

# oikos Case Writing Competition 2016 Sustainable Finance Track

## Runner-up

### **Catalyzing a Shared Sustainable Future: Responsible Banking at Yes Bank**

### **Inspection Copy**

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## **Catalyzing a Shared Sustainable Future: Responsible Banking at Yes Bank**

### **ABSTRACT**

As a leader in sustainable finance in India, Yes Bank reached the milestone of mainstreaming sustainability within its core business principles with a vision of evolving as the 'Best Quality Bank of the World in India by 2020'. The sustainable corporate performance of the bank focussed on the triple bottom-line ethos, wherein the three interlinked measurement elements — people, planet, and profit — were interwoven with its business strategy. According to Yes Bank, its sustainable finance initiatives not only assisted it in creating value for stakeholders but also had a long-term positive impact on the community as a whole. The sustainable finance guidelines of the bank enabled it to integrate social, economic, and environmental policies into its business framework, and this attracted investments from Foreign Institutional Investors (FII) and Foreign Portfolio Investors (FPI) for building a clean and green India. The bank's active presence in areas like development banking, micro finance, financial inclusion, agriculture, and investment in sustainable ventures created an enabling environment for the most disadvantaged stakeholders in society to aspire for a sustainable future and also enabled the bank to come up with some innovative products and services. As a sustainability leader for India, the bank's sustainable finance approach distinguished it from its rivals and helped it emerge as a leading bank in the country despite its being a late entrant into the market. However, the bank admitted difficulties in communicating its sustainable objectives to its stakeholders.

This case is designed to enable students to: 1) Understand the concept of sustainable finance and understand why new age banks like Yes Bank were focusing on the triple bottom line ethos; 2) Study and analyze the sustainable finance principles and practices of Yes Bank; 3) Discuss and debate whether the sustainability initiatives of the bank delivered tangible results in terms of having a social, economic, and environmental impact on the community in the long run; 4) Understand the key concern for Yes Bank — communicating its sustainability initiatives to stakeholders — and explore the ways in which it can address the issue.

*“Sustainable Finance is a key pillar of growth at YES BANK. We believe the Bank’s commitment to integrate innovative and sustainable practices along its value chain allows its clients to operate in a low carbon economy. [...]”<sup>1</sup>*

- **Namita Vikas, Senior President & Chief Sustainability Officer, YES Bank, in 2015.**

*“Yes Bank clearly stands out from the crowd. It is a role model for integrating all the three dimensions – economic, social, and environmental dimensions of sustainability in its DNA.”<sup>2</sup>*

- **Arshad Rab, CEO of the European Organization for Sustainable Development (EOSD<sup>1</sup>), in 2013.**

Since its inception in 2004, YES Bank Limited (Yes Bank) had created a paradigm in the Indian Banking sector through continuous innovation and excellence despite being a late entrant. In early 2010, Rana Kapoor, Managing Director and CEO of Yes Bank, and his team restated the mission and vision of the bank to include a holistic ‘Responsible Banking’ approach supported by its focus on the ‘Triple Bottom Line’. Yes Bank considered sustainable finance as a guiding principle for its business in succeeding years, embedding the socio-economic and environmental policies into its strategic business practices. The sustainable initiatives enabled the bank to create a positive impact on the community, one which went beyond its business performance.

The bank’s responsible banking strategy aimed at mainstreaming sustainability among the stakeholders with a vision to *“be the benchmark financial institution for sustainability”<sup>3</sup>* in the country. Being a thought leader in responsible banking and sustainability integration, the bank achieved the twin objectives of developing profitable lines and helping India to build a clean and green future. This holistic approach toward sustainable development and corporate social responsibility through its sustained focus on financial inclusion, environmental stewardship, thought leadership, and sustainable investing made a measurable positive impact on society in a short time. This differentiated approach resulted in Yes Bank receiving several recognitions across leading banking league tables from independent institutions of repute, while winning multiple awards and accolades across product and service categories, both nationally and globally. One such achievement in the domain of sustainable finance was its becoming the first Indian bank to be included in the Dow Jones Sustainability Indices (DJSI<sup>2</sup>) in the Emerging Market Index in September 2015. In 2015, of the 119 invited banks from the emerging economies, Yes Bank was the only bank included in the DJIS<sup>4</sup>.

However, Yes Bank’s rise over the years had not been without its challenges. One of these was communicating its sustainable initiatives to stakeholders. According to Namita Vikas, Senior President & Chief Sustainability Officer, Yes Bank, *“The biggest challenge thus far has been to decipher ‘Sustainability’ and communicate to the stakeholders in technical lexicon. There is a need for evangelism to overcome some critical barriers like ‘perceived lack of value in developing such initiatives’.”<sup>5</sup>* This prompted Yes Bank to take a close look at all its stakeholders, undertake comprehensive stakeholder mapping, and focus on identifying and prioritizing its material issues and responding with innovative solutions to create maximum stakeholder value.

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<sup>1</sup> European Organisation for Sustainable Development (EOSD) is a dedicated international body that works in four thematic areas — Enterprise Development, Finance and Investments, Education and Training, and Technology and Energy which contribute to sustainable development in the world.

<sup>2</sup> The DJSI comprises 92 companies from 14 emerging economies including China, Brazil, South Africa and Taiwan.

## BACKGROUND NOTE

Founded in 2003 by Rana Kapoor (Kapoor) with financial support from Rabobank<sup>3</sup>, Yes Bank operated as a 'Full Service Commercial Bank'<sup>6</sup>. Its mission was 'to establish a high quality, customer centric, service driven, private Indian Bank catering to the future business of India.'<sup>7</sup> Headquartered in Mumbai, India, Yes Bank had the distinction of being the only private Bank to obtain RBI's<sup>4</sup> Greenfield Banking licence in India.<sup>8</sup>

Yes Bank was able to enter the market due to the economic reforms initiated by the Government of India (GoI) in the financial sector of the country. Before the 1990s, the country had been dominated by the public sector banks, which held nearly 83 percent of the banking business in their hands.<sup>9</sup> As part of the reforms in the banking sector, several new private sector banks were set up in the country to introduce more competition and improve efficiency in the sector. Some of the important private sector banks set up in the wake of the banking reforms were ICICI Bank, HDFC Bank, and UTI Bank (now Axis Bank). They started operations in 1994. All these new banks were given relatively easy approval to enter the sector. An important aim of the reforms in the banking sector was to increase the penetration of banking services and make them available to a larger percentage of people. The results of the reforms in the banking sector were impressive. The new generation private banks revolutionized the sector. Several technological advancements like the Automated Teller Machine (ATMs) were introduced; there was also an improvement in the financials of the banking sector. The capital adequacy of the Indian banks came on a par with international standards. The share of the Non Performing Assets (NPAs) as a share of gross advancements went down significantly, increasing the profitability of the banking sector. The other significant outcomes were the increasing recognition of the employees as strategic assets and the increase in the operational efficiency of the banks.

Yes Bank was incorporated in November 2003 and started its financial operations in September 2004 in Mumbai as a registered private sector bank in India.<sup>10</sup> Being a late entrant, it had to contend with many challenges, including stiff competition. In addition to the various public and private sector banks, there were also a number of cooperative and rural banks in India. Foreign multinational banks had also brought in service aspects that had forced the other Indian banks to tighten up.

Yes Bank was promoted by Kapoor and his brother-in-law, Ashok Kapur (Kapur), with financial assistance from Rabobank. Kapur and Kapoor together owned 52.5 percent of the initial promoters' equity of Rs 20 million<sup>5</sup>. Kapoor had banking experience of nearly 25 years and had worked as the CEO and MD of Rabo India Finance Private Ltd., a subsidiary of Rabobank. He had had previous experience with Bank of America<sup>6</sup> and was well known in the Indian banking sector. Kapur too brought in a wealth of experience in banking. Among other things, he had been ABN Amro Bank's<sup>7</sup> first Indian and Asian Country head. Yes Bank was also co-promoted by global private equity institutional investors such as CVC Citigroup<sup>8</sup>, AIF Capital<sup>9</sup>, and ChrysCapital<sup>10</sup>. While the Indian promoters had a 39 percent stake in the bank, Rabobank had a 20 percent stake, and the foreign institutional investors held 18 percent. Kapoor was instrumental in getting a good top management team in place.<sup>11</sup>

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<sup>3</sup> Founded in 1972, Rabobank is a Netherland-based banking and financial services company which provides services in the domain of banking, insurance, leasing, and real estate. It is a global leader in food and agri financing and sustainability-oriented banking.

<sup>4</sup> The Reserve Bank of India (RBI) is the central bank of India and regulates the Indian banking sector.

