Operator: Ladies and gentlemen, good day and welcome to Bandhan Bank Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikas Mundra. Thank you, and over to you, sir.

Vikas Mundra – Head of Investor Relations: Thank you, Danish. Good evening, everyone, and a very warm welcome to all of you. It is 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, key achievements, and challenges during the quarter.

Joining us on the call today are Mr. Partha Pratim Sengupta, Managing Director and Chief Executive Officer; 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, Vikas Mundra, Head of Investor Relations; and other members of our senior management team.

After management's remarks, we will 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 – Managing Director & CEO: Thank you, Vikas. Good evening, everyone, and thank you for joining us today.

The second quarter of financial year 2027 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—Spark, Ignite, Blaze, 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 deepen 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 saw significant improvement in our operating profit and PAT.

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On the asset side, our loan book reached approximately Rs 1.5 lakh crore, representing healthy 13% year-on-year growth. Growth continued to be led by our non-EEB business, which expanded by 20% year-on-year, providing greater diversification and multiple growth engines to the overall franchise. An encouraging development this quarter has been the stabilization of the EEB portfolio. Following the moderation witnessed in the last few quarters, the degrowth 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% year-on-year and now represents 57.3% of total advances, compared with 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 strength 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 liabilities, the progress during the quarter has been particularly encouraging. Total deposits increased to approximately 1,73,000 crore, with strong 4.7% sequential growth without any support from 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% year-on-year without any significant contribution from FCNR(B) deposit mobilization. This gives us greater confidence in the underlying strength and sustainability of our retail deposit franchise.

At the same time, I would also like to acknowledge that our performance in savings bank accounts during 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 focus 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 these incremental bulk deposits was raised at shorter tenors, primarily for liquidity management, while at the same time we

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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, an increase in the secured advances mix, and moderation in savings bank account balances, NIM 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, remains strong at approximately 87%. Credit cost also remained broadly stable sequentially at 1.8%.

The progress we are making across the franchise is also becoming increasingly visible in our earnings performance. Net total income for Q2 FY27 stood at Rs 3,665 crore, growing 17% year-on-year, while operating profit increased by a strong 19% year-on-year to 1,556 crore. Profit after tax for the quarter stood at 622 crore, which is 5.5 times year-on-year.

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

While there is 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. With improving profits, our capital adequacy ratio stood at 18.3%, with Tier 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. During the quarter, we added 30 new branches and 14 banking units, taking the total count to 2,001 branches and 4,414 banking units.

Overall, I would characterize the second quarter as one of balanced and steady progress. 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 savings 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,

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and focused on building a stronger Bandhan Bank and creating sustainable long-term value for all our stakeholders.

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

Vinay Jain – Interim Chief Financial Officer: 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 1.58 lakh crores, representing growth of 13.1% year-on-year and 1.8% sequentially. The composition of growth continues to evolve in line with our portfolio strategy. The non-EEB book grew 19.8% year-on-year and now accounts for 66.7% of total advances, highlighting the significant diversification achieved across the franchise.

The EEB portfolio stood at 52,616 crores. Importantly, after the moderation witnessed in the previous few quarters, the portfolio remained broadly stable sequentially and grew 1.7% year-on-year.

Growth across our diversified businesses remains strong. Retail assets grew 41.9% year-on-year, led by commercial vehicles, equipment, auto, and gold loans. Wholesale banking grew 31.6% year-on-year, supported by continued business momentum and continued 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, SBL 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 1.73 lakh crores as of September 30, 2026, registering growth of 9.2% year-on-year and 4.7% sequentially. Our core retail franchise continued to expand. Retail deposits, comprising CASA and retail term deposits, grew 11.9% year-on-year, continuing to grow faster than overall deposits. Retail term deposits [cut off]

Management: ...asset deposits remained the principal driver, growing 16.8% year-on-year. Overall, retail deposits constitute 72.7% of our deposit base, with our focus continuing to strengthen the granular and sustainable components of the liability franchise. CASA balances stood at 46,132 crores, growing 4.3% year-on-year, with the CASA ratio at 26.7%.

