



Hybrids as instruments for raising Tier I and Tier II capital:
Wider options for issuers, but higher risks for investors

Contact

Karthik Srinivasan
karthiks@icraindia.com
+91-22-3047 0028

Vibha Batra
vibha@icraindia.com
+91-124-4545302

P. Avinash
avinashp@icraindia.com
+91-44-2434 0043

Introduction

In January 2006, the Reserve Bank of India (RBI) widened the capital raising options available to Commercial Banks, allowing them to raise capital through new instruments such as Upper Tier II and Perpetual Debt Instruments. Subsequently, in November 2007, the RBI allowed banks to further reinforce their capital by issuing Perpetual and Redeemable Preference Shares as well. Although India saw the first hybrid issuance in March 2006, the new capital instruments remained largely unexplored till 2007-08. At present however, banks, especially public sector banks, are increasingly issuing hybrid capital instruments to enhance their regulatory capital adequacy levels, given the requirements of Basel II and the need to support their own credit growth.

By nature, hybrid capital instruments, including perpetual instruments, are “less-permanent” as compared with equity though perpetual tenures and non cumulative nature of coupons on some of these make them closer to equity. Further principal and interest (or dividend) payments on these instruments are subordinate to the claims of all other investors except equity investors, and also subject to the availability of profits and maintenance of regulatory capital adequacy. These restrictions on servicing the hybrid instruments make them relatively riskier as compared with traditional debt-capital issuances (Lower Tier II bonds). At the same time, these restrictions could help the banks in conserving capital in case of stress; thus benefiting the deposit holders and senior debt holders.

With the effective cost being lower for raising hybrid debt capital vis-à-vis equity capital and Lower Tier II debt (as discussed later in this paper), ICRA expects banks to explore more of hybrid capital instruments, going forward, as they seek to maintain their regulatory capital adequacy levels. Further, given the large amount of equity mopped up in 2007-08 and the robust accretion to reserves that has happened over the years, the scope that the banks have to issue such instruments is significant.

This paper focuses on assessing the impact of hybrid capital instruments on the overall credit profile of banks.

Website
www.icra.in

Wide range of instruments available to shore up capital

In January 2006, the RBI opened up new avenues for banks to enhance their regulatory capital adequacy position by raising hybrid debt capital. Banks were allowed to raise Tier I capital in the form of Innovative Perpetual Debt Instruments (IPDIs) and Upper Tier II bonds. Subsequently, in November 2007, the RBI also allowed banks to raise capital by issuing Perpetual and Redeemable Preference Shares. Indian banks thus now have wide capital-raising options available to them (refer *Table 1*).

Table 1: Capital Instruments Available to Banks

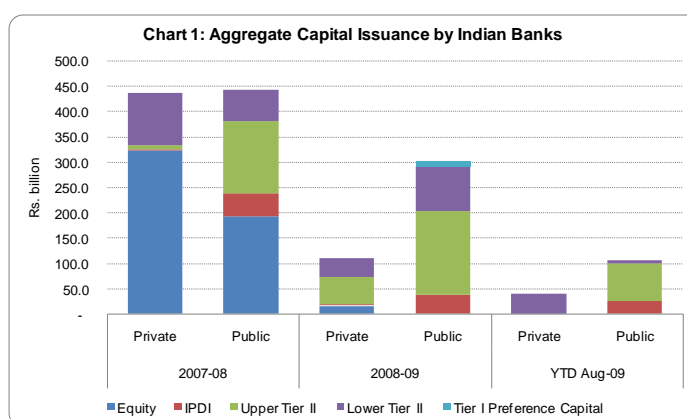
Name of Instrument	Maximum Permissible Limit	Regulatory Classification	Capital Structure
Shareholders' Equity	No limit		30%
Innovative Perpetual Debt (IPDI)	15% of Tier I (previous years net worth)	Tier I	20%
Perpetual Non-Cumulative Preference Shares (PNCPS)	40% (including IPDI) of Tier I		
<i>Total Tier I</i>			
Perpetual Cumulative Preference Shares (PCPS)	100% of Tier I	Tier II	50%
Upper Tier II			
Redeemable Non-Cumulative Preference Shares (RNCPS)			
Redeemable Cumulative Preference Shares (RCPS)			
Lower Tier II			
Eligible Revaluation reserves, general provisions etc.			
<i>Total Tier II</i>			50%
<i>Total Capital Funds</i>			100%

Source: RBI; ICRA Research

The new capital instruments provide significant headroom to banks to enhance their capitalisation levels without relying too much on the equity markets. Potentially, banks have the scope to raise capital through hybrid instruments up to 2.3 times the additional equity or internal capital generated. This would enable banks grow their business volumes significantly without having to resort to raising high-cost equity capital.

