 2011
i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**13,506**	147,647
ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	**15,081**	6,722
iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**-**	3,000,000
iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	**2,934,179**	3,378,427
v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**3,717,934**	2,285,000
vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	**550,000***	550,000*
vii)	bridge loans to companies against expected equity flows / issues;	**-**	-
viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	**-**	-
ix)	financing to stockbrokers for margin trading	**-**	-
x)	all exposures to Venture Capital Funds (both registered and unregistered)	**60,000**	-
	Total Exposure to Capital Market	**7,290,700**	**9,367,796**

* Pertains to loans given to Indian Company for onward lending to an overseas subsidiary for acquisition abroad.

18.5.12.3 Risk Category wise Country Exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. As at March 31, 2012, the Bank's funded exposure to any individual country did not exceed 1% of the total funded assets of the Bank.

(₹ in thousands)

Risk Category	Exposure (net) as at March 31, 2012	Provision held as as at March 31, 2012	Exposure (net) as as at March 31, 2011	Provision held as as at March 31, 2011
Insignificant	21,861,152	-	4,696,187	-
Low	2,561,478	-	2,438,748	-
Moderate	-	-	916,817	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
TOTAL	**24,422,630**	**-**	**8,051,752**	**-**

18.5.12.4 Details of Single Borrower Limit (SBL) and Group Borrower Limit (GBL)

During the year ended March 31, 2012 and March 31, 2011, the Bank has not exceeded single borrower or group borrower exposure limit .

18.6 Miscellaneous

18.6.1 Income Tax

(i) Provisions made for Income Tax during the year

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Current income tax expense	5,036,272	4,112,920
Deferred income tax benefit	(306,104)	(462,513)
TOTAL	**4,730,168**	**3,650,407**

(ii) As at March 31, 2012 the Bank has reported 'Advance tax and tax deducted at source' under Schedule 11 - Other Assets, net of provision for tax. As at March 31, 2011, 'Advance tax and tax deducted at source' was reported under Schedule 11 - Other Assets and 'Provision for Taxation' reported under Schedule 5 - Other Liabilities (Others) on gross basis. Had the Bank continued to report 'Provision for Taxation' and 'Advance Tax and tax deducted at source' on gross basis as at 31 March, 2012 as reported in the previous year, 'Advance tax and tax deducted at source' reported under Schedule 11 - Other Assets and 'Provision for Taxation' reported under Schedule 5 - Other Liabilities (Others) would have been higher by ₹15,837,046 thousands.

18.6.2 Disclosure of penalties imposed by RBI

Pursuant to the show cause notice received by the Bank in October 2010 relating to contravention of directions and guidelines on derivative transactions, RBI has levied penalty of ₹1,500 thousands under section 47A (1) (b) read with section 46 (4) of Banking Regulation Act, 1949.

The Bank does not have any bouncing of securities general ledger and has not incurred any penalty for SGL bouncing in the financial year ended March 31, 2012.

18.6.3 Fees/ Remuneration received from bancassurance

Bank has earned ₹148,458 thousands from bancassurance business during year ended March 31, 2012 (previous year: ₹ 128,171 thousands).

18.6.4 Concentration of Deposits

As at March 31, 2012 the deposits of top 20 depositors aggregated to ₹86,463,978 thousands (previous year: ₹86,204,381 thousands) (excluding certificate of deposits, which are tradable instruments), representing 17.59% (previous year: 18.76%) of the total deposit base.

18.6.5 Concentration of Advances

As at March 31, 2012 the top 20 advances aggregated to ₹116,461,727 thousands (previous year ₹105,461,474 thousands), representing 13.02% (previous year 14.06%) of the total advances. For this purpose, advance is computed as per definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD.No.Dir.BC.7/13.03.00/2011-12 dated July 1, 2011.

18.6.6 Concentration of Exposures

As at March 31, 2012 the top 20 exposures aggregated to ₹139,821,108 thousands (previous year ₹126,910,027 thousands), representing 13.80% (previous year 15.29%) of the total exposures. Exposure is computed as per definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD.No.Dir.BC.7/13.03.00/2011-12 dated July 1, 2011.

18.6.7 Overseas Assets, NPAs and Revenue

For the year ended March 31, 2012 and March 31, 2011, the Bank has not earned any revenue from overseas branches. The Bank does not have any assets or NPA from overseas branches as at March 31, 2012 and March 31, 2011.

18.6.8 Sponsored SPVs

The Bank has not sponsored any SPV and hence there is no consolidation in Bank's books.

18.7 Disclosures as required by Accounting Standards

18.7.1 Staff retirement benefits

The following table sets out the funded status of the Gratuity Plan and the amounts recognized in the Bank's financial statements as of March 31, 2012 and March 31, 2011:

Changes in present value of Obligations

(₹ in thousands)

	As at March 31, 2012	As at March 31, 2011
Present Value of Obligation at the beginning of the year	119,859	50,015
Interest Cost	8,617	4,001
Current Service Cost	72,677	52,022
Past Service Cost	-	-
Benefits Paid	(7,138)	-
Actuarial (gain)/loss on Obligation	(13,078)	13,821
Present Value of Obligation at the end of the year	180,937	119,859

Changes in the fair value of planned assets:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Fair value of plan assets at the beginning of the year	24,723	-
Adjustment to Opening Balance	6	-
Expected return on plan assets	1,957	1,083
Contributions	-	23,423
Benefits paid	(7,138)	-
Acturial gain/(loss) on planned assets	(1,957)	217
Fair value of planned assets at the end of the period	17,591	24,723

Fair value of planned assets:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Fair value of plan assets at the beginning of the year	24,723	-
Adjustment to Opening Balance	6	-
Actual return on plan assets	-	1,300
Contributions	-	23,423
Benefits paid	(7,138)	-
Fair value of planned assets at the end of the period	17,591	24,723

Net gratuity cost for the year ended March 31, 2012 and March 31, 2011 comprises the following components:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Current Service Cost	72,677	52,022
Interest Cost	8,617	4,001
Expected Return on plan assets	(1,957)	(1,083)
Net Actuarial gain recognized in the year	(11,122)	13,604
Past Service Cost	-	-
Expenses recognized	68,215	68,544

Experience History:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
(Gain)/Loss on obligation due to change in assumption	10,033	16,588
Experience (Gain)/Loss on obligation	(23,113)	(2,767)
Actuarial Gain/(Loss) on planned assets	(1,957)	217

The assumptions used in accounting for the gratuity plan are set out below:

	For the year ended March 31, 2012	For the year ended March 31, 2011
Discount Rate	8.59%	7.41%
Expected Return on Plan Assets	9.25%	9.25%
Mortality	L.I.C. (1994-96) Ultimate Table	L.I.C. (1994-96) Ultimate Table
Future Salary Increases	15% p.a	15%p.a
Disability	-	-
Attrition	20% p.a.	25% p.a.
Retirement	60 yrs	60 yrs

Actuarial assumption on salary increase also takes into consideration the inflation, seniority, promotion and other relevant factors.

18.7.2 Compensated Absences

The actuarial liability of compensated absences of un-encashable accumulated privileged leave of the employees of the Bank as at March 31, 2012 and March 31, 2011 is given below:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Present value of obligation at the beginning of the year	20,459	33,999
Interest cost	1,516	2,720
Current service cost	4,668	186,761
Past service cost	-	-
Benefits paid	-	-
Actuarial (gain)/ loss on obligation	(25,701)	(203,021)
Present value of obligation at the end of the year	942	20,459

Fair value of planned assets:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Fair value of plan assets at the beginning of the year	-	-
Actual return on plan assets	-	-
Contributions	-	-
Benefits paid	-	-
Excess of actual over estimated return on planned assets	-	-
Funded Status(including unrecognized past service cost)	(942)	-
Fair value of planned assets at the end of the year	-	-

Experience History:

(₹ in thousands)

	For the year ended March 31, 2012	For the year ended March 31, 2011
(Gain)/Loss on obligation due to change in assumption	536	3,029
Experience (Gain)/Loss on obligation	(26,238)	(206,050)
Actuarial Gain/(Loss) on planned assets	-	-

The assumptions used in accounting for the compensated absences are set out below:

	For the year ended March 31, 2012	For the year ended March 31, 2011
Discount rate	8.59%	7.41%
Mortality	L.I.C. (1994-96) Ultimate Table	L.I.C. (1994-96) Ultimate Table
Future salary increases	15%p.a	15%p.a
Disability	-	-
Attrition	20%	25%
Retirement	60 yrs	60 yrs

18.7.3 Segment Reporting

Pursuant to the guidelines issued by RBI on AS-17 (Segment Reporting) - Enhancement of Disclosures dated April 18, 2007, effective from period ending March 31, 2008, the following business segments have been reported.

