



“YES BANK Q4 & 12 Months Fiscal Year 2014 Results Conference Call”

Hosted by **Deutsche Equities India**

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**MANAGEMENT: MR. RAJAT MONGA – SENIOR GROUP
PRESIDENT, FINANCIAL MARKETS & CFO; YES BANK
MR. PRALAY MONDAL – SENIOR GROUP PRESIDENT, BRANCH &
RETAIL BANKING; YES BANK
MR. JAIDEEP IYER – GROUP PRESIDENT, FINANCIAL
MANAGEMENT; YES BANK
MR. VIVEK BANSAL – PRESIDENT, FINANCIAL MANAGEMENT;
YES BANK
MR. APARAJIT BHANDARKAR – INVESTOR STRATEGY AND
TEAM; YES BANK
MR. MANISH KARWA - DEUTSCHE EQUITIES**



Moderator: Ladies and Gentlemen, Good Day and Welcome to the YES BANK Q4 & 12 Months Fiscal Year 2014 Results Conference Call hosted by Deutsche Equities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Karwa from Deutsche Equities. Thank you. And over to you.

Manish Karwa: Hi. Welcome everyone. On behalf of Deutsche Equities pleased to host this conference call on behalf of YES BANK. From the YES BANK management, we have Mr. Rajat Monga – Senior Group President, Financial Markets and CFO; Mr. Pralay Mondal – Senior Group President, Branch and Retail Banking; Jaideep Iyer – Group President, Financial Management; Vivek Bansal – President, Financial Management; Aparajit Bhandarkar – Investor Strategy and Team. I now hand over the call to Rajat to take the proceedings and then we can have a Q&A session. Over to you, Rajat.

Rajat Monga: Thank you, Manish, and welcome from the YES BANK team to all the listeners. Besides Aparajit, we also have Vatsala and Vikram from his team who are with us on the call. I will possibly take the next few minutes to give prelude and some details of the financial for the fourth quarter with some relevance for the full financial year as well; that might be 10-15 minutes talk from our side, we will open up for question-and-answers thereafter. I welcome once again to this call.

And I am speaking about the performance of YES BANK in backdrop of financial year which had its fair share of challenges for the Indian economy with bouts of volatility in the currency markets, in the interest rate markets, some unusual and out of turn actions from the Reserve Bank of India.

We are very happy to report that despite the challenging environment, YES BANK team has successfully navigated all the challenges and we have performed consistently across all business lines and most financial parameters to culminate into what we believe are very satisfactory financial results for both the fourth quarter of the financial year gone by as well as the full financial year. As we have stated in our vision and strategy bank has continued to progressively increase the granularity in the business which is across both assets and liabilities.

Secondly, in the backdrop of a difficult year the bank has also done respectably to preserve asset quality with the benefit of proactive risk management which has been invoked for the last more than two years.

Also, thirdly, the bank has had an opportunity to consolidate the balance sheet over the last two years to shape it up for what is going to be a Version 3.0 in course of time.



We are also very pleased with the completion of the “10th Financial Year” of YES BANK’s operating history, and are reasonably satisfied with the end of ten-year position of being the “Fourth Largest Private Sector Bank in the Country.” By size, hopefully on other parameters operating and financial as well in near course of time. The bank has also had the benefit of getting numerous recognition over this course of the last ten years and we are also quite proud to have been awarded the “IMC Ramkrishna Bajaj Quality Award for Business Excellence in the Current Quarter for the Previous Year.” And we believe YES BANK is the First Bank to be awarded by this recognition on Quality of Business Excellence in the Banking Category.

I will take the next few moments to detail our financial performance for the quarter largely and somewhat for the financial year as well: The bank is reporting a profit after tax of Rs.430 crores for the quarter which compares to the Rs.362 crores number reported for the corresponding quarter of the last financial year; this is an increase of less than 19%. For the full year, the bank is reporting profit after tax of Rs.1,618 crores which represents 24.4% increase over last year. Within profits, we have seen NII increase by 13% for the quarter and the non-interest income increased by 17.5% for the quarter again. NIMs have restored to their pre-RBI action period at about 3.0% for the current quarter with some near-term improvement expected on top of that as well. Fee income has been contributing its share of between 35% and 40% and that range was held for both the quarter as well as the full financial year.

In this quarter we are reporting a non-interest income of Rs.446 crores comprised of Transaction Banking income of Rs.134 crores; Financial Advisory income of Rs.176 crores; Retail Banking income of Rs.81 crores; and Financial Markets income at Rs.54 crores. This quarter particularly has the highlight of fee income traction increasing from the Transactional Banking and Retail Banking segments which in turn have much more granular constitution as far as the revenue was concerned. As I was mentioning the non-interest income was about 39% share of the total income for the quarter and it was 38.2% share of the total income for the full year.

Cost-Income ratio has stacked up to 41.6% position for the current quarter; it is mainly supported by investments in people, in branches that the bank has been making. The bank continues to focus on both these pillars of growth for the fiscal year ’15 as well, but focusing relatively more on productivity and consolidation of the current and past growth on priority in terms of decisions on both expansion and incremental hiring. While the cost growth has continued it has also enabled the bank to run with the investment momentum to keep the future growth outlook in good shape.

The board has also agreed to recommend to shareholders a dividend of Rs.8 per share. This is a 33% increase of the dividend declared of Rs.6 in the previous financial year and it constitutes a healthy 21% distribution of profits in the current year provisioning for dividend.

I move over to quick highlights on the balance sheet front: The loan book has reported a growth of 18.4% for the current financial year and deposits have grown by 11% though



weighed by a very sharp base of the March 31st position same time last year. Total assets have grown at a modest 10% in line with the opportunity as well as risk conditions that the bank was witnessing in the last 12 months particularly, and therefore is representative of a more consolidation outcome as opposed to a growth led outcome that the bank had seen in its earlier and formative years.

In the consolidated opportunity, the granular lending has also found more focus with both SME and Retail Banking platforms increasing their share of the bank's lending book, and this share of bank's lending book now stands at between 21% and 22% as compared to about 16-17% same time last year, and this trend is likely to remain for the next 1 or 2 years as well.

Within Deposits, we have seen 29% growth in CASA which was led by 55% growth in the Savings Account business and a muted 6% growth in the Current Account business which is reflective of both the bank's strategy in the savings accounts opportunity as well as the economic conditions in the current account opportunity space. Within the non-CASA deposits, there has been a further improvement in the granularity mix. The Retail Banking Time Deposits, outside CASA have also had a very respectable growth outcome in the current year. The Retail Time Deposits have increased 33.4% in the current financial year totaling now to a little short of Rs.15,000 crores. On the other hand, the bigger ticket term deposits which we are disclosing under the Wholesale Deposits category have also reduced sharply from a position of 38.6% at the same time last year to now at 26.2% as at March 31st of 2014 which is essentially indicating the outcomes that we are now beginning to gather from the Retail Banking impetus, branches becoming optimal in terms of both size and performance on the ground and therefore have a firm belief that this improvement has some way to go into the future as well.

