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YES BANK LIMITED

(Registered Office: Nehru Centre, 9th Floor, Discovery of India Building, Dr. Annie Besant Road, Worli, Mumbai - 400 018.)

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Contact Person: Sanjeev Kapoor; E mail: bondholders@yesbank.in; website: www.yesbank.in

(We were incorporated as a public limited company under the Companies Act, 1956 on November 21, 2003. On May 24, 2004, we obtained a license to carry on the business of a banking company in India from the Reserve Bank of India under Section 22(1) of the Banking Regulation Act, 1949.)

Private Placement of Unsecured Non Convertible Tier I Subordinated Perpetual Bonds in the nature of Promissory Notes aggregating to Rs.87 Crore including Green Shoe Option for inclusion as Tier I Capital

GENERAL RISKS

Investors are advised to read the Risk factors carefully before taking an investment decision in this offering. For taking an investment decision the investor must rely on their examination of the offeror and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the Risk Factors on page No. 38 of the Disclosure Document of Private Placement.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Disclosure Document contains all information with regard to the Issuer and the Offer, which is material in the context of the Offer, that the information contained in this Disclosure Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer is not required to file this document with SEBI/ROC as it is on private placement and not an Offer to the general Public.

LISTING

The Bonds are proposed to be listed on the Bombay Stock Exchange Limited

TRUSTEE TO THE BOND HOLDERS

IDBI Trusteeship Services Limited
Asian Building, Ground Floor
17 / R Kamani Marg, Ballard Estate
Mumbai 400 001
Tel No.: +91 22 40807000
Fax: + 91 22 66311776
Email: itsl@idbitrustee.co.in
Website: www.idbitrustee.co.in

REGISTRAR TO THE ISSUE

Link Intime India Private Ltd.
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W),
Mumbai 400 078
Tel.No.25963838
Fax: 25946969
Email: mumbai@linkintime.co.in
Website: www.linkintime.co.in

CREDIT RATING

For Unsecured Non Convertible Tier I Subordinated Perpetual Bonds

Brickwork Ratings India Pvt. Ltd has assigned BWR AA+ (Double A Plus) (Outlook: stable) rating to the Tier I Subordinated Perpetual Bond Issue of the Bank of Rs 90 Crore vide its letter dated September 16 2009. This rating indicates the instruments are considered to offer high credit quality in terms of timely servicing of debt obligations. The text of the rating letter from Brickwork is reproduced elsewhere in this Disclosure Document.

ICRA has assigned a 'LA +' (LA Plus) rating to the Tier-I subordinated perpetual bond Issue of the Bank of Rs. 90 Crore vide its letter dated November 25, 2009. This rating indicates the adequate credit-quality-rating assigned by ICRA. The rated instrument carries average credit risk. The text of the rating letter from ICRA is reproduced elsewhere in this Disclosure Document.

CARE has assigned a 'CARE A+' (A Plus) rating to the Tier-I Perpetual Bond Issue of the Bank of Rs. 90 Crore vide its letter dated December 3, 2009. Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk. The text of the rating letter from CARE is reproduced elsewhere in this Disclosure Document.

The rating is not a recommendation to buy, sell or hold the Bond and investors should take their own decision. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating. The rating obtained is subject to revision at any point of time in the future. The rating agency has a right to suspend, withdraw the rating at any time on the basis of new information, etc.

1. **Name and address of the registered office of the Bank**

YES BANK LIMITED
Registered Office: Nehru Centre,
9th Floor, Discovery of India Building,
Dr. Annie Besant Road,
Worli,
Mumbai 400 018

2. **Name and addresses of the Directors of the Bank**

Sr. No.	Name	Residential Address
1	Rana Kapoor – Managing Director and CEO	Bungalow No 1, Grand Paradi, August Kranti Marg, Mumbai – 400 036
2	Wouter Kolff	Van Calcarlaan 46 2244 GP Wassenaar ,The Netherlands
3	Sipko Schat	Soestdijkseweg Zuid 93, 3721 AA, Bilthoven
4	Bharat V Patel	Resi : 52, Miami Apartments, 5th Floor, Bhulabhai Desai Raod, Mumbai - 400026
5	S L Kapur	161 A/1, Western Avenue, Sainik Farms, New Delhi – 110 062.
6	Arun K Mago	E-7, Nizamuddin West, New Delhi – 110013
7	Radha Singh	C-2/32, Tilak Lane New Delhi — 110 011
8	Ajay Vohra	S -24 Windsor Court DLF City Phase IV Gurgaon (Haryana)
9	Berend Du Pon Alternate to Sipko Schat	The Dykeries, Eastbury Lane Compton, Guildford, Surrey – GU31EE United Kingdom

3. **A brief summary of the business/activities of the Bank and its line of business**

PRESENT ACTIVITIES AND OPERATIONAL DETAILS OF THE BANK

BUSINESS OVERVIEW

At YES Bank, sustainability means operating in an ethically, fiscally and socially responsible manner; respecting and supporting our communities; protecting the environment; and delivering superior stakeholder value. By embracing sustainable growth strategies the Bank propels its progress and differentiates itself from competition.

The sustained growth of YES Bank is based on the key pillars of GROWTH, TRUST, TECHNOLOGY, KNOWLEDGE DRIVEN HUMAN CAPITAL, TRANSPARENCY and RESPONSIBLE BANKING**.** YES Bank is committed to offer innovative sustainable business solutions that are customized to meet the growing and dynamic needs of customers across generations. YES Bank also believes in bringing about a sustainable transformation in banking combining traditional and modern ways of thinking to give maximum benefit to all our stakeholders. By continuously striving to create, innovate and transform, the Bank goes beyond the traditional realm of banking to create long term value. Moving forward in this direction, the Bank has evolved an innovative business model entailing a conscious move away from philanthropy based CSR to using CSR/Sustainability where corporate self regulation is integrated in the business model and is a critical business driver.

In the increasingly conscience-focused marketplaces of the 21st century, there has been a significant increase in the demand for more ethical business processes and actions. YES Bank embraces responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. YES Bank strives to operate in the ***'Sustainability Zone'***, between pure philanthropy and pure profits, where wider economic, environmental and social objectives are met. YES Bank, therefore focuses on sustainability as a strategic differentiator lending competitive advantage in a challenging business environment, ensuring long-term sustainable growth and development of all stakeholders in turn creating a virtuous cycle of sustained economic prosperity.

YES Bank has an equitable proportion of experts ranging from the field of banking and specific industry sectors, each contributing their knowledge and expertise individually and through collective thinking, thereby ensuring that every solution, product and innovation works in tandem with the Bank's customers' needs, at every stage of evolution of their business.

This differentiated approach has resulted in YES Bank receiving several recognitions across leading banking league tables from independent institutions of repute while winning multiple awards and accolades across product and service categories both nationally and globally.

YES Bank was ranked as the No. 1 Emerging Markets Sustainable Bank of the Year – Asia at the FT/IFC Sustainable Banking Awards 2008 in London**.**

YES Bank was also ranked the No. 1 Bank in the Business Today-KPMG Best Banks Annual Survey, and has been recognized among the World's 25 'Unsung' Innovative Companies by the most prestigious publication - BusinessWeek.

These recognitions validate the Bank's innovative business model that is based on the principles of sustainability which are encapsulated within the Responsible Banking strategy, while offering a combination of Relationship, Product, Knowledge and Service Capital to all customers through our unique 'One-Bank Model' approach.

RELATIONSHIP CAPITAL

YES Bank has always put special focus and emphasis on Building Institutional Relationship Capital, as a corner-stone of sustainable success, and believes in building long-term, core relationships. The Bank's 'One-Bank Model' approach, built on a 3-dimensional structure of Relationship, Product and Knowledge Managers to create a differentiated proposition, and incremental value generation, throughout the clients' business life-cycle, across multiple customer segments and knowledge verticals as defined below:

Corporate & Institutional Banking

YES Bank has made consistent efforts in the Corporate and Institutional Banking Segment to ensure every partnership delivers profits as well as long-lasting environmental and social value.

The Corporate & Institutional Banking (C&IB) division at YES Bank provides comprehensive financial and risk management solutions to clients having a turnover of over INR 10,000 million. The relationship experts across this business unit, provide financial solutions to the following categories of institutions:

- Large Indian Corporate Groups
- Public Sector Enterprises
- Central and State Governments
- Government Bodies
- Multinational Companies
- Financial Institutions and Banks

YES Bank provides a comprehensive range of client-focused Corporate Banking Services, including Working Capital Finance, specialised Corporate Finance, Trade, Cash Management & Transactional Services, Treasury Services, Investment Banking Solutions and Liquidity Management Solutions to name a few. All product offerings are suitably structured after in-depth research and assessment, taking into account the client's risk profile and specific needs, because at your Bank, maintaining high credit quality, is of utmost priority.

YES Bank is committed to provide innovative financial solutions by leveraging on superior product delivery, knowledge-based advisory, industry benchmark service levels and a strong client orientation. YES Bank has made significant inroads into developing core relationships with a number of Indian companies while joining hands with various Governmental institutions at the central, state and city levels.

Industry specific financial solutions by offering tailor-made services to best suit client requirements, helps lower entry barriers, strengthen business relationships, superior structuring, and risk mitigation.

Commercial Banking

By continuously evolving sector-specific products and services, the Bank paves the path for a sustainable future for Emerging Corporates. YES Bank understands the financial needs of growth focused, fast paced enterprises that are emerging as leaders in their respective industry domains through YES BANK's Knowledge Banking approach, and our objective of being the Bank for 'Future Industries of India'. YES Bank has institutionalized Commercial Banking (CB) dedicated to serve this specialised segment of companies, with an annual turnover between INR 1,000 million and INR 10,000 million and provide a strong backbone as Partners to clients throughout their lifecycle, and be a key strategic value driver.

CB targets companies in the "high octane" middle market segment, operating across Future Industries of India like Food and Agribusiness, Life Sciences & Biotechnology, Media and Entertainment, Engineering, Telecommunications, Information Technology, Infrastructure and Retailing. Thereby laying the foundation of long term growth.

CB's relationship managers aim to deliver the highest standards in service to its customers by following a Money Doctor approach of diagnostic and prescriptive solutions through a careful evaluation of client specific financial needs and providing tailor-made 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 and Treasury amongst others.

Empowered with CRM tools and a relationship driven team, CB delivers financial solutions customized to address the specific life – cycle needs of the identified customers across the above mentioned sectors. This "life – cycle banking" approach has been instrumental in influencing sustainable growth & transformation of a large number of the Bank's customers, resulting in a strong customer loyalty and a mutually enriching experience.

Branch Banking

YES Bank believes in providing a holistic banking experience to all its customers through its high quality, state-of-the-art branch network, using cutting-edge technology, a truly customer-centric offering, and vastly differentiated marketing and branding strategies across major towns and cities in India.

Backed by aesthetic design, the Bank's retail 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. The Bank's branches are highly accessible. The various consistent and evocative touch points facilitate warmth, coherent communication and a consistent customer experience. The focus is not only in transacting but also in engaging, informing and involving, in a personalised manner thereby providing incremental value for the time spent inside the branch by the customer.

Currently, the Bank's customers are being served through an extensive branch network, comprising of 132 branches in 106 locations across India as well as 94 off-site ATMs in Mumbai, Pune and the NCR region. Further, the Bank has 5 branch licences, granted by the Reserve Bank of India (RBI) which are in the process of being operationalised, that will take the expanded branch network to 137 branches in the course of the next financial year.

While YES Bank's branches have been designed to cater to all segments of customers under the 'One-Bank' model, Business Banking and Retail Banking & Wealth Management customers are the most frequent users of this world class infrastructure. The two segments, as elaborated subsequently, together constitute the Branch Banking business. This relationship line is an area of very high focus for your bank and significant investments have been made to provide an exceptional experience to its customers.

Under the aegis of Branch Banking, various innovative liability & financial products are provided across both segments, like:

- ✓ Savings Accounts (with multiple variants)
- ✓ Current Accounts (with multiple variants)
- ✓ No-frills Accounts
- ✓ Non-resident Accounts (with multiple variants)
- ✓ Fixed Deposits
- ✓ 5-Year Tax Efficient Fixed Deposits
- ✓ Smart Saver Savings Accounts – A unique proposition, which provides high returns of a Fixed Deposit with the complete liquidity of a Savings Account.
- ✓ YES Smart Salary Account – An innovative corporate salary programme, backed by superior technology that enables convenience and direct access.

YES COMMUNITY

YES Bank also believes that the branches need to play a significant role in Community engagement in the branch serving area. In line with this belief the Bank is driving a unique Responsible Banking initiative, called YES COMMUNITY through the Bank's branches. The aim of YES COMMUNITY is to espouse causes which are in public interest and add long term value to the society.

Business Banking

YES Bank believes in generating stake holder value through responsible business practices. In meeting this responsibility, the Bank contributes significantly to society by aligning Small and Emerging businesses to support a strong economy and a sustainable environment. Hence, the Bank has established YES BUSINESS, a dedicated Business Banking unit, driven by our unique Knowledge Banking approach, backed by a team of experts, along with a suite of products, services and resources. YES Bank ensures that identified Small & Medium Businesses, with annual turnover of INR 100 million to INR 1000 million, excel in the future as they are the driving force and role model spearheading a large number of innovations, and are key contributors to the sustainable development and growth of the economy. YES Bank caters to all the service requirements of these SME's across various product segments like Fund based lending, Cash Management, Payment Solutions, Direct Banking, Trade services and Advisory through a strong branch network of 49 branches across significant SME clusters. The Relationship Managers at the Bank invest in understanding your diverse and dynamic needs.

The core objective of Business Banking is to easily enable SME access to finance (including term finance), and business development services, thereby fostering growth, competitiveness and employment creation that are key to achieving sustainable economic growth.

YES Bank's strategy to attract SME customers include:

- Offering a customised service proposition tailor-made for high transactional volumes in the key businesses of IT/ITES, Foreign Trade, Logistics, Travel/Tourism, Media and Entertainment, Gems and Jewellery, Trusts, Societies & NGOs, Realty, Professional Services and various Business associations using a combination of Relationship, Knowledge and Product Capital.

- Offering holistic banking solutions to customers through the 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 & Wealth Management

By operating in a responsible framework, YES Bank caters to the Banking and Wealth Management needs of individuals (Indian Residents and NRIs) and small businesses with credibility. The Retail Banking & Wealth Management business (RB&WM) of the Bank goes beyond the traditional realm of banking and delivers long term value through :

- ✓ Customized Relationship Segments
- ✓ Premium Touch points - Direct Access
- ✓ Advisory & Wealth Services

1. Relationship Segments

YES Bank invests in enduring customer relationships through its extensive array of Retail Banking and Wealth Management Offerings. The Bank categorizes its relationship base of Retail Banking & Wealth Management customers into three distinct categories based on the relationship size:

- ✓ (YES Prosperity) which provides value-added services to customers by offering them a combination of superior service standards and expertise in wealth management.
- ✓ (YES First) which offers a combination of superior service standards, expertise in wealth management and value-added services like convenience benefits, concierge solutions and lifestyle services to its HNI customers.
- ✓ (YES Private) which offers personalised, confidential and tailor-made wealth management and financial solutions to HNIs with additional services in the area of Private Equity, Art and Real Estate Advisory along with convenience benefits, concierge solutions and lifestyle services.
- ✓ (Global Indian Banking) encompasses the above three segments with the unanimous objective of providing a superior service experience to the Non Resident Indian customer, by leveraging basic banking facilities, on-line remittances, differentiated wealth management and investments in alternate asset classes.

2. Premium Touch points - Direct Access

YES Bank aims at providing every Retail Banking client, 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 to deliver a 'Superior Service Experience'.

Direct Access

Even though the branches of the Bank's is extremely convenient and suitable, the Bank has customers can avail of a 24x7 consistent superior service experience through various direct access touch points, branded **'YES TOUCH'**. These services are being extended in record time, across various channels like Internet, Mobile, ATM and Phone using the latest technology. Customers can access all your Bank's products and services through a well structured website at www.yesbank.in

Advisory & Wealth Services

Since inception, YES Bank has developed and followed an integrated approach to providing complete 'Wealth Management Solutions', based on comprehensive Risk Profiling, Asset Allocation and Investment Monitoring Process.

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

YES Bank also provides regular liability products like Savings Accounts, Non-resident Accounts, Current Accounts and Fixed Deposits catering to basic client needs.

Industry Redefining Features powering Customer Satisfaction

YES Bank has created and implemented several industry redefining features, in its endeavour to provide a superior banking experience. The Bank is committed to continuously introduce products and services on a sustained basis that revolutionize the traditional banking experience in India by bringing the fastest, most efficient and convenient services to our valuable customers. These include:

- Single PIN access for 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 the fund transfer.
- 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.
- “Mobile Payments” – first of its kind Person 2 Person payments in partnership with OBOPAY. Mobile platform agnostic solution – can work on SMS, GPRS (Java enabled), WAP, platforms - Available 24 x 7
- Stop payment instructions for cheques, using the SMS facility on mobile phones.
- Access to 35,000 plus ATMs affiliated to MasterCard, National Financial Switch and Cash Tree networks in India and over 1.25 million ATMs associated with MasterCard globally.
- 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’ enables customers to purchase and sell mutual funds over the internet on a daily basis. The product not only provides Marked to Market (MTM) updates but also tracks dividend performance and the Internal Rate of Return (IRR) of each transaction, within the consolidated portfolio thereby tracking the growth and progress of the portfolio.
- 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 Touch –Phone Banking” launched in 2008 integrates Voice, Email, Chat and Video in partnership with CISCO, Scansoft for speech-recognition and Servion Global for system integration and implementation. This is a first and only implementation of speech enabled contact centre in 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, which provides an umparalled and innovative banking services as never before.
- Your Bank introduced “Money Monitor” – First of its kind financial aggregation tool on the Internet in India in 2008. It provides seamless information of your financial health by aggregating data from over 11,000 Financial and related sites across the world into Your Bank Internet Banking, thereby giving you a single view across their own & family accounts. It was launched in partnership with YODLEE.

- 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, query cheque status, stop payments, purchase fixed deposits and TDS enquiry on fixed deposits amongst others.
    - Pay utility bills to over 115 billers across India and make donations to various religious and charitable institutions
    - View and download account statements across multiple formats
    - View and initiate standing instructions
    - Set various email alerts based on transaction thresholds and account activities
    - 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 debit to the customer's account
    - Real time payments to various e-brokerage accounts
    - Foreign exchange trading for corporate clients
    - Request and view real-time balances and transaction information

Indian Financials Institutions Group

YES Bank believes in creating superior sustainable value for its stakeholders, customers, employees and communities through responsible partnerships with various Banks and Financial Institutions nationally.

The Indian Financial Institutions (IFI) team at your Bank spearheads relationship development efforts with various Banks and Financial Institutions nationally. The team achieves this by supporting product delivery while creating and sharing industry knowledge with internal and external stakeholders. Indian Financial Institutions (IFI) Relationship Management experts at the Bank offer an array of services to the following set of clients:

- ✓ Domestic Banks (Govt. owned, Private and co operatives)
- ✓ Mutual Funds
- ✓ Insurance Companies
- ✓ Non Banking Finance Companies (NBFC)
- ✓ Private Equity Funds
- ✓ Brokers (both Capital market and Commodity market)

The IFI team members at YES Bank leverage their existing relationships with various Banks and Financial Institutions to raise resources, and to set up counter party limits for your Bank. Additionally, IFI offers a wide variety of products including Debt, Trade Finance, Guarantees, Treasury Services, Working Capital Finance, Cash Management & Transactional Services and Liquidity Management Solutions to YES Bank's customers by entering into partnerships with other Banks and Financial Institutions. YES Bank has a strategic tie-up with NABARD to offer Food and Agriculture Consultancy Services and with SIDBI to offer SME Consultancy to the Bank's customers. This relationship with other Banks & Financial Institutions is also leveraged for syndication of loans for the Bank's Wholesale and Commercial Banking customers and to raise resources through refinancing the Bank's loan portfolios. The IFI team leads the Bank's efforts towards raising debt capital in the form of Hybrid Tier I and Tier II bonds from various Indian Institutions.

International Banking

As a global corporate citizen, the Bank extends its responsible partnerships to financial institutions and customers across the world. Through in-depth knowledge of growth sectors, the Bank caters to their present as well as the future needs with unmatched credibility.

International Banking has augmented the network and visibility of YES Bank's brand and presence internationally. International Banking continues to further strengthen its international strategy with a clear focus on servicing the correspondent banks' businesses in India. Additionally, the division provides a suite of advisory services to international corporations who are keen to expand or enter the Indian market under the aegis of a dedicated India Business Facilitation Desk (IBFD), which provides advisory services to corporates at every step of business establishment on various sectors through the Knowledge Banking initiatives apart from providing complete banking solutions.

These initiatives intend to evolve customer centric solutions for YES Bank's International customers such as:

- ✓ Foreign Banks with or without any presence in India
- ✓ Multilateral Agencies.
- ✓ Foreign Institutions such as US-EXIM, Coface, Euler Hermes amongst others
- ✓ Private Equity Fund houses with a focus on India
- ✓ NBFCs registered in India and backed by Foreign banks.

The International Banking business 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 the Bank. These products are offered through partnerships and tie-ups with International Banks and Institutions in the target geographies.

YES Bank has entered into cooperation agreements with two international banks viz. Mashreq Bank, Dubai and UBI Banca, Italy. The cooperation is envisaged across various banking products, which has provided further traction to the international business of the Bank.

The differentiated and innovative Knowledge Banking approach has not only created a niche position for YES Bank in the international market, but has also helped the division to reach out across multiple geographies while providing specialised services to corporations eager to enter India. The dedicated India Business Facilitation Desk (IBFD) compliments international corporations at every step of business establishment ranging from providing sectoral advisory to complete banking solutions including support services like setting up of an office/establishment in India. The division also provides value-added services including macro-economic analysis, trade and investment assessment, advisory, regulatory and country specific framework, education and knowledge exchange, cultural adaptability and exchange.

PRODUCT CAPITAL

YES Bank has created a range of products to effectively service customers across differentiated market segments. The "One Bank Model" approach built on a 3-Dimensional organizational structure of Relationship, Product & Knowledge enables greater cross-sell and up-sell of these products to customers. This approach enables to further augment the existing relationships by providing multiple engagement opportunities, and introduce customized products across the customer's growth life cycle.

FINANCIAL MARKETS

YES Bank believes in delivering value by striking a healthy balance between economic and social returns. Its sustainable approach towards Financial Markets (FM) business model provides effective Risk Management solutions relating to foreign currency and interest rate exposures of clients.

FM assists clients in creating a complete understanding of market rates faced by them in respect of Capital Raising, Investments, Exports, Imports and any other market risks. YES Bank provides innovative and customized solutions to clients to enhance returns/reduce cost of financing through a host of product offerings including Foreign Exchange Forwards, Options and Swaps. The client offerings are supported by professionals comprising of Economists and Research Analysts who provide latest analysis and tools for generating quality Risk Management ideas and solutions.

Financial Markets conduct proprietary trading to maximize earnings from risk taking across key fixed income, equities and global foreign exchange markets. Additionally, the business is responsible for Balance Sheet Management, Liquidity monitoring, maintenance of Cash and Statutory Reserve requirements and day-to-day fund management of the Bank while raising subordinated and hybrid debt capital for your Bank, YES Bank was amongst the first to implement the MUREX trading platform and launch Forex Solutions - a real time online foreign exchange trading solution which provides corporations a medium to hedge their currency risks online through the Bank's Corporate Net Banking platform. The Bank continues to excel as reflected hereunder:

- ✓ ICRA (Moody's affiliate in India) has reaffirmed your Bank's AI+ rating for its Rs. 50 billion Certificate of Deposit programme. AI+ rating indicates the highest level of safety in the short-term.
- ✓ FM in association with other business groups successfully raised Rs 364.5 Crore (USD 85 million) in a combination of Upper Tier II, 15 years Subordinated Debt (USD 80 mn) and Hybrid Tier I (Perpetual Debt) Capital (USD 5 mn) from Rabobank, a AAA rated Bank, in Jun 2008. FM further raised Rs 200 Crore of Upper Tier II capital from Life Insurance Corporation of India in September 2008, Rs 154 Crore of Hybrid Tier 1 capital in Feb - March 2009 and Rs 260 Crore and Rs 300 Crore of Tier II subordinated debt in September 2009 and January 2010 respectively.
- ✓ The Bank was ranked No. 8 in the Thomson Financial's Top Lead managers of Indian Rupee Bonds for the period starting January 2008 to December 2008.
- ✓ The Bank was ranked No. 4 in the Thomson Financial's All Asian Securitized Bonds (ex-Japan ex-Australia) category for the period January 2008 to December 2008.

