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January 31, 2025

National Stock Exchange of India Limited
Exchange Plaza, Plot no. C/1, G Block,
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051
NSE Symbol: YESBANK

BSE Limited
Corporate Relations Department
P.J. Towers, Dalal Street
Mumbai – 400 001
BSE Scrip Code: 532648

Dear Sir/Madam,

Sub.: Transcript of Earnings Call for the un-audited Financial Results of the Quarter (Q3) and Nine Months ended December 31, 2024

Ref.: Reg. 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Please find attached the transcript of the earnings call hosted by YES Bank Limited ("the Bank") on January 25, 2025 for the un-audited Financial Results of the Quarter (Q3) and nine months ended December 31, 2024. The same is made available on the Bank's website within the timeline prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and can be accessed at the following link:

https://www.yesbank.in/about-us/investor-relations/financial-information/financial-results/financial-results-detail-page/analyst-call-transcript--2024-25-q3

You are requested to take the same on record and acknowledge the receipt.

Yours faithfully,

For **YES BANK LIMITED**

SHIVANAND RAMA SHETTIGAR

Digitally signed by SHIVANAND RAMA SHETTIGAR
Date: 2025.01.31 22:37:18 +05'30'

Shivanand R. Shettigar
Company Secretary

Encl.: As above

"YES Bank Limited Q3 FY25 Earnings Conference Call"

January 25, 2025

MANAGEMENT: **MR. PRASHANT KUMAR - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, YES BANK LIMITED**
MR. RAJAN PENTAL - EXECUTIVE DIRECTOR, YES BANK LIMITED
MR. MANISH JAIN - EXECUTIVE DIRECTOR, YES BANK LIMITED
MR. NIRANJAN BANODKAR - CHIEF FINANCIAL OFFICER, YES BANK LIMITED
MR. PANKAJ SHARMA - CHIEF STRATEGY AND TRANSFORMATION OFFICER, YES BANK LIMITED
MR. SUNIL PARNAMI - HEAD OF INVESTOR RELATIONS AND SUSTAINABILITY, YES BANK LIMITED

Moderator: Ladies and gentlemen, good day and welcome to YES Bank's Q3 FY25 Earnings Conference Call.

On the Management Panel, we have with us today Mr. Prashant Kumar – Managing Director and Chief Executive Officer; Mr. Rajan Pental – Executive Director; Mr. Manish Jain – Executive Director; Mr. Niranjan Banodkar – Chief Financial Officer; Mr. Pankaj Sharma – Chief Strategy and Transformation Officer and Mr. Sunil Parnami – Head of Investor Relations and Sustainability.

Mr. Prashant Kumar will now give you an "Overview" of the Results which will be followed by a Q&A session.

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 this conference, please signal an operator by pressing "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

Before we proceed further with this call, please note while all efforts will be made that no unpublished price sensitive information would get shared in case of an inadvertent disclosure, the same would in any case would form part of the recording of the call. Further some of the statements made in today's call could be forward looking in nature. A note to this effect is provided in the Q3 FY25 Results Presentation itself shared on the Bank's website.

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

Prashant Kumar: Thank you. Very Good Afternoon, everyone. I would like to start by welcoming and thank you all for joining us for Q3 FY25 Earnings Call.

On this call, I am joined by the senior team members of the Bank. On behalf of the entire leadership team at YES Bank, I would like to wish everyone a very Happy and Prosperous New Year 2025.

Moving straight onto our Quarter 3 Results:

As you would recollect, few quarters back we had outlined a detailed profitability improvement roadmap, which at the headline level was essentially centered around improving Banks' operating profitability via improving our margin, fee, and reducing our cost. We had also guided for our sense of recovery and redemption from our security receipts portfolio.

I am humbled to report that despite multiple headwinds around liquidity and deposits, system wide credit strain and latest economic data indicating some mixed trends, we have remained right on track and delivered five consecutive quarters of sequential expansion in Net Profits. What is more encouraging that the Bank has delivered a ~25% Y-o-Y and 10.6% sequential growth in our third quarter Pre-Provisioning Operating Profits (PPoP) at INR 1,079 crores. This is second successive quarter of Operating Profit expansion. Further, PPoP as a ratio to average assets improved by 10 basis points both sequentially and on Y-o-Y basis and inched up to 1% from 90 basis points.

