

Ref. No.: BBL/SEC/201/2025-26

January 28, 2026

BSE Limited

Dept. of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

BSE Scrip Code: 541153

National Stock Exchange of India Limited

The Listing Department
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

NSE Symbol: BANDHANBNK

Dear Sir/Madam,

Sub.: Transcript of the Earnings Call on the Unaudited Financial Results for the quarter (Q3) and nine months ended December 31, 2025

In continuation to the letter bearing Ref. No.: BBL/SEC/198/2025-26 dated January 22, 2026 and pursuant to the provisions of Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed, the transcript of the Earnings Call hosted by Bandhan Bank Limited (the '**Bank**') on Thursday, January 22, 2026, on the Unaudited Financial Results of the Bank, for the quarter (Q3) and nine months ended December 31, 2025. Further, the same has also been uploaded on the Bank's website and can be accessed at the following link:

<https://bandhan.bank.in/sites/default/files/2026-01/Bandhan-Bank-Q3FY26-Earnings-Call-Transcript.pdf>.

You are requested to take note of the above.

This disclosure is being simultaneously uploaded at the Bank's website, www.bandhan.bank.in.

Thanking you.

Yours faithfully,
for **Bandhan Bank Limited**

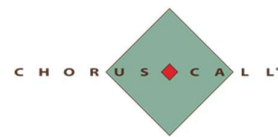
Indranil Banerjee
Company Secretary

Encl.: As above



“Bandhan Bank Limited Q3FY26 Earnings Conference Call”

January 22, 2026



MANAGEMENT: **MR. PARTHA PRATIM SENGUPTA** – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER—BANDHAN BANK LIMITED
MR. RATAN KUMAR KESH – EXECUTIVE DIRECTOR AND CHIEF
OPERATING OFFICER – BANDHAN BANK LIMITED
MR. RAJINDER KUMAR BABBAR – EXECUTIVE DIRECTOR AND
CHIEF BUSINESS OFFICER – BANDHAN BANK LIMITED
MR. RAJEEV MANTRI – CHIEF FINANCIAL OFFICER –
BANDHAN BANK LIMITED
MR. VIKASH MUNDHRA – HEAD OF INVESTOR RELATIONS –
BANDHAN BANK LIMITED

Moderator:

Ladies and gentlemen, good day, and welcome to the Bandhan Bank Limited Q3 FY26 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mundhra, Head of Investor Relations team. Thank you, and over to you, sir.

Vikash Mundhra:

Thank you, Sagar. Good evening, everyone and a warm welcome. It's a great pleasure to have you with us as we review Bandhan Bank's business and financial performance for the quarter and nine months ended December 2025. We truly appreciate your time, your continued support and your participation on today's call. I hope the year has begun on a positive note for you and your families and I wish all of you a healthy, successful and fulfilling 2026.

Joining me today are Mr. Partha Pratim Sengupta, MD and CEO; Mr. Ratan Kumar Kesh, Executive Director and Chief Operating Officer; Mr. Rajinder Kumar Babbar, Executive Director and Chief Business Officer; Mr. Rajeev Mantri, Chief Financial Officer and I'm Vikash Mundhra, Head of Investor Relations, along with our senior management team. We will take you through the key business trends, achievements and challenges during the quarter, followed by a Q&A session after the management's remarks.

With that, I invite our MD and CEO, Mr. Partha Pratim Sengupta, to share his perspective on the quarter's performance. Over to you, sir.

Partha Pratim Sengupta:

Thank you, Vikash. Good evening and thank you for joining us today. On behalf of Bandhan Bank, I am pleased to extend a very warm welcome to all participants on our earnings call for the third quarter of FY26. I hope you and your families had a wonderful start to the new year, and I wish you continued good health, prosperity and success in the months ahead.

This quarter was marked by strengthening across our core businesses. In line with our strategic focus on quality growth, we saw steady momentum in advances, improvement in the EEB book, and further strengthening of the secured book. On the liabilities side, our continued push toward granularity resulted in stronger retail mobilisation and a calibrated reduction in high-cost bulk deposits. Margins improved sequentially as the cost of funds eased, and asset quality trends moved in the right direction with lower stress formation and reduced NPAs. While these are positive outcomes, we remain sharply focused on accelerating CASA and improving asset quality further.

Before I move into the financial and operational performance for the quarter, **let me begin by highlighting a few key initiatives we undertook during this period.** These initiatives reflect our continued focus on enhancing our products and services through innovation and strengthening our ability to serve customers more effectively.

During the quarter, aligned with our digital transformation agenda, we made strong progress. We **enhanced the Bandhan Corporate Internet Banking platform** with a better user experience, stronger security, and access through partners like BillDesk and Cashfree. We also implemented real-time transaction monitoring to proactively identify and mitigate risks for our clients. In **Merchant Acquiring and Payments, we continued to scale our capabilities**. We onboarded Razorpay as a payment gateway partner, supporting key sectors such as Government, utilities, and education. Our PoS terminals now integrate directly with customers' ERP systems, improving efficiency and reducing manual reconciliation. Additionally, we launched our In-App Collection Solution, enabling mobile-based payment acceptance without physical devices. Overall, these upgrades strengthen our digital ecosystem and position us well to support the evolving needs of our corporate and institutional clients

Let me now walk you through some of the **key initiatives undertaken during the quarter to strengthen our control framework and enhance our product offerings** within the EEB group loan portfolio.

Starting with control enhancements, we focused on improving transparency, accuracy, and customer communication. First, we introduced real-time SMS acknowledgements for cash collections made during group meetings through our tablet-based system. This ensures customers receive immediate confirmation of their payments, reinforcing trust and transparency. Second, we launched a real-time digital dashboard for our Operations Executives. This enables more effective monitoring and reconciliation of transactions conducted by our Relationship Officers during group meetings, significantly improving timeliness and accuracy. Third, we initiated pilot testing of Bluetooth-enabled portable printers to issue instant printed receipts at the point of collection. This further enhances clarity of communication and builds greater confidence among customers.

On the product enhancement side, our efforts were centered on offering greater flexibility and convenience to customers. We introduced 18-month and 36-month tenure options in group loan, providing customers with more choice to match their repayment schedules to their cash-flow cycles. Additionally, we have expanded repayment flexibility by offering bi-weekly and monthly repayment frequency options, reducing repayment stress and enabling better financial planning for customers.

Overall, these initiatives underscore our continued commitment to strengthening controls, elevating customer experience, and expanding flexibility across our product suite.

Let me now take a moment to **highlight two significant developments during the quarter that had a notable impact on our financials**. The first relates to the **portfolio sale of NPAs and written-off accounts to ARCs**, and the second pertains to the **impact of the newly notified labour codes**.

As part of our ongoing effort to strengthen the balance sheet, we executed the sale of NPAs and written-off accounts of unsecured EEB and ABG portfolio to ARCs during the quarter. We sold Rs 3,707 crores of written-off portfolio, which was realized at a valuation of roughly 9%. Out of the total Security Receipts (SRs) issued for this portfolio, our share stood at about 62%. On the cash side, we received Rs 126 crores, and this inflow has been recorded under 'Other Income'. In addition to this, we also sold Rs 3,165 crores of NPAs, unsecured loan in EEB and ABG book, at a valuation of around 18%. Our share of SRs for this pool was approximately 47%. The transaction generated Rs 303 crores of cash for the Bank, and this has been used to offset our provisions under the provisions line item in the P&L. Together, these actions reflect our continued focus on strengthening the balance sheet while ensuring disciplined resolution of stressed assets.

