



Q2FY26 Bandhan Bank Ltd.



Bandhan Bank Ltd.**Bandhan bank shift focus towards secured lending; EEB portfolio remains under stress**

CMP*	Target	Potential Upside	Market Cap (INR Bn.)	Recommendation	Sector
INR 158	INR 172	8.9%	INR 252	ACCUMULATE	Banking

Result Highlights

Bandhan Bank reported a weaker-than-expected performance in Q2 FY26, with steady business growth but pressure on profitability. NII declined 12.2% YoY (-6.1 QoQ) to INR 25,886 mn failed to meet our estimate of INR 29,483 mn.

Deposits increased 11% YoY and 5% QoQ to INR 1,580,750 mn as of September 2025, while gross advances grew 7% YoY and 2% QoQ to INR 1,345,920 mn.

Secured advances surged 25% YoY, forming 55% of the total loan book compared to 47% a year ago, indicating a shift toward a more secured portfolio.

The retail (non-housing) and wholesale segments grew strongly at 66% and 27% YoY, respectively, while housing loans rose 12%. However, the EEB (Emerging Entrepreneurs Business) book contracted 13% YoY. Consequently, non-EEB advances now account for 63% of total loans, up from 55% in Q2 FY25.

CASA deposits stood at INR 44,211 mn, translating to a 28% CASA ratio, while CASA plus retail term deposits ratio remained healthy at 71%.

Collection efficiency in EEB loans improved slightly to 98%. Asset quality remained stable with GNPA at 5.0% and NNPA at 1.4%, supported by a Provision Coverage Ratio (PCR) of 73.7%.

Financially, H1 FY26 saw net interest income decline 10% YoY to INR 5,346 mn, while PAT dropped sharply to INR 484 mn from INR 2,001 mn due to higher provisioning (INR 2,299 mn vs. INR 1,129 mn YoY).

NIM stood at 6.1%, with RoA and RoE at 0.5% and 3.8%, respectively. The Capital Adequacy Ratio remained strong at 18.6%.

Valuation and Outlook

Bandhan Bank's near-term profitability remains under pressure, impacted by yield resets, elevated provisions, and continued EEB slippages, however deposit granularity is improving, with a healthy CASA and retail term deposit mix, while the secured loan portfolio continues to gain share, supporting better asset quality over time. Additionally, SMA trends are showing steady improvement, indicating early signs of stabilization in the EEB book. The bank's better capital position (CAR at 18.6%) provides enough buffer to absorb near-term shocks and fund future growth.

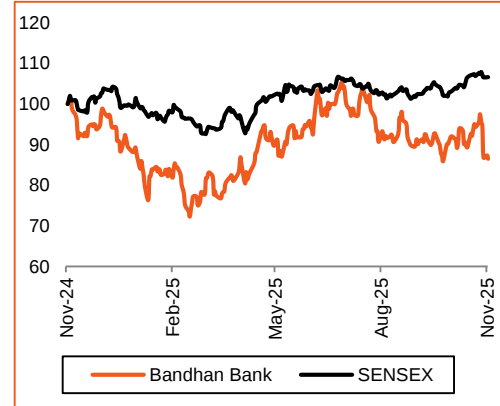
Looking ahead, management's efforts to strengthen underwriting practices and maintain credit discipline are likely to support sustainable profitability as the balance sheet mix shifts toward secured and non-EEB assets.

We expect gradual improvement in ROA and ROE from H2 FY26 onwards, aided by normalization of credit costs, better NIM, and operating leverage benefits. We value Bandhan Bank at 1.1x Mar'27 ABVPS, translating to a target price of INR 172 per share, and reiterate our "ACCUMULATE" rating on the stock.

