



“YES Limited Bank Q2 FY19 and H1 FY19 Results Conference Call”

October 25, 2018



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*YES Bank Limited
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the YES Limited Bank Q2 FY19 and H1 FY19 Results Conference Call. We have with us today 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 CFO, 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 for 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. Rajat Monga. Thank you and over to you, sir.

Rajat Monga: Thanks very much, Zaid. Thank you all for being available to listen to the commentary of the bank's financial performance for the second quarter of fiscal year 2018, 2019.

Before we jump into our financial highlights, I think we wanted to just put a backdrop of the Indian economy, which we believe is continuing to grow at a decent clip. And we expect the economy to deliver a 7.3% performance on the GDP front. Of course, there are challenges on the global trade war front, rupee depreciation as well as some local sectoral issues that have emerged recently which have added somewhat to the risk of the growth outcomes of the Indian economy.

The rupee depreciation cuts both ways, I mean, there are beneficiaries as well as sectors which will have to bear the cost, higher input cost on account of depreciating currency. As well as others who will benefit from better competition from higher cost of imported substitutes. So, I think, on overall basis we believe that the rupee depreciation will be more beneficial to the economy, provided it is not in excessive depreciation window. The currency has also seems to have stabilized for the moment, and which is looking better for the businesses as well as for the economy.

In the backdrop of all of this, there are also expectations on the domestic inflation which are now looking only lower. And the expectation of the Reserve Bank of India taking more rate hikes is also falling off for the current financial year. This recent cooling off in oil prices is also aiding that outcome, which is welcome from the standpoint of both the Indian currency as well as the Indian fixed income markets. We now believe there could be another 20 to 30 basis points undershooting of the CPI from the current expectations for the fiscal year 2018- 2019.

As far as the banking backdrop is concerned, the recent developments in the Indian larger financial sector landscape have put banks, again, in the forefront. Given the tightness and liquidity as well as availability of credit and financing for certain financial services sectors

where banks compete in for the moment is turning out to be beneficial for the banking sector in general, in order to see both higher access to business as well as better pricing power. And that will progressively come through in the subsequent months and quarters as we roll forward.

As far as the bank's financial performance is concerned, we are reporting a sustained operating performance, even though the environment has been volatile along with certain situations which have emerged at the bank level as well. And in terms of the specific operating performance parameters, we are glad to report a 28.2% increase in net interest income, taking it to Rs. 2,417.6 crores for the quarter, as well as the bank reporting a stable net interest margins at 3.3% as compared to the sequentially previous quarter.

Between net interest income and non-interest income, the operating profit combined grew by 24.1% to a total of Rs. 2,366 crores. And the bank had an operating cost to income ratio of 39.2% for the quarter. The net profit of the bank, however, declined somewhat, about 3.8% to Rs. 965 crores, which is on account of provisioning related to the fixed income portfolio of the bank, predominantly relating to corporate bonds as the yields and spreads had both inched up in the quarter, in the September quarter that is.

In the current financials, the bank has taken an impact of Rs. 252 crores on account of MTM provisioning for the fixed income portfolio pertaining to the current quarter, as well as has recognized Rs. 92 crores provisioning which was a carry forward from the previous quarter on account of the bank having exercised the option to defer the MTM losses to four quarters for the current financial year.

Similarly, in the first quarter of the current fiscal year, as well as the corresponding quarter of the last fiscal year, the bank was also enjoying the benefit of bond gains resulting from falling yields, which have not had the opportunity to do the same in this coming quarter. If you adjust for the opportunity that was exercised same quarter last year, as well as the incremental provisioning that the bank has had to take this year, the adjusted net profit for these two facts should have grown by 36.2%, which is a fairly healthy number on account of the other operating outcomes.

The balance sheet of the bank continues to be in a fairly healthy growth clip. The advances portfolio of the bank had grown about 61%, reaching to about Rs. 2.4 trillion. And the bank has witnessed growth across all its sub-segments. One of the segments, which would be retail banking has seen a 103% growth on a year-on-year basis. So the portfolio has a little bit more than doubled in the last 12 months, and is now taking a 14.3% share of the bank's advances book. This share for this corresponding quarter of last year was 11.4%, so the bank has seen about a 3% improvement in the mix of retail banking loans in its portfolio.

The deposits, correspondingly, also grew a healthy 41%, totaling to about Rs. 2.22 trillion. And about 33.8% of the bank's deposits are constituted by low-cost CASA deposits. The bank has also seen good improvement in the retail deposit area as well. The total of CASA and retail

deposits now stand at 57.2% mix of the total deposits of the bank, and there has been encouraging sequential performance as well on the retail deposits, which have grown as much as 13.3% in just one quarter on a sequential basis.

The risk weighted intensity of the bank's asset portfolio continues to decline. The position as at September 30th of the ratio of bank's total risk weighted assets to its total assets stood at 81.3%, lower from 81.6% that is presented in the June quarter, and fairly lower than 84.3% mix that it presented in the September quarter of the previous financial year.

The bank's capital ratios, total Tier-1 and CET-1 stands respectively at 17%, 11.9% and 9.0% as at September 30, 2018. The bank did experience fairly high amount of seasonality in loan growth towards the end of the quarter, given the developments that were taking place on liquidity in other financial services businesses. And had resulted in more than seasonal outcome in terms of growth as well as consumption of capital, which we believe will also naturally come off as the seasonality wears down.

The bank's asset quality position stands at a gross NPA level of 1.6% and a net NPA level of 0.84% as at September 30th. The numbers are a slight deviation from the provisional numbers that the bank had disclosed on 1st October, given that the limited review as well as the internal review of the asset quality outcomes had not been conducted. And there was one account for an amount of Rs. 631 crores which was classified as NPA post the review process. This loan is also expected to have near-term recovery and an upgrade outcome, maybe in the third quarter of this financial year.

The credit costs for the quarter stood at 18 basis points. And for the half year, the credit cost stood at 34 basis points, in comparison with the earlier guidance of 50 to 70 basis points for the full year. The bank is also reporting an LCR position of 100.5% as at September 30, 2018, which is about 10% more than the minimum requirement by the Indian regulators.

Some more statistics on the bank's profit and loss account. So the non-interest income has seen 18% growth on a year-on-year basis to Rs. 1,473 crores. And if we adjust for the bond gains of previous quarters, the core net interest income would have actually increased by 38.5% on a year-on-year basis.

That provisioning burden in the P&L for the current quarter stands at Rs. 940 crores following a breakups. Out of the Rs. 940 crores provisioning on account of NPAs stands at Rs. 409 crores, provisioning on account of mark-to-market of investments stands at Rs. 345 crores and the provisioning on account of standard assets stands at Rs. 118 crores.