The second key development relates to the new labour codes. On 21st Nov 2025, the Government of India formally notified the four Labour Codes. The Bank has undertaken a detailed assessment of their impact, wherever applicable, particularly with respect to the revised definition of wages. As a result of this assessment, we have created an incremental provision of Rs 120 crores towards gratuity during the quarter. This provision, which primarily arises from the change in wage definition, has been accounted for under employee cost in the P&L.

I now move to the **performance of Bandhan Bank for Q3FY26 and the Nine Month FY26**. The quarter demonstrated several underlying strengths across our core businesses. Our advances continued to show healthy momentum, with underlying growth remaining strong even after accounting for the recent NPA sale. The EEB portfolio has stabilised, reversing the earlier trend of degrowth, and our secured book continues to strengthen, improving the secured mix further. On the liabilities side, deposit granularity improved meaningfully, supported by strong retail deposit mobilisation, even as we deliberately pared down high-cost bulk deposits to improve the quality of our liability profile. Margins also showed an encouraging upward turn, aided by a sustained reduction in the cost of funds and improving deposit mix. Asset quality trends were constructive, with lower slippages QoQ, better early-stage indicators, and improved NPAs following the ARC sale.

In terms of areas we are sharpening further, CASA growth remains soft industry-wide, but we are intensifying efforts to strengthen customer engagement and enhance product propositions. Operating expenses remain well-managed and broadly in line with our guidance, despite certain regulatory-driven one-offs. And while slippage has improved, we continue to remain focused on further strengthening recoveries, reducing incremental stress, and moving steadily toward our medium-term credit cost aspirations. Overall, the quarter demonstrates improving fundamentals and continued balance-sheet resilience.

While my colleague and Chief Financial Officer, Mr. Rajeev Mantri, will provide a comprehensive overview of the financials, I would like to take this opportunity to **highlight a few performance indicators from the third quarter of FY26**.

- As of 31st Dec, 2025, our gross advances stood at about Rs 1.45 lakh crores, reflecting healthy growth of 10% YoY. On the liabilities side, deposits reached Rs 1.57 lakh crores, growing faster than advances on YoY basis — a reflection of our strategic focus on maintaining a balanced and sustainable franchise
- Retail term deposits continued their strong momentum, growing by over 36% YoY, underscoring the increasing trust of our customers and the strength of branch network. CASA now stands at 27% of total deposits, and the overall retail mix — including CASA and retail term deposits — improved further to 72%, signalling continued strengthening of deposit granularity and stability
- Aligned with our diversification agenda, our secured book, at 57% of overall advances, continued to gain share within the overall portfolio, supported by steady growth across secured products. This shift reinforces the improving risk profile and balance within our advances mix
- Our NIM for the quarter at 5.9% remained healthy showing sequential improvement as the benefit of lower cost of funds flowed through. For the nine-month period as well, NIMs remained largely stable at 6.0%. Credit costs showed a small improvement sequentially, and we remain committed to bringing them down further through the year. Gross and Net NPA ratios improved significantly at 3.3% and 1.0%, while our PCR incl. technical w-offs improved slightly to 84.3%
- For Q3FY26, our Net Total Income stood at Rs 3,379 crores, while Operating Profit was Rs 1,445 crores. The Bank reported a PAT of Rs 206 crores for the quarter
- For 9MFY26, RoA and RoE stood at 0.5% and 4%, respectively
- Our capital position remains robust. Including 9MFY26 profit, the Capital Adequacy Ratio stands at 17.8% and Tier I capital at 17.0%, providing ample headroom to support future growth
- We also continued to expand our distribution footprint, taking the branch network to 1,831 branches, with 20 new branches added during the quarter and the conversion of 57 housing centres into full-fledged banking branches. This expansion enhances our reach and strengthens our ability to serve customers more effectively

To conclude, this has been a quarter of steady progress and strengthening fundamentals for Bandhan Bank. We continue to execute with discipline across our strategic priorities — driving quality growth, deepening our retail franchise, enhancing our digital capabilities, and reinforcing our risk and control frameworks. While there is more work ahead, the trajectory is encouraging, and we remain fully committed to building a stronger, more resilient, and more diversified Bank. I would like to thank our customers, employees, shareholders, and partners for their continued trust and support.

With that, I would now like to invite our Chief Financial Officer, Mr. Rajeev Mantri, to take you through the detailed financial performance for the quarter.

Rajeev Mantri:

Thank you, Mr. Sengupta, and welcome all to the earnings call. We will now move on to the business performance for the quarter. I'll walk you through the key financial highlights and provide an overview of how we have performed. **Let me start with advances performance**, where the trends this quarter reaffirm the progress, we are making in reshaping the balance sheet.

As of 31st December 2025, Gross Advances stood at Rs 1.45 lakh crores, representing 10% YoY growth and on a sequential basis, growth was healthy at 4%. Importantly, if we adjust for the NPA sale of Rs 3,165 crores during the quarter, our underlying advances growth would have been higher, at 12% YoY and 6% QoQ indicating sustained business momentum beneath the reported numbers.

The EEB book stood at Rs 50,076 crores, showing a 11% YoY and 3% sequential decline. However, when normalised for the NPA sale to ARC of Rs 2,759 crores undertaken during the quarter, the portfolio would have recorded a growth of 2% QoQ. Operational trends on the ground, including improved collections, supported by increased demand, and strengthened field controls, reinforce confidence that the de-growth phase in EEB book is behind and the portfolio is stabilising with a more constructive trajectory going ahead.

Our non-EEB portfolio continues to demonstrate strong, broad-based growth at 25% YoY driven by sustained momentum across both Retail Assets and Wholesale Banking, now accounts for nearly 65% of total advances, up from 63% in the previous quarter and 58% a year ago. Retail Assets grew by 57% YoY, led by secured segments such as CV & CE, auto loans, and gold loans. Wholesale Banking also performed very well, growing 32% YoY (excl. ABG & PTC – growth is 43% YoY), supported by deeper client engagement and effective execution. These trends validate the strength of our diversification strategy.

On portfolio diversification, we further strengthened our secured loan book across Wholesale Banking, Housing, and Retail Assets. The secured book grew 27% YoY and now accounts for 57% of total advances, The shift towards secured lending remains a key strategic lever for enhancing asset quality and improving the long-term risk profile. In terms of segmental composition, the portfolio is now more balanced. The EEB group lending accounts for 22% of total advances, SBAL at 12%, Wholesale Banking at 31%, Housing at 23%, and Retail loans at nearly 10%. This mix reflects conscious de-concentration efforts and a calibrated rebalancing towards more secured, stable and diversified asset pools.

Let me now move to our deposit's performance. As of December 31, 2025, our total deposits stood at Rs 1.57 lakh crores, compared to Rs 1.41 lakh crores a year ago — reflecting a growth of 11% YoY. Importantly, deposit growth on YoY basis, continues to run ahead of advances growth, consistent with our focus on funding stability and balance-sheet resilience. On a

sequential basis, deposits moderated marginally by around 1%, largely due to the planned run-off in bulk deposits.