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	1,03,188	1,14,906	1,09,249	1,19,024	1,43,769
PPOP	66,395	73,887	61,423	66,278	81,282
PAT	22,296	27,453	11,663	20,486	37,934
EPS (INR / Share)	13.8	17.0	7.2	12.7	23.5
ABVPS (INR / Share)	125.8	142.1	145.2	157.8	179.9

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE**MARKET DATA**

Shares outs (Mn)	1,612
Mkt Cap (INR Bn)	252
52 Wk H/L (INR)	192/128

*Based on previous closing
Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	40.3	40.9	40.0
FIIs	23.4	24.3	22.7
DIIIs	17.8	16.5	16.4
Others	18.4	18.3	20.9
Total	100.0	100.0	100.0

5.4%NII CAGR
between FY25-27E**-13.6%**PAT CAGR
between FY25-27E

Bandhan Bank Ltd.

Key Con-call Highlights:

Overall outlook

- Management highlighted a transitional quarter as policy rates moderated. The cumulative repo-rate reductions (fully passed through on day-1 of Q2) and a ~200 bps recalibration of MCLR compressed asset yields. Deposit costs are expected to trail with a lag as term deposits reprice over Q4 FY26–Q1 FY27.
- Liquidity remains comfortable, supporting growth in secured retail and housing. For microfinance (EEB), management expects near-term stress to persist for 1–2 months before normalising as industry guardrails take hold.

Key Business Highlights

- Gross advances were INR 1,400,000 mn (+7% YoY; +5% QoQ). Non-EEB loans now form ~63% of advances (55% a year ago), growing 24% YoY. Secured book grew 25% YoY and is 55% of loans (47% a year ago).
- Retail assets rose 66% YoY, led by CV/CE, auto and gold; social/wholesale banking grew 27% YoY. Mix: EEB group lending 24%, ESB 13%, wholesale banking 29%, housing 24%, retail assets 9%.
- Management acknowledged Q2 performance below internal plans due to yield reset, elevated EEB slippages, subdued EEB growth and end-quarter disbursals, but guided for a better H2 with improving asset-quality indicators (declining SMA1/2 in EEB) and stronger secured momentum.

Liabilities & Deposit Franchise

- Deposits were INR 1,580,000 mn (+11% YoY), outpacing advances. Retail deposits (CASA + retail TD) rose 16% YoY; retail TDs grew 38% YoY. CASA was INR 44,211 mn (CASA ratio ~28%); sequential CASA balances rose 3.2%, with overall CASA up 5.6% QoQ.
- Retail deposit share improved to 71% (68% in Q1). Bulk deposits declined to ~29% of total. Savings rates were calibrated lower; management expects term-deposit repricing benefits mainly from Q4. Initiatives: CASA campaign, corporate salary acquisition, and HNI offerings (“LHL Plus”, “Legacy” savings).

Asset Quality & Collections

- Collection efficiency (ex-NPAs) was 98.0% (Q1: 97.9%). EEB collection was 97.8% in Q2 and 97.5% in September. Bank-level gross slippages were INR 15,900 mn (Q1: INR 15,530 mn); EEB slippages were INR 11,180 mn.
- Recoveries/upgrades were INR 3,320 mn. EEB SMA1 improved to INR 5,270 mn (INR 5,320 mn); SMA2 to INR 3,880 mn (INR 4,840 mn). SMA0 spiked temporarily due to late-September holidays (~INR 6,500 mn impact), with ~INR 3,500 mn regularised in October.
- Technical write-offs were INR 8,550 mn (INR 7,990 mn in EEB). GNPA/NNPA were stable at ~5.0%/1.4%; PCR (ex write-offs) ~76%.

Profitability & Margins

- NII was INR 25,890 mn (-12% YoY). NIM fell to 5.8% (Q1: 6.4%) on rate passthrough, secured mix accretion, and slippages. Non-interest income declined 10% YoY/25% QoQ on lower treasury gains, partly offset by +48% YoY growth in third-party distribution. Opex was INR 18,250 mn; opex/avg assets improved 9 bps QoQ to 3.8%.
- Operating profit was INR 13,100 mn; PAT INR 1,120 mn. Credit cost was 3.4% (Q1: 3.5%). H1 FY26 ROA/ROE were ~0.5%/4.0%. Capital adequacy remains strong (CRAR 18.6%; CET1 17.8%).

