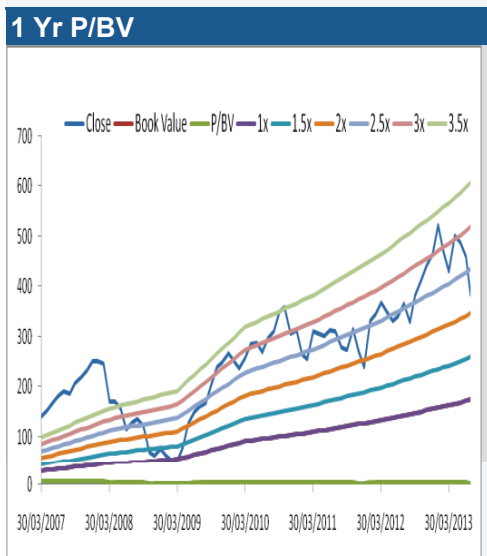


Result update	BUY
CMP	373
Target Price	425
Previous Target Price	395
Upside	14
Change from Previous	-

Market Data	
BSE Code	532648
NSE Symbol	YESBANK
52wk Range H/L	547/216
Mkt Capital (Rs Cr)	10126
Average Daily Volume	71.43
Nifty	6178

Stock Performance	1M	1yr	YTD
Absolute	0.7	-7.2	-7.2
Rel.to Nifty	-4.6	-20.1	-20.1

Share Holding Pattern-%	Current	4QFY13	3QFY1
Promoters	25.6	25.7	25.8
FII	46.0	49.0	48.3
DII	15.7	13.2	14.7
Others	12.7	12.1	11.3



Yes bank earnings were better than expected due to higher NII growth and improvement in credit deposits ratio. Bank reported some pressure in asset quality but provision coverage ratio was much higher than regulatory requirement. Net profit margin was declined by 10 bps to 2.9% primarily due to higher cost of fund. The reduction in the MSF rates and the access to the foreign exchange borrowing are likely to help bank to reduce pressure on the NIM. Currently stock is trading at 1.7 times of one year forward book and 2.7times of one year forward earnings. We recommend buy with price target of 425.

Strong growth in NII led by advance growth and credit deposits ratio

During quarter bank's NII grew by 28.2% YoY to to Rs.672 cr largely due to advance growth of 14% and sequentially credit deposits ratio improvement of 320 bps to 73.4%. Total revenue grew by 39.6% YoY to Rs.1118 cr supported by higher non - interest income of Rs.446 cr versus Rs.442 cr in 1QFY14 and Rs.277 cr in 2QFY13. Financial market contributed 26% of operating profit grew by 282% YoY and financial advisory (21% of PBT) grew by 3.7% YoY. Retail banking and Transaction banking reported income of Rs.91 cr and Rs.52 cr versus Rs. 80 cr and Rs.31 cr in 2QFY13 respectively.

Higher operating profit supported by stable cost income ratio and healthy revenue growth

Operating profit grew by 47.1% YoY to Rs.713 cr largely due to higher NII growth, healthy non interest income and sequential declined in cost income ratio. Operating expenses increased by 28.2% YoY in which employee cost and other operating expenses increased by 13% and 44.8% YoY respectively.

Better than expected earnings driven by higher NII growth and controlled cost income ratio

Yes Bank performance was better than expected with net profit grown by 21.3% YoY to Rs.371 cr supported by NII growth and non interest income. During quarter bank hiked base rate by 25 bps but it could not get reflected into margin and was declined by 10 bps on QoQ to 2.9%.

Financials

	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	1247	1616	2219	1421	1618
Total Income	1870	2473	3476	2679	2875
PPP	1190	1540	2142	1661	1811
Net Profit	727	977	1301	1544	1853
EPS	20.9	27.7	36.3	42.9	51.5

(Source: Company/Eastwind)

YES BANK

Stable credit growth and strong traction in saving account

The total advance grew by 14% YoY to Rs.477 bn including credit substitute. Within the Customer Assets portfolio of the bank, the share of the Retail portfolio increased from 14.7% to 17.2% while the share of the Corporate portfolio (both large and mid corporate) declined from 85.3% to 82.8%. Deposits for the bank grew at a strong pace of 29.2% YoY. CASA deposits grew by 52.5% YoY taking the CASA ratio to 20.4% in 2QFY2014, up from 17.3% as of 2QFY2013 and 20.2% as of 1QFY2014. Savings deposits rose by 80.8% YoY and 5.9% QoQ to Rs 7,010 cr. Retail liabilities as a proportion of total deposits (CASA + retail term) have increased to 41.5% from 38.8% as of 1QFY2014.

NIM declined on account of rising cost of fund

The NIM declined by 10 basis points on sequential basis to 2.9% due to a rise in the cost of funds (up 20 basis points QoQ). During the quarter, the bank raised its base rates by 25 basis points, which could not help to expand margin on sequential basis. The reduction in the MSF rates and the access to the foreign exchange borrowing are likely to help bank to reduce pressure on the NIM.