INVESTMENT BANKING AND FINANCIAL ADVISORY

YES Bank sees Sustainability as a key driver for economic growth and to create a competitive advantage in the market. Through in-depth knowledge on the emerging sectors of the economy, the Bank identifies and harnesses untapped opportunities to deliver long term value to all its customers.

YES Bank has further reinforced its position as a provider of high quality and knowledge based advisory services in Investment Banking. This fiscal year has witnessed several additions to the client base and a consummation of over 75 transactions since the inception of the Bank across various product categories within the Corporate Finance and Capital Markets offerings of the Financial Advisory (FA)/Investment Banking Group. The performance of the team is reflected in the consistent ranking received by the Bank on being amongst the Top 10 deal makers across prestigious league tables.

YES Bank's Investment Banking division constantly endeavours to work as a 'trusted advisor' at every stage of the customer's life cycle. This firm commitment has led to the generation of repeat business from several of our privileged clients. The approach is characterized by proactively partnering with customers in their business cycle by developing long-term advisory and banking relationships from deal origination to execution. This is based on a balanced mix of domestic and cross-border Mergers and Acquisitions, Joint Venture Advisory Services, Private Equity Placement as well as Merchant Banking Services across chosen industry verticals. The enviable cross-border Mergers and Acquisitions (M&A) franchise built by the Bank over the years, advising Indian entrepreneurs in their global aspirations, has led to the development of a deep network of relationships with other Banks, Investment Banks and Advisory Boutiques in countries across Asia, Europe, Africa and the Americas, further enabling proactive research to generate acquisition ideas and identification of suitable targets. As an integral part of the cross border M&A Advisory, the Bank also plays a pivotal role in assisting clients raise acquisition finance from leading Indian and International Financial Institutions. Some of the noteworthy transactions advised during this fiscal year include:

Mergers & Acquisitions Advisory – Colossus Holdings' acquisition of Honiton Energy and formation of a JV with Arcapita Bank; sale of e4e Mauritius' promoter stake in Aztecsoft to Mindtree; Senergy Global's acquisition of majority stake in UK based IT Power; Zeppelin's acquisition of Digvijay Group; Sintex's acquisition of Geiger Technik; Sale of domestic call centre of i2i Telesource to Allsec Technologies

Private Equity / Venture Capital / Real Estate Investments Advisory – Suzlon Energy's 10% stake sale in Hansen Transmissions to Ecofin Funds; Investment by a leading Tech investor in India's largest digital marketing company – Ybrant Digital; Investment by IDFC Private Equity in SE Forge Limited; Raising of private equity for 5 star hotel project in Kolkata from international realty fund; Investment by Kaupthing in Shree Maheshwar Hydel Power Corporation; Investment by JP Morgan and ICICI Venture Funds in PVR Pictures

Capital Markets Transactions – Co-Book Running Lead Manager - Manager - Open offer to the shareholders of Uniflex Cables by Apar Industries; Manager - Open offer to the shareholders of Advani Hotels by Delta Hospitality; Manager - Open offer to the shareholders of G P Electronics by Jaydev Mody Group; Manager - Open offer to the shareholders of Bajaj Electricals by Bajaj family; Manager - Open offer to the shareholders of STI by Eight Capital Funds and Spinnaker Funds

YES Bank's Investment Banking division constantly endeavours to work as a 'trusted advisor' at every stage of the customer's life cycle,by developing long-term advisory and banking relationships from origination to deal execution.

CORPORATE FINANCE

YES Bank's contribution in the Corporate Finance domain is a reflection of its long-standing commitment to sustainable development. Leveraging on its in-depth knowledge of the emerging sectors and strategies that create long term value, the Bank continues to be a positive contributor to a sustainable economy.

YES Bank's Corporate Finance practice offers clients a combination of advisory services and customized structured financial products to meet varied client requirements. The team provides an "out-of-the-box" solution-driven approach to create win-win solutions for companies as well as lenders. YES Bank assists its clients in obtaining superior financial returns in a risk mitigated manner due to substantial "knowledge arbitrage", over the market.

To ensure valuable insights, the Bank has built a robust internal system for tracking the exposure to sensitive sectors such as capital markets and real estate on a daily basis, vis-a-vis internal limits and the regulatory limits as stipulated by the Reserve Bank of India.

YES Bank's Corporate Finance Practice offers a complete range of financial services encompassing project conceptualization to financial closure to specialized banking including a combination of advisory customized structured products, to meet specialized and complex requirements. The Corporate offerings include:

<u>Infrastructure Banking and Project Finance (IBPF)</u> – Driven by strong credit appraisal skills, knowledge based approach and experienced human capital, this team has created an identity in infrastructure financing space. The IBPF team has deep understanding of the international best practices in infrastructure finance, due diligence and project structuring skills. The Knowledge Managers have proven project financing capabilities in several infrastructure sectors viz. Power, Transportation, Telecom, Urban Infrastructure etc. The Group had several marquee transactions to its credit with some of the best names in the industry.

Structured Finance – This group leverage its strong regulatory and legal understanding to structure complex transactions and thus assisting clients in obtaining superior financial returns in a risk mitigated manner due to substantial knowledge arbitrage over the market. The Group specializes in Securitization transactions, agriculture loan pool buy outs, microfinance loan pool buy outs, discounting of rental receivables etc. During the year, this team was responsible for few landmark transactions eg. Providing Microfinance Institutions (MFIs) access to debt capital market (FIRST such transaction in the Microfinance Industry).

Realty Banking - The team provides advisory and funding services like project conceptualisation and structuring, JV partner identification, and raising/arranging financing in the commercial and residential real estate sectors across diverse geographies and Special Economic Zones. The Group successfully completed several transactions involving some of the best names in the industry.

Project Advisory & Syndications - The group provides comprehensive syndication services to clients of your bank. With its proven domestic and international credentials, the group caters to the all financing requirements of corporates as well as specialised financing for acquisitions, asset purchases, sell downs and leveraged buyouts. YES Bank was ranked 21st in the Syndicated Loan Rankings (India) and 7th in the Syndicated Loan Rankings-Indian Rupee Loans by Thomson Reuters.

Private Equity (PE) **-** The PE Group is furthering your Bank's focus by developing specialist funds that will leverage the domain expertise your Bank has built over the years. Currently, it is "co-sponsoring" the South Asia Clean Energy Fund (SACEF) in collaboration with Global Environment Fund, USA (GEF). SACEF is a USD 200 million fund targeting investments in clean energy, clean technology, and energy efficiency across India, Sri Lanka, Nepal and Bangladesh.

The Corporate Finance practice offers a combination of advisory services and customized products to assist clients in obtaining superior financial returns in a risk mitigated manner based on "Knowledge Arbitrage".

TRANSACTION BANKING

YES Bank has expanded the scope of Responsible Banking right from transaction execution to information facilitation, serving the core objective of optimum management of all operational, administrative and regulatory activities.

To fulfill this promise, the Transaction Banking Group (TBG) at YES Bank has integrated and upgraded its product suite to offer a 'Composite Package' enabling total outsourcing of the corporate treasury functions for its clientele across multiple relationship segments viz. Corporate & Institutional Banking; Commercial Banking; Small and Medium Enterprises and Government Corporations.

"Financial Supply Chain Management" of the corporate is the focus of this core product team. It broadly consists of three specialized product domains namely Cash Management and Direct Banking Services, Trade Finance and Services and Capital Markets, Escrow Account and Securities Services. Unique and customized product propositions have been successfully developed and implemented by the group, for specific industry verticals, and at times have played a pioneering role in the market.

Value added solutions for Working Capital Management of the corporate customer are offered under the Cash Management and Direct Banking Service and which are aimed at streamlining the domestic supply chain business flows by optimizing the payables and receivables cycles and providing superior liquidity management options. YES Bank has been at the forefront in promoting paperless transactions through its best-in-class electronic payment platform, thereby contributing to the organizational objective of environment conservation. YES Bank has leveraged technology in delivering banking products and services through different direct banking touchpoints of Internet, Mobile, ATM and Phone, to untouched geographies / customer segments, under the traditional banking model, thus delivering on "financial inclusion" for a majority of the population.

The trade related requirements of the corporate customer is addressed by Trade Finance and Services, both on the domestic and international front, covering Import and Export services and the underlying financing structures like Letters of Credit, Bank Guarantees, Buyers Credit, Packing Credit, Pre-shipment Credit, Post-shipment Credit and Open Account Remittances. Trade Finance also covers Channel Financing and Bill Discounting facilities for domestic corporate customers. YES Bank has been instrumental in providing credit facilities to corporate customers, with key focus on customers in environment friendly businesses.

The Capital Markets, Escrow Account and Securities 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 Interest/Dividend 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.

YES Bank meets and exceeds the expectations of all its corporate customers with unmatched credibility, powered by a highly efficient Transaction Banking Desk, a continuously expanding product suite developed through a knowledge banking led strategy, strong delivery channels and a superior service experience.

YES Bank won the prestigious Financial Insights Innovation Award (FIIA), 2008 for the Most Innovative e-Payments Solution in Asia-Pacific, thus establishing the benchmarks for customer service excellence.

KNOWLEDGE CAPITAL

Knowledge Capital is one of the key differentiators of YES Bank and has been established with an objective to create knowledge verticals across the emerging sectors of the Indian economy, and to develop innovative solutions to reinforce long-term and sustainable partnerships with key stakeholders. Knowledge has been institutionalized as a key ingredient in all internal and external processes of your Bank and it helps to facilitate superior structuring and innovative and sustainable financial solutions, based on efficient product delivery, industry benchmarked service levels, and strong client orientation.

Knowledge Banking

Through in-depth knowledge of the emerging sectors, YES Bank, there has been significant traction in developing new opportunities and ideas that add long-term shareholder value. YES Bank focuses on key growth sectors such as Food and Agribusiness, Life Sciences, Media and Entertainment, Auto Components Engineering, Telecommunications, Information Technology, Infrastructure and Retailing amongst others, which are the Future Industries of India. YES Bank is committed to supporting the sustainable growth and development of these sunrise sectors in the country to facilitate overall development through strategic initiatives. While several divisions work together for the above objective, there are three main units that specifically reflect the Knowledge Banking approach.

Food and Agribusiness Strategic Advisory and Research (FASAR)

The Food & Agribusiness Strategic Advisory and Research (FASAR) team is driven by sector experts with relevant educational background and industry experience, who provide sectoral knowledge on industry trends and growth prospects in the Agribusiness sector. The Bank aims to be a dominant player in the Food and Agribusiness (F&A) sector by providing end-to-end financial solutions for stakeholders across the entire agricultural value chain.

Strategic Initiatives and Advisory Government (SIG)

Strategic Initiatives and Advisory – Government (SIA – G) is a specialized division, with a core focus on inducing private sector investments for development through Public-Private Partnerships (PPP); that functions as the government advisory & relationship arm of YES Bank particularly with State Governments. The SIA-G team showcases its knowledge and capability in the Infrastructure, Food & Agribusiness, and social sectors. In addition to the focus on enhancing relationships & banking within the public sector; the work also includes interventions with Union & State Government entities, development agencies and other stakeholders in Project/ Policy Advisory, Investment Publications, Strategic/International Alliances, University Relations, write-ups in leading publications and theme addresses at industry-led events. Through these efforts the Bank has been recognized within the government, and has enabled the Bank’s banking/advisory empanelment with the government as demonstrated successfully in Madhya Pradesh & Karnataka. The knowledge capabilities and sectoral expertise of the team has enabled YES Bank to capture the mindshare of niche stakeholders and thought-leaders, and have created opportunities for other business groups.

RESPONSIBLE BANKING

Through responsible initiatives, YES Bank reaches out to the emerging sectors and the financially un-banked sections of the society, and support a sustainable future.

Responsible Banking is one of the key platforms of the Bank, and is a key differentiator that has been institutionalized with the objective of developing innovative business solutions for social and environmental matters. The Bank was established with a vision of creating a commercially viable financial institution with sustainability principles incorporated within its business strategy. Responsible Banking is an integral part of YES Bank's operations and it continuously works towards mainstreaming sustainability.

YES Bank's efforts are focused on embedding the 'triple bottom line' ethos across the organization thereby creating and enduring value and competitive advantage. More specifically the Bank works towards:

- Mainstreaming sustainability for the Indian banking community by adopting a multi-stakeholder approach to dialogue with peers, governmental and non-governmental bodies, industry and academia.
- Operating in a 'Sustainability Zone' by working in a zone between pure profit & pure philanthropy to address Environmental, Social and Governance (ESG) issues. This approach not only promotes new sustainable businesses but also mitigates risks associated with poor environmental or social performance.
- Offering innovative financial solutions to address a wide spectrum of issues from sustainable livelihoods, food security, climate change, public health, education, information technology and biotechnology among others.

YES Bank not only makes direct investments in sustainable development, but also leverages its position of indirect control over investment and management decisions of its partner clients thereby influencing the business community at large. This allows the Bank to align itself with broader sustainability goals.

YES Bank is actively engaged in providing Responsible Corporate Citizenship (RCC) advisory services to existing and potential clients. The team strives to establish the Bank as a corporate citizen of repute by actively generating sustainable economic, social and environmental value with all stakeholders. RCC has a special focus on impacting the most marginalized through socially responsible initiatives. This division works to mainstream sustainability for businesses, governments and non-profits engaged in environmental, education, health and livelihoods sectors where social entrepreneurship is a key driver.

The Responsible Banking strategy is mainstreamed within the Bank as 'Responsible Banking in Thought' (providing cutting edge thought leadership in this space) and 'Responsible Banking in Action' (developing specific banking products and services in line with our Responsible Banking strategy).

Responsible Banking in Thought is a think tank that incubates innovative business models for social issues. The core function of the team is to develop high quality intellectual capital. It also establishes linkages with like minded players of repute, both locally and internationally. Along with the socially responsible investor community, it actively seeks to innovate business approaches to development. The team serves as a specialized resource division for mainstreaming sustainability into other key business groups in the Bank.

Besides being the First Indian Bank to become a signatory to UNEP-FI principles for sustainable development, and a signatory to the Carbon Disclosure Project, your Bank remains committed to work with other national and international development agencies to influence the financial sector in India and abroad. This year your Bank also became signatory to the UN Global Compact principles.

In recognition of these initiatives at such a nascent stage, your Bank was ranked as the No. 1 Emerging Markets Sustainable Bank of the Year – Asia at the Financial Times-International Finance Corporation (FT-IFC) Sustainable Banking Awards in 2008 in London.

Responsible Banking in Action encompasses three specialized business verticals: Microfinance; Agribusiness, Rural & Social Banking (ARSB); and Sustainable Investment Banking (SIB), which offer products and services that promote sustainable development.

Microfinance

YES Bank is committed to Creating Equal Financial Opportunities, and Enabling Financial Inclusion. YES 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. YES Bank achieves this primarily through a two pronged strategy with the wholesale intervention through the Microfinance Institutions Group (MIG), and by providing the last mile connect by mainstreaming micro clients at the Bottom-of-Pyramid through YES SAMPANN.

Wholesale microfinance lending - Through MIG's product suite including term loans, loan syndications and rated capital market loan products (pool securitization, debentures, commercial paper and loan assignments), the Bank aims to catalyze growth of the Indian microfinance industry, increasing its access to a wider pool of investors, reducing costs of funds by up to 300 basis points through a mix of lower cost of funds and transaction costs (by 1-2%) to enable scale up ensuring provision of affordable, fairly priced and customized financial solutions to the Bottom-of-Pyramid. MIG 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.

Direct microfinance lending - YES SAMPANN is the first institutionally sponsored direct intervention model for microfinance in India. It provides the last mile connectivity at the Bottom-of-Pyramid offering affordable, customized financial services including credit, savings and insurance. Leveraging technology and using innovative methodologies such as credit scoring, YES SAMPANN works towards creating credit histories for an urban population that remains excluded from formal finance. Though YES SAMPANN is as yet at a pilot stage with operations out of three urban branches serving more than 2000+ individual clients, it is strategically positioned to be a full blown business group with a portfolio size in excess of USD 100 million and client base of 1,000,000 in five years.

Agribusiness, Rural and Social Banking (ARSB)

YES Bank has a strong focus on sustainable business solutions to the agriculture, rural and social issues of the country. It is YES Bank’s constant endeavour to support business initiatives and innovative strategies that help inclusive growth.

ARSB is YES Bank’s specialized group focused on fulfilling the financial needs of the agriculture and allied sector. It extends a range of banking products and services to various stakeholders across the Agribusiness value chain. Despite a limited reach in terms of branch network in rural areas, the group has been able to consistently achieve Priority Sector Lending (PSL) targets for the last 3 years and has also generated surplus assets for selling down to other banks. This has been achieved by developing innovative financial models, some of which have won national and international acclaim at various forums. In 2008, the scope of the group was expanded to Social Banking to cater to the banking needs of un-banked and under-banked weaker sections of the society.

Sustainable Investment Banking (SIB)

SIB is YES Bank’s specialised investment advisory for sustainable ventures commanding expertise in the areas of: (i) Alternate Energy & Environment Advisory and (ii) Social Enterprises & Rural Advisory. The team is one of the few specialized Investment Banking divisions actively involved in supporting initiatives on renewable energy, clean technology and socially sustainable sectors (broadly defined as healthcare, education, livelihood creation, water & sanitation etc).

The group also acts as the exclusive Country Advisor for the Global Environment Fund, USA (GEF) one of the largest and oldest private equity firms focused on investing in the environmental space.

Recognizing the importance of a global approach to sustainability and the potential for cross border deal flow, SIB has developed international alliances and now acts as the exclusive country advisor for clients of Cleantech Australasia, New Equity Services (Israel) and Lahti Science and Business Park (Finland).

SERVICE & TECHNOLOGY CAPITAL

YES Bank’s Service Capital’s seamless operations is key to enabling an environment of Service Excellence and ensures the perpetual running of various functions across the Bank. These critical back-end functions include key Business Processes, Quality Assurance, External & Internal Service Delivery Standards, Technology Architecture, Risk Management and Internal Audit as well as the Bank's high quality Human Capital.

Business Process

YES Bank incorporates sustainable practices into its business processes to drive added efficiencies and generate 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 & external audit policies, effective risk management systems, state-of-the-art technology platforms help ensure implementation of optimum business processes, both internally and externally.

Some of the on-going business processes initiatives implemented within the Bank include:

- Two world-class National Operations Centres (NOC) based out of Mumbai and Gurgaon have been establishment with a focus on providing an immediate response to customer requests, as also to provide Business Continuity Planning. The NOC houses the centralised back office functions of various businesses. The YES TOUCH Phone Banking Service Centre, is housed in the NOC at Gurgaon.
- Adherence to Quality practices such as 5 S, 6 Sigma and Sub Clauses of the ISO 9001:2000 Standards. All business processes at both the NOC's and 5 key branches are ISO certified.
- Business processes are supported by the synergised efforts of business solutions and information technology, to implement new methods for optimum productivity (based on Time and Motion and Time and Material studies).
- Benchmarking and critical evaluation of all quality parameters with competition.
- Robust methodology of customer feedback and data collection such as customer complaint registers, customer satisfaction surveys, mystery shopping and employee feedback.
- The Customer Query Management System (CQMS) is used as the one single touchpoint for 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.
- End to End (E2E) analysis of liability and trade business processes.
- A Favourable response has been obtained from customers across India, through participation in the Customer Satisfaction Survey conducted by The Gallup Organization, initiated by the Indian Banks' Association.

Adherence to BCSBI, Goiporia Committee recommendations and CPPAPS guidelines

Quality Assurance

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.

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 evaluates simplification of the laid down standards and guidelines in line with regulatory/statutory/strategic requirements, while driving improvements and productivity across functions and product sets, by rationalising, streamlining and centralising processes as appropriate. It also drives, standardization of Dashboards and MIS formats for control and review purposes, basis the metrics identified through the complaint resolution feedback mechanism. PM also uses Quality tools to facilitate ease of execution of transactions through automation of manual processes and ensures adequacy and effectiveness of training for the employees.

YES Bank has been accredited with ISO 9001:2000 certification from BVQI for its back office processes and operations. The Bank has also established high standards in Operational Excellence using process improvement methodologies like Six Sigma, Lean, Five S & Quality Circles.

The Quality Policy at your Bank states - "YES BANK will strive to ensure a Superior Service Experience through Operational Excellence, Innovation, Cutting-edge Technology and Best-in-class Systems & Processes in its mission to become the World's Best Quality Bank in India".

External Service Delivery

Enhancement of Customer Satisfaction levels at the Bank is measured by Dashboards, Voice of the Customer (VOC), Branch Service Committee Meetings and Sigma Score Cards. These initiatives not only help forge 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.

Internal Service Delivery

The external service delivery at YES Bank, is a manifestation of the internal service principles instituted within the Bank, that seeks to align and influence the organisational behavior of the Bank's Human Capital towards delivering on the stated service value proposition of providing customers with a - 'Superior Service Experience'.

The YES SERVICE Programme - an Internal Service proposition which is disseminated through a well-defined and on-going 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.

INFORMATION TECHNOLOGY

As a new generation Bank, YES Bank has the advantage of accessing the latest available technology. The Bank effectively uses technology in a cost effective manner to meet its sustainability goals. To support its Responsible Banking Initiative, the Bank uses technology as a strategic business tool across its service arenas**.**

Since inception the Bank has been at the forefront of leveraging technology to provide better products and service to its customers, in turn helping businesses to expand as also launch new businesses. This philosophy is also reflected in five brand pillars of your bank where technology has been identified as a key pillar and is considered a true differentiator. Appropriately technology has responded by being true strategic partner with business. Many first mover implementations have provided business long lasting advantages, as also won many accolades and awards for the bank. One of the finest direct banking platforms, first bank in India to offer two factor authentication, single PIN access to all electronic channels, Wi-Fi enabled branches are some of the examples.

All parts of the Bank use IT to deliver superior products and services to the customer. Innovations like Money Monitor, Mobile payments, dual factor authentication, mobile banking, RFID in branches, one view of customer relationship, and most advanced voice enabled IVR helps the products and sales teams to offer superior products and services.

Additionally the Bank continues to forge 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 the Bank addresses risks and secures systems that are vital to business operations.

This year with special focus on responsible banking, the following initiatives were undertaken:

- Video Conferencing – was deployed in 5 key locations thus not only reducing the travel costs, in process also reducing the energy consumption
- Centralized Branch servers rollout leading to signification reduction in number of servers, and operating costs. One of the key benefits is reduction in consumption of power by servers as well as cooling of these servers. (More than 80% save)
- Replacement of conventional monitors with TFT screens, again reducing the electricity consumption Financing opportunities to the 'unbanked' segment of society were backed by Technology.

During the last financial year, the Bank also completed the following key initiatives:

- Customer Relationship Management (CRM) Solution launched across bank to improve the sales and services effectiveness
- Introduction of One View of entire customer relationship for Sales and Service departments of the bank has resulting in 'focused' and meaningful selling – both up-selling and cross selling, thereby directly helping the businesses in generating revenues faster, seize opportunities due to better information available at PoS.
- The Bank has been on forefront of Open Source usage. Knowledge portal KNET is based on Open source platform. CRM system is an open source application (Centric) and built on top of open source platform.
- Customer Service, Complaint and Query Management system offers one view of customer service requests, complaints, and queries, thus enhancing our employee ability to respond to customer needs.

During the last financial year the Bank was also widely recognized for its technology differentiation.

- Technology team at your Bank was the first runner-up for the prestigious 'IT Team of the Year' award by Indian Banks'Association (IBA).

YES 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. YES Bank has always aimed to offer a "**One Bank solution**" to customers across the Corporate and Retail segments using superior technology and Lean processes.

4. A brief history of the issuer since its incorporation giving details of its activities including any reorganization, reconstruction or amalgamation, changes in its capital structure, (authorized, issued and subscribed) and borrowings, if any

History

YES Bank was incorporated as a Public Limited Company on November 21, 2003. YES Bank obtained its certificate of Commencement of business on January 21, 2004. Subsequently, in March 2004, the Bank achieved the mobilisation of the initial minimum paid up capital of Rs 2000 million. Further, the Promoters by their letter dated March 29, 2004 made a final application for a banking licence under Section 22(1) of the Banking Regulation Act, 1949 providing complete details of the capital structure, the composition of Board of Directors, the proposed human resources, information technology, premises and legal policies and the business and financial plan of the Bank. RBI by their letter dated May 24, 2004, under Section 22(1) of the banking Regulation Act, 1949, granted us the licence to commence banking operations in India on certain terms and conditions. Further, RBI by their letter dated September 2, 2004, included the Bank in the second schedule of the RBI Act, 1934 with effect from August 21, 2004 and a corresponding notification was published in the Official Gazette of India (PART III – Section 4) on August 16, 2004.