<sup>5</sup> As of October 2007, US\$1 was approximately equal to Rs.39.85.

<sup>6</sup> Bank of America is a leading commercial bank in the US.

<sup>7</sup> ABN AMRO Bank is one of the largest banks in Europe with operations in about 63 countries globally.

<sup>8</sup> It is the venture capital arm of Citigroup, a leading financial services company in the US.

<sup>9</sup> AIF Capital, headquartered in Hong Kong, is one of the largest Asia-based independent private equity firms.

<sup>10</sup> ChrysCapital, based in Ebene, Mauritius, is an investment firm focused on India.

The bank went public in June 2005. Through this initial public offering (IPO), it raised Rs. 31.5 million. The IPO was so successful that it was over-subscribed by about 30 times.<sup>12</sup>

## **DIFFERENTIATING ITSELF IN A CROWDED MARKET**

Being a relatively late entrant into the Indian banking arena, Yes Bank sought to differentiate itself by offering a new value proposition. According to Kapoor, Yes Bank was a 'knowledge-driven' bank that sought to differentiate itself with its service orientation, technology, and human resources. *"I think we are a differentiator for emerging India, the small and medium enterprises, where there is a terrific development taking place."*<sup>13</sup> Rather than expanding very quickly, the bank focused on niche segments of customers. Its aim was to establish itself as a knowledge-based and technology-driven bank that would cater to the needs of the emerging Indian economy. Unlike many of the private sector banks whose focus was mainly on retail banking, Yes Bank focused on corporate banking by offering specialized services to corporate clients. This was in part due to the fact that the retail banking space had already been well covered by some other new generation private banks, which had started a decade earlier. The bank carved a niche market for itself in specialized corporate services like mergers and acquisitions, financial restructuring, currency risk management, etc. It also focused on providing wealth management solutions to affluent customers.

With time, Yes Bank expanded its business by offering a wide range of products and services like investment banking, branch banking, business and transactional banking, retail banking, and wealth management across India. Its knowledge driven approach provided expertise in financial solutions for corporate and institutional banking, financial markets, project advisory and financing, and infrastructure financing. Yes Bank evolved steadily as the "Professionals' Bank of India"<sup>14</sup> through its knowledge banking and rich customer experience with the long-term vision of "Building the Finest Quality Bank of the World in India" by 2020.<sup>15</sup> As of November 2, 2015, it ranked sixth among the top private financial institutions in India by market capitalization (**See Exhibit I for Key Financial Indicators of Yes Bank and its Competitors**). Besides upscaling sustainable endeavors in its business practices, the bank demonstrated continuous innovation in the areas of branding, technology upgradation, and human resource management. Every quarter, Yes Bank conducted induction programs for all its new employees and provided training to its employees based on a training calendar. The bank had a monthly newsletter called *The Responsible Times* and the employees were also encouraged to get involved in the bank's 'YES India CARE', an employee volunteering initiative. It also had a YES CONNECT initiative through which internal campaigns were conducted on social and environmental causes and peer learning.

Yes Bank's brand strategy revolved around five key pillars — growth, trust, human capital, technology, transparency, and responsible banking in line with the objective of becoming the Best Quality Bank of the World in India by 2020. Its brand value increased by 59% in 2015 over the previous year and it was ranked fifth in brand value assessment in the general bank category in India (**See Exhibit II for Brand value of Top Ten Indian Banks**).

Since inception, the bank insisted on outsourcing its IT infrastructure to deliver superior customer experiences at comparatively lower costs. For this, it partnered with the best-in-class technology service providers to offer innovative banking services and solutions. The bank created a differentiated banking paradigm by nurturing a professional entrepreneurship culture within the banking structure, which emphasised creating and sharing value among all its stakeholders. It treated entrepreneurship as the core strength of the team, which was credited with taking major decisions for the bank. The bank launched its innovative and institutionalized talent search program, **YES–Professional Entrepreneurship Program (Y-PEP)**, to attract a pool of professional entrepreneurs from the industry for the bank's future growth. The talent acquisition program of the bank enabled it to be recognized as an "Employer of Choice" across premium business management schools in India. During the financial year 2014-15, as many as 95 candidates were inducted into the Y-PEP program and a total of 1000 candidates were inducted by the bank since the program started in 2006.<sup>16</sup> The bank also started a scholarship program called **YES ASPIRE**, through which it



provided a Rs.200,000 scholarship to 30 candidates from B-schools based on attributes such as entrepreneurial vision, leadership qualities, holistic academic performance and the passion to excel.

Yes Bank conducted monthly branch service committee meeting and also held customer service day at branches on a monthly bases. It conducted a number of customer feedback surveys and telephonic surveys. The bank had a Marketing & Corporate Communications team and it also worked with PR agencies. Yes Bank had a dedicated Investor Relations team and the bank also participated in international road shows. The bank's Strategic Sourcing Department focused on forming long-term relations with the bank's vendors while its Strategic Initiatives & Government Advisory (SIGA) team worked closely with various government agencies on policy matters.

Started with an initial capital base of Rs. 2.17 billion,<sup>17</sup> Yes Bank quickly moved to achieving a whopping balance sheet size of Rs. 590 billion in March 2011 and to Rs. 1361.70 billion in March 2015 (**See Exhibit III and Exhibit IV key financials and ratios for Yes Bank**). Commenting on the bank's financial projection, Kapoor said, *"In the first six years of the bank, we have clocked a CAGR of 74 per cent. But now we have moderated it to 35 per cent (till 2015)."*<sup>18</sup> Yes Bank became the fifth largest Bank of India in 2014 behind HDFC Bank, ICICI Bank, Axis Bank, and Bank of Baroda<sup>11</sup> in terms of growth, strength, and size.<sup>19</sup> As of March 2015, Yes Bank operated through a wide network of 631 Branches and 1,194 ATMs across all 29 States and 7 Union Territories of India.<sup>20</sup>

Despite being a late entrant, Yes Bank established itself as one of the most efficient banks in the country by adopting international standards for the quality of service provided to customers and through its operational efficiency.

## EVANGELIZING BOTTOM-LINE APPROACH

Yes Bank adhered to the norms of a triple bottom-line approach, which was inculcated in its strategy to prioritize the role of people, planet, and profit for its sustained business growth. It had embedded sustainability in its operational policies as a part of its culture. The bank became the first Indian bank to release its sustainability report for Financial Year 2012-13<sup>21</sup> as per the GRI G3.1 Guidelines<sup>12</sup>, wherein the bank reasserted its triple bottom-line ethos of effectively managing people, planet, and profit in its business operations. Observers pointed out that Yes Bank not only championed the cause of sustainable finance, but also successfully disclosed its triple bottom-line report for consecutive financial years wherein it made continuous efforts to improve the issues concerning both internal and external stakeholders. Besides highlighting the bank's sustainability objectives and priorities, the sustainability report aimed to communicate its financial transparency and accountability to its stakeholders. In its quest to build and improve sustainable chain practices in the financial sector, the bank followed ten principles of the UN Global Compact<sup>13</sup> covering four major dimensions — human rights, labor, environment, and anti-corruption.

Yes Bank's improved societal infrastructure and balanced environment practices enabled it to bring in visible changes in the lives of the people, which in turn assisted it in working toward its goal of a sustainable future for humanity. Its sustainability mandate had a competitive advantage over other financial institutions which aimed at creating enduring values for the stakeholders. As a key differentiator, the bank focussed on development banking and its strategy to mainstream sustainability among the stakeholders —a first-of-its-kind initiative in India.<sup>22</sup>

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<sup>11</sup> Bank of Baroda is an Indian State-owned banking and financial services company.

<sup>12</sup> Launched in 2011, the G3.1 Guidelines are the revised version of GRI's Sustainability Reporting Guidelines, which include expanded guidance for reporting on human rights, local community impacts, and gender.

<sup>13</sup> Being the world's largest corporate sustainability initiative, UN Global aims at establishing a sustainable and inclusive global economy to deliver lasting benefits to people, community, and market.

Yes Bank's sustainable finance model ushered in the achievement of not only short-term profitability goals but also assisted it in nurturing sustainable business lines which delivered triple bottom-line outcomes in the long run. Industry observers felt that the bank's success in integrating sustainability objectives with its core business operations had resulted in its profitability in successive years. For the year ending March 2015, Yes Bank's balance sheet grew at 24.9% over the previous year to reach Rs. 1361.70 billion and its net profit increased by 24.0% to reach Rs.20.05 billion. Besides financial transactions, its sustained effort in dedicated business units like clean energy, energy efficiency, microfinance, and mobile banking differentiated it from other financial institutions. For its commitment to sustainable development, Yes Bank won a number of awards and accolades (***See Exhibit V for the Sustainability Awards of Yes Bank***).

