

Yes Bank Result Synopsis

CMP: Rs.494

Buy

Target: Rs.580

**NII surges 42% YoY, C/I improves 210bps, CASA ratio rises to 18.9%
Asset quality robust, NIMs up 20bps at 3.0%; PAT up 33.2%YoY**

NII surges 42%YoY

Yes bank reported robust NII growth of 42%YoY at Rs.638.1cr, driven by robust decline in cost of funds (60bps) and largely stable yields on advances(-10bps). Advances grew 23.7% YoY to Rs.470bn while including credit substitutes, customer assets rose 30.9% to Rs.603.6bn versus Rs.461bn last year. Deposits grew 36.2% to Rs.669.6bn compared to Rs.491.52bn. last year. Cost of funds declined on account of 71.6%YoY surge in CASA deposits to Rs.126.88bn. Consequently NIMs in Q413 rose to 3.0% compared to 2.8% last year and were stable sequentially. Net Profit rose 33%YoY to Rs.362.15cr.

PPOP rises 47%YoY

Strong growth in NII and other income (+42%YoY resp.) while measured increase in operating expenses (35% vs. 47%YoY avg. rise in previous 3Qs), resulted in PPOP growing 47% to Rs.633.9cr. Consequently, Cost to income ratio has improved to 37.7% versus 39.8% last year although has inched up ~50bps sequentially. Yes bank added 18 branches during the quarter, taking the branch network to 430. The management remains focused on building its branch network to boost its retail banking business.

Asset Quality stable; Restructured assets at 0.31% of gross advances

Yes Bank continued to maintain impeccable asset quality, with Gross NPA ratio at 0.2% vs. 0.22% last year and Net NPA ratio at 0.01% versus 0.05% last year and 0.04% in Q313. Restructured Assets stood at Rs.144.2cr i.e. 0.31% of gross advances at the end of Q413 compared to 0.53% last year. The Bank has increased its specific provisioning cover to 92.6% and further added to the counter cyclical provisions during the quarter. The management expects credit costs to remain 50-60bps in FY14. Overall provisions grew 242% to Rs.97.53cr.

Performance Snapshot

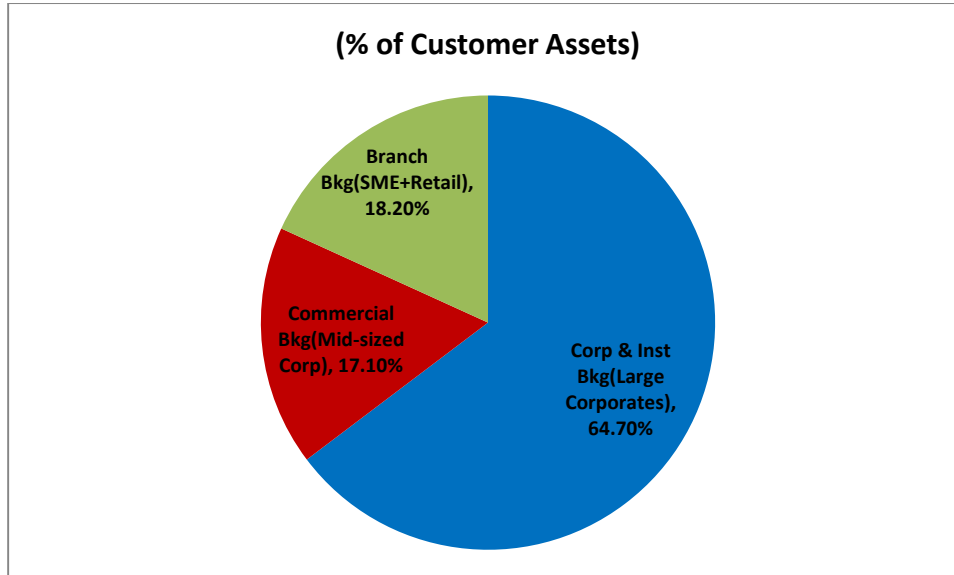
(Rs.cr)

Description	Q413	Q412	YoY	QoQ
NII	638	448	42%	9%
OI	379	266	42%	21%
PPOP	634	430	47%	13%
PAT	362	272	33%	6%
NIM%	3.0	2.8	20bps	0bps
GNPA%	0.2	0.22	-2bps	3bps
NNPA%	0.01	0.05	-4bps	-3bps
PCR%	92.6	79.2	1340bps	1300bps