Higher provisioning burden for this quarter had also resulted in some correction in the bank's return ratios, so the return on assets and return on equity for the current quarter stands at 1.1% and 14.4%. The book value per share of the bank stands at Rs. 118.4 per share.

A little bit more breakdown on the CASA, in terms of how the CASA grew, internally speaking. So the bank's savings account book stands at Rs. 49,338 crores, which is 26.5% growth on a year-on-year basis. And the current account book stands at Rs. 25,941 crores, which represents a 31.6% growth on a year-on-year basis.

The current year has seen a fair bit of headwinds as far as the CASA opportunity in the market is concerned. That is on account of what I may call as remonetization of currency that was taking place in the Indian economy. The bank saw an influx of deposits during the demonetization period, particularly into CASA. And during this so-called remonetization period, which has, I would say, been lasting for the last 12 to 15 months, has seen headwinds as far as CASA accretion opportunities are concerned. The CASA mix, as I mentioned, for the bank's deposits stand at 33.8%. And with the situation now normalizing, we believe that the CASA opportunities will continue to look better.

The business lines breakup of the bank's loan book, as split between retail banking, business banking and corporate banking, was 14.3% towards retail banking; 17.5% towards business banking, which is comprising of medium, small and micro enterprises; and the corporate banking mix was at 68% of the total bank's loan book. So, this is 0.5% increase over the same position that it was about same time last year. Some increase has also been on account some reclassification of Advances as some of the medium enterprises grow, they also migrate to being serviced by the corporate banking teams. So about Rs. 800 crs has been the migration that has taken place in this current quarter. The bank's total risk weighted assets stand at Rs. 3.02 trillion. And as I mentioned earlier, the declining ratio of risk-weighted assets to total assets now stands at 81.3%.

Some more internals on the asset quality performance of the current quarter. The bank is reporting a gross slippage of Rs. 1,632 crores, about Rs. 631 crores came from one single account that was highlighted earlier, which was identified in the post period review process. There has also been sale of one NPA to ARC in this current quarter, and that amount would stand to the effect of Rs. 446 crores. The bank has written-off loans of Rs. 123 crores in the current quarter and has recovered or upgraded loans amounting to 467 crores in the September 30th quarter. Given this single loan account which is being lined up for a near-term recovery can upgrade, the bank is reporting a lower PCR for this quarter at 48%. However, the endeavor is to raise the PCR to 60% by March 31, 2019.

The net NPA position, as mentioned earlier, stood at 84 basis points, which amounts to a little over Rs. 2,000 crores. Besides net NPA, the bank is also holding security receipts which stack up to 85 basis points of its book. The standard restructured exposure stands at only 8 basis points. The sum total of this special mentioned net NPA, security receipts and standard restructured exposure accounts adds up to 1.77% of the bank's loan book.

The stressed book position at September 30, 2017, was at 2.53%, and the position as at June 30, 2018, was 1.52%. So, while there is a deterioration on a sequential quarter comparison basis, there is a significant improvement on a year-on-year comparison.

Well, we highlighted this in the past as well, but we are just reiterating that the exposure of the bank on account of borrowers that have been referred to the recoveries, as you know, which is NCLT, from the first list as was announced a couple of years ago, the exposure of the bank is only 1 basis point of its advances, and is 27 basis points of its advances to the names of borrowers which feature in the second list. The bank is also not expecting any ongoing consequences of the RBI circular which was released on February 12, 2018.

The SMA-2 position of the bank's portfolio also is a steady tolerable number at 15 basis points of gross advances. I would also like to give some sectoral exposure breakdowns, starting with the housing finance company segment. The bank has 3.2% exposure to the housing finance companies, and 96% of its exposure is rated by several rating agencies at AA or better. For NBFCs, which are other than HFCs, the bank's exposure stands at 2.6%, of which 90% stands at an excellent rating of A or better. The bank's commercial real estate portfolio stands at 5.7% of its exposures, and has currently no SMA-2 position in its portfolio, commercial real estate portfolio, that is.

So, the bank is also disclosing its exposure position vis-à-vis infrastructure financing group, which has been in the news of late, and the total gross exposure of the bank is Rs. 2,600 crores, which is all standard in terms of classification as per September 30, 2018. In the same group, we would like to report that the bank has no exposure to the parent or NBFCs or the financial services entities of the group. The exposures of the bank are all with the asset rich subsidiaries or special purpose vehicles where we believe that the enterprise value of those individual companies are commensurate to the debt level. And with the supersession by the government that has taken place, we are also expecting fresh developments to also take place in the next 90 days going forward.

On a top-down basis, the bank is also happy to share that of its Top 20 individual borrower exposures, more than 90% by value within the top 20 exposures have an external rating of A or better, which is essentially indicating that a predominant portion of the larger exposure of the bank is to the lower-risk borrowers, which are reflecting the external rating of A or better, and has also been reflecting in the falling risk-weighted asset intensity of the bank's portfolio. The bank is also yet to receive any risk based supervision report from RBI for the fiscal year 2017-2018.

There are some more sectoral disclosures on account of our nonrenewable energy where the bank's position has reduced, on account of telecom where the bank's exposure has reduced, on account of gems and jewelry where the bank's portfolio position is similar to the previous quarter; and in iron and steel where the position has increased by 30 basis points as a share of

total exposure. So, overall corporate portfolio also continues to well performing where about close to 80% of the portfolio continues to be rated A or better on an aggregate basis.

The bank's releases also have a sectoral mix, which is cutting the portfolio into different sectors, and we will be happy to take any questions on that subsequently.

Some more commentary on the bank's operations pertaining to digital banking and electronic banking, which we have been highlighting in the past conversations and calls as well. The bank, I think, continues to maintain a very good position in the India stack of payments, whether it is UPI or IMPS or AEPS, where, if not the highest, the bank is ranking very highly in the Indian landscape on performance under these new payment channels.

Correspondingly, on the bank's own payment channels, for example, the bank's mobile allocation is also showing very healthy trends. The bank has seen a doubling of registrations on a year-on-year basis on the mobile channel. The volumes and transaction value have also grown 2x and 2.5x, respectively, on a year-over-year basis on the bank's mobile channel, and it is looking and emerging more and more as a preferred service channel for customers.

Similarly, on the bank's cards business there has been a 48% transaction increase on a year-on-year basis. The number that the bank is currently looking at is 84 lakh cards. The spends on the cards has also grown well on a year-on-year basis, at about 56%. And currently our quarterly spend at the bank you have seen on those cards is Rs. 1,213 crores.

