

Housing Finance

Analyst Day Presentation

Dec 1, 2022 | Mumbai



Bandhan
Bank

MORTGAGE BUSINESS -

an introduction



240B

Book

0.3M

Customers

1.8M

Average ticket size
(New Loans)

10.80%

Portfolio Yield

AGENDA SLIDE

REDEFINING SOLUTIONS KEEPING CUSTOMERS AT THE CORE OF DECISION MAKING

1

HOUSING INDUSTRY

Rs 25 Trillion Industry (Rs 3 Trillion over LY), has seen consistent growth of 15% CAGR over last 6 years. Demand for mid-size houses continue to rise despite rising interest rates and penetration still remains low.

2

OUR JOURNEY

Consistent growth in topline, focusing on Semi-/Urban strategy, Formal Segments, Self-Construction maintaining healthy margins, and credit quality.

3

PILLARS OF GROWTH

Expanded Customer Segments (including Prime, CF), Improved Value proposition, in an expanded geography, leveraging a more 'phy-gital' approach, reducing operating costs while creating additional topline momentum.

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Housing Industry

ROBUST DISBURSAL GROWTH AND NEW PROJECT LAUNCHES SEEN IN FY 22

A

Housing Industry likely to grow at 17-20%

Maharashtra, NCR, Karnataka, Gujarat and TN leading markets

Maximum housing shortage in Uttar Pradesh, W Bengal and Bihar

MARKET

B

Mortgage penetration is low at 11% with Rural-Semi Urban dropping to 5%.

Largely untapped Affordable Housing market of over Rs 30 Trillion

PENETRATION

C

3A – Availability, Affordability & Awareness

Identifying right property & financier for Purchase or Self Construction

Loans of Rs 5-35lacs constitute 80% of market

CONSUMER

D

Surge in disbursements of 29% in FY 22 with Banks taking the majority of pie

Inventory overhang reduced to 18 months

Resale property share increased in Home Loan

BANKS

E

GNPA down to 3.4% (March 2022), from 4.1% earlier

Segment reported strong recovery performance in H2FY22 as Economic activity picked up and the unorganised sector flourished

QUALITY



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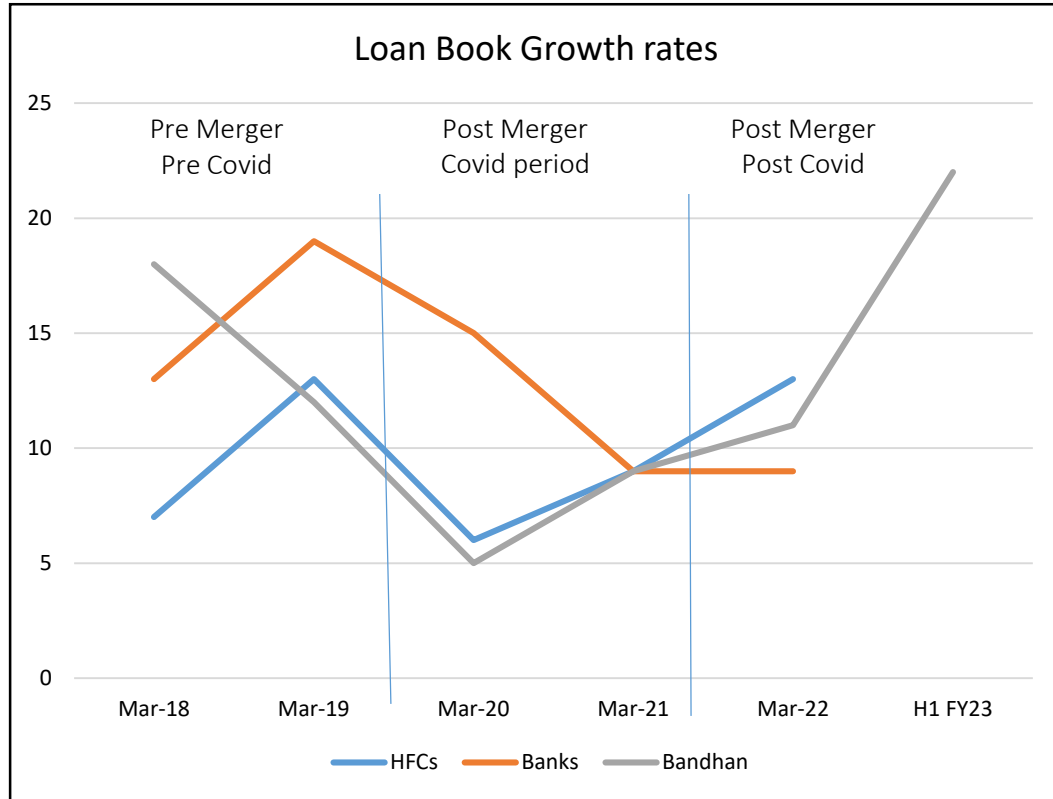
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KEY PERFORMANCE INDICATORS

