



## “YES Bank Q2 FY’21 Earnings Conference Call”

**October 23, 2020**



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*YES Bank  
October 23, 2020*

**Moderator:**

Ladies and gentlemen, good day and welcome to the YES Bank Limited Q2 FY'21 Results Conference Call. We have with us on the call today, Mr. Prashant Kumar -- M.D. and CEO; Mr. Anurag Adlakha -- Group Chief Financial Officer; Mr. Ashish Agarwal -- Global Head, Wholesale Banking; Mr. Rajan Pental -- Global Head, Branch and Retail Banking; Mr. Niranjana Banodkar -- Head, Financial and Investor Strategy. 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 '\*' than '0' on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prashant Kumar -- M.D. and CEO, YES Bank. Thank you, and over to you, sir.

**Prashant Kumar:**

Thank you, and welcome, everyone to the Q2 Results of YES Bank. Very happy to report a net profit of Rs.129 crores as compared to Rs.45 crores profit last quarter and as compared to a loss of Rs.600 crores in the corresponding quarter last year. The entire presentation on the results is in the backdrop of the reconstruction of the bank which happened just six months back and also because of the impact of COVID on the entire economy. So, I think what we have seen that not only bank is progressing very well from March 2020 when it was under moratorium, and also, we have seen significant improvement out of the impact of the pandemic in the entire economic cycle. So, I think both the things are moving in positive direction.

On the pandemic impact, what we are seeing that Q1 was definitely worse, but in the Q2 month-on-month there has been an improvement in terms of fresh business, new business and also in terms of collection. And I think if we continue to move in that direction, and if there are no negative surprises on account of pandemic, then we are quite hopeful that by the end of the current financial year, right now, we will be absolutely back to the pre-COVID levels. So, I think if there are no negative surprise we have to just write down this 2020 financial year, but we are quite hopeful that we are seeing that the issues in the system whereby end of the current financial year we would be back to the pre-COVID level.

As far as bank is concerned, I think we are seeing a significant improvement on all the fronts. And we are also seeing that we are almost near to the corresponding quarter of the last financial year. In some of the aspects, we are better than the corresponding period of last financial year.

So basically, like if we see not only bank is able to register profits in second consecutive quarter, but on the liquidity side, also, we are getting very good support from our customers. And, in pursuit of our deposit mobilization campaign, so today, like we are at Rs.135,000 crores which is 15.7% growth on quarter-on-quarter and 28.9% growth in the first half year. We have also seen a very significant growth in our CASA deposits which is 20% for the first six months. Because of this good growth on the deposits side, our CD ratio which was almost 164% as on 31st March, has improved to 123% as on 30th September. And because of this customer support,



*YES Bank  
October 23, 2020*

we have been able to repay the special liquidity facility of Rs.50,000 crores from Reserve Bank of India well before the due date.

In our deposit mobilization campaign, not only we are seeing the growth on the term deposit side, but our teams have been able to contact the customers and able to open the number of CASA accounts which is more than even the pre-COVID level. So, during the current quarter, we have opened 1.5 lakh CASA accounts, which is more than 1.4 lakhs which we opened during January to March quarter of the last financial year.

Our operating profit, there is a growth of 18.6% quarter-on-quarter, though if you just compare this with the last year operating profit number, it is a 25% decline, but if you exclude one item which is profit for the sale of investment on the treasury side, we are better than the operating profit of the last financial year.

We continue to have a very good control on the cost side. We have already engaged a global consulting firm to take care of the cost part. And there has been a 21% decline in our expenses YoY. Even on QoQ basis, there is a decline of 4.5% on the expenses. And due to this, in the last five quarters, first time, our expenses ratio has moved to below 50%. I think bank continue to work on improving this expenses ratio further. And I think by year-end we would be able to reach something around 45%.

On the extent, we have had a very strong operating profit. We have also made a significant provision related to COVID. So as of now, we have Rs.1,918 crores related to the provision for the COVID which is 1.15% of our total advances. And we are absolutely confident that this provision would take care of any slippage or any restructuring of our accounts in the third quarter.

The last quarter, we have also seen the credit rating upgrade from Moody's, CRISIL, India Ratings and ICRA.

We continue to be having a leadership position of the technology side. So on the UPI, we are #1 in P2M transactions, 37% market share, continue to be #1. On the IMPS, we are the #1 remitter bank among peer banks.