- **Treasury:** Includes investments, all financial markets activities undertaken on behalf of the Bank's customers, proprietary trading, maintenance of reserve requirements and resource mobilisation from other banks and financial institutions.
- **Corporate / Wholesale Banking:** Includes lending, deposit taking and other services offered to corporate customers.
- **Retail Banking:** Includes lending, deposit taking and other services offered to retail customers.
- **Other Banking Operations:** Includes para banking activities like third party product distribution, merchant banking etc.

a) Segmental results for the year ended March 31, 2012 are set out below:

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	22,448,067	47,550,739	3,501,490	275,458	73,775,754
Less: Inter-segment					(2,130,967)
Revenue net of intersegment					71,644,787
Result	11,214,253	11,256,913	(904,286)	80,408	**21,647,288**
Unallocated Expenses					7,147,136
Operating Profit					14,500,152
Income Taxes					4,730,168
Extra-ordinary Profit/(Loss)					-
Net Profit					**9,769,984**
Other Information:					
Segment assets	347,392,164	330,554,280	53,107,056	49,701	731,103,201
Unallocated assets					5,517,907
Total assets					**736,621,108**
Segment liabilities	162,951,784	368,209,693	102,565,475	641,822	634,368,774
Unallocated liabilities					102,252,334
Total liabilities					**736,621,108**

b) Segmental results for the year ended March 31, 2011 are set out below:

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	14,985,481	33,287,554	2,031,990	245,921	50,550,946
Less: Inter-segment					(3,900,764)
Revenue net of inter-segment					46,650,182
Result	8,694,927	7,982,004	(692,892)	85,651	**16,069,690**
Unallocated Expenses					5,147,905
Operating Profit					10,921,785
Income Taxes					3,650,407
Extra-ordinary Profit/(Loss)					-
Net Profit					**7,271,378**
Other Information:					
Segment assets	228,151,013	318,819,614	28,148,930	77,736	**575,196,293**
Unallocated assets					14,872,596
Total assets					**590,069,889**
Segment liabilities	85,790,677	363,131,695	53,918,771	290,761	503,131,904
Unallocated liabilities					86,937,985
Total liabilities					**590,069,889**

Notes for segment reporting:

1. The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.
2. In computing the above information, certain estimates and assumptions have been made by the Management.
3. Income, expense, assets and liabilities have been either specifically identified with individual segment or allocated to segments on a systematic basis or classified as unallocated.
4. Fixed assets and related depreciation on fixed assets, Cash(excluding cash at ATM) and non treasury related bank balances at branches, Bills payable, Tax related accounts, Tier II instruments, IPDI instruments, share capital and reserves and relevant interest and operating expenses which cannot be allocated to any segments have been classified as unallocated.
5. Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

18.7.4 Related Party Disclosures

a) As per AS 18 “Related Party Disclosures”, prescribed by the Companies (Accounting Standards) Rules, 2006, the Bank's related parties for the year ended March 31, 2012 are disclosed below:

Individuals having significant influence:

- Mr. Rana Kapoor, Managing Director & CEO

Key Management Personnel ('KMP') (Wholetime Director)

- Mr. Rana Kapoor, Managing Director & CEO

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2012:

(₹ in thousands)

Items/Related Party Category	Whole time directors / individual having significant influence	Maximum Balance during the year	Relatives of whole time directors / individual having significant influence	Maximum Balance during the year
Deposits	#	#	69,933*	95,013
Interest paid	#		4,051	
Receiving of services	#		-	-
Dividend paid	#			

* Represents outstanding as of March 31, 2012

In Financial Year 2011-12 there was only one related party in the said category, hence the Bank has not disclosed the details of transactions in accordance with circular issued by the RBI on March 29, 2003 "Guidance on compliance with the accounting standards by banks".

b) As per AS 18 "Related Party Disclosures", prescribed by the Companies (Accounting Standards) Rules, 2006, the Bank's related parties for the year ended March 31, 2011 are disclosed below:

Individuals having significant influence:

- Mr. Rana Kapoor, Managing Director & CEO

Key Management Personnel ('KMP') (Wholetime Director)

- Mr. Rana Kapoor, Managing Director & CEO

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2011:

(₹ in thousands)

Items/Related Party Category	Whole time directors / individual having significant influence	Maximum Balance during the year	Relatives of whole time directors / individual having significant influence	Maximum Balance during the year
Deposits	#	#	71,963*	73,871
Interest paid	#		2,910	
Receiving of services	#		-	-
Dividend paid	#			

* Represents outstanding as of March 31, 2011

In Financial Year 2010-11 there was only one related party in the said category, hence the Bank has not disclosed the details of transactions in accordance with circular issued by the RBI on March 29, 2003 "Guidance on compliance with the accounting standards by banks".

18.7.5 Operating Leases

Lease payments recognised in the profit and loss account for the year ended March 31, 2012 was ₹1,203,222 thousands (Previous year: ₹833,371 thousands).

As at March 31, 2012 and March 31, 2011 the Bank had certain non-cancellable outsourcing contracts for information technology assets and properties on rent. The future minimum lease obligations against the same were as follows:

(₹ in thousands)

Lease obligations	As at March 31, 2012	As at March 31, 2011
Not later than one year	1,015,295	820,619
Later than one year and not later than five years	4,097,171	3,426,064
Later than five years	836,099	647,754
TOTAL	**5,948,565**	**4,894,437**

The Bank does not have any provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

18.7.6 Earnings Per Share ('EPS')

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, "Earnings per Share". The dilutive impact is mainly due to stock options granted to employees by the Bank.

The computation of earnings per share is given below:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Basic (annualised)		
Weighted average no. of equity shares outstanding	350,515,649	344,272,881
Net profit / (loss) (₹ 000)	9,769,984	7,271,378
Basic earnings per share (₹)	27.87	21.12
Diluted (annualised)		
Weighted average no. of equity shares outstanding	360,106,590	359,075,636
Net profit / (loss) (₹ 000)	9,769,984	7,271,378
Diluted earnings per share (₹)	27.13	20.25
Nominal value per share (₹)	10.00	10.00

18.7.7 ESOP disclosures

Statutory Disclosures Regarding Joining Stock Option Scheme:

The Bank has five Employee Stock Option Schemes viz. Joining Stock Option Plan I (JSOP I) , Joining Employee Stock Option Plan II (JESOP II), Joining Employee Stock Option Plan III (JESOP III), YBL ESOP (consisting of two sub schemes) and YBL JESOP V/ PESOP II (consisting of three sub schemes). The schemes include provisions for grant of options to eligible employees. All the aforesaid schemes have been approved by the Board Remuneration Committee and the Board of Directors and were also approved by the members of the Bank.

JSOP I is administered by the Board Remuneration Committee of the Bank and was in force for employees joining the Bank on or before March 31, 2005. All the grants under JSOP I were made before the IPO of the Bank.

JESOP II and JESOP III are administered by the Board Remuneration Committee of the Bank and were in force for employees joining the Bank up to March 31, 2006 and March 31, 2007 respectively.

YBL ESOP (JESOP IV), a sub scheme of YBL ESOP and YBL JESOP V, a sub scheme of YBL JESOP V/ PESOP II are also administered by the Board Remuneration Committee of the Bank and are in force for employees joining the Bank from time to time.

Under the above Plans, vesting takes place at the end of three years from the grant date for 50% of the options granted and at the end of five years for the balance. Options under all these plans are granted for a term of 10 years (inclusive of the vesting period) and are settled with equity shares being allotted to the beneficiary upon exercise.

