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Equity Research Report
Yes Bank

Rating- BUY
Target- 28.5
Upside- 24%

"Marching towards a sustainable core earnings led franchise"

Recommendation & Rationale: We maintain a constructive outlook on YES Bank, underpinned by its ongoing transition toward a sustainable, core earnings-led franchise. The bank has largely completed its balance sheet clean-up and is now entering a phase where improving liability quality, calibrated credit growth, and stable asset quality are expected to drive a steady improvement in profitability. Management's focus on enhancing the retail deposit franchise, optimizing funding costs, and increasing the share of higher-yielding assets provides a clear pathway for structural margin expansion over the medium term. Additionally, a healthy capital position, improving operating efficiency, and recent credit rating upgrades strengthen the bank's ability to accelerate growth while maintaining prudent risk management. As return ratios continue to improve and earnings become less dependent on non-recurring income, we believe YES Bank is well-positioned for a gradual re-rating, supported by sustained execution and a stronger operating franchise. We continue to maintain our "BUY" recommendation with our earlier target price of Rs. 28.5 resulting into P/B of 1.71x.

Key Stock Data	4th August 2026
CMP (Rs)	23.00
Industry	Banking and Finance
Market Cap (Rs. Crore)	72,190.85
52 Week High/Low (Rs)	25.8 / 17.2
BSE/NSE Code	532648/YESBANK

Performance highlights:

- Core earnings momentum remained robust, with PAT rising 33.7% YoY to ₹1,071 crore, despite a sharp decline in one-off gains from security receipts (SRs) and treasury income, indicating improving quality and sustainability of earnings. Operating profit increased 25.5% YoY to ₹1,704 crore.
- Net Interest Income (NII) grew 17.5% YoY to ₹2,786 crore, while NIM improved 20 bps YoY to 2.7%, supported by a 50 bps YoY decline in cost of deposits. Management reiterated its medium-term target of achieving NIM above 3%.
- Fee income remained a key growth driver, with core fees increasing 18.7% YoY, led by strong traction in cards, third-party distribution, forex and transaction banking, partially offsetting lower treasury and SR-related income.
- Operating efficiency improved further, with the cost-to-income ratio declining to 62.8% (vs. 67.1% in Q1FY26) as total income grew materially faster than operating expenses, demonstrating positive operating leverage.
- Balance sheet growth remained healthy, with advances growing 18.3% YoY to ₹2.85 lakh crore and deposits rising 14.3% YoY to ₹3.15 lakh crore. Retail asset disbursements increased 27.5% YoY, while retail and branch-led deposits constituted 59.2% of total deposits, supporting franchise granularity. Management indicated underlying loan growth of 15–16%, in line with its calibrated growth strategy.
- Asset quality continued to strengthen, with GNPA declining to 1.3% and NNPA to 0.2%. Gross slippage ratio improved to 1.4% from 2.4% a year ago, while retail slippages fell to the lowest level in the past ten quarters, reflecting improving underwriting quality. Credit costs remained contained at 0.3% of average assets.
- Liquidity remained comfortable with average LCR at 138.2%, providing adequate headroom to support future growth.

Financial Performance (Rs. in Crore)

Particulars	Q1FY27	FY26	FY25
Total Business	6,00,491	5,92,414	5,30,713
Advances	2,85,118	2,73,445	2,84,525
Deposits	3,15,373	3,18,969	2,46,188
CASA (%)	32.7	35.1	34.3
C/D ratio (%)	90.4	85.7	86.5
Net Interest Income	2,786	9,776	8,944
NIM (%)	2.7	2.6	2.4
Operating profit	1,704	5,506	4,254
Cost/Income (%)	62.8	66.7	71.3
Net Profit	1,071	3,476	2,406
Capital	6,277	6,276	6,271
Net worth	52,338	51,062	47,780
Capital Adequacy (%)	15.1	15.3	15.6
GNPA (%)	1.3	1.3	1.6
NNPA (%)	0.2	0.2	0.3
PCR (incl. TWO)(%)	93.3	93.4	87.6
Book value per share(Rs.)	16.7	16.3	15.2
RoA (%)	0.9	0.8	0.6
RoE (%)	8.3	7.0	5.2

