

ESOP Financials

1. Disclosures under SEBI Regulations

The following disclosure needs to be made in the Annexure to the Directors Report as per SEBI Regulations -

A.	The information pursuant to the provisions of Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021, erstwhile SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 read with 'Guidance note on accounting for Employee share-based payments' issued by ICAI have been provided in Annexure B to this Report		
B.	Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI have been provided in Annexure B to this Report		
	Summary of Status of ESOPs Granted The position of the existing schemes is summarized as under -		
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 (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
7	Variation in terms of options	Scheme was amended to align with new regulations of SEBI (Share Based Employee Benefits & Sweat equity) Regulations, 2021 as issued by SEBI and no material amendments were carried out	

*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 Rs. 10/-, the Options pursuant to split of Shares to face value of Rs. 2/- each have become 2,00,00,000 options

***On 09th August 2018, have approved issue of equity shares by way of Bonus in the ratio of 1:10

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II. Method used to account for ESOS

The Company has calculated the employee compensation cost using the intrinsic value method of accounting for the Options granted under the Scheme for all employees except Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff. As per the RBI guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff issued on 30th August 2021 the compensation cost for the aforementioned employees is recognised using the Fair value of the options computed using Black Scholes Model.

III. The stock-based compensation cost calculated as per the intrinsic value method for the period April 1, 2022 to March 31, 2023 is 41,96,467 (as provided by the Company). 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, 2022 to March 31, 2023 would be ₹1,22,87,657. 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	Rs.
Net Income as reported*	11,06,09,18,166.62
Add: Intrinsic Value Compensation Cost*	41,96,468
Less: Fair Value Compensation Cost	1,22,87,657
Adjusted Pro Forma Net Income	11,05,28,26,978
Earning Per Share: Basic	
As Reported	13.79
Adjusted Pro Forma	13.78
Earning Per Share: Diluted	
As Reported	13.76
Adjusted Pro Forma	13.75

* Computed and provided by the Company

**compensation cost is the combination of fair value (booked for Managing Directors &CEO/Material Risk Takers) and intrinsic value cost (booked all other employees except for above mentioned).

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		ESOP 2011		ESOP 2018	
IV.	Option Movement during the year	KVB_ESOS_2011		KVB_ESOS_2018	
Sr. no	Particulars	Numbers	Wt. Avg Exercise Price	Numbers	Wt. Avg Exercise Price
1	Number of Options Outstanding at the beginning of the year	37,72,063	₹40.85	22,36,790	₹38.95
2	Number of Options Granted during the year*	0	NA	4,42,161	₹60.19
3	Number of Options Forfeited / Cancelled During the year	5,05,286	₹47.56	86,800	₹38.60
4	Options Lapsed during the year	0	NA	0	NA
5	Number of Options Vested during the year	8,26,906	₹38.60	8,07,401	39.00
6	Number of Options Exercised during the year	10,76,819	₹39.69	9,77,205	₹38.93
7	Total number of shares arising as a result of exercise of options	10,76,819	₹39.69	9,77,205	₹38.93
8	Money realised by exercise of options (Rs.)	4,27,38,946	NA	3,80,42,591	NA
9	Number of options Outstanding at the end of the year	21,89,958	₹39.87	16,14,946	₹39.18
10	Number of Options exercisable at the end of the year	8,62,759	₹41.82	2,32,942	₹38.60

V	Weighted average exercise price of Options granted during the year whose	
(a)	Exercise price equals market price	60.19
(b)	Exercise price is greater than market price	NIL
(c)	Exercise price is less than market price	NIL
	Weighted average fair value of options granted during the year whose	
(a)	Exercise price equals market price	16.64
(b)	Exercise price is greater than market price	NIL
(c)	Exercise price is less than market price	NIL

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VI Employee-wise details of options granted during the financial year 2022-23 to:

(i) Senior managerial personnel :

Name of Employees	Designation	Number of Options granted during the year	Exercise price
B Ramesh Babu #	MD & CEO	59,075	108.25
J Natarajan*	President & COO	57,218	85.70
Dolphy Jose*	General Manager	1,20,064	47.00
Shekar Ramarajan*	General Manager	95,745	
Nitin Rangasamy*	Deputy General Manager	1,10,059	

#ESOPs are granted for performance period FY 2021-22 as a part of variable pay in terms of compensation structure as approved by Reserve Bank of India.

*ESOPs are granted for performance period FY 2021-22 as a part of variable pay in terms of their compensation structure.

(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
B Ramesh Babu #	MD & CEO	59,075	108.25
J Natarajan*	President & COO	57,218	85.70
Dolphy Jose*	General Manager	1,20,064	47.00
Shekar Ramarajan*	General Manager	95,745	
Nitin Rangasamy*	Deputy General Manager	1,10,059	

#ESOPs are granted for performance period FY 2021-22 as a part of variable pay in terms of compensation structure as approved by Reserve Bank of India.

*ESOPs are granted for performance period FY 2021-22 as a part of variable pay in terms of their compensation structure.

(iii) Identified employees who were granted option, during the year equal to or exceeding 1% of the issued capital (excluding

Name of Employees	Designation	Number of Options granted during the year	Exercise price
Nil			

VII. Method and Assumptions used to estimate the fair value of options granted during the year 2022-2023:

Date of grant	KVB_ESOS_2011	KVB_ESOS_2018
1. Risk Free Interest Rate	No Options Granted during the year	6.31%
2. Expected Life		2.00
3. Expected Volatility		43.90%
4. Dividend Yield		0.99%
5. Price of the underlying share in market at the time of the option grant (Rs.)		60.19

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The variables used for calculating the fair value and their rationale are as follows:

A. Stock price: The closing market price one day prior to the date of grant on National Stock Exchange (NSE) has been considered for the purpose of option valuation.

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

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

D. Exercise Price :We have considered the exercise price as per the information provided by the Company.

E. Time to Maturity / Expected Life of options: The management expects the employees to exercise the options immediately post vesting and therefore the expected life considered is same as the vesting period.

F. Expected dividend yield: Expected dividend is computed basis the dividend declared by the company for last one financial year. The dividend yield has been derived by dividing the dividend per share for the year by the market price per share.

