



## BOARDS' REPORT

To the Members,

Your Directors take great pleasure in presenting the Second Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2016.

<b>SUMMARY OF FINANCIAL PERFORMANCE</b>		
(₹ in crore)		
<b>Particulars</b>	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Deposits:</b>	<b>12,088.75</b>	-
- Savings Bank Deposits	2,371.05	-
- Current Account Deposits	234.55	-
<b>Advances:</b>	<b>12,437.55</b>	-
- Cash credits, overdrafts and loans repayable on demand	84.46	-
- Term loans	12,353.08	-
<b>Total Assets/Liabilities</b>	<b>19,915.73</b>	<b>526.89</b>
Net Interest Income	932.73	-
Other Income:	150.00	-
- Fee Income	145.42	-
- Misc. Income	4.58	7.95
Operating Expenses (excluding depreciation)	580.14	5.64
<b>Profit before Depreciation, Provisions and Tax</b>	<b>502.59</b>	<b>2.31</b>
Depreciation	35.77	-
Provision for Tax	138.26	1.73
Other Provisions and Write-offs	53.30	-
<b>Net Profit</b>	<b>275.25</b>	<b>0.58</b>



<b>Appropriations:</b>		
Transfer to Statutory Reserve	68.96	-
Transfer to Investment Reserve	-	-
Transfer to Capital Reserve	-	-
Transfer to/(from) Reserve Fund	-	-
Proposed Dividend	-	-
<b>Surplus carried over to Balance Sheet</b>	<b>206.87</b>	<b>0.58</b>
<b>EPS (Basic &amp; Diluted)</b>	<b>3.40</b>	<b>0.01</b>

## PERFORMANCE OF THE BANK

On April 9, 2014, Bandhan Financial Services Limited ('BFSL') was accorded in-principle approval by Reserve Bank of India ("RBI") for setting up a Bank in the private sector ("in-principle approval"). Pursuant to the in-principle approval and in accordance with the guidelines, BFSL incorporated a subsidiary Bandhan Financial Holdings Limited (BFHL). BFHL, a Public Limited Company, acts as the Non-Operating Financial Holding Company ("NOFHC"). BFHL has in turn incorporated a wholly owned subsidiary Bandhan Bank Limited ("Bank"). Pursuant to the guidelines, BFHL has been registered with RBI as an NBFC - NOFHC with effect from June 4, 2015. The Bank, after complying with all applicable RBI guidelines and Banking Regulation Act, 1949 ("BR Act"), applied for issuance of licence under Section 22(1) of the BR Act. On June 17, 2015, RBI issued the Banking licence under Section 22(1) of the BR Act to your Bank to carry on banking business in India. The Bank commenced its banking business with effect from August 23, 2015, with 501 branches on a pan-India basis. On September 3, 2015, the name of the Bank was included in the Second Schedule of the Reserve Bank of India Act, 1934 ("RBI Act, 1934").

Within 222 days from the date of commencement of banking business, your Bank has posted a total income of ₹ 1731.25 crore. The profit after tax for the year stood at ₹ 275.25 crore after provisions of ₹ 191.56 crore. Your Bank was also able to garner total deposits of ₹ 12,088.75 crore including Current Account and Savings Bank (CASA) of ₹ 2605.60 crore.



CASA percentage is maintained at a healthy rate of 21.55% of total deposits. In its seven months of operation your Bank achieved robust earnings not only in its core micro lending business but also from the retail business, which indicates a clear strategic focus. The key ratios continued to remain strong, with Return on Equity (ROE) at 17.1% (annualised) and Return on Assets (ROA) at 3.18% (annualised).

With its outstanding performance in the area of Priority Sector Lending (PSL), in terms of percentage achievement, your Bank would be the top performer amongst all commercial banks.

Out of its total loan portfolio, an amount of ₹ 12,268.81 crore is eligible to be classified under PSL, which constituted 98.64% of net advances, a remarkable performance against the regulatory requirement of 40% of net advances. Agri and allied loans stood at ₹ 6,426.79 crore, which contributed 51.67% of net loan outstanding of your Bank; here again your Bank's achievement was well above the regulatory stipulation of 18%. The portfolio overwhelmingly comprised loans to women borrowers under microfinance, which are additionally eligible to be classified under various sub-categories of PSL, such as advances to Small and Marginal Farmers and Weaker Sections. Your Bank also extended loans to clients under Micro Small & Medium Enterprises (MSMEs). Bandhan Bank has thus been making unique and commendable contributions to the socio-economic uplift of the regions where it operates.

## **DIVIDEND**

Not even a year has passed since your Bank commenced banking operations on August 23, 2015. In view of the above, the Board believes that it is desirable to wait for the Bank's operations to stabilise and have a full year to evaluate the Bank's operations to consider the question of recommending dividends. In view of this, the Board does not recommend any dividend for 2015-16.



## TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND

Unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. Since the Bank has not declared any dividends from its incorporation, in terms of Section 125 of the Companies Act, 2013 (“the Act”), there is no unclaimed dividend relating to the financial year 2014-15, which needs to be transferred to the Investors Education and Protection Fund.

## RATING

Instrument	Rating	Rating Agency	Amount
Long - term Bank Facilities	A+	Care Ratings	₹ 1000 crore
Unsecured Subordinated Tier II Non-Convertible Debenture	A	Care Ratings	₹ 160 crore
Secured Non - Convertible Debenture Issue	A+	Care Ratings	₹ 60 crore
Secured Non-Convertible Debenture Issue	AA-	ICRA	₹ 60 crore
Long Tem – Bank Term loans	AA-	ICRA	₹ 80 crore
Certificate of Deposits	A1+	ICRA	₹ 500 crore

## TRANSFER OF BUSINESS FROM BFSL TO BANK

In compliance with the conditions of the banking licence issued under Section 22(1) of the BR Act, the entire business (assets and liabilities) of BFSL was transferred to the Bank on August 23, 2015. This was done on a slump sale basis under a Business Transfer Agreement dated February 11, 2015.



## ISSUANCE OF EQUITY SHARES

Your Bank issued 59,40,91,034 equity shares during the financial year 2015-16 to ensure adequate capital to support performance and business of the Bank and for general corporate purposes.

Sl. No.	Name of Allottee	Address of Allottee	Date of allotment	Number of shares Allotted	Total Amount Paid ( in ₹)	Remarks
1	2	3	4	5	6	7
1	Bandhan Financial Holdings Limited	DN-32, Sector-V, Salt Lake, Kolkata-700091	August 21, 2015	26,15,91,452	1123,01,21,034.36	Investment by BFHL in the Bank - 1st tranche
2	Bandhan Financial Holdings Limited	DN-32, Sector-V, Salt Lake, Kolkata-700091	August 25, 2015	22,03,16,030	945,81,67,167.90	Investment by BFHL in the Bank - 2nd tranche
3	International Finance Corporation	2121, Pennsylvania Avenue, N.W, Washington, D.C 20433, USA	February 12, 2016	5,40,41,462	231,99,99,963.66	Shares issued pursuant to Shareholders Agreement dated April 24, 2015



4	Caladium Investment Pte. Ltd	168 Robinson Road, #37-01 Capital Tower, Singapore 068912	February 12, 2016	5,46,48,030	234,60,39,927.90	Shares issued pursuant to Shareholders Agreement dated April 24, 2015
5	Small Industries Development Bank of India	SIDBI Tower, 15, Ashok Marg, Lucknow-226001	February 12, 2016	34,94,060	14,99,99,995.80	Shares issued pursuant to Shareholders Agreement dated April 24, 2015

As on March 31, 2016, the issued, subscribed and paid up capital of your Bank stood at ₹ 1095,14,10,340 comprising 109,51,41,034 equity shares of ₹ 10 each fully paid.

#### **CAPITAL ADEQUACY RATIO**

Your Bank's Capital Adequacy Ratio (CAR) calculated in line with the relevant capital regulations stood at 29.01%, well above the regulatory minimum of 13.0%.

#### **INFORMATION ABOUT FINANCIAL PERFORMANCE / FINANCIAL POSITION OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES**

The Bank does not have any subsidiaries, associates and Joint Venture Companies.

#### **INTERNAL FINANCIAL CONTROLS, AUDIT AND COMPLIANCE**

Your Bank has Internal Audit and Compliance functions which independently carry out evaluation of the adequacy of all internal controls, and ensure operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. The audit function also proactively recommends improvements in



operational processes and service quality. To mitigate operational risks, the Bank has put in place extensive internal controls including audit trails, appropriate segregation of front and back office operations, post-transaction monitoring processes at the back end to ensure independent checks and balances, adherence to the laid down policies and procedures of the Bank, and to all applicable regulatory guidelines. Your Bank has adhered to the highest standards of compliance and governance and has put in place controls and appropriate structure to ensure this. To safeguard independence, the internal audit function has a reporting line to the Chairman of the Audit Committee of the Board. The Audit Committee of the Board also reviews the performance of the Audit and Compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines. The Board of Directors confirms that there are internal controls in place with reference to the Financial Statements and that such controls are operating effectively.

## **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Shri Bhaskar Sen [DIN: 03193003], Shri Sisir Kumar Chakrabarti [DIN: 02848624] and Shri Chandra Shekhar Ghosh [DIN: 00342477] were appointed as the first three directors of the Bank and were regularized in the Annual General Meeting held on June 29, 2015. After obtaining the banking licence under section 22(1) of the BR Act, the entire Board of the Bank was reconstituted on July 9, 2015. Shri Boggarapu Sambamurthy [DIN: 00246211], Shri Chintaman Mahadeo Dixit [DIN: 00524318], Prof. Krishnamurthy Venkata Subramanian [DIN: 00487747], Shri Pradip Kumar Saha [DIN: 02947368], and Shri Snehomoy Bhattacharya [DIN: 02422012] were appointed as Additional Directors (category - Independent) with effect from July 9, 2015. Shri Ashok Kumar Lahiri [DIN: 07234290] was appointed as Additional Director (category - Independent) on July 10, 2015. Their appointments were regularized in the Extra-ordinary General Meeting (EGM) held on July 18, 2015. Smt. Thekedathumadam Subramani Raji Gain [DIN: 07256149] was appointed as an Additional Director (category - Independent) on August 6, 2015. Her appointment was regularized in the EGM held on February 8, 2016. Dr. Holger Dirk Michaelis [DIN:07205838] was appointed as Nominee Director of Caladium Investment



Pte. Ltd. with effect from February 12, 2016. As on the date of this report, total strength of the Board of your Bank is 11 including one Managing Director & CEO and one Nominee Director.