During the quarter, we consciously recalibrated rates across certain savings account buckets, which resulted in a runoff of some higher-cost, rate-sensitive balances. As a result, period-end savings balances moderated sequentially. On the other hand, current account performance was strong, with period-end [inaudible] liquidity pool declining by approximately 17% sequentially to 1,529 crores versus 1,842 crores in Q1 FY27. Further details have been provided on slide 23 of the investor deck.

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Gross slippages for the quarter stood at 1,125 crores compared to 1,079 crores in Q1, with EEB slippages at 655 crores. At the same time, resolution momentum strengthened. Recoveries and upgrades improved to 481 crores from 418 to 449 crores in Q1. After normalizing the 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 607 crores, of which 424 crore related to the EEB portfolio. Overall asset quality remained stable, with gross NPA and net NPA at 3.1% and 0.9%, respectively. The 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 healthy improvement across the key earning metrics. Net interest income increased by 14.5% year-on-year and 1.4% sequentially to 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 savings account balances.

Non-interest income delivered healthy underlying momentum. Processing fee income grew by 30% year-on-year, supported by higher disbursement volumes in the EEB book. Third-party distribution increased by 26% year-on-year, reflecting continued progress in cross-sell across the franchise.

On expenses, operating costs in Q2 stood at 2,109 crores, an increase of 15.4% year-on-year. Importantly, income growth and improved operating performance translated into operating profit of 1,556 crores, registering strong 18.8% year-on-year and 14.6% sequential growth. Sequentially, this improvement, combined with stable credit cost at 1.8%, translated into a strong increase in profitability.

Profit after tax stood at 622 crores, increasing by 23.9% sequentially and 5.5 times year-on-year. The improvement in earnings is also visible in our return ratios. ROA increased to 1.2% from 1% in the previous quarter, 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 the first half of FY27, NII, net total revenue, and operating profit were 5,881 crores, 7,190 crores, and 2,915 crores, respectively. NIM, operating expense to assets, and projected credit cost were 6.2%, 4.2%, and 1.8%, respectively. The bank reported a net profit of 1,123 crores in H1 FY27, registering growth of 132% year-on-year, with 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 meaningful 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 main [trails

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off]

Management: ...and Bandhan Bank, being a part of the industry, cannot be insulated from that. However, we believe that our business model is relatively well-positioned to navigate these changes. Given that our insurance business is predominantly retail and, more importantly, that we are in semi-urban and rural areas where the rate of commission is a little bit higher, it has been proposed to be at least 20% higher. Also, because we are on consent-based commission, there is no credit-linked insurance in our product till now.

At the same time, we have several levers available to us to meaningfully mitigate the impact over time. These include optimization of our product mix, deeper customer engagement, focusing on mutual funds, and further diversification of our fee income base, because our wholesale banking is also witnessing a good and steady increase over time. We see good opportunities to scale areas such as mutual funds, cards, forex, and trade finance, and hopefully we can compensate for, or actually mitigate, a large part of the insurance income and the TPP income, which will definitely be at a lower scale if this circular is implemented.

Nevertheless, as many insurance industries have represented, we have also given our feedback to the regulator that the cost of effort for insurance needs to be taken into account. Insurance is not an easy product like any other product to sell. It also has a substantial cost to acquire the customer, and especially to avoid mis-selling, a lot of technology, risk-based analysis, and every effort has to be applied. This also needs to be taken into account and should be compensated through fee income. Let us see what happens, but yes, we are aware of it, and we are working on this. Hopefully, we will not have that much of an impact on the entire income of the bank.

Ankit Bihani – Nomura: ECL impact.

Management: ECL impact. Yes, ECL impact.

Management: Ankit, on ECL, our transition impact we have currently estimated at around 2,200 crores, which will go through the capital. It will not have any impact on our P&L. From a capital adequacy standpoint also, RBI has given a window of 5 years in which we can amortize this impact. On a flow basis, our estimate is that the impact will be in the range of 15 to 20 basis points on a quarterly basis.

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

Management: [pause] We have not made a very detailed study because you have to actually consider the total product mix and the commissions earned on the various products for that year. I think if there is any impact for that year, we are preparing for it right now. We will be able to make it up.

Ankit Bihani – Nomura: Okay, great. Thank you for answering my questions.

Management: Ankit, just one more clarification on ECL. The data that we are providing is based on the current March 2026 flow figures. Depending on where the portfolio is in March 2027, this

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number will change, and we expect this to be positive for us, given the quality of the portfolio that is improving for us.

