

Directors' Report

DEAR MEMBERS,

The Board of Directors of RBL Bank Limited ("the Bank") take great pleasure in presenting the 77th Annual Report of the Bank along with the Audited statement of accounts for the financial year ended March 31, 2020.

A. FINANCIAL PERFORMANCE

The comparative standalone financial performance of the Bank for the financial year ended March 31, 2020 with that of March 31, 2019 is summarized in the following table:

(₹ in crore)			
Particulars	FY 20	FY19	Change (%)
Advances (Net)	58,019.05	54,308.24	6.83%
Deposits	57,812.22	58,394.42	(1.00)%
Net interest income	3,629.64	2,539.48	42.93%
Other income	1,910.25	1,442.37	32.44%
Net total income	5,539.89	3,981.85	39.13%
Operating expenses	2,788.26	2,042.02	36.54%
Provisions and contingencies	2,245.96	1,072.88	109.34%
Net profit	505.67	866.95	(41.67)%
Gross NPA ratio	3.62%	1.38%	-
Net NPA ratio	2.05%	0.69%	-
Capital Adequacy Ratio	16.45%	13.46%	-
Business per employee	16.04	19.29	(16.84)%
Business per branch	300.08	347.85	(13.73)%
Appropriations			
Transfer to Statutory Reserve	127.00	217.00	-
Transfer to Capital Reserve	29.00	9.00	-
Transfer to Revenue and Other Reserves	175.00	400.00	-
Transfer to Investment Fluctuation Reserve	51.50	78.36	-
Transfer from Investment Reserve	8.00	-	-
Dividend for the year, including tax thereon	231.21	107.00	-

The Bank posted a net total income of ₹ 5,539.89 crore and net profit of ₹ 505.67 crore for financial year ended 2019-20 as against a net total income of ₹ 3,981.85 crore and net profit of ₹ 866.95 crore for financial year ended 2018-19 which is an increase of 39.13% and decrease of 41.67%, respectively over financial year ended 2018-19.

Appropriations from net profit have been done as detailed herein above.

B. BUSINESS UPDATE AND STATE OF AFFAIRS OF THE BANK

The details on state of affairs of the Bank and the business update are separately provided in Management Discussion and Analysis Report which forms an integral part of the Annual Report.

C. FINANCIAL DISCLOSURES

Dividend

Pursuant to the approval of the Board of Directors on March 17, 2020, an interim dividend of ₹ 1.50/- per equity share (i.e. 15%) of face value of ₹ 10/- each, was paid by your Bank for financial year ended 2019-20 to the shareholders whose names appeared in the Register of Members as on March 25, 2020, being the record date fixed for the said purpose in accordance with the Dividend Distribution Policy of the Bank. Your Bank had paid a final dividend of ₹ 2.70/- per equity share (i.e. 27%) for financial year ended 2018-19.

The Bank did not declare Final Dividend for financial year ended 2019-20 pursuant to RBI circular no. DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 directing all banks not to make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020

until further instructions. Thus, the total dividend for the financial year ended 2019-20 remains ₹ 1.50/- per equity share.

The Dividend Distribution Policy formulated in accordance with the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as approved by the Board is available on the website of the Bank at <https://ir.rblbank.com>.

Capital Raising

During financial year ended 2019-20, your Bank raised capital to the tune of ₹ 2,775.87 crore as detailed hereunder:

- raised capital to the tune of ₹ 2,025.27 crore by way of issuance of 57,700,000 equity shares of ₹ 10/- each, fully paid-up through Qualified Institutional Placement at a price of ₹ 351/- per equity share (including premium of ₹ 341/- per equity share).
- raised capital to the tune of ₹ 675.80 crore by way of issuance of 19,835,610 equity shares of ₹ 10/- each, fully paid-up, on Preferential basis ("Preferential Issue"), at a price of ₹ 340.70/- per equity share (including premium of ₹ 330.70/- per equity share).

During the year under review, your Bank also added ₹ 74.80 crore (including share premium) to its paid-up equity capital, by issuance/allotment of equity shares pursuant to exercise of stock options by the employees of the Bank under various Employees Stock Option Plans.

Consequent to the above issuances, the paid-up equity share capital of your Bank increased by ₹ 81.99 crore and share premium increased by ₹ 2,672.22 crore (after adjusting the share issue expense of ₹ 21.67 crores). The issuances were made pursuant to the Board, Shareholders and regulatory approvals, wherever applicable. This has resulted in strengthening of the Bank's capital structure.

The paid up Equity Share Capital of the Bank as on financial year ended March 31, 2020 stood at ₹ 508.70 crore divided into 508,698,564 equity shares of ₹ 10/- each.

During the financial year under review, there has been no change in the Authorized share capital of the Bank. The Authorized share capital of the Bank as at March 31, 2020 stood at ₹ 700 crore divided into 700,000,000 equity shares of ₹ 10/- each.

The Equity shares of your Bank continue to remain listed on BSE Limited and National Stock Exchange of India Limited. The

Unsecured Redeemable Non-Convertible Debentures issued by the Bank, on a private placement basis are listed on BSE Limited.

