

# Banking Unit Channel

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Analyst Day Presentation  
Dec 1, 2022 | Mumbai



**Bandhan**  
Bank

How it all started...

How it is going...

Where we are heading...

# The Journey

**1990**

It all started when Mr. Chandra Shekhar Ghosh observed the plight of Kolkata's small-time traders. To grow their businesses, they had no option except high-interest loans from traditional moneylenders

**2006**

Bandhan acquired an NBFC and established Bandhan Financial Services

**2015**

Bandhan became the first microfinance company to get Universal Banking License and a separate microbanking vertical was setup

**2001**

Bandhan started microfinance operations and empowerment through livelihood creation in rural Bengal as a society

**2010**

Bandhan became the largest Microfinance Institution in India

**2020**

Small Business and Agri loans were introduced for graduating vintage group loan customers with impressive track record to individual loans

# What makes us different

## Strength

- One of the lowest interest rates in the industry
- Smaller working radius for better connect
- Robust IT for digitization through TAB
- Flexibility in repayment – Weekly, Monthly
- Loans for medical, sanitation and education needs for existing customers at nominal rates
- Introducing the unbanked to formal banking
- More than **46K** well trained field staffs

## Beyond Banking

- Targeting the Hardcore Poor Program
- Education Programme
- Health Programme
- Financial Literacy Programme
- Sustainable Livelihoods Programme
- Employing the Unemployed Programme
- Climate Action Programme



<https://bandhanbank.com/beyond-banking>

## Reach

- 4,261** Banking Units, **3,402** in Rural and Semi-urban (~80%) and remaining **859** in Urban and Metro
- Present across **29** states and union territories
- Approx. **13 Mn** Active borrowers
- More than **22 Mn** SB Acs, inculcating savings habit

## Our Customers

- Long term association with customers
- Diversified portfolio across various livelihoods



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# Market trend

## Positive trends in the Microfinance Industry: bouncing back from COVID related disruptions

Quarter	Mar'20	Jun'20	Sep'20	Dec'20	Mar'21	Jun'21	Sep'21	Dec'21	Mar'22	Jun'22
Gross Portfolio (Rs bn)	2,318	2,277	2,318	2,326	2,594	2,374	2,437	2,561	2,854	2,932
Growth for the quarter	10%	-2%	2%	0%	11%	-8%	3%	5%	11%	3%

Based on data from MFIN

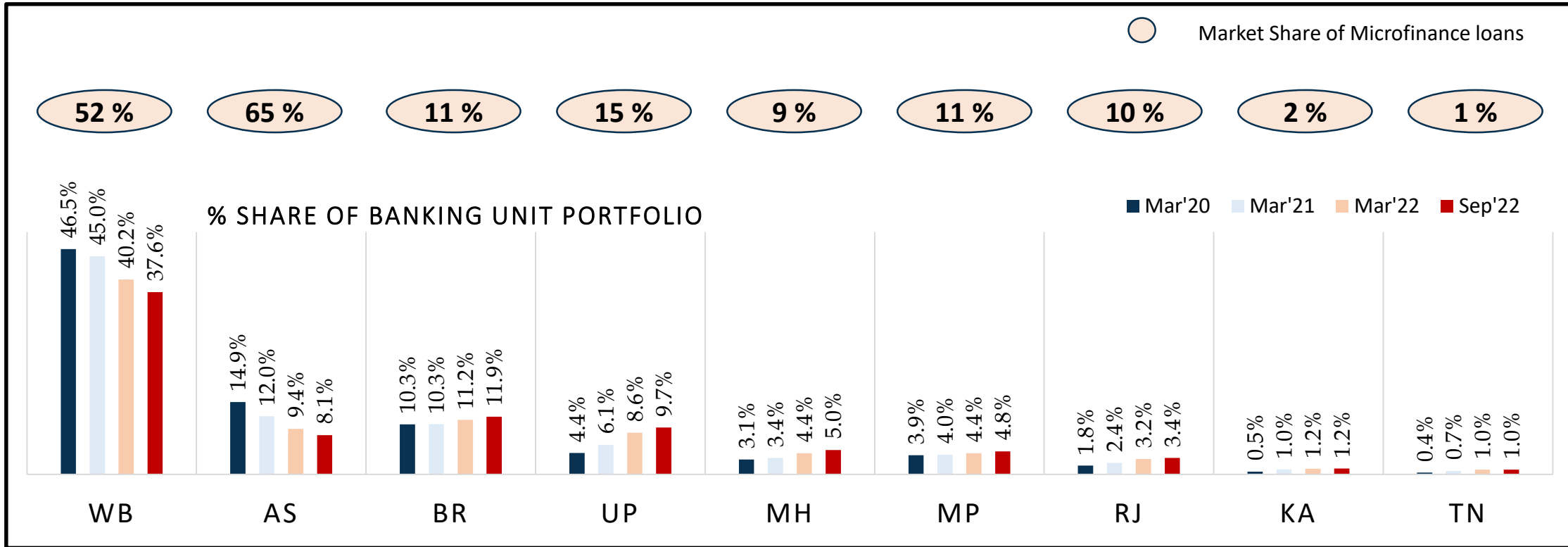
*“Microfinance”, is also emerging as a fast growing sector, although this segment is still underpenetrated. Various studies indicate that the microfinance sector in India has the potential to grow at a **CAGR of 40%** by 2025 - Dr. G R Chintala, **Chairman, NABARD***

