



## COMPENSATION POLICY

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## Distribution List

Name

## Contents

Document history .....	1
Document Contact Details.....	1
Distribution List.....	2
<b>COMPENSATION POLICY .....</b>	<b>4</b>
1. Compensation Philosophy.....	4
2. Preamble .....	4
3. Date of implementation .....	5
4. Definitions .....	6
5. Objective of the policy .....	7
6. Constitution of the Nomination & Remuneration Committee .....	8
7. Terms of reference to the Committee .....	8
8. Effective governance of Compensation Policy.....	9
9. Executive compensation - Background & Philosophy.....	9
10. Compensation Structure in the Bank.....	10
11. Malus/Clawback.....	23
12. Identification of Material Risk Takers of the Bank.....	25
13. Methodologies for risk and performance alignment of remuneration – as advised in RBI circular dated 13-01-2012.....	26
14. Annual Compensation Review: .....	27
15. Disclosure in the financial statement.....	27
16. Regulatory and Supervisory Approval/Oversight.....	28

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## COMPENSATION POLICY

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### 1. Compensation Philosophy

The compensation policy of the Bank is designed to enhance shareholder value by aligning the financial interests of Whole Time Directors/ Chief Executive Officers/ Other Risk Takers/ Control Function Staff and other employees with those of the shareholders.

The policy also provides the compensation structure for Non-Executive Directors including the Part-time Chairman as per the provisions of the Companies Act, 2013 and also as per the extant RBI Guidelines/Directions as defined subsequently.

The Bank's remuneration program is based on principles of pay for performance philosophy, meritocracy and fairness. The compensation system also focuses on pay differentiation based on role, competency, relevant work experience, seniority, contribution and availability of talent.

### 2. Preamble

The compensation practices, especially of large financial institutions, were widely recognised as one of the key contributors to the global financial crisis witnessed during the period 2008–2011. Employees were too often rewarded for increasing the short-term profit without adequate recognition of the risks employees' activities posed to the organizations. These perverse incentives amplified the excessive risk taking that severely threatened the global financial system. The compensation issue has, therefore, been at the center stage of the regulatory reforms.

In order to address the issues in a coordinated manner across jurisdictions, the Financial Stability Board ("FSB") has brought out a set of principles and implementation standards on sound compensation practices in April and September 2009 respectively. The principles are intended to reduce incentive towards excessive risk taking that may arise from the structure of compensation schemes. The G-20 countries and the Basel Committee on Banking Supervision ("BCBS") have endorsed the principles and the same are under implementation across jurisdictions.

To fall in line with the steps taken by the global community, Reserve Bank of India had announced in the second quarter review of Monetary Policy 2009-10 that necessary guidelines would be issued to Private Sector banks and Foreign Banks on sound compensation policy. Accordingly, draft guidelines on compensation were circulated and a large number of suggestions and comments were received on the draft guidelines.

Based on the above, it was proposed to issue final guidelines by end December 2010. However, the implementation of Reserve Bank's guidelines was deferred till 2012-13 as BCBS brought out a consultative paper in October 2010 titled 'Range of Methodologies for Risk and Performance Alignment of Remuneration' for public comments.

BCBS has since published in May 2011 the final report on 'Range of Methodologies for Risk and Performance Alignment of Remuneration'. In July 2011, BCBS in consultation with the FSB has also published Pillar 3 disclosure requirements for remuneration.

Taking into account the stipulations in these documents and the comments received on the draft guidelines, Reserve Bank of India had finalized "Guidelines on Compensation of Whole Time Directors/Chief Executive Officers/Other Risk Takers and Control Function Staff, etc.," and advised all the Private Sector and Foreign Banks operating in India, *vide* letter No.DBOD.BC.72/29.67.001/2011-12 dated January 13, 2012 to formulate and adopt a sound and comprehensive compensation policy covering all their employees and conduct annual review thereof. These guidelines were superseded by Reserve Bank of India circular dated November 4, 2019 bearing number DOR.Appt.BC.No.23/29.67.001/2019-20 on "Guidelines on Compensation of Whole Time Directors/Chief Executive Officers/Other Risk Takers and Control Function Staff, etc", applicable to Private Sector Banks (including Local Area Banks, Small Finance Banks, Payment Banks) and Foreign Banks operating in India ("**RBI Guidelines**") which come into effect from April 2020. These Guidelines do not apply to bank's staff other than WTDs/CEOs/MRTs and Control Function Staff, but banks are encouraged to adopt similar principles, with suitable modifications, as appropriate for them as well. The Guidelines dated November 4, 2019 were superseded by Reserve Bank of India (Commercial Banks – Governance) Directions, 2025, dated November 28, 2025.

The RBI Guidelines emphasize the need for a sound and comprehensive compensation policy in banks, covering all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan, gratuity etc.

Besides, the Companies Act 2013, make its mandatory to formulate Compensation policy to ensure that:

- (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and variable pay as applicable, reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The policy is in due compliance with the extant the RBI guidelines and Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

### 3. Date of implementation

The policy shall be effective from the financial year 2012-13.

## 4. Definitions

In this Policy, unless the context otherwise requires: -

4.1 “**Board**” means board of directors of the Bank.

4.2 “**BCBS**” means Basel Committee on Banking Supervision.

4.3 “**Clawback**” means a contractual agreement between the employee and the regulated entity in which the employee agrees to return previously paid or vested remuneration to the entity under certain circumstances

4.4 “**CSAR**” or “**Cash Settled – Stock Appreciation Rights**” means an option granted to an eligible Employee, which gives such Employee the right, but not an obligation, to receive Appreciation settled by way of Cash payment determined in accordance with and subject to the terms and conditions of this Scheme.

4.5 **CSAR 2025**” means this CSB Cash Settled - Stock Appreciation Rights Scheme 2025 under which the Bank is authorized to grant CSARs to the eligible Employees.

4.6 “**Directions**” means the ‘Reserve Bank of India (Commercial Banks -Governance) Direction, 2025’.

4.7 “**Employee**” means –

- (i) A permanent employee or an employee appointed on direct contract basis of the Bank, working in or out of India; or
- (ii) A director of the Bank, whether a whole-time director or not, including a non-executive director who is not a promoter or member of the promoter group, but excluding an independent director; or
- (iii) An employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, or of a holding company of the Bank, but does not include –
  - (a) An employee who is a promoter or a person belonging to the promoter group; or
  - (b) A director who, either himself/herself or through his/her relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the Bank;

4.8 “**ESOP**” means Employees Stock Option plan.