Key Highlights and Milestones

Nov '03	Incorporation of YES BANK Limited
Mar '04	Capital infusion by promoters and key investors
May '04	RBI license to commence banking business
Aug '04	First branch at Mumbai & inclusion in second schedule of the RBI Act
Aug '04	Launch of Corporate & Business banking
Sept '04	Launch of Financial Markets business
Oct '04	Launch of Transaction Banking business
Dec '04	First quarter of operating profits
Feb '05	ISO 9001:2000 certification for back office operations
Mar '05	First quarter of net profit
June '05	Maiden public offering of equity shares by the Bank
Nov '05	Rana Kapoor, MD & CEO adjudged Start-up Entrepreneur of the Year at the E & Y Entrepreneur Awards 2005
Mar '06	FY2006 - First full year of commercial operations; Profit of INR 553 million, ROA 2%
Sept '06	Foreign currency loan agreement with Wachovia Bank, N.A.
Oct '06	Raised INR 1.8 billion of long -term subordinated Tier II debt
Dec '06	Ranked No. 3 in the Businessworld survey of India's Best Listed Banks, including public and private banks
Dec '06	Launch of YES MICROFINANCE INDIA, in partnership with ACCION International, U.S.A.
Dec '06	Successfully completed the equity transaction of INR 120 crore with Swiss Reinsurance Company, Zurich
Mar'07	Received the Euromoney – Trade Finance 'Deal of the Year' award for structured and innovative rural financing
Mar'07	Ranked No. 2 among New Private Sector Banks in the Financial Express survey of India's Best Banks for 2006
Mar'07	Raised INR1.98 billion of Upper Tier II capital
Mar'07	FY2007 profits at INR 944 million
Aug'07	Launch of YES-International Banking

Aug'07	Rana Kapoor – Founder/MD & CEO won the CEO with HR orientation Award at the Times Ascent HR Excellence Awards
Sep'07	Selected as a Founding Member of the Community of Global Growth Companies at the World Economic Forum, Geneva
Sep'07	Received licenses to open 57 new branches nationally and 125 offsite ATMs in Mumbai & NCR making the total licensed network to 117 branches and 200 offsite ATMs
Dec'07	Rana Kapoor, Founder/MD & CEO awarded the 'PHDCCI Distinguished Entrepreneurship Award 2007' at the PHDCCI Annual Awards for Excellence 2007
Dec'07	Won the 'Best CSR Practice Award 2007' at the Social and Corporate Governance Awards 2007 – BSE/NASSCOM
Dec'07	Won the 'IT People Award 2007' for Innovation in Banking Sector at the IT-People Awards for Excellence in Information Technology
Jan'08	60 operational branches across 52 locations nationally and 75 offsite ATMs in Mumbai and NCR
Feb'08	YES BANK was awarded the 'Financial Insights Innovation Award' (FIIA) for the Most Innovative e-Payments Solution in Asia
Feb'08	YES BANK has been ranked 'SECOND among Medium Size Banks' and the 'Fastest Growing Bank' in its category, at the Business Today – KPMG Survey of India's Best Banks of 2007.
Feb'08	YES BANK received the 'Global HR Excellence Award' and the Employer Branding Award for Continuous Innovation in HR Strategy in February 2008 from
June'08	Awarded the 'Emerging Markets Sustainable Bank of the Year' Award at the Financial Times/IFC, Washington Sustainable Banking Awards
June'08	Raised INR 3640 million (USD 85 million) in a combination of Upper Tier II Subordinated Debt and Hybrid Tier I Capital from Rabobank
June'08	Launch of YES COMMUNITY, a Responsible Banking initiative across retail branches nationally.
Aug'08	Launched YES TOUCH Phone Banking Services in collaboration with CISCO
Sep '08	Ranked No.3 in the All Asian Securitized Bonds League (Ex Japan Ex-Australia) conducted by Thomson Reuters
Sep '08	Launched Money Monitor – an innovative online aggregation service, powered by Yodlee
Dec '08	Strategic alliance with Mashreq Bank to open Indian Rupee saving account and fixed deposits, and participate in the signature YES First Wealth Management Programme
Dec '08	Ranked No. 8 in the Thomson Financial's Top Lead Manager of Indian Rupee Bonds for the period January 2008 December 2008
Mar '09	Raised Hybrid Tier I Capital of Rs 154 Crore
Apr '09	Recognized among the World's 25 'Unsung Innovative Companies by Business Week magazine.
July '09	Enters into Strategic alliance with First Data Corp for convenience ATMs
July '09	Successfully initiated Business Today – YES BANK SME Survey & Awards 2009
Sep' 09	Strategic Agreement with PROPARCO to raise USD 20 Million (Rs 93 Crore) Subordinated Debt
Sep' 09	Launched a customized online solution for the travel and tourism sector at the 58th Annual Travel Congress in Dubai organized by the Travel Agents Association of India
Oct' 09	Entered into a loan agreement with DEG – Deutsche Investitions – und Entwicklungsgesellschaft mbH (DEG) to borrow a 5 year loan of EUR 29 million
Oct' 09	Launched YES FIRST for women, a premium wealth management product offering aimed at providing superlative financial solutions and exclusive privileges to HNI women
Jan'10	Raised Rs 300 Crore of Subordinated Lower Tier II Debt
Jan'10	Raised Rs 1033.87 Crores through a QIP

CAPITAL STRUCTURE as on December 31, 2009

(Rs in million)

Authorised 400,000,000 Equity Shares of Rs. 10 each	4,000
Issued, Subscribed and Paid Up Equity Share Capital 300,266,166 Equity Shares of Rs 10 each *	3,003**
Reserve and Surplus including Share Premium	16,810
Deposits	2,20,386
Borrowings	41,634
Total Deposits and Borrowings	262020

** The Bank has allotted 3,83,62,709 equity shares on January 27, 2010 to Qualified Institutional Buyers under Qualified Institutional Placement and 7,51,345 equity shares on February 9, 2010 to employees under various ESOP schemes.

Share Capital History

Date of allotment	**No. of Equity (issued, subscribed and paid up]**	**Face Value**	**Issue Price**	**Cumulative total no. of shares**
November 21, 2003	50,000	10	10	50,000
March 10, 2004	143,950,000	10	10	144,000,000
March 10, 2004	20,000,000	10	12.50	164,000,000
March 10, 2004	30,000,000	10	14	194,000,000
March 31, 2004	6,000,000	10	10	200,000,000
July 05, 2005	70,000,000 (IPO)	10	45	270,000,000
December 22, 2006	10,000,000	10	120	280,000,000
December 7, 2007	1,47,00,000	10	225	29,47,00,000
January 25, 2008	9,74,400	10	10	29,56,74,400
February 29,. 2008	1,15,350	10	10	29,57,89,750
April 29, 2008	3,02,500	10	10	29,60,92,250
June 24, 2008	6,39,200	10	10	29,67,31,450
September 8, 2008	1,97,230	10	10	29,69,28,680
September 8, 2008	50,250	10	62.45	29,69,78,930
June 20, 2009	6,750	10	10	29,69,85,680
June 20, 2009	15,000	10	66.50	29,70,00,680
June 20, 2009	71,000	10	68.40	29,70,71,680
June 20, 2009	9,250	10	100.55	29,70,80,930
September 29, 2009	376720	10	10	29,74,57,650
September 29, 2009	5000	10	62.45	29,74,62,650
September 29, 2009	10000	10	66.50	39,74,72,650
September 29, 2009	56800	10	68.40	29,75,29,450
September 29, 2009	78000	10	80.30	29,76,07,450
September 29, 2009	45000	10	97.55	29,76,52,450
September 29, 2009	198650	10	100.55	29,78,51,100
September 29, 2009	319250	10	114.70	29,81,70,350
October 9, 2009	778900	10	10	29,89,49,250
October 9, 2009	12500	10	62.45	29,89,61,750
October 9, 2009	11200	10	68.40	29,89,72,950
October 9, 2009	42000	10	80.30	29,90,14,950
October 9, 2009	193550	10	92.45	29,92,08,500
October 9, 2009	28500	10	100.55	29,92,37,000
October 9, 2009	118550	10	114.70	29,93,55,550
October 9, 2009	1000	10	180.15	29,93,56,550
November 6, 2009	84000	10	10	29,94,40,550
November 6, 2009	51250	10	100.55	29,94,91,800
November 6, 2009	500	10	68.40	29,94,92,300

November 6, 2009	2500	10	66.50	29,94,94,800
November 6, 2009	55380	10	92.45	29,95,50,180
November 6, 2009	13250	10	80.30	29,95,63,430
November 6, 2009	4500	10	180.15	29,95,67,930
November 6, 2009	74230	10	114.70	29,96,42,160
December 22, 2009	264400	10	10	29,99,06,560
December 22, 2009	56200	10	100.55	29,99,62,760
December 22, 2009	17000	10	68.40	29,99,79,760
December 22, 2009	900	10	62.45	29,99,80,660
December 22, 2009	37210	10	92.45	30,00,17,870
December 22, 2009	67250	10	80.30	30,00,85,120
December 22, 2009	46500	10	180.15	30,01,31,620
December 22, 2009	53146	10	114.70	30,01,84,766
December 22, 2009	81350	10	114.70	30,02,66,116
January 27, 2010	38362709(QIP)	10	269.50	33,86,28,825
February 9, 2010	207771	10	10	338836596
February 9, 2010	12000	10	51.45	338848596
February 9, 2010	31500	10	58.40	338880096
February 9, 2010	103000	10	65.20	338983096
February 9, 2010	11250	10	70.30	338994346
February 9, 2010	14700	10	82.45	339009046
February 9, 2010	16800	10	90.55	339025846
February 9, 2010	106574	10	104.70	339042170
February 9, 2010	67500	10	110.60	339199920
February 9, 2010	55000	10	124.60	339254920
February 9, 2010	125250	10	170.20	339380170

Total Ownership of the Bank as at February 12, 2010

Particulars	Shares	%
Promoters / Promoter Group	9,22,42,450	27.18
Banks / Indian Financial Institutions	47,48,774	1.40
Mutual Funds	78,96,591	2.33
Foreign Institutional Investors, NRIs, Foreign Companies, Foreign Banks (including FDI),	19,71,19,674	58.08
Other Bodies Corporate	90,76,918	2.67
Others (Individuals , HUFs, clearing members, trusts)	2,82,95,763	8.34

* % based on paid up capital as on February 12, 2010

5. Details of debt securities issued and sought to be listed including face value, nature of debt securities mode of issue i.e. public issue or private placement

Face Value and Issue Price of Bond

Each Bond has a face value of Rs 10,00,000/- and are issued at par price i.e. Rs 10,00,000/-

Nature of the Bond

All Bonds being issued under this Disclosure Document are unsecured which means that they are not secured by any of our assets. The Bonds rank Pari passu among themselves and with other Tier I indebtedness of the Bank. The claims of the investors in Bonds being issued for inclusion in Tier I capital shall be (a) superior to the claims of investors in equity shares, and (b) subordinated to the claims of all creditors

Mode of issue

The Bonds will be issued on Private Placement basis.

For further details of the Bonds, please refer to the "Terms of the Present Issue" of the Bonds set out in 28 of this Disclosure Document

CREDIT RATING

For Tier I Subordinated Perpetual Bonds

Brickwork Ratings India Pvt. Ltd has assigned BWR AA+ (Double A Plus) (Outlook: stable) rating to the Tier I Subordinated Perpetual Bond Issue of the Bank of Rs 90 Crore vide its letter dated September 16 2009. This rating indicates the instruments are considered to offer high credit quality in terms of timely servicing of debt obligations. The text of the rating letter from Brickwork is reproduced elsewhere in this Disclosure Document.

ICRA has assigned a 'LA +' (LA Plus) rating to the Tier-I subordinated perpetual bond Issue of the Bank of Rs. 90 Crore vide its letter dated November 25, 2009. This rating indicates the adequate credit-quality-rating assigned by ICRA. The rated instrument carries average credit risk. The text of the rating letter from ICRA is reproduced elsewhere in this Disclosure Document.

CARE has assigned a 'CARE A+' (A Plus) rating to the Tier-I Perpetual Bond Issue of the Bank of Rs. 90 Crore vide its letter dated December 3, 2009. Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk. The text of the rating letter from CARE is reproduced elsewhere in this Disclosure Document.

The rating is not a recommendation to buy, sell or hold the Bond and investors should take their own decision. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating. The rating obtained is subject to revision at any point of time in the future. The rating agency has a right to suspend, withdraw the rating at any time on the basis of new information, etc.

6. **Issue size**
   Rs 87 Crore including Green Shoe Option

7. **Details of utilization of the issue proceeds**

OBJECTS OF THE ISSUE

The present issue of bonds is being made for augmenting the Tier-I Capital of the Bank for strengthening its Capital Adequacy and for enhancing the long-term resources of the Bank. The Main Object Clause of the Memorandum of Association of the Bank enables it to undertake the activities for which the funds are being raised through the present issue and also the activities, which the Bank has been carrying on till date. The proceeds of these issues will be used by the Bank for its regular business activities.

8. **A statement containing particulars of the dates of, and parties to all material contracts, agreements involving financial obligations of the issuer**

The contracts referred to in Para (A) which are or may be deemed to be material have been entered into by the Bank. Copies of these contracts together with the copies of documents referred to in Para (B) below have been attached to the copy of the Disclosure Document and the same may be inspected at the Registered Office of the Bank between 10:00 am and 12:00 noon on any working day until the closing of the subscription list.

(A) Material Contracts

- Copy of letter appointing Link Intime India Private Limited as Registrar and Transfer Agents
- Copies of Tripartite Agreements entered into between the Bank, Registrar and NSDL and CDSL respectively.
- Copy of letter appointing IDBI Trusteeship Services Limited as Trustees to the Bondholders.

(B) Documents

- Memorandum and Articles of Association of the Bank.
- Certificate of Incorporation dated November 21, 2003
- Certificate of commencement of business dated January 21, 2004
- Copy of the special resolution passed at the second annual general meeting dated July 24, 2006 approving powers to the Board of Directors to borrow money up to Rs 5000 crores.
- Copy of the Resolution passed at the meeting of Board of Directors dated April 22, 2009 authorizing the present issue of Bonds
- Copy of the consent letter received from the Registrar to the Issue.
- Copy of the consent letter received from the Trustees to the Issue.
- Annual Reports of the Bank for Financial Year(s) 2005-06, 2006-2007, 2007-08 and 2008-09.

9. Details of other borrowings including any other issue of debt securities in past

Sl N	*Particulars*	*Date of Issue*	*Amount in (Crores)*
1	***Subordinated Debt***	***March 2, 2006***	***100 Cr***
2	***Subordin**ated Debt*	*November 7,2006*	*180 Cr*
3	*Upper Tier II*	*January 2, 2007*	*80 Cr*
4	*Upper Tier II*	*February 7, 2007*	*33.60 Cr*
5	*Upper Tier II*	*March 15, 2007*	*10 Cr*
6	*Upper Tier II*	*March 14, 2007*	*10 Cr*
7	*Upper Tier II*	*March 23, 2007*	*60 Cr*
8	*Upper Tier II*	*March 31, 2007*	*5 Cr*
9	*Upper Tier II*	*April 20, 2007*	*2 Cr*
10	*Subordinated Debt*	*September 29, 2007*	*10 Cr*
11	*Upper Tier II*	*September 29, 2007*	*182 Cr*
12	*Upper Tier II*	*November 8, 2007*	*10 Cr*
13	*Subordinated Debt*	*November 30, 2007*	*7.10 Cr*
14	*Subordinated Debt*	*December 12, 2007*	*1 Cr*
15	*Subordinated Debt*	*February 7, 2008*	*36.80 Cr*
16	*Upper Tier II*	*June 27, 2008*	*USD 80 Million*
17	Perpetual *Tier I*	*June 27, 2008*	*USD 5 Million*
18	*Upper Tier II*	*September 15, 2008*	*200 Cr*
19	*Tier I Perpetual Bonds*	*February 21, 2009*	*115 Cr*
20	*Tier I Perpetual Bonds*	*March 9, 2009*	*39 Cr*
21	*Upper Tier II*	*September 30, 2009*	*EUR 13.25 Million*
22	*Subordinated Debt*	*September 30, 2009*	*260 Cr*
23	*Subordinated Debt*	*January 22, 2010*	*300 Cr*

Particulars	Balance as at December 31, 2009 Rs in Millions
RBI REPO & SPECIAL REFINANCE FROM RBI	-
TERM MONEY BORROWED	6,043
CBLO BORROWING	1,883
REFINANCED ASSETS - BORROWING	9,367
FCY BORROWING	6,084
TOTAL	**23,377**

10. **Any material event/development or change at the time of issue or subsequent to the issue which may affect the issue or the investor's decision to invest/ continue to invest in the debt securities**

    There has been no material event/development or change at the time of the issue of the Bonds or subsequent to the issue which may affect the issue or the investor's decision to invest/continue to invest in the bonds

11. **Particulars of the debt securities issued i) for consideration other than cash, whether in whole or part (ii) at a premium or discount, or (iii) in pursuance of an option**

    The Bank has not issued any debt securities issues (i) for consideration other than cash whether in whole or part (ii) at a premium or discount or (iii) in pursuance of an option

12. **A list of highest ten holders of each class or kind of securities of the issuer as on the date of application along with particulars as to number of shares or debt securities held by them and the address of each such holder**

    Equity shares held by top ten shareholders as on February 12, 2010

S L No.	Holder	Total Shares	Address
1	RABOBANK INTERNATIONAL HOLDING B.V.	54000000	P.O. BOX 17100 UTRECHT NETHERLANDS
2	MADHU KAPUR	35125000	11 , SILVER ARCH, NAPEAN SEA ROAD, MUMBAI 400006
3	RANA KAPOOR	20000000	BUNGALOW NO. 1, GRAND PARADI AUGUST KRANTI MARG KEMPS CORNER MUMBAI 400036
4	DOIT CAPITAL (INDIA) PVT LTD.	15125000	BUNGLOW NO. 1, GRAND PARADE, KEMPS CORNER, MUMBAI. 400036
5	HSBC FINANCIAL SERVICES (MIDDLE EAST) LIMITEDA/C HSBC IRIS INVESTMENTS (MAURITIUS) LIMITED	14547650	HSBC SECURITIES SERVICES, 2ND FLOOR "SHIV" PLOT NO 139-140 B, WESTERN EXPRESS HIGHWAY, SAHAR RD JUNCT,VILE PARLE-E,MUMBAI. 400057
6	MORGAN CREDITS PRIVATE LIMITED	14050000	BUNGALOW NO.1, GRAND PARADI, A.K. MARG , KEMPS CORNER, MUMBAI 400036
7	TITIWANGSA INVESTMENTS (MAURITIUS) LIMITED	13970000	C/O STANDARD CHARTERED BANK SECURITIES SERVICES 23-25, M.G. ROAD, FORT MUMBAI 400001
8	AMERICAN FUNDS INSURANCE SERIES GROWTH FUND	13170000	DB HOUSE HAZARIMAL SOMANI MARG FORT, POST BOX - 1142

			MUMBAI 400001
9	SMALLCAP WORLD FUND, INC	12360000	DB HOUSE HAZARIMAL SOMANI MARG, FORT, MUMBAI, POST BOX - 1142 400001
10	ORIENT GLOBAL TAMARIND FUND PTE LTD	10314425	HSBC SECURITIES SERVICES 2ND FLOOR "SHIV" , PLOT NO 139-140 B WESTERN EXPRESS HIGHWAY SAHAR RD JUNCT,VILE PARLE-E,MUMBAI -400057

Top Ten holders of Tier II subordinated debt issued by the Bank as on February 12, 2010

	HOLDER	NO OF BONDS	ADDRESS
1	LIFE INSURANCE CORPORATION OF INDIA	2305	INVESTMENT DEPARTMENT, 6TH FLOOR, WEST WING, CENTRAL OFFICE, YOGAKSHEMA, JEEVAN BIMA MARG, MUMBAI - 400021
2	ECL FINANCE LIMITED	618	14TH FLOOR, EXPRESS TOWERS, NARIMAN POINT, MUMBAI – 400021
3	SICOM LIMITED	431	NIRMAL, 1ST FLOOR, NARIMAN POINT, MUMBAI - 400021
4	GENERAL INSURANCE CORPORATION OF INDIA	400	SURAKSHA., 1 7 0, J. T A T A ROAD, CHURCH GATE, MUMBAI - 400002
5	PUNJAB NATIONAL BANK	300	HSBC SECURITIES SERVICES, 2ND FLOOR "SHIV", PLOT NO 139-140 B , WESTERN EXPRESS HIGHWAY, SAHAR RD JUNCT, VILE PARLE- E, MUMBAI - 400057
6	CORPORATION BANK	250	GENERAL ACCOUNT, INVESTMENT DIVISION, 15 MITTAL CHAMBER, 1ST FLOOR, NARIMAN POINT, MUMBAI - 400021
7	UNION BANK OF INDIA	200	C/O. ILFS, ILFS HOUSE, PLOT NO.14, RAHEJA VIHAR,CHANDIVALI, ANDHERI (E), MUMBAI - 400072
8	BANK OF BARODA PROVIDENT FUND TRUST	200	BARODA HOUSE, 4TH FLOOR, MANDVI, BARODA - 390006
9	UNITED INDIA INSURANCE COMPANY LIMITED	200	24, WHITES ROAD CHENNAI - 600014

10	ORIENTAL BANK OF COMMERCE	200	TREASURY DEPATRMENT, A 30 33 A BLOCK IST FLOOR, CONNAUGHT PLACE, NEW DELHI - 110001

Top Ten holders of Tier I subordinated Perpetual Bonds issued by the Bank as on February 12, 2010

	HOLDER	NO OF BONDS	ADDRESS
1	BANK OF INDIA	500	TREASURY BRANCH, HEAD OFFICE,STAR HOUSE, 7TH FLOOR, C-5,'G'BLOCK, BANDRA KURLA COMPLEX, BANDRA(EAST) MUMBAI - 400051
2	INDIAN OVERSEAS BANK STAFF PROVIDENT FUND	150	762, ANNA SALAI, CHENNAI - 600002
3	IDBI BANK LIMITED - TBO	150	IDBI LIMITED, IDBI TOWER 17TH FLOOR , WORLD TRADE CENTRE COMPLEX , CUFFE PARADE MUMBAI - 400005
4	TRUSTEES CENTRAL BANK OF INDIA EMPLOYEES PENSION FUND	120	PENSION FUND DEPARTMENT , NCL BUILDING, 5TH FLOOR, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI - 400051
5	UCO BANK	100	TREASURY BRANCH, UCO BANK BUILDING, MEZZANINE FLOOR, 359 DR D N ROAD FORT MUMBAI - 400001
6	CANARA BANK-MUMBAI	100	F--I SEC BRANCH -- (DEBT) , 1st FLOOR , VERMA CHAMBERS, HOMJI STREET , FORT , MUMBAI - 400001
7	BANK OF BARODA	100	SPECIALIZED.INTEGRATED TREASURY BRANCH, KALPATARU HERITAGE BUILDING, 6TH FLOOR. NANIK MOTWANE MARG, MUMBAI - 400023
8	SYNDICATE BANK	70	F I M DEPARTMENT, MAKER TOWERS E II FLOOR, CUFFE PARADE COLABA, MUMBAI – 400005
9	UNITED BANK OF INDIA	50	THE DEPUTY GENERAL MANAGER UBI, INESTMENT FUND MANAGEMENT DEPT, HEAD OFFICE,4TH FLOOR 16 OLD COURT, HOUSE STREET KOLKATA, 700001

10	UNION BANK OF INDIA	50	C/O. ILFS, ILFS HOUSE, PLOT NO.14, RAHEJA VIHAR, CHANDIVALI, ANDHERI (E), MUMBAI, 400072

Top Ten holders of Upper Tier II subordinated Bonds issued by the Bank as on February 12, 2010

	HOLDER	NO OF BONDS	ADDRESS
1	LIFE INSURANCE CORPORATION OF INDIA	4400	INVESTMENT DEPARTMENT, 6TH FLOOR, WEST WING, CENTRAL OFFICE, YOGAKSHEMA, JEEVAN BIMA MARG, MUMBAI - 400021
2	GENERAL INSURANCE CORPORATION OF INDIA	250	SURAKSHA., 1 7 0, J. T A T A ROAD, CHURCH GATE, MUMBAI - 40002
3	INDIAN OIL CORPORATION LTD (REFINERIES DIVISION) EMPLOYEES PROVIDENT FUND	145	CORE 2 SCOPE COMPLEX, 7 INSTITUTIONAL AREA, LODHI ROAD, NEW DELHI - 110003
4	BANK OF BARODA	100	SPECIALIZED.INTEGRATED, TREASURY BRANCH, KALPATARU HERITAGE BUILDING, 6TH FLOOR,. NANIK MOTWANE MARG, MUMBAI - 400023
5	UNION BANK OF INDIA	100	C/O. ILFS, ILFS HOUSE, PLOT NO.14, RAHEJA VIHAR, CHANDIVALI, ANDHERI (E), MUMBAI - 400072
6	PUNJAB NATIONAL BANK	100	HSBC SECURITIES SERVICES, 2ND FLOOR "SHIV", PLOT NO 139-140 B , WESTERN EXPRESS HIGHWAY, SAHAR RD JUNCT, VILE PARLE-E, MUMBAI - 400057
7	INDIAN OVERSEAS BANK	100	TREASURY (DOMESTIC), CENTRAL OFFICE, 763 ANNA SALAI , CHENNAI - 600002
8	INDIAN OIL CORPORATION LTD EMPLOYEES SUPERANNUATION BENEFIT FUND	56	IOC LIMITED 1ST FLOOR, CORE 2 SCOPE COMPLEX, LODHI ROAD, NEW DELHI - 110003
9	SYNDICATE BANK	50	F I M DEPARTMENT, MAKER TOWERS, E II FLOOR, CUFFE PARADE COLABA, MUMBAI - 400005
10	SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA	50	SME DEVELOPMENT CENTRE 4TH FLOOR, PLOT NO C-11 G BLOCK , BANDRA KURLA COMPLEX , BANDRA (EAST) MUMBAI - 400051

13. An undertaking that the issuer shall use a common form of transfer

The Bank undertakes that there shall be a common form of transfer for Bonds and the provisions of the Companies Act, 1956 and all applicable laws shall be duly complied within respect of all transfer of debentures and registration thereof.

