



**CSB Bank Limited**

CIN: L65191KL1920PLC000175

Regd. Office: CSB Bhavan, Post Box No. 502, St. Mary's College Road  
Thrissur, Kerala, Pin- 680020, INDIA

**Employee Stock Option Scheme 2019**

[As last amended vide shareholders' resolution dated (●)]

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**[As last amended vide shareholders' resolution dated (●)]**

**1. Name, Objectives and Term of the Scheme**

- 1.1 This employee stock option scheme shall be called the 'CSB Employee Stock Option Scheme 2019' ("ESOS 2019" / "Scheme").
- 1.2 The underlying objective of ESOS 2019 is to enable the Employees, present and future, to get a share in the value that they help to create for the organization over a period of time. The Bank strongly believes that an equity component in the compensation goes a long way in aligning the objectives of an individual with those of the Bank. Other key objectives of ESOS 2019 are, among others, to attract and retain critical senior talents with Employee Stock Options as a compensation tool.
- 1.3 The ESOS 2019 as originally envisaged has come into force on May 04, 2019 on which the shareholders of the Bank have approved the ESOS 2019 by way of a special resolution. Subsequently, pursuant to completion of initial public offering of Shares of the Bank followed by Listing of Shares on 04<sup>th</sup> December, 2019 on the recognized Stock Exchanges in India, the Bank is required to ensure appropriate compliance under the SEBI SBEB Regulations. For ensuring such compliance, the ESOP 2019 has been aligned with the provisions of SEBI SBEB Regulations vide shareholders' approval by way of a special resolution dated July 20, 2020. The Scheme has been further amended vide special resolution dated [●] approved by the shareholders of the Bank as specified in Sub-clause 7.3 of this Scheme .
- 1.4 The ESOS 2019 is established with effect from May 04, 2019 and shall continue to be in force until (i) its termination by the Bank as per provisions of the Applicable Laws, or (ii) the date on which all of the Employee Stock Options available for issuance under the ESOS 2019 have been issued and exercised, whichever is earlier.

**2. Definitions and Interpretations**

In this Scheme, unless the context clearly indicates a contrary intention, the following words or expressions shall have the meaning assigned herein:

**2.1 Definitions**

- i. **"Accounting Guidelines"** means Guidance Note on Accounting for Employee Share-based Payments and/ or any relevant Accounting Standard(s) as prescribed by the Institute of Chartered Accountants of India or any other authority from time to time, as applicable to the Bank for financial reporting in connection with transactions in the Employee Stock Options undertaken under the Scheme as required under SEBI SBEB

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Regulation and other Applicable Laws from time to time.

- ii. **“Applicable Laws”** means every law relating to Employee Stock Options, to the extent applicable, including and without limitation the Companies Act, the Banking Regulations Act, 1949 and all relevant tax, securities, exchange control or corporate laws or amendments thereof including any circular, notification issued thereunder, of India or of any relevant jurisdiction. After listing of Shares of the Bank, SEBI SBEB Regulations read with rules or requirements of any recognized Stock Exchange on which the Shares are to be listed or quoted shall also apply.
- iii. **“Bank”** means CSB Bank Limited, a banking company limited by shares, incorporated under the Indian Companies Act, 1913 having Corporate Identification Number U65191KL1920PLC000175 and its registered office at P.B. No. 502, CSB Bhavan, St. Mary’s College Road, Thrissur - 680 020, India.
- iv. **“Bank Policies/Terms of Employment”** mean the Bank’s policies for employees and the terms of employment as contained in the Employment Letter and any other rules / bye-laws issued from time to time including that issued under the Applicable Laws.
- v. **“Beneficiary(ies)”** means the eligible Employee who holds the Options granted under the Scheme and includes the person(s) who is/ are legal heirs or nominees of such eligible Employee on his/her eventual death during the continuance of employment or service.
- vi. **“Board”** means the Board of Directors of the Bank.
- vii. **“Cause”** shall include negligence, fraud, professional misconduct, breach of trust, moral turpitude, committing or abetting any illegal activity, violating any Bank Policies/Terms of Employment or any other applicable code of conduct, absence from office for a substantial period of time without any valid reason or authority, or any other actions or circumstances of similar nature as may be decided by the Committee in its absolute discretion.
- vii. **“Committee”** means the Nomination & Remuneration Committee of the Board, as constituted or reconstituted from time to time to administer and supervise the employee stock option schemes of the Bank including this Scheme, comprising of such members of the Board as provided under Section 178 of the Companies Act, 2013 and Regulation 19 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to act as a compensation committee under Regulation 5 of the SEBI SBEB Regulations.
- viii. **“Companies Act”** means the Companies Act, 2013 and rules made thereunder and includes any statutory modifications or re-enactments thereof.