The Provision Coverage Ratio incl. Technical W/O' for Q4FY26 and Q1FY26 have been restated. The number presented above are also inclusive of Retail Segment.
Source: Bank's Presentation

Particulars	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YOY (%)
Net Interest Income	2,786	2,638	5.6	2,371	17.5
Non-Interest Income	1,798	1,730	3.9	1,752	2.6
Total Income	4,584	4,368	5.0	4,124	11.2
Operating Profit/(Loss)	1,704	1,618	5.3	1,358	25.5
Provisions	394	188	110.3	284	38.9
Profit Before Tax	1,309	1,431	-8.53	1,074	21.88
Tax Expense	239	362	-33.98	273	-12.45
Net Profit / (Loss)	1,071	1,068	0.2	801	33.7
Book Value	16.3	16.3		15.2	

Source: Bank's Presentation

Management Comments after the Q1FY27 result:

- In his opening remarks, Mr. Vinay M. Tonse, MD & CEO of the Bank, said the domestic economy remained resilient despite inflationary pressures and global uncertainties. Against this backdrop, he highlighted that the Bank delivered a 33.7% YoY growth in net profit to ₹1,071 crore, driven increasingly by its core operating business despite lower treasury income and reduced gains from the Security Receipts (SR) portfolio, reflecting a stronger and more sustainable earnings profile.
- Mr. Tonse highlighted that multiple rating upgrades from Moody's, CARE, ICRA and S&P Global during the quarter reflect the Bank's strengthening fundamentals, including improved profitability, asset quality, liability profile and capital position. These upgrades are expected to support lower funding costs, strengthen institutional relationships and enhance the Bank's overall franchise.
- Management reiterated its aspiration to improve NIM to above 3% over the next two years, supported by the runoff of low-yielding RIDF and Priority Sector deposits, disciplined deposit repricing and a better CASA mix. It also maintained FY27 guidance of ₹800–1,000 crore gains from the SR portfolio.
- For FY27, the Bank expects to grow its loan book by 15–17%, slightly ahead of industry growth, while targeting around 1% ROA. Management remains focused on improving core profitability, strengthening the CASA franchise, maintaining asset quality through conservative provisioning and leveraging its PPPT framework along with collaboration with SMBC.
- In response to an analyst's query on fund raising, Mr. Vinay M. Tonse clarified that the Board's approval is an enabling measure to maintain fundraising readiness, while the Bank remains adequately capitalized to support growth over the next 3–4 quarters and will raise capital opportunistically if required.
- Replying to an analyst's query on FCNR deposits, the MD & CEO said the Bank is witnessing strong demand for both FCNR deposits and leverage-linked facilities, with the current 9x leverage cap fully utilized. He added that while FCNR deposit mobilisation remains unconstrained, further growth in the leveraged business will depend on additional limits from partner foreign banks.
- Addressing an analyst's concern on retail loan growth, Mr. Rajan Pental, the Executive Director, stated that the Bank is witnessing strong retail disbursement momentum, with incremental business growing 25–30%, supported by improved underwriting, refreshed policies and controlled slippages. He added that this momentum is expected to translate into mid-teen retail loan book growth over time, with the Bank working towards achieving that trajectory in FY27.

  Responding to an analyst on the retail product strategy, the CFO, said the Bank will continue to pursue a diversified retail portfolio across products and channels, while maintaining a prudent mix of around 75% secured and 25% unsecured loans. He added that the strategy will be supported by franchise products, co-lending partnerships and calibrated growth across segments

- In response to an analyst's query on the ECL transition, Mr. Niranjan Banodkar, the CFO, said the Bank does not expect much impact on core equity due to offsets from the Security Receipts (SR) portfolio and added that the detailed estimates will be shared later.
- Talking about the India–Japan business corridor, Mr. Vinay M. Tonse said the Bank expects significant opportunities from strengthening Indo-Japanese trade and investment ties. He added that the Bank is leveraging its partnership with SMBC through existing MoUs to capture a larger share of trade, infrastructure financing and cross-border corporate business between the two countries.