Management: And the DPD pool is coming down in that.

Management: Yes.

Management: The DPD pool and SMA pool are coming down for the day, and the eventual transition outcome is expected to be much better.

Ankit Bihani – Nomura: Yes, sir. Okay, got it. Thank you.

Management: Thank you.

Operator: Ladies and gentlemen, anyone who wishes to ask a question may press star and one.

The next question comes from the line of Jayant Kharote with Axis Capital. Please go ahead.

Jayant Kharote – Axis Capital: Hi, sir. Fee processing fee growth, which is very strong, is this all linked to the EEB disbursement growth that has happened this quarter, or what I am trying to understand is the sustainability of this fee growth number that has picked up so significantly?

Management: Yes. It is across all the areas. It is in the processing fees, and it is not only the EEB disbursement, but disbursements in the retail and other products also, including the corporate books. Third-party products have also increased year-on-year by around 26%, and I would say they have also increased quarterly by 26%. That is a good indication. ARC-related income has also increased year-on-year by 16%. More importantly, treasury income, which is the P&L investment on sales, has also increased by around 39% quarter-on-quarter.

Overall, considering everything, there has been a quite significant positive impact and good improvement across all the parameters of other income. We have now added credit cards, which will also give us a little bit of other income. Our new forex products have also been launched. New wholesale products are also being launched, and that will add to fee-based income. That is why we said that we may face some pressure regarding TPP, but overall, we will be able to compensate through the increase in other income for the bank.

Jayant Kharote – Axis Capital: Sir, should we expect this momentum to sustain in the second half as well, including for processing fees? Second, on loan growth, having achieved cumulative 3% growth for the first half, how should we think about the second half? I know retail and other growth is coming in, specifically on EEB loans. How should we think about the second half?

Management: On loan growth, we have set a total 14% target, which we had already stated at the beginning of the year, and we will continue to maintain that. We expect to achieve growth of around 14%.

Jayant Kharote – Axis Capital: Sir, 14% will imply almost 6% [inaudible] percent [cut off]

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

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Jayant Kharote – Axis Capital: Sorry for this. For 14%, that means implied growth is almost 6% plus, or 6% continuously for the next two quarters. If deposits do not match up, NIM pressure can come under pressure. I am just trying to understand whether that is the strategy or if I am missing something.

Management: As I have said, we first fix our loan growth, and based on that, our deposit growth will be a little bit higher than gross loan growth. That is what we target and work towards, keeping the deposit growth rate a little bit higher than loan growth.

Jayant Kharote – Axis Capital: Right, sir. Just to sum up, I know you have given a certain range for ROA in the past. Given that the first half is done and we are now looking at probably much better ROA this quarter, how should we think about the next 4 to 6 quarters? How should ROA play out if we are able to hold the credit cost?

Management: There is no further guidance on ROA. No further guidance on ROA; that was already explained in Q1. The only thing you need to see and appreciate is that we are on the right trajectory, and the lower end of what we had stated, 1.20%, has already been achieved during this quarter. We will work to improve ROA quarter by quarter, and that is our aim and how we are strategizing. There is no further change or further commentary on the ROA guidance.

Management: Our medium-term aspiration continues to be between 1.6% and 1.8%. That is what we are working towards.

Jayant Kharote – Axis Capital: Perfect, sir, and congratulations on the great set of numbers.

Operator: Thank you.

Ladies and gentlemen, anyone who wishes to ask a question may press star and one.

The next question comes from the line of Jayaprakash Mundra with ICICI Securities. Please go ahead.

Jayaprakash Mundra – ICICI Securities: Good evening, sir, and congratulations on a steady quarter. I have a couple of questions. First, on the SMA book that we show state-wise, West Bengal and the rest of India, Assam has seen a little bit of an uptick.

Jayaprakash Mundra – ICICI Securities: I believe there were some floods during the last quarter. Is that so, or is there something else leading to the slightly higher uptick in SMA?