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- ix. **“Comprehensive Compensation Policy”** means such policy of the Bank being formulated and implemented under the relevant guidelines issued by the Reserve Bank of India for compensation of Directors and other Employees of the Bank.
- x. **“Director”** means a member of the Board of the Bank.
- xi. **“Eligibility Criteria”** means the criteria as may be determined from time to time by the Committee for granting the Employee Stock Options to the Employees.
- xii. **“Employee”** means (i) a permanent employee of the Bank working in or out of India; or (ii) a whole-time or executive Director of the Bank, but excludes:
  - a) an Employee or Director who is a Promoter or belongs to the Promoter Group;
  - b) any such Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank; and
  - c) an Independent Director.
- xiii. **“Employee Stock Option”** means an option granted to an eligible Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date Shares underlying such option at a pre-determined price.
- xiv. **“Employment Letter”** means a letter appointing a person as an employee of the Bank and giving out the terms and conditions of such employment.
- xv. **“ESOS 2019”** means the CSB Employee Stock Option Scheme 2019 under which the Bank is authorized to grant Employee Stock Options to the Employees.
- xvi. **“Exercise”** of an Option means expression of an intention by an Option Grantee to the Trust to purchase the Shares underlying the Options vested in him, in pursuance of the ESOS 2019, in accordance with the procedure laid down by the Bank or the Trust, as the case may be, for Exercise of such Options.
- xvii. **“Exercise Period”** means such time period after Vesting within which the Option Grantee should exercise the Options vested in him in pursuance of the ESOS 2019.
- xviii. **“Exercise Price”** means the price approved by Committee being payable by an Option Grantee in order to exercise the Options granted to him in pursuance of the ESOS 2019.
- xix. **“Fair Market Value”** means and shall refer to the fair market value of a Share of the Bank for the purpose of compliance with the accounting and disclosure requirements in respect of Employee Stock Options administered under the Scheme as determined by a registered valuer or independent valuer as required under the Companies Act.

**Provided that** in case of any Grant after Listing, the term ‘Fair Market Value’ shall refer

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to “Market Price” within the meaning of the SEBI SBEB Regulations.

- xx. **“Grant”** means issue of Options to the eligible Employees under the ESOS 2019.
- xxi. **“Grant Letter”** means the written communication issued by the Bank intimating the Grant under ESOS 2019 and relevant terms and conditions, in the form of letter or through any electronic communication. Unless otherwise decided by the Committee, the form of the Grant Letter shall be similar to the draft as provided in **Annexure A** hereof.
- xxii. **“Independent Director”** means an Independent Director within the meaning of Section 149(6) of the Companies Act read with the Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- xxiii. **“Listing”** means listing of the Bank’s Share on any recognized Stock Exchange and deems to include the initial public offer (“IPO”) of Shares.
- xxiv. **“Option”** means an Employee Stock Option within the meaning of this Scheme.
- xxv. **“Option Grantee”** means an eligible Employee who has been granted an Employee Stock Option in pursuance of the ESOS 2019 and deems to include a Beneficiary being the legal heir or nominee of such Option Grantee upon his eventual death while in employment or service.
- xxvi. **“Permanent Incapacity”** means any disability or incapacitation of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Option Grantee from performing any specific job, work or task which the said Option Grantee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Committee.
- xxvii. **“Scheme”** means ESOS 2019 as herein defined.
- xxviii. **“Promoter” includes:**
  - (a) the person or persons who are in control of the Bank;
  - (b) the person or persons who are instrumental in the formulation of a scheme or programme pursuant to which specified securities are offered to public;
  - (c) the person or persons named in the offer document as promoters:

**Provided that** a director or officer of the issuer or a person, if acting as such merely in his professional capacity, shall not be deemed as a promoter;

**Provided further that** upon Listing, the term “Promoter” defined hereinabove shall have meaning as defined in the SEBI SBEB Regulations.

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xxix. **“Promoter Group”** means (a) an immediate relative of the Promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse); (b) persons whose shareholding is aggregated for the purpose of disclosing ‘shareholding of the promoter group’ in the offer document.

**Provided that** upon Listing, the term “Promoter Group” defined hereinabove shall have meaning as defined in the SEBI SBEB Regulations.

xxx. **“Retirement”** means retirement as per the rules of the Bank.

xxxi. **“SEBI SBEB Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as amended and reenacted from time to time and includes any clarifications or circulars issued thereunder.

xxxii. **“Secondary Acquisition”** means acquisition of existing Shares of the Company by the Trust on the platform of a recognized Stock Exchange for cash consideration.

xxxiii. **“Shares”** means equity shares of the Bank having face value of Rs. 10 each and arising out of the Exercise of Employee Stock Options granted under the ESOS 2019.

xxxiv. **“Stock Exchange”** means the National Stock Exchange of India Ltd., BSE Ltd., or any other recognized Stock Exchange in India on which the Bank’s Shares are listed or to be listed during continuance of this Scheme.

xxxv. **“Trust”** means the ‘CSB ESOS Trust’ set-up by the Bank for the administration of the employee stock option plans/ schemes of the Bank including this Scheme being authorised from time to time, to acquire, hold and transact in cash and Shares of the Bank for the purposes of relevant employee stock option plan/ schemes of the Bank including this Scheme.

xxxvi. **“Trustee”** shall mean the person/ entity appointed as a trustee under the trust deed of the Trust to manage the affairs of the Trust.

xxxvii. **“Unvested Option”** means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.

xxxviii. **“Vesting”** means earning by the Option Grantee, of the right to Exercise the Options granted to him in pursuance of the ESOS 2019.

xxxix. **“Vesting Condition”** means the condition prescribed if any subject to satisfaction of which the Options granted would vest in an Option Grantee.

xl. **“Vesting Period”** means the period during which the Vesting of the Option granted to the eligible Employee, in pursuance of the ESOS 2019 takes place.

