Disclosures under the New Capital Adequacy Framework Pillar III (Basel II) (Standalone)

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

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

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

1. Scope of Application

YES BANK Limited is a publicly held bank; which was incorporated as a limited company under the Companies Act, 1956, on November 21, 2003. The Bank received the licence to commence banking operations from the Reserve Bank of India ('RBI') on May 24, 2004. Further, YES BANK was included to the Second Schedule of the Reserve Bank of India Act, 1934 with effect from August 21, 2004. The Bank has incorporated a wholly owned subsidiary named YES Securities (India) Limited during the financial year ended March 31, 2013 and will have its first fiscal year ending on March 31, 2014.

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

2. Capital Structure

Equity Capital

The Bank has authorised share capital of ₹ 6,000,000 thousands comprising 600,000,000 shares of ₹ 10/- each. As at March 31, 2013, the Bank has issued, subscribed and paid up equity shares 358,622,289 of ₹ 10 each amounting to ₹ 3,586,223 thousands. The Bank's shares are listed on the National stock exchange (NSE) and Bombay stock Exchange (BSE). During the year 2012-13, the Bank has allotted 5,634,865 equity shares of ₹ 10 each for cash pursuant to exercise of employee stock options. The Bank accreted ₹ 756,774 thousands as premium on account of stock options exercised.

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

Innovative Perpetual Debt Instruments/ Tier II Instruments

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

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

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

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

Innovative Perpetual Debt Instruments (IPDI)

The Bank has raised IPDI, eligible as Tier I Capital to the tune of ₹ 1,400,000 thousands during the year ended March 31, 2013.

The details of IPDI outstanding as at March 31, 2013 are given below:

Nature of security	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Bonds*	27-Jun-08	450 BPS over applicable LIBOR	Perpetual	214,400
Promissory Notes	21-Feb-09	10.25%	Perpetual	1,150,000
Promissory Notes	9-Mar-09	10.25%	Perpetual	390,000
Promissory Notes	5-Mar-10	10.25%	Perpetual	820,000
Promissory Notes	21-Aug-10	9.90%	Perpetual	2,250,000
Promissory Notes	19-March-12	10.50%	Perpetual	1,500,000
Promissory Notes	29-June-12	10.50%	Perpetual	1,400,000
TOTAL				**7,724,400**

** 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 ₹ 7,041,000 thousands during the year ended March 31, 2013. The details of Upper Tier II instruments outstanding as at March 31, 2013 are given below:

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Debentures	Tranche 1	2-Jan-07	9.73%	15 years	800,000
Debentures	Tranche 2	7-Feb-07	9.60%	15 years	336,000
Promissory Notes	Tranche 3	15-Mar-07	10.10%	15 years	100,000
Debentures	Tranche 4	14-Mar-07	10.00%	15 years	100,000
Debentures	Tranche 5	23-Mar-07	10.40%	15 years	600,000
Promissory Notes	Tranche 6	31-Mar-07	10.40%	15 years	50,000
Debentures	Tranche 7	20-Apr-07	10.40%	15 years	20,000
Debentures	Tranche I	29-Sep-07	10.70%	15 years	1,820,000
Debentures	Tranche II	8-Nov-07	10.70%	15 years	100,000
Bonds*	Not Applicable	27-Jun-08	300 BPS over applicable LIBOR	15 Years	3,430,400
Debentures	Not Applicable	15-Sep-08	11.75%	15 Years	2,000,000
Bonds**	Not Applicable	30-Sep-09	380 BPS over applicable EURIBOR	15 Years	927,633
Debentures	Not Applicable	14-Aug-10	9.65%	15 Years	4,400,000
Debentures	Not Applicable	8-Sep-10	9.50%	15 Years	2,000,000
Debentures***	Not Applicable	30-Mar-12	482 bps over applicable LIBOR	15 Years	3,815,625
Promissory Notes	Not Applicable	29-Jun-12	10.25%	15 Years	600,000
Promissory Notes	Not Applicable	28-Sep-12	10.15%	15 Years	2,000,000
Debentures	Not Applicable	10-Nov-12	10.25%	15 Years	2,750,000
Promissory Notes	Not Applicable	27-Dec-12	10.05%	15 Years	1,691,000
TOTAL					**27,540,658**

