

Yes Bank

- 
- ✓ *Above-industry asset growth*
 - ✓ *Proven execution capabilities*
 - ✓ *Diversified fee-income stream*
 - ✓ *Superior asset quality*
 - ✓ *Sustainable RoA of ~1.5%*

Makings of a winner

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Yes Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 16,926	YES IN
S&P CNX: 5,033	REUTERS CODE
	YESB.BO

30 November 2009

Buy

Initiating Coverage

Rs253

Y/E MARCH	2009	2010E	2011E	2012E
NII (Rs m)	5,112	7,335	9,655	12,363
OP (Rs m)	5,277	7,806	10,020	12,746
NP (Rs m)	3,038	4,307	5,492	6,966
EPS (Rs)	10.2	14.5	16.1	20.4
EPS Growth (%)	51.3	41.8	10.9	26.8
BV/Share (Rs)	54.7	69.2	108.9	129.3
P/E (x)	24.7	17.4	15.7	12.4
P/BV (x)	4.6	3.7	2.3	2.0
ABV (Rs)	53.8	68.4	107.7	127.5
P/ABV (x)	4.7	3.7	2.3	2.0
RoE (%)	20.6	23.4	19.0	17.1
RoA (%)	1.5	1.6	1.6	1.5

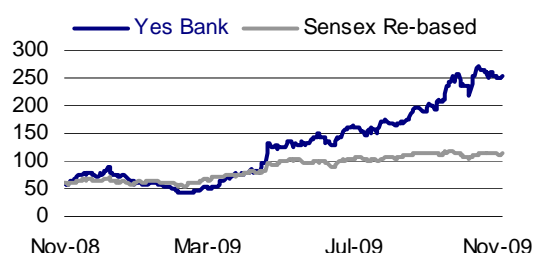
KEY FINANCIALS

Shares Outstanding (m)	297.0
Market Cap. (Rs b)	75.1
Market Cap. (US\$ b)	1.6
Past 3 yrs. NII Growth (%)	80.4
Past 3 yrs. NP Growth (%)	78.3
Dividend Payout (%)	0.0
Dividend Yield (%)	0.0

STOCK DATA

52-Week Range (Rs)	275/41
Major Shareholders (as of September 2009)	%
Promoters	31.3
Domestic Institutions	8.7
FII/FDIs	48.0
Others	12.0
Average Daily Turnover	
Volume ('000 shares)	2,933.9
Value (Rs million)	286.4
1/6/12 Month Rel. Performance (%)	0/90/226
1/6/12 Month Abs. Performance (%)	7/104/312

STOCK PERFORMANCE (1 YEAR)



Above-industry growth in assets and earnings sustainable

Despite 76% CAGR in assets over FY06-09, Yes Bank's market share is a mere 0.55% as of September 2009. Rapid branch network expansion, acquisition of new customers and deepening of existing customer relationships would help ensure that its asset growth remains higher than industry. With likely capital raising in next one year (we have factored in US\$235m at Rs250/share), tier-I CAR would improve to ~12% and support asset growth over the next 2-3 years. We expect loan CAGR of 37% and PAT CAGR of ~32% over FY09-12.

Strengthening reach and liability franchise - next growth driver

As of September 2009, Yes Bank had 126 operational branches. It targets to scale up its branch network to 250 by FY12 and 750 by FY15. The bank mainly focuses on the national capital region and the western region of India, which would help it to increase its CASA base. We believe CASA growth would continue to outpace loan growth, going forward and CASA ratio would increase from the current 10% to 14% by FY11 and 16% by FY12.

Execution capability well tested in last 12 months

Yes Bank's impressive performance during FY09 demonstrates the soundness of its business model and the management's execution capabilities. The bank posted "above industry" loan growth of 32% and profit growth of 50%+. Though it is a wholesale borrower, with CASA ratio <10%, its NIM was 2.8% and its asset quality is amongst the best in the industry. As of September 2009, its GNPA ratio was 31bp and provision coverage ratio was 75% (including specific provisions at 266%). Its standard restructured loans are one of the lowest at 96bp. The bank's key strengths are its capable and incentivized top management team, and its relationship-based business strategy.

Superior return ratios, growth justify premium valuations

We expect RoA of 1.5%+ and RoE of 17%+ over the next three years, despite equity dilution. Given the superior return ratios, superlative growth and a competent management, we believe Yes Bank deserves premium valuations. The stock trades at 2.3x FY11E BV and 15.7x FY11E EPS. We initiate coverage with a **Buy** recommendation and a target price of Rs327 (3x FY11E BV).

Above-industry growth in assets and earnings sustainable

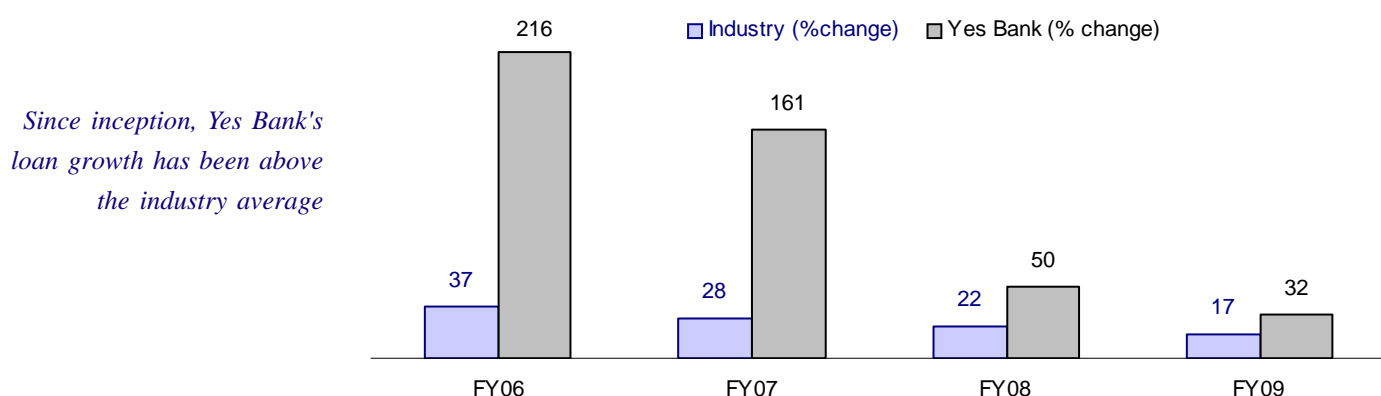
Despite 76% CAGR in assets over FY06-09, Yes Bank's market share is a mere 0.55% as of September 2009, highlighting the potential for sustaining above-industry growth. Rapid branch network expansion, acquisition of new customers and deepening of existing customer relationships would help ensure that its asset growth remains higher than industry.

While operating cost would accelerate with expanding branch network, we believe fee income growth would make up for the same. With likely capital raising in the next one year (we have factored in US\$235m at Rs250/share), tier-I CAR would improve to ~12% and support asset growth over the next 2-3 years. We expect loans CAGR of 37% and PAT CAGR of ~32% over FY09-12, and believe that RoA would sustain ~1.5%.

Market share in loans to continue improving

Yes Bank, which started operations in a highly competitive business environment, has been able to increase its share in total loans in the system from just 0.07% in FY05 to 0.55% in 1HFY10. While it has also benefited from the structural change in the Indian economy, growing the balance sheet to Rs264b in just five years of operations is commendable.

LOAN GROWTH (YES BANK V/S INDUSTRY)



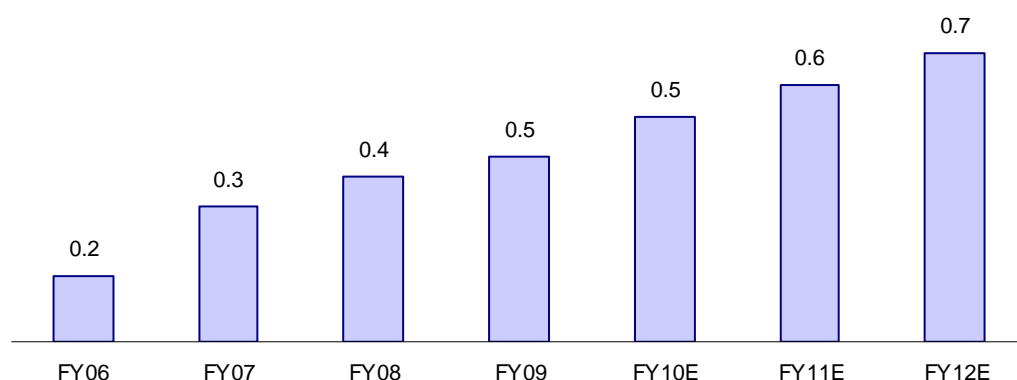
Source: Company/MOSL

We expect the bank to increase its share in system loans to ~0.7% by FY12 from the current 0.55%

We expect the management to capitalize strong growth opportunity in the Indian economy, with its knowledge banking initiatives and strong corporate relationships. In the current environment, it is focusing on corporate and institutional banking (C&IB) for clients with a turnover >Rs10b) and commercial banking (for clients having turnover of Rs1b-10b) to grow its loan book. Its expanding branch network would help to grow its high yielding branch banking loans (to clients having turnover <Rs1b and retail customers). We expect the bank to increase its share in system loans to ~0.7% by FY12.

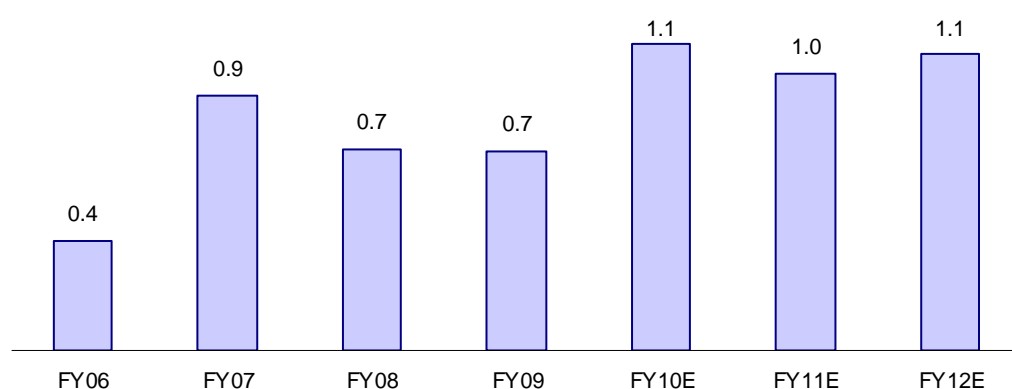
YES BANK: TREND IN MARKET SHARE (%)

In just five years of operations, Yes Bank's market share has increased to 55bp, which is commendable



YES BANK: INCREMENTAL MARKET SHARE (%)

Incremental market share has been even higher



Source: Company/MOSL

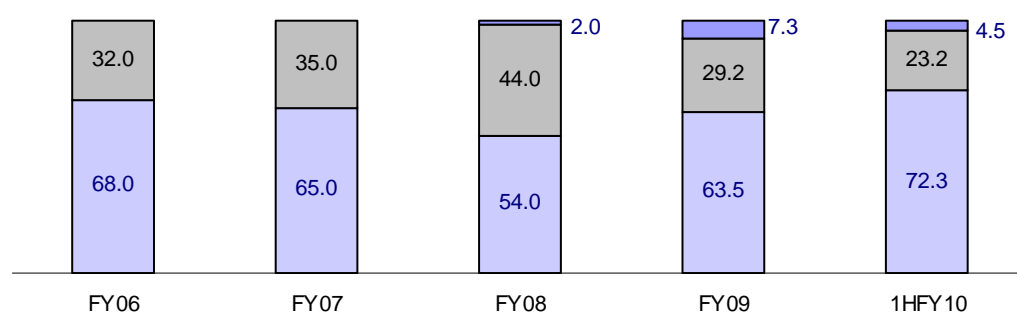
Corporate loans to dominate over next three years

Yes Bank aims to grow its loan book at high double digits over the next couple of years. In the near-term, corporate loans would continue to drive growth, as the bank is risk averse to lending to retail customers. C&IB has been the key revenue contributor for the bank in its initial years of operation and will continue to do so for the next 2-3 years. As of September 2009, C&IB constitutes 72.3% of its non-priority sector loans. The bank's exposure to the retail segment is <1%.

YES BANK: SEGMENTAL LOAN BREAK UP (% OF NON-PRIORITY SECTOR LOANS)

■ C&IB (Large corp) ■ Commercial Banking (Mid corp) ■ Branch Banking (SME and Retail)

Corporate loans continue to dominate the loan book



Source: Company/MOSL

In the near-term, Yes Bank would be focusing on the C&IB and commercial banking segments. It is expanding its branch network, and with the resultant increased access to customers, it would begin focusing on the SME and retail customers. For such customers, the bank intends to focus on collateralized lending - business loans, LAP, LAS, etc.

