

**DISCLOSURES BY BOARD OF DIRECTORS AS PER REGULATION 14 OF SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021**

**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
January 18, 2022	86.45	1,031,524	-

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 to December 31, 2020	From January 01, 2021	Till December 31, 2020	From January 01, 2021
1 <sup>st</sup>	-	-	33.33%	-	33.33%
2 <sup>nd</sup>	-	30%	33.33%	30%	33.33%
3 <sup>rd</sup>	40%	30%	33.34%	30%	33.34%
4 <sup>th</sup>	30%	20%	-	20%	-
5 <sup>th</sup>	30%	20%	-	20%	-

**Method used for accounting for ESOP**

RBI, vide its clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff, advised Banks that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ending March 31, 2021. Accordingly, the Bank has valued its stock options granted after March 31, 2021 using the fair value method under its Employee'

Stock Options Plan. The fair value of the stock options is estimated on the date of grant using Black-Scholes model and is recognised as employee cost over the vesting period.

Activity in options outstanding under Employees Stock Option Plan

Particulars	March 31, 2022		March 31, 2021	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	8,275,840	64.46	6,797,370	63.07
Granted during the year	1,031,524	86.45	1,710,500	70.38
Exercised during the year	440,350	52.73	120,700	53.63
Forfeited/Lapsed during the year	215,400	74.43	111,330	82.27
Options outstanding at the end of the year*	8,651,614	67.43	8,275,840	64.46
Options exercisable	6,077,590	63.21	6,116,240	60.92

\*Includes 5,000 (Previous year: 1,000) 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, 2022 is ₹ 77.97 (Previous year ₹ 94.02).

Summary of stock options outstanding as on March 31, 2022 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	700	19.49	1.37
₹ 25.00 - ₹ 109.00	8,116,804	63.89	6.90
₹ 110.00- ₹ 200.00	534,110	121.41	6.28

There were 440,350 stock options exercised during the year ended March 31, 2022.

Summary of stock options outstanding as on March 31, 2021 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	700	19.49	2.37
₹ 25.00 - ₹ 109.00	7,738,730	60.50	7.13
₹ 110.00- ₹ 200.00	536,410	121.63	7.39

There were 120,700 stock options exercised during the year ended March 31, 2021.

### **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 for options granted upto March 31, 2021. The Bank estimated the volatility based on the historical share prices.

The fair value of the stock options granted after March 31, 2021 is estimated on the date of grant using Black-Scholes model and is recognised as employee cost over the vesting period. Accordingly, the Bank has recognised ₹ 0.42 crore during the financial year 2021-22.

The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2022 were:

<b>Particular</b>	<b>March 31, 2022</b>
Dividend Yield	1.16%
Expected Volatility	38.85% to 41.32%
Risk Free Interest Rate	5.47% to 6.15%
Expected life of options	3.77 to 5.77 years

The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2021 were:

<b>Particular</b>	<b>March 31, 2021</b>
Dividend Yield	1.05% to 1.14%
Expected Volatility	48.84% to 48.86%
Risk Free Interest Rate	5.73%
Expected life of options	6.37 to 6.41 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, 2022 was ₹ 33.49 (Previous year ₹ 23.50).

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 on outstanding ESOPs granted upto March 31, 2021 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, 2022	March 31, 2021
Net Profit (as reported)	287.50	335.79
Add: Stock based compensation expense accounted	(0.01)	0.00
	287.49	335.79
Less: Stock based compensation expense determined under fair value based method (proforma)	1.26	1.50
Net Profit (proforma)	286.23	334.29

Particular	March 31, 2022	March 31, 2021
Basic earnings per share (as reported)	9.26	10.82
Basic earnings per share (proforma)	9.21	10.77
Diluted earnings per share (as reported)	9.19	10.70
Diluted earnings per share (proforma)	9.15	10.66

**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: -

<b>Particulars</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b><u>Basic</u></b>		
Net Profit (₹ in crore)	<b>287.50</b>	335.79
Weighted average number of equity shares outstanding	<b>310,638,511</b>	310,464,925
Basic Earnings per share (₹)	<b>9.26</b>	10.82
<b><u>Diluted</u></b>		
Net Profit (₹ in crore)	<b>287.50</b>	335.79
Weighted average number of equity shares outstanding	<b>312,826,393</b>	313,708,662
Diluted Earnings per share (₹)	<b>9.19</b>	10.70
Face value per share (₹)	<b>10.00</b>	10.00

Dilution of equity is on account of 2,187,882 (Previous year 3,243,737) 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:

<b>Description</b>	<b>Sub- Plans I (MANCO)</b>	<b>Sub-Plan II (Non-MANCO)</b>
(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 <sup>nd</sup> ,3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> year respectively for the Options granted till December 31, 2020 and 33.33% at the end of 1 <sup>st</sup> year ,33.33% at the end of 2 <sup>nd</sup> year and 33.34% at the end of 3 <sup>rd</sup> year for the Options granted on or after January 1, 2021, subject to the conditions of vesting for death, permanent disability or retirement of an employee.	30%,30%,20% and 20% at end of 2 <sup>nd</sup> ,3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> year respectively for the Options granted till December 31, 2020 and 33.33% at the end of 1 <sup>st</sup> year , 33.33% at the end of 2 <sup>nd</sup> year and 33.34% at the end of 3 <sup>rd</sup> year for the Options granted on or after January 1, 2021, 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 10 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 10 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	As given below	As given below

Summary of the changes made in the existing ESOP Plan of the Bank, within the framework of the terms approved previously by the Board/ Shareholders:

Clause No.	Description	Term before the change	Changed Term
21.1	Exercise of vested Options in case of termination due to resignation	Vested options to be exercised within 180 (One hundred eighty) days from the date of termination or expiry of original Exercise Period whichever is early	Vested options to be exercised within nine months from the date of termination or expiry of original Exercise Period whichever is early
21.2	Exercise of vested Options in case of termination due to retirement	Vested options to be exercised within 180 (One hundred eighty) days from the date of Retirement or expiry of original Exercise Period whichever is early. All the unvested Options granted till December 31, 2020 shall vest immediately on the date of retirement.	Vested options to be exercised within <b>18 (eighteen) months</b> from the date of Retirement or expiry of original Exercise Period whichever is early. All the unvested Options granted till December 31, 2020 shall vest immediately on the date of retirement.
21.2(a)	Exercise of vested Options in case of termination due to retirement and Vesting of Unvested Options a	All the unvested Options granted till December 31, 2020 shall vest immediately on the date of retirement and to be exercised within 180 (One hundred eighty) days from the date of Retirement or expiry of original Exercise Period whichever is early. All the unvested Options which were granted on or after January 1, 2021, should continue to vest after retirement as per the original Vesting Schedule as outlined	All the unvested Options granted till December 31, 2020 shall vest immediately on the date of retirement and to be exercised within <b>18 (eighteen) months</b> from the date of Retirement or expiry of original Exercise Period whichever is early. All the unvested Options which were granted on or after January 1, 2021, should continue to vest after retirement as per the original Vesting Schedule as outlined

		in the relevant Offer and to be exercised within 180 days from the date of Retirement	in the relevant Offer and to be exercised within <b>18 (eighteen) months</b> from the respective dates of the Vesting.
21.3(a)	Vesting and Exercise of vested Options on termination due to Permanent Disability of the Grantee	All the unvested Options will vest immediately on the date of permanent disability. The Vested Options shall be permitted to be exercised within 180(One hundred eighty days) from the date of such permanent disability or before the expiry of the original exercise period whichever is early.	All the unvested Options will vest immediately on the date of permanent disability. The Vested Options shall be permitted to be exercised within <b>18 (eighteen) months</b> from the date of such permanent disability or before the expiry of the original exercise period whichever is early
21.3(b)	Vesting and Exercise of vested Options on death of the Grantee	All the Vested Options may be exercised by Nominee or by Legal Heir, as the case may be, within 180 (One hundred eighty) days from the date of the death of the participant or expiry of the original exercise period whichever is early. All unvested options will also vest on the date of death and will be exercised in the same manner.	All the Vested Options may be exercised by Nominee or by Legal Heir, as the case may be, within <b>18 (eighteen) months</b> from the date of the death of the participant or expiry of the original exercise period whichever is early. All unvested options will also vest on the date of death and will be exercised in the same manner.
Sub Plan I and II Point no.5	Exercise period and the process of exercise	In the event, the Participant resigns or retires, all vested Options shall be exercised by such Participant no later than 180 (One hundred eighty) days from the date of such resignation /retirement or expiry of the original exercise period, whichever is early.	In the event, the Participant resigns, all vested Options shall be exercised by such Participant within <b>9 (Nine) months</b> from the date of such resignation or expiry of the original exercise period, whichever is early  In the event, the Participant retires, all the vested Options shall be exercised by such Participant within <b>18 (Eighteen) months</b> from the



			date of such retirement or relevant vesting or expiry of the original exercise period, whichever is early.
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(ii) Method used to account for ESOS - Intrinsic value method up to March 31, 2021 and Fair Value method after March 31, 2021.

(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 ₹1.27 crore. Consequently profit after tax would have been lower by that extent. The basic EPS of the Bank would have been ₹9.21 per share and the Diluted EPS would have been ₹9.15 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	8,275,840
Number of options granted during the year	1,031,524
Number of options forfeited / lapsed during the year	215,400
Number of options vested during the year	401,700
Number of options exercised during the year	440,350
Number of shares arising as a result of exercise of Options	440,350
Money realized by exercise of options (INR){ if scheme is implemented directly by the Bank )	23,219,927.50
Loan repaid by the Trust during the year from exercise price received	Not Applicable
Number of options outstanding at the end of the year	8,651,614
Number of options exercisable at the end of the year	6,077,590

(v) The Weighted-average exercise prices of the Options granted during the year is ₹ 86.45 and weighted-average fair values is ₹ 33.49.

(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

Sr. No.	Name of the employee and their Designation	Options Granted	Exercise Price(₹) per Option
1	AJIT SINGH EVP-Head Treasury and FIG	83,980	86.45
2	Abhijit Bose President and Chief Credit Officer	117,785	86.45
3	Bharat Laxmidas Sampat President and Chief Financial Officer	162,933	86.45
4	Jayaraman Vishwanath President and Head-Corporate and SME Banking	137,929	86.45
5	Narendranath Mishra EVP and Head Agri and Inclusive Banking	84,831	86.45
6	Praveen Achuthan Kutty President and Head- Retail Banking	214,150	86.45
7	R Venkattesh President and Head- IT, HR, Operations & CIO	183,021	86.45
8	Sridhar Seshadri President and Chief Risk Officer	46,895	86.45
(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			None
(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: (No Options were granted during the year)

(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;	(i) weighted-average values of share price-₹ 86.45 (ii) weighted-average exercise price- ₹86.45 (iii) expected volatility- 38.85 % to 41.32 % (iv) expected option life- 3.77 to 5.77 years (v) expected dividends- 1.16% (vi) risk-free interest rate- 5.47% to 6.15%
(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 based on historical volatility; and	Expected volatility was determined based on historical volatility data; historical volatility includes data since listing.
(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.