“Bandhan Bank Limited

Q2 and H1 FY27 Earnings Conference Call”

October 28, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to the Bandhan Bank Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mundhra. Thank you, and over to you, sir.

Vikash Mundhra: Thank you, Danish. Good evening, everyone, and a very warm welcome to all of you. It's a pleasure to have you with us today as we discuss Bandhan Bank's business and financial performance for the quarter and half year ended September 2026.

In today's call, we will take you through our business performance, the achievements and challenges during the quarter. Joining us on the call today are:

- Mr. Partha Pratim Sengupta, Managing Director and CEO;
- Mr. Rajinder Kumar Babbar, Executive Director and Chief Business Officer;
- Mr. Ratan Kumar Kesh, Executive Director and Chief Operating Officer;
- Mr. Vinay Jain, Chief Financial Officer;
- Myself Vikash Mundhra, Head of Investor Relations; and other members of our senior management team.

After the management's remarks, we'll be happy to take your questions and provide any additional clarity on the quarter's performance and our outlook. With that, I would now like to invite our Managing Director and CEO, Mr. Partha Pratim Sengupta to share his thoughts on the bank's performance for the quarter. Over to you, sir.

Partha Pratim Sengupta: Thank you, Vikash. Good evening, everyone and thank you for joining us today. The second quarter of FY27 reflects continued progress in strengthening the fundamentals of the bank. Our performance has been steadily progressing since September 2025, and we are seeing encouraging progress across several areas that are critical to building a stronger, more diversified and sustainable franchise.

During the quarter, we achieved another important milestone in our universal banking journey with the launch of our credit card business. Our four variants, Sparks, Ignite, Flare and Lumina have been designed to address the needs of different customer segments from Gen Z and emerging affluent customers to frequent travelers and premium lifestyle consumers. We believe credit cards will further strengthen our overall customer proposition while creating opportunities to depend relationships, enhance cross-sell and derive greater value from our growing customer franchise over time.

During the quarter, our focus remained on maintaining healthy business growth, accelerating deposit mobilization, improving the composition of our loan portfolio, protecting asset quality and steadily strengthening profitability. I am pleased to share that we have made meaningful progress across each of these priorities. As a result, during the quarter, we have seen significant improvement in our operating profit and PAT.

On the asset side, our loan book reached approximately INR1.58 lakh crores, representing a healthy 13% YoY growth. Growth continued to be led by our non-EEB business, which expanded by 20% YoY, providing greater diversification and multiple growth engines to the overall franchise.

And encouraging development this quarter has been the stabilization of the EEB portfolio. Following the moderation witnessed in the last few quarters, the de-growth in EEB has now been arrested. While we continue to remain prudent in this segment, the underlying trends have improved, and we are hopeful that the portfolio should return to a healthy growth trajectory from here.

Our journey towards building a more secured and diversified balance sheet also continues to progress well. The secured portfolio grew 18% YoY and now represents 57.3% of the total advances from 54.9% a year ago. This gradual transformation of our portfolio mix is helping us build a more balanced risk profile while retaining the core strengths of our franchise.

Housing is another business where we expect to see an improvement from here. Over the last few quarters, we have undertaken significant changes in this business, including verticalization of the structure and several other changes to strengthen execution. This transition impacted growth and resulted in some near-term asset quality challenges. However, with most of these changes behind us, we believe the business is better positioned for growth.

Turning to liability. The progress during the quarter has been particularly encouraging. Total deposits increased to approximately INR 1.73 lakh crores with a strong 4.7% sequential growth, without any support from the FCNR (B) deposits. Importantly, this helped bring our net credit-deposit ratio down to 89.5% from around 92% in the previous quarter.

Retail term deposits continue to demonstrate healthy momentum, growing by around 17% YoY without any significant contribution from FCNR deposit mobilization. This gives us greater confidence in the underlying strength and sustainability of our retail deposit franchise.

At the same time, I'd also like to acknowledge that our performance in saving back account in the quarter was below our expectations. We saw some balances move out following the recalibration of interest rates across certain savings bank buckets.

While this affected balances in the near term, our approach is very clear. We want to build a granular and sustainable savings account franchise, anchored around deeper customer relationships, transactions and engagement, rather than being disproportionately dependent on rate sensitive deposits.

We believe this is the right approach for strengthening the quality of our liability franchise over the medium term. To do so, we are working on several levers. Corporate salary accounts are an important opportunity and our customer proposition is becoming broader with products such as credit cards.

We are also strengthening our proposition for HNI and ultra HNI customers through specific product offerings. At the same time, our larger objective is to grow the mass banking customer base through granular acquisition and deepen relationships with our existing asset customers through cross-sell and strengthening digital platforms.

We also witnessed an increase in bulk deposits during the quarter. Let me clarify that this does not represent any change in our liability strategy. A significant portion of this incremental bank deposits was raised at shorter tenures primarily for liquidity management, while at the same time we reduced relatively higher cost borrowings. Our philosophy on bulk deposits, therefore, remains unchanged. We do not intend to use bulk funding as a structural source to drive loan growth. It will be used selectively for liquidity and balance sheet management, while our primary focus continues to be on building granular retail deposits.