Significant equity mop-up in 2007-08 widens scope for issue of hybrid capital

During 2007-08, banks had raised capital of around Rs. 881.4 billion, of which 59% was in the form of equity. The total equity issuance by all banks taken together had stood at Rs. 517.5 billion in 2007-08, which gives them scope to raise other forms of capital at least to the extent of Rs. 1,200 billion (refer *Table 1*) and thereby build up a comfortable capital base for expansion of their credit portfolios over the medium term. Specifically, the country's two largest banks had raised equity aggregating Rs. 361.4 billion in 2007-08. With the capital market conditions remaining weak in 2008-09, equity issuances were significantly lower at just Rs. 16 billion that year. Banks had also raised Rs. 165.5 billion of Lower Tier II capital in 2007-08, which then declined 24% to Rs. 125.8 billion the next fiscal. In 2008-09, banks relied primarily on Upper Tier II capital issuances, which rose 46% to Rs. 220.9 billion that year from Rs. 151.8 billion in 2007-08. In the current fiscal year too (till August 2009) Upper Tier II capital issuances have been higher (Rs. 73.5 billion) than Lower Tier II capital issuances (Rs. 44.8 billion).



Source: ICRA Research

The total amount of capital raised by the banking system declined in 2008-09 over the previous fiscal. While public sector banks continued to strengthen their capitalisation by mopping up capital of Rs. 303.3 billion in 2008-09, private sector banks' aggregate capital issuances declined 75% to Rs. 109.1 billion that

year, with the larger ones among them not raising much capital in response to the moderation in credit growth.

Public sector banks tap more hybrid capital

With an aggregate capital adequacy ratio of 12.3% as of March 2009 (September 2008: 12.3%), public sector banks remain comfortably capitalised. Further, with a Tier I capital ratio of 7.7% as of September 2008, public sector banks have some scope for portfolio growth before further capital infusion becomes necessary.

During the past two-plus years (April 2007-August 2009), public sector banks raised Rs. 501.8 billion in hybrid capital via Upper Tier II and Innovative Tier I instruments. This sum comprised almost 59% of the total capital raised by these banks during the period stated. The balance consisted of equity (23% of total) and Lower Tier II bonds (19%). While some public sector banks shored up their equity during the past few years, most of them (as many as 25 out of the 27 banks) resorted to hybrid instruments to enhance their capitalisation levels and to meet the increase in capital requirement brought about by Basel II norms and the rapid credit growth over the previous few years. Now, Public Sector Banks have lined up more hybrid issuances, and the total capital raised through such instruments could exceed that raised by traditional debt capital issuances in the current year as well.

Public Sector Banks also face a limitation in tapping equity markets, given that they require the permission of the Government of India (GoI) to dilute equity, which in any case cannot go below 51%. As such, given the lack of clarity on the GoI's position regarding dilution of its equity stake in public sector banks, these banks are likely to resort to increased issuance of hybrid Tier I and Tier II capital to maintain capital adequacy levels and also to support credit growth.

Incrementally, ICRA expects GoI support to public sector banks to materialise in the form of PNCPS rather than equity, as demonstrated in the case of Vijaya Bank, Central Bank of India, and UCO Bank. While this could provide the headroom to raise Tier II capital, the total PNCPS, along with other Tier I capital instruments, except equity, would be subject to a limit of 40% of the total Tier I capital.