Advances grew 23.7%YoY, customer assets rise 30.9% YoY

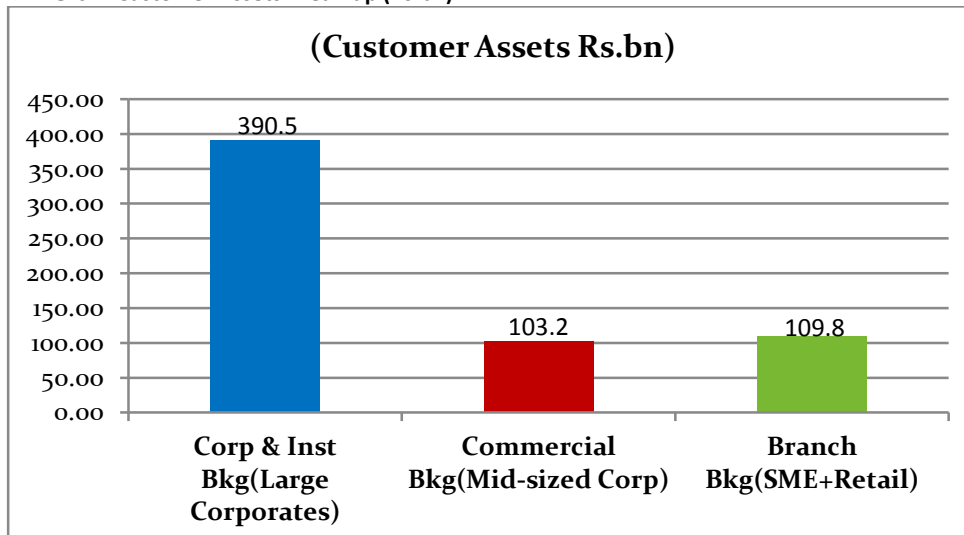
Advances grew 23.7% YoY to Rs.470bn while including credit substitutes, customer assets rose 30.9% to Rs.603.6bn versus Rs.461bn last year. The management expects marginal uptick in corporate loan demand into the year as stress in economic environment expected to move lower. However current working capital loan demand is expected to continue. Customer assets are expected to grow in a broad range of 25-30% in FY14.

Exhibit 1:



Source: Company, Banham Research

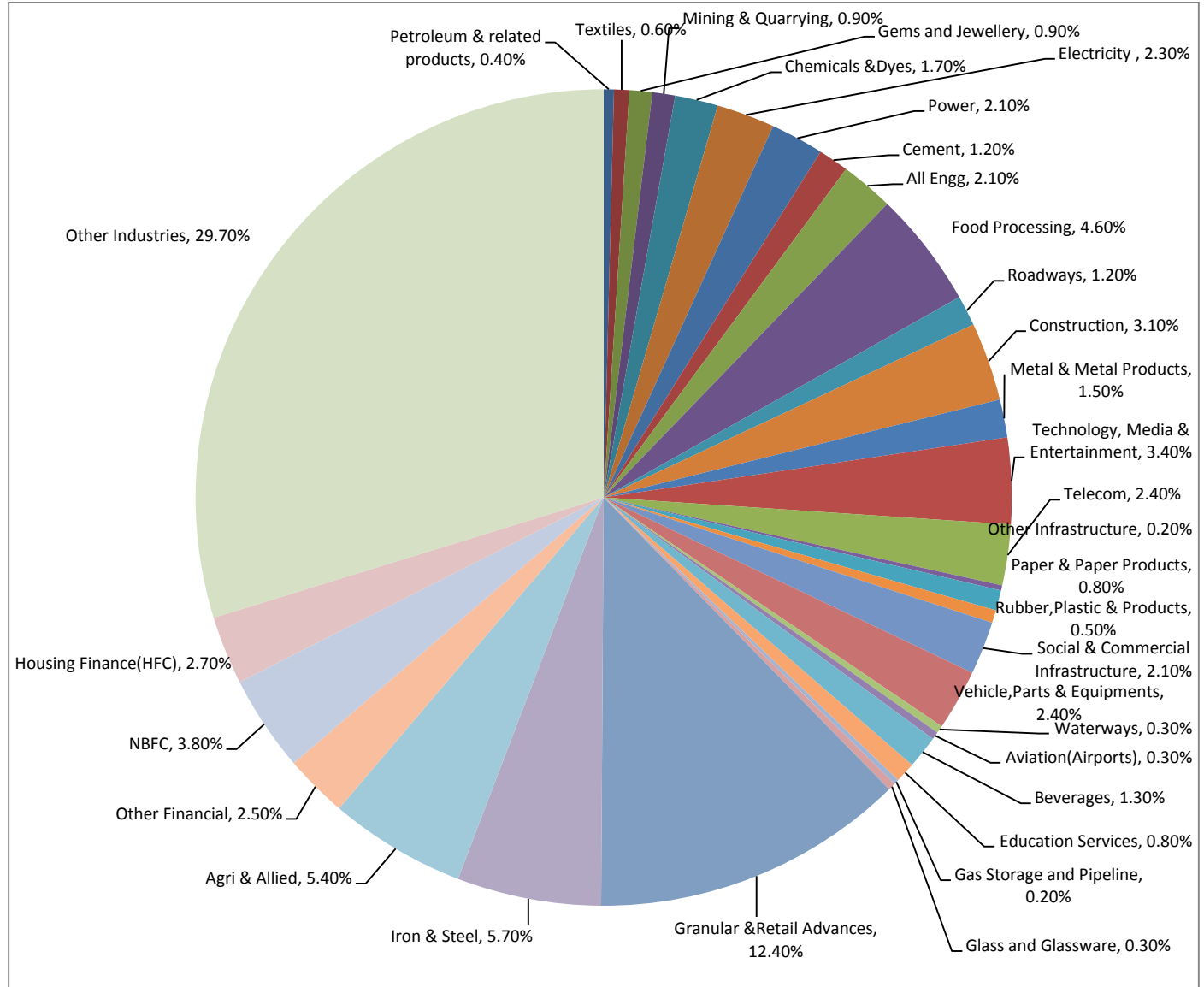
Exhibit 2: Customer Assets Break-up (Rs.bn)