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- xli. **“Vested Option”** means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option subject to fulfillment of Exercise conditions.

## **2.2 Interpretation**

In this Scheme, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include any other gender;
- e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference; and
- f) the terms defined above shall for the purposes of this Scheme have the meanings herein specified and terms not defined above shall have the meanings as defined in the Companies Act or Applicable Laws, as the context requires. Reference to any Act, Rules, Statute or Notification shall include any statutory modifications, substitution or re-enactment thereof.

## **3. Authority and Ceiling**

- 3.1 The shareholders of the Bank had originally approved ESOS 2019 by way of a special resolution dated May 04, 2019. Upon ratification and augmentation of Options vide shareholders' special resolutions both dated July 20, 2020, the Committee is authorized to grant not exceeding 1,66,72,791<sup>1</sup> (One Crore Sixty Six Lakh Seventy Two Thousand Seven Hundred and Ninety One) Employee Stock Options under ESOS 2019 to the eligible Employees, in one or more tranches, from time to time, exercisable into not more than same number of Shares out of which 80,00,000 (Eighty Lakh) Shares of face value of Rs.10/- (Rupees Ten) each fully paid up have been contemplated to be primary shares to be administered through Trust. Balance of 86,72,791 (Eighty Six Lakhs Seventy Two Thousand Seven Hundred and Ninety One) Shares have been contemplated to be acquired by the Trust through Secondary Acquisition, in one or more tranches and to be transferred by the Trust to the Option Grantee upon Exercise of Options.
- 3.2 Each Option conferring a right upon the Option Grantee to apply for one Share of the Bank to be transferred by the Trust upon Exercise thereof, in accordance with the terms and conditions as may be determined by the Committee in accordance with the provisions of ESOS 2019 and Applicable Laws.

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<sup>1</sup> Prior to its amendment effective from July 20, 2020, the Scheme contemplated an Options reserve of not exceeding 50,00,000 (Fifty Lakh) Options.



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- 3.3 For the purposes of ESOS 2019, the Trust is entitled to subscribe from the Bank, hold or otherwise deal in not more than 80,00,000 (Eighty Lakh) Shares, from time to time, not exceeding the total number of Shares as referred to above.
- 3.4 The Trust is entitled to acquire, hold or otherwise deal in not exceeding 86,72,791 (Eighty Six Lakh Seventy Two Thousand Seven Hundred and Ninety One) Shares acquired through Secondary Acquisition under the ESOS 2019.
- 3.5 The maximum number of Options that may be granted to an eligible Employee per such Employee and in aggregate under ESOS 2019 shall vary depending upon the designation, role, criticality and the appraisal process however shall not exceed the ceiling as specified or determined, from time to time as per the Comprehensive Compensation Policy of the Bank.
- 3.6 If an Employee Stock Option expires or becomes unexercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws.
- 3.7 Where Shares are issued by the Bank and are transferred by the Trust consequent upon Exercise of an Option under the ESOS 2019, the maximum number of Shares that can be further issued and transferred under ESOS 2019 as referred to in Sub-clause 3.1 above shall stand reduced to the extent of Shares issued and transferred.
- 3.8 In case of a Share split where the face value of the Shares is reduced below Rs. 10, the maximum number of Options available for being granted under ESOS 2019 shall stand increased accordingly, so as to ensure that the cumulative face value (number of Shares x Face value per share) of the total Shares after such Share split remains unchanged. Similar treatment shall be adopted to the restore the value of Options in case of bonus issue of Shares.
- 3.9 Prior approval of shareholders of the Bank shall be obtained by way of special resolution in case the Grant of Options to any identified Employee during any one year shall be equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of Grant of Options.

**4. Supervision and Administration**

**4.1 Supervision**

- 4.1.1 This ESOS 2019 shall be supervised by the Committee. All the functions relating to superintendence of this ESOS 2019 shall stand possessed with the Committee in which case the rights, powers, duties or liabilities of the Board to the extent delegated along with that

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contemplated under the Applicable Laws and Bank's Comprehensive Compensation Policy shall be discharged by the Committee. All questions of interpretation of this ESOS 2019 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in this ESOS 2019.

- 4.1.2 Neither the Committee nor any of its members shall be liable for any actions taken in good faith for the implementation of the Scheme.
- 4.1.3 The Committee may rely upon the advice and assistance of any professional it deems appropriate in implementation of the Scheme.
- 4.1.4 The Committee shall in accordance with this ESOS 2019 and Applicable Laws, determine the following:
- (a) The Eligibility Criteria of the Employees for Grant of Options under this ESOS 2019;
  - (b) The quantum of Employee Stock Options to be granted under this ESOS 2019 per Employee, subject to the ceiling as specified in Sub-clause 3.1;
  - (c) The time and frequency of the Options to be granted and vested;
  - (d) Prescribe performance measures (in consultation with the Bank's Human Resources Department, if required) for the purpose of identifying the eligible Employees and determining the Grant(s) / Vesting Condition(s)/Vesting Period/Vesting Schedule, as may be required;
  - (e) Obtaining permissions from, making periodic reports to regulatory authorities, as may be required and ensuring compliance with all guidelines applicable in this regard;
  - (f) The procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, inter alia, be taken into consideration:
    - (i) the number and price of Options shall be adjusted in a manner such that total value of the Options in the hands of the Option Grantee remains the same after such corporate action; and
    - (ii) the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees.
  - (g) Determine the procedure for cashless Exercise, if required;

