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Ref. No.: BBL/SEC/107/2026-27

July 27, 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 (Q1) ended June 30, 2026

In continuation to the letter bearing Ref. No.: BBL/SEC/101/2026-27 dated July 21, 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 Tuesday, July 21, 2026, on the Unaudited Financial Results of the Bank, for the quarter (Q1) ended June 30, 2026. 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/2026-07/Bandhan-Bank-Q1FY27-Earnings-Call-Transcript_0.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.

Thank you.

Yours faithfully,
for **Bandhan Bank Limited**
INDRANIL BANERJEE
Digitally signed by INDRANIL BANERJEE
Date: 2026.07.27 19:36:58 +05'30'
Indranil Banerjee
Company Secretary

Encl.: *As above*

"Bandhan Bank Limited

Q1FY27 Earnings Conference Call"

July 21, 2026

MANAGEMENT: **MR. PARTHA PRATIM SENGUPTA** – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER–BANDHAN BANK LIMITED
MR. RAJINDER KUMAR BABBAR – EXECUTIVE DIRECTOR AND CHIEF BUSINESS OFFICER – BANDHAN BANK LIMITED
MR. RATAN KUMAR KESH – EXECUTIVE DIRECTOR AND CHIEF OPERATING 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 Q1FY27 Earnings Conference Call. As a reminder, all participant lines will remain 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 this conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Vikash Mundhra, Head of Investor Relations, for opening remarks. Thank you, and over to you.

Vikash Mundhra: Thank you, Ryan. Good evening, everyone and a warm welcome to all the participants. It's a pleasure to have you with us today as we discuss Bandhan Bank's business and financial performance for the quarter ending June 2026. We sincerely appreciate your time and participation.

Today, we will take this opportunity to provide insights into our operational activities, achievements, challenges, as well as offer perspective on market conditions, strategic initiatives and any notable changes in our business environment. To walk you through these details, we are joined by

- Mr. Partha Pratim Sengupta, Managing Director and CEO;
- Mr. Rajinder Kumar Babbar, Executive Director and Chief Business Officer;
- Mr. Ratan Kumar Kesh, Executive Director and Chief Operating Officer;
- Mr. Rajeev Mantri, Chief Financial Officer;
- Myself Vikash Mundhra, Head of Investor Relations and our senior management team at Bandhan Bank.

We are happy to answer any questions to provide additional clarity on the current quarter's performance and our outlook moving forward. Now I would like to invite our Managing Director and CEO, Mr. Partha Pratim Sengupta, to brief you all on our bank performance. Over to you, sir.

Partha Pratim Sengupta: Thank you, Vikash. Good evening, everyone. We are delighted to connect with you today to discuss our Q1FY27 performance. The quarter was marked by a continued focus on balance sheet quality, business resilience and execution. While seasonal and external factors remained at play, we made meaningful progress across several strategic priorities and strengthened the foundation for sustainable growth. We will take you through the key highlights of the quarter and our outlook ahead.

Traditionally, the first quarter has been the softest quarter for our business, characterized by seasonal moderation in growth and pressure on asset quality metrics. However, I am pleased to share that in Q1FY27, we demonstrated significantly better resilience compared to the previous years.

Despite the seasonal headwinds that typically characterize the first quarter, our focused efforts over the last few years to strengthen the franchise and sharpen execution across business segments have helped materially reduce their impact this quarter. On the asset side, although the EEB portfolio witnessed its usual seasonal decline, the moderation was considerably lower than what we have experienced in most of the prior first quarters. Most importantly, healthy growth in our secured non-EEB portfolio enabled us to deliver overall robust advance growth during the quarter - increasing diversification and enhancing the resilience of our loan book.

On the liability side, reported growth was influenced by our conscious decision to sequentially reduce high-cost bulk deposits. This strategic recalibration is aimed at improving the quality and granularity of our deposit franchise and to reduce cost of funds. Encouragingly, growth in retail term deposits as well as CASA continued to remain strong, reinforcing our confidence in the underlying strength of our liability franchise.

Our profitability performance also underscores the resilience of our business model. Despite several headwinds from elevated funding costs, margin performance remained broadly stable during the quarter compared to our earlier expectation of a modest improvement. From an asset quality standpoint, performance during the quarter was satisfactory, particularly when viewed in the context of the seasonal trends typically observed in Q1.

Looking ahead, our focus continues on strengthening granular deposits, growing CASA, enhancing customer engagement and improving operational efficiency and asset quality. The quarter reflects the resilience of our franchise and the benefits of our disciplined execution. We remain confident in our ability to deliver sustainable, profitable growth while continuing to strengthen the balance sheet.

While my colleague and CFO, Mr. Rajeev Mantri, will shortly walk you through the financials in detail, I would like to highlight a few key performance indicators from the first quarter of FY27.

Our balance sheet continued to grow steadily during the quarter. Gross advances stood at INR 1.56 lakh crores, registering a healthy 16% YoY growth, while deposits reached INR 1.65 lakh crores. The growth in deposits YoY was driven by strong momentum in retail deposits and CASA, reflecting our continued emphasis on improving the quality, granularity and sustainability of our liability portfolio. The strength of our deposit portfolio was particularly visible in the retail segment. Retail deposits grew by over 15% YoY despite a challenging base, underscoring customer confidence in the bank and the effectiveness of our distribution network. CASA ratio improved sequentially to 29.4%, taking the share of retail deposits, including the CASA and retail term deposits to 74% of the overall deposits, further enhancing the stability of our funding profile.

Portfolio optimization remains a key area of focus. We continue to increase the share of secured lending in the overall book, supported by strong growth across secured businesses over the past year. Our profitability performance reflected the resilience of the franchise despite significant headwinds from elevated funding costs, margins remained stable at 6.2%

during the quarter compared with our earlier expectation of a modest improvement. At the same time, credit costs continued to trend downward, while asset quality remained healthy. Gross NPA at 3.1%, net NPA at 0.9% and provision coverage at 86%, including the technical write-offs.

The quarter also witnessed a healthy improvement in earnings. Net total income for Q1FY27 stood at INR 3,524 crores and operating profit at INR 1,358 crores. Profit after tax came in at INR 502 crores, representing a strong YoY growth of 35%.

Our capital position continues to be a key strength. Capital adequacy ratio, including profits improved further to 18.2% with Tier 1 capital at 17.5%, providing significant capacity to support future business growth while maintaining a prudent capital buffer.

Let me briefly touch upon the operating environment and our outlook.

While our internal execution remains firmly on track, the external environment has become increasingly uncertain over the last few months. Ongoing geopolitical developments, particularly in the Middle East, a less predictable monsoon pattern, elevated funding costs and rising technology-related costs are factors that warrant close monitoring. These developments have the potential to influence customer sentiment, operating costs and overall profitability across the sector.

