



“YES Bank Limited Q4 FY-21 Earnings Conference Call”

April 30, 2021



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Moderator: Ladies and gentlemen good day and welcome to YES Bank Limited Q4 FY21 and Financial Year '21 Earnings Conference Call.

Today we have with us the senior leadership team of the bank led by Mr. Prashant Kumar - MD and CEO, YES Bank, Mr. Niranjana Banodkar - Chief Financial Officer, Ms. Anita Pai - Chief Operating Officer, Mr. Rajan Pental - Global Head (Retail Banking) and Mr. Ashish Agarwal - Global Head (Wholesale Banking).

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prashant Kumar. Thank you and over to you sir.

Prashant Kumar: Thank you, very good evening. Thank you everyone for joining the YES Bank FY21 Earnings Call. Before we get started, I hope you and your families are safe and well. It is also important to take a moment and express our gratitude to all the frontline COVID warriors who are tirelessly working for the betterment of the people amidst the resurgence of COVID19 cases in the country. I have the top leadership team of the bank with me. This is the first full year result after the reconstruction of the bank and the moratorium imposed in March 2020.

During the COVID pandemic the bank had to solve for liquidity, capital, stressed asset resolution, rebuilding the operating metrics, governance, and risk culture. Most importantly this had to be achieved while concurrently re-building trust with all our stakeholders. The biggest strength was our valuable customers who stood by us throughout this new journey of the bank.

I would also like to thank more than 21,000 motivated employees guided under stewardship of the Board of Directors, strong support from the regulators, State Bank of India, and other investors. Now given this backdrop, we have completed FY21 with a strong resurgence on the below metrics.

On the liability side, we have been able to grow deposits franchise by 55% to INR 1.63 lakh crores. We successfully raised INR 15,000 crores of capital via an FPO in July 2020. We also made a cash recovery of INR 4,933 crores during FY21 from our stressed asset pool.

Our operating profit, we have seen as very healthy growth of 42% YOY on the back of net interest income increase and reduction in operating expenses. Cost-to-income ratio has come down from 66% to 54%. The significantly stronger and robust governance model with changes across organization, processes, and the business statement.

We have also concurrently worked towards granularizing the balance sheet and in FY21 we have demonstrated this with an advance mix of retail and MSME at 51%, which is 700 basis point up

from the last year. In fact, we have seen the INR 12,000 crores of disbursement in the fourth quarter, and this has been the highest ever for the bank. Having said this, we also continue to support our corporate business with a focus towards granular and transactional working capital loan.

Now coming on to the asset quality:

We believe that December has been the peak with March outcome showing improvement in the outcome. Net Exposures such as NPAs, NPIs and other labelled exposures together has come down 20% quarter-on-quarter and overall coverage has improved from 68% to 75% and further aggregated overdue pool of 61 to 90 days and 31 to 60 days are sequentially lower. Going forward in FY22, we expect to grow our loans by 15% with continuing momentum on retail and SME and resuming growth in wholesale banking. We would also like to support this growth through a faster growth in granular and stable deposits towards achieving a CD ratio which would be lower than 100% and CASA ratio of more than 30%. Importantly in FY22, a combination of operating profits on the back of expanding margins and continued focus on cost-effectiveness and a minimum cash recovery of INR 5,000 crores would lead the growth aspiration of the bank, while ensuring sufficiency in capital buffer. And just to remind you that we also have a capital buffer of 280 basis points sitting in our deferred tax assets. We have put out a comprehensive presentation which showcases our business objectives and strategy in detail including initiatives we have undertaken in the digital and technology space which we believe will further propel the bank to meet its objective.

I will give you some of the headlines on some of the key operating performances. We have ended the year with a 42% YOY growth in operating profit to INR 4,977 crores on the back of healthier earnings spread across net interest income which is 9% YOY growth and decreasing in the operating cost. Our Quarter 4 FY21 operating profits has been only 185 crores, and this is mainly on account of interest reversal and accelerated provisions due to COVID after the verdict from the Supreme court has come in terms of recognition of the entire standstill NPAs.

