

UJJIVAN SMALL FINANCE BANK LIMITED

ESOP/ ESPS Disclosure (for FY 2019-20)

[Pursuant to Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014]

1. Ujjivan Small Finance Bank- Employee Stock Option Plan 2019 (“ESOP 2019”)

The Bank, pursuant to the resolutions passed by the Board on January 22, 2019 and Shareholders on March 29, 2019, adopted the ESOP 2019 for the employees of the Bank and for the employees of Ujjivan Financial Services Limited. The Bank may grant an aggregate number of up to 144,000,000 stock options under the ESOP 2019. Upon exercise and payment of the exercise price, the option holder will be entitled for allotment of one Equity Share per stock option. Accordingly, the number of Equity Shares that may be issued under the ESOP 2019 shall not exceed 144,000,000 Equity Shares of face value ₹10 each. The ESOP 2019 is effective from March 29, 2019. The objectives of ESOP 2019 are, among others, to attract and retain critical talents with Employee stock options as a compensation tool. Through ESOP 2019, the Bank intends to offer an opportunity of sharing the value created with those Employees as defined under ESOP 2019 who have contributed or are expected to contribute to the growth and development of the Bank. The ESOP 2019 has been framed and implemented in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 (“SEBI SBEB Regulations”) relevant guidance notes and accounting standards. The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESOP 2019.

2. Ujjivan Small Finance Bank Employee Stock Purchase Scheme 2019 (“ESPS 2019”)

Pursuant to the resolutions passed by the Board on July 30, 2019 and approval of Shareholders on August 03, 2019, Bank has adopted the ESPS 2019 for the employees of the Bank and for the employees of Ujjivan Financial Services Limited. The ESPS 2019 has been framed in compliance with the provisions of the SEBI SBEB Regulations. The objective of the ESPS 2019 is inter-alia to reward the employees of our Bank and of Ujjivan Financial Services Limited (Holding Company) for their association and performance as well as to motivate them to contribute to the growth and profitability of our Bank. The Bank also intends to use this Scheme to retain key talent in the organization. The Bank views ESPS shares as instruments that would enable the Employees to share the value they create for the Bank and align individual objectives of Employees with objectives of the Bank in the years to come.

Pursuant to the ESPS 2019, the Board is authorized to issue up to 72,001,840 fully paid up Equity Shares of face value of Rs 10 each with pari passu voting rights, with the existing equity shares, to the eligible employees of the Bank and of the Holding Company, in accordance with the terms and conditions as may be decided. The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESPS 2019 and the said Committee of the Bank has pursuant to its resolution dated August 8, 2019 authorised the opening of the subscription of the ESPS for the eligible employees of the Bank and of the Holding Company at Rs 35 per share. Further, under ESPS 2019, employees of the Bank and Holding Company have the option to subscribe for equity shares at the rate of Rs. 35 per share under a monthly scheme under which they open a recurring deposit and pay the complete subscription amount at the end of 12 months, post which the allotment of equity shares would be done.

A. Relevant 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.

Details have been provided in note No. 33 of the Notes forming part of financial statements for the year ended March 31, 2020 in the Bank's Annual Report 2019-20. (Annual Report of the Bank is available on the Bank's website viz. www.ujjivan.sfb).

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 diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options under ESOP 2019 and pursuant to subscription of shares under the monthly ESOP 2019 calculated in accordance with AS-20 is Rs. 2.18.

C. Details related to Employee Stock Option Plan ("ESOP 2019"):

(i) Description of each ESOP that existed at any time during the year:	
Date of shareholders' approval	March 29, 2019
Total number of options approved under ESOP 2019	144,000,000 options
Vesting requirements	Graded / Cliff vesting
Exercise price or pricing formula	The Exercise Price shall be determined by the Nomination and Remuneration Committee subject to the price not being lower than face value or higher than fair market value as on date of Grant of Options.
Maximum term of options granted	Vesting period from the date of grant: ESOP –Original – upto August 07, 2024 ESOP –Additional - upto December 12, 2021 Exercise period from the date of vesting ESOP –Original – upto August 07, 2029 ESOP –Additional – upto December 12, 2026
Source of shares (primary, secondary or combination)	Primary

