YES BANK – VERSION 2.0

BUILDING THE BEST QUALITY BANK OF THE WORLD IN INDIA

ANNUAL REPORT
2010-2011

YES BANK

YES BANK

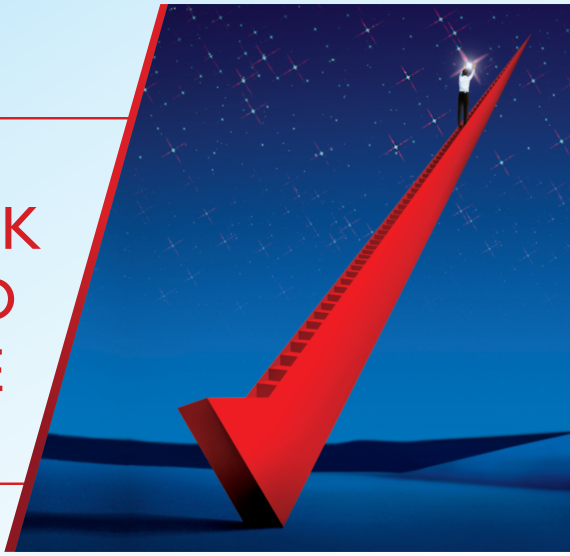
YES BANK – VERSION 2.0 BUILDING THE BEST QUALITY BANK OF THE WORLD IN INDIA

YES BANK is committed to its long-term goal of Building the Best Quality Bank of the World in India through utmost dedication, passion and commitment, backed by a highly differentiated financial and business model to achieve robust and sustained growth.

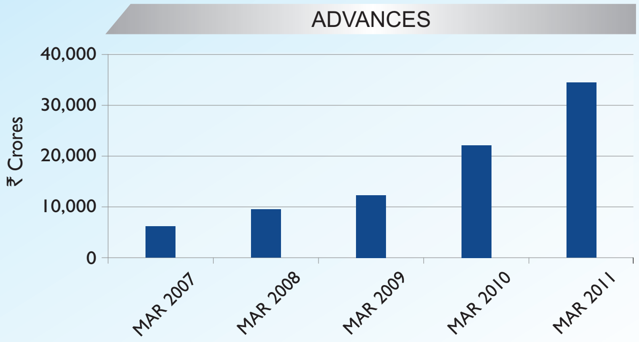
Since inception in 2004, we have crossed many significant milestones that stand testimony to our Innovation and Excellence in creating a new paradigm in Indian Banking. At the beginning of Financial Year 2010-11, we embarked on an ambitious journey into the next phase of growth and launched YES BANK – VERSION 2.0, Building the Best Quality Bank of the World in India.

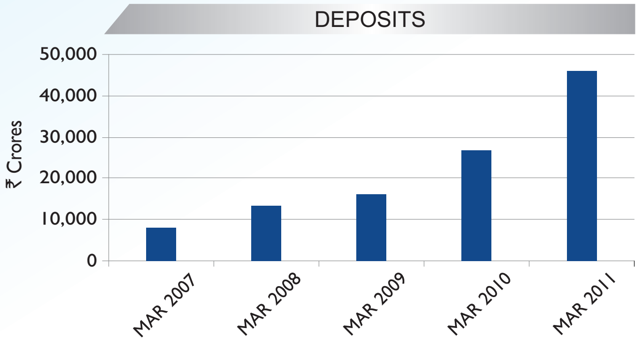
Version 2.0 is clearly the most stimulating phase in the life cycle of YES BANK with a vision of establishing 750 branches, 3000 ATMs, 12,000 employees, ₹ 125,000 Cr. Deposit base, ₹ 100,000 Cr. Loan book and a ₹ 150,000 Cr. Balance Sheet size by 2015.

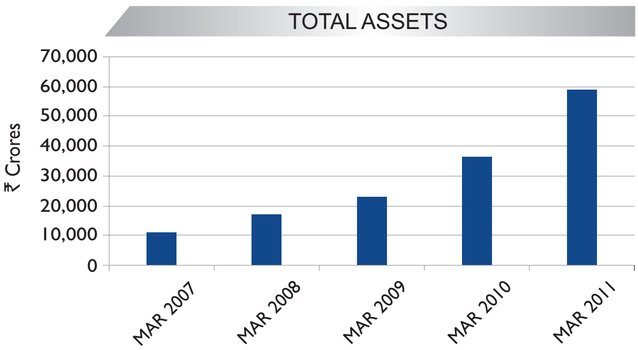
As we complete one year of this strategic roll-out plan, we have outperformed our first year target through a stellar performance. We will continue to strive to create a Global Institutional Trustmark in India by heralding a transformation in the banking sector by constantly creating, innovating and transforming to provide maximum benefit to all stakeholders.

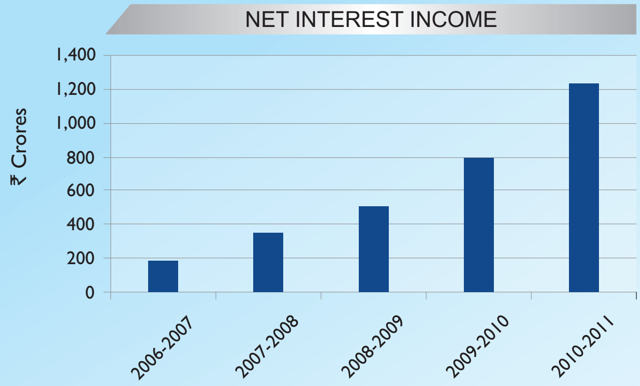


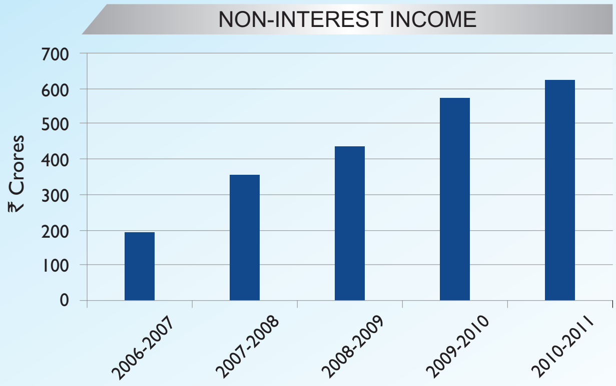
CREATING THE BEST QUALITY BANK THROUGH SUSTAINED PERFORMANCE

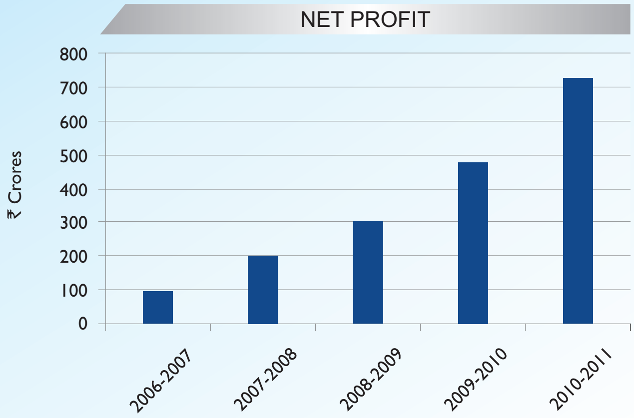


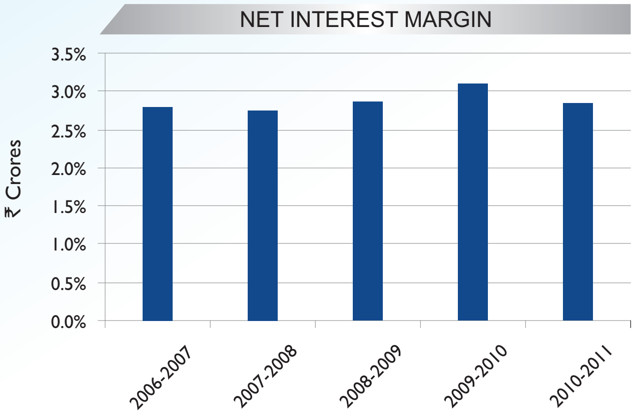


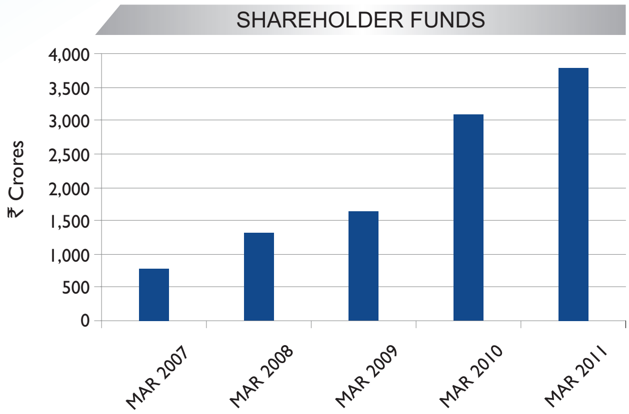



NET INTEREST INCOME
₹ Crores
1,400
1,200
1,000
800
600
400
200
0
2006-2007
2007-2008
2008-2009
2009-2010
2010-2011


NON-INTEREST INCOME
₹ Crores
700
600
500
400
300
200
100
0
2006-2007
2007-2008
2008-2009
2009-2010
2010-2011


NET PROFIT
₹ Crores
800
700
600
500
400
300
200
100
0
2006-2007
2007-2008
2008-2009
2009-2010
2010-2011


NET INTEREST MARGIN
₹ Crores
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
2006-2007
2007-2008
2008-2009
2009-2010
2010-2011


SHAREHOLDER FUNDS
₹ Crores
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
MAR 2007
MAR 2008
MAR 2009
MAR 2010
MAR 2011

YES BANK

LEVERAGING KNOWLEDGE LEADERSHIP TO BUILD THE BEST QUALITY BANK

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

SAY YES TO KNOWLEDGE BANKING

FOOD & AGRIBUSINESS

INFRASTRUCTURE

HEALTHCARE & LIFESCIENCES

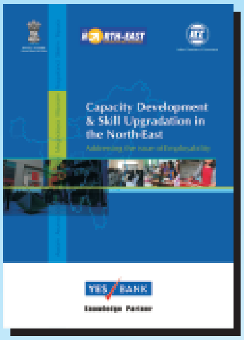
COMMUNICATIONS & TECHNOLOGY

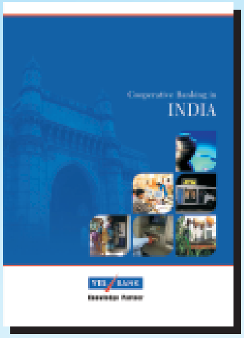
ENVIRONMENT & SUSTAINABILITY

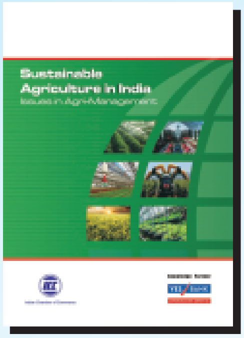
EDUCATION & SOCIAL INFRASTRUCTURE

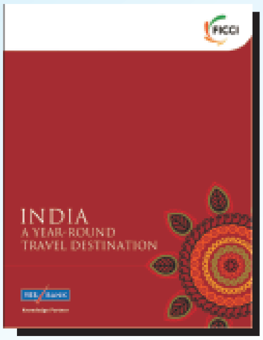
YES BANK

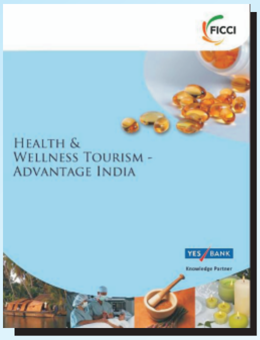
SELECT KNOWLEDGE BANKING PUBLICATIONS BY YES BANK

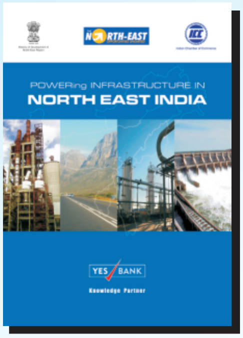


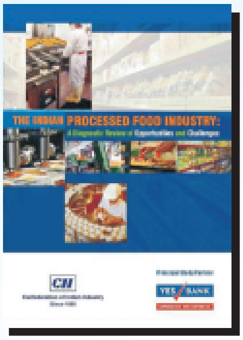


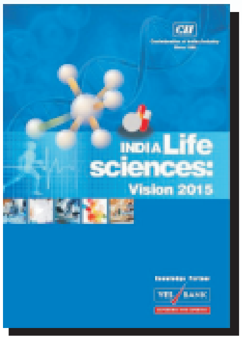


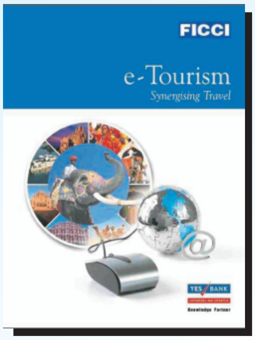


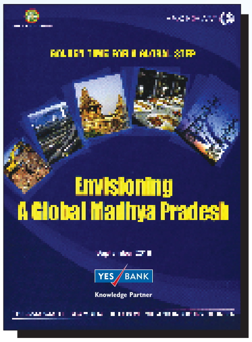


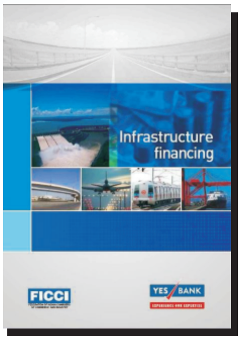


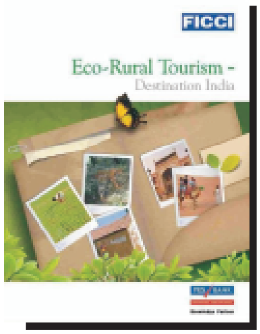


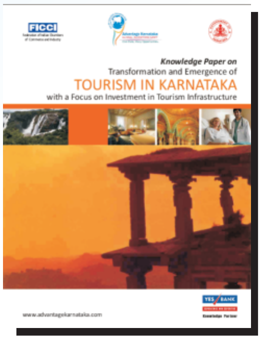


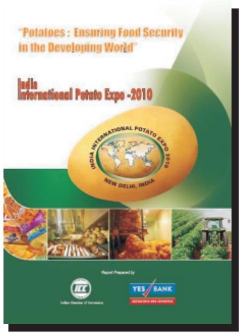


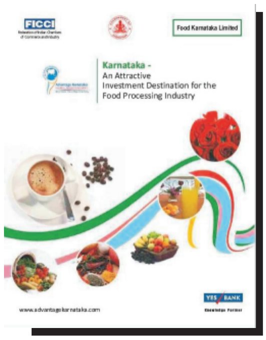


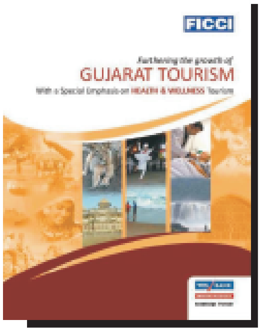










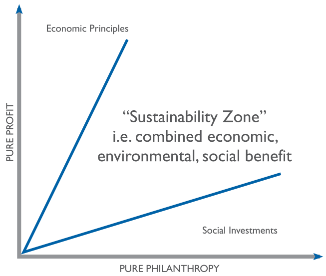


LEVERAGING SUSTAINABILITY TO BUILD THE BEST QUALITY BANK

Your Bank aims to build the 'Best Quality Bank of the World in India' by adhering to the triple bottom line ethos i.e. People, Planet and Profit - thereby creating an enduring value, competitive advantage and sustainability leadership. Through responsible initiatives, your Bank reaches out to the emerging sectors and the financially un-banked and under-banked sections of the society, and promotes a culture that is inclusive to sustainable development. Your Bank has ingrained the sustainability principles through its business verticals - Agribusiness & Rural Banking (ARB), Sustainable Investment Banking (SIB) and Socially Responsible Investing (SRI) which offer products and services that promote sustainable development.

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.



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 2010-11

CEE
Centre for Environment Education

Partnered Centre for Environment Education (CEE), a national institution supported by the Ministry of Environment & Forests, to pursue joint initiatives for the Bank's community engagement platform, YES COMMUNITY (YC), under the broad theme of Planet Earth.

CARBON DISCLOSURE PROJECT

First Indian Bank to be a 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, 2009 & 2010.

United Nations Global Compact

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

YES BANK

FINANCIAL INCLUSION

YES BANK ACCION

Technical collaboration with ACCION International, USA to provide credit, savings, micro-insurance and other financial products to low income customers.

YES BANK **Money**

Harnessing partner engagement and networks to provide Financial services to a larger population.

Business Correspondents

Buldana Urban
Co-op. Credit Society Ltd., Buldana

Margdarshak

SUSTAINABLE INVESTMENT BANKING

TATVA

Socially and environmentally responsible equity investment programme investing in small and growth enterprises.

YES BANK

SUNENGY

Seed Fund raising & commercial tie-up for an Australian solar company from Tata Power.

TATA POWER Lighting up Lives!

Minwool Rock Fibres Limited

Private equity placement of USD 3 mn. for an integrated thermal insulation solutions provider.

IFCI

GLOBAL ENVIRONMENT FUND

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

Exclusive advisor to Emerging Markets Fund

SUSTAINABILITY INITIATIVES

TERI-YES BANK Light a Billion Lives Financing Program

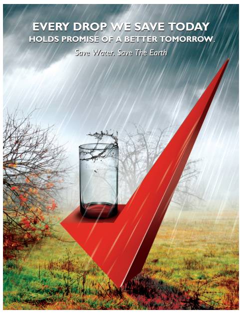
YES BANK has partnered with TERI to facilitate the scaling up of the TERI Light a Billion Lives (LaBL) campaign, which enables rural households access to clean light by displacing kerosene lanterns with solar lighting devices, by developing and piloting semi-commercial business models to augment the donations received by TERI.

MANAGING YES BANK's CARBON FOOTPRINT

YES BANK's CO_2 emissions per branch in 2010 receded by 9.38 Metric Tons (9%) as compared to the previous year due to a range of energy saving devices and protocols that have been introduced into the ecosystem. This year, your Bank also introduced e-statements and e-Annual Report to reduce paper consumption. Your Bank is working diligently towards reducing its carbon footprint and becoming a greener organisation.

YES COMMUNITY

Responsible community engagement for a sustainable future



BUILDING THE BEST QUALITY BANK THROUGH UNPARALLELED SERVICE EXCELLENCE

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

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

- Aesthetically designed retail branches are strategically located at catchment areas, ensuring smoother and convenient customer engagement
- Your Bank's 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 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
- Convenience of Mobile Payments for easy and real-time fund transfer through the YES BANK Mobile Money Services powered by Nokia
- Your Bank has successfully launched the 'Money Monitor'- Asia's FIRST online Personal Finance Aggregation Tool. This revolutionary tool allows YES BANK Customers a single-Log in access to all Bank Accounts, Credit Cards, Investment Reward / Mileage points across over 11,000 financial institutions worldwide

YES BANK

EXEMPLARY ACHIEVEMENT

BUILDING THE BEST QUALITY BANK THROUGH INSTITUTIONAL & BUSINESS EXCELLENCE

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

BMA

MR. RANA KAPOOR

Founder, Managing Director & CEO, YES BANK receives the

'Entrepreneurial Banker of the Decade'

(2001-2010) **award** from **Bombay Management Association (BMA)** at the **14th Annual Convention**

From L to R: S. P Agarwal, President, BMA, K.N. Vaidyanathan, Executive Director, SEBI, Rana Kapoor, Founder, Managing Director & CEO, YES BANK, P. V. Ramana, Chairman, ITM Business School

This award recognizes Mr. Rana Kapoor's contribution to the Indian Banking sector during the past decade by architecting YES BANK, a **highly differentiated institution with a strong development focus on Sunrise sectors and Sustainability,** and the innovation that has been unleashed under Mr. Kapoor's inspiring leadership through Knowledge Banking and Responsible Banking practices.

YES BANK

KEY AWARDS AND ACCOLADES

INSTITUTIONAL & BUSINESS EXCELLENCE

Ranked India's No. 1 New Private Sector Bank in the Financial Express-E&Y Best Banks Survey

2010

Received "India's Fastest Growing Bank of the Year" award at the Bloomberg UTV Financial Leadership Awards 2011

Awarded India's Best, Fastest & Strongest mid-sized Bank - 2010 in the Business Today – KPMG Best Banks Annual Survey

Received the Fastest Growing Bank award (balance sheet > 30,000 cr) at the Businessworld Best Bank Awards 2010

Received the 'Commendation Certificate' for 'Significant Achievement' at the CII-ITC Sustainability Awards

2010

Mr. Rana Kapoor, Founder, Managing Director & CEO, YES BANK ranked as the 2nd Most Valuable Indian CEO (mid-sized category)

2010

Mr. Rana Kapoor received the "Indian Business Leader of the Year" award at the Global Indian Business Meeting Madrid, Spain

2010

Brand Excellence (Banking and Financial Services) award at the CMO Asia Awards for Excellence in Branding and Marketing Singapore

2010

EFFICIENT PAYMENTS SOLUTIONS & TECHNOLOGY / SERVICE EXCELLENCE

Information Systems Audit & Controls Association award for Implementation of IT Governance

2010

Only organization to receive the BestPrax Compass Award in the Service Sector for Knowledge Banking

2010

Asian Banker IT Implementation Award for Best HR Systems Implementation Project Singapore

2010

Received the Financial Insights Innovation in Business Intelligence Singapore

2010

Innovation in the Service Sector

2010

SAFETY RATING

Maiden International Investment Grade rating Baa3 long term

2010

- Lower Tier II bonds Programme assigned LAA & CARE AA
- Upper Tier II bond issue from assigned LAA- and CARE AA-
- A1+ rating for the ₹ 50 bn Certificate of Deposit programme

YES BANK

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

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

YES SCHOOL OF BANKING

YES SCHOOL OF BANKING

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

YES BANK-BUSINESSWORLD TRANSFORMATION SERIES 2.0

YES BANK | Businessworld
TRANSFORMATION SERIES

The second edition of the 'YES BANK - Businessworld Transformation Series' 2010, a Case Study Challenge for premier B-schools students, witnessed an overwhelming response from over 1600 participants across 600 teams drawn from 215 business schools, nationally and internationally. This initiative acts as a platform for the young leaders and best-in-class professionals to showcase their creative and strategic thinking and latent entrepreneurship.

YES BANK

RECOGNITIONS & ACCOLADES

ASIA'S BEST EMPLOYER BRAND AWARDS 2010

- Best HR Strategy in Line with Business
- Excellence in HR Through Technology
- Continuous Innovation in HR Strategy at Work
- Innovation in Recruitment

Singapore, 2010

HR Excellence Awards

CEO With HR Orientation

CEO with HR Orientation Award

Times Ascent HR Excellence Awards

2010

EMPLOYER BRANDING AWARDS (For Excellence in Human Resources)

- Innovation in Recruitment - 2010
- Continuous Innovation in HR Strategy - 2010
- Excellence in HR through Technology - 2010
- Best HR Strategy in Line with Business - 2010
- HR Excellence in an Emerging Organization - 2010

THE YES ACHIEVERS

THE CEO'S LEAGUE OF EXCELLENCE

The CEO's League of Excellence

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

The awards include 2 premium categories of Executive Recognition:

YES CHAMPION
CEO'S LEAGUE OF EXCELLENCE

YES RISING STAR

THE YES GOLDEN PIN - CEO'S AWARD

YES BANK GOLDEN PIN
CEO'S AWARD

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

YES 5-YEAR COMMENDATION LAPEL PIN

5 YES BANK Years

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

RANA KAPOOR
Managing Director & CEO

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

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

AJAY VOHRA
Independent Director

BHARAT PATEL
Independent Director

RADHA SINGH
Independent Director

WOUTER KOLFF
Independent Director

ARUN K. MAGO
Independent Director

BUILDING THE BEST QUALITY BANK THROUGH EXEMPLARY LEADERSHIP

ADITYA SANGHI
Group President &
Senior Managing Director
Investment Banking

AJAY DESAI
Group Executive Vice President
&
Chief Financial Inclusion Officer

AMIT KUMAR
Senior President
Corporate &
Institutional Banking

ANINDYA DATTA
President
&
Chief Marketing Officer

ASPY ENGINEER
President
Direct Banking

DEODUTTA KURANE
Senior President
Human Capital Management

DEVAMALYA DEY
Group President
Audit & Compliance

JAIDEEP IYER
Senior President & Country Head
Financial Management

KAPIL JUNEJA
Group Executive Vice President
& Country Head
Operations and Service Delivery

KAVITA VENUGOPAL
Group President
& Chief Risk Officer

MANAVJEET SINGH
Senior President
Retail Banking

NIKHIL SAHNI
President
Branch Banking

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

RAJAT MONGA
Group President, Financial Markets &
Chief Financial Officer

SANJAY AGRAWAL
President
Business Banking

SANJAY PALVE
Group President &
Senior Managing Director
Corporate Finance & Development Banking

SHUBHADA RAO
President & Chief Economist

SUMIT GUPTA
Senior President
Commercial Banking

SURESH SETHI
Group President
Transaction Banking

UMESH JAIN
Senior President &
Chief Information Officer

VARUN TULI
Group President
Government & Multinational
Relationships Management

VIKRAM KAUSHAL
President & Country Head
Wealth Management

VIRAAL BALSARI
Chief Sustainability Strategist

YES BANK

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.

A YES CAN CHANGE YOUR LIFE

As your Bank relentlessly pursues its Version 2.0 objectives, the YES BANK brand is constantly transforming into an even more consumer centric brand with highest levels of service, operational commitment and excellence.

Your Bank has launched a brand new set of 3 Television Advertising films. The campaign titled – "EK SHABDH – YES, SUNNE KO MANN TARSE" highlights the significance of the word 'YES' in each of our lives and how we at YES BANK understand the value of a 'YES.' The 3 ad films have been created on different situations that we may face / have faced in our lives and underscore the need of affirmation and appreciation in our daily lives.

CONTENTS

"YES BANK is driven by an uncompromising mission to build quality, and to provide superior and consistent services."

RANA KAPOOR
Managing Director & CEO

Dear **Valued Stakeholder,**

The year 2010-2011 has demonstrated an impressive financial performance with the last quarter profit crossing INR 200 crore for the first time in YES BANK's history. You will be pleased to know that YES BANK is now the **Fourth Largest Private Sector Bank** in our country. We have achieved this steady growth trajectory across all business segments, thereby further enhancing our **unique financial and business model,** which emphasizes on value addition and superior, high quality service.

As we aspire further towards building the *Best Quality Bank of the World in India,* I am pleased to report to you that **YES BANK has successfully completed the first year of Version 2.0 (2010-2015), which is truly the most stimulating phase in your Bank's lifecycle.** With current Branches at 214 across 164 cities pan India, and our distribution network rapidly expanding, we will be able to further accelerate growth across Commercial Banking and Branch/ Retail Banking business segments with an inherent focus on garnering branch driven retail/ SME liabilities. **We aim to further build organically through counter cyclical strategies and proactive risk management.**

Version 2.0 is all about **SCALE AND DIVERSITY.** I am pleased to report that on the back of stellar performance in FY 2011, the Bank has strengthened its platform to deliver on the key goals established for FY 2015. The focus for the current phase of growth is primarily on deposit mobilization. **YES BANK plans to maintain its focus on garnering CASA on the back of our expanding distribution network, focusing on B2B2C alliances and segmental strategies to create increased momentum in granular deposit accretion.** YES BANK is focused on achieving its long term goal of building CASA up to 30% of its total deposit base.