For the convenience of our customers, we have also launched new digital products. So only last week, we have gone for unveil of new "Internet Banking" platform. I would request all of you to experience that Internet Banking platform. And I can assure you this would be one of the best in the industry. And we are getting very good comments, not only within India, but from abroad also. And the comments are like people have not seen such kind of Internet Banking Interface.

We have also already started the Video KYC due to the current pandemic, where we have not been able to contact our customers. And that is why, during September, we have opened the highest number of savings bank account, which is 60,000, which again is a record for our bank.

And we have also started delivering loans on the digital side. So, we have started the Loan in Seconds. So initially, we are doing the personal loans and the business loans. But slowly and gradually, we would start delivering all our retail products and the MSME loans in seconds. We are already there on the WhatsApp Banking.

Our net profit of Rs.129 crores and operating profit is basically more on the net interest income which has improved 3.4% QoQ. Our NIMs have improved by 10 basis points from 3% to 3.10%. Even non-interest income has grown by 13.9% QoQ. And if you see YoY, it is a 25% degrowth, but if you exclude that one line item on the profit on sale of investment, so our non-interest income is better than the income of the corresponding period last year. And I would like to remind here that this year, we are not in that corporate business, and we do not have that kind of fee income from the corporate business. So even in the absence of that kind of business, bank is able to have the non-interest income which is better than the last year's income.

The provisioning, I was sharing with you, has already improved. We got write-back of provisions of something around Rs.560 crores from the sale of bonds in one of the housing companies which we have already used to increase our provisions on the investment side in one of the large conglomerates. So our provision coverage ratio on the investment side now has gone up to 71%.

And similarly the operating profit, we have made a provision on account of COVID to take care of our requirement during the Q3. And this provisioning requirement would not only take care of the regulatory provision on any slippage or restructuring of loan but would also take care of any reversal of interest on these loans.

Our net advances have grown by 1.5% quarter-on-quarter. There has been a reduction in our corporate book on account of our attempt for derisking the portfolio. But on the retail side, we have seen a disbursement of Rs.3,764 crores as compared to just Rs.424 crores last quarter. But I think it is a significant thing that this disbursement is even better than the last quarter of the last financial year which was something around Rs.3,100 crores. And we are targeting to disburse something between Rs.5,500 crores to Rs.6,000 crores on the retail side and something around Rs.3,500 crores to Rs.4,000 crores on the MSME. So retail and MSME together in the current quarter, we are targeting to disburse something around Rs.10,000 crores. So I think that would give us very good income from interest as well as on the fee side.

Our liquidity coverage ratio as on September 30 is 107.3%. And if you see the average LCR during the quarter, this is 99.7%.

Our capital position continues to be strong. CET ratio is 13.5%. And overall capital is 19.9%. Our PCR has improved from 75.1% to 75.7%. And due to this, our net NPA number has improved from 4.96% to 4.71%.

So, I would stop here and would be very happy to take your questions or any queries.



*YES Bank  
October 23, 2020*

- Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** Sir, I had a couple of questions. Firstly, what has been a standstill in September, I mean, accounts that would have been NPA had it not been for the Supreme Court order?
- Prashant Kumar:** Mahrukh, standstill in September is Rs.2,391 crores which would have otherwise slipped, but because of the Honorable Supreme Court....
- Mahrukh Adajania:** Sir, could you give us a breakup of the BBB and BB below book accounts?
- Prashant Kumar:** So basically like, Mahrukh, if you recall, what we are doing that instead of giving the rating wise portfolio, we have already given the overdue position of our loan book. So like I was sharing that Rs.2,391 crores is the standstill, and at the same time, the overdue book for more than 60-days is roughly Rs.4,000 crores and overdue position of between 31 to 60-days is Rs.2,621 crores. And this is already there in our presentation, which has been there on our site on the Page #16.
- Moderator:** Thank you. We will move on to the next question, that is from the line of Jai Mundhra from Batlivala & Karani Securities. Please go ahead.
- Jai Mundhra:** So my first question is, this overdue loans, which is Rs.6,716 crores, is this the same as we have reported in the notes-to-account 14 which are enjoying standstill benefit, I mean the Rs.6,700-something crores figure is there, are these the same number or are these different number, I mean?
- Prashant Kumar:** So Jai, basically, like if you see the Rs.2,391 crores is standstill which would have slipped into NPA. In addition to this Rs.2,391 crores, there is a Rs.4,060 crores which is overdue for more than 60-days. And similarly, there is Rs.2,621 crores which is overdue between 31 to 60-days. So overall, this total book is something around Rs9,107 crores.
- Jai Mundhra:** So I got that, sir, I mean this is clear that Rs.6,716 crores is above 30-days overdue. My question is sir, this number, is this the same which is there in the BSE notes-to-accounts 14 which says the number at Rs.6,728 crores?
- Niranjan Banodkar:** That is a subset of this total Rs.9,000 crores.
- Jai Mundhra:** So in other words, total overdue > 30 days put together is Rs.9,107 crores including standstill?
- Prashant Kumar:** Including standstill, you are absolutely correct, yes.