Among these factors, the impact of higher funding costs despite no increase in the repo rate is already visible and has started flowing. At the same time, technology-related expenditures have also risen due to supply chain constraints on account of the ongoing war in the Middle East. Further, given the uncertain environment, we are cautious to grow our high-yielding EEB book. We expect these pressures to persist for the next few quarters. The impact of the other factors is not yet evident in our operating performance, but the remain areas that we are monitoring closely given the uncertainty around the eventual outcome.

Against this backdrop, the journey towards our stated aspiration of delivering an ROA of 1.6% to 1.8% by exit of Q4FY27 has become more challenging than it appeared earlier. I would like to reiterate that this is because of the external factors that we are confronting now. While our medium-term strategic objective remains unchanged and we continue to work towards achieving the guided level of ROA. The prevailing external environment may influence the pace at which we get there. Consequently, we think that the realization of this aspiration could extend beyond the time line we had originally envisaged.

As far as our guidance of end of Q4FY27 is concerned, the eventual ROA outcome will be influenced to a meaningful extent by how these external factors evolved over the coming quarters. While some of these headwinds, particularly the elevated funding costs and higher technology-related expenses have already started impacting the profitability, the impact of the other variables, especially the energy envisaged energy crisis that may be vulnerable to the -- many of the sectors of the economy is still evolving and remains difficult to assess at this stage.

Based on this visibility available, we believe an ROA in the range of 1.2% to 1.4% of the exit of Q4FY27 would be probable. I again repeat that this is on account of the external factors that is affecting the economy of the country. Mainly the factors are due to the energy crisis because of the continuous Middle East war and also the unpredictable monsoon.

At the same time, we remain focused on improving this trajectory through disciplined execution across the business. As the operating environment evolves, we will continue to adapt proactively and leverage all available levers within our control to enhance profitability. I think that the investors would also appreciate that we have addressed our internal lacuna or gaps, whatever is there in respect of the asset quality.

The growth in advances to a large extent, and the Q1 figures reflect that we are sequentially improving even in the EEB segment from quarter-to-quarter. Our commitment remains unchanged to build a stronger and more resilient franchise while creating sustainable long-term value for all stakeholders. With that, I would now like to hand over the call to our Chief Financial Officer, Rajeev Mantri, who will take you through the financial performance in greater detail. After that, we will be happy to take your questions. Thank you.

Rajeev Mantri: Thank you, Mr. Sengupta. Let me begin with our lending franchise, where the quarter's performance reflects the continued progress we are making in building a more diversified, resilient and sustainable loan book. For advances, as of 30th June 2026, the gross advances stood at INR 1.56 lakh crores, representing a healthy 16% growth YoY and a 1% sequential increase. This growth was driven primarily by non-EEB businesses, which continue to see strong customer traction and provide greater balance to the overall portfolio.

The EEB portfolio stood at INR 52,641 crores, while the book witnessed the customary seasonal moderation typically seen in the first quarter, the extent of the decline was significantly lower than what we have experienced in the most previous years.

Our diversification strategy continues to deliver encouraging results. The non-EEB portfolio grew by 27% YoY and now contributes 2/3 of the overall loan book, underscoring the transformation of our business mix over the last few years. Growth within the secured businesses remained particularly strong.

Retail assets recorded 45% YoY expansion, led by products such as commercial vehicles, construction equipment, auto loans and gold loans. Wholesale Banking also maintained strong momentum, growing 38% YoY, supported by deeper customer relationships and disciplined portfolio expansion. As a result, the secured portfolio increased by 27% YoY and now constitutes 57% of total advances.

Importantly, the advances portfolio today is significantly more diversified than it was a few years ago. EEB group lending accounts for 23% of advances, SBAL at 11%, wholesale banking at 33%, housing finance at 22% and retail and other loans at 11%. This diversified mix provides multiple growth engines while strengthening the overall quality and stability of the portfolio.

Turning to the liability side of the balance sheet. Our focus continues to be on building a more granular, stable and cost-efficient funding franchise. As of 30th June 2026, the total deposits stood at INR 1.65 lakh crores, a growth of 7% YoY. While overall deposit growth was moderate during the quarter, this was largely a consequence of our deliberate strategy to reduce reliance on bulk deposits and improve the quality of our funding base. Bulk deposits declined by 13% YoY, resulting in their share reducing to 26% of total deposits compared to 32% a year ago. This represents a significant shift towards a more granular and sustainable liability profile. It is also worth noting that the quality of our bulk deposit book remains strong with nearly 86% of these bulk deposits being noncallable in nature. This provides greater predictability to our funding profile and reduces potential volatility for liquidity management purposes.

More importantly, the underlying strength of the retail franchise continues to be encouraging. Retail deposits comprising CASA and retail term deposits grew by 16% YoY, significantly outpacing the overall deposit growth and demonstrating the increasing depth of our customer relationships. Within this, CASA balances rose to INR 48,479 crores, delivering a healthy 16% YoY growth, and this growth was broad-based across both savings and current accounts, resulting in a sequential improvement in the CASA ratio to 29.4%.

Let me now turn to collections and asset quality. At an overall bank level, the collection efficiency, excluding NPAs, remained healthy at 98.9% in June 2026. Within the EEB portfolio, collection performance was impacted by the usual seasonality associated with the first quarter, including a concentration of holidays during the month of April. Despite these temporary factors, the collection efficiency for EEB for the month of June 2026 stood at 98.5%. This is collection efficiency ex NPA. And this is largely comparable to 98.6% recorded in the month of March 2026, indicating stability in the underlying collection trend. Additional details on this are available on Slide 22 of the investor presentation.

Moving to asset quality flows. The gross slippages for the quarter stood at INR 1,079 crores, broadly stable compared to INR 1,028 crores in the previous quarter. This is at the bank level. Encouraging slippages within the EEB portfolio improved sequentially to INR 604 crores, down from INR 690 crores in Q4FY26, reflecting the benefits of our continued focus on customer engagement, monitoring and collections.

On early delinquency indicators, the 0 to 90 DPD pool in the EEB segment increased to 3.5% from 3.1% in the previous quarter. This was driven primarily by a temporary increase in the SMA 0 bucket following holiday-related disruptions during the month of April. We view this movement largely as seasonal in nature and we'll continue to monitor it closely. We have provided further details in Slide 23 of the investor deck.

During the quarter, we also undertook proactive balance sheet actions to reduce our NPA book, including the sale of INR 291 crores of housing NPA loans to an ARC and a technical write-off of INR 597 crores, further strengthening the quality of the reported portfolio. Consequently, our headline asset quality metrics improved further. Gross NPA reduced to 3.1%, while net NPA remained contained at 0.9%. Provisioning coverage also remained robust. The reported PCR stood at 71.1%. And if we include the security receipt related provisions, the PCR stood at 74.3%.

