

EDITED TRANSCRIPT

YESBANK.NSE - Q1 2015 Yes Bank Ltd Earnings Call

EVENT DATE/TIME: JULY 23, 2014 / 11:30AM GMT

CORPORATE PARTICIPANTS

Mr. Rajat Monga YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Pralay Mondal YES BANK Ltd. - Senior Group President, Branch and Retail Banking

Jaideep Iyer YES BANK Ltd. - Group President, Financial Management

Vivek Bansal – YES BANK Ltd. - President, Financial Management

Aparajit Bhandarkar YES BANK Ltd – Head, Investor Strategy and Team

CONFERENCE CALL PARTICIPANTS

Nilesh Parikh Edelweiss Securities - Analyst

Veekesh Gandhi Bank of America - Analyst

Manish Chowdhary IDFC Securities - Analyst

Mahrukh Adajania Standard Chartered - Analyst

Anish Tawakley Barclays Capital - Analyst

Chetan Ganatra BNP Paribas - Analyst

Adarsh P. Nomura - Analyst

Manish Karwa Deutsche Bank - Analyst

Kashyap Jhaveri Emkay Global - Analyst

M. B. Mahesh Kotak Securities - Analyst

Jimit Doshi Reliance Securities - Analyst

Parvin Vora AMSEC - Analyst

Manoj Kulkarni Amit Securities - Analyst

PRESENTATION

Operator

Welcome and thank you all for standing by. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question-and-answer session. (Operator Instructions) This call is being recorded. If you have any objections, you may disconnect at this point. Now, I turn the meeting over to your host, Mr. Rahul Jain. Sir, you may begin.

Rahul Jain - Goldman Sachs

Yes. Hi. Good evening, everyone. Welcome to the YES BANK 1Q FY15 earnings call. To discuss the results, we have with us today Mr. Rajat Monga, Senior Group President, Financial Markets and CFO; Mr. Pralay Mondal, Senior Group President, Retail Banking; Mr. Jaideep Iyer, Group President, Financial Management; and Mr. Aparajit Bhandarkar, Group Executive VP, Financial and Investor Strategy and his team.

Now, I would like to hand over the floor to Mr. Monga, who will take us through the key highlights of the results followed by a Q&A session. Over to you, Rajat. Thanks.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Thanks, Rahul; and thank you, everyone, on the call for joining in. I will begin the call with about a 10 odd minute presentation on the results of the first quarter of the current financial year of the bank. We will discuss some highlights of the profit and loss statement, the balance sheet of the bank, some of the return ratios and key developments in the bank's life in the last three months.

We are doing this call in a remarkably changed backdrop in the Indian economy. It already seems that some of the things happened too far back in time; however, the results of the elections and the new government formation is only less than two months old, as we speak. The bank, in this short period, has got the opportunity to increase its capitalization position and has completed a \$500 million qualified institutional placement that was wrapped up in the first week of June of the quarter gone by and hopefully that will keep the bank well stocked for ensuing growth for the next couple of years, for sure.

As far as the current quarter's performance is concerned, we are reporting a profit-after-tax of INR 439.5 crore, which compares to a profit-after-tax of INR 400.8 crore in the first quarter of last fiscal year, representing a modest increase of 9.6%. The bank did have an extraordinary income opportunity in the first quarter of last year, where it had realized about INR225 crore of gains on account of bonds and fixed income, given that the backdrop of interest rates was benign and conducive to the bank to book gains on bond portfolios accounts.

On the other hand, the net interest income of the bank has increased 13% year-on-year with a flat NIM outcome at 3.0%. I was briefly mentioning the non-interest income position having a high base effect. The bank is reporting a non-interest income position for the current quarter at INR425.6 crores, which is slightly lower than INR442 crores that the bank realized in the first quarter of the last fiscal year, which had the benefit of bond gains that the bank had booked.

Out of the non-interest income of INR425 crores, there has been a relatively faster increase in the transactional banking income in the year-on-year comparison, which has increased from INR88 crores last year to about INR140 crores this year, resulting in about a 32% proportion of non-interest income coming from transactional banking.

Correspondingly, the income from financial markets stands reduced from INR180 crores as reported last year to about INR80 crores as we are reporting in the current quarter. This again has the bias of bond gains in the year last year and therefore, the overall growth is correspondingly looking lower.

The bank is reporting an adjusted cost-to-income ratio of 43.3%, which is a notch higher than the cost-to-income performance that the bank has been reporting over the last few quarters. And this quarter particularly has the burden of the increased payroll for the year that begins from the month of April, which is the beginning of the financial year and therefore, is hopefully the highest cost/income that we should see in the current year's context.

Moving attention to some of the balance sheet numbers, the bank is reporting a 23% growth in advances. We are now holding a loan book of about a little short of INR59,000 crores. The total assets of the bank now stand little short of INR110,000 crores, that's INR109,743 crores.

The deposits of the bank have now exceeded INR76,000 crores, representing a 16.6% growth year-on-year. Within deposits, we have seen a CASA growth of 29% and within CASA savings accounts growth of 44% in the year-on-year comparison. The CASA ratio we are reporting is at 22.3%, that stands in comparison with a 20% number for June 30 of last year.

The bank is reporting a flattish NPA position. The gross NPAs are standing at 33 basis points to total loans as at end of June. And net NPAs are standing at 7 basis points as at the same period. In this quarter, we have seen new slippages of INR115 crores. And recoveries or upgrades of about INR85 crores with effective net slippage of about INR30 crores witnessed in the current quarter.

