



KOTAK MAHINDRA BANK LIMITED

CIN: L65110MH1985PLC038137

Registered Office: 27BKC, C 27, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051

Tel: +91 22 6166 0001; **Fax:** +91 22 6713 2403

Website: www.kotak.com; **Email:** KotakBank.Secretarial@kotak.com

ESOPs / SARs Disclosure

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

The Employee Stock Options (“ESOPs”) and Stock Appreciation Rights (“SARs”) granted to the employees of the Bank and its subsidiaries currently operate under the following Schemes:

- (i) ESOP Scheme 2023 (“ESOP Scheme 2023”);
- (ii) ESOP Scheme 2015 (“ESOP Scheme 2015”);
- (iii) SARs Scheme 2023 (SARs Scheme 2023); and
- (iv) SARs Scheme 2015 (SARs Scheme 2015).

ESOP Scheme 2015 and SARs Scheme 2015 were approved by the members of the Bank on 29th June, 2015 whereas ESOP Scheme 2023, which has been implemented with effect from 22nd December, 2023 in place of ESOP Scheme 2015, was approved by the members of the Bank on 22nd December, 2023.

All these schemes fall under the purview of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“SEBI (SBEB & SE) Regulations, 2021”).

SARs Scheme 2023, which has been approved by the Board on 17th November, 2023 and implemented in the Bank with effect from 1st December, 2023 in place of SARs Scheme 2015 is for settlement of appreciation rights in cash and hence, does not fall under the purview of the SEBI (SBEB & SE) Regulations, 2021.

The relevant disclosure of details of the ESOP Scheme 2015, SARs Scheme 2015 and ESOP Scheme 2023, as specified in Part F of Schedule –I of the SEBI (SBEB & SE) 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 provided in note 11 of Schedule 17 - Notes to Accounts of the consolidated financial statement and note 8 of Schedule 18B - Notes to Accounts of the standalone financial statements in the Bank’s Integrated Annual Report 2023-24 which 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 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 ₹ 91.45 (Consolidated) and ₹ 69.15 (Standalone)

C. Details related to 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 | 29 th June, 2015 |
| Total number of options approved | 3,64,00,000 (as adjusted for bonus declared in 2015) |
| 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 is up to 4.16 years from the Grant date. Exercise period is up to 1 year 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 |
| 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 impact of this difference on profits and on | Refer Note 1 |

| EPS of the Company shall also be disclosed. | | | | | | | | | |
|---|---|------------------------|----------------|------------------------|----------------|-----|-----|-----|-----|
| Number of Options outstanding at the beginning of the period | 3,573,225 | | | | | | | | |
| Number of options granted during the year (after adjustment as per RBI approval, where necessary) | 1,112,490 | | | | | | | | |
| Number of options forfeited/ lapsed during the year | 621,670 | | | | | | | | |
| Number of Options vested during the year | 1,410,822 | | | | | | | | |
| Number of options exercised during the year | 1,364,316 | | | | | | | | |
| Number of shares arising as a result of exercise of options | 1,364,316 | | | | | | | | |
| Money realized by exercise of options (INR), if scheme is implemented directly by the company | 1,995,975,087 | | | | | | | | |
| Loan repaid by Trust during the year from exercise price received | NA | | | | | | | | |
| Number of options outstanding at the end of the year | 2,699,729 | | | | | | | | |
| Number of options exercisable at the end of the year | 334,878 | | | | | | | | |
| 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 ₹ 1,842.83 and The weighted average fair value of the options granted is ₹ 509.70 | | | | | | | | |
| (i) Senior management personnel (key managerial 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>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table> | | Name | No. of options granted | Exercise Price | Nil | Nil | Nil | Nil |
| | Name | No. of options granted | Exercise Price | | | | | | |
| Nil | Nil | Nil | Nil | | | | | | |
| (ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during | 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 | | | | | | | | |
| A description of the method and significant assumptions used during the year to estimate the fair values of options, | A. Stock price | | | | | | | | |

including the following weighted – average information:

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.

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

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.

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.

E. Dividend yield

The dividend yield for each grant has been derived by dividing the dividend per share by the market price per share.

Weighted average information in respect of above assumptions has been provided in note 11 of Schedule 17 of the notes to accounts to the consolidated financial statements in the Bank's Integrated Annual Report 2023-24.

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 Integrated Annual Report 2023-24.

E. Details related to related to ESOP Scheme 2023

| Particulars | ESOP Scheme 2023 |
|--|---|
| (i) Description of each ESOP that existed at any time during the year | |
| Date of shareholders' approval | 22 nd December, 2023 |
| Total number of options approved | 20,000,000 |
| Vesting requirements | Graded / Cliff vesting |
| Exercise price or pricing formula | <p>'Exercise Price' shall be a price, as may be determined by the Board/Nomination and Remuneration Committee, payable by the Employee for Exercising Options granted in pursuance of the Scheme, which will not be less than the Market Price on the day prior to the Grant Date.</p> <p>The 'Market Price' would mean the closing price of equity shares of the Company on the stock exchange on which the equity shares of the Company are listed on a trading day prior to the Grant Date under a Plan Series under the ESOP Scheme 2023. In case the equity shares of the Company are listed on more than one stock exchange, then the closing price on the stock exchange where there was highest trading volume on such trading day, shall be considered for determining the Market Price.</p> <p>'Plan Series' means a documented plan framed by the Board/NRC for Grant of Options at a specific Exercise Price, in one or more tranches, which shall be determined for the purpose of that particular plan series and as per the other terms and conditions as mentioned in that plan series or as near thereto as the circumstances require.</p> |
| Maximum term of options granted | Vesting period is up to 3.40 years from the Grant date. Exercise period is up to 1 year 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 |
| 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 impact of this difference on profits and on | Refer Note 1 |

