

Yes Bank

Operator: Ladies and gentlemen, good day and welcome to Yes Bank's Q2 FY27 results conference call. On the management panel, we have with us today Mr. Vinay N. Tonse, Managing Director and Chief Executive Officer; Mr. Manish Jain, Executive Director; Mr. Niranjana Banodkar, Chief Financial Officer; and Mr. Sunil Parnami, Head of Investor Relations and Sustainability. Mr. Vinay N. Tonse will now give you an overview of the results, which will be followed by a question-and-answer session. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. Participants are requested to ask questions pertaining to the Bank's Q2 results only. For any other information, you may reach out to the corporate communications team separately. I now hand the conference over to Mr. Vinay N. Tonse. Thank you, and over to you, Mr. Tonse.

Vinay N. Tonse – MD & CEO: Thank you. Good morning to everyone. Thank you for joining us for this quarterly results presentation, and thank you also for coming in very early today.

Before we discuss performance for the second quarter of FY27, I would like to address the Honourable Supreme Court's judgment of October 15, 2026, concerning the {? 8,415 crore ?} of additional Tier 1 bonds written down in March 2020. This is a significant development for Yes Bank, and I believe it is important that we address it upfront.

The Honourable Supreme Court has upheld the Bombay High Court's judgment setting aside the AT1 write-down and dismissed the appeals filed by Yes Bank, the administrator, the Reserve Bank of India, and the Union of India. We respect the judgment and are examining it carefully, including the options available to the Bank. The reconstruction of Yes Bank in March 2020 took place in exceptional circumstances, with the objective of restoring the stability and viability of the institution and protecting the interests of depositors and the wider financial system. The AT1 write-down was one of the measures undertaken in that context. We are evaluating the implications of the judgment with the same institutional responsibility that guides our other decisions.

Let me address the capital implications first. Based on our current assessment, which is indicative, and as of September 30, 2026, the reinstatement of the AT1 principal amount is expected to have a pro forma impact of approximately {? 240 basis points ?} on our Common Equity Tier 1 ratio, including profits. Our overall Tier 1 capital ratio is expected to remain around 13.7% on a pro forma basis. We recognize that the distinction between CET1 and overall Tier 1 capital is important. We will continue to assess the implications for our capital structure. Balance sheet optimization and capital planning are ongoing board-level processes. Any capital decision will be based on a careful assessment of regulatory requirements, the cost and availability of capital, shareholder interests, and the Bank's medium-term growth objectives. We will not preempt those decisions today.

On the legal and accounting aspects, we are examining the judgment in detail, including the available legal options and the appropriate steps going forward. We will make disclosures in accordance with applicable regulatory requirements and as the positions become clear. We will also ensure that the treatment of the AT1 bonds and related accounting matters is addressed in accordance with the judgment, the applicable contractual terms, and the advice of our legal and

Report is AI-generated and may contain inaccuracies.

Yes Bank

other professional advisors. We do not wish to speculate on implementation details or timelines before that assessment is complete.

For us, the responsibility is to deal with the consequences of this judgment in a disciplined manner while continuing to strengthen the underlying franchise. We understand that you will have questions about the capital impact, future profitability, potential capital actions, and the implications for shareholder value. We will address these questions as fully as the facts and our disclosure obligations permit, without getting into the legal interpretation of the judgment, which we are examining.

Having said that, let me point out that, directionally, our priorities remain unchanged: building sustainable and profitable growth, strengthening customer relationships, maintaining cost discipline, monitoring the quality of our assets, and generating durable returns for our shareholders.

With that, let me talk about the quarter's results and the progress we are making across our business. Moving to the Q2 FY27 financial performance, the Bank reported a net profit of {? 1,080 crores ?}, an increase of 65% year-on-year. Operating profit increased by 29.4% year-on-year to 1,678 crore. Net interest income increased by 22.7% year-on-year to {? 2,822 crore ?}, while core fees grew by 15.4% year-on-year. Return on assets for the quarter stood at 0.9%, compared with 0.6% in Q2 FY26 and 0.9% in Q1 FY27. The cost-to-income ratio stood at 64.3%, compared with 67.1% in the corresponding quarter of the previous year.

During the quarter, we crossed some critical balance sheet milestones. Total assets crossed 5 lakh crore, deposits crossed 3.5 lakh crore, and advances exceeded 3 lakh crore.

Now, moving to the balance sheet and deposit franchise. The Bank mobilized {? 18,575 crore ?} of FCNR-B deposits and extended foreign currency term loans of 15,215 crore through the IBU at GIFT City. These transactions affected the reported growth rates and certain income and expense lines during the quarter. Reported advances grew by 23.7% year-on-year. Excluding the FCTL linked to the FCNR mobilization, advances grew by 17.6% year-on-year. The corresponding normalized CD ratio, or credit-to-deposit ratio, stood at 83.1%.

