

Ref no: BBL /145/18-19

October 1, 2018

The National Stock Exchange of India Limited
The Listing Department
Exchange Plaza,
Bandra Kurla Complex,
Mumbai - 400051
Fax No: 022-26598237/38/66418124/25 / 26

BSE Limited
Dept of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400001
Fax: 022-22722037/39/41

Dear Sirs,

Sub: Conference Call Transcript

Please find attached the Conference Call transcript in respect of Conference Call held on Saturday, September 29, 2018, at 16:00 hours (IST). The transcript of the conference call has also been posted on the Bank's website at www.bandhanbank.com.

Thanking you,

Yours faithfully,
for **Bandhan Bank Limited**



Indranil Banerjee
Company Secretary & Compliance Officer



Encl: As above

“Bandhan Bank Conference Call to Discuss The Recent Notification From RBI on Shareholding Structure & Its Implication on Business”

September 29, 2018

SPEAKERS: **MR. CHANDRA SHEKHAR GHOSH – MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. SUNIL SAMDANI – CHIEF FINANCIAL OFFICER
MR. HIREN SHAH – HEAD, INVESTOR RELATIONS**

MODERATOR: **MR. MB MAHESH – KOTAK SECURITIES**

Moderator: Ladies and Gentlemen, Good Day. And welcome to the Bandhan Bank Conference Call to discuss the recent notification from RBI on shareholding structure and its implication on business. Call hosted by Kotak Securities Limited. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. I now hand the conference over to Mr. MB Mahesh from Kotak Securities. Thank you and over to you, sir.

MB Mahesh: Thank you, Stanford. Good afternoon to all who have logged into this call of Bandhan Bank today. We are pleased to have the senior management of Bandhan Bank represented by Mr. Chandra Shekhar Ghosh – MD & CEO, Mr. Sunil Samdani – CFO and Mr. Hiren Shah – Head, IR.

I shall now hand over the call to Sunil who can take this forward. Sunil, over to you.

Sunil Samdani: Thank you, everyone for joining the call. The purpose of this call is to further explain the RBI communication as disclosed by the bank to the exchange yesterday and queries that you may have in this regard. Our request will be to stick to the caption subject as we have our Board Meeting on 10th and we cannot discuss anything other than the matter that we are holding this call for.

So, as you are aware, under the regulation the Board of Schedule & Commercial Bank are empowered to approve branch expansion plan submitted by the bank. It does not require any prior approvals from the Reserve Bank of India. As per the RBI communication, Bandhan Bank will now have to seek prior RBI approval for any branch expansion going forward. In addition, RBI has also directed the bank to freeze the remuneration of MD & CEO at the existing level till further notice from RBI.

Now, that is the communication from RBI to the bank. So how does it impact the bank? As communicated earlier, the bank had a plan to open 1,000 branches by the end of this financial year. As of June 2018 we already have 937 branches. These branches give us the pan-India presence, we are present across 24 states and union territories.

And as you must have seen in our earnings calls earlier that our strategy was to increase this network to 1,000 and then go slow on our branch expansion plan. Because we believe we have built enough distribution for us to grow for the foreseeable future. So, these restrictions imposed by the bank, of course we can still open branch with RBI’s permission, but even otherwise we do not foresee any challenges in our regular growth that we were envisaging.

Today an average per branch customer that we have is about 3,000 customers a branch, which if you compare with an established bank is about 20,000 to 25,000 customers. So there is enough capacity available for us to build and grow businesses through our existing branch network. Thus we do not see this procedural restriction of seeking RBI approval before opening the bank branch impacting our business in any manner whatsoever.

Now coming back to the licensing condition of reducing the shareholding of the holding company, the NOFHC, which is Bandhan Financial Holdings Limited, to 40% from the current level of 82%. As you are aware that we have come out with an IPO in March of 2018, whereby all existing shareholders, including BFHL are under lock-in for a period of one year till March 2019 as per SEBI regulations. So, till the time we are in lock-in there cannot be any secondary sale by the promoter. And post this lock-in the shares will be available to freely trade.

