

Integrated Report
2020-21



**Bandhan
Bank**



Transforming | Transforming
with India | for India

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1 About the report

1.1 Reporting Framework and scope

This is the second Integrated Report of the Bank, which presents the disclosure on a range of financial and non-financial information regarding the deployment of various 'capitals' to achieve the vision and mission of the Bank, including inclusive growth and wealth-building of the nation. The Bank's Integrated Report has been prepared in line with the seven guiding principles of the International <IR> Framework (January 2021) developed by the International Integrated Reporting Council (IIRC) as under:

- **Strategic focus and future orientation.** An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals
- **Connectivity of information.** An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time
- **Stakeholder relationships.** An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests
- **Materiality.** An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term
- **Conciseness.** An integrated report should be concise
- **Reliability and completeness.** An integrated report should include all material matters, both positive and negative, in a balanced way and without material error
- **Consistency and comparability.** The information in an integrated report should be presented:
 - a) on a basis that is consistent over time; and
 - b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time

The financial information in this Integrated Report for the FY 2020-21 has been taken from the financial statements of the Bank, which have been audited by independent auditors. The non-financial information (environmental and social performance data) presented in this report for the FY 2020-21, also appears in Bandhan Bank's Annual Report 2021.

Bandhan Bank has deployed appropriate Management Information and Reporting System (MIRS) to collect, collate and analyse the financial, environmental and social data and is equipped with strong internal controls to ensure source credibility and that the disclosures made in this Integrated Report are backed by the integrity of the underlying data and have been appropriately verified.

1.2 Forward-looking Statement

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

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

statements, based on any subsequent developments, information or events. The Bank has sourced the industry information from the publicly available resources and has not verified that information independently.

1.3 Responsibility Statement

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

2 Organisational Overview and external environment

One of India's youngest universal banks, Bandhan Bank is steered by the ethos of inclusive banking, rooted in trust. Its business strategy is driven by the philosophy of '*Aapka Bhala, Sabki Bhalai.*', which is aligned closely with India's transformational story. The Bank itself is consistently evolving through continuous transformations across its business operations to address the evolving aspirations of every Indian.

Led by a strong customer-centric value proposition, the Bank offers an extensive portfolio of world-class banking products, backed by a 360-degree service proposition. The Bank's business strategy is focused on reaching out to the unbanked and under-banked segments of the country's population. Its last-mile banking services are powering the transformation of a growing network of customers across India's metro, urban, semi-urban and rural areas.

Vision

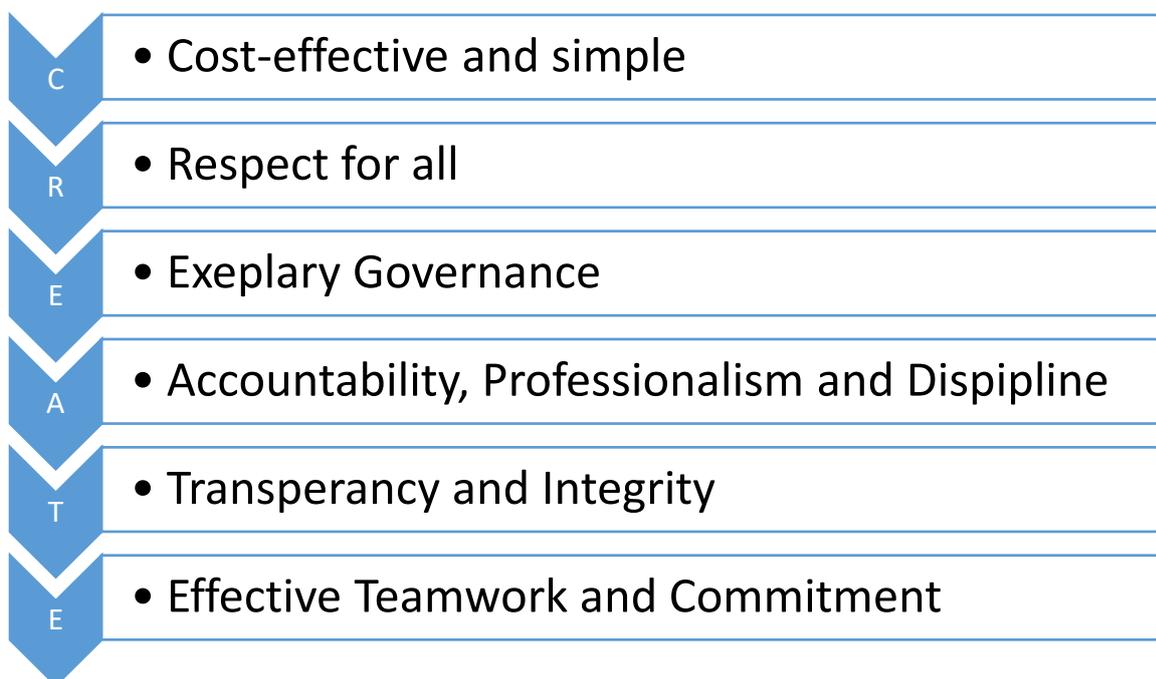
To be a world-class bank with convenient and affordable financial solutions for all, offered in an inclusive and sustainable manner.

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.

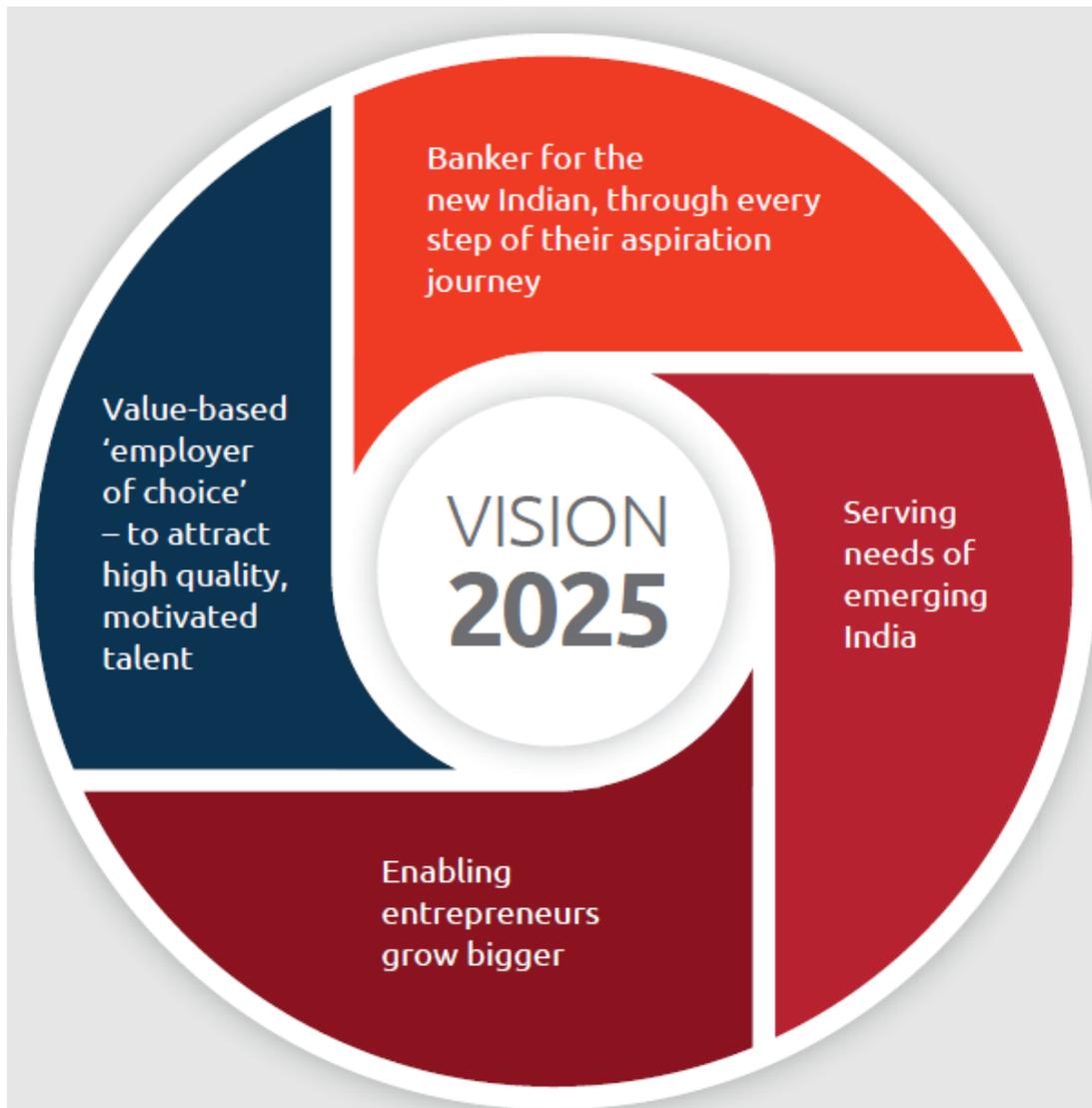
Values

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



2.1 Key Organisation Goals

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



In its endeavour to realise these goals, your Bank has identified the following areas for investment till FY 2024-25:–

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

Bandhan Bank's transformation strategy is focused on serving the rapidly changing and emerging India. Aligned with its Vision 2025, the transformation focuses on four key areas – Business, IT, Digital and People. All functions will align to power the transformation agenda, which is aimed at ensuring that your Bank remains relevant to and a preferred choice of customers.

2.2 External Environment

Mapping its growth trajectory to the changing needs of Indians through the years, Bandhan Bank has been steadfast in its endeavour of being a bank that makes a difference in the lives of people. As it surges forward, your Bank is continually evolving itself with the changing extraneous operating environment.

The changes in the operating environment, especially given the new norms of social interaction, have pushed businesses to relook at their operations. This is more applicable for the services sector given the physical

interaction with customers, which was the established practice all through. Your Bank has been nimble and made the necessary changes with speed, and ensured that the Bank's operations continue to support businesses in delivering the optimum customer experience, no matter what the circumstances.

The Bank has a unique and differentiated business model, which mandates a significant focus on resources and technology. The Bank has made significant investments in creating a sustainable and scalable operations ecosystem across key areas to ensure compliance, minimise errors and seamlessly deliver services to drive a positive customer experience. With the distinct operating models of EEB, branch banking and commercial banking, the Bank has built and continues to evolve its operations to drive synergies across all, resulting in high levels of operational efficiency. To achieve the growth envisioned by your Bank, it has been a constant endeavour to embrace emerging technology, remain flexible, adopt evolving business models, and put customers at the centre of every strategy.

The Bank's Operations Ecosystem

Your Bank has a vast network of more than 5,300 banking outlets, comprising branches, banking units and home loan centres. Banking units are self-sufficient and are empowered with tablets to open deposit accounts and loan accounts, after necessary credit bureau(s) checks and documentation. These tabs are connected to the Core Banking System (CBS) through the Internet. The Relationship Officers of the banking units carry these tabs to the group meetings and the entire collection transaction and settlement for the customers happens through these tabs in real-time, at the customer's doorstep.



A comprehensive discussion on the significant socio-economic, environmental, regulatory and macro-economic factors that constitute the external environment in which the Bank operates and the impact of these factors on the Bank's ability to create value is presented in the 'Boards' Report and Management Discussion and Analysis' section forming part of Annual Report 2020-21.

3 Governance

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

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

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

4 Business Model

4.1 Enabling Growth & Transformation

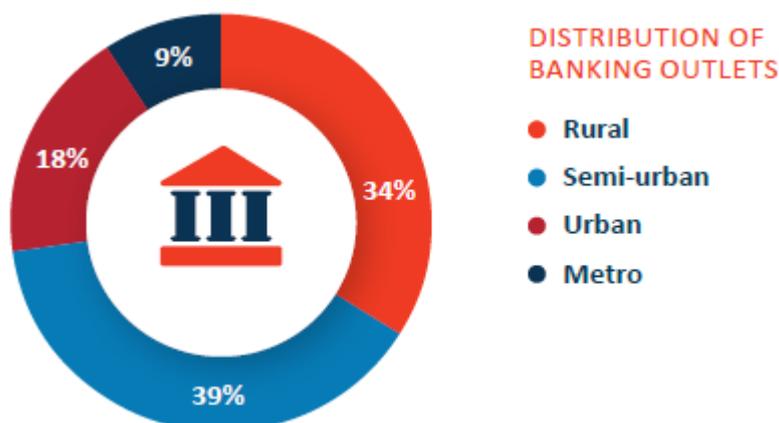
An all-encompassing nationwide transformation requires an exceptional scale of agility and innovation. It necessitates an overarching strategic agenda, that is focused on evolution across every operational and functional parameter.

In its endeavour to deliver on its commitments and goals, both in the short term and the long term, your Bank is consistently strengthening its business systems, with regard to products, operations and functions, to drive sustainable and long-term growth for its stakeholders and the country at large.

At the core of this strategic approach lies a sustained commitment to ensuring business continuity through investments in a wide range of products, robust operations, compliances, asset and risk management, efficacy across business operations, optimal resource mobilisation, cash and liquidity management, and an unflinching commitment to CSR.

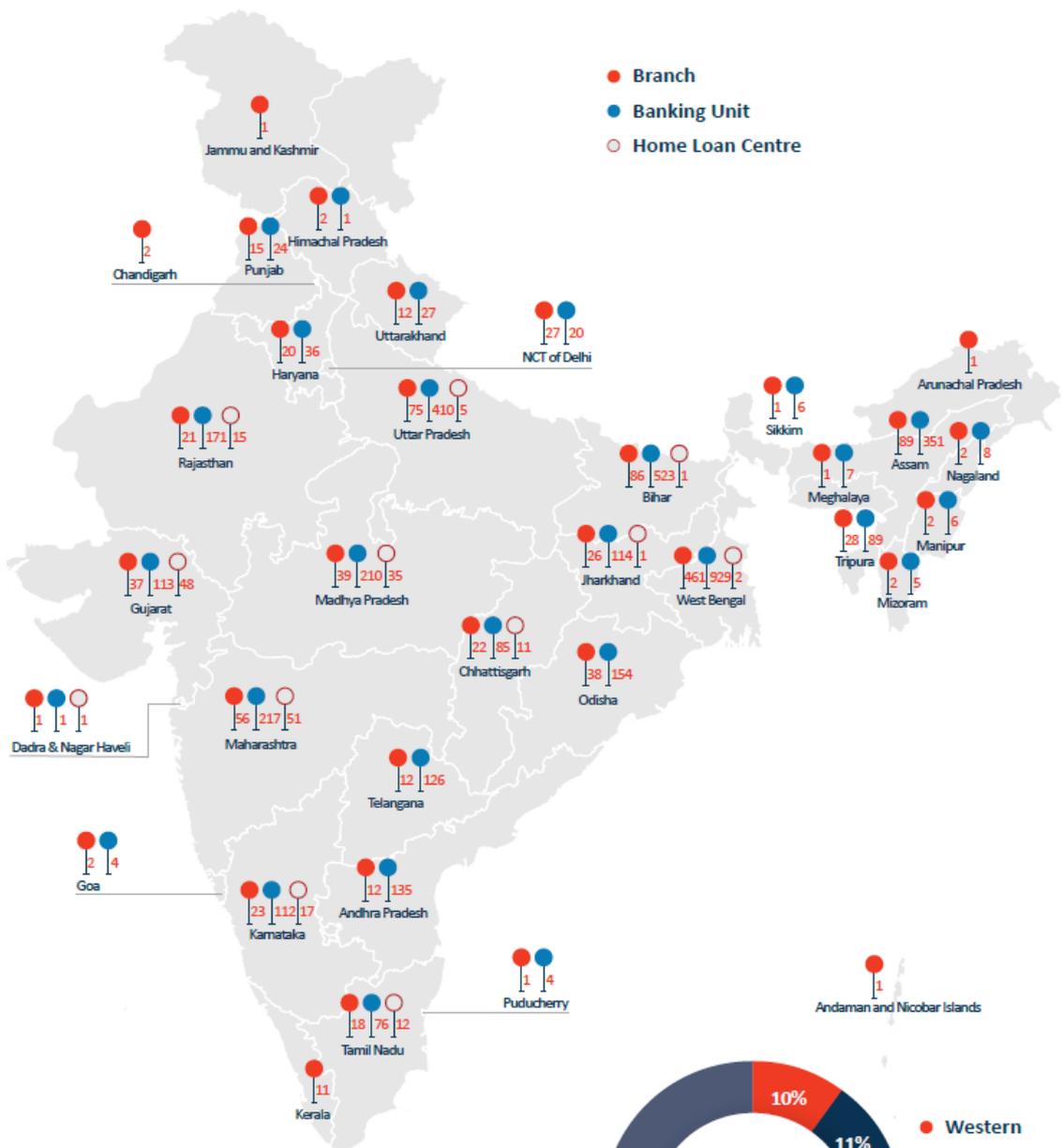
Serving the unserved and underserved

Our constant endeavour is on enabling the financial inclusion of the unbanked and under-banked masses of the country.

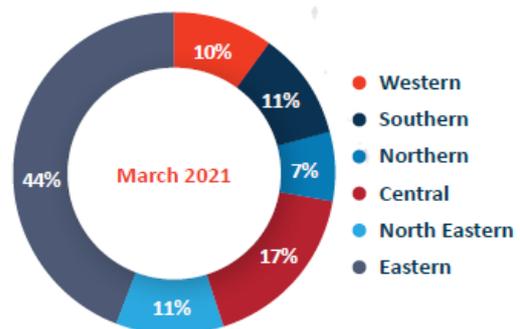


Growth outreach

Expanding progressively over the years, your Bank delivers product and service excellence to 2.30 crore customers in 34 states/UTs, through its 5,310 banking outlets.

