



KOTAK MAHINDRA BANK LIMITED

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ESOPs / SARs Disclosure

[Pursuant to Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021]

The members of the Bank at their Annual General Meeting held on June 29, 2015, approved the 'Kotak Mahindra Share Based Employee Benefit Scheme 2015' ("Scheme"), under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the purposes of granting options and stock appreciation rights to the employees of the Bank, its subsidiaries and associate companies, as applicable. The Scheme comprises of:

- Kotak Mahindra Equity Option Scheme 2015 ("**ESOP Scheme 2015**"); and
- Kotak Mahindra Stock Appreciation Rights Scheme 2015 ("**SARs Scheme 2015**")

Both, the ESOP Scheme 2015 and the SARs Scheme 2015 were in force during the financial year 2021-22.

SEBI has repealed the SEBI (Share Based Employee Benefits) Regulations, 2014 and brought in force the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI (SBEB & SW) Regulations, 2021"), with effect from 13th August, 2021.

The relevant disclosure of details of the ESOP Scheme 2015 and SARs Scheme 2015, as specified in Part F of Schedule – I of SEBI (SBEB & SW) Regulations, 2021 are, as under:

A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by the Institute of Chartered Accountants of India, New Delhi ("ICAI"):

Details have been provided in note 13 of Schedule 17 - Notes to Accounts of the consolidated financial statement and note 8 of Schedule 18B Notes to Accounts of the Standalone financial statement in the Bank's Integrated Annual Report 2021-22. The Integrated Annual Report 2021-22 is available on the Bank's website viz., URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>

B. 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:

The diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with AS-20 is ₹ 60.73 (Consolidated) and ₹ 43.01(Standalone)

C. Details related to ESOP Scheme 2015

Particulars	ESOP Scheme 2015
(i) Description of each ESOP that existed at any time during the year	
Date of shareholders' approval	June 29, 2015
Total number of options approved	3,64,00,000 (post bonus adjusted number)
Vesting requirements	Graded / Cliff vesting
Exercise price or pricing formula	<p>Exercise Price' shall be a price, as may be determined by the Board / Compensation Committee, payable by the employee for exercising Options granted in pursuance of the Scheme, which will not be less than market price on the day prior to the Grant Date; In case of Whole-time Directors, the Exercise Price may be equivalent to or discounted up to 50% of the Average Market Price with a cap of 2,00,000 Options for each Whole-time Director in a financial year.</p> <p>The 'Average Market Price' would mean the average of the closing price of equity shares of the Bank during two weeks period prior to the date of the meeting of Board/Compensation Committee at which Plan Series under the ESOP Scheme 2015 is approved, on the Stock Exchange on which the equity shares of the Company are listed. In case the equity shares of the Company are listed on more than one Stock Exchange than the closing price at the Stock Exchange where there was highest trading volume during the said two week period shall be considered for determining the Average Market Price.</p> <p>Plan Series' means a documented plan framed by the Board or the Compensation Committee for grant of Options at a specific Exercise Price in one or more tranches, which shall be determined by the Board or the Compensation Committee for the purpose of that particular Plan Series and as per the other terms and conditions as mentioned in that Plan Series.</p>
Maximum term of options granted	Vesting period up to 4.09 years from the Grant date. Exercise period up to 1 years from the Vesting date.
Source of shares (primary, secondary or combination)	Primary
Variation in terms of options	-
ii) Method used to account for ESOP – Intrinsic or fair value	
Method used to account for ESOPs	Intrinsic value for grants up to March 31, 2021 and Fair value for grants after March 31, 2021
iii) Where the company opts for expensing of the options using the intrinsic value of options	
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. The	Refer Note 1

impact of this difference on profits and on EPS of the Company shall also be disclosed.													
Number of Options outstanding at the beginning of the period	61,59,212												
Number of options granted during the year	12,01,540												
Number of options forfeited/ lapsed during the year	2,64,002												
Number of Options vested during the year	29,11,138												
Number of options exercised during the year	28,26,092												
Number of shares arising as a result of exercise of options	28,26,092												
Money realized by exercise of options (INR), if scheme is implemented directly by the company	3,58,56,36,036												
Loan repaid by Trust during the year from exercise price received	NA												
Number of options outstanding at the end of the year	42,70,658												
Number of options exercisable at the end of the year	1,011,709												
v) Weighted-average exercise prices and weighted –average fair value of options													
Weighted – average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	The weighted average price of the stock options exercised is ₹ 1,268.76 and The weighted average fair value of the options granted is ₹495.45												
(i) Senior management personnel	<table border="1"> <thead> <tr> <th></th> <th>Name</th> <th>No. of options granted</th> <th>Exercise Price</th> </tr> </thead> <tbody> <tr> <td rowspan="3">ESOP Scheme 2015 Series 30</td> <td>Mr. Dipak Gupta (Joint Managing Director)</td> <td>25,610</td> <td rowspan="3">₹ 1,801 per share</td> </tr> <tr> <td>Mr. KVS Manian (Whole-time Director)</td> <td>21,520</td> </tr> <tr> <td>Mr. Gaurang Shah (Whole-time Director)</td> <td>21,350</td> </tr> </tbody> </table>		Name	No. of options granted	Exercise Price	ESOP Scheme 2015 Series 30	Mr. Dipak Gupta (Joint Managing Director)	25,610	₹ 1,801 per share	Mr. KVS Manian (Whole-time Director)	21,520	Mr. Gaurang Shah (Whole-time Director)	21,350
	Name	No. of options granted	Exercise Price										
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	Mr. Gaurang Shah (Whole-time Director)	21,350											
(ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil												
(iii) Identified employees who were granted option, during any one year,	Nil												