YBL ESOP (PESOP I), a sub scheme of YBL ESOP, YBL PESOP II and YBL PESOP II - 2010, sub schemes of YBL JESOP V/ PESOP II are Performance Stock Option Plans and are also administered by the Board Remuneration Committee of the Bank. Under YBL ESOP (PESOP I) vesting takes place at the end of each year from the grant date for 25% of the options granted and are settled with equity shares being allotted to the beneficiary upon exercise. Under YBL PESOP II, 30% of the granted options vest at the end of first year, 30% vest at the end of second year and balance 40% vest at the end of third year. Further grants under PESOP II had been discontinued with effect from January 20, 2010. Under YBL PESOP II - 2010, 30% of the granted options vest at the end of the third year, 30% vest at the end of the fourth year and balance vest at the end of the fifth year.

A summary of the status of the Bank's stock option plans is set out below:

	Particulars	JSOP - I	JESOP - II	JESOP -III	JESOP IV	YBL PESOP I	YBL PESOP II	JESOP V	PESOP II 2010
	Opening balance	461,500	1,053,320	1,125,900	2,835,300	2,849,855	8,804,300	3,512,500	4,243,000
Add :	Option granted during the year							2,388,800	3,897,500
Less :	Options exercised during the year	200,000	748,620	667,750	728,105	780,450	2,540,525	174,850	
Less :	Options lapsed during the year			22,500	619,400	244,005	624,400	403,500	647,000
	Closing balance	261,500	304,700	435,650	1,487,795	1,825,400	5,639,375	5,322,950	7,493,500
	Approved by shareholders on	October 27, 2004	April 26, 2005	July 24, 2006	August 29, 2007	August 29, 2007	Sep 18, 2008	Sep 18, 2008	Sep 18, 2008
	Options granted and exercised during the year	-	-	-	-	-	-	-	-
	Options granted and eligible for exercising and exercised during the year	-	-	-	-	-	-	-	-

The Bank has charged Nil, being the intrinsic value of the stock options granted for the year ended March 31, 2012. Had the Bank adopted the Fair Value method (based on Black- Scholes pricing model), for pricing and accounting of options, net profit after tax would have been lower by ₹294,869 thousands, the basic earnings per share would have been ₹27.03 per share instead of ₹ 27.87 per share; and diluted earnings per share would have been ₹26.31 per share instead of ₹27.13 per share.

The following assumptions have been made for computation of the fair value:

Particulars	JSOP - I	JESOP - II	JESOP -III	JESOP IV	YBL PESOP I	YBL PESOP II	JESOP V	PESOP II 2010
Risk free interest rate	6.54% ~6.81%	6.73% ~7.45%	7.27% ~8.23%	7.48% ~8.55%	5.98% ~8.51%	4.96% ~8.51%	5.20% ~8.81%	5.83% ~8.55%
Expected life	6.5 yrs to 7.5 yrs	6.5 yrs to 7.5 yrs	6.5 yrs to 7.5 yrs	4.5 yrs to 7.5 yrs	1.5 yrs to 6 yrs	1.5 yrs to 4.5 yrs	4.5 yrs to 7.5 yrs	4.5 yrs to 7.5 yrs
Expected volatility	50.58%	35.97% ~ 49.92%	35.82% ~ 41.74%	39.94% ~64.92%	40.74% ~ 82.76%	61.31% ~ 82.76%	32.84% ~ 82.76%	32.84% ~63.71%
Expected dividends	1.44%	1.13% ~ 1.23%	1.13%	1.13% ~ 1.5%	1.13% ~ 1.5%	1.5%	1.5%	1.5%
The price of the underlying share in market at the time of option grant(₹)	Not Listed	62.45 ~ 100.45	80.30 ~ 140.00	114.70 ~ 249.30	114.70 ~ 249.30	50.00 ~ 266.15	148.85 ~ 350.15	269.30 ~ 350.15

In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the auditors.

18.7.8 Deferred Taxation

The net deferred tax asset of ₹1,367,098 thousands as at March 31, 2012 and ₹1,060,994 thousands as at March 31, 2011, is included under other assets and the corresponding credits have been taken to the profit and loss account.

The components that give rise to the deferred tax asset included in the balance sheet are as follows:

(₹ in thousands)

Particulars	As at March 31, 2012	As at March 31, 2011
Deferred tax asset		
Depreciation	121,667	87,010
Provision for gratuity and unutilized leave	88,311	80,180
Provision for Non Performing Assets	61,550	63,016
Amortisation of premium on HTM securities	255,898	190,361
Provision for standard advances	622,893	502,532
Other Provisions	191,634	107,003
Securitization / Others	25,145	30,892
Deferred tax asset	**1,367,098**	**1,060,994**

18.7.9 Provisions and Contingencies

The breakup of provisions of the Bank for the year ended March 31, 2012 and March 31, 2011 are given below:

(₹ in thousands)

	March 31, 2012	March 31, 2011
Provision for taxation	4,730,168	3,650,407
Provision for investments	160,152	(71,892)
Provision for standard advances	406,989	520,976
Provision made/write off for non performing advances	115,677	392,628
Other provisions*	219,262	140,408
TOTAL	**5,632,248**	**4,632,527**

** Other Provisions includes provision made against other assets and provision for sacrifice of interest on Restructured Assets.*

18.8 Other Disclosures

18.8.1 Movement in Floating Provisions

The bank has not created or utilized any floating provisions during the financial year ended March 31, 2012 and financial year ended March 31, 2011. The floating provision as at March 31, 2012 was ₹ Nil (Previous year: ₹ Nil).

18.8.2 Drawdown on Reserves

During the financial year ended March 31, 2012, the Bank has not drawn down any reserve.

During the financial year ended March 31, 2011, the Bank has charged to Share Premium Account, an amount of ₹ 54,447 thousands on account of the possible disallowance of tax benefit on certain expenses incurred in the financial year ended March 31, 2006, in connection with the Initial Public Offering. In the Financial Year ended March 31, 2006, these expenses were charged net of taxes to the share premium account.

18.8.3 Disclosure of complaints

A. Customer Complaints

		March 31, 2012
i)	No. of Complaints pending at the beginning of the year	6
ii)	No. of Complaints received during the year	1,699
iii)	No. of Complaints redressed during the year	1,691
iv)	No. of Complaints pending at the end of the year	14

B. Awards passed by the Banking Ombudsman

		March 31, 2012
i)	No. of unimplemented Awards at the beginning of the year	Nil
ii)	No. of Awards passed by the Banking Ombudsman during the year	Nil
iii)	No. of Awards implemented during the year	Nil
iv)	No. of unimplemented Awards at the end of the year	Nil

18.8.4 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under MSMED, there have been no reported cases of delays in payments to micro, small and medium enterprises or of interest payments due to delays in such payments.

18.8.5 Securitization Transactions

The Bank has not done any securitization transactions during the year ended March 31, 2012 and March 31, 2011.

18.8.6 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2012 and March 31, 2011.

18.8.7Description of contingent liabilities

Sr. No.	Contingent Liabilities	Brief
1.	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of forward exchange and derivative contracts.	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
3.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4.	Other items for which the bank is contingently liable	- Value dated purchase of securities - Capital commitments - Foreign Exchange Contracts (Tom & Spot)

18.8.8 Prior period comparatives

Previous period's figures have been regrouped where necessary to confirm to current year classification.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board of Directors
YES BANK Limited

N Sampath Ganesh
Partner
Membership No: 042554

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 25, 2012

DISCLOSURE UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK - PILLAR III (BASEL II)

YES Bank is subject to the Basel II framework with effect from March 31, 2009 as stipulated by the Reserve Bank of India (RBI). The Basel II framework consists of three-mutually reinforcing pillars:

- Pillar 1 - Minimum capital requirements for credit risk, market risk and operational risk
- Pillar 2 - Supervisory review of capital adequacy
- Pillar 3 - Market discipline

Market discipline (Pillar 3) comprises a set of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in the following sections.

1. Scope of Application

YES Bank Limited is a publicly held bank; which was incorporated as a limited company under the Companies Act, 1956, on November 21, 2003. The Bank received the licence to commence banking operations from the Reserve Bank of India ('RBI') on May 24, 2004. Further, YES Bank was included to the Second Schedule of the Reserve Bank of India Act, 1934 with effect from August 21, 2004. As at March 31, 2012, YES Bank does not have any subsidiaries.

The Bank does not have any interest in any insurance entity.