4.9 “**ESOS**” means Employees Stock Option Scheme framed by the Bank, from time to time.

4.10 “**FSB**” means Financial Stability Board.

4.11 “**Guidelines**” means Reserve Bank of India Guidelines on Compensation of Whole Time Directors/Chief

Executive Officers/Other Risk Takers and Control Function Staff, etc., and Guidelines on compensation of non-executive directors Including Part-time Chairman, as amended from time to time.

- 4.12 **“IBA”** or **“IBA Scheme”** means Industry level settlement entered between Indian Banks Association and various employees/Officers unions/Associations.
- 4.13 **“Malus”** means an arrangement that permits a bank to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred
- 4.14 **“Policy”** means Compensation Policy of the Bank.
- 4.15 **“Lateral Recruitment Policy”** means Lateral Recruitment Policy adopted by the Bank
- 4.16 **“Material Risk Takers (MRTs)”** means whose actions have a material impact on the risk exposure of the bank, and who satisfy the qualitative and any one of the quantitative criteria as per the Guidelines/Directions.
- 4.17 **“NRC”** or **“Committee”** means Nomination & Remuneration Committee of the Board.
- 4.18 **“SREP”** means Supervisory Review and Evaluation Process.
- 4.19 **“Substantial or substantial portion of pay”** means variable pay constituting 50 % or more of the fixed pay to the Whole Time Directors/Chief Executive Officers.
- 4.20 **“Unforeseen Event”** means any event(s) such as death, permanent incapacity or disability (physical or mental) occurred to an Employee.

## 5. Objective of the policy

The Policy aims to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation. The policy is a comprehensive one covering all the employees of the Bank and intends to reduce incentives towards excessive risk taking that may arise from the structure of compensation scheme.

This Policy aims to:

- (i) Ensure that compensation is aligned to individual performance as well as to the organizational objectives of the Bank.
- (ii) Attract, reward and retain talent to enable the Bank to attain its strategic objectives within the increasingly competitive context in which it operates.
- (iii) Inculcate and reinforce a culture of meritocracy and differentiate and reward performance.
- (iv) Have a balanced mix of Fixed, Variable (Short-term or Long Term, cash or non-cash) to appropriately

reflect the value and responsibility of the role and to drive appropriate behavior and actions in the long term.

- (v) Ensure policy is in line with RBI guidelines and promotes effective risk management practices and the company's commitment to compliance and controls.
- (vi) Ensure fairness and transparency in reward practices.

The policy covers all aspects of the compensation structure such as fixed pay, perquisites, variable pay in form of cash or non-cash instrument, (share-linked instruments e.g. Employee Stock Option Plan), pension plan, gratuity, guaranteed bonus (joining /sign-on bonus), severance package etc., taking into account the guidance/directions.

## 6. Constitution of the Nomination & Remuneration Committee

The Board of the Bank shall constitute a Nomination & Remuneration Committee (“NRC”). The Committee should have minimum three members and should include at least one member from the Risk Management Committee of the Board. The majority of the members of Committee should be independent non-executive directors.

The Committee shall work in close co-ordination with Risk Management Committee of the bank in order to achieve effective alignment between remuneration and risks.

## 7. Terms of reference to the Committee

The NRC has to oversee the framing, review and implementation of compensation policy including ESOS of the bank on behalf of the Board.

The Committee should ensure that:

- (i) the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- (ii) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the bank successfully.
- (iii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iv) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

## 8. Effective governance of Compensation Policy

As part of the effective governance of the compensation policy in the Bank,

- (i) the Board must actively oversee the compensation systems design and operation.
- (ii) the Board must monitor and review the compensation system to ensure that the system operates as intended.;
- (iii) staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm.
- (iv) supervisory review of compensation practices must be rigorous and sustained, and deficiencies must be addressed promptly with supervisory action; and
- (v) the bank shall disclose clear, comprehensive and timely information about their compensation practices to facilitate constructive engagement by all stakeholders.

## 9. Executive compensation - Background & Philosophy

The Bank competes with other financial institutions by seeking to attract and retain a highly qualified management team, utilizing compensation programs that reward performance. The Board of Directors believes that it's Executive Management Compensation programs should:

- reflect the qualifications, skills, experience and responsibilities of each officer on the management team.
- serve to attract and retain the most qualified individuals available to the Company by being competitive with the compensation being paid to persons having similar positions and responsibilities with other financial institutions in the same or adjoining market areas.
- provide each officer on the management team with incentive and motivation to achieve his or her personal goals, both short term and long term, set in a manner which is consistent with the overall strategic goals of the Company, as determined by the Board of Directors; and
- reward those officers whose performance, both individually and as a member of the management team, is superior and with the reward being a function of achievement against the desired benchmarks as laid out by the Board of Directors or delegated authorities.

The compensation of the executive officers of the Bank is reviewed and approved annually by the Board of Directors or delegated authorities, including a review of base salaries (the "fixed" portion of compensation) and a discretionary bonus plan (if any) based on performance objectives (the "variable" or incentive portion of cash compensation and ESOP's). This review by the Board of Directors is based on the recommendations of the Nomination & Remuneration Committee of the Board.

In certain circumstances such as elevation of personnel within the year to positions of greater responsibility, requirement for retention of key personnel etc., the Board of Directors, through the Nomination & Remuneration committee may choose at its discretion to evaluate performance and review compensation within the year as well.

## 10. Compensation Structure in the Bank

### **10.1 Compensation structure for Part- time Chairman**

- 10.1.1 The Part-time Chairman may be paid fixed remuneration with the approval of Reserve Bank of India. In terms of Sections 10B(1A)(i) of the Banking Regulation Act, 1949, the Bank would be required to obtain RBI approval for payment of remuneration to Part-time Chairman, and share holders' approval under the provisions of the Companies Act,2013.
- 10.1.2 Part-time Chairman is entitled for Travelling, Halting and other applicable Allowances as per the extant RBI guidelines, from time to time.
- 10.1.3 Part-time Chairman is also entitled to sitting fees for attending the Board/ Committee meetings of the Board as applicable to other Non- Executive Directors of the Bank in addition to the fixed remuneration from the Bank as mentioned in the point No. 10.1.1 above.
- 10.1.4 The Non-Executive Chairman of the Bank shall not be entitled to any profit linked commission.
- 10.1.5 The Non-Executive Chairman of the Bank shall not be entitled Stock Options.

