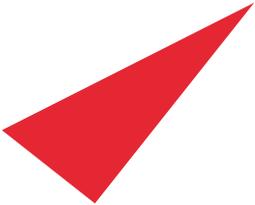


Stock Update

Yes Bank

December 8, 2025



Industry	LTP	Recommendation	Fair Value	Time Horizon
BFSI – Pvt. Bank	Rs 21.87	Hold – Add on Declines in 19.8 – 18.5 range	Rs 24.8	2-3 quarters

HDFC Scrip Code	YESBAN
BSE Code	532648
NSE Code	YESBANK
Bloomberg	YES IN
CMP Dec 8, 2025	21.9
Equity Capital (Rs Cr)	6275.3
Face Value (Rs)	2
Equity Share O/S (Cr)	3137.6
Market Cap (Rs Cr)	68618
Adj. Book Value (Rs)	15.7
Avg. 52 Wk Volumes	12,05,38,000
52 Week High	24.3
52 Week Low	16.0

Share holding Pattern % (Sep 2025)	
Promoters	0.0
Institutions	65.8
Non Institutions	34.2
Total	100.0



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst
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Our Take:

Yes Bank, which had grown to become the sixth-largest private bank in India, was rocked by an asset quality crisis after it was found that it was not following laid-down procedures. After its 2020 crisis due to bad loans and governance issues, it has undergone a major RBI-led restructuring, attracting capital from SBI and other banks, and has shifted focus to retail/SME lending, cleaned its BS, and recently saw a significant investment from Japan's SMBC, signaling a transition towards stability, renewed growth, and improved governance, despite lingering investor caution.

Yes Bank's transition from crisis recovery to sustainable growth, supported by strong institutional backing (SMBC) and strategic shifts towards healthier lending, makes it a turnaround story with potential for value unlocking if core profitability and retail franchise strengthen further. However, this has come at massive equity dilution, and the bank has been required to raise funds every few years. As a result, the Bank's return ratios have remained significantly lower than those of its peers.

Valuation & Recommendation:

Yes Bank is focusing on increasing fee-based income, seeing growth in corporate banking fees, forex services, and insurance distribution. Third-party sales and retail life insurance premiums are contributing to this momentum. It has also expanded its digital channels - mobile banking, internet banking, and self-service kiosks. The bank has partnered with fintech companies and introduced AI-powered chatbots and virtual assistants to answer queries, provide account information, and assist with transactions, enabling 24/7 customer support. The bank is also exploring blockchain technology to enhance security, transparency, and operational efficiency.

The mgmt. is targeting 1% RoA by FY27. However, we believe the targets are aggressive and achievable post FY28. We have estimated the fair value of the stock to be 24.8, valuing the bank at ~1.45x FY27E ABV. Investors can look to add the stock on declines in the range of Rs 19.8 to 18.5.

Financial Summary:

Particulars (Rs cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	2301	2200	4.6	2371	-3.0	8944	9972	11288	12727
PPoP	1297	975	32.9	1358	-4.5	4254	5257	6184	7091
PAT	654	553	18.3	801	-18.3	2406	3005	3599	4150
EPS (Rs)	0.2	0.2	18.2	0.3	-18.3	0.8	1.0	1.1	1.3
ABV (Rs)						15.0	15.9	17.1	18.4
P/ABV (x)						1.5	1.4	1.3	1.2
RoAE (%)						5.4	6.1	6.8	7.4
RoAA (%)						0.6	0.7	0.7	0.8

Q2FY26 Result Update

Yes Bank reported a PAT of Rs 654 cr for Q2FY26, marking a 18.3% QoQ decline but an 18.3% YoY improvement. NII for the quarter stood at Rs 2301 cr, representing a 3% QoQ decline. Other Income also declined sequentially; however, this was led by lower treasury gains (falling 70% QoQ to Rs 45cr) as fee income grew steadily at 18% QoQ, 12% YoY. Asset quality remained strong with GNPA stable at 1.6% and net NPAs at a creditable 0.3%. Provisions rose 41% YoY to Rs 419cr during the quarter, indicating higher provisioning requirements even as slippages remained contained. Gross slippages were down 36bps sequentially to 2.0%. The capital adequacy ratio stood at 15%, slightly below the previous quarter's 15.9% but still comfortably above regulatory requirements.

Management Guidance:

The bank is targeting 1% RoA for FY27, Loan growth targets – double digit loan growth with retail growth of 4-5% in FY26.

