



## **“YES BANK Limited Q1 FY 2014 Earnings Conference Call”**

**July 24, 2013**



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**MODERATOR:**      **MR. ANIL AGARWAL - ANALYST, MORGAN STANLEY**

**Moderator**

Ladies and gentlemen good day and welcome to the Q1 FY14 Earnings Conference Call of YES BANK hosted by Morgan Stanley. As a reminder all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing \* followed by 0 on your Touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anil Agarwal from Morgan Stanley. Thank you and over to you, sir.

**Anil Agarwal**

Good evening everybody and thanks for joining this conference call to discuss YES BANK's First Quarter Fiscal 14 results. It gives me great pleasure to welcome the senior management team from the bank. We have with us Mr. Rajat Monga – Senior Group President, Financial Markets & CFO; Mr. Pralay Mondal – Senior Group President, Retail Banking; Mr. Jaideep Iyer – Group President, Financial Management; and Mr. Aparajit Bhandarkar – Group Executive VP, Financial & Investor Strategy. Rajat will give opening remarks and then we will open it up for Q&A.

**Rajat Monga**

Thank you for hosting this call for the first quarter results of YES BANK. So we will take the next few minutes to quickly share the highlights of the results of the first quarter of the Fiscal year 2013-14 covering highlights relating to the profit & loss, balance sheet and some operational performance metrics of the bank. We will be happy to take questions thereafter. The bank is reporting profit after tax of Rs. 401 crores or Rs. 4 billion for the first quarter of Fiscal 2013-14. This is about a 38% increase in profit after tax as compared to the corresponding quarter of last year. The PAT increase is lead by a respectable performance equally from the net interest income and the non-interest income line. So the net interest income on the back of expanding margins year-on-year increased by little over 39% and the non-interest income line benefitting from the fixed income gains that were realized in the first quarter increased by about little over 53% as compared to the corresponding quarter of last year.

So the non-interest income also comprises of about Rs. 90 crores to Rs. 95 crores of gains that have been realized from the sale of Government bonds in the current quarter under discussion. So as a combination the bank experienced a 44.8% increase in total net income. I think one off opportunity from the Government bond gains has also given bank an opportunity to step up on the Prudential and dynamic provisions to be able to reserve more for the future with the hope of not being coming in to a need to use that reserve however we will discuss that as we get in to our some asset quality related numbers as well.

So overall the composition of non-interest income helped by treasury gains increased in this quarter to 40.1% of the total income. This proportion of non-interest income had been averaging in 34% to 36% (in the immediate proceeding few quarters) it got a little bit of benefit from that outcome in this quarter particularly. So the operating profit as such grew by about 48% which is a number which is now a healthy Rs. 6.8 billion for the first quarter. Costs increased. You will note the cost increase on

account of HR which is a 13% assumption on increase in annual increments and some also nudged up because of a 3% to 4% increase in the base of head count as well. There is a small element may be about Rs. 10 crores to Rs. 15 crores of one-off operating cost that has been witnessed in the first quarter. So as such the cost income ratio also held its line steady at about 38.3% for this particular quarter of this fiscal year.

Moving a little bit to the balance sheet items as well – Our customer assets and loans both grew about little over 24% so our loan book now stands at little short of Rs. 48,000 crores or about Rs. 480 billion and adding the credit substitute book the total book size is little in excess of Rs. 61,000 crores or about Rs. 612 billion representing as I mentioned earlier a 24% increase from the position as at June 30<sup>th</sup> of 2012. The total balance sheet of the bank is now just in excess of Rs. 1,00,000 crores so that will be little in excess of Rs. 100,000 crores which is a small mile stone that the bank has achieved in the first quarter of this Fiscal year which will somewhere place us as the large size bank in the Indian banking sector.

Moving a bit to the NPA position continues to be a comfortable 20 basis points at the growth NPA level and 3 basis points at the net NPA level as I had mentioned a few minutes earlier the bank has used the opportunity in this quarter to step up the prudent or dynamic provisioning whatever name this will evolve over the next few months basis Basel-III implementation etc. So there has been a Rs. 75 crores of equivalent counter-cyclical or dynamic provisioning that the bank has stepped up in this particular quarter. Our total this for provisioning reserve to loans has now reached a number of 1% to loans, which is a very healthy number that we have been building up on the balance sheet. Hopefully we will not have to use this number but it does give us a back of the mind comfort in terms of having put away some reserves for contingencies.

I think another encouraging development which has been crystallizing over the last couple of quarters as well is the now absolute reduction in restructured loan book. So the restructured book has reduced from a little over 50 basis points to now 29 basis points of gross advances as compared to the position of at the end of June 30<sup>th</sup> of 2013. So in absolute terms the book is now about Rs. 120 crores to Rs. 130 crores in terms of the restructured loans. There have been reductions coming from some of the legacy restructured loans which have now come to a stage where the principles are also being serviced which is resulting in the net reduction on the restructured loan book. There was no new restructuring was undertaken in the first quarter and hence the position of improvement as well from the comparative period of last year.

The share of loan book has been steady in terms of if you break it down between corporate lending, commercial lending and retail lending so broadly the mix continues to be about 18% each for commercial lending and retail lending. Retail lending may have improved slightly in terms of its mix in terms of sequential quarter and the corporate lending stands at about 63% of the total loan book. The yield on the loan book was largely flat in the first quarter though it was 10 basis points lower as

compared to the March quarter. So we are reporting a 12.3% yield on the loan book for the period which is April to June.

The deposit book grew in line with the customer assets at a year-on-year increase of 29.9% so just about 30%. CASA has improved further and we are now for the first time in our short history in excess of 20% on the CASA mix which is resulting from 61% year-on-year increase in the CASA absolute numbers and within that a 121% increase in the saving accounts balances entailing the total CASA balance as well. So the savings account balances are now almost 10%. They have now matched up the share on the balance sheet in comparison with the current accounts as well. So we are now in a decent balance between savings accounts and current accounts and we are hoping to continue on this improvement trajectory in to the coming few quarters as well.

Among the other funding mixture we are reporting a 39% share of deposits which are either transactional therefore CASA or branch banking therefore a granular and individual deposit tickets that we get from branches. This individual deposit tickets or transactional deposit tickets are now at a 39% share of total deposits of the bank and this number has improved by 18% in the mix sense from about three years ago both from increasing share of individual deposit tickets as well as higher CASA that the bank has been accreting over the last several quarters. As a result the cost of funds has improved slightly in the first quarter as compared to the sequential previous quarter which was Jan-March 2013. We are reporting a cost of funds of 8.3% which is 10 basis points lower than the position as at the sequentially previous March quarter.