### **10.2.1 Compensation structure for Whole Time Directors/ Managing Director & Chief Executive Officer (CEO) of the Bank/ Material Risk Takers (MRTs).**

The compensation structure for Whole Time Directors (WTDs)/ Managing Director & Chief Executive Officer (MD& CEO)/ Material Risk Takers (MRTs)\_ of the Bank may be fixed after ensuring the following :-

- I. Compensation is adjusted for all types of risk,
- II. Compensation outcomes are symmetric with risk outcomes,.
- III. Compensation pay out schedule is sensitive to the time horizon of risks, and
- IV. The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

A wide variety of measures of credit, market liquidity and other risks shall be used for implementation of risk adjustment. The risk adjustment methods should preferably have both quantitative and judgmental elements.

The compensation structure for the Whole Time Directors (WTDs)/ Managing Director & Chief Executive Officer (MD& CEO)/ Material Risk Takers (MRTs)\_of the Bank will be in the following lines: -

Sl No	Nature of pay/allowance	Amount payable
1	Fixed pay	<p>Board shall, after taking into account all relevant factors such as personal performance, ability and experience of the individuals and standard industrial practices, approve the pay as fixed by the Committee as a matter of practice, and subject to the approval of Reserve Bank of India.</p> <p>Fixed portion of compensation is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. All perquisites that are reimbursable should also be included in the fixed pay so long as there are monetary ceilings on these reimbursements.</p> <p>Contributions towards superannuation/retiral benefits will be treated as part of fixed pay.</p>
2	Variable Pay	<p>(i) Based on the recommendations of the Committee, Board may fix variable pay at least 50% of total compensation and subject to performance, variable pay grant shall vary as per final performance rating which takes into account individual, business wise and organization wise performance. The variable pay can be in the form of share-linked instruments, or a mix of cash and share-linked instruments. There shall be a proper balance between cash and share-linked components in the variable pay.</p> <p>(ii) There should be proper balance between the cash and share linked components in the variable pay. Only in cases where the compensation by way of share-linked instruments is not permitted by law/regulations, the entire variable pay can be in cash. Cash-linked Stock Appreciation Rights (CSARs) are also to be treated as share-linked instruments.</p> <p>(iii) Variable pay should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance, except in the event that an executive is barred by statute or regulation from grant of share linked instruments, his/her variable pay</p>

		<p>will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.</p> <p>(iv) At higher levels of responsibility, the proportion of variable pay should be higher. The total variable pay shall be limited to a maximum of 300% of the fixed pay for the relative performance measurement period.</p> <p>(v) In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.</p> <p>(vi) In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.</p> <p>(vii) The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero.</p>
3	<p>(a) Deferral arrangements of variable pay (Cash/ Share-linked Instruments)</p> <p>(b) Deferral period</p>	<p>(i) Deferral arrangements must invariably exist for the variable pay, regardless of the quantum of pay:</p> <p>(1) A minimum of 60% of the total variable pay must invariably be under deferral arrangements.</p> <p>(2) If cash component is part of variable pay, at least 50% of the cash bonus should also be deferred.</p> <p>(ii) In cases where the cash component of variable pay is under Rs.25 lakhs, deferral requirements would not be necessary. In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.</p> <p>The deferral period should be a minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.</p>

	<p>(c) Share-linked Instruments</p> <p>(d) Vesting of the deferred pay</p>	<p>Share-linked Instruments shall be included as a component of variable pay. Norms for grant of share-linked instruments should be as per the scheme of the Employees stock option scheme of the Bank, which is in conformity with relevant statutory provisions and should form part of the bank's compensation policy. Share-linked instruments should be fair valued on the date of grant by the bank using Black-Scholes model. The fair value thus arrived at shall be recognized as an expense beginning with the accounting period for which approval has been granted.</p> <p>Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting should be not before one year from the commencement of the deferral period. The vesting should be no faster than on a pro rata basis. Additionally, vesting should not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.</p> <p>Vesting shall not be faster than pro rata basis means – vesting should not be frontloaded. In other words, if the deferral arrangement is three years, not more than 33.33 % of the total granted ESOPs should vest at the end of first year. Further, not more than 66.67 % of total granted ESOPs should vest at the end of second year. Similarly, in case deferral arrangement is four years, not more than 25% of total granted ESOPs should vest in each of the first three years.</p>
4	Malus / Claw back arrangements	<ol style="list-style-type: none"> <li>1. The deferred compensation should be subject to malus/claw back arrangements in the event of subdued or negative financial performance of the Bank and/or the relevant line of business in any year. Variable pay shall be subject to Malus/claw back arrangements, taking in to account relevant statutory and regulatory stipulations as applicable.</li> <li>2. A malus arrangement permits the Bank to prevent vesting of all or part of the deferred remuneration, but does not reverse vesting after it has already occurred. A claw back is a contractual agreement between the Key employee (including other employees, if any) and the Bank, in which the Key employee agrees to surrender variable pay including vested ESOPs or return any benefits accrued or consumed out of variable pay including exercised</li> </ol>

		<p>ESOPs to the Bank, under certain circumstances.</p> <p>3. Criteria for the application of malus and clawback, also specify a period during which malus and/or clawback can be applied, covering at least deferral.</p> <p>4. Banks are required to put in place appropriate modalities to incorporate malus/ clawback mechanism in respect of variable pay including ESOPs so as to invoke the malus and clawback clauses that may be applicable on entire variable pay.</p>
5	Perquisites	<p>As decided by the Board from time to time in tune with the Bank's business and the prevailing industry Standards / practices.</p> <p>"Perquisite" means any casual emolument or benefit attached to an employee or position in addition to salary or wages and all perquisites shall forms part of the fixed pay.</p>
6	Guaranteed bonus	<p>Guaranteed bonus (joining/sign on bonus) shall only occur in the context of hiring new staff and be limited to first year.</p> <p>Further, guaranteed bonus should be in the form of share-linked instruments only since payments in cash upfront would create perverse incentives. Such bonus will neither be considered part of fixed pay nor part of variable pay. Further, banks should not grant severance pay other than accrued benefits (gratuity, pension etc.) except in cases where it is mandatory by statute.</p>
7	Hedging of compensation	<p>The Bank shall not provide any facility or funds or permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.</p> <p>To enforce the same, Bank may establish appropriate compliance arrangements.</p>
8	Gratuity	<p>As decided by the Board from time to time in line with the Payment of Gratuity Act.1972 and Gratuity shall form part of the fixed pay.</p>
9	Provident Fund	<p>Provident Fund as a retiral benefit in accordance with the Provident Fund Act 1952 has been extended to employees in CTC category joined after 1<sup>st</sup> June 2024. Option to NPS has been retained for employees in this category who were on rolls till 31<sup>st</sup> May 2024.</p>

