



ANNUAL REPORT 2013-14

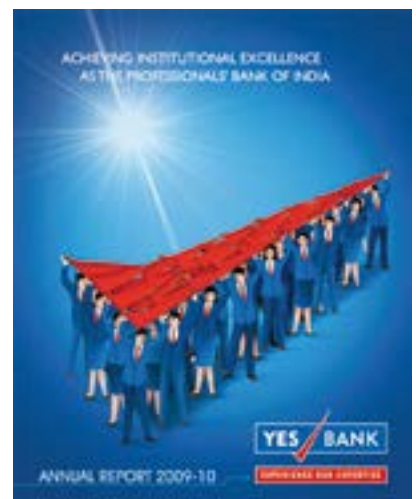
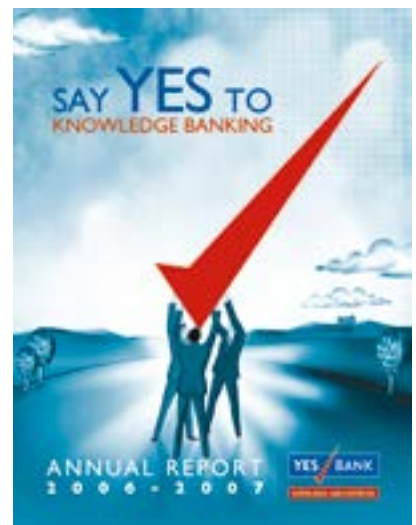


"BUILDING THE BEST QUALITY BANK OF THE WORLD IN INDIA"

First Annual Report of YES BANK Limited  
November 21, 2003 to March 31, 2005



Annual General Meeting on April 26, 2005



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## About us

At YES BANK, our differentiation begins with a simple word called 'Yes'.

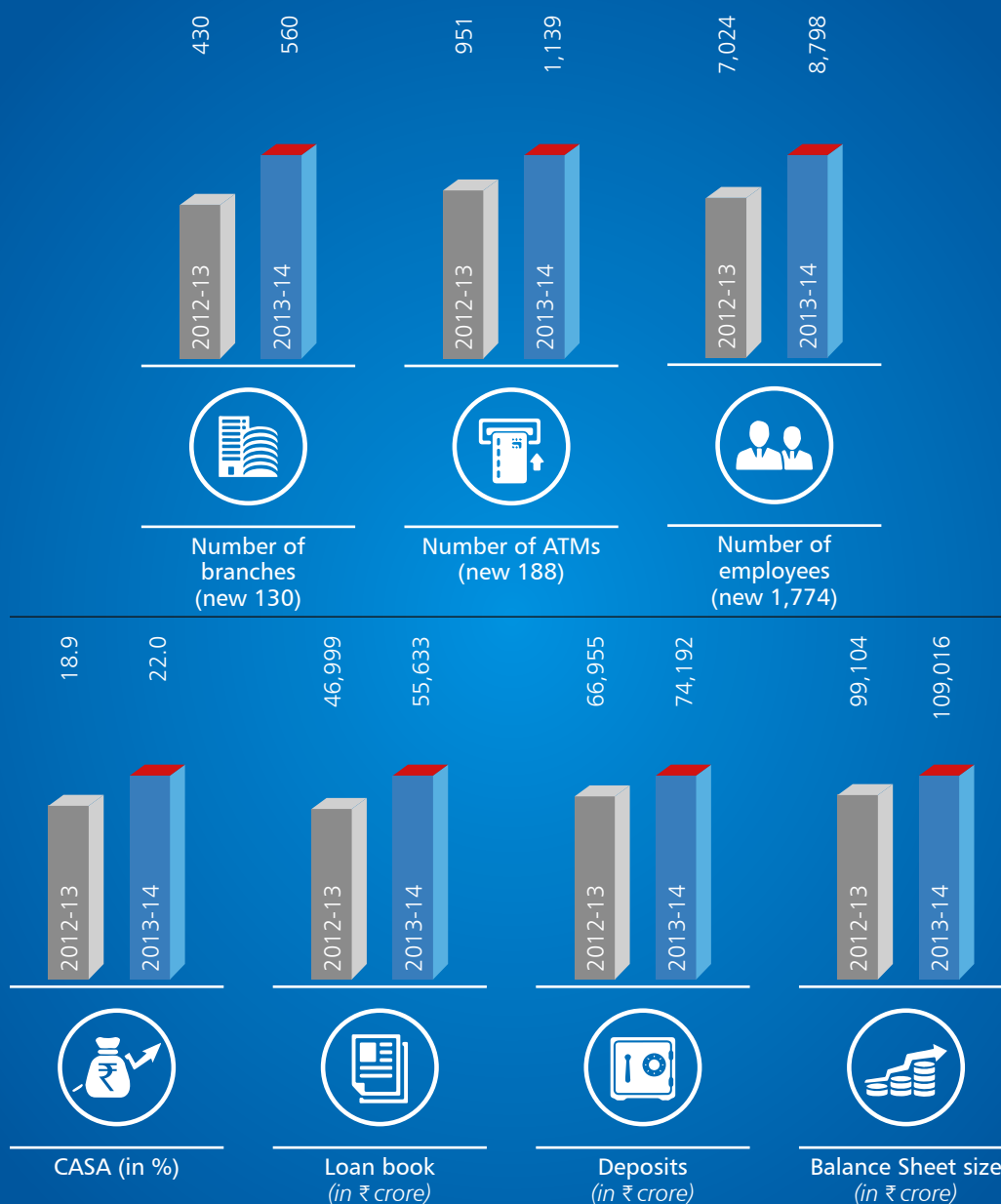
YES BANK represents the true spirit of business excellence, encompassing facets of knowledge, human capital, trust & transparency, technology and responsibility.