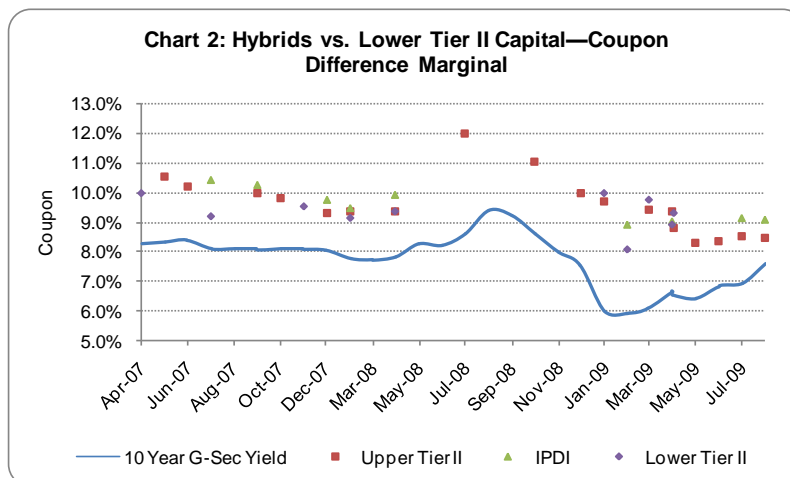
Private sector banks may not be far behind in hybrid issuance

Private sector banks have remained more comfortable in terms of capitalisation with a Tier I capital ratio of 10.7%-11.8% (as on September 2008), supported by the large equity issuances aggregating Rs. 324.6 billion in 2007-08. The significant equity accumulation gives these banks more leeway to expand their portfolios. Aggregate capital issuances of private banks reduced by 75% in 2008-09 over the previous fiscal as equity issuances declined to Rs. 16 billion. The total debt capital mopped up by them during 2008-09 also declined to Rs. 93.2 billion from Rs. 112.8 billion in 2007-08. However, hybrid issuances comprised only 12% of the total capital issued by the private sector banks in 2007-09 as against 53.3% in the case of public sector banks. There have been no hybrid capital issuances by private sector banks till August 2009 though there are a few issues lined up for September 2009. This however could be attributed to relatively lower investor appetite for such issuances from private sector banks.

Most private banks tapped the equity markets in 2007-08 and now have significant scope to issue Tier II and other Tier I capital instruments in order to support growth. While the private sector banks remain comfortable on capitalisation levels, unfavourable market conditions and moderation in credit growth led to significantly lower issuance of debt capital issuances in 2008-09. ICRA believes that the pressure on shareholder returns and a pick up in credit off-take for these banks could well drive higher hybrid issuances in the near term.

Hybrid issuances driven by lower effective cost, exemption from discounting¹

With the credit risk embedded in hybrid instruments being higher as compared with Lower Tier II instruments on account of the coupon deferral clause and the subordination of principal to other capital instruments (except equity), the risk premium demanded by investors for hybrids would normally be higher than for Lower Tier II bonds. Among the various hybrid instruments, Tier I instruments such as Preference Shares (on a post-tax basis) and IPDI could cost more than Upper Tier II² instruments. From an issuer's viewpoint, the cost-of-carry on account of the SLR/CRR requirements on Tier II bonds could push up the effective cost of such issuances. Overall, the incremental cost of Tier I issuances over Tier II bonds may not be significant; in some cases could even result in a lower cost as compared to Tier II bonds. An analysis of the coupon on hybrid issuances during the past few years reveals only a marginal spread between the various debt capital issuances despite the more risky nature of the hybrid debt capital instruments.



The other advantage Tier I debt-capital instruments enjoy over traditional debt capital is in the form of the exemption from progressive discounting during the last five years of their tenure. The entire amount of perpetual debt outstanding qualifies for inclusion in Tier I capital throughout its tenure, while Tier II instruments are subject to a progressive discount of 20% per annum during the last five years. In the case of Upper Tier II bonds also, the implicit understanding that the call option would be exercised at the end of 10 years negates the impact of discounting³.

In the long run, the key factors influencing the volume of hybrid issuances would be:

- Satisfaction of regulatory Tier I capital requirements,
- Creation of headroom for Tier II capital by enhancing the Tier I capital base,
- Exemption from progressive discounting, and
- Improvement in shareholders' returns⁴.

Further, institutional investors like insurance companies and pension funds could have greater appetite for long-duration papers and are likely to invest more in Upper Tier II or perpetual bonds than in Lower Tier II Bonds which carry relatively shorter tenures. The fact that most of the hybrid issuances made in the past few years carried a green shoe option that was fully oversubscribed indicates there is reasonable appetite for such instruments, especially those issued by public sector banks.