Our deposit book has been granularizing at a fast pace. Our CASA and retail term deposits has grown by 40% YOY and now at ~INR 94,000+ crores and our total deposit book is at INR 1.63 lakh crores which has shown us 55% YOY growth. Retail asset has grown by 23% YOY and which is touching almost 50,000 crores and the share of retail asset to total advances as of now is 30% from 24% at the end of FY20. Additionally, fee income has also grown steadily by increasing, deepening deposits relationship with our customers, growth in retail asset and a strong transaction banking franchise. In fact, the core fee income has grown by 22% quarter-on-quarter and our retail banking fees has also grown by 21% YOY and has recorded a highest ever quarterly performance.

We have seen an absolute operating cost reduction of 14% and 12% reduction in Cost-to-income ratio for FY21 driven by structural improvement in productivity and operating efficiencies. The gross NPA percentage has reduced annually by 140 basis points to 15.4% for the year FY21 and

our net NPA stand at 5.9% with a PCR of 79%. Our GNPA book or what we call our legacy stressed book is now well provided and has also demonstrated a robust cash recovery of INR 4,933 crores in FY21. Our overdue book between 31 to 90 days has reduced by 28% over the last quarter. We believe that both our asset quality and asset quality recognition has peaked in and our recovery income will cover for any incremental slippage next year. Despite elevated slippages the bank has prudently made accelerated provisioning which reflects in the PCR for NPAs at 79% and PCR for NPI at 92% and because of this strategy of making accelerated provisioning there has been a net loss of INR 3,788 crores in Q4FY21 and despite this our capital and liquidity position has significantly improved.

The CET ratio has remained healthy at 11.2% despite the accelerated provisioning, CD ratio at 102% as compared to 163% in FY20. Our average LCR during the last quarter was 114% and we ended that year with a LCR of 122%. Now if you see our asset quality, our GNPA as of March '21 is INR 28,610 crores as compared to INR 37,869 crores in December '20. And in December '20 when we talk of say INR 37,869 that was including a standstill NPAs of INR 8,322 crores. Our incremental slippage in FY21 is INR 12,305 crores and additionally the other exposure which are from NPIs and ARP loan etc. they stand at 12,852 crores as compared to INR 12,755 in December '20.

In summary: Our PCR has improved from 68% to 75% on the total labelled exposure for this quarter and for the full year, our reported GNPA now stand at 15.4 and net NPA 5.9. As a result of this our net exposure now stand at INR 14,903 crores as compared to INR 18,613 crores in the previous quarter and which is a reduction of 20%.

Our overdue book, if you see 61 to 90 days is INR 4,661 crores and has come down from INR 6,537 in December '20. Our 31 to 60 days book is at INR 9,000 crores and has come down from INR 12,316 crores. Now 47% of our 61 to 90 days book which is INR 2,200 crores, is in the implementation stage of COVID related restructuring and which we expect to complete in the first quarter.

On the recovery side our specialized recovery team of more than 100 professionals have demonstrated significant track record of recovery amounting to INR 4,933 crores and this recovery has been granular comprising more than 100 large and small accounts. We also expect to have a cash recovery of at least INR 5,000 crores in FY22 as well.

Our incremental slippage in FY21 of INR 12,300-12,500 crores is mainly from the corporate book and primarily comprises of sector that has been badly affected by COVID. Like commercial real estate, hotels and hospitality and public health and social infrastructure and we expect that these assets would bounce back as the economy would recover. We believe that both our asset quality and recognition speed beginning to show sign of improvement. Some visibility on the deposits; so, our deposits as I have shared is at 55% growth and our CASA deposit has grown at 12% quarter-on-quarter and our CASA ratio is now at 26.1%. The most important thing



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is our new customer acquisition which has increased significantly. We have acquired new CASA customers 6.6 lakh as compared to 6 lakhs in FY20.