The bank continues to be much engaged with the various digital outcomes in its partner segments as well. The bank is offering services like cashless campuses to hospitals, schools. And very recently we also implemented a solution for the Naval Officer Institute at Goa using the Tap & Go card, which is the first of its kind cashless defense campus which is using a YES Bank payment solutions.

Similarly, there have been lots of engagements that have happened with the Indian smart city project where very recently the bank has implemented a smart city card cum wallet solution, which will be enabled with over 100 merchants in the Udaipur smart city project, which will be using the BHIM payment interface. Also, the bank has launched, along with the Department of IT & Communication of the Government of Rajasthan, a co-branded arrangement, the Bhamashah Wallet, which essentially is being used to digitize the government to the public payment system.

In the same line, the bank has also partnered with the Chhattisgarh Infotech Promotion Society, and the bank is on-boarding their citizen service centers and their banking correspondents to be able to digitize the payments of business for the public at large.

Some commentary on the expansion and knowledge initiatives as well. So the bank employee strength stood at 21,024 employees, which is a 1,427 employee increase in the September

quarter. The bank had 1,110 branches and 1,781 ATMs. ATMs are also now morphing more into what we call cash recyclers, which are no longer just dispensing currency, but they are also taking currency deposits on an online business model.

The bank has also received the reaffirmations of its credit ratings from Moody's on September 20, 2018, which reaffirms the bank's Baa3 rating with a stable outlook; as well as ICRA on September 21, 2018, reaffirming the bank's domestic AA+ rating, with a stable outlook.

The bank has also raised Basel III compliant Tier-2 capital in the month of September, totaling to Rs. 3,042 crores, which helped in increasing the bank's total capital adequacy ratio. And these bonds were rated AAA by CARE Ratings and IND AA+ by India Ratings & Research, both with a stable outlook.

During the quarter, the bank had also closed a \$400 million syndicated loan facility, which was being issued out of its IFSC banking unit, which operates out of the GIFT City in Gandhinagar, Gujarat to help grow its business. The fee on account of this large facility has been expensed in the second quarter itself, which has also resulted in some increase in cost to income ratios correspondingly.

The bank did receive some awards and recognitions in the quarter gone by, including being awarded the Global Winner in Payments at the Technology Project Awards from 2018 by The Banker, which is a London based global financial publication under the Financial Times Group. The bank has also been moving towards more and more ISO certification and is currently having the benefits of having the highest number of ISO 14001 certified green financing facilities.

The bank has also been included for the fourth year in a row in the Dow Jones Sustainability Index for emerging markets and continues to be the only Indian bank which is featuring in the Dow Jones Sustainability Index. The bank also received recognition as the SME Bank of the Year in India by the Asian Banking and Finance Retail Banking Awards, which was held in Singapore in July 2018.

And with this, this was a summary of the commentary that I would have liked to present, and we will be happy to take questions on the bank's performance. Thank you.

Moderator:

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

Mahrukh Adajania:

Just two questions. During the quarter, just sequentially, not year-on-year, exposure to NBFCs and to EPC has gone up sequentially. And what does the other financial services exposure mean? Because the HFC exposure is given separately, right? So that is my first question and then I have another one.

Rajat Monga:

Sure. So, one of the other financial services exposure would include basically MFIs and banks, which are not NBFC and not HFCs. So even the AFC, it will be included in NBFC; if it is a micro financing company, it will be included in the other financial services. And we do have exposure to a bank, which also get included in the other financial services category. And the NBFC exposure has been going up. And when I say NBFC, I am also including HFCs in that category, that exposure has been going on for the last, I would say, 12 to 18 months, since the realignment of interest rates and liquidity has been taking place. So, what we have seen is only a little bit of sharp shift that might be happening right now. But the progressive shift of financing for NBFCs was already moving away from capital markets and more to banks. And which is manifesting the exposure. On EPC, I think our view as a bank on EPC has become very constructive, especially, a few years ago there were EPC companies which were many and into various projects that they were undertaking, but the markets have become far more reformed as far as the EPC segment is concerned and therefore you are seeing NPAs in the EPC segment, also reflecting the somewhat increase of the construction activity that is happening in the economy.

Mahrukh Adajania:

Got it. And my second question is in terms of your deposits, so have you seen any increase outflow of deposits in October? Till September it was fine, it shows in the numbers, you discussed it separately even on the 1st October call, but has there been any increase or different behavior in retail deposits after September end?

Rajat Monga:

No, actually, a better behavior, if I must say. So our current liquidity ratio, or LCR, is higher than what we have mentioned on the call. The deposit book is bigger than it was, I will ignore the September 30th deposit book because usually that has more influence at that time because of the quarter-end activities, salary payments and balance sheet alignment by clients and all of that. So if I, let's say, ignore the quarter-end behavior, so the book as at this period of October, the deposit book is bigger than as at the same period of September.

Moderator:

Thank you very much. The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah:

So, firstly, with respect to what you have disclosed earlier in terms of our estimates of 1.35% GNPL for Q2, sir that time what was the discretion which was used, you clearly highlighted it is post period in the review process. But what particularly led to the slippage and what was the discretion which we earlier used, and now kind of it's like falling into GNPL?

Rajat Monga:

So we did not exercise any discretion, Kunal. What typically works is that every quarter-end there is an NPA thrown up by the system, which is what we publish. But there is also subsequent review of the debt servicing performance of the accounts. That happens as part of normal course and we have been doing a concurrent audit also for monthly debt servicing for the last 12, 15 months. So, it is in the review that this account had come up and, therefore, had to be addressed as an NPA.