Deposits grew by 19.5% year-on-year on an end-of-period basis and by 22.1% on an average quarterly balance basis. Retail and branch-led deposits increased by 20.9% year-on-year and constituted 58.8% of total deposits. On an average quarterly balance basis, CASA deposits grew by 15.5% year-on-year, with growth of 21.8% in current account balances and 11.6% in savings account balances.

Moving to the margins, net interest margin for the quarter stood at 2.6%. The sequential moderation of approximately {? 12 to 14 basis points ?} was largely attributable to the FCNR-B mobilization and the associated liquidity and deployment profile. The Bank will continue to focus on calibrated deployment of available liquidity and on the composition and cost of incremental deposits.

Moving to fees and operating expenses, non-interest income increased by 14.4% year-on-year and 4.7% sequentially. Core fees increased by 15.5% year-on-year, supported by growth in trade and cash management, loan processing fees, and card products. The sequential growth in loan processing fees included some fees associated with the foreign currency term loans and was

Report is AI-generated and may contain inaccuracies.

Yes Bank

substantially offset by related FCNR mobilization costs.

Operating expenses increased by 14.2% year-on-year and 5.1% sequentially to ₹ 3,026 crores. The quarter included ₹ 51 crore of commissions on foreign currency borrowings linked to the FCNR-B mobilization, ₹ 20 crore of marketing expenditure relating to the Asian Games sponsorships, and ₹ 31 crore arising from changes in central and state wage codes. Excluding these items, operating expenses were broadly stable on a sequential basis.

Moving to asset quality and business mix, asset quality indicators remained stable. The gross and net NPA ratios stood at 1.2% and 0.2%, respectively, and both improved year-on-year. Gross slippages were 1.3% of advances, broadly unchanged sequentially. Net credit cost for the quarter was 0.3% of average assets, similar to Q1 FY27. The Bank also recognized P&L gains of ₹ 395 crore from the Security Receipts portfolio during the quarter. The rise in standard asset provision was primarily driven by an increase in loan balances, including the FCTL portion.

Growth was distributed across the Bank's principal business segments. Retail asset disbursement increased by 35% year-on-year, with retail book growth inching up to nearly 9%. Commercial banking advances grew by 20.2%, while corporate and institutional banking advances grew by 31.4% year-on-year.

On a reported basis, before considering the pro forma impact of the AT1 judgment discussed earlier, the CET1 ratio stood at 13.7%, and the Liquidity Coverage Ratio stood at 131.4%.

Management: To conclude, our priorities remain centered on improving core profitability, growing advances and deposits in a risk-calibrated manner, deepening the granular deposit franchise, managing margins and operating efficiency, and maintaining asset quality. Capital planning will remain an important area of focus as we assess the implications of the judgment and support the Bank's future growth requirements. The Bank has made progress in strengthening the scale and quality of its franchise. At the same time, we recognize the significance of the Supreme Court judgment and the need for a carefully considered response. We will continue to act in accordance with applicable legal and regulatory requirements, engage with the regulator and other authorities as appropriate, and keep the market appropriately informed. Thank you once again for joining us, and we will now be happy to take your questions.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Sukrit D. Patil with I-SAT FinTrade Private Limited. Please go ahead.

Sukrit D. Patil – I-SAT FinTrade Private Limited: Good morning to the team. I have two forward-looking questions. My first question to Mr. Vinay is: beyond the regular outlook, what are the top two to three execution priorities you are focusing on in the next few quarters? Alongside that, what do you see as the biggest risks in credit growth, deposit mobilization, and competitive intensity? I want to understand how you are preparing to manage them while strengthening the Bank's position in the banking sector. That is my first question, and I will ask my second question

Report is AI-generated and may contain inaccuracies.

Yes Bank

after this. Thank you.

Vinay: Sukrit, thank you for that. Going forward, we have already started building strong foundational pillars for taking the growth momentum upwards. We have already seen good traction, and some of these initiatives are already reflected in the second quarter, as well as in the first-quarter results.

One of the main initiatives that we are now driving and focusing on is the "One Bank" concept, where the synergies between all the verticals start working, and we look at how we can meet the end-to-end needs of any customer, whether corporate or otherwise. Growth and scale are areas that we are looking at very strongly, and we are already seeing optimism within the Bank that things are looking much better as the months pass.

Another significant positive for us would be the cross-referrals arising from the SMBC relationship. We have already started seeing good traction in the cross-referrals that are taking place. This is a simple response to you, Sukrit.