Source: Company, Banham Research

Diversified Credit Book

Exhibit 3: Industry wise break up of Customer Assets

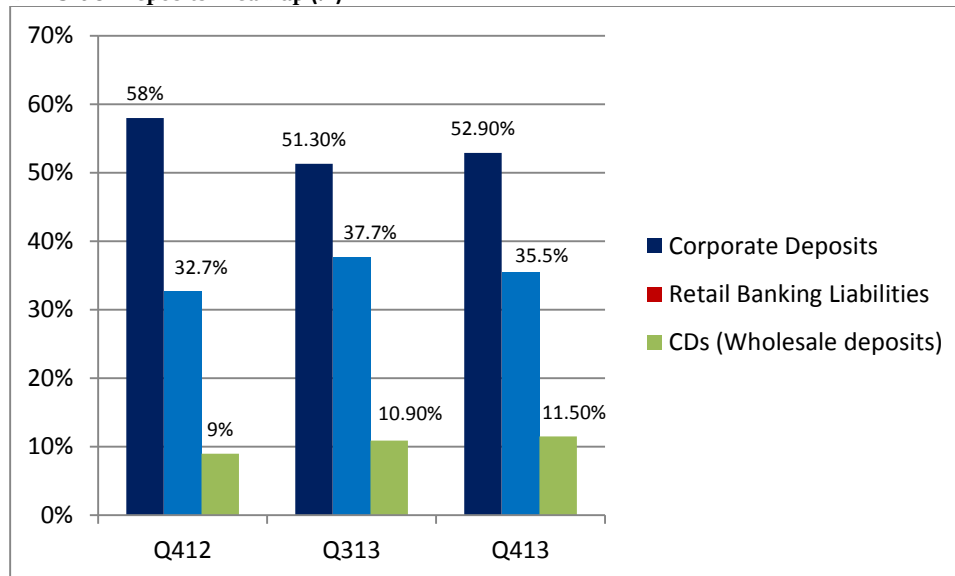


Source: Company, Banham Research

Deposits grow 36.2%YoY to Rs.669.6bn; Robust CASA growth

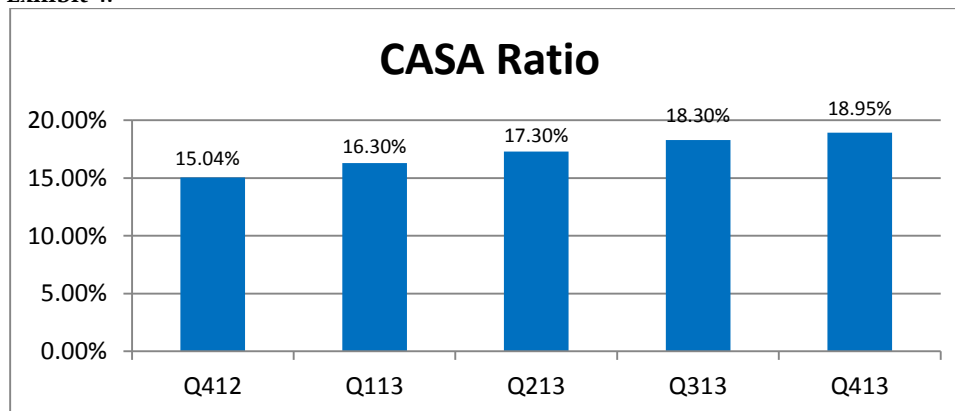
Yes Bank witnessed healthy deposit growth of 36.2% to Rs.669.6bn, driven by healthy accretion of CASA deposits. CASA grew 71.6% to Rs.126.88bn, resulting CASA ratio surging to 18.95% compared to 18.33% in Q313 and 15.03% last year. Savings deposits rose 140.5% to Rs.60.2bn compared while current account deposits rose 36.3% to Rs.66.6bn. The bank remains focused on increasing granularity on the balance sheet, consequently, retail liabilities as a percentage of total deposits has risen to 35.5% compared to 32.7% last year. However on account of sharp accretion in corporate deposits (22%QoQ) and CDs (25%QoQ) in Q413, retail liabilities share has declined from 37.7% in Q313 to 35.5% presently. Non-CASA deposits have grown 30%YoY primarily driven by corporate deposits (24%YoY) and CDs (74%YoY). Retail banking FDs increased 64.3%YoY to Rs.110.9bn.

Exhibit 3: Deposits Break-up (%)



Source: Company, Banham Research

Exhibit 4:

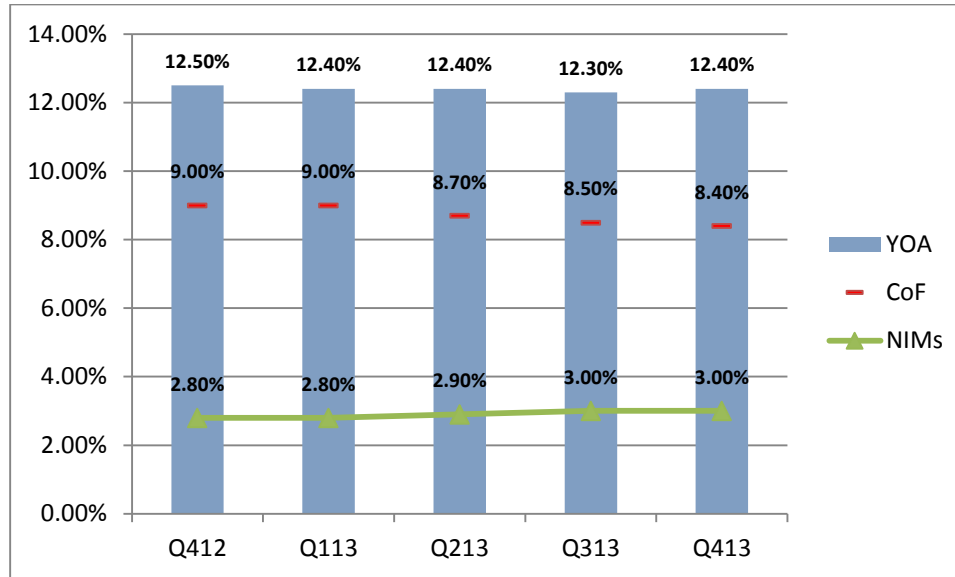


Source: Company, Banham Research

Net interest income growth remains robust

Yes Bank reported robust NII growth powered by largely stable yield on advances (-10bps) and sharp decline in cost of funds (-40bps). NII grew to Rs.638.1cr, up 42%YoY. Net interest margins in Q413 have improved consequently 20bps to 3.0% while remained stable sequentially. The management attributed the flat QoQ margins despite the improved spreads, majorly to change in mix in favour of investments (-9bps) and higher leverage (-6bps).

