

***KARUR VYSYA BANK EMPLOYEEES STOCK OPTION SCHEME 2011***  
***[Amended vide Nomination and Remuneration Committee Resolution Dated [17.02.2022]]***

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Karur Vysya Bank Limited  
Registered Office: Post Box No. 21, Erode Road, Karur - 639 002.  
CIN: L65110TN1916PLC001295



**KARUR VYSYA BANK EMPLOYEEES STOCK OPTION SCHEME 2011**  
**[Amended vide Nomination and Remuneration Committee Resolution**  
**Dated [17.02.2022]]**

**ARTICLE 1**

This Scheme shall be known as the **KARUR VYSYA BANK EMPLOYEEES STOCK OPTION SCHEME 2011 (Hereinafter referred as "KVB – ESOS-2011"/ "Scheme")**

**ARTICLE 2**

The Board of the Bank, in the meeting held on 28.10.2010, recommended to the shareholders that the Bank may introduce an Employees Stock Option Scheme in the Bank. The Board also placed the said proposal for consideration by the members of the Bank at the 92<sup>nd</sup> Annual General Meeting of the Bank.

The KVB-ESOS-2011 as originally envisaged has approved by the members of the Bank vide special resolution at the 92<sup>nd</sup> Annual General Meeting held on 27<sup>th</sup> July 2011 consented to create, issue, offer and allot equity shares of the Bank which shall not exceed in aggregate 40,00,000<sup>1</sup> equity shares of the face value of Rs.10/- each or such adjusted numbers of such face value, as may be determined by the Board of Directors of the Bank, which term shall include the Compensation or such other Committee of the Board as the Board may specify in this regard. As on March 01, 2018 under KVB ESOS 2011 Scheme, we have 1,37,84,630 un granted stock options of face value of ₹ 2/- each (27,56,926 stock options of equity shares of face value of ₹ 10/- each).

In the meantime, the Company intends to amend the KVB-ESOS-2011 with a view to align it with the requirement of the SEBI SBEB & SE Regulations. Thus, the KVB-ESOS-2011 has been amended vide Nomination and Remuneration Committee resolution dated [17.02.2022].

**ARTICLE 3**

**OBJECTIVES OF THE SCHEME**

1. To attract and retain appropriate human talent in the employment and to motivate them with incentives and reward opportunities.
2. To attain sustained growth of the Bank and creation of shareholder value by aligning the interests of the Employees with those of the Bank and its shareholders.
3. To create a sense of ownership and participation amongst the Employees.

**ARTICLE 4**

**DEFINITIONS AND INTERPRETATIONS**

The terms defined in this Article shall for the purposes of the Scheme, have the meanings herein specified. Further for the definitions / explanations of any terms not defined in the Scheme, reference must be drawn to the SEBI SBEB Regulations as amended from time to time.

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<sup>1</sup> The quantum of 40,00,000 equity shares of face value of Rs. 10/- each was reserved originally, which is deemed to be changed in respect of outstanding and un-granted Options pursuant to split of Shares of the Bank with effect from November 18, 2016

(i) 'Applicable Laws' means the relevant laws in force for the time being (and as amended from time to time) which govern companies and securities and those which regulate the stock option Scheme of the companies, but without limitation shall particularly include the Securities Exchange Board of India Act, 1992, SEBI SBEB & SE Regulations, the Income Tax Act, 1961 and guidelines/ notifications/ circulars issued there under, Companies Act, including any statutory modifications or re-enactments thereof, Foreign Exchange Management Act, 1999, any stock exchange regulations including the listing agreements with stock exchanges and such other guidelines which may be stipulated by Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Government of India, and / or any other appropriate authority. Any term or requirement under the SEBI SBEB & SE Regulations not incorporated herein shall be deemed to have been included herein and be applicable and binding on the Bank, the Eligible Employees and the Option Grantees.

(ii) 'Bank' means the Karur Vysya Bank Limited.

(iii) 'Board' means the Board of Directors of the Bank.

(iv) 'Companies Act' means the Companies Act, 2013, rules made thereunder and includes any statutory modifications or re-enactments thereof.

(v) 'Compensation Committee' means a Committee constituted or reconstituted by the Board of Directors under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time from time to time to administer the Scheme.

(vi) 'Corporate Action' means one of the following events:

a. the merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the Issuer Bank in which the Shares are converted into or exchanged for:

- a different class of securities of the Issuer Bank; or
- any securities of any other issuer; or
- cash; or
- other property,

b. the sale, lease or exchange of all or substantially all of the assets or undertaking of the Issuer Bank.

c. the adoption by the shareholders of the Issuer Bank of a scheme of liquidation, dissolution or winding up.

d. any other event, which in the opinion of the Board has a material impact on the business of the Issuer Bank.

vi. "Death" shall have the same meaning as assigned to it under the 'Human Resource Policy' of the Bank.