2. Capital Structure

Equity Capital

The Bank has authorized share capital of ₹6,000,000 thousands comprising 600,000,000 shares of ₹10/- each. As at March 31, 2012, the Bank has issued, subscribed and paid up equity shares 352,987,424 of ₹10 each amounting to ₹3,529,874 thousands. The Bank's shares are listed on the National stock exchange (NSE) and Bombay stock Exchange (BSE). During the year 2011-12, the Bank has allotted 5,840,300 equity shares of ₹10 each for cash pursuant to exercise of employee stock options. The Bank accreted ₹637,787 thousands as premium on account of stock options exercised.

The provisions of the Banking Regulation Act, 1949, the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share holders of the Bank.

Innovative Perpetual Debt Instruments/ Tier II Instruments

In line with the RBI circular on capital adequacy, the Tier I capital of the Bank comprises of paid up equity share capital, statutory reserves, capital reserves, other disclosed free reserves and eligible Innovative Perpetual Debt Instruments (IPDI). The Tier II capital of the Bank includes provision for standard advances, Upper Tier II Instruments and Lower Tier II instruments. The terms and conditions that are applicable for IPDI and Upper and Lower Tier II instruments comply with the stipulated regulatory requirements.

IPDI are non cumulative, unsecured, perpetual instruments with call options. Interest on IPDI is payable either annually or semi-annually. The Upper Tier II instruments are non convertible, unsecured and have a minimum tenor of fifteen years. Interest on Upper Tier II debt is payable either annually or semi-annually.

Lower Tier II debt is unsecured and non-convertible. Interest on Lower Tier II is payable annually.

The details of IPDI and Tier II instruments are given below.

Innovative Perpetual Debt Instruments (IPDI)

The Bank has raised IPDI, eligible as Tier I Capital to the tune of ₹1,423,193 thousands during the year ended March 31, 2012.

The details of IPDI outstanding as at March 31, 2012 are given below:

Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Bonds*	27-Jun-08	450 BPS Over applicable LIBOR	Perpetual	214,400
Promissory Notes	21-Feb-09	10.25%	Perpetual	1,150,000
Promissory Notes	9-Mar-09	10.25%	Perpetual	390,000
Promissory Notes	5-Mar-10	10.25%	Perpetual	820,000
Promissory Notes	21-Aug-10	9.90%	Perpetual	2,250,000
Promissory Notes**	19-March-12	10.50%	Perpetual	1,500,000
TOTAL				**6,324,400**

* issue has been made of USD 5,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹ 42.88
** of which amount qualified for Tier I Capital as of March 31, 2012 - ₹ 1,423,193

Upper Tier II Instruments

The Bank has raised Upper Tier II Capital to the tune of ₹3,815,625 thousands during the year ended March 31, 2012. The details of Upper Tier II instruments outstanding as at March 31, 2012 are given below:

Nature of Security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Debentures	Tranche 1	2-Jan-07	9.73%	15 years	800,000
Debentures	Tranche 2	7-Feb-07	9.60%	15 years	336,000
Promissory Notes	Tranche 3	15-Mar-07	10.10%	15 years	100,000
Debentures	Tranche 4	14-Mar-07	10.00%	15 years	100,000
Debentures	Tranche 5	23-Mar-07	10.40%	15 years	600,000
Promissory Notes	Tranche 6	31-Mar-07	10.40%	15 years	50,000
Debentures	Tranche 7	20-Apr-07	10.40%	15 years	20,000
Debentures	Tranche I	29-Sep-07	10.70%	15 years	1,820,000
Debentures	Tranche II	8-Nov-07	10.70%	15 years	100,000
Bonds*	Not Applicable	27-Jun-08	300 BPS over applicable LIBOR	15 years	3,430,400
Debentures	Not Applicable	15-Sep-08	11.75%	15 years	2,000,000
Bonds**	Not Applicable	30-Sep-09	380 BPS over applicable EURIBOR	15 years	927,633
Debentures	Not Applicable	14-Aug-10	9.65%	15 years	4,400,000
Debentures	Not Applicable	8-Sep-10	9.50%	15 years	2,000,000
Debentures***	Not Applicable	30-March-12	482 bps over applicable LIBOR	15 years	3,815,625
TOTAL					**20,499,658**

* Issue has been made of USD 80,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹42.88
** Issue has been made of EUR 13,250,000 converted at foreign exchange rate on date of borrowing 1 EUR = ₹70.01
*** Issue has been made of USD 75,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹50.87

Lower Tier II Instruments

The Bank has raised Lower Tier II Capital to the tune of ₹8,645,000 thousands during the year ended March 31, 2012. The details of Lower Tier II instruments outstanding as at March 31, 2012 are given below:

Nature of Security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Debentures	Not Applicable	2-Mar-06	One year commercial paper benchmark rate plus 55 basis points, reset annually	7 years and 6 months	1,000,000
Promissory Notes	Not Applicable	7-Nov-06	9.10%	9 years and 6 months	1,800,000
Debentures	Tranche I	29-Sep-07	10.00%	9 years and 7 months	100,000
Debentures	Tranche II	30-Nov-07	10.15%	9 years and 6 months	71,000
Debentures	Tranche III	12-Dec-07	10.15%	9 years and 6 months	10,000
Debentures	Tranche IV	7-Feb-08	10.00%	9 years and 3 months	368,000
Debentures	Not Applicable	30-Sep-09	9.65%	10 years and 7 months	2,600,000
Debentures	Not Applicable	22-Jan-10	9.65%	10 years	3,000,000
Debentures	Not Applicable	30-Sep-10	9.30%	9 years and 7 months	3,064,000
Debentures	Not Applicable	25-Jul-11	10.30%	10 years	3,215,000
Debentures	Not Applicable	28-Oct-11	10.20%	10 years	2,430,000
Debentures	Not Applicable	28-Mar-12	9.90%	10 years	3,000,000
TOTAL					**20,658,000**

Capital Funds

The composition of Capital funds of the Bank as at March 31, 2012 is as below:

	₹ in thousands
A. Tier I Capital	
i. Paid up Share Capital	3,529,874
ii. Reserves	43,235,909
iii. Innovative Perpetual Debt Instruments*	6,247,592
iv. Amounts deducted from Tier I capital (Illiquidity adjustment and other deductions)	(1,500,648)
Tier I Capital	**51,512,727**
* includes USD 5,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹42.88	
B. Tier II Capital	**41,747,823**
C. Debt capital instruments eligible for inclusion in Upper Tier II Capital	
i. Total amount outstanding	20,499,658
ii. Of which amount raised during the current year	3,815,625
iii. Amount eligible to be reckoned as capital funds	20,499,658

The total amount outstanding and the amount eligible to be reckoned as capital funds includes (a) Issue of USD 80,000,000; converted at foreign exchange rate on date of borrowing 1$ = ₹42.88 (b) Issue of EURO 13,250,000 converted at foreign exchange rate on date of borrowing 1 Euro = ₹ 70.01 (c) Issue of USD 75,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹ 50.87

Nature of Security	₹ in thousands
D. Subordinated Debt eligible for inclusion in Lower Tier II Capital	
i. Total amount outstanding	20,658,000
ii. Of which amount raised during the current year	8,645,000
iii. Amount eligible to be reckoned as capital funds	19,498,000
E. Other deductions from capital	-
F. Total eligible Capital (A+B)	**93,260,550**

3. Capital Adequacy

The Bank is subject to the Capital Adequacy norms on Basel II as stipulated by the Reserve Bank of India ('RBI'). The Bank currently follows standardized approach for credit risk, standardized duration approach for market risk and basic indicator approach for operational risk for computing capital requirements.

As at March 31, 2012, the Bank is required to maintain minimum capital which is higher of the capital requirement under Basel II or 80.0% (80% as at March 31, 2011) of the capital requirement under Basel I. As at March 31, 2012, the capital of the Bank is higher than the minimum capital requirement mentioned above. The capital adequacy ratio maintained and reported as at March 31, 2012 and March 31, 2011 is as per RBI guidelines (New Capital Adequacy Framework (NCAF) dated July 01, 2011, generally referred to as Basel II).