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

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

**** Issue has been made of USD 75,000,000 converted at foreign exchange rate on date of borrowing1$ = ₹ 50.87*

Lower Tier II Instruments

The Bank has raised Lower Tier II Capital to the tune of ₹ 10,597,000 thousands during the year ended March 31, 2013. The details of Lower Tier II instruments outstanding as at March 31, 2013 are given below:

Nature of security	Tranche	Date of Issue	Coupon Rate (%)	Tenure	₹ in thousands
Debentures	Not Applicable	2-Mar-06	One year commercial Paper benchmark rate plus 55 basis points, reset annually	7 years and 6 months	1,000,000
Promissory Notes	Not Applicable	7-Nov-06	9.10%	9 years and 6 months	1,800,000
Debentures	Tranche I	29-Sep-07	10.00%	9 years and 7 months	100,000
Debentures	Tranche II	30-Nov-07	10.15%	9 years and 6 months	71,000
Debentures	Tranche III	12-Dec-07	10.15%	9 years and 6 months	10,000
Debentures	Tranche IV	7-Feb-08	10.00%	9 years and 3 months	368,000
Debentures	Not Applicable	30-Sep-09	9.65%	10 years and 7 months	2,600,000
Debentures	Not Applicable	22-Jan-10	9.65%	10 years	3,000,000
Debentures	Not Applicable	30-Sep-10	9.30%	9 Years and 7 months	3,064,000
Debentures	Not Applicable	25-Jul-11	10.30%	10 Years	3,215,000
Debentures	Not Applicable	28-Oct-11	10.20%	10 Years	2,430,000
Debentures	Not Applicable	28-Mar-12	9.90%	10 Years	3,000,000
Debentures	Not Applicable	23-Aug-12	10.00%	10 Years	3,000,000
Debentures	Not Applicable	10-Sep-12	10.00%	10 Years	3,000,000
Promissory Notes	Not Applicable	16-Oct-12	10.00%	10 Years	2,000,000
Debentures	Not Applicable	31-Oct-12	9.90%	10 Years	2,597,000
TOTAL					**31,255,000**

Capital Funds

The composition of Capital funds of the Bank as at March 31, 2013 is as below:

A. Tier I Capital	₹ in thousands
i. Paid up Share Capital	3,586,223
ii. Reserves	54,392,769
iii. Innovative Perpetual Debt Instruments*	7,724,400
iv. Amounts deducted from Tier I capital (Deferred tax asset, Illiquidity adjustment and other deductions)	(1,941,883)
Tier I Capital	**63,761,509**
* includes USD 5,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹ 42.88	
B. Tier II Capital	**59,190,103**
C. Debt capital instruments eligible for inclusion in Upper Tier II Capital	
i. Total amount outstanding	28,701,984
ii. Of which amount raised during the current year	7,041,000
iii. Amount eligible to be reckoned as capital funds	27,540,658

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

(c) Issue has been made of USD 75,000,000 converted at foreign exchange rate on date of borrowing 1$ = ₹ 50.875

D. Subordinated Debt eligible for inclusion in Lower Tier II Capital	
i. Total amount outstanding	31,255,000
ii. Of which amount raised during the current year	10,597,000
iii. Amount eligible to be reckoned as capital funds	29,425,200
E. Other deductions from capital	-
F. Total eligible Capital (A + B)	**122,951,612**

3. Capital Adequacy

The Bank is subject to the Capital adequacy norms on Basel II as stipulated by the Reserve Bank of India ('RBI'). The Bank currently follows 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, 2013, the Bank is required to maintain minimum capital which is higher of the capital requirement under Basel II or 80.0% (80% as at March 31, 2012) of the capital requirement under Basel I. As at March 31,2013, 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, 2013 and March 31, 2012 is as per RBI guidelines (New Capital Adequacy Framework (NCAF) dated July 01, 2012, generally referred to as Basel II).