We are India's fourth largest private sector bank. We have steadily built a full-service commercial bank with Corporate, Retail and SME Banking platforms, and with a comprehensive product suite encompassing Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Business Banking and Transaction Banking, as well as Wealth Management offerings.

### Vision

YES BANK has a vision to 'Build the Best Quality Bank of the World in India' by 2020 and to concurrently evolve its organizational character as the 'Professionals' Bank of India'.

# Highlights, 2013-14



## Stock information

Bombay Stock Exchange (BSE)  
BSE Code **532648**

National Stock Exchange (NSE)  
NSE Code **YESBANK**

ISIN  
**INE528G01019**



## Message from the Non-Executive Chairman



In FY 2013-14, the Indian economy showed signs of cautious optimism.

In the second half of the fiscal year under review, the Indian economy received an impetus through infrastructure project approvals by the Cabinet Committee on Investments (CCI) and moderating trajectory of inflation.

With the US economy gaining momentum, the Federal Reserve gradually reduced the economic stimulus program in 2013 which impacted emerging market countries with a high current account deficit. The result was that India witnessed a capital outflow of US\$12.6 billion from its domestic equity and bond markets between May 2013 and August 2013, the rupee depreciating by about 16%.

The Reserve Bank of India (RBI) stepped in to address the currency instability through the introduction of several measures including the increase in interest rates and tightening liquidity. The RBI also provided unconventional dollar swap windows to public sector oil marketing companies (for oil imports) and banks [for FCNR (B) deposits and Tier I Capital] for a limited period till November 2013.

The Indian banking industry faced corresponding challenges due to the economic slowdown, as a result of which asset quality preservation took precedence over growth requirements. Though the warning signals subsequently subsided following expectations of improved policy measures and robust government initiatives, commercial banks engaged in cautious lending.

YES BANK sustained its growth through an enduring commitment to Business Excellence, while improving quality and customer delivery models. This resulted in healthy and balanced growth across all parameters including non-interest income, stable cost-to-income ratios, increasing branch and ATM footprint, human capital and best-in-class asset quality even as the external environment remained challenging.

Since inception, it has been YES BANK's constant endeavor to establish a robust Corporate Governance framework was in fullest conformity with the regulatory requirements of the RBI, the BR Act and the Companies Act, among others, helping establish best-in-class practices within the Indian banking system. Towards the foregoing, the Bank also expanded the constitution of its Board by appointing two additional Independent Directors Mr. Saurabh Srivastava and Mr. Vasant V Gujarathi. The newly-appointed Directors bring significant experience in the area of policy making, supervision and strategic direction, having worked with international and Indian firms across technology/ audit and stakeholder relationship management. We are optimistic that these inductions will add considerable to YES BANK's Board of Directors on the one hand and increase the presence of Independent Directors on the Board to 70% on the other, strengthening the Bank's governance commitment.

The Board, in accordance with the provisions of the Companies Act, constituted a Corporate Social Responsibility Committee comprising a majority of Independent Directors. The functions of the Committee comprise the formulation and recommendation of a CSR policy, which indicate the activities to be undertaken by the Bank; and also institute a transparent monitoring mechanism for the implementation of recommendations.

Technology has been a key differentiator at YES BANK, and the Bank has received many awards & recognitions in this regard. In conformity with extant RBI circulars, an IT Strategy Committee was constituted to provide strategic inputs to review and amend the aligned corporate and IT strategy and ensure that the IT architecture complemented the Bank's business model.



**The newly-appointed Directors bring significant experience in the area of policy making, supervision and strategic direction, having worked with international and Indian firms across technology/ audit and stakeholder relationship management.**

During the year under review, the Board of Directors endeavoured to extensively engage with the top and senior management leaders of the Bank during various committee meetings of the Board. Such engagements have provided the Board with an opportunity to mentor and groom the Bank's leadership to take on additional responsibilities, and also align them strategically with the Vision of the Bank.