YES BANK: FOCUS AREAS AND TYPICAL EXPOSURES

SEGMENT	FOCUS CUSTOMER SEGMENTS	CRITERIA	TYPICAL EXPOSURE
C&IB	Large corporates, MNCs, FI and banks, government and PSUs	T/O above Rs10b	Rs300m – Rs1b
Commercial Banking	Emerging and mid corporates	T/O Rs1b-10b	Rs50m-300m
Branch Banking: (1) SME (business banking)	SME with a special focus on supply chain partners of large corporates	T/O Rs0.5b-1b	Rs20m-50m
Branch Banking: (1) Retail (Incl small business)	1) Small businesses near branch 2) Affluent and mass affluent retail customers	NA	NA

Source: Company/MOSL

Corporate and Institutional Banking (C&IB)

Under the C&IB division, Yes Bank focuses mainly on lending to large Indian companies, MNCs, banks and financial institutions. It has joined hands with the government and state-owned enterprises to provide advisory and financial solutions. Yes Bank offers an array of products, including vanilla and structured finance solutions, transaction services, treasury products, financial advisory and wealth management. It has corporate relationships with the likes of HCC, SAIL, PFC, IRCTC, IOC, PGCI, Mahindra group, Shriram group, Jaypee group, Unitech, Raheja group, Allcargo, Jain Irrigation, Essar group, and various state governments.

Commercial Banking

Under this division, Yes Bank aims to support companies through their life-cycle. It provides project advisory, working capital assistance, term funding, insurance, trade finance and treasury services. It also caters to its clients' growth requirements by arranging for private equity, advising on M&A, going public through IPOs, GDRs, FCCBs, etc. Its key customers include Allcargo, Cambridge group, Century Ply, UTV group, Radico Khaitan, Network 18, etc.

Business Banking

The business banking division serves customers with annual sales turnover of less than Rs1b and focuses mainly on SMEs. Usually, SME clients are branch-centric and Yes Bank serves this segment through its SME clustered branches. Exposure to this segment is secured through collaterals. For growing its balance sheet from this segment, the bank focuses mainly on the sunrise segments by taking advantage of its knowledge banking initiatives.

Retail Banking and Wealth Management

Under this division, Yes Bank is targeting the mass affluent and affluent individuals. This division also focuses on small businesses in its branch catchment areas. The management has been risk averse to growing retail assets but has been focusing on growing its retail liabilities and third-party distribution fees. The bank is relying on cutting-edge technology and increasing brand awareness to rapidly increase its customer base.

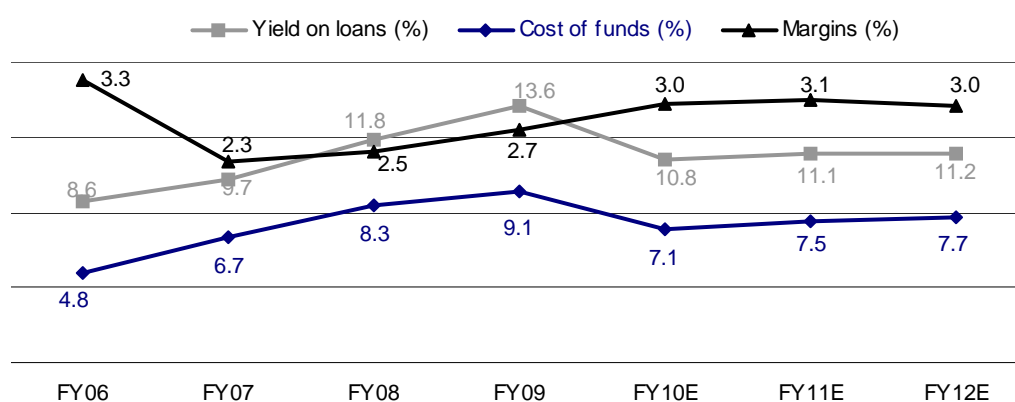
Significant fall in bulk deposit rates would keep margin stable

We expect the bank to maintain its margins at over 3%

Yes Bank is a predominantly wholesale funded bank. Individual retail deposits (savings and retail term deposits) constitute just ~24% of its total deposits. Wholesale funded institutions are best placed in an excess liquidity environment, as liabilities get re-priced faster than assets, aiding margin expansion. Yes Bank retains pricing power on its loans (though of a lower magnitude than earlier) due to its differentiated offerings. While this would continue at least for the next two quarters its sustainability would depend upon system loan growth. However, if the anticipated growth fails to materialize, there could be severe rate undercutting. In the near-term, comfort on margins remains the highest for Yes Bank. We believe the bank will raise capital in the next two quarters and expect its margins to remain over 3% even if higher competition dents its pricing power.

YES BANK: TREND IN YIELD, COST AND MARGINS

It has demonstrated its ability to pass on higher cost of funds to maintain margins



Source: Company/MOSL

While the bank is likely to be the biggest beneficiary of bulk deposit re-pricing, it intends to garner higher retail term deposits by paying competitive premium. In FY10, it is focusing on increasing its retail deposit franchise and accelerating customer acquisition.

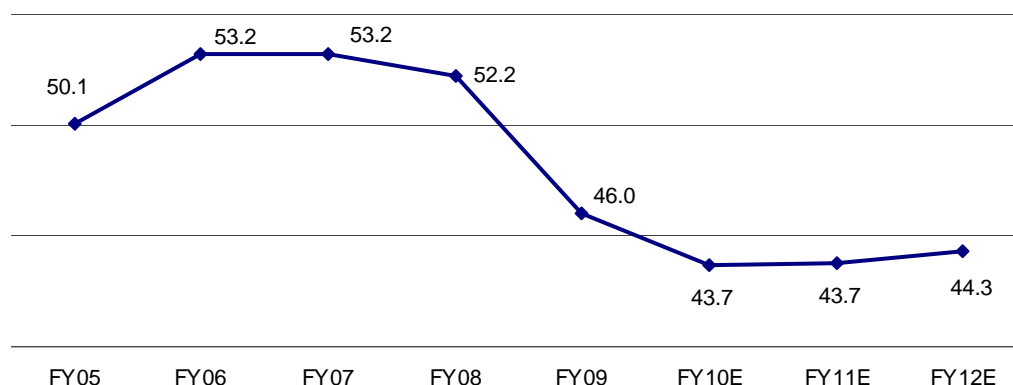
With the expected rise in interest rates and drying up of liquidity in FY11, margins for wholesale banks would be under pressure. However, in our estimates, we have built in higher proportion of retail liabilities and the benefit of capital raising, which would help to maintain margins. We expect a margin decline in FY12. Higher than expected growth in CASA deposits will lead to lower pressure on margins.

Fee income diversity brings stability and growth

Yes Bank's bottomline is evenly distributed between income from lending & borrowing activities and fee income. Given its access to superior technology and highly skilled manpower, the bank is able to offer new product and services like Cash Management, Forex Services and Wealth Management, which boost its fee income. Over the quarters since inception, Yes Bank's non-interest income has been in the range of 45-55% and the management expects this to be 45%+ for the next couple of years. Most of its other income is in the form of fees and treasury profits constitute an insignificant proportion (except in FY09, when trading opportunities were large).

YES BANK: NON-INTEREST INCOME TO TOTAL INCOME (%)

Diversity of non interest income keeps its contribution to total income strong at 45%+



Source: Company/MOSL

Outlook on fee income is encouraging

There are healthy signs of revival in Yes Bank's income from financial markets, financial advisory, and third party distribution in 1HFY10. Financial market income contributed ~54% of its non-interest income and ~25% of total income. Forex income is likely to show strong traction in 2HFY10 on a low base, and contribution from debt markets would also remain strong in FY10. Revival of equity markets would lead to strong traction in financial advisory income.

Yes Bank already has the requisite infrastructure to grow its income from third-party product distribution (126 branches and dedicated sales staff to focus on third-party products). The management has stated that it will use the benefit of margin expansion (due to fall in cost of funds) to garner top-rated accounts, which offer lower yields and spreads, but higher fee-based opportunities, helping to sustain RoA.

Benefit of diverse fee income streams demonstrated in FY09

Despite a decline in capital market related, trade related, and forex derivatives related fee income, Yes Bank was able to maintain the share of non-interest income at ~45% in FY09, aided by strong traction in transaction banking and trading gains. Going forward, we believe as the proportion of SME and retail customers increases, the contribution of NII to total income would increase. While the bank may not be able to maintain the contribution of non-interest income at ~45%, it would still be healthy.

We expect 31% CAGR in non-interest income over FY09-12

We expect 31% CAGR in non-interest income over FY09-12. We have factored in 20% CAGR in financial market income, ~50% CAGR in financial advisory income (on a lower base and strong capital markets), and ~40% CAGR in transaction banking fees (in line with loan growth) over FY09-12.

YES BANK: EXPECT ~31% CAGR IN NON-INTEREST INCOME

(RS MILLION)

	FY09	FY10E	FY11E	FY12E
Financial Market Income	2,006	2,202	2,702	3,453
of which Trading Profits	1,486	1,000	1,200	1,500
Other Fee Based Income	520	1,202	1,502	1,953
Growth (%)	-48.1	131.1	25.0	30.0
Financial Advisory	907	1,633	2,286	2,971
Growth (%)	-5.1	80.0	40.0	30.0
Transaction Banking	927	1,298	1,817	2,544
Growth (%)	91.9	40.0	40.0	40.0
Third Party Related Fees	510	561	701	877
Growth (%)	-21.2	10.0	25.0	25.0
Non-Interest Income	4,350	5,693	7,506	9,845
Growth (%)	20.6	30.9	31.8	31.2
Non-Interest Income (ex trading profits)	2,864	4,693	6,306	8,345
Growth (%)	-7.3	63.9	34.4	32.3

Source: Company/MOSL

Corporate fees dominate the other income stream

Yes Bank reports its non-interest income under four major heads — financial markets, transaction banking, financial advisory, and third-party & other distribution fees. The first three help the bank to garner corporate fee income. Transaction banking income and financial market income are positively correlated to the scale of economic activities and the bank's corporate customer base. ~65% of Yes Bank's financial advisory income comes from corporate finance related activities and the rest from investment banking (where the bank specializes in M&A related activities).

Corporate fees would continue to dominate its overall fee income over the next few quarters

Considering the bank's limited retail products and clients due to unleveraged and young branch network, we expect corporate fees to dominate its overall fee income over the next few quarters. However, in the medium term, as its branch network expands and ages, wealth management fees would also emerge as a major contributor to fee revenues.

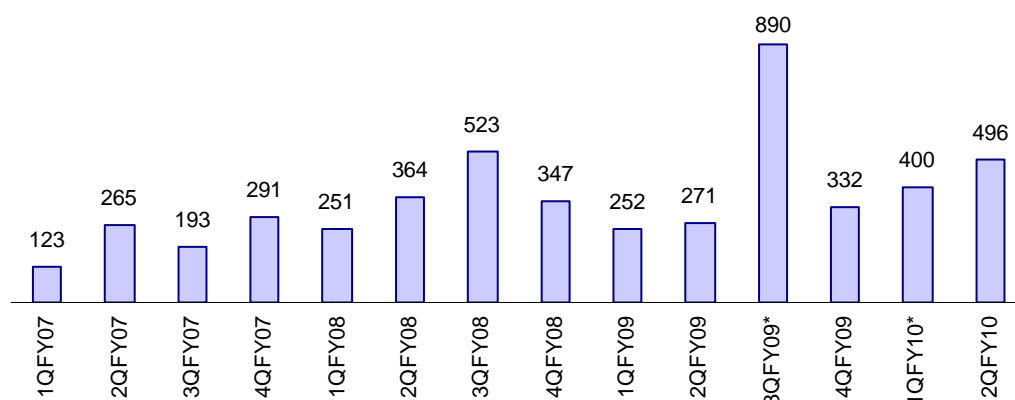
Financial markets - a top focus area for fees

In line with its strategy of providing the entire gamut of services to corporates, Yes Bank is focusing on providing structured credit products and derivative products, apart from traditional transactional banking services. It offers fixed income products (including plain vanilla products and structured products), debt capital market services, fixed income trading, and balance sheet management. The focus of this division is on the C&IB and commercial banking clients; it does not have exposure to SME clients.

In FY09, with significantly higher currency volatility, there was a decline in volumes of higher margin options and swaps. However, low-margin high-volume vanilla forex transactions had increased significantly. Given a lower base (derivatives transactions had dried up) and uptick in economic growth, forex income is likely to bounce back strongly in FY10. Debt capital market related income is also likely show strong traction. In FY09, financial markets contributed ~46% of the non-interest income. Excluding trading profits, financial markets contributed just 12% of the non-interest income.

