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*for all*



**Bandhan Bank**  
Aapka Bhalai, Sabki Bhalai.

ANNUAL REPORT 2016-17

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### Forward Looking Statement

In this Annual Report, we have disclosed forward looking information to enable stakeholders to comprehend our prospects and take prudent decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot

guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

amb**B**ition *for all*

v**A**lues *for all*

cha**N**ge *for all*

lin**K** *for all*

asp**I**ration *for all*

vision**N** *for all*

pro**G**ress *for all*

Banking is a means towards financial empowerment of citizens, especially those at the bottom of the pyramid.

### **About Bandhan Bank**

Bandhan Bank is one of the two recent entrants in India's universal banking space. Headquartered in Kolkata, the Bank has two divisions — general banking and micro banking, offering a bouquet of retail financial solutions, including a variety of savings and loan products. The Bank has established a robust distribution channel across metro, urban, semi-urban and rural regions.

In an increasingly digitised ecosystem, it is our imperative to stay relevant to the changing requirements of new-age customers; and to handhold customers so that they can be on-boarded seamlessly on to digital service channels. To fulfil such requirements, the Bank has built a multichannel servicing strategy.

By offering our customers transactions at our ATMs, internet banking, phone banking and mBandhan (mobile banking) in addition to our branch network, the Bank has ensured that the service is available round-the-clock. For every single customer.

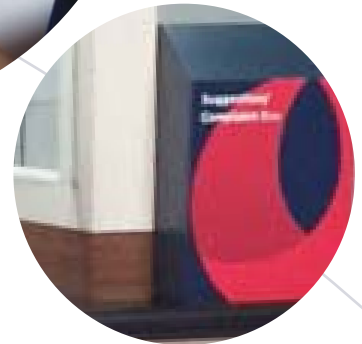
**We see  
banking as a  
service, more  
than a  
financial  
transaction.**



Beyond that, we see banking as a fundamental right of every Indian citizen. To be a part of the mainstream economy and fulfil their aspirations.



Our innovative products and services cater to the requirements of all; and we focus on widening the smile of last-mile customers. The future of New India rests on their shoulders.



Trust is our cherished asset and we continue to build on it by crafting convenient and affordable financial solutions that produce encouraging outcomes for all stakeholders.

# Well-being for all

Bandhan Bank received the 'in-principle' approval from the Reserve Bank of India in April 2014 and the banking regulator's final nod came on June 17, 2015. Our public shareholders include, among others, International Finance Corporation (IFC), Small Industries Development Bank of India (SIDBI), and an arm of GIC, the sovereign wealth fund of Singapore.

We have a consistent desire to serve better with a wider reach. We seek to offer our world-class banking products and services to urban, semi-urban and rural customers alike. While we have a pan-India presence, our special focus remains on eastern and north-eastern parts of India.

We are a Bank for all, with focus on catering to all financial requirements of people who remain outside the periphery of the formal banking ecosystem. Our objective is to help promote better education, healthcare and self-employment opportunities.

In line with our philosophy of 'Aapka Bhala, Sabki Bhalai' and keeping financial inclusion at the heart of it, we are committed to offer products and services that bridge aspirations and achievements.

We made a modest beginning in 2001 as a not-for-profit microfinance enterprise with the idea of making a significant contribution towards poverty alleviation by empowering women. We transformed ourselves into a non-banking finance company in 2006.



## our vision

To be a world class bank for convenient and affordable financial solutions to all, in an inclusive and sustainable manner.

## our mission

To provide our customers accessible, simple, cost-effective and innovative financial solutions in a courteous and responsible manner. To create value for all stakeholders through a committed team, robust policies and superior systems and technology.

## our values

Our values are anchored around our business ethics, consumer focus and corporate responsibility towards society at large.

## our growth story

### STATES AND UNION TERRITORY PRESENCE

2015-16 | **29**

2016-17 | **33**

### BRANCHES

2015-16 | **656**

2016-17 | **840**

### DOORSTEP SERVICE CENTRES (DSCs)

2015-16 | **2,022**

2016-17 | **2,443**

### ATMs

2015-16 | **228**

2016-17 | **282**

### CUSTOMERS

2015-16 | **84lakh**

2016-17 | **105lakh**

### EMPLOYEES

2015-16 | **20,548**

2016-17 | **24,220**

### ADVANCES

2015-16 | ₹ **15,593<sub>cr</sub>**

2016-17 | ₹ **23,543<sub>cr</sub>**

### DEPOSITS

2015-16 | ₹ **12,089<sub>cr</sub>**

2016-17 | ₹ **23,229<sub>cr</sub>**

### SHAREHOLDERS' FUND

2015-16 | ₹ **3,590<sub>cr</sub>**

2016-17 | ₹ **4,705<sub>cr</sub>**

C - Cost-effective and simple

R - Respect for all

E - Exemplary governance

C

R

E

A

T

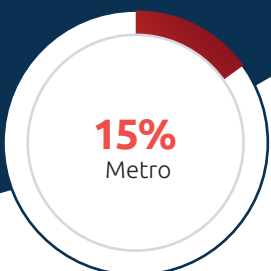
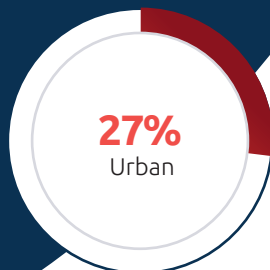
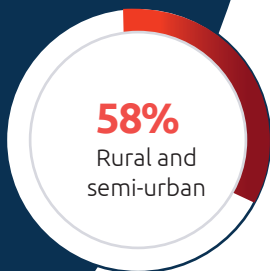
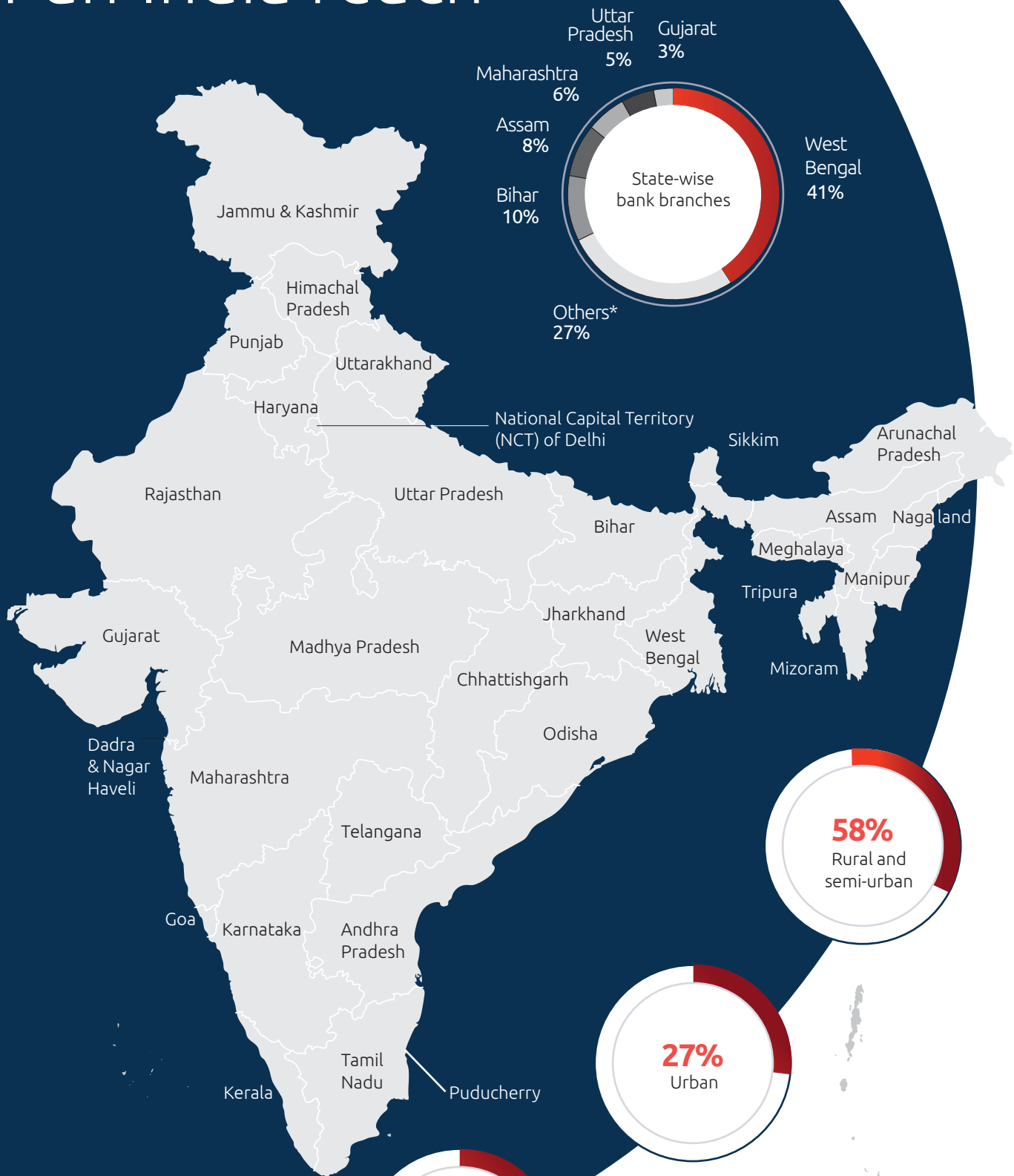
E

A - Accountability, professionalism and discipline

T - Transparency and integrity

E - Effective team work and commitment

# Pan-India reach



\* Others include Madhya Pradesh, Jharkhand, Tripura, Odisha, Chhattisgarh, Rajasthan, National Capital Territory (NCT) of Delhi, Karnataka, Punjab, Haryana, Tamil Nadu, Uttarakhand, Kerala, Telangana, Andhra Pradesh, Goa, Himachal Pradesh, Mizoram, Nagaland, Arunachal Pradesh, Chandigarh, Dadra & Nagar Haveli, Jammu and Kashmir, Manipur, Meghalaya, Puducherry and Sikkim.



# Round-up of 2016-17

During 2016-17, Bandhan Bank continued to strengthen its core bank offerings. We are committed to keep building our franchise and offer our esteemed customers a wide range of solutions to meet their varied customer requirements.

## DEPOSITS PRODUCTS

- Grew our deposits by 92%, from ₹ 12,089 crore on March 31, 2016 to ₹ 23,229 crore as on March 31, 2017.
- Increased Current Account (CA) acquisitions owing to enhanced value propositions to CA customers, along with value-added services, such as EDC-PoS terminals.
- Strengthened the CA deposits with ₹ 1,453 crore as on March 31, 2017, a 518% rise over ₹ 235 crore as on March 31, 2016.
- In the savings account (SA) deposits, the introduction of corporate salary accounts, along with the maintenance and enhancement of the existing product schemes, enabled robust deposit mobilisation.
- The SA deposits closed at ₹ 5,385 crore, as on March 31, 2017, up by 127% over the previous year.
- The Bank mobilised deposits to the tune of ₹ 16,391 crore as on March 31, 2017.

## ASSETS PRODUCTS

- Strengthened customer advances portfolio by the addition of two new businesses — Small Enterprise Loans (SEL) and Gold Loans.
- SEL business extends advances ranging from over ₹ 1 lakh to ₹ 10 lakh, meeting credit requirements for income generation avenues of fledgling enterprises.
- The guiding principles that shaped the launch of this product were loan ticket size, flexible funding structure, and potential synergies with the trade finance business.
- The SEL portfolio closed at ₹ 1,054 crore as on March 31, 2017 with a total base of 57,171 customers.
- Gold loans are positioned as a reliable and convenient source of credit for low- to mid-income groups, as they are made available with convenient procedures and documentation.
- The Bank's outstanding gold loans to 314 customers were worth ₹ 1.66 crore as on March 31, 2017.

- Small and Medium Enterprises Loan (SME) vertical: five assets centres serviced a total of 71 SME borrowers, with a cumulative portfolio size of ₹ 106 crore.
- On the retail assets front, the Bank had 14,927 loan accounts during the year, encompassing a total portfolio size of ₹ 391.6 crore, as on March 31, 2017.
- Priority Sector Lending (PSL) continued to be the Bank's core strength; it went up from ₹ 12,268.81 crore on March 31, 2016 to ₹ 16,456.64 crore on March 31, 2017.
- In 2016-17, as a proportion of the net advances of ₹ 16,864.17 crore, PSL at 97.58% was marginally lower than 98.58% at the end of 2015-16; but well above the regulatory requirements of 40%.

## EDC-POS TERMINALS

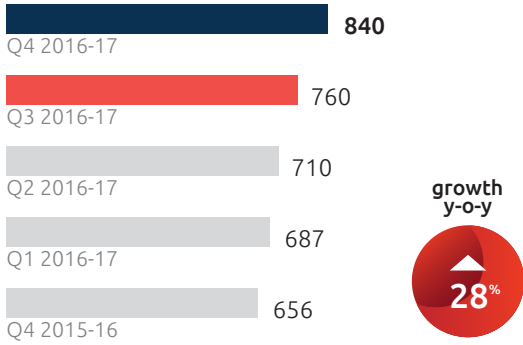
The EDC-PoS terminal product was rolled out in December 2016, and within four months, by the end of the financial year, the Bank received 7,885 applications, of which 5,743 terminals were already installed as on March 31, 2017.

## DEBIT CARD

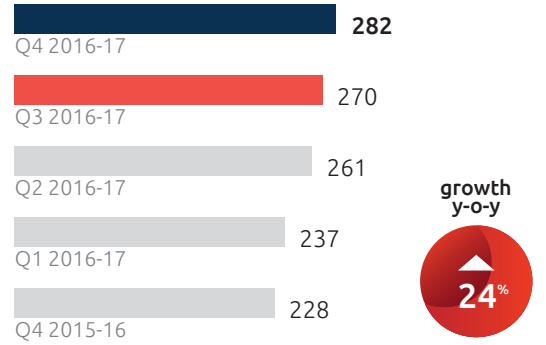
In line with industry benchmarks, the debit cards business grew over 20% on the issuance front, while activation rates averaged 12% across the portfolio.

# Steady progress

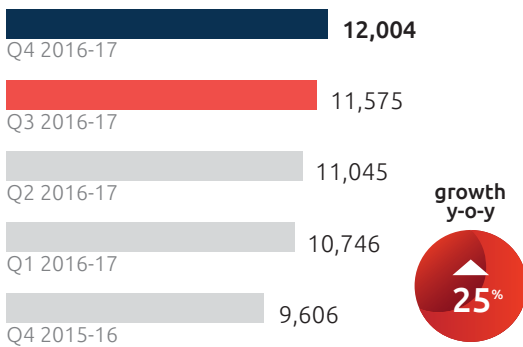
## Branches (No.)



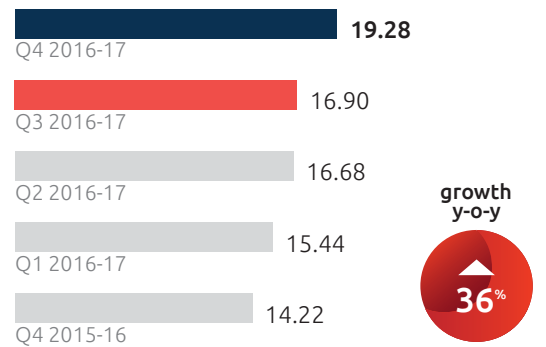
## ATMs (No.)



## Mini ATMs (Hand-Held Devices) (No.)

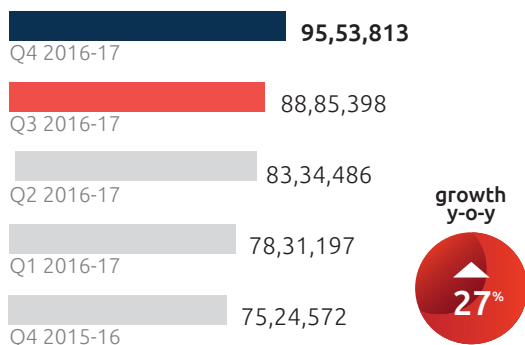


## Total transactions (No. in crore)

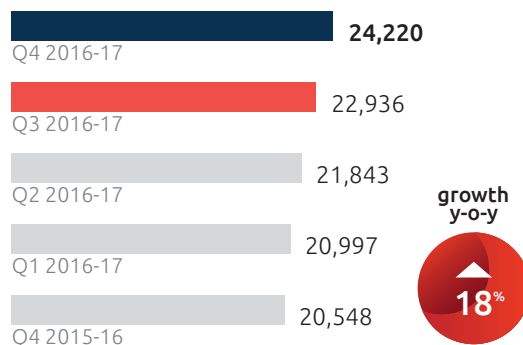


**Debit cards issued**

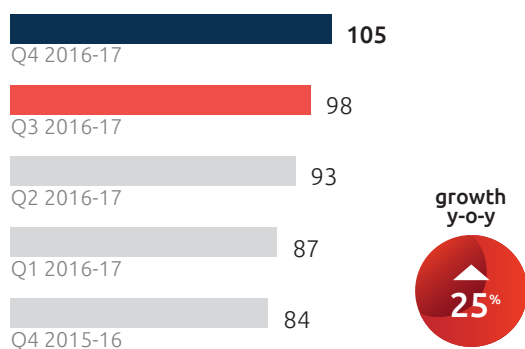
(No.)

**Employees**

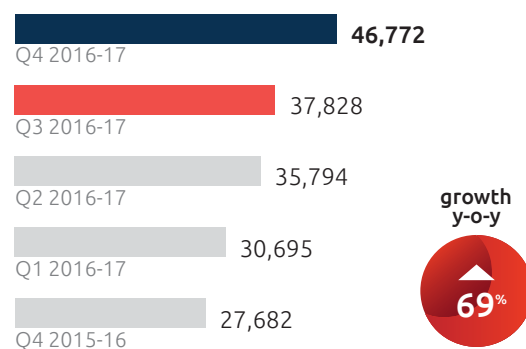
(No.)

**Customers**

(No. in lakh)

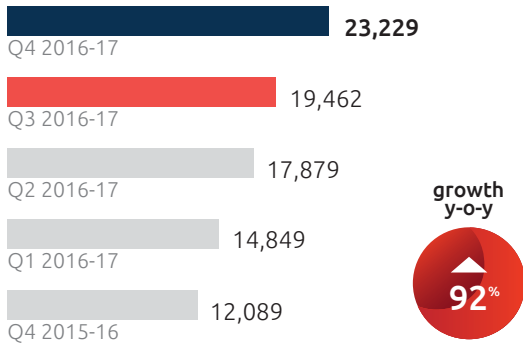
**Total business**

(No. in crore)

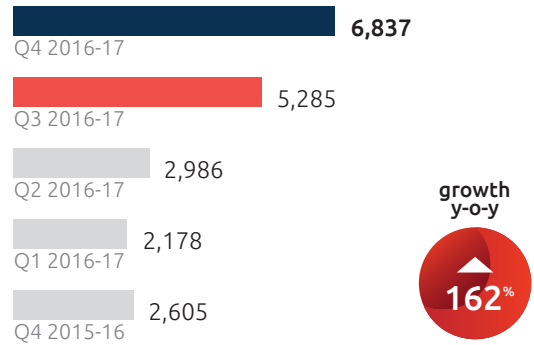


# Steady progress

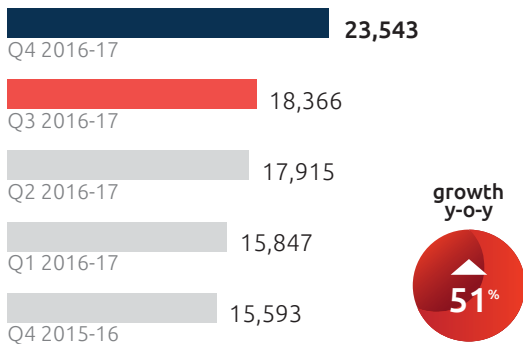
## Total deposit (No. in crore)



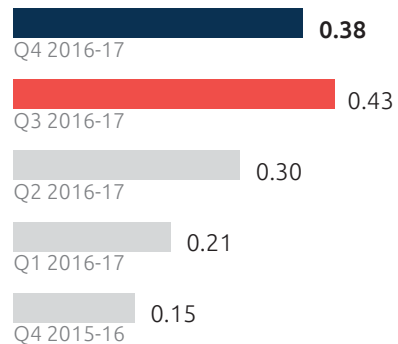
## CASA (No. in crore)



## Total advance (No. in crore)

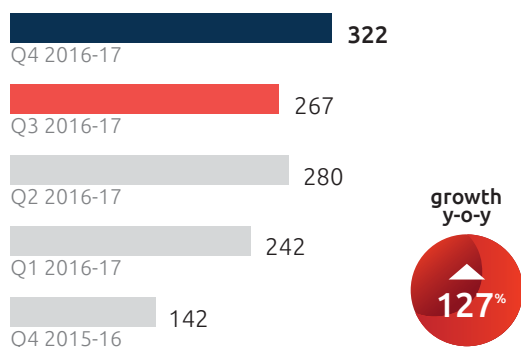


## GNPA ratio (%)



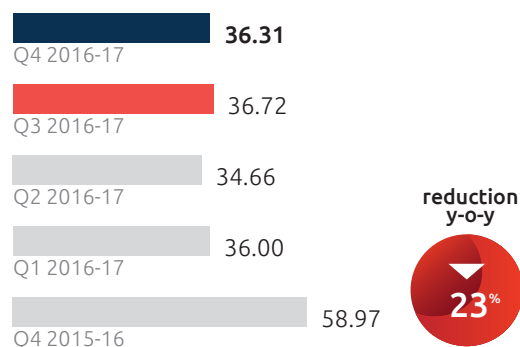
## Profit after tax (On quarterly figures)

(No. in crore)



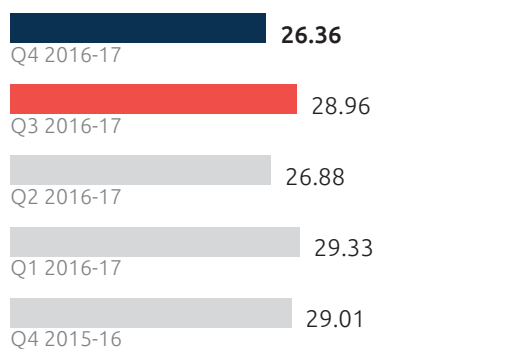
## Cost to income ratio

(% )



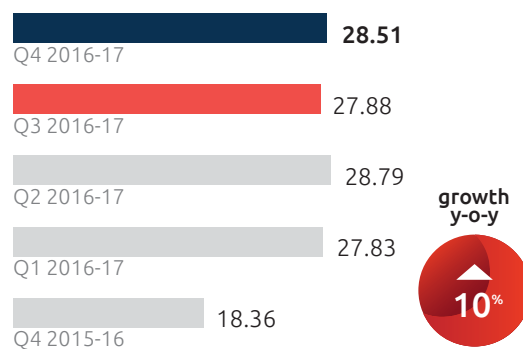
## Capital adequacy ratio

(% )



## Return on equity

(% )



# Chairman's message

Dear Shareholders,

I am pleased to present before you the annual report for the year 2016-17 of Bandhan Bank.

For Bandhan Bank, which launched its banking business on August 23, 2015, 2016-17 was the first full year of its operations. The three challenges that had to be met were — leveraging its core strength, and deepening and broadening its micro banking operations; spreading its branch network in metro, urban, semi-rural and rural areas, and providing its online banking facility to mobilise deposits to substitute high-cost interbank borrowings used to finance its legacy microfinance loans as well as fund new loans to its customers; and meeting the challenge of building up and maintaining the highest standard of banking services through human resource and information technology management. It is a matter of some satisfaction that, while there is ample scope for improvement on all fronts, all three challenges were met more or less satisfactorily.

**Your Bank ensured that Know Your Customer (KYC) regulations were not being circumvented in the process of depositing SBNs.**

The number of Doorstep Service Centres (DSCs), which are critical for the Bank's micro banking operations and provide banking services to customers near their homes, which was 2,022 until March 31, 2016 increased to 2,443 at end-March 2017. With all the DSCs linked to some Bank branch, and the Bank expanding its branch network to all parts of the country, the corresponding increase in the number of branches was from 501 on August 23, 2015, to 656 on March 31, 2016 and to 840 at end-March 2017.

Of these 840 branches, 15% were in metros, 27% in urban, 25% in semi-urban, and 33% in rural areas. These 840 branches, together with the associated 2,443 DSCs were providing banking services to the Bank's 105 lakh customers.

Recruitment, retention and appropriate career planning of the Bank's human resources and harnessing the state-of-the-art information technology (IT) are two keys to success. The Bank is trying to cope with both these challenges. On the IT front, your Bank has taken several initiatives to augment the digital banking platform to its customers. The use of its mobile banking app 'mBandhan' and other internet banking channel is increasing. The Bank is also working on its United Payment Interface (UPI) app. Aware of the threat of cyber-attacks, your Bank has taken, and continues to take, significant preventive measures.

The Bank's operational efficiency was tested by the withdrawal of the old ₹ 500 and ₹ 1,000 notes — the specified bank notes (SBN) — on November 08, 2016. Like all banks, your Bank also experienced a surge in deposits with customers depositing SBNs in their accounts and limits applying on cash withdrawals, because of cash shortage.

Your Bank ensured that Know Your Customer (KYC) regulations were not being circumvented in the process of depositing SBNs. In the first couple of months after SBN withdrawal, the Bank staff had to manage the cash requirements of customers, while cash was in short supply and without any currency chests of its own, the Bank relied on others, with considerable tact and sensitivity. I believe your relatively new Bank passed the testing by fire satisfactorily.

The significant customer confidence garnered by Bandhan, one of the youngest scheduled commercial banks in India, is manifest in a near doubling (92% growth) in its retail deposits during 2016-17. While the proportion of current account and savings account (CASA) in total deposits increased from 22% to 29% during 2016-17, efforts continue to increase it further.





The significant customer confidence garnered by Bandhan, one of the youngest scheduled commercial banks in India, is manifest in a near doubling (92% growth) in its retail deposits during 2016-17.

All major departments of the Bank, including Business, Information Technology, Treasury, Risk Management, Compliance, Finance & Accounts, Operation & Customer Service and Human Resource, under the guidance of the Managing Director & CEO and the entire Board of the Bank, have contributed significantly to the Bank's achievements so far.

Ahead, there are miles to go.

And I am sure with your continuous support, the Bank will scale greater heights in the future. I thank you for reposing your trust in me as the Chairman of the Bank.

With best wishes,  
**Ashok Kumar Lahiri**

840  
branches

Of these 840 branches, 15% were in metros, 27% in urban, 25% in semi-urban, and 33% in rural areas.

# Managing Director's insight

Dear Friends,

Against a backdrop of macroeconomic stability, low inflation and cut in Reserve Bank of India's policy rates, Bandhan Bank's performance curve has risen significantly in the first 19 months since the commencement of our operations.

## **BUSINESS PERFORMANCE**

Despite being the newest entrant in India's universal banking space, your Bank has performed exceptionally well and attracted huge deposits. As on March 31, 2017, the Bank's overall

deposits stood at ₹ 23,229 crore vis-à-vis ₹ 12,089 crore on March 31, 2016.

Your Bank underwent a robust expansion in its brick-and-mortar distribution channel. It is expanding its presence across metro, urban, semi-urban and rural regions. It aims to continue its expansion in the current financial year. In addition, your Bank is focussed on substantial expansion in the offsite ATM reach, along with the addition of branches and DSCs.

## **DIGITAL FOCUS**

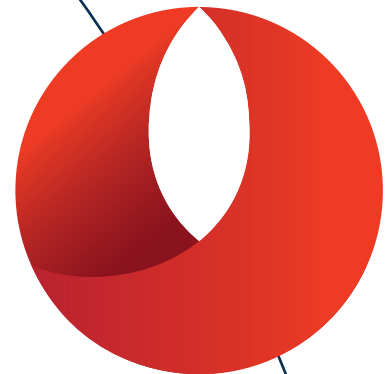
At Bandhan Bank, we ensure our round-the-clock availability for every single customer by empowering our digital platforms. We have capitalised

on digital advancements through enabling of services via ATMs, internet banking, phone banking and introduction of the online app — mBandhan.

New products such as EDC-PoS terminals were also launched in line with the government's drive towards a less-cash intensive economy. Additionally, your Bank is popularising the use of digital transactions by way of IMPS, NEFT and debit cards, among others. As a result of dedicated digital channel initiatives, a healthy growth in the number of registrations and usage of the online interface has been witnessed.

Moreover, focussed communication initiatives driven through branches and social media to popularise ongoing debit card offers are showing positive outcomes. The Bank has achieved a favourable increase in the number of transactions and the amount per transaction since the start of the financial year.

As on March 31, 2017, the Bank's overall deposits stood at ₹ 23,229 crore vis-à-vis ₹ 12,089 crore on March 31, 2016.







## GROWING OUR PRODUCT PORTFOLIO

Taking forward the Government of India's vision of a digital and cashless economy, your Bank introduced new products during the financial year. To acquire more business, we opened new current accounts and deepened relationships with existing current account customers across major and small towns and villages.

The EDC-PoS terminal product was rolled out in December 2016. Since the rollout, the Bank installed 5,743 terminals as on March 31, 2017, averaging around 2000 EDC-PoS applications every month.

Your Bank focusses on strategic risk diversification across customer categories and sectors. Introduction of new products is enabling the Bank shore up its assets portfolio.

## ROAD AHEAD

To accelerate its growth pace, your Bank plans to foray into the distribution of third-party products

Your Bank underwent a robust expansion in its brick-and-mortar distribution channel. It is expanding its presence across metro, urban, semi-urban and rural regions.

(TPP) in 2017-18. It targets to establish its mutual fund (MF) business and intends to commercialise it through the metro and urban branches in the first quarter of the current fiscal. The primary aim is to expand the customer base and strengthen earnings.

In addition, your Bank will also commence its general insurance (GI) business through a corporate agency licence. The inclusion of these products in the Bank's portfolio will further strengthen its position in the universal banking space.

I am grateful to all our stakeholders for helping us to grow and outperform in the world of banking. I look forward to your continued support and I promise a great future together.