The Bank has paid the listing fees as payable to the BSE Limited and National Stock Exchange of India Limited for the financial year ended 2019-20 within the stipulated time.

Capital Adequacy Ratio

Your Bank is well capitalized with a Capital Adequacy Ratio ("CAR") of 16.45% as on March 31, 2020 as against the minimum requirement of 10.875%. Your Bank complies with the Capital Adequacy guidelines of Reserve Bank of India ("RBI"), also known as 'Basel III Guidelines'.

Net Worth

Your Bank's net worth, as on March 31, 2020 is ₹ 10,290.64 crore. It comprises of paid-up equity share capital of ₹ 508.70 crore and reserves of ₹ 9,781.94 crore (excluding Revaluation Reserve, Investment Reserve, Foreign Currency Translation Reserves and Intangible and Deferred Tax assets).

D. CORPORATE GOVERNANCE

Your Bank's philosophy on Corporate Governance is aimed at efficient conduct of business operations and meeting its obligations towards the stakeholders. Your Bank is committed to transparent and merit-based organization and ensures fairness, transparency and responsiveness in all transactions.

A detailed Corporate Governance Report as envisaged under Regulation 34(3) of the SEBI Listing Regulations is annexed as **Annexure I** to this Report.

The Certificate issued by M/s. Alwyn Jay & Co., Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance as stipulated in SEBI Listing Regulations is annexed as **Annexure IA** and forms an integral part of this Report.

E. BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34(2)(f) of the SEBI Listing Regulations, a Business Responsibility Report ("BRR") has to be furnished by top One Thousand listed companies based on market capitalization in the format prescribed by SEBI. Accordingly, the report describing the initiatives taken by the Bank from an environmental, social and governance perspective is presented in a separate section forming part of this Annual Report. The BRR is also available on the website of the Bank at <https://ir.rblbank.com>.

Any Member interested in obtaining a copy of BRR may write to the Company Secretary of the Bank at the Registered Office of the Bank or by email at investorgrievances@rblbank.com.

F. STATUTORY DISCLOSURES

Extract of Annual Return

In accordance with the Companies (Amendment) Act, 2017, read with Section 134(3) of the Companies Act, 2013, the Annual Return in the prescribed Form MGT-7, under Section 92(3) of the Companies Act, 2013, can be accessed on the website of the Bank at <https://ir.rblbank.com/> and pursuant to rule 12(1) of the Companies (Management and Administration) Rules, 2014 the extract of the Annual Return in Form MGT-9, is provided as an **Annexure II** to this report.

Conservation of Energy and Technology Absorption

Summary of measures taken by your Bank with respect to conservation of energy and technology are covered in Management Discussion and Analysis Report and Business Responsibility Report forming part of this Annual Report. Your Bank is constantly pursuing its goal of upgrading technology to deliver quality services to its customers in a cost-effective manner.

Foreign Exchange Earnings and Outgo

During the financial year ended March 31, 2020, your Bank earned ₹ 264.87 crore and spent ₹ 163.40 crore in foreign currency. This does not include foreign currency cash flows in derivatives and foreign currency exchange transactions.

Board of Directors

The Board of Directors ("Board") of your Bank is constituted in accordance with the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 ("the BR Act, 1949"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the Articles of Association of the Bank. The Board consists of eminent persons with considerable professional expertise inter-alia in Accountancy, Agriculture and Rural Economy, Banking, Economics, Finance, Law, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management, which are useful to the Bank's business. Their experience and professional credentials have helped to gain insights for strategy formulation and direction setting for the Bank, thus adding value to its growth objectives.

The Bank adheres to the process and methodology prescribed by the Reserve Bank of India in respect of the 'Fit & Proper' criteria as applicable to Private Sector Banks, signing of deed of covenants which binds the Directors to discharge their responsibilities to the best of their abilities, individually and collectively in order to be eligible to be appointed/re-appointed as a Director of the Bank. The said declarations are obtained from all the Directors on an annual basis and also at the time of their appointment / re-appointment, in compliance with the said laws. An assessment on whether the Directors fulfil the said criteria is also carried out by the Nomination and Remuneration Committee (erstwhile Nomination Committee & Human Resources and Remuneration

Committee) and the Board on an annual basis and before considering their candidature for re-appointment.

As on March 31, 2020 the Board comprises eight (8) Directors out of which two (2) Directors are Executive/Whole-time Directors (one of whom is a Managing Director and Chief Executive Officer), four (4) Directors are Non-Executive Independent Directors (one of whom is also the part-time Chairman of the Board and one being an Independent Woman Director) and Two (2) Directors are Non-Executive Non Independent Directors.

During the year under review, Mr. Jairaj Purandare (DIN: 00159886), Non – Executive Independent Director and Mr. Palepu Sudhir Rao (DIN: 00018213), Non – Executive Independent Director ceased to be the Directors of the Bank due to completion of their tenure of eight years, as prescribed under section 10A of the Banking Regulation Act, 1949, w.e.f. closing of business hours of September 15, 2019 and January 29, 2020 respectively. The Board places on record their sincere appreciation for the invaluable contribution made and services rendered by Mr. Jairaj Purandare and Mr. Palepu Sudhir Rao during their tenure as Directors of the Bank.

