Yes Bank Ltd — Oct 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Operating Metrics; Beat on Asset Quality; Guidance Reaffirmed. **One-line:** The thesis has transitioned from "recovery" to "strategic scaling," anchored by SMBC's entry as the largest shareholder (24.2%) and a definitive pivot back to credit growth (+3.8% QoQ) after a seasonally weak Q1.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	H1FY26 RoA at 0.7% tracks exactly with management's interim glide path toward 1.0% by FY27.	□
Earnings Quality	High	Profit growth (normalized for tax refunds) is ~30% YoY; Core Operating Profit grew 31.8% QoQ, reducing reliance on SR recoveries.	□
Guidance Confidence	Strong	Reaffirmed 1% RoA target; Retail disbursements grew 20% QoQ, signalling the "risk-calibration" phase is over.	□
Management Credibility	Strong	Successfully closed the SMBC transaction and secured credit rating upgrades to AA- from all major domestic agencies.	□
Business Quality Signal	Improving	CASA Ratio improved 90bps QoQ to 33.7% in a "war for deposits" environment; RIDF drag reduced to 7.8% of assets.	□
Key Q&A Exchange	Q2 (SMBC Synergy)	Management detailed a "complete spectrum" synergy with SMBC—from transaction banking for MNCs to supply chain for SMEs.	□
The Street's Primary Anxiety	NIM Stagnation	NIM remained flat at 2.5%; fear that repo-linked asset repricing will cap expansion until RIDF further unwinds.	□
Capital Cycle Stage	Growth	CET1 at 13.9% and SMBC's backing provide the capital "right to win" in mid-market and retail segments.	□
Margin / Return Trajectory	Stable/U-Shaped	RoA dipped to 0.6% (annualized) from 0.8% in Q1, but Core Operating Profit shows sequential momentum.	□
Pricing Power	Improving	Succeeded in cutting SA/TD rates while still growing deposits 7.4% QoQ; marks a shift from rate-chasing to brand-led growth.	□
FCF Conversion & Quality	Strong	Total recoveries/upgrades of □854 Cr continue to provide a substantial P&L buffer.	□
Competitive Moat Signals	Widening	#1 in UPI Payee PSP (54% market share) and #1 in AePS; Digital stack is now a proven customer acquisition engine.	□
Balance Sheet Strength	Strong	LCR at 125.1% and NNPA at 0.3% are highly defensive; rating upgrade to AA- reflects this strength.	□
Working Capital Efficiency	Improving	RIDF balances fell by 8.8% QoQ; these 3% yielding funds are being recycled into 10%+ retail/SME assets.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on CASA growth and asset quality; NIM stability in a high-cost environment is a positive surprise.	□
Key Vulnerability	Retail Cost-to-Serve	Retail segment remains loss-making on a PBT basis (though loss narrowed from □668 Cr to □358 Cr QoQ).	□
Management Tone	Disciplined	Prashant Kumar emphasized "profitable growth" over volume and "compliance-first" culture.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways: * **Positives:** The **SMBC transaction closure** (24.2% stake) is the ultimate validation of the franchise, likely lowering future cost of funds and opening MNC banking channels. CASA growth (10.4% QoQ) significantly outperformed the industry. Asset quality is "clean," with NNPA at 0.3% and PCR at 81%, allowing the bank to focus entirely on the P&L rather than the balance sheet. * **Negatives: NIMs remain the bottleneck** at 2.5%, suppressed by the legacy RIDF book (□33,557 Cr) which still yields sub-market rates. The Retail segment's high cost-to-income ratio continues to drag on consolidated RoA, though sequential improvement is visible. * **Forward-looking Watchpoint:** Monitor the **TD repricing cycle starting December**. As high-cost deposits mature and the RIDF book continues its ~□9,000 Cr annual rundown, the "margin spring" should begin to uncoil toward the 3.0% target needed for a 1% RoA.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary. Concall used for commentary and unlisted metrics.