		It is mandatory for a CTC category employee to either be a member of Provident Fund or National Pension Scheme. Contributions from both employee and the employer forms a part of the 'Total Fixed Pay' of the employee, similar to National Pension Scheme.
10	National Pension Scheme	10% of the fixed pay with matching contribution from Bank, but within the overall limit of the remuneration as approved by Reserve Bank of India, from time to time.  National Pension Scheme shall form part of the fixed pay.
11	Pension	Nil
13	Leave travel facility/concession	As decided by the Board from time to time in tune with the prevailing industry standards/practices. Leave travel facility/concession shall form part of the fixed pay.
14	Encashment of Privilege Leave	As decided by the Board from time to time in tune with the prevailing industry standards/practices. Encashment of Privilege Leave shall forms part of the fixed pay.
15	Employees Stock Option Plan	Eligible for Employees Stock options as per the CSB Employees Stock Option scheme /policy subject to point No.3 and 4 of the table.  The details of ESOP granted shall also be disclosed in terms of the disclosure requirements stipulated in this guideline.

The compensation structure for the Whole Time Directors (WTDs)/Managing Director & Chief Executive Officers (MD & CEO) of the Bank are subject to approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949. The RBI approval process might involve, inter alia, an assessment whether the compensation policies and practices are in accordance with the set of principles and implementation standards on sound compensation practices laid down by the Financial Stability Board.

The payment of compensation to the Whole Time Directors (WTDs)/ Managing Director & Chief Executive Officers (MD & CEO) also requires approval of the shareholders of the Bank pursuant to Article 148(c) of the Bank's Articles of Association read with the Section 196 of the Companies Act, 2013.

## 10.2.2 Loans to Directors

10.2.2.1 Section 20 of Banking Regulation Act, 1949 (B.R. Act, 1949) prohibits the bank from granting any loan or advance to its Directors. However, in exercise of the powers conferred by clause (a) of the explanation under sub-section (4) of Section 20 of Banking Regulation Act, 1949 and having

regard to the considerations referred to therein, the Reserve Bank of India has specified that for the purposes of the said Section, the following loans/advances granted to the Chief Executive Officer / Whole-Time Directors will not be considered:-

- (i) Personal loans and advances to an employee director, other than loans for investment in financial assets, in terms of the approved policy of the Bank, or that form part of the approved compensation / remuneration package of such director, wherever applicable. The interest rate charged on all such loans shall not be lower than the rate charged to the employees;
- (ii) Personal loans and advances, excluding loans for investments in financial assets, to MD/ CEO/ director of the banking company, subject to applicable prudential limits/LTV ratios as the case may be;

10.2.2.2 The sanctioning of facilities permitted and referred in 10.2.2.1, to the Managing Director & CEO or Whole Time Director or any other director shall be subject to the Bank's Loan Policy and all other applicable policies of the Bank as well as the directions and guidelines issued by Reserve Bank of India, from time to time.

### **10.3 Compensation Structure for Non-Executive Directors**

In order to bring in professionalism to the Board and to attract and retain professional and qualified directors, Non-Executive directors may be compensated as follows:

#### **10.3.1 Sitting fees and reimbursement of expenses**

The Board shall determine the sitting fees and travelling/halting allowances, i.e., expenses payable for attending meetings of the Board and its Committees, subject to compliance with the provisions of the Companies Act, 2013 and the SEBI Listing Regulations.

#### **10.3.2 Remuneration of Non-Executive Directors**

Subject to compliance with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in addition to sitting fees and travelling/halting allowances related to attending meetings of the board and its committees as per extant statutory norms/ practices, the Bank may provide for payment of compensation to non-executive directors in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for a Non-Executive Director, other than the Chair of the Board, shall not exceed ₹30 lakh per annum. The Board may fix a lower amount within the ceiling limit of ₹30 lakh per annum depending on the experience of the non-executive directors and other relevant factors.

### **10.4 Compensation structure for Risk control and compliance staff.**

Members of staff engaged in financial and risk control, including internal audit should be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation. The mix of fixed and variable compensation for control function personnel should be weighted in favor of fixed compensation. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay will not be applicable for this category of staff. However, a reasonable proportion of compensation has to be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

Subject to the above, the Board/HR Committee, based on the recommendation of the Committee may devise an appropriate compensation structure similar to principles enunciated for WTD/CEO, as appropriate.

#### 10.4.1 Applicability:

- Senior management staff in Risk function (including Information Security function).
- Senior management staff in Compliance function.
- Senior management staff in Internal Audit function.
- Senior management staff in Vigilance function.

#### 10.4.2 Fixed Pay

Details of Fixed Remuneration	Particulars
Monthly Cash Components	<ul style="list-style-type: none"> <li>• Basic Pay</li> <li>• House Rent Allowance</li> <li>• Statutory Bonus</li> <li>• Telephone Allowance</li> <li>• Defray of Expense-Meal Allowance</li> <li>• Conveyance Allowance (Balancing component from the Gross monthly Salary)</li> </ul>
Retiral Benefits	<ul style="list-style-type: none"> <li>• NPS as per rule or Provident Fund as per Employee Provident Fund Trust rules.</li> <li>• Gratuity as per act</li> </ul>
Perquisites/ Reimbursements entitlement	<ul style="list-style-type: none"> <li>• Insurance Benefits (Mediclaime, Term Life &amp; Accident Insurance)</li> <li>• Staff Home Loan</li> <li>• Others as per eligibility and Bank's Policy</li> </ul>