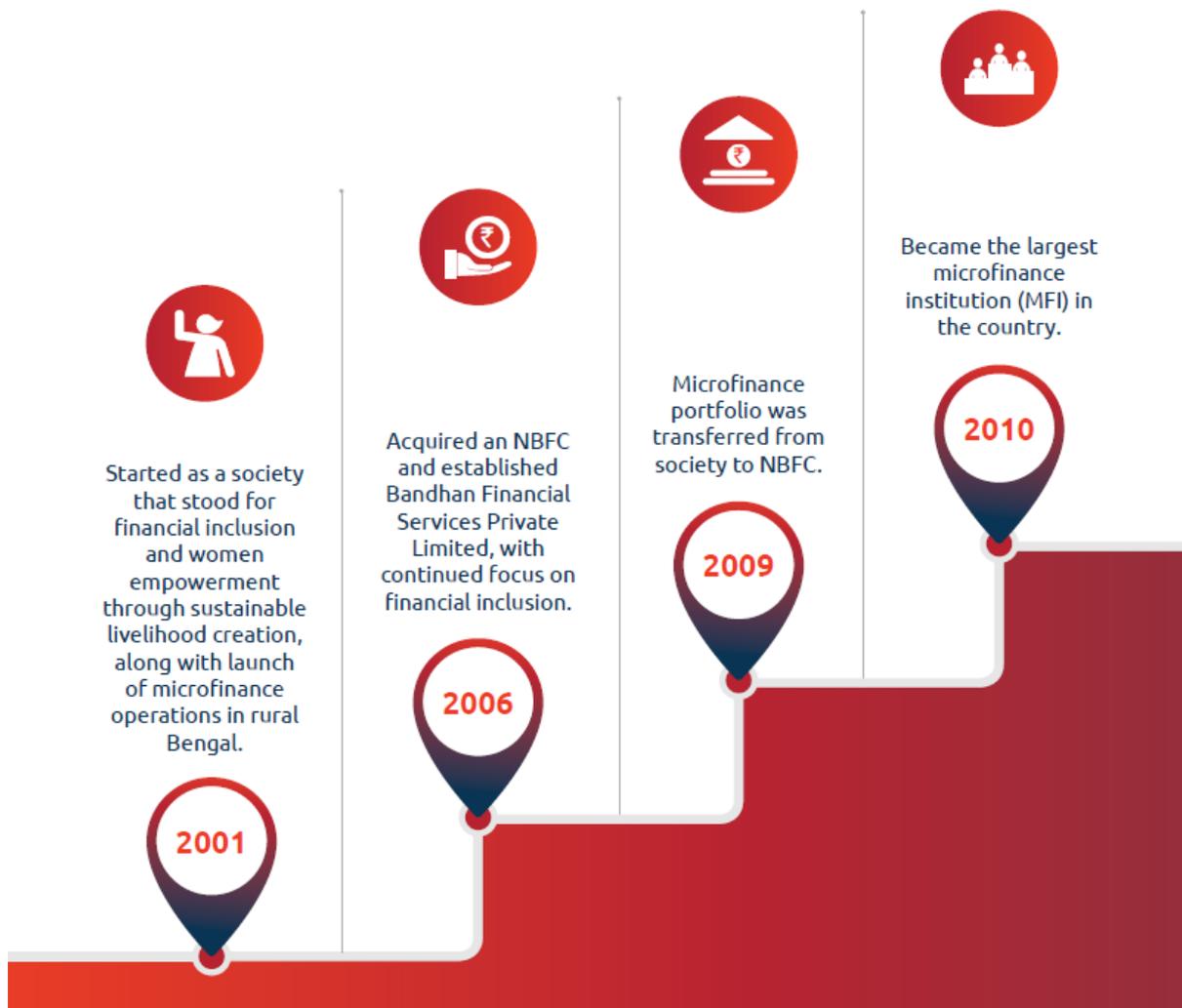


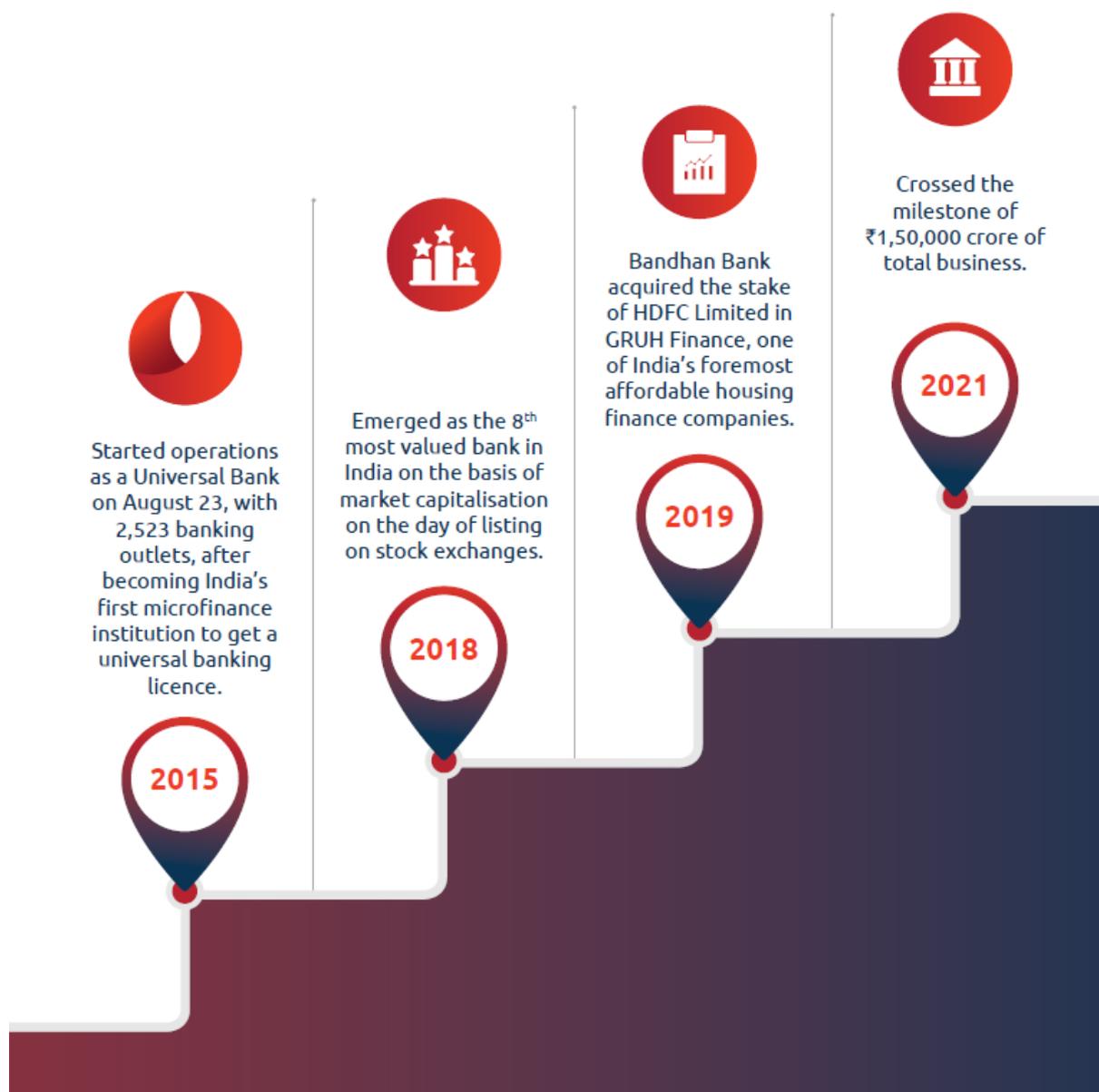
GEOGRAPHICAL DISTRIBUTION OF BANKING OUTLETS
Diversifying presence with non-East increasing over 50% now



Journey of Transformation

From humble beginnings as an NGO to becoming India’s largest NBFC-MFI to now one of India’s fastest-growing universal banks, the journey of Bandhan has seen many transformations. The Bandhan growth story has been made possible because of the trust and faith reposed by customers, regulators, employees and all other stakeholders.





4.2 Transforming the business

A deep understanding of the operating environment is your Bank's key strength. Your Bank, on an ongoing basis, brings in interventions to ensure that it stays relevant to the various customer segments it serves. This is the key reason why, even in the wake of challenges thrown in by the pandemic, your Bank continued its topline growth and added more customers to the books.

As it moves forward, your Bank is committed to catalyse intensive transformation initiatives to not only continue to be the preferred bank for existing customers but also enter the consideration set of a diverse set of prospective customers in the years to come.

Strong Presence Across Verticals

The Bank took several measures to have a close look at the existing business models and verticals and evaluated transformations that are necessary to achieve Vision 2025. The objective is to enable the business verticals to

serve customers better and more holistically, as well as to diversify the Bank's portfolio and geographical contribution.

Within each vertical, the Bank is building its internal expertise and strengthening its relevant risk management and control practices to ensure scalable and sustainable long-term growth.

1. Introducing Emerging Entrepreneurs Business (EEB)

The Bank has a two-decade experience in serving the credit needs of the unserved and the underserved. In this journey, your Bank has been fortunate to handhold millions of women in their journey towards becoming successful entrepreneurs, thereby promoting economic growth and inclusive development. As a universal bank, all their financial needs can be fulfilled under one umbrella by your Bank.

To partner with the evolution and aspirations of customers and ensure that they have access to banking products and services to fulfil their changing needs, the Bank decided to establish a new vertical. Emerging Entrepreneurs Business (EEB) encompasses the erstwhile Micro Banking vertical, including group and individual loans, and in addition to that, also has Micro Home Loans (MHL), Micro Bazaar Loans (MBL) and two-wheeler loans.

The Bank wants to ensure that the customers in this line of business grow horizontally, i.e. adopt new product propositions in line with their needs, and vertically, i.e. supporting their growing credit needs. The EEB vertical will drive the transformation of customers at the ground level. The Bank has already started migrating high vintage and quality customers to individual loans from their existing group loans. In the year in review, about 11% of the EEB loan portfolio, amounting to roughly ₹6,600 crore, was migrated to individual loans. The share of EEB individual loans in the overall asset book stands at 7.6%. In the next two years, your Bank aims to have a significant part of the EEB book as individual loans, in the states of West Bengal and Assam.

2. Banking on India's retail potential Strengthening Commercial Banking

Growing incomes, favourable demographics, entry of foreign players, and increasing urbanisation are expected to continue to push India's retail growth. The COVID-19 impact notwithstanding, the overall retail story remains intact, propelled by the e-commerce market growth. The Bank already had a bouquet of retail asset offerings, comprising home loans, gold loans, personal loans and two-wheeler loans. The home loan business of your Bank has and will continue to be keenly focused on affordable housing. However, to remain equipped to cater to the varied needs of home loan customers, the Bank introduced a high-ticket size loan for mass affluent customers. During the year in review, the vertical expanded its scope to distribute home loans from 29 additional branches of your Bank. The scope of affordable housing in particular, and home loans in general, remains very promising. The pandemic has put a temporary limitation in the category but the future still looks promising, and the Bank is equipped to fulfil the cherished Indian dream of owning a home.

The Bank consolidated gold loans, personal loans and two-wheeler loans under one vertical. Using cross-sell, sourcing through the existing branch network, partnership with DSAs and other sourcing agents, and digital acquisition, the retail assets vertical promises a healthy contribution to the asset book of the Bank, thereby helping in the diversification of the book. Your Bank will continue to evaluate and introduce newer products and processes to serve the growing needs of emerging India.

3. Strengthening Commercial Banking

The Bank was early to realise the importance of the MSME in fuelling the growth of the economy. Through the years, the Bank has been privileged to partner customers in their evolution from being small business owners to entrepreneurs, in both letter and spirit. The government announced the restructuring of stressed MSMEs in 2020. This bodes well for your Bank, as it helps expand the scope and coverage of MSME.

The Commercial Banking vertical of the Bank focuses on the credit needs of this sector, covering small entrepreneurs and business owners, SMEs, NBFCs, NBFC MFIs and mid-sized corporates. Among the various products offered by Commercial Banking is Small Enterprise Loan (SEL). This loan is targeted towards small businesses, to fulfil their short to medium-term fund requirements. In the year under review, your Bank

expanded the scope of SEL and increased the upper limit of the product from ₹10 lakh to ₹25 lakh. SME loans focus on secured loans with ticket sizes of more than ₹10 lakh. These are meant for SMEs and mid-sized corporates involved in manufacturing, trading and services, through products designed to cater to their specific business needs. To further strengthen the Bank's offering for this segment, your Bank has initiated deployment of Loan Originating System (LOS) and is in the process of implementing Cash Management and Trade Services for its commercial clients.

The Bank has built a strong liabilities franchise in a little over half a decade of operations. In the year under review, the deposit book grew by 37%. The focus has always been on building a strong retail deposit book, which has resulted in 79% of deposits being from the retail segment. The CASA ratio is at 43%, which again shows the quality of the deposit book. With the increase in distribution, the Bank continues to expand its reach and the opportunity to garner more deposits from retail customers. Along with that, the Bank also launched a digital savings account, with which a new account can be opened with speed, without any paper, and from the convenience of one's home or workplace. The Bank continues to explore opportunities in the liabilities space. Key among the projects kicked off in the year in the review are the special programme for senior citizens, a women-oriented programme, and up-sell debit cards. For the commercial depositor, the Bank launched a high-end current account called Biz Elite. The merchant acquiring business has been enabling EDC-POS machines for business owners to aid their payment collection. Your Bank is in the process of launching a digital payment collection mechanism, whereby the dependence on EDC machines will be nullified, thus making the solution far more convenient and economical.

4. Value Adding Third-Party Products

The Bank, over the last few years, has built a robust third-party products distribution business, leveraging its strong branch network, robust processes in different segments, diligent product selection and focussed partnerships. The strategy of the Bank is to provide one-stop insurance and investment solutions to all its customers. In the transformation journey of the Bank, third-party distribution will help further strengthen the relationship with the Bank's customers. With awareness of various investment and protection products being imparted at industry levels, the demand for such products has increased, and your Bank is well placed to serve these needs of customers. Going ahead, the Bank will continue to engage with customers through the branches and digital channels, and also leverage data and technology for identifying the right product suite for customers to create a win-win for the customers and the Bank alike.

5. Ensuring partnership through the customer lifecycle

Your Bank has a large customer base, and branches and verticals ensure proper customer connection. Going forward, your Bank will focus on garnering more customer lifetime value, to not only fulfil the needs of the customers in their journey with the Bank but also create long-term value for customers for the Bank. The Bank is planning a customer lifecycle management agenda, whereby, through digital marketing, the customer's journey, from prospecting to conversion, engagement, loyalty and advocacy, will be managed basis data and a technology stack. With the right usage of data, along with advanced analytics, the lifecycle of the customer will be mapped, and necessary interventions will be programmed to engage with the customer to drive higher loyalty and lifetime value.

4.3 Diverse Product Suite

In line with its customer-led value proposition, the Bank offers a range of diversified products and services, crafted to cater to the wholesome banking needs of customers across geographies.

RETAIL LIABILITY PRODUCTS

Savings Account

The Bank offers a bouquet of liability products for its customers. The strong liability portfolio of the Bank is because of the trust that the customers have placed in it. A CASA ratio of 43% indicates the quality of deposits. The retail to total deposits ratio is at 79%, clearly demonstrating the Bank's focus on granular retail liability book.

Elite Savings Account

Specially designed for mass affluent segments, this account offers preferential banking services, higher insurance cover, and a host of special offers on shopping, dining, travel and online payments, among others. The account requires the customer to maintain an average monthly balance of ₹5 lakh in Savings Account, or a Fixed Deposit relationship of ₹25 lakh, or a Total Relationship Value (TRV) of ₹15 lakh (with a minimum ₹2 lakh balance in Savings Account and the rest in Fixed Deposit).

Premium Savings Account

This account is offered at a Monthly Average Balance (MAB) of ₹1 lakh. It offers hassle-free and seamless banking privileges and complimentary premium services to the customers.

Advantage Savings Account

At ₹25,000 MAB, this account offers exclusive banking benefits and unique services, including access to attractive rates of interest and higher transaction limits.

Standard Savings Account

This account offers a superior banking experience with minimum monthly balance requirements.

Special Savings Account

This is a specially crafted banking product for the differently-abled with diverse needs. Being sensitive to their needs, the Bank offers relevant benefits with lower MAB maintenance facilities.

Sanchay Savings Account

This is a savings account designed to meet the everyday banking needs of those who prefer basic banking services at a minimal cost.

Neo+ Digital Savings Account

A newly-launched product variant, Neo+ is the Bank's first foray into paperless, digital account opening. Neo+ Digital Savings Account can be opened instantly by the customer through an interactive self-assisted journey. It comes with Free Visa Classic Debit Card, an easy utility bill payment facility, and immediate access to Internet banking and mobile banking, offering customers a convenient digital banking experience.

TASC Savings Account

Designed for non-profit entities, the SB-TASC (Trust, Association, Society and Club) is savings account for all the aforementioned entities and also NGOs, hospitals, educational and research institutes, as well as other entities eligible for a savings account as per the RBI Guidelines.

GO S 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 Central government or state governments as per the RBI guidelines.

BSBDA Savings Account

The product promotes financial inclusion, targeting the unbanked segments of society that have limited or no access to banking services in any form.

BSBDA Small Savings Account

Designed to enable the common man to open and maintain a bank account, the zero balance BSBDA Small-BasicSavings Bank Account can be opened with minimal documentation.

Savings Accounts: Key Benefits

- 6%* interest on balances above ₹10 lakh and 4% interest on balances above ₹1 lakh
- Exclusive banking services and lifestyle privileges for Elite and Premium Savings Accounts
- Higher transaction limit at branches and through debit card
- Mobile and Internet banking services for convenient banking
- No penal charges on non-maintenance of MAB

NRI Accounts: Key Benefits

These accounts offer customers the flexibility to earn attractive returns on savings and fixed deposits. Customers can remit money to their NRI account seamlessly, at competitive conversion rates.

