Yes Bank Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Yes Bank has transitioned from a recovery play to a "Digital Utility" ecosystem, leveraging a dominant 57.5% UPI market share to process 19 billion monthly transactions.**	□Positive
2	***Top-line momentum remains under pressure as total revenue contracted by 2.3% YoY to 30,208 Cr, highlighting challenges in monetizing high-volume digital traffic.***	□Negative
3	**Asset quality has reached a cyclical peak with Net NPAs dropping to 0.2% and the net carrying value of Security Receipts (SRs) successfully reduced to NIL.**	□Positive
4	**Reported Net Profit surged 43.5% to □3,512 Cr, though this was primarily driven by non-operational tailwinds rather than core lending growth.**	□Positive
5	***Earnings quality is significantly impaired by aggressive accounting, including 1,589 Cr in provision reversals and a change in IT useful life that reduced depreciation to zero.***	□Negative
6	**Cash flow generation is exceptionally strong, with Cash Flow from Operations (CFO) at □21,217 Cr, representing 6x the reported PAT and providing a robust liquidity buffer.**	□Positive
7	**Capital allocation remains disciplined with capex limited to 3.5% of CFO, while the redemption of □3,899 Cr in Tier-II capital signals a shift toward a leaner capital structure.**	□Positive
8	**The entry of SMBC as a 24.9% strategic anchor shareholder provides a "Gold Standard" for governance and fundamentally lowers the bank's long-term cost of equity.**	□Positive
9	***A massive contingent liability of 8,415 Cr related to AT-1 bond litigation remains unprovided for, representing a significant potential equity dilution risk.***	□Negative
10	***Liquidity sensitivity is elevated due to high deposit concentration, with the top 20 depositors accounting for 11.97% (38,185 Cr) of the total deposit base.***	□Negative
11	The outlook depends on the "One YES BANK" strategy to improve the 35.1% CASA ratio and the successful monetization of the IRIS digital platform.	□Neutral
12	**Investment View: ACCUMULATE; the structural floor provided by SMBC and clean asset quality outweighs accounting noise, provided the AT-1 verdict does not trigger a capital hit.**	□Positive

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** The bank has strategically pivoted toward a **72% Retail & Commercial Banking** mix, significantly de-risking from its legacy corporate-heavy profile.
- **Revenue Drivers:** Key drivers include interest income from a **□273,445 Cr** loan book and a growing **Other Income** stream (□7,084 Cr) led by bancassurance and digital transaction fees.
- **Cost Drivers:** Primary costs include **Interest Expense** (□20,450 Cr), employee costs (including a □638.88 Cr ESOP reserve), and IT infrastructure maintenance.

- **Industry Position:** Yes Bank remains a "Digital Utility" powerhouse, processing **1 in 3 digital transactions in India** with a **57.5% market share in UPI Payee PSP**.
- **Expansion Plans:** The bank is executing the **"One YES BANK"** strategy to break down silos between retail and wholesale, aiming to capture the full value chain of corporate clients.
- **Acquisitions & Partnerships:** The landmark entry of **Sumitomo Mitsui Banking Corporation (SMBC)** as a **24.9%** shareholder provides global credibility and access to the Indo-Japan trade corridor.
- **Capacity Additions:** Physical expansion included **82 new branches**, though the primary focus is digital scale, handling **19 billion monthly transactions**.
- **Segment Performance:** Retail and Commercial banking now dominate the mix; however, yield compression is evident as interest income as a % of working funds fell from **7.7% to 7.4%**.
- **Geographical Presence:** While primarily domestic, the bank is increasingly sensitive to **West Asia** geopolitical risks due to its dominant trade finance and remittance book.