Operational & Strategic Initiatives

- Government/digital: integrated with CBIC for customs duty collections; onboarded Karnataka’s Khajane-2 and Rajasthan’s IFMS for digital receipts/payments and real-time balance reporting.
- Collections: unique QR for EEB via BBPS; web-based EMI module; repayments enabled across M1 app, internet banking, and ~700 partner apps. Network: 1,754 branches (+4 QoQ).

Industry & Regulatory Developments

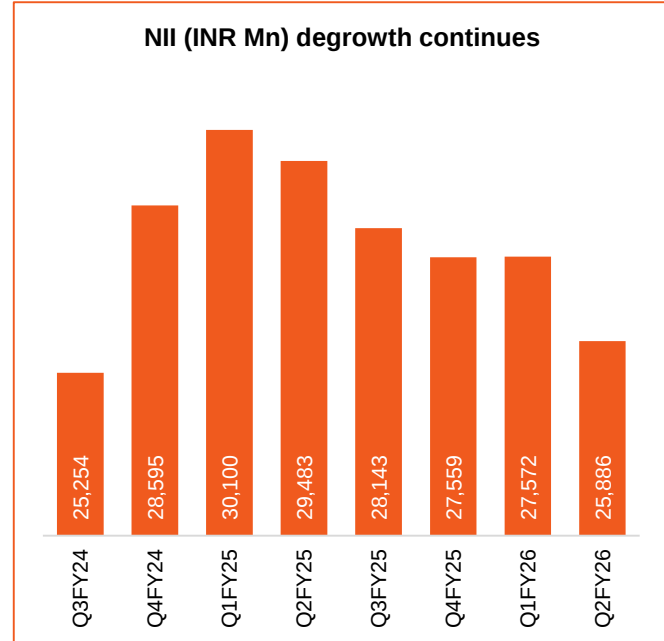
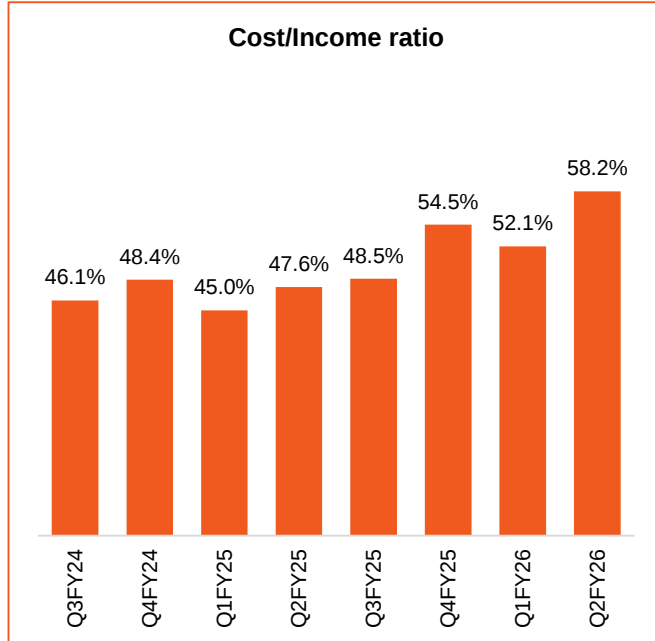
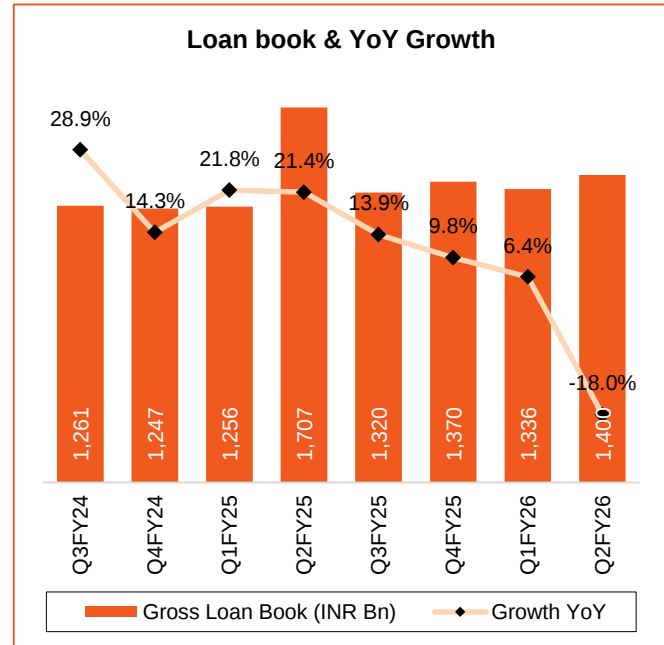
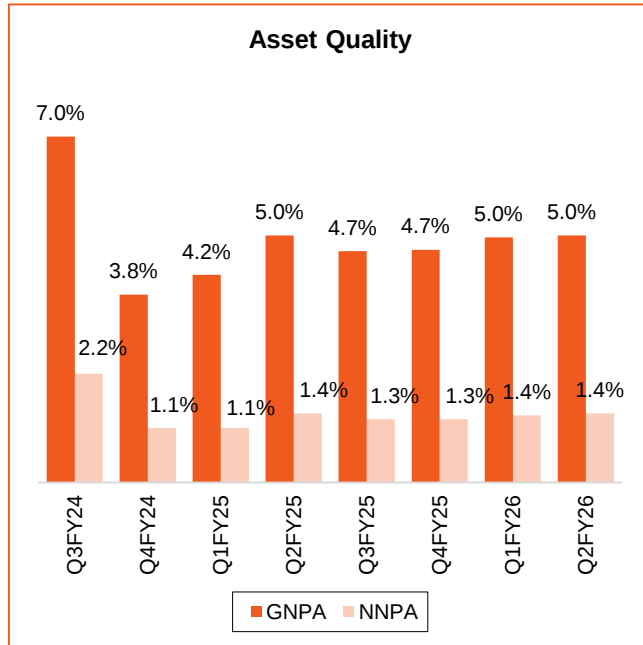
- Management sees election-linked waiver rhetoric as manageable; collections in Bihar/West Bengal remain stable with field guidance. MCLR recalibration (from ~11.5% to peer-aligned ~9.5–9.7%) was a bank decision, not regulator-driven. No major unresolved supervisory findings flagged; PSL classification stable.