Key Triggers

SMBC investment to strengthen the bank

Sumitomo Mitsui Banking Corporation (SMBC) has invested approximately \$1.7 billion in Yes Bank, increasing its stake to 24.22% and making it the bank's largest shareholder. This investment was completed in two phases: first, a 20% stake was acquired from a consortium of banks in May 2025, followed by an additional 4.22% stake from CA Basque Investments (Carlyle) in September 2025. The Reserve Bank of India (RBI) approved the acquisition and allowed SMBC to hold up to 24.99% of the shares, with the condition that SMBC would not be classified as a promoter.

The partnership aims to leverage SMBC's global expertise to strengthen Yes Bank's corporate banking, treasury services, and cross-border solutions, particularly for trade and investment flows between India and Japan. While SMBC has reached its initial approved limit, it has not ruled out further investment in the future, subject to regulatory approvals.

This investment marks the largest cross-border investment in an Indian private sector bank. For Yes Bank, the investment is expected to:

Enhance growth: Use SMBC's global network and expertise to accelerate growth in corporate banking, treasury services, and cross-border solutions.

Improve credit ratings: The transaction has already contributed to a credit rating upgrade for Yes Bank.

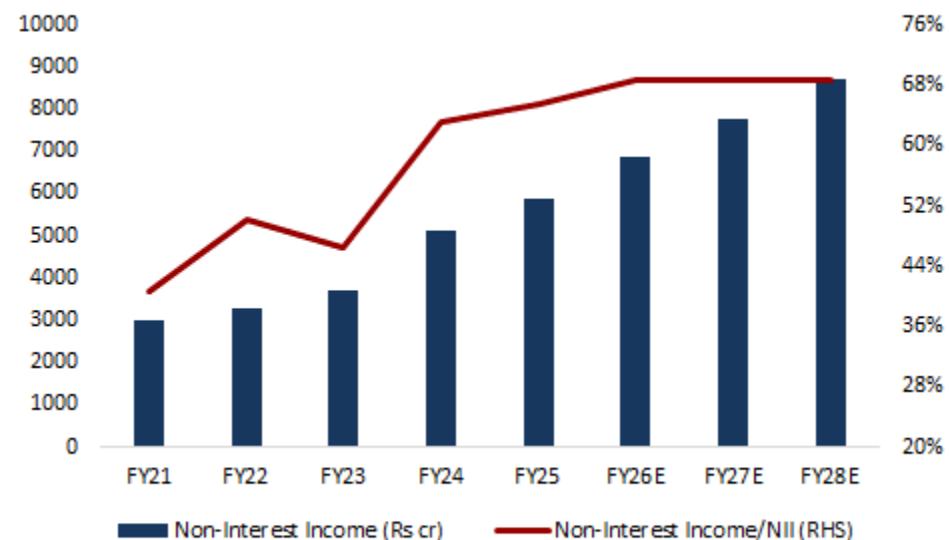
Strengthen finances: Help lower funding costs and improve profitability.

Boost investor confidence: Mark a key step in the bank's turnaround following its rescue in 2020.

Focus on increasing fee income to drive return ratios.

Yes Bank is strategically focusing on increasing its fee-based income to diversify revenue streams. This strategy involves focusing on fee income by growing its core fee income through areas like loan processing, forex, and third-party distribution particularly in areas like retail life insurance, while also boosting retail banking fees and transaction fee income. This is part of a broader effort to improve profitability and stability, supported by a strong customer acquisition engine and leadership in digital banking. The bank is also expanding its digital channels and services, such as UPI, cash management, and GST collection, to drive fee income.

Strong non-interest income growth

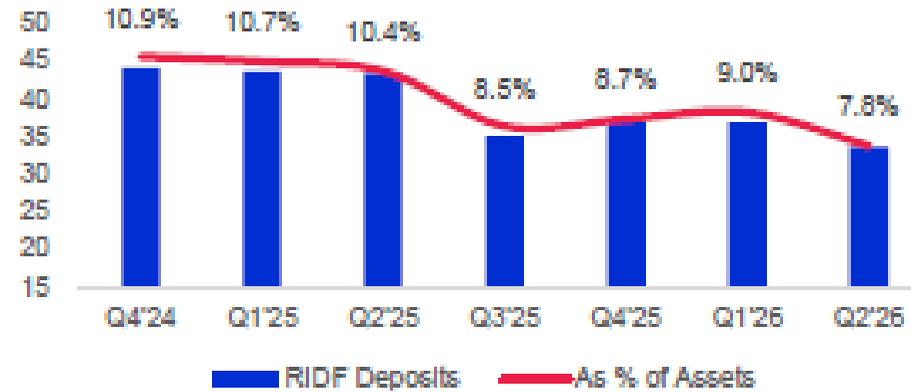


(Source: Company, HDFCsec)