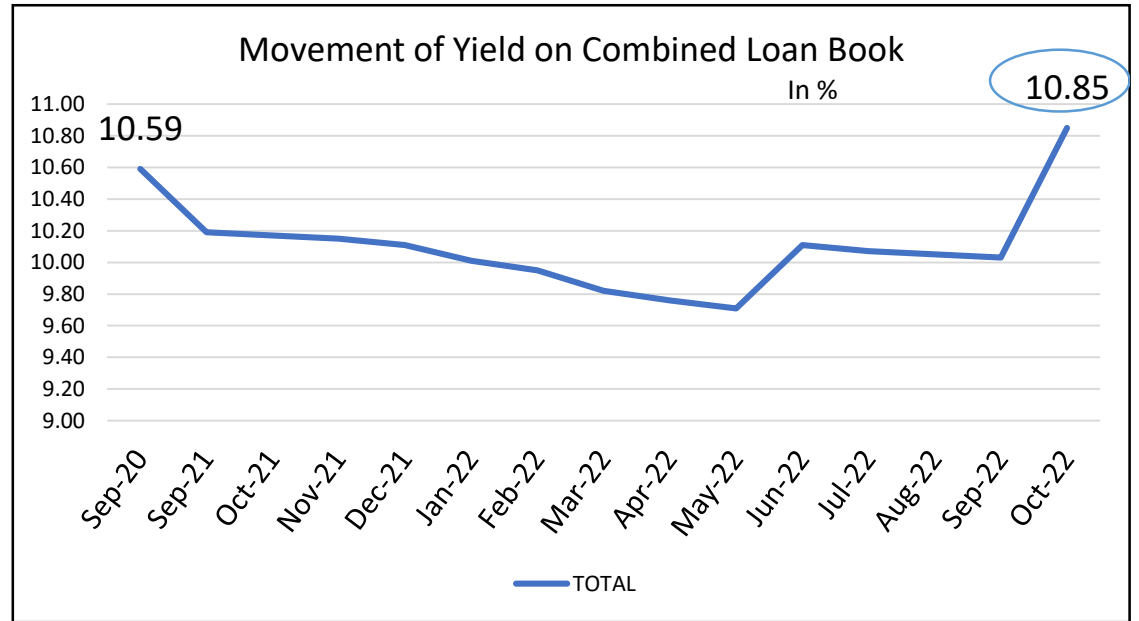
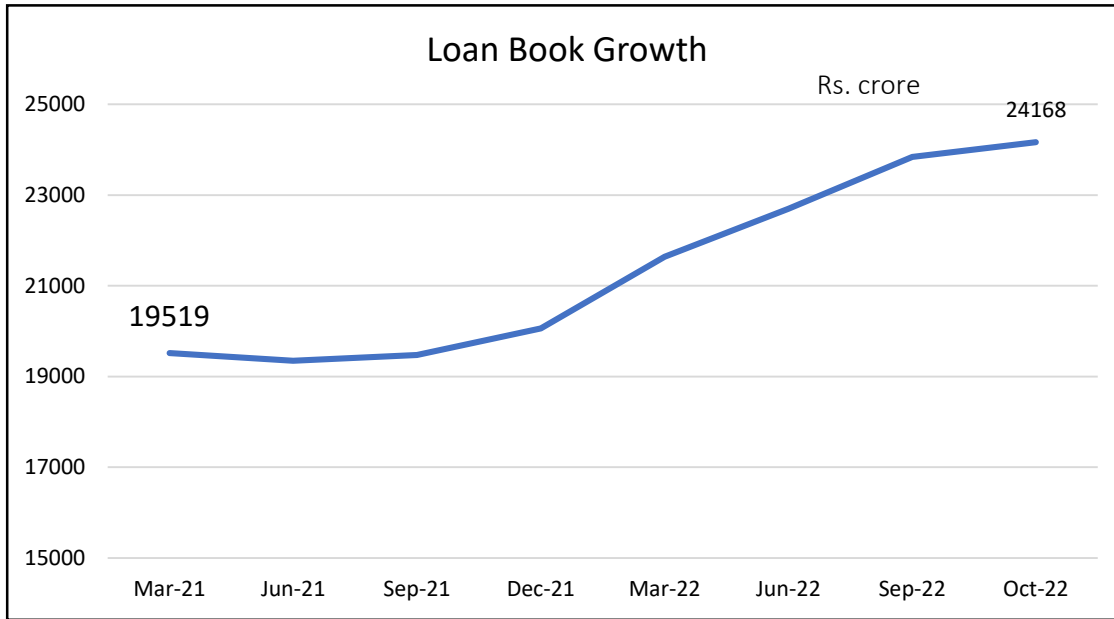