During the year under review, the Board of Directors of your Bank appointed Ms. Veena Mankar (DIN: 00004168), as Non – Executive (Additional) Non Independent Director of the Bank at their meeting held on October 22, 2019 on the recommendation of Nomination and Remuneration Committee of the Bank (erstwhile Nomination Committee & Human Resources and Remuneration Committee). The Ordinary Resolution in respect of her appointment as a Non-Executive Non Independent Director has been included in the Notice of the ensuing Annual General Meeting ('AGM') for approval of the Members of the Bank.

Ms. Ranjana Agarwal (DIN: 03340032), was appointed as Non – Executive (Additional) Independent Director of the Bank by the Board of Directors at their meeting held on November 30, 2019 on the recommendation of Nomination and Remuneration Committee (erstwhile Nomination Committee & Human Resources and Remuneration Committee). The Ordinary Resolution in respect of her appointment as a Non-Executive Independent Director has been included in the Notice of the ensuing AGM for approval of the Members of the Bank.

The Members of the Bank at 73rd AGM had approved the appointment of Mr. Rajeev Ahuja (DIN: 00003545), as an Executive Director of the Bank for a period of three years from the date of approval of the Reserve Bank of India ('RBI') i.e. three years from February 21, 2017 to February 20, 2020. The Board of your Bank had at its meeting held on January 22, 2020 on the recommendation of Nomination and Remuneration Committee ('the Committee') (erstwhile Nomination Committee & Human Resources and Remuneration Committee) approved the re-appointment of Mr. Rajeev Ahuja as an Executive Director with

effect from February 21, 2020 for a period of 3 years, subject to the approval of the Members of the Bank on such terms and conditions as detailed in the Notice of the ensuing AGM of the Bank. Further, the Bank has also received approval from RBI for the said appointment.

The Members of the Bank at 75th AGM had approved the appointment of Mr. Prakash Chandra (DIN: 02839303) as a Non-Executive Part Time Chairman of the Bank for a period of two years. The said appointment was approved by RBI. The Board of your Bank at its meeting held on March 20, 2020, on the recommendation of Nomination and Remuneration Committee ('erstwhile Nomination Committee & Human Resources and Remuneration Committee') has approved the reappointment of Mr. Prakash Chandra as a Non-Executive Part Time Chairman of the Bank for such period as may be approved by the RBI and revision in his remuneration, subject to the approval of RBI. Further, your Bank has already submitted an application to the RBI for their approval in this regard. The said appointment is subject to the approval of the Members of the Bank at the ensuing AGM.

In terms of Section 152 of the Companies Act, 2013 and Articles of Association of the Bank, Mr. Vijay Mahajan, (DIN: 00038794) Non-Executive Non Independent Director of the Bank retires by rotation and being eligible, offers himself for re-appointment at the ensuing AGM.

The appointment/reappointment of the Directors is based on the performance evaluation carried out by the Board in terms of the applicable provisions of the Companies Act, 2013.

The brief profile and details in terms of Regulation 36 (3) of SEBI Listing Regulations and the Secretarial Standard on General Meetings (SS-2), in respect of the directors seeking appointment/re-appointment has been annexed to the Notice of the ensuing AGM.

Independent Directors

Mr. Sivanandhan Dhanushkodi (DIN: 03607203), Mr. Ishan Raina (DIN: 00151951), Mr. Prakash Chandra (DIN: 02839303) are Independent Directors and Ms. Ranjana Agarwal (DIN: 03340032) is a Non-Executive Additional (Woman) Independent Director on the Board of the Bank as on March 31, 2020. All the Independent Directors and Additional Independent Director have submitted their respective declarations stating that they meet the criteria prescribed for independence under Section 149 of the Companies Act, 2013 & Rules made thereunder and Regulation 16 of the SEBI Listing Regulations. In the opinion of the Board, the Independent Directors fulfill the conditions relating to their status as Independent Directors as specified in Section 149 of the Companies Act, 2013 and the Rules made thereunder and Regulation 16 of the SEBI Listing Regulations and are independent of the management.

The Board has appointed Ms. Ranjana Agarwal as a Non-Executive (Additional) Independent Director w.e.f. November 30, 2019 and pursuant to the Companies (Accounts) Amendment Rules, 2019 vide Ministry of Corporate Affairs ('MCA') Notification dated October 22, 2019, the Board is of the opinion that Ms. Agarwal upholds the highest level of integrity and has the requisite expertise and experience in various fields and functional areas which are beneficial to the Bank.

All the Independent Directors of the Bank have registered their name in the Data Bank maintained with the Indian Institute of Corporate Affairs, Manesar ('IICA').

Board Level Performance Evaluation

The performance evaluation of the Board as a whole as well as that of its Committees, Directors (including Independent Directors) and Chairman of the Board was carried out by the Board based on the criteria for evaluation/ assessment as laid down by the Nomination & Remuneration Committee, in accordance with the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder and the SEBI Listing Regulations.

The manner in which the said performance evaluation has been carried out is outlined in the Corporate Governance Report forming part of this Report as an **Annexure I**.