Multiple triggers for NIM expansion

Declining exposure to RIDF: Yes Bank's exposure to the Rural Infrastructure Development Fund (RIDF) has been decreasing, falling to approximately 9% of its funds as of early fiscal year 2026, a reduction from 11.5% in fiscal year 2022. The bank aims to further reduce its RIDF exposure to about 5% by fiscal year 2027. This reduction, driven by the bank's strategic focus on increasing retail and SME lending, is expected to improve its profitability by boosting net interest margins.

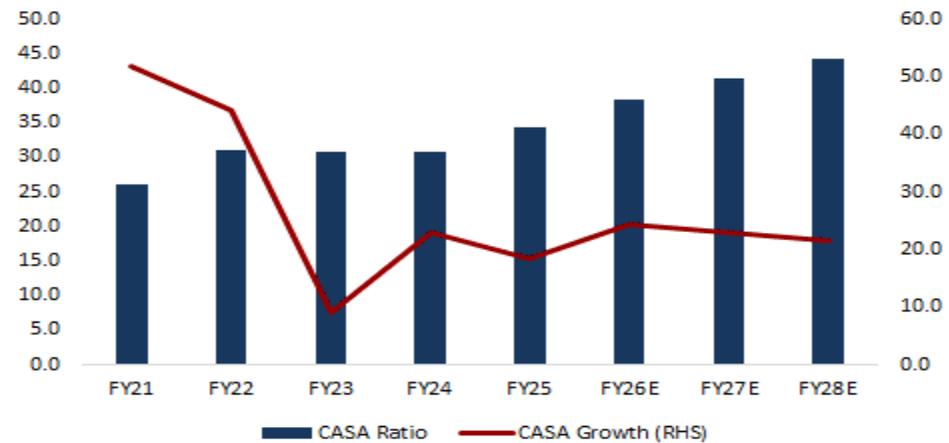
PSL Mandated Deposits as a % of Total Assets



(Source: Company, HDFCsec)

Expanding CASA ratio: The bank is deliberately targeting higher deposit growth than credit growth, focusing on low-cost deposits to lower its overall cost of funds. The strategy centers on attracting deposits from retail customers and other CASA holders to create a more stable and cheaper funding base. As a result of this strategy, YES Bank's CASA ratio has improved to 33.7% in Q2 FY2026, up from 32.0% a year earlier. CASA deposits grew by 13.2% year-on-year in Q2 FY2026, outperforming the growth in the overall deposit base.

Higher CASA growth to aid NIM expansion



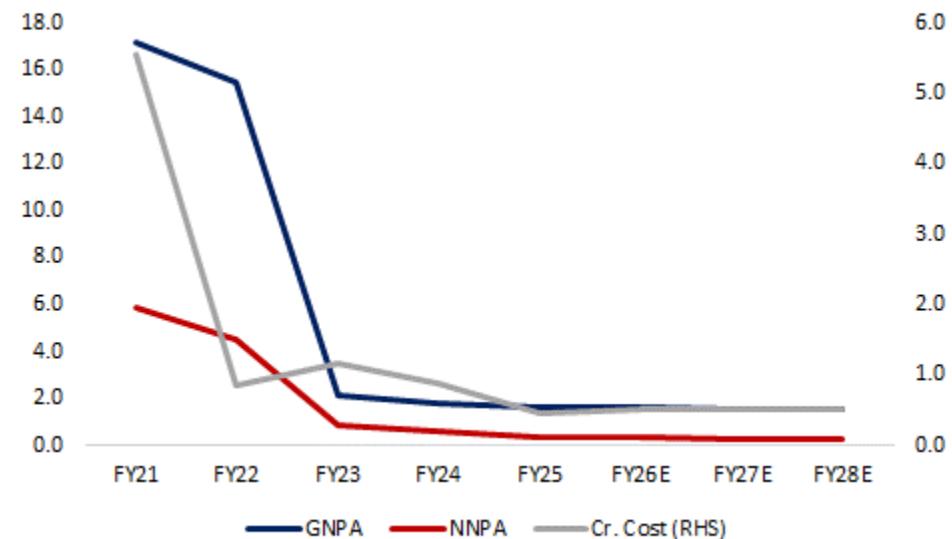
(Source: Company, HDFCsec)

Deposit rate repricing: Over the past year, Yes Bank has been reducing interest rates offered on savings and term deposit accounts. Headline savings rates have been reduced by 200bps. Similarly, term deposit rates have also been cut by ~125-150bps. The effect of the rate cuts would start playing in the margins in the coming quarters.