Having said that, as we look to replicate the same over the coming quarters, we would remain extra vigilant of the external macro, be more prudent and calibrated, yet nimble and agile in our approach and action.

Talking of individual components, in Quarter 3, our net interest margin came in at 2.4%, flat both sequentially as well as same quarter last year. From a margin's standpoint, it was the important quarter of inflection as it marked the beginning of meaningful reduction in our outstanding RIDF deposit balances which reduced by over INR 8,000 crores largely towards last week of December '24. These RIDF deposits now stand at around 8% of our Total Assets as against 10.5% to 11.0% over the last few quarters. As a result, Bank prudently reduced its borrowing by ~11% quarter-on-quarter. As outlined earlier, going forward, while we may continue to see some RIDF related calls majorly for periods prior to FY24, but on net absolute basis, Bank looks to be well on course to reduce the same below 5% over the next 2 to 3 years. Moving on to Cost of Funds and Cost of Deposits, both of which were largely flattish over quarter 2. Our deposit engine has been firing well with sustained pickup in our CASA balances and CASA ratio, which we believe, over time would start to also meaningfully contribute in our operating margin expansion and profitability. As on at the end of Quarter 3, Total Deposits at ~INR 2.77 lakh crores, which is up ~14.6% Y-o-Y. CASA and Retail TDs (i.e Balances up to INR 3 crores) is now at 62.6% of our Total Deposits. In Quarter 3, our average daily Savings Account balances have grown ~32% Y-o-Y and Current Account balances have grown by 22.1% Y-o-Y. As you would see on page 4 of our investor presentation, over the last 4 quarters, we have improved our CASA ratio by nearly 350 basis points, unlike the industry trend, which has seen a drop in their CASA ratio over the same period.

This reflects the trust in Yes Bank Brand, strong acquisition engine, a very well-run Deposit franchise which has been consistently delivering through right customer selection, a strong customer value proposition, a motivated team, right incentives and performance scorecards, and an integrated best-in-class tech stack. Not only that, and as we have been articulating in the past, we have also seen really leveraging our branches as the core fulcrum of our business and generating Assets and Fee-based businesses out of those branches as well.

Talking of our customer value proposition and technology, we recently launched our flagship all-in-one super app for businesses called IRIS Biz, bundling over 100+ features over mobile and web across payments, collections, tax payments, and other business requirements. The Bank continues to see very good traction in its next generation UPI payment app, namely YES PAY NEXT and YES PAY BIZ, strategically targeting Non-YES Bank retail as well as business customers. Details of all these initiatives have been given on page 18, 19, and 20 of our investor presentation. We believe this coupled with, our leadership in digital payment ecosystem and fast market share gains in NACH and ECS business, gives us a distinctive edge which would further fuel our CASA as well as cross-sell engine.

Speaking of our Fee Income, the same came in at INR 1,512 crores, up 26.6% Y-o-Y and 7.5% sequentially. It is pertinent to highlight that our Fee Income as a percentage of Total Assets, is currently at 1.5%, and has seen a steady ramp up of 20 basis points over the last 8 quarters. It reflects our consistent synchronized execution and going forward we expect this momentum to continue and be added by our distribution ramp up, and sustained improvement in our sourcing, cross-sell, partnership, servicing, customer delight and technology.

Talking now of our Opex Cost, Quarter 3 was second successive quarter wherein further the Bank delivered an improvement in the Cost to Income Ratio. Total Operating Expenses at INR 2,657 crores, up by 13.2% Y-o-Y and only 0.9% sequentially. As guided earlier, with asset mix largely remaining stable between Wholesale and Retail, coupled with our on-going transformation exercise including right sizing initiatives and greater leverage of technology, productivity and process improvements, we expect our cost to income ratio to continue to further improve from here on.

So, to summarize, we are well on track with sustained pickup in our Deposits and CASA, 100% compliance in PSL and its sub-categories, RIDF resolution already underway, our cross sell, fees, digital payments, and transaction banking flows thriving well and cost to income ratio is starting to improve.

<u>Now moving over to Advances and Asset Quality:</u>

At a headline level, there is no change in our overall strategy and we would like our current advances mix between retail and wholesale, which is currently around 60:40, to largely remain the same over the medium term. Though having said that, this ratio may see some transitory movement between quarters owing to change of gears, risks and profitability calibration across segments - a flexibility or advantage that comes with being a trusted universal banking franchise with full range of products catering to various customer segments.