## **RESPONSIBLE BANKING**

Yes Bank championed the cause of providing innovative and comprehensive financial solutions to all its valued customers through its 'Responsible Banking' approach. The bank had a sustainable strategy both in its operational policy and business practices which incorporated 'Responsible Banking' practices as the core principle in its policy framework. The bank took precautionary steps to monitor the environmental and social impacts of its banking activities with the stakeholders. Contrary to the philanthropy-based Corporate Social Responsibility (CSR) of traditional financial institutions, Yes Bank insisted on strategic sustainability. The bank's responsible banking ethos had a mission to "link sustainable development with stakeholder value creation through innovative business solutions and services & weave sustainability principles into Yes Bank's core business strategy and processes."<sup>23</sup> In its quest to achieve the long-term vision of building the 'Best Quality Bank of the World in India' by 2020, Yes Bank continued to evolve innovative practices to deliver responsible financial services to its customers. The bank's responsible banking approach complied with the international best practices of providing high quality services and responsive practices to all its stakeholders. It was against this backdrop that Somak Ghosh (Ghosh), President, Corporate Finance & Development Banking, Yes Bank, said, *"To reinforce the YES BANK Responsible Banking philosophy by adopting the triple bottom line approach of people, profit, planet, we hope to maximize the benefits that YES BANK can bring to the society and environment, allowing our umbrella Responsible Banking goals to be realized through this unique Community program."*<sup>24</sup>

The bank's responsible banking approach focussed on the Business-to-Business to-customer (B2B2C) model which supported financial transactions not only with corporate customers but also with individual customers through its various channels. The bank incorporated financial inclusion and inclusive growth in its business policy, aiming to provide doorstep financial services to the disadvantaged sections of society. Its responsible banking approach focussed on the 3 "I" approach — Influence positively, Innovate for bottom of the pyramid (BoP) markets, and Invest in green businesses. In line with this, the bank initiated strategies to build human capital resources for positive growth, build stakeholder's value through financial inclusion, and streamline socially responsible investments.

Unlike other financial institutions, Yes Bank treated its branches as social transformation centers, where the bank organized theme-based events on the emerging issues of a socio-environmental nature confronted by the community. Commenting on the role of branches as social transformation centers, Anindya Datta (Datta), President and Chief Marketing Officer, Yes Bank, said, *"We believe that this will help us become more relevant and more regarded within the community and enable us to build more sticky relationships."*<sup>25</sup>

Realizing the importance of community involvement in its business growth, Yes Bank started a unique community engagement initiative, '**YES COMMUNITY**' in 2008 to solve the complex sustainability challenges within the community by leveraging its branches as knowledge sharing centers. The program intended to address developmental issues and find innovative solutions to them. The program also enabled the bank to forge meaningful partnership with the stakeholders like; community groups, government institutions, non-



government organisations and civil society. The program touched 506,475 lives in financial year 2014-15 against the targeted goal of reaching 500,000 lives through its 5827 community events across the branches in India (**See Exhibit VI for YES COMMUNITY Growth**).

Further, as its contribution to the quest to build an empowered and equitable India, the bank founded the '**YES FOUNDATION**,' its social development wing in 2012 to expand its sustainability footprint through social transformation measures. The foundation encouraged innovative entrepreneurship and social transformation initiatives, which in turn, would enable inclusive growth and development in India. The long-term community building efforts of Yes Bank through the 'YES COMMUNITY' and 'YES FOUNDATION' focussed on local triple bottom-line issues faced by the community and found solutions to them. Yes Bank channelized its resources to provide banking services to the disadvantaged masses in inaccessible areas, which in turn, were converted into assets for the Bank. It also started initiatives such as '**YES! i am the Change**' to involve and inspire the youth to contribute to India's social transformation processes. Started in 2013, 'YES! i am the Change' emerged as the largest social film movement in India with 1729 film entries and the participation of 10,252 teams<sup>26</sup> across all the states in India in 2014. The film movement started with the objective of becoming a repository of social films to be used by the development sectors in India.

In line with its vision of mainstreaming sustainability within its business development goals, Yes Bank started a special division known as **Inclusive and Social Banking (ISB)**, which catered to the financial requirements of the unbanked and under-banked population (**See Exhibit VII for Statistics related to Yes Bank's Financial Inclusion – Inclusive and Social banking (ISB)**). The ISB model also enabled the bank to initiate various innovative business practices for providing banking services to the people beyond the network of the banking area (**See Exhibit VIII for ISB – Spearheading Financial Inclusion**). The financial inclusion initiatives of the bank culminated in the introduction of **YES SAHAJ** (Mobile Money Transfer solution); **YES MONEY** (Domestic Money Remittance service); **YES LEAP** (Credit and Thrift for Self Help Groups) and **YES KISAN DAIRY PLUS** (Financial product for Dairy Farmers). As of March 31, 2015, the bank had reached over 1.2 million families in rural India and financed over 90,000<sup>27</sup> Self Help Groups (SHGs<sup>14</sup>) through its flagship **YES LEAP** program.

Yes Bank took advantage of the fact that those living in rural India often found formal financial institutions inaccessible and catered to their financial requirements. Considering the requirement of agro-based Indian economy, it started **Agribusiness and Rural Banking (ARB)**, a specific unit targeted at this sector. Further, the bank converted the challenge of financing Priority Sector Lending (PSL) business, which was mandated by Indian law, into an opportunity as a part of its distinct development banking initiatives. The bank's initiative not only fulfilled the regulatory mandates of RBI, but also upheld its social responsibility drive as a development financing institution. The bank won the '*Best Initiative in Financial Inclusion*' Award 2015<sup>28</sup> at the **Retail Banker International Asia Trailblazer Awards**.<sup>15</sup> Also, for actively driving the vision of "Responsible Banking" initiatives in the banking sector, Kapoor had earlier received the Godfrey Phillips Bravery<sup>16</sup> National Awards in 2012.<sup>29</sup>

## **SOCIAL RESPONSIBLE INVESTMENT**

Realizing the socio-environmental risks involved in sectoral investments, the bank developed its Environmental and Social Policy (ESP) in 2006 to evaluate, assess, and monitor the

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<sup>14</sup>A Self Help Group (SHG) is a homogeneous financial intermediary group consisting of 10-20 members who come together to address their common issues or problems through the common platform.

<sup>15</sup> *Retail Banker International* is a leading global publication for analysis of the retail banking sector in Asia. The award is based on in-depth analyses of retail banking in critical areas like product innovation, marketing strategies, multichannel distribution, and competitor analysis.

<sup>16</sup> The Godfrey Phillips Bravery National Awards are a corporate social responsibility initiative of Godfrey Phillips India Ltd. The awards honour 10 bravehearts from across India for their acts of courage.

environmental and social impacts of its financial transactions with stakeholders. **It became the first financial institution in India to voluntarily integrate environmental and social risk parameters into its overall risk assessment framework.** In a quest to drive its sustainable finance initiatives, the bank started its social responsible equity investment program known as “**Tatva**”, which aimed at investing in Small and Growth Enterprises (SGEs) and working on clean and renewable energy, water management, and waste management. The program intended to balance the twin objectives of financial return and social good of the project undertaken by the bank. In addition, it also focussed on sustainable issues, socially conscious programs, and green and ethical investing through various ESG criteria of investment analysis and selection.

It was observed that the traditional financial institutions faced a difficulty in assessing their environmental and social risk parameters of investment and that this resulted in losses of their long-term business transactions. To enable the financial institutions to assess their socio-environmental risk factors, Yes Bank launched a knowledge dissemination platform called ‘**Sustainability Series**,’ a first ever initiative in India in association with Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ<sup>17</sup>), United Nations Environment Programme Finance Initiative (UNEP FI<sup>18</sup>), and Responsible Investment Research Association (RIRA<sup>19</sup>). Yes Bank was the front-runner in mainstreaming the environmental and social risk components in its credit risk policy, which satisfied the benchmarks in the Environmental and Social (E&S) risk management system.

