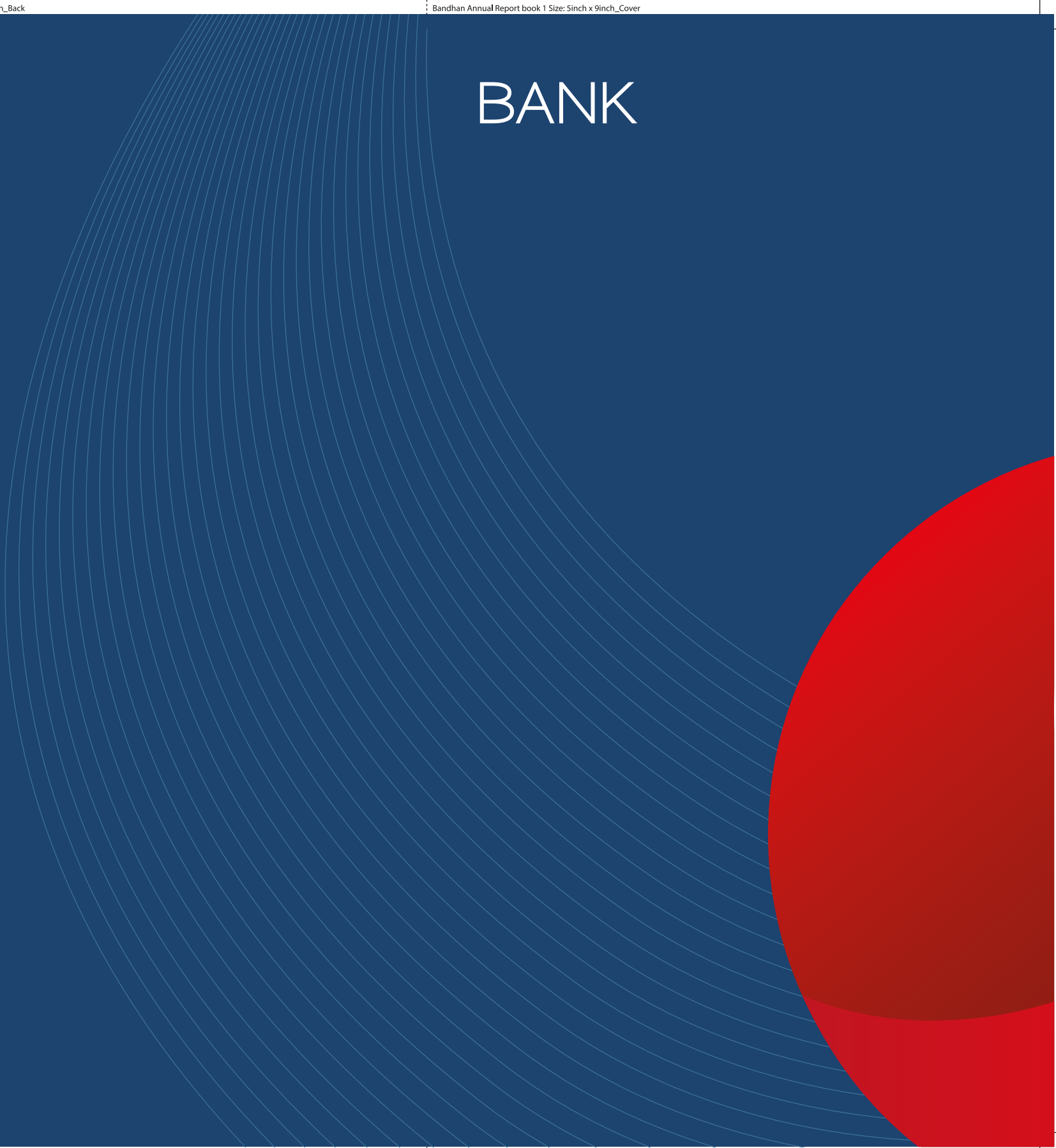


# BANK



## Message from the Chairman



Welcome to the first Annual General Report of Bandhan Bank. I, as Chairman, am privileged to deliver the first message in this first report.

Financial inclusion is an objective high on the socio-economic agenda of almost every developing country in the world. Microfinance – the provision of financial services to low income, poor and very poor self-employed people – is a widely recognized vehicle for such inclusion. Various banks across the world have been trying to get into microfinance, in what may be termed a top-down approach. Bandhan Bank is the first attempt with a bottom-up approach in India – the conversion of a microfinance institution into a universal bank.

The launch of this first-ever bottom-up approach in India happened on August 23, 2015, when the entire microfinance business of Bandhan Financial Services Limited (BFSL) was transferred to Bandhan Bank, and the operations of Bandhan Bank was launched by Hon'ble Finance Minister Arun Jaitley.

The Bank started with 501 bank branches spreading all over India and 2200 Doorstep Service Centres. The organizational channels of BFSL for delivery of financial services to the poor and under-privileged, and BFSL's experienced professionals under the leadership of Chandra Shekhar Ghosh, founder of the BFSL, who became Managing Director of the Bank, were some of the biggest assets of the Bank. The Board of Directors, with experts from different fields, was constituted prior to the launch of the Bank's operations.

It is a matter of some satisfaction that the Bank has performed well in its first seven months of operations. The challenge of maintaining

the same momentum of growth as under BFSL, while maintaining a stable cost-to-income ratio and containing gross non-performing assets to below 1 per cent of gross advances, was successfully met.

Both the Board of Directors and Management are fully aware of the fact that the Bank can be sustained only if it is financially solid and also has the organizational channels appropriate for credit delivery. They fully recognize that while the ability to mobilise deposits and also access capital markets efficiently offer great potential, developing managerial, technical and systems capacity and delivering top-class customer service hold the key to success. Furthermore, harnessing state-of-the art information and communication technology for delivery of customer services, customer outreach and risk management is of critical importance.

Allow me to end with a thank you note for reposing your confidence in me as the Chairman.

Best wishes,

**Ashok Kumar Lahiri**  
Chairman

## Message from the MD & CEO



Bandhan Bank is just seven months and one week old. The journey has been fulfilling. At such a short time, we have got 8.4 million customers. Each customer has a story to tell. The stories are different but the ultimate objective is the same – all of them want to become entrepreneurs. Also, they want to save, however small the sum could be. There are others in big cities and small towns who want to keep money with the bank so that we can serve the credit need of the small borrowers.

We are optimistic about our future as the market is huge and there is space for everyone. There are challenges galore but we are well equipped to meet them with a solid team of professionals, the right technology platform and a 15-year experience of serving small borrowers behind us.

As a microfinance entity, when Bandhan started business in 2001, there was widespread scepticism. Till then, very few institutions in India had ventured into this space of small, unsecured loans and access to bank fund was not easy. But we have overcome all obstacles and became a universal bank on 23 August 2015.

When we set up Bandhan we did not dream of becoming a bank. We started dreaming of it when we found how crucial it was for the small borrowers in the hinterland of India to get loan and also park their hard earned savings, and sensed the opportunity when the Reserve Bank of India opened doors for a set of new banks for financial inclusion.

We had been extending loans to small borrowers but the cost of such loans has been relatively high because as a non-banking finance company we could not access public deposits and were dependent on banks for fund. As we access public deposits, the cost of funds is coming down and we are passing on the benefits to our borrowers.

We started with 501 branches but ended the fiscal year with 656 branches. Besides, 2,022 doorstep service centres and 228 ATMs expanded our reach from 22 to 29 states and Union Territories. By the year-end, we collected ₹12,089 crore deposits and our gross loan portfolio was to the tune of ₹ 15,593 crore (on book and off book). The low-cost current account and savings account or CASA stood at 21.55%. By the year end, the bank's net non-performing assets were a minuscule 0.08 % of its loans.

The RBI licensing norms stipulate that a new bank must have a ₹ 500 crore capital. Bandhan Bank started with a capital base of ₹ 2,570 crore and this has been raised to ₹ 3,334 crore as on March 31, 2016. This translates into more than 29.01% capital to risk weighted assets ratio or CAR for the new bank, signifying its robustness.

Despite capital expenditure on branches and higher employees cost we ended the year with a ₹275 crore net profit, signifying a healthy 16% return on equity.

Bandhan Bank has two divisions – one for micro banking and another for general banking. The micro borrowers are being served by our 2,022 service centres through door-step banking while general banking division performs like any other bank – accept deposits and give loans and also other services as permitted by the regulator.

In the first year of operations, we stayed away from large corporate loans; our focus has been Micro Small and Medium Enterprises or MSMEs which are engines of growth and employment generation in the country. We are also supporting the agriculture and allied activities as well.

Bandhan is the first bank in this part of India set up after Independence. In the past, in 1993 and 2003, when the RBI opened doors for new banks, they were set up in north, south and west but not in east. By being a Kolkata-headquartered bank, we have not only been able to reverse the brain drain from West Bengal but also started attracting talent from other states to East. We are a bank from Bengal but a bank for the entire nation.

We are a universal bank and we will have equal respect for all our customers – big and small. All of us in the Bandhan family which has 20,548 employees on its payroll and marquee investors such as International Finance Corp., GIC and Small Industries Development Bank of India have only one dream – a dream of fulfilling the demand of every Indian: Banking is a fundamental right. We are committed to usher in a new era in Indian banking.

Best wishes,

**Chandra Shekhar Ghosh**  
**Founder, MD & CEO**

## How Bandhan Bank came to be

The road to becoming a bank had begun with a belief that if people at the so-called bottom of the pyramid have access to credit, they can run business for self-sustenance and even generate employment for others. Bandhan was set up in 2001 as an NGO under the leadership of Mr. Chandra Shekhar Ghosh. As the organisation grew, it transformed itself into a non-banking finance company. With the approval of the Reserve Bank of India (RBI), the nation's largest microfinance entity is now a universal bank.

Over the years, Bandhan has helped fulfil countless dreams. Today, Bandhan Bank has 656 branches spread across 29 states in the country. But our journey doesn't end here. We are driven by a constant desire to serve better. We have introduced Mobile, Internet and NRI banking, offered an international debit card, and established 228 ATMs for the convenience of our dear customers. In sync with our philosophy of '*Aapka Bhala, Sabki Bhalai*' and keeping financial inclusion at the heart of things, we at Bandhan will also be committed to providing a host of products and services, on a par with India's top private and state-owned banks.

Bandhan Bank marks the beginning of what we believe is a 'wealth of good' – a framework that can cater to the aspirations of an entire nation, while offering all modern services that you expect from your bank.

## Promise

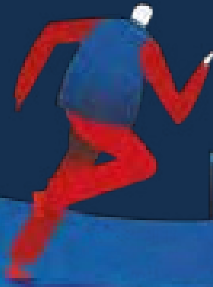
Our promise is to ensure banking for all in Asia's 3rd largest economy.

## Dream

Our dream is to usher in a new era in Indian banking.



## THE BANDHAN PHILOSOPHY



### Mission

To provide our customers with accessible, simple, cost-effective and innovative financial solutions in a courteous and responsible manner.

To create value for all stakeholders with a committed team, robust policies and superior systems and technology.



### Vision

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

## Our values

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

# C

Cost-effective  
and simple

# R

Respect  
for all

# E

Exemplary  
governance

# A

Accountability,  
professionalism  
and discipline

# T

Transparency  
and integrity

# E

Effective  
teamwork  
and commitment





## THE BANDHAN LAUNCH

# A new era in Indian Banking begins

On 23rd August 2015, India's Finance Minister, Arun Jaitley launched Bandhan Bank – the first bank in eastern India after independence. It started operations with 501 branches and 50 ATMs, spread across 24 states. Bandhan is the first microfinance entity to transform itself into a universal bank.

### Left to right:

**H R Khan**, Deputy Governor, RBI;  
**C S Ghosh**, MD & CEO, Bandhan Bank;  
**Arun Jaitley**, Finance Minister, Govt. of India;  
**A K Lahiri**, Chairman, Bandhan Bank;  
**Amit Mitra**, Finance, Commerce & Industries,  
Minister, Govt. of West Bengal,  
at the lamp lighting ceremony.





## BOARD OF DIRECTORS



### **Mr. Chandra Shekhar Ghosh**

Founder, MD and CEO

Born in Tripura, Mr. Ghosh is an M.Sc. in Statistics. A Senior Ashoka Fellow, he started Bandhan as an NGO in 2001.

Besides being the Founder, MD and CEO of Bandhan Bank, Mr. Ghosh has been associated with a number of important organisations such as the Indian Banks' Association, the National Executive Committee of FICCI, the UK-India Financial Partnership Committee, and the MSME Committee of the Government of West Bengal, among others.

In 2014, he was declared 'Entrepreneur of the Year' by India's leading business daily, The Economic Times and 'An Entrepreneur with Social Impact' by Forbes. Bandhan Bank also bagged the Global Growth Company (GGC) honour from the World Economic Forum in the same year.

He was bestowed with 'Entrepreneur of the Year' Award in the category 'Financial Services' by Ernst & Young in 2015.



### **Mr. Ashok Kumar Lahiri**

Chairman

Mr. Lahiri served as the Chief Economic Adviser to the Ministry of Finance and Company Affairs, Government of India, between 1996 and 1997.

He has been a member of several committees set up by the government and the Reserve Bank of India for advising on issues such as fiscal responsibility legislation, deregulation of the petroleum sector, ways and means advances from the central bank to the states, and floor price of steel.

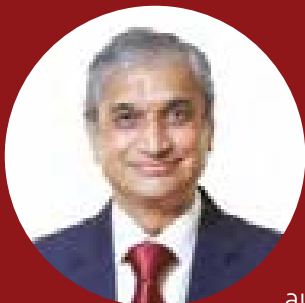


## BOARD OF DIRECTORS



**Mr. Bhaskar Sen**  
Director

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



**Mr. Chintaman Mahadeo Dixit**  
Director

Mr. Dixit is a Senior Partner in GD Apte & Co. His 38-year experience in the banking sector has seen him audit big public sector undertakings, public and private companies, Life Insurance Corporation of India, banks, non-banking finance companies and co-operative banks. A fellow member of the Institute of Chartered Accountants of India, he pioneered the first takeover of an urban co-operative bank by a public sector bank in India.



**Prof. Krishnamurthy Venkata Subramanian**  
Director

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



**Mr. Boggarapu Sambamurthy**  
Director

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





## BOARD OF DIRECTORS



### Mr. Sisir Kumar Chakrabarti

Director

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



### Mr. Pradip Kumar Saha

Director

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



### Dr. Holger Dirk Michaelis

Director

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



### Ms. T S Raji Gain

Director

Ms. Gain has worked in various capacities in National Bank for Agriculture & Rural Development (NABARD), the apex level institution in the field of rural and agriculture. She currently holds the position of Chief General Manager and heads NABARD's West Bengal Regional Office.

**BOARD OF  
DIRECTORS****Mr. Snehomoy  
Bhattacharya**

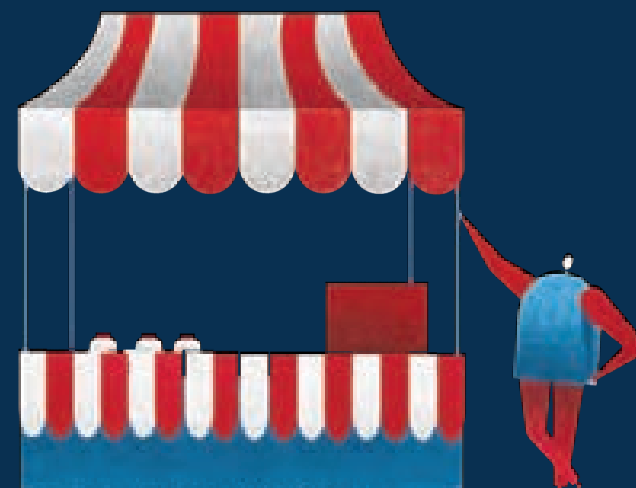
Director

Mr. Bhattacharya began his career at the State Bank of Bikaner and Jaipur. With over 36 years of banking experience in public and private sectors, his last assignment was the Executive Director (Corporate Affairs) of Axis Bank Ltd from 2010 to 2012. Prior to that, heading the HR division of Axis Bank, he oversaw a 25-fold increase in the new private bank's employee strength.

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GROWING  
RAPIDLY  
EVERY  
DAY





# **BANDHAN** **PRODUCTS**

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## SAVINGS ACCOUNT

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### Premium Savings Account

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

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### Advantage Savings Account

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

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### Standard Savings Account

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

### Special Savings Account

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

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### Sanchay Savings Account

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

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### Basic Savings Account

This product is available to everyone but it is targeted towards the under-banked segments of society which have limited access to banking services in any form.

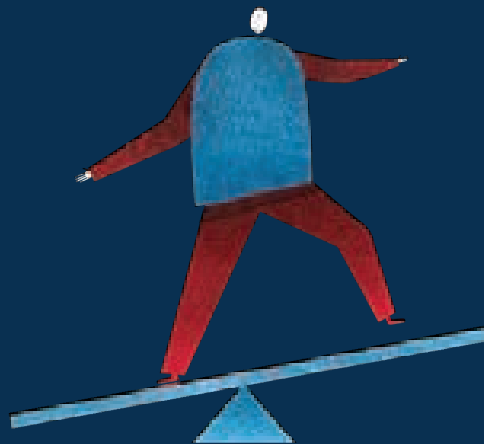
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### GOS Savings Account

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

## CURRENT ACCOUNT

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### Biz Premium Current Account

The Biz Premium Current Account is a high-end account that allows you to enjoy a host of privileges with a Monthly Average Balance requirement of ₹1,00,000.

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### Biz Advantage Current Account

The Biz Advantage Current Account comes with an array of benefits with a Monthly Average Balance requirement of ₹25,000.

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### Biz Standard Current Account

The Biz Standard Current Account gives you the best value for your money. With a Monthly Average Balance requirement of ₹5,000, this account will fulfil all your banking needs.

### TASC Current Account

TASC Current Account offers complete banking solutions to non-profit organisations, trusts, associations, societies, clubs, hospitals, educational institutions, Section 25 companies, etc. with a Monthly Average Balance requirement of ₹25,000.

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### GOS Current Account

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

---

### Samriddhi Current Account

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

## FIXED DEPOSIT

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### Fixed Deposit Premium

This is a high-end product and requires a Minimum Deposit Amount of ₹1 crore, with tenures ranging from 7 days to 10 years. One can avail differential rates of interest for high-value deposits.

---

### Fixed Deposit Advantage

With this reinvestment plan, earn interest that is compounded quarterly and reinvested with the principal amount. The maturity period ranges from 6 months to 10 years.

---

### Fixed Deposit Standard

With this traditional fixed deposit plan, earn interest on a monthly/quarterly basis, as per your convenience. The maturity period ranges from 7 days to 10 years.

### Tax Saver Fixed Deposit

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

---

### Recurring Deposit

A Recurring Deposit Account can be operated singly or jointly, requiring a minimum investment of ₹100 (and multiples of ₹1 thereafter) with tenures ranging from 6 months to 10 years.

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### Dhan Samriddhi (Cash Certificate Scheme)

With this reinvestment plan, earn interest that is compounded quarterly and reinvested with the principal amount. The maturity period ranges from 6 months to 10 years. This growth-oriented scheme is designed to help you meet your financial goals such as education, health, marriage and travel in a short span of time.

# LOANS

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## SME Loans

Take your enterprise to greater heights with Bandhan Bank's range of SME Loans, which help you create income-generating assets and enhance liquidity. Your business can now grow exponentially with better access to funds that facilitate productivity.

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## Agriculture Loans

Invest in quality farms, livestock, plants, or warehouses with Bandhan Bank's Agriculture Loans. These loans have been designed to help you optimise your produce by giving you access to the working capital required to foster your agricultural activities.

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## Micro Banking Loans

Earn an independent living by starting your own home-based business with Bandhan Bank's various Micro Banking Loans. With these loans, you can invest in many more income-generating activities with timely and convenient access to funds.

## Retail Loans

Our Retail Asset Loans help you acquire/construct/extend/renovate your dream house on flexible terms. Also, you can get a loan by leveraging your existing property for productive purposes or plan your desired two-wheeler with our loan.

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## Small Enterprise Loans

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



# NEW PRODUCTS



## Mobile Banking

Banking with Bandhan is now just a touch away. Our state-of-the-art mobile banking facilities let you manage your finances on the move.



## Internet Banking

A one-stop solution for all your banking needs. With a user-friendly interface and a host of features, banking with Bandhan is now more convenient.



## International Debit Card

Designed to simplify the banking experience, the International Debit Card lets you access your account from around the world. Millions of merchants around the globe accept the card, making online shopping effortless.



## NRI Accounts

Accounts packed with exciting features and benefits. Along with the flexibility to maintain savings in Indian and foreign currency, Bandhan's NRI accounts let you earn attractive returns on your earnings abroad.

FASTEST  
GROWING  
CUSTOMER  
BASE  
ACROSS  
THE  
NATION



# Bandhan's Footprint



- Andhra Pradesh
- Assam
- Bihar
- Chandigarh
- Chhattisgarh
- Dadra and Nagar Haveli
- Gujarat
- Haryana
- Himachal Pradesh
- Jharkhand
- Karnataka
- Kerala
- Madhya Pradesh
- Maharashtra
- Manipur
- Meghalaya
- Mizoram
- Nagaland
- NCT of Delhi
- Odisha
- Punjab
- Rajasthan
- Sikkim
- Tamil Nadu
- Telangana
- Tripura
- Uttar Pradesh
- Uttarakhand
- West Bengal



States & UTs

**29**

**656**

Branches

Doorstep Service Centres (DSCs)

**2022**

**228**

ATMs

Customers

**84**  
lakh

**12,089**  
crore

Deposits worth Rs.

Employees

**20,548**

**15,593**  
crore

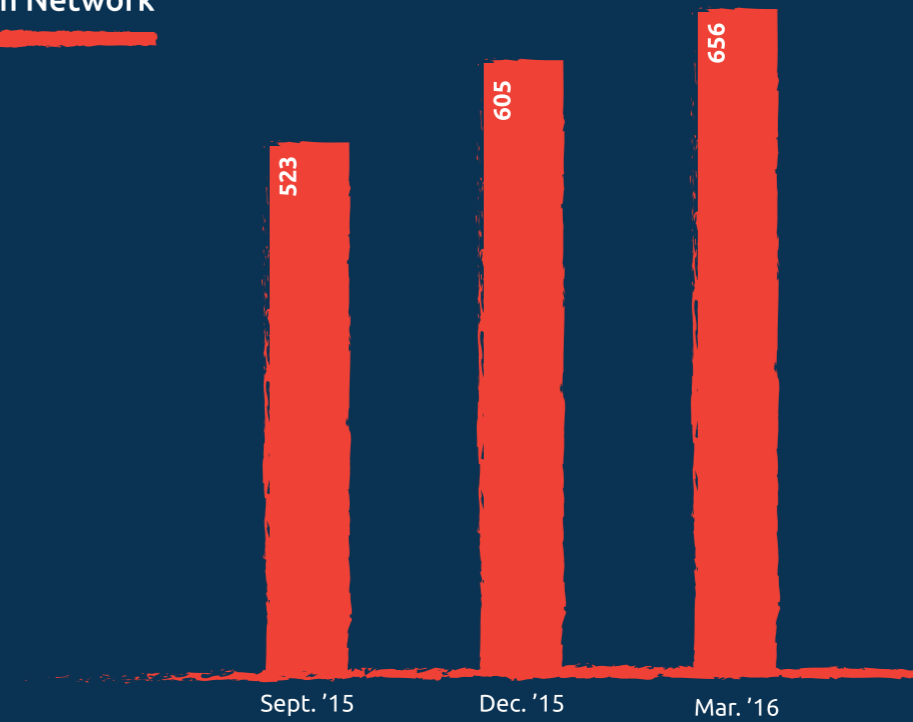
Advances amounting to Rs.

Capital (Rs.)