- Disbursement growth FY 22
 - Industry 29%
 - Bandhan 43%
- Book Growth in FY 22
 - Industry 11%
 - Bandhan 11%
- Bandhan book likely to grow at upwards of 25% in FY 23

Source : ICRA – Indian Mortgage Finance Market (July 2022)



BOOK GROWTH AND YIELD – HOW IT HAS SHAPED UP



Growth spurt post Covid

YoY growth in loan book in excess of 20%

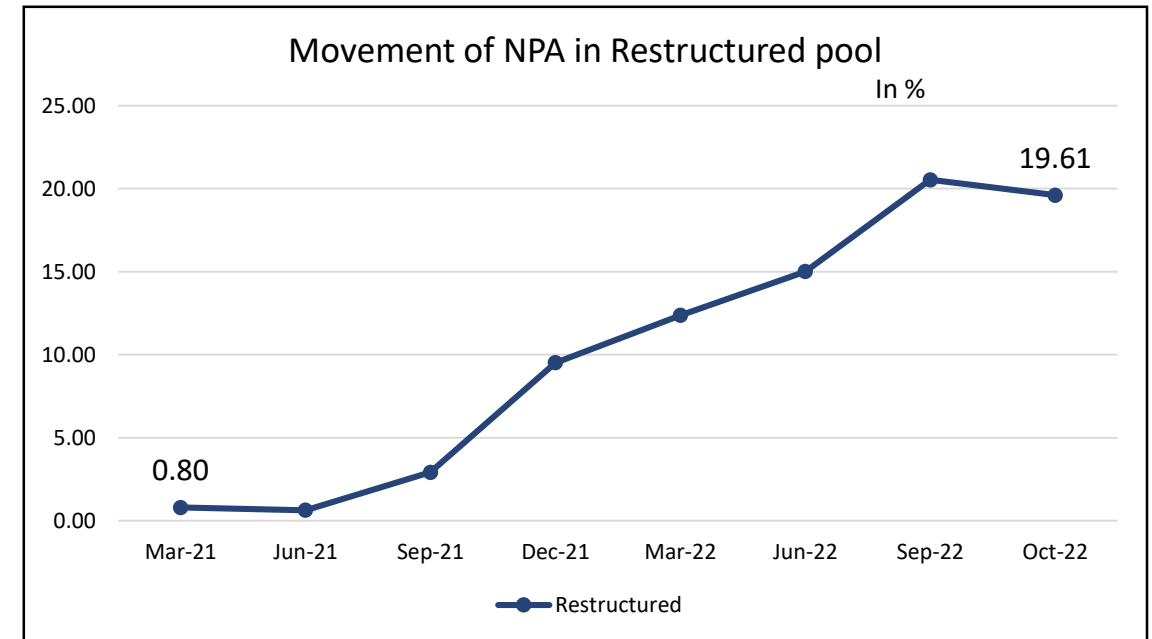
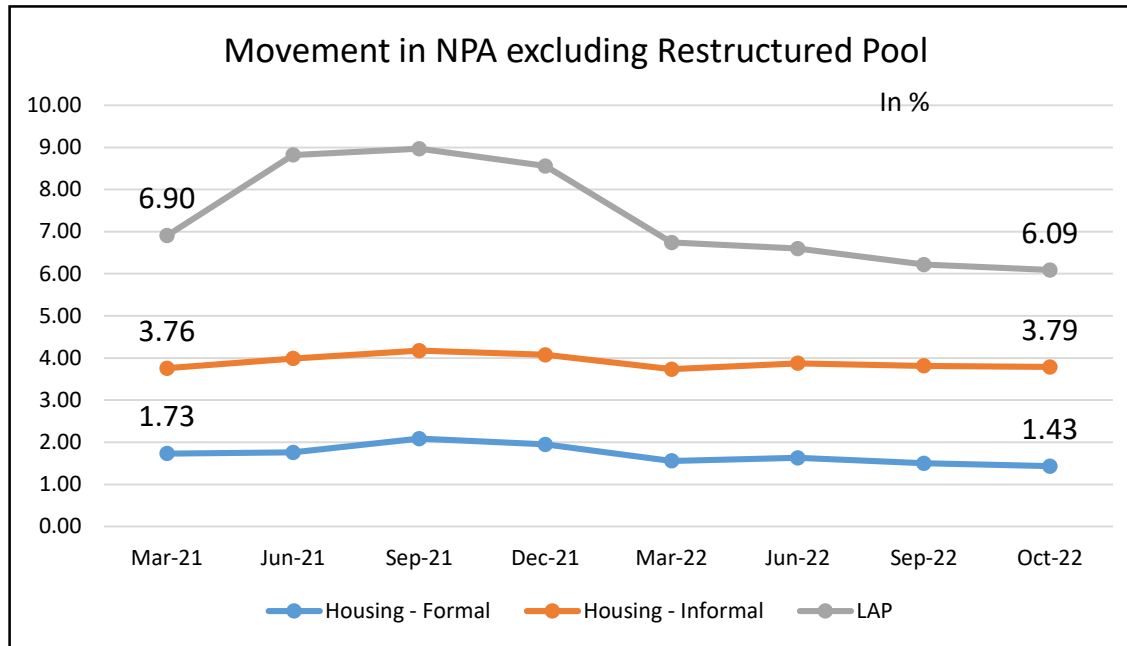
Book Yields have risen above pre-Covid levels