Shifting back again to deposits and few more statistics there in, savings account book has closed the period at INR9500 crores. The growth has been little bit muted as far as sequential performance is concerned, predominantly because we had a fairly higher-than-trend performance for the March quarter and hopefully the position as at June takes the bank back to trend and we should see that the sequential growth in savings account deposits will pick up all over again.

We have seen a 33% increase in retail time deposits besides CASA, which is again a fairly healthy run rate that the bank is running with increasing branches. This number is looking to only maintain over the next few months and quarters. The share of wholesale term deposits, which is defined as INR25 crore or higher ticket deposit, has reduced in proportion of total deposits to 26% and it was at about a 35% number as at June of last year. So we've seen a reasonably brisk improvement in the shift of time deposits away from larger tickets to smaller tickets.

We are also reporting a flattish trend on yields and costs. The change in yield on advances and cost of funds have stayed in a 3 basis point to 5 basis point band as far as the current quarter is concerned in comparison with the earlier quarters. The NIMs have therefore been flattish at 3.0%, though there have been second decimal changes as far as the NIM number is concerned.

The bank did complete a capital-raising exercise in June and therefore has consequently now improved capital ratio position.

The reported capital adequacy that the bank is reporting for the June 30 position is 18% at a total capital level and it is at 12.6% for capital as reported under Tier 1 ratios for Basel III and we are including the profit for the first quarter in this computation, having adjusted it for some proration for dividends.

The total capital funds now stand increased to INR15,200 crores as at June 30. And the book value of the share of the bank also has gone up from INR173 per share as at June 30, 2013, to now at a level of INR253.1 per share, contributed both by retention of earnings as well as an incremental capital raising.

The return ratio positions for the quarter stand at 1.6% for ROAs for the current quarter and 21.6% for ROEs, which now factor a pro rated dilution effect of the enhanced base of equity.

The basic EPS reported by the bank is at INR11.7 per share for the June quarter and INR11.5 for the adjusted EPS diluted for options. Bank also added 12 new branches in the current quarter and the total branch count now is 572 as at June 30. The total count of ATMs is now at 1,170 ATMs.

We are employing 9,051 staff, which is a 21% increase as compared to the position reported at June 30, 2013, which continues to be among the main drivers of cost for the bank, which has been sustained through a higher headcount, higher branches, as well as higher investments in technology.

The bank also continues to receive recognition for its work in the current quarter. We were recognized by MasterCard under Payment Innovation Awards, where YES BANK, won three recognitions out of nine that MasterCard was offering on account of innovative payment programs that we are running on the Card platforms.

YES BANK also received second year running the award for Sustainable Finance from Karlsruhe, which is awarded in Germany for sustainable project financing, essentially relating to project financing for the sustainable sector. And as I mentioned, this is a second year in a row that the bank has received this award.

We also were awarded with the local presentation by the 16th World Congress on Environment Management where we were given the Golden Peacock Environment Management Award in the banking category. So we continue to get recognition for the work the bank is doing on various fronts as we have seen in quarters gone by as well.

I will pause here and this was the summary of the financials for the quarter that we wanted to present, and we would be open to taking questions. Thank you.

QUESTION AND ANSWER

Operator

Thank you, sir. We will now begin the question-and-answer session. (Operator Instructions)

Nilesh Parikh - Edelweiss Securities - Analyst

Hi, Rajat. Just wanted to understand the margins given that we've had the statement on capital and the mix --

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Sorry, your voice is not audible. If you can come close to the speaker.

Nilesh Parikh - Edelweiss Securities - Analyst

Yes. I just wanted to -- hello, is this better?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. Yes, better.

Nilesh Parikh - Edelweiss Securities - Analyst

Hello, yes.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Yes.

Nilesh Parikh - *Edelweiss Securities - Analyst*

Yes, I just wanted to understand the margins. Specifically given that we've had the statement on capital and the mix shifting in favor of high-yielding loans. So margins have relatively remained stable, so I just wanted to get your thoughts and (inaudible)?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Nilesh, sorry, I can't hear you. I'm assuming the question is on margins and relating to capital and why we are not seeing the impact of capital in margins, is that the question?

Nilesh Parikh - *Edelweiss Securities - Analyst*

Capital and -- yes.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

And--

Nilesh Parikh - *Edelweiss Securities - Analyst*

Partly. And second, I mean in terms of the mix now shifting towards the high-yielding loans, the mix in favor of loans as compared to the credit substitutes. So, that should have actually improved some bit on margins, but that's not played out. So just wanted to get your thoughts and the trajectory going forward, yes.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

No, all will play out. Unfortunately, the quarter hasn't had the full -- I mean, capital for example came in towards the early to middle part of June. So capital has missed most of the quarter. So there is -- you will see the full impact of capital in terms of play into margins only in the second quarter.

Similarly, loans, there has been a back-ended effect including on loans. So, we've seen a sharp improvement in loans in the month of June. Naturally, also on the back of the fact that we had raised capital. So there is a little bit of rear endedness of both these variables. So you should see margins go up by 10, 15 odd basis points easily in Q2.

Nilesh Parikh - *Edelweiss Securities - Analyst*

Okay. The other thing is on this loan growth that we've seen, you mentioned that's back ended. Now, is this short-term in nature? Or can we assume this to be sticky and we kind of build on this as we go along here?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

You're talking about loan growth?

Nilesh Parikh - *Edelweiss Securities - Analyst*

Yes, sorry, loan growth, you mentioned this is back ended. Now, is this sticky or it's more short-term in nature?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

No, it's as good as anything else that you've seen. There is no peculiarity. I mean we do have some noise, which comes from the year-end because of the priority sector impact. So there would have been a margin sort of burden on the current quarter, also coming out of the fact that priority sector assets have to be maximized at March end. And that burden, the earlier part of the quarter, would have gone.

