

**YES BANK**

**Result Update**

CMP	1358
Target Price	1607
Previous Target Price	
Upside	18%
Change from Previous	

**Market Data**

BSE Code	532648
NSE Symbol	YESBANK
52wk Range H/L	1450/647
Mkt Capital (Rs Cr)	57467
Av. Volume (,000)	215
Nifty	8349

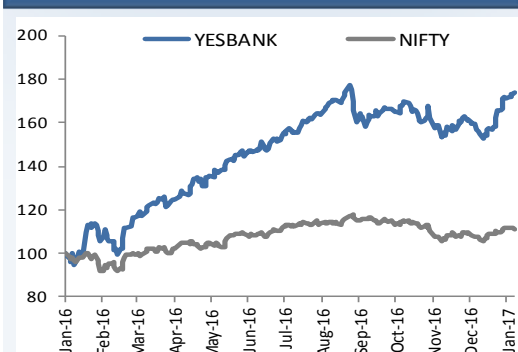
**Stock Performance**

	1Month	3 Month	1Year
Absolute	23.3	99.5	18.8
Rel.to Nifty	17.8	87.2	16.7

**Share Holding Pattern-%**

	3QFY17	2QFY17	1QFY17
Promoters	21.8	21.9	21.9
Public	78.2	78.2	78.1
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0

**Company Vs NIFTY**



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**In-line results with Robust Performance.**

Yes bank continues to deliver the stellar performance in 3Q FY17 on the back of strong loan growth and improving margins. NII of the bank grew by 30%YoY. Other income remains healthy with 34% YoY growth driven by strong trading gains. Operating expenses grew by 40% YoY. Operating profit grew by 26% YoY. Provisions declined by 22% YoY. This all led the PAT to register healthy growth of 31% YoY.

The demonetization drive led the CASA to increase by 14% QoQ which helped the cost of fund to decline by 20 Bps QoQ. Thus the NIM expanded by 10 bps QoQ to 3.5%.

Due to decline in bond yield company registered heavy gains in trading investments which helped the forex and investment fee income to grow by 3 times.

Advances of the YESBANK once again registered the healthy growth rate of 39% backed by strong growth in corporate portfolio.

Assets Quality largely remained stable QoQ with GNPA at 85 bps YoY against 83 bps. NNPA was flat 29 bps QoQ.

**Healthy Loan Growth, CASA Spikes driven by Demonetization**

Advances growth accelerated to 39% YoY backed by healthy growth of 42% YoY in corporate banking book. Retail and business banking book also registered the strong growth of 32% YoY. The portfolio mix has shifted towards Corporate banking book which now constitute 69% of the total advances against 67% a year ago. Retail & business banking constitute the rest part of the portfolio. The shrink in the retail & business banking book was also impacted by the buying of PSL certificate instead of buying or lending Priority Sector loan. Management had earlier targeted the portfolio mix of 55:45 between corporate and retail book till FY20. Yes Bank also registered the growth in its International Banking Unit (IBU) book at GIFT City in Gujarat which now stands at Rs 5500 Cr. Management highlighted the bank saw slowdown in certain segment of business banking and MFI book in the month of November and it got back to some normal level in the December. The A & above A rated corporate portfolio remains healthy with more than 75%.

Deposit of the bank increased by 3% QoQ whereas CASA grew by 14% YoY which led the CASA ratio to increase to 33% sequentially against 30%. The CASA growth was backed by robust growth in both CA and SA by 13% and 14% QoQ respectively. The retail deposits now increased to 59% against 57% a quarter back. Management has target to reach to 70% retail deposits till FY20.

### NIM Expanded, Non-fund Based Income Continues to Support Profitability

NIM of the bank expanded 10 bps both YoY and QOQ to 3.5% backed by decline in cost of fund. The decline in cost of fund was backed by mainly spike in CASA. The cost of fund declined by 50 bps YoY to 6.6% whereas Yield on advances also declined by 60 bps to 10.9% YoY. Due to probable capital raising plan and focus of management to increase the share CASA and retail portfolio will help in further improvement in NIM.

Other Income grew by 34% YoY backed by backed by both healthy growth in Retail Fee income as well as trading income. Forex & Capital Market Income grew by 3 times due to heavy trading gains. Under retail fee, third party income continues to register healthy growth of 65% YoY. However the corporate banking fee was subdued with 10% negative growth YoY.