### **DECLARATION BY INDEPENDENT DIRECTORS**

Shri Ashok Kumar Lahiri, Shri Bhaskar Sen, Shri Boggarapu Sambamurthy, Shri Chintaman Mahadeo Dixit, Prof. Krishnamurthy Venkata Subramanian, Shri Pradip Kumar Saha, Shri Sisir Kumar Chakrabarti, Shri Snehomoy Bhattacharya and Smt. Thekedathumadam Subramani Raji Gain are the Independent Directors on the Board of the Bank. All the above named Independent Directors have given their respective declarations under Section 149 (6) and Section 149 (7) of Companies Act, 2013, and the Rules made thereunder. In the opinion of the Board, the Independent Directors fulfil the conditions relating to their status as Independent Directors as specified in Section 149 of the Companies Act, 2013, and rules made thereunder. Further, all the Independent Directors also meet the criteria laid in Section 10A of the BR Act.

### **CHAIRMAN**

Shri Ashok Kumar Lahiri was appointed as part-time non-executive Chairman of the Bank in terms of Section 10B(1A)(i) of the BR Act for a period of three years with effect from July 10, 2015. Shri Lahiri, an economist, has a rich and varied experience in various facets of banking and finance. RBI has granted approval for the appointment of Shri Ashok Kumar Lahiri as Chairman with effect from July 10, 2015.

### **MANAGING DIRECTOR & CEO**

Shri Chandra Shekhar Ghosh, founder of the Bank, has been appointed as the Managing Director & CEO under Section 35B of the BR Act with effect from July 10, 2015, for a period of three years. RBI has granted approval for the appointment of Shri Chandra Shekhar Ghosh as Managing Director & CEO with effect from July 10, 2015.





## **KEY MANAGERIAL PERSONNEL (KMP)**

Shri Chandra Shekhar Ghosh, Managing Director & CEO, Shri Sunil Samdani, Chief Financial Officer and Shri Indranil Banerjee, Company Secretary of the Bank, have been appointed as the Key Managerial Personnel as required under Section 203 of the Companies Act, 2013, and Rules made thereunder.

## **BOARD EVALUATION**

A set of questionnaire for the evaluation of the Board and its Committees, designed in accordance with the relevant statutes and covering various aspects of the performance of the Board and its Committees, including composition and quality, roles and responsibilities, processes and functioning, adherence to Code of Conduct and Ethics and best practices in Corporate Governance, was sent out to each Director. The responses received to the questionnaire on evaluation of the Board and its Committees were placed before the meeting of the Independent Directors for consideration. The assessment of the Independent Directors on the performance of the Board and its Committees was subsequently discussed by the Board at its meeting. The framework for evaluation of the Board, Committees and the directors is subject to an annual review. The Board opined that, given the short period for which it has functioned, a streamlined evaluation questionnaire and methodology be devised by the Nomination and Remuneration Committee (NRC) of the Board for evaluating the Board and the Director's performance.

The Bank has in place a process whereby declarations are obtained from the Directors regarding fulfilment of "Fit and Proper" criteria in accordance with RBI guidelines. The declarations from the Directors were placed before the NRC to assess whether the Directors fulfil the said criteria.



## **POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

The NRC recommends the appointment of Directors to the Board. The NRC identifies persons who are qualified to become Directors on the Board and evaluates them by criteria, such as academic qualifications, previous experience, track record and integrity, before recommending their appointment to the Board.

The remuneration policy for Whole-time Directors is governed by the Compensation Policy of the Bank. The Compensation Policy of the Bank, duly reviewed and recommended by the NRC, has been approved by the Board and is articulated in line with the RBI guidelines.

Your Bank's compensation policy is aimed to attract, retain, reward and motivate talented individuals critical for achieving strategic goals and long-term success. The Compensation Policy is aligned with business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective is to provide a fair and transparent structure that helps the Bank to retain and acquire the talent pool critical to building competitive advantage and brand equity.

Your Bank's approach is to have a 'pay for performance' culture based on the belief that the performance management system should provide a sound basis for assessing performance holistically. The compensation system also takes into account factors like roles, skills/competencies, experience and grade/seniority to differentiate pay appropriately on the basis of contribution, skill and availability of talent in the light of competitive market conditions.

Non-executive Directors are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees. Such remuneration is determined by the Board based on applicable regulatory prescriptions. Non-executive Directors are also reimbursed actual expenses incurred by them for attending meetings of the Board and its Committees.



The remuneration payable to the Non-executive Directors and Independent Directors is governed by the provisions of the BR Act, 1949, RBI Guidelines issued from time to time and the provisions of the Companies Act, 2013, and related rules, to the extent it is not inconsistent with the provisions of the BR Act, 1949 and RBI Guidelines.

## **PARTICULARS OF EMPLOYEES**

The information in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is given in **Annexure - 1** to this report.

The Bank had 20,548 employees at end-March, 2016. Five employees employed for part of the year were in receipt of remuneration of not less than ₹5 lakh per month. The details of such employees in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are appended separately and given in **Annexure - 1** as referred to above and form part of this report.

## **BOARD OF DIRECTORS**

Bandhan Bank has a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013, and in accordance with good corporate governance practices. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board has constituted seven committees, viz.

- Audit Committee,
- Nomination & Remuneration Committee,
- Corporate Social Responsibility Committee,
- Customer Service Committee,
- Special Committee for Monitoring High Value Fraud,
- Information Technology Strategy Committee, and
- Risk Management Committee.



As on March 31, 2016, all these Board Committees comprised a majority of Independent Directors and were chaired by Independent Directors.

In compliance with section 152 of the Companies Act, 2013, Mr. Chandra Shekhar Ghosh retires at the ensuing annual general meeting and being eligible for re-appointment, offers herself for re-appointment.

At end-March, 2016, the Board of Directors consisted of 11 members. During the year under review, eleven Meetings of the Board were held: May 29, 2015; June 18, 2015; July 9, 2015; July 10, 2015; August 6, 2015; August 24, 2015; September 22, 2015; November 9, 2015, January 12, 2016, February 12, 2016 and March 18, 2016.

The names of the Directors, their attendance at Board Meetings during the year, and attendance at the last Annual General Meeting (AGM) are set out in the following table:

<b>Name of Member</b>	<b>Number of Meetings</b>	<b>Attendance at AGM on June 29, 2015</b>
Shri Ashok Kumar Lahiri, <i>Chairman</i>	8/8 (Note 1)	N.A.
Shri Chandra Shekhar Ghosh	11/11	Present
Shri Bhaskar Sen	10/11	No
Shri Sisir Kumar Chakrabarti	9/11	No
Shri Pradip Kumar Saha	8/9 (Note 2)	N.A.
Shri Boggarapu Sambamurthy	8/9 (Note 2)	N.A.
Shri Chintaman Mahadeo Dixit	9/9 (Note 2)	N.A.
Prof. Krishnamurthy Venkata Subramanian	5/9 (Note 2)	N.A.
Shri Snehomoy Bhattacharya	5/9 (Note 2)	N.A.
Smt. Thekedathumadam Subramani Raji Gain	6/7 (Note 3)	N.A.
Dr. Holger Dirk Michaelis	1/2 (Note 4)	N.A.



**Note :**

1. Shri Ashok Kumar Lahiri was appointed as a Director with effect from July 10, 2015.
2. Shri Pradip Kumar Saha, Shri Boggarapu Sambamurthy, Shri Chintaman Mahadeo Dixit, Prof. Krishnamurthy Venkata Subramanian and Shri Snehomoy Bhattacharya were appointed as Directors with effect from July 9, 2015.
3. Smt. Thekedathumadam Subramani Raji Gain was appointed as Director with effect from August 6, 2015.
4. Dr. Holger Dirk Michaelis was appointed as Director with effect from February 12, 2016.

The terms of reference of the Board Committees as mentioned earlier, their composition and attendance of the respective members at the various Committee Meetings held during financial year 2015-16 are set out below:

**Audit Committee**

The Audit Committee provides direction to the audit function and monitors the quality of internal and statutory audit.

The basic functions & responsibilities of the Audit Committee are as follows:

- i. Apart from the scope of service stated in Section 177(4) of the Companies Act, 2013, the Committee shall have periodic discussions with the auditors about internal control system and the scope of audit, including the observations of the auditors,
- ii. Shall review the financial statements before their submission to the Board and shall discuss any related issues with the internal and statutory auditors and Management of the Bank.



- iii. In discharging its functions, it shall have authority to investigate into any matter in relation to any items specified in Section 177 or referred to it by the Board.
- iv. The Board may assign any matter of important nature relating to accounts, finance, taxation, internal control systems, inspection and investigation from time to time to the Committee, and may require the Committee to submit a report to the Board on such matters within a stipulated time.
- v. Besides, the Committee shall submit its observations to the Board from time to time on any matter relating to financial management, including audit report.
- vi. The Chairman of the Audit Committee shall attend the Annual General meeting of the Bank to provide clarification on any matter relating to Audit.

### ***Composition***

On March 31, 2016, the Audit Committee comprised three Independent Directors and was chaired by Shri Chintaman Mahadeo Dixit, an Independent Director to consider the operation of your registered Bank. Including the period before the commencement of the banking operation, there were four Meetings of the Committee during the financial year, - on May 29, 2015, November 8, 2015, January 11, 2016 and March 17, 2016.