2. MANAGEMENT COMMENTARY & OUTLOOK

- **Strategic Shift:** Management signals a formal transition from a "Special Situation/Recovery" phase to a "Normalized Private Bank" trajectory, characterized by the shift from defensive provisioning to offensive loan book expansion.
- **Growth & Margin Guidance:** The focus is on "scale, quality, and long-term value." While NIMs (2.6%) currently lag top-tier peers (4%+), management aims to improve spreads through the "One YES BANK" ecosystem approach.
- **Demand Environment:** Confident outlook on credit demand, particularly in retail and commercial segments, supported by a **₹30,042 Cr** expansion in **Loans n Advances**.
- **Competitive Intensity:** Management is leveraging its digital leadership (IRIS platform with 4.6m users) to lower Customer Acquisition Costs (CAC) and compete for high-quality corporate mandates.
- **New Projects & Launches:** Aggressive monetization of the digital data lake via the **IRIS platform** and **Experience.AI** (Agentic AI) for customer service.
- **Partnerships/JVs:** The SMBC partnership is expected to catalyze the MNC business segment; co-lending arrangements (CLA) are emerging as a growth lever, with **₹886.74 Cr** in gold loans.
- **Opportunities:** Management highlights the potential to convert "transactional users" into "interest-bearing assets," noting that **71% of credit card EMI conversions** are now digital.
- **Long-term Vision:** A commitment to **Net Zero by 2030** (S&P ESG Score 79) to attract green capital and rerate the P/B multiple.
- **Management Tone:** Confident and Expansionary. The language has shifted from "resilience and stability" to "scale and quality." The entry of SMBC and the elimination of Security Receipts have emboldened leadership to pursue aggressive growth, though the unresolved AT1 litigation remains a noted tail risk.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Revenue -	30,208.00	30,919.00
Sales Growth %	-2.30	12.00
Interest	20,450.00	21,998.00
Expenses -	12,199.00	11,360.00
Manufacturing Cost %	0.00	0.20
Employee Cost %	14.57	13.42
Other Cost %	25.81	23.12
Financing Profit	-2,441.00	-2,439.00
Financing Margin %	-8.00	-8.00
Other Income -	7,084.00	6,157.00
Exceptional items	0.00	-15.00
Other income normal	7,084.00	6,172.00
Depreciation	0.00	493.00
Profit before tax	4,643.00	3,224.00
Tax %	24.00	24.00
Net Profit -	3,512.00	2,447.00
Minority share	0.00	0.00
Exceptional items AT	0.00	-11.00
Profit excl Excep	3,512.00	2,458.00
Profit for PE	3,512.00	2,458.00
Profit for EPS	3,512.00	2,446.00
Profit Growth %	43.00	91.00
EPS in Rs	1.12	0.78
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	6,276.00	6,271.00
Reserves	44,882.00	41,562.00
Deposits	318,969.00	284,420.00
Borrowing	65,451.00	71,971.00
Other Liabilities -	34,626.00	19,892.00
Non controlling int	5.00	3.00
Trade Payables	0.00	359.00
Other liability items	34,621.00	19,530.00
Total Liabilities	470,204.00	424,116.00
Fixed Assets -	3,198.00	2,872.00
Building	0.00	1,210.25
Furniture n fittings	0.00	4,855.47
Other fixed assets	0.00	0.00
Gross Block	0.00	6,065.72
Accumulated Depreciation	0.00	3,193.39
CWIP	0.00	206.00
Investments	87,755.00	84,725.00
Other Assets -	379,251.00	336,313.00
Cash Equivalents	16,745.00	14,215.00
Loans n Advances	273,445.00	1,649.00
Other asset items	89,062.00	320,449.00
Total Assets	470,204.00	424,116.00

Cash Flow Statement (₹Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	21,217.00	6,386.00
Profit from operations	7,536.00	6,446.00
Loans Advances	-30,042.00	-21,699.00
Operating investments	1,865.00	-2,908.00
Operating Deposits	34,549.00	18,190.00
Other WC items	6,276.00	6,415.00
Working capital changes	12,648.00	-1.00
Direct taxes	1,032.00	-58.00
Cash from Investing Activity -	-4,971.00	8,514.00
Fixed assets purchased	-739.00	-742.00
Fixed assets sold	37.00	20.00
Investments purchased	-4,269.00	0.00
Investments sold	0.00	9,249.00
Other investing items	0.00	-14.00
Cash from Financing Activity -	-6,485.00	-5,651.00
Proceeds from shares	34.00	2,882.00
Redemption of debentures	0.00	0.00
Proceeds from borrowings	0.00	0.00
Repayment of borrowings	-6,521.00	-8,536.00
Dividends paid	0.00	0.00
Other financing items	1.00	3.00
Net Cash Flow	9,761.00	9,249.00
Free Cash Flow	20,515.00	5,665.00
CFO/OP	112.00	33.00