NOFHC, which is the holding company of the bank, as per the licensing conditions, after the three years of starting of the business, can get into other financial services business other than banking like insurance and mutual fund. So that option is available to us now that three years is over, and we will evaluate getting into these new businesses going forward which will help us dilute our shareholding of NOFHC into the bank.

Further, in line with our strategy to grow our business, which is microfinance, MSME and affordable housing, we will continue to grow our business organically. We are open, however, if it makes sense and is in line with our strategy of MSME, micro and affordable housing to explore inorganic opportunities as well. So, a combination of this will help us reduce our shareholding.

We will continuously engage with the RBI and give them the comfort and the roadmap as to how we plan to reduce our shareholding.

We would further want to reiterate that we are committed to meeting all the licensing conditions, including bringing down shareholding of NOFHC to 40% level.

We will be happy to take any questions if you may have.

Moderator: Thank you very much, sir. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: So, in terms of the various options which are available, how would we tend to prioritize? So as you highlighted maybe in terms of the promoter lock-in, but can we do any kind of secondary issuance as per SEBI, so is that very much there in the plan in terms of secondary issuance of the equity shares? Or maybe in terms of the structure, so are we looking at our structure and are we engaging with RBI on that front? And thirdly, when we actually applied for universal bank license and maybe there would have been a clause in terms of bringing down the shareholding, so apart from expanding into the other businesses after three years and getting the shareholding down, what were the other proposals which we made at the time of application?

Sunil Samdani: Coming to your question, the options that are available to us, of course, any further issuance in the bank will depend on the requirement of capital in the bank to grow the business. As you will be aware, our capital adequacy as on June 2018 was 30% plus, so currently we are adequately capitalized for our growth of our regular business. So, if there is an opportunity of any inorganic opportunity which is in line with our strategy and it makes sense for the bank and its

shareholders, we will look at raising capital at the bank level. Other than that, the existing shareholders which is NOFHC, for them to do a secondary sale, currently their shares are in lock-in, so that can happen after March 2019.

Coming back to your question about the application to RBI, when the application for the bank license was made to RBI, this was in 2013, so that is a long time back, no one envisaged how big and how fast we will grow at that point of time and what will be the capital requirement of the bank then. So, yes, we have so much options available, whatever are the options we are open to looking at all, but it has to be in line with all the regulatory and RBI guidelines. So we will look at all the options, evaluate it, whatever is best we will try to bring the shareholding down.

Kunal Shah: And secondly, maybe till what time the process goes on in terms of engaging with the RBI till you clearly detail out the plan, so is there anything specific which RBI would have highlighted during your engagement that this is the timeframe before which they would be looking at any kind of concrete or a detailed plan? And maybe if it is not happening in the near-term, do we see any further restrictions flowing in from RBI apart from the branch expansion?

Sunil Samdani: See, the communication that we have received from RBI has been shared. There is no point speculating what can happen next. All we are saying is we are committed to meet all the regulatory guidelines of RBI, we will evaluate all options as and when they are available to us to bring the shareholding down from current 82% to 40%.

Moderator: Thank you. Our next question is from the line of Kristy Fong from Aberdeen Standard. Please go ahead.

Kristy Fong: I just have two questions. Maybe first I will ask about the options that you are evaluating in terms of looking at new businesses or inorganic opportunity, is it something that you have been active during the course of the year and are you planning to accelerate this because of the solutions given by RBI?

Sunil Samdani: We have a strategy for the bank, we have identified the customer segment and the geographies and the products that we want to be in. In line with our strategy if there is anything that suits the bank and if it is value accretive for the shareholders of the bank and also meet the RBI requirement, we will be happy to do it. So, as of now there is nothing concrete, there is nothing for us to say.

Kristy Fong: And I guess in the past conferences you were very confident in they will let you to extend this deadline, I know there is a lot happening now within the financial sector, but could you just give a bit more color from your perspective as to why we are now seeing such policy shift by the RBI? And whether you see any potential risk that you would be concerned about the sector as a whole?

