“YES Bank Limited Q4 FY 2018 and Full Year 2018 Results Conference Call”

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MANAGEMENT: **MR. RANA KAPOOR – MD AND CEO**
MR. RAJAT MONGA – SENIOR GROUP PRESIDENT
MR. PRALAY MONDAL – SENIOR GROUP PRESIDENT
MR. ASHISH AGARWAL –CRO
MR. RAJ AHUJA –GROUP CFO

Moderator: Ladies and Gentlemen, Good Day and Welcome to the YES Bank Limited Q4 FY 2018 and Full Year 2018 Result Conference Call.

We have today with us on the call Mr. Rana Kapoor – MD and CEO; Mr. Rajat Monga – Senior Group President (Financial Markets and Balance Sheet Management); Mr. Pralay Mondal – Senior Group President (Branch and Retail Banking); Mr. Ashish Agarwal – Senior Group President and CRO; Mr. Raj Ahuja – Group President and Group Chief Financial Officer and other distinct leaders of the YES Bank.

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 the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I am now glad to hand the conference over to Mr. Rana Kapoor – MD and CEO, YES Bank Limited. Thank you and over to you, Mr. Kapoor.

Rana Kapoor: Good Afternoon, thanks very much and apologies for a slightly late start. Let me come straight down to our numbers. As you know, the fiscal year 2018 has had a number of very significant milestones in our life cycle of approximately 13.5 years since we commenced commercial performance in the middle of 2004 and these milestones are basically fairly important.

Number one – Our total assets in this quarter crossed Rs. 3 trillion. Our total loans crossed Rs. 2 trillion and our total deposits also crossed Rs. 2 trillion. And international banking asset that we book in our offshore center in IBU in GIFT City that too crossed the fairly significant milestone of $2.5 billion aggregating actually to about $2.8 billion. And therefore, we have had a fair amount of compelling growth this quarter and we will elaborate on this in the course of this Presentation.

I do also want to mention that while we have been growing quite significantly in the course of 2017 - 2018, which has otherwise been a fairly demanding year for many-many reasons. The Bank has been able to ensure concurrently that there is an improvement in asset quality after two setbacks we had in April 2017 and the second setback that we had in October of 2017. So two setbacks in the fiscal year 2017 - 2018 despite which in the reasonably short span of time the Bank has been able to make a rapid stride in the overall improvement and complexion of its asset quality book in so much as our gross NPA has improved to 1.28% compared to 1.72% as of December. So sequentially it has improved a fair bit and net NPA has improved to 0.64% from 0.93% in December so that has sequentially shown a fair amount of improvement.

The net credit cost for the full year fiscal 2017 - 2018 stood at 76 basis points which is well within our revised guidance in the middle of the year and we like to believe that this has been contained at the bare minimum possible compared to market expectation not very long ago when it was being forecasted that this number may exceed 100 basis points to 120 basis points. So we have had reasonable soft landing as far as the overall credit cost is concerned. And since I am on this subject in our earlier interaction with the media, we have given a credit cost guidance of 50 basis points to 70 basis points for the fiscal year 2018 - 2019, so that we have visibility directionally as to where are we heading in the current year now, so I thought I just mention at this point itself.

The other couple of important points, in the digital space we are very happy that basis performance over fiscal 2017 - 2018, YES Bank has been ranked as number #2 by the Ministry of Electronics and Information Technology across all segment players public, private, foreign and including payment banks. So, this is a fairly important recognition of our growing strength in the digital domains in digitalization of the public stack as well as the fact that we are adding more and more API's to our overall inventory of product offerings.

We also have received Board approval subject to shareholder approval of dividend on our Rs. 2 per value now of Rs. 2.7 which is about 135% dividend subject to shareholder approvals which are being targeted for June 12, so we still have about 1.5 months to go and which basically means that our dividend payout ratio is about 17.7% well within our dividend policy guidance of 20% payout and 80% retention. So, we would be therefore retaining about 82.3% of our earnings for the fiscal year 2017 - 2018.

So all-in-all, this also was the third important year of the Bank's large Bank phase in our lifecycle which we launched in April of 2015, so three years done, 60% done, two more years to go till March 2020. And as you can see from the composition of the numbers, they are apart from very strong corporate growth on the back of a turnaround and corporate CAPEX public spending and improvement in the overall environment and so much as some of these choked assets are finally beginning to move into safer and stronger corporate owners in itself provides an opportunity for our corporate finance and our corporate banking businesses to be able to grow with prime corporations.

We also, in this quarter gone by had our very debut medium term note offshore bond offering, 5 years bond offering for an amount of $600 million, which was fairly well priced and was literally on the eve of fairly significant volatility that has ensued ever since the last week of January and that deal got a very-very good response started at $300 million closed at $600 million at five year treasury plus 130 basis points and was also the first instrument not only debt and equity but the first instrument to be listed in the international banking center in IBU in Gandhinagar on India's first International Stock Exchange INX promoted by Bombay Stock Exchange. So, a good start to our long-term funding diversification for our offshore book, which as I mentioned to you is at $2.8 billion, out of which the funded book itself about $2.2 billion making us the rank #1 in the IBU in Gandhinagar.

