

Bandhan Bank Limited

Sector: Banking

12th December, 2025

HOLD

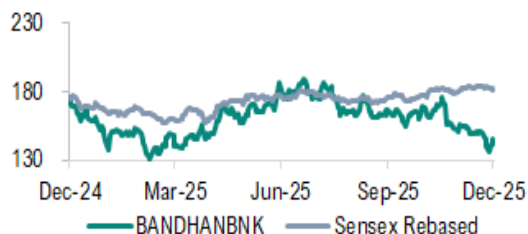
Key Changes		Target		Rating		Earnings		Target	Rs. 162
Stock Type	Bloomberg Code	Sensex		NSE Code		BSE Code	Time Frame	CMP	Rs. 150
Small Cap	BANDHAN:IN	85,268		BANDHANBNK		541153	12 Months	Return	+8%

Data as of: 12-12-2025, 16:00 hrs

Weak Quarter; Asset Quality Deteriorated

Company Data			
Market Cap (Rs. cr)	23,407		
52 Week High — Low (Rs.)	192-128		
Outstanding Shares (cr)	161.1		
Free Float (%)	54.6		
Dividend Yield (%)	1.0		
6m average volume (cr.)	0.7		
Beta	1.4		
Face value (Rs.)	10.0		
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	40.0	40.9	40.3
FII's	22.7	24.3	23.4
MFs/Insti	16.4	16.5	17.8
Public	18.7	16.1	16.4
Others	2.2	2.1	2.1
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-12.8%	-20.4%	-16.7%
Absolute Sensex	4.0%	2.8%	4.0%
Relative Return	-16.8%	-23.2%	-20.7%

*over or under performance to benchmark index



Y.E March (Rs,cr)	FY25A	FY26E	FY27E
Net Interest Income	11,491	11,465	12,887
Growth (%)	11.4	-0.2	12.4
NIM (%)	7.1	6.3	6.4
Pre-Provision Profit	7,389	6,606	8,780
Net Profit	2,745	1,565	2,857
Growth (%)	23.1	-43.0	82.5
Adj. EPS	17.0	9.7	17.7
Growth (%)	23.1	-43.0	82.5
BVPS	152.7	161.1	176.4
P/E	9.0	15.0	8.2
P/B	1.0	0.9	0.8
RoE (%)	11.9	6.2	10.5
RoA (%)	1.5	0.8	1.3

Bandhan Bank is a commercial bank that offers savings deposit, money market, mortgage, term loan, card and internet banking services, among others.

- In Q2FY26, net interest income (NII) decreased 11.8% YoY to Rs. 2,589cr. The repo rate cut impacted the bank's advances and the reduction of the marginal cost of lending rate affected its loan book, resulting in a decline in NII.
- Net interest margin (NIM) decreased to 5.80% from 7.40% (-152bps YoY) after the bank moved towards secured books, the repo rate cuts and alteration in the bank's portfolio mix.
- Total income declined 3.4% YoY to Rs. 5,900cr owing to a decrease in interest/discount on advances/bills (-8.3% YoY), interest on balance with the Reserve Bank of India and other inter bank funds (-26.0% YoY) and other income (-10.3% YoY).
- Profit after tax (PAT) decreased 88.1% YoY to Rs. 112cr owing to higher slippages in the emerging entrepreneurs business (EEB) segment and the bank's advances growth primarily occurring towards the end of the quarter.
- GNPA ratio deteriorated to 5.0% (from 4.7% in Q2FY25) and NNPA to 1.4% (from 1.3% in Q2FY25) reflecting declining asset quality.

Outlook & Valuation

The management expects NIM to improve from Q4 onwards driven by the benefits from lower costs of term deposits. The EEB segment saw a sequential decline in SMA-1 and SMA-2 balances, indicating initial signs of improvement in asset quality, which is expected to reflect in the coming quarters. The bank is also focusing on strengthening its digital and government ecosystem partnerships, driving Current Account Savings Account (CASA) growth and enhancing customer engagement to deliver long-term value for all stakeholders. However, due to degrowth in microfinance loans and increasing proportion of secured loans has impacted the NIM. Deteriorating asset quality and elevated credit costs also remains a concern. Therefore, **we reduce our rating on the stock from ACCUMULATE to HOLD with a revised target price of Rs. 162, based on 0.9x FY27E BVPS.**