Segmental Break up of Advances

Segmental Break up of Advances	Q1FY27	Q4FY26	Q1FY26	Q-o-Q %	Y-o-Y %
Retail Banking	127,147	126,056	118,981	0.9%	6.9%
Commercial Banking	69,743	69,947	59,652	-0.3%	16.9%
Corporate & Institutional Banking	88,228	77,442	62,390	13.9%	41.4%
Total Net Advances	**285,118**	**273,445**	**241,024**	**4.3%**	**18.3%**

Source: Bank's Presentation

Note: MSME advances contributing 29.4%
Advances registered a growth of 18.3% YoY, driven by strong traction in the Corporate & Institutional Banking.

Break up of Deposits

Break up of Deposits	Q1FY27	Q4FY26	Q1FY26	Q-o-Q %	Y-o-Y %
CASA	103,233	111,959	90,351	-7.8%	14.3%
Current Account	44,682	52,322	36,260	-14.6%	23.2%
Savings Account	58,551	59,637	54,090	-1.8%	8.2%
CASA Ratio	32.7%	35.1%	32.8%		
Term Deposits	212,140	207,010	185,492	2.5%	14.4%
Certificate of Deposits	6,604	6,831	-	-	-
Total Deposits	**315,373**	**318,969**	**275,843**	**-1.1%**	**14.3%**

Source: Bank's Presentation
Total deposits recorded healthy 14.3% YoY growth, supported by higher CASA and term deposits, despite a marginal 1.1% QoQ decline.

Break up of Provisions

Break up of Provisions	Quarter Ended			Growth	
	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Operating Profit/(Loss)	1,704	1,618	1,358	5.3%	25.5%
Provision for Taxation (A)	238	362	273	-34.2%	-12.6%
Non Tax Provisions (B)	394	188	284	110.3%	38.9%
Provision for Investments	-86	-446	-345	-80.7%	-75.0%
Provision for Standard Advances / Others	-26	548	-56	NM	-53.5%
Provision for Non Performing Advances	507	85	686	492.9%	-26.1%
Total Provisions (A+B)	**633**	**550**	**557**	**15.1%**	**13.6%**

Source: Bank's Presentation

Provisions for Investments include P&L gains from SRs amounting to Rs. 86 Cr in Q1FY27 and Rs. 338 Cr in Q1FY26.
Total Recoveries & Upgrades stood at Rs. 564 Cr in Q1FY27.

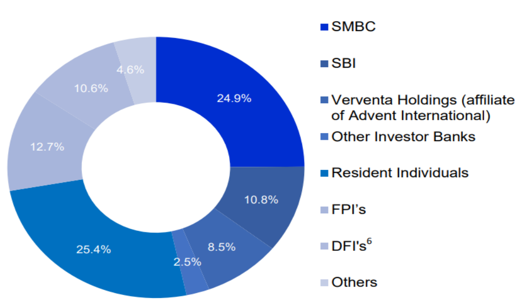
Balance Sheet

Particulars	Q1FY27	Q4FY26	Q1FY26	Q-o-Q %	Y-o-Y %
Assets	**462,064**	**469,105**	**410,248**	**-1.5%**	**12.6%**
Advances	285,118	273,445	241,024	4.3%	18.3%
Investments	92,738	88,140	81,180	5.2%	14.2%
Liabilities	**462,064**	**469,105**	**410,248**	**-1.5%**	**12.6%**
Shareholders' Funds	52,338	51,062	48,644	2.5%	7.6%
Total Capital Funds	51,228	49,900	48,248	2.6%	6.2%
Deposits	315,373	318,969	275,843	-1.1%	14.3%
Borrowings	67,940	64,864	66,560	4.7%	2.1%

Source: Bank's Presentation

The balance sheet grew 12.6% YoY, led by healthy growth in advances, non-SLR investments and deposits, partially offset by a 25.4% decline in deposits placed in lieu of PSL shortfalls.