The bank has also has began reporting the capital ratios under Basel-III, which has become effective in the beginning 1<sup>st</sup> April 2013. So we are reporting a Tier-1 capital ratio of 9.5% under Basel-III. It would have been a 9.7% Tier-1 capital ratio under Basel-II concurrently had the reporting been done on Basel-II. We have begun grandfathering our Basel-II, Tier-2 so the impact of that has been factored in the total capital ratio for the first quarter which will be at 15.4% as at June 30<sup>th</sup>, 2013.

As per Basel-II the total capital as at June 30<sup>th</sup>, 2013 would have been 18.1%. So there has been a sharper adjustment in the total capital on account of grandfathering of Tier-2 capital that has begun effective 1<sup>st</sup> April 2013. And in this quarter particularly there was expansion of Tier-1 capitalization on account of continuing healthy ROE's and balanced in terms of increase in the risk weighted assets so therefore a net improvement in the Tier-1 capitalization. We have achieved a fairly respectable ROE in this particular quarter and on an annualized basis the ROE would be a healthy 26.7% for the first quarter on the back of 1.6% ROA which is notch better than what we have been reporting in the recent few quarters.

The EPS reported for the quarter will be Rs. 11.2 which is the basic earnings per share. The book value of the share will be computed at Rs. 173 as at the June 30<sup>th</sup> position. A few more numbers to report on the distribution front as well. The bank has added 45 new branches in the quarter gone by resulting in our total branch position being now has shared than 500 at 475. The employee strength is

about 7,450 which is about a 12.75% employee increase as compared to the same time last year. We have also added about 100 ATM's to the bank's network taking the total ATM's are now past the 1000 ATM number. So I think the getting to close to a few round numbers on branches close to 500, ATM close to 1000, and a balance sheet also close to Rs. 1,00,000 crores in this quarter. So I think some maturity therefore coming through in terms of both size and distribution.

The bank continues to get recognition on different counts among others being recognized as the best managed bank in India for a three year period by the Asian Banker in its leadership achievement awards and they used a backward looking three year period while arriving at this conclusion. Our CEO was also recognized by the same forum in terms of his leadership role in this achievement as well. So I think this was a quick summary that we thought we will present before we head in to Q&A. And may I request the moderator to now please open Q&A channel as well.

**Moderator** Thank you very much, sir. Participants, we will now begin with the Question & Answer Session. We have the first question from the line of Vishal Goel from UBS Securities. Please go ahead.

**Vishal Goel** My question actually is on the investment book basically how you have delisted in may be on last two to three months and how is it protected in this current environment of volatility from a sharp increase in either bond yields or Government bond yields?

**Rajat Monga** The question will be broadly in two parts one is the Government bond yields and the other would be the corporate bond yields. On the question of a little bit of a backdrop as you will notice of our numbers we did have a monetization opportunity in the first quarter of this fiscal year so we have seen us being able to add profits be able to reduce our holdings on the corporate bonds book. The Government bond book was entirely held in the held-to-maturity category so there is no price exposure as far as the Government bond book is concerned and it continues to be the same. The corporate bond book is subject to mark-to-market. The Indian Accounting as you would know has recognition of AFS portfolio to be done at lower of market or cost. So our corporate bond book had been higher than cost. I mean most of Q1 in any case so we were not recognizing those profits. Those profits would be recognized only upon realization. So Indian accounting will have to allow us to ignore those profits effectively. So they do not even come in the off balance sheet or contingency or anything. They just have to be as if they do not exist. So that is the accounting but in real terms they did exist. So the current situation on that book like we also discussed in the call last week was that the buffer on that book which was the gains in that book which has been built over the last two years when yields were yet higher was there take care of the situation which was emerging. The situation is still evolving. So it is getting hard to conclude other than the fact that this looks temporary. So it is difficult to pin point to a particular outcome given that things are changing almost everyday and therefore I am not sure if I have a very precise answer for this question while I can be precise in the government bond question is because we do not have any exposure there other than in the held to maturity category. So there might be economic losses in that book but those are not accounting losses

and the corporate bond book is also reasonably richly in terms of I think the yield on the corporate bond book will be still 10.75 11 in nominal terms the yield. So there is still let us say give or take question there might be some interest rate issue in terms of there will be some positions which are in the money there will be some positions which are not in the money. What Indian accounting allows us is to offset these two. So as far as the accounting impact is concerned it is net of all of these factors and I do not believe that is even factoring for the recent kind of developments it is anything that we are at the moment worrying about.

**Vishal Goel**

You have not moved anything in to AFS from HTM in last two to three months?

**Rajat Monga**

No, we do that but those have been that was the part of among others the reason we recorded profits in Government bonds in the first quarter was precisely from that source. We moved G-Sec from HTM to AFS and from AFS we sold. So held-to-maturity we are allowed shifting once a year which we did in the first quarter and those resultant shifts were sold which resulted in the gains.

**Vishal Goel**

So practically you are saying there is little or no mark-to-market risk at least as of now?

**Rajat Monga**

Absolutely.

**Vishal Goel**

Which you have on your bond book? The second question actually I have is on your asset quality, so far this has been pretty good. I think incrementally in terms of pipeline or a watch list I mean and the new nuances I mean things are obviously turning only to the worst, so how do you see as a pipeline for both NPA and restructuring if I may ask?

**Rajat Monga**

I cannot enumerate a pipeline as such in terms of has the current RBI development if you are referring to that changed that let us say the list of accounts that we are monitoring not really these accounts have had survival over the last few quarters so it is not that these are outright problem cases there are challenges in many businesses, no doubt in terms of the business cycle. So I am not yet concluding that there is a new asset quality risk. So there has been asset quality risks, we are somewhere at a low point of a business cycle and we are dealing with those corresponding asset quality risks. But I am not able to add to those risks in terms of my assumptions here in this discussion particularly. So we are looking at the same issues and well, let me say whatever RBI has done has to be looked at with a temporary backdrop. These are temporary steps by design and they can take permanent steps but they have not taken permanent steps. So it is too early to begin to conclude on some of these outcomes. So we have to still look at asset quality from the medium term angle not from a short term angle. I do not think RBI measures will alter asset quality in any manner.

**Vishal Goel**

So even if I keep this particular part of RBI steps aside and again let us back and look at the watch list you might have, how do you see basically that book in the sense I mean right now you are providing around like 55 to 60 bps, provision can remain like whatever number you can provide but I think in terms of incremental flow of such cases so how is the pipe and the reason I am asking for example

there are already CDR cases you are not part of CDR. So it is okay but I think you might be part of at least consortium or lending to those guys?