You also mentioned about higher-yielding loan mix. Our yields on loans continue to be flat. So there is no particular trend shift as far as that mix change is concerned. So, we are essentially missing out on the benefit of capital. CASA also, on an aggregate basis, improved only a bit in this quarter. So the benefit of margins will come from capital; and unfortunately, some of that has been absorbed by priority sector sort of fulfillment. The priority sector has run down and capital will have a full effect in Q2. So you should see the margin bump that should be lining up.

Nilesh Parikh - *Edelweiss Securities - Analyst*

Okay, fine. Thank you very much, yes. Thanks.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Right, Nilesh.

Operator

Thank you. (Operator Instructions). Veekesh Gandhi, Bank of America.

Veekesh Gandhi - *Bank of America - Analyst*

Hi, Rajat. I had a couple of questions. One is, just if you can give some light around how your retail piece is -- I mean I understand your retail liability piece, which is shaping up well. But any incremental strategic input should you like to give around your retail assets? And secondly, just wanted to also clarify around your Tier 1. So, does this 12.6% include the effect of the CVA and unhedged exposure?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Yes, Veekesh, so I'll answer your second question first, which is a smaller answer, which is yes. So it includes the effect of, in our case, three new sort of capital items. One is the increased risk weights on account of the loans, which potentially have unhedged foreign currency exposures.

Now, that's still a developing sort of part. We may have taken higher charge for that position, because we don't have information from all companies in a certified format, given that this was the first quarter. So that information process will improve.

And most of these, a majority of the lack of information sort of position also will be the customers who are lower risk and therefore are less easy for us to influence. And some of that will happen obviously in course of time. So we should expect risk weights reducing from the current levels.

The second impact of higher capital has been on account of CVA, but that's not a great number. So that also has been absorbed in the current quarter. The third impact is also from the increase in risk weights on account of operational risk capital, capital for operational risks. That is just a statistical number, which relates to the last three years' profits.

So as we roll the year forward, our last three-year profit number increases. So our requirement for operational risk-related capital or risk weights correspondingly increases. So all these three have been sort of the add-ons to risk weights without corresponding increase in risk though.

So, I will jump back to your first question, which is about the buildout of retail assets. And I'll also ask Pralay to sort of give his inputs on that part. Just to start with some of the numbers, so the retail assets, Vikesh, that you see that we present are broadly in two varieties; one that we are originating on our own accord and two that we are also yet procuring from other originators to fulfill our directed lending conditions and compliance.

So if you look at the retail assets on the first part, which is the business that the bank is doing on its own accord, that has seen a growth of 70% year-on-year and that is still in a build-out phase, and it is coming off a small base also. And I'm sure, Pralay will add little bit more color to how we are wanting to approach that business.

The other business -- so I don't have the number for the growth on the indirect retail, but the total retail has grown by about 40-odd percent. So, the growth numbers are quite decent and the outlook also is looking to be promising. We have to give it a cycle and look at seasonally adjusted numbers before we can make comparisons. I will also ask Pralay at this moment to add his sort of commentary on the retail assets strategy for the bank.

Pralay Mondal - YES BANK Ltd. - Senior Group President, Branch and Retail Banking

Thanks, Rajat. What I said before, I'll repeat the same thing is retail assets and retail liabilities are two sides of the same coin. Though we are trying to build our retail assets proposition, we are seeing a fair amount of traction on the retail liability side as you rightly said and in terms whether it's customer acquisition or it has started showing on the book as well now and primarily due to the distribution and productivity in the branches.

And retail assets will be sort of a surrogate of this with a lag of one or two years. And since the retail liability had started building it up, at least we could see it internally over the last 12 months to 18 months. So I would say that with a lag of two years from then, which means in another 6 months to 12 months, we should be starting to see some amount of traction on the retail assets as well.

So, let me just break it down in two, three pieces. One is retail assets, if you can divide into two parts, one is on the SME side and one is on the consumption side and I'll say home loans on the consumption side of the business.

So I think on the SME side, we are seeing a fair amount of traction and we'll see through the year a good growth on the SME side as well. And in addition to the normal growth, what it also does is it helps us in building up the priority sector book in-house, because SME business gives a lot of focus on the priority sector portfolio.

Coming to the consumption side of the retail assets business, what we've done now is we are now getting into the critical mass of the customers in the branch banking, which I said before that once you reach a 7 lakh, 8 lakh customers or close to 1 million customers, that's the time you will see us getting lot more aggressive on the retail assets side, because we don't want to go out and acquire business, because that is inherently more costly and more risky, so, which we don't want to do that way. So, I think we are sort of reaching that critical mass, where we'll see some more traction. Meanwhile, as I said before, again, I'm repeating that we have all our products and channels ready and we now are starting to build the hubs and the processes to sort of go to the next level in retail assets business.

One new development, which we all know has happened is on the home loan side. So we are fast-tracking the affordable housing, especially in the Tier II cities and that should also help us in seeing the longer traction within the next six months to nine months.

So if I add both the two, I think that by March 2015, we'll start seeing something which will be lot more visible and even on the conservative side, pure retail consumption retail assets book, we should be able to double over the next three years year-on-year, that's the way I look at it and there can be only an upside to that from here on.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Veekesh, sorry, was that answering your questions?

Operator

Excuse me, speakers are ready for the next question?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, please.

Operator

Okay, thank you. Manish Chowdhary, IDFC Securities.