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- (h) Prescribe the conditions under which Vested Options or Unvested Options may be withdrawn or reduced or may lapse;
- (i) Determine the treatment of the Options held by an Eligible Employee in case of suspension/termination of services or in case of any pending inquiries;
- (j) The procedure and terms for the Grant , Vesting and Exercise of Options in case of Option Grantees who are on a long leave;
- (k) Any matter relating to the Trust and aspects of administration of ESOS 2019 by the Trust;  
and
- (l) Approve forms, writings and/or agreements for use in pursuance of this ESOS 2019.

4.1.5 The Committee shall ensure that there is no violation of securities laws, as amended from time to time with reference to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the Bank and the Option Grantees, as applicable.

**4.2 Administration**

4.2.1 The ESOS 2019 shall be administered by the Trust to the extent aspects of such administration are delegated by the Committee as per requirements of Applicable Laws.

4.2.2 The Trust shall be governed subject to following terms and conditions:

- (a) It shall not deal in derivatives and shall undertake only such transactions as permitted under the deed of Trust read with the provisions of the Applicable Laws;
- (b) The Trustees appointed or re-appointed from time to time shall be such persons as being not disqualified as prescribed under the Applicable Laws; and
- (c) The Trustees shall not vote in respect of the Shares held by the Trust.

4.2.3 The Trustees while administering ESOS 2019 shall abide by the provisions contained therein, terms of the Grant, Vesting and Exercise as decided by the Committee and shall ensure compliance of the provisions of relevant Applicable Laws as prevailing from time to time, in connection with dealing with the Shares of the Bank including but not limited to maintenance of proper books of account, records and documents as prescribed.

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**5. Eligibility and Applicability**

- 5.1 Only Employees are eligible for being granted Employee Stock Options under ESOS 2019. The specific Employees to whom the Options may be granted and their Eligibility Criteria would be determined by the Committee.
- 5.2 The Grants to be made to the Directors shall be determined by the Committee and, where appropriate, would be sent to the Reserve Bank of India for its approval.
- 5.3 Eligibility for Grant of an Option under this Scheme shall not entitle an eligible Employee for any options or benefits under any other plan/scheme of the Bank.
- 5.4 The Grant of Option(s) to the eligible Employee(s) may not be uniform and may be different on account of the role and performance appraisal of the eligible Employee or any other factors, as may be determined by the Committee from time to time.
- 5.5 Each Option, upon Exercise, will entitle the Option Grantee to 1 (one) Share. Such Shares issued and allotted by the Bank under the Scheme shall rank *pari passu* in all respects with the existing fully paid equity shares of the Bank of same class.
- 5.6 The Scheme shall be applicable to the Bank, and any successor company thereof. The Employee Stock Options granted to an Employee shall be subject to the terms and conditions set forth in this Scheme and in the Grant Letter.

**6. Grant and Acceptance of Grant**

**6.1 Grant of Options**

Each Grant of Option under the ESOS 2019 shall be made in writing by the Bank to the eligible Employees in such form as may be approved under ESOS 2019 from time to time.

**6.2 Acceptance of the Grant**

(a) Any eligible Employee who intends to accept the Grant made under this Scheme must deliver to the Bank a duly signed acceptance of the Grant by way of a letter (“Acceptance Letter”) on or before the specified cut-off date (“Closing Date”) from the date of the Grant as specified in the Grant Letter. Unless otherwise decided by the Committee, the form of the Acceptance Letter shall be similar to draft as provided in **Annexure B** hereof.

(b) On duly receipt by the Bank of the signed Acceptance Letter, the eligible Employee will become an Option Grantee. On failure to deliver such acceptance before the specified date,

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shall result in rejection of the Grant and lapse of Options unless the Committee determines otherwise.

(c) Upon acceptance of the Grant, it shall be deemed as if the provisions of the Scheme read with terms and conditions specified in the Grant Letter are the entire understandings and an agreement amongst the Bank, Option Grantee and the Trust.

**7. Vesting Period and Vesting Conditions**

7.1 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.

**Provided that** in case where Options are granted by the Bank under the Scheme in lieu of options held by a person under a similar scheme in another company (“Transferor Company”) which has merged or amalgamated with the Bank, the period during which the options granted by the Transferor Company were held by him may be adjusted against the minimum Vesting Period required under this Sub-clause, at the discretion of the Committee.

7.2 The Committee may, at its sole decision, decide the proportion of Options which shall vest each year during the Vesting schedule which may be different for different Employees or any class thereof. However, the specified Vesting Period and Vesting schedule are liable to be modified with a view to comply with any legal or disciplinary actions particularly with reference to malus and clawback requirements of this Scheme read with relevant Guidelines of the Reserve Bank of India.