| EPS of the Company shall also be disclosed. | | | | | | | | | | | | | | | | | |
|---|---|------------------------|----------------------|------------------------|----------------------|----------|----------------|--------|-------|----------|----------------------|--------|-------|----------|-------------------|--------|-------|
| Number of Options outstanding at the beginning of the period | 0 | | | | | | | | | | | | | | | | |
| Number of options granted during the year (after adjustment as per RBI approval, where necessary) | 1,08,417 | | | | | | | | | | | | | | | | |
| Number of options forfeited/ lapsed during the year | 0 | | | | | | | | | | | | | | | | |
| Number of Options vested during the year | 0 | | | | | | | | | | | | | | | | |
| Number of options exercised during the year | 0 | | | | | | | | | | | | | | | | |
| Number of shares arising as a result of exercise of options | 0 | | | | | | | | | | | | | | | | |
| Money realized by exercise of options (INR), if scheme is implemented directly by the company | 0 | | | | | | | | | | | | | | | | |
| Loan repaid by Trust during the year from exercise price received | NA | | | | | | | | | | | | | | | | |
| Number of options outstanding at the end of the year | 1,08,417 | | | | | | | | | | | | | | | | |
| Number of options exercisable at the end of the year | 0 | | | | | | | | | | | | | | | | |
| 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 ₹ 1,842.83 and The weighted average fair value of the options granted is ₹ 377.70 | | | | | | | | | | | | | | | | |
| (i) Senior management personnel (key managerial personnel) | <table border="1"> <thead> <tr> <th>ESOP Scheme 2023</th> <th>Name</th> <th>No. of options granted</th> <th>Exercise Price (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Series 1</td> <td>Mr. KVS Manian</td> <td>31,267</td> <td>1,823</td> </tr> <tr> <td>Series 1</td> <td>Ms. Shanti Ekambaram</td> <td>25,337</td> <td>1,823</td> </tr> <tr> <td>Series 2</td> <td>Mr. Ashok Vaswani</td> <td>51,813</td> <td>1,823</td> </tr> </tbody> </table> | ESOP Scheme 2023 | Name | No. of options granted | Exercise Price (Rs.) | Series 1 | Mr. KVS Manian | 31,267 | 1,823 | Series 1 | Ms. Shanti Ekambaram | 25,337 | 1,823 | Series 2 | Mr. Ashok Vaswani | 51,813 | 1,823 |
| ESOP Scheme 2023 | Name | No. of options granted | Exercise Price (Rs.) | | | | | | | | | | | | | | |
| Series 1 | Mr. KVS Manian | 31,267 | 1,823 | | | | | | | | | | | | | | |
| Series 1 | Ms. Shanti Ekambaram | 25,337 | 1,823 | | | | | | | | | | | | | | |
| Series 2 | Mr. Ashok Vaswani | 51,813 | 1,823 | | | | | | | | | | | | | | |
| (ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during | 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 | | | | | | | | | | | | | | | | |
| A description of the method and significant assumptions used during the year to estimate the fair values of options, | A. Stock price | | | | | | | | | | | | | | | | |

including the following weighted – average information:

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.

F. 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

G. 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.

H. 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.

I. Dividend yield

The dividend yield for each grant has been derived by dividing the dividend per share by the market price per share.

Weighted average information in respect of above assumptions has been provided in note 11 of Schedule 17 of the notes to accounts to the consolidated financial statements in the Bank's Integrated Annual Report 2023-24.

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 Integrated Annual Report 2023-24.

F. Details related to Stock Appreciation Rights (SARs)

The Bank and its subsidiaries under its various plans/series have granted 1,849,441 SARs during FY 23-24. 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 | 2,540,038 |
| SARs granted during the year | 1,849,441 |
| SARs settled during the year | 945,470 |
| SARs lapsed during the year | 267,336 |
| SARs outstanding at the end of the year | 3,176,673 |

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 | 29 th June, 2015 |
| Total number of shares approved under the SAR scheme | 18,200,000 (as adjusted for bonus declared in 2015) |
| 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 up to 5.1 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 31 st March, 2021 and Fair value for grants after 31 st March, 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 | 2,540,038 |
| Number of SARs granted during the year | 1,849,441 |
| Number of SARs forfeited / lapsed during the year | 267,336 |
| Number of SARs vested during the year | 945,470 |
| Number of SARs exercised / settled during the year | 945,470 |
| Number of SARs outstanding at the end of the year | 3,176,673 |
| Number of SARs exercisable at the end of the year | - |
| 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 Group recorded the compensation cost for all share-linked instruments granted on or before 31st March, 2021 on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by Rs. 2.89 crore (Previous year Rs. 12.93 crore) and the profit after tax would have been lower by Rs. 2.22 crore (Previous year Rs. 9.75 crore). Consequently the basic and diluted EPS would have been Rs. 91.44 (Previous year ₹ 74.91) and Rs. 91.43 (Previous year Rs. 74.89), respectively.
- Standalone financials: Had the Bank recorded the compensation cost for all share-linked instruments granted on or before 31st March, 2021 on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by Rs. 2.41 crore (previous year Rs. 5.20 crore) and the profit after tax would have been lower by Rs. 1.81 crore (previous year Rs. 3.89 crore). Consequently the basic and diluted EPS would have been Rs. 69.14 (previous year Rs. 54.87) and Rs. 69.14 (previous year Rs. 54.85), respectively.
- Figures are derived by considering the options granted and exercised by employees of the Bank and its subsidiaries.