INSTITUTIONAL OWNERSHIP & KEY SHAREHOLDERS
Strong & Diversified Investor Base



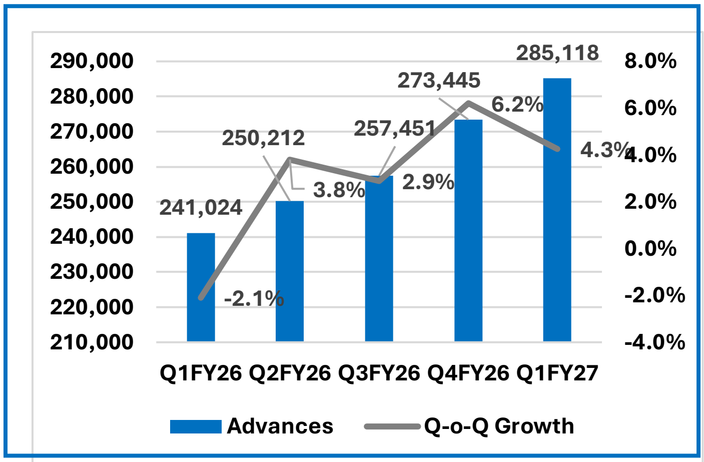
Source: Bank's Presentation

Sumitomo Mitsui Banking Corporation ("SMBC") became the largest shareholder in YES Bank through the acquisition of a 24.9% stake from State Bank of India ("SBI"), other investor banks, and separately from The Carlyle Group (CA Basque Investments) and others.

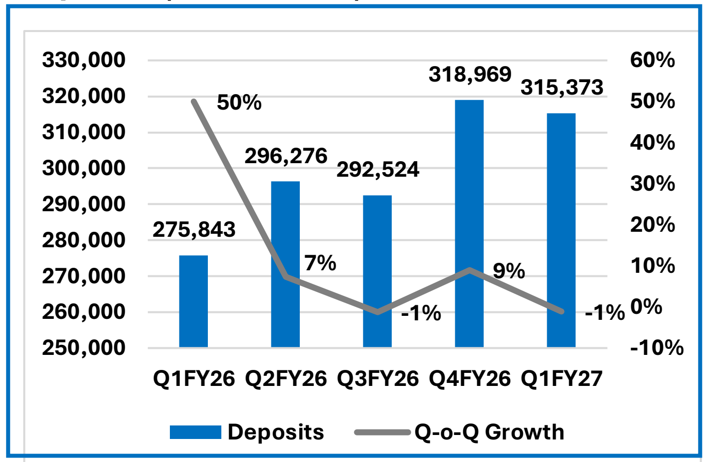
The induction of two SMBC nominee directors has further strengthened the bank's governance structure. Meanwhile, SBI will continue to remain one of the largest shareholders in YES Bank, with one nominee director on the Board.

Numbers in charts (Quarterly)

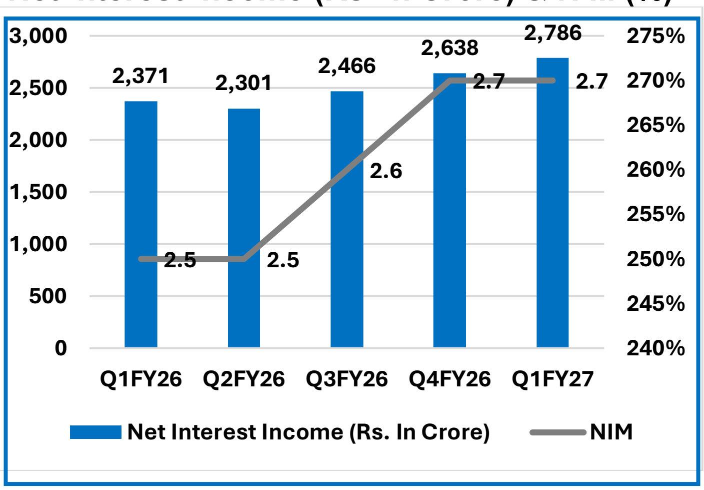
Advance (Rs. In Crore)



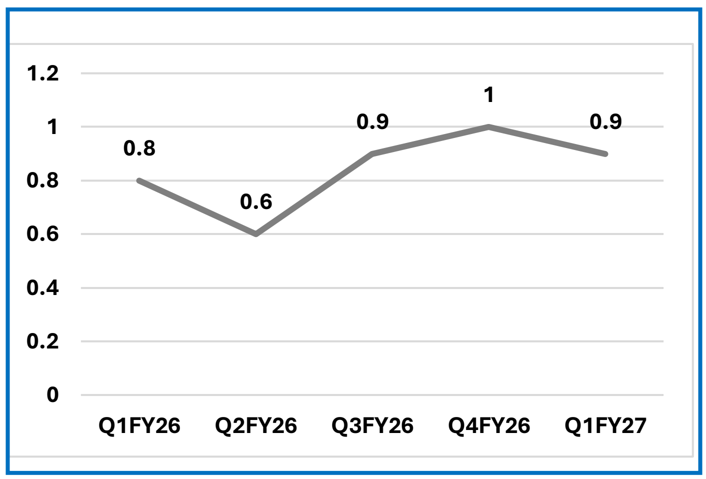
Deposits (Rs. In Crore)



