

Integrated Report  
**2019-20**



**Nurturing Relationships**



**Driving Efficiency**



**Creating Value**

# Bandhan Bank Integrated Report 2020

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## 1 About the report

### 1.1 Reporting Framework and scope

This is Bandhan Bank's ('Bank') first Integrated Report which present a range of financial and non-financial disclosures to inform its stakeholders how different 'capitals' are being deployed to achieve the inclusive growth and wealth building of the nation. The Bank's Integrated Report has been prepared in line with the requirements of the International <IR> Framework developed by the International Integrated Reporting Council (IIRC).

The financial information in this Integrated Report for the year 2019-20 has been taken from the standalone financial statements of the Company, which have been audited by independent auditors. The non-financial information (environmental and social performance data) presented in this Report for the year 2019-20, also appears in Bandhan Bank's Annual Report 2020.

Bandhan Bank has deployed a Reporting System to collect, collate and analyse the environmental and social data. The said system is equipped with strong internal controls to ensure source-credibility and that the disclosures made in this Integrated Report are backed by integrity of the underlying data and have been appropriately verified. The data for environmental and social performance is based on the actual performance of various office complexes of the Bank.

### 1.2 Responsibility Statement

The contents of this Report have been prepared by the management and were reviewed and approved by appropriate authority.

### 1.3 External Environment

A comprehensive discussion on the significant socio-economic, environmental, regulatory and macro-economic factors that constitute the external environment in which the Bank operates and the impact of these factors on Bank's ability to create value is presented in the 'Boards' Report and Management Discussion and Analysis' section forming part of Annual Report 2019-20.

### 1.4 Capital deployed

An organization depends on various forms of capital for their operations. The Bank's integrated reporting consider the following capitals. The following categorisation and description of the various capitals are aligned to the International <IR> framework:

**Financial Capital** - Pool of funds available for various products and services of the Bank

**Human Capital** - Competencies, capabilities and experience of human resources and their ability to innovate.

**Social and relationship Capital** - Institutions and relationships with the stakeholders

**Natural Capital** - All renewable and non-renewable environmental resources and processes that provide goods and services that support past, current or future prosperity

**Manufactured Capital** - Physical objects (buildings, equipment, infrastructure) available

**Intellectual Capital** - Intellectual property such as trademarks, rights and licenses and organisational capital such as tacit knowledge, systems, procedures and protocols

### 1.5 Stakeholder Engagement Framework

The Bank acknowledges its responsibility in meeting stakeholder expectations in today's fast changing socio- economic, political and business landscape. The "High touch model of banking" with its customers is unique to the Bank. Stakeholders and society at large plays an important role in ensuring that Bank continues to create larger societal value.

In line with the principles of the International Integrated Reporting Council ('IIRC') International <IR> Reporting a stakeholders' engagement framework has been developed which is based on materiality,

completeness and responsiveness of the engagement. The Bank aims to have a transparent and ethical relationship with all its stakeholders and engages with them through multiple mediums. These engagements have enabled the Bank to derive insights into the needs of stakeholders and develop appropriate responses.

### 1.5.1 Key stakeholders

The key stakeholder groups include shareholders, customers, employees, local communities, channel partners and suppliers, Central and State Governments, regulatory/statutory authorities, media and others. The engagement approach takes into account that each stakeholder group is unique and has a distinctive set of priorities. Insights gathered from stakeholder engagements, help validate the Bank's performance and shape new perspectives.

#### 1.5.1.1 *Shareholders and Investors*

Regular interactions including meetings/analyst meet/investor meets help in engaging and capturing their inputs, work on them and respond accordingly.

#### 1.5.1.2 *Customers*

Customers are engaged proactively and their interactions during transactions are captured and responded. The Bank has a unique "High Touch Model" that goes beyond banking and provides a focused approach on the customer's banking and non-banking requirements. Their responses are critical in shaping Bank's business model.

#### 1.5.1.3 *Employees*

The Bank has a comprehensive employee engagement programme through continuous learning and development, knowledge management, team building exercise, health and wellness and celebrations. The Bank has a robust appraisal system that capture employee's feedback and inputs. These help in taking necessary steps to work on it and respond appropriately.

#### 1.5.1.4 *Local communities*

The Bank has both internal and independent engagement with the local communities using tools like focused group discussions; participatory rural appraisals and key stakeholders meeting. Through these engagement inputs and feedback on any projects or any inputs for the Bank is taken and help in framing an appropriate response.

#### 1.5.1.5 *Channel partners and suppliers*

The Bank's channel partners and suppliers provide their inputs during structured meetings. The supplier's engagement meeting help in engaging and capturing their inputs, work on them and respond accordingly.

#### 1.5.1.6 *Central and state government*

The Bank holds regular meetings with various central and state government agencies for inputs on their expectations and respond accordingly.

#### 1.5.1.7 *Regulatory bodies*

The Bank maintains a continuous flow of information sharing and engagement of the regulatory bodies. Their inputs and responses are taken on a priority basis and necessary compliances are maintained and shared.

#### 1.5.1.8 *Media*

Bank has a dedicated corporate communication team for media engagement and capturing their inputs and respond accordingly.

### 1.5.2 Stakeholders Relationship Committee

The Bank has a Stakeholders Relationship Committee of the Board, constituted in accordance with the provisions of Section 178(5) of the Act and Regulation 20 of SEBI LODR, to specifically look into various matters relating to shareholders/investors, including transfer and transmission of shares, issue of share

certificates (including issue of renewed or duplicate share certificates), share certificates after transmissions, dematerialisation, re-materialisation and so on.

### 1.5.3 Materiality and Scope of the Integrated Report

This report includes information, which is material to all our stakeholders, and it presents an overview of our businesses and associated activities. The report discloses matters that substantially impact or affect the Bank’s ability to create value. The materiality determination process carried out and presented here.

The sensitivity of an issue to stakeholders and to the Bank, in terms of importance, forms the basis of the materiality analysis, which in turn guides the processes for identifying, managing and devising specific action plans for addressing these material aspects. The outcome of the materiality analysis is presented in the form of a matrix that depicts the material topics based on two dimensions –importance to stakeholders and importance to the Bank’s Businesses. The topics have been categorised relative to each other and the placement of a topic under the ‘low’ importance category only implies that existing systems and controls are commensurate with stakeholders’ present priorities.

Table 1: Bank Materiality Matrix

Importance to Stakeholders	High		❖ Local community development ❖ Sustainable Livelihoods	₹ Customer data privacy ₹ Financial performance ❖ Employee engagement ◆ Statutory compliances ◆ Responsible products and services ❖ Customer value	
	Medium	⚙ Sustainable management of natural resources	❖ Human Rights ❖ Marketing and communications	❖ Learning and development ❖ Health and Safety ❖ Ethics, Transparency and Accountability ₹ Asset, risk and security	
	Low	❖ Public Policy Advocacy	⚙ Environment management	❖ Corporate Governance	
		Low	Medium	High	
		Importance to Bandhan Bank			
		₹ Economic	⚙ Environmental	❖ Social	❖ Social-Economic and Environmental

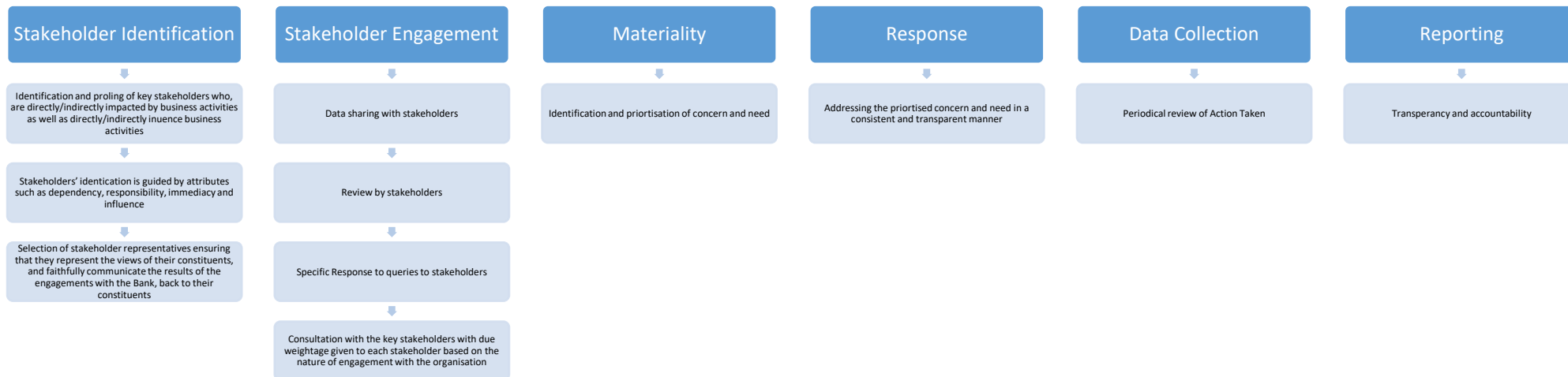


Figure 1 Stakeholders Engagement and Reporting Process

Table 2 Identified Stakeholders wise Engagement and Response Matrix

Stakeholders	Stakeholders Interest / concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
Shareholders and Investors	<ol style="list-style-type: none"> <li>1. Improved profitability and growth of the organisation</li> <li>2. Sound corporate governance mechanisms</li> <li>3. Compliance</li> <li>4. Transparent and effective communication</li> <li>5. Investor servicing</li> </ol>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Exclusive section in bank's website on 'Investor relations' which serves to inform and service shareholders</li> <li>• Dedicated separate email and contact no. for institutional investors and retail shareholders</li> <li>• KMPs contact for determination of materiality</li> <li>• Regular interaction with institutional investors and investor meet</li> <li>• Quarterly report</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Growth and Profitability</li> <li>• Policies for Ethical Conduct and corporate governance</li> <li>• Increased interaction with investors during the year</li> <li>• Non-financial disclosures include in the Annual Report by adopting the Integrated Reporting framework</li> <li>• Communicating on strategic objectives during the quarterly results call with investors and increased disclosures</li> <li>• HR Policy on Commitment to Regulators and Stakeholders</li> </ul>
Customers	<ol style="list-style-type: none"> <li>1. Convenience and Ease of Transacting Across Channels</li> <li>2. Responsive, skilled and considerate staff</li> <li>3. Innovative technology applications</li> <li>4. Availability of relevant product/service quality and security</li> <li>5. Quick response to issues raised through grievance redressal mechanisms</li> <li>6. Adequate information on products/services</li> <li>7. Advanced Analytics</li> <li>8. Transparent communication</li> <li>9. Product/service availability On time delivery of product/service</li> <li>10. Maintenance of privacy/confidentiality</li> </ol>	<ul style="list-style-type: none"> <li>• Interaction with Bank employees</li> <li>• Structured surveys for seeking feedback</li> <li>• Door step banking centres and home visits - 'High touch model'</li> <li>• Financial Literacy programme and customer meets</li> <li>• Communication through print, digital and social media</li> <li>• Digital connect through online Chat bots, web portal, mobile app, sms service and tele banking</li> <li>• 24X7 toll free number for round the clock help</li> <li>• Dedicated customer care helpline and email</li> <li>• Dedicated banking support contacts</li> </ul>	<ul style="list-style-type: none"> <li>• Being 'Fair to Customer, Fair to Bank' is a core element of the Bank's approach</li> <li>• Enable new Products /Channels including Apps for digital payments and banking</li> <li>• Making personalized recommendations with RM</li> <li>• Awareness on data security and privacy</li> <li>• Customer service policies</li> <li>• Customer grievance redressal policy</li> <li>• Customer relations policy</li> <li>• Customer rights policy</li> <li>• Customer compensation policy</li> <li>• Deposit policy</li> <li>• Cheque collection policy</li> </ul>



Stakeholders	Stakeholders Interest / concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
	<ol style="list-style-type: none"> <li>11. Fair and competitive deposits and interest rates</li> <li>12. No information overload /spamming and connecting at convenient time</li> <li>13. Financial planning advice</li> </ol>	<ul style="list-style-type: none"> <li>• Dedicated relationship managers for high value customers</li> <li>• Dedicated services for differently abled customers</li> <li>• Multiple channels available for raising Customer queries and grievances</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on collection of dues and repression of securities</li> <li>• Dedicated customer service team focussed on improving process efficiencies and leveraging technology to improve response time to customers</li> <li>• Continuous upskilling and knowledge building of staff</li> <li>• Policy on Vigilance and Whistle Blower Mechanism</li> <li>• HR practices on Ethical Practices, including conducting business with honesty and the highest ethical standards and zero tolerance towards bribery and corruption</li> </ul>
Employees	<ol style="list-style-type: none"> <li>1. Caring and empowering work environment</li> <li>2. Personal development and growth</li> <li>3. Health and safety</li> <li>4. Responsive grievance handling process</li> <li>5. Employee benefits and competitive compensation</li> <li>6. Employee welfare and social security</li> <li>7. Employee alignment to common organisation goals</li> </ol>	<ul style="list-style-type: none"> <li>• Induction programmes /trainings /workshops</li> <li>• Individual performance appraisal</li> <li>• Grievance handling processes</li> <li>• Prevention of Sexual Harassment framework</li> <li>• Workplace environment and health safety</li> <li>• Continuous engagement</li> <li>• Periodic communication meetings anchored by leadership</li> <li>• Employee engagement, wellness, team building and celebration events</li> </ul>	<ul style="list-style-type: none"> <li>• Care for employees through leave policies and catering to their different needs including life-stage needs</li> <li>• Focussed leadership and career mobility programmes</li> <li>• Learning Management System</li> <li>• Performance Management System</li> <li>• Employee benefits includes asset acquisition at discounted interest rates, ESOP, health insurance etc.</li> <li>• PF and other employee welfare and social security schemes</li> <li>• Policy on Vigilance and Whistle Blower Mechanism</li> <li>• HR Policy on Ethical Practices</li> </ul>

