Yes Bank | REDUCE

JM Financial

Core trends improving; recoveries taper as expected

Yes Bank reported a 2% PAT beat versus JMFe (34% YoY/flat QoQ), primarily driven by improving core profitability and lower tax expenses, partly offset by higher-than-expected provisions (49% JMFe). Credit cost increased to ~56bps (up 28bps QoQ) due to sharply lower recoveries/upgrades (including SR gains) to INR 5.6bn (~INR 15.5bn/11.7bn in Q4/Q1FY26). Out of this, SR gains moderated to ~INR 0.9bn versus INR 4.5bn/3.4bn in Q4/Q1FY26. While management reiterated FY27F SR recovery guidance of INR 8–10bn (~INR 15.6bn in FY26), moderating recoveries may potentially weigh on FY27 credit costs. Loan growth accelerated to 18.3% YoY, while NIM (calculated) improved 4bps QoQ, driving NII growth of 17% YoY. The bank highlighted FY27 guidance of 15–17% loan growth, ~1% RoA and aspiration of NIM above 3% over the next two years. Retail disbursements remained robust (~37% YoY), which management expects to translate into mid-teen retail growth over the next 3–4 quarters. RoA declined 3bps QoQ to ~0.9%. Liquidity remained healthy, with average LCR improving to 138% (119% in Q4), while RIDF balances moderated further to 5.9% of assets (9% in Q1FY26). While core operating trends continue to improve, uncertainty around future SR recoveries remains a key factor to monitor. We upgrade the stock to REDUCE with a revised TP of ~INR 22, valuing the bank at 1.1x FY28E P/BV (0.9x earlier) for an average RoA/RoE of ~0.9/8.8 over FY27–28E.

- **Loan growth momentum improving:** Loans grew 18.3% YoY, led by continued strength in corporate banking (41% YoY), while commercial/retail growth moderated to 17%/7% (67%/24% in Q4), despite strong momentum in retail disbursements. Management expects retail loan growth to approach mid-teen levels over the next 3–4 quarters as recent disbursement growth starts flowing through. On the liability side, deposits declined 1% YoY, with CASA ratio dropping ~240bps QoQ to ~33% reflecting a weakening funding profile.

- **Margins continue to improve:** NIM (calculated) improved to 2.39% (+4bps QoQ), while reported NIM was stable at 2.70%, supported by lower cost of deposits (-10bps QoQ) and continued reduction in low-yielding RIDF balances (5.9% of assets). C/I ratio moderated marginally, reflecting better operating leverage. Management said deposit repricing has been achieved without meaningful attrition and targets NIMs of 3%+ over the next two years aided by continued run-down of lower yielding RIDF assets and a gradual shift towards higher-yielding products.

- **Asset quality steady; uncertain recovery support clouds earnings outlook:** Gross slippage ratio moderated to 1.38% (-28bps QoQ), while GS3/NS3 was stable at 1.3%/0.2% with PCR at 81.7% (-16bps QoQ). Retail slippages improved to their lowest level in the last 10 quarters, reflecting benefits of underwriting changes. However, sharply lower SR recoveries during the quarter (INR 0.9bn versus INR 4.5bn in Q4) led to 28bps QoQ rise in credit costs to 0.56%. Management reiterated FY27 SR recovery guidance of INR 8–10bn and indicated only a limited capital impact from the upcoming ECL transition.

- **Valuations and view:** Core operating performance continues to improve, supported by accelerating loan growth, better operating leverage and inch up in margins. However, delivery of sustainable ~1% RoA remains dependent on further margin expansion and execution of the retail growth strategy. While underlying fundamentals are gradually improving, uncertainty around future SR recoveries are likely to remain a key monitorable. We upgrade the stock to REDUCE with a revised TP of ~INR 22 (~INR 17 earlier), valuing the bank at 1.1x FY28E P/BV (0.9x earlier) for an average RoA/RoE of ~0.9/8.8 over FY27–28E.

Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	SELL
Current Price Target (12M)	22
Upside/(Downside)	-8.3%
Previous Price Target	17
Change	29.4%

Key Data – YES IN

Current Market Price	INR24
Market cap (bn)	INR741.1/US$7.7
Free Float (%)	85.2
Shares in issue (mn)	31,387.3
Diluted share (mn)	31,387.3
3-mon avg daily val (mn)	INR3,057.4/US$31.8
52-week range	INR26/17
Sensex/Nifty	78,151/24,334
INR/US$	96.3

Price Performance

%	1M	6M	12M
Absolute	-7.3	0.6	17.1
Relative*	-8.9	5.8	22.5

*To the NSE Nifty 50

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Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Profit	12,511	24,059	34,756	44,799	52,925
Net Profit (YoY) (%)	74.4	92.3	44.5	28.9	18.1
PPOP (YoY) (%)	6.4	25.6	29.4	42.5	24.9
Loan (YoY) (%)	12.1	8.1	11.1	16.0	15.0
Deposit (YoY) (%)	22.5	6.8	12.1	14.0	14.0
ROA (%)	0.3	0.6	0.8	0.9	1.0
ROE (%)	3.1	5.4	7.0	8.4	9.1
EPS (INR)	0.4	0.8	1.1	1.4	1.7
EPS (YoY) (%)	74.3	76.4	44.5	28.9	18.1
P/E (x)	**54.3**	**30.8**	**21.3**	**16.5**	**14.0**
BV (INR)	14.3	15.2	16.3	17.7	19.4
BV (YoY) (%)	3.5	6.4	6.9	8.8	9.5
P/BV (x)	**1.6**	**1.5**	**1.4**	**1.3**	**1.2**

Source: Company data, JM Financial. Note: Valuations as of July 17, 2026

Q1FY27 conference call takeaways

Growth outlook

- Retail slippages have been under control on account of various policy refreshes, etc. Retail disbursements growth was >30% YoY. This will start reflecting in subsequent quarters (by the next 3–4 quarters) in the overall retail loan look and retail loan growth should approach mid-teen levels growth by 3–4 quarters, says the management.
- Retail strategy remains well diversified, with renewed focus on personal loans (only through particular channels) and continued expansion in LAP, home loans and auto loans through franchise banking, while maintaining a 75:25 secured-to-unsecured mix.
- Overall loan growth remained healthy, although management clarified that part of the corporate growth was transitional/short tenor in nature. Sustainable underlying growth is expected to remain at 15–17%, broadly in line with or slightly ahead of system growth.

Margins

- Strong demand is seen in the FCNR(B) space from both the pure deposits aspect as well as from the leverage perspective. Leverage limit is kept at 9x now and, if required, can be increased later. Overall, in FCNR(B) deposit accumulation, Yes Bank would be quite ahead of other market players.
- Cost of deposits has come down without any meaningful attrition in deposits.

Asset quality

- SRs currently have a face value of INR 15bn outstanding (NAV of over ~INR 20bn) and have been declining, making future cash flows from this portfolio unpredictable. Bank has guided for INR 8–10bn in recoveries from the SR portfolio for FY27.
- ECL transitional impact is still being calculated. At the gross level there will only be a minimal impact on core equity from the new ECL guidelines being put in place.
- Commercial banking segments continue to be of good quality, and very limited impact is seen in the segment on account of the West Asia conflict.

Guidance

- 1% RoA for the full year FY27 expected.
- Endeavor is to grow a little above industry, and loan book growth should be 15–17%.
- Margin north of 3% is the aspiration over the next two years.
- Focus would be on liability led balance sheet expansion.