Manish Chowdhary - IDFC Securities - Analyst

Yes, hi, Rajat. Firstly, I mean in terms of your operating cost, there have been a relatively sharper increase this quarter in the non-employee expenses. So just wanted some kind of a flavor on that, where it is coming from. And secondly, in terms of your provision for the quarter, can you give a breakup in, how much was under different segments, including for unhedged Forex expenses as well?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. So on the sort of the first question, we do take a substantial part of our advertising and sponsorship costs related to IPL in the first quarter. So that would be one sort of large one-off that would be getting the bias in the operating cost of the non-employee operating cost of the current quarter and I think there is pretty much that, rest is I would say more or less the trend of cost that we have been facing. No real one-off in the operating cost besides this.

On the breakdown of provisions, we are reporting, you will see our reported provisioning number is about INR23 crores, INR24 crores. But there is also a write-back of MTM provisionings of about INR46 crores. So therefore, the provisioning related to the remaining part of the bank's business other than MTM-related provisioning will be grossed up to INR70 crores.

Now, I'll give you the breakdown of the INR70 crores. Out of the INR70 crores, INR40 crore provisioning is on account of standard asset provisioning, roughly equally split between general loan loss provisioning as well as the provisioning requirement for now the unhedged foreign currency exposures.

So the unhedged foreign currency exposure provisioning we've taken in the current quarter is INR19 crores and that is a fourth of our assets requirement of INR76 crores. So we will take the remaining over the next three quarters.

And like I was mentioning in one of an earlier conversations is that the current position of provisioning will likely lower in the future, because we don't have 100% information and therefore we are being forced to take some aggressive sort of a provisioning position on some of the exposures, which will may not be final.

So possibly, Q2 may be a more representative number. So far, it is looking like it is an INR76 crore charge to P&L for the year. And as I mentioned, the remaining out of the INR40 crore is the standard asset provisioning. There is an INR12 crore provisioning we are taking on account of what we call the countercyclical provisioning.

So that's just an add-on to a higher provisioning that we take every now and then. And there is an INR18 crore provisioning in this current quarter for NPAs. So that will total to INR70 crores.

Manish Chowdhary - IDFC Securities - Analyst

Thanks. Just a follow-up to the first question on operating cost, so I mean excluding this I mean large sponsorship cost, could you give us the non-employee growth. I mean, normal trend that would be there? Or just the amount of sponsorship cost taken in?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

You could remove about INR20 - INR25 crores from the current quarter numbers. So I mean I don't have the remaining number right away, but I'm assuming INR20 odd crore will be a one-off, which will come again next June. So on year-on-year comparisons, you should not remove this number, but on a sequential comparison, you could remove that number.

Manish Chowdhary - IDFC Securities - Analyst

Okay, thanks.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

All right.

Operator

[Mahrukh Adajania], Standard Chartered.

Mahrukh Adajania - Standard Chartered - Analyst

Hello?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, hello, there. Go ahead. Hello?

Mahrukh Adajania - Standard Chartered - Analyst

Yes, hi. So I just have a couple of questions, a part of those have been discussed earlier also. Now, in terms of your asset growth, total asset growth, it was 9% and obviously credit substitutes are declining. But that's about the only decline in assets, right, or is there something else at all?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So there will be some noise in other assets, but not as much as what you would see in the trade substitutes.

Mahrukh Adajania - Standard Chartered - Analyst

Okay. And in terms of borrowings, the decline is largely on account of grandfathering?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

No, grandfathering does not remove the borrowings, grandfathering only removes the allowance of that same borrowing for capital. It continues to be borrowing.

Mahrukh Adajania - Standard Chartered - Analyst

Right, but you're not -- obviously, because the asset growth is not picking up, that explains the borrowing that you are doing?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Well, borrowings are lower for, I wouldn't say just a single reason; one, they are lower because deposit growth has been good. Secondly, they are lower also because, like you mentioned, the trade substitute book has been falling, but the loan book has grown quite well.

So it is our net of all the asset side and also the liability side. And borrowings are likely to stay on a subdued structure in any case, because as the funding, as the access to cheaper, lower-cost funds progressively improves for the bank like it has been, I think borrowings will only fade out. So what we will be left with will be more structural. We are discussing the Tier 2 now. Tier 2 is seven years, eight years residual tenure. So that borrowing will stay, unless we for some reason decide to buy back those Tier 2 bonds, which can also happen, but it's not on the horizon right now. So that development can wait for now.

On the other parts, we have some foreign currency borrowings that also has tenure and is lower cost. So I think we will, like we undertook some foreign currency borrowing when RBI was giving the concessional swap window and we use that. However, the borrowing will stay in the book for two years, three years. There is also a five-year borrowing and also a seven-year borrowing in that arrangement. So those will have to stay. So what is going away are the short-term borrowings progressively and that structure hopefully is now more the base case.

Mahrukh Adajania - Standard Chartered - Analyst

So what sort of asset growth or total balance sheet growth could we look to buy end of the year? It's currently around 9%.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. So, our loans grew at 23%, so we should be looking at closer to that range for the full year. Credit substitutes, I would still suggest that they may de-grow for the year, as such. So I'm expecting somewhere a 15% to 18% balance sheet growth in sort of tandem with this development.

Mahrukh Adajania - Standard Chartered - Analyst

Got you. Got you. Okay, perfect. Thanks.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

All right, Mahrukh. Thanks.

Operator

Anish Tawakley, Barclays.

Anish Tawakley - Barclays Capital - Analyst

Hi, Rajat, thanks for taking my question. Just firstly, I have two questions, one on SA and one on CA. On the SA market, could you give your weighted average SA cost? And also, what is the proportion of SA that is from non-individual customers?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So the weighted average cost of SA depending on how you cut it will be between 7.1 and 7.2, that's when I said how you cut it depends on whether you're looking at for the quarter, for the month, for the year, the range is about 7.1 to 7.2. It's been pretty rangy as such. And the share of SA deposits from non-individuals will be close to 10%.