<p>equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant</p>	
<p>A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information:</p>	<p>A. Stock price It is the closing market price on the National Stock Exchange of India Limited prior to the meeting of the Board in which the options are granted.</p> <p>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. Accordingly, daily volatility of the Bank’s stock price on the NSE for the period corresponding to the respective expected live of the different vesting, prior to the grant date has been considered.</p> <p>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-coupon yield curve for Government Securities as on the date of the respective grant.</p> <p>D. Time to Maturity/Expected Life of options The minimum life of a stock option is the vesting period and the maximum life is vesting period plus the exercise period. The Expected life of the options has been calculated as the average of the two extremes – the minimum life and the maximum life. Since each vest has been considered as a separate grant, the expected life has been calculated for each vesting separately.</p> <p>E. Dividend yield The dividend yield for each grant has been derived by dividing the dividend per share by the market price per share.</p> <p>Weighted average information in respect of above assumptions has been provided in note 13 of Schedule 17 of the notes to accounts to the Consolidated financial statements in the Bank’s Annual Report 2021-22</p> <p>Weighted average information in respect of above assumptions has been provided in note 8 of Schedule 18B of the notes to accounts to the Standalone financial statement in the Bank’s Annual Report 2021-22</p>

E. Details related to Stock Appreciation Rights (SARs)

The Bank, under its various plans/series, have granted 6,09,330 SARs during FY 21-22. The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.00 to 4.13 years.

Particulars	SARs under SARs Scheme 2015
SARs outstanding at the beginning of the year	21,35,672
SARs granted during the year	6,09,330
SARs settled during the year	9,24,303
SARs lapsed during the year	107,481
SARs outstanding at the end of the year	17,13,218

Details of SARs granted under SARs Scheme 2015 are as follows:

Particulars	SARs Scheme 2015
i) Description of each SAR scheme that existed at any time during the year	
Date of shareholders' approval	June 29, 2015
Total number of shares approved under the SAR scheme	1,82,00,000 (post bonus adjusted number)
Vesting requirements	SARs shall vest any time after expiry of 1 year from the date of grant as may be determined by the Compensation Committee
SAR price or pricing formula	SAR/Base Price shall be such price as may be determined by the Compensation Committee from time to time at which 'Plan Series' under the Scheme is approved. The Compensation Committee shall formulate various Plan Series based on the recommendation of the management of the Company. Vesting Price means the Market Price as on the Vesting Date. Market Price means latest available closing price on a recognized stock exchange on which the shares of the Company are listed on the date immediately prior to the Vesting Date. If such shares are listed on more than one stock exchange having the highest trading volume shall be considered as the market price. Appreciation means the difference between the Vesting Price and the Base Price multiplied by the number of SARs granted. All SARs awarded shall vest in and be paid as Appreciation.
Maximum term of SAR granted	Vesting period upto 4.13 years from the Grant date.
Method of settlement (whether in cash or equity)	Cash only
Choice of settlement (with the company or the employee or combination)	-
Source of shares (primary, secondary or combination)	-
Variation in terms of scheme	-
ii) Method used to account for SAR – Intrinsic or fair value	
Method used to account for SAR	Intrinsic value for grants up to March 31, 2021 and Fair value for grants after March 31, 2021
iii) Where the company opts for expensing of SAR using the intrinsic value of SAR	

Where the company opts for expensing of SAR using the intrinsic value of SAR, 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 SAR, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Refer Note 1
iv) SAR movement during the year	
Number of SARs outstanding at the beginning of the year	21,35,672
Number of SARs granted during the year	Series 32: 3,51,430 Series 33: 1,06,920 Series 34: 2,570 Series 35: 45,700 Series 36: 4,560 Series 37: 4,570 Series 38: 93,580
Number of SARs forfeited / lapsed during the year	107,481
Number of SARs vested during the year	9,71,173
Number of SARs exercised / settled during the year	9,24,303
Number of SARs outstanding at the end of the year	17,13,218
Number of SARs exercisable at the end of the year	660
v) Employee wise details of SARs granted during the year to	
(i) Senior management personnel	Nil
(ii) Any other employee who receives a grant in any one year of amounting to 5% or more of SAR granted during that year	Nil
(iii) Identified employees who were granted SAR, 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.	Nil

Note 1:

- Had the Bank (on Consolidated basis) recorded the compensation cost on the basis of Fair Valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 41.64 crore and the Consolidated profit after tax would have been lower by ₹ 30.85 crore. Consequently, the basic and diluted EPS of the Bank (Consolidated) would have been ₹ 60.60 and ₹ 60.58 respectively.
- Had the Bank (on Standalone basis) recorded the compensation cost computed on the basis of Fair Valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 20.52 crore and the Standalone profit after tax would have been lower by ₹ 15.35 crore. Consequently, the basic and diluted EPS of the Bank (Standalone) would have been ₹ 42.95 and ₹ 42.93 respectively.
- Figures are derived by considering the options granted and exercised by employees of the Bank and its subsidiaries.