- Kunal Shah:** Okay. So this was like not 90 day overdue actually which would have thrown up by the system, and finally when we looked on an account-on-account basis, we thought that okay this is something which would be stressed and we need to classify it as GNPL?
- Rajat Monga:** That is correct, because the disclosure that was given 1st October, like, right after the fact, there was no time for a review. So this is something which will happen, let's say, every quarter we will have to do the exercise where there will be a management review, there will be a concurrent review and there will also be an auditor review. So this is the difference which happened in these reviews.
- Kunal Shah:** And secondly, in terms of the corporate banking fees, so that has been substantially lower. So, anything specific on the corporate banking side, fee side? It was significantly lower as compared to the that of the trend.
- Rajat Monga:** The number that you are referring to, Kunal, I don't know if you have the same number, so our corporate banking fees is about Rs. 15 crores lower than Q1. Are you referencing the same numbers?
- Kunal Shah:** Sorry.
- Rajat Monga:** The numbers I have for corporate banking fees for Q1 is Rs. 683 crores, for Q2 it is Rs. 668 crores, Rs. 15 crores lower.
- Kunal Shah:** No, so if we look on Slide #7, particularly in terms of this entire fee income breakdown. So retail, corporate, okay, and then corporate banking, so in million if we look at that particular slide, so I am not sure as to, this is the one, so maybe from...
- Rajat Monga:** I am looking at the slide. I think there is a color mismatch there. So the numbers have actually were interchanged. We will fix that.
- Kunal Shah:** Okay. So the 683 is 667. And finally, maybe in terms of the FOREX and debt market, that would be lowered, as compared with the 460, it would be around about Rs. 222-odd crores?
- Rajat Monga:** That is correct, because the last Q1, we still had bond gains of about Rs. 1.5 billion. And this time around, not that we are missing bond gains, we are also dealing with provisions.
- Moderator:** Thank you. Next question is from the line of Kishan Gupta From CD Equisearch. Please go ahead.
- Kishan Gupta:** Basically, I want to understand like what is driving this over 40% positive loan growth?
- Rajat Monga:** So, listen, the growth has been happening over the last 12 months. So, I mean, if you look at the growth which is on a year-on-year basis, so we did have a very strong growth in the third

and fourth quarter of the last fiscal year. And the growth is being driven by two phenomenon, one of them is the M&A that is taking place in the Indian corporate sector. So whenever there is an M&A that is taking place, the buyer of the asset also brings the banking to the table, a new structure of banking to the table when he is acquiring the asset. And we were pursuing those opportunities and have been pursuing those opportunities for the last 15 to 18 months. So, as some of the assets were possible NCLT, so we did participate in the banking of the assets that were purchased by the new buyers. So we bank the new buyers. There is an M&A that has been happening outside NCLT as well in various sectors. So we know of M&A in, for example, in electricity, in cement, in telecom, in media entertainment. So the opportunity comes whenever there is a change of hands of an asset that takes place, and the buyer looking at fresh banking and, therefore, we were able to participate in those opportunities. The good thing about these opportunities is, like I was commenting on an earlier part of the conversation, the buyers are usually stronger. The ones that are buying today have usually the stronger balance sheets. And secondly, we are also financing operating assets in the process. So the growth is coming from a design which is de-risked for project execution, de-risked for demand uncertainty of a new capacity. So it is being largely led by the situation that I was describing. The second phenomenon that possibly you can ascribe to growth is also refinancing of bank loans that was prevalent, continues to be and has been prevalent in the last 12, 15 months particularly. So, as the banking sector has you been following it, has had different degrees of disruption over the last two to four years. And as the borrowers are also looking at creating different structure of their own combination of banks and we have also had opportunity to be able to selectively look at those situations. Of course, with clients, we will always want to bank and/or wanted to get more deeper into their mainstream lending. So these would be the main reasons behind the corporate growth.

Kishan Gupta:

And the sectors basically?

Rajat Monga:

Actually, if you see in terms of our, you can easily make out from our exposure position last year to our exposure position this year. So the sector that has gained or lost, let me say, for example, sectors that has lost are power, and the sector may have gained is iron and steel, a sector that has gained is telecom in terms of the business mix, like we were also discussing. EPC, but EPC is more working capital, it is more because the EPC is executing more projects, so it is not necessarily driven by M&A.

Kishan Gupta:

Okay. And is IL&FS exposure already an NPA in your books or not?

Rajat Monga:

It's standard.

Kishan Gupta:

It's standard as of now?

Rajat Monga:

So we do not have exposure to the parent company. Our exposures are all to their special purpose vehicles or the downstream companies which are all asset rich.

- Kishan Gupta:** But will it be in NPA going ahead as of now?
- Rajat Monga:** So that is an uncertainty, that depends on also what the newly constructed board would also do. But as at September 30, the position of all the accounts in the group was all standard.
- Kishan Gupta:** Because IndusInd Bank made extra provision for IL&FS exposure, so you people also did something this time?
- Rajat Monga:** No, we didn't have the need to, our exposures are different. I mean, I cannot comment on them, but our exposures are different in structure and also in different entities.
- Moderator:** Thank you very much. The next question is from the line of Adarsh P. from Nomura. Please go ahead.
- Adarsh P.:** A question on capital and growth. So you have run down capital to 9% CET1. So just wanted to understand how you will manage to grow going forward? And in that context, how would other metrics look like, for example, OPEX, also fees for that matter, so how things shape up if you have to cut down growth?
- Rajat Monga:** So, Adarsh, our attempt is, of course, that we have to preserve capital, so I think that is going to be a strong underlying expectation from our side. The growth has to be, therefore, led by prioritizing new business and also downselling the past business. So we free up capital from downselling the past business because a lot of the business there that we have done, some of that we have discussed in previous conversations also, is through higher-rated borrowers. And therefore, we would be comfortably looking to sell down these exposures. On the other hand, we are also looking at continuing with the new business. So the strategy which was so far, because we could afford that growth, because we could finance that growth, therefore, we were assimilating the growth on the balance sheet. The strategy will have to be tweaked to now looking at net growth rather than gross growth, that is what we have said. So the focus will be more to the net growth, which is basically like I was saying, will be net of sell-downs. So if the fee opportunity exists, they exist more on the new lending opportunities. And there might be some distribution lead opportunities also on the sell-down, but that is the minority, the majority of this fee opportunities will be led by the new business that we are seeking. What will also help in doing the new business is that, in my opinion, the pricing power with banks over the last, particularly last 1.5 months, has improved tremendously. So this is also going to aid the earnings capacity, both on margins as well as on fee. And speaking of margins, because they also constitute, I would say they dominate the top line, the net interest income that is with that both MCLR repricing lining up for Q3 and Q4, a lot of it, as well as the pricing power that we believe has come back sufficiently with banks, I think there is a case to be made to also look at improvements trajectory in margins, and we have been discussing that in the past as well. And the moment I overlay this with also with a strategy of more net growth as opposed to gross growth, the burden on the balance sheet and the efficiency of the balance sheet also

improves. So, we should also see a corresponding flow through in terms of productivity that will again come through more into margins as we flip into the net growth strategy.

Adarsh P.: And Rajat, this is on the balance sheet containment side, but what about capital raising plans on equity, because 9% is still low, you still want to net grow?