Sunil Samdani: We cannot comment on RBI's behalf. All we can say is that the we are committed to adhere to licensing guidelines. We will continuously engage with RBI and share our plans of diluting the

shareholding. And we are hopeful that with these continuous engagement we should be able to do it within reasonable time.

Moderator: Thank you. Our next question is from the line of Hiten Jain from Invesco Asset Management. Please go ahead.

Hiten Jain: Can dissolution of the holding company structure be an immediate solution to the problem?

Sunil Samdani: We cannot comment on that because the original licensing guidelines required us to have NOFHC. So if we are looking at that option it means there is a dispensation required from RBI. So, it is not something which is readily available to us.

Hiten Jain: But what is your thought process in terms of using or availing this option or writing to RBI because we have clearly, although we are committed but we have not the requirement, so there would be some immediate action plan in the mind apart from inorganic. As you said, these things do not happen overnight, but we would have some plan in place, so is this an option in management's mind?

Sunil Samdani: We have a plan, we are always in our mind on that. And we are trying as early as possible to satisfy the compliance. And you will trust on that, it is not a very big challenge for bank.

Moderator: Thank you. Our next question is from the line of Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain: Three questions, number one, what is the purpose about inorganic opportunities and which are the businesses which on the para-banking side would go for initial phase to sort of be requirements as well? That is question number one. Question number two is, what is the sustainable tier-I ratio that we would like to see at the bank? Right now we are 13%, using the sustainable number would be say 15% Tier-I, 18%, or any other number that you have in your mind? These two are related questions, and third one I will ask after this. Thanks.

Sunil Samdani: I will answer your second question first. Currently our capital adequacy is 30% plus, ideally we would be comfortable with a capital adequacy of 16% to 18% in a steady state scenario. And as far as the inorganic opportunity goes, these are the various options that are available to us, there is nothing concrete as of now for us to talk specifics about it. We have a strategy which we have already discussed with our shareholders and in our annual report as well that we want to focus in micro finance, MSME and affordable housing. So, in line with that strategy if we find something that suits us and it has good synergies with us and create shareholder value, we will be happy to look into it.

Rahul Jain: And on the para-banking side would be first look at why, or would we get into life insurance business, any sort of conferences around that?

- Sunil Samdani:** Yes, if we have to do any para-banking activities it has to be housed under the NOFHC and not under the bank. And the RBI licensing condition stipulate for the first three years we cannot do any other business under NOFHC. After that we can start any other business with approval of RBI. So now that three years is gone we can look at that option, and we will always seem to look at other para-banking activities under NOFHC.
- Rahul Jain:** Last question is, we understand the potential of improving or increasing the client penetration and improving the productivity of branches, etc, but with regards to loan growth would you consider slowing down or change any strategy, because this RBI seems to be a little bit strict, or will sort of continue to hunt the opportunities that are available?
- Sunil Samdani:** I think we have discussed that, any specific with respect to business we would not want to answer now because we have our results on the 10th of October.
- Rahul Jain:** No, I was talking more from the growth in second half than this quarter, strategy around that, because RBI is clearly, by withdrawing the journey of bank branches it seems they are going to have strict view and that was the reason why I asked about your strategy on this.
- Sunil Samdani:** No, I mean we have already answered this question earlier, we do not see the challenges to growth because we have enough capacity that we built through existing branch network. So in the immediate future we do not see this as a problem.
- Moderator:** Thank you. Our next question is from the line of Parag Jariwala from White Oak Capital. Please go ahead.
- Parag Jariwala:** Sir, I have two questions, my first question is, have we engaged with RBI on reducing the shareholding structure, have we given any plans, has there been any discussion to and fro from RBI and from your side about how to reduce the shareholding structure? Or the action fro RBI came in Soho moto ?
- Sunil Samdani:** See, we have been engaging with RBI and we will continue to do so.
- Parag Jariwala:** The reason I am asking this question is, the problem with the bank is that we have the IPO and shares are locked in for a year, it sounds to be a genuine reason. So what was the RBI's reply, I mean why this action from RBI? For other banks they have waited for years for the promoter holding to bring it down, so anything they have given in writing or otherwise on why they were not okay with problems we have?
- Sunil Samdani:** We will not be able to comment on RBI. We have what we have today, we will continuously engage and try to solve this at the earliest possible time.
- Parag Jariwala:** And my next question is, is there any possibility by which we can collapse the structure about the NOFHC, the only problem we have is that trust cannot be shareholder of NOFHC, so have