7.3 Except in case of death, Permanent Incapacity and Retirement<sup>2</sup> of the Option Grantee, the Vesting of Options would be subject to continued employment with the Bank subject to the condition that the Option Grantee has not served any notice of resignation. The Committee in addition to this pre-requisite, may prescribe certain performance criteria subject to achievement of which Vesting may be allowed. In case, any performance criteria are prescribed as Vesting Condition, Vesting shall be allowed only on achievement of such conditions.

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<sup>2</sup> Prior to its amendment vide special resolution dated [●], it was read as under:

*“Except in case of death and Permanent Incapacity of the Option Grantee, the Vesting of Options would be subject to continued employment with the Bank subject to the condition that the Option Grantee has not served any notice of resignation”.*

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- 7.4 Subject to exceptions specified in Sub-clause 7.3, the Options shall vest subject to performance based Vesting, the criteria being a mix of annual corporate and individual performance with a predefined threshold, achievement below which will result in no vesting for that year. These criteria will include achievement in terms of operational and/ or financial performance parameters of the Bank as specified by the Committee. Vesting in case of personnel whose remuneration and Options entitlement are regulated under relevant RBI Guidelines, shall be subject to additional conditions as to reduction/ clawback of Vesting in line with deterioration in financial performance of the Bank.
- 7.5 In the event of suspension (not termination/ dismissal) or commencement of any disciplinary proceedings/ enquiry against any Option Grantee, the Vesting of Options shall cease immediately from the date of suspension or date of commencement of such disciplinary proceeding/ enquiry and continue to remain ceased up to the disposal of such proceeding/ enquiry. In case of reinstatement, Vesting shall be allowed as per original Vesting Schedule ignoring any cessation thereof. In case of termination from employment/ service, the provisions of serial number 2 in the table given in Sub-clause 8.2(b) of the Scheme shall apply.
- 7.6 The specific Vesting Schedule and Vesting Condition shall be intimated to the eligible Employees in the Grant Letter.
- 7.7 **Vesting of Options in case of Option Grantees on long leave**  
The period of leave shall not be considered in determining the Vesting Period in the event the Option Grantee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Committee as per Sub-clause **Error! Reference source not found.**4.1.4(j) of the Scheme.
- 8. Exercise**
- 8.1 **Exercise Price**
- (a) The Exercise Price per Option shall be determined by the Committee which shall not be lesser than the face value of Shares as on date of Grant.
- (b) Payment of the Exercise Price or any amount under ESOS 2019, if any, shall be made by a demand draft, online payment / wire transfer of funds, drawn in favour of the Bank and/or the Trust, or in such other manner as the Committee may approve from time to time.
- 8.2 **Exercise Period**

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(a) **While in employment/ service**

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.

(b) **Exercise Period in case of separation from employment/ service**

Subject to Sub-clause 8.3 below, the Vested Options can be exercised subject to treatment of Unvested Options as per provisions outlined herein below:

S. No.	Separations	Vested Options	Unvested Options
1	<b>Resignation / Termination</b> (other than due to Cause)	All the Vested Options as on date of submission of resignation/ date of termination shall be exercisable by the Option Grantee immediately after, but in no event later than <b>2 (Two)</b> months from the date of such resignation / termination or before the expiry of the Exercise Period, whichever is earlier.	All the Unvested Options on the date of submission of resignation / date of termination shall stand <b>cancelled</b> with effect from that date.
2	<b>Termination due to Cause</b>	All the Vested Options which were not exercised at the time of such termination shall stand <b>cancelled</b> with effect from the date of such termination.	All the Unvested Options on the date of such termination shall stand <b>cancelled</b> with effect from the termination date.
3	<b>Retirement / early Retirement approved by the Bank</b>	All the Vested Options can be exercised by the Option Grantee immediately after, but in no event later than <b>12 (Twelve)</b> months from the date of such Retirement, or before the expiry of the Exercise Period, whichever is later.	All the Unvested Options shall stand <b>cancelled</b> as on the date of such Retirement unless otherwise determined by the Committee.
4	<b>Death</b>	All the Vested Options may be exercised by the Option Grantee's nominee or legal heir immediately after, but in no event later than <b>12</b>	All the Unvested Options as on the date of death shall <b>vest immediately</b> and may be exercised in the manner prescribed for Vested Options.

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		(Twelve) months from the date of death of the Option Grantee.	
5	<b>Termination due to Permanent Incapacity</b>	All the Vested Options may be exercised by the Option Grantee immediately after, but in no event later than 12 (Twelve) months from the date of incurring of such incapacity by the Option Grantee.	All the Unvested Options shall <b>vest immediately</b> with the Option Grantee and may be exercised in the manner prescribed for Vested Options.
6	<b>Termination due to any other reason apart from those mentioned above</b>	The Committee shall decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of such termination shall stand <b>cancelled</b> with effect from that date.

8.3 Subject to the provision of the Applicable Laws and at the discretion of the Committee, all Unvested Options as on date of Retirement shall vest after such date of Retirement as per original Vesting schedule as specified in the Grant Letter.