The Bank has put in place a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP) as stipulated by RBI. The main components of the ICAAP Policy are the Bank's historical and projected financial and capital position, risk appetite of the Bank, identification and assessment of material risks the 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 risks 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 has also formalised 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	**55,347,024**
i. Portfolios subject to standardised approach	55,347,024
ii. Securitisation exposures	-
B. Capital requirements for market risk	**8,782,957**
Standardised duration approach	
Interest rate risk	8,539,695
Foreign exchange risk (including gold)	150,000
Equity risk	93,262
C. Capital requirements for operational risk	**3,102,360**
Basic Indicator approach	3,102,360
D. Total and Tier I Capital Adequacy ratio	
Tier I Capital Adequacy ratio	9.5%
Total Capital Adequacy ratio	18.3%

Risk Management Framework

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

The Board has the overall responsibility for risk management in the Bank. There are two Board level sub-committees (Risk Monitoring Committee and Audit & Compliance Committee) to deal with risk management related specific matters and delegated powers for different functional areas.

Risk Monitoring Committee is a board level sub-committee and is an independent body that puts in place specific policies and procedures for managing enterprise wide risk framework of the Bank, as per RBI's Guidance Note on the same.

Audit & Compliance Committee is also a Board level sub-committee which oversees the internal audit and compliance function. The Internal audit function is responsible for the independent review of risk management and the control environment.

Senior Management Oversight

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

The Bank is structured across different business verticals with product teams supporting each of the businesses. The Risk department is structured with separate Risk Units for each of the business verticals. The various units within Risk Management Unit are as below:

- **Credit Risk**: This unit is responsible for approving credits. There are separate risk heads for each of the business segments – viz. Corporate & Institutional Banking/Government Relationship Banking/Indian Financial Institutions/Multi National Corporates/International Banking, Corporate Finance, Emerging Corporates Banking, Business Banking and Retail Banking.
- **Credit Administration:** Responsible for all post sanction monitoring including setting up of limits, compliance with sanction conditions, monitoring of documentation, covenants, etc.
- **Portfolio Analytics:** Responsible for monitoring the credit portfolio across all segments including monitoring of early warning signals, conducting industry review and formulating industry outlook, identifying portfolio trends, reviewing credit policies and programs, generating portfolio level MIS covering various credit quality indicators like sectoral exposure, credit concentration, ratings distribution and migration
- **Market Risk:** Responsible for monitoring the market risk in the Bank's portfolio. The market risk unit consists of exposure management/derivative appropriateness, trading book and ALM/banking book functions.
- **Capital Compliance**: Responsible for BASEL II compliance, ICAAP, Bankwide Stress testing and ensuring that the Bank maintains sufficient capital against the various risks that are identified.
- **Operational Risk:** Responsible for assessing and monitoring Operational Risk, Outsourcing Risk and Business Continuity of the Bank.
- **CISO:** Responsible for assessing and monitoring Information Security of the Bank, security testing of various Information Technology components, collation of Information Security events and highlighting the risks to the appropriate stakeholders.
- **General Counsel (Legal)**: Responsible for managing the entire legal function

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

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

4. Credit Risk

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

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

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

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).

Policies & Processes

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

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

Risk identification and assessment is the first step in the credit risk management system. In case of wholesale segment, credit risk inherent in credit proposal is assessed by evaluating the below mentioned risk factors among others:

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

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

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

For the retail assets business, the Bank has various products programs in line with the relevant product needs of customers. The product programs generally address areas such as customer segmentation, exposure ceilings, approval authorities, exception reporting and risk assessment parameters like acceptable loan-to-value, maximum tenor & financial parameters. The product programs are cognizant of relevant regulatory guidelines, internal credit policy, market dynamics, bank's activities etc.