**\*\*\*subject to change through any Govt. (example, "Code of Wages") /RBI regulation/stipulation.**

**\*\*\*above structure is applicable to Control Function staff in CTC category**

**10.4.3 Variable pay:**

- A. The grant of total variable pay shall be based on individual performance, unit-level performance as well as the organizational performance. Individual performance is assessed based on quantitative and qualitative measures as defined in the balanced scorecard in the Performance Management system of the Bank.
- B. **Total Variable Pay** can be paid in the form of both cash and/or non-cash (ESOPs) instruments/ CSAR” or “Cash Settled – Stock Appreciation Rights/or any similar/other mode of pay as designed by the Bank from time to time as per eligibility and Bank's policy. The proportion of variable pay to fixed pay for the aforementioned category of staff is weighted in favor of fixed compensation. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay will not be applicable for this category of staff. A reasonable proportion of compensation has to be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.
- i) Cash portion of the variable pay can be paid as Annual Performance Bonus.
  - ii) For employees in the senior management cadre, if the cash component of variable pay is above Rs. 25 lakhs, the amount in excess of Rs. 25 lakhs shall be deferred over a period of three years, as per schedule defined in section 9.2.1.
  - iii) Non-cash portion of the variable pay (ESOPs) and **CSAR” or “Cash Settled – Stock Appreciation Rights** shall be granted to eligible employees and shall be governed as defined in the Bank's ESOP policy/ **CSAR 2025**.
- C. The Nomination Remuneration Committee of the Bank shall review and recommend a percentage of the PBT (Profit before Tax) that needs to be allocated towards the cash portion of the variable pay-pool for the Bank.
- D. No **severance pay** to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.
- E. In case of VRS proposed, all the retirement benefits shall be governed by the specific VRS scheme.
- F. Employees under IBA scheme who are part of the compliance functions, shall be governed by the scheme applicable to them, from to time.
- G. **Compensation revision cycle:** Other Employees will also be eligible for annual revision in their compensation. The compensation cycle of the Bank is from 1st April to 31st March every Financial Year. Elevation/promotion/any market adjustment may or may not be a part of this cycle.

**H. Treatment of cash variable pay in case of separation from the Bank**

Sl. No.	Separations	Vested	Unvested
1	Resignation / Termination (other than due to Cause)	All the due and accrued Cash Variable Pay shall stand cancelled if employee resigns on or before the pay-out date.	All Unvested/deferred Cash Variable Pay on the date of submission of resignation / date of termination shall stand cancelled with effect from that date.
2	Termination due to Cause	All the due and accrued Cash Variable Pay shall stand cancelled with effect from the date of such termination.	All Unvested/deferred Cash Variable Pay on the date of such termination shall stand cancelled with effect from the termination date.
3	Retirement / early Retirement approved by the Bank	All the due and accrued Cash Variable Pay shall follow the normal vesting course unless committee decides for accelerated vesting as per the applicable laws from time to time.	All Unvested/deferred Cash Variable Pay on the date of retirement / early retirement shall be vested as per the vesting schedule.
4	Death	All the due and accrued Cash Variable Pay shall be paid post pay out date after getting intimated about the demise of the employee	All Vested /deferred Cash Variable Pay may be paid (as decided by the committee) immediately after getting intimated about the demise of the employee
5	Permanent Incapacitation	All the due and accrued Cash Variable Pay shall be paid post pay out date after getting intimated about the demise of the employee	All Vested/deferred Cash Variable Pay may be paid (as decided by the committee) immediately after getting intimated about the incapacitation of the employee.

- i) In case of an eligible employee who has been suspended or who has been issued a Show Cause Notice, the vested cash variable pay shall stand suspended. Such variable pay shall not be paid unless the suspension is revoked or disciplinary proceedings initiated against the employee are completed and the concerned employee has been absolved of all the allegations and punishment is not financial in nature.
- ii) The treatment of stock options/CSARs granted/vested in the event of separation shall be in the manner as prescribed in the EOS Scheme/CSAR -2025.

**10.5 Compensation Structure for employees other than on IBA Scheme**

The compensation structure for officers other than on IBA Scheme shall be on a cost to company basis and for employees recruited laterally, as freshers/ at entry level, the same will be fixed in line with the

Lateral Recruitment Policy of the Bank. In line with Bank's compensation philosophy, the CTC shall be determined considering the role, market competitiveness, internal pay parity, qualification, level of experience and seniority, skills and capabilities they bring and their last drawn fixed pay. For new hire fitment, the Bank acknowledges the importance of maintaining internal equity and pay parity. However, for new hire fitment for specific key roles and competencies which may have to be hired at a premium, is to be treated as exception to the Compensation Philosophy. Such deviation from defined pay ranges need to be considered as hiring exceptions and shall be approved by the management team subject to appropriate justifications in place.

Subject to the frame work of the Lateral Recruitment Policy adopted in the Bank, the Board/HR Committee, based on the recommendation of the Nomination & Remuneration Committee, may devise an appropriate compensation structure which may be similar to principles enunciated for WTD/CEO/MRTs, with suitable modifications, as appropriate and components of which are illustrated as below:

#### 10.5.1. Fixed Pay

Details of Fixed Remuneration	Particulars
Monthly Cash Components	<ul style="list-style-type: none"> <li>• Basic Pay</li> <li>• House Rent Allowance</li> <li>• Statutory Bonus</li> <li>• Telephone Allowance</li> <li>• Defray of Special Expense – Meal Allowance</li> <li>• Conveyance Allowance (Balancing Component from the Gross monthly salary)</li> </ul>
Retiral Benefits	<ul style="list-style-type: none"> <li>• NPS or Provident Fund as per act</li> <li>• Gratuity as per act</li> </ul>
Perquisites/ Reimbursements entitlement	<ul style="list-style-type: none"> <li>• Insurance Benefits (Group Medclaim, Group Term Life and Group Accident))</li> <li>• Others as per eligibility and Bank's Policy</li> </ul>

**\*\*\*subject to change through any Govt. (example, "Code of Wages") /RBI regulation/stipulation.**

#### 10.5.2. Total Variable Pay

- A. The grant of total variable pay shall be based on individual performance as well as the organizational performance. Individual performance is assessed based on financial and non-financial measures as defined in the balanced scorecard in the Performance Management system of the Bank.
- B. Total Variable Pay can be paid in the form of both cash and/or non-cash (ESOPs) instruments/ CSAR" or "Cash Settled – Stock Appreciation Rights/or any similar/other mode of pay as designed by the

Bank from time to time, as per eligibility and Bank's policy. The proportion of non-cash variable pay may be higher for the Senior Management staff of the Bank.