8.4 At any time before exercise of the Vested Options, in the event of suspension (but not termination) or commencement of any disciplinary proceedings/ enquiry against any Option Grantee, exercise of the Vested Options held by such Option Grantee shall be kept in abeyance till completion of such disciplinary proceeding/ enquiry. In case of reinstatement, period for which Exercise was kept in abeyance shall be added to the relevant Exercise Period and Exercise shall be allowed as if there was no abeyance. In case of termination from employment/ service, the provisions of serial number 2 in the table given in Sub-clause 8.2(b) of the Scheme shall apply.

**8.5 Process of Exercise**

(a) An Option Grantee intending to exercise Vested Options shall make an application in writing to the Trust in such form as prescribed, from time to time, for the issuance/ transfer of Shares against the Options exercised, subject to payment of Exercise Price, applicable taxes and compliance of other requisite conditions of Exercise. Unless otherwise provided by the Committee, the form shall be similar to the format provided in **Annexure C** ("Exercise Letter").

(b) Options vested in one or more tranches may be exercised in full or in part or in tranches. However, no fraction of a Vested Option shall be exercisable in its fractional form.



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**8.6 Lapse of Options**

Vested Options not exercised within the Exercise Period shall lapse and the Employee shall have no right over such lapsed or cancelled Options.

**9. Non-transferability of Options**

9.1 Options are not transferrable except in case of death or Permanent Incapacity of an Option Grantee in which case, provisions of Sub-clause 8.2 (b) will be referred to for the purpose of Exercise. No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to exercise the Employee Stock Option except in the event of the death of the Option Grantee.

9.2 The Employee Stock Option shall not be transferred, pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

**10. Lock-in of Shares (Post Exercise)**

10.1 The Shares transferred upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise.

**Provided however that** the Shares delivered on Exercise cannot be transferred for such period from the date of allotment as may be required under the Code of Conduct for Prevention of Insider Trading of the Bank, read with Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended from time to time.

**11. Right as a Shareholder**

11.1 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Bank (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant until the Option Grantee exercises the Employee Stock Option and becomes a registered holder of the Shares of the Bank.

11.2 If the Bank issues bonus or rights Shares, the Option Grantee will not be eligible for the bonus or rights Shares in the capacity of an Option Grantee. However, an adjustment to the number of Options or the Exercise Price or both would be made in accordance with Sub-clause 4.1.4. (f) of ESOS 2019. Only when the Vested Options are exercised and the Option Grantee has become a valid holder of the Shares of the Bank as on record date for bonus or rights issue of Shares, then such Option Grantee would be entitled for bonus or rights Shares as shareholder

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of the Bank.

**12. Deduction/ recovery of Tax**

- 12.1 The liability of paying taxes, if any, in respect of Employee Stock Options granted pursuant to this Scheme and the Shares issued pursuant to Exercise thereof shall be entirely on Option Grantee and shall be in accordance with the provisions of Income Tax Act, 1961 read with rules issued thereunder and/or Income Tax Laws of respective countries as applicable to eligible Employees working abroad, if any.
- 12.2 The Bank shall have the right to deduct from the Option Grantee's salary or recover any tax that is required to be deducted or recovered under the Applicable Laws. In case of non-continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.
- 12.3 The Bank or Trust shall have no obligation to deliver Shares until the Bank's tax deduction obligations, if any, have been satisfied by the Option Grantee in full.

**13. Nomination**

- 13.1 An Option Grantee may nominate, from time to time, any Beneficiary(ies) to whom any benefit under the Scheme is to be delivered in case of his death. Each subsequent nomination shall revoke all prior nominations by such Option Grantee. Any such nomination shall normally be allowed in favour of immediate family members only and shall be in a form prescribed by the Bank, substantially provided in **Annexure D** ("Nomination Form") hereof. The nomination will be effective only when filed by the Option Grantee in writing with the Bank before the expiry of the Options held by the Option Grantee and duly acknowledged as received by the Bank. In the event of any dispute with regard to nominations, the last nomination provided by the Option Grantee shall be regarded as final nomination and shall be binding.

**14. Authority to vary terms**

The Committee may, if it deems necessary, vary the terms of ESOS 2019, subject to the Applicable Laws and the conditions of the shareholders' approval by way of a special resolution in such manner which is not detrimental to the interest of the Option Grantee . However, the Bank shall be entitled to vary the terms of the scheme to meet any regulatory requirements.

**15. Malus/ Clawback**

- 15.1 Notwithstanding anything contained elsewhere in this Scheme, the Bank reserves the right of executing malus/ clawback arrangements in respect of Options already granted, vested or

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exercised, as the case may be. Options granted under the Scheme are always subject to malus and clawback as may be exercised by the Bank in the circumstances specified in the guidelines issued by the Reserve Bank of India.

- 15.2 A malus arrangement permits the Bank to prevent Vesting of all or part of the Options granted to an Option Grantee. However, the malus arrangement shall not reverse the Vesting of already Vested Options.
- 15.3 A clawback, on the other hand, is a contractual agreement between the Option Grantee and the Bank, being evidenced on the acceptance of the Grant, in which case the Option Grantee shall relinquish any benefit that accrued to or return any benefit that is received by such Option Grantee to the Bank under circumstances specified at the time of Grant of Options.

