



“YES Bank Limited Q2 FY-22 Earnings Conference Call”

October 22, 2021



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Moderator: Ladies and gentlemen, good day and welcome to YES Bank Limited Q2 FY22 Earnings Conference Call. This call is hosted by the YES Bank Management team, led by Mr. Prashant Kumar – MD and CEO; Mr. Niranjan Banodkar – Chief Financial Officer; Mr. Rajan Pental – Global Head, Branch & Retail Banking; Ms. Anita Pai – Chief Operating Officer.

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 please signal by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Prashant Kumar. Thank you and over to you Mr. Kumar.

Prashant Kumar: Very good evening and thank you everyone for joining the YES Bank earning call for quarter two. The backdrop to this result has seen the normalization in the economic activity and significant pickup in the business momentum. This has further increased the momentum towards achieving the Bank's strategic objectives and FY22 guidance as mentioned in slide #4 of our investor presentation.

Some of the key takeaways are CASA ratio of 29.4% which is 200 basis points up since last quarter and CASA growth rate at 2x of the overall deposits. CD ratio at 97.8, this is below 100% for the first time since December 2017. Loan growth at 6% quarter-on-quarter with retail MSME mix to corporate at 54:46 and which has improved 100 basis points over the last quarter. Momentum in recoveries and upgrades remain strong. Recovery to the extent of Rs 987 crores and upgrade to the extent of Rs 969 crores. ROA at 0.3% and we remain on track to achieve 1% by FY23. Our progress over the last 18 months has also been validated by external Stakeholders like CRISIL has upgraded the Bank's infrastructure debt by one notch to BBB+ and short-term rating to A1, which is just one notch short of the highest rating of a A1+. CARE has also upgraded the outlook of the Bank to positive.

Additionally, the Bank is among the 100 best emerging market performers as assessed by VE, which is a part of Moody's ESG, given the Bank's focus on sustainable finance and development. The corporate net banking platform of the Bank has won the India domestic transaction banking initiative of the year in the Asian banking and finance wholesale banking award 2021 in Singapore. As a testament to our customer engagement and outreach, the Bank was ranked number four on social media after SBI, ICICI and Axis as those who stand out in their use of social media to engage with customers by the Financial Brand, which is a leading digital publication monitoring 2000 banks and credit union on Facebook, Twitter, YouTube, and Instagram.

Let me now discuss the details of our Q2 results showcasing a strong resurgence in operating metrics, liabilities, advances, asset quality & NPA.

On the operating metrics:

The Bank has reported a net profit of 225 crores which is up 9% quarter-on-quarter. The core operating profit is up 38% quarter-on-quarter and this is led by expanding NIM and continued traction in retail and transaction banking fees. The core fee income driver have shown significant traction with highest ever retail banking fee at 444 crore and transaction banking fee rising 11% quarter-on-quarter. The operating expenses are up 5% quarter-on-quarter due to significant pickup in business volume with core JAWS at 8%. Provisions stand at 377 crore which is lower by 17% quarter-on-quarter and which is aided by the bad debt recoveries and the lower slippage on quarter-on-quarter basis.

NIMs have also improved by 10 basis points to 2.2% on the back of lower cost of deposits. On the liability side, that total deposit stand at 1.76 lakh crore, which is 8% higher quarter-on-quarter and 30% Y-o-Y. The granular growth of the deposit franchise continued with customer deposits rising by 34%, Y-o-Y and 8% quarter-on-quarter to 1.72 lakh crores. CASA ratio further improves to 29.4% which is 200 basis points higher than last quarter and CASA growth rate at 2x of the overall deposits. Saving balances have grown by 50% Y-o-Y and 14% quarter-on-quarter while current account balances grew 60% Y-o-Y and 19% quarter-on-quarter. Average balances of current account as well as saving banks are also showing the similar trend.

New customer acquisition rebounded strongly with 244,000 new CASA accounts opened in quarter two. The growth in liabilities has come, despite reduction in interest rate, which reflects improving stakeholder confidence in the Bank and further aided by the credit rating upgrades. On the advances front, the retail advances, stand at 54,821 crore mark and the retail wholesale mix is at 54:46. New Business formation continues with disbursement across retail SME and wholesale. The disbursement in retail was 8,478 crore, highest ever. On the SME it was 4,576 and 3,736 on the wholesale banking side.