we tried to engage with RBI again on that point that if one point of that guideline can be tweaked then the entire problem can be resolved?

Sunil Samdani: That is also a stipulate as per licensing condition and any change in it will require RBI approval. So we like to maintain our compliance within the RBI's regulations and terms and condition of licensing. So, we are very confident, we will like to make a good compliance which is to the satisfaction of Reserve Bank of India.

Parag Jariwala: And last thing, are you okay, let's say if all other options do not work out, I know the management is very sound in terms of acquiring the other businesses or starting the new businesses. I am sure that we will probably not be very high priced or we will not buy any sub-optimal businesses. So in case all the options of reducing the holding otherwise or through inorganic route would work out then are we open to reduce or off-load the shareholding in the secondary market?

Sunil Samdani: See, that we will not be able to comment today because we will have to evaluate as it comes, and whatever is best we will accordingly discuss.

Moderator: Thank you. Our next question is from the line of Amit Premchandani from UTI. Please go ahead.

Amit Premchandani: Sir, just a question on the IPO. You were always aware about the three year role and also the role about one year lock-in, so why did you chose to do IPO so late?

Sunil Samdani: You will appreciate as a new bank we would always first want to establish ourselves and prove ourselves and show our performance before we go for an IPO. Bank opened today immediately coming to the market will be a different proposition than bank showing some results, establishing itself and then going into the market.

Parag Jariwala: And since RBI has followed different rules for different banks, do you envisage taking any legal option on this?

Sunil Samdani: We will have to stick to our licensing condition, we can only talk about our licensing conditions.

Moderator: Thank you. Our next question is from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead.

Hiren Dasani: So just to understand, now you will go back to RBI with an action plan with timelines and options to reduce the shareholding?

Sunil Samdani: Yes, as we said earlier we are fully committed, this is our priority to bring shareholding down. So we will continuously engage with RBI and see that entails.

Hiren Dasani: And just on this one year lock-in period after the IPO, if you come across any good opportunity and let's say NOFHC acquires some financial services business, are you able to do that by giving

the shares of the bank in lieu of the exchange within one year or even that kind of transaction will not be allowed within one year of IPO?

Sunil Samdani: I am sorry, could you please repeat the question?

Hiren Dasani: I am saying that if you let's say happen to come across any good opportunity, can you do the transaction within one year of IPO or even for that you have to wait till one year?

Sunil Samdani: On that regulations are very clear, there is lock-in for one year and any holding company shows promoter transfer during the lock-in period can only happen to another promoter. So that unless there is an alternative available, specific dispensation available for us that looks difficult.

Hiren Dasani: And would you consider specific dispensation from SEBI if that is the case and if there is specific opportunity?

Sunil Samdani: This is not maybe the answer here to asking again another regulator for exemption, we do not know what entails. So it is not good to talk at this point. We will try our best to comply all regulations.

Hiren Dasani: And my last question assuming that this condition stays for a while where you have to keep going back to RBI for new branch approval, can you just remind us where your original loan and deposit growth targets for this year and next year and would you still be comfortable meeting that?

Sunil Samdani: I mean, as a policy we do not give any guidance, so we have never given any guidance on the growth numbers. But as we said earlier, we have built enough distribution and we are confident that this should not impact our growth in the foreseeable future.