14. Redemption amount, period of maturity, yield on redemption

The Bonds are to be issued in the form of Unsecured Non-Convertible Subordinated Perpetual Bonds in the nature of Promissory Notes for inclusion as Tier I capital. As per RBI master circular no. DBOD.No.BP.BC.21/21.06.001/ 2009-10 dated July 01, 2009 on Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework covering terms and conditions for issue of Innovative Debt Instruments for inclusion as Tier I capital, these Bonds shall be fully paid-up, unsecured, and free of any restrictive clauses. The claims of the investors in these Bonds shall be (a) superior to the claims of investors in equity shares; and (b) subordinated to the claims of all other creditors.

Call option can be exercised by the Bank at the end of 10 years from the date of allotment. Call Option shall be exercised by the Bank only with the prior approval of RBI in accordance with RBI master circular no. DBOD.No.BP.BC.21/21.06.001/ 2009-10 dated July 01, 2009 on Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework covering terms and conditions for issue of Innovative Debt Instruments for inclusion as Tier I capital,.

Since these bonds are not redeemable and there is no premium or discount on issue price of the Bonds, the effective yield for the investors shall be the same as the coupon rate on the bonds.

15. Information relating to the terms of offer or purchase

TERMS OF PRESENT ISSUE

The Bonds offered are subject to provisions of the Companies Act, 1956, Securities Contract Regulation Act, 1956, Memorandum and Articles of Association of the Bank, Terms of this Disclosure Document, Instructions contained in the Application Form and other terms and conditions as may be incorporated in the Trustee Agreement and Bond Trust Deed. Over and above such terms and conditions, the Bonds shall also be subject to the applicable provisions of the Depositories Act 1996 and the laws as applicable, guidelines, notifications and regulations relating to the allotment & issue of capital and listing of securities issued from time to time by the Government of India (GoI), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI), concerned Stock Exchange(s) or any other authorities and other documents that may be executed in respect of the Bonds.

NATURE & STATUS OF THE BONDS

All Bonds being issued under this Disclosure Document are unsecured which means that they are not secured by any of our assets. The claims of the investors in Bonds being issued for inclusion in Tier I capital shall be (a) superior to the claims of investors in equity shares; and (b) subordinated to the claims of all other creditors.

These Bonds may be issued with a call option. Such call option can be exercised by the Bank after the instrument has run for ten years with the prior approval of the RBI

In terms of RBI master circular no. DBOD.No.BP.BC.21/21.06.001/ 2009-10 dated July 01, 2009 on Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework covering terms and conditions for issue of Innovative Debt Instruments for inclusion as Tier I capital, these Bonds shall be subjected to a lock-in clause in terms of which, the Bank shall not be liable to pay interest, if (i) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI; or (ii) the impact of such payment results in Bank's capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by RBI. However, the Bank may pay interest with the prior approval of RBI when the impact of such payment may result in net loss or increase the net loss, provided the CRAR remains above the regulatory norm. Further the interest unpaid shall not be cumulative.

In case if the principal redemption date on interest date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in the city of Mumbai, Maharahstra), then the payment due shall be made on the next Business Day together with additional interest for the intervening period.

BASIC TERMS OF ISSUE

The Bank proposes to issue Unsecured Non-convertible Tier I Subordinated Perpetual Bonds in the nature of Promissory Notes as part of Tier I Capital of the face value of Rs. 10,00,000 each at par, at the following terms and conditions:

Tier I Bonds

Issuer	YES Bank Limited
Instrument	Unsecured, Non Convertible, Tier I Subordinated Perpetual Bonds in the nature of Promissory Notes (Series: PERP 0310)
Issuance & Trading	Demat Mode
Credit Rating	BWR AA+ by Brickwork Ratings, LA+ by ICRA, CARE A+ by CARE
Issue Size	Rs. 87 Crore including the Green shoe option
Face Value/Issue Price	Rs 10,00,000/- per Bond
Minimum Application Size	1 Bond and in multiples of 1 Bond thereafter
Tenor	Perpetual
Coupon Rate	10.25% p.a
Interest Payment Frequency	Annual (The interest shall not be cumulative)
Interest on application money	Interest on application money will be the same as the Coupon rate (subject to deduction of Tax at Source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modifications or re-enactment thereof) will be paid on application money to the applicants from the date of realisation of funds till the date of allotment but excluding the date of allotment.
Interest Payment Date	5th March of every year
Lock-in Clause	In terms of RBI Master circular no. DBOD.No.BP.BC.21/21.06.001/ 2009-10 dated July 1, 2009, on Prudential Guidelines on Capital Adequacy and Market Discipline-Implementation of new Capital Adequacy Framework covering norms for raising of instruments eligible for inclusion under Tier-I capital, these Bonds shall be subjected to a lock-in clause in terms of which the Bank shall not be liable to pay interest if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI or (b) the impact of such payment results in Bank's Capital to Risk Assets Ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by the RBI. However, the Bank may pay interest with the prior approval of RBI when the impact of such payment may result in net loss or increase the net loss provided CRAR remains above the regulatory norm. The interest shall not be cumulative.
Record Date	For interest payment Record Date would be 30 days prior to Interest Date. In case of exercise of Call Option record date shall be 10 working days prior to date of call option.
Put/ Call Option	No Put Option, Call option exercisable at the end of 10 years from the date of allotment (exercisable only with the prior approval of Reserve Bank of India - Department of Banking Operation and Development).
Step up Option	The Bonds shall have a step-up option which shall be exercised only once during the whole life of the Bonds, if call option is not exercised by the Bank at the end of 10th Year from the Date of allotment. The step up shall be 100 basis points over and above the initial coupon rate of 10.25%
Computation of Interest	Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 or 366days as the case may be
Listing	Listing at the BSE Debt Segment
Depository	National Securities Depositories Limited & Central Depository Services (India) Limited
Security	Unsecured
Trustee	IDBI Trusteeship Services Ltd.
Settlement	Payment of interest and repayment of principal (only in case of call option) shall be made by way of cheque(s)/ interest/redemption warrant(s)/ demand draft(s)/ credit through RTGS/ECS system

Issue Programme

Issue Opening Date (*)	February 16, 2010
Issue Closing Date (*)	March 03, 2010
Pay in Date	February 16, 2010 to March 03, 2010
Date of Allotment (*)	March 5, 2010

(*) The issuer reserves the right to change the issue time table including the date of allotment at its sole discretion, without giving any reasons or prior notice.

Depository Arrangements

The Bank has appointed Link Intime India Private Limited, as Registrars & Transfer Agents for the present bond issue. The Bank has made necessary depository arrangements with National Securities Depository Limited (NSDL) and proposes similar arrangement with Central Depository Services (India) Limited (CDSL) for issue and holding of Bonds in dematerialised form. Investors shall hold the bonds only in dematerialised form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

Procedure for applying in demat form

- The applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or CDSL prior to making the application.
- The applicant must necessarily fill in the details (including the beneficiary account number and Depository Participant's ID) appearing in the Application Form under the heading 'Details for Issue of Bonds in Electronic/ Dematerialised Form'.
- Bonds allotted to an applicant will be credited directly to the applicant's respective Beneficiary Account(s) with the DP.
- For subscribing the bonds, names in the application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
- Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrars to the Issue.
- If incomplete/incorrect details are given under the heading 'Details for Issue of Bonds in Electronic/ Dematerialised Form' in the application form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Bank.
- For allotment of Bonds, the address, nomination details and other details of the applicant as registered with his/her/its DP shall be used for all correspondence with the applicant. The Applicant is therefore responsible for the correctness of his/her/its demographic details given in the application form vis-à-vis those with his/her/its DP. In case the information is incorrect or insufficient, the Issuer would not be liable for losses, if any.
- It may be noted that Bonds being issued in electronic form, the same can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. The Bombay Stock Exchange Limited where the Bonds of the Bank are proposed to be listed has connectivity with NSDL and CDSL.
- Interest or other benefits would be paid to those Bondholders whose names appear on the list of beneficial owners given by the Depositories to the Bank as on Record Date/ Book Closure Date. In case of those Bonds for which the beneficial owner is not identified by the Depository as on the Record Date/ Book Closure Date, the Bank would keep in abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to the Bank, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of 30 days.
- Investors may note that pursuant to SEBI (Issue and Listing of Debt Securities) Regulations, 2008 dated June 6, 2008 issued by SEBI, the Bonds of the Bank would be issued and traded only in dematerialised form.

Market Lot

The market lot will be one Bond ("Market Lot"). Since the bonds are being issued only in dematerialised form, the odd lots will not arise either at the time of issuance or at the time of transfer of bonds.

Letter(s) of Allotment/ Bond Certificate(s)/ Refund Order(s)

Issue of Letter(s) of Allotment

The beneficiary account of the investor(s) with National Securities Depository Limited (NSDL)/ Central Depository Services (India) Limited (CDSL)/ Depository Participant will be given initial credit within 2 working days from the date of allotment. The initial credit in the account will be akin to the Letter of Allotment. On completion of all statutory formalities, such credit in the account will be akin to a Bond Certificate.

Issue of Bond Certificate(s)
Subject to the completion of all legal formalities within 3 months from the date of allotment, or such extended period as may be approved by the Appropriate Authorities, the initial credit akin to a Letter of Allotment in the Beneficiary Account of the investor would be replaced with the number of Bonds allotted.

Dispatch of Refund Orders
The Bank shall ensure dispatch of Refund Order(s) by registered post/speed post/courier/hand delivery and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Issuer Company.

Terms of Payment
The full face value of the Bonds applied for is to be paid along with the Application Form. Investor(s) need to send in the Application Form and the cheque(s)/ demand draft(s) for the full face value of the Bonds applied for.

Payment of Interest
The interest will be payable as per the terms set out in the term sheet for the respective tranche to the Bondholder(s) whose names appear in the List of Beneficial Owners given by the Depository to the Bank on the Record Date. Payment of interest will be made by way of **cheque(s)/ interest warrant(s)/ demand draft(**s), which will be dispatched to the sole/ first applicant, 7 days before the due date(s) by registered post/speed post/courier/hand delivery at the sole risk of the applicant or by way of credit through RTGS/ECS/NEFT. The warrants shall be payable at par at following centres: Mumbai, New Delhi, Kolkata, Chennai, Bangalore and Hyderabad.

Seniority of claim

The claims of the investor in Tier I Bonds shall be
a) Superior to the claims of investors in equity shares, and
b) Subordinate to the claims of all other creditors

Tax Deduction at Source (TDS)
Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. For seeking TDS exemption/ lower rate of TDS, relevant certificate(s)/ document(s) must be lodged 30 days before the coupon date or 31st March whichever is earlier, each financial year with the Company Secretary, Yes Bank Ltd.,1st Floor, Ion House, Dr E Moses Road, Mahalaxmi, Mumbai - 400 011, or to such other person(s) at such other address (es) as the Bank may specify from time to time through suitable communication.

Tax exemption certificate on interest on application money, should be submitted along with the Application Form. Where any deduction of Income Tax is made at source, the Bank shall send to the Bondholder(s) a Certificate of Tax Deduction at Source. Bondholder(s) should also consult their own tax advisers on the tax implications of the acquisition, ownership and sale of Bonds, and income arising thereon.

Put & Call Option

PUT OPTION:	Put Option is not available to the Bondholder(s).
CALL OPTION:	Call option is available to Yes Bank

Yes Bank has the right to issue Bonds with a Call Option subject to strict compliance with each of the following conditions:

- Call option may be exercised only if the Bond has run for at least ten years
- Call option shall be exercised only with the prior approval of RBI (Department of Banking operations and Development).

Record Date and Beneficial Owners

For interest payment Record Date would be 30 days prior to Interest Date. The Bank shall request the Depository(ies) to provide a list of Beneficial Owners as at the end of the Record Date. This shall be the list, which shall be considered for payment of interest or repayment of principal amount, as the case may be.

Effect of Holidays

Should any of dates defined above or elsewhere in the Disclosure Document, excepting the date of allotment, fall on a Saturday, Sunday or a Public Holiday, the next working day shall be considered as the effective date(s).

Mode of Transfer of Bonds

Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the BSE/Depositories/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof.

Trustees for the Bondholders

The Bank has appointed IDBI Trusteeship Services Limited to act as Trustees for the Bondholders ("Trustees"). The Bank and the Trustees will enter into a Trustee Agreement, inter alia, specifying the powers, authorities and obligations of the Trustees and the Bank. The Bondholder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the Bondholder(s). Any payment made by the Bank to the Trustees on behalf of the Bondholder(s) shall discharge the Bank pro tanto to the Bondholder(s).

The Trustees will protect the interest of the Bondholders in the event of default by the Bank in regard to timely payment of interest and repayment of principal and they will take necessary action at the cost of the Bank.

Right to Accept or Reject Applications

The Bank reserves the right at its sole and absolute discretion to accept subscription amount(s). The Board of Directors/ Committee of Directors reserves its full, unqualified and absolute right to accept or reject any application, in part or in full, without assigning any reason thereof. The rejected applicants will be intimated along with the refund warrant, if applicable, to be sent. The Application Forms that are not complete in all respects are liable to be rejected and would not be paid any interest on the application money. Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

- Number of bonds applied for is less than the minimum application size;
- Applications exceeding the issue size;
- Bank account details not given;
- Details for issue of bonds in electronic/ dematerialised form not given;
- PAN/GIR and IT Circle/Ward/District not given;
- In case of applications under Power of Attorney by limited companies, corporate bodies, trusts, etc. relevant documents not submitted;
- In the event, if any Bond(s) applied for is/ are not allotted in full, the excess application monies of such Bonds will be refunded, as may be permitted.

HOW TO APPLY

General

This Disclosure Document is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the Bonds issued by the Bank. The document is for the exclusive use of the person(s) to whom it is delivered and it should not be circulated or distributed to third parties. The document would be sent specifically addressed to such persons by the Issuer Bank

The Issue/Offer/Book will open for subscription at the commencement of banking hours and close at the close of banking hours on the dates indicated under the head "Terms of Present Issue" in page 28 above or earlier or on such extended date as may be decided by the Bank at its sole and absolute discretion without giving any reasons or prior notice. In such a case, investors will be intimated about the revised time schedule by the Bank. The Bank also reserves the right to keep multiple Date(s) of Allotment at its sole and absolute discretion without any notice.

Only eligible investors as given hereunder may apply for bonds through the procedure detailed hereunder. Applications should be for a minimum of 1 Bond and in multiples of 1 Bond thereafter. Applications not completed in the said manner are liable to be rejected. Application Form duly completed in all respects must be submitted with the designated branch of the Bankers to the Issue. The name of the applicant's Bank, type of account and account number must be filled in the Application Form. This is required for the applicant's own safety and these details will be printed on the refund orders and interest/ redemption warrants.

The Application Forms must be completed in the prescribed format in BLOCK LETTERS in English as per the instructions contained therein. The applicant or in the case of an application in joint names, each of the applicants, should mention his/her/it's Permanent Account Number (PAN) allotted under the Income-tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income tax Circle/Ward/District No. As per the provision of Section 139A(5A) of the Income Tax Act, PAN/GIR No. needs to be mentioned on the TDS certificates. In case neither the PAN nor the GIR Number has been allotted, the applicant shall mention "Applied for" and in case the applicant is not assessed to income tax, the applicant shall mention 'Not Applicable' (stating reasons for non applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application Form at the address mentioned therein.

Unless the Issuer specifically agrees in writing with or without such terms or conditions it deems fit, a separate single cheque/ demand draft must accompany each Application Form. Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are made.

Application Form must be accompanied by either demand draft(s) or cheque(s) drawn or made payable in favour of 'Yes Bank Limited' and crossed 'Account Payee Only'. Cheque(s)/ demand draft(s) may be drawn on any Bank including a co-operative Bank, which is a member or a sub-member of the Bankers Clearing House located at, Mumbai, and New Delhi towards application/allotment money. The investors can also make payment of application/allotment money through RTGS/NEFT.

Investors in centres which do not have any Bank, including a co-operative Bank, which is a member or sub-member of the Banker's Clearing House located at any of the centres mentioned above, will be required to make payments only through demand drafts payable at any one of the above centres. Cash, outstation cheques, money orders, postal orders and stockinvest shall not be accepted. The Bank assumes no responsibility for any applications/ cheques/ demand drafts lost in mail.

No separate receipts shall be issued for the application money. However, Bankers to the Issue at their Designated Branch receiving the duly completed Application Forms will acknowledge the receipt of the applications by stamping and returning the acknowledgment slip to the applicant. Applications shall be deemed to have been received by the Issuer only when submitted to Bankers to the Issue at their designated branch and not otherwise.

Who Can Apply

The following categories of investors may apply for the bonds, subject to fulfilling their respective investment norms/ rules by submitting all the relevant documents alongwith the application form.

- High Networth Individuals
- Scheduled Commercial Banks;
- Financial Institutions;
- Insurance Companies;
- Primary/ State/ District/ Central/ Urban Co-operative Banks;
- Provident, Gratuity, Pension and Superannuation Funds;
- Regional Rural Banks;
- Mutual Funds;

- Companies, Bodies Corporate authorised to invest in bonds;
- NBFC & Residuary NBFC
- Port Trusts, Trusts, Association of Persons, Societies registered under the applicable laws in India which are duly authorized to invest in bonds.

Applications not to be made by

- Partnership Firms or their nominees;
- Overseas Corporate Bodies (OCBs);

Applications under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/ document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Bank or to its Registrars or to such other person(s) at such other address(es) as may be specified by the Bank from time to time through a suitable communication.

Applications by Provident Funds, Superannuation Funds and Gratuity Funds

The Government of India has permitted Provident, Superannuation and Gratuity Funds, subject to their assessment of the risk-return prospects, to invest up to 10 per cent in the Bonds and securities issued by private sector organisation including Banks provided that the bonds or securities have an investment grade rating from at least two credit rating agencies. Accordingly, provident, superannuation and gratuity funds can invest up to 10 per cent of their corpus in these bonds.

Application by Mutual Funds

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

Future Borrowings

The Bank shall be entitled to borrow/ raise loans or avail of financial assistance in whatever form as also issue Bonds/ Debentures/ Notes other securities in any manner with ranking as pari-passu basis or otherwise and to change its capital structure, including issue of shares of any class or redemption or reduction of any class of paid up capital, on such terms and conditions as the Bank may think appropriate, without the consent of, or intimation to, the Bondholder(s) or the Trustees in this connection.

Bondholder not a Shareholder

The Bondholders shall not be entitled to any of the rights and privileges available to the Shareholders.

Rights of Bondholders

The Bonds shall not, except as provided in the Companies Act, 1956 confer upon the holders thereof any rights or privileges available to the members of the Bank including the right to receive Notices or Annual Reports of, or to attend and/or vote, at the General Meeting of the Bank. However, if any resolution affecting the rights attached to the Bonds is to be placed before the shareholders, the said resolution will first be placed before the concerned registered Bondholders for their consideration. In terms of Section 219(2) of the Act, holders of Bonds shall be entitled to a copy of the Balance Sheet on a specific request made to the Bank.

The rights, privileges and conditions attached to the Bonds may be varied, modified and/or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Bonds or with the sanction of Special Resolution passed at a meeting of the concerned Bondholders, provided that nothing in such consent or resolution shall be operative against the Bank, where such consent or resolution modifies or varies the terms and conditions governing the Bonds, if the same are not acceptable to the Bank.

The registered Bondholder or in case of joint-holders, the one whose name stands first in the Register of Bondholders shall be entitled to vote in respect of such Bonds, either in person or by proxy, at any meeting of the concerned Bondholders and every such holder shall be entitled to one vote on a show of hands and on a poll, his/her/it's voting rights shall be in proportion to the outstanding nominal value of Bonds held by him/her/it on every resolution placed before such meeting of the Bondholders.

The quorum for such meetings shall be at least five Bondholders present in person or as may be prescribed by law from time to time or all the members if the total number of members is less than 5.

The Bonds are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles, the terms of this Disclosure Document and Application Form. Over and above such terms and conditions, the Bonds shall also be subject to other terms and conditions as may be incorporated in the Trustee Agreement/ Letters of Allotment/ Bond Certificates, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Bonds.

Save as otherwise provided in this Disclosure Document, the provisions contained in Annexure C and/ or Annexure D to the Companies (Central Government's) General Rules and Forms, 1956 as prevailing and to the extent applicable, will apply to any meeting of the Bondholders, in relation to matters not otherwise provided for in terms of the Issue of the Bonds.

A register of Bondholders will be maintained in accordance with Section 152 of the Act and all interest and principal sums becoming due and payable in respect of the Bonds will be paid to the registered holder thereof for the time being or in the case of joint-holders, to the person whose name stands first in the Register of Bondholders. The Bondholders will be entitled to their Bonds free from equities and/or cross claims by the Bank against the original or any intermediate holders thereof.

Succession

In the event of winding-up of the holder of the Bond(s), the Bank will recognize the executor or administrator of the concerned Bondholder(s), or the other legal representative as having title to the Bond(s). The Bank shall not be bound to recognize such executor or administrator or other legal representative as having title to the Bond(s), unless such executor or administrator obtains probate or letter of administration or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter.

The Bank may, in their absolute discretion, where they think fit, dispense with production of probate or letter of administration or other legal representation, in order to recognize such holder as being entitled to the Bond(s) standing in the name of the concerned Bondholder on production of sufficient documentary proof or indemnity.

Notices

All notices to the Bondholder(s) required to be given by the Bank or the Trustees shall be published in one English and one regional language daily newspaper in Mumbai and/ or, will be sent by post/courier/hand delivery to the sole/ first allottee or sole/ first Beneficial Owner of the Bonds, as the case may be from time to time.

All notice(s) to be given by the Bondholder(s) shall be sent by registered post/speed post/courier/hand delivery to the Bank or to such persons at such address as may be notified by the Bank from time to time through suitable communication.

Joint-Holders

Where two or more persons are holders of any Bond(s), they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to other provisions contained in the Articles.