Warm regards,  
**Chandra Shekhar Ghosh**

“Thanks to Bandhan Bank and their prompt service, today I live in a *pucca* house.”



# Turning aspirations to reality

Indreswar Baishya hails from a village near Assam's capital Guwahati. Ever since he was a little boy, he wanted to have a *pucca* house. After Mr. Baishya got a job as a school teacher, he hoped he would be able to construct his dream home soon. And provide his family the warmth and security they deserve.

But alas! That was not to happen. Every financial institution he approached turned down his home loan request. Some cited that his property was located in a remote area, while others demanded a string of documents.

He was dejected as he realised how difficult it is to acquire a loan to build a house, just 80 kilometres from the state capital.

But when Mr. Baishya came across Bandhan Bank, his hopes were rekindled. Finally, he approached the Bank and his loan was disbursed in just 10 days. And he could begin construction.

Today, he is the proud owner of a *pucca* house and hopes this is the beginning of a long association as he wants to further enhance his family's lifestyle.

**Mr. Indreswar Baishya, Kendukona (near Guwahati)**

# Helping dreams come true

Prasanta Halder is a resident of Bongaon, near Kolkata, where he lived with his wife, mother and two children. Mr. Halder's wife was then an active member of Bandhan Bank Group Loan. The Halder family resided in a two-roomed *kachcha* house and wanted a larger comfortable home. But they lacked the resources to construct one without financial support.

Therefore, a home loan was the best option for Mr. Halder.

While looking for a suitable home loan scheme, he realised that with a property located in the interiors it will be very difficult to attain his objective. Most financial institutions rejected his application and others demanded he furnish a number of documents. Mr. Halder clearly saw this way he would never be able to fulfil his mother's dream of residing in a *pucca* house.

When he shared this concern with his wife, she suggested Bandhan Bank. Her confidence in the organisation renewed Mr. Halder's energies to pursue a home loan.

Once Mr. Halder applied for the loan in Bandhan's Bongaon branch, his loan was sanctioned within three days of document collection and it was disbursed within a fortnight. Within six months, the family shifted to their new two-storeyed home that uplifted the family's lifestyle.

Mr. and Mrs. Halder are confident that with Bandhan Bank by their side, they will shape a better future for their family.

**Prasanta Halder,  
Bongaon (near Kolkata)**



“With Bandhan Bank by our side, I am sure our family will have a better future. Bandhan has helped me make a *pucca* house for my mother in her old age.”

# New-age Banking

Bandhan Bank believes digitisation, powered by best-in-class technology, is a key competitive advantage for any bank in the world.

## facilitates banking for all



Digitisation is essential for new age bank operating in a developing economy like India with a policy thrust towards building a digital economy.

Our objective is to strengthen our digital footprint in a safe and secured manner. Besides, our digital strategy will strengthen our pan-India reach, provide our business with the ability to use data in new and innovative ways; and help us exceed the expectations of customers with products and services that set new industry benchmarks.

Digitisation has given immeasurable power in the hands of customers. It has ushered in the era of on-demand banking with a plethora of offerings, whenever, wherever.

Bandhan Bank realises this growing need of customers and accordingly has created technology-led products to deliver a seamless banking experience. The agility and consistency in introducing these services has helped meet the expectations of customers. The commitment to improve the experience for customers continues to motivate the Bank to deliver services that excel in quality and speed of delivery, using contemporary technology.

### banking on the move

Bandhan Bank has always leveraged technology effectively to stay relevant to evolving customer aspirations. mBandhan, the mobile banking application, Internet banking (for corporate and retail customers) are offerings that provide the convenience of banking while on the move.



## banking at your place

Micro banking services are provided close to the homes of micro borrowers. Doorstep Banking Officers (DBO) visit customers and use Hand-Held Devices (HHDs) to conduct banking transactions. This service is an industry-first and is now widely accepted in the business of microfinance. Besides, innovative ways of banking are provided such as collections of loan instalments and providing cash receipts and payments for customers at their doorsteps. Banking at the place of choice was never so easy and simple.

## payment gateway for online banking

Bandhan Bank has tied up with two Payment Gateway Service providers for online net banking transactions. Customers can pay, shop online through net banking on 2500+ merchant websites. The Bank has also started the EDC-PoS (Point-of-Sale) Business and has acquired and deployed 5,743 PoS Terminal at merchant outlets, which accept Rupay and Visa Cards. The Bank has enabled customers to complete Aadhaar seeding and mobile registration through Bank ATMs.

The Bank has a state-of-the-art primary Data Centre and Disaster Recovery Centre to secure live systems. Both the Data Centre and Disaster Recovery Centre are ISO 27001 and PCI DSS Certified, which are vital to business operations. Substantial progress has been made in the implementation of RBI guidelines on Technology Risk Management, Information Security and Cyber Fraud.

The Bank is in the process of implementing additional IT security products and features to provide top-notch information security features and ensure safe and secure banking to all customers. Regular cyber security drills and employee awareness programmes are conducted to enhance security and awareness.

The Bank has implemented biometric login for all employees to log in to the core banking application, which provides an edge on the information security front as it makes system log in a two-factor authentication process. The Bank has implemented state-of-the-art advanced malware protection solutions to secure banking systems from current cyber threats.

Bandhan Bank has created resiliency in businesses by opening offices in new locations. The treasury front office operations are in Mumbai and back office operations are additionally supported through a Central Processing Unit (CPU) in Indore. Disaster Recovery Drills are conducted regularly as a part of the implementation of the Business Continuity Management System (BCMS). Critical IT Systems are compliant with the International BCMS Standard – ISO 22301 – 2012.

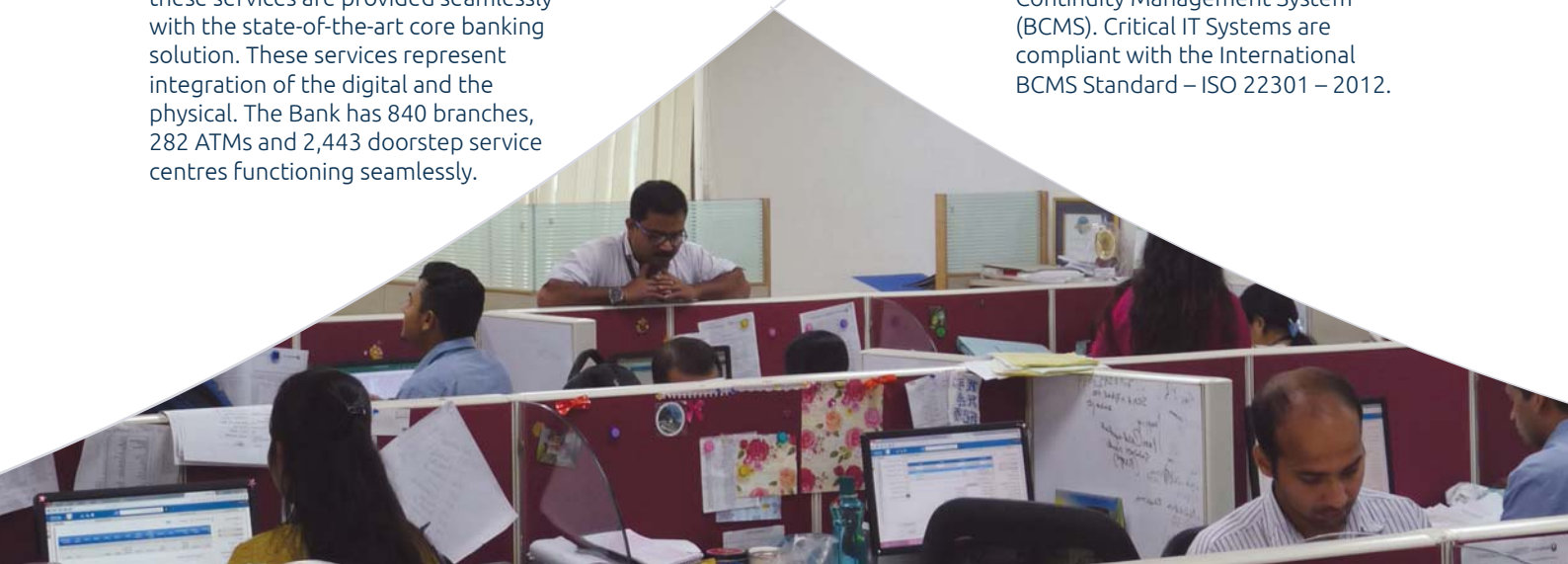


## integrated services

Bandhan Bank provides a great customer experience on the strength of personalised attention and handholding, along with technology-supported services. Opening of an account, issue of a draft, payment of a cheque, facility of scheduling payments or transfers of funds – all these services are provided seamlessly with the state-of-the-art core banking solution. These services represent integration of the digital and the physical. The Bank has 840 branches, 282 ATMs and 2,443 doorstep service centres functioning seamlessly.

## safe and secure banking

Bandhan Bank has implemented a robust IT Policy, Information Security Policy and Cyber Security Policy. These policies are in line with international best practices. They are reviewed periodically and suitably strengthened to address emerging threats.



# Last-mile banking is banking for all

At Bandhan Bank, our objective is to cater to the aspirations of economically disadvantaged sections of society; and act as a vehicle of empowerment from grassroots.

Our micro banking business enables us to reach out to the poor and low-income individuals and groups. Our business is driven through a separate organisational structure, operated by officials having expertise in the area.

The team caters to the specific needs of customers under micro-finance through those doorstep service centres (DSCs), which are proximate to the micro-borrowers. The entire network operates on a hub-and-spoke model.



## **DSCs FOR MICRO-BANKING**

DSCs provide doorstep services to micro banking customers. They are supported by trained people to cater to the specific needs of such customers. To be eligible for availing loan facilities, the customers under micro banking compulsorily hold savings bank accounts with the linked bank branch. Around 4-6 DSCs are linked to a bank branch to provide prompt services for any queries raised by patrons.

For customer's convenience and saving their time, the DSC officials visit their doorsteps to facilitate the collection of repayment as well as

small deposits. Additionally, this also reduces the effective cost of transaction for customers. The DSCs (being near the customer's locality) handle and support various requirements of micro banking customers.

A DSC plays an exclusive role in servicing the financially-excluded section of society through its unique operational model of understanding the customer's needs, monitoring operations and facilitating solutions. This model is critical to serving customers effectively.

## INITIATIVES UNDERTAKEN AT DOORSTEP SERVICE CENTRES (DSCs)



### FORMATION OF OFFICIAL GROUPS



### OPENING SAVINGS BANK ACCOUNTS



### SOURCING LOAN PROPOSAL FROM CUSTOMERS



### APPRAISAL OF LOAN APPLICATIONS



### DOCUMENTATION & DISBURSEMENT OF LOANS



### FACILITATING WITHDRAWAL OF SAVINGS THROUGH HHDS



## MICRO-BANKING INITIATIVES

### Customer-oriented

At Bandhan, we are people-centric. Our employees are trained to provide micro banking services with a human touch. The DSC staff understands the human dynamics and integrates customer insights with the operational framework.

### Digital focus

The DSC staff is prepared to offer instant advice and solutions to customers. This has been made possible by equipping them with digital media like tablets and mobile phones. The use of digital media has helped accelerate operations and led to an escalation in business acquisition.

### Strict monitoring

We ensure a multi-tiered monitoring system in place. Our independent Audit Department conducts audits on a frequent basis to closely review our activities in line with business policies. The audit score of DSCs and branch is considered for risk profiling of the unit.

### Facilitating support

The Bank has an effective support mechanism, wherein various operational issues are resolved at an appropriate level. This ensures efficient and smooth operations at the ground level and enables easy understanding of the micro-finance processes.



Samaipur's Usha found it very difficult to make both ends meet with her on and off sewing business. The seamstress was the only earning member of her family and her earnings were never enough to feed her family two square meals.

Usha was slowly losing her battle against poverty and contemplating her next move when she came across Bandhan Bank. With a quick loan of ₹ 10,000, Bandhan helped her set up a grocery shop. Over the years, Bandhan Bank helped her grow the business with other loans in the subsequent years.

At present, she is a motivated and enthusiastic member of the Tulsi group and readily recounts how Bandhan Bank changed the tide of her life.

**Usha Devi, Delhi**



# Moving ahead together

“Bandhan Bank changed my entire life. Today, I can provide comfort to my family. Earlier, I couldn't even feed them twice daily.”



# Nurturing ambition

“Bandhan Bank stood beside me when I needed them. My bond with Bandhan grows stronger with every passing year.”



Suman Devi's story shows how grit and determination of one person and a strong financial support can change many lives.

Like most women beyond India's metros, Suman Devi had limited opportunities. But she made the most of them. In 2013, she borrowed ₹ 15,000 from Bandhan to buy a sewing machine and start her own business. Her hard work and determination, along with subsequent loans from Bandhan (NBFC) and Bandhan Bank helped her grow the business.

Slowly, she began to supply readymade garments to stores in Jaipur. As her business expanded, Suman Devi hired new staff; thus, generating employment for others.

Currently, she is the proud owner of a readymade garments business and plans to grow beyond the pink city. With her earnings, Suman Devi is able to provide a better lifestyle for her family, including quality education for her children.

**Suman Devi, Jaipur**

# Offerings for all

We are committed to fulfilling the financial requirements of every Indian in this new era of inclusive banking.

## DEPOSIT PRODUCTS



### SAVINGS ACCOUNTS

#### Premium Savings Account

Customers choose our Premium Savings Account to experience effortless and hassle-free banking, a host of relationship privileges and complimentary premium banking services.

#### Advantage Savings Account

Our customers enjoy exclusive banking benefits and services with the Advantage Savings Account, which offers a range of products and services. This account comes with improved access and higher transaction limits.

#### Standard Savings Account

The Standard Savings Account is packed with great features to provide you with a superior banking experience at a very comfortable, minimum balance requirement.

#### Special Savings Account

We understand that people with special needs or physical disabilities have different transactional requirements. With customer needs in mind, we've designed a Special Savings Account to ensure convenient and hassle-free banking.

#### Sanchay Savings Account

The Sanchay Savings Account will handhold those who are just starting their savings journey. This account allows unparalleled access to the amount saved and makes tracking account activity easy.

#### Basic Savings Account

The primary objective of this product is to promote financial inclusion; targeted towards the under-banked segments of society, which have limited access to banking services in any form.

#### GOS Savings Account

This account is available to government departments/bodies/agencies for grants/subsidies released for the implementation of various programmes and schemes, sponsored by the Central Government/State Governments, subject to the production of an authorisation from the respective government departments.

## SAVINGS ACCOUNTS

## CURRENT ACCOUNTS

### Biz Premium Current Account

The Biz Premium Current Account is a high-end account that allows our customers to enjoy a host of privileges with a monthly average balance requirement of ₹ 1,00,000.

### Biz Advantage Current Account

The Biz Advantage Current Account comes with an array of benefits with a monthly average balance requirement of ₹ 25,000.

### Biz Standard Current Account

The Biz Standard Current Account offers the best value for customer's money. With a monthly average balance requirement of ₹ 5,000, this account will fulfil all banking needs.

### TASC Current Account

TASC Current Account offers complete banking solutions to non-profit organisations, trusts, associations, societies, clubs, hospitals, educational institutions, Section 25 companies, among others with a monthly average balance requirement of ₹ 25,000.

### GOS Current Account

The Current Account-GOS is a high-end current account, catering to all transactional and banking requirements of government organisations. It comes with a range of facilities and services.

### Samridhhi Current Account

The Samridhhi Current Account is most suitable for small retailers, traders, self-employed professionals, such as doctors, architects, chartered accountants, and company secretaries, among others. It gives the optimum value for your money at a low monthly average balance of ₹ 5,000.



## CURRENT ACCOUNTS

## FIXED DEPOSITS

### Premium Fixed Deposit

A high-end product requires a minimum deposit amount of ₹ 1 crore, with tenures ranging from seven days to 10 years. One can avail differential rates of interest for high-value deposits.

### Advantage Fixed Deposit

With this reinvestment plan, earn interest that is compounded quarterly and reinvested with the principal amount. The maturity period ranges from six months to 10 years.

### Standard Fixed Deposit

With this traditional fixed deposit plan, earn interest on a monthly/quarterly basis, as per your convenience. The maturity period ranges from seven days to 10 years.

### Tax Saver Fixed Deposit

This product offers easy tax-saving investment options under Section 80C. It requires a minimum deposit amount of ₹ 1,000 and allows a maximum deposit of ₹ 1,50,000 in a financial year.



## FIXED DEPOSITS



# Offerings for all



## RECURRING DEPOSITS

### RECURRING DEPOSITS

A Recurring Deposit Account can be operated singly or jointly, requiring a minimum investment of ₹ 100 (and multiples of Re. 1 thereafter) with tenures ranging from six months to 10 years.

### Dhan Samridhi (Cash Certificate Scheme)

With this reinvestment plan, earn interest that is compounded quarterly and reinvested with the principal amount. The maturity period ranges from six months to 10 years. This growth-oriented scheme is designed to help our customers meet their financial objectives, such as education, health, marriage and travel in a short time span.



### NRI Accounts

These accounts are packed with exciting features and benefits. They also offer flexibility to earn attractive returns on savings and fixed deposits.

### EDC-PoS Terminals

Bandhan Bank established its merchant acquiring business to increase the penetration of its PoS terminals across not only in towns and cities, but also in the comparatively smaller, cash-intensive towns and villages. On an average, the Bank sources over 2,000 EDC-PoS terminal installation applications every month. In line with the government's clarion call to migrate towards a less-cash economy, and to promote digital transactions, the Bank will be expanding its card acceptance infrastructure.

### Alternate Channels

An unprecedented wave of digitisation has inundated the country's financial sector. The demonetisation initiative is being spearheaded with vigour by the Government, and both, public and private sector participants, are participating with equal enthusiasm to navigate towards a less cash-intensive, digital environment.

However, even before the demonetisation initiative, the Bank was actively promoting its alternate channels – debit cards, internet banking (retail and corporate) and mobile banking (mBandhan) – to onboard as many customers as possible onto these vehicles of ease and convenience. The result: mBandhan and Internet Banking witnessed robust growth in total registrations and usage as well. mBandhan registrations saw a substantial uptick, while Internet Banking (Retail and Corporate), too, registered impressive numbers.

## ASSET PRODUCTS

### SME LOANS

Our customers expand their businesses with Bandhan Bank's range of SME Loans, which help create income-generating assets and enhance liquidity. Businesses can now grow exponentially with better access to funds that facilitate productivity.

### AGRICULTURE LOANS

One can invest in quality farmland, livestock, plants, or warehouses with Bandhan Bank's Agriculture Loans. These loans have been designed to help our customers make the best possible use of their agricultural assets, and thereby optimise their output.

### MICRO BANKING LOANS

We help our customers to earn an independent living by starting their own home-based business with Bandhan Bank's various Micro Banking Loans. With these loans, one can invest in income-generating activities that were previously rendered inaccessible; and this is facilitated through timely and convenient access to funds.



### RETAIL LOANS

Our Retail Asset Loans help acquire/construct/extend/renovate the customer's dream home on flexible terms. Also, one can get a loan by leveraging existing property for productive purposes or plan the desired two-wheeler with our loan. Now, no dream is too big to fulfil, with our well-crafted Personal Loan offerings.

### SMALL ENTERPRISE LOANS

Bandhan Bank's uniquely designed Small Enterprise Loans empower entrepreneurs, who are in the process of scaling their businesses. These loans are for income-generating activities in the form of working capital or asset creation and even for short-term business requirements.

### GOLD LOANS

Gold loans help meet urgent fund requirements. One can avail the loan through our seamless application process, delivered through a comfortable and convenient experience.

# Drivers of our business

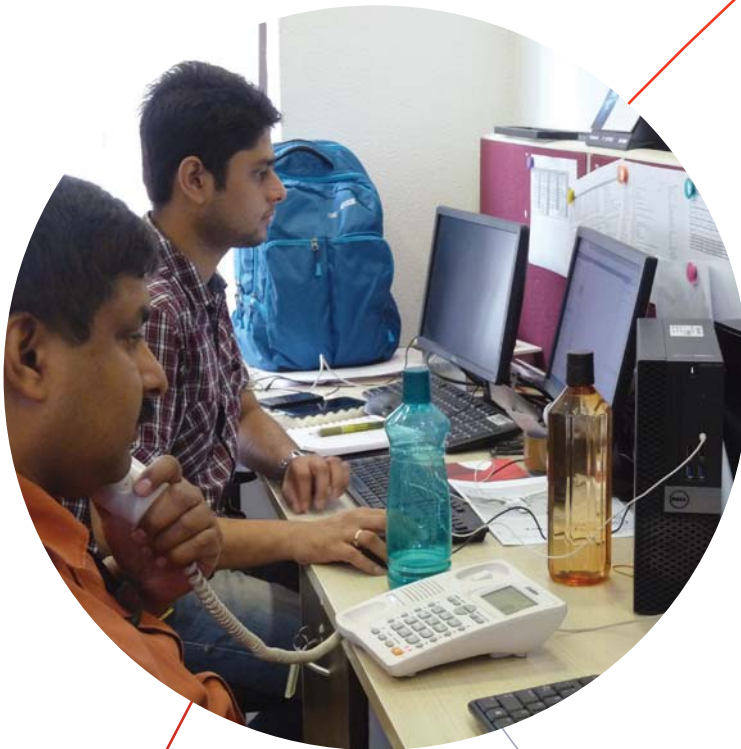
To attain a higher growth trajectory, we are concentrating on strengthening our information technology, talent management, treasury operations and compliance

infrastructure, among others. We are confident that by focussing on these growth drivers, we will continue to create more value for our customers, and in turn for all stakeholders.

## INFORMATION TECHNOLOGY

Information technology at Bandhan Bank ensures a seamless operation, supported by bespoke software and hardware infrastructure. The Bank measures business outcomes generated by IT processes to identify areas of improvement.

### Core IT objectives



**Run the Bank (RTB)**



**Change the Bank (CTB)**



**Grow the Bank (GTB)**

**Run the Bank (RTB):** Seamless support to existing applications and infrastructure

- Consistent functionality of banking products to provide better customer experience.
- Timely resolution of issues, related to software and hardware.
- Automated operational and reporting tasks to enhance efficiency and reduce risks.
- Improved efficiency in current operations and increasing business effectiveness.
- Priority-based resolution for internal and external customer issues in Core Banking Solutions (CBS).

**Supporting 840 branches across India, 2,443 DSCs and 282 ATMs and 105 lakh customers.**





### Change the Bank (CTB): Agility to meet changing business needs

- Enhancing current features to meet banking, operational and reporting needs.
- Incorporating new products and features to provide customer experience at par with leading banks.
- Acquiring merchants and partners to enable the use of Current Account as primary account.
- Measuring and assessing IT processes to drive continuous improvement.
- Providing tractability between IT initiatives and business strategy.

### Grow the Bank (GTB): Adopting IT to drive business growth

- Provide seamless support to IT infrastructure and systems for geographic expansion of retail banking, which includes both general banking and micro banking branches.
- Equip the Bank with innovative solutions to help in customer retention and acquisition.
- Build products and features, supporting adjacent business development in a timely manner.
- Use analytics to drive insights from customer and transaction data for business decision-making and expansion.
- Implement technologies and processes, which are open, effective and scalable.

### Road ahead

We are in step with the Government of India's vision of Digital India to elevate the quality of life of millions of people, energise the economy and enhance transparency. We have put in place best-in-class technology and are constantly innovating to launch varied products and services to cater to the evolving aspirations of a wide cross-section of customers. For us, this is just the beginning, and we are geared for an exciting and eventful journey.

### New-age features

- VISA Card
- NPCI PaySecure
- Flexi FD
- Passbook printing in DSCs
- BillDesk integration
- Corporate internet banking



# Drivers of our business

## TREASURY OPERATIONS

Our treasury operations are managed by a highly-efficient team comprising front office, mid office and back office, since inception. The treasury focusses primarily on the management of our Bank's funds. Besides, it is involved in the maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), manage asset liability gaps, interest rate risk, liquidity, investments and trading activities. At Bandhan Bank, we have a Board-approved investment policy regulated by RBI guidelines and standard procedures for carrying out treasury transactions.

From the beginning, we have a fully-automated treasury software system to capture, authorise, verify

and settle transactions, and generate MIS reports. Fully-automated systems and processes reflect our agility in adopting technology to match market standards.

We maintain adequate liquidity and contingency buffer to build resilience against market volatilities and cater to changing customer requirements. Our Bank is active in overnight call money market, collateralised borrowing and lending obligation (CBLO), market repo, variable rate reverse repo and liquidity adjustment facility (LAF) transactions for managing its funding requirements. The resource mobilisation strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits and interbank participatory certificates (IBPC).

We have an asset liability management (ALM) desk and a proprietary desk to manage the investment portfolio in fixed income securities. At Bandhan Bank, we follow investment strategies to optimise duration and return on investments. Besides, we do not have any non-performing investments.

Despite being in the early stages of treasury operations, our treasury function has demonstrated high standards of professionalism, proactivity and precision in all dealing activities in the financial market. Our treasury reported a robust performance in 2016-17.

## TALENT MANAGEMENT

A business is as good as its people and at Bandhan Bank, we are fortunate to have a great team, which helps us to consistently create value. With earnest commitment, energy and initiative, our people are helping the Bank to achieve its strategic mission.

At Bandhan Bank, the purpose of Human Resources (HR) department is to ensure that our employees are engaged and motivated to contribute to the Bank's growth. The HR department remains committed towards promoting a sustainable performance-driven culture. It aims to create an environment and culture of learning and superior performance. Besides, the department is focussed on integrating our corporate values and aligning the personal aspirations of employees to our business objectives.

Our employee engagement initiatives include putting greater emphasis on learning and development, providing our people opportunities to seek

aspirational roles, streamlining the performance management system and introducing performance-linked rewards.

We organise programmes that meet the Bank's learning and development needs, and promote an ecosystem where learning, self-growth and excellence are encouraged. The learning architecture in our organisation focusses on:

- Developing tailor-made, competency mapped programmes for different sets of employees, based on their roles in the Bank.
- Inculcating the Bank's culture among recruits through induction or orientation programmes.

- Training on operational risk, audit, compliance and regulatory aspects for frontline staff.
- Preparing employees for leadership roles through special programmes on people management, customer-centric approach, compliance and so on.





Through our eight residential training centres across India, we have provided 85,354 days (FY 2016-17) of training to employees, spanning departments and functions. Our people went through a wide range of training programmes to build their professional competence and improve their skill sets.

Additionally, the Bank continues to engage with leading management institutes for leadership and management development

programmes. Moreover, these institutes help us to conduct specialised programmes for our senior and mid-management level employees.

At Bandhan Bank, we believe that the performance management process is a powerful driver of individual and corporate performance. An online performance management system (PMS) was introduced with focus on building transparency in performance assessments, and encouraging dialogue on performance and

developmental feedback between the appraisee and appraiser. Besides, it aims to encourage employee ownership of objectives. In addition, softer behavioural attributes like adherence to the organisation's values, customer focus, accountability, teamwork and so on are integral to our performance management process.

Going forward, we will continue to align our HR practices to build critical organisational capabilities. Besides, we will consistently support a conducive work environment to enhance employee satisfaction and enable the achievement of strategic objectives.



## COMPLIANCE FRAMEWORK

At Bandhan Bank, we follow the highest levels of compliance to the regulatory and internal guidelines. The Board and the Senior Management of our Bank remain committed to ensure that our business is conducted within the purview of legality and the broader standards of integrity and ethical conduct.

Thus, to adhere to this objective, we set up an enterprise-wide independent Compliance Department. It has been overseeing the compliance

aspects and management of compliance risk faced by our Bank. It apprises both the Board of Directors and the Senior Management on our compliance status and the changes in regulatory environment, periodically. The Audit Committee of the Board reviews the status of compliance with regulatory guidelines on a periodic basis.

We facilitate improvement in compliance culture through dissemination of regulatory guidelines from time to time, issuing circulars and instructions, and training initiatives, among others.

## Indian Accounting Standards (IND AS) implementation

The Bank has commenced the process of IND AS (Indian Accounting Standards) implementation and made a diagnostic study to identify the difference between the current accounting framework and IND AS. The Bank is also availing service of an external consultant for this purpose. The Bank has qualified the impact and filed the proforma financial statements for the half year ended September 2016 with the Reserve Bank of India.

# Lending support to growth

Sulekha Haldar was disowned by her husband at a very young age. Bereft of any financial or emotional support, she was at her wit's end in 2008. Moreover, she had to feed her five-member family. Every day was a

struggle for her and she was unsure how to break the vicious circle of poverty.

Her plight was noticed by some of her friends who introduced her to Bandhan, then an NBFC. With a loan of mere ₹ 5,000, she began her flower and agriculture business. It was hard work, but her determination to rise above her conditions pushed her. She knew although her journey wasn't easy now she had a friend in Bandhan. As her business progressed, Bandhan guided her through myriad ways of finance management.

In 2015, when Bandhan turned into a Bank, she felt proud to be associated with it. After all, it was Bandhan, which had handheld her journey out of poverty. She declares to all and sundry that loans from Bandhan helped her to turn her life and renovate her home.

**Sulekha Haldar,  
Krishnanagar (West Bengal)**





# Enabling a digitised economy

Gopa Bhattacharjee runs M/s. Jyotsna Filling Station in Agartala, Tripura. Her firm is a fuel outlet of IndianOil Corporation and has a current account relationship with Bandhan Bank's Agartala Branch.

Post installation of an EDC (electronic data capture) terminal at the fuel station, she took it upon herself to promote cashless transactions at her 'petrol pump'.

Within a few weeks, increase in the number of electronic transactions in Jyotsna's account was noticed at the Bank. On further analysis, it was revealed that most of the fuel station's customers were also Bandhan Bank customers and used the Bank's debit or credit cards.

Besides, soon she was delighted to realise that her firm had started saving significant cost on cash handling and therefore, increased profits. She still thanks the day she opened her current account with Bandhan Bank.