98% loans are floating rate of which 65% are linked to Repo Rate

Increased NHL contribution impacting the yield positively



GNPA – HOW IT HAS SHAPED UP



Excluding Restructured Book, the credit quality has remained stable across all loan products

GNPA % excluding Restructured book has been coming down

Collections in Restructured book has improved

Quality of assets and customer intentions give comfort that LGD in Restructured book will be below 2%

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FUTURE PILLARS OF GROWTH

WE BROKE DOWN OUR FUTURE GROWTH STRATEGY INTO 4 DISTINCT PILLARS



EXPAND MARKET REACH

Expand market reach to cater to larger cross-section of clients and use the hub-spoke delivery model to improve workflows. Leverage Branch channels in sourcing mix to gain better share of wallet and build Loyalty

ENHANCE CUSTOMER VALUE PROPOSITION

Define target clients and enhance Value propositions addressing their needs. Introduce segments like Construction Finance, Prime for Affluent Clients, Salaried

EVOLVE PLATFORMS

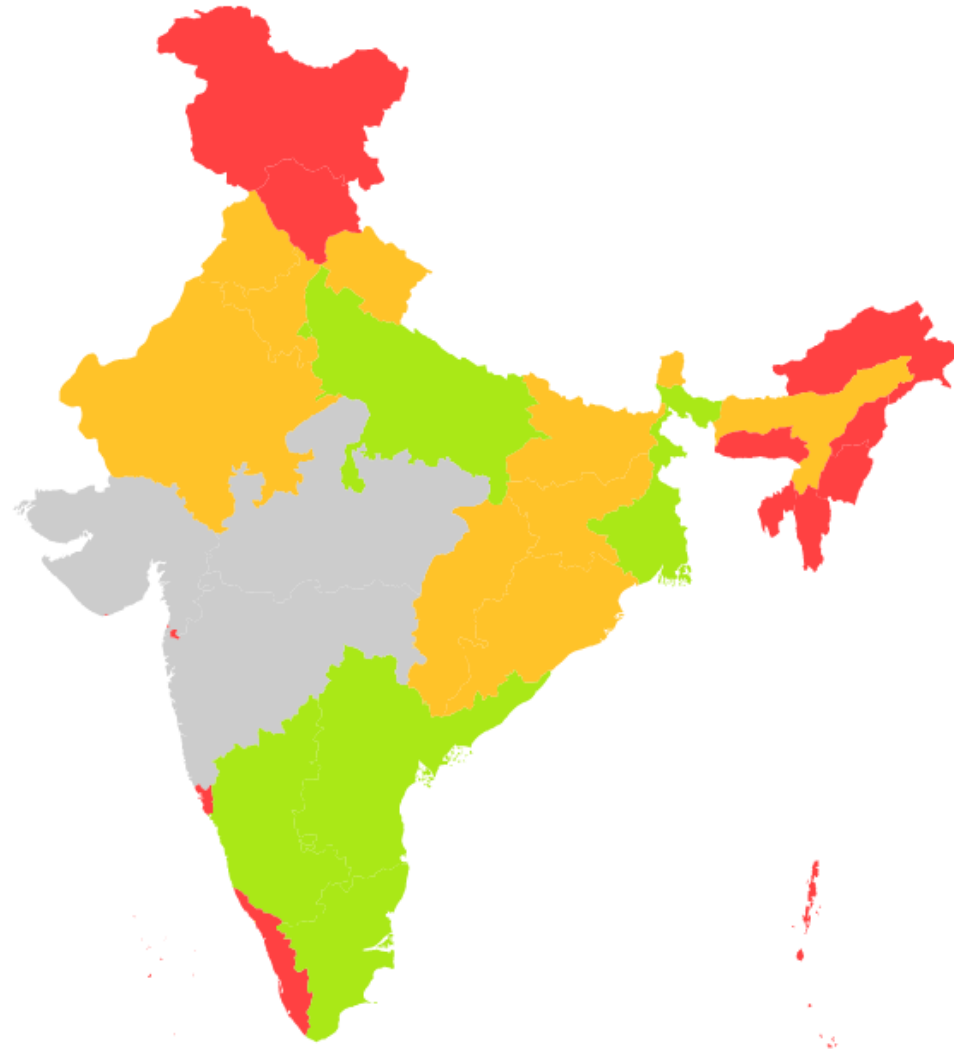
Invest in platforms for simplified Loan On-boarding. Leverage Data & Credit Analytics to identify Good Credit, build out Score Card based pricing models (Risk-Relationship), and support Collection Initiatives (improved EWS)

ENGAGE PARTNERSHIPS

Work with the Partner Ecosystem like Digital Aggregators, Marketplace, NBFCs, Builders for Quality Sourcing, enhanced offerings

FUTURE PILLARS OF GROWTH

We broke down our future growth strategy into 4 distinct pillars



- Dominant presence
- Less covered markets
- Growth markets
- Planned in Phase II

EXPAND MARKET REACH

Expand market reach to cater to larger cross-section of clients and use the hub-spoke delivery model to improve workflows. Leverage Branch channels in sourcing mix to gain better share of wallet and build Loyalty

Expand in under penetrated potential geographies – Southern India, Uttar Pradesh, NCR and W Bengal