Sukrit D. Patil – I-SAT FinTrade Private Limited: Thank you. My second question to Mr. Niranjan is along similar lines. I want to understand, from a financial point of view, what key risks or challenges you anticipate in the next quarter, to be very precise. What specific measures have been taken to manage margins, credit cost, capital adequacy, and overall balance sheet strength, especially in a rate-sensitive area? Thank you.

Niranjan: Thank you. The first point I would like to highlight is our capital. As Vinay just mentioned, we continue to keep our objectives of growth and scale and maximizing the SMBC ecosystem value proposition intact. Clearly, when we look at our capital requirements, this is going to be an important element. CET1, on a pro forma basis—again, this is not conclusive—is at about 11.4%. We do believe that we will continue to evaluate areas of capital action to make sure that the Bank remains well capitalized in order to fulfill its growth objectives. That is point number one.

Point number two, which is where I would like to focus, is our core operations. As you would have seen over the last several quarters, the Bank continues to improve its core ROA metrics. In fact, even adjusted for Security Receipts, the Bank's core ROA continues to improve. We continue to see improvement in our cost-to-income ratio. About 2 years ago, the cost-to-income ratio was in the range of 74%; it is already down to 64%, as we reported this quarter. There is an improvement taking place there as well.

The third point is that, if you look at our NPA credit cost, it has consistently improved over the last 3 quarters. This is a function of the slippages that we have seen, and that has been one of the keenest improvements we have observed. As we look at our core operations, we are feeling much more confident and comfortable going forward.

The last point I will make, because it is a reported number, relates to margins. We have seen margins decline this quarter, and this is almost entirely attributable to the FCNR scale that came in. We ended up raising, in INR equivalent terms, about 18,000 crores of FCNR deposits, and we also had about 15,000 crores INR equivalent of foreign currency term loans in our IBU at GIFT City. The combination of the two—both the undeployed credit from the FCNR deposits and a much wider

Report is AI-generated and may contain inaccuracies.

Yes Bank

denominator—meant that our margins were lower.

That is one area on which we will continue to work by deploying the credit in Q3 and Q4. In addition, we believe that with interest rates actually increasing, there should be a positive bias on margins going forward. That is one area that we will continue to observe.

The second moving part is our RIDF balances. In H2 FY27, we will continue to have a reducing balance on our RIDF deposits. As a reminder, we had deposits placed in lieu of a shortfall in PSL in the past, and those balances will continue to come down. That will be a tailwind for margins.

As we look through H2, to respond simply, there will be competitive pricing pressures on margins, but we do believe that there will also be tailwinds that will enable us to offset those pressures. When we think through H2, December might still be closer to a stable margin structure, but as we look toward March, we should have a positively improving bias. Thank you.

Sukrit D. Patil – I-SAT FinTrade Private Limited: Thank you, and best wishes.

Vinay: Thank you, Sukrit. Thank you.

Operator: Thank you. The next question comes from the line of Jay Prakash Mundra with ICICI Securities. Please go ahead.

Jay Prakash Mundra – ICICI Securities: Good morning, sir, and thank you for the detailed disclosures, including the pro forma numbers. I wanted to check on the accounting entry. If hypothetically this AT1 were to be reversed, would there be any P&L implication, or would it only be adjusted in the reserves? I believe that at the time of the write-off, we had taken the P&L entry. Could you highlight that?

Niranjan: Jay, I will take that question. What we have done right now is provide you with a pro forma that has been taken through the P&L, and the impact is available. In terms of the substance of this matter, we believe that routing it through the P&L is only a means. In substance, if you think about the restatement, it is actually a balance sheet structure where the core reserves are being used to reinstate the liability. That is the accounting perspective.

When we finally effect this, of course, it will be subject to our assessment, and there are multiple operational aspects that we need to conclude. As the assessment is concluded, we will take it through the accounting route as well.

Jay Prakash Mundra – ICICI Securities: Is there any cash outflow because of this, or is it only an accounting entry?

Niranjan: The principal restatement of the AT1 bonds, as I said earlier, is in substance a balance sheet change from the reserves to the borrowings, which are under AT1 classification. There is no repayment and no cash outflow on the borrowings. It is only an accounting restatement that we will have to make.

Jay Prakash Mundra – ICICI Securities: Is it final that the coupons have no bearing, or do you believe you may have to pay the coupon as well? Is that clear, unclear, or very clear—that we will not

Report is AI-generated and may contain inaccuracies.

Yes Bank

be liable for the coupon?

Niranjan: Jay, the Bank is still evaluating the consequential implications of the judgment, including the decisions and actions required to give effect to it. Therefore, the manner and timing of reinstatement of the bonds, as well as payment of the coupon, are also under assessment. We have informed the stock exchanges as well, and we will disclose the outcome once the assessment is complete. Our consideration of the coupon will also be a function of the terms of the information memorandum, and that is also addressed in the judgment. I will stop here.

