



THE FEDERAL BANK LIMITED

CIN: L65191KL1931PLC000368

Federal Towers, Aluva, Kerala - 683 101, India.

Phone: 0484 - 2622263 E-mail: secretarial@federalbank.co.in

Website: www.federalbank.co.in

DISCLOSURES IN COMPLIANCE WITH REGULATION 14 OF SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014 AND RULE 12 OF COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014

- 1. Disclosure in terms of Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time.**
Disclosed in the notes to financial statements - Refer to Note 4.2 D of Schedule 18 of Standalone Financial Statements 2019-20, which forms the part of this Annual Report.
- 2. Material Changes in the Scheme**
No material change has been carried out during the financial year under review. The Scheme was primarily adopted as per the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase scheme) Guidelines, 1999, and the same was aligned as per the provisions and requirements under the SEBI (Share Based Employee Benefits) Regulations, 2015.
- 3. Diluted EPS on issue of shares pursuant to ESOS**
Diluted earnings per share for the year ended March 31, 2020 is Rs.7.70 per share (Face value of Rs.2 each) after considering the effect of potential equity shares on account of exercise of Options

4. A. Details related to ESOS

Sl no.	Particulars	ESOS 2010	ESOS 2017
i.	Details of the Shareholders Approval	December 24, 2010	July 14, 2017
ii.	Total number of Options approved under the scheme	8,55,16,500	8,62,02,270
iii.	Vesting requirements	The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting, subject to the fulfillment of the performance criteria for the vesting.	The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting, subject to the fulfillment of the performance criteria for the vesting.
iv.	Exercise Price / Pricing Formula	The exercise price considered is the closing market price as on the day immediately preceding the date of the grant, at the stock exchange which has had the maximum trading volume of the Bank's share for all options granted so far other than certain Options granted on Nov 03, 2016 which was priced using closing price on the date of completion of one year of service by the employee.	The exercise price considered is the closing market price as on the day immediately preceding the date of the grant, at the stock exchange which has had the maximum trading volume of the Bank's share for all options granted so far other than certain options granted on Aug 14, 2017 which was priced at using closing price on the date of completion of one year of service by the employees and certain options granted on June 06, 2018 which was priced at using closing price on Sep 18, 2017 at the stock exchange which has had the maximum trading volume of the Bank's share.
v.	Maximum Term of Options granted	The Exercise Period would commence from the date of Vesting and will expire on the completion of five years from the date of Vesting of Options.	The Exercise Period would commence from the date of Vesting and will expire on the completion of five years from the date of Vesting of Options.
vi.	Source of Shares	Primary	Primary
vii.	Variation in terms of options	Nil	Nil
viii.	Method used for accounting of ESOS	Intrinsic Value	Intrinsic Value
ix.	For Options granted during the year weighted average exercise prices and weighted average fair value of the options shall be disclosed separately for options whose exercise price either equals or is less than the market price of the stock.		

	Weighted average exercise price of Options whose Exercise price equals market price Exercise price is greater than market price Exercise price is less than market price	Rs. 48.32 Rs. Nil Rs. 72.45	Rs. 87.67 Rs.116.85 Rs. 76.76
	Weighted average fair value of options whose Exercise price equals market price Exercise price is greater than market price Exercise price is less than market price	Rs.18.44 Rs. Nil Rs.32.20	Rs.26.17 Rs.13.49 Rs.44.81

B. Employee-wise details of options granted during the financial year 2019-20 to:

I. Senior Managerial Personnel			
Sl. no.	Name of Employee & Designation	Number of options granted during the year, exercise price	
		ESOS 2010	ESOS 2017
a.	Ashutosh Khajuria, Executive Director & CFO	-	2,50,000, Rs. 98.70 50,000, Rs. 38.30
b.	Shalini Warriar, Executive Director	-	4,50,000, Rs. 98.70 50,000, Rs. 38.30
c.	Harsh Dugar, Country Head – Wholesale Banking	-	4,50,000, Rs. 98.70 3,00,000, Rs. 83.30 40,000, Rs. 38.30
d.	Wilson Cyriac, Chief Risk Officer	-	75,000, Rs. 98.70 50,000, Rs. 38.30
e.	Samir P Rajdev, Company Secretary	-	22,500, Rs. 98.70 50,000, Rs. 94.15 1,00,000, Rs. 96.00 4,000, Rs. 38.30
f.	Sunil Kumar K N, Chief Compliance Officer	-	85000, Rs. 83.30 7,000, Rs. 38.30

II. Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year			
Sl. no.	Name of Employee & Designation	Number of options granted during the year, exercise price	
		ESOS 2010	ESOS 2017
	Nil	NA	NA
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 company at the time of grant.			
Sl. no.	Name of Employee & Designation	Number of options granted during the year, exercise price	
		ESOS 2010	ESOS 2017
	Nil	NA	NA

C. A description of the method and significant assumption used during the year to estimate the fair values of options

a.	The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:	Weighted Average Assumptions	
		ESOS 2010	ESOS 2017
	Price of the underlying shares in market at the time of Option granted (Rs.)	28.63 - 112.35	38.3 - 116.85
	Expected Volatility %	20% - 50%	30%
	Risk free Rate %	6.75% - 8.5%	6% - 7.75%
	Exercise Price (Rs.)	28.63 - 112.35	38.3 - 116.85
	Expected Life (In Years)	3 years to 4.59 years	3 years to 4.5 years
	Expected Dividend %	1% - 2%	1%
b.	How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility.	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.

c.	The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
d.	Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

5. Option Movement during the year

Sl no.	Particulars	ESOS 2010	ESOS 2017
i.	Number of options outstanding at the beginning of the period	24,147,513	50,336,281
ii.	Number of options granted during the year	-	3,05,22,736
iii.	Number of options exercised during the year	71,23,602	4,89,267
iv.	Number of shares arising as a result of exercise of options	71,23,602	4,89,267
v.	Number of options forfeited / lapsed during the year	9,66,570	31,41,840
vi.	Number of options cancelled during the year	-	-
vii.	Money realized by exercise of options	1,42,47,204	9,78,534
viii.	Number of options outstanding at the end of the year	1,60,57,341	7,72,27,910
ix.	Number of options exercisable at the end of the year	1,58,97,341	2,88,40,450
x.	Loan repaid by the Trust during the year from exercise price received	-	-
