

## ESOS DISCLOSURE

### Employee Stock Option Schemes (ESOS)

**Disclosures with respect to Compliance to section 62 of the Companies Act, 2013 read with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 read with SEBI Circular dated June 16, 2015 on ESOP Disclosures as on March 31, 2021**

#### **A. Disclosures pursuant to Companies Act, 2013 & SEBI (Share Based Employee Benefits) Regulations, 2014 as on 31<sup>st</sup> March 2021:**

Sr. No.	Particulars	KVB_ESOS_2011	KVB_ESOS_2018
<b>I. Details of the ESOS that existed anytime during the year</b>			
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 (adjusted for Bonus) ***
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	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 will be granted at an Exercise Price which shall not be less than the par value of the equity share of the Bank and shall not be more than Market Price.	The Exercise Price per Option shall be such price as may be determined by the Nomination and Remuneration Committee subject to a maximum of 10% (Ten Percentage) discount from the Market Price of a Share of the Bank as on date of Grant of such Option.
	"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	5 years from the date of Grant
6	Source of shares (Primary, Secondary or combination)	Primary	Primary

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Sr. No.	Particulars	KVB_ESOS_2011	KVB_ESOS_2018
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/-, the Options pursuant to split of Shares to face value of ₹ 2/- each have become 2,00,00,000 options

\*\*\* On 09<sup>th</sup> August 2018, Shareholders have approved issue of equity shares by way of Bonus in the ratio of 1:10

### 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, 2020 to March 31, 2021 is ₹ 7,49,704. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the period April 1, 2020 to March 31, 2021 would be ₹ 4,43,61,319. 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 Earning Per Share		
Particulars		₹
Net Income as reported		3,59,38,93,117
Add: Intrinsic Value Compensation Cost		7,49,704
Less: Fair Value Compensation Cost		4,43,61,319
Adjusted Pro Forma Net Income		3,55,02,81,502
Earning Per Share: Basic		
As Reported		4.50
Adjusted Pro Forma		4.44
Earning Per Share: Diluted		
As Reported		4.50
Adjusted Pro Forma		4.44

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### IV. Options movements during the year:

Options movements during the year		KVB_ESOS_2011	KVB_ESOS_2018
		Numbers	Numbers
1	Number of Options Outstanding at the beginning of the year	4,90,350	2,00,000
2	Number of Options Granted during the year*	1,31,01,400	45,41,710
3	Number of Options Forfeited / lapsed During the year	9,67,300	0
5	Number of Options Vested during the year	1,29,273	70,000
6	Number of Options Exercised during the year	0	0
7	Total number of shares arising as a result of exercise of options	0	0
8	Money realised by exercise of options (₹)	0	0
9	Number of options Outstanding at the end of the year	1,26,24,450	47,41,710
10	Number of Options exercisable at the end of the year	2,57,045	1,30,000
*Stock options have been granted to employees of the Bank in various cadres (including Senior Management) under Employee Stock Option Schemes of the Bank viz; KVB ESOS 2011 & KVB ESOS 2018 Schemes. Vesting eligibility under these grants is purely based on achievement of performance matrix of FY 2020-21.			

V. Weighted average price of Options granted during the year		
Weighted average exercise price of Options granted during the year whose		
(a)	Exercise price equals market price	₹ 38.60/-
(b)	Exercise price is greater than market price	-
(c)	Exercise price is less than market price	-
Weighted average fair value of options granted during the year whose		
(a)	Exercise price equals market price	₹ 12.40/-
(b)	Exercise price is greater than market price	-
(c)	Exercise price is less than market price	-

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### VI. Employee-wise details of options granted during the financial year 2020-21 to:

#### Senior managerial personnel:

Name of Employees	Designation	Number of Options granted during the year	Exercise price ₹
J Natarajan	President & COO	5,70,053	38.60
V Srinivasan	General Manager Head - Credit Monitoring, Legal & Recovery	1,00,000	38.60
S Sekar	General Manager & Chief Information Officer	1,00,000	38.60
C Saravanun	General Manager Personal Banking-Liabilites	1,00,000	38.60
G R Sairaj	General Manager Personal Banking-Assets	1,00,000	38.60
T S Narayan	General Manager Treasury	1,00,000	38.60
M D Ramesh Murthy	General Manager & Chief Financial Officer	1,00,000	38.60
Dolphy Jose	General Manager NEO - Business	6,41,711	38.60
K V S M Sudhakar	General Manager & Chief Compliance Officer	1,00,000	38.60
Shekhar Ramarajan	General Manager & Chief Risk Officer	6,41,711	38.60
K Mahendran	Head Precious Metals Division	1,00,000	38.60
Jarard Thomas	General Manager Inspection & Audit	1,00,000	38.60
R N Chandrasekaran	General Manager Corporate & Institutional Group	1,00,000	38.60
V Anburaj	General Manager Commercial Banking Group	1,00,000	38.60
D S Gokulchandar	Deputy General Manager & Chief Information Security Officer	50,000	38.60
Srinivasarao Maddirala	Assistant General Manager & Company Secretary	25,000	38.60
S Ramanathan	Assistant General Manager & Chief of Internal Vigilance	25,000	38.60