**Rajat Monga**

No, I do not think you will find us any of the new references if you are alluding to some of the recent references that may have happened. We are not even in the lending in the consortiums. So yes, so it is not a situation that is evolving rapidly I think the situation has already had enough legacy in terms of the economic environment which already has been on the weaker end for the last 12 to 18 months. So it has been testing of many of these situations it is not that these are all heading in to CDR and if you look at some of the other parts as well we are also taking countercyclical provisioning. So that buffer is already 1% of loans. We are already provided for a 1% headline if I may and I am not saying that we are anticipating that 1% headline but I am saying when we can reserve why not. So restructuring even if it is not CDR it has to be done bilaterally. So therefore that number should show up in our restructured disclosures. So if you are not going in to corporate debt restructuring which is a formal Court administered manner of restructuring we still may have to do bilateral restructuring. So those cases have also not come up in the first quarter nor am I dealing with the pipeline on those cases.

**Moderator**

Thank you. We have the next question from the line of Amit Mehta from Pimco. Please go ahead.

**Amit Mehta**

I just wanted to reflect, I have seen obviously comments from Rana regarding you believe there will be easing from the Central Bank once the Rupee is stabilized but I guess the problem now is we have measures that are being taken then possibly further measures if the desired result is not achieved, so how you thinking about managing your business through this scenario and also I wanted to understand a your risk appetite given this backdrop for example one your peer group Kotak has lowered it so volume guidance. So can you just talk us through the growth rate in your credit book going forward with this backdrop and secondly I heard I think HDFC raised deposit rates today so I mean the tightening of liquidity in the whole environment seems to be definitely coming through now and we were hoping this was going to be not such a permanent measure. So is there an acknowledgement the backdrop has changed and you have to adjust accordingly or you are just hoping to model through and in September get some relief?

**Rajat Monga**

Well, I think if your look at the RBI Measure per se I mean may be I would not try and spent a whole lot of time on the measure and may be focus more on our response more than anything else. I think RBI measure of this week which is yesterday is only an improvisation of the last week's measure I mean last week measures got little vitiated because of market developments thereafter and they have improvised on what they have done. In fact some good things have also been done like the earlier limitation of REPO window at a fixed number was little bit prejudiced in favor of large banks because large banks could take disproportionately larger share of that opportunity now they have made it little bit more equitable. So it is a good step so that all banks large and small at least have an equitable let us say resource availability from RBI. They have also decided to issue cash management



bills, in the earlier attempt there were OMO sales of bonds so I think they are also focusing more on the very short end of the yield cap. I do not know how in which manner can I describe these measures as permanent, I cannot. These are temporary measures but they are not meant for to last for days, they will last for weeks and it is only been what 8 to 9 days since these measures were first kind of thrown in to the system. Right, so our challenge is to one, focus on our deliverables one which is in margins so we have to respond to the situation and create management outcomes in a manner that the margins are being balanced with the franchise outcomes.

So the first thing we will have to do is because RBI is attacking the shorter end of the yield curve we also have to respond firstly at the shorter end of the yield curve. So we have to look at the pricing structures of loans and deposits at the shorter end and if larger banks do it, small banks also will have to do it. There is no two ways about it. The question is whether banks also will raise lending rates and in my opinion if the first persists which is that if the deposit pricing is being raised not only at the short end but at the mid end as well then lending rates also will have to be raised and that will give all banks similar opportunity to deal with their lending rates and like we would have discussed on our call of last week as well that our ALM structure permit us to be able to re-price loans and liabilities in tandem.

**Amit Mehta**

I agree with you on the re-pricing. I guess the question little worried about now is also the deceleration in loan growth for the system and also your ability to grow at what pace going forward and then lastly the kind of repercussions on asset quality?

**Rajat Monga**

Yes, so the loan growth according to me was already dominated by the maintenance growth variety in the recent trend of loan growth. I mean we are already running a little bit low on investment lead loan growth for the last couple of years particularly. So the maintenance end of loan growth is not going to be terribly jeopardized. In fact what this will do is disrupt capital market funding for sure for borrowers. So borrowers who are otherwise relied on CP's will turn to banks because they will find hard to issue CP's because the CP investors are in turn mutual funds. Mutual funds in turn take money from which would otherwise would have come to banks as deposits. So what may happen is that banks will gain share from some of the non-bank segments as well. Because non-bank segments for instance mutual funds may be dealing though I do not have precise data may be dealing with some withdrawals from their investors which means they will have to dispose off assets correspondingly or let the assets mature and therefore the depositors or rather the mutual fund investors who are withdrawing will put money in banks and their assets as they are maturing will also get built up back at banks. So there is going to be a still an evolving period I am not willing to right off loan growth perse as such because it was already a maintenance variety in terms of its character and secondly there might be share push in favor of banks. We will have to therefore begin to look at mutual funds, NBFCs, cross border sources of otherwise competition to loans on the Indian banking balance sheets and some or all of these will have some share to loose if this persists. So again the argument changes quite dramatically if we assume that these measures are temporary. My belief



is these are temporary that belief has not changed despite yesterday's development of improvisation of the same measures by RBI is because if RBI has to take longer term measures these are not measures which if they can get some salutary or some genuine impact on the currency on account of these measures they cannot expect that the impact will persist. Finally, fundamentals of they will buy time from this measures because they need a little bit time to sort out some of the other currency impacting issues which could be may be a sovereign bond issuance, we cannot turn that around overnight, may be it could be some policy changes which will take some time before it begins to materialize in terms of close this is just buying time. I know the arguments suits the logic that I am making putting together but I do not know another way of calling this measure or rather name that I can give this to this measure. They will have to move on even if this does not control dollar/rupee they have to move on to some new steps. There could be import controls; there could be reductions in how much money individuals are allowed to take remit overseas every year, those where liberalization. We do not want to un-liberalize if that is the right word. You would want to persist with your liberalization because that has been earned the hard way as well. There will be plenty of other issues to deal with. I do not think this is the only and definitely not a long lasting measure.

**Amit Mehta**

And then just coming back, I mean I guess the repercussions of this all of this is obviously the GDP downgrade risk that we continue to see and then like Vishal asked earlier asset quality concerns that will start to emanate further as GDP growth decelerates?

