

**Annexure to Directors Report for the year ended March 31, 2023**

**STATUTORY DISCLOSURES REGARDING ESOS**

**A.SUMMARY OF STATUS OF ESOS GRANTED**

The position of the existing scheme is summarized as under:

<b>Particulars</b>		<b>SIB ESOS 2008</b>
1	Date of Shareholders' Approval	Initial approvals by the Shareholders at 80 <sup>th</sup> Annual General Meeting held on August 18, 2008 and further amended by shareholders vide their resolution at the 85 <sup>th</sup> , 87 <sup>th</sup> , 92 <sup>nd</sup> and 93 <sup>rd</sup> Annual General Meeting of the Bank held on June 28, 2013, July 15, 2015 , September 29, 2020 and August 18, 2021 respectively.
2	Total Number of Options approved under ESOS	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 10,46,37,050 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, in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and other SEBI Regulations/Guidelines issued in this regard.
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. Presently, we are following Fair Value method Under Black Scholes Model w. e. f. April 01, 2022.
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, secondary or combination)	Primary

7	Variation in terms of options	The scheme was last modified at the 93 <sup>rd</sup> AGM held on 18.08.2021
8	Method used to account for ESOS – Intrinsic or fair value	Intrinsic Value Method till March 31, 2021 and thereafter Fair Value Method by using Black-Scholes Model.
9(1)	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.9 of Schedule 18
9(2)	The impact of this difference on profits and on EPS of the Bank shall also be disclosed.	Refer Note no. B.9 of Schedule 18

**B. OPTION MOVEMENT DURING THE FINANCIAL YEAR 2022-23**

<b>Sr. No</b>	<b>Particulars</b>	<b>Tranche 8 Exercise Price per option Rs. 18.72</b>	<b>Tranche 11 Exercise Price per option Rs.8.35</b>	<b>Tranche 12 Exercise Price per option Rs.16.50</b>
1	Number of Options Outstanding at the Beginning of the period	1005872	0	0
2	Number of Options Granted during the Year	0	399171	1106194
3	Number of Options Forfeited during the Year	1005564	0	0
4	Number of Options Vested during the Year	0	0	0
5	Number of Options Exercised during the Year	0	0	0
6	Number of Shares arising as a result of Exercise of Options	0	0	0
7	Money realized by Exercise of Options (INR), if scheme is implemented directly by the Bank	0	0	0
8	Loan repaid by the Trust during the year from exercise price received	N.A	N.A	N.A
9	Number of Options Outstanding at the End of the Year	308	399171	1106194
10	Number of Options Exercisable at the End of the Year	308	0	0

**C.THE WEIGHTED AVERAGE MARKET PRICES OF OPTIONS EXERCISED DURING THE FINANCIAL YEAR: NA****D. WEIGHTED AVERAGE EXERCISE PRICES OF OPTIONS GRANTED DURING FINANCIAL YEAR 2022- 23 WHOSE**

(Amount in Rs.)

<b>SI No</b>	<b>Particulars</b>	<b>Tranche 11</b>	<b>Tranche 12</b>
(a)	Exercise price equals market price (Rs.) of the share	8.35	16.50
(b)	Exercise price is greater than market price of the share	NA	NA
(c)	Exercise price is less than market price of the share	NA	NA

**E. WEIGHTED AVERAGE FAIR VALUES OF OPTIONS GRANTED DURING FINANCIAL YEAR 2022-23 WHOSE**

(Amount in Rs.)

Sl No	Particulars	Tranche 11	Tranche 12
(a)	Exercise price equals market price (Rs.) of the share	8.35	16.50
(b)	Exercise price is greater than market price of the share	NA	NA
(c)	Exercise price is less than market price of the share	NA	NA

**F. EMPLOYEE-WISE DETAILS OF OPTIONS GRANTED DURING THE FINANCIAL YEAR 2022-23 TO:**

i) Senior managerial personnel –

Name	Options Granted	Tranche & Price	Tranche & Price
Mr. Murali Ramakrishnan (MD & CEO)	1505365	399171 shares in Tranche 11 @Rs.8.35	1106194 shares in Tranche 12 @ Rs.16.50

(ii) Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year –

Tranche 11 and Tranche 12 during the Financial Year 2022-23 were exclusively to Sri. Murali Ramakrishnan, MD & CEO which is part of his variable pay as approved by Reserve Bank of India, as part of his terms of appointment.

Name	Options Granted	Tranche & Price	Tranche & Price
Mr. Murali Ramakrishnan (MD & CEO)	1505365	399171 shares in Tranche 11 @ Rs.8.35	1106194 shares in Tranche 12 @ Rs.16.50

(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. A DESCRIPTION OF THE METHOD AND SIGNIFICANT ASSUMPTIONS USED DURING THE YEAR TO ESTIMATE THE FAIR VALUE OF OPTIONS:**

The fair value of options granted during the financial year 2022-23 has been estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

Tranches	Particulars (Tranche 11)	Particulars (Tranche 12)
Exercise Price per share (Rs)	8.35	16.50
Weighted Average Share Price per share (Rs)(Fair value of Options)	11.64	23.28
Expected Volatility (%)	1.36%	4.38%
Life of the options granted (Vesting and Exercise period in years)	<ul style="list-style-type: none"> <li>Exercise Period -5 years from the date of vesting</li> <li>Vesting Period -1-3 Years</li> </ul>	<ul style="list-style-type: none"> <li>Exercise Period-5 years from the date of vesting</li> <li>Vesting Period – 1-3 Years</li> </ul>

