YBL/CS/2022-23/140

January 24, 2023

National Stock Exchange of India Limited
Exchange Plaza,
Plot no. C/1, G Block,
Bandra - Kurla Complex
Bandra (E), Mumbai - 400 051
Tel.: 2659 8235/36 8458
NSE Symbol: YESBANK

BSE Limited
Corporate Relations Department
P.J. Towers, Dalal Street
Mumbai – 400 001
Tel.: 2272 8013/15/58/8307
BSE Scrip Code: 532648

Dear Sirs,

Sub.: Transcript of Earnings Call for the Financial Results of the quarter (Q3) and nine months ended December 31, 2022

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") for the Financial Results of the quarter (Q3) and nine months ended December 31, 2022. 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/pdf?name=q3_fy23_analyst_call_transcript.pdf

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

Thanking you,

Yours faithfully,

For **YES BANK LIMITED**

SHIVANAND RAMA SHETTIGAR
Digitally signed by SHIVANAND RAMA SHETTIGAR
Date: 2023.01.24 16:03:26 +05'30'

Shivanand R. Shettigar
Company Secretary

Encl: As above

"Yes Bank Limited
Q3 FY '23 Earnings Conference Call"
January 21, 2023

MANAGEMENT: **MR. PRASHANT KUMAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – YES BANK LIMITED**
MR. NIRANJAN BANODKAR – CHIEF FINANCIAL OFFICER – YES BANK LIMITED
MR. RAJAN PENTAL – GLOBAL HEAD, RETAIL BANKING – YES BANK LIMITED
MS. ANITA PAI – CHIEF OPERATING OFFICER – YES BANK LIMITED
MR. RAVI THOTA – COUNTRY HEAD, LARGE CORPORATES – YES BANK LIMITED
MR. SUNIL PARNAMI – HEAD INVESTOR RELATIONS – YES BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Yes Bank's Q3 FY 2023 Earnings Conference Call. On the management panel, we have with us today, Mr. Prashant Kumar, MD and CEO; Mr. Niranjan Banodkar, Chief Financial Officer; Mr. Rajan Pental, Global Head, Retail Banking; Ms. Anita Pai, Chief Operating Officer; Mr. Ravi Thota, Country Head, Large Corporates; and Mr. Sunil Parnami, Head Investor Relations. 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Prashant Kumar: Thank you, and thanks everyone, for joining Yes Bank quarter 3 financial results call. At the outset, I would like to wish you and your families a prosperous New Year. With me, I have the top management team of Yes Bank.

Starting with the operating environment during the last quarter, Indian economy continued the growth momentum with most of the high-frequency indicators like GST collection, manufacturing and services PMI, consumption and the capital spending remaining strong. During the quarter, RBI increased the policy rate by 35 basis points and maintained its policy stance as withdrawal of accommodation. Within this backdrop, Yes Bank, too continued to pursue its strategic objectives. And in that, we have achieved two critical milestones of concluding capital raise and the ARC transaction.

We are happy to share with you that bank concluded the capital raise announced last quarter and received a cumulative infusion of INR 6,042 crores, which is a split at INR 5,093 crores as equity and INR 948 crores as warrants application. We also appointed Mr. Sunil Kaul from Carlyle and Ms. Shweta Jalan from Advent as nominee Directors on our Board. Bank also completed successful assignment of largest pool of stressed assets to JC Flowers ARC, the details in this regard have been given on Slide 13.

The bank was selected amongst the first four pilot banks for the prestigious Digital Rupee project on the Central Bank Digital Currency launched by Reserve Bank of India. The bank also received multiple ESG certifications and scoring topmost-highest amongst the bank on S&P Global, CDP rating and Moody's ratings. Now before coming to our operating performance, regarding yesterday's judgment of Honorable Bombay High Court order, as mentioned in the stock exchange update submitted late last evening, the bank is currently in the process of preferring an appeal before Honorable Supreme Court.

Now specifically coming to quarter 3 FY '23 financial results. Bank has reported an operating profit of INR 914 crores, which is up 16% quarter-on-quarter and 25% Y-o-Y. The reporting NIMs at 2.5%, they are lower by 10 bps sequentially. However, adjusting for interest recoveries from NPA in the second quarter, the normalized NIMs of 2.5% are flat quarter-on-quarter. The non-interest income at INR 1,143 crores has grew 24% sequentially and 56% Y-o-Y. And this is led by increase across all lines of business, including retail banking fees and one-off gain on investment in this quarter which were fully provided for ~~investment.~~

Our cost to income, we saw further moderation across most cost heads and came in 70.7% compared to 72.8% in the prior quarter. Our cost to assets remained stable at 2.6%. The Bank reported a net profit of INR 52 crores, largely impacted due to aging-related provisioning requirement during quarter 3. The Bank's pre-provisioning operating profit to asset is on track. However, any potential delay in expected recoveries may lower than expected FY '23 ROA target.