Key Managerial Personnel

Mr. Vishwavir Ahuja, Managing Director & CEO (DIN: 00074994), Mr. Rajeev Ahuja, Executive Director (DIN: 00003545), Mr. Amrut Palan, Chief Financial Officer (w.e.f. October 22, 2019) and Ms. Niti Arya, Company Secretary (w.e.f. October 22, 2019) of the Bank are the Key Managerial Personnels (KMP) as per the provisions of Section 203 (1) of the Companies Act, 2013.

Mr. Amrut Palan was appointed as the Chief Financial Officer and Key Managerial Personnel in terms of the provisions of Section 203 of the Companies Act, 2013 with effect from October 22, 2019 upon Mr. Deepak Ruiya demitting office as Chief Financial Officer (interim) from the said date.

Ms. Niti Arya was appointed as the Company Secretary & Compliance Officer and Key Managerial Personnel in terms of the provisions of Section 203 of the Companies Act, 2013 with effect from October 22, 2019. Mr. Vinay Tripathi was Company Secretary & Compliance Officer and Key Managerial Personnel up to April 30, 2019. However, Mr. Rupesh Saraiya who was to take charge from May 1, 2019 did not assume charge as Company Secretary & Compliance Officer.

Particulars of Employee Remuneration

A. The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of Section 197(12) of Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended by the

Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, are given below:

1. The ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the financial year.

Sr. No.	Name of the Director	Designation	Ratio
1	Mr. Prakash Chandra	Non-Executive Independent Director (Part-time Chairman)	5.10x
2	Mr. Vishwavir Ahuja	Managing Director & CEO	42.45x
3	Mr. Rajeev Ahuja	Executive Director	30.42x

2. The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer and Company Secretary of the Bank for the financial year.

Sr. No.	Name of the Director / KMP	Designation	% Increase
1	Mr. Prakash Chandra	Non-Executive Independent Director (Part-time Chairman)	N.A.
2	Mr. Vishwavir Ahuja	Managing Director & CEO	14%
3	Mr. Rajeev Ahuja	Executive Director	10%
4	Mr. Deepak Ruiya*	Chief Financial Officer (interim)	18%
5	Mr. Vinay Tripathi@	Company Secretary	15%
6	Mr. Amrut Palan^	Chief Financial Officer	N.A.
7	Ms Niti Arya^	Company Secretary	N.A.

* upto October 22, 2019.

@ upto April 30, 2019.

^ from October 22, 2019.

3. The percentage increase in the median remuneration of employees in the financial year.

The percentage increase in the median remuneration of employees in the financial year was 10%.

4. The number of permanent employees on the rolls of Bank.

The number of permanent employees on the rolls of Bank as on March 31, 2020 was 7,221.

5. Average percentile increase already made in the salaries of employees other than the managerial personnel in 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 increase in remuneration is 8.7% for employees other than managerial personnel and 12.5% for managerial personnel (Executive Directors including Managing Director & CEO, Chief Financial Officer and Company Secretary).

It is hereby affirmed that the remuneration paid to Directors and KMPs is as per the remuneration policy of the Bank.

Note: 'x' denotes the median remuneration of the employees.

B. The statement containing particulars of employees as required under Section 197(12) of Companies Act, 2013 read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended by the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 forms part of this report. In terms of Section 136 of Companies Act, 2013 read with second proviso of Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Annual Reports are being sent to the Members of the Bank, excluding the information as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended, as mentioned aforesaid and the same is open for inspection electronically on all working days between 11:00 a.m. to 01:00 p.m. upto the date of AGM. A copy of this statement may be obtained by the Members by writing to the Company Secretary of the Bank at the Registered Office of the Bank or by email at investorgrievances@rblbank.com.

Remuneration Policy

Remuneration policy for employees

Your Bank's compensation policy keeps in mind the strategy, ethos and financial performance of the Bank and market compensation trends at any given time. Your Bank recognizes that talent is critical to the long-term growth and success of the Bank and it is a pre-requisite to have a compensation structure comparable with the industry.

Your Bank has set out its Compensation Policy based on the concept of CTC (Cost to Company) and TEC (Total Employee Compensation), to make compensation packages for officers across all grades, competitive enough to attract, nurture and retain high calibre professionals in the Bank and have an organization structure that reflects specialization, focus and scale.

Your Bank's Compensation Policy is designed and aimed at attracting and retaining best possible / available talent that it requires to effectively grow the business and be considered a highly respected institution. It comprises of a balanced mix of Fixed & Variable cash and non-cash compensation and benefits / perquisites to deliver maximum value to the employee and other stakeholders.

Your Bank strongly believes that an equity component in the compensation goes a long way in aligning the objectives of employees with those of the Bank. The underlying philosophy of stock options is to enable the employees, present and future, to get a share in the value that they help to create for the Bank over a certain period of time.

Remuneration Policy for Directors

In terms of the provisions of Companies Act, 2013 and SEBI Listing Regulations, the Board has, on recommendation of the Nomination and Remuneration Committee ('erstwhile Nomination Committee & Human Resources and Remuneration Committee') framed a Compensation policy for Non-Executive Directors ("Policy") which inter alia deals with remuneration structure and criteria for selection and appointment of directors. During the financial year under review, amendment to the "Structure of Remuneration for Non-Executive Directors" section of the said Policy was done with the approval of the Board. The said Policy is available on the website of the Bank at <https://ir.rblbank.com>.