So it has been a very rewarding quarter. But let me move on that and focus a bit on our overall P&L outcomes. Fourth quarter was a 29% increase year-on-year in net profit at Rs. 11,794 million which is overall for the year, was up by 26.9% and this is despite the fact that we had no real bond gains. Overall, we have had a fairly good robust delivery on fees through a significant penetration in multiple corporate as well as mid-corporate relationships.

Net interest income for the quarter grew by 31.4% and for the year grew by 33.5%. So by all means a very good and satisfying growth in NII for the quarter as well as for the full year. NIMs were somewhat flattish at about 3.4% although for the full year it was about 3.5% compared to 3.4% for the prior year.

Non-interest income was up 13% to Rs. 14,210 million and for the year as a whole was up by 25.7% which is also a reflection of growing penetration in our credit book as well as in fact our credit earnings grew by over 100% year-on-year and some component of retail fees have now attained pre-demonetization and pre-GST levels which in a way augers well for further improvement and further granularity in our non-interest fee income base.

Cost-to-income ratio for the quarter was 40.3% for the year as a whole 40.2% compared to 41.4% so about 1.2% improvement in 2018 over 2017 and as we unleash more numerator gains in our retail and branch banking business through digitization, digital operations we do believe in the medium-term we should be able to further improve on the Cost-to-income ratio and bring it well below 40% in the next two years. sss

ROAs for the year as a whole were at 1.6%, ROE 17.7% for the year as a whole. For the last quarter, ROE was 18.8%. So, improving trajectory for the fairly obvious reason given the significant growth in PAT.

Book value of our Rs. 2 a share now stands at Rs. 111.8. So basically, important and effectively it would have been Rs. 560 had a share been at Rs. 10.

Moving on to the Balance Sheet:

Total assets this year grew almost 45.3% to a level of Rs. 3,124.5 billion. So Rs. 3.124 trillion in terms of total assets. So, we are now meaningfully entered the large category of banks or be it somewhat smaller compared to 3 other larger institutionally sponsored private sector banks. But distinctly now the fourth largest private sector Bank in the country. Offshore assets through our IBU grew 166% year-on-year, deposits grew 40.5% to as I mentioned to you to over Rs. 2 trillion CASA ratio was at 36.5% on the back of 41.1% year-on-year growth and within that SA stood at Rs. 443.5 billion; CA is Rs. 288.3 billion; growing at 35.3% and 51% respectively. So CA grew at 51%; SA grew at 35.3% on the naturally rising denominator. And CASA plus retail FD’s contributed substantial by the retail network of the Bank now stand at 57.2%.

Loans and advances in the fourth quarter had almost like a historic increase more recently in a large Bank phase and grew wonderfully at 53.9% to a level of Rs. 2.035 trillion across corporate, MSME, and retail businesses. Within this while, the number is still seems small but core retail, itself grew by 99%. So almost 100% to an overall percentage of 12.2% making this extremely meaningful and the percentage of core retail advances has improved from 9.5% to 12.2%.

Corporate business spread across eight relationship groups currently constitutes as of the end of March about 67.9% which is the sequential growth of 90% and a year-on-year growth of 54.1%. Retail and MSME constitute 32.1% pretty much the same level as last year. But in absolute terms, the business has grown well. In absolute terms, retail and MSME business has grown by 53.3% year-on-year and sequentially by 18.1% and we have further break-ups on the composition of core retail, micro as well as medium-term businesses which in aggregate come to a level of 32.1%.

Capital adequacy in totality was fairly strong at 18.4%; the total capital funds at a level of Rs. 469.8 billion. So we are pretty to the 500 billion capital funds mark. The Tier-I ratio at 13.2% and CET-I core equity, Tier-I capital at 9.7%.

In the year gone by, we were able to raise the fairly significant amount of capital qualifying bonds which shows in many ways the excellent domestic market risk appetite for Yes Bank bonds and within this amount of Rs. 124.51 billion of capital funds that we raise in 2017-2018 you know perpetual bonds was Rs. 54.15 billion. So a fairly big number and Rs. 70 billion were in Tier-II bonds naturally both qualifying under Basel III.

The risk-weighted assets and this is important observation stood at Rs. 2.55 trillion and as a percentage RWA to total assets actually improved by almost 5% to 81.7% compared to 86.6% as of March 2017 and just so that you see the trending March 2017 our RWA to total assets were 86.6%. As of December, only one quarter ago it was 84.3% and as of March fiscal year ending it was 81.7%, naturally reflecting on the improving trend in incremental exposures being to high-quality credits and RWA directionally is now heading towards approximately 70% but a little bit too early to predict a natural numbers. Right now, we are at 81.7%.

The next big chapter which is very-very elaborate, we have further expanded on our asset quality disclosures fairly significantly not just in terms of where the regulatory requirements compel us to disclose but there are also several additional disclosures in anticipation of what may happen naturally in the future.

