

Bandhan Bank Limited

Bandhan Bank Employee Stock Option Plan Series 1 ('ESOP Scheme') – Disclosure for the financial year 2021-22

[Pursuant to Regulation 14 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 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**') 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 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, replaced with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ('**SEBI SBEB SW**'), and as applicable at the time of the grant. The accounting for the stock options has been in accordance with the SEBI SBEB SW, 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 as at March 31, 2022:

- i. Activity in the Options outstanding under the ESOP Scheme – Tranche 1, Tranche 2, Tranche 3 and Tranche 4:

Sl. No.	Particulars	FY 2021-22		FY 2020-21	
		Number of options	Weighted average exercise price (amt. in ₹)	Number of options	Weighted average exercise price (amt. in ₹)
1.	Options outstanding, beginning of year	1,64,92,073	410.17	1,09,39,202	428.84
2.	Options granted during the year	83,70,166	315.14	63,05,997	366.34
3.	Options exercised during the year*	1,67,024	180.05	3,58,809	205.87
4.	Options forfeited/lapsed during the year	20,49,334	407.48	3,94,317	413.14
5.	Options outstanding, end of year	2,26,45,881	376.99	1,64,92,073	410.17
6.	Options exercisable	73,07,681	404.19	37,97,289	409.24

*Includes 8,489 shares against which application money was received but pending allotment amounting to Rs 0.15 crore

* Includes 8,131 shares against which application money was received but pending allotment amounting to Rs 0.15 crore

- ii. 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 – Tranche 1, 2, 3 & 4	180.00 to 539.22	2,26,45,881	5.31	376.99

- iii. The following table summarises the information about Options outstanding as at March 31, 2021:

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 & 3	180.00 to 539.22	1,64,92,073	5.41	410.17

C. Fair value methodology

The weighted average fair value of Options granted during the year was ₹110.10. 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, 2022 are:

Particulars	March 31, 2022
Dividend yield (%)	0-0.34%
Expected volatility (%)	25.03%- 26.67% -29.40%
Risk-free interest rate (%)	5.11% -5.22%- 5.59%- 5.76%-6.12%
Expected remaining life of the options (years)	0.04- 8.88 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, 2022	Year ended March 31, 2021
Profit after tax as reported	125.79	2,205.46
Add: ESOP cost using the intrinsic value method	-	-
Less: ESOP cost using the fair value method	79.23	62.49
Proforma profit after tax	46.56	2142.97
Weighted Average Number of equity shares	1,61,06,91,061	1,61,03,66,506
Weighted Average Number of equity shares (including dilutive potential equity share)	1,61,11,93,362	1,61,10,72,504
Earnings Per Share		
Basic		
- As reported (₹)	0.78	13.70
- Proforma (₹)	0.29	13.31
Diluted		
- As reported (₹)	0.78	13.69
- Proforma (₹)	0.29	13.30

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, 2022 is higher by ₹ 5.24 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	23.11.2017, 20.12.2017 and 28.06.2019
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	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 EPS, if the employee compensation cost had been	a) Rs.79.23 crore b) Rs. 46.56 crore c) Rs. 0.29 per share

Sl. No.	Particulars	Disclosure
	computed at fair value d) Diluted EPS, if the employee compensation cost had been computed at fair value	d) Rs. 0.29 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 2021-22 - Rs.315.14 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 2021-22 - Rs. 110.10 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 at a pre-determined grant price of Rs. 180 per options.

ii) Option movement during the financial year 2021-22

Particulars	ESOP Scheme
Number of Options outstanding at the beginning of the year	1,64,92,073
Number of Options granted during the year	83,70,166
Number of Options forfeited during the year	20,49,334
Number of Options expired during the year	0
Number of Options exercised during the year	1,67,024
Number of Options outstanding at the end of the year	2,26,45,881
Number of Options vested during the year	46,09,769
Number of shares arising as a result of exercise of options	1,67,024
Money realized by exercise of options during the year (₹ in Crores)	3.09
Number of Options exercisable at the end of the year	73,07,681
Loan repaid by the trust during the year from exercise price	NA

iii) Employees details who were granted the options during the financial year 2021-22

Sr. No	Particulars	Name of Employee	Designation of employee	No of options granted during FY 2021-22	Exercise Price (amt. in ₹)
1	Details of grants to Senior Managerial personnel*	Chandra Shekhar Ghosh	Managing Director & CEO	170,809	286.65
		Sanjeev Naryani	EP (Head- Business)	97,421	316.65
		Sunil Samdani	EP (Chief Financial Officer)	1,14,242	316.65
		Santanu Banerjee	EP (Head -Human Resources)	1,00,829	316.65
		Arvind Singla	EP (Head-Operations & Technology)	NA	NA
		Biswajit Das	EVP (Chief Risk Officer)	55,925	316.65
		Siddhartha Sanyal	EVP (Chief Economist & Head Research)	88,482	316.65
		Nand Kumar Singh	EVP (Head-Banking Operations & Customer Services)	63,647	316.65
		Sujoy Roy	EVP (Head-Branch Banking)	58,209	316.65
		Ronti Kar	EVP (Chief Information Officer)	62,555	316.65
		Saurabh Jain	SVP (Head-Commercial Banking)	NA	NA
		Arvind Kanagasabai	SVP (Head-Treasury)	51,560	316.65
		Jagannadha Rao	SVP (Head- Legal)	13,392	316.65
		Indranil Banerjee	SVP (Company Secretary)	40,415	316.65
		Kamal Batra	EP (Head-Assets)	250,000	286.90
		Ravi Lahoti	SVP (Chief Audit Executive)	31,409	316.65
		Satyajit Ghosh	SVP (Incharge-Emerging Entrepreneurs Business)	52,892	316.65
		Sudheer Reddy Govula	EVP (Chief Compliance Officer)	90,000	317.85
Suresh Srinivasan Iyer	SVP (Head-Housing Finance)	NA	NA		
P Ramaswamy	SVP (Chief of Internal Vigilance)	NA	NA		
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.