Management: Let me tell you that four districts were affected, and our loan amount is 406 crores, which has been brought under moratorium as per the SLBC guidelines. We have also made an extra 5% provision for this. But let me give you some perspective on the underlying portfolio quality. More than 96% of the moratorium book is standard as of date. The balance, around 4%, is only in the SMA 0 category. I can say that the entire 100% is quite a good portfolio. Importantly, collection efficiency on this portfolio is also 99.1%, which was the collection rate immediately prior to the moratorium. There has been no deterioration in collection efficiency either. I can say that the underlying portfolio has been performing very well, both before the relief measures and after the relief measures were implemented. There is no sign of stress in this portfolio, in my view.

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Jayaprakash Mundra – ICICI Securities: Once they become subject to a moratorium or are restructured, their DPD freezes, right? I wanted to know why there is an uptick in SMA for Assam under various SMA buckets.

Management: Surajit, can you take this?

Surajit: No, sir. In Assam, the moratorium effect is not there. What we see is that, as sir explained, out of those who applied, 20% have already opted out. Collection has also come in there.

Management: SMA 0 has increased in Assam. {? 2.2 ?} has increased from 1.8 to 1.3, or 0.8 to 1.3.

Surajit: {? 0.9 ?}

Management: Yes.

Surajit: Even then, it is just because there was some disruption during that period because of the flood. In other districts also, collections were temporarily affected. Other than that, our collection efficiency continues to be steady. It is just a normal passing phase. Four districts were impacted, including Morigaon. However, the other districts were also under the influence of the flood for some time. That is what impacted it slightly. Otherwise, we should not be concerned.

Management: Overall collection efficiency is steady.

Jayaprakash Mundra – ICICI Securities: Do you suspect that because of this flood and some disturbance across the overall book, the EEB book as a whole could see the slippages we have seen, 665 crores? There is also some drought in select parts of India, including Maharashtra, Andhra Pradesh, and Karnataka. Do you suspect slippages in the EEB book over the next one or two quarters?

Management: Let me tell you that Karnataka represents only 1% of our EEB book, of which the 120 clusters that have been affected represent total exposure of less than 0.5%. Therefore, it is not going to impact our portfolio. Maharashtra represents 2.6% of the total EEB book, and the impacted portfolio is half of that. That is also not going to have an impact. Andhra Pradesh also has no major impact on this portfolio. Overall, as I told you in the Q1 guidance call, we had called out all these aspects, including the El Niño effect. Given the prudence that we are maintaining in the EEB book, I can say today with assurance that book quality is very good, and we do not expect any major shake-up or major shock in the books. It will continue to perform well.

Jayaprakash Mundra – ICICI Securities: So, ideally, slippages should improve, right? Or is it too early to say, given what is happening with the climate and El Niño?

Management: As I said, our projected 8% to 10% improvement is something we will definitely try to achieve in Q3 and Q4.

Jayaprakash Mundra – ICICI Securities: Secondly, on your vintage analysis data, this is very interesting, but it is only rising. All vintages are following their respective trajectories. When does it actually plateau? It looks like the vintage shows that it goes up and only after perhaps 18 months starts to plateau. Is that how one should read it, or am I missing something?

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Management: Our loans are for 18 months, right? Therefore, they plateau after 18 months. However, if you look at the recent vintages, the gradient is much lower. If you look at the data on an MOB basis, slippages in the recent vintages are significantly lower than what you see in the older vintages when they were originated. That is how you should look at the data: the quality of the portfolio being onboarded now is much better than the quality of the portfolio that came in through the Q1 FY25 and Q2 FY25 vintages.

Jayaprakash Mundra – ICICI Securities: Understood. On your ECL comment, I missed the number. You said it was 2,200 crore on day one. Did I hear that correctly?

Management: Yes, that is right. That is our transition impact.

Surajit: That is our transition impact as of the March 2026 computation. Subsequent to that, over the two quarters, the DPD pool has been improving. Therefore, the real effect will be significantly better than the stated 2,200.

Management: Given the significant improvement in our asset quality in March 2026, the eventual transition effect will be much better.

Surajit: All right. And in the twin {? squad ?}

Jayaprakash Mundra – ICICI Securities: Actually, is this number revised upward because earlier there was a draft guideline and I think we had said around 1,200–1,300 crores? Is that the like-to-like number, or has there been some change? Earlier, I think what we had said was around 1,200–1,300 crore, which has moved up to 2,200 crore now that the final guidelines have come. Is this the like-to-like number, or have you taken something else?