Sharing of Information

The Bank may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Bondholders available with the Bank, with its subsidiaries and affiliates and other Banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Bank or its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

Debenture/ Bond Redemption Reserve

The Government of India, Ministry of Company Affairs has vide General Circular No. 9/2002 No.6/3/2001-CL.V dated April 18, 2002 clarified that Banks need not create Debenture Redemption Reserve as specified under section 117C of the Companies Act, 1956.

Undertaking by the Issuer

The Issuer undertakes that:

- the complaints received in respect of the Issue shall be attended to by the Bank expeditiously and satisfactorily;
- the Bank shall take all steps for completion of formalities for listing and commencement of trading at the Bombay Stock Exchange within the specified time.
- the funds required for dispatch of refund orders shall be made available to the Registrar to the Issue by the Issuer Company;
- no further issue of securities shall be made till the securities offered through this Disclosure Document are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc;
- necessary co-operation to the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.

16. The discount at which such offer is made and the effective price for the investor as a result of such discount

Bonds are not being issued at a discount

17. The debt equity ratio prior to and after issue of the debt security

Particulars	**Pre Issue**	**Post issue ***
Debt equity ratio of the Bank	0.71	0.73

* assumed that entire Tier I issue has been completely subscribed**.**

18. Servicing behavior on existing debt securities, payment of due interest on due dates on term loans and debt securities

As on date of this Disclosure Document, no payment of principal has fallen due on any debt securities issued by the Bank in the past. The Bank has a consistent record of paying interest on its existing debt securities on respective due dates and no default has been committed by the Bank in servicing of its debt liabilities.

19. The permission/consent from the prior creditor for a second or pari passu charge being created in favour of the trustees to the proposed issue has been obtained

All the prior borrowing of the Bank are unsecured. Hence obtaining permission/consent from prior creditors does not arise.

20. The names of the debenture trustee(s) shall be mentioned with a statement to the effect that debenture trustee(s) has given his consent to the issuer for his appointment under regulation 4(4) and also in all the subsequent periodical communications sent to the holders of debt securities

IDBI Trusteeship Services Limited has given their consent to the Bank vide their letter dated February 10, 2010, for their name to be used as Trustee for the debenture holders/bondholders in relation to the issue programme. However, the Bonds are being issued on a private placement basis, a separate undertaking under regulation 4(4) has not been obtained.

21. The rating rationale(s) adopted by the rating agencies shall be disclosed

Rating Rationale for the rating by Brickworks , ICRA and CARE are provided in Annexure I

22. Names of all the recognized stock exchanges where securities are proposed to be listed clearly indicating the designated stock exchange and also whether in principle approval from the recognized stock exchange has been obtained.

Bonds are proposed to be listed on BSE. Designated stock exchange for the bond issue is BSE

23. A Summary of term sheet shall be provided which shall include brief information pertaining to the secured/unsecured non convertible debt securities (or a series thereof) as set out in the guidelines

Summary of the term sheet is provided in page No. 29 of this Disclosure Document.

For Yes bank Limited

Sd/-

Rana Kapoor
Managing Director & CEO
Dated : February 15, 2010
Place : Mumbai

YOU SHOULD READ AND CONSIDER THE RISK INVOLVED BEFORE PURCHASING THESE BONDS

RISK FACTORS

The investors should carefully consider the following risk factors as well as the other information contained in this Disclosure Document in evaluating our business and us.

Risks Relating to Our Business

Internal Risk Factors

All bonds being offered under this Disclosure Document are unsecured and RBI prescribes certain restrictions in relation to the terms of these Bonds

All Bonds being issued under this Disclosure Document are unsecured which means that they are not secured by any of our assets. The claims of the investors in Bonds being issued for inclusion in Tier I capital shall be a) Superior to the claims of investors in equity shares, and b) Subordinate to the claims of all other creditors.

The Bank shall not be liable to pay either interest or principal (in case of exercise call option) in the case of Bonds forming part of Tier I capital, if our capital adequacy ratio is below the minimum regulatory requirement prescribed by RBI or if the impact of such payment results in our capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by RBI. Also, when the impact of such interest payment may result in net loss or increase the net loss to us, we shall pay the interest only after prior approval of RBI and provided our CRAR remains above the regulatory requirement for the same. The interest shall not be cumulative. Currently, our CRAR as of September 30, 2009 is 17.3% and the prescribed minimum regulatory requirement is 10%.

The Bank may exercise the call option for these Bonds only after the Bonds have been issued for at least ten years if permitted specifically by RBI. Further, the exercise of the call option requires the prior approval of the RBI, with such approval being subject to several conditions including a review of the Bank's CRAR both at the time of exercise of the call option and after the exercise of the call option. For further details, please see "Terms of present Issue" on page 28 of the Disclosure Document

Further, the step-up option for these Bonds i.e., the increase in interest rate of the Bonds can be exercised only once during the lifetime of the Bonds and in conjunction with the call option. Further, in the event that the Bank choose to exercise the step-up option, the Bank cannot increase the interest rate by more than 1.00% p.a. These Bonds are being issued under various guidelines issued by the RBI. The RBI may change these guidelines in the future and the Bank may not be able to pay the interests provided herein or the Bank may be forced to redeem such Bonds or take such other action in relation to these Bonds as may be required under applicable law.

The Bank has appointed a Trustee to protect the interest of all the investors. In the event of default/liquidation, the Bondholders may proceed against us in terms of the mechanism given under the section "Trustees for the Bondholders" on page 32 of this Disclosure Document. For further details, please see "Terms of present Issue" on page 28 of the Disclosure Document for further details.

There is no assurance that the growth of the Bank will continue at a similar rate to what the Bank had experienced in the past, or at all. Our failure to manage growth effectively may adversely affect the Bank's business.

Since the commenced operations in August 2004, the Bank has witnessed rapid growth in both infrastructure and business. There has been an increase in the total assets from Rs. 111,034.49 million as of March 31, 2007 to Rs. 263,701.01 million as of September 30, 2009. Over the same period, the number of branches has grown from 40 to 126. While the Bank has enjoyed significant growth since our inception, there is no assurance that such growth will continue and, if it does continue, that it will do so at a similar rate.

The ability to sustain growth depends primarily upon the ability to manage key issues such as selecting and retaining skilled manpower, establishing additional branches, maintaining a technology platform that can be continually upgraded, developing a knowledge base to face emerging challenges, and ensuring a high standard of customer service. Sustained growth puts pressure on the ability to effectively manage and control historical and newly emerging risks. The inability to effectively manage any of these issues may adversely affect the business growth and, as a result, impact future financial performance.

Availability of funding and increases in funding costs could adversely affect the Bank's financial performance.

The Bank's current sources of funding (other than equity share capital and share premium) are primarily institutional and retail customer deposits, long-term Tier II debt, inter-bank borrowing, innovative perpetual debt instruments and certificates of deposit. Many of these are primarily short-term in nature. Failure to space these sources of funding or replace them with fresh borrowings or deposits could have a material adverse effect on the business and on the financial performance.

The cost of funds is sensitive to interest rate fluctuations, which exposes the Bank to the risk of reduction in spreads, i.e., the difference between the returns the Bank earn on our loans as well as our investments and the amounts that we must pay to fund them, on account of changing interest rates. The pricing on the issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. In addition, attracting customer deposits in the Indian market is competitive. If the Bank fails to sustain or achieve the growth rate of our deposit base, including the current and savings account deposit base, the business may be adversely affected. The rates that the Bank must pay to attract deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. If our spreads decrease, the financial performance may be adversely affected.

The access to liquidity is susceptible to adverse conditions in the global financial markets.

Since the second half of 2007, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions, which have originated from the liquidity disruptions in the United States and the European credit and sub-prime residential mortgage markets. These and other related events, such as the recent collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the availability of credit and the confidence of the financial markets, globally as well as in India. The deterioration in the financial markets has heralded a recession in many countries, which has led to significant declines in employment, household wealth, consumer demand and lending and as a result may adversely affect economic growth in India and elsewhere. In addition, uncertainties in the global and Indian credit and financial markets have recently led to a significant decrease in the availability of credit and an increase in the cost of financing. As a consequence of these factors, the Bank may have difficulty accessing the financial markets, which could make it more difficult or expensive for the Bank to obtain liquidity in the future. There can be no assurance that the Bank will be able to secure additional financing required by us on adequate terms or at all.

In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, have implemented a number of policy measures designed to add stability to the financial markets. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. Furthermore, pre-emptive actions taken by the RBI in response to the market conditions in the second half of fiscal 2009, especially the provision of liquidity support and a reduction in policy rates, may not continue in the future and there can be no assurance that the Bank will be able to access the financial markets for liquidity if needed. Recently, the RBI has proposed an increase in the provisions commercial banks are required to make in respect of non-performing advances (**"NPAs"**) and have increased the statutory liquidity requirement to 25.00%. In the event that the current difficult conditions in the global credit markets continue, there are changes in statutory limitations on the amount of liquidity the Bank must maintain or if there is any significant financial disruption, such conditions could have an adverse effect on the cost of funds, loan portfolio, business, future financial performance.

Our business and financial performance are dependent on maintaining and building a successful branch network.

As of September 30, 2009 the Bank has 126 branches. The expansion and effectiveness of the branch banking business is dependent on the building of the branch network. Except as described below, banks in India are required to obtain the RBI's approval and several local and state permits and licenses before any particular branch may be opened. Pursuant to changes in the RBI's licensing requirements, banks are now able to open branches in certain locations without prior licensing approval from the RBI. In addition, the opening of branches is subject to the delays and risks associated with obtaining real estate in the appropriate locations and setting up the relevant infrastructure, including fitting out premises. In addition, the existing branch network may not be operating at an optimum level in terms of various parameters including number of customers, amount of deposits and advances. The Bank's inability to open branches, or a significant delay in opening additional branches could have a material adverse effect on the branch banking business, and consequently on the financial performance.

Deterioration in the performance of any of the industry sectors in which we have significant exposure may adversely affect our business and financial performance.

The credit exposure to corporate borrowers is dispersed throughout various industry sectors, the most significant of which are Agri and allied, technology and telecom, engineering, infrastructure and life sciences (chemicals/fertilizers/pharma) which represented approximately 15.77%, 13.01%, 9.73%, 9.25% and 8.84%, respectively, of the outstanding total balances as of September 30, 2009. Any significant deterioration in the performance of a particular sector driven by events not within our control, such as natural calamities, regulatory action or policy announcements by Government or State government authorities, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank. As a result, the Bank would experience increased delinquency risk which may have a material adverse effect on the financial performance of the Bank.

Any increase in our portfolio of NPAs may adversely affect our business.

As of September 30, 2009, the gross NPAs represented 0.31% of gross advances and the NPAs, net of provisions, represented 0.08% of net advances. As of September 30, 2009, The Bank provided for 74.89% of the total NPAs pursuant to applicable regulatory guidelines and the quality of security available to the Bank. A number of factors will affect the Bank's ability to control and reduce impaired loans. Some of these factors, including developments in the Indian economy, global competition, interest rates and exchange rates, are not within our control. There cannot be any assurance that the Bank will be successful in the efforts to improve collections or that the overall quality of the Bank's loan portfolio will not deteriorate in the future.

Furthermore, the retail and business banking loan portfolio has grown from Rs. 1810.58 Million as of March 31, 2007 to Rs. 6133.44 million as of September 30, 2009. Although these advances constituted only 3.76% of the gross of the Bank's non-PSL advances as of September 30, 2009, they may carry a higher risk of delinquency if there is a prolonged recession or a sharp rise in interest rates. The Bank may, therefore, be required to increase our provision for defaulted loans. Further, the RBI has in its recent credit policy indicated that Banks should maintain 70% provisioning cover on NPAs by September 30, 2010. If there is a significant increase in the Bank's NPAs, the business, prospects, financial condition and results of operations could be adversely affected.

Any increase in restructured assets may adversely affect our business.

The gross restructured assets of the Bank as a proportion of gross customer assets was 0.96% as of September 30, 2009. The Bank restructures assets based upon a borrower's potential to restore its financial health. However, certain assets classified as restructured may subsequently be classified as delinquent or non-performing in the event a borrower fails to restore its financial viability and honour its loan servicing commitments to the Bank. There can be no assurance that the debt restructuring criteria approved by the Bank will be adequate or successful and that borrowers will be able to meet their obligations under restructured loans. Any resulting increase in delinquency levels may adversely impact the financial performance of the Bank.

We may be unable to foreclose on collateral or there may be decreases in the value of collateral which, if a borrower defaults, may result in failure to recover the expected value of the collateral.

As of March 31, 2009, 57.91% of the Bank's loans were secured by charges on inventories, receivables and other current assets (comprising 46.55%) or where security creation was in progress (comprising 11.36%). In certain cases, the Bank obtain security by way of a first or second charge on fixed assets, such as real property, moveable assets, and financial assets, such as marketable securities, corporate guarantees and personal guarantees. In addition, project loans or long-term loans to corporate customers are secured by a charge on fixed assets and other collateral security. Any decrease in the value of collateral at the time of recovery will have an adverse impact on the quantum of recovery.

In India, foreclosure on collateral generally requires a written petition to a court or tribunal. Although special tribunals have been set up for expeditious recovery of debts due to banks, any proceedings brought may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. The **SARFAESI Act**, has strengthened the ability of lenders to recover NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. However, there can be no assurance that this legislation will have a favourable impact on our efforts to recover NPAs as the full effect of such legislation is yet to be determined in practice. Any failure to recover the expected value of the collateral would expose the Bank to potential loss.

In addition, pursuant to the RBI Guidelines on Corporate Debt Restructuring dated November 10, 2005, the Bank may not be allowed to initiate recovery proceedings against a corporate borrower where the borrower's aggregate total debt is Rs. 100 million or more and 60.00% of the lenders by number and holding at least 75.00% or more of the borrower's debt by value decide to restructure their loans. In a situation where the Bank cannot initiate

recovery proceedings, the Bank may be forced to agree to a restructuring of the borrower's debt as approved by the majority lenders.
As a result of the foregoing factors, realisation of the full value of collateral may be more difficult, which could have an adverse effect on our business, prospects, financial condition and results of operations.

We are required to maintain cash reserve and statutory liquidity ratios. Any increase in these requirements could adversely affect our business.
Under the RBI regulations, the Banks are subject to a cash reserve ratio (**"CRR"**) requirement, which the Bank is currently required to maintain at 5.00%. The CRR is a percentage calculated by the amount of cash maintained in a bank's current account with the RBI over the net demand and time liabilities of such bank. The RBI may increase the CRR requirement to a significantly higher proportion as a monetary policy measure.
Under the Banking Regulations Act, 1949, all banks operating in India are required to maintain a statutory liquidity ratio (**"SLR"**). The SLR is a percentage calculated by the value of certain approved assets or securities held by a bank over the net demand and time liabilities of such bank. The SLR currently applicable to banks in India, including us, is 25.00%. The approved assets consist of unencumbered Government securities and other securities as may be approved from time to time by the RBI. As of September 30, 2009, all of the Government securities held by the Bank comprised fixed income bonds. In an environment of rising interest rates, the value of Government securities and other fixed income securities may depreciate. The volatility in interest rates is reflected in the movement of the annual yield on the 10-year Government bond, which was 8.63% on September 30, 2008 and 7.17% on September 30, 2009.
The Bank do not earn interest on cash reserves maintained with the RBI and the Bank earn interest on assets complying with the SLR requirement at rates that are less favourable than those received in respect of our loan portfolio. As a result of the statutory requirements imposed on us, the Bank may be more structurally exposed to interest rate risk than banks in many other countries. Increases in the CRR and SLR requirements could have a material adverse effect on the business and financial performance of the Bank. To grow the business, The Bank is required to maintain **CAR** at the minimum level required by the RBI for domestic banks. There is no guarantee that the Bank will be able to access capital as and when need it for growth.
The RBI requires Indian banks to maintain a minimum a CRAR of 10.00% (other Indian banks are only required to maintain this at 9%) of which 6.00% is Tier I CRAR. CRAR of the Bank in terms of the Revised Framework of the International Convergence of Capital Measurement and Capital Standards (**"Basel II"**) as of September 30, 2009 was 17.25%, with Tier I CAR of 9.36%. The Bank is exposed to the risk of the RBI increasing the applicable risk weight for different asset classes from time to time. Unless the Bank is able to access the necessary amount of additional capital, any incremental capital requirement may adversely impact the Bank's ability to grow the business and may even require to withdraw from or curtail some of the current business operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favourable to the Bank.

The business is vulnerable to interest rate risk.
The business of the Bank is vulnerable to interest rate risk as it affects the net interest income, as well as the willingness of the customers to invest or deposit their funds with us. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic, economic, and political conditions and other factors. Due to these factors, interest rates in India have experienced a relatively high degree of volatility.
Net interest income constituted 54.02% and 52.17% of the total net income for the financial year ended March 31, 2009 and the six months ended September 30, 2009, respectively. An increase in interest rates applicable to the liabilities, without a corresponding increase in interest rates applicable to the assets, will result in a decline in net interest income, which may have a material adverse effect on the financial performance.

Our debenture and bond portfolio is exposed to risks relating to mark-to-market valuation.
The Bank had a debenture and bond portfolio (including pass-through certificates) of Rs. 10,177.58 million. as of September 30, 2009, of which all of the bonds in the portfolio were fixed rate bonds. In the event of a rise in interest rates, the portfolio will be exposed to the adverse impact of the mark-to-market valuation of such bonds. Any rise in interest rates leading to a fall in the market value of such debentures or of such bonds may adversely affect the future performance of the Bank.

We face income volatility from our fixed income operations.
Income from the Bank's investments and trading in fixed income assets comprised 15.71% of the total income for the year ended March 31, 2009 and 13.56% for the six months ended September 30, 2009. These include entering into trades for the Bank's own account, which exposes to the risk that the Bank may lose money on these trades.

The Bank's income from treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have an impact on the value of certain investments. Although the Bank had operational controls and procedures in place for the treasury operations, such as counterparty limits, position limits, stop loss limits and exposure limits that are designed to mitigate the extent of such losses, the Bank cannot assure that it will not lose money in our proprietary trading activity and such losses if any, would adversely affect the financial performance of the Bank.

We are exposed to fluctuations in foreign exchange rates.

As a financial intermediary, the Bank is exposed to exchange rate risk in our foreign exchange transactions and related derivative transactions. The Bank is exposed to fluctuations in foreign currency rates for the unhedged exposure and hedged exposure where the relevant counterparty fails to perform its obligations. Adverse movements in foreign exchange rates may also affect the borrowers negatively, which may in turn affect the quality of the Bank's exposure to these borrowers. Volatility in foreign exchange rates could adversely affect the future financial performance of the Bank.

The success of our growth strategy depends on our ability to compete effectively in a competitive landscape.

The Bank face competition in some or all of the Bank's products and services from Indian and foreign commercial banks, NBFCs, insurance companies, mutual funds and other entities operating in the Indian financial sector. The Bank compete directly with public sector banks, private sector banks and foreign banks with branches in India. The public sector banks, which generally have a much larger customer and deposit base, larger branch networks and Government support for capital augmentation, pose strong competition to the Bank. Some of the private sector banks in India have a larger customer base and greater financial resources than the Bank does. The foreign banks that have established branches in India have aggressively pursued market share. Increased competitive pressure may have an adverse impact on the Bank's earnings, future financial performance.

We face significant challenges in developing new products and services.

As part of the growth strategy, the Bank has been diversifying and expanding our products and services, including retail and SME banking products and services such as debit cards, sweep facilities, bancassurance, and the distribution of mutual funds, as well as the expansion of our branch network into semi-urban and rural areas. Such new initiatives and products and services entail a number of risks and challenges, such as start-up expenditure, attracting the customers, knowledge and expertise applicable to the new businesses, risk management, monitoring and recovery systems, marketing and economic conditions, such as rising interest rates. If the Bank was unable to successfully diversify the products and services while managing the attendant risks and challenges, returns on such products and services may be less than anticipated, which could have a material adverse effect on the business and financial results.

We face maturity mismatches between assets and liabilities. If we fail to sustain or achieve growth of our deposit base, including our current and savings account deposit base, our business may be adversely affected.

The Bank meets a significant portion of the funding requirements through short and long-term deposits from mid-to-large corporate depositors. However, a significant portion of the assets have long term maturities resulting in maturity mismatches in liabilities and assets. If depositors do not renew deposits or the Bank is unable to raise new deposits, the Bank may face a liquidity problem and may be required to pay higher rates to attract deposits, which may have an adverse impact on our business and operations.

As of September 30, 2009, current and saving accounts (**"CASA"**) represented 9.56% of our total deposits. The current strategic plan focuses on growing on the Bank's CASA base substantially. However, the CASA deposit base may not continue to grow at the rates the Bank anticipates, which could materially affect our cost of funds, liquidity and consequently, our financial results.

Our contingent liabilities could adversely affect our financial condition.

As of September 30, 2009 the Bank had contingent liabilities of Rs. 825843.81 million, which consisted of, among other things, claims against the Bank not acknowledged as debts, guarantees given by the Bank and liability on account of forward exchange and derivative contracts with a notional principal amount of Rs. 715927.69 million. If any of these contingent liabilities materialise, the liquidity, business, prospects, financial condition and results of operations of the Bank could be adversely affected.

A substantial portion of our loans have a tenor exceeding one year, exposing us to risks associated with economic cycles.

As of September 30, 2009, loans with a tenor exceeding one year (based on the RBI's Guidelines on Asset-Liability Management Systems management guidelines) constituted 27.68% of the total loans of the Bank. The long tenor of these loans may expose the Bank to risks arising out of economic cycles. In addition, some of these loans are project finance loans. There can be no assurance that these projects will perform as anticipated, or that such projects will be able to generate cash flows to service commitments under the loans. The Bank is also exposed to infrastructure projects that are still under development and are open to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities and breach of contractual obligations by counterparties, all of which may adversely impact the projected cash flows. There can be no assurance that these projects will perform as anticipated. Risks arising out of a recession in the economy, a delay in project implementation or commissioning could lead to rise in delinquency rates and in turn, adversely impact the future financial performance of the Bank.

Regulations in India require us to extend a minimum level of loans to certain sectors, including agriculture. These may subject us to higher delinquency rates. An inability to comply with such sectoral lending requirements may require us to invest in funds with a lower return that we would otherwise obtain in the market.

The RBI mandates all banks, which are operating in India to direct a certain portion of their lending to specified "Priority Sectors" such as agriculture, SME, microfinance, housing, education and export. The total priority sector-lending target for domestic and foreign banks is 40.00% and 32.00% at every financial year end, respectively of their previous financial year's adjusted net bank credit. An inability to comply with such sectoral lending requirements may require the Bank to invest in funds with a lower return that the Bank would otherwise obtain in the market.

In case of domestic scheduled commercial banks, this lending target also constitutes lending to agricultural sector to the tune of 18% of the previous year-end's adjusted net bank credit. Given the fragmented landholdings, weather and market risks and lack of centralized data on the credit history of farmers in India, achieving the priority sector-lending target in a decentralized, branch based and conventional lending model is fraught with the risks of high delinquencies. The Bank has established innovative financial structures to lend to the agricultural sector such as (i) lending to farmers to participate in the agriculture value chain, using cash flow trapping mechanisms; and (ii) purchase of agricultural loan portfolios originated by other financial institutions having strong rural presence and deeper understanding of rural credit market; and (iii) bulk loans to corporate entities engaged in agricultural activities.

Any failure by these third parties to perform their obligations may adversely impact our agricultural asset portfolio and lead to an increase in delinquency rates that may adversely impact the financial performance of the Bank. Further, as a bank with a limited branch network, the Bank might face problems in meeting the directed lending norms of the RBI. The Bank's failure to meet these obligations could result in the Bank having to place deposits with directed lending agencies at low rates of interest and this may adversely affect the financial performance.

Consolidation in the banking sector in India may adversely affect us.

The Government has expressed a preference for consolidation in the banking sector in India. Mergers among public sector banks may result in enhanced competitive strengths in pricing and delivery channels for merged entities. If there is liberalisation of the rules for foreign investment in private sector banks, this could result in consolidation in the banking sector. The Bank may face greater competition from larger banks as a result of such consolidation, which may adversely affect the future financial performance.

We are highly dependent on our management team and key managerial personnel. Our inability to retain or replace key personnel may have an adverse impact on our business.