Bulk deposits declined by 6% QoQ, and their share in total deposits reduced further to about 28%, compared with 29% in the previous quarter and 31% a year earlier. This steady decline is intentional and reflects our ongoing commitment to reduce reliance on high-cost, less stable funding sources and improve the durability of our liability base.

Our efforts to deepen a granular, retail-driven deposit profile remain on track. Retail deposits, comprising both CASA and Retail Term Deposits, grew by 17% YoY. Within this, Retail Term Deposits maintained strong momentum, growing 36% YoY, which underscores the continued trust and engagement of our customer franchise.

CASA deposits stood at Rs 42,730 crores, showing a 4% YoY decline. This was primarily the result of the savings rate reductions undertaken in Q1 and subsequently in Q2 and Q3. The lower rates led to an outflow of certain high-value, rate-sensitive balances that were earlier costing upwards of 6%. It is also important to note that the pressure on CASA is not unique to us. The industry as a whole has been witnessing similar challenges, with most banks reporting softness in CASA ratios due to the interest-rate environment and shifting customer behaviour.

The positive development, however, is that core, granular savings deposits continue to gain strong traction. These balances are more stable, less sensitive to pricing and at lower cost, and their growth indicates that the underlying strength of our CASA franchise remains intact. As customer engagement deepens, branches get leveraged and our granular deposit strategy continues to build traction, we expect the quality of our liability base to further improve over the coming quarters.

Let me now **take you through the asset-quality trends**, where we continue to see strengthening across key indicators. **Starting with collections**, our overall collection efficiency, excluding NPAs, improved to 98.1% in the month of Dec'25, compared with 97.8% in Sept'25. Within the EEB portfolio, full-quarter collection efficiency for Q3 stood at 98.2%, and for the month of December specifically, it was 98%, up from 97.5% in September. These improvements reflect the sustained recovery efforts on the ground. Additional details are available on Slide 20 of our investor deck.

On slippages, the improvement is visible and broad-based. Bank-wide gross slippages declined to Rs 1,314 crores in Q3FY26 from Rs 1,590 crores in the preceding quarter. The largest contribution to this improvement came from the EEB segment, where slippages moderated to Rs 942 crores, compared with Rs 1,118 crores in Q2FY26. Recoveries and upgrades, at the bank level, amounted to Rs 351 crores, slightly higher than Rs 332 crores in the previous quarter. Better recoveries coupled with lower slippages, indicates stabilising portfolio behaviour and better resolution throughput.

We are also seeing encouraging signs in the early-delinquency buckets. In the EEB portfolio, the combined 0–90 DPD pool (SMA0, SMA1, SMA2) reduced to Rs 2,310 crores, or 4.6% of EEB advances, from Rs 2,497 crores, or 4.8%, in the prior quarter. The most meaningful improvement came in the SMA0 bucket, which declined from Rs 1,582 crores to Rs 1,328 crores. This movement indicates easing forward flows and supports our expectation of further improvement over the coming quarters. Detailed disclosures are available in Slide 21 of our deck.

In addition, during the quarter, we completed the sale of Rs 3,165 crores of NPAs, primarily from the EEB and ABG portfolios, to ARC. Following this sale, our Gross NPA ratio improved sharply to 3.3%, and Net NPA declined to 1%. Credit cost for the quarter moderated slightly to 3.3%, compared with 3.4% in Q2FY26.

A point worth highlighting is around provisioning coverage. While the reported PCR stands at 70.8%, when we include the provisions against the Security Receipts, the effective PCR is 74.2%, broadly unchanged sequentially. This reflects a stable provisioning position even after the NPA sale. Additionally, our PCR incl. technical write-off stands at 84.3%.

Let me now move to the earnings performance for the quarter. Starting with Net Interest Income, NII for Q3FY26 came in at Rs 2,688 crores. While this reflects a YoY moderation, but on a sequential basis it improved 3.8%. NIM for the quarter improved to 5.9%, compared with 5.8% in Q2, supported by a nearly 20-bps reduction in the cost of deposits. This improvement more than offset the natural yield compression arising from the rising share of secured lending in the portfolio — a conscious shift that strengthens the risk profile and enhances earnings quality over time.

Looking at non-interest income, the reported number shows a 38% YoY decline but a 27% improvement QoQ. However, normalising for one-off items, core non-interest income grew 32% YoY. Importantly, income from third-party distribution grew a strong 35% YoY, highlighting deeper branch level penetration and better cross-sell productivity. We also saw a healthy recovery in processing fees, supported by improved disbursement activity in the EEB portfolio.

Operating expenses for the quarter were Rs 1,934 crores, rising 6% sequentially. This increase was largely due to the Rs 120 crores provision for gratuity following the implementation of the new labour codes. On a YoY basis, opex growth was contained at 2%, helped by the absence of one-time ESOP related costs that were present in the base quarter. Despite the regulatory-driven one-offs, our opex-to-average-assets ratio remained well-managed at 3.9%, only marginally higher than the 3.8% in Q2 — reflecting continued discipline on cost control. As a result, operating profit for the quarter stood at Rs 1,445 crores.

Net profit for Q3FY26 was Rs 206 crores, compared with Rs 426 crores a year ago and Rs 112 crores in the previous quarter. Profitability ratios for Q3 — RoA at 0.4% and RoE at 3% — reflect the combined impact of one-off items and the cost of reducing NPAs measures undertaken during the quarter.

Briefly turning to the nine-month performance. NII for 9MFY26 stood at Rs 8,034 crores, supported by the continued expansion of the secured book and stable margin performance. Operating profit for the nine-month period stood at Rs 4,424 crores, reflecting resilience in core earnings.

NIM, opex-to-assets, and credit cost for 9MFY26 were 6.0%, 3.8%, and 3.4%, respectively. Net profit for the nine months was Rs 689 crores, resulting in an annualised RoA of 0.5% and RoE of 4%.

Taken together, these results reflect steady progress, on the Bank's strategic priorities through improving business growth, sustainable product mix and better asset quality - actions that strengthen the franchise for the long term. Thank you for your time and for listening patiently to our updates. On behalf of the entire management team, we truly appreciate your continued interest and support. With that, we would now be happy to take your questions.

- Moderator:** Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Jai Mundhra from ICICI Securities. Please go ahead.
- Jai Mundhra:** Sir, I wanted to check if you can specify the EEB slippages during the quarter and the recoveries, if any, in the movement of NPA...for EEB only?
- Partha Pratim Sengupta:** So, during the quarter, EEB slippages has been to the tune of Rs 942 crores. There has been a significant improvement – In Q1, it was Rs 1,089 crores; Q2, it was Rs 1,118 crores. So almost Rs 170 crores down from what we have seen in the previous quarter.
- Rajeev Mantri:** And the recoveries were Rs 113 crores. So, the net slippage was Rs 829 crores for EEB.
- Jai Mundhra:** Sure. And sir, is there any restatement of SMA 0 of last quarter? Because it looks like there is some restatement. Is it because of ARC sale or there is something else also?
- Partha Pratim Sengupta:** No, SMA 0 is largely unaffected with the ARC sale. So, there has been also a good improvement. You're talking of the EEB segment?
- Jai Mundhra:** Yes, sir. The EEB, SMA 0, which is last time 4.9%, as per third quarter presentation, seems to have changed a little bit?
- Vikash Mundhra:** Yes. So, Jai, overall, there at total level there is no change in the SMA 0. But yes, on a state-wise, there were some changes in % terms.
- Rajeev Mantri:** I think you are referring to the previous investor deck to now. And I think, as Vikash clarified, maybe for some of the states, there is some reclassification, but the overall SMA 0 number is the same.
- Partha Pratim Sengupta:** Correct. Yes.