Let me address the key numbers first:

Our credit cost as I mentioned to you for the year as a whole was 76 basis points, for the quarter was 13 basis points compared to sequentially December was 18 basis points and a year ago was 19 basis points. So, this is an important improvement on a much larger loan base. Gross NPA sequentially improve from 1.72 to 1.28% and correspondingly improved from 1.52% to 1.28% and overall this amount is about Rs. 26,268 million. The slippage number this quarter was roughly Rs. 380.2 crores out of which Rs. 290 crores approximately was due to corporate slippages; 60 crores was retail and small enterprises and the balance approximately Rs. 29 crores to Rs. 30 crores, was due to a failed SDR, aggregating to an overall Rs. 380 crores of slippage in this particular quarter. So this is one of our best asset quality outcomes despite as I mentioned to you, two setbacks we had in April last year back-to-back literally and then again in October 2017 and literally in six months' time we have been able to effectuate fairly significant improvements.

Moving on to net NPAs:

Sequentially improved from 0.93% to 0.64% and correspondingly from 0.81% to 0.64%. PCR coverage as in provisioning coverage is now at 50% compared to just about 46.4% end of December so approximately 3.6% PCR coverage improvement sequentially and it is management intention to improve this PCR to about 60% no later than September, despite the fact that we are expecting a fair amount of NPA recoveries. But still, we have a reason to believe that a 60% PCR is an objective that we wish to achieve by September 2018.

The next big item on the asset quality composition is our portfolio of security receipts, which improved from 1.06% sequentially December 2017 to 0.92% and this portfolio came down despite the fact that two of our older NPAs which go back second quarter 2017 - 2018 were sold and gave us also a recovery. We sold about Rs. 5,894 million. So Rs. 5.89 billion two security receipts sales and we also had an overall recovery of Rs. 552 million in security receipts. The management statement as in the last quarter on security receipts continues to expect minimum 35% to 40% recovery in the course of fiscal 2018 - 2019 of this net number of security receipts which is presently at Rs. 18.8 billion. The fourth key item is standard restructured exposure, this is a relatively small percentage is only 16 basis points which improved from 42 basis points as of December 2017 and when you look at the sigma of the entire net NPA plus net security receipts plus the standard restructured exposure, these three main components added up to 1.73% of our total advances which is a significant improvement over December 2017 sequentially from a level of 2.41%. so 2.41% has improved to 1.73% and the total quantum of this in one quarter has come down from Rs. 41.5 billion to Rs. 35.4 billion.

We have further detailed future disclosures on asset quality given naturally the importance of the disclosures and this also shed some light in terms of where does the Bank stand vis-à-vis the NCLT exposures which are pretty much headlines every day in India nowadays.

In NCLT-I as you will recall, this came out in June 2017, there were 12 accounts listed by the Reserve Bank of India, Yes Bank has exposure to only two accounts which is 0.16% of our total loans and advances and the quantum of these two loans Rs. 3.2 billion which is classified NPA with a provisioning coverage of 50%. So, these two accounts are at 50% we have not taken any relief on the recent dispensation provided by Reserve Bank of India to reduce the provisioning on such NCLT accounts to 40% and on these two accounts we continue to maintain provisioning at 50%.

NCLT-II which came out a list of 28 accounts in September of 2017, we basically have exposure to 7 of these 28 accounts aggregating to Rs. 6.5 billion which is 0.32% of total loans and advances and substantially across three accounts at about Rs. 5.7 billion and here these three accounts are also classified as NPA, so they are part of NPA balance and NCLT-II accounts in aggregate these seven accounts have a provisioning coverage of 43% and are naturally embedded in the overall NPA totals.

The second very important disclosure which is an add-on is the basis on the RBI circular of February of 12, we have on the subject naturally was resolution of stressed asset revised framework. We do want to mention that there is no immediate impact, there is a nil slippage as a consequence of this circular and we are not expecting any significant impact whatsoever beyond these two and seven accounts in NCLT-I and NCLT-II. So NIL exposure as far as accounts above Rs. 50 billion are concerned and there is the impact of only Rs. 2.8 billion in the second band, which is the Rs. 20 billion to Rs. 50 billion range which was announced in this circular of February of 12. So only Rs. 2.8 billion is our exposure to account to accounts between this Rs. 20 billion to Rs. 50 billion.

I also wanted to mention that risk management leadership in the Bank and this goes back to as far to June of 2017 and naturally this is being refreshed every month, every quarter for sure that we have also looked at accounts, our SMA-II accounts or accounts which have some fragility and could be adversely labeled and we had looked at Rs. 10 billion to Rs. 20 billion which could be the next range, was RBI to come out with let us say more detail program. So Rs. 10 billion to Rs. 20 billion even from Rs. 1 billion to Rs. 10 billion, we have looked at all such delicate accounts, sensitive accounts and I am happy to report that this is internal findings and reviews which have been conducted that there is minimal impact for any such accounts being potentially referred under IBC to NCLT. So, these are two additional disclosures for even accounts below the second slab which RBI intimated in February 2018.