Let me now go through the financial performance for the quarter. Despite a challenging operating environment that Partha sir talked about and the continued pressure from the elevated funding costs, the bank delivered a steady financial performance during the quarter. The benefits of balance sheet growth, portfolio diversification and improving asset quality are increasingly becoming visible across the various earning metrics. Starting with net interest income. The NII for Q1FY27 stood at INR 2,921 crores, registering a growth of 6% YoY and 5% sequentially. This performance was supported by healthy growth in advances and a stable margin profile at 6.2% despite the funding cost headwinds witnessed during the quarter.

Moving to non-interest income. The performance needs to be viewed in context of a high base in the corresponding quarter last year, which included treasury gains of nearly INR 250 crores in Q1FY26 compared with a relatively modest contribution this quarter in Q1FY27. Adjusting for the treasury income, the growth in non-interest income would have been 22% YoY during this quarter.

Encouragingly, the underlying trends across fee-based businesses remain strong. Third-party distribution income recorded a robust 47% YoY growth, reflecting improved customer penetration and stronger cross-sell capabilities across our branch network. The processing fee income also witnessed a healthy recovery aided by higher business volumes and improved disbursement activity across key lending segments, particularly notable within the EEB portfolio.

On the cost front, the operating expenses for the quarter were INR 2,166 crores higher by 19% YoY. This increase was largely attributable to increase in the IT costs as a result of the continued investment in technology that the bank is doing and also annual employee-related expenses, including salary revisions and performance-related payouts. In addition to this, there was a INR 61 crores of additional one time gratuity provision due to the changes in the salary structure driven by the new wage code. This is a one-timer during this particular quarter, and we don't expect this to be repeated. As a result, the operating profit for the quarter stood at INR 1,358 crores.

Importantly, the moderation in credit cost helped support the overall profitability trajectory. Credit cost continued its downward trajectory and moderated to 1.8% in this quarter compared to 2.0% in the previous quarter, which is Q4FY26. And importantly, the credit cost of EEB portfolio during Q1FY27 came down to 3.3%, which is very close to the guidance that we have provided.

Consequently, profit after tax for Q1FY27 stood at INR 502 crores, registering a strong 35% growth over the corresponding quarter last year. Return metrics also remained healthy with return on assets at 1.0% and return on equity at 7.7%.

To summarize, Q1FY27 was a quarter of steady progress despite a challenging operating environment. We delivered healthy business growth, further improved the quality of both our asset and liability franchise, maintained stable margin despite funding cost pressures and continue to strengthen asset quality and capital adequacy. While certain external uncertainties remain, the underlying fundamentals of the business continue to move in the right direction, giving us confidence in the resilience of our franchise and ability to create long-term value.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Sameer Bhise from Dymon Asia. Please go ahead.

Sameer Bhise: Sir, my quick question is on the guidance that you have indicated. So broadly, we have done reasonably well in a difficult quarter, which was marked by, say, tight funding cost. You had elections in West Bengal, which is the largest state. When we look at this aspirational target, which was earlier 1.6% plus ROA, what kind of conservatism is built here?

Does it also involve some bit of risk on asset quality or it is purely due to tighter funding, which may result into the NIM improvement, which we were expecting that may not come? How should one think of this? And secondly, if liquidity were to improve, RBI and generally, the sector is betting on FCNR deposits, kind of improving the liquidity and funding rates, could it probably offset some of these pressures? So just wanted your thoughts there. Yes, that's from my side?

Partha Pratim Sengupta: So let me first answer your question that I have very clearly stated in my speech that the revise guidance on RoA is on account of the external factors and no internal factors, I would say, has any impact on revising the guidance. As you have seen that our credit cost is sequentially coming down, which was one of the worrying factors for us, before. We are gradually coming out from the same. Even in this quarter also, we have made it further improved the credit cost from 2.0% to 1.8%. And I am quite hopeful that going forward also, the credit cost would further come down.

The two areas where we are a little bit concerned because of the West Asia crisis is, as we have seen that the impact on the entire economy regarding energy crisis. And number two is that you see the resultantly, which is just leading to some durable liquidity in the entire system and for which there is a pressure of interest in the market, although the repo rate has not gone up. And we are finding that banks have started increasing the rates and the deposits, and we cannot also go away from the competition. So the NIM, what we had expected earlier may get somewhat of impact because of the rising cost of funds for that year. This is the major area. Apart from that, the West Asia crisis, we have seen that there is an impact on the technological costs. Most of the vendors and especially as you see that they are all multinational vendors for that year, they are -- they have increased their costs.

So whether it is the capital cost on the various infrastructure machines or otherwise or on the operating cost, they have all increased it. We all know that the availability of chips, etc all these are impacting the Indian economy for that matter. And as you have seen that my tech cost has gone, I would say, high by 65% YoY. While our focus remains on investment in technology, but as we remain focused in the investments, we also cannot, at the same time, avoid the cost. So, these are the two factors mainly because of the external environment. we feel that it may impact our ROA. We want to be very transparent and clear to our investors.

That is why we said that, we take a call that whatever we are seeing in the economy, because I can also see that the effect of the reduced cost of funds on account of the reduction in repo rate that has happened and the benefit of which we have got till Q1 may not be available Q2 onwards because already the savings bank costs, the cost of funds have increased by around 20 - 25 basis points. So considering all the impact of these external factors, we thought that we need to be transparent to our investors. We have done well. This is the first quarter. I can say we started with an ROA of 1%. We are definitely working it on how to improve the ROA further, but we thought that we should be clear to our investors.

Rajeev Mantri: I think just to supplement as Partha sir had mentioned earlier, that for the medium term, our aspiration is continue to look at achieving the earlier guidance that we have given. It is the external factors impacting this particular financial year and which is what we are monitoring.

Sameer Bhise: So mainly on the opex side as well as margin. Just quickly, what kind of portfolio growth do we build as of today in the EEB book? And secondly, if you could provide the slippages breakup across segments? I think that's all from my side?

Partha Pratim Sengupta: So I think one question you have asked on liquidity. So liquidity for the bank remains comfortable. I can say even with a CD ratio of 94%, we maintained a LCR of 140%, which is quite comfortable for the bank. As regarding FCNRB, we have mobilized INR 30 crores. This is one information I just want to give you. And regarding your second question about the -- you have asked about the slippages?

Rajeev Mantri: NIM outlook.