We saw a marginal decline in both the cost of funds and yield on loans in the quarter gone by. The cost of funds decreased by about 17-18 basis points and yield on loans decreased by about 13-14 basis points resulting in a uptick in margins from 2.9% in the last quarter to now 3% in the current reporting fourth quarter of the fiscal '13-14.

A couple of comments on the capitalization position of the bank: We are reporting a total capital adequacy position of 14.4% as at March 31st 2014; this is comprised of Tier-I ratio of 9.8% and core equity Tier-1 position of 9.1%. This adjusting for Basel-III represents an improvement of between 50 and 60 basis points over the last 12 months on the Tier-1 ratios. While the Tier-2 components have been reducing due to grandfathering which is being followed by as per Basel-III principles. The total capital funds under Basel-III now stand at Rs.11,000 crores as at March 31st 2014. The return ratios for the bank have remained consistent in line with the past trajectory; the bank is reporting ROE of 24.3% for the current quarter and an ROA of 1.6% for the fourth quarter. For the full year, the bank is also reporting similar numbers; ROE at 25% and ROA again at 1.6%. The bank has had the benefit of 20+ ROEs and (+1.5%) ROA now for the last six years with each quarter included in a row despite challenging market conditions globally as well as locally. The diluted EPS position for the



fourth quarter is Rs.11.78 and the book value per share of the bank now stands at Rs.197.5 per share.

The bank has added 43 branches in the quarter gone by, and the total branch count now stands at 560. There is a plan to possibly add between 100 and 150 branches in the ensuing year as well. The total ATM position is at 1139 ATMs functional as at March 31st 2014.

The employee strength of the bank have increased 25% in the year gone by and we now employ 8,800 people nationally in the bank's various businesses.

There was mentioning about the quality recognition from the Ramkrishna Bajaj Mission that the bank received in the last quarter. The bank was also given two other significant recognitions; one received from the Asia Pacific Loan Market Association and this recognition is a second year in a row running for the Financial Institution Syndicated Deal of the Year from India for 2013, and this recognition is at an Asia level in financial institutions category. This was the first deal off the block that go executed after RBI announced the swap windows in August 2013 in their currency volatility management change process that they were managing. Besides the recognition for the syndicated deal transaction, YES BANK was also adjudged as the India Bond House by IFR Asia for the year 2013. This is adjudged by Thomson Reuters along with IFR Asia.

This is the small summary that we wanted to present about the bank before we get into questions. May I now request the moderator to open the session for Q&A please?

Moderator:

Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri:

One question on your CA Deposits. We have seen Savings Account Deposits growing after 6% and 7% SA rate that we were offering, but particularly CA for about 6% for 4-5 years has remained about 9-9.5% of our total Deposits, and this is despite the fact that we are getting a lot of business on the other side which is like Transactional Banking and Financial Advisory which has been growing with our clients. So, in that case, why has CA balance remain stagnant at about 9-9.5%?

Rajat Monga:

CA is growing; yes, it is not growing in proportion rather out of proportion to the deposit base of the bank. The kicker that we need in CA is also Retail Banking, I think which is what has also been added in the last six months particularly, I think we have added about 200-250 people in the Retail CA sales force as well. So, our CA is mostly commercial and we are still missing the Retail CA in substance and I think that will change going forward. CA is I would not want to portray a great upside on CA mix. What is the 9% possibly will be a very good job done if it is at 13-14%. While Savings Accounts which are at 12-13% currently have still a way to reach to maybe something in the range of 25-30% of the deposit mix. So, we will have to look at that in terms of size of opportunity, I am sure you look at the industry as well as well



as other banks. CA as a business is also cyclically challenged. Our average balance is from the same customer normally improve with the faster economy, and they worsen in a slowing economy, because the throughput in the accounts slows down. So, this CA without effort will have 30-40% accretion; without effort when the economy picks up. So, it should not be looked at just at a point in time, you have to give it a little bit of a cyclical performance opportunity as well in CA particularly. I cannot say so much for SA.

Kashyap Jhaveri: I agree with that, but the same cyclicalities would apply to our other corporate related revenues also, right, which...?

Rajat Monga: I can get repeat business in trade for example, but the same business comes with a lower CA balances, because nationally if you look at the position in the economy, funding is tight, interest rates are high, and that has its natural consequences on CA balances. I am not getting your point, it will grow, but it will not grow, I am not suggesting that we will report 20% CA mix. We will grow it, it will grow, like I said if the cyclical uptick comes it might become 12-13 on its own, without us trying too hard, because throughput in the accounts will increase. It is easier to manage less flow for our clients, it is harder for them to manage more flows. There is more information gaps when the flows are brisk.

Kashyap Jhaveri: Second question is on your SA balances. What is the weighted average cost of SA for FY14?

Rajat Monga: It will be 7.1-7.2 range.

Moderator: Thank you. The next question is from the line of Anish Tawakley from Barclays. Please go ahead.

Anish Tawakley: I wanted to ask one on the SA balances, it is really related to the question that was just asked. How much of your SA balances would be sort of rates when you are paying negotiated rate above 7%?

Rajat Monga: There is no negotiated rate at all that we do. We have slabs and money comes at those slabs.

Anish Tawakley: So how much would be at above 7%?

Rajat Monga: Single digit; maybe 5-8%, somewhere in that range.

Anish Tawakley: Some of it would be below 7% also, right...?

Rajat Monga: There will be 6%, but unfortunately the pricing is such that it is volume weighted. For example, we give higher rate for higher balances. So, it is a skew in terms of effective rates, yes.



- Anish Tawakley:** Given that the average is 7.1+7.2, if there is very little above 7, it is probably very little below 7 also, is that fair?
- Rajat Monga:** There will be a lot below 7%, and there will be a not so lot above, it depends. We are saying that above 7% I think the number will be a single digit percentage out of 7%.
- Anish Tawakley:** But there will be a lot?
- Rajat Monga:** Let us say there is 10% at 8, so there will be less than 10% at 6.
- Anish Tawakley:** So most of it is at 7 then?
- Rajat Monga:** Average balance is about 80,000, and there will be lots of zero balance accounts as well which is the noise. If you look at effective balances will be above 1 lakh. I am sure that skew is there in most banks. So, if you compare average for average we will be above 80,000 on the average balance. So, what we sell largely and if you see our communication advertisement also largely 7.6 is not the point that we are selling. So, accordingly, we are selling to customers which are able to put relatively higher ticket above that.
- Anish Tawakley:** The movement in the other liabilities and provisions relative to other assets, you got derivative balances on both side, right, grossing up?
- Rajat Monga:** Which data you are referring to?
- Anish Tawakley:** I am talking about comparing H1 with the year end now. If I look at the other liabilities and provisions and other assets, at the H1 stage the gap between the 2 and 6 Rs.689 crores. That gap now is only Rs.140 crores. So does that mean there has been some derivative gains, etc., in this process or what would have led to the reduction of the gap? Because **25:02 (audio overlap)** for the last three half year periods, it has declined.
- Rajat Monga:** So you are saying that the asset minus liability gap is lower?
- Anish Tawakley:** Sorry, liability minus asset gap is substantially lower.
- Rajat Monga:** So, we had more liabilities?
- Anish Tawakley:** Yes than assets.
- Rajat Monga:** Do not have a ready answer, but I can revert to you with the numbers. Whatever it is it will not be a commercial outcome, it might be some presentation issues, some netting issues, RBI keeps changing the guidelines also in terms of how we present derivatives and provisions, etc.,
- Anish Tawakley:** I was trying to relate that to any income on the P&L.