On sensitive structures as in the past, we continue to monitor non-renewable energy power sector exposure which is all of 2.7% down from 3.4% sequentially with NIL exposure as in the past to state electricity boards. Iron and steel is fairly modest at 2%, and this is a major turnaround structure in the economy and out of the 2%, 1.5% is A or above rated. Telecom is 2.2%, improved marginally on sequential basis from 2.3% out of which 1.9% of the 2.2% is A or above rated.

We also added because of the current sensitivities, we also added one more sensitive sector which is gems and jewelry, which constitutes, in aggregate, about 1.4% of our total advances. These are vintage accounts fairly granular, no lumpiness and out of this 1.4%, 0.9% so bulk of them are A or above rated. And in totality, our overall corporate portfolio which is approximately 67.9% of the overall advances, 80% of this portfolio is A or better rated.

As in the past, we also have a fairly significant chart on our various sectorial exposures driven by our knowledge banking strategy and our 3 EYE relationship product and risk management architecture, which allows us to be more agile and proactive in risk management as have been demonstrated distinctly over the last 10 years since the outbreak of Bear Stearns in March 2008, so almost ten years ago. And Lehman also in September will be ten years old. So our Bank of 13.5 years as in like fiscal year ending March 2018, 13.5 years in terms of commercial performance 54 quarters to be even more precise have seen the last ten years the vagaries of exogenous and endogenous risk. And time and again, despite all kinds of strains, time and again, AQR divergences, the Bank has proven its agility, its expeditious capability and capacity in turning around adverse situations and yet being able to grow and navigate growth as clearly demonstrated in the year gone by and most definitely in the quarter gone by.

So this was a fairly long commentary on asset quality because I wanted to give the strongest possible assurance to all of you that we are in fairly good shape and we do believe that 2018 - 2019 despite global volatility and some domestic volatility as well that we should be able to maintain growth of around 30% in 2018 - 2019 and we are reasonably confident of the same.

There are also fairly detailed disclosures and commentary on our digital banking initiative. I could go through them, it will take a fair amount of time. But we are doing reasonably well, and we are rearchitecting the Bank as a technology company in the business of banking. So that is how we are restating our mission that we want to be increasingly a tech company with being in the primary business of banking. the And our Future Now strategy, which is driven by digital transformation, which has been orchestrated nationally by a leadership led by Rajat Monga, Anup Purohit and designed by our YES Accelerator in-house accelerator as well our YES FINTECH in-house division led by Aseem Gandhi and Amit Shah, respectively, are doing some wonderful in the overall digitalization and digitization of the banks process and systems and the customer and service experience in totality. So, I would not go through the detail.

On social media, our rankings continued to be make us globally very proud. We are the second highest followed global Bank brand on Facebook with 7.3 million-page followers and in India, we are ranked #1 on Twitter even ahead of State Bank of India as of this quarter ending at a level of 3.3 million followers and Instagram is also ratcheting up nicely putting us also at number #1 rank the 644,000 overall followers on Instagram as well.

In terms of expansion and knowledge initiatives, our headcount, as in our human resources stood at 18,238; branches at 1,100; we added about 50 branches in the last quarter and ATM network is 1,724, and these investments in our physical infrastructure are being managed very prudently given the outlook of digital operations and more and more digital operations which we are centralizing in a very significant new investment being domiciled in Chennai, in Ambattur where we are consolidating our back-office operations in a 700,000 square feet centralized center which will help us to improve our service levels, improve our quality assurance, our turnaround time and also reduce our HR cost and improve the consistent and superior experience for our customer's which is mission critical objective of the Bank.

I did mention to you about the $600 million issue our maiden issue. It did many first, but I would repeat that through Reserve Bank of India as recently as last week has given us two very important approvals to set up international representative offices in London and Singapore. So two very-very key money center locations having established successfully our first office Abu Dhabi almost three years ago in 2015 April and that rep office is doing very-very well for our global Indian business, our NRI business plus also helping us to improve our overall origination of NRI and international corporate banking and corporate financial initiatives which is somewhat reflected in our international banking unit, GIFT City report card.

On sustainability, one of the favorite subjects in the Bank. We are the only Indian Bank to be awarded prime status by a very leading German agency called OEKOM Research, in their latest ESG assessment. And this puts us into the top 12% of peer banks which are 249 of the top 1,000 banks in the world. So 249 of them qualify to be accredited by this particular research agency which measures banks on sustainability and we as a young Bank are in the top 12% of this peer group of 249 banks worldwide.

The Reserve Bank of India also gave further approval for another one year for our bullion and silver operations for the fiscal year 2018 - 2019. And I am pleased to report to you and this is also somewhat a reflection of our growing branch banking business that we imported and sold approximately 60 tonnes of gold in fiscal 2018, compared to a prior year level of 34 tonnes. So 34 tonnes went to 60 tonnes in 2018.