**16. Miscellaneous**

**16.1 Government Regulations**

This ESOS 2019 shall be subject to all Applicable Laws, and approvals from governmental authorities.

**16.2 Inability to obtain authority**

The inability of the Bank to obtain authority from any regulatory body having jurisdiction over the Bank, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Bank of any and all liability in respect of the failure to issue or sell such Shares.

- 16.3 Unless otherwise intended, the Grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Bank give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of Shares or any expectation that an Employee Stock Option might be granted to him whether subject to any condition or at all.

- 16.4 Neither the existence of this Scheme nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Scheme by being granted an Employee Stock Option on any other occasion.

- 16.5 The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Bank for any

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reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

- 16.6 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.
- 16.7 Participation in ESOS 2019 shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investments are that of the Option Grantee alone.

**17. Accounting and Disclosures**

- 17.1 The Bank shall follow the laws/regulations applicable to accounting and disclosure related to Employee Stock Options, including but not limited to the Accounting Guidelines.

**18. Notices**

- 18.1 All notices of communication required to be given by the Bank to an Option Grantee by virtue of this ESOS 2019 shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Bank; or Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or Emailing the communication(s) to the Option Grantee at the official email address provided, if any, during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.
- 18.2 Any communication to be given by an Option Grantee to the Bank in respect of ESOS 2019 shall be sent at the address mentioned below or e - mailed at:

Secretarial Department  
CSB Bank Limited  
CSB Bhavan, Post Box No. 502, St. Mary's College Road  
Thrissur, Kerala, Pin- 680020, INDIA  
Email: board@csb.co.in

**19. Governing Laws and jurisdiction**

- 19.1 The terms and conditions of the ESOS 2019 shall be governed by and construed in accordance with the Applicable Laws of India in particular any relevant rules, regulations or guidelines issued by the Reserve Bank of India.
- 19.2 The Courts in Mumbai, India shall have jurisdiction in respect of any and all matters, disputes

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or differences arising in relation to or out of this ESOS 2019.

- 19.3 Nothing in this Clause shall however limit the right of the Bank to bring proceedings against any Employee in connection with this ESOS 2019:
- (i) in any other court of competent jurisdiction; or
  - (ii) concurrently in more than one jurisdiction.

**20. Severability**

- 20.1 In the event any one or more of the provisions contained in this Scheme shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Scheme in which case the Scheme shall be construed as if such invalid, illegal, or unenforceable provisions had never been set forth herein, and the Scheme shall be carried out as nearly as possible according to its original intent and terms.

**21. Confidentiality**

- 21.1 An Option Grantee must keep the details of the ESOS 2019 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, co-employees or with any employee and/ or associate of the Bank or that of its affiliates. In case Option Grantee is found in breach of this Clause, the Bank shall have undisputed right to terminate any agreement/Grant and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Committee regarding breach of this Clause on confidentiality shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this Clause, the Committee shall have the authority to deal with such cases as it may deem fit.

-----END OF SCHEME-----

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**Employee Stock Option Scheme 2019**

*Annexure - A*

**GRANT LETTER**

Date: [•]

**From**

The Nomination & Remuneration Committee,  
CSB Bank Limited  
P.B. No. 502, CSB Bhavan,  
St. Mary's College Road,  
Thrissur - 680 020

**To**

Name of the Employee:  
Employee Grade/Code:

Dear Mr./Ms. \_\_\_\_\_

The CSB Bank Limited (“**Bank**”) is currently at an exciting phase in its endeavor towards sustained and planned growth. We believe that our business has a bright future, and the efforts of our employees will play a key role in helping the Bank realize this potential. At this time, we would like to extend a token of our appreciation and gratitude for your valued present/future contribution in building the Bank.

We are happy to inform that you have been selected to be covered under the CSB Employee Stock Option Scheme 2019 (“**ESOS 2019**” or “**Scheme**”). A copy of the Scheme is enclosed herewith. You are requested to study the same carefully and familiarize yourself with its terms and conditions.

Accordingly, by this Grant Letter, we are pleased to offer you [*insert number of options*] Options by virtue of which you will be eligible to purchase equivalent number of Shares of the Bank, subject to the terms and conditions of the Scheme and Acceptance of Grant. The details of the Grant of Options are as follows:

<b>Number of Options Granted</b>	[•]
<b>Grant Date</b>	[•]
<b>Vesting Date(s) and Percentages</b>	[•] [•] [•] [•]
<b>Vesting Conditions</b>	As may be communicated by the Committee in consultation with the Human Resource Department from time to time.
<b>Exercise Price per Option</b>	[•]
<b>Exercise Period</b>	As per Scheme

This Grant Letter is as per the terms and conditions given in ESOS 2019 and is strictly confidential.

The offer is valid till [•] (“**Closing Date**”) and shall lapse if the **Acceptance Letter** is not received by the Bank on or before the close of business on the Closing Date. If the offer is acceptable to you, kindly sign the **Acceptance Letter** as a token of your acceptance. The Acceptance Letter is annexed as Annexure B to the Scheme. Kindly note that you will be required to have an operational dematerialized account at the time of Exercise of your Options and in the event you do not have an existing dematerialized account, we request you to kindly open and maintain the same as on the Exercise Date.