- Jai Mundhra:** And second, by now if you can provide some qualitative comment as to if you are getting restructuring request especially from commercial real estate or some of the other sectors, if you can help us as to how are you seeing the restructuring request so far?
- Prashant Kumar:** Jai, we are getting requests from the customers. So there are a couple of points; one point is in terms of whether those accounts qualify in terms of RBI scheme or not. That is one part. Second thing is that we would be strictly going with the viability. So it would not be like we are going to be restructuring in a routine manner. So we are very careful in terms of not only they strictly qualify as per RBI scheme, but there has to be a viability also. But I think this is work-in-process, and I think we would be able to finalize this part maybe another 30 to 60-days.
- Jai Mundhra:** Any broad range that maybe the total restructuring for the bank should be within as a percentage of loans if you were to provide a broad range also?
- Prashant Kumar:** No, I think it will be very difficult to comment at this point of time.
- Moderator:** Thank you. The next question is from the line of Suresh Ganapathy from Macquarie. Please go ahead.
- Suresh Ganapathy:** Sir, just a couple of questions: One is on the liability side. I am seeing that the corporate term deposits and CDs as a proportion of overall liability base has gone up from 36% as in the end of March to 44%. So actually, that has seen a sharper growth than any of the other categories in terms of proportion. So that is a bit worrying because we are also hearing in the market that a lot of PSUs are parking money with YES Bank. So just wanted to know what exactly is the truth behind that, the share has gone up, is there a cause to worry, is it sustainable? That is question number one. The second question is, we just wanted to know what is the collection efficiency. So since you guys have not disclosed the total loan book under moratorium-1 or for that matter 2, if I were to really see pre-March, what would have been the collection efficiency of all the loans versus what is the collection efficiency in September. So just to put this in perspective, my question is if Rs.100 of monthly payments were due from all the borrowers in the month of September...these two questions.
- Prashant Kumar:** Suresh, thank you so much. And I think on your observation on the liability side. One observation is correct that the corporate term deposit share is 44% which has gone from 36% as March, and which was 40% as of June. But the second part that lot of PSUs are parking deposits with us, if that situation happens, I would be very happy. And I think is where you can take any such kind of connection, we would be grateful. But that is exactly not happening. But definitely, what is there that if you see there has been a 29% growth in the deposit side in the first half year. Now getting 29% growth immediately after the bank was put under moratorium and also because of the pandemic from the retail side, would just not be possible, would be very difficult, it takes time. So, if we need to rebalance our balance sheet quickly and have to repay the facilities which we got from Reserve Bank of India, I think it makes sense to have the deposits from the corporate side also. But I think going forward we are seeing a very good traction on the retail side. Like I

was sharing that we have opened 60,000 accounts during the September and 1.5-lakh accounts during the quarter. So, I think we are seeing a very good growth on the retail side. But definitely, now since we have reached to a situation where there is no need to depend on the corporate deposits, so going forward, we are going to reduce our rate of interest both on savings side as well as on the corporate deposits, so that situation would improve. Second thing in terms of collection efficiency. You made a comment that we have not disclosed the either moratorium-1 or moratorium-2 number. It was purposely because I did not want to confuse the market by giving a number because people were giving the numbers that they understand and are in different kind of things. But definitely, on the collection efficiency, I can give you. So, on the retail side where the collection efficiency pre-COVID was something around 97%, as of now September, we are seeing a collection efficiency of 89%. On the SME side, pre-COVID time it was almost 94% and we are seeing a collection efficiency of 83%. We are very transparent in giving all these numbers. And on the wholesale banking on the corporate side, the collection efficiency is still lower. We are still computing those numbers, but that is still lower. So, I think there are issues in the corporate on the real estate side, on the hospitality side, on the food processing, it will take some time because it is not like once the moratorium is over everybody would be able to repay you. And that is why these kinds of accounts are there in the overdue for more than 30-days.