**Rajat Monga**

Well, I think we have to look at GDP growth in terms of deceleration and from what pockets that we if we are a commercial lender we have already seen - let us say a very ordinary industrial activity performance in the last many months. We are hoping for a better agricultural output in this current year monsoons have started off well and I am sorry I rotate back to the same point this the moment I treat this measure as temporary conclusions will be different. We are postponing some of the outcomes. I will not be surprised if RBI follows on when they withdraw this measure and well. They actually might cut rates further. When, again hypothetical not the reality today so the reality today is that yes growth is getting pushed out in the process there will be some squeeze, people will defer their plans in this process and we will have to deal with it. Too early to begin to conclude that that has a asset quality repercussion and already.

**Amit Mehta**

So first thing I mean I have seen like you are definitely going to take this step of re-pricing your assets spreads in light of the cost of funding and then I guess my last question - is your risk appetite changing for whom you are willing to lend and size etc. Do you feel you need to tighten that criteria anymore?

**Rajat Monga**

Well, that criteria has been under active let us say management in consideration in general. I think if you ask me in this environment we will persists with the knows and not take too much unknown risk what I am saying is that we would rather grow with existing clients and not add too many new clients in this environment which is little bit tricky because there is still lot of confusions in terms of

the timing of this RBI measures, the durability of this RBI measure and repercussions etc. is not much clear. So yes, I think there would be natural I would say move towards known risk than unknown. Secondly, I may like to add is that the loan growth is not pronounced usually we are still at a off season period of loan growth and the economy. So to some extent it is not been tested well, if I may say that. All these RBI measures have come when a loan growth is actually added seasonally at its lowest in terms of absolute level of loan growth. The test of this will come in the busy season in terms of both consumption led demand and/or investment led demands will get little bit more tested beginning September. If this measure persists I think there is going to be a consequent impact because banks are not going to lend at the same rates, the mortgages will become more expensive, and car loans will become more expensive no doubt. But I think it is too early to begin to conclude that all that is going to happen. See again I mean it is again or everything circle backs to the first assumption that this measure is temporary or it is permanent. So we are not missing out on loan growth as such at this point in time because it is off season and we have couple of months to figure out some of these things before they begin to matter in terms of materiality. I do not know if I answered that question but I just wanted to contextualize that.

**Amit Mehta**

No, you have answered the question I guess. Okay, may be I am just comparing in contrasting the trends that kotak admitting or seeing or already accepting of a slower growth and you are saying well, we are not sure yet and we are going to watch how things play out?

**Rajat Monga**

It is difficult to kind of vouch for somebody else's strategy, but I still will say that I do not know if they also know so much more than anybody else does already which basically may be they already had that thinking in their mind and this triggered the kind of the may be the messaging timing. I do not know. So it is difficult to kind of read somebody else's mind and what they are thinking and what they know more than us in this respect. I think the difference between them and us at least they will be thinking retail will be thinking commercial. So they will have to look at the risks of their business, we will have to look at the risks of our business in this environment on the lending side that is. So that might be may be a little bit of a broader thought process difference if I may. But I do not believe the system loan growth is going to get more than 1% compromised because there is enough maintenance growth requirement for loans and like I mentioned to you there is also going to be little bit of competition win from non-banking sectors also if this persists that I am underlining. So headline is not going to be seriously challenged. Headline will get challenged and I can his discussion again with you is when interest rates are cut and growth is low that is when loan growth will hurt the most from top down. When interest rates have been cut so interest rates are low and GDP growth continues to be low. That is the bottom of loan growth in terms of its cycle. Not when interest rates have been pushed higher if that is what the current temporary idea is also. That will increase loan demand, maintenance growth of loans.

**Amit Mehta**

I guess the question in the near term whether you see any pull forward as a result of interest rate expectations changing dramatically?

- Rajat Monga** In terms of asset quality?
- Amit Mehta** No, will there be a demand pull because people are worried across the funding is going to rise from here onwards now.
- Rajat Monga** Naturally, yes. People would want to may be cover some future requirements and a lot of that. It can happen but I think we are not giving enough queering period to this RBI measure I think to sometimes react to outcomes on a bad day is not something that will be a good conclusion. I mean we have to let like the last week markets were unsettled the first day they progressively got better RBI has improvised again so they were again been disrupted this morning they will progressively get better in terms of more predictable may be at a higher interest rate level but yet little bit more predictable. That is when business can transpire with little bit more let us say certainty. Today is a very bad to conclude is what I am saying.
- Moderator** Thank you. We have the next question from the line of Subramaniam PS from Sundaram Mutual Find. Please go ahead.
- Subramaniam PS** My query was on your margins while we can understand that on your loans you can still replace some of these loans if your deposit costs go up. I wanted to understand what impact can I presume the corporate bonds would be more on 6 to 8 so would your investments credits be negatively impact due to this move?
- Rajat Monga** Well, on a marginal basis yes in terms of but if you look at on an aggregate basis so when we present our asset liability structure and we also presented an additional way of looking at the asset liability structure with reprising bundled in. So if we have a float rate loan or a floating rate liability we brought that perspective also on to the table. So that includes deposits, borrowings, equity, reserves, investments, and loans. So all of these liability and asset items if we stack them all together we have about a Rs. 8000 to Rs. 10,000 crores gap as such for the full year, which is the net gap that we have to worry about in terms of which might be the net re-pricing damage to us. So if it is a 1% increase in costs and yields whatever is re-pricing if that re-prices by 1% there is going to be an 8 to 10 basis point impact at the end of the year provided we do not increase our base rates. So there is a profile for example CASA will not re-price, equity will not re-price. The time deposits will re-price over their maturity pattern. Tier-2 will not re-price because it is long but that is borrowing. Foreign currency borrowings are also reasonably dated they are at least 1 to 3 year a type of borrowings they will not re-price. On the asset side there are loans which will majority re-price, not majority almost entirely they will re-price. Investments including reserves will not re-price. So that is the balance that we have in terms of the book and that net gap is Rs. 8,000 crores to Rs. 10,000 crores in this balance in the first year but it is little bit forward loaded. There will be more than that in the first 3, 4, 5 months and that will catch up over the next 7, 8, 9 months.