We look forward to working with you under a long term partnership to build a stronger and more profitable Bank in future.

All capitalized terms used herein shall have the same meaning as provided in ESOS 2019.

**CSB Bank Limited**  
**Employee Stock Option Scheme 2019**

Yours sincerely,

*For CSB Bank Limited*

**[Authorised Signatory]**

**CSB Bank Limited**  
**Employee Stock Option Scheme 2019**

*Annexure - B*

**ACCEPTANCE LETTER**

Date: [•]

**To**  
The Nomination & Remuneration Committee,  
**CSB Bank Limited**  
P.B. No. 502, CSB Bhavan,  
St. Mary's College Road,  
Thrissur - 680 020

Kind attention: Mr./Ms. [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Employee Stock Option Scheme 2019

Dear Sir/ Ma'am,

This is in reference to the Grant Letter dated [•] offering me [•] Options under the CSB Employee Stock Option Scheme 2019 ("ESOS 2019"). I hereby accept the Grant of [•] made to me by the Grant Letter under the ESOS 2019.

I have received a copy of ESOS 2019 and have had an opportunity to review and understand the content thereof. I undertake to be bound by the terms and conditions of ESOS 2019 and understand that acceptance of the Grant results in a mutual agreement to comply with the provisions of the ESOS 2019 with a view to obtain any benefit thereunder.

I undertake that at the time of Exercise, I will have an operational dematerialized account, details of which will be forwarded to the Committee along with the Exercise Letter. I further agree to submit to all decisions of the Committee as may be taken from time to time and confirm that all such decisions pertaining to my Options shall be binding on me.

**Yours faithfully**

*Signature*

(Name of Employee)

(Designation of the Employee)

(Employee Code: [•])



**CSB Bank Limited**  
**Employee Stock Option Scheme 2019**

*Annexure - C*

**EXERCISE LETTER**

Date: [•]

To  
The Trustees  
The CSB ESOS Trust

Through The Nomination & Remuneration Committee,  
**CSB Bank Limited**  
P.B. No. 502, CSB Bhavan,  
St. Mary's College Road,  
Thrissur - 680 020

Ref: CSB Employee Stock Option Scheme 2019

Dear Sir(s),

This is with reference to the Grant Letter dated [•] offering me [•] Options under the ESOS 2019 and my Acceptance Letter dated [•].

[Insert the number] Options have Vested in me on [insert date of Vesting] in accordance with the ESOS 2019. Effective [Insert date] of [Insert month], [Insert year], I hereby Exercise my right to purchase the Shares of the Bank against the Vested Options.

I understand and acknowledge that until the allotment of the Shares (as evidenced by the appropriate entry on the books of the Bank), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Options, notwithstanding the Exercise of the Option.

I understand that I may suffer tax consequences as a result of purchase or disposition of the Shares. I represent that I have consulted / will consult any tax consultants of my choice in connection with the purchase or disposition of the Shares and that I am not relying on the Bank for any tax advice.

I am enclosing herewith a cheque in favour of the Trust with no. [•] dated [•] for INR [•], drawn on [•] bank, towards the payment of Exercise Price and also a cheque in favour of the Bank with no. [•] dated [•] for INR [•], drawn on [•] bank, towards the payment of Exercise Price.

Requisite details for the said allotment/ transfer of Shares are provided in Annexure to this Exercise Letter.

**Yours sincerely,**

*Signature*  
(Name of Employee)

**ANNEXURE TO LETTER OF EXERCISE (ESOS 2019)**

Name of Employee	[•]
Employee ID	[•]

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IT PAN/GIR No. & Circle/Ward	[•]
Address	[•]
<b>Demat Account Details</b>  DP ID _____ Client ID (Account No.) _____  Depository Participant (DP)'s :-  Name: _____  Address: _____	

Dated:

***Instructions:*** Please write the names exactly in the same manner as provided in the Demat Account.

**CSB Bank Limited**  
**Employee Stock Option Scheme 2019**

*Annexure - D*

**NOMINATION FORM**

Date: [●]

**To**  
The Nomination & Remuneration Committee,  
**CSB Bank Limited**  
P.B. No. 502, CSB Bhavan,  
St. Mary's College Road, Thrissur - 680 020

Kind Attn.: [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Employee Stock Option Scheme 2019

Dear Sir,

I hereby, nominate the following person(s) as my beneficiary (ies) for claiming the benefits under the terms and conditions of CSB Employee Stock Option Scheme 2019.

<i>Name of Employee in Full</i>
<b>NOMINEE DETAILS</b>
<i>Name in Full</i> <i>Relationship with the Employee</i> <i>Address</i> <i>Age</i> <i>Guardian (in case nominee is a minor)</i>
<b>GUARDIAN DETAILS</b>
<i>Name in Full</i> <i>Relationship with Nominee</i> <i>Address</i>

This nomination form shall be valid unless replaced by me with a new nomination form of a later date. Kindly acknowledge receipt and confirm the recording of the nomination.

Yours sincerely,

Signature

(Name of Employee)/ (Designation of the Employee)

*Note: If more than one person is nominated as beneficiary, the proportion of the benefits to be claimed by each nominee to be provided by the employee.*