(vii) 'Director' means a member of the Board of the Bank.

(viii) 'Eligibility Criteria' means the criteria as may be determined from time to time

by the Compensation Committee for granting the Employee Stock Options to the Employees.

(ix) 'Employee' means (a) A permanent employee of the Bank working in India, or (b) A Director of the Bank, whether whole time Director or not but shall exclude:

(a) an employee who is a Promoter or belongs to the Promoter Group

(b) an employee who is a Director who holds either by himself or through his relatives or through any body corporate, directly or indirectly, more than 10% of the outstanding equity shares of the Bank.

(c) An independent director within the meaning of the Companies Act, 2013 and/or the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(x) 'Eligible Employee' means the present Employees as well as future Employees working in the Bank subject to the applicable regulatory requirements and guidelines, who qualify for the issue of Options under the Scheme and who fulfill the conditions as decided in the appraisal process by the Compensation Committee.

(xi) 'Employee Stock Option' or 'Option' means the option granted to an Employee, which gives such Employee the right to purchase or subscribe at a future date the shares offered by the Bank, at a pre-determined price.

(xii) 'Exercise' is the act of written submission along with payment of the Exercise Price being made by the Option holder to the Bank for the issue of Shares against the Options vested in him in pursuance of the Scheme.

(xiii) 'Exercise Period' means such time period after vesting within which the Eligible Employee should exercise his right to apply for Shares against the Options vested in him in pursuance of the Scheme.

(xiv) 'Exercise Price' means the price payable by an Option Grantee in order to exercise the Options granted to him in pursuance of the Scheme.

(xv) 'Fair Value of an Option' means, the fair value calculated in accordance with the 'Guidance Note on Accounting for Employee Share-based Payments' (Guidance Note) or Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (ICAI) from time to time read with Regulation 15 of the SEBI SBEB & SE Regulations.

(xvi) 'Grant' means issue of Options to the Eligible Employees under the KVB-ESOS-2011.

(xvii) 'Market price' means the latest available closing price prior to the date of the meeting of the Compensation Committee in which Options are granted on the Stock Exchange on which the Shares of the Bank are listed. If the Shares are listed on more than one stock exchange, the stock exchange where there is highest trading volume on the said date shall be considered.

(xviii) 'Misconduct' means conduct, as determined by the Board involving the commission of an act of theft, embezzlement, fraud, dishonesty or moral turpitude, the deliberate disregard of the rules of the Bank or on such other disciplinary grounds which resulted in or on the Board's determination may result in loss, damage or injury to the Bank, the unauthorized disclosure of any trade secret or confidential information of the Bank, or the commission of an act which constitutes

unfair competition.

(xix) 'Nominee' or 'Nominees' means the spouse, any child of the Eligible Employee or any other person nominated by the Eligible Employee as provided under this Scheme.

(xx) 'Option Grantee' or 'Optionee' means an Employee having a right but not an obligation to exercise an Employee Stock Option in pursuance of the KVB-ESOS-2011.

(xxi) 'Promoter' shall have the same meaning as assigned to the term under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(xxii) 'Promoter Group' shall have the same meaning assigned to the term under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Provided that where the Promoter or Promoter Group of the Bank is a body corporate, the promoters of that body corporate shall also be deemed to be Promoters of the Bank.

(xxiii) 'Permanent Incapacity' means any disability of whatsoever nature be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing in the manner he was performing immediately before such disablement, as determined by the Compensation Committee based on a certificate of a medical expert identified by such Committee.

(xxiv) 'Retirement' means retirement (including voluntary retirement) as per the rules of the Bank.

(xxv) 'Scheme'/KVB-ESOS-2011' means Karur Vysya Bank Employees Stock Option Scheme 2011 under which the Bank is authorized to grant Employees Stock Options to the Employees.

(xxvi) "SEBI SBEB & SE Regulations" means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended and includes all circulars and clarifications issued thereunder.

xxvii. "Secretarial Auditor" means a company secretary in practice appointed by a company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(xxvii) 'Shares' means equity shares of the Bank arising out of the Exercise of Employee Stock Options granted under KVB-ESOS-2011.

(xxviii) 'Unvested Option' means an Option in respect of which the relevant Vesting conditions has not yet completed and as such, the Option Grantee has not become eligible to exercise the Option.

(xxix) 'Vested Option' means an Option in respect of which the relevant vesting conditions have been satisfied and the Option Grantee has become eligible to

exercise the Option.

(xxx) 'Vesting' means the process by which the Eligible Employee is given the right to apply for Shares of the Bank against the Options granted to him in pursuance of the Scheme.

