ACHIEVING INSTITUTIONAL EXCELLENCE AS THE PROFESSIONALS' BANK OF INDIA

YES BANK

EXPERIENCE OUR EXPERTISE

ANNUAL REPORT 2009-10

YES BANK-THE PROFESSIONALS' BANK OF INDIA

Say YES

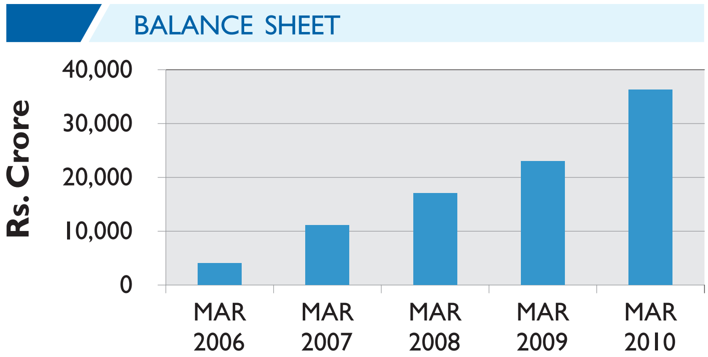
to the Professionals' Bank of India

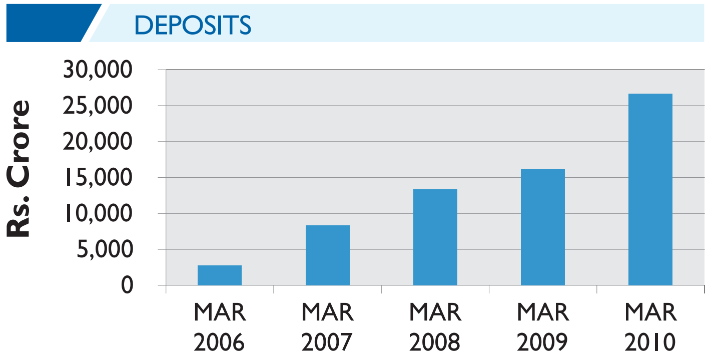
YES BANK has been established on the foundation of Professional Entrepreneurship.

Since inception in 2004, YES BANK has created a paradigm in Indian Banking through Innovation and Excellence. We have encouraged an entrepreneurial culture that stimulates and fosters innovation, thereby enabling us to deliver superior, customer centric financial products and services for our valued customers.

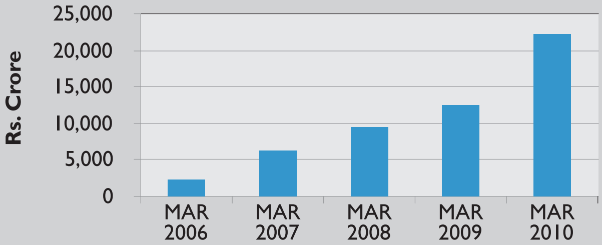
Over the last 6 years, we have leveraged on Creative Management Frameworks, Innovation and cutting-edge Technology, concurrently ensuring a Development Focus, in our relentless pursuit to emerge as the Professionals' Bank of India.

Accelerating Growth through Professional Entrepreneurship





ADVANCES



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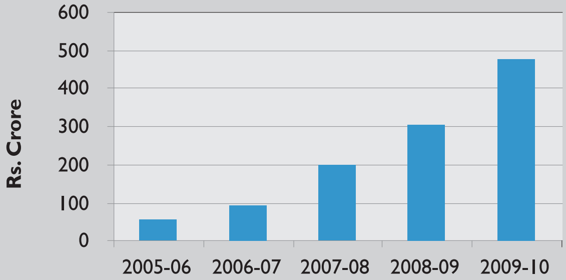
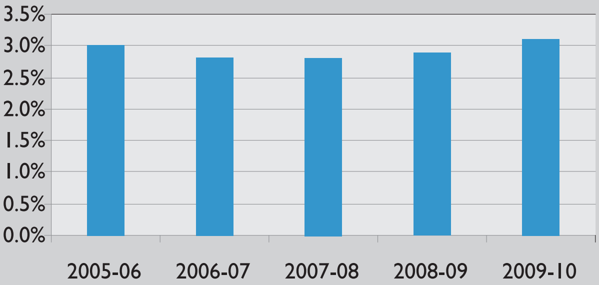
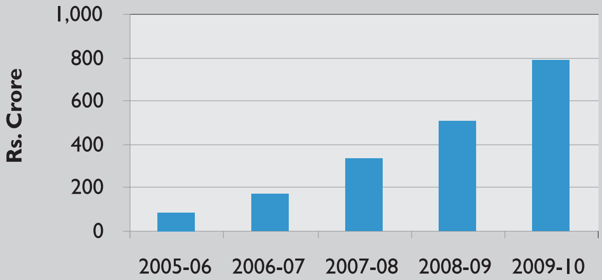


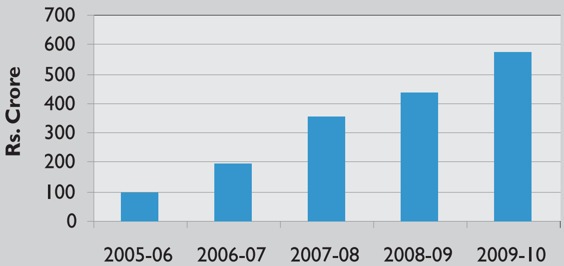
NET INTEREST MARGIN



NET INTEREST INCOME



NON INTEREST INCOME



Evolving Human Capital through Professional Entrepreneurship

YES BANK recognises that the real source of competitive advantage for an organisation is the power of its Human Capital. Being the **Professionals' Bank of India,** YES BANK pursues a strong Employee Value Proposition of 'Creating & Sharing Value'. Equipped with a team of industry and banking experts, your Bank continuously delivers quality performance while realising customer service objectives, creating positive employee attitudes through effective recognition programs and measuring results through consistent customer feedback. The aim is to build a culture and environment that supports Professional Entrepreneurship.

The Human Capital engagement practices at your Bank are targeted at developing the YES BANK brand as the "Preferred Employer of Choice". Your Bank continues to be strongly focused on attracting and retaining the best talent from India and abroad. Some of the key features of the Bank's Human Capital policies and practices are illustrated below:

YES SCHOOL OF BANKING

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

YES BANK-BUSINESSWORLD TRANSFORMATION SERIES 2010

To further augment the vision of Professional Entrepreneurship, YES BANK conceived the **'YES BANK-Businessworld Transformation Series 2010'**, a Case Study Challenge for premier B-school students across India. The objective of this series was to infuse the concept of Entrepreneurship & Innovation driven growth in the Future Leaders of INDIA. The launch of the Transformation Series was held in March 2010 in Mumbai.

RECOGNITIONS & ACCOLADES

The RASBIC award for the Organisation with the "Most Innovative Recruitment and Staffing Program / Initiative" 2009-10

The Global HR Excellence Award for the Organisation with "Innovative HR Practices" 2009-10

The Employer Branding Award for "Innovation In Recruitment" 2009-10

THE YES ACHIEVERS

THE CEO'S LEAGUE OF EXCELLENCE

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

The CEO's League of Excellence

The awards include 2 premium categories of Executive Recognition:

YES CHAMPION
CEO'S LEAGUE OF EXCELLENCE

YES RISING STAR

THE YES GOLDEN PIN - CEO'S AWARD

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

CEO'S AWARD

The YES GOLDEN PIN Achievers with Mr. Rana Kapoor

YES 5-YEAR COMMENDATION LAPEL PIN

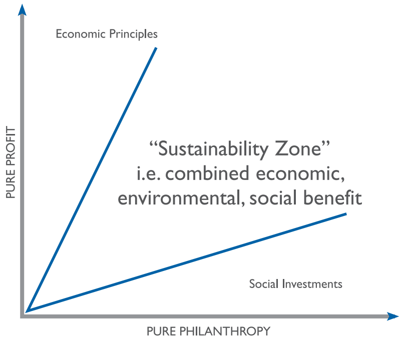
The YES 5-year Commendation Lapel Pin is awarded to deserving YES BANK'ers who have successfully completed 5 years of partnership with the Bank.

Creating Sustainability through Professional Entrepreneurship

Your Bank believes that a professional and entrepreneurial organisation can be socially responsible, only if it operates sustainably and organises its activities on the foundation of future and long-term viability. With due emphasis on Professional Entrepreneurship, your Bank has created three business verticals - Agri, Rural & Social Banking (ARSB), Microfinance and Sustainable Investment Banking (SIB). This is further complemented through the responsible banking initiatives.

SUSTAINABILITY DIRECTION

By operating in a 'Sustainability Zone', your Bank considers opportunities as well as risks that arise from economic, environmental and social developments, and mainstream them in the regular course of business.



Rana Kapoor, Managing Director & CEO, YES BANK receiving the Financial Times / IFC Washington No. 1 Emerging Markets Sustainable Bank of the Year - Asia Award.

THOUGHT LEADERSHIP INITIATIVES

UNEP Finance Initiative – Innovative financing for sustainability

First Indian Bank to become a signatory to UNEP-FI Principles for Sustainability. YES BANK is enabling contexts to tap sustainability and environmental projects in India and working with peers to mainstream sustainability in the Indian Financial Sector

Clinton Foundation

Made six commitments to the Clinton Global Initiative (CGI) in the areas of education, global health and poverty alleviation for 2009-10

Partnered with TBLI, Europe for developing collaboration on India focused Socially Responsible Investing (SRI), learning events and strategic advisory opportunities.

YES BANK has been actively participating in TBLI conferences since 2005

CARBON DISCLOSURE

First Indian signatory to the CDP. It fully supports international endeavours in formulating a single international carbon reporting standard. YES BANK has disclosed Carbon Emissions under the project in 2008

United Nations Global Compact

Only Indian Bank to be an active signatory to the United Nations Global Compact since 2009

FINANCIAL INCLUSION

YES SAMPANN - a technical collaboration with ACCION International, USA to provide credit, savings, micro-insurance and other financial products to low income customers

Partnership for Cotton value chain assessment in the Vidharbha region

SIDBI

Alliance for offering a wide range of financial services and products to Small & Medium Enterprises (SMEs)

Support to S³IDF which works towards augmenting pro-poor small scale infrastructure projects and strategies across a range of micro-enterprises

SUSTAINABLE INVESTMENT BANKING

Exclusive India Partner to Cleantech Australasia which helps clean technology companies based out of Australia to expand in newer geographies

Exclusive Advisor to Windlab Systems for their proprietary wind mapping technology, which can be used to identify high quality sites to set up wind farms

Exclusive Partner to GEF in India, a US based USD 1 bn fund that invests in clean and green business companies.

Exclusive Advisors to the Emerging Market Fund

SACEF

South Asia Clean Energy Fund - A USD 200 mn fund set up by YES BANK in partnership with Global Environment Fund (GEF)

SUSTAINABILITY INITIATIVES

Private Equity Placement of USD 3 mn-

December 2009

Private Equity Placement of USD 10 mn-

August 2009

Private Equity Placement of USD 46 mn-

November 2009

Jointly developed a Financial Literacy Program across 1000 schools in rural and urban India to educate and inspire young minds towards financial planning while bridging financial inclusion gaps

YES COMMUNITY

Responsible Community engagement for a sustainable future

Reinventing Service Excellence through Professional Entrepreneurship

YES BANK believes that a professional work culture adds to the capability of meeting the needs and aspirations of customers in a better and more effective manner. Every product and service offered by your Bank, is an outcome of professional excellence and can be benchmarked with the best in the world. Every Touch Point makes a significant and measurable contribution in delivering a professional banking experience. Your Bank's knowledge-driven philosophy not only helps understand customers better, but delivers consistent and superior service excellence through innovative products and services.

- ✓ Aesthetically designed retail branches are strategically located at cachement areas, ensuring smoother and convenient customer engagement
- ✓ Your Bank's external façade exudes transparency as its core value
- ✓ Your Bank's Direct Banking proposition 'YES TOUCH', is a manifestation of technology and convenience
- ✓ At your Bank's branches, 'YES for YOU' stands for responsiveness and an ebullient welcome
- ✓ Your Bank's branches have non-intimidating interiors, evocative communication through wall graphics, comfortable seating and world-class service
- ✓ The Knowledge Café facilitates thought leadership sessions and information exchange. The Business Lounges enable premium customers to bank with both finesse and luxury

- Your Bank firmly believes in adding value to customers. The International Debit Card can be used at all MasterCard enabled locations without a transaction charge
- Customers can avail of free online same day fund transfers through RTGS / NEFT
- The Speech recognition enabled 'YES TOUCH' Phone Banking Service minimises the transactional nature of banking
- Your Bank's Personal Relationship Managers, commissioned to every account holder, ensure a premium engagement experience
- Your Bank has successfully launched the 'Money Monitor'-Asia's FIRST Online Personal Finance Aggregation Tool. This revolutionary tool enables YES BANK Customers a single-login access to all their Bank Accounts, Credit Cards, Investments, Reward / Mileage points across over 11,000 financial institutions worldwide

Empowering Businesses through Professional Entrepreneurship

Leveraging the principles of professional entrepreneurship, your Bank has extended its knowledge proposition to tap new opportunities across high-growth and sunrise sectors of India. Through Thought Leadership knowledge reports, your Bank supports and promotes the development of growth sectors with due emphasis on long-term progress.

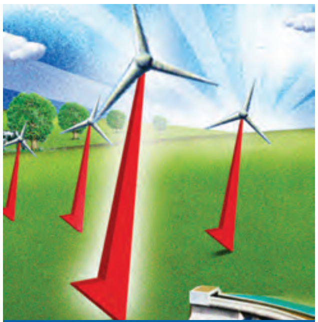
Say YES to Knowledge Banking

FOOD & AGRIBUSINESS

INFRASTRUCTURE

HEALTHCARE & LIFESCIENCES

COMMUNICATIONS & TECHNOLOGY



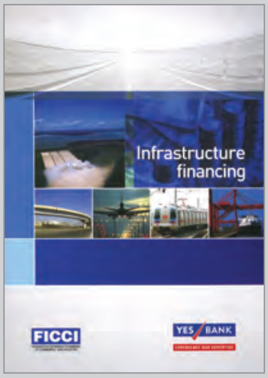
ENVIRONMENT & RENEWABLE ENERGY

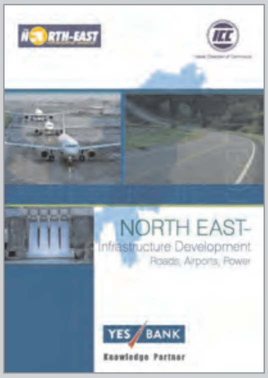
EDUCATION & SOCIAL INFRASTRUCTURE

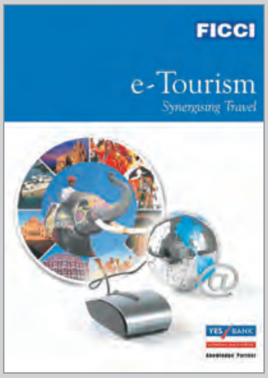
YES BANK-THE PROFESSIONALS' BANK OF INDIA

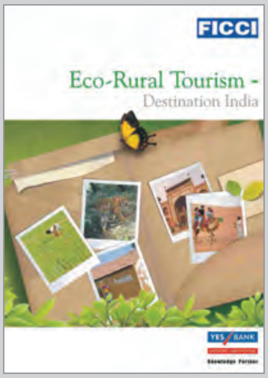
YES BANK
EXPERIENCE OUR EXPERTISE

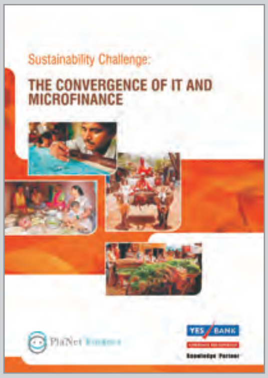
SELECT KNOWLEDGE BANKING PUBLICATIONS BY YES BANK

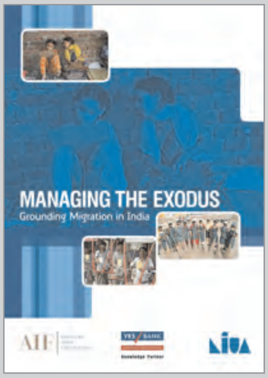


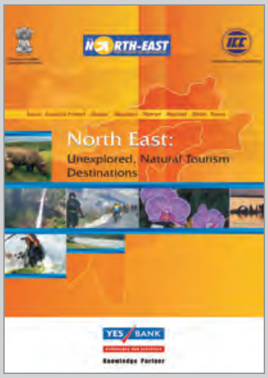


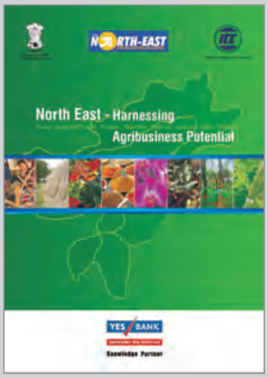












Outperforming through Professional Entrepreneurship

Your Bank envisions professional entrepreneurship not only in terms of recognition, but also in harnessing knowledge of emerging sectors and its ability to perform better. As the Professionals' Bank of India, your Bank will continue to excel by surpassing new benchmarks in the future.

Qualified Institutions Placement (QIP)

US$ 225 million

(Rs. 1,033.87 crores)

YES BANK

- Issue of 3.84 crore shares at Rs. 269.50 per share aggregating Rs. 1033.87 crores
- Increases Total Capital Adequacy to over 20% & Tier I Capital Adequacy over 13%
- Total Capital Funds at Rs. 5,070 crores, Shareholder funds at Rs. 3,000 crores

We thank all our **Investors & Stakeholders** for their **valuable support**

Joint Global Co-ordinators	Auditors	Legal Advisors
Morgan Stanley, CLSA Asia-Pacific Markets, Goldman Sachs	BSR & Co. Chartered Accountants	Linklaters, Amarchand & Mangaldas & Suresh A. Shroff & Co.

KEY AWARDS AND ACCOLADES

INSTITUTIONAL EXCELLENCE

business today

Awarded as India's #1 Mid Sized Bank (balance sheet < 24,000 cr) at the Business Today-KPMG Best Bank Survey & Awards 2009

Businessworld The No.1 Business Magazine

Received the Fastest Growing Bank award (balance sheet < 30,000 cr) at the Businessworld Best Bank Awards 2009

business today

Ranked #5 in Banking Services sector in the Business Today 500 - India's Most Valuable Companies 2008-09 Annual Survey

Businessworld The No.1 Business Magazine

Mr. Rana Kapoor, Managing Director & CEO, YES BANK ranked as the 3rd Most Valuable Indian CEO of the Year by Businessworld in November 2009

The Economic Times

Ranked #7 amongst the Top 10 Indian Banks by The Economic Times Intelligence Group in November 2009 #1 on Growth & #2 on Financial Strength

BUSINESS EXCELLENCE

FIIA Financial Insights Innovation Award

Received the Financial Insights Innovation Award for Innovation in Business Excellence- February 2010, Singapore

The New Economy

Received the Most Sustainable Bank of the Year Award at the New Economy 2nd Annual Banking & Finance Awards 2009

IMC RAMKRISHNA BAJAJ NATIONAL QUALITY AWARDS,

Received the Certificate of Merit', in the Services Category, at the IMC Ramkrishna Bajaj National Quality (IMC RBNQ) Awards, 2009

CII-ITC Centre of Excellence for Sustainable Development

Received the 'Commendation Certificate' for 'Strong Commitment to Excel' at the CII-ITC Sustainability Awards 2009

The Global M&A Advisor Awards

Received three significant awards across Asia, Middle-East, Africa and Oceania region at the Global M&A Advisor Awards 2009, New York, USA

Qimpro Accelerating Transformation »

Received the Qimpro BestPrax Compass Award for Innovative Practices in Customer Service Channels 2009

Ensuring Highest Levels of Corporate Governance with Exceptional Independent Board Members

RANA KAPOOR
Managing Director & CEO

S.L.KAPUR
Non-Executive Chairman

AJAY VOHRA
Independent Director

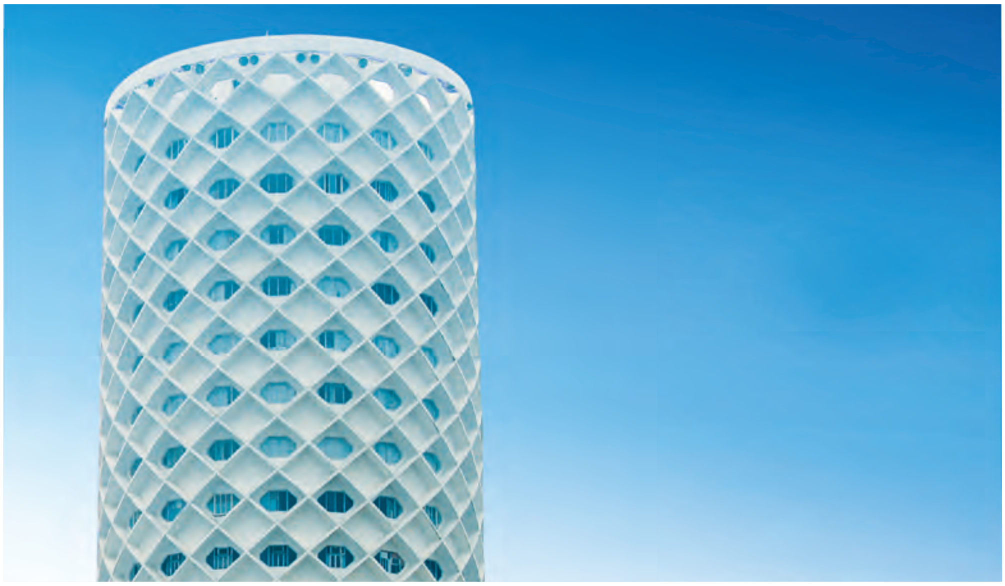
BHARAT PATEL
Independent Director

RADHA SINGH
Independent Director

SIPKO SCHAT
Nominee Director

WOUTER KOLFF
Independent Director

ARUN K. MAGO
Independent Director



YES BANK Headquarters, Nehru Centre, Discovery of India, Worli, Mumbai.

YES BANK-THE PROFESSIONALS' BANK OF INDIA YES BANK-THE PROFESSIONALS' BANK OF INDIA YES BANK-THE PROFESSIONALS' BANK OF INDIA

ADITYA SANGHI
President & Senior Managing Director
Investment Banking

ALOK RASTOGI
Group President and
Chief Operating Officer

ANINDYA DATTA
President &
Chief Marketing Officer

NIKHIL SAHNI
President, Branch Banking

RAJAT MONGA
Group President, Financial Markets
and Chief Financial Officer

R. RAVICHANDER
Group President and Head
Business Development, South

SANJAY PALVE
President & Managing Director
Corporate Finance

SOMAK GHOSH
Group President,
Corporate Finance & Development Banking

SHUBHADA RAO
Chief Economist

SUNIL GULATI
Group President,
Corporate & Institutional Banking

SURESH SETHI
Group President,
Transaction Banking / International Banking /
Liabilities & Investment Mgmt.

UMESH JAIN
President &
Chief Information Officer

DEODUTTA KURANE
President,
Human Capital Management

DEVAMALYA DEY
President,
Audit & Compliance

JAIDEEP IYER
President,
Financial Management

KAVITA VENUGOPAL
Group President &
Chief Risk Officer

RITA SONI
SVP & Country Head,
Responsible Banking

SANJAY AGRAWAL
President, Business Banking

Multiplying achievements through Professional Entrepreneurship

SUMIT GUPTA
President,
Commercial Banking

VARUN TULI
Group President,
Branch Banking

Brand vision and strategy

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

'YES' signifies	Attractive, Smart, Simple, Serious, Reliable, Trustworthy, Optimistic Positive, Efficient and Universal Distinctive and Affirmative
BRAND VISION	To build the Best Quality Bank of the World in India by 2015

BRAND PILLARS

Your Bank is built around 6 KEY BRAND PILLARS which reflect the core values of the Bank

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

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

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

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

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

Your Bank will continue to fulfil its promise through consistent communication under the Brand Positioning of 'Experience our Expertise'.

SAY YES TO THE FINEST BRANCH BANKING EXPERIENCE

PROSPERITY BEGINS WHEN YOU SAY "YES"

EMPOWERING YOUR SME BUSINESS THROUGH KNOWLEDGE AND EXPERTISE

ENABLING EFFICIENT FINANCIALLY INCLUSIVE BANKING

Contents

RANA KAPOOR
Managing Director & CEO

"The sustained growth of our Bank is based on the key pillars of Growth, Trust, Technology, Knowledge Driven Human Capital, Transparency and Responsible Banking."

Dear Valued Stakeholder,

The year 2009-2010 recovered from the economic crisis that had already permeated across most industries and at different levels. Despite this challenging backdrop, YES BANK has continued its **steady GROWTH trajectory** through a **robust performance, effective execution management, driven by a highly competent top and senior management team's focused efforts** that have ensured success across our various business segments, thereby further enhancing our financial and business model, which focuses on high-value and customised solutions. This gives us the confidence that the terrific resilience and inherent strengths of our **young, dynamic and entrepreneurial Bank** will be sustained on a continuous basis, with even greater commitment and dedication in the future years to truly evolve as a WINNER par excellence.

I truly believe that YES BANK, **the Professionals' Bank of India,** has the **leadership stature, financial strength, focus on costs and quality, an improved geographic reach** and, most importantly, an **extraordinary passion in our YES BANK'ers** to compete, grow and win in the long term.

This commitment of the **Winning Team @ YES** has been reflected through significant business momentum garnered over the last few years, and has resulted in **consistent financial performance, highest asset quality, national and international awards and accolades,** and several business successes for YES BANK. I express my deepest appreciation to all YES BANK'ers for their outstanding contribution towards sustaining the growth and ensuring Institutional Operational Excellence. I sincerely believe that the sustained growth of YES BANK is an outcome of the dedicated hard work in the formative years in deploying a customer-centric strategy built on the key pillars of **Growth, Trust, Technology, Knowledge driven Human Capital, Transparency and Responsible Banking,** which have been ingrained in the organisational DNA.

It gives me considerable pride in advising you that YES BANK has successfully completed 6 years of Institutional Excellence, with the conclusion of Version 1.0, and we have substantially invested in our **Integrated Branch Banking business through an integrated SME and Retail model,** and we have continued to develop our product portfolio with a comprehensive range of products that go beyond conventional banking.

As we ascend into our next phase of growth **(Version 2.0 – 2010-2015)**, we will further accelerate our business growth with an aim to achieve a balance sheet size of **INR 150,000 crore** and a pan India network of **750** branches and **3000** ATMs, augmented by a human capital base of **12,000 YES BANK'ers by 2015.**

These last 6 years have seen many challenges, through which YES BANK and its team have emerged even stronger, and have inspired considerable confidence in all our stakeholders. YES BANK has encouraged an entrepreneurial culture where employees are motivated to suggest new ideas, build capabilities to achieve 'speed-to-market' with new products and services, demonstrate agility and grow, and to achieve their fullest potential.

We have always believed that a Bank, as a Public Trust institution, is a critical facilitator for sustaining the growth momentum of our economy, and as a young organisation, we have pursued tremendous opportunities, and applied incremental efforts towards **facilitating growth and greater business development.** The Bank has imbibed the cardinal principle of **'Carpe Diem – Seize the Opportunity Everyday'** to further propel YES BANK into a higher stratosphere of **growth, distinction and sustained excellence.**

Achieving Business Excellence through Innovation and effective Relationship Management, driven by Knowledge Banking capabilities has been at the epicentre of our Bank's business strategy. These achievements are a **testimony to the united efforts of the entire YES BANK team across businesses and support functions** which have insulated the Bank against any significant adverse impact arising from developments in the external business environment.

This year, once again, YES BANK has been recognised **amongst the Top and the Fastest Growing Banks' in various Indian Banking League Tables** by prestigious media houses and Global Advisory Firms such as the **Fastest Growing Bank award (balance sheet < INR 30,000 cr)** at the **Businessworld Best Bank Awards 2009; India's #1 Mid Sized Bank (balance sheet < INR 24,000 cr)** at the **Business Today-KPMG Best Bank Survey & Awards 2009; #1** amongst the Top 10 Indian Banks in **Growth by The Economic Times Intelligence Group;** and **#5** in Banking Services sector in the **Business Today 500 – India's Most Valuable Companies 2008-09 Annual Survey**.

YES BANK has also received various national and international honours such as the

Financial Insights Innovation - Asia Award for **Innovation in Business Excellence, 2009;** the **Most Sustainable Bank of the Year award at the New Economy 2nd Annual Banking & Finance Awards, London, 2009;** the **'Certificate of Merit', in the Services Category, at the IMC Ramkrishna Bajaj National Quality (IMC RBNQ) Awards, 2009;** and the **Qimpro BestPrax Compass Award** for **Innovative Practices in Customer Service Channels, 2009.** YES BANK has also received the **Global HR Congress** award for **Innovation in HR Practices** consecutively for the last three years.

Since inception, it has been our endeavour to pursue a differentiated business strategy, and significantly invest in best-in-class Human Capital. In Version 2.0, we will continue to persevere, and further heighten our efforts in human capital acquisition, learning and development, implementing waste management initiatives, further strengthening systems, controls and processes, achieving superior service delivery, and investing in the YES BANK brand. These will in turn be the key drivers of sustained growth, and help propel the Bank for a take-off **to become the Best Quality Bank of the World in India by 2015.** While we have the added responsibility of performing significantly better every year, and maximising value for all stakeholders, we remain committed to pursuing the **highest levels of professional integrity, ethical standards, highest levels of compliance and the most stringent corporate governance norms,** which have been the cornerstone of our success in the last six years.

I take this opportunity to thank my entire team for the **commendable performance, dedication and hardwork** put in over the past several years. As we visualise the next few years and beyond, I sincerely believe that with the continued support of our valued stakeholders, the best, most glorious years of YES BANK are imminently ahead of us.

Thank you.

Sincerely,

RANA KAPOOR
Managing Director & CEO

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Sixth Annual Report of your Bank together with the audited Balance Sheet, Profit & Loss Account and the report on business and operations of the Bank for the year ended March 31, 2010.