- Jai Mundhra:** Sure. And sir, now, last three quarters, MFI slippages have been declining. And this quarter, the disbursements have also picked up on QoQ, YoY basis both. And what is your assessment? Other banks have seen a material improvement in the reported asset quality. What would be your assessment in the near term, or maybe 1 or 2 quarters, on EEB asset quality?
- Partha Pratim Sengupta:** So there -- we are finding a lot many positive trends in the EEB segment. Our disbursements are going up. As, it has been presented by Rajeev, we have seen that QoQ also disbursements have gone up. And number two is that the slippages are also coming down. So going forward, we are expecting that, this will further improve because when we look at the vintage book and the delinquency book in terms of the vintage, we find that almost last 1 year, the slippages from the recent disbursements has been very, very low, and so if that trend continues, then we will have a much, much better and healthier book in this segment in the coming quarters.
- Jai Mundhra:** So, the improving trajectory...
- Vishal Wadhwa:** Vishal this side. We've also got a better 99.6% regular collection in the last 2 months. We are seeing a lot of green shoots in the last 2 months.
- Jai Mundhra:** Right. So, ex bucket collection efficiency is now 99.6%, right? Is that what you meant, Vishal?
- Vishal Wadhwa:** Yes, for the month of November and December. It has improved significantly from the month of October.
- Jai Mundhra:** Okay. And sir, any comment on the credit cost? How should we build the credit cost? Right now, it is a bit elevated. You have done the ARC transaction also and have kept a little impact on the PCR, but how should one look at credit cost going ahead?
- Partha Pratim Sengupta:** So, while the guidance is difficult to give at this stage, but we can see that it would substantially improve. Even in Q4 also, we are expecting an improvement because the loan loss provisioning, we are expecting much lower than what we have done this time.
- So, with the trend that what EEB is showing and the performance of other business, it's like in wholesale banking, we have almost very lower number of slippages and retail also. So, we will be able to contain, I can say that the credit cost would improve. Our guidance is at the end of FY27, we are still hopeful that we will probably be achieving 1.6%-1.7% of credit cost.
- Rajeev Mantri:** Yes. We've given a guidance of 1.6% to 1.7% as of the end of FY27. So, we are moving steadily towards that particular guidance.
- Jai Mundhra:** Yes. It's 1.6%, 1.7% for overall and around 2.5% for EEB, right? That was the guidance given. That is broadly more or less intact, right?
- Rajeev Mantri:** 1.6% to 1.7% overall and 2.5% to 3% for EEB.

- Jai Mundhra:** Okay. Last question, sir, if I may ask, is the treatment of this ARC transaction, so just to -- I mean, my understanding is, correct me if I'm wrong, that you had 2 tranches, one is written-off portfolio, Rs 3,700 crores. You sold it for Rs 332 crores. And you got, let's say, 62% -- you invested 62% in the SR portfolio. So, around Rs 130 crores you got in cash, right? And that is because it was written off, it has moved to other income?
- Rajeev Mantri:** Yes, it's Rs 126 crores to be precise.
- Jai Mundhra:** Correct. Okay. And the transaction, we -- where you had not provided -- which was not written off, you received Rs 300 crores, but -- and what happens to that Rs 300 crores?
- Partha Pratim Sengupta:** Rs 303 crores is just cash what we have received, and it has actually brought down our NPA figures. So, it was just appropriated against the outstanding and the balance amount of, is in the SR, where the ARC has taken a higher share at 53% and 47% is us.
- Rajeev Mantri:** Yes. Just to specify, I think Rs 3,165 crores of NPA sale, we got a value of 18% that amounts to a deal value of Rs 570 crores. We got the cash from the ARC of Rs 303 crores, which represents 53.25%, and our share, Bandhan Bank share, was Rs 266 crores, which is 46.7%.
- Moderator:** Your next question comes from the line of MB Mahesh from Kotak Securities. The line for Mr. MB Mahesh has been dropped from the queue. We'll move on to the next question. The next question comes from the line of Piran Engineer from CLSA.
- Piran Engineer:** Congrats on the quarter. Just before getting to my questions, can you just once again explain the ARC details? You got Rs 570 crores from that sale, which is 18%. Then the cash out of it, you said, was Rs 303 crores, but then you said Bandhan Bank share was Rs 256 crores?
- Rajeev Mantri:** So maybe I'll explain Piran, Rajeev here. So, there were two pools that we had sold. One was the NPA pool, which amounted to Rs 3,165 crores. The value we got was 18%, which is Rs 570 crores. The cash component of that was Rs 303 crores, representing around 53% paid by the ARC. And Bandhan Bank's investment was Rs 266 crores, representing around 47%.
- Piran Engineer:** Okay. So, Rs 266 crores is in the SR that you got?
- Partha Pratim Sengupta:** Yes.
- Rajeev Mantri:** Yes. Rs 266 crores is in the SR. That's correct. And similarly, we had the second pool, which is the write-off pool of about Rs 3,707 crores, which was sold to Phoenix. And for that, we got a deal value of about 9%. The deal value was Rs 332 crores. The cash that we received was Rs 126 crores, representing around 38% and our investment, which is Bandhan Bank's investment, was 62% amounting to Rs 206 crores.
- Piran Engineer:** Got it. Okay. That explains this ARC. Just quickly on mortgages for the last few quarters, now growth has been slowing down, NPAs are going up. What are we doing to sort of reverse this?

Partha Pratim Sengupta: Yes. So, the first thing what we have done, and we are gradually on the process of stabilization and if you can look at it, it was on-boarding, underwriting and also the operations were done by the same person and especially in the affordable segment, the risk was increasing. So, we have changed the system. Now, it is a completely different set of people doing the on-boarding, and underwriting is independent and then finally, the operations who just look into the entire thing before the disbursement of the loan. So, this one effect, I would say that it will definitely improve the quality factors of the housing finance segment. This is number one.

Number two is that we are also streamlining our underwriting process. And soon we will be coming with the new business rules, and it will be more or less rules-driven rather than doing a lot many, I would say, on a manual basis underwriting. The third is that the dependency on the personal details -- I would say that now we are more on the structured way of information, doing -- trying to get the information rather than depending on personal data or personal hearing or more on the basis of their other salaried incomes backed by bank statements, backed by other, I would say, income tax returns, GST returns, etc. And the fourth is that our continuous effort in increasing our share in the salaried segment. So, if you can look at it at present, we are almost 56% in the salaried pool housing loan. So, these are some of the steps taken and eventually, you see a lot many of these NPAs are from the legacy books and the one most important thing what we have done, is that earlier, although we have acquired the GRUH Finance, we have not actually make a true merger in the sense that they were allowed to maintain their own process, procedures and keep their identities in the way what they have been doing before. So that major change has already taken place as you have seen their 57 of the housing finance centers have now been completely converted into branches. This is one. And number two, in the other centers also, we are gradually making them a banking unit. So, similarly where they can do the normal banking activities, and a lot of churning among the staff, between the GRUH Finance earlier staff and our new Bandhan Bank employee staff, are also taking place. So, all these steps, we are quite hopeful that it will improve the quality of the advances in the future.