**World Bank** in 2021 (Findex) reported that adults with bank accounts in India has decreased from 79.88% in 2017 to 77.53% in 2021 resulting in an adult population of ~230 million with no access to financial services, let alone “Credit”

**Introduction of a common Microfinance Policy by RBI for all lending institutions** (Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022)

- Defining the household and capping income, in line with the practice of the Bank
- Stringent, FOIR based eligibility assessment, in line with the Bank’s policy
- Clear declaration on cost of fund for the borrower, giving edge to the Bank with lower interest rates

# Geographical Diversification



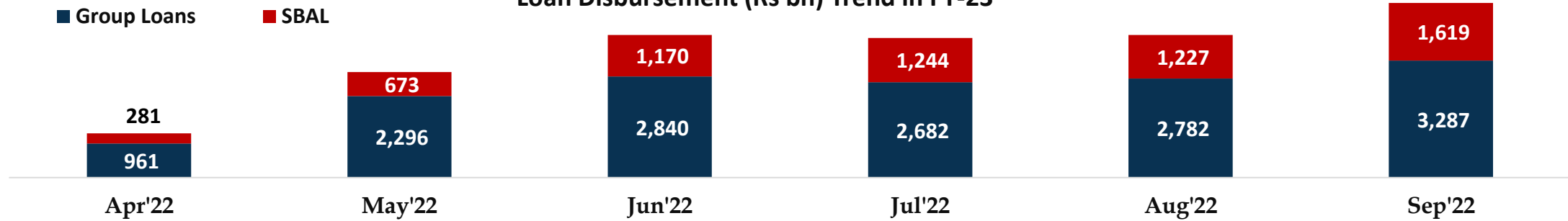
- Apart from matured states, the population catered by the bank is low & there is lot of opportunity to acquire new customers.
- There is a focus on expansion plan in states where Market share is lower in comparison with matured markets (WB, Assam) for increasing market share and further business growth
- Also, Gujrat, Andhra Pradesh & Telangana have been identified by the bank as focus states for opening new Banking Units.

# Bank's Trend

Particulars	Group Loan			SBAL		
	Mar-22	Jun-22	Sep-22	Mar-22	Jun-22	Sep-22
AUM (Rs. Bn)	465	429	382	159	152	157
Borrowers (mn)	11.0	11.0	11.1	1.6	1.7	1.9
Avg. AUM (Rs '000) per borrower	42	39	35	99	89	83
GNPA (Rs bn)	44	49	45	4	5	6
NNPA (Rs bn)	9.2	10.0	7.6	0.7	0.9	1.5
GNPA	10%	11%	12%	3%	3%	4%
NNPA	2.1%	2.6%	2.2%	0.5%	0.6%	1.0%
Yield	17%	18%	17%	17%	19%	18%
Sourcing Yields	19.45%	19.95%	19.95%	19.45%	19.95%	19.95%

Current sourcing yields is 21.95% for group loans & 21.45% for SBAL w.e.f from 14<sup>th</sup> Nov 2022

