EXCERPTS FROM COMPENSATION POLICY FOR WHOLE-TIME DIRECTORS/PART-TIME CHAIRMAN, NON-EXECUTIVE DIRECTORS AND EMPLOYEES

The objectives of the Compensation Policy of the Bank:

a. To provide a fair and persistent basis for motivating, inspiring and rewarding the employees appropriately, according to their jobs/role size, performance, accomplishments, contribution, skill, aptitude and competence.
b. To implement standards on sound compensation practices and incentives.
c. To provide effective governance of compensation payable to the whole-time directors/ non-executive directors /part-time chairman, Chief Executive Officers / Material Risk Takers (MRTs), risk control & compliance staff and all other categories of staff, alignment of compensation with prudent risk taking and effective supervisory oversight.
d. To formulate and adopt a Comprehensive Compensation Policy for whole-time directors/ non-executive directors /part-time chairman, Chief Executive Officers / Material Risk Takers (MRTs), risk control & compliance staff and all other categories of staff.
e. To identify Material Risk Takers (MRTs), risk control & compliance staff and all other categories of staff engaged in financial, risk control and other area of operations and to ensure they are independent, have appropriate authority, and are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank.
f. For Effective alignment of compensation with prudent risk taking
    i) Compensation must be adjusted for all types of risk.
    ii) Compensation outcomes must be symmetric with risk outcomes.
    iii) Compensation payout schedules must be sensitive to the time horizon of risks.
    iv) The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

The compensation structure for the Non-Executive Part-Time Chairman

The Nomination and Remuneration Committee after taking into account all relevant factors such as, performance, ability and experience of the individuals recommend to the Board to fix the compensation structure in compliance with the provisions of Companies Act, 2013, Banking Regulation Act, 1949, Listing Regulations and other regulatory guidelines, as amended from time to time.

The remuneration payable to the Chairman is subject to prior approval of the Reserve Bank of India (RBI). Therefore, the remuneration or any revision in remuneration of the Chairman is payable only after receipt of the approval from RBI.

The compensation structure for the Non-Executive Director(s)

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board of Directors or any committees of the Board and their expenses for attending such meetings shall be reimbursed in compliance with the provisions of the Companies Act, 2013, Listing Regulations and other regulatory guidelines, as amended from time to time.

The Board while recommending the change in the sitting fees will considers various factors like size and complexity of organization, Comparison with the peer Banks and Regulatory guidelines as applicable etc.

Disclosure and engagement by stakeholders

Banks are required to make disclosure on remuneration of *WTDs/CEOs/MRTs* on an annual basis at the minimum, in their Annual Financial Statements. To improve clarity on disclosure, Bank will make the disclosures in table or chart format and make disclosures for previous as well as the current reporting year.

Regulatory and Supervisory Approval/Oversight

- In terms of the Section 10(1)(*b*)(*iii*) of the Banking Regulation Act, 1949 (B.R. Act, 1949), no banking company shall employ or continue the employment of any person whose remuneration is in the opinion of the Reserve Bank, excessive.
- Being Private sector bank operating in India, Bank would be obtaining regulatory approval for grant of remuneration to WTDs/CEOs/Part-time Non-Executive Chairman in terms of Section 35B of the B.R. Act, 1949.
- Banks' compensation policies would be subject to supervisory oversight including review under Basel framework. Deficiencies would have the effect of increasing the risk profile of banks with attendant consequences including a requirement of additional capital if the deficiencies are very significant.

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