Other highlights

- Management remains comfortable with current capital position (14% CET1) for at least the next four quarters, while keeping enabling approval in place for opportunistic capital raising.
- CD ratio would be mostly similar to Q4 levels if calculated on an average daily balance basis rather than an end of period basis.
- Interest on income tax refunds for Q1FY27 stood at INR 1.19bn and is accounted in the non-interest income line.
- Retail and branch-led deposits now comprised close to 60% of total deposits.

Yes Bank Q1FY27 performance

Exhibit 1: Yes Bank – Q1FY27 results summary

(INR mn)	1Q'26	4Q'26	1Q'27	YoY (%)	QoQ (%)	JMF est 1Q'27E	A/E
Net Interest Income	**23,715**	**26,377**	**27,865**	**17%**	**6%**	**27,507**	**1%**
Total non-Interest income	17,522	17,302	17,979	3%	4%	17,564	2%
Total Income	**41,237**	**43,679**	**45,844**	**11%**	**5%**	**45,071**	**2%**
Opex	27,657	27,496	28,804	4%	5%	28,517	1%
Operating Profit	**13,580**	**16,182**	**17,040**	**25%**	**5%**	**16,554**	**3%**
Provisions	2,840	1,876	3,945	39%	110%	2,642	49%
PBT	**10,740**	**14,307**	**13,095**	**22%**	**-8%**	**13,912**	**-6%**
Tax	2,730	3,623	2,385	-13%	-34%	3,367	-29%
PAT	**8,011**	**10,684**	**10,710**	**34%**	**0%**	**10,545**	**2%**
NIM-calculated (%)	2.28%	2.36%	2.39%	12 bps	4 bps	2.36%	3 bps
Loan (INR bn)	2,410	2,734	2,851	18.3%	4.3%	2,853	-0.1%
Deposit (INR bn)	2,758	3,190	3,154	14.3%	-1.1%	3,154	0%
Credit-deposit ratio (%)	87%	86%	90%	303 bps	468 bps		
CASA ratio (%)	33%	35%	33%	(2) bps	(237) bps		
Yield on loans (Calc., %) - (a)	9.47%	8.84%	8.75%	(72) bps	(9) bps		
Cost of funds (Calc, %) - (b)	5.98%	5.42%	5.48%	(50) bps	6 bps		
Loan-deposit spread (%) - (a-b)	3.49%	3.42%	3.26%	(22) bps	(15) bps		
NIM - reported	2.50%	2.70%	2.70%	20 bps	0 bps		
NIM-calc (%)	2.28%	2.36%	2.39%	12 bps	4 bps	2.36%	3 bps
Gross Slippages (INR mn)	14,580	11,020	9,640	-34%	-13%	12,000	-20%
Net Slippages (INR mn)	8,050	2,110	6,360	-21%	201%	5,500	16%
Gross slippages ratio (%)	2.39%	1.66%	1.38%	(101) bps	(28) bps	1.72%	-20%
Net slippages ratio (%)	1.32%	0.32%	0.91%	(41) bps	59 bps	0.79%	16%
Credit cost (%)	0.47%	0.28%	0.56%	10 bps	28 bps	0.38%	19 bps
PCR (%)	80.2%	81.9%	81.7%	155 bps	(16) bps	81.0%	73 bps
ROA (%)	0.77%	0.95%	0.92%	15 bps	(3) bps	0.91%	1 bps
ROE (%)	6.65%	8.45%	8.29%	164 bps	(16) bps	8.18%	11 bps

Source: Company, JM Financial

Exhibit 2: Advances growth led by corporate and institutional segment

Loan Book Composition (INR bn)	1Q'26	4Q'26	1Q'27	YoY (%)	QoQ (%)
Retail	1,189.8	1,260.6	1,271.5	6.9%	0.9%
Commercial	596.5	699.5	697.4	16.9%	-0.3%
Corporate & Institutional	623.9	774.4	882.3	41.4%	13.9%
Total	**2,410.2**	**2,734.5**	**2,851.2**	**18.3%**	**4.3%**
Retail	49.4%	46.1%	44.6%	-4.8%	-1.5%
Commercial	24.7%	25.6%	24.5%	-0.3%	-1.1%
Corporate & Institutional	25.9%	28.3%	30.9%	5.1%	2.6%
Total	**100.0%**	**100.0%**	**100.0%**	0.0%	0.0%