The details of the composition of the Committee and attendance at its meetings are set out in the following table:

<b>Name of Member</b>	<b>Number of meetings</b>
Shri Chintaman Mahadeo Dixit , <i>Chairman</i>	3/3 (Note 1)
Shri Bhaskar Sen,	3/4
Shri Sisir Kumar Chakrabarti	4/4
Shri Chandra Shekhar Ghosh (up to July 9, 2015)	1/1 (Note 2)

**Note :** 1. Shri Chintaman Mahadeo Dixit was appointed as member of the Committee



with effect from July 9, 2015 and functioned as Chairman thereon.

2. With the induction of new members on the Board, the Audit Committee was reconstituted with effect from July 9, 2015 : before that Shri Ghosh was the Chairman.

### **Nomination & Remuneration Committee**

The basic responsibilities of the NRC are:-

- (a) To identify persons who are qualified to become Directors in accordance with the criteria laid down, recommend to the Board their appointment, re-appointment or removal, and to carry out evaluation of every Director's performance;
- (b) To formulate the criteria for determining qualifications, positive attributes and independence of a Director and decide their 'fit & proper' status;
- (c) To oversee the framing, review and implementation of compensation policy of the Bank and recommend to the Board the overall remuneration philosophy and policy, including the level and structure of fixed pay, variable pay, perquisites, bonus pool, and stock-based remuneration to employees;
- (d) To oversee the framing, implementation and review of the remuneration of the Whole-time Directors/Managing Director & CEO as per the RBI Guidelines and Companies Act, 2013. The NRC recommends to the Board the remuneration package for the Managing Director & CEO and the other Whole-time Directors - including the level of fixed pay, variable pay, stock based remuneration and perquisites;
- (e) To review the human resource (HR) strategy and policy, including the conduct and ethics of the Bank, and review any fundamental changes in the organization structure which could have wide ranging and high risk implications;



- (f) To review and recommend to the Board the succession policy at the level of Managing Director & CEO, other Whole-time Directors, and senior Management positions one level below the Board and with key roles.

#### *Criteria for Directors' Appointment*

The NRC evaluates the composition of the Board and vacancies arising in the Board from time to time. The Committee while recommending candidature of a Director considers the special knowledge or expertise possessed by the candidate as specified under the Banking Regulation Act, 1949. The Committee assesses the 'fit and proper' credentials of the candidate and the companies/entities with which the candidate is associated either as a director or otherwise as to whether such association is permissible under RBI guidelines and the internal norms adopted by the Bank. For the above assessment, the Committee follows the relevant guidelines issued by RBI in this regard.

The Committee also evaluates the prospective candidate for the position of a Director from the perspective of the criteria for independence prescribed under the Companies Act, 2013. For a non-executive Director to be classified as independent, he/she must satisfy the criteria of independence as prescribed and sign a declaration of independence. The Committee reviews the same and determines the independence of a Director.

#### *Remuneration policy*

RBI *vide* its circular DBOD No. BC. 72/29.67.001/2011-12 dated January 13, 2012, has issued guidelines on "Compensation of Whole-time Directors/Chief Executive Officers/Risk takers and Control function staff etc." for implementation by private sector banks and foreign banks from the financial year 2012-13. The Bank's Compensation Policy was adopted in March, 2016. The current Compensation Policy of the Bank as adopted in line with the RBI circular is in compliance with the requirements for the Remuneration Policy as prescribed under Companies Act, 2013.





The remuneration payable to non-executive/independent Directors is governed by the provisions of the Banking Regulation Act, 1949, RBI guidelines issued from time to time and the provisions of the Companies Act, 2013, and related rules to the extent these are not inconsistent with the provisions of the Banking Regulation Act, 1949/RBI guidelines. The permitted modes of remuneration for the non-executive/independent Directors would be sitting fee for attending each Meeting of the Committee/Board as approved by the Board from time to time within the limits as provided under the Companies Act, 2013, and related rules.

For a non-executive Chairman, the remuneration would also include such fixed payments on such periodicity as may be recommended by the Board and approved by the Members and RBI from time to time and maintaining a Chairman's office at the Bank's expense, bearing expenses for travel on official visits and participation in various forums (both in India and abroad) as Chairman of the Bank and bearing travel/halting/other expenses and allowances for attending to duties as Chairman of the Bank and any other modes of remuneration as may be permitted by RBI through any circulars/guidelines as may be issued from time to time.

All the non-executive/independent Directors would be entitled to reimbursement of expenses for attending Board/ Committee Meetings, official visits and participation in various forums on behalf of the Bank.

#### *Performance evaluation of the Board, Committees and Directors*

During the year under review a meeting of the Independent Directors of the Board was held and assessment was done of the Board of Directors, Chairperson, working of Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Customer Service Committee, Special Committee for Monitoring High Value Frauds, Information Technology Strategy Committee and Risk Management Committee. The assessment is based on the evaluation of the compliance with the terms of reference of the Committees. The assessment was conducted based on the quality, quantity and timeliness of flow of information between Bank's Management and the Board that is



necessary for the Board to effectively and reasonably perform its duties. The assessment criteria for the Directors was based on their participation, contribution and offering guidance to and understanding of the relevant areas.

### ***Composition***

On March 31, 2016, the NRC comprised four Directors including three independent Directors and the Managing Director & CEO, and was chaired by Shri Bhaskar Sen, an independent Director. To consider the operation of your registered Bank, including the period before the commencement of the banking operation, there were eight meetings of the Committee during the financial year 2015-16 – on May 29, 2015; July 9, 2015 (two meetings); November 9, 2015; January 12, 2016; February 12, 2016; March 15, 2016; and March 18, 2016. The details of the composition of the Committee and attendance at its meetings are set out in the following table:

Name of Member	Number of meetings
Shri Bhaskar Sen, <i>Chairman</i>	7/8
Shri Chandra Shekhar Ghosh	8/8
Shri Boggarapu Sambamurthy	4/6 (Note 1)
Shri Snehomoy Bhattacharya	5/6 (Note 1)
Shri Sisir Kumar Chakrabarti (up to July 9, 2015)	2/2 (Note 2)

- Note :**
1. Shri Boggarapu Sambamurthy, Shri Snehomoy Bhattacharya were appointed as members of the Nomination & Remuneration Committee with effect from July 9, 2015.
  2. With the induction of new members on the Board, the NRC was reconstituted with effect from July 9, 2015.

### **Corporate Social Responsibility Committee**

The functions of the Corporate Social Responsibility Committee include review of Corporate Social Responsibility (CSR) initiatives undertaken by the Bank for inclusive growth, formulation and recommendation to the Board of a CSR Policy indicating the



activities to be undertaken by the Bank, and the amount of expenditure to be incurred on such activities. It also makes recommendations to the Board with respect to the CSR initiatives, policies and practices of the Bank, monitors the conformity of CSR activities, implementation and compliance with the CSR Policy, and reviews and implements, if required, any other matter related to CSR initiatives as recommended/suggested by RBI or any other body.

The terms of reference for working of the Committee are:-

- a) To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company in accordance with the Companies Act, 2013;
- b) To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the company;
- c) To monitor the CSR policy of the Company from time to time;
- d) Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time;

### ***Composition***

On March 31, 2016, the CSR Committee comprised three Directors including two independent Directors and the Managing Director & CEO, and was chaired by Smt. Thekedathumadam Subramani Raji Gain, an independent Director. During the financial year, there was one meeting of the Committee on March 15, 2016. The details of the composition of the Committee and attendance at its Meeting are set out in the following table:

<b>Name of Member</b>	<b>Number of meetings attended</b>
Smt. Thekedathumadam Subramani Raji Gain,	1/1
Shri Pradip Kumar Saha	1/1



Shri Chandra Shekhar Ghosh	1/1
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Details of the policy developed and implemented by the Bank on corporate social responsibility initiatives taken during the year have been hosted on the website of the Bank <http://www.bandhanbank.com/pdf/CSR-Policy-New-Format.pdf>. The Annual Report on CSR activities is at **Annexure 2**.

### **Customer Service Committee**

The functions of the Customer Service Committee of the Board, constituted pursuant to RBI circulars/guidelines, include review of customer service initiatives, overseeing the functioning of customer service, and evolving innovative measures for enhancing the quality of customer service and improving the overall satisfaction level of customers.

The basic responsibilities of the Committee are:-

- (a) To formulate a comprehensive deposit policy;
- (b) To monitor product approval process with a view to suitability and appropriateness;
- (c) To conduct annual survey of depositor satisfaction;
- (d) To review Regulatory guidelines issued from time to time and formulate policies for their implementation;
- (e) To set up a grievance redressal mechanism for the Bank to handle customer complaints;
- (f) To monitor, follow up and resolve complaints/grievances escalated by Banking Ombudsmen of the various States;
- (g) To implement awards under the Banking Ombudsman Scheme;
- (h) To address issues of systemic deficiencies, if any, brought out by the awards;



- (i) To monitor awards remaining unimplemented for more than three months with the reasons (for report to the Board) for such delays in implementation, and for initiating necessary remedial action;
- (j) To review customer service/customer care aspects in the Bank and submit a detailed memorandum in this regard to the Board of Directors, once every six months, and initiate prompt corrective action wherever service quality/skill gaps are noticed;
- (k) To oversee and review/modify the initiatives taken by Customer Service Committees of the branches and other departments; and
- (l) To address any other issues having a bearing on the quality of customer service rendered, such as examining reports on number and nature of complaints received and status of resolution thereof, etc.

