

Bandhan Bank Limited

Bandhan Bank Employee Stock Option Plan Series 1 ('ESOP Scheme') – Disclosure for the financial year 2019-20

[Disclosure Pursuant to Regulation 14 of SEBI (Share Based Employee Benefits) Regulation, 2014 read with SEBI Circular No. CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015]

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**') for issue of stock options to eligible employees and directors of the Bank, on July 26, 2017.

The Shareholders of the Bank at the Extra-Ordinary General Meetings held on November 23, 2017 and December 20, 2017 has 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 shares 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 - Tranche 2, 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 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, as amended, from time to time and as applicable at the time of the grant. The accounting for the stock options has been in accordance with the SEBI SBEB, 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 option 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 Plans:

a. Activity in the Options outstanding under the ESOP Scheme – Tranche 1 and Tranche 2:

Sl. No.	Particulars	FY 2019-20		FY 2018-19	
		Number of options	Weighted average exercise price (amt. in ₹)	Number of options	Weighted average exercise price (amt. in ₹)
1.	Options outstanding, beginning of year	18,57,049	180	22,20,725	180
2.	Options granted during the year	95,68,358*	472.18	0	180
3.	Options exercised during the year	21,00,35**	199.11	2,84,885#	180
4.	Options forfeited/lapsed during the year	2,76,170	431.97	78,791	180
5.	Options outstanding, end of year	109,39,202	428.84	18,57,049	180
6.	Options exercisable	10,01,065	255.25	2,50,019	180

* 59,92,685 options have been granted by the Bank to the employees of erstwhile GRUH who have joined the services of the Bank pursuant the Scheme of Amalgamation of GRUH with the Bank.

** Includes 680 shares against which application money was received but pending allotment to Rs 0.02 crore.

Includes 6,974 shares against which application money was received but pending allotment to Rs 0.09 crore

b. The following table summarises the information about Options outstanding as at March 31, 2020:

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 – Tranche 1 & 2	180.00 to 539.22	109,39,202	5.23	180.00 to 472.18

c. The following table summarises the information about Options outstanding as at March 31, 2019:

Sl 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 – Tranche 1	180	18,57,049	6.52	180

C. Fair value methodology

The weighted average fair value of Options granted during the year was ₹233.73. 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, 2020 are:

Particulars	March 31, 2020
Dividend yield (%)	0.23% to 0.61%
Expected volatility (%)	17.07% - 47.27%
Risk-free interest rate (%)	5.26% - 6.66%
Expected remaining life of the options (years)	0.83 -7.29 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, 2020	Year ended March 31, 2019
Profit after tax as reported	3,023.74	1,951.50
Add: ESOP cost using the intrinsic value method	-	-
Less: ESOP cost using the fair value method	88.78	6.59
Proforma profit after tax	2,934.96	1,944.91
Weighted Average Number of equity shares	1,61,00,11,850	1,21,74,06,047
Weighted Average Number of equity shares (including dilutive potential equity share)	1,61,13,72,777	1,21,89,26,854
Earnings Per Share		
Basic		
- As reported (₹)	18.78	16.03
- Proforma (₹)	18.23	15.98
Diluted		
- As reported (₹)	18.76	16.01
- Proforma (₹)	18.21	15.96

D. Scheme Specific Disclosures

i) General Disclosures

Sl. No.	Particulars	Disclosure
1	Date of Shareholder's approval	23.11.2017, 20.12.2017 and 28.06.2019
2	Total Number of Options approved under ESOP Scheme*	5,47,57,052

Sl. No.	Particulars	Disclosure
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	No
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 ESOP, if the employee compensation cost had been computed at fair value d) Diluted ESOP, if the employee compensation cost had been computed at fair value	a) Rs.88.78 Cr. b) Rs. 2934.96 Cr. c) Rs. 18.23 d) Rs. 18.21

Sl. No.	Particulars	Disclosure
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 2019-20 - Rs.472.18 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 2019-20 - Rs.233.73 b) Nil c) Nil

*the Shareholders have approved the grant of 21,90,000 and 30,725 on November 23, 2017 and December 20, 2017, respectively and at 5th Annual General Meeting held on June 28, 2019 has 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 was at a pre-determined grant price of Rs. 180 per options.

ii) Option movement during the financial year 2019-20

Particulars	ESOP Scheme
Number of Options outstanding at the beginning of the year	18,57,049
Number of Options granted during the year	95,68,358
Number of Options forfeited during the year	2,61,158
Number of Options expired during the year	15,012
Number of Options exercised during the year	*2,10,035
Number of Options outstanding at the end of the year	1,09,39,202
Number of Options vested during the year	5,20,903
Number of shares arising as a result of exercise of options	*2,10,035
Money realized by exercise of options during the year (₹ in Crores)	4.18
Number of Options exercisable at the end of the year	10,01,065
Loan repaid by the trust during the year from exercise price	NA

*Includes 680 shares against which application money was received but pending allotment to Rs 0.02 crore.

iii) Employees details who were granted the options during the financial year 2019-20

Sr. No	Particulars	Name of Employee	Designation of employee	No of options granted during FY 2019-20	Exercise Price (amt. in ₹)
1	Details of grants to Senior Managerial personnel*	Chandra Shekhar Ghosh	Managing Director & CEO	Nil	N.A.
		Sudhin Bhagwandas Choksey	Head, Housing Finance	3,23,760	431.43
		Deepankar Bose, Head - Corporate Services	EP	41,971	538.75
		Sanjeev Naryani, Head- Business	EP	25,000	527.25
		Sunil Samdani, Chief Financial Officer	EP	83,943	538.75
		Santanu Banerjee, Head Human Resources	EP	83,943	538.75
		Indranil Banerjee, Company Secretary	VP	20,399	538.75
		Biswajit Das, Chief Risk Officer	EVP	35,009	538.75
		Siddhartha Sanyal, Chief Economist & Head Research	EVP	20,000	527.25
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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.