All the above steps taken during the year under the overall guidance of the Board of Directors ensured that YES BANK continued in its chosen path of evolving its organizational character as the 'Professionals' Bank of India'.

Best wishes,



M. R. Srinivasan  
Non-Executive Chairman  
YES BANK Limited

# Managing Director and CEO's communiqué



**Rana Kapoor**, Managing Director & CEO

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*Dear Shareholders*

When I wrote to you last, the global economy was witnessing some green shoots of recovery led by the advanced economies of the US, the EU and Japan. With signs of sustainable recovery in the US, the Federal Reserve had begun preparing the market for the eventual tapering of US bond purchases. A lot has changed since the summer of 2013 when the Federal Reserve first hinted at a gradual reduction of its quantitative easing (QE) program. Following initial gyrations in the emerging markets during the first half of FY 2013-14 in response to the Federal Reserve's tapering, the global economic outlook has since remained stable. World economic growth is projected to improve from 3% in 2013 to 3.6% in 2014, with a revival mainly coming from advanced economies.

While the recovery in advanced economies led by the US gathered pace, economic activity in emerging market economies was sub-potential. Faced with tighter credit conditions and challenges to rebalance the economy from investments and exports to consumption, Chinese economic growth moderated. Likewise, political uncertainty and geopolitical risks amid the 'new normal' of tapering of the US quantitative easing program constrained recovery in the 'fragile' emerging market economies of South Africa, Brazil, Indonesia and Turkey.

While the Indian economy more or less typified the 'fragile' EME basket for the first half of FY 2013-14, timely policy responses to contain twin deficits helped restore a semblance of stability during the second half. The Indian economy grew at a sub-5% rate for the second year in a row, led mainly by a deceleration in industrial growth and sluggish investment demand. High interest rates, sticky retail inflation, policy uncertainty and declining capital productivity constrained industrial output. Faced with compulsions to rein in fiscal deficit, slackening government spending had a detrimental impact on rural consumption growth. The result was that

investment and consumption growth declined to 11-year lows.

In its endeavour to fight inflation and contain inflation expectations, the Reserve Bank of India (RBI) made a gradual transition from a multiple indicator-based approach of monetary policy to a rule-based approach with the nominal anchor defined as the headline Consumer Price Index (CPI). Faced with sticky retail inflation, the RBI was compelled to increase the policy repo rate by 75 bps amidst moderating growth, while a gradual normalization exceptional policy measure was attempted following a sharp depreciation in the Rupee during May-August 2013.

The outlook for the Indian economy in FY 2014-15 appears cautiously optimistic. Recovery in the advanced economies and evolving dynamics of global liquidity are likely to shape the country's growth trajectory. On the domestic front, infrastructure project approvals by the Cabinet Committee on Investments (CCI) and moderating inflation on account of a negative output gap would be supportive. We expect Indian economic growth to moderately improve to 5.4% in FY 2014-15 from



Our focus is to drive greater penetration of our offering to urban, semi-urban and rural areas. Building excellence in service delivery is critical for our long-term growth and sustainability in a competitive banking environment.

the CSO's estimated 4.9% in FY 2014-15. We expect the RBI to maintain a prolonged pause in policy repo rates, encouraged by a projected moderation in inflation. The occurrence of El Nino and a consequent sub-normal monsoon remains an event risk.

#### **Following the Business Excellence mantra**

At YES BANK, we are committed to our vision of establishing the 'Best Quality Bank of the World in India' by 2020, as reflected in our continued focus on business excellence and quality over the last 10 years since our inception.

Despite a challenging macroeconomic environment in FY 2013-14, we continued to deliver consistent results through execution as a part of our focus on quality and business excellence. This enabled us to achieve highly satisfactory results and significant value for our stakeholders. The Bank continued to deliver on all key parameters across all four quarters. In short, it was a rewarding journey in FY 2013-14.

The Bank's net interest income increased to ₹2,716.3 crore from ₹2,218.8 crore in the previous year, a growth of 22.4%. Our operating profit registered a 25.5% growth to reach ₹2,688.0 crore from ₹2,141.7 crore in the previous year. Our total Balance Sheet size increased 10.0% from ₹99,104.1 crore as of March 31, 2013 to ₹109,015.8 crore as of March 31, 2014.

These factors contributed to the creation of significant shareholder value with our basic and diluted EPS increasing to ₹44.92 and ₹44.35, respectively, augmenting our book value to ₹197.5 after a dividend recommendation of ₹8 per share.

We also witnessed a sound improvement in our low-