(i)

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(ii)	<b>Employees who were granted, during the year, options amounting to 5% or more of the options granted during the year:</b>			
	<b>Name of Employees</b>	<b>Designation</b>	<b>Number of Options granted during the year</b>	<b>Exercise price</b>
	-			
(iii)	<b>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:</b>			
	<b>Name of Employees</b>	<b>Designation</b>	<b>Number of Options granted during the year</b>	<b>Exercise price</b>
	-			

**VII. Method and Assumptions used to estimate the fair value of options granted during the year:**

Sr. No	Particulars	Date of Grant
		November 24, 2020
1.	Risk Free Interest Rate	Zero-coupon yield curve for Government Securities or Government bonds for respective vests separately taking into consideration expected life of options
2.	Expected Life	Optionee shall exercise his options within a period of 2 years from the Vesting Date of the Options.
3.	Expected Volatility	38.49% to 46.18%
4.	Dividend Yield	0.48%
5.	Price of the underlying share in market at the time of the option grant (₹)	₹ 38.60/-

<b>Assumptions:</b>	
<p>Stock price: We have taken the Closing “market price” means the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted/shares are issued, on the stock exchange on which the shares of the company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered i.e. Market Price as on 23<sup>rd</sup> November, 2020 i.e. INR 38.60 on National Stock Exchange (NSE).</p> <p>Exercise price: The price at which ESOP can be exercised. It has been represented by the management of the Company that the proposed Exercise price per option is INR 38.60.</p>	

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### Assumptions:

**Time to Maturity/Exercise Period:** It is the period for which the Company expects the options to be alive. As per Employee Stock Option Plan and “Grant Letter” Optionee shall exercise his options within a period of 2 years from the Vesting Date of the Options.

**Expected Volatility:** Is a measure of the amount by which a price has fluctuated or is expected to fluctuate during the period. The measure volatility is used in the Black Scholes option-pricing model is the annualized standard deviation of the continuously compounded rate of the return of the stock over a period of time.

The period to be considered for volatility has to be adequate to represent a consistent trend in the price movements and the movement due to abnormal events if any gets evened out. There is no research that demonstrates conclusively how long the historical period used to estimate expected long-term future volatility should be. However, informal tests and preliminary research tends to confirm that estimates of expected future long-term volatility should be based on historical volatility for a period that approximates the expected life of the options being valued.

**Risk Free Rate:** The Risk-free 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 or Government bonds for respective vests separately taking into consideration expected life of options.

**Dividend Yield:** The dividend yield for the year is derived by dividing the dividend for the period with the current market price. We have considered last three years (2018, 2019, and 2020) average dividend Yield which is 0.48% for the grant date.

### **B. Disclosures in compliance with the Guidance Note on Accounting for Employee Share-based Payments as on 31st March 2021**

The Bank 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, the accounting value of the option (compensation cost) is nil for the grant made during the year. Further the cost for the grant made during the FY 2018-19 is ₹ 7,49,704.

### **Description of the ESOP**

<b>Particulars</b>	<b>ESOP</b>
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

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Number and Weighted average Exercise price of Options									
Sr. No	Particulars	Fy 2018-19				Fy 2020-21			
		KVB_ESOS_2011		KVB_ESOS_2018		KVB_ESOS_2011		KVB_ESOS_2018	
		Number of options	Wt.avg E.P.	Number of options	Wt.avg E.P.	Number of options	Wt.avg E.P.	Number of options	Wt.avg E.P.
1	Outstanding at the beginning of the year	4,90,350	84.02	2,00,000	62.06	-	-	-	-
2	Granted during the year	-	-	-	-	1,31,01,400	38.60	45,41,710	38.60
3	Forfeited during the year	1,21,000	84.45	-	-	8,46,300	38.60	-	-
4	Exercised during the year	-	-	-	-	-	-	-	-
5	Expired during the year	-	-	-	-	-	-	-	-
6	Outstanding at the end of the year	3,69,350	83.55	2,00,000	62.06	1,22,55,100	38.60	45,41,710	38.60
7	Exercisable at the end of the period	2,57,045	83.63	1,30,000	62.06	-	-	-	-

\*E.P. – Exercise Price.

<b>Weighted Average share price of Options exercised during the year</b>	No Options are exercised during the year
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### Range of Exercise price and weighted average remaining contractual life of Outstanding Options

Scheme	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price (₹)	Range of Exercise Price
Options granted during Fy 2018-19				
KVB_ESOS_2011	369350	2.95	₹83.55	62.06-85.45
KVB_ESOS_2018	200,000	1.98	₹62.06	62.06
Options granted during Fy 2020-21				
KVB_ESOS_2011	1,22,55,100	3.73	₹38.60	38.60
KVB_ESOS_2018	45,41,710	3.55	₹38.60	38.60