C S Ghosh: If you see we have also mentioned that the 938 branches which we are providing the deposit services to and 3,006 door-step service center which is providing the credit growth of the bank, so we see that number wise it is also good to do the business.

Moderator: Thank you. Our next question is from the line of Adarsh P from Nomura. Please go ahead.

Adarsh P: Sir, just a clarification, the restriction on getting back to RBI for branches will not apply to your DSC, you could still keep more opening DSC centers or there could be some restrictions there as well?

Sunil Samdani: We cannot comment on that today, the letter talks about branches.

Adarsh P: The reason why I am asking that question is, on the bank branch you still have a lot of levy in terms of efficiencies, so you can grow without adding. But within the DSC framework which fuels your loan growth, that is not something which, it is pretty much like 500 – 600 people plus RM, that relationship keeps working. So if you do not open DSCs then the credit growth can get hampered, liabilities can keep coming from the existing bank branches.

- C S Ghosh:** If you see we have as of now 3,006 DSC and where we have nearly 2,500 borrowers per DSC. The capacity available per DSC is 3,500. So we can increase the number of borrowers in the existing DSCs.
- Adarsh P:** And do you envisage like if you give a 20% growth target on your existing network you do not see a constraint there if you get back to more like a licensing kind of regime where you go and ask every time. You do not see that if you ask per say 500 DSC opening approvals you will not have a problem with that?
- C S Ghosh:** It is not maybe I would like to share as of today in the point of where we are sitting now, you know this matter is very much restricted by the regulator to us. But if you go to our 2700 DSC in the last year it has already been nearly 300 increase in this year. So that is there, so if you go to any of the bank within three years 938 branches, and this is a good number of branch down the line in another two to three years.
- Adarsh P:** And my second question is about, you mentioned about we are confident and we will show progress towards going to that 40% mark rather than achieving that, because that 40% mark by either secondary sale without any acquisition is a very stiff target, it is a lot of money, like 40% of the company. So your opinion would be it is more progress that it's the problem the regulator has or it is about set 40% mark that they are looking at?
- Sunil Samdani:** Anyway it is 40%, but we would believe that any progress will be appreciated by RBI.
- Moderator:** Thank you. Our next question is from the line of s from Kotak Mutual Fund. Please go ahead.
- Harish Krishnan:** My questions have been answered. Thank you.
- Moderator:** Thank you. Our next question is from the line of Deepak Agarwal from Axis Mutual Fund. Please go ahead.
- Deepak Agarwal:** Sir, my questions have been answered. Thank you.
- Moderator:** Thank you. Our next question is from the line of Hemant Patel from Alder Capital. Please go ahead.
- Hemant Patel:** Sir, I am just trying to understand this, financial investors which are there in Bandhan Financial Services Limited would have some sort of exit strategy at some point of time. So, I am trying to understand this that while you do have a lock-in period for BHFL and when the lock-in period is over by March 2019 is there a way in which there can be a reclassification or some sort of dissolution in the structure which enables you to be called as just promoters and those financial investors get an exit?
- Sunil Samdani:** That is something that today we are not in a position to comment.