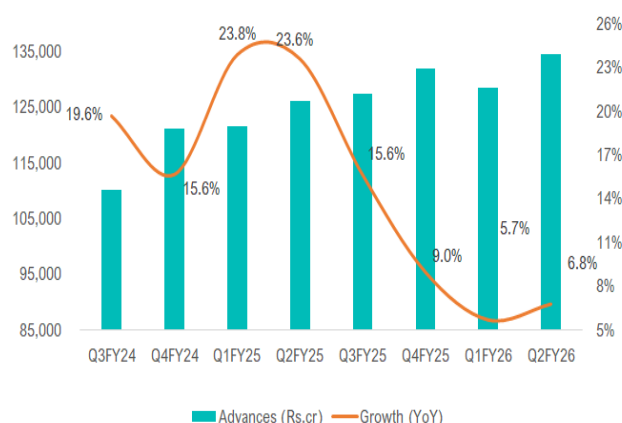
Quarterly Financials Standalone

R.s.cr	Q2FY26	Q2FY25	YoY Growth (%)	Q1FY26	QoQ Growth (%)	H1FY26	H1FY25	YoY Growth (%)
Net Interest Income	2,589	2,934	-11.8	2,757	-6.1	5,346	5,920	-9.7
Total Income	5,900	6,109	-3.4	6,201	-4.9	12,102	12,191	-0.7
Total Expenditure	4,590	4,254	7.9	4,533	1.3	9,123	8,395	8.7
Pre-Provision Profit	1,310	1,855	-29.4	1,668	-21.5	2,979	3,796	-21.5
PBT	158	1,249	-87.4	521	-69.7	679	2,667	-74.5
Rep. PAT	112	937	-88.1	372	-69.9	484	2,001	-75.8
Adj PAT	112	937	-88.1	372	-69.9	484	2,001	-75.8
EPS (Rs.)	0.7	5.8	-88.1	2.3	-70.1	3.0	12.4	-75.8

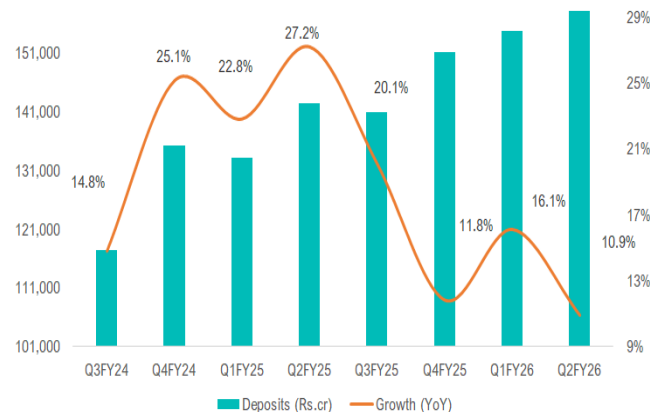
Key Concall Highlights

- Deposits increased 10.9% YoY to Rs. 158,075cr while advances increased 6.8% YoY to Rs. 134,593cr during the quarter.
- Credit cost increased to 3.4% from 2.0% in Q2FY25. NPAs ballooned as the bank brought forward overdue amounts, which, in turn, led to a rise in credit costs, although this is expected to gradually decrease. Gross slippages in the EEB segment also contributed to the credit cost spike.
- Yield of funds decreased to 12.1% from 13.7% in Q2FY25 and cost of funds decreased to 6.9% from 7.0%. The reason for the decrease in cost of funds is the decline in cost of savings accounts to almost 4.2% from an average of 5.52% in Q2FY25.
- EEB group lending contributed to 24% of the total advances in the quarter followed by Small Business and Agri Loans (SBAL) at 13%, wholesale banking at 29%, housing at 24%, retail assets at 9% and Inter-Bank Participation certificates (IBPC) at 1%.
- CASA deposits accounted for 28% of the total deposits as of September 2025 vs 33.2% in September 2024, while retail deposits (CASA + retail term deposits) increased to 70.9% from 67.8%.

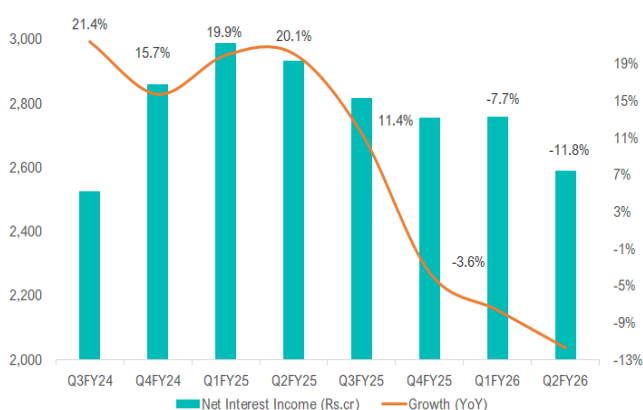
Advances



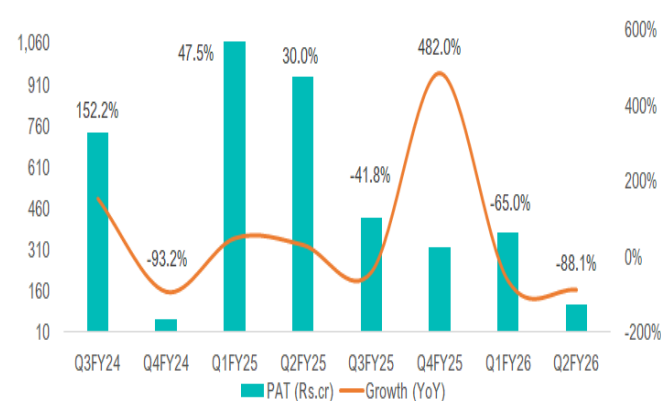
Deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	13,311	15,263	11,465	12,887	-13.9	-15.6
Net Interest Margin	7.4	7.5	6.3	6.4	-110bps	-110bps
Pre-Provision Profit	8523	9974	6606	8780	-22.5	-12.0
Net Profit	3,157	4,105	1,565	2,857	-50.4	-30.4
EPS	19.6	25.5	9.7	17.7	-50.4	-30.4