Financial Performance

(Rs. in crores)

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Deposits	26,799	16,169
Borrowings	4,749	3,702
Advances	22,193	12,403
Total Assets/Liabilities	36,382	22,901
Net Interest Income	788	509
Non Interest Income	576	437
Operating profit	864	528
Provisions and Contingencies	137	62
Profit before Tax	727	466
Provision for taxes	249	162
Net Profit	478	304
Add: Surplus/(Deficit) brought forward from last period	406	245
Amount available for appropriation	884	549
Appropriations		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	119	76
Capital Reserve	32	67
Investment Reserve	-	-
Proposed Dividend and Tax thereon	60	-
Surplus carried to Balance Sheet	673	406
Key Performance Indicators		
Net Interest Margin	3.1%	2.9%
Return on Annual Average Assets	1.6%	1.5%
Return on Equity	23.7%	20.6%
Cost to Income Ratio	36.7%	44.2%
Non Interest Income to Net Revenues	42.2%	46.2%

Your Bank posted net revenues (Net Interest Income and other income) of Rs. 1,364 crore and Net Profit of Rs. 478 crore for the Financial Year 2009-10. Net Revenues and Net Profit for the Financial Year 2008-09 was Rs. 946 crore and Rs. 304 crore respectively. Appropriations from the Net Profit have been effected as per the table on the earlier page. Please refer to the section on FINANCIAL AND OPERATING PERFORMANCE in Management Discussion and Analysis for a detailed analysis of financial data.

Dividend

In view of the excellent financial performance of your Bank and encouraging future outlook as well as the objective of rewarding shareholders with cash dividends while retaining capital to maintain a healthy Capital Adequacy Ratio, to support future growth, the Board of Directors have recommended maiden Dividend at a rate of Rs. 1.50/- per equity share.

Capital Raising & Capital Adequacy Ratio (CAR)

The Members of the Bank at their Fifth Annual General Meeting held on September 3, 2009 had approved the issuance of the equity shares to Qualified Institutions Buyers under Qualified Institutions Placement (QIP). The Bank had launched the QIP in the month of January 2010 and had received a tremendous response to the issue, raising US$225 Million (Rs. 1033.88 crore) at a rate of Rs 269.50 per share. Your Bank has utilised the proceeds of the issue of equity shares under QIP for enhancing the solvency, Capital Adequacy Ratio and for general corporate purposes.

The paid-up capital of your Bank increased to Rs. 340 crore as at March 31, 2010 from Rs. 297 crore as at March 31, 2009, post exercise of 43,25,630 employee stock options and allotment of 3,83,62,709 equity shares under Qualified Institutions Placement during the Financial Year 2009-10.

Your Bank also raised a sum of Rs. 82 crore by way of Tier I perpetual bonds, Rs. 93 crore by way of Upper Tier II capital and Rs. 560 crore by way of Lower Tier II subordinated bonds during the Financial Year 2009-10. Your Bank has utilised the proceeds of the issue of Tier I Perpetual Bonds and Upper & Lower Tier II capital to augment the long-term capital resources and to enhance the Capital Adequacy Ratio (CAR) for successfully implementing its growth plans.

In line with the RBI circular on Capital Adequacy Framework, your Bank has computed capital charge for operational, market and credit risk and its Capital Adequacy Ratio as per Basel II accord as at March 31, 2010.

Your Bank is well capitalised with a Capital Adequacy Ratio (as per Basel II) of 20.6% as at March 31, 2010; of which Tier I Capital Ratio was 12.9% and Tier II Capital Ratio was 7.7%. The rating profile of your Bank's exposure has resulted in an overall reduction in the risk weighted assets of your Bank and an improved Capital Adequacy Ratio under Basel (II) accord (20.6%) as compared to Basel (I) accord (17.3%) as at March 31, 2010. As at March 31, 2009, the Capital Adequacy Ratio of the Bank was 16.6% as per Basel II accord.

Employees Stock Option Scheme

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

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

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

	JSOP I (Grants)	JESOP II (Grants)	JESOP III (Grants)	YBL ESOP (JESOP IV - Grants)	YBL ESOP (PESOP I - Grants)	YBL JESOP V (Grants/ Allocations)	YBL PESOP II (Grants/ Allocations)
Total No. of Options granted/allocated (during FY 2009-10)	Nil	Nil	Nil	Nil	8,43,000	12,82,500	73,63,000
The Pricing Formula	At par	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.
Options Vested (during FY 2009-10)	19,01,000	8,26,250	17,85,000	2,50,000	10,06,000	Nil	24,36,000
Options Exercised (during FY 2009-10)	18,62,541	6,45,550	6,32,539	Nil	4,59,150	Nil	7,25,850
The Total No of shares arising as a result of exercise of options	18,62,541	6,45,550	6,32,539	Nil	4,59,150	Nil	7,25,850
Options lapsed/Forfeited (during FY 2009-10)	18,250	50,000	2,12,500	3,92,500	4,81,300	1,70,000	11,56,000
Variation of terms of options	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.	There is no variation in the terms of the options during the Financial Year ended March 31, 2010.
Money realized by exercise of Options (during FY 2009-10)	1,86,25,410	5,59,28,238	5,84,39,601	Nil	6,67,76,770	Nil	7,95,84,745
Total No of Options in force	11,14,779	15,71,950	29,24,961	38,93,500	40,05,300	18,35,000	1,36,46,150
Total No. of Options granted to (during FY 2009-10)							
(i) Total No. of Options granted to Senior Management Personnel (SMP)	Nil	Nil	Nil	Nil	Nil	Nil	Anindya Datta (1,00,000) R. Ravichander (75,000) Sanjeev Kapoor (1,00,000)
(ii) Any other employee who received a grant in any one year of options, amounting to 5% or more of options granted during that year	NA	NA	NA	NA	NA	Aparajit Bhandarkar (75,000) Rakesh Arya (1,25,000) Saurabh Bhat (1,50,000)	NA

	JSOP I (Grants)	JESOP II (Grants)	JESOP III (Grants)	YBL ESOP (JESOP IV - Grants)	YBL ESOP (PESOP I - Grants)	YBL JESOP V (Grants/ Allocations)	YBL PESOP II (Grants/ Allocations)
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NA	NA	NA	NA	NA	NA	NA
Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of options	Rs. 14.87 per share						
Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Impact of using Fair value of options instead of Intrinsic value for the FY 2009-10 is :- Basic EPS – Rs. 14.47 per share instead Rs. 15.65 per share Diluted EPS – Rs. 13.75 per share instead of Rs. 14.87 per share						
Weighted average exercise prices	10	92.61	100.57	175.32	162.83	168.48	121.39
Weighted average fair values of the options	5.29	44.38	48.21	91.13	80.20	106.02	55.10
The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; (i) the Intrinsic Value method; (ii) the Fair Value method. The Bank adopts the Intrinsic Value method to account for the stock options, it grants to the employees. The Bank also calculates the Fair Value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:							
i) Risk free interest rate	6.54%~6.81%	6.73%~7.45%	7.27%~8.23%	7.48%~8.55%	5.98%~8.51%	5.20%~8.55%	4.96%~8.51%
ii) Expected life	6.5yrs to 7.5yrs	6.5yrs to 7.5yrs	6.5yrs to 7.5yrs	4.5yrs to 7.5yrs	1.5yrs to 6 yrs	4.5yrs to 7.5yrs	1.5yrs to 4.5yrs
iii) Expected volatility	50.58%	35.97%~49.92%	35.82%~41.74%	39.94%~64.92%	40.74%~82.76%	61.31%~82.76%	61.31%~82.76%
iv) Expected dividends	1.44%	1.13%~1.23%	1.13%	1.13%~1.5%	1.13%~1.5%	1.5%	1.5%
v) The price of the underlying share in market at the time of option grant	Not listed	92.61	100.57	175.32	162.83	168.48	121.39

Directors

The Board, on nomination by the Indian Promoter, Mr. Rana Kapoor, has appointed Mr. S. L. Kapur, currently a Director of the Bank as a Non Executive Part Time Chairman of the Bank. The appointment is w.e.f. April 27, 2010. The approval of Members in this regard is being sought at the ensuing Annual General Meeting of the Bank. The Reserve Bank of India vide its letter DBOD No. 14882/29.47.001/2009-10 dated February 25, 2010 has approved the appointment of Mr. S. L. Kapur as the Non Executive Part time Chairman of the Bank for a period of 1 (one) year.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Ms. Radha Singh and Mr. Ajay Vohra shall retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Corporate Governance

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

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

Auditors

M/s. B S R & Co, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment, subject to the approval of the Reserve Bank of India. Members are requested to consider their re-appointment on a remuneration to be decided by the Board or Committee thereof for the ensuing Financial Year i.e. 2010-11.

Statutory Disclosures

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

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

Directors' Responsibility Statement

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

(I) in the preparation of the accounts for the Financial Year ended March 31, 2010 the applicable accounting standards have been followed along with proper explanation relating to material departures;

(II) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2010 and of the profit of the Bank for the year under review;

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

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

Acknowledgement

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

For and on behalf of the Board of Directors

Rana Kapoor Managing Director & CEO	**Bharat Patel** Director	**S.L. Kapur** Non Executive Chairman	**Arun K. Mago** Director

Place: Mumbai
Date: April 27, 2010

Management Discussion & Analysis

MACROECONOMIC AND INDUSTRY OVERVIEW

The Indian economy is back on course to its pre-crisis growth trajectory, with the momentum in recovery led by a stronger and faster than earlier anticipated rebound in industrial activity. Overall, real GDP growth has been estimated at 7.2% for the Financial Year 2010 as compared to 6.7% for the Financial Year 2009 despite the impact of a delayed and deficient monsoon.

In terms of sectoral trends, growth has been broad-based. While industrial production continued to witness incremental gains, averaging 13.2% in Q3, as compared to 9.0% in Q2 and 3.8% in Q1, the recovery momentum was also supported by continued resilience in Services, despite a phased withdrawal of extraordinary and crisis-driven fiscal measures. Excluding the government sector, services grew impressively by 9.1% in Q3 versus 7.9% in Q2. A delayed and deficient monsoon, however, severely impacted the Kharif crop which constitutes nearly 52% of the total agricultural output. With a shortfall of 23% in precipitation, the weak south-west monsoon led to a drought in several states in 2009. However, higher outlook for the Rabi crop has buoyed overall prospects for agriculture and the sector is estimated to have contracted only by 0.2% in the Financial Year 2010.

The first half of the year 2010 saw the economy taking calibrated steps towards consolidation in the recovery process. While the overall sentiment was buoyed by the thumping success of the pro-reform Congress-led UPA coalition in the parliamentary elections in May 2009, in the real economy, fiscal as well as monetary policy continued to maintain a pro-growth expansionary stance with a view to stabilise the economy. As a result, the July 2009 budget projected the fiscal deficit at 6.8% of GDP for the Financial Year 2010, significantly above 5.5% seen in the interim budget announced in February 2009. On the monetary policy front, the Reserve Bank of India (RBI) had cut key short-term rates – the Repo and the Reverse Repo by 25 bps each, to 4.75% and 3.25% respectively in the annual monetary policy review in April 2009. While the first quarter monetary policy statement in July 2009 was seen adopting a mildly hawkish tone, the key challenge for the monetary policy remained that of accommodating the government's huge borrowing programme whilst ensuring adequate credit flow to productive sectors. Inflation remained fairly muted on a high statistical base and WPI inflation entered negative territory during June–August 2009.

In the second half of the year 2009, with growth on a fairly stable footing domestically as well as globally, the RBI in tandem with central banks in other emerging markets adopted a calibrated approach to exiting the crisis-induced monetary measures. As a first step, the central bank restored the Statutory Liquidity Ratio (SLR) for Scheduled Commercial Banks to its pre-crisis level of 25% from 24% of their Net Demand and Time Liabilities (NDTL), effective November 2009. The RBI also announced the withdrawal of some unconventional measures like refinance facilities and forex swap facility, and tightened the norms on commercial real estate exposure and loan loss provisions for banks. In terms of specifics the RBI restored the Export Credit Refinance Facility limit to its pre-crisis level of 15% from 50% of eligible outstanding export credit that was announced in November 2008. Further, the central bank also announced the withdrawal of the following refinance facilities: (1) Special refinance facility for scheduled commercial banks (2) Special term Repo facility for scheduled commercial banks for funding to MFs, NBFCs, and HFCs and increased the provisioning requirement for advances to the commercial real estate sector classified as 'standard assets' from 0.40% to 1%. In addition, the RBI directed banks to augment their provisioning cushions consisting of specific provisions against NPAs as well as floating provisions, and to ensure that the total provisioning coverage ratio, including floating provisions, be not less than 70%, by the end of September 2010.

With inflation on a rapidly escalating trajectory due to supply-side weaknesses, the monetary policy focus shifted to liquidity management to anchor inflation expectations. As a result, the Third Quarter monetary policy saw the central bank hiking the Cash Reserve Ratio by 75 bps to 5.75% and limit the risk of potential asset price bubbles. The move, implemented in two phases - 50 bps effective from the fortnight beginning February 13, 2010 and 25 bps hike effective from the fortnight beginning February 27, 2010 translated into a direct reduction of Rs. 36,000 crore from systemic liquidity. Recognising the risk of a spillover of high food prices into a generalised price rise, the RBI announced an intra-policy hike of 25 bps in both the Repo and the Reverse Repo in March 2010. With the negative output gap narrowing, demand side pressures, however, continued to reflect in core inflation which was reported at 4.72% for March 2010 up from 4.22% in February 2010 and 3.35% (revised) in January 2010. With a view to further anchor inflation expectations, the RBI followed this with another 25 bps hike across the board - the Repo, Reverse Repo and the Cash Reserve Ratio in the Annual Monetary Policy Statement on April 20, 2010.

In terms of monetary aggregates, the growth in non-food bank credit of 16.9% at the end of March 2010 was in line with the RBI's indicative projection at 16%, with the YTD increment (over March 31, 2009) in non-food credit at Rs. 4,62,571 crore as compared to an increment of Rs. 4,11,824 crore for the same period last year.

From a macroeconomic stability point of view, the Third Quarter monetary policy had also noted the need for the fiscal policy to move in tandem with the monetary exit and address the real supply-side bottlenecks. Subsequently, the Union Budget for the Financial Year 2011 unveiled in February 2010 was also seen adopting a gradualist approach towards withdrawal of the stimulus with the fiscal deficit realistically projected at 5.5% of GDP for the Financial Year 2011. The budget also accorded top priority to fiscal consolidation without compromising on allocations to the key drivers of growth viz., Infrastructure and Agriculture. All these developments have been definite sentiment 'positives'. With positives seen emerging across the board, the play out between growth and inflation will now be influenced by the monsoon outlook.

Business Overview

Your Bank believes in delivering superior stakeholder value through a professionally-driven work environment. By embracing Professional Entrepreneurship, your Bank propels its progress and differentiates its growth strategies from others. The sustained progress of your Bank is based on the key pillars of **GROWTH, TRUST, TECHNOLOGY, KNOWLEDGE-DRIVEN HUMAN CAPITAL, TRANSPARENCY and RESPONSIBLE BANKING.** Your Bank is committed to offer innovative and professional business solutions that are customised to meet the growing and dynamic needs of customers across segments.

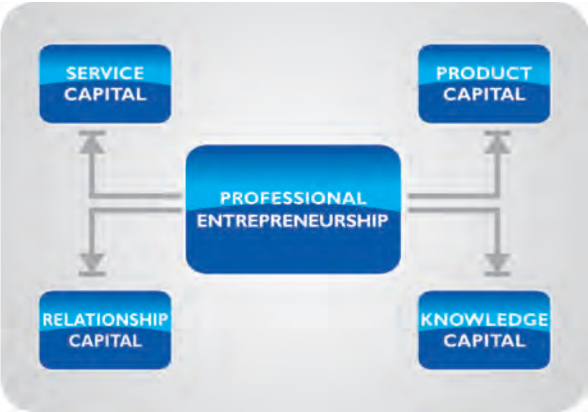
Your Bank also believes in bringing about a professional transformation in banking by combining traditional and modern ways of thinking, to provide maximum benefit to all our stakeholders. By continuously striving to create, innovate and transform, your Bank goes beyond the traditional realm of banking to create long-term value for all stakeholders.

Your Bank has an equitable proportion of experts ranging from the field of banking to 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 your Bank's customers' needs, at every stage of evolution of their business.

This differentiated approach has resulted in your 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.

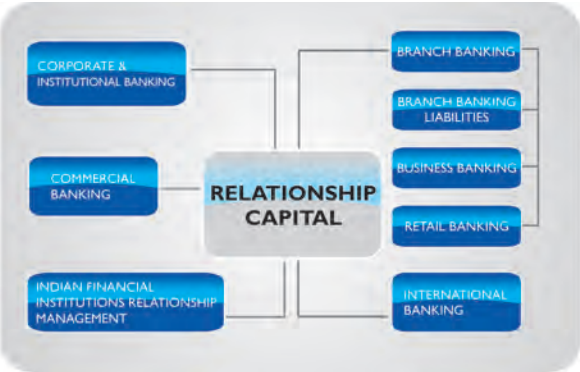
Your Bank was ranked as the Fastest Growing Bank (balance sheet < Rs. 30,000 cr) at the Businessworld Best Bank Awards 2009. Your Bank was also ranked as India's No.1 Mid-Sized Bank (balance sheet < Rs. 24,000 cr) at the Business Today-KPMG Best Bank Survey & Awards 2009 & 2008. Additionally, Mr. Rana Kapoor, Founder/Managing Director & CEO, YES BANK was ranked as **the 3rd Most Valuable Indian**

CEO of the Year by Businessworld in November 2009. These recognitions validate your Bank's innovative business model that is based on the principles of Professional Entrepreneurship which are encapsulated within the Business strategy, while offering a combination of Relationship, Product, Knowledge and Service Capital to all customers through a unique '**One-Bank Model**' approach.



Relationship Capital

To ensure quality growth, your Bank has put special focus and emphasis on building institutional Relationship Capital. As the Professionals' Bank of India, your Bank goes an extra mile to build long-term, core relationships. Your Bank's 'One-Bank Model' approach is built on a 3-dimensional structure of Relationship, Product and Knowledge, to create a differentiated proposition and incremental value generation, throughout the clients' business lifecycle, across multiple customer segments and knowledge verticals as defined below:



Corporate & Institutional Banking

Your Bank's professional contributions within the Corporate and Institutional Banking segment have ensured that every partnership delivers profits as well as long-term value.

The Corporate & Institutional Banking (C&IB) division at your Bank provides comprehensive financial and risk management solutions to clients generally with a turnover of over Rs. 1000 crore. Your Bank's professional relationship experts 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

Your Bank provides a comprehensive range of client-focused Corporate Banking Services, including Working Capital Finance, Term Loans, specialised Corporate Finance products, 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. Your 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. Your Bank has made significant inroads into developing core relationships with a number of Indian companies in collaboration with various Government institutions at the Central, State and District levels.

Your Bank provides industry specific financial solutions by creating tailor-made services through superior structuring to best suit client requirements, which helps to lower entry barriers, strengthens business relationships, and ensures risk mitigation.

Commercial Banking

By continuously evolving sector-specific products and services, your Bank paves the path for a sustained future for Emerging Corporates. Your 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 the objective of being the Bank for 'Future Industries of India'. Your Bank has institutionalised Commercial Banking (CB) dedicated to serve this specialised segment of companies generally with a turnover between Rs. 100 crore and Rs. 1000 crore, 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 the key emerging sectors like Food and Agribusiness, Life Sciences & Health Care, Media and Entertainment, Engineering, Telecommunications, Information Technology and Infrastructure, thereby laying the foundation of long-term growth. CB's Relationship Managers aim to deliver the highest standards of service to their customers by following a Money Doctor approach of Diagnostic and Prescriptive solutions, through a careful evaluation of client-specific financial needs and providing 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 customised to address the specific lifecycle needs of the identified customers across the above mentioned sectors. This 'lifecycle banking' approach has been instrumental in influencing sustainable growth and transformation of a large number of your Bank's customers, resulting in strong customer loyalty and a mutually enriching experience.

Branch Banking

Your Bank believes in providing a consistent superior banking experience to all its customers through its high quality, state-of-the-art branch infrastructure. The experience is further enhanced through cutting-edge technology and a customer-centric approach.

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

Currently, your Bank's customers are being served through an extensive branch network, comprising of 150 branches spread over 124 locations across India as well as over 200 fully operational ATMs. Your Bank will continue to expand its branch presence in line with its vision to enable financially efficient and inclusive Banking, through its state-of-the-art technology platform and a world-class Branch Banking experience.

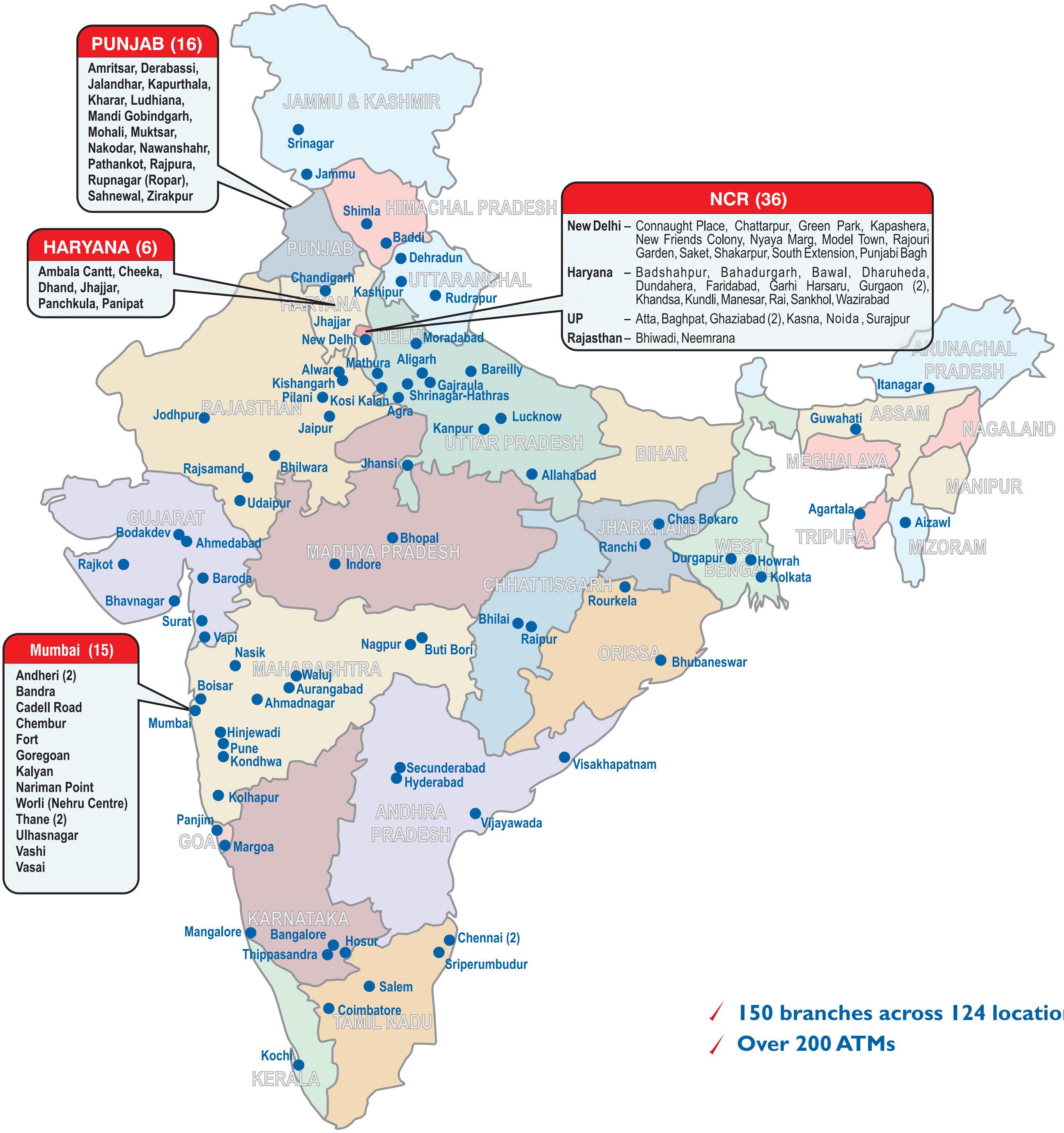
While your Bank's branches have been designed to cater to all segments of customers under the 'One-Bank Model', Branch Banking–Liabilities & Wealth Management, Business Banking and Retail Banking customers are the most frequent users of this world-class infrastructure. The three segments, as elaborated subsequently, together constitute the Branch Banking business. This relationship line is an area of high focus for your Bank, and significant investments have been made to provide a consistent superior experience to its customers from across each of these segments.

YES BANK - THE PROFESSIONALS' BANK OF INDIA

Under the aegis of Branch Banking, a comprehensive suite of Liability, Wealth and Financial products are provided to your Bank's customers:

<table>
<tr><th></th><th>Branch Banking
Individual/Non-Individual</th><th>Business Banking</th><th>Retail Banking</th></tr>
<tr><td>CORE PRODUCTS</td><td>• Savings Accounts (with multiple variants)
• Current Accounts (with multiple variants)
• No-frills Accounts
• Non-resident Accounts (with multiple variants)
• Fixed Deposits (for various tenors)
• 5-Year Tax Efficient Fixed Deposits
• Smart Saver Accounts
A unique proposition, which combines the high returns of a Fixed Deposit with the complete liquidity of a Savings Account
• Smart Salary Accounts
An innovative Corporate Salary Programme, backed by superior technology that enables convenience and direct access
• Capital Market Services
• Premium Banking & Wealth Management
• Structured Products & Wealth Advisory for Resident & Non-resident Indians</td><td>• Secured Term Loans for Business
• Unsecured Loan under CGTMSE Scheme
• Working Capital Finance
  • Overdraft/Cash Credit
  • Overdraft against Credit Card Receivables
  • Order Invoice/Financing
  • Supply Chain Finance
  • Trade Finance</td><td>• Working Capital
  • Overdraft
  • Order Invoice / Financing
  • Supply Chain Finance
• Term Loan
  • Loan against Property (LAP)
  • Loan against Securities (LAS)
  • Business Loans
  • Personal Loans
  • Home Loans</td></tr>
<tr><td>CROSS-SELL PRODUCTS</td><td colspan="3">• Transaction Banking Services
  • Cash Management Services
  • Trade Finance
  • Direct Banking
• Wealth Management Services
  • Life and General Insurance
  • Mutual Funds/ Portfolio Management Services
  • Demat Accounts
• Treasury Products</td></tr>
</table>

BRANCH LOCATIONS



✓ **150 branches across 124 locations**

✓ **Over 200 ATMs**

The map does not purport to be the true political representation of the map of India.

Branch Banking - Liabilities & Wealth Management

This is one of the highest priority businesses and is served by a significantly large Human Capital base of your Bank. Leveraging on its professional strengths, this business caters to both individuals and non-individuals including emerging entrepreneurs and Small & Medium Enterprises (SMEs). The core objective of Branch Banking is to generate Current Accounts & Savings Accounts (CASA) by focusing on specific industry verticals such as Professional Services – Chartered Accountant Firms, Law Firms, Healthcare Firms, Consultancy Firms, Broking Houses, Educational Institutes, Trusts, Associations, Societies, Clubs, Travel & Tourism, Media & Entertainment, Gems and Jewellery, Retail Merchants, IT/ITeS, Logistics, Realty & Infrastructure, Trade (Export/Import), Hospitality, Food & Beverages. By focusing on the above verticals, the Bank caters to the Banking and Wealth Management needs of individuals (Resident & Non-Resident Indians) and small businesses with credibility and trust. Your Bank goes beyond the traditional realm of banking and delivers long-term value through:

- Customised Relationship Segments
- Premium Touch points
- Advisory & Wealth Services

a. Relationship Segments

Your Bank invests in enduring customer relationships through its extensive array of Branch Banking offerings. The Bank categorizes its relationship base of Branch Banking 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 superlative service standards, expertise in wealth management and customised advisory solutions, and value-added services like convenience benefits, concierge solutions and premium lifestyle privileges to its High Net Worth customers.

Yes Private which offers personalised, confidential and tailor-made wealth management and financial solutions to very High Net Worth Individuals 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 (NRI) customer, by presenting a comprehensive suite of basic banking facilities, online remittances, differentiated wealth management and investments in alternate asset classes.

b. Premium Touch points

Your Bank aims to provide every Branch 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 'Consistent Superior Service Experience'.

Direct Access

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

c. Advisory & Wealth Services

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

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. Your Bank provides an impressive line-up of reputed third party-products including Investments (across mutual funds of 29 AMCs), Bancassurance (Life Insurance – Max New York Life Insurance, General Insurance – Bajaj Allianz General Insurance), Structured Products and Alternative Investments (Art Advisory, Structured Products and Realty Funds) to customers, thereby helping them attain a higher level of diversification in their investment portfolio.

Industry Redefining Features Powering Customer Satisfaction

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

- **Single PIN access** across all channels, including Internet Banking, ATM and Debit Card
- **Two-Factor Authentication** security process where customers need to include a second transaction password, which is sent as an instant SMS on their mobile phone to complete fund transfers
- **Online Real Time Gross Settlement (RTGS)** and **National Electronic Fund Transfer (NEFT)** services available to customers to transfer funds to third party accounts in over 55,000 branches nationally
- **YES Mobile Money Services** – Your Bank in association with **Nokia** and **Obopay India** has launched a **Mobile Payments Service** which enables transfer of funds using a mobile device, within a secure environment. Your Bank is one of the pioneer banks in the Mobile Payments space and has received the regulatory approvals from the RBI to act as the Issuing Bank and the Custodian of Funds under these services. YES Mobile Money Services will augment financial inclusion amongst the un-banked and under-banked consumer segments by bringing financial services to the consumer's mobile device, and will create a financial ecosystem which is inclusive, sustainable and scalable. Going forward, the program application will be pre-embedded in Nokia mobile devices making the service highly accessible and user-friendly. These services will be widely distributed by leveraging the extensive reach of Nokia's retail channel
- **Stop payment instructions for cheques,** using the SMS facility on mobile phones
- **Access to over 35,000 ATMs** affiliated to MasterCard, National Financial Switch and Cash Tree networks in India and over 1.25 mn ATMs associated with MasterCard globally

- **YES BANK International Debit Card** - Waivers on petrol surcharge, zero lost card liability, unlimited free ATM transactions across partner networks, higher daily withdrawal and purchase limits
- **MFONLINE -** The online Mutual Funds platform - which enables customers to purchase, sell and redeem mutual funds at the click of a mouse
- **Periodic research, analysis and market updates** - 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** integrates Voice, Email, Chat and Video in partnership with CISCO, Scansoft for speech-recognition and Servion Global for system integration and implementation. This is the first implementation of a 24x7, speech enabled contact centre in the Banking & Financial Services segment in Asia
- **The Centralised Customer Query Management System,** diligently tracks customer feedback and propels it towards a positive closure
- **Wi-Fi and Radio Frequency Identification (RFID)** enabled 'Bank Branch of the Future' in New Delhi which provides an unparalleled and never-before Banking Experience
- **The Money Monitor** – A personal finance aggregation tool on the Internet, launched in partnership with YODLEE, which provides seamless information of the client's financial health by aggregating data from over 11,000 financial and related sites across the world (including Accounts with other Banks, Credit Cards, Insurance policies, Reward & Mileage points, and Investments) thereby providing a single view across own and family accounts
- The wide range of transactions that can be conducted Online include:
  - Real-time payments using RTGS and NEFT payment systems
  - Requests for demand drafts, cheque books, cheque status, stop payments, purchase of fixed deposits and TDS enquiry on fixed deposits, amongst others
  - Utility bill payments across India, including the facility to make charitable contributions to various religious and NGO institutions
  - E-standing instructions towards bill payments
  - Facility to view and download account statements
  - Facility to view and initiate standing instructions
  - E-mail alerts based on transaction thresholds and account activity
  - Integrated view across Corporate and Cash Management services (payments and collections)
  - Differential bulk transactions, along with file-level encryption for corporate clients
  - Air-ticket reservations and e-shopping funded by direct debits
  - Real-time payments to various e-brokerage accounts
  - Foreign exchange trading for corporate clients

- Facility to request and view real-time balances and transaction information

Business Banking

Your Bank actively partners Small and Emerging businesses to support a strong and growing economy. To ensure the same, your Bank has established a dedicated Business Banking unit. Driven by Knowledge Banking and backed by a team of professionals, your Bank delivers a comprehensive suite of products, services and resources to meet varied business requirements. Your Bank ensures that identified Small & Medium Businesses, generally with a turnover between Rs. 10 crore to Rs. 100 crore, excel in the future as they are the driving force and role models spearheading a large number of innovations. They are also the key contributors to the sustainable development and growth of the economy. Your Bank caters to all the service requirements of these SMEs across various product segments like Fund based lending, Cash Management, Payment Solutions, Direct Banking, Trade services and Advisory through a strong branch network of 56 branches across significant SME clusters.

