

# Commercial Banking

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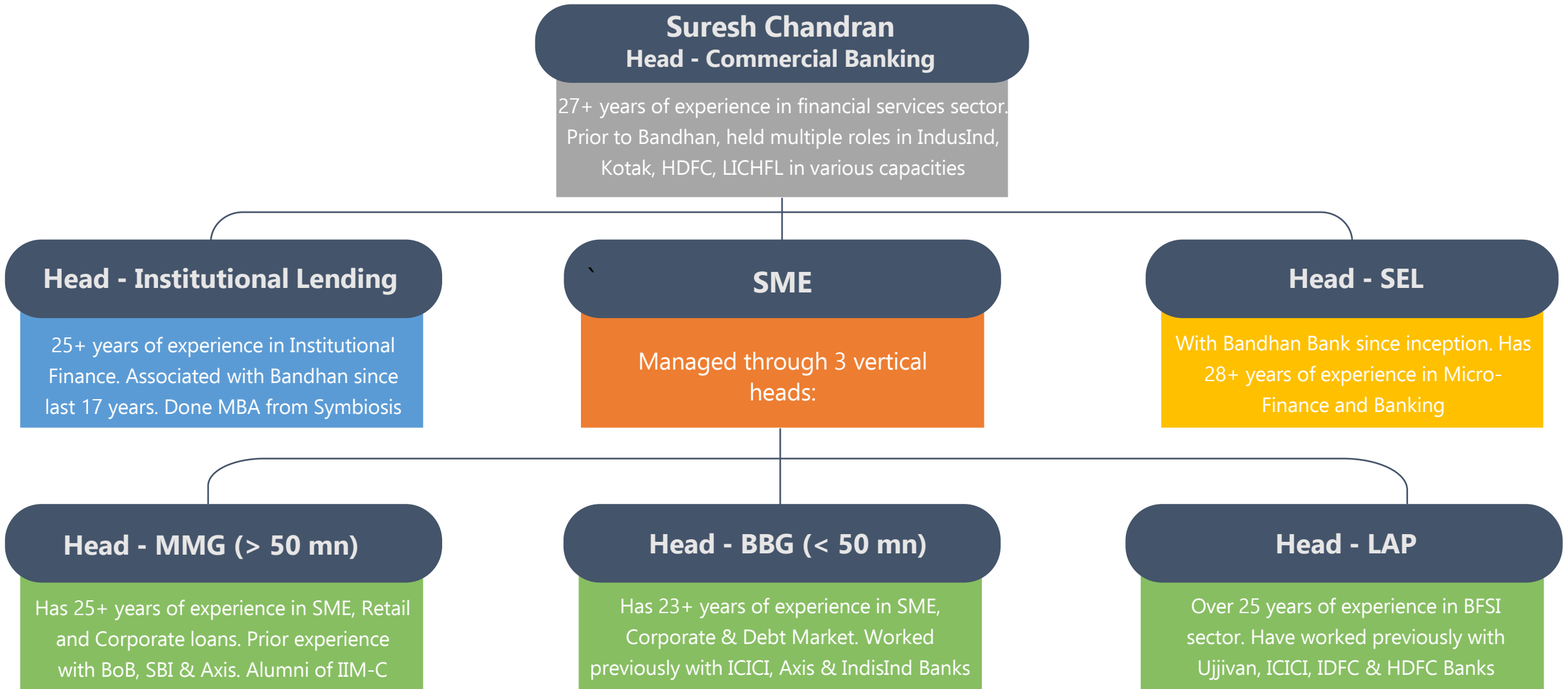
Analyst Day Presentation