- Rajat Monga:** I doubt. YES, there was a swap sort of gain and loss but that could be Rs.100 crores, cannot explain a difference of Rs.500 crores.
- Anish Tawakley:** If you could check that, that will be helpful. Rajat, on the Transaction Banking Fee which is growing very strongly, that is obviously, a good thing. Could you sort of describe what kind of accounts result in this because CA is not growing, right, is it mostly Savings Accounts or is it cash credit overdrafts, where does that come from?
- Rajat Monga:** Transaction Banking is largely trade finance.
- Anish Tawakley:** So is it FX related or no?
- Rajat Monga:** It can be because you have an L/C, it will also have a hedge.
- Moderator:** Thank you. The next question is from the line of Nikhil Rungta from Standard Chartered Securities. Please go ahead.
- Mahrukh:** This is Mahrukh. Just a couple of questions; on Investment Banking on financial advisory, the loan and debt syndication that you do, how many deals would you have done through FY14, a rough number of deals?
- Rajat Monga:** About 20-30 deals.
- Mahrukh:** And that would be about how much in FY13 say?
- Rajat Monga:** Similar, because the deal velocity of syndication has come down. It might actually be higher in the previous year.
- Mahrukh:** And the other question I had is that do you have any loan growth and CASA targets for the next year?
- Rajat Monga:** YES, we will be looking at a close to 20% loan growth and deposits growth, and we will be looking at a 26-27% CASA mix by end of the fiscal year '15.
- Mahrukh:** We ask this question to most emerging bank that up in financial advisory fees for a lot of emerging banks has been very strong whereas obviously, for the very matured banks that is a declining portion of fee income. So is there any market share gain? Why are those banks not doing the deals which the emerging banks are doing any? Is there any way to draw comparison or we are talking about different segments?
- Rajat Monga:** I think it is very difficult for me to... because I do not look at the presentation that the other banks give. Industry is common. Each bank will have its own strategy. We definitely are not an emerging bank as far as corporate banking is concerned. We might be a 10-year old bank



but we are 20-30 year old bankers in some substance. It depends on what strategy, for example, there are banks who throw much higher distribution income. We do not do that is because our focus is not yet as the best some of the other banks focus is. Also, a matter of what niches each bank chooses. I think it is very hard to compare one bank to the other in terms of individual business outcomes and plus I am a little bit underprivileged with the information and data. As far as I know some of the more evolved banks as opposed to the emerging banks do not even publish granularity of their revenues. And some of these are not even easily comparable. So, what we say financial advisory, some says is other income or investment banking income, I cannot compare them like-for-like. I do not know what their criteria is. I can tell you what our criteria is and what constitutes that income. Very difficult for me to compare anything further. This business is there, it is our competence, we know what we are doing. If you look at some of the league tables we do appear in the top five, top four in league tables. Do we not? If you look at the loans in the league table, right. SBI is No.1 in the loans league table, but they do a lot of PSU deals. If you step down you will see Axis Bank, you will see ICICI Bank, you will see us, you will see HDFC Bank in that league table space. This is loans. It will be a similar picture in bonds as well where Axis Bank is usually the No.1; ICICI Bank is No.2, we will be No.3, No.4 here and there. In those banks I am sure are also earning from these businesses. And naturally we have taken share because we were No.10 three years ago in both these lines. I am using them because there is public information, you can look at Bloomberg and you can see deals as to what bank has worked on what transaction.

Moderator: Thank you. The next question is from the line of Kunal Mehra from Visium. Please go ahead.

Kunal Mehra: Rajat, on the loan growth side, if my numbers are right, if not please correct me, Large Corporate Loan book had 20% QoQ growth, in our conversations with you and your colleague in the past you indicated that Retail SME is going to be the focus area going forward which will drive the growth. How then do you contextualize this extended growth in the Large Corporate and is there any specific in terms of **refi** or yearend things that are driving this which you would advise us not to extrapolate into Q1 and Q2?

Rajat Monga: First, I will suggest that we do not extrapolate a quarter. These numbers we will need at least 3,4,5 quarters for us to be able to kind of show the trend. Secondly, there is yearend influence, because this is the time of the year where we fulfill directed lending and some of the directed lending does happen through corporate as well whenever there is still priority sector kind of compliance and fulfillment which is possible. So, if I am lending to a microfinance company, I will still classify some of them in the large corporate space but it also fulfills the directed sector lending objective. I do not think it is our endeavor to not grow in Corporate Banking. I think our challenge has been the mid-corporate segment which I think you will know it is degrowing as far as the overall pie of the bank is concerned. In absolute terms also, it might be degrowing. There are also reclass issues many times. Small companies become large companies. So we also have to hand them over to the larger relationships. So, it is a very tricky sequential comparison. Maybe not the right answer that I am giving but there is a little bit of

interplay between these segments as well. Retail and SME, for example, I struggle to draw the line all the time; what is retail and where does SME begin, where does retail end is also a very weird line that sometimes will have to be drawn. Then we have complexities of supply chain financing. Supply chain financing could be a corporate program, it could be a vendor program, it could be a dealer program. So there is all variety. But if my risk is predicated on corporate, then how do I call that retail in terms of my disclosure. So there will be nuances but the fact that I am not denying at all is that the retail pie is going to be increasing. So, what is the 21-22% number today will be a 30-35% number in two years time.

Kunal Mehra: If I may just clarify therefore, is it fair to conclude that the broad mid corporate that I understand the definition of issues around it, we are seeing some slowdown in credit demand.

Rajat Monga: Actually, more risk appetite.

Kunal Mehra: Slowdown in risk appetite on part of both the corporate as well as the banks, I am assuming.

Rajat Monga: This is our double experience over the last two kind of corrections in the environment what happened after the global financial crisis. The other we have been experiencing for the last couple of years is more a broad-based cyclical slowdown. In both these sectors, we have had a relatively difficult outcome coming from the Mid-Corporate segment. So, we have been possibly double slowing in the process. And I think that is not going to change in a hurry. So, while there are risks we can manage in the measure, manage, control, also address once there is some situations in the Large-Corporate and we have the benefit of granularity in the Retail and SME segment where collaterals are also more liquid, Mid-Corporate is that sort of the opposite of sweet spot – the savor spot of sorts, and I think we will continue to be kind of focusing less and less on that segment.

