Brickwork RATINGS
for Informed Investment Decisions

Annual Surveillance-Rating Review

Brickwork Ratings assigns "BWR AA+" for Yes Bank Limited's IPDI Issue of Rs 230 crore and reaffirms "BWR AA+" for Yes Bank Limited's Upper Tier II Bonds, Hybrid Tier I & Upper /Lower Tier II Bonds

Issue Rating: BWR AA+	**Outlook: Stable**

Brickwork Ratings has assigned and reaffirmed the rating grade of BWR AA+ (Pronounced BWR Double A+) with a stable outlook for the following ratings of Yes Bank:

Instruments	Amount	Rating	Assigned/ Reaffirmed	Issue Date	Maturity Date	Rating History			
						Review As on	Review As on	Review As on	Rating As on
IPDI	Rs 230 crore	BWR AA+ (Stable)	Assigned	NA	NA	NA	NA	NA	NA
Upper Tier II Bonds	Rs 450 crore	BWR AA+ (Stable)	Reaffirmed	-	-	NA	NA	NA	BWR AA+ (Stable) June 2010
Hybrid Tier I	Rs 90 crore	BWR AA+ (Stable)	Reaffirmed	Mar 5, 2010	Perpetual (Call option after 10 yrs)	NA	BWR AA+ (Stable) June 2010	BWR AA+ (Stable) Sept 2009	BWRAA+ (Stable) July 2009
Upper/ Lower Tier II	Rs 260 crore	BWR AA+ (Stable)	Reaffirmed	Sep 30, 2009	Apr 29, 2020	BWR AA+ (Stable) June 2010	BWR AA+ (Stable) Dec 2009	BWR AA+ (Stable) Sept 2009	BWRAA+ (Stable) July 2009
Upper/ Lower Tier II	Rs 300 crore	BWR AA+ (Stable)	Reaffirmed	Jan 22, 2010	Jan 21, 2020	BWR AA+ (Stable) June 2010	BWR AA+ (Stable) Dec 2009	BWR AA+ (Stable) Sept 2009	BWRAA+ (Stable) July 2009

The rating grade 'BWR AA+' stands for an instrument that is considered to offer HIGH credit quality in terms of timely serving of debt obligations. A "Stable" rating outlook signifies the expectation of the rating being stable in the near term. The rating has been assigned and reaffirmed taking into account the financial performance of the bank, publicly available information and clarifications sought from the bank.

The rating, inter alia, factors increasing operating profits, its focus on garnering low cost deposits, increasing asset quality and the Government of India's equity stake and continued support. The rating also factored low CASA deposits for the bank, limited network channels and dependence on bulk deposits.

The bank has performed well during Q1 FY11. The bank's business has grown from Rs.48,991 crore during FY10 to Rs 56,500 crore during Q1FY11. With a growth of 97.13% in its deposits and a growth of 101.71% in its advances year-on-year in June 2010, Yes Bank has reported a growth in profitability of 56.26% during Q1 FY11 as compared to Q1 FY10.

Prudential management of the bank's portfolio, asset quality and adequate provisioning has seen an improvement in the bank's asset quality. The bank's gross NPAs have decreased from Rs 60.20 crore as on 31st March 2010 to Rs. 59.70 crore as on 30th June 2010. The gross NPA levels as a percentage of total advances decreased from 0.48% as on 30th June 2009 to 0.27% as on 31st March 2010 to 0.23% as on 30th June 2010. The net NPA levels have decreased from 0.24% as on 30th June 2009 to 0.06% as on 31st March 2010 to 0.04% as on 30th June 2010. The bank's restructured accounts to total advances decreased from 0.36% as on 31st March 2010 to 0.31% as on 30th June 2010.

The bank is well placed in terms of provisioning with provisioning levels at 81.43%, higher than the minimum required provisioning cover as stipulated by the Reserve Bank of India.

The bank's net interest margin has been stable to 3.10% in Q1FY11. CASA levels stood at 10.50% in June 2010. CASA levels are still low as compared to the peers. The cost of funds has decreased to 6.30% during Q1 FY11 as against 6.90% during March FY 10.

However, this has been offset by a decreasing return on advances (from 10.80% in March FY10 to 9.60% in Q1 FY 11).

The bank has, for the first time achieved over Rs. 150 crore of Net Profit, reaching a level of Rs 156 crore in Q1FY11 (Rs. 100.07 crore in Q1FY10), on the back of strong credit growth and steady margins with NIM stable at 3.1%. The bank's net interest income has increased significantly during the quarter to achieve a level of Rs 262.10 crore in Q1FY11 from the previous level of Rs 156.80 crore in Q1FY10.

The return on average assets has increased marginally from 1.61% as on 31st March 2010 to 1.62% as on 30th June 2010. The bank's return on equity has decreased from 23.70% during FY10 to 19.70% during Q1FY11. Further, the bank's cost to Income Ratio has increased to 38.70% in Q1 FY 11 from 36.70% as on March 2010.

The bank has a well defined internal capital adequacy assessment policy to comprehensively evaluate capital adequacy requirements. As on 30th June 2010, the bank has reported a total capital adequacy ratio and Tier I capital adequacy ratio of 16.57% and 10.32% respectively (CAR of 20.60% and Tier I CAR of 12.90% as on 31st March 2010).

Brickwork Ratings expects the performance of the bank to be "Stable" over the next one year.

Brickwork Ratings (BWR) has adopted SEBI's standardized Rating Symbols and their definition advised vide SEBI circular CIR/MIRSD/4/2011 dated June 15,2011, with effect from June 21, 2011. While there is no change in the Rating symbol as a consequence to the above, for the amended definition of the Rating, please refer to http://www.brickworkratings.com/scale.html. It is clarified that the said change in the definition should not be construed as a change in the Rating.

Analysts	**Media**
Rajalakshmi R, Lead Analyst rajalakshmi.r@brickworkratings.com **Shilpi A, Co-Analyst** shilpi.a@brickworkratings.com	**Anitha G** media@brickworkratings.com **Relationship Contact** **K N Suvarna** **Sr. Vice President – Business Development** kn.suvarna@brickworkratings.com
Phone: 1-860-425-2742	