Yes Bank Ltd — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat (Reported Operations) / Severe Miss (Pro-forma Legal) **One-line:** YES Bank has reached its operational "steady state" with excellent asset quality and strong core earnings, but the Supreme Court's AT-1 verdict creates a permanent capital reset, shrinking the CET-1 ratio from 14% to 11.4% and effectively mandating a capital raise to sustain growth.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Reported)	Reported PAT of ₹1,080 Cr beat prior quarter despite lower SR gains, but pro-forma reflects a massive ₹5,217 Cr loss.	□
Earnings Quality	Low (Event-driven)	Reported earnings are high quality (Core Fee up 15.5%), but the unrecognised AT-1 hit creates a massive future P&L hole.	□
Guidance Confidence	Neutral	Mgmt maintains RoA/Growth targets but must now navigate a significantly thinner capital buffer.	□
Management Credibility	Neutral	Mgmt delivered on operations but the AT-1 litigation—which they previously termed a "binary risk"—has now crystallized negatively.	□
Business Quality Signal	Improving	GNPA (1.2%) and NNPA (0.2%) are at decade-best levels; the "cleanup" phase is officially over.	□
Key Q&A Exchange	Q10: Capital Raise	Mgmt admitted that while 11.4% CET-1 allows for growth, a capital raise is now a "commercial evaluation" to restore comfort.	□
The Street's Primary Anxiety	Capital Reset	Analysts focused on how a 240bps CET-1 drop impacts the growth thesis and the necessity of dilutive equity.	□
Capital Cycle Stage	Re-capitalization	The bank has moved from "Consolidation" back to "Capital Seeking" due to the AT-1 reinstatement.	□
Margin / Return Ratio Trajectory	Deteriorating (Temp)	NIM compressed to 2.6% (Reported) due to FCNR(B) mobilization; Pro-forma RoA is -4.3%.	↓
Pricing Power	Stable	Cost of Deposits (5.5%) benefited from the FCNR window, helping offset competitive domestic pressures.	□
FCF Conversion & Quality	Distorted	LCR is healthy at 131.4%, but the capital reinstatement is a non-cash accounting hit to net worth.	□
Competitive Moat Signals	Widening	Deepening SMBC partnership (synergies in FCNR leverage and MNC referrals) provides a niche moat.	□
Balance Sheet Strength	Adequate	CET-1 of 11.4% (pro-forma) is above regulatory minimums but below peer averages for private banks.	□
Working Capital Efficiency	Stable	CD Ratio (Reported) 87.4%; Normalised 83.1% after adjusting for FCNR/FCTL window.	□
Mgmt Guidance Track Record	Reliable	Delivered on the promise of core ROA expansion (0.9% reported) despite SR volatility.	□
Key Vulnerability / Red Flag	AT-1 Reinstatement	The ₹8,415 Cr bond reinstatement is a permanent hit to Common Equity.	□
Management Tone	Resilient/Solemn	CEO Tonse was upfront about the judgment but emphasized that business priorities remain unchanged.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The "New YES Bank" is operationally excellent. NNPA at 0.2% and Slippages at 1.3% prove the credit culture is fully rehabilitated. Core Fee income (up 15.5% YoY) and the SMBC partnership are providing sustainable revenue drivers that don't rely on legacy SR recoveries. * **Negatives:** The Supreme Court verdict is a "Black Swan" realization. Reinstating ₹8,415 Cr of AT-1 bonds causes a 240bps hit to CET-1. While the bank *can* grow at 11% using only DTA releases, any growth beyond that—or to match peer capital standards—will require dilutive equity issuance at a time when the P&L will be nursing this one-time hit. * **Street Concern:** NIM sustainability and the FCNR distortion. Mgmt clarified that the NIM compression to 2.6% is temporary and driven by un-deployed FCNR liquidity; they expect an upward bias in

Q4 as RIDF deposits run down. * **Watchpoint:** The accounting treatment of past coupons on AT-1 bonds. If the bank is forced to pay back-dated coupons, the ₹5,217 Cr pro-forma loss could deepen further.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	22.7%	↑	↑	↑	Driven by 17.6% normalized advance growth and FCNR mobilization.
NIM (AUM basis %)	2.6%	↑ 10 bps	↓ 10 bps	↓	Compression due to FCNR liquidity; tailwinds from RIDF rundown expected in H2.
Cost of Funds %	5.7%	↓ 30 bps	→	→	Benefited from the US$ 1.94bn FCNR(B) mobilization at lower rates.
Cost of Deposits %	5.5%	↓ 20 bps	↑ 10 bps	→	Stable; helped by the FCNR swap window despite domestic competition.
CASA Ratio (period end %)	30.0%	↓ 370 bps	↓ 270 bps	↓	Diluted by FCNR term deposit surge; AQB CASA growth remains healthy at 15.5%.
Credit-Deposit Ratio %	87.4%	↑ 290 bps	↓ 300 bps	↑	Normalised for FCTL, CD ratio is a comfortable 83.1%.
Loans Growth (% YoY)	23.7%	↑	↑	↑	Headline high due to FCTL; core growth at 17.6% YoY.
Deposits Growth (% YoY)	19.5%	↑	↑	↑	Retail & Branch deposits (58.8% of total) grew 20.9% YoY.
GNPA %	1.2%	↓ 40 bps	↓ 10 bps	↑	Decadal low; improvement across Retail, Commercial, and Corporate segments.
NNPA %	0.2%	↓ 10 bps	→	→	Maintained at minimal levels with 80.5% PCR (excl. tech write-offs).
Slippage Ratio %	1.3%	↓ 70 bps	↓ 10 bps	↑	Retail slippages steady at 2.7%; Corporate slippages negligible.
Credit Cost (% avg assets)	0.3%	↓ 10 bps	→	→	Net credit costs remain low due to ₹954 Cr recoveries/upgrades.
Capital Adequacy / CET1 %	13.7%	↓ 20 bps	↓ 30 bps	↓	Reported basis. Pro-forma (AT-1 impact) stands at 11.4%.
PAT (₹Cr)	1,080	↑ 65.0%	↑ 0.8%	→	Reported PAT; Pro-forma is a loss of ₹5,217 Cr.
Fee Income Growth %	15.5%	↑	↑	↑	Strong momentum in cards (up 26.6% YoY) and loan processing.