Asset quality deteriorate during quarter

On asset quality front, bank witnessed some pressure with GNPA and net NPA stood at 0.3% and 0.04% respectively as against 0.2% and 0.03% in 1Qfy14. In absolute term GNPA and NPA deteriorate by 26% and 60% sequentially. Fresh slippage came higher at Rs.150 cr. During quarter bank made provision of Rs.112 cr versus Rs.93 cr taking provision coverage ratio to 85.3% without technical write off. The bank witnessed no restructuring during the quarter. As of 2QFY2014 standard restructured advances for the bank remained under control at Rs125cr which is 0.26% of gross advances.

Valuation &view

Yes bank earnings were better than expected due to higher NII growth and improvement in credit deposits ratio. Bank reported some pressure in asset quality but provision coverage ratio was much higher than regulatory requirement. Net profit margin was declined by 10 bps to 2.9% primarily due to higher cost of fund. The reduction in the MSF rates and the access to the foreign exchange borrowing are likely to help bank to reduce pressure on the NIM. Currently stock is trading at 1.7 times of one year forward book and 2.7times of one year forward earnings. We recommend buy with price target of 425.

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Quarterly Result

Quarterly Result

	2QFY14	1QFY14	2QFY13	%YoY Gr	%QoQ Gr
Interest/discount on advances / bills	1618	1520	1247	29.7	6.5
Income on investments	875	874	630	38.8	0.0
Interest on balances with Reserve Bank of India	8	2	4	114.0	313.3
Others	0	2	5	-93.9	-82.1
Total Interest Income	2501	2398	1886	32.6	4.3
Others Income	446	442	288	54.8	0.9
Total Income	2947	2840	2174	35.5	3.8
Interest Expended	1829	1739	1414	29.3	5.2
NII	672	659	472	42.3	2.0
Other Income	446	442	288	54.8	0.9
Total Income	1118	1101	760	47.1	1.5
Employee	185	201	155	19.4	-7.9
Other Expenses	220	220	145	51.2	0.0
Operating Expenses	405	421	301	34.8	-3.8
PPP(Rs Cr)	713	680	460	55.1	4.8
Provisions	179	97	30	496.9	84.7
PBT	534	583	430	24.2	-8.4
Tax	163	182	139	16.6	-10.7
Net Profit	371	401	290	27.9	-7.4

Balance Sheet Data

Advances	47,717	47897.6	42019.3	13.6	-0.4
Investments	40,614	41824.2	31755	27.9	-2.9
Shareholders' Funds	6,610	6224.3	4957.38	33.3	6.2
Deposits	67,575	65244.8	52290.81	29.2	3.6

Asset Quality

GNPA	132.1	104.9	102.8	28.5	25.9
NPA	19.4	12.1	20.1	-3.7	60.0
% GNPA	0.3	20.0%	0.3		
% NPA	0.0	3.0%	0.1		
PCR(%)	85.3	88.5	80.4		

Source: Eastwind/Company

YES BANK

Financials & Assupion

Income Statement	2011	2012	2013	2014E	2015E
Interest Income	4042	6307	8294	9350	9344
Interest Expense	2795	4692	6075	7929	7726
NII	1247	1616	2219	1421	1618
Change (%)	58.2	29.6	37.3	-36.0	13.8
Non Interest Income	623	857	1257	1257	1257
Total Income	1870	2473	3476	2679	2875
Change (%)	37.2	32.2	40.6	-22.9	7.3
Operating Expenses	680	933	1335	1018	1064
Pre Provision Profits	1190	1540	2142	1661	1811
Change (%)	37.9	29.4	39.1	-22.5	9.1
Provisions(Incl tax)	463	563	841	664	724
PAT	727	977	1301	1544	1853
Change (%)	52.2	34.4	33.1	18.7	20.0

Balance Sheet	2011	2012	2013	2014E	2015E
Deposits(Rs Cr)	45939	49152	66956	80347	78294
Change (%)	71.4	7.0	36.2	20.0	-2.6
of which CASA Dep	4751	7392	12688	20087	23488
Change (%)	68.6	55.6	71.6	58.3	16.9
Borrowings(Rs Cr)	6691	14156	20922	25373	24724
Investments(Rs Cr)	18829	27757	42976	51802	50479
Loans(Rs Cr)	34364	37989	47000	51700	52687
Change (%)	54.8	10.5	23.7	10.0	1.9

Ratio	2011	2012	2013	2014E	2015E
Avg. Yield on loans	8.7	11.7	11.5	11.5	11.5
Avg. Yield on Investments	5.5	6.7	6.7	6.5	6.5
Avg. Cost of Deposit	5.0	7.8	9.1	9.9	9.9
Avg. Cost of Borrowimgs	7.5	6.0	7.2	7.5	7.5

Valuation	2011	2012	2013	2014E	2015E
Book Value	109.3	132.5	161.9	226.6	278.2
CMP	310	367	367.3	374	374
P/BV	2.8	2.8	2.3	1.7	1.3

Source: Eastwind/Company