Our retail deposit book continues to stay granular. In the next 3 years, we continue to stay focused on doubling the deposit book and increasing the customer base to almost 3X. And we also aim to improve our CASA ratio to 40% and double the cross-sell ratios.

Retail and SME advances have seen a strong growth. Retail disbursement at a lifetime high of INR 7,530 crores and SME disbursement of INR 4,612 crores.

On the SME we would be continuously focusing this, and we have also seen a strong growth on the credit card franchise also and the book size has grown by 42% YOY to INR 1,451 crores. Rural and inclusive business have also grown up and in the next 3 years, we plan to double the retail asset book to INR 1 lakh crores by FY24 and which would be driven by a combination of internal sourcing, specially increasing the locations into Tier-II and Tier-III cities and also with the help of the digital innovation.

Our wholesale book witnessed a strong growth in the non-credit throughput during the year which is almost 4X quarter-on-quarter and 100% of the non-credit rates throughput and 93% of the transaction clients are back to the pre- moratorium levels.

We continue to granularize the corporate lending book in high quality and opportunities segment and systematically reducing our net advances exposure towards COVID stressed sectors. And looking ahead we plan to grow transaction banking fee income faster rate than the corporate loan book and while the overall corporate book has declined marginally due to our strategy for de-bulking and de-stressing, but we are also focusing on increasing the corporate book selectively and have disbursed more than INR 3,500 crores in Quarter 4.

We will continue to grow lending selectively in the high-quality corporate space and support our clients. We continue to command a leadership positions in our payment space and in fact, our share of UPI transaction has increased to 45% from 33% at the end of FY20. In the last 12 months, the bank has strengthened the technology and data resilience significantly. We transact over 1 billion UPI transactions monthly.

We have also built several industry lending solutions. We pioneered the API banking platform that has currently scaled up to more than 400 APIs and integrated with more than 3000 partners. We have also launched Yes Connect, a bouquet of standalone and integrated B2B finance solution with more than 10 partners. We have significantly ramped up our advanced analytics capability during the last 12 months and our generating value, we have set up centralized data analytics in governance team and led by newly appointed Chief, Data and Analytics Officer who is driving more than 15 use cases and multiple models across personalization, risk and cross sell and we have also seen more than 3.5 lakh customers to be cross sold via these triggers.

On the cost management side, we would continue to work on the reduction on the cost side which would be mostly on the non-employee side. On the people side, it is a very challenging time, but we have realigned our compensation and HR process and we have already completed the appraisal process for FY21 which include issuing the increment letter for around 20,000 employees in the first week of April itself. A significant proportion of our senior management compensation has now been made variable and linked to the long-term performance of the bank. We have also moved towards the work from anywhere regime which will not only provide improved flexibility and support during these trying times, but I think it would also help us in bringing more cost efficiencies going forward. We are supporting our employees during these trying times. on multiple fronts, including free vaccination, webinars sessions with medical professionals for both employees and customer and also arrangement for the RT-PCR test and also in terms of providing the best medical facilities to our staff. We have also taken number of measures in terms of improving the governance and this is coming out of our learnings from the past. I would just recap our priorities for FY22.

In order to achieve our medium-term objective, which is a retail MSME mix of more than 60%, CASA ratio of (+40%) and a ROA target of 1% to 1.5%. Our FY22 aspirations I would just again recapitulate; focus on advances growth while continue to improve on granularity so we are targeting a 20% growth in retail. We would also be resuming growth on the corporate side and we would be targeting at a 10% growth; that deposit to grow faster than loans and CD ratio would come down below 100% and the CASA ratio would be more than 30% and we are absolutely on the trajectory to reach a ROA of 1% by FY23 and FY22 would see ourselves on the ROA trajectory in that roadmap.

I will stop here and wish you all a very good health and have a safe and prosperous FY22 and now we can open the floor for your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Elara Capital.