Exhibit 5:

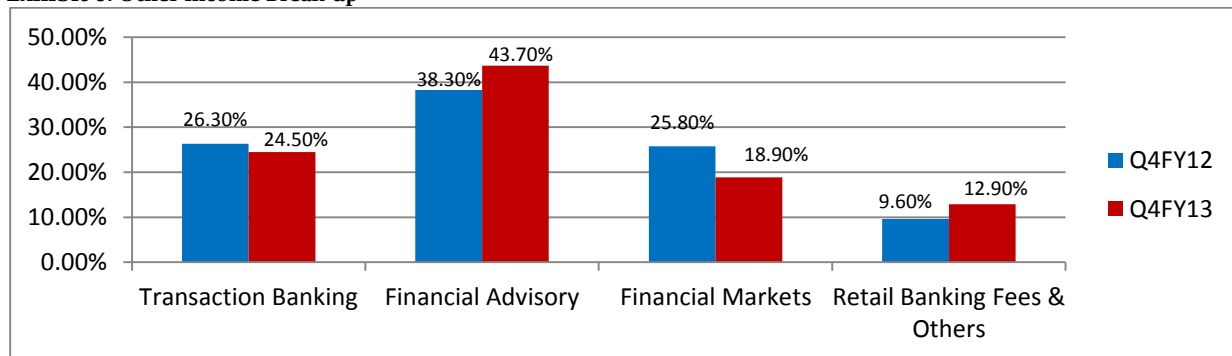


Source: Company, Banham Research

Non Interest Income momentum continues....

Non Interest income rose 42% to Rs.379.4cr in Q413 from Rs.266.4cr last year. Financial Advisory which accounts for 43.7% of non interest income rose 57.7% to Rs.165.6cr. Transaction Banking (24.5% of Non-interest income) recorded 33%YoY growth to Rs.93.1cr. Financial Markets which account for 18.9% of non interest income, grew 4%YoY to Rs.71.6cr. Retail Banking fees (12.9% of Non interest income) rose 91%YoY to Rs.49cr. The bank has managed to deliver robust non revenue growth through cross selling opportunities and selling of insurance, retail gold product, remittances and general banking fees in the retail banking space.