On advances side, our reported advances have grown by 10.4% Y-o-Y, of which retail has grown by 43%, SME 19%, mid-corporate, 34%. But there has been a degrowth on the large corporate to the extent of 18%. However, after adjusting for the ARC assignment and Interbank reverse repo transaction, the normalized advances growth is 12%. The bank expects the advances growth to track the deposit growth going forward.

Retail SME, mid-corporate and corporate mix has further improved to 58% for retail and SME, 13% for mid-corporate and 29% for the corporate. Within retail advances, home loans, secured business loans, personal loans and auto loans continue to see strong traction. As you would see on Slide 22, each of them, they are at ~16% of the retail advances, reflecting granularity. New sanctions and disbursement aggregating to INR 27,311 crores during the quarter across segments. Despite decline in net advances for the corporate segment, our new business generation continues to be strong.

On the deposit side, in spite of the headwind and the challenges, we grew our deposit by 16% Y-o-Y and 7% quarter-on-quarter to INR 2.13 lakh crores. And this is for the first time, it has gone beyond the September 2019 deposit figure of INR 2.09 lakh crores. The CASA ratio is 30%. Bank continues to maintain its near-term CASA guidance of 35%. But in the current market environment, we are prioritizing and focusing on maintaining the current CASA levels.

Average daily current account and every daily saving account balances have grown by 21% and 20% Y-o-Y. There has been a significant improvement in the NPA ratios post the ARC deal.. GNPA and net NPAs, they are now at the lowest level since quarter 3 FY '19. GNPA ratio for quarter 3 is at 2%, against 12.9% last quarter and 14.7% last quarter, quarter 3. Net NPA ratio for the quarter is at 1%, against 3.6% last quarter and 5.3% in quarter 3 FY '22.

Slippage for the quarter, they are at INR 1,610 crores. However, out of this, there were recoveries and upgrades in excess of INR 519 crores, resulting in net slippage of INR 1,091 crores compared to INR 896 crores in the prior quarter. Slippages out of theexisting- restructured pool, they were at INR 190 crores. Around 60% of our standard restructured advances are now out of moratorium. The overdue loans within 31 to 90 days bucket, they are INR 4,752 crores as compared to INR 4,500 crores in the prior quarter. The resolution momentum continues to be strong with total recoveries and upgrades in excess of INR 1,270 crores.

On capital adequacy, the bank's CET ratio has improved to 13%, and the same is excluding accretion due to warrants application money. And the CRAR has improved to 18.2%, and the risk-weighted asset to total asset has improved and is currently at 71%. We have seen a net addition of almost 300 employees during the quarter. All the above points demonstrate a strong momentum in the buildup of a good quality franchise.

With this, I want to thank all of you once again for taking the time out for joining this call and wish all of you and your families good health and a prosperous 2023. We can now open the floor for your questions. Thank you.

Moderator: The first question is from the line of Mahrukh Adajania from Nuvama Wealth.

Mahrukh Adajania: So basically, sir, my question was that shouldn't have the sale of loans had some positive impact on margin in this quarter? That's my first question. What would be the outlook for margin for 4Q and '24? And then if you could elaborate any impact that you see from the new ECL circular? And also in terms of SRs. So I know that you had said that the aging continues as if they are your own assets. But own assets, I think that it is fee-based on the revaluation of SRs, or I mean, how does it, how will you decide how much to mark down? If at all necessary?

Prashant Kumar: So I think the first question in terms of margins. Since the transaction on the ARC that happened in the second fortnight of December. So I think the impact on the margin because of this ARC transaction would be reflected more in the current quarter, that is the fourth quarter of the current financial year. If you have seen that our retail deposits are growing much better than the corporate deposit and average current account balances are growing much faster, both on retail as well as on the corporate side. I think you would continue to work to grow our current accounts and reduce our cost of deposit.

