

DISCLOSURE ON REMUNERATION

Pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014

The information relating to managerial remuneration in terms of Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are detailed as under: –

- (i) The ratio of the remuneration of each Whole Time Director of the Bank to the median remuneration of the employees of the Bank for the financial year 2015-16;

Ratio of the remuneration of each Whole Time Director of the Bank to the median remuneration of the employees (excluding front line sales force) of the Bank are, Smt. Shikha Sharma - Managing Director & CEO ratio is 1: 72.5, Shri V Srinivasan – Deputy Managing Director ratio is 1:46.5, Shri Sanjeev Kumar Gupta - Executive Director (Corporate Center) ratio is 1:32.6

Note - We have considered all confirmed employees (excluding front line sales force) as on 31st March 2016.

Note - Shri Sanjeev Kumar Gupta retired from the Bank, with effect from the close of business hours on 18th March 2016.

- (ii) The percentage increase in remuneration of each Whole Time Director and the Company Secretary of the Bank, during the financial year 2015-16, are as under;

Percentage increase in remuneration for Smt. Shikha Sharma - Managing Director & CEO was 12.9%, Shri V. Srinivasan – Deputy Managing Director was 13.5%, Shri Sanjeev Kumar Gupta - Executive Director (Corporate Centre) (retired with effect from the close of business hours on 18th March 2016) was 24.5%, Shri Sanjeev Kapoor was 6% (upto 30th April 2015) and Shri Girish V. Koliyote was appointed as the Company Secretary of the Bank, with effect from 1st May 2015 and hence there was no increase in remuneration during the financial year 2015-16.

- (iii) The percentage increase in the median remuneration of employees of the Bank during the financial year;

Median remuneration of employees (including sales force) of the Bank increased by 6.45% in the financial year 2015-16, as compared to the financial year 2014-15.

- (iv) The number of permanent employees on the rolls of the Bank; -

The Bank had 50,135 permanent employees on its rolls as on 31st March 2016.

- (v) The explanation on the relationship between average increase in remuneration and company performance;

The Bank's performance management and compensation philosophies are structured to support the achievement of the Bank's strategic business objectives. These strategic priorities are cascaded through annualised objectives to the employees. Based on the Bank's performance, individual performance, market benchmarks on compensation and attrition trends, compensation strategy including increment benchmarks are proposed by the Nomination and Remuneration Committee of the Directors of the Bank for adoption by the Bank.

- (vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;

As stated earlier, the Bank's performance management and compensation philosophies are structured to support the achievement of the Bank's strategic business objectives.

The Bank follows the balanced scorecard approach/KRA in designing its performance management system. Adequate attention is given to robust goal setting process to ensure alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across and through the organization. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, self-capability development and behaviours such as integrity and team management.

Accordingly based on the above parameters, remuneration for Key Managerial Personnel is decided.

DISCLOSURE ON REMUNERATION (CONT.)

- (vii) Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies,

As on 31st March 2016, the market capitalization of the Bank was ₹105,833 crores (based on the closing price of Bank's Equity Shares on the NSE on 31st March 2016) as compared to ₹132,797 crores at the end of 31st March 2015, representing decrease of 25.47%. The Price Earning Ratio for the Bank's equity as on 31st March 2016 was 12.84 compared to 17.97 on 31st March 2015, representing a decrease of 28.87%.

- (viii) Average percentile increase already made in the salaries of employees of the Bank other than its managerial personnel (viz. whole time directors of the Bank) during the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

Average remuneration increase for non managerial personnel of the Bank during the financial year was 8.2% and the average remuneration increase for the managerial personnel of the Bank was 15.4%.

Remuneration increase is dependent on the Bank's performance as a whole, individual performance level and also market benchmarks.

- (ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

The Bank's performance management and compensation philosophies are structured to support the achievement of the Bank's on-going business objectives by rewarding achievement of objectives linked directly to its strategic business priorities. These strategic priorities are cascaded through annualised objectives to the employees.

The Bank follows the balanced scorecard approach in designing its performance management system. Adequate attention is given to robust goal setting process to ensure alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across and through the organization. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, self-capability development and behavior's such as integrity and team management.

Remuneration is decided based on the Bank's performance, individual performance and market benchmarks,. The same is first approved by Nomination and Remuneration committee and thereafter it is approved by the Board.

Further, it is imperative to note that terms and conditions relating to the appointment including remuneration payable to the Whole Time Directors of the Bank and any revision thereof, is subject to prior approval of the Reserve Bank of India (RBI) in accordance with the relevant provisions of the Banking Regulation Act, 1949, as amended, from time to time

Accordingly, the increase in remuneration for Smt. Shikha Sharma - Managing Director & CEO was 12.9%, Shri. V Srinivasan – Deputy Managing Director was 13.5%, Shri Sanjeev Kumar Gupta – Executive Director (Corporate Centre) (retired with effect from the close of business hours on 18th March 2016) was 24.5% and Shri Sanjeev Kapoor was 6% (resigned with effect from the close of business hours on 30th April 2015). Shri Girish V. Koliyote was appointed as the Company Secretary of the Bank, with effect from 1st May 2015 and hence there was no increase in remuneration during the financial year 2015-16.

- (x) The key parameters for any variable component of remuneration availed by the directors;

Key parameters include the financial parameters, compliance parameters, risk and control aspects, process and people deliverables.

- Percentage of variable pay for the CEO/WTDs to be capped at 70% of fixed pay (in terms of the RBI guidelines)
- If the variable pay exceeds 40% of their fixed pay, then 45% of such variable pay is deferred proportionately over a period of three years.

- (xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year; and

Not Applicable.

Affirmation that the remuneration is as per the remuneration policy of the company.

The Comprehensive Remuneration Policy of the Bank has been approved by the Nomination and Remuneration Committee / Board of the Bank and is in line with Risk Alignment Policy Guidelines issued by the RBI. We affirm that the remuneration paid to all employees is as per the said Comprehensive Remuneration Policy of the Bank.