Kunal Mehra: Just to follow up on that very observation is on the asset quality side. The slippages have almost decreased two-thirds over the preceding sequential quarter, now they were already at a low level on a percentage basis, so we are fine with it, but could you tie that up, because if mid corporates are still showing strain, we have seen slippages reduce sequentially to that extent, should I be reading something into it, is it a year-end effect, how do we conventionalize that?

Rajat Monga: Slippages, for example, if you go to sequential previous quarter were dominated by three accounts. So we had three, let us say, I would like to call them Mid-Corporate accounts which slipped. In this quarter we have had none in the Mid Corporate space. Most of these slippages are more granular as we are seeing pick up in the share of Retail and SMEs, we will also see the slippages becoming naturally more granular, and the difficulty with the Mid Corporate space is that, it is not that they are all waiting to slip so to say. I think we try and look at solutions, and in one case in the previous quarter our only solution was through resolution by sale of the underlying collateral, and therefore we had to kind of let it slip, if I may say, so that we can begin the process of enforcement. We did not have any such challenges in this quarter, also the emerging regulations are beginning to prepone the asset resolution process. So, we do

not have to really wait for an account to become NPA, and then begin to look at collateral enforcement. We can preempt that during the slippage period, which is the delinquency period, before it becomes a 90-day delinquent kind of account. We would have also mentioned that, not just the sequential previous quarter, and I would include the two previous sequential quarters, where we would have mentioned that slippages may be out of trend on the higher side, and I would possibly hazard that Q4 might be somewhat under trend as far as the slippage is concerned. I do not think we are running that granular a portfolio that we will have a very simplistic trend. There will be some movement up and down. However, we try and use these under trend opportunities to top up on our provisioning buffers. So we have taken write offs in this quarter, we have increased our specific provisioning, we have also increased our higher than specific provisioning we take, we have had a reasonably sharp growth in loans in the current quarter partly towards priority sector fulfillment as well, that also has taken a load on provisioning on account of standard asset provisioning. So, it is not really that I can dictate and control in terms of outcomes. I can only rationalize why we were high and why we are low, relatively speaking. I do not know if that is an answer at all, but this is the ...

Kunal Mehra:

That is an observation.

Rajat Monga:

“Is the asset quality trend for the better?” YES, it is. “Is the asset quality history?” No. There will be matters that we will have to keep working at. We are not saying that we have become devoid of asset quality challenges, there are asset quality challenges, but the challenges are reducing.

Moderator:

Thank you. The next question is from the line of Tichi Barot from Deja Vu Capital, please go ahead.

Tichi Barot:

My question is that is it true that L&T Finance Holding takeover your YES BANK?

Rajat Monga:

Ma'am, I would refer you to today's newspaper if you do not mind. The matter has been discussed in detail including the replies from our CEO, and it is published by both the Economic Times and the Times of India today. So I think the truth is already there in the newspapers.

Moderator:

Thank you. The next question is from the line of Rajeev Varma from Bank of America, please go ahead.

Rajeev Varma:

Just one thing I guess on your capital raise, any specific plans that you are looking at and the quantum potentially. And I guess secondly, on the asset quality piece that you had mentioned that clearly I think the trend is looking better. So just wanted some visibility on that? And also on the restructuring, are you seeing also, you have no restructuring, how does that pipeline look?

Rajat Monga:

On the capital raising, the prognosis that we are working with today and it is obviously contingent on some uncertainties which are lining up, elections outcome is a contingency, monsoon is a contingency, the policy direction that the new government will create is also a contingency. So our current prognosis, looking at the economy and the fact that it will take time for the economy to sort of pull up even if there is a good government in control at center and is moving on policy, it will take time for the opportunity of lending to kind of begin to crystallize and meaningfully all over again. Like I was mentioning in my comments earlier, the loan growth sort of margin target that we are working with is closer to 20% complemented by an equivalent deposit growth, hopefully higher share of retail and on both assets and liabilities that we have seen in the last year. If this is the prognosis and if this is also how it turns out, we do not need capital. Capital will become a contingency if the growth for the reasons or contingencies I was discussing becomes all favorable, we will raise capital. If we have to grow at a cliff significantly sharper than 20% we will have to pad up and we will do that accordingly. The current provision enablement we have from shareholder is \$500 million size that we can possibly stack up. On the other questions, if I take restructuring first, restructuring for us is not the plan-A. You know very well, we do not participate in CDR either. So, our choices are more resolution and recovery, and that remains. So if there is a restructuring, it is because our plan-C, which was recovery also failed. So, while there are accounts that we know, we will have to find solutions, and we are already working on them, but restructuring is not a default answer. So, I do not want to say that we have therefore a restructuring pipeline. If it is within our reasonable means, we will not restructure. The asset quality in terms of net of all this going forward, I think this year has one benefit, which last year did not is that we at least have a baggage of NPAs, we are carrying and a baggage of ARC receipts we are carrying. Our sense is that we will recover close to 50% of each in the current year. So, there would be recovery which will also become sort of relevant, which was not the case in the last year, because there was no baggage, so, which basically means to me is that credit cost should be same or better as in lower in fiscal 15 when I compare that to fiscal 14.

Moderator:

Thank you, the next question is from the line of Parag Jeriwala from Macquarie, please go ahead.

Parag Jeriwala:

In terms of Saving Deposits, what you said is, your average cost of Saving Deposits is around 7.1%. RBI said that you need to have only 2 rates; one is for less than 1 lakh and one is for more than 1 lakh, is that...?

Rajat Monga:

RBI says you have to have one rate for less than 1 lakh, they do not say that you have to have one rate for more than 1 lakh.

Parag Jeriwala:

What proportion of Saving Deposits would have slightly above 8% rate?

Rajat Monga:

Above 8%, I do not think there is any, not consequential.

Moderator:

The next question is from the line of Nitin Kumar from Quant Capital, please go ahead.