**3,590** cr  
Tier-1  
**3,307** cr

## Touchpoints

Branch Network



Branch Category as on 31-03-2016

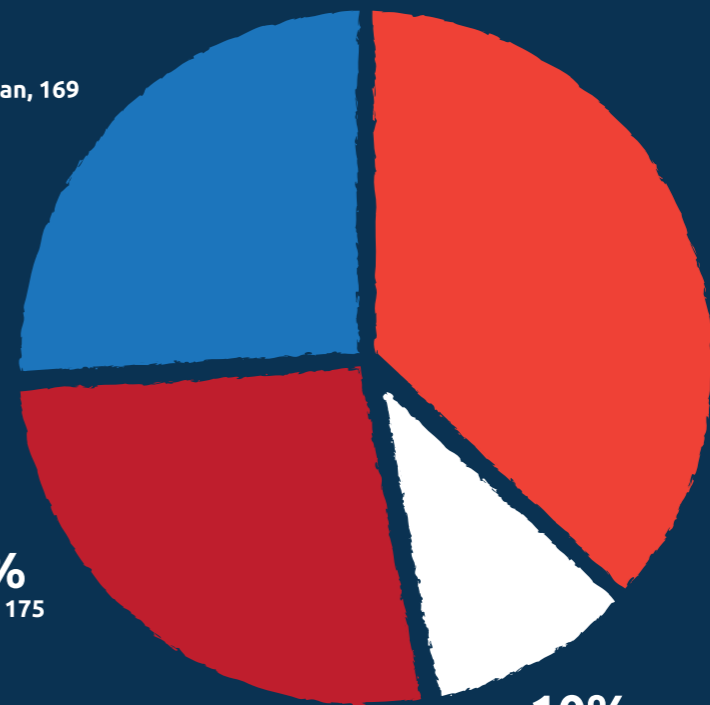
**26%**  
Semi Urban, 169

**37%**  
Rural, 243

**27%**  
Urban, 175

**10%**  
Metro, 69

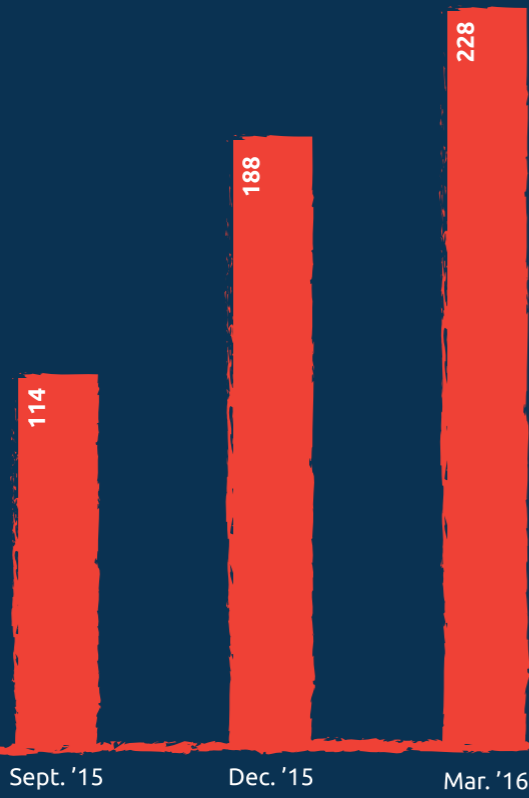
**63%**  
Branch in Rural & Semi Urban areas



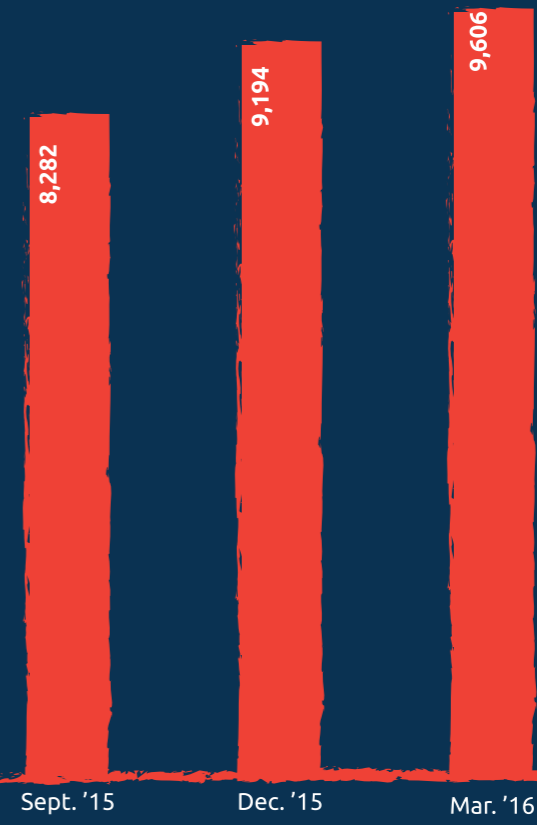


# TOUCHPOINTS

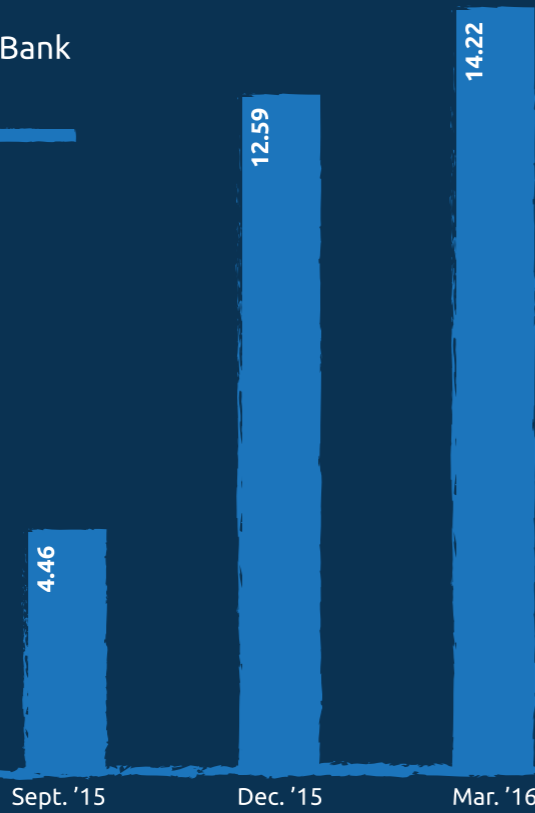
### No. of ATMS



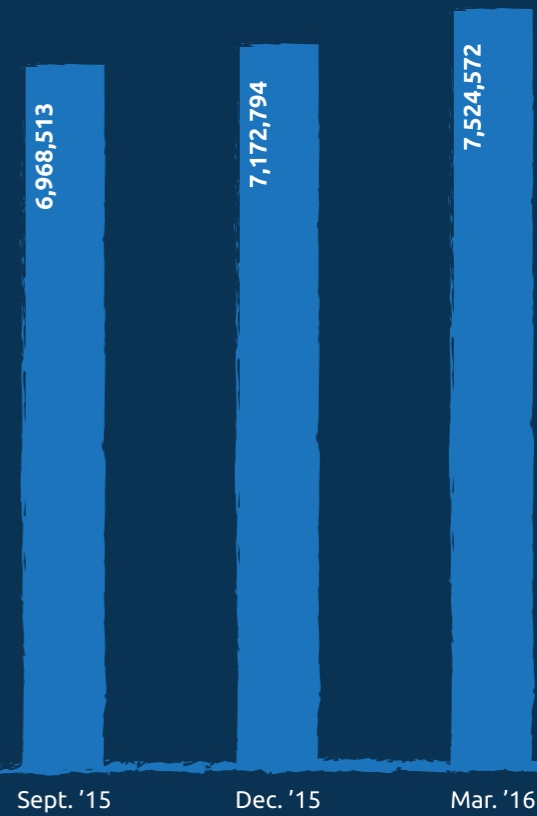
### No. of Mini ATMs (Hand Held Devices)



### Total Transactions of the Bank (Qtr to Qtr, in Crore)

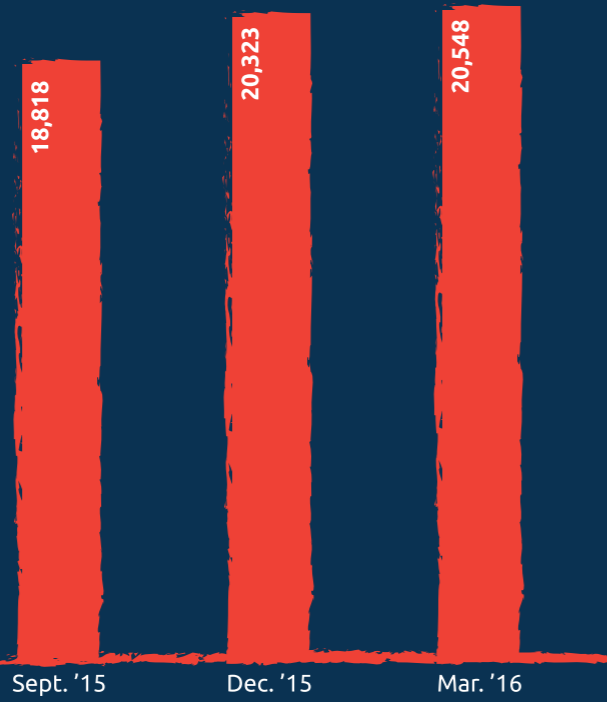


### Debit Card Issued



# Human Capital

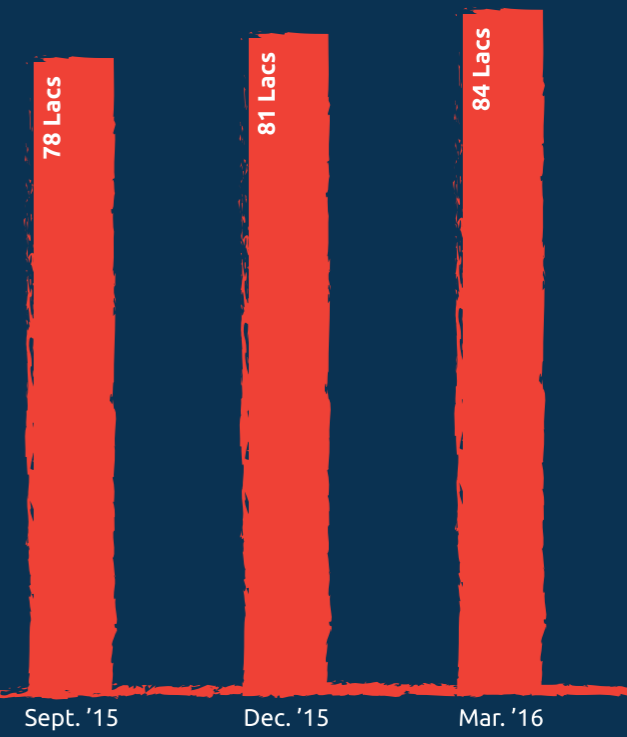
No. of Employees



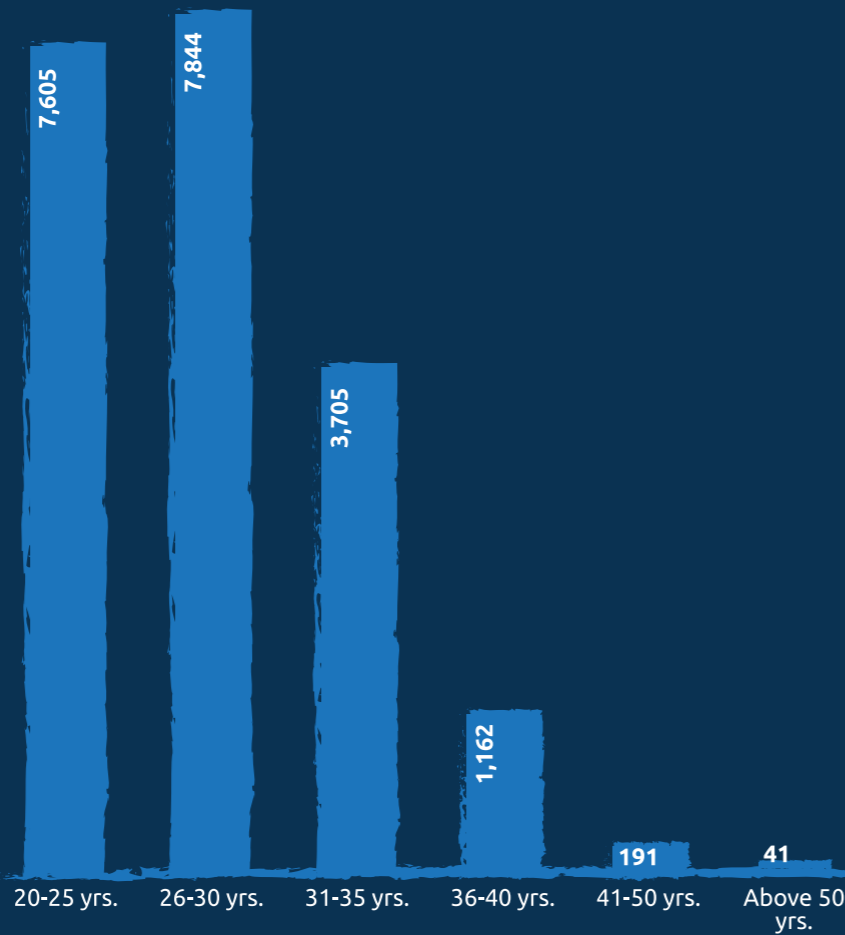
Attrition Rate as on Mar. '16 is as low as 6.8%

# Business Highlights

No. of Customers

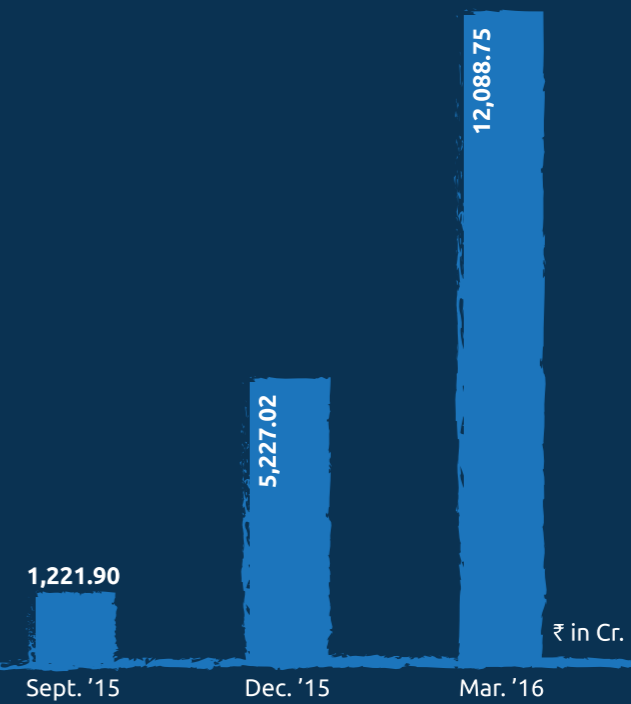


Age wise Employee Distribution as on Mar. '16



Bank has a young workforce with an average age of 28 years

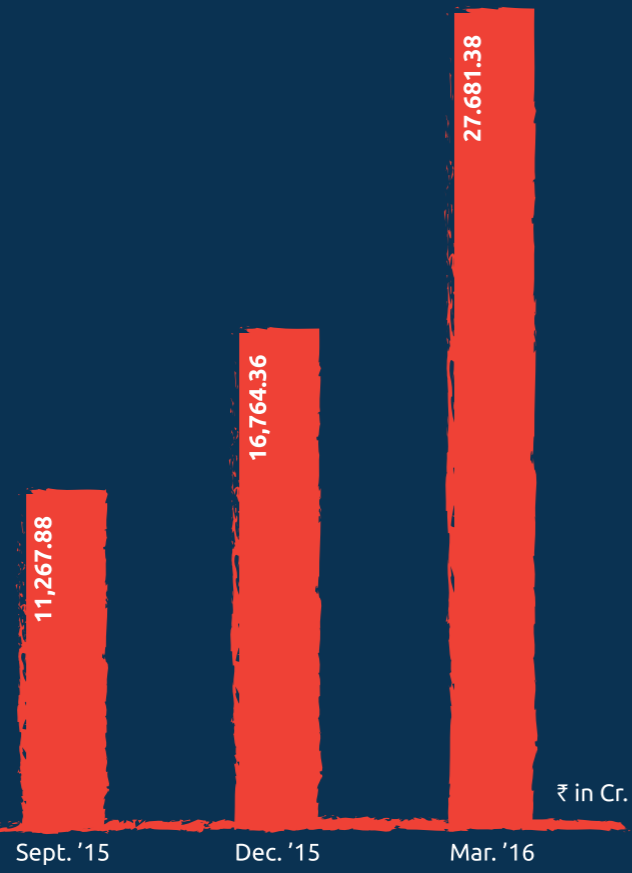
Total Deposit



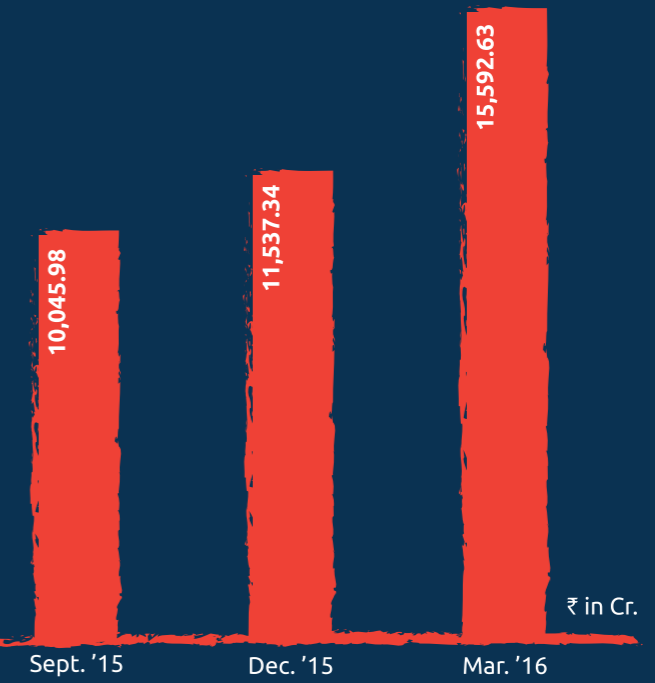


# BUSINESS HIGHLIGHTS

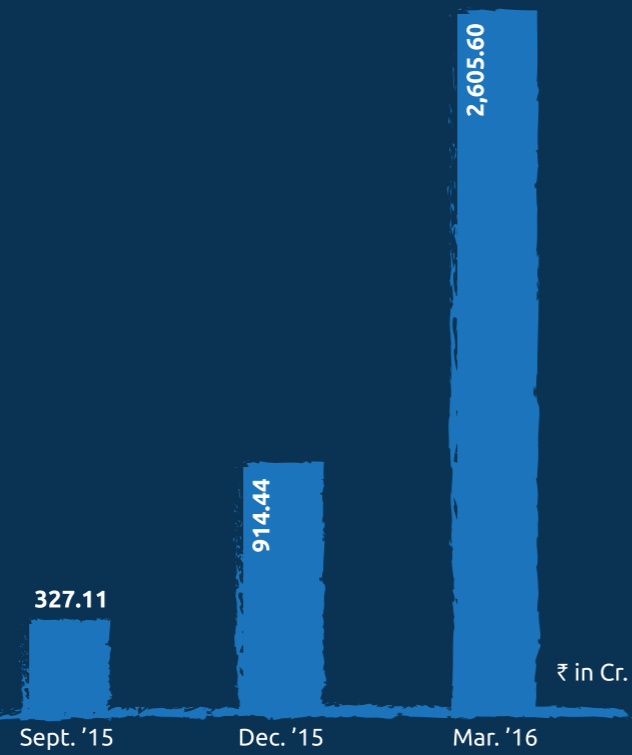
## Total Business



## Total Advance



## CASA

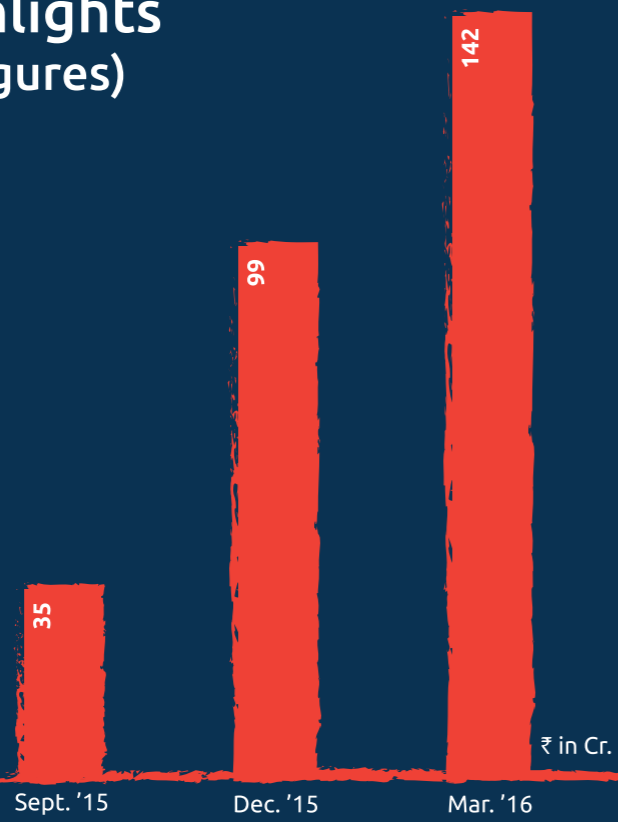


## GNPA Ratio (%)

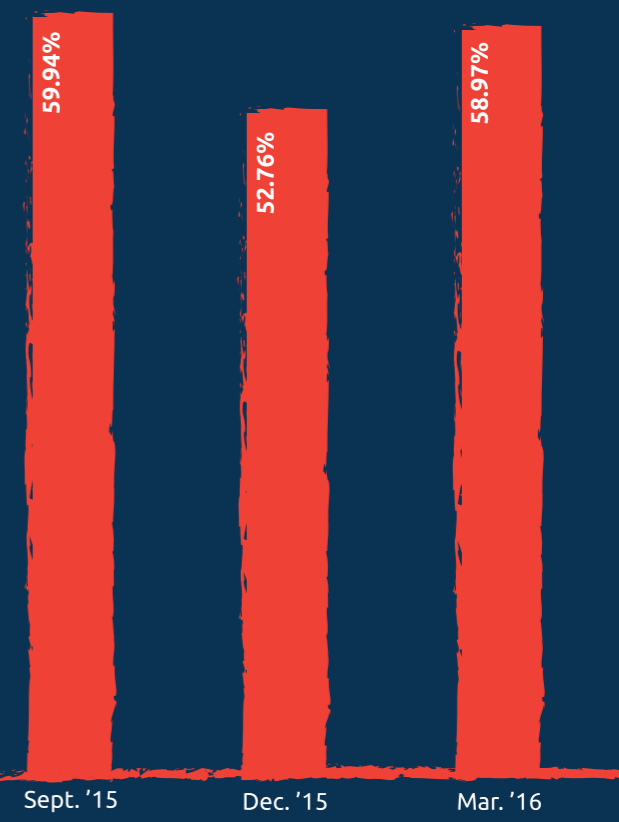


# Financial Highlights (On Quarterly Figures)

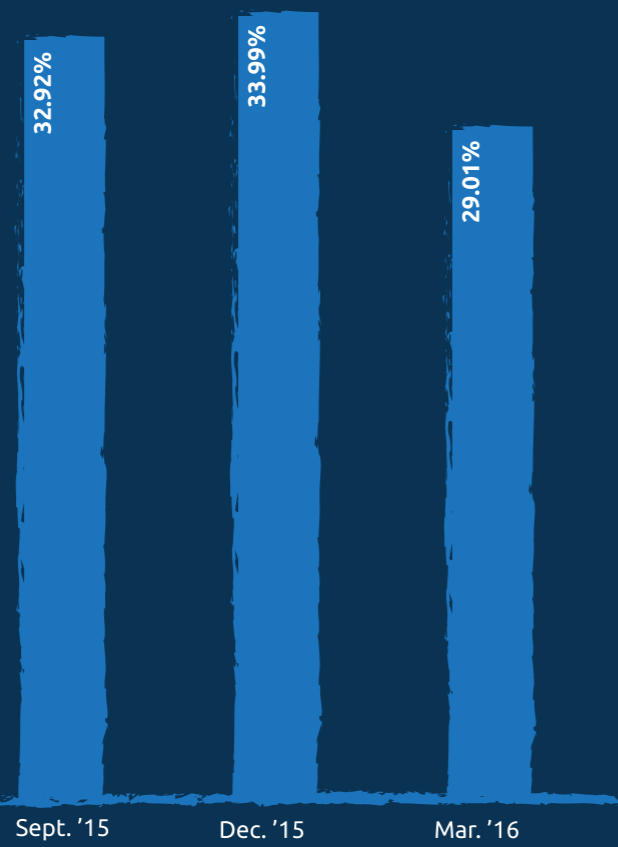
Profit after Tax



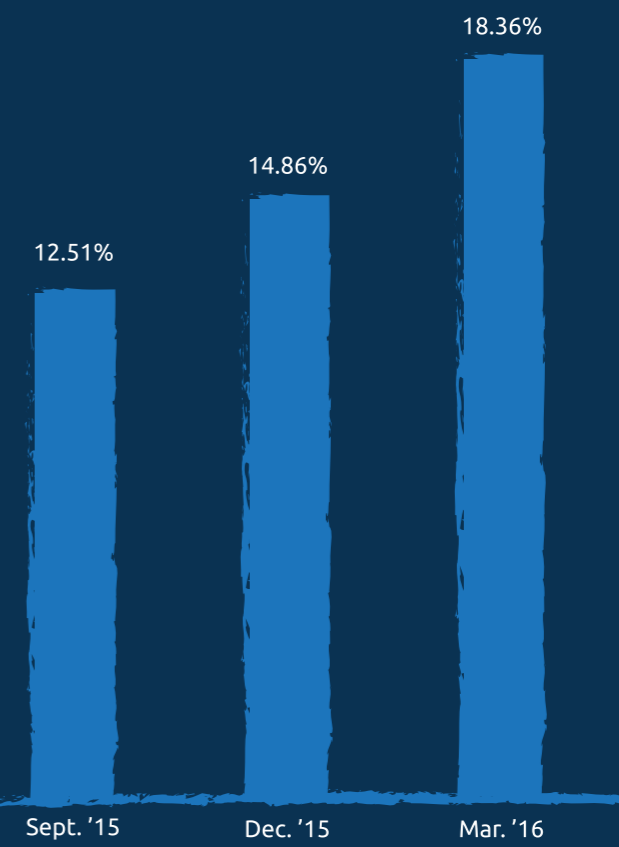
Cost to Income Ratio



Capital Adequacy Ratio



Return on Equity







**THE RISE OF BANDHAN**

Shri Harun Rashid Khan, Deputy Governor, Reserve Bank of India, inaugurated Bandhan Bank's 566<sup>th</sup> branch in Bhubaneswar on November 16<sup>th</sup>, 2016.



Shri Upendra Kumar Sinha, Chairman, Securities and Exchange Board of India, inaugurated the 600<sup>th</sup> branch in Prabhadevi, Mumbai on December 30<sup>th</sup>, 2016.

Mamata Banerjee, Chief Minister, Govt. of West Bengal, inaugurated 21 branches of Bandhan Bank in West Bengal on February 26<sup>th</sup>, 2016.



SNIPPETS

**READING FOR LAUNCH**

# Bandhan Bank strikes deal to raise ₹1,500 crore

**Bank refuses to disclose price at which shares are to be sold; will start operations on 23 Aug with 650 branches**

By AVIN PILLAI  
and ANAND KUMAR

Bandhan Financial Services Ltd has concluded an agreement to sell shares in the bank. It is set to launch a ₹1,500 crore public issue on 23 August when it will start operations with 650 branches.

The bank's management refused to disclose the price at which shares are to be sold, citing a confidentiality agreement. The company's shares will trade at ₹100 per share. It is expected to be a landmark issue.

When it was first set up, Bandhan's focus was equity. It was a measure of confidence in the bank. But it is not to be taken lightly, says a former senior manager at the bank. It will be a test of the bank's ability to raise money from the public.

Bandhan Bank's managing director, Anil Mitra, said that the bank's shares will be sold at a price of ₹100 per share. The bank's shares will be sold at a price of ₹100 per share. The bank's shares will be sold at a price of ₹100 per share.



Anil Mitra, Managing Director of Bandhan Bank, sitting at a desk.

**On Bandhan day, Jaitley colours a bond**

Colours, says the Finance Minister, will be the start of a new era for the bank. He said that the bank's shares will be sold at a price of ₹100 per share. He said that the bank's shares will be sold at a price of ₹100 per share.



A group of men, including Anil Mitra and Arun Jaitley, lighting a lamp at the inauguration of Bandhan Bank.

**FINANCIAL Chronicle**

# FC BUSINESSMAN OF THE YEAR

Bandhan Bank's Anil Mitra is the recipient of the award. He is a former senior manager at the bank. He is a former senior manager at the bank. He is a former senior manager at the bank.



Portrait of Anil Mitra.

# Bandhan focuses on rural Bengal

Bandhan Bank's focus is on rural Bengal. The bank's focus is on rural Bengal. The bank's focus is on rural Bengal. The bank's focus is on rural Bengal.



Portrait of Anil Mitra.

# बंगाल के विकास में राजनीति नहीं : जेटली

## दस साल बाद देश में खुला नया बैंक बंधन



केटीएल विल नवी जेटीएल से वीडियो को नवी बैंक बंधन का औपचारिक रूप में उद्घाटन किया। सत्र में सत्र के विल नवी जेटीएल विल व विल के जेटीएल।

- बंगाल में बंधन बैंक का विचार
- नौले रंग में रंगे सहर ने दिया नए संस्करण को जन्म

**THE ECONOMIC TIMES**

# IFC & GIC Likely to Pump ₹500 cr More into Bandhan

Global investors are ready with funds after talks in London got final tilt next on Wednesday.



Portrait of Anil Mitra.

**আনন্দবাজার পত্রিকা**

# দেশে প্রথম সাত দিন পরিষেবা বন্ধন ব্যাঙ্কে

ব্যাঙ্কটির উদ্ভাৱন।



Portrait of Anil Mitra.

# Industrial incentive for Bengal on way

## FM Unveils Plan At Inauguration Of Bandhan Bank

At the inauguration of Bandhan Bank, the Finance Minister unveiled a plan to provide industrial incentives to Bengal. The plan is to provide industrial incentives to Bengal. The plan is to provide industrial incentives to Bengal.



Anil Mitra and Arun Jaitley lighting a lamp.

## Business

### The business structure:

The Bank has inherited the micro-banking portfolio created by Bandhan Financial Services Pvt. Ltd. This is a unique business structure in the organisation to cater to the various strata of the population with a special thrust on micro-banking under the financial inclusion agenda of the Bank. The micro banking business will continue to be the focus area of the Bank in the medium to long term.

The Bank has two business verticals – General Banking and Micro-Banking. The General Banking Business caters to the banking needs of the entire customer base of the Bank, while the Micro-Banking Business focusses on the specific needs of customers under micro-finance. The customers of the Bank are serviced through the Bank branches even as the microfinance customers being primarily catered to by the Doorstep Service Centres (DSCs). The DSCs are located in close proximity to the micro-banking customers to provide them with customized services. The DSCs are linked to the Bank branches with the entire network operating as a hub-and-spoke model.