In addition, within the segments as well as between the products, in a particular segment, we would continue with our strategy of profitable growth, though the overall pace of growth may moderate depending upon external macro and our internal risk adjusted returns threshold.

For quarter ended December '24, our Advances have grown by 4.1% sequentially and 12.6% Y-o-Y with strong growth in our mainstay segments of SME and Mid-Corporate, which continued to deliver growth in excess of 25% on a Y-o-Y basis. On the other hand, our Retail Advances were flattish quarter-on-quarter and were down around 3% Y-o-Y due to ongoing recalibration aimed at profitability improvement. You can see the differential growth rate across the retail products on page 44 of our investor presentation. In the Corporate segment, we have maintained the growth momentum of last few quarters.

On Asset Quality, I won't go into the headline details, as all these vectors have performed in line with trend of last several quarters, and you can find them in our disclosures. Our Net NPA, along with Net Carrying value of Security Receipts (SR) as percentage of Advances, now stand at 0.6%. We had guided for our SRs, security receipts, to have negligible or NIL value by end of FY25 and we are well on track towards that as the net carrying value stand at INR 233 crores as of December 2024.

Another key highlight in overall numbers is the strong Recoveries and Resolutions at INR 1,843 crores which takes the cumulative recoveries and resolutions for 9 months of the Current Financial Year to over INR 4,400 crores. We are on track to achieve the guidance of INR 5,000 crores for FY25 and we would like to highlight that the SR portfolio would continue to contribute towards our recoveries and resolutions even after becoming NIL in terms of net carrying value on our Balance Sheet.

Now I would like to draw your attention to Slide #6 of our Investor Presentation:

Here we have laid out several metrics with respect to our Retail Asset Quality. As you can see, the Retail Slippages which includes the Rural portfolio, has been flat on a quarter-on-quarter basis despite the adverse operating environment, especially on unsecured products including the microfinance. On a 1 year lagged basis, the slippages have actually marginally improved as percentage of Advances. Within this, the Secured portfolio has seen sharper improvement in terms of Slippages and even within the Unsecured products, except for microfinance, other products have seen flattish trend in Quarter 3. Another encouraging trend is that early delinquencies in the form of 31 - 90 days Overdue Loans are now stabilizing across both Secured and Unsecured products. I would like to highlight that this has been an outcome of several interventions and actions with respect to our underwriting, scorecards, collections taken over the past 9 to 12 months.

As I conclude, let me reiterate that all the key business vectors are progressing in desirable direction, including the two important trends that we have seen this quarter in form of the reduction in RIDF balances and flattening out of Retail Slippages. I would like to thank you all once again for your continued interest in our franchise and progress.

Lastly, before we take your questions, let me convey my advance wishes for our 76th Republic Day. With this, we can now take your questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Sir, I have few questions. First if I were to calculate the slippages, the way you have defined PL and Credit Card slippages, it looks like PL slippages in absolute number and percentage are more or less stabilizing whereas Credit Card slippages are rising, whereas the Loan growth is actually the opposite, right? So, PL growth has been lower, declining Y-o-Y 10-12%, whereas Credit Card growth has been 25% YTD and maybe 30-40% Y-o-Y. So, I am just not able to understand that of these two unsecured product, one is having higher slippages, but higher growth. And another is slippages are stabilizing but lower growth. So, you can elaborate on that?

Rajan Pental: So, your observation is correct. Now in Credit Cards, the way the book grows is always with a lag, because whatever you acquire subsequently builds up as a utilization, and hence the book growth what you see over there while we have also calibrated the growth in Credit Cards vis-a-vis our potential. Now, while in cards, you are seeing a higher slippage. But if you look, when we are looking at the 30+, 6 MOB, 3 MOB, we are seeing a flattening, like PL, what you see as a trend in the slippages. So, both the portfolios, they actually need to be looked at little differently. But PL, one of the other reasons why you see a slowing up of the business was also in terms of us trying to recalibrate our scorecards in view of how the market is behaving and how the macro factors are impacting. So, you're right, PL has shown a flattish trend in slippages and also in the business growth it has come lower. But from here onwards, PL, we will be in a position to ramp up but to the correct segments and we will again continue to have a calibrated strategy for the Credit Cards as well. But I can tell you both of them are showing at a 6 MOB little flattish, kind of trend, and we expect that to continue.

