

Annexure to Directors Report for the year ended March 31, 2020

STATUTORY DISCLOSURES REGARDING ESOS

A. Summary of Status of ESOPs Granted

Sl no	Particulars	SIB ESOS 2008
1	Details of the Shareholders Approval	18th August, 2008
2	Total number of Options approved under the scheme	The maximum number of Options granted to Eligible Employees of the Bank under this Scheme shall not exceed 5 % [five percent] of the total number of fully paid up Equity Shares of the Bank, from time to time, as on the date(s) of Grant of Options under this Scheme. We have obtained in-principle approval for 6,70,16,309 shares.
3	Vesting requirements	The Options Granted under the Scheme, shall vest with the Grantee as per the schedule decided by Nomination and Remuneration Committee
4	Exercise Price or Pricing Formula	The Nomination and Remuneration Committee shall fix the exercise price for the Options Granted under the Scheme, based on Market price or on such other basis in compliance of provisions of Para 13 , prior to the date of Nomination and Remuneration Committee meeting recommending the grant of options.
5	Maximum Term of Options granted	The Exercise Period for the relevant Grant shall be the period after the vesting of Options within which the Grantee should exercise his right to apply for Shares against Options vested in him in pursuance of the Scheme as mentioned under Para 9.5.c of the scheme.
6	Source of Shares	Primary
7	Variation in terms of options	No variation in terms of the scheme during the FY 2019-20
8	Method used for accounting of ESOS	Intrinsic Value
9	(A)Where the company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed.	Refer Note no. B.3 of Schedule 18
	(B)The impact of this difference on profits and on EPS of the company shall also be disclosed.	Refer Note no. B.3 of Schedule 18

B. Option Movement during the year 2019-2020

Particulars	Tranche 6 Exercise Price per option Rs.18.72	Tranche 7 Exercise Price per option Rs. 21.65	Tranche 8 Exercise Price per option Rs. 18.72
Number of options outstanding at the beginning of the Year	3840	746000	2645996
Number of Options Granted during the Year	0	0	0
Number of options forfeited / lapsed during the year	3840	705400	49566
Number of options vested during the year	0	0	782294
Number of options exercised during the year	0	40000	0
Number of shares arising as a result of exercise of options	0	40000	0
Money realized by exercise of options (INR), if scheme is implemented directly by the company	0	866000	0
Loan repaid by the Trust during the year from exercise price received	N.A	N.A	N.A
Number of options outstanding at the end of the year	0	600	2596430
Number of options exercisable at the end of the year	0	600	2596430

C. The Weighted Average Market Price of Options Exercised during the Year: NA**D. Weighted Average Exercise Price of Options Granted during 2019-20 whose**

a	Exercise price equals market price (Rs.)	Nil
b	Exercise price is greater than market price	Nil
c	Exercise price is less than market price	Nil

E. Weighted Average Fair Value of Options Granted during 2019-20 whose

a	Exercise price equals market price (Rs.)	Nil
b	Exercise price is greater than market price	Nil
c	Exercise price is less than market price	Nil

F. Employee-wise details of options granted during the financial year 2019-20 to:

- (i) Senior managerial personnel -No Options Granted during the Year
- (ii) Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year – None.
- (iii) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant. - None

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

The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option: The fair value of the options is estimated on the date of grant using Black Scholes options pricing model with following inputs/assumptions:

Tranches	Particulars
Exercise Price per share (Rs)	.No Options Granted during the Year
Weighted Average Share Price per share (Rs)	
Expected Volatility (%)	
Historical Volatility (%)	
Life of the options granted (Vesting and Exercise period in years)	
Average Risk Free Interest rate (%)	
Expected Dividend Yield (%)	
Price of underlying share in the market at the time of grant of option (Rs.)	
The method used and the assumptions made to incorporate the effects of expected early exercise.	
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility.	
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	

H. Assumptions

Stock Price: Closing price on National Stock Exchange on the previous date of NRC meeting.

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 FIMMDA par 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 Bank expects the options to be live.