### Synergy between business lines:

The branches as well as the DSCs are manned by the Bank's own staff. The Bank branches are headed by a Branch Head and DSCs are headed by a DSC Head (who are supported by Doorstep Banking Officers or DBOs). The DBOs interact with Micro-Banking customers on a regular basis. Four to six such DSCs are linked to a nearby Bank branch. The DSC Heads have a matrix reporting into the Branch Head of the linked Branch in addition to a functional reporting into the Micro-Banking business.

The business is driven and guided in a geography by a Cluster Head, General Banking (CH – GB) and Cluster Head, Micro-Banking (CH – MB). The Zonal Heads for respective businesses provide policy guidance and direction for the smooth functioning of the Bank.

### Customer service channels:

The customers have the convenience to transact on their accounts (Current Accounts, Savings Accounts) through the Bank branches in addition to 24/7 alternate service channels such as ATMs, Bebit Cards and e-channel platforms (Internet Banking and Mobile Banking). Additionally, the micro-banking customers have the convenience to transact through the DSC network.

## Process followed in DSC structure (Micro banking business)

### Client selection and group formation:

At the first stage, a survey is conducted by the DBO/DSC Head. The DSC Head personally visits the localities and gives a detailed introduction of the Bank, its operation and process for getting small credit. Then, the DBO/DSC Head forms groups of interested women from the same locality. At the next stage, meetings with those women are conducted to make them understand the process of getting credit which includes weekly attendance in group meeting at a fixed time. Regular discussions are conducted in the group regarding policies and changes, if any, in recent working procedures, rate of interest, regular attendance, and benefits of regular payment. This way, financial literacy is imparted.

### Member enrollment and savings account opening:

After the formation of the group, a common place is selected where the members will gather once a week at a specified time. The attendance is strictly monitored and this is the key reason behind the success of the model. Records are maintained of the loan disbursed, funds deposited as an instalment, amounts placed or any withdrawn for Savings Accounts by each individual.

### Loan application, appraisal and sanctions:

The loan applications are filled in during the group meetings, based on the recommendations of the group members. The DBO checks whether the 'Know your Customer' or KYC norms are followed as well as the project and visits the household as a part of preliminary underwriting. The credit history of the customers is known through checks with the credit bureaus before sanctioning loans.

### Disbursements of loans:

Disbursements of Loans are carried out in the DSC, based on the applications received. The applicant has to be present during the time of disbursement and is required to sign the master roll. Then the disbursement amount is transferred to the Savings Bank (SB) account of the customer, maintained with the Bank. The customers withdraw the amount from the SB account after due biometric authentication from the handheld devices or ATMs.

## BUSINESS

### Roles & responsibilities of the officers in the Micro-banking business:

There is an established and proven structure for delivering services to the micro-banking customers. The DBOs act as frontline officers for interacting with the customers.

There are multiple layers of monitoring done at the DSC level as given below:

The DSC Head visits all groups once in four months and every day visits at least two groups and does 100% verification of the passbooks and loan forms along with projects of each of the member.

The Cluster Team Member (CTM) monitors each DSC under his/her jurisdiction twice a month and in every monitoring, checks and verifies a defined number of disbursed loan forms and proposed loan forms. He/she also visits customers who have defaulted in payments.

The Cluster Head (CH) monitors five DSCs every month.

The Zonal In Charge (ZIC) monitors two DSCs and visits three DSCs every month.

### Loan instalment collection process (Micro-banking business):

The DBOs visit the catchment for collection of loan instalment dues. As per the existing process, the DBO carries the hand held device (HHD) to the field. All the customers are provided with debit cards for the Savings Account held with the Bank. The loan disbursements as well as the repayments are collected from the Savings Account only. On the due date, the customer deposits the amount in the Savings Account after due authentication in the HHD. The accounts have standing instructions and the instalment amount is automatically transferred to the Loan Account of the customer.

### Bandhan way of banking - Unique differentiators

**People-centricity and human touch:** The Bank has a motivated human resource pool to run the business. The employees of the Bank's branches have been hired from leading banks. Select roles in the Bank branches have also been staffed by moving staff from the Micro-banking business. The DSC employees are selected through a merit-based process from among the educated mass of the rural population. They also understand the people dynamics at the operational areas.

**Close interaction and monitoring:** The framework of the business has been built on regular customer engagement by the staff of the Bank. Monthly visits and monitoring is done by the Branch Head / DSC Head, Cluster Heads and Zonal Heads. Apart from this, monthly meetings are conducted with the Head Office (HO) teams.

At a quarterly frequency, the Cluster Heads are invited to the Head Office for a workshop where various field-related issues, review of the business expansion, target and achievement of previous and next quarters are discussed with respective Head of the Departments along with the MD & CEO.

### Multi-tiered monitoring in the business and independent monitoring by audit:

In addition to a defined monitoring/review process within the business, individual Branch Auditors also conduct independent monitoring towards ensuring adherence to internal/external processes.

**Continuous observation & resolution process:** Various issues arising at branches and DSCs along with the planned business outcomes (the previous and the next month) are discussed in monthly meetings. If issues remain unresolved, they are forwarded to the Zonal Heads at the HO. In case of any policy change, the same is forwarded to the Executive Committee and the decision taken therein is circulated.

**Staff retention strategy:** The Bank offers enough opportunities to its employees to grow with the organisation. Inter-departmental promotions and transfers are also done for the skill enhancement of employees.

**Premises selection to match the brick-and-mortar growth plans:** The business team initially conducts a survey of the area for identifying the potential and expansion of the business. Suitable premises are identified (as per the Bank's policy) and details forwarded for approval to the Premises Committee at the HO. There is a dedicated team working on such premises selection.



Hand Held Device in usage

## Human Resource

The Bank recognises that the success of the organisation is deeply embedded in the success of its human capital. The goal of the Human Resources department is to help Bandhan Bank in achieving its strategic mission while ensuring employees are engaged and motivated to contribute to the Bank's growth. The department remains committed to proactively engaging with employees at all levels for ensuring retention, growth and higher performance. The vision is to create an environment and culture of learning and superior performance by living our corporate values and aligning the personal aspirations of employees to business imperatives.

As a new Bank, the employee engagement initiatives included placing greater emphasis on learning & development, providing opportunities to staff to seek aspirational roles and streamlining the Performance Management System. There are a host of programmes that are being run to meet the on-going learning & development needs in the Bank and promote a climate of learning, self-growth and excellence. The learning architecture in the bank focuses on:

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

At its eight residential training centres running across the country, the Bank has provided more than 52,089 days of training to its employees, across all departments and functions - through a wide range of training programmes on products, services and IT platforms throughout the year. This has helped to build their professional competencies, increase their knowledge, and improve their skill set so as to contribute to the bank's mission.

Additionally, the Bank continues to engage with leading management institutes for leadership and management development programmes and specialised programmes for its employees across senior and mid-management levels in the bank.

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

Moving forward, the department has targeted its operational initiatives to align to the bank's plan, strengthen HR processes and delivery, adopt and leverage technology with the objective of creating an inspired workforce.



## Information Technology at Bandhan Bank

Your Bank has adopted a unique approach to broaden its reach and grow its market share of consumers – a combination of Doorstep Service Centres (DSCs), relationships and technology. The idea is to use technology and digitized banking to transform the way we lead our lives today. In today's dynamic and ever-changing financial landscape, we understand that innovation using technology can provide a differentiated customer experience. The banking industry is a clear representation of this transformation.

Consumers expect services to be available at the time and place of their choice as they are more mobile than ever before. At Bandhan Bank, we have always realised this need of our customers and accordingly created technology-led products to deliver a seamless banking experience at all places of their choice – whether their homes or office, our branches or when they are on the move.

Our consistency and speed in introducing these offerings has helped us in meeting our customers' expectations. Our commitment to improve the banking experience for customers, continues to drive us to innovate in delivering banking services, using cutting edge technology.

### On the move

Recent advances in technology have made modern world an 'Always connected globe' where people demand and consume products and services on the move. At Bandhan Bank, we have always leveraged technology effectively to stay ahead of customer needs. In September 2015, we launched mBandhan, our mobile banking application. Internet Banking is another offering from us that provides convenience of banking while on the move.

### At your place

We have successfully brought micro-banking closer to the customers' homes. Our direct sales officers visit customers and use hand-held devices (point-of-sale) to carry out banking transactions. This service – first of its kind in the industry – is widely acclaimed. Innovations like collections of loan instalments and cash receipts and payments for customers at their doorsteps have created a new paradigm in the collection and payments space which has always been felt arduous. Banking at the place of your choice was never so easy and simple.

### At our place

The banking experience at our branches today is a combination of personalised human care and technology-supported services. Opening of an account, issue of a draft, payment of a cheque or transfer of funds – all these services are done swiftly with the state-of-art Core Banking Solution at the heart. These services represent seamless integration of the digital and physical strength. Bandhan Bank aimed at going 'Live with 501 Branches' on Day 1 – an aim that was successfully achieved. Within seven months, at the end of 2015-16, the Bank had 656 branches, 228 ATMs, and 2,022 micro-banking centres.

Your Bank went live and stabilised with e-Kuber, treasury management system in its treasury offerings, Structured Financial Messaging Systems (SFMS) such as National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement System (RTGS) for corporate and retail customers, and Clearing Corporation of India Ltd's (CCIL) suite of products, which include dealing platforms and reports. Immediate Payment System (IMPS) was another impressive offering that went live by tying up with National Payment Corporation of India (NPCI) to provide 24X7 fund transfer facility. Online E Commerce transactions were provided by having tie up with payment gateway service providers.

### Safe & secure banking

Your Bank has got a state-of-the-art primary Data Centre and Disaster Recovery Centre to secure the live systems, which are vital to its business operations. Your Bank has embarked on a programme to implement the Reserve Bank of India guidelines on technology risk management, information security and cyber fraud. It is in the process of implementing additional IT security products and features to provide best in class information security features to offer safe and secure banking to all of your Bank customers.

## Compliance

Bandhan Bank is committed to adhere to the highest standards of compliance to the regulatory and internal guidelines and ensure that the business is conducted within the parameters of what is legally binding and the broader standards of integrity and ethics. The Board and the senior management of the Bank are committed to maintaining high standards of honesty and integrity, and promoting a corporate culture in sync with these values.

The Compliance Department facilitates improvement in compliance culture within the Bank through dissemination of regulatory guidelines from time to time, issuing circulars and instructions, training initiatives and through other means of communication apart from direct interaction. It also vets new products and processes.

The Compliance Department is the focal point of contact with the Reserve Bank of India and other regulatory entities. It appraises both the Bank's Board of Directors and the Senior Management on the status of compliance in the Bank and the changes in regulatory environment periodically.

The Audit Committee of the Board reviews the performance of the Compliance Department and the status of compliance with regulatory guidelines on a periodic basis.



## Risk Management Framework of Bandhan Bank

The Bank's Risk Management framework is based on a clear understanding of various risks, disciplined risk assessment, measurement procedures and continuous monitoring. Specific committees have been constituted to deal with different types of risks such as Risk Management Committee of the Board (RMCB), Audit Committee of the Board (ACB), Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Assets Liabilities Committee (ALCO).

The Risk Management Department of the Bank owns, maintains and updates the risk-related policies of the Bank -- Integrated Risk Policy, Credit Risk Management Policy, Liquidity Risk Management Policy, Market Risk Management Policy, Asset Liabilities Management Policy, Operational Risk Management Policy and Business Continuity Management Policy. The policies are reviewed on an annual basis by the risk department and the respective stakeholders and the updates/modifications are run through the respective management committees (i.e. ALCO/CRMC/ORMC).

- The Risk Management Committee of the Board (RMCB) has the primary role to support the Board in taking the risk-related decisions and ensure optimal risk-reward trade-off for the Bank. The RMCB oversees the entire Risk Management System, including credit, liquidity, market, operations and other key risks. It obtains assurance from the respective committees and the risk departments that the key issues faced by the Bank have been properly identified and are being appropriately managed. It defines the risk appetite of the Bank, approves limits at the bank-wide level for various portfolios, approves Risk Management and measurement portfolios and ensures effectiveness in the conduct of overall risk governance. To support the RMCB, there are three management level committees -- ALCO, CRMC and ORMC.
- The Assets Liabilities Committee (ALCO) is here to manage market risk such as risk emanating from maturity mismatches, exchange, commodity and equity price fluctuations. The committee has the power to determine pricing of assets, liabilities, maturity and also plays the role of approving the final benchmark rate eg. MCLR/base rate.
- The Credit Risk Management Committee (CRMC) is responsible for overseeing implementation of Credit Risk Management framework across the Bank and providing recommendations to the RMCB. The committee is responsible for implementation of Credit Risk Policy/Strategy approved by the Board, monitor credit risk, decide delegation of credit approving powers, prudential limits etc. among other things.

- The Operational Risk Management Committee (ORMC) is formed to ensure compliance with all regulatory guidelines relating to operational risk. The ORMC analyses frauds, potential losses, non-compliances, breaches, etc. and recommend corrective measures to prevent recurrence. It also proactively review and manage potential risks.
- The Audit Committee of the Board (ACB) is responsible for assisting the Board in carrying out its oversight responsibilities as they relate to the Bank's financial and reporting practices, internal control and compliance with laws, regulations and ethics.
- For new/modification in products/processes, the Bank has formed a Product and Change Management Committee (PCMC).

Overall, the Risk Management Department provides the fulcrum around which the framework for development and review of Risk Management Policies and practices have been built with an active oversight of the Management Committees, the Board Committees and the Board itself.



## Development Interventions

The development programmes are run by the not-for-profit entity of Bandhan, named Bandhan - Konnagar. Bandhan started its journey primarily with microfinance but it was quick to realise the limitations of micro-finance in offering holistic solutions to the lives of poor. This led to Bandhan's first attempt towards the development initiatives in 2006. Presently, a host of auxiliary credit-plus interventions are working hand in hand with micro-finance to bring about holistic transformation in the lives of the deprived communities. The organisation is actively engaged in the development space and offers an entire suite of development programmes in the field of education, health, livelihood promotion, market linkage, enterprise development, employment generation, renewable energy and the like. The organisation works closely with people who live in the lowest echelons of the social system for their socio-economic progress. It constantly tries to broad base its scope of services and minimise areas of income leakage in the poor families.

### Targeting the Hardcore Poor (THP) Programme

The poorest of the poor are identified through Participatory Rural Appraisal (PRA) exercise. Following the respective enterprise selection for the beneficiaries, they are provided with enterprise training. Post the training, the asset transfer takes place. This is basically a grant support to the hard core poor. The idea is to help them in generating income out of the asset and uplift them to mainstream society after 24 months. Post the graduation, they start accessing loan facilities from local institutions.



Targeting the Hardcore Poor (THP) Programme

Through this unique initiative, Bandhan Bank offers integrated 360 degree assistance. Besides the provision of free asset, weekly consumption stipend, regular confidence-building, provision of sanitary latrines, counselling and hand-holding support are also extended.

More than 23,400 ultra-poor beneficiaries have been covered under the ambit of this programme.

### Bandhan Education Programme (BEP)

The programme aims at reaching out to non-school going and drop out children from all economically constrained families with special focus on the girl child.

Bandhan's free non-formal primary schools encourage a diverse age group of underprivileged children to begin and sustain academics in a congenial environment. Bandhan has adopted a unique, low cost, innovative model to ensure that children of deprived families are able to receive quality education.

More than 1,880 such schools are running with about 59,400 children.



Bandhan Non-formal Primary School

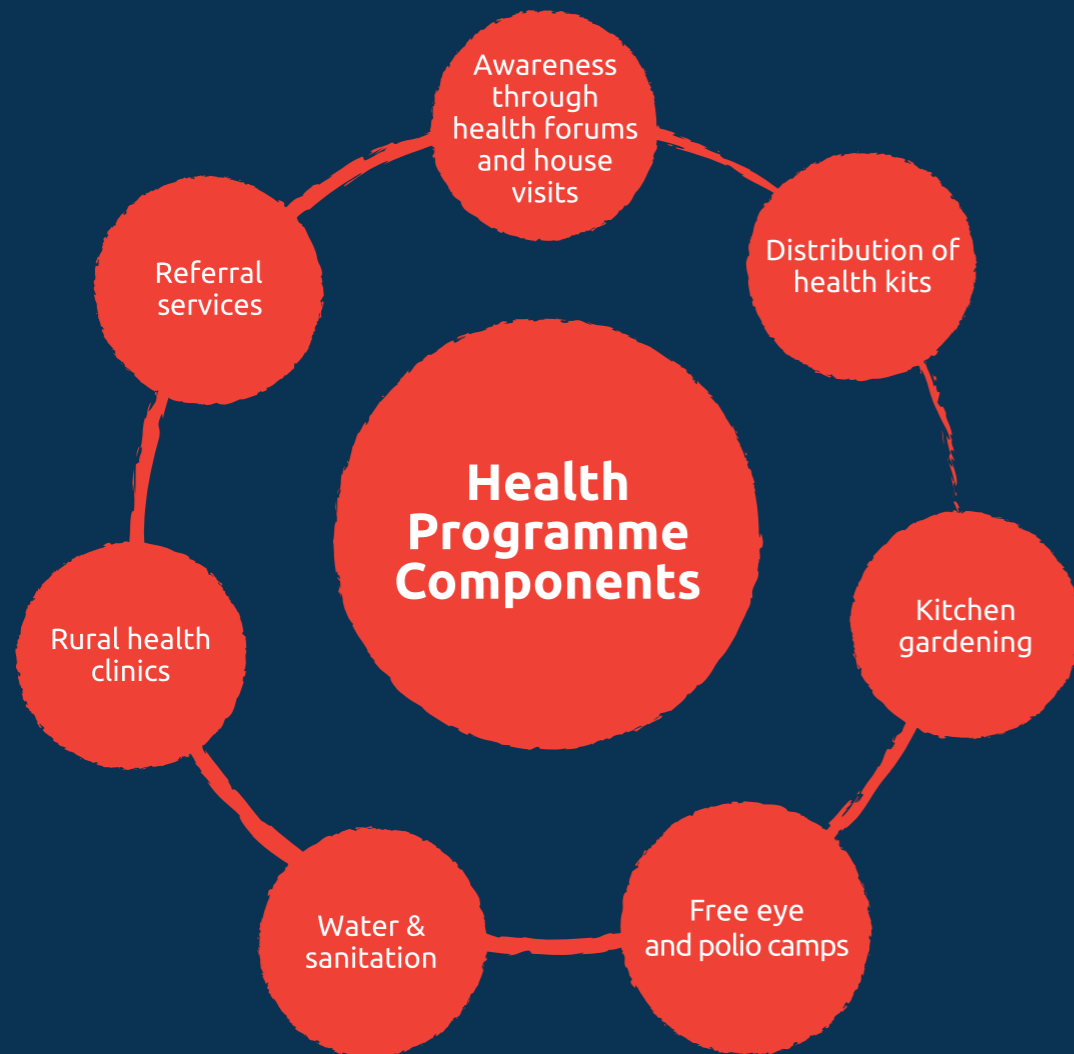
## BANDHAN'S CORPORATE SOCIAL RESPONSIBILITY

### Bandhan Health Programme (BHP)

Bandhan's health programme aims at reducing health expenditure of under-privileged families. It develops health volunteers by selecting interested women from the village and giving them adequate training. These health volunteers then work in the villages to improve the health conditions.

More than 3,500 such health volunteers have been trained by Bandhan so far.

The various components of health programme are:



Bandhan Health Programme (BHP)

### Employing the Unemployed Programme (EUP)

This programme is aimed at addressing the issue of unemployment in our country. Bandhan has set up its own vocational centres popularly known as Bandhan Skill Development Centres (BSDC) which provide training to any unemployed youth on different domains viz. customer relation and sales, hospitality, information technology, business process outsourcing, computerised accounting, refrigerator and air-conditioner repair, etc. After successful completion of these skill development courses, young people either generate self-employment or find themselves reasonable employment with reputed companies.

Nearly 9,800 such young people have received skill development courses and are now successfully placed.



Employing the Unemployed Programme (EUP)

## BANDHAN'S CORPORATE SOCIAL RESPONSIBILITY

### Market linkage

Bandhan has taken up market linkage initiative with the setting up of Bandhan Creation, a retail store aimed at helping underprivileged rural artisans from across the country by providing them a platform to showcase their products and facilitate direct market access by building a sustainable and empowering livelihood option.



Market Linkage - Bandhan Creation

### Renewable Energy Programme (REP)

In partnership with Arc Finance, USA, Bandhan flagged off its solar programme in Nezzat, North 24 Parganas, West Bengal, in March 2014.

With the objective of providing eco-friendly electricity at low cost, and without harming the environment, Bandhan has taken a step forward in serving the deprived rural populace. The initial idea is to provide this renewable form of energy through lamps and lanterns (of varied shapes and sizes). The benefits of these lights are that they improve health condition, supports extended hours of livelihood activity; it's a safer option to use as there is no chance of fire or getting burnt from the same, etc. Above all, they harnesses the unlimited natural source of solar energy.



Renewable Energy Programme

### Financial literacy

Bandhan - Konnagar has recently taken up a project titled 'Financial Literacy' from August, 2015. The project started at Haroa and Ghatakpukur in the district of South 24 Parganas, West Bengal. The prime objective of this programme is to disseminate financial knowledge to the rural women through financial literacy forums by the health community volunteers.

Each of the development programme carried on by Bandhan - Konnagar are aimed at uplifting the lives of the underprivileged. The organisation intends to further expand its activities in the coming years in order to reach out to the unreached.



Financial Literacy

INDIA'S  
FIRST  
BANKER  
TO THE  
UNBANKED





## BOARDS' REPORT

**To the Members,**

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

<b>SUMMARY OF FINANCIAL PERFORMANCE (₹ In Crore)</b>		
<b>Particulars</b>	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Deposits:</b>	<b>12,088.75</b>	<b>-</b>
- Savings Bank Deposits	2,371.05	-
- Current Account Deposits	234.55	-
<b>Advances:</b>	<b>12,437.55</b>	<b>-</b>
- Cash credits, Overdrafts and Loans repayable on demand	84.46	-
- Term Loans	12,353.08	-
<b>Total Assets/Liabilities</b>	<b>19,915.73</b>	<b>526.89</b>
Net Interest Income	932.73	-
Other Income:	150.00	-
- Fee Income	145.42	-
- Misc. Income	4.58	7.95
Operating Expenses (Excluding depreciation)	580.14	5.64
<b>Profit before Depreciation, Provisions and Tax</b>	<b>502.59</b>	<b>2.31</b>
Depreciation	35.77	-
Provision for Tax	138.26	1.73
Other Provisions and Write-offs	53.30	-
<b>Net Profit</b>	<b>275.25</b>	<b>0.58</b>
<b>Appropriations:</b>		
Transfer to Statutory Reserve	68.96	-
Transfer to Investment Reserve	-	-
Transfer to Capital Reserve	-	-
Transfer to/(from) Reserve Fund	-	-
Proposed Dividend	-	-
<b>Surplus carried over to Balance Sheet</b>	<b>206.87</b>	<b>0.58</b>
<b>EPS (Basic &amp; Diluted)</b>	<b>3.40</b>	<b>0.01</b>

## PERFORMANCE OF THE BANK

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

Within 222 days from the date of commencement of banking business, your Bank has posted a total income of ₹ 1731.25 crore. The profit after tax for the year stood at ₹ 275.25 crore after provisions of ₹ 191.56 crore. Your Bank was also able to garner total deposits of ₹ 12,088.75 crore including Current Account and Savings Bank (CASA) of ₹ 2605.60 crore. CASA percentage is maintained at a healthy rate of 21.55% of total deposits. In its seven months of operation your Bank achieved robust earnings not only in its core micro-lending business but also from the retail business, which indicates a clear strategic focus. The key ratios continued to remain strong, with Return on Equity (ROE) at 17.1% (annualised) and Return on Assets (ROA) at 3.18% (annualised).

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

Out of its total loan portfolio, an amount of ₹ 12,268.81 crore is eligible to be classified under PSL, which constituted 98.64% of net advances, a remarkable performance against the regulatory requirement of 40% of net advances. Agri and allied loans stood at ₹ 6,426.79 crore, which contributed 51.67% of net loan outstanding of your Bank; here again your Bank's achievement was well above the regulatory stipulation of 18%. The portfolio overwhelmingly comprised loans to women borrowers under micro-finance, which are additionally eligible to be classified under various sub-categories of PSL, such as advances to Small and Marginal Farmers and Weaker Sections. Your Bank also extended

loans to clients under Micro Small & Medium Enterprises (MSMEs). Bandhan Bank has thus been making unique and commendable contributions to the socio-economic uplift of the regions where it operates.

## DIVIDEND

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

## TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND

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

## RATING

Instrument	Rating	Rating Agency	Amount
Long - term Bank Facilities	A+	Care Ratings	₹ 1000 crore
Unsecured Subordinated Tier II Non-Convertible Debenture	A	Care Ratings	₹ 160 crore
Secured Non -Convertible Debenture Issue	A+	Care Ratings	₹ 60 crore
Secured Non-Convertible Debenture Issue	AA-	ICRA	₹ 100 crore
Long Tem – Bank Term loans	AA-	ICRA	₹ 80 crore
Certificate of Deposits	A1+	ICRA	₹ 500 crore



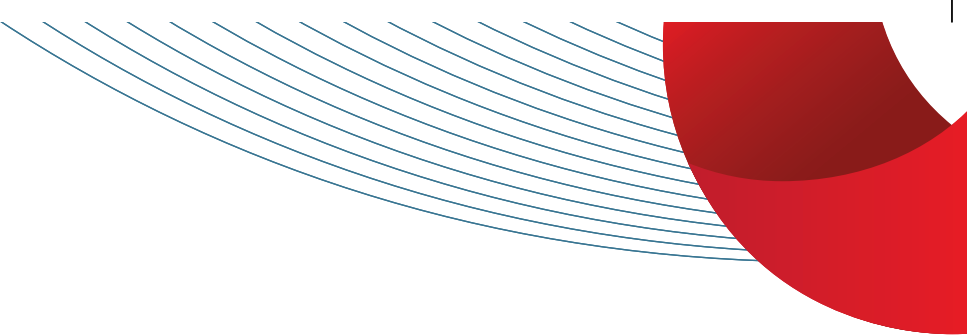
## TRANSFER OF BUSINESS FROM BFSL TO BANK

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

## ISSUANCE OF EQUITY SHARES

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

Sl. No.	Name of Allottee	Address of Allottee	Date of allotment	Number of shares Allotted	Total Amount Paid (in ₹)	Remarks
1	2	3	4	5	6	7
1	Bandhan Financial Holdings Limited	DN-32, Sector-V, Salt Lake, Kolkata-700091	August 21, 2015	26,15,91,452	1123,01,21,034.36	Investment by BFHL in the Bank – 1st tranche
2	Bandhan Financial Holdings Limited	DN-32, Sector-V, Salt Lake, Kolkata-700091	August 25, 2015	22,03,16,030	945,81,67,167.90	Investment by BFHL in the Bank – 2nd tranche
3	International Finance Corporation	2121, Pennsylvania Avenue, N.W, Washington, D.C 20433, USA	February 12, 2016	5,40,41,462	231,99,99,963.66	Shares issued pursuant to Shareholders Agreement dated April 24, 2015
4	Caladium Investment Pte. Ltd	168 Robinson Road, #37-01 Capital Tower, Singapore 068912	February 12, 2016	5,46,48,030	234,60,39,927.90	Shares issued pursuant to Shareholders Agreement dated April 24, 2015
5	Small Industries Development Bank of India	SIDBI Tower, 15, Ashok Marg, Lucknow- 226001	February 12, 2016	34,94,060	14,99,99,995.80	Shares issued pursuant to Shareholders Agreement dated April 24, 2015



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

### **CAPITAL ADEQUACY RATIO**

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

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

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

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

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

### **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Shri Bhaskar Sen [DIN: 03193003], Shri Sisir Kumar Chakrabarti [DIN: 02848624] and Shri Chandra Shekhar Ghosh [DIN: 00342477] were appointed as the first three Directors of the Bank and were regularised in the Annual General Meeting held on June 29, 2015. After obtaining the banking licence under section 22(1) of the BR Act, the entire Board of the Bank was reconstituted on July 9, 2015. Shri Boggarapu Sambamurthy

[DIN: 00246211], Shri Chintaman Mahadeo Dixit [DIN: 00524318], Prof. Krishnamurthy Venkata Subramanian [DIN: 00487747], Shri Pradip Kumar Saha [DIN: 02947368], and Shri Snehomoy Bhattacharya [DIN: 02422012] were appointed as Additional Directors (category – Independent) with effect from July 9, 2015. Shri Ashok Kumar Lahiri [DIN: 07234290] was appointed as Additional Director (category – Independent) on July 10, 2015. Their appointments were regularised in the Extra-ordinary General Meeting (EGM) held on July 18, 2015. Smt. Thekedathumadam Subramani Raji Gain [DIN: 07256149] was appointed as an Additional Director (category – Independent) on August 6, 2015. Her appointment was regularised in the EGM held on February 8, 2016. Dr. Holger Dirk Michaelis [DIN:07205838] was appointed as Nominee Director of Caladium Investment Pte. Ltd. with effect from February 12, 2016. As on the date of this report, total strength of the Board of your Bank is 11 including one Managing Director & CEO and one Nominee Director.