Branch expansion is a significant organizational imperative for the Bank's current phase of growth-Version 2.0, which will further propel Retail/SME Banking initiatives. Towards this, YES BANK inaugurated its West Bengal and North East Banking operations in June 2010, in the presence of **Honourable Finance Minister Shri Pranab Mukherjee,** to further focus on the growing business and financial opportunities in this key region in our country. This was followed by New Delhi & National Capital Region Banking operations by the **Honourable Chief Minister, Government of NCT - Delhi, Smt. Sheila Dikshit.**

Our aim is to transform branches from mere transaction outlets to **'Service Oriented Advisory Centers',** thus shifting the focus from providing vanilla transactions to **value added services.** Since inception, your Bank has adopted innovative and creative service technologies that facilitate robust systems and processes towards delivering world-class banking solutions.

This year was truly significant in the life cycle of YES BANK, with the launch of our **new retail focused advertisement campaign** titled – **"EK SHABDH – YES, SUNNE KO MANN TARSE".** Our Brand strategy is to build one of the finest financial brands in India. Through this campaign, our endeavour is to transform the YES BANK brand into an even more consumer centric brand accompanied with the finest levels of service, operational delivery and excellence.

YES BANK is driven by an uncompromising mission to build quality, and to provide superior and **consistent services. I am pleased to advise you that we have once again delivered consistent financial performance, highest asset quality and received several national and international awards & accolades.** I sincerely attribute this success to every YES BANKer for their outstanding contribution towards sustaining the growth and ensuring institutional operational excellence and exemplary execution.

This year, YES BANK has been recognized **amongst the Top and the Fastest Growing Banks' in various Indian Banking League Tables** by prestigious media houses and Global Advisory Firms – **India's No. 1 New Private Sector Bank** in the Financial Express-E&Y Best Banks Survey 2010, **"India's Fastest Growing Bank of the Year"** at the Bloomberg UTV Financial Leadership Awards 2011, **India's Best Mid-sized Bank** (balance sheet < 50,000 Cr.) award at the Business Today-KPMG Best Bank Survey & Awards 2010, **Fastest Growing Bank** award (balance sheet between 30,000 Cr. – 1,00,000 Cr.) at the Businessworld Best Bank Awards 2010.

YES BANK has also received various national and international honours such as the **'Organization with Most Innovative HR Practices'** at the 'South-East Asia Human Resources Excellence Awards 2010' in Malaysia, **'Organization with Best Practices in Talent Management'** at the 'Talent Excellence Awards' in London, **BestPrax Award for Innovation in the Service Sector** at the Qimpro

Convention 2010, **Best Corporate Social Responsibility Practice award** at the NASSCOM Foundation-BSE Social and Corporate Governance Awards 2010, **"Certificate of Commendation for Strong Achievement"** at CII-ITC Sustainability Awards, and the **ISACA award for Implementation of IT Governance Practices.**

The year culminated with two significant achievements – YES BANK received its **maiden International Investment Grade Baa3 long-term rating** from Moody's Investor Services, which is a true validation of the superior financial performance and strong risk management practices of YES BANK, and the **ISO 27001:2005 Certification** for its **"Information Security Management System"** by the British Standard's Institution (BSI).

With best-in-class Human Capital of over 4000 YES BANKers, and focused vision and strategy encompassing Version 2.0, these recognitions will further act as key drivers of sustained growth and will help propel the Bank for its take-off **to become the Best Quality Bank of the World in India.**

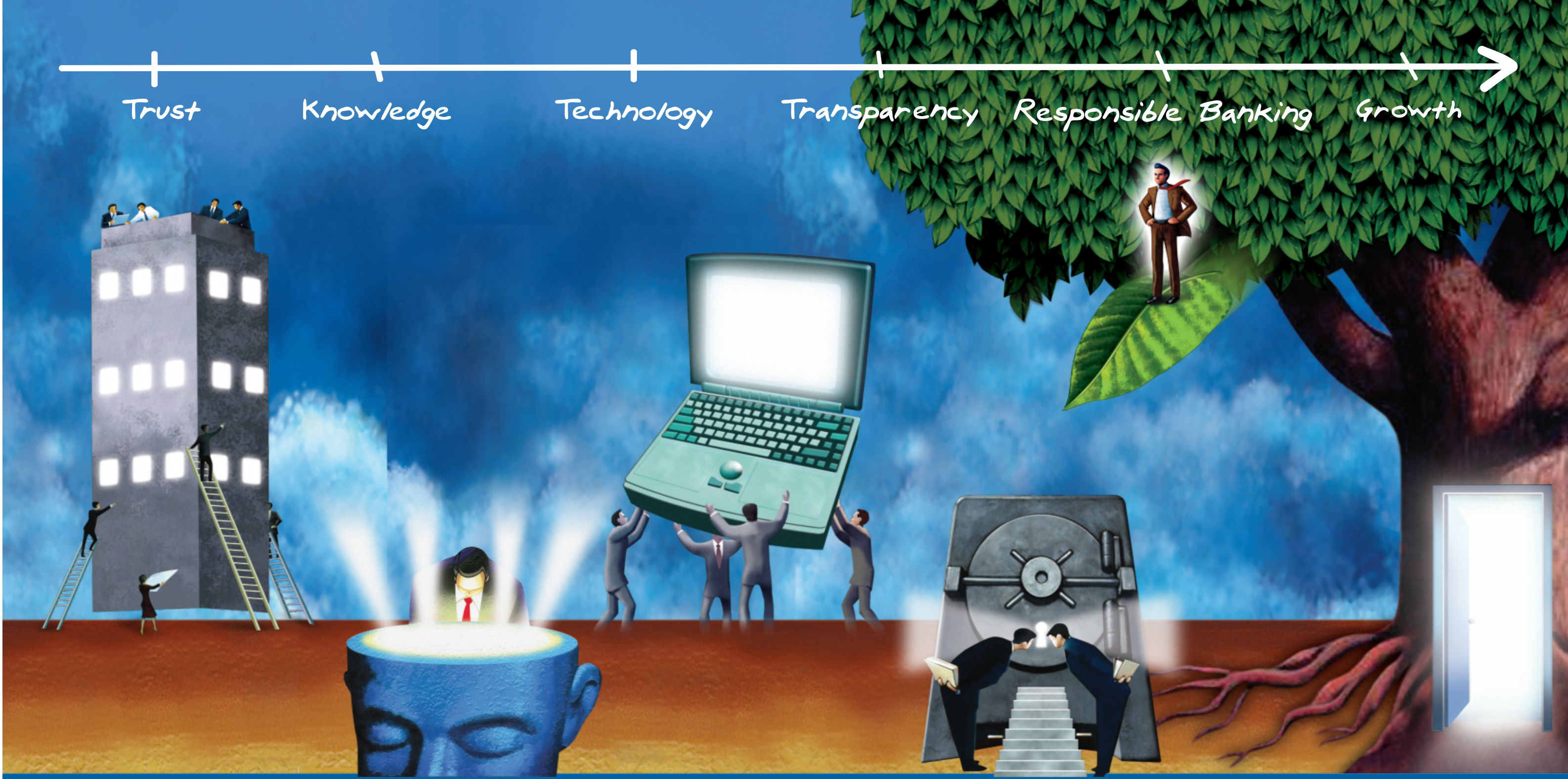
While we have the added responsibility of performing significantly better every year, and maximize value for all stakeholders, we remain committed to pursuing the **highest levels of professional integrity, ethical standards, highest levels of compliance and the most transparent corporate governance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

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

Thank you.

Sincerely,

RANA KAPOOR
Managing Director & CEO


Trust
Knowledge
Technology
Transparency
Responsible Banking
Growth

ACHIEVING INSTITUTIONAL EXCELLENCE

Since inception in 2004, YES BANK has created a new paradigm in Indian Banking, through continuous Innovation and Excellence. As a full-service commercial and retail Bank, we re-dedicate ourselves towards delivering the Finest Banking Experience in India.

YES BANK

214 Branches Pan India | 250+ ATMs | 2 National Operating Centres

Corporate and Registered Office: Nehru Centre, 9th Floor, Discovery of India, Dr. A.B. Road, Worli, Mumbai-400018, India. www.yesbank.in

This report is printed on 100% recycled paper.
YES BANK is an environment conscious Corporate Citizen and committed towards Sustainable Development.

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Seventh Annual Report of your Bank together with the audited Balance Sheet, Profit and Loss Account and the report on business and operations of the Bank for the year ended March 31, 2011.

Financial Performance

(₹ in crore)

Particulars	April 1, 2010 to March 31, 2011	April 1, 2009 to March 31, 2010
Deposits	45,939	26,799
Borrowings	6,691	4,749
Advances	34,364	22,193
Total Assets/Liabilities	59,007	36,382
Net Interest Income	1,247	788
Non-Interest Income	623	576
Operating Profit	1,190	864
Provisions and Contingencies	98	137
Profit before Tax	1,092	727
Provision for taxes	365	249
Net Profit	727	478
Add: Surplus/(Deficit) brought forward from last period	673	406
Amount available for appropriation	1,400	884
Appropriations		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	182	119
Capital Reserve	2	32
Investment Reserve	-	-
Proposed Dividend and Tax thereon	101	60
Surplus carried to Balance Sheet	1,115	673
Key Performance Indicators		
Net Interest Margin	2.9%	3.1%
Return on Annual Average Assets	1.5%	1.6%
Return on Equity	21.1%	23.7%
Cost to Income Ratio	36.3%	36.7%
Non-Interest Income to Net Revenues	33.3%	42.2%

Your Bank posted net revenues (Net Interest Income and Other Income) of ₹ 1,870 crore and Net Profit of ₹ 727 crore for the Financial Year 2010-11. Net Revenues and Net Profit for the Financial Year 2009-10 was ₹ 1,364 crore and ₹ 478 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 a Dividend at a rate of ₹ 2.50/- per equity share.

Capital Raising and Capital Adequacy Ratio (CAR)

The paid-up capital of your Bank increased to ₹ 347.15 crore as at March 31, 2011 from ₹ 339.67 crore as at March 31, 2010, post exercise of 74,79,855 employee stock options during the Financial Year 2010-11.

Your Bank also raised a sum of ₹ 225 crore by way of Tier I Perpetual Bonds, ₹ 640 crore by way of Upper Tier II capital and ₹ 306.40 crore by way of Lower Tier II Subordinated Bonds during the Financial Year 2010-11. 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 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 CAR as per Basel II accord as at March 31, 2011.

Your Bank is well capitalised with a CAR (as per Basel II) of 16.50 % as at March 31, 2011; of which Tier I Capital Ratio was 9.65% and Tier II Capital Ratio was 6.85%.

Employees Stock Option Scheme

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

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

The details of the grants/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)	YBL PESOP II - (Grants)	YBL PESOP - II 2010 (Grants)
Total No. of Options granted (during FY 2010-11)	Nil	Nil	Nil	Nil	Nil	22,61,000	Nil	45,33,000
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.	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.

	JSOP I (Grants)	JESOP II (Grants)	JESOP III (Grants)	YBL ESOP (JESOP IV - Grants)	YBL ESOP (PESOP I - Grants)	YBL JESOP V - (Grants)	YBL PESOP II - (Grants)	YBL PESOP - II 2010 (Grants)
Options Vested (during FY 2010-11)	Nil	3,32,500	42,500	11,59,500	10,60,375	Nil	40,79,550	Nil
Options Exercised (during FY 2010-11)	6,53,279	4,99,880	9,39,061	5,58,700	9,72,820	Nil	38,56,115	Nil
Total No. of shares arising as a result of exercise of option	6,53,279	4,99,880	9,39,061	5,58,700	9,72,820	Nil	38,56,115	Nil
Options lapsed/ Forfeited (during FY 2010-11)	Nil	18,750	8,60,000	4,99,500	1,82,625	5,83,500	9,85,735	2,90,000
Variation in the terms of options	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.	There is no variation in the terms of the options during the Financial Year ended March 31, 2011.
Money realized by exercise of Options (during FY 2010-11) (in ₹)	65,32,790	4,20,43,291	9,23,49,369	9,87,38,655	14,99,69,078	Nil	45,11,04,822	Nil
Total No. of Options in force	4,61,500	10,53,320	11,25,900	28,35,300	28,49,855	35,12,500	88,04,300	42,43,000

	JSOP I (Grants)	JESOP II (Grants)	JESOP III (Grants)	YBL ESOP (JESOP IV - Grants)	YBL ESOP (PESOP I - Grants)	YBL JESOP V - (Grants)	YBL PESOP II - (Grants)	YBL PESOP - II 2010 (Grants)
Total No. of Options granted to: (during FY 2010-11)								
(i) Senior Management Personnel (SMP)	Nil	Nil	Nil	Nil	Nil	Nikhil Sahni – 1,00,000 Sanjay Agrawal – 1,00,000 Rajesh Gandhi – 2,00,000 Vikram Kaushal – 50,000	Nil	Nikhil Sahni – 30,000 Rajat Monga – 4,50,000 Aditya Sanghi – 3,00,000 Somak Ghosh – 3,00,000 Sumit Gupta – 1,50,000 Suresh Sethi – 1,50,000 R. Ravichander- 45,000 Sanjeev Kapoor – 30,000 Anindya Datta – 50,000 Sanjay Agrawal – 25,000 Devmalya Dey – 60,000 Varun Tuli – 45,000 Deodutta Kurane – 45,000 Umesh Jain – 45,000 Kavita Venugopal – 60,000
(ii) Any other employee who received a grant in any one year of options, amounting to 5% or more of options granted during that year	N.A.	N.A.	N.A.	N.A.	N.A.	Amit Dhawan – 1,50,000 Vinayak Prasad – 1,50,000 Devang Rawal – 2,00,000	N.A	N.A.

	JSOP I (Grants)	JESOP II (Grants)	JESOP III (Grants)	YBL ESOP (JESOP IV - Grants)	YBL ESOP (PESOP I - Grants)	YBL JESOP V - (Grants)	YBL PESOP II - (Grants)	YBL PESOP - II 2010 (Grants)
(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 Bank at the time of grant	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	₹ 20.25 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	Had the Bank adopted the fair value method (based on Black-Scholes pricing method) for pricing and accounting options, Net profit after tax would have been lower by ₹ 2,24,012 thousands for FY 2010-11 Basic EPS – ₹ 20.47 per share instead of ₹ 21.12 per share Diluted EPS – ₹ 19.63 per share instead of ₹ 20.25 per share							

	JSOP I (Grants)	JESOP II (Grants)	JESOP III (Grants)	YBL ESOP (JESOP IV -Grants)	YBL ESOP (PESOP I - Grants)	YBL JESOP V – (Grants)	YBL PESOP II – (Grants)	YBL PESOP –II 2010 (Grants)
Weighted average exercise prices (in ₹)	10.00	96.51	105.78	176.48	166.59	233.03	123.62	270.61
Weighted average fair values of the options (in ₹)	5.29	45.75	52.10	91.77	82.17	131.75	60.82	146.04
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%	5.83% ~ 7.49%
ii) Expected life	6.5 years to 7.5 years	6.5 years to 7.5 years	6.5 years to 7.5 years	4.5 years to 7.5 years	1.5 years to 6 years	4.5 years to 7.5 years	1.5 years to 4.5 years	4.5 years to 7.5 years
iii) Expected volatility	50.58%	35.97% ~ 49.92%	35.82% ~ 41.74%	39.94% ~ 64.92%	40.74% ~ 82.76%	54.63% ~ 82.76%	61.31% ~ 82.76%	39.75% ~ 63.71%
iv) Expected dividends	1.44%	1.13% ~ 1.23%	1.13%	1.13% ~ 1.50%	1.13% ~ 1.50%	1.50%	1.50%	1.50%
v) The price of the underlying share in market at the time of grant of option (in ₹)	Not Listed	96.51	105.78	176.48	166.59	233.03	123.62	270.61

Directors

Mr. Sipko Schat, Nominee Director of Rabobank had resigned from the Board of Directors of the Bank with effect from June 22, 2010 on account of partial dilution of holding by Rabobank and consequently his alternate, Mr. Berend Du Pon was also deemed to vacate office simultaneously.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Mr. Wouter Kolff and Mr. Bharat Patel 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. 2011-12.

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, 2011, 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 judgements 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, 2011 and of the profit of the Bank for the year under review;

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

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

Acknowledgement

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

For and on behalf of the Board of Directors

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

Place: Mumbai
Date: April 20, 2011

Management Discussion & Analysis

Macroeconomic and Industry Overview

The domestic economic growth after moderating to 6.8% in 2008-09 recovered to 8.0% in 2009-10 helped by fiscal stimulus and accommodative monetary policy. With an improvement in the global economic landscape in 2010, domestic economic growth is expected to consolidate further to 8.6% despite a partial withdrawal of fiscal stimulus and removal of monetary policy accommodation in 2010-11.

In terms of sectoral trends, growth turned broad-based in the year 2010-11. Agriculture GDP growth, which took a setback due to failure of South-West Monsoon in 2009, is expected to recover to 5.4% in 2010-11 on the back of normal monsoon in 2010. Industrial production remained buoyant in the first half with growth in the Index of Industrial Production averaging 11.9% in Q1 and 9.1% in Q2 of 2010-11. The momentum in industrial production has seen a moderation in Q3 with average growth coming at 5.9%. Despite the recent moderation in IIP growth on account of an unfavourable base and tight monetary policy by the RBI in 2010, overall Industry GDP is expected to grow at 8.1% in 2010-11 compared to 8.0% in the previous financial year. The Service Sector GDP remained buoyant in Q1 and Q2 of 2010-11 with growth coming at 9.4% and 9.6% respectively. The momentum in Services GDP moderated to 8.7% in Q3 due to the partial withdrawal of fiscal stimulus. However, other sectors like Trade, Hotels, Transport, Communication, Financing, Insurance, etc. have remained extremely supportive of overall growth momentum within the services sector. For the year 2010-11 as a whole, Services GDP is expected to attain a growth of 9.6%, moderately down from 10.1% in the previous financial year.

The Central Government had projected a fiscal deficit to GDP ratio of 5.5% for 2010-11 at the start of the year. This was lower than the deficit of 6.4% in 2009-10 and in line with the government's intent to gradually remove fiscal stimulus with the economy showing signs of sustaining the robust growth momentum. With recovery in domestic growth, inflationary concerns gained traction with WPI inflation starting the year in double digits. Average WPI inflation, which came at 3.6% in 2009-10, rose to 9.4% in 2010-11. Food and fuel were the key drivers of inflation during this period. A rise in structural part of the food inflation (especially protein based foods) along with firm global commodity prices led to a pickup in prices for some of the essential commodities. Deregulation of petrol prices along with a price hike in administered fuel items further enhanced the pass through. With food and fuel prices remaining elevated, core inflation has started showing signs of a pickup. As a result, the RBI in an effort to curb inflationary expectations continued with the policy rate hikes that were initiated in Q4 2009-10. The RBI hiked repo and reverse repo rates by a cumulative of 175 basis points and 225 basis points to 6.75% and 5.75% respectively between April-March 2010-11. The RBI also continued tightening money market liquidity conditions by hiking CRR by 25 basis points to 6.0% during the Annual Policy in April 2010. Additionally, the central bank in its Second Mid-Quarter Review in November 2010 took measures to prevent excessive leverage in the housing sector by providing a ceiling for Loan to Value ratio at 80%, and increasing risk weights and provisioning requirements by 2% for housing loans offered at 'teaser rates'. Besides the above mentioned changes, banks introduced the Base Rate system in July 2010 that would replace lending based on the BPLR system.

With the RBI intentionally keeping money market liquidity tight, the average daily systemic liquidity moderated to ₹ 24,586 crores in Q1 of 2010-11 from an average surplus of ₹ 98,574 crores in Q4 2009-10. The quarterly surplus turned into a deficit in Q2 2010-11 during which daily borrowings from RBI averaged at ₹ 30,233 crores. The deficit liquidity situation got aggravated in Q3, during which daily borrowings from RBI averaged at ₹ 95,350 crores. While a deficit liquidity situation was desirable for effective transmission of monetary policy signals, the extent of deficit turned out to be much higher because of structural factors like greater than average increase in currency in circulation and government's surplus cash balances with the RBI. Moreover, temporary frictional factors related

to government disinvestments through IPOs and quarterly advance tax outflows exacerbated the problem. In order to maintain financial stability and bring down the liquidity deficit close to the sustainable level of -1% of Net Demand and Time Liabilities, the RBI took the following key measures in Q3: (1) started conducting second LAF (Liquidity Adjustment Facility) on a daily basis, (2) cut SLR by 1% to 24% and allowed an additional 1% temporary dip in SLR maintenance, (3) announced ₹ 60,000 crores of bond repurchase through its Open Market Operation. As a result, the liquidity deficit has moderated with daily borrowing from RBI averaging at ₹ 83,085 crores in Q4 2010-11. Pickup in government expenditure towards the fiscal year end moderated, the tightness in overall liquidity conditions.

In terms of monetary variables, aggregate deposits in the banking system increased by ₹ 6,52,464 crores in 2009-10 resulting in a growth of 17.0%. In 2010-11, deposits increased by ₹ 7,11,877 crores as of March 25, 2011 resulting in a year-on-year growth of 15.8%. Non-food credit disbursement by the banking system increased by ₹ 4,62,571 crores in 2009-10 resulting in a growth of 16.9%. In 2010-11, non-food credit disbursement increased by ₹ 6,78,077 crores as of March 25, 2011 resulting in a year-on-year growth of 21.2%.

From a macroeconomic stability point of view, the Third Quarter Monetary Policy Review noted the need for fiscal policy to move in tandem with the monetary tightening in order to address supply side inflationary concerns. According to the Union Budget 2011-12 unveiled in February 2011, the government is expected to move on the path of fiscal consolidation. The fiscal deficit to GDP ratio is expected to moderate to 4.6% in 2011-12 from a downwardly revised 5.1% deficit in 2010-11.

MISSION AND BUSINESS STRATEGY

Our mission is to become the "Best Quality Bank of the World" in India and evolve our organisational ethos into the "Professionals Bank of India". In April 2010, your bank launched the Version 2.0 of the Bank and announced the roll-out of a strategic roadmap for your Bank, to further accelerate business growth with an aim to achieve a balance sheet size of USD 30 billion and a pan India branch network of 750 with a human capital base of 12,000 by 2015. The Version 2.0 strategy is based on a Relationship-driven, service-centric approach to deliver customised and comprehensive financial solutions to suit the specific requirements of your Bank's customers. Your BANK's 7 Strategic Objectives for the Version 2.0 growth phase, built around CORE Relationship Management are:

(1) **Liabilities Generation (RANK #1):** YES Bank focuses to increase the quantum of Current and Savings Account (CASA) deposits and granular term deposits as a part of its Version 2.0 goals. For this purpose your Bank plans to use a business to business to customer (B2B2C) strategy. Key elements of this strategy involve identifying current account rich corporate customer segments and offering them tailor made products, offering wealth products to the owner promoters and directors of corporate customers and offering salary accounts to these companies under the Y-Corps Program. Your Bank also taps supply chain of large corporate customers by offering superior cash management and liquidity management solutions. Further, the bank has tied up with various brokers and insurance firms to offer innovative products to their customers as a part of its strategy to target financial intermediaries who are a rich source of references of technology savvy and transaction heavy customers. In addition, the Bank plans to continuously invest in expanding the distribution network to further improve access to the customer base.

(2) **Optimal Risk Management:** Your Bank intends on maintaining high standards of asset quality through risk management and mitigation practices that are actively focused on evaluations of credit, market and operational risk. In conjunction with these practices, we intend to optimize our capital needs through our growth phase.

(3) **Sustainable / Diversified Revenue Generation:** Your Bank intends to expand its presence by increasing its customer base in its Corporate and Institutional Banking, Commercial Banking and Branch Banking divisions through a focused customer relationship management approach. Our goal is to increase the amount of business we do with our customers by building on our strong customer relationships and cross-selling our banking and advisory products. As we go forward we intend to have a more

evenly distributed business across relationship groups thereby increasing granularity and diversity in revenues.

(4) **Superior Customer Service & Brand Management:** Since our inception, we have built our brand around five key pillars: trust, knowledge-driven human capital, technology, transparency and responsible banking. Your Bank intends to build this further through various activities such as advertising across print, television and Internet in India as well as internationally; organising, attending and sponsoring seminars; publishing knowledge-based publications; maintaining relationships with leading educational institutions; and continuing to improve the level of service that we offer to our customers. As a part of this strategy, your Bank launched a customer centric advertising campaign that has had a strong resonance among its customers.

(5) **Finest Human Capital Management:** Your Bank's management team is highly experienced and has a strong track record with demonstrated expertise in project management and execution and a history of significant corporate relationships. We believe that our management is supported by experienced and qualified human capital, to whom we offer career growth opportunities in an entrepreneurial environment, along with attractive compensation and suitable training programs. Your Bank continues to attract the best quality talent from leading financial institutions and business schools in the country. During the calendar year 2010, YES Bank was the one of the leading recruiters at the top business schools and the Institute of Chartered Accountants of India hiring over 150 post-graduates. Your Bank will continue to augment its human capital base in line with the growing brand and business franchise.

(6) **Effective Cost Management:** Your Bank continues to maintain one of the best cost to income ratios in the banking sector. The Bank intends to effectively manage cost by reducing waste, efficiently using resources, negotiating rates efficiently with our vendors and reducing technology cost through innovations. Using resources efficiently is a part of our overarching Responsible Banking strategy, we have consistently endeavoured to develop sustainable business solutions using innovative technologies.

(7) **Continuous Strengthening of Systems, Controls, Processes & Procedures:** Your Bank will continue to develop technology-based solutions in conjunction with robust processes and controls through centralised operations, which not only provide a superior service to our customers but also minimise our operational costs and risks and provide a strong platform for scaling up the business.

Business Overview

After successfully concluding Version 1.0 of YES BANK on March 31, 2010, your Bank has embarked on its journey into the next phase of growth and has launched YES BANK – VERSION 2.0 Building the Best Quality Bank of the World in India. This roll-out plan on the strategic blueprint for the Bank was announced to all investors, stakeholders, clients and the media in the beginning of the Financial Year 2010-11. You will be pleased to know that as we successfully complete one year of this most stimulating phase, your Bank is relentlessly surging ahead with utmost dedication, passion and commitment, backed by a differentiated financial and business model to achieve robust and sustained growth. Over the last seven years since inception in 2004, your Bank has leveraged on Creative Management Frameworks, Innovation and cutting-edge Technology, concurrently ensuring a Development Focus in its uncompromising pursuit to emerge as the Professionals' Bank of India.

Your Bank's sustained progress to become the Best Quality Bank of the World in India is based on the key pillars of **GROWTH, TRUST, TECHNOLOGY, KNOWLEDGE-DRIVEN HUMAN CAPITAL, TRANSPARENCY** and **RESPONSIBLE BANKING.** Your Bank continuously strives to offer innovative and professional business solutions to meet evolving customer needs across segments.

Your Bank believes in creating a Global Institutional Trustmark in India by heralding a transformation in the banking sector by constantly creating, innovating and transforming to provide maximum benefit to all stakeholders. Your Bank has an impressive human capital base ranging from experts in the field of banking to industry sector specialists who go beyond the traditional realm of banking to create long-term value for the clients.

This differentiated approach has resulted in your Bank receiving several recognitions across leading banking league tables from independent institutions of repute both nationally and globally.

YES BANK was ranked as India's No. 1 New Private Sector Bank in the Financial Express - E&Y Best Banks Survey 2010. YES BANK was also awarded the Fastest Growing Bank (balance sheet between ₹ 30,000 crores – ₹ 1,00,000 crores) at the Businessworld Best Banks Awards 2010.

Your Bank was awarded as India's No. 1 Mid-sized Bank (balance sheet < ₹ 50,000 crores) at the Business Today-KPMG Best Bank Survey & Awards 2010. This landmark achievement is the 3rd consecutive year of this significant recognition by such a prestigious media house.