- Nitin Kumar:** Just wanted to get the sense on financial markets fee income. It has been weak for a few quarters now. So what is the outlook there?
- Rajat Monga:** If I can divide, we report three types of income under financial markets. One income is from foreign exchange where we are helping our customers either hedge or remit their dollars out or in. The second part we report under financial markets is debt capital market, where we are arranging issuances of bonds for our clients, and we have an opportunity to earn fees on that service that we provide. The third that we report under this line is what is generally referred to as 'Treasury Gains.' So, if you are comparing this with the last two or three quarters, DCM has become weak in the aftermath of RBI hiking rates. So there are not as many corporates issuing bonds as they were in the first quarter and the beginning of second quarter. So that income is correspondingly lower. Interest rates are falling in the first quarter, so treasury gains were high in Q1, and we also had a brief opportunity to book gains in Q2 as well before RBI hiked rates. In Q2 we also had the reporting that we had to do where we had mark-to-market gains on swaps, while we had to take provisions on account of investments, because provisioning line is separate, we had reported the gain on swaps which were hedges for the investments in the financial market line. That was one-off. That has come and gone. So what we have come down to now is largely the remaining business that the bank does, which is predominantly FX, and some income that we are still generating from DCM and some minor numbers that we are reporting from treasury in the current quarter.
- Parag Jeriwala:** So this should form a base now, one-offs like mostly taken?
- Rajat Monga:** YES, the one-offs will occur again, because environment is going to be not a constant variable, it depends also on how interest rate is behaving. If interest rate at the long end begin to fall again, DCM opportunity will pick up, so we will be the opportunity to realize gains on treasury, so it is a bit of function of how the long end bond yields perform.
- Parag Jeriwala:** Secondly, the number of ATMs have declined on a sequential basis. So any thoughts on the same.
- Rajat Monga:** Basically some of the ATMs which where not profitable, once in a while will be let go. You put an ATM hoping that it will be become transactionally relevant and revenue accretive, but if the trends are not conducive, we have to sometimes also close down ATMs. Some of that will come again because you close now and you relocate it later, so there will be a gap. ATMs is soon going to be a third-party dominated business, it will take three to four years, but it is in that direction it is going.
- Moderator:** Thank you. The next question is from the line of Jigar Walia from OHM group, please go ahead.



- Jigar Walia:** First question would be a follow-up on the fee income that we are discussing. On our overall investment banking piece, what would be the balance sheet funds that we would be keeping aside?
- Rajat Monga:** We do not measure it like that. If you look at the line where we disclose financial advisory, one is the pure investment banking component, which does not take balance sheet. While it is easy for me to say that, but Investment Banking, for example, must be working with a company to raise private equity. While it is not linked to balance sheet, but we may have a loan to that private company already concurrently to this situation. Secondly, in another situation, we might be working on loan syndication. So loan syndication involves our balance sheet and other banks balance sheet as well. Because we are structuring the whole facility, we are
- Jigar Walia:** In cases of pre-sell down and post-sell down, or is there ...?
- Rajat Monga:** I would have given you the number, but we do not really look at it like that. There will be a fee income in advisory which is possible with every customer provided there is the right product and at the right time. All customers need financial solutions, whether advisory or underwriting, or syndication, whatever name you want to give, bridge finance, acquisition finance, stakeout finance, refinancing, project finance, all of this is something which will be there in every company.
- Jigar Walia:** Average ticket size for a syndication deal would be about say Rs.800,000 crores?
- Rajat Monga:** No, it will be less.
- Jigar Walia:** And within financial advisory, how much would be equity-related approx maybe?
- Rajat Monga:** When you say equity, how do I understand that?
- Jigar Walia:** Any IP or equity iBanking-related.
- Rajat Monga:** We do not do IPOs, we have done two IPOs in our life. Those were also follow-on transaction, because we had already worked ...
- Jigar Walia:** Debt.
- Rajat Monga:** No, it is not debt, it is M&A, it is private equity, I cannot say debt M&A, we might be working with a company to acquire some capacities or to acquire a company which need not be a listed company. A lot of work that we do in equities turns out if we have acquired a listed company. So we have to do open offer and all of that. We are not into the capital market so to say end of equity, we do not do that business.
- Jigar Walia:** Sir, the increase in Retail Banking fees, just may be a brief color?



- Rajat Monga:** Savings Account deposits are helping. So as we are getting more and more customers, the throughput opportunity, the revenue of those customers is increasing. We are also increasing our share of retail lending, that also comes with its own sort of processing fee equivalent revenue. Our clients are using our debit cards that we issue. As we are getting more customers, if I have a 55% higher SA base, I should also have 55% more throughput on my card usage, because we also have customers who are relatively more carded as we say. So it is natural sort of concurrent development.
- Jigar Walia:** Next question would be... if you can give some color in terms of how much would we have sold to ARC in Q4 and overall?
- Rajat Monga:** Our ARC book stands at about Rs.175 crores as at 31st March.
- Jigar Walia:** Rs.175 crores worth of SRP you would be holding, right?
- Rajat Monga:** YES, and in the fourth quarter, it includes the 12 crores; what was Rs.163 crores has become Rs.175 crores from December to March.
- Jigar Walia:** And what kind of assets are we selling to ARC and ...?
- Rajat Monga:** Largely, property-backed loans predominantly, I can easily classify them as loans which have either residential or office property.
- Jigar Walia:** When we sell to ARC, is there any upfront of profit that happens?
- Rajat Monga:** I think that is a redundant question, it cannot happen. You can have upfront of losses if you have to.
- Moderator:** The next question is from the line of Adarsh P from Prabhudas Leeladhar, please go ahead.
- Adarsh P:** Just two questions; the first one again on Financial Advisory. Just wanted to understand the breakup again, between say this **MNAP 54.52**, loan syndications, and the third component probably being loan processing, last time you said it is 20:40:40 approximately. So just wanted full year breakup if you could give on an approximate basis?
- Rajat Monga:** It is the same.
- Adarsh P:** Just again trying to understand this, it is like closer to about 50 bps of assets now, if you take a 2-3-year view, would you think that some of these businesses are obviously churn businesses in that sense, could this come down as a proportion of assets over 2-3-year period?
- Rajat Monga:** YES, because we cannot earn this from Retail and SME businesses, this is more Corporate Banking and Investment Banking type of fees. While we might deepen and increase our share

in that business, but I cannot say that it will simplistically grow with balance sheet in the same breath that I am saying that we will also increase the share of Retail and SME. But, what you should also note is that at the moment our share of Retail SME is increasing because of the Mid Corporate segment is falling. So the balance sheet is becoming either relatively more larger corporates and borrowers and/or smaller. So, we are moving share away from the mid space more to the small space.

Adarsh P: Even if you compare to Corporate book growth, would you say that this line can kind of match Corporate book growth or the churn book will not even be as much, so it will probably grow slower than, if the Corporate book is doing like 12-13% growth versus 20-25% for SME and Retail, which broadly means that this particular line item may be lower than this 12-13% growth as well?

Rajat Monga: No, unfortunately this does not have a link so much with net growth, it has a link with the churn.

Adarsh P: YES, that is what I am saying. Would you be able to churn even if we grow your Corporate book 10%...?

Rajat Monga: Which earn more in that period. That is the reason growth is less. We are not doing less business. We are keeping less business. Despite the fact that, yes, opportunity also will move up and down.

Adarsh P: The second question was on that... your earlier swap in bond book, which kind of moved, rates moved favorably in one of the books last quarter, because of which you booked some profits, or you have had some reversals, so what is the status, how have rates moved, have you all rolled down any of the swaps?

Rajat Monga: No change as far as the fourth quarter is concerned, because these are more long-term exposures, you can also easily conclude it from the fact that the 10-year yield was at 8.83, December 31st, it is also at 8.83 as on March 31st, and also almost there as of yesterday or whatever.