Partha Pratim Sengupta: So this quarter also, despite challenges, we could maintain the NIM at 6.20%. But as I have told you that going forward, there may be some increase in the cost of the funds & cost of the deposits. So that may moderately affect our NIM, but definitely we are working on it. The portfolio mix, the strategy remains the same. We'll go to one-third that is 33% to 35% of EEB book and 65% non-EEB book. In this quarter also, you have seen that in the non-EEB segment, we have grown by 27% YoY. Our EEB has marginally come down, but the moderation has been much, much lower compared to the previous quarters. So, the strategy remains the same - 40% unsecured and 60% secured.

Rajeev Mantri: I think your other question was on the breakup of the slippages. The slippages total for the bank were at INR 1,079 crores during the quarter, out of which for EEB was INR 604 crores and the remainder was for non-EEB businesses.

Moderator: We take the next question from the line of Piran Engineer from CLSA.

Piran Engineer: Congrats on the quarter in a turbulent quarter. My first question is, have we started hiking yields in microfinance like our competitors? And if so, by how much?

Rajeev Mantri: Not in this quarter.

Partha Pratim Sengupta: So, it is same as of the last year. We have not hiked anything during the quarter.

Piran Engineer: Okay. So -- or in the last two, three quarters, we have not hiked. It's same as last year. Are we planning to?

Partha Pratim Sengupta: Q4 -- last year, Q4FY26, because of the higher provisions, we have hiked a little bit, but I said that there is no plans for hiking, and we have not hiked after then.

Piran Engineer: And sir, how much was that?

Partha Pratim Sengupta: It was 100 basis points.

Piran Engineer: Okay. And by last year, you mean March '26 quarter, right, not March '25 just to be clear?

Partha Pratim Sengupta: It is March '26 quarter. From February, we have hiked. We hiked in the month of February.

Piran Engineer: Sir, sorry, your voice was not audible, or maybe it's my network?

Partha Pratim Sengupta: I'm saying that February. February, we have hiked it.

Piran Engineer: Okay in Feb 2026.

Rajeev Mantri: 1% hike which is happening from February.

Piran Engineer: Okay. Understood. Sir, secondly, just in this quarter, retail growth and even our mortgages slowed down, something to -- like retail was typically growing double-digits QoQ, and it's almost flat and even mortgage book has slightly declined. Like what is the reason for both? Are we just taking a cautious stance due to this whole macro geopolitical environment?

Partha Pratim Sengupta: Somewhat, yes. I can say that a little bit cautious growth. In the housing segment, as you can see for that year, we have done a revamping, completely revamping of our structure. We have segregated the 3 verticals. So definitely, there have been some teething problems, which we were busy in addressing for that year. So, it has affected the housing finance growth

Rajeev Mantri: On the retail front, Piran, there is one product, which is the OD against the term deposits. That is the only product where there is some sort of a decline, which is anyway not part of the strategic focus. The rest of the book, if we exclude that, actually has grown sequentially by a healthy 5%.

Rajeev Mantri: So I think that momentum continues, especially in the products -- secured products such as CV/CE, auto loans and gold loans. I think that focus is there.

Partha Pratim Sengupta: So, growth has been reduced from double-digit to single digit.

Piran Engineer: Understood. And sir, just lastly on -- so I understand you cut guidance on ROA due to macro headwinds. But today, our ROA is 1% if I adjust for the INR60 crores gratuity provision, which is one-time, it will become 1.1%. Now 1.1% becoming 1.4%, what really is the trajectory because NIM is unlikely to improve, if I understood correctly. And credit costs also, we are at 1.8%, which was our guided range earlier, 1.7%, 1.8%. So then where does the improvement come from here? Like which segments or which line items will drive that?

Rajeev Mantri: I think two factors, Piran. One is we do expect further uptake in the other income to come through. So, we do expect 10 to 20 basis points improvement to come through other income. And the second is we expect further continued improvement to come through, albeit marginally on the credit cost.

The secured mix is improving slightly further through the year. At the same time, I think the improvement that we have seen in the portfolio quality should continue. And as the book rises, we should be able to see the improvement on that front as well. So I think both the credit cost and the other income would be the key deltas.

In the earlier guidance, we were expecting some further improvement in NIMs to come through. That is what is definitely getting challenged now because of the external factors, as Partha sir had talked about. And therefore, over there, we are not building any further upside. I think it will be a great achievement for the bank to hold on to the NIMs that we have achieved during this particular quarter. So I think those are the 3 key factors to call out.

Partha Pratim Sengupta: Other income, yes, definitely. So almost 20 basis from there. And also, as Rajeev has rightly said that we are working still on the credit cost, it may actually take little bit pruned now.

Piran Engineer: Got it, sir. But even though we've hiked our microfinance yields, we are still not confident the NIM can expand. Because it's 35% of portfolio?

Partha Pratim Sengupta: Yes. So the focus, unlike last year was on the quality rather than go with only with the top line numbers and then have large number of NPAs later on. So, we have actually done a lot of revamping in our microfinance segment. Completely, I can say a new model has been put into place with a lot of guardrails and also new credit underwriting system. So that is actually enhancing our quality of the books for the day, I can say. But yes, the growth will gradually come. We have -- whatever -- I can say that we have retarded the deceleration. So we have stopped the deceleration that was taking place now. Hence, going forward, the growth will come. But definitely, as I've told you that we have our strategy that we will keep the EEB book maximum at 35%. We -- from our experience, what we have gathered, we will not just run after this particularly book because it is giving a very high yield. So we need to be very well calibrated, see that the quality of asset, rather focusing more on the health of the book than going aggressively. So a very modest growth is envisaged, which maximum can go up to 33% - 34% EEB share, what we are aiming for it. Definitely, we'll try to grow in that segment.

Rajeev Mantri: So in summary, while the rate has gone up, the volume impact is not coming through because the EEB book, as we have mentioned, we are still cautious in terms of growth based on the external factors and the risk that continues in the operating environment. As that risk comes down and our operating environment improves, I think definitely, we can look at MFI growth there.

Piran Engineer: Got it. And if I may just squeeze in one last question. Sorry, I'm taking too much of the time here. But on PSLC, I think last time 40% of our MFI book was PSL compliant, if I remember correctly, how much has that number inched up to?

Partha Pratim Sengupta: 40% -- it is also today it is 40% only. I think Surajit, our EEB Head can give a guidance.

Surajit Roy Choudhury: So presently, we continue to be at around 40%. However, we intend to dial that up. And I think we post this quarter, we will be comfortably placed in terms of PSL.

Moderator: We take the next question from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: I have a couple of questions. First is, sir, SMA-0 has increased a little bit. Of course, there are holiday things which impact our collection in SMA-0. But apart from that, was there any other reason? And what -- how should one look at the SMA-0 trajectory in the near term?