- i) Cash portion of the variable pay can be paid either as Annual Performance Bonus or as Performance Linked Variable Pay (payable monthly/quarterly as per the PLVP policy for Sales and relationship based roles based on balanced scorecard). Employees covered under PLVP will not be eligible for Annual Performance Bonus for the specific duration.

Non-cash portion of the variable pay (ESOPs) shall be granted to eligible employees and shall be governed as defined in the Bank's ESOP policy CSAR 2025

- C. The Nomination Remuneration Committee of the Bank shall review and recommend a percentage of the PBT (Profit before Tax) that needs to be allocated towards the cash portion of the variable pay-pool for the Bank.
- D. For select critical roles, the management may grant one time variable pay on confirmation based on performance for new hires. Guaranteed bonuses (joining/sign on bonus) are part of the compensation plan and shall be allowed in the context of hiring new staff and be limited to first year only. Guaranteed bonuses shall be linked to share based instrument and may be granted in the first year itself and vesting of the same is subject to confirmation of the employee, based on performance.
- E. No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.
- I. Compensation revision cycle: Other Employees will be eligible for annual revision in their compensation. The compensation cycle of the Bank is from 1st April to 31st March every year. Elevation/promotion/any market adjustment may or may not be a part of this cycle.
- J. In case of VRS proposed, all the retirement benefits shall be governed by the specific VRS scheme.
- K. Treatment of deferred cash variable pay in case of separation from the Bank: Refer Point no. F under section 10.4.3

#### **10.6 Compensation Structure for other categories of staff of the Bank under IBA Scheme**

It is the discretion of the bank either to continue with the existing compensation structure prevailing under IBA scheme or modify the structure partially or fully on need base or discontinue the existing structure in Toto and switch over to different structure which is prevailing in banking industry by keeping in view, various parameters like industry level, peer group status, burden on the bank etc.

It is prerogative of the bank either to utilize the service of IBA in matter of structuring compensation or device the compensation structure on its own based on the prevailing practice in the banking industry."

Performance Linked Variable Pay (PLVP) may be adopted for select categories of the staff on IBA terms (and who are not otherwise covered under the Annual Performance based Variable Pay).

The ESOP scheme may be extended to select categories of employees at the discretion of the Board / Nomination Remuneration Committee.

The compensation structure for the staff referred to above may typically cover the following: -

SI No	Nature of pay/allowance	Amount payable
1	Basic salary	As per the terms of settlement entered in to between Indian Bank's Association and various employees'/Officers Unions / Association as approved by the Board.
2	Dearness allowance	As per the terms of settlement entered in to between Indian Bank's Association and various employees'/Officers Unions / Association as approved by the Board.
3	House Rent Allowance	As per the terms of settlement entered in to between Indian Bank's Association and various employees'/Officers Unions / Association as approved by the Board.
4	City Compensatory Allowance	As per the terms of settlement entered in to between Indian Bank's Association and various employees'/Officers Unions / Association as approved by the Board.
5	Provident Fund	10% of pay with matching contribution from bank for employees who have opted for PF and 10% of pay for employees who have opted for pension as approved by the Board.
6	Pension	Pension is payable on retirement to employees who have opted for pension. The amount payable is as per the terms of The Catholic Syrian Bank Ltd Employees Pensions 1995 and amended from time to time.
7	Gratuity	Gratuity payable is computed as per the provisions of Payment of Gratuity Act 1972 / Officers scheme / Award and amount more beneficial to the employee will be paid.
8	Contributory Pension*	In respect of employees who are covered under contributory pension, the employee will contribute 10% of Basic pay & Dearness allowance with matching contribution from bank.
9	Other perquisites and allowances	As per the terms of Industry level settlement entered into between IBA and various bank employees' unions/associations.
10	Annual Performance based Variable Pay	Based on the proposals by management and recommendations of the Nomination & Remuneration Committee, Board
11	Performance Linked Variable Pay (PLVP)	Based on the proposals by management and recommendations of the Nomination & Remuneration

		Committee, Board may allow a Performance Linked Variable Pay scheme for this category for select roles. The Performance Linked Variable Pay maybe based on Employee performance (Balanced Scorecard) defined from time to time.
12	ESOP	<p>Eligible for Employees Stock Options, however, the grant of stock option is as per the prevalent CSB Employees Stock Option Scheme/policy as referred earlier in the policy. The ESOP policy is subject to revision as proposed by management, reviewed and approved by the Nomination &amp; Remuneration Committee and Board.</p> <p>ESOP is used as a compensation as well as retention tool by bank, the extent of ESOP will be decided by the Board or its delegated authorities.</p> <p>The details of ESOP granted shall also be disclosed in terms of the disclosure requirements stipulated in applicable guidelines/regulations.</p>

*\*Of late bank has been structuring NPS, in lieu of PF. For new entrants, pension benefits stand withdrawn in industry level and is followed in our Bank”.*

The Board shall on recommendation of the Committee, may further fix the other additional benefits/modifications/improvements in service conditions of officers award staff based on charter of demands of the Officers and Workmen Association.

## 11. Malus/Clawback

**11.1.** The Bank believes in sustained business performance in tandem with prudent risk taking. The Bank, therefore, has devised appropriate deterrents in order to institutionalize the aforementioned commitment.

### 11.2. Malus Arrangement

The provision for a Malus arrangement would entail cancellation of payout for the deferred portion of variable pay including ESOP reward being a part of the variable pay.

### 11.3. Clawback Arrangement

It is a contractual agreement between the Key Employee (including other employees, if any) and the Bank, in which the Key Employee agrees to surrender variable pay including vested ESOPs or return any benefits accrued or consumed out of variable pay including exercised ESOPs to the Bank under certain circumstances.