Another part, if you see in terms of differential between rate of interest, which we offer on our fixed deposit as compared to the larger banks, both on public sector and private sector has come down significantly. So I think going forward, we would continue to see a control in the cost of our deposit. And with the loan growth, I think we would be seeing an improvement in the margins, not only in the current quarter, but going forward in the FY '24. At this point of time, because of pricing the pressure in terms of the rate of interest, how things are moving, I would not give any guidance. But definitely, this is one area where we need to continuously work and improve.

The second part in terms of the security receipts. So I think that on the security receipts, the provisioning requirement, one part is because of the aging. So since they have to be treated like a loan in your book, so as per the aging, you have to make the provisions and also as per the valuations of SRs. So I think that currently, the provisioning requirement would be more in terms of the aging.

Mahrukh Adajania: And any level of margin you can indicate? And also on the ECL circular, please, if you have any feedback?

Prashant Kumar: On the ECL circular, since on half yearly basis, we are also computing the entire balance sheet and P&L, on the Ind AS system. So currently, we are seeing that there would not be any significant impact on the ECS circular because the provisioning requirement for Category 2 loans would go up. But similarly, the requirement on the Category 3 would come down. So I think currently, we are not seeing any impact, and it would be by and large neutral.

Mahrukh Adajania: And sir, when you submit right now, you consider lifetime ECL or three-year, four-year, any idea?

Niranjan Banodkar: So Mahrukh, I think what we do is, depending on whether it's in Stage 1, Stage 2 or Stage 3, Stage 2 and Stage 3 actually assume the lifetime LGD. But Stage 1 is actually over one year time horizon.

Moderator: Next question is from the line of Kunal Shah.

Kunal Shah: Yes. So particularly on this entire ARC transaction, if you can explain in terms of in those two accounts, we have highlighted that there has been a shortfall and it is spread equally over two quarters, and the realized profit is considered in this quarter itself of INR 512-odd crores. And overall, in terms of the provisioning, it is highlighted that the impact of ARC transaction seems to be neutral on the provisioning aspect. So if we can really know in terms of how the transactions have impacted across the provisioning or maybe at the income line item, that would be really useful?

Niranjan Banodkar: So Kunal, so that I think two things we need to get understand here. So we have about, when we sold these assets, the consideration at which we sold was about INR 8,000 crores for a book, which had a carrying value of about INR 5,000 crores in the balance sheet. And on the date of the transfer, the gross exposure against the INR 5,000 crores carrying value was about INR 43,000 crores. And I'm just rounding numbers for the simplicity purposes. What happens is at a portfolio level, when I have a carrying value of INR 5,000 crores with INR 8,000 crores consideration, there is an unrealized gain that kind of sits, but given the way the accounting work is, we are unable to recognize that in any shape and form, right, in the balance sheet.

But what happens is that we have to look at the accounting from an individual loan exposure level. In the individual loan exposure level, you will have two parts, where customers or rather where the consideration is higher in some cases over the net carrying value. And there will be other cases where the consideration is lower than the net carrying value. So when we look at the first part, when the consideration is higher than the net carrying value, given that it is just a consideration not yet fully realized, it's a 15-85 structure. We are not allowed to book any gain on account of that. However, we received 15% cash against the exposure, to the extent, the 15% cash is exceeding the net carrying value, then to that extent, the bank is allowed to take it into the P&L.

On the other side, when the consideration is lower than the net carrying value, that is an amount that we need to adjust or take to the P&L. So I'm just saying, these are the two separate ballpark figures that kind of offset each other from an ARC transaction standpoint. And therefore, at a headline level, when we say that there has not been any material impact coming in from the ARC transaction. However, in the -- you are referring to INR 512 Crores, So what we have done is that because the 15% cash is a realized cash, it gets accounted for upfront.

What we have done is we have basically accounted the unrealized loss by phasing it over two quarters, which is basically the INR 600 crores and taken the entire hit of that INR 600 crores through capital. So capital has been fully adjusted. So the CET-1 fully adjust that. But from a P&L standpoint, it has been amortized over two quarters. So that's really on the way the accounting has worked for the ARC transaction.

Kunal Shah: So that's the INR 609-odd crores, that is not 15%, that is 100%?

Niranjan Banodkar: So that unrealized yes, absolutely. So for example, if the net carrying value per loan was INR 50. And we've sold it at INR 40. So what happens is that the delta INR 10 is something that we have to take up front. And we will basically have to record the 40 minus the 15% cash in our books as security receipts.

