

DISCLOSURES UNDER SEBI (SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021 AND/OR THE COMPANIES ACT, 2013

A. SUMMARY OF STATUS OF ESOS GRANTED

The position of the existing scheme is summarized as under:

Particulars		CSB Employee Stock Option Scheme 2019/ ESOS 2019
1	Date of Shareholders' Approval	May 4, 2019
2	Total Number of Options approved under ESOS	Total options reserve stood at 1,66,72,791 options and sourcing of corresponding number of shares shall be from (i) fresh issue of up to 80,00,000 equity shares to the ESOS Trust and (ii) secondary acquisition of up to 86,72,791 shares by the Trust.
3	Vesting Requirements	Vesting Period for any Options granted under this Scheme shall be subject to statutory minimum period of 1 (One) year from the date of Grant during which no Vesting shall be allowed. Subject to this statutory minimum period, any staggered Vesting prescribed for any Grant shall be over a Vesting schedule of minimum of 3 (Three) years and maximum of 10 (Ten) years from the date of Grant.
4	Exercise Price or Pricing Formula	The Exercise Price per Option shall be determined by the Nomination and Remuneration Committee which shall not be lesser than the face value of Shares as on date of Grant.
5	Maximum Term of Options Granted	The exercise period in respect of a vested option shall be a period commencing from the relevant vesting date of such option and shall end with the expiry of 10 (Ten) years or such other shorter period as approved by the Committee from the date of grant of such option. Thus, expiry of exercise period in respect of options granted in a tranche of grant shall be same for all options in such tranche of grant.
6	Source of Shares (primary, secondary or combination)	Primary and Secondary

7	Variation in terms of options	<p>Being a Pre-IPO Scheme, in terms of Regulation 12(1) of the erstwhile Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SEBI SBEB Regulations”), any fresh grant of Options can be made under ESOS 2019 if the scheme is in compliance with the SEBI SBEB Regulations and ratified by the members of the Bank post IPO. Accordingly, the ESOS 2019 was placed before the members at the Annual General Meeting held on July 20, 2020, post listing of shares on December 4, 2019, for ratification, and the same was obtained. The ESOS 2019 as well as the Trust as originally introduced were in conformity with the SEBI SBEB Regulations. No options were granted prior to the amendment/ratification of the scheme/listing of shares of the Bank.</p> <p>The first amendment was made in the Scheme at the Annual General meeting of the Bank held on July 20, 2020, inter alia, to increase the Options Reserve by an additional quantum of 1,16,72,791. The source of corresponding number of shares equivalent to 1,16,72,791 options shall be in the form of (i) fresh issue of shares up to 30,00,000 shares and (ii) secondary acquisition by the Trust up to 86,72,791 shares. With this, the total Options Reserve under ESOS 2019 stood at 1,66,72,791 options. A few other modifications were also made in the scheme as per the prevailing regulations and also to effect change of name of the Bank in the Scheme document.</p> <p>The second amendment was made in the Scheme at the Annual General meeting of the Bank held on August 12, 2021, permitting vesting of unvested employee stock options after the date of retirement/ early retirement as per original Vesting schedule as specified in the Grant Letter, subject to the provision of the Applicable Laws and at the discretion of the Nomination and Remuneration Committee.</p> <p>None of the amendments made were detrimental to the interests of any existing option grantees, at the respective times.</p> <p>No amendments were made in the Scheme during the FY 2022-23.</p>
8	Method used to account for ESOS – Intrinsic or fair value	<p>Intrinsic Value Method till March 31, 2021 and thereafter Fair Value Method by using Black-Scholes Model.</p>

Note :

- (i). *The quantum of secondary acquisition is capped at 5 % (Five percent) of the paid-up equity share capital of the Bank as on March 31, 2020, which is line with the statutory ceiling prescribed under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“SEBI SBEB & SE Regulations”)*
- (ii). *Acquisition of shares by the Trust in any financial year shall not exceed the ceilings, which is currently two per cent of the paid up equity capital as at the end of the previous financial year, prescribed in ‘SEBI SBEB & SE Regulations’ as amended from time to time. Trust shall not deal in derivatives, and shall undertake only delivery based transactions for the purposes of secondary acquisition and for the purpose of the Plan.*