YES BANK: QUARTERLY TREND IN FINANCIAL MARKETS INCOME (RS M)

*Financial markets income
has begun picking up*



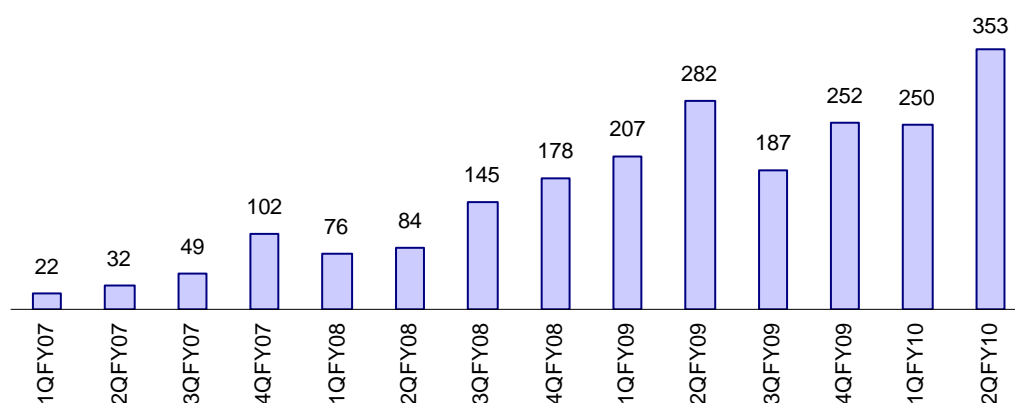
* adjusted for profit on sale of investments; other quarters may include trading profits, but proportion of such income is negligible
Source: Company/MOSL

Traditional banking products (transaction banking) - gaining momentum

Yes Bank has established its identity and brand name in corporate business in India and abroad over past five years. It has built a strong technological platform to offer the best transaction banking services to its corporate clients. Non-fund based business like LCs, BGs and acceptances have built up strong traction and its CMS throughput has been rising on a QoQ basis. We believe that as the bank continues to forge strong relationships with Indian corporates and increase its geographic reach, traditional banking products would continue to see strong traction.

YES BANK: QUARTERLY TREND IN TRANSACTION BANKING INCOME (RS M)

*Transaction banking
revenue gaining
strong traction*



Source: Company/MOSL

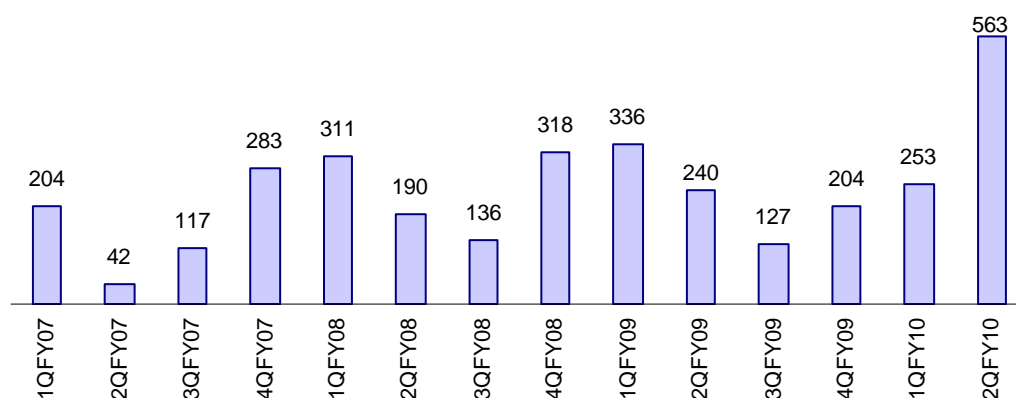
The share of transaction banking income in non-interest income has steadily improved from 6% in FY06 to 21% in FY09. The bank has effectively capitalized on growth in its non-fund business when foreign banks and some leading private banks have been significantly risk averse. Its non-fund based exposure in the form of LCs, BGs, and acceptances has increased from 19% of its balance sheet size in FY07 to 33% in FY09.

Advisory fees (financial advisory) - favorable capital markets augur well

Yes Bank has investment banking and corporate finance divisions. Under the corporate finance division, it utilizes its knowledge and product expertise in infrastructure, real estate, financial restructuring, acquisitions, and leveraged finance. Investment banking largely focuses on PE syndication and M&A advisory. In the last five years of operations, the bank has executed over 100 PE and M&A deals. The management sees strong growth in deal flow and expects the deals to be more granular, with a focus on SMEs.

YES BANK: QUARTERLY TREND IN FINANCIAL ADVISORY INCOME (RS M)

Strong financial markets are leading to higher financial advisory income



Source: Company/MOSL

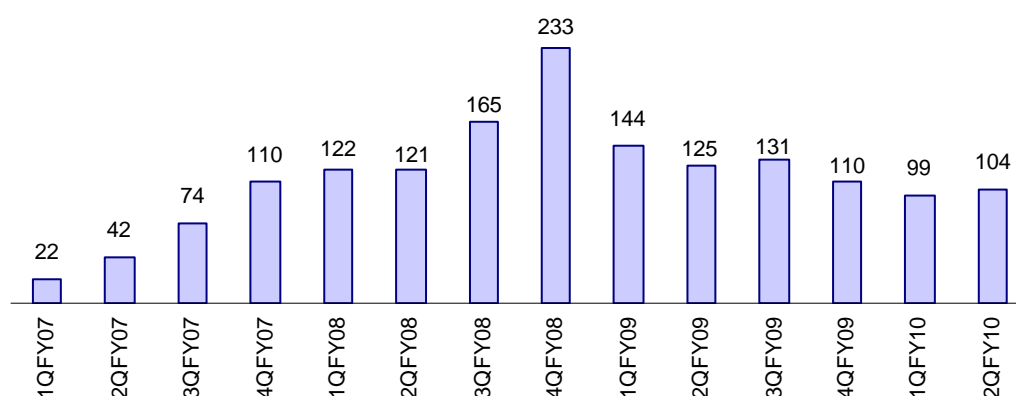
In periods of strong capital markets, financial advisory contributed ~30% of the bank's non-interest income (12-15% of overall income). However, the contribution declined sharply to ~20% in FY09. With improvement in capital markets, the share of financial advisory in overall income has increased to ~25%, despite strong capital gains booked under financial market income in 1QFY10. Yes Bank uses its strong corporate relationships to grow its advisory income. Investment banking contributes ~65% of the advisory income and rest is contributed by the corporate finance division.

Wealth management services (distribution fees) - could be the next big thing

The management's initial focus is on the 'mass affluent' segment and it would be expanding its reach to affluent and HNI customers. Yes Bank offers a diverse product suite of wealth management products including mutual funds, life insurance (Max New York Life), and general insurance (Bajaj Allianz).

YES BANK: QUARTERLY TREND IN THIRD PARTY DISTRIBUTION INCOME (RS M)

Having consolidated during the last few quarters, we expect third party distribution income to gain traction



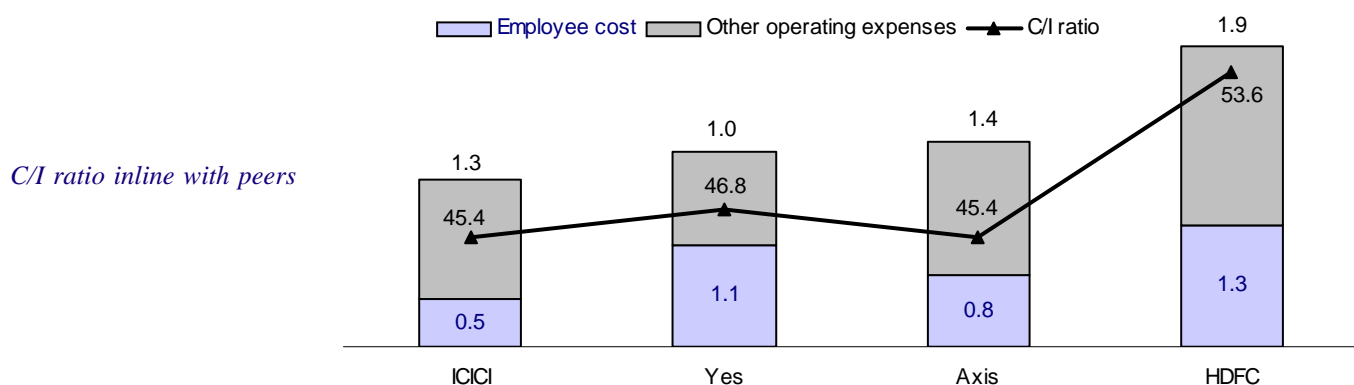
Source: Company/MOSL

Expansion of its geographic spread and greater brand recognition would be drivers of this business, going forward. We believe its geographic concentration in NCR and MMR provides ample opportunity to grow this business. We believe wealth management will not only help in augmenting fee income but also to garner low-cost deposits.

Strong control over operating expenditure

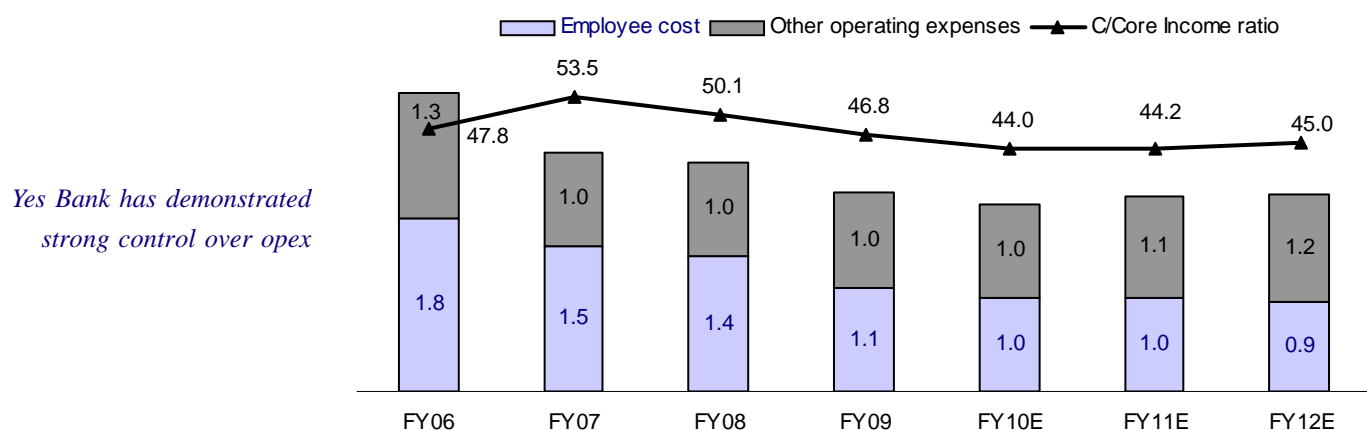
Yes Bank's cost-to-income ratio has remained <40% in the last four quarters. As it intends to double its branch network to 250 by FY12, we expect operating expenses to increase. The bank has already started recruiting people in view of the anticipated branch network expansion. Yes Bank has demonstrated strong control over operating expenditure and we do not expect its cost-to-income to rise beyond its peers'. We have modeled cost-to-income of 42% in FY11 and 43% in FY12 v/s 40% in FY10.