Anish Tawakley - Barclays Capital - Analyst

Okay. And so, Rajat, I mean, how much -- like on less than INR1 lakh amounts, you are paying 6%, right?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes.

Anish Tawakley - Barclays Capital - Analyst

On amounts -- on the first INR1 lakh deposit, of any deposit, you're paying less than 6%, right?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

No, no, no. We repay on balance basis. We don't pay as the way you do income tax slabs in India. We pay on balance basis, so balances --

Anish Tawakley - Barclays Capital - Analyst

But I believe, I mean, the RBI regulations are that you have to pay first INR1 lakh is the same for all customers?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

No, no. RBI regulations say that up to INR1 lakh, not the first INR1 lakh, up to INR1 lakh, all customers will get one rate.

Anish Tawakley - Barclays Capital - Analyst

Okay.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Okay. So, I mean, we can debate that, but my answer is the same, because we are following that method that I was describing to you.

Anish Tawakley - Barclays Capital - Analyst

Okay. And just on fee income, right, the transaction banking I understand is mostly trade finance?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, it is -- well, let's say there is a predominance of trade finance. But it depends -- it also includes guarantees business, it includes cash management, it includes agency business, capital market servicing business. So all of that put together is transaction banking, but yes, the significant large contributor is trade.

Anish Tawakley - Barclays Capital - Analyst

Okay. I'm just trying to see like, if you could explain which segments you're strong in trade finance? Some of your peers who are supposed to be very strong in this business are reporting about INR60 crores of income from trade finance. I was just trying to relate it with the INR140 odd crores that --

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Actually, that -- we should also -- it's very difficult actually, we've also tried these comparisons, because some banks I know report FX earnings along with trade earnings. Some report trade earnings along with FX earnings. So their classification is an issue. See, the trade is very closely linked to foreign exchange earnings and you can't -- let's say I open an LC.

Anish Tawakley - Barclays Capital - Analyst

(inaudible).

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

I open an LC, foreign currency LC. That one day will also have a remittance or will have a hedge. So if it is not hedged, one day, it will be paid, and that payment needs dollars and dollars -- the customer will have to buy it from me. So there is -- some banks report this together. We don't report that together, we report FX under FX and we are reporting commissions on LCs and guarantees and fees on cash management, wherever there is -- or cash deposits for tax collections, for electronic banking servicing.

Anish Tawakley - Barclays Capital - Analyst

Sorry, just --

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

All that is being reported under transaction banking. Let's say, if I open an escrow for an M&A and if I charge a INR1 crore fee, that also is reported under transaction banking.

Anish Tawakley - Barclays Capital - Analyst

No. But, is FX part of transaction banking or no?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Not, FX is part of financial markets.

Anish Tawakley - Barclays Capital - Analyst

Well, then, the comparison, I mean, I was making is still valid, right, because the other guys also don't report FX here, if there is --?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

I don't know who's the other guy you are talking about, since we are firstly a corporate-heavy bank. So we should have a very good trade business opportunity.

Anish Tawakley - Barclays Capital - Analyst

And so if I look at your loan breakdown, right, which segments would correspond to that? I mean gems and jewelry is pretty small, textiles is pretty small, which segments (multiple speakers)?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

That's not loan, you're looking at exposure. For example, a lot of trade we do is with many companies whom we can lend to, because they are too pricey.

Anish Tawakley - Barclays Capital - Analyst

Okay.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So while they may be high volume, the fee tickets might be smaller, but there will be high churn. So we will do, for example, trade business for the oil PSU companies. But we don't lend to them.

Anish Tawakley - Barclays Capital - Analyst

I understand.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So the trade is happening across the board. I mean there is import-export happening almost in every sector other than maybe some FMCG sectors, which are very, very local. So whether it is -- I mean, we need not have a credit exposure there. We can do trade against cash-backed LCs also are opened. That's the reason we give it a transactional banking flavor, not necessarily -- though it has an element of credit involved also, it is not always credit free, but these are low risk, they are backed by documents.

Anish Tawakley - Barclays Capital - Analyst

And in financial advisory--

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

If you do trade business even with SMEs where we do only liability business with them, we have no other asset business. So we have our program where FX trade and current accounts are being bundled and we are offering that to the SME segment or a branch neighborhood segment.

There is a trade requirement almost everywhere, but -- so loans, we may not be lending to this segment as yet, may not in the future. But every business has a requirement for transaction banking, is actually a very universal business. Sorry, you were about to say something.

Anish Tawakley - Barclays Capital - Analyst

I was just asking in financial advisory, are there like -- is this five, six transactions a big part of this income or is it very, very fragmented? Could you give some flavor on that?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Well, let's say top five, six will be 30% of the revenue. So within financial advisory, top five, six would take up about 30% of the share.

Anish Tawakley - Barclays Capital - Analyst

Great. Thank you very much, Rajat. That's very helpful.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

All right, Anish.

Operator

Thank you. (Operator Instructions) Chetan Ganatra, BNP Paribas.

Chetan Ganatra - BNP Paribas - Analyst

Yes, hi, Rajat, my question is on fee income trajectory. How are you looking fee income panning out for FY15? And specifically, on the mix of the fee income, we've seen transaction banking share of the overall fee income grow up slightly. I mean it has moved up from mid 20% to 33% now. So what is your outlook on the income going forward? And I have a second one as well. Hello?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So I think the current quarter actually is very representative, because it is relatively a noise-free otherwise, we have been reporting gain from bonds or swaps, which have been noising out some of the past sort of trends.