### ***Composition***

At March 31, 2016, the Customer Service Committee comprised three Directors, including two independent Directors and Managing Director & CEO, and was chaired by Shri Sisir Kumar Chakrabarti, an independent Director. There were two Meetings of the Committee during the financial year 2015-16 - on December 22, 2015 and March 16, 2016. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

<b>Name of Member</b>	<b>Number of meetings attended</b>
Shri Sisir Kumar Chakrabarti, <i>Chairman</i>	2/2
Shri Chandra Shekhar Ghosh	2/2
Shri Pradip Kumar Saha	2/2



## **Special Committee for Monitoring High Value Fraud**

The Special Committee for Monitoring High Value Fraud was constituted as per RBI circulars/guidelines. The Committee should meet and review as and when a fraud involving an amount of ₹1 crore and above comes to light.

The basic responsibilities of the Committee are:

- (a) To identify the systematic lacunae, if any, that facilitated perpetration of the fraud, and put in place measures to plug the same;
- (b) To identify the reasons for delay in detection, and/or reporting to top Management of the Bank and RBI, if any;
- (c) To monitor progress of investigation by law enforcing agencies and recovery position;
- (d) To ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;
- (e) To review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls; and
- (f) To put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

## **Composition**

At March 31, 2016, the Special Committee for Monitoring High Value Fraud comprised three Directors including two independent Directors and the Managing Director & CEO, and was chaired by Shri Sisir Kumar Chakrabarti, an independent Director. No meetings of the Committee was required to be held during the financial year 2015-16. The details of the composition of the Committee are set out in the following table:



<b>Name of Member</b>	<b>Number of meetings held</b>
Shri Sisir Kumar Chakrabarti, <i>Chairman</i>	Nil
Shri Chandra Shekhar Ghosh	Nil
Shri Pradip Kumar Saha	Nil

### **Information Technology Strategy Committee**

The IT Strategy Committee was constituted pursuant to RBI circulars/guidelines. The functions of the Committee are to approve strategy for Information Technology (IT) and policy documents, ensure that IT strategy is aligned with business strategy, review IT risks, ensure proper balance of IT investments for sustaining the Bank's growth, oversee the aggregate funding of IT at Bank-level, ascertain if Management has adequate resources to ensure proper management of IT risks and review the contribution of IT to businesses.

The Committee has the following responsibilities:

- (a) To approve IT strategy and policy documents;
- (b) To ensure Management has put an effective strategic planning in place;
- (c) To ratify that business strategy is indeed aligned with IT strategy.
- (d) To ensure that IT organisation structure complements the business model and its direction;
- (e) To ascertain that Management has implemented processes and practices which ensure that IT delivers value to the business;
- (f) To ensure that the IT investments represents a balance of risk and benefits and that the budgets are acceptable;
- (g) To monitor the methods that Management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;



- (h) To ensure proper balance of IT investments for sustaining the Bank's growth;
- (i) To be aware of the exposures towards IT risks and controls and evaluate effectiveness of Management's monitoring of IT risks;
- (j) To assess senior Management's performance in implementing IT strategies;
- (k) To issue high level policy guidance (e.g. related to risk, funding or sourcing tasks);
- (l) To confirm that IT or business architecture is designed to derive the maximum business value from IT;
- (m) To oversee the aggregate funding of IT at Bank-level and ascertain if Management has resources to ensure the proper management of IT risks; and
- (n) To review IT performance measurement and contribution of IT to business (i.e. delivering the promised value).

### ***Composition***

On March 31, 2016, the IT Strategy Committee comprised three Directors, including two independent Directors and the Managing Director & CEO, and was chaired by Shri Boggarapu Sambamurthy, an independent Director. There were three Meetings of the Committee during the financial year 2015-16 - on October 6, 2015, December 10, 2015 and March 17, 2016. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

<b>Name of Member</b>	<b>Number of meetings attended</b>
Shri Boggarapu Sambamurthy, <i>Chairman</i>	3/3
Shri Chandra Shekhar Ghosh	3/3
Prof. Krishnamurthy Venkata Subramanian	3/3





## **Risk Management Committee**

The Risk Management Committee has been formed as per guidelines of RBI on Risk Management Systems. The functions of the Committee are to review the Bank's risk management policies pertaining to credit, market, liquidity, operational, outsourcing, reputation, business continuity and disaster recovery plan.

The basic responsibilities of the Committee are:-

- (a) To oversee risk management function and obtain assurance from the respective committees and Risk Department that the risk faced by the Bank have been properly identified and are being appropriately managed;
- (b) To define the risk appetite of the Bank within overall parameters set by the Board in terms of business strategy and growth;
- (c) To ensure effectiveness in the conduct of the overall risk governance;
- (d) To approve risk limits at the Bank-wide level for various portfolios such as product, industry, geography, risk types, etc.;
- (e) To approve risk management and measurement policies, guidelines and procedures before submission to the Board;
- (f) To ensure effectiveness and performance of risk rating system and associated processes and controls through pre-approval validation, periodic review or as a part of annual validation exercise;
- (g) To oversee allocation and maintenance of sufficient resources (including IT support) for risk identification, measurement, monitoring and reporting;
- (h) To approve risk capital computation and place it to the Board for approval; and
- (i) To reinforce the culture and awareness of risk management throughout the organization.



### ***Composition***

At March 31, 2016, the Risk Management Committee comprised three Directors, including two independent Directors and the Managing Director & CEO, and was chaired by Shri Bhaskar Sen, an independent Director. There were three Meetings of the Committee during the financial year 2015-16 – on August 5, 2015; December 10, 2015 and March 17, 2016. The details of the composition of the Committee and attendance at its meetings are set out in the following table:

<b>Name of Member</b>	<b>Number of meetings attended</b>
Shri Bhaskar Sen, <i>Chairman</i>	3/3
Shri Chandra Shekhar Ghosh	3/3
Prof. Krishnamurthy Venkata Subramanian	3/3

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134(3)(c) of the Companies Act, 2013, the Board of Directors hereby state that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2016, and of the profit of the Bank for the year ended on that date;
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- iv) We have prepared the annual accounts on a going concern basis; and



- v) We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

## **AUDITORS**

At the first Annual General Meeting (AGM) held on June 29, 2015, the members approved the appointment of M/s S. R. Batliboi & Associates, LLP, Chartered Accountants, 22, Camac Street, Block C, 3<sup>rd</sup> Floor, Kolkata - 700016 (ICAI Firm Registration Number 101049W) as statutory auditors for a period of five years commencing from the first AGM till the conclusion of the sixth AGM subject to the annual approval of RBI and ratification by the Members every year. As recommended by the Audit Committee, the Board has proposed the ratification of the appointment of S. R. Batliboi & Associates, LLP, Chartered Accountants, as Statutory Auditors for the financial year 2016-17.

## **SECRETARIAL AUDITORS**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed Shri Deepak Kumar Khaitan, Practicing Company Secretary (C.P. 5615) to conduct Secretarial Audit of the Bank. The Secretarial Audit Report is given in **Annexure - 3** to this report.

There are no qualifications, reservations or adverse remarks made by M/s. S.R. Batliboi & Associates. LLP, Chartered Accountants, Statutory Auditors of the Bank, in their Auditors' report, or by Shri Deepak Kumar Khaitan, Practicing Company Secretary (C.P. 5615), Secretarial Auditors of the Bank, in their Secretarial Audit Report.

## **RELATED PARTY TRANSACTIONS**

Pursuant to the proviso of Section 188(1) of the Companies Act, 2013, all related party transactions entered into during the financial year were on an arm's length basis and in



the ordinary course of the business of the Bank. Accordingly, Form AOC-2 is not applicable to the Bank.

## **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business.

## **WHISTLE BLOWER POLICY/ VIGIL MECHANISM**

The Bank has adopted a Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole. As per the Whistle Blower Policy, the Audit Committee has been entrusted with the responsibility of reviewing the complaints received and the action taken thereof.

## **CORPORATE SOCIAL RESPONSIBILITY**

In alignment with vision of the Bank, CSR initiatives, will continue to enhance value creation and inclusion of hard core poor people in the mainstream of society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth of society and the community, in fulfilment of its role as a socially responsible corporate.

The details of CSR activities/projects undertaken during the year is given as **Annexure - 2** and forming part of the Boards' Report.

As per the CSR Policy approved by the Board, the focus would be healthcare, education, livelihood development, food security and physical living conditions. New areas would be added as and when required with the approval of the CSR Committee/Board.



## **SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS**

During the year under review no significant or material orders were passed by any Regulators or Courts or Tribunals against the Bank.

## **TRAINING AND DEVELOPMENT**

Learning and development at your Bank is all about making a 'continuous long term investment' in building a high quality workforce, capable of accomplishing the organization's mission now and in the future. Keeping in mind the relevance and importance of building the capacity of its employees, the Bank has eight learning centres across the country - three in West Bengal and one each in Assam, Bihar, Maharashtra, Tripura and NCR. These eight centres have in aggregate 16 class rooms, 9 computer laboratories, one meeting-cum-conference room and is capable of training 400 staff at a time. The in-house learning team comprises 35 faculty members and includes experienced bankers from public and private banks. Besides, visiting faculty with distinguished academic and professional achievements in different areas of business management are actively engaged round the year to foster a dynamic learning environment.

The learning architecture in the Bank focuses on

- i. developing tailor-made, competency-mapped programs for different sets of employees based on their roles in the Bank;
- ii. training on operational risk, audit, compliance and regulatory aspects for frontline staff;
- iii. induction / orientation of new hires for inculcating the culture of the Bank; and
- iv. people management, customer-centric, compliance-based programs for employees in leadership roles.



## **RISK MANAGEMENT FRAMEWORK**

The Bank's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Bank. Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. The Board of Directors has oversight on all the risks assumed by the Bank.

The Risk Management Committee of the Board reviews risk management policies of the Bank pertaining to credit, market, liquidity, operational, outsourcing and business continuity management. Policies approved from time to time by the Board of Directors/Committees of the Board form the governing framework for each type of risk.