Partha Pratim Sengupta: SMA-0, again, you have rightly predicted. It is mostly in the month of April. There were two effects, I can say. One is definitely the election effect of West Bengal. This is one. And number two, the holidays. And consecutively, 3 business days were holidays. so that has impacted our SMA-0 book, while some of them have been repaid also. But the thing is that the total quantum is yet to be repaid. So even though the repayment has happened, the book continued to remain in SMA-0. It has not slipped to SMA-1. If you can look at it that my SMA-1 actually, there is a less slippage, which clearly indicates that from SMA-0, the forward rolling has been arrested, but it remained into the SMA-0 book. So there is no other reason for this. May and June, as Rajeev has already said, the collection efficiency has been quite robust. It has almost 99% for the day, and it continues to be at that trend.

Jai Mundhra: Right. But -- and sir, what is the outlook going ahead? Because the vintage chart shows clear improvement in the newer vintage, right? Even the older vintage are doing reasonably well. right? So apart from the holiday thing, is there any other thing which is creating a little bit, let's say, delay in collections?

Partha Pratim Sengupta: Yes, Surajit will answer. Yes.

Surajit Roy Choudhury: No, I'll take that question. See, as MD sir mentioned, if you look at the stable book in SMA-0, that's holding. So what happens because of holidays, EMI remains miss. However, it continues to start paying. And we have also put in a very strong delinquency management measures. So that is -- so the forward slippage is not happening. So now we are working on making it back. To answer your question, we are very confident that the slippages will not go further and it will stay where it is. Moreover, we will try to recover from there. So it is only on holiday impact, nothing beyond that.

Jai Mundhra: Right. So sir, if I...

Rajeev Mantri: Yes. I think the vintage chart you're referring to is in Page 24 of the investor deck, and I think you're right, it clearly shows the improvement coming through in the recent vintages.

Surajit Roy Choudhury: Correct.

Jai Mundhra: And even the older vintage are getting plateaued, right? So these things are not seem to be deteriorating?

Surajit Roy Choudhury: Correct.

Partha Pratim Sengupta: Yes.

Jai Mundhra: Okay. So sir, in that sense, the credit cost, we have a decent, let us say, scope, right, in the sense that if the slippages were to plateau here or maybe?

Partha Pratim Sengupta: That's what Rajeev has just told that we are expecting an improvement in the credit cost.

Jai Mundhra: Right. So then I am a little bit confused, sir, on the guidance cut that if the stable or EEB mix of the business is more or less stable and EEB grows more or less in line with the overall loan growth, that actually should support the NIM, right? Even if it is coming at a higher funding cost of 6%, 7%?

Partha Pratim Sengupta: Our non-EEB book has grown by 27% YoY and our -- internally, the strategy is that our EEB book will be nearly 33% of total loan book. So, if I can say that even if we grow at whatever rate for that year, the EEB book will be contained at 33% of that. And here, the major challenge what we are facing is, again, the cost of funds because we have arrived at this NIM with the expectation that the last year, the reduction in the repo rate, it was not immediately benefited us because as you know that the term deposits were getting matured with a lag.

We got a benefit in Q4 of last year. We got a benefit in Q1 of this year. But what we are seeing is that already the competition is increasing the interest rates, even bigger stable banks are also increasing the interest rates in the fixed deposits for that. And we also need to increase in some segments also and probably we need to increase further that we have to just look into it whatever the credit demand is there.

So, for NIM, the advantage of getting the full benefit will not be available for the full financial year, what we had envisaged earlier. And the EEB book, there will be a calibrated growth. So definitely, what the growth that will happen in Q4 of the financial year when the EEB book grows the most, we will not get the benefit of interest for the entire financial year for that year.

So considering all these factors and apart from what Rajeev has said for the year that the escalation in the opex cost. So opex cost, we had envisaged that it should be 4.2% of total assets. But already, we have reached 4.3% in Q1. And this is going to continue because almost all the vendors, if you look even on the other consumer items also, the cost has increased and especially the tech cost, the cost of the hardware, the cost of the servers. Even the operational cost, whether it is cloud or AMC charges or others also have increased substantially. So, the effect of all these factors and we have to invest in technology and we have decided that we would continue to invest our technology.

So, these are the two areas where we feel that we may get an impact. While our strategy is very clear, and we are working on it, if these external environment or these external factors do not -- I would say that -- this do get addressed in quicker terms, then yes, probably our guidance, what we have given earlier may hold good. But this is -- again, I've told you that we wanted to be very clear and transparent to our investors.

Jai Mundhra: I think just to break out, we had mentioned the advances growth.

Moderator: Sir, I would request you to please join back the queue for follow-up questions.

Jai Mundhra: Sorry, can you hear me?

Moderator: We take the next question from the line of Anand Dama from Nuvama Asset Management. Please go ahead.

Anand Dama: Sir, what kind of credit growth that we are expecting for the full year should be 15% to 16%? Because if we are seeing a margin -- even if you are expecting some margin pressure, should we sacrifice a bit on the growth front, if yes? And what kind of tech cost that we have? So there are some banks who have talked about tech cost as a percentage of overall opex. If you can talk about that, what is that for us now? And what is that we expect going forward? Which is what you've been talking about that, that possibly could go up and could lead to some kind of pressures on the ROA?

Rajeev Mantri: Yes. So I'll take that. On the credit growth, what we had guided was for the full year FY27, we were looking at a 14% growth rate, within which EEB, we were looking at between a 5% to 10% growth and non-EEB would be 20% plus. As you've seen in the first quarter, we have seen non-EEB growing at 27%, overall growth at 16%. So we are definitely in line with the guidance, in fact, doing slightly better.

The challenge that we see right now is EEB, which for first quarter has remained flat compared to the last year. And this is where we will try and see how exactly we can step up the growth as the external environment improves further and our growth, which continues to happen in a calibrated manner. So I think that's on the credit growth. On the IT cost, I think we have now gone up to roughly around 8% of the total cost.

Partha Pratim Sengupta: Right now, and including the depreciation, it is around 9.5%.

Management: Total opex:

Partha Pratim Sengupta: Total opex. The industry benchmark for the mature banks, they remain in the range of 10%. Given that we still have a lot of IT investment to make, we will try and remain within the range of 10%. But as it starts delivering value, we will slowly bring it down to 8%.

Rajeev Mantri: And this percentage of IT cost to opex has been growing up in the last 2 years.

Partha Pratim Sengupta: Yes. Previously, we are at 5-6%.

Anand Dama: That is still higher for other banks, but sir, you talked about cost of funds going up. Is it not possible for you to pass it on to the customers, barring I think, EEB, I think even in EEB, you have a scope to increase the yields and basically try and protect your margins?

