

Bandhan Bank Limited

Bandhan Bank Employee Stock Option Plan Series 1 ('ESOP Scheme') – Disclosure for the financial year 2022-23

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

A. Disclosure under Guidance Note on Accounting for Employee Share-based Payments:

The Board of Directors (the '**Board**') of Bandhan Bank Limited (the '**Bank**'), on the basis of recommendation of Nomination and Remuneration Committee ('**NRC**'), has approved the Bandhan Bank Employee Stock Option Plan Series 1 ('**ESOP Scheme**'), on July 26, 2017 for issue of stock options to eligible employees and directors of the Bank.

The Shareholders of the Bank at the Extra-Ordinary General Meetings held on November 23, 2017 and December 20, 2017 have approved the ESOP Scheme and the grant of Employee Stock Option ('**Options**') to the employees of the Bank. For the purpose of initial grant as Tranche 1, the shareholders had accorded approval for grant of options not exceeding 22,20,725 Options constituting 0.20% of the issued and paid-up equity share capital of the Bank. These grants were made before the Initial Public Offerings ('**IPO**') of the Bank. Accordingly, in terms of Regulation 12 of the SEBI (Share Based Employee Benefits) Regulation, 2014 ('**SEBI SBEB**'), the Shareholders of the Bank at 5th Annual General Meeting held on June 28, 2019 have ratified the ESOP Scheme of the Bank and based on the recommendation of the Board, have accorded its approval for increase in the total numbers of Options for grant under the ESOP Scheme from 22,20,725 to 5,47,57,052 Options. The said approval accords the Board or any Committee including the NRC, which the Board has constituted, to create, offer and grant Options, from time to time, in one or more tranches, to permanent employees of the Bank, including any Director of the Bank, whether whole-time or otherwise but specifically excluding Promoter(s), Independent Directors and Directors holding directly or indirectly more than 10% of the outstanding equity shares.

This plan was framed in accordance with the SEBI SBEB replaced with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ('**SEBI SBESW**'), and as applicable at the time of the grant. The accounting for the stock options has been in accordance with the SEBI SBESW, to the extent applicable.

ESOP Scheme provides for the issuance of Options by the Board and/ or the NRC at the closing price on the Indian stock exchange with the highest trading volume as of the working day preceding the date of grant. The Options would vest not earlier than one year and not later than four years from the date of the grant. The period in which the options may be exercised cannot exceed five years from date of the vesting. However, on retirement of an employee, the whole of the unvested options shall vest on the first vesting date relating to the said grant, immediately following the date of superannuation. Vesting of Option would be subject to continued employment and has not served any notice of resignation.

Further, pursuant to the provisions of the 'Scheme of Amalgamation' of erstwhile GRUH Finance Limited ("GRUH") with the Bank, the Bank has granted Options under the ESOP Scheme – Tranche 2, with the revised exercise price, to the eligible employees who were holding stock options under the erstwhile GRUH's Employee Stock Option Scheme-2015 (GRUH ESOS-2015) and are presently the employees of the Bank.

B. Activity in the options outstanding under the Employee Stock Option Plan as at March 31,2023:

i. Activity in the Options outstanding under the ESOP Scheme – Tranches 1, 2 , 3, 4 and 5

Sl. No.	Particulars	FY 2022-23		FY 2021-22	
		Number of options	Weighted average exercise price (amt. in ₹)	Number of options	Weighted average exercise price (amt. in ₹)
1.	Options outstanding at the beginning of year	2,26,45,881	376.99	1,64,92,073	410.17
2.	Options granted during the year	1,11,27,127	313.60	83,70,166	315.14
3.	Options forfeited during the year	27,88,941	354.58	20,49,334	407.48
4.	Options expired during the year	1,18,305	539.22	0	0
5.	Options exercised during the year	80,611 ⁽¹⁾	180.00	1,67,024 ⁽²⁾	180.05
6.	Options outstanding at the end of year	3,07,85,151	356.00	2,26,45,881	376.99
7.	Options exercisable	1,16,72,459	397.30	73,07,681	404.19

⁽¹⁾Includes 18,487 shares against which application money amounting to Rs 0.33 Crore was received in the month of March 2023 whereas allotment was made in the month of April 2023