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	4.6%	--	↓ 3.0%	↓	Impacted by asset repricing; offset partially by lower cost of funds.
NIM (AUM basis %)	2.5%	↑ 10bps	→ 0bps	→	Flat QoQ as SA/TD rate cuts offset intense pressure on loan spreads.
Cost of Funds %	6.0%	↓ 40bps	↓ 30bps	↑	Benefit from retiring high-cost borrowings and SA rate cuts.
Cost of Deposits %	5.7%	↓ 40bps	↓ 20bps	↑	Driven by repricing of term deposits and 200bps cut in headline SA rates.
CASA Ratio (period end %)	33.7%	↑ 170bps	↑ 90bps	↑	Significant outperformance vs industry; driven by CA (+21.1% QoQ).
Credit-Deposit Ratio %	84.5%	↓ 30bps	↓ 290bps	↑	Deposits grew 7.4% while Advances grew 3.8%; reflects liquidity surplus.
Loans Growth (% YoY)	6.4%	--	↑ 3.8%	↑	Pivot back to growth after Q1 contraction (-2.1% in Prior Context).
Deposits Growth (% YoY)	6.9%	--	↑ 7.4%	↑	Strong momentum in Retail & Branch banking (+13.7% YoY).
GNPA %	1.6%	→ 0bps	→ 0bps	→	Stable; slippages reduced to 2.0% from 2.4% (QoQ).
NNPA %	0.3%	↓ 20bps	→ 0bps	→	Best-in-class asset quality; fully addressed legacy issues.
Slippage Ratio %	2.0%	↓ 20bps	↓ 40bps	↑	Sequential improvement; Retail slippages down to 4.3% from 4.6%.
Credit Cost (% funded assets)	0.4%	↓ 20bps	↓ 20bps	↑	Annualized; normalizing for SR recoveries, core trajectory is improving.
Capital Adequacy / CET1 %	13.9%	↑ 70bps	↓ 10bps	→	Slight QoQ dip due to RWA growth (+3.8% advances); well above regulatory 8%.
PAT (□Cr)	654	↑ 18.3%	↓ 18.3%	↓	QoQ dip due to high Q1 base and lower treasury gains.
Fee Income Growth %	16.9%	--	↓ 6.2%	↓	Core fee up 18.2% QoQ if treasury gains are excluded.

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	GNPA %	Trend	vs Co. Avg	Key Development
Retail Banking	120,802	2.4%	2.4%	→	Average	Disbursements up 20% QoQ; pivot back to growth.
Commercial Banking	62,430	16.5%	1.1%	↑	Outperformer	Growing 20% on normalized basis; core ROA driver.
Corporate & Institutional	66,980	5.4%	0.7%	↓	Defensive	Teaming with SMBC to target MNCs/ Large Corporates.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	RoA	1.0% by FY27 (Average).	H1 average is 0.7%. Needs ~7bps expansion/quarter. Feasible with RIDF rundown.	Strong	Low
Guidance	Loan Growth	Double-digit for FY26 (~10%).	Current 6.4% YoY. Needs ~5-6% QoQ growth in H2. Feasible via Retail push.	Mixed	Medium
Guidance	NIM	Bottomed at 2.5%; 3.0%+ long term.	Depends on TD repricing (Dec onwards) and RIDF drop to <5% of assets.	Improving	Medium
Strategy	RIDF Unwinding	Reduce to <5% of Assets in 2 yrs.	Current 7.8% (□33,557 Cr). Down from 8.9% (Prior Context). On track.	Reliable	Low
Strategy	Retail PBT	Achieve Breakeven/ Profitability.	Loss narrowed from □668 Cr to □358 Cr QoQ. Normalizing provisions, breakeven reached.	Improving	Medium
Strategy	SR Recoveries	□1,200 Cr for FY26.	H1 delivery is ~□558 Cr (□338 Cr Q1 + □220 Cr Q2). On track.	Reliable	Low