The Bank has put in place a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP) as stipulated by RBI. The main components of the ICAAP Policy are the Bank's historical and projected financial and capital position, risk appetite of the Bank, identification and assessment of material risks Bank is exposed to, control framework to mitigate those risks, adequacy of capital, capital raising plans and Bank wide stress testing.

The Bank also conducts standalone and integrated stress testing covering all quantifiable risk to assess the adequacy of capital under the extreme but plausible scenarios on periodical basis.

The integration of risk assessment with business activities and strategies facilitated by a robust risk management framework under ICAAP enables the Bank to take informed decisions and effectively manage risk-return trade off.

The Bank under the ICAAP policy has also formalized capital planning process on periodical basis. This includes assessment of capital adequacy, desired level of capital based on internal thresholds, anticipated capital requirements based on business projections and availability of various sources capital. The same is also reported and analysed in its Board of Directors meeting on quarterly basis.

Capital Adequacy		₹ in thousands
A.	Capital requirements for credit risk	
	i. Portfolios subject to standardised approach	44,142,514
	ii. Securitisation exposures	-
B.	Capital requirements for market risk	5,632,397
	Standardised duration approach	
	i Interest rate risk	5,437,760
	ii Foreign exchange risk (including gold)	150,000
	iii Equity risk	44,637
C.	Capital requirements for operational risk	
	Basic Indicator approach	2,207,722
D.	Total and Tier I Capital Adequacy ratio	
	Capital Adequacy ratio - Tier I	9.91%
	Total Capital Adequacy ratio	17.94%

Risk Management Framework

The risk management framework at YES Bank is driven by a well informed and knowledgeable Board, largely comprised of independent directors and Senior Management.

The Board has the overall responsibility for risk management in the Bank, including credit risk management. The Board approves the Bank's credit policy covering, inter-alia, prudential exposure limits, business segments, credit assessment and approval/ denial system, margin and collateral management, credit documentation, credit pricing, credit administration and monitoring system, non-performing assets management policy and credit risk management system.

The Board has two Board level committees (Risk Management Committee and Audit & Compliance Committee) to deal with risk management related specific matters and delegated powers for different functional areas.

Senior Management Oversight

For an effective day to day risk management including risk assessment, measurement, control and reporting at YES Bank, a pro-active risk management department reporting to the Chief Risk Officer of the Bank has been structured.

The Bank is structured across different business verticals with product teams supporting each of the businesses. The Risk department is structured with separate Risk Units for each of the business verticals. The various units within Risk Management Unit are as below:

- **Credit Risk:** This unit is responsible for approving credits. There are separate risk heads for each of the business segments – viz. Corporate & Institutional Banking (CIB), Corporate Finance (CF), Commercial Banking (CB), Business Banking (BB) and Retail Banking (RB).
- **Credit Administration:** Responsible for all post sanction monitoring including setting up of limits, compliance with sanction conditions, monitoring of documentation, covenants, etc.
- **Portfolio Analytics:** Responsible for monitoring the credit portfolio across all segments including monitoring of early warning signals, conducting industry research and formulating industry outlook, identifying portfolio trends, reviewing credit policies and programs,

generating portfolio level MIS covering various credit quality indicators like sectoral exposure, credit concentration, ratings distribution and migration

- **Market Risk:** Responsible for monitoring the market risk in the Bank's portfolio. The market risk unit consists of exposure management/derivative appropriateness, trading book and ALM/banking book functions.
- **Capital Compliance:** Responsible for BASEL II compliance, ICAAP, Bankwide Stress testing and ensuring that the Bank maintains sufficient capital against the various risks that are identified.
- **General Counsel (Legal):** Responsible for managing the entire legal function

In addition to the above, the following Committees comprising top and Senior Management personnel are a part of the risk framework:

- **Management Credit Committee (MCC):** The committee comprises the MD & CEO, CRO, Deputy CRO, risk heads and business heads and is responsible for all credit approvals for exposures beyond a certain threshold. The committee also oversees the overall credit risk management for the Bank.
- **Asset Liability Committee (ALCO):** The ALCO is responsible for adherence to the policies and limits set by the RMC as well as for deciding the business strategy on the assets and liabilities sides in line with the bank's business and risk management objectives. ALCO also reviews the capital position of the Bank in its periodical meetings.
- **Investment Committee:** The ALCO has set up an Investment Committee as its sub-committee comprising representatives from Financial Markets, Market risk, Credit risk, Finance and Legal. The Investment committee is responsible for overall investment strategy in Financial Markets.
- **Operational Risk Management Committee (ORMC):** This committee is chaired by the CRO and is responsible for operational risk management.
- **Fraud and Suspicious Transaction Monitoring Committee (FASCOM):** This committee is chaired by the MD & CEO and is responsible for reviewing all frauds and suspicious transactions
- **Security Council:** This committee is chaired by the CRO and is responsible for reviewing the physical and information security aspects of the Bank.

4. Credit Risk

Credit Risk Management Objectives, Processes and Structure (CRM):

Credit Risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts. The Bank is exposed to credit risk through funded and non funded products.

The Bank's risk management processes are guided by well defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through Risk Monitoring Committee (RMC) which is a Board level sub-committee.

The Board sets the overall risk appetite and risk philosophy for the Bank. The RMC and the Audit Committee of the Board review various aspects of risk arising from the business.

Policies & Processes

The Bank's Credit Policy, approved by the Board, outlines the credit risk governance framework. The objective of the Bank's Credit Policy is to build and maintain a quality portfolio with sound and well-diversified credit risk distribution. Credit Risk Management is an important tool for achieving this objective, as it helps the Bank to:

- Take informed credit decisions based on an adequate assessment of the relevant risk factors
- Screen credit proposals and assume only such credit risk that is acceptable to the Bank to ensure better credit quality
- Optimise the risk return trade-off by providing guidelines for securing return commensurate with the risk involved in the credit
- Ensure diversification of the credit portfolio, by avoiding concentration in credit exposures to individual/ group borrowers, industry/ sector, credit rating etc
- Customise product offerings (fund-based and fee-based) to maximize customer satisfaction

Risk identification and assessment is the first step in the credit risk management system. The credit risk inherent in credit proposal is assessed by evaluating the below mentioned risk factors among others:

- **Financial Risk:** This would include an assessment of the entity's overall financial strength based on performance and financial indicators, as derived from its financial statements -historical and projected
- **Business Risk:** This entails an analysis of the fundamentals of the business unit, its competitive market position in the industry and its operational efficiency
- **Industry Risk:** This would include an evaluation of the competition/ entry barriers, industry cyclicality/outlook, regulatory risk/government policies and other contemporary issues
- **Management Risk:** This involves evaluation of the management of the enterprise, their risk philosophy, competence and past track record
- **Project Risk:** This involves evaluation of any significant project being undertaken by the company and its impact on the financials of the company.
- **Conduct of Account:** This involves evaluation of the credit behavior of the client with the bank

The credit proposals are examined in depth by the sanctioning authorities, under the "three initial system" of sanction. This system establishes line accountability for credit decisions and combines credit approval authorities and Discretionary Powers. The creditworthiness and assessment of credit requirement are evaluated and determined in line with the risk rating of the borrower and the credit facilities are sanctioned accordingly. In case of program/policy based products, delegations are given to individual executives. Credit Proposals beyond a certain threshold are sanctioned by a Management Credit Committee which comprises the MD & CEO, Chief Risk Officer, Presidents/Heads of Business & Risk.

Structure and Organization of the Credit Risk Management Function

The Credit Risk Management Department (CRMD) is delegated with specific responsibilities of managing the credit risk in the Bank by the RMC.

The CRMD is headed by the Chief Risk Officer who is assisted by Deputy Chief Risk Officer, Country Head (Corporate & Institutional Banking Credit), Country Head (Commercial Banking and Business Banking Credit), Country Head (Commercial Banking Credit), Country Head (Business Banking Credit), Country Head (Retail Banking Credit), Head – (Market Risk), Head – (Corporate Finance Credit), Head (Credit Mid Office), Head- Operational Risk, Portfolio Analytics Unit & Capital Compliance Unit. The CRMD is accountable for protecting the quality of the entire loan/ investment portfolio and would undertake portfolio evaluations and conduct comprehensive studies on the environment to test the resilience of the loan portfolio.