Kunal Shah: Yes. So that INR 6, which is there, that is not adjusted in 10. It is…

Niranjan Banodkar: No.

Kunal Shah: Actually 10, which is provided upfront, and 6 is just knocked off. So INR 609 crores is gross, INR 512 crores is equivalent to 15% cash basis, which would be equivalent to INR 3,400 odd crores of exposure, yes?

Niranjan Banodkar: Yes, you're absolutely right, just to complete. So the INR 500 crores is basically where the carrying value is zero, consideration is 10. We get 15% cash, so 1.5 is the cash. So 1.5 is what basically gets recorded into P&L. So that's the P&L on the positive side. There is on the negative side, as you said, we discussed in the earlier example that 10 becomes a loss.

Kunal Shah: So just last thing on this. So when we say final consideration of INR 8,046 crores, we can assume INR 609 crores is the shortfall, INR 3,400 crores as a gross of INR 512 crores value that is where there would have been some gains. And the balance is something which is just lying in the book, and we would have created some provisioning against it.

Niranjan Banodkar: So, yes. If you actually look at our security receipts, the face value of the security receipts are INR 6,800 crores. And if you actually see the carrying value of the security receipts, I'm just, again, rounding number is about INR 3,800 crores. So the delta that we are talking about is something that we -- I mean, we are not allowed to take into P&L, only happen as the realizations play out on these security receipts. And I mean, potentially, the realizations would also be in excess of INR 6,800 crores. But yes, as and -- till the time I basically keep realizing, I will first keep reducing the value of the SR at an individual level. And once that SR is redeemed, any cash that goes over and above that comes into P&L.

Kunal Shah: And the overall provisioning, so when I have to look at it, the overall provisioning that has been investment depreciation and the NPA. So all this does it relate to the same ARC transaction or this is different. So any provisioning outside of ARC is that is the book which is leading to higher provisioning during the quarter?

Niranjan Banodkar: So again, if you actually look at our slide, which gives a breakup of provisioning, that's Slide 12. At a very substance level, what we have is that the INR 3,000 crores was a gross provisioning release coming in from NPAs. And that has actually been used to step up provisioning on the security receipts for INR 3,000 crores. That's the consequence of the transfer of the ARC asset. However, the reason the provision for nonperforming advances is actually lower and does not entirely correspond to INR 3,000 crores is because of the INR 850 crores of aging-related provisioning that we had to take, there was a provisioning implication on aging as well as for the slippages that happened during the quarter, we had to take the provisioning. So a substantial part of that is coming in from the non-transaction-related provisions.

Kunal Shah: So this should ideally have been INR 2,900 crores, but it is lower INR 2,000 crores because of this INR 850-odd crores of aging and fresh slippage provisioning?

Niranjan Banodkar: That's absolutely right. And what you will also see as a consequence of this, there are two elements that get reflected. One is the fact that we've received a cash of INR 1,200 crores that clearly brings down our NNPA. But importantly, also the fact that we have also stepped up the provisioning means that the aggregate net carrying value of the SRs and NPA on a stock basis has come down from 3.8% to 3.0% of advances December over September. And that's also something we've put out on one of the slides, which is Slide 13. So this provisioning essentially has helped us get a substantial part of the drag 80 basis points lowered in one quarter.

Moderator: Next question is from the line of Srikarthik from Investec.

Sri Karthik Velamakanni: A couple of questions. One, continuing on the INR 850 crores slippage and provisioning requirements. Could you break that down into your steady state slippage related provisioning cost? And what was required for a legacy aging? Or is the INR 850 crores entirely steady state as per your current balance sheet growth?

Niranjan Banodkar: So Karthik, the breakup of this INR 850 crores is about ballpark INR 250 crores is on account of the new additions of NPAs that we would have had. The balance pertain to the stock of NPAs that we were carrying. In fact, some of the aging provisioning, we also had to take on account of loans that was eventually sold to the ARCs because the sale happened sometime in the latter half of December quarter. But the substandard would have moved to a D1 or D1 to a D2 during the quarter prior to the sale. So the combined effect of that is what we are seeing at INR 850 crores. But as I mentioned, the slippage broadly have constituted to about INR 250 crores of provisioning during the quarter.

Sri Karthik Velamakanni:: Assuming no assumption changes for next quarter, INR 250 crores for our business as usual and 300 residuals from the ARC transaction, is that how we should think?