Credit costs under control, aiding superior asset quality

Yes Bank's asset quality has improved significantly, marked by a substantial decline in its Gross Non-Performing Assets (GNPA) ratio from 16.8% in FY20 to 1.6% in Q2 FY26, driven by asset sales, de-risking strategies, and better risk management. The bank has a cleaner balance sheet with a lower net NPA ratio of 0.3% and has seen a decline in restructured assets and fresh slippages. While the retail segment requires continued monitoring due to higher slippages, the overall asset quality is stable and has provided a "silver lining" amid other financial performance aspects.

Stable credit costs leading to lower NPA levels



(Source: Company, HDFCsec)

Credit rating upgrades could lower borrowing costs

Yes Bank's long-term issuer rating has been upgraded by major rating agencies, with India Ratings and Crisil both upgrading it to 'AA-' with a stable outlook. The upgrades are attributed to the bank's improved profitability, a stronger focus on retail and SME loans, better asset quality, and a healthy capital position.

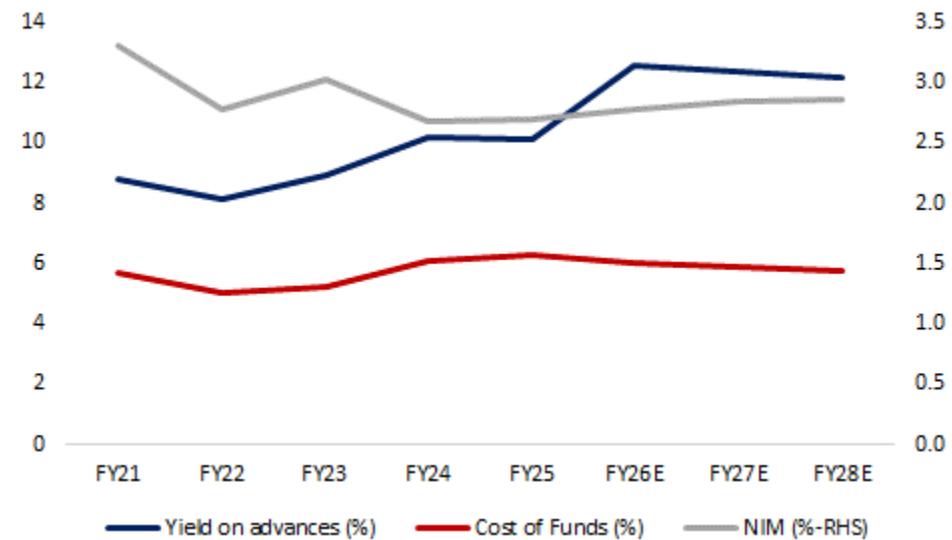
Shift towards high-yielding products

Yes Bank's current strategy is a deliberate shift towards higher-yielding retail and SME loan products to improve its net interest margin (NIM) and overall profitability. The bank is moving away from low-margin segments and high-cost corporate deposits. These include:

- Loans against property (LAP)
- Affordable home loans
- Used car loans
- SME and mid-corporate lending

The core goal of this strategy is to expand the bank's NIM (which was stable at 2.5% in Q2 FY26) and increase its RoA from the current 0.6% to a guidance of 1% by FY27.