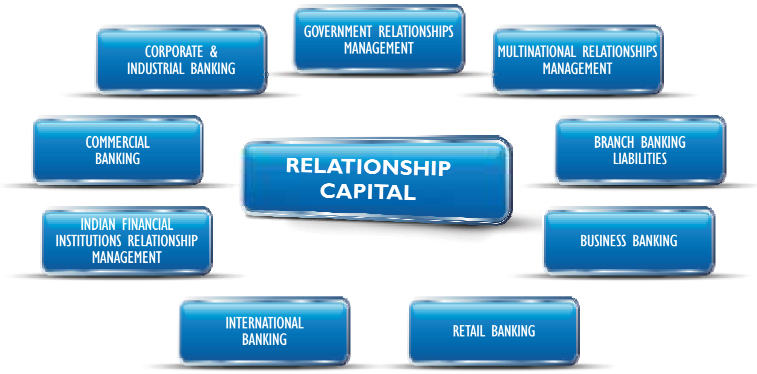
In yet another significant achievement, your Bank received its maiden International Investment Grade rating from Moody's Investor Services. Your Bank was assigned a Baa3 Long-Term and Prime-3 Short-Term global local-currency deposit ratings by Moody's. The Baa3 rating is an investment grade rating, at par with India's Sovereign Debt Rating.

Additionally, Mr. Rana Kapoor, Founder, Managing Director and CEO, YES BANK received the Bombay Management Association "Entrepreneurial Banker of the Decade" (2001-2010) award, was ranked as the 2nd Most Valuable Indian CEO of the Year (Mid-sized category) by BusinessWorld magazine in November 2010, and had earlier received the "Indian Business Leader of the Year" award at the FICCI-Horasis Global Indian Business Meeting 2010 in Spain.

We truly believe that these are some defining moments in the successful journey of your Bank as it strives to achieve the stated ultimate vision and strategy of developing into the 'Best Quality Bank of the World in India'.

Relationship Capital

The cornerstone of your Bank's sustained success is the emphasis on building institutional Relationship Capital built on the foundation of long-term, core relationships. Your Bank relies on a 'One-Bank Model' approach that 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

In its drive to become the 'Best Quality Bank of the World in India', your Bank leverages its relationship capital within the Corporate and Institutional Banking segment to ensure sustained profits and long-term value for its clients.

Your Bank's Corporate & Institutional Banking (C&IB) division provides comprehensive financial and risk management solutions to clients generally with the turnover of a over ₹ 2000 crores. Your Bank's professional relationship experts provide financial solutions to large Indian corporate groups.

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.

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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.

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

Commercial Banking

Commercial Banking (CB) has continued to work with the objective of being relationship partners in Growth to serve this specialised segment of companies - generally with the turnover between ₹ 200 crores and ₹ 2000 crores. Aligned with the 7 Strategic Objectives of Version 2.0 of your Bank, CB aims at delivering superior customer service, strengthening systems, controls and processes, building superior Human Capital and developing Core Relationships across geographies and industry segments. CB has its team members present in 12 locations across the country and will soon increase the presence to 17 locations.

Focused on cultivating and harnessing relationship capital, the aim has been to align our thought process and actions in line with the customer growth plans. Your Bank has been successful in creating an effective partnership with most of its customers, to transact across various banking products. We aim to further build on the cross sell in FY12 and deepen the relationships, to eventually become a trusted Advisor to every client.

By continuously evolving innovative, sector-specific products and services, your Bank paves the path for a sustained future for companies in this "High Octane" middle market segment, operating across the key focus sectors like Food and Agribusiness, Life Sciences & Health Care, Media and Entertainment, Engineering, Information Technology, Auto Ancillary and Infrastructure thereby laying the foundation for long-term growth.

New customer acquisition is the key to sustainable growth of CB, as well as for other parts of the Bank. Utilization of CRM tools is maximized to ensure a scientific way of prospecting new customers and identifying specific bankable opportunities, in line with the regulatory guidelines. This helps us in delivering financial solutions tailor-made to the specific lifecycle needs of such identified customers. This "Lifecycle Banking" approach has been instrumental in the Bank understanding the aspirations of our customers, and demonstrating the capability to influence sustainable growth and transformation in a large number of the Bank's customers, resulting in strong customer retention and loyalty and a mutually enriching experience.

CB's Relationship Managers aim to deliver the highest standards in service to their customers by following a Money Doctor approach of diagnostic and prescriptive solutions, through a careful evaluation of client specific financial needs and providing tailo-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, Cash Management and Treasury amongst others. CB also offers a boutique of specialised services including Capital Markets, Corporate & M&A Advisory, Corporate Finance and

Project Advisory and Finance in partnership with product groups to augment and suit the dynamic and varied requirements of the customers.

Multinational Corporates Relationship Management

At your Bank, we understand the financial needs of Multinational Companies, in their plans to increase their footprint in the Indian market. The Multinational Companies (MNC) Relationship Management team has been institutionalized within your Bank to provide Knowledge Driven Banking solutions to MNCs present in India, and those aspiring to enter India. Our differentiated approach through Dedicated Knowledge Banking teams, Indian Market Expertise, World Class Banking solutions and Service Excellence, positions us favourably to become the "Preferred HOST COUNTRY BANK for MNCs".

Government Relationship Management

The Government Relationship Management (GRM) team at your Bank understands the financial needs of the Union and State Government undertakings and agencies in their progress and development role of a growing India through its Knowledge Banking approach. This is further facilitated through your Bank's Technology leadership delivering proven, easy-to-use solutions for Government Undertakings and Agencies. Your Bank has provided financial and advisory services to Ministries of the Union Government, State Governments, Central & State Public Sector Undertakings (PSUs) and Agencies. Your Bank remains committed to delivering innovative, structured and comprehensive solutions, and has accomplished several landmark transactions in this space with Maharatnas, Navratnas, Mini Ratnas and other Apex Institutions. In a short span of 6.5 years, the GRM group has developed robust relationships with over 300 entities across India. The GRM Group is committed to the core values of client origination, innovation and a superior service experience that exemplifies all businesses at your Bank.

Branch Banking

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

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

Currently, your Bank's customers are being served through an extensive branch network, comprising 214 branches spread over 164 locations across India as well as over 250 fully operational ATMs. Your Bank will continue to expand its branch presence in line with its vision of enabling financially efficient inclusive Banking through its state-of-the-art technology platform. While your Bank's branches have been designed to cater to all segments of customers under the 'One-Bank Model', Branch Banking - Liabilities & Wealth Management, Business Banking and Retail Banking customers are the most frequent users of this world-class infrastructure. The three segments, as elaborated subsequently, together constitute the Branch Banking business. This relationship line is an area of high focus for your Bank and significant investments have been made to provide an exceptional experience to customers from each of these segments.

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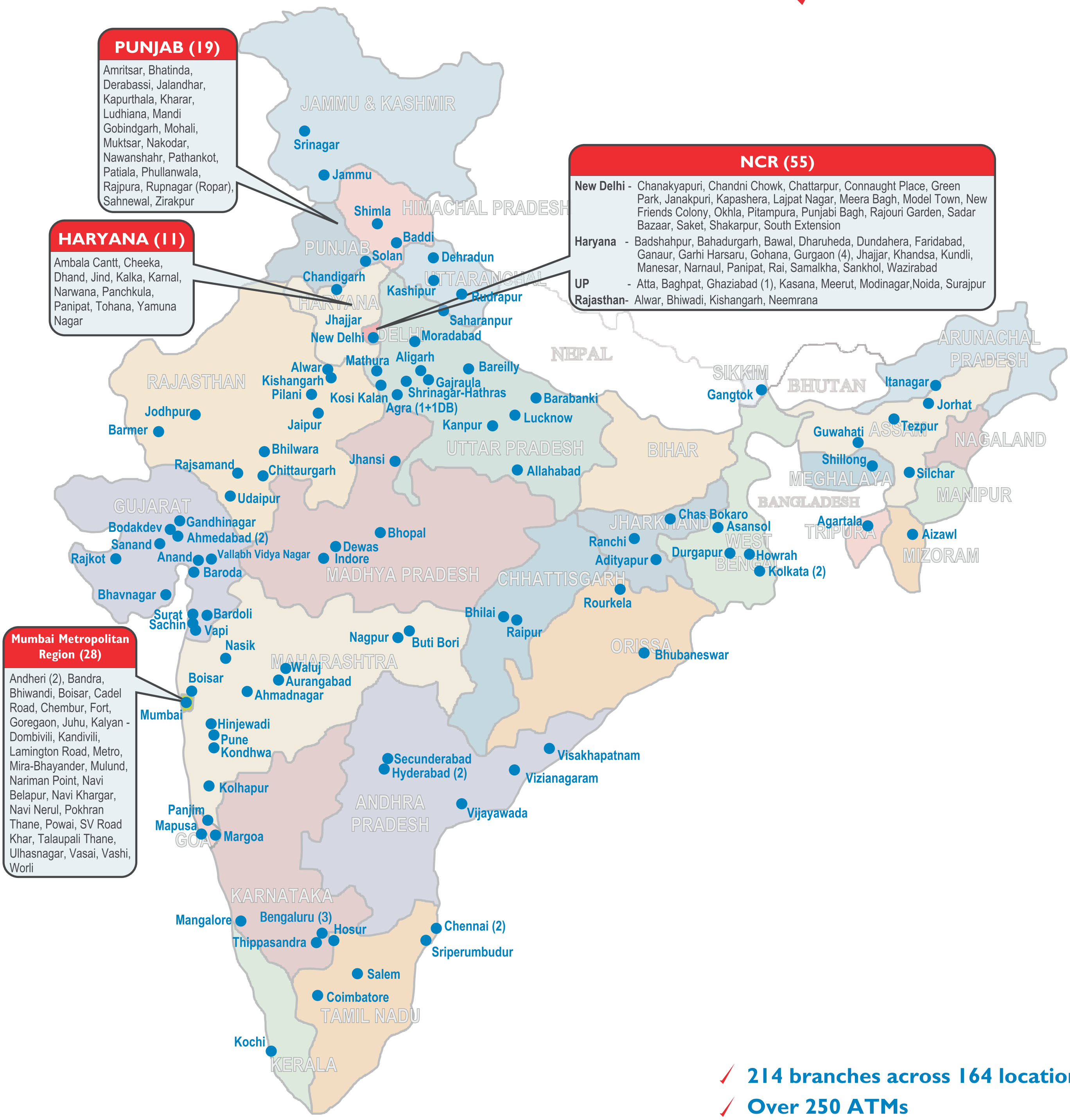
BRANCH LOCATIONS



This map does not purport to be the political map of India.

- 214 branches across 164 locations
- Over 250 ATMs

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

	Branch Banking Individual/Non-Individual	**Business Banking**	**Retail Banking**

CORE PRODUCTS	• 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 complete liquidity of a Savings Account.
	• Smart Salary Accounts: An innovative Corporate Salary Programme, backed by superior technology that enables convenience and direct access.
	• Capital Market Services
	• Premium Banking & Wealth Management
	• Structured Products & Wealth Advisory for Non-resident Indians
		• Term Loans
		• Working Capital
		  ◦ Overdraft
		  ◦ Order Invoice/Financing
		  ◦ Supply Chain Finance
		• Account Services
		  ◦ Operating Accounts
		  ◦ FCY Accounts
		• Financial Markets
		• Corporate Finance
			• Working Capital
			  ◦ Overdraft
			  ◦ Order Invoice / Financing
			  ◦ Supply Chain Finance
			• Term Loan
			  ◦ Loan against Property (LAP)
			  ◦ Loan against Shares (LAS)
			  ◦ Business Loans
			  ◦ Personal Loans

CROSS SELL PRODUCTS	• Transaction Banking Services
	  ◦ Cash Management Services
	  ◦ Trade Services
	  ◦ Trade Finance
	  ◦ Direct Banking
	• Wealth Management Services
	  ◦ Life and General Insurance
	  ◦ Mutual Funds/ Portfolio Management Services
	  ◦ Demat Accounts		

Branch Banking - Liabilities & Wealth Management

Your Bank has a well defined segmented strategy and focuses on 16 identified sunrise sectors. These sunrise sectors have huge potential of growth given the India Growth story. The core objective of Branch Banking is to focus on these identified sectors and to generate granular Current Accounts & Savings Accounts (CASA) by focusing on emerging entrepreneurs and SME businesses such as Professional Services - CA Firms, Law Firms, Healthcare Firms, Consultancy Firms, Broking Firms, Educational Institutes, Trusts Associations Societies and Clubs (TASC), Travel and Tourism (Tour Operators), Media & Entertainment & Lifestyle Firms, Gems & Jewellery Firms, Retail Merchants, IT / ITeS, Logistics (Freight Forwarders), Realty & Infrastructure, Trade (Exporter / Importer), Hospitality (Hotels / Restaurants), Food & Beverages, Telecom, Pharma / Healthcare, Auto Ancillary, Electrical Goods Manufacturers, etc.

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

- ✓ Effective Relationship Management
- ✓ Customised Product Solutions
- ✓ Premium Touch Points – Direct Access
- ✓ Advisory and Wealth Management Services

a. Relationship Segments

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

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

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

Yes Private YES PRIVATE which offers personalised, confidential and tailor- made wealth management and financial solutions to HNIs with additional services in the area of Private Equity, Art and Real Estate Advisory along with convenience benefits, concierge solutions and lifestyle services.

GLOBAL INDIAN BANKING encompasses the above three segments with the unanimous objective of providing a superior service experience to the Non-resident Indian customer, by 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 fulfills its promise of 'Superior Service Experience' by employing an array of customised solutions to meet all financial needs, combined with a world-class Branch Ambience, convenience of Direct Access, an exemplary Service Culture and Knowledge Expertise.

Direct Access

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 using the latest technology. Customers can also access information on your Bank's products and services through a well-structured website at www.yesbank.in

c. Advisory & Wealth Services

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

These solutions are anchored on timely 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

To provide a superior banking experience, your Bank has created and implemented several industry redefining features which have revolutionised the traditional banking experience in India by bringing the fastest, most efficient and convenient services to our valuable customers; right 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 54,000 branches nationally.
- "Mobile Money Services by YES BANK" - Your Bank in association with Nokia and Obopay India has launched a Mobile Payment 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 Reserve Bank of India (RBI), India's Central Bank to act as the Issuing Bank and the Custodian of Funds under these services. Mobile Money Services by YES BANK will augment financial inclusion amongst the unbanked 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 leveraging off the 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.

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Building the Best Quality Bank of the World in India

- YES BANK international Debit Card-waivers on petrol surcharge, zero lost card liability, unlimited free ATM transactions across partner networks, higher daily withdrawal and purchase limits.
- Online Mutual Funds platform - 'MFONLINE', which enables customers to purchase and sell mutual funds at the click of a mouse.
- Periodic research, analysis and market updates, well documented in a report format are provided to customers on the managed products segment. These reports, like the "Daily Fund Watch", provide valuable information on market trends and investment opportunities for customers and fund managers to optimise their portfolio returns.

- YES TOUCH - Phone Banking integrates Voice, E-mail, Chat and Video in partnership with CISCO, Scansoft for speech-recognition and Servion Global for system integration and implementation. This is the first and only implementation of a 24x7, speech enabled contact centre in the BFSI segment in Asia.
- Centralised Customer Query Management System diligently tracks customer feedback and propels it towards a positive closure.
- Wi-Fi and RFID enabled 'Bank Branch of the Future' in New Delhi, which provides an 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 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 supports Small and Emerging businesses which are the growth drivers of our 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 professional suite of products, services and resources to meet varied business requirements. The Business Banking unit caters to the unique banking requirements of Small & Medium Businesses in identified sectors generally with turnover between ₹ 5 crores and ₹ 200 crores. The Business Banking unit provides complete banking and advisory services to these small and emerging businesses, who are the driving force behind innovation and 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 (Working Capital and Term financing) , Cash Management (Collections and Payment Solutions, Direct Banking, Trade and Treasury services and Advisory through a strong branch network of 56 branches across significant SME clusters.

Your Bank aims at fostering growth, competitiveness and employment creation that are key to achieving sustainable economic growth at the same time, greater focus on lending on MSME has also contributed towards fulfilling the Priority Sector Lending requirements of your Bank. The Business Banking Group ensures high level of customization for high transaction volumes across sectors including Infrastructure / Infrastructure Services, Telecom, Food & Agri-Business, Pharma / Healthcare, Logistics, Education, Importers/Exporters, Service providers, Traders, Auto Ancillary, Electrical Goods Manufacturers and Lifestyle Products.

Your Bank attracts SME customers by:

- Offering a customised service proposition, tailor-made for high transactional volumes in the key businesses of Infrastructure/ Infrastructure Services, Telecom, Food & AgriBusiness, Pharma / Healthcare, Logistics, Education, Traders, Auto Ancillary, Electrical Goods Manufacturers and Lifestyle Products.
- Offering holistic banking solutions to customers through services of Business Banking Relationship Managers and Service Managers for all their banking needs (including business, wealth management and advisory) at the branch level.
- Offering liability products like Cash Management Services (CMS), Payment Solutions, Net Banking, Phone Banking and Trade Services.

Retail Banking

Your Bank makes its own contribution towards robust economic growth by professionally supporting Small Business Enterprises in their growth phase. To actualize this strategy and improve flow of credit facility to Micro & Small Enterprises, your Bank has institutionalized a separate business vertical - Retail Banking (Assets), which focuses on entities with annual turnover of up to ₹ 5 crores. As part of our overall "knowledge based lending strategy", the Bank has evolved a dedicated strategy for MSME target segments such as Pharmaceuticals, Auto Ancillary, Infrastructure, New Age Service Organisation, Transport & Logistics to name a few. By adopting this strategy, your Bank expects to provide credit both to Small as well as to Micro Enterprises.

Driven by various innovative solutions, your Bank enables Businesses to maximize 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 Working Capital for MSME clients & Consumer Loans viz. Loan Against Property, Home Loans, Personal & Small Business Loans (Secured & Unsecured), Education Loans and

Loan Against Securities for Owners, Promoters, Directors & Top Management of MSME clients. These are supported through a 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 transactions services and liability management propositions thereby fostering competitiveness and growth of these enterprises. Your Bank is presently offering these services in 44 Branches spread across 26 locations and is committed to growing this very important business segment.

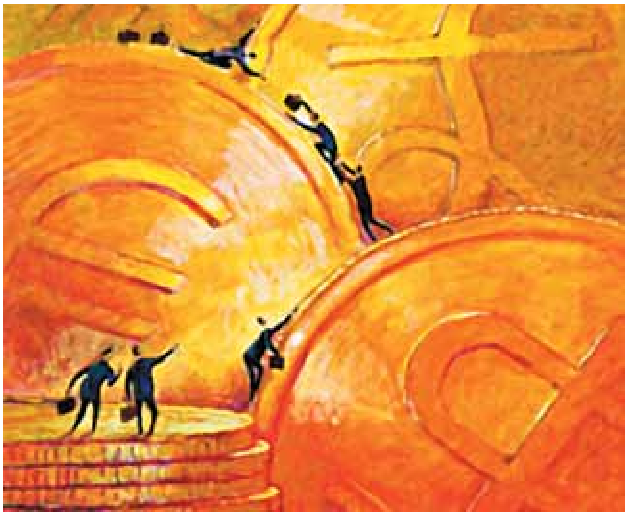
Your Bank's key differentiators for the Small Business Enterprises are:

- One stop solution offering a complete suite of Banking products including lending products and liability products and solutions like Net 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.
- Superior service experience through operational experience, innovation and technology.
- Door step banking for a great banking experience.

Indian Financial Institutions Relationship Management

The Indian Financial Institutions (IFI) team spearheads the Bank's relationship with the key domestic financial institutions segment. The team achieves this by supporting product delivery while creating and sharing industry knowledge with internal and external stakeholders. IFI's product suite includes Debt, Trade Finance, Treasury Services, Working Capital Finance, Cash Management & Transactional Services, Liquidity Management Solutions and other Corporate Finance solutions.

The team's clientele range from Banks, Mutual Funds, Financial Institutions, Insurance Companies, NBFCs, Housing Finance Companies and Co-operative Banks to capital market participants such as Stock Exchanges, Stock Brokers, Commodity Brokers, Private Equity Funds, Provident Funds, Primary Dealers and Depositories. The team manages the critical function of inter-bank relationships across the entire domestic banking space. Apart from establishing counterparty limits for trade and treasury functions, the relationship with other Banks and Financial Institutions is also leveraged for syndication of loans for Wholesale and Commercial Banking customers, and to raise resources through refinancing existing loan portfolios. The team also initiates tie-ups with



leading brokerage houses and NBFCs to offer various banking products to their customers.

IFI also plays a key role in raising debt capital for your Bank in the form of Tier II Subordinated Bonds and Tier I Perpetual Bonds. During FY 2010-11, IFI successfully raised ₹ 225 crores of Perpetual Bonds and ₹ 946 crores of Upper Tier II and Lower II Capital.

The year also witnessed significant expansion of IFI's NBFC relationships with disbursements to eminent institutions across the country. The team also expanded its presence in the capital markets space with the onboarding of prime broking clients and the successful launch of several country-wide account tie-ups with leading brokerage houses. The introduction of a short term fixed deposit proposition for institutional clients applying in IPOs through the ASBA method was a pioneering effort from the team. The product is now a market norm. Further, in order to strengthen its current position in the capital markets segment, your Bank has now opened dedicated Capital Markets Desk at 42 of its branches in key centers across the country.

Successful penetration of the Co-operative Banking segment, with significant rise in deposits and Cash Management tie-ups was another important milestone during the year for the IFI team. During the year, the Bank has introduced various products for Co-operative Banks to enable them to offer the best of products to their customers using your Bank's pioneering technological platforms. Your Bank was also a key partner at the two day conference of Maharashtra's Co-operative Banks held at Nasik in January 2011 which was attended by over 2,500 delegates. A Knowledge Report authored by your Bank titled 'Co-operative Banking in India' was released during the event by Shri Chagan Bhujbal, Minister for Public Works Department, Government of Maharashtra.

International Banking

Your Bank was conceived with the dream of building the 'Best Quality Bank of the World in India' - a high- quality, knowledge-driven institution with the highest levels of professional ethics, integrity and competencies. Keeping up with the tradition, your Bank has taken yet another leap by achieving institutional excellence in International Banking. With its roots firmly grounded in professional entrepreneurship, your Bank has created a far reaching network with over 500 international banks, financial institutions and official bodies across the globe.

The International Banking business offers a complete suite of products; including Debt, Trade Finance, Treasury Services, Investment Banking Solutions, Financial Advisory and Global Indian Banking to international customers of your Bank. These products are offered through partnerships and tie-ups with International Banks and Institutions in target geographies. Additionally, your Bank has also tied up with exchange houses in the GCC countries and various Investment Banking boutiques, and is always looking to enhance our current product suite for our international client base.

YES-International Banking has successfully conducted numerous large-ticket offshore borrowings and negotiated overseas trade transactions for the Bank's eclectic clientele. We are pleased to inform you that your Bank received its maiden international credit rating from **Moody's Investor Service**, with a rating of **"Baa3"** which is at par with India's sovereign rating.

Your Bank is also seeking to become the most preferred host-country banker to its counterparts around the world, and has launched INR Vostro Accounts to that very end. And our arrival on the international stage on the back of rapid growth with sustained superior credit quality did not go unnoticed. Your Bank has, in a short span of six years of operations, made its debut on the **FT Banker Top 1,000 list with a Ranking of 890.**

Your Bank continued working with the Multilateral Agencies, some of which have expressed their commitment to the Bank by way of direct fund-based limits and customer transactions vis-à-vis External Commercial Borrowings. Your Bank availed a USD 25 million term loan from Wells Fargo Bank, which was guaranteed by **The Overseas Private Investment Corporation (OPIC), the U.S. Development Finance Institution.** This is a first-of-its-kind structure in India with OPIC guaranteeing the loan to Wells Fargo.

Overall the International Banking team strives to evolve best-in-class solutions for both, your Bank's customers who conduct business overseas, as well as the Bank's global customers such as:

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

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Product Capital

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

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

Your Bank provides customised solutions to clients to hedge foreign currency and interest rate exposures through products such as Foreign Exchange Forwards, Options and Swaps. The client offerings are duly guided and supported by professionals comprising 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 a deep rooted knowledge of the underlying market dynamics, coupled with strong distribution and structuring capabilities. Since inception, the DCM group has originated and efficiently executed over 300 transactions, across the product suite, for clients including Corporates, PSUs, Central and State Government entities and many NBFCs. Your Bank was ranked No. 8 in the Thomson Reuters' Top Lead Managers of Indian Rupee Bonds for the year 2010. Further your Bank was ranked No. 9 by Bloomberg in the India Domestic Bonds underwriting league tables for the year 2010.

Financial Markets also conduct proprietary trading to maximize earnings by optimal risk taking across key fixed income, equities and global foreign exchange markets. Additionally, the business unit is responsible for Balance Sheet Management, Liquidity monitoring, maintenance of Cash and Statutory Reserve requirements and day-to-day fund management of the Bank. Subordinated and hybrid debt capital for your Bank is also raised by the Financial Markets Group. Your Bank was amongst the first in India to implement MUREX (MXG 2000), an integrated, cross-asset trading platform. Your Bank continues to excel as reflected hereunder:

ICRA (Moody's affiliate in India) has reaffirmed your Bank's A1+ rating for its ₹ 75 bn Certificate of Deposit programme. A1+ rating indicates the highest level of safety in the short-term.

The Loan Syndications (LS) group provides comprehensive syndication and sell-down services to the valuable clients of your Bank. With its proven domestic and international credentials over the last 5 years, the group has successfully catered to clients' expectations, facilitated Bank's portfolio churn and increased the non-interest income of your Bank.

The group's appraisal skills and sales capabilities are evident from the fact that it has successfully placed ₹ 6,600 crores (~$1.45 billion) to approximately 21 banks and financial institutions, both domestic and international. This has enabled your Bank to move up from 14th to 7th rank in the India Loans Mandated Arranger by Bloomberg (a reputed international company).

The clientele involved pedigree players across the infrastructure, manufacturing and hospitality segments.

Investment Banking

Your Bank aims to add value to its large and mid-market corporate as well as financial sponsor clients by proactive idea generation and seamless execution of their strategic initiatives across domestic and international M&A and Capital Sourcing (Private Equity and ECM).

FY11 witnessed renewed momentum in Mergers and Acquisitions ("M&A"), Private Equity ("PE") and Equity Capital Markets ("ECM"). This was primarily due to positive data/ outlook from key developed markets, high month-on-month growth being delivered by emerging economies including India and increased availability of Bank credit for corporate expansion purposes. This resulted in renewed optimism/ confidence amongst corporates to again pursue capital raising and inorganic growth.

In order to de-risk our business model, sustain business and deliver growth even in a challenging environment, your Bank focused on adding products and markets to its investment banking business. One of the key initiatives undertaken in this direction includes the creation of exclusive partnerships with strong home country investment Banks in key cross border M&A corridors for sustained transaction flow. Your Bank entered into an alliance with Poalim Capital Markets, Israel; Hana Daetoo Investment Bank, South Korea; Shinsei Bank, Japan, all of which are top ranking institutions in their respective countries. This is in addition to existing non-exclusive alliances that your Bank has in markets including Germany, France, Italy and Nordic region among others.

The year witnessed consummation of many significant transactions across products and addition of several new clients, taking the tally of total consummated transactions by the Investment Banking team to over 100 since inception. The main highlight of the Investment Banking teams performance in FY11 has been the diversity in the nature of assignments completed which include M&A (sell-side and buy-side; domestic and cross-border), successful ECM issuances, PE fund raising and market placement. These transactions include leading growth sectors of the Indian economy such as infrastructure, food and agribusiness and information technology. The performance of the team is reflected in the consistent ranking received by your Bank of being amongst the Top deal makers across prestigious league tables every year. As a testimony to your Bank's strong focus on renewable energy, YES BANK has secured 1st position for the 2nd consecutive year at the Global M&A Advisor Awards held in New York for the "Green / Environmental Deal of the Year" in the Asia, Middle-East, Africa and Oceania region category.