Niranjan Banodkar: So Karthik, basically, there is an aging related provisioning that will come up between March and even in the follow-through fiscal '24 as well. So I would say about INR 250 crores was elevated provision cost for Q3, we would realistically see that in the range of about anywhere between INR 175 crores to INR 200 crores. And on the aging-related provisioning, of course, it is noisy, because what happens is in one quarter, there might be some accounts that might just slip into a D1, there might be some security erosion that plays out. So I think it's difficult to kind of model that.

So it's difficult to model. So on a steady state, we will say that INR 200 crores is what the slippage new formation of NPA should give us as a provision. And on the aging related, we are very confident that our resolutions and recovery should be able to offset a large part of those provisions. It's just that many times, it's difficult to be precise with the timing of the aging-related provisioning along with the resolutions and recoveries that plays out.

Moderator: Sir, the line for the participant dropped. We move on to the next participant. The next question is from the line of Jai Mundhra from B&K Securities.

Jai Mundhra: Question on this net security receipts book value of like INR 3,772 crores. And you mentioned that the provisioning here would be on, as if this is the loan. So what could be the category of these SRs as of now? Would they be like D2 or, and very quickly, they may be falling to D3, because they should be counted as if they would have become NPA when they were loans, is that understanding right?

Prashant Kumar: No, absolutely. This understanding is correct. But I think on this security receipt portfolio, it is a mix between the service standard D1 or D2. Because there were also accounts which were in SMA-2 category, which have been also sold to the ARC. So there are accounts which have become NPA in the current month only. So they would remain in the service standard category. But there are accounts which are there as a D1, because the accounts which are in D2 and D3 kind of things, they have already been technically written off.

Jai Mundhra: But sir, this considering the operating profit that we have and this -- if this is anywhere between D1, D2, the aging-related provisioning could be high as compared to the quarterly operating profit that the bank generates. And so a lot depends on the cash recovery that we do out of the extended pool. So I don't know it would be very helpful if you have some view on the -- maybe on a four-quarter basis, what could be the aging provisions out of this portfolio may not be every quarter, but four quarters from now and what could be the aging provision for the next four quarters?

Niranjan Banodkar: So Jai, let me just respond that by saying that a good benchmark for what the resolutions or recoveries could be is actually what has culminated through the JC Flowers transaction. So like we mentioned, the actual face value of the security received is INR 6,800 crores, and we are actually carrying them in the books at INR 3,800 crores. Now what this means is that assuming that the resolutions or recoveries happen, there , is a potential P&L write-back that will happen on the underlying loans. So just to -- again, I'm taking an example. Let's say, in one of the loans, there is a profit that comes in because of a higher realization. We are not only recognizing the P&L, but also the principle of that particular security receipt will go down.

So what we are essentially seeing is that out of the INR 3,800 crores, I'm just putting a number right now, let's say 50% of the security received, we are able to realize 100% of the profit. That profit will substantially be used to effectively take care of the aging-related provisioning of the residual 50%. And this, in many ways, is no different from how this has actually played out for our NPA pool as well. Because over a period of time, last two years, various NPAs have aged. We have taken NPA provisioning. I mean from a peak NNPA ratio of 5.9%, we've actually come down to 3% on a combined basis. That's like a 300-basis point reduction.

Now it has had a journey which has seen a step-up through aging-related provisioning. But it has also seen a journey where we've seen resolutions and recoveries. We expect that to continue. It's just that we may not be able to be precise about the timing of it.

Jai Mundhra: So maybe the related question is that till last quarter, outside of ARC, we have had a INR 5,000 crores recovery target. And now this SR sits in our bank, whereas most of the portfolio has already gone to JC Flowers. What could be your 12 months recovery target?

Prashant Kumar: No, I think maybe the loans have moved to JCF. But I think last three years, if you see, we are continuously making the recoveries and upgradation to the tune of more than INR 5,000 crores. So I think the FY '24 also, we would be seeing the recoveries and the resolution on the similar line.

Jai Mundhra: And secondly on, sir, Yes Bank reconstruction scheme. So correct me if this scheme or the lock-in is getting lifted somewhere in March, or does it go to April? And then while this would be a secondary market deal wherein at least around 40% of the holders may will have the lock-in lifted. Would you have any comment to an offer at this stage? This is your discussions, or this is your view?

Prashant Kumar: So lock-in would be lifted on 13th of March. This is a day, identified day and this lock-in would be lifted automatically. There is nothing to be done from the bank side. I think our discussion with the investor banks give us that confidence, that there would not be any pressure on the selling side of our stock post lifting of the lock-in as on 30th March.