**Gopa Bhattacharjee with her husband in Agartala (Tripura)**



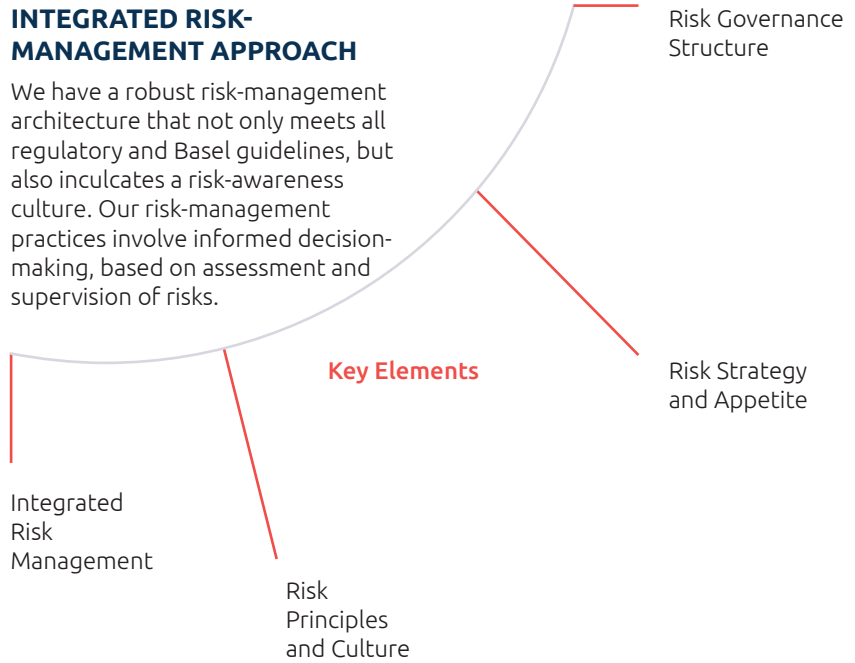
# Risk governance architecture

Bandhan Bank continues to strengthen its risk management architecture to drive its strategic and business growth. We are addressing the risks in a focussed manner, through clear understanding of various risks, disciplined assessment and measurement procedures, and continuous monitoring that protects the Bank's interests.



## INTEGRATED RISK-MANAGEMENT APPROACH

We have a robust risk-management architecture that not only meets all regulatory and Basel guidelines, but also inculcates a risk-awareness culture. Our risk-management practices involve informed decision-making, based on assessment and supervision of risks.



## OUR APPROACH

- Risk management is integral to sound business practices.
- Effective risk management leads to informed decision-making within the organisation's risk appetite.
- Intend to adopt an integrated risk-management approach to develop a comprehensive view of the risks faced.
- Integrated view of risks enables the assessment of the Bank's efficacy at managing them by identifying, assessing, measuring, and monitoring the key risks that are proactively adhered to by the business units.

## RISK PRINCIPLE AND CULTURE

The principles of integrated risk management are:

- **Risk governance:** The Board sets clear communications, a strong risk-focussed culture, and reward programmes that incorporate risk-related objectives, and learning programmes to promote an integrated risk management.
- **Risk infrastructure and oversight:** Senior management shall be primarily responsible for designing, implementing, and maintaining an effective risk programme and following risk based supervision. Risk Management Committees formed shall be responsible for overseeing risk management on a regular basis and reporting to the Board or the Risk Management Committee of the Board.
- **Risk ownership:** Business units will be responsible for the performance of their business and the management of risks within the Bank's risk framework.

**THREE LINES OF DEFENCE PRINCIPLE:**

At Bandhan Bank, we have developed a system for directing and controlling the risk management infrastructure of the Bank, based on ‘Three Lines of Defence’ principle. These three principles serve as the founding pillars on which the entire risk governance model of the Bank is built.

**BUSINESS (Implementation Pillar)**

**RISK MANAGEMENT (Identification, Monitoring and Control Pillar)**

**INTERNAL AUDIT (Independent Assurance Pillar)**

**Risk Information Sharing Kiosk**

To keep the management abreast of recent developments in the financial world, the Risk Management Department publishes a weekly newsletter — The R.I.S.K.

**RISK CULTURE**

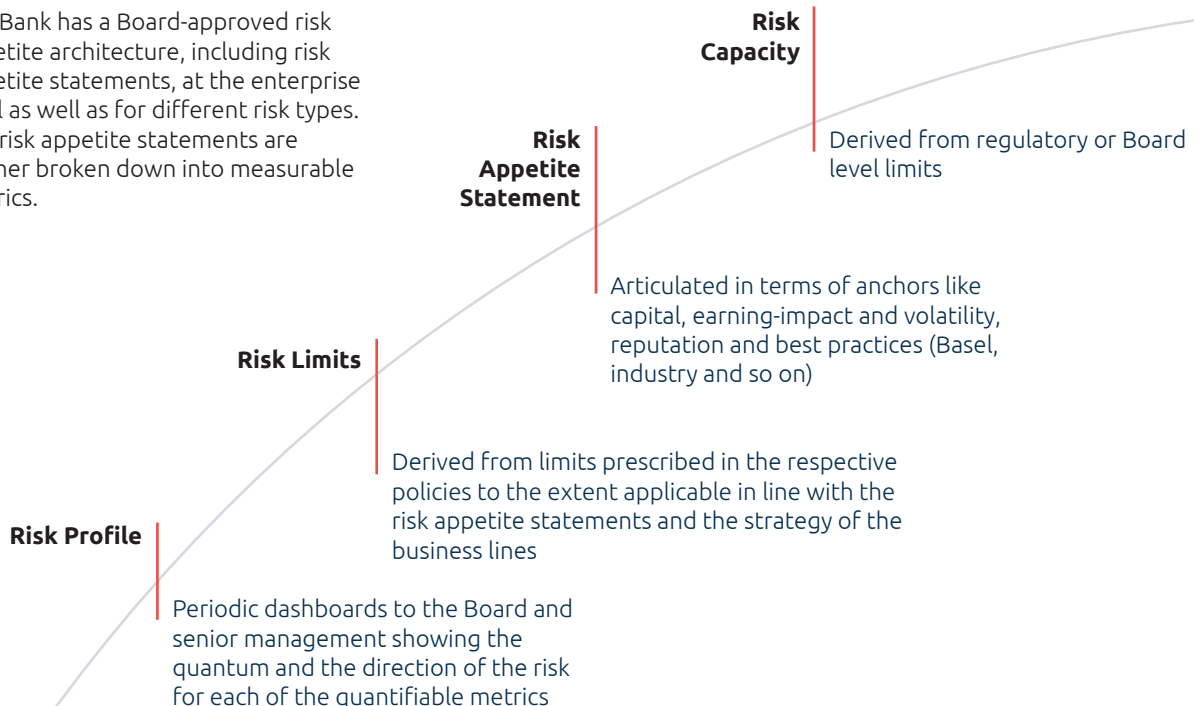
The Bank encourages calculated risk-taking, where risks are known, and are within the limits arising from the approved risk appetite. While evaluating the risks, the associated returns are also considered. The Bank is constantly striving to develop a ‘risk-aware culture’ among the employees of different business lines.

The key constituents that promote ‘risk-aware culture’ in the Bank are:

- To encourage employees to take business decisions in line with the Bank’s approved risk appetite.
- Treatment of whistle-blowers who report on fraudulent activities.
- Conduct towards employees who report potential risks.
- Adequate and regular training of personnel in business areas on their roles in risk management.
- Dissemination of information on a regular basis.

**RISK STRATEGY AND APPETITE**

The Bank has a Board-approved risk appetite architecture, including risk appetite statements, at the enterprise level as well as for different risk types. The risk appetite statements are further broken down into measurable metrics.



# Risk governance architecture

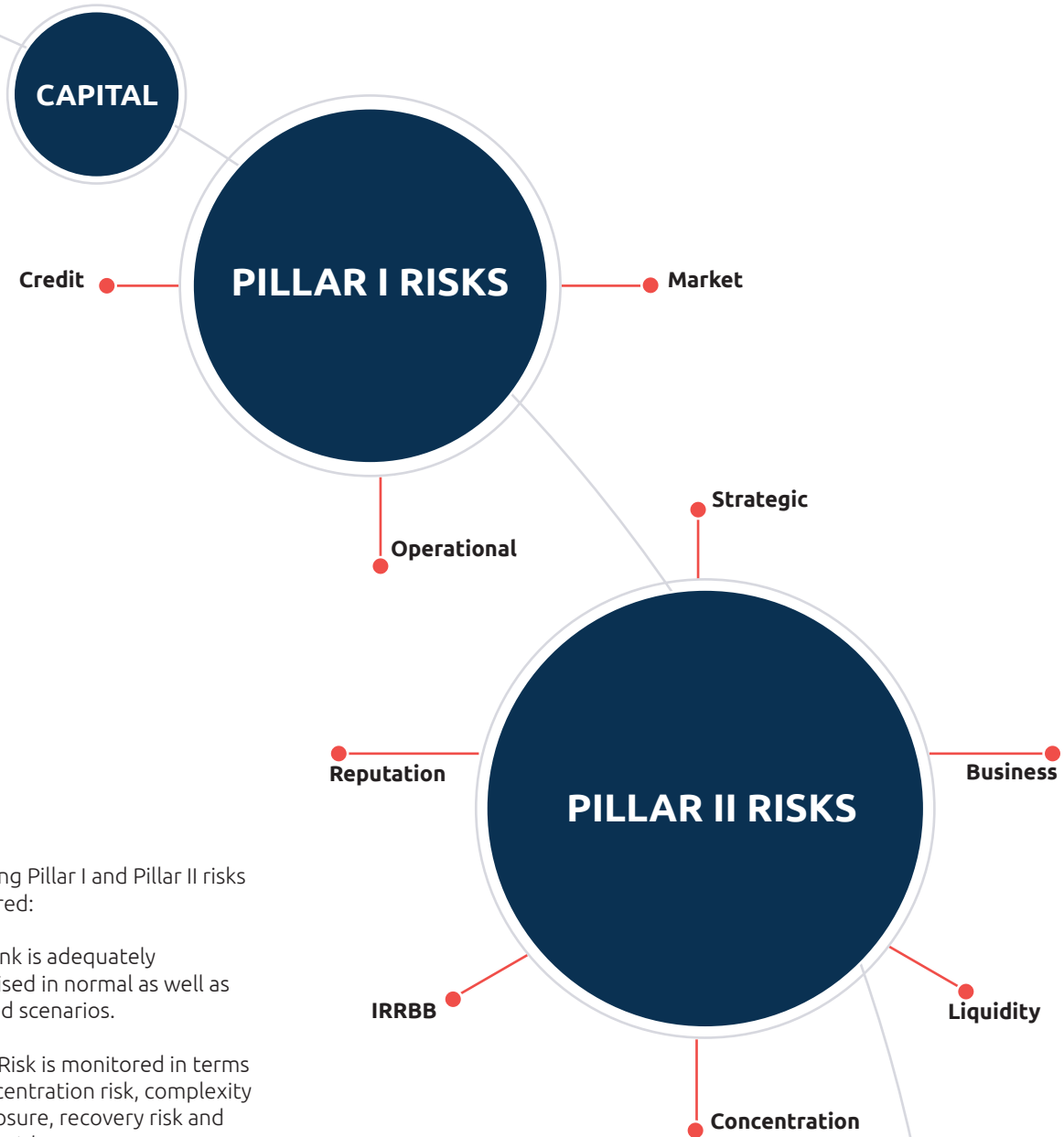
The Bank has established a structural approach to risk governance, ensuring an effective level of alignment between administration and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for the Board, Risk Management Committees, CRO, control functions and the accountable executives.



## GOVERNANCE STRUCTURE

PRINCIPAL RISKS	CREDIT AND CREDIT CONCENTRATION RISK	MARKET RISK	LIQUIDITY RISK	INTEREST RATE RISK IN BANKING BOOK (IRRBB)	OPERATIONAL RISK
<b>Governance of Board</b>	BOARD				
	Risk Management Committee of the Board	Audit Committee of the Board		IT Strategy Committee of the Board	
<b>Management committee</b>	Credit Risk Management Committee	Asset Liability Management Committee		Operational Risk Management Committee	Information Security Committee
	Head Office Level Credit Committee	Investment Committee		Product and Change Management/ Outsourcing Business Continuity Committee	
<b>Key Policies and Guidelines</b>	Risk Appetite Framework				
	Integrated Risk Management Policy				
	Credit Risk Management Policy	Market Risk Management Policy Asset Liability Management Policy Counter-party Risk Management Policy		Operational Risk Management Policy Business Continuity Management Policy	

**PRINCIPAL RISKS**



The following Pillar I and Pillar II risks are monitored:

- The Bank is adequately capitalised in normal as well as stressed scenarios.
- Credit Risk is monitored in terms of concentration risk, complexity of exposure, recovery risk and default risk.
- Market Risk is monitored in terms of investment risk, equity price risk, foreign exchange risk and interest rate risk.
- Liquidity risk is measured in terms of structural liquidity risk, stress liquidity risk, funding concentration risk and market liquidity risk.
- Operational risk is measured in terms of process risk, people risk, compliance risk, external risk and IT risk.
- Among Pillar II Risks, in addition to interest rate risk in banking book and credit concentration risk, the Bank also monitors reputation risk, strategic risk and business risk.

# Community aspirations

We are integrating our business operations with our social responsibilities to bring about holistic transformation of marginalised communities. Our endeavour is to broaden our scope of services and minimise areas of income leakage in poor families. Our development programmes widen the realms of education, health, livelihood promotion, market linkage, enterprise development, employment generation, renewable energy and financial literacy.

## PROGRAMME HIGHLIGHTS – MARCH 2017

Commencement  
**2006**

States  
**9**

Districts  
**35**

Villages  
**3,815**

Staff  
**616**

Households  
**53,957**

Our major CSR initiatives comprise:

### TARGETING THE HARDCORE POOR (THP) PROGRAMME

This initiative offers an integrated 360-degree assistance to the poorest strata of society. Apart from providing free assets, we counsel and extend support to selected beneficiaries. The programme enables the beneficiaries to generate income, using the asset provided and elevate themselves to mainstream society in a 24-month period.

We train the beneficiaries to achieve basic literacy whereby they learn to write numbers, sign their names and count. Besides, we promote financial literacy, which includes providing basic financial knowledge to the poor; facilitating accounts opening; identifying best applicable insurance services; connecting with self-help



groups and facilitating in availing of loans from financial institutions for business expansion. Besides, we help beneficiaries access mainstream entitlements for different kind of schemes in the sphere of education, health, immunisation, sanitation, housing and other pensions.



At Bandhan Bank, we make sincere and earnest efforts to bring about lasting change in the communities in which we serve. Our development programmes are managed by not-for-profit entity, Bandhan-Konnagar.



## BANDHAN EDUCATION PROGRAMME (BEP)

Our schools encourage a diverse age group of underprivileged children to start formal education. We have adopted an exclusive, low-cost and innovative model to ensure that underprivileged children receive quality education. BEP commenced with non-formal schooling in 2008 with 87,020 children, of which 28,242 have been mainstreamed into government secondary schools and

58,778 are studying in our 1,893 non-formal schools. However, through our academy set up in 2012, we have taken a step forward to inculcate formal schooling. Currently, there are 10 academies in West Bengal.



## PROGRAMME HIGHLIGHTS – MARCH 2017

Commencement  
**2008**

States  
**5**

Villages  
**1,709**

Staff  
**558**

Schools  
**2,800**

Students  
**87,020**

At Bandhan, we focus on education and development of marginalised children.



# Community aspirations

## PROGRAMME HIGHLIGHTS – MARCH 2017

Commencement

**2007**

States

**7**

Districts

**47**

Villages

**5,016**

Staff

**520**

Health Volunteers

**5,430**

Households

**10,12,668**

## PROGRAMME HIGHLIGHTS – MARCH 2017

Commencement

**2014**

States

**5**

Districts

**45**

Villages

**446**

Staff

**558**

Beneficiaries

**59,970**

## BANDHAN HEALTH PROGRAMME (BHP)

Through this programme, we provide opportunity to underprivileged women by training them to work as health volunteers. They are popularly called Swastha Sohayikas. We impart health education through health forums and home visits.

The volunteers distribute health kits at doorsteps and provide linkage or referral services. Moreover, we

conduct free health check-ups, and eye and polio camps. Besides, we established rural health clinics to help enhance healthcare facilities for villagers and reduce health expenditure of underprivileged families.

Safe water and sanitation facilities have always been a concern for disadvantaged sections of society. Bandhan has been bringing about behavioural changes by helping them to access finance for water and sanitation facilities. Till March 2017, 16,674 families were provided with water and sanitation facilities in various states, such as West Bengal, Bihar, Assam, Jharkhand and Odisha, among others.



We are focussed on spreading health awareness among women and adolescent girls.

## RENEWABLE ENERGY PROGRAMME (REP)

At Bandhan Bank, our endeavour is to conserve energy. Our objective is to harness renewable energy for a

sustainable environment. To provide eco-friendly electricity at low costs without harming the environment, we are promoting renewable energy through solar lamps and lanterns. These lights improve health condition and support extended hours of livelihood, while encouraging the use of solar power.



Through various development initiatives, Bandhan-Konnagar is targeting the upliftment of marginalised communities. Moreover, we have begun a Financial Literacy Programme in August 2015 to impart financial knowledge among rural women. We further aim to expand our activities to serve the underserved sections of society.

## EMPLOYING THE UNEMPLOYED PROGRAMME (EUP)

We help generate employment opportunities through our own vocational centre — Bandhan Skill Development Centres across the country.

We train unemployed youth in various domains, including customer relationship and sales, hospitality, information technology, computerised accounting, and refrigerator and air conditioner repairing, among others. After graduating from these courses, the participants find employment with reputed organisations or become self-employed.



## PROGRAMME HIGHLIGHTS – MARCH 2017

Commencement

**2009**

States

**4**

Districts

**24**

Villages

**102**

Staff

**58**

BSDC

**11**

Beneficiaries

**13,101**

## Bandhan NextGen Banker's Programme

The Bandhan NextGen Banker's Programme was launched in January 2017. It is aimed at training fresh graduates

desirous of working with Bandhan Bank. It is a one-year, full-time residential course, which is conducted at the Bandhan School of Development Management (BSDM), Kolkata. Given the unique microfinance-turned-universal-bank

business model and customer segment serviced by the Bank, individuals graduating from this course will be suitably trained in the various functions of banking. Our bank is committed to developing and propagating a strong sense of teamwork, discipline and ethics in its workforce.



# Board profile



**Dr. Ashok Kumar Lahiri**  
*Chairman*

Dr. Lahiri served as the Chief Economic Adviser to the Ministry of Finance, Government of India, between 1996 and 1997. He has been a member of several committees set up by the Government and Reserve Bank of India for advising on issues like fiscal responsibility legislation; ways and means advances from the central bank to the states, and floor price of steel.



**Mr. Bhaskar Sen**  
*Director*

Mr. Sen started his career as a Probationary Officer with Union Bank of India in 1974 and retired as Chairman and Managing Director (CMD) of United Bank of India. He was instrumental in establishing a full-fledged treasury operation for the Bank. Before taking over as CMD of United Bank of India, he had worked as an Executive Director at Dena Bank in Mumbai.



**Mr. Boggarapu Sambamurthy**  
*Director*

Mr. Sambamurthy is a Chartered Accountant, who started his career with Syndicate Bank in 1978. He was an Executive Director at Indian Bank from 2004 and retired as Chairman and Managing Director (CMD) of Corporation Bank in 2008 after a three-year stint. Until recently, he was the Director of Institute for Development and Research in Banking Technology (IDRBT).



**Mr. Chintaman Mahadeo Dixit**  
*Director*

Mr. Dixit is a Senior Partner at GD Apte & Co. He has nearly four decades of experience in the banking sector. Throughout his career, he has been associated with public-sector undertakings, public and private companies, Life Insurance Corporation of India, banks, non-banking finance companies and co-operative banks. A fellow member of the Institute of Chartered Accountants of India, Mr. Dixit supervised the first takeover of an urban co-operative bank by a public-sector bank in India.



**Ms. Georgina Elizabeth Baker**  
*Nominee Director (IFC)*

Ms. Georgina Baker is the Director of Trade and Supply Chain for International Finance Corporation (IFC). She is responsible for IFC's suite of trade and supply chain finance products, starting with the Global Trade Finance Programme, which is the IFC flagship trade programme. Ms. Baker is jointly responsible with Mr. Pierre Guislain for IFC's engagement in Fragile and Conflict Affected States.



**Dr. Holger Dirk Michaelis**  
*Nominee Director (Caladium)*

Dr. Michaelis, an economist, is currently a Senior Vice-President at GIC Private Equity and Infrastructure (PE&I), Singapore. He joined GIC in 2011 after a successful career at the Boston Consulting Group in Germany and China. As a member of the Portfolio, Strategy, and Risk groups, he is responsible for the strategy formulation and planning for GIC PE&I.



**Prof. Krishnamurthy Venkata Subramanian**  
*Director*

Prof. Subramanian is an Associate Professor of Finance at Indian School of Business, Hyderabad, with expertise in banking and economic policy. His service on the expert committee on governance of banks for the Reserve Bank of India (RBI) has established him as one of the architects of banking reforms in India.



**Mr. Chandra Shekhar Ghosh**  
*Founder, MD and CEO*

Mr. Ghosh holds a Masters degree in Statistics and is a Senior Ashoka Fellow. He established Bandhan as an NGO in 2001. Besides being the Founder, MD and CEO of Bandhan Bank, Mr. Ghosh has been associated with a number of esteemed organisations, such as Indian Banks' Association, National Executive Committee of Federation of Indian Chambers of Commerce and Industry (FICCI); UK-India Financial Partnership Committee; and the MSME Committee of the Government of West Bengal, among others.



**Mr. Pradip Kumar Saha**  
*Director*

Mr. Saha retired from Small Industries Development Bank of India (SIDBI) as a Chief General Manager in December 2013. He has over 37 years of experience in developmental banking. He was instrumental in the designing and implementation of corporate debt restructuring package for microfinance entities. Mr. Saha had also driven the agenda of responsible finance from SIDBI by assessing Code of Conduct through third parties, and harmonising tender initiatives towards Micro Finance Institutions (MFIs).



**Mr. Ranodeb Roy**  
*Director*

Mr. Ranodeb Roy is the co-founder and CEO of RV Capital Management Private Ltd., an asset management company based in Singapore that he founded in November 2011. He was also a member of the Board of Directors of Makemytrip Inc. He joined Morgan Stanley Asia Ltd in March 2008, and was responsible for the Fixed Income division. Mr. Roy has also worked in Merrill Lynch, Hong Kong as Managing Director, Co-Head of Fixed Income Currency and Commodities (FICC) group in 2007, responsible for FICC business across Asia.



**Mr. Sisir Kumar Chakrabarti**  
*Director*

After being associated with Axis Bank Ltd. for 17 years, Mr. Chakrabarti retired as Deputy Managing Director of the Bank in 2011. During this period, he served as a member of the Committee of Directors, the Audit Committee, as well as the Chairman of Axis Sales and Securities Ltd. He started his career at State Bank of Bikaner and Jaipur and remained with the State Bank associate for 21 years.



**Mr. Snehomoy Bhattacharya**  
*Director*

Mr. Bhattacharya began his career at State Bank of Bikaner and Jaipur. He has over three decades of banking experience in public and private sectors. His last stint was as the Executive Director (Corporate Affairs) of Axis Bank Ltd from 2010 to 2012. Earlier, he was heading the HR division of Axis Bank, where he oversaw a 25-fold increase in the new private bank's employee strength.



**Ms. T S Raji Gain**  
*Director*

Ms. Gain has worked in various capacities at National Bank for Agriculture and Rural Development (NABARD), the apex institution in the field of rural and agricultural banking. Currently, she is the Chief General Manager of the Farm Sector Development Department of NABARD, Mumbai.



# Leadership team



**Rahul Johri**

Head - Retail Banking



**Sunil Samdani**

Chief Financial Officer



**Santanu Banerjee**

Head - Human Resources



**Vijaykumar Ramakrishna**

Chief Information Officer



**Subhro Kumar Gupta**

Chief Audit Executive



**Nand Kumar Singh**

Head - Banking Operations &  
Customer Services



**Mahendra Mohan Gupta**

Head - Legal



**Biswajit Das**

Chief Risk Officer



**Arvind Kanagasabai**

Head - Treasury



**Sourav Kar**

Chief Compliance Officer



**Indranil Banerjee**

Company Secretary

# Awards and recognition



## 'INDIAN OF THE YEAR' AWARD BY CNN – NEWS 18

Mr. Chandra Shekhar Ghosh, Founder, MD & CEO, Bandhan Bank received the CNN - News18 Indian of the Year Award 2015 in the category 'Business' for touching the lives of millions of borrowers from low-income groups, including women entrepreneurs and small businesses. Shri Arun Jaitley, Union Minister for Finance, Corporate Affairs and Information & Broadcasting, Government of India, handed over this prestigious award to Mr. Ghosh on June 09, 2016 in Delhi.



## FE INDIA'S BEST BANKS AWARDS

Bandhan Bank received the 'Special Initiative Award' for the year 2014-15 as part of FE INDIA'S Best Banks Awards. The said award has been given by a national business daily - Financial Express. Shri Arun Jaitley, Hon'ble Minister of Finance and Corporate Affairs, Government of India handed over award to Mr. Ghosh at a ceremony held in Mumbai on September 01, 2016.



## BIHAR MITRA AWARD

Bandhan Bank received the Bihar Mitra Award for Banking & Finance on Bihar Divas (Foundation Day) in Mumbai on March 22, 2017. This is for the highest credit deposit ratio among banks operation in Bihar.

# First Anniversary of Bandhan Bank



**Bandhan Bank**  
Aapka Bhala, Sabki Bhalai.



**FOUNDATION DAY CELEBRATIONS**

Standing from left to right: Shri. N. S. Vishwanathan (Deputy Governor, Reserve Bank of India), Shri. Keshari Nath Tripathi (Hon'ble Governor of West Bengal), Shri. Pranab Mukherjee (Hon'ble President of India), Shri. Chandra Shekhar Ghosh (Founder, MD & CEO, Bandhan Bank) and Dr. Ashok Kumar Lahiri (Chairman, Bandhan Bank)







# Board's Report

## To The Members,

Your Directors take great pleasure in presenting the Third Annual Report of your Bank's business and operations together with the audited accounts for the year ended March 31, 2017.

**Table 1. Summary of Financial Performance**

Particulars	For the year ended	
	March 31, 2017	March 31, 2016
	(₹ in crore)	
<b>Deposits:</b>	<b>23,228.66</b>	<b>12,088.75</b>
- Savings Bank Deposits	5,384.72	2,371.05
- Current Account Deposits	1,452.62	234.55
<b>Advances:</b>	<b>16,839.08</b>	<b>12,437.55</b>
- Cash credits, overdrafts and loans repayable on demand	344.48	84.60
- Term loans	16,494.60	12,352.95
<b>Total Assets/Liabilities</b>	<b>30,236.09</b>	<b>19,756.50</b>
Net Interest Income	2,403.50	932.84
Other Income:	411.41	149.89
- Fee Income	320.41	145.42
- Misc. Income	91.00	4.47
Operating Expenses (excluding depreciation)	955.15	580.14
<b>Profit before Depreciation, Provisions and Tax</b>	<b>1,859.76</b>	<b>502.59</b>
Depreciation	66.86	35.78
Provision for Tax	592.52	138.26
Other Provisions [Include Write-offs of ₹ 31.19 Crore]	88.43	53.30
<b>Net Profit</b>	<b>1,111.95</b>	<b>275.25</b>
<b>Balance in Profit &amp; Loss Account brought forward from previous year</b>	<b>215.38</b>	<b>0.58</b>
<b>Appropriations:</b>		
Transfer to Statutory Reserve	277.99	68.96
Transfer to Investment Reserve	-	-
Transfer to Capital Reserve	0.91	-
Transfer to/(from) Reserve Fund	-	-
Proposed Dividend	-	-
<b>Surplus carried over to Balance Sheet</b>	<b>1,048.43</b>	<b>206.87</b>
EPS (Basic & Diluted)	10.15	3.40

## Performance of the Bank

The Bank commenced its banking business with effect from August 23, 2015, with 501 branches on a pan-India basis and on March 31, 2017, its network consisted of 840 branches spread across metro, urban, semi-urban and rural areas. Out of the total 840 branches, 32.62 per cent branches are in rural areas demonstrating your Bank's commitment to financial inclusion. The number of Doorstep Service Centres (DSCs) increased from 2,022 to 2,443 between March 31, 2016 and March 31, 2017. With the expanding

network of branches and DSCs, the number of customers grew by over a quarter during 2016-17, with a corresponding growth in total deposits of 92 per cent to ₹ 23,228.66 crore, of which ₹ 6837.34 crore or 29.43 per cent was Current Account and Savings Account (CASA).

Your Bank, while providing service to customers and working on financial inclusion, also enhanced shareholders' value by posting an increase of 149.54 per cent in total income to ₹ 4,320.12 crore in 2016-17. The profit after tax of ₹ 1,111.95 crore in 2016-17, after provisions of ₹ 680.95 crore, implies an increase in Return on Equity (ROE) from 16 per cent to 28.51 per cent, in Return on Assets (ROA) from 3.08 per cent to 4.47 per cent, basic earnings per share (EPS) from ₹ 3.40 to ₹ 10.15, and diluted earnings per share from ₹ 3.40 to ₹ 10.15 between 2015-16 and 2016-17.





**Women entrepreneurs are Bandhan's primary benefactors**

The Net Interest Margin (NIM) went down from 11.04 per cent in the previous year to 10.44 per cent in 2016-17.

Priority Sector Lending (PSL), or lending to critical players of the economy such as small and marginal farmers, and micro-enterprises, continued to be the core strength of your Bank, and PSL went up from ₹ 12,268.81 crore on March 31, 2016 to ₹ 16,456.64 crore on March 31, 2017. At the end of 2016-17, as a proportion of the net advances of ₹ 16,864.17 crore, PSL at 97.58 per cent was marginally lower than 98.58 per cent at the end of 2015-16, but still well above the regulatory requirement of 40 per cent.