Niranjan Banodkar: If I can add couple of more points. One, the Credit Card book, if you look at it from a sequential standpoint, is also not growing at the same pace as it was growing in the past. I think that's number one. Number two, and that's the nature of the product, the ability for us to let's say intervene and de-risk the Credit Card works very differently from let's say a PL. In PL, you can slow down the disbursements. In Credit Cards, the mix of revolver can change while you can still have a book that could kind of play out, right? So, I think our approach to unsecured-whether Credit Cards or PL, I think we've been working on it and look at both these sectors with the same lens. It's just that there are nuances to individual products. And we do believe when we look at the 30+ and lead indicators of risk, that some of the plateauing is playing out. In fact, if we look at the new sourcing on Credit Card, while these are very early indicators, if we actually look at new sourcing of credit cards, the vintage curves are actually showing us far better performance on Credit Cards. But anyways, I think we'll have to see how some of that data will also play out over a period of time. But I just wanted to make sure that there is no discerning in the way we will look ultimately from a risk standpoint between the Credit Card and NPL. It's just that sometimes it's the nature of the underlying product.

Jai Mundhra: Just to understand this, if you say within Credit Card, would you say that maybe last 12 month's origination, their delinquency is lower than the blended one or and hence, can you make that comment that let's say the new origination after your tightening of rules, are they behaving better than the blended number or they may still be higher than the blended but better than a historical curve?

Rajan Pental: So, for both PL and Credit Cards, the sourcing quality of the recently acquired portfolio is definitely trending well because, like everybody in the market, there is a fair bit of tightening on the norms.

Jai Mundhra: So, like you said, it is behaving very well, and hence the slippages are stabilizing. But what I wanted to check is, is this better than the blended one, or this is better than a usual vintage curve? That was actually, if you can specify.

Rajan Pental: A portfolio plays on an average, after six months to 12 months, that is how it behaves. But the early indicators are definitely better than the blended. But the blended also has a lot of shapes, the part of portfolio which was doing well and the part of portfolio which had concerning trend. So, vis-à-vis that concerning trend, we are seeing that the pullbacks are better.

Niranjan Banodkar: In any case, Jai, I think we should also keep in mind the fact that if you look at our Unsecured as a proportion to Retail Assets, and actually if you look at that as a proportion to Total Advances, I mean, we are talking about this portfolio adds up ~25% of our Retail Assets. So, that kind of gives you a good sense that we are not running like a... I'm sorry, at a Bank-wide level, my bad. So, it's not that we are looking at a very material risk at a full Bank level to kind of come and hit us as well.

Jai Mundhra: Secondly, on savings growth, we have been doing exceptionally well in terms of growth whereas other peers are struggling, and outperformance has been very remarkable. If you can also comment, so we have the graded SA, we have 3%, 4%, 5% and 7% SA offering. Is this the savings growth also, in a way, inching up your blended SA cost or I mean, of course, apart from execution, its pricing is also paying a little bit of a difference. So, if you can comment, what is your blended SA now, blended SA cost in Q3 and maybe versus last quarter and a year before?

Niranjan Banodkar: So, on that, Jai, our blended SA continues to be stable actually over the last almost 3 to 4 quarters and this is despite some of the rate actions that we took more than 12-months back on across different buckets where we actually took the headline rate higher for balances more than INR 10 lakhs. But despite that over the last one year, in fact our SA cost is largely anchored, I think it hovers around, let's say 5.8%-5.9%.

Jai Mundhra: And lastly, on Security Receipts, so now unprovided book has come down to INR 233 crores. Assuming you maintain similar INR 1,000 crore kind of a recovery per quarter run rate, does this mean that next quarter onwards, I mean, you will have, assuming the INR 1,000 crore recovery, you will have a negative kind of a provisioning also, negative credit cost, if not in 4Q then probably from first quarter onwards?

Prashant Kumar: So, Jai I think if you see the outstanding Security Receipt has come down to somewhere around INR 2,400 crores. So, expecting like we would continue to have a recoveries of INR 1,000 crores per quarter. Definitely not going to happen because this is a case which takes a longer time for resolution. But we would be definitely expecting a recovery of somewhere around INR 1,200 crores every year and overall ~INR 3,000 crores plus from this portfolio.

Jai Mundhra: So, INR 1,200 crores per year, right?

Prashant Kumar: Yes.

Jai Mundhra: And what was the INR 3,000 crores, is it total recovery?

Prashant Kumar: Yes, from the pool over a period of time.