As a part of ensuring senior Management participation, specific Committees have been constituted, reporting to the RMCB, to facilitate focused oversight of various risks, e.g., Credit Risk Management Committee (CRMC) for Credit Risk, Operational Risk Management Committee (ORMC) for Operational Risk, Asset Liability Committee (ALCO) for Market Risk and Asset Liability Management.

The Risk Governance Model defines three key roles:

### **Business that takes, manages and monitor risks:**

Business Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risk in all business processes.

### **Risk Management Department that provides policy, guidance and analysis:**

Risk Management Department is responsible for setting up the appropriate risk control mechanism and for quantifying and measuring risk. Broadly classified into three major sub segments (Credit Risk, Market Risk and Operational Risk), the Risk Management Department owns, maintains and updates the various policies. The Risk Management



team also provide analysis on the existing and emerging risks to the Committees such as ALCO, CRMC, ORMC, as also to RMCB, and based on the deliberations thereof, provide guidance to the various Business Groups.

**Internal Audit Team that provides independent assurance:**

There is an internal audit team to monitor and report on the effectiveness of the Bank's risk programme to the Audit Committee of the Board, and thereby provide objective assurance that risks are being managed appropriately.

**INFORMATION TECHNOLOGY**

Technology is a critical enabler to achieve key goals of your Bank, and is identified as one of its strategic pillars. As your Bank commenced its transformational journey in 2015 -16, the IT plan was well underway to help your Bank to differentiate within the markets served, and achieve significant economies of scale through centralized resources. The aim was to go 'Live with 501 Branches' on day 1, an aim that was more or less achieved with some initial hiccups. Within 7 months, at the end of 2015-16, the Bank had 656 Branches, 228 ATMs, and 2,022 Micro-banking centres. There is IT connectivity throughout the Bank, and residual problems are being sorted out expeditiously.

Your Bank scaled its technology infrastructure to create a stable, secure and robust setup to support Branch Banking and Channel Banking Platforms. There are challenges in providing seamless network connectivity to remote rural branches and the same is being addressed. The technology initiatives in 2015-16 affirmed your Bank's commitment to a significantly enhanced customer experience across mobile, internet and ATM channels. Your Bank has equipped its Core Banking System with more processing capacity to meet the scale and transaction volume requirements in future.

As an issuing bank, your Bank enhanced its card portfolio by issuing RuPay along with VISA cards. On the Treasury-IT front, your Bank went live and stabilized with e-Kuber, Treasury Management System, Structured Financial Messaging Systems (SFMS), such as



National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement System (RTGS) and Clearing Corporation of India Limited (CCIL) suite of products, which include dealing platforms and reports. Your Bank has also enabled Immediate Payment System (IMPS) by tying up with National Payment Corporation of India (NPCI) to provide 24X7 fund transfer facility for customer.

Your Bank's 'Application Service Provider', FIS Global, has provided a state-of-the-art primary Data Centre and Disaster Recovery Centre, to secure the live systems, which are vital to your Bank's business operations. Your Bank has embarked on a programme to implement the RBI guidelines on Technology Risk Management, Information Security and Cyber Fraud, and is in the process of recommending additional IT security products for implementation.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Considering the nature of activities of the Bank, the provisions of Section 134(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 relating to conservation of energy and technological absorption do not apply to the Bank. The Bank is however, constantly pursuing its goal of technological up-gradation in a cost-effective manner for delivering quality customer service. There were no foreign exchange earnings and outgo during the financial year 2015-2016.

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92 (3) of the Companies Act, 2013, and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return is annexed as **Annexure - 4**.





## **MANAGEMENT'S DISCUSSIONS AND ANALYSIS**

The Management Discussion and Analysis report enclosed as **Annexure - 5** forms part of this report.

## **INFORMATION UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

Your Bank has zero tolerance towards any action on the part of any executive which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every woman executive working in the Bank. The Bank takes all necessary measures to ensure a harassment-free workplace and has instituted an Internal Complaints Committee for redressal of complaints and to prevent sexual harassment. The Policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints.

Number of complaints pending as at the beginning of the financial year - 0

Number of complaints filed during the financial year - 01

Number of complaints pending as on the end of the financial year - 01

As on May 11, 2016, the day of signing of this report, the complaint pending at end-March, 2016 has been redressed.

## **RESERVES**

As required under Section 134(3)(j) of the Companies Act, 2013, the reserves as on the close of the financial year stood at ₹ 2,239.36 crore.

## **DEPOSITS**

Your Bank being a banking company receives and accept deposits. The details of the deposits are enumerated in the financial statement for the year ended March 31, 2016.



## **ACKNOWLEDGMENTS**

The Board of Directors places on record its gratitude to the RBI, other government and regulatory authorities, financial institutions and correspondent banks for their strong support and guidance. The Board acknowledges the support of the shareholders, and also places on record its sincere thanks to its valued clients and customers for their patronage. The Board also expresses its deep sense of appreciation to all employees of the Bank for their strong work ethic, excellent performance, professionalism, teamwork, commitment and initiative, which has led to the Bank making commendable progress in today's challenging environment.

**For and on behalf of the Board of Directors  
Bandhan Bank Limited**

**Place: Kolkata**

**Date: May 11, 2016**

**Sd/-  
Chairman  
(Ashok Kumar Lahiri)  
(DIN: 07234290)**



**Details of Employees as per Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

Name & Designation of the employee	Remuneration received during 2015-16 (₹)	Nature of employment, whether contractual or otherwise	Qualifications and experience of the employee	Date of commencement of employment	Age	The last employment before joining	The percentage of equity shares held in the company within the meaning of clause (iii) of sub-rule (2) above	Whether any such employee is a relative of any director or manager of the company
Mr. Chandra Shekhar Ghosh, Managing Director & CEO	1,10,37,634	Regular	M.Sc. in Statistics and 30 years of experience	From the commencement of Company	55 Years	Bandhan Financial Services Limited	Nil	N.A.
Rahul Johri, Head - General banking	10,80,500	Regular	B.Tech and Masters in Business Management. 16 Years of experience	March 1, 2016	48 Years	DBS Bank Ltd	Nil	N.A.
Vijaykumar Ramakrishna, Chief Information Officer	11,79,800	Regular	BE- Electronics & Telecommunication, MBA- Finance. 16 Years of experience	February 1, 2016	43 Years	Intuit Global Development Centre	Nil	N.A.
Tarunava Sarker Head- Corporate Center	57,44,336	Regular	B.Com (Hons). 35 Years of experience	August 23, 2015	57 Years	Axis Bank	Nil	N.A.
Tamal Bandyopadhyay, Head- Corporate Branding & Communication	36,45,161	Contractual	Postgraduate from Calcutta University. 31 Years of experience	August 23, 2015	55 Years	HT Media Limited (Mint)	Nil	N.A.

For and on behalf of the Board of Directors

**Bandhan Bank Limited**

Sd/-  
Chairman  
(Ashok Kumar Lahiri)  
(DIN: 07234290)  
Place: Kolkata  
Date: May 11, 2016



## Annexure - 2

### **Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2015-16**

- 1 A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs and the composition of CSR Committee. Refer Section on Corporate Social Responsibility forming part of the Board's Report enclosed herewith.
- Composition of CSR Committee :**
- i. Smt. TS Raji Gain
  - ii. Shri Chandra Shekhar Ghosh
  - iii Prof. K. V. Subramanian
- 2 Average net profit of the Company for last three financial years ₹ 230.46 lakh
- 3 Prescribed CSR expenditure (two percent of the amount mentioned in item 2 above) ₹ 4.60 lakh
- 4 Details of CSR spent during the financial year:
- (a) Total amount to be spent for the financial year ₹ 5.00 lakh
  - (b) Amount unspent, if any Not applicable
  - (c) Manner in which the amount spent during the financial year Details Given below

Details of amount spent on CSR activities during the Financial Year 2015-16							
Sl. No.	CSR Project or activity identified	Sector in which the project is covered (Clause No. of Schedule VII to the Companies Act, 2013 as amended)	Projects or programme (1) Local Area or other (2) State and districts where programme was undertaken	Amount outlay (budget ₹ in lakh)	Amount spent on projects (₹ in lakh)	Cumulative expenditure upto the reporting period (₹ in lakh)	Amount Spent directly or through implementing agency
1	Targeting The Hard Core Poor Programme	Clause No. (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water. Clause (x) rural development projects.	West Bengal - Kolkata - North 24 Parganas, South 24 Parganas, Murshidabad Assam - DARAANG - Guwahati	5.00	5.00	5.00	Implementing Agency: Bandhan Konnagar*
<b>Total</b>				<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	

\*Bandhan Konnagar is a Society registered under the Societies of West Bengal Registration Act XXVI of 1931



## **RESPONSIBILITY STATEMENT**

The Responsibility Statement of the CSR Committee of the Board of Directors of the Company, is reproduced below:

'The implementation and monitoring of Corporate Social Responsibility (CSR) policy, is in compliance with CSR objectives and policy of the Company.'