- Secure channel for fund transfer
- Direct credit to Bandhan Bank account
- Convenient channel for creating Foreign Currency Non-Resident (FCNR) deposits
- Inward remittances allowed in USD, GBP, and EUR

Corporate Salary Account

Bandhan Bank Corporate Salary Account provides a holistic banking experience and offers instant access to bank accounts through the Internet and mobile banking. It also comes with exciting offers and discounts on Bandhan Bank ATM or debit cards. For employers, the Bank offers speedy and efficient salary disbursement through Corporate Internet Banking, using bulk upload facility, NEFT/RTGS, etc.

The Bank has launched its Corporate Salary offering “Shaurya”, which caters to the wholesome banking needs of India’s military, paramilitary and police establishments, and helps the Bank serve those who have dedicated their lives to serve the nation. The accounts come with a free-of-charge Shaurya Visa Platinum Debit Card, free personal accident insurance of ₹30 lakh for the family, free air accident cover of ₹1 crore, educational benefits for up to two dependent children in case of accidental death.

Salary Account: Key Benefits

- Higher transaction limit at other bank ATMs
- Higher daily ATM cash withdrawal and shopping limits
- Account number portability
- Anywhere, anytime banking, with the Bank’s Internet and mobile banking platforms

Current Account

Biz Elite Current Account

The Biz Elite Current Account has a MAB requirement of ₹5 lakh and allows customers to enjoy a host of privileges. The account offers preferential service, unlimited transactions, insurance benefits and special offers.

Biz Premium Current Account

The Biz Premium Current Account allows customers to enjoy a host of privileges with the MAB requirement of ₹1 lakh.

Biz Advantage Current Account

This account provides improved services with a MAB of ₹25,000, along with several enhanced benefits that help customers manage and grow their money with ease.

Biz Standard Current Account

The MAB for Biz Standard Current Account is ₹5,000 and it offers superior value to customers. It is best suited for small business owners, who require seamless and simple banking services to grow their business and money.

TASC Current Account

TASC (Trusts, Associations, Society and Clubs) Current Account offers secure banking solutions to institutions, non-profit organisations, NGOs, trusts, associations, societies, clubs, hospitals and educational institutions. With a MAB of ₹25,000, customers can enjoy complete banking solutions.

GOS Current Account

This account is a premium high-end current account aimed at handling the banking and transactional needs of government organisations.

ED C-PoS Terminals

The Bank's merchant acquiring business strives to increase the penetration of point-of-sale terminals in smaller but cash-intensive towns and villages. The aim is to promote a less-cash economy, aligning with the needs of the government's digital economy goals.

Current Accounts: Key Benefits

- Internet Banking
- Higher cash deposits
- The higher limit for other bank ATM withdrawals
- Higher transaction limits
- At-par cheque facilities in multiple cities

Fixed Deposits

Premium Fixed Deposit

This deposit helps grow customers' money with added advantages and differential interest rates for high-value deposits. It offers a minimum of ₹2 crore deposit facility for select customers, for tenures ranging from 7 days to 10 years.

Advantage Fixed Deposit

With this reinvestment plan, the customer can earn interest that is compounded quarterly and reinvested with the principal amount.

Standard Fixed Deposit

The traditional fixed deposit has monthly and quarterly interest pay-out schedules to ease the monetary needs of the customer base and offers attractive interest rates as per the convenience of the customer.

Tax Saver Fixed Deposit

This deposit offers tax saving investment options under Section 80C of the IT Act, with a minimum deposit of ₹1,000 and a maximum of ₹1.5 lakh in a year.

Recurring Deposits

This is a steady income option that can be operated singly or jointly and can be opened with a minimum instalment of ₹100, with tenures ranging from 6 months to 10 years.

Dhan Samriddhi (Cash Certificate Scheme)

This helps in monetary growth by earning interest that is compounded quarterly and reinvested with the principal amount. The maturity period ranges from 6 months to 10 years. This helps customers boost income generation by helping meet their future financial goals.

Digital Portfolio

Neo+ Digital Savings Account

Neo+ Digital Savings Account enables users to open a new account instantly with the Bank from the comfort of their homes, through a paperless and contactless process. All that users need to have with them is their Aadhaar and PAN details. Neo+ Digital Savings Account allows funds transfer and transactions as soon as the account is opened.

Bandhan Bank UPI App – 2.0

The BHIM Bandhan UPI App lets users link multiple bank accounts in one app, make regular payments, check account balances, and exercise complete control over their accounts from a single banking app. The app also allows OD account linkage, mandate, inbox invoice, the capability of sign intent and Sign QR.

Mobile Banking (mBandhan)

mBandhan, mobile banking app is designed to meet the daily banking needs of customers. The app is simple, making it easy for even non-tech-savvy customers to use mobile banking. The app allows 24X7 access to users' accounts on their respective smartphones. They can check their account balance, make fund transfers, request a cheque book, open a fixed deposit, and do much more.

Internet Banking

The Bank's Internet banking service helps customers fulfil all their regular banking needs. It provides easy access to their comprehensive account summary, including a balance enquiry, transaction history, unified view of all linked accounts, and mini and detailed account statements. It also facilitates online deposits, including FD and RD, 24x7 inter and intra bank fund transfer via NEFT, RTGS, IMPS, and QuickPay. Service requests, including chequebook ordering, stop payment, user details modification, utility bill payment and others, can be initiated online as well.

New KB Connect Platform

The new KBConnect platform will help customers in automated payment disbursement through enrolled digital certificates. The platform enables financial transfers related to Direct Benefit Transfer (DBT), centrally sponsored schemes, Central sector schemes, and other government schemes, via the Bank. It provides a single integrated platform for all PFMS payments and allows disbursement of Schematic Bank Account Management Systems (SBMS) payments via Banking Units.

USSD Banking

The Bank has endeavoured to be accessible to users who are yet to ride the wave of high-speed internet connectivity. Users can dial *99# to avail a range of financial and non-financial banking services in English as well as regional languages.

SMS Banking

Your Bank provides SMS Banking that allows users 24x7 access to their account information with the help of shortcode communication, without a smartphone or any data plan activated.

Missed Call Banking

Missed Call Banking is a service where users can access their account information with a missed call. Users can get their account balance and mini statement by giving a missed call to the predefined mobile numbers from their registered mobile number.

Tab Banking

The tablet banking (tab-banking) facility for micro banking customers helps accelerate the account opening process, eases paperwork on documentation, reduces cost, minimises human error, and gives the flexibility of serving customers beyond banking outlets. Tab banking comes with a comprehensive set of banking operations, including collection, disbursement, withdrawal, balance enquiry and NPS. Daily, 21,000+ people use Bandhan Bank's tab banking across the country, with 10,00,000+ transactions through the platform.

EMERGING ENTREPRENEURS BUSINESS (EEB) PRODUCTS

Suchana Loan and Srishti Loan

A major part of the Indian population need loans for their income-generating activities but there are only a few avenues for the same. This not only limits the cash flow required for their activities but in many cases, it also compels them to depend on informal sources of lending or institutions, where they have to pay high interest on their borrowings. The Bank provides financial support to such women entrepreneurs in the form of Suchana and Srishti loans for income-generating activities. These are microloans under the JLG model.

Subriddhi Loan

Subriddhi Loan is offered as an additional loan facility to existing EEB borrowers to provide liquidity support during their ongoing loan cycle, which helps them sustain and grow their business.

Samriddhi Loan

Samriddhi Loan has been designed specifically to meet the financial requirements of the small entrepreneurs who, after starting small, have shown considerable success in their endeavour and now aspire to graduate to a higher level of entrepreneurship.

Micro Bazaar Loan

Micro Bazaar Loan is for small entrepreneurs, who have existing supersaver account with the Bank. This loan provides financial support to the Bank's deposit customers for their working capital needs.

Micro Home Loan

A self-owned house is still a dream for most Indians, especially for those belonging to the middle and low-income segments. Even though there is a huge demand for housing finance in this segment, there are only a limited number of formal lending institutions. The Bank offers Micro Home loans to EEB borrowers for construction as well as renovation of houses to fulfil the dream of their own house.

Two-Wheeler Loan

Owning a two-wheeler is an aspiration for the Bank's customer segment in the EEB vertical. Addressing this need and demand for two-wheelers among the customers, the Bank offers two-wheeler loans to EEB borrowers.

Suraksha Loan

Often, there is an income shortage when the Bank's borrowers try to meet emergency needs like medical emergency, sanitary & hygiene requirements, and safe drinking water requirements. To provide additional support during such times of stress, the Bank offers Suraksha Loans to meet such immediate needs of the borrower and her family.

Susiksha Loan

Education is the first step towards fighting poverty. However, the lack of funds often causes a hindrance in the education of many of the Bank's borrowers' children. Susiksha loan is offered by the Bank for meeting the educational needs of children of EEB customers.

Samadhaan Loan

The COVID-19 pandemic and nationwide lockdowns impacted everyone, especially the Bank's EEB customers, owing to the adverse impact on regular business activities. The customers under this category display socio-economic vulnerabilities, especially during times of natural and socio-political events. Thus, the Bank introduced Samadhaan Loan to support the existing EEB borrowers to fulfil their financial requirements in these uncertain times and help them grow their business.

RETAIL ASSET PRODUCTS

Home Loans

The Bank offers loans for the purchase, construction, repairs and renovation of housing units. Loan against property and loan against rent receivables are also offered against self-occupied residential or commercial property. In line with the Bank's objective of inclusive banking, home loans and Loan Against Property (LAP) are offered to salaried as well as self-employed customers. 'Suraksha' home loans are offered to salaried individuals and individuals having formal income proof. 'Suvidha' home loans are for self-employed individuals. In the year in review, your Bank also launched a high-end loan called 'Samman', with ticket sizes upwards of ₹30 lakh, for mass affluent customers. The Bank also offers 'Sajavat' loans for repairs and renovation of house property. Developers can avail of loans from the Bank for the construction of RERA approved residential or commercial projects. Home loans are offered with a repayment tenure of up to 30 years with easy repayment options. The Bank continues to focus on the affordable housing space and has tied up with government projects as well as projects in the private sector. Consequently, a majority of the home loans are also eligible under the priority sector. The Bank is also a leading player under the Pradhan Mantri Awas Yojana (PMAY). During the year, 13,594 home loan customers of the Bank received the Credit Linked Subsidy under the PMAY.

Other Retail Assets

Retail customers can opt for various loans like gold loans, personal loans and two-wheeler loans. The gold loan aims at fulfilling urgent and quick monetary needs with ease of access, a simplified documentation process and quick turnaround time. Personal loans and two-wheeler loans fulfil the consumption requirement of the customers and purchase of new two-wheelers respectively.

COMMERCIAL BANKING PRODUCTS

Agricultural Loans

Farmers can avail funding in the form of loans for crop cultivation, Agri allied activities, investment in agriculture infrastructure, repair/maintenance and consumption needs. The services offered are Cash Credit (CC), Overdraft (OD) and Term Loan. Among the key highlights of the Bank's offerings are attractive interest rates, prompt service through dedicated Relationship Managers, and customised product solutions.

Small Enterprise Loan (SEL)

Small businesses regularly need support in the form of short-to-medium term funding. Through the Bank's small enterprise loan, borrowers can avail unsecured loans up to ₹25 lakh at competitive interest rates. The following products are offered under SEL:

Collateral Free Loans

These loans with tenure of one to three years are towards business requirements pertaining to working capital or asset creation for business or other short-term business requirements. These loans range from ₹1 lakh to ₹10 lakh.

SEL MAX Loan

Businesses can avail this loan for meeting requirements pertaining to working capital or asset creation for business or other short-term business requirements. The tenure of this loan is from one year to four years. This loan is from ₹10 lakh to ₹25 lakh.

SEL – SPARK

This is a top-up loan for existing SEL clients who have been disbursed loans on or before December 31, 2019. The loan amount is up to 50% of the existing loan amount and not exceeding ₹10 lakh. The tenure is from one year to two years or the residual period of loan tenure, whichever is higher.

Small & Medium Enterprise (SME) Loans

Small and Medium Enterprises need various means of finance for day-to-day operations and business expansion. The Bank offers an array of loan products to MSMEs for meeting their working capital and capital expenditure requirements, including non-fund-based facilities. These loans can be availed from the Bank's designated branches with the help of dedicated Relationship Managers. The loan products focus on secured loans with a ticket size of more than ₹10 lakh, which are extended to business entities (including SMEs and mid-sized corporates) involved in manufacturing, trading and services. The Bank has initiated the deployment of the Loan Originating System (LOS) and is in the process of implementing Cash Management & Trade Services, for its commercial clients. The SME loan products offered are as follows –

SME Business Connect

This loan is from above ₹10 lakh to up to ₹2 crore. These loans are Fund Based (Overdraft/Cash Credit/Term Loan) and Non-Fund-Based (Letter of Credit/ Bank Guarantee) for working capital and Capex purposes, against primary security (Current/Fixed Assets) and collateral security (residential/commercial property and liquid securities).

SME GST Connect

This loan is from above ₹25 lakh to up to ₹1.5 crore. The loan is in the form of an overdraft (Fund-based) facility for working capital purposes, against collateral security (current assets, residential/commercial property and liquid securities).

Mortgage Loan

Loan Against Property – This loan is from above ₹25 lakh to up to ₹10 crore. The loan is in the form of a Term Loan (Fund based) for general business purposes, against collateral security (residential/ commercial/ industrial non-agricultural property and liquid securities).

Non-Schematic

This loan is up to ₹50 crore. The loan is in the form of secured Credit Facilities to eligible SME/Mid Corporate borrowers as per guidelines, other than those covered in the above schemes. The facilities offered are Term Loan, Cash Credit, Overdraft, Lease Rental Discounting (LRD), etc., under fund-based, and Letter of Credit, Bank Guarantee under non-fund based facilities.

Loans to Non-Banking Financial Company (NBFCs) & NBFC-Microfinance Institution (MFI)

The Bank considers Institutional lending to NBFCs/HFCs & NBFC-MFIs, primarily for on-lending activities. The NBFC-MFI business includes lending to Microfinance Institutions, Societies and Trusts engaged in microfinance activities. While most of these loans are extended as Term Loans, the Bank also has credit exposure through Direct Assignments. The NBFC (including Housing Finance Company) business primarily includes Term Loan products for on-lending purposes and is also foraying into Direct Assignments and Co-lending activities.

THIRD-PARTY PRODUCTS

The Bank, over the last few years, has built a strong and measured third-party products distribution business, leveraging its branch network, strong processes in different segments, diligent product selection and focussed partnerships. The strategy of the Bank is to provide one-stop insurance and investment solutions to all its customers. In the transformation journey of the Bank, third-party distribution will help further strengthen the relationship with the Bank's customers. With awareness of various investments and protection products being

imparted at industry levels, the demand for such products has increased, and who better to fulfil this need than one's trusted bank. Going ahead, the Bank will leverage data and technology to better identify the right product suite for customers, to create a win-win for the customers and your Bank alike.

Non-Life Insurance

FY 2020-21 was a year of uncertainties, wherein a global pandemic increased the vulnerability towards lives and livelihoods. For an individual, it is important to be prepared for eventualities, yet ensuring that savings do not get eroded while providing for unforeseen circumstances. The Bank keeps the customer's interest first and distributes an array of non-life products, built around the need to provide for these uncertain times. The Bank currently offers Motor Insurance, Health Insurance, Fire and Allied Perils Insurance, Personal Accident Insurance, Home Insurance and Insurance for Critical Illness to its customers on a non-risk participation basis. At present, the Bank acts as a corporate agent of HDFC ERGO General Insurance Company Limited and Bajaj Allianz General Insurance Company Limited for distributing General Insurance products. The retail health market has been a key focus area to ensure that retail customers of the Bank, have the opportunity to build a safety net around their health-related risks.

Life Insurance

Life Insurance is necessary for the financial well-being of loved ones. Various life insurance products help in catering to different requirements of policyholders, helping them to cover the risk of loss of life, along with long-term savings, goal-based planning and tax savings benefits. The Bank has introduced several life insurance products across various segments of customers. The Bank currently acts as a Corporate Agent of Bajaj Allianz Life Insurance Co Ltd, HDFC Life Insurance Company Ltd and Kotak Mahindra Life Insurance Company Ltd, for providing a range of products on protection, savings and loans cover. The Bank has also started distributing annuity products across both immediate and deferred annuity options.

Mutual Funds

Wealth creation through goal-based financial planning and market participation are key behavioural transformations seen in Indian retail customers in recent years. Mutual funds, managed professionally, provide a wide basket of benefits in terms of asset diversification and allocation, disciplined savings, and tax benefits (in certain products). The Bank currently offers a range of products across asset classes to its customers through select branches. The current partners of the Bank are HDFC Mutual Fund, ICICI Prudential Mutual Fund, UTI Mutual Fund, Nippon India Mutual Fund, SBI Mutual Fund, Aditya Birla Sun Life Mutual Fund, Kotak Mutual Fund, Axis Mutual Fund, and Mirae Asset Mutual Fund (empanelled in FY 2020-21). The Bank offers recommended schemes of these fund houses to the customers, based on quantitative and qualitative evaluation parameters.

Credit Cards

Along with using data analytics to provide a pre-approved card to its customers, the Bank has also introduced a non-pre-approved credit card offering to the existing and new customers. The technology platform has been synchronised with the partner bank, to offer a seamless experience to the branches for card sourcing and immediate credit decision. The Bank at present offers three variants of co-branded credit cards with Standard Chartered Bank. Reward points, fuel surcharge waiver, and spend-based higher reward points and benefits are the key features of credit cards.

5 Stakeholder Engagement Framework

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

In line with the principles of the International Integrated Reporting Council ('IIRC') International <IR> Reporting a stakeholders' engagement framework has been developed which is based on materiality, completeness and responsiveness of the engagement. The Bank aims to have a transparent and ethical relationship with all its stakeholders and engages with them through multiple mediums. These engagements have enabled the Bank to derive insights into the needs of stakeholders and develop appropriate responses.