Jai Mundhra: Just on credit cost, I mean, how do you look at, now we have come to a very significant milestone where SR book may become almost zero, maybe by next quarter and you are saying that you know Retail Slippages are stabilizing. How should one look at credit cost? Could it be like insignificant 20-30 basis point or it will still be let's say 50 basis point?

Niranjan Banodkar: So, Jai, on credit cost, we said last year that we will be comfortably below 50 basis points. That is what we had said earlier. I think just from the way the ARC recoveries work, they kind of give us some choppiness. Sometimes in one quarter it might be higher, sometimes lower. But we do believe on an average, our credit cost should continue to be in the range of about 30 basis points. But again, this is not a guidance, these are just initial estimates, we will frame our guidance and come back at the end of this year.

Just one quick clarification. I don't know if you got that right, but the Unsecured book is actually less than 25% of the Retail. To actually look at that from a Bank-wide perspective, it's less than 10%.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.

Rakesh Kumar: So, firstly, the disbursement run rate seems to be marginally lower. So, anything that we should know about on year-on-year basis?

Niranjan Banodkar: So, that's largely a reflection where our Retail disbursements have come down.

Prashant Kumar: So, Rakesh, we were speaking about the recalibration of our Retail Asset Portfolio, which is also in terms of staying away from the very low yielding asset and also the tightening the underwriting for some of the unsecured loans. That has resulted into a lower disbursement Y-o-Y, but now we are inching back towards the normal which would take some time but next year we are quite confident that we would come back to the normal disbursement and would result into a growth in the Retail Asset.

Niranjan Banodkar: The details, Rakesh, you will find on slide 44, we have the disbursement in absolute INR crore given on the presentation.

Rakesh Kumar: And this Cost-to-Income ratio which is coming down for Corporate book, is it due to like loan pricing issue that is prevalent in the system or it is due to the Asset Quality like because interest reversal number. So, what is the reason for that Cost-to -Income in the Corporate segment having gone up?

Niranjan Banodkar: I am assuming, Rakesh, you are referring to the segmental results?

Rakesh Kumar: Yes.

Niranjan Banodkar: So, see there, ultimately, I mean, it's the nature of the Corporate business where you're able to build a scale and that does not come at any increment in cost effectively. So, you will kind of see that from a Cost-to-Income standpoint. They operate at very low Cost-to-Income.

Prashant Kumar: But fundamentally, like what you were saying, the reason is more in terms of very fine pricing which is happening in the market on the Corporate side, but not because of any kind of slippages.

Rakesh Kumar: Understood that because in this environment, it is more of a Retail phenomenon. And on the SR side, so net of provisions that we are doing, how should we see the run rate might be in FY26?

Niranjan Banodkar: So, Rakesh we've not given the guidance on credit cost, but let's say, I think I did allude to that question in the previous question as well, which is this quarter we are at about 20 basis points of credit cost, and if you look at the split of the 20 basis points, we have about 60 basis points that is the write back that we've got from the ARC and we have about 70 basis points of credit cost on the NPA. We do believe that a function of the normalization of this credit cost and we've also kind of assuming that we will not have like INR 600 crores of write back every quarter. We do believe that we might have a 10-15 basis points of uptick in the credit cost, but I think it should still be well below 50 basis points. I mean, our sense is about 30 basis points of range is that we should anchor our credit cost to. And this is to Total Assets, just to clarify.

Moderator: Thank you. The next question is from the line of Dev from Horsepower Securities. Please go ahead.

Dev: I have two questions regarding your result. So, first of all, I want to know if you go by your Segment Result disclosure sheet, Retail segment is still in loss. I mean, how many more quarters would you take to recover the Retail segment into breakeven? Second one is regarding the stake sell. Till the stake sell goes on or goes completed, why don't you go for QIP?

Niranjan Banodkar: Okay, I will take the first question. This is Niranjan, and I will request Mr. Kumar to speak about stake sale. So, on the Retail loss, if you look at the way the retail segmentation is, it's also a reflection of the way the method for the segmentation works out. For entire branch distribution, infra, people cost is all loaded into the Retail segment. And then of course, what we are also encountering for the last 4-5 quarters is the fact that we've been making higher provisioning as a function of the slippages that we've had in the Retail business. And the point that we were making earlier is, so we've slowed the book down with the clear focus that we will want to focus on profitable products. Now, it takes time for the new portfolio to start taking shape and start becoming dominant part of the entire Retail book. That journey, once it starts playing out, you will start seeing the effect of those in your profitability for the Retail segment. But we are kind of working quite meticulously on solving profitability of Retail Assets and that will happen with the change in product mix as well as normalization of the credit cost.