Exhibit 6: Other Income Break-up

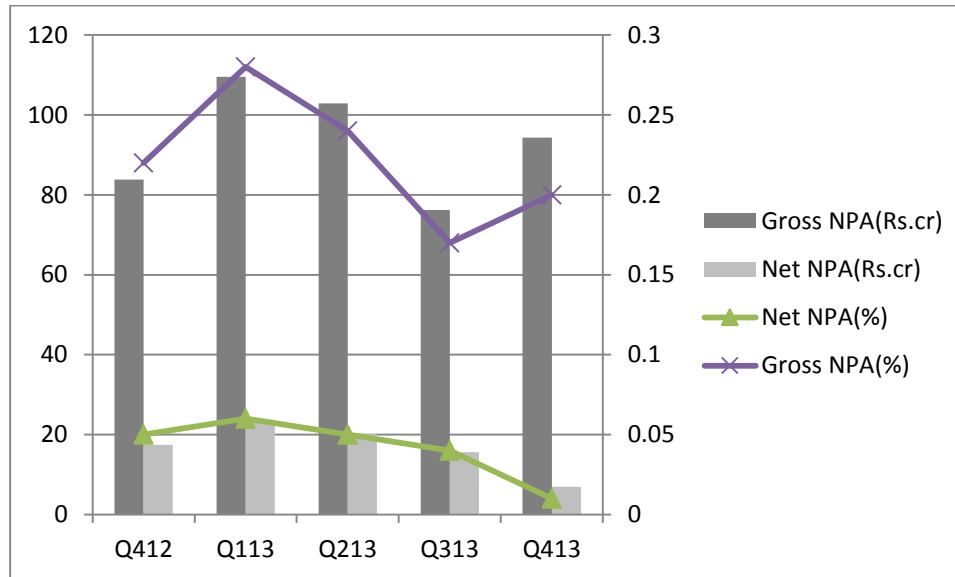


Source: Company, Banham Research

Asset quality slips sequentially; but remains best in class

Yes bank Gross NPAs ratio deteriorated marginally to 0.20% vs. 0.17% seen in Q312 although an improvement from 0.22% in Q412. On absolute basis, Gross NPAs stood at Rs.94.32cr compared to Rs.76.24cr at end of Q313 and Rs.83.86cr last year. Slippages during the quarter stood at Rs.35cr bulk of which came in from 3 accounts. Specific Provision ratio stood at 92.6%. Net NPA ratio improved to 0.01% compared to 0.04% in Q313 and 0.05% in Q412. On absolute basis, Net NPAs declined to Rs.6.99cr vs. Rs.17.46cr last year and Rs.15.57cr seen in Q313. Restructured advances were Rs.144cr (0.31% of gross Advances) compared to Rs.189.1cr/ 0.43% of Gross Advances at end of Q313 and Rs.190cr / 0.53% of gross advances last year. The decline is partly due to 2-3 accounts slipping into NPA, while 1 has been partly recovered and settled. Overall provisions rose 242% to Rs.97.53cr. The management has guided credit cost for FY14 to be 50-60bps.

Exhibit 7:



Source: Company, Banham Research

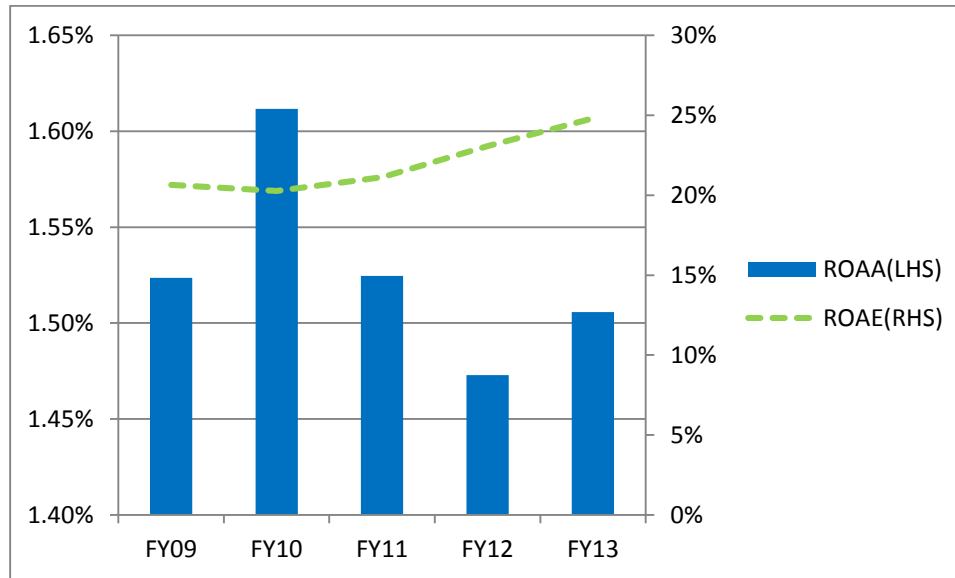
Yes Bank remains well capitalized

Yes bank reported CRAR of 18.3% with Tier -I capital ratio at 9.5%. The total capital funds grew 31.8% to Rs.123bn. During FY13, the bank has raised Rs.140cr of Tier-I perpetual bonds, Rs.704.1cr of upper Tier -II bonds and Rs.1059.70cr of lower Tier -II bonds. The bank did not raise any capital in Q413. Thus the bank remains well capitalized to fund growth ahead. The management has guided that it's likely to raise equity capital \$500mn in FY14.

PAT grows robust 33%, return ratios stable

Yes Bank reported robust Q413 PAT growth of 33% to Rs.362.15cr compared to Rs.271.8cr in Q412. Consequently, RoA and RoE continued to remain at healthy 1.6% and 25.2% respectively, on annualized basis. Yes bank has consistently recorded ROAA and ROAE around 1.5% and above 20% over the last 5 years.