Partha Pratim Sengupta: So that's the balancing, we are working on it. I can say, because you see that our corporate book has reasonably grown by 38% and some of the best names in the industry are now banking with Bandhan Bank. Now definitely, when you are a part of consortium or when you are participating in a multiple banking, my interest rate or eventually the cost of funds cannot be entirely passed on to those customers for it is quite competitive.

But you need to be there because your credit quality improves. I would say the risks are much lower. So definitely, some good books we need to build in for the day. Yes, as Rajeev has said and yes that our range in the EEB book, what we are expecting to grow between 5% to 10%. So definitely, if the environment is good, the environment is beneficial to us. we will probably look at 10%. Otherwise, if vulnerability is being noticed, we'll definitely have to contain the growth and some cost.

Moderator: We take the next question from the line of Ankit Bihani from Nomura.

Ankit Bihani: So my question is on the guidance again. So this was just last quarter's guidance. So we have lowered our ROA guidance of 40 bps. So okay, I can understand that 20 bps could be explained through margins that there could be funding cost pressure. But what explains the other 20 bps?

And apart from that, if we see that the system liquidity in generally, the commentary that it should improve. Given there would be FCNR-related flows. So that should support your funding conditions. So why do you still expect funding cost to remain under pressure? So are we assuming that this kind of environment sustains?

And when we had given the guidance, then also the macro environment was not very healthy. Your crude was north of $100. Your CD rates were also higher. So I just want to understand what has changed now that wasn't there during our 4Q con call towards April end? That's my question?

Partha Pratim Sengupta: So let me tell you that this guidance was originally given, I think, sometime in December of '24 when I took over the charge. And at that time, EEB definitely was doing much, much better. If you remember, our balance sheet in Q1, Bandhan Bank of that FY25, in Q1 and Q2, we posted a very, very healthy profit based on the EEB segment. Q3 onwards, everything went upside down for that.

And we were hoping that, yes, we would be recovering at the earliest, but the recovery actually came mid of November 2025 last year for that year. But still after that, we were expecting that, yes, okay, that the industry growth will taking place. But if you look at the entire industry trend, the growth that has not been witnessed in the past financial year, the growth is yet to come.

So I would say it is still growing. But yes, what we have witnessed is that our credit quality has improved in this EEB segment. So, after that, this West Asia crisis came, we were hoping that this crisis would end. And with the treaty being signed, probably there are all signs of positive features in the economy of the world and the economy of the country. But unfortunately, that has not happened. And the greatest impact is the energy crisis and which the sector which gets most affected through this energy crisis is definitely the microfin sector for the day. We all know that. So we -- while we want to grow, we are very watchful and we do not want to suddenly jump very aggressively what we have did in the past and then burnt our fingers.

The guidance has been clearly given right from day 1, and we are continuing with the guidance. This is one fact. The cost of funds at that point of time, you see RBI reduced the repo rate. We all expected that the cost of deposits would come down, but eventually, we can see that even bigger banks have increased the deposit rates recently. We all know the durable liquidity in the country, which is almost requiring INR 2.5 lakh crore or INR 2.5 trillion is just moving in the range of INR 1 trillion. So there is a pressure in the market as regarding the interest rate. And consequently, there is a pressure for the giving the deposit -- increasing the deposit rates also.

Also we have to take into factor that the savings pattern of the Indian household has also changed. So considering all these factors, the NIM, what we had expected during that time is impacted because of these external factors. Whatever the economy say that the treaty was signed that even though the treaty is signed today, the actual impact will be felt 2, 3 months later for the day. So that is the real picture on the ground, and we have to accept that the cost of funds will be under pressure. What we have envisaged that we'll get the benefit of the cost of funds throughout the year, we probably -- we have got the benefit in Q1. Q2, we have to see whether we will get because my savings bank cost of funds have already gone up by almost 20 basis points QoQ. So -- it is just the market forces, I can say and apart from that, the tech costs, you see the investments we have already planned, and we do not want to go back. We need products, we need processes. We need a very strong pillars also like strong LOS. So maybe we have to wait for some time when we can leverage from these investments.

Rajeev Mantri: And just to translate into the numbers from what Partha sir said, the breakup of the 40 basis points is roughly around 30 basis points stretch that we see on NIMs and roughly around 10 basis points stretch we see on the opex. Primarily due to the fact that as we had guided earlier that our NIMs will continue to increase from the 5.8% level in Q2 to 5.9% in Q3, which we clearly saw and improved to 6.2%. We had a line of sight towards -- we wanted to go towards a 6.5% by the end of Q4FY27. But given the fact that the cost of funds in the industry has gone up due to these particular external factors, that's where our revised guidance is to see how exactly we can maintain. But as opportunities come, we'll try and see how we can improve the NIM as well.

So that's the key difference of about 30 basis points. And as the tech costs have gone up due to, again, the supply chain constraints, our guidance was that our opex to asset ratio would be around 4.2%, but we've already seen that it's hovering around 4.3%. So I think those are the two key factors which are leading to this reduction. But as we said, there are absolutely no efforts that we are putting of efforts that we are putting in terms of making sure that we continue to work towards the part that we need to focus on.

Ankit Bihani: Okay. And my second question is on the credit cost front. So we have done well on that front. But now as you have highlighted that the energy crisis, the impact would be much higher for the microfinance segment. So if this continues from here?

Partha Pratim Sengupta: Let me give you a clarity. So the question is that till now the country is managing very well, I can say. But the question is that definitely, there is a rationalization. If you look at the availability of commercial gas cylinders, it is definitely the flow is not the same as that period. So there has been rationalization till now, I think the country has been quite managing well. But the question is that, yes, it will lead to escalation of cost and this segment cannot pass on. So the question is that we may not expect delinquency, but at the same time, we cannot be over aggressive.

Rajeev Mantri: And therefore, our credit cost guidance of 1.6% to 1.8%, that continues to remain. So we are not changing that.

Moderator: We take the next question from the line of Digant Haria from Greenedge Wealth.

Digant Haria: Only one question. So in the last 3-4 years, we have built our secured book quite fast. We have diversified. And that has led to very high opex, like our operating expenses have reached almost INR 2,200 crores a quarter kind of run rate, but our incomes have not kept pace. So my question here is that now have we -- are we satisfied that we have enough secured assets?

And can we work on efficiency? Like we have too much of DSA sourcing. We pay too high commissions to the DSAs. We use a lot of collection agencies we pay a lot of money to them.

Because the whole secured book is probably 0% ROA for us. So is there any cost efficiency or the operating efficiency, which can kick in? Like are we making any efforts there? Because I don't even see our CASA improving because the opex has gone towards branch technology and this new product?