**Suresh Ganapathy:**

Just to understand this a bit better, so you are saying retail as of September is 89%, SME is 83% and corporate could be even lower. Let us for a second assume that the weighted average collection efficiency number is more closer towards say 75-80%, then you are possibly talking about the fact that 20% of your borrowers have not paid money, and, of course, currently are shown as standard on your books, right. So that is a large number, Mr. Kumar because my worry here is even if 50% of them regularize the account, you are possibly talking about 10% not necessarily paying money and that could be the potential addition to stress. Is my interpretation right in case the collection efficiencies do not cross 90% overall?

**Prashant Kumar:**

Suresh, I would give you a different perspective about this. If you see the impact of the COVID and the first three months, the entire economy was absolutely at a standstill. So out of that situation, we just cannot expect that people would come to the bank and repay their installment. But when things are improving, so we are also seeing a positive direction in our collection efficiency. Okay? So when we are seeing like on the economy side, there is a contraction in GDP. So if there is a contraction in GDP and if we expect it would not be having impact on a bank, I think this will be a little unrealistic. And maybe any bank who is participating in the overall inclusive economic development of the country, I think the impact of the economy would be definitely reflecting on the bank. But, we are seeing a very positive direction in terms of our collection efficiency, and every day, this is improving. So it is not like the account would slip because the collection improves further in October which we are seeing in the current month, then I think before slippage the account would be upgraded.

- Moderator:** Thank you. The next question is from the line of Hardik Shah from SBI Mutual Fund. Please go ahead.
- Hardik Shah:** Large portion of my query was answered on the restructured bit. I just wanted to understand, in the existing stress book, is there any traction in terms of recoveries? So we have already shared a number which you have already recovered, but say in a one year horizon or so, do you see any significant recoveries over there?
- Prashant Kumar:** So I think the momentum which we are seeing in terms of collection and also in terms of behavior of our customers, so things are in a very positive direction. And I think if you see our standstill number which was there in March, there is a significant improvement, and the similar traction we are seeing in the loan book across the sector. So, we are quite hopeful. If there are no negative surprise on the economy side, then I think the quality of our loan book would further improve, and the incident of the slippage would come down I think in a significant way.
- Hardik Shah:** I was enquiring about the credits that have already slipped and are in the NPA book, so some color on that.
- Prashant Kumar:** Okay, sure. So on the NPI and NPA side, so we were able to sell some of the bonds investment in a housing company. And there has been a write-back of provision to the amount of Rs.560 crores. We have also seen a recovery of Rs.350 crores from our existing NPA book.
- Hardik Shah:** And in next one year, do you see any of them close to resolution or somewhere close to recovery?
- Prashant Kumar:** So I think in that part also, we are seeing the improvement and at least, it is very-very difficult to predict exact number. Only thing which I can share with all of you that the current quarter would be better than the last quarter in terms of recovery from the stress.
- Moderator:** Thank you. The next question is from the line of Sumit Mehta, an investor. Please go ahead.
- Sumit Mehta:** I would like to know one thing that how much percentages from your whole UPI income portion because you have a substantial 40% market share if I am not wrong?
- Prashant Kumar:** Basically, like on the UPI side, it is not a significant income, I can tell you. On the UPI side, we do not see the UPI traction from the revenue side anytime. It is more in terms of how much customer data you are having because the movement you are able to do the data analytics on these customers. So today, when the UPI transactions have already crossed Rs.1 billion in 15-days, this 40% market share you can just imagine what kind of customer data we are sitting in. And we have already set up the team to work on the analytics on this customer data. So, I think going forward, this would be the real gold mine for us.
- Sumit Mehta:** And my other question is last time wherein your concall, you said that you will get a permission from the RBI for a bad loan bank. So is there any progress in that part?