Rajat Monga: Yes, so net growth will mean that we will maintain guidance. And capital raising, Adarsh, we will have to table, already I would say, permission by the board and the shareholders, we have all the approvals with us, so we don't have to do any formality on top of that. But for capital raising, I think, in my opinion, we will have to put some more certainty on the table, including a certainty on the succession process that is underway. And I think capital will be a logical conclusion out of that. So, we want the uncertainty at least to be resolved and then capital raising can become viable. So I think I am talking about now weeks and months, I am not saying that we will raise capital at a specific point in time, but we have to first resolve the uncertainties and capital should be a logical outcome.

Moderator: Thank you. Next question is from the line of Anubhav Kaul from Wardferry Management. Please go ahead.

Anubhav Kaul: Can you please share some details on the mark-to-market provisions on the corporate bond portfolio? Were there any specific corporate bonds that are driving this loss? And why are we recognizing it in this quarter particularly? And what gives you comfort that it is one time?

Rajat Monga: So, the mark-to-market loss, Anubhav, some has been from both the government bond yields moving up and the spreads on corporate bonds also moving up. This is as far as the second quarter situation is concerned. The total provisioning that we took in this quarter was about Rs. 350 crores. Out of which, about Rs. 90 crores was a carry forward because we also had disclosed about our mark-to-market losses in Q1. But at that time Reserve Bank had given a window to defer the absorption of losses for over four quarters. And we had taken that window up. So there is about a Rs. 92 crore carry forward and about Rs. 250 crore result of change in yields from June 30 to September 30. And if you look at today, the government bond yields are lower than September 30. So, I cannot say that this is a one-off because it depends also on how the interest rates move in the December quarter. But like I was kind of alluding to earlier in my commentary at the beginning, we do expect that the recent developments around rupee, oil, inflation are pointing to a flatter rate increase trajectory, and therefore maybe a more relaxed bond environment. But I am not saying what will be Q3 outcome because I can't predict what would be the position, because mark-to-market are bonds to a date, which is September 30, the next we will mark-to market will be the December 31 date. Very hard for me to begin to say what will be our position on December 31. But I can only tell you what we believe and these are the facts that are pointing us towards that belief.

Anubhav Kaul: Understood, but of the Rs. 345 crores, were there any specific corporate bonds that you held which resulted in disproportionate share of loss?

Rajat Monga:

No. Losses will be proportionate more to, the math will more work more in terms of principles times duration. So yes, I do hold a AAA bond of a very large Indian manufacturing entity. That AAA bond is also my largest holding, well, not the highest duration but it is the largest holding. So that would have taken a disproportionate share. So about half of my provisioning will be on account of that AAA corporate. And I just have to apply the current bond yields which are prevalent as of right now. As in as of today, we also can compute Rs. 100 crore write back of provisions. But like I said, that does not matter because this computation will be done only as per yields that are set on December 31, 2018.

Moderator:

Thank you very much. Next question is from the line of Manish Karwa of Deutsche Bank. Please go ahead.

Manish Karwa:

Rajat, my question is on liquidity. In post-September, in the month of October, how has been the trend on your retail deposits, on wholesale deposits? In fact, at what rate are we borrowing wholesale deposits now and are they substantially higher than what we were doing earlier? And on the asset side, you were indicating that we will look to sell down assets. Has that been happening, as in actually have you been able to sell down some assets and contract a bit on the balance sheet side?

Rajat Monga:

So, let me start with the asset sell down. Yes, it is just that it is the beginning of the quarter and most banks are not yet looking to deliver on their own targets. So the assets sell down usually builds up towards the middle of the quarter, and we have a large pipeline that we are working with. I think the second quarter, if I remember, we had about Rs. 10,000 crores to Rs. 15,000 crores of assets that we were able to sell down in the second quarter. So, if we repeat that simply, that gives me the firepower for releasing capital. And incidentally we also now topping the Indian league tables on Bloomberg for the Domestic Mandated Lead Arranger ('MLA') league tables. That is basically because of loan syndication efforts. And in terms of liquidity, so I was mentioning a bit earlier, so one is the summary variable of liquidity is possibly LCR, so that encompasses, how much of the liquidity is there, what is the surplus and what is the structure of liquidity, so all of this is encompass in LCR. So LCR is only higher as of today. I do not know the exact number yesterday, but it would be 5 to 10 percentage higher than it was on September 30. So, what was 101%, we should be at 106% to 111% in terms of the LCR. So the liquidity on the balance sheet has only increased in the meantime. As I was mentioning a bit earlier, if I have to the smoothen out the quarter end activity on deposits, if I leave that out, the like-for-like comparison would be what does is the book today and what is the book same time last month. The book is across the board bigger. So our CD, CA, SA across the board there will be, I mean, in a month you will see only 1% or 2%, 3% type of movement. So it is not likely you will see dramatic movements.

And on the question of cost of funds, so there is, I would say, a tightness that we have seen in the liquidity market, so that is also reflecting in our costs. We have increased our retail deposit rates last week. I would say, we were behind on our retail deposit rates, so we have gone and increased the retail deposit rate to at least catch up with where the competition is, and other

banks have also raised their rates. So we are in the 10 to 20 basis point range, somewhere we will be lower, somewhere we will be higher. If you look at and you can compare the deposits. Of course, some PSU banks will be, I would say in a different orbit, because they are not seeking deposits because of their PCA status, etc.

So as far as the universe is concerned which is actively competing for deposits, I think we will be a notch higher on certain buckets and a notch lower, because we also do not want to compete head on with another bank. So if some bank is offering a good rate for 13 months, I do not want to necessarily better that rate and then compete straight for 13 months. I possibly will offer a 10 basis point, 15 basis points higher for 24 months or 18 months. So that we are at least creating a little bit of a clear market for us for the deposit business to be sought. And the retail banking team is telling me that they are good for a Rs. 5,000 crores to Rs. 7,000 crores increment of retail deposits in this current quarter, for example.

Manish Karwa:

And with this recognition of one asset and one sell down of asset, would you say that the divergence report whenever it comes out, better this asset may have been likely to be reflective in the divergence thing, and since that has been recognized that number could be a reasonably lower number?

Rajat Monga:

First, hard for me to say, but I can definitely say that for March 2019. And I can also take Ashish Agarwal's help here, who is the CRO. But the numbers that we will sort of, so the accounts have been downgraded for development that took place in the second quarter. And therefore, will they help me zeroing the March 2019 divergence, yes, they will help me zeroizing the March 2019 divergence. Ashish, you want to add?