Remuneration of Executive Directors

The Board considers the recommendations of Nomination and Remuneration Committee ('erstwhile Nomination Committee & Human Resources and Remuneration Committee') and approves the remuneration of Executive Directors (including of Managing Director & CEO), with or without modifications, subject to the approval of Members of the Bank and applicable regulatory approvals.

The remuneration payable to Executive Directors (including of Managing Director & CEO) is subject to prior approval of the RBI. Therefore, the remuneration or any revision in remuneration to Executive Directors (including of Managing Director & CEO) is payable only after receipt of the approval from RBI.

Remuneration of Chairman

The Nomination and Remuneration Committee ('erstwhile Nomination Committee & Human Resources and Remuneration Committee') recommends the remuneration of the Chairman to the Board which is considered and approved by the Board subject to the approval of Members of the Bank and applicable regulatory approvals.

The remuneration payable to the Chairman is subject to prior approval of the RBI. Therefore, the remuneration or any revision in remuneration of the Chairperson is payable only after receipt of the approval from RBI.

However, the Chairperson is paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof. The Chairperson is also entitled to reimbursement of expenses for participation in the meeting of the Board and Committee thereof.

Remuneration of Non-Executive Directors (NEDs)

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof. The NEDs are also entitled to reimbursement of expenses for participation in the meeting of the Board and Committee thereof.

RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated June 1, 2015 issued Guidelines on Compensation of Non-Executive Directors of Private Sector Banks emphasizing that in order to enable banks to attract and retain professional directors, it is essential that such directors are appropriately compensated. Pursuant to the aforesaid RBI Circular, the maximum amount that can be paid as Commission was capped at ₹ 10.00 Lakh per director per annum. Also, section 197 of Companies Act, 2013 permits payment of profit based commission to the Directors who are neither Managing Directors nor Whole-time Directors not exceeding One per cent (1%) of the net profits of the company, if there is a Managing or Whole-time Director or Manager, or three per cent (3%) of the net profits in any other case.

The Members of the Bank at their 74th AGM had approved the payment of remuneration to NEDs (excluding the Chairman of the Bank) in the form of commission based on profit earned by the Bank w.e.f. financial year ended 2017-18. The commission for financial year ended 2018 – 19 which was paid in financial year ended 2019-20 is appropriately disclosed in the Corporate Governance Report annexed as **Annexure I** to this Report.

The Bank does not grant any Stock Options to NEDs.

Employees Stock Option Plan (ESOP)

Your Bank has formulated and adopted ESOP plan in compliance with the relevant provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as amended ("SEBI SBEB Regulations").

The underlying philosophy of the Bank's ESOP is to enable the present and future employees to share the value that they help to create for the Bank over a period of time. ESOP is also expected to strengthen the sense of ownership and belonging among the recipients. The ESOP has been designed and implemented in such a manner that the compensation structure goes a long way in aligning the objectives of an individual with those of the Bank. In addition, during the year your Bank continued with its plan of rewarding long-serving employees with ESOPs thus making them true partners in the Bank's growth.

The Nomination and Remuneration Committee ('erstwhile Nomination Committee & Human Resources and Remuneration Committee') of the Board inter alia administers and monitors the ESOP in accordance with SEBI SBEB Regulations.

The certificate from the Statutory Auditors of the Bank certifying that the Bank's Employees Stock Option Plans are being implemented in accordance with the provisions of the SEBI SBEB Regulations and the respective resolutions passed by the Members of the Bank, shall be available electronically for inspection by the Members at the AGM.

More details of the ESOP are given in the notes to accounts in the attached financial statements and the statutory disclosure as mandated under Regulation 14 of SEBI SBEB Regulations is annexed as **Annexure III** to this report and the said details are also available electronically on the website of the Bank at <https://ir.rblbank.com>.

Further, the Board at its meeting held on June 4, 2020 had basis the recommendations of the Nomination and Remuneration Committee of the Board approved few amendments to ESOP Plan 2018 of the Bank and the Special Resolutions with respect to the amendments in ESOP Plan 2018 has been included in the Notice of the ensuing Annual General Meeting ('AGM') for approval of the Members of the Bank.

Board Meetings

Your Bank holds atleast four Board meetings in a year, one in each quarter, inter-alia to review the financial results of the Bank and the dates of the Board meetings are finalized well in advance after seeking concurrence of all the Directors. All the decisions and urgent matters approved by way of circular resolutions are placed, numbered and noted at the subsequent Board meeting. In case of urgent matters, additional Board meetings are held in between the quarterly meetings.

During the financial year under review, eight (8) Board meetings were convened and held. The intervening gap between the Board meetings was within the period prescribed under the Companies Act, 2013 and SEBI Listing Regulations. The details of the Board composition, its meetings held during the year alongwith the attendance of the respective Directors thereat are set out in the Corporate Governance Report forming part of this Report as **Annexure I**.

Audit Committee and other Board Committees

Your Bank has a duly constituted Audit Committee as per the provisions of Section 177 of the Companies Act, 2013 and provisions of the SEBI Listing Regulations.