### 11.4. Framework to invoke Malus/Clawback clauses in respect of variable pay including ESOPs:

- (a) **Substantial Financial Deterioration in Profitability:** In case of deterioration in or failure to achieve budgeted profit after tax of the Bank by an extent of 50% or more (as approved business plan by the Board), the NRC shall evaluate and decide if Malus & Clawback needs to be applied on part or all of the unvested deferred variable compensation including ESOPs. For the evaluation, the NRC may take into consideration conditions leading to the deterioration in financial performance, including changes in regulations, industry performance and others.
- (b) **Reckless or wilful Negligence:** An act of wilful negligence occurs when the Key Employees fails to meet the standard of due diligence or commit a negligent error that another similarly skilled professional would have most likely avoided. In such case of gross negligence, it may trigger Malus & Clawback arrangement by the Bank.
- (c) **Divergence in Non-Performing Assets (“NPAs”):** In case of divergence in Bank’s NPAs exceeds the prescribed threshold for public disclosure, the Bank shall not pay the unvested portion of the variable compensation including ESOPs for the assessment year under Malus & Clawback arrangement. Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the Bank’s post assessment gross NPAs are less than 2.0%, ‘malus’ clause shall apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.
- (d) **In case of Misconduct:** In the event of the commission of felony, fraud, misappropriation, theft, corruption, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity, material breach of code of conduct or any non-disclosure agreement of the Bank, regulatory procedures gross or wilful insubordination, or any other act detrimental to the interest of the Bank (“Misconduct”), the NRC at its sole discretion shall apply Malus & Clawback provisions.
- (e) **Any other event as determined by the NRC:** The NRC shall, at its discretion, evaluate and determine any other event (other than aforesaid situations) in which, the Bank may apply Malus and Clawback provisions.

#### 11.5. Process to apply Malus & Clawback:

- (a) Prior to the application of Malus & Clawback to any part or all of variable pay or incentives including ESOPs, the NRC shall make enquiry about the facts of the event(s) in detail.
- (b) The NRC shall also take into consideration all relevant factors, including inter alia, macro environmental factors as well as internal factors such as role and responsibilities of the Key Employee, culpability and proximity to the Misconduct as well as any external factors, including but not restricted to a situation like a pandemic, that may have been beyond the control of the concerned Key Employee.

- (c) The NRC shall also review the act of Misconduct or any of the aforesaid events to ascertain the degree of accountability, prior to applying the Malus or Clawback arrangement.
- (d) The NRC shall follow due process and adhere to the principles of natural justice and proportionality and shall provide opportunity of being heard to the accused.

#### 11.6. Application period for Malus & Clawback

- (a) Malus & Clawback in relation to variable pay including ESOPs shall apply on all variable pay commencing from the date of payment or grant until completion of the vesting that is the “Deferral Period”.
- (b) The concept of “Retention Period” is not being extended to ESOPs; however, the NRC shall have the discretion to extend the application period for Clawback till such period depending upon the Misconduct risks involved.
- (c) Malus & Clawback shall survive during the Deferral Period / even beyond the exercise period or such other period as stated above, irrespective of separation of Key Employees/employees due to any reason, including without restricted to the cases of resignation, retirement, early retirement or termination from the Bank, provided such period is capped at five years from the date of resignation, retirement, early retirement or termination, as the case may be.
- (d) the NRC shall have the discretion to extend the application period for Clawback till such period depending upon the Misconduct risks involved, if any involved.

## 12. Identification of Material Risk Takers of the Bank

Any person whose actions have a material impact on the risk exposure of the Bank, and who satisfies the qualitative and any one of the quantitative criteria given below shall be identified as Material Risk Taker of the Bank.

#### Standard Qualitative Criteria

- Relate to the role and decision-making power of staff members (e.g., senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

#### Standard Quantitative Criteria:

- Their total remuneration exceeds a certain threshold; the determination of which may be done

- prudently by the Bank; or
- They are included among the 0.3% of staff with the highest remuneration in the Bank, or
- Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

### 13. Methodologies for risk and performance alignment of remuneration – as advised in RBI circular dated 13-01-2012

Regarding methodologies for risk and performance alignment of remuneration, the Bank shall be guided by the BCBS report entitled 'Range of Methodologies for Risk and Performance Alignment of Remuneration' published in May 2011.

The gist of the methodologies used for risk and performance alignment of remuneration are as follows:

- A. A PVB shall ensure that the variable part of remuneration is truly and effectively variable and may even be reduced to zero, in line with the symmetry principle defined by the FSB. A PVB shall be able to demonstrate to supervisors that the methodologies used to adjust variable remuneration to risk and performance are appropriate to its specific circumstances;
- B. The methodologies adopted by a PVB for aligning remuneration with risk and performance shall be consistent with its general risk management and corporate governance framework.
- C. Performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees of a PVB perceive the incentive mechanism. The usual annual determination of bonus shall be based on rules, processes and objectives known in advance, although some degree of discretion may be retained.
- D. A PVB shall use a combination of financial and non-financial measures to assess employee performance and adapt the measurement to each employee's specific situation. Qualitative factors viz., knowledge, skills and abilities may be considered, particularly where these serve to reinforce the PVB's risk management goals.
- E. The nature and extent to which risk adjustments are needed in remuneration shall depend on the extent to which performance measures capture risks. In all cases, risk adjustment shall be made, given that remuneration is often awarded before the final outcome of an activity is known. A PVB shall estimate risks ex ante and monitor outcomes ex post, with both influencing the final payouts.
- F. Risk adjustments shall take into account the nature of the risks involved and the time horizons over which they may emerge. The impact of remuneration adjustments shall be linked to actions taken by employees and / or business units, and their impact on the level of risk taken on by the PVB.
- G. A PVB shall carefully consider the nature of the award process, which links the variable remuneration of each individual employee with bonus pools and the total amount of variable remuneration at a PVB's level, as it directly influences how and when performance and risk

adjustment are or may be used.

## 14. Annual Compensation Review:

The Bank's endeavor is to foster market competitiveness as well as internal equity keeping in mind the focus on cost competitiveness. Depending on the nature of role, performance rating, affordability in terms of salary budget, qualification, experience and internal pay parity, fixed pay is arrived at. The Bank intends to participate in annual salary benchmarking survey to understand key market trends and relative market pay position compared to peers. The objective is to enable most of the employees' progress to the Median of the market in terms of fixed pay over a period of time depending on their performance and contribution to organization.

Salary increment for CTC category staff is determined based on guidelines proposed by the NRC committee and approved by the Board. Annual salary review plan is prepared in line with Bank's overall compensation philosophy and presented to the committee along with information pertaining to key measures or trends of overall Banking sector in the country. Based on recommendation of committee and Top management, salary increment is actioned. For eligible employees, fixed component of the salary increase takes place annually effective April 1st. Besides annual salary review program, the management may review and recommend change of fixed salary of employees in the event there is promotion or significant increase in job-size or confirmation. The management may also advise salary adjustments during the financial year for employees whose compensation is below the market considering the performance of the individual. Such instances are to be treated as exception and shall be reviewed by the Top management or Human resources personnel as per the defined exception matrix.