Ashish Agarwal:

I just wanted to say that the RBI, RBS exercise which reflects the divergence in asset classification is a retrospective exercise. So, Rajat mentioned, for last year last year, March 31, 2018, any with respect to recognition which potentially could be part of divergence is something which will not help the last year's divergence. So to answer your question, this will have no impact in IFRS in March 2018 sense. Having said that, as and when we receive RBS 2018, which has not yet been received by the bank, overall, in our opinion, from a P&L impact perspective, we definitely are not expecting anything which would materially result in any incremental meaningful rate cost for 2018, 2019.

Manish Karwa:

And last, which sector was this asset and why are you confident that you will be able to upgrade this?

Ashish Agarwal:

Actually, this is an account which is part of a diversified group. And the take out of the bank for this exposure is contingent upon a sale of one of the assets, for which definitive agreements have been signed. In fact, we have received an advance subject to certain consummation of conditions precedent for the deal to kind of consummate over the next few weeks. So if all goes well, and CPs are met, and given the fact that a binding agreement has been signed and

advance has been received, we are fairly confident that we should be in a position to resolve this account substantially in Q3 of 2018, 2019.

Manish Karwa: So you are saying that there would not be any loss, or there will be some loss from this exposure?

Rajat Monga: No, so effectively we will have enough such that we should be in a position to ensure that the accounts, one, gets partly paid and therefore should be in a position to be upgraded during Q3, subject to this deal getting consummated, which as I said is at a fairly advance stage.

Moderator: Thank you. The next question is from the line of Nitin Agarwal of Motilal Oswal Securities. Please go ahead.

Nitin Aggarwal: Rajat, two questions. First is, what sort of provisioning are we building in towards the IL&FS exposure when we guide for credit cost of 50 to 70 basis points for this fiscal? And do you think there is any upside risk to SMA? And second question, besides the sell down strategy that we talked about, are we also expecting any major rundown in the large corporate portfolio over the second half, particularly related to the NCLT related lending that we did? And if you can share some number on that?

Rajat Monga: So, I think the IL&FS is still not, I would say, a situation which we have very good estimate about. But when we are working our credit costs, if we assume the worst case on IL&FS, I think the credit cost will be nudged in terms of from being under 70 to being more than 70, but still maybe less than 80. So, the situation in IL&FS is evolving, right? You are also tracking that on a day-to-day basis. There is government information. We know that there are assets in the group, but it still depends on how the transition of the various assets is handled. So, there are good assets. There are also some not so good assets. So thankfully, we will be sort of finding assets mostly in the good assets, relatively speaking. It's not like everything is good, but is it mostly good. So it is, again, a function of how the IL&FS, I would say, moves from here. Like I said, if there is expected middle ground outcome, we would be within our 70 basis point guidance. But if we are to price in the worst from IL&FS, we would be in a slight bust, maybe up to 10 basis points on the credit cost outlook. So that is our current estimate on credit cost.

We are also having a good visibility on recoveries of our bad loans. So, I think that also is something that will help us mitigate more than half of IL&FS. So the recovery, of course, one can be optimistic about recovery, but there are tangible discussions including the accounts that Ashish just described. There are two more accounts where there is a takeover of a healthcare company that is about to take place, so we should be able to also get back the classification of those assets as well as the provisions. There is a good chance of I would say another Rs. 5 bn to Rs. 6 bn of recovery from another couple of accounts. So there is also a lot of recovery that is lining up. So, I think I will not say that we will definitely miss the 70, but I am saying depending up on how some of these things evolve we might have to check the 70 to more like

an 80, but that is, I am not saying that it is going to happen for sure, but if things just do not go in terms of our current expectation, then yes, we will have to nudge the credit cost higher. But that is not something that I would leave with you today. I missed, there was second part of your question.

Nitin Aggarwal: So it was on the rundown in large corporate portfolio, if you are looking at any? And if any numbers you can share.

Rajat Monga: I mean, you can say it will become high single digit thousands of crores in terms of the run down. We are not saying that we have to run it down, but there will be run down option.

Nitin Aggarwal: And lastly if you could share the SMA2 number for the first quarter 2019. This quarter we have disclosed 15 basis point, how much was last quarter?

Rajat Monga: I am not carrying that number, but hopefully, before we finish the call, we will be able to add that.

Moderator: Thank you. The next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: Just quickly, wanted to check have you made any provisions on this Rs. 630 crores slippage which was after the end of 30 September period?

Rajat Monga: Yes, of course, I mean this is the statutory requirement of the provisioning.

Sameer Bhise: Okay. And just the details on how the ARC sale happened in terms of cash realization, SRs, etc?

Rajat Monga: So, Sameer, the principal loan value that we sold was Rs. 440 crores. It was sold at a receivable value of Rs. 340 crores. And 15% of Rs 340 crores was received in cash.

Sameer Bhise: Just finally, what proportion of the real-estate book is externally rated?

Rajat Monga: It will not be the majority, it will be the minority. So real-estate would be mostly project specific exposures. And the ratings would be in the range of A- to BBB- maybe also depending upon the size and scale of the project and the developer, they could also be below investment grade ratings. In our internal modeling, because I don't know real-estate companies do project specialty ratings. They might do, so let's say if there is a developer he has a mother balance sheet, he might rate that. But project specific ratings are not very common.

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

Amit Premchandani: Again on the real-estate part. What is the kind of moratorium generally you have in the real-estate portfolio? And given the problems you are facing in terms of liquidity situation and most of the housing finance companies, do you see the risk in that part of the portfolio? And is that risk built in in your cost assessment?

Rajat Monga: Sameer, so let me answer a question for the prior, prior I think the question was asked by Nitin, which was on the SMA 2 position on June 30, 2018. It was 50 basis points, including the accounts that we are highlighting which slipped Rs. 631 crore account that slipped in the September quarter.

So, to come to your question, Amit, now I will take Ashish's help to get in to the technicality of the moratorium and structure and design. But at least I will maybe address the other questions. So, we will have project specific exposures only. And we do not have any project where we have a NBFC co-financier.

Amit Premchandani: It is single exposure, you are single lender?

Rajat Monga: Well, I would say, majority yes, but in minority cases we might have another bank which is there. But mostly we will be single lenders. So we are not sharing, let's say, see real-estate project, I mean, there will be hardly a real-estate project that runs into mainly multiples of hundreds of crores. So the project specific design will be Rs. 200 crores, Rs. 300 crores, Rs. 400 crores type of a financing. I mean, there would be a handful of projects in the country which would exceed that kind of financing requirement. If you take land aside, we do not finance land. So we do not see a direct overlap from HFC was the point I was making. Ashish, do you want to talk about the moratorium subject in terms of September financing?