Jay Prakash Mundra – ICICI Securities: No, that is very helpful. Secondly, moving away from this, what would be your market share in value terms in Payer PSP and Payee PSP? A broad number would also be useful. Also, if you have the number for transactions above 2,000.

Niranjan: Jay, without getting into the details, we make these disclosures, but overall you can say that we are a one-third market-share bank.

Jay Prakash Mundra – ICICI Securities: If you have the numbers separately for Payer PSP and Payee PSP, I think that would be more useful.

Niranjan: Payer PSP is about 58.7%, and Payee PSP is about 36.4%. It is also disclosed in our investor presentation on page 41.

Jay Prakash Mundra – ICICI Securities: Are these value or volume figures? I was more interested in whether you have the value market share.

Management: Perhaps we can take this offline with you, Jay.

Jay Prakash Mundra – ICICI Securities: Okay, sure. Just one more question regarding any quantification of the MDR. I think we have been investing quite substantially in this network, and now there is an opportunity to monetize it. Have you done any assessment of what kind of additional fee it could generate for the Bank when it comes into effect? What kind of quantum could it generate?

Niranjan: As you rightly said, the MDR rules clearly mean that we have an upside on income on account of our market share. However, it would be premature for us to size that because it is also a function of how the markets play out in terms of the actual MDR charged to customers. We do believe that it will certainly be an upside to our current revenue streams. We simply do not want to size it in the absence of clarity on where this will land commercially in actual terms. That is number one.

Number two, it is also a function of our bilateral arrangements and negotiations with, for example, the third-party application providers.

Jay Prakash Mundra – ICICI Securities: Right, and the sharing arrangements that will eventually be crystallized, I think that will also—

Management: —have a bearing on how much we get out of it.

Jay Prakash Mundra – ICICI Securities: That's correct. And coming to the—

Report is AI-generated and may contain inaccuracies.

Yes Bank

Jay Prakash Mundra – ICICI Securities: I have a few more questions. Can I ask them now, or can I come back in the queue?

Management: Go ahead, go ahead. No problem.

Jay Prakash Mundra – ICICI Securities: If you can share your thought process on NIM sensitivity, what would be your share of EBLR, T-bills, MCLR, and fixed-rate loans? If you have done any sensitivity analysis showing how much additional interest income, in crore terms, would result from a 1 basis point repo rate hike, that would be useful to understand.

Management: When we think through our floating-rate book structure as a combination, let me put it this way: it is a combination of the floating-rate book as well as the short-term book, because the latter might be in the nature of fixed-rate assets, but it is akin to the market that keeps moving.

For both of these, the broad mix that we have is approximately two-thirds and one-third. About 65% of the book will be floating, linked either to a repo rate or to a T-bill. T-bills can also have different tenors; for example, there could be a 1-month T-bill or a 3-month T-bill. That is the broad split between floating-rate and fixed-rate assets.

As we look at the benefit to margins, let me put in a number. If there has been a 25 basis point increase in the repo rate, assuming that we have a broadly similar sensitivity to other benchmarks as well, you could see margins moving into high single-digit increases. However, the reason we do not want you to be guided by that is because it is ultimately a function of market forces.

When you think about spreads, they are a function of market forces. As long as the market in general increases prices by this quantum, we do believe that we would see a high single-digit increase on account of the 25 basis point increase. However, it is then a function of liquidity, competitive intensity, and other factors, which will also have a bearing on how exactly this flows. Thank you.

Jay Prakash Mundra – ICICI Securities: Secondly, an observation on certificates of deposit. We have increased from 6,000-odd crores to around 11,000-odd crores. We also had FCNR-B, so what was the need for certificates of deposit to increase? I found it counterintuitive. Ideally, they should have been repaid because we would have had excess liquidity from FCNR-B. Could you share your thoughts?

Management: Absolutely. It is actually more tactical and not so much a change in our fundamental funding strategy. The reason was also that we had rating upgrades. Although the short-term rating for certificates of deposit was always A1+, the long-term rating also went up above AA, which meant that access to that funding was available at cheaper rates.

Fundamentally, when we think through our funding, one factor was that it made economic sense to access that funding. Secondly, there were also certain balance sheet considerations relating to LCR and NSFR. Therefore, some of this was tactical and interim, rather than a long-term strategic direction.

Management: Jay, it was a selective and very tactical use of that particular market at that time.

Report is AI-generated and may contain inaccuracies.

Yes Bank

Jay Prakash Mundra – ICICI Securities: The last question is whether you can quantify the ECL impact. I believe we are now very close to actual implementation. Could you provide a broad number for the transitional impact and, if available, on a recurring basis? Thank you.