I'm happy to also highlight that while our retail and medium enterprise loan book have continued to grow over the last few quarters this quarter we have also seen growth in our corporate and SME loan book, post several quarters of de-growth or flattish trend. This augurs well for our growth aspiration as well as our guidance for FY22 and beyond.

There has been a significant improvement on the asset quality. We are seeing industry level trend that the overall credit scenario is improving, with companies de-leveraging and seeing higher throughputs and cash flows. The industry upgrades have far outpaced downgrade during the quarter. Even the Bank's asset quality trends have significantly improved with lower delinquencies and a decline in the overdue book by 6,000 crores quarter-on-quarter and these improvements have been seen across all segments, corporate retail and SME.

Particularly in the corporate segment, we have seen the slippage declining to 750 crore against 1,258 crores last quarter. We have also made a provision of 336 crore on a single telecom exposure, which is a standard advance and, on this exposure,, we have an aggregate coverage now of 10%. Retail slippage are higher as all COVID impact has been absorbed during the

quarter and underlying trends indicate improving collection efficiency at 95%. We have summarized our asset quality metrics on slide #6 of our presentation.

The total gross standard restructured loans have increased to 6,184 crore against 4,976 crores last quarter and this is largely on account of COVID 2.0 and MSME 2.0 related restructuring. The sustained momentum in recoveries and upgrade is also contributing towards the improvement in the asset quality parameter. Recovery during this quarter is 987 crores as compared to 602 crores last quarter. There have been upgrades of 969 crores against 1,723 crore of the last quarter. Overall, the first two quarters we have been able to recover and upgrade 3,351 crores against our annual target of 5,000 crores. So, as of now, I think we are very well on track in terms of exceeding our annual target of 5,000 crores. Because our business is expanding, we are also hiring employees. And as on 30th September, there has been a net addition of 573 employees during the first half year, and some of the senior hiring like CIO and the head of large corporate has also been made during this half year.

With this, I want to once again thank you all for taking the time out for joining this call. And into this festive season I wish all of you and your family good health and prosperity. Thank you and we can now take the question.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Piyush Chawla, Individual Investor. Please go ahead.

Piyush Chawla: Sir, I have a question regarding the ARC that the Bank is proposing to create. My question is that everyone says including you in previous calls that the bad assets of the Bank, they have a good security. Now when we transfer the bad assets to the ARC how would the Bank benefit from the upside in terms of if we are having good security against those bad assets. How would the Bank benefit from that? And my second question is that the employees of the Bank were used to working in a particular manner. Like Bank was doing a high risk, high reward business. So, do you think that the employees have been able to transition from that state of mind to current state where they have to undertake a relatively low margin business. So, are there any attrition issues that the Bank is facing. These are my two questions.

Prashant Kumar: So, on the first question the valuation or the value at which the transaction would happen with the ARC is definitely a function of the security which you are having for each of the accounts. So, when assets would be transferred to ARC, it would be at a fair market valuation and since this would be the function of the security so, we are not going to have any negative effect out of it that is one part. The second thing that, Bank would be free from the entire risk asset portfolio. So, today if Bank is sitting with a GNPA number of 15% this does not go very well with the investors.

The third part, that a lot of management bandwidth is being spared in terms of recovery and the resolution. After transfer to ARC that would be available for the business growth which would

be more critical for the Bank. The fourth part that since we continue to be an investor and we would be part of the ARC then any upside in the ARC would also be shared with the Bank.

Piyush Chawla: So, how much stake are we contemplating any idea on that?

Prashant Kumar: So, as per regulatory guidelines banks are not permitted to invest more than 20% but depending on the regulatory guidelines we would be doing that, but that will be a huge positive in terms of even this transaction would be capital accretive for the Bank. Because of like what you were mentioned in terms of the good securities which are available.

Related to your second question in terms of whether the mindset of the employees in terms of taking those kind of exposure. So, there has been a huge change after the moratorium was lifted and after the reconstruction scheme of the Bank, where made a huge change in terms of the entire thought process in the Bank and the people are aligned in terms of understanding that we need to take reasonable risk and nobody would be making any kind of high-risk call, just to meet some of the short-term guidance. So, that has been a change and this is being seen very, very clearly and our risk framework does not allow anybody to take those kind of calls.