5.1 Key stakeholders

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

5.1.1.1 *Shareholders and Investors*

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

5.1.1.2 *Customers*

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

5.1.1.3 *Employees*

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

5.1.1.4 *Local communities*

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

5.1.1.5 *Vendors and suppliers*

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

5.1.1.6 *Central and state government*

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

5.1.1.7 *Regulatory bodies*

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

5.1.1.8 Media

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

5.2 Stakeholders Relationship Committee

The Bank has a Stakeholders Relationship Committee of the Board, constituted under the provisions of Section 178(5) of the Act and Regulation 20 of SEBI LODR, to specifically look into various matters relating to shareholders/investors, including transfer and transmission of shares, issue of share certificates (including the issue of renewed or duplicate share certificates), share certificates after transmissions, dematerialisation, re-materialisation and so on.

5.3 Materiality and Scope of the Integrated Report

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

The sensitivity of an issue to stakeholders and the Bank, in terms of importance, forms the basis of the materiality analysis, which in turn guides the processes for identifying, managing and devising specific action plans for addressing these material aspects. The outcome of the materiality analysis is presented in the form of a matrix that depicts the material topics based on two dimensions –

- importance to stakeholders and
- importance to the Bank's Businesses.

The topics have been categorised relative to each other and the placement of a topic under the 'low' importance category only implies that existing systems and controls are commensurate with stakeholders' present priorities.

Table 1: Bandhan Bank's Materiality Matrix

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

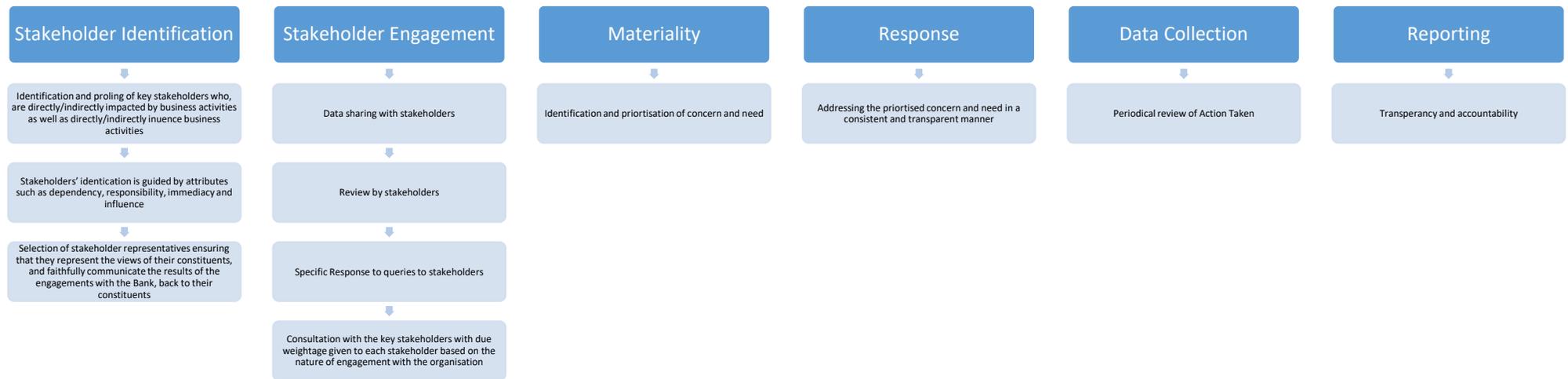


Figure 1 Stakeholders Engagement and Reporting Process

Table 2 Identified Stakeholders wise Engagement and Response Matrix

Stakeholders	Stakeholders Interest/concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
Shareholders and Investors	<ol style="list-style-type: none"> 1. Improved profitability and growth of the organisation 2. Sound corporate governance mechanisms 3. Compliance 4. Transparent and effective communication 5. Investor servicing 	<ul style="list-style-type: none"> • Annual General Meeting • An exclusive section on the bank's website on 'Investor relations' serves to inform and service shareholders • Dedicated separate email and contact no. for institutional investors and retail shareholders • KMPs contact for determination of materiality • Regular interaction with institutional investors and investors meet • Quarterly report • Press releases 	<ul style="list-style-type: none"> • Growth and Profitability • Policies for Ethical Conduct and corporate governance • Increased interaction with investors during the year • Non-financial disclosures included in the Annual Report by adopting the Integrated Reporting framework • Communicating on strategic objectives during the quarterly results call with investors and increased disclosures • Commitment to Regulators and Stakeholders
Customers	<ol style="list-style-type: none"> 1. Convenience and Ease of Transacting Across Channels 2. Responsive, skilled and considerate staff 3. Innovative technology applications 4. Availability of relevant product/service quality and security 5. Quick response to issues raised through grievance redressal mechanisms 6. Adequate information on products/services 7. Advanced Analytics 8. Transparent communication 9. Product/service availability On-time delivery of product/service 10. Maintenance of privacy/confidentiality 11. Fair and competitive deposits and interest rates 12. No information overload /spamming and connecting at a convenient time 13. Financial planning advice 	<ul style="list-style-type: none"> • Interaction with Bank employees • Structured surveys for seeking feedback • Doorstep banking centres and home visits – 'High touch model' • Financial Literacy programme and customer meets • Communication through print, digital and social media • Digital connect through online Chatbots, web portal, mobile app, SMS service and telebanking • 24X7 toll-free number for round the clock help • Dedicated customer care helpline and email • Dedicated banking support contacts • Dedicated relationship managers for high-value customers • Dedicated services for differently-abled customers • Multiple channels available for raising Customer queries and grievances 	<ul style="list-style-type: none"> • Being 'Fair to Customer, Fair to Bank' is a core element of the Bank's approach • Enable new Products /Channels including Apps for digital payments and banking • Making personalized recommendations with RM • Awareness of data security and privacy • Customer service policies • Customer grievance redressal policy • Customer relations policy • Customer rights policy • Customer compensation policy • Deposit policy • Cheque collection policy • Policy on the collection of dues and repossession of securities • Dedicated customer service team focussed on improving process efficiencies and leveraging technology to

Stakeholders	Stakeholders Interest/concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
			<p>improve response time to customers</p> <ul style="list-style-type: none"> • Continuous upskilling and knowledge building of staff • Policy on Vigilance and Whistle Blower Mechanism • HR practices on Ethical Practices, including conducting business with honesty and the highest ethical standards and zero tolerance towards bribery and corruption
Employees	<ol style="list-style-type: none"> 1. Caring and empowering work environment 2. Personal development and growth 3. Health and safety 4. Responsive grievance handling process 5. Employee benefits and competitive compensation 6. Employee welfare and social security 7. Employee alignment to common organisation goals 	<ul style="list-style-type: none"> • Induction programmes /trainings /workshops • Individual performance appraisal • Grievance handling processes • Prevention of Sexual Harassment framework • Workplace environment and health safety • Continuous engagement • Periodic communication meetings anchored by leadership • Employee engagement, wellness, team building and celebration events 	<ul style="list-style-type: none"> • Care for employees through leave policies and catering to their different needs including life-stage needs • Focussed leadership and career mobility programmes • Learning Management System • Performance Management System • Employee benefits include asset acquisition at discounted interest rates, ESOP, health insurance etc. • PF and other employee welfare and social security schemes • Policy on Vigilance and Whistle Blower Mechanism • HR Policy on Ethical Practices • HR Policy on Workplace health and safety • HR Policy on Prevention of Sexual Harassment framework • HR Policy on Grievance redressal mechanism framework
Channel partners and suppliers	<ol style="list-style-type: none"> 1. Knowledge and infrastructure support 	<ul style="list-style-type: none"> • Vendor meets • Pre-agreement negotiations 	<ul style="list-style-type: none"> • Infrastructure facilities to service providers

Stakeholders	Stakeholders Interest/concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
	<ol style="list-style-type: none"> 2. Regular communication and updates on business plans 3. Inclusion of local medium and small scale enterprises in vendor base 4. Competency development of local vendors 5. Stability/ tenure of relationship 6. Ordering and payment routines 7. Purchase prices 	<ul style="list-style-type: none"> • Procurement agreements 	<ul style="list-style-type: none"> • Vendor relationship and training • Transparent and accurate disclosure • Dedicated purchase team and procurement policy • Timely and consistent payment cycles
Local Communities	<ol style="list-style-type: none"> 1. Community development programmes based on local 2. communities' needs 3. Strengthening of livelihood opportunities 4. Improvement of social infrastructure for hygienic and healthy living environment 5. The dignity of life through economic and social empowerment 6. Financial literacy and improving access to financial services especially in rural areas 	<ul style="list-style-type: none"> • Community needs assessment activities undertaken in collaboration with independent • parties/civil society organisations • Formation of village institutions and regular meetings thereon • Assessment of direct and indirect impacts of Bank's CSR on communities 	<ul style="list-style-type: none"> • Bank's CSR programme geared to the local communities' aspirations and need • Financial literacy and financial inclusion through doorstep banking using handheld devices • Serving the ultra-poor women for socio-economic upliftment and sustainable livelihoods • Skill development of the unemployed youth and making them employable • Provide necessary infrastructure for sanitation and safe drinking water
Central and State governments	<ol style="list-style-type: none"> 1. Aadhar Linkages 2. Social Security Schemes 3. NABARD and credit-linked schemes 	<ul style="list-style-type: none"> • Awareness generation on various central and state government schemes • Regular meeting with various central and state government departments • Participation in NABARD linked programme 	<ul style="list-style-type: none"> • Aadhar linkages and Pradhan Mantri Jan Dhan Yojana (PMJDY) • KCC and government scheme related products/services in agriculture and allied sector • Affordable housing schemes • MUDRA scheme related reporting
Regulatory bodies	<ol style="list-style-type: none"> 1. Compliance with rules and regulations 2. Know your customer 3. Fair treatment of customers 4. Role in development of the financial system 	<ul style="list-style-type: none"> • Periodic meetings with regulatory bodies • Mandatory filings with regulators including RBI and SEBI • Participation in policy forums 	<ul style="list-style-type: none"> • Compliance culture is driven by senior leadership • A dedicated team for communicating with regulators and responding

Stakeholders	Stakeholders Interest/concerns	Stakeholders Engagement	Bank's response to stakeholders expectations
	5. Banks acting as the first line of defence against financial crimes	<ul style="list-style-type: none"> • Other forms of communication like emails, letters, etc. • Supervisory visits and meetings 	<p>to them in a time-bound manner</p> <ul style="list-style-type: none"> • Well-defined processes and leveraging technology to improve response to regulators • HR Policy on Regulators and Stakeholders and ensuring accurate records, reporting requirements
Media	<ol style="list-style-type: none"> 1. Transparent and accurate disclosure to stakeholders 2. Responsible corporate citizenship 3. Corporate reputation 	<ul style="list-style-type: none"> • One-on-one media interaction • Press conferences/press releases • Advertisements/promotions • Interviews with senior management • Dedicated corporate communication team • Media section on the Bank's website • Dedicated email and contact for media 	<ul style="list-style-type: none"> • Public Communication and acceptable use of social media

6 Risks and Opportunities

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

The Bank's Risk Management Framework describes the Bank's approach to risk management, including provisions for risk governance arrangements; our appetite and limits for risk exposures; policies for the management of various risk types; risk culture standards; and risk reporting. It is under this framework that the key arrangements and standards for risk management and internal controls that support your Bank's compliance with statutory and regulatory requirements are defined.

6.1 Approach to Risk Management

The Bank looks at risks in an integrated way: Holistically managing all types of risks through risk management processes - including

operational risk,	fraud risk,	conduct risk,	outsourcing risk,	compliance and legal risk,
information security (InfoSec) risk,	credit risk,	credit concentration risk, market risk,	liquidity risk,	interest rate risk in the banking book,
strategic risk and business risk,	reputational risk,	legal and underlying interlinkages.		

Scenarios and measurement approach for quantifying risk and capital demands are implemented across the material risk types. Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics. Systems, processes and policies are critical components of the Bank's risk management capability.

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

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

6.2 Risk Governance

The Bank follows three levels of Risk Governance Framework - Board, Committees of the Board, Management Committees.

- **The Bank's Board**, through the Risk Management Committee of the Board (RMCB), is updated regularly and – as necessary - on special developments in its risk situation, risk management and risk control.
- **The Risk Management Committee of the Board (RMCB)** deliberates with the Management on the issues of aggregate risk disposition and risk strategy. It also supports the Board in monitoring the implementation of this strategy.

- Various **risk-related committees at the Executive Level**, such as Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC), Information Security Committee (ISC), etc., provide formalised decision-making forums, which enable the views of risk decision takers and risk managers to be taken into account.
- The Chief Risk Officer (CRO) has direct management responsibility for all the risk management functions, such as Credit Risk Management, Market Risk Management, Operational Risk Management, Liquidity Risk Control and Information Security. In addition, the CRO is also responsible for monitoring, analysing, and reporting risks on a comprehensive basis
- Independence of the CRO is ensured through a fixed tenure, reporting structure and periodic reviews by the Board and RMCB.

For more information on the Risk Management Framework, please refer to the Risk Management section of the Report of the Board of Directors forming part of Bandhan Bank’s Annual Report 2021.

6.3 Risk Culture

The Bank focuses on norms, attitudes, and behaviours related to risk awareness, risk-taking, and risk management, as constitutions of the Bank’s risk culture. The Bank believes in the philosophy of “Setting the Tone from the Top” regarding Risk Culture, with the Board and Management taking the lead to instilling a strong risk culture in the organisation. The Bank periodically evaluates the current Culture and Risk Awareness status in the organisation. Your Bank nurtures culture building with:

- regular and adequate training of personnel in the business areas on their roles in risk management
- issuing of weekly/monthly newsletters and publications on various areas of risks
- issuing directions on measures required for strengthening of risk culture, formulation of policies and frameworks, whistleblower mechanism, risk appetite framework, etc.
- strong governance structure, with clear delineation between risk-taking and oversight responsibilities in the Bank etc.
- emphasis on the fact that risk is taken within a defined risk appetite, and ensuring that risk thus taken is adequately compensated in line with the risk-adjusted performance measures

6.4 Risk, Strategy and Capital

The Bank aims to maintain adequate capitalisation on an ongoing and forward-looking basis, i.e. internal capital supply to exceed internal capital demand. The Bank maintains compliance with the ICAAP (Internal Capital Adequacy Assessment Process) as required under Pillar 2 of Basel III, through risk management and governance framework, methodologies, processes and infrastructure.

The Bank employs a strategic planning process that aligns risk strategy and appetite with commercial objectives – a continuous monitoring process against approved risk, leverage and capital targets set; regular risk, leverage and capital reporting to management and a stress testing framework, which also includes specific stress tests to underpin the Bank’s recovery monitoring processes.

On an annual basis, the ICAAP and RAF and the Strategic Document are approved by the Board and reviewed periodically. An alignment of Risk, Capital and Strategy are thus provided.

6.5 Risk Operating Model – Roles and Responsibilities

The Bank has three lines of defence: the Front Line, Independent Risk Management and Internal Audit. Your Bank’s risk operating model creates necessary interaction, interdependencies, and ongoing engagement among the lines of defence:

- **Front Line:** The front line, which is composed of our five principal lines of business and certain activities of enterprise functions, is the first line of defence. In the course of its business activities, the front line identifies, measures and assesses, manages, controls, monitors, and reports on the risk associated with its business activities and balances risk and reward in decision making while remaining within the Bank’s risk appetite.

- **Risk Management Department ('RMD')** is the second line of defence. It establishes and maintains your Bank's risk management programme and provides oversight, including the challenge to and independent assessment of the front line's execution of its risk management responsibilities
- **Internal Audit Department ('IAD')** is the third line of defence. It is responsible for acting as an independent assurance function and validates that the risk management programme is adequately designed and functioning effectively.

6.6 Risk Type Classifications

The Bank uses common classifications, hierarchies, and ratings to enable consistency across all risk management programmes and aggregation of information. Risk type classifications permit the Bank to identify and prioritise its risk exposures, including emerging risk exposures.

Operational Risk Management

Operational risk is the risk resulting from inadequate or failed internal processes, people and systems, or external events. The RMCB has primary oversight responsibility for all aspects of operational risk, including significant supporting programmes and/or policies regarding your Bank's business resiliency and disaster recovery, and third-party risk management. As part of its oversight responsibilities, the RMCB reviews and recommend significant operational risk policies and oversees the Bank's operational risk management programme.

At the management level, Operational Risk Management, which is part of RMD, has oversight responsibility for operational risk. Operational Risk Management reports to the CRO and provides periodic reports related to operational risk to the Operational Risk Management Committee ('ORMC') as also to the RMCB.

The Bank is committed to providing uninterrupted service to its customers. Therefore, it is essential to protect the critical infrastructure in the Bank from natural and manmade disasters/events and ensure business continuity of the various operational units. Business Continuity Management (BCM) Policy has been put in place to recover critical activities and systems within defined timelines; the safety of people and their assets; communicate with stakeholders during an emergency; manage reputation risk, etc. BCM Committee ('BCMC') is responsible to ensure Business Continuity Plan ('BCP') capabilities in the organization and their regular testing. The Bank has the following framework in place to monitor Business Disruption Risk:

- Having trackers for identifying major risks due to Business Disruption.
- Assessment of BCP test results and DR Drill report to identify a gap.
- Identifying risk areas related to BCP while assessing any product or process or during field visit or by any other means and raising the same with the concerned stakeholder for resolution.
- Identifying Business Disruption Risk (if any) during Risk and Control Assessments as per the defined calendar.

During the Covid -19 pandemic, the BCMC formed a QRT (Quick Response Team) to ensure business continuity and resilience. The RMD continues to plan and monitor your Bank's Covid -19 business Continuity and resilience in terms of:

- (i) Effectiveness of Business Continuity Plan;
- (ii) Emerging Risks especially Information Security and Cyber-attacks with the onset of Work From Home (WFH) process;
- (iii) Present and Emerging Liquidity position;
- (iv) Communications/Awareness for staff and customers;
- (v) Emerging Credit Risk on segmental portfolio;
- (vi) Impact on other pillars 2 risks: Reputation, Strategic & Business Risk and
- (vii) People Risk in terms of employee workplace safety; amongst others. Regular reports on the same get reviewed by RMCB during the period.

