



Yes Bank Result Synopsis

CMP: Rs.313

Accumulate

Target: Rs.350

NII surges 32%YOY, CASA ratio up 240bps on surge in SA deposits, asset quality impeccable with NNPA at 0.04%. Accumulate.

PAT surges on strong operating performance, Loans (incl substitutes) up 28%:

Yes bank reported robust Q312 net profit growth of 33% to Rs.254.09 driven by NII (+32%YoY) and sustained traction in non-interest income (+31%YoY). Advances grew 15.3% to Rs.35867.8cr however including credit substitutes customer assets grew a healthy 28.1% to Rs.43754.6cr. Advances growth was largely driven by Branch banking vertical contributing 48% of incremental lending followed by Corporate and Institutional banking (36%) while Commercial banking accounted for 16%. Gross yields on advances rose to 12.4%, up 20bps and 240bps YoY.

The shift in focus area for the bank was visible on the liabilities side, with branch banking deposits growing 59.5% YoY, consequently, share of Branch banking deposits(CASA+FDs) to total deposits grew to 30.7% from 23.7% seen in Q311. Total Deposits grew 19% to Rs.46929.1cr on account of strong traction in CASA deposits which grew 46.5%YoY as the bank garnered the first mover advantage of the saving deposit rate deregulation. Cost of funds for the bank rose to 8.9%, up 30bpsQoQ and 180bps YoY.

NII growth remains strong, NIMs flat

Net interest income grew 32%YoY to Rs.427.6cr given the sharp increase in YoAs(+240bpsYoY) and high traction in saving bank deposits. NIMS remained flat on YoY basis, at 2.8% however dipped from 2.9% seen at end of Q212.

Opex surges 38%YoY, C/I deteriorates

Operating expenses grew 38% due to rise in staff costs (35%YoY and 10.7%QoQ) and other operating expenses (42%YoY). Yes bank staff strength rose to 5013, with highest deployment in retail banking. The bank added 26 branches during the quarter, boosting the branch network to 331 across India. Consequently, Cost to income ratio deteriorated to 37.6% (+180bpsYoY, 200bpsQoQ).

Asset quality remains pristine, restructured advances flat QoQ

Gross NPAs ratio stood at 0.2% and Rs.72.1cr (Rs.68.8cr Q212) in absolute terms while Net NPAs ratio at 0.04% and Rs.14.4cr (Rs.13.6cr Q212). Restructured advances remained flat QoQ at Rs.175.7cr which represents 0.49% of gross advances. Specific provisions stood at 80% and total provisions at 375% of gross NPA.