Piyush Chawla: Okay sir. Any attrition due to that change of management thought?

Prashant Kumar: No, so attrition is a normal function in any of the Bank. So, I would not be saying that attrition would be attributed to this change in the thought process, but definitely attrition definitely happens. And there is some attrition which is induced from the employee side, there is some attrition which is induced from the Bank side, but overall, there is an attrition as a normal process and we continue to hire and if you see like there is a net addition in terms of number of employees as on 30th September.

Piyush Chawla: Thank you for that. Can I ask one more question, if you allow?

Prashant Kumar: Yes, please.

Piyush Chawla: Sir, till last quarter there was an issue on the telecom exposure and we chose not to create any provision. Now, when the things are looking much more brighter and we are choosing to create a provision now that is creating a doubt in my mind as to what is happening. So, if we can maybe give some clarity on that?

Prashant Kumar: So, basically, if you see the last quarter, we have decided not to make any provision on this, because at that point of time, I agree with you in terms of there are no issues, but issues were not crystallized, Issues were crystallized more after like our declaration of quarterly results, then there was a clear cut communication and there was a doubt whether there is a understanding whether the entire ecosystem will be supporting three players or will be two players. So, that kind of confusion and the problem started subsequently. And then there was a clear communication that promoters are not going to put any equity. Now, after the Government of

India package, and after even the company responded to this, I would not be saying there is any uncertainty about this exposure. But still we are waiting for the clarity to come from the company.

Piyush Chawla: Okay. So, maybe in the next quarter, we'll reverse it if situation normalize?

Prashant Kumar: Absolutely. But at this point of time, we thought like it would be better to create a coverage

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

Kunal Shah: So, firstly in terms of the retail slippages, so in fact that has been quite high 6.5% run rate, no doubt it's offset by upgrades as well plus some write offs. But how should we see it stabilizing now that collection efficiency is also back to 95% odd level as we have highlighted for the retail pool. So, should we actually see the retail slippage is trending down going forward, because that has led to the overall slippage run rate in this particular quarter?

Prashant Kumar: So, Kunal like slippage on the retail side in the second quarter is almost similar to the slippage which happened in the quarter one, but if you see the overdue book, so 61 to 90 days overdue book on the retail side has come down from 790 crore to 361 and +31, 31 to 60 days has come down from 1,700 to 672. So, there has been a significant reduction in the overdue book and that basically gives us that confidence that next quarter the slippage would be significantly lower than the slippage which we have seen in the quarter one and quarter two.

Kunal Shah: Okay, sure. And secondly, in terms of this DHFL recovery, so it was fully provided but was there any kind of right back or ours was towards the unsecured and there was not so maybe and insecure maybe debt holders have received 40% to 43% odd. So, was there any recovery and write back in this quarter?

Prashant Kumar: So, for us this was an unsecured exposure, the cash recovery was very small.

Kunal Shah: Okay, sure. And thirdly in terms of tech financing and the overall fee income when we look at it it's largely being led by the interchange and general banking all through within the retail component. So, in this interchange what we see kind of it's coming in largely because of the partnerships, the cards and all also, how should we see the traction going forward and what are the developments on the FinTech side and how do we assure when we are tying up with most of the FinTechs in terms of the asset quality of the pool, okay that comes and sits on Yes, Bank's balance sheet what is the state of the customers of some of these FinTech partner? So, in terms of the seasoning, in terms of any risk on the credit cost which we see coming over, how should we ensure that it doesn't lead to any major disruption from this particularly FinTech originated?

Prashant Kumar: So, we need to clarify this that in for when we are talking about partnerships with the FinTech, it is not about origination of loan by FinTech, which is sitting on our balance sheet. This is more

in terms of if you see our digital expertise, which is actually supporting the major share of the FinTech players. So, if you see whether this is on the payment side, or whether they would be participating in the sandbox by Reserve Bank of India, everybody is powered through YES Bank. So, most of the fee structure is more in terms of transaction, but once we have reached to the stage where the FinTechs and the other major players in the ecosystem are dependent on the support provided by YES Bank, not only we would be enhancing these capabilities but going forward we would be using that data which is available with us in terms of lead acquisition for our business growth. So, the fee income side growth on retail would continue and we are not looking for any business acquisition coming from FinTech.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Elara Securities. Please go ahead.