Guidance & Outlook

- NIM expected to improve from Q4 FY26 as TDs reprice; savings-rate cuts already reflecting. EEB credit cost guided to 2.5–3.0% by FY27; bank-level credit cost 1.5–1.6% as secured mix rises to ~55–58% over 6–7 quarters. EEB growth to resume from Q3 as guardrails stabilise. Focus remains on granular deposits, secured retail/housing, and disciplined wholesale.

Bandhan Bank Ltd.

Story in Charts



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (In Mn)	Q2FY26	Q1FY25	Q2FY25	Q-o-Q	Y-o-Y
Income Statement					
Interest income	53,538	54,756	54,998	-2.2%	-2.7%
Interest expense	27,653	27,184	25,516	1.7%	8.4%
Net interest income	25,886	27,572	29,483	-6.1%	-12.2%
Non interest income	5,464	7,259	5,947	-24.7%	-8.1%
Total income	31,350	34,831	35,430	-10.0%	-11.5%
Employee costs	10,773	11,236	10,440	-4.1%	3.2%
Other operating expenses	7,474	6,911	6,438	8.1%	16.1%
Operating expenses	18,246	18,147	16,879	0.5%	8.1%
Pre-provision profit	13,104	16,684	18,551	-21.5%	-29.4%
Provisions	11,526	11,469	6,062	0.5%	90.1%
Profit before tax	1,578	5,215	12,489	-69.7%	-87.4%
Tax expense	459	1,495	3,114	-69.3%	-85.3%
Net profit	1,119	3,720	9,374	-69.9%	-88.1%