Dec 1, 2022 | Mumbai

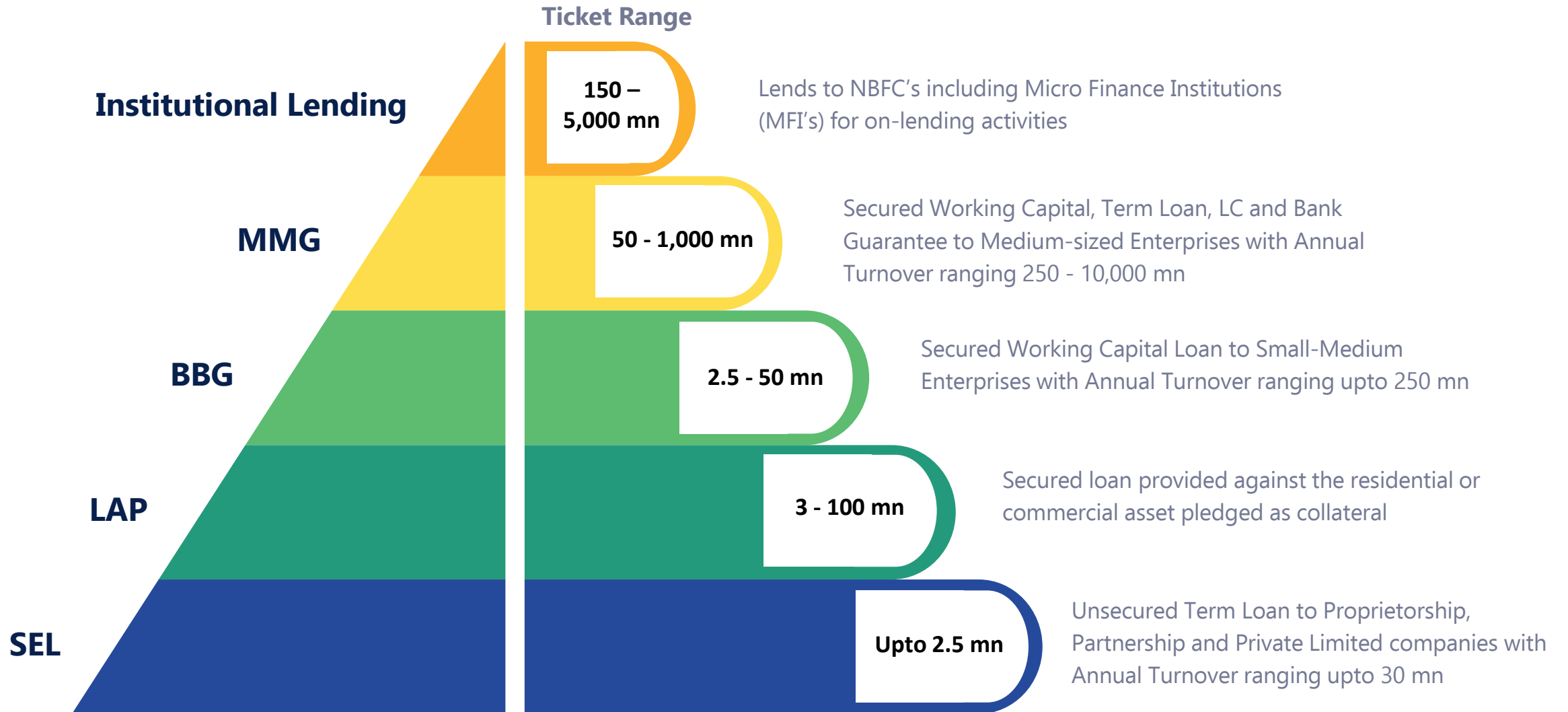


**Bandhan**  
Bank

# Leadership Team

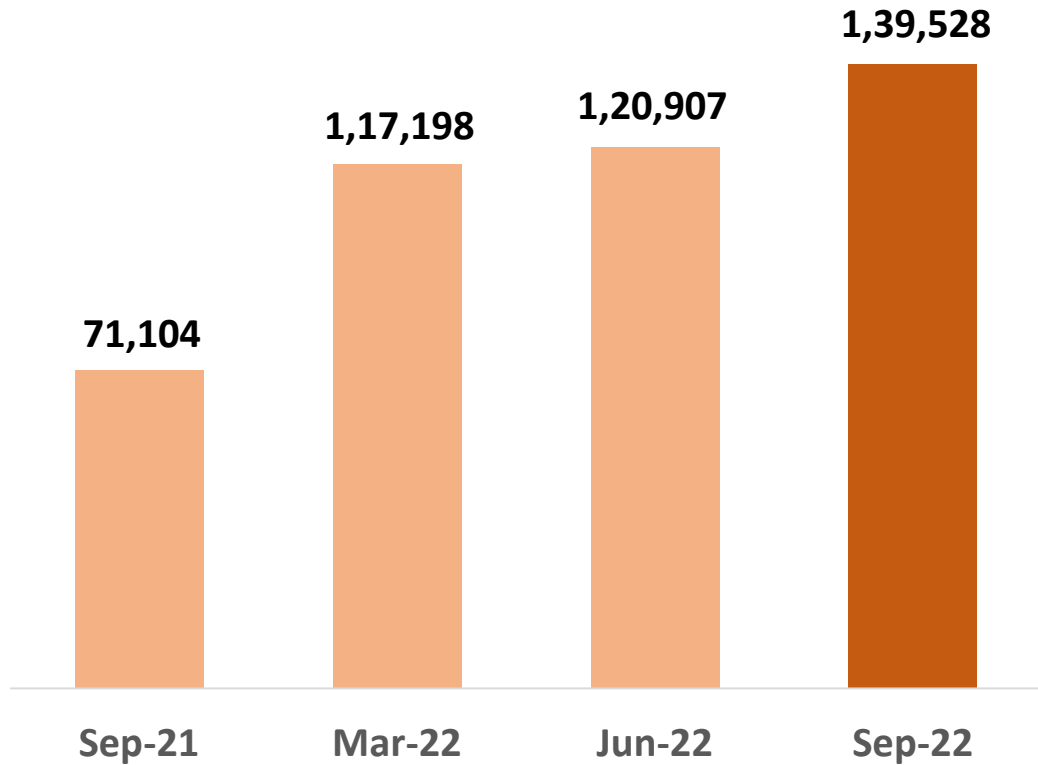


# Product Offering



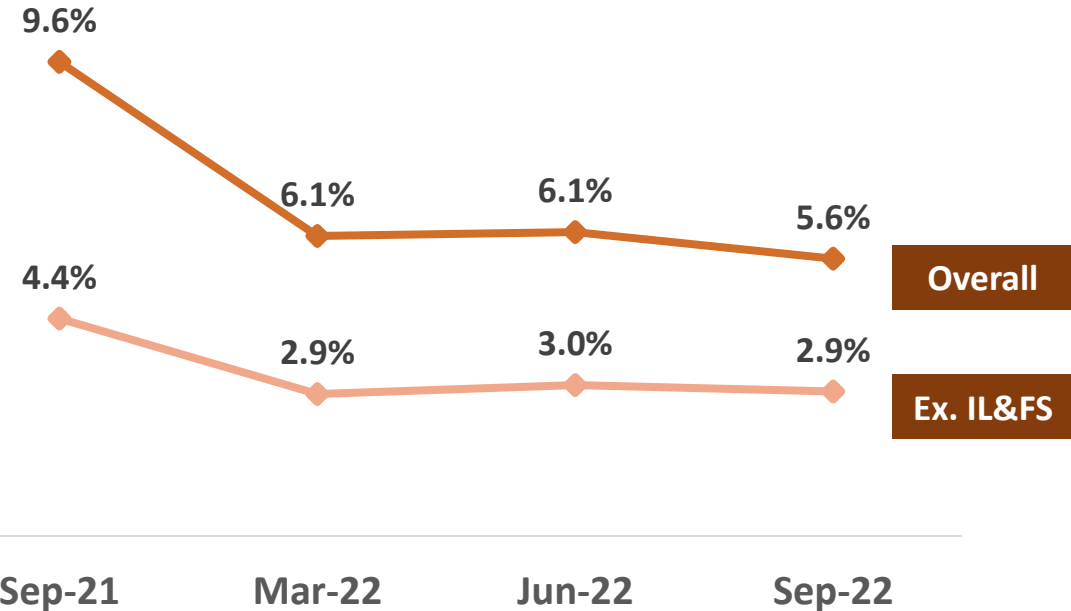
# Commercial Banking - Overall

## Portfolio Performance (INR million)



**Overall CB portfolio witnessed a robust growth