Mahrukh Adajania: Sir firstly just on restructuring. If you see the slide on page #14, then there is MSME COVID and other COVID and between September and June, the increment is around 1,200 crores whereas if you see your statutory release, the OTR two is around 860 crores. How do you explain the difference?

Niranjan Banodkar: So, Mahrukh there is two, three disclosures that we'll have to look at because there were different regulations of a COVID 2.0 and there was also an MSME 2.0. So, to that extent, the net increase that we're looking at in our restructured pool is through the MSME 2.0 and the COVID 2.0 which is approximately you will find about 1,100 to 1,200 crores.

Mahrukh Adajania: Got it, and the other question is that our credit cost are negative so what was the write back and on what kind of accounts as in where one or two lumpy account. How many accounts did you see write back of credit cost?

Prashant Kumar: So, there has been large number of accounts to these recoveries are sitting across segments and across accounts. So, there is no single lumpy account on this.

Niranjan Banodkar: Mahrukh, also just to clarify, I'm not sure if this has caught your attention but, we've also now started reporting the recovery from written off accounts as part of the provisioning line item. as per the RBI circular. So, we also have that which is now addressing the credit cost line item.

Mahrukh Adajania: Okay, so that also kind of adjusts the Credit cost. Got it. Okay, and sir by that amount the non-interest income would be you lower?

Prashant Kumar: That's right. We have actually to that extent also made it comparable. You are absolutely right.

Mahrukh Adajania: Got it. And so, there are few reporting about Q2 to be lumpy recovery for YES Bank. So, that is all included in the 5000-crore figure for the year which is our target right?

Prashant Kumar: Can you please repeat Mahrukh?

- Prashant Kumar:** So, there are press reports mentioning YES Bank's exposure to a few accounts, which are in the process of being recovered?
- Prashant Kumar:** So, Mahrukh, the issue is whether which newspaper you read and which newspaper I read so, if we can be very specific that would be better.
- Mahrukh Adajania:** So, there was recovery from Delhi Metro, and then there were one or two other accounts. So, what I'm trying to ask is, whether all that is included in the 5,000-crore recovery plus upgrade figure that you are looking at?
- Prashant Kumar:** So, any news which is related to recovery of our asset would definitely come to us. And basically, the section which we are seeing like I was sharing, that against a target of 5,000 crores in the first two quarter itself we have made a recovery and the up gradation to the extent to 3,300 crores. So, I think we would be exceeding by a good margin on the 5,000 crores and such kind of news items which you are seeing, that would be icing on the cake.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Over to you Mr. Mundhra
- Jai Mundhra:** The first question on your balance sheet, that investment number that we have, so this quarter, it has gone from like 46,000 crore to 56,000 crore. And at the same time, even the cash on the balance sheet is also a bit higher, or it still remains elevated. So, if you can elaborate sir, what is driving this rush towards investment?
- Niranjan Banodkar:** So, Jai the investments actually, one is the excess liquidity that was being carried in our let say cash is also kind of deployed through the SLR investments so some part of that has got moved into the SLR, as we see some yield pickup and we're finding good opportunities to deploy that from an SLR maintenance. And the second is, we've also had some good opportunities in from a corporate engagement standpoint on the non-SLR book. So, we've also had access to the TLTRO market so that is also second part of the HTM book. So, it's a combination of the two as to why you have seen increase in the non-SLR book and some part of it can also be explained, because of the excess liquidity that we were carrying in our IBU was also passed in U.S treasuries at the quarter end. So, it's a combination of all these three.
- Jai Mundhra:** Understood sir. And just a conjunction to this, do you also have the term repo here because RBI, the master rule that you had said wherein you have change other income and provisioning, that also says that you have to include the advances, you have to include the term repo in the advances. But I don't see that you have made any changes there. So, do we have any term repo or that is subject to interpretation?
- Prashant Kumar:** Jai, that's not material at all.