Structure and Organisation 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 Country Head (Corporate & Institutional Banking Risk), Country Head (Corporate Finance Risk), Country Head (Emerging Corporates Banking Risk), Country Head (Business Banking Risk), Country Head (Retail Banking Risk), Country Head – (Market Risk), Country Head (Credit Mid Office), Country Head-Operational Risk, Head Portfolio Analytics Unit, Capital Compliance Unit, CISO and General Counsel. The CRMD is accountable for protecting the quality of the entire loan/ investment portfolio and undertakes portfolio evaluation & conducts 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 centralised for both credit approvals and disbursements. It is well structured and staffed to ensure that the credit policy and regulatory requirements are adhered to and implemented. Post sanction, an independent Credit Administration unit is responsible for ensuring that the credit policy guidelines and terms of sanction are adhered to.

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

All borrower accounts are reviewed at least on an annual basis. The analysis carried out during annual review would reflect not only the performance of the company but also the conduct of the account.

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

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

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

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

(d) To identify early warning signals, if any, in individual accounts and initiate effective steps to mitigate the risk to the Bank, in consultation with the Segment Head and Risk Management Department

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

Policies for Mitigating Credit Risk:

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

Definition and Classification of Non Performing Assets (NPA)

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

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

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

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

iii. interest and/or installment of principal in respect of an agricultural loan remains overdue

for two crop seasons for short duration crops and one crop season for long duration crops

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

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

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

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

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

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

viii. The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006

ix. In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

The Bank's loan portfolio is classified into 4 categories of assets as per extant RBI guidelines as follows:

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

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

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

₹ in thousands

Type of exposure	Domestic		
	Exposure*	Lien Marked Term Deposits against Exposures	Exposure backed by Eligible Guarantees
Fund Based	899,756,084	15,085,450	698,821
Non Fund Based**	269,296,624	29,478,213	-
TOTAL	**1,169,052,708**	**44,563,663**	**698,821**

**Represents book value as at March 31, 2013*

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

*The Bank has no direct overseas credit exposure (Fund or Non fund**) as at March 31, 2013.*

Industry type distribution of Exposure* as at March 31, 2013

₹ in thousands

Industry	Sub Industry	Fund Based Exposure	Lien marked Term Deposits against Exposures	Fund Based Exposure backed by Eligible Guarantee	Non Fund Based** Exposure	Lien marked Term Deposits against Exposures	Non Fund Based Exposure backed by Eligible Guarantee	Total Exposure
All Engineering	Electronics	2,132,528	50,350	-	3,337,777	62,789	-	5,470,305
	Others (All Engineering)	10,657,680	215,004	288,509	15,775,995	643,690	-	26,433,675
Basic Metal and Metal Products	Iron & Steel	33,536,429	11,939	-	14,568,852	520,649	-	48,105,281
	Other Metal & Metal Products	9,009,600	161,455	-	10,008,678	447,747	-	19,018,278
Beverages (excluding Tea & Coffee)	Beverages (excluding Tea & Coffee)	7,731,473	138,000	-	197,332	1,864	-	7,928,805
Cement & Cement Products	Cement & Cement Products	7,182,794	9,420	-	2,616,140	53,384	-	9,798,934
Chemicals and Chemical Products (Dyes, Paints, etc.)	Drugs & Pharmaceuticals	5,198,024	76,311	-	5,498,894	89,481	-	10,696,918
	Fertilisers	6,177,401	35,898	-	3,736,427	257	-	9,913,828
	Others (Chemical & Chemical Products)	4,685,006	127,201	-	4,694,272	753,289	-	9,379,278
	Petro-chemicals (excluding under Infrastructure)	339,000	-	-	1,058,189	54,938	-	1,397,189
Construction	Construction	18,885,306	482,914	-	38,144,384	783,064	-	57,029,690
Food Processing	Coffee	3,189,800	-	-	35,833	100	-	3,225,633
	Edible Oils and Vanaspati	1,268,720	204,025	-	11,142,826	7,616,637	-	12,411,546
	Others (Food Processing)	15,895,124	537,058	-	1,464,389	49,687	-	17,359,513
	Sugar	4,047,247	1,940	-	254,468	43,448	-	4,301,715
	Tea	3,489,770	-	-	191,511	79	-	3,681,281
Gems and Jewellery	Gems and Jewellery	5,462,457	69,657	-	2,264,570	1,212,934	-	7,727,027
Glass & Glassware	Glass & Glassware	1,814,539	-	-	330,091	2,693	-	2,144,630
Infrastructure	Airports	1,817,800	-	-	743,127	63,270	-	2,560,927
	Electricity (generation-transportation and distribution)#	39,716,464	116,648	-	20,284,315	1,442,912	-	60,000,779
	Gas/LNG (storage and pipeline)	1,000,000	-	-	557,000	55,700	-	1,557,000
	Railways	1,095,406	15,000	-	693,739	101,723	-	1,789,145
	Roadways	7,007,554	-	-	537,729	5,123	-	7,545,283

