

**DISCLOSURES BY BOARD OF DIRECTORS AS PER REGULATION 14 OF
SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE
BENEFITS) REGULATIONS, 2014**

A. Disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

The Shareholders of the Bank had approved an ESOP plan Phase I in November 2005, enabling the Board and /or the Nomination Committee to grant such number of equity shares and/or equity linked instruments, including options of the Bank not exceeding 4% of the Issued Capital or 60,00,000 Equity Shares of the Bank. The Shareholders, at the Annual General Meeting held on September 11, 2006 had approved an additional 3% of the Issued Capital, aggregating the total Equity Share Capital reserved for all ESOPs to 7% of the Issued Capital from time to time. As the shares of the Bank were subsequently listed, confirmation of shareholders was obtained at the Extraordinary General Meeting held on December 15, 2006 in line with the guidelines of the Securities & Exchange Board of India. Pursuant thereto, during the year the Nomination and Remuneration Committee of the Board granted the following options.

Date	Price	Sub Plan 1	Sub Plan 2
April 13, 2018	176.45	-	40,000

Under the Employees' Stock Options Plan, options vest in a graded manner over a 5 year period from the date of grant, the details of which are set out below:

End of the Year	For Sub Plan 1		For Sub Plan 2
	Till August 16, 2010	From August 17, 2010	
2 nd	-	30%	30%
3 rd	40%	30%	30%
4 th	30%	20%	20%
5 th	30%	20%	20%

Any Option granted pursuant to the Plan shall become exercisable in full upon the retirement of the employee.

Method used for accounting for ESOP

The Bank has applied the intrinsic value method to account for the compensation cost of ESOP to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the options.

Activity in options outstanding under Employees Stock Option Plan

Particulars	March 31, 2019		March 31, 2018	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	9,354,205	65.32	10,378,995	63.54
Granted during the year	40,000	176.45	75,000	181.75
Exercised during the year	1,462,015	69.83	950,530	52.73
Forfeited/Lapsed during the year	151,685	100.74	149,260	80.15
Options outstanding at the end of the year*	7,780,505	64.35	9,354,205	65.32
Options exercisable	5,402,105	55.34	5,504,705	53.60

*Includes 1,400 (Previous year: NIL) employee stock options exercised, pending for allotment.

The weighted average share price in respect of options exercised and allotted during the year ended March 31, 2019 is ₹ 172.03 (Previous year ₹ 190.32).

Summary of stock options outstanding as on March 31, 2019 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options	Weighted average exercise price (₹)	Weighted average remaining contractual life (Number of years)
₹ 17.00 – ₹ 24.00	1,750	19.77	1.34
₹ 25.00 – ₹ 109.00	7,156,565	59.20	5.65
₹ 110.00– ₹ 200.00	622,190	123.81	6.95

There were 1,462,015 stock options exercised during the year ended March 31, 2019.

Summary of stock options outstanding as on March 31, 2018 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options	Weighted average exercise price (₹)	Weighted average remaining contractual life (Number of years)
₹ 17.00 – ₹ 24.00	3,100	20.52	2.05
₹ 25.00 – ₹ 109.00	8,617,660	60.52	6.47
₹ 110.00– ₹ 200.00	733,445	121.91	7.18

There were 950,530 stock options exercised during the year ended March 31, 2018.

Fair value Methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated using the binomial option-pricing model. The Bank estimated the volatility based on the historical share prices.

The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2019 and March 31, 2018 were:

Particular	March 31, 2019	March 31, 2018
Dividend Yield	0.39%	0.29%
Expected Volatility	50%	51%
Risk Free Interest Rate	7.39%	6.62%
Expected life of options	6 years	7 years

The expected volatility was determined based on historical volatility data; historical volatility includes data since listing.

The weighted average fair value of options granted during the year ended March 31, 2019 is ₹ 62.86 (Previous year ₹ 48.39).

In computing the above information, certain estimates/assumptions have been made by the Bank's management which have been relied upon by the auditors.