Your Bank introduced a new product — Small Enterprises Loan (SEL). SEL is a loan between ₹ 1 lakh and ₹ 10 lakh, without collateral, given for income generating activities of small enterprises. Small Enterprises are those enterprises whose investment in plant and machinery or equipment does not exceed ₹ 25 lakh for manufacturing enterprise and service enterprises, respectively. Given for working capital requirement, assets creation for business, and other short term business requirements, total SEL advances stood at ₹ 1,054.48 crore on March 31, 2017. A modest beginning, but with the potential of scaling up.

Your Bank also introduced Gold Loan product, Bank Guarantee Module of Trade Finance, Next Gen Yuva—Loan for Unemployed Youth to do 1 Year Residential Next Gen Yuva Programme in Banking.

**The number of Doorstep Service Centres (DSCs) increased from 2,022 to 2,443 between March 31, 2016 and March 31, 2017.**

The withdrawal of legal tender status of specified bank notes (SBN), namely denominations of ₹ 500 and ₹ 1,000 already issued, on November 08, 2016 tested the operational abilities of all banks in India, including yours. Your Bank stepped into the implementation of exchange of SBN for other currency notes, which were scarce for several weeks, by not only its own customers but also others, and acquitted itself creditably. It also provided all its support to its customers to depositing SBN into their accounts within the parameters set by the regulators.

### **Dividend**

Considering that it is desirable to plough back the income for generating growth of business in the initial few years, the Board does not recommend any dividend for 2016-17.

Since the Bank has not declared any dividend since its incorporation, in terms of Section 125 of the Companies Act, 2013 there is no unclaimed dividend relating to the financial year 2016-17, which requires to be transferred to the Investors Education and Protection Fund as per statutory requirement.

## Board of Directors

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949. Board of your Bank consists of thirteen directors, of whom nine, an overwhelming majority, are Independent Directors. Of the remaining four, one Nominee Director (Non-executive) each is from International Financial Corporation and Caladium Investment Pte Ltd., one is a Non-executive & Non-Independent Additional Director, and one Managing Director and CEO.

Dr. Ashok Kumar Lahiri is the Non-executive Chairman of the Bank and Shri Chandra Shekhar Ghosh is the Managing Director & CEO. Other than Shri Ghosh, all Directors on the Board are non-executive.

Shri Ranodeb Roy [DIN: 00328764] was appointed as Non-executive Director of the Bank, liable to retire by rotation, with effect from July 26, 2016, subject to the approval of the Shareholders of the Bank at the 3rd Annual General Meeting of the Bank. The ordinary resolution in respect of this appointment has been included in the Notice convening the 3rd Annual General Meeting of the Bank. The notice also contains a brief profile of Shri Ranodeb Roy as an annexure.

Sm. Georgina Elizabeth Baker [DIN: 06601316] was appointed as Nominee Director of the Bank, not liable to retire by rotation, with effect from July 26, 2016.

Apart from the above, no other Director was appointed or resigned during the year under review.

The composition of the Board and attendance of the members at the meetings follow:

**Table 2. Board of Directors and Attendance at Meetings**

Name of Director	Number of Board Meetings Attended (total 8 meetings)	Attendance at AGM on June 20, 2016
Dr. Ashok Kumar Lahiri, Chairman	8	Present
Shri Chandra Shekhar Ghosh, MD & CEO	8	Present
Shri Bhaskar Sen	8	Present
Shri Boggarapu Sambamurthy	7	No
Shri Chintaman Mahadeo Dixit	7	Present
Sm. Gerogina Elizabeth Baker	3	N.A.
Dr. Holger Dirk Michaelis	6	No
Prof. Krishnamurthy Venkata Subramanian	6	No
Shri Pradip Kumar Saha	7	Present
Shri Ranodeb Roy	5	N.A.
Shri Sisir Kumar Chakrabarti	6	No
Shri Snehomoy Bhattacharya	6	No
Sm. T. S. Raji Gain	8	Present

<sup>1</sup>Sm. Georgina E. Baker was appointed with effect from July 26, 2016.

<sup>2</sup>Shri Ranodeb Roy was appointed with effect from July 26, 2016.

## Selection and appointment of Directors

The appointment of Directors is guided by the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949 and the guidelines issued by the RBI in this regard. While appointing a Director on its Board, your Bank follows the direction of RBI with regard to 'fit and proper' criteria as applicable to private sector banks, signing of deed of covenants which includes the requirement for Directors to discharge their duties and responsibilities to the best of their abilities, individually and collectively, in order to be eligible to be appointed as Directors of the Bank. Every year, the declarations given by the Directors are reviewed by the Nomination & Remuneration Committee of the Board (NRC) and sent with the NRC's recommendations to the Board for its review and noting.

## Declaration from Independent Directors

All the Independent Directors of your Bank have given their respective declarations stating that they meet the criteria of independence as laid down under Section 149(6) and (7) of the Companies Act, 2013. In the opinion of the Board, the Independent Directors meet the requirements of Section 149 of the Companies Act, 2013.

## Key Managerial Personnel

Shri Chandra Shekhar Ghosh, Shri Sunil Samdani and Shri Indranil Banerjee, continue to be the Managing Director & CEO, Chief Financial Officer and Company Secretary, respectively. These three personnel are statutorily required under Section 203 of the Companies Act, 2013.

## Board Evaluation

The NRC, and subsequently the Board, have approved "Performance Evaluation Policy for the Board, Non-independent/ Whole Time Directors and Independent Directors." A questionnaire for the evaluation of the Board and its Committees, and of individual Directors, covering various aspects of their respective performance, including quality, roles, responsibilities, process, functioning, adherence to the code of conduct, and best practices, was sent out to the Directors. The responses were discussed and reviewed at a meeting of the Independent Directors, where an individual Director being evaluated recused himself/herself. The NRC, after taking into account this review by the Independent Directors, also examined the performance of the all the Directors. Board evaluation has provided some valuable inputs for underscoring the optimal role and responsibilities of the Board and its Committees, for their functioning, and streamlining and improving the quality, quantity and timeliness of flow of information between Bank Management and the Board to effectively and reasonably perform its duties.

## Board meetings

There were eight meetings of the Board during 2016-17 in calendar 2016, on April 13, May 11, June 20, July 26, September 19 and November 11, and in 2017, on January 19 and February 22 functioning.

## Board Committees

The Board has constituted the following committees to oversee specific areas:

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

## Audit Committee

The Audit Committee provides direction to the audit function, and monitors the quality of internal and statutory audit. Its responsibilities include examining the financial statements and auditors' report and overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommending appointment, terms of appointment and removal of statutory auditors, and reviewing and monitoring, jointly with Management, the internal audit of the Bank.

On March 31, 2017, the Audit Committee comprised of four Independent Directors and was chaired by Shri Chintaman Mahadeo Dixit. During 2016-17, the Committee met seven times on April 13, May 10, July 25, September 19, and November 07 in 2016, and on January 17 and March 13 in 2017.

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

The composition of the Committee and attendance of the members at the meetings follow:

**Table 3. Audit Committee of the Board and Attendance at Meetings**

Name of Member	Number of meetings attended by the members out of the total meeting of 7
Shri Chintaman Mahadeo Dixit, Chairman	6
Shri Bhaskar Sen	7
Shri Sisir Kumar Chakrabarti	5
Shri Pradip Kumar Saha (Note 1)	1

Note : 1. Shri Pradip Kumar Saha was appointed as member of the Committee with effect from January 19, 2017.

## Nomination & Remuneration Committee Criteria for Directors' Appointment

The NRC evaluates the composition of the Board and recommends how to fill up vacancies arising in the Board from time to time. While recommending candidature of a Director, it considers the special knowledge or expertise possessed by the candidate as specified under the Banking Regulation Act, 1949.

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

## Remuneration policy

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

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

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

On March 31, 2017, the NRC comprised four Directors including three independent Directors and the Managing Director & CEO, and was chaired by Shri Bhaskar Sen, an Independent Director. There were six meetings of the Committee during the financial year 2016-17 – on April 13, May 09, July 26, and November 10, in 2016; and on January 18, and March 21, in 2017. Composition of the Committee and attendance at its meetings follow.

**Table 4. Nomination & Remuneration Committee of the Board and Attendance at Meetings**

Name of Members	Number of meetings attended by the members out of the total meeting of 6
Shri Bhaskar Sen, Chairman	6
Shri Chandra Shekhar Ghosh	6
Shri Boggarapu Sambamurthy	5
Shri Snehomoy Bhattacharya	5
Shri Ranodeb Roy (Note 1)	3

Note : 1. Shri Ranodeb Roy was appointed as member of the Nomination & Remuneration Committee with effect from September 19, 2016.

### Risk Management Committee

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

On March 31, 2017, the Risk Management Committee comprised five Directors and was chaired by Shri Bhaskar Sen, an independent Director. There were four Meetings of the Committee during the financial year 2016-17 – on May 10, September 20, and November 10, in 2016, and on March 14, 2017. Committee composition and attendance at its meetings follow.

**Table 5. Risk Management Committee and Attendance at Meetings**

Name of Members	Number of meetings attended by the members out of the total meeting of 4
Shri Bhaskar Sen, Chairman	4
Shri Chandra Shekhar Ghosh	4
Prof. Krishnamurthy Venkata Subramanian	3
Shri. Ranodeb Roy (Note 1)	2
Shri. Pradip Kumar Saha (Note 2)	1

Note : 1. Shri Ranodeb Roy was appointed as member of the Committee with effect from September 19, 2016.

2. Shri Pradip Kumar Saha was appointed as member of the Committee with effect from November 11, 2016.

### Information Technology (IT) Strategy Committee

The IT Strategy Committee, constituted pursuant to RBI circulars/guidelines, approves strategy for IT and policy documents, ensures that IT strategy is aligned with the business strategy, reviews IT risks, ensures proper balance of IT investments for sustaining the Bank's growth, oversees the aggregate funding of IT at Bank-level, ascertains if Management has adequate resources to ensure proper management of IT risks and reviews the contribution of IT to the Bank's business.

On March 31, 2017, the IT Strategy Committee comprised three Directors — two Independent Directors and the Managing Director & CEO — and was chaired by Shri Boggarapu Sambamurthy, an Independent Director. There were four meetings of the Committee during 2016-17 – on July 28, September 20, and December 26, in 2016, and on March 21, 2017. Composition of the Committee and attendance at its meetings follow.

**Table 6. IT Strategy Committee and Attendance at Meetings**

Name of Members	Number of meetings attended by the members out of the total meeting of 4
Shri Boggarapu Sambamurthy, Chairman	4
Shri Chandra Shekhar Ghosh	4
Prof. Krishnamurthy Venkata Subramanian	4

### Customer Service Committee

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

On March 31, 2017, the Customer Service Committee comprised three Directors, including two independent Directors and Managing Director & CEO, and was chaired by Shri Sisir Kumar Chakrabarti, an Independent Director. There were four meetings of the Committee during 2016-17 – on June 07, September 21, and December 21, in 2016, and March 29, 2017. Composition of the Committee and attendance at its meetings follow.

**Table 7. Customer Service Committee and Attendance at Meetings**

Name of Members	Number of meetings attended by the members out of the total meeting of 4
Shri Sisir Kumar Chakrabarti, Chairman	4
Shri Chandra Shekhar Ghosh	4
Shri Pradip Kumar Saha	4

### Corporate Social Responsibility Committee

The functions of the Corporate Social Responsibility Committee include review of Corporate Social Responsibility (CSR) initiatives undertaken by the Bank for inclusive growth, formulation and recommendation to the Board of a CSR Policy indicating the activities to be undertaken by the Bank, and the amount of expenditure to be incurred on such activities. It also makes recommendations to the Board with respect to the CSR

initiatives, policies and practices of the Bank, monitors the conformity of CSR activities, implementation and compliance with the CSR Policy, and reviews and implements, if required, any other matter related to CSR initiatives as recommended/suggested by RBI or any other body.

On March 31, 2017, the CSR Committee comprised three Directors including two Independent Directors and the Managing Director & CEO, and was chaired by Sm. Thekedathumadam Subramani Raji Gain, an Independent Director. During the financial year, there were two meetings of the Committee on June 07, 2016 and March 13, 2017. The composition of the Committee and attendance at its meetings follow.

**Table 8. Corporate Social Responsibility Committee and Attendance at Meetings**

Name of Members	Number of meetings attended by the members out of the total meeting of 4
Sm. Thekedathumadam Subramani Raji Gain	2
Shri Pradip Kumar Saha	2
Shri Chandra Shekhar Ghosh	2

Details of the policy developed and implemented by the Bank on CSR initiatives taken during 2016-17 have been hosted on the website of the Bank <http://www.bandhanbank.com/pdf/CSR-Policy-New-Format.pdf>. The Annual Report on CSR activities is at **Annexure - 1**.

### Special Committee for Monitoring High Value Fraud

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

At March 31, 2017, the Special Committee for Monitoring High Value Fraud comprised five Directors including four independent Directors and the Managing Director & CEO, and was chaired by Shri Sisir Kumar Chakrabarti, an Independent Director. Since there was no fraud during 2016-17 involving an amount ₹ 1 crore or more, no meeting of the Committee was required to be held. The details of the composition of the Committee follow.



**Table 9. Special Committee for Monitoring High Value Fraud**

Name of Member	Number of meetings held
Shri Sisir Kumar Chakrabarti, Chairman	Nil
Shri Chandra Shekhar Ghosh	Nil
Shri Bhaskar Sen	Nil
Shri Pradip Kumar Saha	Nil (Note 1)
Shri Snehomoy Bhattacharya	Nil (Note 2)

Note : 1. Shri Pradip Kumar Saha was appointed as member of Special Committee for monitoring High Value Fraud with effect from July 26, 2016.

2. Shri Snehomoy Bhattacharya was appointed as member of Special Committee for monitoring High Value Fraud with effect from July 26, 2016.

### Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, the Directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.

- ii) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2017, and of the profit of the Bank for the year ended on that date.
- iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- iv) that they have prepared the annual accounts on a going concern basis.
- v) that they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

### Issuance/Transfer of Equity Shares

Your Bank did not issue any equity shares during the financial year 2016-17. There was one transfer of 1,89,14,511 equity shares on May 11, 2016 as per details given below:

**Table 10. Transfer of Equity Shares on May 11, 2016**

Name of Transferor	Name of Transferee	No. of shares	Share Certificate Nos.	Distinctive Number	
				From	To
International Finance Corporation	IFC FIG Investment Company I	18,914,511	14	982,957,483	1,001,871,993
<b>Total</b>		<b>18,914,511</b>			

As on March 31, 2017, the issued, subscribed and paid up capital of your Bank stood at ₹ 1095,14,10,340 comprising 109,51,41,034 equity shares of ₹ 10 each fully paid.

### Information about Financial Performance / Financial Position of the Subsidiaries, Associates and Joint Venture Companies

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

### Capital Adequacy Ratio

Your Bank's Capital Adequacy Ratio (CAR), calculated in line with the relevant capital regulations, stood at 26.36 per cent on March 31, 2017, well above the minimum regulatory requirements of 13 per cent.

### Internal Financial Controls, Audit and Compliance

Your Bank has an Internal Audit department and a Compliance department, which independently carry out

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

### Particulars of Employees

The Bank had 24,220 employees on March 31, 2017. The details of employees in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are appended separately as **Annexure - 2** and form part of this report.

### Related Party Transactions

Pursuant to the proviso of Section 188(1) of the Companies Act, 2013, details of transactions with related parties are appended in **Annexure - 3**.

### Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. Further, in terms of the Companies (Removal of Difficulties) Order, 2015, nothing in Section 186 except sub section (1) shall apply to any acquisition made by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of the Banking Regulation Act, 1949.

### Whistle Blower Policy/ Vigil Mechanism

The Bank has adopted a Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to fraud, malpractice or any other activity or event which is

against the interest of the Bank or society as a whole. As per the Whistle Blower Policy, the Audit Committee has been entrusted with the responsibility of reviewing the complaints received and the action taken thereof.

### Corporate Social Responsibility

In alignment with the vision of the Bank, CSR initiatives continued to endeavour helping the poorest of the poor, who are difficult to include under even the micro banking activity of your Bank, by proffering them not only financial assistance but also handholding and mentoring about the optimal use of funds. The outcome that your Bank strives for is to lift some of the poorest of the poor into the mainstream of society by making them able to generate sustained income on their own in due course. The civil society organisation Bandhan-Konnagar continued to provide valuable partnership in this mission of your Bank.

The details of CSR activities/projects undertaken during the year is given as **Annexure - 1** and forms part of this Board Report.

### Significant and Material Orders Passed by Regulators or Courts or Tribunals

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

### Auditors

At the Annual General Meeting (AGM) held on June 20, 2016, the members ratified the appointment of M/s. S.R. Batliboi & Associates LLP, Chartered Accountants, 22, Camac Street, Block C, 3rd Floor, Kolkata – 700016 (ICAI Firm Registration Number 101049W) as statutory auditors till the conclusion of the next AGM. As recommended by the Audit Committee, the Board has proposed the ratification of the appointment of S.R. Batliboi & Associates LLP, Chartered Accountants, as Statutory Auditors for the financial year 2017-18.

### Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed Shri Deepak Kumar Khaitan, Practising Company Secretary (C.P. 5615) to conduct Secretarial Audit of the Bank. The Secretarial Audit Report is given in **Annexure - 4** to this report.

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

## Rating

**Table 11. Rating of Bank's Financial Securities**

Instrument	Rating	Rating Agency	Amount
Long - term Bank Facilities	Care AA-	Care Ratings	₹ 133.97 crore
Unsecured Subordinated Non-Convertible Debenture	Care AA-[ICRA]AA-	Care Ratings ICRA	₹ 160 crore
Term Loan from Banks	[ICRA]AA-	ICRA	₹ 80 crore
Certificate of Deposit	[ICRA]A1+	ICRA	₹ 500 crore

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Considering the nature of activities of the Bank, the provisions of Section 134(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank is however, constantly pursuing its goal of technological upgradation in a cost-effective manner for delivering quality customer service. There were no foreign exchange earnings and outgo during 2016-2017.

## Extract Of Annual Return

Pursuant to Section 92 (3) of the Companies Act, 2013, and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return is at **Annexure - 5**.

## Management's Discussions and Analysis

The Management Discussion and Analysis report enclosed as **Annexure - 6** forms part of this report.

## Information Under the Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013

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

Number of complaints pending as at the beginning of the financial year	Number of complaints filed during the financial year	Number of complaints pending as at the end of the financial year
1	4	Nil

## Reserves

As required under Section 134(3)(j) of the Companies Act, 2013, the reserves as on the close of 2016-17 stood at ₹ 3,351.31 crore.

## Deposits

The details of the deposits received and accepted by your Bank as a banking company are enumerated in the financial statement for the year ended March 31, 2017.

## Human Resource Management

Your Bank recognises that strategic 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. The vision is to create an environment and culture of learning and superior performance by living the Bank's corporate values and aligning the personal aspirations of employees to business imperatives.

The employee engagement initiatives includes placing greater emphasis on learning and development, providing opportunities to staff to seek aspirational roles, streamlining the Performance Management System and introducing performance-linked rewards. A host of programs are being run to meet the on-going learning and development needs in the Bank and promote a climate of learning, self-growth and excellence. The learning architecture in your Bank focusses on:

1. Developing tailor-made, competency-mapped programs for different sets of employees, based on their roles in the Bank.
2. Induction/orientation of new hires for inculcating the culture of the Bank.
3. Training on operational risk, audit, compliance and regulatory aspects for frontline staff.
4. People management, customer-centric, and compliance-based programmes for employees in leadership roles.

Through its eight residential training centers across the country, and through a wide range of training programs, your Bank has provided 85,354 days (in FY 2016-17) of training to its employees, spread across departments and functions, to build their professional competence and improve their skill set, so as to contribute to your Bank's mission.

Additionally, the Bank continues to engage with leading management institutes for leadership and management development programs and specialised programs for employees across senior and mid-management levels of staff.

Your Bank believes that the Performance Management (PM) process is a powerful driver of individual and corporate performance. An online PM System (PMS), with focus on building transparency in performance assessments, employee ownership of the goals and encouraging dialogue on performance and developmental feedback between the appraisee and appraiser, was introduced in your Bank. Softer behavioural attributes, like the employee's adherence to values of the organisation, customer focus, accountability, ability to work in a team, etc. build a culture conducive to sustainable business performance and promote desired behaviour. Recognising their importance, attention was also paid to such softer behavioural attributes.

Your Bank shall continue to leverage and/or align HR practices to build critical organisational capabilities, build a conducive work environment to enhance and shape employee satisfaction, and enable achievement of the strategic goals.

### **Risk Management Framework**

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

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

The Audit Committee of the Board (ACB) provides direction to and monitors the quality of internal audit function. The internal audit function monitors the effectiveness of the Bank's risk program and provide objective assurance that risks are being managed appropriately.

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

The overall Risk Limits and Appetite Statements are approved by the Board of Directors. The Risk Appetite Framework (RAF) guides Management on the desired level of risk for various types of risk and helps steer the decision making process. The Board reviews the risk profile of the Bank, as approved by the RMCB, on a regular basis.

The Internal Capital Adequacy Assessment Process (ICAAP) assesses the overall capital adequacy of the Bank and the significant risks in terms of capital. Stress tests are done, as part of the ICAAP document, to evaluate the capital adequacy during stressed scenarios. The RMCB reviews the capital adequacy position of the Bank under normal and stressed conditions on a regular basis. The Bank is also striving towards building frameworks for managing Pillar II risks, like reputation risk, business risk and strategic risk.

Risk Management Department is responsible for setting up the appropriate risk control mechanism and for quantifying and measuring risk. Broadly classified into three major sub-segments (Credit Risk, Market Risk and Operational Risk), the Risk Management Department owns, maintains and updates the various policies. The Risk Management team also provides analysis of the existing and emerging risks to the committees such as ALCO, CRMC, ORMC, as also to RMCB, and based on the deliberations thereof, provides guidance to the various business Groups. The Bank maintains independence of the risk function. The Risk Management Department operates under the direction of Chief Risk Officer (CRO), who reports directly to the RMCB.

### **Credit Risk:**

Credit Risk Management Department (CRMD) is responsible for measurement, monitoring and assessment of the credit risk of the Bank. CRMD is responsible for thorough risk vetting of credit proposals and highlighting the inherent risks therein to the sanctioning authorities. It also carries out continuous monitoring of the portfolio for delinquency trend and credit limits. The CRMC is responsible for overseeing implementation of credit risk management framework across the Bank and providing recommendations to the RMCB. Responsibility of CRMC includes implementation of credit risk policy/strategy approved by the Board, monitoring credit risk, deciding delegation of credit approving powers, and prudential limits.

### Market and Liquidity Risk:

Market Risk Management Department is responsible for assessing, measuring and monitoring investment risk (measured through PV01 or change in present value for a 1 basis point change in the yield curve, Modified Duration, monthly loss and marked-to-market or MTM position), liquidity risk, interest rate risk and risks emanating from commodity and equity price fluctuations. ALCO is responsible for managing these risks and reporting to the RMCB. ALCO has the power to determine pricing of assets, liabilities, maturity and also to play a role in approving the final benchmark marginal cost of lending rate (MCLR).

### Operational Risk:

Operational Risk Management Department manages the risks emanating from people, process and systems of the Bank, including fraud risk, legal risk and outsourcing risk, and ensures that the appropriate risk controls are in place. The ORMC is responsible for measuring, monitoring and reporting of these risks as per the Board-approved policies. The Business Continuity Plan (BCP) framework ensures continuity of services.

Information Security Team assesses the IT-related vulnerabilities and manages the existing and emerging cyber security risks faced by your Bank.

### Information Technology

Your Bank continues to try and further deepen and broaden its reach and expand its market share by establishing DSCs, building relationships and spreading digital banking by extensive use of modern technology. Information Technology has transformed the landscape of the banking industry. Today, the customer, who is highly mobile, expects services to be available at the time and place of their choice and this expectation can be met only through the provision of information technology-led or digital services. Your Bank's technology-led products, e.g. mBandhan, its mobile banking application, try to deliver a seamless banking experience at the place of the customer's choice, i.e., their place, at one of your Bank's branches or wherever they are when on the move.

Technology has been used even for the delivery of micro-banking services, which is always close to the customer's homes. Direct Sales Officers visit customers and use Hand-held devices (Point-of-sale machines) to carry out the banking transactions. With innovative ways of banking like collections of loan instalments and providing cash receipts and payments for customers at

**The aim of setting up 840 branches by end-March 2017 was successfully achieved. Within 1 year and 7 months of commencing operations, your Bank also had 282 ATMs and 2,443 DSCs.**

their doorsteps, banking near the place of the micro-banking customer was never so easy and simple. Your Bank can be proud of introducing a new trend in micro-banking.

Your Bank has tied up with two Payment Gateway Service providers for online net banking transactions. Now Bank customers can shop and pay online through net banking on more than 2,500 merchant websites. Your Bank also started merchant acquiring services by deploying Electronic Draft Capture (EDC) or Point of Sale (PoS) terminals, which accept RuPay and Visa Cards at 5,743 merchant outlets.

Your Bank has also enabled customers to do Aadhar seeding and mobile registration through the Bank's ATMs.

Your Bank recognises that improving its use of information technology is far from a one-off endeavour, the Bank has to run to be at the same place.

### Banking at One of the Bank's Branches

Your Bank has ensured that opening of an account, issue of a bank draft, payment of a cheque, facility of scheduling payments or transfers of funds at any of its branches is a simple and fast operation with the state-of-the-art Core Banking Solution. This has been possible with a seamless integration of the digital and physical. The aim of setting up 840 branches by end-March 2017 was successfully achieved. Within 1 year and 7 months of commencing operations, your Bank also had 282 ATMs and 2,443 DSCs.

### Safe & Secure Banking

Your Bank has implemented a robust IT Policy, Information Security Policy and Cyber Security Policy. These policies, in line with international best practices, are reviewed periodically and suitably strengthened to address emerging threats.



Your Bank has got a state-of-the-art Primary Data Centre and Disaster Recovery Centre to secure the live systems. The centres have got ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS) certified. Your Bank has made substantial progress in implementing the RBI guidelines on Technology Risk Management, Information Security and Cyber Fraud. It is in the process of implementing additional IT security products and features to provide 'Best in Class Information Security' features and safe and secure banking to all of its customers.

Your Bank conducts regular cyber security drills. Employee awareness programmes are conducted to ensure security and increase awareness.

Your Bank is one of the few banks to implement biometric login for all employees to access the Core Banking Application. With a two factor authentication, this provides an edge on the information security front. It has also implemented the state-of-the-art Advanced Malware Protection Solution to secure its systems from current cyber threats.

Your Bank has accomplished resiliency in treasury business by opening Treasury Front Office Operations in Mumbai and resiliency in Back Office Operations by opening Central Processing Unit in Indore.

Disaster Recovery Drills are conducted regularly as part of the implementation of the Business Continuity Management System (BCMS). Critical IT Systems of your

Bank are compliant with the International BCMS Standard – ISO 22301 – 2012.

The Application setups undergo security reviews before 'Go Live' and are also reviewed periodically.

### **Acknowledgments**

The Board of Directors places on record its gratitude to the RBI, other government and regulatory authorities, financial institutions and correspondent banks for their strong support and guidance. The Board acknowledges the support of the shareholders, and also places on record its sincere thanks to its valued clients and customers for their patronage. The Board also expresses its deep sense of appreciation to all employees of the Bank for their strong work ethic, excellent performance, professionalism, teamwork, commitment and initiative, which has led to the Bank making commendable progress in today's challenging environment. However, it also assures Management and staff that the Board will continue to ask for more and more improvements as your Bank continues its unique journey by combining micro-banking with traditional commercial banking.

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

Place: Kolkata  
Date : 26th April, 2017

Chairman  
**Ashok Kumar Lahiri**  
(DIN: 07234290)

**Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2016-17**

1	A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs and the composition of CSR Committee.	Refer Section on Corporate Social Responsibility forming part of the Board's Report enclosed herewith.
<b>Composition of CSR Committee :</b>		
	i. Sm. TS Raji Gain	
	ii. Shri Chandra Shekhar Ghosh	
	iii Shri P K Saha	
2	Average net profit of the Company for last three financial years	₹ 20,790.58 lakh
3	Prescribed CSR expenditure (two percent of the amount mentioned in item 2 above)	₹ 415.81 lakh
4	Details of CSR spent during the financial year:	
	(a) Total amount to be spent for the financial year	₹ 421.00 lakh
	(b) Amount unspent, if any	Not applicable
	(c) Manner in which the amount spent during the financial year	Details Given below

**Details of amount spent on CSR activities during the Financial Year 2016-17**

Sl. No.	CSR Project or activity identified	Sector in which the project is covered (Clause No. of Schedule VII to the Companies Act, 2013 as amended)	Projects or programme (1) Local Area or other (2) State and districts where programme was undertaken	Amount outlay (budget ₹ in lakh)	Amount spent on projects (₹ in lakh)	Cumulative expenditure upto the reporting period (₹ in lakh)	Amount Spent directly or through implementing agency
1	Targeting The Hard Core Poor Programme	Clause No. (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water. Clause (x) rural development projects.	West Bengal – Bankura	169.13	169.13	169.13	Implementing Agency: Bandhan-Konnagar*
2	Education Programme	Clause No. (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water. Clause (x) rural development projects.	West Bengal – Murshidabad, Burdwan, North Dinajpur, Howrah	119.03	119.03	119.03	Implementing Agency: Bandhan-Konnagar*
3	Health Programme	Clause No. (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water. Clause (x) rural development projects.	West Bengal – North 24 Parganas, Bankura, Murshidabad Jharkhand – Pakur	132.84	132.84	132.84	Implementing Agency: Bandhan-Konnagar*
<b>Total</b>				<b>421.00</b>	<b>421.00</b>	<b>421.00</b>	

\*Bandhan-Konnagar is a Society registered under The West Bengal Societies Registration Act, 1961.

