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October 26, 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 Sir/Madam,

Sub.: Transcript of Earnings Call for the un-audited Financial Results of the Quarter (Q2) and half-year ended on September 30, 2023

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 on October 23, 2023 ("the Bank") for the un-audited Financial Results of the Quarter (Q2) and half-year ended on September 30, 2023. 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=q2_fy24_analyst_call_transcript.pdf

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: 2023.10.26 14:34:30 +05'30'

Shivanand R. Shettigar
Company Secretary

"YES Bank Limited Q2 FY2024 Earnings Conference Call"

October 23, 2023

MANAGEMENT: **MR. PRASHANT KUMAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - YES BANK**
MR. NIRANJAN BANODKAR – CHIEF FINANCIAL OFFICER - YES BANK
MR. MANISH JAIN – COUNTRY HEAD, WHOLESALE BANKING - YES BANK
MR. PANKAJ SHARMA - CHIEF STRATEGY AND TRANSFORMATION OFFICER - YES BANK
MR. SUNIL PARNAMI – HEAD – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to YES Bank Q2 FY2024 Results Conference Call. On the management panel we have with us today Mr. Prashant Kumar – Managing Director and Chief Executive Officer, YES Bank; Mr. Niranjan Banodkar – Chief Financial Officer, YES Bank; Mr. Manish Jain – Country Head – Wholesale Banking, YES Bank; Mr. Pankaj Sharma - Chief Strategy and Transformation Officer, YES Bank; 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 "*" then "0" 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 sir.

Prashant Kumar: Thank you and very good morning and thanks all of you for joining us today for YES Bank Quarter Two Earnings Call. Starting firstly with the overall macro. The operating environment continues to remain relatively bright with a number of high frequency indicators such as very robust manufacturing PMI at 57.5 and services PMI at 61. The retail auto sales number, like passenger vehicles, up 17.6% Y-o-Y. The two-wheelers have grown by 22% Y-o-Y. Both GST and net direct collections. They are up 10% and 24%. Real estate sales, government CapEx, till August it was 46% Y-o-Y increase. Together with softening of underlying inflationary pressures, and monsoon season ending with near normal rains. All pointing to a sustained growth environment backed by active policy measures to support growth and contain the inflation going forward. System wise credit growth continues to be robust around mid-teens level and deposit growth on the other hand remains a key focus.

Against this backdrop, we continue to remain focused on driving growth with profitability at YES Bank through a number of our ongoing initiatives, yield calibration and NIM improvement, the right sizing and OpEx rationalization, leveraging branch as the key fulcrum of our business, and lastly, the productivity and the turnaround time improvement. Several green shoots of these initiatives have already started to reflect at our core franchise level, which is excluding the deposits in RIDF, and they are also evidenced through our product mix optimization within retail assets, acceleration of our SME and ELC franchise, expansion in our incremental loan spreads, sustained acceleration in our core fee growth and lastly in slowing down of the quarter-on-quarter rise in our operating expenses. To further accelerate growth with profitability we have set up a dedicated strategy and transformation office which is headed by Mr. Pankaj Sharma, who has recently joined us.

Last quarter our retail advances crossed 1 lakh Crore mark and its share improved further to an all-time high of 48%. Strong disbursement momentum was maintained across all our asset classes. The growth in our SME and ELC businesses continue to drive our transaction banking flows and fees. On the deposit side, despite the challenging environment, our CASA NTB acquisition run rate further climbed up. We opened 3.91 lakh CASA accounts during the last quarter and maintained our CASA ratio at 29.4% and incremental retail CASA ratio at 34.8% in quarter two and this is despite a very challenging interest rate environment. We garnered incremental deposits of nearly 15,000 Crores. As Yes Bank of today, we continued our strong emphasis on granular retail deposit franchise and strategically focus on acquiring affluent, mass affluent and MSME clients with the strong traction across our Yes First, Yes Premia and NRI segments. 93% of our saving accounts and 85% of the sole proprietorship current accounts have been opened digitally. As a future ready bank, we made good strides in our digital banking capabilities. In August, we launched Iris by YES Bank, a comprehensive mobile banking solution with more than 75 features for all banking needs of our retail customers. We also launched UPI payments through Rupay credit cards, enabled UPI interoperability on the RBI CBDC app, and we became the first bank in the country to issue an ONDC Network Gift Card.