### Stable Assets Quality

Assets Quality was largely stable during the quarter with GNPA at 85 bps against 83 bps QoQ. NNPA was flat at 29 bps QoQ. Slippage of the bank decreased to Rs 127 Cr against Rs 302 Cr a quarter back. However low recover and up-gradation of Rs 37 Ccr resulted in increase in GNPA. Credit cost was 8 bps in the quarter. PCR of the bank increased to 66% against 65 % QoQ. There was no sale to ARC and no additional restructuring during the quarter. The standard restructured assets stand at 42 bps of the gross advances. However the SDR advances increased to Rs 194 Cr from Rs 34 Cr in previous quarter due to one account which was restructured during the quarter under SDR scheme. This SDR account was related to Construction Sector. There was no 5:25 refinance during the quarter and total outstanding exposure stands at Rs 103Cr.

### Quarterly Performance

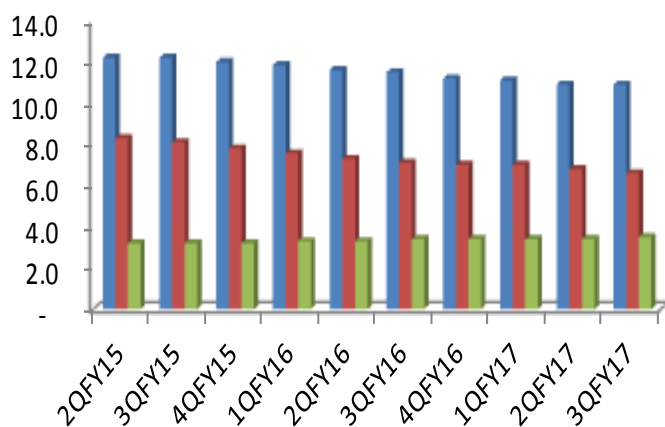
(Rs in Crore)

Financials	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY %	QoQ%
Interest Inc.	2972	3088	3252	3377	3376	3528	3862	4094	4232	25%	3%
Interest Exp.	2063	2111	2192	2269	2219	2287	2546	2648	2724	23%	3%
NII	909	977	1060	1108	1157	1241	1317	1446	1508	30%	4%
Other Income	537	590	545	618	746	803	901	888	998	34%	12%
Total Income	1446	1568	1605	1727	1903	2044	2217	2334	2506	32%	7%
Ope Exp.	583	630	697	707	753	819	910	948	1052	40%	11%
PPP	863	938	908	1019	1150	1225	1307	1386	1454	26%	5%
Provisions	70	126	98	104	148	186	207	162	115	-22%	-29%
PBT	793	811	810	915	1002	1039	1100	1224	1338	34%	9%
Tax	253	260	259	305	326	337	368	423	456	40%	8%
Net Profit	540	551	551	610	676	702	732	802	883	31%	10%