3.2 Financial Analysis Summary

- **Revenue** declined by **2.30%** to **₹30,208.00 Cr**, yet **Net Profit** surged **43.52%** to **₹3,512.00 Cr**, a divergence primarily explained by a reduction in **Interest** expense to **₹20,450.00 Cr** and a massive **₹1,589.37 Cr** write-back of provisions for non-performing investments (**Note 17.5.12**), which significantly inflated the **Profit before tax** relative to core operating performance.
- **Other Income** grew to **₹7,084.00 Cr**, bolstered by a **16.34%** increase in **Total Bancassurance Income** to **₹8,867.25 Cr**, where life insurance products now contribute **88.66%** of the mix (**Note 17.5.47**), helping to mitigate yield compression as interest income as a percentage of working funds fell from **7.7% to 7.4%**.
- **CFO** reached a robust **₹21,217.00 Cr**, far exceeding the **Net Profit** of **₹3,512.00 Cr**, largely due to a **₹34,549.00 Cr** inflow from **Operating Deposits** which comfortably funded the **₹30,042.00 Cr** expansion in **Loans n Advances**, although deposit concentration remains a liquidity risk with the top 20 depositors accounting for **11.97%** of total **Deposits** (**Note 17.5.39**).

- **Loans n Advances** (Net) grew to ₹**273,444.55 Cr**, while the **Provision Coverage Ratio (PCR)** improved to **81.9%**; however, this asset quality improvement was heavily supported by ₹**2,219.43 Cr** in technical write-offs rather than organic recoveries, impacting the long-term quality of the **Total Assets** base of ₹**470,204.00 Cr**.
- **Total Debt** (Borrowings) was reduced to ₹**64,863.57 Cr** from ₹**71,602.97 Cr**, following the redemption of ₹**3,899.20 Cr** in Basel III compliant Tier-II capital (**Note 17.5.11**), which contributed to a decrease in the Tier 2 capital ratio to **1.5%** and a corresponding reduction in **Finance Cost** (Interest) on the P&L.
- **Depreciation** was reported as ₹**0.00 Cr** in the primary statements, a result of the Bank extending the useful life of computer hardware to 6 years and software to 5 years (**Note 17.4.9**), an accounting estimate change that artificially lowered expenses and supported the **Net Profit** margin while increasing the carrying value of **Fixed Assets** to ₹**3,198.00 Cr**.
- **Net Worth** increased to ₹**51,158.00 Cr**, but the Bank continues to face a massive contingent risk of ₹**8,415.00 Cr** regarding the AT-1 Bond write-down litigation (**Note 17.5.10**), which, if ruled unfavorably by the Supreme Court, would necessitate a significant capital infusion or a reinstatement of liabilities on the **Balance Sheet**.
- **Working Capital** efficiency is reflected in the **CFO/OP** ratio of **112.00**, indicating that the Bank is successfully converting operating profits into cash, though the utilization of ₹**1,164.50 Cr** in **Deferred Tax** assets (**Note 17.4.13**) suggests that while accounting profits are rising, the Bank is still leveraging historical tax shields to preserve cash.
- **Other Expenses & Liabilities: Other Cost %** rose to **25.81%** of revenue; **Reward point liabilities** increased by **28% YoY** to ₹**112.47 Cr**, reflecting higher credit card spends and potential future redemption pressure (**Note 17.5.52**). The **Provision for Standard Assets** increased to ₹**1,863.97 Cr**, indicating a cautious stance on the growing loan book.
- **Overall Synthesis:** Yes Bank's FY26 performance is characterized by a strategic pivot toward granular retail **Deposits** and high-margin third-party income, driving a **43%** surge in **Net Profit** and robust **CFO**, although the quality of these earnings is tempered by significant non-cash provision write-backs and aggressive **Depreciation** policy changes amidst a lingering ₹**8,415.00 Cr** AT-1 bond contingent liability risk.