of 96% YoY and 15% QoQ**

## GNPA (%)



Overall GNPA includes 3,850 mn of IL&FS

**Witnessed considerable decline in GNPA YoY; down from 9.6% in Sep-21 to 5.6% in Sep-22**

# Institutional Lending

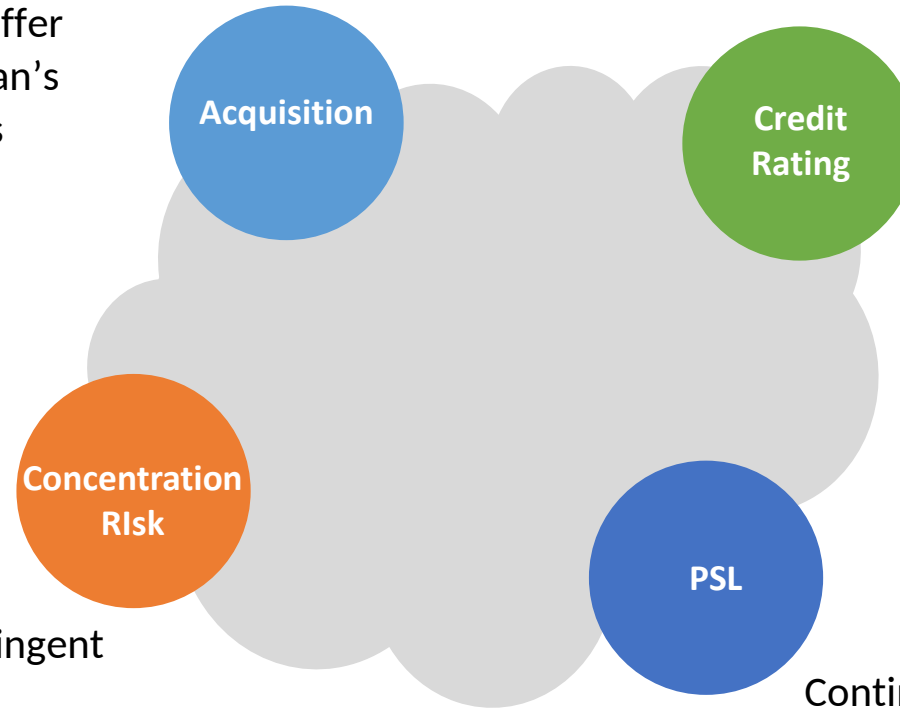
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# Institutional Lending - Strategy