Jai Mundhra: And my last two questions, sir. One is there is a stress telecom exposure and media reports have given any figure from, I don't know, from INR 3,000 crores to INR 5,000 crores. If you can clarify how much is the provision? And if you have any a contingent provisions on that exposure? And what could be the nature of that exposure funded, non-funded, etcetera?

Prashant Kumar: No. I think I have a policy; we don't talk about the individual exposures.

Niranjan Banodkar: Jai, what we can definitely add here is that we've seen a 60% reduction in the exposures over the last 12 months.

Jai Mundhra: And lastly, sir, if you have the RWA number in INR crores that would be helpful. And does just the AT1 treatment, worst case, I mean, what could be the worst case that, you may have to create a P&L liability through P&L? Or this could just be -- I mean, because it's unprecedented, what could be the worst-case outcome on this AT1 bond judgment?

Prashant Kumar: So Jai, I think in the worst case, it would result into actually the CET ratio coming down, CET capital coming down and the AT1 going up by the equivalent amount. We need to see in terms of real accounting system because this is something where first we are making an appeal in the Honorable Supreme Court. But I think from the accounting side, we need to figure out, but the end result would be coming down of CET and AT1 going up by the similar amount.

Jai Mundhra: And if I can get the RWA number in INR crores. And also, if you have the loan mix by EBLR, MCLR fixed rate, etcetera.

Prashant Kumar: So the RWA is INR 2,43,000 crores.

Jai Mundhra: Sure.

Prashant Kumar: Yes. And mix just be there with a further, we'll just mention that number.

Moderator: The next question is from the line of Srikarthik from Investec.

Sri Karthik Velamakanni: My line got cut off. I had a couple more questions follow-up to the earlier one. When I look at our SMA movement in the non-retail segments along -- and triangulate that with the slippages during the quarter, it appears as though our corporate slippages continue -- I mean, our ballpark INR 960-odd crores. But the commensurate overdue loans on the corporate side have not come down by the same amount. So it looks like we are still adding higher corporate loans to the SMA pool on a sequential basis. Is that the right conclusion from all this?

Prashant Kumar: So I think if you see the SMA 2 has come down. But there has been an increase in the SMA 1. So sometimes what happens because of the number of days in a month, that delinquencies goes beyond the 30 days. But when we see the individual accounts, which are coming into the bracket of SMA 1, we are not seeing that kind of the concerns around this.

Sri Karthik Velamakanni: And the second question is to Niranjan. So on the DTA unwinding into the CET, while our internal accruals are not really have been high. But theoretically, are you seeing the accrued tax losses convert into CET-1 as we continue to remain profitable? Is that happening on an ongoing basis?

Niranjan Banodkar: That's right, Karthik. Given the number of profit that we are seeing, it's a smaller proportion. But as this picks up, we can apply a factor of 1.1 to the pickup.

Sri Karthik Velamakanni: So 150 bps because of full conversion, plus some amount of conversion from the DTA is the eventual likely CET-1 ratio where things once stabilized.

Niranjan Banodkar: That's correct. Just a quick response to an earlier question that was asked on the mix. So the EBLR mix is about 29%. The MCLR is about 23%. So that's the mix of the advances that we have.

Moderator: The next question is from the line of Sankalp Jain from SBI Mutual Fund.

Sankalp Jain: My question is with respect to the judgment that came out yesterday. Now since these bonds are perpetual in nature, can there be a thought about not exercising the first available call option? Or does the judgment require you to redeem immediately?

Prashant Kumar: So I think we missed the last part of your conversation. Can you please repeat?

Sankalp Jain: Sir, my question is that since these are perpetual bonds, do we need to exercise the first available call option? Or does the judgment require you to redeem these bonds immediately?

Prashant Kumar: No. So basically, the judgment is not talking about any of those things. Judgment is only saying that our notification related to write-down of AT1 is not upheld by the Bombay High Court. But these are the perpetual bond. And it is not mandatory to exercise that call option.

Sankalp Jain: And sir, second, does the judgment require you to make payment for previously due but unpaid coupons that we have not paying since FY '20? Or can we still use the coupon discretion clause and not make the payment?

Prashant Kumar: No. So I think, again, judgment is not talking about all those things. But I think as per the regulation, this is again the discretion of the bank for payment of the coupon. And there is no cumulative nature of payment of the coupon. And in the financial year, when the bank is in losses, the bank cannot pay the coupon.