The Board of Directors have constituted other committees namely, Stakeholders' Relationship Committee, Board Investment & Credit Committee, Anti – Fraud Committee, Customer Service, Branding and Marketing Committee, Nomination Committee and Human Resources and Remuneration Committee merged to form Nomination and Remuneration Committee, Risk

Management Committee, Capital Raising Committee, Corporate Social Responsibility Committee, IT Strategy Committee, Non – Cooperative Borrower Review Committee and Wilful Defaulter Review Committee.

The details of the composition of the Audit Committee and that of other Board Committees, their terms of reference and other details are set out in the Corporate Governance Report forming part of this Report as **Annexure I**.

The Audit Committee and other Board Committees meet at regular intervals and ensure to perform the duties and functions as entrusted upon them by the Board.

Related Party Transactions

Your Bank has in place a Policy on Dealing with the Related Party Transactions as per the provisions of the Companies Act, 2013 read with the rules made thereunder and SEBI Listing Regulations.

The Bank obtains approval of the Audit Committee before entering into any Related Party Transactions. Approval of the Board of Directors in terms of Section 188 of the Companies Act, 2013 is also obtained for entering into Related Party Transactions by the Bank wherever applicable. A quarterly update on the Related Party Transactions is provided to the Audit Committee and Board of Directors for their review and consideration.

All Related Party Transactions entered during the financial year under review were in the ordinary course of business and on an arms length basis. There were no material transactions entered into by the Bank with any related party during the financial year under review. Thus, the disclosure as per section 134(3)(h) of the Companies Act, 2013 in the prescribed form AOC-2 is not applicable to the Bank.

Details of related party transactions as per Accounting Standard 18 ('AS-18') entered into during the year ended March 31, 2020 are given in, Note No. 14 in Schedule 18, forming part of 'Notes to Accounts'.

The Policy on Dealing with the Related Party Transactions of the Bank is available on the website of the Bank at <https://ir.rblbank.com>.

Subsidiary Company

As on March 31, 2020, your Bank has one wholly owned subsidiary i.e RBL Finserve Limited (formerly Swadhar Finserve Private Limited). RBL Finserve Limited is a dedicated Business Correspondent (BC) for the Bank in the financial inclusion segment servicing the Micro Finance (MF) clients and Micro and Small enterprises (MSME) segment with loans, savings

and insurance products. It operates in 19 states and 2 Union Territories.

Pursuant to Section 129(3) of Companies Act, 2013 read with Rules made thereunder, your Bank has prepared consolidated financial statements of the Bank with its Subsidiary Company, RBL FinServe Limited, in the same form and manner as that of the Bank which forms part of this Annual Report and shall be laid before the ensuing AGM of the Bank along with the laying of the Bank's Standalone Financial Statement under Section 129(2) of the Companies Act, 2013.

A statement containing the salient features of the financial statement of the Subsidiary Company in Form AOC-1, pursuant to the provisions of Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is annexed to the Financial Statements forming part of the Annual Report.

Further, in accordance with the fourth proviso of Section 136(1) of the Companies Act, 2013 read with the applicable rules, the audited annual accounts of the said subsidiary company of the Bank have been hosted on the Bank's website at <https://ir.rblbank.com/>. Any Member interested in obtaining a physical copy of the said financial statement may write to the Company Secretary at the Registered Office of the Bank or by email at investorgrievances@rblbank.com. The same is also open for inspection by the Members of the Bank and Trustees of the Debenture holders electronically on all working days between 11:00 a.m. to 01:00 p.m. upto the date of AGM.

Adequacy of Internal Financial Controls

Proper internal financial controls were in place and that the financial controls were adequate and were operating effectively. Further, the statutory auditors have, in compliance with the requirements of Companies Act, 2013, issued an opinion with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, details of which may be referred to in the Independent Auditor's Report attached to the financial statements of financial year ended 2019-20.

Material changes and commitments affecting the financial position of the Bank

There are no material changes and commitments, affecting the financial position of the Bank that have occurred between the end of the financial year of the Bank i.e. March 31, 2020 and the date of the Directors' Report i.e. June 4, 2020, except as disclosed in this Annual Report.

Deposits

Being a Banking company, the disclosures required as per Rule 8(5)(v)&(vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of Companies Act, 2013 are not applicable to your Bank.

Nature of Business

Your Bank has not changed its nature of business during the financial year under review.

Particulars of Loans, Guarantees and Investments

Pursuant to Section 186(11) of Companies Act, 2013 read with Section 134(3)(g) of the Companies Act, 2013, the particulars of loans, guarantees and investments by a Banking company in the ordinary course of its business are exempted from disclosure in the Annual Report, thus, no disclosure is being made in this regard.

Auditors

The Members at the 75th AGM of the Bank had, subject to the approval of RBI, appointed M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W100022) as Statutory Auditors for a period of two (2) years to hold office till the conclusion of 77th AGM.