Information security is a significant operational risk for financial institutions such as Bandhan Bank and includes the risk arising from unauthorised access, use, disclosure, disruption, modification, or destruction of information

or information systems. The Information Security function, part of the RMD, is headed by the Chief Information Security Officer ('CISO') reporting into the CRO.

The Board is actively engaged in the oversight of your Bank's information security risk management and cyber defence programmes. The RMCB and the Information Technology Strategy Committee of the Board ('ITSCB') have oversight responsibility for the same. A Technology Advisory Committee ('TAC'), comprising Senior Executives from IT and Information Security Department ('InfoSec') functions of the Bank and external experts analyses the technical requirements whereas the Information Security Committee ('ISC') looks into the entire gamut of the Information Security and comprises the CRO, CISO, CIO and other senior functionaries. ISC reports into the ITSCB which provides oversight of technology, information security, and cybersecurity risks as well as data management risk.

The Bank, like other financial institutions, continues to be the target of various evolving and adaptive cyber-attacks, including malware, ransomware, phishing, and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, commit fraud, or obtain confidential, proprietary or other information. Cyberattacks have also focused on targeting online applications and services, such as online banking, as well as cloud-based and other products and services provided by third parties, and have targeted the infrastructure of the internet causing the widespread unavailability of websites and degrading website performance.

The Bank has not experienced any material losses relating to these or other types of cyber-attacks. Cybersecurity risk is a priority for Bandhan Bank, and we continue to develop and enhance our controls, processes and systems to protect our networks, computers, software and data from attack, damage or unauthorised access. Your Bank is also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defences and improve resiliency to cybersecurity threats. The Bank has started its in-house Cyber Security Centre ('C-SOC'), which is further enhancing better analyses and control.

Outsourcing Risk

The Bank has outsourced a good part of the IT activities to a third party. Additionally, some of the non-IT activities have been also outsourced to external vendors. Considering the risk involved in these outsourcing arrangements, the Bank has put in place a well-defined outsourcing policy. The Central Outsourcing Committee of the Bank is responsible to manage outsourcing risk during the onboarding of new vendors and perform regular reviews of existing vendors and outsourced activities. The Bank has also defined indicators for Outsourcing Risk including risk in IT Outsourcing. The indicators are regularly tracked and reviewed by the Risk Department. Adverse findings are reported to concerned authorities.

Compliance Risk:

Compliance risk is a type of operational risk resulting from the failure to comply with laws (legislation, regulations and rules) and regulatory guidelines, and the failure to appropriately address associated impacts, including to customers. Compliance risk encompasses violations of applicable internal policies, programme requirements, procedures, and standards related to ethical principles applicable to the banking industry. The Bank has an independent Compliance Department, headed by the Chief Compliance Officer ('CCO') who oversees such compliances. A Compliance Committee, comprising the senior business and control executives and chaired by the MD & CEO has been put in place from the year under review.

Fraud Risk:

A comprehensive approach to combat fraud has become a prerequisite and any organization that fails to protect itself appropriately faces increased vulnerability to fraud. The Bank has framed an effective fraud risk management framework to establish a strong internal control framework to detect, investigate, report and identify frauds at the earliest. The framework follows P-D-R (Prevention, Detection and Response) model. The Bank has also put in place a Fraud Prevention and Monitoring Committee ('FPMC') which deliberates on the alleged incidents referred to it by respective departments, as fraud or not and direct concerned departments

for necessary actions. Fraud risk indicators at the Enterprise Level and Business level (as applicable) get defined and tracked and reviewed by RMCB regularly.

Conduct risk:

Conduct risk is a sub-category of Operational risk, related to inappropriate, unethical, or unlawful behaviour on the part of employees or individuals acting on behalf of the Bank, caused by deliberate or unintentional actions or business practices. The RMCB reviews the conduct risk components as part of the Bank's risk culture. Apart from the annual review of the status of the Risk culture as part of CRO's Annual Risk Report; the RMCB during this financial year has started reviewing the status on a quarterly basis and has approved the Bank's overall approach to the Risk Culture. Considering the legal risk involved in various activities of the Bank the following risk framework is in place to address legal risk in the Bank;

- Legal risk parameters with the threshold at Enterprise and Business level (as applicable) has been defined and get tracked.
- The legal department is a permanent member of the change management framework.
- Trend analysis of legal cases (against the Bank and by the Bank), identifying emerging legal risk in the Bank, analysis of legal cases to identify the concern areas that get reported to the ORMC and RMCB regularly.

Credit Risk:

Your Bank defines credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed-upon terms). Credit risk exists with many of our assets and exposures such as debt security holdings and loans. At the management level, the Credit Risk function, which is part of RMD, has oversight responsibility for credit risk. Credit Risk reports to the CRO and supports periodic reports related to Credit Risk to the Credit Risk Management Committee ('CRMC') consisting of senior executives from Business and Risk and chaired by the MD & CEO and also to the RMCB.

Your Bank manages credit risk by establishing what it believes are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. Your Bank employs various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans including:

- Loan concentrations and related credit quality;
- Counterparty credit risk;
- Economic and market conditions;
- Legislative or regulatory mandates;
- Changes in interest rates.

The Bank's credit risk management oversight process is governed centrally but provides for direct management and accountability by the lines of business. The overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modelling, regular credit training programmes, and a continual loan review and audit process. A key to credit risk management is adherence to a well-controlled underwriting process, suited to the business segment and size of the loan.

Asset/Liability Management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of all these risks resides with the RMCB, which oversees the administration and effectiveness of risk management policies and processes used to assess and manage these risks. At the management level, the Asset Liability Management Committee ('ALCO'), which consists of senior management from finance, risk and business groups, oversees these risks and reviews periodic reports provided to the RMCB. For market risk activities of the Trading Book, a separate management level oversight committee Market Risk Management Committee ('MRMC') has been constituted this financial year with senior executives from Finance, Treasury and Risk departments.

Interest rate risk is created in the role of a financial intermediary for customers based on investments such as loans and other extensions of credit and debt securities. Interest rate risk can have a significant impact on earnings. The Bank is subject to interest rate risk because:

- Assets and liabilities may mature or reprice at different times. If assets reprice faster than liabilities and interest rates are generally rising, earnings will initially increase;
- Assets and liabilities may reprice at the same time but by different amounts;
- Short-term and long-term market interest rates may change by different amounts. For example, the shape of the yield curve may affect yield for new loans and funding costs differently;
- The remaining maturity for various assets or liabilities may shorten or lengthen as interest rates change; or
- Interest rates may have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, and other financial instruments.

The objective of effective liquidity management is to ensure that the Bank can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and periods of Bank-specific and/or market stress. To achieve this objective, the Board establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets.

These guidelines are monitored on a monthly basis by the ALCO and a quarterly basis by the RMCB. The Bank has always maintained a Liquidity Coverage Ratio ('LCR'), much above the minimum LCR requirement of 100 per cent., which is calculated as HQLA (High-Quality Liquid Assets) divided by projected net cash outflows, as each is defined under the LCR rule.

The Bank engages in trading activities to accommodate the investment and risk management activities of the customers and to execute economic hedging to manage certain balance sheet risks. Income earned on the financial instruments used in the trading activities include net interest income, changes in fair

value and realized gains and losses.

Reputational Risk:

Trust is the bedrock of any business relationship. As such, reputational risk has long been recognized as a key risk by business leaders and often tops the list of risks of most concern to the senior executives. In the wake of the tremendous rise of social media, reputational risk has gained new importance in the corporate world. The reputational risk is handled as mentioned in the External Communications Policy of the Bank. Your Bank uses a listening tool to monitor the brand mentions in the digital space. Through the PR agency, the Bank monitors media reports about the Bank. The branches reach out to the central office in case of any media queries in the branch. The Bank is aware of the importance of reputational risk, and has put reputation as one of the anchors (along with earning, capital and liquidity) for finalising its Risk appetite and from this financial year has included a Reputation Risk Dashboard as part of Enterprise Risk Dashboard which gets reviewed by the RMCB and the Board at quarterly intervals.

Strategic Risk:

Strategic risk is the risk to Earnings, Capital, or Liquidity arising from adverse business decisions, improper implementation of strategic initiatives, or inadequate responses to changes in the external operating environment. The Bank's strategic plan till 2020 focused mainly on defending core markets in microfinance, building a good liability franchise along with strong CASA ratios and building a customer base in adjacent segments in retail and SME assets. Post successfully traversing the path, the Bank has come up with a new 5-year Strategy Document (2020-25); which can help it to break into the next orbit. Accordingly, the Board through the Risk Appetite Framework has put low tolerance towards any threats to the effective and efficient delivery of the Strategy plans. The Bank is monitoring the Strategic Risk by tracking the following parameters:

- Assumptions made by the Bank informing its strategic plan and their alignment with the macro-economic environment
- Bank's Strategy plans vis-à-vis achievements

Business Continuity Management amid COVID -19

From the early days of February 2020, when the spread of the COVID-19 virus in China had started to take the shape of an epidemic, the Bank had started analysing the impact and had reviewed its Business Continuity preparedness. With the onset of the lockdown since the last week of March 2020, the Bank successfully rolled out its Business Continuity measures as per the requirements of the situation.

The Management, including the Risk Team, has continually kept the Board and the RMCB updated on the measures taken and the status during the period.

The Bank took required measures to ensure workplace and employee safety in terms of sanitisation and social distancing, in accordance with the government guidelines, besides tying up with a number of hospitals.

The Bank strengthened its cybersecurity framework in view of increased digital transactions and WFH options to employees. Cyber Security tools were installed and adequate controls were implemented to ensure comprehensive security to repulse any malicious attack, including the tool for User Behaviour Analysis (UBA) which tracks and monitors abnormal user activity. The Bank's internal CSOC was also operationalised for identifying and blocking several malicious email-borne attacks, e.g., spam, phishing emails, etc.

The Bank focused on liquidity preservation by having surplus liquid investment, which is largely reflected in HQLA maintained by the Bank. LCR Stress Scenario was also carried out to assess the availability of HQLA.

A substitute framework for important job roles was implemented and the necessary cross-training among employees was done as part of BCM.

To address the credit risk of the loan portfolio, your Bank carried out specific stress testing to gauge the impact of the pandemic in various stress scenarios, and actively monitored economic developments by performing sensitivity analysis/scenario building. Precautionary actions for prudent exposure management was also ensured.

Your Bank is aware that each new black swan event highlights valuable lessons for businesses and risk managers about how to respond, and as Phase 2 of the COVID-19 pandemic sets in, the Bank's Risk managers are continuously looking for ways and means to "measure" the "unmeasurable" and blur the line between uncertainty and risk, to ensure a healthy Business Continuity.

Information Technology:

Information Technology has been a pivotal role player in the promising journey of the Bank. Few major initiatives are mentioned below:

- Integration of various applications through robust Middleware and API Gateway platform.
- Development of an Enterprise Data Lake as a Single Source of Truth for all Data elements. This application is being designed to house Internal, External, Structured, Unstructured and Semi-Structured Data.
- Modernisation of the Loan Origination Platform. Further, the Bank has implemented a new Tab Banking solution for its Micro Credit Business, as part of Financial Inclusion.
- Bank has set up its own Data Center ('DC') and Disaster Recovery ('DR') Center with state-of-the-art technology and has started migrating the Applications to the new DC & DR.

Material Changes and Commitment Affecting Financial Position of the Bank

There were no material changes and commitments, affecting the financial position of the Bank, which has occurred between the end of the financial year of the Bank i.e. March 31, 2021.

6.7 Risk Awareness & Communication

The Bank believes that communication plays a pivotal role in building enhanced risk awareness, especially in matters related to Risk culture and cybersecurity amongst the stakeholders, and that a risk-aware employee and customer is itself a way to mitigate undesired risk. The Bank runs regular awareness campaigns to educate its employees regarding the various aspects of risk management through various modes like:

- Periodic newsletters
- Circulars
- Floor level awareness sessions and workshops
- Innovative messaging through desktop screensavers

7 Strategy and Resource Allocation

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

- A. **Financial Capital** - Pool of funds available for various products and services of the Bank
- B. **Human Capital** - Competencies, capabilities and experience of human resources and their ability to innovate.
- C. **Social and relationship Capital** - Institutions and relationships with the stakeholders
- D. **Natural Capital** - All renewable and non-renewable environmental resources and processes that provide goods and services that support past, current or future prosperity
- E. **Manufactured Capital** - Physical objects (buildings, equipment, infrastructure) available
- F. **Intellectual Capital** - Intellectual property such as trademarks, rights and licenses and organisational capital such as tacit knowledge, systems, procedures and protocols

7.1 Strategy

To ensure business continuity and enhance customer experience, your Bank has brought in necessary digital intervention and increased resource deployment, resulting in reduced turnaround- time (TAT) in the delivery of services.

Delighting Customers

Supported by technological upgradations, flexibility in operations, agility, and quick adaptation of business models to the evolving eco-system, the Bank continued to put customers at the heart of every strategy amid the pandemic.

With the ethos of "Aapka Bhala, Sabki Bhalai.", the Bank is committed to serving its customers with its diverse products and services. To provide a superior customer experience, the Bank extends round-the-clock uninterrupted service. FY 2020-21 brought with it the challenges associated with the pandemic and the changes in the operating environment that it forced. The sudden and stringent national lockdown presented itself as a significant challenge in running operations unhindered. The Bank's commitment to customers was furthered with the time setting up of remote services during the lockdown period. This was done by deploying rationalised resources (human and technological) throughout the lockdown period from remote working locations and branches and BUs. Under the gamut of Banking Operations, many verticals are working with agility and new verticals have also been created during this year aligned to Vision 2025.

Central Processing Unit

As your Bank expands its penetration and reaches across all the states and union territories of the country, two Regional Processing Units (RPU), one each in Kolkata and Indore, have been set up under the Central Processing Unit (CPU) for liability account opening and customer on-boarding and KYC verification. The efficiency of the liability on-boarding operations enables the Bank to maintain a low TAT in account opening. The Loan Processing Unit (LPU) monitors the onboarding and disbursement of all loan products, other than microloans and home loans. Numerous interventions during the year have helped improve the TAT, agility, effectiveness and compliance to regulations. Key among them are straight-through account opening by e-KYC/bio-metric authentication and queue prioritisation methodology based on customer segments and business requirements.

Phone Banking Units

The Bank's Phone Banking Units in Kolkata and Indore use an IT infrastructure that includes customer relationship management software, a call centre platform, a voice logger/ call recording system and computer telephone integration. On average, about 4,000 to 5,000 calls are managed in a day through the IVR and recorded-monitored call centres. The new CRM implementation has been done to provide the necessary tools for enhanced customer delivery. IVR options for setting of green PIN, card limits, the hot listing of cards, fund

transfer options, among others, have also been introduced for improved customer accessibility and experience through Phone banking.

Electronic Banking Operations

Disruptive technology enhancement with increased regulatory oversight to push new digital products is not only driving a convenient mode of making payments but also helping the Bank reduce the cost of operations associated with the processing of transactions, human capital, infrastructure etc.

Clearing Operations

The Bank has established a network of CTS cheque scanning centres, spread across the country. These are connected to two centralised CTS processing hubs at Kolkata and Indore, to ensure that cheques deposited for collection by customers are presented for clearing without delay. The Bank participates, both as a destination bank and as a sponsor bank, in the National Automated Clearing House (NACH), managed by NPCI. A dedicated centralised team manages the NACH operations from Kolkata with a backup centre in Indore. To attain a robust and scalable CTS operating eco-system for the Bank, many processes, infrastructural and digital improvements have been rolled out. Remote processing was implemented for continuity of CTS clearing operations during the period of lockdown due to the COVID-19 pandemic, ensuring uninterrupted customer service. Improved due diligence for inward clearing through outbound calling for high-value cheques, Positive Pay System (PPS), reconfirming key details of cheques (cheque value >₹50,000) issued by customers - enabled in the internet banking platform, process and structural changes to make a shift arrangement for separation of inward and outward clearing processing, and improved clearing services are also being envisaged.

Micro Banking Operations

With Emerging Entrepreneurs Business as an important segment of growth for your Bank, extending operational support to the individual Banking units seamlessly became even more critical during the pandemic. In this period, the Bank further accelerated the implementation of its innovative measures to enable the banking units to effectively serve micro banking customers with minimum hindrances, in a compliant, efficient and cost-effective manner. To support and cater to the day-to-day operations of the Banking Units, an MBOPS team is centrally operational in the Bank. For ensuring business expansion, the vertical implemented key transformations, like digital preservation of operational control communication documents, the introduction of the new system and product support team for resolution of issues of Banking Units, flexible and shift wise staff, and resource deployments.

Cash Management

The Bank has a unique business model that makes it vital to ensure the availability of adequate cash to meet all payment obligations – in branches and banking units and through ATMs, and excess cash is promptly transferred to avoid accumulation. Internal guidelines have been framed for cash handling, including verification, sorting, storing and transportation. The regional and central operations teams monitor the reconciliation of all current accounts maintained with other banks. The Bank has received approval from the RBI to open currency chests in Patna, Guwahati and Kolkata. The process is underway to make them operational. The establishment of currency chests will ease the cash management process for the Bank and will reduce dependency on other banks for procurement and disposal of cash.