Source: Company, JM Financial

Exhibit 1: Deposits shrank by 1.1% QoQ; CASA ratio declines to ~33%

Deposits Composition (INR bn)	1Q'26	4Q'26	1Q'27	YoY (%)	QoQ (%)
Current	362.6	523.2	446.8	23.2%	-14.6%
Saving	540.9	596.4	585.5	8.2%	-1.8%
CASA	**903.5**	**1,119.6**	**1,032.3**	**14.3%**	**-7.8%**
Time	1,854.9	2,070.1	2,121.4	14.4%	2.5%
Total Deposits	**2,758.4**	**3,189.7**	**3,153.7**	**14.3%**	**-1.1%**
Current	13%	16%	14%	1.0%	-2.2%
Saving	20%	19%	19%	-1.0%	-0.1%
CASA	33%	35%	33%	0.0%	-2.4%
Time	67%	65%	67%	0.0%	2.4%
Total	**100%**	**100%**	**100%**		

Source: Company, JM Financial

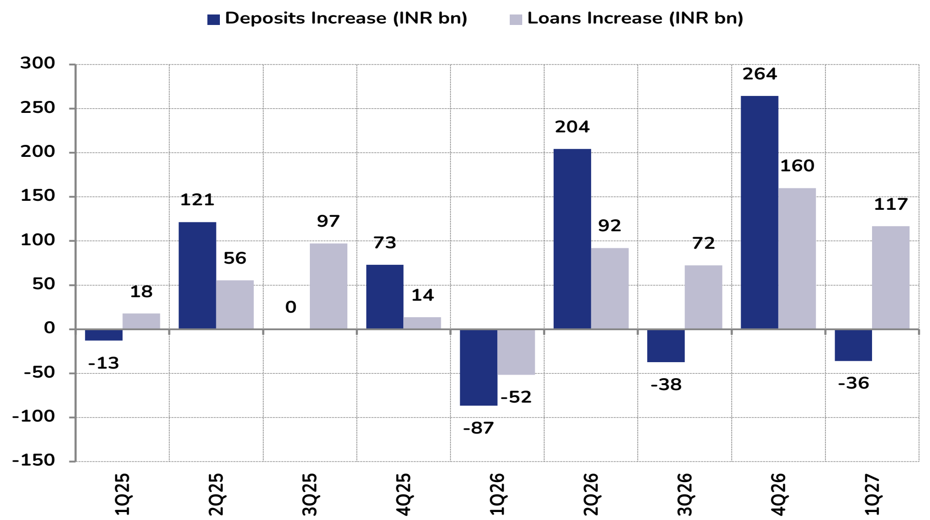
Exhibit 2: Change in estimates

Old vs. New Estimates	FY27, New	FY28, New	FY27, Old	FY28, Old	Change	Change
Income Statement (INR mn)						
Net Interest Income	121.2	146.1	117.2	141.8	3.5%	3.1%
Non-Interest Income	76.9	84.1	73.4	83.0	4.8%	1.4%
Total Income	198.1	230.2	190.5	224.8	4.0%	2.4%
Operating Expenses	119.6	132.2	119.6	132.2	0.0%	0.0%
Pre-provisioning Profits	78.5	98.0	70.9	92.5	10.7%	5.9%
Reported Profits	44.8	52.9	41.9	51.7	6.8%	2.4%
Balance Sheet (INR bn)						
Deposits	3,636.3	4,145.3	3,636.3	4,145.3	0.0%	0.0%
Net Advances	3,172.0	3,647.8	3,117.3	3,553.7	1.8%	2.6%
Total Assets	5,240.2	5,875.2	5,237.4	5,871.1	0.1%	0.1%
Key Ratios (%)						
NIM (%)	2.8%	3.0%	2.8%	3.0%	0.06%	0.02%
ROA (%)	0.90%	0.95%	0.8%	0.9%	0.1%	0.0%
ROE (%)	8.41%	9.10%	7.9%	8.9%	0.5%	0.2%
EPS (Rs.)	1.4	1.7	1.3	1.6	6.8%	2.4%
BV (Rs.)	17.7	19.4	17.6	19.3	0.5%	0.7%