Mahrukh Adajania: Last quarter you had talked about a possible equity issuance. If that is still on the cards, then what will be SBI's role in that I mean any soft or hard commitments and what are the plans on any new equity issuance?

Prashant Kumar: As of now, our CET is 11.2 which is having a 300-basis point comfort over the regulatory requirement. In FY22 our recoveries would take care of our credit cost. Any capital consumptions would be only for the growth purpose and the way we are targeting a growth of 15% on our loan book, our capital would meet that requirement, keeping it more than the regulatory requirement. But during the year because our year would be very tricky because of the current situation if we come across a higher growth opportunity, then we would definitely examine this part because we would not like to leave the growth opportunity for shortage of capital. As of now, I think we are well on the capital.

- Mahrukh Adajania:** If you could just remind me on what is the agreement with SBI on fresh capital raise as in would they participate, or it is just going to be a general open market issue or if at all there is one for growth?
- Prashant Kumar:** if you see the reconstruction scheme of the bank SBI is supposed to keep a minimum 26% capital for next 3 years which is up to FY2. That is as per the reconstruction scheme but what I like I was sharing with you. As of now, we do not see any need to raise capital but going forward if there would be any requirement for growth purpose at that point of time, we would evaluate that.
- Mahrukh Adajania:** One more question is on the stress. So, even excluding your restructuring, the stress book is still high and given that we are in the second wave what is the early assessment on the second wave? Even with the second wave you are expecting recoveries to exceed slippages.
- Prashant Kumar:** First in terms of impact of second wave, too early to make a comment but we are absolutely confident that recoveries would be more than the slippage and we have done a very detailed analysis of our book which is in the overdue position.
- Mahrukh Adajania:** Can you throw some more color on recoveries? Not account wise but maybe sector wise or any one or two lumpy accounts or any such thing or what is being resolved under NCLT or any such color?
- Prashant Kumar:** This cash recovery of INR 4,933 crores, this is over more than 100 customers, and this is across different segments. I think on our entire book, first year while we have really started engaging and results would start showing in much better way during the current financial year.
- Moderator:** The next question is from the line of Suresh Ganapathy from Macquarie.
- Suresh Ganapathy:** The first is just trying to reconcile certain numbers. Your total gross labelled exposure is INR 41,000 crores on which you are provided INR 26,000 crores. That is a rough 64% coverage right so that is the reported, on a reported basis. On top of that you have about INR 13,000 crores of overdue book on which you may carry about INR 230 crores of provision considering the kind of overlap you have with the restructuring book and you have made 10%. Am I right on that INR 13,000 crores you carry INR 230 crores?
- Niranjan Banodkar:** On that pool, yes, we have a INR 2200 likely implementation exposure on which we are carrying a 10% that is right.
- Suresh Ganapathy:** So, there is Niranjan, no nothing over and above these 220 crores which you carry on the INR 13,000 crores book. No Covid provision, no contingent, nothing like that right?
- Prashant Kumar:** We have not made any contingent provision on this overdue book because of two reasons. First like on our book which has been recognized as NPA; we have already made a very aggressive provisioning and our provision coverage is 79% on that book. So, we had two options, one option

was to make a minimum regulatory provision on the existing book and also make some prudent provision on the overdue book, but we have taken a call to make an accelerated provision on the existing book so that going forward the credit cost on account of this book would not be affecting the earning during the FY22.

Suresh Ganapathy:

I just want to deliberate on the earlier question because we of course know the second wave is very unpredictable and some of the best banks in the system, large banks do not have an SMA book of more than 1% and still they are struggling to reach 1.5% ROA. You have an SMA book of 8% and you are still guiding a 1% to 1.5% ROA and with such a massive second wave going on, how confident you are that you can reach this kind of levels because you are really talking about the best-in-class ROA for a bank and system. Are you really confident that you can meet this? And also, if you can tell how has been the April SMA book? You would have some color, right, whether these INR 13,000 crores are moved or not upwards because of the current stress that we are seeing?