Second, what we are also doing is on our entire branch network, we are making sure that we are very frugal and efficient by not putting, overloading it with cost to scale up businesses. And we've been able to demonstrate that also over the last 12 months. So, if you look at our Cost of Deposits and our Operating Cost growth is actually quite contained as compared to what you see in terms of the Deposit growth that we are delivering. Now it is a matter of, I would say, evolution where the credit cost will have to normalize which we are confident about, but it will take some quarters. Once that happens, you will start seeing contribution from the Retail business go up. In fact, as we look at our ROA journey of 1% over the next three years, the swing or the delta that will come in is actually going to come materially from the Retail business. And but we are all working towards that but we are very conscious about the observation that you made and we are working, trying to execute each of those aspects. That's number one.

I think the second point you had was on stake sale. Before I hand it over to Mr. Kumar to take that question. I think the one point I wanted to call out is if you look at over the last 3 to 4 quarters, we hardly consumed capital. And this is despite the Advances book growing in excess of 10%, a trade book growing. And that's because, of course, one is we continue to see improving rating profile, our quality of assets on our Advances book, but also the discipline with which we are now managing the Balance Sheet as a function of the two, and also improving profitability. So, we reported CET 1 at 13.3%. If you go back to our pro-forma CET 1 post-warrant exercise, which happened in June, we were at 13.4%. So, the last nine months, effectively we just consumed 10 basis points. So, just from a Capital standpoint, I think 13.3% is reasonable. Of course, at some stage we will have to look at capital, but we do believe we have enough capital in play to grow from here on as well. But I'm going to now request Mr. Kumar to speak over the stake sale.

Prashant Kumar: No, I think Niranjan has already responded in terms of, but we have taken your suggestion, but currently we don't feel the need for raising any equity because our core equity is 13.3% is adequate to take care of our growth requirement.

Dev: And last question if you don't mind, from here on can we expect your provisioning to come down quarter-on-quarter for at least 3 to 4 quarters?

Prashant Kumar: You are saying provisioning coming down?

Dev: Yes, provision for NPA

Prashant Kumar: We are currently around ~71% on the provisioning coverage and we would like to see that our provision coverage would remain at the same level.

Dev: At what percentage would you feel comfortable?

Prashant Kumar: Around 70%.

Moderator: Thank you. The next question is from the line of Srinivas, an individual investor. Please go ahead.

Srinivas: As I can see, there is improvement in the CASA ratio and there is also improvement in the RIDF Deposits as a percentage of the Total Assets. But these two things together, they should translate into higher NIMs, Net Interest Margins and consequentially, better bottom line and higher ROA. But NIMs are flat, like it's at 2.4% for the last two quarters or so. So, why this is not happening? The improvements on both these fronts should lead into higher NIMs. Why that is not happening?

Prashant Kumar: So, Mr. Srinivasan, I think you made both the points right. On the RIDF, if you see that reduction has happened in the last week of the December quarter. So, its impact will start happening in the current quarter. That is one part. Second thing that NIM expansion is also a function of your Cost of Deposit and Yields on the Advances. If you have observed that, we have recalibrated our strategy on the Retail Asset side, which gives a better Yield and better NIM. And I think we are expecting that going forward especially the start of the new financial year, we would see the growth on the Retail Asset, which is going to help us in having the better Yields and the NIM expansion.

Moderator: Thank you. The next question comes from the line of M B Mahesh from Kotak Securities. Please go ahead.

M B Mahesh: Just one question on this new ARC guidelines that came in or clarification that has come in with respect to resolution that the ARC can do with their borrowers, does it have any bearing on the expected recovery rates from your side?

Prashant Kumar: I think we are not aware in terms of whether the ARC's are facing any issues in terms of this kind of resolution even as of now, and whether the change in the guidelines would help them in terms of taking the fast track decisions. So, since we don't have any, I would be saying any kind of, have this kind of business within the Bank, so we are not aware what kind of impact it would be having.

M B Mahesh: But Prashant, just to extend this point, given that we are right now seeing a fairly good recovery from that book, you must be having some conversation around this guideline, right? Because you're also kind of looking at those numbers to see how much of recovery you'll get in the next few quarters?