- Jai Mundhra:** Sure, okay. Thank you sir. And, I have a few other questions, first on this stressed telecom exposure. So, what we have mentioned is that 360 crores is now 10% on the blended entire exposure, including bond and loan. So, if you have this thing ready, how much is the bond and how much is the loan exposure and I understand that that blended we have 10% provisioning, but if you have a small bifurcation there?
- Prashant Kumar:** No, so we have a bifurcation Jai, but as a policy as we don't talk about and give exposure. But on this exposure we have an overall coverage of 10%.
- Jai Mundhra:** Understood sir. And secondly sir on your slippages, so 7.5 billion corporate slippages it is again a slight divergent from other banks, because we don't have material exposure to the large infrastructure account which is under stress and which will be recognized across banks. So, if you can help us understand what is still driving 750 crores in corporate slippages?
- Prashant Kumar:** So, this is on account of two, three hotel exposures, which were impacted because of the COVID resulting in a slippage during the current quarter. And also, one exposure was part of a retail chain.
- Jai Mundhra:** Okay. But these hotels they were eligible for this ECLGS 4.0 or 5.0. Were they not viable or how should one look at it?
- Prashant Kumar:** There were issues beyond that, in terms of some promoter dispute. So, we thought it is not good to make further lending to this.
- Jai Mundhra:** And on recovery sir. So, you have mentioned that this 5,000-crore recovery which you will have in the entire year. So, the question is you will definitely have recovery, but is there any reasonably large account which can help you reverse the provision, because even if you have let's say 20% to 25% recovery, which may not drive any provision right back. So, any sector or your estimate as to this 5,000 crore or even more recovery will help you realize some provision write back, that would be very helpful because the understanding that I have is most of the account where there was a write back possible is most of them has already been done. And now, these are the cases which, will only fetch liquidation value. So, your comments here sir, thank you.
- Prashant Kumar:** Jai, you underestimate our total portfolio. So, we have a very good opportunity to recover a significant amount in our existing portfolio also. And that is exactly what has happened.
- Moderator:** Thank you. The next question is from the line of Aakriti Kakkar from Goldman Sachs. Please go ahead.
- Rahul:** This is Rahul here. A couple of questions, first is just looking at the RWA density which has been improving for the last few quarters. And as per our calculation, it's now at about 79%. But,

despite reporting of profit why CET one ratio down 10 basis point quarter-on-quarter trying to reconcile that?

Niranjan Banodkar: The RWA growth rate is higher than the ROE, Rahul very simplistically.

Rahul: Okay. It's about 2% quarter-on-quarter and that consumes like 10 basis points?

Niranjan Banodkar: Yes, broadly.

Rahul: Okay, got it thanks. The other question is this one lumpy telecom account that you talked about, is it which SMA bucket it would be sitting in?

Prashant Kumar: So, this is not SMA, and they're servicing absolutely on time it's 0 DPD. We still need to get clarity from the entity. And that's why we have made a provision for them.

Rahul: Understood. And this sir 6000 crore reduction in the overdue buckets that you have flagged, is this because of any one or two large accounts which Marukh has talked about or this is across the Board?

Prashant Kumar: Across the Board.

Rahul: Got it. Sir, the other question is the provisioning for the last two quarters have kind of dropped quite a bit like 1% or there about of the loan book. Is this like a new normal that you're expecting throughout this year second half and even the subsequent years of course depending on the macro, et cetera but is this like a new normal that you're looking at?

Prashant Kumar: We would see further improvement over the situation.

Rahul: Even in this year sir, in the second wave?

Prashant Kumar: Yes.

Rahul: Okay. And then just one more small thing sir, this ARC that you talked about two questions there. One is you said in one of the questions that banks can invest up to 20%. So, would you be the minority partner in the ARC and the majority of the money will have to be brought in by the other partners, is this how the structure is going to be?

Prashant Kumar: So, there are regulatory guidelines where banks are not permitted to invest more than 20% in ARC and we need to work within this, and the 20% it becomes minority

Rahul: Yes. And do you think at the current PCR of let's say close to about 60% on the total stress we don't need to make any extra provision even if we were to transfer these loans to this ARC even today. If you were to do this, transfer of bad loans today, would you need any further provisioning or 58%, 60% of the total stress is sufficient?