Balance sheet analysis

Deposits	15,80,746	15,46,700	14,25,095	2.2%	10.9%
CASA Deposits	4,42,609	4,19,156	4,73,132	5.6%	-6.5%
CASA (%)	28.0%	27.1%	33.2%	90bps	-520bps
Advances	13,45,928	12,85,100	12,60,557	4.7%	6.8%
Total Assets	19,50,106	18,93,900	17,97,677	3.0%	8.5%
Capital adequacy ratio (%)	18.6%	19.4%	15.6%	-80bps	300bps

Spread Analysis

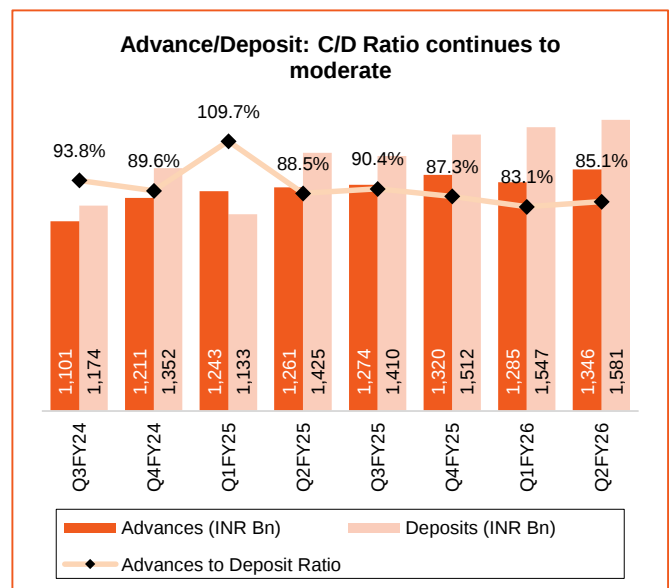
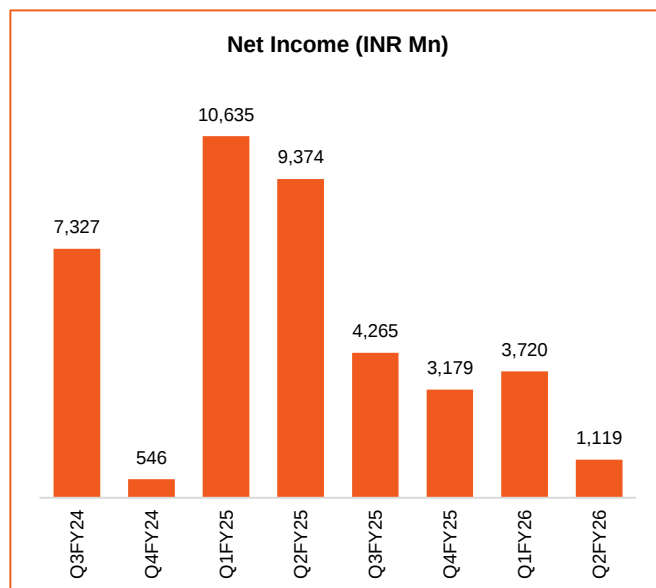
Yield on avg advances (%)	12.1%	12.7%	13.7%	-60bps	-160bps
Cost of funds (%)	6.9%	7.0%	7.0%	-10bps	-10bps
NIM (%)	5.2%	5.7%	6.7%	-50bps	-150bps

Asset quality

GNPA (%)	5.00%	5.00%	4.70%	0bps	30bps
NNPA (%)	1.40%	1.40%	1.30%	0bps	10bps
PCR (%)	73.7%	73.7%	73.7%	0bps	0bps
Core Credit Cost ratio (%)	3.4%	3.5%	1.9%	-10bps	150bps

Key ratios

Cost to income ratio (%)	58.2%	52.1%	47.6%	610bps	1056bps
C/D ratio (%)	85.1%	83.1%	88.5%	206bps	-331bps
RoA (%) (Not annualized)	0.80%	0.70%	2.50%	10bps	-170bps



Bandhan Bank Ltd.

Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Interest Income	2,19,482	2,21,917	2,43,790	2,83,289
Interest Expense	1,04,576	1,12,668	1,24,767	1,39,520
Net Interest Income	1,14,906	1,09,249	1,19,024	1,43,769
Non-interest income	29,666	31,345	32,655	34,013
Operating income	1,44,572	1,40,594	1,51,679	1,77,781
Operating Expense	70,685	79,170	85,401	96,499
PPOP	73,887	61,423	66,278	81,282
Provisions	37,654	45,408	38,594	30,020
PBT	36,233	16,016	27,683	51,262
Tax Expense	8,780	4,352	7,198	13,328
PAT	27,453	11,663	20,486	37,934
EPS (INR)	17.0	7.2	12.7	23.5

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share capital	16,110	16,110	16,110	16,110
Reserves & surplus	2,29,940	2,36,537	2,57,023	2,94,957
Shareholders' funds	2,46,050	2,52,647	2,73,132	3,11,066
Borrowings	1,11,385	1,19,080	1,36,108	1,57,886
Deposits	15,12,125	17,01,141	19,44,404	22,55,508
Other liabilities & provisions	45,203	58,804	19,949	-36,522
Total Liabilities & Equity	19,14,763	21,31,672	23,73,593	26,87,938
Uses of Funds				
Cash and cash equivalent	95,694	1,36,091	1,55,552	1,80,441
Investments	4,07,123	4,25,285	4,86,101	5,63,877
Advances	13,19,873	14,38,662	15,82,528	17,72,431
Fixed & other assets	92,073	1,31,634	1,49,412	1,71,189
Total Assets	19,14,763	21,31,672	23,73,593	26,87,938

Source: Company, DevenChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
Advances (%)	9.0%	9.0%	10.0%	12.0%
Deposits (%)	11.8%	12.5%	14.3%	16.0%
Total assets (%)	7.7%	11.3%	11.3%	13.2%
NII (%)	11.4%	-4.9%	8.9%	20.8%
Pre-provisioning profit (%)	11.3%	-16.9%	7.9%	22.6%
PAT (%)	23.1%	-57.5%	75.6%	85.2%
B/S Ratios				
Credit/Deposit (%)	87.3%	84.6%	81.4%	78.6%
CASA (%)	31.4%	33.0%	32.5%	32.5%
Advances/Total assets (%)	68.9%	67.5%	66.7%	65.9%
Leverage - Total Assets to Equity	7.78	8.44	8.69	8.64
Operating efficiency				
Cost/income (%)	48.9%	56.3%	56.3%	54.3%
Opex/total assets (%)	3.7%	3.7%	3.6%	3.6%
Opex/total interest earning assets	3.9%	4.0%	3.8%	3.8%
Profitability				
NIM (%)	6.6%	5.7%	5.6%	6.1%
RoA (%)	1.4%	0.5%	0.9%	1.4%
RoE (%)	11.2%	4.6%	7.5%	12.2%
Asset quality				
Gross NPA (%)	4.7%	4.8%	4.7%	4.7%
Net NPA (%)	1.3%	1.3%	1.2%	1.2%
PCR (%)	72.3%	72.9%	74.5%	74.5%
Slippage (%)	4.4%	4.2%	4.0%	4.0%
Credit cost (%)	2.3%	2.5%	2.0%	1.4%
Per share data / Valuation				
EPS (INR)	17.0	7.2	12.7	23.5
BVPS (INR)	152.7	156.8	169.5	193.1
ABVPS (INR)	142.1	145.2	157.8	179.9
P/E (x)	9.2	21.5	12.3	6.6
P/BV (x)	1.0	1.0	0.9	0.8
P/ABV (x)	1.1	1.1	1.0	0.9

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Date	CMP (INR)	TP (INR)	Recommendation
04-Nov-25	158	172	ACCUMULATE
25-Jul-25	184	198	ACCUMULATE
06-May-25	157	183	BUY
03-Jan-25	148	164	ACCUMULATE
28-Oct-24	185	200	ACCUMULATE
05-Aug-24	213	217	ACCUMULATE
22-May-24	184	193	HOLD

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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