Corporate Banking Operations

The Bank's Corporate Banking Operations cater to Loan Delivery, Trade Finance Operations and Loan Monitoring Management for all its commercial banking segments. Bandhan Bank has established a vertical under banking operations to ensure efficacy and control, along with compliance in its SME, Corporate and Institutional Lending segment portfolio. In line with its transformation journey, the Bank continues to explore major geographies. It aims to achieve a strategically high-value proposition by building a robust loan portfolio. The Bank's corporate banking operations are spread across 6 major metros - Kolkata, Delhi, Mumbai, Pune, Hyderabad, Ahmedabad, and two major cities - Indore and Chandigarh. Loan delivery and oversight, along with documentation and

security creation, is handled through these 8 centres on-site, and across all the operational branches of the Bank, linked for the off-site mechanism to these centres. The team has undertaken major product developments and system changes, such as:

- Trade Finance (inland) process and system development
- Corporate Loan Origination and Management system (under implementation)
- Centralised limit monitoring
- Regulatory reporting of advances Forex Operations

The Bank had introduced foreign exchange business for its resident and non-resident individuals in the year 2017, along with inter-bank transactions on behalf of the Treasury department. Later, in view of the increasing volumes of Forex business, a separate vertical, i.e. Forex & Trade Operations (FTO), was established in 2019 to serve customers more effectively. The Bank currently deals in three foreign currencies, i.e. USD, GBP & EUR, with five correspondent Nostro banks. The major transformations and improvements that have been brought in, to ensure compliant and customer-centric operations under the Forex vertical, are:

- Automation of transactions processing, with the interfacing of treasury and CBS platforms
- SWIFT module re-alignment in CBS interface to enhance regulatory compliance and improve TAT
- Straight-through and online platform processing module under development for A2 remittances; Other Forex services for SME/ Corporate customers also under development to expand the product portfolio

Stressed Assets Management and Recovery Vertical

The Bank initiated another important step towards improved portfolio health and profitable Loan Book during the year, by opening a new vertical in the form of the Stressed Assets Management Recovery vertical. Currently, this vertical is striving to implement a better and efficient recovery ecosystem across the general banking loan portfolio of the Bank. This vertical is going to play a key role in times to come, especially in the wake of the current downturn in the economy, which may lead to higher delinquency in the Banking Industry.

Customer Experience and Grievance Redressal

The rights of the customers, the commitment of the Bank, and the framework for customer service and grievance redressal are all well formulated and documented in various internal policies of the Bank. The Bank has a grievance redressal policy, duly approved by its Board, available in the public domain for ready reference of the customers. The Bank has constituted three committees at different levels to monitor customer service, viz. Branch level Customer Service Committees, Standing Committee on Customer Service, and Customer Service Committee of the Board. The Bank has an internal ombudsman to ensure that all complaints that are rejected or partially accepted are examined by the Internal Ombudsman before being referred back to the customer, so that escalation of grievances to the Banking Ombudsman is minimised. The Bank practises the concept of “First Contact Resolution”, to provide a prompt and satisfactory resolution of customer grievances at their first contact point itself. The Bank has provided multiple channels to its customers to share feedback on its services, as well as register their grievances. The dedicated central team oversees the resolution of customer grievances received through various channels. Overall, the Bank has been able to establish key operational standards that enable it to manage the operational risk and run the operations smoothly, in a compliant manner, to accomplish desired business growth. The Bank has a well-defined and tested Business Continuity Plan (BCP) for all critical operational processes.

7.2 Deployment of Capital and value created

Capitals Deployed	Value Driving Focus	Key Business and Non-Business Activities of the Bank	Associated Risks and Opportunities	Key Outcomes derived from the Deployment of Capital
Financial Capital <ul style="list-style-type: none"> Capital – Rs. 16,10,59,92,010 Reserves and Surplus – Rs. 1,57,97,58,44,693 Deposits – Rs. 7,79,72,22,48,413 Borrowings – 1,69,60,35,71,897 	<ul style="list-style-type: none"> Maintain a strong capital base by growing focus on retails deposits and high-value accounts Keep NPAs within the acceptable parameters Improving net interest margins Diversification of asset portfolio with modern underwriting and collection capabilities. Strengthening people capabilities, including by hiring fresh talent, for growth. Development of in-house technology, analytics and digital capabilities. Improving CASA ratio, ROAA and ROAE by developing deeper customer engagement leveraging digital and analytics. Given the huge untapped opportunity in the micro-finance industry in India, the bank in the medium term will continue to expand its current geographic reach and increase its presence in underbanked areas across the country The bank will leverage its microloan experience and upgrade its top-bracket micro banking customers to provide them individual loans. The bank will also utilize the skills and expertise of GRUH Finance to penetrate strongly in the affordable housing segment. 	B. Asset Business <ul style="list-style-type: none"> Priority Sector Lending and Investment – As against the mandate of 40% the bank has 59.4% of PSLC. EEB <ul style="list-style-type: none"> a. Group Loans <ul style="list-style-type: none"> i. Micro Loan <ul style="list-style-type: none"> Suchana Loan Srishti Loan Su Briddhi ii. Micro Customer Loan <ul style="list-style-type: none"> Suraksha Loan Susiksha Loan b. Individual Loans <ul style="list-style-type: none"> i. Individual Business Loans ii. Micro Home Loans Small Enterprise Loan (SEL) Small and Medium Enterprise Loan (SME) including NBFCs Retail Assets Agri-Business 	<ul style="list-style-type: none"> The slowdown of the economic growth due to the impact of the COVID-19 outbreak has resulted in the declaration of moratorium by the RBI and it witnessed the spike in NPA (Gross NPA is at 6.8% & Net NPA is at 3.5%) and it accelerated technical write off of ₹19.3 bn during the quarter to strengthen the balance sheet. loan book grew 21.2% YoY Deposits grew by 36.6% YoY in Q4 FY 20-21; Retail Deposit to Total Deposit at 78.8% Added 0.52 million Customers during the quarter with a total customer base reaching 23.0 million (EEB- 17.5 million, Non-EEB – 5.5 million) Bank's core geographies - eastern and north-eastern region are relatively less impacted by COVID-19 Deep penetration in tier 3-6 locations gives the bank a competitive advantage 	Financial Performance <ul style="list-style-type: none"> Total Deposits – Rs. 77,972.22 Cr. Total Advances – Rs. 81,612.88 Cr. Net Interest Income – Rs. 7,563.35 Cr. Non-Interest Income – Rs. 2,109.06 Cr. PAT – Rs. 2,205.46 Cr. Market Capitalisation – 51058.21 Cr. Contribution to Exchequer (All Taxes) – Rs. 743.20 Crore

	<ul style="list-style-type: none"> The MSME segment is expected to contribute highly to the growth story with rising demand from the diverse business entities in the country. the bank will continue to engage with the community through strategic interventions aimed at contributing to society. 	<ul style="list-style-type: none"> Co-Branded Credit Cards Government Schemes <ol style="list-style-type: none"> Atal Pension Yojna NPS Lite Swavalamban scheme of PFRDA Merchant acquiring Business Digital Banking 	<p>as the majority of the portfolio is rural and semi-urban</p> <ul style="list-style-type: none"> Historically, microloan portfolio has shown higher resilience during the crisis and the bank outperforms largely due to higher customer vintage, loyalty and strong connect and was not impacted during the industry crisis caused due by market disruptions like demonetisation, the introduction of GST, farmer loan waiver, cyclone Fani in Odisha, civil unrest in Assam Cyber Security risks are relatively lower and technology disruption and less significant in the rural and semi-urban area New products for the MSME sector 	
<p>Human Capital</p> <ul style="list-style-type: none"> 39,906 Direct Employees 1,30,384 person-days of formal training 	<ul style="list-style-type: none"> Steady talent induction for creating a steady talent pool for succession and growth- the Bank remained the fastest growing employer in the Banking sector Sensitive Performance Management System and competency-based promotion process to nurture identified talent Structural adjustment in cost to reduce employee share to the total cost 	<ul style="list-style-type: none"> Creating a trained pool of resources Bank's learning and development Programmes Through its eleven residential training centres across the country, and a wide range of training programmes, the Bank has provided training to employees across departments and functions, to build their 	<ul style="list-style-type: none"> To fulfil the need gaps created in the talent required versus talent available, the Bank adopted a fine mix of lateral hiring and upskilling of existing employees. Led by its strong customer orientation, your Bank designed people-centric processes and systems to further augment 	<p>Human Resource Development</p> <ul style="list-style-type: none"> During the year, the Bank hired and inducted 17,549 new employees, The journey of more than five years of Bandhan Bank witnessed a quick scaling up of its workforce from 13,000 during its commissioning in 2015-16 to 49,300 as of March 31, 2021. 1,02,500 employee man-days invested in upskilling and reskilling of employees

	<ul style="list-style-type: none"> • Empowering senior and middle management • Massive reskilling • Employee engagement activities and incentive programme helps stimulate young professionals 	<p>professional competence and improve their skill sets,</p>	<p>its exemplary employee value proposition of retaining and attracting talent. It is because of the efforts of the employee force that the Bank was able to grow at an aggressive pace.</p> <ul style="list-style-type: none"> • Attracting and retaining the best talent given the multitude of options available to skilled professionals • Ensuring harmonious employee relations to enable smooth functioning and productivity enhancement • As the Bank's fundamentals remained strong there was no lay-offs or salary cuts because of COVID-19 fallouts 	<p>in functional, regulatory, and behavioural areas.</p> <ul style="list-style-type: none"> • 83% of the employees underwent at least 1 training programme. • To nurture the next generation of bankers capable of meeting the banking needs of new India in general and Bandhan Bank in particular, the Bank has partnered with Maulana Abul Kalam Azad University of Technology (MAKAUT) – West Bengal, to offer a Post Graduate Diploma in Banking and Finance. The collaboration with the university will help attract young talent in search of a career in banking with a university certification
<p>Intellectual Capital</p> <ul style="list-style-type: none"> • The intellectual capital constitutes the adoption of the information technology platforms, analytics, knowledge and expertise embedded in the system and processes and brand equity. 			<ul style="list-style-type: none"> • Innovation in mobile banking and digital payment will continue to outperform the banking sector and popularise payment systems outside the formal banking 	<p>Intellectual</p> <ul style="list-style-type: none"> • The accessibility to borrowers through its hi-touch and hi-tech business model gives the Bank a market edge. • Hand-held devices that have data connectivity and provide basic banking transactions including account information, deposits, withdrawal and loan repayments on the go on a real-time basis.

				<ul style="list-style-type: none"> • Strong customer relationships have made the Bank a differentiated player today. • Internet Banking and Mobile Banking – mBandhan App meets the daily banking need of a customer with easy to use interface. • Instant digital payment through Bhim Bandhan UPI App • The Bank introduced the tab-banking facility for its micro banking customers, which helps accelerate the account opening process and cut down on the overall turnaround time of onboarding a new customer. This process eases paperwork on documentation, reduces cost, minimises human error and gives the flexibility of serving customers beyond bank branches.
Social and Relationship Capital <ul style="list-style-type: none"> • CSR Expenditure – Rs. 54.17 Cr. 		Corporate Social Responsibility <ul style="list-style-type: none"> • Targeting the Hard-Core Poor • Health, Nutrition, Drinking Water and Sanitation • Education • Support to Person with Disabilities • Skill Development • Water Conservation • Afforestation 	<ul style="list-style-type: none"> • Large unserved areas possess the potential for growth 	Social and Relationship <ul style="list-style-type: none"> • 94,110 ultra-poor women moved out of poverty through THP Programme • 16,76,729 women covered under a preventive health programme • 1,38,395 children provided education support • 36,902 youths skilled for jobs in the organised sector • 23 million customer base
Manufactured Capital <ul style="list-style-type: none"> • Corporate and Regional Offices 				Manufactured

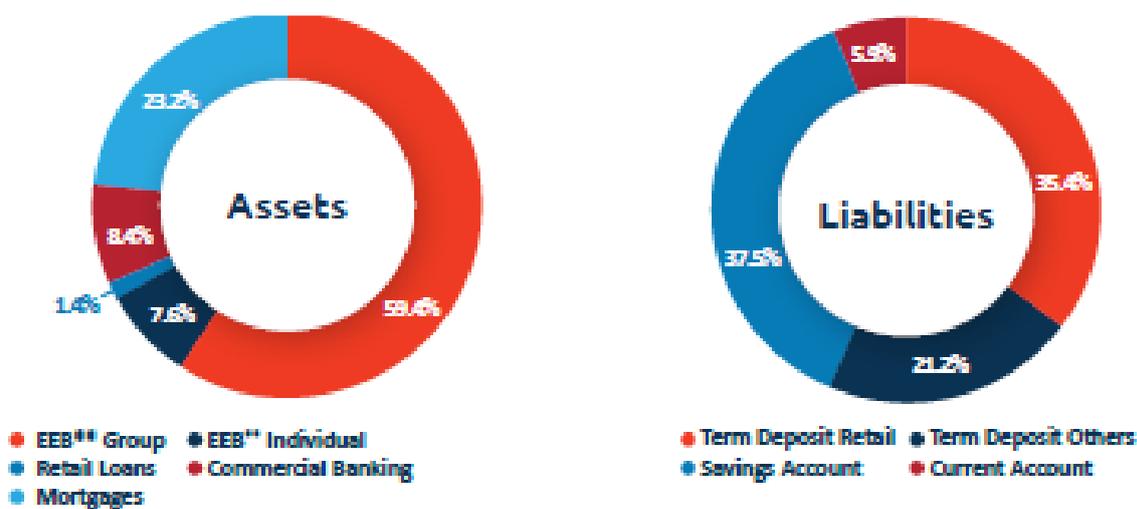
<ul style="list-style-type: none"> • Branches - 1147 • Banking units - 4163 • ATMs - 487 • Fixed Assets – Rs. 4,86,71,20,768 				
<p>Natural Capital</p> <ul style="list-style-type: none"> • The natural capital constitutes the natural resources consumed by the Bank to conduct its businesses and deliver products and services. Energy consumption, carbon emissions, paper consumption and waste management impact this capital. 				<p>Natural</p> <ul style="list-style-type: none"> • The Bank Head Office, Regional offices and Branches are fitted with energy-efficient lightings systems • HO located in Gold Standard Green Building • Mangrove plantation of 67,540 saplings was carried out in 20 Hectares • 4,400 Tonnes Carbon sequestration • 120,000 kilolitres of rainwater harvesting potential created

8 Performance

8.1 Financial Capital

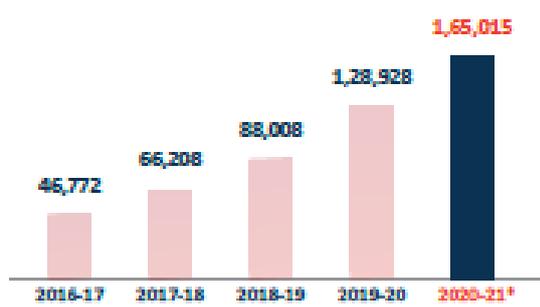
In a transformation mode since the Bank scaled up business as a universal banking entity in 2015, it has made significant progress across the key metrics of growth. As it prepares to leap into the next phase of its transformation agenda, here is a look at its Key Performance Indicators (KPIs) of the past 5 years.

Business Mix:



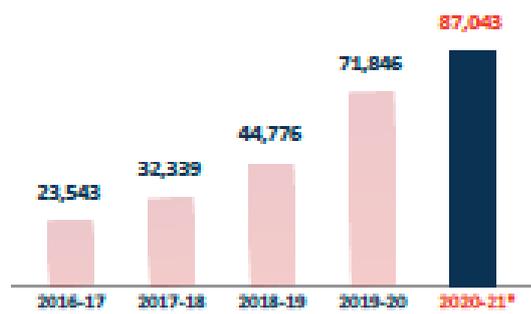
Total Business

(₹ in crore)



Advances

(₹ in crore)

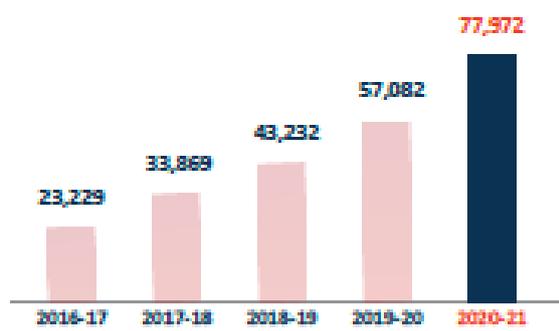


*(TLTRO amount ₹ 409 crore included in FY 2020-21 Advance)

**EEB - Emerging Entrepreneurs Business

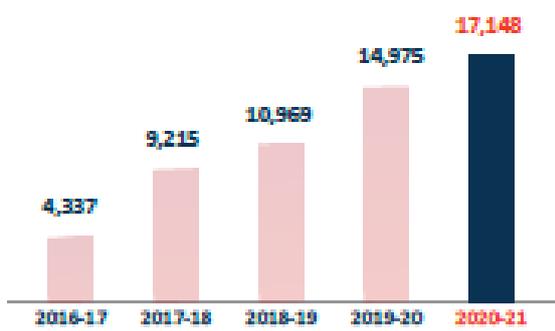
Deposits

(₹ in crore)



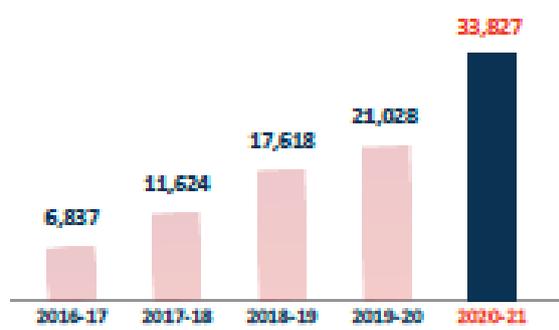
Net Worth

(₹ in crore)



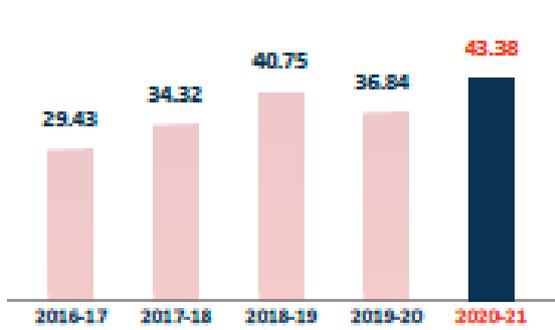
CASA

(₹ in crore)