Stakeholders	Stakeholders Interest / concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
			<ul style="list-style-type: none"> <li>• HR Policy on Workplace health and safety</li> <li>• HR Policy on Prevention of Sexual Harassment framework</li> <li>• HR Policy on Grievance redressal mechanism framework</li> </ul>
Channel partners and suppliers	<ol style="list-style-type: none"> <li>1. Knowledge and infrastructure support</li> <li>2. Regular communication and updates on business plans</li> <li>3. Inclusion of local medium and small scale enterprises in vendor base</li> <li>4. Competency development of local vendors</li> <li>5. Stability/ tenure of relationship</li> <li>6. Ordering and payment routines</li> <li>7. Purchase prices</li> </ol>	<ul style="list-style-type: none"> <li>• Vendor meets</li> <li>• Pre-agreement negotiations</li> <li>• Procurement agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure facilities to service providers</li> <li>• Vendor relationship and training</li> <li>• Transparent and accurate disclosure</li> <li>• Dedicated purchase team and procurement policy</li> <li>• Timely and consistent payment cycles</li> </ul>
Local Communities	<ol style="list-style-type: none"> <li>1. Community development programmes based on local</li> <li>2. communities' needs</li> <li>3. Strengthening of livelihood opportunities</li> <li>4. Improvement of social infrastructure for hygienic and healthy living environment</li> <li>5. Dignity of life through economic and social empowerment</li> <li>6. Financial literacy and improving access to financial services especially in rural areas</li> </ol>	<ul style="list-style-type: none"> <li>• Community needs assessment activities undertaken in collaboration with independent parties/civil society organisations</li> <li>• Formation of village institutions and regular meetings thereon</li> <li>• Assessment of direct and indirect impacts of Bank's CSR on communities</li> </ul>	<ul style="list-style-type: none"> <li>• Bank's CSR programme geared to the local communities' aspirations and need</li> <li>• Financial literacy and financial inclusion through door step banking using handheld devices</li> <li>• Serving the ultra-poor women for socio-economic upliftment and sustainable livelihoods</li> <li>• Skill development of the unemployed youth and making them employable</li> <li>• Provide necessary infrastructure for sanitation and safe drinking water</li> </ul>

Stakeholders	Stakeholders Interest / concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
Central and State governments	<ol style="list-style-type: none"> <li>1. Aadhar Linkages</li> <li>2. Social Security Schemes</li> <li>3. NABARD and credit linked schemes</li> </ol>	<ul style="list-style-type: none"> <li>• Awareness generation on various central and state government schemes</li> <li>• Regular meeting with various central and state government departments</li> <li>• Participation in NABARD linked programme</li> </ul>	<ul style="list-style-type: none"> <li>• Aadhar linkages and Pradhan Mantri Jan Dhan Yojana (PMJDY)</li> <li>• KCC and government scheme related products / services in agriculture and allied sector</li> <li>• Affordable housing schemes</li> <li>• MUDRA scheme related reporting</li> </ul>
Regulatory bodies	<ol style="list-style-type: none"> <li>1. Compliance with rules and regulations</li> <li>2. Know your customer</li> <li>3. Fair treatment of customers</li> <li>4. Role in development of the financial system</li> <li>5. Banks acting as first line of defence against financial crimes</li> </ol>	<ul style="list-style-type: none"> <li>• Periodic meetings with regulatory bodies</li> <li>• Mandatory filings with regulators including RBI and SEBI</li> <li>• Participation in policy forums</li> <li>• Other forms of communication like emails, letters, etc.</li> <li>• Supervisory visits and meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance culture driven by senior leadership</li> <li>• A dedicated team for communicating with regulators and responding to them in a time-bound manner</li> <li>• Well-defined processes and leveraging technology to improve response to regulators</li> <li>• HR Policy on Regulators and Stakeholders and ensuring accurate records, reporting requirements</li> </ul>
Media	<ol style="list-style-type: none"> <li>1. Transparent and accurate disclosure to stakeholders</li> <li>2. Responsible corporate citizenship</li> <li>3. Corporate reputation</li> </ol>	<ul style="list-style-type: none"> <li>• One-on-one media interaction</li> <li>• Press conferences/press releases</li> <li>• Advertisements/promotions</li> <li>• Interviews with senior management</li> <li>• Dedicated corporate communication team</li> <li>• Media section in Bank's website</li> <li>• Dedicated email and contact for media</li> </ul>	<ul style="list-style-type: none"> <li>• HR Policy on Public Communication and acceptable use of social media</li> </ul>

## 1.6 Risk Management Framework

The Bank, constantly review the principal risks regularly, because of the dynamic environment where new risks may arise or previously identified risks may have a different impact. Effectively managing risks is the responsibility of all employees. Managers are accountable for successfully managing the risks they own. The Board needs reasonable assurance that our risk management and reporting systems remain sound. So there is a range of policies and processes involving both internal and independent controls: Internal Audit and external auditors. Together, they aim to help the Bank achieve its business objectives while cutting to an acceptable minimum the risk of operational failures, misstatements, inaccuracies and errors, fraud and noncompliance with laws and regulations.

### Risk Management Principles

The Bank operates a Three Lines of Defence (“3LoD”) risk management model. The 1st Line of Defence (“1st LoD”) is all the business divisions and service providing divisions who are the “owners” of the risks. The 2nd Line of Defence (“2nd LoD”) comprises all the independent risk and control functions. The 3rd Line of Defence (“3rd LoD”) is Audit, which assures the effectiveness of our controls. All the 3 LoDs are independent of each other and accountable for maintaining structures that ensure adherence to the design principles at all levels.

All material risk types are managed via risk management processes. These include credit risk, credit concentration risk, market risk, operational risk, fraud risk, outsourcing risk, liquidity risk, interest rate risk in banking book, strategic risk & business risk, reputational risk, legal & compliance risk and Information Security (InfoSec) risk. Scenarios and measurement approaches for quantifying risk and capital demand are implemented across the material risk types.

Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics. Systems, processes and policies are critical components of our risk management capability.

### 1.6.1 Risk Governance

The Bank’s Board, through Risk Management Committee of the Board (RMCB), is informed regularly and – as necessary – on special developments in our risk situation, risk management and risk controlling. They are also informed about our reputation and material litigation cases.

At the meetings of the RMCB, the Management reports on credit, market, liquidity, business, compliance, model, operational as well as litigation and reputational risks. It also reports on credit risk strategy, and credit portfolios, among others. The Risk Committee deliberates with the Management on issues of aggregate risk disposition and risk strategy. It also supports the Board in monitoring the implementation of this strategy.

The Audit Committee monitors, among other matters, the effectiveness of the risk management system, particularly the internal control system and the internal audit system.

The Chief Risk Officer (CRO) has direct management responsibility for all the risk management functions such as Credit Risk Management, Market Risk Management, Operational Risk Management and Liquidity Risk Control. In addition, the CRO is also responsible for monitoring, analysing and reporting risk on a comprehensive basis. This also includes the asset and liability gap, capital, liquidity, legal, compliance and regulatory risks, as well as other non-financial risks.

These are established with the mandate to:

- i. support that the business within each division is consistent with risk appetite that has been set within the Risk Appetite Framework, established by the Board,
- ii. determine and implement risk and management policies, procedures and methodologies that are appropriate to the businesses within each division,
- iii. recommend to the Board/RMCB to approve credit, market and liquidity risk limits,

- iv. conduct periodic portfolio reviews to keep the portfolio of risks within acceptable parameters, and, develop and implement risk management infrastructures and systems that are appropriate for each division.

Independence of the CRO is ensured through a fixed tenure and periodic reviews by the Board and RMCB. Several specialised teams such as Credit Risk, Market Risk, and Information Security, among others, within the risk management functions, cover the overarching aspects of risk management. Their mandate is to provide an increased focus on holistic risk management and cross-risk oversight to further enhance the risk portfolio steering. The key objectives are to:

- i. drive key strategic cross-risk initiatives and establish greater cohesion between defining portfolio strategy and governing execution, including regulatory adherence,
- ii. provide a strategic and forward-looking perspective on the key risk issues for discussion at senior levels within the Bank (risk appetite, stress testing framework), and
- iii. strengthen risk culture in the Bank and foster the implementation of consistent risk management standards.

For more information on the Risk Management Framework, please refer to the Risk Management section of the Report of the Board of Directors forming part of Bandhan Bank's Annual Report 2020.

## 2 Forward-looking Statement

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Bank's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events. The Bank cannot guarantee that these assumptions and expectations are accurate or will be realised. The Bank's actual results may differ materially from those suggested by such future looking statements due to certain risks associated with our expectations with respect to, but not limited to, future circumstances such as technological changes, the impact of changes in banking regulations and other regulatory changes on the Bank in India and other jurisdictions, natural calamities, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, etc. The Bank assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events. The Bank has sourced the industry information from the publicly available resources and has not verified those information independently.

### 3 Deployment of Capital and value created

Capitals Deployed	Value Driving Focus	Key Business and Non Business Activities of the Bank	Associated Risks and Opportunities	Key Outcomes derived from the Deployment of Capital
<p>Financial Capital</p> <ul style="list-style-type: none"> <li>Shareholders' Investments - Rs. 15,195 Crore</li> <li>Customers' deposits - Rs. 50,718 Crore</li> <li>Reserves and Surplus - Rs. 13,585 Crore</li> <li>Retained earnings - Rs. 13,585 Crore</li> <li>External Borrowing - Rs. 16,379 Crore</li> <li>Revenue Expenditure - Rs. 2,427 Crore</li> <li>Capital Expenditure - Rs. 212 Crore</li> </ul>	<ul style="list-style-type: none"> <li>Maintain strong capital base by growing focus on retails deposits and high value accounts</li> <li>Keep NPAs within the acceptable parameters</li> <li>Improving net interest margins</li> <li>Diversification of asset portfolio with modern underwriting and collection capabilities.</li> <li>Strengthening people capabilities, including by hiring fresh talent, for growth.</li> <li>Development of in-house technology, analytics and digital capabilities.</li> <li>Improving CASA ratio, ROAA and ROAE by developing deeper customer engagement leveraging digital and analytics.</li> <li>Given the huge untapped opportunity in the micro-finance industry in India, the bank in the medium term will continue to expand its current geographic reach and increase its presence in underbanked areas across the country</li> <li>The bank will leverage its micro finance experience and upgrade its top-bracket micro banking</li> </ul>	<p><b>A. Asset Business</b></p> <ul style="list-style-type: none"> <li><b>Priority Sector Lending and Investment</b> - As against the mandate of 40% the bank has 90.19% of PSLC.</li> <li><b>Micro Banking</b> <ol style="list-style-type: none"> <li><b>Group Loans</b> <ol style="list-style-type: none"> <li>Micro Loan <ul style="list-style-type: none"> <li>Suchana Loan</li> <li>Srishti Loan</li> <li>Su Briddhi</li> </ul> </li> <li>Micro Customer Loan <ul style="list-style-type: none"> <li>Suraksha Loan</li> <li>Susiksha Loan</li> </ul> </li> </ol> </li> <li><b>Individual Loans</b> <ol style="list-style-type: none"> <li>Individual Business Loans</li> <li>Micro Home Loans</li> </ol> </li> <li><b>Small Enterprise Loan (SEL)</b></li> <li><b>Small and Medium Enterprise Loan (SME) including NBFCs</b></li> <li><b>Retail Assets</b></li> <li><b>Agri-Business</b></li> </ol></li></ul> <p><b>B. Liability Business</b></p> <ul style="list-style-type: none"> <li><b>1,018 Branches and 485 ATMs.</b></li> <li><b>Third Party Products</b> <ol style="list-style-type: none"> <li><b>Mutual Fund</b></li> <li><b>Health Insurance</b></li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>The global economic growth has weakened severely due to the impact of coronavirus COVID-19 outbreak. The International Monetary Fund (IMF) in its June 2020 report predicts that the global economic growth would contract by 4.9 per cent during 2020, downgrading from of 8.2 percentage points since January 2020.</li> <li>Loss of customers' trust on private Banking sector post Yes Bank moratorium announcement</li> <li>64% of loan book tied to High risk microloan portfolio</li> <li>91% priority sector loan</li> <li>Rs. 31 Crore Standard Asset provisioning on microloan portfolio</li> <li>Additional Rs. 69 Crore standard advances provisioning against</li> </ul>	<p>Financial</p> <ul style="list-style-type: none"> <li>Total Deposits - Rs. 57,082 Crore</li> <li>Total loans and advances - Rs. 71,746 Crore</li> <li>Total Income - Rs. 7,873 Crore</li> <li>Operating Profit - Rs. 5,446 Crore</li> <li>PAT - Rs. 3,024 Crore</li> <li>Market Capitalisation - 32,809 Crore</li> <li>Contribution to National Exchequer (All Taxes) - Rs. 1,029 Crore</li> </ul>

