



May 22, 2017

Ms. Divya Poojari
Manager – Listing Compliance
National Stock Exchange of India Limited
Exchange Plaza,
Plot no. C/1, G Block,
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051
NSE Symbol: YESBANK

Dear Madam,

This is in response to your letter dated May 19, 2017 (bearing reference no. NSE/LIST) seeking clarification on the Media Statement issued by YES Bank Limited ("the Bank") submitted to the Stock Exchanges vide letter dated May 12, 2017.

At the very outset, we respectfully submit that the Bank has strictly complied with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and other circulars issued by SEBI in this regard. It is also important to note that being a banking company, the Bank is a highly regulated entity.

With respect to the Media Statement released by the Bank, we would like to submit the following facts:-

- i. The Bank received a communication dated April 10, 2017 from Reserve Bank of India ("RBI") with regard to Risk Assessment Report ("RAR") as of March 31, 2016 whereby RBI advised the Bank to classify a large account as Sub-Standard and to maintain provisions as required in terms of RBI Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015. It is important to note that the aforesaid RBI communication was qualified as "Confidential" by RBI.
- ii. RBI issued a Circular dated April 18, 2017 (ref. DBR.BP.BC.No.63/21.04.018/2016-17) (copy enclosed-Annexure I) advising the banks to make adequate disclosures in the Notes to Accounts to the Annual Audited Financial Statements therein, specifically advising the manner for disclosing the "Divergence in Asset Classification and Provisioning for NPAs", in the format prescribed by RBI in the said Circular.
- iii. The Bank at its Board Meeting held on April 19, 2017, *inter alia*, approved the following:-

Page 1 of 3

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Regd. & Corporate Office: Nehru Centre, 9th Floor, Discovery of India, Dr. A.B. Road, Worli, Mumbai 400 018, India.

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



- a. Audited Standalone Financial Statements of the Bank for the Quarter (Q4) and the year ended March 31, 2017 alongwith Notes to Accounts to be appended to the Annual Financial Statements; and
 - b. Audited Consolidated Financial Results of the Bank for the Year ended March 31, 2017.
- iv. The intimation(s) dated April 19, 2017 made by the Bank to the Stock Exchanges in this regard are already available with the Stock Exchange. The relevant comments pertaining to divergence impact with regard to the "Divergence to the Asset Classification and Provisioning" can be noted under Note 16 on the last page of our aforesaid letter.
- v. Thereafter, the Bank published its Annual Report for the Financial Year 2016-17 and started dispatching the same to its shareholders with effect from May 11, 2017. A copy of the said Annual Report was sent to the shareholders and has also been uploaded on Bank's website <https://www.yesbank.in/about-us/investors-relation/financial-information/annual-reports>. A careful examination of page 267 of the Annual Report would reveal that the Bank has fully complied with the relevant RBI circular on "Divergence to the Asset Classification and Provisioning".
- vi. The obligation to make disclosures and the manner in which the disclosure is required to be made public came out only *vide* RBI Circular dated April 18, 2017, *i.e.*, as a disclosure to the Notes to Accounts to the Annual Audited Financial Statements.
- vii. On May 12, 2017, certain sections of the print and electronic media (*probably after going through the disclosures made in the Annual Report for the Financial Year 2016-17*) started carrying certain reports about the disclosures made by the Bank. Immediately, the Bank submitted a letter dated May 12, 2017 to the Stock Exchanges along with the said Media Statement clarifying the position of the Bank.

In the light of the above, the response of the Bank on the three queries raised by the NSE are as follows:-

- 1) The Bank has made all the required disclosures in its Annual Report disseminated to all the Shareholders, as mentioned above. A careful examination of page 267 of the Annual Report would reveal that the Bank has complied with and disclosed all the relevant information (including in value terms), in terms of RBI circular dated April 18, 2017 on "Divergence to the Asset Classification and Provisioning".