Coming to profitability. Our performance during the quarter demonstrates the underlying resilience of the franchise. Despite changes in the deposit mix, increase in the secured advances mix and moderation in savings bank account balances, NIMs remained broadly stable at 6.1%.

Our overall asset quality position remained healthy, with gross NPA at 3.1% and net NPA at 0.9%. Provision coverage, including technical write-offs, remained strong at approximately 87%. Credit costs also remained broadly stable sequentially at 1.8%.

The progress we are making across the franchisee is also becoming increasingly reasonable in our earnings performance. Net total income for Q2 FY27 stood at INR 3,655 crores, growing 17% YoY. While operating profit increased by a strong 19% YoY to INR 1,556 crores. Profit after tax for the quarter stood at INR 622 crores, which is 5.5x YoY.

More importantly, our return ratios showed meaningful improvement during the quarter with ROA, ROE improving to 1.2% and 9.3%, respectively, versus 0.2% and 1.8% in Q2 FY26.

While there is still further ground to cover, the direction of movement gives us confidence that our efforts across business growth, balance sheet quality and profitability are translating into better outcomes.

Our capital proposition continues to provide a strong foundation for our growth aspirations. Including profit, our capital adequacy ratio stood at 18.3% with a Tire 1 capital at 17.7%, providing adequate headroom to support future growth while maintaining a prudent capital buffer.

Our physical distribution network also expanded further as during the quarter, we added 13 new branches and 14 banking units taking the total count to 2001 branches and 4,414 banking units.

Overall, I would characterize the second quarter as one of the balanced and steady progress quarter. Deposit mobilization has gathered momentum, our net CD ratio has moderated, the EEB portfolio has stabilized, diversification towards secured businesses continues, asset quality remains under control, and profitability and return ratios have improved substantially.

As we enter the second half of the financial year, our priorities remain clear. We will continue to focus on accelerating granular deposit growth, rebuilding momentum in saving accounts, growing our business in a disciplined manner, maintaining asset quality and improving operating efficiency. We also expect the actions taken across EEB and housing to increasingly contribute to the growth trajectory in the coming quarters.

While the external operating environment continues to require careful monitoring, we remain focused on the factors within our control. Our objective is not merely to grow the balance sheet, but to improve the quality, resilience and profitability of the franchise as we grow.

The progress achieved during the first half of the year gives us confidence that we are moving in the right direction. We will remain disciplined in our execution, prudent in our risk management and focus on building a stronger Bandhan Bank and creating sustainable long-term value for all of our stakeholders.

With that, I would now like to hand over the call to our interim Chief Financial Officer; Shri Vinay Jain, who will take you through the financial performance and other key developments during the quarter in greater detail. Thank you.

Vinay Jain: Thank you, sir. Good evening, everyone. Let me take you through the financial and operating performance of the bank for the second quarter of financial year 2027. I will cover the key movements across advances and deposits, followed by asset quality and the P&L for the quarter and the first half.

Starting with advances. As of September 30, 2026, our gross loan book stood at approximately INR 1.58 lakh crores representing a growth of 13.1% YoY and 1.8% sequentially. The composition of growth continues to evolve in line with our portfolio strategy. The non-EEB book grew 19.8% YoY and now accounts for 66.7% of total advances, highlighting the significant diversification achieved across the franchise.

The EEB portfolio stood at INR 52,616 crores. Importantly, after the moderation witnessed in the previous few quarters, the portfolio remained broadly stable sequentially and grew 1.7% YoY. Growth across our diversified businesses remain strong. Retail assets grew 41.9% YoY, led by commercial vehicles, construction equipment, auto and gold loans.

Wholesale Banking grew 31.6% YoY, supported by continued business momentum and continuing deepening of our client relationships. Today, the loan book is significantly more diversified with multiple businesses contributing to growth. EEB group lending now constitutes 22% of advances, SBAL 11%, Wholesale Banking 34%, housing finance 22%, and retail and other loans 11%. This gives us a well-diversified platform to pursue growth across different customer segments.

Moving to liabilities. Total deposits stood at approximately INR 1.73 lakh crores as of September 30, 2026, registering a growth of 9.2% YoY and 4.7% sequentially. Our core retail franchise continued to expand. Retail deposits comprising CASA and retail term deposits grew 11.9% YoY, continuing to grow faster than overall deposits.

Retail term deposits remain the principal driver, growing 16.8% YoY. Overall, retail deposits constitute 72.7% of our deposit base, with a focus continuing on strengthening the granular and sustainable components of the liability franchise.

CASA balances stood at INR 46,132 crores, growing 4.3% YoY with CASA ratio at 26.7%. During the quarter, we consciously recalibrated rates across certain savings account buckets, which resulted in the runoff of some higher-cost, rate-sensitive balances. As a result, period-end saving balances moderated sequentially. On the other hand, current account performance was strong with period-end balances growing 36.9% YoY and 18.2% sequentially.

Bulk deposits increased by approximately INR 4,300 crores sequentially or around 10%. However, this movement should be viewed together with reduction in borrowings. During the same period, borrowing declined approximately INR 3,400 crores or 25% sequentially as we substituted relatively high-cost

borrowings with shorter tenure bulk deposits. As MD sir mentioned, this was primarily our liquidity and funding cost management exercise rather than a change in our longer-term liability strategy.