	<p>customers to provide them individual loans.</p> <ul style="list-style-type: none"> <li>• The bank will also utilize the skills and expertise of GRUH Finance to penetrate strongly in the affordable housing segment.</li> <li>• The MSME segment is expected to contribute highly to the growth story with rising demand from the diverse business entities in the country.</li> <li>• the bank will continue to engage with the community through strategic interventions aimed at contributing to the society.</li> </ul>	<ul style="list-style-type: none"> <li>c. <b>Life Insurance</b></li> <li>d. <b>General Insurance</b></li> <li>e. <b>Co-Branded Credit Cards</b></li> <li>f. <b>Government Schemes</b> <ul style="list-style-type: none"> <li>▪ <b>Atal Pension Yojna</b></li> <li>▪ <b>NPS Lite Swavalamban scheme of PFRDA</b></li> </ul> </li> <li>g. <b>Merchant acquiring Business</b></li> <li>h. <b>Digital Banking</b></li> </ul>	<p>potential impact of COVID-19 fallout</p> <ul style="list-style-type: none"> <li>• However, 80% of the borrower's profile are resilient to COVID-19 fallout, whereas 16% are vulnerable to low impacts and only 4 % are likely to be impacted to some extent</li> <li>• Bank's core geographies - eastern and north-eastern region are relatively less impacted by COVID-19</li> <li>• Deep penetration in tier 3-6 locations gives the bank a competitive advantage as 78% of the portfolio is rural and semi-urban</li> <li>• Historically, microloan portfolio has shown higher resilience during crisis and the bank outperforms largely due to higher customer vintage, loyalty and strong connect and was not impacted during the industry crisis caused due to market disruptions like demonetisation, introduction of GST, farmer loan waiver,</li> </ul>	
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			<p>cyclone Fani in Odisha, civil unrest in Assam</p> <ul style="list-style-type: none"> <li>• Cyber Security Risk are relatively lower and technology disruption and less significant in rural and semi urban area</li> <li>• Pressure on Banking margins</li> <li>• New products for MSME sector</li> <li>• Rural infrastructure needs a government backed DFI to address market failures</li> </ul>	
<p>Human Capital</p> <ul style="list-style-type: none"> <li>• 39,906 Direct Employees</li> <li>• 1,30,384 person days of formal training</li> </ul>	<ul style="list-style-type: none"> <li>• Steady talent induction for creating steady talent pool for succession and growth- the Bank remained fastest growing employer in Banking sector</li> <li>• Sensitive Performance Management System and competency based promotion process to nurture identified talent</li> <li>• Structural adjustment in cost to reduce employee share to total cost</li> <li>• Empowering senior and middle management</li> <li>• Massive reskilling</li> <li>• Employee engagement activities and incentive programme helps stimulate young professionals</li> </ul>	<ul style="list-style-type: none"> <li>• Creating trained pool of resources via NextGen Banker's Programme</li> <li>• Through its eleven residential training centres across the country, and through a wide range of training programmes, your Bank has provided training to employees across departments and functions, to build their professional competence and improve their skill sets,</li> </ul>	<ul style="list-style-type: none"> <li>• Attracting and retaining the best talent given the multitude of options available to skilled professionals</li> <li>• Ensuring harmonious employee relations to enable smooth functioning and productivity enhancement</li> <li>• As the Bank's fundamental remained strong there was no lay-offs or salary cuts because of COVID-19 fallouts</li> </ul>	<p>Human</p> <ul style="list-style-type: none"> <li>• Employee growth 23% from 2018-19</li> <li>• Preferred Employer</li> </ul>



<p>Intellectual Capital</p> <ul style="list-style-type: none"> <li>The intellectual capital constitutes of the adoption of the information technology platforms, analytics, knowledge and expertise embedded in the system and processes and brand equity.</li> </ul>			<ul style="list-style-type: none"> <li>Innovation in mobile banking and digital payment will continue to outperform banking sector and popularise payment system outside formal banking</li> </ul>	<p>Intellectual</p> <ul style="list-style-type: none"> <li>The accessibility to borrowers through its hi-touch and hi-tech business model gives the Bank a market edge.</li> <li>64% Microloan to women – “Suchana”, “Srishti”; “Suraksha”, “Susikhsha”; “Samadhan”</li> <li>Hand-held devices that have data connectivity and provide basic banking transactions including account information, deposits, withdrawal and loan repayments on-the-go on a real time basis.</li> <li>Strong customer relationships have made the Bank a differentiated player today.</li> <li>Internet Banking and mobile Banking – mBandhan App meets the daily banking need of a customer with easy to use interface.</li> <li>Instant digital payment through Bhim Bandhan UPI App</li> <li>The Bank introduced tab-banking facility for its micro banking customers, which helps accelerate the account opening process and cut down on the overall turnaround time of on boarding a new customer. This process eases</li> </ul>
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				<p>paper work on documentation, reduces cost, minimises human error and gives the flexibility of serving customers beyond bank branches.</p> <ul style="list-style-type: none"> <li>• 91% priority sector lending</li> </ul>
<p>Social and Relationship Capital</p> <ul style="list-style-type: none"> <li>• CSR Expenditure - Rs. 67.09 Crore</li> </ul>		<p><b>Corporate Social Responsibility</b></p> <ul style="list-style-type: none"> <li>• Targeting the Hard-Core Poor</li> <li>• Health, Nutrition, Drinking Water and Sanitation</li> <li>• Education</li> <li>• Support to Person with Disabilities</li> <li>• Skill Development</li> <li>• Water Conservation</li> <li>• Afforestation</li> </ul>	<ul style="list-style-type: none"> <li>• Large unserved area possess potential for growth</li> <li>• Use of digital space and targeted marketing will attract right kind of customers</li> <li>•</li> </ul>	<p>Social and Relationship</p> <ul style="list-style-type: none"> <li>• 45,133 ultra-poor women's sustainable livelihood created</li> <li>• 13,04,557 women covered under preventive health, and 1,62,104 patients provided healthcare services</li> <li>• 13,49,690 households covered under nutrition programme</li> <li>• 99,302 children provided education support</li> <li>• 7,304 youths skilled for jobs in organised sector</li> <li>• 20.10 million customers</li> </ul>
<p>Manufactured Capital</p> <ul style="list-style-type: none"> <li>• Corporate and regional Offices</li> <li>• Branches - 1018</li> <li>• Banking units - 3541</li> <li>• ATMs - 485</li> <li>• Fixed Assets - Rs. 369 Crore</li> </ul>				<p>Manufactured</p>
<p>Natural Capital</p> <ul style="list-style-type: none"> <li>• The natural capital constitutes of the natural resources consumed by the</li> </ul>				<p>Natural</p> <ul style="list-style-type: none"> <li>• The Bank Head Office, Regional offices and Branches are fitted with energy efficient lightings systems</li> </ul>

<p>Bank to conduct its businesses and delivery of products and services. The energy consumption, carbon emissions, paper consumption and waste management impact this capital.</p>				<ul style="list-style-type: none"> <li>• HO located in Gold Standard Green Building</li> <li>• Plantation of 20 Ha. of mangrove plantation</li> <li>• 4,400 Tonnes Carbon sequestration</li> <li>• 30,000 Kilo Litre of rainwater harvesting potential created</li> <li>• ___ Mega Joules energy saved using energy efficient technologies</li> </ul>
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## 4 Strategic Focus area and value creation

### 4.1 Key Organisation Goals

The Bank has clearly laid out its aspirations to be an affordable financial institution by providing simple, cost-effective and innovative financial solutions in a courteous and responsible manner. It intends to create value for all stakeholders through a committed team, robust policies and superior systems and technology.

The Bank's 2025 vision is powered by the following objectives –

1. Banker for the new Indian, through every step of their aspiration journey
2. Serving needs of emerging India
3. Enabling entrepreneurs grow bigger
4. Value based 'employer of choice' – to attract high quality, motivated talent

In order to drive the vision of the Bank, the following would be the key focus areas in the next 5 years –

- Diversification of asset portfolio with modern underwriting and collection capabilities.
- Strengthening people capabilities, including by hiring fresh talent, for growth.
- Development of in-house technology, analytics and digital capabilities.
- Consolidate CASA by developing deeper customer engagement leveraging digital and analytics.

### 4.2 Value Creation Initiatives

#### 4.2.1 Bank's approach to value creation

Enabled by strong bureau infrastructure with about 62 per cent adult population coverage, retail lending portfolio is likely to expand further once the growth momentum recovers.

Commercial banking is expected to be a major engine of credit growth as penetration of formal credit improves with GST and digitization of transactions. Digital financial transactions are likely to exponentially grow, driven by UPI and Bharat Bill Pay. Consent based data sharing is expected to dramatically change Indian banking as banks' monopoly over customer data would go away.

Given the huge untapped opportunity in the micro-finance industry in India, the bank in the medium term will continue to expand its current geographic reach and increase its presence in underbanked areas across the country.

As part of its strategy, the bank has been part of various social development programmes to focus on enhancing education, health, poverty alleviation, livelihood promotion, market linkages, enterprise development, employment generation and financial literacy. Going forward, the bank will continue to engage with the community through strategic interventions aimed at contributing to the society.

The Bank is committed to execute its strategy ensuring professional integrity, corporate governance and ethical standards, and all legal and regulatory compliance.

#### 4.2.2 Value creation models

#### 4.2.3 Strategic enablers: Key differentiators

The bank will leverage its micro finance experience and upgrade its top-bracket micro banking customers to provide them individual loans. The bank will also utilize the skills and expertise of GRUH Finance to penetrate strongly in the affordable housing segment. The SME segment is expected to contribute highly to the growth story with rising demand from the diverse business entities in the country

#### 4.2.4 Execution of the value creation strategies

#### 4.2.5 Governance of the value creation strategies

The Bank has implemented robust internal controls across all processes and departments. These controls are driven through various well defined policies and procedures which are reviewed periodically. The Bank has a procedure of testing the controls at regular time spans for their design and operating effectiveness to ascertain the reliability and authenticity of financial information. The Bank currently has following nine Board Committees:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Risk Management Committee
4. IT Strategy Committee
5. Customer Service Committee
6. Corporate Social Responsibility Committee
7. Stakeholders Relationship Committee
8. Committee of Directors
9. Special Committee for Monitoring High Value Frauds

The details with respect to the composition, terms of reference, numbers of meetings held, etc. of these Board Committees are provided in the Board's Report on Corporate Governance.

### 4.3 Banking Products and Services

#### A. Micro Banking

1. The bank's micro finance strategy is guided by its philosophy of financial inclusion and economic empowerment of the disadvantaged sections of the society.
2. In FY 2019-20, your Bank opened 332 new Door Step Service Centres (DSC) Pan-India with sole focus of financial inclusion. Your Bank's commitment to financial inclusion is also reflected from the fact that it offered loans to 22,69,272 new borrowers in FY 2019-20. The growth of over 19.6 per cent in the aggregate micro-banking asset portfolio from INR 38,614.60 crore to INR 46,189.09 crore during FY 2019-20, is another indicator of our commitment.
3. In order to meet the financial requirements of our customers, the following are the key products offered by the bank -

#### I. Group Loans

##### a. Micro Loans

- Suchana Loan: Loan size is from INR 1,000 to INR 25,000 and is sanctioned to micro-banking customers for income generating activities.

- Srishti Loan: Loan size is from INR 25,001 to INR 1,50,000 and is sanctioned to micro-banking customers for expanding their business.
- Su Briddhi: Sanctioned to micro-banking customers to meet extra business requirement during their ongoing loan and extra capacity to repay

**b. Micro Consumer Loan**

- Suraksha Loan: Loan size is up to INR 10,000 and is sanctioned to micro-banking customers to meet emergency expenses due to health issues.
- Susiksha Loan: Loan size is up to INR 10,000 and is sanctioned to micro-banking customers to meet expenses towards education of their children.

**II. Individual Loans**

- a. Individual Business Loans: This loan is sanctioned to cater to the needs of micro entrepreneurs with established individual business.
  - b. Micro Home Loans: This loan is offered to micro-banking customers for repair and construction of own house.
4. The MFI Lending business vertical lends to Micro Finance Institutions, Society and Trusts engaged in micro finance activities. While most of these loans are given as Term Loans, the bank also has credit exposure through Direct Assignments. Leveraging its rich experience in micro banking, the bank has developed an internal credit rating model to assess the credit risk while lending to this segment.
- Your Bank has expanded its MFI lending business by providing financial assistance to Micro Finance Institutions operating across geographies namely Assam, West Bengal, Odisha, Punjab, Maharashtra, Tamil Nadu, Telangana, Uttar Pradesh, Karnataka, Kerala and NCT of Delhi.
  - The MFI lending portfolio stood at INR 2,476 crore on March 31, 2020.

**B. Small Enterprise Loan (SEL)**

1. Your Bank's portfolio in Small Enterprise Loan (SEL), a unique business loan product for small and mid-size entrepreneurs, is available in amounts between INR 1 lakh to INR 10 lakh. The loan outstanding was INR 2,065.95 crore as on March 31, 2020.

**C. Small & Medium Enterprises Loan (SME)**

1. The SME business vertical focuses on loans with ticket size of more than INR 10 lakh, which are extended to business entities involved in manufacturing, trading and services through products designed to cater to their specific business needs. This vertical also covers lending to NBFCs.
2. The range of products offered includes fund based facilities such as cash-credit, term loans, overdrafts, demand loan and non-fund based facilities such as bank guarantees and inland letter of credit.
3. In FY2019-20, lending to SMEs (including NBFCs) stood at INR 4281.68 crore, a growth of

54 per cent from last year.

4. With the focus on building a quality portfolio, the Bank leverages the branch channel as the primary source of business generation.

#### **D. Retail Assets**

1. Your Bank offers loans to individual retail customers (such as Home Loan, Loan Against property, Personal Loan and Two Wheeler Loan). As on March 31, 2020, the total retail asset outstanding stood at INR 19,309 crore.
2. With the acquisition of GRUH Finance, your bank has put forward a big step in expanding its retail portfolio. All loans provided by erstwhile GRUH Finance are now called GRUH home loans. These include loans for acquisition and construction of new residential property, renovation of existing residential property and loan against property. The mortgage portfolio of the bank stood at INR 18,578 Crore as on March 31, 2020.
3. During FY 2017-18, your Bank forayed into the gold loan business by commencing gold loan operations at 57 branches in eastern India. The number of branches grew to 177 in the FY 2019-20. In FY 2019-20, the bank had witnessed a significant growth of 73 per cent in gold loan portfolio and the loan book stood at INR 221.94 crore from 32,884 accounts.

#### **E. Agri Business**

1. In FY 2018-19, as a step forward towards the financial inclusion commitment of your Bank and to reach deeper in to the bottom of pyramid in the agriculture sector, the Bank launched Kisan Loan product under KCC scheme of the Reserve Bank of India.
2. Initially offered through selective branches in Madhya Pradesh, the Bank has expanded its' presence in Madhya Pradesh, Haryana and Punjab in FY 2019-20.
3. In FY 2019-20, your bank has built a loan portfolio of INR 18.09 crore.