The Board of Directors in the meeting earlier this Afternoon have approved for recommending to the shareholders at the AGM to be held on June 12th, a couple of very important approvals/recommendations. One is an enabling approval even though there is no immediate need but just some enabling approval for an equity issuance of US$ 1 billion through either of QIP, GDR and/or ADR, so it is just an enabling approval with a cap of no more than 10% dilution. So that is one enabling approval.

Two, a new borrowing limit of Rs. 30,000 crores have been approved for the new year 2018 - 2019 which will be effective from the AGM date. And the total borrowing limits of the Bank have been enhanced from Rs. 70,000 crores to Rs. 1,10,000 crores, so that is our total borrowing limit. And for the year the borrowing program as I mentioned to you Rs. 30,000 crores which will be fungible between medium-term offshore bonds, domestic NCDs, affordable housing, green bonds, Tier-II bonds, perpetual bonds, so on and so forth.

The overall awards and recognition is a fairly long page. I would not elaborate on that, I leave it to you. As you get time, to go through some of these accolades which are across many-many functions. And I am very-very happy on one account particularly that the Bank's recognition for our human capital across the Board globally including CNBC Asia's IBLA recognizing us for our talent management. We have got the Rank #1 Award for talent management from Asia CNBC IBLA. That was very important. And a number of other HR awards for the overall human capital which to us is the intellectual property of the Bank and this is something that drives us, motivates us as the management team of the Bank and this is a very-very key recognition and a fairly recurring recognition nowadays.

I just want to add one or two other quick points on the break-up of provision:

We had a provision of Rs. 399.6 crores, so Rs. 3,996 million. The break-up of that is NPAs were Rs. 1,740 million; NPI-ARC Rs. 1,050 million out of which approximately Rs. 880 million was ARC-driven provision and the balance was approximately driven by the NPI provision and unhedged exposure was Rs. 60 million. And GLL, given the exceptional growth in the quarter, contributed to Rs. 1,150 million towards the overall provisioning for this particular quarter.

One other key metric was basically our daily average liquidity coverage ratio (LCR) that stood at 102.1% well above regulatory requirements. So I thought I would mention this too.

And with this substantially the management commentary is done, and we are now open to your questions please. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: I just wanted a sense on future loan growth because there is a lot of opportunities, this year you have grown very well at 54% because so many banks are in PCA, would you like to continue to grow at this pace, if it is possible, would you like to slow down to the 30s how do we look at it?

Rana Kapoor: Yes, Mahrukh, we have reason to believe that despite the higher denominator for 2018 - 2019 and potentially even in 2019 - 2020 till definitely March 2020, our objective as the management team is to grow around 30% given unique opportunities, given the market backdrop for us to grow as we also know there is a fair amount of compression in the markets. There is also a lot of introspection going on. And the good thing is that CAPEX somewhat is coming back, public spend is looking a little bit more robust and a lot of choked assets are finally likely to see some light at the end of the tunnel, one or two of them are in the advanced stages of getting redeemed as in rehabilitated. And we do expect that it is 10 - 15 of the larger NCLT-I and NCLT-II cases in the course of fiscal 2018 - 2019 will also provide opportunities for selective growth in some of these assets. So we have reason to believe that we should be able to grow definitely around 30% and try to endeavor to achieve similar P&L outcomes. Usually there is a bit of a lag effect on P&L but our endeavor will be that P&L should grow at least 25% to 27% and advances grow around 30% or so.

Mahrukh Adajania: If you get an opportunity to do 40% - 50% like you got this year, would you take it?

Rana Kapoor: Mahrukh, I think yes, because the credit environment is significantly de-risked. Substantially, the recognition process in let us say the asset quality looming concerns, which are overhanging for the last two years - three years - four years is largely recognized. I think there is a fairly advance remediation going on and naturally, also recovery around that. And we have reason to believe that there are opportunities to grow with larger corporates as there are opportunities to build small-medium expertise exposure and our retail businesses also achieving critical size and momentum with some fantastic bench strength in place, good teams, national coverage and a brand which is also resonating and back offices which are fairly well equipped with proper bench strength. So I think literally most aspects of the Bank are fairly well-aligned to capture growth at a time when there is compression by the baking system for their own in-house reasons.

Mahrukh Adajania: And just one more question on deposit growth. The moderation in savings is largely because of the rate environment where people did more term or how do you look at it?

Rana Kapoor: Actually, some of the CASA numbers in particularly SA seems to get overshadowed because of rapid growth of the overall balance sheet. But SA has indeed grown Mahrukh by 35.3% and CA has grown by 51%. So in absolute terms there is very good growth but somewhat diminished by the overall balance sheet growth and we have reason to believe that as a 6% savings offering that we continue to be fairly competitive and I think increasingly with our payroll strategy, with our B2B, B2C conversions, with our API installations improving with our corporate customers and with fantastic traction happening in our retail branches that you know we should continue to see 30% to 40% SA growth and naturally we also like to see CA growing considering the cost advantages embedded there.