- Hemant Patel:** So there is in your opinion no other way to actually bring down the promoter stake of 82% as we call it as which by structure it is 82%, if not for selling of stake directly to new investors. Is that what you are saying after the lock-in period is over? I mean you have given options of acquisition but I am just trying to understand that can it be financially re-engineered for us to get down to that level or it cannot be?
- Sunil Samdani:** See, we will have to engage with RBI, any structure change requires RBI approval, so that is something that today on our own we cannot comment or say anything.
- C S Ghosh:** There are two options clearly we say that, one option is there to inorganic growth that we will like to produce. Second option is there, the NOFOHC will be started on non banking financial business, so that in the promoter will sell the share and put it in there. So these are two big options. And third option is that there can be a secondary sell by NOFHC. So these three options are there. So whichever is fit, whichever is best for bank and all of you shareholders, we will like to make a plan and accordingly whatever opportunities we are getting accordingly we will like to make a compliance.
- Moderator:** Thank you. Our next question is from the line of Rahul Jain from LionRock Capital. Please go ahead.
- Rahul Jain:** I just wanted to ask about, I read somewhere and I am not too sure it is part of the game, but there was a proposal with RBI regarding, again it is a bit of restructuring your holdco company, there is a proposal where the holdco company and the bank shares be merged together and effectively lot of financial investors are sitting within the holding company, they effectively get the bank share and the whole 82% holding kind of is dissolved. My understanding is that there is some proposal we have already given to RBI back in time, so that's the question, has there been any kind of discussions around that or has there been any proposal already given to RBI in the past notwithstanding the IPO timing or anything but maybe in the past four years ago or so? So that is the first question I have.
- Sunil Samdani:** Essentially any change in structure is something which is a deviation from licensing condition and will require RBI's approval. So if something like that is to happen we need to engage with RBI and take their approval. So that is not something that we can do.
- Rahul Jain:** I was just curious, have you already given such kind of proposal in the past to the RBI or you will probably not be making any comment on that?
- Management:** No, we will not make any comment on that.
- Rahul Jain:** And second question is, just wanted to understand again that at this point of time the focus is to prove to RBI that there has been a progress to reduce shareholding rather than really bring it down to 40%, go to the RBI and say that we have reduced it now and please remove the restrictions as of now?

- Sunil Samdani:** 40% is a large thing and it cannot happen overnight. So we have to work towards that, show meaningful progress which we are confident RBI will appreciate.
- Moderator:** Thank you. Our next question is from the line of Seshadri Sen from Alchemy Capital. Please go ahead.
- Seshadri Sen:** Sunil alluded to this a little while ago, I just want to clarify, so prior to 2015 RBI had licensing conditions, they used to insist that banks submit an annual plan and they would approve all of that at one go. Is that what you have been told, is that how it is going to work in terms of your approvals? And secondly, will you have to submit a plan immediately, will that get approved or will you have to wait till the end of financial year for that plan to submit and submit a plan for FY19 or FY20, is there any clarity on those things?
- Sunil Samdani:** We will continuously engage with RBI and explore what is possible.
- Seshadri Sen:** So there is no instance from RBI that you submit a 12 month plan and they will approve all of it at one go, you can submit quarterly plans and they will take a look at it, or have they not mentioned this at all? Because prior to 2015 they used to insist on annual plans, that is where my confusion is.
- Sunil Samdani:** That's prior to 2015, so our condition is slightly different.
- Moderator:** Thank you. Our next question is from the line of Sameer Bhise from JM financials. Please go ahead.
- Sameer Bhise:** Thanks, my questions have been answered.
- Moderator:** Thank you. Our next question is from the line of Nishant Shah from Macquarie. Please go ahead.
- Nishant Shah:** So, you mentioned inorganic opportunities, so what are the kind of business plans are you happy to look at? Could it also be a micro finance company where you do not have a significant overlap in distribution or something like that, any thoughts here?
- Sunil Samdani:** We cannot comment on any specifics, we have already said that. In line with our strategy we will evaluate all options. I think we have answered this question earlier.
- Nishant Shah:** And between having inorganic opportunities or collapsing the holdco, whether if it is allowed, which of the two would you be preferring?
- Sunil Samdani:** We would prefer anything and everything that helps us meet the guidelines and at the same time is in the best interest of bank and shareholders.
- Moderator:** Thank you. Ladies & gentlemen, due to paucity of time that was the last question. I now hand the conference over to the management for closing comments.

Sunil Samdani: Thank you, ladies & gentlemen. Thank you for taking a time out on a weekend. Thank you very much.

Chandra Shekhar Ghosh: Thank you to all of you. We will continue our relationship and we will be right to also maintain everything, whatever complaisance, the business, everything as usual on that. You trusted us and we will continue trust on that. So I am also with you. Thank you.

Moderator: Thank you very much, sir. Ladies & gentlemen, on behalf of Kotak Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.