- 2) The intimation(s) submitted by the Bank to the Stock Exchanges on April 19, 2017 regarding the Audited Annual Financial Results contains the requisite disclosures on the divergence impact with regard to the "Divergence to the Asset Classification and Provisioning" under Note 16 of last page of aforesaid letter.
- 3) The Bank has strictly complied with the SEBI LODR Regulations and the other circulars issued by SEBI by making all the requisite disclosures to Stock Exchanges and Shareholders, as mandated by RBI and duly audited by the Statutory Auditors of the Bank.

We shall be glad to provide any further information that may be required in this regard.

Thanking You.

Yours Faithfully,

For YES BANK LIMITED


Shivanand R. Shettigar
Company Secretary

Encl. as above



भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2016-17/283

DBR.BP.BC.No.63/21.04.018/2016-17

April 18, 2017

All Commercial Banks
(Excluding Regional Rural Banks)

Madam/Dear Sir,

Disclosure in the "Notes to Accounts" to the Financial Statements- Divergence in the asset classification and provisioning

Please refer to paragraph 22 of the Fourth Bi-monthly Monetary Policy Statement, 2015-16 announced on September 29, 2015 on the captioned subject (extract enclosed).

2. The Reserve Bank of India (RBI) assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP) as part of its supervisory processes. There have been instances of material divergences in banks' asset classification and provisioning from the RBI norms, thereby leading to the published financial statements not depicting a true and fair view of the financial position of the bank.

3. In order to ensure greater transparency and promote better discipline with respect to compliance with IRACP norms, it has been decided that banks shall make suitable disclosures as per Annex, wherever either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs¹ for the reference period, or both.

4. The disclosures, as above, shall be made in the Notes to Accounts in the ensuing Annual Financial Statements published immediately following communication of such divergence by RBI to the bank.

¹ Published incremental Gross NPAs shall be as per para 3.4.1 (ii) (b) of the Master Circular reference no DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015 on Disclosure in Financial Statements – 'Notes to Accounts'.



5. The disclosures in the Notes to Accounts to the Annual Financial Statements may be included under the sub-head Asset Quality (Non-Performing Assets) as referred to in paragraph 3.4 of Master Circular - Disclosure in Financial Statements - Notes to Accounts Ref. DBR.BP.BC No.23 /21.04.018/2015-16 dated July 1, 2015.

6. The first such disclosure with respect to the divergences observed by RBI for the financial year 2015-16 shall be made in the Notes to Accounts of Financial Statements for the year ended March 31, 2017.

7. These instructions are issued under the provisions of Section 35A of the Banking Regulation Act, 1949. It may be noted that any contravention / non-compliance of the above instructions shall attract penalties under the Act, *ibid*.

Yours faithfully,

(S.S.Barik)
Chief General Manager-in-Charge



Annex

Divergence in Asset Classification and Provisioning for NPAs – (ref DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017)

(Rs in thousands)

Sr.	Particulars	Amount
1.	Gross NPAs as on March 31, 20XX* as reported by the bank	
2.	Gross NPAs as on March 31, 20XX as assessed by RBI	
3.	Divergence in Gross NPAs (2-1)	
4.	Net NPAs as on March 31, 20XX as reported by the bank	
5.	Net NPAs as on March 31, 20XX as assessed by RBI	
6.	Divergence in Net NPAs (5-4)	
7.	Provisions for NPAs as on March 31, 20XX as reported by the bank	
8.	Provisions for NPAs as on March 31, 20XX as assessed by RBI	
9.	Divergence in provisioning (8-7)	
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 20XX	
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 20XX after taking into account the divergence in provisioning	

* March 31, 20XX is the close of the reference period in respect of which divergences were assessed



Extract of
Fourth Bi-monthly Monetary Policy Statement, 2015-16 dated September 29, 2015

22. As a part of its supervisory process, the Reserve Bank assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP). There have been divergences between banks and the supervisor as regards asset classification and provisioning. In order to bring in greater transparency, better discipline with respect to compliance with IRACP norms as well as to involve other stakeholders, the Reserve Bank will mandate disclosures in the notes to accounts to the financial statements of banks where such divergences exceed a specified threshold. Instructions in this regard are being issued separately.