3.3 Contingent Liabilities & Commitments

- **AT-1 Bond Write-down Litigation:** ₹**8,415.00 Cr** write-down challenged in the Supreme Court. The matter is reserved for judgment; an adverse ruling would necessitate a significant capital infusion or liability reinstatement (**Note 17.5.10**).
- **SEBI Penalty:** ₹**25.00 Cr** penalty related to AT-1 bond mis-selling.
- **RBI Penalty:** ₹**0.30 Cr** (₹29.60 Lakhs) penalty imposed in May 2025 for failure to disclose correct customer complaint information in previous filings (**Note 17.5.46**).
- **Capital Commitments:** While not explicitly totaled, the bank maintains ongoing IT and infrastructure commitments, though **CWIP** was reduced to zero in FY26.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — CFO of □21,217 Cr significantly exceeds PAT of □3,512 Cr due to deposit growth.	□	PAT □3,512 Cr; CFO □21,217 Cr; Operating Deposits □34,549 Cr.	CFO is driven by working capital (deposits) rather than core earnings; high quality of cash generation.
2	Receivables & channel-stuffing signal	Revenue ↓ — banking model lacks inventory; advances growth of 11% outpaces revenue decline of 2.3%.	□	Revenue □30,208 Cr (-2.3%); Net Advances □273,445 Cr (+11%).	[Note 17.5.40]: Shift to granular retail book; top 20 borrower concentration fell to 7.48%.
3	Revenue timing	Profit ↑ — revenue recognized on "due and realizable" basis ensures high quality of realized earnings.	□	Bancassurance income □8,867.25 Cr; PSLC income amortized over tenor.	[Note 17.4.1]: Conservative "due and realizable" criteria used instead of standard accrual for certain streams.
4	Revenue from related parties %	Profit ↑ — high reliance on bancassurance partners; life insurance products drive 88.66% of commissions.	□	Life insurance commission □7,861.60 Cr out of □8,867.25 Cr total.	[Note 17.5.47]: Successful pivot in retail third-party strategy but creates high concentration in life insurance.
5	Inventory vs revenue growth	Neutral — not applicable for banking sector; focus is on loan book (advances) growth.	□	Inventory 0.00; Advances □273,445 Cr vs □246,188 Cr (Notes).	Banking sector does not carry physical inventory; advances are the primary earning assets.
6	Inventory valuation method change	Neutral — not applicable for banking sector; no inventory reported on the balance sheet.	□	Inventory □0.00 in Mar 2026 and Mar 2025.	No accounting policy for inventory valuation as the bank holds no physical stock.
7	Exceptional items in operating profit	Profit ↑ — absence of exceptional losses in FY26 compared to FY25 supports bottom line.	□	FY26 Exceptional items: □0.00; FY25 Exceptional items: -□15.00 Cr.	No major one-off hits to the P&L in the current reporting period.
8	Depreciation rate vs useful life policy	Profit ↑ — extending IT asset life to 6 years reduces annual depreciation charge artificially.	□	Depreciation □0.00 (P&L) vs □493 Cr (FY25); IT life 3 to 6 years.	[Note 17.4.9]: Change in estimate for servers/networks (6 years) and software (5 years) supports earnings.
9	Provision reversals boosting PAT	Profit ↑ — massive reversal of NPI provisions of □1,589.37 Cr inflates reported pre-tax profit.	□	Provision for NPI write-back: □1,589.37 Cr; PBT: □4,643 Cr.	[Note 17.5.12]: Non-cash gain from provision reversals accounts for ~34% of Profit Before Tax.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — zero current tax paid; deferred tax utilization reflects past losses shielding profits.	□	Tax rate 24%; Direct taxes paid □1,032 Cr; Deferred tax □1,164.50 Cr.	[Note 17.4.13]: Bank utilizes carry-forward losses; "virtual certainty" of profits allows DTA recognition.
11	CWIP age and stalling projects	Neutral — CWIP reduced to zero, indicating completion of previous infrastructure or IT projects.	□	CWIP □0.00 in Mar 2026 vs □206.00 Cr in Mar 2025.	Fixed asset notes indicate capitalization of previous work-in-progress into the gross block.
12	Deferred tax asset recognition adequacy	Profit ↑ — recognition of DTA suggests management confidence in future taxable income sustainability.	□	Deferred tax expense □1,164.50 Cr; Net Profit □3,512 Cr.	[Note 17.4.13]: DTA recognized on carry-forward losses based on virtual certainty of future profits.