The Bank is highly dependent on the services of our management team, including our Managing Director and Chief Executive Officer, Mr. Rana Kapoor, as well as other key personnel. The ability to maintain our strategic direction, manage our current operations or meet future business challenges depends, among other things, on their continued employment and the ability to attract and recruit talented and skilled personnel in key managerial positions. The Bank's employment agreements with these personnel do not obligate them to work for the Bank for any specified period, and do not contain non-compete or non-solicitation clauses in the event of termination of employment, neither do the Bank maintain any keyman insurance. There can be no assurance that the Bank will be able to retain such key managerial personnel. If one or more of these key personnel are unwilling or unable to continue in their present positions, the Bank may not be able to replace them with persons of comparable skills and expertise promptly. The loss of key personnel or any inability to replace such personnel effectively may have a material adverse effect on our business, the ability to grow and our control over various business functions.

Any inability to attract and retain talented personnel may impact the growth of our business.
As a growing business, attracting and retaining talented professionals throughout the Bank is a key element of our business strategy. The Bank may not be able to recruit and retain talented professionals at a pace that matches our rate of growth, as competition for skilled and professional personnel in the banking industry is intense. Any inability to attract and retain talented professionals or an inability to manage attrition levels may have an adverse impact on the growth of the business and our future financial performance of the Bank.

We have purchased securitised pools of retail assets and any deterioration of a pool's performance may adversely impact our financial performance.
The Bank has purchased securitised pools of retail assets. External rating agencies have rated these pools using pre-selection criteria. Any deterioration in the quality of the pools could trigger an increase in the provisioning requirements of the Bank and thus, affect the future financial performance of the Bank.

We originate corporate loans for sale in the form of securitised pools. Recent changes in the RBI regulations require us to hold a proportion of these securitised loans on our balance sheet.
The Bank has originated and sold down corporate assets by way of securitisation. The RBI has recently required originators of such transactions to hold a minimum of 10.00% of such securitised loans on their balance sheet. Furthermore, the RBI also requires that the originators must have held such loans on their balance sheet for a curing period of one year prior to such securitisation. The Bank is required to devote a portion of our assets in order to comply with these regulations and are thereby constrained from using these assets in investments which may have a higher yield.

If we are required to underwrite large capital markets issues, our financial condition and results of operations may be adversely affected

The Bank is registered with SEBI as a Category-I merchant banker. As a part of the business, the Bank advise clients on capital markets transactions that may involve underwriting obligations. Any event which may trigger our underwriting commitments particularly for a large transactions, will increase our exposure to the capital markets and may adversely affect the financial results and operations of the Bank.

Our significant shareholders may divest their holdings in us, either because the RBI guidelines relating to ownership of private sector banks may require them to sell their equity shares, or otherwise. In either case, a material divestment of shareholding may adversely affect the market price of the Equity Shares.

Pursuant to the Guidelines for Acknowledgement of Shares in Private Banks dated February 3, 2004 "the "**Acknowledgement Guidelines**"), any acquisition or transfer of shares in a private bank which will take the aggregate holding of an individual or a group to 5.00% or more of the paid-up capital of a bank, requires the prior acknowledgement of the RBI, which will consider certain criteria before giving acknowledgment. The RBI considers additional criteria when granting its acknowledgement where the acquisition or transfer will take the aggregate shareholding of the applicant or proposed acquirer to 10.00% or more and 30.00% or more of the paid-up capital of a private bank. In the event that a foreign bank has any presence in India, and such foreign bank has a direct or indirect shareholding in an Indian bank, then such foreign bank is required to reduce its shareholding to 5.00% within a particular timeframe, and will have to indicate such timeframe to the RBI. The RBI may require the applicant or proposed acquirer to seek further approval from the RBI in relation to subsequent acquisitions at any higher threshold as it may specify.

Some of the major shareholders of the Bank hold shares (directly or indirectly) in excess of 10.00% and may be required by the RBI to comply with its guidelines, thereby materially altering our ownership structure.

We could be adversely affected by the inability of our vendors to perform their contractual obligations.
The Bank is dependent on various vendors, on certain non-core elements of our operations including implementing IT infrastructure and hardware, branch roll-outs, networking, managing the data centre and back-up support for disaster recovery by way of an outsourcing agreement entered into by the Bank. Failure to perform any of these functions by our partners may adversely affect the business and financial results of the Bank.

Operational risks may disrupt our businesses, result in regulatory action against us or limit our growth.

The Bank's businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets and the transactions the Bank process have become increasingly complex. Consequently, the Bank relies heavily on our financial, accounting and other data processing systems. The Bank also face operational risks arising from errors made in the confirmation or settlement of transactions not being properly recorded, evaluated or accounted for. The inability of our systems to accommodate an increasing volume of transactions could also constrain the ability to expand the businesses of the Bank. If any of our systems do not operate properly or are disabled, the Bank could suffer financial loss, a disruption of the businesses, liability to clients, regulatory intervention or damage to the Bank's reputation, which could limit the growth or materially and adversely affect our business, prospects, financial condition and results of operations of the Bank.

Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.

The Bank has devoted significant resources to develop our risk management policies and procedures and aim to continue to do so in the future. Despite this, the Bank's policies and procedures to identify, monitor and manage risks may not be fully effective. Some of the methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than indicated by the historical measures. Management of operations, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As the Bank seek to expand the scope of the operations, also face the risk that the Bank will be unable to develop risk management policies and procedures that are properly designed for those new business areas or to manage the risks associated with the growth of our existing businesses. Implementation and monitoring may prove particularly challenging with respect to businesses that the Bank plan on developing, such as SME and branch banking. Inability to develop and implement effective risk management policies may adversely affect our business, prospects, financial condition and results of operations.

The Bank's success will also depend, in part, on the ability to respond to new technological advances and emerging banking, capital market, and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt the transaction processing systems to customer requirements or improving market standards.

Major fraud, lapses of control, system failures or calamities could adversely impact our business.

The Bank is vulnerable to risk arising from the failure of the employees to adhere to approved procedures, system controls, fraud, system failures, information system disruptions, communication systems failure and data interception during transmission through external communication channels and networks. There can be no assurance that the use of encrypted password-based protections and firewalls are adequate to prevent fraud or the invasion or breach of the network by an intruder. Failure to protect against fraud or breaches in security may adversely affect the operations and future financial performance. The Bank's reputation could adversely be affected by significant fraud committed by the employees, agents, customers or third parties.

The Bank maintain a disaster recovery centre for our core banking applications at Bangalore in the event that the main computer centre at Mumbai shuts down for any reason. The system in Bangalore is configured to come into operation if the Mumbai system is no longer operational. However, if for any reason the switch over to the backup system does not take place or if a calamity occurs in both Mumbai and Bangalore such that the business is compromised at both centres, the operations of the Bank would be adversely affected.

Our measures to prevent money laundering may not be completely effective.

Although it required to give periodic representations to the RBI that the Bank implement anti-money laundering measures required by it, including "Know Your Customer" policies and the adoption of anti-money laundering and compliance procedures in all the branches of the Bank, the implementation of such measures may not be effective. There can be no assurance that attempts to launder money using us as a vehicle will not be made. If we are associated with money laundering, the reputation of the Bank may be adversely affected.

Employee misconduct could harm us and is difficult to detect and deter.

There have been a number of highly publicised cases involving fraud, money-laundering or other misconduct by employees and executives in the financial services industry in recent years. Although the Bank has a committee in place dedicated to monitoring fraud, it runs the risk that such misconduct could occur in relation to the Bank. Misconduct by employees or executives could include binding the Bank to the transactions that exceed authorised limits or present unacceptable risks or hiding from the Bank unauthorised or unlawful activities, which may result in substantial financial losses and damage to the reputation of the Bank. Employee or executive misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm, including harm to our brand. It is not always possible to deter employee or executive misconduct and the precautions taken and systems put in place to prevent and detect such activities may not be effective in all cases.

Significant security breaches could adversely affect our business.

The Bank seeks to protect its security systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the use of the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although the Bank intends to continue to implement security measures, technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on the business and the future financial performance. The Bank's business operations have a high volume of transactions and although the Bank believes to take adequate measures to safeguard against system-related and other failures, there can be no assurance that the Bank will be able to prevent fraud or theft of data. The reputation could adversely be affected by significant fraud or theft of confidential information committed by employees, customers or other third parties.

We rely extensively on our information technology systems and the telecommunications network in India and any failure in these could harm our relationship with customers, expose us to lawsuits or administrative sanctions or otherwise adversely affect our provision of service to customers and our internal operations.

As part of the business strategy, Bank uses its information systems and the internet to deliver services to and perform transactions on behalf of the customers. Although the Bank believes this approach is highly cost-effective, it depend extensively on the capacity and reliability of the electronic systems supporting the operations. To date the Bank have not experienced widespread disruptions of service to customers, but there can be no assurance that the Bank will not encounter disruptions in the future due to substantially increased numbers of customers and transactions or for other reasons. If the Bank experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to systems, linkages with third-party systems and power failures) or are unable to develop necessary technology, the business, prospects, financial condition and results of operations could be materially adversely affected. The hardware and software are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers.

The Bank may encounter delays or other difficulties incorporating new services and businesses into our information technology systems and there can be no assurance that the Bank will realise the efficiencies and other benefits anticipated from doing so.

Any failure in any of the systems could result in business interruption, loss of customers, damaged reputation and weakening of the competitive position and could have a material adverse effect on the Banks financial condition and results of operations.

The Bank is heavily reliant on the systems technology in connection with financial controls, risk management and transaction processing. In addition, the delivery channels include ATMs, a call centre and the internet. Our off-line and on-line business channel networks are dependent on a dense, comprehensive telecommunications network in India. While recent deregulation and liberalisation of telecommunications laws have prompted the steady improvement in local and long distance telephone services, telephone network coverage and accessibility is still intermittent in many parts of India. Failure by the Indian telecommunications industry to improve network coverage to meet the demands of the rapidly growing economy may affect our ability to expand our customer base, acquire new customers or service existing customers by limiting access to the services and products. This may have a material adverse impact on the business, prospects, financial condition and results of operations.

We may undertake mergers or acquisitions in the future, which may pose management and integration challenges and we may not achieve the synergies and other benefits we expect from such transactions.

The Bank considers inorganic growth opportunities from time to time to expand our customer base, acquire new service or product offerings or enhance the technical capabilities. If the Bank succeeds in consummating a merger or acquisition, it may not be able to integrate effectively the acquired business into the Bank's operations and may not obtain the expected profitability, synergies or other benefits in the short or long term from such transactions. Any such transactions may also result in high levels of indebtedness or contingent liabilities. The senior management team's attention may also be diverted by any such transactions. Any of the above factors may have a material adverse effect on the business, results of operation and financial condition.

We have not paid dividends in the past, and there is no assurance that we may do so in future.
The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, terms and conditions of our indebtedness, capital expenditures and regulation. There can be no assurance that the Bank will be able to pay dividends. Additionally, the Bank is restricted by the RBI regulations from making dividend payments until the Bank meet certain criteria.

We may breach third party intellectual property rights.
The Bank may be subject to claims by third parties, both inside and outside India, if the Bank breach their intellectual property rights by using slogans, names, designs, software or other such subjects, which are of a similar nature to intellectual property these third parties may have registered. Any legal proceedings which result in a finding that the Bank had breached third parties' intellectual property rights, or any settlements concerning such claims, may require the Bank to give financial compensation to such third parties and/or to make changes to the marketing strategies or to the brand names of our products, which could have a material adverse effect on the business, prospects, financial condition and results of operations.

We require licences, permits and approvals from the RBI in order to operate as a bank. We may not be able to renew or obtain such licences, permits or approvals.
The Bank has a licence from the RBI for all of our banking and other operations. The RBI may revoke this licence or may place stringent restrictions on our operations. This may result in the interruption of all or some of our operations and could materially and adversely affect our business and financial performance.

Indian banking regulation is extensive, and any change in such regulation could materially affect our business.
The banking and financial sector in India is highly regulated and extensively supervised by authorities such as the RBI. The business could be directly affected by any changes in laws, regulations and policies for banks; for example, The Bank may be compelled to increase lending to certain sectors or increase its reserves. Such changes may also affect our foreign investment limits in the banking industry or the ability to invest in certain businesses. Any such changes may require the Bank to modify our business, which may adversely affect the financial performance. The RBI guidelines and provisions of the Banking Regulation Act also restrict the Bank's ability to pay dividends. The RBI also requires banks to maintain certain CRR and SLR, and increases in such requirements could affect the ability to expand credit. Any requirements by the RBI that specify changes in risk weighting and capital adequacy may adversely affect the financial condition. In addition, any action by any regulator to curb inflows into India could negatively affect the business of the Bank. The business may also be adversely affected by changes in other laws, governmental policies, enforcement decisions, income tax laws, foreign investment rules and accounting principles.

Our business and activities will be regulated by the Competition Act, 2002.
The Indian Parliament has enacted the Competition Act, 2002 (the "**Competition Act**") for the purpose of preventing business practices having an adverse effect on competition under the auspices of the Competition Commission of India, which (save for certain provisions) has recently come into force. Under the Competition Act, any arrangement, understanding or action, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the Competition Act and the Competition Commission of India will affect industries in India.

We have been and may be involved in legal proceedings in relation to certain derivatives transactions. Any adverse decision in relation to such proceedings may have an adverse effect on our financial results or operations.
The Bank enters into derivative contracts with certain clients to hedge their foreign currency and interest rate exposures in terms of the applicable RBI regulations. Due to the devaluation of the U.S. dollar in 2007, some clients sought to renege on treasury contracts they had entered into with the Bank and the Bank has been made parties to litigation proceedings arising out of such transactions. Although the Bank was able to settle such proceedings on acceptable terms and did not face any adverse decision in relation to such proceedings, The Bank cannot assure investors that it will not be made a party to such litigations proceedings or be subject to any adverse decision in the future or that the Bank will be able to settle such proceedings on acceptable terms. Any decision or judgment made against the Bank in relation to such litigation proceedings in the future may have an adverse affect on the financial results or operations.

We are and may be involved in various legal proceedings which could have an adverse effect on our business, financial performance or our operations.
The Bank in future may become parties to various legal proceedings incidental to the business and operations. The Bank cannot assure investors that these legal proceedings will be decided in the Bank's favour. Such litigation could divert management time and attention, and consume financial resources in their defence or prosecution. In addition, should any new developments arise, such as changes in Indian law or rulings against the Bank by the regulators, appellate courts or tribunals, the Bank may need to make provisions in the financial statements, which could increase our expenses and the current liabilities. If the Bank fails to successfully defend the claims, or if the provisions prove to be inadequate, our business, financial performance and results of operations could be adversely affected.

External Risk Factors

A slowdown in economic growth in India could cause our business to suffer.
Any slowdown in economic growth in India could adversely affect the borrowers of the Bank and contractual counterparties. Further, in light of the increasing links between the Indian economy and other developed and emerging economies, the Indian economy is increasingly influenced by economic and market conditions in other countries and, as a result, a slowdown in the economic growth of the United States and other countries in the developed and emerging global economy could have an adverse impact on economic growth in India. The growth rate of India's GDP, which was 9.0% or higher in each of fiscal years 2006, 2007 and 2008, moderated to 6.7% in fiscal 2009 and 6.1% in the first quarter of fiscal year 2010. The current uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and consumption. A further slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults among corporate, SME and retail borrowers. With the importance of corporate and institutional loans to our business, any slowdown in the growth or negative growth of sectors such as food and agriculture, infrastructure and engineering could adversely impact the performance. Any such slowdown could adversely affect the business, including the ability to grow, the quality of the assets, and the financial performance of the Bank.

Financial instability in other countries could disrupt our business and cause the trading price of the Equity Shares to decrease.
The Indian market and the Indian economy are influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India.
In the event that the current difficult conditions in the global credit markets continue or if there any significant financial disruption, this could have an adverse effect on our cost of funding, loan portfolio, business, future financial performance.

Political instability or changes in the Government could adversely affect economic conditions in India and consequently, our business.
The Bank is incorporated in India and derives all of our revenues in India. In addition, all of our assets are located in India. Consequently, the performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments affecting India.
The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. The business and the market price and liquidity of the Equity Shares may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India.
Since 1991, successive governments have pursued policies of economic and financial sector liberalisation and deregulation and encouraged infrastructure projects. The previous coalition-led Government implemented policies and took initiatives that supported the economic liberalisation policies that had been pursued by prior governments. The new Government, which has came to power in May 2009, is headed by the Indian National Congress. Although the previous Government (which was also headed by the Indian National Congress) had announced policies and taken initiatives that supported the economic liberalisation programme pursued by previous governments, the policies of the new Government may change the rate of economic liberalisation.

A significant change in the Government's policies in the future, particularly in respect of the banking and finance industry, could affect business and economic conditions in India. This could also adversely affect the financial condition and results of our operations of the Bank.

If regional hostilities, terrorist attacks or social unrest in India increases, our business could be adversely affected and the trading price of the Equity Shares could decrease.

India has from time to time experienced social and civil unrest and hostilities with neighbouring countries. India has also experienced terrorist attacks in some parts of the country. In November 2008, several coordinated shooting and bombing attacks occurred across Mumbai, India's financial capital, which resulted in the loss of life, property and business. These hostilities and tensions and/or the occurrence of similar terrorist attacks have the potential to cause political or economic instability in India and adversely affect our business, the Bank's future financial performance and the trading price of the Equity Shares. Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

Trade deficits could have a negative effect on our business and the trading price of the Equity Shares.

India's trade relationships with other countries can influence Indian economic conditions. In fiscal 2009, the merchandise trade deficit was U.S. $119.1 billion compared to U.S. $88.5 billion in fiscal 2008. This large merchandise trade deficit neutralises the surpluses in India's invisibles in India's current account. If India's trade deficits increase or become unmanageable, the Indian economy, and therefore our business, future financial performance.

Natural calamities could have a negative impact on the Indian economy and could cause our business to suffer and the trading price of the Equity Shares to decrease.

India has experienced natural calamities such as earthquakes, floods and drought in the recent past. The extent and severity of these natural disasters determine their impact on the Indian economy. In previous years, many parts of India received significantly less than normal rainfall. As a result, the agricultural sector recorded minimal growth. Prolonged spells of below normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, affecting the business.

Indian accounting principles differ from those which prospective investors may be familiar with in other countries. In addition, there is uncertainty as to how IFRS will be implemented in 2011.

The financial statements for the periods stated are in conformity with Indian GAAP as applicable to banks consistently applied during the years ended March 31, 2007, 2008 and 2009, and no attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards.

The Bank has not quantified or identified the impact of the differences between Indian GAAP, US GAAP and IFRS as applied to our financial statements. As there are differences between Indian GAAP, US GAAP and IFRS, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with accounting principles and auditing standards with which prospective investors may be familiar in other countries. Prospective investors should consult their own professional advisors for an understanding of the differences between Indian GAAP, US GAAP and IFRS and how they might affect the financial information contained in this Preliminary Placement Document.

In addition, all public companies in India, including the Bank, will be required to prepare annual and interim financial statements under IFRS from the fiscal period beginning April 1, 2011. There is currently a lack of clarity as to how the adoption of IFRS will be implemented and applied. As such, the Bank has not yet determined with certainty what impact the adoption of IFRS will have on the Bank's financial reporting.

There may be less company information available in the Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other more developed economies. The Securities and Exchange Board of India (the **"SEBI")** is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result, shareholders may have access to less information about the business, results of the operations and the financial condition and those of the competitors that are listed on the BSE and the NSE and other stock exchanges in India on an ongoing basis than shareholders may have in the case of companies subject to the reporting requirements of other more developed countries.

Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.
The Articles of association of the Bank, regulations of the Board of Directors and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, Directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of the shareholders than as a shareholder of a corporation in another jurisdiction.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on our business, future financial performance and the trading price of the Equity Shares. A rapid decrease in reserves would also create a risk of higher interest rates and a consequent slowdown in growth.
India's foreign exchange reserves increased by U.S.$ 36.9 billion (48.4%) in fiscal 2004, by U.S.$ 28.5 billion (25.2%) in fiscal 2005, by U.S.$ 10.1 billion (7.1%) during fiscal 2006, by U.S.$ 47.6 billion during fiscal 2007 to U.S.$ 199.2 billion and by U.S.$ 110.0 billion during fiscal 2008 to U.S.$ 309.2 billion. During fiscal 2009, foreign exchange reserves decreased sharply by U.S. $56.8 billion. A further decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. On the other hand, high levels of foreign funds inflows could add excess liquidity into the system, leading to policy interventions, which will also slow economic growth. Either way, an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect the business, the future financial performance of the Bank.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Equity Shares.
Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, future financial performance and the trading price of the Equity Shares.

It may not be possible for investors to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.
The Bank is incorporated under the laws of India and all our Directors and executive officers reside in India. A substantial majority of our assets, and the assets of our Directors and officers, are also located in India. As a result, investors may be unable to effect service of process outside of India upon the Bank and such other persons or entities; or enforce in courts outside of India judgments obtained in such courts against the Bank and such other persons or entities.

Note to Risk Factors

RBI carries out regular inspection of all the Banks and financial institutions. The reports of RBI are strictly confidential. The Bank continuously interacts with RBI and furnishes information/ clarifications required by them as part of their inspection. RBI does not allow disclosure of its inspection report and all the disclosures in the Disclosure Document are based on Management and Audit reports of the issuer.

Brickwork RATINGS

Sept 16th, 2009

The Group President
Financial Markets and Chief Financial Officer
Yes Bank Ltd
Mumbai.

Dear Sir,

Sub: Rating Hybrid Tier I upto Rs 90 Crs & Upper/Lower Tier II capital bond upto Rs500 Crs, issue total upto Rs 590 Crs being enhancement from Rs 535 Crs.

Thank you for giving us an opportunity for rating Hybrid Tier I upto Rs90 Crs & Upper/Lower Tier II capital bond upto Rs500 Crs issue as mentioned above. We have in our letter dated 30th Jun2009 conveyed our rating assignment for Hybrid Tier I & Upper/Lower Tier II bond capital issue for Rs 535 Crs as BWR AA+.

Further to our letter of 30th June 2009 we are pleased to inform you that Yes Bank's Hybrid Tier I upto Rs90Crs & Upper/Lower Tier II bond capital upto Rs 500Crs issue total for Rs 590Crs being the enhancement from Rs 535 Crs have been assigned: BWR **AA+. (Pronounced BWR double A Plus) (Outlook: Stable)** rating. Instruments with this rating are considered to offer High credit quality in terms of timely servicing of debt obligations.

Brickwork rating model, has, interalia, factored, capital adequacy, asset quality, earnings quality, management quality, liquidity and technology in rating the instrument.

The rating is valid for a year from date of assignment. Brickwork would conduct surveillance every year and would need any significant information that may affect the Bank without any delay. The above rating is subject to terms and conditions that were agreed in your correspondence / mandate including that of 11th September 2009.

Kindly furnish the details of your borrowing programme under the above issue.

Best Regards,

V. Nagaraja

V. Nagaraja
Head - Rating Administration

Brickwork Ratings India Pvt. Ltd.
Corporate Office: 55, 1st Main, 3rd Phase, JP Nagar, Bangalore 560078 Phone: +91 - 80 4040 9940 Fax: +91 - 80 2659 3673

Brickwork Ratings assigns "BWR AA+" for Yes Bank Limited's Hybrid Tier I & Upper/Lower Tier II Bonds Issue of INR 590 crore

Issue Rating: BWR AA+	Outlook: Stable

Brickwork Ratings has assigned BWR AA+ (Outlook: Stable) for Yes Bank's proposed bonds issue of Rs 590 crore (Hybrid Tier I bonds issue of Rs 90 crore and Upper/Lower Tier II bonds issue of Rs 500 crore), enhanced from Rs 535 crore (Hybrid Tier I bonds issue of Rs 85 crore and Upper/Lower Tier II bonds issue of Rs 450 crore) bonds issue rated in July 09, by Brickwork. The Brickwork Rating "BWR AA+" signifies 'High Safety'. The Rating Outlook further signifies the direction of the rating being stable in the near term. Brickwork has relied upon the audited financial statements, the first quarter results of FY 10, information and clarifications provided by the issuer.

The rating factored increasing operating profits & returns, asset quality, diversified credit portfolio, strong capital ratio, lean operating structure, and promoters' stake. The rating also factored low CASA deposits, limited network channels, and dependence on bulk deposits.