9(1)	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.	<p>The Bank used the intrinsic value method for accounting the value of options granted under the Scheme up to and including March 31, 2021, and thereafter the fair value method by using the Black-Scholes model for accounting the value of options granted. The disclosure with respect to the options granted for the period up to and including March 31, 2021 is given under:</p> <table><tr><th><i>Grant</i></th><th><i>Intrinsic Value</i></th><th><i>Fair Value</i></th><th><i>Difference</i></th><th><i>No. of Options</i></th><th><i>Total Difference</i></th></tr><tr><td>Grant – I</td><td>215.10</td><td>218.86</td><td>3.76</td><td>3,55,000</td><td>13,35,483.24</td></tr><tr><td>Grant – II</td><td>210.35</td><td>214.10</td><td>3.75</td><td>1,00,000</td><td>3,75,185.37</td></tr><tr><td>Grant – III</td><td>163.35</td><td>176.73</td><td>13.38</td><td>4,33,150</td><td>57,94,253.47</td></tr></table>	<i>Grant</i>	<i>Intrinsic Value</i>	<i>Fair Value</i>	<i>Difference</i>	<i>No. of Options</i>	<i>Total Difference</i>	Grant – I	215.10	218.86	3.76	3,55,000	13,35,483.24	Grant – II	210.35	214.10	3.75	1,00,000	3,75,185.37	Grant – III	163.35	176.73	13.38	4,33,150	57,94,253.47
<i>Grant</i>	<i>Intrinsic Value</i>	<i>Fair Value</i>	<i>Difference</i>	<i>No. of Options</i>	<i>Total Difference</i>																					
Grant – I	215.10	218.86	3.76	3,55,000	13,35,483.24																					
Grant – II	210.35	214.10	3.75	1,00,000	3,75,185.37																					
Grant – III	163.35	176.73	13.38	4,33,150	57,94,253.47																					
9(2)	The impact of this difference on profits and on EPS of the Bank shall also be disclosed.	<p>The stock-based compensation cost for the options granted up to and including March 31, 2021, calculated as per the intrinsic value method for the period April 1, 2022 to March 31, 2023 before tax is Rs.1.92 Crores. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the period April 1, 2022 to March 31, 2023 before tax would be Rs.1.95 Crores/-.The effect of adopting the fair value method on the net income and earnings per share is presented below:</p> <table><tr><th>Particulars</th><th>March 31,2023</th></tr></table>	Particulars	March 31,2023																						
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	Net Profit (as reported) (` in crores)	547.36
	Add: Stock based employee compensation expense included in net income (` in crores)	1.92
	Less: Stock based employee compensation expense determined under fair value based method (proforma) (` in crores)	1.95
	Net Profit (Proforma) (` in crores)	547.33
	Earnings per share: Basic (in `)	
	As reported	31.55
	Proforma	31.55
	Earnings per share: Diluted (in `)	
	As reported	31.55
	Proforma	31.55

B. OPTION MOVEMENT DURING THE FINANCIAL YEAR 2022-23

Sr. No	Particulars	Options details	Weighted Avg. Exercise Price
1	Number of Options Outstanding at the Beginning of the period	15,06,436	83.53
2	Number of Options Granted during the Year	7,47,456	207.93
3	Number of Options Forfeited during the Year	0	NA
4	Number of Options Vested during the Year	2,53,787	155.30
5	Number of Options Exercised during the Year	0	NA
6	Number of Options Lapsed during the Year	1,21,418	256.25
7	Number of Shares arising as a result of Exercise of Options	0	NA
8	Money realised by Exercise of Options (INR), if scheme is implemented directly by the Bank	NA	NA
9	Loan repaid by the Trust during the year from exercise price received	Not applicable for the FY 22	Not applicable for the FY 22
10	Number of Options Outstanding at the End of the Year	21,32,474	117.30

11	Number of Options Exercisable at the End of the Year	2,88,738	75
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C. THE WEIGHTED AVERAGE MARKET PRICES OF OPTIONS EXERCISED DURING THE FINANCIAL YEAR: NA

D. WEIGHTED AVERAGE EXERCISE PRICES OF OPTIONS GRANTED DURING FINANCIAL YEAR 2022-23 WHOSE

(Amount in Rs.)