⁽²⁾Includes 8,489 shares against which application money amounting to Rs 0.15 Crore was received in the month of March 2022 whereas allotment was made in the month of April 2022

ii. The following table summarises the information about Options outstanding as at March 31, 2023:

Sr. No.	Plan	Range of exercise price (amt. in ₹)	Number of shares arising out of options	Weighted average remaining life of options (in years)	Weighted average exercise price (amt. in ₹)
1	ESOP Scheme – Tranches 1, 2 , 3, 4 and 5	180.00 to 539.22	3,07,85,151	5.13	356.00

The following table summarises the information about Options outstanding as at March 31, 2022:

Sr. No.	Plan	Range of exercise price (amt. in ₹)	Number of shares arising out of options	Weighted average remaining life of options (in years)	Weighted average exercise price (amt. in ₹)
1	ESOP Scheme – Tranches 1, 2 , 3 and 4	180.00 to 539.22	2,26,45,881	5.31	376.99

C. Fair value methodology

The weighted average fair value of Options granted during the year was ₹105.85. The fair value of Options used to compute the proforma net profit and earnings per equity share have been estimated on the dates of each grant using the Black Scholes valuation model. The Bank estimates the volatility based on the historical prices of its equity shares. The various assumptions considered in the pricing model for the Options granted during the year ended March 31, 2023 are:

Particulars	March 31, 2023
Dividend yield (%)	0-0.42%
Expected volatility (%)	25.26% - 29.40% - 55.84%
Risk-free interest rate (%)	'6.18% -6.49% - 6.88% - 7.06% - 7.42%
Expected remaining life of the options (years)	0.04- 8.96 years

The expected volatility reflects the assumption that is indicative of future trends, which may also not necessarily be the actual outcome.

The Bank measures the cost of Options using the intrinsic value method. Had the Bank used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed as indicated below:

(₹ in crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Profit after tax as reported	2,194.64	125.79
Add: ESOP cost using the intrinsic value method	-	-
Less: ESOP cost using the fair value method	70.80	79.23
Proforma profit after tax	2,123.83	46.56
Weighted Average Number of equity shares	1,61,08,09,940	1,61,06,91,061
Weighted Average Number of equity shares <i>(including dilutive potential equity share)</i>	1,61,10,88,297	1,61,11,93,362
Earnings Per Share		
Basic		
- As reported (₹)	13.62	0.78
- Proforma (₹)	13.18	0.29
Diluted		
- As reported (₹)	13.62	0.78
- Proforma (₹)	13.18	0.29

Note: In accordance with the RBI circular RBI/2021-22/95 DOR.GOV.REC.44 /29.67.001 /2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated August 30, 2021, Share-linked instruments granted to Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff after the accounting period ending March 31, 2021, are fair valued on the date of grant, using Black-Scholes model

instead of Intrinsic value method. As a result, 'Employees' cost' for the year ended March 31, 2023 is higher by ₹ 6.71 crores and the same is therefore not considered in above table.

D. Scheme Specific Disclosures

i) General Disclosures

Sl. No.	Particulars	Disclosure
1	Date of Shareholder's approval	November 23, 2017, December 20, 2017 and June 28, 2019
2	Total Number of Options approved under ESOP Scheme*	5,47,57,052
3	Vesting requirements	The options have a vesting schedule and vest over a period of 4 years (25% each year). The vesting is subject to vesting conditions including <i>inter alia</i> , continued employment and that the employee has not served any notice of resignation.
4	Exercise Price or pricing formula#	It shall be the latest available closing price, prior to the date of the meeting of the NRC on which the options are granted, on the stock exchange on which the shares of the Bank are listed, but shall not be less than the face value of an equity share of the Bank. Since the shares of the Bank are listed on both National Stock Exchange of India Limited and BSE Limited, the stock exchange where there is highest trading volume on the said date shall be considered.
5	Maximum term of options granted	Five years from the date of vesting and the options have a vesting schedule and vest over a period of 4 years (25% each year).
6	Source of Shares	Primary
7	Variation in terms of options	Not applicable
8	Method used for accounting of ESOP (Intrinsic or fair value)	Intrinsic value method
9	Fair value related Disclosure: a) Increase in the employee compensation cost computed at fair value over the cost computed using intrinsic cost method b) Net profit, if the employee compensation cost had been computed at fair value c) Basic EPS, if the employee	a) Rs.70.80 crore b) Rs. 2,123.83 crore c) Rs. 13.18 per share