₹ in thousands

Industry	Sub Industry	Fund Based Exposure	Lien marked Term Deposits against Exposures	Fund Based Exposure backed by Eligible Guarantee	Non Fund Based** Exposure	Lien marked Term Deposits against Exposures	Non Fund Based Exposure backed by Eligible Guarantee	Total Exposure
	Social & Commercial Infrastructure	16,917,005	108,668	-	1,056,061	58,185	-	17,973,066
	Telecommunication	59,904	40,191	-	782,794	42,962	-	842,698
	Water Sanitation	1,430,290	7,187	-	1,518,718	-	-	2,949,008
	Waterways	2,412,800	664,141	-	1,614,955	94,536	-	4,027,755
Leather & Leather Products	Leather & Leather Products	128,863	1,000	-	216	216	-	129,079
Mining & Quarrying	Coal (Mining & Quarrying)	1,455,040	-	-	477,428	25,224	-	1,932,468
	Others (Mining & Quarrying)	10,145,740	11,241	-	2,085,829	26,081	-	12,231,569
Other Industries	Other Industries	334,323,602	10,617,175	410,312	69,479,646	10,580,587	-	403,803,248
Paper & Paper Products	Paper & Paper Products	5,087,140	43,170	-	1,379,840	57,328	-	6,466,980
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	Coal Products (non-mining)	2,096,927	48,012	-	660,620	50,763	-	2,757,547
	Petroleum (non-infra) and Nuclear Fuels	860,893	4,034	-	31,049,844	55,662	-	31,910,737
Residuary	Aviation	499,521	-	-	6,043,807	1,496,792	-	6,543,328
	Residuary	308,544,182	1,031,359	-	1,733,965	1,137,098	-	310,278,147
Rubber, Plastic and their Products	Plastics & Plastic Products	3,086,262	9,972	-	2,278,106	78,894	-	5,364,368
	Rubber & Rubber Products	167,280	54,031	-	303,406	6,741	-	470,686
Textiles	Cotton	657,583	-	-	344,455	-	-	1,002,038
	Jute	38,995	-	-	73,693	6,809	-	112,688
	Other Textiles	2,808,165	17,641	-	1,629,983	680,763	-	4,438,148
	Silk	202,047	16	-	75,542	18,427	-	277,589
	Woolen	6,754	-	-	-	-	-	6,754
Vehicles, Vehicle Parts and Transport Equipments	Vehicles, Vehicle Parts and Transport Equipments	17,264,520	174,792	-	8,249,210	1,053,727	-	25,513,730
Wood and Wood Products	Wood and Wood Products	222,449	-	-	321,968	1,960	-	544,417
	TOTAL	**899,756,084**	**15,085,450**	**698,821**	**269,296,624**	**29,478,213**	**-**	**1,169,052,708**