Management: Both of these are very indicative numbers, and they are being firmed up as we speak. Our expectation is that, on the opening balance sheet, the CET1 impact could be in the range of about 50 to 60 basis points.

However, what we have also seen is that the new circular on credit risk offers a substantial offset to this. As we look at a combination of these two circulars, we believe that the opening CET1 impact should not be a material hit to CET1.

Jay Prakash Mundra – ICICI Securities: Thank you, and all the very best.

Management: Thank you, Jay.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Mayank Bukrediwala with MLP. Please go ahead.

Mayank Bukrediwala – MLP: Good morning. My question is on your margin disclosure.

Operator: Mr. Bukrediwala, sorry for interrupting. Your voice is not audible. Please speak a little louder.

Mayank Bukrediwala – MLP: Hello?

Operator: Yes, we can hear you now. Please go ahead.

Mayank Bukrediwala – MLP: Perfect. In your margin discussion, the point about the coupons that might need to be paid on those AT1 bonds was not discussed, because that could have a materially negative impact on margins. I wanted to understand your thoughts on that.

I understand that those coupons are optional and at management's discretion, but since you have not mentioned them specifically in your margin calculations for the future, I wanted to understand how you are thinking about this.

Management: As I said earlier, this matter is currently under assessment. The entire consequential implications, decisions, and actions are required to be given effect, and we are evaluating all of those, including the coupon.

I would urge you to allow us the time to conclude this assessment, and we will be forthcoming in making the relevant disclosures as soon as this is done. As you rightly said, the coupon will be guided by the information memorandum, which is also a matter that we are currently reviewing. Once we conclude, we will come back to you.

Mayank Bukrediwala – MLP: I understand that the coupons of the past remain a matter of debate. What I was trying to understand is that once these AT1 bonds are restored on the balance sheet, I am referring to prospective coupons. I would believe that this is not really a legal matter; it is simply a matter of management discretion. I think the only interplay with the coupon is whether you can

Report is AI-generated and may contain inaccuracies.

Yes Bank

pay a dividend or not. I am asking only from that perspective. I am obviously not looking for an answer about the past coupons, during which these bonds were not in play.

Management: Of course. As I said, future coupons will form part of the future assessment. Therefore, from a timeline standpoint, it is important that we first conclude the assessment of the judgment. Our decisions on future coupons will also be made at the appropriate time.

Our consideration of each coupon will continue to be guided by the terms of the information memorandum, as has also been stated in the judgment. Therefore, there is no decision to pre-announce today.

Mayank Bukrediwala – MLP: Fair enough. May I ask one or two more questions? One is on asset quality. Slippages from the retail book have been coming in at roughly the same level for the last couple of quarters. I wanted to understand whether this is the normalized level of slippages we should anticipate from the retail book, or whether it is likely to move down.

Management: If you think about slippages, we have seen them holding up well in absolute terms. For a book that is now beginning to grow, with slippages holding up, I would say that this is a positive sign.

In absolute terms, we believe that this is a reasonable level. Even now, from a slippage ratio standpoint, we might see some basis-point improvement, but not a great deal of improvement from here.

Mayank Bukrediwala – MLP: I understand. My last question, returning to the same issue, is that since CET1 plus AT1 remains broadly the same and is fundamentally materially above the regulatory guidelines, I understand that most of the capital strain is largely an unofficial guidance from the regulator, in some sense, to be closer to the 14–15% level. Would you have any conversation with the regulator given the circumstances, where CET1 plus AT1 remains the same and does not really force us into an immediate capital raise?

Management: For us, when we were at 14% CET1, that was our comfortable level. We were operating between, for example, 13.5% and 14%. We believe that this was a comfortable level, keeping our growth objectives and ambitions in mind.

From a regulatory standpoint, there was no stricture saying that this was the CET1 level at which we had to operate. There are regulations that cover our CET1, and we were always comfortably above those regulatory requirements.

However, once we conclude the assessment with a CET1 pro forma at 11.4%, we do believe that it still allows us headroom to continue to grow. But I would say that the evaluation of capital actions, including any capital raise, is something we will have to be mindful of, because clearly 11% to 11.5% CET1 is not ideal. We will want to make sure that capital levels are more comfortable, irrespective of what the regulator might say.

However, we will certainly not take any action that is detrimental to our stakeholders, including our shareholders. That is very important to us. The quantum, the value, and the rate are all matters that we will assess on an ongoing basis.

Report is AI-generated and may contain inaccuracies.

Yes Bank

There are also certain other stored capital features that we have on our balance sheet. We have said this in the past as well. There is a Security Receipts portfolio with a face value of about 15 billion and NAVs of about 20 billion rupees, or 2,000 crores, which has zero carrying value.

