

DRAFT BRANCH EXPANSION POLICY

1. Preamble

Branch expansion is essential for Bank's business growth. However, Expansion must be undertaken in a prudent and systematic manner while ensuring compliance with regulatory requirements. This policy known as the Branch Expansion Policy of the ----- Co-op Bank, lays down the framework for **opening, shifting, merging and closure of branches** of the Bank.

2. Regulatory Framework

This policy is framed in accordance with the guidelines issued by the Reserve Bank of India vide its circular DOR.LIC.REC.No.330 /07-01-000/2025-26 December 04, 2025 relating to:

- Business Authorisation for Urban Cooperative Banks
- Eligibility Criteria for Business Authorisation (ECBA)
- Branch expansion under Automatic Route
- Submission of Annual Business Plan
- Extension of Area of Operation

3. Objectives

The objectives of the policy are:

- To ensure planned and sustainable branch expansion
- To comply with RBI regulatory requirements
- To improve access to banking services
- To ensure financial viability of new branches

4. Branch Expansion Planning

We should prepare **short-term and medium-term plans** for branch expansion considering:

- Net worth of the Bank
- Capital adequacy position
- Availability of additional headroom capital

- Business potential of proposed locations

The plan should be placed before the **Board of Directors for approval**.

5. Compliance with ECBA Norms

We should ensure compliance with following ECBA norms before undertaking branch expansion.

- a) Capital Adequacy (CRAR): At least 1% above the required minimum.
- b) Asset Quality: Net NPAs $\leq$ 3%. (3% or less i.e. not more than 3%)
- c) Profitability: Must have net profits in the last 2 financial years.
- d) Regulatory Compliance: No defaults in maintaining CRR/SLR.
- e) Technology: Core Banking Solution (CBS) fully implemented.
- f) Regulatory Status: Not under RBI restrictions (like PCA or supervisory actions).
- g) Governance: At least 2 professional directors on the Board.

A **Board Resolution confirming compliance with ECBA norms** should be submitted to the Regional Office of the Reserve Bank of India within **15 days from adoption of audited accounts by the Board as on 31 March**.

6. Branch Expansion under Automatic Route

Our Bank may open branches under Automatic Route subject to:

- Compliance with ECBA norms
- Availability of Additional Headroom Capital

The number of branches opened should **not exceed 15% of the existing branches of the Bank**.

7. Viability Study

Before opening a new branch, we should conduct a **detailed feasibility study** covering:

- Business potential of the location
- Economic activity in the area
- Availability of infrastructure

- Expected deposit and credit growth
- Cost-benefit analysis

8. Annual Business Plan for Branch Expansion

In case the Board proposes to open branches **beyond the automatic route limit**, we should submit an **Annual Business Plan** to RBI in the prescribed format preferably by the end of September.

9. Extension of Area of Operation

Area of Operation up to three districts within the State of registration is permitted without RBI prior approval of RBI, subject to compliance with ECBA/regulatory guidelines.

10. Opening of an Extension Counter (EC).

RBI has permitted to open EC within the premises of educational institutions, big offices, factories and hospitals of which our bank is the principal banker after taking into account important factors such as need, viability, and overall merits of opening the EC, including the bank's ability to deploy adequate resources and exercise, internal controls. Restricted facilities are permissible at EC. EC should be within a distance of 10 kilometres from the base branch.

11. Shifting of a Place of Business

- i) We need not obtain prior approval of the Reserve Bank to shift any of our branches, extension counters, offices within the same city, town or village.
- ii) The decision to shift a place of business will be taken by the Board after taking into account all the relevant factors, including viability, and should be properly recorded / minuted in the proceedings of the Board meeting.
- iii) Proper notice should be given to all existing depositors / clients of the branch / EC through SMS / public notice / letters at least one month in advance of shifting.
- iv) We can shift our off-site ATMs in our area of operation without prior approval of the Reserve Bank.
- v) Closing a branch / EC in one city / town and opening in another is not to be construed as shifting.

- v) Splitting of a branch or part shifting of some of the departments of the parent office / branch can be made to a nearby location within the same locality / municipal ward due to space constraints and for better customer service or for convenience of the members without prior permission of the Reserve Bank, subject to the condition that there is no overlap in business conducted from both the premises.

12. Closure of Branch

We can close a branch, but we must **inform customers, follow proper process, and report to RBI as under.**

- i) We cannot close any branch when the bank is under special RBI directions.
- ii) **Board decision:** The closure must be approved by the bank's Board and properly recorded.
- iii) **Advance notice:** Customers must be informed **at least 2 months in advance** (through letters and newspapers).
- iv) **Inform RBI:** The bank must report the closure to RBI with Board approval details.
- v) **Return license:** The branch license must be given back to RBI within **15 days after closure.**
- vi) **Keep records:** All branch records must be safely kept for RBI inspection.

13. Review of Branch Performance

We will arrange for all types of banking services to be provided from newly opened branch from day one and Customer services will be given top priority at all the branches. We must periodically review the performance of branches based on:

- Profitability
- Business growth
- Operational efficiency
- Customer service standards

14. Loss-Making Branches

If any branch incurs losses for **three consecutive years**, we should consider:

- Shifting the branch to another location

- Merging it with a nearby branch
- Closing the branch subject to regulatory approval

15. Profitability Condition for Expansion

We will not consider opening new branches unless **at least 90% of existing branches are profit making.**

16. Internal Control and Compliance Monitoring

The Compliance Department and Internal Audit Department should monitor compliance with this policy and RBI guidelines.

Any deviations shall be reported to the **Board of Directors.**

17. Regulatory Reporting

All proposals relating to branch expansion should be reported to the Reserve Bank of India in the prescribed format within stipulated timelines.

18. Policy Review

The policy will be **reviewed annually by the Board of Directors** or earlier if required due to regulatory changes.