- Prashant Kumar:** No, absolutely not. So, if you see our recovery trajectory, the current provisions are more than the recovery, so there will not be any need to make any additional provision.
- Rahul:** Got it, thanks sir just one last question. You've been seen some ratings upgrade, and there is a sizable borrowings that are sitting on your balance sheet as well. When would you start reaping the benefits of these rating upgrades of your papers?
- Prashant Kumar:** So, the borrowing part we also need to see if there is a commitment towards it. But it would be sometime away in terms of when our ratings would be like equivalent to the rating where you can command a good pricing. So, as of now we don't see that kind of requirement, but still, it would be some time away.
- Rahul:** So, you can't use the call option and reprice these papers down on the rate side, that possibility does not exists?
- Niranjan Banodkar:** No, so Rahul it's not that the borrowing so for example, let's say if you look at if you look at the spirit of borrowing there are certain foreign currency borrowing which will be LIBOR linked. It's the spread, materially it went up and when we went through, let's say the last 18 months of period right. So, the spreads will remain as they are, like we have fixed rate borrowings, if we would have borrowed four years back, they actually remain fixed. So, what is going to materially change as we go along is, is really the play is not so much on the borrowings to be honest. There will be some room of redemption and repricing but, the large part of it is in the way we will want to track our deposit rates lower and that's really been our push to get the cost of funding lower and deposit rates have actually been more than 100 basis points lower and there is some more room on that path. That's where we believe really where the rating upgrades will keep helping us like the recent ones when the short end. Which is the A2+ moving in A1 really opens up more avenues from a deposit seeking. So, that's really where our focus has been from a rating standpoint.
- Rahul:** This is going to be gradual process in that case, it will play out over the next few quarters, not immediately?
- Niranjan Banodkar:** From a rating linkage yes, but just that if you're looking at from a cost of funding standpoint, what we do have over the next couple of quarters is also that the loans actually in our book has been priced faster than the deposits. So, the repricing of some of our deposits, which we had accreted or acquired, let's say in December and March of last year, some of the repricing because a large part of our rate cut journey actually began more in March 21, if you kind of look through the trends, and therefore there is room available for us to have those deposits, repriced, because if I just look at my incremental deposit rates today, there is a reasonable contraction that we will see on cost of funding.
- Rahul:** Got it. Just one more last question. If I may squeeze in, you have a pretty sizable market share in the P2M on UPI rails, to what extent the current account deposits would be driven by that,

and how sticky would those be, like what's the duration of current account balances, if at all you get in sizable quantum stays with the Bank?

Niranjan Banodkar: So, Rahul, I don't think we have to look at just the P2M aspect. And then look at let's say the float that we have from a CA perspective, there is as a combination of fee revenues that we get from some of these relationships for providing the infrastructure and platform. But, if I were to look at the current account thought process, if I were to bifurcate and look at to what extent are we solutioning, or providing solutions to our customers, and then look at the CA customers, almost make two third of our current account effectively would be from such nature of customers where we are providing some of the other solutioning either through API or through payment interface. And that is what is really driving on a standalone P2M. I don't have the specific number here, but really it's not something that is our thinking or thought process it's really bundling the solutioning not to only that particular partner, but the whole ecosystem is what is driving the balances.

Rahul: Got it. Actually, I was approaching it more from the fact that UPI balance has been growing at a frantic pace 30%, 35% year-over-year on a monthly basis, this becomes a larger pool would you all have a sizable float for the Bank in the system and that kind of pulls down your cost of funds on a structural basis, that was how.

Prashant Kumar : No, so absolutely, if you see the current account growth it's a 60% Y-o-Y growth. So, this is mainly because of these kinds of relationships and providing solution to these customers. And we are also not seeing any significant impact on us after the implementation of RBI circular on the current account because of these kinds of arrangements.

Moderator: Thank you. The next question is from the line of Manish Shukla from Citi Group. Please go ahead.

Manish Shukla: For the last two quarters we've had about 3,600, 3,700 crore kind of a wholesale disbursement run rate, could you tell us the nature of this disbursement either in terms of rating profile or the industry where you're kind of dispersing this book now?