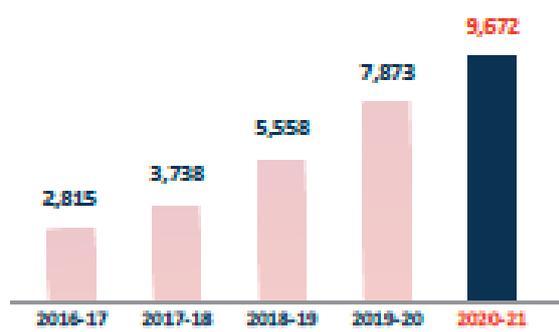
CASA Ratio

(%)



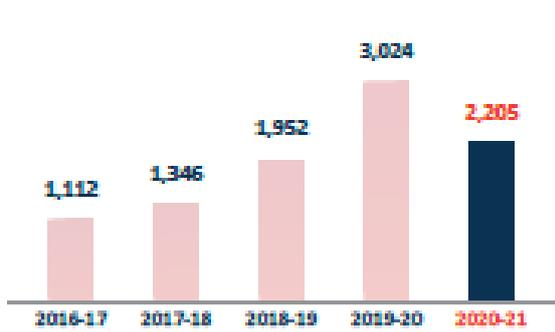
Total Income (Net)

(₹ in crore)

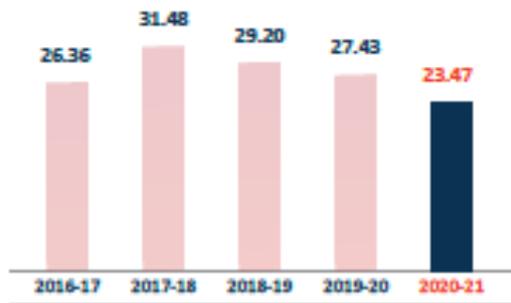


Profit After Tax

(₹ in crore)



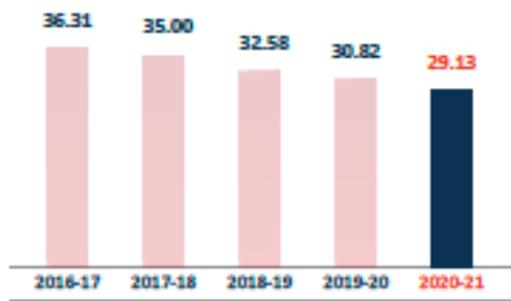
Capital Adequacy Ratio (%)



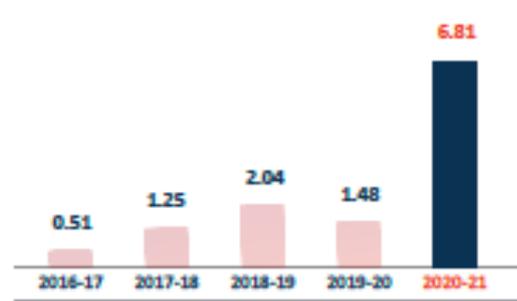
Net Interest Margin (%)



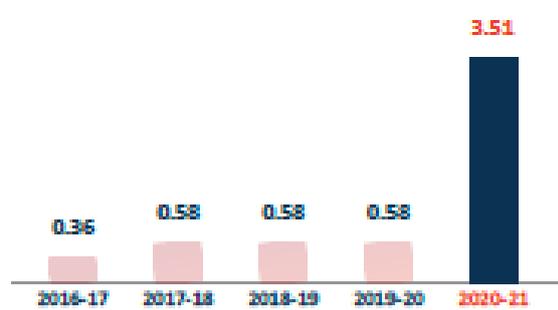
Cost to Income Ratio (%)



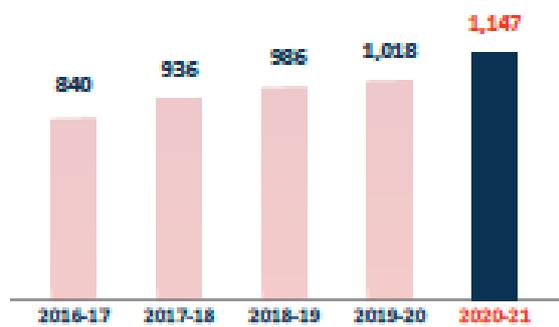
Gross NPA (%)



Net NPA (%)



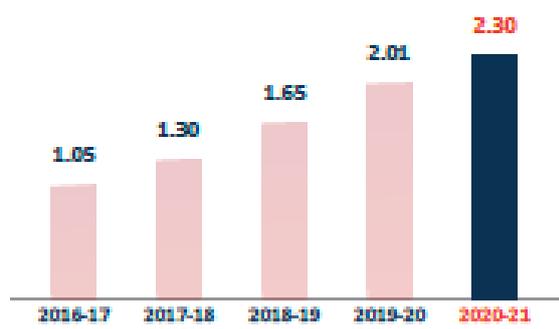
Branches



Banking Units



Customers (in crore)



8.2 Intellectual Capital

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

8.2.1 IT Transformation

IT is the backbone of any successfully scaling enterprise and your Bank has always enjoyed a robust IT backend. Technology is changing rapidly and the Bank is committed to keep pace with this change and benefit from emerging trends in this space. One of the key IT transformation decisions taken by the Bank in FY 2020-21 has been to build an in-house IT Ecosystem - infrastructure, network, applications, data and security. To enable this, the Bank has already started building the backbone of the modern architecture that will enable the scalability, performance, flexibility and agility needs of your Bank. Additionally, the Bank has already embarked upon setting up Enterprise Data Lake to harness the power of data to serve our customers better through hyper-personalised and contextually relevant offerings. Finally, the Bank has also invested in refreshing the application stack and is scaling up its infrastructure to support current and future scale. To ensure the delivery of the ambitious IT transformation agenda, the Bank has also been hiring competent resources across levels to address the skill gaps.

Bandhan Bank has been continuously investing in technology to provide a robust, secure and seamless experience to customers. Last year has been an inflexion point, with the usage of digital channels becoming ubiquitous and thus putting onerous thrust on technology to support scale, performance and agility to deliver digital propositions. Your Bank has been at the forefront of this transformation, investing in multiple areas keeping in view the long-term perspective of making the Bank future-ready:

1. Modernisation of architecture and APIs through micro-services
2. Refreshing of the application stack
3. Data lake and analytics capability
4. Exploring emerging technologies

The Bank is investing in all the above areas, with the end objective of driving transformation that will support the growth ambitions and deliver superior value, as well as experience to the end customers.

For details kindly refer to the IT Transformation section of the Annual Report 2021.

8.2.2 Digital Banking Transformation

From automation to analytics, and from the ease of customer transactions to safe digital payment modes, your Bank launched several new initiatives during the year, while augmenting the scale of its existing tools and applications to ensure seamless banking services amid the pandemic. The Bank has the vision to deliver the one-stop platform for hyper-personalised and relevant omnichannel banking experiences across the customer lifecycle. The Bank's ability to cater to the 360-degree banking needs of customers in an omnichannel manner, through both **hi-touch and hi-tech** modes using its robust and secure digital channels, is one of the key imperatives of its long-term sustainable growth. Bandhan Bank's Digital 2.0 will be simple, smart, seamless and secure. The Bank continues to invest significantly in upgrading its technology and data analytics to enhance digital propositions for better customer value and experience, and improved operational efficiency.

In line with Vision 2025, Digital Banking will deliver a one-stop platform for hyper-personalised and relevant omnichannel banking experiences across the customer lifecycle. To enable the same, your Bank launched a new platform for digital account opening in a completely paperless and contactless mode – Neo+ Digital Savings Account. The Bank has made significant efforts in the year in review to improve Digital Banking and Payments experience and invested in a new state-of-the-art Digital Banking solution and implementation efforts are already underway to deliver next-generation functionalities and cutting edge experience. The Bank has also launched a new contemporary website reflecting the transformation journey underway at the Bank. With a keen focus on bringing innovative propositions through digitalisation and operational efficiency through digitisation,

your Bank will continue to promote the culture of “Digital First” with enhancements in its product and service suite through digital channels.

For details please refer to the digital banking transformation section of the Annual Report 2021.

8.2.3 Business Transformation

The Bank has always looked at keeping the business verticals aligned to consumer demands and preferences. In the year in review, your Bank made decisive changes to key verticals to align them to Vision 2025. Along with this, the Bank also brought about changes in existing business verticals to prepare them for the future. All these changes are a part of the larger transformation agenda to enable portfolio and geographical diversification.

8.2.4 Emerging Entrepreneurs Business (EEB)

The Bank has been keenly focused on empowering women at the bottom of the pyramid with formal financial services and enabling them to become business owners. In this journey with them, the Bank realised the need to provide an entire bouquet of financial services to them aligned to their emergent aspirations, along with increasing ticket sizes of loans to support their business growth. To partner with the entrepreneurs holistically for their growth and aspirations, the EEB vertical was set up in September 2020. The Bank has also consciously focussed on migrating vintage customers to individual loans. In the EEB portfolio, close to 11.4% of loans were migrated to individual loans. With this, the contribution of individual loans in the total asset book stands at 7%. In the next two years, your Bank will endeavour to take individual loans to a substantial part of the EEB book in the states of West Bengal and Assam.

8.2.5 Retail Assets

As the Bank focuses on diversifying the asset book, it is strengthening various asset verticals. The home loan portfolio of your Bank is a high vintage secured book. Ever since the acquisition of the business, there has been a keen focus on leveraging the Bank’s strong distribution network for home loans. In the year in review, 29 additional bank branches were activated for home loans. The primary focus of your Bank will continue to be the affordable housing segment. The government’s vision of two crore housing units in the affordable segment has shown muted progress given the pandemic. Once we have businesses regain usual form, the demand for affordable housing is bound to pick up and your Bank is well positioned to serve the demand for loans for them.

The Bank already had a thriving gold loan portfolio, whereas the personal loan and two-wheeler loan portfolios were nascent. To consolidate the retail loans and to bring in a singular focus on the portfolio, your Bank created a Retail Assets vertical in August 2020, bringing together gold loans, personal loans and auto loans under one vertical. In just six months of the financial year, the contribution of retail assets to the total assets portfolio, on a growing portfolio, has increased by 40 bps.

Asset Quality: Your Bank has garnered a sizeable portfolio over the years and ensured portfolio quality by lending only to high-quality borrowers. In the current environment, your Bank will focus on consolidating and further improving portfolio quality through improved credit selection and strengthening the collection process. Your Bank is also working on building the teams with the right capacity and capabilities especially in the newly set-up verticals like Retail Assets, strengthening processes, risk management and technology and benchmarking competitively to price the credit. The Bank is building scorecards and algorithms to improve predictability, use alternate data sources and data science for better credit selection and portfolio monitoring, and offer digital collection options to supplement existing collection channels.

8.2.6 Commercial Banking

The Commercial Banking vertical is aimed at fulfilling the credit requirements of small entrepreneurs, SMEs, NBFCs (including MFIs) and mid-sized corporates. Your Bank aims at strengthening the vertical further and is already in the process of implementing Cash Management and Trade Services to expand the service offering to its clients. The Bank is committed to serving the needs of the MSME sector and views this as a major opportunity. In doing so, it will continue to evaluate opportunities and add products and services to its suite to ensure that the Bank fulfils the holistic need of the sector.

Despite the challenges on the ground, your Bank opened 751 new banking outlets of which 622 were banking units. Of these new banking units, only one was in the state of West Bengal; all others were in geographies outside of the East and North-East. Today, your Bank has a pan-India presence and caters to customers through its strong network of more than 5,300 banking outlets. The Bank is committed to diversifying its geographical presence further and acquires new customers pan-India. In terms of business growth as well, deposits grew 29% in the East and North- East whereas, for the rest of the country deposit growth was 48%.

8.2.7 Third-Party Products and Liabilities

The Bank has been able to garner a strong deposit base. With the right set of third party products like mutual funds and insurance, your Bank is already deepening its relationship with existing customers. The retail and granular deposit focus is a firm stance of the Bank, as it takes banking closer to those in the unbanked and the underbanked segments of the nation. In the years to come, your Bank will consolidate Current and Savings Account ('CASA') by developing deeper customer engagement leveraging digital and analytics.

8.2.8 Nurturing and strengthening customer bonds

The Bank has strong foundations of a robust and diverse product suite and a strong customer base. One of the key focus areas of the Bank would be on building more customer lifetime value. For this, the Bank will emphasise the entire customer journey from acquisition to retention to growth and finally, advocacy. The Bank will also put in place a robust digital marketing stack to ensure that customers are engaged and handheld through their journey with the Bank. More products per customer, more revenue per customer, migration of customers to Digital Banking self-service options and less churn will be the key results delivered. With the right usage of data combined with AI/ML, the entire customer journey will be mapped and optimised to drive higher loyalty and lifetime value.

8.3 Human Capital

The Bank has consistently invested in the empowerment of its employees through focussed investments in training and development, career progression, and performance management. These initiatives are driven by the overall aim of fostering a culture of meritocracy, to further sharpen the employee-customer interface, amid the fluidity in the external ecosystem of the country. The objective of these interventions is to encourage a culture of meritocracy, and ultimately to serve our customers better. The pandemic threw unforeseen challenges from an HR point of view. Not only was the function responsible for ensuring support to employees during the pandemic, but also ensuring that the necessary processes of training, performance management, hiring and on-boarding, among others, continued unhindered while adhering to the new norms of social interaction. The Bank sharpened its Human Resource (HR) focus further amid the COVID-19 pandemic, as it adapted rapidly to the new normal to ensure business continuity in these times of uncertainty. During these unprecedented times, the Bank saw an opportunity to hire talent, reskill and upskill its workforce, and speed up technology advancement and adoption to suitably support business growth.

The Bank hired and inducted 17,549 new employees during the year and crossed the milestone of 50,000 on-roll employees in early FY 2021-22. It has also onboarded senior members to drive growth and transformation in some of the key areas, in line with Vision 2025. Some of the prominent hiring in the year in the review were the Heads of EEB, Retail Assets, Marketing & Digital and IT & Operations. All of them come with robust experience in their respective domains and are geared to deliver the transformation agenda. Going ahead, the Bank's focus will be on growing human capital in line with business needs to scale up. With the other transformations, people transformation will also focus on building capacity, capability and the right culture at the Bank for achieving Vision 2025. With these four pillars of transformation working in a well-orchestrated manner and, support and control functions enabling this transformation, your Bank is confident of achieving its ambitious Vision 2025.

8.3.1 People Transformation

The journey of more than five years of Bandhan Bank witnessed a quick scaling up of its workforce from 13,000 to 49,300 as of March 31, 2021. It resulted in an exciting blend of the old and new, in a culture of values-driven growth, professionalism, and ethical governance. The already existing principles of working together towards a common purpose, for instance, collaboration, teamwork and result-focussed efforts were seamlessly adopted in the new form. To fulfil the need gaps created in the talent required versus talent available, the Bank adopted a fine mix of lateral hiring and upskilling of existing employees. Led by its strong customer orientation, your Bank designed people-centric processes and systems to further augment its exemplary employee value proposition of retaining and attracting talent. It is because of the efforts of the employee force that the Bank was able to grow at an aggressive pace.

Challenged by the scale and severity of the COVID -19 pandemic, the Bank moved with exceptional agility to respond to the crisis, with varied initiatives to ensure employee safety and protection. A Quick Response Team (QRT), comprising senior leaders of the organisation, was put in place to constantly monitor and guide the employees amid the pandemic. In addition to this, the Bank also took the following key initiatives:

- **“Bandhan Cares”** The Bank launched Virtual Medical Assistance for COVID-19 affected employees in-home quarantine. Medical safety kits, consisting of essential equipment, were provided, and the Bank also tied up with leading hospitals to extend home care facilities to such employees, who were remotely monitored by specialised doctors and medical staff for 14 days.
- **Group Mediclaim Policy** The Bank modified this policy, incorporating various measures related to COVID-19 measures, such as removal of capping on billing basis sum assured and inclusion of treatment expenses during home quarantine.

Being a part of essential services, your Bank was operational all through the pandemic while adhering to regulatory, government or local administration guidelines. To ensure that employees took adequate care, the Bank also ran a communication series to educate employees about best practices during the pandemic to keep themselves safe. These were put up on the Human Resource Management System (HRMS) and circulated via email and an e-booklet.

Digitising Employee Interface

As part of its employee value creation agenda, Bandhan Bank embarked upon a 360-degree change drive in HR functions, processes, and practices during the year. An e-HR approach was deployed to digitise the HR service delivery for a better employee experience. The integrated Human Resource Management System (HRMS) platform has made the entire scope of the Employee Life Cycle Management accessible to the employees on their own devices. The complete digitisation of the Talent Acquisition Module has been a major achievement in making the overall sourcing-to-onboarding process of the employees hassle-free, especially during pandemic times where social distancing is a must. With the incorporation of the grievance redressal mechanism into the HRMS, the employees have a one-stop solution for any queries or complaints.

From a control and governance perspective, Workline HRMS now acts as a repository with details of employees having Loan Sanctioning Power, Power of Attorney, Authorised Signatory and Token Holders, Designated Persons, Critical Application Holders, etc., thus helping in the overall management of employee separations, role changes and transfers.

8.3.2 Strategic Hiring

- IDENTIFY & HIRE senior team members with inherent competencies. During the year, the Bank hired across levels, with new top and senior-level executives bringing to the table the desired blend of competencies needed to lead the transformation.
- Formation of new business channels and strengthening of capabilities across departments and verticals was undertaken in line with vision 2025.
- To drive IT transformation, the Bank conducted an in-depth study, with an external partner, of the skills and capabilities needed to manage current and future responsibilities in IT. Through this, the Bank was able to identify and assess the skill gaps, and competency mapping was done for the entire IT team. The Bank's existing IT manpower analysis was aimed to create a planned, optimised, cost-effective hiring pipeline across various skills. It includes manpower hiring timelines and numbers that would support the Bank's current operations and transformation journey roadmap till February 2024

8.3.3 Driving a Culture of Performance

To build a culture of performance, in alignment with its overall vision, the Bank is continuously evolving its HR practices aimed at nurturing talent and powering growth. The Bank's focus is on building the right capabilities and capacities at all levels and hiring the right mix of people with relevant banking experience.