#### **DECLARATION BY INDEPENDENT DIRECTORS**

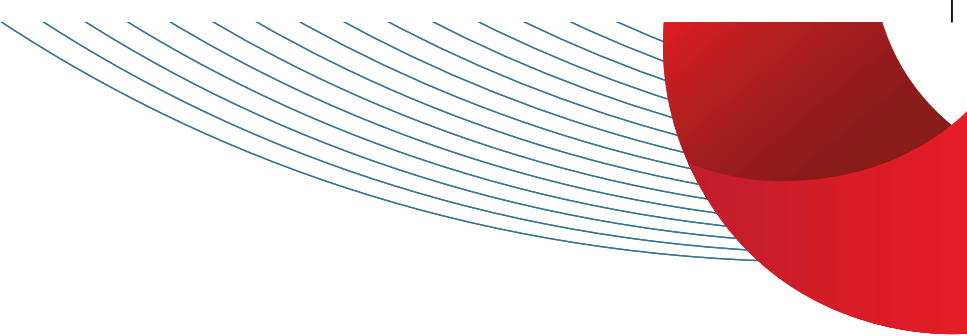
Shri Ashok Kumar Lahiri, Shri Bhaskar Sen, Shri Boggarapu Sambamurthy, Shri Chintaman Mahadeo Dixit, Prof. Krishnamurthy Venkata Subramanian, Shri Pradip Kumar Saha, Shri Sisir Kumar Chakrabarti, Shri Snehomoy Bhattacharya and Smt. Thekedathumadam Subramani Raji Gain are the Independent Directors on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

#### **CHAIRMAN**

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

#### **MANAGING DIRECTOR & CEO**

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



Shekhar Ghosh as Managing Director & CEO with effect from July 10, 2015. In compliance with section 152 of the Companies Act, 2013, Mr. Chandra Shekhar Ghosh, who retires by rotation and being eligible, offers himself for re-appointment.

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

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

### **BOARD EVALUATION**

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

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

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

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

The Remuneration Policy for Whole-time Directors is governed by the Compensation

Policy of the Bank. The Compensation Policy of the Bank, duly reviewed and recommended by the NRC, has been approved by the Board and is articulated in line with the RBI guidelines.

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

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

Non-executive Directors are paid remuneration by the way of sitting fees for attending meetings of the Board and its Committees. Such remuneration is determined by the Board based on applicable regulatory prescriptions. Non-executive Directors are also reimbursed actual expenses incurred by them for attending meetings of the Board and its Committees. The remuneration payable to the Non-executive Directors and Independent Directors is governed by the provisions of the BR Act, 1949, RBI Guidelines issued from time to time and the provisions of the Companies Act, 2013, and related rules, to the extent it is not inconsistent with the provisions of the BR Act, 1949 and RBI Guidelines.

## **PARTICULARS OF EMPLOYEES**

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

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

## BOARD OF DIRECTORS

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

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

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

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

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

Name of Members	Number of Meetings	Attendance at AGM on June 29, 2015
Shri Ashok Kumar Lahiri, <i>Chairman</i>	8/8 (Note 1)	N.A.
Shri Chandra Shekhar Ghosh	11/11	Present
Shri Bhaskar Sen	10/11	No

Shri Sisir Kumar Chakrabarti	9/11	No
Shri Pradip Kumar Saha	8/9 (Note 2)	N.A.
Shri Boggarapu Sambamurthy	8/9 (Note 2)	N.A.
Shri Chintaman Mahadeo Dixit	9/9 (Note 2)	N.A.
Prof. Krishnamurthy Venkata Subramanian	5/9 (Note 2)	N.A.
Shri Snehomoy Bhattacharya	5/9 (Note 2)	N.A.
Smt. Thekedathumadam Subramani Raji Gain	6/7 (Note 3)	N.A.
Dr. Holger Dirk Michaelis	1/2 (Note 4)	N.A.

**Note :**

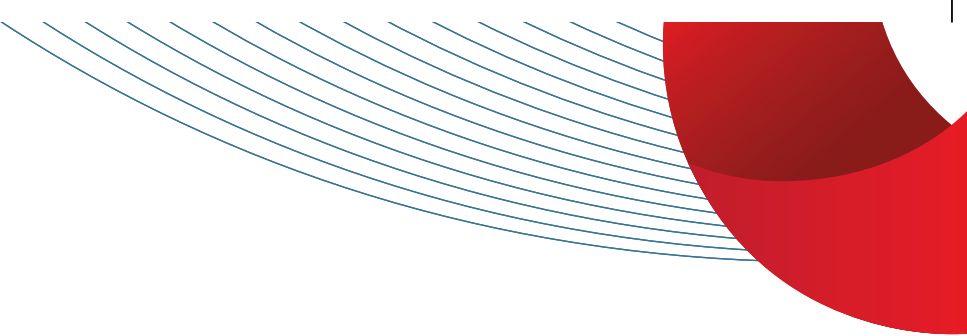
1. Shri Ashok Kumar Lahiri was appointed as a Director with effect from July 10, 2015.
2. Shri Pradip Kumar Saha, Shri Boggarapu Sambamurthy, Shri Chintaman Mahadeo Dixit, Prof. Krishnamurthy Venkata Subramanian and Shri Snehomoy Bhattacharya were appointed as Directors with effect from July 9, 2015.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

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

**Audit Committee**

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

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

- 
- i. Apart from the scope of service stated in Section 177(4) of the Companies Act, 2013, the Committee shall have periodic discussions with the auditors about internal control system and the scope of audit, including the observations of the auditors,
  - ii. Shall review the financial statements before their submission to the Board and shall discuss any related issues with the internal and statutory auditors and Management of the Bank.
  - iii. In discharging its functions, it shall have authority to investigate into any matter in relation to any items specified in Section 177 or referred to it by the Board.
  - iv. The Board may assign any matter of important nature relating to accounts, finance, taxation, internal control systems, inspection and investigation from time to time to the Committee, and may require the Committee to submit a report to the Board on such matters within a stipulated time.
  - v. Besides, the Committee shall submit its observations to the Board from time to time on any matter relating to financial management, including audit report.
  - vi. The Chairman of the Audit Committee shall attend the Annual General meeting of the Bank to provide clarification on any matter relating to Audit.

### **Composition**

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

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

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

**Note : 1.** Shri Chintaman Mahadeo Dixit was appointed as a member of the Committee with effect from July 9, 2015 and functioned as Chairman thereon.



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

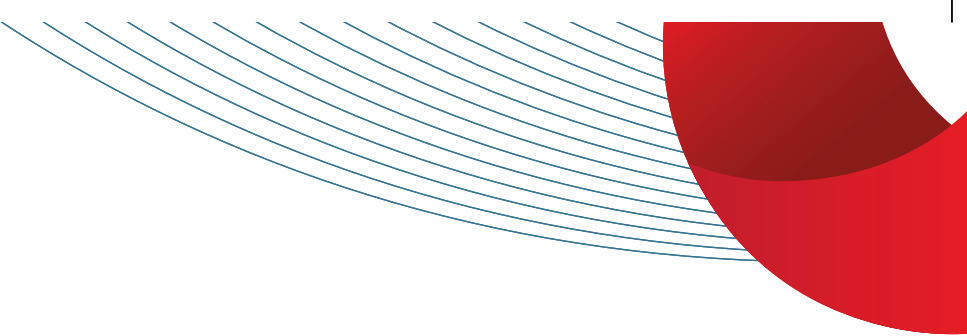
### **Nomination & Remuneration Committee**

The basic responsibilities of the NRC are:-

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

#### *Criteria for Directors' Appointment*

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



Committee assesses the 'fit and proper' credentials of the candidate and the companies/entities with which the candidate is associated either as a director or otherwise as to whether such association is permissible under RBI guidelines and the internal norms adopted by the Bank. For the above assessment, the Committee follows the relevant guidelines issued by RBI in this regard.

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

#### *Remuneration policy*

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

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

For a non-executive Chairman, the remuneration would also include such fixed payments on such periodicity as may be recommended by the Board and approved by the Members and RBI from time to time and maintaining a Chairman's office at the Bank's expense, bearing expenses for travel on official visits and participation in various forums (both in India and abroad) as Chairman of the Bank and bearing

travel/halting/other expenses and allowances for attending to duties as Chairman of the Bank and any other modes of remuneration as may be permitted by RBI through any circulars/guidelines as may be issued from time to time.

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

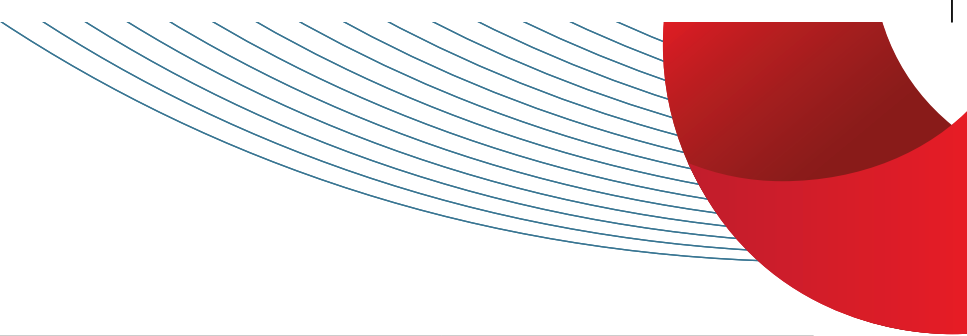
#### *Performance Evaluation of the Board, Committees and Directors*

During the year under review a meeting of the Independent Directors of the Board was held and assessment was done of the Board of Directors, Chairperson, working of Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Customer Service Committee, Special Committee for Monitoring High Value Frauds, Information Technology Strategy Committee and Risk Management Committee. The assessment is based on the evaluation of the compliance with the terms of reference of the Committees. The assessment was conducted based on the quality, quantity and timeliness of flow of information between Bank's Management and the Board that is necessary for the Board to effectively and reasonably perform its duties. The assessment criteria for the Directors was based on their participation, contribution and offering guidance to and understanding of the relevant areas.

#### **Composition**

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

Name of the Members	Number of meetings attended
Shri Bhaskar Sen, <i>Chairman</i>	7/8
Shri Chandra Shekhar Ghosh	8/8
Shri Boggarapu Sambamurthy	4/6 (Note 1)



Shri Snehomoy Bhattacharya	5/6 (Note 1)
Shri Sisir Kumar Chakrabarti (up to July 9, 2015)	2/2 (Note 2)

**Note:** 1. Shri Boggarapu Sambamurthy, Shri Snehomoy Bhattacharya were appointed as members of the Nomination & Remuneration Committee with effect from July 9, 2015.

2. With the induction of new members on the Board, the NRC was reconstituted with effect from July 9, 2015.

### **Corporate Social Responsibility Committee**

The functions of the Corporate Social Responsibility Committee include review of Corporate Social Responsibility (CSR) initiatives undertaken by the Bank for inclusive growth, formulation and recommendation to the Board of a CSR Policy indicating the activities to be undertaken by the Bank, and the amount of expenditure to be incurred on such activities. It also makes recommendations to the Board with respect to the CSR initiatives, policies and practices of the Bank, monitors the conformity of CSR activities, implementation and compliance with the CSR Policy, and reviews and implements, if required, any other matter related to CSR initiatives as recommended/suggested by RBI or any other body.

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

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

### **Composition**

On March 31, 2016, the CSR Committee comprised three Directors including

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

Name of Members	Number of meetings attended
Smt. Thekedathumadam Subramani Raji Gain, <i>Chairman</i>	1/1
Shri Pradip Kumar Saha	1/1
Shri Chandra Shekhar Ghosh	1/1

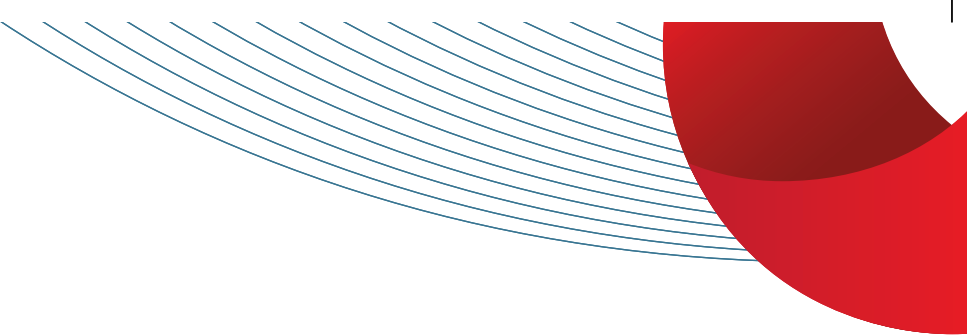
Details of the policy developed and implemented by the Bank on corporate social responsibility initiatives taken during the year have been hosted on the website of the Bank <http://www.bandhanbank.com/pdf/CSR-Policy-New-Format.pdf>. The Annual Report on CSR activities is at **Annexure 2**.

### **Customer Service Committee**

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

The basic responsibilities of the Committee are:-

- (a) To formulate a comprehensive deposit policy;
- (b) To monitor product approval process with a view to suitability and appropriateness;
- (c) To conduct annual survey of depositor satisfaction;
- (d) To review Regulatory guidelines issued from time to time and formulate policies for their implementation;
- (e) To set up a grievance redressal mechanism for the Bank to handle customer complaints;
- (f) To monitor, follow up and resolve complaints/grievances escalated by Banking

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

### ***Composition***

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

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

## Special Committee for Monitoring High Value Fraud

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

The basic responsibilities of the Committee are:

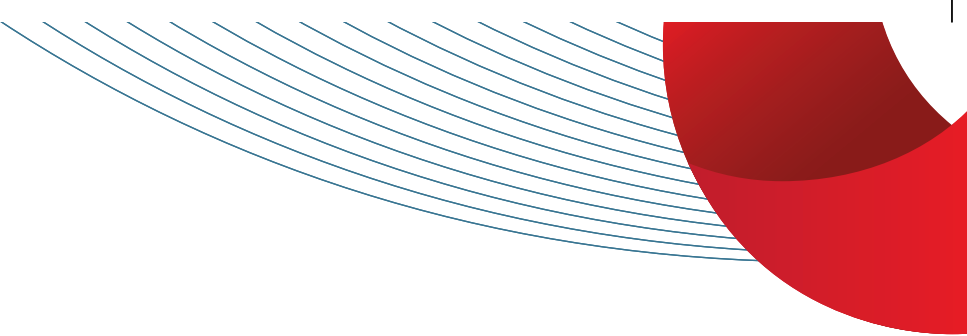
- (a) To identify the systematic lacunae, if any, that facilitated perpetration of the fraud, and put in place measures to plug the same;
- (b) To identify the reasons for delay in detection, and/or reporting to top Management of the Bank and RBI, if any;
- (c) To monitor progress of investigation by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

### Composition

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

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

### Information Technology Strategy Committee



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

The Committee has the following responsibilities:

- (a) To approve IT strategy and policy documents;
- (b) To ensure Management has put an effective strategic planning in place;
- (c) To ratify that business strategy is indeed aligned with IT strategy.
- (d) To ensure that IT organisation structure complements the business model and its direction;
- (e) To ascertain that Management has implemented processes and practices which ensure that IT delivers value to the business;
- (f) To ensure that the IT investments represents a balance of risk and benefits and that the budgets are acceptable;
- (g) To monitor the methods that Management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- (h) To ensure proper balance of IT investments for sustaining the Bank's growth;
- (i) To be aware of the exposures towards IT risks and controls and evaluate effectiveness of Management's monitoring of IT risks;
- (j) To assess senior Management's performance in implementing IT strategies;
- (k) To issue high level policy guidance (e.g. related to risk, funding or sourcing tasks);
- (l) To confirm that IT or business architecture is designed to derive the maximum business value from IT;
- (m) To oversee the aggregate funding of IT at Bank-level and ascertain if Management



has resources to ensure the proper management of IT risks; and

- (n) To review IT performance measurement and contribution of IT to business (i.e. delivering the promised value).

### **Composition**

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

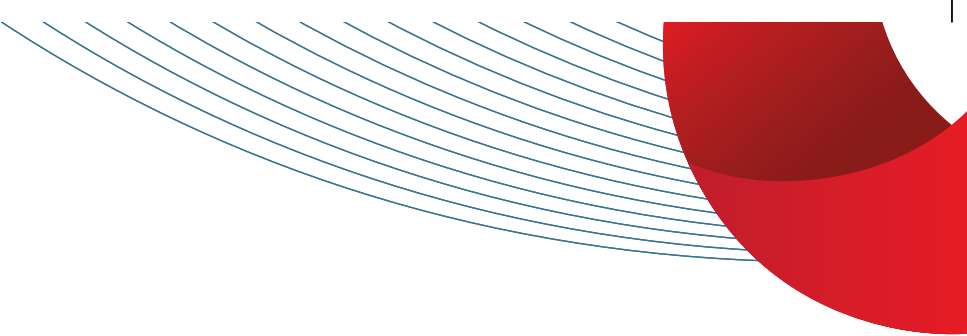
<b>Name of Members</b>	<b>Number of meetings attended</b>
Shri Boggarapu Sambamurthy, <i>Chairman</i>	3/3
Shri Chandra Shekhar Ghosh	3/3
Prof. Krishnamurthy Venkata Subramanian	3/3

### **Risk Management Committee**

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

The basic responsibilities of the Committee are:-

- (a) To oversee risk management function and obtain assurance from the respective committees and Risk Department that the risk faced by the Bank have been properly identified and are being appropriately managed;
- (b) To define the risk appetite of the Bank within overall parameters set by the Board in terms of business strategy and growth;
- (c) To ensure effectiveness in the conduct of the overall risk governance;

- 
- (d) To approve risk limits at the Bank-wide level for various portfolios such as product, industry, geography, risk types, etc.;
  - (e) To approve risk management and measurement policies, guidelines and procedures before submission to the Board;
  - (f) To ensure effectiveness and performance of risk rating system and associated processes and controls through pre-approval validation, periodic review or as a part of annual validation exercise;
  - (g) To oversee allocation and maintenance of sufficient resources (including IT support) for risk identification, measurement, monitoring and reporting;
  - (h) To approve risk capital computation and place it to the Board for approval; and
  - (i) To reinforce the culture and awareness of risk management throughout the organisation.

### **Composition**

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

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

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

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

- ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2016, and of the profit of the Bank for the year ended on that date;
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- iv) We have prepared the annual accounts on a going concern basis; and
- v) We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

## **AUDITORS**

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

## **SECRETARIAL AUDITORS**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed Shri Deepak Kumar Khaitan, Practicing Company Secretary (C.P. 5027) to conduct Secretarial Audit of the Bank. The Secretarial Audit Report is given in **Annexure - 3** to this report.

There are no qualifications, reservations or adverse remarks made by M/s. S.R. Batliboi & Associates. LLP, Chartered Accountants, Statutory Auditors of the Bank, in their Auditors' report, or by Shri Deepak Kumar Khaitan, Practicing Company Secretary (C.P. 5207), Secretarial Auditors of the Bank, in their Secretarial Audit Report.



## **RELATED PARTY TRANSACTIONS**

Pursuant to the proviso of Section 188(1) of the Companies Act, 2013, all related party transactions entered into during the financial year were on an arm's length basis and in the ordinary course of the business of the Bank. Form AOC-2 is attached and marked as **Annexure - 6**.

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

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

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

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

## **CORPORATE SOCIAL RESPONSIBILITY**

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

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

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

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

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

## **TRAINING AND DEVELOPMENT**

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

The learning architecture in the Bank focuses on

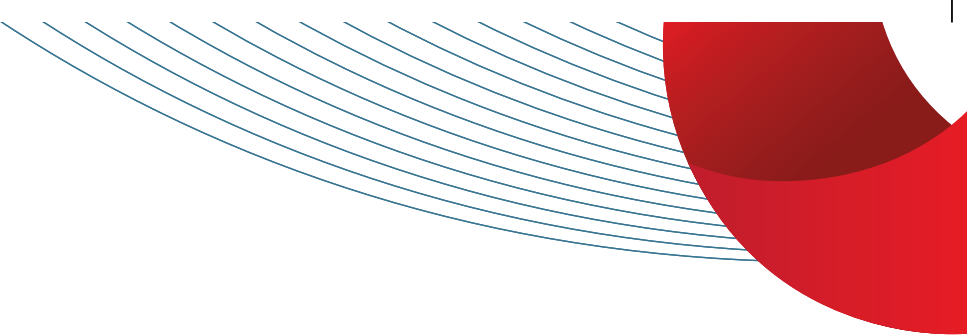
- i. developing tailor-made, competency-mapped programs for different sets of employees based on their roles in the Bank;
- ii. training on operational risk, audit, compliance and regulatory aspects for frontline staff;
- iii. induction / orientation of new hires for inculcating the culture of the Bank;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

## **RISK MANAGEMENT FRAMEWORK**

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

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

As a part of ensuring senior Management participation, specific Committees have been constituted, reporting to the RMCB, to facilitate focused oversight of various risks,



e.g., Credit Risk Management Committee (CRMC) for Credit Risk, Operational Risk Management Committee (ORMC) for Operational Risk, Asset Liability Committee (ALCO) for Market Risk and Asset Liability Management.

The Risk Governance Model defines three key roles:

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

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

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

Risk Management Department is responsible for setting up the appropriate risk control mechanism and for quantifying and measuring risk. Broadly classified into three major sub segments (Credit Risk, Market Risk and Operational Risk), the Risk Management Department owns, maintains and updates the various policies. The Risk Management team also provide analysis on the existing and emerging risks to the Committees such as ALCO, CRMC, ORMC, as also to RMCB, and based on the deliberations thereof, provide guidance to the various Business Groups.

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

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

**INFORMATION TECHNOLOGY**

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

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

As an issuing bank, your Bank enhanced its card portfolio by issuing RuPay along with VISA cards. On the Treasury-IT front, your Bank went live and stabilized with e-Kuber, Treasury Management System, Structured Financial Messaging Systems (SFMS), such as National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement System (RTGS) and Clearing Corporation of India Limited (CCIL) suite of products, which include dealing platforms and reports. Your Bank has also enabled Immediate Payment System (IMPS) by tying up with National Payment Corporation of India (NPCI) to provide 24X7 fund transfer facility for customers.

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

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

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

## **EXTRACT OF ANNUAL RETURN**

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



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

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

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

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

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

Number of complaints filed during the financial year - 01

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

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

## **RESERVES**

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



## **DEPOSITS**

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

## **ACKNOWLEDGMENTS**

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

**For and on behalf of the Board of  
Directors**

**Bandhan Bank Limited**

**Place: Kolkata**

**Date: May 11, 2016**

**Chairman  
Ashok Kumar Lahiri  
DIN: 07234290**

## Annexure - 1

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

Name & Designation of the employee	Remuneration received during 2015-16 (₹)	Nature of employment, whether contractual or otherwise	Qualifications and experience of the employee	Date of commencement of employment	Age	The last employment before joining	The percentage of equity shares held in the company within the meaning of clause (iii) of sub-rule (2) above	Whether any such employee is a relative of any director or manager of the company
Mr. Chandra Shekhar Ghosh, Managing Director & CEO	1,10,37,634	Regular	M.Sc. in Statistics and 30 years of experience	From the commencement of Company	55 Years	Bandhan Financial Services Limited	Nil	N.A.
Rahul Johri, Head - General banking	10,80,500	Regular	B.Tech and Masters in Business Management. 25 Years of experience	March 1, 2016	48 Years	DBS Bank Ltd	Nil	N.A.
Vijaykumar Ramakrishna, Chief Information Officer	11,79,800	Regular	BE- Electronics & Telecommunication, MBA- Finance. 16 Years of experience	February 1, 2016	43 Years	Intuit Global Development Centre	Nil	N.A.
Tarunava Sarker Head- Corporate Center	57,44,336	Regular	B.Com (Hons). 35 Years of experience	August 23, 2015	57 Years	Axis Bank	Nil	N.A.
Tamal Bandyopadhyay, Advisor	36,45,161	Contractual	Postgraduate from Calcutta University. 31 Years of experience	August 23, 2015	55 Years	HT Media Limited (Mint)	Nil	N.A.

For and on behalf of the Board of Directors

**Bandhan Bank Limited**

Chairman  
Ashok Kumar Lahiri  
DIN: 07234290  
Place: Kolkata  
Date: May 11, 2016

## Annexure - 2

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

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

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

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



## **RESPONSIBILITY STATEMENT**

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

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

**Managing Director & CEO**

**Chairman CSR Committee**

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

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

**Chairman  
Ashok Kumar Lahiri  
DIN: 07234290**

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH, 2016

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

**To**

**The Members**

**BANDHAN BANK LIMITED**

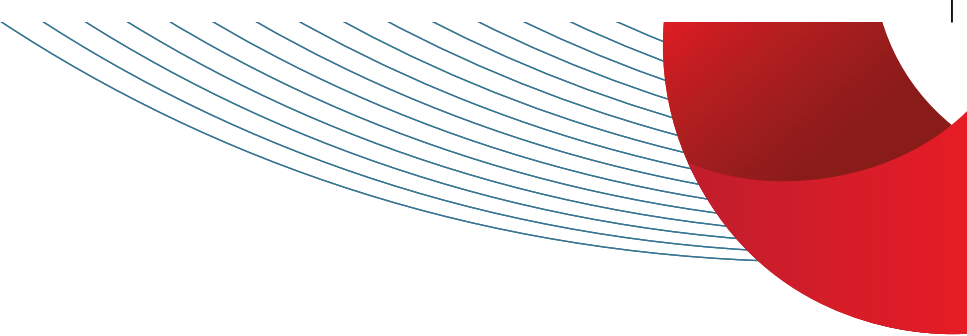
**Registered Office: DN-32, Sector V, Salt Lake, Kolkata -700 091**

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

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

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

- (i). The Companies Act, 1956 and the rules made thereunder, to the extent they were applicable during the Audit Period and The Companies Act, 2013 and the rules made thereunder (hereinafter collectively called as 'the Act');
- (ii). The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder (Not applicable to the Bank during the Audit Period);
- (iii). The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv). Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, wherever applicable;

- 
- (v). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- (Not applicable to the Bank during the Audit Period);
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992(Not applicable to the Bank during the Audit Period);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- (Not applicable to the Bank during the Audit Period);
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Bank during the Audit Period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (the debt listing agreement with regard to the listed debentures received from Bandhan Financial Services Limited as a part of the business transfer from that company to the Bank is expected to be entered during the financial year 2016-17 as the Bank has taken necessary steps in this regard with BSE Limited);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client(Not applicable to the Bank during the Audit Period);
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- (Not applicable to the Bank during the Audit Period); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- (Not applicable to the Bank during the Audit Period);
- (vi) The Banking Regulation Act, 1949 and Rules made thereunder which is the law applicable specifically to the Bank for the purpose of reporting under this point as per the Management Representation Letter issued by the Bank of even date.