PEER COMPARISON: OPERATING EXPENSES TO AVERAGE ASSETS, C/I RATIO (FY09, %)



Source: Company/MOSL

YES BANK: TREND IN COST TO INCOME RATIO (%)

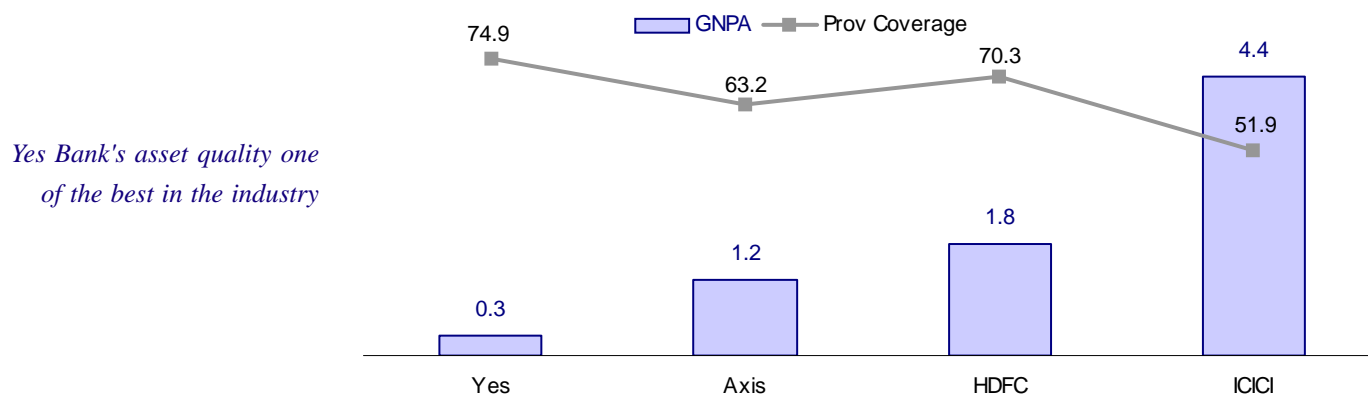


Source: Company/MOSL

Superior asset quality to sustain

The outlook on asset quality has improved significantly and NPAs would remain manageable. Being prudent, the management intends to increase provision coverage ratio by accelerating provisions. With the ageing and expansion of its loan portfolio, some delinquencies could occur. However, we believe that the bank's NPAs would remain at manageable levels. Yes Bank's time-tested superior credit risk infrastructure, experienced manpower in its risk management department and strong domain knowledge mitigate the risk of higher slippages. Nevertheless, we have assumed that gross NPAs would increase to Rs3.7b by FY12 from current levels of Rs0.5b. Our estimate factors in provision coverage ratio of 75% over FY09-12.

GNPA AND PROVISION COVERAGE VS COMPETITORS AS OF SEPTEMBER 2009 (%)



Source: Company/MOSL

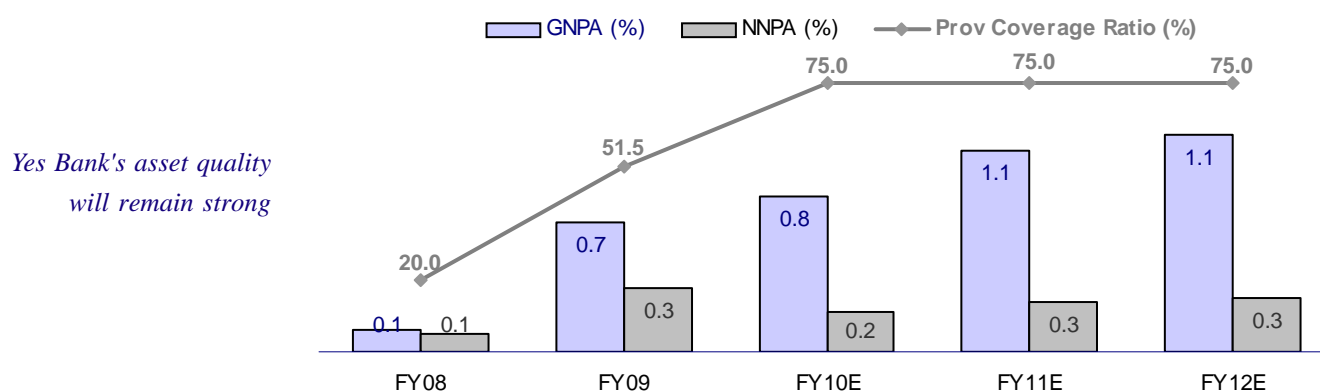
STRESS ON NETWORTH - 1HFY10

(RS BILLION)

	HDFC BANK	YES BANK	ICICI BANK	AXIS BANK
a. Gross NPAs	20.3	0.5	94.7	11.3
b. Restr. Std Loans	2.8	1.6	48.6	23.6
c. Total Stress (a+b)	23.1	2.1	143.3	34.9
d. Specific Provs (NPA + restructured)	14.2	0.4	51.1	7.7
e. Gen Provs (Standard assets)	7.6	1.0	14.4	4.6
f. Net Stress Pre tax (c-d-e)	1.3	0.7	77.8	22.6
g. Net Stress Post tax (f*.67)	0.8	0.5	52.1	15.2
h. FY09 Net Worth	150.6	16.2	495.3	102.1
i. Net stress % to FY09 NW (g/h)	0.6	3.0	10.5	14.9

Source: Company/MOSL

YES BANK: SUPERIOR ASSET QUALITY



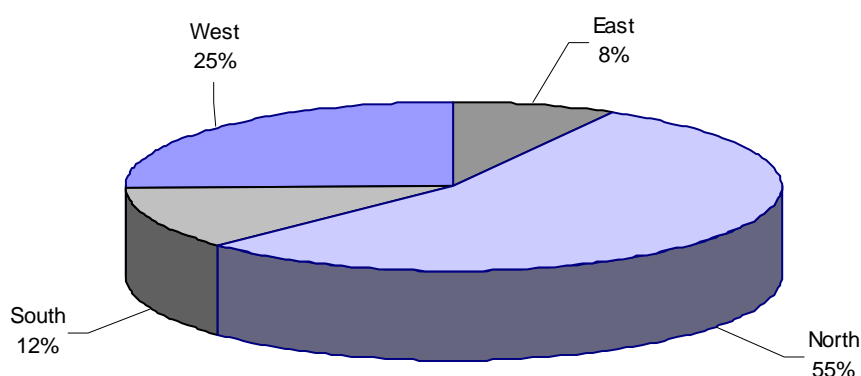
Source: Company/MOSL

Strengthening reach and liability franchise - next growth driver

As of September 2009, Yes Bank had 126 operational branches. It targets to scale up its branch network to 250 by FY12 and 750 by FY15. The bank has already opened its flagship branches in all the major cities of India and now focuses mainly on mid-size branches, most of which will be opened in North and West India. Efficient utilization of branch license, with strong focus on strategic areas (targeting under-served mid and small corporate clients and affluent individuals) will not only help to grow the balance sheet size and fee-based income but also to grow its low-cost CASA base.

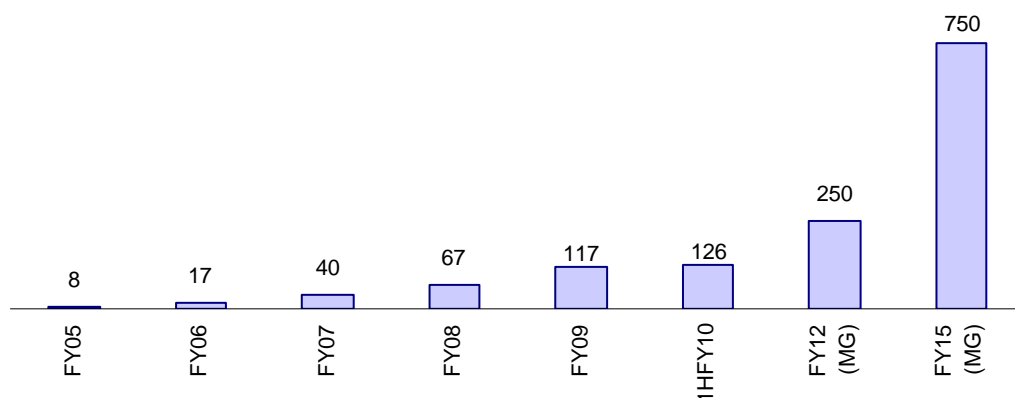
YES BANK: GEOGRAPHICAL DISTRIBUTION OF BRANCHES

~80% of Yes Bank's branches are in northern and western parts of India



YES BANK: NUMBER OF BRANCHES

Its branch network is expanding fast



Note: MG: Management guidance

Source: Company/MOSL

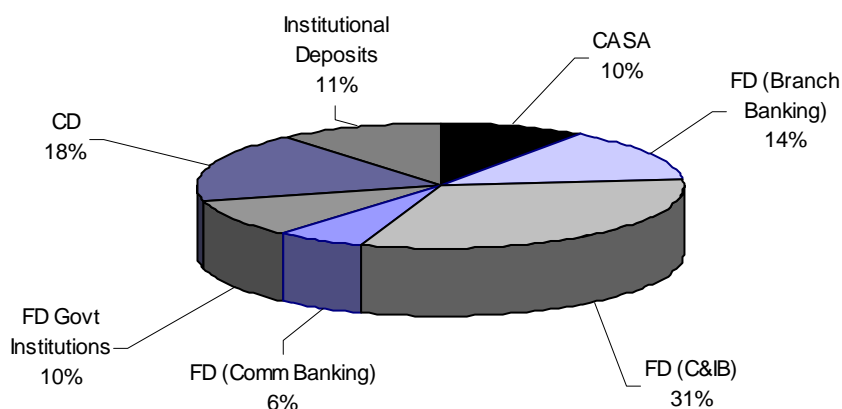
With 126 branches operational and expected addition of ~125 branches in the next 18 months, the focus on low cost deposits and retail term deposits is likely to increase. The bank targets an increase in the share of retail deposits from ~24% of total deposits currently to ~30%. We believe CASA growth would continue to outpace loan growth. CASA ratio would increase to 14% by FY11 and 16% by FY12. To grow CASA deposits, the bank is initially focusing on current account deposits by leveraging upon its corporate relationships. ~80% of its current CASA deposits come from CA deposits. While higher CA deposits are favorable for margins (attract 0% interest v/s 3.5% for savings accounts), in the longer term, higher savings deposits would be the key to CASA growth.

Core retail deposits to increase with branch network expansion

Yes Bank currently suffers from a weak liability side, marked by high dependence on bulk deposits, CDs and borrowings. Its fast growth aspirations on the asset front would mean that it will continue to be a predominantly wholesale borrower over the next couple of years. The management is focused on improving its retail deposit base through branch network expansion, customer segmentation, product innovation, better service delivery and fast customer acquisition. The management's focus on corporate customers and financial markets is enabling it to grow its current account balances fast. Savings accounts growth would follow roll-out of branches and other retail products.

YES BANK: DEPOSIT PROFILE (1HFY10)

Yes Bank's ~24% of deposits come from branch banking

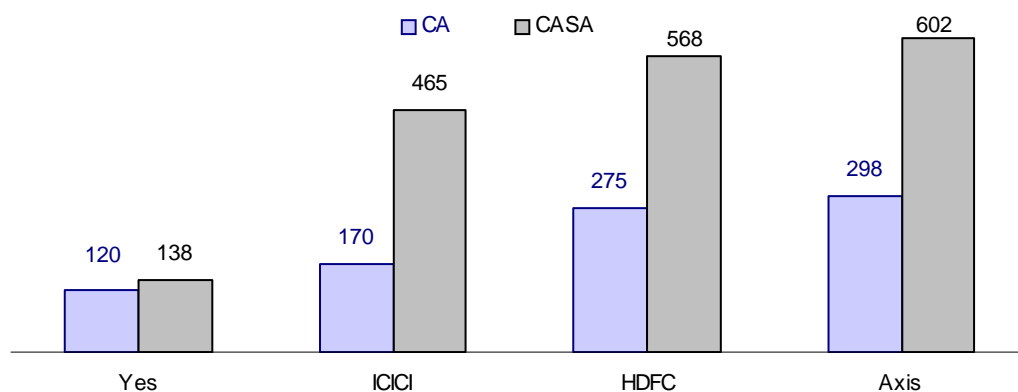


Source: Company/MOSL

Performance on low cost deposits weaker than peers; expect improvement

So far, Yes Bank's performance has been weaker than peers like HDFC Bank and Axis Bank, as far as garnering of CASA deposits is concerned. Its performance on current account deposits (though a key focus area) has also been weaker than peers. To increase its low cost deposit base, Yes Bank is targeting its existing corporate relationships to grow current account deposits.