(xxxi) 'Vesting Period' means the period as specified in the letter of Grant during which the vesting of the Option granted to the Eligible Employee in pursuance of this Scheme takes place.

## **II) INTERPRETATION:**

In this document, unless the contrary intention appears,

- a) the singular includes the plural and vice-versa;
- b) the word 'person' includes an individual, or any authority; and
- c) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders.

## **III) ARTICLE HEADINGS:**

Article headings are for information only and shall not affect the construction of this document.

## **IV) REFERENCES:**

- a) A reference to an Article or Schedule is respectively a reference to an Article or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.
- b) Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

## **ARTICLE 5**

### **ADMINISTRATION OF THE SCHEME**

- 5.1 The Scheme shall be administered by and be under the superintendence of the Compensation Committee under the broad policy and framework laid down by the Board and/or to the extent permissible under the SEBI SBEB & SE Regulations by the Board of Directors of the Bank, in accordance with the authority delegated to the Compensation Committee in this regard from time to time. The Option Grantee shall abide by the policies, decisions and procedures laid down by the Compensation Committee.
- 5.2 The Board of Directors of the Bank shall have the power to reconstitute the Compensation Committee from time to time and vary / alter / modify the powers and functions subject to the Applicable Laws and such other rules and regulations as may be in force. The Board may further provide that the Compensation Committee shall exercise certain powers only after consultation with the Board and in such case the said powers shall be exercised accordingly.
- 5.3 Subject to the provisions of the Scheme, and subject to the approval of any relevant authorities and pursuant to the shareholders approval in the Annual General Meeting

held on 27<sup>th</sup> July 2011, the Compensation Committee shall inter alia, formulate from time to time specific parameters relating to the Scheme including:

- (i) The quantum of Option to be granted under the Scheme to a particular Eligible Employee or to a category or group of Eligible Employees and in aggregate;
- (ii) Selection of Eligible Employees to whom Options may from time to time be granted hereunder;
- (iii) The Vesting Period and the Exercise Period within which the Eligible Employee should exercise the Option and that Option would lapse on failure to exercise the option within the Exercise Period;
- (iv) The conditions under which Option vested in Eligible Employee may lapse in case of termination of employment for misconduct;
- (v) The specified time period within which the Eligible Employee shall exercise the vested Options in the event of termination or resignation of an Eligible Employee;
- (vi) The right of an Eligible Employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period;
- (vii) To prescribe, amend and rescind rules and regulations relating to the Scheme;
- (viii) To construe, clarify and interpret the terms of the Scheme and Options granted pursuant to the Scheme;
- (ix) To put in place a procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation Committee:
  - a. the number and price of Option shall be adjusted in a manner such that total value of Option remains the same after the corporate action;
  - b. for this purpose global best practices in this area including the procedure followed by the derivative markets in India and abroad shall be considered;
  - c. The vesting period and the life of Option shall be left unaltered as far as possible to protect the rights of Option holders.
- (x) the granting, vesting and exercise of Option in case of Eligible Employees who are on long leave;
- (xi) The procedure for cashless Exercise of Options if required; and
- (xii) Withdraw, recall, cancel or accept surrender of Options already issued/to be issued, to re-issue such withdrawn, recalled, cancelled or surrendered Options, to issue fresh Options in lieu thereof at such price in such manner during such period in one or more tranches and on such terms and conditions as the Committee deems fit in the best interests of the Bank and its Employees.

The matters as specified in the preceding clause may be specified in the letter of Grant or may be intimated to the Eligible Employees from time to time. All decisions, determinations and interpretations in respect of the Scheme shall be at the sole discretion of the Committee and shall be final and binding on all the Eligible Employees and Option Grantees.

5.4 The Compensation Committee shall frame suitable policies and systems to ensure that there is no violation of; -

- (i) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (ii) SEBI SBEB Regulations; and
- (iii) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trading Practice relating to the Securities market) Regulations, 2003.

5.5 No member of the Compensation Committee shall be personally liable for any decision or action taken in good faith with respect to the Scheme.

## **ARTICLE 6**

### **EFFECTIVE DATE AND DURATION OF THE SCHEME**

6.1 The Scheme shall be deemed to have come into force from 27th July 2011.

6.2 If the Options Granted under the Scheme have lapsed or are forfeited under the provisions of the Scheme, such Options shall be available for further Grant under the Scheme. The Scheme shall remain in effect until all Options granted under the Scheme have been exercised or have expired by reasons of lapse of time or otherwise whichever is earlier.