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

- ✓ Exclusive buy side advisor to United Phosphorous Limited on its acquisition of controlling stake in Sipcam Isagro, Brazil, a leading crop protection production and distribution company in the Brazilian agrochemicals market
- ✓ Exclusive buy side advisor to Mahindra & Mahindra Limited on its acquisition of EPC Industries Limited, a niche player in the Micro Irrigation and Industrial & Infrastructure piping space
- ✓ Exclusive sell side advisor to APW President Systems Limited, a leading manufacturer of customised racks and enclosure systems on the sale of its business to Schneider Electric, France, a global specialist in energy management solutions
- ✓ Exclusive buy side advisor to Jain Irrigation Systems Limited on its acquisition of controlling stake in Sleaford Quality Foods Limited, UK, a leading supplier of dried, dehydrated and canned foods in UK
- ✓ Exclusive advisor to Sadbhav Infrastructure Project Limited, a wholly owned subsidiary of Sadbhav Engineering Limited to raise ₹ 400 crores from Norwest Venture Partners and The Xander Group Inc. to fund its existing road development projects and bid for new road development projects under various national and state highway development programs.
- ✓ Provided investment advisory services to Global Environment Fund on its investment of ₹ 100 crores in Saisudhir Infrastructure Limited, a Hyderabad based

EPC company focused on developing water supply and sanitation, irrigation, electricity transmission and distribution infrastructure in India

- Co-Book Running Lead Manager to the Initial Public Offering of ₹ 775 crores of A2Z Maintenance & Engineering Services Limited, a leading EPC company providing integrated design, testing, installation, construction, and commissioning services on a turn-key basis to the power transmission and distribution sector
- Exclusive strategic advisor to DEG – Deutsche Investitions-und Entwicklungsellscaft mbh, member of KfW Bank Group (KfW Bankengruppe), an arm of the government of the Federal Republic of Germany on the sale of their investment in an Indian listed company

Corporate Finance

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

The Corporate Finance practice offers "one stop customised solutions" to clients' various requirements including projects financing for infrastructure, education, health, hospitality and real estate sectors; project advisory services and structured finance products.

The Corporate Finance Group endeavors to assist clients in obtaining superior financial returns in a risk mitigated manner due to substantial "Knowledge Arbitrage" over the market, thus resulting in a win-win situation for all stakeholders.

Infrastructure Banking Group (IBG)

For infrastructure lending, your Bank has a specialised Infrastructure Banking Group (IBG) with specialists for sectors like Energy, Telecom, Transportation, Urban Infrastructure and Manufacturing. Since inception IBG has been a key pillar in the Corporate Finance practice. IBG offers clients, the entire gamut of services right from advisory to financial closure, covering the entire lifecycle of the project.

This year, a dedicated Relationship Team has been set up for Infrastructure sector which has further strengthened IBG. This team constitutes of relationship champions with Infrastructure domain experience, thereby making it easier to cater to the unique needs of the Infrastructure clients of your Bank.

Within a short span of time, IBG has managed to build a sizeable infrastructure asset with successful closure of many marquee tombstone deals in roads, ports, power and urban infrastructure space with leading infrastructure groups in the country.

Your Bank firmly believes that besides funding, the infrastructure sector also needs an enabling environment to facilitate the development and implementation of projects. Your Bank hence works closely with private and government agencies on policy formation.

Your Bank is now recognised as a formidable player for underwriting and arranging financing of large infrastructure projects.

Structured Finance Group

Your Bank has expanded and established a strong and experienced Structured Finance team, qualified and dedicated to providing financial structured products, which has commercial and strategic importance to the client. The team also provides structured solutions and funding to the emerging sectors namely sports, media and entertainment industry, thus setting a unique precedent in the Banking industry.

The Structured Finance Group 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 their strong regulatory and legal understanding and is capable of structuring complex transactions; thereby providing solutions to the clients that helps them achieve higher risk weighted returns. The group specializes in overseas acquisition financing, equity/quasi equity products such as CCD and OFCD, pool buy-outs (both agriculture and non agriculture), microfinance/gold loan pool buy-outs, financing of receivables, etc.

Healthcare, Hospitality, Education and Urban Realty Group

Your Bank also houses a dedicated financing team for Urban Amenities, Healthcare, Education and Hospitality sector comprising specialists with extensive prior experience in these sectors. The Realty Banking Group is an important component of the Corporate Finance team and offers an entire spectrum of services including project conceptualization, advisory, structuring, JV partner identification, and raising/arranging financing in the commercial and residential Real Estate, Healthcare, Education and Hospitality sectors across diverse geographies.

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

Transaction Banking

The Transaction Banking Group at your Bank is a core Product Group catering to clientele across all business segments viz. Wholesale, Commercial and Retail. The specialised product domains under this group include Cash Management Services, Trade Finance & Services, Capital Markets & Escrow Services and Direct Banking Services. Your Bank has also made a strong foray into Merchant Acquisition business primarily towards building a strong liability base and focused upon key knowledge verticals in line with the Knowledge Banking strategy.

The Cash Management Services under Transaction Banking Group offer value added solutions for Working Capital Management of the corporate customer aimed at streamlining the domestic supply chain business flows by optimizing the payables and receivables cycles and providing superior liquidity management options. The Trade Finance and Services is aimed at addressing the trade related requirements, both on the domestic and international front, covering Import and Export services and multiple underlying financing structures. The Capital Markets & Escrow Services domain caters to a range of corporate customers' requirements of Bankers to Issue services, Interest/Dividend Payout Services and Escrow Account Services for capital market and non-capital market transactions. Direct Banking represents all alternate banking channels viz. Cards (Credit/ Debit/ Prepaid); ATMs, Internet banking & Mobile Banking.

Your Bank has always been one of the pioneers in leveraging latest technology to deliver banking products and services addressing the diverse requirements of the corporate. Your Bank has been recognised in the industry for being the forerunner in its participation in industry defining initiatives such as:

- Being a pilot Bank along with 6 leading institutions in participating in the NPCI led initiative - Interbank Mobile Payment Service (IMPS) for offering interbank electronic fund transfer service through mobile phones.
- Being one of the first set of Banks to be empanelled as Self Certified Syndicate Bank with SEBI for providing Application Supported by Blocked Amount (ASBA) facility.
- Being one of the pilot Banks to be included by RBI for the Cheque Truncation Services (CTS) facility.

Your Bank has been awarded the prestigious "The Asian Banker Technology Implementation Awards" for 'Best Financial Supply Chain project' and 'Best Multi-channel Capability (Mobile Money Services)' in 2011. Your Bank has also been conferred with a Special citation by Financial Insights Innovation Award (FIIA), 2011 for 'Mobile Money Services' in Singapore. Your Bank has also won the Financial Insights Innovation Award (FIIA), 2010 for Innovation in Business Intelligence and also received a Certificate of Recognition for Continuous Linked Settlement initiative in the same year.

Knowledge Capital

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

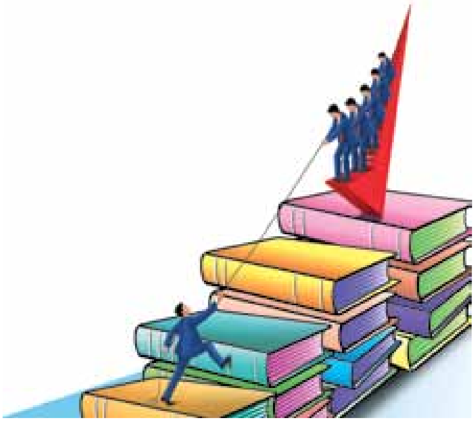
Knowledge has been institutionalised as a key ingredient in all internal and external processes of your Bank. It helps to facilitate structuring of innovative, superior and sustainable financial solutions, based on efficient product delivery, industry benchmarked service levels and strong client orientation.

Knowledge Banking

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

Food & Agribusiness Strategic Advisory & Research (FASAR)

Your Bank has established a Food & Agribusiness Strategic Advisory and Research (FASAR) division to provide professional, end-to-end financial solutions for stakeholders



across the entire agricultural value chain. The FASAR team is driven by sector experts with relevant educational background and professional industry expertise. They provide sectoral knowledge on industry trends and enhance growth prospects in the Agribusiness sector. In the recent years, FASAR has been working on some path breaking initiatives like developing Integrated Agro Food Parks, Modern Terminal Markets, etc. apart from providing policy advisory to various Union and State Government entities. FASAR has also been providing strategic advisory to various companies in the field of Food and Agribusiness including assisting them in their international foray – and has developed expertise in providing advisory services on Large Scale Commercial farming in Africa, Development of Integrated Dairy Farms, Market Assessment Studies and Entry Strategies, Studies on Agri Value Chain, Advisory on Development of Mega Food Parks and Cold Chains, etc.. The initiatives have made your Bank a much sought after advisory and research unit in the food and agribusiness sector. Through these efforts your Bank has achieved a key knowledge and thought leadership position amongst the stakeholders in this highly important sector of the Indian economy.

Strategic Initiatives & Government Advisory (SIGA)

Strategic Initiatives & Government Advisory (SIGA) is a specialised division of your Bank that manages the Bank's engagement with the Government and other key stakeholders in its efforts to support development and economic growth in India. The division also offers strategic advisory to achieve this objective drawing on expertise in key sectors such as Infrastructure (including Social Infrastructure), Agriculture,

Tourism & Hospitality and e-Governance both within the team and across the Bank. The division has worked with the Government through policy advocacy, project advisory and development support particularly in attracting private sector investments for development through Public-Private Partnerships (PPP) in addition to enhancing Industry University relations, creation of Knowledge publications and addressing stakeholders at industry led events.

SIGA has been successful in cementing your Bank's relationships with apex stakeholders, with a special emphasis on Central and State Governments and communicating your Bank's strategy and achievements to them. SIGA has achieved noteworthy success in getting your Bank empanelled with several State Governments, agencies and Public Sector Enterprises to undertake banking business under their purview. In addition, the division has brought in some very successful international affiliations for your Bank and created strategic business opportunities as spin-offs.

Through these efforts, your Bank has been able to contribute to the development of key sectors and also position its knowledge capabilities, sectoral expertise and capture the mindshare of niche stakeholders and thought-leaders, thus creating opportunities for other business groups. In addition, SIGA is working towards creating strategic opportunities for enhancement of business for the Branch Banking division of your Bank.

Responsible Banking

Your Bank aims to build the 'Best Quality Bank of the World in India' by adhering to the triple bottom line ethos i.e. 'People, Planet and Profit'- thereby creating enduring value, competitive advantage and sustainability leadership. Through responsible initiatives, your Bank reaches out to the emerging sectors and the financially un-banked sections of the society, and promotes an Indian Society that is inclusive to sustainable development. .

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 progress. Your Bank was established with a vision of creating a commercially viable financial institution with sustainability principles incorporated within its business strategy. Responsible Banking is an integral part of your Bank's focus and it works towards operationalising sustainability for our stakeholders and ourselves.

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.

- Addressing Environmental, Social and Governance (ESG) issues. This approach mitigates risks associated with environmental or social performance and supporting new sustainable businesses.
- Offering innovative financial solutions to address a wide range of issues from sustainable livelihoods, food security, climate change, public health, education, information technology and biotechnology among others.

Your Bank makes direct investments in sustainable development and 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 support others on their sustainability journeys and encourages your Bank to do better on its own.

Your Bank is actively engaged in providing Responsible Corporate Citizenship (RCC) advisory services to 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 for 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 livelihoods sectors where social entrepreneurship is a key driver.

The Responsible Banking strategy is embedded within your Bank as 'Responsible Banking in Thought' (strategy and thought leadership) and 'Responsible Banking in Action' (developing specific banking products and services in line with our Responsible Banking strategy).

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

Reduce, Re-use & Recycle (R^3) program ensures that every back and front end 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 is also a signatory to the UN Global Compact principles. Your Bank remains committed to work with other national and international development agencies to influence the financial sector in India and abroad.

In recognition of these initiatives at such a nascent stage, Your Bank received a 'Commendation Certificate' for 'Significant Achievement' at the CII-ITC Sustainability Awards at the 5th Sustainability Asia Summit held on November 30, 2010 in New Delhi. This was the second consecutive year that the Bank was recognised by this institution.

Responsible Banking in Action encompasses five specialised business verticals: **Microfinance; Inclusive & Social Banking; Agribusiness & Rural Banking (ARB); Sustainable Investment Banking (SIB) and Private Equity (PE)** which offer products and services that promote sustainable development.

Your Bank has initiated the "Green Initiative in Corporate Governance", instituted by the Ministry of Corporate Affairs ("MCA") which allows paperless compliances by companies through electronic mode. Starting from Financial Year 2010-11, your Bank will now make available an electronic copy of the Annual Report which can be obtained through email.

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 Micro 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 costs of funds through a mix of lower cost of funds and transaction costs to enable scale up, thus ensuring provision of affordable, fairly priced and customised financial solutions to the Bottom-of-the-Pyramid. 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 affects the lives of 750,000 people.

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

Inclusive & Social Banking (ISB)

Inclusive & Social Banking (ISB) is a specialised division of your Bank focused on the 'Bottom-of-the-Pyramid' market segment. ISB proposes to leverage the 'Technology Edge' of your Bank along with it's 'Relationship Capital' in Social, Commercial and Government sectors to promote inclusive growth based on market principles. ISB aims to create viable business models to provide comprehensive financial services to 'Bottom-of-the-Pyramid' market in a commercially viable and sustainable manner using "Frugal Innovations".

ISB is currently experimenting with various models of providing different financial services such as direct micro-credit, micro saving and micro insurance, No Frill Savings Account (NFSA) in urban, semi-urban and rural settings across various geographical and socio-economic contexts. The direct macro-lending program is the first institutionally sponsored direct intervention model for microfinance in India. It provides the 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, ISB works towards creating credit histories for an urban as well as rural population that remains excluded from formal finance.

ISB is working towards offering micro- remittance services across major domestic remittance corridors. ISB will be rolling out specialised low cost branches mostly in rural and semi-urban areas. Product offerings in these branches will vary depending on the type of catchment area. In urban areas the focus will be more on offering non-credit products like remittances, liability products (NFSA, Recurring Deposits, Fixed Deposits, Reverse recurring deposits) and third party product distribution. In semi-urban and rural areas, along with the liability products, credit will be offered through the best and the most proven (in terms of reasonable cost/ low risk) Self Help Group (SHG) model, already operational in one of the rural branches. Along with the SHG products other asset products viz. YES Smart Saver, GCC, KCC, etc. will also be offered depending on the requirement.

In order to implement the Financial Inclusion Plan in a sustainable manner, your Bank is following the innovative Business Correspondent (BC) model to reach out to a larger segment of the populace in the catchment area of the branch. The focus would be to identify appropriate BC/BC agents and channelize the product and services through them and manage this relationship. ISB will also be identifying partnering organisations as an "Anchor Institutional Partner" for all the branches to ensure sustainable business volume. Technology will be leveraged to the maximum extent possible to reduce cost and operational risks.

Agribusiness & Rural Banking (ARB)

In its endeavour to provide end to end financial solutions to stakeholders across the entire agricultural value chain, your Bank has domiciled a specialised group viz., "Agribusiness and Rural Banking" within its Development and Knowledge Banking division. It houses several experts with backgrounds across different sectors in the Food & Agribusiness domain in addition to having a rich banking experience. This dual expertise gives them the advantage of understanding the client's business in greater depth and offering tailor-made solutions. This has resulted in putting the Bank in good stead in the F&A domain over the years, achieved through some path-breaking structures which have stood the test of the regulator's scrutiny. Despite its limited reach in terms of branch network in rural areas, the Bank has been able to consistently achieve its Priority Sector Lending (PSL) targets for the last three years through certain innovative financial models. Several structured products such as structured farmer financing, vendor financing, dealer/ distributor financing, etc., have been evolved by the group in the past few years, which have not only contributed to the achievement of the Bank's PSL targets while minimizing delinquencies but also won national and international recognition at various fora. Recently the Bank has forayed into Commodity Financing wherein finance would be extended against the agricultural produce stored by farmers etc., in accredited warehouses. The Bank has entered into a strategic partnership with National Collateral Management Services Limited for the same and is in the process of building partnerships with other such nationally reputed collateral management agencies.

Sustainable Investment Banking (SIB)

Your Bank has established a specialised investment advisory known as SIB for sustainable ventures with a focus on: **(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.).

SIB successfully secured strategic seed-stage investment for an Australian company which has developed a patented solar technology with an aim to produce low cost and high quality power with wide applicability. This transaction established SIB's credentials in the area of cross border technology transfer and technology commercialisation, a highly specialised and challenging area given the risks involved in such an early stage of investment.

The group also acts as the exclusive Country Advisor for the Global Environment Fund, USA (GEF) one of the largest and oldest private equity firms focused on investing in the environmental space. During the year, the team provided investment advisory services to GEF for their USD 25.5 mn private equity investment in Saisudhir Infrastructures Limited. a Hyderabad-based engineering, procurement and construction (EPC) company focused primarily on developing water supply and sanitation, irrigation and electricity transmission and distribution infrastructure across India.

In addition, with a view to strengthen the carbon advisory service offering to its clients, your Bank has entered into an exclusive strategic alliance with a leading UK based carbon broker named 'CarbonDesk' under the aegis of which both parties jointly organized The CarbonDesk Knowledge Forum in Mumbai and Delhi for the Bank's clients. Through this alliance your Bank seeks to provide high-quality risk management services for the carbon portfolio of its clients.

SIB also recognizes its role and responsibility in extending awareness on the concept of Sustainability across stakeholders and has participated as Key Speakers/ Knowledge Partners in various forums such as the 'Renewable Energy Certificates Conclave 2010 (November 2010, Mumbai); 'Green Investing in India' (December, 2010, Paris); and the 'VCCircle Cleantech

Investment Summit' (January 2011, Delhi). The team also contributed to the crucial chapter on finance in The Climate Group's flagship report – "India's Clean Revolution" (released in March 2011).

Private Equity/Sustainable Investment Management

1. Tatva Investment Programme:

To deepen its impact on the sustainability space, your Bank proposes to establish a Syndicate, which will eventually comprise YES BANK and upto two to three financial institutions towards a socially and environmentally responsible equity investment programme (referred to as "Tatva"). Tatva will invest equity in early stage Small & Growth Enterprises profitably delivering positive people and planet impact. To this end, your Bank is committing INR 500 mn as the Anchor Investor to the Tatva programme thesis.

Tatva was selected for funding under SCAF - a regional technical assistance programme run by Asian Development Bank (ADB) and United Nations Environment Programme (UNEP) designed to support the creation of a seed capital investment strategy focused on the clean energy sector within the broader investment offerings of venture capital funds across Asia.

2. SACEF:

Your Bank has co-sponsored the South Asia Clean Energy Fund (SACEF), with GEF as principal sponsor. The Fund has successfully achieved its first close at approximately USD 57 mn and is now actively looking for investments in the target space of clean energy, clean technology and energy efficiency.

Service and Technology Capital

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

Business Processes - Creating a Quality Organisation

To deliver optimum results, YES BANK has seamlessly extended its professional outlook across its business processes. Your Bank envisions to become the "Best Quality Bank of the World in India" by 2015. In recognition of the Bank's Strategic Intent, your Bank imbibes a culture of professional entrepreneurship where every employee plays an important role in the Bank's growth. Your Bank incorporates highly professional practices into its business process 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 "Superior Service Experience".

Some key business processes initiatives implemented towards the same include:

- Two world-class National Operating Centres (NOC) based out of Mumbai and Gurgaon have been established with a focus on providing an immediate response to customer requests, as also to provide Business Continuity Planning. The NOCs house the centralised back office functions of various businesses including the YES TOUCH Contact Centre, which is located at NOC, Gurgaon.
- Adherence to Business Excellence frameworks and Quality practices such as Five S, Quality Circle, Lean Six Sigma and ISO 9001 Standard. Back Office operations

at both the NOCs and 101 key branches are covered under the ISO 9001 (Quality Management System) certification. Your Bank's Complaints Handling systems are certified for ISO 10002.

- ✓ Business processes are supported by best-in-class business solutions and superior information technology platforms - with a view to optimise productivity (based on Time and Motion & Time and Material studies).
- ✓ Critical evaluation of all critical to quality parameters, including an End to End (e2e) review/analysis of all critical business processes.
- ✓ Your Bank is committed to building a culture of Quality & Innovation. Steps taken in this direction include benchmarking, identification & implementation of Best and Next Innovative Practices, with a view to enhance Customer Experience.
- ✓ Framework for measurement of Customer Experience - with a view to ensure that customer feedback across each experience / touchpoints (including customer complaint registers, customer satisfaction surveys, telephonic surveys and employee feedback) is collected, analysed and actioned upon.
- ✓ Leveraging Social Media as a new channel for Customer Service to address queries / complaints, receive feedback & garnering inputs on service (VOC) and share relevant content about products & services, brand building and press release.
- ✓ The Customer Query Management System (CQMS) is used as the 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.

Embedding a Continuous Improvement Approach:

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

The Service Quality Strategy

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

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

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

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

Internal Service Delivery

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

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

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

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

Your Bank received two awards at Qimpro:

- BestPrax Award for Innovation in the Service Sector at the Qimpro Convention 2010, for its nomination titled "Focused Information Based Service Delivery". This is the second consecutive year for your Bank to receive this award for innovation.

- 'BestPrax Compass' award as part of the BestPrax Benchmark Competition 2010, for its "Knowledge Banking" practice. Your Bank was the only organization selected in the Services Sector.

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

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

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

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

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

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

Information Technology

Your Bank has adopted innovative modern technology and best in class international banking practices with respect to governance frameworks – to ensure that it renders the highest standards of service quality and operational excellence to its customers. As a new generation Bank, your Bank has deployed "Technology" as a Strategic Business enabler - to build a distinct competitive advantage and to achieve superior standards of Customer Service. The technology architecture and the innovative IT Outsourcing structure has enabled your Bank to achieve high standards of Customer Service at comparatively lower cost structures. Innovations like Money Monitor (aggregation of customer accounts of all types across 11,000 institutions globally), Mobile Money Services, dual factor authentication, one view of customer relationship, and most advanced voice enabled IVR helps the products and sales teams to offer superior products and services.

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

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

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. Additionally the development of a robust Business Continuity plan in your Bank addresses risks and secures systems that are vital to business operations.

In the current fiscal, the following initiatives were undertaken:

- ✓ A Business Intelligence platform provided to users of the Bank with focused dashboards relevant to their role and function has been extended as "Insights to Engage" to enable better customer engagement and superior customer service.
- ✓ Mobile Money Services by YES BANK, an innovative mobile payment service launched in partnership with Nokia augments Financial Inclusion amongst the unbanked and under-banked consumer segments by bringing financial services to the consumers' mobile phone and has created a financial eco-system which is inclusive, sustainable and scalable. This cutting-edge technology facilitates convenience and ease of usage in making mobile payments through mobile phones, across the country.
- ✓ YES BANK has been awarded "The Asian Banker Technology Implementation Awards" for 'Best HR Systems Implementation' in 2010 and for 'Best Financial Supply Chain project' and 'Best Multi-channel Capability (Mobile Money Services)' in 2011.
- ✓ YES BANK also garnered Special citation award by 'Financial Insights Innovation Awards 2011' for 'Mobile Money Services' in Singapore.
- ✓ YES BANK got the most coveted award in 'Implementation of IT Governance Practices' by ISACA.

- YES BANK shortlisted in top 3 for the second consecutive year at NASSCOM IT User Award for Mobile Money Services.
- Your Bank's strategic partnership with Cordys for implementation of a Business Process Management Suite has helped in automation of processes, straight through processing, robust audit mechanisms and flexibility to quickly launch new customer products.
- Your Bank is evaluating cutting edge technologies like Virtualisation, Cloud computing and Social Media to invest in the best in class IT systems and practices and in order to ensure that the its technology platform becomes a Strategic Business tool for building a Competitive Advantage.

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
Agriculture 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
IBM	Technology Hardware
Oracle	Unlimited Licence 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
NCMSL	Collateral Management & Warehousing Services
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

Risk Management

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

Credit Risk

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

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

The Risk Management function of your Bank works in close co-ordination with various Business segments to periodically review the individual borrower relationships, identify early warning signals and assess the overall health of 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 sectoral exposure, credit concentration, ratings distribution and migration, etc.

There is also an independent portfolio analytics unit which monitors the entire credit portfolio across all segments, carries out detailed sectoral studies, identifies portfolio trends and reviews credit policies and programs.

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

Market Risk

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

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

Your Bank monitors and controls its risk, using various internal and regulatory risk limits for trading book and banking book

which are set according to a number of criteria including economic scenario, business strategy, management experience, peer analysis and the Bank's risk appetite. The risk reporting mechanism in the Bank comprises disclosures and reporting to the various management committees viz. Investment committee, Asset Liability Committee, etc.

Operational Risk

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

Basel–II and Capital Management

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

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

Internal Audit

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

Human Capital Management

Since inception, YES BANK has nurtured the values of Professionalism to its core. Your Bank pursues a strong Employee Value Proposition of 'Creating & Sharing Value', with a vision to build an organisation, driven by Professional Entrepreneurship. All YES BANKers truly partner to direct, manage and accelerate the development of YES BANK as the Professionals' Bank of India and the Bank for the Future Businesses of India.

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

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

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, 2011, was 3929 .

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

The YES SCHOOL OF BANKING (YSB) was institutionalized in 2007 with a vision to create a Centre of Excellence for learning solutions in Banking and related areas. All Learning and Development Initiatives for executives in the Bank are fronted under the aegis of YES SCHOOL OF BANKING. The YSB initiative has scaled new heights during the Financial Year 2010-11, with a plethora of new focused learning initiatives being launched for various business groups. Your Bank has also signed knowledge partnerships with organisations like Dun & Bradstreet, Franklin Covey South Asia, Dale Carnegie Foundation & Redwood Edge for institutionalizing Competency-based Management Development Programs focused at middle, senior and top level management bands. This is in continuation to the vision, to create and deliver Benchmark Learning and Development initiatives for all executives of the Bank and to become a Banking Industry Talent Creator and knowledge warehouse by building a pool of qualified executives with practical skill sets required for the Banking Industry.

Your Bank 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 YES-University & 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 on our Campus relationship is to augment and develop young talent and to enhance knowledge partnerships.

As part of the YES-USRM Initiative, YES BANK has created a strategic partnership with Wall Street Journal Asia (WSJ) for executing knowledge workshops as part of the 'Future Leadership India Series' across key campuses in India. YES BANK

has also partnered with Cocubes.com, a premier online portal to create an engagement platform for connecting with premier B-schools across India. Your Bank will use this platform to engage with students and share knowledge and awareness about the Banking Industry in general and YES BANK in particular.

Your Bank continues to be highly focussed on inducting the highest quality of management talent through its flagship and uniquely differentiated Talent Acquisition Programs like the YES Professional Entrepreneurship Program, (Y-PEP). This innovative Talent Acquisition Program was institutionalized in August 2006 and has contributed substantially to create an enviable talent pool to further support the growth ambitions of the Bank. In the first 4 years of Y-PEP, your Bank has received an overwhelming response across the country with Y-PEP executives mobilized across various business verticals. This year, your Bank was one of the leading recruiters on Tier I campuses with 171 offers, taking the total strength of 'Y-PEPs' in YES BANK to 590+ by May, 2011. These 171 management graduates have been hired from the top Business Schools across the country including all IIMs, ISB, FMS, JBIMS, XLRI, SP Jain, NITIE, MDI, NMIMS, Symbiosis, etc. This highly qualified talent pool of 'Y-PEPs' is being consciously created to consistently augment, and support the Bank's knowledge based, state-of-the-art technology-driven services across key banking relationships, products, knowledge advisory groups, and critical support functions. The continued trust and confidence of these young professionals validates the success of the innovative Y-PEP and showcases YES BANK as an "Employer of Choice" across premier B-School campuses. To further augment this vision, YES BANK in association with Businessworld launched the 2nd edition of the 'YES BANK Businessworld Transformation Series 2010', a Case Study Challenge event for premier B-school students across India and abroad. The objective of this series is to infuse the concept of Entrepreneurship and Innovation Driven Growth in the future leaders of India. YES BANK offered on-the-spot internships and pre-placement interviews to all the students who made it to the Grand Finale.