Management: No, there is no incremental item that has happened. This guidance of 1,250 crores was given three or four quarters back, when the initial numbers were computed. After that, we had called out that our overall impact would be close to about 2,000 crores.

Jayaprakash Mundra – ICICI Securities: And this is only loan loss, right? This has nothing to do with yield hardening, or does it include some HTM loss?

Management: No, this is only ECL. ECL is the only item included in this. EIR is not included. This is only ECL.

Surajit: The EIR impact will not be much because the tenure of our EEB loans is a maximum of 18 months. Therefore, the EIR effect will not affect us significantly.

Jayaprakash Mundra – ICICI Securities: Understood. Lastly, on exit ROE, you said there is no further guidance, but the earlier guidance holds, right? Or are you saying there is no guidance at all?

Management: For the Q4 ending, the guidance we gave, a 1.2% to 1.4% range, remains. Beyond that, we are not giving any guidance at the moment. However, our medium-term aspiration to reach 1.6% to 1.8% still holds. It is only the timing that we need to assess.

Jayaprakash Mundra – ICICI Securities: Right, that is clear. Lastly, on NIM, there are multiple moving parts. Until last quarter, we were somewhat wary because of the elevated cost of funds, and I think

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that also played out in this quarter. Now, you have some tailwinds from the repo rate, although liquidity keeps changing. Your EEB book has also started to grow. How should one look at NIM for the next two quarters?

Management: The effect will not be there this quarter because, as per our policy, we implement the repo rate effect from the first day of the next quarter. Therefore, the October guidance and any further guidance that comes in December will be implemented from January 1 in respect of the existing loans. For new loans that are being sanctioned and disbursed, the new rates are applicable. Therefore, I can say that in Q4 you will see a positive impact on NIM. However, we have to see how the cost of deposits changes. There are definitely some tailwinds in Q4. In Q3, I can say that NIM will largely be unaffected because of this repo change.

Jayaprakash Mundra – ICICI Securities: Lastly, if I can ask one more question on opex. Last quarter, we had said that opex may remain elevated because we need to invest in technology and so on. Last quarter, of course, there was a gratuity-related one-off, but if I look at year-on-year growth, opex growth is 15%, which is broadly similar to AUM growth. How should we look at opex growth? Will it be higher when normal—

Management: The guidance for opex to total assets remains at 4.2%. There is no change in that. Q1 may have seen a little increase because of certain factors. This quarter, we were able to curtail costs because one of the major platforms, or one of the major systems, was replaced with a new system. That has given us a benefit of almost 50 crores, or 12 crores per quarter, amounting to 50 crores per year. That is the effect we have seen this quarter, but our investment strategy continues as it is. We are spending on various technological innovations and other upgrades. Overall, the guidance of 4.2% remains.

Jayaprakash Mundra – ICICI Securities: All the very best, sir. Thank you so much.

Operator: Thank you. Our next question comes from the line of Rahul Kumar with {? Vekaria ?} Fund. Please go ahead.

Rahul Kumar – {? Vekaria ?} Fund: I have one question on the PSLC cost. Where are we on that journey? I think last year we had 240 crores of PSLC cost, and we had guided that we were going to reduce it through an appropriate loan mix.

Management: There is no incremental PSLC cost this quarter. It remains at the same level. As we have said, our guidance remains the same. This year, the cost will substantially come down. Next year, it will be almost neutralized, almost zero. After that, we will be positive on PSLC. That is our medium-term trajectory for the PSLC segment, and we are almost on track.

Rahul Kumar – {? Vekaria ?} Fund: Broadly, for FY27, how much reduction in this cost will happen?

Management: How much? 30—

Surajit: Our cost on PSLC will be 120 crores on a full-year basis.

Management: 31 crores per quarter. It is almost coming through.

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Rahul Kumar – {? Vekaria ?} Fund: Understood. My second question is that you initially mentioned that NIMs would be on a trajectory of 6.1% to 6.2%. What assumption regarding the repo rate have you taken in this?

Management: As I said, there will not be much impact in the current year. Only in Q4, from January onwards, the new repo rate will be applied to my existing accounts, which represent around 49% of my loan book. We will have to calculate that impact, but definitely it will not be a major factor this year. New loans that are being disbursed or sanctioned are coming with the new repo rate. However, almost 50% of my loans are at fixed rates, and those remain unaffected.