	(*30% on completion of 1 <sup>st</sup> Year *30% on completion of 2 <sup>nd</sup> Year *40% on completion of 3 <sup>rd</sup> Year)	(*30% on completion of 1 <sup>st</sup> Year *30% on completion of 2 <sup>nd</sup> Year *40% on completion of 3 <sup>rd</sup> Year)
Average Risk Free Interest rate (%)	7.08-7.28	7.58-7.59
Expected Dividend Yield (%)	NA	NA
Price of underlying share in the market at the time of grant of option (Rs.)	8.35	16.50
The method used and the assumptions made to incorporate the effects of expected early exercise.	As per Black Scholes Model	As per Black Scholes Model
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility.	Using last one year closing price of NSE	Using last one year closing price of NSE
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	As per Valuation report(Taking Average Option Premium of different Vesting Period)	As per Valuation report(Taking Average Option Premium of different Vesting Period)

## H. ASSUMPTIONS

**Stock Price:** The closing price of stock exchange which recorded the highest trading volumes in equity shares of the Bank and trading day immediately preceding the date on which the grant of options was approved

**Volatility:** The historical price of last one year and 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/FBIL 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.

## I. DISCLOSURES IN COMPLIANCE WITH THE GUIDANCE NOTE ON ACCOUNTING FOR EMPLOYEE SHARE BASED PAYMENTS AS ON 31ST MARCH 2023:

Refer Note No. B.9 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.16 of Schedule 18

**Other details are as under: -**

Money realized by exercise of options	Rs. 42,74,54,572.64											
<b>Pricing Formula:</b> a) for Tranche 1, Tranche 2, Tranche 3 Tranche 5, Tranche 6, Tranche 7& Tranche 9  b) Tranche 4 c) Tranche 8  d) Tranche 10  e) Tranche 11&12	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. 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. 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. d) At closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.  e) Fair Value Method Under Black Scholes Model											
<b>Details of options granted to KMPs &amp; Senior Managerial Personnel</b>	<table border="1" data-bbox="646 936 1543 1220"> <thead> <tr> <th data-bbox="646 936 930 1010">Name</th> <th data-bbox="930 936 1123 1010">Options Granted</th> <th data-bbox="1123 936 1332 1010">Tranche &amp; Price</th> <th data-bbox="1332 936 1543 1010">Tranche &amp; Price</th> </tr> </thead> <tbody> <tr> <td data-bbox="646 1010 930 1220">Mr. Murali Ramakrishnan (MD &amp; CEO)</td> <td data-bbox="930 1010 1123 1220">1505365</td> <td data-bbox="1123 1010 1332 1220">399171 shares in Tranche 11 @Rs.8.35/-</td> <td data-bbox="1332 1010 1543 1220">1106194 shares in Tranche 12 @Rs.16.50/-</td> </tr> </tbody> </table>				Name	Options Granted	Tranche & Price	Tranche & Price	Mr. Murali Ramakrishnan (MD & CEO)	1505365	399171 shares in Tranche 11 @Rs.8.35/-	1106194 shares in Tranche 12 @Rs.16.50/-
Name	Options Granted	Tranche & Price	Tranche & Price									
Mr. Murali Ramakrishnan (MD & CEO)	1505365	399171 shares in Tranche 11 @Rs.8.35/-	1106194 shares in Tranche 12 @Rs.16.50/-									
<b>Weighted-average exercise prices of Options whose:</b> • exercise price equals market price  • exercise price greater than market price • exercise price less than the market price	The price of the stock options granted are: Tranche 11-Rs.8.35 Tranche 12- Rs.16.50  Nil  The price of the stock options granted are: Tranche 8- Rs.18.72											
<b>Weighted-average fair value of Options whose:</b> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price	The price of the fair value options granted are: Tranche 11- Rs.11.64 Tranche 12- Rs.23.28 Nil  The price of the fair value options granted are: Tranche 8- Rs. 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:

<b>Particulars</b>	<b>31-03-2023</b>
Net Profit as reported ( Rs. in Crore)	775.09
Proforma Net profit based on fair value approach (Rs. in Crore)	775.09
Basic EPS as reported ( Rs)	3.70
Basic EPS (Proforma) ( Rs)	3.70
Diluted EPS as reported ( Rs)	3.70
Diluted EPS (Proforma) ( Rs)	3.70

- In computing the above information, certain estimates and assumptions have been made by the management which has been relied upon by the auditors.
- The RBI, vide its clarification dated August 30, 2021 on guidelines on compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk takers and Control Function staffs, advised Banks that the fair value of share-linked instruments on the date of grant should be recognized as an expense for all instruments granted after March 31, 2021.

(SALIM GANGADHARAN)  
CHAIRMAN  
DIN : 06796232

(MURALI RAMAKRISHNAN)  
MANAGING DIRECTOR & CEO  
DIN : 01028298

Place : Thrissur  
Date:31-07-2023