PEER COMPARISON: AVERAGE CA AND AVERAGE CASA PER BRANCH IN 5TH YEAR OF OPERATIONS (RS M)

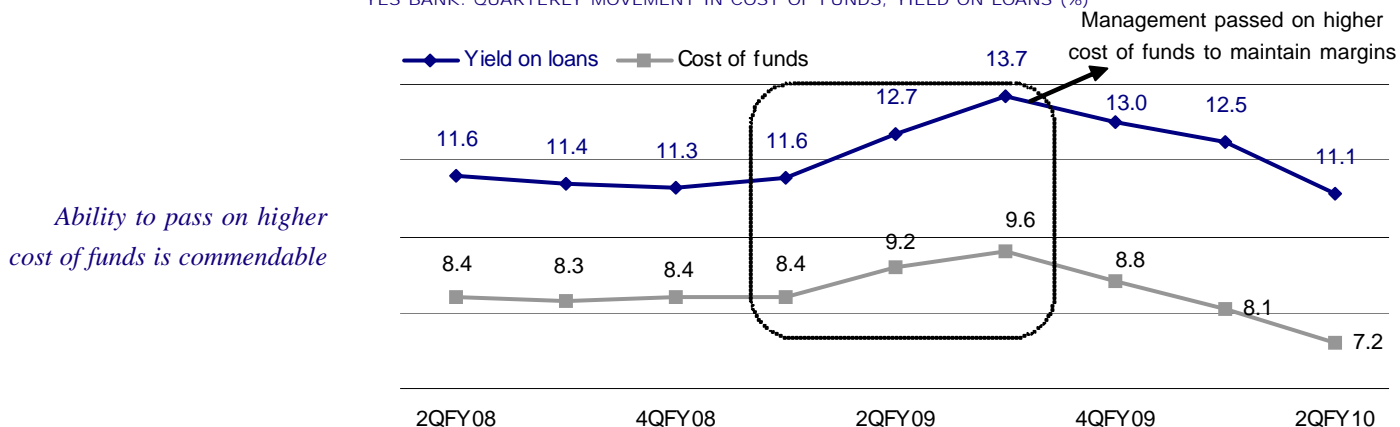


Source: Company/MOSL

Execution capability well tested in last 12 months

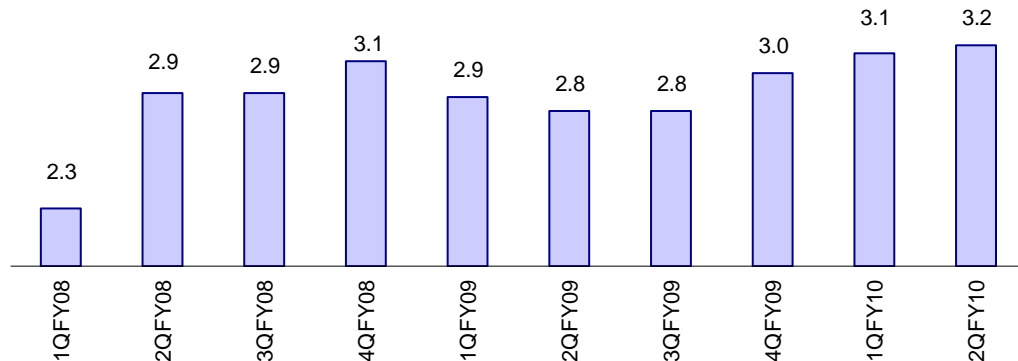
Yes Bank's impressive performance during FY09 demonstrates the soundness of its business model and the management's execution capabilities. Though it is a wholesale borrower, with CASA ratio of <10%, its NIM was 2.8% at the peak of the financial crisis. In 3QFY09, Yes Bank was a net lender to RBI under LAF. Its reported NIM for FY09 improved ~20bp to 2.9%.

YES BANK: QUARTERLY MOVEMENT IN COST OF FUNDS, YIELD ON LOANS (%)



YES BANK: QUARTERLY TREND IN MARGINS

NIMs of the bank remained strong at 2.8%+



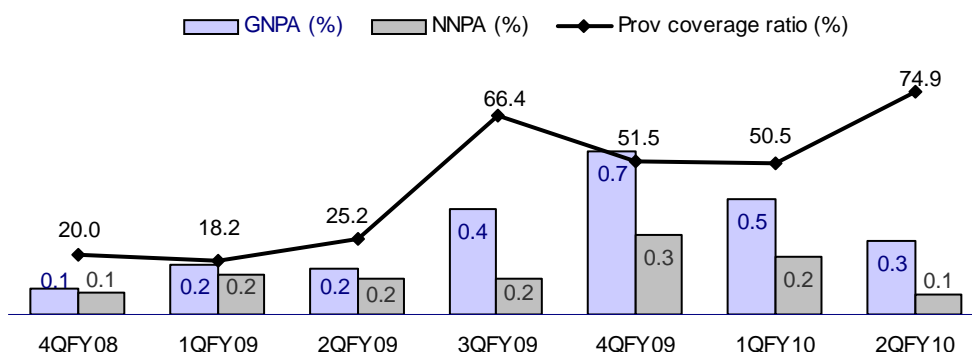
Source: Company/MOSL

Strong asset quality; managed downturn unscathed

At the peak of the financial crisis in FY09, Yes Bank had taken a conscious decision not to chase growth at the cost of asset quality. Its GNPA ratio increased to 0.68% from 0.11% in FY08 and NNPA ratio increased to 0.33% from 0.09% in FY08, but its NPA ratios remain lower than peers. Total restructuring amount (including pending applications) was just 40bp of the outstanding loan book as of March 2009. As of September 2009, its GNPA ratio was 31bp and provision coverage ratio was 75% (including specific provisions at 266%). Its standard restructured loans are one of the lowest in the industry at 96bp.

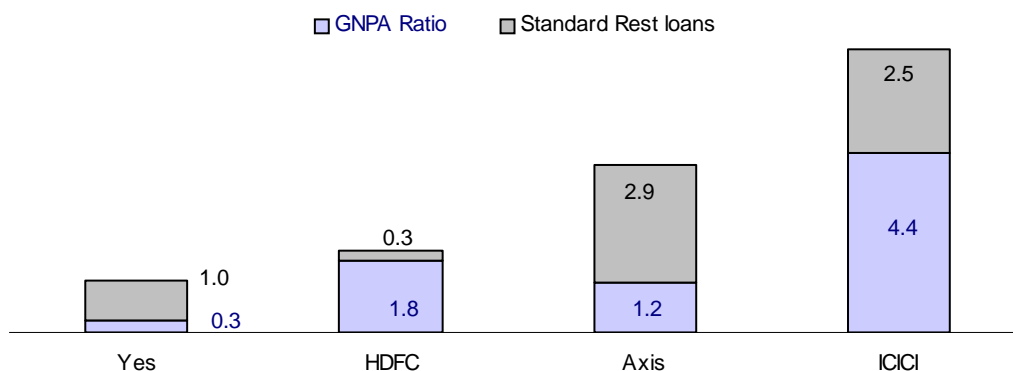
YES BANK: MOVEMENT IN GNPA RATIO, NET NPA RATIO AND PROVISION COVERAGE RATIO

GNPA remained below 1%



PEER COMPARISON: GNPA RATIO AND RESTRUCTURED LOANS AS OF SEPTEMBER 2009 (%)

Asset quality one of the best in the industry



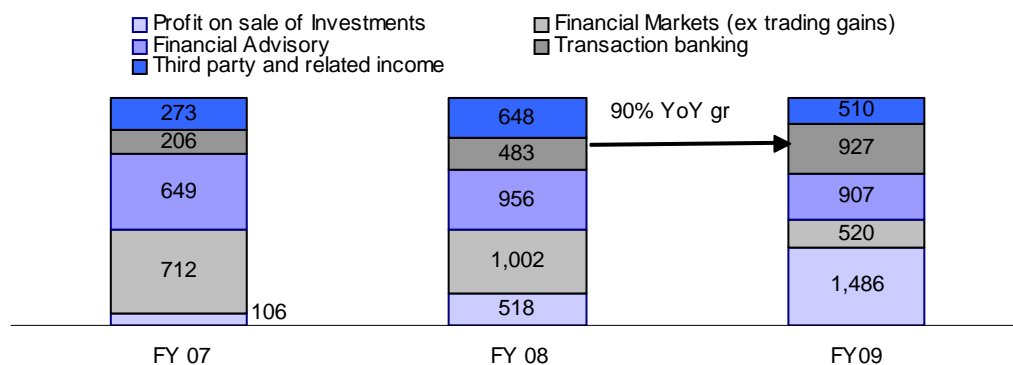
Source: Company/MOSL

Contribution of non-interest income remained healthy

In FY09, when capital market and forex-related fees were under significant pressure, Yes Bank was able to grow its fee income on the back of 91% growth in transaction banking income. Its financial market income, (excluding trading profits) declined ~48% and third-party distribution income declined 21%. Some of the DCM transaction related income is included in the profit on sale of investments, excluding which the management stated that decline in the financial market core fee revenue is in the range of 25-30% and overall fee income growth (other income ex trading profits) is largely flat. There was significant pressure on financial market fees due to drying up low volume and high margin derivatives transactions. High volume low margin vanilla forex transactions and higher trading profits, however, enabled Yes Bank's overall financial market income to grow ~30% in FY09.

YES BANK: BREAK-UP OF OTHER INCOME (RS M)

Transaction banking (core fee income source) showing strong growth



Source: Company/MOSL

Strong RoA despite pressure on margins and capital market related fees

Yes Bank delivered "above industry" loan growth of 32% and profit growth of 50%+ in FY09. Its NIM increased 20bp despite lower core retail deposits, its fee income grew despite pressure on capital market and forex-related fees, it effectively controlled operating expenditure, and its asset quality remained strong, demonstrating the strengths of Yes Bank's business model and its relationship based business strategy.

PEER COMPARISON: DUPONT ANALYSIS (FY09)

	YES BK	AXIS BK	HDFC BK	ICICI BK	AVG PVT*
Net Interest Income	2.6	2.9	4.4	2.2	3.1
Fee Income	1.9	2.0	1.7	1.8	1.9
Fee/Net Income Ratio	40.5	39.6	27.2	44.8	35.9
Core Operating Income	4.5	4.9	6.1	4.0	5.0
Total Expenses	2.1	2.2	3.3	1.8	2.4
Core C/I Ratio	46.8	45.4	53.6	45.4	48.7
Employee Expenses	1.1	0.8	1.3	0.5	0.9
Emp./Total Exp Ratio	52.1	34.9	40.5	28.0	35.7
Other Expenses	1.0	1.5	1.9	1.3	1.6
Core Operating Profits	2.4	2.7	2.8	2.2	2.6
Trading Profits	0.3	0.2	0.2	0.1	0.2
Operating Profits	2.7	2.9	3.0	2.3	2.7
Provisions	0.3	0.7	1.1	1.0	0.9
PBT	2.3	2.2	1.9	1.3	1.8
Taxes	0.8	0.8	0.6	0.4	0.6
Tax Rate (%)	34.8	34.8	32.0	26.6	31.8
RoA	1.5	1.4	1.3	1.0	1.2
Leverage (x)	13.6	13.6	11.8	8.1	11.2
RoNW	20.7	19.1	15.6	7.8	13.7

* Avg Pvt stands for average of Axis, HDFC Bank and ICICI Bank

Source: MOSL

Strong outperformance within peer group

Despite a highly competitive business environment, Yes Bank has created a niche for itself in just five years of its execution by leveraging its knowledge banking initiatives. The management focuses on growing its revenue per customer rather than just earning a spread by banking transactions. A dexterous management team, having strong corporate relations has not only helped the bank grow its balance sheet but also to lay a strong foundation for its investment banking division. The bank's balance sheet has grown to Rs264b and the share of fee income has remained impressive at 45%+ over the quarters.

Comparing Yes Bank's performance with peers

Yes Bank's performance relative to its peers has been commendable

We have compared the performance of Yes Bank with peer private sector banks - ICICI Bank, HDFC Bank and Axis Bank - to showcase the management's execution capabilities on various business parameters. We have carried out a comparative DuPont analysis for the first four years of full operations of the respective banks, as well as for a period of identical economic environment. We have also presented Yes Bank's performance on various balance sheet parameters and ratios in Annexure IV on page 28-29.

In their first four years of full operations

Yes Bank's core operating profits as a percentage of average assets were significantly higher than Axis Bank and in line with ICICI Bank. However, HDFC Bank's performance was superior. Here, we would like to highlight that the competition at that time was significantly lower for private banks. Yes Bank had to fight for market share not only with state-owned banks but also private and foreign banks.

DUPONT COMPARATIVE FOR THE FIRST FOUR YEARS OF OPERATIONS

	YES BK	AXIS BK*	HDFC BK	ICICI BK	AVG PVT #
Net Interest Income	2.6	2.1	4.6	3.4	3.3
Fee Income	2.6	1.1	1.6	1.9	1.5
Fee/Net Income Ratio	49.1	23.9	24.1	31.8	26.8
Core Operating Income	5.2	3.1	6.2	5.3	4.9
Total Expenses	2.6	1.8	2.6	2.6	2.4
Core C/I Ratio	49.4	59.2	42.5	49.6	48.6
Emp Expenses	1.5	0.5	0.6	0.5	0.5
Emp/Total Exp Ratio	57.8	27.7	23.4	17.2	22.2
Other Expenses	1.1	1.3	2.0	2.2	1.9
Core Operating Profits	2.6	1.3	3.6	2.7	2.5
Trading Profits	0.1	1.3	0.5	0.8	0.9
Operating Profits	2.7	2.6	4.0	3.5	3.4
Provisions	0.4	0.8	0.4	0.9	0.7
PBT	2.4	1.8	3.6	2.6	2.6
Taxes	0.8	0.6	1.1	0.6	0.8
Tax Rate (%)	34.9	35.8	30.4	22.3	29.0
RoA	1.5	1.1	2.5	2.0	1.9
Leverage (x)	11.3	22.1	7.7	11.0	13.6
RoNW	17.2	25.0	19.3	22.0	25.5

* for Axis Bank, we have taken 2-5th year after Mr P J Nayak took over as CMD (FY02-06)

Avg Pvt stands for average of Axis, HDFC Bank and ICICI Bank

Source: Company/MOSL

Over the period FY06-09 (under the same economic scenario)

We have also compared Yes Bank's performance with its peers over the period FY06-09 to understand how it fared during a period of identical economic environment.