Moderator: Next question is from the line of Divyansh Kalra from Shaurya Capital.

Divyansh Kalra: Sir, I just wanted to understand the reduction. So if you could provide little bit from the breakdown of the reduction in GNPA from Q2 to Q3. So from INR 27,000 crores to INR 4,000 crores approx.?

Prashant Kumar: So is the question is, how has the gross NPA come down from INR 27,000 crores to INR 4,000 crores?

Divyansh Kalra: So if you could help with any breakdown so what was the transfer to ARCs or any contribution with regard to these numbers?

Prashant Kumar: This is substantially a function of the ARC sale, where we have sold NPAs of approximately INR 23,000 crores to the ARC. So I think it's a function of that where you're seeing the substantial reduction.

Divyansh Kalra: And sir, my second question was a shareholder-related question. So if you could help us with what's the percentage of our equity held by Index funds prior to 2020, March 2020? So what was the message that was locked-in, if you could help with the number?

Prashant Kumar: We can't hear you. Can you please repeat? I think voice is not --

Divyansh Kalra: Sir, if you could help with the percentage of shareholding held by Index funds as of now which is locked in?

Prashant Kumar: Shareholding? You were talking about shareholding percentage?

Divyansh Kalra: Yes, held by Index funds which is locked-in as of now?

Prashant Kumar: Index funds? What is held by Index funds?

Divyansh Kalra: Yes.

Prashant Kumar: I don't have this answer handy in terms of the precise Index fund holdings but will be happy to get back to you separately.

Divyansh Kalra: Any rough number if you could, any rough estimate if you have, its fine?

Prashant Kumar: No, actually, the reason I'm not just putting out an index number is because many times, we will have institutional shareholding names appearing which get clubbed, but the underlying portfolios represent Index funds. So at least I don't have the number that carves out the Index holdings.

Moderator: Next question is from the line of Mohit from Individual Investor. Due to no response, we move on to the next participant. Next question is from the line of Suraj Das from B&K Securities.

Suraj Das: Just one question, sir, most of the question has already been answered. You mentioned about EBLR is 29% and 23% is MCLR. So does it mean the rest is all fixed or I mean, there is something else also? Just wanted to clarify.

Niranjan Banodkar: So we have another 4% of floating rate loans, which represent, which are backed to not the repo EBLR or the MCLR. So that number is about another 4% to 5%. The balance fixed rate book that we have, typically, the fixed rate book is also comprising a 10% fixed rate book, which represents, short-term nature of facilities. So while these are inherently fixed rate, it's just that they get repriced given the short-term nature of the book. So I think you should also be mindful of that 10% to 15% of the book as well.

Suraj Das: And sir, also, if you can, on the Slide 19 in your presentation, you have explained something that 60-basis point of impact from ARC transaction. So if you can just elaborate on this. I mean, is it because that you had taken that full impact in capital, as you mentioned in your opening remarks or inaudible 0:49:12?

Niranjan Banodkar: So the impact actually comes from two broad fronts. One is when the NPAs get substituted as security receipts in the balance sheet, albeit, at a lower value adjusted for the cash that you receive. The risk weights that get applied on NPAs versus the risk weights that get applied on a security receipt, that is where, A, there is a higher RWA on the balance sheet, on a like-to-like basis. So that is number one.

The second impact is on account of the deferred tax asset implication on the CET-1. So what happens is for the loans that we have transferred, we have to undertake a write-off of the residual provisioning. So it does not have a P&L implication. But because we have to write-off the provisioning in our books, from a tax perspective, it becomes a tax expense and also results into a tax loss. So what the color of the deferred tax asset, which is sitting in the balance sheet actually gets substituted from a deferred tax for provisioning to a deferred tax asset for a tax loss.

And as a consequence, there is an implication on the amount of allowable DTA that we can carry in the balance sheet for the CET-1 computation. It gets lowered because the deferred tax asset from provisioning moves to a deferred tax asset for loss. So that combination of the two, the higher risk weight and the deferred tax asset broadly was about 60 basis points.

Suraj Das: So sir, I mean, all the impact has been done, I mean has been taken once in all? Or I mean there could be further some impact in coming quarters? Or there could be some reversal due to this DTA calculation and all that. I just wanted to understand.