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

'YES for YOU', your Bank's HR-IT system has received significant enhancements with the launch of new, innovative features and modules during the Financial Year 2010-11. These new interventions have, apart from further improving the Human Capital Management process efficiency, also contributed towards cost management and reduction in downtime in consolidation and availability of sensitive Human Capital information on a real-time basis.

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. Your Bank received the award for being the 'Organisation with Best Practices in Talent Management' at the 'Talent Excellence Awards' in London. YES BANK was the only Indian Bank to win an award at this event. YES BANK also received an award for being the 'Organisation with Most Innovative HR Practices' at the 'South-East Asia Human Resources Excellence Awards 2010' in Malaysia. Mr. Rana Kapoor, Founder, Managing Director & CEO, YES BANK received an award for 'Institution Building' at the 1st SIAS (Sri Lanka, India, Africa, and Singapore) Achievers & Leaders Awards in Colombo. Mr. Rana Kapoor was named as one of the 'Most Powerful HR Professionals of India – CEO with HR Orientation' - Source HR Powerlist 2010-11 released by the World HRD Congress in September, 2010.

Your Bank was awarded the 5th BEST EMPLOYER BRAND IN INDIA at the World HRD Congress - 5th Employer Branding Awards 2010-11 held in Mumbai during February 2011. The Bank also won 4 significant awards at the 'World HRD Congress' Summit held in Mumbai in February 2011 that witnessed the participation of 487 companies across 89 countries. These 4 awards are as follows:

- ✓ Award For Innovation In Recruitment
- ✓ Award For Excellence In HR Through Technology
- ✓ Award For Best HR Strategy In Line With Business
- ✓ Award For Continuous Innovation In HR Strategy At Work

Financial And Operating Performance

The Balance Sheet of your Bank grew significantly by 62.2% as at March 31, 2011 compared to March 31, 2010. During this fiscal, your Bank recorded a growth of 54.8% in its loan book with advances increasing to ₹ 34,363.6 crores, while, deposits demonstrated a growth of 71.4% to reach ₹ 45,938.9 crores as on March 31, 2011.

Your Bank's net interest income grew at an impressive rate of 58.2% from ₹ 788.0 crores in FY 2009-10 to ₹ 1,246.9 crores in FY 2010-11 on the back of strong growth in advances and relatively stable margins. Your Bank also displayed steady growth in non interest income, which grew from ₹ 575.5 crores in FY 2009-10 to ₹ 623.3 crores in FY 2010-11, representing an increase of 8.3%. The Bank has added a significant number of large, medium and small corporates to its customer base and intends to increase cross sell of products to its customers thereby increasing wallet share and improving granular non-interest income streams. Your Bank also consolidated these gains by increasing efficiencies and controlling growth in operating expenses to 35.9% in FY 2010-11 (₹ 679.8 Crores) over FY 2009-10 (₹ 500.2 Crores). Operating profit before tax consequently increased 37.9% to ₹ 1,190.4 crores for FY 2010-11 compared to ₹ 863.3 crores for FY 2009-10. Net Profit after tax was ₹ 727.1 crores for FY 2010-11, an increase of 52.2% as compared to a net profit of ₹ 477.7 crores for FY 2009-10. The effective tax rate in FY 2010-11 was 33.4%. The return on average assets was 1.5% while return on equity was 21.1% for the year ended March 31, 2011. The return on assets and return on equity have been in excess of 1.5% and 20% respectively for the past 3 years.

Summarised Financial Position:

(₹ in crores)

Particulars	March 31, 2011	March 31, 2010	Growth % over March 31, 2010
Assets			
Advances	34,363.6	22,193.1	54.8%
Investments	18,828.8	10,209.9	84.4%
Others	5,814.6	3,979.5	46.1 %
Total Assets	**59,007.0**	**36,382.5**	**62.2 %**
Liabilities			
Shareholders' funds	3,794.1	3,089.6	22.8%
Deposits	45,938.9	26,798.6	71.4%
Borrowings	6,690.9	4,749.1	40.9%
Others	2,583.1	1,745.2	48.0 %
Total Liabilities	**59,007.0**	**36,382.5**	**62.2 %**

Your Bank's total assets increased 62.2% to ₹ 59,007.0 crores as at March 31, 2011 from ₹ 36,382.5 crores as at March 31, 2010. Advances grew by 54.8% to ₹ 34,363.6 crores, on the back of growth in lending to SMEs along with large and mid-sized corporates. Corporate and Institutional Banking (large corporations, government-owned corporations and institutions, multinational corporations and Indian financial institutions) & Commercial Banking (mid-market corporations, operating across various industries) constituted 88.0% of your Bank's advances as at March 31, 2011. Branch Banking (SMEs and Retail) grew at an impressive rate over FY11 in line with the Version 2.0 goals of the Bank to increase granularity. The Yield on Advances for the year decreased by 0.8% from 10.8% in FY 2009-10 to 10% in FY 2010-11 due to fall in interest rates in the first half of the year.

Total investments as at March 31, 2011 increased 84.4% to ₹ 18,828.8 crores from ₹ 10,209.9 crores as at March 31, 2010. This growth can be attributed to the increase in Government Securities of ₹ 3,960.7 crores, Corporate bonds of ₹ 3,128.3 crores, Other Investment of ₹ 1,599.0 crores and a reduction in Equity Shares of ₹ 69.2 crores.

Your Bank's deposits increased by an impressive 71.4% to ₹ 45,938.9 crores as at March 31, 2011 which comprised of ₹ 3,933.8 crores of demand deposits, ₹ 817.0 crores of savings deposits, ₹ 41,188.1 crores of term deposits. Term Deposits increased by 71.8% during FY 2010-11 while Savings deposits increased by 109.0% and current deposits increased by 62.1% as at March 31, 2011 over March 31, 2010. The Bank has seen an increase in the composition of granular deposits which grew at 100.7% of on account of an increasing branch franchise and consequently the customer base of the Bank.

The rising interest rates in the economy in the second half of the fiscal year resulted in a marginal increase in cost of funds for your Bank. A more granular funding franchise accompanied with the ratings upgrade of Bank's subordinate debt by both ICRA and CARE in June and July 2010 respectively, moderated the increase in cost of funds to 0.1% during the FY 2010-11 to 7.1% as compared to cost of funds of 7.0% in FY 2009-10. The decrease in the yields on advances coupled with stable cost of funds resulted in marginal decline in the net interest margins of 2.9% in FY 2010-11 compared to 3.1% in FY 2009-10.

Your Bank's shareholders funds as at March 31, 2011 increased to ₹ 3,794.1 crores from ₹ 3,089.6 crores as at March 31, 2010 on account of, exercise of 7,479,855 stock options for ₹ 84.1 crores and due to ₹ 727.1 crores net profit after tax for the financial year 2010-11. The Shareholder's Funds decreased by ₹ 101.2 crores on account of provision created for dividend of ₹ 2.50 per share as recommended by the Board of Directors.

Selective Operating Result Data:

(₹ in crores)

Particulars	FY 2010-11	FY 2009-10	Growth % over FY 2009-10
Net Interest Income	1,246.9	788.0	58.2%
Non Interest Income	623.3	575.5	8.3%
Total Income	**1,870.2**	**1,363.5**	**37.2%**
Operating Expenses	679.8	500.2	35.9%
Employee Costs	362.3	256.9	41.0%
Other Costs	317.5	243.3	30.5%
Operating Profit	**1,190.4**	**863.3**	**37.9%**
Provisions and Contingencies	98.2	136.8	-28.2%
Profit before Tax	1,092.2	726.5	50.3%
Provision for Taxes	365.0	248.8	46.8%
Net Profit	**727.1**	**477.7**	**52.2%**

The increase in net interest income to ₹ 1,246.9 crores in FY 2010-11 was driven by 74.0% increase in average interest bearing assets and relatively stable net interest margin. Increase in the average interest bearing assets was primarily due to strong growth in advances and investments portfolio during the Financial Year 2010-11.

Continued emphasis on cross–selling multiple products to existing relationships enabled your Bank to earn ₹ 623.3 crores of other income for FY 2010-11 as compared to ₹ 575.5 crores for FY 2009-10. The percentage of non-interest income to net revenues (net interest income plus non-interest income) was 33.3% in FY 2010-11. The key sources of non-interest income continued to be from granular streams like transaction banking and trade finance activities and branch banking fees.

Your Bank continued to make substantial investments towards human capital, information technology and branch expansion to meet its growth targets. Your Bank has increased its total human capital from 3,034 as at March 31, 2010 to 3,929 as at March 31, 2011 on the back of hiring talent from financial institutions and leading business schools and post graduate programs across the country on the back of improving brand franchise. Operating expenses increased by 35.9% from

₹ 500.2 crores for FY 2009-10 to ₹ 679.8 crores in FY 2010-11. The management's continued focus on cost control has resulted in a cost to income ratio of 36.3% in FY 2010-11 compared to 36.7% in FY 2009-10. Employee costs accounted for 53.3% of non-interest expenses for FY 2010-11 as against 51.4% for FY 2009-10.

Key Ratios

Key Ratios	Financial Year 2010-11	Financial Year 2009-10
Return on Equity	21.1%	23.7%
Return on Annual Average Assets	1.5%	1.6%
Basic Earnings Per Share ₹	21.1	15.7
Diluted Earnings per Share ₹	20.3	14.9
Book Value ₹	109.3	91.0
Non Interest Income to Net Revenues	33.3%	42.2%
Cost to Income	36.3%	36.7%
Gross NPA Ratio	0.23%	0.27%
Net NPA Ratio	0.03%	0.06%

Net Profit after tax increased to ₹ 727.1 crores for FY 2010-11 as against ₹ 477.7 crores for FY 2009-10. For the Financial Year 2010-11, return on average assets was 1.5% whereas the return on equity was 21.1%.The increase in profits resulted in an increase in diluted earnings per shares from ₹ 14.9 in FY 2009-10 to ₹ 20.3 in FY 2010-11.The Book Value Per Share increased from ₹ 91.0 as at March 31, 2010 to ₹ 109.3 as at March 31, 2011 on the back of strong growth and significant retention of earnings for the year.

Despite a strong growth in advances, Your Bank had Net Non-Performing Assets (NPA) to Net Advances ratio of 0.03% as at March 31, 2011 as compared to 0.06 % as at March 31, 2010. The gross non-performing assets stood at ₹ 80.5 crores as at March 31, 2011 as compared to ₹ 60.2 crores as at March 31, 2010.The Specific loss provision balance was ₹ 71.4 crores as at March 31, 2011 resulting in a specific cover of 88.6%. The general loan loss provision made during FY 2010-11 was ₹ 52.1 crores as compared to ₹ 38.9 crores for FY 2009-10. The total provision cover stood at 300% as at March 31, 2011 in line with the conservative provisioning norms followed by your Bank.

SHAREHOLDERS' FUNDS & CAPITAL MANAGEMENT

Your Bank's shareholder funds were ₹ 3,794.1 crores as at March 31, 2011 as compared to ₹ 3,089.6 crores as at March 31, 2010.

Tier-I Capital

The increase in Tier-I Capital was on account of (1) Profit after Tax for the FY 2010-11 of ₹ 727.1 crores less dividend declared at ₹ 2.50 per share aggregating ₹ 101.2 crores (including dividend declaration tax) and (2) Exercise of 7,479,855 stock options by employees aggregating ₹ 84.1 crores and (3) Issuance of Hybrid Tier I instruments in form of Innovative Perpetual Debt Instruments aggregating ₹ 225.0 crores.

Tier- II Capital

During the financial year 2010-11, raised ₹ 946.4 crores of subordinated debt through private placement issues of unsecured, redeemable, non-convertible, subordinated bonds from various financial institutions.

Your Bank had a capital adequacy ratio of 16.5% (as per Basel II) as at the end of FY 2010-11. As per Basel II, Tier I capital ratio was 9.7% and the Tier II capital ratio was 6.8% as at March 31, 2011.

Capital adequacy Ratios in percent	March 31, 2011	March 31, 2010
Total capital ratio (CAR) out of the above-	16.5%	20.6%
- Tier I Capital	9.7%	12.9%
- Tier II Capital	6.8%	7.7%

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

Risks and Threats

The ongoing global economic recovery amidst an environment of extremely accommodative monetary policies adopted by the central banks in most of the developed countries have resulted in a significant pick up in global commodity prices. The geopolitical unrest in parts of Middle East and North Africa has increased the potential risk of a disruption in crude oil production. The combination of demand and supply pressures have led to a spiral in the oil and commodity (base metal, iron etc.) prices.

While the risk of a double dip recession in advanced countries have abated over the last year, new downside risks are building on account of weak sovereign balance sheets and high commodity prices, especially oil.

High oil prices have increased the upside risk for inflation in most of the emerging market economies, especially India. Moreover, the change in the dietary pattern on account of rising incomes among the middle and lower income groups has resulted in an increased demand for protein rich food items. With capacity constraints and the absence of any significant improvement in agriculture productivity in recent years, the increase in demand is likely to result in higher food inflation from a structural perspective.

High and persistent commodity prices have started impacting input prices and overall core inflation. While the Union Budget for FY12 announced certain measures to address supply side factors causing inflation, the impact of such measures would only be reflected in the medium to long-term horizon. As a result, the Reserve Bank of India ('RBI') is likely to continue with its monetary policy tightening in FY12 in order to anchor inflationary expectations. Rising interest rates in an environment of tight domestic liquidity and higher input prices can moderate the ongoing robust domestic growth momentum. This could potentially put pressure on corporate margins in FY12.

Changes in RBI regulations requiring banks to set up a higher number of rural branches could result in lower profitability for banks. Also, RBI awarding additional licenses could potentially result in increase in competition in the banking industry.

Opportunities

The global economic environment has improved significantly since the lows of the economic crisis of 2008-09. The developed economies including US and Europe have shown improving consumer sentiment and improving employment. This has lead to an overall improved global economic environment and a lowering of risk of a double dip. Further the Indian economy continues to witness a sustained growth of over 8% over the last year. This has resulted in robust corporate earnings and higher disposable income at an individual level.

Indian banking continues to experience demographic tailwinds. The large middle class with increasing incomes and banking needs along with a huge unbanked population below the age of 25 offer an enormous retail opportunity for banks in India. Further the ability to use technology to profitably deliver banking solutions to masses is an exciting opportunity, for instance, using mobile banking to provide payment solutions to unbanked population could offer an enormous opportunity. Further, the goal of financial inclusion would benefit immensely from key government initiatives like the UID program. The use of smart cards in various programs would help develop the knowledge infrastructure for enhancing the reach of the banking sector.

India continues to present a significant opportunity to develop domestic infrastructure. In the next Five Year Plan Period (2012-17), over USD 1 trillion of investments would be required in the infrastructure sector for India to achieve double digit growth on a sustainable basis. Your Bank has developed significant skills in the infra financing field and continuities to be a leading advisor, and syndications bank in this space.

Outlook

The economy continues to be on a strong growth trajectory and the annual Economic Survey pegs the growth to be around 9% in FY12. Robust private consumption is likely to underpin the overall growth momentum. However, investments are likely to moderate as the effect of tight monetary policy plays out. Additionally, high global commodity prices have increased the downside risk for global growth. As a result we expect overall GDP growth to stay around 7.8% in FY12, indicating a moderation when compared with the government's estimate of 8.6% growth in FY11.

Average WPI inflation in FY11 has come at 9.4%. With economic growth expected to stay close to potential, rising global commodity prices are likely to provide upside risk to inflation. As a result, although we expect inflation to start moderating on account of the ongoing monetary policy tightening, the correction is likely to be extremely gradual. We expect average WPI inflation to stay around 8.0% in FY12.

On the fiscal front, the government has budgeted for a reduction in fiscal deficit to 4.6% of GDP in FY12 from 5.3% in FY11. We however expect upside risks to the fiscal deficit projections as the subsidy bill is likely to overshoot the budgeted estimates due to high global commodity prices, especially oil. As a result, the overall fiscal deficit in FY12 can be expected to come around 5% of GDP.

The impact of high global commodity prices would also be reflected in the external accounts as high crude oil prices result in higher oil import bill. We expect the current account deficit to GDP ratio to deteriorate marginally from -2.7% in FY11 to -2.9% in FY12. However, the ongoing recovery in the global economy and the close to potential domestic economic expansion would continue to support higher software exports. Additionally, capital flows are also expected to be marginally higher. As a result, we expect the overall Balance of Payment to come at USD 17 bn in FY12 compared to an estimated level of USD 16 bn in FY11.

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of

YES BANK Limited

We have examined all relevant records of YES BANK Limited (the Bank/Company) for the purposes of certifying compliances of the conditions of Corporate Governance under the revised Clause 49 of the Listing Agreement entered into with National Stock Exchange of India Limited and Bombay Stock Exchange Limited (Stock exchanges) for the Financial Year ended March 31, 2011.

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

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

For Mehta and Mehta
Company Secretaries

Dipti Mehta
Partner
Membership No. 3667
Certificate of Practice No. 3202

Place: Mumbai
Date: April 20, 2011

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, the 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 employee(s) 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, 1949; Companies Act, 1956; Listing Agreement with the stock exchange(s) and in accordance with best practices in Corporate Governance. The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board. In case of Committee meetings in the absence of the Original Director, the Alternate Director can attend the Committee meetings.

Four Board Meetings were held during the Financial Year ended March 31, 2011 on the following dates: April 27, 2010; July 21, 2010; October 20, 2010 and January 20, 2011. The names of the members of the Board, their status, their attendance at the Board Meetings and the last AGM, number of other Directorships and Committee membership/chairmanship of each Director are as under:

Name of Director	Board Meetings attended during the year	Attendance at last AGM	Number of other Directorships		Number of Committee memberships in other companies (2)
			Of Indian Public Limited Companies	Of other Companies (1)	
Independent Director(s)					
Mr. Bharat Patel	4	Present	3	NIL	1
Mr. Arun K. Mago	4	Absent	2	NIL	1 (1)
Mr. Wouter Kolff	3	Absent	NIL	4	NIL
Ms. Radha Singh	4	Absent	2	NIL	1
Mr. Ajay Vohra	2	Present	Nil	2	Nil
Wholetime Director(s)					
Mr. Rana Kapoor	4	Present	NIL	4	NIL
Non-Executive Non-Independent Director(s)					
Mr. S. L. Kapur	4	Present	5	1	5 (2)
Mr. Sipko Schat (up to June 22, 2010)	Nil	N.A	N.A	N.A	N.A
Alternate Director(s)					
Mr. Berend Du Pon (up to June 22, 2010) (Alternate to Mr. Sipko Schat)	1	N.A	N.A	N.A	N.A

(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 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 5 Committees across all Companies in which they were Directors.

Audit and Compliance Committee

Terms of Reference

The terms of reference of the Audit and Compliance Committee include providing direction and oversight to the total audit function in the Bank, creating an avenue for communication between the Board of Directors, Internal and External Auditors and the Independent Auditors, recommending appointment and removal of statutory/internal and concurrent auditors and fixing their remuneration, discussing with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern, reviewing of the results/financial statements (quarterly, half yearly, annual) and analyzing performance of the Bank along with the Management before submission to the Board, monitoring the adequacy of internal control environment, checks and balances and internal audit function, its policies, its structure, discussing and reviewing with the Internal and Concurrent Auditors their reports/findings with an objective of reporting any significant/material findings to the Board, reviewing all related party transactions, instituting special investigation teams with complete access to all records, information and personnel of the Bank, if necessary, scrutinizing the reasons for default, if any, in payments to Depositories, Debenture holders, Shareholders, Creditors, etc. and legal matters that could have a significant impact on the financial statements, performing any other act, duty as stipulated by the Companies Act, 1956, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchange(s) and any other regulatory authority, as prescribed from time to time. The Company Secretary acts as the Secretary to the Committee.

Composition

The Audit and Compliance Committee comprises of 4 Non-Executive Directors, majority of them are Independent Directors. The Committee is chaired by Mr. Ajay Vohra, Independent Director. 6 meetings were held during the Financial Year ended March 31, 2011. The Composition and attendance details are given below:

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

Risk Monitoring Committee

Terms of Reference

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

Composition

The Risk Monitoring Committee comprises of 5 members. 4 meetings were held during the Financial Year ended March 31, 2011. The Committee is chaired by Mr. Wouter Kolff. The Composition and attendance details are given below:

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

* ceased w.e.f. June 22, 2010

** inducted w.e.f. April 27, 2010

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. 2 meetings were held during the Financial Year ended March 31, 2011.

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

Name of the members	No. of meetings attended
Mr. Arun K. Mago*	1
Mr. S. L. Kapur **	1
Mr. Wouter Kolff	2
Mr. Rana Kapoor	2

* inducted w.e.f. June 1, 2010

** ceased w.e.f. June 1, 2010

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: ₹ 1,24,74,000/-
- ✓ Bonus to be paid as decided by the Board Remuneration Committee/Board of Directors in accordance with RBI Guidelines
- ✓ Provident Fund: ₹ 9,11,640/-, Super Annuation allowance : ₹ 7,59,700/-
- ✓ 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 insurance and life insurance as per Bank's policy, gratuity as per Bank's policy, medical benefits and leave fare concession. No sitting fees are paid to the Managing Director & CEO and there was no grant of stock options.

The Non-Executive Chairman is paid remuneration as recommended by the Board Remuneration Committee and approved by the Board of Directors, Shareholders and Reserve Bank of India. The Non-Executive Chairman was paid a remuneration of ₹ 12,00,000/- per annum. The Bank had paid ₹ 60,000 as sitting fees to Non-Executive Chairman for the Committee meeting held prior to his appointment as the Non-Executive Chairman of the Bank.

The Independent Directors are paid sitting fees of ₹ 20,000/- for attending each meeting of the Board of Directors and any Committee of Directors. During the Financial Year ended March 31, 2011 the Bank paid ₹ 11,20,000/- as sitting fees to the Independent Directors.

Nominations and 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 3 members. 1 meeting was held during the Financial Year ended March 31, 2011. The Committee is chaired by Mr. Rana Kapoor. The Composition and attendance details are given below:

Names of the member	No. of meetings attended
Mr. Rana Kapoor	1
Mr. Arun K. Mago	1
Mr. Wouter Kolff	1

Investor Relations Committee

Terms of Reference

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

Composition

The Committee comprises of 2 members. The Committee is chaired by Mr. Bharat Patel. 2 meetings were held during the Financial Year ended March 31, 2011. 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 2010 to March 2011	121
Investor Complaints disposed during the period April 2010 to March 2011	121
Investor Complaints pending	NIL

Fraud Monitoring Committee

Terms of Reference

The terms of reference include, to monitor and review in detail all frauds of ₹ 1 crore 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, 2011. The Composition and attendance details are given below:

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

Composition

The Committee comprises of 3 members. The Committee is chaired by Mr. Bharat Patel. 2 meetings were held during the Financial Year ended March 31, 2011. The Composition and attendance details are given below:

Names of the member	No. of meetings attended
Mr. Rana Kapoor	1
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 infusion of capital, crystallize pricing after negotiation by the management and recommend the same to the shareholders at a general meeting. No meetings were held during the financial year ended March 31, 2011.

General Body Meetings

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

Year	Location	Date	Time
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.
2010	Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai - 400 018	July 2, 2010	11.00 a.m.

Special Resolutions

General Body Meeting	Day, Date	Special Resolution
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 of partial modification of the resolution passed as Item No. 8 at the Fourth Annual General Meeting of the Bank held on September 18, 2008 for extending the enhanced coverage of stock options under YES BANK Limited Employee Stock Option Plan (YBL JESOP V/ PESOP II) to the employees transferred/deputed to subsidiaries or employees of such subsidiaries of the Bank
		Qualified Institutions Placement
Sixth Annual General Meeting	Friday, July 2, 2010	No special resolution passed

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, 2011

- ✓ 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 and Compliance Committee and the same provides for direct access to the Chairman of the Audit and 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 Whistle 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 Wholetime Directors cannot hold office continuously for a period exceeding eight years. The Bank has constituted the Nominations and 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 and Governance Committee is evaluated by the Board of Directors.