#### **F. Liabilities**

1. In building its liability business, the strategic focus of the bank has been on retail customers. During the year, your Bank set up 32 new branches and 4 new ATMs. As a result, the branch distribution network went up to 1,018 branches and 485 ATMs in FY 2019-20.
2. The branch network has been distributed over different types of locations, to maintain an appropriate balance among rural (banked and unbanked), semi-urban, urban and metropolitan regions.
3. Your bank's customer deposits grew by 32 per cent during FY 2019- 20 (Table 1). The composition of deposits indicate that your Bank has been able to reduce its funding through bulk term deposits replacing it with retail deposits which comprises 78.4 per cent of total deposits. Your Bank's focus towards generation of low cost deposits has resulted in the growing its CASA book to 36.8 per cent at the end of the FY 2019-20.

(In INR crore)

Type of deposit	As at March 31	
	2020	2019
<b>Total</b>	<b>57,082</b>	<b>43,232</b>
Of which:		
Current account	3,301	3,610
Savings account	17,727	14,008
Term deposits	36,054	25,614
Of which		
Retail term deposit	23,742	15,827
Bulk term deposit <sup>^</sup>	12,312	9,787

<sup>^</sup> Term deposit of INR 2 crore and above

### Third-party Products

1. The strategic focus of the bank is to become a one-stop-shop experience for all banking services to its customer Accordingly, the bank has a distribution model for third party products. In order to further strengthen customer proposition, the bank will assess the customer requirements for new third party products and accordingly fulfill the needs of the customers considering their risk profile.
2. The Bank currently distributes mutual funds and standalone health insurance products along with General and Life Insurance products. Mutual funds are being distributed only through select metro, urban and semi urban branches and as on March 31, 2020, 534 branches are 'live' for mutual fund distribution and 1,009 branches are activated for sourcing Health Insurance business.
3. Total mutual fund business sourced in FY 2019-20 was ₹ 89.35 crore earning an income of ₹ 2.08 crore. The total Health Insurance business done in the FY 2019-20 was ₹ 80.19 crore earning a total fee income of ₹ 11.16 crore .Additionally, a total of ₹ 3.52 crore and ₹ 198.67 crore of General & Retail Life Insurance business was garnered through the branches in the FY 2019-20 earning a fee income of ₹ 0.34 crore and ₹ 28.67 crore respectively. In FY 2019-20, life insurance business through the existing arrangement in the micro banking and other asset verticals amounted to ₹ 660.10 crore earning an income of ₹ 33.00 crore.
4. The Bank has earned ₹31.14 lakh as commission from Co-Branded Credit Card distribution in FY 2019-20.
5. The Bank has earned ₹ 10.20 lakh as commission for distribution of Atal Pension Yojana and NPS Lite Swavalamban schemes of PFRDA in FY 2019-20

### Merchant Acquiring Business

1. In FY 2016-17, the bank started setting up point-of-sale (PoS) terminals across India in major towns and cities as well as comparatively smaller, cash-intensive towns and villages.
2. During the FY 2019-20, the Bank installed 5,034 EDC- PoS terminals and transactions worth Rs 6,532.24 crore were carried out on your Bank's installed terminals.



## Digital Banking

1. The Bank has worked towards enhancing customer experience through digitalisation of everyday banking activities using an array of digital channels. The Bank offers competitive mobile banking and internet banking applications to its customers with robust security measures to make online banking convenient, safe and secure. With a focus on convenience for its corporate clients, it also offers state-of-the-art corporate internet banking facility.
2. During the year, the Bank focused on a set of new initiatives to bring convenience at a single click. Some notable initiatives include launch of Bharat QR, Bharat Bill Pay, bill payments facility and UPI services for our customer. The bank has also taken steps in actively engaging with start-ups and fintechs to work on new-age digital channels. The bank launched its chat bot – B Assist on its website.
3. The focus of the Bank is in line with the government's mission of mobile-first transactions. During FY 2019-20, the number of customers who activated the mobile banking channel of Bandhan Bank increased by 74%, while its retail web application and corporate web application grew 54% and 17%, respectively.

## 5 Key Risks Impacting the Business

The Bank is exposed to various risks by the very nature of its business. The Bank has put in place a comprehensive Enterprise wide Integrated Risk Management framework supported by detailed policies and processes for management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and various other Risks. Please refer section 'Risk Management Framework' of the Director's Report for details.

Risk management is a necessary and intrinsic part of the way the Bank works. It is part of your Bank's responsibility to its customers, investors, employees and other stakeholders. The Bank keeps reviewing its principal risks on an ongoing basis, as it works in a dynamic environment where new risks are constantly emerging and existing ones are undergoing changes and even mutations. The Bank believes that managing risks is the responsibility of all employees. Managers are accountable for successfully managing the risks they own. A range of policies and processes provides the framework that guides them and a set of both independent controls in terms of internal and external audits provides the assurance. Together, they aim to help the Bank under the overall guidance and supervision of the Board, and achieve its business objectives. This, while it continues cutting to an acceptable minimum the risk of operational failures, mis-statements, inaccuracies and errors, fraud and non-compliance with laws and regulations.

### **Risk Management Principles**

"Being able to be repeated controllably is one key element in risk management." The Bank looks at risk in an integrated way. Holistically managing all types of risks through risk management processes; including credit risk, credit concentration risk, market risk, operational risk, fraud risk, outsourcing risk, liquidity risk, interest rate risk in banking book, strategic risk and business risk, reputational risk, legal and compliance risk and Information Security (InfoSec) risk. Scenarios and measurement approaches for quantifying risk and capital demand are implemented across the material risk types. Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics. Systems, processes and policies are critical components of your Bank's risk management capability.

### **Risk Governance**

"Sense and deal with problems in their smallest state, before they grow bigger and become fatal." The Bank's Board, through the Risk Management Committee of the Board (RMCB), is updated regularly and – as necessary – on special developments in its risk situation, risk management and risk controlling. The Risk Committee deliberates with the Management on the issues of aggregate risk disposition and risk strategy. It also supports the Board in monitoring the implementation of this strategy. The Chief Risk Officer (CRO) has direct management responsibility for all the risk management functions such as Credit Risk Management, Market Risk Management, Operational Risk Management, Liquidity Risk Control and Information Security. In addition, the CRO is also responsible for monitoring, analysing, and reporting risk on a comprehensive basis. Independence of the CRO is ensured through a fixed tenure, reporting structure and periodic reviews by the Board and RMCB.

### **Risk Culture**

"Good Banking is produced not by good laws, but by good bankers." The issue of corporate culture in banking has surfaced in recent discussions as a topic of pivotal significance for addressing two concerns: restoring public trust in the banking system and enhancing financial stability. Culture can be a very complex issue as it involves behaviours and attitudes. While various definitions of culture exist, the Bank focusses on norms, attitudes, and behaviours related to risk awareness, risk taking, and risk management as constitutions of the Bank's risk culture. This culture is nurtured with regular and adequate training of personnel in the business areas on their roles in risk management and through well-defined fraud risk management framework and a whistle-blower policy to prevent and detect

fraudulent and unethical activities. Thereby, the Bank emphasises that risk is taken within a defined risk appetite, risk taken gets approved within the risk management framework, is continuously monitored and managed, and risk thus taken be adequately compensated.

### Risk Appetite

“Not taking risk one doesn’t understand is often the best form of risk management.” To optimise risk and return, the Bank has a well-defined Board-approved Risk Appetite Framework (RAF) in place. This has been framed through a dialogue between risk management and businesses and is quantifiable to the extent possible.

### Risk and Capital

“Pearls don’t lie on the seashore. If you want one, you must dive for it.” The Bank aims to maintain adequate capitalisation on an ongoing and forward-looking basis, i.e. internal capital supply to exceed internal capital demand. The Bank maintains compliance with the ICAAP (Internal Capital Adequacy Assessment Process) as required under Pillar 2 of Basel III, through risk management and governance framework, methodologies, processes and infrastructure.

The Bank employs a strategic planning process that aligns risk strategy and appetite with commercial objectives; a continuous monitoring process against approved risk, leverage and capital targets set; regular risk, leverage and capital reporting to management and a stress testing framework, which also includes specific stress tests to underpin the Bank’s recovery monitoring processes. On an annual basis, the ICAAP and RAF and the Strategic Document are approved by the Board and reviewed on a periodic basis. An alignment of Risk, Capital and Strategy is thus provided.

#### 5.1 Macroeconomic uncertainties

Risk	Mitigation
<p data-bbox="193 1099 911 1167"><i>Global Economic Scenario: Impact of COVID-19 outbreak and “The Great Lockdown”</i></p> <ol data-bbox="193 1205 911 2033" style="list-style-type: none"> <li data-bbox="193 1205 911 1547">1. The global economic growth has weakened severely due to the impact of coronavirus COVID-19 outbreak all over the globe. The International Monetary Fund (IMF) in its June 2020 report predicts that the global economic growth would contract by 4.9 per cent during 2020. This is a downgrade of 8.2 percentage points since January 2020, a massive revision over a very short period that reflects the impact of what the IMF calls “The Great Lockdown” following the Coronavirus pandemic.</li> <li data-bbox="193 1585 911 1749">2. The IMF projects global growth in 2021 to rebound to 5.4 per cent, assuming the pandemic fades in the second half of 2020 and the policy actions taken by all countries are effective in cushioning the severity of the aftermath of the economic turmoil.</li> <li data-bbox="193 1794 911 2033">3. For 2020, the advanced economies are projected to contract by 8 per cent. Emerging market and developing economies are projected to face growth contraction of 3 per cent. As regards the silver-line, both advanced economies and emerging market and developing economies are projected to recover partially in 2021.</li> </ol>	<p data-bbox="911 1099 1495 1429">The Bank closely monitors developments in the global and Indian economy. It has a dedicated team for monitoring and evaluating the impact of macroeconomic trends. The Bank has an established Risk Management Policy which addresses the identification, measurement, monitoring and reporting of country risk. The Bank’s risk team continuously monitors all sectors as well as corporates within the sectors and country risks.</p>

4. According to the IMF, countries reliant on tourism, travel, hospitality, and entertainment for their growth are expected to face the maximum impact of the economic slowdown. Emerging market and developing economies are susceptible to face challenges with reversals in capital flows, and currency pressures. These nations will also have to cope with weaker health systems and limited fiscal space to provide support. But, several economies passing through this crisis are in a vulnerable position with sluggish growth and high debt levels.

*Indian Economic Scenario: The pandemic, The slowdown and The Measures*

1. As per data available from Central Statistics Office, Ministry of Statistics and Programme Implementation, India's GDP growth for FY20 came in at 4.2 per cent (GDP growth of 5.2 per cent in Q1 FY20, 4.4 per cent in Q2 FY 20, 4.1 per cent in Q3 FY20 and 3.1 per cent in Q4 FY 20).
2. Whereas, Agriculture (3.0 per cent in Q1 FY20, 3.5 per cent in Q2 FY20, 3.6 per cent in Q3 FY20 and 5.9 per cent in Q4 FY20), Trade and Transport (3.5 per cent in Q1 FY20, 4.1 per cent in Q2 FY20, 4.3 per cent in Q3 FY20 and 2.6 per cent in Q4 FY20), Financial Services & Real Estate (6.0 per cent in Q1 FY20, 6.0 per cent in Q2 FY20, 3.3 per cent in Q3 FY20 and 2.4 per cent in Q4 FY20) has witnessed growth during all quarters, a number of sectors such as Manufacturing (3.0 per cent in Q1 FY20, -0.6 per cent in Q2 FY20, -0.8 per cent in Q3 FY20 and -1.4 per cent in Q4 FY20), Utility Services (8.8 per cent in Q1 FY20, 3.9 per cent in Q2 FY20, -0.7 per cent in Q3 FY20 and 4.5 per cent in Q4 FY20) and Construction (5.2 per cent in Q1 FY20, 2.6 per cent in Q2 FY20, 0.04 per cent in Q3 FY20 and -2.2 per cent in Q4 FY20), have faced negative growth rates during one of more quarter during the year.<sup>1</sup>
3. India's CPI (Consumer Price Index) inflation stood at 5.9 per cent in March 2020. While the CPI inflation eased from 7.6 per cent in January 2020 to 6.6 per cent in February 2020, the decline in food and beverage prices brought down the inflation to 5.9 per cent in March 2020. The annual WPI (Wholesale Price Index) has also eased and stood at 1 per cent in March 2019

<sup>1</sup> PRESS NOTE ON PROVISIONAL ESTIMATES OF ANNUAL NATIONAL INCOME 2019-2020 AND QUARTERLY ESTIMATES OF GROSS DOMESTIC PRODUCT FOR THE FOURTH QUARTER (Q4) OF 2019-2020, Central Statistics Office, Government of India. Figures in bracket for sectoral growth represents GVA

compared to 2.3 per cent in February 2020. <sup>2</sup> The government of India decided not to publish retail inflation figures for April 2020 and May 2020 due to unavailability of data for lockdown. However, food inflation witnessed year on year growth of 9.3 per cent in May 2020.<sup>3</sup>

4. Against the target of 3.8 per cent of GDP (FY20), the Government of India's gross fiscal deficit stood at 4.6 per cent of GDP in FY 2020, primarily reflecting shortfall in tax collections. As per the Union Budget announced in early-February, the government fixed a fiscal deficit target of 3.5 per cent of the GDP for FY 2021.<sup>4</sup>
5. The Coronavirus (COVID-19) pandemic has severely affected the economic situation of the country recently. This pandemic has prompted the Government of India and Reserve Bank of India to implement several policy initiatives to combat economic turbulence and financial emergency due to the nationwide lockdown and restrictions of business, trade and services during the initial months of the financial year.
6. The Indian government announced a financial stimulus package of nearly Rs.21 lakh crore to protect the economy from the severity of the impact of the Coronavirus pandemic. The stimulus is spread across various sectors in the economy and also aimed at improving conditions of the underprivileged and the poor.
7. The Reserve Bank of India (RBI) has revised the repo rate to 4 per cent, reverse repo rate to 3.35 per cent for liquidity measures, and mitigate the impact of COVID-19. To manage liquidity, the Reserve Bank has already announced liquidity augmenting measures worth approximately 4.6 per cent of GDP amounting to Rs. 9.42 lakh crore since February 2020.<sup>5</sup>
8. The RBI conducted auctions of Targeted Long Term Repos Operations (TLTRO) of up to three-year tenor of appropriate sizes for a total amount up to Rs 1 lakh crore at a floating rate, linked to policy repo rate to ensure adequate liquidity in the financial system at present time of epidemic.<sup>6</sup> Later, the RBI announced