Piran Engineer: Got it. Sir, but -- I mean, all these steps like moving from a different process to now a different process, that would impact growth, but NPAs have just been going up every quarter?

Partha Pratim Sengupta: That is what I'm saying. These NPAs are mainly because of the underwriting issues also. So earlier, the same person was doing the on-boarding and underwriting. So that has now been changed. So obviously, once the new independent underwriter comes and assesses the thing, the quality improves.

Piran Engineer: Okay. Fair enough. Second question, just on margins. How do we like foresee margins for the next four quarters?

Partha Pratim Sengupta: Difficult to comment at this stage, but definitely, I can say some of the green shoots are there. You see the ARC sale that we have made, and for which in order to maintain our PCR, we have to do a lot much of provisions, additional provisions. We don't expect such number of large provisions, which will improve our profit. Number two is the cost of funds, as we have been --

it is steadily declining and in the coming quarter, what Rajeev has said that most of the fixed deposits would be matured, and they will be placed in the new and lower interest rate buckets. So that will improve my cost of funds further. And consequentially, the NIM. So NIM today is at 5.9%, which is definitely one of the best in the industry, but we hope that we will continue to maintain at this rate, so 6% on for the rest.

Operating expenses, we have been continuing more or less at the same pace what we have been doing earlier. A little bit cost has enhanced in the field of technology, which is required. On the slippages front for which we have to make a large amount of provisions, with the EEB segment giving some green shoots, which is happening. So, slippages will come down. We also expect slippages reducing from the housing loan segment. The other two segments are quite okay. So, considering this trend, while a number guidance cannot be given, but we are extremely hopeful that the coming quarters will be good for the bank.

Rajeev Mantri:

And I think just to add supplementary, what Mr. Sengupta mentioned, on the net interest margin, look, last quarter, we did see the impact of the repo rate reduction, which impacted and reduced our net interest margin. We have seen the trajectory reverse from 5.8% to 5.9% in this quarter, and that is a result of some of the cost of funds coming down.

We expect this cost of funds improvement to continue over the next two to three quarters and the NIM trajectory it will improve from. So, there are about 4 components. One is the cost of funds where we are confident because of the term deposits coming for renewal in Q4 as well as in Q1 and Q2 that we should see anywhere between a 35 basis points to a 50 basis points improvement in the NIMs because of this.

At the same time, as you are aware, there has been a further repo rate reduction in December, which will come into effect from 1st of January, which will create an adverse impact of about 11 basis points on our net interest margins because the repo rate affects about 45% of our advances portfolio. Apart from these two, as the slippages we expect to come down, there should be lesser interest reversals, which should also benefit the margins.

And fourthly, as we expect some further granularity of the deposits and CASA improvement, that will create an improvement. So, all of these factors have led to the net interest margin definitely improving from the current levels. We are confident that in Q2, we saw a bottom of the NIMs, at least for this financial year, and therefore, some further improvement should be expected from these levels.

Piran Engineer:

Okay. And just my last question is what are the yields in our commercial banking and retail loan books? And have we hiked yields in microfinance like some of our competitors?

Rajeev Mantri:

So, I think for our wholesale banking book, it's just a shade below 9% as the gross yields. And overall blended for the secured book would be somewhere around 10%, across the 3 portfolios.

Partha Pratim Sengupta:

The total yield on advances is 13.33% and the EEB book continues to be at around 21%-22%

- Vishal Wadhwa:** We have not increased the rates as of now for the EEB. We are evaluating at this current stage.
- Piran Engineer:** Got it. Okay. That's it from my end. Thank you and wish you all the best.
- Moderator:** Thank you. Your next question comes from the line of Pankaj Agrawal from Prudence Investment Advisors. Please go ahead.
- Pankaj Agrawal:** Good evening, sir. Thank you for giving me an opportunity. Before asking questions, I would like to bring your attention to some figures. Post-IPO 2018, the bank has made provisions of more than Rs 36,000 crores in provisions and contingencies. And against that, bank has recovered around Rs 7,000 - 8,000-odd crores. And credit cost has been elevated post-IPO more than 3%. So, my other like friends have asked the question about NPAs and all, and you have answered categorically. But I want to be looking because shareholders have been in continuous pain, and they have lost around 50% of their net worth, right? So how do you -- my only question is like how the bank is going to have robust risk management system and getting back to its original right to getting profitability so that shareholders could be rewarded?
- Partha Pratim Sengupta:** Right. So, you see, definitely, there has been a dip in the value of the shareholders' investment because you see there are two, three events you have to just look into it. So, we evaluated from a microfinance institution. And when we went for the IPO, our main assets were microfinances. These microfinance loans were giving a very high returns and at that time, the delinquencies were also less, but ultimately, what we realized is that this particular segment is vulnerable to many risks and one of them is definitely some climatic or something epidemic, and we have seen what has happened in corona. So almost 70% of our books were as microfinance went into stress. So, this was a learning lesson for the bank.
- And then, we gradually thought that, yes, okay, we have to work as a universal bank and cannot put all our eggs in one basket and rather distribute it in a balanced way between the unsecured and the secured segment. Now, this transition is going on that you need to appreciate. While making these transitions on the one hand, we need to provide for the slippages that has happened mostly in the microfinance segment, which apart from this corona-related risk, there were other risks like the political, at some of the states we have witnessed. So, corrective stakes have been taken, as you have said, from the risk point of view is that we are now distributing our assets and secularly growing our assets. So, microfinance segment at one point in this bank was more than 80%, has now come significantly to around 35%. And the unsecured book is also 43%. So that is one risk robust measures we have to take -- we have taken already.
- Number two is that current transition phase, we have already indicated to our investors right from when I took over the charge that there will be a dip in profit and profitability because as we go for more secured books, definitely, the returns would be less. But nevertheless, this is required for a universal bank to create confidence among the depositors and the investors.
- Now, I can say that we have seen the bottom in the quarter ending September'25 when our profits went to a dip of Rs 112 crores. I can say that now going on forward with this balanced

book of position, along with the lot many risk mitigation measures that we have taken it, I can share that we are now having a wholesale banking group share of almost 31% and in this segment, let me tell you that almost 85% of the total corporate credits are A and above and 25% are AA and above for that year. So, this is the quality we are bringing in the advance. The return will take some time.

Again, I'm telling you that we are also concerned about the shareholders losing the wealth. But definitely, I can say that we have taken steps to go on -- move on in the right trajectory. A lot of initiatives we have taken right from -- in the digital front. So, we have shifted a lot from microfinance focus to more of a universal bank. We are gradually entering into other segments where the scope of other income will be there and the profitability would also improve. So, I would request you to just wait for a little bit more time. Definitely, Bandhan Bank, we are all expecting will give improved results.

Pankaj Agrawal:

Thank you very much, sir. And we expect that legacy or not legacy because people move once their time has come or they got a better opportunity elsewhere. But I think the NPA has been or like constant tapping from where the water is leaking around the banking system. And I think the banking -- the RBI and the bank itself are very cognizant of that, and they will take care of because these NPA remaining every month -- every quarter, there is a slippage. I hope this will be contained. Thank you very much, sir.