Credit Monitoring, Reporting and Measurement:

The credit risk management function is largely centralized at Head Office for both credit approvals and disbursements. It is well structured and staffed to ensure that the credit policy and regulatory requirements are adhered to and implemented. Post sanction, an independent Credit Administration is responsible for ensuring that the credit policy guidelines and terms of sanction are adhered to.

The Bank has a risk rating system comprising multiple models that assign credit ratings to customers based on their financial data, industry characteristics, business positioning and other non financial parameters. The core banking system is used to control and monitor utilization of limits under various products by customer and is also the repository for information on past dues and excesses. There is also a post disbursal tracking system that is used for monitoring appraisal conditions, financial covenants, documentation status etc.

All borrower accounts are reviewed at least on an annual basis. The analysis carried out during annual review would reflect not only the performance of the company but also the conduct of the account.

Credit Monitoring involves follow-up and supervision of the Bank's individual loans as well as the entire loan portfolio with a view to maintain the asset quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating the risks to the Bank. The main objectives of Credit Monitoring are:

(a) To ensure compliance with the terms and conditions of the credit sanctioned

(b) To ensure the end-use of the Bank funds by the borrowers as per the approved purposes and prevent diversion of the funds for unauthorized purposes

(c) To assess the health of the obligor at periodic intervals with reference to the key indicators of performance such as activity level, profitability, management standards

(d) To identify early warning signals, if any, in individual accounts and initiate effective steps to mitigate the risk to the Bank, in consultation with the Segment Head and Risk Management Department

(e) To periodically review the loan portfolio of the Bank or of its specified segment to assess the overall asset quality/ risk and compliance with the prudential norms

Credit Concentration Risk

Concentration Risk is defined as a risk arising from any single exposure or a group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations.

Types of Concentration Risks

There are two main types of concentration risks:

Single name – Large exposure

The risk here is that of a potential default by large customers which may adversely impact the profitability and capital adequacy of the Bank.

Sector Risk – Large Exposure

This concentration risk arises from a group of exposures that share a common underlying characteristic (e.g. sector). The risk here is that of a business downturn in the sector or potential default by companies of the same sector thereby impacting the profitability and capital adequacy of the Bank.

Monitoring, mitigation and control of Concentration Risk

Managing concentration involves prescribing internal limits for exposures across industries, ratings, maturities or as basic as restricting lending to potential large borrowers at the portfolio level. Such limits require proper monitoring and internal controls such that specific events do not trigger large losses that will eventually undermine YES Bank's financial position.

The Bank controls & limits concentration risk amongst its borrowers at the portfolio level by:

- Assessing rating-wise distribution of its borrowers to ensure that Bank is not highly concentrated towards lower rated customers.
- Prescribing Single Borrower Limit (SBL) and Group Borrower Limit (GBL) to ensure that Bank is not lending to few large customer / companies or few companies under the same parent company.
- Prescribing differential industry / sectoral caps, depending on perceived risk profile of different sectors, as a percentage of total portfolio to ensure that stress on a particular sector has a limited impact on the Bank's profitability or CRAR.
- Prescribing internal rating wise caps on exposure to ensure diversified risk profile of portfolio and to cap high exposure to lower rated borrowers.
- Evaluating maturity-wise distribution of its borrowers to ensure that borrowers are not concentrated towards particular tenor buckets.
- Prescribing maximum limit on percentage of unsecured exposures to total exposures.
- Prescribing specific limits for sensitive sectors such as Real Estate & Capital Market.
- Monitoring of risk concentration through active portfolio management.

Policies for Hedging & Mitigating Credit Risk:

Security management is instrumental in hedging and mitigating credit risk. It involves creation of enforceable charge over the borrower's / third party assets in favour of the Bank, proper valuation / storage / maintenance and insurance of the securities so charged at regular intervals, in order that the Bank's advances / loans remain fully covered by the realizable value of the securities charged to it. Further, the charged securities are valued at periodic intervals and stipulated margins are maintained at all times.

Definition and Classification of Non Performing Assets (NPA)

The Bank classifies its outstanding into performing and non performing in accordance with the extant RBI guidelines.

A Non Performing Advance (NPA) is defined as a loan or an advance where:

i. interest and/ or installment of principal remains overdue for more than 90 days in respect of a term loan. Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

ii. a bill purchased/discounted by the Bank remains overdue for a period of more than 90 days.

iii. interest and / or installment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops.

iv. the regular / ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction.

v. the account remains 'out of order' in respect of an overdraft/ cash credit (OD/CC). An account is treated as 'out of order' if:

   a) the outstanding balance remains continuously in excess of the sanctioned limit / drawing power; or

   b) where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of the balance sheet or credits are not enough to cover the interest debited during the same period.

vi. drawings have been permitted in working account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working or the borrower's financial position is satisfactory.

vii. an account would be classified as NPA if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

viii. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.

ix. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

The Bank's loan portfolio would be classified in 4 categories of assets as per extant RBI guidelines as follows:

- Standard Assets: These are Performing assets (or Non- NPAs)
- Non-Performing Assets (NPAs):
  - **Sub-standard Assets:** i.e. an asset which remains irregular / out of order / overdue for more than 90 days and is classified as NPA for a period of 12 months from the date of such classification.
  - **Doubtful Assets:** i.e. an NPA that remains Sub-standard Asset for a period of 12 months.
  - **Loss Assets:** An asset that is identified as uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

The Bank has established appropriate internal mechanism for prompt identification of NPA(s).

Total Gross Credit Risk Exposure* Including Geographic Distribution of Exposure*

(₹ in thousands)

Type of Exposure	Domestic		
	Exposure*	Lien Marked Term Deposits against Exposures	Exposure backed by Eligible Guarantees
Fund Based	657,459,910	14,933,598	172,459
Non-Fund Based**	219,704,208	23,380,503	2,637,656
TOTAL	**877,164,118**	**38,314,101**	**2,810,115**

* Represents book value as at March 31, 2012
** Non-Fund based exposures are guarantees given on behalf of the constituents and acceptances and endorsements.

The Bank has no direct overseas credit exposure (Fund or Non-Fund**) as at March 31, 2012.

Industry type distribution of Exposure* as at March 31, 2012

₹ in thousands

Industry	Fund Based Exposure	Lien Marked Term Deposits against Exposures	Fund Based Exposure backed by Eligible Guarantees	Non Fund Based** Exposure	Lien Marked Term Deposits against Exposures	Non Fund Based Exposure backed by Eligible Guarantees	Total Exposure
Coal	2,541,999	48,012	-	1,657,692	118,316	-	4,199,691
Mining	4,041,448	105,000	-	2,227,888	36,367	-	6,269,336
Iron & Steel	10,397,962	4,718	-	13,230,694	316,063	-	23,628,656
Other Metal & Metal Products	4,934,650	56,544	-	11,692,596	238,730	-	16,627,246
All Engineering	10,138,288	108,355	43,475	14,513,113	611,389	-	24,651,401
Of which Electronics	*2,047,081*	*29,781*	-	*3,315,446*	*154,119*	-	*5,362,527*
Electricity	10,941,678	328,901	-	16,272,118	1,331,481	-	27,213,796
Cotton Textiles	574,482	22,500	-	326,365	-	-	900,847
Other Textiles	2,025,528	4,419	-	988,721	258,599	-	3,014,249
Sugar	3,200,791	96,315	-	414,414	9,882	-	3,615,205
Tea	3,678,842	-	-	62,653	79	-	3,741,495
Food Processing	14,880,258	73,896	-	1,135,835	65,277	-	16,016,093
Vegetable Oils	1,202,794	226,473	-	7,018,564	2,787,160	-	8,221,358
Rubber & Rubber Products	95,029	-	-	196,735	28,303	-	291,764
Chemicals, Dyes & Paints	23,457,080	119,435	-	8,760,351	1,430,040	-	32,217,431
Of which Fertilisers	*15,456,205*	*10,000*	-	*2,349,199*	*1,808*	-	*17,805,404*
Of which Drugs & Pharmaceuticals	*4,101,221*	*1,437*	-	*1,659,136*	*68,616*	-	*5,760,357*
Of which Petro-Chemicals	*336,920*	-	-	*1,295,033*	*352,564*	-	*1,631,953*
Cement	12,332,426	11,004	-	671,856	-	-	13,004,282
Gems & Jewellary	3,700,973	21,193	-	3,416,908	2,417,440	-	7,117,881
Construction#	16,760,793	1,010,880	-	35,810,248	1,338,034	-	52,571,041
Petroleum	1,830,916	1,840	-	13,159,511	2,494,632	-	14,990,427
Automobiles including trucks	9,422,735	30,352	-	7,382,867	320,471	-	16,805,602
Computer Software	5,484,845	51,380	-	1,027,291	44,696	-	6,512,136
Infrastructure	19,968,045	5,021,052	-	4,748,081	304,342	-	24,716,126
Power	9,161,731	83,573	-	5,350,029	252,953	-	14,511,760
Telecom	30,760,267	78,386	-	10,150,354	228,152	-	40,910,621
Roads & Ports	7,352,027	-	-	3,429,688	105,732	-	10,781,715
Education	6,703,374	53,053	-	881,012	18,365	-	7,584,386
NBFC	42,557,004	742,998	-	191,980	9,444	-	42,748,984
Trading	3,749,749	139,748	19,980	604,570	146,793	-	4,354,319
Paper & Paper Products	3,773,529	43,692	-	975,247	53,543	-	4,748,776
Leather & Leather Products	412,731	-	-	66,975	1,453	-	479,706
Other Industries	178,924,264	4,521,101	109,004	52,304,613	7,675,314	2,637,656	231,228,877
Jute Textiles	95,000	-	-	21,025	2,171	-	116,025
Residual	212,358,672	1,928,778	-	1,014,214	735,282	-	213,372,886
Total	**657,459,910**	**14,933,598**	**172,459**	**219,704,208**	**23,380,503**	**2,637,656**	**877,164,118**