Variation in terms of options	Nil
(ii) Method used to account for ESOP - Intrinsic or fair value	
Method used to account for ESOP 2019	Fair Value Method
(iii) Where the company opts for expensing of the options using the intrinsic value of the options	
NA	
(iv) Option movement during the year	
Number of options outstanding at the beginning of the period	NA
Number of options granted during the year	4,07,99,100 options
Number of options forfeited / lapsed during the year	27,23,243 options
Number of options vested during the year	Nil
Number of options exercised during the year	Not exercised as the options are not yet vested
Number of shares arising as a result of exercise of options	NA
Money realized by exercise of options (INR), if scheme is implemented directly by the company	NA
Loan repaid by the Trust during the year from exercise price received	NA
Number of options outstanding at the end of the year	3,80,75,857 options
Number of options exercisable at the end of the year	Nil. As there are Nil vested options as on March 31, 2020 which is available for exercise.
(V) Weighted-average exercise prices and weighted –average fair value of options	
Weighted-average exercise prices and	Rs 35 per option

weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	The weighted average fair value of the share options granted during the financial year is Rs 20.69
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(vi) Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to -

Senior management personnel	Name	Designation	Option granted
	Mr. Nitin Chugh	MD and CEO	3,798,697
Mr. Jolly Zachariah	Head of Channels	131,773	
Ms. Carol Furtado	Head of HR	258,520	
Ms. Upma Goel	CFO	156,986	
Mr. Sanjay Kao	CBO	163,580	
Mr. Rajat Singh	Business Head- Micro and Rural Banking	129,997	
Mr. Arunava Banerjee	CRO	34,650	
Ms. Jaya Janardanan	COO	42,150	
Mr. Chanchal Kumar	CS	82,974	
Mr. Alok Chawla	Head of Audit	38,138	

any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; and	Nil
identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital	Nil

(excluding outstanding warrants and conversions) of the company at the time of grant																																											
vii) A description of the method and significant assumptions used to estimate fair value of options																																											
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	<table border="1"> <thead> <tr> <th></th> <th>Vesting 1</th> <th>Vesting 2</th> <th>Vesting 3</th> <th>Vesting 4</th> <th>Vesting 5</th> </tr> </thead> <tbody> <tr> <td>Grant date share price (Rs. Per share)</td> <td>40.76</td> <td>40.76</td> <td>40.76</td> <td>40.76</td> <td>40.76</td> </tr> <tr> <td>Exercise price (Rs. Per share)</td> <td>35</td> <td>35</td> <td>35</td> <td>35</td> <td>35</td> </tr> <tr> <td>Expected volatility</td> <td>40.08%</td> <td>40.08%</td> <td>40.08%</td> <td>40.08%</td> <td>40.08%</td> </tr> <tr> <td>Expected Option life (Years)</td> <td>3.5</td> <td>4.5</td> <td>5.5</td> <td>6.5</td> <td>7.5</td> </tr> <tr> <td>Expected Dividends</td> <td>13%</td> <td>13%</td> <td>13%</td> <td>13%</td> <td>13%</td> </tr> <tr> <td>Risk-free interest rate</td> <td>5.75%</td> <td>5.90%</td> <td>6.03%</td> <td>6.13%</td> <td>6.22%</td> </tr> </tbody> </table>		Vesting 1	Vesting 2	Vesting 3	Vesting 4	Vesting 5	Grant date share price (Rs. Per share)	40.76	40.76	40.76	40.76	40.76	Exercise price (Rs. Per share)	35	35	35	35	35	Expected volatility	40.08%	40.08%	40.08%	40.08%	40.08%	Expected Option life (Years)	3.5	4.5	5.5	6.5	7.5	Expected Dividends	13%	13%	13%	13%	13%	Risk-free interest rate	5.75%	5.90%	6.03%	6.13%	6.22%
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the method used and the assumptions made to incorporate the effects of expected early exercise	At present we do not have any plan of early exercise.																																										
how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility;	At the time of grant of the ESOP/ ESPS the Bank was an unlisted entity and hence we have considered industry volatility as a base.																																										
whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	No other features apart from that disclosed above were incorporated into the measurement of fair value of the option/offer.																																										

Disclosures in respect of grants made in three years prior to IPO under each ESOP

There were only two grants done by the Nomination and Remuneration Committee prior to the Initial Public Offer (IPO) of the Bank. The details shown above are for the grants done prior to the IPO of the Bank.