Moderator: Thank you. The next question is from the line of Veekesh Gandhi from Bank Of America. Please go ahead.

Veekesh Gandhi: I have few questions. First is, can you just give us some color on the Rs. 2.2 billion funded assets in the IBU, what kind of lending is this and corporate profile? And the second question is around margins, so obviously, this will be around one of the USPs of YES Bank has been the sustained lines of margins. And probably I understand there are growth opportunities. Probably, that would have led to some softness in margins while it has been flattish Y-on-Y full year. But how do we look at margins from here on let us say one year? So these are questions from my side. Thank you.

Rana Kapoor: So, Veekesh, foremost thank you for your valued sentiments. On your first question on IBU, we have a total asset book of Rs. 2.8 billion of which our funded book is Rs. 2.2 billion. This funded loan book is predominantly to subsidiaries of Indian corporate, their international operations so that is our number one activity and our second activity is also some prime NRI houses which are domicile in key money center locations whether they are Abu Dhabi, whether they are in London, we are working very-very closely with some of these NRI houses who have a presence in India, assets in India because we are finding that given the overall returns in India, number of the NRIs are stepping up their investments within India. So that would be our second level as far as corporate advances are concerned. In fact, I should have mentioned that we have actually recently set-up an international corporate banking and an international corporate finance unit as a subunit of our corporate banking and our corporate finance business to actually grow this book and to prime Indian multinationals who have going concerns, good operations and who are investing in the international businesses with the TASC support, corporate guarantees and/or other tangible support of their domestic balance sheets. So, we are not taking a standalone risk there, but we are taking fairly credit-enhanced support of these corporate predominantly with India country risk and not so much international country risk or transfer risk. So that is part of the strategy. On margins, your observation is indeed valid, and I think, this is a period where we need to convert our hard work of the last 1.5 decades which has gone into building our knowledge banking strategy which we also call 'Mindset and Mindshare' with our clients. And right now, it is a sweet spot in YES Bank's life cycle to grow loans. So there will be some margin sacrifice for improving our risk-weighted assets, some margin sacrifice maybe for one or two or more quarters. But invariably, we are seeing as we break into larger corporates and if we do a good, smart job of entry it more often than not translates into superior cross-sell. And once the cross-sell comes in naturally starts improving the overall RAROC and also the margins in the course of time. So it continues to be our endeavor to focus intensely on our CASA growth with our uncompromising objective to get to 40% CASA very well before March of 2020 and I sense that may happen well within this fiscal year by March 2019. So we still have four quarters to improve our CASA from 36.5% to 40%. So we are advancing this objective from 2020 by at least one year and that should naturally accrete and the third point as you know only too well because you write some very outstanding research reports that there is a lot of stored value in our SA balances because we have Rs. 443.5 billion in SA balances averaging 6%. So there is stored value and as you know some of our larger peers are offering around 3.5%. At some stage over the next couple of years, we too will unlock some of the stored value and today, if I have to equate the stored value at 6% versus 3.5% this in itself is somewhere between 35 basis points to 40 basis points in a NIM improvement were we to fully unleash this value. It is unlikely that we will do it one shot, but this is the embedded store value in our margin and in our SA accounts. Also, one point but that is more gradual that we are also producing more and more organic priority sector rather than buying participation certificates which come at very low returns and at negative spreads. So through Sumit Gupta's leadership and our rural branch banking businesses and our PSL businesses, we are generating more and more in-house priority sector lending and that will also reduce the cost of PSL gradually that would not happen in one year. It possibly will start showing significant and superior results maybe over the next two years. So there is more organic production of PSL rather than buyouts of PSL. So when you add three or four things, we are still on track for a 4% on NIM by March 2020.

Moderator: Thank you. The next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Firstly, in terms of the definitely you highlighted that we are planning to increase the provisioning coverage to 60%-odd. But any kind of credit cost guidance for FY 2019 earlier you said like somewhere around 50 basis points to 70 odd basis points for FY 2018. So any guidance for FY 2019?

Rana Kapoor: Yes, this question has been raised. And we believe the credit cost guidance for this year somewhat better than the actual of 76 basis points, is 50 basis points to 70 for the year 2018 - 2019 and without in any way impacting our P&L outcomes which as I mentioned to you should be distinctly between 25% and 27%. So without impacting them, our credit cost guidance is 50 basis points to 70 basis points.

Kunal Shah: Okay. And if you can also share the rating profile as the larger part of the growth has also come in Q4, so if you can just share the overall rating profile?

Rana Kapoor: I think, overall, as we have tried to disclose in our media announcement the 67.9% of our corporate portfolio, 80% of this is A or better retail and there is a further break-up which is available and maybe Rajat, you can go for it.