- Prashant Kumar:** So I think, Sumit, on that side, it is a work-in progress. But definitely, there has been a movement on that side. So we are moving in that direction. And once that would come, we would be really happy to share with everybody.
- Sumit Mehta:** Okay. The last question is, you have made around 2300 crores of provision in the last two quarters for COVID if I am not mistaken. On besides that on a full book do we need to make more provisions going forward we will see that kind of behaviors of the customers?
- Prashant Kumar:** So, on the COVID side like Sumit if you see we already have a 1900 crores of provision and the book which we have like this was overdue book of more than 30 days. So, suppose the worst case scenario if every plays. So 9000 crores, this 1900 would take care of regulatory provision and also any interest reversal. Okay, but it is not the case where everything would play, we would be able to recover a substantial portion.
- Moderator:** Thank you. The next question is from the line of Nikhil Gilani, a Retail Investor. Please go ahead.
- Nikhil Gilani:** My question is around the provisions that we've done or be provided for previous loans. Do we still expect LGDs to be around 62% to 65%. Or do we expect any change in that going forward?
- Prashant Kumar:** So, Nikhil if we see there are the loan book which is under stress, because of the COVID. Having a prediction in terms of LGD may not be correct, because these.
- Nikhil Gilani:** No, sir I am talking about already provided for.
- Prashant Kumar:** Yes, so already provided we are still seeing that kind of LGD is maybe around 65% to 70% because of the impact of the COVID, but not more than that.
- Nikhil Gilani:** Okay. One more question was around the bad bank and you've already answered for that. Sir, during our previous talks you have also mentioned about capitalizing on your technology platforms and you might in future look for an investment in that as well. So, are there any, is that going forward or are there any discussions going on, on that as well?
- Prashant Kumar:** So that is also something which we are talking to say different stakeholders on this, but definitely that would take some time, we are building up those capabilities and would like to definitely take it further going forward, but that is also something which is on our agenda.
- Nikhil Gilani:** Okay. And the previous speaker was talking about the BBB book, he was asking about in our BBB book do we need to provide, do we need to provide more for the provisions, that is what he was asking probably, so if you could answer on that as well please?

- Prashant Kumar:** So, we are not tracking that way. So like I was sharing, we see more in terms of the overdue position for the SMA 1 or SMA 2. Because sometimes the ratings are, may not be leading you to the right kind of situation.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara. Please go ahead.
- Mahrukh Adajania:** Sir my question was, firstly if you could quantify the profit on sale of investment and then I had a few more questions.
- Prashant Kumar:** Profit on sale of investment which we are talking about the housing company is something around 560 crores. But if you are talking about sale of investment on the treasury book side, so that is a separate thing, which we have already given. So, that is something 145 crores during the current quarter against 382 crores in the corresponding period last year.
- Mahrukh Adajania:** Got it. And sir there are many. So, what I was trying to ask is, that there are many resolutions highlighted in some media reports. Could you throw light on what resolutions or the stage of resolution asset wise, because there are one or two articles which involve YES Bank.
- Prashant Kumar:** So unfortunately, we don't give the commentary or the comment on the individual assets.
- Mahrukh Adajania:** Okay, but what are the resolutions in progress in terms of quantum, as in the amount?
- Prashant Kumar:** So, we have a very large asset book, we are working on each and every asset. Okay, only thing is that we need to see when the resolution and for how much it will happen. But definitely what we can share with you, that the current quarter would be better than the last quarter.
- Moderator:** Thank you. The next question is from the line of M B Mahesh from Kotak. Please go ahead.
- M B Mahesh:** There are two questions from my side. Sir, we started off March with about 15,000 crores in terms of stress loans, which got reduced to about 7800 and today we are at about 9000 crores. Just, if you could kind of reconcile what's happening in all these numbers, because the movement seems to be between the quarters seems to be reasonably large. How should we look at this number?
- Prashant Kumar:** So, like if you just remember Mahesh like when we were talking about 15,000, this was the position of 29 February. So after that there have been a, so what we are seeing like, even the customers who availed the moratorium and why we have not shared those kind of number in the market earlier, because reason was like some people availed moratorium for one month. Some people availed moratorium for six months, some for four months some people availed moratorium and repaid. So there was a huge mix up of data. So that way we are not shared, so basically that standstill number have come down to now 2,391. So 2,391 is something which would have slipped as on 30th September if the Supreme Court order had not been there.

Similarly on 30<sup>th</sup> September, we have also given our overdue position of more than 30 days. In two buckets 30 days to 60 days and more than 60 days.

**M B Mahesh:** Sorry, just one clarification on this. If you look at 1Q, what could have potentially fallen into NPA was about 7,800 crores which has fallen down to 2391 crores. That's a really large improvement that you have seen in one quarter. Just wanted to just check what's happening on this front as well?

**Niranjan:** So, Mahesh, if you look at there is a difference in the way you want to look at standstill for 30th September and what was standstill in the previous quarter. So just to give you an example, if there was an account which was overdue as of 29th February from an earlier disclosure standpoint when you were sitting as on 30th June, you almost had four months of time that had passed and therefore the entire amount was standstill. But now that the moratorium is behind us as on 30th September, if I'm looking at what are the number of days for which our account is overdue from 29th February I will start the meter from 1st September and therefore, not entire amount will actually be 90 days past due as of 30th September, given that now the RBI regulations are still applicable the way they were previously. The reason the standstill is there because there's a supreme court order basis which we have not classified those accounts as NPAs.