Focus on lending to Institutions which offer diversification opportunity from Bandhan's growth perspective; 100% of sourcing is through dedicated RM's



Lend to Institutions with high External Credit Rating; 92% of the exposure as on Sep-22 had credit rating of A & above

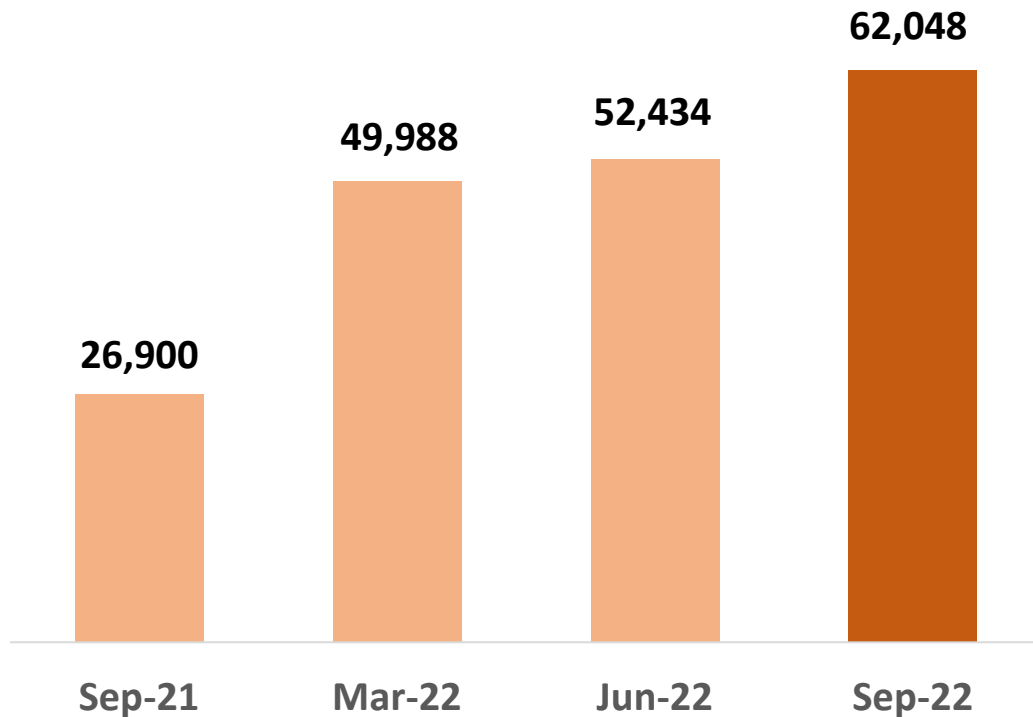
Manage Concentration Risk through stringent Underwriting & Credit Policy; maximum cumulative exposure to an Institution is set at 10% of total outstanding

Continuous focus on Priority Sector Lending; 46% of the total exposure were PSL qualified as on Sep-22