Source: Company, JM Financial

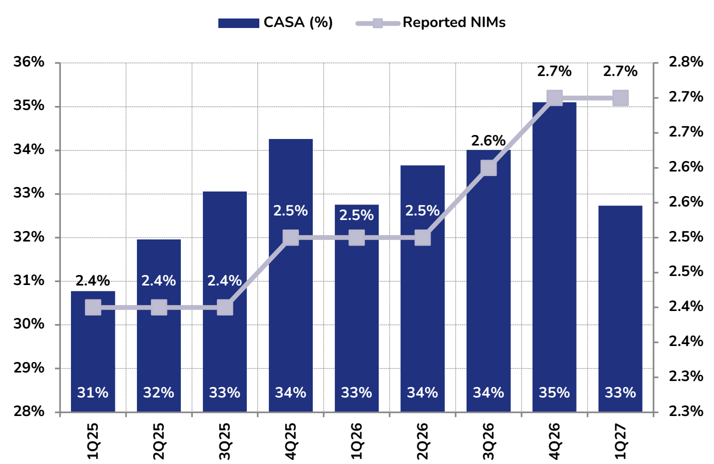
Quarterly trends

Exhibit 3: Loan growth (+4% QoQ) outpaced declining sequential deposits growth (-1% QoQ)



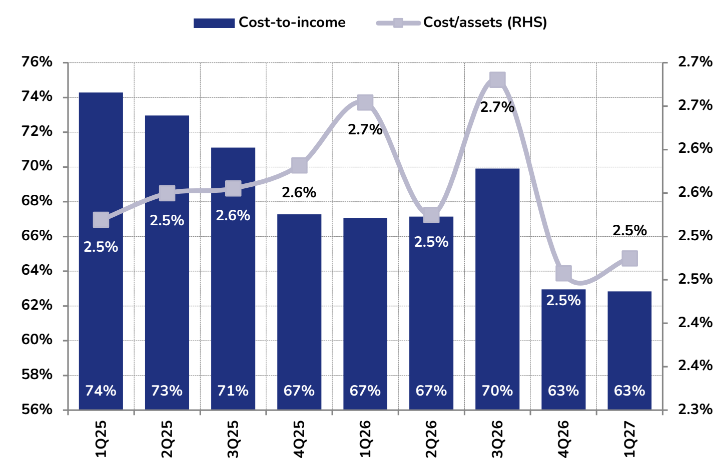
Source: Company, JM Financia

Exhibit 4: CASA ratio drops QoQ; NIMs (reported) steady sequentially



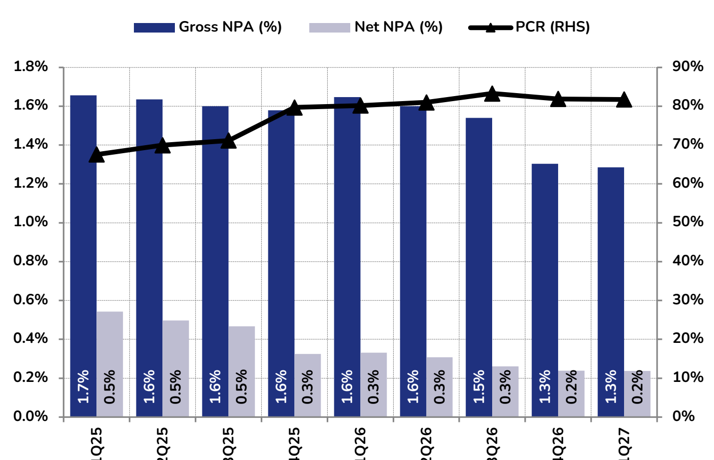
Source: Company, JM Financial

Exhibit 5: Cost ratios broadly steady on a sequential basis



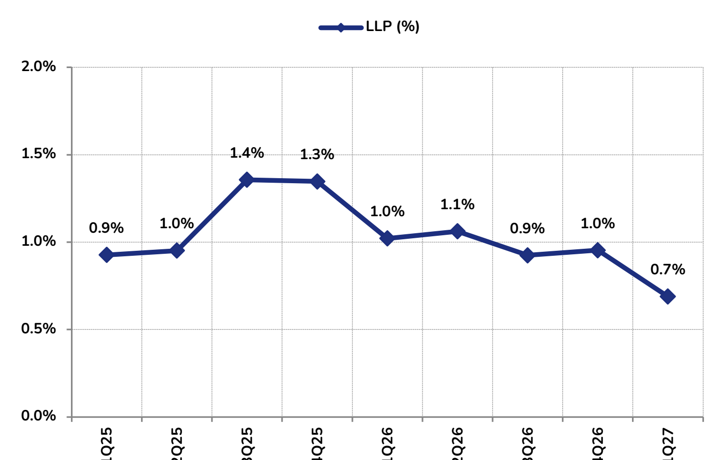
Source: Company, JM Financial