DUPONT COMPARATIVE FOR THE PERIOD FY06-09

	YES BK	AXIS BK	HDFC BK #	ICICI BK	AVG PVT *
Net Interest Income	2.6	2.6	4.2	2.0	2.9
Fee Income	2.6	1.7	1.9	2.0	1.9
<i>Fee/Net Income Ratio</i>	<i>49.1</i>	<i>37.3</i>	<i>31.0</i>	<i>47.3</i>	<i>37.5</i>
Core Operating Income	5.2	4.3	6.2	4.0	4.8
Total Expenses	2.6	2.1	3.2	2.2	2.5
<i>Core C/I Ratio</i>	<i>49.4</i>	<i>49.7</i>	<i>52.5</i>	<i>54.4</i>	<i>52.2</i>
Employee Expenses	1.5	0.7	1.1	0.5	0.8
<i>Emp./Total Exp Ratio</i>	<i>57.8</i>	<i>32.0</i>	<i>34.1</i>	<i>24.5</i>	<i>30.7</i>
Other Expenses	1.1	1.4	2.1	1.6	1.7
Core Operating Profits	2.6	2.1	2.9	1.8	2.3
Trading Profits	0.1	0.2	0.1	0.3	0.2
Operating Profits	2.7	2.4	3.0	2.1	2.5
Provisions	0.4	0.5	1.1	0.7	0.8
PBT	2.4	1.8	2.0	1.4	1.7
Taxes	0.8	0.6	0.6	0.3	0.5
<i>Tax Rate (%)</i>	<i>34.9</i>	<i>34.3</i>	<i>30.8</i>	<i>19.3</i>	<i>29.0</i>
RoA	1.5	1.2	1.4	1.1	1.2
Leverage (x)	11.3	16.2	12.7	10.9	13.3
RoNW	17.2	19.0	17.2	11.9	16.1

* Avg Pvt stands for average of Axis, HDFC Bank and ICICI Bank; # FY07-08 merged numbers with CBoP

Source: Company/MOSL

Yes Bank's core operating profits were significantly better than ICICI Bank and Axis Bank. HDFC Bank's core operating profits to average assets ratio was 30bp higher than Yes Bank's. However, on core PBT to average assets, Yes Bank stood out with 2.23%, as against 1.84% for HDFC Bank, 1.59% for Axis Bank and 1.09% for ICICI Bank.

Superior return ratios, growth justify premium valuations

We expect RoA of 1.5%+ and RoE of 17%+ over the next three years, despite equity dilution. Given the superior return ratios, superlative growth and a competent management, we believe Yes Bank deserves premium valuations. The stock trades at 2.3x FY11E BV and 15.7x FY11E EPS. We initiate coverage with a **Buy** recommendation and a target price of Rs327 (3x FY11E BV).

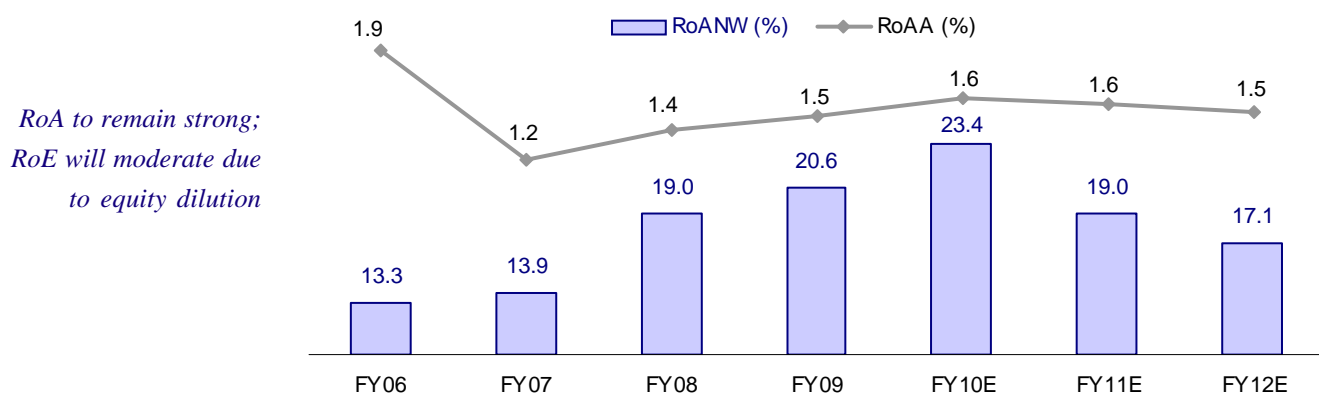
Expect strong growth to continue

Yes Bank is in a sweet spot to benefit from the economic buoyancy, as it has diverse product offerings, and an experienced and capable top management team with a proven track record. With substantial growth in its branch network in the next couple of years, we expect the strong traction in its total business to continue. Greater brand awareness among potential retail customers together with expanding reach will also open new avenues of growth for Yes Bank. We expect loans CAGR of 37% and PAT CAGR of ~32% over FY09-12.

Superior returns ratios to be maintained

We believe Yes Bank will be able to maintain RoA of 1.5%+ and RoE of 17%+ in FY10-11 (factoring in a dilution of Rs11b), backed by: (1) loan growth of 35%+, (2) superior margins of ~3%, aided by deposit re-pricing, improving CASA ratio, and benefit of capital raising, (3) strong growth in fee income due to higher advisory, forex and third party distribution income, and (4) stable credit cost, as its asset quality is amongst the best in the industry.

YES BANK: TREND IN ROA AND ROE



Source: Company/MOSL

YES BANK: DUPONT ANALYSIS

	Y/E MARCH	2006	2007	2008	2009	2010E	2011E	2012E
<i>Share of fee income maintained at 40%+</i>	Net Interest Income	3.1	2.2	2.4	2.6	2.8	2.8	2.7
	Fee Income	3.5	2.5	2.5	1.9	1.7	1.9	1.9
	Fee/Net Income Ratio	51.8	52.1	50.6	40.5	34.9	37.9	38.9
<i>Operating expenses fully covered by non-interest income</i>	Core Operating Income	6.6	4.7	4.9	4.5	4.5	4.7	4.7
	Operating Expenses	3.2	2.5	2.4	2.1	2.0	2.1	2.1
	Cost/Core Income Ratio	47.8	53.5	50.1	46.8	44.0	44.2	45.0
	Employee Cost	1.8	1.5	1.4	1.1	1.0	1.0	0.9
	Emp/Total Exp Ratio	58.2	60.7	59.3	52.1	50.1	47.6	44.9
<i>Strong asset quality leading to lower provisions</i>	Other Operating Expenses	1.3	1.0	1.0	1.0	1.0	1.1	1.2
	Core Operating Profits	3.5	2.2	2.4	2.4	2.5	2.6	2.6
	Trading Profits	0.1	0.1	0.1	0.3	0.4	0.3	0.3
	Operating Profits	3.6	2.3	2.5	2.7	3.0	2.9	2.8
	Provisions	0.5	0.4	0.3	0.3	0.5	0.5	0.5
<i>One of the best return ratios in the industry</i>	NPA Provisions	0.0	0.0	0.0	0.3	0.3	0.4	0.4
	Other Provisions	0.5	0.4	0.3	0.0	0.1	0.1	0.1
	PBT	3.0	1.9	2.2	2.3	2.5	2.5	2.4
	Tax	1.1	0.7	0.8	0.8	0.9	0.9	0.8
	Tax Rate (%)	35.6	34.3	34.7	34.8	35.0	35.0	35.0
	RoA	1.9	1.2	1.4	1.5	1.6	1.6	1.5
	Leverage (x)	6.9	11.2	13.3	13.6	14.3	12.0	11.1
	RoE	13.3	13.9	19.0	20.7	23.4	19.0	17.1

Source: Company/MOSL

Premium valuations justified; Buy*Buy with a target price of Rs327*

The stock trades at 2.3x FY11E BV and 15.7x FY11E EPS. Given its superior return ratios, superlative growth, clean balance sheet, strong core operating profits and competent management, we believe Yes Bank's premium valuations are justified. We initiate coverage with a **Buy** recommendation and a target price of Rs327 (3x FY11E BV).

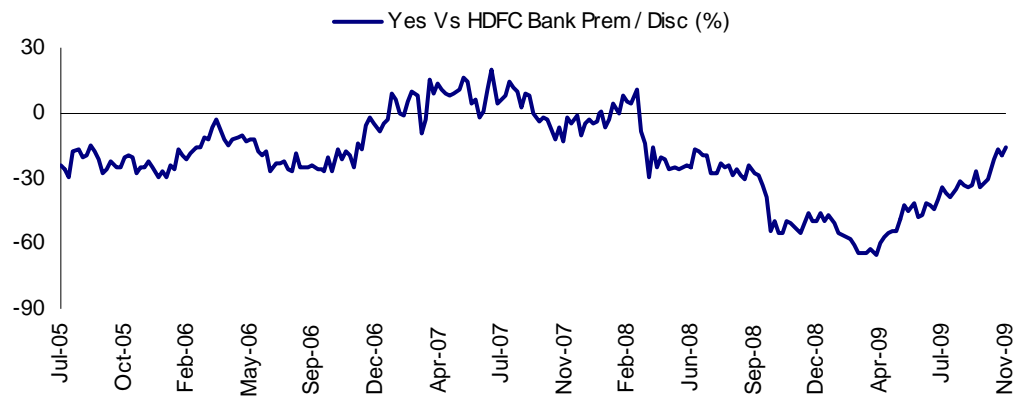
COMPARATIVE VALUATIONS (FY11E)

	YES BANK	AXIS BANK	HDFC BANK
CMP (Rs)	253	997	1,773
Net Worth (Rs m)	37,178	183,432	240,238
Current Market Cap (Rs m)	75,091	400,059	754,100
Branches (1HFY10)	126	916	1,506
Key operating parameters			
Net Profit (Rs m)	5,492	30,708	39,344
Growth Rate (%)	27.5	26.9	32.5
EPS (Rs)	16.1	76.6	87.1
Growth Rate (%)	10.9	26.9	32.5
EPS CAGR (FY09-11E) %	25.4	23.0	28.5
Book Value (Rs)	108.9	457.3	532.0
ABV for NPA (Rs)	107.7	436.9	520.5
RoE (%)	19.0	17.9	17.5
RoA (%)	1.6	1.6	1.7
Net NPA (%)	0.3	1.0	0.5
Cost To Income (%)	41.6	41.9	48.1
Valuation			
Mcap/branch (Rs m)	596	437	501
P/E (x)	15.7	13.0	20.3
P/BV (x)	2.3	2.2	3.3
P/ABV (x)	2.3	2.3	3.4

Source: MOSL

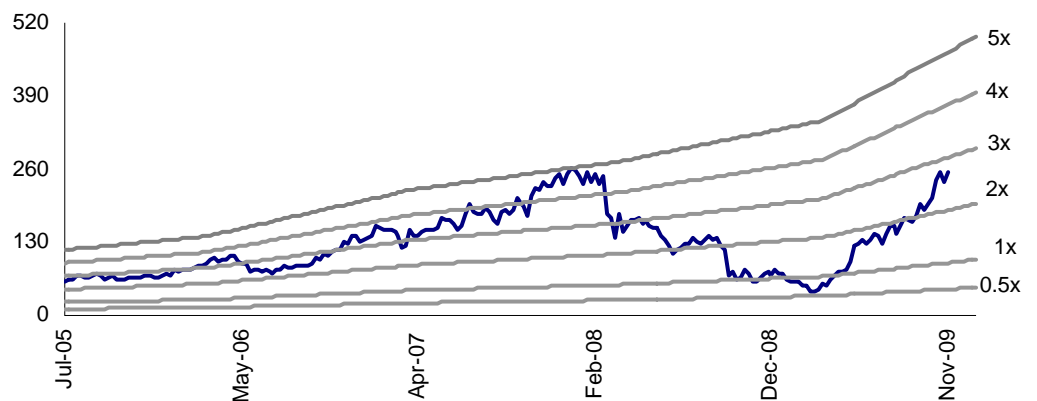
P/BV (1 YEAR FORWARD) PREMIUM/DISCOUNT V/S HDFC BANK