**To be preferred choice of Banker for Institutional Finance**

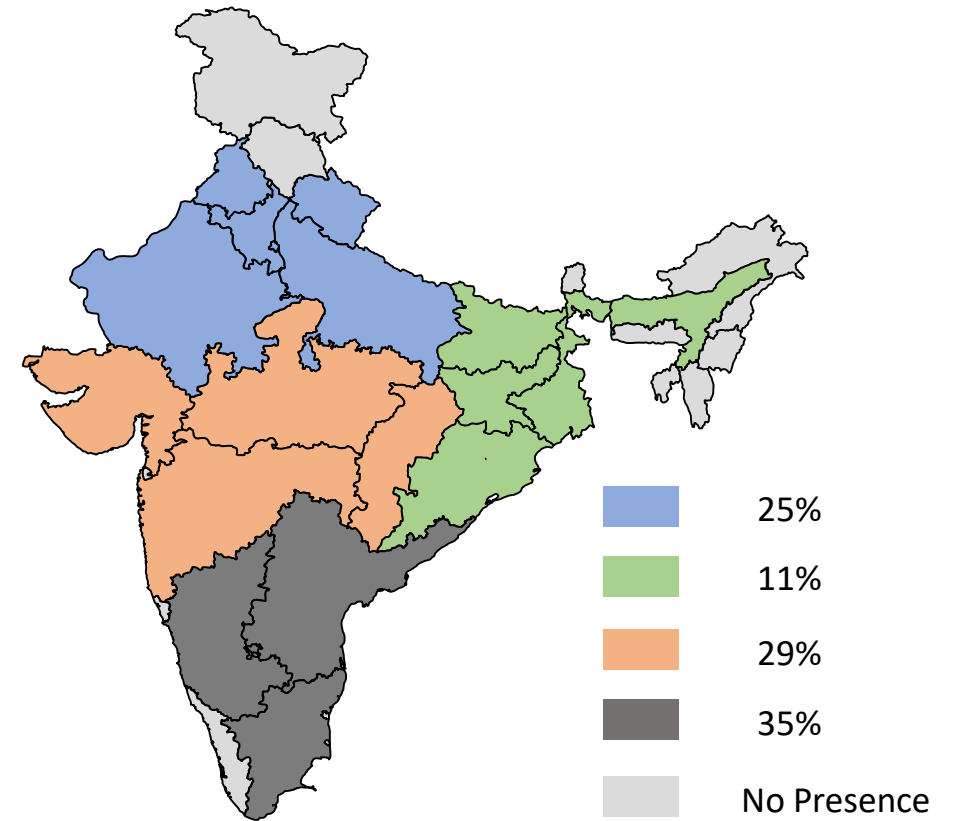
# Institutional Lending - Portfolio

## Portfolio Performance (INR million)



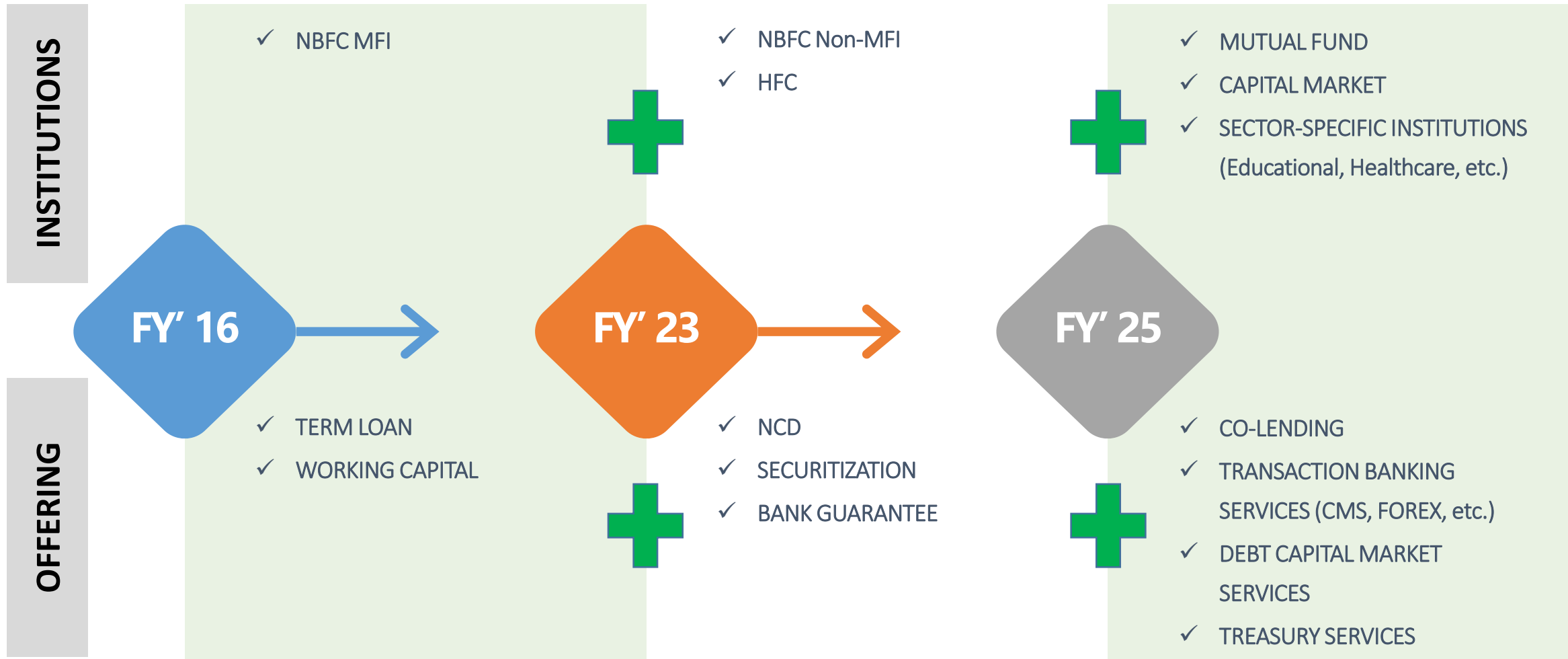
**Overall portfolio witnessed a robust growth of 131% YoY and 18% QoQ**

## Geographical Presence



**89% of the overall portfolio is from the region other than East**

# Institutional Lending - Way Forward



**To provide our customers accessible, simple, cost effective and innovative financial solutions in a courteous and responsible manner**



# Small & Medium Enterprises (SME)

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# Small Medium Enterprises - Overview