We are not saying that we will necessarily take action, but there are such stored levers available to unlock capital, which would allow us to continue pursuing our growth and scale objectives.

Mayank Bukrediwala – MLP: Perfect. Thank you so much for all the answers.

Management: Thank you, Mayank.

Operator: Thank you. The next question comes from the line of Jayant Kharote with Axis Capital. Please go ahead.

Jayant Kharote – Axis Capital: Thank you for the opportunity. I apologize for joining a bit late. I wanted to know the RIDF plan for this year, for the remaining 2 quarters. How much reduction is expected? I also missed the exact NIM outlook for the next 2 quarters. I understand the medium-term levers, but specifically for Q3 and Q4, have you given quantitative NIM guidance considering the rate hike and the RIDF reduction? That is the first question.

Management: Jayant, thank you for joining. I would request Niranjan to take that question with the exact figures.

Niranjan: On RIDF, the H2 reduction is expected to be about 8,000 crores. This is split between Q3, at about 4,700 crores, and Q4, at approximately 3,500 crores. That is the split.

When you think through the benefit of that reduction, for the Q3 reduction of about 4,700 crores, please factor in the benefit playing out in Q4. Similarly, the Q4 reduction of about 3,500 crores should be factored into Q1 of the next financial year. That is the position on RIDF. That is one clear tailwind we discussed.

Management: The 25 basis point repo increase should also have an impact. The repricing of the book will start from, let us say, the beginning of November, because the decision was announced in October. We will have 2 months of repricing, but not for the entire quarter.

When we look through Q4, we do believe that, assuming nothing else changes, this should translate into a high single-digit margin benefit or tailwind. What we said in response to the earlier question, however, was that while this is a straightforward mathematical outcome suggesting that we might have an 8 basis point improvement, the reality is that market forces will continue to be at play, including liquidity conditions, deposit rates, loan spread pricing, and competitive intensity. We will continue to monitor these factors.

We do believe that RIDF and repo rate pricing should have a positive bias in the immediate term. The third element, which is not so much a Q3 element but more a Q4 element, is the deployment of the FCNR funds. That will itself also be a tailwind.

Our expectation for Q3 is that margins should be in a similar range to what we saw in Q2. There might be some bias toward pulling them back because of the full effect of the FCNR, but the

Report is AI-generated and may contain inaccuracies.

Yes Bank

tailwinds we expect should neutralize that. As we move to Q4, our expectation is that we should have a positive bias on margins.

Jayant Kharote – Axis Capital: Thinking into FY28, given that you will exit on a very strong NIM—I mean strong in the sense of a decent uptick in Q4—the full impact of this second-half RIDF payment should start showing in FY28 as well.

All things being equal, with asset quality remaining stable, from a purely waterfall perspective, should we comfortably be above 1% ROA in all 4 quarters? I remember that our guidance used to be to exit this year at 1% ROA. Would you want to make an informed estimate for next year? Where do you see yourselves exiting by Q4 FY28?

Management: What we had said is that FY27 ROA should be 1% for the full year. We are looking at 90 basis points for H1. However, for that guidance to play out entirely, there is also some reliance on non-core elements, such as the quantum of Security Receipts that we will have, and so on.

What we certainly believe is that core ROA performance continues to show material improvement even in H1. For example, we are already higher on core ROA, closer to 20 basis points as we see H1 playing out. We are very confident that we will continue to deliver that improvement.

As we go into FY28, I would say that our confidence in delivering 1% ROA, with lesser and minimal reliance on non-core elements, is something that we can directionally call out. However, you will have to allow us to provide that guidance more emphatically as we conclude FY27.

Jayant Kharote – Axis Capital: Great. My last question is on growth. Let us assume that this impact fully comes through. If I am not mistaken, there will be a DTA release that increases CET1 by 60 basis points, which will continue over the next few years or quarters. This means, theoretically, that our growth, or the capital consumption, is not proportionate to the growth because we will have a release of this deferred tax asset.

Have you done any analysis or calculation of the level of growth at which you could comfortably grow over the next 2 or 3 years without a capital raise? I am asking because there are elements such as the CET1 release and the stored capital. Is there any analysis below which you would not want the balance sheet to slow down?

Management: Instead of growth, I would look at this from an ROE perspective, because ROE is accreting capital. At about 8.2% accretion to ROE, with the benefit of DTA, we have the ability to grow at 11% without consuming capital.

There is a DTA release and grossing-up that occurs, and ROE is actually calculated on a higher denominator of equity. Once you adjust for DTA, you are effectively accreting core equity at a higher rate. That means that at about 11%, we have the ability to grow without consuming capital.