## **ARTICLE 7**

### **APPRAISAL OF AN EMPLOYEE**

7.1 Only the Eligible Employees as defined in The Scheme shall be eligible to participate in this Scheme.

7.2 At such times after the Scheme comes into effect, as deemed fit by the Compensation Committee, the Compensation Committee shall, invite recommendations of the management of the Bank, for identification of the Employees who could be granted Options based on the various criteria such as performance and/or the merit of the Employees as indicated by the periodical performance appraisal or the minimum period of service put in by the Employee/remaining future service or his/ her cadre and designation in the Bank or His/her present and potential contribution to the success of the Bank or the key functional areas in which the Employee is involved or such other criteria or factors as may be deemed relevant and appropriate as may be decided by the Compensation Committee. The Compensation Committee may thereafter decide on the Employees who are eligible for Grant under the Scheme and the terms and conditions thereof.

The Compensation Committee may in its absolute discretion vary or modify such criteria and/or selection and/or the terms and conditions of the Grant for any Employee or class of Employees.



## **ARTICLE 8**

### **GRANT OF OPTIONS**

- 8.1 The number of Options that would be issued to an Eligible Employee under the Scheme would be determined by the Compensation Committee and could be varied at the discretion of the Compensation Committee. However no Eligible Employees /non executive Directors shall be granted more than <sup>2</sup>10,000 Options under the Scheme. Maximum number of Options to be granted in aggregate shall not exceed 10% of total Options reserved under the Scheme. Provided where a Grant to an Eligible Employee within any year in aggregate exceeds 1 (one) percent of the issued equity share capital (excluding outstanding warrant and conversions, if any) of the Bank at the time of Grant of Option, the consent of the shareholders of the Bank shall be obtained by way of a special resolution.
- 8.2 All Options that have lapsed, cancelled, withdrawn, recalled, surrendered (including those having lapsed by way of forfeiture) shall be added back to the number of Options that are pending to be granted.
- 8.3 The Compensation Committee may, on such dates as it shall determine, grant to such Eligible Employee(s) as it may in its absolute discretion on the terms and conditions as it may decide.

## **ARTICLE 9**

### **GRANT PROCEDURE AND ACCEPTANCE**

- 9.1 Options under KVB-ESOS-2011 will be offered through a letter of Grant containing, among other things, the following details:
- (i) No of Options being offered;
  - (ii) Exercise price of each of the Options;
  - (iii) Vesting Period and
  - (iv) Exercise period; along with a copy of the Scheme.
- 9.2 The Board/Compensation committee shall determine the Exercise Price of the Options on the date of granting of the Options.
- 9.3 The Eligible Employee at the time of acceptance of the Options granted may appoint any person as his nominee(s) for the purpose of exercising the rights, upon vesting in due course, subject to the obligations in terms of KVB-ESOS-2011. The acceptance cum nomination form shall be in such form as may be prescribed by the Compensation Committee. The Eligible Employee has the right to revoke such nomination at any time before the option is exercised and a fresh nomination may be made on such revocation;
- 9.4 The nominee specified as aforesaid shall alone be entitled to exercise the rights of the Eligible Employee, upon the demise of the Eligible Employee within the Exercise Period of a Vested Option, and the Bank shall not be liable in relation to any rights and obligations amongst the legal heirs inter-se of the Eligible Employee concerned;

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<sup>2</sup> The quantum of 10,000 equity shares of face value of Rs. 10/- each was reserved originally, which is deemed to be changed pursuant to split of Shares of the Bank with effect from November 18, 2016

- 9.5 If an Eligible Employee fails to make a nomination, the Options shall vest on his legal heirs/legal representative in the event of his death .

## **ARTICLE 10**

### **TERM OF THE OPTIONS**

The Options, if not exercised, shall lapse after the Exercise Period and accordingly no rights under the letter of Grant including this Document shall survive on such lapse. If any Options granted under the Scheme lapse, such Options shall be available for further Grant under the Scheme.

#### **Surrender of Options**

An Optionee/legal heirs/nominee may surrender any or all of the Options to the Compensation Committee at any time, whether vested or not. The entitlement to such surrender shall be limited prior to the lapse of the Exercise Period.

## **ARTICLE 11**

### **VESTING OF OPTIONS**

- 11.1 All Options granted shall vest in and be exercised at an Exercise Price as set out in the KVB-ESOS-2011. Vested Options may be exercised in full during an Exercise Period.
- 11.2 Vesting shall commence any time after the expiry of one year from the date of Grant of the Options to the Employees and could as may be determined by the Compensation Committee from time to time, extend up to three years from the date of Grant of Options. The Options could vest in tranches.

**Provided that** in case where Options are granted by the Bank under the Scheme in lieu of Employee Stock Option held by a person under a similar plan in another company ("Transferor Company") which has merged, demerged, arranged or amalgamated with the Bank, the period during which the Employee Stock Options granted by the Transferor Company were held by him shall be adjusted against the minimum Vesting Period required under this Sub-clause.