<sup>2</sup> [https://www.business-standard.com/article/news-cm/cpi-inflation-declines-to-5-91-in-march-2020-120041400184\\_1.html](https://www.business-standard.com/article/news-cm/cpi-inflation-declines-to-5-91-in-march-2020-120041400184_1.html)

<sup>3</sup> <https://economictimes.indiatimes.com/news/economy/indicators/india-suspends-release-of-headline-retail-inflation-data-for-lockdown-period/articleshow/76342074.cms>

<sup>4</sup> <https://economictimes.indiatimes.com/news/economy/indicators/fiscal-deficit-widens-to-4-6-of-gdp-in-2019-20/articleshow/76093931.cms>

<sup>5</sup> [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=49843](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49843)

<sup>6</sup> [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=49583](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49583)

TLTRO-2 of Rs. 50,000 crore and conducted one round of auction in April 2020. <sup>7</sup>	
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## 5.2 Socio-Political and economic uncertainties and central policy changes

Risk	Mitigation
<ul style="list-style-type: none"> <li>• Unrest in Assam impacted recovery</li> <li>• Policy changes on rates will have consequent impact on benchmark rates.</li> <li>• Deposit rates needs to be lowered first before benchmark rates. That is risky with depositors moving towards equity &amp; mutual funds and will build Pressure on Banking margins</li> <li>• The Coronavirus pandemic has severely affected the global economy. The Indian economy is also expected to undergo a difficult economic situation in the coming months, the initiatives taken by the government and the RBI.</li> <li>• Subdued demand and NPA issues are likely to hold back growth in corporate banking.</li> <li>• Rural infrastructure needs a government backed DFI to address market failures</li> <li>• Loss of customers' trust on private Banking sector post Yes Bank moratorium announcement</li> <li>• loan book tied to High risk microloan portfolio</li> <li>• Fintech companies with new business models backed by robust technology are likely to increase the competition for the banks.</li> </ul>	<ul style="list-style-type: none"> <li>• Steps taken for improving NPA</li> <li>• New products for MSME sector</li> <li>• 91% priority sector loan</li> <li>• Rs. 31 Crore Standard Asset provisioning on microloan portfolio</li> <li>• Additional Rs. 69 Crore standard advances provisioning against potential impact of COVID-19 fallout</li> <li>• 80% of the borrower's profile are resilient to COVID-19 fallout, whereas 16% are vulnerable to low impacts and only 4 % are likely to be impacted to some extent</li> <li>• Bank's core geographies - eastern and north-eastern region are relatively less impacted by COVID-19</li> <li>• Deep penetration in tier 3-6 locations gives the bank a competitive advantage as 78% of the portfolio is rural and semi-urban</li> <li>• Historically, microloan portfolio has shown higher resilience during crisis and the bank outperforms largely due to higher customer vintage, loyalty and strong connect and was not impacted during the industry crisis caused due to market disruptions like demonetisation, introduction of GST, farmer loan waiver, cyclone Fani in Odisha, civil unrest in Assam</li> <li>• Cyber Security Risk are relatively lower and technology disruption and less significant in rural and semi urban area</li> </ul>

## 5.3 Natural calamities

Risk	Mitigation
Natural calamities such as flash floods and unforeseen events caused as a result of climate change may affect customers, which would be a risk to the Bank's credit exposure, especially agri loans	The Bank assesses such risk and actions for mitigation are initiated

## 5.4 Credit

Risk	Mitigation
<p><i>Indian Banking: Key industry developments</i></p> <p>1. As per the RBI, non-food credit (NFC) grew at 6 per cent year-on-year in March 2020 vis-à-vis 13 per cent in March 2019 primarily</p>	The credit related aspects in the Bank are primarily governed by the Credit and Recovery Policy approved by the Board of Directors. The Bank

<sup>7</sup> [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=49689](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49689)

Risk	Mitigation
<p>owing to a decline in lending to service sector<sup>8</sup>.</p>	
<p>2. According to the RBI, credit growth for agriculture and allied segment at 4.2 per cent has seen a decline in March 2020 as compared to 7.9 per cent in March 2019<sup>9</sup>.</p>	
<p>3. The microfinance industry is witnessing a robust growth. As per the latest MFIN report (December 2019), in Q3 FY19, the industry grew at 24 per cent y-o-y considering loans originated after February 2017. Market share of Banks and NBFC-MFIs stood at 39.7 per cent and 31.3 per cent respectively as on Q3 FY 2019-20. Banks have witnessed year-on-year growth of 60 per cent and NBFC-MFIs witnessed year-on-year decline of 7 per cent in Q3 FY 2019-20. This high growth of the banks and decline of NBFC-MFIs is primarily due to merger of BFIL with IndusInd bank in Q1 FY 2019-20.</p>	
<p>4. The Government of India has made a capital infusion of about INR 1.9 trillion in public sector banks in last 2 years. Majority of the amount (about two-thirds) has been received by banks under Prompt Corrective Action framework of RBI.<sup>10</sup></p>	
<p>5. The cabinet committee of economic affairs approved merger of 10 public sector banks into 4 banks effective 1<sup>st</sup> April 2020, bringing down the count of public sector lenders to 12 from 21. The consolidation is expected to drive higher scale of operations, improved efficiency and better capital management.</p>	
<p>6. As per Financial Stability Report of RBI dated December 2019, the gross NPA of Indian banking industry was 9.3 per cent in September 2019, unchanged from March 2019 NPA. Macro-stress tests for credit risk reveal that under baseline scenario, GNPA ratio is likely to increase to 9.9 percent in September 2020. However, on account of the ongoing crisis of Covid-19, the banking industry is likely to witness a negative impact on the portfolio quality, leading to an increase in GNPA as compared to the previous estimate.</p>	
<p>7. The Bank's core business is lending which exposes it to various types of credit risks, especially failure in repayments and increase in non-performing loans. The Bank's loan portfolio includes retail loans, loans to rural and semi-urban customers, to small and medium enterprises and wholesale loans which are vulnerable to economic risks. Banks in India are subject to directed lending requirements that yield low returns. Further legal and regulatory changes and increasingly stringent requirements regarding non-performing loans and other weak borrowers and provisioning for such loans could also be a risk.</p>	<p>measures, monitors and manages credit risks at an individual borrower level and at the portfolio level. In the last few years, the Bank has strengthened its Enterprise Risk Management and Risk Appetite framework for managing concentration risk, including limits/thresholds with respect to single borrower and group exposure. Limits have been set up for borrower group based on turnover, track record and rating of borrowers. The Bank has pursued a strategy of building a granular and diversified portfolio and lending to better rated corporates. Introduction of Insolvency and Bankruptcy Code and Credit Bureaus act as a deterrent for borrowers to default.</p>

<sup>8</sup> RBI- Data from 29 March 2019 -27 March 2020 is considered for y-o-y growth in 2020, Data from 30 March 2018 to 29 March 2019 is considered for y-o-y growth in 2019

<sup>9</sup> RBI- Data from 29 March 2019 -27 March 2020 is considered for y-o-y growth in 2020, Data from 30 March 2018 to 29 March 2019 is considered for y-o-y growth in 2019

<sup>10</sup> <https://www.livemint.com/market/mark-to-market/psu-bank-capitalisation-and-a-perfect-lesson-in-burning-capital-1551305977403.html>

## 5.5 Market and Liquidity

Risk	Mitigation
<p>Movement in interest rates, foreign exchange rates, credit spreads and equity prices could impact the Bank's net interest margin, the value of the trading portfolio, income from treasury operations and the quality of the loan portfolio. Banks in India are subject to statutory liquidity ratio requirement, capital and liquidity requirements that structurally exposes them to interest rate risks and liquidity risks. Regulatory changes relating to interest rates or markets could create risks. Further, deposits are an important source of funding which are primarily short-term in nature and banks face the risk of asset-liability mismatches if deposits are not rolled over by depositors.</p>	<p>The Investment Policy, Asset Liability Management Policy and Derivatives Policy, approved by the Board of Directors, govern the treasury activities and the associated risks and contain the limits structure. The Asset Liability Management Committee which includes the MD &amp; CEO, whole-time directors and senior executives periodically reviews the Bank's business profile and its impact on asset liability management. Periodic monitoring is done by the Market Risk Management Group which recommends changes in policies, processes and methodologies. Building a strong liability franchise is a core strategic focus for the Bank.</p>

## 5.6 Operational

Risk	Mitigation
<ol style="list-style-type: none"> <li>1. There is a risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This could include fraud or other misconduct by employees or outsiders, unauthorised transactions by employees and third parties, misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations, operational errors including clerical and record keeping and system failures.</li> <li>2. Sustaining the Bank's high growth rate and increasing complexity of operations in the context of a highly diversified business portfolio and increasing competitive pressure</li> <li>3. RBI licencing guidelines on promotor's holding restricted opening of new Branches without prior permission.</li> </ol>	<ul style="list-style-type: none"> <li>• The Bank has put in place a system of internal controls, systems and procedures to monitor transactions, key back-up procedures and undertakes regular contingency planning.</li> <li>• The Bank's governance framework for managing operational risks is defined in the Operational Risk Management Policy and Corporate Governance in the Board's Report</li> <li>• The two tier governance framework, segregates supervision by the Board from the executive management thereby, facilitating the optimum balance between management and accountability to shareholders.</li> <li>• The governance framework allows, each vertical to focus on its operations, whilst harnessing the synergistic strengths of the both Micro loan segment and general banking segment thereby, enabling them to craft unique competitive advantage.</li> <li>• Investing in acquisition of GRUH, lead to competitive edge in terms of the scale of operation and fulling regulators commitment for dilution of promotor's share thereby, allowing the Bank to open branches without the prior approval of the regulators.</li> </ul>



## 5.7 Technology

Risk	Mitigation
<p>Rapid technological developments and the increasing dependence on technology, combined with the continuous digitisation in banking activities have exposed banks to a host of new risks like obsolescence of IT systems, IT resiliency and business continuity, technology vendor/third party risk, incorrect/inadequate data backups, inadequate change management practices, ineffective identity and access management leading to unauthorised access to IT systems, budget over-runs in IT projects, regulatory non-compliance and other relevant matters. Misalignment between business and IT strategies is also a formidable risk.</p>	<p>The Bank's Information Technology Strategy Committee ensures that information technology strategy is aligned with the business strategy. The Committee meets periodically to review ongoing IT projects and their schedules, major IT incidents, technology risk indicators and status of regulatory compliance. The Bank has established policies and control frameworks on change management, logical access management, IT outsourcing and Data Centre processes to ensure that the risks are identified and appropriate mitigating controls are put in place. In addition to this, independent assessments of IT processes are carried out by the Internal Audit Group periodically to provide assurance on the effectiveness and efficiency of IT systems and processes.</p>

## 5.8 Cyber Security

Risk	Mitigation
<ul style="list-style-type: none"> <li>Increasing reliance on technology and digitisation increases the risks of cyber-attacks including computer viruses, malicious or destructive code, phishing attacks, denial of service or information, ransomware, unauthorised data access, attacks on personal emails of employees, application vulnerability and other security breaches. This could negatively impact the confidentiality, integrity or availability of data pertaining to the Bank and its customers. Given the nature of the new digital economy, the Bank has business and operational relationships with third parties and these could also be sources of information security risk.</li> <li>Emerging cybersecurity related challenges in the financial services industry and innovative modus operandi continue to pose a threat for the banking sector.</li> </ul>	<p>The Information Technology Strategy Committee oversees cyber security related threat landscape and the Bank's preparedness to address these from a prevention, detection and response perspective. The Chief Information Security Officer is responsible for tracking the risks. Confidentiality, Integrity, and Availability form part of a comprehensive information security framework that the Bank has put in place. The Bank also lays emphasis on customer elements and has invested in the areas of phishing protection, adaptive authentication, awareness initiatives and has also taken industry-leading initiatives in providing customers with an easy and immediate ability to configure their risks and limits.</p>

## 5.9 Compliance

Risk	Mitigation
<p>The environment for financial institutions is seeing unprecedented changes in laws, regulations and regulatory policies. This could increase the risks of compliance and regulatory action in the form of fines, restrictions or other sanctions for instances of regulatory failures. The failure to comply with applicable regulations by employees, representatives, agents, third-party service providers either in or outside the course of their services, may result in inquiries or investigations by regulatory and</p>	<p>The Bank has a dedicated compliance team that continuously monitors new developments and updates the senior management on their implications. All relevant groups in the Bank build capabilities on an ongoing basis to be able to respond to regulatory changes in a time-bound manner. The Bank also actively participates in forums and advisory groups for the development of policies in the financial sector. The Bank seeks to have a strong</p>

Risk	Mitigation
enforcement authorities either against the Bank, or such employees, its representatives, agents and third-party service providers.	compliance culture driven by the leadership team. There are well-articulated policies with regard to code of conduct, whistle-blower complaints, redressal mechanism for complaints and engagement with agents and third-party vendors.