- Subramaniam PS** Large part of this Rs. 3,000 crores has been replaced in the first three months, is that what you are saying?
- Rajat Monga** No, I am saying the let us say we may have a net gap is Rs. 8,000 crores to Rs. 10,000 crores. We may have let us say not Rs. 2,500 crores every quarter but may be Rs. 3,000 crores to Rs. 5,000 crores in the first quarter itself. So it is little bit more accelerated in its outcome provided we do not raise base rate. If we increase our base rate tomorrow by 25 basis points we are more than covered for margins in Q2 for example which means that we will have a margin plus because 74% of the banks loans will re-price tomorrow provided I mean these hypothetical discussions. If they do liabilities will still take time to re-price, they will re-price. So there is a management action scope in all of this and like we were discussing on some of the answer to the earlier questions some of this is still too early to call but if need be it can be done.
- Subramaniam PS** Secondly only mark-to-market question which was a bit earlier you said you have a build book over a period of 2 years but if you just look at the way bond yields have moved so lot of them are almost if not higher than what yields were even 2 years back. So if you could just throw some color as to how is it that you are still able to not have any mark-to-market losses on this book?
- Rajat Monga** No, see the I am not saying is that there cannot be mark-to-market losses but there are couple of things that we have to begin to look at. One is today is a bad day to recon for some of this. There is hardly been any volume and if you look at the market in terms of G-Sec market particularly which is little bit more relevant market. There are lots of buyers, there are no sellers at these yields. So these are markets which are not really which you can recon with for consequences. I mean if there might be losses but we are not going to realize those losses. Again I do not even know how easy is to prognose this situation from here. So it is not something that there is going to be a, and the question is that are we going to stay here and therefore this is it and deal with or that there is going to be a different evolution in the future. One can also prognose that it can get worst from here. So the thing that all of that is not something that are going to be resulting in anything which we can call as realized loss. There would be transience in this but transience is affordable and even today it is affordable.
- Subramaniam PS** So you still have some mark-to-market loss on overall basis given today's movement on the investment book?
- Rajat Monga** I do not know if I can pin point price today for example. Today is not a market where I can tell you with confidence that yes I have mark-to-market my whole portfolio and I know for sure. So it is still a market which is let us say unresolved. We will have to give it a little bit of maturity may be it settle that higher yields no problem but we need to test the prices to be able to begin to conclude whether there is. So what I can do is that if I apply the let us say the credit spreads of our bond portfolio on to the increased bond yields if you allow me. Let us say I know bond yields have increased by 60, 70, 80 basis points some more some less and then I apply the credit spreads when they were being credit.

We have no problem, right? But is that something that I can do today, I do not know. So if I apply that simplistic approach to our portfolio we are okay. But that is also simplistic but not too far away from reality.

**Subramaniam PS** And on data question, you said that you have made some one off operating cost during the quarter, can you specify for what was this and also what kind of branch expansion should we expect for the residual part of the year?

**Rajat Monga** Well, I think there are sometimes let us say when we take foreign currency loans we incur upfront fees so those fees get expensed. So if you do a foreign currency syndicated loan that banks do, you do not do it every quarter but in the quarter you do it there is some one-offness in the nature of cost but it is not a large number. Overall number is I think Rs. 10 crores to Rs. 15 crores that it is a little bit which you can say is not the trend cost number. It may be I mean you might have new one-offs in the next few quarters but it is not the trend cost that we are watching.

**Subramaniam PS** And on the branch expansion plans tells us something?

**Rajat Monga** Of course branches have reached a number of 475 in terms of numbers. I think we have visibility of 50 to 75 more branches in this year which is quite actually visibility in terms of where activity is already begun either premises have been leased or we are close to kind of launching the branches and the course of the next 3 to 6 months we might add more to that list basis how the balance is evolving including with future licensing requirement from RBI. So I think we are a little bit ahead of our plan for this year on branch network.

**Subramaniam PS** So is this fair to assume you will be adding another 100 branches in the rest of the year?

**Rajat Monga** Close to that number, yes.

**Subramaniam PS** And, just getting back to this investment could you just share with us what could be rating of the investment book how would it be spread across different ratings?

**Rajat Monga** Medium rating will be (AA+). The weighted average rating will be even higher but it will be predominantly in that category.

**Subramaniam PS** And sectoral color?

**Rajat Monga** Well, sectoral color is, some of the names we have been transacting with in the recent past would be some of the Tata Group companies, the MDAG Group companies. So I mean the sectoral color may not be that relevant because these are the much better names but there would be a let us say steel, power there would be port, there would be auto. So these are the kind of sectors that mostly it will be manufacturing if you have to generalize.

- Moderator** Thank you. We have the next question from the line of Chinmaye Sathe from Bajaj Allianz Life Insurance. Please go ahead.
- Chinmaye Sathe** I just trying to understand the thought process towards taking a base rate hike so we all understand that the short term liquidity situation on the shorter end has become bad and from that point of view how long would you consider now waiting before you start thinking about taking a base rate hike?
- Rajat Monga** We can wait for a month easily and not compromise the quarter because what happens is that cost has let us say increased but the cost will begin to feed in to the balance sheet progressively for P&L and if I raise the base rate the balance sheet or the P&L gets a digital improvement overnight. So we will have to trade off the trend increase with the digital kind of compensation. So we have time.
- Chinmaye Sathe** And as a result of that how does the competitive scenario between you and the other banks change then?
- Rajat Monga** See let us say we increased our base rate by 25 basis points. Now our average loan book is about 12 yielding. Now on an average we will start charging 12 at a quarter. I will be worried if the bank is giving him lower rate in this environment. So what banks will do in any case base rates not withstanding. Is that new loans they will be charging much higher. I hope you will agree with that argument?
- Chinmaye Sathe** Right.
- Rajat Monga** I cannot change my base rate for whatever compulsion.
- Chinmaye Sathe** The premium would be higher?
- Rajat Monga** But I will charge a higher spread. So cost push today will not be a problem and I think we will have to be while I am saying that there is re-pricing but we also cannot re-price and push cost to may be a small part of our portfolio which is not doing that well. So we have to be also liberal to that part that we will have to push it in the first go but we can be little bit more let us say open minded to the more deserving customers.
- Chinmaye Sathe** And basically what you are trying to say is that you will wait for at least a month to see whether this is a temporary measure or it will continue for sometime before you actually start incrementing the base rate?
- Rajat Monga** I am not naturally saying that we will wait for a month, I am saying that we have the luxury to wait for a month. So it is not my sole decision in terms of base rate and there the situation is not yet settled it is still evolving. We have an RBI policy also around the corner. So I think there are some developments which make sense that we see them through before we take a management action on that but that option is open.