**Provided further that** in the event of Death or Permanent Incapacity of an Option Grantee, the minimum Vesting Period shall not be applicable and in such instances, all the Unvested Options shall vest with effect from date of the Death or Permanent Incapacity.

- 11.3 Vesting of Options would be subject to continued employment of the Eligible Employee with the Bank.
- 11.4 Notwithstanding anything to the contrary in this Scheme and subject to a minimum Vesting Period of 1 (one) year, the Compensation Committee shall be entitled to make the Vesting of any or all of the Options granted to an Employee conditional upon the fulfillment of such performance criteria whether of the Employee and/or any team or group of which he is a part and/or of the Bank, as may be determined by the Compensation Committee or determine a Vesting schedule other than that specified hereinabove for any Employee or class of Employees.

11.5 It is hereby clarified that the Vesting dates in respect of the Options granted under this Scheme may at the sole and absolute discretion of the Compensation Committee vary from Employee to Employee or any class thereof and/or in respect of the number or percent of Options granted to an Employee, subject to the SEBI SBEB Regulations or any other Applicable Law or regulation or guideline for the time being in force.

11.6 On the earliest date on which any Options are eligible for Vesting or immediately thereafter, such number or percentage of the Options as may be specified in the Grant letter, to Vest in the Optionee, on an automatic basis, shall be deemed to have so Vested and accordingly the Optionee shall, subject to fulfillment of any other condition as may be specified under the Scheme, be eligible to Exercise the said Options during the Exercise Period.

11.7 Out of the Options eligible for Vesting on the basis of performance parameters, if any, (other than Options which are vested in accordance with Article 11.6 hereinabove) such percentage or such number of Options as may be specified by the Compensation Committee in the Grant letter or other writing, having regard to the performance of the Optionee evaluated in accordance with such performance criteria as may be laid down by the Compensation Committee, shall vest in the Optionee.

11.8 The Compensation Committee in its absolute discretion may, for any Optionee or class of Optionees permit the Options granted, to be vested and exercised within such time and as per such terms and conditions as it may determine.

11.9 In the event of any Optionee:

i. dying whilst in the employment or engagement of the Bank, all Options granted to the Optionee under the Scheme till the date of death shall Vest in the legal heirs or nominee as on date of death and can be exercised within the Exercise Period; or

ii. becoming totally and permanently disabled while in the employment of the Bank, all Options granted to the Optionee under the Scheme as on date of Permanent Incapacity shall vest in Optionee from the date of Permanent Incapacity and can be exercised within the Exercise Period; or

iii. attaining the age of Retirement while in service, all Options granted yet not Vested as on the date of retirement shall continue to vest as per original Vesting schedule, even after date of Retirement unless otherwise determined by the Compensation Committee as per the relevant policy, if any, and exercise period shall be as decided by Compensation Committee. ,

Provided however that in any of the above cases, the Compensation Committee may in its absolute discretion accelerate, subject to **Article No. 14** any Unvested Options and / or modify the Exercise Period of any Vested Options, and the other conditions of the Grant as it may deem fit, notwithstanding anything to the contrary stated elsewhere in this Scheme.

## **ARTICLE 12**

### **METHOD OF VALUATION**

The Bank shall use the intrinsic value method to value its Options. However, on becoming applicable of any specific rule/ regulation under the Applicable Laws, the

Bank may use the fair value method to value its Options.

### **ARTICLE 13**

#### **EXERCISE OF OPTION**

- 13.1. 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.
- 13.2 All Options vesting under the grant shall be exercised during the Exercise Period failing which the Options shall lapse.
- 13.3. Each Option entitles the holder thereof to apply for and be allotted one fully paid equity share of the nominal value of Rs.10/- (or such other nominal value as may prevail from time to time) each on the payment of the Exercise Price at any time during the Exercise Period.
- 13.4 Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Compensation Committee and set forth in the letter of Grant.
- 13.5. An Option shall be deemed to have been exercised when (i) the Bank receives application seeking Exercise of Options from the Eligible Employee entitled to Exercise the Option, (ii) the Bank receives full payment for the Shares with respect to which the Options are exercised, and (iii) the Compensation Committee/ Board of Directors/other authorized Committee of the Board allot the Shares to the Option Holder.
- 13.6. The Compensation Committee shall endeavour to ensure that the process of allotment of the Shares to the Eligible Employee who has validly exercised his Options is completed within 3 months of receipt of the papers validly exercising the Options.
- 13.7. The Options would be exercisable by the Eligible Employees by payment of the consideration amount by way of a cheque or demand draft or pay order payable at Karur or electronic remittance made as may be prescribed and submitting the requisite application form as may be prescribed by the Compensation Committee, after which the Shares would be allotted. The Options may also be exercised by the Eligible Employees using the cashless manner according to the procedure determined by the Compensation Committee, from time to time.
- 13.8. The Vested Options shall be exercisable within such period as may be prescribed by the Compensation Committee, which period shall not exceed 5 years from the date of grant of Options , in one or more tranches.
- 13.9. Eligible Employees who do not want to avail the Options granted to them under this Scheme, may opt out of the Scheme any time before the last date of the Exercise Period and surrender the Options to the Bank for cancellation. Such Options will be available for reissue under the Scheme;