Moving to collections and asset quality, we saw encouraging trends across several underlying indicators during the quarter. Bank level collection efficiency, excluding the NPAs, remained healthy at 99.4% for Q2 FY27, improving 36 basis points QoQ. More importantly, collection performance within EEB strengthened meaningfully, with collection efficiency improving to 99.3% in Q2 from 98.9% in Q1 2027. Additional details on collection efficiency are available on Slide 22 of the investor presentation.

The improvement is also reflected in early delinquency indicators. The EEB DPD pool improved to 2.9% from 3.5% in the previous quarter, with the EEB DPD pool declining by approximately 17% sequentially to INR 1,529 crores versus INR 1,842 crores in Q1 FY27. Further details have been provided on Slide 23 of the investor deck.

Gross slippages for the quarter stood at INR 1,125 crores compared to INR 1,079 crores in Q1 with EEB slippages at INR 655 crores. At the same time, resolution momentum strengthened. Recoveries and upgrades improved to INR 481 crores from INR 449 crores in Q1. After normalizing the INR 119 crores ARC recovery recorded in the previous quarter, net slippages improved by approximately 14% sequentially, providing a better reflection of the underlying asset quality.

Further, during the quarter, we also took write-offs of approximately INR 607 crores, of which INR 424 crores related to the EEB portfolio. Overall, quality remained stable with gross NPA and net NPA at 3.1% and 0.9%, respectively. Provision coverage ratio remained stable at 71.2%, increasing to 74.3% including the provision against the SRs, providing a comfortable buffer against potential stress.

Let me now take you through the financial performance for the quarter, where we saw a healthy improvement across the key earning metrics. Net interest income increased by 14.4% YoY and 1.4% sequentially to INR 2,960 crores, supported by growth in advances and a resilient margin profile. NIM remained broadly stable at 6.1% compared to 6.2% in Q1. This was despite the continued movement in our asset mix towards secured businesses and moderation in saving account balances.

Non-interest income delivered healthy underlying momentum. Processing fee income grew by 30% YoY, supported by higher disbursement volumes in EEB book. Third-party distribution increased by 26% YoY, reflecting continued progress in cross-sell across our franchise. On expenses, operating cost in Q2 stood at INR 2,109 crores, an increase of 15.4% YoY.

Importantly, income growth and improved operating performance translated into operating profit of INR 1,556 crores, registering a strong 18.8% YoY and 14.6% sequentially. This improvement, combined with stable credit cost at 1.8% translated into a strong increase in profitability. Profit after tax stood at INR 622 crores, increasing by 23.9% sequentially and 5.5x YoY.

The improvement in earnings is also visible in our return ratios. ROA increased to 1.2% from 1.0% in previous quarters, while ROE improved to 9.3% from 7.7%. These movements reflect the improving profitability trajectory of the bank as we progress through FY27.

Let me briefly summarize the half yearly results. For first half of 2027, NII, net total revenue and operating profit was INR 5,881 crores, INR 7,190 crores and INR 2,915 crores, respectively. NIM, operating expense

to assets and credit cost were 6.2%, 4.2% and 1.8%, respectively. The bank reported a net profit of INR 1,123 crores in H1 2027, registering a growth of 132% YoY with an annualized ROA and ROE of 1.1% and 8.5%, respectively.

To summarize, Q2 was a quarter of healthy and increasingly balanced progress. Advances managed healthy growth, the portfolio mix continued to diversify, EEB collection and delinquency indicators improved, retail deposits continued to expand, and our funding mix was actively managed. More importantly, this progress is translating into financial outcomes, with double-digit net interest income growth, stronger operating profit, stable underlying credit costs and a meaningfully sequential improvement in both PAT and return ratios. Our balance sheet remains well capitalized and liquid, providing us adequate capacity to support the next phase of growth while maintaining financial discipline.

With that, I will hand it back to the moderator, and we will be happy to take your questions.

Moderator: Thank you so much sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question comes from the line of Ankit Bihani with Nomura. Please go ahead.

Ankit Bihani: Thank you for the opportunity, and congrats on the quarter. My question, the first question is on cost of funds and margins. Following the SA rate cut, we have seen our CASA ratio decline 270 QoQ. Now with the CD rates are also rising, how much SA attrition do you expect from here, and how do you see cost of funds and margins through the second half of the year? The second is on the MFI growth. Our MFI book was flat QoQ, while peers are back to growth. Is this something deliberate, and when do you expect the growth to resume? We see that the disbursements have seen an uptick. The third question is on the Bancassurance. Post the draft regulations on the commission cap, what is our assessment? What kind of impact do we see happening?

The fourth one is on the ECL. If you could give the day one ECL impact, and the second is what it means for the credit cost or update going ahead. Those are my questions.

Partha Pratim Sengupta: On CASA, the ratio has declined. While our current account has grown, the savings bank has actually dipped. There are two effects. One is that the Annapurna Scheme where we are the banker in West Bengal. That contributes around INR 4,000 crores almost every month. That came in the month of June last quarter, whereas this time it came in the middle of the period because of the Puja holidays and was subsequently drawn down. That affected CASA balances. Nevertheless, we remain focused on CASA growth. Stronger digital systems will support this.