## Responsibility Statement

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

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

**Managing Director & CEO**

**Chairman CSR Committee**

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

Place: Kolkata  
Date : 26th April, 2017

Chairman  
**Ashok Kumar Lahiri**  
(DIN: 07234290)

**Annexure - 2**
**Details of Employees as per Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

Name & Designation of the employee	Remuneration received during 2016-17 (₹)	Nature of employment, whether employee contractual or otherwise	Date of commencement of employment	Age	The last employment before joining	The percentage of equity shares held in the company within the meaning of clause (iii) of sub-rule (2) above	Whether any such employee is a relative of any director or manager of the company
Mr. Chandra Shekhar Ghosh, Managing Director & CEO	19,468,680	Regular M.Sc. in Statistics and 30 years of experience	From the commencement of Company	55 Years	Bandhan Financial Services Limited	Nil	N.A.
Rahul Johri, Head - Retail Banking	13,658,903	Regular B.Tech and Masters in Business Management and 26 Years of experience	March 01, 2016	48 Years	DBS Bank Ltd	Nil	N.A.
Vijaykumar Ramakrishna, Chief Information Officer	7,463,568	Regular BE- Electronics & Telecommunication, MBA- Finance and 16 Years of experience	February 01, 2016	43 Years	Intuit Global Development Centre	Nil	N.A.
Tamal Bandyopadhyay, Adviser	6,000,000	Contractual Postgraduate from Calcutta University and 31 Years of experience	August 23, 2015	55 Years	HT Media Limited (Mint)	Nil	N.A.
Arun Raman, Head - Banking Operations & Customer Services	6,778,825	Regular PGDM from IIM Lucknow, and 23 years of experience	May 05, 2015	47 Years	Manappuram Finance Ltd	Nil	N.A.
Santanu Banerjee, Head - HR	7,553,504	Regular MBA and 22 years of experience	September 03, 2014	48 Years	Axis Bank Ltd.	Nil	N.A.
Sunil Samdani, CFO	8,522,437	Regular CA and 20 Years of experience	March 14, 2015	42 Years	Karvy Financial Services Ltd	Nil	N.A.

For and on behalf of the Board of Directors

**Bandhan Bank Limited**

Chairman

**Ashok Kumar Lahiri**

(DIN: 07234290)

Place: Kolkata

Date: 26th April, 2017

## Annexure - 3

## FORM NO. AOC – 2

[Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with the related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's-length transactions under third proviso thereto.

### 1. Details of contracts or arrangements or transactions not at arm's length basis:

Sl. No.	Name of the related party and nature of relationship (a)	Nature of contracts / arrangements / transactions (b)	Duration of contracts / arrangements / transactions (c)	Salient features of contracts / arrangements / transactions, including value, if any (d)	Justification for entering into such contracts / arrangements / transactions (e)	Date(s) of approval by the Board (f)	Amount paid as advances, if any (g)	Date on which special resolution was passed in General meeting u/s 188(1) (h)
Nil								

### 2. Details of material contracts or arrangements or transactions at arm's length basis:

1	Mr. Chandra Shekhar Ghosh (Managing Director & Chief Executive Officer)*	Remuneration	Appointed for five year w.e.f 10.07.2015	194.69	Remuneration was paid to Mr. Chandra Shekhar Ghosh for services rendered by him as Managing Director and CEO.	Date of approval by the Board – 26.07.2016	Nil	20.06.2016
2	Mr. Indranil Banerjee (Company Secretary)*	Remuneration	With effect from 01.04.2016	23.35	Remuneration was paid to Mr. Indranil Banerjee for services rendered by him as Company Secretary.	Date of approval by the Board – 26.07.2016	Nil	NA
3	Mr. Sunil Samdani (Chief Financial Officer)*	Remuneration	With effect from 01.04.2016	85.22	Remuneration was paid to Mr. Sunil Samdani for services rendered by him as the Chief Financial Officer.	Date of approval by the Board – 26.07.2016	Nil	NA
4	Mr. Dibakar Ghosh (Head IT Operations – System and Networking)**	Remuneration	With effect from 01.04.2016	48.68	Remuneration was paid to Mr. Dibakar Ghosh for services rendered by him as Head IT Operations – System and Networking	Date of approval by the Board – 26.07.2016	Nil	29.06.2015



Sl. No.	Name of the related party and nature of relationship (a)	Nature of contracts / arrangements / transactions (b)	Duration of contracts / arrangements / transactions (c)	Salient features of contracts / arrangements / transactions, including value, if any (d) (₹ in lakh)	Justification for entering into such contracts / arrangements / transactions (e)	Date(s) of approval by the Board (f)	Amount paid as advances, if any (g)	Date on which special resolution was passed in General meeting u/s 188(1) (h)
5	Mr. Vaskar Ghosh(Head Procurement)**	Remuneration	With effect from 01.04.2016	16.83	Remuneration was paid to Mr. Vaskar Ghosh for services rendered by him as Head Procurement.	Date of approval by the Board – 26.07.2016	Nil	NA

Note 1: - \* denotes KMP i.e. Key Managerial Personnel

Note 2: - \*\* denotes relatives of Key Managerial Personnel

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

Place: Kolkata  
Date : 26th April, 2017

Chairman  
**Ashok Kumar Lahiri**  
[DIN: 07234290]

## Annexure - 4

**SECRETARIAL AUDIT REPORT**

For the Financial year ended on 31st March, 2017

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

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

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

Based on my verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorised representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the audit period covering the financial year ended on 31st March, 2017 (hereinafter called 'the Audit Period') complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 1956 and the rules made thereunder, to the extent they were applicable during the Audit Period and The Companies Act, 2013 and the rules made thereunder (hereinafter collectively called as 'the Act');
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, wherever applicable;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011-(Not applicable to the Bank during the Audit Period);
  - (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- (Not applicable to the Bank during the Audit Period);
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Bank during the Audit Period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Bank during the Audit Period);
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- (Not applicable to the Bank during the Audit Period); and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- (Not applicable to the Bank during the Audit Period);

(vi) The Banking Regulation Act, 1949 and Rules made thereunder and The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, 2002 and Recovery of Debts Due to Banks and Financial Institutions Act, 1993 are the other laws applicable specifically to the Bank for the purpose of reporting under this point as per the Management Representation Letter issued by the Bank of even date

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement (Debt Listing Agreement) entered into by the Bank with BSE Limited read with The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

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

**I further report that**

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

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

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

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

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

- (a) Consent received from BSE Limited for trading of non-convertible debentures (NCDs) in the name of the Bank instead of Bandhan Financial Services Limited (BFSL) since the aforesaid NCDs were transferred by BFSL to the Bank as per business transfer agreement dated 11th February, 2015 executed between them in consonance with RBI Guidelines for Licensing of New Banks in Private Sector dated 22nd February, 2013 and the special resolution passed by the members of the Bank on 10th February, 2015.
- (b) Pre-mature redemption of part of the above non-convertible debentures (NCDs) due to exercise of call option aggregating to ₹ 100 Crores.
- (c) Redemption of part of the above non-convertible debentures (NCDs) aggregating to ₹ 60 Crores.

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

Signature:

**Name: Deepak Kumar Khaitan**

Place: Kolkata

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

Date : 26th April, 2017

ICSI Unique Code No.: I2003WB347200

**Annexure - A**

to the SECRETARIAL AUDIT REPORT  
For the Financial year ended on 31st March, 2017

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

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

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

Signature:

**Name: Deepak Kumar Khaitan**

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

ICSI Unique Code No.: I2003WB347200

Place: Kolkata  
Date : 26th April, 2017

**FORM NO. MGT.9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on March 31, 2017**  
 [Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1)  
 of the Companies (Management and Administration) Rules, 2014]

**I. Registration and Other Details:**

- i) CIN :- U67190WB2014PLC204622
- ii) Registration Date : December 23, 2014
- iii) Name of the Company : Bandhan Bank Limited
- iv) Category / Sub-Category of the Company : Public Company / Limited by shares
- v) Address of the Registered office and contact details : DN-32, Sector-V, Salt Lake, Kolkata – 700091, Ph: 033-66090909; Fax : 033-66090502
- vi) Whether listed company Yes / No : Yes (Only Non-Convertible Debentures are listed on BSE)
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: Karvy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad, Andhra Pradesh – 500 081, Tel no. : 040 44655000, Fax : 040 - 23420814

**II. Principal Business Activities of the Company**

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

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

**III. Particulars of Holding, Subsidiary and Associate Companies**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Bandhan Financial Holdings Limited; DN-32, Sector - V, Salt Lake City, Kolkata - 700091	U67190WB2014PLC204317	Holding	89.76	2(87)



#### IV. Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.		982,957,482	982,957,482	89.76		982,957,482	982,957,482	89.76	0
f) Any Other...									
<b>Sub-total (A) (1):-</b>		<b>982,957,482</b>	<b>982,957,482</b>	<b>89.76</b>		<b>982,957,482</b>	<b>982,957,482</b>	<b>89.76</b>	<b>0</b>
(2) Foreign									
a) NRIs - Individuals		-	-	-		-	-	-	-
b) Other - Individuals		-	-	-		-	-	-	-
c) Bodies Corp.		-	-	-		-	-	-	-
d) Banks / FI		-	-	-		-	-	-	-
e) Any Other...		-	-	-		-	-	-	-
<b>Sub-total (A) (2):-</b>		-	-	-		-	-	-	-
<b>Total shareholding of Promoter (A) = (A) (1)+(A)(2)</b>		<b>982,957,482</b>	<b>982,957,482</b>	<b>89.76</b>		<b>982,957,482</b>	<b>982,957,482</b>	<b>89.76</b>	<b>0</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds									
<b>b) Banks/FI</b>	-	3,494,060	3,494,060	0.32	-	3,494,060	3,494,060	0.32	0
c) Central Govt.									
d) State Govt. (s)		-	-	-		-	-	-	-
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
<b>i) Others (specify)</b>									
International Finance Corporation (Multi lateral institution) & IFC FIG INVESTMENT COMPANY		54,041,462	54,041,462	4.93		54,041,462	54,041,462	4.93	0
<b>Sub-total (B)(1):-</b>		<b>57,535,522</b>	<b>57,535,522</b>	<b>5.25</b>		<b>57,535,522</b>	<b>57,535,522</b>	<b>5.25</b>	<b>0</b>
2. Non-Institutions									
<b>a) Bodies Corp.</b>		54,648,030	54,648,030	4.99		54,648,030	54,648,030	4.99	0
i) Indian									
ii) Overseas									
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)									
<b>Sub-total (B)(2):-</b>		<b>54,648,030</b>	<b>54,648,030</b>	<b>4.99</b>		<b>54,648,030</b>	<b>54,648,030</b>	<b>4.99</b>	<b>0</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>		<b>112,183,552</b>	<b>112,183,552</b>	<b>10.24</b>		<b>112,183,552</b>	<b>112,183,552</b>	<b>10.24</b>	<b>0</b>
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>-</b>	<b>1,095,141,034</b>	<b>1,095,141,034</b>	<b>100</b>	<b>-</b>	<b>1,095,141,034</b>	<b>1,095,141,034</b>	<b>100</b>	<b>0</b>

### (ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1	Bandhan Financial Holdings Limited	982,957,482	89.76	0	982,957,482	89.76	0	0
	<b>Total</b>	<b>982,957,482</b>	<b>89.76</b>	<b>0</b>	<b>982,957,482</b>	<b>89.76</b>	<b>0</b>	<b>0</b>

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

Sl. No.	Bandhan Financial Holdings Limited	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	982,957,482	89.76	982,957,482	89.76
	Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc):	Nil	NA		
	At the End of the year			982,957,482	89.76

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

Sl. No.	Caladium Investment Pte. Ltd	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>For Each of the Top 10 Shareholders</b>				
	At the beginning of the year	54,648,030	4.99	54,648,030	4.99
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	Nil	NA		
	At the End of the year (or on the date of separation, if separated during the year)			54,648,030	4.99

Sl. No.	International Finance Corporation	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	<b>For Each of the Top 10 Shareholders</b>				
	At the beginning of the year	54,041,462	4.93	54,041,462	4.93
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	35,126,951 (Transfer of 18,914,511 shares to IFC FIG Investment Company I on 11.05.2016)	3.21	35,126,951	3.21
	At the End of the year (or on the date of separation, if separated during the year)			35,126,951	3.21
Sl. No.	Small Industries Development Bank of India	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
3	<b>For Each of the Top 10 Shareholders</b>				
	At the beginning of the year	3,494,060	0.32	3,494,060	0.32
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	Nil	NA		
	At the End of the year (or on the date of separation, if separated during the year)			3,494,060	0.32
Sl. No.	IFC FIG Investment Company I	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
4	<b>For Each of the Top 10 Shareholders</b>				
	At the beginning of the year	18,914,511	1.73	18,914,511	1.73
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	18,914,511 (Transfer of 18,914,511 shares from IFC on 11.05.2016)	1.73		
	At the End of the year (or on the date of separation, if separated during the year)			18,914,511	1.73

**(v) Shareholding of Directors and Key Managerial Personnel:**

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

**V. INDEBTEDNESS**

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	227,498.09	77,666.67	1,208,874.81	1,514,039.57
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	174.99	1,823.21	405.68	2,403.88
<b>Total (i+ii+iii)</b>	<b>227,673.08</b>	<b>79,489.88</b>	<b>1,209,280.49</b>	<b>1,516,443.45</b>
Change in Indebtedness during the financial year				
• Addition	-	-	1,113,585.30	1,113,585.30
• Reduction	175,778.44	27,120.45	-	202,897.87
Net Change	<b>(175,778.44)</b>	<b>(27,120.45)</b>	<b>1,113,585.30</b>	<b>910,687.43</b>
Indebtedness at the end of the financial year				
i) Principal Amount	51,893.84	51,000	2,322,865.79	2,425,759.63
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.80	1,369.43	-	1,371.25
<b>Total (i+ii+iii)</b>	<b>51,894.64</b>	<b>52,369.43</b>	<b>2,322,865.79</b>	<b>2,427,129.86</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

1	Gross salary	₹16,843,680				₹ 16,843,680
	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		N.A.	N.A.	N.A.	
	Value of perquisites u/s 17(2) Income-tax Act, 1961	Perquisites - Nil				Perquisites - Nil
	Profits in lieu of salary under section 17(3) Income-tax Act, 1961					
2.	Stock Option					
3.	Sweat Equity		N.A.	N.A.	N.A.	
4.	Commission as % of profit others, specify...					
5.	Others, please specify (Performance based Variable Pay)	₹ 2,625,000				₹ 2,625,000
	<b>Total (A)</b>	<b>₹ 19,468,680</b>				<b>₹ 19,468,680</b>
	Ceiling as per the Act					5% of Net Profit

**B. Remuneration to other directors: (₹ in lakh)**

Sl. No.	Particulars of Remuneration	Name of Directors										Total Amount
1.	Independent Directors	Shri. Ashok Kumar Lahiri	Shri. SK Chakrabarti	Shri. Bhaskar Sen	Shri. Chintaman Mahadeo Dixit	Shri. Boggarapu Sambamurthy	Shri. Pradij Kr Saha	Prof. Krishnamurthy Venkata Subramanian	Shri. Snehomoy Bhattacharya	Smt. T.S Raji Gain		
	• Fee for attending Board Meetings	3.4	2.6	3.4	2.9	3.1	2.9	2.6	2.6	3.4		
	• Committee meetings	0.6	2.85	4.65	1.65	2.85	2.4	2.4	1.8	1.05		
	• Commission											
	• Others, please specify											
	<b>Total (1)</b>	<b>4</b>	<b>5.45</b>	<b>8.05</b>	<b>4.55</b>	<b>5.95</b>	<b>5.3</b>	<b>5</b>	<b>4.4</b>	<b>4.45</b>	<b>47.15</b>	
2.	Other Non-Executive Directors	Mr. Holger Dirk Michaelis (Caladium Investment Pte Ltd)	Shri. Chandra Shekhar Ghosh	Mr. Ranodeb Roy	Ms. Georgina Elizabeth Baker (IFC)							
	• Fee for attending Board Meetings	2.6	0	2.5	1.5							
	• Committee meetings	0	0	1.5	0							
	• Commission											
	• Others, please specify											
	<b>Total (2)</b>	<b>2.6</b>	<b>0</b>	<b>4</b>	<b>1.5</b>						<b>8.1</b>	
	<b>Total (B) = (1 + 2)</b>										<b>55.25</b>	
	Total Managerial Remuneration										205.25	
	Overall Ceiling as per the Act										1% of Net Profit	

**C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD**



Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		Manager	Company Secretary	CFO	Total
1.	Gross salary (₹)				
	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		2,023,822	7,026,131	9,049,954
	Value of perquisites u/s 17(2) Income-tax Act, 1961		Perquisites - Nil	Perquisites - Nil	Perquisites - Nil
	Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option		Nil	Nil	Nil
3.	Sweat Equity		Nil	Nil	Nil
4.	Commission as % of profit others, specify...		Nil	Nil	Nil
5.	Others, please specify (Performance based Variable Pay)		311,313	1,496,305	1,807,618
	<b>Total (₹)</b>		<b>2,335,135</b>	<b>8,522,437</b>	<b>10,857,572</b>

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

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

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

Place: Kolkata  
 Date : 26th April, 2017

Chairman  
**Ashok Kumar Lahiri**  
 (DIN: 07234290)

## Management Discussion & Analysis Report

### Overall Economic and Indian Banking Scenario: An Overview

#### A. Global Economic Scenario

1. In the World Economic Outlook update of January 2017, the International Monetary Fund (IMF) has hinted towards an uptick in economic activity in 2017 and 2018, especially in the Emerging Markets and Developing Economies (EMDEs). Global growth rate, driven by emerging markets, is expected to be approximately 3.6 per cent in 2018, up from 3.1 per cent and 3.4 per cent in 2016 and 2017, respectively.<sup>1</sup> Given that the new US administration is in its early stages, there is some uncertainty attending this forecast of global growth.
2. **Key factors influencing global growth trends are as follows:**
  - a. Acceleration of growth in emerging markets. The favorable trend can be attributed to a gradual normalisation of conditions in several large emerging economies that have experienced macroeconomic strain in the recent past.
  - b. Steepening US yield curve and strengthening of the US dollar against major currencies. The newly appointed US administration has put in place near-term fiscal stimulus measures which are having an impact on the US yield curve and strengthening the US dollar.
  - c. Firming up of oil prices following the agreement among OPEC members and other major oil producers to limit global supply.
3. **According to the IMF, the important takeaways are<sup>2</sup>:**
  - a. Growth in developed economies is expected to improve but remains moderate, weighed down by weak investment and policy uncertainty.
  - b. Commodity exporters can expect marginal recovery in growth as commodity prices trend higher and inflationary pressures moderate.

- c. East and South Asia will remain the world's major dynamic regions, benefiting from robust domestic demand and supportive macroeconomic policies.

#### B. Indian Economic Scenario

1. The United Nations World Economic Situation and Prospects (WESP) 2017 forecasts India will grow at approximately 7.6 per cent in FY 2017-18. In terms of growth, India continues to lead the EMDEs on the back of sustained high private consumption levels and the steady introduction of domestic reforms, such as the Goods and Services Tax (GST).
2. **Government of India's Economic Survey 2016-17 indicates a boost in consumption in 2017-18 from two sources<sup>3</sup>:**
  - a. Catch-up after the demonetisation-induced reduction in the last two quarters of 2016-17.
  - b. Cheaper borrowing costs, down from 2016-17 by 75 to 100 basis points, stimulating spending on housing, consumer durables and semi-durables.
3. While the Indian Meteorological Department forecasts a normal monsoon in 2017, there is a risk of an El Niño weather pattern surfacing during September 2017, thereby hampering the normal monsoon cycle. Realisation of this risk has the danger of lower growth and higher commodity prices
4. **The Economic Survey indicates three major risks that could derail the country's growth forecast:**
  - a. Medium- to long-term effects of demonetization.
  - b. Probable increase in oil prices linked to geo-political infirmities and the decision of the OPEC to ration oil supply.
  - c. Flight of capital from EMDEs owing to trade tensions amongst major countries as a result of geo-political headwinds and currency pressures.

<sup>1</sup><http://www.imf.org/en/Publications/WEO/Issues/2016/12/27/A-Shifting-Global-Economic-Landscape>

<sup>2</sup>[https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/2017wesp\\_keyfindings.pdf](https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/2017wesp_keyfindings.pdf)

<sup>3</sup><http://finmin.nic.in/indiabudget2017-2018/es2016-17/echapter.pdf>

**5. On the fiscal front, the likely factors with a bearing on the outlook for the next financial year are:**

- a. Plateauing of, or reduction in, the tax-GDP ratio as oil prices correct.
- b. Increased income disclosure leading to higher tax collection through Pradhan Mantra Garib Kalyan Yojana (PMGKY) scheme, and windfall from un-retained high denomination notes.
- c. Enhanced revenue collection due to implementation of GST.

**6.** Overall, the Indian economic scenario continues to be encouraging. In spite of a lull in private investment expenditure, domestic demand fueled by consumption expenditure continues to be buoyant. Softer global oil prices have yielded and continue to yield rich dividends in terms of lower import bill as well as moderate inflation. The uncertainty is not so much about whether the Indian economy will be able to sustain growth rates of 7-8 per cent per year, but whether it will be able to ratchet up the growth rate to 9-10 per cent on a sustained basis as China did for a number of years, and as Hon'ble Finance Minister Arun Jaitley wants<sup>4</sup>. Growth acceleration can take place only with sustained reforms and a supportive global economic environment. The reform initiatives of the Government in terms of the proposed introduction of GST, adherence to the Fiscal Responsibility and Budget Management Act, emphasis on infrastructure such as roads and power, subsidy rationalisation, and disinvestment bodes well in this regard. Much will depend also on how soon private investment can be stimulated, partly through solving what has been called 'the twin balance sheet problem' – namely problem with the balance sheets of both some corporate houses and their creditor public sector banks (PSB). Stressed assets in PSBs are also a significant strain on the financial system. Resolution of bad or non-performing loans is important for restarting lending by the affected banks, stimulating investment and reviving high growth. Both the Government of India and the Reserve Bank of India (RBI) are seized of this matter. Achievement of high growth will also depend on a conducive global economic condition in general and avoidance of sudden flare up in international oil prices, and protectionist tendencies among developed countries vis-à-vis international trade.

**C. Indian Banking Industry Developments**

**1.** With moderately high growth in the economy and prospect for further growth acceleration, India's banking sector is poised for robust growth. Rapidly growing businesses would turn to banks for meeting their credit needs. Aware of this, the banking industry in India is going through a rapid transformation, particularly in the application of information technology and digital banking.

Banks are bolstering their technological infrastructure to bring advanced banking services to meet the needs of their customers. Technology is allowing banks to provide its customers a seamless banking experience at the place of the customer's choice, i.e., their place, at one of its branches or wherever they are when on the move. It is technology that provides a bank in India a competitive edge in terms of differentiating products and services. Bank deposits have grown faster than the economy as per an RBI weekly report of March 17, 2017, the aggregate deposit for the Indian banking sector stood at ₹ 1,05,420.50 billion, which represents a growth of 13 per cent on a year-on-year basis. The aggregate deposit comprises demand deposits at ₹ 11,612.30 billion, and time deposits at ₹ 93,808.10 billion.<sup>5</sup> A part of this buoyant growth in deposits was because of the withdrawal of legal tender status of specified bank notes (SBN), namely denominations of ₹ 500 and ₹ 1,000 already issued, on November 08, 2016. The SBNs could be deposited in bank accounts, but they could be exchanged for other currency notes, or withdrawn after depositing in the accounts only in limited quantities because of cash shortage for several weeks. As a result, there was a bulge in deposits at the end of 2016. With disappearance of the cash shortage, some of these deposits are unwinding into cash, but a part of the increase in deposits relative to currency is likely to persist with the boost that the temporary cash shortage gave to less cash-intensive payments through digital means.

**2.** Indian banks' credit growth, however, was considerably slower than the growth of the economy as well as deposits. Aggregate bank credit at ₹ 75,656.70 billion on March 17, 2017 was only 4.4 per cent higher than the corresponding figure a year ago. The sluggish growth of bank credit, which comprises of food and non-food credit, reveals the sluggish investment in the economy as well as the stressed assets on the balance sheet of banks, particularly PSBs.

<sup>4</sup>"India needs sustained GDP growth of 9-10 percent: Jaitley," Reuters, March 02, 2015, <http://www.reuters.com/article/us-india-economy-jaitley-idUSKBN0LY2MK20150302>

<sup>5</sup> <https://www.ibef.org/industry/banking-india.aspx>

3. The currency-deposit ratio, while on a downward trend, continues to be high relative to many developed and developing countries. Withdrawal of legal tender status of SBN, namely denominations of ₹ 500 and ₹ 1,000 already issued, on November 08, 2016 may have given a boost to less cash-intensive digital payment mechanisms and accelerated the downward trend in the currency-deposit ratio. It appears to have promoted the usage of digital channels (also known as Alternate channels) such as Internet and mobile banking and debit cards. Direct account-to-account based payment solutions are visible along with initiatives to bring merchants and end customers on to Aadhaar-based payment services.
4. Underperforming loans remain a cause for worry with banks, particularly some public sector banks. With global geo-political headwinds such as United Kingdom's planned withdrawal from the European Union or the Brexit, and the US policy stance under a new government, it was an unusual year for the banking sector all over the world, including India. The dominant themes for the Indian banking sector are<sup>6</sup> :
  - a. **Introduction of new banking entities**  
Two new entities – small finance banks and payment banks – have been introduced in the Indian banking sector. Small finance banks with minimum capital of ₹ 100 crore are allowed to accept deposits and lend mainly up to ₹ 25 lakh (50 per cent of the total) and to the priority sector (75 per cent of the total). Payment banks can accept demand deposits (up to ₹ 1 lakh), offer remittance services, mobile payments/transfers/purchases and other banking services like ATM/debit cards, net banking and third party fund transfers, but cannot advance loans or issue credit cards. With licenses granted to ten and eight entities to operate small finance banks and payment banks, respectively, competition is likely to heat up in the Indian banking industry.
  - b. **Consolidation**  
The recent merger of the State Bank of India (SBI) with five of its subsidiaries has resulted in its combined balance sheet of almost ₹ 37 trillion, and catapulted it into the league of top 50 banks in the world. While the impact of the merger on efficiency is being keenly watched, further consolidations in the Indian banking industry are expected during the coming year.
  - c. **Bad Loans**  
Bad loans or non-performing assets (NPA) are assets of banks that do not generate cash flows to the extent and in the period originally envisaged. Gross NPA as a proportion of gross advances of the Indian banking sector has more than doubled from 3.2 per cent (₹ 2.64 trillion) in 2012-13 to 7.5 per cent (₹ 6.1 trillion) in 2015-16.<sup>7</sup> According to the rating agency ICRA, it is likely to go up further to 9.7-10.0 per cent (₹ 7.5-7.7 trillion) by end-March 2017 and 9.9-10.3 per cent (₹ 8.2-8.5 trillion) by end-March 2018. Growing NPA problem has reduced the capital adequacy of some banks perilously close to the regulatory minimum, and is discouraging further credit extension.  
  
RBI has taken several initiatives to ameliorate the problem of NPA in banks. In February 2014, it introduced "Framework for Revitalising Distressed Assets in the Economy – Guidelines on Joint Lenders". In July 2014, the flexible refinance and repayment option for long gestation infrastructure projects followed. Popularly known as the 5:25 scheme, it allowed banks to extend long-term loans of 20-25 years to match the cash flow of infrastructure projects and refinance them every five or seven years. Its Asset Quality Review initiated in early 2015-16 improved the recognition of NPAs and provisioning for such assets. It introduced the Strategic Debt Restructuring (SDR) scheme in June 2015 and the sustainable structuring of stressed assets (S4A) in June 2016. Though generation of fresh NPA has been slowing down, the stock continues to grow in spite of such initiatives. Non-performing assets continue to be a cause of concern.
  - d. **Digital Economy**  
The gradual move from cash-based payments to digital channels got a boost from the withdrawal of legal tender status of SBN, namely denominations of ₹ 500 and ₹ 1,000 already issued, on November 08, 2016. The government is leading the agenda on the use of digital channels to make payments. Internet and mobile banking usage, the use of debit cards, and, with the Unified Payment Interface (UPI)<sup>8</sup> facility, direct transfers between merchants and end customers are gaining steam.

<sup>6</sup> <http://www.livemint.com/Opinion/GivShcwWLIDCF7w0RpmIrO/Six-banking-trends-to-watch-out-for-in-2017.html>

<sup>7</sup> "Indian Banking Sector at a Glance," under Statistical Tables Relating to Banks, RBI, <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications>

<sup>8</sup> UPI is a payment system launched by National Payments Corporation of India and regulated by the Reserve Bank of India which facilitates the instant fund transfer between two bank accounts on the mobile platform

## Bandhan Bank's Operations

Your Bank's journey from doing only micro-banking operations to becoming a universal bank continues with newly designed products and services to meet the banking needs of diverse customer segments.

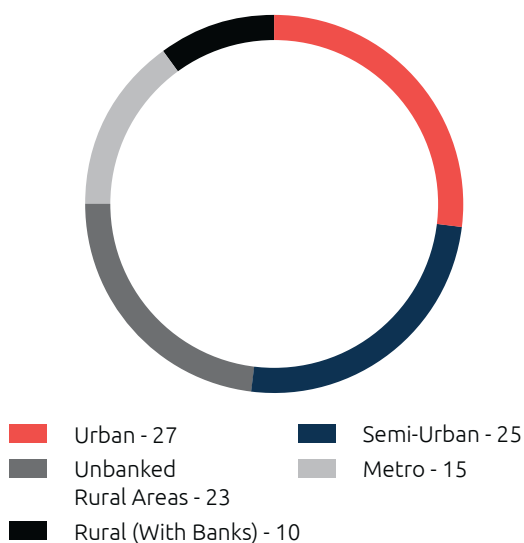
### A. Performance of General Banking

#### • Deposits

- In 19 months of its operation, the Bank's branch distribution network has been scaled up to 840 on March 31, 2017. 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.

#### Bandhan Bank: Branch Distribution Network, March 31, 2017

%



- Overall deposits grew by 92 per cent during 2016-17 (**Table 1**). The composition of the deposits indicate that your Bank has been able to reduce its funding through bulk term deposits, and also increase its current account deposits.