Also during the last quarter, bank launched a Cobranded corporate credit card in partnership with Zaggle and collaborated with BriskPe to leverage from its capabilities in cross-border payments and offering the same to our SME clients. I would like to highlight that while the impact of many of these initiatives is already getting reflected positively at the core franchise level. However, at bank wide level the same sometimes gets clouded in the net reported outcomes due to drag such as significant RIDF balances. To address this particular issue of large amount of deposits in the RIDF the bank has formulated a comprehensive PSL strategy which incorporates several organic and inorganic actions including BC partnerships, on lending IBPC or PSLC purchase and acquisition and we expect PSL drag to start reducing over the coming few quarters.

Moreover, we have also made a very senior hiring with Mr. Manish Jain and joining us as the Head of Wholesale Banking to drive our growth in our ELC and large corporate business. Recently our Basel III Tier 2 bonds and infrastructure bonds have been upgraded to A from CRISIL India Ratings and CARE.

As regard near-term outlook, we believe that Yes Bank is quite well placed to grow its loans and advances around mid-teens and liabilities a tad faster and more granular. As regard margins, we believe that quarter two to be the end or near end of the margin compression and going forward we expect to see beginning of margin expansion from here. As regards asset quality, our annualized gross slippage are expected to be around 2% to 2.5% of our loans and advances and our credit cost guidance is maintained at around 50 basis points on the total assets. Also, we expect that the net carrying value of security receipts will significantly reduce by the end of the financial year.

So to summarize, as a team, we remain excited about the immense opportunities around us and at the same time continue to work towards overcoming the challenges. The core franchise of YES Bank of today is gaining good momentum due to past interventions. This momentum is expected to be further fueled by our current structural interventions around PSL and business transformation, resulting in significant contribution to profitability for the bank and help us render our medium-term ROA target of 1%. Before opening the line for questions, I would like to take this opportunity to extend my best wishes to you and your families for the festive season. Thank you so much and we are now open for your questions.

Moderator: Thank you very much, Sir. We will now begin the question and answer session. We will take the first question from the line of Srinivas an individual Investor. Please go ahead.

Srinivas: Good morning. I would like to know whether the cost to income ratio is likely to come down in the near future because I have observed that like over the last few quarters it has been increasing and what is the guidance for this?

Prashant Kumar: Our cost to income remains between 70% to 75% over the last couple of years and the main reason was that we were investing for the future like opening of branches, investment in our technology and the digital capabilities. Now we have started seeing in terms of getting the benefits coming out from this investment, but I think we would continue to invest in the future like we are planning to open 150 branches during the current financial year. But as I was sharing with you that we are going through a business transformation and strategic change in our business direction as well as taking care of the PSL drag, which is almost like a 35 to 40 basis point. So, I think what we are going to see in the coming time, the cost to income ratio would start reducing. You must have noticed that this time our operating expenditure quarter-on-quarter growth is 0.5%. We would have a very tight control on the operating expenses and we would continue to work towards improving our interest income and we are expecting now going forward our cost to income ratio would started coming down.

Srinivas: Thanks.

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

M B Mahesh: Just a couple of questions, one on the NPL line, we continue to see the retail slippage is kind of on the higher side and the recovery and upgrades being on the lower side. There is also some initial signs that even the disbursements have started to slow down. If you could just kind of broadly kind of give your views as to how are you seeing the retail portfolio?