Expected Dividend Yield: Expected dividend yield has been calculated as dividend yields for the financial year preceding the date of the grant.

I. Disclosure in terms of Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

Refer Note no. B.3 of Schedule 18

J. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations shall be disclosed in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

Refer Note no. B.3 of Schedule 18

Other details are as under: -

Money realized by exercise of options	Rs. 42,74,54,572.64
Pricing Formula: a) for Tranche 1, Tranche 2, Tranche 3 Tranche 5, Tranche 6, Tranche 7 & Tranche 9	a) At a discount of 10% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the dates of grant.

<p>Tranche 4</p> <p>c) Tranche 8</p>	<p>b)At a discount of 45% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.</p> <p>c)At a discount of 40.67% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.</p>																																																							
<p>Details of options granted to KMPs & Senior managerial personnel</p>	<table border="1"> <thead> <tr> <th data-bbox="892 375 1199 472">Name</th> <th data-bbox="1199 375 1413 472">Options Granted</th> <th colspan="3" data-bbox="1413 375 2032 410">Details of options granted</th> </tr> <tr> <td></td> <td></td> <th data-bbox="1413 410 1619 472">Tranche & Price</th> <th data-bbox="1619 410 1824 472">Tranche & Price</th> <th data-bbox="1824 410 2032 472">Tranche & Price</th> </tr> </thead> <tbody> <tr> <td data-bbox="892 472 1199 565">Mr Mathew V G (MD & CEO)</td> <td data-bbox="1199 472 1413 565">1,33,333</td> <td data-bbox="1413 472 1619 565">1,00,000 shares in Tranche 7 @ Rs.21.65</td> <td data-bbox="1619 472 1824 565">33,333 shares in Tranche 8@ Rs.18.72</td> <td data-bbox="1824 472 2032 565"></td> </tr> <tr> <td data-bbox="892 565 1199 657">Mr Thomas Joseph K, EVP – Operations</td> <td data-bbox="1199 565 1413 657">88417</td> <td data-bbox="1413 565 1619 657">36,000 shares in Tranche 1 @ Rs.12.93</td> <td data-bbox="1619 565 1824 657">42,500 shares in Tranche 6 @ Rs.18.72</td> <td data-bbox="1824 565 2032 657">9,917 shares in Tranche 8 @ Rs.18.72</td> </tr> <tr> <td data-bbox="892 657 1199 750">Mr Raphael T. 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	Mr. Jimmy Mathew, Deputy General Manager & Company Secretary	15833	3,500 shares in Tranche 3 @ Rs.24.12	10,000 shares in Tranche 6 @ Rs.18.72	2,333 shares in Tranche 8 @ Rs.18.72
Weighted-average exercise prices of Options whose:	<ul style="list-style-type: none"> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price 				
	Nil Nil The price of the stock options granted are: Tranche 6 – 18.72 Tranche 7 – 21.65, Tranche 8- 18.72				
Weighted-average fair value of Options whose:	<ul style="list-style-type: none"> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price 				
	Nil Nil The price of the fair value options granted are: Tranche 6 - 23.49, Tranche 7 – 27.56, Tranche 8- 25.91				

Impact of fair value method on net profit and on EPS:

Had compensation cost for the ESOS outstanding being determined based on the fair value approach instead of intrinsic value method, the Bank's net profit and earnings per share would have been as indicated below:

Particulars	31-03-2020
Net Profit as reported (Rs. in Crore)	104.59
Proforma Net profit based on fair value approach (Rs. in Crore)	104.38
Basic EPS as reported (Rs)	0.58
Basic EPS (Proforma) (Rs)	0.58
Diluted EPS as reported (Rs)	0.58
Diluted EPS (Proforma) (Rs)	0.58

In computing the above information, certain estimates and assumptions have been made by the management which has been relied upon by the auditors.

(SALIM GANGADHARAN)
 CHAIRMAN
 DIN : 06796232
 Place : Thrissur
 Date : September 4,2020

(V. G. MATHEW)
 MANAGING DIRECTOR & CEO
 DIN : 05332797