Means of Communication

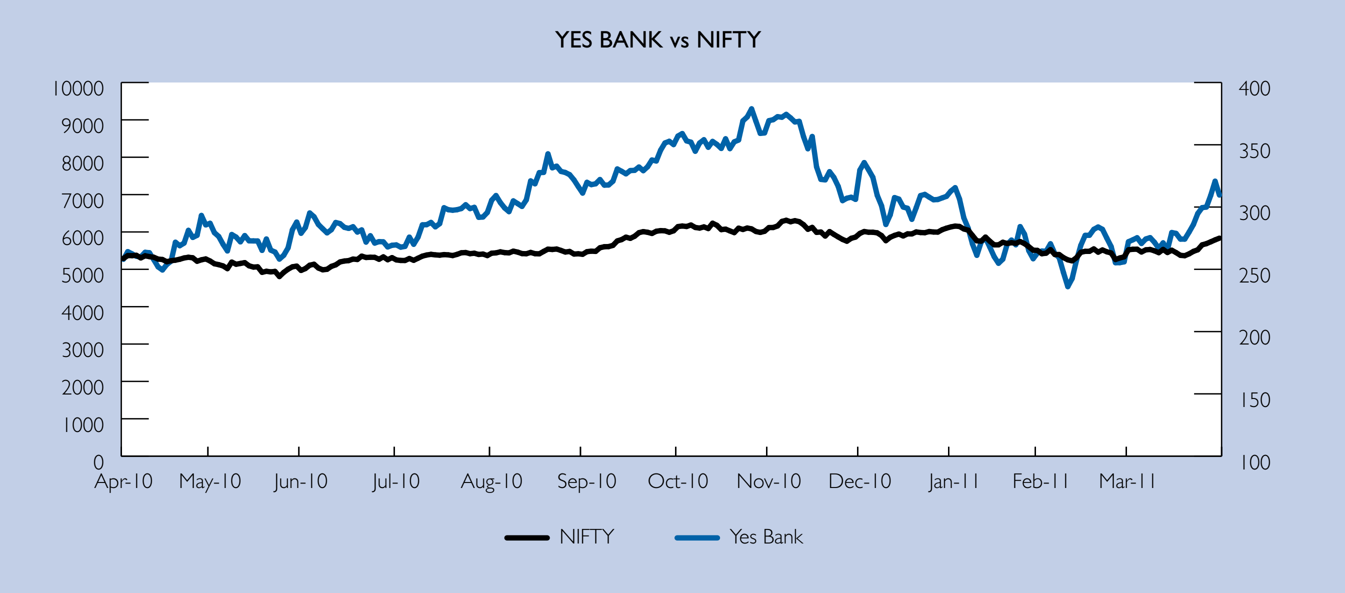
- ✓ Quarterly Results are communicated through a Press Release and newspaper advertisements in prominent national and regional dailies like the Economic Times, Business Standard, Mint, Free Press Journal, Navshakti, Financial Express and Hindu Business Line.
- ✓ The financial results, official news releases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

General Shareholders Information

Day, Date, Time and Venue of the Annual General Meeting	Tuesday, June 28, 2011 at 11.00 a. m. Hall of Culture, Ground Floor, Nehru Centre, Dr. A. B. Road, Worli, Mumbai - 400 018
Financial Year	April 1, 2010 to March 31, 2011
Date of Book Closure	June 21 to June 28, 2011 (both days inclusive)
Dividend Payment Date	Will be paid during July 4, 2011 to July 8, 2011
Listing on Stock Exchanges	1. Bombay Stock Exchange Limited 2. National Stock Exchange of India Limited The Bank has paid the listing fees to the stock exchanges.
Stock Code	BSE : 532648 NSE : YESBANK

Market Price Data: High, Low during each month in last financial year

	NSE			BSE		
Month	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2010	293.25	249.45	3,75,88,012	293.15	249.95	68,91,698
May 2010	287.95	258.20	4,05,97,462	287.85	258.20	58,85,022
June 2010	295.25	267.95	6,87,94,721	295.50	267.60	5,06,65,049
July 2010	301.85	267.80	4,40,80,771	301.95	268.45	79,31,210
August 2010	342.70	296.30	3,90,35,724	342.95	296.35	75,89,612
September 2010	352.80	317.60	3,84,54,013	351.95	317.35	65,15,357
October 2010	378.85	344.80	3,71,49,357	378.00	345.60	56,22,773
November 2010	374.40	305.15	3,98,16,320	374.10	305.05	69,08,321
December 2010	335.70	286.00	5,11,12,950	335.70	287.15	1,17,32,102
January 2011	315.55	254.85	8,71,97,945	315.55	254.45	1,36,75,131
February 2011	284.00	236.10	5,10,11,497	284.00	236.75	66,61,620
March 2011	320.75	265.65	4,82,14,214	320.20	265.50	65,57,415



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

Distribution of Shareholding as at March 31, 2011

Category (Amount)	No. of shareholders	%	Total Shares	Amount	% of Amount
Up to 5,000	1,35,131	93.52	1,32,16,529	13,21,65,290	3.81
5,001 – 10,000	4,772	3.30	37,87,848	3,78,78,480	1.09
10,001 – 20,000	2,203	1.52	32,74,698	3,27,46,980	0.94
20,001 – 30,000	723	0.50	18,49,415	1,84,94,150	0.53
30,001 – 40,000	314	0.22	11,26,964	1,12,69,640	0.32
40,001 – 50,000	260	0.18	12,22,327	1,22,23,270	0.35
50,001 – 1,00,000	428	0.30	30,59,933	3,05,99,330	0.88
1,00,001 & Above	668	0.46	31,96,09,410	3,19,60,94,100	92.08
Total	**1,44,499**	**100.00**	**34,71,47,124**	**3,47,14,71,240**	**100.00**

Shareholding Pattern as on March 31, 2011

Category of shareholders	No. of shares	%
Rana Kapoor - Promoter and Promoter Group	9,22,42,450	26.57
Other Institutions		
Mutual Funds /UTI	1,76,28,011	5.08
Financial Institutions/Banks	1,71,136	0.05
Insurance Companies	1,64,98,801	4.75
Foreign Institutional Investors	15,81,02,149	45.54
Foreign Financial Institution	1,67,00,000	4.81
Other non-institutions		
Bodies Corporate	48,94,463	1.41
Individuals		
(i) Individuals holding nominal share capital upto ₹ 1 lakh	2,29,81,737	6.63
(ii) Individuals holding nominal share capital in excess of ₹ 1 lakh	1,32,25,398	3.81
Trusts	84,530	0.02
Non-Resident Indians	27,56,867	0.79
H U F	6,31,986	0.18
Clearing Members	12,29,596	0.36
Total	**34,71,47,124**	**100.00**

List of Major Shareholders as on March 31, 2011

Sr. No	Name	Shares	%
1	Rana Kapoor - Promoter and Promoter Group	9,22,42,450	26.57
2	American Funds Insurance Series Growth Fund	1,70,80,000	4.92
3	Deutsche Securities Mauritius Limited	46,82,399	1.35
4	Franklin Templeton Investment Funds	35,68,090	1.03
5	HSBC Bank (Mauritius) Limited a/c HSBC IRIS Investments (Mauritius) Limited	1,67,92,999	4.84
6	J P Morgan Funds	56,01,494	1.61
7	Life Insurance Corporation of India	66,63,034	1.92
8	Morgan Stanley Mauritius Company Limited	78,63,847	2.27
9	Rabobank International Holding B.V.	1,67,00,000	4.81
10	Smallcap World Fund, Inc.	1,32,75,845	3.82
11	Titiwangsa Investments (Mauritius) Limited	1,46,70,000	4.23

Dematerialization of shares and liquidity	As on March 31, 2011 almost the entire equity capital was held in the dematerialized form with NSDL and CDSL. Only 25,238 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 - 500 081. Phone No.: 040-44655000; Fax No.: 040-23420814 Contact Persons: Mr. K. Sreedhara Murthy/ Mr. U. S. Singh
Address of the Compliance Officer	Mr. Sanjeev Kapoor, Company Secretary Ion House, Second Floor, Dr. E Moses Road, Mahalaxmi, Mumbai - 400 011 Phone No. : 022-6622 9000 Fax No. : 022-2497 4883 E-mail : shareholders@yesbank.in

Place: Mumbai
Date: April 20, 2011

Rana Kapoor
Managing Director & CEO

S. L. Kapur
Non-Executive Chairman

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 20, 2011

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the attached balance sheet of the YES BANK Limited ('the Bank') as at 31 March, 2011, 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 :

   i) 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;

   ii) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

   iii) 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;

   iv) 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;

   v) 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;

   vi) As per information and explanations given to us the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956;

   vii) On the basis of written representations received from the Directors as on 31 March, 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March, 2011 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956; and

   viii) 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 :

      a) in the case of the balance sheet, of the state of affairs of the Bank as at 31 March, 2011;

      b) in the case of the profit and loss account, of the profit of the Bank for the year ended on that date; and

      c) in case of cash flow statement, of the cash flows for the year ended on that date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai
20 April, 2011

Financial Statements

BALANCE SHEET AS AT MARCH 31, 2011

(₹ in thousands)

	Schedule	As at March 31, 2011	As at March 31, 2010
CAPITAL AND LIABILITIES			
Capital	1	3,471,471	3,396,673
Reserves and surplus	2	34,469,280	27,498,830
Deposits	3	459,389,318	267,985,666
Borrowings	4	66,909,092	47,490,761
Other liabilities and provisions	5	25,830,728	17,453,177
TOTAL		**590,069,889**	**363,825,107**
ASSETS			
Cash and Balances with Reserve Bank of India	6	30,760,155	19,953,099
Balances with Banks, Money at Call and Short Notice	7	4,199,609	6,779,384
Investments	8	188,288,378	102,099,413
Advances	9	343,636,387	221,931,232
Fixed assets	10	1,324,296	1,154,664
Other assets	11	21,861,064	11,907,315
TOTAL		**590,069,889**	**363,825,107**
Contingent liabilities	12	1,362,253,799	1,057,879,299
Bills for collection		1,701,444	1,534,293
Significant Accounting Policies and Notes to Accounts forming part of financial statements	18		

As per our report of even date attached

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

Akeel Master
Partner
Membership No.: 046768

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

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non-Exectuive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 20, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in thousands)

		Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
I.	**INCOME**			
	Interest earned	13	40,417,473	23,697,097
	Other income	14	6,232,709	5,755,320
	TOTAL		**46,650,182**	**29,452,417**
II.	**EXPENDITURE**			
	Interest expended	15	27,948,174	15,817,570
	Operating expenses	16	6,798,103	5,001,531
	Provisions and contingencies	17	4,632,527	3,855,923
	TOTAL		**39,378,804**	**24,675,024**
III.	**PROFIT**			
	Net profit for the year		7,271,378	4,777,393
	Profit brought forward		6,729,526	4,057,754
	TOTAL		**14,000,904**	**8,835,147**
IV.	**APPROPRIATIONS**			
	Transfer to Capital Reserve		19,924	315,182
	Transfer to Statutory Reserve		1,817,845	1,194,348
	Transfer to Investment Reserve		137	-
	Dividend paid for last year and tax thereon		410	-
	Proposed Dividend		867,868	509,501
	Tax (including surcharge and education cess) on Dividend		144,142	86,590
	Balance carried over to balance sheet		11,150,578	6,729,526
	TOTAL		**14,000,904**	**8,835,147**
	Significant Accounting Policies and Notes to Accounts forming part of financial statements	18		
	Earning per share (Refer Sch.18.7.6)			
	Basic (₹)		**21.12**	15.65
	Diluted (₹)		**20.25**	14.87
	(Face Value of Equity Share is ₹ 10/-)			

As per our report of even date attached

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

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

Akeel Master
Partner
Membership No.: 046768

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non-Exectuive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 20, 2011

Cash Flow Statements

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in thousands)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Cash flow from operating activities		
Net profit before taxes	**10,921,785**	**7,264,854**
Adjustment for		
Depreciation for the year	348,391	302,603
Amortization of premium on investments	314,001	264,329
Provision for investments	(71,892)	154,103
Provision for standard advances	520,976	388,655
Provision/write off of non performing advances/off balance sheet exposure	392,628	876,039
Other provisions	140,408	(50,335)
Loss from sale of fixed assets	4,403	5,917
	12,570,700	**9,206,165**
Adjustments for:		
Increase in Deposits	191,403,652	106,291,451
Increase in Borrowings	7,691,434	3,747,695
Increase/(Decrease) in Other Liabilities	2,841,344	(374,956)
Increase in Investments	(52,458,952)	(11,438,094)
Increase in Advances	(122,063,524)	(98,760,799)
Decrease/(Increase) in Other Assets	(5,280,610)	3,687,663
	22,133,344	**3,152,960**
Payment of direct taxes	(4,197,730)	(2,757,834)
Net cash generated from operating activities (A)	**30,506,314**	**9,601,291**

(₹ in thousands)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Cash flow from investing activities		
Purchase of Fixed Assets	(256,567)	(146,887)
Proceeds from sale of Fixed Assets	6,682	4,797
Changes in Capital Work-in-Progress	(15,262)	(9,946)
Changes in Held to Maturity Investment	(33,972,122)	(19,909,557)
Net cash used in investing activities (B)	**(34,237,269)**	**(20,061,593)**
Cash flow from financing activities		
Tier II Debt raised	9,464,000	6,527,633
Innovative Perpetual Debt raised	2,250,000	820,000
Proceeds from issuance of Equity Shares	74,798	426,884
Share Premium received thereon	765,939	10,191,222
Dividend paid during the year	(511,540)	-
Tax on dividend	(84,961)	-
Net cash generated from financing activities (C)	**11,958,236**	**17,965,739**
Net increase in cash and cash equivalents (A+B+C)	**8,227,281**	**7,505,437**
Cash and cash equivalents as at April 1	**26,732,483**	**19,227,046**
Cash and cash equivalents as at March 31	**34,959,764**	**26,732,483**
Notes to the Cash flow statement:		
Cash and cash equivalents includes the following:		
Cash and Balances with Reserve Bank of India	30,760,155	19,953,099
Balances with Banks and Money at Call and Short Notice	4,199,609	6,779,384
Cash and cash equivalents as at March 31	**34,959,764**	**26,732,483**

As per our report of even date attached

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

Akeel Master
Partner
Membership No.: 046768

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

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non-Exectuive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 20, 2011

Schedules forming part of the Balance Sheet

(₹ in thousands)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 1 – CAPITAL		
Authorized Capital		
400,000,000 equity shares of ₹ 10/- each	**4,000,000**	**4,000,000**
(March 31, 2010: 400,000,000 equity shares of ₹ 10/- each)		
Issued, subscribed and paid-up capital		
347,147,124 equity shares of ₹ 10/- each	3,471,471	3,396,673
(March 31, 2010 : 339,667,269 equity shares of ₹ 10/- each) [Refer Sch 18.5.1.1]		
TOTAL	**3,471,471**	**3,396,673**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. **Statutory Reserves**		
Opening balance	2,828,238	1,633,890
Additions during the year	1,817,845	1,194,348
Closing balance	**4,646,083**	**2,828,238**
II. **Share Premium**		
Opening balance	16,819,556	6,774,399
Additions during the year [Refer Sch 18.5.1.1]	765,939	10,191,222
Reduction during the year [Refer Sch 18.5.1.1]	(54,447)	(146,065)
Closing balance	**17,531,048**	**16,819,556**
III. **Capital Reserve**		
Opening balance	1,121,298	806,116
Additions during the year [Refer Sch 18.5.1.2]	19,924	315,182
Closing balance	**1,141,222**	**1,121,298**
IV. **Investment Reserve**		
Opening balance	212	212
Additions during the year [Refer Sch 18.5.1.3]	137	-
Closing balance	**349**	**212**
V. **Balance in Profit and Loss Account**	11,150,578	6,729,526
TOTAL	**34,469,280**	**27,498,830**

(₹ in thousands)

				As at March 31, 2011	As at March 31, 2010
SCHEDULE 3 – DEPOSITS					
A.	I.	Demand Deposits			
		i) From banks		856,323	182,638
		ii) From others		38,481,970	24,088,989
	II.	Savings Bank Deposits		8,170,363	3,909,904
	III.	Term Deposits			
		i) From banks		30,044,531	26,717,380
		ii) From others		381,836,131	213,086,755
			TOTAL	**459,389,318**	**267,985,666**
B.	I.	Deposits of branches in India		459,389,318	267,985,666
	II.	Deposits of branches outside India		-	-
			TOTAL	**459,389,318**	**267,985,666**
SCHEDULE 4 – BORROWINGS					
I.	Innovative Perpetual Debt Instruments (IPDI) and Tier II Debt				
A.	Borrowing in India				
	i)	IPDI		4,610,000	2,360,000
	ii)	Upper Tier II Borrowings		12,326,000	5,926,000
	iii)	Lower Tier II Borrowings		12,013,000	8,949,000
			TOTAL (A)	**28,949,000**	**17,235,000**
B.	Borrowings outside India				
	i)	IPDI		222,975	224,500
	ii)	Upper Tier II Borrowings		4,407,418	4,392,996
	iii)	Lower Tier II Borrowings		-	-
			TOTAL (B)	**4,630,393**	**4,617,496**
			TOTAL (A+B)	**33,579,393**	**21,852,496**
II.	Other Borrowings*				
A.	Borrowings in India				
	i)	Reserve Bank of India		4,350,000	-
	ii)	Other banks		5,930,000	6,293,000
	iii)	Other institutions and agencies **		4,712,917	10,717,674
			TOTAL (A)	**14,992,917**	**17,010,674**
B.	Borrowings outside India		(B)	18,336,782	8,627,591
			TOTAL (A+B)	**33,329,699**	**25,638,265**
			TOTAL (I+II)	**66,909,092**	**47,490,761**
*Of the above secured borrowings are Nil (March 31, 2010 : Nil). **Represents refinance borrowing					
SCHEDULE 5 – OTHER LIABILITIES & PROVISIONS					
I.	Bills payable			766,007	1,240,472
II.	Inter-office adjustments (net)			-	-
III.	Interest accrued			5,166,537	2,339,734
IV.	Proposed Dividend (including tax on dividend)			1,012,010	596,091
V.	Others (including provisions)				
	- Provision for standard advances			1,700,838	1,179,863
	- Others			17,185,336	12,097,017
			TOTAL	**25,830,728**	**17,453,177**

Schedules forming part of the Balance Sheet

(₹ in thousands)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand	595,949	356,647
II. Balances with Reserve Bank of India		
- In current account	30,164,206	19,596,452
- In other account	-	-
TOTAL	**30,760,155**	**19,953,099**
SCHEDULE 7 – BALANCES WITH BANKS, MONEY AT CALL AND SHORT NOTICE		
I. In India		
Balances with banks		
i) in current accounts	90,380	123,184
ii) in other deposit accounts	-	-
Money at call and short notice		
i) with banks	20,000	1,020,000
ii) with other institutions	-	975,464
iii) lending under reverse repo (RBI and Banks) [Refer Sch 18.4.2.(f)]	1,712,228	-
TOTAL (I)	**1,822,608**	**2,118,648**
II. Outside India		
i) in current accounts	2,377,001	1,832,036
ii) in other deposit accounts	-	-
iii) Money at call and short notice	-	2,828,700
TOTAL (II)	**2,377,001**	**4,660,736**
TOTAL (I+II)	**4,199,609**	**6,779,384**
SCHEDULE 8 – INVESTMENTS (net of provisions)		
A. Investments in India		
i) Government securities	107,472,601	67,864,767
ii) Other approved securities	-	-
iii) Shares	135,168	827,128
iv) Debentures and bonds*	40,197,421	8,914,521
v) Subsidiaries and/or joint ventures	-	-
vi) Others (CPs, CDs, mutual fund units etc)	40,483,188	24,492,997
	188,288,378	**102,099,413**
B. Investments outside India	-	-
TOTAL	**188,288,378**	**102,099,413**
*Includes investments in Pass Through Certificates (PTC), Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS).		

(₹ in thousands)

			As at March 31, 2011	As at March 31, 2010
SCHEDULE 9 – ADVANCES				
A.	i)	Bills purchased and discounted	5,360,632	4,995,463
	ii)	Cash credits, overdrafts and loans repayable on demand	64,551,723	42,708,815
	iii)	Term loans	273,724,032	174,226,954
		TOTAL	**343,636,387**	**221,931,232**
B.	i)	Secured by tangible assets	200,513,396	97,629,884
	ii)	Covered by Bank/Government Guarantees	788,577	2,723,030
	iii)	Unsecured *	142,334,414	121,578,318
		TOTAL	**343,636,387**	**221,931,232**
	* includes advances of ₹ 55,570,617 thousands (March 31, 2010 ₹ 42,143,936 thousands) for which security documentation is either being obtained or being registered and of ₹ 391,833 thousands (March 31, 2010 ₹ 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 ₹ 16,662,644 thousands (March 31, 2010 ₹ 7,307,300 thousands).			
C.	I.	Advances in India		
		i) Priority sectors	90,360,278	44,916,231
		ii) Public sector	123,369	8,429
		iii) Banks	262,348	1,521,280
		iv) Others	252,890,392	175,485,292
			343,636,387	**221,931,232**
	II.	Advances outside India	–	–
		TOTAL	**343,636,387**	**221,931,232**

Schedules forming part of the Balance Sheet

(₹ in thousands)

		As at March 31, 2011	As at March 31, 2010
SCHEDULE 10 – FIXED ASSETS			
I.	Premises	-	-
II.	Other Fixed Assets (including furniture and fixtures)		
	At cost as on March 31 of preceding financial year	2,064,030	1,948,817
	Additions during the year	513,846	146,887
	Deductions during the year	(24,830)	(31,675)
	Accumulated depreciation to date	(1,257,824)	(923,177)
		1,295,222	1,140,852
	Capital work-in-progress	29,074	13,812
	TOTAL	**1,324,296**	**1,154,664**
SCHEDULE 11 – OTHER ASSETS			
I.	Interest accrued	6,018,772	2,581,825
II.	Advance tax and tax deducted at source	10,772,707	6,574,976
III.	Deferred tax asset (net) [Refer Sch 18.7.8]	1,060,994	652,928
IV.	Others	4,008,591	2,097,586
	TOTAL	**21,861,064**	**11,907,315**
SCHEDULE 12 – CONTINGENT LIABILITIES			
I.	Claims against the bank not acknowledged as debts	379,052	-
II.	Liability for partly paid investments	-	-
III.	Liability on account of outstanding forward exchange contracts	546,970,625	258,063,100
IV.	Liability on account of outstanding derivative contracts		
	- Single currency Interest Rate Swaps	576,655,250	609,178,715
	- Others	70,458,172	74,791,099
V.	Guarantees given on behalf of constituents		
	- In India	62,512,422	44,643,647
	- Outside India	-	-
VI.	Acceptances, endorsements and other obligations	79,653,933	39,524,264
VII.	Other items for which the bank is contingently liable		
	- Value dated purchase of securities	1,681,423	8,477,815
	- Capital commitments	176,595	90,039
	- Foreign Exchange Contracts (Tom & Spot)	23,766,327	23,110,620
	TOTAL	**1,362,253,799**	**1,057,879,299**

Schedules forming part of the Profit and Loss Account

(₹ in thousands)

		Year Ended March 31, 2011	Year Ended March 31, 2010
SCHEDULE 13 – INTEREST EARNED			
I.	Interest/ discount on advances/ bills	29,891,238	17,715,013
II.	Income on investments	10,273,114	5,858,892
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	187,549	86,860
IV.	Others	65,572	36,332
	TOTAL	**40,417,473**	**23,697,097**
SCHEDULE 14 – OTHER INCOME			
I.	Commission, exchange and brokerage	5,869,664	3,791,084
II.	Profit/(Loss) on the sale of investments (net)	(463,623)	986,236
III.	Profit/(Loss) on the revaluation of investments (net)	-	-
IV.	Loss on sale of land, building and other assets	(4,403)	(5,917)
V.	Profit on exchange transactions (net)	685,756	543,660
VI.	Income earned by way of dividends etc. from subsidiaries, companies and/or joint ventures abroad/in India	-	-
VII.	Miscellaneous income	145,315	440,257
	TOTAL	**6,232,709**	**5,755,320**

(₹ in thousands)

		Year Ended March 31, 2011	Year Ended March 31, 2010
SCHEDULE 15 – INTEREST EXPENDED			
I.	Interest on deposits	22,941,783	12,534,411
II.	Interest on Reserve Bank of India/ inter-bank borrowings/ Tier I and Tier II debt instruments	4,587,874	3,025,744
III.	Others	418,517	257,415
	TOTAL	**27,948,174**	**15,817,570**
SCHEDULE 16 – OPERATING EXPENSES			
I.	Payments to and provisions for employees	3,623,352	2,568,885
II.	Rent, taxes and lighting	866,673	730,495
III.	Printing and stationery	59,208	39,618
IV.	Advertisement and publicity	206,374	107,931
V.	Depreciation on Bank's property	348,391	302,603
VI.	Directors' fees, allowances and expenses	4,074	3,457
VII.	Auditors' fees and expenses	6,417	4,150
VIII.	Law charges	8,480	8,027
IX.	Postage, telegrams, telephones, etc.	88,369	72,140
X.	Repairs and maintenance	38,182	45,356
XI.	Insurance	274,515	148,768
XII.	Other expenditure	1,274,068	970,101
	TOTAL	**6,798,103**	**5,001,531**
SCHEDULE 17 – PROVISIONS AND CONTINGENCIES			
I.	Provision for taxation [Refer Sch 18.6.1]	3,650,407	2,487,461
II.	Provision for investments	(71,892)	154,103
III.	Provision for standard advances	520,976	388,655
IV.	Provision/ write off for non-performing advances/ off balance sheet exposures	392,628	876,039
V.	Other provisions	140,408	(50,335)
	TOTAL	**4,632,527**	**3,855,923**

Notes forming part of the Accounts for the year ended March 31, 2011

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 the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting (except where otherwise stated), and the historical cost convention.

18.3 Use of estimates

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

18.4 Significant Accounting Policies

18.4.1 Revenue recognition

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

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

18.4.2 **Investments**

Classification and valuation of the Bank's investments are carried out in accordance with RBI Circular DBOD No. BP. BC. 18/ 21.04.141/ 2010-11 dated July 1, 2010 and Fixed Income Money Market and Derivative Association (FIMMDA) guidelines FIMCIR/2010-11/72/March 11, 2011.

a) *Accounting and Classification*

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

b) *Cost of acquisition*

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

c) *Basis of classification*

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

d) *Transfer between categories*

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

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

e) *Valuation*

Investments categorized under AFS and HFT categories are marked to market on a periodical basis as per relevant RBI guidelines. Net depreciation, if any, in any classification mentioned in Schedule 8 ('Investments') is recognized 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 AFS and HFT categories is the market price of the scrip as available from the trades/quotes on the stock exchanges and for Subsidiary General Ledger ('SGL') account transactions, the prices as periodically declared by Primary Dealers Association of India jointly with FIMMDA.

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

Quoted equity shares are valued at their closing price on a recognized stock exchange. Unquoted equity shares are valued at the book value if the latest balance sheet is available, else, at 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 reporting date.

f) *Accounting for repos/reverse repos*

Pursuant to Reserve Bank of India's circular - RBI/ 2009-2010/ 356 IDMD/ 4135/11.08.43/ 2009-10 dated March 23, 2010 on Uniform Accounting for Repo/Reverse Repo Transactions, effective April 1, 2010, Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are treated as collateralized borrowing and lending transactions respectively. The first leg of the repo transaction is contracted at the prevailing market rates. The difference between consideration amounts of first and second (reversal of first) leg reflects interest and is recognized as interest income/ expense over the period of transaction.

For the year ended March 31, 2010 repurchase (repos) and reverse repurchase (reverse repos) transactions were accounted for on outright sale and outright purchase basis respectively in line with then applicable RBI guidelines. The difference between the clean price of first leg and the clean price of the second leg is recognized as interest income/expense over the period of transaction.

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

18.4.3 Advances

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

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

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

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

18.4.4 Securitization transactions

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

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

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

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

18.4.5 Transactions involving foreign exchange

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

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

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

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

18.4.6 Earnings per share

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

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

18.4.7 Accounting for derivative transactions

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

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

The Bank follows the option premium accounting framework prescribed by FEDAI SPL - circular dated December 14, 2007. Premium on option transaction is recognized into Profit and Loss on expiry or early termination of the transaction. Mark to Market gain/loss (adjusted for premium received/paid on option contracts) is recorded under 'Other Income'.

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

The requirement for collateral and credit risk mitigation on derivative contracts is assessed based on internal credit policy. 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 ₹ 5,000 are fully depreciated in the year of purchase.

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

18.4.10 Retirement and employee benefits

Leave salary

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

Gratuity

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

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

Provident fund

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

18.4.11 Leases

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

18.4.12 Income taxes

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

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

18.4.13 Provisions and contingent assets/liabilities

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

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

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

18.4.14 Employee Stock Compensation Cost

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

18.5 Statutory disclosures as per RBI

18.5.1 Capital

18.5.1.1 Equity Issue

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

During the financial year ended March 31, 2011, the Bank has charged to Share Premium Account, an amount of ₹ 54,447 thousands on account of the possible disallowance of tax benefit on certain expenses incurred in the financial year ended March 31, 2006, in connection with the Initial Public Offering. In the financial year ended March 31, 2006, these expenses were charged net of taxes to the share premium account.

During the financial year ended March 31, 2010 the Bank had issued 38,362,709 equity shares of ₹ 10 each for cash pursuant to a Qualified Institutions Placement (QIP) at ₹ 269.50 aggregating to ₹ 10,338,750 thousands. The Bank also issued 4,325,630 shares pursuant to the exercise of stock option aggregating to ₹ 279,355 thousands. The Bank accreted ₹ 10,045,157 thousands (net of share issue expenses of ₹ 146,065 thousands) as premium, on the QIP and stock options excercised.

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 ₹ 19,924 thousands (previous year: ₹ 315,182 thousands) was transferred to capital reserve.

18.5.1.3 Investment Reserve

The Bank has transferred ₹ 137 thousands (Previous year: ₹ Nil) towards Investment Reserve on provisions for depreciation on investments credited to profit and loss account.

18.5.1.4 Capital Adequacy Ratio

Capital Adequacy Ratio as per RBI guidelines (New Capital Adequacy Framework (NCAF) dated July 1, 2010, generally referred to as Basel II) as at March 31, 2011 is given below:

(₹ in thousands)

	As at March 31, 2011	As at March 31, 2010
Tier-1 capital	41,650,617	32,775,941
Tier-2 capital	29,542,501	19,794,338
Total capital	71,193,118	52,570,279
Credit Risk – Risk Weighted Assets (RWA)	380,275,615	234,907,519
Market Risk – RWA	35,704,632	9,991,399
Operational Risk – RWA	15,449,563	10,225,395
Total risk weighted assets	431,429,810	255,124,313
Tier-1 capital adequacy ratio (%)	9.7	12.9
Tier-2 capital adequacy ratio (%)	6.8	7.7
Total capital adequacy ratio (%)	16.5	20.6
Amount raised by issue of IPDI*	4,824,400	2,574,400
Amount raised by issue of Upper Tier II instruments*	16,684,033	10,284,033

* Outstanding as at March 31. Borrowing in foreign currency converted at the rate prevelant on the date of borrowing.