- Chinmaye Sathe** Does the board foresee a delay in the fundraising plan now with what is happened in the last week?
- Rajat Monga** See fundraising plan was not under execution in any case. So I mean given that the stock has had a little bit of correction in the process I am sure we will need to kind of wait it out show the investors the Q2 performance hypothetically so that there is at least some reinforcement of what we have been saying rather than just begin to act in haste. So we also appreciate that it will take your time to absorb first what RBI is doing and secondly what consequences it has on your investee portfolio, etc. So allow us that opportunity to show you Q2 and therefore then recon with that decision in terms of if it is relevant, not relevant. At the moment there is confusion so there is no point trying to be let us say acting in haste in any manner in any case.
- Chinmaye Sathe** Do not you see a slowdown in the growth if you are not able to raise capital now early this year?
- Rajat Monga** Well, it is a function more of ROE's because the questions I have been answered trying to may be diplomatically answer is also in terms of what is the impact on growth.
- Chinmaye Sathe** Basically that is what you are trying to say.
- Rajat Monga** If you take one assumption that growth is coming down, that assumption also means the need for capital comes down. The other assumption is that no, growth is going to persists if not sooner than later it will come back then capital option remains on the table but there is time for that. In fact what this measure we have done is in effect has pushed out growth if at all nudged out growth a bit and again I would still begin to assume that this is a temporary measure. Difficult to say how temporary is temporary but if it has to be a permanent measure it has to look like a permanent measure and there is nothing stopping RBI from raising REPO rate as well. In fact it will make it easier to tell our customers that you now have to pay a higher interest rates. In this environment customers also might say why are you pushing rates to us when you yourself are saying this is temporary. And there is a little bit of balance in all of these things which we will have to cause and today is the wrong day to call that balance. So we have to give it a little bit of time for it to get absorbed let people weigh consequences, good consequences and bad consequences and we will have to take management actions accordingly.
- Moderator** Thank you. We have the next question from the line of Manish Ostwal from KR Choksey. Please go ahead.
- Manish Ostwal** My question on the saving deposit growth during this quarter. The saving deposits have been growing steadily and strongly last few quarters but we have seen considerable slow down in the saving deposit growth during this quarter, so could you share customer acquisition run rate in last few quarters and then please elaborate the reason for lower saving bank deposit mobilization during this quarter?



- Rajat Monga** Okay so I will take my colleague's help, so I will request Pralay to answer this question since he is leading this business.
- Pralay Mondal** When you look at the year-on-year basis if you look at the first quarter generally first quarter is a slightly slow quarter for savings account which has been happening over the last few years and when you look at last year vis-à-vis the same quarter growth I think it has been a reasonable growth in that manner. But in terms of momentum on the branches on the customer acquisition and the quality of customers and things like that I have not seen any kind of a slowdown or any kind of a productivity loss out there so I would like to believe that like it happened last year that there was a slightly slow pick up in the first quarter and then the momentum picked up I think there is a seasonality out there. So to that extent I do not see much of worry there. It has remained consistent vis-à-vis the last year.
- Rajat Monga** And Manish, I do not know if you got your answer.
- Manish Ostwal** Yes, I have one supplementary question to this. In a deposit break up you have given the relationship deposits in the CD so basically these two categories the whole deposit so short term rates impact in your assessment how these measures if these measure persists more than a month how the cost of fund of these bucket of deposits will impacted?
- Rajat Monga** One I am not sure if we can conclude that these are all wholesale deposits because we give a number which is about 39% of our deposit book it is either CASA so it is a transactional deposit or it is individuals. There could very well be small deposits come so there is for example a very wide segment of deposits which is we call that task. So trust associations societies and clubs so every housing society for example and these are all cash surplus entities by default. So this also includes schools, colleges among others. I cannot call them individuals, right? So the spread of deposits will be across all of these segments in general. So please do not generalize that everything is therefore a wholesale deposit. 3D's that you mentioned is one which will come closest to that definition of wholesale deposit. Now CD's is about a 6% of our balance sheet size. CD's are issued up to 12 month tenure. So a regular tenure will be about 6 to 7 months. So CD's will be maturing then we will have a choice do we issue CD's or do we kind of replenish that from deposits. Our deposit car deposit, retail deposit, task deposit, corporate deposit whatever name it be but pricing of much of these deposits will be going higher. There is doubt in that if this RBI measures persists the pricing will come through in terms of different deposit tickets and like we were discussing on some of the earlier questions we will also have pass through opportunities on loans because we have a fairly shorter term and much more than that a floating rate loan book. So 92% of our loans are either linked to our base rate or are also less than one year in residual maturity similar to CDs.
- Moderator** Thank you. We have the next question from the line of Nilesh Parekh from Edelweiss. Please go ahead.

- Nilesh Parekh** Just on the margins when you look at it over the last 7 to 8 quarters it seem our lending yields navigate in the 12.30 to 12.50 range whereas our cost is actually moved in from about 8.60 to 9 and has gone down to 8.30. I just wanted to understand we have seen the variability in the cost but not so much on the lending yield side so with cost moving up going forward how easy is it you have answered it in earlier questions but just history does not suggest that we have been able to kind of pass on the increase or the stickiness of the lending yields is much higher this time compared to what we have seen in the previous cycle?
- Rajat Monga** See it also depend on the context, right? For example there was a tightening period in February/March if you will remember of 2013, right? So we were working with the assumption that the tightening is going to be transient and April will be easy and I am quite sure we would have discussed that with you may be bilaterally or with others even on the call it possibly might be on record as well. So in that situation I am not keen to raise loan pricing. So what that does see I could have raised loan pricing that would have also removed that effect because cost would have gone up in the March quarter but loan yields would not have gone up. Therefore the variability because costs are linear in their transmission in to the balance sheet, P&L, and therefore yields. But loans are digital because if I draw a daily cost of deposit curve what we are sharing with you is quarterly. If I draw that daily, it will be a smooth line going up down, more vary if at all, but loans will not be like that. Loans will be digital, it will be flat and if you raise our pricing it will be a bump up on the next day then flat again, right? So there is a little bit of variability which will be there in terms of how margin outcomes come but they levelize over a period. So it is very hard to answer some of these questions quarter-on-quarter because of the structure of loan pricing and structure of deposit pricing.
- Nilesh Parekh** That is the reason why I chose 8 to 9 quarters and we are said cost going up and coming off but the lending yields that just gain in the moving the rates?
- Rajat Monga** I will take you back to 2010. Our lending yields were sub-10%.
- Nilesh Parekh** Correct, at that point of time we have seen the variability clearly moving in line with the cost of funds.
- Rajat Monga** Interest rates have been only range bounds in the last three years. After the interest rate cycle that went up it stood there for two years and it had begun to come down last year which is Fiscal 2012-13 predominantly. Last year the transmission was not happening, RBI was cutting rates FD rates were not falling. In fact March they again went up. There was no case for base rate cut. So please do not relate these behavior to RBI REPO rate, you will have to relate it to transmission of monetary policy also. I am not sure if I have understood your question correctly by the way?
- Nilesh Parekh** No, it is just that the last 8 quarters when you look at it the spreads have moved up from about 3% to close to 4%.