We can use some very simplistic numbers. If risk-weighted assets grow at 15%, we would have about a 4% burn on our CET1 ratio. If my CET1 is, let us say, 12%—again, I am using a simplistic number—that would be about 48 basis points. However, it is never a linear answer. The actual answer would be more like 35 to 40 basis points because it is not a linear equation.

Report is AI-generated and may contain inaccuracies.

Yes Bank

Even with 15% growth next year, we are potentially looking at consumption in the range of about 30 to 40 basis points. One could also argue that with some capital actions, including the stored capital you mentioned, we could potentially operate at similar CET1 levels.

The way I would portray this is that we do not believe this really has a bearing on the way we will look at our growth capacity. Of course, when we were earlier looking at solving for capital at some stage, some of that thought process could be brought forward a little. However, it is not that we have to solve for it in 1 or 2 quarters.

We will have reasonable cushion and buffers to make sure that we solve it in a manner that is appropriate and in the best interests of all stakeholders.

Jayant Kharote – Axis Capital: When you said that 8% ROE leads to 11%, just from that 8% and 11% delta of 3%, have you assumed only the DTA that you are currently releasing, or have you also assumed the DTA that you will release once you account for this {? 8,000 crore ??}?

Management: That DTA is effectively a function of whatever profit you make. You gross it up for the profit. Let me put it this way: let us assume that, on a pro forma basis, CET1 is at 11.4%. With an ROE of 8.2%, the first step would be for ROE to improve to about 9% for the same level of profits, because equity is effectively lower.

Then, let us say the Bank is delivering a 9% ROE. At a structural level, you could argue that this itself is improving. Let us assume that it improves to about 10%. The point I was making is that on that 10%, you could further build in the DTA benefits. Whenever you have an ROE of 10%, there will be a DTA release commensurate with those earnings.

Therefore, potentially, we could work upward toward an ability to fund growth of more like 12% to 13% as we move forward. There is no immediate pressure to solve for capital. In any case, we have to go through the evaluation and assessment process. We believe that this is something on which we will continue to work while growing in line with our objectives.

Jayant Kharote – Axis Capital: So it is fair to say that you are not taking your foot off the pedal in terms of growth, and that we will continue on the trajectory we have set over the last 2–3 quarters.

Management: Absolutely, Jayant. This is the way we look at it. Our CET1, subject again to the actual conclusion of the assessment and its implications, represents core equity potentially moving from 14% down to 11.4%.

However, that will still mean that we want to continue focusing on growth and scale because the entire franchise is working with strong momentum. This is reflected in our numbers, including growth.

For a Bank that you have followed, we were delivering sub-industry growth levels in the past, of course, for the right reasons. We are now, even after adjusting for the FCTL, recording growth in excess of the industry as well. That momentum is strong, and we want to make sure that we continue to sustain it.

Yes Bank

Jayant Kharote – Axis Capital: Perfect. In one line, I think we have sufficient capacity to continue growing at whatever level we have planned.

Management: Great, and all the best to the team.

Management: Thank you. Thank you, Jayant.

Operator: Thank you. The next question comes from the line of Marukh Adajania with Tata Capital. Please go ahead.

Marukh Adajania – Tata Capital: Good morning. I had a fundamental question on coupon payment. I know that you are assessing the order, and I also know what is written in the information memorandum. However, fundamentally, there need to be dire circumstances not to pay the coupon. Would that be correct? For example, weak profitability or if a company is making losses.

Otherwise, it would affect sentiment around a capital raise, whether through bonds or equity. It would also affect the valuation of bonds and equity. Is missing a coupon without very severe circumstances the correct way to think about it, or is there some other way?

Management: Marukh, I am afraid we will not comment beyond what we have already said on this because there are two parts to it.

The first is the evaluation of the consequential implications of the judgment, which is immediate. The second relates to future elements. I want to break this into two parts. We are currently in the process of concluding our assessment of the present matter, which is the judgment and its implications.

When we come to the future, I do not want to preempt a decision that has not yet been made. The information memorandum is available, and the judgment has also referred to it. We will abide by the information memorandum, where the conditions for coupon payment have been detailed.

Marukh Adajania – Tata Capital: Thank you very much.

Management: Thank you, Marukh.

Operator: Thank you. The next question comes from the line of Kunal Shah with Citi. Please go ahead.

Kunal Shah – Citi: Thanks for taking the question. I apologize for joining a bit late. First, regarding the credit rating agencies, have there been any interactions with them? How are they viewing this judgment, and if there is an impact on CET1, how are they looking at it? If there is no coupon payment in the future, would there be any implication for the credit rating?

Management: Kunal, regarding the credit rating agencies, we have had interactions with them. A couple of them have already issued a bulletin or a note. Our understanding is that they have described this as a very clear credit-neutral event from a ratings perspective.