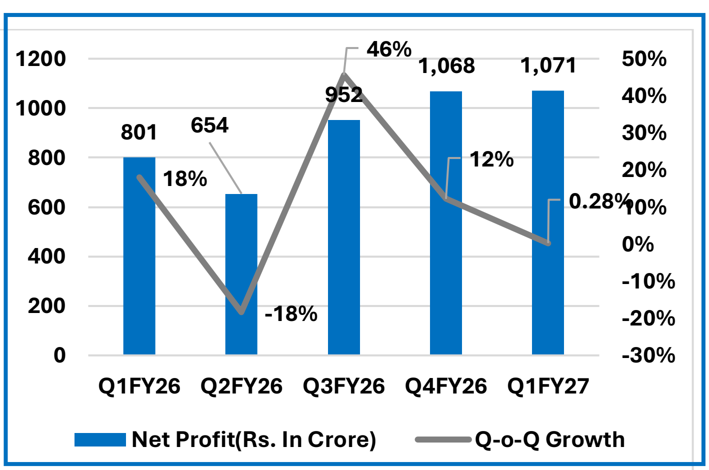
Net Interest Income (Rs. In Crore) & NIM (%)



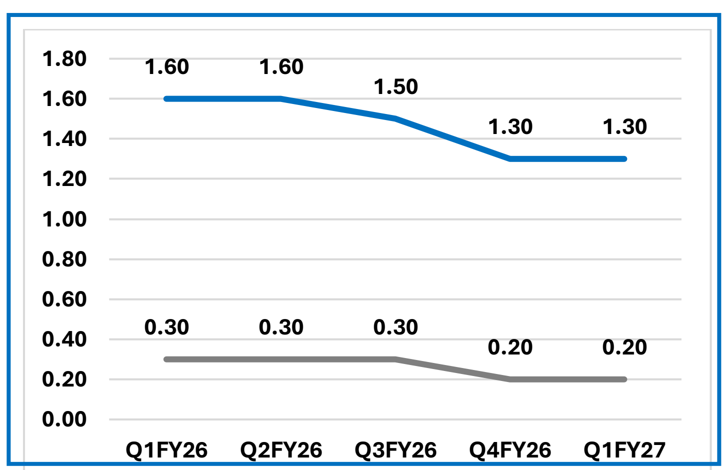
Return on Assets (%)



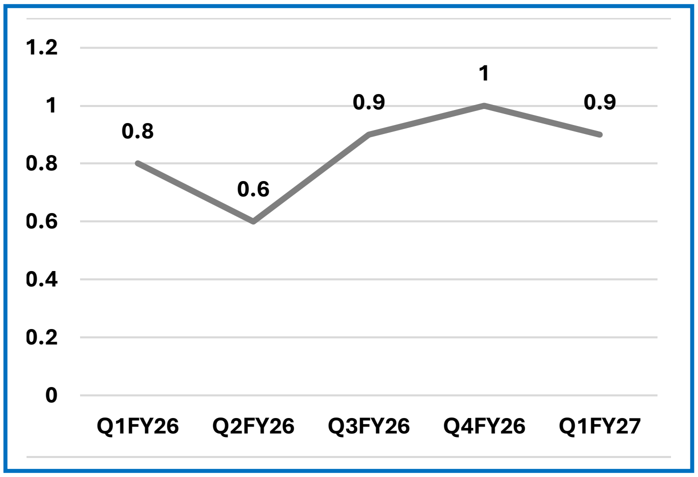
Net Profit (Rs. In Crore)



