

ESOP DISCLOSURE

Employee Stock Option Schemes (ESOS)

A. Disclosures pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014 as on 31st March 2019:

Sr. No.	Particulars	KVB_ESOS_2011	KVB_ESOS_2018
I.	Details of the ESOS that existed anytime during the year		
1	Date of Shareholder's Approval	27th July 2011	24th April 2018
2	Total Number of Options approved under ESOS	2,00,00,000*	79,20,000@
3	Vesting Requirements	The options have a graded vesting schedule. The first vesting of the stock options shall happen only on completion of one year from the date of grant. Maximum vesting period is three years from the date of Grant	
4	Exercise Price or Pricing formula (₹)	The options were granted at an exercise price discounted to the latest available closing price of the equity share on the Stock Exchange, prior to the date of grant of options.	The options were granted at an exercise price discounted to the latest available closing price of the equity share on the Stock Exchange, prior to the date of grant of options, subject to a maximum of 10% (Ten Percentage) discount from the Market Price
		"Market Price" means the latest available closing price of Shares on the recognized Stock Exchange on which the Shares of the Bank are listed on the date immediately prior to the meeting of Nomination and Remuneration Committee in which Grant is made.	
5	Maximum term of Options granted (years)	5 years from the date of Grant	
6	Source of shares (Primary, Secondary or combination)	Primary	
7	Variation in terms of options	KVB ESOS 2011 scheme was amended to align with new regulations of SEBI (Share Based Employee Benefits) Regulations, 2014 as issued by SEBI and no material amendments were carried out	No Variation
	Under both the schemes total quantum of discount shall not to exceed 2% (Two Percentage) of the Profit Before Tax of Previous year.		
	*KVB-ESOS-2011 Scheme was approved for 40,00,000 options of face value ₹10/-, pursuant to split of stock to face value of ₹ 2/- each the Options have become 2,00,00,000 options		
	@ KVB-ESOS-2018 Scheme was approved for 72,00,000 options and was adjusted pursuant to corporate action by way of Bonus issue in the ratio of 1:10 options		

ESOP DISCLOSURE

II.	Method used to account for ESOS
	Bank has calculated the employee compensation cost using the intrinsic value method of accounting for the Options granted under the Scheme

III.	The stock-based compensation cost calculated as per the intrinsic value method for the period April 1, 2018 to March 31, 2019 is ₹ 28,87,919. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the period April 1, 2018 to March 31, 2019 would be ₹ 82,01,660. The effect of adopting the fair value method on the net income and earnings per share is presented below:	
	Pro Forma Adjusted Net Income and Earnings Per Share	
	Particulars	₹
	Net Income as reported	2,10,86,74,272
	Add: Intrinsic Value Compensation Cost	28,87,919
	Less: Fair Value Compensation Cost	82,01,660
	Adjusted Pro Forma Net Income	2,10,33,60,531
	Earnings Per Share: Basic	
	As Reported	2.64
	Adjusted Pro Forma	2.63
	Earnings Per Share: Diluted	
	As Reported	2.64
	Adjusted Pro Forma	2.63

Sr. No.	Particulars	KVB_ESOS_2011		KVB_ESOS_2018	
		Numbers	Wt. Avg Exercise Price	Numbers	Wt. Avg Exercise Price
IV.	Option Movement during the year				
1	Number of Options Outstanding at the beginning of the year	0	₹ 0.00	0	₹ 0.00
2	Number of Options Granted during the year	5,25,000	₹ 84.11	12,00,000*	₹ 84.51
3	Number of Options Forfeited / lapsed during the year	0	₹ 0.00	10,00,000*	₹ 89.00
4	Options Lapsed during the year	0	₹ 0.00	0	₹ 0.00
5	Number of Options Vested during the year	0	₹ 0.00	0	₹ 0.00
6	Number of Options Exercised during the year	0	₹ 0.00	0	₹ 0.00
7	Total number of shares arising as a result of exercise of options	0	₹ 0.00	0	₹ 0.00
8	Money realised by exercise of options (₹)	0	₹ 0.00	0	₹ 0.00
9	Number of options Outstanding at the end of the year	5,25,000	₹ 84.11	2,00,000	₹ 62.06

ESOP DISCLOSURE

10	Number of Options exercisable at the end of the year	0	₹ 0.00	0	₹ 0.00
	*Bank had granted 10,00,000 stock options to Shri P R Seshadri, MD&CEO under “KVB-ESOS 2018” subject to the approval of RBI and the same was not acceded by the Reserve Bank of India.				