As at March 31, 2011 the Bank is required to maintain minimum capital which is higher of the minimum capital requirement under Basel II framework or 80% (90% as at March 31, 2010) of the minimum capital requirement under Basel I framework. As at March 31, 2011, 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 2010-11, the Bank has raised Tier II Debt instruments amounting to ₹ 9,464,000 thousands and Innovative Perpetual Debt Instruments (IPDI) amounting to ₹ 2,250,000 thousands. Details of the same are as follows:

Tier II Debt Instruments

(₹ in thousands)

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

Innovative Perpetual Debt Instruments (IPDI)

(₹ in thousands)

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

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

Tier II Debt Instruments

(₹ in thousands)

Particulars	Nature of Security	Date of Issue	Coupon Rate (%)	Tenure	Amount
Lower Tier II	Debentures	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	927,633*
Lower Tier II	Debentures	January 22, 2010	9.65%	10 years	3,000,000
				TOTAL	**6,527,633**

Innovative Perpetual Debt Instruments (IPDI)

(₹ in thousands)

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

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

18.5.2 Investments

(₹ in thousands)

Particulars (In India)	As at March 31, 2011	As at March 31, 2010
Gross value	188,408,731	102,291,658
Less: Provision for depreciation (fair value provision)	120,353	192,245
Net value	**188,288,378**	**102,099,413**

There were no investments outside India as at March 31, 2011 and March 31, 2010.

Provision for depreciation on investments

(₹ in thousands)

Particulars (In India)	As at March 31, 2011	As at March 31, 2010
Opening Balance	192,245	38,142
Add/(Less): Provision during the year	(71,892)	154,103
Closing Balance	**120,353**	**192,245**

There was no provision for depreciation on investments outside India as at March 31, 2011 and March 31, 2010.

18.5.3 Repo Transactions

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

(₹ in thousands)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2011
Securities sold under repos	-	12,250,000	1,868,493	4,350,000
Security purchased under reverse repo	-	10,250,000	453,562	-

The bank has not dealt in any repo or reverse repo transactions in corporate bond during the financial year ended March 31, 2011.

b) The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2010:

(₹ 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	-	160,000	1,190,452	-

18.5.4 Non-SLR Investment Portfolio

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

(₹ in thousands)

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

* Of the investments disclosed ₹ 43,567,173 thousands are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities.

Excludes investment in equity shares & units.

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

(₹ in thousands)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities#	Extent of 'unlisted' securities*
i)	PSUs	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 ₹ 26,457,990 thousands are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities.

Excludes investment in equity shares & units.

c) There were no non-performing Non-SLR investments as at March 31, 2011 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, 2011 are provided in accordance with the RBI guidelines on Forward Rate Agreements and Interest Rate Swaps (MPD.BC.187/ 07.01.279/ 1999-2000) as applicable to Indian Rupee transactions:

(₹ in thousands)

Sr. No.	Items	As at March 31, 2011	As at March 31, 2010
i)	The notional principal of swap agreements	551,250,000	595,120,000
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	1,385,424	1,213,159
iii)	Collateral required by the bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps [Percentage Exposure to Banks] [1]	24.08%	91.27%
v)	The fair value of the swap book [2]	187,398	166,623

1 Credit risk concentration is measured as net receivable under Swap contracts from banks

2 Fair value represents mark-to-market including accrued interest.

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

(₹ in thousands)

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

The nature and terms of the IRS as on March 31, 2010 are set out below:

(₹ in thousands)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	5	1,250,000	MIBOR	Fixed Payable v/s Floating Receivable
Hedging	5	1,250,000	MIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	900,000	MIFOR	Fixed Payable v/s Floating Receivable
Trading	7	6,010,000	INBMK	Fixed Payable v/s Floating Receivable
Trading	447	299,350,000	MIBOR	Fixed Payable v/s Floating Receivable
Trading	458	283,600,000	MIBOR	Fixed Receivable v/s Floating Payable
Trading	4	1,250,000	MIFOR	Fixed Payable v/s Floating Receivable
Trading	6	1,510,000	MIFOR	Fixed Receivable v/s Floating Payable

18.5.5.2 Unhedged/uncovered foreign currency exposure

The Bank's foreign currency exposures as at March 31, 2011 that are not hedged/covered by either derivative instruments or otherwise are within the Net Overnight Open Position limit (NOOP) and the Aggregate Gap limit, as approved by the RBI. NOOP at March 31, 2011 is ₹ 423,481 thousands (March 31, 2010: ₹ 281,577 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, 2011 (Previous Year: NIL)

18.5.5.4 Currency Futures

The bank had dealt in exchange traded currency Forwards (Futures) during the financial year ended March 31, 2011. As at March 2011, there were NIL open contracts. 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.

18.5.5.5 Disclosures on risk exposure in derivatives

As per RBI Master circular RBI DBOD.BP.BC.No. 3/ 21.04.018/ 2010-11 dated July 1, 2010, the following disclosures are being made with respect to risk exposure in derivatives of the Bank:

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

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

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

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

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

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

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

h) Refer Note 18.4.7 for accounting policy on derivatives.

i) The details of derivative transactions as at March 31, 2011 and March 31, 2010 are given below:

(₹ in thousands)

Sr. No	Particular	Currency derivatives[1]		Interest rate derivatives	
		Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2010
i)	**Derivatives (Notional Principal Amount)**[2]				
	a) For hedging	5,788,589	5,717,052	20,650,000	3,400,000
	b) For trading	64,669,583	69,074,048	556,005,250	605,778,715
ii)	**Marked to market positions**[3]				
	a) Asset (+)	371,960	282,052	-	150,189
	b) Liability (-)	-	-	179,835	-
iii)	**Credit exposure****[4]	8,762,374	9,407,165	9,014,434	8,798,324
iv)	**Likely impact of one percentage change in interest rate (100*PV01)** (Refer Note 2 below)				
	a) on hedging derivatives	295,488	327,371	637,581	5,643
	b) on trading derivatives	258,977	61,939	803,249	379,502
v)	**Maximum and minimum of 100*PV01 observed during the year** (Refer Note 2 below)				
	a) on hedging (Refer Note 1 below)				
	Maximum	329,251	364,021	638,939	8,829
	Minimum	275,024	318,423	13,655	5,643
	b) on trading				
	Maximum	326,923	85,855	1,164,995	481,530
	Minimum	59,581	61,939	328,948	173,599

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

[2] *Currency Derivatives excludes notional amount of option sold of ₹ 45,755,258 thousands and ₹ 49,164,171 thousands for the financial year ended March 31, 2011 and financial year ended March 31, 2010 respectively.*

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

[4] *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.*

Note:

1) PV01 for hedging derivatives is based on the position as at each month end during the financial year ended March 31, 2010.

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

3) PVOI exposures reported above may not necessarily indicate the interest rate risk the Bank is exposed to given that PVOI exposures in Investments and Forwards (which offsets the PVO1 reflected above) do not form part of the above table.

18.5.6 Asset quality

18.5.6.1 Non-Performing Asset

The details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2011 and the year ended March 31, 2010 are given below :

(₹ in thousands)

No.	Particulars	March 31, 2011	March 31, 2010
(i)	Net NPA to Net Advances	0.03%	0.06%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	602,020	849,254
	(b) Additions (Fresh NPAs during the year)	498,168	1,133,551
	Sub total (A)	**1,100,188**	**1,982,805**
	Less:		
	(i) Upgradations	278	255,563
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	177,864	298,879
	(iii) Write-offs	116,804	826,343
	Sub-total (B)	**294,946**	**1,380,785**
	Gross NPAs (closing balance) (A-B)	**805,242**	**602,020**
(iii)	Movement of Net NPAs		
	(a) Opening Balance	129,878	411,570
	(b) Additions during the year	6,198	(82,859)
	(c) Reductions during the year	44,540	198,833
	(d) Closing balance	91,536	129,878
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
	(a) Opening balance	472,142	437,684
	(b) Additions during the year	491,970	1,216,410
	(c) Write off/write back of excess provision	250,406	1,181,952
	(d) **Closing balance**	**713,706**	**472,142**

18.5.6.2 Provision coverage Ratio

The provision coverage ratio of the Bank as at March 31, 2011 computed as per the the RBI circular dated December 1, 2009 is 88.63% (previous year 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 ₹ 575,899 thousands (previous year ₹ 473,980 thousands) and the Bank has provided for ₹ 520,468 thousands (previous year ₹ 382,114 thousands) for the same.

18.5.6.4 Sector-wise NPAs

The details of Sector-wise NPAs as at March 31, 2011 and March 31, 2010 are given below:

No.	Sector	% of gross NPAs to gross advances in that sector.	
		March 31, 2011	March 31, 2010
1	Agriculture and allied activities	-	-
2	Industry (Micro and small, Medium and Large)	0.29	0.27
3	Services	0.27	0.39
4	Personal Loans	1.56	1.23

18.5.6.5 Restructured Accounts

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

(₹ in thousands)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	4	-	27
	Amount outstanding*	659,827	-	404,406
	of which amount restructured	608,028	-	334,273
	Sacrifice (diminution in the fair value)	45,542	-	13,405
Sub-standard advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	of which amount restructured	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
TOTAL	No. of Borrowers	**4**	**-**	**27**
	Amount outstanding	**659,827**	**-**	**404,406**
	of which amount restructured	**608,028**	**-**	**334,273**
	Sacrifice (diminution in the fair value)	**45,542**	**-**	**13,405**

* of which amount classified as NPA during the year ended March 31, 2011 is ₹ 155,700 thousands.

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

(₹ 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 ₹ 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 Securitization/Reconstruction Company for asset reconstruction during year ended March 31, 2011 and March 31, 2010.

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

The Bank has not purchased/sold any non performing financial assets from/to Bank during the year ended March 31, 2011 and March 31, 2010.

18.5.9 Provisions for Standard Assets

Provision on standard advances is ₹ 1,700,838 thousands and ₹ 1,179,863 thousands as at March 31, 2011 and 2010 respectively.

18.5.10 Business ratios

Business Ratios		As at March 31, 2011	As at March 31, 2010
i)	Interest income as a percentage to working funds[1]	8.76%	8.89%
ii)	Non interest income as a percentage to working funds[1]	1.35%	2.16%
iii)	Operating profit as a percentage to working funds[1]	2.58%	3.24%
iv)	Return on assets[1]	1.58%	1.79%
v)	Business (deposits + net advances) per employee (₹ '000's)[2]	222,025	162,384
vi)	Profit per employee (₹ '000's)[2]	2,089	1,675

[1] Working funds represents the average of total assets as reported in Return Form X to RBI under Section 27 of the Banking Regulation Act, 1949.
[2] For the purpose of computation of business per employee (deposits plus advances), inter Bank deposits have been excluded and average employees have been considered.

18.5.11 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

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

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

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

(₹ in thousands)

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

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

(₹ 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 to 6 months	17,140,176	8,806,283	48,667,950	2,502,796
Over 6 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**

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

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

(₹ in thousands)

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

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

(₹ 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**

18.5.12 Exposures

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

18.5.12.1 Exposure to Real Estate Sector

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

(₹ in thousands)

Sr. No.	Particulars	As at March 31, 2011	As at March 31, 2010
i)	**Direct exposure**		
	Residential Mortgages	276,525	130,050
	Commercial Real Estate*	19,357,999	13,498,317
	of which outstanding as advances	11,870,683	9,328,164
	Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
	- Residential**	609,402	801,680
	- Commercial Real Estate	-	-
ii)	**Indirect exposure**		
	Fund based and non fund based exposures on National Housing Board and Housing Finance Companies	3,371,420	2,276,067
	TOTAL	**23,615,346**	**16,706,114**

**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.*

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

18.5.12.2 Exposure to Capital Market

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

(₹ in thousands)

Sr. No.	Particulars	As at March 31, 2011	As at March 31, 2010
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;	147,647	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;	6,722	-
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	3,000,000	-
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	3,928,427	1,086,985
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	2,285,000	815,000
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	**9,367,796**	**2,762,220**

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, 2011, the Bank's funded exposure to any individual country did not exceed 1% of the total funded assets of the Bank

(₹ in thousands)

Risk Category	Exposure (net) as at March 31, 2011	Provision held as at March 31, 2011	Exposure (net) as at March 31, 2010	Provision held as at March 31, 2010
Insignificant	4,696,187	-	8,345,975	-
Low	2,438,748	-	2,256,996	-
Moderate	916,817	-	1,173,963	-
High	-	-	11,949	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
TOTAL	**8,051,752**	**-**	**11,788,883**	**-**

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

During the year ended March 31, 2011 and March 31, 2010, the Bank has not exceeded single borrower or group borrower exposure limit .

18.6 Miscellaneous

18.6.1 Provisions made for Income Tax during the year

The income tax expense comprises the following

(₹ in thousands)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Current income tax expense	4,112,920	2,677,352
Deferred income tax benefit	(462,513)	(189,891)
TOTAL	**3,650,407**	**2,487,461**

18.6.2 Disclosure of penalties imposed by RBI

No penalties have been imposed by RBI on the Bank during the financial year 2010-11 (previous year: ₹ Nil).

The Bank does not have any bouncing of securitites general ledger and has not incurred any penalty for SGL bouncing in the financial year ended March 31, 2011.

18.6.3 Fees/ Remuneration received from bancassurance

Bank has earned ₹ 128,171 thousands from bancassurance business during year ended March 31, 2011 (previous year: ₹ 112,293 thousands).

18.6.4 Concentration of Deposits

As at March 31, 2011 the deposits of top 20 depositors aggregated to ₹ 86,204,381 thousands (previous year: ₹ 50,416,139 thousands) (excluding certificate of deposits, which are tradable instruments), representing 18.76% (previous year: 18.81%) of the total deposit base.

18.6.5 Concentration of Advances

As at March 31, 2011 the top 20 advances aggregated to ₹ 105,461,474 thousands (previous year ₹ 72,725,550 thousands), representing 14.06% (previous year 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.14/ 13.03.00/2010-11 dated July 1, 2010.

18.6.6 Concentration of Exposures

As at March 31, 2011 the top 20 exposures aggregated to ₹ 126,910,027 thousands (previous year ₹ 72,725,550 thousands), representing 15.29% (previous year 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.14/ 13.03.00/2010-11 dated July 1, 2010.

18.6.7 Overseas Assets, NPAs and Revenue

For the year ended March 31, 2011 and 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, 2011 and 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, 2011 and March 31, 2010:

(₹ in thousands)

	As at March 31, 2011	As at March 31, 2010
Present Value of Obligation at the beginning of the year	**50,015**	25,595
Interest Cost	**4,001**	1,791
Current Service Cost	**52,022**	21,519
Past Service Cost	**-**	-
Benefits Paid	**-**	-
Actuarial gain on Obligation	**13,821**	1,110
Present Value of Obligation at the end of the year	**119,859**	**50,015**

Changes in the fair value of planned assets:

	For the year ended March 31, 2011	For the year ended March 31, 2010
Fair value of plan assets at the beginning of the year	**-**	-
Expected return on plan assets	**1,083**	-
Contributions	**23,423**	-
Benefits paid	**-**	-
Acturial gain/(loss) on planned assets	**217**	-
Fair value of planned assets at the end of the period	**24,723**	**-**

Fair value of plan assets:

(₹ in thousands)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Fair value of plan assets at the beginning of the year	-	-
Actual return on plan assets	1,300	-
Contributions	23,423	-
Benefits paid	-	-
Fair value of plan assets at the end of the period	24,723	-

Net gratuity cost for the year ended March 31, 2011 and March 31, 2010 comprises the following components:

(₹ in thousands)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Current Service Cost	52,022	21,519
Interest Cost	4,001	1,791
Expected Return on plan assets	(1,083)	-
Net Actuarial gain recognized in the year	13,604	1,110
Past Service Cost	-	-
Expenses recognized	68,544	24,420

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

(₹ in thousands)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Discount Rate	7.41%	8.00%
Expected Return on Plan Assets	9.25%	-
Mortality	L.I.C. (1994-96) Ultimate Table	L.I.C. (1994-96) Ultimate Table
Future Salary Increases	15%p.a	10% p.a.
Disability	-	-
Attrition	25% 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 at March 31, 2011 and March 31, 2010 is given below:

(₹ in thousands)

	As at March 31, 2011	As at March 31, 2010
Present value of obligation April 01	**33,999**	29,345
Interest cost	**2,720**	2,054
Current service cost	**186,761**	117,487
Past service cost	**-**	-
Benefits paid	**-**	-
Actuarial (gain)/loss on obligation	**(203,021)**	(114,887)
Present value of obligation March 31	**20,459**	33,999

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

	As at March 31, 2011	As at March 31, 2010
Discount rate	**7.41%**	8.00%
Mortality	**L.I.C. (1994-96) Ultimate Table**	L.I.C. (1994-96) Ultimate Table
Future salary increases	**15%p.a**	10% p.a.
Disability	**-**	-
Attrition	**25%**	20% p.a.
Retirement	**60 yrs**	60 yrs

18.7.3 Segment Reporting

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

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

a) Segmental results for the year ended March 31, 2011 are set out below:

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	14,985,481	33,287,554	2,031,990	245,921	50,550,946
Less: Inter-segment					(3,900,764)
Revenue net of inter- segment					46,650,182
Result	8,694,927	7,982,004	(692,892)	85,651	**16,069,690**
Unallocated Expenses					5,147,905
Operating Profit					**10,921,785**
Income Taxes					3,650,407
Extra-ordinary Profit/(Loss)					-
Net Profit					**7,271,378**
Other Information:					
Segment assets	228,151,013	318,819,614	28,002,082	77,736	575,050,445
Unallocated assets					15,019,444
Total assets					**590,069,889**
Segment liabilities	85,790,677	363,131,695	53,918,771	290,761	503,131,904
Unallocated liabilities					86,937,985
Total liabilities					**590,069,889**

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

(₹ 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	5,625,080	5,835,025	(890,975)	49,827	10,618,957
Unallocated Expenses					3,354,103
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**

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, IPDI instruments, share capital and reserves and relevant interest and operating expenses which cannot be allocated to any segments have been classified as unallocated.
5. Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

18.7.4 Related Party Disclosures

a) As per AS 18 "Related Party Disclosures", prescribed by the Companies (Accounting Standards) Rules, 2006, the Bank's related parties for the year ended March 31, 2011 are disclosed below:

Individuals having significant influence:

- Mr. Rana Kapoor, Managing Director & CEO

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

- Mr. Rana Kapoor, Managing Director & CEO

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2011:

(₹ in thousands)

Items/Related Party Category	Wholetime directors / individual having significant influence	Maximum Balance during the year	Relatives of wholetime directors / individual having significant influence	Maximum Balance during the year
Deposits	#	#	71,963*	73,871
Interest paid	#		2,910	
Receiving of services	#		-	-
Dividend paid	#		-	-

* Represents outstanding as of March 31, 2011

In Financial Year 2010-11, there was only one related party in the said category, hence the Bank has not disclosed the details of transactions in accordance with circular issued by the RBI on March 29, 2003 "Guidance on compliance with the accounting standards by banks."

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, 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 KMP during the year ended March 31, 2010:

(₹ 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
Deposits	#	#	69,913*	92,428
Interest paid	#		3,961	
Receiving of services	#		-	

* Represents outstanding as of March 31, 2010

In 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 circular issued by the RBI on March 29, 2003 "Guidance on compliance with the accounting standards by banks."

18.7.5 Operating Leases

Lease payments recognised in the profit and loss account for the year ended March 31, 2011 was ₹ 833,371 thousands (Previous year: ₹ 823,443 thousands).

As at March 31, 2011 and 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:

(₹ in thousands)

Lease obligations	As at March 31, 2011	As at March 31, 2010
Not later than one year	820,619	603,862
Later than one year and not later than five years	3,426,064	2,676,943
Later than five years	647,754	568,791
TOTAL	**4,894,437**	**3,849,596**

The Bank does not have any provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

18.7.6 Earnings Per Share ('EPS')

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

The computation of earnings per share is given below:

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
Basic (annualised)		
Weighted average no. of equity shares outstanding	344,272,881	305,308,114
Net profit / (loss) (₹ '000)	7,271,378	4,777,393
Basic earnings per share (₹)	21.12	15.65
Diluted (annualised)		
Weighted average no. of equity shares outstanding	359,075,636	321,331,587
Net profit / (loss) (₹ '000)	7,271,378	4,777,393
Diluted earnings per share (₹)	20.25	14.87
Nominal value per share (₹)	10.00	10.00

18.7.7 ESOP disclosures

Statutory Disclosures Regarding Joining Stock Option Scheme:

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

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

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

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

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

YBL ESOP (PESOP I), a sub scheme of YBL ESOP, YBL PESOP II and YBL PESOP II - 2010, sub-schemes of YBL JESOP V/ PESOP II are Performance Stock Option Plans and are also administered by the Board Remuneration Committee of the Bank. Under YBL ESOP (PESOP I) vesting takes place at the end of each year from the grant date for 25% of the options granted and are settled with equity shares being allotted to the beneficiary upon exercise. Under YBL PESOP II, 30% of the granted options vest at the end of first year, 30% vest at the end of second year and balance 40% vest at the end of third year. Further grants under PESOP II had been discontinued with effect from January 20, 2010. Under YBL PESOP II – 2010, 30% of the granted options vest at the end of the third year, 30% vest at the end of the fourth year and balance vest at the end of the fifth year.

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

	Particulars	JSOP I	JESOP II	JESOP III	JESOP IV	YBL PESOP I	YBL PESOP II	JESOP V	PESOP II 2010
	Opening balance	1,114,779	1,571,950	2,924,961	3,893,500	4,005,300	13,646,150	1,835,000	NIL
Add:	Option granted during the year	-	-	-	-	-	-	2,261,000	4,533,000
Less:	Options exercised during the year	653,279	499,880	939,061	558,700	972,820	3,856,115	-	-
Less:	Options lapsed during the year	-	18,750	860,000	499,500	182,625	985,735	583,500	290,000
	Closing balance	461,500	1,053,320	1,125,900	2,835,300	2,849,855	8,804,300	3,512,500	4,243,000
	Approved by shareholders on	October 27, 2004	April 26, 2005	July 24, 2006	August 29, 2007	August 29, 2007	Sep 18, 2008	Sep 18, 2008	July 2, 2010
	Options granted and exercised during the year	-	-	-	-	-	-	-	-
	Options granted and eligible for exercising and exercised during the year	-	-	-	-	-	-	-	-

The Bank has charged ₹ Nil, being the intrinsic value of the stock options granted for the year ended March 31, 2011. 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 ₹ 224,012 thousands, the basic earnings per share would have been ₹ 20.47 per share instead of ₹ 21.12 per share; and diluted earnings per share would have been ₹ 19.63 per share instead of ₹ 20.25 per share.

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

Particulars	JSOP I	JESOP II	JESOP III	JESOP IV	YBL PESOP-I	YBL PESOP-II	JESOP V	PESOP II 2010
Risk free interest rate	*6.54% ~6.81%*	*6.73% ~7.45%*	*7.27% ~8.23%*	*7.48% ~8.55%*	*5.98% ~8.51%*	*4.96% ~8.51%*	*5.20% ~8.55%*	*5.83% ~7.49%*
Expected life	*6.5 yrs to 7.5 yrs*	*6.5 yrs to 7.5 yrs*	*6.5 yrs to 7.5 yrs*	*4.5 yrs to 7.5 yrs*	*1.5 yrs to 6 yrs*	*1.5 yrs to 4.5 yrs*	*4.5 yrs to 7.5 yrs*	*4.5 yrs to 7.5 yrs*
Expected volatility	*50.58%*	*35.97% ~ 49.92%*	*35.82% ~ 41.74%*	*39.94% ~ 64.92%*	*40.74% ~ 82.76%*	*61.31% ~ 82.76%*	*54.63% ~ 82.76%*	*39.75%~ 63.71%*
Expected dividends	*1.44%*	*1.13% ~ 1.23%*	*1.13%*	*1.13% ~ 1.5%*	*1.13% ~ 1.5%*	*1.5%*	*1.5%*	*1.5%*
The price of the underlying share in market at the time of option grant (₹)	*Not Listed*	*96.51*	*105.78*	*176.48*	*166.59*	*123.62*	*233.03*	*270.61*

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

18.7.8 *Deferred Taxation*

The net deferred tax asset of ₹ 1,060,994 thousands as at March 31, 2011 and ₹ 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:

(₹ in thousands)

Particulars	As at March 31, 2011	As at March 31, 2010
Deferred tax asset		
Depreciation	87,010	46,610
Provision for gratuity and unutilized leave	80,180	46,699
Provision for Non Performing Assets	63,016	64,481
Amortisation of premium on HTM securities	190,361	108,526
Provision for standard advances	502,532	337,139
Other Provisions	107,003	40,083
Securitization/ Others	30,892	9,390
Deferred tax asset	**1,060,994**	**652,928**

18.7.9 *Provisions and Contingencies*

The breakup of provisions of the Bank for the year ended March 31, 2011 and March 31, 2010 are given below:

(₹ in thousands)

	March 31, 2011	March 31, 2010
Provision for taxation	3,650,407	2,487,461
Provision for investments	(71,892)	154,103
Provision for standard advances	520,976	388,655
Provision made/ write off for non performing advances/ off balance sheet exposure	392,628	876,039
Other provisions	140,408	(50,335)
TOTAL	**4,632,527**	**3,855,923**

18.8 Other Disclosures

18.8.1 *Movement in Floating Provisions*

The bank has not created or utilized any floating provisions during the financial year ended March 31, 2011 and financial year ended March 31, 2010. The floating provision as at March 31, 2011 was ₹ Nil (Previous year: ₹ Nil).

18.8.2 *Drawdown on Reserves*

During the financial year ended March 31, 2011, the Bank has charged to Share Premium Account, an amount of ₹ 54,457 thousands on account of the possible disallowance of tax benefit on certain expenses incurred in the financial year ended March 31, 2006, in connection with the Initial Public Offering. In the Financial Year ended March 31, 2006, these expenses were charged net of taxes to the share premium account.

In financial year ended March 31, 2010 the Bank has utilized the share premium received from issue of shares under QIP to meet the share issue expenses of ₹ 146,065 thousands .

18.8.3 *Disclosure of complaints*

A. Customer Complaints

		Year ended March 31, 2011
i)	No. of Complaints pending at the beginning of the year	5
ii)	No. of Complaints received during the year	629
iii)	No. of Complaints redressed during the year	628
iv)	No. of Complaints pending at the end of the year	6

B. Awards passed by the Banking Ombudsman

		Year ended March 31, 2011
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*

(₹ in thousands)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
Total number of transactions	-	1
Book value of loan assets securitized	-	500,000
Sale consideration received for the securitized assets	-	501,444
Net gain/(loss) on sale on account of securitization	-	1,444
Additional consideration realized 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 ₹ 25,000.

18.8.6 *Letter of comfort*

The Bank has not issued any letter of comfort during the year ended March 31, 2011 and March 31, 2010.

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 recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
3.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4.	Other items for which the Bank is contingently liable	- Value dated purchase of securities - Capital commitments - Foreign Exchange Contracts (Tom and Spot)

18.8.8 Prior period comparatives

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

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

Akeel Master
Partner
Membership No.: 046768

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

Rana Kapoor
Managing Director & CEO

Bharat Patel
Director

S.L. Kapur
Non-Exetuive Chairman

Arun K. Mago
Director

Rajat Monga
Chief Financial Officer

Sanjeev Kapoor
Company Secretary

Mumbai
April 20, 2011

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

YES BANK is subject to the Basel II framework with effect from March 31, 2009 as stipulated by the Reserve Bank of India (RBI). The Basel II framework consists of three-mutually reinforcing pillars:

- Pillar 1 - Minimum capital requirements for credit risk, market risk and operational risk
- Pillar 2 - Supervisory review of capital adequacy
- Pillar 3 - Market discipline

Market discipline (Pillar 3) comprises a set of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in the following sections.