Prashant Kumar:

First part our guidance on ROA going to 1% to 1.5% is not for FY22. I think this is a medium-term guidance and definitely our guidance of 1% ROA for FY23 is absolutely intact and despite COVID what we have projected in the early 2020 financial year, we are absolutely on track of that so that is one part. Second thing is you see the 13,000 crores of book which is with the overdue so out of INR 13,000 almost INR 2,200 is already identified for restructuring, you can take that part out. Almost INR 2,000 crores have already become zero DPD. We have analyzed of the entire book account by account and these accounts used to be in overdue position always traditionally. We are not seeing any risk in terms of their places but today what we were saying in terms of second wave or maybe going forward we really cannot comment in terms of what would be the COVID impact going forward. This is something which is uncertain but as of now we are quite confident.

Niranjana Banodkar:

Suresh, if I can also add one more point. If I look at let us say the 61 to 90 days and if I at least remove the INR 2,200 of the restructuring that left with about INR 2,400 crores of exposure and as Prashant have said, there has been some regularization as well but let us stick to that 24. That is about a 1.4%-1.5% of estimate to which has reduced; I am saying if you look at the full construct of the entire gross level, you add everything together; there is actually a reduction from a sequential basis and increase in the coverage and 1.4%-1.5%, is not an outlier number from a SMA2 performance and not necessarily reflective of a stress that will definitely precipitate.

Moderator:

The next question is from the line of Ruhi from Reliance Nippon.

Ruhi:

My question is there were couple of court cases post the reconstruction of the bank happened last year. At present what would be the status of those cases and will there be any liability on the bank which they would have to bear because of these court cases?

Prashant Kumar:

I am aware of only one type of court case. Court cases are several, but it is only related to AT-1 bond and I think in Madras High Court, the decision was taken in terms of whether they had

uphold the decision of the bank in terms of writing down the AT-1. But there are cases which are pending in different courts so as of now, there is no such claim on us that we do not see any liability of the bank as of now but since matter is sub judice, we would not like to make any other comment.

Moderator: The next question is from the line of Piyush, a Retail Shareholder.

Piyush: Actually, I am holding the share, in fact lots of shares from last 3-4 years but as a retail share holder I am not getting the value as of now. After the change of management also I am not getting the value. What can I expect going forward? Whether I should get the value, or no?

Prashant Kumar: One thing we can always say, assure you that from the bank side we are continuously strengthening the balance sheet. As above if you see the entire existing growth, a provision coverage of 79% and on the investment, side is 92% provision coverage, if there is any healthy part of the balance sheet and if you see we are growing on both retail-deposit side and also on the loan side and our operating profits have grown up by 42%, so issue is only in terms of timing. I think I can assure you from the bank.,we are continuously improving on the business front; we are continuously cleaning the balance sheet, and this is the only one thing I can assure you or share with you. How we are moving to the share market very difficult to say.

Piyush: That's fine but as a retailer shareholder I have lost everything. Actually, my age is now 28 but I have lost everything in YES Bank. So, that is why I am worrying, and I am talking like this.

Prashant Kumar: I absolutely share your concern, but I think I would request you to see from a prospective when bank was about to close down and the kind of progress which bank has made in a period of one year.

Moderator: The next question is from the line of Jay Mundra from B&K Securities.

Jay Mundra: On slide #6, where in you have given the overdue book this 4,600 & 9000 crores; is this the credit reporting or this is the entire bank book?

Prashant Kumar: This is the entire bank book.

Jay Mundra: Second question is on slippages. Out of these 12,000 crores barring 15%-14% which is retail and granular. 85% seems to be from corporate sector. Now, if we hear the commentary from other banks, where in the corporate slippages have been very negligible for them. It looks like that the corporate slippages that you have are mainly particular to YES Bank. Is that the way or your slippages also are at system level? I am just trying to reconcile because other banks, other front line large private banks, they have lost so many corporate slippages?