### **ARTICLE 14**

#### **TERMINATION OF RELATIONSHIP AS AN EMPLOYEE**

- 14.1 In the event of separation of an Eligible Employee from the Bank due to reasons of the Bank terminating his services on account of Permanent Incapacity, all the Options

granted to him as on such date shall vest on him on that day and the Eligible Employee may exercise his Option within the last date of the Exercise Period.

14.2 In the event of Retirement of Eligible Employees, all the options granted shall continue to be held by the Eligible Employee as on the date of Retirement and vest in the normal course, unless otherwise decided by the Compensation Committee at its sole discretion, and the Eligible employee may exercise his options within the last date of the exercise period.

14.3 In the event of death of an Eligible Employee while in employment with the Bank, the Options granted to him till such date shall vest in the legal heir(s) or nominees of such deceased Employee and the same may be exercised within the last date of the Exercise Period, by the Eligible Employee's nominee or by the legal heirs of the deceased Eligible Employee in the absence of a valid nomination.

14.4 In the event of termination of employment for reasons of misconduct, all Options including those, which are vested but not exercised at the time of termination of employment, shall expire and stand terminated with effect from the date of such termination;

Note: 'Misconduct' is a conduct not appropriate for the status or work profile of the Employee as decided by the Bank from time to time and where the decision of the Bank is final;

14.5 In the event of an Eligible Employee's service being discontinued on account of resignation, all Unvested Options on the date of submission of resignation shall expire and stand terminated with effect from that date. However, all Vested Options as on that date shall be exercisable by the Employee within a specified period from the date of resignation. The Compensation Committee shall specify the time frame at the time of Grant of the Options within which the Vested Options shall be exercisable in such cases. If the Employee does not exercise the Vested Options within the said specified period, they would stand cancelled at the expiry of such specified Exercise Period.

14.6 In the event of abandonment of service by an Eligible Employee, all Options including those, which are vested but were not exercised at the time of abandonment of service, shall stand terminated forthwith. The date of abandonment of an Eligible Employee shall be decided by the Bank at its sole discretion which decision shall be binding on the Eligible Employee concerned;

## **ARTICLE 15**

### **NON-TRANSFERABILITY OF OPTIONS**

15.1 Option granted to / vested with an Eligible Employee shall not be transferable to any person and shall be exercisable during the life time of the Eligible Employee only by such Employee or in case of death of an Eligible Employee, by the nominee or legal heirs of the Eligible Employee in the absence of such nomination.

15.2 No person other than the Eligible Employee to whom the Option is granted subject to Article 14 of KVB-ESOS-2011 shall be entitled to Exercise the Option.

15.3 The Option granted to the Eligible Employee shall not be sold, pledged, hypothecated, assigned, mortgaged or otherwise disposed off or alienated in any other manner.

## **ARTICLE 16**

### **TERMS AND CONDITIONS OF THE SHARES**

- 16.1. All Shares allotted on Exercise of Options will rank pari-passu with all other equity shares of the Bank for the time being in issue.
- 16.2. Until the Shares are issued (as evidenced by the appropriate entry in the Register of Members of the Bank/in the Beneficiaries lists provided by National Securities Depositories Limited / Central Depository Services of India Limited), no right to vote or receive dividends or any other rights and benefits as a shareholder with respect to such Shares shall exist, notwithstanding the Exercise of the Options. As a registered shareholder, the Eligible Employee will be entitled to all the benefits which may accrue to him such as dividends, bonus, rights etc.,
- 16.3. The shares issued on Exercise of the Options shall also be listed on the National Stock Exchange of India Limited or any other stock exchange where the Bank's Shares are listed subject to the terms and conditions of the listing agreements entered into with the said stock exchange.

## **ARTICLE 17**

### **CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION**

Except as hereinafter provided, grant made shall be subject to adjustment, by the Compensation Committee, at its discretion, as to the number and price of Options or Shares, as the case may be, in the event of "Change in Capital Structure" or a "Corporate Action" as defined herein.

If there is a "Change in the Capital Structure" of the Bank before the Options granted under this Scheme are exercised, the Employee shall be entitled on exercise of the Options, to such number of resultant Shares to which he would have been entitled as if all then outstanding Options Exercised by him, had been Exercised before such "Change in the Capital Structure" had taken place and the rights under the Options shall stand correspondingly adjusted.