Sd/-

\_\_\_\_\_  
**Managing Director & CEO**

Sd/-

\_\_\_\_\_  
**Chairman CSR Committee**

**For and on behalf of the Board of Directors  
Bandhan Bank Limited**

**Date : May 11, 2016  
Place : Kolkata**

Sd/-  
**Chairman  
(Ashok Kumar Lahiri)  
(DIN: 07234290)**

**CS Deepak Kumar Khaitan**

Mobile : + 91 90070 55560

B.Com(H), M.Com, F.C.S., DCG(ICSII) ✉:info@deepakkhaitan.com/khaitan52@gmail.com

**Practising Company Secretary** ☎ : + 91 98303 06692 ✉:officedkk@gmail.comGEM House, 5B Russell Street, Unit 7B, 7<sup>th</sup> Floor, Kolkata – 700 071**SECRETARIAL AUDIT REPORT**FOR THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH, 2016

*[Pursuant to Section 204(1) of the Companies Act, 2013 and rule 9 of The Companies (Appointment and Remuneration Personnel) Rules, 2014]*

**To****The Members****BANDHAN BANK LIMITED****Registered Office : DN-32, Sector V, Salt Lake, Kolkata -700 091**

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **BANDHAN BANK LIMITED having CIN U67190WB2014PLC204622** (hereinafter called 'the Bank'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 (hereinafter called 'the Audit Period') complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i). The Companies Act, 1956 and the rules made thereunder, to the extent they were applicable during the Audit Period and The Companies Act, 2013 and the rules made thereunder (hereinafter collectively called as 'the Act');

- (ii). The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder (Not applicable to the Bank during the Audit Period);
- (iii). The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv). Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, wherever applicable;
- (v). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- (Not applicable to the Bank during the Audit Period);
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Not applicable to the Bank during the Audit Period);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- (Not applicable to the Bank during the Audit Period);
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Bank during the Audit Period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (the debt listing agreement with regard to the listed debentures received from Bandhan Financial Services Limited as a part of the business transfer from that company to the Bank is expected to be entered during the financial year 2016-17 as the Bank has taken necessary steps in this regard with BSE Limited);

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Bank during the Audit Period);
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- (Not applicable to the Bank during the Audit Period);  
and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- (Not applicable to the Bank during the Audit Period);
- (vi) The Banking Regulation Act, 1949 and Rules made thereunder which is the law applicable specifically to the Bank for the purpose of reporting under this point as per the Management Representation Letter issued by the Bank of even date.

I have also examined compliance with the applicable clauses of the following:

- (i). Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii). The Listing Agreements entered into by the Bank with Stock Exchanges, if applicable – (not applicable during the audit period and the debt listing agreement with regard to the listed debentures received from Bandhan Financial Services Limited as a part of the business transfer from that company to the Bank is expected to be entered during the financial year 2016-17 as the Bank has taken necessary steps in this regard with BSE Limited).

During the period under review the Bank has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that**

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the Audit Period were carried out in compliance with the provisions of the Act.



Adequate notices were given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at board meetings and committee meetings held during the Audit Period carried out unanimously as recorded in the minutes of the respective meetings.

**I further report that** there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the Audit Period, the following specific events/ actions have a major bearing on the Bank's affairs in pursuance of the laws, rules, regulations, guidelines, standards etc. referred to as above are as follows : -

- (a) Transfer of Business from Bandhan Financial Services Limited
- (b) Shareholders' Agreement & Policy Agreement between the Bank and International Finance Corporation (IFC), Caladium Investment Pte. Ltd. (CIPL) & Small Industries Development Bank of India (SIDBI)
- (c) Issue of in principle approval and subsequently the Banking License under Regulation under Regulation 22(1) of Banking Regulation Act, 1949 by the Reserve Bank of India
- (d) Commencement of the banking operations
- (e) Rights Issue of 26,15,91,452 equity shares to Bandhan Financial Holdings Limited Rs.42.93/- per share
- (f) Rights Issue of 22,03,160,300 equity shares to Bandhan Financial Holdings Limited Rs.42.93/- per share
- (g) Preferential Allotment of 1,12,183,552 equity shares to IFC, CIPL & SIDBI Rs.42.93/- per share

This report is to be read with our letter of even date which is annexed as **Annexure A** and form an integral part of this report.

**Place: Kolkata**

**Date : 11.05.2016**

**Signature: Sd/-**

**Name: Deepak Kumar Khaitan**

**F.C.S. No.: 5615 / C.P. No.: 5207**

**ICSI Unique Code No. : I2003WB347200**

**CS Deepak Kumar Khaitan**

Mobile : + 91 90070 55560

**B.Com(H), M.Com, F.C.S., DCG(ICS)**

✉:info@deepakkhaitan.com/khaitan52@gmail.com

**Practising Company Secretary**

☎ : + 91 98303 06692 ✉:officedkk@gmail.com

GEM House, 5B Russell Street, Unit 7B, 7<sup>th</sup> Floor, Kolkata – 700 071

**Annexure A**

to the SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH, 2016

**To**

**The Members**

**BANDHAN BANK LIMITED**

**Registered Office : DN-32, Sector V, Salt Lake, Kolkata -700 091**

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

**Place: Kolkata**

**Date : 11.05.2016**

**Signature: Sd/-**

**Name: Deepak Kumar Khaitan**

**F.C.S. No.: 5615 / C.P. No.: 5207**

**ICSI Unique Code No. : I2003WB347200**



**Annexure - 4**

**FORM NO. MGT. 9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on March 31, 2016**  
*[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]*

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN:- U67190WB2014PLC204622
- ii) Registration Date : December 23, 2014
- iii) Name of the Company : Bandhan Bank Limited
- iv) Category / Sub-Category of the Company : Public Company / Limited by shares
- v) Address of the Registered office and contact details : DN-32, Sector-V, Salt Lake, Kolkata - 700091 ,  
Ph: 033-66090909; Fax : 033-66090502
- vi) Whether listed company Yes / No : No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any:

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Banking and Financial Services	Code : 64191	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

Sl. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	Bandhan Financial Holdings Limited; DN-32, Sector - V, Salt Lake City, Kolkata - 700091	U67190WB2014PLC 204317	Holding	89.76	2(87)



IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	De mat	Physical	Total	% of Total Shares	De mat	Physical	Total	% of Total Shares	
<b>A.Promoters</b>									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt									
c) State Govt (s)									
<b>d) Bodies Corp.</b>		50,10,50,000	50,10,50,000	100		98,29,57,482	98,29,57,482	89.76	10.24
e) Banks/FI									
f) Any Other..									
<b>Sub-total (A) (1):-</b>		50,10,50,000	50,10,50,000	100		98,29,57,482	98,29,57,482	89.76	10.24
(2) Foreign									
a) NRIs - Individuals		-	-	-		-	-	-	-
b) Other - Individuals		-	-	-		-	-	-	-
c) Bodies Corp.									
d) Banks / FI		-	-	-		-	-	-	-
e) Any Other....		-	-	-		-	-	-	-
<b>Sub-total (A) (2):-</b>		-	-	-		-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A) (2)</b>		-	-	-		-	-	-	-
<b>B. Public Shareholding</b>	-				-				
1. Institutions									
a) Mutual Funds									
<b>b) Banks/FI</b>						34,94,060	34,94,060	0.32	0.32
c) Central Govt.									
d) State Govt. (s)		-	-	-				-	-
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
<b>i) Others (specify)</b>									
International Finance Corporation (Multi lateral institution)						5,40,41,462	5,40,41,462	4.93	4.93
<b>Sub-total (B)(1):-</b>									
2. Non-Institutions									
<b>a) Bodies Corp.</b>									
i) Indian		-	-	-		-	-	-	-
<b>ii) Overseas</b>									
<b>b) Individuals</b>									
<b>i) Individual shareholders holding nominal share</b>						5,46,48,030	5,46,48,030	4.99	4.99



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	De mat	Physical	Total	% of Total Shares	De mat	Physical	Total	% of Total Shares	
capital upto ₹ 1 lakh ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh c) Others (specify) Sub-total (B)(2):- Total Public Shareholding (B) = (B)(1) + (B)(2)									
		-	-	-		11,21,83,552	11,21,83,552	10.24	10.24
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	50,10,50,000	50,10,50,000	100	-	109,51,41,034	109,51,41,034	100	0

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Bandhan Financial Holdings Limited	50,10,50,000	100	0	98,29,57,482	89.76	0	10.24%
	<b>Total</b>	50,10,50,000	100	0	98,29,57,482	89.76	0	10.24%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Bandhan Financial Holdings Limited				
	At the beginning of the year	50,10,50,000	100%		
	Date wise Increase/ Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bon	26,15,91,452 (Allotment on 21.08.2015) 22,03,16,030 (Allotment on 25.08.2015)		76,26,41,452 98,29,57,482	100 100



Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Bandhan Financial Holdings Limited				
	us/ sweat equity etc):				
	At the End of the year			98,29,57,482	89.76

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Caladium Investment Pte. Ltd	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	For Each of the Top 10 Shareholders				
	At the beginning of the year	-	-		
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	5,46,48,030 (Allotment on 12.02.2016)	4.99	5,46,48,030	4.99
	At the End of the year (or on the date of separation, if separated during the year)			5,46,48,030 (Allotment on 12.02.2016)	4.99

Sl. No.	International Finance Corporation	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	For Each of the Top 10 Shareholders				
	At the beginning of the year	-	-		
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	5,40,41,462 (Allotment on 12.02.2016)	4.93	5,40,41,462	4.93
	At the End of the year (or on the date of separation, if separated during the year)			5,40,41,462 (Allotment on 12.02.2016)	4.93



Sl. No.	Small Industries Development Bank of India	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
3	For Each of the Top 10 Shareholders				
	At the beginning of the year	-	-		
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	34,94,060 (Allotment on 12.02.2016)	0.32	34,94,060	0.32
	At the End of the year (or on the date of separation, if separated during the year)			34,94,060 (Allotment on 12.02.2016)	0.32

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Mr. Chandra Shekhar Ghosh, Managing Director & CEO ( holding for and on behalf of Bandhan Financial Holdings Limited)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	For Each of the Directors and KMP				
	At the beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year			1	0.00



## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ in lakh)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in Indebtedness during the financial year				
• Addition	290,379	16,784	1,209,280	1,516,443
• Reduction	-	-	-	-
Net Change	<b>290,379</b>	<b>16,784</b>	<b>1,209,280</b>	<b>1,516,443</b>
Indebtedness at the end of the financial year				
i) Principal Amount	289,165	16,000	1,208,875	1,514,040
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1,214	784	406	2,404
<b>Total (i+ii+iii)</b>	<b>290,379</b>	<b>16,784</b>	<b>1,209,280</b>	<b>1,516,443</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
		MD	WTD	WTD	Manager	
1.	Gross salary Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 Value of perquisites u/s 17(2) Income-tax Act, 1961 Profits in lieu of salary under section 17(3) Income- tax Act, 1961	₹1,10,37,634  Perquisites - Nil	N.A.	N.A.	N.A.	₹1,10,37,634  Perquisites - Nil
2.	Stock Option					
3.	Sweat Equity		N.A.	N.A.	N.A.	
4.	Commission as % of profit others, specify...					
5.	Others, please specify					
	Total (A)	₹1,10,37,634				₹1,10,37,634
	Ceiling as per the Act	₹13,42,27,041				₹13,42,27,041