The core objective of Business Banking is to provide SMEs direct access to finance (including term finance) and other Trade services, by offering a state-of-the-art transaction services platform and liability management proposition, thereby fostering growth, competitiveness and employment creation that are key to achieving sustainable economic growth.

Your Bank's strategy to attract SME customers includes:

- Offering a customised service proposition tailor-made for high transactional volumes in the key businesses of Infrastructure/Infrastructure Services, Telecom, Food & Agribusiness, Pharma/Healthcare, Logistics, Education, Traders, Auto Ancillary, Electrical Goods Manufacturers and Lifestyle Products.
- 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

Your Bank makes its own contribution towards robust economic growth by professionally supporting small businesses in their growth phase. Driven by various innovative solutions, your Bank enables businesses (in the turnover range of up to Rs. 10 crore) to maximise their potential and excel in future. These Small Business Enterprises are critical to the economic growth of the country, and your Bank ensures that all their banking requirements are met through lending products like Secured & Unsecured Working Capital Business Loans including 'Loan Against Property' and 'Loan Against Securities' for SMEs and individuals. These products are supported through 360-degree relationship banking by offering Payment Solutions, Cash Management, Trade Services and Foreign Exchange services. Your Bank enables Small

Business Enterprises to increase their productivity through state-of-the-art transaction services and liability management propositions, thereby fostering competitiveness and growth of these enterprises. Your Bank will grow this business in a phased manner and launch its products and services in 36 branches in 20 locations by September 2010.

Your Bank's key differentiators for the Small Business Enterprises are:

- One-stop solution offering a complete suite of Banking products including lending and liability products and solutions like Internet Banking, Payment Solutions, Cash Management Services (CMS) and Trade Services
- Need-based banking solutions made possible through a customised Relationship Management approach at the branch level

Indian Financial Institutions Relationship Management

Your Bank believes in creating enhanced value for its stakeholders, customers, employees and communities through professional partnerships.

The Indian Financial Institutions (IFI) team at your Bank spearheads relationship development with various Banks and Financial Institutions nationally. This is achieved by supporting product delivery while creating and sharing industry knowledge with internal and external stakeholders. IFI Relationship Management experts at your 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 (NBFCs)
- Housing Finance Companies (HFCs)
- Private Equity Funds
- Brokers (both Capital market and Commodity market)

The IFI team at your Bank leverages its existing relationships with various Banks and Financial Institutions to raise resources, and to get 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 your Bank's customers by entering into partnerships with other Banks and Financial Institutions. This relationship with other Banks and Financial Institutions is also leveraged for syndication of loans for your Bank's

Corporate and Commercial Banking customers, and to raise resources through refinancing your Bank's loan portfolios. The IFI team leads your Bank's efforts towards raising debt capital in the form of Hybrid Tier I and Tier II bonds from various Indian institutions. Your Bank provides capital market specific solutions, thereby facilitating a superior experience for the broker's customers. During the year, your Bank has entered into a partnership with India Infoline whereby the technology platforms of YES BANK and India Infoline have been integrated to offer customers a seamless online trading experience.

Additionally, your Bank in association with other business groups successfully raised Rs. 560 crores of Lower Tier II capital in

September 2009 and January 2010, and Rs. 82 crores of Hybrid Tier I (Perpetual Debt) Capital in February 2010 from pedigree investors like LIC, GIC and IFCI. Your Bank also raised Rs. 93 crores of 15 years Upper Tier II capital with a call option with your Bank at the end of 10 years, from PROPARCO in France.

International Banking

Your Bank was conceived with the dream of building a high-quality, knowledge-driven institution with the highest levels of professional ethics, integrity and competencies. Keeping up with tradition, your Bank has taken yet another professional leap by achieving institutional excellence in International Banking. With its roots firmly grounded in professional entrepreneurship, your Bank has created a far reaching network with international banks and financial institutions, across geographies.

In a year marked by uncertainties in the financial market, which changed the contours of the global market, the International Banking group at your Bank has been able to record impressive growth in business, and has successfully created visibility for your Bank's brand and presence internationally. Additionally, the International Banking group has strengthened its global strategy with a clear focus on servicing the correspondent banks' businesses in India and the business of our customers.

The International Banking business offers a complete suite of products including Debt, Trade Finance, Treasury, Investment Banking, Financial Advisory and Global Indian Banking to international customers of your Bank. These products are offered through partnerships and tie-ups with International Banks and Institutions in the target geographies. Additionally, your Bank has tied up with exchange houses in GCC countries and Investment Banking boutiques, and constantly enhances its current product suite for its international customer base, on an ongoing basis.

Your Bank has been able to make a positive impact on Multilateral Agencies, some of which have expressed their commitment to the Bank by way of direct fund based limits and customer transactions by way of ECBs. Your Bank raised subordinated debt from PROPARCO, the private sector arm of Agence Francaise de Developpement (AFD), a French Multilateral and long-term FCY loan from DEG, the private sector arm of KFW, the German Multilateral agency. Your Bank's International Banking division endeavours to further deepen the relationship as well as add new Multilaterals as active relationships.

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

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

The dedicated India Business Facilitation Desk (IBFD) has been acclaimed by international counterparts and complements international corporations at every stage of their business establishment ranging from providing sectoral advisory to complete banking solutions including support services like setting up of an office/establishment in India.

Product Capital

Your Bank has created a range of products to professionally service customers across differentiated market segments.

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

Financial Markets

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

customers. Your Bank's 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 risks faced by them with respect to Capital Raising, Investments, Exports, Imports and any other market risks.

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

Your Bank has created a buoyant Debt Capital Markets (DCM) franchise with deepened knowledge of the underlying market dynamics, coupled with strong distribution and structuring capabilities. Since inception, the DCM group has originated and efficiently executed over 300 transactions, across the product suite for clients including Corporates, PSUs, Central and State Government entities and many NBFCs. Your Bank was ranked No.10 in the Thomson Financial's Top Lead Managers of Indian Rupee Bonds for the year 2009. Further, your Bank was ranked No. 12 by Bloomberg in the India Domestic Bonds underwriting league tables for the year 2009.

The Financial Markets Group conducts proprietary trading to maximise earnings from risk taken 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. Subordinated and hybrid debt capital for your Bank is also raised by the Financial Markets team. Your Bank was amongst the first to implement MUREX (MXG 2000), an integrated, cross-asset platform product.

Further, ICRA (Moody's affiliate in India) has reaffirmed your Bank's A1+ rating for its Rs. 5000 crores Certificate of Deposit programme. A1+ rating indicates the highest level of safety in the short-term.

Investment Banking

YES BANK aims at maximising investor value by focusing on investment banking solutions. Your Bank's team of highly capable and experienced professionals strive to meet and exceed its clients' goals across business domains.

The Investment Banking business had a slow start to the year due to the lack of investor appetite, virtual unavailability of credit and the generally heightened pessimism with respect to the timing and form of recovery. While India has been quick to bounce back, the global investment committees of Private Equity (PE) funds and other investors remained very restrained on committing new capital, searching for the elusive bottom and signs of recovery. Cautious outlook by Indian entrepreneurs, particularly on outbound deals, coupled with limited debt financing options in the offshore markets also pulled down the Mergers and Acquisitions (M&A) activity during the year. Your

Bank did however see renewed interest from global companies with strong balance sheets to enter/expand their India footprint as they sought growth and momentum outside their respective home markets.

In spite of the slowdown in the number of PE and outbound M&A deals during the year, where your Bank has created a niche for itself over the past 6 years, the year witnessed the consummation of many significant transactions and the addition of several new clients. Further, your Bank was quick to react to the upswing in capital markets and renewed investor sentiment during the year and executed prestigious Equity Capital Market (ECM) transactions. The Investment Banking team has now consummated more than 90 transactions across various product categories including M&A/Joint Venture Advisory Services, PE placements and ECM. The performance of the team is reflected in the consistent ranking received by your Bank on being amongst the Top 10 Deal Makers across prestigious league tables every year. As a testimony to your Bank's strong global footprint in the Investment Banking practice, YES BANK was amongst the finalists in 5 transaction categories in the Asia, Middle-East, Africa and Oceania region at the Global M&A Advisor Awards held in New York, while securing Rank 1 in the following three categories:

- Corporate/Strategic Acquisition of the Year - Acquisition of controlling stake in Infomedia India by TV-18 Group
- Media/Entertainment/Telecom Deal of the Year - Acquisition of controlling stake in Infomedia India by TV-18 Group
- Green/Environmental Deal of the Year - Acquisition of Honiton Energy Holdings Plc by Colossus Holdings Pte Ltd.

Your Bank's Investment Banking division constantly endeavours to work as a 'Trusted Advisor' at every stage of the customer's lifecycle. This firm commitment has led to the generation of repeat business from several of our privileged clients. The approach is characterised by proactively partnering with customers in their business lifecycle by developing long-term advisory and banking relationships from deal origination to execution. The enviable cross-border M&A franchise built by your Bank over the years, advising Indian entrepreneurs in their global aspirations, has led to the development of a deep network of relationships with other 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. Some of the noteworthy transactions advised during this fiscal year include:

Mergers and Acquisitions Advisory

- Exclusive Strategic and Financial Advisor to SGPL, for divestment of 100% equity ownership in the following companies to Techno Electric Engineering Co Limited.

  - Super Wind Project Private Limited, a company owning and operating 45MW of wind turbines
  - Simran Wind Project Private Limited, a company owning and operating more than 50MW of wind turbine

Private Equity Placement

- Exclusive Advisor to ING Group for an investment of Rs. 270 crores by a family office in ING's Life Insurance business in India
- Exclusive Advisor to SR Credits Private Limited for sale of 10.45% equity stake in Coastal Projects to Sequoia Capital, Fidelity and Sabbineni Holdings for Rs. 111 crores

Equity Capital Market (related transactions)

- Joint Book Runner to the GDR issue of (USD 108 mn) for Suzlon Energy Limited
- Sole Manager to the QIP Issue of (Rs. 83 crores) for Delta Corp Limited
- Syndicate member for the Initial Public Offering (IPO) of DQ Entertainment (International) Limited, which got over-subscribed 86 times
- Manager to the Open Offer to the shareholders of India Carbon Limited and GMR Ferro Alloys & Industries Limited

Corporate Finance

Your Bank's achievements in Corporate Finance are a clear reflection of its professional approach. Leveraging on its in-depth knowledge of the emerging sectors and strategies that create long-term value, your Bank continues to be a positive contributor to the Indian economy.

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

Your 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-à-vis internal limits and the regulatory limits as stipulated by the RBI.

Your Bank's Corporate Finance division offers a complete range of financial services encompassing project conceptualisation to financial closure to specialised banking including a combination of customised and structured advisory products, to meet specialised and complex requirements. These offerings include:

Infrastructure Banking Group (IBG)

Since inception, your Bank has leveraged on its professional strengths to deliver superior banking solutions to the Infrastructure sector. Backed by a dedicated team of experts, IBG has managed to build a sizeable infrastructure asset within a short span of time. For infrastructure lending, your Bank has a specialised Infrastructure Banking Group with separate teams of specialists for sub-sectors like energy, telecom, transportation and urban infrastructure. This year, the IBG has further renewed its focus on core industries such as coal, cement, minerals, mines and other industrial infrastructure by setting up a dedicated team for the same. The IBG offers clients the entire gamut of services right from advisory to financial closure, covering the entire lifecycle of the project.

Having realised that besides debt, the client also needs support in raising equity, your Bank has a specialised Investment Banking team which helps clients in the conventional infrastructure sectors to tap the equity market. Thus, your Bank offers both debt and equity solutions to the client under one roof.

Your Bank also believes that besides funding, the infrastructure sector also needs an enabling environment to facilitate the development and implementation of projects and the Bank is closely working with private and government agencies on policy formation. This in-depth understanding and expertise built over the years has helped your Bank bag many prestigious mandates this year in sectors such as Roads, Ports, Power and Solid Waste Management. This has also helped your Bank to effectively deliver a value-added proposition to clients in their ventures in the infrastructure sector.

Structured Finance Group

Your Bank has expanded and established a strong and experienced Structured Finance Team (SFT), qualified and dedicated to provide structured financial products, which are of commercial and strategic importance for the client. The SFT also provides structured solutions and funding to the emerging sectors namely sports, media and entertainment, which sets a unique precedent in the Banking industry.

The SFT offers clients the expertise that it has built from years of experience gained in structuring numerous transactions both in domestic and foreign currency. This group leverages its strong regulatory and legal understanding and is capable of structuring complex transactions, thereby providing solutions to the client that help them achieve higher risk weighted returns.

The group specialises in Off-Balance Sheet Securitisation transactions, Overseas acquisition financing, equity/quasi-equity products such as CCD and OFCD, pool buy-outs (both agriculture and non-agriculture), microfinance loan pool buy-outs, financing of receivables, etc. During the year, the Structured Finance team has executed a few landmark transactions in Off-Balance Sheet Securitisation in the Microfinance sector and financing of Receivables, etc.

Realty Banking

This 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 has successfully

completed several transactions for high profile corporates from the sector/industry.

Project Advisory & Syndications

This team provides comprehensive syndication services to your Bank's clients. With its proven domestic and international credentials, the team caters to all financing requirements of companies including project finance as well as specialised financing for acquisitions, asset purchases, sell downs and leveraged buyouts. In the year 2009, your Bank was ranked 11th in the Syndicated Loan Rankings - Indian Rupee Loans by Thomson Reuters and 14th in the India Loans Mandated Arranger by Bloomberg. Key deals closed by the group during the year included syndication of Rs. 500 crore for Medanta–Medicity, a 1200 bed hospital in Gurgaon, promoted by noted cardiologist Dr. Naresh Trehan, and a syndication of Rs. 300 crore for the setup of a 1.34 MMTPA cement plant and 20 MW thermal power plant in Rajasthan, being set up by Indo Zinc Limited, an India Cements Limited Group company.

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 the Global Environment Fund, USA (GEF). SACEF is a USD 200 mn fund targeting investments in clean energy, clean technology, and energy efficiency across India, Sri Lanka, Nepal and Bangladesh.

Collectively, the Corporate Finance practice offers a combination of professional advisory services and customised products to assist clients in obtaining superior financial returns, in a risk mitigated manner based on 'Knowledge Arbitrage'.

Transaction Banking

Your Bank's technology driven approach has expanded the scope of customer service right from transaction execution to information facilitation, serving the core objective of optimum management of all operational, administrative and regulatory activities. To fulfil this promise, the Transaction Banking Group (TBG) at your 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 all relationship segments viz. Corporate and Institutional, Commercial, Small and Medium Enterprises and Government.

The Transaction Banking Group at your Bank is a core product group focused on 'Financial Supply Chain Management' of corporates, and broadly consists of three specialised product domains namely Cash Management and Direct Banking Services, Trade Finance and Services, and Capital Markets, Escrow Account & Securities Services. The Group has successfully developed and implemented unique and customised product propositions for specific industry verticals, at times playing a pioneering role in the market.

The Cash Management and Direct Banking Services offer value-added solutions for the Working Capital Management requirements of your Bank's corporate customers, which are aimed at streamlining the domestic supply chain business flows by optimising the payables and receivables cycles and providing superior liquidity management options. Your Bank has been at the forefront in promoting paperless transactions through its best-in-class electronic payment platform, thereby contributing to the organisational objective of environment conservation. Your Bank has leveraged technology to deliver banking products and services through different direct banking channels like Internet, Mobile, ATM and Phone, to untouched geographies/customer segments under the traditional banking model. Your Bank has also launched a first-of-its-kind 'YES Mobile Money Services' in partnership with Nokia & Obopay, thereby supporting the cause of financial inclusion. Further, your Bank has entered into a strategic collaboration with First Data Corporation to establish a widespread network of Automated Teller Machines (ATMs) across various cities in India to ensure greater convenience to the banking populace.

The Trade Finance and Services is aimed at addressing the trade related requirements of your Bank's corporate customers, 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.

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 Institutions Placements. Additionally, the domain offers Interest/Dividend Payout Services and Escrow

Account Services for transactions including Open Offers, and Purchase of Shares, Lease Rental Discounting, Business Transfer Arrangements and Trust & Retention Account Arrangements.

Powered by a highly efficient transaction banking desk, a continuously expanding product suite developed through a knowledge banking led strategy, strong delivery channels and consistent superior services; your Bank meets and exceeds the expectations of all its corporate customers with unmatched credibility.

Your Bank has won the prestigious Financial Insights Innovation Award (FIIA) 2010 for Innovation in Business Intelligence and also received a Certificate of Recognition for the Continuous Linked Settlement initiative, which was recognised as one of the top 50 initiatives in ASIAPAC. Your Bank has also been recognised with a Special Citation for its Innovative & Superior Direct Banking strategy, at the Financial Insights Innovation Awards (FIIA) 2009 and has also won the 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 your Bank. It has been established with the objective of creating knowledge verticals across sunrise sectors of the Indian economy, and to develop innovative solutions to reinforce long-term and sustainable partnerships with key stakeholders.

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

Knowledge Banking

Your Bank's in-depth knowledge of emerging sectors has enabled it to deliver efficient and customised banking solutions, due to which there has been significant traction in developing

new opportunities and ideas that add long-term shareholder value.

Your Bank focuses on key sectors such as Food and Agribusiness, Healthcare, Life Sciences, Media and Entertainment, Light Engineering, Telecommunications, Information Technology, Infrastructure and Retailing amongst others, which are the Future Industries of India. Your Bank is committed to support the growth and development of these sunrise sectors to facilitate the overall development of the country through strategic initiatives.

Food & Agribusiness Strategic Advisory & Research

Your Bank aims to be a dominant player in the Food and Agribusiness (F&A) sector by providing professional, end-to-end financial solutions for stakeholders across the entire agricultural value chain. The Food & Agribusiness Strategic Advisory and Research (FASAR) team is driven by sector experts with the relevant educational background and professional industry expertise. They provide sectoral knowledge on industry trends and enhance growth prospects in the Agribusiness sector. In recent years, FASAR has been working on some path-breaking initiatives like developing Integrated Agro Food Parks, Modern Terminal Markets, etc. apart from providing policy advisory to various Union & State Government entities. FASAR has also been providing strategic advisory to various companies in the Food & Agribusiness sector along with assisting them in their international forays. Through these efforts, your Bank has achieved a key knowledge and thought leadership position amongst stakeholders in this highly important sector of the Indian economy.

Strategic Initiatives and Advisory-Government (SIA-G)

Strategic Initiatives and Advisory-Government (SIA-G) is a specialised division of your Bank that manages government relationships and strategic advisory. The division has developmental expertise in key sectors such as Infrastructure (including Social Infrastructure), Agriculture, Tourism & Hospitality, and e-Governance.

The core focus of SIA-G is to cement your Bank's relationships with apex stakeholders and governments with a special emphasis on Central and State Governments. SIA-G has achieved significant success by getting your Bank empanelled in several states and Public Sector Enterprises to take the banking business under their purview. In addition, the division has initiated in some very successful international affiliations for your Bank to create strategic business opportunities. The division works with the government through policy advocacy, project advisory, and development support particularly in attracting private sector investments for development through Public-Private Partnerships (PPP), in addition to enhancing Industry-University relations, creation of Knowledge publications and addressing stakeholders at industry-led events. Through these efforts, your Bank has been able to contribute to the development of key sectors, and also position its knowledge capabilities, sectoral expertise and capture the mindshare of niche stakeholders and thought leaders, thus creating opportunities for other business groups. The SIA-G division also works towards creating strategic opportunities for to enhance business for the Branch Banking division of your Bank. Headquartered in New Delhi at your Bank's Global Innovation Centre, the division also has presence in Mumbai, Bangalore and Hyderabad.

Responsible Banking

Your Bank aims to achieve its professional goals by adhering to the Triple Bottom Line ethos of 'People, Planet and Profit'- thereby creating enduring value and competitive advantage. Through responsible initiatives, your Bank reaches out to the sunrise sectors and the financially un-banked and under-banked sections of the society, and supports a sustainable future.

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

More specifically, your Bank works towards:

- Mainstreaming sustainability within the Indian banking community by adopting a multi-stakeholder approach of dialogue with peers, governmental and non-governmental bodies, industry and academia
- Operating in a 'Sustainability Zone' by working between pure profit and 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

Your 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 your Bank to align itself with broader sustainability goals.

Your Bank is actively engaged in providing Responsible Corporate Citizenship (RCC) advisory services to its existing and potential clients. The team strives to establish your 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 helping the most marginalised through socially responsible initiatives. This division works to mainstream sustainability for businesses, governments and non-profits engaged in environmental, education, health and livelihood sectors where social entrepreneurship is a key driver.

The Responsible Banking strategy is mainstreamed within your 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 seeks to actively create innovative business approaches to development. The team serves as a specialised resource division for mainstreaming sustainability into other key business groups of the Bank. For example, an active Reduce, Re-use & Recycle (R^3) program ensures that every Business and support function is critically analysed for resource wastage by the Responsible Banking and Infrastructure Management teams. Wastage is proactively addressed with technological solutions and/or process simplifications to ensure improved service delivery and reductions in harmful environmental impacts.

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. In 2009, your Bank also became a 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/IFC Washington Sustainable Banking Awards in 2008 in London. Your Bank received a 'Commendation Certificate' for a 'Strong Commitment to Excel' at the CII-ITC Sustainability Awards at the 4th Sustainability Asia Summit held in November 2009 in New Delhi. This recognition gains further importance in light of the fact this was the first year that the Bank was eligible to apply.

Responsible Banking in Action encompasses four specialised business verticals: Microfinance; Agribusiness, Rural & Social Banking (ARSB); Sustainable Investment Banking (SIB), and

Private Equity (PE) which offer products and services that promote sustainable development.

Microfinance

Your Bank is committed to creating Equal Financial Opportunities, and enabling Financial Inclusion. Your Bank approaches Microfinance by instituting specific transactions to position it as a new asset class, appealing to a broad range of investors and lenders, and expanding access to capital by bringing in the power of capital markets. Your Bank achieves this primarily through a two-pronged strategy with intervention from the Microfinance Institutions Group (MIG), and by providing the last mile connect by mainstreaming micro clients at the Bottom-of-the-Pyramid through YES SAMPANN.

Wholesale Microfinance Lending - Through MIG's product suite including term loans, loan syndications and rated capital market loan products (pool securitisation, debentures, commercial paper and loan assignments), your Bank aims to catalyse the growth of the Indian microfinance industry by increasing its access to a wider pool of investors and reducing the costs of funds through a mix of lower cost of funds and transaction costs to enable a scale up, thus ensuring provision of affordable, fairly priced and customised financial solutions to the Bottom-of-the-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 where the group's activities indirectly affect the lives of 750,000 people.

Direct Microfinance Lending - YES SAMPANN is the first institutionally sponsored direct intervention model for microfinance in India. It provides last mile connectivity at the Bottom-of-the-Pyramid offering affordable, customised 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 6,638 individual clients, it is strategically positioned to be a full-service business group.

Agribusiness, Rural and Social Banking (ARSB)

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

ARSB is your Bank's specialised group focused on fulfilling the financial needs of agriculture and allied sectors. 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 three 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 recognition at various forums. In 2008, the scope of the group was expanded to Social Banking to cater to the banking needs of the un-banked and under-banked sections of society.

Sustainable Investment Banking (SIB)

SIB is your 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 specialised 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 and sanitation, etc.).

The SIB 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. Recognising 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).

Private Equity

As India fast becomes the most favoured emerging market for foreign investments, the economic, political and regulatory climate for private equity investors has become encouraging. Your Bank makes conscious efforts to promote sunrise sectors with high growth potential. The Private Equity team makes investments in the sustainability space and is currently sponsoring a USD 200 mn South Asia Clean Energy Fund (SACEF) in collaboration with the Global Environment Fund, USA (GEF).

Service and Technology Capital

Your Bank believes that Service and Technology play a vital role in a bank's professional existence.

Service and Technology ensure 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 your Bank's high quality Human Capital. Your Bank continuously integrates innovative information technologies and management programs to not only ensure efficient service delivery and human resource management, but also to significantly reduce consumption of critical resources, i.e. paper, electricity and water.

Business Process

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

Some key business process initiatives implemented towards the same include:

- Two world-class National Operating Centres (NOC) based out of Mumbai and Gurgaon have been established with a focus on providing an immediate response to customer requests, as also to provide Business Continuity Planning. The NOCs house the centralised back-office functions of various businesses including the YES TOUCH Phone Banking Service Centre, which is located at NOC, Gurgaon
- Adherence to Quality practices such as Five S, Quality Circle, Lean Six Sigma and ISO 9001 Standard. All business processes at both the NOCs and 100 key branches are ISO 9001 certified
- Business processes are supported by best-in-class business solutions and superior information technology platforms – with a view to optimise productivity based on 'Time and Motion' and 'Time and Material' studies
- Benchmarking and critical evaluation of all quality parameters, including an End-to-End (e2e) review/analysis of all critical business processes
- Framework for measurement of Customer Experience – with a view to ensure that customer feedback across each experience/touch-point (including customer complaint registers, customer satisfaction surveys, telephonic surveys, and employee feedback) is collected, analysed and actioned
- The Customer Query Management System (CQMS) is used as the one single touch point 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
- Adherence to Banking Codes and Standards Board of India (BCSBI), Goiporia Committee recommendations and the Committee on Procedures and Performance Audit of Public Services (CPPAPS) guidelines

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

The Quality Strategy

Your Bank has evaluated and drawn upon quality methodologies practised by world-class organisations in building quality practices. 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 Objectives. Quality improvement drives like Workforce suggestion schemes, Lean Six Sigma, Quality Circles, Five S & ISO 9001 are being implemented across business units of your Bank as well as branches.

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

External Service Delivery, i.e. Customer Satisfaction levels at your Bank, is measured using Dashboards, Voice of the Customer (VOC), Branch Service Committee Meetings

YES SERVICE

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

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

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

The 'Certificate of Merit' Award in the Services Category, in the IMC Ramakrishna Bajaj National Quality (IMC RBNQ) Award 2009. The 'Certificate of Merit' is a significant accomplishment since it was your Bank's maiden application for the Award. Additionally, this is a noteworthy achievement given that your Bank is the only Bank to win the award, in the very first instance of its application, apart from being the only Bank amongst all the awardees this year. It is indeed a true recognition of your Bank's unique business model, differentiated approach, adoption of best practices - and the ability of your Bank's model to transform the banking experience in our country, and evolve your Bank, into a world class organisation.

Additionally, your Bank was awarded the Qimpro BestPrax Compass Award, 2009 for Innovative Practices in Customer Service Channels. This is a true recognition of Innovation and Service Excellence, through an outstanding and unique Direct Banking Platform.

Your Bank has been accredited with ISO 9001:2008 certification from BVQI for its back-office operations and 100 branches across India in delivering a constitent superior service experience by ensuring process standardisation. Additionally, your Bank has deployed Five S in 110 Branches, back office operations and Support Functions. This simple yet extremely powerful technique has not only helped in building workplace efficiency but also helped in engaging teams on local improvements and waste reduction initiatives.

Your Bank has created a knowledge pool of Six Sigma/Lean Change Agents to develop a culture of improvement. Your Bank has also been undertaking Large and Small Improvement Projects. The former are targeted towards projects that impact the strategic business objectives. The latter are tactical improvements that are carried out by teams in the branches.

Information Technology

To ensure a highly professional banking experience, your Bank has made significant investments in technology. Being the Professionals' Bank of India, your Bank delivers the latest technology to its customers across all touch points.

Your Bank has always been at the forefront when it comes to leveraging on the latest technology to provide products and services to its customers. This philosophy is also reflected in the five brand pillars of your Bank where technology has been identified as a key pillar and is considered a true differentiator. Many first-mover implementations have provided your Bank with long lasting advantages, as also won many accolades and awards for your Bank. With one of the finest direct banking platforms, your Bank is the first Bank in India to offer two-factor authentication, single PIN access across all electronic channels and Wi-Fi enabled branches to make your Bank truly world-class.

All parts of your Bank use IT to deliver superior products and services to its customers. Innovations like Money Monitor, Mobile payments, Two-factor authentication, Mobile Banking, RFID in branches, one-view of customer relationship, and highly advanced speech enabled IVR enable products and sales teams to offer superior customer offerings.