The Shares in respect of which the Options are granted, are Shares as constituted on the date of the grant. But if and when, prior to the expiry of the Exercise Period there is a "Change in the Capital Structure" of the Bank, the number of resultant Shares with respect to which the Options may thereafter be exercised shall,

- i) an increase in the number of resultant Shares, be proportionately increased, and the Exercise Price, be proportionately reduced.
- ii) a reduction in the number of resultant Shares, be proportionately reduced, and the Exercise Price, be proportionately increased.

Provided, further, that in case the provisions of Applicable Law restrict/prohibit the issue of Shares at a discount to its par or other value, the Exercise Price shall not be less than such amount as prescribed under such law.

Where the Bank makes a further issue of capital upon which all the existing Shareholders of the Bank are offered a right to subscribe for the further issue of capital at a price lower than the Market Price, (hereinafter called the "Rights Issue"),

the Board may in its absolute discretion, subject to Applicable Laws in force, permit the Employees to subscribe pro-rata to the additional Shares on the same terms and conditions as the Rights Issue, as if all the Options not Exercised by him had been Exercised by him before such Rights Issue of the Bank, had taken place. Such newly subscribed Shares or other securities shall be issued on such terms and conditions as may be determined or deemed fit by the Board.

In the event of "Corporate Action", the Compensation Committee, at least seven days prior to any "Corporate Action" or sixty days thereafter, acting in its absolute discretion with or without the consent or approval of the Employee, as it may deem fit, shall in respect of the outstanding Options act on any of the following alternatives:-

- (i) Provide that on any Exercise of Options hereafter, the Optionee shall be entitled to the Shares as if the Optionee had been a holder of the Shares on the date of the Corporate Action.
- (ii) Make such adjustments to the Options outstanding to reflect the "Corporate Action", as may be necessary,
- (iii) Substitute the Options granted, by fresh Options in another issuer company/ bank which have substantially the same terms as the Options granted under this Scheme.
- (iv) Accelerate the Vesting and / or the Exercise of the Options so that the Options are to be compulsorily Exercised before the date specified by the Compensation Committee, failing which they shall lapse.
- (v) Require the mandatory surrender to the Bank, by all or some of the Optionee, of all or some of the outstanding Options, irrespective of whether, the Options, have Vested or not, as on that date. In such an event the Compensation Committee shall pay to such Employee an amount, in cash or otherwise, per Option, as the case may be, of the "Surrender Value" after deducting the balance Exercise Price payable, if any.
- (vi) Deal with the outstanding Options in any other manner as it may deem fit in the interest of the Bank and / or Optionee(s).

Provided, however, unless specifically agreed otherwise upon by the Board and subject to the SEBI SBEB & SE Regulations, all Unvested Options on the date of any Corporate Action as envisaged above, shall lapse and the Optionee shall not be entitled to any compensation of any nature whatsoever.

## **ARTICLE 18**

### **AMENDMENT AND TERMINATION OF THE SCHEME:**

- 18.1 The Compensation Committee may at any time vary, modify, withdraw, suspend, review, or terminate the Scheme, to an extent, subject to and after compliance with requirements of Applicable Laws, provided that the Bank shall not vary the terms of Scheme in any manner which may be detrimental to the interests of the Eligible Employees;
- 18.2 The Bank may by a special resolution in a general meeting vary the terms of Scheme offered pursuant to an earlier resolution of a general body but not yet exercised by

the Eligible Employee provided such variation is not prejudicial to the interest of the Option Grantees;

18.3 Termination of Scheme shall not affect the Compensation Committee's ability to exercise the powers granted to it hereunder with respect to Options granted under the Scheme prior to the date of such termination; and

18.4 Any variation, modification, etc. under this clause shall be subject to obtaining of approvals from concerned authorities or shareholders, as may be required and so long as otherwise, such change, etc. will be in accordance with the Applicable Laws, rules, regulations, notifications as amended and in force.

**Provided that** the Bank shall be entitled to vary the terms of the KVB-ESOS-2011 to meet any regulatory requirement without seeking shareholders' approval by way of a special resolution.

## **ARTICLE 19**

### **GENERAL**

19.1 This Scheme, in terms of having binding effect, is a private contract between the Bank and the Eligible Employee specified in the letter of Grant with which this document is an integral part. It does not create any right or benefit for persons other than between the Bank and the specific Eligible Employee who has been issued a letter of Grant of which this document forms a part. The parties hereto recognize that the Bank may provide for different terms, to the extent permissible under law, for different Eligible Employees as may be decided by the Compensation Committee.

19.2 However, the Bank shall be entitled to file this Scheme with such authorities and persons as it may be required under law to file or where it deems fit.