*Represents book value as at March 31, 2013

**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	276,139	-	2,211,941	44,318
2 days to 7 days	4,979,940	-	6,687,905	1,149,001
8 days to 14 days	1,747,438	368,400	6,245,494	576,518
15 days to 28 days	2,177,105	-	10,089,421	3,229,441
29 days to 3 months	6,657,929	43,168,616	43,069,022	2,279,798
Over 3 to 6 months	5,676,748	19,475,685	37,436,803	1,806,713
Over 6 to 12 months	9,376,317	31,694,415	51,190,708	1,649,334
Over 1 year to 3 years	2,326,544	56,155,228	193,093,925	5,456,683
Over 3 years to 5 years	4,253,769	85,004,308	61,576,756	1,391,401
Over 5 years	3,185,668	193,893,769	58,393,688	33,044,386
TOTAL	**40,657,597**	**429,760,421**	**469,995,663**	**50,627,593**

Movement of NPA (Gross) and Provision for NPAs - March 31, 2013

Particulars	₹ in Thousands
A. Amount of NPAs (Gross)	**943,236**
Substandard	420,357
Doubtful 1	249,147
Doubtful 2	178,120
Doubtful 3	661
Loss	94,951
B. Net NPAs	**69,908**
C. NPA Ratios	
i. Gross NPAs to Gross Advances	0.20%
ii. Net NPAs to Net Advances	0.01%
D. Movement of NPAs (Gross)	
Opening Balance as at April 1, 2012	838,589
Additions during the year	2,437,411
Reductions during the year	2,332,764
Closing Balance as at March 31, 2013	943,236
E. Movement of Provisions for NPAs	
Opening Balance as at April 1, 2012	663,989
Provisions made during the year	1,601,906
Write- offs of NPA provision	1,074,003
Write backs of excess provisions	318,564
Closing Balance as at March 31, 2013	873,328

NPI (Gross), Provision for NPI and Movement in Provision for Depreciation on investments – March 31, 2013

Particulars	₹ in thousands
A. Amount of Non - Performing Investment (NPI)	145,367
B. Amount of provisions held for NPI	145,367
C.Movement of provisions for depreciation on investments	
Opening Balance as at April 1, 2012	280,505
Add/(Less): Provisions made during the year	(29,910)
Closing Balance as at March 31, 2013	250,595

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, India Ratings, Brickworks & SMERA for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

While arriving at risk-weighted assets for credit risk under the standardised approach 'bank loan' ratings of the counterparty have been used. This would include fund-based and non-fund based facilities. In case of treasury facilities, the Bank has also used 'Issuer' ratings of the counterparties, wherever available. In case the Bank does not have exposure in a rated issue, the Bank would use the issue rating for its comparable unrated exposures to the same borrower, provided that the

Bank's exposures are pari-passu or senior and of similar or shorter maturity as compared to the rated issue. Further the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used in cases where multiple ratings for a given facility are considered.

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

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

(₹ in thousands)

Risk Weight Bands	Fund Based Exposure	Non Fund Based**	Total exposure	Lien Marked Term Deposits against Exposures	Total other eligible financial collateral used as credit risk mitigants	Total amount of exposure (Fund + Non Fund) covered by Eligible Guarantees
Below 100% risk weight	525,948,765	148,550,456	674,499,221	8,080,485	-	698,821
100% risk weight	321,890,173	109,403,289	431,293,462	32,696,518	-	-
Above 100% risk weight	51,917,146	11,342,879	63,260,025	3,786,660	-	-
Deducted	-	-	-	-	-	-
TOTAL	**899,756,084**	**269,296,624**	**1,169,052,708**	**44,563,663**	**-**	**698,821**

**Represents book value as at March 31 ,2013*

***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. 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 three 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.

Concentration in Deposits – Large exposure

This concentration risk arises by premature termination of deposits by large depositors (single name) or a group of depositor (sectoral, business group).

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."

Measurement of Concentration Risk in the Bank

The Bank uses percentage analysis and heuristic statistical measure HHI (Hefindahl Hischman Index) to assess whether the Bank is concentrated towards few sectors or obligors / depositors.