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	GNPA %	Trend	vs Co Avg	Key Development
Retail Banking	131,252	8.7%	2.1%	→	Below	Calibration in product mix; Secured Business Loans up 24.6% YoY.
Commercial Banking	75,043	20.2%	0.7%	↑	Above	Strongest organic growth driver; Granular MSME focus.
Corporate (CIB)	88,000	31.4%	0.7%	↑	Above	Aided by MNC referrals and SMBC synergies.
FCTL (GIFT City)	15,215	N/A	0.0%	↑	N/A	Short-term distortion from RBI FCNR swap window.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	NIM Target	3.0%+ (Long-term)	Needs ~40bps expansion; H2 RIDF rundown of □8,000 Cr is key.	Partially (NIM up YoY)	Medium
Guidance	RoA Target	1.0% (FY27)	Current H1 at 0.9%; needs 1.1% in H2 to average 1.0%.	Delivered (0.9%)	Medium
Guidance	Recovery Target	□2,500 Cr (Annual)	Recoveries at □954 Cr in Q2 (incl. □395 Cr SR gains).	On Track	Low
Strategy	Capital Buffer	Restore CET-1 levels	Evaluating capital actions to align with peer buffers.	New Priority	High
Strategy	Advance Growth	Industry + (15-18%)	Normalized growth (17.6%) already hits the upper end.	Delivered	Low
Strategy	SMBC Synergy	Cross-border fees	Tapping into 2nd largest Japanese banking group network.	Deepening	Low
Macro	Rate Sensitivity	NIM Tailwind	2/3rd of book is floating; 25bps repo hike = high single-digit NIM gain.	In-line	Low
Balance	RIDF Rundown	Reduce low-yield assets	□8,000 Cr to be redeemed in H2FY27 (Q3: □4.5k, Q4: □3.5k).	Consistent	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Sucrit D. Patil / Eyesight	Strategy	Management Commentary	"Beyond the regular outlook, what are the top 2 to 3 execution priorities you are focusing on in the next few quarters?"	Management is focusing on the "One Bank" concept for vertical synergies and leveraging cross-referrals from the SMBC relationship. This signals a transition from balance sheet cleanup to a client-acquisition-led growth phase.	None	4.0	Directional with evidence
2	4.5	Sucrit D. Patil / Eyesight	NIM / Risk	Financials	"What specific measures have been taken to manage margins... especially in a rate-sensitive area?"	Management highlighted the RIDF rundown (□8,000 Cr in H2) and the deployment of FCNR funds as primary tailwinds for NIM expansion. Successful execution here is the only way to hit the 1% RoA target without one-off SR gains.	None	4.5	Clear and quantified
3	5.0	Jai Mundhra / ICICI Sec	AT-1 Accounting	Financials	"Would there be any P&L implication or it will be only adjusted in the reserves [if AT-1 reversed]?"	Management clarified that the current pro-forma assumes a P&L hit but in substance, it is a balance sheet	Timing of recognition	3.5	Specific accounting logic

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						restatement from reserves to borrowings. This means while the optics of a loss are severe, the core equity (Net Worth) hit is the actual economic impact.			
4	5.0	Jai Mundhra / ICICI Sec	AT-1 Coupons	Governance	"Is there any cash outflow also because of this... and what about the coupons?"	Management stated that the principal restatement has no cash outflow but the payment of past/future coupons is still under legal assessment. A requirement to pay back-dated coupons would be a significant additional drain on profitability.	Whether coupons will be paid	2.0	Deflected — key signal
5	3.5	Jai Mundhra / ICICI Sec	UPI / Fees	Business Overview	"What would be your market share in value terms in payer PSP and payee PSP?"	Management reported a 58.7% share in payee PSP and 36.4% in payer PSP volumes. Monetization of this dominant market share through MDR remains the largest untapped	Value market share	3.0	Volume data only