Average discount to
HDFC Bank valuation: 15%
Maximum premium: 20%
Maximum discount: 65%



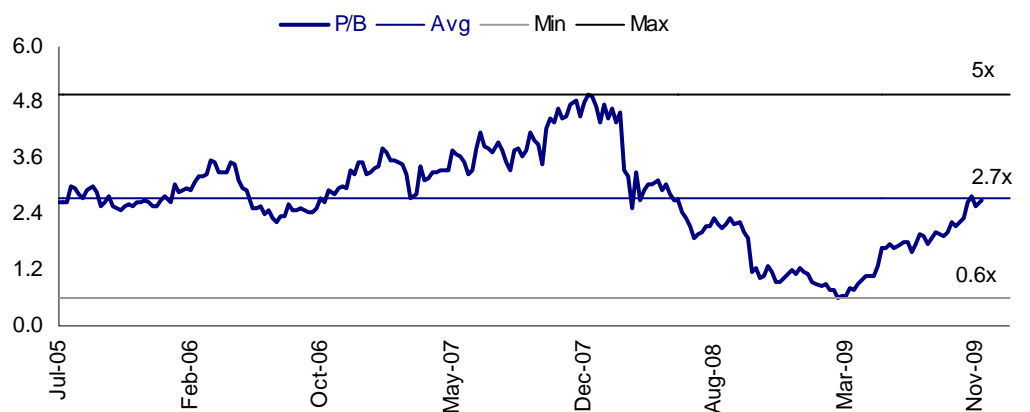
Source: MOSL

YES BANK (1 YEAR FORWARD) P/BV



Source: MOSL

YES BANK TRADED AT 5X MAXIMUM MULTIPLE AND 0.6X MINIMUM MULTIPLE, CURRENTLY TRADING AT NEAR TO AVERAGE MULTIPLE TO 2.7X



Source: MOSL

Key challenges ahead

Possible delay in branch expansion

Yes Bank's growth plans are heavily dependent on obtaining branch licenses. If due to some unforeseeable circumstances, there is a delay in getting branch licenses from RBI, it could adversely impact valuations.

Continued dependence on bulk deposits

Wholesale business dominates Yes Bank's overall business. In a scenario of surplus liquidity, the bank would witness a strong margin up-tick. However, if the liquidity dries up significantly or if RBI adopts accelerated tightening measures, the cost of funds would rise significantly, leading to a pressure on margins. Nevertheless, it is comforting to note that the management has effectively demonstrated its ability to maintain margins in such a scenario.

Ability to raise capital

Considering Yes Bank's strong growth aspirations, we expect its balance sheet growth to continue outpacing RoE, leading to higher capital requirements. We expect loan CAGR of 37% over FY09-12 and build in capital raising of Rs11b (US\$235m) in our estimates. We expect 15% equity dilution in FY11 at Rs250/share. In the past, the management has ensured that equity dilution is book accretive.

Following its IPO in July 2005, the bank has diluted equity twice through private placement. In the first instance, it had issued 10m equity shares to Swiss Reinsurance Company at Rs120/share, and in the second instance, it had issued 14.7m shares to Orient Global Tamarind Fund at Rs225/share.

Annexure I

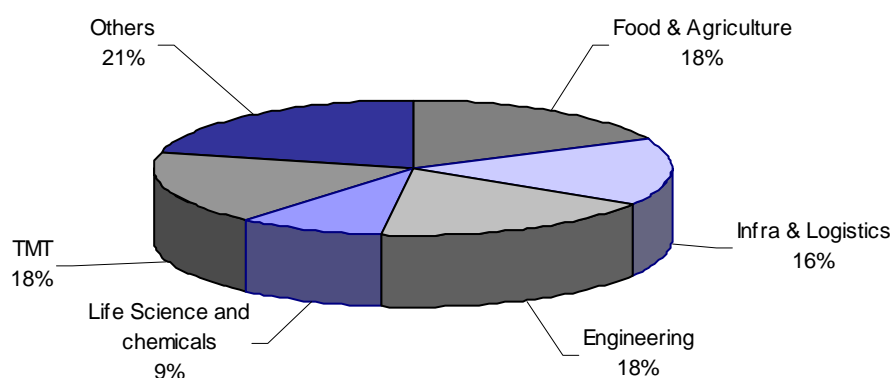
Company background

Yes Bank began operations in May 2004. Its promoters, who established Rabo India Finance as a leading investment bank in India, have the distinction of obtaining RBI's only Greenfield banking license in the last decade. The bank commenced with its Corporate & Institutional Banking and Business Banking operations in August 2004, followed by Financial and Treasury operations in September 2004. Transaction banking took off in October 2004.

'Knowledge Banking' initiative - investing for tomorrow

With changing dynamics of the Indian Economy and the Banking Sector, Yes Bank is considering 'Knowledge Banking' as the new mantra. The bank utilizes its expertise in various emerging sectors by offering a comprehensive bouquet of products and services - financing, advisory, transaction banking and financial markets services.

COMPOSITION OF ADVANCES BOOK (KNOWLEDGE BANKING CLASSIFICATION)



Source: Company/MOSL

Yes Bank is taking various knowledge initiatives in these industries by tying up with government and international agencies in areas like advisory and research. We believe its strategy to create a strong knowledge pool in the sunrise industries by working with various participants like corporates, the government and international agencies would give it significant headroom in this business, going forward.

Annexure II

Strong management with rich banking experience

Yes Bank has built strong management teams for each of its business units by bringing on board experienced manpower from entities like Rabobank, Bank of America, and other foreign banks and domestic private banks like HDFC Bank and ICICI Bank. Some of its managers were placed at various locations worldwide and have gained experience in varied areas of banking like transaction banking, treasury, investment banking, branch banking, wealth management, etc. The top management holds ~6.7% as ESOPs with an average vesting price of Rs130-140/share.

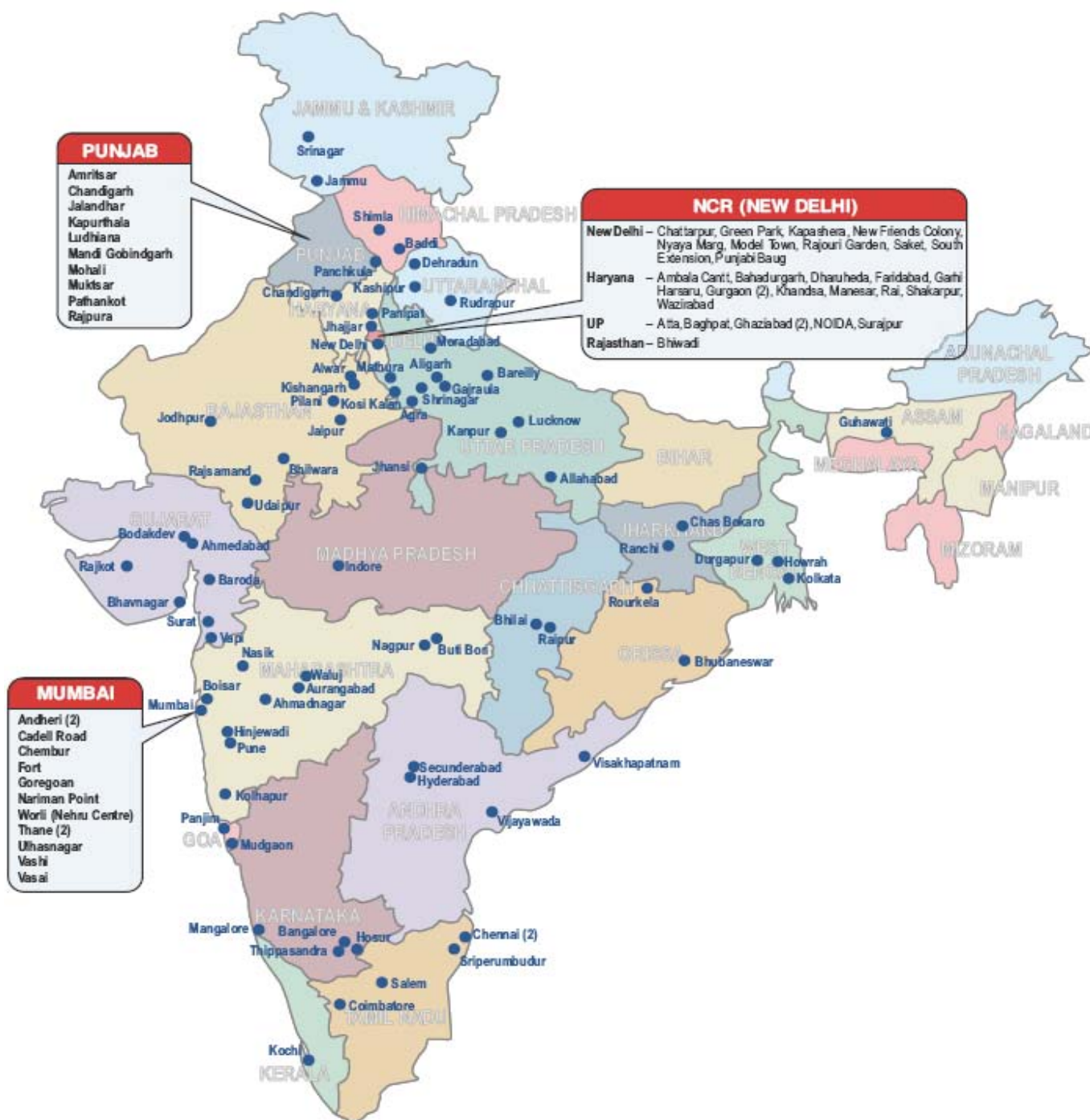
EXPERIENCED TOP MANAGEMENT TEAM

NAME	DESIGNATION	EXPERIENCE
Rana Kapoor	Founder/MD & CEO	<ul style="list-style-type: none"> ■ MD & CEO - Rabo India ■ GM and Head - ANZ Grindlays Investment Bank ■ 16 years with Bank of America
Rajat Monga	Group President - Financial Markets & CFO	<ul style="list-style-type: none"> ■ Rabo India - Head, Financial Markets ■ Also worked for UTI
Sunil Gulati	Group President - C&IB	<ul style="list-style-type: none"> ■ CEO - GE Commercial Finance, ■ Head, Wholesale Banking - ING Vysya Bank ■ 12 years with Bank of America
Varun Tuli	Group President - Branch Banking	<ul style="list-style-type: none"> ■ ED and Country Head - Avigo Capital Partners ■ ED - Strategic Capital Corporation ■ VP - Lehman Brothers Asia in Singapore ■ Regional Business Manager - Bank of America.
Sumit Gupta	President - Commercial Banking	<ul style="list-style-type: none"> ■ Associate Director & Head (North) - Rabo India
Suhail Kazmi	President - Insurance and Wealth Management	<ul style="list-style-type: none"> ■ Consumer Banking Head, West and South Zone - ABN Amro ■ Also worked with Bank of America in Retail Banking
Somak Ghosh	President - Corporate Finance and Development Banking	<ul style="list-style-type: none"> ■ Director - Rabo Bank ■ Has over 13 years of experience in various capacities in India and Europe in leading organizations like ICICI Bank, Reliance Industries and Ispat Europe
Aditya Sanghi	President and Sr MD - Investment Banking	<ul style="list-style-type: none"> ■ ED and Head, M&A - Rabo India
Kavita Venugopal	Group President and Chief Risk Officer	<ul style="list-style-type: none"> ■ ED - Investment Banking, Kotak Mahindra Capital Company

Source: Company/MOSL

Annexure III

BRANCH NETWORK: WELL PLANNED GROWTH IN BRANCHES FOLLOWING THE BUSINESS CENTERS



YES BANK Branch Network - 126 branches across 100 locations

NORTH : Agra, Aligarh, Allahabad, Alwar, Ambala Cantt, Amritsar, Atta, Baddi, Baghpat, Bahadurgarh, Bareilly, Bhilwara, Bhiwadi, Chandigarh, Dehradun, Dharuhera, Faridabad, Gajraula, Garhi Harsaru, Ghaziabad (2), Gurgaon (2), Indore, Jaipur, Jalandhar, Jammu, Jhajjar, Jhansi, Jodhpur, Kanpur, Kapurthala, Kashipur, Khandsa, Kishanganj, Kosikalan, Lucknow, Ludhiana, Mandi Gobindgarh, Manesar, Mathura, Mohali, Moradabad, Muktsar, New Delhi (10), Noida, Panchkula, Panipat, Pathankot, Pili, Rai, Rajpura, Rajsamand, Rudrapur, Shakarpur, Shimla, Shrinagar (Hathras), Srinagar, Surajpur (Greater Noida), Udaipur, Wazirabad