The Bank controls & limits concentration risk amongst its borrowers at the portfolio level by:

- Assessing rating-wise distribution of its borrowers to ensure that Bank is not highly concentrated towards lower rated customers
- Prescribing Single Borrower Limit (SBL) and Group Borrower Limit (GBL) to ensure that Bank is not lending to few large customer / companies or few companies under the same parent company
- Prescribing differential industry/Sectoral Caps, depending on perceived risk profile of different sectors, as a percentage of total portfolio to ensure that stress on a particular sector has a limited impact on the Banks profitability or CRAR
- The ALM and Liquidity & Contingency Funding Policy lays down the various limits on funding sources and deposits.
- Prescribing internal rating wise caps on exposure to ensure diversified risk profile of portfolio and to cap high exposure to lower rated borrowers
- Prescribing maximum limit on percentage of unsecured exposures to total exposures.
- Prescribing specific limits for sensitive sectors such as Real Estate & Capital Market.
- Monitoring of risk concentration through active portfolio management.

Bank also conducts stress testing of sector / obligors / depositor to identify the potential impact of Concentration Risk on Bank's CRAR.

8. Securitisation: Disclosure for Standardised Approach

During the year ended March 31, 2013, the Bank did not securitise any of its assets.

The Bank however, acquires investment grade securitised debt instruments backed by financial assets originating from diverse sectors for regulatory /investment purposes. The Bank has processes in place to monitor the purchased securitisation exposures by way of monthly review of servicer reports. Further, for managing the interest rate risk in the purchased securitised assets, the Bank uses PVBP as a sensitivity measure and Banking Book VaR which is monitored on a periodical basis.

With respect to the securitised 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- Securitisation Exposures

During the year ended March 31, 2013, the Bank did not undertake any securitisation transaction in its Banking Book.

The Bank does not have any securitisation exposure (retained or purchased) in its Banking book as at March 31, 2013.

Trading Book- Securitisation Exposures

In its Trading Book, the Bank has no retained exposures for exposures securitised by the Bank as at March 31, 2013.

The details of on- balance sheet and off balance sheet securitisation exposures purchased and outstanding as at March 31, 2013 is given below.

(₹ in thousands)

Particulars	Agri & Auto Finance	Agri Finance	Auto Finance	Commercial Equipment Finance	Corporate	Housing Finance	Micro Finance	Reconstruction Fund	SME Mortgage Backed	Grand Total
Below 100% risk weight	9,129,082	647,821	16,006,545	1,297,946	4,350,000	7,971,940	1,719,728	-	1,023,568	42,146,630
100% risk weight	-	-	-	-	-	-	-	-	-	-
Above 100% risk weight	-	-	-	-	-	-	-	490,054	-	490,054
Deducted	-	-	-	-	-	-	-	-	-	-
Total	**9,129,082**	**647,821**	**16,006,545**	**1,297,946**	**4,350,000**	**7,971,940**	**1,719,728**	**490,054**	**1,023,568**	**42,636,684**

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

(₹ in thousands)

Particulars	Agri & Auto Finance	Agri Finance	Auto Finance	Commercial Equipment Finance	Corporate	Housing Finance	Micro Finance	Reconstruction Fund	SME Mortgage Backed	Grand Total
Below 100% risk weight	230,746	19,435	369,504	32,542	217,500	236,096	85,986	-	30,707	1,222,516
100% risk weight	-	-	-	-	-	-	-	-	-	-
Above 100% risk weight	-	-	-	-	-	-	-	65,576	-	65,576
Deducted	-	-	-	-	-	-	-	-	-	-
TOTAL	**230,746**	**19,435**	**369,504**	**32,542**	**217,500**	**236,096**	**85,986**	**65,576**	**30,707**	**1,288,092**

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 monitoring of Market Risk under the overall guidance of the Risk Monitoring Committee (RMC) of the Bank. The Bank has independent Market Risk and Middle Office which measure Market Risk and highlights the exceptions, if any.