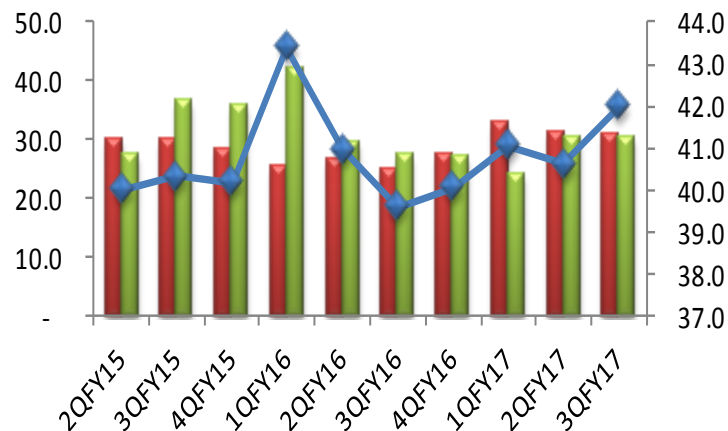
### Profitability Metrix

Ratios	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY(bps)	QoQ(bps)
Yield On Advances	12.2	12.0	11.9	11.6	11.5	11.2	11.1	10.9	10.9	(0.60)	-
Cost of Deposits	8.1	7.8	7.6	7.3	7.1	7.0	7.0	6.8	6.6	(0.50)	(0.20)
NIM	3.2	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.5	0.10	0.10
NII Growth %	36.6	35.8	42.2	29.4	27.3	27.1	24.2	30.5	30.3	3.01	(0.17)
C/I Ratio	40.3	40.2	43.4	41.0	39.6	40.1	41.1	40.6	42.0	2.39	1.36
Other Inc./Net Inc. %	37.1	37.7	34.0	35.8	39.2	39.3	40.6	38.0	39.8	0.64	1.80
Tax %	31.9	32.1	32.0	33.3	32.5	32.4	33.5	34.5	34.1	1.51	(0.48)
PAT Growth %	30.0	28.1	25.4	26.5	25.1	27.4	32.8	31.3	30.6	5.55	(0.69)
RoE	19.2	19.0	18.4	19.4	20.4	21.1	20.7	21.4	22.3	1.90	0.90
RoA	1.8	1.7	1.6	1.7	1.8	1.8	1.7	1.8	1.8	-	-

■ Yield On Advances ■ Cost of Deposits ■ NIM



■ PAT Growth % ■ NII Growth % ■ C/I Ratio



### Other income Break Up

(Rs in Crore)

	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY%	QoQ%
Corporate Trade & Cash	109	136	107	101	112	141	111	103	100	-11%	-4%
Forex, Debt Capital Markets	80	92	97	152	103	116	202	299	308	200%	3%
Corporate Banking Fees	233	209	207	220	380	364	410	276	341	-10%	24%
Others (Recovery)									36		
<b>Retail Banking Fees:</b>	<b>115</b>	<b>153</b>	<b>134</b>	<b>145</b>	<b>152</b>	<b>182</b>	<b>177</b>	<b>210</b>	<b>214</b>	<b>41%</b>	<b>2%</b>
>> Trade & Remittance	42	45	46	50	53	58	71	72	59	11%	-18%
>> Facility / Processing Fee	13	21	12	18	18	25	16	23	24	34%	4%
>> Third Party Sales	36	39	26	21	18	31	22	28	30	65%	10%
>> Interchange Income	10	21	24	26	36	35	37	46	52	44%	13%
>> General Banking Fees	14	27	26	30	27	34	31	42	50	87%	20%
<b>Total Other Income</b>	<b>537</b>	<b>590</b>	<b>545</b>	<b>618</b>	<b>746</b>	<b>803</b>	<b>901</b>	<b>888</b>	<b>998</b>	<b>34%</b>	<b>12%</b>

### Outlook & Valuation:

Healthy loan growth with one of the best assets quality in the industry has led the earnings of YESBANK to keep buoyant. More than 75% of the corporate portfolio is rated A & above A, which gives us comfort on assets quality outlook. Increasing CASA with retail FDs is the key trigger for YESBANK for the margin expansion. Focus of the management to increase the CASA & retail FDs to 70% till FY20 from current 59% will further help to improve NIM. Management has hinted towards reducing saving deposits rate to keep the margins intact. We expect the YESBANK to maintain the healthy loan growth of 30% plus which will lead the earnings momentum to continue. The increased pace of branch expansion and headcounts will continue to provide healthy and granular retail fee income. We expect the bank to maintain the RoA of 1.8% and RoE of 21% (before dilution). We recommend 'BUY' and maintain our previous target price of Rs 1607.