- Rajat Monga** And you are saying NIMs have not?
- Nilesh Parekh** NIMs, yes that is one but the other bit is on the lending yields which have just remained constant whereas the cost is kind of navigated both ways and on the other side now with cost going up how confident are we that the yields on advances will also go up. So that was just the little....
- Rajat Monga** In this contractual confidence here and like I said in an earlier answers also we have been saying today is very early to take that decision. At least let us hear RBI in its policy. I am sure they will like to talk about this subject. If they are giving a message which is a prolonged message we will have to pass on. Look at this, RBI wants cost of funding to be higher at the short end for banks if yes, only for banks, if yes why? Banks are not speculators. So if there are people who are trading on the currency they want to make it harder for those people and those people are not banks. Those people are who in some form or the other take working capital from banks or take funding from banks, not for speculating may be for other business reasons also. But speculation also takes rupee resources. Whoever goes long dollar is going short rupee. So whoever goes long dollar has to somewhere pay the price of borrowing in rupee. So that is something which we will have to transmit to the economy. I think RBI message should be do it at the short end of the yield cover. But at the moment it is spread over the yield cover in general. I think RBI message of yesterday is reinforcing the short end of the yield cover message if you ask me. Cash management bills have come in to play. They have not taken any permanent step in all of this. These all steps which can be removed overnight. It will be very hard for RBI to raise REPO rate and then say I am lowering REPO rate and argue on both sides. Market will dismiss that both the arguments. So there is a method in all of that that they have to see. So contractually we can raise lending rates. 74% of our loan book is linked to our base rate which can contractually be raised tomorrow. But why rush in to that I mean level with the situation respond to what the message from RBI is but there is no point showing haste in this. We are not loosing much. And like you said mathematically speaking we can wait till another one month and still not compromise the quarter's margins.
- Nilesh Parekh** Just on in that context, how do we see a credit substitute book buildup over a period of time given the current the way things are panning out today?
- Rajat Monga** Well, the book ran down in June quarter relatively speaking and in this environment. Today if you ask me I do not think there is no client will be wanting to issue a bond. It might be a very good time to buy some bonds because the yields will be very attractive. So it is hypothetical I am saying in today's environment and in this period of let us say RBI active action I am not too sure if there is lot of business that can transpire.
- Moderator** Thank you. We have the next question from the line of Kashyap Zhaveri from Emkay Global. Please go ahead.

**Alok** This is Alok here. Sir, couple of questions. First is in the beginning of the call you said we have grandfathering of Tier-2 capital, does that also happen with quasi or hybrid Tier-1?

**Rajat Monga** Yes, both.

**Alok** So I mean that would happen over a phased period of during the coming quarters or how would that happen?

**Rajat Monga** No, once a year. So there is a 10% per year so the Tier-2 under Basel-II and hybrid tier 1 under Basel-II are no longer going to be qualifying for capital under Basel-III. But there is a 10 year transit which Basel-III is giving. So you may have 100 of Basel-II, Tier-2 but beginning this year it is 90 in terms of recognition. Your liability is still 100 but its role as capital is 90. So 10% every year will be diminishing.

**Alok** And then second point is last quarter we had said 1% of our loans are under stress and we are watching them carefully and we have made of a 250 million provisions on that portfolio. So I wanted to understand how is that portfolio behaving?

**Rajat Monga** Well, no drama in terms of that portfolio continues to be under watch and control in the sense- if the portfolio was misbehaving there would have been outcomes in terms of either NPAs or restructuring. But 2 to 3 accounts have become NPAs in this quarter. So those would have ideally and like it was this time they were from that portfolio. Some new additions also happen some repayments also happen where our risk management succeeds in terms of getting out of that exposure also.

**Alok** If you could just share the amount of slippages that we saw in this quarter?

**Rajat Monga** Some Rs. 25 crores of new NPAs got added in this quarter.

**Alok** And last question. We have 60% of our borrowings which are due for re-pricing in the coming year I mean which are in the one year bucket.

**Rajat Monga** Borrowing, yes.

**Alok** Yes borrowing, so how do we see that portfolio? I mean we have been talking about ALMs for deposits and loans?

**Rajat Monga** It is actually at some level in ALM it is the funding product like CASA is a funding product but CASA does not have re-pricing. So you worry about CASA when rates are falling because it does not fall. The other part is time deposits they also come for re-pricing upon maturity, so do borrowings. So I better not be a retail lender in this scenario because retail loans are fixed largely, right? But as long as I am holding a commercial lending portfolio like YES BANK is it is repriceable. It is

predominantly base rate linked. So I do not have to worry about borrowings only I have to worry about even time deposits because if HDFC has raised the deposit rates as some one was mentioning on the call other banks also will have to raise deposit rate. So your FD's when they come for maturity they will also begin to price higher. So we had to look at this all as a book. When we imagine our book we imagine that CASA will fund the retail loans and time deposits can fund commercial loans because they are matching in terms of their character. So we have therefore the reason we are first developing CASA be develop our retail loans business is the same. You need the platform to be able to create that. You do not need CASA to do retail loans, you need CASA because it gives you that right interest rates structure to be able to car loans, to be able to do commercial vehicle loans, etc.

- Moderator** Thank you. We have the next question from the line of Parag Jeriwala from Macquarie Securities. Please go ahead.
- Parag Jeriwala** I just want a small data point. What is our SLR we are carrying currently on the book as a percentage of NDTL?
- Rajat Monga** SLR as a percentage of NDTL may be about a percent or two more than minimum required.
- Parag Jeriwala** And in FY13 where I mean the peak rate of borrowing in LAF window would be how much as a percentage of SLR?
- Rajat Monga** Peak rate of borrowing?
- Parag Jeriwala** Any peak level of may be in March or April where the liquidity is really tight?
- Rajat Monga** I do not know that number is it is not something that we track so readily but in terms of the today's context for example our LAF funding on a bad day would be Rs. 1,200 crores but RBI is not giving that any more because they have cut the LAF window.
- Moderator** Thank you. We have the next question from the line of Manish Karwa from Deutsche Bank. Please go ahead.
- Manish Karwa** Just can you give me a break up of your investment book of Rs. 41,800 crores in terms of G-Sec, corporate bonds, and others as of June?
- Rajat Monga** See about Rs. 23,000 crores would be G-Sec. Corporate bonds will be Rs. 9,000 crores. The rest would be CPs, the CDs, PSL structures, and RIDF.
- Manish Karwa** So you mean around Rs. 10,000 crores would be the remaining, all of these put together?
- Rajat Monga** Yes. The remaining category will be about yeah, I might be wrong by Rs. 1,000 crores but about that much, yes.