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

In the current fiscal, the following initiatives were undertaken:

- A Business Intelligence platform provided to customers of your Bank with focused dashboards relevant to their role and function. This platform is a key differentiator viz. regular market offerings and focuses on providing the right information to the right people at the right time
- YES BANK has been awarded the Financial Insights Innovation Award (FIIA) for Innovation in Business Intelligence in February 2010, in Singapore
- The Mobile Payments platform in partnership with Nokia and Obopay was launched as a pilot in Pune. This first-of -its-kind platform for mobile payments facilitates pre-paid accounts for Mobile users while allowing them to:
  - Make bill payments
  - Make payments to other mobile account holders
  - Merchant payments at the point of sales
  - Potential to extend to the Microfinance business
- Your Bank entered into a strategic partnership with Cordys for implementation of a Business Process Management Suite to further help automation of processes, straight-through processing, robust audit mechanisms and flexibility to quickly launch new customer products
- Your Bank entered into a partnership with First Data Corporation for its ATM outsourcing in line with its strategy to partner with best-in-class service providers. This move has given your Bank a substantial cost advantage viz. ATM management on one side, and the ability to scale up much faster at the other end

Partners

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

Key Partnerships

Organisation	Purpose
Agricultural Insurance Company	Agricultural Insurance
Bajaj Allianz	General Insurance
Bharti Airtel	Telecom Connectivity
Bill Desk	Online Bill Payment Facility
CashTech	Cash Management and Financial Supply Chain Solutions
CMC	NSDL Depository Participation (DP)
CISCO	Technology Innovation and Infrastructure
Cordys	Business Process Management Suite
De La Rue	Teller Automation and Cash Dispenser Machines
eFunds	ATM and Card Payments Solutions
First Data Corporation	ATM Outsourcing
IBM	Technology Hardware
Oracle	Unlimited License Agreement for Database
Oracle Financial Services	Core Banking and Internet Banking Solution
Intel Technologies	Wireless Fidelity (Wi-Fi) Branch Banking Solutions
J P Morgan Chase	International Pre-paid Travel Card
MasterCard International	International Gold and Silver Debit Cards
Max New York Life	Life Insurance
Murex	Integrated Risk Management and Treasury Solution
Microsoft	Enterprise Agreement for Servers, Desktops and other products
NABARD/NABCONS	Strategic Advisory for Food and Agribusiness Sector
NewGen Software Technologies	Cheque Truncation Solution
NSIC	Financial Solutions and Advisory for Small Scale Industries
Nokia	Mobile Payments platform
Nuance	YES TOUCH Phone Banking Service - Speech Recognition Solution
Nucleus Software	Retail Assets Platform
Obopay	Mobile Payments
Portwise	Internet Banking Security Solutions
Reliance Infocomm	WAN MPLS Backbone and Data Centre Hosting
Reuters	Dealing Solution and Online Forex Trading Platform
Servion Global	Integration Partners for the YES TOUCH Phone Banking Service
SIDBI	Financial Solutions for SMEs
Sify Communications	Redundant WAN MPLS Backbone and ATM Connectivity
VSNL	Data Centre Hosting
Wipro	Total Technology Outsourcing
Wincor Nixdorf	Self Service Solutions: Automated Teller Machines (ATM) and Financial Kiosks
Yodlee Inc.	Online Personal Finance Management - MONEY MONITOR

Risk Management

Managing and reducing business risks play a pivotal role in achieving long-term financial security and success, and to ensure the same, your Bank has a full-fledged risk management department. Through proactive and improved risk management practices, your Bank's risk management function continuously works towards achieving financial stability and enhancing stakeholder value.

The Risk Management Architecture of your Bank is overseen by the Risk Monitoring Committee (RMC), an independent board level sub-committee that strives to put in place specific policies, frameworks and systems for effectively managing the various risks. These policies and procedures are constantly reviewed and updated at regular intervals.

Credit Risk

Your Bank follows a comprehensive and well-defined credit approval process for all proposals to clearly outline the quantum of risk associated with them. These processes encompass a detailed risk assessment and rating of all obligors using your Bank's rating models. These models have been developed in conjunction with a reputed external credit rating agency, and cover all corporate business segments of your Bank. The ratings of customers are assessed based on their financial data, industry characteristics, business positioning, project risks, operating performance and other non-financial parameters such as conduct of account. All credit exposures are approved either through the Three Initial System (3 approving authorities) or through the Internal Credit Committee. While exercising their financial powers these designated committees/functionaries exercise the highest level of due diligence and ensure adherence to the Bank's Credit policy and other regulatory guidelines.

The Risk Management function of your Bank works in close co-ordination with various business segments to periodically review the individual borrower relationships, identify early warning signals and assess the overall health of borrowing units. Your Bank has taken proactive measures to ensure that delinquencies are maintained at a minimum level through robust post sanction monitoring processes. There is an independent and dedicated team which works towards ensuring compliance to the sanctioned terms and conditions through an internal tracking system and generating portfolio level MIS covering various credit quality indicators like overdue analysis, ratings distribution, sectoral exposure, etc.

There is also an independent portfolio risk management team which monitors concentration risk (both name and sector) and conducts integrated stress testing across various material risks. This team carries out detailed sectoral studies and analysis, and work towards further strengthening the overall risk architecture of your Bank.

Your Bank also has an active legal department that helps in assessment of material legal risks at the transaction level. The department has developed a comprehensive set of standard documents for various types of credit products.

Your Bank has successfully migrated to BASEL II Capital Adequacy norms since March 31, 2009 under which it has adopted the 'Standardised Approach' for measurement of Credit Risk. Your Bank has also formulated an extensive policy on Internal Capital Adequacy Assessment Process (ICAAP) commensurate to the Bank's size, level of complexity, risk profile and scope of operations. Your Bank continuously endeavours to increase the percentage of its externally rated portfolio which helps to release capital and enhance return to shareholders.

Market Risk

Your Bank's Market Risk management is governed by a comprehensive Market Risk Policy, ALM Policy, Liquidity Policy, Investment Policy and a Customer Appropriateness Policy, to iterate consistency across business activities and aggregate similar risks. These policies have been benchmarked with industry best practices and RBI regulations. Your Bank has an integrated and straight-through processing, state-of-the-art treasury system for enabling better risk management.

Your Bank measures liquidity, currency, and interest rate risks through various metrics viz. EWMA based Value at Risk (VaR), Earnings at Risk (EaR), Duration of Equity, Sensitivity Analysis, etc. using internal risk models. Your Bank regularly conducts stress testing to monitor the Bank's vulnerability towards unfavourable shocks. Additionally, your Bank has also complied with the requirements of the Basel II capital accord for Market Risk under which it has adopted the 'Standardised Duration Approach' for measurement of Market Risk.

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

Operational Risk

Your Bank in accordance with the regulatory guidelines has implemented a comprehensive operational risk management policy and put in place a framework to identify, assess and monitor risks; strengthen controls; improve customer service; and minimise operating losses. Your Bank has also constituted the Operational Risk Management Committee, which is the primary driver for implementing the best industry practices in Operational Risk Management. Further, to ensure full compliance with the requirements of the Basel II capital accord and the Reserve Bank of India guidelines, your Bank has adopted the 'Basic Indicator Approach' for the measurement of Operational Risk.

Internal Audit

Your Bank believes that professionalism plays a pivotal role in ensuring robust risk management practices and controls. Being the Professionals' Bank of India, your Bank's Internal Audit Department performs independent and objective assessment to monitor adequacy, effectiveness and adherence to the internal controls, processes and procedures instituted by the management.

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

Compliance

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

Human Capital Management

Since inception, your Bank has nurtured the values of professionalism and has build a culture that supports Professional Entrepreneurship. Your Bank pursues a strong Employee Value Proposition of 'Creating & Sharing Value', with a vision to build the Professionals' Bank of India. All YES BANK'ers truly partner to direct, manage and accelerate the development of your Bank as the Bank for the 'Future Businesses of India.'

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

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

Talent Acquisition & Development

Your Bank aims to become an 'Employer of Choice' for the brightest and best quality Human Capital available in the market. The total employee strength of your Bank, as on March 31, 2010, was 3034.

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

The YES SCHOOL OF BANKING (YSB) was institutionalised in 2007 with a vision to create a Centre of Excellence for learning solutions in Banking and related areas. All Learning and Development Initiatives for executives of your Bank are fronted under the aegis of the YES SCHOOL OF BANKING. The YSB initiative has scaled new heights during the Financial Year 2009-10, with a plethora of new focused learning initiatives being launched for various business groups. Your Bank has also signed a partnership with organisations like Franklin Covey South Asia & the Dale Carnegie Foundation for institutionalising Competency-based Management Development Programs focused at middle, senior and top level management bands. This is in continuation to the vision, to create and deliver Benchmark Learning and Development initiatives for all executives of your Bank, and to become a Banking Industry Talent Creator and knowledge warehouse by building a pool of qualified executives with practical skill sets required for the Banking Industry.

Your Bank also firmly believes in the ethos of Knowledge dissemination and facilitates several outreaching knowledge engagement activities with select B-Schools, Engineering Colleges and Agricultural Institutes across the country through

the YES SCHOOL OF BANKING led University and School Relationship Management (USRM) Program. Your Bank has further strengthened its strategic relationships with Top Business Schools and Universities in India through campus engagement, alumni networks, etc. to employ talented young managers in various management levels across all business groups. The focus of our Campus relationships is to augment and develop young talent and to enhance knowledge partnerships.

Your Bank continues to be highly focused on inducting the highest quality of management talent through its flagship and uniquely differentiated Talent Acquisition Programs like the YES Professional Entrepreneurship Program (Y-PEP). This innovative Talent Acquisition Program was institutionalised in August 2006, and has contributed substantially to create an enviable talent pool to further support the growth ambitions of your Bank. In the first 3 years of Y-PEP, your Bank has received an overwhelming response across the country with 250 Y-PEP executives mobilised across various business verticals. This year, your Bank was one of the leading recruiters on Tier I campuses with 151 offers, taking the total strength of Y-PEPs in your Bank to 400+ by May 2010. These 151 management graduates/CA professionals have been hired from the top Business Schools and CA Campuses across the country including all IIMs, ISB, FMS, JBIMS, XLRI, SP Jain, NITIE, MDI, NMIMS, Symbiosis, etc. As the Bank moves ahead in each endeavour to become the Professionals' Bank of India, this highly qualified talent pool of Y-PEPs is being consciously created to consistently augment, and support the Bank's knowledge based, state-of-the-art technology-driven services across key banking relationships, products, knowledge advisory groups, and critical support functions. The continued trust and confidence of these young professionals validates the success of the innovative Y-PEP program, and showcases your Bank as an 'Employer of Choice' across premier B-School campuses. To further augment this vision your Bank in association with Businessworld launched the 'YES BANK Businessworld Transformation Series', a Case Study Challenge event for premier B-school students across India. The objective of this series is to infuse the concept of Entrepreneurship and Innovation Driven Growth amongst the Future Leaders of India.

YES for YOU: YES BANK's HR - IT SYSTEM

'YES for YOU', your Bank's HR-IT system has been significantly upscaled during the Financial Year 2009-10, with the launch of new, innovative features and modules. These new interventions have, apart from further improving the Human Capital Management process efficiency, also contributed in cost management and reducing downtime towards consolidation and availability of sensitive Human Capital information on a real-time basis.

With its superior differentiated strategy on Human Capital, your Bank continues to garner recognition and accolades at leading global forums in the field of Human Capital Management. The Bank has won 3 significant awards at the 'World HRD Congress' Summit held in Mumbai in February 2010 that witnessed the participation of 179 companies across 70 countries. These awards are:

- The RASBIC award for the Organisation with the 'Most Innovative Recruitment & Staffing Program/Initiative' for the Financial Year 2009-10
- The Global HR Excellence Award for the 'Organisation with Innovative HR Practices' for the Financial Year 2009-10
- The Employer Branding Award for 'Innovation in Recruitment' for the Financial Year 2009-10

FINANCIAL AND OPERATING PERFORMANCE

Summary

The Balance Sheet of your Bank grew significantly by 58.9% as at March 31, 2010 compared to March 31, 2009. During this fiscal, your Bank recorded a growth of 78.9% in its loan book with Advances increasing to Rs. 22,193 crores, while Deposits demonstrated a growth of 65.7% to reach Rs. 26,799 crores as on March 31, 2010.

Your Bank's Net Interest Income showed a substantial increase of 54.7% from Rs. 509 crores in 2008-09 to Rs. 788 crores in 2009-10 on the back of strong growth in Advances and Deposits and increasing margins. Your Bank also showed a healthy growth in Non Interest Income, which grew from Rs. 437 crores in 2008-09 to Rs. 576 crores in 2009-10, representing an increase of 31.7%, primarily on the back of improving macro-economic environment and gain in market share across key Non Interest Income streams. Your Bank also consolidated these gains by increasing efficiencies and controlling growth in Operating Expenses to 19.5% in the Financial Year 2009-10 (Rs. 500 crores) over the Financial Year 2008-09 (Rs. 418 crores). Operating Profit before Tax consequently increased 63.6% to Rs. 864 crores for the Financial Year 2009-10, compared to Rs. 528 crores for the Financial Year 2008-09. Net Profit after Tax was Rs. 478 crores for the Financial Year 2000-10, an increase of 57.2% when compared to a Net Profit of Rs. 304 crores for the Financial Year 2008-09. The Return On Average assets was 1.6% while Return On Equity was 23.7% for the year ended March 31, 2010.

Summarised Financial Position

(Rs. in crores)

Particulars	March 31, 2010	March 31, 2009	Growth % over March 31, 2009
Assets			
Advances	22,193	12,403	78.9%
Investments	10,210	7,117	43.5%
Others	3,979	3,381	17.7%
Total Assets	**36,382**	**22,901**	**58.9%**
Liabilities			
Shareholders' funds	3,090	1,624	90.2%
Deposits	26,799	16,169	65.7%
Borrowings	4,749	3,702	28.3%
Others	1,744	1,406	24.2%
Total Liabilities	**36,382**	**22,901**	**58.9%**

Your Bank's total Assets increased 58.9% to Rs. 36,382 crores as at March 31, 2010 from Rs. 22,901 crores as at March 31, 2009. Advances grew by 78.9% to Rs. 22,193 crores, on the back of substantial increase in lending to large and mid-size corporate. Corporate and Institutional Banking (large corporations, government-owned corporations and institutions, multi-national corporations and Indian financial institutions) & Commercial Banking (mid-market corporations, operating across various industries) constituted nearly 94.69% of your Bank's Non PSL advances as at March 31, 2010.

Total Investments as at March 31, 2010 increased 43.5% to Rs. 10,210 crores from Rs. 7,117 crores as at March 31, 2009. This growth can be attributed to the increase in SLR Investments of Rs. 2,106 crores, Equity Shares of Rs. 77 crores, Other Investment of Rs. 1,042 crores and a reduction in Corporate Bonds of Rs. 132 crores.

Your Bank's Deposits increased by an exceptional 65.7% to Rs. 26,799 crores as at March 31, 2010 which comprised of Rs. 2,427 crores of Demand Deposits, Rs. 391 crores of Savings Deposits, Rs. 23,981 crores of Term Deposits and Certificates

of Deposit. Term Deposits and Certificates of Deposit increased by 62.5% during the Financial Year 2009-10 while Savings Deposits increased by 103.6% and Current Deposits increased by 99.0% as at March 31, 2010 over March 31, 2009.

The falling interest rates in the economy resulted in reduction in the cost of Deposits for your Bank. This coupled with increasing contribution of balances in Current Accounts and Savings Accounts resulted in a fall of 2.1 % in the cost of funds during the Financial Year 2009-10 to 6.9% as compared to cost of funds of 9.0% in the Financial Year 2008-09. The Yield on Advances for the year dropped by 2.0% from 12.8% in the Financial Year 2008-09 to 10.8% in the Financial Year 2009-10 in line with the falling rate environment. The fall in the cost of Funds coupled with a higher average Credit/Deposit ratio resulted in an expansion of Net Interest Margins from 2.9% for 2008-09 to 3.1% for the Financial Year 2009-10.

Your Bank's Shareholders' Funds as at March 31, 2010 increased to Rs. 3,090 crores from Rs. 1,624 crores as at March 31, 2009 primarily on account of the successful offering of 3.84 crores shares @ Rs. 269.50 per share, net of share issue expenses aggregating Rs. 1019 crores by way of a Qualified Institutions Placement in January 2010, exercise of 0.43 crores of Stock Options for Rs. 28 crores and due to Rs. 478 crores Net Profit after Tax during the Financial Year 2009-10. The Shareholders' Funds decreased by Rs. 60 crores on account of provision created for Dividend of Rs. 1.50 per share as recommended by the Board of Directors.

Selective Operating Result Data:

(Rs. in crores)

Particulars	Financial Year 2009-10	Financial Year 2008-09	Growth % over Financial Year 2008-09
Net Interest Income	788	509	54.7%
Non Interest Income	576	437	31.7%
Total Income	1,364	946	44.1%
Operating Expenses	500	418	19.5%
Employee Costs	257	218	17.8%
Other Costs	243	200	21.3%
Operating Profit	864	528	63.6%
Provisions and Contingencies	137	62	121.7%
Profit before Tax	727	466	55.9%
Provision for Taxes	249	162	53.5%
Net Profit	**478**	**304**	**57.2%**

The increase in Net Interest Income to Rs. 788 crores in the Financial Year 2009-10 was driven by 40.7% increase in average interest bearing assets and Net Interest Margin of 3.1%. Increase in the average interest bearing assets was primarily due to strong growth in Advances and Investments portfolio during the Financial Year 2009-10.

Continued emphasis on cross–selling multiple products to existing relationships enabled your Bank to earn Rs. 576 crores of other income for the Financial Year 2009-10 as compared to Rs. 437 crores for the Financial Year 2008-09. The percentage of Non Interest Income to Net Revenues (Net Interest Income plus Non Interest Income) was 42.2% in the Financial Year 2009-10. The key sources of Non Interest Income continued to be from financial advisory revenue, income from transaction banking and trade finance activities, income from financial markets, retail and other fee income.

Your Bank continued to make substantial investments towards Human Capital, information technology and branch expansion to meet its growth targets. Your Bank has increased its total Human Capital from 2,671 as at March 31, 2009 to 3,034 as at March 31, 2010 on the back of hiring talent from peer banks and top-rung post graduate programs across the country.

Operating Expenses increased by 19.5% from Rs. 418 crores for the Financial Year 2008-09 to Rs. 500 crores in the Financial Year 2009-10. The management's continued focus on cost control has resulted in a cost to income ratio of 36.7% in the Financial Year 2009-10 compared to 44.2% in the Financial Year 2008-09. Employee costs accounted for 51.4% of Non Interest Expenses for the Financial Year 2009-10 as against 52.1% for the Financial Year 2008-09.

KEY RATIOS

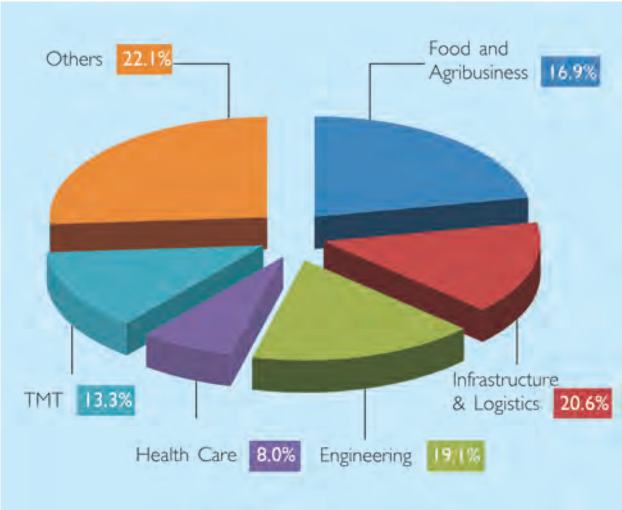
Key Ratios	Financial Year 2009-10	Financial Year 2008-09
Return on Equity	23.7%	20.6%
Return on Annual Average Assets	1.6%	1.5%
Basic Earnings per Share Rs.	15.65	10.24
Diluted Earnings per Share Rs.	14.87	10.14
Book Value Rs.	90.96	54.69
Non Interest Income to Net Revenues	42.2%	46.2%
Cost to Income	36.7%	44.2%
Gross NPA Ratio	0.27%	0.68%
Net NPA Ratio	0.06%	0.33%

Net Profit after Tax increased to Rs. 478 crores for the Financial Year 2009-10 as against Rs. 304 crores for the Financial Year 2008-09. For the Financial Year 2009-10, Return On Average assets was 1.6 % whereas the Return On Equity was 23.7 %. The increase in profits resulted in an increase in diluted earnings per shares from Rs. 10.14 in the Financial Year 2008-09 to Rs. 14.87 in the Financial Year 2009-10. The Book Value per share increased from Rs. 54.69 as at March 31, 2009 to Rs. 90.96 as at March 31, 2010 on the back of strong earnings growth and share premium from issue of equity shares by way of the Qualified Institutions Placement and the exercise of stock options and retained earnings for the year.

Despite a strong growth in advances, Your Bank had Net Non Performing Assets (NPA) to Net Advances ratio of 0.06% as at March 31, 2010 as compared to 0.33 % as at March 31, 2009. The gross non-performing assets stood at Rs. 60 crores as at March 31, 2010 as compared to Rs. 85 crores as at March 31, 2009. The specific loss provision balance was Rs. 47 crores as at March 31, 2010 resulting in a specific cover of 78.43%. The general loan loss provision made during the Financial Year 2009-10 was Rs. 39 crores as compared to Rs. 26 crores for the Financial Year 2008-09. The total provision cover stood at 274% as at March 31, 2010 in line with the conservative provisioning norms followed by your Bank.

SECTORAL DISTRIBUTION OF LOANS

Your Bank continues to focus on industry sectors (which have been selected based on the overview of macroeconomic factors, industry analysis, the Bank's domain knowledge and expertise in addition to the directives from the Reserve Bank and Government of India) to drive its portfolio growth. The knowledge-driven banking approach ensures a well-diversified, highly resilient and healthy portfolio mix. Accordingly, your Bank's portfolio is largely distributed amongst Food and Agribusiness contributing (16.9%), Infrastructure (20.6%), Engineering (19.1%), Telecommunications Media and Information Technology (TMT)



(13.3%), Life sciences & Healthcare (8.0%) and others (22.1%). To meet priority sector lending targets, your Bank is working with channel partners including micro-finance companies and NBFCs for origination, monitoring and collections. Your Bank has also built structured credit solutions around agriculture input suppliers/purchasers of large corporates, thereby using the distribution network of these companies to originate and lend to agricultural producers.

SHAREHOLDERS' FUNDS & CAPITAL MANAGEMENT

Your Bank's shareholders' funds were Rs. 3,090 crores as at March 31, 2010 as compared to Rs. 1,624 crores as at March 31, 2009.

Tier-I Capital

The increase in Tier-I Capital was on account of (1) Issue of 3.84 crores shares at Rs. 269.50 per share aggregating Rs. 1,019 crores (net of share issue expenses) (2) Profit after Tax for the Financial Year 2009-10 of Rs. 478 crores less Dividend declared at Rs. 1.50 per share aggregating Rs. 60 crores (including dividend declaration tax) and (3) Exercise of 0.43 crores stock options by employees aggregating Rs. 28 crores and (4) Issuance of Hybrid Tier I instruments in form of Innovative Perpetual Debt Instruments aggregating Rs. 82 crores.

Tier- II Capital

During the Financial Year 2009-10, your Bank raised Rs. 560 crores of subordinated debt through private placement issues of unsecured, redeemable, non-convertible, subordinated bonds from various financial institutions and another Rs. 93 crores (EURO 13.25 million) Upper Tier II capital from PROPARCO, the French government investment arm.

Your Bank had a Capital Adequacy Ratio of 20.6% (as per Basel II) as at the end of the Financial Year 2009-10. As per Basel II, Tier I Capital Ratio was 12.9% and the Tier II Capital Ratio was 7.7% as at March 31, 2010.

Capital Adequacy Ratios in percent	March 31, 2010	March 31, 2009
Total capital ratio (CAR) out of the above-	20.6%	16.6%
- Tier I Capital	12.9%	9.5%
- Tier II Capital	7.7%	7.1%

In line with the RBI circular on new Capital Adequacy Framework, currently for computing capital requirement, your Bank has adopted the Standardized Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk. Your Bank has also put in place a Board approved policy on Internal Capital Assessment Process (ICAAP) which defines and sets processes to review and improve the techniques used for identification, measurement and assessment of all material risks and resultant capital requirements.

RISKS AND THREATS

The RBI in response to the market conditions in the second half of fiscal 2009, provided liquidity support and reduced policy rates. Inflation concerns have forced the RBI to withdraw its liquidity support measures and increase both policy rates and reserve requirements signalling a tighter money environment. The Government on its part plans to continue its borrowing program, which could also put pressure on rates. Though the credit off-take showed a pick-up in the last quarter of the Financial Year 2009-10, it was subdued for most of the fiscal. The continuation of such a phenomenon, accompanied by tightening of monetary policy could put pressure on margin of banks as they may not be able to pass on higher cost of funds to their borrowers. Rising inflation could subdue economic growth and saving rates consequently impacting profitability of banks.

The Financial Year 2009-10 has seen a significant pick-up in consumer spending in both India as well as leading global economies. However, the threat of a double-dip of leading western economies is considered real by many leading global economists. Such a scenario may put a significant strain on certain industries, especially export oriented industries, possibly resulting in increased credit costs. Further, this could impact consumer spending and credit off-take, thereby slowing down expansion plans. Also, foreign capital has had a crucial role to play in financing investment initiatives. A double-dip would result in slowdown of the flow of such funds thereby constraining a sustained recovery in investments and capital growth.

We intend to expand our asset and liability base and branch footprint. Our ability to add branches in metropolitan and urban locations is dependent on obtaining branch licenses from the Reserve Bank of India. A change in the regulation on branch licensing could lead to unexpected delays in the roll-out of branches. Further, branch expansion is also dependent on cost-effective availability of suitable real estate and execution of roll-out of the associated infrastructure.

Opportunities

The robust recovery of the domestic economy from the financial crisis of 2008-09 reflects the strong fundamentals of the Indian Economy and the resilience of the Indian Consumer. India is expected to experience strong growth over the next few years accompanied by the expansion and deepening in penetration of the banking sector in India. A growing middle class with technologically savvy, multiple banking requirements will serve as a huge market of the growth plans of your Bank in the near future. The shift in demographics towards a higher proportion of younger working population, the changing attitudes towards borrowings, higher income levels amongst the growing middle class, and the large pent-up demand for housing, cars, etc., all augur well for the long-term, sustainable growth of consumer lending in the Indian market over the next few years.

The rural sector has shown greater resilience than the urban sector partly due to a lower level of global integration. Given that a large percentage of population lives in rural India and that the population is under-banked, there is an enormous opportunity for expansion of banking in India. This population has the potential to show lower credit losses in a down-turn given its counter-cyclical character. Further, evolving technologies like mobile banking will provide opportunities to tap million of customers (especially rural customers) who were hitherto untapped in the past.

The huge expansion of Infrastructure over the next plan period will create opportunities for banks either directly in project finance or in providing short-term funds for companies involved in these projects. Furthermore, there is an expectation of significant capacity expansion in the near future which would augment the credit requirement of corporate India, thereby significantly improving credit off-take.

OUTLOOK

India's economic recovery has been remarkable with the Financial Year 2009-10 GDP estimated to grow by 7.2% (Advance Estimates, CSO, GOI) and expected to gain further traction in the Financial Year 2010-11 with GDP projected to grow between 8.0%-8.75% (RBI and GOI respectively). Hitherto, consumption led recovery is now seen paving way for investment-led resurgence as the capacity utilisation levels improve in the coming quarters. The lead indicators of economic activity, viz. non-oil imports, non-food credit, PMI Survey on business outlook all point towards a sustained momentum in the growth trajectory.

With growth firmly in saddle, the focus of the monetary policy has now tilted towards inflation management on the back of a worrisome inflation trajectory. The headline WPI inflation in March 2010 was significantly higher at 9.9%, exceeding RBI's baseline projection of 8.5%. Towards anchoring inflationary expectations, the RBI has however, adopted a calibrated approach in the pace of monetary tightening. Going forward, the monsoon outlook for the Financial Year 2010-11 will have a bearing on growth and inflation projections. A normal monsoon will support a stronger growth momentum which will enable RBI to normalise policy rates closer to pre-crisis levels. While the headline WPI inflation has likely peaked in March 2010, we expect the annual average inflation around 6.0-6.5% in the Financial Year 2010-11. Monetary tightening is expected to continue through the Financial Year 2010-11 with increases in the Repo and the Reverse Repo rates and hikes in the Cash Reserve Ratio requirement.

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members

YES BANK Limited

We have examined all relevant records of YES BANK Ltd. for the purposes of certifying compliances of the conditions of Corporate Governance under the revised Clause 49 of the Listing Agreement entered into with National Stock Exchange of India Ltd and Bombay Stock Exchange Ltd. (Stock exchanges) for the Financial Year ended 31st March 2010. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of certification.

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

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

Dipti Mehta
Partner
Mehta and Mehta
Company Secretaries
Membership no. 3667
Certificate of Practice no. 3202

Place : Mumbai
Date : April 27, 2010

Report on Corporate Governance

Company's Philosophy on Code of Governance

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

YES BANK believes that there is a need to view Corporate Governance as more than just regulatory requirements as there exists a fundamental link with the organisation of business, corporate responsibility and shareholder wealth maximisation. Therefore, your Bank is articulating a multi-stakeholder model (including shareholder value) of accountability that will manage the symbolic relationship between the various stakeholders. This approach will be central to the day-to-day functioning of your Bank and in implementation of its business strategy.

Code of Ethics

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

Prevention of Insider Trading

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

Whistle Blower Policy

In line with the best international governance practices, the Bank has formulated a Whistle Blower Policy, in terms of which, employees of the Bank are free to raise concerns, if any, which they may have with respect to any unethical or improper practice noticed by an employee including but not limited to :

- ✓ Conduct which is an offence or a breach of law
- ✓ Disclosures related to miscarriage of justice
- ✓ Unauthorised use of funds
- ✓ Financial or non-financial maladministration or malpractice or impropriety or fraud or corruption.

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

Board of Directors

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

Four Board Meetings were held during the Financial Year ended March 31, 2010 on the following dates: April 22, 2009, July 21, 2009, October 21, 2009 and January 20, 2010. The names of the members of the Board, their status, their attendance at the Board Meetings and the last AGM, number of other Directorship and Committee membership/chairmanship of each Director are as under:

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

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

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

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

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

Audit & Compliance Committee

Terms of Reference

The terms of reference of the Audit & Compliance Committee include providing direction and oversight to the total audit function in the Bank, recommending appointment and removal of statutory/internal and concurrent auditors and fixing their remuneration, review of the results/financial statements (quarterly, half yearly, annual) before submission to the Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with the inspection and audit reports of Reserve Bank of India, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults.

Composition

The Audit & Compliance Committee comprises of 4 Non - Executive Directors, all of them are Independent Directors. The Committee is chaired by Mr. S. L. Kapur, Independent Director.