(a)	Exercise price equals market price (₹) of the share	207.93
(b)	Exercise price is greater than market price of the share	NA
(c)	Exercise price is less than market price of the share	NA

E. WEIGHTED AVERAGE FAIR VALUES OF OPTIONS GRANTED DURING FINANCIAL YEAR 2021-22 WHOSE

(Amount in ₹)

(a)	Exercise price equals market price (₹) of the share	88.57
(b)	Exercise price is greater than market price of the share	NA
(c)	Exercise price is less than market price of the share	NA

F. EMPLOYEE-WISE DETAILS OF OPTIONS GRANTED DURING THE FINANCIAL YEAR 2022-23 TO:

(i) Senior Managerial Personnel

Sl. No	Name	Designation	Number of options granted during the Financial Year	Exercise Price (Rs.)	% of total options granted during the financial year
1	Mr. Pralay Mondal	Managing Director & CEO	1,56,389^	236.45	20.92
2	Mr. Harsh Kumar	Chief Human Resource Officer	36,599	196.6	4.90
3	Mr. Shyam Chandher Mani	Head - SME & NRI	52,005	196.6	6.96
4	Mr. Narendra Kumar Dixit	Head - Retail Banking	92,994	196.6	12.44
5	Mr. Rajesh Choudhary	Chief Technology Officer	37,506	196.6	5.02
6	Ms. Runa Das	Head - Wholesale Business	23,673	196.6	3.17
7	Mr. Manish Agarwal	Chief Credit Officer	61,082	196.6	8.17
8	Mr. Aravind K Sharma	Chief Risk Officer	16,897	196.6	2.26
9	Mr. Arun Kumar Ramachandran	Head - Audit & Inspection	42,755	196.6	5.72
10	Mr. Raju Kumar Ojha	Business Planner	10,000	207	1.34

^Options were granted to Mr. Pralay Mondal on September 23, 2022 in the capacity as 'President – Retail, SME, Technology and Operations' for the performance period from April 1, 2022 and ended on February 16, 2022.

(ii) Any other employees who receive a grant in any one year of option amounting to 5% or more of option granted during that year;

Name	Designation	No. of Options Granted during the financial year	Exercise Price (Rs)	% to total options granted during the financial year
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 Bank at the time of grant.

Name	Designation	No. of options granted during the financial year	Exercise Price (')	% to total options granted during the financial year
NIL				

G. A DESCRIPTION OF THE METHOD AND SIGNIFICANT ASSUMPTIONS USED DURING THE YEAR TO ESTIMATE THE FAIR VALUE OF OPTIONS:

The fair value has been calculated by using the Black- Scholes Option Pricing model. The fair value of options granted under the ESOS 2019 during the financial year 2022-23 has been estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

Date of Grant	June 28, 2022	July 21, 2022	September 23, 2022
No. of Options	3,76,067	2,15,000	1,56,389
Average Dividend Yield	0%	0%	0%
Expected Volatility	43.31% to 43.92%	43.3% to 43.92%	39.19% to 42.61%
Risk free interest rate	6.63% to 7.22%	6.72% to 7.21%	6.92% to 7.20%
Expected option life	2.5 to 5.51 years	2.5 to 5.51 years	2.5 to 5.51 years
Expected forfeiture	Nil	Nil	Nil
Stock Price	196.60	207.00	236.45