**Prashant Kumar:** So, basically you have to take that six-month period out, out of the entire revenue. So, if any account was say, 45 days overdue as on 29th February and this account continues to be overdue in the entire September then 45 plus 30 days it would become 75 days.

**M B Mahesh:** Perfect. Sir if you recollect and if I recollect correctly, you had indicated in the fourth quarter results that the initial assessment of the COVID and its potential impact on slippages would be about a number closer to 7% to 9% odd for FY21. Now, as we stand in 2Q, where are you with respect to assessing the situation in terms of stress loans?

**Prashant Kumar:** So, we would be within that number which we have like given a guidance at that point of time.

**M B Mahesh:** So, you would say that the impact of COVID has been largely negligible on the portfolio?

**Prashant Kumar:** The impact of COVID is now coming down. So, what we had seen that even the account, which was at difficulty during the initial period, there has been a significant improvement both in terms of their repayment capacity and also in terms of the behavior.

**M B Mahesh:** Perfect. And I just want to ask two questions here. Last time, there was a third party audit done on the potential recovery rates. Is there anything to reassess these numbers or do you think you want to kind of hold on to the number as it was?

**Prashant Kumar:** So, there is absolutely basically we are not getting it, because circumstances are now altogether different. So, basically what we are being to be very frank with you, the customers who at that

point of time was also estimating that banks may not survive and after seeing that significant progress, their behavior has changed now.

**M B Mahesh:** Okay, perfect. Sir, just one last question, on today when you are going to the market, does the bank or employees have to use a State Bank of India as a footnote for acquiring deposit or as a standalone YES Bank is able to do so?

**Prashant Kumar:** Can you please again repeat?

**M B Mahesh:** I just wanted to check, when employees are there on the ground, and acquiring deposits out there, how much of the support of SBI is still helping you to acquire deposit or have you reached a point where customers are broadly okay of YES Bank as a standalone entity and if the employees are able to get deposits?

**Prashant Kumar:** So, we need to say understand this part that SBI holding of 30% in our equity, and the way the State Bank of India and other banks have supported the reconstruction of this bank. That gives a lot of confidence to our customers.

**M B Mahesh:** Sorry, I was asking the reverse way, does it is the institution still requiring that brand full from the other banks to get deposit or have you reached a point where you think that without that itself, the bank can get deposit on?

**Prashant Kumar:** No, so we have already gone to our customer for deposit for YES Bank. But, this fact that State Bank of India is rolling 30% equity is definitely giving a comfort to the customers.

**Moderator:** Thank you. We move on to the next question that is from the line of Manish Shukla from Citi Group. Please go ahead.

**Manish Shukla:** After a long time, we've seen that on a quarter-on-quarter basis the wholesale book has marginally improved in absolute terms. So, is it fair to assume that from here on the book will stay flat or grow, and referring to the corporate banking book profit 93,000 crores?

**Prashant Kumar:** So, as a bank we would continue to explore all opportunities both on the corporate as well as on the retail side which can add our asset on the quality side. So, we would be looking for those opportunities and we will be definitely going ahead to take care of those kind of business opportunities, but definitely our focus would be more on the retail and MSME, but any good say proposal from the corporate side also would not be ignored, we would be equally positive towards that.

**Manish Shukla:** Sure Sir. And thank you for the disclosures on asset quality. Now, we have this about 9000 crores which is overdue/not recognized and then you have a certain collection efficiency. So, if you look at potential stress either slippages as restructuring or restructuring, do you think it will

be very much from this 9000 crores book or do you think there are segments of the book outside of this 9000 crores which can also potentially get restructured or slip?

**Prashant Kumar:** So, Manish we can't say over to that possibility also, it may happen. But immediately we are not seeing that part. And the way things are improving at the ground level. So, maybe even from this book we would be able to save a portion of it.

**Manish Shukla:** Okay, understood. On the deposit side, is it possible for you to share the average deposit growth for the quarter? We have the period and numbers, but can you share the average number?

**Prashant Kumar:** So, we can come back to with that number.

**Manish Shukla:** Sure. Last question on OPEX.

**Niranjan Banodkar:** Sorry, what is the question average deposit growth for the quarter, quarter-on-quarter?

**Manish Shukla:** So, average deposit growth on a Q-o-Q basis.

**Niranjan Banodkar:** 19%.

**Manish Shukla:** Sorry, I didn't it.

**Prashant Kumar:** 19%.

**Manish Shukla:** So, period end is 11. Sorry, okay so period end is 16 and average is 19.

**Niranjan Banodkar:** That's correct.

**Manish Shukla:** Okay, fine thank you. Last question on OPEX, absolute terms the OPEX has declined, from here on does the OPEX grow in-line with balance sheet or there are still opportunity for you to optimize from where we are in terms of absolute OPEX?