Leverage branch network through Hub and Spoke model

Single Point Contact for all Products

Strengthen Indirect Channel

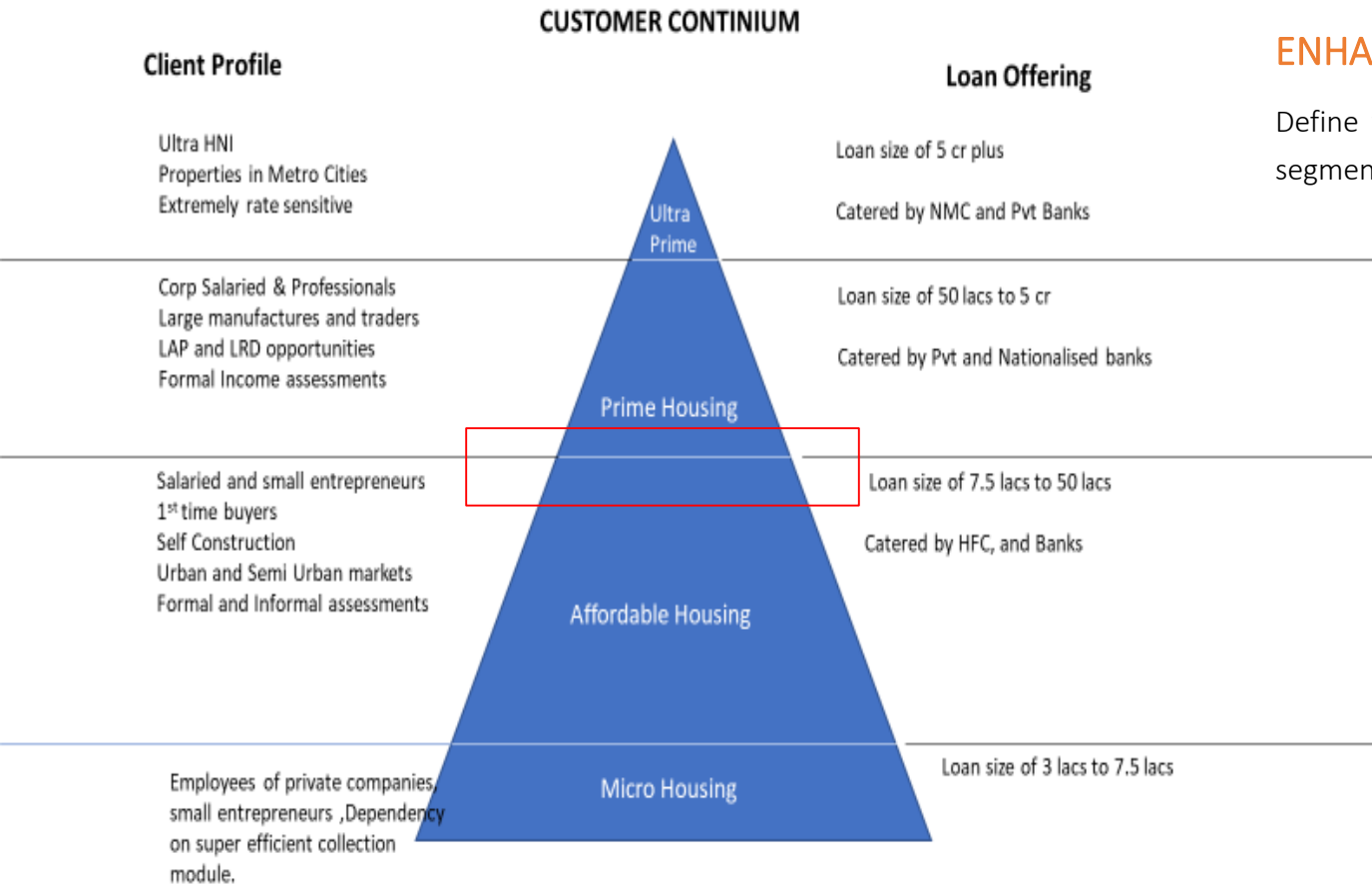
Persona based Customer offering

Current presence in 350+ branch locations – Plan to expand to 600+ by end FY23



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ENHANCE CUSTOMER VALUE PROPOSITION

Define target clients and enhance Value propositions addressing their needs. Introduce segments like Construction Finance, Prime for Affluent Clients, Salaried

- Current presence mainly in higher end of Affordable segment
- Scope for expansion to prime and affordable segment
- Dedicated channel for sourcing Prime Mortgages
- Re-Launch Construction Finance in identified markets
- Expand range of LAP product
- Target ETB for value adds
- Align products to meet Customer Segment and Needs

FUTURE PILLARS OF GROWTH

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Robust

Scalable

Sustainable

EVOLVE PLATFORMS

Invest in platforms for simplified Loan On-boarding. Leverage Data & Credit Analytics to identify Good Credit, build out Score Card based pricing models (Risk-Relationship), and support Collection Initiatives (improved EWS)

- Score card based pricing model
- Digital push to offer ease of delivery and quick solutions
- Collaborate with tech vendors for sourcing and delivery
- Enhance Data mining and analytics

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ENGAGE PARTNERSHIPS

Work with the Partner Ecosystem like Digital Aggregators, Marketplace, NBFCs, Builders for Quality Sourcing, enhanced offerings

- Partner with all Stakeholders – Government, Industry and Consumer
- Collaborate with Builders and aggregators
- Tie ups for Co-lending

FUTURE PILLARS OF GROWTH

Risk Management - Assessment & Monitoring

1.

Multiple filters at origination –
CIR check, Hunter, Dedupe,
Identity check

2.

Multi point check of PD, Ref
check, Emp check, FCU, CPV,
Document check

3.

Policy and Process review at
regular intervals

4.

EWS alerts on multiple data
points / transactions

5.

Ongoing analysis of Bureau
data to understand repayment
behavior and trends

Thank you



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