Rahul Kumar – {? Vekaria ?} Fund: Understood. Thank you.

Operator: Thank you. The next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

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

Management: No, we have not increased the rate. Currently, the total cost of yield for this portfolio is around 21.69%. This book will not see an increase in yield.

Surajit: We increased the rates in February, Mahesh. The new origination rates were increased in February, and after that there has been no increase. The current origination rate is in the range of 23.5% to 23.9%.

M.B. Mahesh – Kotak Securities: This question has been asked multiple times, but from a portfolio perspective, if there is a 25-basis-point rate change, what would the transmission of 25 basis points be? Would it be 60-70% of that, given the composition of the loan portfolio, or would it be a different number?

Surajit: Our variable, market-linked portfolio is 50%, and it is linked to the repo rate. Once 25-basis-point transmission happens, it will translate to approximately 10 to 11 basis points on our NIM.

M.B. Mahesh – Kotak Securities: And the rest of the portfolio is dependent on whether you take action on EEB, right?

Management: It does not have any impact. As of now, we are not taking any action. There is currently no plan to increase the rate on EEB.

M.B. Mahesh – Kotak Securities: The second question is on employee headcount, which is now at about 75,000. When do we see that resulting in flatter costs in the employee expenses line as well? That is still growing at 20%.

Management: One thing is that the new Wages Act has been implemented. The effect of that continues and will continue this year as well. Especially in the EEB segment, most of the employees have to be paid wages in accordance with the new Wages Act. That is one of the major reasons for

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the 20% increase. We are trying to increase productivity per employee. If you look at our employee headcount, it has been more or less stable at 75,000 over the last few quarters.

M.B. Mahesh – Kotak Securities: Should we assume 1,300 to 1,400 crores as the normalized run rate right now, or is this also going to increase as we go forward?

Management: As of now, we do not expect this cost to go up further. You can assume it will remain at the same level at least until the fourth quarter of this year.

M.B. Mahesh – Kotak Securities: My last question is on the remark you mentioned earlier. You said Maharashtra is approximately 2% of the loan book, right? The total loan book?

Management: No, the EEB portfolio. I said it was on the EEB book that gets [trails off]

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

Management: 2% of the EEB portfolio, not the entire loan book.

Management: 2.6%.

Management: 2.6% of our EEB portfolio, which is 52,000 crores.

M.B. Mahesh – Kotak Securities: So far, have you seen any actions on the ground that worry you? Is that how you are looking at it?

Management: Sorry, what was the question? Can you repeat it?

M.B. Mahesh – Kotak Securities: Are you seeing any worrisome reaction from borrowers in some of these areas?

Management: No, not as of now. What they have said is that they want us to implement the FPC, the Fair Practice Code, on collections. We are already doing that.

Management: We are already doing that [crosstalk]

Management: We are following that anyway. Therefore, we do not see any major disruption in Maharashtra as of now. This has only come up in September and October, so we will see if anything develops.

Management: There is no major impact.

Management: Our exposure to these states is also low, in fact [inaudible] around 1%.

M.B. Mahesh – Kotak Securities: Perfect. Done. Thank you.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Jignesh Shial with InCred Capital. Please go ahead.

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Jignesh Shial – InCred Capital: Thanks for the opportunity. Just quickly on your non-interest income, we are seeing processing fee and third-party income growing at around 30% year-on-year and 25-26% year-on-year. Can you explain how this is happening? This is growing at a much faster pace compared to overall asset growth. Can you throw some light on this?

Management: The first thing is that our business last [crosstalk]

Management: If we just come [crosstalk]

Management: It is a 30% year-on-year growth. [crosstalk] The—

Management: On the net [crosstalk]

Management: The reason is that last quarter was also a muted performance for the bank. We could only post a profit of 112 crores, with ROA of only 0.20%. From there, we are steadily increasing and steadily growing. As we grow steadily, there will be an increase in disbursements. As disbursements take place, processing charges are collected. In the EEB segment, processing charges were increased by 25 basis points in February, and that has also had a positive impact.

Jignesh Shial – InCred Capital: Understood. So this is directly linked to disbursement growth. A similar run rate is expected to continue during the second half as well, correct?

Management: It will continue, yes.