#### **19.3 Contract of Employment**

This Scheme shall not form part of any contract of employment between the Bank and the Eligible Employee. The rights and the obligations of any individuals under the terms of his office or employment with the Bank shall not be affected by his participation in this Scheme or any right which he may have to participate in and nothing in this Scheme shall be construed as affording such an individual, any additional rights as to compensation or damages in consequence of the termination of such office or employment for any reason.

#### **19.4 Government Regulations**

This Scheme shall be subject to all Applicable Laws, rules, regulations, notifications and to such permissions, sanctions and approvals by any governmental agencies or shareholders, as may be required. In case of any contradiction between the provisions of this Scheme and any Applicable Laws, rules, regulations etc, the provisions of law shall override the provisions of this Scheme. The Grant of Options under this Scheme shall entitle the Bank to require the Employee to comply with such requirements of law as may be necessary in the opinion of the Bank.

#### **19.5 Tax liability**

In the event of any tax liability arising on account of the Grant of the Options / conversion into Shares/transfer of Shares to the Eligible Employee, the liability shall



be that of such Employee alone and the Bank shall be indemnified to the extent of income tax if any levied at any point of time. The Bank shall have the right to deduct tax at source or demand any recovery of tax from the Eligible Employee of such an amount as may be advised to it by its tax advisors at the time of Grant or Exercise of the Options.

#### **19.6 Listing of the Shares**

Subject to the approval of the National Stock Exchange of India Limited and/or other recognized stock exchange in India, the relevant Equity Shares on exercise of the Options shall be listed on the National Stock Exchange of India Limited and/or other recognized stock exchange in India on which the Shares of the Bank are listed.

#### **19.7 No right to grant**

Neither the adoption of the Scheme nor any action of the Board of Directors or Compensation Committee shall be deemed to give an Employee any right to be granted any Options to acquire Shares or to any other rights except as may be evidenced by a letter of grant.

#### **19.8 Confidentiality**

The Optionee shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Scheme, Grant or any connected matter. Any violation may result in cancellation of the Grant without prejudice to the other action which may be taken in this regard.

#### **19.9 Insider Trading**

The Optionee shall ensure that there is no violation of applicable regulations for the prevention of "insider trading" in Shares and securities and for prevention of fraudulent and/or unfair trade practices relating to the securities market.

The Compensation Committee shall be entitled to frame such rules, regulations as may be necessary to ensure that there is no violation of the above referred regulations and/or practices, and all Employees will be bound by such rules.

The Optionee shall indemnify and keep indemnified the Bank in respect of any liability arising as a result or consequence of the violation of the above provisions by the Employee.

#### **19.10 New Schemes**

Nothing contained in the Scheme shall be construed to prevent the Bank directly or through any trust settled by the Bank, from implementing any other new scheme for granting stock options and/or Share purchase rights, which is deemed by the Bank to be appropriate or in its best interest, whether or not such other action would have any adverse impact on the Scheme or any grant made under the Scheme. No Employee or other person shall have any claim against the Bank and/or trust as a result of such action.

#### **19.11 Variation**

In the event of any variation between the provisions of the Scheme and the SEBI

SBEB & SE Regulations, the provisions of the SEBI SBEB & SE Regulations shall prevail over the Scheme and the provisions of the Scheme shall be deemed to have been amended so as to be read in consonance with the SEBI SBEB & SE Regulations.

**19.12 General Risk:**

Participation in this Scheme shall not be construed as any assurance of any form whatsoever including any guarantee of return on the equity investment. Any risks associated with the investment are that of the Eligible Employee alone.

**ARTICLE 20**

**INTERPRETATION OF THE SCHEME AND OTHER ASPECTS**

- 20.1** In case of any doubts or disputes as to meaning or interpretation of any clause or word of the Scheme or letter of Grant to an Eligible Employee the matter shall be referred for final determination to an arbitrator nominated by the Compensation Committee and the decision of such arbitrator shall be final and binding on the Bank and the Eligible Employee. The Scheme and the letter of Grant shall be subject to the laws of India and shall be subject to the jurisdiction of the High Court of Chennai.
- 20.2** If any clause, clauses or part thereof is found to be invalid or void on any account, the remaining clause or clauses shall continue to have full force and effect as if such clause, clauses or part thereof were not contained in The Scheme.

**ARTICLE 21**

**CONFIDENTIALITY:**

- 21.1** The Eligible Employee who holds any Options / Shares under the Scheme shall not divulge the details of The Scheme and his/her holding to any person except any disclosure as may be required as per Applicable Laws.
- 21.2** The Eligible Employee shall enter into such agreement, as the Bank or its representatives may desire from time to time to more fully and effectively implement this Scheme.

**ARTICLE 22**

**STATUTORY DISCLOSURES:**

Kindly go through the Disclosure Documents annexed to this Scheme and which is deemed to be a part of the Scheme.