The new RBI guidelines in September 2009 on Lower Tier II Bonds are likely to improve the attractive of these instruments as well as the banks can exercise the call option after 5 years. This feature would give the flexibility to a bank to replace the high cost capital instruments, if any, after 5 years itself unlike in hybrids wherein the call option can be exercised only after 10 years. While this guideline marginally reduces the advantage for issuing hybrid capital instruments as compared to a Lower Tier II debt, no bank has till date issued Lower Tier II bonds with the call option.

¹ RBI issued new guidelines in September 2009 allowing call option on Lower Tier II bonds as well, thereby reducing the benefit of exemption from discounting that were earlier available only to hybrid debt capital instruments.

² Also refer ICRA's November 2007 Paper titled "Preference Shares as Tier I Capital-Raising Instruments; Greater Latitude, But At A Cost" at www.icra.in

³ As the minimum tenure of Upper Tier II bonds is 15 years, the instrument is likely to be called even before progressive discounting begins

⁴ Assuming that the cost of Tier II and Tier I capital (other than equity) is lower than the cost of equity

However risks are higher for investors in hybrid instruments

Hybrid instruments are issued for an original tenure of 15 years or more (or perpetual for IPDI). These instruments are issued with the following terms

- These instruments do not carry a put option
- Banks can issue such instruments with a call option subject to the following conditions
 - Call option may be exercised only if the instrument has run for at least ten years;
 - Call option shall be exercised only with the prior approval of RBI
- The issuing bank may have a step-up option which may be exercised only once during the whole life of the instrument, in conjunction with the call option, after the lapse of ten years from the date of issue.
- These instruments are be subjected to a lock-in clause in terms of which the issuing bank shall not be liable to pay either interest or principal, even at maturity, if
 - The bank's regulatory capital adequacy is below the minimum regulatory requirement prescribed by RBI OR
 - The impact of such payment results in bank's regulatory capital adequacy falls below or remains below the minimum regulatory requirement prescribed by the RBI.
- However, banks may pay interest with the prior approval of RBI when the impact of such payment may result in net loss or increase the net loss provided regulatory capital adequacy remains above the regulatory norm.
- Interest payments for IPDI shall not be cumulative while for Upper Tier II instruments, the interest amount due and remaining unpaid may be allowed to be paid in the later years in cash/ cheque subject to the bank complying with the above regulatory requirement.

In addition to the interest deferral clause, the loss absorption capacity of the hybrids is different from those of Lower Tier II bonds. The claims of an investor in Lower Tier II bonds is higher than that of an investor in Upper Tier II bonds which in turn is higher than that of an investor in IPDI. Consequently, the investors get a mark-up over a conventional 10-year Lower Tier II issuance on investing in hybrid instruments. However in an Indian context, we observe that in most cases, the spread is quite nominal despite the higher riskiness of these instruments. We believe that this is on account of the shallow bond market in India and also on account of an implicit understanding is that the issuer would exercise the call option at the end of the tenth year. Since issuers are well within their rights (as the terms of the borrowings state) in not exercising the call option, ICRA does not treat such an event as an event of default or even as a rating issue. However any instance of deferral of payments (also a part of the terms) is a rating issue since the investor faces delays in receiving dues on time. Internationally, there have been a number of instances in the last few years of even highly rated issuers choosing not to exercise the call option on their hybrid debts, thereby leaving the investors holding on to these instruments.

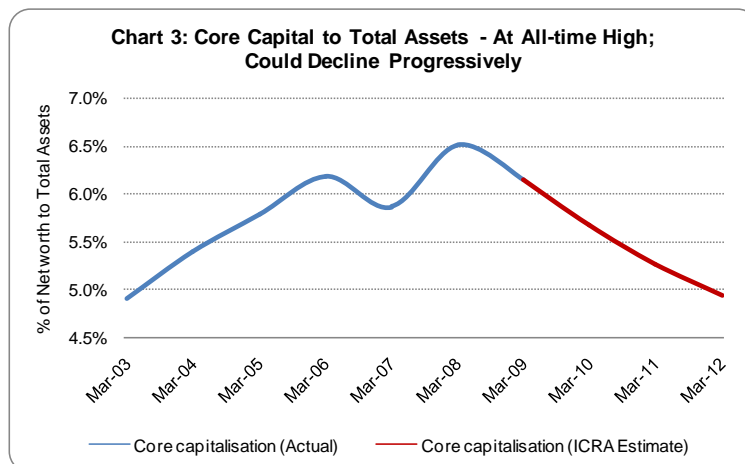
Thus there is a greater need to differentiate the risks involved in Lower Tier II debt and hybrid debt raised by banks. ICRA follows the global best practices wherein the ratings on these hybrid instruments are notched down from that of the Lower Tier II bonds. At the same time, entities with a higher proportion of hybrids in their capital structure or with weaker financial indicators could have higher notching for such instruments as they lack the permanence of equity and also have lower ability to absorb losses.