Adarsh P: So the quantum remains the same largely?

Rajat Monga: Quantum in terms of?

Adarsh P: The book sizes, swaps.

Rajat Monga: The book size will not be constant, because the book is also churning. So this number will not like disappear, but it will be subject to also churn.



- Adarsh P:** But your hedging proportion would be relatively same. So when rates go down there will be not a lot that you will book now. So my question is broadly to understand that on the way when probably you could have made loss it was well hedged?
- Rajat Monga:** We will be compelled to book, let us say, you must be wondering if the rates go down.
- Adarsh P:** YES, when it went up you all had some offsets, while it goes down like offsets will be there and you will not be able to book, so that is the question?
- Rajat Monga:** The offset is still there, right. So, if I am realizing a loss on the swap, I will have an opportunity to realize a gain on the investment. I have to sell it though. The challenge with this business is that the accounting for swaps is mark-to-market up and down.
- Adarsh P:** YES, and the other is you have to sell it?
- Rajat Monga:** The other is on realization. But if it is a loss, you have to still provide provision for it.
- Adarsh P:** But largely, the question is that as a strategy, you would want to keep it hedged, so you know, disproportionately you will not make a profit either when it kind of rates...?
- Rajat Monga:** Unless we have suddenly convinced the rates are falling, and that we need to kind of use that as an opportunity rather than passively kind of let it be.
- Moderator:** The next question is from the line of Siddharth Choudhary from Mata Securities, please go ahead.
- Siddharth Choudhary:** My question is on effective tax rate, and in that your effective tax rate is around 33% to 34%, but in this financial year it has been around 30.5%. So can you make me understand how is it?
- Rajat Monga:** YES, because we are holding more tax-free investments. Because all the (PTCs) the pass-through certificates, the priority sector bonds, the government change the rules that the income is no longer taxable in the hands of the investor, income is subject to tax deduction at source. Part of my income is no longer taxable.
- Siddharth Choudhary:** So this would continue in future?
- Rajat Monga:** No, it will progressively come down, because the need for us to hold these investments... unfortunately, we were subject to this provision without having the choice to opt out of it. So our old book the back book also got subject to a change in distribution rules on tax. So, as this book runs down and this is a priority sector book, it has residual maturity of 1-1.5 years. This will be a progressively lowering type of a difference.



- Siddharth Choudhary:** Last year EPS is 16.5%, this year it is around 18%, so it is continuously growing from year-on-year. So what would be your dividend policy going forward?
- Rajat Monga:** We do not have a document dividend policy, but the principles that we are following is essentially looking at one, what is the bank's ROE, though may be I am speaking out of turn but I do not think we would be distributing more than 20% unless the ROEs become stably high and growth becomes stably low, which means that we are generating and adding surplus capital which is unlikely that is a theoretical possibility. So given status quo on circumstances, we should not be distributing more than 20%. We have been slowly increasing our distribution, and I think we should stabilize it close to 20% with some rounding of error, because finally we would like to give a round number as far as EPS is concerned.
- Moderator:** Thank you. Next question is from the line of Alpesh Mehta from Motilal Oswal. Please go ahead.
- Alpesh Mehta:** First question is related to our retail loans. Typically, there is seasonality in the 4th quarter related to the priority sector loans coming into balance sheet in the 4th quarter, but this time it seems to be very high, the last quarter the share was around 11% now it has become 16%. Is there any reclassification?
- Rajat Monga:** No, I think what is happening is our priority sector fulfillment is also becoming more and more retail as we are finding our resources and distribution falling in place on the ground. I think this is only going to add in the future years.
- Alpesh Mehta:** Secondly, can you throw some light on this Branch Banking business, how much of that would be small businesses, some auto loans, CD loans if you can share some details on that 20% of loan book?
- Rajat Monga:** Half of that will be priority sector, so that will include commercial vehicle that will include tractor, it will include micro-lending.
- Alpesh Mehta:** And that 10% would largely be sourced by us or ...?
- Rajat Monga:** It is a mix; its majority us, minority 3rd party.
- Alpesh Mehta:** And rest 10% would be?
- Rajat Monga:** Rest has mostly SME.
- Alpesh Mehta:** So those will be like Business Banking kind of...?
- Rajat Monga:** Yes, that will be Business Banking and that also actually will have PSL because RBI has been moving that classification up and down, so again the line I drew between PSL and non-PSL is not a correct line, but we are still in that 20-21% that you are seeing, we are still largely commercial lender in Retail space. You call that SME, you call that Commercial Vehicle financing or Business Loans against gold jewellery, you call that Property Loans for working capital for an SME, so end use is



business largely. The pure play consumption which would be Mortgages which would be Car Loans, which could be Credit Cards, Personal Loans, though we do not have Personal Loans, we do not have Credit Cards that is still only 2-3% of the total share.

- Alpesh Mehta:** Of the total overall loan book or ...?
- Rajat Monga:** Yes overall loan book.
- Alpesh Mehta:** And this property loans for working capital requirement what would be that proportion in the Retail business, Can be called as like loan against property kind of a product?
- Rajat Monga:** 8-9% Alpesh.
- Alpesh Mehta:** 8-9% of the overall.
- Rajat Monga:** Overall book Yes.
- Alpesh Mehta:** So large part of these small business loans are loan against property kind of product?
- Rajat Monga:** 20-21 is the bigger number all out of 100; 100 is total loan book. All numbers I am giving you is out of the total loan book of the bank. 20-21 is the Business Banking and Retail Banking that we present. 9 out of 100 there is what we can say is SME lending against property but for various business purposes.
- Alpesh Mehta:** And this classification that we are reporting now 16% and 21% is it as a proportion of loan book or as a proportion of customer assets?
- Rajat Monga:** This is all loan book. Assets anyway will be large, all of them, except there will be some PSL as well.
- Alpesh Mehta:** How do we define Retail FDs per se, any specific...?
- Rajat Monga:** Individuals.
- Alpesh Mehta:** But the ticket size could be Rs.10 crores?
- Rajat Monga:** Yes, ticket size could be an individual ticket. We also give the other way where the ticket size is more than Rs.25 crores, we give that number separately.
- Alpesh Mehta:** Three data points if you can share; the movement of gross NPAs, the full year trading, and the provisions breakup?
- Rajat Monga:** I will give you the numbers quickly we have already put that out on the website as well; so the movement of NPAs is (+50) crores for the quarter, fresh slippages, and (-70) on account of recoveries, upgrades, writedowns and sales.