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

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

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

**I further report that**

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

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

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

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

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

- (a) Transfer of Business from Bandhan Financial Services Limited
- (b) Shareholders' Agreement & Policy Agreement between the Bank and International Finance Corporation (IFC), Caladium Investment Pte. Ltd.



(CIPL)& Small Industries Development Bank of India(SIDBI)

- (c) Issue of in principle approval and subsequently the Banking License under Regulation under Regulation 22(1) of Banking Regulation Act, 1949 by the Reserve Bank of India
- (d) Commencement of the banking operations
- (e) Rights Issue of 26,15,91,452 equity shares to Bandhan Financial Holdings Limited ₹42.93/- per share
- (f) Rights Issue of 22,03,160,300 equity shares to Bandhan Financial Holdings Limited ₹42.93/- per share
- (g) Preferential Allotment of 1,12,183,552 equity shares to IFC, CIPL & SIDBI ₹42.93/- per share

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

**Place: Kolkata**

**Date: 11.05.2016**

**Deepak Kumar Khaitan**  
**F.C.S. No.: 5615 / C.P. No.: 5207**  
**ICSI Unique Code No.: I2003WB347200**



**Annexure A**

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

**To**

**The Members**

**BANDHAN BANK LIMITED**

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

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

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

**Place: Kolkata**

**Date: 11.05.2016**

**Deepak Kumar Khaitan**  
**F.C.S. No.: 5615 / C.P. No.: 5207**  
**ICSI Unique Code No.: I2003WB347200**

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

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

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

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

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

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

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



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i) Others (specify) International Finance Corporation (Multi lateral institution)						5,40,41,462	5,40,41,462	4.93	4.93
<b>Sub-total (B)(1):-</b>						-	-	-	-
2. Non-Institutions									
a) Bodies Corp.						5,46,48,030	5,46,48,030	4.99	4.99
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh						11,21,83,552	11,21,83,552	10.24	10.24
c) Others (specify)									
<b>Sub-total (B)(2):-</b>									
Total Public Shareholding (B) = (B)(1) + (B)(2)									
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	50,10,50,000	50,10,50,000	100	-	109,51,41,034	109,51,41,034	100	0

(ii) Shareholding of Promoters

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

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

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Bandhan Financial Holdings Limited				
	At the beginning of the year	50,10,50,000	100%		
	Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	26,15,91,452 (Allotment on 21.08.2015) 22,03,16,030 (Allotment on 25.08.2015)		76,26,41,452 98,29,57,482	100 100
	At the End of the year			98,29,57,482	89.76

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

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

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

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

(v) Shareholding of Directors and Key Managerial Personnel:

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

## V. INDEBTEDNESS

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
Change in Indebtedness during the financial year				
• Addition	227498.09	77666.67	1208874.81	1514039.57
• Reduction	-	-	-	-
Net Change	<b>227498.09</b>	<b>77666.67</b>	<b>1208874.81</b>	<b>1514039.57</b>
Indebtedness at the end of the financial year				
i) Principal Amount	227498.09	77666.67	1208874.81	1514039.57
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	174.99	1823.21	405.68	2403.88
<b>Total (i+ii+iii)</b>	<b>227673.08</b>	<b>79489.87</b>	<b>1209280.49</b>	<b>15164433.45</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

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

### B. Remuneration to other directors:

(₹ in lakh)

Sl. no.	Particulars of Remuneration	Name of Directors										Total Amount
		Shri. Ashok Kumar Lahiri	Shri. S K Chakrabarti	Shri. Bhaskar Sen	Shri. Chintaman Mahadeo Dixit	Shri. Boggarapu Sambamurthy	Shri. Pradip Kr Saha	Prof. Krishnamurthy Venkata Subramanian	Shri. Snehomoy Bhattacharya	Smt. T.S Raji Gain		
	1. Independent Directors											
	• Fee for attending Board Meetings	2.70	2.70	3	2.70	2.40	2.40	1.50	1.50	1.80	20.70	
	Committee meetings	0.15	1.35	2.10	0.60	1.05	0.60	0.90	0.90	0.30	7.95	
	• Commission											
	• Others, please specify											
	Total (1)	2.85	4.05	5.10	3.30	3.45	3.00	2.40	2.40	2.10	28.65	
	2. Other Non-Executive Directors											
	Mr. Holger Dirk Michaelis		Shri. Chandra Shekhar Ghosh									
	• Fee for attending Board Meetings	0.30	0.90									
	Committee meetings		0.75									
	• Commission											
	• Others, please specify											
	Total (2)	0.30	1.65								1.95	
	Total (B) = (1 + 2)										30.60	
	Total Managerial Remuneration										110.37	
	Overall Ceiling as per the Act										13,42.27	

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

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

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

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

**For and on behalf of the Board of Directors**

**Bandhan Bank Limited**

**Place: Kolkata**

**Date: May 11, 2016**

**Chairman  
Ashok Kumar Lahiri  
DIN: 07234290**



**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

**OVERALL ECONOMIC AND BANKING ENVIRONMENT**

**A. Global Economic Scenario**

1. As per IMF report of February, 2016<sup>1</sup>, global growth, currently estimated at 3.1% in 2015, is projected at 3.4% in 2016 and 3.6% in 2017. The incremental growth in global activity is expected to be more gradual than earlier estimates in October 2015.
2. Three key factors which continue to influence the global outlook are as under:-
  - a. The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services.
  - b. Lower prices for energy and other commodities, and
  - c. A gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.
3. Further, while Japan has already experimented with 'Negative Interest Rates' to further augment monetary expansion to boost the economy, the desired result continues to elude them. European Central Bank is yet to decide on whether to embrace 'Negative Interest Rates' implementation to boost the growth rate or not.
4. Together with Turkey and China, among the G20 emerging markets, India benefits from lower commodity prices: in 2014, net commodity imports amounted to 5.9% of India's GDP, compared with net exports worth 1.3%, 3.3% and 4.3% for South Africa, Brazil and Indonesia, respectively.<sup>2</sup>

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

2 Sources – <http://www.livemint.com/Politics/cs69vCerd7ST5GSnNgLW1KMoodyS-pegs-Indias-gross-domestic-product-growth-at-75-i.html>



## B. Indian Economic Scenario

1. The Indian economy is at the threshold of a transformation, with several policy initiatives expected to be rolled out with GST being the most prominent among them. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth.
2. The Economic Survey projected India's economic growth to remain within a range of 7-7.75% in 2016-17 against an estimated 7.6% growth in 2015-16. Several estimates from global institutions, including credit rating agencies, range from 7.4% to 8.5% with respect to growth rate for Indian economy in 2016-17.
3. The Indian Meteorological Department has projected monsoon rainfall this year at 106% of the long-term average after two consecutive years of below-normal rainfall in many parts of the country. A normal monsoon, given the low base of agricultural production, can provide a one-time push to economic growth in 2016-17. However, some residual uncertainty will prevail until August about the monsoon and its impact on the growth trajectory of Indian economy.
4. Downside risk to the Indian economy are global headwinds that may hurt demand for exports, high oil prices and the June-September monsoon belying the forecasts of normal rainfall.
5. However, India is relatively less exposed to external factors like the China slowdown and global capital flows. Instead, the economic outlook will be primarily determined by domestic factors such as sustained growth in consumer spending, fostered by moderate inflation, 23.55% increase in government salaries proposed by the 7th Pay Commission, continuing favorable demographics, and strengthening investment, in particular, foreign direct investment (FDI).
6. After falling below \$30 per barrel in January, 2016, for the first time in 12 years, crude oil<sup>3</sup> prices have bounced back to above \$40 per barrel. Brent crude, the international benchmark, has been trading at \$40 - \$50 per barrel range in the recent past. A collapse in the price of crude has helped reduce India's trade deficit and keep the fiscal deficit in check. However, as per the estimates, \$50 (per barrel) oil price is not seen as a significant problem. And, in the event oil

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

prices go up, the main beneficiaries thus far (consumers, oil marketing companies and fiscal) may be called upon to surrender part of the benefit.

7. India's exports fell 15.9% to \$261.1 billion in 2015-16, while imports contracted by 15.3% to \$379.6 billion. The trade deficit for the year was \$118.5 billion. Despite fall in exports, the benign crude price environment has helped in maintaining a relatively stable ₹- US dollar exchange rate.<sup>4</sup>
8. While the Indian economy is poised to remain in a sweet spot, the generally robust economic environment may be constrained by some banks' balance sheet repair and elevated corporate debt problem and the impact of two consecutive droughts.
9. Amid low growth in global trade in goods, India's large services export sector (information technology related services account for around 18% of total exports) provides another source of resilience.

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

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

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



rose sharply by 42.2% on April 1, 2016 compared to a decline of 17.9% a year ago.

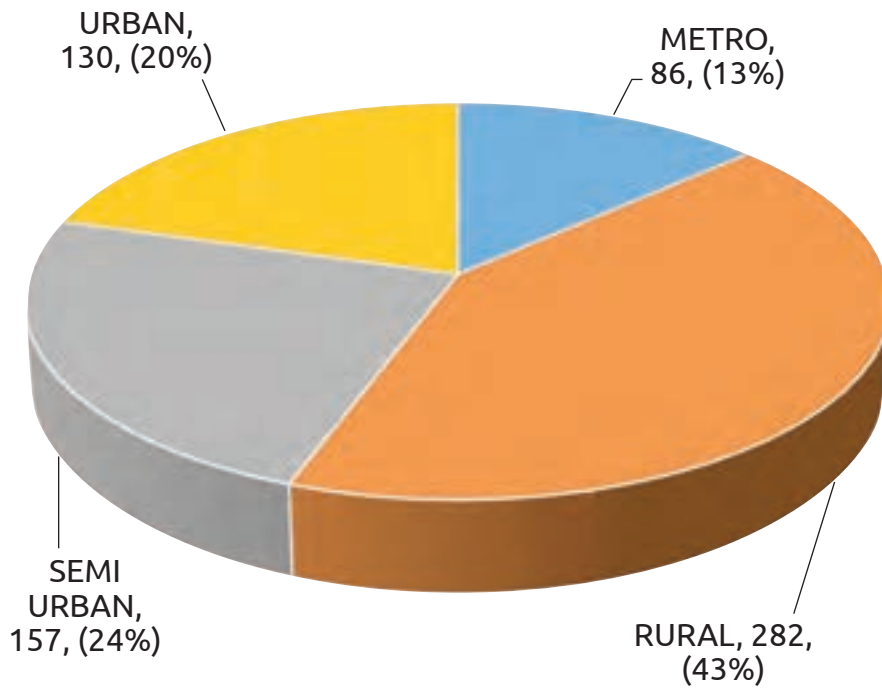
3. On April 1, 2016, on the liabilities side, deposits with SCBs (other than from banks) were ₹99.8 trillion, of which demand deposits (current account plus savings account, or CASA) were ₹11.0 trillion and time deposits ₹88.7 trillion. Outstanding SCB deposits registered a y-o-y growth of 9.7% during 2015-16, with growth of CASA at 14.9% and of time deposits 9.1%.
4. According to the data collated by Capitalline & as reported by Live Mint on February 15, 2016; listed banks added nearly ₹1 trillion in bad loans in the December, 2015 quarter, equivalent to a 29% increase in the stock of gross NPAs from the September, 2015 quarter. Gross non-performing assets (NPAs) of 39 listed banks surged to ₹4.38 trillion for the quarter ended December 31, 2015, from ₹3.4 trillion at the end of September, 2015. Your Bank was able to maintain the excellent recovery rate inherited from the period when it was a micro-finance institution, and on April 1, 2016, in its portfolio of ₹12,437.55 crore (figure excludes the book placed with other financial institutions), restrict its NPA at ₹10.23 crore.
5. To align deposit rates to market rates and also to maintain a level playing field, interest rates on small savings schemes of the government, such as public provident fund (PPF), National Savings Scheme (NSC), and Kisan Vikas Patra, have been revised for the period April 1, 2016 to June 30, 2016.
6. The factors mentioned above under Indian economic scenario suggest that as growth accelerates, and as rapidly growing businesses turn to banks for their credit needs, India's banking sector may overcome the current problems and be poised for robust growth. Further, the advancements in technology have brought mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to its clients and also upgrading its technology infrastructure, in order to enhance the customer's overall experience as well as to give themselves a competitive edge. Many banks are exploring the option to shortly launch contact-less credit and debit cards. The cards, which use near field communication (NFC) mechanism, will allow customers to transact without having to insert or swipe the card.

## **BANDHAN BANK'S OPERATIONS**

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

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

### 656 Branches – The Network



As on March 31, 2016

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

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

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

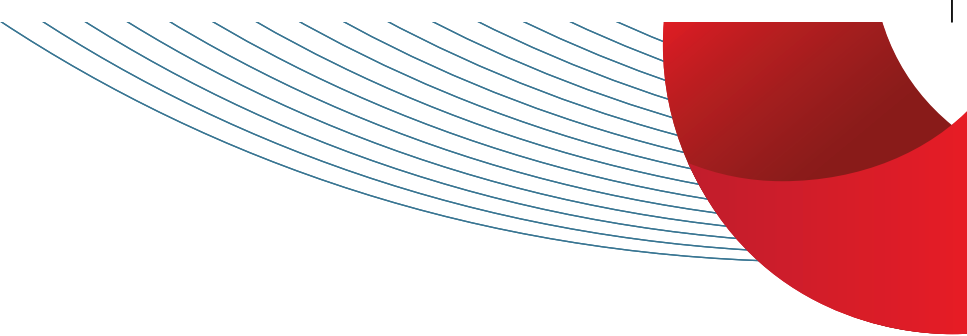
#### **General Banking: Small and Medium Enterprises Loan**

**No. of Borrowers : 5,929**

**Asset Book (in Crore) : ₹65.00**

**No of Asset Centres : 6**

- The Bank extended working capital, term loan, and project finance facilities to SME customers. The gamut of products includes fund-based and non-fund based products catering to various credit requirements and with flexible tenures ranging from short to long term. The Bank focused on customers rated BB4 and above, and on maintaining a diversified loan book with a lower risk of default.
- The SME started well and the portfolio behaviour remained healthy. The Bank endeavored to build up strong, healthy and sustainable relationships with its SME customers with a focused approach and commitment to render timely and adequate support. The Bank participated in various exhibitions and trade fairs to support and cater to the SME business. Successful participation in such exhibitions and trade fairs has also helped the customers to understand the importance of innovation, marketing, technology and use of social media to grow their businesses in consonance with the growth of the Bank.



9. Going forward, the Bank's retail loan book, with a focus on housing and vehicle loans, is expected to report faster growth. The initiative will be supported by the acquisition of a large customer base, multiple product offerings and cross selling. With the onset of a new business segment named "Small Enterprise Loan" (SEL) which will cater to the credit requirement between ₹1.00 lakh and ₹10.00 lakh, the SME business plan for 2016-17 proposes to focus on the following to accentuate its normal SME portfolio. :

- Loans having ticket size of less than ₹10.00 lakh;
- Diversified, innovative and tailor-made loan products;
- Setting up additional Asset Centers in locations of business potential;
- Risk management capabilities by enhancing the early warning system model based on holistic customer information, and developing advanced rating tools; and,
- Building capabilities in Trade Finance and Supply Chain Finance business.

10. The main reasons for the planned focus on Retail Lending are risk diversification, availability of a business opportunity, and a favourable regulatory framework. Risk in retail lending is higher as compared to corporate lending. But on an overall basis, the risk reduces since risks get spread over a number of borrowers rather than being concentrated in a few individuals or few sectors. The penetration of retail lending in India is amongst the lowest in the world. It is much higher not only in the developed world but also in some of the developing countries, especially South East Asia. Experience shows that risks in retail lending are much lower than anticipated.

11. The regulatory framework is also helping to create a support system to ensure that retail loans are available to every strata of the society. As per Priority Sector lending (PSL) guidelines of Reserve Bank of India, vide Circular no RBI/2014-15/573 dated April 23, 2015, housing loan to individuals up to ₹ 28 lakh in metropolitan Centres (population above 10 lakh) and loan up to ₹ 20 lakh in other Centres qualify as PSL provided the total cost of the dwelling unit does not



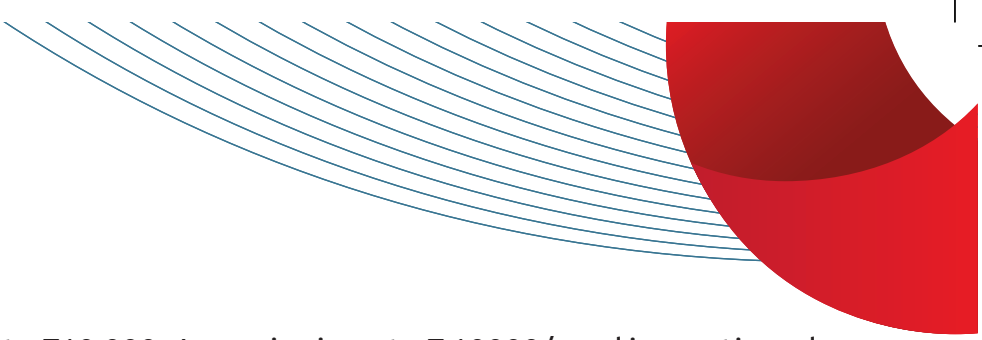
exceed ₹35 lakh in metropolitan Centres and ₹ 25 lakh in other Centres. Also loans for repair and renovation of dwelling units up to ₹5 lakh in metropolitan Centres and ₹2 lakh in other Centres qualify for PSL Loans sanctioned for construction of dwelling units for Economically Weaker Sections (with annual income up to ₹2 lakh), where total cost does not exceed ₹10 lakh qualify for PSL Retail asset portfolio of your Bank as on March 31, 2016, excluding SME loans, under general banking stood at ₹ 60.34 crore with 1,422 loan accounts.

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

1. Your Bank is committed to serve the customer base that the Indian banking system has failed to reach satisfactorily so far. Reflecting on this, the book value of the Micro Banking vertical's aggregate asset portfolio on March 31, 2016 stood at ₹15,459.47 crore. This asset book was ₹5,904 crore larger than ₹9,555.50 crore, which was the book size on March 31, 2015 of Bandhan Financial Services Limited (BFSL) as per its MIS report. The increase in book size was mainly due to enhancement in loan ceilings matching up with the demand of the borrowers.
2. BFSL, as a non-bank finance company, could not mobilise deposits. Your Bank, which is empowered to garner deposits, achieved reasonable success in mobilizing deposits from its microfinance customers as well. The book value of its micro-banking deposits (both CASA and Term Deposit) as on March 31, 2016 stood at ₹1,788.6 crore

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

3. The Micro Banking Products are as follows:
  - i. **Suchana Loan**- ₹1,000 to ₹25,000 (No Processing Fee) - Loan size is up to ₹25000/- and is sanctioned to Micro Banking customers for deploying in eligible income generating activities.
  - ii. **Srishti Loan**- ₹25,000 to ₹100,000 - Loan size is above ₹25000/- and is sanctioned to Micro Banking customers for expanding their business enterprise.



iii. **Suraksha Loan** - up to ₹10,000 - Loan size is up to ₹ 10000/- and is sanctioned to Micro Banking customers to meet emergency expenses due to health issues.

iv. **Susiksha Loan** - up to ₹10,000 - Loan size is up to ₹ 10000/- and is sanctioned to Micro Banking customers to meet expenses towards education of their children.

4. Board and Management are fully aware that one of the key ingredients of success for the Bank is going to be its appropriately skilled and dedicated human resources. To build up a robust pool of skilled manpower, the Bank successfully conducted training programs at its Learning Centre at Rajpur. Apart from Rajpur, your Bank also has seven other training centres at various locations. Together with training at these centres, your Bank is committed to building up a strong team spirit and sense of ethics, and a customer friendly attitude throughout the organisation.

**For and on behalf of the Board of Directors**

**Bandhan Bank Limited**

**Place: Kolkata**

**Date: May 11, 2016**

**Chairman  
Ashok Kumar Lahiri  
DIN: 07234290**

**FORM NO. AOC – 2**

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

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

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

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

Sl. No.	Name of the related party and nature of relationship (a)	Nature of transactions (b)	Duration of transactions (c)	Salient features of transactions, including value, if any (d) (₹ In Lakhs)	Justification for entering into such transactions (e)	Date(s) of approval by the Board / Audit Committee (f)	Amount paid as advances, if any (g)	Date on which special resolution was passed in general meeting u/s 188(1) (h)
1	Mr. Chandra Shekhar Ghosh (Managing Director & Chief Executive Officer)*	Remuneration	Appointed for five year w.e.f 10/07/2015	178.92	Remuneration was paid to Mr. Chandra Shekhar Ghosh for services rendered by him as the Managing Director and CEO.	Date of approval by the Board -10.07.2015	Nil	Nil
2	Mr. Indranil Banerjee (Company Secretary)*	Remuneration	With effect from 01/04/2015	15.88	Remuneration was paid to Mr. Indranil Banerjee for services rendered by him as the Company Secretary	Date of approval by the Board – 28.03.2015	Nil	NA
3	Mr. Sunil Samdani (Chief Financial Officer)*	Remuneration	With effect from 01/04/2015	59.97	Remuneration was paid to Mr. Sunil Samdani for services rendered by him as the Chief Financial Officer.	Date of approval by the Board – 28.03.2015	Nil	NA

4	Mr. Dibakar Ghosh (Head IT Operations – System and Networking)**	Remuneration	With effect from 23/08/2015	36.00	Remuneration was paid to Mr. Dibakar Ghosh for services rendered by him as the Head IT Operations – System and Networking	Date of approval by the Board – 29.05.2015	Nil	29.06.2015
5	Mr. Vaskar Ghosh (Head Procurement)**	Remuneration	With effect from 23/08/2015	12.71	Remuneration was paid to Mr. Vaskar Ghosh for services rendered by him as Head Procurement.	Date of approval by the Board – 29.05.2015	Nil	NA
6	Bandhan Financial Services Ltd. (Ultimate parent company)	Acquisition of assets and liabilities	As per business transfer agreement dated 11/02/2015	123314.64	Acquisition of assets and liabilities as per business transfer agreement in relation to the commencement of banking business as per RBI guidelines	Date of approval by the Board – 10.01.2015	Nil	10.02.2015
7	Bandhan Financial Services Ltd. (Ultimate parent company)	Reimbursement of expenses	01.04.2015 to 22.08.2015	3753.00	Reimbursement of expenses incurred by the parent company on behalf of the subsidiary company.	Date of approval by the Board – 29.05.2015	Nil	NA
8	Bandhan Financial Services Ltd. (Ultimate parent company)	Rent	01.04.2015 to 31.07.2015	1	Rent paid for office space taken on rent from the parent company.	Date of approval by the Board – 29.12.2014	Nil	NA
9	Bandhan Financial Holdings Ltd. (Non-Operating Financial Holding Company)	Proceeds from issue of share capital	20.08.2015 & 24.08.2015	206882.88	Issue proceeds received from the holding Company for issue of shares on rights basis.	Date of approval by the Board – 29.05.2015	Nil	NA

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



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

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

**Date: May 11, 2016**

**Place: Kolkata**

**Chairman  
Ashok Kumar Lahiri  
DIN: 07234290**

## **Basel – Pillar 3 Disclosures - March 31, 2016**

Bandhan Bank Limited (hereafter referred as the “Bank”) aims to operate within an effective risk management framework to actively manage all the material risks faced by the Bank, in a manner, consistent with the Bank’s risk appetite.

Bandhan Bank Limited commenced its banking operations on August 23, 2015. As per the Scheme of Arrangement, the entire balance sheet of Bandhan Financial Services Limited (BFSL) was transferred to Bandhan Bank Limited with effect from August 23, 2015.

As per the directions of RBI on Guidelines for Licensing of New Banks in the Private sector dated February 22, 2013, being a newly launched bank, Bandhan Bank Limited is required to maintain a minimum capital adequacy ratio of 13% of its Risk Weighted Assets (RWA) for a minimum period of three years after commencement of its operations, subject to any higher percentage as may be prescribed by RBI from time to time. This document covers the Capital Adequacy status for Bandhan Bank Limited. It also describes the Risk Process and Governance at the Bank to effectively on-board, monitor and report risk.

### **1. Scope of Application and Capital Adequacy**

#### **DF – 1: Scope of Application**

The framework of disclosures applies to Bandhan Bank Limited (Hereinafter referred to as the Bank), a scheduled commercial bank, incorporated on August 23, 2015. The Bank does not have any subsidiary nor does it have any interest in any insurance entity.

#### **DF – 2: Capital Adequacy**

##### ***Qualitative Disclosure:***

The Bank has a process for assessing its overall capital adequacy in relation to the Bank’s risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile. The Bank identifies,

assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

In line with the Basel III guidelines which are effective since April 01, 2013, the Bank has calculated its capital ratios as per the extant RBI guidelines. The main focus of Basel III norms is on the quality and quantity of Tier I capital and these regulatory requirements are currently met with the quantum of capital available with the Bank. The Pillar I Risk Weighted Assets (RWA) Calculation covers the following risks:

- i. Credit Risk (Standardised Approach)
- ii. Market Risk (Standardised Approach)
- iii. Operational Risk (Basic Indicator Approach)

The Bank had a total capital of ₹3,590 Cr; out of which Tier- I capital was ₹3,307 Cr, as on March 31, 2016. Based on RBI guidelines on Capital Adequacy, the CRAR of the Bank as on March 31, 2016 was 29.01% against regulatory requirement of 13%.

### **Quantitative Disclosure**

The Standalone CRAR position of the Bank as on March 31, 2016 is as below

<b>Capital Requirement</b>	<b>(in crore)</b>
<b>Risk Weighted Assets for Credit Risk:</b>	
Portfolios subject to the standardised approach	10,286.48
Securitisation	-
<b>Risk Weighted Assets for Market Risk:</b>	
Standardised duration approach	
Interest Rate Risk	58.32
Foreign exchange Risk (including Gold)	-
Equity Risk	-
<b>Risk Weighted Assets for Operational Risk:</b>	
Basic indicator approach	2030.12
<b>Total Risk Weighted Assets</b>	<b>12,374.92</b>
<b>(e) Common Equity Tier 1, Tier 1 and Total capital ratio:</b>	<b>(in %)</b>
<b>CET 1</b>	26.72
<b>TIER 1</b>	26.72
<b>TIER 2</b>	2.29



## **2. Risk Exposure and assessment**

The Bank encourages calculated risk-taking, where risks are known, and are within the risk limits arising from the approved risk appetite. Also while evaluating the risks, the associated returns are also considered. The key constituents that promote “Risk aware culture” in the Bank are:

- Encourage employees to take business decisions in line with the Bank’s approved risk appetite;
- Treatment to whistleblowers who report on fraudulent activities;
- Treatment to employees who report potential risks; and
- Adequate and regular training of personnel in the business areas on their roles in risk management.

The Bank plans to carry out an exercise on “cultural assessment” to gauge the risk awareness amongst the employees at business units as well as at executive management level.

Risk transparency is fostered through reporting, disclosure, sharing of information and open dialogue about the risks arising from different activities across the Bank.