6 meetings were held during the Financial Year ended March 31, 2010. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. S. L. Kapur	6
Mr. Wouter Kolff	4
Mr. Arun K. Mago	6
Mr. Ajay Vohra	3

Risk Monitoring Committee

Terms of Reference

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

Composition

The Risk Monitoring Committee comprises of 5 members. 4 meetings were held during the Financial Year ended March 31, 2010. The Committee is chaired by Mr. Wouter Kolff with effect from October 21, 2009. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Wouter Kolff	4
Mr. Rana Kapoor	4
Mr. Sipko Schat	NIL
Mr. Arun K. Mago	4
Mr. S. L. Kapur*	1
Mr. Berend Du Pon (Alternate to Sipko Schat)	3

**Inducted w.e.f. October 21, 2009.*

Board Remuneration Committee

Terms of Reference

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

Composition

The Board Remuneration Committee comprises of 3 members. 3 meetings were held during the Financial Year ended March 31, 2010. The Committee is chaired by Mr. S. L. Kapur. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. S. L. Kapur	3
Mr. Wouter Kolff	3
Mr. Rana Kapoor	3

Remuneration policy

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

Remuneration of Directors:

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

- Salary and allowances: Rs. 1,13,40,000/-
- Bonus to be paid as decided by the Board Remuneration Committee/Board of Directors in accordance with RBI Guidelines
- Provident Fund: Rs. 8,28,765/-, Super Annuation allowance: Rs. 6,90,637/-
- Perquisites such as benefit of Bank's furnished leased accommodation, gas, electricity, water expenses, subject to limits, use of Bank's car, telephones at residence, medical and life insurance as per Bank's policy, gratuity as per Bank's policy, medical benefits and leave fare concession. No sitting fees are paid to the Managing Director & CEO and there was no grant of stock options

The Independent Directors are paid sitting fees of Rs. 20,000/- for attending each meeting of the Board of Directors and any Committee of Directors. During the Financial Year ended March 31, 2010 the Bank paid Rs. 13,60,000/- as sitting fees to the Indepenent Directors.

Nominations & Governance Committee

Terms of Reference

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

Composition

The Committee comprises of 3 members. 2 meetings were held during the Financial Year ended March 31, 2010. The Committee is chaired by Mr. Rana Kapoor. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Rana Kapoor	2
Mr. Arun K. Mago	2
Mr. Wouter Kolff	2

Investor Relations Committee

Terms of Reference

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

Composition

The Committee comprises of 2 members. The Committee is chaired by Mr. Bharat Patel. 2 meetings were held during the Financial Year ended March 31, 2010. The composition and attendance details are given below:

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

Details of Shareholders' Complaints

Particulars	No. of Complaints
Investor Complaints pending at the beginning	NIL
Investor Complaints received for the period April 2009 to March 2010	13
Investor Complaints disposed during the period April 2009 to March 2010	13
Investor Complaints pending	NIL

Fraud Monitoring Committee

Terms of Reference

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

Composition

The Committee comprises of 3 members. The Committee is chaired by Mr. Rana Kapoor. 1 meeting was held during the Financial Year ended March 31, 2010. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Rana Kapoor	1
Mr. Wouter Kolff	NIL
Mr. S. L. Kapur	1

Service Excellence Committee

Terms of Reference

The terms of reference include review of the product approval process, to formulate comprehensive deposit policy, conduct and review annual survey of depositor satisfaction, take measures for enhancing the quality of customer service and improve the level of customer satisfaction for all categories of clientele.

Composition

The Committee comprises of 3 members. The Committee is chaired by Mr. Rana Kapoor. 2 meetings were held during the Financial Year ended March 31, 2010. The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Rana Kapoor	2
Mr. Bharat Patel	2
Mr. Arun K. Mago	2

Special Purpose Committee:

The Bank had constituted one Special Purpose Committee viz. Capital Raising Committee. The Capital Raising Committee was formed for the purpose of looking at various options for infusing of capital, crystallise pricing after negotiation by the management, recommend the same to the shareholders at a general meeting and allied matters. The Committee is chaired by Mr. Rana Kapoor. 2 meetings were held during the Financial Year ended March 31, 2010.

The Composition and attendance details are given below:

Name of the members	No. of meetings attended
Mr. Rana Kapoor	2
Mr. Bharat Patel*	1
Mr. Arun K. Mago*	2

**Inducted w.e.f. July 21, 2009*

General Body Meetings

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

Year	Location	Date	Time
2007	Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai 400 018	August 29, 2007	11.00 A.M.
2008	Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai 400 018	September 18, 2008	11.00 A.M.
2009	Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai 400 018	September 3, 2009	11.00 A.M.

Special Resolutions

General Body Meeting	Day, Date	Resolution
Third Annual General Meeting	Wednesday, August 29, 2007	Approval of YBL Employee Stock Option Plan (YBL ESOP)
		Extending the scope of YBL Employee Stock Option Plan (YBL ESOP) to the employees of the subsidiaries of the Bank/employees of the Bank who may be transferred/ deputed to the subsidiaries of the Bank
Extra Ordinary General Meeting	Tuesday, December 4, 2007	Preferential Allotment of shares
Extra Ordinary General Meeting	Monday, March 10, 2008	Qualified Institutions Placement
Fourth Annual General Meeting	Thursday, September 18, 2008	Approval of YBL JESOP V/PESOP II
		Extending the scope of YES BANK Limited Employee Stock Option Plan (YBL JESOP V/PESOP II) to the employees of the subsidiaries of the Bank/employees of the Bank who may be transferred/deputed to the subsidiaries of the Bank
Fifth Annual General Meeting	Thursday, September 3, 2009	Approval of partial modification of the resolution passed as item No. 7 at the Fourth Annual General Meeting of the Bank held on September 18, 2008 for increasing the coverage of stock options from 1 crore stock options to 3 crore stock options of YES BANK Limited Employee Stock Option Plan (YBL JESOP V/PESOP II)
		Approval for partial modification of the resolution passed as item No. 8 at the Fourth Annual General Meeting of the Bank held on September 18, 2008 for extending the enhanced coverage of stock options under YES BANK Limited Employee Stock Option Plan (YBL JESOP V/PESOP II) to the employees transferred / deputed to subsidiaries or employees of such subsidiaries of the Bank
		Qualified Institutions Placement

Postal Ballot

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

Disclosures

During the Financial Year ended March 31, 2010:

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

Means of Communication

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

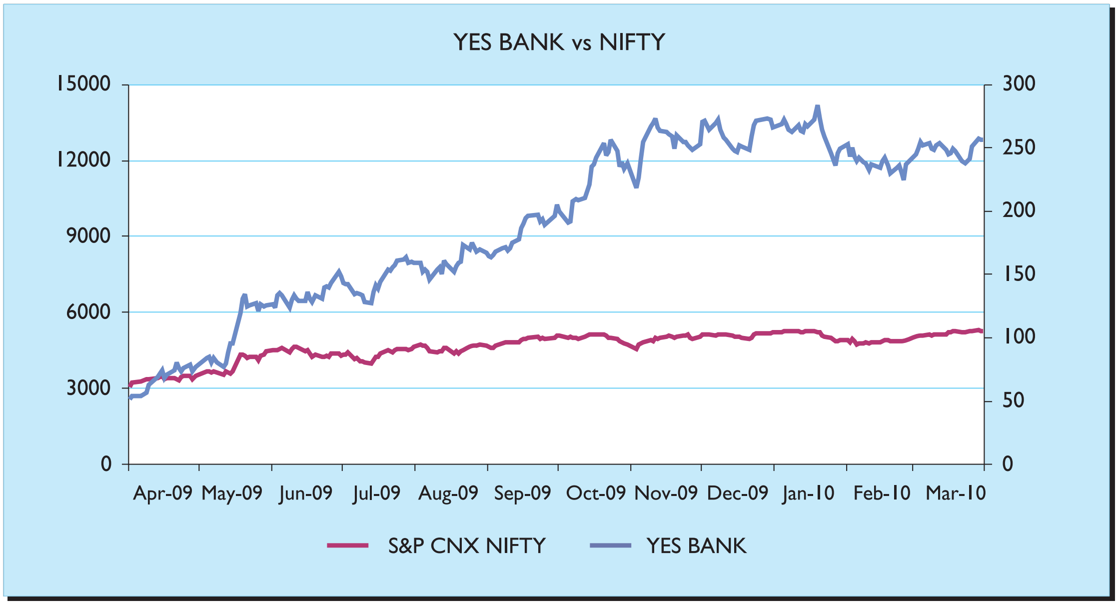
General Shareholders Information

Day, Date, Time and Venue of the Annual General Meeting	Friday, July 2, 2010 at 11.00 a.m. Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai 400 018
Financial Year	April 1, 2009 to March 31, 2010
Date of Book Closure	June 28, 2010 - July 2, 2010 (both days inclusive)
Dividend Payment Date	On or after July 3, 2010
Listing on Stock Exchanges	1. Bombay Stock Exchange Limited 2. National Stock Exchange of India Limited The Bank has paid the listing fees to the stock exchanges.
Stock Code	BSE : 532648 NSE : YESBANK

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

	NSE			BSE		
Month	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April 2009	79.95	51.65	11,19,09,982	79.85	51.65	4,07,22,715
May 2009	133.95	77.10	9,98,73,270	113.50	77.20	3,34,97,090
June 2009	151.60	123.95	10,26,97,242	151.35	123.85	3,55,22,644
July 2009	163.50	127.10	5,49,18,649	162.70	127.25	1,44,96,679
August 2009	174.50	145.90	3,63,81,970	174.25	145.80	88,15,408
September 2009	205.05	163.30	3,99,19,543	204.95	163.35	1,09,33,680
October 2009	156.35	191.30	7,44,23,986	255.65	191.25	1,94,46,740
November 2009	273.45	218.10	4,89,52,945	273.15	218.20	1,21,66,321
December 2009	272.70	246.85	3,80,04,877	271.80	246.80	1,04,50,634
January 2010	284.00	235.85	4,48,98,022	283.95	235.80	96,32,449
February 2010	253.10	224.75	2,82,38,692	253.30	224.75	47,74,017
March 2010	257.45	237.92	2,92,46,432	257.45	238.10	47,83,466

Performance in comparison to S&P CNX NIFTY:



Registrar and Transfer Agents	Karvy Computershare Private Limited. Plot No. 17 to 24, Vittalrao Nagar Madhapur, Hyderabad - 500 081. Phone No. 040-23420815-28; Fax No. 040 - 23420814 Contact Persons: Mr. K. Sreedhara Murthy / Mr. U. S. Singh
Share Transfer System	The Board has delegated the authority for approving transfer, transmission etc. of the Bank's securities to the Managing Director & CEO and the Company Secretary. The Bank's shares are traded under compulsory demat mode. The Bank obtains from a company secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

Distribution of Shareholding as at 31/03/2010					
Category (Amount)	No. of Folio	%	Total Shares	Amount	% of Amount
Up to 5,000	97,694	93.86	1,03,81,398	10,38,13,980	3.06
5,001 - 10,000	3,389	3.26	27,32,163	2,73,21,630	0.81
10,001 - 20,000	1,361	1.31	20,57,962	2,05,79,620	0.60
20,001 - 30,000	475	0.46	12,17,572	1,21,75,720	0.36
30,001 - 40,000	197	0.19	7,12,421	71,24,210	0.21
40,001 - 50,000	188	0.18	8,85,579	88,55,790	0.26
50,001 - 1,00,000	294	0.28	21,75,541	2,17,55,410	0.64
1,00,001 & Above	492	0.47	31,95,04,633	3,19,50,46,330	94.06
TOTAL	**1,04,090**	**100.00**	**33,96,67,269**	**3,39,66,72,690**	**100.00**

Shareholding Pattern as on March 31, 2010

Name of the Company : YES BANK Limited

Category of Shareholder	No. of Share-holders	Total No. of Shares	No. of Shares held in dematerialised form	Total shareholding as a percentage of total number of Shares		Shares Pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	No. of Shares	As a %
(A) Shareholding of Promoter and Promoter Group							
Indian							
Individuals/Hindu Undivided Family	2	5,51,25,000	5,51,25,000	16.23	16.23	33,35,000	6.05
Central Government/ State Government(s)	0	0	0	0.00	0.00	0	0
Bodies Corporate	3	3,71,17,450	3,71,17,450	10.93	10.93	0	0
Financial Institutions/Banks	0	0	0	0.00	0.00	0	0
Any Others (Specify)	0	0	0	0.00	0.00	0	0
Sub Total (A)(1)	**5**	**9,22,42,450**	**9,22,42,450**	**27.16**	**27.16**	**33,35,000**	**3.62**
Foreign							
Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0.00	0.00		0.00
Bodies Corporate	0	0	0	0.00	0.00		0.00
Institutions	0	0	0	0.00	0.00		0.00
Any Others(Specify)	0	0	0	0.00	0.00		0.00
Sub Total (A)(2)	**0**	**0**	**0**	**0.00**	**0.00**		**0.00**
Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**5**	**9,22,42,450**	**9,22,42,450**	**27.16**	**27.16**	**33,35,000**	**3.62**
(B) Public shareholding							
Institutions							
Mutual Funds/UTI	42	88,91,927	88,91,927	2.62	2.62		
Financial Institutions/Banks	21	50,63,022	50,63,022	1.49	1.49		
Central Government/							
State Government(s)	0	0	0	0.00	0.00		
Venture Capital Funds	0	0	0	0.00	0.00		

Shareholding Pattern as on March 31, 2010 (Continued)

Name of the Company : YES BANK Limited

Category of Shareholder	No. of Share-holders	Total No. of Shares	No. of Shares held in dematerialised form	Total shareholding as a percentage of total number of Shares		Shares Pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	No. of Shares	As a %
Insurance Companies	0	0	0	0.00	0.00		
Foreign Institutional Investors	179	14,52,83,149	14,52,83,149	42.77	42.77		
Foreign Venture Capital Investors	0	0	0	0.00	0.00		
Any Other (specify)	0	0	0	0.00	0.00		
Foreign Financial Institutions	2	5,03,14,425	5,03,14,425	14.81	14.81		
Sub-Total (B)(1)	**244**	**20,95,52,523**	**20,95,52,523**	**61.69**	**61.69**		
Non-institutions							
Bodies Corporate	1,313	77,09,450	77,09,450	2.27	2.27		
Individuals							
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	98,169	1,70,93,013	1,70,68,875	5.03	5.03		
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	177	1,01,32,936	1,01,32,936	2.98	2.98		
Any Other (specify)							
Clearing Members	250	8,13,792	8,13,792	0.24	0.24		
H U F	1,687	4,85,162	4,85,162	0.14	0.14		
Non Resident Indian	2,234	16,10,463	16,10,463	0.47	0.47		
Trust	12	27,480	27,480	0.01	0.01		
Sub-Total (B)(2)	**1,03,841**	**3,78,72,296**	**3,78,48,158**	**11.15**	**11.15**		
Total Public Shareholding (B)= (B)(1)+(B)(2)	**1,04,085**	**24,74,24,819**	**24,74,00,681**	**72.84**	**72.84**		
TOTAL (A)+(B)	**1,04,090**	**33,96,67,269**	**33,96,43,131**	**100**	**100**	**33,35,000**	**0.98**
(C) Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00		
GRAND TOTAL (A)+(B)+(C)	**1,04,090**	**33,96,67,269**	**33,96,43,131**	**100**	**100**	**33,35,000**	**0.98**

List of Major Shareholders as on March 31, 2010

Sr. No.	Name	Share	%
1	RANA KAPOOR GROUP	4,91,75,000	14.48
2	MADHU KAPUR GROUP	4,30,67,450	12.68
3	AMERICAN FUNDS INSURANCE SERIES GROWTH FUND	1,31,70,000	3.88
4	COMMONWEALTH EQUITY FUND LIMITED	37,87,663	1.12
5	DEUTSCHE SECURITIES MAURITIUS LIMITED	58,46,681	1.72
6	HSBC FINANCIAL SERVICES (MIDDLE EAST) LIMITED A/C HSBC IRIS INVESTMENTS (MAURITIUS) LIMITED	1,45,47,650	4.28
7	ORIENT GLOBAL TAMARIND FUND PTE LIMITED	1,03,14,425	3.04
8	RABOBANK INTERNATIONAL HOLDING B.V	5,40,00,000	15.90
9	SMALLCAP WORLD FUND, INC	1,23,60,000	3.64
10	STICHTING PENSIOENFUNDS ABP	36,18,414	1.07
11	TITIWANGSA INVESTMENTS (MAURITIUS) LIMITED	1,39,70,000	4.11

Dematerialisation of shares and liquidity	As on March 31, 2010 almost the entire equity capital was held in the dematerialised form with NSDL and CDSL. Only 24,138 shares were being held in physical form.
Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	The Bank does not have any Outstanding GDRs/ADRs /Warrants or any other Convertible instrument as on date.
Plant Locations	As the company is engaged in the business of banking/financial services, there is no plant location.
Address for correspondence	Karvy Computershare Private Limited Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500081. Phone No. 040-23420815-28; Fax No. 040 - 23420814 Contact Persons: Mr. K. Sreedhara Murthy / Mr. U. S. Singh
Address of the Compliance Officer	Mr. Sanjeev Kapoor, Company Secretary ION House, First Floor, Dr. E. Moses Road, Mahalaxmi, Mumbai 400011. Phone No.: 022 - 66229000. Fax No.: 022 - 24974875 E-mail: shareholders@yesbank.in

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Place: Mumbai
Date: April 27, 2010

Compliance with the Code of Conduct and Ethics

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

Rana Kapoor
Managing Director & CEO

Place: Mumbai
Date: April 27, 2010

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Members of YES BANK Limited

1. We have audited the attached balance sheet of YES BANK Limited ('the Bank') as at 31 March 2010, and the related profit and loss account and the cash flow statement of the Bank for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and the profit and loss account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
4. We report thereon as follows:
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   b) The transactions of the Bank which have come to our notice have been within the powers of the Bank;
   c) In our opinion, proper books of account as required by law have been kept by the Bank in so far as it appears from our examination of those books;
   d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account of the Bank;
   e) In our opinion, the accompanying balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;
   f) As per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956;
   g) On the basis of written representations received from the Directors as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2010 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956; and
   h) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i. in case of the balance sheet, of the state of the affairs of the Bank as at 31 March 2010;
      ii. in case of the profit and loss account, of the profit for the year ended on that date; and
      iii. in case of the cash flow statement, of the cash flows for the year ended on that date.

For **B S R & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No: 046768
Firm's Registration No: 101248W

Mumbai
27 April 2010

Financial Statements

BALANCE SHEET AS AT MARCH 31, 2010

(Rs. in thousands)

	Schedule	As at March 31, 2010	As at March 31, 2009
CAPITAL AND LIABILITIES			
Capital	1	3,396,673	2,969,789
Reserves and surplus	2	27,498,830	13,272,371
Deposits	3	267,985,666	161,694,215
Borrowings	4	47,490,761	37,016,770
Other liabilities and provisions	5	17,453,177	14,054,756
TOTAL		**363,825,107**	**229,007,901**
ASSETS			
Cash and balances with Reserve Bank of India	6	19,953,099	12,777,184
Balances with banks, money at call and short notice	7	6,779,384	6,449,862
Investments	8	102,099,413	71,170,194
Advances	9	221,931,232	124,030,922
Fixed assets	10	1,154,664	1,311,148
Other assets	11	11,907,315	13,268,591
TOTAL		**363,825,107**	**229,007,901**
Contingent liabilities	12	1,057,879,299	657,727,148
Bills for collection		1,534,293	1,929,344
Significant Accounting Policies and Notes to Accounts forming part of financial statements	18		

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants

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

Akeel Master
Partner
Membership No: 046768
Firm's Registration No: 101248W

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 27, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. in thousands)

	Schedule	Year Ended March 31, 2010	Year Ended March 31, 2009
I. INCOME			
Interest earned	13	23,697,097	20,014,348
Other income	14	5,755,320	4,369,009
TOTAL		**29,452,417**	**24,383,357**
II. EXPENDITURE			
Interest expended	15	15,817,570	14,921,356
Operating expenses	16	5,001,531	4,185,452
Provisions and contingencies	17	3,855,923	2,238,129
TOTAL		**24,675,024**	**21,344,937**
III. PROFIT			
Net profit for the year		4,777,393	3,038,420
Profit brought forward		4,057,754	2,450,823
TOTAL		**8,835,147**	**5,489,243**
IV. APPROPRIATIONS			
Transfer to Capital Reserve		315,182	671,672
Transfer to Statutory Reserve		1,194,348	759,605
Transfer to Investment Reserve		-	212
Proposed Dividend		509,501	-
Tax (including cess) on Dividend		86,590	-
Balance carried over to balance sheet		6,729,526	4,057,754
TOTAL		**8,835,147**	**5,489,243**
Significant Accounting Policies and Notes to Accounts	18		
forming part of financial statements			
Earning per share ***(Refer Sch. 18.7.6)***			
Basic (Rs.)		**15.65**	10.24
Diluted (Rs.)		**14.87**	10.14
(Face Value of Equity Share is Rs. 10/-)			

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants

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

Akeel Master
Partner
Membership No: 046768
Firm's Registration No: 101248W

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 27, 2010

Cash Flow Statements

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. in thousands)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Cash flow from operating activities		
Net profit before taxes	**7,264,854**	**4,659,165**
Adjustment for		
Depreciation for the year	302,603	301,036
Amortization of premium on investments	264,329	178,538
Provision for investments	154,103	(199,410)
Provision for standard advances	388,655	265,391
Provision/write-off of non performing advances/off balance sheet exposure	876,039	570,668
Other provisions	(50,335)	(19,265)
Loss from sale of fixed assets	5,917	1,574
	9,206,165	**5,757,697**
Adjustments for :		
Increase in Deposits	106,291,451	28,962,627
Increase in Borrowings	3,747,695	12,028,479
Increase/(Decrease) in Other Liabilities	(374,956)	5,177,340
(Increase) in Investments	(11,438,094)	(3,916,648)
(Increase) in Advances	(98,760,799)	(30,280,932)
(Increase)/Decrease in Other Assets	3,687,663	(3,309,286)
	3,152,960	**8,661,580**
(Payment) of direct taxes	(2,757,834)	(1,769,557)
Net cash generated from operating activities (A)	**9,601,291**	**12,649,720**

(Rs. in thousands)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Cash flow from investing activities		
Purchase of Fixed Assets	(146,887)	(649,405)
Proceeds from sale of Fixed Assets	4,797	12,277
Changes in Capital Work-in-Progress	(9,946)	35,080
Changes in Held to Maturity Investment	(19,909,557)	(16,295,612)
Net cash used in investing activities (B)	**(20,061,593)**	**(16,897,660)**
Cash flow from financing activities		
Subordinated Debt raised	6,527,633	5,430,400
Innovative Perpetual Debt raised	820,000	1,754,400
Proceeds from issuance of Share Capital	426,884	11,891
Share Premium received thereon	10,191,222	2,635
Net cash generated from financing activities (C)	**17,965,739**	**7,199,326**
Net increase in cash and cash equivalents (A+B+C)	**7,505,437**	**2,951,386**
Cash and cash equivalents as at April 1	**19,227,046**	**16,275,660**
Cash and cash equivalents as at March 31	**26,732,483**	**19,227,046**
Notes to the Cash flow statement:		
Cash and cash equivalents includes the following		
Cash and Balances with Reserve Bank of India	19,953,099	12,777,184
Balances with Banks and Money at Call and Short Notice	6,779,384	6,449,862
Cash and cash equivalents as at March 31	**26,732,483**	**19,227,046**

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants

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

Akeel Master
Partner
Membership No: 046768
Firm's Registration No: 101248W

Rana Kapoor
Managing Director & CEO

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S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 27, 2010

Schedules forming part of the Balance Sheet

(Rs. in thousands)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1 – CAPITAL		
Authorized Capital		
400,000,000 equity shares of Rs. 10/- each	4,000,000	4,000,000
(March 31, 2009: 400,000,000 equity shares of Rs. 10/- each)		
Issued, subscribed and paid-up capital		
339,667,269 equity shares of Rs. 10/- each	3,396,673	2,969,789
(March 31, 2009 : 296,978,930 equity shares of Rs. 10/- each) *[Refer Sch 18.5.1.1]*		
TOTAL	**3,396,673**	**2,969,789**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserves		
Opening balance	1,633,890	874,285
Additions during the year	1,194,348	759,605
Closing balance	**2,828,238**	**1,633,890**
II. Share Premium		
Opening balance	6,774,399	6,771,764
Additions during the year *[Refer Sch 18.5.1.1]*	10,191,222	2,635
Reduction during the year *[Refer Sch 18.5.1.1]*	(146,065)	–
Closing balance	**16,819,556**	**6,774,399**
III. Capital Reserve		
Opening balance	806,116	134,444
Additions during the year *[Refer Sch 18.5.1.2]*	315,182	671,672
Closing balance	**1,121,298**	**806,116**
IV. Investment Reserve		
Opening balance	212	–
Additions during the year *[Refer Sch 18.5.1.3]*	–	212
Closing balance	**212**	**212**
V. Balance in Profit and Loss Account	**6,729,526**	**4,057,754**
TOTAL	**27,498,830**	**13,272,371**

(Rs. in thousands)

		As at March 31, 2010	As at March 31, 2009
SCHEDULE 3 – DEPOSITS			
A. I. Demand Deposits			
i) From banks		–	–
ii) From others		24,271,627	12,197,457
II. Savings Bank Deposits		3,909,904	1,920,642
III. Term Deposits			
i) From banks		26,717,380	21,733,556
ii) From others		213,086,755	125,842,560
	TOTAL	267,985,666	161,694,215
B. I. Deposits of branches in India		267,985,666	161,694,215
II. Deposits of branches outside India		–	–
	TOTAL	267,985,666	161,694,215
SCHEDULE 4 – BORROWINGS			
I. Innovative Perpetual Debt Instruments (IPDI) and Tier II			
A. Borrowings in India			
i) IPDI		2,360,000	1,540,000
ii) Upper Tier II Borrowings		5,926,000	5,926,000
iii) Lower Tier II Borrowings		8,949,000	3,349,000
	TOTAL (A)	17,235,000	10,815,000
B. Borrowings outside India			
i) IPDI		224,500	253,600
ii) Upper Tier II Borrowings		4,392,996	4,057,600
iii) Lower Tier II Borrowings		–	–
	TOTAL (B)	4,617,496	4,311,200
	TOTAL (A + B)	21,852,496	15,126,200
II Other Borrowings*			
A. Borrowings in India			
i) Reserve Bank of India		–	1,000,000
ii) Other banks		6,293,000	7,450,000
iii) Other institutions and agencies**		10,717,674	8,564,587
	TOTAL (A)	17,010,674	17,014,587
B. Borrowings outside India		8,627,591	4,875,983
	TOTAL (A + B)	25,638,265	21,890,570
	TOTAL (I + II)	47,490,761	31,016,770
*Of the above secured borrowings are Nil (March 31, 2009 : Nil)			
**Comprises of refinance (borrowing) of Rs.10,717,674 thousands (March 31, 2009: refinance (borrowing) of Rs. 8,564,587 thousands).			
SCHEDULE 5 – OTHER LIABILITIES & PROVISIONS			
I. Bills payable		1,240,472	3,934,431
II. Inter-office adjustments (net)		–	–
III. Interest accrued		2,339,734	1,959,040
IV. Proposed Dividend (including tax on dividend)		596,091	–
V. Others (including provisions)			
– Provision for standard advances		1,179,863	791,208
– Others		12,097,017	7,370,077
	TOTAL	17,453,177	14,054,756

Schedules forming part of the Balance Sheet

(Rs. in thousands)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand	356,647	314,503
II. Balances with Reserve Bank of India		
– In current account	19,596,452	12,462,681
– In other account	–	–
TOTAL	**19,953,099**	**12,777,184**
SCHEDULE 7 – BALANCES WITH BANKS, MONEY AT CALL AND SHORT NOTICE		
I. In India		
Balances with banks		
i) in current accounts	123,184	144,722
ii) in other deposit accounts	–	–
Money at call and short notice		
i) with banks	1,020,000	202,880
ii) with other institutions	975,464	4,250,000
TOTAL (I)	**2,118,648**	**4,597,602**
II. Outside India		
i) in current accounts	1,832,036	1,852,260
ii) in other deposit accounts	–	–
iii) Money at call and short notice	2,828,700	–
TOTAL (II)	**4,660,736**	**1,852,260**
TOTAL (I+II)	**6,779,384**	**6,449,862**
SCHEDULE 8 – INVESTMENTS (net of provisions)		
A. Investments in India		
i) Government securities	67,864,767	46,801,078
ii) Other approved securities	–	–
iii) Shares	827,128	54,615
iv) Debentures and bonds*	8,914,521	10,241,802
v) Subsidiaries and/or joint ventures	–	–
vi) Others (CPs, CDs, mutual fund units etc.)	24,492,997	14,072,699
	102,099,413	**71,170,194**
B. Investments outside India	–	–
TOTAL	**102,099,413**	**71,170,194**
*Includes investments in Pass Through Certificates (PTC), Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS).		