Prashant Kumar: On the retail portfolio, we started seeing some amount of stress, in the very first quarter, and then we immediately took some policy steps in terms of corrections regarding the underwriting as well as the onboarding of customer. Similarly, we have strengthened our collection teams. So I think what we are seeing definitely and this is also disclosed in our numbers today like two third of our gross slippage is coming from the retail portfolio and this kind of stress we have seen in both credit card as well as the unsecured loans. But I think all the corrective steps have already been taken and we have started seeing the improvement on this. That is one part, second since now we are focusing on the profitability, some of the prime retail asset products like the prime home loan or a new car loan, which in the current times would not make a great commercial sense for us to be very, very active in these fields. So we have started slowing down on some of those products where the yields are lower, but definitely in terms of strengthening the policies around how we underwrite and onboard the retail customers have been strengthened and we have started seeing the positive results out of it. But I think this is an industry wide phenomenon which has also been flagged off by the regulators in terms of the retail portfolio. But I think we need to be cautious. Already our retail growth has come down to 27% and strategically we would like to have a very tight control on the retail side and maybe by the year end we would see the retail loan growth coming down further to around 25%.

M B Mahesh: And just to clarify this, when you say the unsecured pieces have contributed to most of the slippages or do you say that it has been a disproportionately large one because the exposure that we see in the presentation on the unsecured side is much smaller for the amount of slippages that we have.

Prashant Kumar: No. So, it is disproportionately higher on the unsecured and the credit card. It is not like the entire slippage is only coming from there.

M B Mahesh: The second question is on the cost of funds, given where we are on the cycle, if you could just kind of tell us how much more is left in terms of repricing?

Niranjan Banodkar: From a cost of funding perspective which we believe that we at least in last quarter we did highlight that there was about pendency of 15-20 basis points on TD repricing. We have actually absorbed bulk of that in this quarter. So while if I were to just break the whole deposit repricing into two parts, there might be some tendency of repricing in the retail deposits because these are slightly long tenures. But on the wholesale it entirely has been absorbed and in fact on the margin, we are seeing some beneficial rate structures already playing out. So, on the whole we believe that deposits have been fully repriced and while we have not spoken about it but we are also now seeing good momentum also picking up in our current account and savings account. So as a mix on the margin we should do incrementally better from here on. So you combine all these factors we do believe the cost of funding has played out at its peak.

M B Mahesh: So that again it is that cost of funds had played out, through yields can potentially improve as you are moving out of the super prime segment allowing you for the margin segment. Is that directionally the argument that you are making.

Niranjan Banodkar: That is right, absolutely. In fact there is a significant wedge already that has played out between incremental disbursement yield versus portfolio that has been happening for some time. It is just that like Prashant mentioned right at the start, a lot of our reported numbers get clouded by some other factors, RIDF being one of the most dominant ones to be honest. So on the margin we will keep seeing marginal improvements, but underlying incremental business is really focused on improving the margins and cost to income as well. I just also wanted to clarify, what I wanted to add a couple of points on the retail delinquency. So if we actually look at this quarter, there was one change that also happened in our NPA recognition policy. So when we look at the retail portfolio, the financial over dues were not actually getting accrued till 30th June. So we have changed that policy where the financial overdues are also getting accrued and getting recognized for NPA that is the classical penal interest and that has also contributed to some increase in the retail delinquency. I am not taking away the point that we are conscious, and we have made the necessary interventions, but this is also one of the reasons why the delinquency has been slightly higher.

M B Mahesh: You are saying there has been an interest part of it is now getting added to this slippages line.

Niranjan Banodkar: So what happens is, there is a financial overdue the interest on that was not getting factored as an accrual and therefore not getting factored as a days past due for the NPA classification earlier. We have actually changed that policy from 1st of July which means that if there are delays in EMIs on the retail portfolio, you are also accruing the interest on those delays and that is also triggering a 90 days past overdue recognition.

M B Mahesh: I will just take this offline. But earlier the concept was that it will be an interest derecognition item. It is not a slippage item.

Niranjan Banodkar: No. Let me clarify again. Let us say you have a loan at 11% approval coupon and let us say there is a default in that particular loan. There is a penal interest that used to get levied on that overdue amount. That penal interest earlier was not getting accrued as income. It was getting recognized on cash recoverability. So there are cases where that penal interest could have been maybe even 60 days overdue, it would have been 180 days overdue, but was not getting recognized as NPA. But with the effect from 1st July, we have changed that policy where the financial overdue interest actually gets now becomes, it goes through the overdue counter of one day, two day overdue and gets, if it is not paid for 90 days actually we will have an NPA classification for that particular account. So that has also added to the slippages.