As the term of M/s. B S R & Co. LLP, Chartered Accountants will expire at the conclusion of the ensuing 77th AGM of the Bank, it is proposed to appoint M/s. Haribhakti & Co LLP, Chartered Accountants (Firm Registration No. 103523W/W100048) as the Bank's new Statutory Auditor, subject to the approval of the Members of the Bank. Accordingly, on the basis of the recommendation of the Audit Committee, the Board has proposed the appointment of M/s. Haribhakti & Co LLP, Chartered Accountants (Firm Registration No. 103523W/W100048) as Statutory Auditors of the Bank for a period of Two (2) years, from the conclusion of the Seventy Seventh (77th) AGM until the conclusion of the Seventy Ninth (79th) AGM, subject to the approval of RBI.

M/s. Haribhakti & Co LLP, Chartered Accountants have confirmed their eligibility under Section 141 of Companies Act, 2013 to be appointed as Statutory Auditors of the Bank. Further, as required under the relevant provisions of the SEBI Listing Regulations, the Statutory Auditors have also confirmed that they had subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the Peer Review Board of ICAI.

The Board of Directors places on record their appreciation for the professional services rendered by M/s. B S R & Co. LLP, Chartered Accountants, during their tenure as the Statutory Auditors of the Bank.

Pursuant to Section 204 of Companies Act 2013, the Board had appointed M/s. Alwyn Jay & Co., Practicing Company Secretaries, Mumbai as its Secretarial Auditors for financial year ended 2019-20. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit as prescribed under Companies Act, 2013. The Secretarial Audit Report for the financial year ended 2019-20 is annexed to this report as

Annexure IV.

During the financial year under review, your Bank has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

Qualifications in Statutory and Secretarial Audit Reports

There were no adverse observations or qualifications made by the Statutory Auditors in the Auditor's Report.

Further, there were no adverse observations or qualifications made by the Secretarial Auditor in its Report.

Disclosure under Section 22 of 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 has formulated a Policy and has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. As a part of Anti Sexual Harassment initiatives, the Bank created a mandatory e-learning module for all the employees called "Prevention of Sexual Harassment (POSH)". The information relating to complaints received and disposed-off /resolved/ action taken during the financial year ended 2019-20 is disclosed under Corporate Governance Report annexed as **Annexure I** to this Report.

Whistle Blower Policy (Vigil Mechanism)

Details required to be disclosed in this regard has been provided under Corporate Governance Report annexed as **Annexure I** to this Report.

Significant and material order passed by regulators or courts or tribunals impacting the going concern status and operations of the Bank

During financial year ended 2019-20 there were no significant/ material orders passed by the Regulators / Courts/ Tribunals etc. which would impact the going concern status of the Bank and its future operations.

Risk Management Policy

The Board of the Bank has constituted a Risk Management Committee in accordance with the provisions of Regulation 21 of the SEBI Listing Regulations. The details with respect to its terms of reference, composition and meetings held during the last financial year are set out in the Corporate Governance Report forming part of this Report as **Annexure I**.

Your Bank has a robust Risk Management framework and a comprehensive Risk Management Policy, in place. The details of Risk Management Policy and its framework are separately provided in Management Discussion and Analysis Report which forms an integral part of this Annual Report.

G. OTHER DISCLOSURES

Code of Conduct for Employees

For a financial institution, trust is the most important asset. To this end, your Bank strives to ensure that its actions are in accordance with the highest standards of personal and professional integrity and highest level of ethical conduct. Your Bank has adopted a Code of Conduct which all its employees have to adhere to. The employees have to conduct duties according to the aforesaid Code and avoid even the appearance of improper behaviour. Some of the areas which are covered by the Code of Conduct are fairness of employment practices, protection of intellectual property, integrity, customer confidentiality, conflict of interest, prevention of insider trading, etc.

Bribery and Corruption

Your Bank has a responsibility both to the Members and to the communities in which we do business to be transparent in all our dealings. Your Bank's Code of Conduct requires that we do not engage in bribery or corruption in any form and explicitly mentions that the Bank will not pay or procure the payment of a bribe or unlawful fee to encourage the performance of a task or one which is intended or likely to compromise the integrity of another. Your Bank will not accept any payment, gift or inducement from a third party which is intended to compromise our own integrity. The Code of Conduct also includes procedures dealing with Gifts & Entertainment, Conflicts of Interest and other important matters.

Corporate Social Responsibility (CSR)

Your Bank strives to proactively encourage inclusive growth and development, thereby participating towards building a sustainable future.

Your Bank has a duly constituted CSR Committee of the Board consisting of majority of Independent Directors, as per the provisions of Section 135 of the Companies Act, 2013. The composition of the CSR Committee and its terms of reference are detailed in the Corporate Governance Report forming part of this report as **Annexure I**. Your Bank also has a Board approved Policy on Corporate Social Responsibility ("CSR Policy") in place. In alignment with the CSR Mission Statement, the Bank has focused on various initiatives for financial year ended 2019-20, the details of CSR activities with the brief outline of CSR Policy including overview of the programs/ Projects undertaken by the Bank, amount spent and other relevant details are furnished in **Annexure V** to this report.

The CSR Policy of the Bank is available on the website of the Bank at <https://ir.rblbank.com>.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the financial year under review, as per Regulation 34(2)(e) of the SEBI Listing Regulations is presented in a separate section forming part of this Annual Report.