Sl. no.	Particulars of Remuneration	Name of Directors								Total Amount
	Total (2)	0.30	1.65							1.95
	Total (B) = (1 + 2)									30.60
	Total Managerial Remuneration									110.37
	Overall Ceiling as per the Act									13,42.27

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD / MANAGER / WTD

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		Manager	Company Secretary	CFO	Total
1.	Gross salary (₹) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 Value of perquisites u/s 17(2) Income-tax Act, 1961 Profits in lieu of salary under section 17(3) Income-tax Act, 1961		₹9,95,428 Perquisites - Nil	₹34,96,329 Perquisites - Nil	₹44,91,757 Perquisites - Nil
2.	Stock Option		Nil	Nil	Nil
3.	Sweat Equity		Nil	Nil	Nil
4.	Commission as % of profit others, specify...		Nil	Nil	Nil
5.	Others, please specify		Nil	Nil	Nil
	Total (₹)		₹9,95,428	₹34,96,329	₹44,91,757

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty					
Punishment			Nil		
Compounding					



Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
<b>DIRECTORS</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>			Nil		
Penalty					
Punishment					
Compounding					

For and on behalf of the Board of Directors  
Bandhan Bank Limited

Place: Kolkata

Date: May 11, 2016

Sd/-  
Chairman  
(Ashok Kumar Lahiri)  
(DIN: 07234290)



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### OVERALL ECONOMIC AND BANKING ENVIRONMENT

#### **A. Global Economic Scenario**

1. As per IMF report of February, 2016<sup>1</sup>, global growth, currently estimated at 3.1% in 2015, is projected at 3.4% in 2016 and 3.6% in 2017. The incremental growth in global activity is expected to be more gradual than earlier estimates in October, 2015.
  
2. Three key factors which continue to influence the global outlook are as under:-
  - a. The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services.
  - b. Lower prices for energy and other commodities, and
  - c. A gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.
  
3. Further, while Japan has already experimented with 'Negative Interest Rates' to further augment monetary expansion to boost the economy, the desired result continues to elude them. European Central Bank is yet to decide on whether to embrace 'Negative Interest Rates' implementation to boost the growth rate or not.
  
4. Together with Turkey and China, among the G20 emerging markets, India benefits from lower commodity prices: in 2014, net commodity imports

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<sup>1</sup> i-Sources - <http://www.imf.org/external/pubs/ft/weo/2016/update/01/>.



amounted to 5.9% of India's GDP, compared with net exports worth 1.3%, 3.3% and 4.3% for South Africa, Brazil and Indonesia, respectively.<sup>2</sup>

## **B. Indian Economic Scenario**

1. The Indian economy is at the threshold of a transformation, with several policy initiatives expected to be rolled out with GST being the most prominent among them. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth.
2. The Economic Survey projected India's economic growth to remain within a range of 7-7.75% in 2016-17 against an estimated 7.6% growth in 2015-16. Several estimates from global institutions, including credit rating agencies, range from 7.4% to 8.5% with respect to growth rate for Indian economy in 2016-17.
3. The Indian Meteorological Department has projected monsoon rainfall this year at 106% of the long-term average after two consecutive years of below-normal rainfall in many parts of the country. A normal monsoon, given the low base of agricultural production, can provide a one-time push to economic growth in 2016-17. However, some residual uncertainty will prevail until August about the monsoon and its impact on the growth trajectory of Indian economy.

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<sup>2</sup> Sources – <http://www.livemint.com/Politics/cs69vCerd7ST5GSnNgLW1K/Moodys-pegs-Indias-gross-domestic-product-growth-at-75-i.html>



4. Downside risk to the Indian economy are global headwinds that may hurt demand for exports, high oil prices and the June-September monsoon belying the forecasts of normal rainfall.
5. However, India is relatively less exposed to external factors like the China slowdown and global capital flows. Instead, the economic outlook will be primarily determined by domestic factors such as sustained growth in consumer spending, fostered by moderate inflation, 23.55% increase in government salaries proposed by the 7th Pay Commission, continuing favorable demographics, and strengthening investment, in particular, foreign direct investment (FDI).
6. After falling below \$30 per barrel in January, 2016, for the first time in 12 years, crude oil<sup>3</sup> prices have bounced back to above \$40 per barrel. Brent crude, the international benchmark, has been trading at \$40 - \$50 per barrel range in the recent past. A collapse in the price of crude has helped reduce India's trade deficit and keep the fiscal deficit in check. However, as per the estimates, \$50 (per barrel) oil price is not seen as a significant problem. And, in the event oil prices go up, the main beneficiaries thus far (consumers, oil marketing companies and fiscal) may be called upon to surrender part of the benefit.
7. India's exports fell 15.9% to \$261.1 billion in 2015-16, while imports contracted by 15.3% to \$379.6 billion. The trade deficit for the year was \$118.5 billion. Despite fall in exports, the benign crude price environment has helped in maintaining a relatively stable ₹- US dollar exchange rate.<sup>4</sup>

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<sup>3</sup> Sources - <http://www.bloomberg.com/news/articles/2016-01-12/wti-oil-falls-below-30-for-first-time-since-dec-2003>

<sup>4</sup> Sources - <http://www.livemint.com/Politics/8qUZe5BwJiEEpJ4dxchSfM/Indias-March-trade-deficit-narrows-to-507-billion.html>.



8. While the Indian economy is poised to remain in a sweet spot, the generally robust economic environment may be constrained by some banks' balance sheet repair and elevated corporate debt problem and the impact of two consecutive droughts.
9. Amid low growth in global trade in goods, India's large services export sector (information technology related services account for around 18% of total exports) provides another source of resilience.

### **C. Indian Banking Industry Developments**

1. The Indian banking industry has experienced a unique feature wherein deposit growth rate remains sluggish despite lower inflation-induced high real interest rates. It is widely believed that high real deposit rates are more the by-product of lower inflation. Such negative causation, however, may be resulting in people to spend more, leakage from the banking system through higher public holding of currency, and increase in outward remittances on account of a liberalized remittance regime, and a consequent decline in deposits. On the credit off-take side, the story remains in sync with the growth rate experienced by the Indian economy.
2. Outstanding credit disbursed by Scheduled Commercial Banks (SCBs) stood at ₹77.6 trillion on April 1, 2016, of which non-food credit was ₹76.4 trillion and food credit ₹1.2 trillion. On a year-on-year (y-o-y) basis, outstanding bank credit grew by 10.7% on April 1, 2016, which is lower than the 12.1% growth recorded a year ago on April 3, 2015. Y-o-y non-food credit growth mirrored a similar deceleration to 10.3% on April 1, 2016 from 12.6% a year ago. Food credit, y-o-y, rose sharply by 42.2% on April 1, 2016 compared to a decline of 17.9% a year ago.



3. On April 1, 2016, on the liabilities side, deposits with SCBs (other than from banks) were ₹99.8 trillion, of which demand deposits (current account plus savings account, or CASA) were ₹11.0 trillion and time deposits ₹88.7 trillion. Outstanding SCB deposits registered a y-o-y growth of 9.7% during 2015-16, with growth of CASA at 14.9% and of time deposits 9.1%.
4. According to the data collated by Capitalline & as reported by Live Mint on February 15, 2016; listed banks added nearly ₹1 trillion in bad loans in the December, 2015 quarter, equivalent to a 29% increase in the stock of gross NPAs from the September, 2015 quarter. Gross non-performing assets (NPAs) of 39 listed banks surged to ₹4.38 trillion for the quarter ended December 31, 2015, from ₹3.4 trillion at the end of September, 2015. Your Bank was able to maintain the excellent recovery rate inherited from the period when it was a micro-finance institution, and on April 1, 2016, in its portfolio of ₹12,437.55 crore (figure excludes the book placed with other financial institutions), restrict its NPA at ₹10.23 crore.
5. To align deposit rates to market rates and also to maintain a level playing field, interest rates on small savings schemes of the government, such as public provident fund (PPF), National Savings Scheme (NSC), and Kisan Vikas Patra, have been revised for the period April 1, 2016 to June 30, 2016.
6. The factors mentioned above under Indian economic scenario suggest that as growth accelerates, and as rapidly growing businesses turn to banks for their credit needs, India's banking sector may overcome the current problems and be poised for robust growth. Further, the advancements in technology have brought mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to its clients and also upgrading its technology infrastructure, in order to enhance the customer's overall experience as well as to give themselves a competitive