Partha Pratim Sengupta:

Absolutely. And that is why you see we -- because we were piled up with so many of legacy NPAs that we took a decision to take a cleansing of the thing, and we have done the ARC sale. It has definitely -- I can say that it has shrink our profit. Today, if I had not done with the NPA sale and have kept the NPA at around 5%, I probably could have given you a much better profit.

But we have decided the other way, cleansing the books and maintaining a healthy book right now. So today, if you see -- just a quarter ago, GNPA's were at 5% - 5.1%. And today, we are at 3.3%. Our aim is to maintain that. As you rightly said, we have also said that we will definitely give our best to contain the slippages and prevent further NPAs and definitely also improve the ratio further.

Pankaj Agrawal:

Thank you, sir. Thank you very much, sir.

Moderator:

Thank you very much. Our next question comes from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal:

Hi, good evening and thanks for the opportunity. Sir a couple of questions. One is on the collection efficiency. If you look at like we have reported marginal improvement across all the geographies, barring West Bengal, where it is like a very minor uptick. And if I correlate it to the SMA 1, then that number has gone up sharply in West Bengal from -- to 1.4%. So how do you look at the situation there? What percentage of the MFI book now is in Bengal? And any procedural tightening or underwriting like kind of changes we are doing in anticipation to the upcoming Bengal elections? If you can give some color around all of this?

- Partha Pratim Sengupta:** So, first of all, let me address your underwriting changes. So, we are making a completely paradigm shift in our underwriting process. The first is that we are moving from a localized-based understanding to a centralized-based understanding. We are putting business rules into our system so that hardly any discretion or discrimination is there in giving the right borrower the right amount and the right product. So, this will soon come. Also, we are revamping the entire thing of this family tree, double credits and all these things. So, all these things are taken care of. A lot of changes are going to happen in the underwriting segment in this EEB process. So -- and the second part of your question, you are saying that...
- Rajeev Mantri:** I think your question was on the collection efficiency in the SMA 1. Yes. So, I think, yes, collection efficiency, we have seen an improvement.
- Vishal Wadhwa:** So, collection efficiency, we have seen improvement everywhere. Like I said in the month of November, December, we clocked 99.6% on regular. On the West Bengal side, in particular, like I said, we have started in the last quarter call as well, holiday repayments, and we had 5 holidays in the month of October, which led to an SMA 0 increase or regular OTR coming down from 99.5% to 99.1% for the month of October.
- But again, when there are no holidays in the month of November, December, our regular collections are coming at 99.5% plus. So that blip has only come primarily because of the number of holidays we had in the month of October. Otherwise, if you see our SMA 1, 2 have been contained overall and the only blip is coming from West Bengal in terms of the holiday repayment. No stress as such in terms of -- there are a lot of green shoots on the overall collection efficiency across pan-India.
- Partha Pratim Sengupta:** So, I would just reiterate, so we have also explained earlier also that even 1 year back, we were not raising any demand on holidays, so that we have amended. And now, even if it is a holiday, we would raise demands. But there are no employees in the field to collect that amount. So obviously, it falls into the bucket of SMA 0. If you can look in the current month also, so from tomorrow, 23rd, 24th, 25th, 26th, there will be continuous 4 days holidays. In these four days, demands will be raised, but people will not be available to collect the funds. So obviously, my DPD book will go up.
- But I can say that West Bengal is one of the best states in terms of performance. We also classify our all due in the microfinance branches into 4 categories. And only 2 branches qualify for -- comes under the underperformer for that year. Rest all are doing well. It is one of the -- still, I would say, West Bengal, Assam, Bihar, these are some of the states which are doing extremely good in terms of collection. And we have seen in Bihar, during the election period also, my collection efficiency was almost at the same level.
- Rajeev Mantri:** Also, Nitin, one more point to add is that since we have done the ARC sale, the denominator has also come down. Therefore, if you look at from an amount perspective, I think the SMA 1 and 2 are at similar levels, but the percentages could be looking like going up slightly more.

Nitin Aggarwal: Okay, sure. And West Bengal now is what proportion of total MFI?

Partha Pratim Sengupta: 42%.

Nitin Aggarwal: 42%. Okay.

Vishal Wadhwa: 42%.

Nitin Aggarwal: Okay. Sir, the other question that I have is around the employee intensity. So, if I look like since March '24, the MFI portfolio has come down by 20%. But our employee -- total employee count remains around a very -- moves in a very narrow range. So, should it not come down in context to how the MFI business has come down in terms of the portfolio mix and in absolute quantum? And can this be a lever that you can use to control cost because cost ratios are only inching up every year?

Partha Pratim Sengupta: I do agree what you have said is also what we have made an internal deliberation, and also, yes, that it's okay. But the question is that you see the -- EEB AUM has come down today compared to a year ago, but we are still optimistic that it will go up. So suddenly, we can't take hard measures and asking that employees to just leave. This particular segment, the people often hovers around the various MFIs and the various NBFCs who are in this microfinance lending. So, for them, it would not matter that much, but it would matter a lot for us. So that is one thing. Number two, we have already done some rationalization by putting a lot many of our business, I would say that, what we called as, RO that -- who are just responsible for booking business, we have placed them in the collection zone. So, we are strengthening our collection and done some bit of restructuring of our employees.

Vishal Wadhwa: In addition, if I would just supplement the answer, see, overall, our book size, if I include the NPA write-off, which we also keep on collecting and the numbers keep on adding up to our financials, that number remains larger than what it was maybe a year back also. So, we are still collecting on NPA, and our rate of recoveries are going higher each quarter.

So overall, if I see the book, right from 0 to NPA plus up to write-off, that number has been growing. So, if you consider all of that, and in terms of -- we are very closely tracking our employee productivity. So, efficiency productivities are tracked, and that has shown an upside in the last two quarters rather than compared to what it is because the overall the disbursals are coming up now in the last quarter as well as our collection efficiencies are also improving.

Rajeev Mantri: And I think within the overall headcount, we have also made sure that we invest in talent for the secured business, which is growing very fast. So, while you will see efficiencies in the EEB segment, we are actually seeing an increase in the secured to make sure that the accelerated growth happens there.

Nitin Aggarwal: Got it. Got it. And last question is on the...