Impact of Fair Value Method on Net Profit and EPS

Had the compensation cost for the Bank's stock option plans outstanding been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the proforma amounts indicated below:

(₹ in crore)

Particular	March 31, 2019	March 31, 2018
Net Profit (as reported)	325.37	245.34
Add: Stock based compensation expense accounted	0.06	0.15
	325.43	245.49
Less: Stock based compensation expense determined under fair value based method (proforma)	1.84	3.82
Net Profit (proforma)	323.59	241.67

Particular	March 31, 2019	March 31, 2018
Basic earnings per share (as reported)	10.53	8.02
Basic earnings per share (proforma)	10.47	7.90
Diluted earnings per share (as reported)	10.36	7.85
Diluted earnings per share (proforma)	10.30	7.74

- B. Diluted EPS 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 ICAI or any other relevant accounting standards as prescribed from time to time.

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, "Earnings per Share". The dilutive impact is due to stock options granted to employees by the Bank.

The computation of earnings per share is given below:-

Particulars	March 31, 2019	March 31, 2018
Basic		
Net Profit (₹ in crore)	325.37	245.34
Weighted average number of equity shares outstanding	308,925,965	306,080,311
Basic Earnings per share (₹)	10.53	8.02
Diluted		
Net Profit (₹ in crore)	325.37	245.34
Weighted average number of equity shares outstanding	314,167,993	312,363,730
Diluted Earnings per share (₹)	10.36	7.85
Face value per share (₹)	10.00	10.00

Dilution of equity is on account of 5,242,028 (Previous year 6,283,419) stock options.

C. Details related to Employee Stock Option Scheme ('ESOS')

(i) The Bank had in existence only one ESOS during the year viz. DCB Bank Ltd. –Employee Stock Option Plan consisting of Sub- Plan I (MANCO) and Sub-Plan II (Non-MANCO). The general terms and conditions of the same as given below:

Description	Sub- Plans I (MANCO)	Sub-Plan II (Non-MANCO)
(a) Date of shareholders' approval	December 15, 2006	December 15, 2006
(b) Total number of options approved under ESOS	4% of the Issued Capital of the Bank on an ongoing basis.	3% of the Issued Capital of the Bank on an ongoing basis.
(c) Vesting requirements	30%,30%,20% and 20% at end of 2 nd ,3 rd , 4 th and 5 th year respectively from the date of grant subject to the conditions of vesting for death, permanent disability or retirement of an employee.	30%,30%,20% and 20% at end of 2 nd ,3 rd , 4 th and 5 th year respectively from the date of grant subject to the conditions of vesting for death, permanent disability or retirement of an employee.
(d) Exercise price or pricing formula	The Exercise price of the Option shall be at a price related to the Market Price as decided by the Board/ Nomination Committee.	The Exercise price of the Option shall be at a price related to the Market Price as decided by the Board/ Nomination Committee.
(e) Maximum term of options granted	Vesting would be within 5 years from the date of grant and shall be exercised within 8 years from the date of vesting subject to conditions of vesting and exercise for death, permanent disability or retirement of an employee.	Vesting would be within 5 years from the date of grant and shall be exercised within 8 years from the date of vesting subject to conditions of vesting and exercise for death, permanent disability or retirement of an employee

(f) Source of shares (primary, secondary or combination)	Primary	Primary
(g) Variation in terms of options	No variation in terms of option during the year 2018-19	No variation in terms of option during the year 2018-19

(ii) Method used to account for ESOS - Intrinsic value.