So Q4 of last quarter, as far as the non-interest income is concerned and Q1 of this quarter are very representative of what the bank is doing today. And I think -- which is what I will extrapolate and then worry about the noises on top of that, can yet happen as far as the other variables are concerned on account of interest rate bonds, et cetera. So the mix that we're showing (multiple speakers). So the last two quarters are our representative sort of mix from the current trend. And if I have to extrapolate the trend, I would just extrapolate it in line with balance sheet.

Chetan Ganatra - BNP Paribas - Analyst

Sure, cool. And just one question on this corporate loan, the fees against the corporate loans, so in which line item is it booked under fee income? I'm talking on specifically about the loan?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

If it is corporate loan, it is booked under advisory.

Chetan Ganatra - BNP Paribas - Analyst

Okay, perfect. And thanks a lot.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Right. All right, thank you.

Operator

Thank you. Adarsh P, Nomura.

Adarsh P. - Nomura - Analyst

Hi. Hi, Rajat. A question again on the margins side, I generally believe that margins depending upon various quarters get positively impacted by doing this IBPC financing or also sometimes when the churn is high, you don't retain that syndicated part of loans or bonds by the end of the quarter. So is some part of lower NI in this quarter related to that as well if the IBPC book come down or the churn being lower this quarter?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

NI is lower. I mean, I'm sorry, Adarsh, what difference in comparison are we looking at, current quarter and --?

Adarsh P. - Nomura - Analyst

Okay. So what I intended to ask was obviously there are some -- a little bit of margins, if you go back to the second decimal point--

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

The NIM that we published is a daily average number. So if there is any noise on account of us holding loans during the quarter and not holding towards the end of the quarter, that is a part of the number that we are putting out. The NIM number that we're publishing is NII, that is also published number, divided by daily average of the --

Adarsh P. - Nomura - Analyst

Okay.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Interest-bearing assets. The universe unit is the interest-bearing assets.

Adarsh P. - Nomura - Analyst

I get that. So --

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Interest-bearing asset higher during the quarter, the base has gone up. NIM is not getting adjusted for that.

Adarsh P. - Nomura - Analyst

Okay. I understand. So, would the IBPC -- would a reliance on IBPC would have come down like at the peak when RBI was tightening last year, you had kind of borrowed INR5,000 crores, INR6,000 crores, if I'm not wrong through that window, which is a little bit NIM accretive in that sense. So, has that reliance come down, been flat?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Well, as far as I know, we don't have IBPCs, but I'll have to go back and check that number. But in any case, if there is a situation, it does not exist meaningfully. IBPCs, we also invest in IBPCs and those are typically the PSL sort of related IBPCs. And a lot of the IBPCs, because many of the banks who are giving us assets don't want to show reduction in asset. So we also give them non-PSL assets. So, IBPC is a little bit of a number, which will stay, but it is nothing particularly of a borrowing structure like you are mentioning.

Adarsh P. - Nomura - Analyst

But that was used to some extent I believe in September and December last year?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Well, it was cheaper. So, it will always have sometimes a cheaper connotation. Yes, so that in September, we would have--

Adarsh P. - Nomura - Analyst

So, which means that reliance would have gone off?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Would have otherwise internal deposit. So, what IBPC does is that it also frees up our reserve requirements. And I would also think of IBPC in March, because it also reduces our priority-sector requirements for next year.

Adarsh P. - Nomura - Analyst

Okay. So, to that number, if it was say INR3,000, INR4,000 crores of reliance would have come down now?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

It's not a reliance. I don't know why you're calling it a reliance. It was a cheaper product at that time. It was economically better.

Adarsh P. - Nomura - Analyst

I understand.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So, it is not necessarily viewed as reliance. It is -- question is today, you have to grow your deposit books or -- and you pay 10% at that time that the rate was, you put reserves on that. And if I have an opportunity to offload assets at 10.5%, which is better? So that was very clearly 1% economic sort of favor in favor of IBPCs. But some of that does not play into cost of funds, it plays into -- on yield on loans.

Operator

Okay. Sir, are you ready for the next question?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, all right, go ahead, please.

Operator

Manish Karwa, Deutsche Bank.

Manish Karwa - Deutsche Bank - Analyst

Yes, hi, Rajat. On your financial market line, just wanted to understand, last year, how much was the treasury income?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

INR100 crores to INR125 crores.

Manish Karwa - Deutsche Bank - Analyst

Of bonds?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

INR100 crore to INR125 crore was the range last year.

Manish Karwa - Deutsche Bank - Analyst

Okay, in the first quarter?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes.

Manish Karwa - Deutsche Bank - Analyst

And this time, should we take it as zero in the financial markets line?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

You should, yes. I mean, you should take it as zero, because there are losses on swaps. There are gains on bonds, but there are losses on swaps also. So if you ask me, our effective -- I'm sorry?

Manish Karwa - Deutsche Bank - Analyst

No, so I'm just asking, so both of them net each other, right?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

They net each other. That's right.

Manish Karwa - Deutsche Bank - Analyst

Okay. And in addition to this, in the provisioning line, you have a mark-to-market write-back of INR45 crores?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. So I'm taking therefore the see effectively if you remember, we had swaps and bonds, which are opposing positions to each other. So rates have fallen in this quarter. So we have had the -- the bond losses have reversed and we have had to take losses on the swap. So if you see the financial markets reported number is about INR35 odd crores. You should add INR45 crores to that, to come to a more reasonable picture. I don't know if --

Manish Karwa - Deutsche Bank - Analyst

INR45 crores is the loss on swaps? No, I've been -- the INR45 crores is a loss on swaps, you mean to say?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, I report that under the financial market line, the loss on swap.