#### 5.10 Reputation

Risk	Mitigation
Any negative publicity arising due to actual or alleged conduct including lending practices and credit exposures, the level of non-performing loans, corporate governance, regulatory compliance, sharing or inadequate protection of customer information and actions taken by the government, regulatory bodies and investigative agencies could impact the Bank's reputation. It can also impact the Bank's ability to attract or retain customers and expose it to litigation and regulatory action.	The Bank has a Reputation Risk Management Group which identifies, assesses and monitors the risk in accordance with defined policies and procedures. Further, the Bank has well-articulated policies on various aspects including business conduct, employee conduct, compliance, IT and other relevant identified areas that could potentially create reputation risks for the Bank.

#### 5.11 Employees

Risk	Mitigation
<ol style="list-style-type: none"> <li>1. Attracting and retaining talent despite options available to skilled professionals.</li> <li>2. The loss of key senior executives or qualified young professionals and failure to replace them in a time-bound manner could impact the business.</li> <li>3. Ensuring healthy employee relations and keeping the motivated for smooth functioning and enhancing productivity</li> </ol>	<ul style="list-style-type: none"> <li>• Keeping a robust pipeline across levels.</li> <li>• The Bank has an employee centric value proposition that focuses on learning, meritocracy and care for its employees. The Bank has put in place robust programmes and policies that provide opportunities for employees to build leadership capabilities.</li> <li>• Benchmarking benefits and compensation, including adequate weightage to performance bonus</li> <li>• Nurturing employee relations, following non-discriminatory workplace diversity, dignity, respecting human rights, gender balance and maintaining cost and environment conscious work culture across all units.</li> </ul>

## Scaling new benchmarks

Serving the unserved and under-served



### Key Highlights

₹57,082 crore

Total Deposits

₹1,28,928 crore

Total Advances and Deposits

64.29%

Share of Microloans in Total Advances

36.84%

CASA Ratio

3.64%

ROAA

21.07%

ROAE

78.43%

Share of Retail in Total Deposits

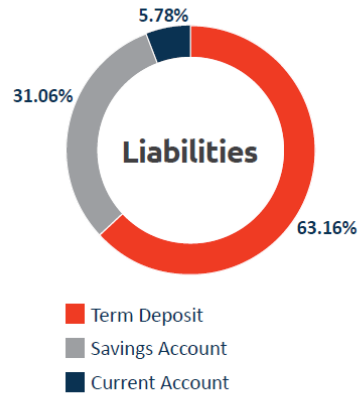
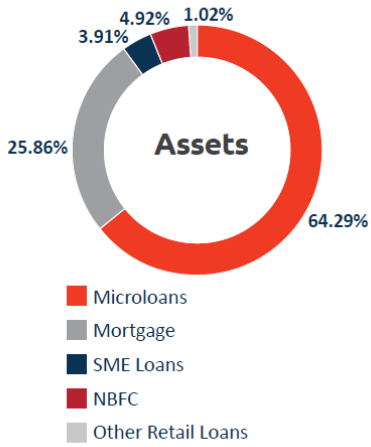
27.43%

Capital Adequacy Ratio

4,559

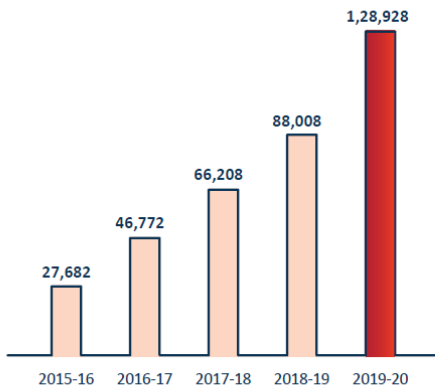
Banking Outlets

### Business Mix in FY 2019-20



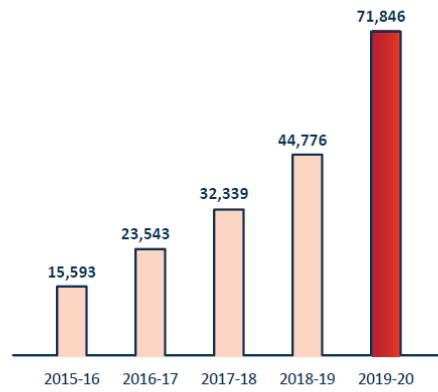
### Total Business CAGR 46.91% ▲

(₹ in crore)

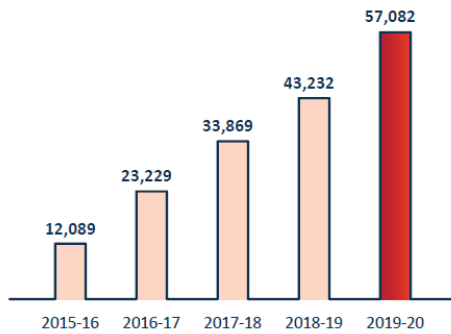


### Advances CAGR 46.51% ▲

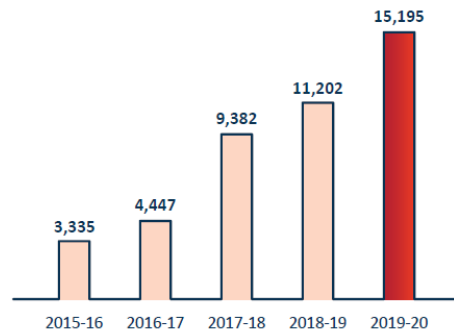
(₹ in crore)



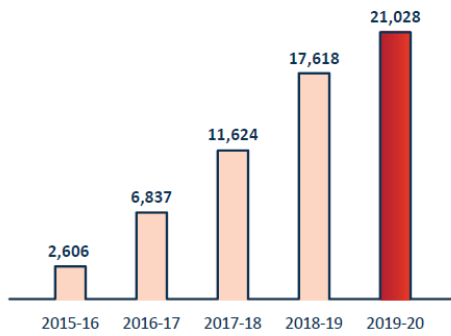
**Deposits** CAGR **47.41%** ▲  
 (₹ in crore)



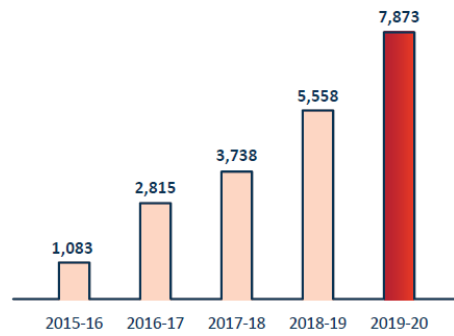
**Net Worth** CAGR **46.10%** ▲  
 (₹ in crore)



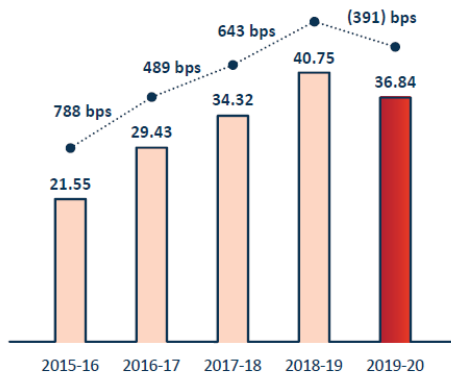
**CASA** CAGR **68.54%** ▲  
 (₹ in crore)



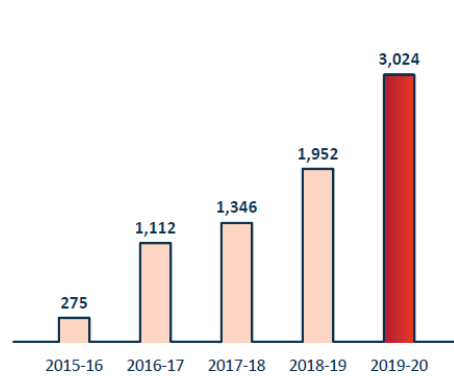
**Total Income** CAGR **64.20%** ▲  
 (₹ in crore)



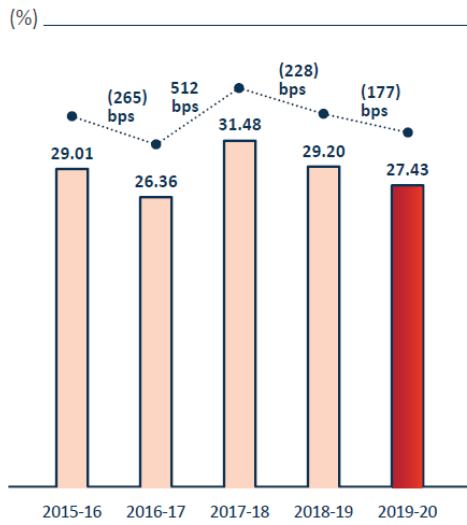
**CASA Ratio** (%)



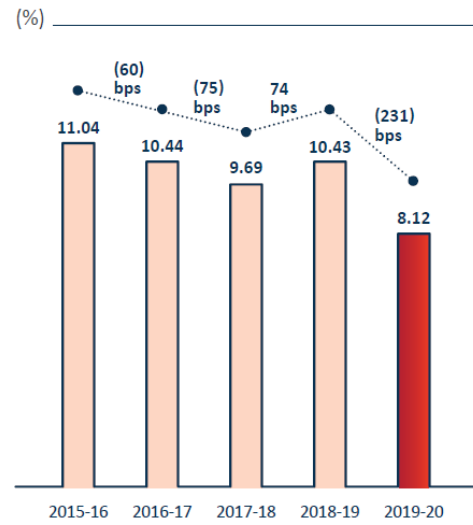
**Profit After Tax** CAGR **82.10%** ▲  
 (₹ in crore)



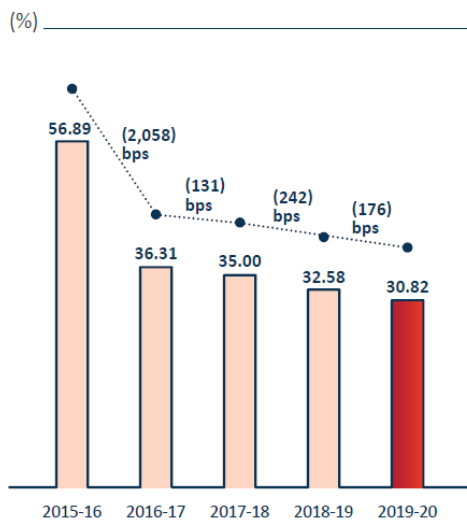
## Capital Adequacy Ratio



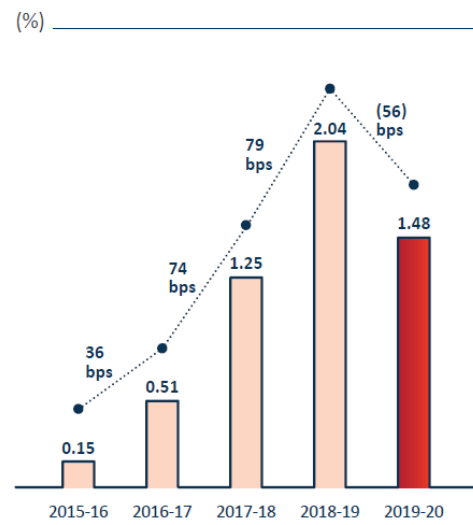
## Net Interest Margin



## Cost to Income Ratio

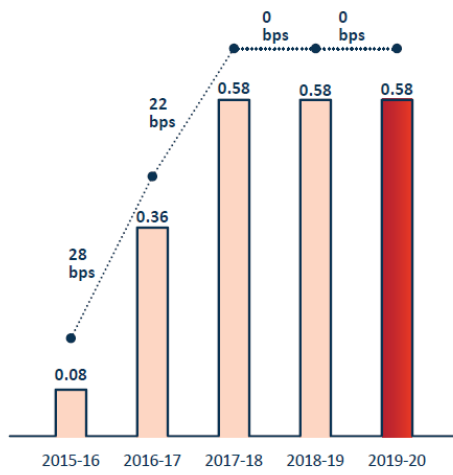


## Gross NPA



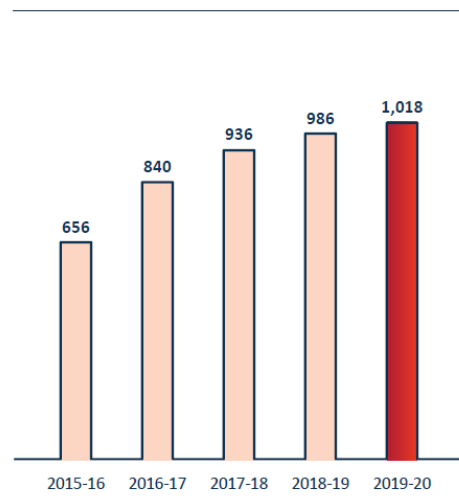
## Net NPA

(%)



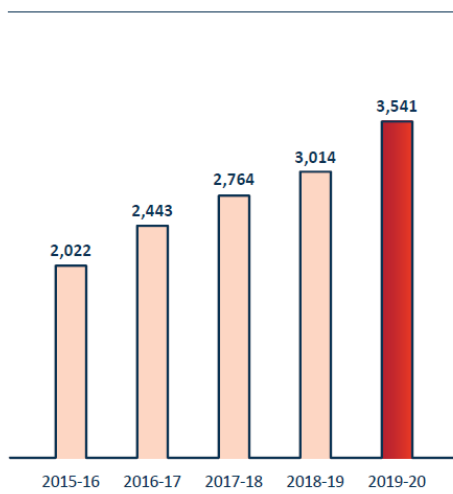
## Branches

CAGR  
**11.61%** ▲



## Banking Units

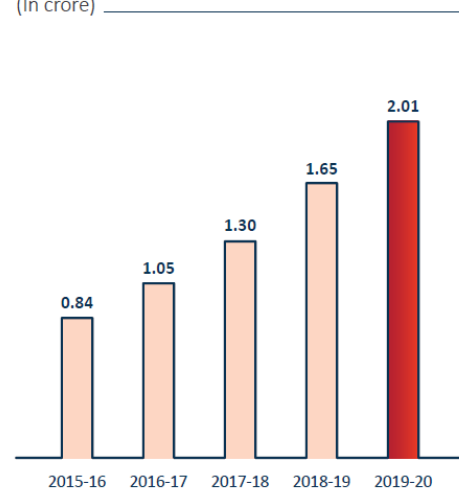
CAGR  
**15.04%** ▲



## Number of Customers

CAGR  
**24.37%** ▲

(In crore)



## 7 Intellectual Capital

The Bank is continuously benchmarking itself against international standards in terms of technological capabilities, compliance, treasury management and operations. The Bank has invested in developing in house systems and processes and technologies to upgrade itself. Based on these cornerstones for growth, the Bank has achieved greater strength and build a Bank that not only meets the financial needs of but also provides high quality services to its customers.