Prashant Kumar: No, I think maybe the issue is more in terms of if the guidelines become more stringent, then there is a cause of concern. If there is a relaxation in the guidelines, then I think that concern is not there, and we will be definitely seeing some improvement in that. But we really don't know whether there will be a correlation, because we are not aware that the ARCs are facing any issues in terms of not able to take the decisions because of this.

M B Mahesh: So, far, your assumption is that nothing has changed from your side?

Prashant Kumar: Yes.

M B Mahesh: And just to finish this point, what is the current outstanding gross amount of Security Receipts and the recovery rates expected?

Prashant Kumar: So, currently the outstanding SRs with JCF is INR 2,400 crores around that. And I think if we go with the past track record, we would be seeing a recovery of almost INR 3,000 crores from this pool of Security Receipt. And the possibility of also some additional recoveries from the Security Receipts which have been redeemed in full also cannot be ruled out.

Moderator: Thank you. The next question comes from the line of Manish Soni, an individual investor. Please go ahead.

Manish Soni: Sir, I have been an investor of Yes Bank since 2019. I am a retail investor. I am not a big investor. I have seen a lot of questions, sir. You have provided for legacy issues, also did SR provisions, new retail loan provision also done, PSL problems and RIDF, all of this is noticed, but I have no comments on it. Now I have something to say about the ESOPs. Every month ESOPs are being issued, with 17 lakhs issued in January, 27 lakhs issued in February, 28 lakhs issued in September, 14 lakhs issued in November, etc. A total of 3 crores ESOPs issued in the full year. An employee should get bonus once a year, but this is like getting a bonus every month. Is it a performance based or are they just giving it like you have a printing machine? As a retail investor, I have an issue with equity dilution. If you want to reward the employees, then give them a bonus, by reducing from profit. Already Bank's equity base is large, and we are diluting further by issuing equity. Can we do INR 1,000 crore quarterly profit on a INR 4 lakh balance sheet? Something is wrong if we cannot do it. For example, Bank of Maharashtra came out of PCA, INR 3 lakh balance sheet with ~INR 1,400 crores profit in Q3. Indian Overseas Bank also came out of PCA. At INR 3.5 lakh crore balance sheet, they have profit of INR 875 crores. IDBI

Bank has INR 3.6 lakh crore and they have profit of ~INR 1,900 crore. While YES Bank is making quarterly profit of only INR 500-600 crore and happy with it. It's been 5 years since the issues in 2020. While we continue to issue ESOPs, when will we see profit of INR 1,000 crore?

Prashant Kumar: Firstly, your observation is that every month ESOPs are issued, is not correct. ESOPs are granted only once a year. When ESOPs are granted to the employees, they do not exercise it. These are only grants. They have the option to exercise it whenever they want (as per the vesting schedule). But the Bank grants the ESOP only once a year. The disclosures that you see every month(on the Stock Exchanges), are for the instances when an employee exercises the ESOPs granted to them. Hence, exercising an ESOP should not be mixed with grant of an ESOP.

Secondly, let me respond on your concern on profitability crossing INR 1,000 crores and mentioned few Bank names and their Balance sheet size. Without naming any Banks referred by you, let me start by pointing out if any of these Bank has seen a journey involving moratorium, or a scenario of deposits falling from ~INR 2.5 lakh crores to ~INR 99,000 crores. I believe that you should be a little patient. There is improvement visible in Bank's Performance quarter over quarter. A financial entity should not do activities that are considered very high risk. So, if you see in context of the industry, whether it is about the Deposits or NPA, quarter after quarter, we are moving on a better performance. I think, the way you have supported so far, we continue to seek your support in the same way going forward. As you would understand that the journey of every Bank is different. The journey of our Bank started when it was about to close down, and it took lot of efforts to reach where we are today. However, I want to reconfirm to you that Bank grants ESOPs only once a year and what you see, on stock exchange disclosures are the instances, when the employees exercise them.

Manish Soni: Okay, Sir, but last year we issued 3 crore ESOP already. There must be alternatives other than equity dilution.

Prashant Kumar: See, we have noted your concerns and suggestions. If you see ESOPs as a percentage of total shares (outstanding), it is very less. So, the dilution is minimum, even when compared with other Banks. Further, we have already noted your suggestions. It should be noted that before a decision regarding ESOP is made at Board level and presented to shareholders for approval, there is a detailed comparison done to see what will have least impact on the Balance Sheet of the Bank. We will take care of your suggestion whenever we have to consider such a decision next time.