(Rs. in thousands)

			As at March 31, 2010	As at March 31, 2009
SCHEDULE 9 – ADVANCES				
A.	i)	Bills purchased and discounted	4,995,463	1,264,230
	ii)	Cash credits, overdrafts and loans repayable on demand	42,708,815	28,040,980
	iii)	Term loans	174,226,954	94,725,712
		TOTAL	**221,931,232**	**124,030,922**
B.	i)	Secured by tangible assets	97,629,884	57,748,673
	ii)	Covered by Bank/Government guarantees	2,723,030	112,322
	iii)	Unsecured *	121,578,318	66,169,927
		TOTAL	**221,931,232**	**124,030,922**
	* includes advances of Rs. 42,143,936 thousands (March 31, 2009 Rs. 14,088,014 thousands) for which security documentation is either being obtained or being registered and of Rs. 450,480 thousands for which intangible securities such as charge over the rights, licenses, authority etc. have been obtained as security and estimated value of which is Rs. 7,307,300 thousands.			
C.	I.	Advances in India		
		i) Priority sectors	44,916,231	33,775,504
		ii) Public sector	8,429	297,559
		iii) Banks	1,521,280	303,988
		iv) Others	175,485,292	89,653,871
			221,931,232	**124,030,922**
	II.	Advances outside India	–	–
		TOTAL	**221,931,232**	**124,030,922**

Schedules forming part of the Balance Sheet

(Rs. in thousands)

		As at March 31, 2010	As at March 31, 2009
SCHEDULE 10 – FIXED ASSETS			
I.	**Premises**	–	–
II.	**Other Fixed Assets (including furniture and fixtures)**		
	At cost as on March 31 of preceding year	1,948,817	1,330,078
	Additions during the year	146,887	649,405
	Deductions during the year	(31,675)	(30,666)
	Accumulated depreciation to date	(923,177)	(641,535)
		1,140,852	1,307,282
	Capital work-in-progress	13,812	3,866
	TOTAL	**1,154,664**	**1,311,148**
SCHEDULE 11 – OTHER ASSETS			
I.	Interest accrued	2,581,825	2,256,612
II.	Advance tax and tax deducted at source	6,574,976	3,817,142
III.	Deferred tax asset (net) *[Refer Sch 18.7.8]*	652,928	463,037
IV.	Others	2,097,586	6,731,800
	TOTAL	**11,907,315**	**13,268,591**
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims against the bank not acknowledged as debts	–	–
II.	Liability for partly paid investments	–	–
III.	Liability on account of outstanding forward exchange contracts	258,063,100	192,773,554
IV.	Liability on account of outstanding derivative contracts		
	- Single currency Interest Rate Swaps	609,178,715	273,484,550
	- Others	74,791,099	83,648,906
V.	Guarantees given on behalf of constituents		
	- In India	44,643,647	35,755,069
	- Outside India	–	–
VI.	Acceptances, endorsements and other obligations	39,524,264	28,847,332
VII.	Other items for which the bank is contingently liable		
	- Value dated purchase of securities	8,477,815	1,329,627
	- Capital commitments	90,039	71,640
	- Foreign Exchange Contracts (Tom & Spot)	23,110,620	41,816,470
	TOTAL	**1,057,879,299**	**657,727,148**

Schedules forming part of the Profit and Loss Account

(Rs. in thousands)

	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 13 – INTEREST EARNED		
I. Interest/discount on advances/bills	17,715,013	14,878,074
II. Income on investments	5,858,892	4,995,991
III. Interest on balances with Reserve Bank of India and other inter-bank funds	86,860	115,123
IV. Others	36,332	25,160
TOTAL	**23,697,097**	**20,014,348**
SCHEDULE 14 – OTHER INCOME		
I. Commission, exchange and brokerage	3,791,084	2,257,734
II. Profit on the sale of investments (net)	986,236	1,486,376
III. Profit /(Loss) on the revaluation of investments (net)	–	–
IV. (Loss) on sale of land, building and other assets	(5,917)	(1,574)
V. Profit on exchange transactions (net)	441,234	281,096
VI. Income earned by way of dividends, etc. from subsidiaries, companies and/or joint ventures abroad/in India	–	–
VII. Miscellaneous income	542,683	345,377
TOTAL	**5,755,320**	**4,369,009**

(Rs. in thousands)

		Year Ended March 31, 2010	Year Ended March 31, 2009
SCHEDULE 15 – INTEREST EXPENDED			
I.	Interest on deposits	12,534,411	12,270,501
II.	Interest on Reserve Bank of India/inter-bank borrowings / Tier I and Tier II debt instruments	3,025,744	2,531,449
III.	Others	257,415	119,406
	TOTAL	**15,817,570**	**14,921,356**
SCHEDULE 16 – OPERATING EXPENSES			
I.	Payments to and provisions for employees	2,568,885	2,180,169
II.	Rent, taxes and lighting	730,495	563,421
III.	Printing and stationery	39,618	43,125
IV.	Advertisement and publicity	107,931	14,844
V.	Depreciation on Bank's property	302,603	301,036
VI.	Directors' fees, allowances and expenses	3,457	3,777
VII.	Auditors' fees and expenses	4,150	3,789
VIII.	Law charges	8,027	6,539
IX.	Postage, telegrams, telephones, etc.	72,140	90,429
X.	Repairs and maintenance	45,356	38,990
XI.	Insurance	15,959	13,502
XII.	Other expenditure	1,102,910	925,831
	TOTAL	**5,001,531**	**4,185,452**
SCHEDULE 17 – PROVISIONS & CONTINGENCIES			
I.	Provision for taxation *[Refer Sch 18.6.1]*	2,487,461	1,620,745
II.	Provision for investments	154,103	(199,410)
III.	Provision for standard advances	388,655	265,391
IV.	Provision/ write off for non performing advances/ off balance sheet exposures	876,039	570,668
V.	Other provisions *[Refer Sch 18.7.9]*	(50,335)	(19,265)
	TOTAL	**3,855,923**	**2,238,129**

Notes forming part of the Accounts for the year ended March 31, 2010

18.1 Background

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

18.2 Basis of preparation

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

18.3 Use of estimates

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

18.4 Significant Accounting Policies

18.4.1 Revenue recognition

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

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

18.4.2 Investments

Classification and valuation of the Bank's investments are carried out in accordance with RBI Circular DBOD. No. BP. BC. 3/21.04.141/2009-10 dated 1 July 2009 and Fixed Income Money Market and Derivative Association (FIMMDA) guidelines FIMCIR/2009-10/50 dated March 17, 2010.

a) *Accounting and Classification*

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

b) *Cost of acquisition*

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

c) *Basis of classification*

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

d) *Transfer between categories*

Reclassification of investments from one category to the other, if done, is in accordance with RBI guidelines and any such transfer is accounted for at the acquisition cost/ book value/ market value, whichever is lower, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

e) *Valuation*

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

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

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

The market/ fair value applied for the purpose of periodical valuation of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, Subsidiary General Ledger ('SGL') account transactions, the price list published by RBI or the prices periodically declared by Primary Dealers' Association of India jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA').

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

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

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

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

f) *Accounting for repos/reverse repos*

Repurchase (repos) and reverse repurchase (reverse repos) transactions are accounted for on outright sale and outright purchase basis respectively in line with RBI guidelines. The difference between the clean price of first leg and the clean price of the second leg is recognised as interest income/expense over the period of transaction. However, depreciation in the value, if any, compared to the original cost, is provided for.

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

18.4.3 Advances

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

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

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

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

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

18.4.4 Securitization transactions

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

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

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

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

18.4.5 Transactions involving foreign exchange

Monetary foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign

Exchange Dealers' Association of India ('FEDAI'). Foreign exchange contracts outstanding at the balance sheet date are marked to market at rates notified by FEDAI for specified maturities, suitably interpolated for in-between maturity contracts as specified by FEDAI, and are stated at net present value based on LIBOR/SWAP curves of the respective currencies for contracts of maturities over 12 months (Long Term Forex Contract). The resulting profits or losses are recognised in the profit and loss account.

The premium or discount arising on inception of forward exchange contracts that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction is amortised over the life of the contract. Premia/ discounts on foreign exchange swaps, that are used to cover risks arising from foreign currency assets and liabilities, are amortised over the life of the swap.

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

In accordance with Accounting Standard 11 'The Effects of changes in Foreign Exchange Rates' issued by the Institute of Chartered Accountants of India ('ICAI'), contingent liabilities in respect of outstanding foreign exchange forward contracts, derivatives, guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI corresponding to the balance sheet date.

18.4.6 Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with (AS) 20, 'Earnings per Share' prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share have been computed by dividing net profit for the year by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

18.4.7 Accounting for derivative transactions

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

Premia received on Options transactions are recorded under Other Income. The amounts received/paid on cancellation of Option contracts are recognised as realized gains/losses on Options. Charges receivable/ payable on cancellation/ termination of foreign exchange forward contracts and swaps are recognised as income/ expense on the date of cancellation/ termination under Other Income.

The requirement for collateral and credit risk mitigation on derivative contracts is assessed based on internal credit policy. Provisions for overdues, if any, are made as per the relevant RBI guidelines.

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

18.4.8 Fixed assets

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

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

18.4.9 Depreciation

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

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

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

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

18.4.10 Retirement and employee benefits

Leave salary

The employees of the Bank are entitled to carry forward a part of their unavailed/unutilised leave subject to a maximum limit. The employees cannot encash unavailed/unutilised leave. The Bank has computed the leave compensated absence provision as per revised Accounting Standard 15 – Employee Benefits.

Gratuity

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

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

Provident fund

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

18.4.11 Leases

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

18.4.12 Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured as the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India'. The levy of Fringe Benefit Tax is not applicable as the Finance (No.2) Act, 2009 has abolished the tax with effect from April 1, 2009.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In situations where the Bank has unabsorbed depreciation and carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reassessed and reviewed at each balance sheet date. The Bank recognises deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

18.4.13 Provisions and Contingent Assets / Liabilities

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

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

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

18.4.14 Employee Stock Compensation Cost

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

18.5 Statutory disclosures as per RBI

18.5.1 Capital

18.5.1.1 Equity Issue:

During the financial year 2009-10, the Bank has issued 38,362,709 equity shares of Rs. 10 each for cash pursuant to a Qualified Institutions Placement (QIP) at Rs. 269.50 aggregating to Rs. 10,338,750 thousands. The Bank also issued 4,325,630 shares pursuant to the exercise of stock option aggregating to Rs. 279,355 thousands.The Bank accreted Rs. 10,045,157 thousands (net of share issue expenses of Rs. 146,065 thousands) as premium, on the QIP and stock options excercised.

In connection with the QIP issue, the Bank has incurred share issue expenses aggregating to Rs. 146,065 thousands.The proposed payment of the issue expenses is higher than the limit prescribed under Section 13 of the Banking Regulation Act, 1949. In this connection, the Bank has written to the Reserve Bank of India seeking its approval, which is awaited.The Bank has utilized the share premium account for meeting the said share issue expenses.

During the financial year 2008-09, the Bank has issued 1,189,180 equity shares of Rs. 10 each for cash pursuant to the exercise of stock options by certain employees.The Bank collected Rs. 2,635 thousands as premium on allotment of stock options.

18.5.1.2 Capital Reserve

Profit on sale of investments in the HTM category is credited to the profit and loss account and thereafter appropriated to capital reserve (net of applicable taxes and transfer to statutory reserve requirements). During the year Rs. 315,182 thousands (previous year: Rs. 671,672 thousands) were transferred to capital reserve.

18.5.1.3 Investment Reserve

The Bank has transferred Rs. Nil (Previous year: Rs. 212 thousands) towards Investment Reserve on provisions credited to profit and loss account.

18.5.1.4 Capital Adequacy Ratio

Capital Adequacy Ratio as per RBI guidelines (New Capital Adequacy Framework (NCAF) dated February 08, 2010, generally referred to as Basel II) as at March 31, 2010 is given below:

(Rs. in thousands)

	As at March 31, 2010	As at March 31, 2009
Tier-1 capital	32,775,941	17,529,573
Tier-2 capital	19,794,338	13,144,084
Total capital	**52,570,279**	**30,673,657**
Credit Risk – Risk Weighted Assets (RWA)	234,907,519	167,742,944
Market Risk – RWA	9,991,399	9,996,677
Operational Risk – RWA	10,225,395	6,751,364
Total risk weighted assets	**255,124,313**	**184,490,985**
Tier-1 capital adequacy ratio (%)	**12.9**	**9.5**
Tier-2 capital adequacy ratio (%)	**7.7**	**7.1**
Total capital adequacy ratio (%)	**20.6**	**16.6**
Amount raised by issue of IPDI*	2,574,400	1,754,400
Amount raised by issue of Upper Tier II instruments*	10,284,033	9,356,400

*Outstanding as at March 31.

As at March 31, 2010, the Bank is required to maintain minimum capital which is higher of the minimum capital requirement under Basel II framework or 90% (100% as at March 31, 2009) of the minimum capital requirement under Basel I framework. As at March 31,2010, the capital funds of the Bank are higher than the minimum capital requirement mentioned above.

18.5.1.5 Subordinated Debt

During the financial year 2009-10, the Bank has raised Tier II Debt instruments amounting to Rs. 6,527,633 thousands and Innovative Perpetual Debt Instruments (IPDI) amounting to Rs. 820,000 thousands. Details of the same are as follows:

Tier II Debt Instruments

(Rs. in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Lower Tier II	Debentures	September 30, 2009	9.65%	10 years & 7 months	2,600,000
Upper Tier II	Bonds	September 30, 2009	6M EURIBOR + 3.80%	15 years (With call option after 10 years)	927,633*
Lower Tier II	Debentures	January 22, 2010	9.65%	10 years	3,000,000
				TOTAL	**6,527,633**

*Borrowings in foreign currency converted at the rate prevalent on the date of borrowing.

Innovative Perpetual Debt Instruments (IPDI)

(Rs. in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tier I Perpetual	Promissory Note	March 05, 2010	10.25%	Perpetual (With call option after 10 years)	820,000
				TOTAL	**820,000**

During the financial year 2008-09, the Bank has raised Tier II Debt instruments amounting to Rs. 5,430,400 thousands and Innovative Perpetual Debt Instruments (IPDI) amounting to Rs. 1,754,400 thousands. Details of the same are as follows:

Tier II Debt Instruments

(Rs. in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Upper Tier II	Bonds	June 27, 2008	300 bps over applicable LIBOR	15 years	3,430,400*
Upper Tier II	Debentures	September 15, 2008	11.75%	15 years	2,000,000
				TOTAL	**5,430,400**

Innovative Perpetual Debt Instruments (IPDI)

(Rs. in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tier I Perpetual	Bonds	June 27, 2008	450 bps over applicable LIBOR	Perpetual	214,400*
Tier I Perpetual	Promissory Notes	February 21, 2009	10.25%	Perpetual	1,150,000
Tier I Perpetual	Promissory Notes	March 9, 2009	10.25%	Perpetual	390,000
				TOTAL	**1,754,400**

*Borrowings in foreign currency converted at the rate prevalent on the date of borrowing.

18.5.2 Investments

(Rs. in thousands)

Particulars (In India)	As at March 31, 2010	As at March 31, 2009
Gross value	102,291,658	71,208,346
Less: Provision for depreciation (fair value provision)	192,245	38,142
Net value	**102,099,413**	**71,170,194**

There were no investments outside India as at March 31, 2010 and March 31, 2009.

Provision for depreciation on investments

(Rs. in thousands)

Particulars (In India)	As at March 31, 2010	As at March 31, 2009
Opening Balance	38,142	237,552
Add/(Less): Provision during the year	154,103	(199,410)
Closing Balance	**192,245**	**38,142**

There was no provision for depreciation on investments outside India as at March 31, 2010 and March 31, 2009.

18.5.3 Repo Transactions

a) The details of securities sold and purchased under repos and reverse repos (including securities under Liquidity Adjustment Facility with RBI) during the year ended March 31, 2010:

(Rs. in thousands)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2010
Securities sold under repos	-	250,000	13,699	-
Security purchased under reverse repo	-	7,160,000	1,390,419	2,002,466

b) The details of securities sold and purchased under repos and reverse repos (including securities under Liquidity Adjustment Facility with RBI) during the year ended March 31, 2009:

(Rs. in thousands)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2009
Securities sold under repos	-	4,200,000	301,368	1,000,000
Security purchased under reverse repo	-	4,250,000	399,877	4,250,000

18.5.4 Non-SLR Investment Portfolio

a) Issuer composition of Non SLR investments as at March 31, 2010 is given below:

(Rs. in thousands)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities*
i)	PSUs	976,134	976,134	-	-	-
ii)	Financial Institutions	5,555,513	5,555,513	-	-	3,087,505
iii)	Banks	21,585,477	21,545,460	-	-	21,185,460
iv)	Private Corporates	4,039,243	3,305,525	50,000	14,410	19,025
v)	Subsidiaries / Joint ventures	-	-	-	-	-
vi)	Others	2,180,411	2,180,411	-	-	2,180,411
vii)	Provision held towards depreciation	(102,132)	-	-	-	-
	Total	**34,234,646**	**33,563,043**	**50,000**	**14,410**	**26,472,401**

**Of the investments disclosed Rs. 26,457,990 thousands are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities.*

b) Issuer composition of Non SLR investments as at March 31, 2009 is given below:

(Rs. in thousands)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities*
i)	PSUs	739,013	411,608	-	-	-
ii)	Financial Institutions	3,668,284	3,646,310	-	-	2,680,664
iii)	Banks	10,370,397	9,303,839	-	-	9,542,024
iv)	Private Corporates	5,469,613	5,218,101	-	-	1,883,839
v)	Subsidiaries / Joint ventures	-	-	-	-	-
vi)	Others	4,127,337	4,127,337	-	-	4,127,337
vii)	Provision held towards depreciation	(5,528)	-	-	-	-
	Total	**24,369,116**	**22,707,195**	**-**	**-**	**18,233,863**

**Of the investments disclosed Rs. 17,929,248 thousands are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities.*

The above does not include Fertilizer Bond 7.00% and FCI Bond 8.15% which is classified under Government Securities in Schedule 8 (Rs. 35,134 thousands net of provision).

c) There were no non-performing non-SLR investments as at March 31, 2010 or during the year ended on that date (previous year – Nil).

18.5.5 Derivatives

18.5.5.1 Forward Rate Agreement/ Interest Rate Swap

The details of Forward Rate Agreements/Interest Rate Swaps outstanding as at March 31, 2010 are provided in accordance with the RBI guidelines on Forward Rate Agreements and Interest Rate Swaps (MPD.BC.187/07.01.279/1999-2000) as applicable to Indian Rupee transactions:

(Rs. in thousands)

Sr. No.	Items	As at March 31, 2010	As at March 31, 2009
i)	The notional principal of swap agreements	595,120,000	265,536,300
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	1,213,159	1,992,609
iii)	Collateral required by the Bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps [Percentage Exposure to Banks]	91.27%	87.38%
v)	The fair value of the swap book	166,623	(164,408)

18.5.5.2 Unhedged/uncovered foreign currency exposure

The Bank's foreign currency exposures as at March 31, 2010 that are not hedged/covered by either derivative instruments or otherwise are within the Net Overnight Position limit and the Aggregate Gap limit, as approved by the RBI. The Net Overnight position at March 31, 2010 is Rs. 281,577 thousands (March 31, 2009: Rs. 530,727 thousands).

18.5.5.3 Exchange Traded Interest Rate Derivatives

The Bank has not dealt in exchange traded interest rate derivatives during the financial year ended March 31, 2010 (Previous Year: Nil).

18.5.5.4 Currency Futures

The Bank had dealt in exchange traded currency Futures during the financial year ended March 31, 2010. As at March 31, 2010 the open contracts on the exchange were to the tune of EURO 6,000,000 (INR 365,535,000) and GBP 337,000 (INR 22,997,722) for April 2010 expiry (Previous Year: USD 2,968,000 (INR 150,536,930) for April 2009 expiry).

18.5.5.5 Disclosures on risk exposure in derivatives

As per RBI Master circular RBI BP.BC. No. 22/21.04.018/2009-10 dated July 1, 2009, the following disclosures are being made with respect to risk exposure in derivatives of the Bank:

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

b) The Bank has adopted various policies including a Derivatives Appropriateness Policy as part of prudent business and risk management practice. The Bank has also instituted a comprehensive limit and control structure encompassing Value-at-Risk (VAR), Stop loss and portfolio credit limits for derivative transactions. The Bank has an elaborate internal reporting mechanism providing regular reports to the RMC.

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

d) In addition to the above, the Bank independently evaluates the potential credit exposure on account of all derivative transactions, wherein risk limits are specified separately for each product, in terms of both credit exposure and tenure. As mandated by the Credit Policy of the Bank, the Bank has instituted an approval structure for all treasury/derivative related credit exposures.

e) The Bank reports all trading positions to the management on a daily basis. The Bank revalues its trading position on a daily basis for MIS and control purposes and records the same in the books of account on a monthly basis.

f) Refer Note 18.4.7 for accounting policy on derivatives.

g) The details of derivative transactions as at March 31, 2010 and March 31,2009 are given below:

(Rs. in thousands)

Sr. No.	Particulars	Currency derivatives[1]		Interest rate derivatives	
		Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009
i)	**Derivatives (Notional Principal Amount)**				
	a) For hedging	5,717,052	3,454,800	3,400,000	3,500,000
	b) For trading	69,074,048	80,194,106	605,778,715	269,984,551
ii)	**Marked to market positions**[2]				
	a) Asset (+)	282,052	404,531	150,189	-
	b) Liability (-)	-	-	-	194,509
iii)	**Credit exposure**[**3]	9,407,165	14,382,636	8,798,324	9,037,553
iv)	**Likely impact of one percentage change in interest rate (100*PV01)** (Refer Note 2 below)				
	a) on hedging derivatives	269,266	367,185	56,428	10,172
	b) on trading derivatives	560,034	22,416	3,795,018	167,735
v)	**Maximum and minimum of 100*PV01 observed during the year** (Refer Note 2 below)				
	a) on hedging (Refer Note 1 below)				
	Maximum	311,642	399,923	113,925	168,682
	Minimum	17,137	22,890	56,360	10,151
	b) on trading				
	Maximum	914,202	65,229	5,204,873	286,040
	Minimum	158,004	6,922	1,103,230	78,017

[1] Options, cross currency swaps and currency futures are included in currency derivatives.

[2] Trading portfolio includes accrued interest and represents net positions.

[3] Includes accrued interest.

***The credit exposure has been calculated using the Current Exposure Method as prescribed in the RBI Circular on "Prudential Norms for Off-balance Sheet Exposures of Banks", DBOD.No. BP.BC.31/21.04.157/2008-09 dated August 8, 2008.*

Notes:

1. PV01 for hedging derivatives is based on the position as at each month end during the financial year.

2. Denotes absolute value of loss which the Bank could suffer on account of a change in interest rates by 1%.

18.5.6 Asset quality

18.5.6.1 Non-Performing Asset

The details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2010 and the year ended March 31, 2009 are given below :

(Rs. in thousands)

No.	Particulars	March 31, 2010	March 31, 2009
(i)	Net NPA to Net Advances	0.06%	0.33%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	849,254	105,699
	(b) Additions (Fresh NPAs during the year)	1,133,551	879,763
	Sub total (A)	1,982,805	985,462
	Less:		
	(i) Upgradations	255,563	-
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	298,879	-
	(iii) Write-offs	826,343	136,208
	Sub-total (B)	1,380,785	136,208
	Gross NPAs (closing balance) (A-B)	602,020	849,254
(iii)	Movement of Net NPAs		
	(a) Opening Balance	411,570	84,560
	(b) Additions during the year	(82,859)	327,010
	(c) Reductions during the year	198,833	-
	(d) Closing balance	129,878	411,570
(iv)	Movement of provisions for NPAs		
	(excluding provision on standard assets)		
	(a) Opening balance	437,684	21,139
	(b) Additions during the year	1,216,410	552,753
	(c) Write-off/write back of excess provision	1,181,952	136,208
	(d) Closing balance	472,142	437,684

18.5.6.2 Provsision coverage Ratio

The provision coverage ratio of the Bank as at March 31, 2010 computed as per the the RBI circular dated December 01, 2009 is 78.43% (excluding technical write-offs).

18.5.6.3 Concentration of NPAs

Exposure (Funded + Non-Funded) of the Bank to top four NPA is Rs. 473,980 thousands and the Bank has provided for Rs. 382,114 thousands for the same.

18.5.6.4 Sector-wise NPAs

The details of Sector-wise NPAs as at March 31, 2010 are given below:

No.	Sector	Percentage of gross NPAs to gross advances in that sector
1	Agriculture & allied activities	-
2	Industry (Micro & Small, Medium and Large)	0.27
3	Services	0.39
4	Personal Loans	1.23

18.5.6.5 Restructured Accounts

Details of Restructured Accounts as at March 31, 2010 are as follows -

(Rs. in thousands)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	3	-	46
	Amount outstanding*	435,141	-	457,239
	Of which amount restructured	435,141	-	360,455
	Sacrifice (diminution in the fair value)	30,190	-	-
Sub-standard advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	Of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	Of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	3	-	46
	Amount outstanding	435,141	-	457,239
	Of which amount restructured	435,141	-	360,455
	Sacrifice (diminution in the fair value)	30,190	-	-

** of which amount classified as NPA during the year ended March 31, 2010 is Rs.124,271 thousands.*

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

The Bank has not sold any financial assets to Securitizations/Reconstruction Company for Asset Reconstruction during year ended March 31, 2010 and March 31, 2009.

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

The Bank has not purchased/sold any Non Performing financial assets from/to Bank during year ended March 31, 2010 and March 31, 2009.

18.5.9 Provisions for Standard Assets

Provision on standard advances is Rs. 1,179,863 thousands and Rs. 791,208 thousands as at March 31, 2010 and 2009 respectively.The Bank has not writern back any standard asset provision pursuant to the issuance of the RBI Circular no. DBOD. BP.BC.83/21.01.002/2008-2009 dated November 15, 2008.

18.5.10 Business ratios

Business Ratios		As at March 31, 2010	As at March 31, 2009
i)	Interest income as a percentage to working funds*	8.89%	10.44%
ii)	Non-interest income as a percentage to working funds*	2.16%	2.28%
iii)	Operating profit as a percentage to working funds*	3.24%	2.75%
iv)	Return on assets*	1.79%	1.59%
v)	Business (deposits + net advances) per employee (Rs.'000's)**	152,670	98,836
vi)	Profit per employee (Rs.'000's)	1,575	1,138

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

*** For the purpose of computation of business per employee (deposits plus advances), inter bank deposits have been excluded and employee strength as at year end has been considered.*

18.5.11 Asset Liability Management

Maturity pattern of certain items of assets and liabilities;

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

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

a) Specified assets and liabilities as at March 31, 2010

(Rs. in thousands)

Maturity Buckets	Loans & Advances*	Investment Securities	Deposits	Borrowings
1 day	1,640,039	-	1,077,717	-
2 days to 7 days	4,619,854	2,002,466	14,786,890	1,326,570
8 days to 14 days	9,880,639	252,003	13,745,769	224,500
15 days to 28 days	7,877,583	-	26,742,840	231,358
29 days to 3 months	37,681,166	6,553,896	45,924,060	7,243,617
Over 3 months to 6 months	17,140,176	8,806,283	48,667,950	2,502,796
Over 6 months to 12 months	39,073,521	8,789,540	70,531,362	12,900,374
Over 1 year to 3 years	73,576,291	6,530,640	43,791,239	-
Over 3 years to 5 years	17,512,039	13,638,277	939,661	2,209,050
Over 5 years	12,929,924	55,526,308	1,778,178	20,852,496
TOTAL	**221,931,232**	**102,099,413**	**267,985,666**	**47,490,761**

b) Specified assets and liabilities as at March 31, 2009:

(Rs. in thousands)

Maturity Buckets	Loans & Advances*	Investment Securities	Deposits	Borrowings
1 day	3,654,178	-	3,338,334	-
2 days to 7 days	6,139,381	341,747	7,283,488	1,000,000
8 days to 14 days	1,684,411	232,925	4,752,783	150,000
15 days to 28 days	7,181,424	1,248,716	11,311,250	43,494
29 days to 3 months	17,851,488	4,424,978	37,392,061	11,794,614
Over 3 months to 6 months	11,638,314	1,916,910	29,669,213	2,603,715
Over 6 months to 12 months	23,981,269	10,397,092	43,569,105	6,298,747
Over 1 year to 3 years	41,014,574	9,367,288	24,104,452	-
Over 3 years to 5 years	7,746,468	3,185,446	147,859	1,000,000
Over 5 years	3,139,415	40,055,092	125,670	14,126,200
TOTAL	**124,030,922**	**71,170,194**	**161,694,215**	**37,016,770**

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

The aforesaid disclosure is in accordance with the revised maturity buckets pursuant to the issuance of the RBI circular No. DBOD. BP.BC. 22/21.04.018/2009-2010 dated July 1,2009.

c) Foreign currency denominated assets and liabilities as at March 31, 2010:

(Rs. in thousands)

Maturity Buckets	Assets	Liabilities
1 day	2,520,429	244
2 days to 7 days	2,178,379	632,325
8 days to 14 days	181,831	381,125
15 days to 28 days	279,081	287,184
29 days to 3 months	1,128,936	4,598,597
Over 3 months to 6 months	3,223,606	1,770,400
Over 6 months to 12 months	-	188,416
Over 1 year to 3 years	-	397,380
Over 3 years to 5 years	-	1,225,640
Over 5 years	44,900	4,617,496
TOTAL	**9,557,162**	**14,098,807**

d) Foreign currency denominated assets and liabilities as at March 31, 2009:

(Rs. in thousands)

Maturity Buckets	Assets	Liabilities
1 day	1,921,134	-
2 days to 7 days	9,900	27,923
8 days to 14 days	384,967	145,868
15 days to 28 days	188,723	71,417
29 days to 3 months	480,447	3,898,896
Over 3 months to 6 months	601,559	271,012
Over 6 months to 12 months	-	713,724
Over 1 year to 3 years	-	202,122
Over 3 years to 5 years	-	-
Over 5 years	38,040	4,311,200
TOTAL	**3,624,770**	**9,642,162**

18.5.12 Exposures

18.5.12.1 Exposure to Real Estate Sector

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market, real estate and commodities. The exposure, representing the higher of funded and non funded limits sanctioned or outstanding to real estate sector, is given in the table below:

(Rs. in thousands)

Sr. No.	Particulars	As at March 31, 2010	As at March 31, 2009
i)	**Direct exposure**		
	Residential Mortgages	130,050	152,830
	Commercial Real Estate	13,498,317	8,449,030
	of which outstanding as advances	9,328,164	3,766,994
	Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
	- Residential*	801,680	1,082,710
	- Commercial Real Estate**	-	-
ii)	**Indirect exposure**	2,276,067	558,330
	Fund based and Non-fund based exposures on National Housing Board and Housing Finance Companies		
	TOTAL	**16,706,114**	**10,242,900**

**Comprises of individual mortgages (less than or equal to Rs. 15 lakhs each) on residential properties that are/will be occupied by the borrower or that are rented, qualifying for priority sector lending.*

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

18.5.12.2 Exposure to Capital Market

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

(Rs. in thousands)

Sr. No.	Particulars	As at March 31, 2010	As at March 31, 2009
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	860,235	–
ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	–	–
iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	–	–
iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	1,086,985	866,670
v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	815,000	320,000
vi)	loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
vii)	bridge loans to companies against expected equity flows/issues;	–	–
viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–	–
ix)	financing to stockbrokers for margin trading	–	–
x)	all exposures to Venture Capital Funds (both registered and unregistered)	–	–
	Total Exposure to Capital Market	**2,762,220**	**1,186,670**

18.5.12.3 Risk Category wise Country Exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. As at March 31, 2010, the Bank's funded exposure to any individual country did not exceed 1% of the total funded assets of the Bank

(Rs. in thousands)

Risk Category	Exposure (net) as at March 31, 2010	Provision held as at March 31, 2010	Exposure (net) as at March 31, 2009	Provision held as at March 31, 2009
Insignificant	8,345,975	–	20,905,090	–
Low	2,256,996	–	10,819,889	–
Moderate	1,173,963	–	682,208	–
High	11,949	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
TOTAL	**11,788,883**	–	**32,407,187**	–

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

During the year ended March 31, 2010, the Bank has not exceeded single borrower or group borrower exposure limit.