- Alpesh Mehta:** What would be that number for the year?
- Rajat Monga:** The total slippage number for the year is 398.
- Alpesh Mehta:** The upgrades recoveries?
- Rajat Monga:** 320.
- Alpesh Mehta:** Provisions breakup for the full year would also be ...?
- Rajat Monga:** Only NPA because that is very complex because there is NPA, standard assets and higher general, we also do higher than general provisioning.
- Alpesh Mehta:** But this is just from a modeling purposes NPLs, standard assets and MTM would be sufficient.
- Rajat Monga:** Give us some time, we will pick up the data. And also answering an earlier question which was raised by Anish on the difference between the current assets and current liabilities; the difference is largely explained by cash management accounts, wherein we collect the money from the customer but we deposit the money into his account on a T+1, T+2, T+3 arrangement. So those are the identified other asset/other liability accounts, and we will share that with Anish if you are on the line, we will share that with you separately.
- Alpesh Mehta:** Lastly till the time you dig the data for provisions, if you have trading gains readily available for the full year?
- Rajat Monga:** For the year, gain on sale of securities that you will read from our annual report is Rs.160 crores.
- Alpesh Mehta:** That number was last year Rs.156 crores?
- Rajat Monga:** Correct Yes.
- Moderator:** Thank you. The next question is from the line of Prakash Agarwal from Edelweiss Securities. Please go ahead.
- Nilesh:** Nilesh here. Just one question on the credit substitutes, now that number has more or less on an absolute basis remained static over the last few quarters. So what is the strategy going forward? May be in the initial we would have probably thought about downselling some of them over the course of the period, but since yields have actually remained sticky, do you anticipate any ALM risk which can emerge on that, I just wanted to get your thoughts on that?
- Rajat Monga:** When you say ALM risk, what specific risk do you refer to? Liquidity no, because this can be sold.
- Nilesh:** I do not know what the house call is on yields, but given that RBI's stated intent to keep rates more or less remaining at least on the headline remaining flattish, yields could navigate then this current band

of say 8.75% to 9%. So do you anticipate that probably we will be able to down sell something at attractive spreads? In that environment if you are not able to do that may be then probably what we would be running at carrying these bonds for a slightly longer period of time than what we would have anticipated earlier. So obviously not a liquidity but from an interest rate perspective do we anticipate spreads kind of contracting on that?

Rajat Monga:

A large part of this book is 1-2-year. We have also published the duration of this book is 2.84-years. So it is about 2-years and 9-months. If I divide that book into roughly less than 2-years and more than 2-years, more than 2-years book is hedged for interest rate risk, less than 2-year book is open. So even if rates go up like they did in the September quarter we will have some interest rate risk management issues, and in any case it will be a very fast run down. What I am saying is that if I am dividing the line at 2-years, average maturity of that book will be about 1-year and 2-3 months, some less, so this will run down on its own. So even if I have to take a provision it is going to be clawed back because it will mature. The book which is longer tenure is hedged, it is covered.

Nilesh:

So you do not anticipate any....?

Rajat Monga:

We do not anticipate any compulsion but the question is why **do** anything at all if it is not conducive. If the environment improves, the spreads on the bonds will improve. If the distribution kind of picks up and with robust opportunity all over again we will make distribution gains also, because Wholesale to Retail these bonds also. So if the view on long term rates changes there will be very compelling distribution opportunity. If it does not I am at least covered for G-Sec risk at the long end, I am not covered for credit risk.

Nilesh:

Assuming that the yields stay in this band say for the next few quarters, one thing fair to assume that the growth that we are talking about in assets will be more driven by loans rather than credit substitutes?

Rajat Monga:

Fair.

Nilesh:

20% number that we are talking about is more the advances that will probably grow, not the customer assets.

Rajat Monga:

Correct.

Nilesh:

And one question for Pralay, on the Retail assets compared to may be few years back, I think the guidance that we have said that in terms of pure retail assets, the share would be slightly higher than where we kind of currently standing. So just wanted to see do we expect acceleration in the next 12-18-months on the Retail Assets origination and that forming a larger part of our book?

Pralay Mondal:

I have always maintained whenever I have been on the call or whenever I have met anybody that I do not look at retail assets with a different business to an overall Retail Liability business, it is a customer franchise and that is the way we want to build this business up. So I am happy to say that the entire

customer acceleration and the impact of that we are starting to see on the balance sheet on the liability side, and it is an impact based on quality of customer acquisition, the productivity which we are getting in the branches. Now, what we have done is in the last 1-year is on the Retail Asset sides... and anyway the time was not right to go and get aggressive and build it up, because even established players were struggling in the Retail Assets business at that point of time, and retail Assets is also a little bit of a timing business when you want to build it up. So what we did is in the last 1-year we have put lot of process and systems, products and everything in place, and I am happy to say that the crosssell processes and I have started working in the branches, and if you take a 18-month horizon and a 3-year horizon from right now, I see a fair amount of multiplier effect happening on the Retail Asset side. So what we are seeing on the Retail Liability based on the hard work which the team has put in the last 3-years and it is starting to show now that will start happening in Retail Assets starting this year. However, I will say that once we establish and we grow the momentum, the multiplier effect will come may be after 18-24 months.

Nilesh: On the Retail Banking fees have seen a significant build up this quarter, and Rajat kind of gave a breakup of that, but just wanted to get a sense now typically in Q4 we see that the **bank up 1.16.16** piece picks up. Now excluding that noise, is it fair to assume that the balance part is more sustainable going forward?

Pralay Mondal: Let me put it this way that if you look at... Rajat had mentioned the breakup broadly, I would say that the Retail Fees is by and large granular and core to us right now. So from that perspective I think there are 3-4 components where Retail Fees is doing well – Trade FX, the Core CASA in terms of Transactional Fees and things like that, Maintenance Balance, Maintenance and those kind of stuff and Trade FX has been a large contributor, and 3rd is of course in this mutual funds and insurance. The only slice skew you can say that as always in the 4th quarter will be high on the insurance space but I see where the momentum is growing on the non-insurance fees as well, we see the momentum continuing on the Fee Income on the Retail book as we grow. And again if I see on a year-on-year basis from this year to next year I see the growth in Fees will continue on a year-on-year basis.

Rajat Monga: We are not banker heavy, just wanted to clarify.

Moderator: Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead.

Hiren Dasani: Just one question on the other operating expenses, last quarter apparently there was a one-off Rs.14 crore due to some foreign currency loan raising. Were there any one-offs in this quarter as well? And if not then this 34% growth, does it look slightly on the higher side?

Rajat Monga: There is a part of the growth which will possibly kind of become more structural in terms of cost because of the retail lending increase, because that also comes with its own operating cost kind of consequences while that business is not fully scaled, so there will be economies of cost, but no there is no one-off like there was in the previous quarter.