Prashant Kumar: Our slippage is mostly related to those industry who have been severely impacted because of the COVID. So, like the hospitality, real estate, anything which is related to tours and travel. Any

industry which has been deeply impacted because of the COVID, our slippages mostly related to that.

Jay Mundra: You would be the sole banker to these corporates. That will explain let us say slightly more to YES Bank. Is that right or not necessarily?

Prashant Kumar: It is a mix. In some of those assets we are the sole banker. In some of the assets we are participating with other banks.

Moderator: The next question is from the line of Mahesh M. B. from Kotak Securities.

Mahesh M. B: Can you think the recovery with your putting out there about 2.5 thousand crores. Is it still going at the provisioning levels that is done or you think that it is under provided or you have to make more provisions on it?

Prashant Kumar: You are talking on the restructure book?

Mahesh M. B: No, the resolutions that you are doing today. Is the provisioning that you have done so far on those accounts. It holding up or you have had to make more provisions on it?

Prashant Kumar: Mahesh if you see our recovery, our recovery we have been able to have the 50%, almost 50% to 60% recovery and wherever provision coverage is 79%, so our belief is that in all the accounts, our provision coverage is more than the LGD.

Mahesh M. B: On the 28,610 crores of gross NPAs which is same, you think that you have to make provisions for FY22?

Prashant Kumar: I think what we have done, we have taken care of all the ageing, securities all those things. As of now, we do not believe that we would be required to make any provision on the adjacent.

Mahesh M B: You can go with FY22 with no provision on this book?

Prashant Kumar: This has been our strategy not to carry any burden of the existing book for the new year ahead.

Mahesh M. B: March tends to be typically will be this better quarter for most banks on 60 to 90 and 30 to 60 days book. You think this number has also peaked out here or you think that when we get into the first half this number goes back to a higher number?

Prashant Kumar: I think as of now because if you see last 10 to 15 days, this was something nobody was expecting; Lets see what would be the impact of this then we would be more clear about the whole thing.

Mahesh M. B: You think you have reached the point where in you can further cut down your retail deposit rate because the extent of divergence which is sitting there with the larger banks is I am expected to

be so; you think you have reached a point where you can cut it a little bit further and see if can move the margins up?

Prashant Kumar: We are continuously reducing rate of interest on our term deposits. It is a continuous process, so I think we have also taken a decision in the last ALCO to cut the deposit rate by further 25 basis points. So, this is a continuous strategy there.

Moderator: The next question is from the line of Akriti Kakkar from Goldman Sachs.

Rahul: This is Rahul here. I hope you all are staying safe the family and friends etc. Got a couple of questions. Number one is on the slippage reconciliation so basically INR 11,800 crores that we have got the standstill last quarter was INR 8,300 odd something. The additional slippages that have come through in this quarter part of it is explained by retail, but the other part is what coming from the SMA2 portfolio?

Prashant Kumar: Yes mostly.

Rahul: The second can you just talk us through about the write-off policy that you are pursuing because we have written off quite a bit in this quarter. So, when the recoveries are also happening at the same time, can you just help us understand how do we think about these write-offs? Is it for the tax purposes or it is for the lack of certainty about the recoveries?

Prashant Kumar: So, it is more from the balance sheet management. It is not about lack of recovery prognosis. I think recovery of these technical written-off accounts would also be similar to the recoveries which is happening in the other assets, it is more about the balance sheet management.

Rahul: We will pursue this strategy even in the next year. Is that a fair interpretation?

Prashant Kumar: Yes.

Rahul: And in a previous question you said part of the recoveries will be haircuts at about 50% but we are carrying 70%-75% of provisions. So, does it mean that when we start to kind of see a cycle where slippages go down, we would start possibly having some recoveries also the write-backs from the excess provisions?

Prashant Kumar: Absolutely. If you see out of almost INR 5000 crores of cash recovery and the positive impact on the P&L and the upgrade was to the extent of almost INR 3000 crores.