### **Risk Governance Model**

The Bank has established a system for directing and controlling the management of risk within and across the Bank. This governance model defines three key roles:

- Business that take, manage and monitor risk;
- Risk Management to provide policy, guidance and analysis; and
- Internal Audit to provide independent assurance.

Risk Management Department is responsible for setting up the appropriate risk control mechanism, quantify and monitor risks.



## **Risk Governance Framework**

The Bank believes that the role of risk management should not be biased by consideration of profits or performance evaluation and should be in line with regulatory guidelines and international good practices. The risk governance framework has been designed by taking this into account.

The risk governance framework provides guidance on adopting a more holistic approach to manage risk, emphasising four related elements:

- Developing the corporate risk profile;
- Establishing an risk function that manages risk in an integrated manner;
- Practicing Integrated Risk Management; and
- Ensuring continuous risk monitoring.

The risk governance framework for the Bank is supported by the detailed roles and responsibilities within the Bank.

## **Governance Committees**

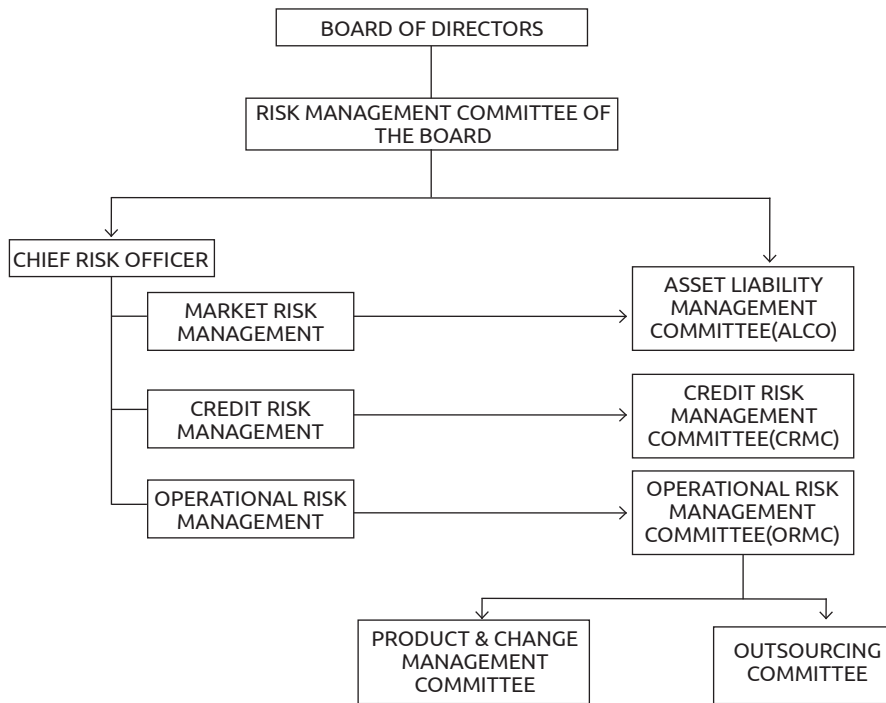
Key roles and responsibilities relating to the risk management are clearly defined and stated below:

### **Board of Directors**

Board of Directors (BoDs) has the overall responsibility for management of all the Risks. The key responsibilities of BoDs are the following:

- Be aware of the major aspects of the bank's risks that should be managed, and should approve an appropriate risk management framework for the bank and review it periodically;
- Based on the recommendation of RMCB and individual RMCs, approve and periodically review the risk appetite, risk management policies, and processes;

## Risk Governance Structure



- Establish a management structure, which can effectively implement the Bank’s risk management framework and define clear lines of management responsibility, accountability and reporting;
- Provide senior management with clear guidance and direction with respect to the promotion of risk management culture and awareness in the Bank;
- Ensure that the Bank has adequate internal controls (Empower internal audit) in place to oversee the implementation of policy and procedures;
- Approve ICAAP and the underpinning capital requirements periodically;
- Ensure that the Bank has in place appropriate methods for monitoring compliance with laws, regulations, and supervisory and internal policies; and
- Obtain assurance (Through internal audit and external reviews) that the Bank’s risk management policies for significant risks are being adhered to.



## **Risk Management Committee of the Board (RMCB)**

RMCB has overall responsibility to oversee the Integrated Risk Management programme including Credit, Market, Operational and other key risks. The committee is responsible to:

- Oversee the risk management function and obtain assurance from the respective committees and risk departments that the key risks facing the Bank have been properly identified and are being appropriately managed;
- Define the risk appetite of the Bank within overall parameters set by the Board including business strategy and growth;
- Ensure the effectiveness in the conduct of the overall risk governance;
- Approve risk limits at the bank-wide level for various portfolios such as product, industry, geography, risk types etc.;
- Approve risk management and measurement policies/guidelines and procedures before submission to the Board;
- Ensure the effectiveness and performance of rating system and associated processes and controls through pre-approval validation, periodical review or as a part of annual validation exercise;
- Allocate and maintain sufficient resources (Including IT support) for risk identification, measurement, monitoring and reporting;
- Approve the risk capital computation and place it to the Board for approval; and
- Reinforce the culture and awareness of the risk management throughout the organisation.

## **Audit Committee of the Board**

The Audit Committee of the Board (ACB) is responsible to:

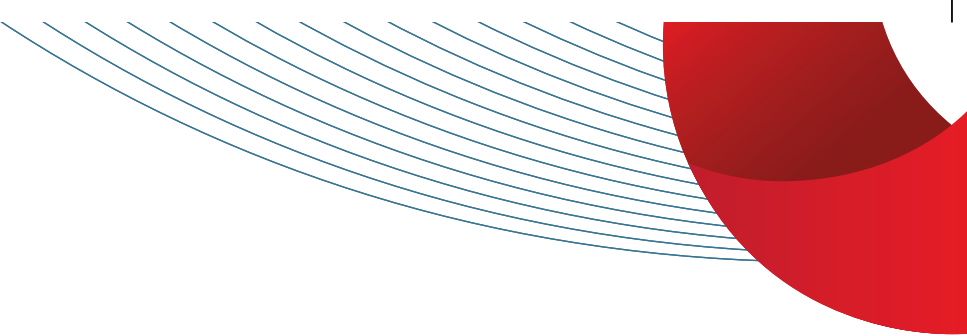
- Assist the Board in carrying out its oversight responsibilities as they relate to the Bank's financial and reporting practices, internal control and compliance with laws, regulations and ethics

### Financial and Other Reporting

- Provide assurance to the governing board that the financial information reported by the management reasonably portrays the Bank's financial condition, results of operations, and plans and long-term commitments;
- Review of the financial and/or fiscal policies and policy decisions;
- Review of the financial statements including interim financial statements, auditors opinion and management letter;
- Recommendations on the selection of the external auditors or participation in the selection of external auditors;
- Oversight of the external audit coverage; and
- Review of other reports that require approval by the BOD, prior to the submission.

### Internal Control

- Understand the Bank's key risk areas and the internal controls structure;
- Monitor the control process through the results of internal and external audits;
- Examining and evaluate the planning, organisation and directing



processes to determine that the objectives and goals will be achieved;  
and

- Evaluate systems, processes, operations, functions & activities within the organisation.

#### Compliance with Laws, Regulations and Ethics

- Provide a reasonable assurance to the governing board that the Bank is in compliance with all pertinent laws and regulations, is conducting its affairs ethically, and is maintaining effective controls against conflicts of the interest/fraud.

### **Market Risk Management Committee (MRMC)**

The Market Risk Management Committee (MRMC) is responsible for:

- Setting policies and guidelines for the market risk measurement, management and reporting and placing before the Board for approval;
- Identification, assessment, monitoring, reporting and analysis of the market risk associated with treasury operations, setting of its risk parameters, overseeing compliance with these risk parameters etc.;
- Reviewing and ensuring adherence to the market risk limits, including triggers or stop-losses for traded and accrual portfolios;
- Risk research and analysis, development of risk mitigation strategies;
- Ensuring robustness of financial models, and the effectiveness of all systems used to calculate the market risk;
- Ensure appointment of qualified and competent staff and support RMCB in the conduct of effective market risk governance;

- Ensure effective management of currency and country risk;
- Review the stress testing results.

### **Asset Liability Management Committee (ALCO)**

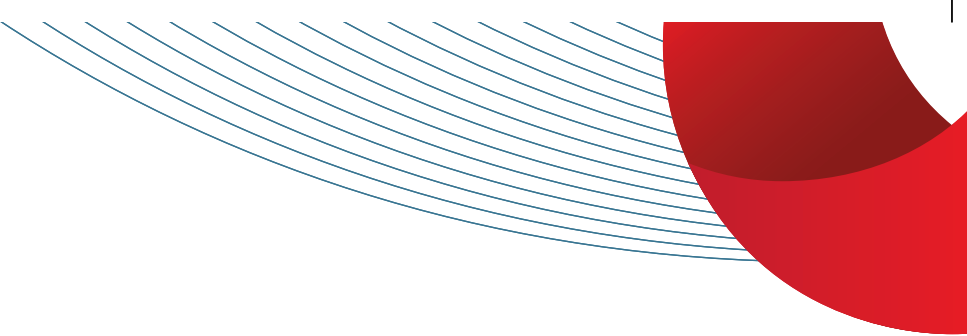
The Asset Liability Management Committee (ALCO) is responsible for:

- Managing the liquidity gaps and the interest rate risk by deciding on the desired maturity profile and mix of incremental assets and liabilities and effectively articulate the balance-sheet management strategies;
- Approving risk limits and triggers for liquidity and interest rate risks and ensuring the adherence to the limits set by the Board;
- Ensuring the effectiveness of the Contingency Funding Plan;
- Articulating interest rate view of the Bank and deciding on the future business strategy;
- Reviewing and articulating the fund management;
- Approving the transfer pricing mechanism for the Bank and ensure the effective balance sheet management;
- Reviewing micro and macro-economic factors;
- Approving pricing for deposits and advances;
- Reviewing the stress testing results.

### **Credit Risk Management Committee**

The Credit Risk Management Committee is responsible to:

- Review and recommend policies pertaining to the credit risk management to the RMCB for review and approval;

- 
- Ensure implementation of that credit risk policy and strategy approved by the Board as per the directions of the RMCB;
  - Monitor the quality of loan portfolio at periodic intervals, identifying the problem areas and issuing directions for rectifying deficiencies;
  - Monitor credit risks on a bank wide basis and ensuring compliance with the approved risk parameters/prudential limits and monitor on the risk concentrations including industry exposures;
  - Manage the Risk Limits, Inter-bank exposures, and Credit Risk in Off-Balance Sheet Exposure;
  - Review the use of internal risk scoring systems for business and risk management purposes and placing recommendations before the RMCB;
  - Review all rating system validation results to assess efficacy and effectiveness of the model performance and the need for any adjustments, and placing recommendations before RMCB; and
  - Review the Credit Risk Stress Testing scenarios, results and analysis.

### **Operational Risk Management Committee**

The Operational Risk Management Committee is responsible for:

- The Development of ORM Framework in terms of all the policies and procedures, methodologies, models, tools and system for their effective implementation;
- Assessment of operational risk inherent in new areas (e.g. products, activities, processes and systems) before those are introduced, and identify risks tied to the new or existing product development and significant changes in order to ensure that the risk profiles of product lines are updated regularly;
- Reviewing and ensure that Bank has adequate business continuity and



disaster recovery mechanism in place which are reviewed and timely tested for their working effectiveness;

- The Review & assessment of the results of compliance risk and information security risk management related processes including key issues, risk incidents, internal and external changes, their inclusion in the overall risk profile of the Bank and issue the necessary guidance;
- Ensuring that the operational risk issues are effectively communicated to those appropriate staff responsible for managing credit, market and other risks, as well as those managing third-party outsourcing arrangements;
- Ensuring the integration of operational risk management practices into day to day operations of the Bank; and
- Ensuring the responsibilities and accountabilities at all levels of the staff with adequate number of resources having requisite level of qualification, experience and training in order to effectively manage the operational risk.



## **Audit Committee of Executives**

The Audit Committee of Executives is responsible to:

- Provide an independent assurance to the Board on their assessment of compliance with the risk processes across the Bank;
- Independently validate the ratings/scores assigned to the Credit Risk Management Team post sanction of loans and reporting the deviations;
- Review (At least annually) the scoring/rating system and its operations, capital calculations under various approaches including the estimation of PDs, LGDs and EADs;
- Independently validate proper implementation of the risk mitigation plans drawn out by the focus group or committees for various key risks;
- Independently validate that the significant risks identified under RCSA process is incorporated in the Operational loss warehouse;
- Give assurance to the board on the management of risks, including the effectiveness of the controls and the compliance and irregularities;
- Give assurance to the board on the accuracy of the reporting and the appropriateness of the risk reporting design; and
- Feedback on the adherence to the Bank's values and code of ethics.

Further, to ensure holistic & integrated view of the risk appetite for the Bank, MD & CEO, CRO, Group Head, etc., have been taken in all the Risk Committees as common members.

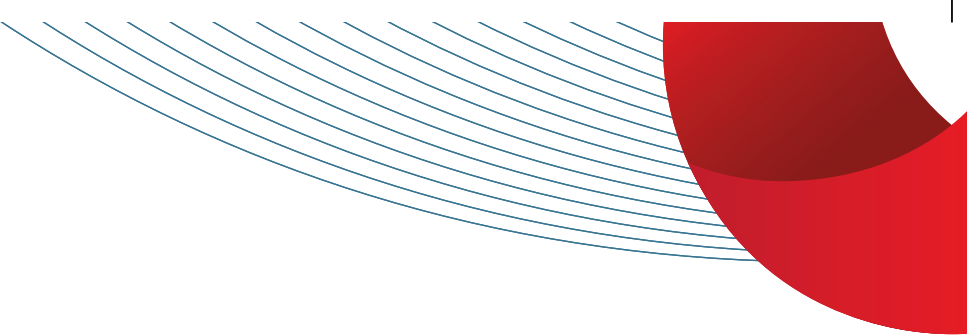
### **DF -3: Credit Risk**

#### ***Qualitative Disclosure***

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per terms of the financial contract. Any such event will have an adverse effect on the financial performance of the Bank. The Bank faces credit risk through its lending, investment and contractual arrangements. To counter the effect of credit risks faced by the Bank, a robust risk governance framework has been put in place. The framework provides a clear definition of roles as well as allocation of responsibilities with regard to the ownership and management of risks. Allocation of responsibilities is further substantiated by defining clear hierarchy with respect to the reporting relationships and Management Information System (MIS) mechanism.

#### **i. Credit Risk: Strategies and processes**

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to clearly articulate processes and procedural requirements that are binding on all concerned Business groups. The Credit Policy and the Credit Risk Management Policy of the Bank is guided by the objective to build, sustain and maintain a high quality credit portfolio by its measurement, monitoring and control of the credit exposures. The policies also address more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policies reflect the Bank's approach towards lending to borrowers in light of prevailing business environment and regulatory stipulations.



The Bank's Policies also detail the standards, processes and systems for growing and maintaining its diversified portfolio. The policies are reviewed annually in anticipation of or in response to the dynamics of the environment (Regulatory & market) in which the Bank operates or to change in strategic direction, risk tolerance, etc. The policies are approved by the Board of Directors of the Bank.

To avoid concentration of the credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, exposure to the sensitive sector, industry exposure, unsecured exposures, etc. Norms have also been detailed for soliciting new business as well as for preliminary scrutiny of new clients. The Bank abides by the directives issued by RBI, SEBI and other regulatory bodies in respect of lending to any industry including NBFCs, Commercial Real Estate, and Capital Markets. In addition, internal limits have been prescribed for certain sensitive segments based on prudential considerations.

## ii. **Credit Risk: Structure and organisation**

The organisational structure for Credit Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Credit Risk Management Committee (CRMC)
- Chief Risk Officer (CRO)
- Head - Credit Risk Department
- Credit Risk Department

iii. **Credit Risk: Scope and nature of measurement systems**

The Bank's approach for credit risk identification and assessment of credit risks underlying both funded and non-funded exposures is explicitly set out. All credit proposals are subject to a credit risk scoring process/risk rating process based on the quantum of advance value to support credit approvals and decision making as well as to enhance risk management capabilities for the portfolio management, pricing and risk based capital measurement.

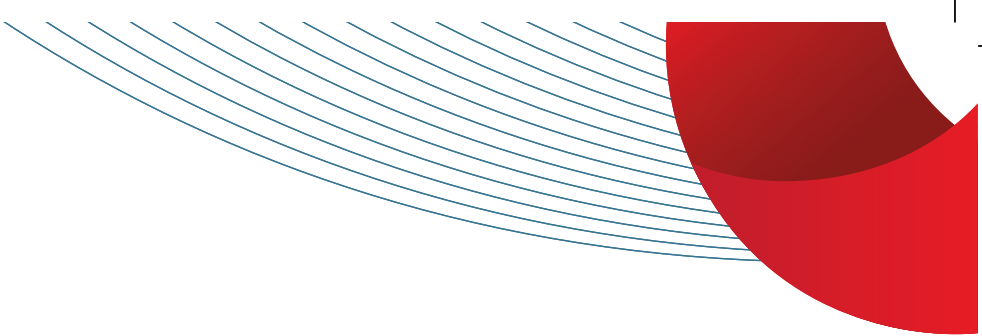
iv. **Credit Risk: Policies for hedging and/or mitigating risk**

Credit risk is defined as the possibility of losses associated with default by or diminution in the credit quality of Borrowers or Counterparties arising from:

- Outright default due to the inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions; or
- Reduction in portfolio value arising from the actual or perceived deterioration in credit quality of borrowers or counterparties.

Credit Risk emanates from the Bank's dealings with an individual, non-corporate, corporate, bank, financial institution or sovereign.

The Bank's credit risk governance framework is being build up to strengthen the risk evaluation and management of credit whilst positioning the Bank to effectively and efficiently manage changes in the environment. Through an effective, Board approved risk governance framework, the Bank seeks to ensure adequate risk oversight, monitoring and reporting of credit risks.



The responsibilities for managing credit risk extend throughout the Bank. Key principles of credit risk governance are:

- Adequate oversight, monitoring and control of that credit risk through the Board, risk committees and senior management.
- Clearly defined roles and responsibilities for overall credit risk management.
- Establishment of functional independence of Credit Risk Management function from personnel and management functions responsible for credit origination and credit administration.
- Appropriate mechanisms to ensure that the Board and senior management understand credit risk rating systems design and operations through a regular training and involvement in the model review and approval processes.
- Business units monitor and manage credit risk in their businesses and report

## Quantitative Disclosures

### a. Total gross credit risk exposure by facility:

(₹ in Cr)

Facility Type	Credit Exposure
Fund Based	12,446.08
Non-Fund Based	0.31
Total	12,446.39

**b. Total gross credit risk exposure by geography:**

(₹ in Cr)

Category	Fund Based	Non-Fund Based	Total Credit Exposure
Domestic	12,446.08	0.31	12,446.39
Overseas	-	-	-
Total	12,446.08	0.31	12,446.39

**c. Total gross credit risk exposure by industry:**

(₹ in Cr)

Industry	Fund Based	Non-Fund Based	Total Credit Exposure
A. Mining and Quarrying	-	-	-
B. Food Processing	180.02	-	180.02
C. Beverages (Excluding Tea & Coffee) and Tobacco	-	-	-
D. Textiles	50.82	-	50.82
E. Leather and Leather products	49.69	-	49.69
F. Wood and Wood Products	1.49	-	1.49
G. Paper and Paper Products	-	-	-
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5.76	-	5.76
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	-	-	-
J. Rubber, Plastic and their Products	18.59	-	18.59
K. Glass & Glassware	10.03	-	10.03
L. Cement and Cement Products	5.22	-	5.22
M. Basic Metal and Metal Products	-	-	-
N. All Engineering	116.65	-	116.65
O. Vehicles, Vehicle Parts and Transport Equipment	-	-	-
P. Gems and Jewellery	294.50	-	294.50
Q. Construction	-	-	-
R. Infrastructure	-	-	-
S. Other Industries	232.76	-	232.76
Residuary other advances (to tally with gross advances)	11,480.55	0.31	11,480.86
<b>Total</b>	<b>12,446.08</b>	<b>0.31</b>	<b>12,446.39</b>

#### d. Residual maturity breakdown of Assets:

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 to 6 months & up months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 year & up to 5 years	Over 5 years	Total
<b>Liabilities</b>											
Borrowings			9.09	31.58	374.25	563.82	770.26	1,042.65	100.00	160.00	<b>3,051.65</b>
Deposits	25.50	141.99	206.28	61.61	660.45	952.49	5,004.44	4,980.64	32.55	22.80	<b>12,088.75</b>
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25.50</b>	<b>141.99</b>	<b>215.37</b>	<b>93.19</b>	<b>1,034.70</b>	<b>1,516.31</b>	<b>5,774.70</b>	<b>6,023.29</b>	<b>132.55</b>	<b>182.80</b>	<b>15,140.40</b>
<b>Assets</b>											
Advances	67.21	265.21	324.63	298.10	2,781.42	1,697.89	4,814.41	2,183.25	0.49	4.94	<b>12,437.55</b>
Investment	1,105.08	24.46	35.53	72.59	172.69	250.83	1,004.94	1,005.05	55.20	31.66	<b>3,758.03</b>
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,172.29</b>	<b>289.67</b>	<b>360.16</b>	<b>370.69</b>	<b>2,954.11</b>	<b>1,948.72</b>	<b>5,819.35</b>	<b>3,188.30</b>	<b>55.69</b>	<b>36.60</b>	<b>16,195.58</b>

#### e. Position of Non-performing Assets (NPA):

(₹ in Cr)

Particulars	As on March 31, 2016
<b>Gross Advances</b>	<b>12,446</b>
<b>Net Advances</b>	<b>12,438</b>
<b>Gross NPA</b>	<b>18.77</b>
a. Substandard	13.65
b. Doubtful 1	4.40
c. Doubtful 2	0.65
d. Doubtful 3	0.08
e. Loss	-
<b>NPA Provision</b>	<b>8.53</b>
<b>Net NPA</b>	<b>10.23</b>
<b>NPA Ratio</b>	
<b>Gross NPA to Gross Advances (%)</b>	0.15%
<b>Net NPA to Net Advances (%)</b>	0.08%



**f. Movement of Non-performing Assets (NPA Gross):**

(₹ in Crore)

<b>Particulars</b>	<b>As on March 31, 2016</b>
Opening Balances	-
Additions	18.77
Write Offs	-
Reductions	-
Closing Balances	18.77

**g. Movement of Specific & General NPA Provisions:**

<b>Particulars</b>	<b>As on March 31, 2016</b>
Opening Balances	-
Add: Provisions made during the period	8.53
Less : Transfer to Countercyclical Provisional Buffer	-
Less : Write offs	-
Less : Write Back of excess provision	-
Closing Balances	8.53

**h. Geography based position of NPAs, Specific provisions and General provisions:**

(₹ in Crore)

<b>Particulars</b>	<b>As on March 31, 2016</b>		
	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>
Gross NPA	18.77	-	18.77
Provision for NPA	8.53	-	8.53

**i. Position of Non-Performing Investments (NPI) as on March 31, 2016:**

(₹ in Crore)

<b>Particulars</b>	<b>As on March 31, 2016</b>
Amount of Non-performing Investments (NPI)	Nil
Amount of provisions held for Non-performing Investments	Nil

**j. Movement of provisions for depreciation on investments as on March 31, 2016.**

(₹ in Crore)

<b>Particulars</b>	<b>As on March 31, 2016</b>
Opening Balance	Nil
Provisions made during the period	Nil
Write offs / Write Back of excess provisions	Nil
Closing Balance	Nil

**DF - 4: Credit Risk- Disclosures for Portfolios Subject to the Standardised Approach**

***Quantitative Disclosure***

(₹ in Crore)

<b>Category</b>	<b>As on March 31, 2016</b>
Below 100% Risk Weight	14,846.28
100% Risk Weight	2,712.18
More than 100% Risk Weight	0.00
Closing Balance	17,558.46

**DF 5: Credit Risk Mitigation- Disclosures for Standardised Approaches**

***Qualitative Disclosure***

As per the Credit Policy and Credit Risk Management Policy of the Bandhan Bank, all credit proposals of over Rs one lakh is subject to the internal rating (Based on score card model) process to support credit approvals and decision making as well as to enhance risk management capabilities for portfolio management and pricing.

Credit score-cards are mathematical models which attempt to provide a quantitative estimate of the probability that a customer will display a defined behavior (e.g. loan default, bankruptcy or a lower level of delinquency) with respect to their current or proposed credit position with a lender in case of small value loans. Score-cards are built and optimized to evaluate the credit file of a homogeneous population. Main Objective of the score-card rating model is to

- Identify credit-worthy customers
- Decide whether to extend credit, and how much credit to extend.
- Forecast the future behavior of a new credit applicant
- Predict the future payment behaviour of existing debtors

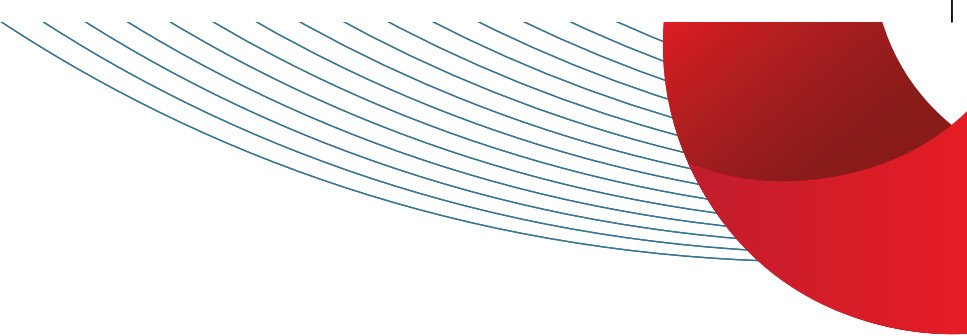
Scoring is a two or three level process (Approval wise) consisting of an analyst at the branch/analyst of the credit processing team, submitting the model inputs and generating the score which subsequently gets approved by the respective sanctioning authority. For exposures more than ₹25.00 Lac, the credit rating score gets approved by the Credit Risk Management Department before sanction of the credit appraisal.

Credit Risk Management Department (CRMD) has devised different score card models based on the best industry practice:

- a. Score Card for Agri & Agri allied Activities.
- b. Score Card for MSME Loan.
- c. Score Card for Home Loan/LARR/LAP under Retail Segment.
- d. Score Card for Two Wheeler Loan/Car Loans and other retail segments.

Scoring is carried out broadly on the following:

- Financial Risk (FR Risk).
- Business & Industry Risk (B & I Risk).
- Promoter Risk / Management Risk. (MR Risk).
- Collateral Adequacy.



As per the best industry practice and to maintain prudent credit risk management principle, various internal rating grades have been devised as per the score obtained by the borrower. Rating grade signifies the creditworthiness of the borrower. Higher the rating, higher the creditworthiness.

The sanction of credit proposals is in accordance with the delegation structure approved by the Board of Directors. There are various committees comprise of senior officials of the Bank who sanction the credit proposals. Risk vetting is compulsory for all proposals above ₹10 lakh.

### **Definitions of non-performing assets:**

The Bank classifies its advances into performing and non-performing advances in accordance with the extant RBI guidelines.

The non-performing asset (NPA) is a loan or an advance where;

- Interest and/ or installment of principal remains overdue for more than 90 days for a term loan,
- The account remains 'Out of order' in respect of an Overdraft/Cash Credit (OD/CC). 'Out of order' means if the account outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'Out of order'.
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

In respect of an agricultural loan, the interest and/or installment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A substandard asset is one, which has remained as NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or by the internal / external auditors or the RBI inspection but the amount has not been written off fully.