Management: At a better run rate.

Management: Yes.

Jignesh Shial – InCred Capital: Got it, understood. Secondly, on the asset mix portfolio, we have seen wholesale growing relatively faster, followed by other retail, compared to housing and the EEB portfolio. If I look at the overall mix, how will you be placed on fixed—

Management: Also, as I said, that was our strategic decision. When I joined, in the first earnings calls, we also stated that we would not depend too much on the EEB segment because of the experiences we had. We made a strategic decision that growth should be secular. Today, our asset distribution has already reached 33% in EEB, 33% in wholesale, and 33% in retail and housing. We want to maintain that. I am telling you again that, in order to achieve this, because EEB was previously a much higher percentage, it has now come down to 33%. That has been compensated by growth in wholesale banking. Going forward, we would like to maintain the same percentage in the distribution of our assets.

Jignesh Shial – InCred Capital: Understood. What is the mix between fixed and variable, and within variable, EBLR and MCLR? Is a ballpark figure possible?

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

Jignesh Shial – InCred Capital: Perfect. That is really helpful. Thank you so much, and all the best.

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Management: Thank you.

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

Nitin Aggarwal – Motilal Oswal Financial Services Limited: Thanks for the opportunity, and congratulations on the good results. I have another question on the wholesale book. While we have achieved the diversification goals, with the book now coming in slightly higher than the EEB book, is that ROA-dilutive? Could you touch upon how ROA is in this book, and likewise in the retail book?

Management: Let me tell you that the ROA from EEB has always been good, and it continues at the same level. Therefore, the improvement in the overall bank's ROA that you are seeing is largely influenced by an increase in ROA from the wholesale book. We are now focusing more on fee-based income from this book. It is not only vanilla interest income; it is more on the fee-based side, for which various products are being launched. Going forward, I can say that ROA from this particular segment will improve, which will have a real positive impact on the overall ROA of the bank. The EEB book has performed well in the past, and it continues to do so now.

Nitin Aggarwal – Motilal Oswal Financial Services Limited: On similar lines, on the retail side, with some products still being subscale and book sizes of 2,000-3,000-odd crores, where are we on the profitability journey in terms of breakeven points and the [cut off]

Management: Retail was started only about 2 years ago. Until now, it is not ROA-positive. However, the amount of losses, or the negative ROA, is gradually reducing. Retail is a scale-dependent business, and as we achieve that scale, it will definitely become ROA-positive. The positive point is that, quarter by quarter, the negative ROA has gradually reduced. I think that in another 2 or 3 quarters, we will probably push retail into the positive zone, and going forward, ROA will continue to increase.

Overall, these two decisions have taken some time, but they were strategically necessary. First, we did not want to depend on one segment and put the assets at significant risk when events such as COVID occur. Equal distribution is necessary because we are a universal bank and we have to have the confidence of depositors as well. This strategy is definitely paying us dividends.

Nitin Aggarwal – Motilal Oswal Financial Services Limited: Lastly, on the ROA guidance that we have maintained for Q4, with 49% of the portfolio being repo-linked, do you think there is a possibility that we may do better than that guidance as the portfolio benefits from repricing?

Management: We have made it very clear that there is no change in the commentary regarding the guidance, number one. Number two, I think Vinay and Vikas have said that our aspiration remains 1.60%. If performance is better, then definitely we will be closer to our aspiration level.

Nitin Aggarwal – Motilal Oswal Financial Services Limited: Got that, sir. Thank you so much.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Pritesh Bumb with Elara Securities. Please go ahead.

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Pritesh Bumb – Elara Securities: Good evening, sir. I have a couple of questions. One is on deposit growth. We have lagged somewhat on the deposit growth side, and now the industry also has the tailwind of FCNR(B), which I think we did not have to the same extent. How should we think about deposit growth?

Management: First of all, this quarter it is very difficult to compare with the industry because the industry benefited from the leverage of FCNR(B), which we did not have. To be very frank, we probably need to grow at a much faster rate in percentage terms. We acknowledge that, while we are seeing or witnessing almost 10% year-on-year growth every quarter. We are focusing on this, and we are focusing more on the digital aspects of deposits. We are also implementing some deposit strategies to improve CASA. I hope this will deliver the required results. Going forward, in the coming quarters, growth will definitely be better.