## 15. Disclosure in the financial statement

The Bank is required to make disclosure on remuneration of Whole Time Directors / Chief Executive Officers / Material Risk Takers on an annual basis at the minimum, in its Annual Financial Statements. Further, the Bank shall make the disclosures in table or chart format and make disclosures for previous as well as the current reporting year in line with Reserve Bank of India (Commercial Banks - Financial Statements: Presentation and Disclosures) Directions, 2025, as amended from time to time. The Bank (to the extent applicable), shall disclose the following information:

Type of disclosure		Information
<b>Qualitative</b>	(a)	Information relating to the composition and mandate of the Nomination and Remuneration Committee
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy
	(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
	(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
	(e)	A discussion of the bank's policy on deferral and vesting of variable

		remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.
	(f)	Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilises and the rationale for using these different forms.
<b>Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer / Material Risk Takers)</b>	(g)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members
	(h)	(i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on / joining bonus made during the financial year. (iii) Details of severance pay, in addition to accrued benefits, if any.
	(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year
	(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.
	(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex post implicit adjustments.
	(l)	Number of MRTs identified.
	(m)	(i) Number of cases where malus has been exercised. (ii) Number of cases where clawback has been exercised. (iii) Number of cases where both malus and clawback have been exercised.
<b>General Quantitative Disclosure</b>	(n)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.

The Bank shall also disclose remuneration paid to the non-executive directors on an annual basis at the minimum, in its Annual Financial Statements. The Share-linked instruments should be fair valued on the date of grant by the bank using Black-Scholes model. The fair value thus arrived at should be recognised as an expense beginning with the accounting period for which approval has been granted.

## 16. Regulatory and Supervisory Approval/Oversight.

1. In terms of the section 10(1) (b) (iii) of the Banking Regulation Act, 1949 (BR Act 1949), no banking company shall employ or continue the employment of any person whose remuneration is, in the opinion of Reserve Bank, excessive.
2. The remuneration of the Part Time chairman is subject to the prior approval of Reserve Bank of India in terms of Section 10B(1A)(i) of the Banking Regulation Act, 1949, and the approval of the shareholders in terms of the Articles of Association of the Bank.

3. The compensation structure of the Whole Time Directors/ Managing Director & Chief Executive Officer of the Bank is subject to the prior approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949 and also subject to the approval of the shareholders as per Section 196 of the Companies Act, 2013 and the Articles of Association of the Bank.
4. The compensation structure of Non-Executive Directors, including Part-time Chairperson of the Bank is subject to the approval of Reserve Bank of India to the extent as required in terms of Section 10B(1A)(i) of the Banking Regulation Act, 1949, and the applicable provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as further detailed in Para 10(3) of the Policy.
5. Banks' compensation policies would be subject to supervisory oversight including review under the '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. Banks are required to make disclosure on remuneration paid to the directors on an annual basis at the minimum, in their Annual Financial Statements.

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**SALIENT FEATURES REGARDING VARIABLE PAY**

1	<b>Variable pay</b>	Target variable pay for WTD (Whole time Directors) and MRTs (Material Risk Takers) may be fixed at least 100% of the fixed pay. Maximum target variable pay as per guidelines may be upto 300% of fixed pay. Variable pay grant shall vary as per final performance rating which takes into account individual, business wise and organization wise performance as applicable.
2	<b>Limit on Variable Pay and non-cash instruments</b>	In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.  In the event that an executive is barred by statute or regulation from grant of share linked instruments, his/her variable pay will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.
3	<b>Deferral of variable pay</b>	(1)A minimum of 60% of the total variable pay must invariably be under deferral arrangements. (2)If cash component is part of variable pay, at least 50% of the cash bonus should also be deferred. (3)In cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.
4	<b>Period of deferral arrangement</b>	The deferral period should be a minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.
5	<b>Vesting</b>	(1) Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. (2) The first such vesting should be not before one year from the commencement of the deferral period. The vesting should be no faster than on a pro rata basis. Additionally, vesting should not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.
6	<b>Malus/Clawback</b>	The deferred compensation should be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year.
6A	<b>Malus arrangement</b>	A malus arrangement permits the bank to prevent vesting of all or

		part of the deferred remuneration, but does not reverse vesting after it has already occurred.
6B	<b>Clawback arrangement</b>	A clawback is a contractual agreement between the employee and the bank whereby the employee agrees to return previously paid or vested remuneration to the bank, under certain circumstances.
7	<b>Invoke the malus and clawback clauses</b>	<p>(1) Bank may invoke the malus and clawback clauses that may be applicable on entire variable pay in the event of subdued or negative financial performance of the Bank and/or the relevant line of business in any year and also in the case of Misconduct Risk.</p> <p>(2) Malus and clawback clauses will be applied/invoked in case Assessed Rating is lesser than the Threshold Rating, after taking into variance permitted in each case, as stated in the table enclosed.</p> <p>(3) Committee is empowered to fix Threshold Rating for all Strategic Target/ on an individual indicator basis /combination of specific indicators / any other manner, on a case to case basis, and based on which Malus and/or Clawback clauses will be invoked if deemed necessary in case of variance.</p> <p>(4) Malus and clawback clauses may/will be invoked on an individual indicator basis/ on total indicator basis/combination of specific indicators as the Committee may decide, on a case to case basis.</p> <p>(5) Malus and/or clawback clauses will be invoked during the period up to which deferral.</p>
8	<b>Divergence in Bank's provisioning for Non-Performing Assets</b>	Wherever the assessed divergence in bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure, the bank shall not pay the unvested portion of the variable compensation for the assessment year under 'malus' clause. Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the bank's post assessment Gross NPAs are less than 2.0%, these restrictions will apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.

**Format of scorecard for setting the targeted variable pay of Whole-Time Directors**

Sl .No.	Strategic Target	Indicator	Threshold Rating	Assessed Rating	Permitted Rating Variance	Remarks
1	Financial	Operating profit				
2	Financial	NIM				
3	Financial	ROA				
4	Financial	Non-Interest Income				
5	Assets quality	Gross NPA in %				
6	Assets quality	Net NPA in %				
7	Owners wealth creation	ROE				
8	Compliance & Governance	RAR Report				
9	Capital Raising	CRAR				
10	Misconduct Risk	Significant loss				