During the year ended March 31, 2009, the Bank has exceeded single borrower exposure limit of 15% (but within 25% in case of oil companies who have been issued oil bonds and 20% for other companies) with the approval of the Board of Directors in the case of (i) Larsen & Toubro where the sanctioned limit to capital funds was 16.89%, (ii) MMTC India Ltd where the sanctioned limit to capital funds was 16.89%, (iii) Bharat Petroleum Corporation Limited where the sanctioned limit to capital funds was 24.63%, (iv) Hindustan Petroleum Corporation Limited where the sanctioned limit to capital funds was 24.63%, (v) Indian Farmers Fertiliser Cooperative Limited (IFFCO) where the sanctioned limit to capital funds was 19.70%, (vi) Steel Authority of India Limited where the sanctioned limit to capital funds was 19.70% and (vii) Punjab State Co-op. Supply and Mktg. Federation Ltd. (MARKFED), where the sanctioned limit to percentage of capital funds was 19.70%.

18.6 Miscellaneous

18.6.1 Provisions made for Income Tax during the year

The income tax expense comprises the following:

(Rs. in thousands)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Current income tax expense	2,677,352	1,830,245
Deferred income tax benefit	(189,891)	(226,300)
Fringe Benefit Tax (FBT)	–	16,800
TOTAL	**2,487,461**	**1,620,745**

18.6.2 Disclosure of penalties imposed by RBI

No penalties have been imposed by RBI on the Bank during the financial year 2009-10 (Previous year: Rs Nil).

18.6.3 Fees/Remuneration received from bancassurance

Bank has earned Rs. 112,293 thousands from bancassurance business during year ended March 31, 2010.

18.6.4 Concentration of Deposits

As at March 31, 2010 the deposits of top 20 depositors aggregated to Rs. 50,416,139 thousands (excluding certificate of deposits, which are tradable instruments), representing 18.81% of the total deposit base.

18.6.5 Concentration of Advances

As at March 31, 2010 the top 20 advances aggregated to Rs. 72,725,550 thousands, representing 15.91% of the total advances. For this purpose, advance is computed as per definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir. BC.15/13.03.00/2009-10 dated July 1, 2009.

18.6.6 Concentration of Exposures

As at March 31, 2010 the top 20 exposures aggregated to Rs. 72,725,550 thousands, representing 14.80% of the total exposures. Exposure is computed as per definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir. BC.15/13.03.00/2009-10 dated July 1, 2009.

18.6.7 Overseas Assets, NPAs and Revenue

For the year ended March 31, 2010, the Bank does not have any overseas revenue. The Bank does not have any overseas assets or NPA as at March 31, 2010.

18.6.8 Sponsored SPVs

The Bank has not sponsored any SPV and hence there is no consolidation in Bank's books.

18.7 Disclosures as required by Accounting Standards

18.7.1 Staff retirement benefits

The following table sets out the funded status of the Gratuity Plan and the amounts recognized in the Bank's financial statements as of March 31, 2010:

(Rs. in thousands)

	As at March 31, 2010	As at March 31, 2009
Present Value of Obligation at the beginning of the year	25,595	19,696
Interest Cost	1,791	1,576
Current Service Cost	21,519	10,548
Past Service Cost	–	–
Benefits Paid	–	–
Actuarial gain on Obligation	1,110	(6,225)
Present Value of Obligation at the end of the year	**50,015**	**25,595**

Net gratuity cost for the year ended March 31, 2010 comprises the following components:

(Rs. in thousands)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Current Service Cost	21,519	10,548
Interest Cost	1,791	1,576
Expected Return on plan assets	–	–
Net Actuarial gain recognised in the year	1,110	(6,225)
Past Service Cost	–	–
Expenses recognised	**24,420**	**5,899**

The assumptions used in accounting for the gratuity plan are set out below:

	For the year ended March 31, 2010	For the year ended March 31, 2009
Discount Rate	8%	7%
Expected Return on Plan Assets	-	-
Mortality	L.I.C. (1994-96) Ultimate Table	L.I.C. (1994-96) Ultimate Table
Future Salary Increases	10% p.a.	10% p.a.
Disability	-	-
Attrition	20% p.a.	20% p.a.
Retirement	60 yrs	60 yrs

Actuarial assumption on salary increase also takes into consideration the inflation, seniority, promotion and other relevant factors.

18.7.2 Compensated Absences

The actuarial liability of compensated absences of un-encashable accumulated privileged leave of the employees of the Bank as of March 31, 2010 is given below:

(Rs. in thousands)

	As at March 31, 2010	As at March 31, 2009
Present Value of Obligation April 01	29,345	–
Interest Cost	2,054	–
Current Service Cost	117,487	109,893
Past Service Cost	–	–
Benefits Paid	–	–
Actuarial (gain)/loss on Obligation	(114,887)	(80,548)
Present Value of Obligation March 31	**33,999**	**29,345**

The assumptions used in accounting for the compensated absences are set out below:

	As at March 31, 2010	As at March 31, 2009
Discount Rate	8%	7%
Expected Return on Plan Assets	NA	NA
Mortality	L.I.C. (1994-96) Ultimate Table	L.I.C. (1994-96) Ultimate Table
Future Salary Increases	10% p.a.	10% p.a.
Disability	–	–
Attrition	20% p.a.	20% p.a.
Retirement	60 yrs	60 yrs

18.7.3 Segment Reporting

Pursuant to the guidelines issued by RBI on Accounting Standard – 17 (Segment Reporting) – Enhancement of Disclosures dated April 18, 2007, effective from period ending March 31, 2008, the following business segments have been reported.

- **Treasury:** Includes all financial markets activities undertaken on behalf of the Bank's customers, proprietary trading, maintenance of reserve requirements and resource mobilisation from other banks and financial institutions.
- **Corporate/Wholesale Banking:** Includes lending, deposit taking and other services offered to corporate customers.
- **Retail Banking:** Includes lending, deposit taking and other services offered to retail customers.
- **Other banking operations:** Includes para banking activities like third party product distribution, merchant banking etc.

a) Segmental results for the year ended March 31, 2010 are set out below:

(Rs. in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	10,333,583	20,192,764	1,482,709	162,211	32,171,267
Less: Inter-segment					(2,718,850)
Revenue net of inter-segment					29,452,417
Result	5,738,460	6,112,125	(838,913)	56,678	**11,068,350**
Unallocated Expenses					3,803,496
Operating Profit					**7,264,854**
Income Taxes					2,487,461
Extra-ordinary Profit/(Loss)					–
Net Profit					**4,777,393**
Other Information:					
Segment assets	130,379,732	202,436,037	21,097,241	29,209	353,941,219
Unallocated assets					9,882,888
Total assets					**363,825,107**
Segment liabilities	72,932,160	213,485,353	13,796,308	568,973	300,782,794
Unallocated liabilities					63,042,313
Total liabilities					**363,825,107**

b) Segmental results for the year ended March 31, 2009 are set out below:

(Rs. in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	10,205,058	15,820,511	1,272,859	236,957	27,535,385
Less: Inter-segment					(3,152,028)
Revenue net of inter- segment					24,383,357
Result	5,382,242	2,932,111	(709,123)	55,039	7,660,269
Unallocated Expenses					3,001,104
Operating Profit					4,659,165
Income Taxes					1,620,745
Extra-ordinary Profit/(Loss)					-
Net Profit					**3,038,420**
Other Information:					
Segment assets	93,294,479	106,559,920	18,677,541	16,421	218,548,361
Unallocated assets					10,459,540
Total assets					**229,007,901**
Segment liabilities	42,601,408	130,077,898	15,564,954	18,970	188,263,230
Unallocated liabilities					40,744,671
Total liabilities					**229,007,901**

Notes for segment reporting:

1. The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.
2. In computing the above information, certain estimates and assumptions have been made by the Management.
3. Income, expense, assets and liabilities have been either specifically identified with individual segment or allocated to segments on a systematic basis or classified as unallocated.
4. Fixed assets and related depreciation on fixed assets, Cash and non treasury related bank balances at branches, Bills payable, Tax related accounts, Tier II instruments, Innovative Perpetual Debt instruments, share capital and reserves and relevant interest and operating expenses which cannot be allocated to any segments have been classified as unallocated.
5. Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

18.7.4 Related Party Disclosures

a) As per AS 18 "Related Party Disclosures", prescribed by the Companies (Accounting Standards) Rules, 2006, the Bank's related parties for the year ended March 31, 2010 are disclosed below:

Individuals having significant influence:

- Mr. Rana Kapoor, Managing Director & CEO

Key Management Personnel ('KMP') (Wholetime Director)

- Mr. Rana Kapoor, Managing Director & CEO

The following represents the significant transactions between the Bank and such related parties, including relatives of above mentioned Key Management Personnel, during the year ended March 31, 2010:

(Rs. in thousands)

Items/Related Party Category	Wholetime Directors / individual having significant influence	Maximum Balance during the year	Relatives of Wholetime Directors / individual having significant influence	Maximum Balance during the year
Deposit	N.A.*@	N.A.@	69,913*	92,428
Interest paid	N.A.@		3,961	
Receiving of services	N.A.@		-	

* Represents outstanding as of March 31, 2010

@ In the Financial Year 2009-10 there was only one related party in the said category, hence the Bank has not disclosed the details of transactions in accordance with the guidance on compliance with the accounting standards by banks issued by the RBI on March 29, 2003 .

b) As per AS 18 "Related Party Disclosures", prescribed by the Companies (Accounting Standards) Rules, 2006, the Bank's related parties for the year ended March 31, 2009 are disclosed below:

Individuals having significant influence:

- Mr. Rana Kapoor, Managing Director & CEO
- Mr. H. Srikrishnan, Executive Director (Up to April 25, 2008)

Key Management Personnel ('KMP') (Wholetime Director)

- Mr. Rana Kapoor, Managing Director & CEO
- Mr. H. Srikrishnan, Executive Director (Up to April 25, 2008)

The following represents the significant transactions between the Bank and such related parties, including relatives of above mentioned Key Management Personnel, during the year ended March 31, 2009:

(Rs. in thousands)

Items/Related Party Category	Wholetime Directors / individual having significant influence	Maximum Balance during the year	Relatives of Wholetime Directors / individual having significant influence	Maximum Balance during the year
Deposit	N.A.*@	N.A.@	64,466*	76,307
Interest paid	1,417		13,124	
Receiving of services	17,609		-	

* Represents outstanding as of March 31, 2009

@ As of March 31, 2009 there was only one related party in the said category, hence the Bank has not disclosed the details of transactions in accordance with the guidance on compliance with the accounting standards by banks issued by the RBI on March 29, 2003.

18.7.5 Operating Leases

Lease payments recognised in the profit and loss account for the year ended March 31, 2010 was Rs. 823,443 thousands (Previous year: Rs. 581,105 thousands).

As at March 31, 2010 the Bank had certain non-cancellable outsourcing contracts for information technology assets and properties on rent. The future minimum lease obligations against the same were as follows:

(Rs. in thousands)

Lease obligations	As at March 31, 2010	As at March 31, 2009
Not later than one year	603,862	542,645
Later than one year and not later than five years	2,676,943	2,650,844
Later than five years	568,791	773,339
TOTAL	**3,849,596**	**3,512,038**

18.7.6 Earnings Per Share ('EPS')

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20, "Earnings per Share". The dilutive impact is mainly due to stock options granted to employees by the Bank.

The computation of earnings per share is given below:

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Basic (annualised)		
Weighted average no. of equity shares outstanding	305,308,114	296,749,985
Net profit/(loss) (Rs.' 000)	4,777,393	3,038,420
Basic earnings per share (Rs.)	15.65	10.24
Diluted (annualised)		
Weighted average no. of equity shares outstanding	321,331,587	299,703,305
Net profit/(loss) (Rs.' 000)	4,777,393	3,038,420
Diluted earnings per share (Rs.)	14.87	10.14
Nominal value per share (Rs.)	10.00	10.00

18.7.7 ESOP disclosures

Statutory Disclosures Regarding Joining Stock Option Scheme:

The Bank has five Employee Stock Option Schemes viz. Joining Stock Option Plan I (JSOP I), Joining Employee Stock Option Plan II (JESOP II), Joining Employee Stock Option Plan III (JESOP III), YBL ESOP (consisting of two sub schemes) and YBL JESOP V/ PESOP II (consisting of two sub schemes). The schemes include provisions for grant of options to eligible employees. All the aforesaid schemes have been approved by the Board Remuneration Committee and the Board of Directors and were also approved by the members of the Bank.

JESOP I is administered by the Board Remuneration Committee of the Bank and was in force for employees joining the Bank on or before March 31, 2005. All the grants under JESOP I were made before the IPO of the Bank.

JESOP II and JESOP III are administered by the Board Remuneration Committee of the Bank and were in force for employees joining the Bank up to March 31, 2006, March 31, 2007 and March 31, 2008.

YBL ESOP (JESOP IV), a sub scheme of YBL ESOP and YBL JESOP V, a sub scheme of YBL JESOP V/ PESOP II are also administered by the Board Remuneration Committee of the Bank and are in force for employees joining the Bank from time to time.

Under the above Plans, vesting takes place at the end of three years from the grant date for 50% of the options granted and at the end of five years for the balance. Options under all these plans are granted for a term of 10 years (inclusive of the vesting period) and are settled with equity shares being allotted to the beneficiary upon exercise.

YBL ESOP (PESOP I), a sub scheme of YBL ESOP and YBL PESOP II, a sub scheme of YBL JESOP V/ PESOP II are Performance Stock Option Plans and are also administered by the Board Remuneration Committee of the Bank. Under YBL ESOP (PESOP I) vesting takes place at the end of each year from the grant date for 25% of the options granted and are settled with equity shares being allotted to the beneficiary upon exercise. Under YBL PESOP II, 30% of the granted options vest at the end of first year, 30 % vest at the end of second year and balance 40% vest at the end of third year.

A summary of the status of the Bank's stock option plans is set out below:

	Particulars	JSOP – I	JESOP – II	JESOP –III	JESOP IV	YBL PESOP I	YBL PESOP II	JESOP V
	Opening balance	2,995,570	2,267,500	3,770,000	4,286,000	4,102,750	8,165,000	722,500
Add :	Option granted during the year	–	–	–	–	843,000	7,363,000	1,282,500
Less :	Options exercised during the year	1,862,541	645,550	632,539	–	459,150	725,850	–
Less :	Options lapsed during the year	18,250	50,000	212,500	392,500	481,300	1,156,000	170,000
	Closing balance	**1,114,779**	**1,571,950**	**2,924,961**	**3,893,500**	**4,005,300**	**13,646,150**	**1,835,000**
	Approved by shareholders on	October 27, 2004	April 26, 2005	July 24, 2006	August 29, 2007	August 29, 2007	September 18, 2008	September 18, 2008
	Options granted and exercised during the year	–	–	–	–	–	–	–
	Options granted and eligible for exercising and exercised during the year	–	–	–	–	–	–	–

The Bank has charged Rs. Nil, being the intrinsic value of the stock options granted for the year ended March 31, 2010. Had the Bank adopted the Fair Value method (based on Black-Scholes pricing model), for pricing and accounting of options, net profit after tax would have been lower by Rs. 359,079 thousands, the basic earnings per share would have been Rs. 14.47 per share instead of Rs. 15.65 per share; and diluted earnings per share would have been Rs. 13.75 per share instead of Rs. 14.87 per share.

The following assumptions have been made for computation of the fair value:

Particulars	JSOP-I	JESOP-II	JESOP-III	JESOP-IV	YBL PESOP-I	YBL PESOP-II	JESOP-V
Risk free interest rate	*6.54% ~6.81%*	*6.73% ~7.45%*	*7.27% ~8.23%*	*7.48% ~8.55%*	*5.98% ~8.51%*	*4.96% ~8.51%*	*5.20% ~8.55%*
Expected life	*6.5 yrs to 7.5 yrs*	*6.5 yrs to 7.5 yrs*	*6.5 yrs to 7.5 yrs*	*4.5 yrs to 7.5 yrs*	*1.5 yrs to 6 yrs*	*1.5 yrs to 4.5 yrs*	*4.5 yrs to 7.5 yrs*
Expected volatility	*50.58%*	*35.97% ~ 49.92%*	*35.82% ~ 41.74%*	*39.94% ~ 64.92%*	*40.74% ~ 82.76%*	*61.31% ~ 82.76%*	*61.31%~ 82.76%*
Expected dividends	*1.44%*	*1.13% ~ 1.23%*	*1.13%*	*1.13% ~ 1.5%*	*1.13% ~ 1.5%*	*1.5%*	*1.5%*
The price of the underlying share in market at the time of option grant(Rs.)	*Not Listed*	*92.61*	*100.57*	*175.32*	*162.83*	*121.39*	*168.48*

In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the auditors.

18.7.8 Deferred Taxation

The net deferred tax asset of Rs. 652,928 thousands as at March 31, 2010, is included under other assets and the corresponding credits have been taken to the profit and loss account.

The components that give rise to the deferred tax asset included in the balance sheet are as follows:

(Rs. in thousands)

Particulars	As at March 31, 2010	As at March 31, 2009
Deferred tax asset		
Depreciation	46,610	14,662
Provision for gratuity and unutilized leave	46,699	18,674
Provision for Non-Performing Assets	64,481	41,247
Share Issue Expenses	37	11,217
Amortisation of premium on HTM securities	108,526	90,563
Provision for standard advances	337,139	205,035
Other Provisions	40,046	27,476
Profit on Securitization	9,390	54,162
Deferred tax asset	**652,928**	**463,037**

18.7.9 Provisions and Contingencies

The breakup of provisions of the Bank for the year ended March 31, 2010 and March 31, 2009 are given below:

(Rs. in thousands)

Particulars	March 31, 2010	March 31, 2009
Provision for taxation	2,487,461	1,620,745
Provision for investments	154,103	(199,410)
Provision for standard advances	388,655	265,391
Provision made/write-off for non performing advances/off balance sheet exposure	876,039	570,668
Other provisions	(50,335)	(19,265)
TOTAL	**3,855,923**	**2,238,129**

18.8 Other Disclosures

18.8.1 Movement in Floating Provisions

The Bank has not created or utilised any floating provisions during the year ended March 31, 2010 and year ended March 31, 2009. The floating provision as at March 31, 2010 was Nil (Previous year: Nil).

18.8.2 Drawdown on Reserves

The Bank has utilised the share premium received from issue of shares under Qualified Institutions Placements (QIP) to meet the share issue expenses of Rs. 146,065 thousands (Previous year: NIL).

18.8.3 Disclosure of complaints

A. Customer Complaints

		Year ended March 31, 2010
i)	No. of Complaints pending at the beginning of the Year	8
ii)	No. of Complaints received during the Year	3,486
iii)	No. of Complaints redressed during the year	3,489
iv)	No. of Complaints pending at the end of the year	5

B. Awards passed by the Banking Ombudsman

		Year ended March 31, 2010
i)	No. of unimplemented Awards at the beginning of the year	Nil
ii)	No. of Awards passed by the Banking Ombudsman during the year	Nil
iii)	No. of Awards implemented during the year	Nil
iv)	No. of unimplemented Awards at the end of the year	Nil

18.8.4 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under MSMED, there have been no reported cases of delays in payments to micro, small and medium enterprises or of interest payments due to delays in such payments.

18.8.5 Securitization Transactions

(Rs. in thousands)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Total number of transactions	1	40
Book value of loan assets securitized	500,000	65,240,000
Sale consideration received for the securitized assets	501,444	65,351,242
Net gain / (loss) on sale on account of securitization	1,444	111,242
Additional consideration realised in respect of accounts transferred in earlier years	–	–
Form and quantum (outstanding value) of services provided by way of post-securitization asset servicing, etc.	Form: Collection / Payout Agent. Value of Service charges maximum of Rs. 25,000.	Form: Collection / Payout Agent. Value of Service charges maximum of Rs. 25,000.

18.8.6 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2010 and March 31, 2009.

18.8.7 Description of contingent liabilities

Sr. No.	Contingent Liabilities	Brief
1.	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
3.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations.
4.	Other items for which the Bank is contingently liable	- Value dated purchase of securities - Capital commitments - Foreign Exchange Contracts (Tom & Spot)

18.8.8 Prior period comparatives

Previous period's figures have been regrouped where necessary to conform to current year classification.

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

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non Executive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
27 April 2010

DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK – PILLAR III (BASEL II)

1. Scope of Application

YES BANK Limited is a publicly held bank; which was incorporated as a limited company under the Companies Act, 1956, on November 21, 2003. The Bank received the licence to commence banking operations from the Reserve Bank of India ('RBI') on May 24, 2004. Further, YES BANK was included to the Second Schedule of the Reserve Bank of India Act, 1934 with effect from August 21, 2004. As at March 31, 2010, Yes Bank does not have any subsidiaries.

The Bank does not have any interest in any insurance entity.

2. Capital Structure

Equity Capital

The Bank has authorised share capital of Rs. 4,000,000 thousands comprising 400,000,000 shares of Rs.10/- each. As at March 31, 2010, the Bank has issued, subscribed and paid-up equity shares 339,667,269 of Rs. 10 each amounting to Rs. 3,396,673 thousands. The Bank's shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). During the year 2009-10, the Bank has issued 38,362,709 equity shares of Rs. 10 each for cash pursuant to a Qualified Institutions Placement (QIP) at Rs. 269.50 aggregating to Rs. 10,338,750 thousands. The Bank has also allotted 4,325,630 shares to employees pursuant to exercise of employee stock options during the Financial Year 2009-10. The Bank accreted Rs. 10,045,157 thousands (net of share issue expenses of Rs. 146,065 thousands) as premium, on the QIP issue and stock options exercised.

The provisions of the Banking Regulation Act, 1949, the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity shareholders of the Bank.

Innovative Perpetual Debt Instruments/ Tier II Instruments

In line with the RBI circular on capital adequacy, the Tier I capital of the Bank comprises of paid-up equity share capital, statutory reserves, capital reserves, other disclosed free reserves and eligible Innovative Perpetual Debt Instruments (IPDI). The Tier II capital of the Bank includes general loan loss provision, Upper Tier II instruments and Lower Tier II instruments. The terms and conditions that are applicable for IPDI and Upper and Lower Tier II instruments comply with the stipulated regulatory requirements.

IPDI are non-cumulative, unsecured, perpetual instruments with step up and/or call options. Interest on IPDI is payable either annually or semi-annually. The Upper Tier II instruments are non-convertible, unsecured and have a minimum tenure of fifteen years. Interest on Upper Tier II debt is payable either annually or semi-annually.

Lower Tier II debt is unsecured and non-convertible. Interest on Lower Tier II is payable annually.

The details of IPDI and Tier II instruments are given below.

Innovative Perpetual Debt Instruments (IPDI)

The Bank has raised IPDI, eligible as Tier I Capital to the tune of Rs. 820,000 thousands during the year ended March 31, 2010.

The details of IPDI outstanding as at March 31, 2010 are given below:

Nature of security	Date of Issue	Coupon Rate (%)	Tenure	Rs. in thousands
Bonds*	27-Jun-08	450 BPS over applicable LIBOR	Perpetual	214,400
Promissory Notes	21-Feb-09	10.25%	Perpetual	1,150,000
Promissory Notes	9-Mar-09	10.25%	Perpetual	390,000
Promissory Notes	5-Mar-10	10.25%	Perpetual	820,000
TOTAL				**2,574,400**

* Issue has been made of USD 5,000,000 converted at foreign exchange rate on date of borrowing 1$ = Rs. 42.88

Upper Tier II Instruments

The Bank has raised Upper Tier II Capital to the tune of EUR 13,250,000 during the year ended March 31, 2010. The details of Upper Tier II instruments outstanding as at March 31, 2010 are given below:

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	Rs. in thousands
Debentures	Tranche I	2-Jan-07	9.73%	15 years	800,000
Debentures	Tranche 2	7-Feb-07	9.60%	15 years	336,000
Promissory Notes	Tranche 3	15-Mar-07	10.10%	15 years	100,000
Debentures	Tranche 4	14-Mar-07	10.00%	15 years	100,000
Debentures	Tranche 5	23-Mar-07	10.40%	15 years	600,000
Promissory Notes	Tranche 6	31-Mar-07	10.40%	15 years	50,000
Debentures	Tranche 7	20-Apr-07	10.40%	15 years	20,000
Debentures	Tranche I	29-Sep-07	10.70%	15 years	1,820,000
Debentures	Tranche II	8-Nov-07	10.70%	15 years	100,000
Bonds*	Not Applicable	27-Jun-08	300 BPS over applicable LIBOR	15 years	3,430,400
Debentures	Not Applicable	15-Sep-08	11.75%	15 years	2,000,000
Bonds**	Not Applicable	30-Sep-09	380 BPS over applicable EURIBOR	15 years	927,633
TOTAL					**10,284,033**

* Issue has been made of USD 80,000,000 converted at foreign exchange rate on date of borrowing 1$ = Rs. 42.88.

** Issue has been made of EURO 13,250,000 converted at foreign exchange rate on date of borrowing 1 EURO = Rs. 70.01.

Lower Tier II Instruments

The Bank has raised Lower Tier II Capital to the tune of Rs. 5,600,000 thousands during the year ended March 31, 2010. The details of Lower Tier II instruments outstanding as at March 31, 2010 are given below:

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	Rs. in thousands
Bonds	Not Applicable	2-Mar-06	One year commercial Paper benchmark rate plus 55 basis points, reset annually	7 years and 6 months	1,000,000
Promissory Notes	Not Applicable	7-Nov-06	9.10%	9 years and 6 months	1,800,000
Debentures	Tranche I	29-Sep-07	10.00%	9 years and 7 months	100,000
Debentures	Tranche II	30-Nov-07	10.15%	9 years and 6 months	71,000

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	Rs. in thousands
Debentures	Tranche III	12-Dec-07	10.15%	9 years and 6 months	10,000
Debentures	Tranche IV	7-Feb-08	10.00%	9 years and 3 months	368,000
Debentures	Not Applicable	30-Sep-09	9.65%	10 years and 7 months	2,600,000
Debentures	Not Applicable	22-Jan-10	9.65%	10 years	3,000,000
TOTAL					**8,949,000**

Capital Funds

The composition of Capital funds of the Bank as at March 31, 2010 is as below:

A.	**Tier I Capital**		**Rs. in thousands**
	i.	Paid-up Share Capital	3,396,673
	ii.	Reserves	27,498,618
	iii.	Innovative Perpetual Debt Instruments*	2,574,400
	iv.	Amounts deducted from Tier I capital (illiquidity adjustment and other deductions)	(693,750)
Tier I Capital			**32,775,941**
* Includes USD 5,000,000 converted at foreign exchange rate on date of borrowing 1$ = Rs. 42.88			
B.	**Tier II Capital**		19,794,338
C.	**Debt capital instruments eligible for inclusion in Upper Tier II Capital**		
	i.	Total amount outstanding	10,284,033
	ii.	Of which amount raised during the current year**	927,633
	iii.	Amount eligible to be reckoned as capital funds	10,284,033
The total amount outstanding and the amount eligible to be reckoned as capital funds includes (a) Includes Issue of USD 80,000,000; converted at foreign exchange rate on date of borrowing. 1$ = Rs. 42.88. (b) Issue has been made of EURO 13,250,000 converted at foreign exchange rate on date of borrowing 1 EURO = Rs. 70.01.			
** Issue has been made of EURO 13,250,000 converted at foreign exchange rate on date of borrowing 1 EURO = Rs. 70.01			
D.	**Subordinated Debt eligible for inclusion in Lower Tier II Capital**		
	i.	Total amount outstanding	8,949,000
	ii.	Of which amount raised during the current year	5,600,000
	iii.	Amount eligible to be reckoned as capital funds	8,549,000
E.	**Other deductions from capital**		–
F.	**Total eligible Capital (A + B)**		**52,570,279**

3. Capital Adequacy

The Bank is subject to the Capital adequacy norms stipulated by the Reserve Bank of India ('RBI'). As at March 31, 2010, the Bank is required to maintain minimum capital which is higher of the capital requirement under Basel II or 90% (100% as at March 31, 2009) of the capital requirement under Basel I. As at March 31, 2010, the capital of the Bank is higher than the minimum capital requirement mentioned above. The capital adequacy ratio maintained and reported as at March 31, 2010 and March 31, 2009 is as per Basel II guidelines.

The Bank has put in place a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP) which identifies the Risk appetite of the Bank and linkages between the business targets of the Bank and material risks that the Bank could face in implementation of its strategic plan. The integration of risk assessment with business activities facilitated by a robust risk management framework enables the Bank to take informed decisions and effectively manage risk-return trade off. The Bank has set processes to periodically review and improve the techniques used for identification, measurement and assessment of all material risks and resultant capital requirements.

Capital adequacy	Rs. in thousands
A. Capital requirements for credit risk	
i. Portfolios subject to standardised approach	21,141,677
ii. Securitization exposures	–
B. Capital requirements for market risk	899,226
Standardised duration approach	
Interest rate risk	571,426
Foreign exchange risk (including gold)	126,000
Equity risk	201,800
C. Capital requirements for operational risk	
Basic Indicator approach	920,286
D. Total and Tier I Capital Adequacy ratio	
Tier I Capital Adequacy ratio	12.85%
Total Capital Adequacy ratio	20.61%

4. Credit Risk

Credit Risk Management Objectives, Processes and Structure (CRM):

Credit Risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts. The Bank is exposed to credit risk through lending and non-funded products.

The Bank's risk management processes are guided by well defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through Risk Monitoring Committee (RMC) which is a Board-level sub-committee.

The Board sets the overall risk appetite and risk philosophy for the Bank. The RMC and the Audit Committee of the Board review various aspects of risk arising from the business.

Strategies & Processes

The objective of the Bank's Credit Policy is to build and maintain a quality portfolio with sound and well-diversified credit risk distribution. Credit Risk Management is an important tool for achieving this objective, as it helps the Bank:

- Take informed credit decisions based on an adequate assessment of the relevant factors involved in the credit risk
- Screen credit proposals and assume only such credit risk that is acceptable to the Bank to ensure better credit quality in compliance with statutory and regulatory guidelines
- Optimise the risk return trade-off by providing guidelines for securing return commensurate with the risk involved in the credit
- Ensure diversification of the credit portfolio, by avoiding concentration in credit exposures to individual/ group borrowers, industry/ sector etc
- Customise product offerings (fund-based and fee-based) to maximise customer satisfaction

Risk identification and assessment is the first step in the credit risk management system. The credit risk inherent in credit proposal is assessed by evaluating the below mentioned risk factors among others:

- Financial Risk: This would include an assessment of the entity's overall financial strength based on performance and financial indicators, as derived from its financial statements - historical and projected
- Business Risk: This entails an analysis of the fundamentals of the business unit, its competitive market position in the industry and its operational efficiency
- Industry Risk: This would include an evaluation of the competition/entry barriers, industry cyclicality/outlook, regulatory risk/ government policies and other contemporary issues
- Management Risk: This involves evaluation of the management of the enterprise, their risk philosophy, competence and past track record

Structure and Organisation of the Credit Risk Management Function

The organizational structure for CRM in the Bank comprises the Board of Directors, the Risk Monitoring Committee ('RMC') and the Credit Risk Management Department ('CRMD').