- Moderator:** Sorry to interrupt, Nitin, sir. May we request you to return to the queue for any follow-up questions, please?
- Nitin Aggarwal:** Sure. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of MB Mahesh from Kotak Securities. Please go ahead.
- MB Mahesh:** I just had one question. This pertains to the exits that one is seeing on the ground at your bank. You've seen a few exits at the vigilance levels and the audit executive. If you could just kind of give us a clarity as to what's happening there?
- Partha Pratim Sengupta:** Let me tell you, there is no other issues and it was absolutely because of his family residing in Bombay, and also, he has got some other more, I would say, compulsions for that year. So he came up very clearly to me and stated that in normal circumstances, actually, he would not have opted for his resignation. But actual circumstances in his personal life has almost forced him to take this decision. So, there is no issue, no issue with the management, no issue with the regulator. Now, I can say that there's nothing as such that has come. It is just because of his personal requirements, he has quit this, that's all.
- MB Mahesh:** And sir, just one, is the team then settled now or is there a risk of any further exits at your end because we had one with the housing side losing?
- Partha Pratim Sengupta:** Housing -- as I have told you that it was more or less a given decision. So that was -- that is completely different. As of now, we have no indication of any senior executives leaving us. More or less, the team is stable. But as you know that this market is open to all. So, anyone getting a very good opportunity and for that year, we have to live up with it. It happens in all banks.
- MB Mahesh:** Perfect. Okay, sir. Done. Thank you.
- Moderator:** Thank you. Your next question comes from the line of Anish Rai from UBS. Please go ahead.
- Anish Rai:** Hello, sir. Good evening all. So just one question. So, did we make any additional provisions for the NPA sale we had? So, the reason I asked that question is generally, our provisions to our slippage ratio overdraft?
- Partha Pratim Sengupta:** Obviously, we have to maintain a certain level of PCR. So, our PCR along with these SRs, where we have invested, is around 74%. So, if you have to maintain this -- so as per our IRAC norms, we require a much lesser provision. Our standard book, we have provided almost 62%, whereas the IRAC norm says 25% maximum for unsecured, 15% for the secured.
- Our D1 book also, we have provided almost 78%, and D2 onwards, almost 100%. So, our provisions are much more accelerated than what we are required. In addition, we have

provided for the standard assets at 1% of our EEB book. So definitely, this ARC sale has almost to the close of Rs 528 crores of -- provisions were required.

Rajeev Mantri: I think just to supplement, with the ARC sale, the PCR would have come somewhere between 50% to 55%. And therefore, we have taken additional provision to make sure that we maintain the PCR at a healthy level and do not have a higher open risk, right? So, our net NPAs are at 1%, which is even below the last quarter of 1.4%.

Anish Rai: Okay. So probably a related question. So, in the NPA sale, so what would have been the coverage for this NPA which was sold? I mean, can you disclose that?

Vikash Mundhra: 100%.

Rajeev Mantri: Yes, this was 100% provided, what we have sold. But as 100%, provided portfolio gets sold off, the PCR would naturally come down, right? And therefore, we have to...

Anish Rai: Understood. Thanks.

Moderator: Thank you. Your next question comes from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, the labor code impact that we have given is about Rs 120 crores, mainly towards gratuity. Is there any more provision to be made towards leave encashment or pension or provision fund, which possibly would come in fourth quarter? And if yes, if you could?

Rajeev Mantri: Yes, I can answer that. Rajeev here. So, we have assessed our leave encashment is already structured in a way which does not require a further provision to be done. Therefore, the -- based on the current law that came through, I think gratuity provision was the key one that we had to assess. And based on the actual valuation, we've taken Rs 120 crores impact on the financials.

Yes, whilst the law has come, I think there are certain rules which have yet to be announced by various states, etcetera, so we are awaiting those to come through. As they come through, we'll do a further assessment of any further items, which could be having implications, and then, accordingly, come back to the investors.

Anand Dama: Okay. Any ballpark impact that you feel that could be there?

Rajeev Mantri: As of now, we can't quantify because the rules are not out, right? So we don't know.

Anand Dama: Sure. Sure. And sir, recently, we saw in some of the banks, there was RBI supervision, and there they had qualification related to their PSL classification. Many years back, even Bandhan had similar incidents. How about this year, whether the RBI supervision has been completed? Are there any qualification or we have got a clean report on the PSL front?

- Partha Pratim Sengupta:** So, this year, the RBI supervision has been completed. We don't have any -- I would say, any remarkable qualification because we are very prudent in classifying the PSL and taking steps. So, nothing material, I would say, has been pointed out.
- Rajeev Mantri:** Yes. As of now, there has been no divergence on the PSL that RBI has pointed out.
- Anand Dama:** Sure, sir. That's great. And sir, if you can just give the credit cost guidance for FY26 and FY27?
- Rajeev Mantri:** So, the guidance that we have given is for the exit of FY27, where we have said that the credit cost, we expect to reach around 1.6% to 1.7%. So that is the target for the last quarter of FY27. We are not providing any guidance for the financial year '26 or financial year '27.
- Anand Dama:** Okay. That's very helpful, sir. Thanks a lot.
- Moderator:** Thank you. Your next question comes from the line of Ankit Bihani from Nomura. Please go ahead.
- Ankit Bihani:** Yes. Hi, am I audible?
- Partha Pratim Sengupta:** Yes, Ankit.
- Ankit Bihani:** Thank you for the opportunity. So, I wanted to ask, you mentioned a few levers that would lead to margin improvement going ahead. So are we factoring in given that the mix change that we have, the growth has been largely led by your lower-yielding wholesale book. So, has that been considered? And should we see MFI growing in line with the overall loan book growth?
- Partha Pratim Sengupta:** So now we have come to a very balanced position, I can say. In fact, we were thinking to achieve this at the end of FY27. But in fact, we have pre-achieved it. We have accelerated. The mix is now absolutely balanced, and we would prefer that we would continue with the same ratio. So this much I can say for the day. So, there will be a broad-based growth. In fact, in this quarter also, if you take away the ARC sale effect, the EEB book has grown by Rs 1,100 crores. So, it is almost 2% QoQ and that trend is continuing and this quarter also, you will see a growth. So, it will -- today, this balance we want to maintain, so 35%, almost 40% will be unsecured and 60% will be secured. This is what the balance what we are planning it.
- Rajeev Mantri:** Just to supplement, right now, the non-EEB book growth is around 25%, and the EEB as of now is a negative 10%. Of course, as MD sir mentioned, we are dialing up the growth in EEB, but this will take a bit of transition time so that we are able to reach a higher level of growth. But we do expect, and we are expecting, sequential improvement every quarter.
- Ankit Bihani:** Okay. So -- but the proportion of EEB will come down, right, for at least next few quarters?
- Partha Pratim Sengupta:** More or less on the same line, so it will not be very substantial.
- Rajeev Mantri:** The pace of change in secured mix will be lower than what we have seen so far.

Ankit Bihani:

Okay, sure. And the second question is on the deposit growth front. So how do we see the landscape evolving now? Should we see deposit growth pick up for you in coming quarters? And what would be a loan growth guidance against that?

Partha Pratim Sengupta:

So let me tell you one thing. If you look at our balance sheet, we have been quite an outlier in giving interest rates in respect of our deposits on the banking segment. In many of the pockets, we were almost 100 - 150 basis points higher. So that was giving a negative impact to our balance sheet and the profit and loss and especially when we were making a transition towards the more secured books.

So, the moderation was necessary, and we have moderated the rates. My first plus point is that my retail deposits are growing. At one point of time, it was -- a year back, it was 66%, 67%, and now, it is 72% of total deposits. So, this is the first thing. Number two is that we are able to cut down the bulk deposits, which were very costlier. The bulk deposits, which was around 45%-48% even a year ago, I can say, is now at 38% of term deposits. A substantial reduction has been made.