- Hiren Dasani:** If you were to look at the progression of this line, you are at about Rs.220 crores or let us say till June, September quarter and now we are at about Rs.280 crores. So like Rs.60 crores quarterly run rate jump, does it sound okay to you? Non-staff other operating expense.
- Rajat Monga:** It is relatively on the higher side. I know we have been little bit easy with provisions for operating expenses this quarter, but that cannot explain the whole kind of a gap. So there is about 20% kind of cost momentum if you ask me in general, and there will be pockets of cost that we will add depending upon business models that we are building. So you should see correspondence in margins. So some of these businesses also get us better yields. It is may be one quarter is too soon to kind of begin to align these pieces, but there should be more than sufficient correspondence in income.
- Hiren Dasani:** So in other words, should we look at like cost-to-income more in the early 40s which is more of ...?
- Rajat Monga:** YES, if we are getting more and more solidified in the retail operating kind of cost structure for lending as well.
- Moderator:** Thank you. The next question is from the line of Yash Mehta from Equirus Securities. Please go ahead.
- Yash Mehta:** Just wanted to know the amount of ARC sale in Q1 because I have the numbers for the other three quarters? And secondly what would be the gross book of the sale to ARC?
- Rajat Monga:** The gross position of March 31st 2014 is Rs.175 crores.
- Yash Mehta:** During the year, the ARC sale that would have happened, what would be the customer balances, the principal amount that would have been sold?
- Rajat Monga:** We have added Rs.148 crores of ARC for the year. That would correspond to about Rs.160-165 crores of loan balances. And for the quarter the ARC position increased by Rs.12 crores.
- Moderator:** Thank you. The next question is from the line of Saikiran Pulavarthi from Espirito Santo. Please go ahead.
- Saikiran Pulavarthi:** Just a quick question on the Wholesale Deposits, we have seen a very sharp fall in the last may be 5 quarters from 34% odd to 26%, where do you think this can settle may be 1-year henceforth?
- Rajat Monga:** Like you said the fall is sharp, so I am not anticipating the fall to be continuously as sharp, but the point I am definitely making is that there is a reasonable momentum in the Retail Deposit business. Because the deposits grow only 10% in this year though there is a base effect, so it was not really a very sharp sort of a growth period. So we had the ability to consolidate the Deposits business lot more in favor of granularity. So there is actually a 30-35% underlying momentum as far as Retail Deposits is concerned. So if the overall balance sheet is not growing at that rate this number gets an opportunity to compress. Hypothetically, in next year we grow at 35% on the Deposits. Retail Banking will not



show a great increase or a great fall in terms of growth, therefore your mix of granularity and your mix of wholesaleness will remain the same. But, if we grow at a smaller clip, your granularity will increase, but the anticipation currently is that Deposits book will grow faster than it did in the last year.

Saikiran Pulavarthi: The second question... where do you stand for this year in terms of meeting up with the Priority Sector both in terms of sub-segment as well as the overall commitments?

Rajat Monga: We are only short in Direct Agri and we are therefore overall short because you do not get the benefit of fulfilling priority sector from other than Direct Agri if you are short in direct agri. We will be about less than 2% short overall.

Saikiran Pulavarthi: And what will be your outstanding RIDF bonds at this point of time?

Rajat Monga: Rs.2,50,000 crores.

Saikiran Pulavarthi: If I have to take in breakup of retail fees what proportion would be contributing by third-party distribution fees?

Rajat Monga: Third party distribution when you say that will include banker?

Saikiran Pulavarthi: Yes insurance and then housing loans what you distribute.

Rajat Monga: We should be about 30-40% of Retail coming from the third-party.

Saikiran Pulavarthi: And if you would have looked at the same number may be 1-year back how it would have been trending?

Rajat Monga: The numbers of 3rd party are proportionate to Retail are falling relatively because the other lines did not exist. Like, for example, we are not doing retail loans. So we have about a 10% share of the Retail Fee coming from Retail Loan processing that did not exist at that time, and we for example, have many more customers transacting, so as they use our cards, we earn revenue. So that part also which is increasing its share because this is more throughput based. So I would guess that 5-years ago this would have been 60-70% contribute....may be 70-80% of Retail would have been contributed by 3rd party because we did not have the transactional businesses stacking up at that time.

Saikiran Pulavarthi: And last question from my side, just wondering like how you look at FY-'15 both in terms of restructuring an incremental NPL formation, what are your thoughts and then how are you seeing things panning out?

Rajat Monga: I think the asset quality picture in general like I was commenting a little while earlier, from the precursors of asset quality, the leading indicators are no longer worsening, they are actually if at all improving. That does not mean that therefore all problems are solved, we still will need to navigate

the situations with the loans which are still challenged. We do see the credit cost for fiscal '15 to be no worse than fiscal '14, and we do also see the benefit of the fact that we will have recovery opportunities in fiscal '15 going forward, because we have a baggage from the last year that we are now carrying, unlike fiscal '14 where we had no baggage we were carrying. So overall the picture let us say in terms of financials it might look similar, but context will naturally get better as we go further into fiscal '15. Restructuring is not basically a base case for us, we are not going to by default restructure accounts, we normally go for recovery or a resolution rather than restructure. Very difficult guess in terms of what will the restructuring be because it means that our plan-A has failed, plan-B has failed and therefore a plan-C of restructuring had to be kind of relied upon. That is a tough one but let us say even if that is the case it will not be a game changing number, the needle will not shift a whole lot.

Moderator: Thank you. Ladies and Gentlemen due to time constraints no further questions can be taken. I now hand the floor back to Mr. Manish Karwa, over to you.

Manish Karwa: Yes, thanks Mohsin. Thank you everyone for participating in this call, and thank you very much Rajat and team.

Rajat Monga: Thanks, Manish. I will just take the opportunity to just put one more data which we could not furnish during the call which is on the movement of provisioning, I do not know if people are listening but we will provide it otherwise as well. The breakup of provisioning for the year the total provisioning is Rs.263 crores for the year which is comprised of Rs.128 crores on account of standard assets provisioning and excess standard assets provisioning, and the breakup of Rs.128 crores is Rs.30 crores for standard asset provisioning and Rs.98 crores for higher than standard assets provisioning, and the difference which is Rs.263 crores minus Rs.128 crores which is Rs.135 crores is the specific NPA provisioning for the year, all these numbers are for the financial year '14. The number for 4th quarter, the total provisioning is Rs.47 crores, out of which Rs.34 crores is on account of standard asset and excess standard asset provisioning, roughly equally split between standard and excess, and Rs.13 crores is the specific provisioning to NPAs. Sorry these numbers we couldn't provide while the question was asked, so I thought I will provide them now, and also take the opportunity to thank the people on the call for listening in patiently the bank's 4th quarter in the financial year '14 results call, thank you very much.

Manish Karwa: Rajat, what do you mean by excess standard provision?

Rajat Monga: We have a policy of providing more than specific and standard. We have about 40 basis points of excess provisioning to loans today.

Manish Karwa: And these are not floating, these are excess provision that you have made?

Rajat Monga: These are not floating, in the sense that we do not use them as tier-2 capital and we do not use them for netting our NPAs. So if you have to use them as floating, I would be presenting that much higher capital adequacy, and I would also be presenting (-35) basis points of net NPAs.



Moderator:

Thank you. On behalf of Deutsche Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.