## PRODUCT OFFERING

- Provides secured credit facilities of above INR 2.5 mn for financing business activities to small and medium enterprises (SME) and mid sized corporates
- Product offering includes:
  - Fund based (FB) facilities - Working Capital finance (1 year, renewable) and Term Loans (TL)
  - Non-fund based (NFB) limits like Letter of Credit (LC) and Bank Guarantee (BG)
- Focus on parametrized Products – GST-Connect, B-Connect & LRD's to build secured book

## SOURCING STRATEGY

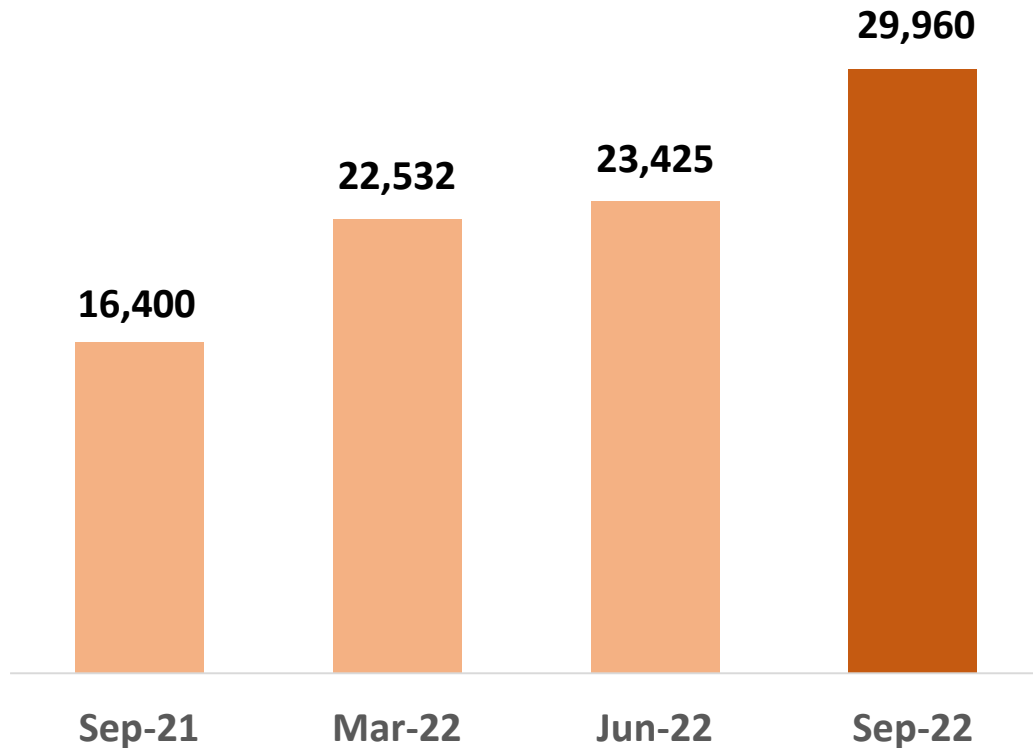
- Focus on good rated clients with sustainable cash flows
- Building relationship with Debt Syndicate teams of other Banks, to get participation in Consortium and Multiple Banking lending
- Capturing supply chain of existing SME portfolio
- Leveraging extensive branch network across the geographies for lead generation and cross-sell
- Continued focus on 100 key locations where Bank has deeper penetration and increasing footprints in other Tier-2 locations

## UNDERWRITING

- Proposals are vetted through 2-way process; Underwriting & Risk team
- Acceptable internal and external credit rating
- Independent due diligence of the Company, Management, Promoters and underlying security
- Data mining through digital platforms like Probe - 42, Save Risk, etc.
- Key document verification is conducted by dedicated FCU team before sanctioning the loan