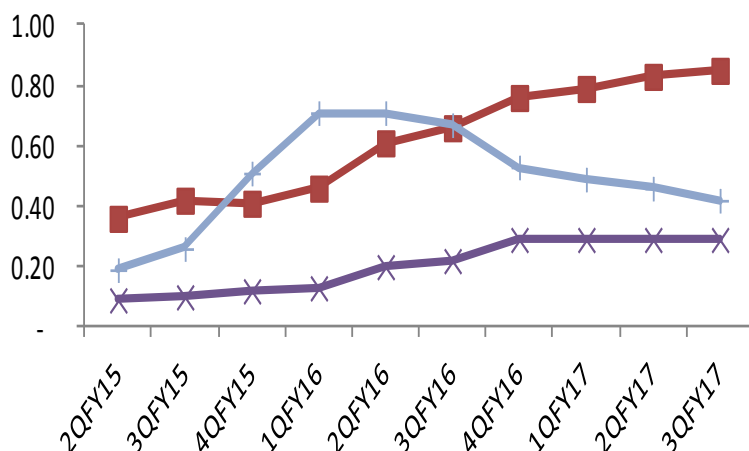
**Concall Highlights:**

- >> Bank witnessed slowdown in its MFI and business banking in the month of November due to demonetization.
- >> The loan growth in loan book was diversified across all sector. Internation Banking Unit at GIFT city saw the robust growth and Total assets stands about Rs 5500 Cr.
- >> Other Expenses contitute Rs 27 Cr towards PSL certificate. Management highlighted that buying PSL certificate is far more better than doing of PSL loan.
- >> Tier I and increased because bank raised the AT 1 bond during the quarter.
- >> Bank monetized Rs 120 Cr from G-Sec during the quarter.
- >> Average cost of SA would be 6.5%.
- >> Bank did 1 SDR of Rs 195 Cr and it was related to construction company.
- >> Bank may cut saving deposit rate in the month of Feb.
- >> No sale to ARC and No additional restrcturing during the quarter.
- >> Credit Substitute is Rs 9600 Cr.

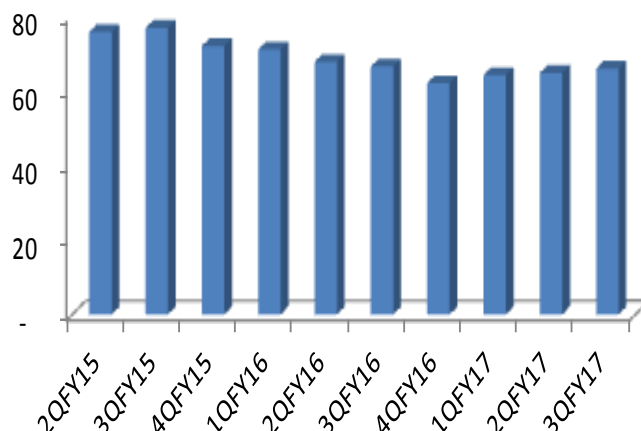
**Assets Quality Performance**

	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY(+/-)	QoQ(+/-)
GNPA (Rs)	279	313	368	491	559	749	845	917	1006	80%	10%
GNPA %	0.42	0.41	0.46	0.61	0.66	0.76	0.79	0.83	0.85	0.19	0.02
NNPA (Rs)	65	88	107	159	187	284	302	323	342	83%	6%
NNPA %	0.10	0.12	0.13	0.20	0.22	0.29	0.29	0.29	0.29	0.07	0.00
Slippages (Rs)	69	52	75	147	288	402	300	302	127	-56%	-58%
Std. Restructured Assets (Rs)	171	382	567	569	568	524	523	512	500	-12%	-2%
Std. Restructured Assets %	0.26	0.51	0.71	0.71	0.67	0.53	0.49	0.46	0.42	-0.25	-0.04
Total Stress Assets (Rs)	449	695	935	1061	1127	1273	1368	1428	1506	34%	5%
Specific PCR %	77	72	71	68	66	62	64	65	66	-0.54	1.19