Awards and Recognitions

During the year under review, your Bank was recipient of the following awards:

- Asset Triple A Awards – Best Core System Project
- Asset Triple A Awards – Best Cloud Based Project
- The Banking & Finance Post - BFSI Gamechanger Award
- India International Gold Convention Awards - Best Nominated Bank for Silver
- Digital Payments Award by MeitY – Outstanding Performance in POS Deployment in Northeast
- TISS LeapVault CLO Award – Best Program For Sales Enablement
- The Asian Banker Financial Technology Innovation Awards – Best Self Service Banking Initiative, Application
- TransUnion CIBIL Awards – Best Data Quality Award

Ratings

Your Bank's Basel III Tier II Bonds have been rated as "AA- hyb" and "AA-" with Stable Outlook by ICRA Limited (ICRA) and CARE Ratings Limited (CARE) respectively. Instruments rated with this rating are considered to have high degree of safety regarding timely servicing of financial obligations.

Your Bank's Certificate of Deposits carries a rating of "A1+" by ICRA which indicates the lowest short term credit risk. Further, your Bank's Medium Term Fixed Deposit programme carries rating of "ICRA MAA (Stable)" which indicates low credit risk and the Bank's short term fixed deposit programme carries a rating of "ICRA A1+" which indicates lowest credit risk.

Your Bank's ratings were reaffirmed by ICRA in January, 2020 and by CARE in October, 2019.

Know Your Customer (KYC)/Anti-Money Laundering (AML) Measures

Your Bank complies with the RBI's KYC/AML guidelines. The Bank's KYC/ AML Policy is prepared in accordance with the Prevention of Money Laundering Act, 2002 and RBI/IBA (Indian

Banks' Association) guidelines. Various regulatory reporting requirements, as set out by the Financial Intelligence Unit (FIU) of the Government of India, are complied with by the Bank. Your Bank uses automated transaction monitoring system under supervision of centralised AML team. Further, your Bank's employees are being imparted training on KYC/AML aspects on a regular basis. Executives of the Bank also attend periodic workshops/seminars organised by FIU, RBI, IBA, Centre for Advanced Financial Research & Learning (CAFRAL) and College of Agricultural Banking (CAB), Pune to enhance their awareness in evolving KYC AML issues.

Requirement for maintenance of cost records

The Bank is not required to maintain cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013.

CEO/CFO Certificate

Pursuant to the provisions of Regulation 17(8) of SEBI Listing Regulations. The certificate issued by MD & CEO and CFO of the Bank for the financial year ended 2019-20 was placed before the Board of Directors at its meeting held on May 7, 2020.

The said certificate is forming part of this Report as an **Annexure IB** to Corporate Governance Report.

H. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(3)(c) and 134(5) of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i. The applicable accounting standards have been followed in the preparation of the annual accounts for financial year ended 2019-20 and there have been no material departures;
- ii. Accounting policies have been selected and applied consistently and reasonably, and prudent judgments and estimates have been made to give a true and fair view of the Bank's state of affairs and of its profit for financial year ended 2019-20;
- iii. Proper and sufficient care has been taken 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. The annual financial statements have been prepared on a going concern basis;
- v. Proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;

- vi. Systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

ACKNOWLEDGMENT

The Board is grateful to the Government of India, RBI, SEBI, IBA, other Regulatory Authorities, Rating Agencies, Financial Institutions, banks and correspondents in India and abroad for their valuable and unflinching support as well as co-operation and guidance to the Bank from time to time.

The Members have been the key partners in the Bank's progress. The Board of Directors appreciates their support and is grateful for the confidence that they have placed in the Board of Directors and the Bank's management.

The Bank's customers have always supported the Bank in all its endeavours. The Bank would like to take this opportunity to express sincere thanks to its valued clients and customers for their continued patronage.

The Bank has undertaken a number of initiatives on the technology and business front in the recent years. Successful translation of these initiatives into business and earnings growth has been primarily due to the employees of the Bank, who have embraced the philosophy of change to help the Bank emerge as a modern and customer-centric institution. We are

grateful to the employees for their continued commitment and dedication towards the Bank. The Board appreciates the healthy relationship with the Officer's Association and Employee Union, which has facilitated the growth and development of the Bank and has created a positive work environment.

For and on behalf of the Board of Directors

Prakash Chandra
Chairman
(DIN: 02839303)

Vishwavir Ahuja
Managing Director & CEO
(DIN: 00074994)

Place : Mumbai
Date : June 4, 2020

Note:

Pursuant to the MCA notification dated March 19, 2020, the financial statements were approved by the Board of Directors at their meeting held on May 7, 2020 and Directors' Report & its Annexures were approved by the Board of Directors at their meetings held on May 7, 2020 & June 4, 2020 respectively; through video conferencing, the venue of which was Mumbai. Pursuant to the authorisation of the Board of Directors, Mr. Prakash Chandra, Non- Executive (Part time) Chairman of the Bank affixed his signatures on the Directors' Report at Noida and the two Directors namely Mr. Prakash Chandra and Mr. Vijay Mahajan affixed their signatures on the financial statements at Noida and Delhi, respectively.