H. ASSUMPTIONS

Weighted average value of share price/ Stock Price	Latest available closing price on a recognised stock exchange on which the shares of the company are listed on the date immediately prior to the relevant date. If such shares are listed on more than one recognised stock exchange, then the closing price on the recognised stock exchange having higher trading volume shall be considered as the market price
Expected Volatility/ Determination of expected volatility, including an explanation of the extent to which expected volatility was based on historical volatility	Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of returns on the shares over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in Bank's share price.
Risk-free Interest Rate	The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero coupon yield curve for Government Securities.
Exercise Price	Exercise Price of each specific grant has been considered.
Time to Maturity/Expected life of options	Time to Maturity / Expected Life of options is the period for which the Bank expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the period after which the options cannot be exercised.
Expected Dividends	0 %
Any other features of the option granted, if incorporated into the measurement of fair value, such as a market condition/how such features were incorporated	Not applicable
Method used and assumptions made to incorporate effects of expected early exercise	Bank doesn't anticipate an early exercise of options granted. Bank expects the options granted to be exercised by the grantee within the Exercise Period as per the terms of grant and as per para 8.2 (b) of ESOS 2019.

I. DISCLOSURES IN COMPLIANCE WITH THE GUIDANCE NOTE ON ACCOUNTING FOR EMPLOYEE SHARE BASED PAYMENTS AS ON 31ST MARCH 2023:

Bank uses Intrinsic Value Method for accounting the value of Options granted under the Scheme up to and including March 31, 2021 and thereafter Fair Value Method by using Black-Scholes model, for accounting the value of Options granted as per the requirements in terms of Reserve Bank of India Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/

Material Risk Takers and Control Function staff, dated November 4, 2019 and clarification thereon dated August 30, 2021. Further details, refer to the para 3.4 of the Notes forming part of the financial statement for the year ended March 31, 2023, of the Annual Report. (Disclosures are provided in accordance with para 42 of the guidance note (GN (A) 18 (Issued 2005), Guidance Note on Accounting for Employee Share-based Payments) read with the Indian Accounting Standard (Ind AS) 102 on Share based payment.

(i) Description of the ESOS

Particulars	
Vesting requirements	Vesting Period for any Options granted under this Scheme shall be subject to statutory minimum period of 1 (One) year from the date of Grant during which no Vesting shall be allowed. Subject to this statutory minimum period, any staggered Vesting prescribed for any Grant shall be over a Vesting schedule of minimum of 3 (Three) years and maximum of 10 (Ten) years from the date of Grant.
Maximum term of options granted	The exercise period in respect of a vested option shall be a period commencing from the relevant vesting date of such option and shall end with the expiry of 10 (Ten) years or such other shorter period as approved by the Committee from the date of grant of such option. Thus, expiry of exercise period in respect of options granted in a tranche of grant shall be same for all options in such tranche of grant.
Method of Settlement	Equity Settled.

(ii) Number and Weighted Average Exercise price of options

(a) Option Movement during the financial year 2021-22

Sr. No	Particulars	Options details	Weighted Avg. Exercise Price
1	Number of Options Outstanding at the Beginning of the period	15,06,436	83.53
2	Number of Options Granted during the Year	7,47,456	207.93
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9	Loan repaid by the Trust during the year from exercise price received	Not applicable for the FY 22	Not applicable for the FY 22
10	Number of Options Outstanding at the End of the Year	21,32,474	117.30
11	Number of Options Exercisable at the End of the Year	2,88,738	75
12	Weighted Average share price of Options exercised during the year	NA	NA

(b)Range of Exercise price and weighted average remaining contractual life of Outstanding Options

Scheme	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price (Rs.)	Range of Exercise Price (Rs.)
ESOS 2019	21,32,474	3.90	117.30	Rs. 10 – Rs. 261.65

J. DETAILS RELATED TO TRUST

(i) General information on all schemes

The CSB ESOS Scheme 2019 shall be administered through an employee stock option trust (“ESOS Trust”) in the nature of an irrevocable employee welfare trust, set up in May 2019 in due compliance with the applicable laws. Under the Scheme, the Bank can allot a maximum of 50 lakh shares to the Trust, over a period of time. Accordingly, the Bank, on July 12, 2019, allotted 50,00,000 equity shares to CSB ESOS Trust, at an issue price of ` 10 /- per share.