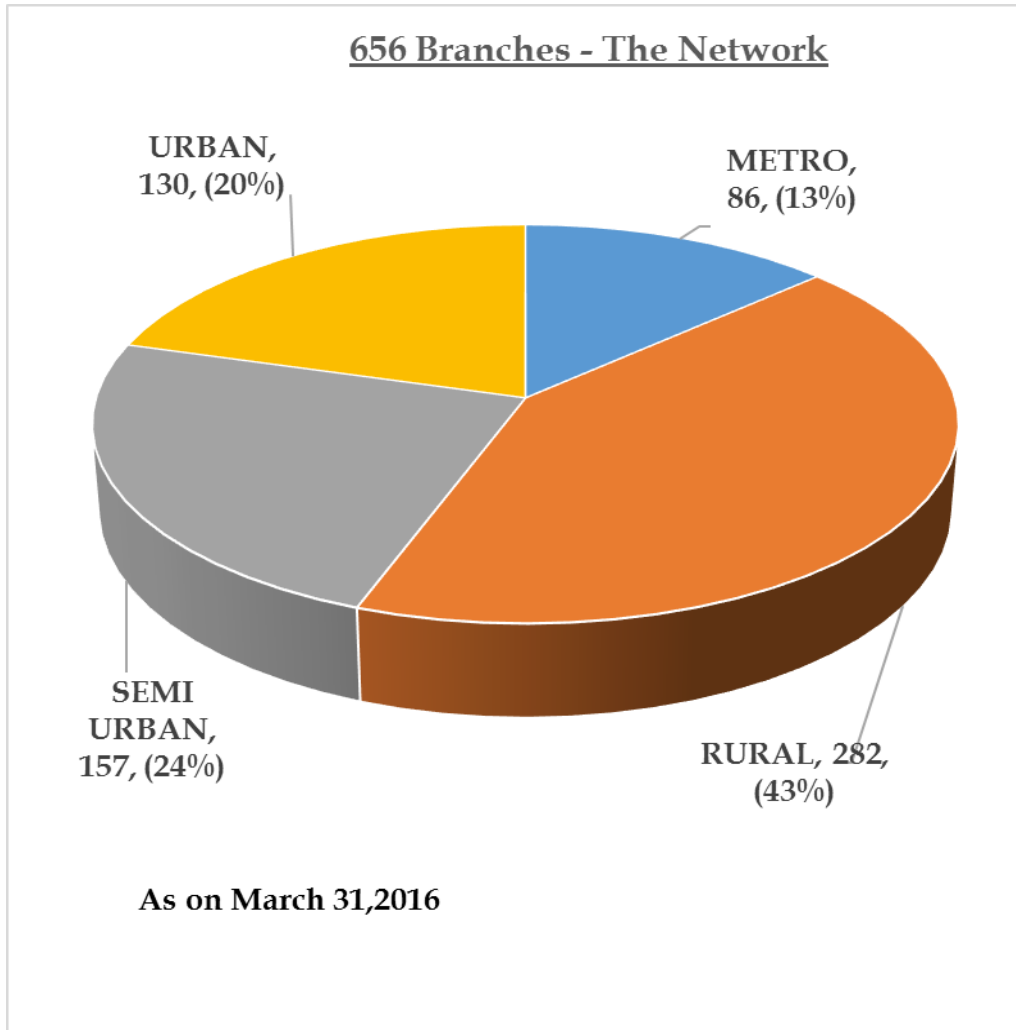


edge. Many banks are exploring the option to shortly launch contact-less credit and debit cards. The cards, which use near field communication (NFC) mechanism, will allow customers to transact without having to insert or swipe the card.

## **BANDHAN BANK'S OPERATIONS**

### **D. Performance of Bandhan's General Banking:**

1. Your Bank, with a wide range of products and services, aims to emerge as the preferred financial service provider to various customer segments. The Bank is working in a focused manner to establish itself as a 'one stop shop' financial services provider of various deposit products, debit cards, bill payments and several transactional services.
2. In seven months of its operation, your Bank has scaled up its branch distribution network to 656 by March 31, 2016. The breakup of its distribution network as given below demonstrates its resolve to have an appropriate balance among rural, semi-urban, urban and metropolitan. Your Bank shall continue to scale up its brick & mortar led distribution network appropriately to continue to grow its customer base.



3. There has been a healthy growth in your Bank's customer liability book during the financial year ended March 31, 2016. Overall deposits stood at ₹12,090.46 crore on March 31, 2016, against ₹1,222 crore on September 30, 2015.
  
4. The breakup of overall deposits between Demand Deposit (CASA) and Term Deposits is as under



			₹ in crore
As on	Demand Deposit (CASA)	Term Deposits	Total
September 30, 2015	327	895	1,222
March 31, 2016	2,606	9,484	12,090

5. Your Bank is committed to work towards multichannel servicing strategy, offering its customers the use of ATMs, internet, phone and mobile banking in addition to its branch network to serve their banking needs.
6. Under general banking, your Bank has initiated its Small and Medium Enterprises (SME) loan business through six Asset Centers across various geographical locations. At present, these six centers are at Agartala, Berhampore, Guwahati, Kolkata, Patna and Siliguri. As at the close of the financial year 2015-16, the SME portfolio stood at ₹65.00 crore across 5,929 borrowers.

#### **General Banking: Small and Medium Enterprises Loan**

**No of Borrowers** : 5,929

**Asset Book (in Crore)** : ₹65.00

**No of Asset Centers** : 6

7. The Bank extended working capital, term loan, and project finance facilities to SME customers. The gamut of products includes fund-based and non-fund based products catering to various credit requirements and with flexible tenures ranging from short to long term. The Bank focused on customers rated BB4 and above, and on maintaining a diversified loan book with a lower risk of default.



8. The SME started well and the portfolio behavior remained healthy. The Bank endeavored to build up strong, healthy and sustainable relationships with its SME customers with a focused approach and commitment to render timely and adequate support. The Bank participated in various exhibitions and trade fairs to support and cater to the SME business. Successful participation in such exhibitions and trade fairs has also helped the customers to understand the importance of innovation, marketing, technology and use of social media to grow their businesses in consonance with the growth of the Bank.
9. Going forward, the Bank's retail loan book, with a focus on housing and vehicle loans, is expected to report faster growth. The initiative will be supported by the acquisition of a large customer base, multiple product offerings and cross selling. With the onset of a new business segment named "Small Enterprise Loan" (SEL) which will cater to the credit requirement between ₹1.00 lakh and ₹10.00 lakh, the SME business plan for 2016-17 proposes to focus on the following to accentuate its normal SME portfolio. :
- Loans having ticket size of less than ₹10.00 lakh;
  - Diversified , innovative and tailor-made loan products;
  - Setting up additional Asset Centers in locations of business potential;
  - Risk management capabilities by enhancing the early warning system model based on holistic customer information, and developing advanced rating tools; and,
  - Building capabilities in Trade Finance and Supply Chain Finance business.
10. The main reasons for the planned focus on Retail Lending are risk diversification, availability of a business opportunity, and a favourable regulatory framework. Risk in retail lending is higher as compared to corporate lending. But on an overall basis, the risk reduces since risks get



spread over a number of borrowers rather than being concentrated in a few individuals or few sectors. The penetration of retail lending in India is amongst the lowest in the world. It is much higher not only in the developed world but also in some of the developing countries, especially South East Asia. Experience shows that risks in retail lending are much lower than anticipated.

11. The regulatory framework is also helping to create a support system to ensure that retail loans are available to every strata of society. As per Priority Sector lending (PSL) guidelines of Reserve Bank of India, vide Circular no RBI/2014-15/573 dated April 23, 2015, housing loan to individuals up to ₹ 28 lakh in metropolitan centers (population above 10 lakh) and loan up to ₹ 20 lakh in other centers qualify as PSL provided the total cost of the dwelling unit does not exceed ₹35 lakh in metropolitan centres and ₹ 25 lakh in other centers. Also loans for repair and renovation of dwelling units up to ₹5 lakh in metropolitan centres and ₹2 lakh in other centers qualify for PSL Loans sanctioned for construction of dwelling units for Economically Weaker Sections (with annual income up to ₹2 lakh), where total cost does not exceed ₹10 lakh qualify for PSL Retail asset portfolio of your Bank as on March 31, 2016, excluding SME loans, under general banking stood at ₹ 60.34 crore with 1,422 loan accounts.

#### **E. Performance of Bandhan's Micro Banking:**

1. Your Bank is committed to serve the customer base that the Indian banking system has failed to reach satisfactorily so far. Reflecting this, the book value of the Micro Banking vertical's aggregate asset portfolio on March 31, 2016 stood at ₹15,459.47 crore. This asset book was ₹5,904 crore larger than ₹9,555.50 crore, which was the book size on March 31, 2015 of Bandhan Financial Services Limited (BFSL) as per its MIS report. The increase in



book size was mainly due to enhancement in loan ceilings matching up with the demand of the borrowers.

2. BFSL, as a non-bank finance company, could not mobilise deposits. Your Bank, which is empowered to garner deposits, achieved reasonable success in mobilizing deposits from its microfinance customers as well. The book value of its micro-banking deposits (both CASA and Term Deposit) as on March 31, 2016 stood at ₹1,788.6 crore

₹ in crore		
	CASA Deposits	Term Deposit
As on March 31, 2016	1,682.09	106.51

3. The Micro Banking Products are as follows:

- i. **Suchana Loan-** ₹1,000 to ₹25,000 (No Processing Fee) - Loan size is upto ₹25000/- and is sanctioned to Micro Banking customers for deploying in eligible income generating activities.
- ii. **Srishti Loan-** ₹25,000 to ₹100,000 - Loan size is above ₹25000/- and is sanctioned to Micro Banking customers for expanding their business enterprise.
- iii. **Suraksha Loan-** up to ₹10,000 - Loan size is upto ₹ 10000/- and is sanctioned to Micro Banking customers to meet emergency expenses due to health issues.
- iv. **Susiksha Loan-** up to ₹10,000 - Loan size is upto ₹ 10000/- and is sanctioned to Micro Banking customers to meet expenses towards education of their children.

4. Board and Management are fully aware that one of the key ingredients of success for the Bank is going to be its appropriately skilled and dedicated human resources. To build up a robust pool of skilled manpower, the Bank



successfully conducted training programs at its Learning Centre at Rajpur. Apart from Rajpur, your Bank also has seven other training centres at various locations. Together with training at these centres, your Bank is committed to building up a strong team spirit and sense of ethics, and a customer friendly attitude throughout the organization.

**For and on behalf of the Board of Directors  
Bandhan Bank Limited**

**Place: Kolkata**

**Date: May 11, 2016**

**Sd/-  
Chairman  
(Ashok Kumar Lahiri)  
(DIN: 07234290)**