**Prashant Kumar:** No, there are still opportunities we are working there. So, as of now if you see we are negotiating with the landlord of all our branches, which has not been factored into our numbers. So, the impact of those reduction would happen in the next six months. Similarly, the impact of the branch rationalization and ATM rationalization would also reflect in the next six months. So, there will be a lot of opportunities still to have a reduction on the costs.

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

**Kunal Shah:** So two questions, firstly on the deposit side, the way we are seeing the traction and the steady ratio also coming up. So when do we start acting in terms of lowering the rate, so is there any benchmark which you can suggest in terms of when actually we see the rates coming down and

narrowing down the gap with the peers. And second is, if you can give some color in terms of this entire 6% of the book, be it stand still last 30 to 90 day. In terms of retail, SME and corporate, how would this broadly look, because currently the way we are running on the retail and the SME, it's less than 1% NPA and 2% to 3% of the NPA. So how would be the broader breakup now on these 9000 odd crores kind of a book, thank you.

**Prashant Kumar:** So Kunal, on the rate of interest side if you see in the last six months, we have reduced our rate of interest on savings side by 100 basis points and on the term deposit side we have also reduced by 25 basis points. And depending on the market dynamics and our own position, and the way that our competitor offer the rate of interest, we will take this call but, we are at that stage where we need to say drive on that part. Responding to your second question, in terms of this 9000, so I can give you a ballpark figure it is mostly from the corporate. So out of 9100 the corporate is something around 7500, SME is 900 and retail is only 500.

**Kunal Shah:** SME is 900?

**Prashant Kumar:** Yes.

**Kunal Shah:** And retail would be only 500?

**Prashant Kumar:** Yes, 500-525.

**Kunal Shah:** Yes, so when we look at overall retail and MSME given this COVID led disruption, even if we add those to the GNPL numbers, would it be comfortable or maybe in fact, there will be more to go going forward, because in fact like at less than 1% even if I add 500 odd crores that's not much and even on the MSME it's much lower. So do we see more risk on both the portfolios in terms of accretion of NPLs?

**Prashant Kumar:** So Kunal, we don't see on the retail and MSME side, reason is that only we are seeing the improvement on the collection side, we are also seeing the dated turnover in these accounts specifically on the MSME. So, on the MSME and retail we are not worried at all.

**Kunal Shah:** Okay and you said 80% is the collection efficiency on the MSME side?

**Prashant Kumar:** On this side Retail is 89%.

**Kunal Shah:** MSME?

**Prashant Kumar:** MSME is 83%.

**Moderator:** Thank you. We'll move on to the next question that is from the line of S Agrawal from Indian Bank. Please go ahead.

- S Agrawal:** Based on the LCR disclosure last quarter, your average retail deposit was around 52,000 crores. So what will be the number for this quarter. Second question is, for your real estate sector what proportion of your portfolio will be under construction and the third is although you have raised a lot of capital, could we see a further capital raise in the next one year?
- Prashant Kumar:** So, giving answer to the last question, this 20% of capital we should not go for any further raise. And if you see our, we have a very strong performance on the operating profit side, which is taking care of our credit cost because of the COVID. But, as of now we don't see any such requirement to raise capital. Niranjan can you answer?
- Niranjan Banodkar:** On the real estate side of the standard real estate book around one third of that would be in the form of ready inventories/LRD and the balance two third would be something which would be under construction.
- S Agrawal:** So, two third of the real estate portfolio is not ready you are saying?
- Niranjan Banodkar:** Two third of the standard real estate portfolio would be under construction of which almost the third of that would be affordable housing and the balance would be middle and luxury.
- S Agrawal:** Okay and the average retail deposit number for this quarter?
- Niranjan Banodkar:** As per the LCR it's about 51,000 crores.
- S Agrawal:** 51,000 crores, so it has remained constant only. Okay, thanks a lot, sir.
- Moderator:** Thank you. The next question is from the line of Rakesh Kumar from Systematix Shares. Please go ahead.
- Rakesh Kumar:** So, first question is with respect to the NPI provision we have close to around 71% now, so what is scope for further recovery from this number of around 6600 crores number and are we planning to make further provision in there on the NPI?
- Prashant Kumar:** So, we are working on those kinds of opportunities to have a recovery on the NPI side. So, as of now, the 71% is sufficient to take care of the requirement, but our policies that we would further increase it whenever we would be in a position to do that, but not on need based but as a credential policy we would take it further.
- Rakesh Kumar:** And there was like, NPL recovery and upgrade of around 350 crores. So, is there any one off of this is a steady state number?
- Prashant Kumar:** No, this is in large number of accounts, it is not one case.
- Rakesh Kumar:** Sorry?