The Scheme was amended at the Annual General meeting of the Bank held on July 20, 2020, inter alia, to increase the Options Reserve from 50,00,000 equity shares by an additional quantum of 1,16,72,791. The sourcing of corresponding number of additional shares shall be from (i) fresh issue of shares up to 30,00,000 shares and (ii) secondary acquisition by the Trust up to 86,72,791 shares. With this, the total Options Reserve under ESOS 2019 stood at

1,66,72,791 options. A few other modifications were also made in the scheme as per the prevailing regulations and also to effect change of name of the Bank in the Scheme document.

Under the trust route, the Bank allots shares to the trust and the trust will transfer the shares to the eligible employees at the time of exercise of option by eligible employees on meeting terms of grant fixed by the Nomination & Remuneration Committee of the Board. The details of the CSB ESOS Trust as required under Regulation 14 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 is furnished below:

SI No.	Particulars	Details
1.	Name of the Trust	CSB ESOS Trust
2.	Details of the Trustee(s)	<ol style="list-style-type: none"> 1. Mr. S.S. Narayanan, CSB Bank Limited, CSB Bhavan, St. Mary's College Road, Thrissur – 680020 , Kerala, India. 2. Mr. Ragesh M, CSB Bank Limited, CSB Bhavan, St. Mary's College Road, Thrissur – 680020 , Kerala, India.
3.	Amount of loan disbursed by Bank / any company in the group, during the year	Nil^
4.	Amount of loan outstanding (repayable to Bank / any company in the group) as at the end of the year	Nil^
5.	Amount of loan, if any, taken from any other source for which Bank / any company in the group has provided any security or guarantee*	Nil^
6.	Any other contribution made to the Trust during the year	<p>NIL</p> <p>Initial contribution in the form of Corpus funding of ` 1,00,000/- was made in the financial year 2019-20</p>

* CSB ESOS Trust has borrowed ` 58,081,631/- from M/s IIFL Finance Limited July 29, 2020 -to close the loan, equal to the borrowed amount, initially availed from M/s Edelweiss Finvest Pvt Ltd for the purpose of acquisition of 50,00,000 shares from CSB Bank Limited and this connection, 8,20,000 equity shares out of 50,00,000 allotted to the trust were pledged with M/s IIFL Finance Limited. The amount outstanding in the loan account with IIFL Finance Limited as on March 31, 2023 is Rs.74,146,736.85.

[^] In terms of Reserve Bank of India Master circular- Loans and Advances- Statutory and other Restrictions dated July 1, 2015, the banks are not allowed to extend advances to employees trusts set up by them for the purpose of purchasing their own shares under ESOS/ESOP / from the secondary market.

(ii) **Brief details of transactions in shares by the Trust**

SI No.	Particulars	Details		
1.	Number of shares held at the beginning of the year (April 1, 2021) ;	50,00,000		
2.	Number of shares acquired during the year			
			Primary Issuance	Secondary Acquisition
		Number of shares acquired during the year	NIL	NIL
		Number of shares acquired during the year as a percentage of paid up equity capital as at the end of the previous financial year	NA	NA
		Weighted average cost of acquisition per share	NA	NA
3.	Number of shares transferred to the employees / sold along with the purpose thereof;	Nil		
4.	Number of shares held at the end of the year(March 31, 2023	50,00,000		

(iii) **In case of secondary acquisition of shares by the Trust:**

The quantum of secondary acquisition is capped at 86,72,791 shares which constitute 5 % (Five percent) of the paid-up equity share capital of the Bank as on March 31, 2020, which is in tune with the statutory ceiling prescribed under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 which was subsequently repealed with the Securities and

Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (*“SEBI SBEB & SE Regulations”*).

Secondary Acquisition of shares by the Trust in any financial year shall not exceed 2% of the paid up equity capital as at the end of the previous financial year as per SEBI SBEB & SE Regulations as amended from time to time.

Number of shares	As a percentage of paid-up equity capital as at the end of the year immediately preceding the year in which shareholders’ approval was obtained
Held at the beginning of the year	Nil
Acquired during the year	Nil
Sold during the year	Nil
Transferred to the employees during the year	Nil
Held at the end of the year	Nil