* Represents book value as at March 31, 2012
** Non-fund based exposures are guarantees given on behalf of the constituents and acceptances and endorsements
\# exceeds 5% of the gross credit exposure (before FD lien netting)

Residual Contractual maturity breakdown of assets

₹ in thousands

Maturity Bucket	Cash, Balances with RBI and other banks	Investments	Advances	Other assets including Fixed assets
1 day	170,953	-	5,803,898	2,959,851
2 days to 7 days	3,947,058	101,600	3,891,120	2,853,216
8 days to 14 days	2,209,904	-	8,013,885	1,597,300
15 days to 28 days	1,843,600	-	5,267,310	4,465,725
29 days to 3 months	5,714,208	14,658,789	51,593,394	9,468,842
Over 3 to 6 months	5,975,817	21,067,592	45,471,585	7,868,651
Over 6 to 12 months	8,236,611	21,319,463	39,000,415	3,816,148
Over 1 year to 3 years	1,974,680	37,603,087	129,370,871	3,711,777
Over 3 years to 5 years	3,156,455	49,675,060	51,163,515	1,787,734
Over 5 years	2,626,120	133,147,900	40,310,426	4,776,548
Total	**35,855,406**	**277,573,491**	**379,886,419**	**43,305,792**

Movement of NPA (Gross) and Provision for NPAs - March 31, 2012

Particulars		₹ in thousands
A.	**Amount of NPAs (Gross)**	**838,589**
	Substandard	469,709
	Doubtful 1	267,846
	Doubtful 2	5,132
	Doubtful 3	-
	Loss	95,902
B.	**Net NPAs**	**174,600**
C.	**NPA Ratios**	
	i. Gross NPAs to Gross Advances	0.22%
	ii. Net NPAs to Net Advances	0.05%
D.	**Movement of NPAs (Gross)**	
	Opening Balance as at April 1, 2011	805,242
	Additions during the year	643,743
	Reductions during the year	610,396
	Closing Balance as at March 31, 2012	**838,589**
E.	**Movement of Provisions for NPAs**	
	Opening Balance as at April 1, 2011	713,706
	Provisions made during the year	514,353
	Write - offs of NPA provision	264,220
	Write backs of excess provisions	299,850
	Closing Balance as at March 31, 2012	**663,989**

NPI (Gross), Provision for NPI and Movement in Provision for Depreciation on Investments – March 31, 2012

Particulars	₹ in thousands
A. Amount of Non-Performing Investment (NPI)	-
B. Amount of provisions held for NPI	-
C. Movement of provisions for depreciation on investments	
Opening Balance as at April 1, 2011	120,353
Add / (Less): Provisions made during the year	160,152
Closing Balance as at March 31, 2012	280,505

5. Credit Risk: Portfolios subject to the Standardized approach

Ratings used under standardized approach

The Bank makes use of ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely CRISIL, CARE, ICRA & Fitch (India) for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

While arriving at risk-weighted assets for credit risk under the standardized approach 'bank loan' ratings of the counterparty have been used. This would include fund-based and non-fund based facilities. In case of treasury facilities, the Bank has also used 'Issuer' ratings of the counterparties, wherever available. In case the Bank does not have exposure in a rated issue, the Bank would use the issue rating for its comparable unrated exposures to the same borrower, provided that the Bank's exposures are pari-passu or senior and of similar or shorter maturity as compared to the rated issue. Further the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used in cases where multiple ratings for a given facility are available.

Details of credit exposures* (funded and non funded) classified by risk buckets**

The table below provides the break-up of the Bank's exposures* (rated and unrated) into three major risk buckets.

₹ in thousands

Risk weight Bands	Fund based Exposure	Non-Fund based**	Total Exposure	Lien Marked Term Deposits against Exposures	Total other eligible financial collateral used as credit risk mitigants	Total amount of Exposure (Fund+Non-Fund) covered by Eligible Guarantees
Below 100% risk weight	398,235,931	100,125,399	498,361,330	4,015,139	-	2,810,115
100% risk weight	233,227,476	110,154,007	343,381,483	31,338,612	-	-
Above 100% risk weight	25,996,503	9,424,802	35,421,305	2,960,350	-	-
Deducted	-	-	-	-	-	-
TOTAL	**657,459,910**	**219,704,208**	**877,164,118**	**38,314,101**	**-**	**2,810,115**

* Represents book value as at March, 31, 2012.
** Non-Fund based exposures are guarantees given on behalf of the constituents and acceptances and endorsements.

6. Credit Risk Mitigation- Disclosures for standardized Approaches

The Bank's credit policy outlines the type of collateral that can be taken for different facilities and the process for its valuation. Currently, eligible financial collateral in the form of fixed deposits under lien and guarantees issued by eligible guarantor as specified in RBI guidelines have been used as credit risk mitigants.

In the case of fixed deposits under lien, the Bank reduces its credit exposure to counterparty by the value of the fixed deposits. In case of exposures backed by guarantees, the guaranteed portion is assigned the risk weight of the guarantor when the conditions outlined by extant RBI guidelines are fulfilled.

The total exposure that is covered by guarantees and eligible financial collateral has been disclosed for each industry sector separately in the earlier section.

7. Securitization: Disclosure for Standardised Approach

During the year ended March 31, 2012, the Bank did not securitized any of its assets.

The Bank however, acquires investment grade securitized debt instruments backed by financial assets originating from diverse sectors for regulatory / investment purposes. The Bank has processes in place to monitor the purchased securitization exposures by way of monthly review of servicer reports. Further, for managing the interest rate risk in the purchased securitized assets, the Bank uses PVBP as a sensitivity measure and VaR which is monitored on a periodical basis.

With respect to the securitized exposures purchased, the valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield to Maturity (YTM) rates of government securities. Such mark up and YTM rates applied are as per the relevant rates published by FIMMDA. There are no changes in the methods and key assumptions used in the current year as compared to the previous year.

Banking Book- Securitization Exposures

During the year ended March 31, 2012, the Bank did not undertake any securitization transaction in its Banking Book.

The Bank does not have any securitization exposure (retained or purchased) in its Banking book as at March 31, 2012.

Trading Book- Securitization Exposures

In its Trading Book, the Bank has no retained exposures for exposures securitized by the Bank as at March 31, 2012.

The details of on balance sheet and off balance sheet securitization exposures purchased and outstanding as at March 31, 2012 is given below.