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						revenue lever for the bank.			
7	4.0	Jai Mundhra / ICICI Sec	Rate Sensitivity	Financials	"1 basis point repo rate hike gives you how much additional rupees for interest income?"	Management noted that 65% of the book is floating rate (Repo/T-Bill linked) and a 25bps hike would yield high single-digit bps in NIM. This makes the bank a clear beneficiary of a "higher for longer" interest rate environment.	Exact Rupee sensitivity	4.0	Directional with evidence
8	3.5	Jai Mundhra / ICICI Sec	Liquidity	Financials	"What was the need for Certificate of Deposit rising up... ideally it should have been repaid?"	Management explained that the CD increase was tactical and driven by rating upgrades that allowed access to cheaper funding despite the FCNR liquidity. This demonstrates opportunistic liability management rather than a liquidity crunch.	None	5.0	Clear and quantified
9	4.5	Jai Mundhra / ICICI Sec	ECL Impact	Financials	"What would be the transitional impact for the bank as you transition to ECL?"	Management expects a 50-60 bps hit to CET-1 from ECL, but expects this to be largely offset	None	4.0	Clear and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						by new Credit Risk circulars. This suggests regulatory changes will not be a standalone catalyst for a capital raise.			
10	5.0	Mayank B. / MLP	Capital Adequacy	Financials	"Fundamentally CET-1 plus AT-1 remains the same... would you guys have any conversation with the regulator [to avoid a raise]?"	Management admitted that while 11.4% CET-1 is above regulatory minimums, it is "not ideal," and they will evaluate capital actions to restore comfort. This confirms that the AT-1 verdict has moved the bank from a "capital-sufficient" to a "capital-deficient" posture relative to peers.	None	4.0	Clear and quantified
11	4.5	Mayank B. / MLP	SR Portfolio	Financials	"There are such stored levers also available to unlock capital?"	Management flagged a Security Receipt portfolio with ₹2,000 Cr NAV but zero carrying value as a "stored lever" to boost capital. Unlocking this asset could provide	None	4.5	Specific timeline/ value

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						a ~40-50bps CET-1 buffer without equity dilution.			
12	4.0	Jayant Kharote / Axis	NIM H2	Financials	"What is the exact NIM outlook for the next 2 quarters?"	Management expects Q3 margins to be stable (due to full-quarter FCNR impact) but Q4 to show a positive bias as RIDF redemptions kick in. This pushes the 1% RoA bull case into Q4FY27.	Exact NIM figure	4.0	Directional with evidence
13	5.0	Jayant Kharote / Axis	Growth Sustainability	Strategy	"At what level of growth, even with this capital... can you guys comfortably grow?"	Management calculated that an 8.2% ROE plus DTA release allows for 11% growth without consuming capital. This ensures the bank doesn't have a "gun to its head" for a rights issue but limits aggressive growth ambitions.	None	5.0	Clear and quantified

PATTERN FLAGS & SENTIMENT

The AT-1 Verdict & Capital Anxiety: This was the singular focus of the call. Management's strategy was to separate the "pro-forma" accounting hit from the "operational" momentum. While they were convincing about the ability to grow at 11% using internal accruals and DTA releases, the shift from a 14% CET-1 to 11.4% CET-1 fundamentally changes the bank's risk profile. Analysts were clearly skeptical of the "no rush to raise capital" stance, given peer banks operate at much higher buffers.

NIM & FCNR Distortion: Analysts pushed back on the 2.6% NIM, suspecting underlying weakness. Management successfully defended this as a temporary distortion from the □18k Cr FCNR mobilization window.

The roadmap for H2 NIM expansion—anchored by the ₹8,000 Cr RIDF rundown—remains a credible, mathematically sound lever that analysts seem to have accepted, provided credit costs remain low.

Analyst Sentiment Verdict: Skeptical but appreciative of operational transparency. The friction point was the binary outcome of the AT-1 case; management had spent quarters positioning it as a defensible litigation, and the loss has created a massive equity vacuum. Credibility on operations is at an all-time high, but the "legal/ capital strategy" credibility has taken a hit. The unresolved issue of back-dated coupon payments is the largest remaining downside risk for the next two quarters.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY27)	This Quarter (Q2FY27)	Direction
AT-1 Status	Pending Litigation	Upholding of Write-down (Supreme Court)	↓ Deteriorating
CET-1 Ratio	14.0%	11.4% (Pro-forma)	↓ Deteriorating
Asset Quality (GNPA)	1.3%	1.2%	↑ Improving
NIM (Reported)	2.7%	2.6%	↓ Deteriorating (Temp)
Capital Allocation	Comfortable Growth	Re-evaluating Capital Raise Actions	↓ Deteriorating
Operating Profit	₹1,704 Cr	₹1,678 Cr	→ Stable
FCNR(B) Balances	Minimal	₹18,575 Cr (RBI Swap Window)	↑ Expansion
SMBC Partnership	General Synergy	Nominee Directors Induction / Leverage Limits	↑ Deepening
CASA Ratio	32.7%	30.0%	↓ Deteriorating
Net Worth Impact	Binary Risk	₹5,217 Cr Pro-forma Loss Recognition	↓ Deteriorating

STOP HERE.