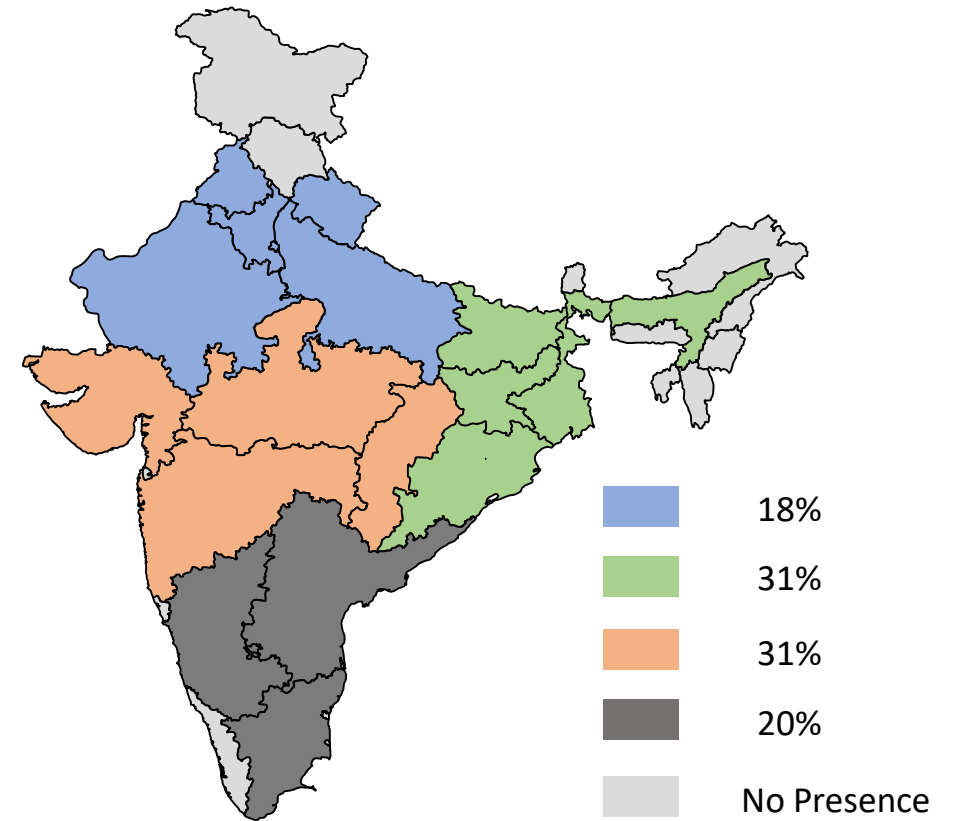
# Small Medium Enterprises - Portfolio

## Portfolio Performance (INR million)



Fund-based portfolio of SME segment witnessed a growth of 83% YoY and 28% QoQ

## Geographical Presence



Well diversified portfolio with presence across Pan India

# Small Medium Enterprises - Way Forward



## PRODUCT EXPANSION

- Expanding product offering through:
- ✓ Focus on key PLI sectors, like Food Processing, Pharma, Auto Ancillaries, etc.
  - ✓ Transaction Banking services (like Trade Desk for Inland Trade transaction, Cash Management Services, Trade & FX platform, etc.)

## GEOGRAPHIC PRESENCE

- ✓ Expand geographical presence to 150 branches in regions other than East
- ✓ Deeper penetration in established geographies
- ✓ Co-lending arrangement with NBFC's

## DIGITALIZATION

- ✓ Digitalize channels and processes to address the rapidly evolving demands of Corporate clients across products & services
- ✓ Enhance productivity through automation of processes

# Small Enterprises Loan (SEL)

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# Small Enterprises Loan - Overview

- ✓ Introduced in Apr-16, to help small enterprises upscale their business
- ✓ Provides unsecured business loan to Proprietorship, Partnership and Private Limited companies for purchasing raw materials, finished goods, plant & machinery, etc.

## Purpose

- ✓ 100% of loans are sourced through dedicated team of Relationship Officers via Branch Network, Market Survey's, Campaigns and Cold Calling
- ✓ Focus on rural and semi-urban markets, which are not widely covered by other Commercial Banks
- ✓ Cross-sell of products (SA, CA, Insurance, FD, etc.)

## Strategy

- ✓ Minimum CIBIL score of over 650
- ✓ Ticket Size: Upto 2.5 million
- ✓ **Vintage:** Minimum 2 years in same line of activity
- ✓ **Customer Age:** 23 - 65 years
- ✓ **Loan Tenure:** 12 – 48 months