Ashish Agarwal: The moratorium, the structure of the financing would effectively be a function of the stage of construction where we get into the project. So we could have, for instance, gotten into the project which is somewhere in between, we could have gotten into the project which is largely completed, we could have gotten into the project which is still at early stage. And depending upon which stage of the project we are in we would have the overall tenure/moratorium. So, of course, the ones which are early would obviously, for obvious reasons would have longer or more rates, but in these kind of situation we effectively will rundown the exposures by and large by the time the project gets completed. But increasingly, given the current state of the market, the financing of the project is also happening at a stage where, given the fact that the market is today such that the projects which are largely completed are the projects which are selling. And therefore if your financing real-estate today, the morats therefore to that extent would be longer, because unless the project gets completed the sales process somewhere either is little delayed, or the majority part of the sales will happen post the construction has progressed. So, I am sorry, I am not sure that I am able to address your question fully, but effectively, depending upon the stage we structure the moratorium of the underlying financing by the bank would be determined.

- Amit Premchandani:** And in terms of the number of projects you may have funded, in terms of construction timelines how many of them are exceeding their timelines, generally in terms of sale value of the projects, how many of them are beating expectations or meeting expectations in terms of percentages?
- Rajat Monga:** That is a little difficult for me to kind of give you that number, I don't even have it off-hand. But we do not have a situation where, maybe a couple of projects here and there yes, where the COD and I don't know how to define COD really in the real-estate project, but having said that, given it is project finance we still need to define it, where the loan is outstanding and COD has not been received.
- Amit Premchandani:** But in these projects when the developer is selling a property you have escrow on that, and you will get repayments from that escrow, right?
- Rajat Monga:** That's correct.
- Amit Premchandani:** So there is no moratorium in that sense from repayments, right?
- Rajat Monga:** No, so the collections that come in also need to be used for construction, right. So you cannot have a situation where the collections are entirely used for debt servicing and there is nothing which gets released for constructing the underlying project. So while yes, escrow is there, but when you get into these projects you will basically have a formula built in up-front where what goes in for construction and what comes in for debt servicing is defined. And that is ratio in which you continue to function to ensure that by the time the project gets completed, the underlying debt is repaid, provided you are getting into the project which is early stage. But if you are getting in to a project when it is completed, then that is kind of a receivable financing on the project which is largely constructed but still needs to be sold where you could potentially be financing an existing lender.
- Amit Premchandani:** And most of it is residential?
- Ashish Agarwal:** A large part is residential. I will say more like 65% to 70%, 75% will be residential and the balance will be commercial which could be a combination of LRD/ commercial building.
- Amit Premchandani:** And average deals if you can, range of yields in these real-estate exposures?
- Rajat Monga:** Amit, let me also just maybe add a few things on the real-estate side. So, one point I wanted to add is that you are looking at the churn in our portfolio, so the position that the bank had as at April 2017, so I am going 18 months back, a third of that book has already been repaid. So, and the cycle of repayment is also, and real-estate has had its share of issues since the demonetization and GST, etc kicked in. So the escrows that Ashish was mentioning, we have a minimum 20% repayment hold on escrows. So whatever collection is coming into the escrow, at least 20% of that is for debt service. And of course, we have the control to release the

monies to the developer for construction. They have to take an NOC from us on each and every sale. So we also know at what price the sale is happening and correspondingly what money is coming in. So I have full visibility, because we are project specific, because we are escrowed, these are controls that we also exercise on top of the real-estate portfolio. And because we are mostly sole therefore we are also in full position to exercise that control. And in terms of the structure of the market, I think that like we have been discussing this in the past as well, luxury market is slow, mid-income is doing very well. And if I have to divide our real-estate residential portfolio between luxury and mid and low income, we will be 20-60-20 in that mix.

Amit Premchandani: Okay. And geography wise if you can divide?

Rajat Monga: Mostly Mumbai, Bangalore and Delhi. So these three cities will constitute about 80% of our portfolio.

Amit Premchandani: And finally on the timeline, so the RBI approval of EDs and also in terms of interview process, what is the timeline of new CEO appointment in terms of interview process, when can we expect an announcement?

Rajat Monga: I don't know if they RBI will like to allow me to speak for them. But what we know is, and you know very well we have a January 31 deadline, so we are working back as far as the CEO appointment is concerned. And we have also been making periodic announcement as and when there are new steps that the board has taken, including the appointment of such committee, the members of such committee, the appointment of the executive search firm which is going to do that task. All of that has been done. I think now is the period where it will take some weeks to put that shortlist together, get the interview process going. And I am hoping that this should be over by mid-December when we should have been able to also make, the board should have been able to make the recommendation to RBI at that time. So that we also give RBI 1 month to 1.5 months, hopefully 1 month, to also be able to give us and turn around our request. RBI also has to, including for executive directors, RBI will have to do due diligence process at their end. As part of their due diligence process, they would refer the recommendation coming from the bank to all their internal departments on any noting or no objections. So the process will take its time, and RBI is a large organization. So, we are hoping that we will be able to keep to these timelines that I described to you. And also leaving sufficient time for the regulator.

Moderator: Thank you very much. Next question is from the line of Manish Shukla from Citigroup. Please go ahead.

Manish Shukla: My question is on IBU. Do you have a target in mind in terms of what extent this can be of your balance sheet? That's one. Second, in terms of end use money from IBU, can you throw some color in terms of the nature of the borrowers, project finance versus working capital? And is that included in the sector wise exposure breakup that you gave?