■ GNPA %    ✕ NNPA %    + Std. Restructured Assets %



Specific PCR %

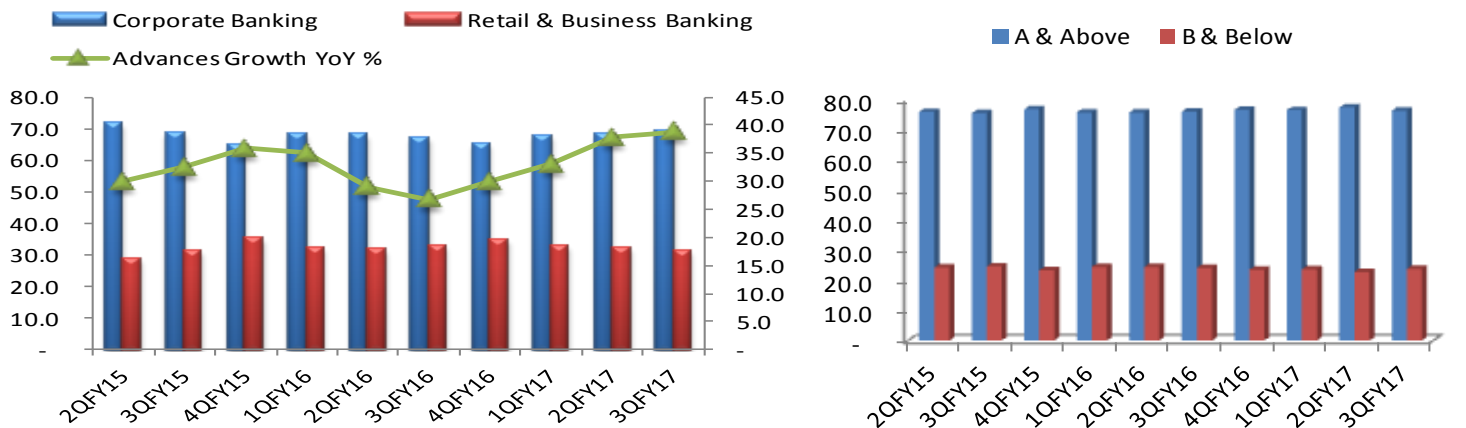


Advances	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
Net Advances (Rs in Cr)	66607	75550	79666	80015	84396	98210	105942	110216	117087
Advances Growth YoY %	32.44	35.80	35.05	29.00	26.71	29.99	32.98	37.74	38.73
>> Growth QoQ %	7.38	13.43	5.45	0.44	5.48	16.37	7.87	4.03	6.23

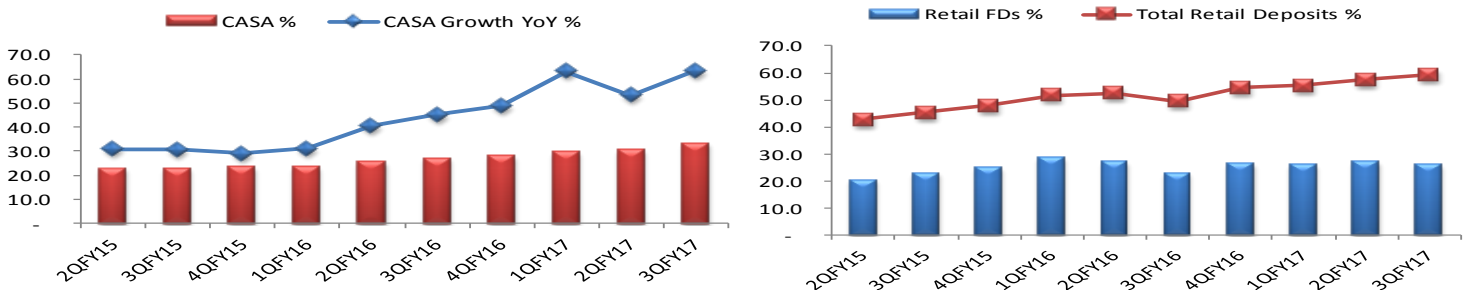
Advances Break Up %	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
Corporate Banking	68.70	64.70	68.00	68.20	67.20	65.10	67.50	67.90	68.90
Retail & Business Banking	31.30	35.30	32.00	31.80	32.80	34.90	32.50	32.10	31.10
>>Business Banking			14.1	13.3	12.7	11.1	11	10.7	10.7
>>Micro & Small Enterpr.			10.6	11.3	10.6	13	12.1	12.8	11.8
>>Consumer Banking (Urban)			7.3	7.2	9.5	10.8	9.4	8.6	8.6

#### Rating breakup of Corporate Banking exposures %

	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
A & Above	75.40	76.70	75.60	75.60	75.90	76.50	76.40	77.30	76.20
B & Below	24.60	23.30	24.40	24.40	24.10	23.50	23.60	22.70	23.80



Deposits	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
Deposits (Rs in Cr)	82370	91176	95316	99344	101437	111720	122581	128024	132376
>> Growth YoY %	21.03	22.89	25.25	23.98	23.15	22.53	28.61	28.87	30.50
>> Growth QoQ %	2.79	10.69	4.54	4.23	2.11	10.14	9.72	4.44	3.40
CASA %	22.61	23.12	23.36	25.49	26.64	28.05	29.60	30.30	33.30
CASA Growth YoY %	30.72	28.97	31.18	40.54	45.09	48.68	62.96	53.21	63.30
>> Growth QoQ %	3.38	13.19	5.64	13.70	6.72	15.99	15.79	6.89	13.80
Credit Deposit Ratio	80.86	82.86	83.58	80.54	83.20	87.91	86.43	86.09	88.45