Moderator: Thank you. The next question is from the line of Sige Rama Subbareddy, an individual investor. Please go ahead.

Sige Rama Subbareddy: Some investor are talking about ESOP. At the end of the day, ESOP has to be distributed to the employees because they are working for our franchise to improve further. And we must respect our Board of Directors because I mean without these members, without their degree, this Bank would not have been in this position. Because we should understand like when Prashant sir and

Rajan Pental, they were taking this company it was posted around INR 16,000 crores loss, GNPA was 17%, NPA was 7% and to raise the capital.

Prashant Kumar: Thank you so much for understanding. May I request you to please ask your question?

Sige Rama Subbareddy: My question is like if you see quarter-on-quarter, but deposits are flat, 0%. So, maybe like coming quarters, like end of this year and next year this will improve or not, or it will be saturated because as I mentioned, we were coming from INR 99,000 crores and now it is INR 2,60,000-2,70,000 approximately. So, is it saturated for our Bank and we expect any growth? That is one thing. And if you see our NIMs, it's like 2.4%, there is no improvement though we were showing the profits from other incomes and all. So, can you guide us on that aspect? So, there was one question related to AT-1, in between my call was disconnected. Because all this SBI, other private institutions and even retail investors, the FPO was successful because of write off of AT-1 bonds. Now again, I mean, I'm not asking anything, how the Bank is prepared because we don't want any comments from the management because it is under the Supreme Court right now. So, how well the Bank is prepared in that situation? So, if you could answer this because 62-63 lakh retail investors are there and you all know that how our YES Bank stock is performing, even though other companies are doing well in public sectors, or private sectors in India, our company is like since from last year, if you see, though I understand that market cycles and all, so I would request our management to come and address what is happening in the Bank and how we are preparing? It's not only me. Okay. I do have patience. I'm going to wait 3 years, 5 years and I wish my Prashant Kumar sir, Rajan Pental sir, to be continued to be on the Board, next 5 years, 10 years, though next year our Prashant Kumar sir tenure is going to be over, but I request Prashant Kumar tenure and other board members that our leadership should be there in the Board.

Prashant Kumar: So, I will answer all your questions. The first question was in terms of Deposit growth. I think you have seen like flattish growth for this Quarter 3. But I think you would like to continue to see the Deposit growth. Because how we are targeting that our loan growth, our Deposit growth has to be higher than the Loan growth. So, whenever we see Loan growth is improving, we would increase our Deposit growth but you will see continuous growth in both Deposit and Advances. Your second point was related to expansion of NIMs. I think if you just I would like to bring to your notice one particular data point. If you see last 12 months, we have been able to protect our NIMs despite so many headwinds in the industry. Whereas some of the other competition there is a pressure on the NIMs and there is a slight decline in their NIMs. So, I think in these tough times, we have been able to protect our NIMs, we have taken multiple steps, and going forward, you will see the improvement on the NIMs side also. Your third point in terms of AT-1, as you are well aware, this case is pending before the Honorable Supreme Court. And now we are expecting, all the listing has been done in February, in this particular case, Bank is fully prepared in terms of presenting our viewpoints before the Honorable Supreme Court.

Sige Rama Subbareddy: Very all the best for subsequent quarters and we expect the profits to continue the same in the coming quarters. As you know, like, 62-63 lakh investors are waiting to turn around story and we want to do festival in our homes as well. Thank you, sir. Keep this in mind and hope we will continue our journey with you and other your team members. Thank you.

Prashant Kumar: Thank you very much.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to Mr. Prashant Kumar for closing comments. Over to you, sir.

Prashant Kumar: Again, I would like to thank all of you for continuing to support the Bank engaging with our franchise. We wish all of you with your family members a very happy New Year of 2025 and best wishes for our Republic Day. Thank you so much.

Moderator: Thank you. This brings the conference call to an end. On behalf of YES Bank, we thank you all for joining us. You may now disconnect your lines.

Disclaimer – A portion of this discussion was conducted in Hindi, and an English translation has been provided for the convenience of the reader. While every effort has been made to ensure the accuracy of the translation, there may be nuances or subtleties in the original Hindi that are not perfectly captured. For the most accurate and complete record of the conversation, please refer to the original audio recording, which has been uploaded at the Banks website.