M B Mahesh: Okay, perfect. Thanks for this.

Moderator: Thank you. We will take the next question from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Hi, Sir. Thank you for the opportunity. Firstly, my question is on the corporate. Corporate growth has been kind of slow. It has been degrowing. So, what would be your strategy on the corporate growth going forward. Since we are also kind of slowing down a bit on the retail? And also are we getting cautious or getting slowing on the corporate or what is the plan there?

Prashant Kumar: Before I would ask Manish to give a color in terms of our strategy for the corporate side. Currently if you see our mix is 48% retail, another say 15% on the SME and ELC which is the Emerging Large Corporate is 14% and the Large Corporate has come down. I think overall balance sheet construct we would like to maintain this ratio where retail would be around 50% and retail and SME not going beyond 65% and the ELC and the Large Corporate would be contributing to the remaining 35%, but it is not like we are not disbursing. We have made disbursement in the past also, but there have been some large repayments where we were not willing to match on the pricing side and at the same time there were certain exposure where strategically we wanted to bring down those exposures. So that has happened and that is also one of the reason why the overall book on the large corporate has come down. But Manish, would you please like to share what is our strategy?

Manish Jain: Thanks Prashant. So, clearly, if you see a lot of reshaping has happened over the last few years, our focus is to build a very granular book and that is what we will keep doing in future as well. Our strategy will be to keep reshaping to improve returns. Build scale and positioning in the corporate banking segment where we will grow the client base and also cross sell to our existing clients. There will be a high focus on returns as well as risk management, so with robust risk management adding new clients and cross selling to existing clients we will start increasing the income while we continue to reshape.

Chintan Shah: One more thing. In terms of the PPOP, so our PPOP currently like kind of static around 800 Crores odd. So means what are the potential I think you also spoke on the margins, we are likely to improve somewhat from here and then cost to income is expected to decline. So any guidance you would like to give us on what could be the PPOP to assets in the medium-term?

Niranjan Banodkar: So PPOP to assets, I think we have kind of stayed at about 90 basis points, 1% is the range in which we have been moving and just to quickly recap while at a core level we continue to work on improving the margins. Predominantly on account of RIDF there is a drag of almost upwards of 40 basis points on our net interest margin side. So, there are three things and before that what we have also faced in the last, three quarters is the fact that deposit repricing has also played out coupled with pressure on the overall CASA mix. So you combine all these factors, cost of funding has been put under challenge and that has meant the PPOP to assets has been under pressure. But, if you actually break this down now you look at these to assets, we have been actually doing quite well in improving our fees to assets to about 1.3% from 0.9% now about 18 months back and again within that the split is quite strong coming across various retail field lines. We are also seeing good momentum coming on our fee line item from corporate. So trade, FX, cross sells also playing out quite nicely. So fees is looking quite strong. I think for us we do believe that we will continue to see expansion in the fee line item. Cost to assets, we are currently at about 2.6% we have said that there might be some increase in the near term in the cost to assets only to accommodate PSLC purchases. We have done some of this quarter but we have been quite efficient to manage that by reducing some of our other costs by being optimal about other costs. But I think 2.6% PSLC is kind of play out, we might get into a 2.65% -2.7% range on the outside. If the PSLC's come in earlier than some of our cost initiatives that kick in, but really the work and where we see the maximum expansion is net interest margins. So we are currently operating at about 2.3%. We are already at the bottom. Over the medium-term again it is a two to three year at a minimum play that we are kind of looking at. We do believe that we should operate at 3% plus and we have listed out our reasons and drivers for that. We do not see a reason why PPOP to assets should not start working in the range of 2% plus in the medium-term. So that is really our medium-term outlook and net interest margins on the incremental basis is already visible. But as I said, it is the RIDF and some of the degrowth in the corporate businesses has resulted that we are not able to expect that on the balance sheet. We have also set up, as Prashant mentioned right at the start, he has mentioned a transformation office to make sure that all these execution initiatives that we are talking about are looked at in priority and we are able to deliver the outcomes in a timely manner.