#### **DF-6: Securitisation Exposures: Disclosure for Standardised Approach**

There is no securitisation exposure of the Bank as on 31.03.2016.

#### **DF-7: Market Risk in Trading Book**

##### ***Qualitative Disclosure***

The Bank for International Settlements defines market risk as “The risk that the value of ‘on’ and ‘off’ balance sheet positions will be adversely affected by movements in the market interest rate, currency exchange rates, equity and commodity prices.” This definition is adopted by the Bank for the purposes of identifying and managing the risk. Market risk has the following components:

- **Interest Rate Risk:** The risk that changes in market interest rates may adversely affect the Bank’s financial condition. While the immediate impact is on the Net Interest Income (NII) and also the value of investments, the long term variations in interest rates would also impact the Bank’s net worth.
- **Equity Risk:** The risk that changes in the equity prices of various stocks may diminish the value of equity portfolio held by the Bank (Also includes investments in equity based mutual funds)
- **Exchange Rate Risk:** The risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in any foreign currency.



## **i. Strategies & Processes**

Risk identification entails ensuring all instruments that result in Market Risk both on and off the balance sheet of the Bank are identified and monitored centrally. To achieve this objective, all new instruments/ products in which the Bank engage, should be assessed. The Asset Liability Management Committee (ALCO) reviews all new instruments to evaluate whether they result in market risk. Modifications to existing instruments are reported to the ALCO to enable such evaluation.

## **ii. Structure and organisation**

The organisational structure for Market Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Asset Liability Management Committee (ALCO)
- Chief Risk Officer (CRO)
- Head - Market Risk Department
- Market Risk Department

## **iii. Scope and nature of measurement systems**

There are a number of methods for measuring market risks encountered in trading operations. All these require adequate information on current positions, market conditions, and instrument characteristics.

Of the various measures available, the Bank may use sensitivity indicators for market risk measurement. Different products are measured by certain parameters. At present, in the trading book, Bank only has Interest Rate Sensitive products.

#### *Interest Rate Sensitive Products*

- Macaulay Duration
- Modified Duration
- Convexity
- Basis Point Value (BPV) or PV01

#### **iv. Processes for monitoring**

The Bank fixes appropriate action triggers or stop limits for all marked to market risk taking activities. The Bank has a procedure that monitors the activity to ensure that they remain within the approved limits at all times. Limits are classified into general (Applicable to all portfolios) and specific portfolio related limit. For the purpose of market risk management, the following minimum limits are monitored:

- General Limits (Applicable to all portfolios) at Day 0
- Portfolio-wide Position limits
- Dealer-wise limits
- Single Deal Size Limit
- Stop-loss limits
- General Limits (Applicable to all portfolios) at Year 2-3
- Value at Risk (VaR) limits – for all portfolios (Explained below in separate section)

- Specific Limits (Interest Rate Related Instruments)
- Modified Duration Limit
- PV01 Limit (Tenor Wise and Portfolio Level)

### ***Quantitative Disclosures***

<b>Capital Requirement</b>	
	<b>(in crore)</b>
<b>Risk Weighted Assets for Market Risk:</b>	
Standardised duration approach	<b>58.32</b>
Interest Rate Risk	58.32
Foreign exchange Risk (Including Gold)	-
Equity Risk	-

### **DF-8: Operational Risk**

#### ***Qualitative Disclosures***

Operational risk, which is intrinsic to all the material products, activities, processes and systems, has emerged as an important component of the enterprise-wide risk management system. Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may result from various internal and external factors e.g. failure to obtain proper internal authorizations, improperly documented transactions, breach of information security procedures, failure of IT and / or communication infrastructure / equipment, non-compliance of regulatory requirements, contractual terms and corporate policies & procedures, commitment of fraud, natural disasters, inadequate training to employees etc.

#### **i. Strategies & Processes**

The Bank's strategy for the operational risk management focuses on:

- Minimizing the losses to an acceptable level as per risk appetite of the Bank;



- Providing operational risk capital which is sensitive to the Bank's risk profile;
- Using results of operational risk management in day to day business operations and decision making process;
- Carrying out risk based performance measurement;
- Analysing the impact of failures in technology / systems and develop mitigants to minimise the impact; and
- Developing plans for external shocks that will adversely impact the continuity in the Bank's operations.

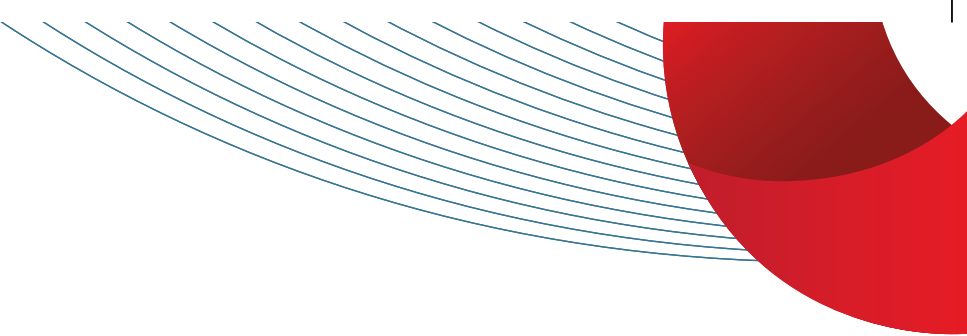
## **ii. Structure and organisation**

The operational risk management governance structure is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Operational Risk Management Committee (ORMC)
- Chief Risk Officer (CRO)
- Head - Operational Risk Department
- Operational Risk Department

## **iii. Scope and nature of measurement systems**

As per the Basel III Capital Regulations issued by RBI for banking institutions based on the Basel framework, banks need to use an approach that is risk sophisticated and commensurate to the risk profile of the institution. The Bank is currently performing risk measurement under the Basic Indicator Approach (BIA). The Bank also computes the



capital requirements for Operational Risk under the Basic Indicator Approach and over a period of time shall move to the Standardised Approach after defining the Business Lines as per New Capital Adequacy Framework.

#### **iv. Processes for monitoring**

The Bank plans to have risk mitigants like a strong internal control system, resorting to an optimal insurance cover, outsourcing of activities, BCP / DRP etc. For example, losses that might arise on account of natural disasters are insured; losses that might arise from business disruptions due to telecommunication or electrical failures are mitigated by establishing available backup facilities, loss due to internal factors, like employee fraud or product flaws, will be mitigated through strong internal auditing procedures.

#### **DF-9: Interest Rate Risk in Banking Book**

##### **Qualitative Disclosures**

Bank has identified the risks associated with the changing interest rates on its exposures in the banking book from both, a short-term and long-term perspective. This includes the impact of changes due to parallel shocks, yield curve twists, yield curve inversions, changes in the relationships of rates (Basis risk) on rate sensitive assets and liabilities up to 1 year. Stress testing and scenario analysis has also been used in the analysis of the interest rate risks.

The main components of the approach for identification and measurement are as under:

- a) The assessment takes into account both the earnings perspective and economic value perspective of interest rate risk.
- b) The impact on income or the economic value of equity have been calculated by applying a notional interest rate shock of 200 basis points.
- c) The methods followed in measuring the interest rate risk are:

- i. Earnings perspective: Earnings at Risk combined with the Gap Analysis,
- ii. Economic perspective: Gap analysis combined with the duration gap analysis.

***Quantitative Disclosures***

Increase (Decline) in NII with 200 bps increase (Decline) in interest rates	₹ 112.15. Cr
Decline in MVE as a percentage of Net worth with 200 bps increase in interest rates	- 4.69%

**DF-10: Exposures related to Counterparty Credit Risk**

At present, the Bank does not deal in derivatives.

## INDEPENDENT AUDITOR'S REPORT

To,  
The Members of Bandhan Bank Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Bandhan Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31 March 2016, the Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at 31 March 2016, its profit and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

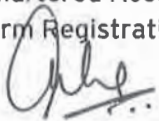
1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 and read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated 28 April 2016, we report that:
  - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
  - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
  - c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 25 branches for the purpose of our audit.
3. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;



Bandhan Bank Limited  
Auditor's report for the year ended 31 March 2016

- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Bank does not have any pending litigations which would impact its financial positions.
  - ii. The Bank does not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For S. R. Batliboi & Associates LLP  
Chartered Accountants  
Firm Registration No.: 101049W/E300004

  
per Amit Kabra  
Partner  
Membership Number: 94533



Place of Signature: Kolkata  
Date: 11<sup>th</sup> May, 2016

**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF BANDHAN BANK LIMITED**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

To the Members of Bandhan Bank Limited

We have audited the internal financial controls over financial reporting of Bandhan Bank Limited ("the Bank") as of March 31, 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.



## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

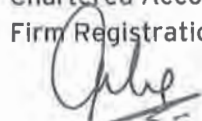
## Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Bank, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S. R. Batliboi & Associates LLP  
Chartered Accountants  
Firm Registration No.: 101049W/E300004



per Amit Kabra  
Partner

Membership Number: 94533



Place of Signature: Kolkata

Date: 11<sup>th</sup> May, 2016



**BANDHAN BANK LIMITED**

BALANCE SHEET AS AT 31 MARCH, 2016

	Schedule	As at 31 March 2016 (₹)	As at 31 March 2015 (₹)
<b>Capital &amp; Liabilities</b>			
Capital	1	10,951,410,340	5,010,500,000
Reserves & Surplus	2	22,393,616,202	5,760,406
Deposits	3	120,887,480,801	-
Borrowings	4	30,516,475,970	-
Other liabilities and provisions	5	14,408,319,538	252,618,392
<b>Total</b>		<b>199,157,302,851</b>	<b>5,268,878,798</b>
<b>Assets</b>			
Cash and balances with Reserve Bank of India	6	8,102,865,512	101,048
Balance with Banks and Money at call and short notice	7	23,631,129,422	4,012,502,224
Investments	8	37,580,336,328	-
Advances	9	124,375,461,153	-
Fixed Assets	10	2,372,311,281	1,086,120,891
Other Assets	11	3,095,199,155	170,154,635
<b>Total</b>		<b>199,157,302,851</b>	<b>5,268,878,798</b>
Contingent liabilities	12	49,018,264	-
Bills for collection			-
Significant Accounting Policies and Notes to Accounts	17 & 18		
Schedules referred to above form an integral part of the Balance Sheet			

As per our report of even date

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

Chartered Accountants

Firm Registration Number :- 101049W/E300004

**Per Amit Kabra**

Partner

Membership Number : 94533

**For Bandhan Bank Limited****Dr. A. K. Lahiri**  
Chairman**Chandra Shekhar Ghosh**  
Managing Director & CEO**C.M. Dixit**  
Director**Indranil Banerjee**  
Company Secretary**Sunil Samdani**  
Chief Financial Officer

Place : Kolkata

Date : 11 May 2016



**BANDHAN BANK LIMITED****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2016**

	Schedule	Year ended 31 March 2016 (₹)	Period ended 31 March 2015 (₹)
<b>I. Income</b>			
Interest Earned	13	15,812,546,510	-
Other Income	14	1,499,998,255	79,527,849
<b>Total</b>		<b>17,312,544,765</b>	<b>79,527,849</b>
<b>II. Expenditure</b>			
Interest Expended	15	6,485,253,686	-
Operating Expenses	16	6,159,175,334	56,480,383
Provisions & Contingencies	18.1	1,915,645,814	17,287,060
<b>TOTAL</b>		<b>14,560,074,834</b>	<b>73,767,443</b>
<b>III. Net Profit for the year (I-II)</b>			
Net Profit for the year / period		2,752,469,931	5,760,406
Balance in Profit & Loss Account brought forward from previous year		5,760,406	-
<b>IV. Amount available for appropriations</b>		<b>2,758,230,337</b>	<b>5,760,406</b>
<b>V. Appropriation</b>			
Transfer to Statutory Reserves		689,557,584	-
Transfer to Other Reserves		-	-
Transfer to Government / Proposed Dividends / Balance carried over to Balance Sheet		2,068,672,753	5,760,406
<b>Total</b>		<b>2,758,230,337</b>	<b>5,760,406</b>
<b>VI. Earnings per Share</b>	18.14		
Basic & Diluted ( ₹ )		3.40	0.01
Face value per share ( ₹ )		10	10
Significant Accounting Policies and Notes to Accounts 17 & 18			
Schedules referred to above form an integral part of the Profit and Loss Account			

As per our report of even date

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

Chartered Accountants

Firm Registration Number :- 101049W/E300004

**For Bandhan Bank Limited****Per Amit Kabra**

Partner

Membership Number : 94533

**Dr. A. K. Lahiri**  
Chairman**Chandra Shekhar Ghosh**  
Managing Director & CEO**C.M. Dixit**  
Director**Indranil Banerjee**  
Company Secretary**Sunil Samdani**  
Chief Financial Officer

Place : Kolkata

Date : 11 May 2016



**BANDHAN BANK LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

Particulars	31 March 2016	31 March 2015
	(₹)	(₹)
<b>A. Cash flow from Operating Activities :</b>		
Profit Before Taxation	4,135,105,490	23,046,000
<b>Adjustments for :</b>		
Depreciation and amortization	357,741,556	46,653
Provision on Standard Assets	511,705,831	-
Provision for non - performing assets	21,304,425	-
Interest Income on fixed deposit	(40,590,930)	(79,528,000)
<b>Operating Profit Before Working Capital Changes</b>	<b>4,985,266,372</b>	<b>(56,435,347)</b>
<b>Movements in working capital :</b>		
Increase In Advances	(45,779,503,128)	(90,823,000)
Increase In Other Assets	(481,114,989)	-
Increase In Investment	(14,318,926,295)	-
Increase In Deposit	120,887,480,801	-
Increase In Other Current Liabilities and Provisions	7,184,365,169	151,998,000
<b>Cash generated from operations</b>	<b>72,477,567,930</b>	<b>4,739,653</b>
Direct Taxes Paid	(2,981,612,838)	-
<b>Net Cash flow generated from Operating Activities (A)</b>	<b>69,495,955,092</b>	<b>4,739,653</b>
<b>B. Cash flow from Investing Activities :</b>		
Purchase of Fixed Assets/Capital work-in-progress	(1,601,502,628)	(1,011,350,000)
Payment for Business Acquisition (Refer Note No 18.29)	(12,331,464,159)	-
Interest received on fixed deposits	40,590,930	8,713,619
Increase In Held to Maturity Investment	(23,259,410,033)	-
Deposits (created)/encashed with banks and financial Institutions	12,492,000	(12,492,000)
<b>Net Cash flow used In Investing Activities (B)</b>	<b>(37,139,293,890)</b>	<b>(1,015,128,381)</b>
<b>C. Cash flow from Financing Activities :</b>		
Proceeds from share issue(Including share premium)	25,504,328,090	5,010,500,000
Share issue expenses	(13,172,266)	-
Repayment of borrowings	(62,717,534,034)	-
<b>Net Cash (used In)/from Financing Activities (C)</b>	<b>(37,226,378,210)</b>	<b>5,010,500,000</b>
<b>Net (Decrease)/increase In Cash And Cash Equivalents (A+B+C)</b>	<b>(4,869,717,008)</b>	<b>4,000,111,272</b>
<b>Cash And Cash Equivalents At The Beginning of the Year</b>	<b>4,000,111,272</b>	<b>-</b>
<b>Add:</b> Cash Acquired on acquisition of assets and liabilities from BFSL (Refer Note No 18.29)	<b>32,603,600,670</b>	<b>-</b>
<b>Cash And Cash Equivalents At The End of the Year</b>	<b>31,733,994,934</b>	<b>4,000,111,272</b>
<b>Components of Cash and Cash Equivalents :</b>		
1 Cash and Balances with Reserve Bank of India ( Refer Schedule 6)	8,102,865,512	101,048
2 Balances With Banks	-	10,224
3 Balance with Banks and Money at call and short notice	23,631,129,422	4,000,000,000
	<b>31,733,994,934</b>	<b>4,000,111,272</b>

The accompanying notes are an integral part of these financial statements

As per our report of even date

**For Bandhan Bank Limited**

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

Chartered Accountants

Firm Registration Number :- 101049W/E300004



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




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



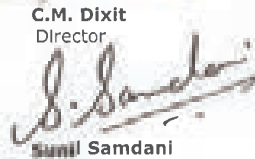
**Chandra Shekhar Ghosh**  
Managing Director & CEO



**C.M. Dixit**  
Director



**Indranil Banerjee**  
Company Secretary



**Samit Samdani**  
Chief Financial Officer

Place : Kolkata  
Date : 11 May 2016



**BANDHAN BANK LIMITED**
**Schedules forming part of the Balance sheet as at 31 March 2016**

<b>Schedule 1- Capital</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>Authorized Capital</b> 5,000,000,000 (Previous Year: 5,000,000,000) equity shares of ₹ 10/- each	50,000,000,000	50,000,000,000
<b>Issued, subscribed and fully paid-up capital</b> 1,095,141,034 (Previous Year: 501,050,000) Equity Share of ₹ 10/- each	10,951,410,340	5,010,500,000
<b>Total</b>	<b>10,951,410,340</b>	<b>5,010,500,000</b>

<b>Schedule 2 - Reserves and Surplus</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>I. Statutory Reserve</b>		
Opening Balance	-	-
Additions during the year	689,557,584	-
Deduction during the year	-	-
<b>Total</b>	<b>689,557,584</b>	<b>-</b>
<b>II. Capital Reserve</b>		
Opening Balance	-	-
Additions during the year	-	-
Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>III. Share Premium Account</b>		
Opening Balance	-	-
Additions during the year	19,563,417,750	-
Less Share Issue expenses	13,172,266	-
<b>Total</b>	<b>19,550,245,484</b>	<b>-</b>
<b>IV. Revenue &amp; other Reserves</b>		
Opening Balance	-	-
Additions during the year	-	-
Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>V. Balance in Profit and Loss Account</b>	2,068,672,753	5,760,406
Adjustment on acquisition of assets & liabilities from BFSL (Refer Note No. 18.29)	(163,976,455)	-
Adjustment for deferred tax assets (Refer Note No. 18.12)	249,116,836	-
<b>Total</b>	<b>2,153,813,134</b>	<b>5,760,406</b>
<b>GRAND TOTAL (I+II+III+IV+V)</b>	<b>22,393,616,202</b>	<b>5,760,406</b>

<b>Schedule 3 - Deposits</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>A. I. Demand Deposits</b>		
i) From Banks	54,781,441	-
ii) From Others	2,290,720,526	-
<b>II. Savings Bank Deposits</b>	23,710,504,093	-
<b>III. Term Deposits</b>		
i) From Banks	41,685,761,791	-
ii) From Others	53,145,712,950	-
<b>Total</b>	<b>120,887,480,801</b>	<b>-</b>
<b>B. I. Deposits of branches in India</b>	120,887,480,801	-
<b>II. Deposits of branches outside India</b>	-	-
<b>Total</b>	<b>120,887,480,801</b>	<b>-</b>

<b>Schedule 4 - Borrowings</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>I. Borrowings In India</b>		
i) Reserve Bank of India	-	-
ii) Other banks	20,147,509,302	-
iii) Other Institutions & agencies *	10,368,966,668	-
<b>II. Borrowings outside India</b>	-	-
<b>Total</b>	<b>30,516,475,970</b>	<b>-</b>
Secured borrowings included in I(ii & iii) above	<b>22,749,809,302</b>	<b>-</b>

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



**BANDHAN BANK LIMITED****Schedules forming part of the Balance sheet as at 31 March 2016**

<b>Schedule 5 - Other liabilities and provisions</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
I. Bills Payable	-	-
II. Inter-office Adjustments(Net)	-	-
III. Interest accrued	240,388,077	-
IV. Contingent Provision against Standard Assets	1,231,530,253	-
V. Provision for Income Tax	1,751,190,175	26,576,895
VI. Others (Including provisions)	11,185,211,033	226,041,497
<b>Total</b>	<b>14,408,319,538</b>	<b>252,618,392</b>

<b>Schedule 6 - Cash and balances with Reserve Bank of India</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
I. Cash In hand	847,803,201	101,048
II. Balance with Reserve Bank of India		
i) In Current Account	4,005,062,311	-
ii) In Other Accounts	3,250,000,000	-
<b>Total</b>	<b>8,102,865,512</b>	<b>101,048</b>

<b>Schedule 7 - Balances with Banks and Money at call and short notice</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>I. In India</b>		
i) Balance with Banks		
a) In Current Account	1,746,430,199	10,224
b) In Other Deposit Accounts	2,525,000	4,012,492,000
ii) Money at call & short notice		
a) With banks	1,000,000,000	-
b) With other institutions	20,882,174,223	-
<b>Total</b>	<b>23,631,129,422</b>	<b>4,012,502,224</b>
<b>II. Outside India</b>		
<b>Total</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (I+II)</b>	<b>23,631,129,422</b>	<b>4,012,502,224</b>

<b>Schedule 8 - Investments</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>I. Investment in India in</b>		
i) Government Securities	37,578,336,328	-
ii) Other Approved Securities	-	-
iii) Shares	2,000,000	-
iv) Debentures & Bonds	-	-
v) Subsidiaries and /or joint ventures	-	-
vi) Others	-	-
<b>Total</b>	<b>37,580,336,328</b>	<b>-</b>
<b>II. Investments outside India</b>		
<b>Total</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (I+II)</b>	<b>37,580,336,328</b>	<b>-</b>

<b>Schedule 9 - Advances</b>	<b>As at 31 March 2016 (₹)</b>	<b>As at 31 March 2015 (₹)</b>
<b>A. i) Bills Purchased &amp; Discounted</b>		
ii) Cash credits, overdrafts and loans repayable on demand	844,624,221	-
iii) Term loans *	123,530,836,932	-
<b>Total</b>	<b>124,375,461,153</b>	<b>-</b>

\* Net of loans sold under Inter bank participation certificate ₹ 25,601,361,638 and assignment ₹ 5,722,210,225.



**BANDHAN BANK LIMITED**
**Schedules forming part of the Balance sheet as at 31 March 2016**

<b>B.</b>	i) Secured by tangible assets	32,694,078,690	-
	ii) Covered by Bank/Government Guarantees	-	-
	iii) Unsecured	91,681,382,463	-
	<b>Total</b>	<b>124,375,461,153</b>	-
<b>C. I)</b>	<b>Advances in India</b>		
	i) Priority Sector	122,603,521,363	-
	ii) Public Sector	-	-
	iii) Banks	-	-
	iv) Others	1,771,939,790	-
	<b>Total</b>	<b>124,375,461,153</b>	-
	<b>II) Advances Outside India</b>	-	-
	<b>Total</b>	-	-
	<b>GRAND TOTAL (I+II)</b>	<b>124,375,461,153</b>	-

**Schedule 10 - Fixed Assets**

	As at 31 March 2016 (₹)	As at 31 March 2015 (₹)
<b>I) Premises</b>		
<b>Gross Block</b>		
At cost as at 31 March of the preceding year	-	-
Addition during the Year	989,255,742	-
Deduction during the Year	-	-
<b>Total</b>	<b>989,255,742</b>	-
<b>Depreciation</b>		
As at the beginning of the Year	-	-
Charge for the year	58,157,931	-
Deduction during the Year	-	-
Depreciation to date	<b>58,157,931</b>	-
<b>Net Block</b>	<b>931,097,811</b>	-
<b>II) Other Fixed Assets (Including Furniture &amp; Fixture)</b>		
<b>Gross Block</b>		
At cost as at 31 March of the preceding year	1,322,363	-
Addition during the Year	1,734,717,656	1,322,363
Deduction during the Year	-	-
<b>Total</b>	<b>1,736,040,019</b>	<b>1,322,363</b>
<b>Depreciation</b>		
As at the beginning of the Year	46,653	-
Charge for the year	299,583,628	46,653
Deduction during the Year	-	-
Depreciation to date	<b>299,630,281</b>	<b>46,653</b>
<b>Net Block</b>	<b>1,436,409,738</b>	<b>1,275,710</b>
<b>III) Capital Work-in-progress (including capital advances)</b>	<b>4,803,733</b>	<b>1,084,845,181</b>
<b>GRAND TOTAL (I+II+III)</b>	<b>2,372,311,281</b>	<b>1,086,120,891</b>

**Schedule 11 - Other Assets**

	As at 31 March 2016 (₹)	As at 31 March 2015 (₹)
I) Inter-Office adjustments (net)	-	-
II) Interest Accrued	756,738,490	70,814,813
III) Tax paid in advance/tax deducted at source	1,592,302,811	-
IV) Stationery and stamps	7,158	-
V) Non banking assets acquired in satisfaction of claims	-	-
VI) Others *	746,150,696	99,339,822
<b>Total</b>	<b>3,095,199,155</b>	<b>170,154,635</b>

\* Includes Deferred Tax Assets of ₹ 587,972,073 (P.Y ₹ 8,515,750) (Refer Note No. 18.12)

**Schedule 12 - Contingent liabilities**

	As at 31 March 2016 (₹)	As at 31 March 2015 (₹)
I) Claims against the Bank not acknowledged as debts	262,000	-
II) Liability for partly paid investments	-	-
III) Liability on account of outstanding forward exchange contracts	-	-
IV) Guarantees given on behalf of constituents		
(a) In India	3,110,000	-
(b) Outside India	-	-
V) Acceptances, endorsements and other obligations	-	-
VI) Other items-Capital Commitments	45,646,264	-
<b>Total</b>	<b>49,018,264</b>	-



**BANDHAN BANK LIMITED****Schedules forming part of the Profit and Loss Account for the year ended 31 March 2016**

<b>Schedule 13 - Interest Earned</b>	<b>Year ended 31 March 2016 (₹)</b>	<b>Period ended 31 March 2015 (₹)</b>
I) Interest/discount on advances/bills	12,827,887,030	-
II) Income on investments	1,310,928,532	-
III) Interest on balances with Reserve Bank of India and other inter-bank funds	566,670,467	-
IV) Others (Includes gain on assignment /IBPC)	1,107,060,481	-
<b>Total</b>	<b>15,812,546,510</b>	<b>-</b>
<b>Schedule 14 - Other Income</b>	<b>Year ended 31 March 2016 (₹)</b>	<b>Period ended 31 March 2015 (₹)</b>
I) Commission, exchange and brokerage	1,454,212,571	-
II) Profit/(Loss) on sale of investments (net)	21,119,270	-
III) Profit/(Loss) on sale of fixed assets	-	-
IV) Profit on exchange/derivative transactions	-	-
V) Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India	-	-
VI) Miscellaneous Income	24,666,414	79,527,849
<b>Total</b>	<b>1,499,998,255</b>	<b>79,527,849</b>
<b>Schedule 15 - Interest Expended</b>	<b>Year ended 31 March 2016 (₹)</b>	<b>Period ended 31 March 2015 (₹)</b>
I) Interest on deposits	2,210,257,593	-
II) Interest on Reserve Bank of India/Inter-bank borrowings	3,508,323,415	-
III) Others	766,672,678	-
<b>Total</b>	<b>6,485,253,686</b>	<b>-</b>
<b>Schedule 16 - Operating Expenses</b>	<b>Year ended 31 March 2016 (₹)</b>	<b>Period ended 31 March 2015 (₹)</b>
I) Payments to and provisions for employees	3,250,748,752	14,242,712
II) Rent, taxes and lighting	532,422,247	25,536,813
III) Printing and stationery	313,949,977	4,079,556
IV) Advertisement and publicity	341,698,950	2,106,894
V) Depreciation on bank's property	357,741,556	46,653
VI) Directors' fees, allowance and expenses	4,658,384	-
VII) Auditors' fees and expenses	5,690,628	337,080
VIII) Law charges	6,956,855	-
IX) Postage, telegrams, telephones etc.	122,366,820	-
X) Repairs and maintenance	1,253,357	-
XI) Insurance	29,839,201	-
XII) Other expenditure	1,191,848,607	10,130,675
<b>Total</b>	<b>6,159,175,334</b>	<b>56,480,383</b>



**BANDHAN BANK LIMITED**

**Schedule 17 – Significant accounting policies forming part of the financial statements for the year ended 31 March 2016**

**1. Background**

Bandhan Bank Limited (the 'Bank'), incorporated on 23 December 2014 in India, is a banking company, governed by the Banking Regulation Act, 1949. Pursuant to the Banking license received from Reserve Bank of India on 17 June 2015, the Bank has commenced its banking operations from 23 August 2015.