NIM set to expand



(Source: Company, HDFCsec)

Risks & Concerns

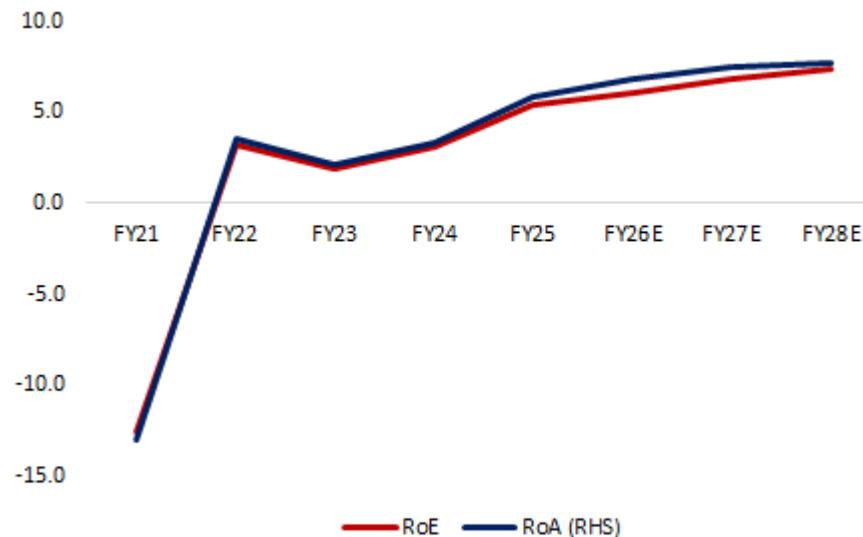
- The bank's 2020 crisis was caused mainly by major governance lapses, aggressive lending practices by previous management, and allegations of loan fraud and money laundering involving its former CEO, Rana Kapoor. While a new board and management are in place, the history creates lingering investor caution and reputational risk.
- Although the asset quality of the bank has improved significantly since the crisis, managing credit risk and preventing future loan slippages remains a key challenge
- Yes Bank's financial ratios, such as Net Interest Margin (NIM) and Return on Equity (ROE), are still lower compared to its major private bank peers like HDFC or ICICI. This indicates lower overall operational efficiency and profitability.
- Due to its history and ongoing recovery status, the bank's stock is highly volatile and susceptible to market sentiment and news-driven price movements.
- Bank operates in a highly competitive Indian banking sector and faces stiff competition from larger, more established public and private sector banks.

Company Background

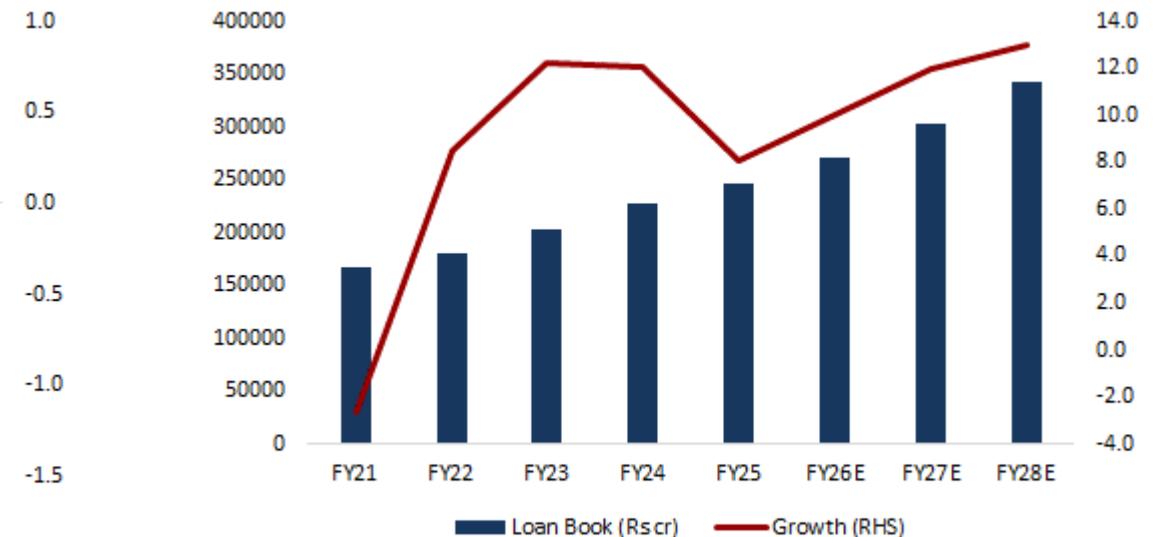
Yes Bank is the sixth largest private sector bank in India. It offers services to retail, micro, small, and medium enterprises (MSME) and corporate clients. It's a full service commercial bank providing a range of products, services and digital offerings, catering to retail, MSME, and corporate clients.