### 7.1 Information Technology

Adoption of the latest technology and innovation remains a key thrust area for the Bank. Technology has been a key enabler and facilitator for the Bank to achieve its goals. It has been identified as one of the strategic pillars to scale higher. Since inception, the Bank has been at the forefront of leveraging technology to provide better products and services to its customers. Technology has enabled the Bank to deliver solutions in line with changing business and provide industry best solutions to support its business goals. The Bank continues to invest in its technology with state-of-the-art IT enabled core banking services. It has scaled its technology infrastructure to offer banking facilities to the delight of its customers.

To cater to its IT needs, the Bank has created specific tech capabilities, presenting an opportunity to leapfrog its competitors. Its IT approach revolves around developing the strategy, multivendor approach, technical capabilities, meeting business goals, strategic aspirations and IT implications. Its strategic IT projects are aimed towards – managing a full cycle of customer relationships from onboarding to retirement; digitising human-centric workflows; having centralised API store; evaluating core banking system; automating mundane tasks; centralising business rules; consolidating customer views; and developing micro banking solution.

### 7.2 Compliance

To ensure ensures that the Bank's business is conducted within the purview of legality and the broader standards of integrity and ethical conduct the Bank has established an enterprise-wide independent Compliance Function. In line with the Bank's policies, the Compliance function is independent of any other function. Also, it oversees compliance aspects and management of compliance risks faced by the Bank. The Compliance Department periodically apprises the Audit Committee of the Board, the Board of Directors and Senior Management on compliance levels based on changes in the external regulatory environment. The Department also undertakes compliance testing by way of thematic studies, control testing and testing at banking outlets and other offices of the Bank aimed towards review of adherence to significant statutory and regulatory provisions. The department monitors the implementation of Know Your Customers (KYC), Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) guidelines in the Bank.

### 7.3 Banking Operations

The Bank's unique business model has given rise to differentiated and efficient operations processes. The Bank's processes allow for smoother business while keeping necessary checks and controls in place. We have made significant investments in creating an operations platform across key areas to help ensure compliance, minimise errors and seamlessly deliver our services. Given the uniqueness of micro banking and general banking, we have built and continue to evolve back-end operations that take the best of both worlds to deliver seamless services.

#### 7.3.1 Operational controls and procedures in Branches and Doorstep Service Centres (DSC)

The Bank has two types of banking outlets, bank branches catering to general banking customers and DSCs catering to micro banking customers. Each DSC is linked to a bank branch for operational convenience. DSCs are self-sufficient and are empowered to open deposit accounts using tablets and also open loan accounts after necessary credit bureau(s) check. The highlight of DSC operations are as follows:



- (i) the Hand-Held Devices (HHD) that are connected to the Core Banking System (CBS) through cellular data. Our DBOs carry these HHDs in their group meetings and the entire instalment reconciliation for the customer happens through these HHDs in real time.
- (ii) To ensure timely and effective support to our branches and DSCs in their day-today functioning, we have a regional and central operations team structure. These operations teams maintain oversight of the quality of the operations and adherence to prevalent guidelines at all times.
- (iii) Significant emphasis on processes and controls. To help maintain uniform and consistent standards in transaction processing and service delivery, as well as compliance with regulatory and statutory guidelines, various essential operational processes are documented and routed through Product and Change Management Committee. Once approved, these are circulated to our branches and other departments in the form of circulars for action. The Bank has Branch Operations Manual and Micro Banking Operations Manual to ensure understanding of the various processes among all staff members thereby resulting in effectiveness of operations at the ground level.

As the Bank expand its presence across the country, it is decentralising the operations for smoother processing and quicker turnaround time (TAT). The Regional Processing Unit (RPU) in Indore. This is in addition to our existing Central Processing Unit (CPU) in Kolkata. All liability accounts are processed in these two centres. All account opening forms and KYC documents are scanned by branches and DSCs and transmitted to the Processing Units, and accounts are opened upon fulfilment of all established KYC requirements. The efficiency of our liability on-boarding operations enabled to open thousands of liability accounts on a daily basis.

The Loan Processing Unit, monitors on boarding and disbursement of all loan products, other than microloans. The Merchants Risk Containment Unit mitigates the risk of fraud in Electronic Data Capture merchant on-boarding through continuous monitoring of transactions to detect unusual or suspicious patterns.

Our Phone Banking Unit uses an IT infrastructure that includes customer relationship management software, a call centre platform, a voice logger/call recording system and computer telephone integration. All calls that land on the interactive voice response system are authenticated by personal identification numbers and mandated security questions before a request is considered. We monitor the quality of interactions through listening to recorded calls at the supervisory level to ensure that we provide a compliant call centre environment to the customer. On an average, we manage 4,500 calls in a day.

## 8 Human Capital

### 8.1 Creating a future ready workforce

The Bank recognises that human resource is key to organisational success. Thus, the goal of the Human Resources (HR) department is to ensure that the employees are recruited, engaged, retained and motivated to contribute to the Bank's growth and strategic mission. The HR Department proactively engages with employees at all levels for this purpose. Its vision is to create an environment of learning and superior performance in line with the Bank's corporate values and aligning the personal aspirations of employees to business imperatives. The Bank has a mix of people who have moved cities and settled in Kolkata to work for Bandhan Bank, owing to the growth opportunities available as evidenced by the early success of the Bank. Today, Bandhan Bank is a pan-India bank with a diverse set of people from various cultures and backgrounds.

### 8.2 Retaining and Retaining Talent

The Bank focusses on aligning its Business objectives and corporate values with the personal aspirations of employees. Owing to the newsworthiness of the Bank's developments and the recruitment numbers being handled, it drew a lot of attraction among prospective employees. The Bank also strengthened the management team by hiring senior resources from various leading banks and working across India. The Bank has been a huge employment generator in the banking industry over the past three years. The Bank has increased its workforce from 32,342 in 2018-19 to 39,750 by the end of March 31, 2020, thereby adding 7,408 additional employees.

The employees of the bank are from diverse cultural background with the relevant banking experience across levels. The total female employees as on March 31, 2020, stood at 4,126 (10% of the workforce).

Through the various staff engagement programmes and training interventions, Bandhan Bank has been successful in retaining quality talent. It also helps enhance their performance, thereby creating opportunities for bigger roles and responsibilities. The Bank also offer cross functional opportunities to the employees. The Bank also publishes quarterly and monthly magazines, carrying updates pertaining to customer appreciation, employee experiences, CSR, rewards and recognitions, and new product arrivals.

Loyalty to Bank is highly rewarding. High vintage employees were offered ESOPs. This was largely for their commitment in taking the Bank to the level it has reached today. The Bank's micro banking performers underwent an assessment and those capable were granted positions in bank branches.

The Bank has been strengthening its management team by hiring senior resources with strong banking experience. This includes a mix of professionals from various areas of expertise, geographies, and with credible banking experience. Attracting and retaining top talent from the industry has been one of Bandhan Bank's key focus areas. The Bank has introduced several HR initiatives like Club Memberships and Annual Health Check-Ups for senior management officials and Staff Loans at concessional rates for employees. Going forward, the Bank plans to upgrade its Learning Management System and introduce a Rewards & Recognition structure to retain as well as attract top talent across industry.

### 8.3 Performance Management System

The Bank fosters a performance-based culture that necessitates the adoption of a robust Performance Management System (PMS). In achieving its mission, goals and objectives, the Bank relies upon a well-structured PMS. The entire performance appraisal process has three stages – self assessment by employee against set KRA; assessment by the manager; and feedback for self-development. The Bank follows a hi-touch model of promotion evaluation, in line with the model that has been adopted as customer strategy. Each eligible candidate, above a certain grade, appears for promotion interviews to determine if s/he is ready for the next level. The promotion process involves written test, psychometric test and faceto- face interview. The Bank is closing in on the launch of its online PMS module which

will make the whole process much simpler, easily accessible and more efficient. As the Bank grows its employee base and expand its business, a relevant and appropriate PMS will drive the desired performance from employees, and to achieve that, it will continue to evaluate and evolve the process.

#### 8.4 Learning and Development

A host of programmes were conducted to meet the on-going learning and development needs in the Bank and promote a climate of learning, self-growth and excellence. 33,941 employees (85% of the workforce) were reskilled and trained on various aspects of banking operations and other allied areas. The learning architecture in your Bank focusses on:

- Developing tailor-made, competency-mapped programmes for different sets of employees, based on their roles in the Bank
- Induction/orientation of new hires for acquaintance with the culture of the Bank
- Training on operational risk, audit, compliance and regulatory aspects for frontline staff
- People management, customer-centric, and compliance-based programmes for employees in leadership roles.
- Creating talent pool for strategic succession planning.
- Competency based promotion process to nurture identified talent.
- Identification of critical resources and differentiated path for retaining the critical resources.
- Creating trained pool of resources via NextGen Banker's Programme.

##### 8.4.1 Bandhan Training Centre

Bandhan Bank strives to bring in the best talent from the BFSI (banking, financial services, and insurance) industry and also groom the younger talent to develop their skill sets and competencies in becoming a better banker.

Through its 11 residential training centres across the country, a wide range of training programmes has been provided to the employees across departments and functions, to build their professional competence and improve their skill sets, and thus, enable them to contribute to the Bank's mission. The upskilling of the employees caters to meet the ever evolving needs of our customers – be it through customer-facing functions or back-end operations. On an average, a staff member undergoes three training programmes in the year. In FY 2019-20, the Bank has provided 1,30,384 person-days of training to 33,941 employees (85% of the workforce) on various facets of general banking and micro banking, of which 3,634 were women (88% of women workforce).

'Train the Trainer' programmes are also organised to develop the pool of internal trainers. In addition to this, the Bank plans to introduce a structured Needs Assessment & Skill Gap Enhancement Module to specifically target training needs of the workforce in the coming months.

##### 8.4.2 Online Learning Management System

While, there is a formal training setup with our training centres, the Bank also has an online system for learning. The Learning Management System (LMS) is accessible to all employees and they are encouraged to take up the modules. The courses available are on banking principles as well as on disciplines and soft skills. At the end of each course, employees go through a test. Upon successful completion of this they are given a certificate of completion. The LMS helps employees to refresh their knowledge. It is also a useful tool to induct fresh employees into the banking scheme of things.

The Online Learning Management System is accessible to all Bank employees and enables them to take up specific online modules to develop knowledge, skills and competencies in their journey towards self-development. The system will shortly incorporate a mandatory on-boarding module for all new

employees, to make them better equipped in their roles. The Bank is also in the process of introducing a chat-bot along with an online Employee Query Portal for solving HR related queries.

#### 8.4.3 NextGen Bankers' Programme

The Bank has realised that manpower requirement will be a constant factor for us, as it grows. At the branch level, it is important to recognise the differentiation we create through the Bandhan way of doing things. Hence, In FY 2017-18, the Bank had launched the 'NextGen Bankers' Programme', a 9-month banking course. The graduates from this programme get placed in various branches within the Bank. The advantage we build through the programme is that of having Bandhan's DNA infused in them from Day 1. This programme has been a huge success and has improved performance across all branches.

## 9 Social and relationship capital

The two most important stakeholders of the Bank are the rural communities and micro banking customers. Over the years the Bank has invested heavily on these stakeholders (financial and human capital) for generating sustainable livelihoods. The bank has developed deep grassroots institution and high touch model to support them in improving their lives and livelihoods.

Key Capital Deployed	Key Capital Created
Financial Capital Human Capital Social and relationship capital	Social and relationship Capital Natural Capital

### The Making of a National Brand

As it completes five years of its operations, Bandhan Bank has become a household name in the east and north-east regions of India, given its heritage in that part of the country. The Bank's marketing campaigns are aimed at enhancing brand awareness in areas of the Bank's distribution presence by way of strong messaging pegs.

The marketing strategy of the Bank is focussed on increasing its brand visibility, preference and Pan-India recall among the existing and potential customers. For advertising, the Bank uses the product communication route to drive awareness. This is complemented by trigger based campaigns such as quarterly earnings, festivals and Foundation Day related campaigns.

#### TV campaigns

During FY 2019-20, the Bank executed a thematic TV campaign based on the merger of GRUH Finance with Bandhan Bank. The campaign focussed on the vast distribution strength of both the entities combined. The commercial was run across 103 channels in 7 languages covering the length and breadth of the country. Certain tactical advertising of short commercials was also undertaken on television news channels and print media to deliver key messages such as 6% interest on savings account. The GRUH campaign was also taken forward through print, OOH (out-of-home media) and radio.

#### Print advertising

The Bank's print campaigns generally revolve around noteworthy achievements and announcement-based developments. To sustain its leadership position in the East, the Bank issues an advertisement on the occasion of the Bengali New Year. In a 'first of its kind' for the Bank, it executed a jacket advertisement across India's leading English daily and its regional language editions. This campaign accorded the Bank significant visibility across the country. In addition, like each year, the Bank issued a large-scale print-based Pan-India advertisement in FY 2019-20 to announce its Foundation Day and discuss its key achievements in a span of just four years.

#### Out-of-Home Media

Throughout the year, the Bank engaged in several campaigns in 51 cities across the country. The primary agenda behind this was to drive salience and product communication in the targeted areas. It is a significant part of all brand campaigns of the Bank. The Bank's OOH strategy is to increase awareness and consideration for the Bank in regions and in catchment areas of key branches. Also, major congregation points were selected in some towns for large-format displays to garner adequate customer attention.