Rahul: The book from which it has been recovered is about INR 10,000 odd crores?

Prashant Kumar: So, if both NPA and NPI from where the recovery that we made we have been able to resolve to the extent of almost INR 8000 crore.

- Rahul:** So, one more question on this SMA2 portfolio which is came down from INR 6.5 to 4,500 and equally the SMA1 portfolio, so there must have been some additions also that would have happened in the SMA2 portfolio during this quarter, can you share that number? How much would that has been in the last quarter?
- Niranjan Banodkar:** So, Rahul, there is a flow that happens into that book. There is a flow that moves out as they get regularized, but I think the way we can look at it is if you look at the net exposure and even if you were to add let us say the 61 to 90 in the 31 to 60, just conservatively add to that total pool, if you look at that total stock that is sequentially moving lower. So, that is not increasing and that is why that Prashant also said right at the start that we believe December was the peak and both from the total pool as well as the provisioning coverage on that pool both have improved sequentially.
- Rahul:** So, let me ask another way. The reduction that we have seen from let us say INR 19,000 to INR 13,000 crores, some of it of course has slipped into NPA but the other would have been repaid back to us where we would have reduced the exposure etc.? I am just trying to understand the drift of it. Let us say getting into next year because of everybody has been asking about the second wave. I mean what could be the flow so that we can see into these numbers?
- Niranjan Banodkar:** The guidance that we put out in the presentation is to say the recoveries that we will look at for next year should outpace the slippage that will have and look slippage can happen from the overdue book. Sometimes it is also from outside but when we look at the full book, we do not expect the slippage to actually exceed the recovery. So, from a total addition to this book we are not expecting anything on the contrary, we should start seeing a reduction in this absolute book for fiscal '22.
- Rahul:** Just one last question. So, the RBI did not perhaps allow us as per the media reports to float a bad bank kind of entity, what other alternate do we have before us wherein we can resolve all these written-off accounts the stress book etc of INR 26,000 crores in a decent and expedited manner over the next 12 to 18 months or 24 months or whatever?
- Prashant Kumar:** And we would be able to continuously resolve this within the bank. But only thing is that option is still alive, and we would be waiting for more clarification to come from regulator after the report of the expert committee which they have made would come out.
- Rahul:** So, that option is still open. We are just waiting for the committee report and if that sector opens up then this is still a possibility before us?
- Prashant Kumar:** Absolutely.
- Moderator:** The next question is from the line of Saumya Agarwal from Smart Karma.

- Saumya Agarwal:** While I understand your legacy, corporate book has been a pain point for quite some time now and you are looking at alternatives to resolve it. On the retail front since you are targeting to grow this book retail and SMA to be the dominant segment from here on. What exactly is your assessment of the on the ground situation because if I look at some of the larger private sector banks most of them are going slow on this segment. What is your assessment of the retail book as of now amidst the pandemic?
- Prashant Kumar:** We have been very selective in terms of identification of the customers and also in terms of the product. If you see our unsecured proportion in the retail asset is lower as compared to the other market players. So, we would continue to be selective in terms of identifying the better-quality customers in it. Advantage to us is that our base is small, just 50,000 crores and we can choose to grow with a good growth number but also with a quality book.
- Saumya Agarwal:** Just one more question following up on the bad bank angle. Suppose there is some kind of an arrangement between YES Bank and RBI to set up a bad bank, how exactly will you be treating the legacy asset? Would the entire book get transferred to the bad bank and just free up your balance sheet at one go albeit with some haircut? How exactly does the structure work?
- Prashant Kumar:** I think we would love to do that, but we need to wait for the clarity which would come from the regulator on the entire framework related to YES Bank.
- Moderator:** The next question is from the line of Sri Karthik from Investec.
- Sri Karthik:** Three questions from my side. The first one is last quarter you highlighted about INR 8,000 crores possible restructuring. What has happened to those accounts? That is one. Second, if you could break up the SMA1 between corporate and non-corporate and the last one is quarterly PPOP of run rate, at what level do you think you will stabilize from next quarter onwards?
- Prashant Kumar:** First on the restructuring book I think our restructuring book has come down to INR 2,500 crores because most of the other accounts, they had paid the overdue and there is no requirement for any restructuring.
- Niranjan Banodkar:** It is predominantly on the corporate side. On the quarterly we were off.
- Prashant Kumar:** No SMA1 between corporate and all those.
- Niranjan Banodkar:** I think I will have to come back to the specific number. So, it is about at 80%-85% is corporate, rest is and between medium SME & retail, on the SMA1.
- Niranjan Banodkar:** On the PPOP Karthik, if you just look at let us say what we have delivered for fiscal '21, so we've delivered basically a total income of INR 10,700 crores. This does consider the fact that we have had slippages to reverse this also completely peaked in into this. So, just from a run rate of a normalized we talked is about INR 1,000 crores of interest recovery that we have had. That