Of course, there are certain other comments that have been made, but at the fundamental level, the headline is that this is a credit-neutral event from a ratings perspective. Two agencies—one

Report is AI-generated and may contain inaccuracies.

Yes Bank

international and one domestic—have issued such comments. Others are also expected to come out shortly. At the fundamental and headline level, this is a neutral event from a credit ratings perspective.

Management: We have had conversations with them, and I think they will go through the process of reaching their conclusions as well.

Kunal Shah – Citi: Secondly, in terms of evaluating the consequential actions and possible legal remedies, what legal remedies could be available over and above this judgment? Or do we say that this has happened and the only option now is a capital raise to shore up CET1, which could happen much sooner rather than waiting for all the legal remedies? What would be the priority: pursuing a legal remedy or treating this as the judgment and proceeding with a CET1 raise sooner?

Management: Kunal, I will break this into 3 simple buckets.

The first is the evaluation of the consequential implications of the judgment. Since it is a Supreme Court judgment, we respect the Honourable Supreme Court's judgment. We have to review and evaluate it and take into account its implications. That is one part.

The second part, as you said, is the legal remedies and what the next steps could be. I have to point out that these are 2 separate lines that we will pursue. We have to respect the Honourable Supreme Court for the verdict it has given, and that is one part of the process. The second part is the legal remedy and legal review. This is something we are currently discussing with our legal counsel and advisors. We will evaluate it and, as appropriate, take the next steps.

The third part relates to solving for capital and whether we do that beforehand or afterward. In my previous response, we said that even with an 11.4% CET1 ratio, we believe our growth objectives and ambitions are not compromised. We will continue to pursue that path.

The evaluation of whether we need to raise capital now or do so afterward will be a commercial assessment. The simple point I want to leave with you is that we do not have to solve for capital tomorrow. We believe that we have buffers and the benefit of DTA, which allow us to solve for growth without necessarily reaching capital levels with which we are not comfortable.

Kunal Shah – Citi: Lastly, regarding the FCNR deployment, how much of it has been utilized? We are still seeing that, in terms of growth, even excluding FCNR, deposit accretion would have supported that kind of growth. When do we expect the entire amount to be utilized?

We had seen many banks putting this into short-term corporate lending. In our case, corporate and institutional banking is flat on a quarter-on-quarter basis. Will there be immediate channelization of the FCNR deposits, or will this take some time?

Management: As I said earlier, we think this deployment should be complete between Q3 and Q4. Our expectation is that it will largely take place in Q3, with some portion spilling over into Q4.

Kunal Shah – Citi: Is it fair to assume that Q2 did not have much deployment?

Yes Bank

Management: I would say that in Q2 there was a large increase in our short-term assets, which were in the nature of investments and included some Nostro balances that we held. So, yes, this was not ideal from a credit perspective.

Kunal Shah – Citi: Overall, whenever it is utilized, it should at least be yield-accretive. The maximum drag on margins would have occurred if there were a full-quarter impact in Q3. Otherwise, on an incremental basis, it should now be channelized into better-yielding assets.

Management: That is what I also highlighted earlier, Kunal. We will have a full-quarter impact in Q3, but there will be offsets. The repo rate hike, assuming spreads do not change, will be a positive factor, and the reduction in RIDF balances will continue to play out.

These are tailwinds that will support margins in Q3. Our assessment is that Q3 should be similar to Q2, perhaps with a very marginal negative bias. As we move into Q4, we certainly believe that margins should have an upward bias.

Kunal Shah – Citi: Thank you for answering all the questions, and all the best.

Management: Thank you, Kunal. Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of the question-and-answer session. I now hand the conference over to Mr. Vinay M. Tonse for closing remarks.

Vinay M. Tonse: Thank you very much to all our friends for joining us. As I said earlier this morning, we took a couple of hours of your time, and I apologize for that.

To conclude, I must reassure all of you that our priorities remain centered on the fundamentals: improving core profitability, growing the deposit franchise and advances in a risk-calibrated manner, managing margins and operating efficiency, and maintaining asset quality. Capital planning will remain an important area of focus as we reassess the implications of the judgment and support the Bank's future growth requirements.

As you would have seen, the Bank has made progress in strengthening the scale and quality of its franchise. I must also say that we recognize the significance of the Supreme Court judgment. We recognize the need for a carefully considered response, and we will continue to act in accordance with applicable legal and regulatory requirements, engage with the regulator and other authorities as appropriate, and keep the market appropriately informed.

Before signing off, I would like to extend my festive greetings to all of you for Navratri, which has just concluded, and for the upcoming Vijayadashami. Thank you very much.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.