To finance its sustainable projects, Yes Bank had a robust capital raising plan as a part of its holistic wealth management proposition. Contrary to private sector banks’ Foreign Institutional Investor (FII) and Foreign Portfolio Investor (FPI) limit of 49%, Yes Bank’s Board gave its approval for increasing the limit to 74%<sup>30</sup> of its share capital, which gave a boost to its raising its capital base. The bank’s announcement in June 2015 that it would raise US\$1 billion (about Rs.64 billion) by fresh equity and Rs. 100 billion through Non-Convertible Debentures (NCDs) and bonds came in line with the earlier approval given by shareholders to increase the borrowing limits of the bank from Rs.300 billion to Rs.500 billion.<sup>31</sup> Yes Bank also planned to foray into the Mutual Fund business during the fiscal year 2015-16 through the organic or inorganic route. Kapoor said, *“There is a plan to enter into asset management business organically or inorganically... to what extent there is opportunity we will explore.”*<sup>32</sup>

Realizing the contribution of the Micro Small and Medium Enterprises (MSME) sectors to the Indian economy, Yes Bank vowed to support the Indian government’s ambitious ‘Make in India’<sup>20</sup> Campaign through its initiative ‘**Say YES to Sustainable MSMEs in India**’ program in March 2015, to positively impact 334 MSME sectors during the financial year 2015-16.<sup>33</sup> The first phase of the program aimed to improve energy efficiency and reduce CO<sub>2</sub> emission among the MSME sectors besides strengthening their Occupational Health and Safety (OHS<sup>21</sup>) systems. In this context, Vikas said, *“MSMEs will be key to achieving India’s aim of being a global manufacturing hub, thus, there is an immediate need for the MSME*

<sup>17</sup> Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) is a Germany-based company specializing in international development. It offers demand-driven, tailor-made, and effective services for sustainable development.

<sup>18</sup> United Nations Environment Programme Finance Initiative (UNEP FI) is a global network of private financial institutions working with United Nations Environment Programme (UNEP) to understand the impacts of environmental and social considerations on financial performance.

<sup>19</sup> Responsible Investment Research Association (RIRA) is an India-based not-for-profit organization which facilitates multi-stakeholder dialogue and research on Environment, Social, and Governance (ESG) issues, which contribute to building the business case for Responsible Investment & Finance in India.

<sup>20</sup> Launched on September 14, 2014, by the Prime Minister of India, ‘Make in India’ is a government initiated program to transform India into a global manufacturing hub. It promotes Foreign Direct Investment (FDI) and encourages the MNCs and domestic sectors to manufacture their products in India.

<sup>21</sup> Occupational Health and Safety (OHS) promotes a safe and healthy work environment for the workers and others in industries who are affected by the workplace environment.

*sector to adopt best practices in environmental sustainability and occupational health & safety. The Initiative is in line with YES BANK's Responsible Banking ethos of linking sustainable development with stakeholder value creation and going forward, we aim to scale up the program to other states covering a wider range of manufacturing sectors.”<sup>22</sup>*

Further, to enable investment in sustainable ventures, Yes Bank introduced its specialized investment advisory known as **Sustainable Investment Banking (SIB)**, a knowledge focussed initiative of the bank, to lead its business in line with sustainability and social responsiveness. The bank accepted climate change threats as a business opportunity by channelizing its direct investments in sustainable development sectors. As per the estimation by the National Action Plan for Climate Change (NAPCC<sup>23</sup>), the financial institutions had an ample opportunity to finance the renewable energy sector which would grow at a Compound Annual Growth Rate (CAGR<sup>24</sup>) of 24% during the 2012-2017 period.<sup>34</sup>

Realizing the huge potential of wind energy (78.15%) and solar energy resources (99.6%)<sup>35</sup> in India which still remained untapped, the bank came forward to explore those resources to meet the emerging power needs of the country. It was projected that the share of renewable energy in total power generation in India would increase from 6.5% in 2015 to 15% by 2019.<sup>36</sup> Considering the tremendous growth potential of the renewable energy industry, Yes Bank issued India's first ever **Green Infrastructure Bonds** and raised Rs. 10 billion in February 2015 against the target of Rs. 5 billion<sup>37</sup> to finance Green Infrastructure Projects in the renewable energy sector. As of August 2015, the bank had raised Rs 3.15 billion<sup>38</sup> through the issue of Green Infrastructure Bonds to the International Finance Corporation (IFC), the first ever investment by IFC in green bond issue in the world. As part of the bank's green energy commitment, the amount raised from the issuance of bonds was to be invested in green infrastructure projects like solar power, wind power, biomass, and small hydel projects. In late 2015, the bank also signed an agreement with the London Stock Exchange to list green infrastructure bonds of up to US\$500 million by December 2016.<sup>39</sup> Yes Bank scaled up its lending to the renewable energy sectors and led its private banking peers with the largest loan portfolio in renewable energy in India (**See Exhibit IX for Yes Bank's renewable energy lending portfolio**).

Yes Bank became the first financial institution in India to sanction loans to India's largest 130 MW<sup>40</sup> solar photovoltaic plant at Neemuch in Madhya Pradesh. During the first Renewable Energy Global Investors Meet & Expo (RE-INVEST 2015), Yes Bank committed to financing 5 GW (5,000 MW) of renewable energy projects in India by 2019.<sup>41</sup> To channelize finance toward clean energy financing and other sustainable development priorities, UNEP Inquiry<sup>25</sup> in association with the Federation of Indian Chambers of Commerce and Industry (FICCI<sup>26</sup>) released an interim report on “Designing a Sustainable Financial System for India.”<sup>42</sup> The report insisted that financial institutions grow like an army of financial intermediaries to scale up the sustainable finance landscape in India. Being a member of the advisory committee of the UNEP India Inquiry, Yes Bank had the advantage of leading its Indian banking peers in mainstreaming the sustainable development agenda at world forums. By March 31, 2014, Yes Bank had a total portfolio of 381.85 MW<sup>43</sup> of clean energy projects, including wind, solar, and waste to energy.

<sup>22</sup> “YES BANK Launches Sustainable MSMEs Initiative in India,” [www.yesbank.in](http://www.yesbank.in).

<sup>23</sup> Released on June 2008, the National Action Plan for Climate Change (NAPCC) is an umbrella program of the Indian government which aims at addressing climate mitigation and adaptation. It identifies measures that promote development objectives while also yielding co-benefits for addressing climate change effectively.

<sup>24</sup> Compound Annual Growth Rate (CAGR) is a calculation to determine the annual growth rate on an investment over multiple time periods.

<sup>25</sup> Launched at Davos in 2014, UNEP Inquiry is a global initiative for streamlining policy options to leverage finance for scaling up sustainable development initiatives by financial and investing institutions.

<sup>26</sup> FICCI is a not-for-profit organization which represents India's voice for policy change in business and industry.

Yes Bank went a step forward in its sustainable finance drive when it started a joint venture to implement the manufacturing strategy of Environmental Clean Technologies Ltd. (ECT<sup>27</sup>) in India in association with Greenard Willing.<sup>28</sup> The bank aimed to assist ECT in commercialization and transfer of Coldry technology to produce energy rich thermal coal in India. Speaking on the agreement, Aditya Sanghi (Sanghi), Senior MD, Investment Banking, Yes Bank, stated, *“ECT’s Coldry technology offers sustainable and long term solution to meet the growing energy demands of India while mitigating the daunting issues of climate change. YES BANK has a strong commitment to mainstream sustainability within the industry and this partnership with ECT is a natural extension of our efforts to create sustainable development of India. [...]”*<sup>44</sup>

For its long-standing commitment to green project financing, Yes Bank was honored with the Karlsruhe Sustainable Finance Award 2014<sup>45</sup> in the ‘Outstanding Sustainable Project Financing’ category. On receiving the prestigious award, Kapoor said, *“Through our dedicated business verticals active in the renewable energy sectors, we are contributing to the creation of a cleaner and greener future for our community and environment. It is an honor to be recognized by our global peers, and it further reinforces our commitment to sustainable investment banking and responsible finance.”*<sup>46</sup>

## NATURAL CAPITAL CONSIDERATIONS

Yes Bank’s sustainable finance model also focussed on the conservation of nature through its proactive approach in the natural capital space. The bank devised measures to assess, monitor, and arrest environmental risks by incorporating natural capital considerations into its business strategy. Yes Bank became the first Indian financial institution to support the global Natural Capital Declaration (NCD<sup>29</sup>) by adhering to the norms of natural capital considerations. Commenting on Yes Bank’s support to NCD, Yuki Yasui (Yasui), Officer in Charge of UNEP FI, stated, *“As emerging markets such as India continue to grow it is important to better understand how changing environmental phenomena (weather extremes, water availability, ecosystem degradation) can affect the loans, investments, and other products on a bank’s balance sheet. The NCD aims to provide insight to uncover these and solutions how to address these issues in credit risk management and product development.”*<sup>47</sup> As a part of its commitment to NCD, Yes Bank aimed to integrate natural capital considerations with its financial products and services and its accounting and reporting system. Kapoor said, *“Natural capital considerations should be at the epicenter of all business and financial decisions. At YES BANK we firmly believe that the financial sector needs to take a leadership role in promoting the transition towards natural capital accounting and this can not only be evidenced by our on-going involvement with the NCD.”*<sup>48</sup>

In its Environmental Management Policy (EMP) statement adopted in 2012, the bank proclaimed that it would conserve the finite sources of nature, ensure resource efficiency, and reduce carbon emissions in its business transactions with the stakeholders **(See Exhibit X for Environmental Management Policy of Yes Bank)**.