Larger share of hybrid capital could impact overall credit profile of issuer

At present, the aggregate core capitalisation levels are at their highest in 10 years, primarily because of the significant equity raised during 2007-08. According to ICRA's estimates, based on an annual 20% growth in the asset base and internal capital generation at 0.60% of average total assets per annum, the core capitalisation would decline to under 6% in the next two years, assuming no additional capital infusion. The declining net interest margins and the higher share of equity in capital adequacy have put significant pressure on shareholder returns, and as such, ICRA expects banks to resort to alternative capital instruments to support credit growth and to meet investors' expectations regarding return on equity.

While the regulatory capital adequacy ratio is a key indicator of the capitalisation levels of a bank, ICRA also considers (and monitors) the core capitalisation⁵ levels as an important indicator of capitalisation levels. While some of the hybrid debt instruments qualify as Tier I capital, ICRA does not give full equity credit to them as they lack permanence; hybrid capital is repayable either through normal redemption or on exercise of call options. However, these instruments do provide substantial cushion to banks to increase their scale of operations besides protecting the senior debt, Lower Tier II bonds and deposits. While currently the proportion of hybrid debt capital instruments in the overall capital structure is quite low for the Indian Banking System, a sharp increase in such instruments could have an impact on the rating of the various debt issuances by the banks. ICRA expects public sector banks to be impacted more by the hybrid issuances than their private sector counterparts mainly on account of the relatively higher proportion of volume of such issuance. However, in this context ICRA does derive strong credit comfort from the fact that the public sector banks are majority owned by the Govt.

While the first hybrid issuance in India was made in March 2006 (with call options in March 2016) and there is still some time to go before any call option is exercised⁶; the ability of banks to tap replacement capital and availability of investors in such cases remains to be seen. At the time when call options are exercised, banks would have the choice of replacing such redeemed instruments through equity or through fresh issue of hybrid instruments; however, the choice would depend on the market conditions prevailing at that time.



Source: RBI; ICRA Research

Note: Estimates based on a 20% annual growth in total assets and accretion to reserves @ 0.6% of average assets. No equity infusion assumed

⁵ Computed as the ratio of Net Worth to Total Assets

⁶ Since the RBI allowed issuance of these instruments only in 2006, instances of call options being exercised (and how it impacts capital adequacy) would not be visible before 2016

The international scenario - Hybrids' increasingly notched down from Senior debt ratings and investor have suffered losses

Internationally, banks' issuance of hybrid notes reached a high in 2006-07 and 2007-08, until the global meltdown and the credit freeze in September-

October 2008 virtually wiped out any capital issuances in 2008-09.

Recognising the risk inherent in hybrid instruments, rating agencies have treated hybrid bonds with caution through notched-down ratings. While one would

Table 2: Select cases of Multiple Notched Down Subordinated Debt Ratings by Moody's

Bank Name	Senior Debt	Subordinated Debt	Preferred Stock	Outlook
Bank of America Corporation	A2	A3	B3	Under Review
Bank of Ireland	A1	A2	B1	Stable
Barclays Bank Plc.	Aa3	Baa1	Baa2	Stable
Citigroup Inc.	A3	Baa1	Ca	Stable
Fortis Bank S.A./N.V.(Parent: BNP Paribas)	A1	A2	Baa1	Stable
Lloyds TSB Bank Plc.	Aa3	Baa1	Baa3	Stable
Northern Rock Plc	A2	Ca	Ca	Developing
Royal Bank of Scotland Group Plc.	A1	Ba2	B3	Stable
Suntrust Banks Inc.	Baa1	Baa2	Ba2	Negative
Wachovia Corporation (Parent: Wells Fargo & Company)	A1	A2	Ba3	Stable

Source: Moody's Investors Service

have normally expected systemic support to a bank entity in a crisis, these expectation were questioned last year during the initial phase of the crisis. However with the deepening of the global financial crisis, various Governments subsequently extended some various forms of support to restore the confidence in the banking system. Over the last few quarters, on account of the financial crisis, one has witnessed several instances globally wherein the hybrid debt of banks have not received regulatory support and have had to absorb losses. Consequently, the global rating agencies have been increasing the notching of hybrid debt instruments as compared with the ratings of the Senior Debt programmes as banks defer the coupon or dividend payments on hybrid securities due to inadequate profits and the greater solvency risk. These actions are treated as defaults or substantial deterioration in credit quality of the banks and have led to downward revision in the ratings of such instruments. In a few instances, hybrid instruments have been rated in the speculative grade whereas high investment grade ratings have been assigned to the senior debt (refer Table 2).

