July 09, 2015

Mr Girish Joshi, GM –
Department of Corporate Services
BSE Limited
Corporate Relations Department
1st Floor, New Trading Ring
P.J. Towers, Dalal Street
Mumbai – 400 001

Mr. Avinash Kharkar AVP – Listing
National Stock Exchange of India Limited
Exchange Plaza,
Plot no. C/1, G Block,
Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Dear Sirs,

Re: Research Report published by UBS Securities India Pvt. Ltd. under the caption "*India Banking & Finance Sector – Deep dive into lending practices – differentials not priced in.*

This has reference to a Research Report dated July 07, 2015 published by UBS Securities India Pvt. Ltd. ("**UBS**") under the caption "*India Banking & Finance Sector – Deep dive into lending practices – differentials not priced in*" ("**the Report**"), whereby UBS had *inter alia*, referred YES Bank's exposure to stressed companies. The Report also has a negative bias on the quality of assets of YES Bank and has stated that YES Bank is most vulnerable to large corporate defaults.

YES Bank has noted that the observations in the report are exaggerated and are factually incorrect. The Report unfairly and without any basis, portrays YES Bank Limited ("**YES Bank**") in an extremely negative light. Some of our specific observations are as under:

1. Prior to publishing such price sensitive information, UBS did not seek any clarifications from YES Bank about the various adverse data points and they mechanically relied on data procured from Registrar of Companies ("**ROC**").

2. The methodology adopted for selection of potentially stressed companies in the Report appears to be highly judgmental. This raises serious concerns on the completeness and appropriateness of the said sample, which forms the basis of the Report.

3. It is well known in banking practice that loans are sanctioned basis certain credit assessment and the actual loan disbursements are subject to various conditions precedent, which have to be met by the borrowers/ promoters/ other security providers. Invariably, disbursements are generally linked to the security creation/ perfection to the satisfaction of the creditors. Thus, the sanctioned amount *vis-a-vis* the actual outstanding *(disbursed amount)* may be substantially different. UBS seems to have conveniently ignored this well established banking practice.

   Further, UBS has failed to appreciate that banks generally syndicate/ sell down of credit portfolios. ROC records do not immediately reflect such sell downs etc. Equally it is vague and uncertain to ascertain the actual exposure of a particular bank, if the security interests etc., are created in favor of a Security Trustee.

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Website: www.yesbank.in Email: communications@yesbank.in **CIN - L65190MH2003PLC143249**

Moreover, UBS has failed to take into consideration that there could be repayments/ prepayments from out of the sanctioned amounts and thus, the actual outstanding amount could be much lesser than the sanctioned amount. Further, ROC records do not reflect all types of securities provided for a particular lending transaction. Therefore, publishing a price sensitive report on YES Bank relying solely on the data procured from ROC clearly demonstrates lack of care, caution and diligence on the part of UBS.

4. UBS has relied on old and irrelevant data to arrive at their conclusions with respect to YES Bank, thus selectively singling out YES Bank in comparison to the other banks/ institutions included in the Report.

In this regard, we attach as "**Annexure A**" the asset quality performance over the last twenty quarters of YES Bank, which speaks for itself.

The Bank is in the process of taking appropriate steps including reporting the matter to the regulators, for taking appropriate action.

Submitted for your information.

Thanking you,

Yours sincerely,

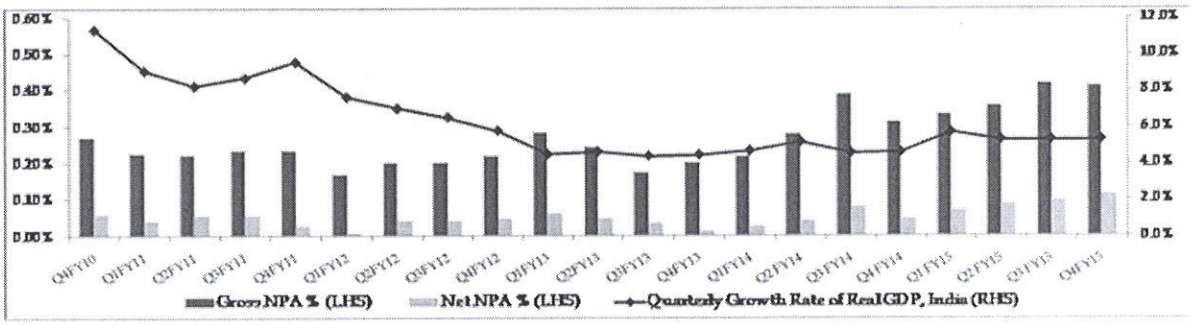
Shivanand R. Shettigar

Company Secretary

Annexure A

1. YES Bank has maintained high asset quality over the last 20+ quarters as has been reflected in its transparent public disclosures, and as has been audited by reputed accounting firms including BSR & Co and SR Batliboi & Co. The graph below demonstrates our Gross NPA and Net NPA levels (*reflecting a portfolio of high credit quality*) despite the vagaries of the economic environment, which included periods of the US sub-prime mortgage crisis, a slowdown in the Indian economy and EU's sovereign crisis (*ongoing*).

   Asset quality performance over the past 20 quarters



2. It may be further noted here that as a measure of prudence, conservative accounting practice, over and above statutory requirements and specific asset provisioning, YES Bank maintains an additional "counter-cyclical" provisioning of 50 bps on total advances. This is amongst the highest contingency provisioning made by private sector banks.

3. Lastly and importantly, in our view assessment of Risk Weighted Assets to Total Assets is a better, more scientific method of analysing credit quality of banks in general (note – Risk Weighted Assets depend on "external" credit ratings of clients and also take into account "off balance sheet" funding). On this important matrix, YES Bank ranks consistently better than its peers on an average not only in FY15 but also over the past 20 quarters.