- 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 on a monthly basis.
- Bank has adopted the Standardised Duration Approach as prescribed by RBI for computation of capital charge for market risk and is already fully compliant with such RBI guidelines. Standardised Duration Approach is applied for calculation of Market Risk for:

- Securities under HFT category
- Securities under AFS category
- All Derivatives except those entered into for Hedging Balance Sheet
- Open foreign exchange position
- Equity positions.

Amount of Capital required for Market Risk as at March 31,2013	₹ in thousands
Interest rate risk	8,539,695
Foreign Exchange risk	150,000
Equity position risk	93,262
Total capital required for Market Risk	**8,782,957**

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 & 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 minimise operational losses

The bank has also put in place a comprehensive Operational Risk Events and Loss Data Policy detailing types of Operational Risk Events and Losses, Process for Management of Operational Risk Events and Losses, Categorisation of Operational Risk Events.

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 Monitoring Committee (RMC) of the Board of Directors is responsible for implementing the Operational Risk Management Policy and adopting the best practices. The key functions of the ORMC are:

- Establish clear lines of management responsibility, accountability, and reporting in such a manner that they are distinct to avoid conflict of interest
- Vetting of new products and processes from the operational risk perspective
- Implement operational risk framework
- Review all significant operational risk events and suggest process improvements and mitigants

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

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

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

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

Identification, Assessment, Mitigating, Reporting and Measurement

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

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

- Well defined, documented and updated process manuals and policies
- Centralised processing at National Operating Centres

- Segregation of duties, maker checker concept, automated processes
- Transaction monitoring and analysis
- Additional checks for high value transactions, reconciliation of accounts & data, control MIS for various limits, periodical trainings, standardised documentations, authorisation matrix, regular process reviews and Business Continuity /Disaster Recovery testing

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

Approach for Computation of Capital Charge for Operational Risk

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

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

IRRBB is the framework to monitor and measure the adverse impact of interest rates on the Bank's financial condition. This impact is calculated from following perspectives:

a) **Earnings perspective:** Indicates the impact on Bank's Net Interest Income (NII) in the short term.

b) **Economic perspective:** Indicates the impact on the net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items.

The Asset - Liability Management Committee (ALCO) is responsible for evaluating and institutionalising appropriate systems and procedures for monitoring and managing the IRRBB. The Risk Monitoring Committee (RMC) reviews various decisions taken by the ALCO for managing IRRBB. The ALM & Market Risk Policies define the framework for managing IRRBB through measures such as:

1. **Interest Rate Sensitivity Report**: Measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions) in various tenor buckets based on re-pricing or maturity, as applicable.
2. **Duration Gap Analysis**: Measures the mismatch in duration of assets & liabilities and the resultant impact on economic value of bank's capital.
3. **Banking Book Value at Risk (VaR)**: Estimates the maximum possible loss, at a predefined confidence level, on the market value of banking-book over a certain time horizon under normal conditions.
4. **Earnings at Risk (EaR)**: Estimates the impact on net interest income over one year horizon due to 1% changes in interest rates.
5. **Sensitivity Analysis**: Evaluates the impact on both trading and banking book due to parallel and non parallel shifts in interest rates.
6. **Stress Testing**: Evaluates the impact on duration of capital of banking book under various stress scenarios.

All the above risk metrics are measured on regular basis and reported to ALCO/RMC periodically as guided by the ALM policy of the Bank.

Impact of Interest rate Risk

1. Impact on Net Interest Income (with 1% change in interest rates for both assets and liabilities pertaining to Banking Book only) ₹ 470,216 thousands.

2. Impact on Economic value of Equity (EVE) (with 1% change in interest rates for both assets and liabilities) ₹ 2,785,743 thousands.

Note:

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

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

(iii) The above computation doesn't include Non SLR AFS investments (which already form part of Trading Book for capital computation) which are contracted on account of relationship / steady income and generally with a long term holding horizon.