**Table 1. Deposits of Bandhan Bank**

Type of deposit	At end-March	
	2016	2017
Total	12,089	23,229
Of which:		
Current account	235	1,453
Savings account	2,371	5,385
Term deposits	9,484	16,405
Of which:		
Retail term deposit	1,982	9,577
Bulk term deposit <sup>^</sup>	7,501	6,814

<sup>^</sup> Term deposit of ₹ 1 crore and above

#### • Digital Payment Channels

Your Bank is working in a focussed manner to establish itself as a 'one stop shop' – a provider of an array of financial services, such as various deposit products, debit cards, and bill payments facility. It has a multichannel servicing strategy through ATMs, internet, phone and mBandhan (mobile banking) in addition to its branch network. Its digital channels, e.g., debit cards, internet banking, mBandhan, which had been introduced at the time of inception of Bank in August 2015 got a fillip after the withdrawal of legal tender status of SBN, namely denominations of ₹ 500 and ₹ 1,000 already issued, on November 08, 2016 and the cash shortage in its immediate aftermath. mBandhan and Internet Banking witnessed robust growth in registrations and usage. The Bank has also undertaken focussed communication initiatives through branches and social media to popularise ongoing debit card offers.

- In 2016-17, your Bank also established its merchant acquiring business and started setting up Point-of-Sale (PoS) terminals in major towns and cities as well as comparatively smaller, cash-intensive towns and villages. The electronic data capture (EDC)-PoS terminals were rolled out in December 2016. In the four months from rollout to end-March 2017, the Bank received 7,885 applications, and for 5,734 of the applicants was able to install EDC-PoS terminals by March 31, 2017. Currently, on an average, about 2,000 EDC-PoS applications are being received per month.



4. Going forward, in 2017-18, your Bank plans to foray into the distribution of third party products as well. In the first phase, the distribution of Mutual Funds through metro and urban branches will commence in the first quarter. With the aim of increasing customer stickiness by way of increased balances in customers' account, investment in systematic investment plans (SIPs) will be emphasised. Branches identified for distribution of mutual funds will have at least two employees who are duly certified for distributing such funds. The Bank also plans to commence General Insurance distribution vide a Corporate Agency License.
- **Small & Medium Enterprises Loan (SME)**
5. Your Bank has initiated its Small and Medium Enterprises (SME) loan business through five Asset Centers at Kolkata, Howrah, Burdwan, Barasat, and Behrampur. At end-March 2017, there were 71 SME borrowers with total loan outstanding (including a small amount of bank guarantees) of ₹ 106 crore.
  6. The SME loans were subject to a minimum of ₹ 10 lakh and given as working capital, term loan, and project finance facilities. Facilities extended to the SMEs included fund-based term loans and overdraft facilities, as well as non-fund-based bank guarantees. To minimise risk of default, the Bank focussed on customers internally rated BB 1 to 4.
  7. To build a solid SME customer base, the Bank endeavored to pursue a focussed approach and provide a service commitment to render timely, adequate support. During 2016-17, the Bank participated in MSME seminars, workshops and trade fairs organised by RBI and State Governments. Participation in such exhibitions and trade fairs has also helped customers to understand the importance of innovation, marketing, technology and use of social media to grow their businesses. Your Bank will strive to increase the SME customer base during the coming year by opening another 14 SME Asset Centers across the country.
- **Small Enterprise Loan (SEL)**
8. Your Bank also started offering Small Enterprise Loan (SEL), a new product in 2016-17. It is available in amounts between ₹ 1 lakh and ₹ 10 lakh. At end-March 2017, there were 91 credit centres to assess and disburse SEL, and the total SEL amount outstanding from 57,171 customers was ₹ 1,054 crore.
9. The SEL business plan for 2017-18 proposes to focus on the following to accentuate its portfolio:
    - a. Loan disbursals in amounts less than ₹1 lakh.
    - b. Expeditious processing of Loan proposals with minimal documentation.
    - c. Additional Credit Centers in locations of business potential.
    - d. Risk management capabilities by enhancing the early warning system model based on holistic customer information and development of advanced credit rating tools.
    - e. Potential synergies in Trade Finance business.
- **Retail Assets**
10. On March 31, 2017, the Bank had 14,927 retail loan accounts with the total outstanding at ₹ 390.60 crore. Going forward, the Bank's retail loan book, with a focus on home loans and personal Loans, is expected to grow rapidly. The initiative will be supported by the multiple product offerings and cross-selling to existing customers.
  11. The primary reasons for focussing on retail lending are risk diversification, availability of a business opportunity and a supportive regulatory framework. Retail lending has the advantage of the risk being spread out rather than concentrated with a few individuals or enterprises or sectors. The penetration of retail lending in India is amongst the lowest in the world. It is much higher not only in the developed world, but also in some of the developing countries, especially South East Asia. Retail lending holds considerable potential for the banking sector.

12. Priority Sector lending (PSL) norms of the RBI is the major regulatory tool by which credit is directed to sectors and activities considered important for overall socio-economic development. The PSL norms also aims to establish a system that supports the availability of retail loans to every strata of society. As per PSL guidelines of RBI, vide Circular no RBI/2014-15/573 dated April 23, 2015, housing loans to individuals up to ₹ 28 lakh in metropolitan centres (population above 10 lakh) and up to ₹ 20 lakh in other centres qualify as PSL provided the total cost of the dwelling unit does not exceed ₹ 35 lakh in metropolitan centres and ₹ 25 lakh in other centres. Also, loans for repair and renovation of dwelling units up to ₹ 5 lakh in metropolitan centres and ₹ 2 lakh in other centres qualify for PSL.
13. Demand for housing loans is also likely to be stimulated by the 'Pradhan Mantri Awas Yojana (Urban) – Housing for All Mission' (PMAY) for urban areas launched on June 25, 2015. PMAY, with the aim of ensuring that 2 crore houses are built across the nation's length and breadth by 2022, is being implemented by providing central assistance to implementing agencies through States and Union Territories. The Credit Linked Subsidy Scheme under PMAY provides interest subsidy on home loans taken by eligible urban poor. The interest subsidy available to the economically weaker sections (EWS), lower income group (LIG), and middle income group (MIG) for loans for acquisition or construction of houses should work as an additional stimulus to boost up the demand for housing loans and open up a business opportunity for your Bank.
14. Your Bank has tied up with National Housing Bank (NHB), one of the central nodal agencies under the CLSS scheme, to cater to the needs of EWS and LIG beneficiaries. It is also in the process of signing the MoU for the recently launched CLSS scheme for MIG.

- **Gold Loans**

In recent years, increasingly banks in India have entered the gold loan business. Financial institutions/banks have introduced innovative lending products such as upfront collection of interest for entire loan tenure. Gold loans are emerging as a reliable and convenient source of credit for low to mid income groups, as they are

made available with convenient procedures and documentation. Gold loans, as a business for Financial Institutions/banks, grew by around 60 per cent in 2011-12, and 45 per cent in 2012-13. There was a slight softening of the growth rate in 2013-14 due to decline in the international gold prices, but such bank loans are expected to grow at a compound annual rate of 15 per cent over the next 5 years. The year 2016-17 marked the entry of the Bank in the gold loan business. On March 31, 2017, the Bank's outstanding gold loans to 314 customers was ₹ 1.66 crore.

## B. Performance of Micro Banking

1. Micro banking with the aim of achieving financial inclusion is the cornerstone of your Bank's operations. While most other banks, after doing general banking operations for years, are getting into micro banking, Bandhan has followed the bottom up approach – after a long and successful experience in microfinance, it transformed itself into a bank and diversified into general banking.
2. Your Bank's commitment to financial inclusion is reflected in the growth of over 38 per cent in the aggregate micro-banking asset portfolio from ₹ 15,436 crore to ₹ 21,387 crore during 2016-17. This growth was achieved through a combination of broadening (opening new Doorstep Service Centres) as well as deepening (more loans to existing as well as new customers in areas covered by already existing Doorstep Service Centres).
3. The micro-banking loans continued to be in four categories:
  - a. **Suchana Loan** - ₹ 1,000 to ₹ 25,000 (No Processing Fee): Loan size is up to ₹ 25,000/- and is sanctioned to Micro Banking customers for deploying in eligible income generating activities.
  - b. **Srishti Loan** - ₹ 25,000 to ₹ 100,000: Loan size is above ₹ 25,000/- and is sanctioned to Micro Banking customers for expanding their business enterprise.
  - c. **Suraksha Loan** - up to ₹ 10,000: Loan size is up to ₹ 10,000/- and is sanctioned to Micro Banking customers to meet emergency expenses due to health issues.

- d. **Susiksha Loan** - up to ₹ 10,000: Loan size is up to ₹ 10,000/- and is sanctioned to Micro Banking customers to meet expenses towards education of their children.
4. The withdrawal of legal tender status of SBNs (i.e., ₹ 500 and ₹ 1000 notes of particular series) on November 08, 2016 resulted in a cash shortage in its immediate aftermath. Micro-banking customers, who were dependent on the cash economy for a major part of their functioning, were adversely impacted in their incomes. This impact on individual earnings had a negative bearing on the servicing of micro-banking loans by borrowers. As a result, overdue borrower numbers have increased in the last quarter of 2016-17. Your Bank's micro-banking loans slowed significantly in November and December 2016.
5. Bandhan as a microfinance institution could not garner deposits from its customers. Your Bank can and did. It provided a safe, secure and profitable avenue for its micro-banking customers to deploy their savings. A modest beginning was made in 2016-17 by garnering ₹ 2,006.18 crore in aggregate deposits —
- ₹ 1,801.54 crore in current and savings account deposits and ₹ 204.65 in term deposits – from micro-banking customers.
6. The Board and Management are fully aware that the key ingredients of success are going to be the Bank's appropriately skilled and dedicated human resources. To build up a robust pool of skilled manpower, the Bank successfully conducted training programs at its Learning Centre at Rajpur. Apart from Rajpur, your Bank also has seven other training centres at various locations. Together with training at these centres, your Bank is committed to building up a strong team spirit and sense of ethics, and a customer-friendly attitude throughout the organisation.

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

Chairman  
**Ashok Kumar Lahiri**  
(DIN: 07234290)

Place: Kolkata  
Date : 26th April, 2017

# Independent Auditor's Report

To,  
The Members of Bandhan Bank Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Bandhan Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

## Management's Responsibility for the Financial Statements

The Bank's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 in so far as they apply to the Bank and the Guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require

that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at March 31, 2017, its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 and read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 .
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated 22 August, 2016, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our

knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

- (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- (c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the Bank branches; we have visited 34 branches and 28 Doorstep Service Centres ( DSCs ) associated with the Bank branches, for the purpose of our audit.

3. As required by section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- (c) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none

of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;

- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Bank does not have any pending litigations which would impact its financial position.
  - ii. The Bank did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
  - iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank - Refer Note 18.30 to the financial statements

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

Sd/-

**per Amit Kabra**

Partner

Membership Number: 94533

Place of Signature: Gurgaon

Date: 26th April, 2017



# Balance Sheet

as at 31 March 2017

(₹)

	Schedule	As at 31 March 2017	As at 31 March 2016
<b>Capital &amp; Liabilities</b>			
Capital	1	10,951,410,340	10,951,410,340
Reserves & Surplus	2	33,513,143,577	22,393,616,202
Deposits	3	232,286,578,639	120,887,480,801
Borrowings	4	10,289,384,196	30,516,475,970
Other liabilities and provisions	5	15,320,387,230	12,816,016,727
<b>Total</b>		<b>302,360,903,982</b>	<b>197,565,000,040</b>
<b>Assets</b>			
Cash and balances with Reserve Bank of India	6	60,120,659,726	8,102,865,512
Balance with Banks and Money at call and short notice	7	13,529,327,194	23,631,129,422
Investments	8	55,164,872,304	37,580,336,328
Advances	9	168,390,778,586	124,375,461,153
Fixed Assets	10	2,517,863,026	2,372,311,281
Other Assets	11	2,637,403,146	1,502,896,344
<b>Total</b>		<b>302,360,903,982</b>	<b>197,565,000,040</b>
Contingent liabilities	12	236,299,515	49,018,264
Bills for collection		-	-
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

Firm Registration Number :- 101049W/E300004

**Per Amit Kabra**

Partner

Membership Number : 94533

Place : Gurgaon

Date : 26 April 2017

**For Bandhan Bank Limited**

**Dr. A. K. Lahiri**

Chairman

Place : Kolkata

Date : 26 April 2017

**Chandra Shekhar Ghosh**

Managing Director & CEO

**Indranil Banerjee**

Company Secretary

**C.M. Dixit**

Director

**Sunil Samdani**

Chief Financial Officer

# Profit & Loss Account

## For the year ended 31 March 2017

	Schedule	Year ended 31 March 2017	Year ended 31 March 2016
(₹)			
<b>I. Income</b>			
Interest/discount on advances/bills	13	39,087,091,545	15,813,605,610
Other Income	14	4,114,134,371	1,498,939,155
<b>Total</b>		<b>43,201,225,916</b>	<b>17,312,544,765</b>
<b>II. Expenditure</b>			
Interest Expended	15	15,052,105,879	6,485,253,686
Operating Expenses	16	10,220,049,636	6,159,175,334
Provisions & Contingencies	18.1	6,809,543,026	1,915,645,814
<b>Total</b>		<b>32,081,698,541</b>	<b>14,560,074,834</b>
<b>III. Net Profit for the year (I-II)</b>		11,119,527,375	2,752,469,931
Balance in Profit & Loss Account brought forward from previous year		2,153,813,134	5,760,406
<b>IV. Amount available for appropriations</b>		13,273,340,509	2,758,230,337
<b>V. Appropriation</b>			
Transfer to Statutory Reserves		2,779,881,844	689,557,584
Transfer to Other Reserves		-	-
Transfer to Government Reserve/Proposed Dividend		-	-
Transfer to Capital Reserve		9,111,289	-
Balance carried over to Balance Sheet		10,484,347,376	2,068,672,753
<b>Total</b>		<b>13,273,340,509</b>	<b>2,758,230,337</b>
<b>VI. Earnings per Share</b>			
Basic & Diluted (₹)	18.14	10.15	3.40
Face value per share (₹)		10	10
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date

### For S.R. Batliboi & Associates LLP

Chartered Accountants

Firm Registration Number :- 101049W/E300004

### Per Amit Kabra

Partner

Membership Number : 94533

Place : Gurgaon

Date : 26 April 2017

### For Bandhan Bank Limited

### Dr. A. K. Lahiri

Chairman

Place : Kolkata

Date : 26 April 2017

### Chandra Shekhar Ghosh

Managing Director & CEO

### Indranil Banerjee

Company Secretary

### C.M. Dixit

Director

### Sunil Samdani

Chief Financial Officer

# Cash Flow Statement

## for year ended 31 March 2017

(₹)

Particulars	31 March 2017	31 March 2016
<b>A. Cash flow from Operating Activities :</b>		
Profit Before Taxation	17,044,722,479	4,135,105,490
<b>Adjustments for :</b>		
Depreciation and amortisation	668,520,066	357,741,556
Provision on Standard Assets	324,052,855	511,705,831
Provision for non-performing assets	514,055,262	21,304,425
Interest income on fixed deposits	(163,672)	(40,590,930)
Provision for depreciation in value of investments	18,904,589	-
Provision for other contingencies	27,335,216	-
Loss on Sale of Fixed Assets	3,010,690	-
<b>Operating Profit Before Working Capital Changes</b>	<b>18,600,437,485</b>	<b>4,985,266,372</b>
<b>Movements in working capital :</b>		
Increase in Advances	(44,529,372,696)	(45,779,503,128)
Increase in Other Assets	(807,872,396)	(481,114,989)
Decrease/(Increase) in Investment	8,288,493,924	(14,318,926,295)
Increase in Deposit	111,399,097,838	120,887,480,801
Increase in Other Current Liabilities and Provisions	1,715,869,176	7,184,365,169
<b>Cash generated from operations</b>	<b>94,666,653,331</b>	<b>72,477,567,930</b>
Direct Taxes Paid	(5,814,716,253)	(2,981,612,838)
<b>Net Cash flows generated from Operating Activities (A)</b>	<b>88,851,937,078</b>	<b>69,495,955,092</b>
<b>B. Cash flow from Investing Activities :</b>		
Purchase of Fixed Assets/Capital work-in-progress	(817,829,079)	(1,601,502,628)
Sale of Fixed Assets/Capital work-in-progress	746,579	-
Payment for Business Acquisition	-	(12,331,464,159)
Interest income on fixed deposits	163,672	40,590,930
Increase in Held to Maturity Investment	(25,891,934,489)	(23,259,410,033)
Deposits (created)/encashed with banks and financial institutions	(128,873)	9,967,000
<b>Net Cash flows used in Investing Activities (B)</b>	<b>(26,708,982,190)</b>	<b>(37,141,818,890)</b>
<b>C. Cash flow from Financing Activities :</b>		
Proceeds from share issue(Including share premium)	-	25,504,328,090
Share issue expenses	-	(13,172,266)
Repayment of borrowings	(20,227,091,775)	(62,717,534,034)
<b>Net Cash flows used in Financing Activities(C)</b>	<b>(20,227,091,775)</b>	<b>(37,226,378,210)</b>
<b>Net Decrease in Cash and Cash Equivalents (A+B+C)</b>	<b>41,915,863,113</b>	<b>(4,872,242,008)</b>
<b>Cash and Cash Equivalents at the Beginning of the year</b>	<b>31,731,469,934</b>	<b>4,000,111,272</b>
Add: Cash Acquired on acquisition of assets and liabilities from BFSL	-	32,603,600,670
<b>Cash And Cash Equivalents at the end of the year</b>	<b>73,647,333,047</b>	<b>31,731,469,934</b>
<b>Components of Cash and Cash Equivalents :</b>		
Cash and Balances with Reserve Bank of India (Refer schedule 6)	60,120,659,726	8,102,865,512
Balance with Banks and Money at call and short notice (Refer schedule 7)	13,526,673,321	23,628,604,422
	<b>73,647,333,047</b>	<b>31,731,469,934</b>

Cash and Cash Equivalents excludes Fixed Deposits of ₹ 2,653,873 (Previous Year: ₹ 2,525,000) with original maturity of more than three months.

The accompanying notes are an integral part of these financial statements

As per our report of even date

**For S.R. Batliboi & Associates LLP**  
 Chartered Accountants  
 Firm Registration Number :- 101049W/E300004

**Per Amit Kabra**  
 Partner  
 Membership Number : 94533

Place : Gurgaon  
 Date : 26 April 2017

**For Bandhan Bank Limited**

**Dr. A. K. Lahiri**  
 Chairman

Place : Kolkata  
 Date : 26 April 2017

**Chandra Shekhar Ghosh**  
 Managing Director & CEO

**Indranil Banerjee**  
 Company Secretary

**C.M. Dixit**  
 Director

**Sunil Samdani**  
 Chief Financial Officer

# Schedules

forming part of the Balance Sheet as at 31 March 2017

## Schedule 1 - Capital

	As at 31 March 2017	As at 31 March 2016
(₹)		
<b>Authorised Capital</b>		
5,000,000,000 (Previous Year: 5,000,000,000) equity shares of ₹ 10/- each	50,000,000,000	50,000,000,000
<b>Issued, subscribed and fully paid-up capital</b>		
1,095,141,034 (Previous Year: 1,095,141,034) Equity Share of ₹ 10/- each	10,951,410,340	10,951,410,340
<b>Total</b>	<b>10,951,410,340</b>	<b>10,951,410,340</b>

## Schedule 2 - Reserves & Surplus

	As at 31 March 2017	As at 31 March 2016
(₹)		
<b>I. Statutory Reserve</b>		
Opening Balance	689,557,584	-
Additions during the year	2,779,881,844	689,557,584
Deduction during the year	-	-
<b>Total</b>	<b>3,469,439,428</b>	<b>689,557,584</b>
<b>II. Capital Reserve</b>		
Opening Balance	-	-
Additions during the year *	9,111,289	-
Deduction during the year	-	-
<b>Total</b>	<b>9,111,289</b>	<b>-</b>
<b>III. Share Premium Account</b>		
Opening Balance	19,550,245,484	-
Additions during the year	-	19,563,417,750
Less: Share issue expenses	-	13,172,266
<b>Total</b>	<b>19,550,245,484</b>	<b>19,550,245,484</b>
<b>IV. Revenue &amp; other Reserves</b>		
Opening Balance	-	-
Additions during the year	-	-
Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>V. Balance in Profit and Loss Account</b>	<b>10,484,347,376</b>	<b>2,068,672,753</b>
Adjustment on acquisition of assets & liabilities from Bandhan Financial Services Ltd.	-	(163,976,455)
Adjustment for deferred tax assets on standard assets provision acquired from Bandhan Financial Services Ltd.	-	249,116,836
<b>Total</b>	<b>10,484,347,376</b>	<b>2,153,813,134</b>
<b>GRAND TOTAL (I+II+III+IV+V)</b>	<b>33,513,143,577</b>	<b>22,393,616,202</b>

\* Appropriations made for profit on sale of investments in held to maturity category, net of taxes and transfer to statutory reserve.

# Schedules

forming part of the Balance Sheet as at 31 March 2017

## Schedule 3 - Deposits

		(₹)	
		As at	As at
		31 March 2017	31 March 2016
A.	l. Demand Deposits		
	i) From Banks	394,636,214	54,781,441
	ii) From Others	14,131,527,882	2,290,720,526
	ll. Savings Bank Deposits	53,847,203,138	23,710,504,093
	lll. Term Deposits		
	i) From Banks	23,085,912,002	41,685,761,791
	ii) From Others	140,827,299,403	53,145,712,950
<b>Total</b>		<b>232,286,578,639</b>	<b>120,887,480,801</b>
B.	l. Deposits of branches in India	232,286,578,639	120,887,480,801
	ll. Deposits of branches outside India	-	-
<b>Total</b>		<b>232,286,578,639</b>	<b>120,887,480,801</b>

## Schedule 4 - Borrowings

		(₹)	
		As at	As at
		31 March 2017	31 March 2016
l.	Borrowings in India		
	i) Reserve Bank of India	-	-
	ii) Other banks	4,656,481,277	20,147,509,302
	iii) Other Institutions & agencies *	5,632,902,919	10,368,966,668
ll.	Borrowings outside India	-	-
<b>Total</b>		<b>10,289,384,196</b>	<b>30,516,475,970</b>
Secured borrowings included in I(ii & iii) above		<b>5,189,384,194</b>	<b>22,749,809,302</b>

\*Borrowings from other institutions and agencies includes Subordinated Debt of ₹ 1,600,000,000 (Previous Year: ₹ 1,600,000,000) in the nature of Non-Convertible Debentures.

## Schedule 5 - Other liabilities and provisions

		(₹)	
		As at	As at
		31 March 2017	31 March 2016
l.	Bills Payable	-	-
ll.	Inter-office Adjustments(Net)	-	-
lll.	Interest accrued	137,125,010	240,388,077
IV.	Contingent Provision against Standard Assets	1,555,583,108	1,231,530,253
V.	Provision for Income Tax	562,330,992	158,887,364
VI.	Others [Including ₹ 9,239,035,031(Previous Year: ₹ 6,398,638,362) payable for IBPC transactions (Refer note No 18.28)]	13,065,348,120	11,185,211,033
<b>Total</b>		<b>15,320,387,230</b>	<b>12,816,016,727</b>



# Schedules

forming part of the Balance Sheet as at 31 March 2017

## Schedule 6 - Cash and balances with Reserve Bank of India

	(₹)	
	As at 31 March 2017	As at 31 March 2016
I. Cash In hand	2,021,888,049	847,803,201
II. Balance with Reserve Bank of India		
i) In Current Account	8,948,771,677	4,005,062,311
ii) In Other Accounts	49,150,000,000	3,250,000,000
<b>Total</b>	<b>60,120,659,726</b>	<b>8,102,865,512</b>

## Schedule 7 - Balances with Banks and Money at call and short notice

	(₹)	
	As at 31 March 2017	As at 31 March 2016
I. In India		
i) Balance with Banks		
a) In Current Account	3,967,386,911	1,746,430,199
b) In Other Deposit Accounts	2,653,873	2,525,000
ii) Money at call & short notice		
a) With banks	-	1,000,000,000
b) With other institutions	9,559,286,410	20,882,174,223
<b>Total</b>	<b>13,529,327,194</b>	<b>23,631,129,422</b>
II. Outside India	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (I+II)</b>	<b>13,529,327,194</b>	<b>23,631,129,422</b>

## Schedule 8 - Investments

	(₹)	
	As at 31 March 2017	As at 31 March 2016
I. Investment in India in		
i) Government Securities	55,181,776,893	37,578,336,328
ii) Other Approved Securities	-	-
iii) Shares	2,000,000	2,000,000
iv) Debentures & Bonds	-	-
v) Subsidiaries and /or joint ventures	-	-
vi) Others	-	-
<b>Total</b>	<b>55,183,776,893</b>	<b>37,580,336,328</b>
Less- Provision for Depreciation on Investment	18,904,589	-
<b>Total</b>	<b>55,164,872,304</b>	<b>37,580,336,328</b>
II. Investments outside India	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (I+II)</b>	<b>55,164,872,304</b>	<b>37,580,336,328</b>

# Schedules

forming part of the Balance Sheet as at 31 March 2017

## Schedule 9 - Advances

	As at 31 March 2017	As at 31 March 2016
(₹)		
A. i) Bills Purchased & Discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	3,444,837,255	846,014,221
iii) Term loans *	164,945,941,331	123,529,446,932
<b>Total</b>	<b>168,390,778,586</b>	<b>124,375,461,153</b>
* Net of loans outstanding under Inter bank participation certificate ₹ 66,760,964,969(Previous Year: ₹ 25,601,361,638) and assignment ₹ 30,258,719 (Previous Year: ₹ 5,722,210,225)		
B. i) Secured by tangible assets (Including Advances against book debts)	148,706,087,719	32,694,078,690
ii) Covered by Bank/Government Guarantees	-	-
iii) Unsecured	19,684,690,867	91,681,382,463
<b>Total</b>	<b>168,390,778,586</b>	<b>124,375,461,153</b>
C. I) Advances in India		
i) Priority Sector	164,316,171,187	122,603,521,363
ii) Public Sector	-	-
iii) Banks	-	-
iv) Others	4,074,607,399	1,771,939,790
<b>Total</b>	<b>168,390,778,586</b>	<b>124,375,461,153</b>
II) Advances Outside India	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (I+II)</b>	<b>168,390,778,586</b>	<b>124,375,461,153</b>

## Schedule 10 - Fixed Assets

	As at 31 March 2017	As at 31 March 2016
(₹)		
I) <b>Premises</b>		
<b>Gross Block</b>		
At cost as at 31 March of the preceding year	989,255,742	-
Addition during the Year	241,118,396	989,255,742
Deduction during the Year	2,595,822	-
<b>Total</b>	<b>1,227,778,316</b>	<b>989,255,742</b>
<b>Depreciation</b>		
As at the beginning of the Year	58,157,931	-
Charge for the year	222,408,043	58,157,931
Deduction during the Year	386,693	-
<b>Depreciation to date</b>	<b>280,179,281</b>	<b>58,157,931</b>
<b>Net Block</b>	<b>947,599,035</b>	<b>931,097,811</b>

# Schedules

forming part of the Balance Sheet as at 31 March 2017

	As at 31 March 2017	As at 31 March 2016
(₹)		
<b>II) Other Fixed Assets (Including Furniture &amp; Fixture)</b>		
<b>Gross Block</b>		
At cost as at 31 March of the preceding year	1,736,040,019	1,322,363
Addition during the Year	581,561,070	1,734,717,656
Deduction during the Year	1,949,384	-
<b>Total</b>	<b>2,315,651,705</b>	<b>1,736,040,019</b>
<b>Depreciation</b>		
As at the beginning of the Year	299,630,281	46,653
Charge for the year	446,112,023	299,583,628
Deduction during the Year	354,590	-
Depreciation to date	745,387,714	299,630,281
<b>Net Block</b>	<b>1,570,263,991</b>	<b>1,436,409,738</b>
<b>III) Capital Work-in-progress (including capital advances)</b>	-	4,803,732
<b>GRAND TOTAL (I+II+III)</b>	<b>2,517,863,026</b>	<b>2,372,311,281</b>

## Schedule 11 - Other Assets

	As at 31 March 2017	As at 31 March 2016
(₹)		
i) Inter Office adjustment (Net)	-	-
ii) Interest Accrued	892,508,300	756,738,490
iii) Stationery and stamps	-	7,158
iv) Non banking assets acquired in satisfaction of claims	-	-
v) Others *	1,744,894,846	746,150,696
<b>Total</b>	<b>2,637,403,146</b>	<b>1,502,896,344</b>

\* Includes Deferred Tax Assets of ₹ 914,643,658 (Previous Year: ₹ 587,972,073 (Refer schedule No. 18.12)

## Schedule 12 - Contingent liabilities

	As at 31 March 2017	As at 31 March 2016
i) Claims against the Bank not acknowledged as debts	526,170	262,000
ii) Liability for partly paid investments	-	-
iii) Liability on account of outstanding forward exchange contracts	-	-
iv) Guarantees given on behalf of constituents	-	-
(a) In India	47,092,728	3,110,000
(b) Outside India	-	-
v) Acceptances, endorsements and other obligations	-	-
vi) Other items-Capital Commitments	188,680,617	45,646,264
<b>Total</b>	<b>236,299,515</b>	<b>49,018,264</b>

# Schedules

forming part of the Profit and Loss Account for the year ended 31 March 2017

## Schedule 13 - Interest/discount on advances/bills

	(₹)	
	Year ended 31 March 2017	Year ended 31 March 2016
I) Interest/discount on advances/bills	31,214,242,133	12,827,887,030
II) Income on investments	4,280,501,113	1,311,987,632
III) Interest on balances with Reserve Bank of India and other inter-bank funds	790,297,918	566,670,467
IV) Others (Includes gain on assignment /IBPC)	2,802,050,381	1,107,060,481
<b>Total</b>	<b>39,087,091,545</b>	<b>15,813,605,610</b>

## Schedule 14 - Other Income

	(₹)	
	Year ended 31 March 2017	Year ended 31 March 2016
I) Commission, exchange and brokerage	3,204,142,023	1,454,212,570
II) Profit/(Loss) on sale of investments (net)	216,774,963	20,060,171
III) Profit/(Loss) on sale of fixed assets	-	-
IV) Profit on exchange/derivative transactions	-	-
V) Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India	-	-
VI) Miscellaneous income	693,217,385	24,666,414
<b>Total</b>	<b>4,114,134,371</b>	<b>1,498,939,155</b>

## Schedule 15 - Interest Expended

	(₹)	
	Year ended 31 March 2017	Year ended 31 March 2016
I) Interest on deposits	12,910,788,037	2,210,257,593
II) Interest on Reserve Bank of India/Inter-bank borrowings	1,588,098,827	3,508,323,415
III) Others	553,219,015	766,672,678
<b>Total</b>	<b>15,052,105,879</b>	<b>6,485,253,686</b>

## Schedule 16 - Operating Expenses

	(₹)	
	Year ended 31 March 2017	Year ended 31 March 2016
I) Payments to and provisions for employees	5,455,693,847	3,250,748,752
II) Rent, taxes and lighting	946,680,392	532,422,247
III) Printing and stationery	204,109,188	313,949,977
IV) Advertisement and publicity	252,106,859	341,698,950
V) Depreciation on bank's property	668,520,066	357,741,556
VI) Directors' fees, allowance and expenses	7,992,493	4,658,384
VII) Auditors' fees and expenses	8,644,602	5,690,628
VIII) Law charges	9,011,273	6,956,855
IX) Postage, telegrams, telephones etc.	225,597,530	122,366,820
X) Repairs and maintenance	9,375,930	1,253,357
XI) Insurance	65,434,257	29,839,201
XII) Other expenditure	2,366,883,199	1,191,848,607
<b>Total</b>	<b>10,220,049,636</b>	<b>6,159,175,334</b>

# Significant Accounting Policies

forming part of the financial statements for the year ended 31 March 2017

## Schedule 17

### 1. Background

Bandhan Bank Limited (the 'Bank'), incorporated on 23 December 2014 in India, is a banking company, governed by the Banking Regulation Act, 1949.