To further its commitment to environmental sustainability, Yes Bank initiated a proactive step for mainstreaming a sustainable development ecosystem in India and abroad. To promote natural capital conservation in India, Yes Bank in association with SAEVUS<sup>30</sup>

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<sup>27</sup> ECT is a Australia-based public company engaged in the business of commercializing leading-edge coal and iron-making technologies, which are capable of delivering both financial and environmental benefits.

<sup>28</sup> Greenard Willing is an Australian corporate advisory firm and specialist corporate finance provider in the domain of agriculture and food, cleantech, mining, energy and resource technology, manufacturing technology, and info tech.

<sup>29</sup> The Natural Capital Declaration (NCD) is a global initiative which aims to integrate natural capital considerations into financial products and services, and to work toward their inclusion in financial accounting, disclosure, and reporting system of financial institutions.

<sup>30</sup> SAEVUS is the natural history and wildlife web portal and magazine of India featuring exclusive wildlife photography and natural history publication.



institutionalized the first **Natural Capital Awards** in 2013<sup>49</sup> to recognize and reward the finest natural capitalists of India. Further, it launched the **Natural Capital Olympiad** in June 2014<sup>50</sup> to promote natural capital initiatives among the future young generations of India and sensitize them to conserve Earth's finite resources. The bank led the Indian banking industry and presented India's viewpoint on key emerging issues like climate change, responsible finance, and natural capital at global forums in association with global partners like UNEP FI, GIZ, RIRA, World Wide Fund for Nature (WWF<sup>31</sup>), the Natural Capital Declaration and Carbon Disclosure Project (CDP<sup>32</sup>). As a signatory to the CDP, Yes Bank had the credit of becoming the first Indian financial institution found on the CDP's Climate Disclosure Leadership Index (CDLI<sup>33</sup>) for reporting its greenhouse gas emissions for four consecutive years (2011-2014). To further the cause of strengthening its reporting framework on carbon disclosure, the bank successfully completed ISO 14001 certification<sup>34</sup> for 79 of its locations including all major branches and 3 corporate offices<sup>51</sup> as of June 2015. In this context, Vikas said, *"The continual improvement that this certification brings to the bank's processes and procedures not only helps it achieve and monitor its targets but is also perfectly aligned with its stated objective of using the triple bottom line approach as a measure of our performance."*<sup>52</sup>

During the Financial Year 2014-15, Yes Bank reported that it has reduced its specific emissions per employee by 6.25%,<sup>53</sup> thereby meeting its emission reduction target of 5% as stated in its Environmental Management Policy.

Yes Bank partnered with national thought leaders like Indian Institute of Corporate Affairs (IICA<sup>35</sup>) and The Energy and Resources Institute — Business Council for Sustainable Development (TERI-BCSD<sup>36</sup>) to evangelize sustainable development practices and influence policy decisions across the corporate sectors in the country. The bank released four knowledge reports in association with TERI-BCSD, which focussed on green real estate, natural capital leaders, sustainability in the value chain, and industrial growth through low carbon emissions in India. The knowledge report also highlighted innovative sustainable finance models in India. Further, recognizing the significance of a global approach to sustainability, Yes Bank partnered with Global Environment Fund (GEF<sup>37</sup>), Clean Technology AustralAsia (Cleantech AustralAsia<sup>38</sup>), New Equity Services<sup>39</sup>, and Lahti Science and Business Park Ltd., (LahtiSBP<sup>40</sup>) as their Exclusive Country Advisor.

## FORESEEING SUSTAINABILITY CHALLENGES

<sup>31</sup> Founded in 1961, World Wide Fund for Nature (WWF) is the world's largest conservation organization, which works for biodiversity conservation.

<sup>32</sup> The CDP (formerly the "Carbon Disclosure Project") is a UK-based organization which works to disclose the greenhouse gas emissions of major corporations.

<sup>33</sup> As per Climate Disclosure Leadership Index (CDLI), companies are scored according to their disclosure reports on greenhouse gas emissions.

<sup>34</sup> Published in 1996, the ISO 14001 Certification is an internationally recognized environmental management standard, given to organizations for their systematic framework to manage the immediate and long-term environmental impacts on their products, services, and processes.

<sup>35</sup> Established in 2008 by the Ministry of Corporate Affairs, Government of India, the Indian Institute of Corporate Affairs (IICA) is an autonomous Research Institute which provides information for the stakeholders in the domain of corporate affairs.

<sup>36</sup> Set up by The Energy and Resources Institute (TERI) in 2001, TERI-BCSD India is a credible platform for Indian corporate sectors to address issues related to sustainable development.

<sup>37</sup> Established in 1990, Global Environment Fund (GEF) is a US-based asset management firm in the domain of energy, environmental, and natural resources sectors.

<sup>38</sup> Clean Technology AustralAsia is an Australia-based consultant firm which provides corporate advisory services to the clients to manage and grow their corporate environmental operations and business.

<sup>39</sup> New Equity Services is an Israel-based entity which promotes private equity transactions of Israeli and Israeli related medium-sized enterprises in the Asian and Indian markets.

<sup>40</sup> Lahti Science and Business Park Ltd. (LahtiSBP) is a Finland-based leading cluster for research, education and cleantech business.



Industry experts observed that despite its sustainability initiatives and customer-centric approach, Yes Bank faced challenges in achieving sustained business growth. In pursuit of achieving its business target, the bank's fast pace of growth would be an area of concern, they said. Commenting on Yes Bank's retail business performance, an observer commented, *"Corporate banking and wealth management services have been the key strength areas for Yes Bank right from its inception, but retail banking and access to cheap CASA (Current and Savings Account) funds may play a big role in competition. That's where Yes Bank may have a disadvantage."*<sup>54</sup> Analysts also said that as the bank forayed into the growing retail and SME business segments, building the brand would be more crucial for it. Critics observed that despite its focus on financial inclusion and inclusive growth for unbanked and under-banked populations, the bank had failed to penetrate rural India through its branch expansion. In the context of the branch-dominated banking system in India, Yes Bank would be viewed as a niche bank having a limited operational boundary, they observed.

Moreover, Yes Bank faced the major challenge of communicating its sustainable initiatives to the customers. Analysts pointed out that though it had succeeded in scaling up its business operations through execution and management of large projects, it would face a challenge in sustaining these projects as it lacked expertise in any sector. Commenting on the key challenges for Indian banks, Kapoor apprehended that the global extraneous challenge for the banking sector would affect their Net Interest Margin (NIM) and the credibility of the banks would be driven by efficiency ratios like Return on Equity (ROE) and Return on Assets (ROA).

However, Amit Kumar (Kumar), senior president and country head for Corporate and Institutional Banking, Yes Bank, contended, *"It's been a fast growth, but at the same time it has also been a controlled growth. In terms of stretched assets, non-performing assets, etc., ours is among the lowest in the industry. We are very alert in terms of how sectors and clients are behaving and we take very proactive measures in terms of riding credit cycles, managing stress in the portfolio, and so on. We have successfully ridden the crisis of 2008-2009 and are holding out well at present, too. So we have seen through two economic cycles."*<sup>55</sup> To address the growing challenge of liability generation, Yes Bank improved its CASA ratio from 10.3% in 2010-11 to 23.1% in 2014-15. As of March 2015, the CASA deposits grew by 29% over the previous year to reach Rs.210.79 billion through expansion of its retail banking (including MSME)/business banking.<sup>56</sup> The bank aimed to harness good quality granular retail asset portfolio through its wide network of branches across the country during the FY 2015-16. Against this backdrop, Vijayanti Pandit (Pandit), senior director of the Federation of Indian Chambers of Commerce & Industry (FICCI), added, *"I see it more as an urban centric bank. To be seen as a large and inclusive player, Yes Bank needs to go more into the semi-urban and the rural areas."*<sup>57</sup> To deepen its outreach in India, Yes Bank had a wide network of 631 branches as of March 2015 and was projected to add 970 more branches<sup>58</sup> over the next three years.