Our mBandhan app that has launched, we have already added some more features. And we are making some new products also for Gen Z and the affluent segment. The credit card has been launched, which will attract corporate salary customers. These steps should help improve the CASA ratio during the year.

On deposit costs, we have not felt pressure so far. We did not participate meaningfully in FCNR mobilisation because the leverage facilities were not available to us. Across the industry, many banks have achieved their deposit budgets and are therefore less interested in bulk deposits.

Till now, none of the banks have increase their rates, and we also don't expect that in the very short term. Cost of funds should continue to moderate. We are switching between bulk deposits and borrowings primarily for liquidity and balance sheet management. That will continue. Overall, we remain hopeful of maintaining NIM in the 6.1%–6.2% range envisaged earlier.

On MFI, as discussed last quarter, we are prudent, but we are not against growth. Asset quality in the MFI book has improved. Slippages have come down substantially, gross and net NPAs are improving, and recovery rates are improving. After several quarters of a declining book, we have arrested the decline this quarter. Going into Q3 and Q4, despite the external factors, we are hopeful of achieving targeted growth of around 8%–10%. Disbursements are broadly progressing in line with that.

On bancassurance, the proposed changes will create headwinds across the industry, and Bandhan Bank cannot be insulated. However, we believe our model is relatively well positioned to navigate them. Our insurance business is predominantly retail, with a significant presence in semi-urban and rural areas, where the proposed commission rate is higher, which has been proposed to be at least 27%, 20% higher.

Our model is consent-based, and we do not currently offer credit-linked insurance. We have several levers to mitigate the impact over time: optimising the product mix, deeper customer engagement, focusing on mutual funds and diversifying fee income. Wholesale banking is also seeing steady growth. We see opportunities in mutual funds, cards, foreign exchange and trade finance, which should help compensate for a substantial part of any reduction in third-party distribution income if the circular is implemented.

The insurance industry has made representations, and we have also provided feedback to the regulator that the cost of distributing insurance needs to be considered. Insurance is not an easy product to sell. Customer acquisition, technology, risk analysis and measures to prevent mis-selling entail substantial costs, which should be reflected in the compensation. We will see how the final framework develops. We are aware of the issue and are working on it. Hopefully, we will not have that much of impact on the entire income of the bank.

Vinay Jain: Ankit, On ECL, we currently estimate the transition impact at around INR 2,200 crore. It will go through capital and will not affect the P&L. From a capital adequacy standpoint, the RBI has provided a five-year window to amortise the impact. On a flow basis, we estimate an impact of 15–20 basis points on a quarterly basis.

Ankit Bihani: Okay. And just a follow-up on the bancassurance income, like a few banks have highlighted if the draft norms are implemented as it is, the hit to the bancassurance could be in the range of 60-odd percent. Would that be a number to look for Bandhan Bank as well?

Partha Pratim Sengupta: We have not completed a detailed study, as we need to assess the full product mix and commissions earned across products. We are gearing it right now to address any impact and believe we will be able to make it up.

Ankit Bihani: Okay. Thank you for answering my questions.

Vinay Jain: One clarification on ECL: these estimates are based on March 2026 flow rates. The number will change depending on the portfolio as of March 2027. Given the improving portfolio quality, we expect a favourable change.

Partha Pratim Sengupta: The DPD and SMA pools are coming down, so we expect the eventual transition outcome to be much better.

Ankit Bihani: Got it. Thank you.

Moderator: Next question comes from the line of Jayant Kharote with Axis Capital. Please go ahead.

Jayant Kharote: Sir, processing fee growth, which is very strong. Is this all linked to the EEB disbursement growth that has happened this quarter? How to see the sustainability of this fee growth number that has picked up.

Partha Pratim Sengupta: Processing fees have improved across businesses- not just EEB, but also retail and corporate lending. Third-party product income increased around 26% YoY and also 26% sequentially. ARC-related income increased 16% YoY. Treasury income, that is profit on the sale of investments, increased around 39% quarter-on-quarter. Overall, we have seen improvement across other-income components.

We have added credit cards, which will contribute to other income. New forex products have been launched, and new wholesale products are being introduced. These should add to fee income. While we may face an impact on third-party distribution, we expect growth in other income streams to compensate.

Jayant Kharote: I'm reading that you're expecting this momentum to sustain the second half as well for processing fees as well. Second, loan growth. So cumulative 3% from the first half. How should we think about the second half? I know well, the growth is coming in. Specifically on the loan, sir, how should we think of the second half?

Partha Pratim Sengupta: We set a full-year loan growth target of around 14% at the beginning of the year, and we continue to maintain it. We expect to achieve around 14% growth.

Jayant Kharote: 14%, we have to do almost…

Moderator: Sorry to interrupt you, sir, but your voice is breaking. Can you please check your network?

Jayant Kharote: Sorry, for 14%, sir, that means implied growth is almost 6% plus or 6% continuously for the next 2 quarters. And then if deposit doesn't match up, the NIM can come under pressure. So just trying to understand if that is the strategy or I am missing something?

Partha Pratim Sengupta: We first set our loan growth target and then target deposit growth slightly above loan growth. That remains our approach.

Jayant Kharote: Fair, sir. Just to sum up, I know you have in the past given us a range of ROA. Given that first half is done and now we are looking at probably much better ROA this quarter, how should we think, again, not just one or two quarters, but next four to six quarters, how should the ROA play out if we are able to hold the credit cost?