WEST : Ahmadnagar, Ahmedabad (2), Aurangabad, Baroda, Bhavnagar, Boisar, Butibori, Kolhapur, Margao, Mumbai (8), Nagpur, Nashik, Panjim, Pune (2), Rajkot, Surat, Thane (2), Ulhasnagar, Vapi, Vasai, Vashi, Waluj

SOUTH : Bangalore (2), Chennai (2), Coimbatore, Hosur, Hyderabad (2), Kochi, Mangalore, Salem, Sripurumbudur, Vijayawada, Visakhapatnam

EAST : Bhubaneswar, Chas Bokaro, Durgapur, Durg-Bilai, Guwahati, Howrah, Kolkata, Raipur, Ranchi, Rourkela

Annexure IV

Yes Bank's performance v/s peers in the initial years of operations

(2nd - 5th year, FY96-00 for Axis Bank, HDFC Bank and ICICI Bank)

BALANCE SHEET PARAMETERS: GROWTH (%)

	AXIS BK	HDFC BK	ICICI BK	YES BK
Loans				
Year 2	55	276	431	216
Year 3	24	56	23	161
Year 4	136	46	41	50
Year 5	33	66	87	32
Deposits				
Year 2	173	7	120	339
Year 3	52	87	85	182
Year 4	94	71	95	61
Year 5	11	33	131	22
CASA				
Year 2	755	581	31	NA
Year 3	-42	96	78	52
Year 4	52	78	28	138
Year 5	72	56	72	25
Assets				
Year 2	114	NA	154	226
Year 3	41	83	54	167
Year 4	86	56	84	53
Year 5	23	54	113	35
CASA Ratio				
Year 2	36.4	35.6	28.2	10.7
Year 3	13.9	37.3	27.2	5.8
Year 4	10.9	38.8	17.8	8.5
Year 5	16.8	45.6	13.2	8.7

P&L PARAMETERS: GROWTH (%)

	AXIS BK	HDFC BK	ICICI BK	YES BK
Nil				
Year 2	83	457	375	371
Year 3	29	71	110	101
Year 4	-6	38	11	93
Year 5	117	42	62	55
Fee Income				
Year 2	789	594	878	498
Year 3	7	124	56	98
Year 4	41	52	67	68
Year 5	41	29	56	4
Operating Profit				
Year 2	189	871	539	NA
Year 3	17	85	188	79
Year 4	64	60	48	103
Year 5	25	23	24	51
PAT				
Year 2	385	NA	NA	NA
Year 3	36	100	143	79
Year 4	9	56	25	112
Year 5	87	30	26	52

Source: MOSL

OPERATING PARAMETERS (%)

	AXIS BK	HDFC BK	ICICI BK	YES BK
Branches (Nos)				
Year 2	7	7	11	17
Year 3	12	50	22	40
Year 4	24	67	33	67
Year 5	35	92	55	117
NIM				
Year 2	3.3	6.4	4.1	3.3
Year 3	2.6	6.2	4.9	2.3
Year 4	1.4	5.1	3.2	2.5
Year 5	2.1	4.6	2.5	2.7
Cost to Core Income Ratio				
Year 2	39.6	40.6	63.2	47.2
Year 3	47.5	41.5	42.6	52.9
Year 4	64.3	43.5	47.2	49.4
Year 5	45.2	44.4	42.5	44.2
Fee to Total Income Ratio				
Year 2	40.2	21.1	34.2	51.0
Year 3	33.7	25.5	27.2	50.3
Year 4	30.1	24.8	31.1	44.7
Year 5	33.7	24.6	36.9	33.9
RoA				
Year 2	1.3	2.1	2.1	1.9
Year 3	1.1	2.9	2.7	1.2
Year 4	0.7	2.7	2.0	1.4
Year 5	0.9	2.3	1.2	1.5
RoE				
Year 2	9.1	9.6	12.5	13.3
Year 3	11.2	17.4	23.7	13.9
Year 4	11.0	23.9	22.4	19.0
Year 5	17.0	26.4	22.0	20.7

Source: MOSL

Financials and valuation

INCOME STATEMENT

(RS MILLION)

Y/E MARCH	2007	2008	2009	2010E	2011E	2012E
Interest Income	5,876	13,047	20,033	22,333	30,346	40,227
Interest Expended	4,163	9,741	14,921	14,998	20,691	27,865
Net Interest Income	1,714	3,306	5,112	7,335	9,655	12,363
Change (%)	100.5	92.9	54.6	43.5	31.6	28.0
Other Income	1,946	3,607	4,350	5,693	7,506	9,845
Net Income	3,659	6,912	9,462	13,029	17,162	22,208
Change (%)	100.4	88.9	36.9	37.7	31.7	29.4
Operating Expenses	1,935	3,412	4,185	5,223	7,142	9,462
Operating Income	1,724	3,501	5,277	7,806	10,020	12,746
Change (%)	78.7	103.0	50.7	47.9	28.4	27.2
Other Provisions	288	436	617	1,179	1,571	2,029
PBT	1,436	3,065	4,659	6,626	8,449	10,716
Tax	493	1,065	1,621	2,319	2,957	3,751
Tax Rate (%)	34.3	34.7	34.8	35.0	35.0	35.0
PAT	944	2,000	3,038	4,307	5,492	6,966
Change (%)	79.1	111.9	51.9	41.8	27.5	26.8
Proposed Dividend	0	0	0	0	0	0

BALANCE SHEET

(RS MILLION)

Y/E MARCH	2007	2008	2009	2010E	2011E	2012E
Capital	2,800	2,958	2,970	2,970	3,415	3,415
Reserves & Surplus	5,071	10,231	13,272	17,580	33,763	40,728
Net Worth	7,871	13,189	16,242	20,549	37,178	44,144
Deposits	82,204	132,732	161,694	210,202	278,518	376,000
Change (%)	182.5	61.5	21.8	30.0	32.5	35.0
CASA Deposits	4,739	11,287	14,118	25,224	38,993	60,160
Borrowings	8,673	9,862	21,891	30,647	33,711	37,083
Other Liabilities & Prov.	12,287	14,042	29,181	35,760	43,533	52,857
Total Liabilities	111,034	169,825	229,008	297,159	392,941	510,083
Current Assets	12,928	16,276	19,227	17,119	23,231	26,747
Investments	30,731	50,937	71,170	85,404	102,485	122,982
Change (%)	127.6	65.8	39.7	20.0	20.0	20.0
Advances	62,897	94,303	124,031	173,643	238,760	322,325
Change (%)	161.3	49.9	31.5	40.0	37.5	35.0
Net Fixed Assets	709	1,012	1,311	2,416	3,388	4,174
Other Assets	3,769	7,297	13,269	18,576	25,078	33,855
Total Assets	111,034	169,825	229,008	297,159	392,941	510,083

ASSUMPTIONS

(%)

Deposit Growth	182.5	61.5	21.8	30.0	32.5	35.0
Advances Growth	161.3	49.9	31.5	40.0	37.5	35.0
Investments Growth	127.6	65.8	39.7	20.0	20.0	20.0
Provision coverage Ratio	0.0	20.0	51.5	75.0	75.0	75.0
Dividend	0.0	0.0	0.0	0.0	0.0	0.0

E: MOSL Estimates

Financials and valuation

RATIOS

Y/E MARCH	2007	2008	2009	2010E	2011E	2012E
Spreads Analysis (%)						
Avg. Yield - Earning Assets	8.0	9.7	10.7	9.2	9.6	9.7
Avg. Cost-Int. Bear. Liab.	6.7	8.3	9.1	7.1	7.5	7.7
Interest Spread	1.4	1.4	1.5	2.1	2.1	2.0
Net Interest Margin	2.3	2.5	2.7	3.0	3.1	3.0

Profitability Ratios (%)

RoE	13.9	19.0	20.6	23.4	19.0	17.1
RoA	1.24	1.42	1.52	1.64	1.59	1.54
Int. Expended/Int.Earned	70.8	74.7	74.5	67.2	68.2	69.3
Other Inc./Net Income	53.2	52.2	46.0	43.7	43.7	44.3

Efficiency Ratios (%)

Op. Exps./Net Income	52.9	49.4	44.2	40.1	41.6	42.6
Empl. Cost/Op. Exps.	60.7	59.3	52.1	50.1	47.6	44.9
Busi. per Empl. (Rs m)	40.6	59.1	96.0	83.7	94.9	101.3
NP per Empl. (Rs lac)	3.9	6.3	11.4	10.8	11.6	11.6

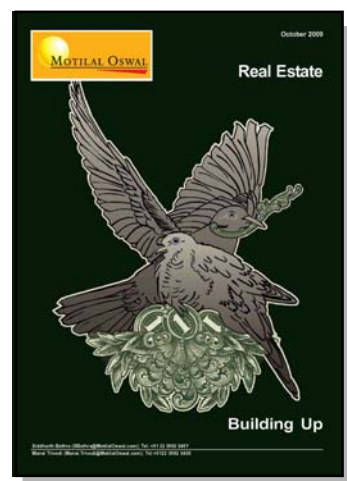
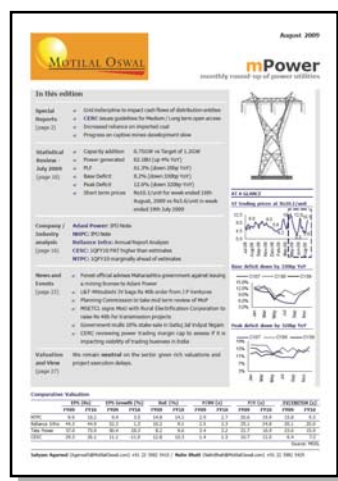
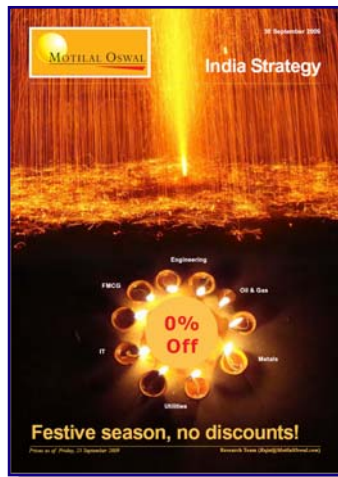
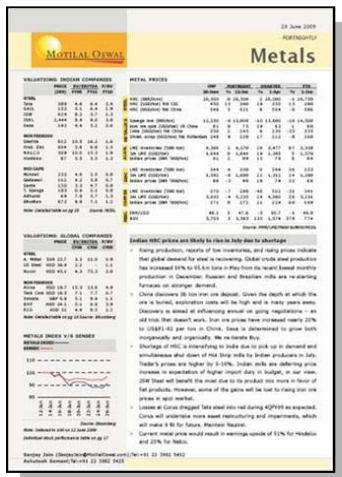
Asset-Liability Profile (%)

Adv./Deposit Ratio	76.5	71.0	76.7	82.6	85.7	85.7
CASA Ratio	5.8	8.5	8.7	12.0	14.0	16.0
Invest./Deposit Ratio	37.4	38.4	44.0	40.6	36.8	32.7
G-Sec/Invest. Ratio	70.0	70.6	65.8	64.0	70.7	79.5
Gross NPAs to Adv.	0.0	0.1	0.7	0.8	1.1	1.1
Net NPAs to Adv.	0.0	0.1	0.3	0.2	0.3	0.3
CAR	13.6	13.6	16.6	14.8	16.3	14.3
<i>Tier 1</i>	<i>8.2</i>	<i>8.5</i>	<i>9.5</i>	<i>9.0</i>	<i>11.7</i>	<i>10.4</i>

VALUATION

Book Value (Rs)	28.1	44.6	54.7	69.2	108.9	129.3
Price-BV (x)	9.0	5.7	4.6	3.7	2.3	2.0
Adjusted BV (Rs)	28.1	44.4	53.8	68.4	107.7	127.5
<i>Price-ABV (x)</i>	<i>9.0</i>	<i>5.7</i>	<i>4.7</i>	<i>3.7</i>	<i>2.3</i>	<i>2.0</i>
EPS (Rs)	3.4	6.8	10.2	14.5	16.1	20.4
EPS Growth (%)	72.7	100.6	51.3	41.8	10.9	26.8
Price-Earnings (x)	75.0	37.4	24.7	17.4	15.7	12.4
OPS (Rs)	6.2	11.8	17.8	26.3	29.3	37.3
OPS Growth (%)	72.3	92.2	50.1	47.9	11.6	27.2
Price-OP (x)	41.1	21.4	14.2	9.6	8.6	6.8

E: MOSL Estimates





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