

KOTAK MAHINDRA BANK LIMITED

Employee Stock Option Scheme / Stock Appreciation Rights Scheme

Disclosure for FY 2020-21

Disclosure pursuant to Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014

The Members of Kotak Mahindra Bank Limited ("Bank") at its Annual General Meeting held on June 29, 2015 approved a new Scheme pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the purposes of granting Employee Stock Options ("ESOPs") and Stock Appreciation Rights ("SARs") to the employees of the Bank, its subsidiaries and its associate companies, as applicable, under the Kotak Mahindra Share Based Employee Benefit Scheme 2015 comprising:

- Kotak Mahindra Equity Option Scheme 2015 and
- Kotak Mahindra Stock Appreciation Rights Scheme 2015.

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank (IVBL) with the Bank approved by the Members of the Bank at the Extraordinary General Meeting held on January 7, 2015, the ESOP Schemes of the erstwhile IVBL had been renamed and adopted by the Bank, as given below:

- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2005;
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013.

During the Financial Year 2020-21, the following Schemes were in operation:

- Kotak Mahindra Equity Option Scheme 2015 ("**KMBL – ESOP Scheme 2015**")
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013 ("**KMBL (IVBL) Scheme 2013**")
- Kotak Mahindra Stock Appreciation Rights Scheme 2015 ("**SARs Scheme 2015**")

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 or any other relevant Accounting Standards as prescribed from time to time.

Details provided in Note 13 of Schedule 17 - Notes to Accounts of the consolidated financial statements and Note 8 of Schedule 18B - Notes to Accounts of the standalone financial statements in the Bank's Annual Report for FY 2020-21. (Annual Report is available on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>)

B. Diluted Earnings Per Share 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 The Institute of Chartered Accountants of India or any other relevant accounting standards as prescribed from time to time.

The diluted Earnings per Share pursuant to issue of shares on exercise of options calculated in accordance with AS-20 is Rs. 50.49 (consolidated) and Rs. 35.14 (standalone).

C. Details related to Employee Stock Option (ESOP) Schemes

ESOPs granted under KMBL - ESOP Scheme 2015:

Particulars	KMBL - ESOP Scheme 2015
(i) Description of each Employee Stock Option (“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 (number adjusted for bonus shares)
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 upto 4.02 years from the Grant date. Exercise period upto 0.55 years from the Vesting date.
Source of shares (primary, secondary or combination)	Primary
Variation in terms of options	-
ii) Method used to account for Employee Stock Option (“ESOP”) – Intrinsic or fair value	
Method used to account for ESOPs	Intrinsic

iii) Where the company opts for expensing of the Employee Stock Option (“ESOP”) 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 impact of this difference on profits and on EPS of the Company shall also be disclosed.	Refer Note 1
iv) Option movement during the year (For each Employee Stock Options)	
Number of Options outstanding at the beginning of the period	82,78,402
Number of options granted during the year	16,98,840
Number of options forfeited/ lapsed during the year	3,29,310
Number of Options vested during the year	38,34,236
Number of options exercised during the year	34,88,720
Number of shares arising as a result of exercise of options	34,88,720
Money realized by exercise of options (INR), if scheme is implemented directly by the company	Rs. 3,89,53,00,827
Loan repaid by Trust during the year from exercise price received	Not Applicable
Number of options outstanding at the end of the year	61,59,212
Number of options exercisable at the end of the year	960,009
v) Weighted-average exercise prices and weighted –average fair value of Employee Stock Options (“ESOPs”)	
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 Rs.1,116.54 and the weighted average fair value of the options granted is Rs. 378.71

vi) Employee wise details of options granted during the year to				
(i) Senior Managerial Personnel (Whole-time Directors)		Name	No. of options granted	Exercise Price
	ESOP Scheme 2015 Series 29	Mr. Dipak Gupta (Joint Managing Director)	54,720	Rs.1000 per share
		Mr. K.V.S. Manian (Whole-time Director)	48,030	
		Mr. Gaurang Shah (Whole-time Director)	49,530	
(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, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil			
vii) A description of the method and significant assumptions used to estimate fair value of options				
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>A. Stock price It is the closing market price on the National Stock Exchange of India Limited ('NSE') 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 for FY 2020-21</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 statements in the Bank's Annual Report for FY 2020-21</p>
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ESOPs granted under KMBL (IVBL) Scheme 2013

Particulars	KMBL (IVBL) Scheme 2013
i) Option movement during the year (For each Employee Stock Options)	
Number of Options outstanding at the beginning of the period	3,08,610
Number of options granted during the year	0
Number of options forfeited/ lapsed during the year	0
Number of Options vested during the year	0
Number of options exercised during the year	3,08,610
Number of shares arising as a result of exercise of options	3,08,610
Money realized by exercise of options (INR), if scheme is implemented directly by the company	Rs. 11,71,86,115
Number of options outstanding at the end of the year	0
Number of options exercisable at the end of the year	0
ii) Weighted-average exercise prices	
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 Rs. 379.72
Method used to account for ESOPs	Intrinsic

iii) Where the company opts for expensing of the options using the intrinsic value of Employee Stock Options (“ESOPs”)	
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 impact of this difference on profits and on EPS of the Company shall also be disclosed.	Refer Note 1

* Figures are derived by considering the options granted and exercised by employees of the Bank and its subsidiaries.

E. Details related to Stock Appreciation Rights (“SARs”)

The employees of the Bank and its subsidiaries under its various plans/series have been granted 9,90,190 Stock Appreciation Rights (“SARs”) during FY 2020-21. 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 1.07 to 4.11 years.

Particulars	Stock Appreciation Rights (“SARs”) under SARs Scheme 2015
SARs outstanding at the beginning of the year	22,53,629
SARs granted during the year	9,90,190
SARs settled during the year	10,46,905
SARs lapsed during the year	61,242
SARs outstanding at the end of the year	21,35,672

Details of SARs granted under Stock Appreciation Rights (“SARs”) Scheme 2015 are as follows:

Particulars	SARs Scheme 2015
i) Description of each Stock Appreciation Rights (“SARs”) 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. (‘Appreciation’ as defined under the SARs Scheme 2015 means the difference between the Vesting Price and the Base Price multiplied by the number of SARs granted)
Maximum term of SAR granted	Vesting period upto 4.11 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 Stock Appreciation Rights (“SARs”) – Intrinsic or fair value	
Method used to account for SAR	Intrinsic
iii) Where the company opts for expensing of Stock Appreciation Rights (“SARs”) using the intrinsic value of SARs	
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) Stock Appreciation Rights (“SARs”) movement during the year	
Number of SARs outstanding at the beginning of the year	22,53,629
Number of SARs granted during the year	9,90,190
Number of SARs forfeited / lapsed during the year	61,242
Number of SARs vested during the year	10,61,543
Number of SARs exercised / settled during the year	10,46,905
Number of SARs outstanding at the end of the year	21,35,672
Number of SARs exercisable at the end of the year	-

v) Employee wise details of Stock Appreciation Rights (“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 Rs. 83.07 crore and the consolidated profit after tax would have been lower by Rs. 62.18 crore. Consequently, the basic and diluted EPS of the Bank (consolidated) would have been Rs. 50.11 and Rs. 50.07, 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 Rs. 42.93 crore and the standalone profit after tax would have been lower by Rs. 32.13 crore. Consequently, the basic and diluted EPS of the Bank (standalone) would have been Rs. 34.95 and Rs. 34.92, respectively.
- Figures are derived by considering the options granted and exercised by employees of the Bank and its subsidiaries.