The bank has a strong distribution network of 1,295 branches and over 1,316 ATMs in over 300 districts of India. Apart from this, the bank also has three wholly owned subsidiaries - Yes Securities Ltd, Yes Asset Management Ltd, and Yes Trustee Ltd.

Return Ratios



Loan Book



(Source: Company, HDFCsec)

Financials

Income Statement

(Rs cr)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	27586	30895	32442	35446	39275
Interest Expenses	19491	21951	22470	24158	26548
Net Interest Income	8095	8944	9972	11288	12727
Non interest income	5114	5857	6850	7751	8722
Operating Income	13209	14801	16822	19038	21448
Operating Expenses	9823	10547	11566	12854	14358
PPoP	3386	4254	5257	6184	7091
Prov & Cont	1886	1086	1292	1435	1615
Profit Before Tax	1500	3168	3964	4749	5475
Tax	249	762	959	1149	1325
PAT	1251	2406	3005	3599	4150

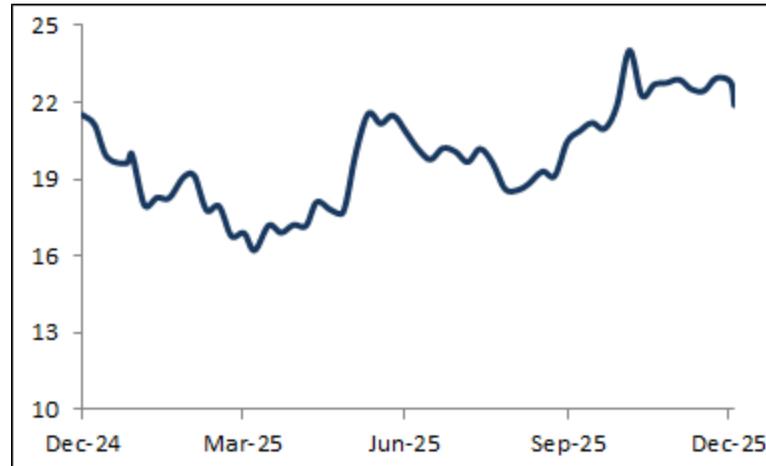
Balance Sheet

(Rs cr)	FY24	FY25	FY26E	FY27E	FY28E
Eq. Share Capital	5754	6271	6275	6275	6275
Reserves & Surplus	36392	41509	44514	48113	52264
Shareholder funds	42145	47780	50785	54384	58535
Deposits	266372	284525	316199	359186	409291
Borrowings	79941	71603	73118	75826	78829
Other Liab & Prov.	17035	19514	17916	17003	15743
SOURCES OF FUNDS	405493	423422	458022	506404	562401
Cash and cash equivalents	18930	28059	29793	32154	34277
Investments	90235	85104	92074	102214	113102
Advances	227799	246188	270807	303304	342734
Fixed assets	2857	3065	3122	3395	3685
Other assets	65672	61005	62225	65336	68603
Total assets	405493	423422	458022	506404	562401

Ratio Analysis

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Return Ratios (%)					
Yield on adv	10.2	10.1	12.6	12.3	12.2
Cost of funds	6.1	6.2	6.0	5.9	5.8
NIM	2.7	2.7	2.8	2.8	2.9
RoAE	3.1	5.4	6.1	6.8	7.4
RoAA	0.3	0.6	0.7	0.7	0.8
Asset Quality Ratios (%)					
GNPA	1.7	1.6	1.6	1.6	1.5
NNPA	0.6	0.3	0.3	0.3	0.3
PCR	66.6	79.7	80.6	81.5	82.3
Growth Ratios (%)					
Advances	12.1	8.1	10.0	12.0	13.0
Deposit	3.2	-10.4	2.1	3.7	4.0
NII	2.2	10.5	11.5	13.2	12.7
PPoP	6.4	25.6	23.6	17.6	14.7
PAT	74.4	92.3	24.9	19.8	15.3
Per Share Data (Rs)					
EPS (Rs)	0.4	0.8	1.0	1.1	1.3
P/E (x)	50.3	28.5	22.8	19.1	16.5
Adj. BVPS (Rs)	14.2	15.0	15.9	17.1	18.4
P/ABV (x)	1.5	1.5	1.4	1.3	1.2
Dividend per share (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Other Ratios (%)					
Cost-Avg Assets (%)	74.4	71.3	68.8	67.5	66.9
Cost-Income (%)	85.5	86.5	85.6	84.4	83.7

Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

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