Loan Disbursement (Rs bn) Trend in FY-23

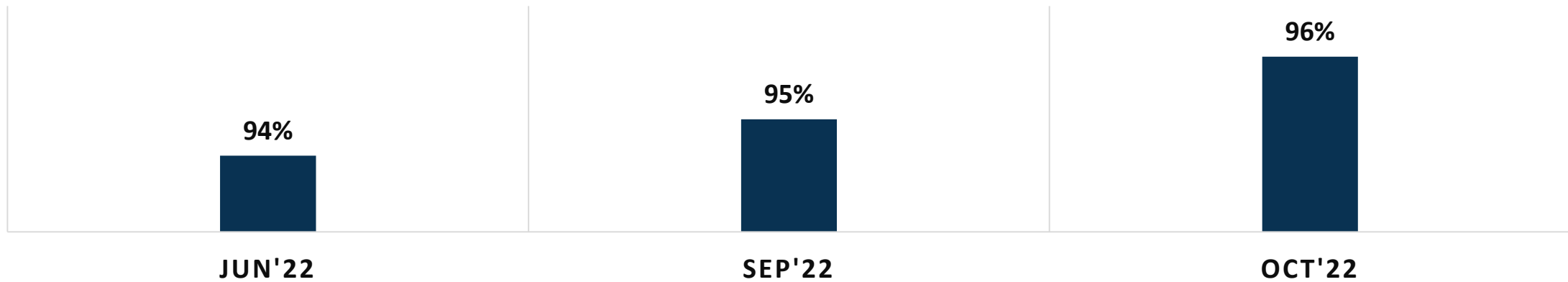


Portfolio Projection (% Share on Value)	Particulars	FY'22-23	FY'23-24	FY'24-25
	Group	62%	56%	53%
	SBAL	38%	44%	47%
	EEB	100%	100%	100%



# Asset Quality: Collection

## COLLECTION EFFICIENCY (EXCLUDING NPA PORTFOLIO)



### Payment profile of Borrowers (Excluding NPA Portfolio)

Payment Profile	% Receivable			Payment %age	% AUM		
	Jun'22	Sep'22	Oct'22		Jun'22	Sep'22	Oct'22
NOT PAID	3%	3%	1%	NOT PAID	6%	5%	2%
Upto 25%	1%	1%	2%	Upto 25%	1%	1%	2%
>25% TO 50%	1%	1%	1%	>25% TO 50%	1%	2%	1%
>50% TO 75%	1%	1%	2%	>50% TO 75%	2%	2%	2%
>75% TO <100%	3%	2%	2%	>75% TO <100%	3%	2%	2%
FULL PAID	91%	92%	93%	FULL PAID	87%	88%	91%

# Asset Quality: Delinquency and Provisioning

All amounts are in Rs bn

Particulars	Actual			Projection	
	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23
31 to 90 DPD (A)	22	47	44	24	17
Restructured a/c (B)	49	21	0	0	0
NPA (C)	49	53	51	78**	80**
Total Stress portfolio (A + B + C)	119	121	95	102	97
Total Provisions	70	76	53	74*	77*
NPA Provision	39	42	42	63*	66*
PCR on NPA	80%	80%	82%	80%	82%
Provision GAP (Total Stress portfolio - Total Provision)	50	45	42	28	20

\* Net of CGFMU recovery provision will be lower by Rs 9.3 bn

\*\*pre-write offs

## Continuously strengthening the processes for improving asset quality

Credit Appraisal	Business Operations	Risk Management	
<ul style="list-style-type: none"> <li>•Tab based annual household income assessment and centralized monitoring</li> </ul>	<ul style="list-style-type: none"> <li>•Putting cap on the maximum no. of customers per BU and per Relationship Officer</li> </ul>	<ul style="list-style-type: none"> <li>•Strengthening Enhanced Due Diligence for EEB</li> </ul>	<ul style="list-style-type: none"> <li>•Risk and Control Self Assessment (RCSA) for each product annually for identification and mitigation of residual risk</li> </ul>
<ul style="list-style-type: none"> <li>•Central Credit Underwriting Team for SBAL</li> </ul>	<ul style="list-style-type: none"> <li>•Dedicated Recovery team and BU staffs for delinquent borrowers</li> </ul>	<ul style="list-style-type: none"> <li>•Strict monitoring of Early Warning Signals</li> <li>•Pre-emptive Transaction monitoring for identification and prevention of Mule Accounts</li> </ul>	<ul style="list-style-type: none"> <li>•Business Continuity Plan (BCP) is being updated on a yearly basis to ensure that risk of any disruption is nullified</li> </ul>

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# Strategies and Initiatives

## Sourcing Strategies

1. Graduating the mature customers from Group to Small Business and Agri Loans (SBAL)
2. Focussing on SBAL for loans to NTB customers
3. Focussing on Group Loans (GL) for New to Bank (NTB) customers

## Diversification Strategy

1. Continuous focus to diversify outside the core geographies of WB & AS with majority of the new distribution planned outside these states.
2. New proposed 182 BUs to open all outside these states (114 in Gujarat, 30 in AP, 29 in Odisha, 8 in Jharkhand and 1 in Dadra & Nagar Haveli)s grown to 29% as on Sep'22
3. SBAL concentration in portfolio was 11% as on Mar'21, which has grown to 29% as on Sep'22

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***Thank You***