Manish Karwa - Deutsche Bank - Analyst

Okay.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

But there is a gain on bond. The gain on bond is coming in as a reversal of provisions.

Manish Karwa - Deutsche Bank - Analyst

Okay, okay, got that.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So effective operating income if you ignore both these from financial markets, the operating income is closer to INR75 crores, INR80 crores.

Manish Karwa - Deutsche Bank - Analyst

Okay. And what are the other contributors of the financial market? Because even the other piece have actually declined. If I just adjust for the treasury line also, the other segments also may have not grown or may have come down?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So DCM has come down.

Manish Karwa - Deutsche Bank - Analyst

Okay.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

The only segment, which has come down in DCM in financial markets because DCM business was still very hot till the first quarter of last year and that got a little jeopardized by the RBI rate action and this has been slow since then.

So, if you're looking at a year-on-year comparison, if I'm correct, there would have been a good -- the DCM would have been there in the income of last year, but it is quite small in the income of this year.

Manish Karwa - Deutsche Bank - Analyst

Okay. And your rundown of investment book, is it a -- you're selling it off or is it a normal rundown that is happening? What is a bigger contributor to that?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Sales would be bigger contributor.

Manish Karwa - Deutsche Bank - Analyst

Okay. And are you making money, if you're selling off something on your investment book currently?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. But it's not a -- it's a less than INR10 crore number. So, I'm not highlighting it.

Manish Karwa - Deutsche Bank - Analyst

Okay. And then, given the current environment, would it be fair to assume that this line will remain very muted till the time we have a clear view that interest rates are going to decline and DCM market comes back?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

No, there are two parts, one is the issuance-related income where customers are issuing and we are either arranging underwriting, warehousing, whatever the outcome be; that part, the conversations are already picking up. So we should see some throughput coming through. But it is not as rampant as it was in 2012-2013.

The other part is on the existing book and we will be able to distribute it; and like I was mentioning to you, we have a small gain number attached to the distribution we've done in this quarter. If rates go down, that number can increase. But if rates stay the same, we'll still have a small number that we will be kind of churning. We will still have some DCM activity from new business, but not as much as we saw in the peak, which was the first quarter of last year.

Manish Karwa - Deutsche Bank - Analyst

Right. And what is the floating provision that we carry now at the end of June quarter?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

About 40 basis points to loans.

Manish Karwa - Deutsche Bank - Analyst

Okay. And how much of ARCs that we get, security receipts?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

During the quarter, none.

Manish Karwa - Deutsche Bank - Analyst

So what was the figure last quarter?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Stock of ARCs will be about (multiple speakers) INR175 crores.

Manish Karwa - *Deutsche Bank - Analyst*

INR150 crores?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

INR175 crores.

Manish Karwa - *Deutsche Bank - Analyst*

So there's been no action over there, no recoveries and no new sales?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

No, there have been near recoveries, but no realized recoveries.

Manish Karwa - *Deutsche Bank - Analyst*

Okay.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

We've come close to recovery, but it's not closed out.

Manish Karwa - *Deutsche Bank - Analyst*

Okay, cool. Thank you, Rajat.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Thanks, Manish.

Operator

Thank you. (Operator Instructions) Our call will probably end at 6.10. Kashyap Jhaveri, Emkay Global.

Kashyap Jhaveri - *Emkay Global - Analyst*

Yes. Hi, Rajat. I have just one question. In terms of our classification of corporate banking, branch banking, and all, has there been any reclassification this quarter?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Well, some will be there because of maintenance issues as some small customers become large customers, but I mean that's a natural migration. I mean is there any specific question behind that?

Kashyap Jhaveri - Emkay Global - Analyst

No, actually, just (technical difficulty) corporate banking has grown by about 15% QonQ, that's something which has prompted this question actually.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, so it is --

Kashyap Jhaveri - Emkay Global - Analyst

As a percentage -- yes.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

In effect, yes.

Kashyap Jhaveri - Emkay Global - Analyst

They're just up by about 5%.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Correct. So one is the percentage in terms of mix effect. The other is classification and there has been growth in this segment. Now, I don't have the ready answer in terms of how much of this is from the maintenance kind of transition of accounts from one segment to the other but I would still say a majority will be on account of new growth.

Kashyap Jhaveri - Emkay Global - Analyst

Okay. Okay. Sure. Thank you. Thank you so much.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

[Okay], Kashyap.

Operator

Thank you. Parin Vora, AMSEC.

Parin Vora - AMSEC - Analyst

Thank you taking my question. Sir, just two data points. One, I wanted the movement of NPA during the quarter, the slippages and upgrade, the recovery write-offs.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

JULY 23, 2014 / 11:30AM GMT, YESBANK.NSE - Q1 2015 Yes Bank Ltd Earnings Call

Yes. So the NPAs adds is INR115 crore. The recoveries and upgrades is INR82 crores; INR10 crore is write-off.

Parin Vora - AMSEC - Analyst

Okay. And so what would be your risk-weighted assets as of now?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Risk weighted assets are INR84,000 crores. It's an approximate number we'll do.

Parin Vora - AMSEC - Analyst

Okay, sir. That's it from me, sir. Thank you.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

All right.

Operator

Thank you. [Manoj Kulkarni, Amit Securities].

Manoj Kulkarni - Amit Securities - Analyst

Hello?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes

Manoj Kulkarni - Amit Securities - Analyst

Hello? Sir, I just wanted retail banking FDs number.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Retail banking FDs, the number which has grown 30% year-on-year.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

There should be any other data, we will -- we're digging that number and hopefully I will announce that on the call before it is over. Do you have any other questions?