Exhibit 6: Asset quality metrics stable QoQ; PCR inches down



Source: Company, JM Financial

Exhibit 7: Loan loss provisions decline sequentially



Source: Company, JM Financial

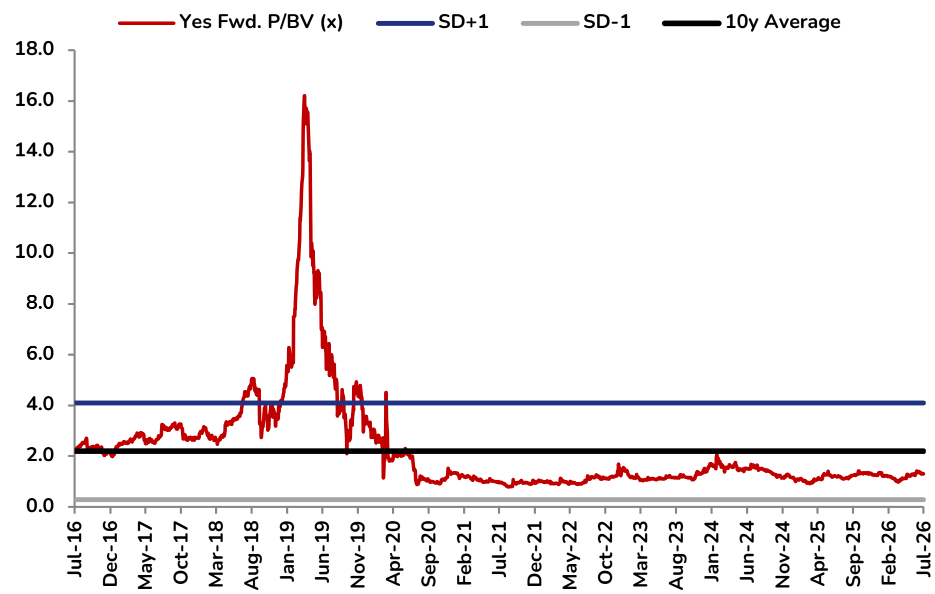
Valuation summary

Exhibit 8: Valuation summary for Yes Bank

Initial no of years	10
Growth rate for the first 10 years (%)	9.6%
Pay out ratio for the first 10 years (%)	30%
Perpetual growth rate (%)	4.1%
Perpetual payout ratio (%)	70.0%
K1	2.43
K2	4.96
FY28E BVPS (INR)	19
Target P/BV (x)	1.1
Fair value (rounded off)	**22**