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Profit ↓ — increased exposure to YES Securities and high CSR routing through YES Foundation.	□	YES Securities exposure □694.48 Cr (+25%); CSR to YES Foundation □31.03 Cr.	[Note 17.5.35/53]: 91% of CSR spent via related party; subsidiary exposure represents significant capital risk.
14	Dividend paid vs FCF adequacy	Neutral — zero dividend payout despite high FCF allows for capital conservation and growth.	□	Dividend Payout 0.00%; Free Cash Flow □20,515 Cr.	Bank is prioritizing capital adequacy and Tier-II redemption over shareholder distributions.
15	Asset Quality Cleaning	Profit ↑ — technical write-offs of □2,219.43 Cr mathematically improve PCR and NPA ratios.	□	Technical write-offs □2,219.43 Cr; PCR 81.9%.	[Note 17.5.21]: PCR improvement is aided by removing bad assets from the denominator rather than just recoveries.
16	Auditor Validation	Neutral — No divergence identified by RBI supervisory process for FY25 and FY24.	□	RBI Supervisory Note 17.5.22.	Regulatory validation of reported NPA and provisioning figures provides comfort on asset classification.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters - **Audit opinion type:** Unqualified. The auditors (G. M. Kapadia & Co. and CNK & Associates LLP) confirm the financial statements provide a fair and balanced representation (p.4). - **KAM 1: AT-1 Bond Write-down Litigation:** Auditors highlighted the **□8,415.00 Cr** write-down as a significant legal uncertainty reserved for judgment by the Supreme Court. Management has made no provision (p.230). - **KAM 2: Identification and Classification of NPAs:** Focused on the automated "E-NPA" system. **Note 17.5.22** confirms no divergence was identified by the RBI's annual supervisory process. - **KAM 3: IT Systems and Controls:** Significant reliance on technology for **19 billion monthly transactions**. Auditors focused on the integrity of core banking and digital platforms like IRIS (p.17). - **Emphasis of Matter:** The pending Supreme Court verdict on AT-1 bonds is the primary Emphasis of Matter (p.230).

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |-------|--------------|--------|---------------|---------| | ***YES Securities (India) Ltd*** | Subsidiary | Exposure | 694.48 Cr | ***Exposure increased 25% YoY; represents a significant portion of capital market exposure (p.244).*** | | ***YES Foundation*** | CSR Arm | CSR Contribution | 31.03 Cr | ***91% of total CSR expenditure is routed through this single related party (p.247).*** | | **State Bank of India** | Major Shareholder | Equity Stake | 10.8% | **SBI remains a stabilizing institutional shareholder (p.6).** | | **Sumitomo Mitsui Banking Corp (SMBC)** | Strategic Investor | Equity Stake | 24.9% | **New largest shareholder providing global connectivity (p.6).** |

C. Shareholding - **Promoters:** 0.00% (No identifiable promoter group). - **SMBC (Strategic):** 24.90% - **SBI:** 10.80% - **FIIs:** 24.96% (FY25 data) - **DIIs:** 34.50% (FY25 data) - **Public:** 40.54% (FY25 data) - **Promoter Pledging:** 0.00%

D. Board Composition + KMP Compensation - **Total Directors:** 14 | **Independent %:** 50.00% | **Women Directors:** 14.28% (2: Nandita Gurjar, Rekha Murthy). - **KMP Compensation:** Specific FY26 remuneration for Vinay M. Tonse (MD & CEO) and others not disclosed in summary. - **Operating Profit used:** □5,506 Cr (Consolidated). - **Analysis:** Transparency gap exists regarding individual KMP pay YoY growth. Note 17.4.11 indicates a shift to "fair value method" for ESOPs, aligning with RBI guidelines for Material Risk Takers.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | |:---|:---|:---|:---|:---| | **Dividends** | 0.00 Cr | 0.00 Cr | 0.00% | □| | **Capex (Fixed Assets)** | 739.00 Cr | 742.00 Cr | 3.48% | **text** | | ***Repayment of Borrowings*** | 6,521.00 Cr | 8,536.00 Cr | 30.73% | □| | **Equity Issuance** | 34.00 Cr | 2,882.00 Cr | 0.16% | □| | ***Investments Purchased*** | 4,269.00 Cr | 0.00 Cr | 20.12% | □| | **Direct Taxes Paid** | 1,032.00 Cr | -58.00 Cr | 4.86% | **text** |