Pursuant to the Banking license received from Reserve Bank of India on 17 June 2015, the Bank has commenced its banking operations from 23 August 2015.

### 2. Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated and comply with the requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ('Indian GAAP'), the guidelines issued by RBI from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

### 3. Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) as at the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods. Actual results could differ from estimates.

### 4. Significant accounting policies

#### 4.1 Revenue Recognition

Interest income is recognised in the profit and loss account on an accrual basis, except in the case of interest on non-performing assets, which is recognised as income on realisation, as per the income recognition and asset classification norms of RBI.

Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on

sale of investments in 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve Account'.

Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Loan processing fees is accounted for upfront when it becomes due.

All fees from deposit accounts are accounted for as and when they are due and realised.

All other fees are accounted for as and when they become due.

#### 4.2. Investments

##### A) Classification

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) at the time of purchase.

##### Basis of classification:

Investments that the Bank intends to hold till maturity are classified as "Held to Maturity (HTM)".

Investments that are held principally for sale within 90 days from the date of purchase are classified as "Held for Trading (HFT)".

Investments, which are not classified in any of the above two categories, are classified as "Available for Sale (AFS)" investments.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories — Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/ Joint Ventures and Others.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

Investments are classified as performing or non-performing as per RBI guidelines. Non-performing investments are



# Significant Accounting Policies

forming part of the financial statements for the year ended 31 March 2017

subjected to similar income recognition and provisioning norms as prescribed by RBI for non-performing advances.

## B) Valuation

Broken period interest and costs such as brokerage paid at the time of acquisition of the security are charged to Profit and Loss account. Cost of investments is computed on weighted average cost method.

Investments marked as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation /appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

'Held to Maturity' securities is carried at their acquisition cost or at amortised cost if acquired at a premium over the face value. Any premium paid on acquisition, over the face value, is amortised over the remaining period of maturity by applying constant yield method. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, suitable provisions are made.

Treasury bills being discounted instruments are valued at current cost.

Quoted investments are valued at traded/quoted price available from recognised stock exchanges, subsidiary general ledgers account transactions, price list of RBI, or prices declared by Primary Dealers Association of India ("PDAI") jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA") as at the balance sheet date. The market/fair value of unquoted government securities which are in the nature of statutory liquidity ratio (SLR) securities included in the 'Available for Sale' and 'Held for trading' categories is valued as per the rate published by the FIMMDA.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at Re.1 as per the RBI guidelines.

Transfer of securities between categories of investments is accounted as per the RBI Guidelines.

Repurchase ('repo') and reverse repurchase ('reverse repo') transactions including liquidity adjustment facility (with RBI) are accounted for as borrowing and lending transactions.

Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon/discount on the security during the repo period. Also, the Bank continues to value the securities sold under repo as per the investment classification of the security. The difference between the clean price of the first leg and clean price of the second leg is recognised as interest income/expense over the period of the transaction in the profit and loss account

## 4.3 Loans /Advances and Provisions thereon

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs other than micro lending portfolio are made for sub-standard and doubtful assets at rates as prescribed by the RBI.

The Micro Loans granted for ₹ 25,000 or more are considered as secured loans as the underlying loan agreements include a clause of hypothecation whereby all movable goods procured from time to time from the proceeds of loan are hypothecated in favour of the Bank by way of a first and exclusive charge.

Amounts recovered against debts written off in earlier years are recognised in the profit and loss account as credit to Miscellaneous Income under the head 'Other Income'

The Bank maintains general provision on standard advances as prescribed by RBI. In case of micro lending portfolio (original disbursed amount of ₹ 100,000 or less), a general provision on standard advances is maintained at 1% which is higher than the minimum provisioning requirement as specified in the RBI guidelines. Provision made against standard assets is included in "Other liabilities & provisions".

For micro loans, provision for NPAs have been provided at rates which are higher than the minimum rates prescribed by RBI. In case of sub-standard assets the rate is 25% and for doubtful and loss assets the rate is 100%.

# Significant Accounting Policies

forming part of the financial statements for the year ended 31 March 2017

In case of non-performing micro lending portfolio, where 30 days have elapsed from the completion of loan tenure, the Bank is making 100% provision.

Non-performing loans, which have been fully provided for, are written off as per Management estimates.

#### 4.4 Inter Bank Participation Certificate

The Bank enters into Inter Bank Participation with risk sharing as issuing Bank and the aggregate amount of participation are reduced from the aggregate advance outstanding.

Gain on IBPC is the excess of income earned on the participation pool and interest paid to the participation amount. Interest Income and expense are recognised on accrual basis.

#### 4.5 Tangible Assets

All fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Asset under development as at the balance sheet date are shown as Capital Work-in-progress. Advance paid towards such development are shown as capital advance.

#### 4.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss, if any.

#### 4.7 Depreciation

Depreciation is provided on straight line basis as per the life prescribed under Schedule II of the Companies Act, 2013, which is in accordance with management estimate of the useful life of the underlying assets.

Leasehold improvements are depreciated over a period of three years.

Softwares are amortised over a period of three years.

#### 4.8 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its

recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### 4.9 Foreign Currency transactions

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.

Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

Non-monetary items which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. Non-monetary items, which are measured at fair value or others similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

Exchange differences arising on the settlement of monetary items or on reporting such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

#### 4.10 Retirement and employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Bank has no obligation, other than the contribution payable to the provident fund. The Bank recognises contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

Long term Compensated absences are provided for based on actuarial valuation which is done as per projected unit credit method at the end of each financial year. Short term Compensated absences are provided for based on estimates of encashment / avilment of leave.

Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

## 4.11 Income Taxes

Tax expenses comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Bank has carried forward unabsorbed depreciation and tax losses, all deferred tax assets is recognised only to the extent that there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax assets can be realised.

At each reporting date, the Bank re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date. The Bank writes down the carrying amount of deferred tax assets to the extent that it is no longer reasonably certain or virtually certain as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available.

## 4.12 Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

## 4.13 Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognise a contingent liability but discloses its existence in the financial statements.

Contingent Assets are not recognised in the financial statements.

## 4.14 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

## 4.15 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

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forming part of the financial statements for the year ended 31 March 2017

## Schedule 18

The following disclosures have been made taking into account the requirements of Accounting Standards (ASs) and Reserve Bank of India (RBI) guidelines in this regard.

### 18.1 "Provisions & Contingencies" recognised in the Profit & Loss Account comprise:

	(₹ in crore)	
	Year ended 31 March 2017	Year ended 31 March 2016
Provision for Income Tax		
-Current Tax	625.18	169.54
-Deferred tax (Refer Note No. 18.12)	(32.66)	(31.28)
<b>Total Tax Expenses</b>	<b>592.52</b>	<b>138.26</b>
Provision for Standard assets	32.41	51.17
Provision for non-performing assets [Includes bad debts written off ₹ 31.19 crore (Previous Year: Nil)]	47.75	2.13
Provision for depreciation in value of investments	1.89	-
Provision for restructured assets	-	-
Provision for unhedged foreign currency exposure	-	-
Provision for country risk	-	-
Provision for other contingencies	6.39	-
<b>Total</b>	<b>680.96</b>	<b>191.56</b>

### 18.2 The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below:

	(₹ in crore)	
Particulars	As at 31 March 2017	As at 31 March 2016
Capital adequacy (%)		
Common Equity Tier 1 (%)	24.77	26.72
Tier 1 capital ratio (%)	24.77	26.72
Tier 2 capital ratio (%)	1.59	2.29
<b>CRAR (%)</b>	<b>26.36</b>	<b>29.01</b>
Amount of equity capital raised (including share premium)	-	2,550.43
<b>Amount of additional Tier I capital raised of which:</b>		
Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
Perpetual Debt Instruments (PDI)	-	-
<b>Amount of Tier II capital raised of which:</b>		
Debt capital instrument*	-	160
Preferential capital instrument	-	-
Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/ Redeemable Cumulative Preference Shares	-	-

\* Acquired from Bandhan Financial Services Ltd.

The Bank has not redeemed any subordinated debt during the year ended 31 March, 2017 (Previous Year: Nil)

# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

## 18.3 Investments

### A) The Details of investments are set out below:

(₹ in crore)		
Value of Investments	As at 31 March 2017	As at 31 March 2016
<b>(1) Value of Investment</b>		
(i) Gross value of Investments		
a) In India	5,518.38	3,758.03
b) Outside India	-	-
(ii) Provision for Depreciation		
a) In India	1.89	-
b) Outside India	-	-
(iii) Provision for Non- Performing Investments		
a) In India	-	-
b) Outside India	-	-
(iv) Net value of Investments		
a) In India	5,516.49	3,758.03
b) Outside India	-	-

(₹ in crore)		
Particulars	As at 31 March 2017	As at 31 March 2016
<b>(2) Movement of provisions held towards depreciation on investments:</b>		
Opening balance	-	-
Add: Provisions made during the year	1.89	-
Less: Write-offs/write-back of excess provisions during the year	-	-
<b>Closing balance</b>	<b>1.89</b>	<b>-</b>

### B) Repo Transactions (in face value terms)

(₹ in crore)				
Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31 March, 2017
Securities sold under Repo				
i. Government securities	-	1240	6.03	51.8
	-	(1.04)	-	-
ii. Corporate debt securities	-	-	-	-
	-	-	-	-
Securities purchased under reverse repo				
i. Government securities	-	5,710.88	1,194.76	5,710.88
	-	(4,362.80)	(903.08)	(338.00)
ii. Corporate debt securities	-	-	-	-
	-	-	-	-

Previous year figures are shown in“()”.

# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

## C) Non-SLR Investment Portfolio

### i) Issuer composition of Non-SLR investments

(₹ in crore)					
Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)
(i) Public Sector Units	-	-	-	-	-
(ii) Financial Institutions	-	-	-	-	-
(iii) Banks	-	-	-	-	-
(iv) Private Corporates	0.20 (0.20)	-	-	0.20 (0.20)	0.20 (0.20)
(v) Subsidiaries / Joint Ventures	-	-	-	-	-
(vi) Others	-	-	-	-	-
(vii) Provision held towards depreciation	-	-	-	-	-
<b>Total</b>	<b>0.20 (0.20)</b>	<b>-</b>	<b>-</b>	<b>0.20 (0.20)</b>	<b>0.20 (0.20)</b>

Amounts reported under columns (3), (4), (5) and (6) above are not mutually exclusive. Previous year figures are shown in "()".

### ii) Non-performing Non-SLR investments

The Bank does not have any Non-performing Non-SLR investment as on 31 March 2017 and 31 March 2016.

## D) Sale and transfers of Securities to / from HTM Category

The Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include onetime transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per extant RBI guidelines, sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.



# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

## 18.4 Derivatives

The Bank has not entered into any derivative transaction during the current and previous year.

## 18.5 Asset Quality

### A) Non-Performing Assets

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
i) Net NPAs to Net Advances (%)	0.36	0.08
ii) Movement of NPAs (Gross)		
a) Opening balance	18.77	-
b) Additions during the year	103.37	18.77
c) Reductions during the year [Includes bad debts written off ₹ 31.19 crore (Previous Year: Nil)]	(35.88)	-
d) Closing balance	86.26	18.77
iii) Movement of Net NPAs		
a) Opening balance	10.24	-
b) Additions during the year	54.64	10.24
c) Reductions during the year	(3.71)	-
d) Closing balance	61.17	10.24
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	8.53	-
b) Provisions made during the year*	48.73	8.53
c) Provision utilised for Write-off / write-back of excess provisions	(32.17)	-
d) Closing balance	25.09	8.53

\* Includes provision of ₹ 15.18 crore (Previous Year: Nil) on non-performing micro lending portfolio, where 30 days have elapsed from the date of completion of tenure of loan. The Bank has adopted a policy to make 100% provision on such cases at 31 March 2017.

### B) Particulars of accounts restructured

The Bank does not have any restructured account as at and for the year ended 31 March 2017 and 31 March 2016.

### C) Details of Financial Assets sold to Securitisation / Reconstruction company for Reconstruction

The Bank did not sell any Financial Assets to Securitisation / Reconstruction company for Reconstruction during the current and previous year.

### D) Details of Non-Performing Financial Assets Purchased / Sold

The Bank did not purchase/sell any Non-Performing Financial Assets during the current and previous year.

### E) Provisions on Standard Assets

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
Provisions towards Standard Assets	155.56	123.15

### F) Disclosure on Advances

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
Gross Advances (Including IBPC/Assignment)	23,543.29	15,578.44
Less: Managed Advance (IBPC/Assignment)	6,679.12	3,132.36
Gross Advances (Excluding IBPC/Assignment)	16,864.17	12,446.08
Less: Provision on NPA	25.09	8.53
Net Advances (Refer Schedule 9)	16,839.08	12,437.55

# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

## G) Disclosure of Divergence in Asset Classification and Provisioning for NPAs– (ref DBR.BP.BC. No.63/21.04.018/2016-17 dated April 18, 2017)

(₹ in crore)

SL. No.	Particulars	
1	Gross NPAs as on March 31, 2016 as reported by the bank	18.77
2	Gross NPAs as on March 31, 2016 as assessed by RBI	18.77
3	Divergence in Gross NPAs (2-1)	-
4	Net NPAs as on March 31, 2016 as reported by the bank	10.24
5	Net NPAs as on March 31, 2016 as assessed by RBI	10.24
6	Divergence in Net NPAs (5-4)	-
7	Provisions for NPAs as on March 31, 2016 as reported by the bank	8.53
8	Provisions for NPAs as on March 31, 2016 as assessed by RBI	8.53
9	Divergence in provisioning (8-7)	-
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	275.25
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning	275.25

## 18.6 The key business ratios and other information is set out below:

(₹ in crore)

Particulars	As at	As at
	31 March 2017	31 March 2016
Interest income as a percentage to working funds <sup>1</sup>	15.67%	10.77%
Non-interest income as a percentage to working funds <sup>1</sup>	1.65%	1.02%
Operating profit as a percentage to working funds <sup>1,2</sup>	7.19%	3.18%
Return on assets <sup>1</sup>	4.46%	1.88%
Profit per employee (₹ in crore) <sup>3</sup>	0.05	0.01
Business (deposits less inter-bank deposits plus advances) per employee (₹ in crore) <sup>3</sup>	1.70	1.03

- Working funds represent average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.
- Operating profit is profit for the year before considering provisions and contingencies.
- Productivity ratios are based on average number of employees for the year.

## 18.7 Exposures

### A) Exposure to Real Estate Sector

(₹ in crore)

Category	As at	As at
	31 March 2017	31 March 2016
a) Direct exposure		
(i) Residential Mortgages — represents lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented.	64.82	5.11
(ii) Commercial Real Estate	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
1. Residential	-	-
2. Commercial Real Estate	-	-
b) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
<b>Total Exposure to Real Estate Sector</b>	<b>64.82</b>	<b>5.11</b>

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## B) Exposure to Capital Market

Category	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
Direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	0.20	0.20
Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken as primary security	-	-
Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds i.e. where primary security other than shares/ convertible bonds/convertible debentures/units of equity-oriented mutual funds does not fully cover the advances	-	-
Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	-	-
Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
Bridge loans to companies against expected equity flows/issues	-	-
Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds	-	-
Financing to stock brokers for margin trading	-	-
All exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>	<b>0.20</b>	<b>0.20</b>

## C) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank

During the year ended 31 March 2017 and 31 March 2016, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

## D) Unsecured Advances against Intangible Collaterals

During the year ended 31 March 2017 and 31 March 2016, there are no unsecured advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral by the Bank.

## 18.8 Miscellaneous

### Disclosure of penalties imposed by RBI

No penalty has been levied on the Bank by RBI during the current and previous year.

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forming part of the financial statements for the year ended 31 March 2017

## 18.9 Employee Benefits

### A) Gratuity

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on departure and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the Gratuity plan.

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
<b>i) Table Showing changes in present value of Defined Benefit obligation:</b>		
Present value of defined benefit obligations as at beginning of the year	21.52	13.25
Interest cost	1.61	1.06
Current service cost	7.38	5.16
Benefit Paid	-	0.03
Actuarial loss on obligations	2.48	2.08
Present value of defined benefit obligations as at end of the year	32.99	21.52
<b>ii) Table showing fair value of plan assets:</b>		
Fair value of plan assets as at beginning of the year	15.89	7.20
Expected return on plan assets	1.29	0.70
Contributions paid	-	7.07
Benefits Paid	-	0.03
Acquisition Adjustment	-	1.00
Actuarial gain on plan assets	0.84	0.05
Fair value of plan assets at end of the year	16.34	15.89
<b>iii) Actuarial (Gain)/Loss recognised:</b>		
Actuarial loss on obligations	2.48	2.08
Actuarial gain for the year-Plan assets.	(0.84)	(0.05)
Actuarial loss recognised in the year	3.32	2.13
<b>iv) The amounts to be recognised in the Balance Sheet and Profit and Loss Account:</b>		
Present value of obligations at the end of the year	32.99	21.52
Fair value of plan assets at the end of the year	16.34	15.89
Net liability recognised in balance sheet	16.65	5.63
<b>v) Expenses Recognised in Profit and Loss Account:</b>		
Current Service Cost	7.38	5.16
Interest Cost	1.61	1.06
Expected return	1.29	0.70
Net Actuarial loss recognised in the year	3.32	2.13
Expenses recognised in profit and loss account	11.02	7.65
Actual return on plan assets	2.13	0.75
<b>vi) The Principal assumptions used in the actuarial valuation are shown below :</b>		
Discount Rate	7.50%	8.00%
Salary Escalation	8.00%	8.00%
Withdrawal Rate	7.00%	7.00%
Expected rate of return on assets	8.11%	8.50%

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(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>vii) Amounts for the current and previous year are as follows: [Refer note (ix) below]</b>		
a) Defined Benefit Obligations	32.99	21.52
b) Plan Assets	16.34	15.89
c) Deficit	(16.65)	(5.63)
d) Experience adjustments on plan liabilities [(Gain)/Loss]	-	-
e) Experience adjustments on plan assets [Gain/(Loss)]	-	-

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>viii) The Major categories of Plan Assets as a percentage of the fair value of Total Plan Asset are as follows:</b>		
Insurance Managed Fund	100%	100%

- ix) The Bank was incorporated on 23 December 2014 and did not have any employees in the year ended 31 March, 2015, hence figures for the year 2015 are not furnished.
- x) The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.
- xi) The Bank expects to contribute ₹ 10 crores to gratuity fund in 2016-17 (Previous Year: ₹ 4 crores)
- xii) The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

## B) Provident Fund

Amount incurred as expense for defined contribution to Provident Fund is ₹ 23.34 Crore (Previous Year: ₹ 11.48 Crores).

## 18.10 Segment Reporting

### A) Segment Identification

Pursuant to the guidelines issued by RBI on AS 17 - Segment Reporting - Enhancement of Disclosures dated April 18, 2007, the following business segments have been reported:

#### i) Treasury :

Treasury operations include investments in sovereign securities and trading operations. The Treasury segment also includes the central funding unit.

#### ii) Retail Banking :

Includes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and low value of individual exposure thereof. It also includes liability products, card services, internet banking, mobile banking, ATM services and NRI services. All deposits sourced by branches are classified in retail category.

#### iii) Corporate/Wholesale Banking:

Includes corporate relationships not included under Retail Banking.

#### iv) Other Banking Business :

Include para banking activities like third party product distribution and other banking transaction not covered under any of the above three segments.

The Bank does not have any para banking activities for the year ended 31st March, 2017.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

The liabilities of the Bank are first used by the units generating the same. Any excess liabilities of the units are pooled to central funding unit (Treasury). Treasury then lends these funds to other units at appropriate rates.

The transfer pricing mechanism of the Bank is periodically reviewed. The segment results are determined based on the transfer pricing mechanism prevailing for the respective reporting periods.

# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from these. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment, fees for banking services and ATM interchange fees. Expenses of the Corporate/Wholesale Banking and Retail Banking

segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid as per the transfer pricing mechanism presently followed by the Bank.

## B) Segment Information

### i) Primary (Business Segment)

(₹ in crore)

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
<b>Segment Revenue</b>				
Gross interest income (external customers)	507.08	3,360.07	41.56	3,908.71
	(187.87)	(1,393.18)	(0.31)	(1,581.36)
Other income	24.29	383.95	3.17	411.41
	(2.25)	(147.53)	(0.11)	(149.89)
<b>Total income as per Profit and Loss Account</b>	<b>531.37</b>	<b>3,744.02</b>	<b>44.73</b>	<b>4,320.12</b>
	<b>(190.12)</b>	<b>(1,540.71)</b>	<b>(0.42)</b>	<b>(1,731.25)</b>
Add: Inter segment interest income	-	187.63	-	187.63
	(267.45)	-	-	(267.45)
<b>Total segment revenue</b>	<b>531.37</b>	<b>3,931.65</b>	<b>44.73</b>	<b>4,507.75</b>
	<b>(457.57)</b>	<b>(1,540.71)</b>	<b>(0.42)</b>	<b>(1,998.70)</b>
<b>Less: Interest expenses</b>	<b>213.45</b>	<b>1,290.10</b>	<b>1.66</b>	<b>1,505.21</b>
	(427.50)	(220.86)	(0.16)	(648.52)
<b>Less: Inter segment interest expenses</b>	<b>151.60</b>	<b>-</b>	<b>36.03</b>	<b>187.63</b>
	-	(267.29)	(0.16)	(267.45)
<b>Less: Operating expenses</b>	<b>61.64</b>	<b>955.31</b>	<b>5.06</b>	<b>1,022.01</b>
	(22.31)	(593.55)	(0.06)	(615.92)
<b>Operating Profit</b>	<b>104.68</b>	<b>1,686.24</b>	<b>1.98</b>	<b>1,792.90</b>
	<b>(7.76)</b>	<b>(459.01)</b>	<b>(0.04)</b>	<b>(466.81)</b>
<b>Less: Provisions for non-performing assets/others</b>	<b>1.89</b>	<b>86.54</b>	<b>-</b>	<b>88.43</b>
	-	(53.30)	-	(53.30)
<b>Segment results</b>	<b>102.79</b>	<b>1,599.70</b>	<b>1.98</b>	<b>1,704.47</b>
	<b>(7.76)</b>	<b>(405.71)</b>	<b>(0.04)</b>	<b>(413.51)</b>
<b>Less: provisions for tax</b>				<b>592.52</b>
				<b>(138.26)</b>
<b>Net profit</b>				<b>1,111.95</b>
				<b>(275.25)</b>
<b>Other information</b>				



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(₹ in crore)

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
Segment assets	11,478.36	18,008.58	657.69	30,144.63
	(6,316.75)	(13,349.77)	(31.18)	(19,697.70)
Unallocated assets				91.46
				(58.80)
<b>Total assets</b>	<b>11,478.36</b>	<b>18,008.58</b>	<b>657.69</b>	<b>30,236.09</b>
	<b>(6,316.75)</b>	<b>(13,349.77)</b>	<b>(31.18)</b>	<b>(19,756.50)</b>
Segment liabilities*	5,506.93	24,577.43	95.49	30,179.85
	(6,509.43)	(13,219.79)	(11.39)	(19,740.61)
Unallocated liabilities				56.24
				(15.89)
<b>Total liabilities</b>	<b>5,506.93</b>	<b>24,577.43</b>	<b>95.49</b>	<b>30,236.09</b>
	<b>(6,509.43)</b>	<b>(13,219.79)</b>	<b>(11.39)</b>	<b>(19,756.50)</b>
Capital Expenditure	-	82.27	-	82.27
	-	(272.88)	-	(272.88)
Depreciation	-	66.85	-	66.85
	-	(35.77)	-	(35.77)

Notes:

The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has reported operations in the domestic segment only.

\*Treasury segment liabilities includes share capital and reserve & surplus.

Previous year figures are shown in "( )".

## 18.11 Related Party disclosure

### A) Names of related parties and nature of relationship

Entities	Nature of relationship
Bandhan Financial Services Limited (BFSL)	Ultimate Parent Company
Bandhan Financial Holdings Limited	Parent Company
<b>Key Management Personnel</b>	
Mr. Chandra Shekhar Ghosh	Managing Director & Chief Executive Officer
Mr. Indranil Banerjee	Company Secretary
Mr. Sunil Samdani	Chief Financial Officer
<b>Relatives of Key Management Personnel</b>	
Nilima Ghosh, Angshuman Ghosh, Suchitra Ghosh, Vaskar Ghosh, Dibakar Ghosh, Nidhi Samdani, Sohan Samdani, Manju Somani, Asha Baheria, Usha Kothari, Saswati Banerjee, Arati Banerjee, Ishaan Banerjee, Mousumi Mukherjee.	

### B) Transactions and Balances

#### i) Outstanding as at 31 March 2017

(₹ in crore)

Particulars	Ultimate Parent company	Parent Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposit	255.90	17.52	0.62	1.72	275.76
	(291.67)	(21.62)	(0.35)	(0.33)	(313.97)

#### ii) Maximum outstanding during the year

(₹ in crore)

Particulars	Ultimate Parent company	Parent Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposit	808.09	71.63	1.53	2.88	884.13
	(896.49)	(42.00)	(1.07)	(0.38)	(939.94)

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### iii) Transactions during the year ended 31 March 2017

Particulars	(₹ in crore)				
	Ultimate Parent company	Parent Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Interest expenditure	20.80	1.70	0.07	0.09	22.66
	(16.07)	(1.05)	(0.01)	(0.01)	(17.14)
Remuneration	-	-	3.03	0.66	3.69
	-	-	(2.55)	(0.49)	(3.04)
Acquisition of assets and liabilities from Bandhan Financial Services Limited	(1,233.15)	-	-	-	(1,233.15)
Reimbursement of expenses	-	-	-	-	-
	(37.53)	-	-	-	(37.53)
Rent	-	-	-	-	-
	(0.01)	-	-	-	(0.01)
Proceeds from issue of share capital	-	-	-	-	-
	-	(2,068.83)	-	-	(2,068.83)

Previous year figures are shown in "()".

### 18.12 The major components of Deferred Tax Assets (DTA) arising out of timing differences are as under :

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
<b>Deferred Tax Assets</b>		
Depreciation on fixed assets	6.64	1.61
Provisions for loan losses	53.84	42.62
Expenditure charged to the Profit & Loss account in the current year but allowed for tax purposes on payment basis	30.98	14.57
<b>Total Deferred Tax Assets</b>	<b>91.46</b>	<b>58.80</b>

### 18.13 Liability for Operating Leases

The Doorstep service centre premises are generally rented on cancellable terms for less than twelve months with no escalation clause and renewable at the option of the Company. The Head office and the Bank Branches office premises are obtained on non-cancellable lease terms. Lease payment during the year are charged in the statement of Profit & Loss.

The amount of rent expenses included in the Profit & Loss account towards operating leases aggregate to ₹ 75.73 crore (Previous year: ₹ 44.23 crore).

Particulars of future minimum lease payment in respect of Head office & Bank branches are as mentioned below :

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
a) Not later than 1 year	155.35	47.03
b) Later than 1 year and not later than 3 years	172.91	121.37

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forming part of the financial statements for the year ended 31 March 2017

## 18.14 Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share".

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
a) Weighted average number of equity shares used in computing basic and diluted earnings per share	109.51	80.86
b) Net profit	1,111.95	275.25
c) Basic earnings per share (₹)	10.15	3.40
d) Diluted earnings per share (₹)	10.15	3.40
e) Nominal value per share (₹)	10.00	10.00

## 18.15 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

## 18.16 Description of Contingent Liabilities

- Claims against the Bank not acknowledged as debts:  
These represent claims filed against the Bank in the normal course of business.
- Guarantees given on behalf of constituents:  
As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
- Other items:  
Other items represent outstanding amount of estimated amount of contracts remaining to be executed on capital account.

## 18.17 Additional Disclosures

### A) Floating Provisions

The Bank does not have any floating provision as at 31 March 2017 and 31 March 2016.

### B) Draw Down from Reserve

There has been no draw down from reserves during the year ended 31 March 2017 and 31 March 2016.