1. Scope of Application

YES BANK Limited is a publicly held bank; which was incorporated as a limited company under the Companies Act, 1956; on November 21, 2003. The Bank received the licence to commence banking operations from the 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, 2011, Yes Bank does not have any subsidiaries.

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

2. Capital Structure

Equity Capital

The Bank has authorized share capital of ₹ 4,000,000 thousands comprising 400,000,000 shares of ₹ 10/- each. As at March 31, 2011, the Bank has issued, subscribed and paid up equity shares 347,147,124 of ₹ 10 each amounting to ₹ 3,471,471 thousands. The Bank's shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). During the year 2010-11, the Bank has allotted 7,479,855 equity shares of ₹ 10 each for cash pursuant to exercise of employee stock options. The Bank accreted ₹ 765,939 thousands as premium on account of stock options exercised.

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

Innovative Perpetual Debt Instruments/ Tier II Instruments

In line with the RBI circular on capital adequacy, the Tier I capital of the Bank comprises of paid up equity share capital, statutory reserves, capital reserves, other disclosed free reserves and eligible Innovative Perpetual Debt Instruments (IPDI). The Tier II capital of the Bank includes 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 call options. Interest on IPDI is payable either annually or semi-annually. The Upper Tier II instruments are non convertible, unsecured and have a minimum tenor of fifteen years. Interest on Upper Tier II debt is payable either annually or semi-annually.

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

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

Innovative Perpetual Debt Instruments (IPDI)

The Bank has raised IPDI, eligible as Tier I Capital to the tune of ₹ 2,250,000 thousands during the year ended March 31, 2011.

The details of IPDI outstanding as at March 31, 2011 are given below:

Nature of security	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Bonds*	27-Jun-08	450 BPS over applicable LIBOR	Perpetual	214,400
Promissory Notes	21-Feb-09	10.25%	Perpetual	1,150,000
Promissory Notes	9-Mar-09	10.25%	Perpetual	390,000
Promissory Notes	5-Mar-10	10.25%	Perpetual	820,000
Promissory Notes	21-Aug-10	9.90%	Perpetual	2,250,000
TOTAL				**4,824,400**

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

Upper Tier II Instruments

The Bank has raised Upper Tier II Capital to the tune of ₹ 6,400,000 thousands during the year ended March 31, 2011. The details of Upper Tier II instruments outstanding as at March 31, 2011 are given below:

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Debentures	Tranche 1	2-Jan-07	9.73%	15 years	800,000
Debentures	Tranche 2	7-Feb-07	9.60%	15 years	336,000
Promissory Notes	Tranche 3	15-Mar-07	10.10%	15 years	100,000
Debentures	Tranche 4	14-Mar-07	10.00%	15 years	100,000
Debentures	Tranche 5	23-Mar-07	10.40%	15 years	600,000
Promissory Notes	Tranche 6	31-Mar-07	10.40%	15 years	50,000
Debentures	Tranche 7	20-Apr-07	10.40%	15 years	20,000
Debentures	Tranche I	29-Sep-07	10.70%	15 years	1,820,000
Debentures	Tranche II	8-Nov-07	10.70%	15 years	100,000
Bonds*	Not Applicable	27-Jun-08	300 BPS over applicable LIBOR	15 years	3,430,400
Debentures	Not Applicable	15-Sep-08	11.75%	15 years	2,000,000
Bonds**	Not Applicable	30-Sep-09	380 BPS over applicable EURIBOR	15 years	927,633
Debentures	Not Applicable	14-Aug-10	9.65%	15 years	4,400,000
Debentures	Not Applicable	8-Sep-10	9.50%	15 years	2,000,000
TOTAL					**16,684,033**

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

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

Lower Tier II Instruments

The Bank has raised Lower Tier II Capital to the tune of ₹ 3,064,000 thousands during the year ended March 31, 2011. The details of Lower Tier II instruments outstanding as at March 31, 2011 are given below:

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Debentures	Not Applicable	2-Mar-06	One year commercial Paper benchmark rate plus 55 basis points, reset annually	7 years and 6 months	1,000,000
Promissory Notes	Not Applicable	7-Nov-06	9.10%	9 years and 6 months	1,800,000
Debentures	Tranche I	29-Sep-07	10.00%	9 years and 7 months	100,000
Debentures	Tranche II	30-Nov-07	10.15%	9 years and 6 months	71,000
Debentures	Tranche III	12-Dec-07	10.15%	9 years and 6 months	10,000
Debentures	Tranche IV	7-Feb-08	10.00%	9 years and 3 months	368,000
Debentures	Not Applicable	30-Sep-09	9.65%	10 years and 7 months	2,600,000
Debentures	Not Applicable	22-Jan-10	9.65%	10 years	3,000,000
Debentures	Not Applicable	30-Sep-10	9.30%	9 years and 7 months	3,064,000
TOTAL					**12,013,000**

Capital Funds

The composition of Capital funds of the Bank as at March 31, 2011 is as below:

Particulars	₹ in thousands
A. Tier I Capital	
i. Paid up Share Capital	3,471,471
ii. Reserves	34,468,931
iii. Innovative Perpetual Debt Instruments*	4,824,400
iv. Amounts deducted from Tier I capital (Illiquidity adjustment and other deductions)	(1,114,185)
Tier I Capital	**41,650,617**
* includes USD 5,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹ 42.88	
B. Tier II Capital	**29,542,501**
C. Debt capital instruments eligible for inclusion in Upper Tier II Capital	
i. Total amount outstanding	16,684,033
ii. Of which amount raised during the current year	6,400,000
iii. Amount eligible to be reckoned as capital funds	16,684,033
The total amount outstanding and the amount eligible to be reckoned as capital funds includes:	
(a) Issue of USD 80,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹ 42.88	
(b) Issue has been made of EURO 13,250,000 converted at foreign exchange rate on date of borrowing 1 Euro = ₹ 70.01	

Particulars		₹ in thousands
D.	Subordinated Debt eligible for inclusion in Lower Tier II Capital	
	i. Total amount outstanding	12,013,000
	ii. Of which amount raised during the current year	3,064,000
	iii. Amount eligible to be reckoned as capital funds	11,413,000
E.	Other deductions from capital	-
F.	Total eligible Capital (A + B)	**71,193,118**

3. Capital Adequacy

The Bank is subject to the Capital adequacy norms on Basel II as stipulated by the RBI. The Bank currently follows standardised approach for credit risk, standardised duration approach for market risk and basic indicator approach for operational risk for computing capital requirements.

As at March 31, 2011, the Bank is required to maintain minimum capital which is higher of the capital requirement under Basel II or 80.0% (90.0% as at March 31, 2010) of the capital requirement under Basel I. As at March 31, 2011, 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, 2011 and March 31, 2010 is as per Basel II guidelines.

The Bank has put in place a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP) as stipulated by RBI. The main components of the ICAAP Policy are the Bank's historical and projected financial and capital position, risk appetite of the Bank, identification and assessment of material risks Bank is exposed to, control framework to mitigate those risks, adequacy of capital, capital raising plans and Bank wide stress testing.

The Bank also conducts standalone and integrated stress testing covering all quantifiable risk to assess the adequacy of capital under the extreme but plausible scenarios on periodical basis.

The integration of risk assessment with business activities and strategies facilitated by a robust risk management framework under ICAAP enables the Bank to take informed decisions and effectively manage risk-return trade off.

The Bank under the ICAAP policy has also formalized capital planning process on periodical basis. This includes assessment of capital adequacy, desired level of capital based on internal thresholds, anticipated capital requirements based on business projections and availability of various sources of capital. The same is also reported and analysed in its Board of Directors meeting on quarterly basis.

Capital adequacy		₹ in thousands
A.	**Capital requirements for credit risk**	
	i. Portfolios subject to standardised approach	38,027,562
	ii. Securitisation exposures	-
B.	**Capital requirements for market risk**	**3,570,643**
	Standardised duration approach	
	Interest rate risk	3,369,854
	Foreign exchange risk (including gold)	150,000
	Equity risk	50,609
C.	**Capital requirements for operational risk**	
	Basic Indicator approach	1,544,956
D.	**Tier I and Total Capital Adequacy ratio**	
	Tier I Capital Adequacy ratio	9.65%
	Total Capital Adequacy ratio	16.50%

Risk Management Framework

The risk management framework at YES BANK is driven by a well informed and knowledgeable Board, largely comprised of independent directors, and Senior Management.

At YES BANK the Board fulfills the following roles:

- Oversee the risk profile of the bank
- Monitor the business and the existing control mechanisms
- Ensure expert management
- Maximize the interests of all the stakeholders

The Board has two board level committees (Risk Management Committee (RMC) and Audit & Compliance Committee) to deal with risk management related specific matters and delegated powers for different functional areas.

Senior Management Oversight

For an effective day to day risk management including risk assessment, measurement, control and reporting at YES BANK, a pro-active risk management department reporting to the Chief Risk Officer of the Bank has been structured.

The respective unit leaders forming the senior management within the Risk Management Unit have teams reporting into them and they handle the identified business sub-function. The various units within the Risk Management Unit are as below:

- **Credit Risk:** This unit is responsible for approving and monitoring credits. There are separate risk heads for each of the business segments – viz. Corporate & Institutional Banking (CIB), Commercial Banking (CB), Business Banking and Retail Banking.
- **Credit Management:** Responsible for all post sanction monitoring including setting up of limits, compliance with sanction conditions, monitoring of documentation, covenants, etc.
- **Portfolio Analytics:** Responsible for monitoring the credit portfolio across all segments including monitoring of early warning signals, conducting industry research and formulating industry outlook etc.
- **Market Risk:** Responsible for monitoring the market risk in the Bank's portfolio. The market risk unit consists of exposure management/ derivative appropriateness, trading book and ALM/banking book functions.
- **Capital Compliance:** Responsible for BASEL II compliance, ICAAP review, Bankwide Stress testing and ensuring that the Bank maintains sufficient capital against the various risks that are identified.
- **General Counsel (Legal):** Responsible for managing the entire legal function.

In addition to the above, the following Committees comprising top and senior management personnel are a part of the risk framework:

- **Management Credit Committee:** The committee comprises of the MD & CEO, CRO, Deputy CRO, risk heads and business heads and is responsible for all credit approvals for exposures beyond certain threshold. The committee also oversees the overall credit risk management for the Bank.
- **Asset - Liability Management Committee (ALCO):** ALCO is responsible for adherence to the policies and limits set by the RMC as well as for deciding the business strategy on the assets and liabilities sides in line with the Bank's business and risk management objectives. ALCO also reviews the capital position of the Bank in its periodical meetings.
- **Investment Committee:** The ALCO has set up Investment Committee as its sub-committee comprising of representatives from Financial Markets, Market risk, Credit risk, Finance and Legal. The Investment committee is responsible for overall investment strategy in Financial Markets.
- **Operational Risk Management Committee (ORMC):** This committee is chaired by the CRO and is responsible for operational risk management.
- **Fraud and Suspicious Transaction Monitoring Committee (FASCOM):** To review all fraud and suspicious transactions.
- **Security Council:** This committee is chaired by the CRO and is responsible for the physical and information security aspects of the Bank.

4. Credit Risk

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

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

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

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

Policies and Processes

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

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

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

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

The credit proposals are examined in depth by the sanctioning authorities, under the "three initial system" of sanction. This system establishes line accountability for credit decisions and combines credit approval authorities and Discretionary Powers. The creditworthiness and assessment of credit requirement are evaluated and determined in line with the risk rating of the borrower and the credit facilities are sanctioned accordingly. In case of program/policy based products, delegations are given to individual executives.

Credit Proposals beyond certain threshold are sanctioned by a Management Credit Committee which comprises the MD & CEO, Chief Risk Officer, President/Heads of Business & Risk.

Structure and Organization of the Credit Risk Management Function

The Credit Risk Management Department (CRMD) is delegated with specific responsibilities of managing the credit risk in the Bank by the RMC.

The CRMD is headed by the Chief Risk Officer who is assisted by Deputy Chief Risk Officer, Country Head (Corporate & Institutional Banking Credit), Country Head (Commercial Banking Credit), Country Head (Business Banking Credit), Country Head (Retail Banking Credit), Head (Market Risk), Head (Corporate Finance Credit), Head (Credit Mid Office), Head (Operational Risk), Portfolio Analytics Unit & Capital Compliance Unit. The CRMD is accountable for protecting the quality of the entire loan/investment portfolio and would undertake portfolio evaluations and conduct comprehensive studies on the environment to test the resilience of the loan portfolio.

Credit Monitoring, Reporting and Measurement:

The credit risk management function is largely centralized at Head Office for both credit approvals and disbursements. It is well structured and staffed to ensure that the credit policy and regulatory requirements are adhered to and implemented. Post sanction, an independent Credit 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 assigns the credit ratings to the customers based on their financial data, industry characteristics, business positioning and other non financial parameters. The core banking system is used to control and monitor utilization of limits under various products by customer and is also the repository for information on past dues and excesses. There is also a post disbursal tracking system that is used for monitoring appraisal conditions, financial covenants, documentation status etc.

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 asset quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating the risks to the Bank. The main objectives of Credit Monitoring are:

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

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

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

Credit Concentration Risk

Concentration Risk is defined as a risk arising from any single exposure or a group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets or overall risk level) to threaten a bank's health or ability to maintain its core operations.

Types of Concentration Risks

There are two main types of concentration risks:

Single name – Large exposure

The risk here is that of a potential default by large customers which may adversely impact the profitability and capital adequacy of the Bank.

Sector Risk – Large exposure

This concentration risk arises from a group of exposures that share a common underlying characteristic (e.g. sector). The risk here is that of a business downturn in the sector or potential default by companies of the same sector thereby impacting the profitability and capital adequacy of the Bank.

Monitoring, mitigation and control of Concentration Risk

Managing concentration involves prescribing internal limits for exposures across industries, ratings, maturities or as basic as restricting lending to potential large borrowers at the portfolio level. Such limits require proper monitoring and internal controls such that specific events do not trigger large losses that will eventually undermine YES BANK's financial position.

In addition to the credit exposure limits, the Bank controls and limits concentration risk among its borrowers at the portfolio level by assessing:

- Rating-wise distribution of its borrowers to ensure that Bank is not highly concentrated towards lower rated customers
- Single Borrower Limit (SBL) and Group Borrower Limit (GBL) to ensure that Bank is not lending to few large customer/ companies or few companies under the same parent company
- Industry/Sectoral Caps as a percentage of total portfolio to ensure that stress on a particular sector has a limited impact on the Bank's profitability or CRAR
- Maturity-wise distribution of its borrowers to ensure that borrowers are not concentrated towards particular tenor buckets
- Maximum limit on percentage of unsecured loans to total loans and advances
- Specified Limits for sensitive sectors such as Real Estate and Capital Market
- Monitoring of risk concentration through active portfolio management

Policies for Hedging and Mitigating Credit Risk:

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

Definition and Classification of Non-Performing Assets (NPA)

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

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

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

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

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

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

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

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

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

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

vii. An account would be classified as NPA 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 more than 90 days and is classified as NPA for a period of 12 months from the date of such classification.
  - **Doubtful Assets:** i.e. an NPA that remains Sub-standard Asset for a period of 12 months.
  - **Loss Assets:** An asset that is identified as uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

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

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

(₹ in thousands)

Type of exposure	Domestic		
	Exposure*	Exposure netted by FD lien	Exposure backed by Eligible Guarantees
Fund Based	531,924,765	18,402,790	519,038
Non-Fund Based**	185,058,897	42,892,542	2,209,146
TOTAL	**716,983,662**	**61,295,332**	**2,728,184**

*Represents book value as at March 31, 2011

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

The Bank has no gross overseas credit exposure (Fund or Non-fund**) as at March 31, 2011.

Industry type distribution of Exposure* as at March 31, 2011

(₹ 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
Coal	8,050,812	-	-	1,858,005	666,747	-	9,908,817
Mining	592,268	-	-	610,257	42,140	-	1,202,525
Iron & Steel	15,439,267	2,526	293,805	7,778,874	345,445	-	23,218,141
Other Metal & Metal Products	166,768	2,036	-	3,256,124	246,657	-	3,422,892
All Engg.	**11,037,943**	**2,666**	**-**	**11,252,249**	**371,178**	**-**	**22,290,192**
- Of which Electronics	47,069	-	-	161,303	1,142	-	208,372
Electricity	1,566,887	98,271	-	1,411,906	-	-	2,978,793
Cotton Textiles	4,082,118	8,400	-	971,694	67,900	-	5,053,812
Other Textiles	83,222	3,041	-	339,218	4,935	-	422,440
Sugar	6,897,687	524,443	-	382,487	-	-	7,280,174
Tea	707,905	-	-	79,776	30	-	787,681
Food Processing	20,159,234	80,000	-	976,892	317,029	-	21,136,126
Vegetable Oils	2,211,771	-	-	6,086,700	3,173,552	-	8,298,471
Rubber & Rubber Products	24,287	-	-	8,930	893	-	33,217
Chemicals, Dyes & Paints	**19,256,132**	**361,210**	**-**	**5,020,991**	**304,622**	**-**	**24,277,123**
- Of which Fertilisers	11,079,056	-	-	2,297,515	1,182	-	13,376,571
- Of which Drugs & Pharmaceuticals	4,054,531	337,382	-	627,644	201,344	-	4,682,175
- Of which Petro-Chemicals	23,594	-	-	-	-	-	23,594
Cement	13,643,878	-	-	684,338	-	-	14,328,216
Gems & Jewellery	2,156,693	417	-	8,667,503	6,023,873	-	10,824,196
Construction#	13,861,446	1,457,870	-	26,454,203	771,264	-	40,315,649
Petroleum	1,388,569	-	-	7,684,610	35,891	-	9,073,179
Automobiles including trucks	13,723,052	19,141	-	3,589,096	31,095	-	17,312,148
Computer Software	3,511,071	863	70,135	578,087	17,812	-	4,089,158
Power#	23,855,292	970,347	-	18,735,418	1,998,138	-	42,590,710
Telecommunications#	28,424,637	93,747	-	13,215,234	157,969	-	41,639,871
Roads & Ports	6,977,842	411,000	-	4,144,785	103,630	-	11,122,627
Infrastructure (Others)	10,377,982	341,591	-	4,405,894	285,079	-	14,783,876
NBFC	33,325,498	1,325,190	-	43,845	12,953	-	33,369,343
Trading#	13,234,675	3,987,565	142,059	26,400,429	21,239,672	-	39,635,104
Paper & Paper Products	4,797,243	-	-	1,097,117	5,425	-	5,894,360
Leather & Leather Products	182,695	-	-	40,499	2,375	-	223,194
Other Industries	163,625,019	8,256,357	13,039	28,637,496	6,019,998	2,209,146	192,262,515
Residual	108,562,872	456,109	-	646,240	646,240	-	109,209,112
Grand Total	**531,924,765**	**18,402,790**	**519,038**	**185,058,897**	**42,892,542**	**2,209,146**	**716,983,662**

* Represents book value as at March 31, 2011

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

Exceeds 5% of the gross credit exposure (before FD lien netting)

Residual Contractual maturity breakdown of assets

(₹ in thousands)

Maturity Bucket	Cash, Balances with RBI and other banks	Investments	Advances	Other assets including Fixed assets
1 day	116,076	-	2,857,636	19,334
2 days to 7 days	3,146,715	-	10,160,909	326,628
8 days to 14 days	1,725,553	-	10,157,440	100,522
15 days to 28 days	2,378,344	1,591,278	23,101,268	2,743,805
29 days to 3 months	8,164,767	29,744,027	71,840,323	1,245,693
Over 3 to 6 months	4,569,656	11,870,150	47,846,376	501,757
Over 6 to 12 months	7,322,734	6,624,856	43,012,885	390,422
Over 1 year to 3 years	4,479,992	27,359,778	80,594,485	12,793,521
Over 3 years to 5 years	749,195	27,634,956	25,256,352	594,183
Over 5 years	2,306,732	83,463,333	28,808,713	4,469,495
TOTAL	**34,959,764**	**188,288,378**	**343,636,387**	**23,185,360**

Movement of NPA (Gross) and Provision for NPAs - March 31, 2011

Particulars			(₹ in thousands)
A.	**Amount of NPAs (Gross)**		**805,242**
	Substandard		392,128
	Doubtful 1		413,114
	Doubtful 2		-
	Doubtful 3		-
	Loss		-
B.	**Net NPAs**		**91,536**
C.	**NPA Ratios**		
	i.	Gross NPAs to Gross Advances	0.23%
	ii.	Net NPAs to Net Advances	0.03%
D.	**Movement of NPAs (Gross)**		
	Opening Balance as at April 1, 2010		602,020
	Additions during the year		498,168
	Reductions during the year		294,946
	Closing Balance as at March 31, 2011		805,242
E.	**Movement of Provisions for NPAs**		
	Opening Balance as at April 1, 2010		472,142
	Provisions made during the year		491,970
	Write-offs of NPA provision		116,685
	Write backs of excess provisions		133,721
	Closing Balance as at March 31, 2011		**713,706**

NPI (Gross), Provision for NPI and Movement in Provision for Depreciation on Investments – March 31, 2011

Particulars		(₹ in thousands)
A.	Amount of Non - Performing Investment (NPI)	-
B.	Amount of provisions held for NPI	-
C.	Movement of provisions for depreciation on investments	
	Opening Balance as at April 1, 2010	192,245
	Add/(Less): Provisions made during the year	(71,892)
	Closing Balance as at March 31, 2011	**120,353**

5. Credit Risk: Portfolios subject to the Standardised approach

Ratings used under standardised approach

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

(₹ in thousands)

Risk Weight Bands	Fund Based Exposure	Non-Fund Based**	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	285,570,406	56,793,054	342,363,460	5,145,270	-	2,724,170
100% risk weight	216,831,801	122,507,187	339,338,988	52,719,712	-	4,014
Above 100% risk weight	29,522,558	5,758,656	35,281,214	3,430,350	-	-
Deducted	-	-	-	-	-	-
TOTAL	**531,924,765**	**185,058,897**	**716,983,662**	**61,295,332**	**-**	**2,728,184**

**Represents book value as at March 31 ,2011*

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

6. Credit Risk Mitigation – Disclosures for standardised Approaches

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

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

The total exposure that is covered by guarantees and eligible financial collateral has been disclosed for each industry sector separately in the earlier section.

7. Securitization: Disclosure for Standardised Approach

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

The objective of securitizing asset 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.

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 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 warehousing and pipeline risk, the Bank has not undertaken any warehousing transactions during the year ended March 31, 2011. 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 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 has processes in place to monitor the purchased securitization exposures by way of monthly review of servicer reports. Further, for managing the interest rate risk in the purchased securitized assets, the Bank uses PVBP as a sensitivity measure and VaR which is monitored on a periodical basis.

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

Banking Book – Securitization Exposures

During the year ended March 31, 2011, the Bank did not undertake any securitization transaction in its Banking Book.

The Bank does not have any securitization exposure (retained or purchased) in its Banking book as at March 31, 2011.

Trading Book – Securitization Exposures

In its Trading Book, the Bank has no retained exposures for exposures securitized by the Bank as at March 31, 2011.

The details of on – balance sheet and off balance sheet securitization exposures purchased and outstanding as at March 31, 2011 is given below.

(₹ in thousands)

Particulars	Amount of on balance sheet securitization exposure*	Amount of off balance sheet securitization exposure
Housing finance	609,402	-
Auto Finance	453,059	-
Micro Finance	-	-
Corporate	2,000,000	-
TOTAL	**3,062,461**	**-**

* 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.

(₹ in thousands)

Particulars	Housing finance	Auto Finance	Micro Finance	Corporate
Below 100% risk weight	35,786	11,841	-	116,770
100% risk weight	-	-	-	-
Above 100% risk weight	-	-	-	-
Deducted	-	-	-	-
TOTAL	**35,786**	**11,841**	**-**	**116,770**

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

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

- Risk management and reporting is based on globally accepted parameters such as Modified Duration, PVO1, Exposure and Gap Limits, VaR, etc. As per the Market Risk Policy, limits have been set for Forex Open Position limits (Daylight / Overnight), stop-loss limit, Sensitivities and VaR and the same are monitored on a daily basis.
- Back testing of the current VaR model carried out 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, 2011	(₹ in thousands)
Interest rate risk	3,369,854
Equity position risk	50,609
Foreign Exchange risk	150,000
Total capital required for Market Risk	**3,570,463**

9. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational Risk includes legal risk but excludes strategic risk and reputation risk.

Operational Risk Management Governance and Framework

The Bank has in accordance with the regulatory guidelines, implemented a comprehensive board approved Operational Risk Management Policy to put in place an operational risk management process as an integral part of its overall Risk Management Architecture. The overall objective of the policy is:

- Determine Bank's appetite for Operational Risk
- Framework to identify, assess and monitor operational risk for effective mitigation
- Strengthen overall control environment at the Bank
- Improvement in customer service and minimse operational losses

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

- Establish clear lines of management responsibility, accountability, and reporting in such a manner that they are distinct to avoid conflict of interest
- Vetting of new products and processes from the operational risk perspective
- Implement RCSA framework
- Review all operational loss incidents and near misses and suggest process improvements and mitigants
- Review of recent developments around the globe, and any key controls required from operational risk perspective

Additionally, and with a view to ensure sound practices in respect of governance of the overall operational risk, the Bank has outlined policies and processes in respect of Information and Physical Security; Outsourcing; Business Continuity Planning and IT Disaster Recovery; Records Management; Fraud Control and Customer Service.

For effective implementation of the above policies Bank has also put in place various committee's such as:

- Security Council committee (Physical and Information)
- Outsourcing Management committee
- Fraud Monitoring and Suspicious Transaction Monitoring Committee
- Standing Committee on Customer Service and Service Excellence Committee

These committees' meet on a predefined frequency to discuss the implementation of best practices/risk management frameworks, various related events within the Bank, recent development and key actions steps required if any. The minutes of these meetings are reported and discussed in Risk Monitoring Committee as well as to the Board of Directors.

Identification, Assessment, Mitigating, Reporting and Measurement

The Bank has implemented a systematic process for identifying, assessing and recording operational risk events – with or without financial impact on a periodical basis. These events are then analysed for root cause and corrective actions are implemented.

The Bank has adopted best practices in mitigating operational risk in transaction processing, adherence to defined policies and laws, customer documentation and business continuity through:

- Well defined, documented and updated process manuals and policies
- Internal Audit of the units
- Centralized processing at National Operating Centers
- Segregation of duties, maker checker concept, automated processes
- Transaction monitoring and analysis
- Additional checks for high value transactions, reconciliation of accounts and data, control MIS for various limits, periodical trainings, standardised documentations, authorization matrix, regular process reviews and BCP/DR testing

The Bank has also taken insurance for certain types of operational risk including bankers indemnity, cash movement, electronic and cyber crimes and fixed assets.

Approach for Computation of Capital Charge for Operational Risk

In accordance with Reserve Bank of India guidelines, the Bank has adopted the Basic Indicator Approach (BIA) for measurement of Operational Risk. The Bank is also undertaking analysis for migration to advanced approaches for computation of Capital Charge for Operational Risk.

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 on 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 ALCO is responsible for evolving appropriate systems and procedures for ongoing identification and analysis of IRRBB under the guidance of the RMC. RMC reviews various decisions taken by the ALCO for managing IRRBB. The ALM and 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 tenor 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 and Current deposits are considered as rate sensitive for DGAP purpose based on behavioral analysis as per RBI guidelines.

Impact of Interest rate Risk

1. Impact on Net Interest Income (with 1% change in interest rates for assets and liabilities pertaining to solely Banking Book) ₹ 34,824 thousands.
2. Impact on Economic value of Equity (EVE) (with 1% change in interest rates for assets and liabilities) ₹ 3,752,710 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.