Source: Company, JM Financial

Exhibit 9: Yes Bank: 1Y forward P/BV chart



Source: Company, JM Financial, Bloomberg L.P
Note: Priced as of 17th July, 2026

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Interest Income	80,946	89,443	97,756	121,232	146,094
Profit on Investments	3,314	4,436	7,800	6,500	3,500
Exchange Income	6,441	6,567	7,224	8,452	9,720
Fee & Other Income	30,743	37,132	40,474	48,366	55,621
Non-Interest Income	**51,143**	**58,569**	**67,593**	**76,865**	**84,149**
Total Income	**132,089**	**148,012**	**165,350**	**198,098**	**230,243**
Operating Expenses	98,227	105,473	110,286	119,614	132,234
Pre-provisioning Profits	**33,863**	**42,539**	**55,064**	**78,484**	**98,009**
Provisions on Investments	-5,426	-17,374	-15,900	-7,000	-5,500
Total Provisions	**18,863**	**10,856**	**9,124**	**19,269**	**28,054**
PBT	**15,000**	**31,683**	**45,940**	**59,215**	**69,955**
Tax	2,489	7,625	11,184	14,416	17,031
PAT (Pre-Extraordinaries)	12,511	24,059	34,756	44,799	52,925
Extra ordinaries (Net of Tax)	-	-	-	-	-
Reported Profits	**12,511**	**24,059**	**34,756**	**44,799**	**52,925**
Dividend paid	-	-	-	-	-
Retained Profits	**12,511**	**24,059**	**34,756**	**44,799**	**52,925**

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Equity Capital	57,536	62,708	62,708	62,708	62,708
Reserves & Surplus	354,434	415,092	447,861	492,659	545,584
Networth	411,970	477,801	510,569	555,368	608,292
Deposits	2,663,722	2,845,251	3,189,695	3,636,252	4,145,327
Borrowings	799,409	716,030	648,636	689,374	744,370
Other Liabilities	179,829	195,142	342,147	359,254	377,217
Total - Liabilities	**4,054,930**	**4,234,223**	**4,691,046**	**5,240,247**	**5,875,206**
Investments	902,351	851,045	881,398	1,012,054	1,143,165
Net Advances	2,277,995	2,461,885	2,734,446	3,171,957	3,647,750
Fixed Assets	28,565	30,654	31,773	38,487	43,738
Other Assets	656,722	610,049	667,146	676,266	699,262
Total - Assets	**4,054,930**	**4,234,223**	**4,691,046**	**5,240,247**	**5,875,206**

Source: Company, JM Financial

Key Ratios					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Growth (YoY) (%)					
Deposits	22.5	6.8	12.1	14.0	14.0
Advances	12.1	8.1	11.1	16.0	15.0
Total Assets	14.3	4.4	10.8	11.7	12.1
NII	2.2	10.5	9.3	24.0	20.5
Non-interest Income	38.8	14.5	15.4	13.7	9.5
Operating Expenses	16.7	7.4	4.6	8.5	10.6
Operating Profits	6.4	25.6	29.4	42.5	24.9
Core Operating profit	-14.7	39.0	27.1	66.2	35.5
Provisions	-15.0	-42.4	-16.0	111.2	45.6
Reported PAT	74.4	92.3	44.5	28.9	18.1
Yields / Margins (%)					
Interest Spread	15.30	15.77	14.22	14.10	14.17
NIM	2.71	2.75	2.82	3.11	3.26
Profitability (%)					
Non-IR to Income	38.7	39.6	40.9	38.8	36.5
Cost to Income	74.4	71.3	66.7	60.4	57.4
ROA	0.33	0.58	0.78	0.90	0.95
ROE	3.1	5.4	7.0	8.4	9.1
Asset Quality (%)					
Slippages	2.65	2.25	1.98	1.60	1.80
Gross NPA	1.73	1.58	1.30	1.08	1.45
Net NPAs	0.58	0.33	0.24	0.23	0.37
Provision Coverage	66.6	79.7	81.9	79.0	75.0
Specific LLP	0.88	0.46	0.35	0.65	0.82
Net NPAs / Networth	3.2	1.7	1.3	1.3	2.2
Capital Adequacy (%)					
Tier I	0.1	0.1	0.1	0.1	0.1
CAR	0.2	0.2	0.2	0.1	0.1