Niranjan Banodkar: So, on the CET-1, very emphatically, the full impact of the transaction has been taken into effect. However, like we discussed earlier on the call, further security receipts, which are outstanding, potentially, like the NPAs in the normal case, there will be an aging-related provisioning that could come through, which will flow into P&L. And therefore have an implication on CET-1. Or we could also have resolution, which means write-back, which could also be additive through the P&L. So I'm just trying to be very technically correct here to say, that the transaction has got fully baked into the CET-1. However, the performance of the security receipts will play out over the next few quarters, years in terms of either a P&L write-back or the aging-related provisioning.

Moderator: The next question is from the line of Manhar, Individual Investor.

Manhar: Sir, actually, I look at Page 18 -of the investor presentation. So there we have INR 8,853 crores of security receipts, and this is actually the consideration amount, I think in my understanding, and this is having a net book value of close to INR 5,000 crores. And then against that, it's mentioned INR 5,000 crores of provisioning. So is this -- that the SR books provision?

Niranjan Banodkar: Sorry. I think we're just trying to be on the same page. Just give us a moment. So can you just quickly repeat the question? So you were mentioning…

Manhar: So, INR 8,853 crores of security receipts has been mentioned there, on Page Number 18 in other non-performing assets. And the net book value of this is close to INR 5,000 crores, and again there is a INR 5,000 crores of provisioning amount. So is this that the entire book to provision?

Niranjan Banodkar: No. So, sir, the security receipts of INR 8,800 crores also include the INR 2,100 crores of security receipts that we were carrying even prior to this transaction. Post this transaction, which is a INR 2,100 crores-plus ballpark to INR 6,800 crores of security receipts that we've got pursuant to this transaction, that results into an aggregate security receipt face value of about INR 8,800 crores as of December. What we're saying is that the carrying value of this book is about INR 3,772 crores. And if we were to add this INR 3,772 crores to the net NPA stock of the bank, which is INR 1,973 crores, that gives us basically a INR 5,746 crores of number, which we can compare to the September number as INR 7, 242 crores because at that time, we did not have the ARC transaction.

So the substantial part of the ARC book was sitting in the NPA. So just to make a comparison with apples-to-apples, we've basically shown the number of INR 7,242 crores in September can compare with the INR 5,746 crores in December. What we are seeing is that, if you look at that number as a proportion of the advances aggregate number, that has come down from a 3.8% to 3%. So I think that's the sum and substance of what we are trying to communicate.

Manhar: So my last question is just on the restructured book. So we can see continuously there's INR 190 crores of slippage this quarter, INR 140 crores previous, and INR 120 crores previous. So now that it's come out of moratorium, is that they move into different buckets of SMA 1, SMA 2, SMA 3 or they remain in the restructured books as it is?

Niranjan Banodkar: Just give us one minute. You're saying restructured book.

Manhar: INR 5,800 crores of restructured book?

Niranjan Banodkar: Yes. So the restructured book, which is split across DCCO, MSME, COVID. So I think that book is holding up quite okay. I mean, there is -- I think we are talking about some nominal numbers that may have moved in or out. There also been some recoveries that have played out for that restructured book as well. But there is nothing substantial or a trend that we are kind of wanting to use to infer that there is any material damage coming in that book.

Manhar: Now my question was that, does this restructured book move into different buckets? Or does this remain as the restructured book? Does this go to SMA 1, SMA 2, or does this remain in restructured book according to the moratorium thing?

Niranjan Banodkar: No. So there is no -- at least a presentation that we have put out, there is no overlap between the SMA and the restructured book. But from a regulatory classification, if the restructured book were to be overdue, that will get classified as an SMA 1 or SMA 2.

Moderator: As there are no further questions, I will now hand the conference over to Mr. Prashant Kumar for closing comments.

Prashant Kumar: So, thank you very much. And I think this has been a very-very significant quarter for us, where we have been able to close two transactions, one in terms of capital raise and another in terms of transferring our stressed-asset portfolio to JCFlower ARC, which results into a very strong capital base for the bank, 13% CET and overall capital of 18%. And similarly, the GNPA number coming down to 2% and net NPA number coming down to 1%.

Now with sufficient capital, a very strong liability franchise, which we have been able to build up. I think going forward, this would be the growth phase of the bank, and our focus is on the growth with profitability. So I think going forward, we would be in a position to not only continuously demonstrate a good performance both on business and the profitability, but also in terms of giving the returns to our stakeholders. So, thank you so much.

Moderator: Thank you very much. On behalf of Yes Bank Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.