Sl. No.	Particulars	Disclosure
	compensation cost had been computed at fair value d) Diluted EPS, if the employee compensation cost had been computed at fair value	d) Rs. 13.18 per share
10	Weighted average exercise price of the options whose: a) Exercise price equals market Price b) Exercise price exceeds market Price c) Exercise price is less than market Price	a) Weighted average exercise price of the Options granted during FY 2022-23 - Rs.313.60 b) Nil c) Nil
11	Weighted average fair value of the options whose: a) Fair Value equals market fair value b) Fair value exceeds market fair value c) Fair value is less than market Fair Value	a) Weighted average fair value of the Options granted during FY 2022-23 - Rs. 105.85 b) Nil c) Nil

**The Shareholders have approved the grant of 21,90,000 Options and 30,725 Options on November 23, 2017 and December 20, 2017, respectively, and at 5th Annual General Meeting held on June 28, 2019 have accorded its approval to increase the total number of Options to be granted under 'ESOP Plan Series 1' upto 5,47,57,052 options which included 22,20,725 options approved earlier for grant vide Shareholders special resolutions dated November 23, 2017 and December 20, 2017.*

#includes 22,20,725 options granted pre-IPO at a pre-determined grant price of Rs. 180 per options.

ii) Option movement during the financial year 2022-23

Particulars	ESOP Scheme
Number of Options outstanding at the beginning of the year	2,26,45,881
Number of Options granted during the year	1,11,27,127
Number of Options forfeited during the year	27,88,941
Number of Options expired during the year	1,18,305
Number of Options vested during the year	56,29,377
Number of Options exercised during the year	80,611
Number of shares arising as a result of exercise of options	80,611*
Money realized by exercise of options during the year (₹ in Crores)	1.45
Loan repaid by the trust during the year from exercise price	NA

Particulars	ESOP Scheme
Number of Options outstanding at the end of the year	3,07,85,151
Number of Options exercisable at the end of the year	1,16,72,459

*Includes 18,487 shares against which application money amounting to Rs 0.33 Crore was received in the month of March 2023 whereas allotment was made in the month of April 2023

iii) Employees details who were granted the options during the financial year 2022-23

Sr. No	Particulars	Name of Employee	Designation of employee	No of options granted	Exercise Price (amt. in ₹)
1	Details of grants to Senior Managerial personnel*	Chandra Shekhar Ghosh	Managing Director & CEO	344,679	270.7
		Sunil Samdani	EP (Chief Financial Officer)	124,487	318.05
		Santanu Banerjee	EP (Head -Human Resources)	107,148	318.05
		Biswajit Das	EVP (Chief Risk Officer)	84,696	318.05
		Siddhartha Sanyal	EVP (Chief Economist & Head Research)	87,041	318.05
		Nand Kumar Singh	EVP (Head-Banking Operations & Customer Services)	74,662	318.05
		Sujoy Roy	EVP (Head-Branch Banking)	69,894	318.05
		Ronti Kar	EVP (Chief Information Officer)	80,568	318.05
		Hirak Sumatiprasad Joshi	SVP (Head-Retail Assets)	30,000	265.45
		Indranil Banerjee	SVP (Company Secretary)	55,085	318.05
		Suresh Chandran	EVP (Head-Commercial Banking)	30,000	265.45
		Ravi Lahoti	SVP (Chief Audit Executive)	43,500	318.05
		Satyajit Ghosh	SVP (Head – Banking Units)	60,579	318.05
		Sudheer Reddy Govula	EVP (Chief Compliance Officer)	45,499	318.05
		P Ramaswamy	SVP (Chief of Internal Vigilance)	12,185	318.05
		Manoj Kumar Mauni	EVP (Chief Technology Officer)	45,297	318.05
		Shantanu Sengupta	EP (Head-Retail Banking)	1,75,000 and 25,000	265.45 & 233.65
Subhash Balkrishna Samant	EVP (Head - Housing Finance)	30,000	265.45		
Arindam Sarkar	EVP (Head-Treasury)	30,000	205.8		
2	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year.				NIL
3	Identified employees who were granted options, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank under the grant				NIL

* As per Regulation 16(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.