**2. Basis of preparation**

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

**3. Use of Estimates**

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Revenue Recognition**

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

Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve Account'.

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

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

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

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

**4.2. Investments**

**A) Classification**

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

**Basis of classification:**

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

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

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

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

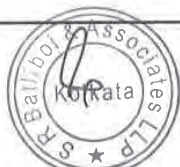
An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

Investments are classified as performing or non-performing as per RBI guidelines. Non performing investments are subjected to similar income recognition and provisioning norms as prescribed by RBI for non-performing advances.

**B) Valuation**

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

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





**Schedule 17 – Significant accounting policies forming part of the financial statements for the year ended 31 March 2016**

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

Treasury bills being discounted instruments are valued at current cost.

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

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

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

Repurchase ('repo') and reverse repurchase ('reverse repo') transactions including liquidity adjustment facility (with RBI) are accounted for as borrowing and lending transactions. Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon/discount on the security during the repo period. Also, the Bank continues to value the securities sold under repo as per the investment classification of the security. The difference between the clean price of the first leg and clean price of the second leg is recognized as interest income/expense over the period of the transaction in the profit and loss account

**4.3 Loans /Advances and Provisions thereon**

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

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

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

**4.4 Tangible Assets**

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

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

**4.5 Intangible Assets**

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

**4.6. Depreciation**

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

Leasehold improvements are depreciated over a period of three years.

Softwares are amortised over a period of three years.

**4.7 Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An Impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

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



**4.8 Foreign Currency transactions**

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

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

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

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

**4.9 Retirement and employee benefits**

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

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

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

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

**4.10 Income Taxes**

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

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

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

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

**4.11 Earnings per Share**

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

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

**4.12 Provisions, Contingent Liabilities and Contingent Assets**

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

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

Contingent Assets are not recognised in the financial statements.



**BANDHAN BANK LIMITED**

**Schedule 17 – Significant accounting policies forming part of the financial statements for the year ended 31 March 2016**

**4.13 Leases**

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

**4.14 Cash and Cash equivalent**

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



**BANDHAN BANK LIMITED****Schedule 18 - Notes to accounts forming part of the financial statements for the year ended 31 March 2016**

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

		(₹ in crore)
		Year ended 31 March 2016
<b>18.1</b>	<b>"Provisions &amp; Contingencies" recognised in the Profit &amp; Loss Account comprise of:</b>	
	Provision for Income Tax	
	- Current tax	169.54
	- Deferred tax (Refer Note No. 18.12)	(31.28)
	<b>Total Tax Expenses</b>	<b>138.26</b>
	Provision for Standard assets	51.17
	Provision for non-performing assets	2.13
	Provision for depreciation in value of investments	-
	Provision for restructured assets	-
	Provision for unhedge foreign currency exposure	-
	Provision for country risk	-
	Provision for other contingencies	-
	<b>Total</b>	<b>191.56</b>

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

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

\* Acquired from BFSI (Refer note no. 18.29)

The Bank has not redeemed any subordinated debt during the year ended 31 March, 2016.

**18.3 Investments****A) The Details of investments are set out below:**

		(₹ in crore)
		As at 31 March 2016
<b>Value of Investments</b>		
1.	Gross value of Investments	
	a) In India	3,758.03
	b) Outside India	-
2.(i)	Provision for Depreciation	
	a) In India	-
	b) Outside India	-
	(ii) Provision for Non- Performing Investments	
	a) In India	-
	b) Outside India	-
3.	Net value of Investments	
	a) In India	3,758.03
	b) Outside India	-

**B) Repo Transactions (In face value terms)**

					(₹ in crore)
Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2016	
Securities sold under Repo					
i. Government securities	-	1.04	0.00	-	
ii. Corporate debt securities	-	-	-	-	
Securities purchased under reverse repo					
i. Government securities	-	4,362.80	903.08	338.00	
ii. Corporate debt securities	-	-	-	-	



## C) Non SLR Investment Portfolio

## i) Issuer composition of Non SLR investments

(₹ in crore)

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

Amounts reported under columns (3), (4), (5) and (6) above are not mutually exclusive.

## ii) Non performing Non-SLR investments

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

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

There has been no sale or transfer of securities to/from HTM category.

## 18.4 Derivatives

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

## 18.5 Asset Quality

## A) Non Performing Assets

(₹ in crore)

Particulars	As at 31 March 2016
i) Net NPAs to Net Advances (%)	0.08%
ii) Movement of NPAs (Gross)	
a) Opening balance	-
b) Additions during the year	18.77
c) Reductions during the year	-
d) Closing balance	18.77
iii) Movement of Net NPAs	
a) Opening balance	-
b) Additions during the year	10.24
c) Reductions during the year	-
d) Closing balance	10.24
iv) Movement of provisions for NPAs (excluding provisions on standard assets)	
a) Opening balance	-
b) Provisions made during the year	8.53
c) Write-off / write-back of excess provisions	-
d) Closing balance	8.53

## B) Particulars of accounts restructured

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

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

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

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

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

## E) Provisions on Standard Assets

(₹ in crore)

Particulars	As at 31 March 2016
Provisions towards Standard Assets	123.15

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

(₹ in crore)

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

<sup>1</sup> Working funds represent average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.

<sup>2</sup> Operating profit is profit for the year before considering provisions and contingencies.

<sup>3</sup> Productivity ratios are based on average number of employees for the year.



**BANDHAN BANK LIMITED****Schedule 18 -Notes to accounts forming part of the financial statements for the year ended 31 March 2016****18.7 Exposures****A) Exposure to Real Estate Sector****(₹ in crore)**

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

**B) Exposure to Capital Market****(₹ in crore)**

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

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

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

**D) Unsecured Advances against Intangible Collaterals**

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

**18.8 Miscellaneous****Disclosure of penalties Imposed by RBI**

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



**18.9 Employee Benefits****A) Gratuity**

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

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

(₹ in crore)

Particulars	As at 31 March 2016
<b>i) Table Showing changes in present value of Defined Benefit obligation:</b>	
Present value of defined benefit obligations as acquired from BFSL	13.25
Interest cost	1.06
Current service cost	5.16
Benefit Paid	0.03
Actuarial loss on obligations	2.08
Present value of defined benefit obligations as at end of the year	21.52
<b>ii) Table showing fair value of plan assets:</b>	
Fair value of plan assets acquired from BFSL	7.20
Expected return on plan assets	0.70
Contributions paid	7.07
Benefits Paid	0.03
Acquisition Adjustment	1.00
Actuarial gain on plan assets	0.05
Fair value of plan assets at end of the year	15.89
<b>iii) Actuarial (Gain)/Loss recognised:</b>	
Actuarial loss on obligations	2.08
Actuarial gain for the year-Plan assets.	(0.05)
Actuarial loss recognised in the year	2.13
<b>iv) The amounts to be recognised in the Balance Sheet and Profit and Loss Account:</b>	
Present value of obligations at the end of the year	21.52
Fair value of plan assets at the end of the year	15.89
Net liability recognised in balance sheet	5.63
<b>v) Expenses Recognised In Profit and Loss Account:</b>	
Current Service Cost	5.16
Interest Cost	1.06
Expected return	0.70
Net Actuarial loss recognised in the year	2.13
Expenses recognised in profit and loss account	7.65
Actual return on plan assets	7.12
<b>vi) The Principal assumptions used in the actuarial valuation are shown below :</b>	
Discount Rate	8%
Salary Escalation	8%
Withdrawal Rate	7.00%
Expected rate of return on assets	7.00%

**vii) Amounts for the current year as follows:**

(₹ in crore)

Particulars	As at 31 March 2016
a) Defined Benefit Obligations	21.52
b) Plan Assets	15.89
c) Deficit	(5.63)
d) Experience adjustments on plan liabilities [(Gain)/Loss]	-
e) Experience adjustments on plan assets [Gain/(Loss)]	-

**viii) The Major categories of Plan Assets as a percentage of the fair value of Total Plan Asset are as follows:**

	As at 31 March 2016
Insurance Managed Fund	100%

ix) The Bank was incorporated on 23 December 2014 and did not have any employees in the previous financial year.

x) The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.

xi) The Bank expects to contribute ₹ 4 crore to gratuity fund in 2016-17.

xii) The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

**B) Provident Fund**

Amount incurred as expense for defined contribution to Provident Fund is ₹ 11.48 Crore.



**BANDHAN BANK LIMITED****Schedule 18 -Notes to accounts forming part of the financial statements for the year ended 31 March 2016****18.10 Segment Reporting****A) Segment Identification**

The business of the Bank is divided into segments: Treasury, Retail Banking and Corporate/Wholesale Banking. These segments have been identified based on the RBI's revised guidelines on Segment Reporting issued on 18 April, 2007 vide Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07. The principal activities of these segments are as under.

**Primary (Business Segment) :**

The principle activities of business segments of the Bank are as under:

**i) Treasury :**

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

**ii) Retail banking :**

Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services and NRI services.

**iii) Corporate/Wholesale Banking:**

Includes corporate relationships not included under Retail Banking.

**iv) Other Banking Business :**

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

The Bank does not have any para banking activities for the year ended 31st March, 2016.

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

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

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

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

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from these. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment, fees for banking services and ATM interchange fees. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

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





## B) Segment Information

## i) Primary (Business Segment)

(₹ in crore)

31 March 2016

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
<b>Segment Revenue</b>				
Gross interest income (external customers)	187.76	1,393.18	0.31	1,581.25
Other income	2.36	147.53	0.11	150.00
<b>Total Income as per profit and Loss Account</b>	<b>190.12</b>	<b>1,540.71</b>	<b>0.42</b>	<b>1,731.25</b>
Add: Inter segment interest income	267.45	-	-	267.45
<b>Total segment revenue</b>	<b>457.57</b>	<b>1,540.71</b>	<b>0.42</b>	<b>1,998.70</b>
<b>Less: Interest expenses</b>	427.50	220.86	0.16	<b>648.52</b>
<b>Less: inter segment interest expenses</b>	-	267.29	0.16	<b>267.45</b>
<b>Less: Operating expenses</b>	22.31	593.55	0.06	615.92
<b>Operating Profit</b>	<b>7.76</b>	<b>459.01</b>	<b>0.04</b>	<b>466.81</b>
<b>Less: Provisions for non performing assets/others</b>	-	<b>53.30</b>	-	<b>53.30</b>
<b>Segment results</b>	<b>7.76</b>	<b>405.71</b>	<b>0.04</b>	<b>413.51</b>
<b>Less: provisions for tax</b>				<b>138.26</b>
<b>Net profit</b>				<b>275.25</b>
<b>Other information</b>				
Segment assets	6,316.75	13,349.77	31.18	19,697.70
Unallocated assets				218.03
<b>Total assets</b>	<b>6,316.75</b>	<b>13,349.77</b>	<b>31.18</b>	<b>19,915.73</b>
Segment liabilities*	6,509.43	13,219.79	11.39	19,740.61
Unallocated liabilities				175.12
<b>Total liabilities</b>	<b>6,509.43</b>	<b>13,219.79</b>	<b>11.39</b>	<b>19,915.73</b>
Capital Expenditure	-	<b>272.88</b>	-	<b>272.88</b>
Depreciation	-	<b>35.77</b>	-	<b>35.77</b>

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

## ii) Secondary (Geographic Segment)

(₹ in crore)

Particulars	31 March 2016		Total
	Domestic	International	
Revenue	1,731.25	-	1,731.25
Assets	19,915.73	-	19,915.73

## 18.11 Related Party disclosure

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

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

## B) Transactions and Balances

## I) Outstanding as at 31 March 2016

(₹ in crore)

Particulars	Ultimate Parent company	Parent Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposit	291.67	21.62	0.35	0.33	313.97
Reimbursement of expenses	(11.46)	-	-	-	-

## ii) Maximum outstanding during the year

(₹ in crore)

Particulars	Ultimate Parent company	Parent Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposit	896.49	42.00	1.07	0.38	939.94



**BANDHAN BANK LIMITED****Schedule 18 -Notes to accounts forming part of the financial statements for the year ended 31 March 2016**

iii) Transactions during the year ended 31 March 2016						(₹ in crore)
Particulars	Ultimate Parent company	Parent Company	Key Management Personnel	Relatives of Key Management Personnel	Total	
Interest expenditure	16.07	1.05	0.01	0.01	17.14	
Remuneration	-	-	2.55	0.49	3.04	
Acquisition of assets and liabilities from Bandhan Financial Services Limited (Refer note no 18.29)	1233.15	-	-	-	1,233.15	
Reimbursement of expenses	37.53	-	-	-	37.53	
	(33.29)	-	-	-	(33.29)	
Rent	0.01	-	-	-	0.01	
	(0.003)	-	-	-	(0.003)	
Proceeds from issue of share capital	-	2,068.83	-	-	2,068.83	
	-	(501.05)	-	-	(501.05)	

Previous year figures are shown in "( )".

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

Particulars	(₹ in crore)	
	As at 31 March 2016	As at 31 March 2015
<b>Deferred Tax Assets</b>		
Deferred Tax Assets on account of depreciation on fixed assets.	1.61	-
Deferred Tax Assets on account of provisions for loan losses*	42.62	-
Deferred Tax Assets on expenditure charged to the profit & Loss account in the current year but allowed for tax purposes on payment basis	14.57	0.85
<b>Net Deferred Tax Assets</b>	<b>58.80</b>	<b>0.85</b>

\* Includes DTA of Rs. 24.91 crore adjusted through revenue reserves on standard asset provision of Rs.71.98 crore acquired from Bandhan Financial Services Limited.(Refer note no 18.29.)

**18.13 Liability for Operating Leases****Premises taken on operating lease are given below:**

Particulars	(₹ in crore)	
	As at 31 March 2016	As at 31 March 2015
a) Not later than 1 year	47.03	-
b) Later than 1 year and not later than 5 years	202.28	-
c) Later than 5 years	108.36	-
d) Amount of lease payments recognised in the P&L Account for the year.	44.23	-

**18.14 Earnings per Share**

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	(₹ in crore)	
	As at 31 March 2016	As at 31 March 2015
a) Number of Equity Shares outstanding at the beginning of the year	50.11	-
b) Number of Equity Shares issued during the year	59.41	50.11
c) Number of Equity Shares outstanding at the end of the year	109.51	50.11
d) Weighted average number of equity shares used in computing basic earnings per share	80.86	50.11
e) Weighted average number of shares used in computing diluted earnings per share	80.86	50.11
f) Net profit	275.25	0.58
g) Basic earnings per share (₹)	3.40	0.01
h) Diluted earnings per share (₹)	3.40	0.01
i) Nominal value per share (₹)	10	10

**18.15 Small and Micro Industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

**18.16 Description of contingent liabilities**

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

**18.17 Additional Disclosures**

- A) Floating Provisions**  
The Bank does not have any floating provision as at 31st March, 2016
- B) Draw Down from Reserve**  
There has been no draw down from reserves during the year ended March 31, 2016.



**BANDHAN BANK LIMITED****Schedule 18 - Notes to accounts forming part of the financial statements for the year ended 31 March 2016****C) Disclosure of customer complaints****a) Customer Complaints:**

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

**b) Awards passed by the Banking Ombudsman**

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

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

**D) Letter of Comfort (LOC's) issued by the Bank**

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

**E) Provision coverage ratio**

The provision coverage ratio of the Bank computed in terms of the RBI guidelines as at 31 March 2016 is 45.46%.

**F) Bancassurance Business**

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

**G) Concentration of Deposits, Advances Exposures & NPAs****I) Concentration of Deposits**

(₹ in crore)

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

**II) Concentration of Advances**

(₹ in crore)

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

**III) Concentration of Exposures**

(₹ in crore)

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

**IV) Concentration of NPAs**

(₹ in crore)

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

**V) Movement of NPAs**

(₹ in crore)

Particulars	As at 31 March 2016
Gross NPAs - as on 1 April 2015	-
Additions (Fresh NPAs) during the year	18.77
Sub total (A)	18.77
Less :-	
(i) Upgradations	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-
(iii) Technical / Prudential Write offs	-
(iv) Write offs other than those under (iii) above	-
Sub total (B)	-
Gross NPAs as on 31 March 2016 (A-B)	18.77

**VI) Overseas Assets, NPAs and Revenue**

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

**VII) Off-balance Sheet SPVs sponsored**

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



**18.18 Disclosures on Remuneration****Qualitative Disclosures****a) Information relating to the composition and mandate of the Remuneration Committee.**

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

As on 31 March, 2016, the NRC comprises of the following directors.

Shri Bhaskar Sen - Chairman  
Shri B. Sambamurthy  
Shri Snehomoy Bhattacharya  
Shri C S Ghosh

The NRC functions with the following main objectives:

- To identify persons who are qualified to become directors in accordance with the criteria laid down, recommend to the Board their appointment, re-appointment or removal and to carry out evaluation of every Director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director and decide their 'fit & proper' status;
- To oversee the framing, review and implementation of compensation policy of the Bank and recommend to the Board the overall remuneration philosophy and policy including the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock based remuneration to employees;
- To oversee the framing, implementation and review of the Remuneration of the WTDs/MD/CEOs as per the RBI Guidelines and Companies Act, 2013. The Committee shall recommend to the Board the remuneration package for the Managing Director & CEO and the other Whole Time Directors - including the level of fixed pay, variable pay, stock based Remuneration and perquisites;
- To review the HR strategy and policy including the conduct and ethics of the Bank and review any fundamental changes in the organization structure which could have wide ranging and high risk implications;
- To review and recommend to the Board, the succession policy at the level of Managing Director & CEO, other WTDs, senior management one level below the Board and key roles.

**b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy****Objectives of the Remuneration Policy**

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

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

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

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

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

- Effective and independent governance of compensation.
- Effective alignment of compensation with prudent risk taking.
- Effective supervisory oversight and engagement by stakeholders.

**Design & Structure of Remuneration process**

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

The key remuneration elements are:

- Fixed Pay**
- Discretionary Performance-based Variable Remuneration**

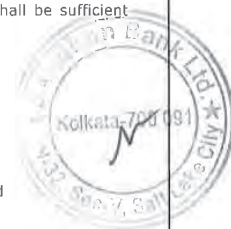
The Bank ensures that the fixed pay element is reasonable, taking into account the market rates and trends. The fixed pay is reviewed annually using market intelligence provided by a leading global performance/reward consulting and benchmarking firm for financial services industry to ensure that the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

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

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

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

The compensation policy of the Bank is reviewed by the NRC and approved by the Board of Directors. The NRC oversees the implementation of the policy and reviews the fixed pay increases, the organizational performance threshold for bonus to be paid, cash bonus and deferred variable remuneration.



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

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

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

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

**Deferral of Variable Pay**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Category I**

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

**Category II**

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

**Category III**

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



**BANDHAN BANK LIMITED****Schedule 18 -Notes to accounts forming part of the financial statements for the year ended 31 March 2016**

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

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

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

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

**Quantitative disclosures :**

The quantitative disclosures pertaining to the MD & CEO, employees in the grades of SVPs and above, for the year ended 31 March 2016 are given below:

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

**18.19 Disclosure relating to Securitisation**

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

**18.20 Credit default swaps**

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

**18.21 Intra Group Exposures**

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

**18.22 Investor education and protection fund**

During the year, the Bank was not required to transfer any amount to Investor Education and Protection Fund.

**18.23 Unhedged Foreign Currency Exposure**

The borrower of the Bank does not have any Unhedged Foreign Currency Exposure as at 31 March 2016. The above information is as certified by the Management and relied upon by the auditors.

**18.24 Disclosure on Liquidity Coverage Ratio**

**(a) Qualitative disclosure**

The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR). The Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review.

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

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

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



**(b) Quantitative Disclosure**

(₹ in crore)

Particulars	Average for the quarter ended 30 September 2015		Average for the quarter ended 31 December 2015		Average for the quarter ended 31 Mar 2016	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>						
1) Total High Quality Liquid Assets (HQLA)		380.17		690.37		862.64
<b>Cash Outflows</b>						
2) Retail Deposits and deposits from small business customers, of which:	314.22	31.42	605.80	60.58	1,597.22	159.72
a) Stable deposits	-	-	-	-	-	-
b) Less stable deposits	314.22	31.42	605.80	60.58	1,597.22	159.72
3) Unsecured wholesale funding, of which:	103.30	95.99	452.09	424.83	1,190.19	1,133.38
a) Operational deposits (all counterparties)	-	-	-	-	-	-
b) Non-operational deposits (all counterparties)	103.30	95.99	452.09	424.83	1,190.19	1,133.38
c) Unsecured debt	-	-	-	-	-	-
4) Secured wholesale funding	-	-	-	-	-	-
5) Additional requirements, of which:	-	-	-	-	-	-
a) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-
b) Outflows related to loss of funding on debt products	-	-	-	-	-	-
c) Credit and liquidity facilities	-	-	-	-	-	-
6) Other contractual funding obligations	524.06	524.06	787.16	787.16	787.94	787.94
7) Other contingent funding obligations	-	-	-	-	0.10	0.00
<b>8) Total Cash outflows</b>	<b>941.58</b>	<b>651.47</b>	<b>1,845.05</b>	<b>1,272.57</b>	<b>3,575.45</b>	<b>2,081.04</b>
<b>Cash Inflows</b>						
9) Secured lending (eg. Reverse repos)	2,052.59	2,052.59	945.27	945.27	1,712.72	1,712.72
10) Inflows from fully performing exposures	565.89	282.94	697.09	348.55	905.85	452.93
11) Other cash inflows	-	-	-	-	-	-
<b>12) Total Cash Inflows</b>	<b>2,618.48</b>	<b>2,335.53</b>	<b>1,642.36</b>	<b>1,293.82</b>	<b>2,618.57</b>	<b>2,165.65</b>
<b>13) Total HQLA</b>		<b>380.17</b>		<b>690.37</b>		<b>862.64</b>
<b>14) Total Net Cash outflow</b>		<b>162.87</b>		<b>318.14</b>		<b>520.26</b>
<b>15) Liquidity Coverage Ratio(%)</b>		<b>233%</b>		<b>217%</b>		<b>166%</b>

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



**BANDHAN BANK LIMITED**  
Notes forming part of the Balance sheet as at 31 March 2016

**18.25 Maturity pattern of certain items of assets and liabilities**

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 month & up to 6 months	Over 6 month & up to 1 year	Over 1 Year & up to 3 years	Over 3 Years & up to 5 years	Over 5 years	Total
<b>Liabilities</b>											
Borrowings			9.09	31.58	374.25	563.82	770.26	1,042.65	100.00	160.00	3,051.65
Deposits	25.50	141.99	206.28	61.61	660.45	952.49	5,004.44	4,980.64	32.55	22.80	12,088.75
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25.50</b>	<b>141.99</b>	<b>215.37</b>	<b>93.19</b>	<b>1,034.70</b>	<b>1,516.31</b>	<b>5,774.70</b>	<b>6,023.29</b>	<b>132.55</b>	<b>182.80</b>	<b>15,140.40</b>
<b>Assets</b>											
Advances	67.21	265.21	324.63	298.10	2,781.42	1,697.89	4,814.41	2,183.25	0.49	4.94	12,437.55
Investment	1,105.08	24.46	35.53	72.59	172.69	250.83	1,004.94	1,005.05	55.20	31.66	3,758.03
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,172.29</b>	<b>289.67</b>	<b>360.16</b>	<b>370.69</b>	<b>2,954.11</b>	<b>1,948.72</b>	<b>5,819.35</b>	<b>3,188.30</b>	<b>55.69</b>	<b>36.60</b>	<b>16,195.58</b>

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





**BANDHAN BANK LIMITED**

Notes forming part of the Balance sheet as at 31 March 2016

**18.26 Sector-wise advances**

(₹ in crore)

Sr. No.	Sector*	Current year		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
<b>A</b>	<b>Priority Sector</b>			
1	Agriculture and allied activities	6,426.79	13.67	0.21%
2	Advances to industries sector eligible as priority sector lending	1,027.86	1.63	0.16%
3	Services	4,788.62	3.19	0.07%
4	Personal loans	25.54	0.07	0.26%
	<b>Sub Total (A)</b>	<b>12,268.81</b>	<b>18.56</b>	<b>0.15%</b>
<b>B</b>	<b>Non Priority Sector</b>			
1	Agriculture and allied activities	-	-	-
2	Industry sector	64.70	0.01	0.01%
3	Services	89.78	0.11	0.12%
4	Personal loans	22.79	0.09	0.39%
	<b>Sub Total (B)</b>	<b>177.27</b>	<b>0.21</b>	<b>0.12%</b>
	<b>Total (A+B)</b>	<b>12,446.08</b>	<b>18.77</b>	<b>0.15%</b>

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

**18.27 Details of Inter-Bank Participation Certificate (IBPC) transactions**

During the year, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	(₹ in crore)
i) Aggregate value of IBPCs entered during the year	3,200.00
ii) Aggregate consideration received	3,200.00
iii) Aggregate gain recorded during the year ended 31 March 2016	38.60
iv) IBPCs outstanding as at 31 March 2016 (including principal amount of Rs. 639.86 crore collected against the pool sold and not yet due for payment and included under other liabilities)	3,200.00

**18.28** The disclosure requirement as stipulated by RBI guidelines for Banking companies have not been furnished for the previous year as the Bank has received the banking licence, during the current year.

**18.29 Business Transfer**

Pursuant to the approval received from Reserve Bank of India for commencement of banking operations, all assets and liabilities pertaining to the microfinance business of Bandhan Financial Services Limited ("BFSL") were transferred to the Bank on a slump sale basis for a consideration of Rs. 1,233.15 crore. The consideration has been determined as per the Business Transfer Agreement dated 11 February 2015 entered into between the Bank and BFSL. The acquired assets and liabilities were recorded at their existing carrying amount in BFSL in accordance with 'Pooling of Interest Method' guidance provided in AS-14, 'Accounting for Amalgamations'. Rs.16.40 crore being excess of consideration paid by the Bank over net assets acquired have been adjusted with the General Reserve in the books of the Bank.

The summary of assets and liabilities acquired is as follows:

Description	(₹ in crore) Amount
Fixed Assets	4.23
Investments	0.20
Cash and Bank Balances	3,260.36
Other Assets	7,890.47
<b>Total Assets</b>	<b>11,155.26</b>
Other Liabilities & Provisions	9,938.51
<b>Net Assets (A)</b>	<b>1,216.75</b>
<b>Consideration (B)</b>	<b>1,233.15</b>
<b>Excess* (B-A)</b>	<b>16.40</b>

\* The excess consideration is on account of consideration for fixed assets being paid based on the written down value of fixed assets as per Income Tax Act, 1961.



**BANDHAN BANK LIMITED**

Notes forming part of the Balance sheet as at 31 March 2016

18.30 Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year's classification.

As per our report of even date

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

Chartered Accountants

Firm Registration Number :- 101049W/E300004

**For Bandhan Bank Limited**



**Per Amit Kabra**  
Partner

Membership Number : 94533



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



**Chandra Shekhar Ghosh**  
Managing Director & CEO



**C.M. Dixit**  
Director



**Indranil Banerjee**  
Company Secretary



**Sunil Samdani**  
Chief Financial Officer

Place : Kolkata  
Date : 11 May 2016





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