**Financials Snap Shot**

**INCOME STATEMENT**

(Rs in Crore)

	FY13	FY14	FY15	FY16
Interest / discount on advances / bills	5,397	6,540	8,016	9,711
Income on Investments	2,859	3,414	3,511	3,508
Int. on bal.with RBI & inter-bank Funds	17	24	43	113
Others	21	3	2	201
Total Interest Income	8,294	9,981	11,572	13,533
Total Interest expended	6,075	7,265	8,084	8,967
Net Interest Income	2,219	2,716	3,488	4,567
Other Income	1,257	1,722	2,046	2,712
Total Income	3,476	4,438	5,534	7,279
Total Operating Expenses	1,335	1,750	2,285	2,976
Pre Provisioning Profit	2,142	2,688	3,250	4,303
Provisions and Contingencies	216	362	339	536
Profit Before Tax	1,926	2,326	2,910	3,766
Tax	625	709	905	1,227
PAT	1,301	1,618	2,005	2,539

**RATIOS**

Business Ratios	FY13	FY14	FY15	FY16
Credit-Deposit(%)	70.2	75.0	82.9	87.9
CASA %	18.9	22.0	23.1	28.1
<b>Efficiency Ratios</b>				
Emp. Cost as a % of Total Inco. (%)	18.9	17.7	17.7	17.8
Other Exp./Total Inco. (%)	19.5	21.8	23.6	23.1
Cost Income Ratio (%)	38.4	39.4	41.3	40.9
<b>Spread Analysis As Calculated</b>				
Yield on Advances (%)	12.4	12.4	12.2	11.5
Yield on Investments (%)	8.1	8.1	8.0	7.6
<b>Yield on Earning Assets (%)</b>	<b>10.5</b>	<b>10.6</b>	<b>10.6</b>	<b>10.0</b>
Cost of Deposits (%)	7.9	8.0	7.9	7.1
Cost of Fund (%)	8.0	7.9	7.6	6.9
Interest Spread (%)	2.5	2.7	3.0	3.1
<b>NIM (%)</b>	<b>2.9</b>	<b>3.0</b>	<b>3.2</b>	<b>3.4</b>
<b>Profitability Ratio</b>				
RoE %	24.5	24.6	19.5	19.8
RoA %	1.6	1.6	1.7	1.7
Int. Expended / Int. Earned (%)	73.2	72.8	69.9	66.3
Provisions/PPP (%)	10.1	13.5	10.4	12.5
Other Income/Net Income (%)	36.2	38.8	37.0	37.3
Tax Rate (%)	32.5	30.5	31.1	32.6
<b>Asset Quality Ratio</b>				
GNPA (%)	0.20	0.31	0.41	0.76
GNPA(Rs)	94	175	313	749
NNPA (%)	0.01	0.05	0.12	0.29
NNPA (Rs)	7	26	88	284
PCR (%)	92.6	85.1	72.0	62.0
Os. Std. Restr. Assets (%)	0.31	0.18	0.51	0.53
Os. Std. Restr. Assets (Rs)	144	101	382	524
<b>Capital Adequacy Ratio</b>				
Capital Adequacy Ratio (%)	18.3	14.4	15.6	16.5
Tier I Capital (%)	9.5	9.8	11.5	10.7
Tier II Capital (%)	8.8	4.6	4.1	5.8

**BALANCE SHEET**

(Rs in Crore)

	FY13	FY14	FY15	FY16
Capital	359	361	418	421
Reserves & Surplus	5449	6761	11262	13366
Deposits	66956	74192	91176	111720
Borrowings	20922	21314	26220	31659
Other Liabilities & Provisions	5419	6388	7094	8098
<b>Total Capital &amp; Liabilities</b>	<b>99104</b>	<b>109016</b>	<b>136170</b>	<b>165263</b>
Cash & Balances with RBI	3339	4542	5241	5776
Bal. with Banks and Money at Call	727	1350	2316	2442
Investments	42976	40950	46605	48838
Advances	47000	55633	75550	98210
Fixed Assets	230	293	319	471
Other Assets	4833	6247	6139	9526
<b>Total Assets</b>	<b>99104</b>	<b>109016</b>	<b>136170</b>	<b>165263</b>



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