Chintan Shah: Sure. This is very helpful. Just one last question. So now my thanks for the very elaborate answer. Just one thing on the current quarter for the credit cost, it seems a little elevated. I do not know if I have missed any comments, if you have given any comments on why the NPA PCR has been a bit higher, if you could just throw some light on that. Thanks.

Niranjan Banodkar: So PCR credit cost, I mean, there is a continuous endeavor for the bank to and we have said this earlier as well, we were a bank that was sitting on almost 6% NNPA and security receipts as a overall pool actually that was not too long ago, it was almost in March 2021. We were almost at 6%, our continuous endeavor has been to make sure that, that pool actually comes below 1%, and it is a function of two things. One, the continuous momentum that we have seen in our resolutions and recoveries. So every quarter see recoveries, resolutions coming through. What we do is as a combination whenever we see resolutions recovery is to make sure that our provisioning coverage on the residual book keeps increasing such that, that residual carrying value of this pool keeps reducing. So if you look at last quarter we were at 2.4% as security receipts and NNPA to Advances ratio has now come down by 40 basis points both as a function of recovery resolutions we have seen as well as some of the provisioning that we have taken and the bulk of that provision is also a reflection of our intent to continue to work towards improving our NPA PCR. So this quarter if you see 48% actually has been increased to 56%. So, both, I mean, these are objectives with which we continue to play and you would appreciate that given that we were dealing with a stock of 2.4% SR plus NNPA, many year times aging related provisioning the timing mismatch between aging related provisioning requirements and the recoveries, is not always a very smooth or a linear curve. So it is kind of it is always prudent from our standpoint if I do use this to keep reducing the drag and as Prashant said right at the start, our expectation is by the end of this fiscal year, a bulk of the security receipt carrying value should be off our balance sheet and I am not saying it will be 0, but clearly as a pool of NNPA and SR our endeavor is to see how it can be as close to 1% as possible.

Chintan Shah: And just one last thing, just a follow up on this. So PCR now currently is around 56%. So like are we now sticking comfortable with this or would we like to further range this PCR already we plan to take it further from here on then that could also put some pressure on the credit cost.

Prashant Kumar: No, I think by the year end we would like to definitely improve the PCR and I think around 70% to 75% is something which we would like to have.

Chintan Shah: But the credit cost guidance remains same.

Prashant Kumar: Yes.

Chintan Shah: Sure, Sir. That is it from my side. I will come back in the queue. Thank you.

Moderator: Thank you. We will take the next question from the line of Srinivas an Individual Investor. Please go ahead.

Srinivas: So this JC Flowers assignment of debt happened almost some ten months ago. So having observed the recovery track record for the last ten months, is it better off as compared to what YES Bank was doing earlier? YES Bank itself was recovering more than 5000 Crores earlier on its own for the last two years or three years. So JC Flowers, has it contributed its part and have we seen any bigger resolutions, I mean, big ticket resolutions under the JC Flowers regime?

Prashant Kumar: As of now if you see last three years our bank was able to recover more than 5,000 crores per year. During the current year also we are in the same line. I think if you see like every quarter we are able to make the recoveries of more than 1,200 Crores including the recovery that is made by the JCF ARC.

So I think as of now we are seeing the kind of recovery which we were expecting from the pool of the NPAs almost similar recoveries are coming from the JCF. Some of the big ticket resolutions which they are doing, I think the value out of those resolution would start flowing from the next financial year.

Srinivas: Thank you.

Moderator: Thank you. The next question is from the line of Namit Arora from Indgrowth Capital. Please go ahead.

Namit Arora: Thank you for taking my question. My question to Prashantji is that historically the bank was an early mover in terms of technology and related initiatives. If you could please give us an update on what has been the continued progress on the front and how you are viewing it into your strategy because this could be a competitive differentiator for the bank. Thank you.