- Rajat Monga:** So, I will take Ashish's help on the second question, but the first question, in terms of size, I think the IBU will remain a single digit percentage of our total assets in terms of size. I do remember us having fixed a limit, but I am not able to confirm to you right now. But I do think the limit is 10% or lower for IBU. I remember I proposed the limit, but I don't know if that is how it finally ended, but I will confirm that to you separately. The last part of your question on whether we include IBU in terms of the sectoral exposure, I can confirm we do include IBU as part of the sectoral exposure. And I think I will ask Ashish to also address the context of the kind of business that is done as part of IBU.
- Ashish Agarwal:** Manish, so just to give you a profile of the asset side of the balance sheet of IBU. We effectively do business with overseas companies of Indian corporates. So we do not do standalone companies which have no India linkage. That is number one, that is as per our defined policy and the guidelines that we follow. So we don't want to take any often hanging risk until and unless there is a domestic India linkage where we have relationship. The nature of facility with respect to the kind of product that we do there, it is a combination of project finance that we have done. We have done working capital which is, again, for the overseas subsidiaries of Indian companies, and we have also done acquisition finance. And some part of 25% to 30% of our business in IBU will also be participation / where we have acted as part of the consortiums where acquisition finances has happened, or the underlying corporate has actually gone ahead and done a refinancing of the existing exposure which they may have taken for an erstwhile acquisition finance facility. So it is more or less, I will say, largely a proportionate mix across all these products.
- Manish Shukla:** So it would be fair to assume that for almost all of your IBU relationship, you first have an exposure to the corporate on your domestic balance sheet or on the INR balance sheet?
- Ashish Agarwal:** Yes, by and large yes. That could be few exceptions, but definitely not a situation where that group doesn't have India presence and we do not have either asset or liability side relationship.
- Manish Shukla:** My second question is on sell-down. Did I get the number right, Rajat, you said between Rs. 10,000 crores to Rs. 15,000 crores kind of the sell down last quarter?
- Rajat Monga:** That's correct.
- Manish Shukla:** What is the nature of the buyers, because the sense that we get is that most banks, and some of the larger NBFCs also keep saying us that they are doing to sell downs. And we know for sure that PSU banks are completely out of the market. So just curious who are the buyers of these assets?
- Rajat Monga:** Manish, I will have to correct you. PSU banks are in the market. Of course, not all of them are there. But including the PCA bank are still looking at well rated loans. So this, I would say majority, maybe 70%, 80% of the sell-down would have been to PSU banks. And we have sell-downs that we do in IBU as well, in IBU even at non-PSU Indian banks participate.

- Manish Shukla:** I am assuming that the larger private banks obviously won't be there?
- Rajat Monga:** No, they are also there. So we would have done, let's say, in terms of sell down to, if I am correct there will be all large PSU's and private sector banks, but of course the PSU banks will be larger. All names would have been appeared.
- Manish Shukla:** Lastly, I cannot help asking a question on real-estate. Of the residential real-estate project, what proportion would be under construction and what proportion will be completed projects?
- Rajat Monga:** So, we are digging for information, Manish.
- Moderator:** Thank you very much. The next question is from the line of Krishnan ASV from SBICAP Securities. Please go ahead.
- Krishnan ASV:** My question were around these sell down strategy. Number one, given that the rest of the street is aware that you are looking to sell down, does that entail some sacrifice on spreads, that is partly to do with how the economic environment it, that's number one. Related to that, you did mention that you have identified largely the earlier exposures that you have taken for sell down. Would you be willing to sacrifice certain elements of fee just to be able to preserve this capital a lot better on just greater capital efficiency, would you be willing to take a sacrifice on your fee income opportunity just so that you manage capital better?
- Rajat Monga:** So what we do, Krishnan, when a loan is to be sold down, that decision is not necessarily a after the fact decision. So the decision of selling down is recorded in our credit approval process itself. And if we have a fee on that particular loan, we also set aside a portion of that fee to facilitate syndication, and that is what the practical MLA role will be. And if you look at the world outside India, there are also levels of MLA, there will be senior and not-so-senior leaders in a transaction, and the fee is also graded from high to low as we go from the top MLA to a Junior MLA in the transaction. So the fee as we recognize on a loan is already at the same time set aside, and of course it is an estimate at that time, because the incoming banks also would have a ask for fee. And that fee is set aside as a provision. So we are not digging in to our future earnings, these earnings have been set side already. There can be some more, some less, because these are of course estimates at the start, when we are looking at as to what would be the expectation. And the incoming lender also knows that we have done the heavy lifting of the transaction. So, that is also something the banking sector mutually recognizes. And we cannot say that I will want a fee higher than you have taken, in which case we are talking to the wrong bank.
- Krishnan ASV:** But in this kind of environment when the rest of the world knows you are looking to sell down asset...
- Rajat Monga:** We are selling down for a living. I mean, we are the #1 MLA in the country. I mean we can always discuss situations where nothing can happen, but this is what we do. We have experts,

we have teams, there are other banks also who have appetite for assets. So middle ground will be found, it cannot be that we will just reach a dead end.

Krishnan ASV: And just the fact that you would typically find appetite for well-rated assets from within your exposure. Does that mean the residual exposure looks optically less superior for a while?

Rajat Monga: See, the new business that we are getting as far as corporate banking is concerned is also a good risk, right. So if you see, as and when the incremental NCLT cases also fructify, and if we do participate in that banking, these are also very good risks. So today if you are doing new business in the corporate sector, it is actually generally a good risk. Generally speaking, I am maybe over-generalizing, but you will find mostly acceptable risks in the current banking environment.

Krishnan ASV: I mean, my entire point behind chasing this angle, Rajat, is just to figure out, because your CET1 now is at 9% including profits, right?

Rajat Monga: Yes.

Krishnan ASV: Does it reach a certain stage where you are willing to scale back on growth, give that you needed an element of certainty before you can go to the market and raise equity. You are already sitting on nearly 290 bps of additional Tier-1. And will you be willing to then sacrifice a bit of growth, sacrifice certain spreads or fees just to make sure that you are able to tide over this period a little better?

Rajat Monga: So, Krishnan, if you are saying if I am at a dead end? Then the answer is, yes. But I have to be at the dead end, I mean, the option you are giving to me is what if there is no alternative, what will you do? If there is no alternative we will prioritize preserving capital. And we also know the situation will be little bit in a flux only for a couple of months, by January 31 we have to have a succession plan in place. For all we know, by March 31 we will have to raise capital. But since there are unknowns on the way, there is no point sort of maybe creating a dotted line to an outcome when there are lots of question marks along the way. So, as and when the certainty from our side emerges, I think the rest will logically follow. If that means that there will be, let's say, a growth versus capital trade off, we will trade that off in favor of capital. However, like I said, we do think there is also a middle ground we can take and be able to get yet do new business, because I mean there is no point shutting shop. You would want to do new business, like I was saying new business is generally coming which is very good on the rating business and also has further distribution potential. And use the net growth as the target and trade that off the capital.

Krishnan ASV: My second question is related to the asset which you recognized as an NPL during the October 1 to 25th period now. So the Rs. 631 crore exposure, could you just give us some sense of when this was originated, how long this has been in your books?



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Rajat Monga: So, it would be three, four years old exposure.

Krishnan ASV: So this would have been an exposure as of March 2018 as well?

Rajat Monga: This would have been, yes, on both side of March 2018 as well, that is correct.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you, team.

Rajat Monga: So, thank you everyone for listening in to this call. And we are sorry that we had to postpone the call a little bit, and apologies are due for that. And thank you for your patient listening.

Moderator: Thank you very much, members of management. Ladies and gentlemen, on behalf of the YES Bank, that concludes today's conference call. Thank you for joining us. And you may now disconnect your lines.