Details related to ESPS

(i) The following details on each ESPS under which allotments were made during the year:	
Date of shareholders' approval	August 03, 2019
Number of shares issued	<p>Under the ESPS 2019, the Board is authorized to issue up to 72,001,840 fully paid up Equity Shares of face value of Rs 10 each with pari passu voting rights with the existing equity shares.</p> <p>1,40,55,097 equity shares out of 72,001,840 equity shares has been allotted during the financial year ended March 31, 2020.</p>
The price at which such shares are issued	Rs. 35 per share
Lock-in period	The Shares allotted pursuant to the ESPS 2019 shall not be transferable in any manner for a minimum period of 1 (one) year from the date of allotment thereof, or any other such greater period as may be decided by the Nomination and Remuneration Committee, from time to time, upto a maximum of 3 (three) years.
(ii) The following details regarding allotment made under each ESPS, as at the end of the year :	
The details of the number of shares issued under ESPS	<p>1,40,55,097 number of equity shares have been allotted under the ESPS 2019.</p> <p>Further, under ESPS 2019, employees of the Bank and Holding Company have the option to subscribe for equity shares at the rate of Rs. 35 per share under a monthly scheme where they open a recurring deposit and pay the complete subscription amount at the end of 12 months, post which the allotment of equity shares would be done.</p> <p>3,247,467 equity shares have been earmarked for subscription under the ESPS monthly scheme as on March 31, 2020, subject to fulfilment of the terms and conditions of subscription.</p>

The price at which such shares are issued	Rs. 35 per share																						
Employee-wise details of the shares issued to;	<table border="1"> <thead> <tr> <th colspan="2">(i)</th> </tr> <tr> <th>Senior Managerial Personnel</th> <th>No. of Equity Shares*</th> </tr> </thead> <tbody> <tr> <td>Mr. Jolly Zachariah*</td> <td>1,31,428</td> </tr> <tr> <td>Ms. Carol Furtado</td> <td>1,09,684</td> </tr> <tr> <td>Ms. Upma Goel</td> <td>1,04,355</td> </tr> <tr> <td>Mr. Sanjay Kao</td> <td>51,230</td> </tr> <tr> <td>Mr. Rajat Kumar Singh*</td> <td>40,521</td> </tr> <tr> <td>Mr. Arunava Banerjee</td> <td>25,000</td> </tr> <tr> <td>Ms. Jaya Janardanan</td> <td>22,000</td> </tr> <tr> <td>Mr. Chanchal Kumar*</td> <td>14,252</td> </tr> <tr> <td>Mr. Alok Chawla</td> <td>3,300</td> </tr> </tbody> </table>	(i)		Senior Managerial Personnel	No. of Equity Shares*	Mr. Jolly Zachariah*	1,31,428	Ms. Carol Furtado	1,09,684	Ms. Upma Goel	1,04,355	Mr. Sanjay Kao	51,230	Mr. Rajat Kumar Singh*	40,521	Mr. Arunava Banerjee	25,000	Ms. Jaya Janardanan	22,000	Mr. Chanchal Kumar*	14,252	Mr. Alok Chawla	3,300
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(i) senior managerial personnel;																							
(ii) any other employee who is issued shares in any one year amounting to 5% or more shares issued during that year;	(ii) Nil																						
(iii) identified employees who were issued shares during any one year equal to or exceeding 1% of the issued capital of the company at the time of issuance;	(iii) Nil																						
Consideration received against the issuance of shares, if scheme is implemented directly by the company	Rs. 49,19,28,395																						
Loan repaid by the Trust during the year from exercise price received	NA																						

**Certain SMP are also entitled for subscription of Equity Shares under the monthly scheme, in terms of the ESPS 2019, in which case Equity Shares will be allotted at the end of the 12-month period, subject to fulfilment of the terms and conditions of such subscription.*