Prashant Kumar: So, these kinds of disbursement are basically very granular. So, we are not taking the project exposure or the long term as a product on the term loan. It is more in terms of participation in the working capital limits, on the trade finance and today we are very, very careful in terms of not taking a risky exposure. Because these are not very large corporate customers where these exposures are taken. But all other places these ratings are quite good, investment grade. But very granular exposure on the corporate and this would be the strategy going forward.

Manish Shukla: That is where I was coming from, so if it's granular in nature you would expect similar or better run rates to continue?

Prashant Kumar: Yes, absolutely.

Manish Shukla: Okay. Moving to liabilities and deposits, on a Y-o-Y basis September 21 over September 20 was roughly 10,000 crores of addition. How much of that is retail and how much of that would be institution?

Niranjan Banodkar: Saving account about 80% to 85% would be the retail SA. Current account will be institutional, but that was a specific question, 85%. Will be in fact; I don't have a number right now but in fact between 85% and 90% sorry for that.

Manish Shukla: No, that's good enough. The other thing is retail TD, just to be sure retail TD is 2 crore ticket size definition or it's the individual definition?

Niranjan Banodkar: It's on a ticket size of one crore.

Manish Shukla: So, it's one crore ticket size?

Niranjan Banodkar: That's right, that's the number.

Manish Shukla: Okay, right. And really the last question, RoA trajectory, one and a half plus kind of a trajectory that you have given on ROA from where we are now at 30 basis points to 1%+, what would be the biggest driver of that journey because credit costs have already come off quite meaningfully for you. So, in terms of journey from 30 basis points to 1%+, where do you see that coming from?

Prashant Kumar: So, there would be three things. One would be loan growth across the different segments. And the second would be the fee income and the third part is in terms of recovery. And all these things we are continuously doing while having an adequate control on the cost side.

Niranjan Banodkar: Manish, also to add if you look at our margins we are sitting at about 2.2% today. And in fact, on the earlier question also alluded to the fact that there is the potential of the deposit repricing that is yet to play out. So, if I just want to look at the stock of our balance sheet, we would actually be operating not at 2.2, but upwards of 2.5% from a NIM standpoint. And just to give you a sense that when I look at the exit NIM for September, it is actually higher than 2.2%. So, the progression of margins is actually very strong.

The second is, again improving CASA ratio. So, we are at 29%, that will continue to add to my lowering cost of funding. And the third, again, something that I alluded in my earlier response is our continuous journey to also keep compressing the spread that we offer on our deposit rates, we started this journey with almost 200 basis points over competition. It's below 100 basis points now and that progression will continue. So, the biggest driver if I were to just summarize for let's say on a two-point basis is actually NIMs which will be a function of cost of funding reduction not so much in advances right. On the yield loan advances to the point that Prashant sir was also mentioning earlier, as we keep accelerating our recoveries, you will find that the drag that we carry on a balance sheet will also keep compressing. So, the moment I look at my



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net interest margin excluding the NPA that itself also adds to the NIM. So, there is enough and more play on the net interest margin, on the fees nearly we are at 1%, fees to assets there is more that we can do and that trajectory has been improving. And operating costs we are operating at about 2.3% cost to assets and there is room for us, if there is a good room for us to actually spend a bit lower, closer towards 2%. So, these are at least at the core level, the drivers for our core operating profits. And of course, as our recoveries keep giving us provisioning write backs that means that the prognosis on provisioning is also quite benign.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Kumar for closing comments. Over to you sir.

Prashant Kumar: Thank you so much for joining this call. And in conclusion, I would like to recap the key trend. Loan growth momentum has picked up, liability structure as well as quality continue to improve on quarter-to-quarter basis. The core earning trajectory remains strong with various levers available for NIM expansion, as well as higher fee income on back of increase in growth trajectory. Incremental asset quality stress is trending lower, and we expect recovery and the provision write back to meaningfully offset the credit cost. And at the end, there is an adequate capital in terms of CET at 11.5% and the overall capital ratio of 17.6%. So, once again, I wish all of you and your family good health and prosperity and best wishes for the festive season. Thank you.

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