₹ in thousands

Particulars	Housing Finance	Auto Finance	Micro Finance	Corporate	Reconstruction Fund
Below 100% risk weight	425,601	3,730,693	-	6,350,000	-
100% risk weight	-	-	-	-	-
Above 100% risk weight	-	-	-	-	213,754
Deducted	-	-	-	-	-
Total	**425,601**	**3,730,693**	**-**	**6,350,000**	**213,754**

The capital requirements for the securitization exposures (Specific + General Market Risk charge) broken down into different risk weight bands is shown below.

₹ in thousands

Particulars	Housing Finance	Auto Finance	Micro Finance	Corporate	Reconstruction Fund
Below 100% risk weight	8,512	74,614	-	317,500	-
100% risk weight	-	-	-	-	-
Above 100% risk weight	-	-	-	-	24,792
Deducted	-	-	-	-	-
TOTAL	**8,512**	**74,614**	**-**	**317,500**	**24,792**

Market Risk in Trading Book

Trading Book Market risk is the possibility of loss arising in Trading Book from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

The market risk for the Trading Book of the Bank is managed in accordance to the board approved Investment Policy, Market Risk Policy and Derivative Policy. These policies provide guidelines to the operations, valuations, and various limits and controls pertaining to various securities, foreign exchange and derivatives. These policies enhance Bank's ability to transact in various instruments in accordance with the extant regulatory guidelines. Bank also has a Stress Testing Policy and Framework which enables Bank to capture impact of various stress scenarios on Trading Book Portfolio. The policies are reviewed periodically to incorporate changed economic, business and regulatory environment.

The Asset Liability Management Committee (ALCO) and the Investment Committee of the Bank are responsible for measuring and monitoring of Market Risk under the overall guidance of the Risk Monitoring Committee (RMC) of the Bank.

- Risk management and reporting is based on globally accepted parameters such as Modified Duration, PV01, Exposure and Gap Limits, VaR, etc. As per the Market Risk Policy, limits have been set for Forex Open Position limits (Daylight / Overnight), stop-loss limit, Sensitivities and VaR and the same are monitored on a daily basis
- Back testing of the current VaR model carried out on a monthly basis.
- Bank has adopted the Standardised Duration Approach as prescribed by RBI for computation of capital charge for market risk and is already fully compliant with such RBI guidelines. Standardised Duration Approach is applied for calculation of Market Risk for:
  - ✓ Securities under HFT category
  - ✓ Securities under AFS category
  - ✓ All Derivatives except those entered into for Hedging Balance Sheet
  - ✓ Open foreign exchange position
  - ✓ Equity positions.

Amount of Capital required for Market Risk as at March 31, 2012	₹ in thousands
Interest rate risk	5,437,760
Equity position risk	44,637
Foreign exchange risk	150,000
Total capital required for Market Risk	**5,632,397**

8. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational Risk includes legal risk but excludes strategic risk and reputation risk.

Operational Risk Management Governance & Framework

The Bank has in accordance with the regulatory guidelines, implemented a comprehensive board approved Operational Risk Management Policy to put in place an operational risk management process as an integral part of its overall Risk Management Architecture. The overall objective of the policy is to:

- Determine Bank's appetite for Operational Risk
- Framework to identify, assess and monitor Operational Risk for effective mitigation
- Strengthen overall control environment at the Bank
- Improvement in customer service and minimize operational losses

For the effective management of Operational Risk, the Bank has constituted the Operational Risk Management Committee (ORMC) consisting of senior management personnel. The ORMC which supports the Risk Management Committee (RMC) of the Board of Directors is responsible for implementing the Operational Risk Management Policy and adopting the best practices. The key function of the ORMC:

- Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to avoid conflict of interest
- Vetting of new products and processes from the operational risk perspective
- Implement operational risk framework
- Review all operational risk events and suggest process improvements and mitigants
- Review recent risk events in other banks and elsewhere as available on public domain and suggest key controls required from operational risk perspective

Additionally, and with a view to ensure sound practices in respect of governance of the overall operational risk, the Bank has outlined policies and processes in respect of Information & Physical Security; Outsourcing; Business Continuity Planning & IT Disaster Recovery; Records Management, Fraud Control and Customer Service.

For effective implementation of the above policies Bank has also put in place various committee's such as:

- Security Council Committee (Physical & Information)
- Outsourcing Management Committee
- Fraud Monitoring and Suspicious Transaction Monitoring Committee
- Standing Committee on Customer Service & Service Excellence Committee
- Product Program Approval Committee (PPAC)

These committees' meet on a predefined frequency to discuss the implementation of best practices / risk management frameworks, various related events within the Bank, recent development and key actions steps required if any. The minutes of these meetings are reported and discussed in Risk Monitoring Committee as well as to the Board of Directors.

Identification, Assessment, Mitigating, Reporting and Measurement

The Bank has implemented a systematic process for identifying, assessing and recording operational risk events with or without financial impact on a periodical basis. These events are then analysed for root cause and corrective actions are implemented.

The Bank has adopted best practices in mitigating operational risk in transaction processing, adherence to defined policies & laws, customer documentation and business continuity through:

- Well defined, documented and updated process manuals and policies
- Centralized processing at National Operating Centres
- Segregation of duties, maker checker concept, automated processes
- Transaction monitoring and analysis
- Additional checks for high value transactions, reconciliation of accounts & data, control MIS for various limits, periodical trainings, standardized documentations, authorization matrix, regular process reviews and Business Continuity /Disaster Recovery testing

The Bank has also taken insurance for certain types of operational risk including bankers indemnity, cash movement, electronic and cyber crimes and fixed assets.

Approach for Computation of Capital Charge for Operational Risk

In accordance with Reserve Bank of India guidelines, the Bank has adopted the Basic Indicator Approach (BIA) for measurement of Operational Risk. The Bank is also undertaking analysis for migration to advanced approaches for computation of Capital Charge for Operational Risk. The Bank has also initiated various activities for migration to advanced approaches:

9. Interest rate risk in the Banking Book (IRRBB)

IRRBB is the framework to monitor and measure the adverse impact of interest rates on the Bank's financial condition. This impact is calculated from following perspectives:

a) **Earnings perspective:** Indicates the impact on Bank's Net Interest Income (NII) in the short term.

b) **Economic perspective:** Indicates the impact on the net-worth of the Bank due to re-pricing of assets, liabilities and off-balance sheet items.

The Asset - Liability Management Committee (ALCO) is responsible for evaluating and institutionalizing appropriate systems and procedures for monitoring and managing the IRRBB. The Risk Monitoring Committee (RMC) reviews various decisions taken by the ALCO for managing IRRBB. The ALM & Market Risk Policies define the framework for managing IRRBB through measures such as:

1. **Interest Rate Sensitivity Report:** Measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions) in various tenor buckets based on re-pricing or maturity, as applicable.
2. **Duration Gap Analysis:** Measures the mismatch in duration of assets & liabilities and the resultant impact on economic value of bank's capital.
3. **Banking Book Value at Risk (VaR):** Estimates the maximum possible loss, at a predefined confidence level, on the market value of banking-book over a certain time horizon under normal conditions.
4. **Earnings at Risk (EaR):** Estimates the impact on net interest income over one year horizon due to 1% changes in interest rates.

5. **Sensitivity Analysis:** Evaluates the impact on both trading and banking book due to parallel and non parallel shifts in interest rates.
6. **Stress Testing:** Evaluates the impact on duration of capital of baking book under various stress scenarios.

All the above risk metrics are measured on regular basis and reported to ALCO / RMC periodically as guided by the ALM policy of the Bank.

Impact of Interest rate Risk

1. Impact on Net Interest Income (with 1% change in interest rates for both assets and liabilities pertaining to Banking Book only) ₹692,931 thousands.
2. Impact on Economic value of Equity (EVE) (with 1% change in interest rates for both assets and liabilities) ₹2,231,815 thousands.

Note:

(i) The above impact is for 100 bps parallel shift in the interest rates for both assets and liabilities.

(ii) The Bank's turnover in any foreign currency is not more than 5% of the total turnover (bank's balance sheet size) in the Banking Book. The impact on EVE includes the Bank's exposure in INR, USD, JPY, CHF, GBP and EURO.

(iii) The above computation does not include Non SLR AFS investments (which already form part of trading book for capital computation) which are contracted on account of relationship / steady income and generally with a long term holding horizon.

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