### C) Disclosure of Customer Complaints

#### i) Customer Complaints:

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
i) No. of complaints pending at the beginning of the year	Nil	Nil
ii) No. of complaints received during the year	200	29
iii) No. of complaints redressed during the year	200	29
iv) No. of complaints pending at the end of the year	Nil	Nil

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## ii) Awards passed by the Banking Ombudsman

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
i) No. of unimplemented Awards at the beginning of the year	Nil	Nil
ii) No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
iii) No. of Awards implemented during the year	Nil	Nil
iv) No. of unimplemented Awards at the end of the year	Nil	Nil

## iii) ATM related complaints

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
i) No. of complaints pending at the beginning of the year	Nil	Nil
ii) No. of complaints received during the year	7108	Nil
iii) No. of complaints redressed during the year	7108	Nil
iv) No. of complaints pending at the end of the year	Nil	Nil

The above information is as certified by the Management and relied upon by the auditors.

## D) Letter of Comfort (LOC) issued by the Bank

The Bank has not issued any Letter of Comfort (LOC) during the year ended 31 March 2017 and 31 March 2016.

## E) Provision coverage ratio

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
The provision coverage ratio of the Bank computed in terms of the RBI guidelines	29.09%	45.46%

## F) Bancassurance Business

The Bank has not engaged in bancassurance business during the year ended 31 March 2017 and 31 March 2016.

## G) Concentration of Deposits, Advances Exposures & NPAs

### I) Concentration of Deposits

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
i) Total Deposits of twenty largest depositors	4,859.79	3,617.04
ii) Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	20.92%	29.92%

### II) Concentration of Advances

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
i) Total Advances to twenty largest borrowers	703.95	70.38
ii) Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	4.17%	0.57%

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## III) Concentration of Exposures

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
i) Total Exposure to twenty largest borrowers / customers	722.76	70.38
ii) Percentage of Exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	4.28%	0.57%

## IV) Concentration of NPAs

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
Total Exposure to top four NPA accounts	0.06	0.08

## V) Movement of NPAs

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
Gross NPAs - as on 01 April 2016	18.77	-
Additions (Fresh NPAs) during the year	103.37	18.77
Sub total (A)	122.14	18.77
Less :-		
(i) Upgradations	0.51	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	4.18	-
(iii) Technical / Prudential Write-offs	31.19	-
(iv) Write-offs other than those under (iii) above	-	-
Sub total (B)	35.88	-
Gross NPAs as on 31 March 2017 (A-B)	<b>86.26</b>	<b>18.77</b>

## VI) Movement of Technical/Prudential Written-off Accounts

(₹ in crore)

Particulars	As at 31 March 2017	As at 31 March 2016
Opening balance of Technical/Prudential Written-off Accounts	-	-
Add: Prudential/Technical Write-offs during the year	31.19	-
Sub Total (A)	31.19	-
Less: Recoveries made from previously Technical/Prudential Written-off Accounts during the year (B)	-	-
Closing Balance (A-B)	31.19	-

## VII) Overseas Assets, NPAs and Revenue

The Bank does not have any overseas assets as on 31 March 2017 and 31 March 2016.

## VIII) Off-balance Sheet SPVs sponsored

The Bank has not sponsored any special purposes vehicle which is required to be consolidated as per accounting norms.

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## 18.18 Disclosure of Provision for Frauds

Particulars	(₹ in crore)	
	As at 31 March 2017	As at 31 March 2016
No. of Frauds reported during the year to Reserve Bank of India	47	3
Amount involved in such Frauds	1.38	-
Provision made during the year	1.38	-
Unamortised provision debited from other reserve	-	-

## 18.19 Disclosures on Remuneration

### Qualitative Disclosures

#### a) Information relating to the composition and mandate of the Remuneration Committee.

The Bank's Nomination and Remuneration Committee (NRC) oversees the framing, review and implementation of the Compensation Policy on behalf of the Board of Directors. The NRC reviews the policy at least once a year to ensure that the reward design is aligned to industry best practices and is consistent with effective risk management and long term business interests of the Bank. The NRC works in close coordination with the Risk Management Committee of the Bank, to achieve the effective alignment between remuneration and risks.

As on 31 March, 2017, the NRC comprises of the following directors:

Shri Bhaskar Sen - Chairman  
 Shri B. Sambamurthy  
 Shri Snehomoy Bhattacharya  
 Shri Ranodeb Roy (with effect from 19th September, 2016)  
 Shri Chandra Shekhar Ghosh

The NRC functions with the following main objectives:

- (i) To identify persons who are qualified to become directors in accordance with the criteria laid down, recommend to the Board their appointment, re-appointment or removal and to carry out evaluation of every Director's performance.
- (ii) To formulate the criteria for determining qualifications, positive attributes and independence of a Director and decide their 'fit & proper' status.

(iii) To oversee the framing, review and implementation of compensation policy of the Bank and recommend to the Board the overall remuneration philosophy and policy including the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock based remuneration to employees.

(iv) To oversee the framing, implementation and review of the Remuneration of the WTDs/MD/CEOs as per the RBI Guidelines and Companies Act, 2013. The Committee shall recommend to the Board the remuneration package for the Managing Director & CEO and the other Whole Time Directors – including the level of fixed pay, variable pay, stock based Remuneration and perquisites.

(v) To review the HR strategy and policy including the conduct and ethics of the Bank and review any fundamental changes in the organization structure which could have wide ranging and high risk implications.

(vi) To review and recommend to the Board, the succession policy at the level of Managing Director & CEO, other WTDs, senior management one level below the Board and key roles.

#### b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

##### Objectives of the Remuneration Policy

The Compensation Policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term value creation for stakeholders. The aims of the Bank's remuneration framework are to:



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- i) Attract, motivate and retain people with requisite skill, experience and ability to deliver the Bank's strategy.
- ii) Create an alignment and balance between the rewards and risk exposure of shareholders and interests of employees.
- iii) Link rewards to creation of long term sustainable shareholder value consistent with strategic goals and appropriate risk management.
- iv) Encourage behaviour consistent with the Bank's values and principles.

To achieve the above objectives, the philosophy adopted by the Bank is as follows:

- i) Market referenced: offer employees competitive salary, achieved through benchmarking with peer groups.
- ii) Making fixed salary the main remuneration component.
- iii) Ensure that jobs of similar internal value are grouped and pegged within a range guided by market benchmarked jobs.
- iv) Risk factoring: A significant portion of the senior and top management compensation will be variable, of which, for some key roles, part of the variable compensation may be deferred.
- v) Focus on 'Total rewards', all aspects of compensation, rewards and well defined benefits, including rewarding work environment and personal development.
- vi) The focus will be to ensure that the Bank is competitive in its overall salary offer to its employees without being excessively expensive for the Bank.

The compensation structure for the MD & CEO also mirrors the Bank's philosophy of aligning with the principles of sound compensation practices to ensure:

- i) Effective and independent governance of compensation.
- ii) Effective alignment of compensation with prudent risk taking.

- iii) Effective supervisory oversight and engagement by stakeholders.

## Design & Structure of Remuneration process

The total compensation is a prudent mix of fixed remuneration and performance-based variable remuneration

The key remuneration elements are:

- 1) Fixed Pay**
- 2) Discretionary Performance-based Variable Remuneration**

The Bank ensures that the fixed pay element is reasonable, taking into account the market rates and trends. The fixed pay is reviewed annually using market intelligence provided by a leading global performance/reward consulting and benchmarking firm for financial services industry to ensure that the Bank remains competitive in marketplace and that the Bank is able to attract and retain best talent. The level of fixed pay shall be sufficient enough in order to discourage inappropriate risk-taking.

Performance-based variable remuneration may comprise cash bonus, stock linked instruments, and is awarded by ensuring:

- i) an appropriate balance between fixed and performance-based components.
- ii) that the fixed component represents a higher proportion of the total remuneration.
- iii) that the performance-based component reflects the risk underlying the achieved result.
- iv) that a part of the performance-based component may be deferred.
- v) that no hedging of deferred shares takes place.

Presently, the bank utilises only one form of performance-based variable remuneration, viz., cash bonus. Stock linked instruments and ESOPs, as and when implemented, shall be formulated in accordance with relevant statutory provisions and regulatory guidelines.

The compensation policy of the Bank is reviewed by the NRC and approved by the Board of

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Directors. The NRC oversees the implementation of the policy and reviews the fixed pay increases, the organizational performance threshold for bonus to be paid, cash bonus and deferred variable remuneration.

The Bank's compensation policy aims to ensure that both ex-ante estimates and ex-post outcomes of risk affect payoffs; so that one or the other, can better address the various situations or risks.

**c) Description of the ways in which current and future risks are taken into account in the remuneration process**

The MD & CEO, employees in the grades of SVPs and above and employees engaged in the functions of Risk Control and Compliance are included in the policy of risk alignment of compensation.

The alignment of compensation to prudent risk taking is ensured through the following:

- i) Structure of remuneration is such that a significant part of performance-based variable remuneration is deferred.
- ii) Performance hurdles includes financial and non-financial parameters, ensuring compensation is aligned to both.
- iii) Fixed Salary is reasonable and sufficient, thereby discouraging inappropriate risk taking.
- iv) Annual Bonus Plan is managed with and independent governance framework.
- v) Variable remuneration awards are conditional, discretionary and contingent upon a sustainable and risk-adjusted performance. They are therefore capable of forfeiture or reduction at the Bank's discretion.
- vi) For employees included in the policy of risk alignment of compensation, NRC has the discretion to apply malus and clawback – ex-post risk adjustment, allowing the Bank to adjust previously awarded remuneration to take account of subsequent performance and potential risk outcomes and thus enabling to recoup variable pay in the event of a negative contribution.

**Deferral of Variable Pay**

To ensure that risk measures are not focussed only on the achievement of short term goals, variable payout is deferred, if it exceeds 50% of the fixed pay.

**d) Description of the ways in which the Bank seeks to link performance, during a performance measurement period with levels of remuneration**

The Bank has a performance measurement framework in place to assess the achievements of the organization as a whole, its business lines and organizational units as well as individual employees. In order to maximise the incentive to deliver adequate performance and to take into account any risks of the business activities, the Bank seeks to closely link remuneration outcomes with performance and risk outcomes. Accordingly, the Bank's performance management and compensation philosophy is designed in a manner to help achieve the Bank's business objectives.

The performance management system in the Bank is aligned to the balanced scorecard approach. The goal setting process helps individuals to have clarity on their roles and align their profiles in line with the broad organization strategy. Both quantitative / financial and qualitative / non-financial performance measures are considered. The qualitative or non-financial measures include customer service, adherence to risk and compliance standards, behaviour and values such as accountability, team work, etc., which builds a culture conducive to sustainable business performance.

The performance appraisal process starts with the employee conducting self-appraisal followed by the assessment of the supervisor via appraisal feedback and discussion. For all employees of the Bank, half-yearly appraisal is followed by the annual appraisal. The mid-year feedback process includes feedback on performance and on competencies with an objective of a mid-course review, to help plan and prioritise corrective actions for employees to remain aligned to achievement of their business goals and self-development. The performance appraisal ratings is reviewed/ calibrated by a committee comprising senior leaders.

Individual fixed pay increases and variable remuneration are based on the final

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performance ratings. In addition, the fixed pay increase is also influenced by an employee's position in the salary range and relevant market salaries. Performance related variable compensation is linked to corporate performance, business performance and individual performance. The performance ratings based bonus distribution matrix is reviewed by the NRC.

Employees engaged in all control functions including Compliance and Risk do not carry business profit targets in their goal sheets and hence are compensated based on their achievement of key result areas as per the balance score card. The aim is to ensure that the remuneration system and outcomes relating to such control functions maintain the independence of the function and Bank's robust risk management framework.

In the case of performance evaluation of the Managing Director and Chief Executive Officer of the Bank, factors such as financial performance measures, cost management initiatives, other strategic initiatives, prudential risk and compliance management, recognition and awards to the Bank, etc., is taken into account, which may vary from year to year depending on the Bank's strategic priorities. Based on the inputs from NRC, the Board reviews the performance and recommends the rate of bonus to be paid, and the increments for the MD & CEO, for regulatory approval in terms of Section 35B of the Banking Regulation Act, 1949 (B.R. Act, 1949).

**e) Bank's policy on deferral and vesting of variable remuneration and bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**

In terms of RBI guidelines, the Compensation Policy specifically addresses the following categories of employees:

Category I : MD&CEO / Whole-Time Directors  
Category II : Risk Control and Compliance Staff  
Category III: Other Categories of Staff

The following principles are applied for grant and deferral of performance-based variable remuneration for the above categories of employees.

**Category I**

- i) Variable Remuneration will not exceed 70% of annual Fixed Pay.
- ii) If the Variable Remuneration exceeds 50% of annual Fixed Pay, 40% of the Variable Remuneration will be deferred over a period of 3 years, on a proportionate basis.
- iii) In case the variable remuneration is a mix of cash and stock linked instruments (other than ESOP), a proper balance between cash and share / stock linked instruments will be ensured.
- iv) In the event of negative contributions of the Bank, the unvested deferred variable remuneration of the reference year will be held back (malus). In such cases, the vested / paid variable remuneration will also be subject to suitable claw back arrangements.

**Category II**

- i) The mix of Fixed Pay and Variable remuneration will be weighed towards Fixed Pay.
- ii) The parameters of assessment will be independent of the performance of the business areas they oversee.
- iii) The compensation will be commensurate to their key role in the Bank.

**Category III**

- i) Variable Remuneration will be as per the NRC approved pay-out levels in terms of grade and role matrix.
- ii) In case the variable remuneration is a mix of cash and stock linked instruments (other than ESOP), a proper balance between cash and share / stock linked instruments will be ensured.
- iii) If the Variable Remuneration exceeds 50% of annual Fixed Pay, 40% of the Variable Remuneration will be deferred over a period of 3 years, on a proportionate basis.
- iv) In the event of negative contributions of the relevant line of business, the unvested deferred variable remuneration of the reference year will be held back (malus). In such cases, the vested / paid variable remuneration will also be subject to suitable claw back arrangements.

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Negative contribution of the Bank and / or relevant line of business is defined as:

- i) If there is reasonable evidence of employee malfeasance and breach of integrity; or
- ii) If the performance, decisions or actions taken leads to the Bank or the relevant business unit suffering a significant material downturn in its financial performance.

**f) Description of the different forms of variable remuneration (i.e., cash, shares, ESOPs and other forms) that the bank utilises and the rationale for using these different forms.**

The Bank presently utilises only one form of variable remuneration, viz., cash bonus, which is linked to corporate performance, business performance and individual performance ensuring differential pay based on the performance. Stock linked instruments and ESOPs, as and when implemented, shall be formulated in accordance with relevant statutory provisions and regulatory guidelines.

**Quantitative disclosures :**

The quantitative disclosures pertaining to the MD & CEO, employees in the grades of SVPs and above, for the year ended 31 March 2017 are given below:

Particulars	As at 31 March 2017	As at 31 March 2016
a) i) Number of meetings held by the Remuneration Committee during the financial year	6	8
ii) Remuneration paid to its members (sitting fees)	₹ 4,65,000	₹ 2,55,000
b) Number of employees having received a variable remuneration award during the financial year	10	N.A.
c) Number and total amount of sign on awards made during the financial year	Nil	N.A.
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	N.A.
e) Details of severance pay, in addition to accrued benefits, if any	Nil	N.A.
f) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	₹ 0.26 Crore	N.A.
g) Total amount of deferred remuneration paid out in the financial year	₹ 0.26 Crore	N.A.
h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed - ₹ 8.93 Crore Variable - ₹ 1.33 Crore, Non-deferred - ₹ 1.07 Crore, Deferred- ₹ 0.26 Crore	Fixed - ₹ 4.14 Crore Variable - Nil Deferred - Nil Non-Deferred - Nil
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Nil	N.A.
j) Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil	N.A.
k) Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	N.A.

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## 18.20. Disclosure relating to Securitisation

There are no securitisation transactions undertaken by the Bank during the year ended 31 March 2017 and 31 March 2016.

## 18.21. Credit default swaps

The Bank has not transacted in credit default swaps during the year ended 31 March 2017 and 31 March 2016.

## 18.22 Intra Group Exposures

The Bank did not have any intra group exposure as at 31 March 2017 and 31 March 2016.

## 18.23 Transfer to Depositor Education and Awareness Fund (DEAF)

During the current and previous year, the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

## 18.24 Unhedged Foreign Currency Exposure

The borrower of the Bank does not have any Unhedged Foreign Currency Exposure as at 31 March 2017 and 31 March 2016.

The above information is as certified by the Management and relied upon by the auditors.

## 18.25 Disclosure on Liquidity Coverage Ratio

### (a) Qualitative disclosure

The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI and has

put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR). The Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review.

The Bank follows the criteria laid down by RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-day period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement, viz., Treasury Bills, Central and State Government securities and excess of minimum Cash Reserve Ratio (CRR).

The Board of Directors has the overall responsibility for management of liquidity risk. The Board at overall level decides the strategy, policies and procedures of the bank to manage liquidity risk in accordance with the liquidity risk tolerance/limits. The Board has constituted Risk Management Committee, which reports to the Board, and consisting of Managing Director and certain other Board members. The Committee is responsible for evaluating the overall risks faced by the bank including liquidity risk.

All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation template.

## Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

## (b) Quantitative Disclosure as on 31st March 2017

Particulars	(₹ in crore)											
	Average for the quarter ended 30 June 2016			Average for the quarter ended 30 September 2016			Average for the quarter ended 31 December 2016			Average for the quarter ended 31 March 2017		
	Unweighted Value (average)	Weighted Value (average)	Total Value	Unweighted Value (average)	Weighted Value (average)	Total Value	Unweighted Value (average)	Weighted Value (average)	Total Value	Unweighted Value (average)	Weighted Value (average)	Total Value
<b>High Quality Liquid Assets</b>												
1) Total High Quality Liquid Assets (HQLA)		3,063.52		1,665.82		1,863.59						1,520.38
<b>Cash Outflows</b>												
2) Retail Deposits and deposits from small business customers, of which:	3,982.23	398.22	5,071.70	507.17	887.63	10,720.66	1,072.07					
a) Stable deposits	-	-	-	-	-	-	-	-	-	-	-	-
b) Less stable deposits	3,982.23	398.22	5,071.70	507.17	887.63	10,720.66	1,072.07					
3) Unsecured wholesale funding, of which:	4,829.23	3,072.47	2,360.11	1,069.84	1,985.53	3,823.68	1,884.01					
a) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-	-	-
b) Non-operational deposits (all counterparties)	4,829.23	3,072.47	2,360.11	1,069.84	1,985.53	3,823.68	1,884.01					
c) Unsecured debt	-	-	-	-	-	-	-	-	-	-	-	-
4) Secured wholesale funding	-	-	-	-	-	-	-	-	-	-	-	-
5) Additional requirements, of which:	-	-	-	-	-	-	-	-	-	-	-	-
a) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-	-	-	-	-
b) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-	-	-
c) Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-	-	-
6) Other contractual funding obligations	910.32	910.32	1,452.08	1,452.08	793.48	464.57	464.57					
7) Other contingent funding obligations	0.31	0.02	0.46	0.04	0.11	4.44	0.13					
<b>8) Total Cash outflows</b>	<b>9,722.09</b>	<b>4,381.03</b>	<b>8,884.35</b>	<b>3,029.13</b>	<b>3,666.75</b>	<b>15,013.35</b>	<b>3,420.78</b>					
<b>Cash Inflows</b>												
9) Secured lending (eg. Reverse repos)	-	-	-	-	-	-	-	-	-	-	-	-
10) Inflows from fully performing exposures	4,254.09	3,482.68	3,073.21	2,221.32	2,427.42	4,418.60	3,285.94					
11) Other cash inflows	-	-	-	-	-	-	-	-	-	-	-	-
<b>12) Total Cash Inflows</b>	<b>4,254.09</b>	<b>3,482.68</b>	<b>3,073.21</b>	<b>2,221.32</b>	<b>2,427.42</b>	<b>4,418.60</b>	<b>3,285.94</b>					
<b>13) Total HQLA</b>	<b>3,063.52</b>	<b>1,665.82</b>	<b>1,863.59</b>	<b>1,520.38</b>	<b>1,072.07</b>	<b>1,520.38</b>	<b>1,520.38</b>					
<b>14) Total Net Cash outflow</b>	<b>1095.26</b>	<b>279.71%</b>	<b>206.21%</b>	<b>807.81</b>	<b>150.37%</b>	<b>177.78%</b>	<b>855.22</b>					
<b>15) Liquidity Coverage Ratio(%)</b>												

Note: The above data represents simple average of monthly observations for the respective quarters till December, 2016. The average for the quarter ended 31st March 2017 is computed on day-wise outstanding balance.



# Notes to Accounts

forming part of the financial statements for the year ended 31 March 2017

(c) Quantitative Disclosure as on 31st March 2016

Particulars	Average for the quarter ended 30 June 2015		Average for the quarter ended 30 September 2015		Average for the quarter ended 31 December 2015		Average for the quarter ended 31 March 2016	
	Unweighted Value (average)	Weighted Value (average)	Unweighted Value (average)	Weighted Value (average)	Unweighted Value (average)	Weighted Value (average)	Unweighted Value (average)	Weighted Value (average)
(₹ in crore)								
<b>High Quality Liquid Assets</b>								
1) Total High Quality Liquid Assets (HQLA)	-	380.17	-	380.17	-	690.37	-	862.64
<b>Cash Outflows</b>								
2) Retail Deposits and deposits from small business customers, of which:	-	314.22	-	314.22	-	605.80	-	159.72
a) Stable deposits	-	-	-	-	-	-	-	-
b) Less stable deposits	-	314.22	-	314.22	-	605.80	-	159.72
3) Unsecured wholesale funding, of which:	-	103.30	-	103.30	-	424.83	-	1,133.38
a) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
b) Non-operational deposits (all counterparties)	-	103.30	-	103.30	-	424.83	-	1,133.38
c) Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	-	-	-	-	-	-	-	-
5) Additional requirements, of which:	-	-	-	-	-	-	-	-
a) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
b) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
c) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6) Other contractual funding obligations	-	524.06	-	524.06	-	787.16	-	787.94
7) Other contingent funding obligations	-	-	-	-	-	-	-	0.10
<b>8) Total Cash outflows</b>	-	<b>941.58</b>	-	<b>941.58</b>	-	<b>1,845.05</b>	-	<b>3,575.45</b>
<b>Cash Inflows</b>								
9) Secured lending (eg. Reverse repos)	-	2,052.59	-	2,052.59	-	945.27	-	1,712.72
10) Inflows from fully performing exposures	-	565.89	-	565.89	-	697.09	-	905.85
11) Other cash inflows	-	-	-	-	-	-	-	-
<b>12) Total Cash inflows</b>	-	<b>2,618.48</b>	-	<b>2,618.48</b>	-	<b>1,642.36</b>	-	<b>2,618.57</b>
<b>13) Total HQLA</b>	-	<b>380.17</b>	-	<b>380.17</b>	-	<b>690.37</b>	-	<b>862.64</b>
<b>14) Total Net Cash outflow</b>	-	<b>162.87</b>	-	<b>162.87</b>	-	<b>318.14</b>	-	<b>520.26</b>
<b>15) Liquidity Coverage Ratio(%)</b>	-	<b>233.42%</b>	-	<b>233.42%</b>	-	<b>217.00%</b>	-	<b>165.81%</b>

Note: The above data represents simple average of monthly observations for the respective quarters.

## Notes

forming part of the Balance Sheet as at 31 March 2017

## 18.26 Maturity pattern of certain items of Assets and Liabilities

Particulars	(₹ in crore)										
	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 Year & up to 3 years	Over 3 Years & up to 5 years	Over 5 years	Total
<b>Liabilities</b>											
Borrowings	-	53.29	-	17.78	105.89	246.22	283.23	162.53	160.00	-	1,028.94
	-	-	(9.09)	(31.58)	(374.25)	(563.82)	(770.26)	(1,042.65)	(100.00)	(160.00)	(3,051.65)
Deposits	71.02	691.24	472.13	152.91	2,981.91	1,200.21	5,610.10	11,756.35	179.99	112.80	23,228.66
	(25.50)	(141.99)	(206.28)	(61.61)	(660.45)	(952.49)	(5,004.44)	(4,980.64)	(32.55)	(22.80)	(12,088.75)
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>71.02</b>	<b>744.53</b>	<b>472.13</b>	<b>170.69</b>	<b>3,087.80</b>	<b>1,446.43</b>	<b>5,893.33</b>	<b>11,918.88</b>	<b>339.99</b>	<b>112.80</b>	<b>24,257.60</b>
	<b>(25.50)</b>	<b>(141.99)</b>	<b>(215.37)</b>	<b>(93.19)</b>	<b>(1,034.70)</b>	<b>(1,516.31)</b>	<b>(5,774.70)</b>	<b>(6,023.29)</b>	<b>(132.55)</b>	<b>(182.80)</b>	<b>(15,140.40)</b>
<b>Assets</b>											
Advances	50.51	350.02	352.02	666.76	2,878.00	3,624.47	4,701.94	4,160.74	3.97	50.65	16,839.08
	(67.21)	(265.21)	(324.63)	(298.10)	(2,781.42)	(1,697.89)	(4,814.41)	(2,183.25)	(0.49)	(4.94)	(12,437.55)
Investment	-	-	-	-	98.63	306.93	423.68	158.90	-	4,528.35	5,516.49
	(1,105.08)	(24.46)	(35.53)	(72.59)	(172.69)	(250.83)	(1,004.94)	(1,005.05)	(55.20)	(31.66)	(3,758.03)
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>50.51</b>	<b>350.02</b>	<b>352.02</b>	<b>666.76</b>	<b>2,976.63</b>	<b>3,931.40</b>	<b>5,125.62</b>	<b>4,319.64</b>	<b>3.97</b>	<b>4,579.00</b>	<b>22,355.57</b>
	<b>(1,172.29)</b>	<b>(289.67)</b>	<b>(360.16)</b>	<b>(370.69)</b>	<b>(2,954.11)</b>	<b>(1,948.72)</b>	<b>(5,819.35)</b>	<b>(3,188.30)</b>	<b>(55.69)</b>	<b>(36.60)</b>	<b>(16,195.58)</b>

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

Previous year figures are shown in "()".

# Notes

forming part of the Balance Sheet as at 31 March 2017

## 18.27 Sector-wise advances

(₹ in crore)

Sl. No.	Sector*	As at 31 March 2017			As at 31 March 2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
<b>A Priority Sector</b>							
1	Agriculture and allied activities	7,731.44	29.64	0.38%	6,426.79	13.67	0.21%
2	Advances to industries sector eligible as priority sector lending	1,461.23	27.18	1.86%	1,027.86	1.63	0.16%
3	Services	6,851.00	25.49	0.37%	4,788.62	3.19	0.07%
4	Personal loans	412.97	3.58	0.87%	25.54	0.07	0.26%
<b>Sub Total (A)</b>		<b>16,456.64</b>	<b>85.89</b>	<b>0.52%</b>	<b>12,268.81</b>	<b>18.56</b>	<b>0.15%</b>
<b>B Non Priority Sector</b>							
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry sector	-	-	-	64.70	0.01	0.01%
3	Services	43.99	-	-	89.78	0.11	0.12%
4	Personal loans	363.54	0.37	0.10%	22.79	0.09	0.39%
<b>Sub Total (B)</b>		<b>407.53</b>	<b>0.37</b>	<b>0.09%</b>	<b>177.27</b>	<b>0.21</b>	<b>0.12%</b>
<b>Total (A+B)</b>		<b>16,864.17</b>	<b>86.26</b>	<b>0.51%</b>	<b>12,446.08</b>	<b>18.77</b>	<b>0.15%</b>

\*The classification of advances into sector is based on sector-wise industry bank credit return submitted to RBI.

## 18.28 Details of Inter-Bank Participation Certificate (IBPC) transactions

During the year, the Bank has sold its advances through IBPCs. The details are as follows:

(₹ in crore)

Sl No.	Particulars	Year ended 31 March 2017	Year ended 31 March 2016
i)	Aggregate value of IBPCs entered	9,200.00	3,200.00
ii)	Aggregate consideration received	9,200.00	3,200.00
iii)	Aggregate gain recorded	263.32	38.60
iv)	IBPCs outstanding [including principal amount of ₹ 923.90 crore (Previous Year: ₹ 639.86 crore) collected against the pool sold and not yet due for payment and included under other liabilities]	7,600.00	3,200.00

# Notes

forming part of the Balance sheet as at 31 March 2017

## 18.29 Corporate Social Responsibility

a) Gross amount to be spent by the Company during the year is ₹ 13.86 crore (Previous Year: ₹ 4.07 crore)

b) The following table sets forth, for the periods indicated, the amount spent by the Bank on CSR related activities;  
(₹ in crore)

Sl No.	Particulars	Year ended 31 March 2017			Year ended 31 March 2016		
		In Cash	Yet to be paid in Cash	Total	In Cash	Yet to be paid in Cash	Total
i)	Construction/ acquisition of any assets	-	-	-	-	-	-
ii)	On purpose other than (i) above	4.21	-	4.21	0.05	-	0.05

18.30 The financial statements have been prepared in accordance with Third Schedule (Form A & Form B) of the Banking Regulation Act, 1949. The amendment to schedule 111 of the Companies Act, 2013 issued by Ministry of Corporate Affairs, vide notifications dated March 30, 2017, which requires every Company to disclose the detail of Specified Bank Notes (SBN), is not applicable for the Bank. Accordingly, such details have not been furnished.

18.31 Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year's classification.

As per our report of even date

### For S.R. Batliboi & Associates LLP

Chartered Accountants

Firm Registration Number :- 101049W/E300004

### Per Amit Kabra

Partner

Membership Number : 94533

Place : Gurgaon

Date : 26 April 2017

### For Bandhan Bank Limited

### Dr. A. K. Lahiri

Chairman

Place : Kolkata

Date : 26 April 2017

### Chandra Shekhar Ghosh

Managing Director & CEO

### Indranil Banerjee

Company Secretary

### C.M. Dixit

Director

### Sunil Samdani

Chief Financial Officer











[www.bandhanbank.com](http://www.bandhanbank.com)




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