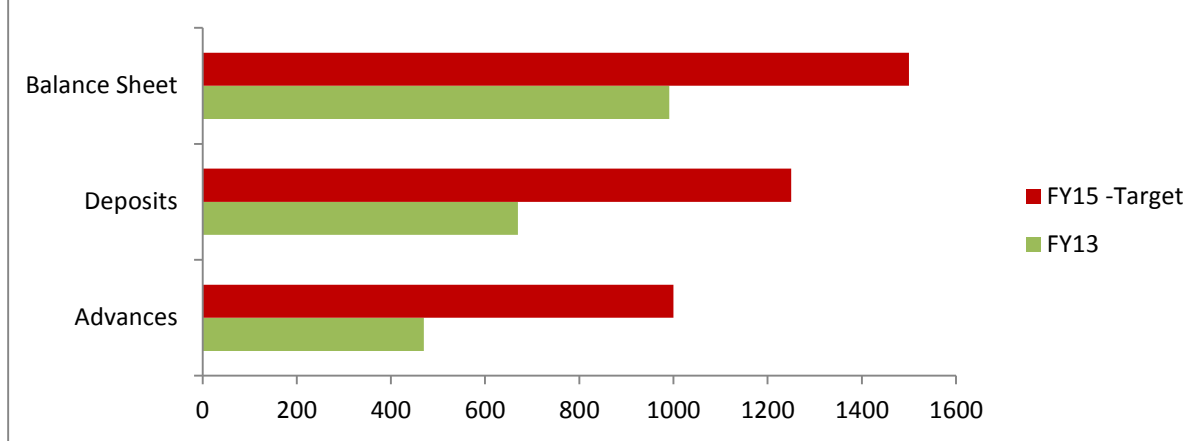
Exhibit 8:



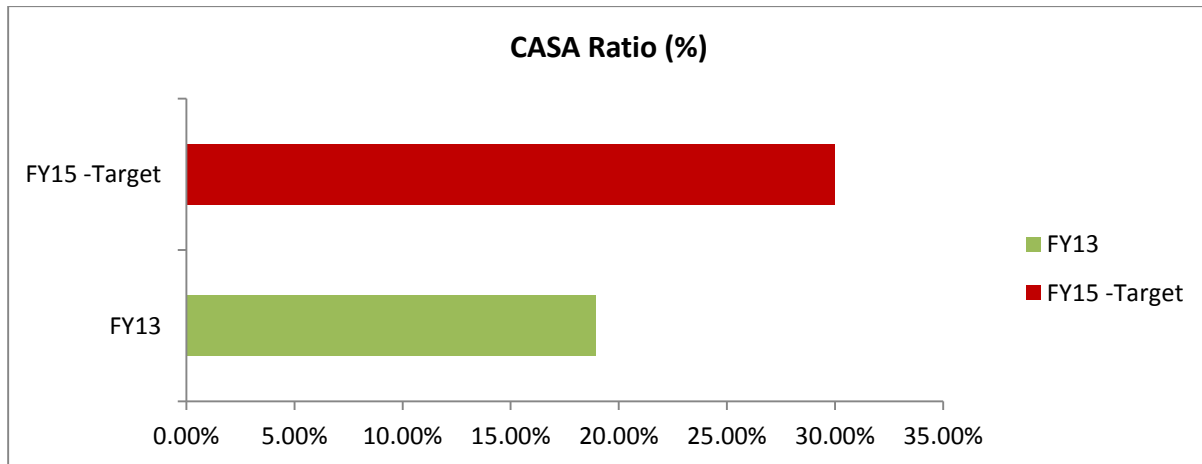
Source: Company, Banham Research

Exhibit 9-11: Smooth Progress towards Version 2.0 targets

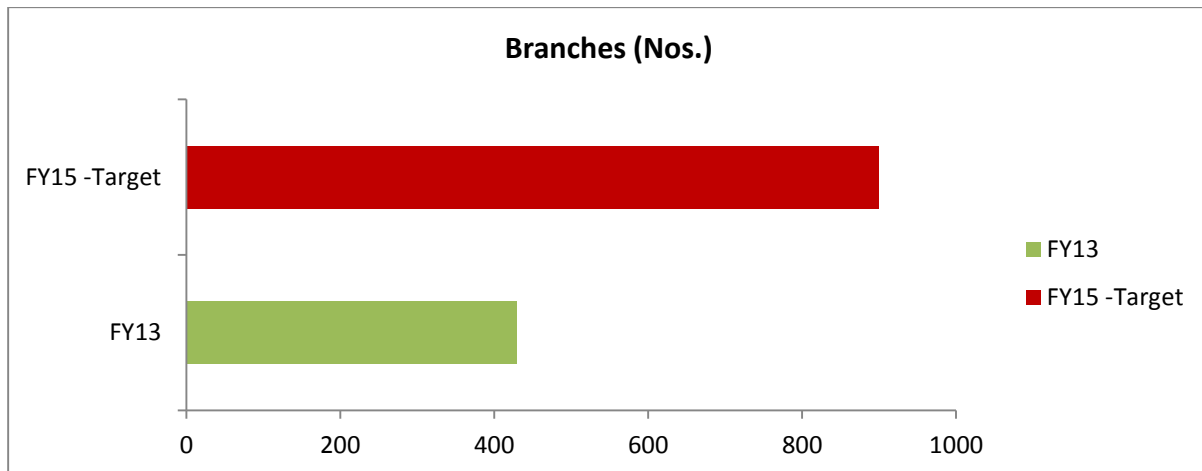
(Rs.bn)



Source: Company, Banhem Research



Source: Company, Banhem Research



Source: Company, Banhem Research

View:

Yes Bank continues to deliver stellar return ratios, impeccable asset quality and is smoothly moving towards its Version 2.0 targets. The bank has achieved healthy success in boosting its CASA deposit base, increasing granularity on the asset and liabilities side, while further leveraging its relationship based banking business model. Non-interest income has sustained its momentum and is providing a healthy cushion to absorb higher credit costs as the loan book grows in size. The bank remains well capitalized and has demonstrated its capabilities to raise capital to fund future growth. We expect NII and PAT to grow 25% CAGR respectively over FY13-15e. We believe the top-notch management, improved balance sheet structure and consistently robust return ratios, make Yes Bank a top investment bet in banking sector.

Yes Bank is currently trading at 2x FY15e ABV and expected to trade at 2.4x FY15e ABV giving us our target price of Rs.580.

Quarterly Performance	Q413	Q412	YoY	Q313	QoQ
Net Interest Income	638	448	42%	584	9%
Non Interest Income	379	266	42%	313	21%
Operating Expense	384	284	35%	334	15%
PPOP	634	430	47%	563	12%
Provisions & Contingencies	98	28	242%	57	72%
Tax	174	130	34%	164	6%
Profit After Tax	362	272	33%	342	6%

Source: Company, Banham Research

Asset Quality	Q413	Q313	Q213	Q113	Q412
Gross NPA	0.20%	0.17%	0.24%	0.28%	0.22%
NNPA	0.01%	0.04%	0.05%	0.06%	0.05%
Restructured Advances	0.31%	0.43%	0.46%	0.51%	0.53%
PCR	92.6%	79.6%	80.4%	78.3%	79.2%

Source: Company, Banham Research

P&L	FY12	FY13	FY14e	FY15e
NII	1616	2219	2906	3440
Other Income	857	1257	1635	2125
Operating expenses	933	1335	1771	2170
PPOP	1540	2142	2770	3395
Provisions	90	216	329	376
PBT	1450	1926	2441	3018
Tax	473	625	793	981
PAT	977	1301	1648	2037
EPS	27.7	36.3	45.9	56.8

B/S	FY12	FY13	FY14e	FY15e
Sources of Funds				
Equity	353	359	359	359
Net worth	4677	5808	7101	8680
Deposits	49152	66956	87042	108803
Borrowings	14156	20922	28245	36153
Other Liabilities & Provisions	5677	5419	5419	5419
Total Liabilities	73662	99104	127807	159055
Application of Funds				
Cash & Bal with RBI & Banks	2333	3339	4340	5208
Balances with banks and Money at call	1253	727	763	802
Investments	27757	42976	58018	72522
Advances	37989	47000	59219	74024
Fixed Assets	177	229	310	403
Other Assets	4153	4833	5156	6096
Total Assets	73662	99104	127807	159055
Book Value	132.5	161.9	198.0	242.0
ABV	132.0	161.8	197.8	241.8
GNPA (%)	0.22%	0.2%	0.2%	0.22%
NNPA (%)	0.05%	0.01%	0.01%	0.01%
ROAA	1.5%	1.5%	1.5%	1.4%
ROAE	23%	25%	26%	26%

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RATINGS

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

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