Partha Pratim Sengupta: There is no further ROA guidance beyond what we explained in Q1. We are on the right trajectory, and the lower end of our guidance, 1.2%, has already been achieved this quarter. We aim to improve ROA quarter by quarter. There is no change in our guidance.

Vinay Jain: Our medium-term aspiration of 1.6%–1.8% remains unchanged, and we are working towards it.

Jayant Kharote: Perfect sir. Congrats for great set on number.

Moderator: Thank you. Next question comes from the line of Jai Prakash Mundhra with ICICI Securities. Please go ahead.

Jai Prakash Mundhra: Yeah. Hi, good evening, sir, and congratulations on a steady quarter. Sir, a couple of questions. Sir, first on SMA book that we show state-wise, West Bengal and rest of India. Assam has seen a little bit of an uptick. I believe there was some floods also during the last quarter. Is that so, or there is something else which is leading to slightly higher uptick in the SMA?

Partha Pratim Sengupta: Four districts were affected. Loans of INR 406 crore were brought under moratorium in line with SLBC guidelines, and we made an additional 5% provision. From asset quality perspective, more than 96% of the moratorium book is standard, with the remaining approximately 4% in SMA-0. Entire 100% is quite a good portfolio. And importantly, Collection efficiency for this portfolio is 99.1%, which was also the level immediately before the moratorium. There has been no deterioration in collection efficiency.

The underlying portfolio performed well before the relief measures and continues to do so after implementation. We do not see further signs of stress in this EEB portfolio.

Jai Prakash Mundhra: Right. No, sir, once they become under moratorium or restructured, their DPD freezes, right? So, I wanted to know why is there an uptick in the SMA for Assam under various SMA numbers?

Partha Pratim Sengupta: Yes. Surajit, anything you can.

Surajit Roy Chowdhury: In Assam, the moratorium effect is not there because of those who applied for the moratorium, 20% have already opted out, and collections have continued.

Partha Pratim Sengupta: SMA-0 increased in Assam from 0.8% to 1.3%...

Surajit Roy Chowdhury: There was some temporary disruption due to flooding, including in other districts. Four districts qualified for the moratorium, but other districts were also affected by floods for a period. That had some impact. Overall collection efficiency remains steady, and we view this as a normal passing phase.

Jai Prakash Mundhra: Do you suspect that because of this flood and some disturbance, for overall EEB book as a whole, the slippages that we have seen, INR 655 crores, and also there is some drought in select part of India, select states, Maharashtra, AP, Karnataka. How should one think of slippages in EEB book in the next one to two quarters?

Partha Pratim Sengupta: Karnataka accounts for only 1% of our EEB book. Our exposure to the 120 affected clusters is less than 0.5%. We do not expect a material impact on the portfolio. Maharashtra is 2.6% of our EEB book, and the affected portfolio is only part of that. We do not expect a material impact there either. We are not seeing a major impact in Andhra Pradesh. As discussed in Q1, our risk assessment incorporated these factors, including El Niño, and we continue to be prudent in EEB. The book quality is good, and we do not expect a major shock. We expect it to continue performing well.

Jai Prakash Mundhra: So, sir, slippages ideally should improve, right? Or this is too early to say given whatever is happening on the climate and El Nino?

Partha Pratim Sengupta: As mentioned, we will work towards achieving our projected growth of 8%-10% through Q3 and Q4.

Jai Prakash Mundhra: Okay, sure. Secondly, sir, on your vintage analysis data, this is very interesting, but it is rising only. All vintages in their respective trajectory. When does it actually plateau? It looks like the vintage shows that it

goes up and only after maybe 18 months it starts to plateau. Is that how one should read it, or am I missing something?

Vinay Jain: The loans have an 18-month tenure, so the curves plateau after 18 months. For recent vintages, compare the gradients at the same months on book.

Partha Pratim Sengupta: The gradient is much lower.

Vinay Jain: MOB wise, the slippages in the recent vintages is far significantly lower than what you see in the older vintages when they were originated. So that is how you should look at that data that the quality of the portfolio that is being onboarded now, is much better than the quality of portfolio that came in the vintages of Q1FY25 and Q2FY25.

Jai Prakash Mundhra: Understood. Okay. And sir, on your ECL comment, I missed the number you said is INR 2,200 crores on day 1. Did I hear that correct?

Vinay Jain: Yes, that is the transition impact based on March 2026 calculations. The DPD pool has improved in the subsequent two quarters.

Partha Pratim Sengupta: Given the improvement in asset quality since March 2026, we expect the eventual transition impact to be significantly better.

Jai Prakash Mundhra: Actually, sir, is this number revised upward? Maybe because earlier there was a draft guideline, and I think we had said around INR 1,200, INR 1,300 crores. Is that the like-to-like number or there is some change? Because if I look earlier, I think what we had said was around INR 1,200, INR 1,300 crore number. That has moved up to INR 2,200 crore. This is, of course, the final guidelines have come. But is this the like-to-like number, or you have taken something else?

Vinay Jain: No, no, there is no incremental thing that has happened. The estimate of around INR 1,250 crore was provided three or four quarters ago, when the initial calculations were made. Post that, we had called out that our overall impact will be close to about INR 2,200 crores.