Advances grew 15.2%YoY, customer assets rise 28.1% YoY

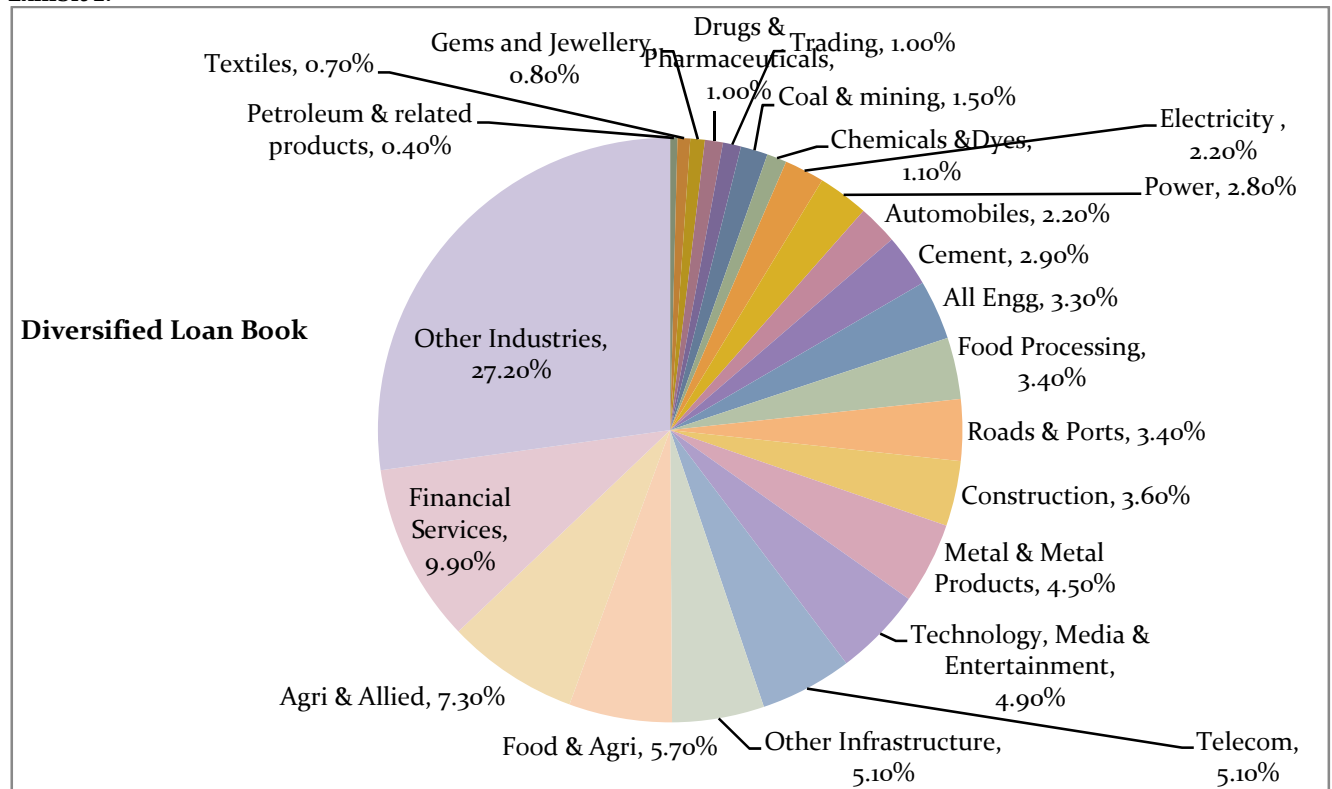
Yes Bank recorded loan book growth of 15.2% to Rs.35867.8cr with incremental lending largely being driven by the Branch banking (SME + Retail) vertical which contributes 15.1% of advances. Customer assets (loans + substitutes) rose a healthy 28.1%, to Rs.43754.6cr. Yield on advances rose to 12.4%, up 20bps QoQ and 240bps YoY. Project related infra loans accounted for <5% of total loans.

Exhibit 1:

Advances Break-up	Q312	Q212	Q311	YoY	QoQ
Corporate& Institutional Banking	63.40%	61.40%	67.60%	8%	8%
Commercial Banking	21.50%	23.80	22.30%	11%	-5%
Branch Banking	15.10%	14.90%	10.10%	72%	6%

Source: Company, Banham Research

Exhibit 2:

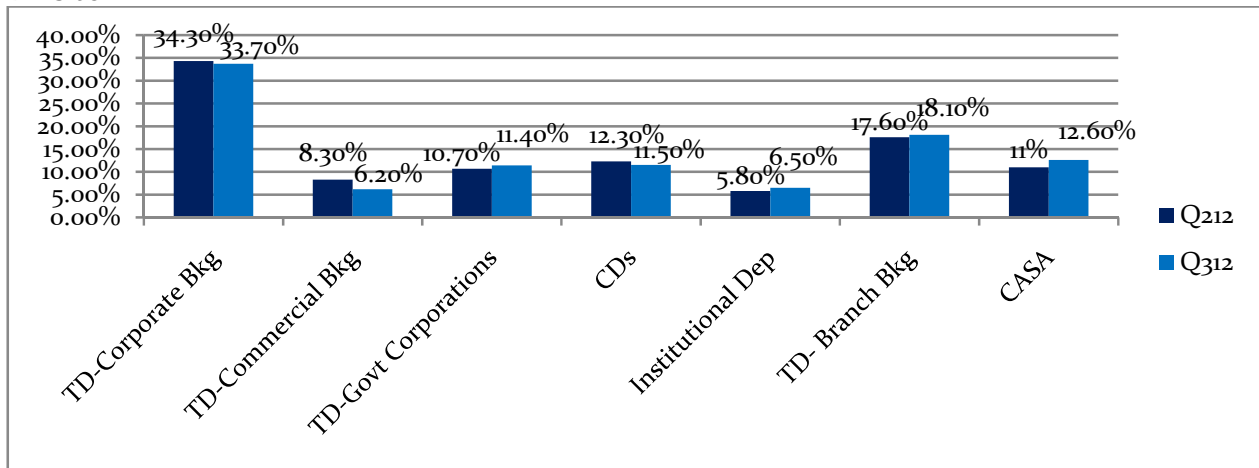


Source: Company, Banham Research

Deposits grew 19% with CASA deposits driving growth

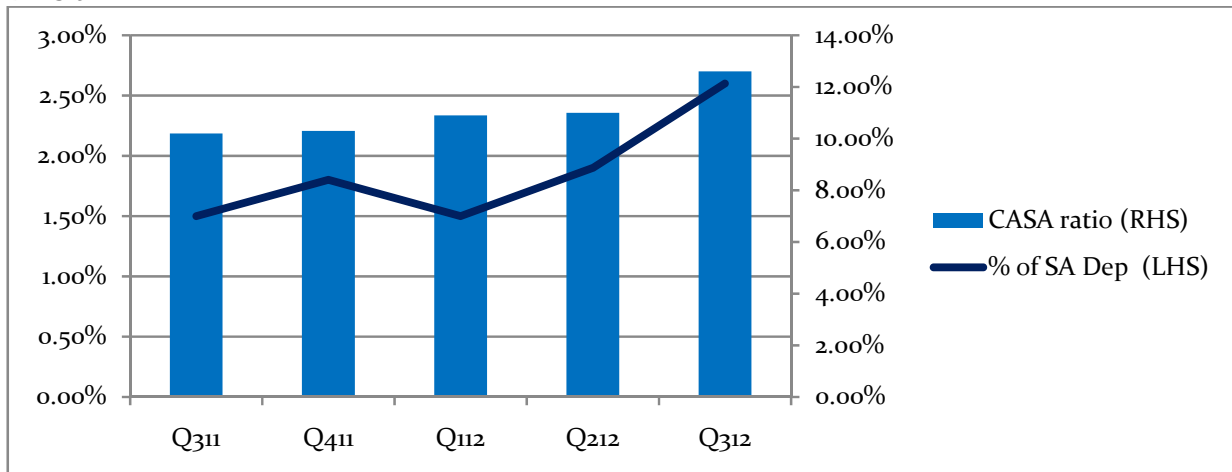
Yes Bank witnessed deposit growth of 19% to Rs.46929.1cr on account of huge pick in CASA deposit mobilizations during the quarter under review. CASA deposits grew by 46.5% to Rs.5913.5cr, resulting in CASA deposit share of total deposits advancing to 12.6% compared to 11% and 10.2% at the end of Q212 and Q311 respectively. Yes Bank was the first to raise its saving deposit rates, which currently stand at 7%, resulting in robust mop up of SA deposits(+99.2%YoY). Non-CASA deposits grew 16%YoY to Rs.41016cr. Overall, business grew 17.3% to Rs.82, 796.9 cr.