Realizing the bank's difficulty in penetrating the mature sectors as a young bank, Yes Bank hired the expertise of senior executives with experience in scaling the organization. Kapoor said he had confidence in the bank as a strong differentiator and he thought that its knowledge banking approach would provide expertise in the financial and social sectors. Moreover, Yes Bank targeted the sunrise sectors with the expectation that as they matured, the bank would grow with them. The bank supported the sunrise sectors as a knowledge partner and committed to their sustainable growth and development. The bank realized the need to create a strong communication medium to engage the stakeholders by which the sustainable business practices would materialize. The bank improved its stakeholder mapping through meaningful engagement with stakeholders at different periods and platforms during the last two reporting cycles of financial year 2013 and 2014. It enabled the bank to identify its stakeholders under the categories of upstream, in-stream, and downstream based on the level of influence and impact of the stakeholders on the bank and vice-versa (**See Exhibit XI and XII for Yes Bank's Engagement with Stakeholders**). Further, the bank responded with the most pertinent issues of the

stakeholders through its stakeholder engagement program.

## LOOKING AHEAD

In India, Yes Bank spearheaded the process of developing sustainable initiatives and became the torchbearer of sustainable development. Observers pointed out that the bank was successful in integrating its sustainability goals with its business operations as the key forces of growth, producing tangible results for its stakeholders. The bank was optimistic that its inclusive banking system would create a more durable financial system wherein its investment and lending practices would not only generate substantial economic returns, but also make a long-term positive impact on society. Analysts viewed that actualization of Yes Bank's overall sustainability strategy ushered in catalyzing a sustainable dialogue with the stakeholders which would contribute to the solution of many social issues around the world. By linking its sustainable development goals with stakeholder value creation, the bank created a benchmark for itself as a distinct financial institution in India for inclusivity and sustainability, they said. Commenting on the bank's stand for promotion of sustainable finance, Kapoor said, *"Our Responsible Banking ethos has seen considerable traction in the past few years, and YES BANK is aiming to take a leadership position in mainstreaming sustainability in India."*<sup>59</sup>

Yes Bank visualized a fast pace of business growth through its Version 3.0 (2015-2020) Business Plan. In comparison to Version 2.0 (2010 - 2015) which targeted a portfolio size of Rs. 150 billion by March 2015, Version 3.0 projected achievement of a target of US\$100-billion by 2020.<sup>60</sup> *"As we enter Version 3.0, we will be the smallest large private sector bank. As the smallest large private sector bank, naturally our aspiration is by 2020 to evolve as one of the medium-large private sector banks by March 2020,"*<sup>61</sup> Kapoor said. Yes Bank focussed on retail business by deploying 70% of its human resources in retail sales and services throughout the branches. In Version 3.0 too, the bank reasserted its commitment to increasing its outreach through the expansion of the retail business. As per the Version 3.0 estimation, the retail loan business including the SME loans of the bank would be around 40% and its liabilities would be around 60%- 65% by the end of 2020.<sup>62</sup> According to Kapoor, *"Today our markets share as a brand is approximately 1 per cent of domestic Indian banking, but the fact is that our mind share is a lot more. So, with the intelligentsia, we command much higher mind share. The biggest opportunity for us is to convert the mind share into far more market share. Unless you get market share, you can't demonstrate growth. Our target would be to get to at least 3.5 per cent market share of Indian banking by 2020."*<sup>63</sup>

**Exhibit I****Key Financial Indicators of Yes Bank and its Competitors (FY2014-15) (Rs. in billion)**

<b>Particulars</b>	<b>ICICI Bank</b>	<b>HDFC Bank</b>	<b>Kotak Mahindra Bank</b>	<b>Axis Bank</b>	<b>Yes Bank</b>
Market Capitalization	1535.34	2674.61	1248.40	1099.50	308.9
Net profit	111.75	102.16	18.66	73.58	20.05
Advances	755.50	3654.95	3875.22	661.61	2810.
Investments	466.05	1664.60	1865.80	304.21	1323.
Total Asset	1361.70	5905.03	6461.29	1060.12	4619.
Total Income	136.18	574.66	612.67	117.48	438.4
Total Expenses	116.13	472.50	500.92	98.82	364.8
<b>Key Financial Ratios FY 2014-15</b>					
Net Profit Margin	22.28	21.07	19.19	20.73	17.32
Return on Assets	146.1	247.39	183.09	188.47	279.6
Net Profit / Total Funds	1.65	1.89	1.93	1.74	1.64
Total Income/ Capital employed (%)	9.88	10.62	12.14	10.38	11.11
Asset Turnover Ratio	0.08	0.1	0.1	0.09	0.1
Operating Expense / Total Income	37.94	23.2	26.06	20.07	16.15
Credit Deposit Ratio	110.78	81.71	88.99	84.71	79.33
Current Ratio	0.06	0.04	0.02	0.03	0.06
Quick Ratio	3.5	12.69	14.83	20.64	12.25
Earning Retention Ratio	92.98	80.38	95.61	85.22	81.26
Capital adequacy ratio	17.02	16.79	17.17	15.09	15.6
Book value	138.72	247.39	183.09	188.47	279.6

Adapted from [www.moneycontrol.com/financials](http://www.moneycontrol.com/financials).

**Exhibit II****Top Ten Indian Banks by Year-on-Year Increase in Brand Value**

<b>Bank</b>	<b>India Rank in 2015</b>	<b>Increase in Value (%)</b>
Bank of India	7	83
IDBI Bank	9	79
Axis Bank	4	74
State Bank of India	1	62
Yes Bank	18	59
HDFC Bank	3	57
Indian Overseas Bank	13	52
ICICI Bank	2	49
Punjab National Bank	6	46
KOTAK Mahindra Bank	8	45

Adapted from [http://www.business-standard.com/article/finance/indian-banking-brands-shine-on-the-global-stage-115020200038\\_1.html](http://www.business-standard.com/article/finance/indian-banking-brands-shine-on-the-global-stage-115020200038_1.html) –

**Exhibit III**  
**Financial and Operating Performance of Yes Bank from 2009-10 to 2014-15. (in Rs. million)**

<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Total asset	363825	590070	736257	991041	1090159	1361705
Fixed asset	1155	1324	1771	2295	2935	3190
Shareholders' equity	30896	37941	46766	58077	71217	116800
Revenue	13635	18702	24728	34762	44378	55344
Long-term liabilities	47491	66909	141565	209221	213143	262204
Deposits	267986	459389	491518	669557	741920	911758
Advances	221931	343636	379890	469996	556330	755498
Net interest income	7880	12469	16156	22188	27163	34878
Non interest income	5755	6233	8571	12574	17216	20465
Operating profit	8633	11904	15402	21420	26880	32496
Profit before tax	7265	10922	14501	19258	23264	29102
Provision for taxes	2488	3650	4730	6251	7090	9047
Profit after tax (PAT: Net Profit)	4777	7271	9771	13008	16178	20055
Net interest income to net revenue	42.20%	33.30%	34.70%		38.80%	37.00%
Net Interest Margin	2.90%	2.80%	2.90%	2.90%	2.90%	3.20%
EPS(diluted)	14.9	20.23	27.13	35.55	44.4	48
ROE (%)	23.70%	21.10%	23.10%	24.80%	25.00%	19.00%
ROA(%)	1.60%	1.50%	1.50%	1.50%	1.60%	1.60%
Book Value	91	109.3	132.5	161.9	197.5	279.6
Cost to income ratio	36.70%	36.30%	37.70%	38.40%	39.40%	41.30%
Gross NPA Ratio	0.27%	0.23%	0.22%	0.20%	0.31%	0.41%
Net NPA Ratio	0.06%	0.03%	0.05%	0.01%	0.12%	0.05%
Total Asset Turnover Ratio	0.10	0.09	0.10	0.10	0.10	0.10
Total Capital Adequacy Ratio	20.60%	16.50%	17.90%	18.30%	14.40%	15.60%
Tier-I	12.90%	9.70%	9.90%	9.50%	9.80%	11.50%
Tier-II	7.70%	6.80%	8.00%	8.80%	4.60%	4.10%