The third is that my CA is growing, almost, of course, not a very big quantum, but definitely, average CA this quarter also has gone -- have been growing positive. My only worry is now in the SA segment, definitely where we have lost Rs 4,000 crores during the quarter, but that is also, again, because of a high interest rate, a lot of institutions used to keep savings bank deposits with us. With the moderation of the rates, we have lost those chunky deposits of around Rs 18,000 crores, but a large extent of this has been replenished by my retail core deposits for the day, and that is today around Rs 14,000 crores. So, while still maybe we are a deficit in CASA by what we have been there a year back, we were around 31%, our effort is that we should soon reach that number, 31%. We are working on that. We are -- that's why a lot many products we are bringing. We are also revamping our retail Internet banking. We will soon find a completely revamped mobile banking for Bandhan Bank, and that app, I hope you will like it, if you are a customer of our bank. It is very seamless. We have already done it for our corporate Internet banking customers who have appreciated the steps that we have taken. A lot many other initiatives, also digital in the digital field and also in the other customer journey fields, we are taking it. I can tell you that today, even we have done a lot of customer security for the day.

We are receiving appreciation letters from various state governments, central government, including the Ministry of Home Affairs regarding containing our mule accounts, regarding taking absolute protection for the cyber security. So, a lot much of many customer confidences we are trying to give in for the year so that Bandhan can be the prime savings and account for our customers, and we are working on it. Maybe one, two quarters needed, but definitely, we will be achieving that. That's our target.

Rajeev Mantri:

Also, I think just to reiterate our overall guidance that we have given is a 15% to 17% CAGR on advances and deposit growth to be higher than that. This is over the next 2 to 3 years. So, from the current level, we will be working towards meeting those guidance levels.

- Ankit Bihani:** Okay, sure. Thank you.
- Moderator:** Thank you. Your next follow-up question comes from the line of Jai Mundhra from ICICI Securities. Please go ahead.
- Jai Mundhra:** Sir, in the opening remarks, you mentioned that you have done some product tweaks. Now, the collection has been bimonthly and even monthly. And if I heard correctly, you have elongated the product repayment lifetime also. Can you please elaborate, sir? And having the option of monthly, bimonthly, weekly, would it -- I mean, is it specific to certain states, or within the same state, people may have different choice? And could it not create further confusion? Or how do you think about it?
- Vishal Wadhwa:** So, we have now started from this month itself doing the pilot from December month. Fortnightly and monthly repayment for easy loans, primarily for group loans. Individual loans of SBL, we always had monthly repayments. Because of holiday and flexible repayments given to all our customers, we said that let's move towards fortnightly, like many of the other financiers are.
- There are the advantages to move towards fortnightly simply because the customers also like flexible repayment mechanism at their end. And secondly, also, it takes care of the holiday repayments. So, these are the 2 things we started from the month of January, and this will also keep us in good stead in terms of our collection efficiency going forward.
- Jai Mundhra:** Sure. So, customer, there is no longer any weekly repayment, right? It is either fortnightly or monthly.
- Vishal Wadhwa:** No, it could be weekly as well. The choice is given to the customer to continue with the weekly. And in a homogeneous group, we also look at moving customers from a weekly to fortnightly at the time of renewal. So slowly over a period of time, the shift will move from weekly to fortnightly for many of our customers. This whole transition of movement may take more than a year also, but the journey has started now. And with weekly homogeneous groups, will typically move from a weekly to fortnightly at the time of renewal.
- Jai Mundhra:** Okay. And what about the elongation?
- Partha Pratim Sengupta:** We have now introduced many more, I would say, digital collection systems. So first of all, the QR code has been given to the customers, number one. Number two, we have introduced also the Bharat Bill Payment System through which the customers can also pay. So, we have introduced the Vymo collection system by which these are getting tracked also.
- But there are several measures taken by which the customers need not come to the banking units also and nor it is required for my people also going to the customer. So even a soft call will actually ensure recovery also. So based on that and also to increase the productivity of our people, because now what is happening every week if a person goes to visit a particular customer, it is taking a lot of his executive time, which probably is not required if the collection

efficiency is there and now today with the CIBIL score coming with the customers, fund is going up. So, repayments are natural also in many ways. So that is why we thought that to increase the productivity and to give more time to our people to focus on delinquent accounts, on the SMA accounts for recovery and all these things, this step has been taken.

So, we have already started this project from January onwards. But definitely, it will take a year long time because till November onwards, all loans were in the weekly payments. So unless those are repaid or phased out for that year, it will take. But over a period of time, definitely, it will increase the productivity and it will also increase the quality.

Rajinder Babbar: Yes. And in addition to that, Rajinder Babbar here, at least related to the previous question where there was a question, there is a 20% reduction in the business, but the manpower reduction is 10%. So, we are overall looking at that. For EEB business, staff has to handle a minimum number of accounts and in our case, collections are on a weekly basis. In another NBFC, basically it's on monthly basis. So definitely, our staff is moving 4x in the market and that is the ultimate focus how we can increase the productivity, reduce the cost. So, we are slowly, slowly shifting to the 15 days. So automatically, the number of accounts handled by the staff will be scattered in a normal manner. That is the ultimate purpose to achieve the maximum productivity.

Rajeev Mantri: And during this transition also, we'll make sure that the focus on having center meeting discipline continues, so nothing changes on that front.

Vishal Wadhwa: See, even with the QR code digital payments coming in, the center meeting discipline remains the core of the business, simply because even if the payment is made, we get all our customers to come in and the good discipline continues.

Jai Mundhra: Right. And anything on the elongation of the tenure? I mean, in the opening remarks, I think I heard something on that effect?

Vishal Wadhwa: Yes. So, we had tenure of 12 and 24 months. Now, we are doing a flexible tenure extensions of 18 and it goes up to 36 months as well for the highest ticket size. But typically, they move from a 12 to 18 months and it's all basis...

Partha Pratim Sengupta: So that may not put much pressure on the customer. So, suppose we shift from a weekly basis to a fortnightly basis, automatically, the repayment schedule is doubled for that. That may put a pressure. So that's why we have elongated a little bit, 18 months. It will not put much pressure on the customer in making the repayment.

Jai Mundhra: Right. So now 12 months become 18 months and 24 months, at the option of the customer, can become 36 months?

Vishal Wadhwa: 12 months, 18 months, 24, 36 months – many options are there depending on the ticket size, the options are given to the customer.

- Rajinder Babbar:** Similarly, the weekly payment, the fortnightly payment is given. So similarly, the weekly and the fortnightly payment option.
- Jai Mundhra:** Right. So hopefully, it will reduce to the -- I mean, it will help the -- smoothen at least the repayment capability. Okay. So -- and lastly, sir, there were news reports on -- news reports of West Bengal getting into election, some immigrants getting thrown or I mean, getting a bit of disturbance in terms of some -- yes.
- Partha Pratim Sengupta:** I can give one simple statistic. So, the districts where these have been reported, our collection efficiency has not been affected. So, we are still doing more than 99% collection in those areas on regular loans.
- Vishal Wadhwa:** And we keep a close watch on a daily basis.
- Partha Pratim Sengupta:** And we keep a watch. So, it has not yet affected in any way. News, we also come and read in the newspapers, but no way it affects.
- Jai Mundhra:** Great, sir. Thank you and all the very best.
- Moderator:** Thank you. Ladies and gentlemen, I would now like to hand the conference over to the management for closing comments.
- Rajeev Mantri:** I'd like to thank all the investors and everyone who has joined on the call. Thank you for continuing to repose your trust with the bank. Thank you, everyone.
- Partha Pratim Sengupta:** Thank you.
- Moderator:** Thank you. On behalf of Bandhan Bank Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.