- Prashant Kumar:** This is in large number of accounts, more granular.
- Rakesh Kumar:** Okay. And considering the previous question also was on the equity capital raise. So, my thought process was that, kind of under recovery that we have on demands on couple of loan category and some of the loans which were like the 9000 number, the standstill and the overdue position. So, like 13%, 13.5% CET number and then like close to 5.5% number here. Do we really need like, maybe one year down the line, another round of capital raise?
- Prashant Kumar:** So, the debt problem we'll see at that point of time, as of now we are quite comfortable.
- Moderator:** Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.
- Rohan Mandora:** Sir, if I got it correct you indicated that you look to do around 10,000 crores of disbursements and retail and SME, in 3Q. So, just wanted to understand in this environment where in the credit scores are not that accurate, given the fact that many customers were under moratorium. So, what could be our underwriting policy here, what will we look at by underwriting loans and also which are the segments which we are looking to lend to. And secondly, out of this is there any component that we are targeting from say FinTech partnerships on digital lending?
- Prashant Kumar:** Questioning on the FinTech partnership side, definitely this is something we are also very excited and we may like to encash on the good opportunities. But as far as your first question is concerned, so we have been very selective in terms of our customers on retail and MSME, and this has been like is evident from the current quality of the portfolio, and the impact of the COVID on this. So, going forward also our teams are absolutely, they have read this how to get the good quality customer. So, we would continue to make that quality, and believe me, it's not like we don't have the good business available in the market.
- Rohan Mandora:** Sure, and sir any target product mix, where we will be targeting on the retail side, or where we are seeing opportunities right now?
- Prashant Kumar:** So, we are seeing in say across but definitely our focus is more on the secured loans. So we would continue to have at least 90% fresh exposures on the secured side. So it is also in the vehicle loans, this is would be on the equipment finance, this is also in terms of the consumer needs, consumption needs, but our focus is on the secured side.
- Moderator:** Thank you. The next question is from the line of Nilanjan Karfa from IDFC. Please go ahead.
- Nilanjan Karfa:** Sir just one question, our retail disbursals have been. Sir, I was asking about the disbursals on retail and SME. On a Y-o-Y basis have this improved?
- Niranjan Banodkar:** Is the question, has the disbursement increased Y-o-Y is that the question?





*YES Bank  
October 23, 2020*

- Nilanjan Karfa:** Yes, that's the question sir.
- Rajan Pental:** So, in retail quarter-on-quarter there is a growth of around 5% in the retail assets and MSME would be around 3.5%. And Y-o-Y of course, no I don't have the figures of Y-o-Y.
- Niranjan Banodkar :** Disbursements would be about 4200 to 4500 crores last year same quarter.
- Nilanjan Karfa:** Okay. I was basically trying to figure this out from the context that if you look at the total loan sourcing fees and what it is paid to DSA, there has been a pretty substantial decline, both on Q-o-Q as well as Y-o-Y and I am guessing the mid-corporate and the large corporates whatever we would be doing through our own employee base and booked into the main center. So, why is this decline on the assets, what we see on the DSA?
- Rajan Pental:** Okay. So, just to clarify on the retail assets these were approximately as on 2200 crores last year same month and against that average we are already at around 1600 crores now. So obviously it is moving back to almost the normal levels, in the next one or two months it should come normal. Just answering to your question on DSAs what has happened is that the direct distribution like dealers and builders, there the inventories are moving very fast and that is where a lot of growth is coming. The offline DSAs we don't work with, we work with smaller DSAs that is moving well and more important than that our direct channels, which are our branches largely are actually moving extremely well and their sell is actually on a rise.
- Moderator:** Thank you. This was our last question, I now hand the conference over to Mr. Prashant Kumar for his closing comments.
- Prashant Kumar:** So thank you so much and during the current time, we continue to engage on a digital framework. So we are looking for that opportunity where we were able to meet all of you face-to-face. I wish you and your family very best in the current festival times.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of YES Bank, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.