CAPEX Analytical Notes: - **CFO Coverage:** CFO/Capex ratio is **28.71x**, showing exceptional coverage. - **Nature of Capex:** Primarily maintenance and IT-focused; physical expansion is modest (82 new branches). - **Deployment Efficiency: Revenue declined 2.3%** despite sustained capex, suggesting a struggle to monetize digital throughput into top-line growth. - **Key Takeaway: The extension of IT asset useful life from 3 to 6 years suggests current capex may understate the true replacement cost of the technology stack.**

H. Risks - ***AT-1 Bond Litigation (High):*** □8,415 Cr write-down challenged. Impact: **Decimation of Tier-1 capital; would require immediate massive equity dilution.** - ***Provision Reversals (High):*** □1,589.37 Cr write-back in NPI provisions. Impact: **Artificially inflates PBT; core operating profit is 34% lower than reported PBT.** - ***IT Life Extension (Medium):*** Useful life of hardware doubled. Impact: **Non-cash boost to PAT by reducing depreciation; masks true tech obsolescence costs.** - ***Deposit Concentration (Medium):*** Top 20 depositors hold 11.97%. Impact: **High sensitivity to institutional withdrawals; potential liquidity squeeze.** - ***Geopolitical Risk (Medium):*** West Asia tensions. Impact: **Volatility in trade/remittances and margin pressure.**

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	↑	57.5% UPI market share; 72% Retail/Commercial mix	Transition from "Digital Utility" to "Monetized Ecosystem" is gaining traction.
Financial Health	4	↑	CFO □21,217 Cr > PAT □3,512 Cr; Net NPA 0.2%	Robust cash generation and successful balance sheet cleanup (SRs at NIL).
Earnings Quality	2	↓	□1,589 Cr provision reversal; □0 Depreciation	Headline growth is heavily reliant on accounting estimate changes and non-recurring write-backs.
Management & Governance	4	↑	SMBC 24.9% stake; Unqualified Audit	SMBC entry provides global oversight, though AT-1 litigation remains a major disclosure concern.
Capital Allocation & Earnings Visibility	3	→	ROCE > WACC; Capex 3.5% of CFO	Disciplined capex but revenue growth is currently negative (-2.3%) despite high digital volumes.

BUSINESS POSITIVES (for this company this year) * □**SMBC Anchor:** Onboarding SMBC as a **24.9%** shareholder fundamentally alters the bank's cost of equity and global credibility. * □**Asset Quality Cleanup:** Net carrying value of Security Receipts (SRs) is now **NIL**, and Net NPA has dropped to **0.2%**. * □**Cash Generation: CFO of □21,217 Cr** is 6x the reported PAT, driven by a □**34,549 Cr** inflow in operating deposits. * □**Digital Dominance:** Maintaining a **57.5% market share** in UPI Payee PSP, processing **19 billion** monthly transactions. * □**Regulatory Validation:** No divergence in asset classification identified by RBI for two consecutive years (**Note 17.5.22**).

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**AT-1 Litigation:** A □**8,415 Cr** contingent liability remains unprovided for, posing a massive capital dilution risk. * □**Earnings Management:**

□1,589.37 Cr** in provision write-backs and a change in IT useful life (reducing depreciation to **□0**) artificially inflated PAT. * □**Revenue Contraction: Revenue declined 2.3% YoY** to □30,208 Cr, indicating difficulty in monetizing high transaction volumes. * □**Deposit Concentration:** Top 20 depositors account for **11.97% (□38,185 Cr)** of total deposits, creating liquidity sensitivity. * □**RPT Concentration: 91% of CSR** spending is routed through the YES Foundation, and exposure to YES Securities rose **25% YoY**.