Jai Prakash Mundhra: This is only loan loss, right? This has nothing to do with the yield hardening, or does that include some HTM loss also.

Vinay Jain: No. This is only ECL. EIR is not included. This is only ECL.

Partha Pratim Sengupta: We do not expect EIR to have much impact because the maximum tenure of our EEB loans is 18 months.

Jai Prakash Mundhra: All right. Understood. And sir, lastly on exit ROE, you said there is no further guidance, but the earlier guidance holds, right? Are you saying that there is no guidance at all?

Vikash Mundhra: The Q4 exit ROA guidance of 1.2%–1.4% remains unchanged. We are not providing guidance beyond that at present. Our medium-term aspiration of 1.6%–1.8% remains; the timing is something we need to assess.

Jai Prakash Mundhra: Right. No, that is clear. And lastly, sir, on NIM, because there are multiple moving parts. Till last quarter, we were a little bit wary because of the elevated cost of funds, and I think that has cleared out in this quarter also. Now you have, I don't know, liquidity keeps on changing, but you have at least some tailwind from

repo rate. So how should one think about and your EEB book has also started to grow. How should one look at the NIM for the next two quarters?

Partha Pratim Sengupta: Under our policy, repo-rate changes are implemented for existing loans from the first day of the following quarter. The October change, and any further change in December, will therefore be implemented from January 1. New rates apply to newly sanctioned and disbursed loans. We could see a positive NIM impact in Q4, subject to how deposit costs move. There are tailwinds in Q4, but Q3 will remain largely unaffected by the repo-rate change.

Jai Prakash Mundhra: Right. And lastly, sir, if I can ask one more question on opex. Last quarter, we had said that opex may remain elevated because you need to invest in technology, etc. Last quarter, of course, there was some gradual related one-off. But if I look at YoY, the opex growth is 15%, which is broadly similar to AUM growth. How to look at opex growth? Will it be higher?

Partha Pratim Sengupta: Our guidance of 4.2% operating expenses to total assets remains unchanged. Q1 costs were somewhat higher. This quarter, replacing a major platform or system generated savings of almost INR 50 crore annually, or around INR 12 crore per quarter, and we received that benefit in Q2.

Surajit Roy Chowdhury: INR 12 crores per quarter.

Partha Pratim Sengupta: INR 12 crores per quarter, so INR 50 crores per year. So that is the effect we have got this quarter. But Our investment strategy remains unchanged. We continue to spend on technology innovation and upgrades, while maintaining the overall guidance of 4.2%.

Jai Prakash Mundhra: All the very best. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Rahul Kumar with Vaikarya Fund. Please go ahead.

Rahul Kumar: Yeah. Hi. Just one question on this PSLC cost. Where are we on that journey? I think last year we had, I think INR 240 crores of PSLC cost, and we had guided that we are going to reduce it through appropriate loans mix.

Partha Pratim Sengupta: There was no incremental PSLC cost this quarter; it remained at the same level. Our guidance is unchanged. The cost will come down substantially this year, be almost neutralised or close to zero next year, and thereafter we will not need to purchase PSLCs. That remains our medium-term trajectory, and we are on track.

Rahul Kumar: Okay. So broadly, for FY27, how much reduction in this cost will happen?

Vinay Jain: Full-year PSLC cost will be around INR 120 crore.

Partha Pratim Sengupta: It is running at approximately INR 31 crore per quarter

Rahul Kumar: Okay. Understood. And second question, I think you initially mentioned that the NIMs will be in the trajectory of 6.1%, 6.2%. What is the assumption of repo rate increase you have taken in this?

Partha Pratim Sengupta: There will not be much impact in the current year. The revised repo rate will apply to existing accounts from January in Q4, affecting around 49% of our loan book. We need to calculate the impact, but we do not expect

a major effect this year. Newly sanctioned and disbursed loans are priced at the revised repo rate. Almost 50% of the portfolio is fixed-rate and therefore unimpacted.

Rahul Kumar: Understood. Thank you.

Moderator: Thank you. Next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh: Good evening sir. Just a few data keeping questions. One is on the MFI side. From a yield perspective, where are we on this portfolio right now? And have you taken any rate actions even in this portfolio following the increase in the repo rate?

Partha Pratim Sengupta: No, we have not increased rates recently. Currently, we are around 21%. This portfolio is giving a 21.69% as of now.

M.B. Mahesh: And this book will not increase.?

Vinay Jain: We increased new origination rates in February, but there has been no increase since then. Current origination rates are in the range of 23.5% - 23.9%

M.B. Mahesh: And just - this question has been asked multiple times. But from a portfolio perspective, if there is a 25 basis points rate change, that transmission of 25 basis points will be, what, 60%, 70% of that given the composition of the loan portfolio? Or is it a different number?

Vinay Jain: Around 50% of our portfolio is variable-rate and linked to repo. So, 25 basis points once transmitted would translate to about 10 to 11 basis points.

M.B. Mahesh: And the rest of the portfolio, it is dependent on whether you take action on the MFI.

Vinay Jain: Not have any impact.

Partha Pratim Sengupta: We have no current plan to increase MFI rates. That part of the portfolio will remain unaffected.