Government support a key positive but not always adequate for hybrids

In rating public sector banks, ICRA considers the availability of GoI to the rating candidate as a key positive, which the rating would reflect. The capital support extended by the GoI to certain public sector banks with capital adequacy less than 12% in March 2009 is a demonstration of the GoI's financial commitment to these banks, and eventually to depositors and investors. Although liquidation is not a risk in India as most banks are government-supported, risk for investors remains high if a bank comes under pressure as sovereign support may be focused more on deposit or senior debt holders, at the expense of hybrid investors. At the same time, ICRA also expects the RBI and GoI to take adequate measures in case a private sector bank was to see some stress. Also as seen globally governmental support may not be available for hybrid debt instruments at all times making these instruments more risky compared with the traditional debt instruments.

Conclusion

Going forward, in ICRA's opinion, banks are likely to increasingly focus on hybrid capital instruments for addressing the issues of shortage of capital and of strengthening their reported regulatory capital adequacy ratios. Although hybrids could satisfy regulatory capital adequacy requirements, an increase in the proportion of these alternative capital instruments beyond reasonable levels⁷ could impact ratings of these instruments because of the potential decline in core capitalisation levels and the resultant impact on the banks' solvency levels.

From an investors' perspective, one needs to factor in the additional risks associated with these instruments namely the deferability clause in the terms of these instruments and the uncertainty on the Government support for these instruments. ICRA conveys these risks associated with the said instruments by notching down the hybrid's rating from the level achieved by other debt instruments issued by the same bank⁸.

⁷ ICRA's Rating Committee would take a view on the reasonability of core capitalisation levels on a case-to-case basis after due consideration of the bank's risk profile

⁸ The extent by which the rating is notched-down is a function of ICRA's assessment of the impact

Annexure 1: Comparison of Various Capital Instruments

	Perpetual Bonds	Perpetual Non-Cumulative Preference Shares (PNCPS)	Upper Tier II	Other Preference Shares	Lower Tier II
Nature of Capital	Tier I capital	Tier I capital	Upper Tier II capital	Upper Tier II capital	Tier II capital
Limit	15% of previous year Tier I; rest can be included in Tier II up to the ceiling.	Tier I Preference Shares along with Innovative Tier I instruments not to exceed 40% of Tier I; balance can be included in Tier II up to the ceiling.	100% of Tier I along with other components	100% of Tier I along with other components	50% of Tier I
Right to Defer Payments	<ul style="list-style-type: none"> • Issuer not liable to pay interest if capital to risk weighted assets ratio (CRAR) falls/is likely to fall below minimum regulatory requirement. • Can be paid, subject to RBI approval, in a loss situation, provided the regulatory condition on CRAR is met. Interest cannot be accumulated. 	<ul style="list-style-type: none"> • Issuer not liable to pay dividend if capital to risk weighted assets ratio (CRAR) falls/is likely to fall below minimum regulatory requirement. • Issuer not liable to pay half-yearly dividend, if the balance sheet as at the end of the previous year shows any accumulated losses. • Issuer not liable to pay annual dividend, if the current year's balance sheet shows any losses. 	<ul style="list-style-type: none"> • Issuer not liable to pay either interest or principal if CRAR falls/is likely to fall below minimum regulatory requirement. • However, debt-servicing possible, subject to RBI approval, in a loss situation, provided the regulatory condition on CRAR is met. Interest can be accumulated and can be paid once the conditions are met. 	<ul style="list-style-type: none"> • Issuer not liable to pay coupon if capital to risk weighted assets ratio (CRAR) falls/is likely to fall below the minimum regulatory requirement or if the issuer has a net loss. • In the case of PCPS and RCPS, unpaid coupon can be paid in later years, subject to the regulatory conditions being met. 	No such restriction
Nature of Interest/Dividend	<ul style="list-style-type: none"> • Non-cumulative interest. 	<ul style="list-style-type: none"> • Non-cumulative dividend. 	<ul style="list-style-type: none"> • Cumulative interest 	<ul style="list-style-type: none"> • Cumulative for PCPS and RCPS • Non-cumulative for RNCPS 	<ul style="list-style-type: none"> • Not determined by the RBI