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4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Harsh Modi / JP Morgan	RoA Levers & SMBC	Strategy	What are the main levers for 1% ROA and what does SMBC bring to the table?	Mgmt cited NIM expansion (RIDF rundown, TD repricing, higher Retail mix) as the primary RoA driver. SMBC provides MNC access, transaction banking scale, and global risk standards which will lower cost of funds over time.	None	5.0	Clear and quantified
2	4.5	Harsh Modi (Follow-up)	LCR & NIM	Financials	LCR is down 10% QoQ—why didn't this improve NIM more significantly?	Mgmt explained that a 40-50bps drop in loan spreads (due to intense competition) offset the benefit of lower liquidity buffers. This highlights the "spread war" in the industry where efficiency gains are being passed to borrowers.	Specific beta %	4.0	Directional only
3	4.5	Jai Mundhra / ICICI Sec	SMBC Synergy	Strategy	Will SMBC overlap with its existing India subsidiary or complement YES Bank?	Mgmt confirmed a complementary structure where YES Bank services SMBC's MNC clients' supply chains, SMEs, and retail employee needs. This expands YES Bank's reach	None	5.0	Specific synergy plan

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						into "Tier-1" corporate ecosystems without incremental acquisition costs.			
4	4.0	Jai Mundhra (Follow-up)	ECL Transition	Financials	What is the estimated impact of transitioning to ECL (Expected Credit Loss) accounting?	Mgmt does not expect a material hit to opening reserves because of best-in-class stage 1/2/3 coverage and potential write-backs from the zero-carrying-value SR book. This suggests ECL could actually be a net positive for capital.	None	4.0	High-quality buffer
5	5.0	Pankaj Agrawal / Prudence	Retail Losses	Financials	Why is Retail still losing money and when will it reach PBT breakeven?	Mgmt noted Retail PBT losses narrowed significantly and would be at breakeven if "excess" provisions above regulatory requirements were excluded. This signals that the heavy investment/ cleanup phase in Retail is concluding.	None	4.5	Turning point signal
6	4.0	Mohit Jain / Tara Capital	Loan Growth	Management Outlook	Will the bank hit its growth targets given current YoY growth is only 6.4%?	Mgmt reiterated a ~10% target for FY26, driven by a 19-20% growth in target	None	4.0	Seasonality defense

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						segments (Retail disbursements, Commercial banking). This implies a high-confidence H2 "back-ended" growth story.			
7	4.5	Dev J / Horsepower	Provisions	Financials	Why is the total provision line higher despite improved asset quality?	Mgmt clarified the "spike" was due to a high base in Q1 (which had one large corporate recovery) and the absence of last year's tax refund. Core credit cost trajectory is actually improving.	None	5.0	Fact check clear

PATTERN FLAGS & SENTIMENT Analyst anxiety has shifted from "asset quality" to "**NIM expansion mechanics**." There is a high degree of skepticism regarding the 12-15% growth guidance given the 6.4% YoY current print, forcing management to lower the tone to "double-digit" (~10%). However, the SMBC transaction closure has significantly boosted management credibility, turning Q&A toward synergy and strategy rather than survival.

Analyst Sentiment Verdict: CONVINCED but PATIENT. Analysts view the 1% RoA as mathematically achievable via RIDF unwinding but remain wary of near-term NIM compression as repo-linked loans reprice faster than deposits. The primary risk remains the execution of the H2 credit growth ramp-up.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
Shareholding	SMBC intent announced.	**SMBC closed (24.2%)**.	↑ (Marquee validation)
RoA Glide Path	0.8% (Annualized).	**0.6% (Annualized)**; 0.7% H1 avg.	↓ (Temporary valley)
CASA Ratio	32.8%.	**33.7%**.	↑ (Liability strength)
Advance Growth	-2.1% (Sequential contraction).	**+3.8% (Sequential growth)**.	↑ (Return to growth)
RIDF Exposure	8.9% of Assets.	**7.8% of Assets**.	↑ (Margin tailwind)
Credit Rating	A+ range.	**AA- (Stable)** across all agencies.	↑ (Lower funding costs)
Retail PBT	□(668) Cr loss.	**□(358) Cr loss**.	↑ (Approaching breakeven)
Loan Growth Guidance	12-15% Target.	**~10% (Double-digit)** Target.	↓ (Calibrated realism)

STOP HERE.