Rajat Monga: So Kunal the rating profile will be made available on our IR Presentation that will be on our website, I will just quickly relay it to you on the call. So we will give that split between AAA at 23.2%; AA category at 13.3%; A category at 42.9%; BBB category at 18.5% and the below investment grade category at 2.2%. The rating profile has generally shifted for the better and if we just want to draw a comparison about a year ago that like Rana was mentioning earlier on the call are risk-weighted assets intensity has fallen from 86.6% to 81.7%. That is about a 500 basis points fall in risk-weighted intensity. If you relate it to the entirely contributed by the new growth, what it means is essentially that the new growth of last year the 54% asset growth has come at a risk-weighted intensity of about 68%. So while the legacy book may have been at 86%, but the new book risk-weighted intensity will stack up to about let us say 70%. So there is a good 15% let us say the reduction in risk-weight intensity given the opportunity also that is currently available. The lending environment in the country is de-risking and de-bulking, so that is also reflecting in risk-weight intensity. It is also showing up in somewhat moderated margins like we were discussing earlier.

Moderator: Thank you. The next question is from the line of Manish Karva from Deutsche Bank. Please go ahead.

Manish Karva: I just wanted to check on the capital position obviously, given the growth that you are doing, you will require some capital during the course of the year. So how are you thinking on that front?

Rana Kapoor: Yes, Manish, there are two forms of capital that we want to engineer maybe in the some sequence in the course of 2018 – 2019 and potentially spilling over into 2019 - 2020 is a pure equity capital raise towards the end of the year or the beginning of next year of not more than US$1 billion and as I mentioned earlier this would within 10% dilution cap. The second thing that we have been to amply demonstrate is our ability through domestic sources, be able to raise perpetual bonds which qualify as you know for Tier-I ratio. Last year we raised Rs. 5,400 crores and we also raised Rs. 7,000 crores of Tier-II bonds. Tier-II bonds have been rated AA+ so that finds a ready market. And our perpetual bonds are only one notch below that at AA. And depending on the frame of mind I know our leadership here in this room is looking reasonably hard to see in the course of 2018 - 2019 if we get a rating upgrade and should that happen naturally that will also help our overall cost of funds, our overall pricing and add more deep and more depth to our distribution for our perpetual bonds as well as for our Tier-II Basel III compliant bonds. So it will be a combination of a couple of these activities as demonstrated through our QIP in March 2017 and so I mentioned to you Rs. 12,450 crores of capital qualifying bonds raised in fiscal 2017 - 2018. So we will continue to work on that path and make sure our cap add is north of 15% and at least Tier-I is kept above 12% and we would not want our CET-I to fall below 9.5% nad definitely not below 9.0%.

Moderator: Thank you. The next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani: Sir, you just mentioned 9.5% CET-I, right now it is at 9.7% and you are kind of guiding for 30% growth next year and if you raise capital by the end of next year this 9.5% target may not met. So can you take us through how you are planning 30% growth and also keeping 9.5% CET-I?

Rana Kapoor: Let me take the easy response first then Rajat will add to it. Number one – please remember that with a PAT increase as we have done in 2017 - 2018 which has grown by over 27.5%, our retention of earnings is fairly high at approximately 82.5%. So that and given our risk-weighted to totals asset combination which has improved to 81%. So if you look at retention of earnings at around 82% - 83% and with the fairly liberal dividend of 135% and still retaining 82.5% that in itself provides us in-house retail capital to be able to grow at at least 20% to 22% given our RWA combination. And then naturally through perpetual bonds and our Tier-II bonds, we can grow another 4% - 5%. And in course of time, as I mentioned to you towards the end of this fiscal year, early next year, there will be need for a core equity capital issuance and to me, that is important because it is ROE accretive as we have demonstrated time and again through our three QIPs since 2010, 2014, and 2017 each of three QIPs have been very-very accretive and therefore, we will time it in such a way that we raise a measured dose and be able to sustain growth levels of around 30% with high rentention of earnings.

Moderator: Thank you. The next question is from the line of Adarsh Parasrampuria from Nomura. Please go ahead.

Adarsh Parasrampuria: Firstly, on the RBI audit and divergences, I think the FY 2017 divergences has been handled or at least addressed really well. I just wanted to understand that we may have concurrent audits for FY 2018 and having learned and you had limited chance in FY 2017 to see what the regulator was looking at in terms of diversions. How do we draw comfort on the fact that you would have addressed that for FY 2018 in any possible manner if you can give some qualitative comments around that?

Rana Kapoor: Adarsh, it is a good question. In the fiscal year, we actually, as I mentioned to you, had two divergences related setbacks in April and October. So literally two inspection outcomes in a way hit us literally with a gap of six months on record. but physically from one outcome to the beginning of the next inspection with a gap of only three months. So naturally the management has been baptized, the Board has been baptized and I must confess, even the statutory auditors, KPMG, now for the last two years have been more than adequately baptized. So literally the audit committee of the Bank, the Board of the Bank, the management of the Bank, the stat auditors of the Bank, everybody has deeply dived into RBI, so-called IRAC rules, which naturally have been interpreted by us after two setbacks in the last fiscal year. And the level of diligence which is going on first, in-house by the management; two, by the stat auditors; three, also by the ongoing offside regulatory supervision which is embedded in the risk-based supervision of Reserve Bank of India. And the on-site is typically about 2.5 months - 3 months in a fiscal year has given us enough experience to believe that we understand how RBI's interpreting these IRAC rules and divergences. And with heightened interventions of the stat auditors, naturally a lot of in-house steps, further upgradation and fine-tuning of Board-approved policies a lot of measures have been taken and naturally, the auditors, particularly for the fiscal year ended March 2018 have been extremely in-depth, extremely diligent in addressing RBI issues and have given us an unqualified opinion including relating to past loans, past divergences, past assets that were NPA, so all of that has been reviewed and I think collectively, we have a full understanding of RBI expectations in this regard.