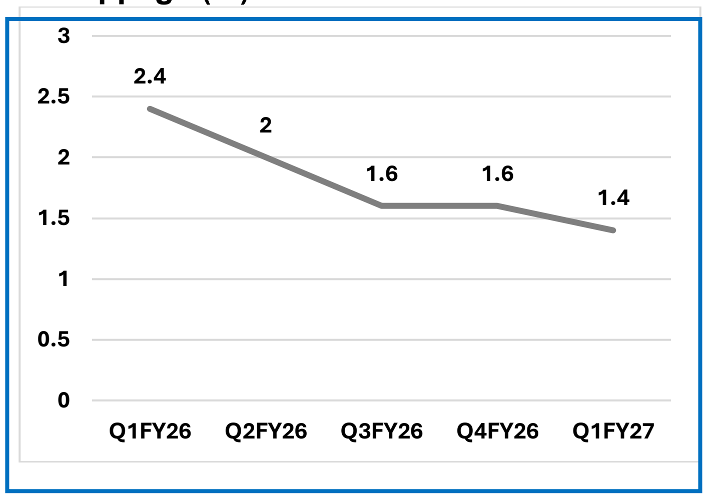
NPA (%)



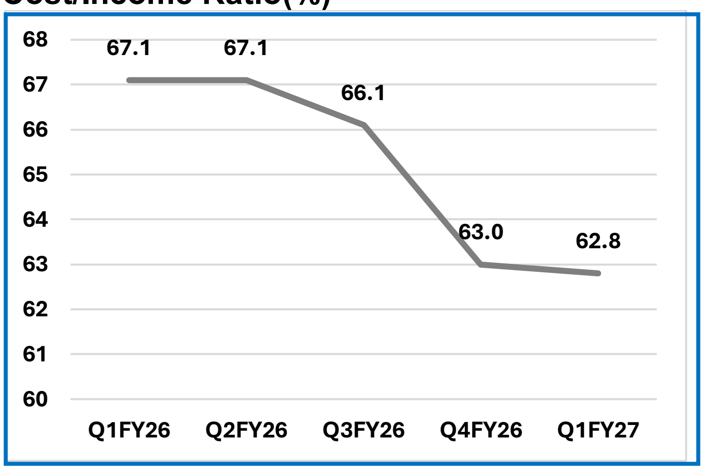
Return on Asset (%)



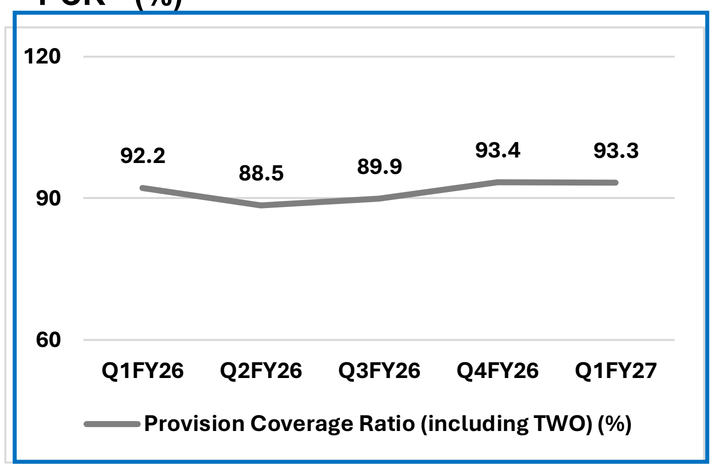
Slippage (%)



Cost/Income Ratio(%)

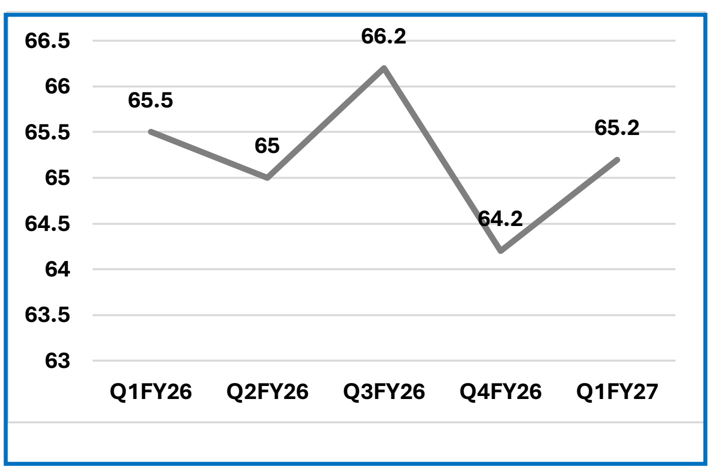


PCR (%)