Standalone Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	15,905	18,870	21,948	23,013	25,544
Interest Expense	6,645	8,551	10,458	11,548	12,657
Net Interest In-	9,260	10,319	11,491	11,465	12,887
% Change	6.3	11.4	11.4	-0.2	12.4
Non-Interest In-	2,469	2,171	2,967	3,412	3,821
come					
Net Income	11,728	12,490	14,457	14,877	16,708
Total Income	18,373	21,041	24,915	26,424	29,365
Operating Expenses	4,637	5,851	7,068	8,271	7,929
Total Expenditure	11,282	14,402	17,526	19,819	20,586
Pre-Provisioning Profit	7,091	6,639	7,389	6,606	8,780
Provisions	4,198	3,697	3,765	4,518	4,970
Profit Before Tax	2,893	2,943	3,623	2,087	3,809
Tax	698	713	878	522	952
Tax Rate (%)	24.1	24.2	24.2	25.0	25.0
Minority Interests	-	-	-	-	-
Net Profit	2,195	2,230	2,745	1,565	2,857
% Change	1644.6	1.6	23.1	-43.0	82.5
Adj.	-	-	-	-	-
Adj. Net Profit	2,195	2,230	2,745	1,565	2,857
No. of Shares (cr)	161.1	161.1	161.1	161.1	161.1
Adj. EPS (Rs.)	13.6	13.8	17.0	9.7	17.7
% Change	1644.6	1.6	23.1	-43.0	82.5
DPS	1.5	1.5	1.5	1.4	2.4

Balance Sheet

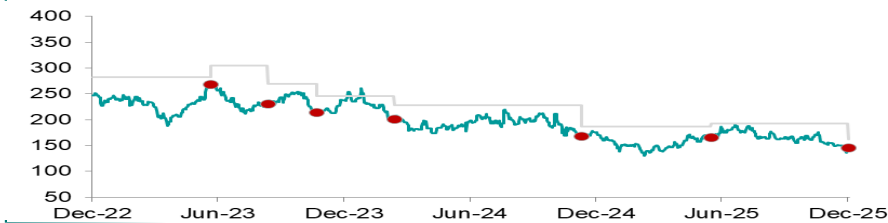
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash & Balances	7,327	15,393	7,477	8,375	9,380
Investments	33,289	30,065	42,804	48,345	50,346
Advances	104,757	121,137	131,987	145,978	164,663
Fixed Assets	855	1,173	1,180	1,197	1,214
Other Assets	9,543	10,073	8,027	7,626	7,473
Total Assets	155,770	177,842	191,476	211,520	233,076
Capital	1,611	1,611	1,611	1,611	1,611
Reserves & Surplus	17,973	19,999	22,994	24,340	26,815
Deposits	108,069	135,202	151,212	170,870	188,299
Borrowings	24,711	16,372	11,138	11,489	12,885
Other Liabilities	3,406	4,659	4,520	3,209	3,466
Total Liabilities	155,770	177,842	191,476	211,520	233,076
BVPS	121.6	134.1	152.7	161.1	176.4
Adj. BVPS	114.0	125.8	144.4	154.1	171.1
% Change	16.1	10.4	14.8	6.7	11.0

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Valuation					
P/E (x)	14.4	11.0	9.0	15.0	8.2
P/BV (x)	1.6	1.1	1.0	0.9	0.8
Div. Yield (%)	0.8	1.0	1.0	0.9	1.6
Profitability & Return (%)					
Yield on Advances	12.1	12.9	13.4	12.4	12.4
Cost of Deposits	5.3	6.0	6.7	6.7	6.6
Spread	6.8	6.9	6.7	5.7	5.8
NIM (calculated)	7.1	7.2	7.1	6.3	6.4
ROE	11.9	10.8	11.9	6.2	10.5
ROA	1.5	1.3	1.5	0.8	1.3
Capital Adequacy (%)					
CAR	19.8	18.3	18.3	17.2	16.7
Tier I	18.7	17.2	17.2	16.1	15.8
Tier II	1.1	1.1	1.1	1.1	1.0
Asset Quality (%)					
GNPA	4.9	3.8	3.8	3.9	3.9
NNPA	1.2	1.1	1.1	1.2	1.2
Operating Ratios (%)					
Credit/Deposit	96.9	89.6	87.3	85.4	87.4
Cost/Income	39.5	46.8	48.9	55.6	47.5
CASA	39.3	37.1	37.1	37.5	37.8



Recommendation Summary (Last 3 years)



Dates	Rating	Target
01-Nov-22	BUY	282
31-May-23	BUY	305
21-Aug-23	BUY	269
01-Nov-23	ACCUMULATE	246
21-Feb-24	ACCUMULATE	228
19-Nov-24	ACCUMULATE	186
26-May-25	ACCUMULATE	192
12-Dec-25	HOLD	162

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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