Manoj Kulkarni - Amit Securities - Analyst

Okay. Thank you.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

All right.

Manoj Kulkarni - Amit Securities - Analyst

No, no, thanks.

Operator

Thank you. M. B. Mahesh, Kotak Securities.

M. B. Mahesh - Kotak Securities - Analyst

Hey, hi, Rajat. Just a couple of questions, if I look at the placement document which we had kind of published, the average yield that is reported on your loan book is about 13.2%, whereas in the quarterly disclosures, that has been roughly at about a number lower than that. So just trying to reconcile these two numbers.

Pralay Mondal - YES BANK Ltd. - Senior Group President, Branch and Retail Banking

[Monthly month-end basis, this is on daily basis].

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

So Mahesh, I'll have to get back to you.

M. B. Mahesh - Kotak Securities - Analyst

Okay. My second question is --

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes.

M. B. Mahesh - Kotak Securities - Analyst

Second question is this real estate exposure of roughly about INR3,000 odd crores, how do you report it in the loan book in the pie chart out there?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Others.

M. B. Mahesh - Kotak Securities - Analyst

Under others, is it?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. We are following the RBI --

M. B. Mahesh - *Kotak Securities - Analyst*

And in your --

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Yes.

M. B. Mahesh - *Kotak Securities - Analyst*

The third question is when you said in the initial part of the comment that non-individuals in the savings account is about 10%, would you say the trust, government funds all that part comes as non-individuals or is there a separate definition to it?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

No, it's all in non-individuals.

M. B. Mahesh - *Kotak Securities - Analyst*

All that comes within the 10%, right?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Yes.

M. B. Mahesh - *Kotak Securities - Analyst*

Okay, thanks a lot.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

All right.

Operator

Thank you. Jimit Doshi, Reliance Securities.

Jimit Doshi - *Reliance Securities - Analyst*

Yes, hi. So this is regarding the court case. Hypothetically, if YES BANK loses the case, how does it affect the Board dynamics of the bank and also the performance of the bank going forward?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

No effect.

Jimit Doshi - *Reliance Securities - Analyst*

No effect. So, why has the bank filed the case in the first place?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

The bank didn't file the case, the case was filed on the bank.

Jimit Doshi - *Reliance Securities - Analyst*

Yes, then -- so there has been some -- so it did not file the case, you're saying?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

No, we were subject to the case. So we're defending the case. We are not --

Jimit Doshi - *Reliance Securities - Analyst*

Okay, you're defending it.

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

We're defending.

Jimit Doshi - *Reliance Securities - Analyst*

You've not filed any --

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

We have to file affidavits and caveats and all of that. We've not -- only defensive measures have been taken by the bank.

Jimit Doshi - *Reliance Securities - Analyst*

Okay, but just hypothetically, if it loses, let's say, the bank loses, right. So it would have absolutely no effect in terms of the dynamics, Board dynamics or the performance basically?

Rajat Monga - *YES BANK Ltd. - Senior Group President, Financial Markets and CFO*

Absolutely no effect, but there is no notable effect that one can -- there can't be an effect.

Jimit Doshi - *Reliance Securities - Analyst*

Okay. Secondly, you have mentioned in the comments earlier that you are focusing into affordable housing. So what are the prospects and what are some of the targets that you are seeing in the next, let's say, two years to three years?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Targets in terms of our customers, geographies, branches?

Jimit Doshi - Reliance Securities - Analyst

The book size.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Book size. I don't know it's the -- I can actually give any number, but since the position is too small, I think you should allow us to give a three, six-month performance on that number and then we can talk about how we can raise that number; it will be little too early today.

Jimit Doshi - Reliance Securities - Analyst

Was there some pilot that you -- so is it on a pilot or --?

Pralay Mondal - YES BANK Ltd. - Senior Group President, Branch and Retail Banking

RBI had just about last week created new incentives for affordable housing.

Jimit Doshi - Reliance Securities - Analyst

Correct.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Right, they've made the financing for affordable housing a lot more structurally viable especially for new entrants, because we have to compete with existing banks and they have made the business more economically viable by allowing the cost of reserves to be revised and the downside of priority sector on to also be reduced an affordable housing itself is priority sector in the first place out of it. So this is only a one-week-old development in terms of where the thought the business of approaching the affordable housing segment has become suddenly excitable and viable for us. So we are approaching this business with an ability to take it to a meaningful sort of share of our loan book, it could be according to me 2%, 3%, 4% of our loan book.

Jimit Doshi - Reliance Securities - Analyst

Great.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

A 2% loan book position today will be about INR1200 crores of affordable housing, but we nationally are not delivering that right now. It will take us year or two to kind of get to that number.

Jimit Doshi - Reliance Securities - Analyst

Sure. And you've maintained the CASA ratio of 30% in the next two years, right?

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes, next two years.

Jimit Doshi - Reliance Securities - Analyst

Sure, yes, that's it, though. Thanks.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Right. I had to also give that number of retail deposits, which I missed an earlier question, that number is INR16,150 crores that is the share of retail time deposits as at June 30, 2014. So we can take the next question.

Operator

At this time, there are no further questions, sir.

Rahul Jain - Goldman Sachs

On behalf of Goldman Sachs, we would like to thank the management for doing the call and wish them good luck for the future quarters. Thanks, Rajat. Thanks for that.

Rajat Monga - YES BANK Ltd. - Senior Group President, Financial Markets and CFO

Yes. Thank you, Rahul. And I thank all people listening in into the call for their patience. Thank you very much.

Operator

Thank you. That end today's conference. Thank you all for participating. You may now disconnect.