Exhibit 3:



Source: Company, Banham Research

Exhibit 4:

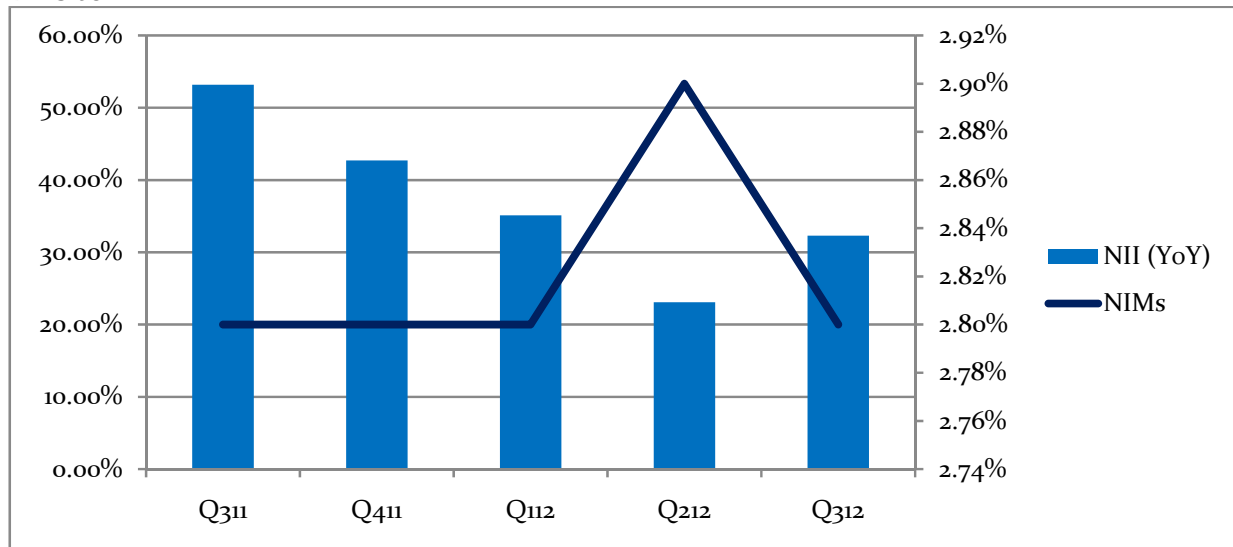


Source: Company, Banham Research

Net interest income growth remains robust

Yes Bank reported robust NII growth powered by high yield on advances and higher traction in saving account deposits. NII grew to Rs.427.6cr, up 32%YoY which is in line with average 33% growth seen over trailing 4 quarters. Net interest margins consequently have remained stable at 2.8%YoY however slipped from the 2.9% seen at end of Q212. Yes bank is likely to be biggest beneficiary as the rate cycle begins its move lower and liquidity in the system eases thereby pushing cost of funds lower for the wholesale funded bank.

Exhibit 5:

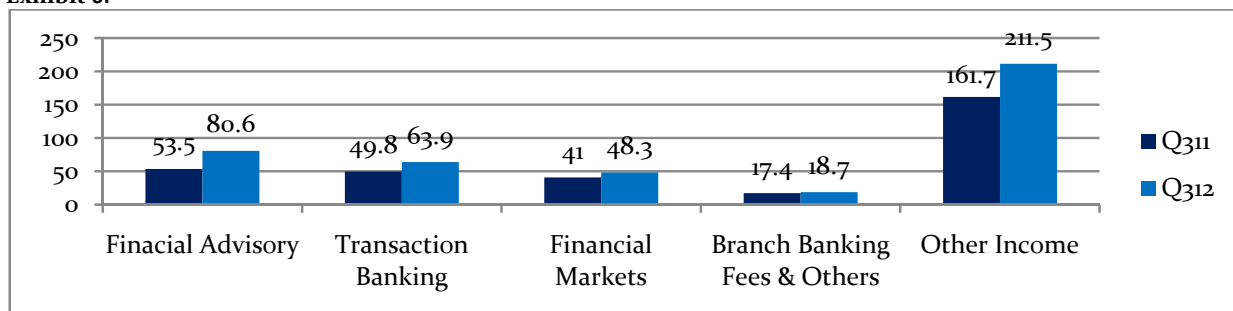


Source: Company, Banham Research

Non Interest Income momentum continues....