M.B. Mahesh: Perfect. Second one is on the employee headcount, which is now, it's been at about 75,000 kind of a mark. When do we see that kind of resulting in some more flattish costs on the employee expenses line as well? Because that is still growing at 20%.

Partha Pratim Sengupta: The new Code on Wages has been implemented, and its impact will continue this year. In EEB particularly, wages for most employees have to comply with the new code, which is a major reason for the 20% increase. We are working to increase employee productivity. Our headcount has been broadly stable over the last three quarters.

M.B. Mahesh: Should we just assume INR 1,300 crores to INR 1,400 crores as a normalized run rate right now? Or is this also kind of going to increase as we go forward?

Vinay Jain: At present, we do not expect this cost to rise further. You can assume similar levels at least through Q4 of this year.

M.B. Mahesh: Yes. Okay. Last question, in the remarks that you mentioned earlier, you said Maharashtra is approximately 2% of the loan book, right, the total loan book?

Vinay Jain: No, EEB portfolio. EEB.

Management: On the EEB book. That gets impacted.

M.B. Mahesh: Can you just reconfirm the numbers, please? Maharashtra is 2% or is it a number higher than that?

Vinay Jain: 2% of the EEB portfolio, not the entire.

Partha Pratim Sengupta: 2.6% of our EEB portfolio, that is INR 52,000 crores

M.B. Mahesh: Okay. And so far, we have not seen any actions on the ground that worries you? Is that how you're looking at it?

Surajit Roy Choudhury: Sorry, what was the question? Any comment on that?

M.B. Mahesh: Are you seeing any worrisome reaction from the borrowers in South.

Surajit Roy Choudhury: Not so far. The request has been to implement the Fair Practices Code for collections, which we already follow. We do not currently see major disruption in Maharashtra. These developments emerged in September and October, and we will monitor them. Our exposure to the affected areas is also limited.

Partha Pratim Sengupta: Not much major impact.

Surajit Roy Choudhury: and yes, our stakes are also less.

M.B. Mahesh: Okay. Perfect. Thank you.

Moderator: Thank you. Next question comes from the line of Jignesh Shial with InCred Capital. Please go ahead.

Jignesh Shial: Thank you for the opportunity. Just quickly on your non-interest incomes. We are seeing this processing fee and third-party income growing at somewhere 30% sequentially and 26% sequentially. Can you explain how is it happening to you, and this is growing at much faster pace compared to your own asset growth. Can you throw some light on this?

Partha Pratim Sengupta: The 30% growth is YoY. The main reason is that you see last quarter also, it was a muted performance with profit of INR 112 crore and ROE of only a 0.20%. From there we are steadily increasing, steadily growing up. As business and disbursements grow, processing fees increase. In EEB, processing charges were increased by 25 basis points in February, which has also contributed positively.

Jignesh Shial: Understood. So this is directly linked to your disbursement growth. So this similar kind of run rate is expected to continue during second half as well, correct?

Partha Pratim Sengupta: Actually it will continue, yes.

Jignesh Shial: Understood. That's helpful. And secondly, just quickly on this asset mix portfolio. So we are seeing wholesale have been growing relatively at a faster pace followed by other retail compared to housing and EEB portfolio. So if I see the overall mix, how will we be placed on fixed.

Partha Pratim Sengupta: This was a strategic decision. From my first earnings call after joining, we indicated that we should not depend excessively on EEB, given past experience. We targeted a broadly balanced mix: one-third EEB, one-third wholesale, and one-third retail and housing. We have now broadly achieved that and would like to maintain it.

EEB's share has come down from a much higher level to around 33%, compensated by faster growth in wholesale banking. Going forward, we would like to maintain this broad distribution.

Jignesh Shial: Understood. And mix between fixed and variable and within variable EBLR, MCLR, some just ballpark idea. Is it possible?

Partha Pratim Sengupta: Approximately, 48% is fixed, 52% is variable, of which 49% is repo-linked and 3% is MCLR.

Jignesh Shial: Perfect. That's really helpful. Thank you so much, and all the best.

Moderator: Thank you. Next question comes from the line of Nitin Aggarwal with Motilal Oswal Financial Services Limited. Please go ahead.

Nitin Aggarwal: Yeah. Hi. Thanks for the opportunity, and congrats on the results. Sir, again, a question on the wholesale book and while we have achieved the diversification goals with book now coming in a little higher than the EEB book also. But is that ROA dilutive also? If you can therefore touch upon how the ROA is in this book and likewise even in the retail book also.

Partha Pratim Sengupta: EEB ROA has always been good and continues at that level. The improvement in the bank's overall ROA is being supported by higher ROA in wholesale banking.

We are increasingly focused on fee income in wholesale, rather than just interest income, and are launching products to support that. Wholesale ROA should improve and contribute positively to the bank's overall ROA. EEB has performed well historically and continues to do so.

Nitin Aggarwal: Right. On the similar lines, sir, on the retail side, with some of the products still being subscale with book size of 2,000-3,000 crore. Where are we on the profitability journey in terms of break-even points and the profitability?

Partha Pratim Sengupta: We started these retail businesses only two years ago, and they are not yet ROA-positive. However, losses and negative ROA are gradually reducing. Retail depends on scale, and profitability should improve as scale increases.