The bank has performed well in the first quarter of the current financial year (2009-10) in spite of many challenges witnessed in the macro environment front such as subdued credit off take, decreasing interest rate, and asset restructuring. In line with private sector banks, Yes bank has benefited largely from its fee income, pricing power on corporate loan book and repricing of interest sensitive liabilities during the year. As a result, the bank has improved its operating and net profits by 50.7% and 51.9% respectively to reach a level of Rs 527 crore (Rs 350 crore in FY08) and Rs 303 crore (Rs 200 crore in FY08) during FY 09. The bank has extended its good run in the operating profits generation in Q1 FY 10, which has stood at Rs 197.8 crore as compared to Rs 113.8 crore (a growth of 73.9%) for the same period a year ago. Similarly, the bank's net interest income has increased significantly during the year to achieve a level of Rs 163.7 crore in Q1 FY 10 from the previous level of Rs 113 crore in Q1 FY 09.

Yes Bank has the highest capital adequacy ratio amongst its peers as on 31st March 2009. The bank's CRAR under Basel II was 16.63%, which is higher than its peers' average of

14.44% as on 31st March 2009, which has further increased to 17.63% in Q1 FY 10. As a result, the bank's tier I capital has improved to 10.28% in Q1 FY 10 from the previous level of 9.50% in the FY 09. With comfortable capital adequacy, the bank is poised for significant growth in the current financial year. Brickwork expects the CRAR to improve further with the proposed issue of Hybrid Tier I and Upper/Lower Tier II bonds issue of Rs 590 crore.

The bank is taking exposure only to high quality corporates, and also making prudent provisioning to improve its asset quality as it had suffered a slight deterioration in asset quality in the latter half of FY09. As a result, the bank's asset quality has improved marginally in Q1 FY 10. The bank's gross NPAs have improved from 0.68% in FY09 to 0.48% in Q1 FY 10 (0.21% in Q1 FY 09). Similarly, Net NPAs have dipped from 0.33% in FY 09 to 0.24% in Q1 FY 10 (0.17% in Q1 FY 09). The bank's gross and net NPAs are still lower than the peer group average. Majority of the bank's rated corporate loans have received credit rating of 'A' and above. However, the bank's total outstanding restructured loans stood at 0.94% of gross advances during quarter.

In spite of subdued credit growth, the bank's net interest margin has improved marginally to 3.1% during Q1 FY 10 from 2.9% for the same period a year ago. The bank was able to achieve a growth in net interest margin by penetrating the large corporate loan market and also optimizing its liability franchise. In addition, the bank has resorted to repricing of a relatively higher proportion of interest rate sensitive liabilities. Consequently, the bank's ROA has improved significantly to 1.8% in Q1 FY 10 from 1.26% in Q1 FY 09. Similarly, the bank has recorded highest return on equity (23.9%) among its peers during the year. Further, the bank's cost to income ratio had come down to 36% in Q1 FY 10 from 42.7% in FY09 (49.4% in FY08). As a result, the bank's cost to income ratio is significantly lower than its peers' average.

The bank's composition of low-cost deposits to total deposits has improved marginally to 9.5% in Q1 FY 10 from at 8.73% in FY 09, which is considerably lower than peers' average. Consequently, the bank has the highest cost of deposits among its peers as on 30th June 2009. However, the bank's yield on advances is comparatively higher than its peers' average.

Brickwork calculates leverage that assesses bank's capital adequacy with reference to both on and off balance sheet exposures. Yes Bank's lower leverage of 13.92 (14.92 in FY08) is positive rating factor compared to its peer group leverage of 19.51 in FY09. The bank is expected to sustain its envisaged growth plan during the current financial year with improved performance in mobilizing low cost deposits, technology driven banking operations and appropriate risk management practices.

BWR has analyzed the performance of Yes Bank vis-à-vis its peers in certain key parameters as given in the table above. BWR rating methodology has defined peer banks as those with closely similar size/operation as that of Yes Bank.

Key Ratios (FY 09)	Yes	Peers
Capital Adequacy (Basel II)		
CRAR	16.63%	14.44%
Tier I	9.50%	7.63%
Asset Quality (As % of Advances)		
Gross NPA	0.68%	2.39%
Net NPA	0.33%	1.13%
Earnings		
NIM	2.90%	2.79%
ROA	1.52%	1.13%
Cost to Income Ratio	42.70%	48.56%
Liquidity		
CASA	8.73%	25.78%
Credit Deposit Ratio	76.70%	67.30%
Operating Ratios		
Cost of Deposits	7.59%	7.57%
Cost of Funds	7.47%	5.56%
Yield on Advances	11.99%	11.55%

It is observed that Yes Bank has the highest capital adequacy ratio amongst its peers as on 31st March 2009. The bank's the CRAR under Basel II was 16.63%. Further, the bank's capital adequacy was 219 bps higher than its peers' average of 14.44% as on 31st March 2009. Similarly, the bank's tier I capital stood at 9.50%, which is 187 bps higher than that of peers. The bank added INR 9.95 billion of capital in the form of Hybrid Tier I,Tier

II and retained earnings during FY09, taking the bank's total capital funds from INR 20.72 billion in FY08 to INR 30.67 billion in FY09. The CRAR is expected to improve further with the proposed issue of Hybrid Tier I and Upper/Lower Tier II bonds issue of INR 5.35 billion.

During FY09, the bank's asset quality has slightly suffered with the bank's gross and net NPAs having increased to 0.68% and 0.33%. However, they are still 171 and 80 bps lower than peers' average of 2.39% and 1.13% respectively.

During FY09, the bank's net interest margin was 11 bps higher than peers' average. Similarly, the bank's ROA is significantly higher (39 bps) than peers' average of 1.13%. Further, the bank's cost to income ratio had come down to 42.7% in FY09 from 49.4% in FY08. As a result, the bank's cost to income ratio is significantly (5.86%) lower than its peers' average of 48.56%.

The bank's composition of low-cost deposits to total deposits FY 09 stood at 8.73%, which is considerably lower than peers' average of 25.78%. It is observed that the bank has the highest cost of deposits among its peers as on 31st March 2009. However, the bank's yield on advances is comparatively higher (44 bps) than its peers' average of 11.55%.

Shortcomings:

While analyzing the Yes Bank's performance, a few shortcomings as under have been noticed.

a) The share of CASA deposits stood at 9.5% in Q1 FY 10.
b) The bank's spread is very limited. It could have bearing on its performance.

Mitigants:

The bank's management is determined to overcome above said deficiencies by focusing on increasing CASA deposits through increased branch penetration and cash management products.

Bank Profile:

Yes Bank is the only 'Greenfield' private sector bank to be set up in the last 14 years. It has been founded on the core proposition of knowledge and is focused on customer experience and service. The bank's distribution channel consists of 123 branches nationally, with higher number of branches in Maharashtra, Punjab and NCR Delhi.

The bank has steadily built Corporate and Institutional Banking, Financial Markets, Investment Banking, Corporate Finance, Business and Transaction Banking, Retail and Wealth Management business lines across the country, and is well equipped to offer a range of products and services to corporate and retail customers. The promoters, Rana Kapoor and Late Ashok Kapur are major stakeholders in Yes Bank with ownership stake of 32.6%. Rabo bank, the only AAA rated private bank in the world, is the largest shareholder with 18.2% ownership

Shareholding Pattern (31st March 2009)

Shareholders	Stake
Promoters	32.6%
Rabobank Nederland	18.2%
Mutual Funds	1.9%
Other Foreign Investors	31.7%
Retail/ Other Domestic	15.6%

Rating Outlook:

Brickwork Ratings (BWR) issue rating is based on CAMEL-TP framework, which is used to assess the Bank's financial fundamentals and risk exposures. Brickwork expects the bank to sustain its growth momentum and ensure healthy earning assets with appropriate risk management practices, and technology driven banking. As a result, Brickwork has assigned Stable outlook for the Bank's proposed issues.

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Brickwork Ratings has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. Brickwork has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. Brickwork does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by Brickwork should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. Brickwork has the right to change, suspend or withdraw the ratings at any time for any reasons.

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Ref No: 2009-10/755/3922
November 25, 2009

Mr. Rajat Monga
Group President – Financial Markets
Yes Bank Limited
Nehru Centre, 9th Floor
Discovery of India, Dr. A.B. Road, Worli
Mumbai 400 018

Dear Sir,

Re : ICRA Credit Rating for the Hybrid Tier I Bonds Programme of Rs. 90 crore

Please refer to your request vide your letter dated November 16, 2009 for rating the Hybrid Tier I Bond programme of your bank. Our Rating Committee of ICRA, after due consideration, has assigned the **"LA+"** (pronounced L A plus) Rating to your aforesaid programme of Rs.90 crore. This rating indicates the adequate-credit-quality rating assigned by ICRA. The rated instruments carries average credit risk.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as **"LA+"**. We would appreciate if you can sign on the duplicate copy of this letter and send it to us within 10 days from the date of this letter as a token of your acceptance and use of the assigned rating. The rationale for assigning the above rating will be sent to you on receipt of your confirmation about the use of our rating, as above. Any intimation by you about the above rating to any Banker/Lending Agency/Government Authorities/Stock Exchange would constitute use of this rating by you.

If the instrument rated as above, is not issued by you within a period of 10 months from the date of the letter communicating the rating, the same would stand withdrawn unless revalidated before expiry of the 10 months.

You are required to forthwith inform us about any default or delay in repayment of interest and/or principal amount of the instrument rated, as above, or any other debt instruments / borrowings. You are also required to keep us forthwith informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/debts of the company with any lender (s) / investor (s).

The rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us.

If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

You are required to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority (ies) is exceeded.

..2/-

Electric Mansion, 3rd Floor. Tel.: +91 22 24331046 / 53 / 62 / 74 / 86 / 87 website : WWW.ICRA.IN

ICRA reserves the right to suspend, withdraw or revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The ratings, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Non-Convertible Debentures issued by you.

Should you require any clarifications, please do not hesitate to get in touch with us.

We thank you for your kind co-operation during the course of the rating exercise.

With kind regards,

Yours faithfully,
For ICRA Limited

L. SHIVAKUMAR
Senior Group Vice President &
Head – Western Region

KARTHIK SRINIVASAN
Vice President &
Co-Head Financial Sector Ratings

ICRA has assigned the LA+ (pronounced L A plus) rating to the Rs 0.9 billion Hybrid Tier I Bonds programme of Yes Bank Limited (YBL)†. Yes Bank has outstanding ratings of LAA- (pronounced L double A minus) on its Lower Tier II bonds and LA+ on its Upper Tier II and Hybrid bonds. The one notch lower rating assigned to the Hybrid Tier I bonds as compared with that assigned to the lower Tier II bonds reflect the specific features of these instruments wherein the debt servicing is additionally linked to meeting the regulatory norms on capitalization and reported profitability. ICRA also has A1+ (pronounced A one plus) rating on the short term bond programme of YBL.

The ratings factor in YBL's diversified income profile with the ability of the bank to generate high levels of fee income, low NPA levels, its technology initiatives, its demonstrated ability in raising capital at regular intervals to support growth plans, its comfortable capital adequacy with adequate Tier I. The key rating sensitivities are dependence on bulk deposits and protection of asset quality, given the run up in the advances in the benign credit environment.

Recent Results

During the six month ending September 30, 2009 YBL reported net profit of Rs. 2.12 billion on a total income of Rs. 13.66 billion. The bank's regulatory capital adequacy stood at 17.25% (Tier I: 9.40%) as on September 30, 2009. CASA ratio of the bank stood at 9.6% as on September 30, 2009. Total deposits grew to Rs. 193.65 billion while total advances stood at Rs. 162.94 billion as on September 30, 2009. During the three month ending September 30, 2009 YBL reported net profit of Rs. 1.12 billion on a total income of Rs. 6.78 billion.

Bank Profile

Yes Bank Limited (YBL) is a new generation private sector bank promoted by Mr. Rana Kapoor with equity participation from Rabobank, Nederlands. On the back of consistent growth in Net Interest Income and non-interest Income, YBL reported Net Profit of Rs 3.04 billion (Rs. 2.12 billion during H1FY10) on a Total Income of Rs. 24.38 billion (Rs. 13.67 billion during H1FY10) for the year ended March 31, 2009. The asset base of the Bank has grown to Rs. 229.01 billion as on March 31, 2009 from Rs 169.82 billion as on March 31, 2008. Return on Assets of the Bank stood at 1.52% in FY09 (1.83% in H1FY10) as compared to 1.42% in FY08. The Gross NPA and Net NPA stood at 0.68% and 0.33% respectively as on March 31, 2009 and further at 0.31% and 0.08% as on September 30, 2009 compared to 0.11% and 0.09% respectively as on March 31, 2008. Capital Adequacy Ratio of the Bank stood at a comfortable 17.25% (Tier I: 9.40%) as on September 30, 2009.

November 2009

† *For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications*

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Website
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Rating

ICRA has reaffirmed the LAA- (pronounced L double A minus) rating, indicating high credit quality to the Rs 1.80 billion subordinated bonds programme and Rs. 0.55 billion Lower Tier II bonds programme and LA+ (pronounced L A plus) rating, indicating adequate credit quality to the Rs. 5.93 billion Upper Tier II bonds and Rs.1.71 billion Hybrid Tier I programme. The one notch lower rating assigned to the Upper Tier II bonds and Hybrid Tier I bonds as compared with that assigned to the lower Tier II bonds reflect the specific features of these instruments wherein the debt servicing is additionally linked to meeting the regulatory norms on capitalization and reported profitability.

ICRA has also reaffirmed the A1+ (pronounced A one plus) rating to the Rs. 50 billion Certificates of Deposit Programme, indicating highest-credit-quality. Instruments rated in this category carry the lowest credit risk in the short term.

(Refer Annexure for Rating History)

Key Financial Indicators

	Mar-09	Mar-08	Mar-07
Total Assets	229,008	169,824	111,034
Deposits	161,694	132,732	82,204
Advances	124,031	94,303	62,897
Equity Capital	2,970	2,958	2,800
Net Worth	16,242	13,189	7,871
Total Income	24,383	16,654	7,822
Net Profit	3,038	2,000	943
Net Interest Margins	2.56%	2.40%	2.24%
Core Fee based Income/ Avg. Total Assets	1.26%	1.62%	1.89%
Operating Expenses/Avg. Total Assets	2.10%	2.43%	2.54%
Operating Profits/Avg. Total Assets	1.90%	2.12%	2.20%
Profit after Tax / Average Total Assets	1.52%	1.42%	1.24%
Net Non-Performing Assets (NPA)/Loans (%)	0.33%	0.09%	0.00%
Capital/Risk Assets (%)	16.63%	13.64%	13.60%
Total Deposits/Total Liabilities (%)	70.61%	78.16%	74.03%
Loans/Deposits (%)	76.71%	71.05%	76.51%
Investment/Advances (%)	57.38%	54.01%	48.86%
Savings Deposits/Total Deposits (%)	1.19%	1.10%	0.71%
Term Deposits/Total Deposits (%)	91.27%	91.50%	94.24%

Note: Amounts in Rs. million

Credit Strengths

- Well diversified income profile & ability to generate high fee income.
- Demonstrated ability in raising capital at regular intervals to support growth plans; comfortable capital adequacy with adequate Tier 1.
- Strong Senior Management team having vast experience in respective fields.

Credit Challenges

- Diversify the asset mix, while maintaining asset quality.
- Reduce dependence on Bulk Deposits.

Rating Rationale

The ratings factor in YBL's diversified income profile with the ability of the bank to generate high levels of fee income, its technology initiatives, its demonstrated ability in raising capital at regular intervals to support growth plans, its comfortable capital adequacy with adequate Tier I. The key rating sensitivities are continued dependence on bulk deposits, and challenges pertaining to protecting asset quality, given the run up in the advances in the benign credit environment.

Yes Bank Limited (YBL) continued to post strong profits in FY08-09, its fourth full year of operations, with the bank being able to continue to leverage the sector expertise of its senior management to generate fund-based and fee-based income. YBL posted net interest margins of 2.56% during FY08-09 as compared to 2.40% during FY07-08. The improvement in margins for FY08-09 was aided by a decline in the wholesale borrowing costs, which resulted in a sharp improvement in the Net Interest Margins during the year.

The non-interest income of the bank stood at Rs. 4.35 billion for FY08-09 as against Rs.3.61 billion for FY07-08, rise of 23% during the year. However, on account of increase in scale of operations, the non-interest income declined to 2.18% of average assets during FY08-09 as compared to 2.52% of average assets during FY07-08. The non-interest income remained stagnant across advisory business. The fee income level across financial markets has remained stable, however, if we include profit on sale of investments as part of financial market division, the profits have risen. Within financial markets, the loss in business across low-volume-high-fee derivative business was compensated by an increase in high-volume-low-fee plain vanilla hedging contracts during the year.

YBL's advances portfolio attained a size of Rs. 124.03 billion as on March 31, 2009 from Rs 94.30 billion as on March 31, 2008, with the top outstanding exposures as of March 31, 2009 in Food & Agriculture (22%), Engineering (16%), Infrastructure and Logistics (15%), TMT-IT/Telecom (13%), Life Sciences & Chemicals (7%). The bank has reduced focus on Emerging corporate significantly (entities with turnover less than Rs. 7.50 billion) during FY08-09. The bank also continues to maintain a cautious stance towards retail/business banking lending, with stable portfolio levels compared to the previous year.

YBL continued to have a moderate asset-liability profile as on March 31, 2009 with maturity of the advances of the bank in the vicinity of 16-18 months over the past 6 months. While the bank continues to remain primarily dependent on bulk deposits with average maturity of deposits at close to 6-8 months, for better liquidity management, it does not intend to increase the maturity of its advances from current levels. Given the small size of the bank, its reliance on bulk deposits, YBL, in ICRA's view, is likely to continue with its strategy of maintaining assets with an average maturity of around 16-18 months. Overall, while the bank still has to rely on bulk deposits, it is managing the ALM by restricting the maturity profile of its assets and also maintaining a liquid treasury book that can be liquidated at short notice in addition to lines of credit from other banks.

The interest rate sensitivity of its investments portfolio is limited as its bulk of the available-for-sale (AFS) portfolio remain in Treasury bills (duration of AFS book as of March 31, 2009 was at a low level of 1). YBL maintained excess SLR of 4.88% as on March 31, 2009. Apart from meeting statutory norms, this excess SLR also provides a liquidity cushion.

Recent Results

During the three month ending June 30, 2009 YBL reported net profit of Rs. 1.00 billion on a total income of Rs. 6.88 billion. The bank's regulatory capital adequacy stood at 17.63% (Tier I: 10.28%) as on June 30, 2009. CASA ratio of the bank stood at 9.5% as on June 30, 2009. Total deposits grew to Rs. 153.42 billion while total advances stood at Rs. 126.71 billion as on June 30, 2009.

YBL reports strong profits in FY08-09 on the back of higher scale of operations and significant treasury income...

Yes Bank Limited (YBL) reported Net Interest Income (NII) of Rs. 5.11 billion in FY08-09 as compared to Rs. 3.31billion in FY07-08, a growth of 52%. Net Interest Margins (NIMs) expanded marginally to 2.56% in FY09 from 2.40% in FY08 due to decline in the wholesale borrowing costs and a 35% growth in the total assets of the bank.

With increase in scale of business and proactive cost management strategies, the bank has been able to control its operating expenses at 2.10% of average assets during FY08-09 as against 2.43% during FY07-08. YBL has kept its employee expenses under control which increased by only 8% during the year. However, going forward, in ICRAs view, plans of YBL to significantly expand its branch presence could lead the operating expenses to rise.

Despite higher provisioning; higher trading profits and the strong income profile has enabled the bank post a net profit of Rs. 3.04 billion for the year ended March 31, 2009, an increase of 52% over the year ended March 31, 2008. The return on networth of the bank has also improved from 15.17% as on March 31, 2008 to 18.71% as on March 31, 2009. Overall, the profitability[1] of the bank continues to remain robust at 1.52% in FY08-09 (1.42% in FY07-08).

YBL's continued its strong profit reporting in Q1FY10 as well with net profit after tax at Rs. 1.00 billion compared to 0.54 billion in Q1FY09 and Rs. 0.80 billion in Q4FY09. Rise in profitability during Q1FY10 was supported by Treasury Income of 0.85 Billion. Barring treasury profits, the net profit before tax and investment profits stood at Rs. 0.65 billion during Q1FY10 compared to Rs. 0.74 billion during Q1FY09 and Rs. 1.00 billion during Q4FY10.

...However, growth in non-interest income declined

The non-interest income of the bank stood at Rs. 4.35 billion for FY08-09 as against Rs.3.61 billion for FY07-08. However, on account of increase in scale of business of the bank, the non-interest income of the bank stood at 2.18% of average assets during FY08-09 as compared to 2.52% of average assets during FY07-08. Also, non-interest income related to capital market and investment activities, which form more than 65% of the total non-interest income of the bank could pull down the non-interest income levels. Other fee income arising out of third part distribution and transaction banking, being more like annuity business, could increase but may not be sufficient to offset the loss of fee income from capital market activities.

Yes Bank - Fee Income profile

(Rs. Billion)	31-Mar09	%	31-Mar08	%	31-Mar07	%
Financial Markets[2]	2.01	46%	1.52	42%	0.82	42%
Financial Advisory	0.91	21%	0.96	27%	0.65	33%
Transaction Banking	0.93	21%	0.48	13%	0.21	11%
Third Party Distribution	0.51	12%	0.65	18%	0.27	14%
Non-Interest Income	**4.35**		**3.61**		**1.95**	
Growth	23%		82%		95%	
Non-Interest Income / Average Total Assets	2.18%		2.52%		2.55%	

The investment banking team advises clients (primarily large corporate) on transactions ranging from M&A, Private Equity placements etc. The corporate finance team specializes in project finance, advisory, restructuring and syndication. YBL has indicated a moderate pipeline of investment banking mandates for FY09-10. It also continues to focus on CMS and working capital management services along with increasing the third party distribution franchise to diversify its non-interest income. YBL expects to continue with a well diversified income profile with focus on shareholder's return.

During Q1FY10, non-interest income of YBL increased to Rs. 1.45 billion (including Rs. 0.85 billion of Treasury Income) as compared to Rs. 0.94 billion in Q1FY09 (Rs. 0.25 billion of Treasury Income) and Rs. 0.90 billion in Q4FY09 (Rs. 0.33 billion of Treasury Income).

Advances on a high growth trajectory in FY08-09...

The bank has reduced focus on Emerging corporates significantly. As on March 31, 2009, the proportion of emerging corporates stood at 22% of the overall lending book. This is a sharp reduction in the proportion of emerging corporate (in favour of large corporate book) as compared to March 31, 2008 levels from 38% to 22%. This conscious strategy has been adopted on account of increasing risk averseness with a focus on credit quality of the overall book. The bank continues to maintain a cautious stance towards retail/business banking lending, with stable portfolio levels compared to the previous year. Currently, YBL is aiming at strengthening its relationship with large corporates which could be source of stable business in the future. Even as the proportion of advances to large corporates has

[1] Profitability = Profit After Tax / Average Total Assets
[2] Including profits on sale of investments

increased, the bank has been able to maintain its pricing power and has witnessed an overall increase in yield on average advances of about 180 bps (to 13.63%[3]) during FY08-09.

YBL's advances portfolio attained a size of Rs. 124.03 billion as on March 31, 2009 from Rs 94.30 billion as on March 31, 2008, with the top outstanding exposures as of March 31,2009 being to companies in Food & Agriculture (22%), Engineering (12%), Infrastructure (11%), Trading (8%), Chemicals, Dyes & Paints (8%). The bank follows an internal norm of 20% exposure cap on any industry, except food and agri segment. Further, the bank follows an internal policy of restricting real estate exposure to less than 15% of the total loan outstanding. The commercial real estate exposure of the bank stood at 6.80% of the advances as on March 31, 2009 (7.25% as on March 31, 2008).

Rs. Billion	31-Mar-09	%	31-Mar-08	%	31-Mar-07	%
Corporate & Institutional Banking	89.13	72%	51.11	54%	38.37	61%
Emerging Corporate	27.88	22%	35.74	38%	21.79	35%
Business Banking	5.76	5%	5.58	6%	2.11	3%
Retail Banking	1.25	1%	1.88	2%	0.63	1%
Total	124.03	100.0%	94.31	100%	62.90	100%

Asset Quality remained comfortable...

As the credit portfolio of YBL has not been through the economic cycles, YBL's ability to maintain its asset quality while growing business volumes remains to be seen. The bank has witnessed some NPA during FY08-09, with gross NPA% at 0.68% and Net NPA% at 0.33%. In absolute terms, the Gross NPA levels of the bank stood at Rs. 0.85 billion. Of this overall Gross NPA, Rs. 0.46 billion is on account of one large client and the rest is largely on account of 2-3 textile clients. The bank has restructured advances worth Rs. 0.32 billion during FY08-09 including Rs. 0.20 billion of standard assets. The bank had restructuring applications for standard loans worth Rs. 0.20 billion (~ 0.2% of the book) and non performing loans of Rs. 0.71 billion (~0.6% of the book) as on March 31, 2009.