is about INR 6,400 crores of let us say core interests that we will have. That will translate to about INR 1600 crores of NII. I am just looking at the average delivery across the four quarters. We have had about INR 3,300 crores of fees for this year. Again, we had about INR 1,000 crores of gain on sale of investment. Again, I am keeping that aside for the time being. That takes about INR 2,300- INR 2,400 crores of core non-interest income. So, INR 1,600 crores of NII, about INR 600 crores of fees that we are looking at the core level. That is about INR 2,000 crores of total revenues, again operating expense if you use the same lens that is about INR 1,500 crores of operating expense that we will look at. If I were to kind of add all of this, we are at a very core level. We are looking at about INR 600 to INR 700 crores of operating profit and I am just saying as a base case. We can start adding back because there will be some gain on investments that will typically happen in the normal course that can be about anywhere between let us say INR 200-250 crores on a quarterly basis. Of course, given the fact that we are also looking at a large cash recovery from the NPA pool. We are also expecting some recoveries that will come through from the interest side. So, if I start adding some of these, there could be some noise in the quarterly, but we could be looking at an average peak off anywhere between INR 1,000 to 1,200 crores. And this is without the growth.

Moderator: Ladies and gentlemen we will take the last question from the line of Rakesh Kumar from Systematix Group. Please.

Rakesh Kumar: Just one small question. We have a margin reported for this quarter at around 160 bps and now we have total net exposure of INR 14,900 crores. If I just take this number, this is coming close to around 9.4% of the standard asset. So, how do we see the margin going ahead from here?

Niranjan Banodkar: Again, if you look at, I think a good starting point actually is the fiscal '21 because fiscal '21 let us consider the non-accrual that we would have had on the stress pool. And that is about 2.8%. This does include some element of interest recoveries that we would have had from the NPA pool. But margins structure for a clearly at this point in time is a function of improving CASA. We will continue to keep recovering from our NPA, so any connections that flow into NPAs will add to the interest income. But at the very core level it is a cost of funding that we want to drive very emphatically. In fact, in an earlier question, we did speak about how we are reducing our fourth term deposit rates and savings account rates to kind of play into the margin. Both the functional reducing rate and improving mix of CASA is what will add to our margins. We believe that even to keep adding about 25 to 30 basis points of core margin on an annualized basis.

Moderator: Thank you very many ladies and gentlemen that was the last question for today. I will now hand the conference over to Mr. Prashant Kumar for closing comments.

Prashant Kumar: Thank you very much for all of you for taking this time out for attending this call. I would again like to reiterate that there has been a lot of improvement on all the fronts in terms of performance but because of our strategy in terms of taking a provision upfront, we are showing a net loss in the fourth quarter and for the entire financial year. I wish you a very-very good times going



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ahead and be very safe, take care of your family members and other loved ones, the health part.
Thank you so much.

Moderator: Thank you very much. On behalf of YES Bank Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.