- DESIGN role elevation – to promote talent with the right set of competencies, as part of the performance management system. During this financial year, 1,450 employees were elevated across Branch Banking. The top-performing talent pool was picked through a structured process of psychometric assessment and interviews
- Role elevation, through the process the Bank has implemented, ensures the all-around evaluation of the candidate and also a determination of future capacity and capability, aligned to the manpower needs of the Bank.
- The process is aimed at strengthening the leadership pipeline that will drive Vision 2025.

To foster a strong performance-based culture, the Bank has adopted a well-structured Performance Management System (PMS), which helps the organisation align its mission, goals and objectives to the available resources. The Bank's promotion appraisal process covers three stages:

- Formal appraisal by supervisors
- Psychometric test
- Face-to-face interviews by relevant cross-functional panels

In its endeavour to augment the PMS process, the Bank:

- Has adopted an approach in its promotion evaluation process, where each eligible candidate, above a certain grade, appears for promotion interviews to determine if he/she is ready for the next level.

- Provide role change opportunities to employees, in line with the employee's and the organisation's growth plans.
- Has created a transparent and unbiased digitised system focussed on the employee's all-around assessment.

8.3.4 Capacity Building with Right Competency Mix

Your Bank's people philosophy is based on the belief that an organisation-wide transformation requires the right blend of competencies at all levels. The drivers of such capacity building include customer orientation, innovation, digitalisation, change management, strategic thinking and critical decision-making. Developing tailor-made, competency-mapped programmes for different sets of employees, based on their roles in the Bank. The Bank's strategy for building these capabilities encompasses the following:

- DEVELOP workforce to enhance skills and knowledge required to address the changing needs of customers and the market in the next 5 years.
- Strategic implementation of structured learning and development to get the workforce ready for the future.

Unlearn-Learn-Relearn-Repeat

Changing times demand agility in unlearning, learning and relearning. To keep pace with the demand for highly skilled workforce and to maintain its edge in the market, your Bank continued to focus on training and development of its employees even during the pandemic.

- Shifted quickly from classroom training to a virtual mode to sustain the learning momentum. All 11 training facilities across the country started delivering training programmes on virtual platforms to maintain training continuity as per the calendar for the year.
- 1,02,500 employee man-days invested in upskilling and reskilling of employees in functional, regulatory, and behavioural areas.
- 83% of the employees underwent at least 1 training programme.

Promoting new-age learning experience

The Bank upgraded its learning management systems to a new-age Learning Experience Platform, for providing an enhanced and fulfilling learning experience to its employees. With this platform, employees can learn through bite-sized lesson modules at their own pace, on the web and mobile devices. The platform will support new-gen features like gamified and simulated content, and will have the capability of classroom training management with real-time reports and analytics. Paper based L&D activities, such as attendance and feedback, will also get digitised.

The Bank is well placed to manage the demands and needs of human capital in its ambitious transformation journey. Through the optimum blend of training, upskilling, performance management and hiring, your Bank is geared to make human capital a critical advantage in its journey towards making Bandhan Bank a bank for all, big or small.

CREATING NEXT-GEN BANKERS

To nurture the next generation of bankers capable of meeting the banking needs of new India in general and Bandhan Bank in particular, the Bank has partnered with Maulana Abul Kalam Azad University of Technology (MAKAUT) – West Bengal, to offer a Post Graduate Diploma in Banking and Finance. The collaboration with the university will help attract young talent in search of a career in banking with a university certification. The one-year course aims to impart specialised knowledge in different domains across the banking and finance sector for inculcating an appropriate blend of knowledge and practical skills among students. It is divided into three semesters of four months each. The comprehensive programme has 21 core subjects to be taught over 12 months, including two-month project work in the third semester.

8.4 Social and relationship capital

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

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

8.4.1 Enhancing the Brand Experience

The Bank has been able to develop strong brand equity in the East and North East, thanks to its roots in this part of the country. The Bank has a pan-India presence today with branches and banking units in 34 of the 36 states and union territories. The Marketing strategy of the Bank is based on the following objectives:

1. Further strengthening the brand in its core markets
2. Driving brand recognition in other than the core markets
3. Engaging relevant audiences to drive familiarity with the brand
4. Engaging customers of the Bank to drive deeper relationships and loyalty
5. Delivering the right brand experience across touchpoints, and managing customer value across the lifecycle

The Bank's brand strategy is an exciting mix of the traditional and the new media, which it deploys to achieve the above objectives. The major marketing initiatives undertaken by the Bank during FY 2020-21 are as given below:

Foundation Day 2020

Bandhan Bank celebrates August 23 as its Foundation Day. It was on this day in 2015 that the Bank was inaugurated by the then Hon'ble Finance Minister of India, late Shri Arun Jaitley. The Foundation Day of 2020 was the fifth anniversary of your Bank. The Bank restated its commitment to small businesses by marking Foundation Day with a campaign pledging support for these businesses. A series of short films were created to showcase the Bank's resolution. These films were run on leading television channels and also on digital media. A print advertisement on Foundation Day, a radio engagement, and out-of-home media supported the campaign and helped it catch many eyeballs.

In line with its practice of organising the Anniversary Lecture by the Chief Guest on its Foundation Day every year, your Bank arranged an online lecture in 2020. The Chief Guest was the Chief Economic Advisor to the Government of India, and a former member of the Board of your Bank, Dr. K V Subramanian. The lecture was webcast live on a video streaming service and garnered more than 20,000 views.

Brand promotion campaigns

From time to time, to establish trust and confidence among the target audiences, your Bank runs multimedia campaigns. Among the prominent campaigns conducted during FY 2020-21 were those arranged to declare the quarterly results and the Bank's growth journey, as well as a campaign to urge viewers to practice safety measures to keep themselves and their loved ones safe during COVID-19 times.

Strengthening Digital Marketing

FY 2020-21 has been an eventful year in terms of digital marketing initiatives. Your Bank launched a revamped and modern website, designed to drive a better user experience. The website’s experience is in line with the Bank’s strategic priority of being a banker for the new Indian and emerging India.

The Bank also regularly maintains good traction with relevant audiences through trigger-based films that are run on social media. A prominent film during the year was the campaign on Women’s Day where the Bank, through the real-life stories of three women, established its commitment to women empowerment. The campaign received more than 10 lakh views on a prominent social media platform and more than 30 lakh views on a video streaming platform.

Continuing the legacy of creating firsts

A distinct initiative that was taken up during FY 2020-21, was the branding of Kolkata’s Salt Lake Sector V Metro station, located close to the Bank’s headquarters. This location is a commercial hub, with IT parks, various corporate offices and education centres. The location enjoys a heavy footfall of youth and young professionals. This is the first instance of the Indian Railways entering a branding arrangement for a station it operates. The station is now called ‘Bandhan Bank Salt Lake Sector V Metro Station’.

Augmenting connect with customers

Your Bank runs various communication drives for its existing customers. These include safe banking awareness, product launches, drives to push digital adoption, among others. Going forward, your Bank will focus on strengthening its digital marketing capabilities by investing in requisite talent, besides the necessary tools and technology. This will help in building acquisition, engagement, retention and growth metrics for the Bank. Your Bank will also focus on engagement with customers through a planned approach towards Customer Life Cycle Management. With the right building blocks in place, your Bank will reach out to customers in a hyper-personalised and contextualised manner, to keep the Bank in the customer’s consideration set for all banking products.

8.4.2 Corporate Social Responsibility

Linkages to Sustainable Development Goals



Targeting the Hard-Core Poor Programme

During the financial year under review, the Bank has contributed ₹18.20 crore towards the THP programme – the flagship programme of Bandhan Konnagar, an organisation registered under the Societies of West Bengal Registration Act XXVI of 1961, Implementing Agency. The programme is designed for the ultra-poor women-headed households, providing them with a range of lucrative micro-enterprises (in the form of the farm, non-farm and mixed assets, non-cash) along with handholding support and training on confidence building, enterprise skills, consumer interaction, marketing and financial skills. They are also provided with sustenance allowance to meet their daily needs till they start generating substantial income from the assets provided. In 18 to 24 months, these ultra-poor women start graduating, uplifting themselves from extreme poverty¹ and get linked to mainstream society². During the financial year under review, 27,444 ultra-poor women were provided farm-based, non-farm and mixed assets to sustain their livelihoods. These women belonged to 133 locations under your Bank’s catchment area spread across 18 districts of Assam, Jharkhand, Madhya Pradesh, Odisha and West Bengal.

A long term study done by the Nobel Laureate, Dr. Abhijit Banerjee et.al.³, based on Randomised Control Trials (‘RCT’) method, suggests that in seven years after the assets were first distributed, livestock revenue, income from non-agricultural entrepreneurial activities and daily wage income was 286 per cent., 100 per cent. and 25 per cent., respectively, higher in the treatment group as compared to the control group mean, and it was not because of more working hours, but because the income per hour went up and they diversified their businesses and invested part of the gains from livestock into other activities.

The monthly consumption of those assigned to treatment increased by 25 per cent. as compared to the consumption of those assigned to control, which increased by 12 per cent. And the amount deposited in the savings account by the beneficiaries was more than doubled as compared to the control group. There was also an increase in formal borrowings. The study also highlights the positive effects across all categories of outcomes. Compared to non-beneficiaries, the beneficiaries’ households of the programme have more assets, food security is higher, earn more, and are financially better off. The results for the adult-level indexed variables of the study indicated that the individuals are healthier, happier and less stressed. Furthermore, the effects (except for productive assets) almost always grows over time, suggesting that the programme may have put beneficiaries’ household on a different trajectory.

Health, Nutrition, Drinking Water and Sanitation

During the financial year under review, the Bank has contributed ₹15.67 crore towards seven health programmes of five PIAs covering 35 districts in nine states of India.

Health

The Bank contributed towards creating health and hygiene-related awareness and behaviour change through a network of 3,440 village-level female health volunteers known as “Swasthiya Sahayikas” who reached out to 1,37,854 pregnant women and lactating mothers. The Swasthiya Sahayikas held 48,234 health awareness forums. These sessions were attended by 2,36,063 female participants belonging to the reproductive age group. The Swasthiya Sahayikas made 1,92,830 home visits to follow up on the health status of pregnant women, lactating mothers and children below five years and have taken 373 pregnant women for institutional deliveries during emergencies or in case of absence of any family members and referred 3,203 women for ante-natal check-ups (‘ANC’) and institutional deliveries in 457 healthcare centres. The Swasthiya Sahayikas of the health programme inducted menstrual hygiene behaviour change communication amongst the women especially the adolescent girls and infant-care behaviours to the pregnant women and lactating mothers. They provided

¹ Poverty Line benchmarked accordingly to the Suresh Tendulkar’s Committee Poverty Lines per capita monthly expenditure, 2011-12, Niti Aayog, Government of India.

² India SDG Index Score for Goal 1 – No Poverty; Goal 2 – Zero Hunger and SGD 5 – Gender Equality

³ Abhijit Banerjee, Esther Duflo, Raghavendra Chattopadhyay and Jeremy Shaprio (2016). The Long Term Impacts of a “Graduation” Program: Evidence from West Bengal. Working Paper, September, 2016. J-PAL, MIT, Cambridge, Massachusetts. USA.

3,08,179 sanitary pads during door-to-door visits and have also started to supply infant diapers, soaps, hand sanitisers, moisturisers, etc.

These efforts resulted in improving the institutional deliveries to 90.25 per cent. compared to the national average of 78.90 per cent.⁴ and complete ANC to 91 per cent. compared to the national average of 51.20 per cent⁴. A study conducted by Grameen Foundation and Freedom from Hunger India Trust from 2016 to 2018⁵, concluded that the programme has a visible positive impact amongst the participants of the health awareness programme on the level of awareness and health-related behaviour between and end-line, from <10 per cent to > 90 per cent of women know about Mother and Child Health ('MCH') and from 20 per cent to 80 per cent of adolescent girls managing menstrual complications.

Healthcare

During the financial year under review, apart from the public health programme, 76,945 patients were provided treatment for various diseases like cataracts, hypertension, diabetes, cough and cold, etc., in three districts of four states of India through PIAs, taking the total to 2,47,602 patients.

Nutrition

During the financial year under review, 2,13,440 children, under the age of five years, were enrolled in the nutrition initiatives, of which 2,910 children were identified with severe acute malnutrition ('SAM') and were supported for nutrition rehabilitation, whereas 13,060 children were found with moderate acute malnutrition ('MAM') and were provided with nutritional supplements including support for a nutritional garden. 94 per cent. of the children, over 24 months completed their primary immunisation and 83.25 per cent. (National Average of 54.90 per cent⁴.) of children from 0- 6 months were exclusively breastfed.

To provide round the year nutrition support, 27,444 households were provided planting materials of fruits and vegetables for setting up their nutrition gardens. These nutrition gardens helped families, especially women and children to consume pesticide-free fresh fruits and vegetables round the year. This initiative has helped in reducing the protein-energy malnutrition ('PEM') amongst the children who are less than five years of age and is evident from the fact that wasting by children under-five has gone down to 9 per cent. as against the national average of 35.7 per cent⁴ The awareness regarding a balanced and adequate diet during pregnancy coupled with the availability of fruits and vegetables from the nutrition garden resulted in reducing the low birth weight incidences to a mere 2 per cent. of the live births as compared to the national average of 18.2 per cent⁴ live births being under 2.5 kilograms.

Drinking-Water

During the financial year under review, 49 community-level reverse osmosis water treatment plants were set up, which provided 14,752 kilolitres of purified safe drinking water to 33,749 households.

Sanitation

The Bank has contributed towards developing the community-led sanitation and school sanitation programme by two PIAs covering three districts in three states of India. The initiatives helped in improving the sanitation infrastructure of 502 households, 19 government schools, which included separate toilets for boys and girls using child-friendly engineering, RO drinking water stations, mid-day meal platform with shades, dishwashing stations, roof rainwater harvesting system, etc. The programme induced behavioural change amongst the school teachers and children through classroom sessions and demonstrations regarding sanitation and personal hygiene

⁴ National Family Health Survey (NFHS-4) 2015-16. International Institute for population sciences Deonan, Mumbai. <http://rchiips.org/nfhs/NFHS-4Reports/India.pdf>

⁵ Alison Burgon Bardsley, Bobbi Gray, Cassie Chandler, and Sabina Rogers (2018). Maa Aur Shishu Swasthya (MASS) Mother and Child Health Program, 2015-2018. Final Project Report. December 2018. Grameen Foundation and Freedom from Hunger India Trust. https://grameenfoundation.org/documents/MASS_Final_Evaluation_Report_2018_Final.pdf

including hand-washing using soaps after using toilets, before and after a meal, before holding infants, after arriving, after playing outdoors, after playing with animals, after coughing, sneezing or blowing one's nose, cleaning toilets, flushing toilets after use, using sanitary pads for menstrual hygiene, etc. The programme also supported monitoring of the operation and maintenance of the facilities created.

Education

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

The Bank contributed ₹14.80 crore towards the education programme by three PIAs benefiting 69,812 marginalised children in 33 districts of six states of India.

Support to Person with Disabilities

In line with the commitment to inclusive growth, the Bank has contributed ₹38.85 lakh to the initiatives of four PIAs who are dedicated to providing equal opportunities and a conducive environment to persons with disabilities ('PwD'). During the financial year under review, the initiatives have supported 732 PwDs in three districts of three states of India.

Skill Development

Skill development initiatives, supported by the Bank, provide market-linked and job-ready employable skills to the youths from the marginalised sections of the society in various domains. This initiative not only provides on-the-job training, and job placement facilitation in the organised sector but also a follow-up of the placements so that the youths are settled in their job post-training. During the financial year under review, the Bank contributed ₹4.89 crore toward the skill development initiatives of four PIAs in 17 districts of nine states of India. These PIAs operated 20 training centres in domains like Warehousing and Logistics, Retail and Customer Care, Sales and Marketing, ITeS and BPO, Refrigeration and Air Conditioning, Computer Accounting, Hardware and Networking, BFSI, Tailoring, Mason, Electrical, GDA (Nursing), Manual Metal Arc Welding, Fitter Fabrication, Security Guard and Driving. During the financial year under review, 3,123 youths were trained, of which nearly 80 per cent. were placed with net salary ranging from ₹6,500 to ₹12,000 plus other performance-based allowances and social security benefits like Provident Fund (PF) and Employee State Insurance (ESI).

8.5 Natural Capital

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

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

Water Conservation

The water conservation initiative, supported by your Bank, aims at water security and drought-proofing to some of the high moisture stressed regions of India, thereby providing a safety net to agriculture and livestock-based livelihoods. The initiatives facilitate participatory watershed management by empowering the communities to participate in the planning and implementation of local water resource development. Measures such as building,

reviving and maintaining water-harvesting structures, prioritisation and judicious use of water for every community member, crop planning and water-efficient farming, use of drought-resistant varieties, cultivation of high-value crop requiring less water, etc., creates a multiplier effect in drought-proofing and climate change adaptation measures and higher income generation. The programme has supported the construction of 23 water-harvesting structures with a storage capacity of over 120,000 kilolitres of water in two states, which not only provided drinking water to over 1,500 families but also supported participatory irrigation of various crops and helped in generating an income of more than ₹123 lakh.

Afforestation

The afforestation initiatives, supported by your Bank, have contributed towards the project on establishing “Bio-shield” to save the mangroves in the Bharuch district of Gujarat. Mangrove plantation of 67,540 saplings was carried out in 20 Hectares in a stretch of one kilometre of coastline along with plantation of other medicinal plant species and fodder species, sequestering over 4,400 tonnes of CO₂ annually. The fodder bank was created to offset the biotic pressure from the mangrove area. The project created 4,629 person-days of employment and benefited 9,123 beneficiaries with additional income generating avenues from fodder and medicinal plants harvesting.