**Manish Karwa** And I think in the HTM portfolio, the duration of the G-Sec book would be what close to 5 years?

**Rajat Monga** Less, it is 4 years.

**Manish Karwa** And your corporate bonds book what will be the duration there?

**Rajat Monga** I actually have the duration number of the non-SLR book so that will include a variety of more than just corporate bonds and that is about 2.5 years.

**Manish Karwa** But when you talk about CPs, CDs and all these guys will have a lower duration, right?

**Rajat Monga** Correct.

**Manish Karwa** So your corporate bond book effectively will have a higher duration?

**Rajat Monga** Relatively, yes.

**Manish Karwa** And this book would have got built up over the last three years, right largely?

**Rajat Monga** Absolutely.

**Manish Karwa** And fair to assume that about 40% to 50% on the book would have got built up last year itself as in last 12 months?

**Rajat Monga** No, because the book churns also quickly. In fact the reason we are in the position that we are is that some of the older positions, the legacy positions are still having a higher share. So last year's positions have had a lot of turn over. So we would have mentioned to you we have done some transactions with Hindalco, Tata Steel during last year they are all turnaround. So the benefit we have is that the legacy book is very good. We have some new positions. So the current year transactions are the ones which are hurting.

**Manish Karwa** Do you also need to mark-to-market your RIDF and PSL investments that you would have done?

**Rajat Monga** RIDF, no. PSL, yes.

**Manish Karwa** The Rs. 75 crores floating provisions that you are doing you are using it for capital or?

**Rajat Monga** I did not understand, using it for capital will be?

**Manish Karwa** You are using it for Tier-2 capital because you cannot use it to increase your provision coverage I guess?

**Rajat Monga** No, we are not.

**Manish Karwa** So it is not even used for the capital reporting also?

**Rajat Monga** No.

**Moderator** Thank you. We have the next question from the line of Amit Ganatra from Religare. Please go ahead.

**Amit Ganatra** What is the total borrowing number for the quarter?

**Rajat Monga** It will be about Rs. 19,000 crores to Rs. 20,000 crores.

**Amit Ganatra** Similar to last quarter, last quarter was Rs. 20,920 crores?

**Rajat Monga** Yes, similar number. I will just want to also mention the break up in terms of borrowings have about Rs. 7,000 crores of Tier-2 debt in terms of its content. We have about Rs. 3,000 crores to Rs. 4,000 crores of foreign currency funding which would be bilateral loans from different banks. We have also twice a year we also do a syndicated loan in terms of foreign currency funding typically for between 1 and 3 year tenure.

**Amit Ganatra** Also I have two small clarifications. One was that if you look at the net worth that you have reported this quarter there is some difference of around Rs. 85 crores because previous quarter's net worth and if I add the current quarter profit basically it should be higher?

**Rajat Monga** No, net worth will have adjustments from deferred tax, etc.

**Amit Ganatra** That is the adjustment?

**Rajat Monga** That is the net worth is the technical net worth definition. Reserves will not have their adjustment but net worth will have their adjustment. So when I compute capital for example I will have to reduce the deferred tax asset before I compute capital.

**Amit Ganatra** No, but that Rs. 6,224 crores that you have reported as net worth that has the adjustment of deferred tax?

**Rajat Monga** Let me come back to you on this because I am not able to right now answer this question but there will be a good reason.

**Amit Ganatra** Okay, see just to elaborate Rs. 5,907 crores was the total net worth which was reported in the previous quarter you add Rs. 401 crores of profit so that basically just simple addition makes it Rs. 6,300 crores plus the reported net worth is Rs. 6,224 crores so that is why this difference I was asking about?

**Rajat Monga** The add should be Rs. 6,200 crores so if Rs. 5,800 crores, March.



- Amit Ganatra** March basically from.
- Rajat Monga** Rs. 5,808 crores.
- Amit Ganatra** Okay, I took it from the reported P&L which was Rs. 358 crores of paid up capital plus Rs. 5,549 crores of.
- Rajat Monga** No, the numbers.
- Amit Ganatra** Anyway then I will once again have a relook.
- Rajat Monga** Yes, so may be.
- Amit Ganatra** Because there is no adjustment according to you?
- Rajat Monga** No. Net worth is the technically different term but let us may be I pulled you in the wrong direction let us ignore our discussion but we can calibrate our numbers separately.
- Amit Ganatra** Okay, that was one. The other clarification was that now if these recent RBI measures suppose they like to continue for a literally long period of time just for hypothetically will that have an impact on your two fee income lines that is that financial markets and financial advisory?
- Rajat Monga** See Financial Markets is a line where one business we do there is translate foreign exchange for our customers. So Q1 was good on that front because of the movement in dollar-rupee we also got lot of flows from clients. So it is actually a function of how much clients are importing, exporting and how are their hedging strategy is being executed. So whenever they are hedging or whenever they are remitting they need a bank and we would like to be participating in that business with our customers. So it is a flow business, it will have its cycles in terms of if imports and exports slow down this number is also have a tendency to slow up a bit. But volatility helps in terms of clients trying to hedge and un-hedge and do more than normal. Financial advisory I myself do not know how much these measures are going to change the borrowing plans of customers. Whoever has to borrow has to borrow. But if they can defer their funding they will. So correspondingly there would be the deal based revenue. So floor based revenue I do not see an impact but deal based revenues can have either favorable or unfavorable impact. Because some customers who really need money let us say in terms of timing will actually be able to compensate as more for their structuring their transactions. So in these times there will be opportunities also not just only down side. There will be upsides as well because generally people will be confused. So if we can find a path which can be executed in this environment there is going to be opportunity with customers as well.
- Moderator** Thank you. Participants, that was the last question. I would now like to hand the floor back to Mr. Anil Agarwal for closing comments. Over to you, sir.



*YES BANK Limited*  
*July 24, 2013*

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|---------------------|--|
| <b>Anil Agarwal</b> | Thanks a lot Rajat and team for taking time off for this call. Thanks to all of you for participating.                                   |
| <b>Rajat Monga</b>  | Thank you Anil and from all us hear at YES BANK to all the callers who have patiently listened in.<br>Thank you very much for your time. |
| <b>Moderator</b>    | Thank you, sir. Ladies and gentlemen on behalf of Morgan Stanley that concludes this conference call. Thank you for joining us.          |