(iii) Where the Bank opts for expensing of the options using the intrinsic value of the options:

<p>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</p> <p>The impact of this difference on profits and on EPS of the Bank</p>	<p>Had the Bank followed fair value method for accounting the stock options, compensation expense would have been higher by ₹ 1.78 crore. Consequently profit after tax would have been lower by that extent. The basic EPS of the Bank would have been ₹ 10.47 per share and the Diluted EPS would have been ₹ 10.30 per share.</p>
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(iv) Option movement during the year:

Particulars	Details
Number of options outstanding at the beginning of the period	9,354,205
Number of options granted during the year	40,000
Number of options forfeited / lapsed during the year	151,685
Number of options vested during the year	1,359,415
Number of options exercised during the year	1,462,015
Number of shares arising as a result of exercise of options	1,462,015
Money realized by exercise of options (INR){ if scheme is implemented directly by the Bank }	102,097,598/-
Loan repaid by the Trust during the year from exercise price received	Not Applicable
Number of options outstanding at the end of the year	7,780,505
Number of options exercisable at the end of the year	5,402,105

(v) The Weighted-average exercise prices of the Options granted during the year is ₹ 176.45 and the weighted-average fair values is ₹ 62.86

(vi) Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to:

a) senior managerial personnel	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Name & Designation</th> <th style="text-align: center;">Options Granted</th> <th style="text-align: center;">Exercise Price</th> </tr> </thead> <tbody> <tr> <td>Ms. Rubi Chaturvedi Company Secretary</td> <td style="text-align: center;">4,000</td> <td style="text-align: center;">₹ 176.45</td> </tr> </tbody> </table>	Name & Designation	Options Granted	Exercise Price	Ms. Rubi Chaturvedi Company Secretary	4,000	₹ 176.45						
Name & Designation	Options Granted	Exercise Price											
Ms. Rubi Chaturvedi Company Secretary	4,000	₹ 176.45											
(b) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Name & Designation</th> <th style="text-align: center;">Options Granted</th> <th style="text-align: center;">Exercise Price</th> </tr> </thead> <tbody> <tr> <td>Mr. Abhijit Shah Chief Technology Officer</td> <td style="text-align: center;">20,000</td> <td style="text-align: center;">₹ 176.45</td> </tr> <tr> <td>Mr. Prashant Kapse Head- Portfolio</td> <td style="text-align: center;">10,000</td> <td style="text-align: center;">₹ 176.45</td> </tr> <tr> <td>Ms. Preeti Dhar Head- Service Excellence</td> <td style="text-align: center;">6,000</td> <td style="text-align: center;">₹ 176.45</td> </tr> </tbody> </table>	Name & Designation	Options Granted	Exercise Price	Mr. Abhijit Shah Chief Technology Officer	20,000	₹ 176.45	Mr. Prashant Kapse Head- Portfolio	10,000	₹ 176.45	Ms. Preeti Dhar Head- Service Excellence	6,000	₹ 176.45
Name & Designation	Options Granted	Exercise Price											
Mr. Abhijit Shah Chief Technology Officer	20,000	₹ 176.45											
Mr. Prashant Kapse Head- Portfolio	10,000	₹ 176.45											
Ms. Preeti Dhar Head- Service Excellence	6,000	₹ 176.45											
(c) 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 Bank at the time of grant.	None												

(vii) A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:

(a) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model;	<ul style="list-style-type: none"> (i) weighted-average values of share price- ₹ 176.45 (ii) weighted-average exercise price- ₹ 176.45 (iii) expected volatility- 50 % (iv) expected option life- 6 years (v) expected dividends- 0.39 % (vi) risk-free interest rate- 7.39 %
(b) the method used and the assumptions made to incorporate the effects of expected early exercise;	The method recognizes that employees' exercise behavior is correlated with the price of the underlying share. Pricing model assumes that option holder voluntarily exercises early if the stock price is greater than the exercise price. To incorporate the effects of expected early exercise, assumptions also include employee exit rate pre-vesting, employee exit rate post-vesting
(c) how expected volatility was determined, including an explanation of the extent to which expected volatility was	Expected volatility was determined based on historical volatility data; historical volatility includes data since listing.

based on historical volatility; and	
(d) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	As aforesaid, various features were incorporated into the measurement of fair value.

Disclosures in respect of grants made in three years prior to IPO under the ESOS: All the Options granted in the three years prior to the IPO have either been exercised or have lapsed.