Prashant Kumar: What you have rightly said that bank was always the front runner in terms of both technology as well as digital side, and last three years despite the challenges we have not stopped investing on both technology and the digital capabilities, and today we are in a situation where like if you see three years back the UPI transactions which were just like 2 to 3 billion transaction a month has already reached 10 billion transactions and we continue to retain our market share of around 38% on the UPI side. So, it means currently we are handling almost 3.5 billion transaction per month and this market share would continue to. remain intact that is only one part. Second in terms of if you see we were the first group of banks which were identified by the regulator for participation in the CBDC. So that also demonstrate in terms of the confidence in the bank about the digital capabilities and we started with the wholesale CBDC and then subsequently on the retail CBDC also. In the month of August, we also launched our new mobile app IRIS which is having facility for customers more than 75 features. So I think this is something which continue to remain very strong for us and only because of these capabilities. Today we are a preferred banker for the new age businesses and that is also giving us a very good float fund which is contributing as a current account to our total liabilities. So today if we see the digital and the IT capabilities is helping us in getting new age businesses, contributing to current account, contributing to the fee income and if you see on the large corporate the transaction banking, transaction banking continues to remain very strong. So even the corporates where we are not the large participant on their asset side, their flows, transaction flows are happening through the bank. So I think we continue to remain focus on the technology and the digital capabilities and that would be our key driver.

Namit Arora: Got it. Thank you very much for a very detailed response and all the best to the entire team. Thank you.

Moderator: Thank you. We will take the next question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Yes, hi, sir, good morning. First on your PSLC stock. So as per annual report we had around 300 billion of deposit. How is that moving and what is the way out, I mean, as long as this remains a significant proportion of the balance sheet your margins will remain under pressure. So what is the way out of cost and what is the stock right now and, just to understand how are we moving to the extent.

Prashant Kumar: On the balances in our RIDF, so currently we are 32,000 Crores. There is a possibility that there would be some more demand coming in the second-half year of the bank and the 32,000 would inch towards around 40,000 or 41,000 Crores. But like I was sharing in the beginning, we have taken certain strategic calls in terms of how going forward there should not be any further demand from the RIDF side. So I think we are working on the multiple strategies, one of the strategy as of now in our strategy is more in terms of what we can do organically through our branch network, and through the BC channels. Also on lending to the microfinance NBFCs and also to the NBFCs who deal with certain these kind of products, but simultaneously we are also looking like I shared last quarter also we are also looking for some inorganic acquisition which can take care of the RIDF balances. So I think with these kind of initiatives, we are quite confident that next year onwards we will not see any further demand coming because every year it is always for the past year, and we would start seeing the reduction in our balances in RIDF from the FY2026 onwards. So currently our RIDF balances are 9% to our total assets. I think we would like to take it to around 3%, but it will take some time, because always there is a maturity profile of RIDF. But fundamentally what we are looking at that we do not add anything to the RIDF from the FY2026.

Jai Mundhra: Just to understand this correct. So maybe in the second-half the balances may go up, but from FY2025 onwards at least the percentage share should start declining or the decline will start from FY2026.

Prashant Kumar: The decline would start from FY2026. FY2025 we would be, because it is always the average balances for the fourth quarter. So I think the average for FY2025 and FY2024 would be almost at the same.

Jai Mundhra: And lastly on the security receipts, so we are doing a 500-600 Crores per quarter redemption. When do we see that the redemption start accreting to P&L, would you believe that, I mean, what is the timeline for all these SRs get liquidated and the recovery starts adding to P&L. When would be that time? What would be the timeline for that?

Prashant Kumar: There are two things around this. If you see even in the current quarter, the redemption of the SR has resulted into a P&L contribution, something around say 300 Crores. Niranjan can give you the exact figure. So even in the first quarter and the second quarter, whatever redemptions has happened in the security receipt. There has been a accretion on the P&L side also, but still if you see the current book on the security receipt is 1.1%. We are expecting if it is not zero, but I think it would come down very, very meaningfully by the end of the current financial year and next year onwards the entire recoveries would add to our profit. So the current recoveries would be used in terms of making some more provisions. It would start coming down. But I think in the next quarter also there will be a contribution on the P&L, but next year onwards the entire recoveries from the pool would head back to our profit.