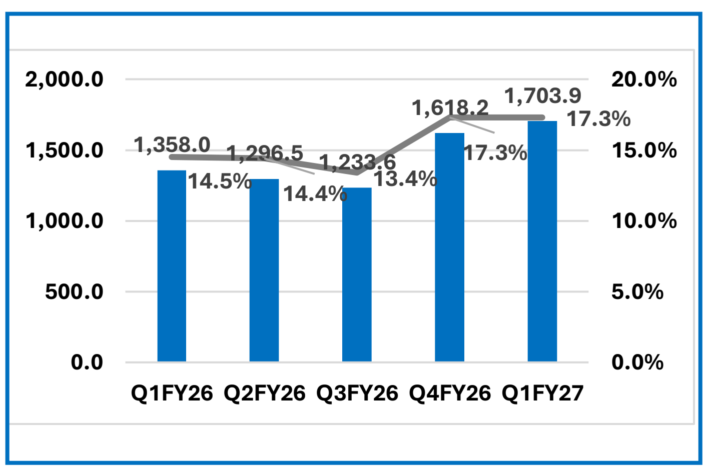


*PCR (incl. Technical W/O) figures for Q4FY26 and Q1FY26 have been restated, including the retail segment.

CASA + Retail TD (%)



PPOP (Rs. In Crore) & Margin (%)



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Source: Bank's Presentation

Key Risks

- The pending AT1 bond write-off case before the Supreme Court remains a key binary legal and reputational risk, with any adverse verdict potentially leading to a financial liability.
- Retail asset quality, particularly in unsecured products like personal loans and credit cards, continues to remain vulnerable despite gradual improvement in slippages.
- The large outstanding equity base continues to constrain return ratios, while return on assets remains below leading private-sector peers, underscoring the need for sustained improvement in core profitability.
- Elevated RIDF deposits and structurally lower NIMs compared to leading private banks continue to weigh on margin profile and balance sheet efficiency due to funding cost disadvantages.
- Geopolitical tensions and inflationary pressures, especially from West Asia-related disruptions, could weaken MSME borrower health and repayment capacity.

Peers Comparison (Quarterly)

Particulars	Yes Bank	IDFC First Bank	Indusind Bank	RBL Bank	Federal Bank
CMP (Rs.) as 4th August 2026	23	86	1026	380.55	362.45
FV (Rs.)	2	10	10	10	2
Book value per share as on Q1FY27(Rs.)	16.7	56.47	832	272	162
P/BV (x)	1.38	1.53	1.23	1.40	2.24
Market Cap. as on 4th August 2026 (Rs. in Crore)	72,190.85	74,105.37	79,939.02	58,930.38	89,540.51
Gross advances (Rs. in Crore)	285,118	2,97,834	3,26,274	116223	2,77,498
Total Deposits (Rs. in Crore)	315,373	3,11,892	4,14,766	124829	3,20,118
CASA (%)	32.7	50.8	29.43	25.2	32.23
C/D ratio (%)	90.4	95.5	78.66	93.11	86.69
NIM (%)	2.7	5.96	3.35	4.13	3.33
Operating profit Q1FY27 (Rs. in Crore)	1,704	2,371	2,773	923	1,897
Cost/Income ratio (%)	62.8	70.7	NA	64.7	52.50
Profit after tax – Q1FY27 (Rs. in Crore)	1,071	1,075	1,037	254	1,177
Gross NPA (%)	1.3	1.51	3.25	1.30	1.52
Net NPA (%)	0.2	0.44	0.95	0.37	0.18
Provision Coverage Ratio (%)	93.3	71.48	71.00	72.00	87.37
Credit cost (%)	0.3	1.13	1.74	0.54	0.41
CRAR (%)	15.1	15.05	17.15	33.3*	16.97
RoE (%)	8.3	8.98	6.26	4.01	12.01
RoA (%)	0.9	1.06	0.78	0.57	1.22

* Including interim period profits; Q1FY27 includes the impact of capital

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Buy – Absolute return of 15% and above

Accumulate – Absolute return between 10% and 15%

Hold - Absolute return between 0 to 10%

Book profits: On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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Babubhai
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