Partha Pratim Sengupta: So let me tell you very clearly, whatever you have said, we are taking steps in all these areas. We are aware that to start the business, we have to depend a lot on DSAs till we come to a level when we develop our own marketing expertise. And now we are in that state. You see that is why I have said that we are investing in LOS.

For example, once I connect the LOS once I get a strong LOS, I can make all my branches as the sales point of retail and the housing assets for that year. So definitely, the DSA cost would come out, come down and the sourcing will be done mostly by my branches. Even my strength of 4,400 BUs, that also we are having a plan that at least the BUs situated in the metro centers and the urban centers.

Whether they can also be gradually made a sales point for these products. But I need a strong LOS for that. That's what I'm saying that investments are going up. We cannot stop on that. The leveraging from these investments will not happen right now. You see whatever the operating costs you have sold, the major part was definitely the employee cost, which we have rationalized to a large extent for that year.

And the tech cost at that time was mainly on account of the CBS. So you have to understand that this bank has started CBS only 3 years back. We were delayed, but we have started. And the last 2-3 years, the major cost of the tech side was on the CBS. Now we are having the major side on the LOS and also definitely side-by-side, some work is also going on the CRS.

So leveraging from the LOS investments and to have a completely tech-driven or digital-driven products, which are gradually coming. We have already started three, four products, as you know, that the Legacy has come, the Elite has come, the Elite+ has come. We have revamped our new corporate salary packages.

The credit card, we are just waiting to be launched. able to launch probably in this quarter or that year. So all these products are also we are putting and coming in place and it requires investments, the initial investment. So the tech cost has been there for the bank to grow. But yes, the leveraging of these costs will definitely come in the future.

Rajeev Mantri: And I think on the point on efficiencies, we are working on efficiencies within the secured book also. Not all the secured book comes from DSAs. I think we are trying to use multiple channels. One of the key initiative in the bank is really driving cross-sell to drive the growth of secured assets through the use of our branches. And I think that is -- that will be one of the key areas, which will create more operating efficiencies.

Rajinder Kumar Babbar: Yes. We have a clear plan, right, how we reduce our dependency on the DSA move to the branch channel. We started the branch channel activation last year. So earlier, we were doing a INR 200 crores a month. In the last quarter, we have already done more than INR 900 crores of assets from the branch channel. So that is our focus to activate each and every branch, whatever. And simultaneously working on the BU also, we are able to promote all this as a sourcing center. So definitely, the dependency on the other channel will reduce.

Partha Pratim Sengupta: Absolutely. We are working on all these areas.

Digant Haria: Yes. Sir, just for as investors, I would think that if all these initiatives work, the cost to income should come down from, say, current 62% level. So where do you see this glide path for next 2, 3 years? Like does it come down to 55% over 2, 3 years?

Partha Pratim Sengupta: At least for the next 1 year, probably it will be remain at the same level because till we reach a certain level of business. But yes, then it will come coming down. So I think we were expecting that it should taper down from the FY28.

Rajeev Mantri: So actually, the guidance we have given is on opex to asset ratio of around 4.2%. Right now, it's recovering to 4.3%. We'll try and put in efforts to bring it down. And we had guided that after 2 years of investments, which is beyond FY28, we should start to see further efficiencies to come through. So these are still investment years for us. As MD sir has talked about, the tech investments are the key investments that we are doing. And as these tech investments are completed, we start seeing the returns coming from there, then we can start seeing the tapering down of opex to assets.

Moderator: We take the next question from the line of MB Mahesh from Kotak Securities.

MB Mahesh: Just one clarification. If you go to the segments like wholesale banking. If you were to just kind of look at the margins of that particular product, how different would it be as compared to the overall margin for the business?

Rajeev Mantri: Sorry, Mahesh, could you repeat that?

Partha Pratim Sengupta: Wholesale banking.

MB Mahesh: See, you're building this wholesale banking book, which is kind of growing at about 35%, 40%. Just trying to understand why are you growing this business given margins are inherently dilutive to what you're carrying?

Partha Pratim Sengupta: I think the fundamental thing is that the wholesale banking book, we are doing the vanilla advance, but that is not our goal. We want to have a wallet share in the corporates. So the entry is through the advances. So right now, definitely, the ROA is less because I have to lend all these big corporates or I would say, the better corporates where the risk is much, much lower for that year at very competitive rates.

But that is not our purpose. So that's why we are now looking into the other areas. For example, we have just now entered into the forex. Only in the last quarter, we have entered into the forex business. And I think Satish can give the statistics how many -- from to where we have reached.

Satish Kumar: Mahesh, Satish here, you are able to hear me? You able to hear me?

MB Mahesh: Yes, I can hear you.

Satish Kumar: So I can only tell you that the book we are building in wholesale banking, it is not being thrown at a very cheap rates. The rates we are doing is quite comparable to the industry average. In fact, it is better than the industry average, the data which we have. I think we are working on multiple aspects in generating more other income kind of thing. And FX is one part. And earlier, we did not have the whole suite of products, which we have most of them now, which are generating not only flows through us, but building other income in terms of fee income and forex income.

Partha Pratim Sengupta: So let me tell you that the purpose of entering into this business is to create the wallet share of this company on that is to get other income. So we -- till now, we did not have the products. So we were doing only vanilla advances. Now we have issuing doing the cash management. So all these things are being done now.

MB Mahesh: Perfect. So, the question I'm asking -- Okay. The point I'm trying to drive is, given the fact that you yourself kind of allude to the fact that margins are under pressure, between stabilizing margins versus growing this particular book, the trade-off essentially is how much of NII can I generate out of this business versus losing margins or keeping margins out there by not growing that business. Just trying to understand what are you -- why are you kind of prioritizing this growth when there is pressure on margins in the business for this year?

Partha Pratim Sengupta: So let me tell you the pressure is on the NII, I do admit. But our aim is to whatever to offset this loss in the interest compared to the other business through the other income. So where we did not have the capability till now, now we are gradually entering into that segment. So the purpose is that I can get other income only by -- through wholesale banking compared to any other vertical. The other income on account of LCs, other income one finance, the other income on account of forex, the other income.

MB Mahesh: Sorry, just to interrupt there, the problem that we are trying to solve is the reduction in margin appears to be a little bit higher than what we had anticipated. So just trying to check as to whether giving up a bit of growth solves that problem, which we are all trying to solve here. That's the idea that we are trying to solve here or do you feel that growing is more important? That's all we are asking here?

Partha Pratim Sengupta: No. Again, I'm telling you for that the growth is again dependent on many factors. The first is that your capability to grow by garnering or mobilization of deposits. But yes, whatever the growth that we are planning, we have already started that I have very clearly said that we will grow -- we will maintain our share of 35% in the EEB segment and 65% in the non-EEB segment.