Jai Mundhra: And just a technical question. So, I thought our philosophy or the requirement was that all the proceeds from security receipts would be utilized toward increasing the provisioning coverage on the other pool. So how is it impacting P&L of whatever 300 Crores this quarter?

Niranjan Banodkar: So if you look at our P&L and in fact it is part of the investor presentation as well. So if you look at our provision for investment actually would have seen a release of about 290 Crores. That is predominantly coming from like Prashant mentioned the security receipts reductions which have resulted in to a provision write back and what that has been used effectively through P&L flow is for upping the provision for non performing advances and you are seeing the consequence of that which is the PCR has improved from 48% to 56%. So again when you look at the security receipts, there are two kinds of redemptions we see. The redemptions which resulted into a P&L write back and redemptions could also mean that there is a reduction in the carrying value. So we have had about 580 Crores of redemptions of which about 315 Crores has been P&L write back and there is some incremental provision that we had to take on the remaining stuff which is about 30 odd crores resulting into about 280 odd Crores of net write back. The balance is where we have seen a reduction in the carrying value of SRs. That is how the flow happens.

Jai Mundhra: Understood, Sir. That is it from my side, Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Saurav Kumar from JP Morgan. Please go ahead.

Saurav Kumar: Hi, Sir. Just on page #11 of your presentation. This government banking deposits, is it like is it a one off there or which would roll off or as you would expect this to sustain? That 20,000 Crores which you have.

Prashant Kumar: This is quite sustainable and this is quite granular. So like if you see after reconstruction of the bank, the bank was not able to get the government deposits. But what we have done, the entire government banking is working very closely with the branch banking and we are going very deep into the government business and the deposits which are coming to us, they are very, very granular. So not only these are sustainable, but I think in the coming times we would see a good growth on the government deposits but the focus would be continuously on the granular and without offering a higher rate of interest.

Saurav Kumar: Got it Sir. And this 234,000 Crores how much will be the branch deposit and the retail is 120,000 but this branch oriented how much will be the branch contribution? Or should I just take this whole.

Niranjan Banodkar: All of that because the way our model works is we do render all the deposits through the branches.

Saurav Kumar: And just one final question, just I know you addressed on the slippage, but just the retail slippage is this BAU we should think about this net slippage as a BAU or how should we think about the retail slippages.

Prashant Kumar: No, I think is the question is in terms of going forward, I think going forward on the net slippage side, we will start seeing improvement. But I think we are still one quarter away. I would be saying. I think because whatever corrective actions we have taken, would start giving result in the December quarter. But I think after 31st December, we would start seeing a reduction on the net slippage on the retail side also.

Saurav Kumar: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Srinivas an Individual Investor. Please go ahead.

Srinivas: Sir, if you look at the decrease in the net interest margin, what are the various factors to which we can attribute this phenomenon? Is it because YES Bank is still in the process of acquiring some microfinance business which can contribute, in terms of margins, higher margins or it has already been done apart from the other factors like the higher cost of deposits and lower yielding assets like on the retail side and all.

Prashant Kumar: Fundamentally I think we have also like Niranjan was explaining there was a repricing of the existing deposit, it has taken place in the quarter two. So our cost of deposit because of the repricing has gone up that was one thing. Second, there was no further improvement on the yield side. Where one of the factor is definitely the RIDF and others is also in terms of the market pricing? But the repricing on the deposit has already been completed now and going forward we are going to see the improvements on the names because there would not be any further cost pressure on the cost of deposit and we have also started already seeing the improvement in our interest yields on the loan products, which we are offering in the market. It has no connection with any inorganic acquisition of the MFI kind of thing because it has not happened so far.

Srinivas: So how far are we from that like, I mean, when the last quarter con call like as I understood like the bank was in the process of acquiring some microfinance business. So how far are we from that?

Prashant Kumar: We are still exploring that, once like anything which would be confirmed, I think we would disclose to the market, but we are still in the process.

Srinivas: Thank you.

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

Prashant Kumar: Thank you so much for joining us so early in the morning and showing interest for our performance in the quarter two. Again wish you and your families a very happy festive season. Thank you.

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