#### Digital marketing

In FY 2019-20, significant strides were made in establishing and expanding the Bank's digital presence. It scaled up the quantum of its communication on social platforms including Facebook, Twitter, LinkedIn and YouTube. Customers reach out to the Bank through these platforms for product queries, complaints and requests. The Bank paved the way for consistent online reputation management with increased engagement on different platforms. The Bank's social media presence also witnessed growth in the number of fans and followers. Video advertising on digital was also attempted to drive salience within the targeted segments. The Bank's special announcements around quarterly earnings and other corporate achievements received healthy interactions from the users.

### **Branch branding**

The Bank moved forward with standardising the branch ambience across all its branches nationwide. An extensive branch branding project was undertaken during the year. The branding was accomplished based on the desired perception of a Pan-India universal banking. In the first phase of this project, all metro and urban branches are in the process of being standardised, including new branches that are being set up and starting operations.

### **Growing Bandhan of Trust**

With a large population still excluded from the formal financial ecosystem in India, Bandhan Bank continues expanding across the country, reaching out to the unserved and under-served population. The Bank hand-holds them in their journey from being small credit customers to users of other essential banking services, thus exposing them to the real potential of their money.

The Bank's name is what it really stands for when it comes to customer approach. The Bank believes in and works towards establishing a strong 'bond' ('bandhan') with its customers. More than 50% of the small credit customers have remained with your Bank for a period ranging from 4 years to 19 years (right since Bandhan's inception in 2001) and they have had multiple cycles of credit with the Bank, clearly reflecting the trust they have placed in the Bandhan brand and the role the Bank has played in uplifting their lives. From being small credit customers, they are now banking customers, enjoying various products from Bandhan Bank. With its deep knowledge of customer lifecycles and of their lending and income needs, the Bank analyses, designs, develops and delivers products as per their changing requirements.

### **Serving the unserved**

With 71% of its banking outlets located in rural and semi-urban areas, your Bank is reaching out to the unbanked and under-banked individuals in the hinterlands of India and giving them access to organised finance, in line with its purpose of inclusive banking. Through liability products, small credit, MSME (micro, small and medium enterprises) loans, affordable housing finance, and third-party products, among others, your Bank meets all its customers' banking requirements, enabling them to access all services under one roof. For example, small credit borrowers gradually migrate to MSME loans to further expand their businesses. They also seek deposit products that help them manage their finances better. In the general lifecycle of such customers, the next step is to seek a housing loan to secure their future and the future of their children. The Bank is fully equipped to cater to this need, with its strong housing finance vertical.

### **Hand-holding customers**

As your Bank focusses on regions with sub-optimal availability of formal financial services, the simplicity of the product offerings is critical. With a wide range of products and services, the Bank hand-holds its customers through their entire lifecycle and builds a strong bond with them. As and when they engage with the Bank, they increase their financial awareness and literacy.

### **Keeping the customer interest in focus**

To empower the microloan customer even further, your Bank reduced the interest rate on microcredit in the year under review by 70 basis points (bps) to 17.95%. Since the commencement of its universal banking operations in 2015, your Bank has reduced its loan rates by 445 basis points – from 22.40% to 17.95%.

## Corporate Social Responsibility

### Linkages to Sustainable Development Goals



### Key Highlights as on March 31, 2020

- 28,366 families moved out of Poverty, Extreme Hunger and malnutrition
- 13,49,690 families enjoyed nutritional food and free from hunger
- 14,66,661 families accessed good health and well-being

### Targeting the Hard-Core Poor Programme

The Bank has contributed Rs. 27.60 crore towards the Targeting the Hard-Core Poor (THP) programme – the flagship programme of Bandhan Konnagar. The programme is designed for the ultra-poor women headed households, providing them with a range of gainful micro-enterprises (in form of farm, non-farm and mixed assets, not cash) along with handholding support and training on confidence building, enterprise skills, consumer interaction, marketing and financials skills. They are also provided with sustenance allowance to meet their daily needs till they start generating substantial income from the assets provided. In a month of 18-24 months these ultra-poor women start graduating, uplifting themselves from extreme poverty and get linked to the mainstream society.

During the year under review, 21,600 ultra-poor women from your Bank's catchment area covering 20 districts of Assam, Jharkhand, Madhya Pradesh, Odisha, Tripura and West Bengal had access to sustainable livelihood sources. Cumulatively, as on March 2020, 45,133 ultra-poor women had access

to sustainable livelihood sources, of which 28,366 have already graduated and moved out of poverty<sup>11</sup>, remaining 16,500 women are in various stages of moving out of poverty.

A study done by Abhijit Banerjee *et.al.*,<sup>12</sup> on the long term impacts of the programme, suggests that in seven years after the asset were first distributed, livestock revenue, income from non-agricultural entrepreneurial activities and daily wage income was 286%, 100% and 25% higher in the treatment group as compared to the control group mean and it was not because of more working hours, but because of the fact that the income per hour went up and they diversified their businesses and invested part of the gains from livestock into other activities.

The monthly consumption of those assigned to treatment increased by 25% (USD 16) as compared to the consumption of those assigned to control, which increased by 12% (USD 6.6) and the amount deposited in the savings account by the beneficiaries was more than double as compared to the control group. There was also an increase in the formal borrowings.

The study also found positive effects across all categories of outcomes. Compared to non-beneficiaries, the beneficiaries' households of the programme have more assets, food security is higher, earn more, and are financially better off. The results for the adult-level indexed variables of the study indicated that the individuals are healthier, happier, and less stressed. Furthermore, the effects (except for productive assets) almost always grows over time, suggesting that the programme may have put beneficiaries' household on a different trajectory.

This suggests that the promise of the programme to have unlocked the "poverty trap" seem realized.

### **Health, Nutrition, Drinking Water and Sanitation**

During the year, your Bank has contributed Rs. 17.96 crore towards health programme of five PIAs in the catchments of your Bank's operational area covering 33 districts in nine states of India.

### **Health**

Your Bank, have helped in creating health and hygiene related awareness and behaviour change through a network of 3,193 village level female health volunteers known as "*Swasthiya Sahayikas*" who reached out to 5,72,450 women, including 15,488 adolescent girls and 45,603 pregnant women and 1,17,619 lactating mothers. The Swasthiya Sahayikas held 38,212 health awareness forums, health and nutrition camps and pregnant and lactating women focused health sessions. These awareness camps and sessions were attended by 6,82,647 female participants belonging to reproductive age group. The Swasthiya Sahayikas made 6,30,173 home visits to follow up on the health status of pregnant women, lactating mothers and children below 5 years and have taken 1,744 pregnant women for institutional

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<sup>11</sup> Poverty Line benchmarked accordingly to Tendulkar Poverty Lines per capita monthly expenditure, 2011-12, Niti Aayog, Government of India and India SDG Index Score for Goal 1 – No Poverty; Goal 2 – Zero Hunger and SGD 5 – Gender Equality

<sup>12</sup> Abhijit Banerjee, Esther Duflo, Raghavendra Chattopadhyay and Jeremy Shaprio. 2016. The Long Term Impacts of a "Graduation" Program: Evidence from West Bengal. Working Paper, September, 2016. J-PAL, MIT, Cambridge, Massachusetts. USA.



deliveries during emergency situations or in case of absence of any family members and referred 7,053 women for ante-natal check-ups ('ANC') and institutional deliveries in 457 healthcare centres. These efforts, resulted in improving the institutional deliveries to 90.25%, (national average of 78.90%) and complete ANC to 91% (National average 51.20%).

## **Healthcare**

Apart from public health programme, 1,62,104 patients were provided treatment for various diseases like cataract, hypertension, diabetes, cough & cold etc., by 4 PIAs in 4 districts of 4 states of India.

## **Nutrition**

During the year, 2,78,926 children were enrolled in the nutrition initiatives, of which it identified 28,751 severe acute malnutrition ('SAM') children under the age of five years and supported them for nutrition rehabilitation. 94% of the children over 24 months completed their primary immunisation and 83.25% (National Average 54.90%) of children from 0- 6 months were exclusively breast-fed.

To provide round the year nutrition support 5,94,050 households were provided planting materials of fruits and vegetables for setting up their nutrition gardens. These nutrition garden helped the families, especially women and children to consume pesticide free fresh fruits and vegetables round the year. This initiative has helped in reducing the protein energy malnutrition ('PEM') amongst the children who are less than five years of age and is evident from the fact the wasting of children under-five has gone down to 9% (as against the national average of 35.7%). The awareness regarding balanced and adequate diet during pregnancy coupled with availability of fruits and vegetables from the nutrition garden, resulted in reducing the low birth weight incidences to a mere 2% of the live births as compared to the national average of 18.2% live births being under 2.5 kg.

## **Drinking Water**

During the year, 23 community level reverse osmosis water treatment plants were set up, which provided 10,302.36 kilo litres of purified drinking water to 23,532 households.

## **Sanitation**

Your bank has contributed Rs. 1.02 crore towards the school sanitation programme of two PIAs covering 19 schools in 3 districts in 3 states of India. The initiatives helped in improving the sanitation infrastructure of government schools, which included separate toilets for Boys and Girls using child friendly engineering, RO drinking water stations, mid-day meal platform with shades, dish washing stations, roof rainwater harvesting system etc. The programme induced behaviour change amongst the school teachers and children through classroom sessions and demonstrations regarding sanitation and personal hygiene including hand-washing using soaps after using toilets, before and after a meal, before holding infants, after arriving, after playing outdoors, after playing with animals, after coughing, sneezing or blowing your nose, cleaning toilets, flushing toilets after use, using sanitary pads for menstrual hygiene etc. The programme also supported monitoring of the operation and maintenance of the facilities created.

The Swasthiya Sahayikas of the health programme inducted menstrual hygiene behaviour change communication amongst the women especially the adolescent girls and infant care behaviours to the pregnant and lactating mothers. They provided 3,08,179 sanitary pads during door to door visits and have also started to supply infant diapers, soaps, hand sanitisers, moisturisers etc.

## **Education**

Your Bank's education programme provides quality education to the children belonging to the marginalised section of the society in your Bank's catchment area. The education programme enables the children to improve their learning outcomes, especially in STEM subjects and increase their retention and classroom engagement. The programme also provides training to the teachers belonging to the communities, government schools and schools run by various charitable trusts who are providing free education to transform their pedagogy and integrate various teaching and learning tools in their lesson plans and track the comprehensive continuous assessment of each child. For inclusive learning, your Bank's also has contributed to "*Sammilit Pathshala*" for providing education to children with special needs with other children. For creating a better learning environment, the programme also contributed to the creation of school education facilities including, setting up computer labs, smart classrooms, furniture and fixtures, building as learning aid ('BALA') paintings etc.

Your Bank contributed Rs. 12.25 crore towards the education programme of 8 PIAs benefiting 55,437 marginalised children in 35 districts of 7 states of India.

## **Support to Person with Disabilities**

In line with the commitment to inclusive growth, your Bank has contributed Rs. 78.43 Lakh to the initiatives of 4 PIAs who are dedicated to provide equal opportunities and conducive environment to the persons with disabilities ('PwD'). During the year, the initiatives have supported 2,058 PwDs in 8 districts of 4 states of India.

## **Skill Development**

Your Bank's skill development initiative provides market linked and job ready employable skills to the youths from the marginalised section of the society in various domains. This initiative not only provides on-job training, and job placement facilitation in the organised sector but also follow-up of the placements so that the youths are settled in their job post training.

During the year, your bank contributed Rs. 4.25 crore towards the skill development initiatives of three PIAs in 16 districts of 8 states of India. These PIAs operated 17 training centres which were in operation in the like Hospitality, Retail and Customer Care, Sales and Marketing, ITeS and BPO, Refrigeration and Air Conditioning, Computer Accounting, Hardware and Networking, BFSI, Tailoring, Mason, Electrical, GDA (Nursing), Manual Metal Arc Welding, Fitter Fabrication, Security guard and driving domains.

As on March 2020, 4,638 youths were trained, of which nearly 80% were placed with net salary ranging from Rs. 6,500 to Rs. 12,000 and other performance based allowances and social security benefits like PF and ESI.

## 10 Natural Capital

The Bank promotes Environmental stewardship and encourages communities and the activities financed by the bank to take necessary measures for the conservation of natural resources and environment protection.

The Bank's commitment to pursue low carbon footprint has led to installation of energy efficient technologies and use of renewable energy. Its headquarter is located in a IGBC-Gold rated green building and uses energy and water efficiency, resource recycling and other green building sustainable practices.

### **Key Highlights:**

- 30,000 Kilo Litre of rainwater harvesting potential created
- 20 Hectares of mangrove plantation created
- 4,400 tonnes of CO<sub>2</sub> sequestered

### **Water Conservation**

The water conservation initiative aims at water security and drought proofing to some of the high moisture stressed regions of India, thereby providing a safety net to agriculture and livestock based livelihoods. The initiatives facilitate participatory watershed management by empowering the communities to participate in planning and implementation of local water resource development. Measures such as building, reviving and maintaining water-harvesting structures, prioritisation and judicious use of water for every community member, crop planning and water efficient farming, use of drought resistant varieties, cultivation of high value crop requiring less water etc., creates a multiplier effect in drought proofing and climate change adaptation measures and higher income generation. Currently, the programme is being implemented in 2 states. These project not only provided drinking water to over 1,500 families but also supported participatory irrigation of cumin crop for 35 farmers and helped in generating on income of more than Rs. 20 Lakh.

### **Afforestation**

Your Bank afforestation initiatives has contributed towards the project on establishing "Bio-shield" to save the mangroves in Bharuch district of Gujarat. Mangrove plantation in a stretch of 1 km of coastline was done along with plantation of other medical plant species and fodder species. The fodder Bank was created to offset the biotic pressure from the mangrove area. The project created 4,629 person days of employment and provided an additional income generating avenues from fodder and medicinal plants harvesting.