	Perpetual Bonds	Perpetual Non-Cumulative Preference Shares (PNCPS)	Upper Tier II	Other Preference Shares	Lower Tier II
Superiority of Claims	Superior to claims of investors in equity shares	Senior to the claims of investors in equity shares and subordinate to the claims of all other creditors and depositors	Superior to claims of investors in equity shares and investors in instruments eligible for Tier I	Senior to claims of investors in instruments eligible for inclusion in Tier I capital and subordinate to claims of all other creditors. Among the various instruments included in Upper Tier II, the claims would rank <i>pari passu</i>	Superior to claims of investors in equity shares and investors in instruments eligible for Tier I and Upper Tier II
Maturity	Perpetual	Perpetual	More than 15 years	PCPS: perpetual RNCPS & RCPS: minimum 15 years	Minimum five years
Options Allowed	Call Option after 10 years, subject to RBI approval	Call Option after 10 years, subject to RBI approval	Call Option after 10 years, subject to RBI approval	Call Option after 10 years, subject to RBI approval	Call Option after 5 years, subject to RBI approval ⁹
Step-up Option	Up to 100 basis points from initial rate; allowed once during the life of the instrument, to be used in conjunction with the call option	Not available	Up to 100 basis points from the initial rate; allowed once during the life of the instrument, to be used in conjunction with the call option	Up to 100 basis points from the initial rate; allowed once during the life of the instrument, to be used in conjunction with the call option	Up to 50 basis points from the initial rate; allowed once during the life of the instrument, to be used in conjunction with the call option ⁹
Reserve Requirement	Will not attract CRR/SLR requirement	Will not attract CRR/SLR requirement	Attracts CRR/SLR requirement	Attracts CRR/SLR requirement	Attracts CRR/SLR requirement

⁹ As per new RBI guideline dated September 7, 2009

Annexure 2: Notching of Hybrids' Ratings for ICRA-Rated Instruments

Bank Name	Lower Tier II Bonds Rating	Hybrid Bonds Rating
Axis Bank Limited	LAA+ (Positive)	LAA (Positive)
Bank of India	LAA+ (Positive)	LAA (Positive)
Bank of Maharashtra	LAA+	LAA
Bank of Rajasthan	LA- (Negative)	LBBB+ (Negative)
Central Bank of India	LAA	LAA-
IDBI Bank Limited	LAA+ (Stable)	LAA (Stable)
Indian Overseas Bank	LAA+	LAA
IndusInd Bank Limited	LA+	LA
Kotak Mahindra Bank Limited	LAA+	LAA
Oriental Bank of Commerce	LAAA	LAA+
State Bank of Hyderabad	LAAA (Stable)	LAA+ (Stable)
Union Bank of India	LAA+ (Stable)	LAA (Stable)
United Bank of India	LAA (Stable)	LAA- (Stable)
Yes Bank Limited	LAA-	LA+



ICRA Limited

An Associate of Moody's Investors Service

CORPORATE OFFICE

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300; Fax: +91 124 4545350

Email: info@icraindia.com, Website: www.icra.in

REGISTERED OFFICE

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50; Fax: +91 11 23357014

Branches: **Mumbai**: Tel.: + (91 22) 24331046/53/62/74/86/87, Fax: + (91 22) 2433 1390 □ **Chennai**: Tel + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294, Fax + (91 44) 2434 3663 □ **Kolkata**: Tel + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008, Fax + (91 33) 2287 0728 □ **Bangalore**: Tel + (91 80) 2559 7401/4049 Fax + (91 80) 559 4065 □ **Ahmedabad**: Tel + (91 79) 2658 4924/5049/2008, Fax + (91 79) 2658 4924 □ **Hyderabad**: Tel +(91 40) 2373 5061/7251, Fax + (91 40) 2373 5152 □ **Pune**: Tel + (91 20) 2552 0194/95/96, Fax + (91 20) 553 9231

© Copyright, 2009, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.