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
NII / Assets	2.13	2.16	2.19	2.44	2.63
Other Income / Assets	1.35	1.41	1.51	1.55	1.51
Total Income / Assets	3.47	3.57	3.71	3.99	4.14
Cost / Assets	2.58	2.54	2.47	2.41	2.38
PPP / Assets	0.89	1.03	1.23	1.58	1.76
Provisions / Assets	0.50	0.26	0.20	0.39	0.50
PBT / Assets	0.39	0.76	1.03	1.19	1.26
Tax rate	16.6	24.1	24.3	24.3	24.3
ROA	0.33	0.58	0.78	0.90	0.95
RoRWAs	0.47	0.82	1.11	1.29	1.37
Leverage	9.4	9.3	9.0	9.3	9.6
ROE	3.1	5.4	7.0	8.4	9.1

Source: Company, JM Financial

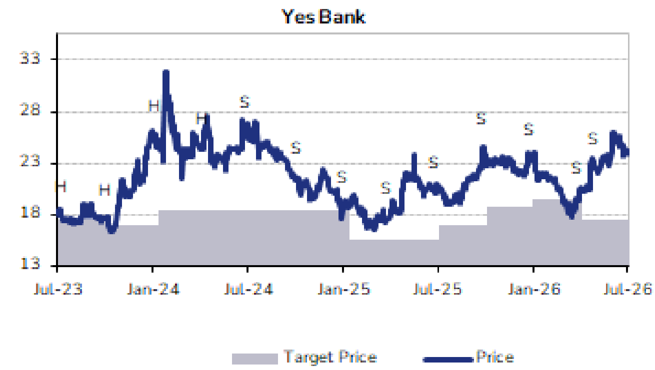
Valuations					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Shares in Issue (mn)	28,767.9	31,354.1	31,354.1	31,354.1	31,354.1
EPS (INR)	0.4	0.8	1.1	1.4	1.7
EPS (YoY) (%)	74.3	76.4	44.5	28.9	18.1
PER (x)	54.3	30.8	21.3	16.5	14.0
BV (INR)	14.3	15.2	16.3	17.7	19.4
BV (YoY) (%)	3.5	6.4	6.9	8.8	9.5
ABV (INR)	-	-	-	-	-
ABV (YoY) (%)	-	-	-	-	-
P/BV (x)	1.65	1.55	1.45	1.33	1.22
P/ABV (x)	-	-	-	-	-
DPS (INR)	-	-	-	-	-
Div. yield (%)	-	-	-	-	-

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
21-May-26	Sell	17	0.0
19-Apr-26	Sell	17	-10.5
18-Jan-26	Sell	19	4.0
20-Oct-25	Sell	18	10.6
20-Jul-25	Sell	17	10.1
20-Apr-25	Sell	15	0.0
26-Jan-25	Sell	15	-16.7
29-Oct-24	Sell	18	0.0
22-Jul-24	Sell	18	0.0
29-Apr-24	Hold	18	0.0
29-Jan-24	Hold	18	9.1
24-Oct-23	Hold	17	-2.9
24-Jul-23	Hold	17	0.0
25-Apr-23	Hold	17	6.3
24-Oct-22	Hold	16	0.0
22-Aug-22	Hold	16	

Recommendation History Chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	**Meaning**
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ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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