Non Interest income rose 30.8% to Rs.211.4cr in Q3FY12 from Rs.161.7cr last year. The gains were driven by Financial Advisory, Transaction Banking & Financial markets business streams. Financial Advisory which accounts for 38.1% of non interest income rose 51% to Rs.80.6cr while Transaction Banking (30.2% of Non-interest income) recorded 28%YoY growth. Financial Markets which account for 22.8% of non interest income rose 18%YoY while Branch Banking fees (8.8% of Non interest income) was relatively muted, up 7%YoY.

Exhibit 6:

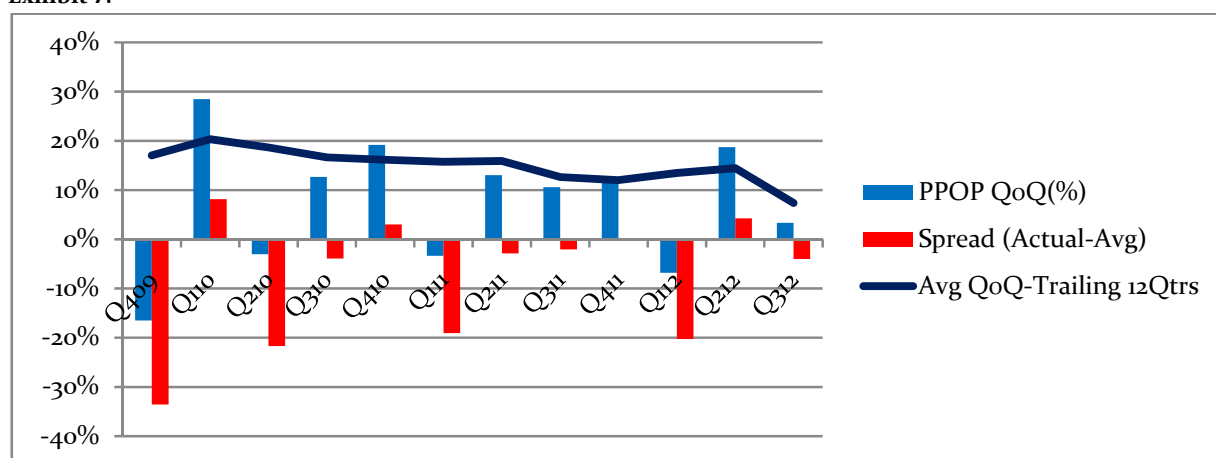


Source: Company, Banham Research

PPOP grows 28%YoY, however up mere 3%QoQ as sharp uptick in operating expenses and flat QoQ performance from non-interest income limits profitability

PPOP grew 28% YOY to Rs.398.84cr in Q312 compared to Rs.311.25 in Q311. However given the management focus on boosting branch network, operating expenses rose 38%YoY and 12%QOQ on higher employee and other expenses. Cost to income ratio rose 200bps QoQ largely due to -1.2 QoQ decline in non interest income. Total net income grew mere 6.6% while operating expenses surged 12%, hurting profitability on sequential basis. PPOP rose only 3% compared to 19%QOQ seen in Q212 and significantly below the average growth seen in trailing 12 quarters.

Exhibit 7:

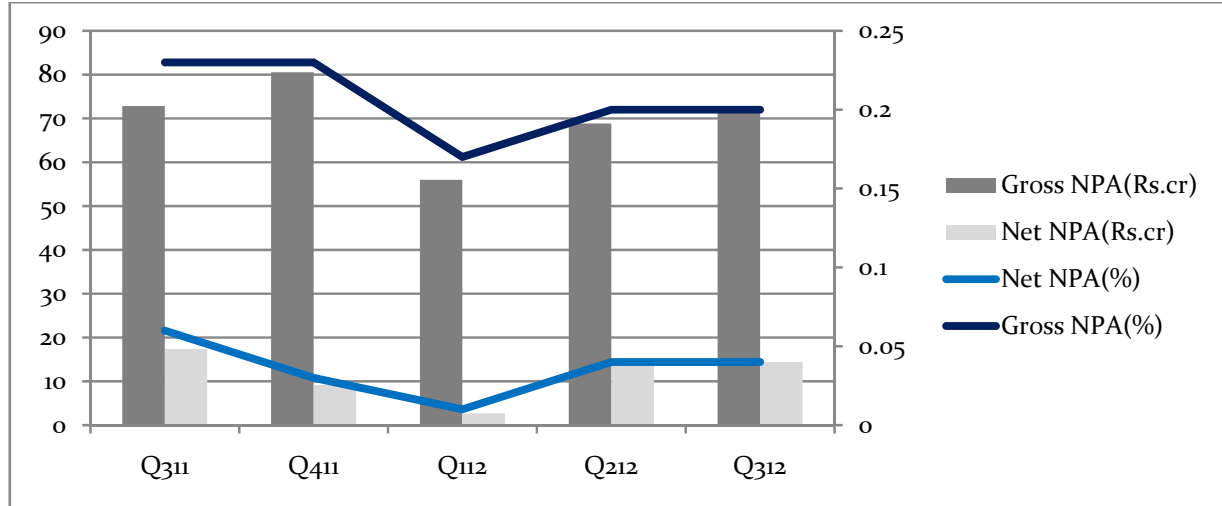


Source: Company, Banham Research

Asset quality ratios improve; Provisions decline 10.4%YoY

Yes bank continued to witness excellent asset quality, with Gross NPAs declining at 0.2% vs. 0.23% seen in Q311. On absolute basis, Gross NPAs stood at Rs.72.06cr compared to 72.83cr last year, however inched up marginally on QoQ basis, from Rs.68.83cr at end of Q212. Provisions declined 10.4% to Rs.22.36cr and 40%QoQ. Specific Provision ratio stood at 80% and total provisions at 375% of Gross NPA as at Dec31, 2011. Net NPA ratio improved to 0.04% compared to 0.06% in Q311. On absolute basis, Net NPAs declined to Rs.14.41cr vs. Rs.17.38cr last year but marginally higher than Rs.13.64cr seen in Q212. Restructured advances were Rs.175.7 cr (0.49% of gross Advances) flat on QoQ basis however have grown significantly over Q311 (Rs.83.7cr / 0.27% of gross advances) due to restructuring of the micro-finance loans (~Rs.90cr in Q212).

Exhibit 8:

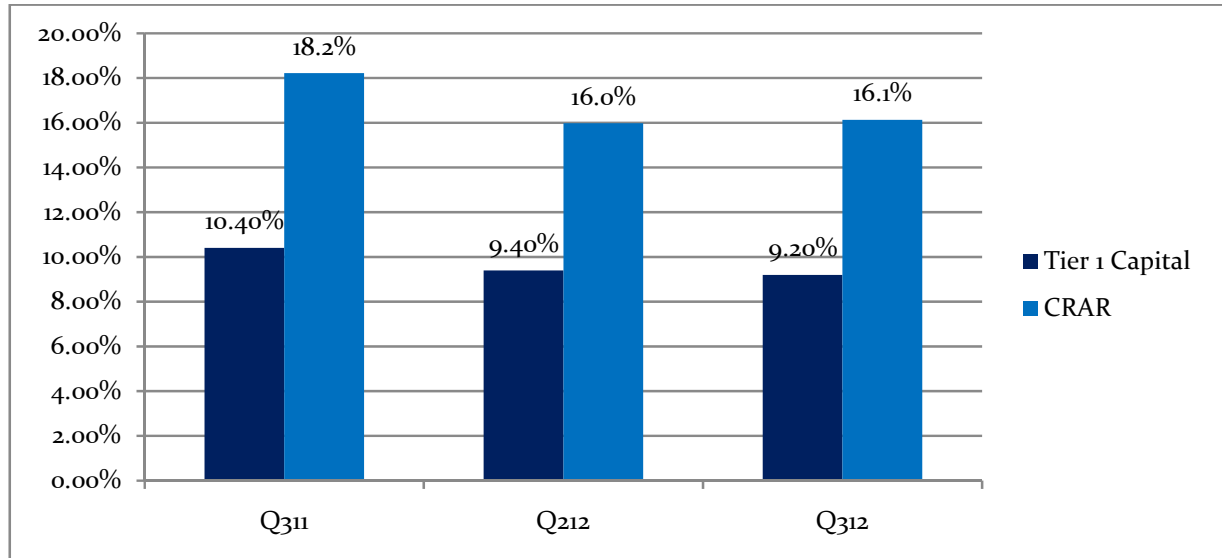


Source: Company, Banham Research

Yes Bank remains well capitalized

Yes bank reported CRAR of 16.1% with Tier 1 capital ratio at 9.2% (9.7% incl. Q312PAT). The total capital funds grew 18.8% to Rs.81.2bn compared to Rs.68.3bn last year. Higher percentage of rated advances helped Yes bank to report higher tier-1 capital on sequential basis. The bank raised Rs.243cr of lower tier-II capital during the quarter.

Exhibit 9:

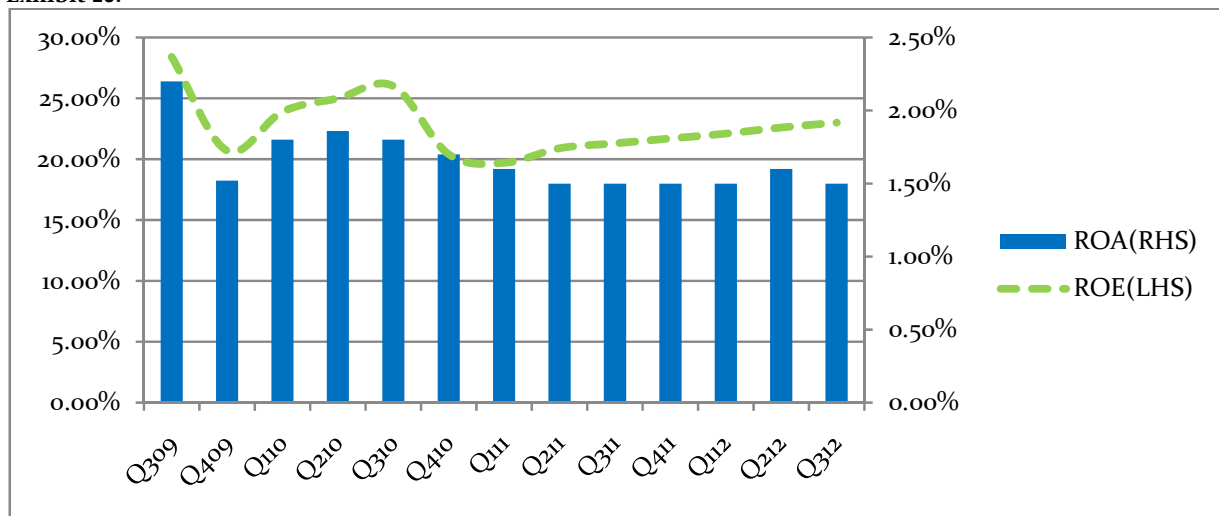


Source: Company, Banham Research

PAT grows robust 33%, return ratios stable

Yes Bank reported robust PAT growth of 33% to Rs.254.09cr compared to Rs.191.12 in Q311. Consequently, RoA and RoE continued to remain at healthy 1.5% and 23% respectively. RoA and ROE have consistently remained at and above the 1.5% and 20% mark respectively over the last 13 quarters.

