

Important information for shareholders and other stakeholders

The Bank has come to know from certain media sources that Mrs. Madhu Kapur, a shareholder, has made certain baseless and untenable allegations against the Bank, its key management and Board of Directors, by way of a letter to some shareholders of the Bank. Similar allegations were also made by Mrs. Madhu Kapur before the Hon'ble Bombay High Court in June 2013 and the Bank has strongly contested the same, in accordance with law. The Bank believes that its stand/position before the Hon'ble Bombay High Court will be vindicated in the said proceedings. However, as the said shareholder has made incorrect and defamatory statements, the Bank has, without prejudice to its rights, set out the below response, to provide the shareholders' of the Bank a fair and correct picture about compliance and corporate and management governance at the Bank.

1. The Bank has always acted in a manner, which is in accordance with law and has upheld the principles of corporate and management governance. The subject matter in consideration at the AGM has been finalized in a transparent and legally compliant manner. Accordingly, upon requests received from certain shareholders suggesting names for the appointment of directors and finding them "fit and proper", as per the Reserve Bank of India (RBI) guidelines and the Banking Regulation Act, 1949 (BRA), the Bank has recommended their names at the AGM. Adequate and transparent disclosures have been made about the same in the AGM notice.
2. A close reading of the AGM Notice would unequivocally establish that the Board of Directors and management consist of competent and professional individuals who enjoy stellar reputation and standing. The credentials of the names put up for directorship are set out in the AGM Notice. This shows that the Bank is run in a professional manner.
3. The performance of the Bank as reflected in the Annual Report for FY 2013-2014 (including the preceding 9 years) establishes the consistent growth, phenomenal increase in wealth creation and net worth, despite adverse economic and corporate environment prevailing during the period. All this goes on to show the effectiveness of the Board and the Bank's management in providing exceptional returns unprecedented by any private sector bank in 10 years of financial performance since its inception in 2004. The business and financial results of the Bank speak for itself and for the efforts of the management including the MD&CEO, and the Board of Directors. The Bank has consistently shared the wealth in the form of dividends with the shareholders over the last five years, when it started giving dividends.
4. In the process, the current valuation of Mrs. Madhu Kapur's shareholding of approx 4.3 Crore shares, which she inherited from Late Mr. Ashok Kapur is worth approximately Rs 2730 Crores (as against an initial investment of Rs 52 Cr in 2004).

The current share price of Rs 581 (valuing the 4.3 Cr shares at approximately Rs 2500 Cr) is almost 9.5 times of the share price of Rs 60 (valuing the 4.3 Cr shares at Rs 258 Crores) which was prevailing at the time of Mr. Ashok Kapur's demise over 5.5years ago.

Once the valued shareholders approve the Board recommended dividend of Rs. 8 per share, Mrs. Madhu Kapur would be receiving another Rs. 34 crores of tax free dividend in the present year, thereby her aggregate returns from dividend alone would be Rs 100 crores during the period.

5. All this is despite Mrs. Madhu Kapur making all baseless and defamatory allegations against the Bank, its Board and the MD and CEO in the last year including in the said letter addressed to the shareholders.
6. Mrs. Madhu Kapur has not challenged the resolutions pertaining to the finalization of the Books of Accounts, and for payment of dividend recommended by the Board and its management, which is an all time high dividend of 80%, the same is not surprising.
7. Finally, the approval sought from the shareholders is for matters arising from approvals accorded by RBI. Mr. M. R. Srinivasan's appointment as Non - Executive Chairman has been approved by RBI and he is also duly elected by the shareholders by an overwhelming majority at the previous AGM of the Bank. The resolution proposed at this AGM is for seeking approval of shareholders for payment of remuneration to the Chairman for his service rendered as per the RBI approval. Further, RBI has also approved the appointment of Mr. Rana Kapoor as MD & CEO for a term of three years till 31.8.2015. It may be noted that the appointment of Mr. Rana Kapoor as MD & CEO has been approved by RBI for three consecutive times with the Board of Directors and shareholders since the inception of the Bank in 2004, which is in line with the approvals granted by RBI to other peer banks in the private sector.

Hence, the Bank asks its shareholders to vote mindful of the true and correct picture of the management, its performance and corporate governance practices.

For YES BANK Limited

Authorized Signatory

Mumbai
4 June 2014