The Board of Directors of the Bank ("Board") has the overall responsibility for risk management in the Bank, including credit risk management. The Risk Monitoring Committee (RMC) is an independent Board-level sub-committee that reviews and monitors the various risk exposures in the Bank. The Credit Risk Management Department (CRMD) is delegated specific responsibilities of managing the credit risk in the Bank by the RMC.

The Board approves the Bank's credit policy covering, inter alia, prudential exposure limits, business segments, credit assessment and approval/denial system, margin and collateral management, credit documentation, credit pricing, credit administration and monitoring system, non-performing assets management policy and credit risk management system.

The roles and responsibilities of the 'RMC' broadly include issuance and modification of the guidelines for Credit Risk Management with the Board's approval, providing update to the Board at periodic intervals about the Bank's credit risk exposure profile along with the recommended corrective measures, ensuring that the credit function activities are managed in compliance with the Credit Policy of the Bank and recommending changes/ modifications in the credit policy of the Bank for approval by the Board.

The credit proposals are examined in-depth by the sanctioning authorities, under the "three initial system" of sanction. This system establishes line accountability for credit decisions and combines credit approval authorities and Discretionary Powers. The creditworthiness and assessment of credit requirement are evaluated and determined in line with the risk rating of the borrower and the credit facilities are sanctioned accordingly.

Credit Proposals above Rs. 500 million are sanctioned by an Internal Credit Committee which comprises the MD & CEO, Chief Risk Officer, President/Heads of Business & Risk.

The CRMD is headed by the Chief Risk Officer who is assisted by Country Head (Corporate & Institutional Credit), Country Head (Commercial Banking Credit), Country Head (Business Banking Credit), Country Head (Retail Banking Credit), Head – (Market Risk), Head – Portfolio Management Group & Head (Credit Mid Office). Operational Risk Management is supervised by the Chief Operating Officer, and reviewed by the Operational Risk Management Committee (ORMC). The CRMD is accountable for protecting the quality of the entire loan/ investment portfolio and would undertake portfolio evaluations and conduct comprehensive studies on the environment to test the resilience of the loan portfolio.

Reporting and Measurement:

The credit risk management function is largely centralised at Head Office for both credit approvals and disbursements. It is well structured and staffed to ensure that the credit policy and regulatory requirements are adhered to and implemented. Post sanction, an independent Credit Management Unit is responsible for ensuring that the credit policy guidelines and terms of sanction are adhered to.

The Bank has a risk rating system comprising of multiple models that assesses the ratings of customers based on their financial data, industry characteristics, business positioning and other non-financial parameters. The core banking system is used to control and monitor utilisation of limits under various products by customer and is also the repository for information on past dues and excesses. There is also a post disbursal tracking system that is used for monitoring appraisal conditions, financial covenants, documentation exceptions, deferrals, etc.

An annual review is required for all facilities granted to a customer. The analysis carried out during annual review would reflect not only the performance of the Company but also the performance of the account. The lower rated obligors are reviewed more frequently.

Credit Monitoring involves follow-up and supervision of the Bank's individual loans as well as the entire loan portfolio with a view to maintain the assets quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating the risks to the Bank. The main objectives of Credit Monitoring are:

(a) To ensure compliance with the terms and conditions of the credit sanctioned.

(b) To ensure the end-use of the Bank funds by the borrowers as per the approved purposes and prevent diversion of the funds for unauthorized purposes.

(c) To assess the health of the obligor at periodic intervals with reference to the key indicators of performance such as activity level, profitability, management standards.

(d) To periodically review the loan portfolio of the Bank or of its specified segment to assess the overall asset quality/ risk and compliance with the prudential norms.

Policies for Hedging & Mitigating Credit Risk:

Security management is instrumental in hedging and mitigating credit risk. It involves creation of enforceable charge over the borrower's/third party assets in favour of the Bank, proper valuation/storage/maintenance and insurance of the securities so charged at regular intervals, in order that the Bank's advances/loans remain fully covered by the realizable value of the securities charged to it. Further, the charged securities are valued at periodic intervals on conservative basis and stipulated margins maintained at all times.

Primary securities are taken to cover the full/core facilities, and suitable charge/lien thereon created in favour of the Bank. With a view to strengthen the security cover in advances where required and also to guard against an unexpected steep erosion in the value of the primary security, collateral security is also obtained by way of a charge on non-financed assets of the borrower, or of the promoters or third party guarantors having sufficient value.

Definition and Classification of Non-Performing Assets (NPA)

The Bank classifies its outstandings into performing and non-performing in accordance with the extant RBI guidelines.

A Non-Performing Advance (NPA) is defined as a loan or an advance where:

i. interest and/or instalment of principal remains overdue for more than 90 days in respect of a term loan. Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank

ii. a bill purchased/discounted by the Bank remains overdue for a period of more than 90 days

iii. interest and/or instalment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops

iv. the regular/ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction

v. the account remains 'out of order' in respect of an overdraft/ cash credit (OD/CC). An account is treated as 'out of order' if:

a) the outstanding balance remains continuously in excess of the sanctioned limit/drawing power, or

b) where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of the balance sheet or credits are not enough to cover the interest debited during the same period.

vi. Drawings have been permitted in working account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working or the borrower's financial position is satisfactory.

vii. An account would be classified as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

The Bank's loan portfolio would be classified in 4 categories of assets as per extant RBI guidelines as follows:

- Standard Assets: These are Performing assets (or Non-NPAs)
- Non-Performing Assets (NPAs):
  - Sub-standard Assets: i.e. an asset which remains irregular/ out of order/ overdue for 90 days and is classified as NPA for a period of 12 months from the date of such classification.
  - Doubtful Assets: i.e. an NPA that remains Sub-standard Asset for a period of 12 months,
  - Loss Assets: An asset that is identified as uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

The Bank has established appropriate internal mechanism for prompt identification of NPA(s).

Total Gross Credit Risk Exposure* Including Geographic Distribution of Exposure*

(Rs. in thousands)

	Domestic		
Type of exposure	Exposure*	Exposure netted by FD lien	Exposure backed by eligible guarantees
Fund Based	230,845,754	7,465,570	2,705,876
Non-Fund Based**	105,104,491	20,936,581	2,094,964
Total	**335,950,245**	**28,402,151**	**4,800,840**

*Represents book value as at March 31, 2010

The Bank has no gross credit exposure overseas (Fund or Non-fund**) as at March 31, 2010.

**Non-fund based exposures are guarantees given on behalf of the constituents and acceptances and endorsements.

Industry type distribution of Exposure* as at March 31, 2010

(Rs. in thousands)

Industry	Fund based Exposure	Fund based Exposure netted by FD Lien	Fund based Exposure backed by eligible guarantees	Non-Fund Based Exposure**	Non-Fund Based Exposure netted by FD Lien	Amount of Non-Fund outstanding covered by Eligible Guarantees	Total exposure	% to total gross credit exposure	Exposure subjected to on and off balance sheet netting	Total exposure backed by eligible guarantees
Coal	1,461,340	-	-	730,874	40,287	-	2,192,214	0.65%	40,287	-
Mining	749,754	-	-	237,751	29,169	-	987,505	0.29%	29,169	-
Iron & Steel	7,207,783	4,169	-	2,222,570	-	-	9,430,353	2.81%	4,169	-
Other Metal & Metal Products	1,689,598	5,619	-	1,203,060	54,757	-	2,892,658	0.86%	60,376	-
All Engg*	**14,451,237**	**92,371**	**-**	**10,581,034**	**616,934**	**-**	**25,032,271**	**7.45%**	**709,305**	**-**
- Of which Electronics	1,847,030	2,371	-	635,042	30,449	-	2,482,072	0.74%	32,820	-
Electricity	1,162,545	-	-	3,662,868	849,914	-	4,825,413	1.44%	849,914	-
Cotton Textiles	605,693	-	-	27,503	-	-	633,196	0.19%	-	-
Other Textiles	1,549,420	3,323	-	235,942	28,199	-	1,785,362	0.53%	31,522	-
Sugar	4,180,000	540,000	-	725,361	-	-	4,905,361	1.46%	540,000	-
Tea	675,764	-	-	140,716	-	-	816,480	0.24%	-	-
Food Processing	7,628,850	114,824	-	2,088,723	1,747,022	-	9,717,573	2.89%	1,861,846	-
Vegetable Oils	1,301,052	10,028	-	1,134,210	401,848	-	2,435,262	0.72%	411,876	-
Rubber & Rubber Products	2,437,288	-	-	776,478	822	-	3,213,766	0.96%	822	-
Chemicals, Dyes & Paints*	**19,183,520**	**315,820**	**-**	**2,741,213**	**199,806**	**-**	**21,924,733**	**6.53%**	**515,626**	**-**
- Of which Fertilisers	6,694,996	-	-	1,528,700	-	-	8,223,696	2.45%	-	-
- Of which Drugs & Pharmaceuticals	8,120,094	299,566	-	235,358	35,599	-	8,355,452	2.49%	335,165	-
- Of which Petro-Chemicals	208,565	-	-	715	71	-	209,280	0.06%	71	-
Cement	5,704,658	-	-	538,158	-	-	6,242,816	1.86%	-	-
Gems & Jewellery	870,445	293	-	4,654,701	3,606,711	-	5,525,146	1.64%	3,607,004	-
Construction*	13,555,597	6,008	-	5,545,381	396,327	-	19,100,978	5.69%	402,335	-
Petroleum	782,384	1,384	-	5,561,470	15,200	-	6,343,854	1.89%	16,584	-
Automobiles including trucks	2,582,027	1,560	-	636,571	15,628	-	3,218,598	0.96%	17,188	-
Computer Software	1,555,913	192,381	57,846	952,575	69,996	-	2,508,488	0.75%	262,377	57,846
Power*	17,049,782	194,910	1,638,750	10,161,997	1,469,559	-	27,211,779	8.10%	1,664,469	1,638,750
Telecommunications*	18,400,720	25,654	-	12,226,739	1,637,430	-	30,627,459	9.12%	1,663,084	-
Roads & Ports	2,165,398	-	-	2,041,633	144,947	-	4,207,031	1.25%	144,947	-
Infrastructure (Others)	9,016,508	997,834	-	7,527,826	397,797	-	16,544,334	4.92%	1,395,631	-
NBFC	9,707,845	1,050,012	-	26,720	22,349	-	9,734,565	2.90%	1,072,361	-
Trading	6,888,906	188,877	961,800	7,990,489	4,994,108	-	14,879,395	4.43%	5,182,985	961,800
Paper & Paper Products	701,641	201,641	-	546,888	-	-	1,248,529	0.37%	201,641	-
Other Industries	76,725,269	3,362,822	47,480	19,491,094	3,548,003	2,094,964	96,216,363	28.64%	6,910,825	2,142,444
Residual Advances	854,817	156,040	-	693,946	649,768	-	1,548,763	0.46%	805,808	-
Grand Total	**230,845,754**	**7,465,567**	**2,705,876**	**105,104,493**	**20,936,582**	**2,094,964**	**335,950,247**		**28,402,149**	**4,800,840**

*exceeds 5% of the gross credit exposure (before on and off balance sheet exposure).

**Non-fund based exposures are guarantees given on behalf of the constituents and acceptances and endorsements.

Residual Contractual maturity breakdown of assets

(Rs. in thousands)

Maturity Bucket	Cash, Balances with RBI and other banks	Investments	Advances	Other assets including Fixed assets
1 day	91,322	-	1,640,039	10,411
2 days to 7 days	1,365,404	2,002,466	4,619,854	36,668
8 days to 14 days	1,183,797	252,003	9,880,639	69,089
15 days to 28 days	2,285,709	-	7,877,583	357,461
29 days to 3 months	4,505,262	6,553,896	37,681,166	884,571
Over 3 months to 6 months	4,336,049	8,806,283	17,140,176	199,413
Over 6 months to 12 months	7,069,744	8,789,540	39,073,521	323,960
Over 1 year to 3 years	3,710,732	6,530,640	73,576,291	7,782,124
Over 3 years to 5 years	266,812	13,638,277	17,512,039	256,768
Over 5 years	1,917,652	55,526,308	12,929,924	3,141,514
Total	**26,732,483**	**102,099,413**	**221,931,232**	**13,061,979**

Movement of NPA (Gross) and Provision for NPAs – March 31, 2010

Particulars	Rs. in thousands
A. Amount of NPAs (Gross)	**602,020**
Sub-standard	591,407
Doubtful 1	10,613
Doubtful 2	-
Doubtful 3	-
Loss	-
B. Net NPAs	**129,878**
C. NPA Ratios	
i. Gross NPAs to Gross Advances	0.27%
ii. Net NPAs to Net Advances	0.06%
D. Movement of NPAs (Gross)	
Opening Balance as at April 1, 2009	849,254
Additions during the year	1,133,551
Reductions during the year	1,380,785
Closing Balance as at March 31, 2010	602,020
E. Movement of Provisions for NPAs	
Opening Balance as at April 1, 2009	437,684
Provisions made during the year	1,216,410
Write-offs of NPA provision	825,657
Write backs of excess provisions	356,295
Closing Balance as at March 31, 2010	472,142

NPI (Gross), Provision for NPI and Movement in Provision for Depreciation on investments - March 31, 2010.

Particulars	Rs. in thousands
A. Amount of Non-Performing Investment (NPI)	-
B. Amount of provisions held for NPI	-
C. Movement of provisions for depreciation on investments	
Opening Balance as at April 1, 2009	38,142
Add/(Less): Provisions made during the year	154,103
Closing Balance as at March 31, 2010	**192,245**

5. Credit Risk: Portfolios subject to the Standardized approach

Ratings used under standardized approach

The Bank makes use of ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely CRISIL, CARE, ICRA & Fitch (India) for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

While arriving at risk-weighted assets for credit risk under the standardised approach 'bank loan' ratings of the counterparty have been used. This would include fund-based and non-fund based facilities. In case of treasury facilities, the Bank has also used 'Issuer' ratings of the counterparties, wherever available. In case the Bank does not have exposure in a rated issue, the Bank would use the issue rating for its comparable unrated exposures to the same borrower, provided that the Bank's exposures are pari-passu or senior and of similar or lesser maturity as compared to the rated issue. Further the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used in cases where multiple ratings for a given facility were available.

Details of credit exposures* (funded and non-funded) classified by risk buckets**

The table below provides the break-up of the Bank's exposures* (rated and unrated) into three major risk buckets.

(Rs. in thousands)

Risk Weight Bands	Fund-Based Exposure	Non-Fund Based Exposure**	Total exposure	Exposure netted by FD lien	Total other eligible financial collateral used as credit risk mitigants	Total amount of exposure (Fund+Non-Fund) covered by Eligible Guarantees
Below 100% risk weight	85,232,505	34,843,079	120,075,584	2,690,389	–	4,800,840
100% risk weight	140,703,855	68,781,475	209,485,330	25,142,679	–	–
Above 100% risk weight	4,909,394	1,479,937	6,389,331	569,083	–	–
Deducted	–	–	–	–	–	–
Total	**230,845,754**	**105,104,491**	**335,950,245**	**28,402,151**	**–**	**4,800,840**

*Represents book value as at March 31, 2010

**Non-fund based exposures are guarantees given on behalf of the constituents and acceptances and endorsements.

6. Credit Risk Mitigation - Disclosures for standardized Approaches

The Bank's credit policy outlines the type of collateral that can be taken for different facilities and the process for its valuation. Currently, eligible financial collateral in the form of fixed deposits under lien and guarantees issued by Banks/Government agencies have been used as credit risk mitigants.

In the case of fixed deposits under lien, the Bank reduces its credit exposure to counterparty by the value of the fixed deposits. In case of exposures backed by guarantees issued by Banks/Government agencies, the guaranteed portion is assigned the risk weight of the guarantor when the conditions outlined by extant guidelines are fulfilled.

The total exposure that is covered by guarantees has been disclosed for each separately disclosed credit risk portfolio in the earlier sections.

As at March 31, 2010, the total exposure (after, where applicable on or off balance sheet netting) that is covered by eligible financial collateral after application of haircuts is Rs. Nil.

7. Securitization: Disclosure for Standardised Approach

The Bank's Securitization activities are governed by its securitization policy document and applicable extant RBI guidelines.

Objective: The objective of securitizing assets receivables is to sell the asset and the associated credit risk to a set of capital market investors through the issue of capital market instruments – Pass Through Certificates (PTCs). The "true sale" sale enables derecognition of the transferred assets from the Balance Sheet of the Bank to the investors, thereby transferring all associated credit risk. Securitization transactions also help the Bank in exploiting the arbitrage between asset pricing and capital market instrument pricing, where available.

During the year ended March 31, 2010, the Bank undertook one securitization transaction and no credit enhancement/liquidity support was provided by the Bank in any form whatsoever. The Securitization transaction facilitated complete transfer of credit risk of the underlying exposures to the SPV/investors of the PTCs.

The roles played by the Bank in the said transaction were:

Originator: As an Originator, the Bank transferred asset (Corporate Loan) to a Special Purpose Vehicle.

Service Provider (Collection and Payment agent): The Bank has carried out administrative functions with respect to the cash flows from the underlying for servicing the investors.

The Bank has processes in place to monitor changes in risk of securitization exposures by way of monthly review of servicer reports as well as an annual review of the entire securitized portfolio from any originator. This review encompasses the underlying portfolio performance, collection efficiency and extent of credit enhancement available as well as analysis of the servicer. Further, for managing the interest rate risk in the purchased securitized assets, the Bank uses PVBP as a sensitivity measure and VaR which is monitored on a periodical basis.

The Bank also acquires investment grade securitized debt instruments backed by financial assets originating from diverse sectors for regulatory/ investment/ trading/ market-making purposes. The Bank facilitates issuances of securitized debt instruments by acting as an underwriter for select issuances based on its own underwriting/risk criteria.

With respect to warehousing and pipeline risk, the Bank has not undertaken any warehousing transactions during the year ended March 31, 2010. The Bank endeavours to mitigate pipeline and warehousing risk by having back to back commitments from investors. The Bank has not sponsored any off Balance Sheet Vehicles with reference to its Securitization transactions.

The securitization transactions wherein loans are transferred to a Special Purpose vehicle are accounted for in accordance with the RBI guidelines on "Securitization of Standard Assets".

Securitized assets are derecognized upon sale if the Bank surrenders control over the contractual rights that comprise the financial asset and fulfills other conditions as per the applicable extant RBI guidelines. Gain on securitization is amortized over the life of the securities issued by the SPV. Losses are recognized immediately. Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

With respect to the securitized exposures purchased, the valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield To Maturity (YTM) rates of government securities. Such mark-up and YTM rates applied are as per the relevant rates published by FIMMDA. There are no changes in the methods and key assumptions used in the current year as compared to the previous year.

The Bank does not have any securitization exposure (retained or purchased) in its Banking book as at March 31, 2010.

Banking Book - Securitization Exposures

During the year ended March 31, 2010, with respect to all securitization transactions originated by the Bank, the transfers of assets have been effected on 'true sale' basis and the Bank has no retained exposure as at March 31, 2010. The Bank has securitized Rs. 500,000 thousands of loan assets (Corporate) during the year ended March 31, 2010. There was no unamortized gain as at March 31, 2010 or loss recognised with respect to exposures securitized by the Bank during the current year. As at March 31, 2010, the Bank does not intend to securitize any assets within a year.

The Bank does not have any off balance sheet securitization exposure in its Banking book as at March 31, 2010.

Trading Book - Securitization Exposures

In its Trading Book, the Bank has no retained exposures for exposures securitized by the Bank as at March 31, 2010. The details of on Balance Sheet and off Balance Sheet Securitization exposures purchased and outstanding as at March 31, 2010 are given below:

(Rs. in thousands)

Particulars	Amount of on balance sheet securitization exposure*	Amount of off balance sheet securitization exposure
Housing finance	801,684	-
Auto Finance	1,147,322	-
Micro Finance	11,373	-
Corporate	-	-
Total	**1,960,379**	**-**

** The entire exposure falls in the below 100% risk weight category.*

The capital requirements for the securitization exposures (Specific + General Market Risk charge) broken down into different risk weight bands is shown below:

(Rs. in thousands)

Particulars	Housing finance	Auto Finance	Micro Finance	Corporate
Below 100% risk weight	41,104	32,304	211	-
100% risk weight	-	-	-	-
Above 100% risk weight	-	-	-	-
Deducted	-	-	-	-
Total	**41,104**	**32,304**	**211**	**-**

8. Market Risk in Trading Book

Trading Book Market risk is the possibility of loss arising in Trading Book from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

The market risk for the Trading Book of the Bank is managed in accordance to the Board approved Investment Policy, Market Risk Policy, Derivative Policy and Derivative Appropriateness Policy. These policies provide guidelines to the operations, Valuations, and various limits and controls pertaining to various securities, foreign exchange and derivatives. These policies enhance the Bank's ability to transact in various instruments in accordance with the extant regulatory guidelines. The Bank also has a Stress Testing Policy and Framework which enables the Bank to capture impact of various stress scenarios on Trading Book Portfolio. The policies are reviewed periodically to incorporate changed economic, business and regulatory environment.

The Asset Liability Management Committee (ALCO) and the Investment Committee of the Bank are responsible for measuring and monitoring of Market Risk under the overall guidance of the Risk Monitoring Committee (RMC) of the Bank.

- Risk management and reporting is based on globally accepted parameters such as Modified Duration, PVO1, Exposure and Gap Limits, VaR, etc. As per the Market Risk Policy, limits have been set for Sensitivities and VaR and the same are monitored on a daily basis
- Forex Open Position limits (Daylight/Overnight), stop-loss limit, are properly monitored and exception reporting is accordingly carried out.
- Back testing of the current VaR model carried out quarterly.
- Bank has adopted the Standardised Duration Approach as prescribed by RBI for computation of capital charge for market risk and is already fully compliant with such RBI guidelines. Standardised Duration Approach is applied for calculation of Market Risk for:
  - ✓ Securities under HFT category
  - ✓ Securities under AFS category
  - ✓ All Derivatives except those entered into for Hedging Balance Sheet
  - ✓ Open foreign exchange position
  - ✓ Equity positions.

Amount of Capital required for Market Risk as at March 31, 2010	Rs. in thousands
Interest rate risk	571,426
Equity position risk	201,800
Foreign Exchange risk	126,000
Total capital required for Market Risk	**899,226**

9. Operational Risk

Strategies & Processes

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Bank has in accordance with the regulatory guidelines, implemented a comprehensive board approved Operational Risk Management Policy and put in place a framework to identify, assess and monitor risks; strengthen controls; improve customer service; and minimise operating losses.

Structure and Organization

The Bank has constituted the Operational Risk Management Committee (ORMC), consisting of senior management personnel. The ORMC which supports the Risk Management Committee (RMC) of the Board, is responsible for implementing the Operational Risk Management Policy and adopting the best industry practices.

Scope and Nature of Operational Risk Reporting and Measurement Systems

The Bank has implemented a systematic process for recording operational risk events and losses. These events and losses are reported and discussed at ORMC for appropriate actions.

Approaches for Computation of Capital Charge for Operational Risk

In accordance with Reserve Bank of India guidelines, the Bank has adopted the Basic Indicator Approach (BIA) for measurement of Operational Risk for the year ending March 31, 2010.

10. Interest rate risk in the Banking Book (IRRBB)

Interest Rate Risk in banking book is the risk where changes in market interest rates might adversely affect the Bank's financial condition. The Bank identifies and measures the interest rate risk in banking book as:

a) **Earnings perspective:** short-term/immediate impact of changes in interest rates in banking book known as earnings perspective is on the Bank's Net Interest Income (NII).

b) **Economic perspective:** longer term, changes in interest rates impact the cash flows of the assets, liabilities and off-balance sheet items, giving rise to a risk of profitability and eventually to the net worth of the Bank, arising out of all re-pricing mismatches and other interest rate sensitive positions known as economic value perspective.

The Asset - Liability Management Committee (ALCO) is responsible for evolving appropriate systems and procedures for ongoing identification and analysis of IRRBB under the guidance of the Risk Monitoring Committee (RMC). RMC reviews various decisions taken by the ALCO for managing IRRBB. The ALM & Market Risk Policies define the framework for managing IRRBB through measures like:

1. **Interest Rate sensitivity Report:** Measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions) in various tenure buckets based on re-pricing or maturity, as applicable.

2. **Duration Gap Analysis:** The Bank has a framework of the Duration Gap analysis for measuring the impact on its economic value of capital.

3. **Banking Book Value at Risk (VaR):** VaR is a measure of how the market value of an asset or a portfolio of assets is likely to decrease over a certain period of time under usual conditions.

4. **Earnings at Risk (EaR):** Under the earnings perspective the focus of the analysis is on the impact of changes in interest rates on accruals or reported earnings or Net Interest Income. This perspective focuses on risk to earnings in the near term, typically the next one year. The Earnings at Risk measure as reported by the Bank represents an ex ante estimate of changes in earnings over the next twelve months should interest rate change by + 100 or – 100 basis points.

5. **Sensitivity Analysis:** A Sensitivity analysis based on 'what if' situations (parallel and non-parallel shift) is carried out considering both trading and banking book to envisage the impact of interest rate change on the Earnings and market value of trading portfolio.

6. **Stress Testing:** The Bank also undertakes stress testing of banking book on a regular basis on Duration GAP analysis to emphasise the impact on duration of capital under various stress scenarios.

All the above risk metrics are measured on a monthly basis and reported to ALCO/RMC periodically.

Key Assumptions:

Saving deposits: Volatile portion treated as non-interest bearing and placed in the maturity bucket of 1 day to 28 days. The core portion is placed in the maturity bucket of 1 year to 3 years as per behavioural studies.

Current deposits: Considered as rate sensitive for DGAP purpose based on behavioural analysis as per RBI guidelines.

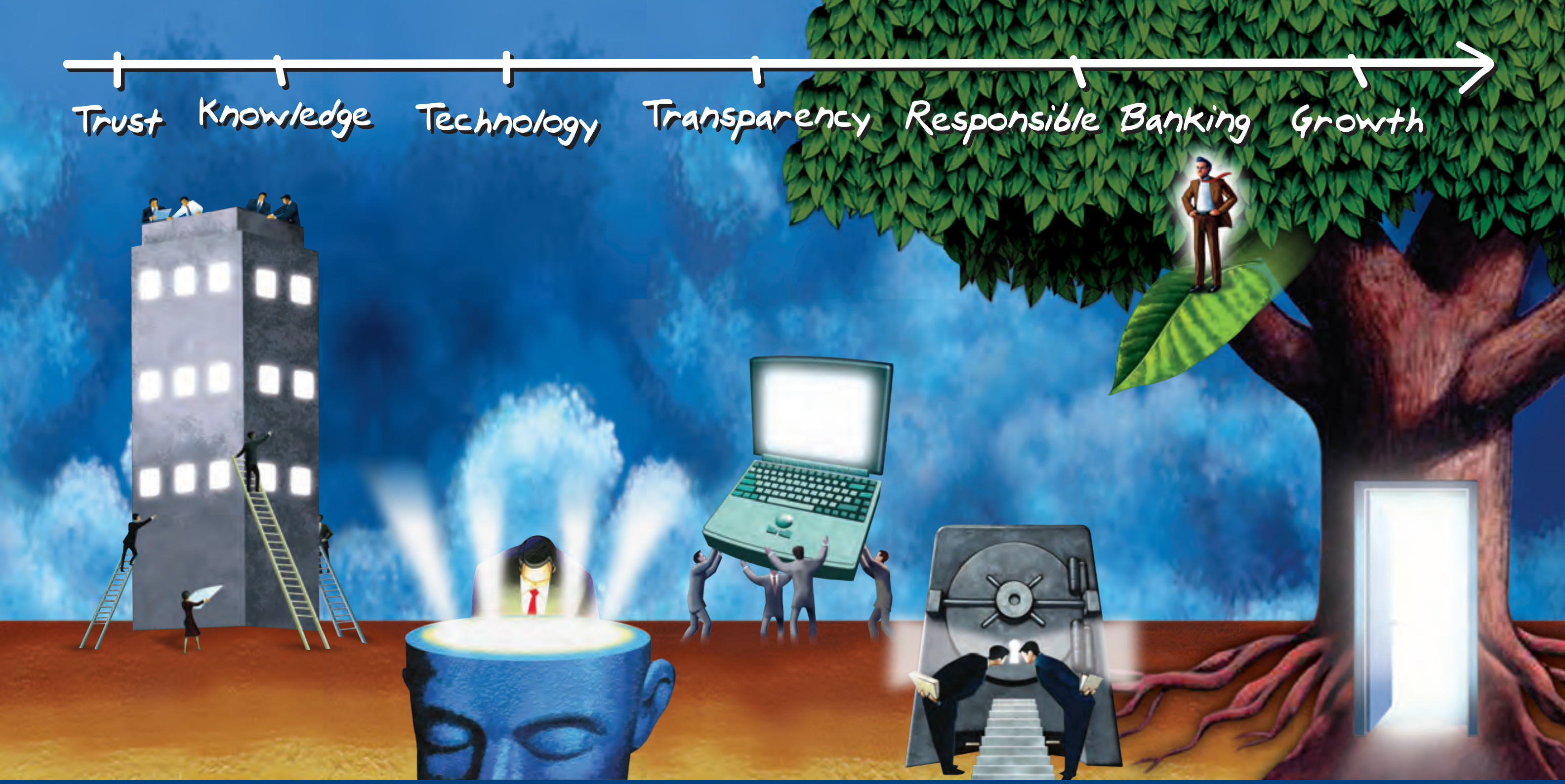
Impact of Interest rate Risk

1. Impact on Net Interest Income (with 1% change in interest rates for both assets and liabilities) Rs. 241,300 thousands.
2. Impact on Economic value of Equity (EVE) (with 1% change in interest rates for both assets and liabilities) Rs. 2,318,660 thousands.

Note:

(i) The above impact is for 100 bps parallel shift in the interest rates for both assets and liabilities.

(ii) The Bank's turnover in any foreign currency is not more than 5% of the total turnover (Bank's balance sheet size) in the Banking Book. The impact on EVE includes the Bank's exposure in INR, USD, JPY, CHF, GBP and EURO.



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