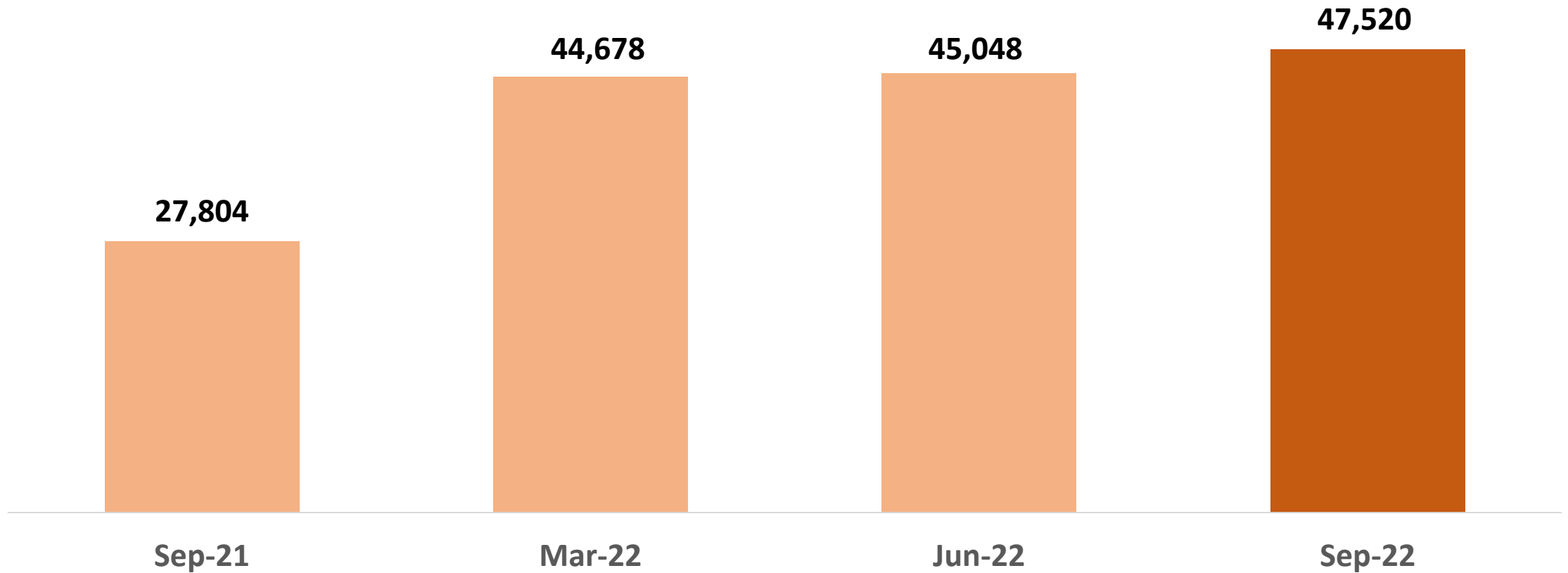
## Loan Criteria

- ✓ Strong customer base of over 1,00,000; All the customers are having a Current Account with Bandhan Bank
- ✓ One of the highest yield generating product in the Bank; as on Sep-22 portfolio yield stood at 17.99%
- ✓ Geographical presence across 28 states with 1,160 branches

## Key Metrics

# Small Enterprises Loan - Portfolio

Portfolio Performance (INR million)



SEL portfolio witnessed a growth of 71% YoY and 5% QoQ

# Small Enterprises Loan – Way Forward





# Risk Management - Credit Framework

## Sourcing (1<sup>st</sup> Line of Defense)

**A**

Focus on acquiring customers with sustainable cash flows in non-cautious sectors

**B**

Defined pre-screening guidelines to enhance filtration process and acquisition quality

**C**

All proposals are subject to a scoring process (Scorecard / Rating Model)

## Underwriting (2<sup>nd</sup> Line of Defense)

**A**

Experienced and Independent Credit & Risk verticals

**B**

Defined Internal (in-house application and behavior scorecard) & External Credit Rating (Bureau) benchmark

**C**

Robust Credit Policy based on Regulatory guidelines, Internal Risk Appetite and Due Diligence norms

## Approval (3<sup>rd</sup> Line of Defense)

**A**

Defined Approval Matrix based on Loan Amount (L1, L2, L3)

**B**

Dedicated Committee with members from across the verticals to evaluate the proposal (for loans above 150 mn)

**C**

Document verification before disbursement through FCU, Perifos, Legal, etc.

# Risk Management - Assessment & Monitoring

1.

Automated EWS alerts, based on more than 50 alerts / signals

2.

Control reports of all the loans sanctioned are placed to one step higher sanctioning authority

3.

Multivariate Dashboards & MIS to ascertain portfolio quality and market risk

4.

Analysis of Bureau data to understand customer repayment behavior across FIIs

5.

Use of Analytical tools (Tableau, Machine Learning, Python, etc.)

6.

Periodic review of Credit Underwriting Policy & existing controls

# Continue the growth momentum in an inclusive and sustainable manner...

1

**2001**

Started with Microfinance operations in rural Bengal that stood for Financial Inclusion & Women Empowerment

2

**2015**

Became the first Microfinance company in India to get a universal banking license; started with 2,523 banking outlets

3

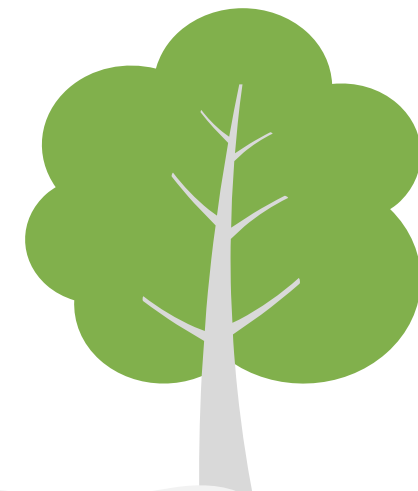
**2022**

Offer gamut of products through 1,190 branches; like Microfinance, Housing, Commercial (SME, SEL & Institutional) & Retail (PL, GL, Vehicle, Loan against TD/OD)

4

**Way Forward..**

Emerged Commercial Banking (SME, SEL, Institutional, Transaction Banking, Forex) as one of the main contributor in Bank's next phase of growth



**THANK YOU**



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