V.	Weighted average exercise price of Options granted during the year whose	
(a)	Exercise price equals market price	NA
(b)	Exercise price is greater than market price	NA
(c)	Exercise price is less than market price	84.39
	Weighted average fair value of options granted during the year whose	
(a)	Exercise price equals market price	NA
(b)	Exercise price is greater than market price	NA
(c)	Exercise price is less than market price	24.39

VI.	Employee-wise details of options granted during the financial year 2018-19 to:			
(i)	Senior managerial personnel :			
	Name of Employees	Designation	Number of Options granted during the year	Exercise price (₹)
	P R Seshadri	MD & CEO	10,00,000*	89.00
	J Natarajan	President & COO	44,000	85.45
	G S Anantha Kumar	Chief General Manager	44,000	
	S Balaji	Chief General Manager	33,000	
	V Srinivasan	General Manager	33,000	
	C Saravanun	General Manager	33,000	
	S Sekar	General Manager	33,000	
	G Sairaj	General Manager	33,000	
	G P Ashok Kumar	General Manager	8,250	
	M D Ramesh Murthy	General Manager	2,00,000	62.06
	Thathai Narayanan Seetharaman	General Manager	30,000	62.06
(ii)	Employees who were granted, during the year, options amounting to 5% or more of the options granted during the year			
	Name of Employees	Designation	Number of Options granted during the year	Exercise price
	P R Seshadri	MD & CEO	10,00,000*	89.00
	M D Ramesh Murthy	General Manager	2,00,000	62.06
(iii)	Identified employees who were granted option, during the year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.			
	Name of Employees	Designation	Number of Options granted during the year	Exercise price
	None	None	-	-

ESOP DISCLOSURE

VII.	Method and Assumptions used to estimate the fair value of options granted during the year:		
	Date of grant	5 th March 2019	9 th April 2018
	1. Risk Free Interest Rate	6.91%	6.83%
	2. Expected Life	3.05	2.89
	3. Expected Volatility	30.50%	28.94%
	4. Dividend Yield	0.87%	2.49%
	5. Price of the underlying share in market at the time of the option grant (₹)	68.95	94.00

Assumptions:

Stock Price: Closing price on National Stock Exchange before the date of grant has been considered

Volatility: The historical volatility over the expected life has been considered to calculate the fair value.

Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities

Exercise Price: Exercise Price of each specific grant has been considered.

Time to Maturity: Time to Maturity / Expected Life of options is the period for which the Company expects the options to be live.

Expected divided yield: Expected dividend yield has been calculated based on last declared Final dividend for financial year preceding the date of the grant

B. Disclosures in compliance with the Guidance Note on Accounting for Employee Share-based Payments as on 31st March 2019

The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Since the options under the Scheme were granted at Exercise Price less than the market price, the accounting value of the option (compensation cost) is ₹ 28,87,919.

ESOP DISCLOSURE

Description of the ESOP	
Particulars	ESOP
Vesting requirements	The options have graded vesting schedule. The first vesting of the stock options shall happen only on completion of one year from the date of grant. Maximum vesting period is three years from the date of Grant
Maximum term of options granted	5 Years
Method of Settlement	Equity settled

Number and Weighted average Exercise price of Options					
Sr. No.	Particulars	KVB_ESOS_2011		KVB_ESOS_2018	
IV.	Option Movement during the year	Numbers	Wt. Avg Exercise Price	Numbers	Wt. Avg Exercise Price
1	Number of Options Outstanding at the beginning of the year	0	₹ 0.00	0	₹ 0.00
2	Number of Options Granted during the year	5,25,000	₹ 84.11	12,00,000*	₹ 84.51
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5	Number of Options Vested during the year	0	₹ 0.00	0	₹ 0.00
6	Number of Options Exercised during the year	0	₹ 0.00	0	₹ 0.00
7	Total number of shares arising as a result of exercise of options	0	₹ 0.00	0	₹ 0.00
8	Money realised by exercise of options (₹)	0	₹ 0.00	0	₹ 0.00
9	Number of options Outstanding at the end of the year	5,25,000	₹ 84.11	2,00,000	₹ 62.06
10	Number of Options exercisable at the end of the year	0	₹ 0.00	0	₹ 0.00
	*Bank had granted 10,00,000 stock options to Shri P R Seshadri, MD&CEO under "KVB-ESOS 2018" subject to the approval of RBI and the same was not acceded by the Reserve Bank of India.				

ESOP DISCLOSURE

Weighted Average share price of Options exercised during the year	No Options are exercised during the year
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Range of Exercise price and weighted average remaining contractual life of Outstanding Options			
Grant date	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price (₹)
5/Mar/2019	2,30,000	4.93	₹62.06
9/Apr/2018	4,95,000	3.73	₹84.11