Moderator: Thank you. Due to time constraints, we will take the last question from the line of Nitin Agarwal from Motilal Oswal Securities. Please go ahead.

Nitin Agarwal: My question is on the balance sheet growth. Now this year we have grown our balance sheet size from Rs. 2 trillion to Rs. 3 trillion so very rapid growth that we have seen. And you have said that you want to grow nearly 30% for FY 2019 as well. So how challenging do you think will it be able to fund this growth as deposit growth still remains relatively soft and credit-deposit ratio this year has increased pretty sharply?

Rana Kapoor: So Nitin, as I did mention earlier, we are targeting about 30% growth in advances. And the funding for this is coming through CASA and retail FDs which constitute now 57% of our funding base. Roughly about as you know cap add is at 18%, so when you add another 18% or even 15% to that number, you are looking at approximately around 75% coming in from our retail network plus our equity and our hybrid equity base. So our institutional borrowing dependence and mostly long tenure is just between 20% and 25% and given our ratings and improving ratings in course of time let us access to international borrowings as demonstrated we believe a mix of let us say 60% coming from branch banking as in retail banking, capital plus capital qualifying bonds contributing roughly around 15% to 18% and the rest of 20% to 22% coming by borrowings will be the approximate liability management mix of the Bank to fund this growth. Rajat, do you want to add?

Rajat Monga: Yes. So, Nitin, you can assume like in the past year CASA has been growing anywhere between 40% and 50%, we believe it will continue, though the base is getting heavier so maybe it will continue to grow at the lower end of this range. So that itself is a good start because the low-cost deposit mix is maintaining its 40%-odd growth rate. This year was harder because the loan book grew more like 54% and we could not up to that pace for our granular deposit because that is not easily possible either. But the momentum is continuing, the branches are getting added, the business is getting stronger on the ground. So we should be able to keep the CASA meter running at a 40% year-on-year growth. As long as we achieve that I think the rest is logically I would say falling in place. We have grown our deposits at 41% even this last year and we will be able to keep that pace easily going provided CASA does its job at 40% year-on-year growth, that will also improve the mix of CASA by another 200 basis points to 300 basis points help the margins in the process as well. So funding will fall in place. I do not think that is not a very big ask. This year was harder, next year will be easier.

Moderator: Thank you. Due to time constraints that was the last question. I now hand the conference over to Mr. Rana Kapoor for closing comments.

Rana Kapoor: Thanks a lot of your patience and support. I think, time and again, the Bank has demonstrated mostly over the last 10 years, so 40 quarters against all kinds of headwinds global, Eurozone, U. S., China, Japan, India, that the Bank is able to navigate growth and be able to preserve its asset quality even after an extraordinary couple of setbacks. And I also want to give strong assurance that given the agility of management, the strong support of the Board led ably by our Chairman – Mr. Ashok Chawla and today we have also added two more Board members to replace two retiring members, Mr. Chandrashekhar – who was the Executive President of NASSCOM. He is also being inducted on the Board today. And one Dr. Pratima, who is a Dean of one of the top colleges in Pune is also coming on our Board, so lady director has been also replaced. So what I am trying to say that the objectives of the Bank to grow, preserve quality, maintain proper Board and management governance and on management governance also we have made a couple of changes which are in public domain. So I think literally Board and management governance is really stacking up well. And I think, in the next two years will more than amply demonstrate the ability of the Bank to really emerge as a large Bank. And some of the numbers we have shared with you in the past as part of our ‘Five-Year Vision’ and strategy which was announced in April of 2015, I think we are back on track to achieve that to be an Rs. 5 lakh crores Bank, so Rs. 5 trillion total asset Bank and certainly cross Rs. 3 trillion in deposits and advances by 2020 as we have done Rs. 2 lakh in this particular year and work towards emerging in the top six-seven public and private banks in the country, surely by 2020. I think on profitability, we are already there as you can see. And I will request my colleague, Niranjan, to share a peer group comparison of the three institutional banks and the three banks including us in our peer group. And you can see that we are very much on track and has emerged as a fourth largest standalone Bank in the country. And I think, we will maintain that position for quite some time to come at least organically in our case.

Thank you very much for your patience. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of the YES Bank Limited, that concludes this conference call for today. Thank you all for joining us and you may now disconnect your lines.