My focus is again on retail, where performance has been quite good. If you look at our balance sheet from a year ago or before that, we were around 67-68% in retail, and from there we have already reached 73%, which is almost 6% growth in retail. The focus will continue to be on retail, while if some good corporate deposits come at an acceptable rate, we will certainly consider them. As I have said in our earnings call and in that speech, we are no longer depending only on interest rates. Interest rates will not be our USP; rather, it will be customer satisfaction in banking with Bandhan Bank.

Our processes will be more seamless, the time taken to execute services will be much faster, and deposits will be safe and secure. I can also say that, in relation to all the cybercrimes and cyber frauds that you have been hearing about, we have made very significant improvements. At least 9 states have given me appreciation letters for the work we have done at Bandhan Bank in curbing cyber fraud. That gives our customers and depositors a great deal of confidence that their deposits are safe with Bandhan Bank. That message will help us grow deposits. This is one of the areas on which we are placing tremendous focus.

Pritesh Bumb – Elara Securities: My second question was on the loan mix. You mentioned the 33-33-33 split between wholesale, retail, and EEB, but within that, home loans have not shown particularly strong growth. In a rising-rate cycle, do you see opportunities for growth there, and can that help?

Management: Home loans are definitely an area of opportunity. As I told you, some corrections were needed. If you look at our home loan history, it is mainly because of the acquisition of GRUH Finance. As I told you, GRUH Finance was an NBFC and was indebted to lenders, whereas we are a bank and are indebted to our depositors. Therefore, the risk-taking capabilities and risk mitigation cannot be the same for GRUH Finance and a bank.

For one reason or another, the changes that were needed were delayed somewhat. From last October onwards, we tried to make those changes, and by April-May the changes had been implemented. I can mention three or four major changes. First of all, all these HFC centers have been transformed into bank branches and brought under our branch banking system with regular follow-ups. The segregation of duties across onboarding, underwriting, and operations has also been implemented.

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All these changes have led to some dislocation because changes need time to be accepted. As we all know, we are generally averse to changes. However, I can now say that these changes have surfaced some issues that we needed to correct, and we have corrected them. This has impacted the business. I admit that we should have done much better in home loans. The impact on the business will continue through Q2, and we probably have to see the impact for one more quarter. From Q4 onwards, we will definitely be on that trajectory, and there will be good growth in this segment.

Pritesh Bumb – Elara Securities: Lastly, you have given guidance on ROA. We appreciate that. We wanted to understand what will drive that ROA. Will most of the improvement come from provisioning improvement or NII [cut off]

Pritesh Bumb – Elara Securities: Is there any scope for margin improvement as well?

Management: We have clearly explained that, for the year, NII on overall assets is expected to be 5.8%. That means if we can keep overall NIM at around 6.1% to 6.2%, NII on overall assets will be around 5.8%. Other income, where we are growing steadily and quite rapidly, will contribute around 1.5%. Therefore, net total income will contribute 7.3%.

Operating expenses, as I said, will continue to remain at 4.2% for the year, which gives us operating profit ROA of around 3.1%. We are expecting a little improvement in credit cost. Currently, it is 1.8%, and it may come down to 1.7%. If that happens, the provisions' ROA impact will be 1.2%. Taking all these factors into account, PBT ROA will be around 1.9% and PAT ROA will be 1.4%.

This is the outer guidance we have given. We have given a range between 1.2% and 1.4%. We have already achieved 1.2%, so this is the guidance we are now aiming for.

Pritesh Bumb – Elara Securities: Thank you so much.

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

Ankit Bihani – Nomura: Thank you for the opportunity again. My question is on the interest income side. We have seen other interest income show a decent increase. Is there any interest on an IT refund in this line item?

Management: No, there is no IT refund.

Ankit Bihani – Nomura: Okay, that was it from me.

Management: There is no extraordinary income in our entire income portfolio. There is no extraordinary or one-time income.

Ankit Bihani – Nomura: On the impact of the monsoon drought, what I understood is that the geographies currently impacted have quite limited exposure for us, so we do not see any impact, right?

Management: Very low, very low.

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Ankit Bihani – Nomura: Great. Thank you.

Management: Thank you.

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

Management: 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 very much.

Operator: 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.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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