In the quarter ended Jun-09, the gross NPA and Net NPA have declined marginally to Rs. 0.61 billion and Rs. 0.30 billion with the corresponding percentage being 0.48% and 0.24% respectively due to write-off made on one large account. While any single large slippage can adversely impact the overall profitability of the bank, the risk management, credit appraisal and monitoring systems of the bank coupled with the experience of the senior management provides some comfort.

Investments to meet statutory norms and provide liquidity cushion; AFS portfolio at low duration...

The bulk of the investments continue to remain in Government securities (held-to-maturity category) and Treasury bills. The proportion of SLR investments in HTM category stood at close to 84% as on March 31, 2009. The interest rate sensitivity of its investments portfolio is limited as its bulk of the available-for-sale (AFS) portfolio remain in Treasury bills (duration of AFS book as of March 31, 2009 was at a low level of 1).The SLR investments of the bank stood at around 51 billion as of March 31, 2009, which is ~29% of the NDTL (net demand and time liabilities) of the bank). Apart from meeting statutory norms, this excess SLR also provides a liquidity cushion as well to the extent of Rs. 8.62 billion.

Reliance on Bulk Deposits continues amidst efforts to improve low cost deposit base

YBL resorts to bulk deposits-in the form of term deposits to build up its deposit base. As on March 31, 2009, such term deposits accounted for around 91% of its total deposits (91% as on March 31, 2008 and 94% as on March 31, 2007). Even though the proportion of CASA increased marginally in FY07-08, YBL continues to remain dependent on bulk deposits and is primarily a wholesale funded bank leaving it vulnerable to tightness in liquidity and rise in domestic interest rates. Deposits over Rs. 0.05 billion comprise about 75% of the total deposit base of the bank. With branch rollouts and network expansion in future, the deposit base is expected to become more granular.

Yes Bank - Deposit Trends (Rs. Billion)

DEPOSIT RATIOS	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07
CASA Deposits	14.10	12.46	12.90	11.18	11.28	8.95	7.36	5.70	4.77
Term Deposits	147.59	122.93	130.48	114.34	121.45	102.34	91.94	80.70	77.44
CASA / Total Deposits	8.72%	9.20%	9.00%	8.91%	8.50%	8.04%	7.41%	6.60%	5.80%
Cost of Average Interest Bearing Funds	9.87%	10.72%	10.00%	8.39%	8.33%	8.93%	8.47%	8.99%	7.70%

[3] Yield on Average Advances = Interest on Advances during the year / Average Total Assets

Yes Bank has laid special emphasis on CASA mobilization for the bank in coming years and targets to improve CASA proportion by at least 3-4% every year. Systematic increase in number of branches also augurs well for increased CASA mobilization over the medium term. Overall, the expansion of the retail branch network as per schedule would remain crucial for Yes Bank in improving its deposit profile, diversifying its asset mix, and consequently its overall profitability. Number of offsite ATMs has also grown from 75 as on March 31, 2008 to 93 as on March 31, 2009. YBL plans to have more than 150 ATMs by Mar-10.

Branch expansion strategy on track

Yes bank has 117 branches operational as on March 31, 2009 with 20 unutilized licences and additional licenses coming in FY09-10, the branch network is expected to go up to 175 by Mar-10(400 by Mar-12). The expansion of the retail branch network as per schedule would remain crucial for Yes Bank in improving its deposit profile, diversifying its asset mix, and consequently its overall profitability.

Comfortable Capitalization Levels

Capitalisation stood at a comfortable 16.63% (Tier I: 9.5%) as on March 31, 2009. Given the comfortable Tier I position, there is no imminent need to dilute. As on March 31, 2009, the bank had headroom (total headroom available is close to Rs. 5.00 billion) to raise capital through the Tier II route. CAR as per Basel-I stood at around 14.53% as on March 31, 2009. However, YBL being focussed primarily on the large corporates which are mostly top rated, release in capital was significant with more than 80% of the rated advances being in A and above category. YBL further expects around 60-70 bps release in capital when the rest of the clients get rated. Yes Bank is targeting to maintain its CAR above 12.5%.

Over the years, YBL has consistently attracted interest from reputed strategic investors. During FY08-09, YBL raised USD 80 million of Upper Tier II and USD 5 million of Tier I Capital in Jun-08 from Rabobank. Further in Q2FY09 and in Q4FY09, YBL raised another Rs. 2.00 billion of Tier II debt and Rs. 1.54 billion of IPDI respectively. With further capital infusion planned in FY09-10, YBL will strengthen its liquidity profile, apart from strengthening the capital base. Capitalisation stood at a comfortable 16.63% (Tier I: 9.5%) as on March 31, 2009.

Moderate asset-liability mismatch concerns...

YBL continued to have a moderate asset-liability profile as on March 31, 2009 with maturity of the advances of the bank in the vicinity of 16-18 months over the past 6 months. While the bank continues to remain wholesale funded with average maturity of deposits at close to 6-8 months, for better liquidity management, it does not intend to increase the maturity of its advances from current levels. Given the small size of the bank, its reliance on bulk deposits, YBL, in ICRA's view, is likely to continue with its strategy of maintaining assets with an average maturity of around 16-18 months. Overall, while the bank still has to rely on bulk deposits, it is managing the ALM by restricting the maturity profile of its assets and also maintaining a liquid treasury book that can be liquidated at short notice in addition to lines of credit from other banks.

Bank Profile

Yes Bank Limited (YBL) is a new generation private sector bank promoted by Mr. Rana Kapoor with equity participation from Rabobank Nederlands. On the back of consistent growth in Net Interest Income and non-interest Income, YBL reported Net Profit of Rs 3.04 billion (Rs. 1.00 billion during Q1FY10) on a Total Income of Rs. 24.38 billion (Rs. 6.8 billion during Q1FY10) for the year ended March 31, 2009. The asset base of the Bank has grown to Rs. 229.01 billion as on March 31, 2009 from Rs 169.82 billion as on March 31, 2008. Return on Assets of the Bank stood at 1.52% in FY09 as compared to 1.42% in FY08. The Gross NPA and Net NPA stood at 0.68% and 0.33% respectively as on March 31, 2009 and further at 0.48% and 0.24% as on June 30, 2009 compared to 0.11% and 0.09% respectively as on March 31, 2008. Capital Adequacy Ratio of the Bank stood at a comfortable 17.63% (Tier I: 10.28%) as on June 30, 2009.

August 2009

Rating History

	Amount Outstanding	Maturity Date	Rating Outstanding	Previous Ratings	
			Jul-09	June-08	April-08
Rs 5.93 billion Upper Tier bonds	Rs. 0.800 billion	Jan-22	LA+	LA+	LA+
	Rs. 0.336 billion	Feb-22	LA+	LA+	LA+
	Rs. 0.100 billion	Mar-22	LA+	LA+	LA+
	Rs. 0.100 billion	Mar-22	LA+	LA+	LA+
	Rs. 0.600 billion	Mar-22	LA+	LA+	LA+
	Rs. 0.050 billion	Mar-22	LA+	LA+	LA+
	Rs. 0.020 billion	Apr-23	LA+	LA+	LA+
	Rs. 1.820 billion	Sep-23	LA+	LA+	LA+
	Rs. 0.100 billion	Nov-23	LA+	LA+	LA+
	Rs. 0.450 billion	Sep-23	LA+	LA+	LA+
	Rs. 1.550 billion	Sep-23	LA+	LA+	
Rs 1.80 billion Subordinated bonds	Rs.1.800 billion	May-16	LAA-	LAA-	LAA-
Rs. 0.55 billion Lower Tier II bonds	Rs. 0.550 billion	Aug-17	LAA-	LAA-	LAA-
Rs. 1.71 billion Hybrid Tier I Bonds	Rs. 1.540 billion	Perpetual	LA+	LA+ (Rs. 1.16 billion)	LA+ (Rs. 1.16 billion)
	Rs. 0.170 billion (To be placed)		LA+		
Rs. 50 billion Certificates of Deposit Programme		1 year from date of placement	A1+	A1+	A1+

Summary Financials – Yes Bank Limited

(in Rs. million)	Mar-09	Mar-08	Mar-07
SUMMARY PROFIT & LOSS ACCOUNT			
Interest Income	20,033	13,108	5,876
Interest Expenses	(14,921)	(9,741)	(4,163)
Net Interest Income	5,112	3,367	1,713
Commission, Exchange & Brokerage	2,258	2,051	1,116
Net Profit on Exchange Transactions	262	220	330
Other (including dividend) income	345	745	454
Total Fee Based Income	2,865	3,016	1,901
Operating Income	7,977	6,383	3,614
Employee expenses	(2,180)	(2,024)	(1,175)
Other Operating expenses	(2,005)	(1,387)	(760)
Total Operating Expenses	(4,185)	(3,412)	(1,935)
Operating Profits	3,792	2,972	1,679
Credit Provisions	(265)	(180)	(254)
Operating profits After Credit Provisions	3,526	2,792	1,425
Other Provisions	(352)	(256)	(33)
Operating profits after Provisions	3,174	2,536	1,392
Net profit on sale of securities & Assets	1,485	529	45
Profits Before Tax	4,659	3,065	1,437
Tax	(1,621)	(1,065)	(493)
Profits After Tax	3,038	2,000	943
SUMMARY ASSETS			
Term Loans	94,726	68,601	47,656
CC and Loan Repayable on Demand	28,041	24,448	12,877
Bills Purchased & Discounted	1,264	1,254	2,364
Total Advances	124,031	94,303	62,897
Govt. Securities incl. approved securities	46,801	35,964	21,526
Shares	55	55	5
Debentures Bonds	10,242	6,779	4,721
Others	14,073	8,140	4,480
Total Investments	71,170	50,937	30,731
Current Assets incl. cash and CRR	19,227	16,080	12,928
Owned fixed assets	1,311	1,012	709
Deferred Tax Assets	463	237	112
Other Assets	12,806	7,256	3,657
Total assets	229,008	169,824	111,034
SUMMARY LIABILITIES			
Equity share capital	2,970	2,958	2,800
Reserves	13,272	10,231	5,071
Networth	16,242	13,189	7,871
Rupee Borrowings (Non Capital Instruments)	17,015	4,330	6,180
Lower Tier II Bonds	3,349	3,349	2,800
Upper Tier II Bonds	9,984	3,926	1,986
Perpetual Bonds	1,794	-	-
Foreign Currency Borrowings (non Capital instruments)	4,876	5,532	2,493
Total Borrowings	37,017	17,137	13,459
Demand Deposits	12,197	9,821	4,159
Saving Deposits	1,921	1,465	580
Term Deposits	147,576	121,445	77,465
Total Deposits	161,694	132,732	82,204
Current liabilities	14,055	6,766	7,501
Total Liabilities	229,008	169,824	111,034
SUMMARY CONTINGENT LIABILITIES			
On Foreign Exchange contracts	192,774	235,782	500,744
On Guarantees	39,188	21,179	16,392
On Acceptances / endorsements	36,569	28,844	2,362
Others	400,351	403,190	111
Total Contingent Liabilities	668,881	688,995	519,609

PROFIT & LOSS ACCOUNT (% of Operating Income)	Mar-09	Mar-08	Mar-07
Net Interest Income	64.08%	52.75%	47.41%
Commission, Exchange & Brokerage	28.30%	32.13%	30.88%
Net Profit on Exchange Transactions	3.29%	3.44%	9.14%
Other (including dividend) income	4.33%	11.68%	12.57%
Total Fee Based Income	35.92%	47.25%	52.59%
Operating Income	100.00%	100.00%	100.00%
Employee expenses	-27.33%	-31.71%	-32.50%
Other Operating expenses	-25.14%	-21.74%	-21.04%
Total Operating Expenses	-52.47%	-53.45%	-53.54%
Operating Profits	47.53%	46.55%	46.46%
Credit Provisions	-3.33%	-2.81%	-7.04%
Operating profits After Credit Provisions	44.21%	43.74%	39.42%
Other Provisions	-4.41%	-4.01%	-0.92%
Operating profits after Provisions	39.79%	39.73%	38.50%
Net profit on sale of securities & Assets	18.61%	8.29%	1.24%
Profits Before Tax	58.41%	48.03%	39.75%
Tax	-20.32%	-16.69%	-13.64%
Profits After Tax	38.09%	31.34%	26.11%
BALANCE SHEET			
ASSETS (% of total assets)			
Term Loans	41.36%	40.40%	42.92%
CC and Loan Repayable on Demand	12.24%	14.40%	11.60%
Bills Purchased & Discounted	0.55%	0.74%	2.13%
Total Advances	54.16%	55.53%	56.65%
Govt. Securities incl. approved securities	20.44%	21.18%	19.39%
Shares	0.02%	0.03%	0.00%
Debentures Bonds	4.47%	3.99%	4.25%
Others	6.15%	4.79%	4.03%
Total Investments	31.08%	29.99%	27.68%
Current Assets incl. cash and CRR	8.40%	9.47%	11.64%
Owned fixed assets	0.57%	0.60%	0.64%
Deferred Tax Assets	0.20%	0.14%	0.10%
Other Assets	5.59%	4.27%	3.29%
Total assets	100.00%	100.00%	100.00%
LIABILITIES (% of total liabilities)			
Equity share capital	1.30%	1.74%	2.52%
Reserves	5.80%	6.02%	4.57%
Networth	7.09%	7.77%	7.09%
Rupee Borrowings (Non Capital Instruments)	7.43%	2.55%	5.57%
Lower Tier II Bonds	1.46%	1.97%	2.52%
Upper Tier II Bonds	4.36%	2.31%	1.79%
Perpetual Bonds	0.78%	0.00%	0.00%
Preference Shares - Tier I	0.00%	0.00%	0.00%
Preference Shares - Tier II	0.00%	0.00%	0.00%
Foreign Currency Borrowings (non Capital instruments)	2.13%	3.26%	2.25%
Total Borrowings	16.16%	10.09%	12.12%
Demand Deposits	5.33%	5.78%	3.75%
Saving Deposits	0.84%	0.86%	0.52%
Term Deposits	64.44%	71.51%	69.77%
Total Deposits	70.61%	78.16%	74.03%
Deferred Tax Liability	0.00%	0.00%	0.00%
Current liabilities	6.14%	3.98%	6.76%
Total Liabilities	100.00%	100.00%	100.00%
SUMMARY CONTINGENT LIABILITIES			
On Foreign Exchange contracts	84.18%	138.84%	450.98%
On Guarantees	17.11%	12.47%	14.76%
On Acceptances / endorsements	15.97%	16.98%	2.13%
Others	174.82%	237.42%	0.10%
Total Contingent Liabilities	292.08%	405.71%	467.97%

Growth (%)	Mar-09	Mar-08	Mar-07
PROFIT & LOSS ACCOUNT			
Net Interest Income	51.81%	96.52%	100.48%
Commission, Exchange & Brokerage	10.09%	83.78%	166.16%
Net Profit on Exchange Transactions	19.33%	-33.49%	-30.76%
Other (including dividend) income	-53.66%	64.03%	640.44%
Total Fee Based Income	-4.99%	58.67%	98.43%
Operating Income	24.97%	76.61%	99.40%
Employee expenses	7.71%	72.32%	134.35%
Other Operating expenses	44.53%	82.47%	111.23%
Total Operating Expenses	22.68%	76.31%	124.69%
Operating Profits	27.60%	76.96%	76.51%
Credit Provisions	47.77%	-29.38%	
Operating profits After Credit Provisions	26.31%	95.94%	49.78%
Other Provisions	37.58%	669.18%	-77.36%
Operating profits after Provisions	25.17%	82.24%	72.99%
Net profit on sale of securities & Assets	180.47%	1077.28%	13.89%
Profits Before Tax	51.99%	113.38%	70.22%
Tax	52.16%	116.00%	69.63%
Profits After Tax	51.89%	112.02%	70.54%
BALANCE SHEET			
ASSETS			
Term Loans	38.08%	43.95%	141.11%
CC and Loan Repayable on Demand	14.70%	89.85%	241.38%
Bills Purchased & Discounted	0.84%	-46.97%	343.18%
Total Advances	31.52%	49.93%	161.30%
Govt. Securities incl. approved securities	30.13%	67.07%	165.11%
Shares	0.00%	1083.42%	-71.71%
Debentures Bonds	51.09%	43.58%	48.74%
Others	72.88%	81.71%	104.41%
Total Investments	39.72%	65.75%	127.61%
Current Assets incl. cash and CRR	19.57%	24.38%	499.70%
Owned fixed assets	29.60%	42.76%	104.10%
Deferred Tax Assets	95.59%	110.90%	142.51%
Other Assets	76.48%	98.45%	143.15%
Total assets	34.85%	52.95%	166.75%
LIABILITIES			
Equity share capital	0.40%	5.64%	3.70%
Reserves	29.72%	101.78%	67.52%
Networth	23.15%	67.58%	37.43%
Rupee Borrowings (Non Capital Instruments)	292.98%	-29.94%	85.59%
Lower Tier II Bonds	0.00%	19.61%	180.00%
Upper Tier II Bonds	154.29%	97.68%	
Foreign Currency Borrowings (non Capital instruments)	-11.87%	121.90%	89.22%
Total Borrowings	116.00%	27.33%	138.32%
Demand Deposits	24.19%	136.15%	38.20%
Saving Deposits	31.08%	152.73%	438.25%
Term Deposits	21.52%	56.77%	198.09%
Total Deposits	21.82%	61.47%	182.45%
Current liabilities	107.72%	-9.79%	553.83%
Total Liabilities	34.85%	52.95%	166.75%
SUMMARY CONTINGENT LIABILITIES			
On Foreign Exchange contracts	-18.24%	-52.91%	193.94%
On Guarantees	85.03%	29.21%	408.25%
On Acceptances / endorsements	26.78%	1121.17%	147.40%
Others	-0.70%	362742.36%	-83.45%
Total Contingent Liabilities	-2.92%	32.60%	196.57%

Key Financial Ratios	Mar-09	Mar-08	Mar-07
OPERATING RATIOS			
Yield on Average[4] Advances	13.63%	11.84%	9.72%
Yield on Average Investments	8.18%	8.98%	6.83%
Yield on Average Earning Assets[5]	10.55%	9.70%	7.98%
Cost of Average Deposits	8.34%	7.95%	5.92%
Cost of Average Interest Bearing Funds [6]	8.49%	7.89%	6.35%
Gross Interest Spread [7]	2.06%	1.81%	1.63%
PROFITABILITY RATIOS			
Interest Income / Avg. Total Assets	10.05%	9.33%	7.70%
Interest Expense / Avg. Total Assets	7.48%	6.94%	5.45%
Net Interest Margin/Avg. Tot Assets [8]	2.56%	2.40%	2.24%
Fee Based Income/Avg. Tot Assets	1.44%	2.15%	2.49%
Fee based Income/Operating income	35.92%	47.25%	52.59%
Operating Expenses/Avg. Total Assets	2.10%	2.43%	2.54%
Operating Profit / Avg. Total Assets	1.90%	2.12%	2.20%
Provisions / Avg. Total Assets	0.31%	0.31%	0.38%
Net profit on sale of securities & assets / Avg. Total Assets	0.74%	0.38%	0.06%
Net profit on sale of securities & assets /PBT	31.87%	17.27%	3.13%
Tax / Profit before Tax	34.79%	34.75%	34.32%
Profit after Tax / Average Total Assets	1.52%	1.42%	1.24%
Dividend / Profit after Tax	0.00%	0.00%	0.00%
Profit after Tax / Net worth	18.71%	15.17%	11.99%
Accretion to reserves/ Avg. total assets	1.52%	1.42%	1.24%
EFFICIENCY RATIOS			
Total Fee Based Income / Operating Expenses	68.46%	88.40%	98.23%
Operating Cost to Operating Income Ratio	52.47%	53.45%	53.54%
Employee Expenses / Operating Expenses	52.09%	59.33%	60.71%
CAPITALISATION RATIOS			
Net Worth/ Total Assets	7.09%	7.77%	7.09%
Total Debt[9] / Net worth	12.23	11.36	12.15
Contingent Liabilities / Total Assets	2.92	4.06	4.68
Regulatory Capital adequacy ratio	16.63%	13.64%	13.60%
Regulatory Tier I capital	9.50%	8.52%	8.20%
Net NPAs/Networth	2.53%	0.64%	0.00%
LIQUIDITY RATIOS			
Total Liquid Assets[10] /Total Liability	39.47%	39.46%	39.32%
Total Advances/Total Deposits	76.71%	71.05%	76.51%
ASSET QUALITY			
Gross NPA/Gross Advances	0.68%	0.11%	0.00%
Net NPA/Net Advances	0.33%	0.09%	0.00%
Provisions/Gross NPA	52%	20%	-
Gross NPA Generation rate[11]	0.93%	0.17%	0.00%
COVERAGE RATIOS			
Operating profits/ NPA Provisions	6.14	6.82	5.84
Operating profits/Total Provisions	1.69	1.98	2.15
Operating Profits/Net NPAs	9.21	35.12	-

[4] Average is computed on year-end basis
[5] Earning assets = Advances + Investments + Current Assets including cash and balances with RBI + Accrued interest
[6] Interest Bearing Funds = Deposits + Borrowings including Subordinated bonds + Accrued interest
[7] Gross Interest Spread = Yield on average earning assets – cost of average interest bearing funds
[8] Net Interest Margin = Net Interest Income/Average Total Assets
[9] Total Debt = Deposits + Borrowings including Subordinated bonds
[10] Total Liquid Assets = Current assets including cash and balances with Reserve Bank + Government and Other approved securities + other liquid assets
[11] Gross NPA Generation Rate = Fresh NPA Slippages/Openings Standard Advances

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Mr. Rajat Monga
Chief Financial Officer
Yes Bank Limited
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December 03, 2009

Confidential

Dear Sir,

Credit Rating of Perpetual Bonds (TierI) Bonds issue of Rs.90 crore

Please refer to your request for rating of proposed issue of Perpetual Bonds (Tier I) of Rs.90 crore of your bank.

2. Our Rating Committee has assigned a **'CARE A+' [Single A Plus]** rating to the issue of Perpetual Bonds (Tier I) of Rs.90 crore of Yes Bank Limited. Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk.
3. The rationale for this rating will be communicated to you separately.
4. Please arrange to get the rating revalidated, in case the proposed issue is not made within **six months** from the date of this letter.
5. A formal surveillance/review of ratings is normally done on the expiry of the one year from the date of initial rating / last review of the rating. However, CARE reserves the right to undertake a surveillance/review of rating more than once a year (including any time before the expiry of one year from the date of initial rating) if in the opinion of CARE, circumstances warrant such a surveillance/review.
6. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material or clarifications as may be required by CARE. CARE shall also be entitled to publicise/disseminate such suspension/withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.

7. Please send us a written confirmation regarding your acceptance of the rating assigned and use thereof, as early as possible, but in any case within two weeks from the date of this letter. Unless accepted, the rating cannot be used in any manner whatsoever.
8. Kindly arrange to provide us the subscription details of the bond issue and forward to us a copy of the documents pertaining to the bond issue, including the offer document.
9. Our rating symbols for various ratings for short term instruments and explanatory notes thereon are given in **Annexure I**.
10. CARE ratings are not recommendations to buy, sell, or hold any security.
11. If you need any clarification, you are welcome to approach us in this regard.

Yours faithfully,

[Abhinav Sharma]
Manager

[Milind Gadkari]
General Manager

Encl: as above

DISCLAIMER

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Annexure I

Long /Medium -term instruments (NCD/FD/CD/SO/CPS/RPS)

Symbols	Rating Definition
CARE AAA	Instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.
CARE AA	Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.
CARE A	Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk.
CARE BBB	Instruments with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate credit risk.
CARE BB	Instruments with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such instruments carry high credit risk.
CARE B	Instruments with this rating are considered to offer low safety for timely servicing of debt obligations and carry very high credit risk. Such instruments are susceptible to default.
CARE C	*Instruments with this rating are considered to be having very high likelihood of default in the payment of interest and principal.*
CARE D	*Instruments with this rating are of the lowest category. They are either in default or are likely to be in default soon.*

As instrument characteristics or debt management capability could cover a wide range of possible attributes whereas rating is expressed only in limited number of symbols, CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

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