*Compiled by authors from Yes Bank's Annual Reports (2009-10 to 2014-15).*

**Exhibit IV**

**Key Annual Financial Ratios of Yes Bank (2005-06 to 2015)**

<b>Major Items</b>	<b>Particulars</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2011-10</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
Investment Valuation Ratios	Dividend Per Share	9	8	6	4	2.5	1.5	--	--	--	--
	Operating Profit Per Share (Rs)	30.84	28.55	26.1	20.51	17.34	21.69	16.37	9.43	4.82	3.38
	Net Operating Profit Per Share	277.02	276.77	231.27	178.69	116.43	84.68	81.62	53.78	26.31	10.51
Profitability Ratios	Interest Spread	8.43	10.34	10.73	9.19	6.45	3.21	4.12	3.31	2.63	2.96
	Net Profit Margin	17.32	16.2	15.68	15.48	17.99	16.3	12.35	12.01	12.06	19.08
	Return on Net Worth (%)	17.16	22.71	22.39	20.89	19.16	15.46	18.7	15.16	13.88	14.01
	Return on Assets	279.6	197.48	161.94	132.49	109.29	90.96	54.69	44.59	28.11	21.21
Management Efficiency Ratios	Interest Income / Total Funds	9.44	9.59	9.6	9.51	8.47	9.7	12.16	11.33	9.65	10.43
	Net Interest Income / Total Funds	2.85	2.61	2.57	2.44	2.61	4.37	4.67	4.39	4.2	6.58
	Net Profit / Total Funds	1.64	1.55	1.51	1.47	1.52	1.61	1.52	1.42	1.24	2.03
	Loans Turnover	0.18	0.19	0.2	0.17	0.14	0.17	0.22	0.2	0.17	0.18
	Total Income / Capital Employed(%)	11.11	11.25	11.06	10.8	9.78	9.89	12.33	11.86	10.25	10.66
	Total Assets Turnover Ratios	0.09	0.1	0.1	0.1	0.08	0.1	0.12	0.11	0.1	0.1
Profit And Loss Account Ratios	Interest Expended / Interest	69.86	72.79	73.25	74.38	69.15	66.75	74.48	74.31	70.84	55.06
	Operating Expense / Total Income	16.15	14.41	13.43	12.45	13.83	19.02	18.12	20.28	23.72	30.28
Balance Sheet Ratios	Capital Adequacy Ratio	15.6	14.4	18.3	17.9	16.5	20.6	16.6	13.6	13.6	16.43
	Advances / Loans Funds(%)	70.97	60.67	62.17	65.53	81.65	88.94	76.05	80.78	100.94	109.22
Debt Coverage	Credit Deposit Ratio	79.33	72.71	73.2	76.09	77.75	80.52	74.16	73.14	78.13	88.66



Ratios	Investment Deposit Ratio	52.95	59.46	60.92	48.99	39.92	40.33	41.47	38	39.74	48.83
	Cash Deposit Ratio	5.92	5.58	4.88	5.69	6.97	7.62	7.6	6.28	4.29	3.62
	Total Debt to Owners Fund	7.81	10.42	11.53	10.51	12.11	8.67	9.96	10.06	10.44	5.08
Leverage Ratios	Current Ratio	0.06	0.08	0.07	0.08	0.05	0.04	0.07	0.05	0.04	0.05
	Quick Ratio	12.25	10.4	10.18	7.83	15.34	14.54	5.14	7.92	5.74	12.34
Cash Flow Indicator Ratios	Dividend Payout Ratio Net Profit	18.74	17.83	16.54	14.45	11.93	12.47	--	--	--	--
	Earning Retention Ratio	81.26	82.17	83.46	85.55	88.07	87.54	100	100	100	100
Valuation Ratios	Earnings Per Share	48.01	44.86	36.27	27.68	20.95	14.06	10.23	6.76	3.37	2.05
	Book Value	279.6	197.48	161.94	132.49	109.29	90.96	54.69	44.59	28.11	21.21

Adapted from [www.moneycontrol.com/financials/yesbank/ratios/YB](http://www.moneycontrol.com/financials/yesbank/ratios/YB)

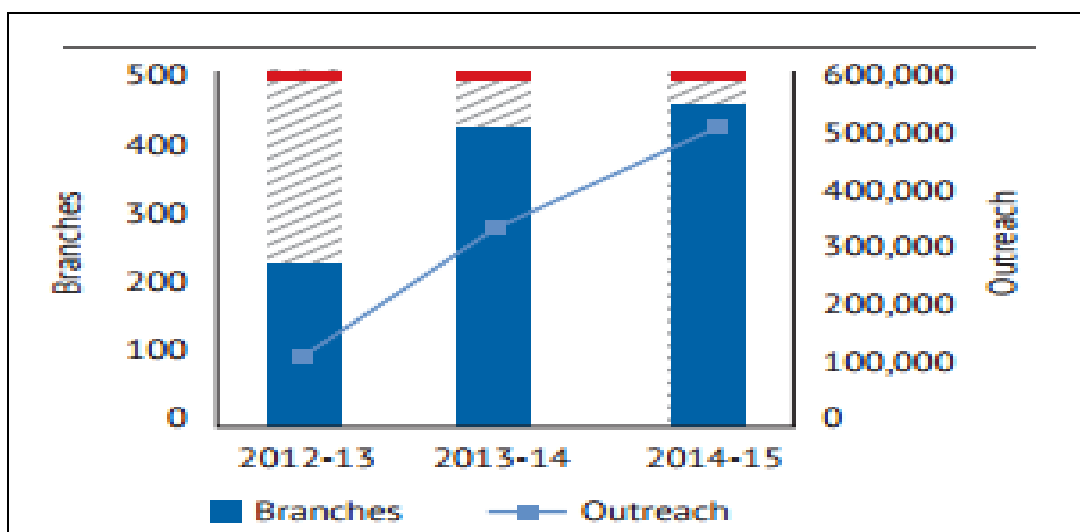
**Exhibit V**  
**Sustainability Awards of Yes Bank**

<b>Awards/ Recognitions</b>	<b>Purpose</b>	<b>Year</b>
Golden Peacock Global Award	Commitment to sustainable development	2012
Sustainable Bank of the Year in Asia-Pacific	Focus on environmentally and social responsible banking and investment practices	2012
CII-ITC Sustainability Award	Commitment to mainstreaming sustainability in its business practices	2012
OKOVISION Sustainability Leadership Award	Sustainability efforts in the financial sector	2012
Dow Jones Sustainability Indices	Achieving the sustainability benchmarks in social-economic and environmental sector	2015

*\*The list is not exhaustive.*

*Compiled from various sources.*

**Exhibit VI**  
**YES COMMUNITY Growth**



Source: [www.yesbank.in/images/all\\_pdf/Glocalizing\\_Responsible\\_Banking\\_in\\_India.pdf](http://www.yesbank.in/images/all_pdf/Glocalizing_Responsible_Banking_in_India.pdf)

**Exhibit VII**  
**Statistics Related to Yes Bank's Financial Inclusion - Inclusive and Social Banking (ISB)**

<b>YES MONEY</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Number of Business Correspondents*	11	15	17
Number of transactions done (Rs in Millions)**	2.13	7.75	9.51
Total value of transactions (Rs. in Millions)	8,225.40	3,1865.40	38,822.20
Number of Unique senders **	385,000	1,281,000	13,890,000
<b>YES LEAP</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Number of Business Correspondents*	26	35	46
Number of savings linked SHGs**	4,617	28,677	47,580
Total outstanding value in savings linked SHGs (Rs in Million)**	97.90	272.0	474.0
Number of credit linked SHGs*	7,900	39,034	76,854
Total loan outstanding in credit linked SHGs (Rs in Millions)*	1,552.40	6,472.0	1,2480.0
<b>YES SAHAJ</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Total Service officers/CSPs*	270	752	1,835
Total Value of Transactions (Rs in Millions)**	212.40	2,955.70	5,533.20

\*Cumulative as on March 31, 2015, \*\*For 2014-15

Adapted from

[www.yesbank.in/images/all\\_pdf/Glocalizing\\_Responsible\\_Banking\\_in\\_India.pdf](http://www.yesbank.in/images/all_pdf/Glocalizing_Responsible_Banking_in_India.pdf)

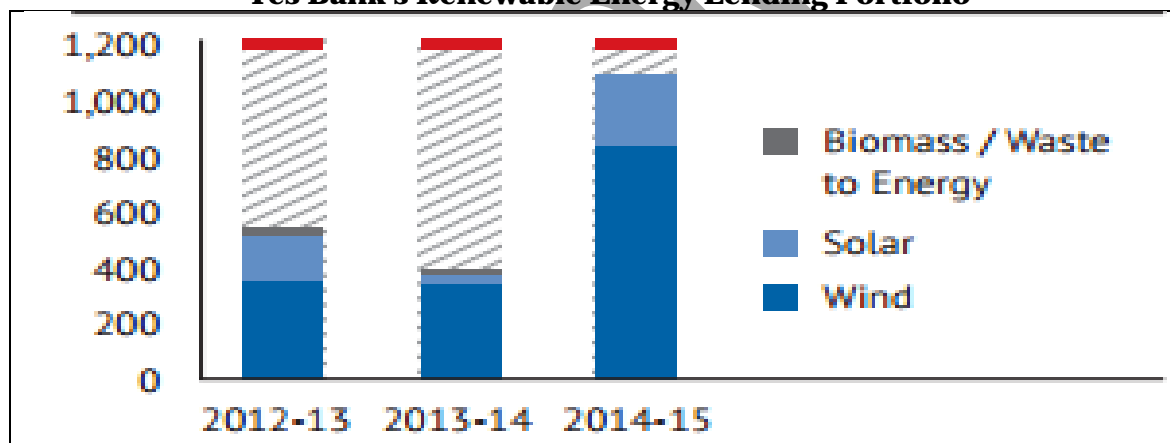
**Exhibit VIII**  
**ISB – Spearheading Financial Inclusion**