We are seeing this improvement quarter by quarter. In another two or three quarters, we may be able to bring retail into positive ROA territory, with improvement thereafter.

These strategic decisions have taken time but were necessary. Dependence on one segment creates risk when events such as COVID occur. As a universal bank, we also need to maintain depositor confidence. The diversification strategy is now beginning to pay dividends.

Nitin Aggarwal: Right. Lastly, sir, on the ROA guidance, which we maintain for Q4. Now with 49% of portfolio being repo linked, do you think that there is a possibility that we may do better than that guidance as the portfolio benefits from the repricing?

Partha Pratim Sengupta: There is no change to the guidance. Our aspiration remains 1.6%-1.8%. So, if something is better, then definitely we will be nearer to our aspiration level.

Moderator: Thank you. Next question comes from the line of Pritesh Bumb with Elara Securities. Pease go ahead.

Pritesh Bumb: Hi, sir. Good evening. Sir, just a couple of questions. One is on deposit growth. We've lagged a bit on the deposit growth side, and now the industry also has a tailwind on FCNR, which I think we did not have that much. How do you think on the deposit growth side?

Partha Pratim Sengupta: Industry comparisons are difficult this quarter because other banks benefited from FCNR (B) leverage, which we did not have. We acknowledge that our percentage growth needs to be faster. We have been seeing around 10% year-on-year growth each quarter.

We are focusing on digital deposit mobilisation and strategies to improve CASA. We expect these measures to produce results and growth to improve in the coming quarters.

Retail performance has been good. Retail deposits accounted for around 67%–68% of the total deposits few years ago and are now around 73%, an improvement of approximately six percentage points. We will maintain that focus. We will also consider good corporate deposits if available at acceptable rates.

As mentioned earlier, our proposition is moving beyond interest rates towards customer satisfaction, seamless processes and faster service delivery. We are also focused on the safety and security of deposits.

We have made substantial progress in curbing cyber fraud. Nine states have given us appreciation letters for our work in this area. This should strengthen customer and depositor confidence and support deposit growth. It is an area of significant focus.

Pritesh Bumb: Sure, sir. Sir, second question was on your loan mix. I think, you did mention about 33-33-33 between wholesale, retail, and EEB. But within that, home loans has been particularly not that great of a growth. In a rising rate cycle, do you see that you can get some opportunities in terms of growth? Can that help?

Partha Pratim Sengupta: The housing business required changes. Much of it came through the acquisition of Gruh Finance, which operated as an NBFC. A bank's obligations to depositors and its approach to risk require a different structure and controls. Some necessary changes were delayed.

We began making changes around last October and implemented them by April or May. Housing finance centres have been converted into branches and brought under branch banking, with regular follow-up and segregation of onboarding, underwriting and operations.

These changes caused some disruption, as the organization needed time to adapt. They also brought issues to the surface that required correction, and we have addressed those.

We should have performed much better in home loans. These changes affected business through Q2, and there could be an impact for one more quarter. From Q4, we expect a better trajectory and good growth in this segment.

Pritesh Bumb: Sure, sir. Lastly, you've given guidances on ROA. I appreciate that. Basically, I just wanted to check what will drive that ROA? Will bulk of the improvement will come from provisioning improvement or opex? Or is there any scope for margin improvement as well?

Partha Pratim Sengupta: We have explained the three components. If NIM stays around 6.1%-6.2%, net interest income as a proportion of total assets should be around 5.8%.

Other income, where we are growing steadily, should contribute around 1.5% of assets. That gives total income of around 7.3% of assets.

Operating expenses should remain around 4.2% of assets, resulting in operating profit of around 3.1% of assets.

We expect some improvement in credit cost, potentially from 1.8% to 1.7%. If that happens, provisions as a proportion of assets would be around 1.2%.

That would imply PBT ROA of around 1.9% and PAT ROA of around 1.4%. This is the upper end of our guidance. The range remains 1.2%–1.4%; we have already achieved 1.2%, and we are working towards the rest of that range.

Moderator: Thank you so much. Ladies and gentlemen, due to the time constraint, we will take the last question from Ankit Bihani with Nomura. Please go ahead.

Ankit Bihani: Yes. Thank you for the opportunity, again. So, my question is on the interest income side, where we have seen the other interest income see a decent jump. Is there any interest on IT refund in this line item?

Partha Pratim Sengupta: No, nothing. No IT refund.

Ankit Bihani: Okay. So yes, that was it for me.

Partha Pratim Sengupta: In our entire income portfolio, there's no extraordinary or onetime income.

Ankit Bihani: Okay. Great. And on the impact of the monsoon drought, what I understood correct, the geographies that are impacted currently, our exposure is quite limited there, so we don't see any impact, right?

Partha Pratim Sengupta: It's very low.

Ankit Bihani: Okay. Great. Okay. Yes. Thank you.

Partha Pratim Sengupta: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Vikash Mundhra: Yes. Thank you for joining the call. We appreciate your time, engagement and valuable questions during the discussion. Thank you for your continued interest in Bandhan Bank, and we look forward to our ongoing interaction. Thank you so much.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Bandhan Bank Limited, that concludes today's call. Thank you for joining us, and you may now disconnect your line.