We have said that 40% will be in the unsecured segment, 60% in the secured segment, keeping these ratios in mind for that year, we are planning our growth. So it is not that we are very aggressively going. If you look at our balance sheet, we are trying to maintain a very secular growth across all these verticals.

Rajeev Mantri: I think if I can just add a couple of points, Mahesh. One is, as you know, whilst microfinance or EEB gives a higher rate, higher return, we have seen the amount of volatility that it exercises because of the external sort of vulnerabilities, which are there, right? And therefore, as a strategy, the bank is working towards a higher secured mix, which is what we have done over the last 2 to 3 years.

And I think that consistency is what is key, why exactly the secured book has grown, including for wholesale banking because it provides a stable set of revenues to come through. But your point is right. We want to augment those revenues to other income by creating these capabilities which basically allows us to be able to generate not just a stable set of NIM, but also a stable set of other income.

The pace of growth is what we will calibrate. As we are hovering closer to the target aspiration of the secured mix, the ability of the bank is to be able to start growing the unsecured a bit more to be able to balance out between the secured and unsecured mix. But at this stage, I think we still have a bit more growth that's coming through the secured. And we already talked about EEB, which is currently flat, which we want to actually increase to between a 5% to 10% growth. So I think those are the factors which are contributing.

Rajendra Kumar Babbar: Just one more point. Basically, the corporate sector, the margin may be less, but definitely come with a full ecosystem, right? It comes with the corporate salary, it comes with the vendor payment. If there's a full ecosystem is there. Our plan is to cover the full ecosystem so that if we are able to get income from all the sites.

MB Mahesh: Just one question on this IT cost, you had absolutely no headroom to push back these costs for a couple of quarters, is it?

Partha Pratim Sengupta: So as I explained that given that last 3 years, we have invested on multiple other technology front in terms of building some of the new products for wholesale, retail, housing and also improving our governance standard in terms of getting some of these product monitoring and other tools. As you invest in technology, each year, the running cost goes up and all.

Also with volume, we got to make investment on scalability and all of that. And given this whole energy shortage, the chip prices, etc, all of those costs are going up. That is at one level. So you need to have DCDR, automated DR capabilities, and those costs are also going up.

So I don't see that costs slowing down at this point in time, but the pace at which it has grown over the last 3 years, that pace may be tapered down slowly. And after 18 months or so, we should see the outcome of all of this coming in the form of productivity gains. So that clearly is how we see this.

Rajeev Mantri: And also to supplement, I think as we said that we want to generate the higher other income for which capabilities are very, very important. I think the pace of IT, if at all, we will not postpone these other people to be able to get these investments or the capabilities in at the earliest so that we can start seeing the benefit of that. And I think, therefore, the focus on making sure that we actually invest in IT, in technology to be able to generate the returns on that at the earliest.

Moderator: We take the next question from the line of Rahul Kumar from Vaikarya Investment Management.

Rahul Kumar: Just one question. On the Slide 23, the collection efficiency, which is shown as for June lower than the quarter average. So which means that the collection has actually deteriorated over the quarters. So can you help us understand the same?

Rajeev Mantri: No, I think I can explain that. I think what happens is during the quarter, we also get a recovery of the in-quarter slippages, which actually come through. And therefore, the collection efficiency for the quarter will look slightly higher compared to just for the month because it doesn't capture the through-the-quarter recovery. So I think it's just a technical difference, nothing else. And therefore, like-to-like comparison for a month versus for a quarter is important.

Rahul Kumar: Okay. Okay. The second question, is there any one-off items in the net interest income or the other income for this quarter?

Partha Pratim Sengupta: Nothing in the income side. In the expense side, there is a INR 61 crores gratuity provision because of the New Wage Act.

Moderator: We take the next question from the line of Nitin Aggarwal from Motilal Oswal Financial Services Limited.

Nitin Aggarwal: Sir, I have a few questions. One is on the retail asset, again, wherein you talked about that OD was one product where we saw a decline, but gold loans is also another segment where we have reported a decline, wherein the industry is going very well. So anything like which has driven this?

Partha Pratim Sengupta: Yes. Okay. So my retail asset head is addressing

Hirak Joshi: Hi Nitin, Hirak this side. As far as gold loan is concerned, we implemented the new circular of RBI, and we developed the system. As you know, the entire circular was 180-degree change. So that has impacted our initial sourcing in the month of April until mid-May. Now we are back to normal sourcing. So this quarter onwards, we'll take it up on gold. As far as the growth, which was talked about, the Q1, the double-digit growth. Even Q1 last year, it was single-digit growth. So Q1 typically is as we guided, like it is a softer quarter for us. But Q2 onwards, it will be similar to previous quarters

Nitin Aggarwal: Okay. Got that. And secondly, while we are like watching out the overall external macro environment and guiding for a slower growth in MFI. But if I look at the recoveries and upgrades this quarter, they are better than the fourth quarter. In fact, they are better than the most of the quarters of FY26. So what has driven this? And where is the disconnect in terms of the outlook that we are seeing and talking about and this quarter recovery and upgrade number? So anything to call out this?

Rajeev Mantri: Yes, I can clarify that. Actually, we had done -- as I had mentioned, we had done an ARC sale of the housing finance portfolio amounting to roughly INR 290 crores. And in response to that, as part of the deal, we have actually got roughly INR 120 crores of cash recovery, which has come through. So the recovery numbers does include INR 120 crores of ARC-related recovery that we have got.

Partha Pratim Sengupta: So again, let me just reiterate we have actually indicated an improvement in the credit cost. So I don't think that the recoveries will actually slow down, rather it will continue at the same pace or even better for the day. What we are envisaging is that probably the cost of funds that there has been increasing that cost of funds for that year. So that's why they prepare and apart from that is the tech cost. So credit costs will continue to improve and definitely, the recovery is also.

Nitin Aggarwal: Right. Sir, but when you talk about the MFI growth at, say, a relatively moderate pace, do you look at Bandhan growing slower than the industry? I mean what I want to ask is like is there still a conscious decision to further reduce the MFI mix from where it is? Or are we letting it flow as per how we are seeing the macro environment moving?

Partha Pratim Sengupta: So let me tell you that we are the leader, and we will be the leader. So this is number one. Number two is that, again, I'm telling there's no concern -- growth or there will not be an aggressive growth at the same time. We will definitely look at the situation. And as Rajeev has already indicated that we have a bandwidth of around 5% to 10%. So the question is that we will grow. Definitely, if the situation improves, we may grow up to 10% also. So there is no such that we will curtail it. But yes, overall, my book will remain 33% of the total exposure.

Moderator: Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

Rajeev Mantri: I'd like to thank all our investors and all stakeholders who have joined the call for continued trust in the bank, and thank you.

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.