Event	Year
Over 40,000 SHGs (5,50,000 households) linked with the bank's Yes Leap	March 2014
YES Kisan Dairy Plus commenced	February 2014
Launch of Yes Sahaj Micro ATM	March 2013
Launch of Yes Livelihood Enhancement Action Program (Yes Leap)	September 2011
Launch of Yes Money Multichannel Remittance Service	June 2011
Introduction of Mobile Technology for Transaction	October 2010
Launch of Rural Financial Inclusion Initiative	September 2009
Roll out of Urban Financial Inclusion Program	July 2007
Launch of Yes Sampann in partnership with Accion International	October 2006
Yes Bank commences operations	August 2004

*Adapted from*

*[www.yesbank.in/images/all\\_pdf/YES\\_Bank\\_Sustainability\\_Report\\_2013\\_14\\_FINAL.pdf](http://www.yesbank.in/images/all_pdf/YES_Bank_Sustainability_Report_2013_14_FINAL.pdf)*

**Exhibit IX**  
**Yes Bank's Renewable Energy Lending Portfolio**



*Source:*

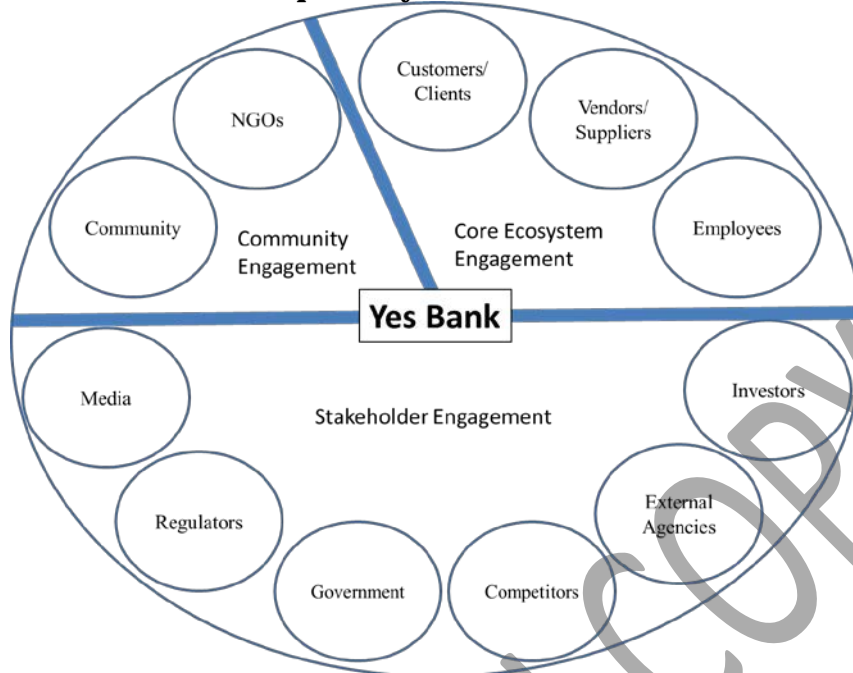
*[www.yesbank.in/images/all\\_pdf/Glocalizing\\_Responsible\\_Banking\\_in\\_India.pdf](http://www.yesbank.in/images/all_pdf/Glocalizing_Responsible_Banking_in_India.pdf)*

**Exhibit X**  
**Environment Management Policy of Yes Bank**

- Improve key resource efficiency such as usage of energy and water
- Conserve natural resources by adopting the "3-R" (reduce, reuse, and recycle) approach toward prevention of pollution and disposal of wastes, especially electronic waste, in line with regulatory requirements or industry best practices
- Set, monitor, review objectives and targets on an ongoing basis toward achieving continuous improvement in environmental performance and overall environmental management system
- Strive to reduce carbon emission intensity by a minimum of 5% in the first year and increase it subsequently.
- Comply with all applicable environmental, related legal, and other requirements
- Continue public reporting of the bank's environmental performance and its contribution to climate change-related issues through relevant national/ international forums and to stakeholders
- Communicate the environmental policy to all employees, business associates, and other stakeholders. Ensure that the policy is available to the public
- Review the environmental policy and allied management systems periodically to ensure their continuing applicability and relevance to the bank's operations and evolving stakeholder expectations
- Strive to support various voluntary, national, and international protocols, conventions, and agreements on environment protection. Also, proactively engage with governmental and other agencies in driving future environmental policy and regulation
- Promote "green procurement" to the maximum extent possible
- Integrate energy and environmental considerations with the design of new infrastructural facilities
- Conduct rigorous audits and self-assessments of YES BANK's compliance with this policy and measure progress of environmental performance

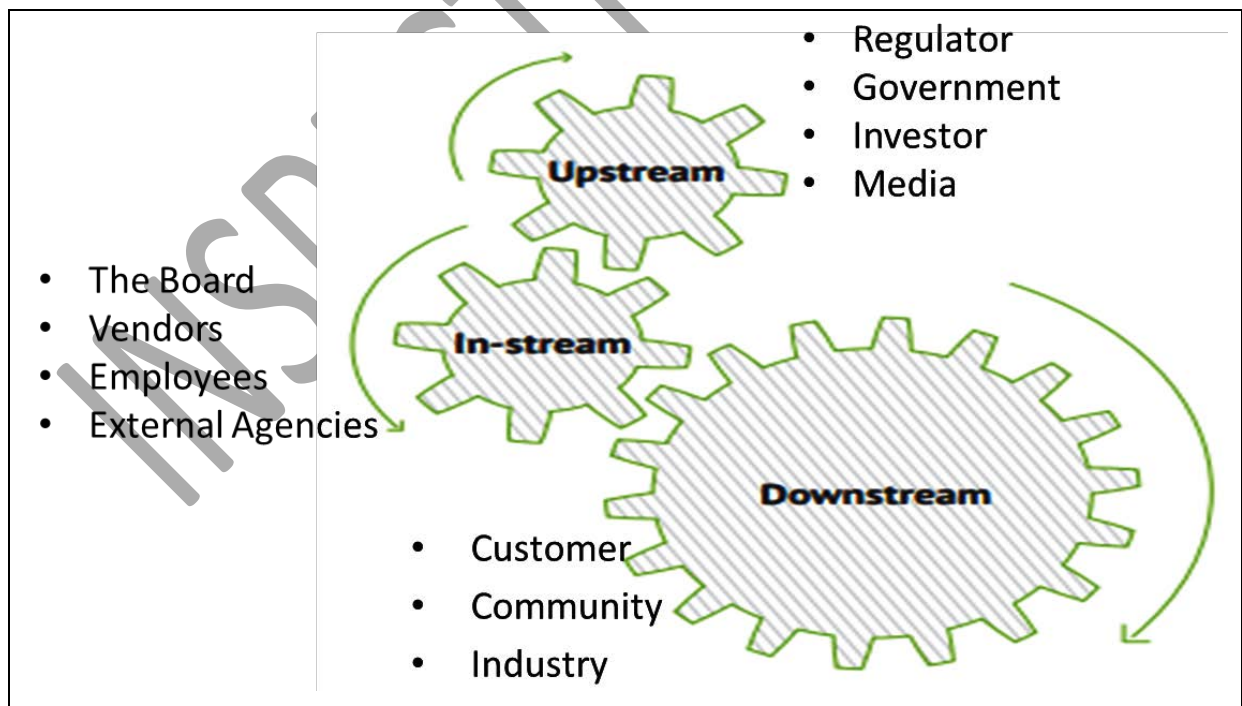
*Source: [www.yesbank.in/images/all\\_pdf/EMSPolicyLatest.pdf](http://www.yesbank.in/images/all_pdf/EMSPolicyLatest.pdf)*

**Exhibit XI**  
**Map of Key Stakeholders**



Adapted from  
[www.yesbank.in/images/all\\_pdf/Catalyzing\\_a\\_Shared\\_Sustainable\\_Future.pdf](http://www.yesbank.in/images/all_pdf/Catalyzing_a_Shared_Sustainable_Future.pdf)

**Exhibit XII**  
**Yes Bank's Engagement with Stakeholders**



Adapted from  
[https://www.yesbank.in/images/all\\_pdf/Glocalizing\\_Responsible\\_Banking\\_in\\_India.pdf](https://www.yesbank.in/images/all_pdf/Glocalizing_Responsible_Banking_in_India.pdf)



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