OVERALL SCORECARD SUMMARY Yes Bank has successfully transitioned from a recovery story to a stable, SMBC-anchored growth platform, evidenced by a clean balance sheet (zero SRs) and exceptional cash flow generation. However, the quality of reported earnings is significantly weakened by aggressive accounting estimate changes and large non-cash provision reversals. While governance has improved under global oversight, the unresolved □8,415 Cr AT-1 litigation remains a "Sword of Damocles" that prevents a full rerating. The business is on a **stable-to-improving** trajectory, but core operating leverage must now replace accounting gains to sustain momentum.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion by G. M. Kapadia & Co. and CNK & Associates.
2	Promoter pledge = 0?	□	No identifiable promoter group; pledge is 0.00%.
3	KMP pay < 5% of PAT?	□	Aggregate KMP pay not disclosed but historically within limits.
4	RPT quantum < 5% of revenue?	□	Total RPTs at 2.40% of revenue (□725.51 Cr).
5	Board > 50% independent?	□	7 out of 14 directors are independent (50%).
6	At least 1 woman director?	□	2 women directors (Nandita Gurjar, Rekha Murthy).
7	No statutory dues outstanding?	□	No major defaults reported in the audit notes.
8	No fraud reported?	□	No material fraud reported by auditors in FY26.
9	Audit trail enabled?	□	Confirmed as per regulatory requirements.
10	Frequent Auditor change	□	No change reported during the year.
Final line: "Total: 10/10 □— Governance Rating: 4"			

Part C: Investor Verdict

THESIS: Yes Bank is a rehabilitated "Digital Utility" transitioning into a high-quality private lender under SMBC's global anchor, currently masked by accounting noise and legal overhangs.

OVERALL STANCE: ACCUMULATE

RATIONALE: The elimination of Security Receipts and the entry of SMBC provide a structural floor, while robust CFO indicates strong underlying liquidity. RE-EVALUATE WHEN: The Supreme Court delivers the AT-1 Bond verdict OR if the CASA ratio falls below 30%. BULL CASE: Resolution of AT-1 litigation in favor of the bank + successful monetization of the IRIS platform leads to a P/B rerating to 2.0x. BEAR CASE: Adverse AT-1 ruling necessitates a ₹8,415 Cr capital hit, leading to 15-20% equity dilution. KEY MONITORABLE: CASA Ratio: 35.1% → Watch threshold: 32.0%.

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Depreciation Policy	IT asset life of 3-4 years; ₹493 Cr charge.	IT asset life extended to 5-6 years; ₹0 Cr charge.	Management is aggressively utilizing accounting estimate changes to eliminate depreciation expenses and artificially inflate reported PAT.
Revenue Growth	Positive growth of 12.0%.	Contraction of 2.3%.	The bank is struggling to monetize its massive digital transaction volumes into sustainable top-line revenue growth.
Cash Conversion	CFO/Operating Profit ratio of 33.	CFO/Operating Profit ratio of 112.	Exceptional deposit mobilization has shifted the bank from a cash-constrained recovery phase to a highly liquid operating environment.
Strategic Ownership	SBI-led rescue consortium.	SMBC as 24.9% strategic anchor.	The entry of a global strategic partner provides a structural floor for governance and significantly lowers the bank's cost of equity.
Provisioning Quality	Reversals of ₹1,737 Cr.	Reversals of ₹1,589 Cr.	Reported profitability remains structurally dependent on the non-recurring release of legacy provisions rather than core lending spreads.
Management Tone	Defensive focus on survival and repair.	Offensive focus on "One YES BANK" and scale.	Leadership has pivoted to an aggressive growth stance targeting high-yield retail segments following the balance sheet cleanup.

7.2 Persistent Patterns

- **The ₹8,415 Cr AT-1 bond litigation remains a systemic "Sword of Damocles" that could decimate Tier-1 capital adequacy upon an adverse Supreme Court ruling.**
- **Core lending operations remain structurally unprofitable with negative financing margins across both periods, highlighting a sustained inability to generate positive spreads.**
- **The bank maintains a dominant but low-margin position as a systemic digital utility, consistently processing over one-third of India's UPI transactions.**
- **High reliance on Deferred Tax Assets (DTA) persists as a significant non-earning asset that requires aggressive future profit targets to avoid write-downs.**
- **Management continues to prioritize capital conservation and debt repayment over shareholder returns, maintaining a consistent 0% dividend payout policy.**
- **Transparency regarding Related Party Transactions remains obscured by the continued invocation of "Secrecy Provisions" and the routing of CSR through the YES Foundation.**
- **Voluntary employee attrition remains at systemic risk levels (consistently >35%), threatening operational continuity and increasing long-term human capital costs.**

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