Exhibit 10:



Source: Company, Banham Research

View:

Yes bank remains a top pick in the sector on account of excellent asset quality, stable net interest margins, quality loan book profile, well capitalized, strong management and consistent deliverance of high return ratios. We expect the bank to report NII and PAT growth of 33% and 25% CAGR over FY11-13. Yes Bank is expected to be a major beneficiary of de-regulation of saving deposit rate, signs of which are already visible in the current quarter with CASA deposit ratio surging 240bps YoY to 12.6%. The bank is currently focusing on increasing granularity both on the advances and deposits side, thereby reducing concentration risk and dependence on high cost bulk deposits. The bank has amongst the lowest exposure to sensitive sectors such as commercial real estate, capital markets and power. Restructured assets despite the surge post MFI restructuring, as a percentage of overall advances remains amongst the lowest in the industry.

The bank has demonstrated excellent management of net interest margins across rate cycles and hence provides comfort on sustainability of NIMs at healthy levels. We expects NIMs to moderate marginally by 11bps over FY11-13e to account for rise in cost of funds as the bank attracts higher saving deposits at premium rates.

Yes Bank is currently trading at 2x FY13 P/ABV and expected to trade at 2.2x FY13e ABV (1.9x earlier) giving us our target price of Rs.350.

Quarterly Performance	Q312	Q311	YoY	Q212	QoQ
Net Interest Income	427.6	323.1	32%	385.6	11%
Non Interest Income	211.4	161.7	31%	214	-1%
Operating Income	639	484.8	32%	599.6	7%
Operating Expense	240.2	173.6	38%	213.8	12%
PPOP	398.8	311.2	28%	385.8	3%
Provisions & Contingencies	22.4	24.9	-10%	37.9	-41%
Tax	122.4	95.2	29%	113	8%
Profit After Tax	254.0	191.1	33%	234.9	8%

Source: Company, Banhem Research

Asset Quality	Q312	Q212	Q112	Q411	Q311
Gross NPA	0.20%	0.20%	0.17%	0.23%	0.23%
NNPA	0.04%	0.04%	0.01%	0.03%	0.06%
Restructured Advances	0.49%	0.51%	0.26%	0.24%	0.27%
PCR	80%	80.20%	95.20%	88.60%	76.10%

Source: Company, Banhem Research



Yes Bank – Q312 [QUARTERLY REVIEW]

January 30, 2012

P&L	FY10	FY11	FY12	FY13
NII	788	1247	1738	2195
Other Income	576	624	686	823
Total net income	1363	1870	2424	3017
Operating expenses	500	680	897	1147
PPOP	863	1190	1527	1871
Provisions	137	98	138	171
PBT	726	1092	1389	1700
Tax	249	365	464	568
PAT	478	727	925	1132
EPS	14.06	20.95	26.34	32.24
B/S	FY10	FY11	FY12	FY13
Sources of Funds				
Net worth	3090	3794	4600	5588
Deposits	26799	45939	57424	73502
Borrowings	4749	6691	10036	14051
Other Liabilities & Provisions	1745	2583	3875	5812
Total Liabilities	36383	59007	75935	98954
Application of Funds				
Cash & Bal with RBI & Banks	2673	3496	3613	4563
Investments	10210	18829	26737	36897
Advances	22193	34364	42611	53690
Net Block	114	130	149	171
Other Assets	1191	2186	2822	3630
Total Assets	36383	59007	75935	98954
Book Value	91.0	109.3	131.0	159.2
ABV	90.6	109.0	130.6	158.7
GNPA (%)	0.30%	0.20%	0.30%	0.30%
NNPA (%)	0.06%	0.03%	0.03%	0.03%
ROAA	1.6%	1.5%	1.4%	1.3%
ROAE	20%	21%	22%	22%





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RATINGS

Buy	Accumulate	Neutral	Reduce	Sell
>15%	+5>15%	+5%/-5%	-5%<-15%	>-15%

Research:

Swati Hotkar	Technical	91 22 421 20 938
Avdhut Bagkar	Technical	91 22 421 20 926
Hedley Albuquerque	Fundamental	91 22 421 20 934

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